Research

Investment Property Forum UK Consensus Forecasts

SUMMER 2017

This research was commissioned by the IPF Research Programme **2015 – 2018**

This research was funded and commissioned through the IPF Research Programme 2015–2018.

This Programme supports the IPF's wider goals of enhancing the understanding and efficiency of property as an investment. The initiative provides the UK property investment market with the ability to deliver substantial, objective and high-quality analysis on a structured basis. It encourages the whole industry to engage with other financial markets, the wider business community and government on a range of complementary issues.

The Programme is funded by a cross-section of businesses, representing key market participants. The IPF gratefully acknowledges the support of these contributing organisations:

The Investment Property Forum Consensus Forecasts Summer 2017 Survey of Independent Forecasts for UK Commercial Property Investment

A total of 26 organisations contributed to this third survey of 2017. All forecasts were generated within 12 weeks of the survey date (16 August 2017), the earliest dating from the end of May.

Despite a continued weakness in GDP growth over the last three months, the short-term outlook for commercial property has continued to improve. The quid pro quo to this increased optimism, however, appears to be a lowering in expectations for the remaining years of the survey.

Key points

2017 forecasts still rising …

- The **All Property rental growth** forecast average for **2017** has continued to strengthen, rising to **0.9%** this quarter, from the 0.7% reported in May (and 0.2% in February). Sector outlooks have also improved, with average forecasts ranging between 3.3% for Industrial rents (previously 2.7%) and 0.2% for Offices (from -1.1%).
- Average **capital value growth** rates for the current year have also continued to improve, with only one sector projected to suffer negative growth. Averages now lie between -0.1% for Shopping Centres and 6.8 for Industrials (-1.0% and 3.3% respectively in May). The **All Property** average growth rate forecast of **1.8%** compared to -0.1% three months ago.
- The improvement in capital value growth in 2017, has resulted in the **All Property total return** rising to **6.7%**, from the previously reported 4.8%.

… but prospects weaken further over remaining survey years

- With the exception of the Office and Industrial averages, **2018 rental growth** forecasts have weakened at the individual sector level, resulting in an **All Property** average of **0.2%**, down from 0.3% three months ago. **Capital growth** forecasts for Industrials and Offices (of 1.9% and -2.2% respectively) contrast with falling projections for the three retail sub-markets, which range between -0.1% and 0.2% (from 0.2% and 0.5%) for Shopping Centres and Standard Retail in turn. The **All Property** average has fallen to **-0.8%** from -0.6% although the **total return** forecast is unaltered, at **4.1%**.
- From 2019, other than Industrial capital value growth in 2021, current rental and capital value projections have declined for all sectors over the quarter. **All Property** averages in each of the three years now lie at **0.6%**, **1.2%** and **1.6%** for **rental growth** (from 0.7%, 1.2% and 1.8% correspondingly in 2019, 2020 and 2021) and **-0.3%**, **0.5%** and **1.1% capital growth** (compared to 0.1%, 1.0% and 1.3% three month ago).
- **Total returns** projections in these years have reduced over the quarter to **4.6%** (previously. 4.9%) for 2019, **5.5%** (from 6.0%) and **6.1%** (from 6.2%) for **2020** and **2021.**

Five-year averages little changed over the quarter

- Stronger 2017 projections have served to counter the weakened forecasts of later years, with the five-year averages broadly unaltered. The **All Property rental growth** forecast average lies within 4 bps of the previous quarter average of **0.9%**, whilst the **capital growth** average has risen modestly to **0.4%** (from 0.3% reported in May). The **total return** average has risen to **5.4% per annum** (from 5.2%), implying an income return of 4.9%.

