

# Prime Yield Guide – February 2025

Knight Frank Intelligence

Based on rack rented properties and disregards bond type transactions

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and was prepared on 12 February 2025.



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	SECTOR		FEB-24	OCT-24	NOV-24	DEC-24	JAN-25	FEB-25	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	7.00%	6.75%	6.75%	6.75%	6.75%	6.50%	-0.25%	STABLE
		Regional Cities	7.25%	7.25%	7.25%	7.25%	7.25%	7.00%	-0.25%	STABLE
		Good Secondary	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%		STABLE
	Shopping Centres (sustainable income)	Regional Scheme	8.25% +	7.75%	7.75%	7.50%	7.50%	7.50%		STABLE
		Sub-Regional Scheme	9.50% +	9.00%	9.00%	9.00% -	9.00% -	9.00% -		POSITIVE
		Local Scheme (successful)	10.50% +	10.00%	10.00%	10.00% -	10.00% -	10.00% -		POSITIVE
		Neighbourhood Scheme (assumes <25% of income from supermarket)	10.00%	10.00%	10.00%	10.00% -	10.00% -	10.00% -		POSITIVE
	Out of Town Retail	Open A1 Parks	6.25%	5.50%	5.50%	5.25% - 5.50%	5.25% - 5.50%	5.25% - 5.50%		POSITIVE
		Good Secondary Open A1 Parks	8.00%	6.75% - 7.00%	6.75% - 7.00%	6.75% - 7.00%	6.75% - 7.00%	6.75% - 7.00%		POSITIVE
		Bulky Goods Parks	6.25%	5.75% -	5.75% -	5.50%	5.50%	5.50%		POSITIVE
		Good Secondary Bulky Goods Parks	8.00%	7.00%	7.00%	6.75% - 7.00%	6.75% - 7.00%	6.75% - 7.00%		POSITIVE
		Solus Open A1 (15 year income)	6.00%	6.00%	6.00%	6.00% -	6.00% -	6.00% -		POSITIVE
		Solus Bulky (15 year income)	6.00%	6.00%	6.00%	6.00% -	6.00% -	6.00% -		POSITIVE
	Foodstores	Annual RPI Increases [NIY] (20 year income)	5.00%	5.00%	5.00%	4.75% - 5.00%	4.75% - 5.00%	4.75%	-	POSITIVE
		Open Market Reviews (20 year lease, 5 yearly reviews)	6.00%	6.00%	6.00%	6.00%	6.00%	5.75%	-0.25%	STABLE
		Discounters (20 years, 5 yearly indexation)	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%		POSITIVE
	Leisure	Prime Leisure Parks	8.00%	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

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SECTOR		FEB-24	OCT-24	NOV-24	DEC-24	JAN-25	FEB-25	CHANGE	SENTIMENT
 <b>Offices</b>	City Prime (10 years)	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
	West End: Prime Core (Mayfair & St James's)	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%		STABLE
	West End: Non-core (Soho & Fitzrovia)	4.75%	4.75%	4.75%	4.75%	4.75%	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% +		NEGATIVE
	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% +		NEGATIVE
	South East Business Parks (10 years)	8.00% +	8.00% +	8.00% +	8.00% +	8.00% +	8.00% +		NEGATIVE
	South East Business Parks (5 years)	10.50% +	10.50% +	10.50% +	10.50% +	10.50% +	10.50% +		NEGATIVE
 <b>Warehouse &amp; Industrial</b>	Prime Distribution / Warehousing (20 years [NIY], higher OMV/index)	4.75% - 5.00%	5.00%	5.00%	5.00%	5.00%	5.00%		POSITIVE
	Prime Distribution / Warehousing (15 years, OMRRs)	5.25% - 5.50%	5.25% - 5.50%	5.25% - 5.50%	5.25%	5.25%	5.25%		POSITIVE
	Secondary Distribution (10 years, OMRRs)	5.75% - 6.00%	6.00%	6.00%	6.00%	6.00%	6.00%		STABLE
	Greater London Estates	5.00%	4.75% - 5.00%	4.75% - 5.00%	4.75%	4.75%	4.75%		POSITIVE
	South East Estates	5.25%	5.00%	5.00%	5.00%	5.00%	5.00%		POSITIVE
	Good Modern Rest of UK Estates	5.50%	5.00% - 5.25%	5.00% - 5.25%	5.00% - 5.25%	5.00% - 5.25%	5.00% - 5.25%		POSITIVE
	Good Secondary Estates	6.75% - 7.25%	6.50% - 7.00%	6.50% - 7.00%	6.50% - 7.00%	6.50% - 7.00%	6.50% - 7.00%		STABLE
 <b>Specialist Sectors</b>	Car Showrooms (20 years with indexed uplifts & dealer covenant)	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%		STABLE
	Budget Hotels London (20 years, 5 yearly indexed reviews)	4.75% +	4.75% -	4.75% -	4.75% -	4.75% -	4.50% - 4.75%	-	POSITIVE
	Budget Hotels Regional (20 years, 5 yearly indexed reviews)	5.25% +	5.25% -	5.25% -	5.25% -	5.25% -	5.00% - 5.25%	-	POSITIVE
	Student Accommodation Prime London (25 years, Annual indexation)	4.25% +	4.25%	4.25%	4.25%	4.25%	4.00%	-0.25%	STABLE
	Student Accommodation Prime Regional (25 years, Annual indexation)	4.50% +	4.50%	4.50%	4.50%	4.50%	4.25%	-0.25%	STABLE
	Healthcare (Not for Profit Operator, 30 years, Annual indexed reviews)	4.50% +	4.75%	4.75%	4.75%	4.50%	4.50%		POSITIVE
	Healthcare (SPV credit, 30 years, Annual indexed reviews)	5.50% +	5.75%	5.75%	5.75%	5.75%	5.75%		POSITIVE
	Data Centres (Leased, 15 years, Annual indexation)	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%		STABLE
	Life Sciences (15 years)	4.50% - 4.75%	4.75%	4.75%	4.75%	4.75%	4.75%		STABLE
	Income Strips (50 years, Annual RPI / CPIH+1% RRs, Annuity Grade)	3.75%	3.75%	3.75%	3.75%	4.00%	4.00%		NEGATIVE
Ground Rents (125 years, Annual RPI / CPIH+1% RRs, <15% EBITDA cover, Vacant Possession cover <40%)	3.25%	3.25%	3.25%	3.25%	3.50%	3.50%		NEGATIVE	

