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Knight Frank Intelligence

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SECTOR		AUG-25	APR-26	MAY-26	JUN-26	JUL-26	AUG-26	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	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%		STABLE
	Prime Towns	6.50%	6.25%	6.25%	6.25%	6.25%	6.25%		STABLE
	Regional Cities	7.00%	6.75%	6.75%	6.75%	6.75%	6.75%		STABLE
	Good Secondary	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%		STABLE
Shopping Centres (sustainable income)	Regional Scheme	7.25% - 7.50%	7.25%	7.25%	7.25%	7.25%	7.25%		POSITIVE
	Sub-Regional Scheme	9.00% -	8.50%	8.50%	8.50%	8.50%	8.50%		STABLE
	Local Scheme (successful)	10.00% -	9.50%	9.50%	9.50%	9.50%	9.50%		STABLE
	Neighbourhood Scheme (assumes <25% of income from supermarket)	10.00% -	10.00% -	10.00% -	10.00% -	10.00% -	10.00% -		STABLE
Out of Town Retail	Open A1 Parks	5.25% - 5.50%	5.25% - 5.50%	5.25% - 5.50%	5.25% - 5.50%	5.25% - 5.50%	5.25% - 5.50%		STABLE
	Good Secondary Open A1 Parks	6.50% - 6.75%	6.50% - 6.75%	6.50% - 6.75%	6.50% - 6.75%	6.50% - 6.75%	6.50% - 6.75%		POSITIVE
	Bulky Goods Parks	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%		STABLE
	Good Secondary Bulky Goods Parks	6.50% - 6.75%	6.50% - 6.75%	6.50% - 6.75%	6.50% - 6.75%	6.50% - 6.75%	6.50% - 6.75%		POSITIVE
	Solus Open A1 (15 year income)	6.00% -	6.00%	6.00%	6.00%	6.00%	6.00%		STABLE
	Solus Bulky (15 year income)	6.00% -	6.00%	6.00%	6.00%	6.00%	6.00%		STABLE
Foodstores	Annual RPI Increases [NIY] (20 year income)	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%		POSITIVE
	Open Market Reviews (20 year lease, 5 yearly reviews)	5.75%	5.75%	5.75%	5.50% - 5.75%	5.50% - 5.75%	5.50% - 5.75%		POSITIVE
	Discounters (20 years, 5 yearly indexation)	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%		POSITIVE
Leisure	Prime Leisure Parks	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%		NEGATIVE
	Good Secondary Leisure Parks	9.00%	9.00%	9.00%	9.50%	9.50%	9.50%		NEGATIVE

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Offices	City Prime (10 years)	5.25% - 5.50%	5.25%	5.25%	5.25%	5.25%	5.25%		STABLE
	West End: Prime Core (Mayfair & St James's)	4.00%	3.75% - 4.00%	3.75% - 4.00%	3.75% - 4.00%	3.75% - 4.00%	3.75% - 4.00%		STABLE
	West End: Non-core (Soho & Fitzrovia)	4.75%	4.50% - 4.75%	4.50% - 4.75%	4.50% - 4.75%	4.50% - 4.75%	4.50% - 4.75%		STABLE
	Major Regional Cities (10 years)	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%		STABLE
	Major Regional Cities (5 years)	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%		STABLE
	Secondary, Regional Cities	11.00% +	11.00% +	11.00% +	11.00% +	11.00% +	11.00% +		STABLE
	South East Towns (10 years)	7.25%	7.25%	7.25%	7.25%	7.25%	7.25%		STABLE
	South East Towns (5 years)	8.25%	8.25%	8.25%	8.25%	8.25%	8.25%		STABLE
	Secondary, South East Towns	11.50% +	11.50% +	11.50% +	11.50% +	11.50% +	11.50% +		STABLE
	South East Business Parks (10 years)	8.00% +	8.00% +	8.00% +	8.00% +	8.00% +	8.00% +		STABLE
	South East Business Parks (5 years)	10.50% +	10.50% +	10.50% +	10.50% +	10.50% +	10.50% +		STABLE
Warehouse & Industrial	Prime Distribution / Warehousing (20 years [NIY], higher OMV/index)	5.00%	5.00% - 5.25%	5.25%	5.25%	5.25%	5.25%		STABLE
	Prime Distribution / Warehousing (15 years, OMRRs)	5.25%	5.25%	5.25% +	5.25% - 5.50%	5.25% - 5.50%	5.25% - 5.50%		STABLE
	Secondary Distribution (10 years, OMRRs)	6.00%	6.00%	6.00% - 6.25%	6.00% - 6.25%	6.00% - 6.25%	6.00% - 6.25%		STABLE
	Greater London Estates	4.75%	4.75%	4.75% - 5.00%	4.75% - 5.00%	4.75% - 5.00%	4.75% - 5.00%		STABLE
	South East Estates	5.00%	5.00%	5.00% - 5.25%	5.25%	5.25%	5.25%		STABLE
	Good Modern Rest of UK Estates	5.00% - 5.25%	5.00% - 5.25%	5.00% - 5.25%	5.25%	5.25%	5.25%		STABLE
	Good Secondary Estates	6.50% - 7.00%	6.50% - 7.00%	6.50% - 7.00%	6.50% - 7.00%	6.50% - 7.00%	6.50% - 7.00%		STABLE
Specialist Sectors	Car Showrooms (20 years with indexed uplifts & dealer covenant)	6.00%	6.25%	6.25%	6.25%	6.25%	6.25%		STABLE
	Budget Hotels London (20 years, 5 yearly indexed reviews)	4.50 - 4.75%	4.75%	4.75%	4.75%	4.75% +	4.75% +		STABLE
	Budget Hotels Regional (20 years, 5 yearly indexed reviews)	5.25% +	5.25% - 5.50%	5.25% - 5.50%	5.25% - 5.50%	5.25% - 5.50%	5.25% - 5.50%		STABLE
	Student Accommodation Prime London (25 years, Annual indexation)	4.00%	4.00% - 4.25%	4.00% - 4.25%	4.25% +	4.25% - 4.50%	4.25% - 4.50%		NEGATIVE
	Student Accommodation Prime Regional (25 years, Annual indexation)	4.25%	4.25% - 4.50%	4.25% - 4.50%	4.50% +	4.50% - 4.75%	4.50% - 4.75%		NEGATIVE
	Healthcare (Not for Profit Operator, 30 years, Annual indexed reviews)	4.50%	4.50% +	4.50% +	4.50% +	4.75%	4.75%		STABLE
	Healthcare (SPV credit, 30 years, Annual indexed reviews)	5.75%	5.75%	5.75%	5.75%	5.75% - 6.00%	5.75% - 6.00%		STABLE
	Data Centres (Leased, 15 years, Annual indexation)	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%		STABLE
	Life Sciences (15 years)	4.75%	4.75%	4.75%	5.00% - 5.25%	5.00% - 5.25%	5.00% - 5.25%		STABLE
	Income Strips (50 years, Annual RPI / CPIH+1% RRs, Annuity Grade)	4.00%	4.00% +	4.25%	4.25%	4.25%	4.25% +	+	STABLE
	Ground Rents (125 years, Annual RPI / CPIH+1% RRs, <15% EBITDA cover, Vacant Possession cover <40%)	3.50%	3.50% +	3.75%	3.75%	3.75%	3.75% +	+	STABLE

