

Prime Yield Guide – April 2024

Knight Frank Intelligence

This yield guide is for indicative purposes only
and was prepared on 09 April 2024.



[Click here to view previous data](#)

	SECTOR		APR-23	DEC-23	JAN-24	FEB-24	MAR-24	APR-24	CHANGE	SENTIMENT
	High Street Retail (institutional lot sizes)	Bond Street	2.75% - 3.00%	2.75% - 3.00%	2.75% - 3.00%	2.75% - 3.00%	2.75% - 3.00%	2.75% - 3.00%		STABLE
		Oxford Street	4.25% - 4.50%	4.50%	4.50%	4.50%	4.50%	4.50%		STABLE
		Prime Towns (Oxford, Cambridge, Winchester)	6.75%	7.00%	7.00%	7.00%	7.00%	7.00%		STABLE
		Regional Cities (Manchester, Birmingham)	7.00%	7.25%	7.25%	7.25%	7.25%	7.25%		STABLE
		Good Secondary (Truro, Leamington Spa, Colchester etc)	9.00% - 9.25%	10.00%	10.00%	10.00%	10.00%	10.00%		STABLE
	Shopping Centres (sustainable income)	Regional Scheme	8.00% +	8.00% +	8.00% +	8.25%	8.25%	8.25%		STABLE
		Sub-Regional Scheme	9.00% +	9.50% +	9.50% +	9.50% +	9.50% +	9.50% +		STABLE
		Local Scheme (successful)	9.75% +	10.50% +	10.50% +	10.50% +	10.50% +	10.50% +		STABLE
		Neighbourhood Scheme (assumes <25% of income from supermarket)	9.50% - 9.75%	10.00%	10.00%	10.00%	10.00%	10.00%		STABLE
	Out of Town Retail	Open A1 Parks	6.00%	6.00% +	6.25%	6.25%	6.00%	5.75% - 6.00%	-	POSITIVE
		Good Secondary Open A1 Parks	7.50%	8.00%	8.00%	8.00%	8.00%	7.75% - 8.00%	-	POSITIVE
		Bulky Goods Parks	6.00%	6.00% +	6.25%	6.25%	6.00%	5.75% - 6.00%	-	POSITIVE
		Good Secondary Bulky Goods Parks	7.50%	8.00%	8.00%	8.00%	8.00%	7.75% - 8.00%	-	POSITIVE
		Solus Open A1 (15 year income)	5.75% - 6.00%	6.00%	6.00%	6.00%	6.00%	6.00%		STABLE
		Solus Bulky (15 year income)	5.75% - 6.00%	6.00%	6.00%	6.00%	6.00%	6.00%		STABLE
	Foodstores	Annual RPI Increases [NIY] (20 year income)	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%		STABLE
		Open Market Reviews (20 year lease, 5 yearly reviews)	5.50%	6.00%	6.00%	6.00%	6.00%	6.00%		STABLE
		Discounters (20 years, 5 yearly indexation)	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%		STABLE
	Leisure	Prime Leisure Parks	7.50% +	7.75% - 8.00%	8.00%	8.00%	8.00%	8.00%		STABLE
		Good Secondary Leisure Parks	9.00% +	9.00%	9.00%	9.00%	9.00%	9.00%		STABLE

Based on rack rented properties and disregards bond type transactions

Prime Yield Guide – April 2024

Knight Frank Intelligence

This yield guide is for indicative purposes only
and was prepared on 09 April 2024.



[Click here to view previous data](#)

