

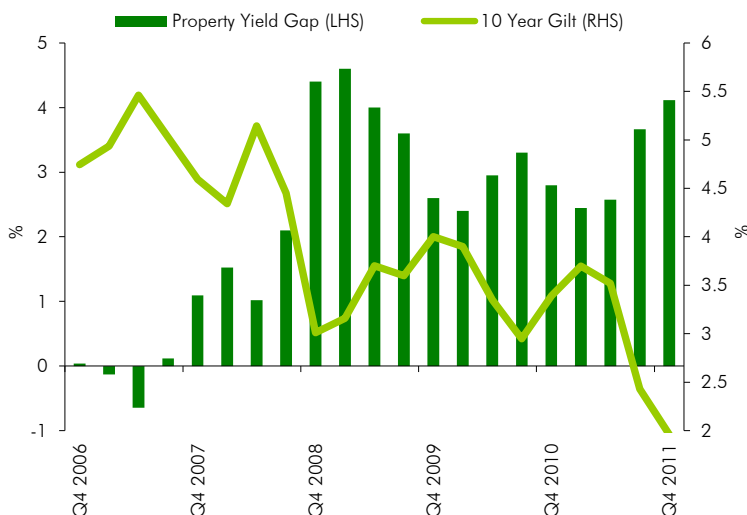
# UK Prime Rent and Yield Monitor

Quarter 4 2011

## PRIME RENTS & YIELDS STABLE IN Q4 2011

- Whilst prime retail occupier markets saw some deterioration this quarter, there was no headline decline at the All Property level, as industrial and office markets continued to see some improvements. Over the year, prime All Property rents saw little uplift, growing by 0.1%. Offices were the strongest sector, seeing growth of 1.7%, buoyed by some momentum carried over in Central London.
- Prime yields were again unchanged this quarter, as investor sentiment continued to be affected by concerns over Eurozone stability, and the weakening UK economic growth outlook. Over the past year, the All Property prime yield moved in just 11bp, to 6.1%. The Shopping centre, retail warehouse and office sectors all saw marginal yield reductions during 2011, whilst prime shops and industrials saw prime yields flat on average. Again, regional markets are beginning to show signs of weakness, with a handful seeing yields move out. London markets continue to see yields hold or move in slightly. The All Property prime yield is now 170bps below its previous peak in Q1 2009.
- The property/gilt yield gap increased to 411bp in Q4, due mainly to the decline in the gilt yield which moved to 2.0% from 2.4% in Q3.
- Transaction volumes improved in Q4, with £8.0bn purchased during the quarter according to Property Data, taking the 2011 total to £32.6bn.

### PROPERTY YIELD GAP



Source: CBRE, Macrobond

## PRIME RENTAL GROWTH AND YIELDS: SUMMARY

### Nominal Rental Growth %

	Quarter on Quarter %	Year on Year %
All Property	0.0	0.1
Shops	-0.2	1.1
Shopping Centres	-0.2	-3.3
Retail Warehouses	-0.2	-1.0
Offices	0.1	1.7
Industrial	0.4	0.3

