

Signs of yields stabilizing in some sectors

Appendix 2

- ▶ Cash buyers active for small lot sizes.
Retail
- ▶ Stronger demand feeding through into yield compression.
Out of Town Retail
- ▶ Demand picking up as yields stabilise.
Industrial
- ▶ Interest strongest for green buildings with excellent ESG credentials.
Offices

(February yields in brackets, changes in red)

Retail	Mar 2022 (%)	June 2022 (%)	Sept 2022 (%)	Dec 2022 (%)	Mar 2023 (%)	Trend
OFFICES						
West End	3.25	3.25	3.25	3.75	3.75	Weaker
City of London	3.75	3.75	4.00	4.50	4.50	Weaker
M25/South East	5.50	5.50	5.75	6.25	6.25	Weaker
Regional Cities	4.75	4.75	5.00	6.00	6.00	Weaker
Good Secondary	7.00	7.00	7.50	9.00	9.25	Weaker
Secondary	10.00	10.00	10.50	12.50	13.00	Weaker
INDUSTRIAL						
Prime Distribution	3.50	3.25	4.00	5.00	5.25	Stable
Prime Estate (Greater London)	3.00	2.85	3.50	4.50	4.75	Stable
Prime Estate (Ex Greater London)	3.50	3.35	4.00	5.00	5.25	Stable
Good Secondary	4.50	4.25	4.75	6.00	6.25	Stable
Secondary Estate	5.50	5.25	5.75	7.00	7.25	Stable

	Mar 2022 (%)	June 2022 (%)	Sept 2022 (%)	Dec 2022 (%)	Mar 2023 (%)	Trend
HIGH STREET SHOPS						
Prime	6.50	6.25	6.50	6.75	6.75	Weaker
Good Secondary	8.50	8.50	8.75	9.00	9.00	Weaker
Secondary	12.00	12.00	12.00	12.00	12.00	Weaker
SUPERMARKETS						
Prime	3.50	3.50	4.25	5.25	5.25	Stable
SHOPPING CENTRES						
Prime	7.75	7.75	7.75	8.25	8.25	Weaker
Best Secondary	12.00	12.00	12.00	12.00	12.00	Weaker
Secondary	16.00	16.00	16.00	16.00	16.00	Weaker
RETAIL WAREHOUSE						
Park – Prime – Open User	5.25	4.75	5.25	6.00	5.75 (6.00)	Stronger
Park - Prime - Bulky User	5.25	4.75	5.25	6.00	5.75 (6.00)	Stronger
Solus - Prime - Bulky User	5.00	4.75	5.00	6.00	5.75 (6.00)	Stronger
Park - Secondary	7.25	6.50	6.75	8.00	7.75 (8.00)	Stronger

Mixed picture with low transaction volumes in Q1

(February yields in brackets, changes in red)

	Mar 2022 (%)	June 2022 (%)	Sept 2022 (%)	Dec 2022 (%)	Mar 2023 (%)	Trend
HEALTHCARE						
Primary Care	3.75	3.75	3.75	4.15	4.15	Weaker
Care Homes Super Prime 1	3.75	3.75	3.75	4.25	4.25	Weaker
Care Homes Prime 2	4.75	4.75	4.75	5.25	5.25	Weaker
Hospitals	4.50	4.25	4.25	4.75	4.75	Weaker
LEISURE						
Prime Leisure Park	6.75	6.75	7.00	7.50	7.50	Weaker
Good Secondary Leisure Park	8.50	8.50	8.75	9.50	10.00 (9.50)	Weaker
Cinema Prime	6.50	6.50	6.75	7.50	7.50	Weaker
Health & Fitness Prime	4.50	4.50	4.75	5.50	5.75 (5.50)	Weaker
PUBS						
Prime London Corporate Pub	3.50	3.50	3.50	4.00	4.00	Stable
Prime Regional Corporate Pub	5.75	5.75	5.75	6.75	6.75	Stable

