





Prime Yield Guide – August 2023

Knight Frank Intelligence

This yield guide is for indicative purposes only and was prepared on 11 August 2023.



Yields are reflective of income-focussed transactions of prime, stabilised institutional-grade assets. Yields are provided on a Net Initial Yield (NIY) basis assuming a rack rented property.

SECTOR		AUG-22	MAR-23	APR-23	MAY-23	JUN-23	JUL-23	AUG-23	1 MONTH CHANGE	MARKET SENTIMENT		
	Student Property	Prime London - Direct Let	3.50%	3.75% - 4.00%	3.75% - 4.00%	3.75% - 4.00%	4.00%	4.00% +	4.00% - 4.25%	+	WEAKER	
		Prime Regional - Direct Let	4.75% - 5.00%	5.00% - 5.25%	5.00% - 5.25%	5.00% - 5.25%	5.00% - 5.25%	5.00% - 5.25%	5.00% - 5.25%		STABLE	
		Prime London - 25 yr lease, Annual RPI	3.00% - 3.25%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%		STABLE
		Prime Regional - 25 yr lease, Annual RPI	3.25% - 3.50%	4.25%	4.25%	4.25%	4.25%	4.25%	4.25%	4.25%		STABLE
	Co-Living	Prime London	3.75% - 4.00%	4.00%	4.00%	4.00%	4.00%	4.00% +	4.00% +		STABLE	
		Prime Regional	4.50% - 4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75% +	+	STABLE	
	Build to Rent	Zone 1 London Prime	3.00% - 3.25%	3.25% +	3.25% +	3.25% - 3.50%	3.25% - 3.50%	3.50% +	3.60%	+0.10%	STABLE	
		Zone 2 London Prime	3.25%	3.50%	3.50% +	3.60%	3.60% +	3.70%	3.80%	+0.10%	STABLE	
		Zones 3-4 London Prime	3.25% - 3.50%	3.60% +	3.60% +	3.70%	3.70% +	3.80%	3.90%	+0.10%	STABLE	
		Greater London Prime	3.50% - 3.75%	3.75% +	3.75% - 4.00%	3.85% - 4.00%	3.85% - 4.00%	4.00%	4.00% - 4.10%	+	STABLE	
		South East Prime	3.50% - 3.75%	3.75% - 4.00%	3.75% - 4.00%	3.85% - 4.00%	3.85% - 4.00%	4.00%	4.00% - 4.10%	+	STABLE	
		Tier 1 Regional Cities	3.75%	4.00%	4.00%	4.00% - 4.10%	4.00% - 4.10%	4.10%	4.20%	+0.10%	STABLE	
		Tier 2 Regional Cities	4.25%	4.25% - 4.50%	4.25% - 4.50%	4.25% - 4.50%	4.25% - 4.50%	4.25% - 4.50%	4.50%	+	STABLE	
		South East – Single Family Housing	3.75%	3.75% +	3.75% +	3.75%	3.75%	3.75% +	3.75% - 4.00%	+	STABLE	
		Regional – Single Family Housing	4.00% - 4.25%	4.00% - 4.25%	4.00% - 4.25%	4.00% - 4.25%	4.00% - 4.25%	4.00% - 4.25%	4.25% +	+	STABLE	
	Seniors Housing	Prime South East	5.00% - 5.25%	5.25% +	5.25% +	5.25% +	5.25% +	5.25% +	5.25% +		STABLE	

Your partners in property.

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KEY RESEARCH

UK Student Market Update

Q2 2023 Knight Frank

Fig 1: UK Student Market Update

Fewer than 15,000 new purpose-built student beds will be added to capacity in the 2023/24 academic year, a 28% fall on the previous year's delivery and notably below the five year average before the pandemic of nearly 24,000.

Development update

A strong pipeline of a further 100,000 beds of new purpose-built student accommodation (PBSA) is expected to be completed in 2024/25. New beds have been added in 2022/23, with the larger number of new additions at 1,200 beds, followed by Colchester 1,200 beds and Bristol 1,000. The pipeline remains strong, with 100,000 beds in the pipeline for completion in 2023/24, 100,000 in 2024/25 and 100,000 in 2025/26. The pipeline remains strong, with 100,000 beds in the pipeline for completion in 2023/24, 100,000 in 2024/25 and 100,000 in 2025/26.