Summary Results

Summary average by sector

	*Rental value growth (%)				Capital value growth (%)				Total return (%)			
	2017	2018	2019	2017/21	2017	2018	2019	2017/21	2017	2018	2019	2017/21
Office	0.2	-1.0	-0.1	0.5	0.7	-2.2	-0.9	-0.1	5.0	2.2	3.6	4.4
Industrial	3.3	2.1	1.7	2.2	6.8	1.9	0.8	2.2	12.2	7.1	6.1	7.5
Standard Retail	0.8	0.2	0.6	0.8	1.3	-0.8	-0.1	0.4	5.9	3.8	4.6	5.2
Shopping Centre	0.4	-0.1	0.4	0.6	-0.1	-1.7	-0.8	-0.3	4.8	3.3	4.4	4.8
Retail Warehouse	0.5	0.1	0.4	0.6	0.2	-1.3	-0.5	-0.1	5.9	4.5	5.3	5.8
All Property	**0.9**	**0.2**	**0.6**	**0.9**	**1.8**	**-0.8**	**-0.3**	**0.4**	**6.7**	**4.1**	**4.6**	**5.4**
West End office	-1.6	-2.0	-0.2	0.2	-0.2	-3.7	-1.1	-0.4	3.1	-0.2	2.6	3.3
City office	-0.9	-2.7	-1.1	-0.3	-0.1	-4.1	-1.4	-0.8	3.5	-0.3	2.6	3.2
Office (all)	**0.2**	**-1.0**	**-0.1**	**0.5**	**0.7**	**-2.2**	**-0.9**	**-0.1**	**5.0**	**2.2**	**3.6**	**4.4**

*One contributor provided only rental growth forecasts.

All Property average by forecast month

Month of forecast**		Rental value growth (%)				Capital value growth (%)				Total return (%)			
	(no. contributors)	2017	2018	2019	2017/21	2017	2018	2019	2017/21	2017	2018	2019	2017/21
June	(5	0.9	0.4	0.8	0.9	0.4	-1.2	-0.4	-0.1	5.1	3.7	4.6	4.8
July	(7)	0.6	0.1	0.6	0.8	2.0	-0.3	-0.5	0.7	6.8	4.4	4.3	5.4
August	(13)	1.2	0.2	0.5	0.9	2.3	-0.9	-0.2	0.6	7.3	4.1	4.9	5.6
All Property	**(26)**	**0.9**	**0.2**	**0.6**	**0.9**	**1.8**	**-0.8**	**-0.3**	**0.4**	**6.7**	**4.1**	**4.6**	**5.4**

**One forecast was generated in late May 2017.

Survey contributors

There were 26 contributors to this quarter's forecasts, comprising 11 Property Advisors and Research Consultancies, 14 Fund Managers and one Other. Full All Property forecasts were received from 25 contributors; one participant provided forecasts for rental value growth only for All Property as well as for individual sector forecasts. Data returns were received for all sectors from 22 contributors and from 21 for West End and City sub-office sectors. All forecasts were generated within 12 weeks of the survey date (16 August 2017). Named contributors appear on the final page of this report.

Notes

Consensus forecasts further the objective of the Investment Property Forum (IPF) to enhance the efficiency of the market. The IPF is extremely grateful for the continuing support of the contributors, including those noted on the last page of this publication. This report is only possible thanks to the provision of the individual forecasts.

If your organisation wishes to contribute to future surveys please contact IPF Research at pcraddock@ipf.org.uk.

Sector figures are not analysed by contributor type – all figures presented are at the all-forecaster level.

Economic background

The latest ONS release[1] records UK gross domestic product (GDP) expanded by 0.3% in the second quarter of 2017, up from 0.2% in the previous three months. Growth was driven by services such as retail, and film production and distribution, which showed some improvement over the quarter, but a weaker performance from construction (recording a decrease of 1.3%, compared to an increase of 1.1% in the first quarter) and manufacturing (0.6% lower) pulled down overall growth.

Public sector net borrowing (excluding public sector banks) increased by £1.9 billion to £22.8 billion in the current financial year to date (April to July 2017)[2], compared to the same period in 2016. Public sector net debt (excluding public sector banks), was £1,758.3 billion at the end of July 2017, equivalent to 87.5% of GDP, and an increase of £143.9 billion on July 2016.