	Mar 2022 (%)	June 2022 (%)	Sept 2022 (%)	Dec 2022 (%)	Mar 2023 (%)	Trend
ROADSIDE & AUTOMOTIVE						
Car Showroom Prime RPI lease	5.25	5.00	5.00	5.75	5.75	Weaker
Petrol Filling Station Prime RPI lease	4.50	4.50	4.50	5.25	5.25	Weaker
Car Park Prime RPI lease	4.75	4.75	4.75	5.50	5.50	Weaker
FINANCIAL INDICATORS						
Base Rate	0.50	1.00	1.75	3.00	4.00	◀▶
5 Year Swaps	1.51	2.14	3.43	3.63	4.02 (3.52)	▲
10 Year Gilts	1.38	2.25	3.09	3.16	3.82 (3.54)	▲
RPI	7.80	11.10	12.30	14.20	13.40	◀▶
CPI	5.50	9.00	10.10	11.10	10.10 (10.50)	▼

Investor interest is slowly returning to the market for Q1

- ▶ Signs of investor interest slowly returning to the market.
Residential
- ▶ Strong rental growth for the upcoming academic year is mitigating yield expansion as market looks towards potential reversions.
Student
- ▶ Transactions showing signs of stability ahead.
Hotels

	Mar 22 (%)	Jun 22 (%)	Sep 22 (%)	Dec 22 (%)	Mar 23 (%)	Trend
RESIDENTIAL						
London Zone 2 Prime	3.25	3.25	3.25	3.50	3.60	Weaker
London Zone 2 Good Secondary	3.65	3.65	3.65	4.00	4.00	Weaker
London Zone 3 to 6 Prime	3.35	3.35	3.35	3.65	3.75	Weaker
London Zone 3 to 6 Good Secondary	3.65	3.65	3.65	4.00	4.00	Weaker
Outer London and South East Prime	3.60	3.60	3.60	3.90	4.00	Weaker
Outer London and South East Good Secondary	4.00	4.00	4.00	4.50	4.50	Weaker
Regional Centres excluding South East Prime	4.00	3.85	3.85	4.15	4.15	Weaker
Regional Centres excluding South East Secondary	4.50	4.25	4.25	4.75	4.75	Weaker
Other Regional Centres Prime	4.40	4.15	4.15	4.50	4.50	Weaker
Other Regional Centres Secondary	5.00	4.75	4.75	5.25	5.25	Weaker

	Mar 22 (%)	Jun 22 (%)	Sep 22 (%)	Dec 22 (%)	Mar 23 (%)	Trend
STUDENT ACCOMMODATION						
Central London Direct Let	3.65	3.50	3.50	3.75	3.75	Weaker
Super Prime Regional Direct Let	4.65	4.50	4.50	4.75	4.75	Weaker
Prime Regional Direct Let	5.00	4.75	4.75	5.00	5.00	Weaker
Secondary Regional Direct Let	8.00	8.00	8.00	8.50	8.50	Weaker
Central London RPI Lease	3.00	2.75	3.25	4.00	4.00	Weaker
Super Prime Regional RPI Lease	3.00	2.75	3.25	4.00	4.00	Weaker
Prime Regional RPI Lease	3.00	2.75	3.25	4.00	4.00	Weaker
Secondary Regional RPI Lease	4.00	4.00	4.50	5.25	5.25	Weaker
HOTELS						
Prime London Vacant Possession	4.50	4.50	4.50	4.75	4.75	Weaker
Prime London Management Contract	5.50	5.50	5.50	5.75	5.75	Weaker
Prime London Lease	3.75	3.75	3.75	4.50	4.50	Weaker
Prime Regional Vacant Possession	6.75	6.75	6.75	7.25	7.25	Weaker
Prime Regional Management Contract	7.75	7.75	7.75	8.50	8.50	Weaker
Prime Regional Lease	4.25	4.25	4.25	5.25	5.25	Weaker