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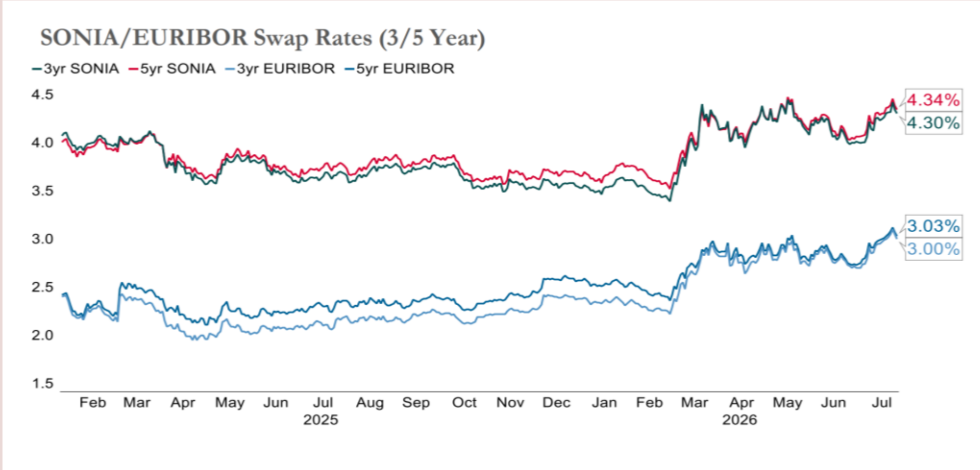
LEADING INDICATORS

UK fiscal consolidation expected to move faster than peers. IMF forecasts suggest the UK is set for one of the sharper fiscal consolidations among major economies, with the deficit expected to narrow to around 1.6% of GDP by 2031. For the new Prime Minister, delivering that adjustment credibly will be key while debt remains close to 95% of GDP and gilt markets remain sensitive to fiscal slippage.

Soft labour market encourages BoE to hold Base Rate. Private sector wage growth, a key measure watched by the Bank of England, slowed to 2.9% YoY, its weakest pace since October 2020. With unemployment steady at 4.9% and payrolls falling by less than expected in June, the labour market remains soft but stabilising, providing a key reason that the BofE have held base rates at 3.75%.

Temporary inflation pressures, but outlook remains contained. Inflation is expected to rise over the coming quarters, with CPI forecast to peak around 3.4% in late 2026 as energy and utility costs feed through. However, softer wage growth and easing domestic pressures should support a gradual return towards the BoE's 2% target in 2027. While geopolitical risks remain, the inflation backdrop looks materially less challenging than in 2022, supporting a measured easing cycle.

DEBT MARKET – 28 July 2026



Source: Macrobond, ICAP

BONDS & RATES	AUG 2025	JUN 2026	JUL 2026	04 AUG 2026
Bank of England Base Rate	4.00%	3.75%	3.75%	3.75%
5-year SONIA Swap Rate	3.67%	4.23%	4.08%	4.23%
10-year Gilt Redemption Yield	4.52%	4.97%	4.86%	4.99%
10-year Indexed Gilt Yield	1.44%	1.58%	1.75%	1.82%

ESG

What will it take to get to B by 2031?

Intelligence Lab

Retail Renaissance: What happened to intu?

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KEY RESEARCH

South East & Greater London Offices

A quarterly report providing accurate and comprehensive information for occupiers, developers and investors. The report provides an overview of the development of the office market alongside quarterly supply and demand data and local market commentary.

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 :

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- Infrastructure
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- 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.

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