The Consumer Prices Index (CPI)[3], including owner occupiers' housing costs, 12-month inflation rate, was 2.6% in July 2017, unchanged from June 2017[4]. A continued fall in the price of motor fuel was the largest downward contribution to the rate, offset by smaller increases from a range of goods and services, including clothing, household goods, gas and electricity, and food and non-alcoholic beverages.

Headlines from the Bank of England's latest Monetary Policy Committee (MPC) meeting[5] were: Bank Rate held at 0.25%, government bond purchases at £435bn and corporate bond purchases at £10bn. Two of the eight members voted to increase Bank Rate by 0.25%, with all agreeing that any increases would be gradual and to a limited extent. The MPC expects inflation to rise in the coming months, peaking at around 3% in October, as the past depreciation of sterling continues to pass through to consumer prices. Inflation is projected to remain above the MPC's target throughout the forecast period, with the overrun wholly reflecting the effects of the Brexit-related falls in sterling.

The latest ONS UK labour market statistical bulletin[6] reports 32.07 million people in work in the period April to June 2017 (125,000 more than for January to March and 388,000 higher than a year ago). There were 883,000 people (not seasonally adjusted) in employment on 'zero-hours contracts' in their main job, 20,000 fewer than a year earlier. The current employment rate of 75.1% is the highest since comparable records began in 1971, whilst the number of unemployed totalled 1.48 million, i.e. those not in work but seeking and available to work. This represents 57,000 fewer than for January to March and 157,000 fewer than 12 months ago. Average weekly earnings for employees in Great Britain in nominal terms, i.e. not adjusted for price inflation, were estimated to have increased by 2.1%, both including and excluding bonuses, compared with 12 months ago. In real terms (i.e. adjusted for price inflation), however, earnings fell by 0.5% over the year.

UK retail sales increased in July as stronger spending on food offset a fall in the purchase of other goods[7], as the volume of sales grew by 0.3% compared with June although this figure has been revised down from a preliminary estimate of 0.6%, causing the ONS to comment that, overall, it was a "relatively subdued picture". This latest data shows the volume of food sales rose by 1.5% in July, having fallen by 1.1% in June. Annual retail sales values growth remains strong, at 4.1% in July compared to a year earlier. The ONS said all other sectors saw a fall in volume sales apart from household goods. The quantity bought in April 2017 increased by 2.3%, compared with March 2017, and by 4.0% compared with April 2016. Overall, average store prices have seen year-on-year growth across all sectors, with the largest increase noted in fuel stores. Online sales increased year-on-year by 15.1%, and by 0.3% on the month, accounting for approximately 16.0% of all retail spending.

[1] ONS: Gross Domestic Product April to June, Release dated 24 August 2017

[2] ONS: Public sector finances: August 2017. Release dated 22 August 2017

[3] CPIH was re-designated as a National Statistic on 31 July 2017

[4] ONS: Consumer Price Inflation, July 2017. Release dated 15 August 2017

[5] Bank of England Monetary Policy Summary and minutes of Monetary Policy Committee meeting ending on 2 August 2017

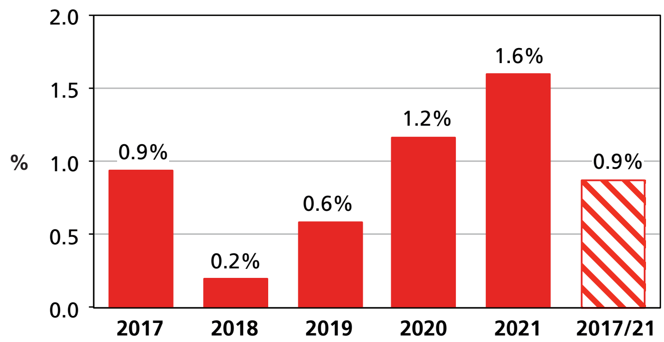
[6] ONS: UK Labour Market. Release dated 16 August 2017

