

Caution increases as cost of debt and economic prospects deteriorate and availability increases.

▶ Prime yields may come under pressure as sector most reliant on consumer spending
Retail

▶ Sector remains in demand but availability increasing.
Out of Town Retail

▶ Industrials, particularly single let, may cool as the amount of stock increases and cost of debt rises.
Industrial

▶ Fewer buyers for all but the very best prime assets with strong ESG characteristics.
Offices

	Sept 21 (%)	Dec 21 (%)	Mar 22 (%)	June 22 (%)	July 22 (%)	Trend
OFFICES						
West End	3.25	3.25	3.25	3.25	3.25	Weaker
City of London	3.75	3.75	3.75	3.75	4.00	Weaker
M25/South East	5.50	5.50	5.50	5.50	5.50	Stable
Regional Cities	4.75	4.75	4.75	4.75	4.75	Stable
Good Secondary	7.00	7.00	7.00	7.00	7.00	Weaker
Secondary	10.00	10.00	10.00	10.00	10.00	Weaker
INDUSTRIAL						
Prime Distribution	3.75	3.50	3.50	3.25	3.40	Weaker
Prime Estate (Greater London)	3.15	3.00	3.00	2.85	3.00	Weaker
Prime Estate (Ex Greater London)	3.85	3.50	3.50	3.35	3.50	Weaker
Good Secondary	5.00	4.50	4.50	4.25	4.50	Weaker
Secondary Estate	6.00	5.50	5.50	5.25	5.50	Weaker

	Sept 21 (%)	Dec 21 (%)	Mar 22 (%)	June 22 (%)	July 22 (%)	Trend
HIGH STREET SHOPS						
Prime	6.50	6.50	6.50	6.25	6.25	Weaker
Good Secondary	8.50	8.50	8.50	8.50	8.50	Weaker
Secondary	12.00	12.00	12.00	12.00	12.00	Weaker
SUPERMARKETS						
Prime	3.50	3.50	3.50	3.50	3.50	Stable
SHOPPING CENTRES						
Prime	7.75	7.75	7.75	7.75	7.75	Stable
Best Secondary	12.00	12.00	12.00	12.00	12.00	Stable
Secondary	16.00	16.00	16.00	16.00	16.00	Weaker
RETAIL WAREHOUSE						
Park - Prime - Open User	6.00	5.50	5.25	4.75	4.75	Stable
Park - Prime - Bulky User	6.00	5.50	5.25	4.75	4.75	Stable
Solus - Prime - Bulky User	5.25	5.00	5.00	4.75	4.75	Stable
Park - Secondary	8.50	7.50	7.25	6.50	6.50	Stable

Capped long income under pressure due to high inflation, leisure concerns over consumer spending outlook.

	Sept 21 (%)	Dec 21 (%)	Mar 22 (%)	June 22 (%)	July 22 (%)	Trend
HEALTHCARE						
Primary Care	3.75	3.75	3.75	3.75	3.75	Stable
Care Homes Super Prime 1	3.75	3.75	3.75	3.75	3.75	Stable
Care Homes Prime 2	4.75	4.75	4.75	4.75	4.75	Stable
Hospitals	4.50	4.50	4.50	4.25	4.25	Stable
LEISURE						
Prime Leisure Park	7.00	7.00	6.75	6.75	6.75	Stable
Good Secondary Leisure Park	8.50	8.50	8.50	8.50	8.50	Stable
Cinema Prime	6.50	6.75	6.50	6.50	6.50	Stable
Health & Fitness Prime	4.50	4.50	4.50	4.50	4.50	Stable
PUBS						
Prime London Corporate Pub	4.00	3.50	3.50	3.50	3.50	Stable
Prime Regional Corporate Pub	6.25	6.00	5.75	5.75	5.75	Stronger

	Sept 21 (%)	Dec 21 (%)	Mar 22 (%)	June 22 (%)	July 22 (%)	Trend
ROADSIDE & AUTOMOTIVE						
Car Showroom Prime RPI lease	5.25	5.25	5.25	5.00	5.00	Stable
Petrol Filling Station Prime RPI lease	4.50	4.50	4.50	4.50	4.50	Stable
Car Park Prime RPI lease	4.75	4.75	4.75	4.75	4.75	Stable
FINANCIAL INDICATORS						
Base Rate	0.10	0.10	0.50	1.00	1.25	▲
5 Year Swaps	0.71	1.15	1.51	2.14	2.74	▲
10 Year Gilts	0.73	0.74	1.38	2.25	2.07	▼
RPI	3.80	6.00	7.80	11.10	11.70	▲
CPI	2.00	4.20	5.50	9.00	9.10	▲