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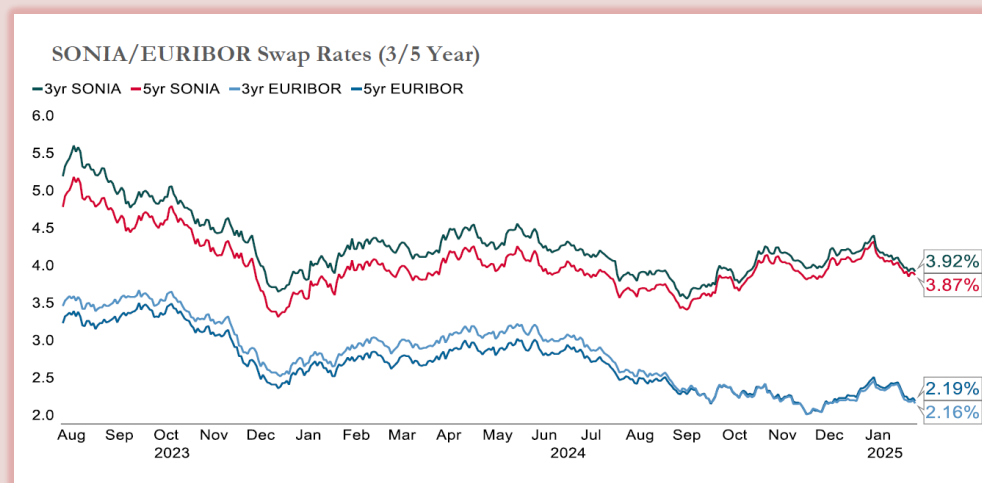
## LEADING INDICATORS

**BoE Resumes Monetary Easing.** The Bank of England (BoE) lowered interest rates by -25bps to 4.50%, the lowest level since June 2023. Notably, two external policymakers advocated for a larger 50bps cut, prompting markets to raise expectations for further easing. Money markets now anticipate three additional quarter-point cuts this year, which would bring the bank rate to 3.75% by year-end.

**Divergence In The UK Growth Outlook.** Released last week, the BoE's February Monetary Policy Report predicts the UK economy will expand by +0.75% in 2025, below the +1.50% forecast in November 2024, reflecting weaker-than-expected economic momentum. The outlook for 2026, however, has been marginally upgraded, with GDP growth expected to rise to +1.50% (previously +1.25%).

**Clean Power 30: What It Means For Real Estate.** The UK government's Clean Power 30 Action Plan (CP30) sets a pathway to achieve the ambitious target of 95% renewable energy by 2030. A key part of this is the overhaul of the current grid connection system, which has caused delays in both capacity generation and development due to limited supply.

## DEBT MARKET – 10 February 2025



Source: Macrobond, ICAP

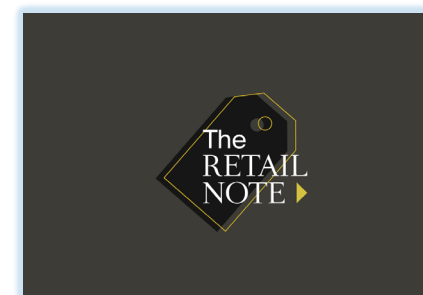
BONDS & RATES	FEB 2024	DEC 2024	JAN 2025	11 FEB 2025
Bank of England Base Rate	5.25%	4.75%	4.75%	4.50%
5-year SONIA Swap Rate	3.85%	3.81%	4.30%	3.92%
10-year Gilt Redemption Yield	4.11%	4.20%	4.85%	4.51%
10-year Indexed Gilt Yield	0.65%	0.73%	1.26%	0.97%

## ESG



**Clean Power 30: What does it mean for real estate?**

## Intelligence Lab



**The Retail Note | 2024: the year that was**

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## KEY RESEARCH



**Unlocking London: Shifting Behaviours,  
Emerging Opportunities**

## Knight Frank V&A

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- 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.*



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