[7] ONS: Retail Sales Index. Release dated 17 August 2017

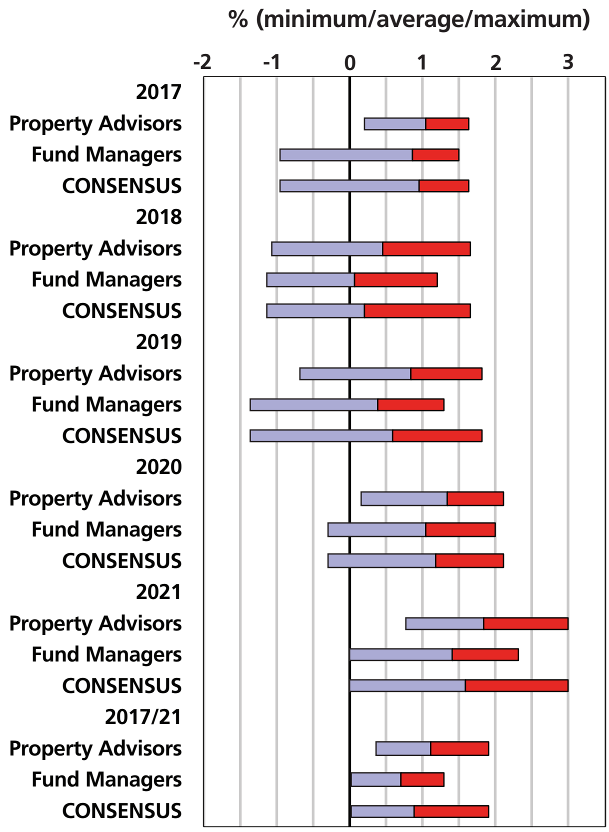
All Property rental value growth forecasts

Reflecting more optimistic near-term sentiment for occupier demand, there has been a further improvement of almost 40bps in the 2017 average forecast (0.6% in May). However, in remaining years, projections have weakened by 9, 13 and 19 bps in 2018, 2019 and 2021, whilst staying broadly flat in 2020.

Overall, these movements have resulted in a virtually unchanged five-year annualised average – just 4 bps lower over the quarter.



Rental value growth forecasts by contributor



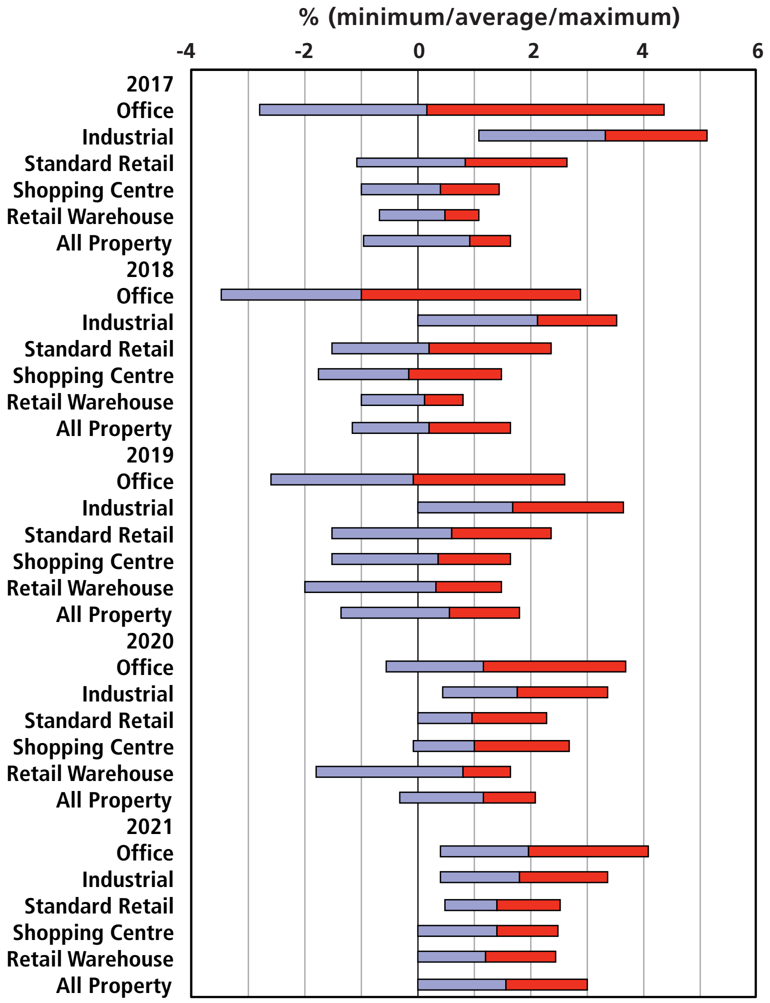
For the current year, only one contributor predicts negative growth and, whilst maximum projections are little changed, averages for both sets of contributor have strengthened (to 1.0% and 0.9% from 0.7% and 0.5% in May). The minimum Fund Manager forecast is unchanged, at almost -1.0%, whereas the Property Advisor minimum is nearly 40 bps higher than the last survey. The range of Property Advisor projections for 2017 has narrowed by over 20 bps (now 1.4%) but remains static for Fund Managers, at 2.5%.