SECTOR		APR-23	DEC-23	JAN-24	FEB-24	MAR-24	APR-24	CHANGE	SENTIMENT
	Offices	City Prime (10 years)	4.75%	5.25% - 5.50%	5.25% - 5.50%	5.25% - 5.50%	5.25% - 5.50%	5.25% - 5.50%	STABLE
	West End: Prime Core (Mayfair & St James's)	3.75%	4.00%	4.00%	4.00%	4.00%	4.00%		STABLE
	West End: Non-core (Soho & Fitzrovia)	4.50%	4.75%	4.75%	4.75%	4.75%	4.75%		STABLE
	Major Regional Cities (10 years)	5.75%	6.50%	6.50%	6.50%	6.50%	6.50%		STABLE
	Major Regional Cities (5 years)	6.50% - 7.00%	7.50%	7.50%	7.50%	7.50%	7.50%		STABLE
	Secondary Regional Cities	9.00% - 9.25%	11.00% +	11.00% +	11.00% +	11.00% +	11.00% +		NEGATIVE
	South East Towns (10 years)	6.00% - 6.50%	7.25%	7.25%	7.25%	7.25%	7.25%		STABLE
	South East Towns (5 years)	7.50%	8.25%	8.25%	8.25%	8.25%	8.25%		STABLE
	Secondary South East Towns	9.25% - 9.50%	11.50% +	11.50% +	11.50% +	11.50% +	11.50% +		NEGATIVE
	South East Business Parks (10 years)	7.00%	8.00% +	8.00% +	8.00% +	8.00% +	8.00% +		NEGATIVE
	South East Business Parks (5 years)	8.50% +	10.50% +	10.50% +	10.50% +	10.50% +	10.50% +		NEGATIVE
Secondary South East Business Parks	9.75% +	12.50% +	12.50% +	12.50% +	12.50% +	12.50% +		NEGATIVE	
	Warehouse & Industrial	Prime Distribution / Warehousing (20 years [NIY], higher OMV/index)	4.75%	4.75% - 5.00%	4.75% - 5.00%	4.75% - 5.00%	5.00%	5.00%	STABLE
	Prime Distribution / Warehousing (15 years, OMRRs)	5.25%	5.25% - 5.50%	5.25% - 5.50%	5.25% - 5.50%	5.50%	5.50%		STABLE
	Secondary Distribution (10 years, OMRRs)	5.50% - 5.75%	5.75% - 6.00%	5.75% - 6.00%	5.75% - 6.00%	6.00%	6.00%		STABLE
	Greater London Estates	4.75% - 5.00%	5.00%	5.00%	5.00%	5.00%	5.00%		STABLE
	South East Estates	5.00% - 5.25%	5.25%	5.25%	5.25%	5.25%	5.25%		STABLE
	Good Modern Rest of UK Estates	5.25% - 5.50%	5.50%	5.50%	5.50%	5.50%	5.50%		STABLE
	Good Secondary Estates	6.50% - 7.00%	6.75% - 7.25%	6.75% - 7.25%	6.75% - 7.25%	6.75% - 7.25%	6.75% - 7.25%		STABLE
	Specialist Sectors	Car Showrooms (20 years with indexed uplifts & dealer covenant)	5.75%	6.00%	6.00%	6.00%	6.00%	6.00%	STABLE
	Budget Hotels London (20 years, 5 yearly indexed reviews)	4.50%	4.75% +	4.75% +	4.75% +	4.75% +	4.75%		STABLE
	Budget Hotels Regional (20 years, 5 yearly indexed reviews)	5.00%	5.25% +	5.25% +	5.25% +	5.25% - 5.50%	5.50% +	+	NEGATIVE
	Student Accommodation Prime London (25 years, Annual indexation)	4.00%	4.25% +	4.25% +	4.25% +	4.25% +	4.25% +		STABLE
	Student Accommodation Prime Regional (25 years, Annual indexation)	4.25%	4.50% +	4.50% +	4.50% +	4.50% +	4.50% +		STABLE
	Healthcare (Not for Profit Operator, 30 years, Annual indexed reviews)	4.00% - 4.25%	4.50% +	4.50% +	4.50% +	4.50% - 4.75%	4.75%	+	STABLE
	Healthcare (SPV credit, 25 years, Annual indexed reviews)	5.25%	5.75%	5.75%	5.75%	5.75%	5.75%		STABLE
	Data Centres (Leased, 15 years, Annual indexation)	4.75% +	4.75%	4.75%	5.00%	5.00%	5.00%		STABLE
	Life Sciences (15 years)	4.25% - 4.50%	4.50% - 4.75%	4.50% - 4.75%	4.50% - 4.75%	4.50% - 4.75%	4.75%	+	STABLE
	Income Strips (50 years, Annual RPI / CPIH+1% RRs, Annuity Grade)	4.00%	3.75%	3.75%	3.75%	3.75%	3.75%		STABLE
Ground Rents (125 years, Annual RPI / CPIH+1% RRs, <15% EBITDA cover, Vacant Possession cover <40%)	3.25%	3.50%	3.50%	3.25%	3.25%	3.25%		STABLE	

Prime Yield Guide – April 2024

Knight Frank Intelligence

This yield guide is for indicative purposes only and was prepared on 09 April 2024.



[Click here to view previous data](#)

LEADING INDICATORS

Rate cuts expected with interest rate forecasts ranging between 4.0% - 4.5% by year end.

