

UK BED SECTORS

Positive outlook for Q2

HIGHLIGHTS

Residential: Q1 sees continued resilience in the face of Lockdown 3 with circa £775 million committed to the sector.

Student: Over £1bn traded in Q1 2021.

Hotels: Increase in opportunities coming to the market with good demand from buyers and investors for hotels in strong locations.

	Jun 20 (%)	Sep 20 (%)	Dec 20 (%)	Mar 21 (%)	Apr 21 (%)	Trend
RESIDENTIAL						
Prime - Zone 2	3.25	3.25	3.25	3.25	3.25	Stable
Good Secondary - Zone 2	3.65	3.65	3.65	3.65	3.65	Stable
Secondary - Zone 2	4.00	4.00	4.00	4.00	4.00	Stable
Prime - Zone 3-6	3.50	3.50	3.50	3.50	3.50	Stable
Good Secondary - Zone 3-6	3.75	3.75	3.75	3.75	3.75	Stable
Prime - Outer London/South East	3.75	3.75	3.75	3.75	3.75	Stable
Good Secondary - Outer London/South East	4.00	4.00	4.00	4.00	4.00	Stable
Prime - Regional Centres (Excl. South East)	4.25	4.25	4.25	4.25	4.25	Stronger
Secondary - Regional Centres (Excl. South East)	4.75	4.75	4.75	4.75	4.75	Stable
Prime - Other Regional Centres	4.50	4.50	4.50	4.50	4.50	Stable
Secondary - Other Regional Centres	5.75	5.75	5.75	5.75	5.75	Stable

DISCLAIMER

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	Jun 20 (%)	Sep 20 (%)	Dec 20 (%)	Mar 21 (%)	Apr 21 (%)	Trend
STUDENT ACCOMMODATION						
Central London Direct Let	3.90	3.90	3.90	3.90	3.90	Stronger
Super Prime Regional Direct Let	4.75	4.75	4.75	4.75	4.75	Stronger
Prime Regional Direct Let	5.25	5.25	5.25	5.25	5.25	Stronger
Secondary Regional Direct Let	7.75	8.00	8.00	8.00	8.00	Weaker
Central London RPI Lease	3.00	3.00	3.00	3.00	3.00	Stronger
Super Prime Regional RPI Lease	3.15	3.15	3.15	3.15	3.15	Stronger
Prime Regional RPI Lease	3.15	3.15	3.15	3.15	3.15	Stronger
Secondary Regional RPI Lease	4.25	4.25	4.25	4.25	4.25	Stable
HOTELS						
Prime London Vacant Possession	4.75	4.75	4.75	4.75	4.75	Weaker
Prime London Management Contract	5.75	5.75	5.75	5.75	5.75	Weaker
Prime London Lease	3.85	3.85	3.85	3.85	3.85	Weaker
Prime Regional Vacant Possession	7.00	7.25	7.25	7.25	7.25	Weaker
Prime Regional Management Contract	8.00	8.00	8.00	8.00	8.00	Weaker
Prime Regional Lease	4.65	4.65	4.50	4.50	4.50	Stable

NOTES AND DEFINITIONS

Please see notes and definitions on the page below

Source: CBRE Research

CONTACTS

Joanne Winchester
Executive Director
Co-living
+44 (0)7939 015 514
joanne.winchester@cbre.com

James Hinde
Director
Residential
+44 (0)7879 602 911
james.hinde@cbre.com

Tim Pankhurst
Executive Director
Student Accommodation
+44 (0)7714 145 917
tim.pankhurst@cbre.com

Miles Auger
Senior Director
Hotels
+44 (0)7590 485 278
miles.auger@cbrehotels.com

Alice Marwick
Associate Director
Student Accommodation and
Co-living Research
+44 (0)7920 184 174
alice.marwick@cbre.com

Further Resources
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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 4 January 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 3-6 refer to London travel zones system managed by Transport for London.
- 5) Our analysis and yields are for guidance only and may not be relied upon.

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 Zones 1-2, 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, secondary campus locations, etc.
- 6) RPI Lease – Well located, let to a strong university covenant, minimum of 25 years unexpired on FRI terms with annual RPI uplifts.