In 2018, although the number of negative growth forecasts received has risen slightly (to four Property Advisors and six Fund Managers, from three and five respectively three months ago), average forecasts are little altered, at 0.4% and 0.1%.

While averages in the remaining years of the survey are weaken than previously reported, Fund Manager forecasts are consistently more dispersed and lower than those of the Property Advisors, this pattern being reflected in the five-year annualised averages (0.7% versus 1.1%).

N.B. One ‘Other’ contributor returned data in addition to the 25 Property Advisors and Fund Managers.

Sector rental value growth annual forecasts



Since the last survey, improved growth in all sector forecasts for the current year, together with Offices and Industrials in 2018, contrasts with a weakening in sentiment for remaining years. A majority of minimum forecasts for these years have declend over the quarter, whilst most maximum forecasts have also softened.

Industrial is the only sector anticipated to deliver positive rental growth in every year of the survey and, on average, is likely to outperform all markets other than Offices in 2021 (estimated at 1.8% and 2.0% respectively for that year).

With the exception of 2018 and 2019, when the Standard Retail average is marginally higher (between 2 and 3 bps only), the three retail sub-markets are each expected to underperform the All Property average rental growth rate throughout the forecast period.

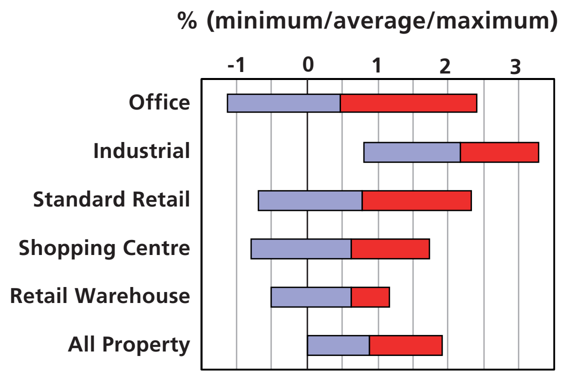
Offices clearly continue to attract the widest divergence of opinion each year, albeit narrowing over the five years of the survey – from 7.2% in 2017 to 3.7% by 2021.

Sector rental value growth five-year average forecasts

The rolling All Property average of 0.9% per annum is virtually unchanged from three months ago. The only sector to exceed this annualised growth rate is Industrial, at 2.1% (18 bps higher than reported in May), whilst the Office average improved by 18bps, to 0.5% per annum from 0.3% previously.

Averages for the three retail sub-markets weakened by between 20 and 31 bps, resulting in 0.6% for both Shopping Centres and Retail Warehouses and 0.8% per annum for Standard Retail.