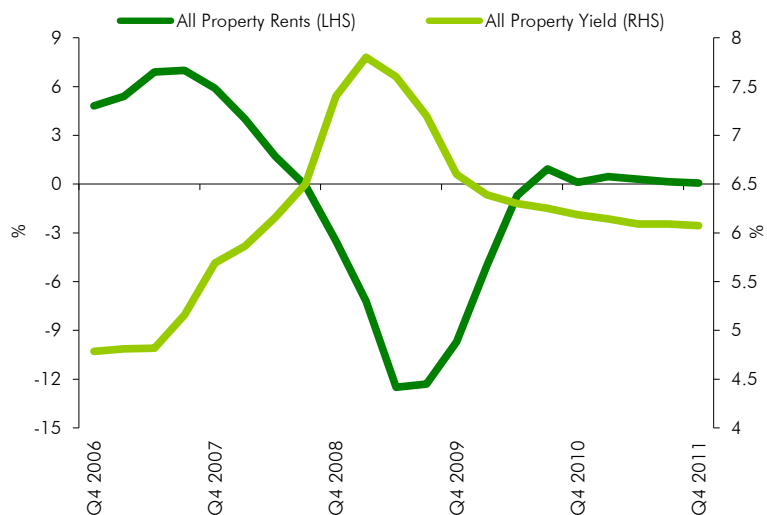
Source: CBRE

### Prime Yields and Comparators, % Change

	Q2 2011	Q3 2011	Q4 2011	Q o Q %	Y o Y %
All Property	6.1	6.1	6.1	0.0	-0.1
Shops	5.6	5.6	5.6	0.0	0.0
Shopping Centres	5.9	5.9	5.9	0.0	-0.1
Retail Warehouses	5.8	5.8	5.8	0.0	-0.1
Offices	6.0	6.0	6.0	0.0	-0.1
Industrial	7.3	7.4	7.4	0.0	0.0
Gilts	3.5	2.4	2.0	-0.4	-1.5
Base Rates	0.5	0.5	0.5	-	-

Source: CBRE, Macrobond

## ALL PROPERTY ANNUAL RENTAL GROWTH & YIELDS



Source: CBRE

**OFFICES**

Office rental growth slowed further in Q4 as the previously buoyant Central London markets lost momentum. Overall prime office rents grew by 0.1%, with most of the regional markets seeing some, albeit minor, growth in Q4. Against that trend, the South East and Eastern regions saw prime rents fall slightly. Central London markets displayed some variation, with the emerging prime Southbank market seeing rents grow by 2.1%, whilst the City saw a small decline in rents.

Over the past year prime office rents grew by 1.7%, the strongest of three sectors. Wales and the South West saw the largest declines over the year, with prime rents falling by 3.7% and 1.9% respectively, whilst the Southbank and West End markets saw prime rents move up by 4.8% and 4.3%.

Prime office yields were flat this quarter at 6.0%, as positive investor sentiment waned. Across most regions outside of the South East there was some mild upward pressure on prime yields, illustrating growing anxieties over the outlook. Central London and the South East saw greater stability, with investor focus still relatively strong in these areas.

**RETAIL**

Prime retail occupier markets weakened in Q4, with all three sub-sectors seeing modest declines of 0.2% over the quarter. Shops saw the biggest swing in performance over the quarter, moving from positive to negative growth. This came largely as a result of growth in Central London rents stalling and weakness in regional markets. Prime shopping centres again saw divergence between in and out of town locations, with in town centres seeing a decline of 0.8%, whilst out of town centres enjoyed growth of 1.8%. In the retail warehouse sector, bulky centres stood out, as prime rents fell 0.4%, whilst Fashion and Open A1 units saw rents flat and down by 0.1% respectively.

Over 2011 there was contrasting performance between shops on the one hand and both retail warehouses and shopping centres on the other, with the latter sectors seeing rents fall, by 3.3% and 1.0% respectively, whilst prime shop rents increased by 1.1%. Headline shop performance benefited heavily from a strong Central London occupier market, where rents grew by 5.9%.

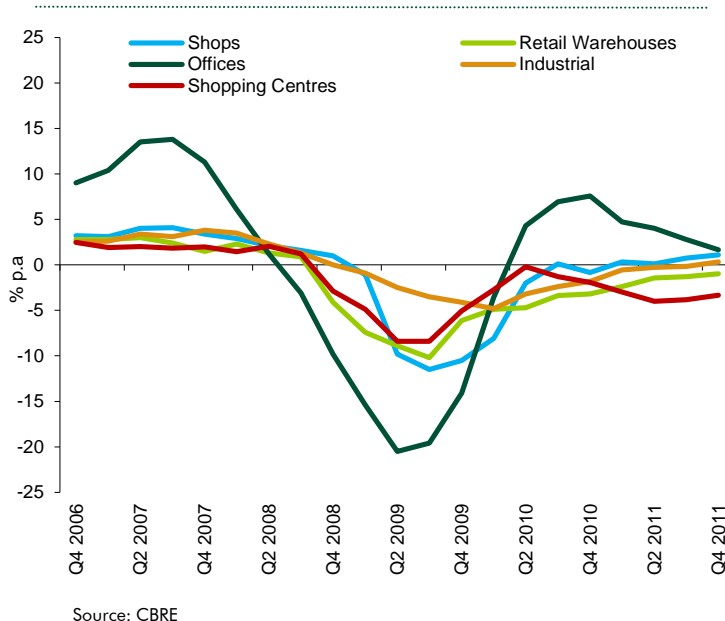
All three sub-sector prime yields were again flat this quarter.