UNITED KINGDOM | LIVING SECTORS INVESTMENT YIELDS | MARCH 2023

	Mar 22 (%)	Jun 22 (%)	Sep 22 (%)	Dec 22 (%)	Mar 23 (%)	Trend
SPECIALIST SUPPORTED LIVING						
London/ SE Prime	5.25	5.25	5.25-5.50	5.25-5.50	5.25-5.50	Weaker
Regional UK Prime	5.25-5.75	5.25-5.75	5.25-5.75	5.40-5.85	5.40-5.85	Weaker
Secondary	6.00	6.00	6.00	6.25	6.25	Weaker
Tertiary	6.25+VP-Resi	6.50+VP-Resi	6.50+VP-resi	6.75 -VP-Resi	6.75-VP-Resi	Weaker
INTEGRATED RETIREMENT COMMUNITIES						
London/ SE Prime	N/A	N/A	N/A	N/A	5.00-5.25	Weaker
Regional UK Prime	4.25-5.00	4.25-5.00	4.25-5.00	5.00-5.25	5.50	Weaker
Secondary	6.00	6.00	6.00	6.00	6.00	Weaker
Tertiary	N/A	N/A	N/A	N/A	N/A	Weaker
ELDERLY CARE						
London/ SE Prime	3.5-4.0	3.5-4.0	3.75-4.00	4.00-4.25	4.00-4.25	Weaker
Regional UK Prime	4.5-5.5	4.25-5.00	4.50-5.50	4.75-5.75	4.75-5.75	Weaker
Secondary	7.00	7.00	7.25	7.50-8.00	7.50-8.00	Weaker
Tertiary	8.00	8.00	8.50	9.00	9.00	Weaker
PRIMARY CARE						
London/ SE Prime	3.50	3.50	3.60	4.00	4.00	Weaker
Regional UK Prime	3.75	3.75	3.85	4.25	4.25	Weaker
Secondary	4.50	4.50	4.65	5.35	5.25	Weaker
Tertiary	6.00	6.00	6.25	6.75	6.75	

	Mar 22 (%)	Jun 22 (%)	Sep 22 (%)	Dec 22 (%)	Mar 23 (%)	Trend
SHARED OWNERSHIP						
London/ SE Prime	2.90-3.00	2.90-3.00	3.00	3.00-3.25	3.10-3.25	Weaker
Regional UK Prime	3.00-3.15	3.00-3.15	3.00-3.25	3.15-3.35	3.15-3.40	Weaker
Secondary	3.15-3.35	3.15-3.35	3.25-3.50	3.25-3.50	3.25-3.75	Weaker
Tertiary	3.35-3.60	3.35-3.60	3.50	3.50-3.75	3.50-3.90	Weaker
AFFORDABLE RENT						
London/ SE Prime	3.75-4.00	3.75-4.00	3.75-4.00	3.75-4.15	3.75-4.15	Weaker
Regional UK Prime	4.00-4.25	4.00-4.25	4.00-4.25	4.15-4.40	4.15-4.50	Weaker
Secondary	4.25-4.50	4.25-4.50	4.25-4.50	4.40-4.65	4.40-4.65	Weaker
Tertiary	4.50-4.75	4.50-4.75	4.50-4.75	4.65-4.90	4.75	Weaker
SOCIAL RENT						
London/ SE Prime	3.50-3.75	3.50-3.75	3.50-3.75	3.65-3.90	3.70-4.00	Weaker
Regional UK Prime	3.75-4.00	3.75-4.00	3.75-4.00	3.90-4.15	3.75-4.15	Weaker
Secondary	4.00-4.25	4.00-4.25	4.00-4.25	4.15-4.40	4.15-4.40	Weaker
Tertiary	4.25-4.50	4.25-4.50	4.25-4.50	4.40-4.65	4.50-4.75	Weaker

► Positive start to Q1 with a number of transactions exchanging but pricing remains uncertain with evidence of falling house prices
Single Family Housing