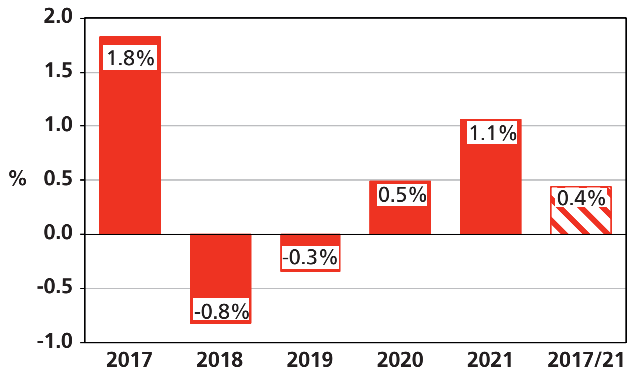
Forecast ranges have widened for Offices and Standard Retail (to around 3.5% and 3.0% respectively), whereas remaining sectors spreads have narrowed, to between 1.7% (Retail Warehouses) and 2.5% (Shopping Centres and Industrials).



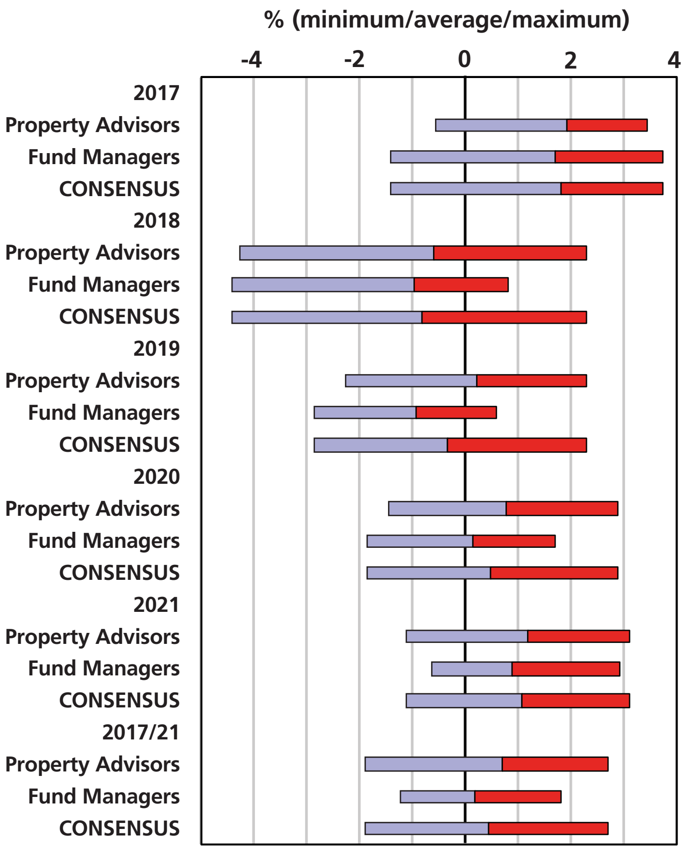
All Property average capital value growth forecasts

Similar to the rental market, capital growth prospects for 2017 have continued to improve – by over 190 bps this quarter, compared to a rise of almost 150 bps three months ago, resulting in a positive growth projection of 1.8%. Expectations for all other years have fallen back however – by between 54 and 19 bps in 2020 and 2021 (from 1.0% and 1.3% in May) – maintaining a trend of weakening sentiment for the later years of the survey period.

This improvement in the near-term average has contributed to a slight increase in the annualised average over five years, which has risen 9 bps over the quarter.



Capital value growth forecasts by contributor



Whilst a small number of contributors predict negative capital value growth at the All Property level in 2017 (six in total), these forecasts are less extreme than reported in May (improving by over 300 bps in the case of Property Advisors). With maximum forecasts also rising, this stronger sentiment has lifted averages to 1.9% and 1.7% (from -0.1% and 0.0% previously) for Property Advisors and Fund Managers.