Despite UK inflation falling to 3.4% (vs. expectation of 3.5%), its lowest level since September 2021, the Bank of England kept its interest rate at a 16-year high at the latest MPC meeting. BoE forecasts inflation to fall back to 2% target by Q2 2024. Money markets are currently pricing in three 25bps rate cuts in 2024, with the first move expected in August.

The UK Manufacturing PMI lifted to a 20-month high in March. The PMI hit 49.9 in March, its strongest level since July 2022, beating market expectations of 47.8, albeit remains contractionary (<50). Meanwhile, the UK Services PMI moderated to 53.4 in March, its lowest level in three months, but has remained expansionary (>50) for five months.

UK households' personal finances outlook hit highest level since 2021. The outlook for personal finances in the UK increased to two in March 2024, its highest level since November 2021 and the first time above zero in over two years.

DEBT MARKET – 8 April 2024

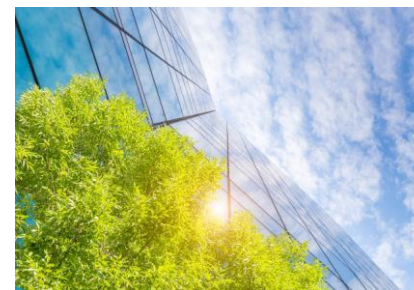
SONIA/EURIBOR Swap Rates (3/5 Year)



Source: Macrobond, ICAP

BONDS & RATES	MAR 2023	FEB 2024	MAR 2024	5 APR 2024
Bank of England Base Rate	4.00%	5.25%	5.25%	5.25%
5-year SONIA Swap Rate	4.31%	3.85%	3.96%	3.85%
10-year Gilt Redemption Yield	3.81%	4.11%	4.09%	4.07%
10-year Indexed Gilt Yield	0.43%	0.65%	0.58%	0.43%

ESG



How does ESG impact commercial property valuations?

Intelligence Lab



Momentum to gather in 2024
The latest OBR forecasts point to improved economic and fiscal outlook.

Prime Yield Guide – April 2024

Knight Frank Intelligence

*This yield guide is for indicative purposes only
and was prepared on 09 April 2024.*



KEY RESEARCH



The latest Knight Frank UK Logistics Dashboard March 2024

An overview of the UK investment and occupier markets as well as several key trackers we are currently following as we observe their impact on the industrial and logistics market.

Knight Frank V & A

Did you know

In addition to valuing assets in the main property sectors and having award winning teams in the Healthcare, Student and Automotive sectors, Knight Frank also has expertise in :

- Waste and Energy
- Infrastructure
- Garden Centres
- Film Studios
- Serviced Offices
- 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.



Emily Miller

Partner – Valuation & Advisory - Head of UK Fund Valuations
+44 20 7861 1483
Emily.Miller@KnightFrank.com



Jeremy Tham

Partner – Valuation & Advisory - Head of Real Estate Finance Valuations
+44 20 7861 1769
Jeremy.Tham@KnightFrank.com



Simon Gillespie

Partner – Valuation & Advisory - Head of Central London Valuations
+44 20 7861 1292
Simon.Gillespie@KnightFrank.com



Chris Galloway

Partner – Valuation & Advisory - Head of Business Development UK Fund Valuations
+44 20 7861 1297
Chris.Galloway@KnightFrank.com



Matthew Dichler

Partner – Valuation & Advisory – UK Fund Valuations
+44 20 7861 5224
Matthew.Dichler@KnightFrank.com



Will Matthews

Partner – Research - Head of Commercial
+44 20 3909 6842
William.Matthews@KnightFrank.com

Knight Frank Research provides strategic advice, consultancy services and forecasting to a wide range of clients worldwide including developers, investors, funding organisations, corporate institutions and the public sector. All our clients recognise the need for expert independent advice customised to their specific needs. Important Notice: © Knight Frank LLP 2024. This report is published for general information only and not to be relied upon in any way. Although high standards have been used in the preparation of the information, analysis, views and projections presented in this report, no responsibility or liability whatsoever can be accepted by Knight Frank LLP for any loss or damage resultant from any use of, reliance on or reference to the contents of this document. As a general report, this material does not necessarily represent the view of Knight Frank LLP in relation to particular properties or projects. Reproduction of this report in whole or in part is not allowed without prior written approval of Knight Frank LLP to the form and content within which it appears. Knight Frank LLP is a limited liability partnership registered in England with registered number OC305934. Our registered office is 55 Baker Street, London, W1U 6AN, where you may look at a list of members' names.

Knight Frank Research
Reports are available at
knightfrank.com/research

Your partners in property.