	Mar 22 (%)	Jun 22 (%)	Sep 22 (%)	Dec 22 (%)	Mar 23 (%)	Trend
SINGLE FAMILY HOUSING						
South East Prime	3.50 - 3.75	3.50 - 3.75	3.50 - 3.75	3.70 - 3.85	3.70 - 3.85	Weaker
South East Secondary	3.75 - 3.90	3.75 - 3.90	3.75 - 3.90	3.85 - 4.00	3.85 - 4.00	Weaker
South West Prime	3.65 - 3.90	3.65 - 3.90	3.65 - 3.90	3.85 - 4.00	3.85 - 4.00	Weaker
South West Secondary	3.90 - 4.15	3.90 - 4.15	3.90 - 4.15	4.00 - 4.15	4.00 - 4.15	Weaker
East of England Prime	3.75 - 4.00	3.75 - 4.00	3.75 - 4.00	3.85 - 4.00	3.85 - 4.00	Weaker
East of England Secondary	4.00 - 4.25	4.00 - 4.25	4.00 - 4.25	4.00 - 4.15	4.00 - 4.15	Weaker
West Midlands Prime	3.90 - 4.15	3.90 - 4.15	3.90 - 4.15	4.00 - 4.20	4.00 - 4.20	Weaker
West Midlands Secondary	4.15 - 4.40	4.15 - 4.40	4.15 - 4.40	4.20 - 4.40	4.20 - 4.40	Weaker
East Midlands Prime	3.90 - 4.15	3.90 - 4.15	3.90 - 4.15	4.00 - 4.20	4.00 - 4.20	Weaker
East Midlands Secondary	4.15 - 4.40	4.15 - 4.40	4.15 - 4.40	4.20 - 4.40	4.20 - 4.40	Weaker
North West Prime	4.00 - 4.25	4.00 - 4.25	4.00 - 4.25	4.15 - 4.30	4.15 - 4.30	Weaker
North West Secondary	4.25 - 4.50	4.25 - 4.50	4.25 - 4.50	4.30 - 4.45	4.30 - 4.45	Weaker
North East including Yorkshire and the Humber Prime	4.10 - 4.35	4.10 - 4.35	4.10 - 4.35	4.25 - 4.40	4.25 - 4.40	Weaker
North East including Yorkshire and the Humber Secondary	4.35 - 4.60	4.35 - 4.60	4.35 - 4.60	4.40 - 4.55	4.40 - 4.55	Weaker

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Notes and Definitions

Residential

Our residential yields refer to institutionally managed, private rented residential assets within the UK (build to rent)

- 1) The yield data provided reflects transaction exchanges and current bidding on investment market deals to the previous month together with our own opinions and judgement
- 2) Net yields account for operational costs and relevant purchaser's costs
- 3) Prime refers to assets located in close proximity to transport nodes, either brand new or with a high quality specification and level of amenity
- 4) Zone 2 and Zones 3 to 6 refer to London travel zones system managed by Transport for London

Hotels

- 1) Vacant possession upscale, stabilised year cap rate
- 2) Management contract upscale, no guarantee or underwrite, operated by an internationally renowned brand
- 3) Prime London lease reflects Zone 1, prime covenants leaseholders whose ability to fulfil lease obligations is almost certain
- 4) Prime regional lease reflects prime UK city locations, prime covenants leaseholders whose ability to fulfil lease obligations is almost certain

Student Accommodation

The net initial yield, which is growth implicit, rather than the equivalent yield, is the key driver in the purpose built student accommodation sector. Allowance for purchaser's costs is made in calculating the net initial yield. All the yields assume completed and stabilised properties and ignore any discount for forward funding. Yields assume a generic lot size of £25m and running costs which a hypothetical purchaser would assume

- 1) Direct let a well located modern purpose built property of an operationally efficient scale with a strong letting track record and appropriate room mix
- 2) Central London well located single asset in London zone 1
- 3) Super prime regional towns and cities with restricted supply or restrictive planning policies
- 4) Prime regional mature markets with healthy supply and demand ratio and generally more than one university. There is a spread of towns and cities from the prime level to our secondary benchmark
- 5) Secondary regional towns and cities with perceived oversupply issues, new universities or secondary campuses
- 6) RPI lease well located, let to a strong university covenant, minimum of 25 years unexpired on FRI terms with annual RPI uplifts

Single Family Housing

Our yield ranges are indicative and represent our view of a stabilised investment.

- 1) The yield data provided reflects transaction exchanges and current bidding on investment market deals to date together with our own opinions.
- 2) They represent our indicative view of the net initial yield of a rack rented stabilised investment.
- 3) These yields represent a cluster of modern dwellings in a single location that would be sold in a single lot to an investor as part of a wider portfolio.
- 4) 'Prime' is defined as having excellent connectivity to key city hubs, transport links, local employment, amenity and schools, an established depth of rental demand with strong ESG credentials.
- 5) 'Secondary' - one or more of the above criteria is compromised or missing.
- 6) Net yields account for operational costs and relevant purchaser's costs.
- 7) Operational Cost Assumptions typically range between 18.0% - 22.5% (including voids) however we consider this will be analysed more on £ per unit basis as the market matures.
- 8) Our analysis and yields are indicative, for guidance only and may not be relied upon.