**INDUSTRIAL**

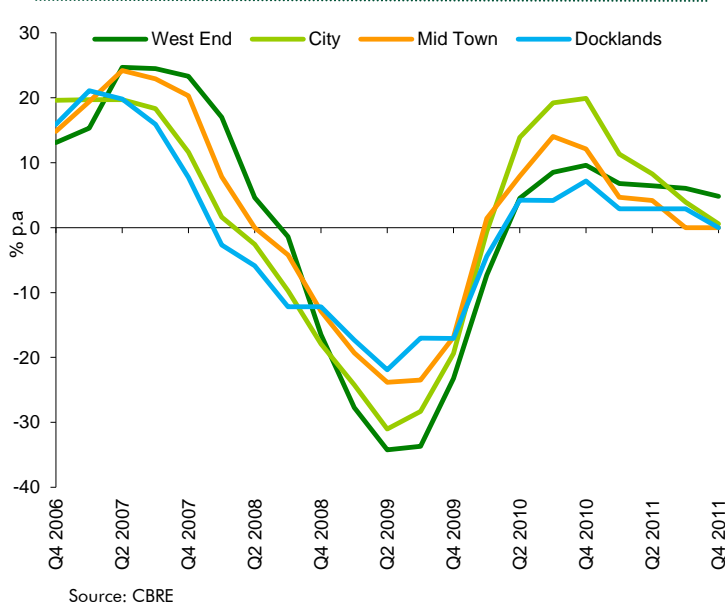
Prime industrial occupier markets reversed their declining trend in Q4, seeing modest growth over the quarter, with rents up by 0.4%. This was thanks to growth in the Midlands, the North East and West. Elsewhere rents were largely flat, with only Scotland showing signs of weakness. Over the past year prime industrial rents have grown by 0.3%.

There was some mild upward pressure on prime regional yields this quarter, although the headline figure remained flat at 7.4%.