Strong investor demand for quality assets

▲ Yields held reflecting current economic headwinds. Residential

▲ The sale of the Student Roost portfolio to Greystar and GIC for £3.3bn, beating numerous other well-funded bidders, demonstrates continued confidence in the sector. Student

▶ Strong investment appetite despite nervousness around increased cost of debt and expenses. Hotels

	Sep 21 (%)	Dec 21 (%)	Mar 22 (%)	Jun 22 (%)	Jul 22 (%)	Trend
RESIDENTIAL						
London Zone 2 Prime	3.25	3.25	3.25	3.25	3.25	Stable
London Zone 2 Good Secondary	3.65	3.65	3.65	3.65	3.65	Stable
London Zone 3 to 6 Prime	3.50	3.50	3.35	3.35	3.35	Stable
London Zone 3 to 6 Good Secondary	3.65	3.65	3.65	3.65	3.65	Stable
Outer London and South East Prime	3.75	3.60	3.60	3.60	3.60	Stable
Outer London and South East Good Secondary	4.00	4.00	4.00	4.00	4.00	Stable
Regional Centres (excluding South East) Prime	4.00	4.00	4.00	3.85	3.85	Stable
Regional Centres (excluding South East) Secondary	4.75	4.50	4.50	4.25	4.25	Stable
Other Regional Centres Prime	4.40	4.40	4.40	4.15	4.15	Stable
Other Regional Centres Secondary	5.50	5.25	5.00	4.75	4.75	Stable

	Sep 21 (%)	Dec 21 (%)	Mar 22 (%)	Jun 22 (%)	Jul 22 (%)	Trend
STUDENT ACCOMMODATION						
Central London Direct Let	3.75	3.65	3.65	3.50	3.50	Stronger
Super Prime Regional Direct Let	4.75	4.65	4.65	4.50	4.50	Stronger
Prime Regional Direct Let	5.25	5.00	5.00	4.75	4.75	Stronger
Secondary Regional Direct Let	8.00	8.00	8.00	8.00	8.00	Stable
Central London RPI Lease	3.00	3.00	3.00	2.75	2.75	Stable
Super Prime Regional RPI Lease	3.00	3.00	3.00	2.75	2.75	Stable
Prime Regional RPI Lease	3.00	3.00	3.00	2.75	2.75	Stable
Secondary Regional RPI Lease	4.00	4.00	4.00	4.00	4.00	Stable
HOTELS						
Prime London Vacant Possession	4.75	4.75	4.50	4.50	4.50	Stable
Prime London Management Contract	5.75	5.75	5.50	5.50	5.50	Stable
Prime London Lease	3.75	3.75	3.75	3.75	3.75	Stable
Prime Regional Vacant Possession	7.25	7.00	6.75	6.75	6.75	Stable
Prime Regional Management Contract	8.00	8.00	7.75	7.75	7.75	Stable
Prime Regional Lease	4.25	4.25	4.25	4.25	4.25	Stable

▲ We are continuing to observe yield compression on the bidding for sites, driven by the strength of the sales market, rising rents and the supply/demand imbalance.
Single Family Housing

	Dec 21 (%)	Mar 22 (%)	June 22 (%)	Trend
SINGLE FAMILY HOUSING				
South East Prime	3.60 - 3.85	3.50 - 3.75	3.50 - 3.75	Stable
South East Secondary	3.85 - 4.00	3.75 - 3.90	3.75 - 3.90	Stable
South West Prime	3.75 - 4.00	3.65 - 3.90	3.65 - 3.90	Stable
South West Secondary	4.00 - 4.25	3.90 - 4.15	3.90 - 4.15	Stable
East of England Prime	3.75 - 4.00	3.75 - 4.00	3.75 - 4.00	Stable
East of England Secondary	4.00 - 4.25	4.00 - 4.25	4.00 - 4.25	Stable
West Midlands Prime	3.90 - 4.15	3.90 - 4.15	3.90 - 4.15	Stable
West Midlands Secondary	4.15 - 4.40	4.15 - 4.40	4.15 - 4.40	Stable
East Midlands Prime	3.90 - 4.15	3.90 - 4.15	3.90 - 4.15	Stable
East Midlands Secondary	4.15 - 4.40	4.15 - 4.40	4.15 - 4.40	Stable
North West Prime	4.00 - 4.25	4.00 - 4.25	4.00 - 4.25	Stable
North West Secondary	4.25 - 4.50	4.25 - 4.50	4.25 - 4.50	Stable
North East including Yorkshire and the Humber Prime	4.10 - 4.35	4.10 - 4.35	4.10 - 4.35	Stable
North East including Yorkshire and the Humber Secondary	4.35 - 4.60	4.35 - 4.60	4.35 - 4.60	Stable

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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.