Student numbers rising

The latest student population data from HESA shows that 440,000 full-time undergraduate students returned to university in 2022/23, rising from 430,000 in 2021/22. Undergraduate numbers are expected to rise to 450,000 in 2023/24, with 100,000 more students returning to university in 2023/24 than in 2022/23. The pipeline remains strong, with 100,000 beds in the pipeline for completion in 2023/24, 100,000 in 2024/25 and 100,000 in 2025/26.

The pipeline

Construction is well advanced in 100,000 new beds across the UK, with 25% of this value construction and 75% of this value construction completed. London has the largest pipeline, followed by Nottingham, Leeds, Bristol and Birmingham.

UK BTR market update

Q2 2023 Knight Frank

Fig 2: UK BTR market update

Despite a challenging backdrop, investment in UK Build to Rent (BTR) has been robust in H1 2023, supported by an uptick in Single Family Housing (SFH) deals. Month-to-month, supply shortages continue to support strong rental growth.

Investment volumes reflect strength of interest in the sector

Investment into the UK Build to Rent market for SFH fell in the second quarter of 2023, being overtaken by investment in the build-to-rent (BTR) sector. The number of buildings completed fell from 10 in the first quarter to 12 in Q2, but the number of buildings completed fell from 10 in the first quarter to 12 in Q2. The number of buildings completed fell from 10 in the first quarter to 12 in Q2.

Notable growth in single family housing deals

Single Family Housing (SFH) continued the trend of investment in Q2, adding 10 new investment deals (10 to 17 in Q1) and nearly double the figure for H1 over 2023. Notable growth in BTR investment over the period for which has been reported by several deals with householders. The wider economic environment remains positive with an increase in build programme. More than 10% of investment in the second quarter was in forward funding or pre-construction stages with the remaining 90% in completed developments. The pipeline remains strong, with 100,000 beds in the pipeline for completion in 2023/24, 100,000 in 2024/25 and 100,000 in 2025/26.

UK capital investment

UK investors have been the most active in terms of spend in the UK, accounting for 40% of total investment in the UK BTR market in H1 2023. Between 2020 and 2022 of 45%, North American investors were the second most active at 25% of total investment in the UK BTR market. Investment from Asia Pacific and Europe. Funding remains a challenge for many core European investors, but we expect to see more capital flow into the UK BTR market in 2023.

[CLICK TO DOWNLOAD PBSA](#)

[CLICK TO DOWNLOAD BTR](#)

Knight Frank Research looks at the latest investment and development trends in the UK Student & BTR sector in Q2 2023

Knight Frank V&A

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- Data Centres
- Life Sciences
- Income Strips
- Ground Rents
- Trading assets
- Expert Witness
- IPOs

KEY CONTACTS

We like questions. If you would like some property advice, or want more information about our research, we would love to hear from you.



John-Paul Stichbury

Partner – Valuation & Advisory – Build to Rent
+44 20 3866 8036
John-Paul.Stichbury@KnightFrank.com



David Shapland

Partner – Valuation & Advisory - Head of Build to Rent
+44 20 7861 5455
David.Shapland@KnightFrank.com



Neil Armstrong

Partner – Valuation & Advisory - Head of Student
+44 20 7861 5332
Neil.Armstrong@KnightFrank.com



Sarah Jones

Partner – Valuation & Advisory – Student Property
+44 20 7861 1277
Sarah.Jones@KnightFrank.com



Peter Youngs

Partner – Valuation & Advisory - Head of Seniors Housing
+44 20 7861 1656
Peter.Youngs@KnightFrank.com



Oliver Knight

Partner – Research - Head of Residential Development
+44 20 7861 5134
Oliver.Knight@KnightFrank.com



Lisa Attenborough

Partner – KFCA - Head of Debt Advisory
+44 20 3909 6846
Lisa.Attenborough@KnightFrank.com



Emma Winning

Partner – KFCA - Head of Equity Advisory
+44 20 7861 1509
Emma.Winning@KnightFrank.com

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