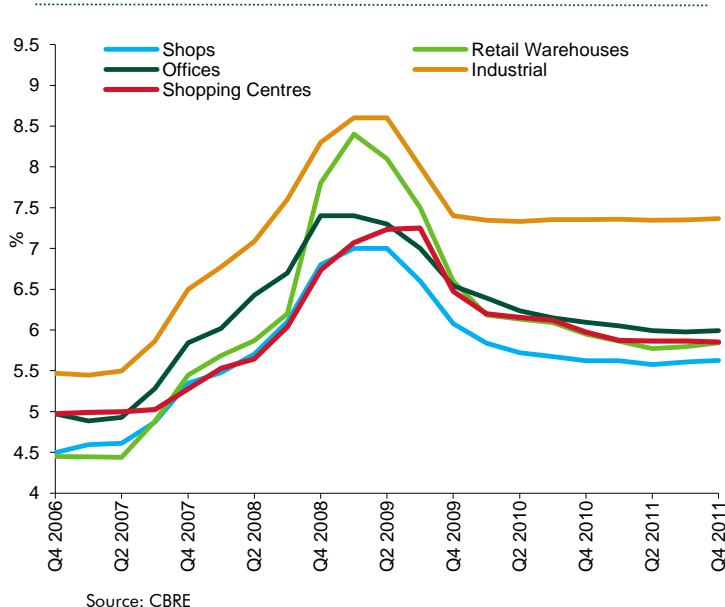
**ANNUAL SECTOR RENTAL GROWTH**



**CENTRAL LONDON OFFICE SUBMARKET RENTAL GROWTH**



**ALL UK SECTOR YIELDS**



## CBRE PRIME RENT AND YIELD MONITOR, Q4 2011

	Rental Growth (%)			Actual Yields		Yield Shift	
	Q-on-Q	Y-on-Y	5 Year p.a.	Q3 2011	Q4 2011	Q-on-Q	Y-on-Y
<b>All Property</b>	0.0	0.1	-1.4	6.1	6.1	0.0	-0.1
<b>All Shops</b>	-0.2	1.1	-1.4	5.6	5.6	0.0	0.0
Central London	0.1	5.9	4.4	4.3	4.2	-0.1	-0.2
Suburban London	0.1	-0.3	0.1	5.9	5.9	0.0	0.0
South East	-0.1	-1.8	-1.0	5.8	5.8	0.0	0.1
Eastern	-0.5	-0.6	-1.9	6.2	6.2	0.0	0.1
South West	-1.7	-3.8	-5.7	5.9	5.9	0.0	0.0
East Midlands	0.8	0.4	-2.5	6.5	6.6	0.1	0.3
West Midlands	-0.4	-0.9	-2.8	6.2	6.2	0.0	0.1
Wales	-4.1	-6.3	-6.5	6.8	6.9	0.1	0.4
North West	0.3	1.6	-3.7	6.4	6.4	0.1	0.1
Yorkshire & Humberside	0.0	1.4	-4.7	6.1	6.1	0.0	0.1
North East	0.0	0.4	-6.1	6.4	6.4	0.0	0.1
Scotland	0.0	2.0	-2.2	6.2	6.3	0.1	0.3
<b>All Shopping Centres</b>	-0.2	-3.3	-2.3	5.9	5.9	0.0	-0.1
In Town	-0.8	-5.6	-2.7	5.9	5.9	0.0	-0.1
Out of Town	1.8	3.3	-1.0	5.8	5.7	0.0	-0.2
<b>All Retail Warehouses</b>	-0.2	-1.0	-2.6	5.8	5.8	0.0	-0.1
Bulky	-0.4	-2.4	-4.5	6.4	6.4	0.0	-0.2
Fashion	0.0	-0.1	-0.7	5.4	5.4	0.1	-0.1
Open A1	-0.1	-1.9	-2.1	5.6	5.6	0.0	-0.1
<b>All Offices</b>	0.1	1.7	-1.1	6.0	6.0	0.0	-0.1
West End	0.5	4.8	-1.9	4.8	4.8	0.0	0.0
City	-0.2	0.6	-2.3	5.2	5.2	0.0	-0.1
Mid Town	0.0	0.0	-0.4	5.5	5.5	0.0	-0.1
Docklands	0.0	0.0	-3.4	5.4	5.4	0.0	-0.2
Fringe London	0.0	0.0	-0.7	6.7	6.7	0.0	-0.2
Southbank	2.1	4.5	-1.0	5.9	5.9	0.0	0.0
Suburban London	0.3	2.1	0.6	7.1	7.1	0.0	0.0
South East	-0.5	-1.4	-0.2	7.4	7.4	0.0	-0.1
Eastern	-0.2	1.8	1.0	7.6	7.8	0.2	0.2
South West	0.0	-1.9	0.1	7.4	7.6	0.2	0.1
East Midlands	1.4	1.4	1.5	7.8	8.0	0.2	0.2
West Midlands	0.5	0.5	-0.4	7.5	7.7	0.2	0.2
Wales	0.0	-3.7	-0.5	7.8	7.8	0.1	0.1
North West	0.1	1.7	1.1	7.9	7.9	0.0	0.0
Yorkshire & Humberside	0.0	1.7	-0.8	7.8	7.9	0.1	0.4
North East	1.1	2.1	-0.9	7.8	8.0	0.1	0.4
Scotland	0.4	-0.2	1.1	7.4	7.4	0.1	0.1
<b>All Industrial</b>	0.4	0.3	-0.4	7.4	7.4	0.0	0.0
London	0.0	0.2	0.5	6.8	6.8	0.0	0.0
South East	0.0	-0.3	-0.2	7.3	7.3	0.0	0.0
Eastern	0.0	0.3	-0.4	7.5	7.5	0.0	0.0
South West	0.0	-2.6	0.7	8.0	8.0	0.0	0.0
East Midlands	1.5	1.5	-2.1	7.5	7.5	0.0	0.0
West Midlands	1.5	1.5	-2.7	7.2	7.2	0.0	0.0
Wales	0.0	0.0	-1.2	8.0	8.0	0.0	0.0
North West	2.2	2.2	0.2	7.8	8.0	0.2	0.2
Yorkshire & Humberside	0.0	2.2	-0.3	7.7	7.8	0.1	0.1
North East	0.9	1.9	0.7	8.0	8.1	0.1	0.1
Scotland	-0.4	-0.8	1.1	8.3	8.6	0.3	0.4

\*\*The CBRE average prime yields are calculated from a sample size of circa 850 data points, on a nominal equivalent basis.

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