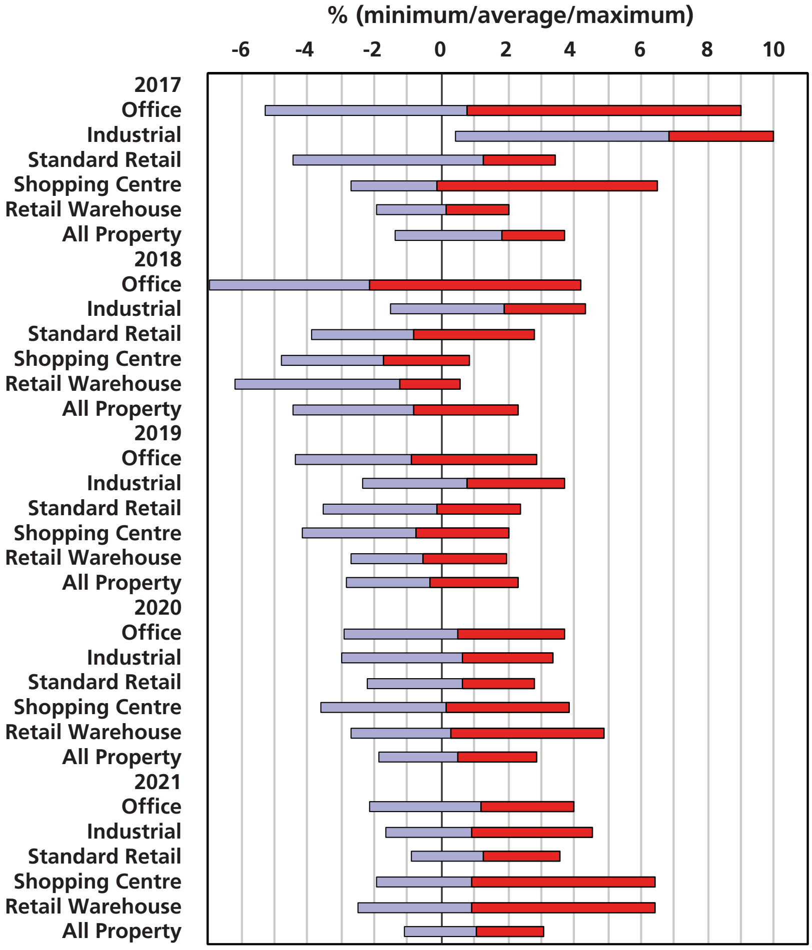
In 2018, however, 13 of the 24 forecasters (five Property Advisors and eight Fund Managers) anticipate capital values will decline. Although the minimum forecast has risen, from -5.4% to -4.4%, and despite a stronger maximum Property Advisor projection (2.3% from 1.3%), the greater weight of negative expectations has impacted the overall average to produce a consensus of -0.8% compared to -0.6% three months ago.

As a general pattern, Fund Manager expectations are lower at each end of the forecast ranges, as well as on average, throughout the five years of the survey, although ranges have narrowed within this group and are consistently more closely aligned than their Advisor counterparts.

The outlook for later years has also weakened, although average growth projections rise year-on-year. However, individual negative growth forecasts remain a feature of the consensus, nor are they limited to one or two outliers.

N.B. Forecast data from one 'Other' contributor is included at the Consensus level.

Sector capital value growth annual forecasts



Industrials remains the only sector projected to deliver positive growth throughout the five survey years, as well as outperforming all other markets except Standard Retail in 2020.

Despite all minimum forecasts declining in 2017 (and in each of the remaining forecast years) the average Industrial estimate has risen by more than 350 bps since the last survey, to 6.8%. Of the other sectors, the greatest average increases recorded are for Offices (up 261 bps to 0.7%) and Retail Warehouses (up 131 bps to 0.2%), although the diversity in forecaster opinion for the former has widened further (ranging from -5.3% to 9.0%, compared to -7.8% to 1.2% three months ago).

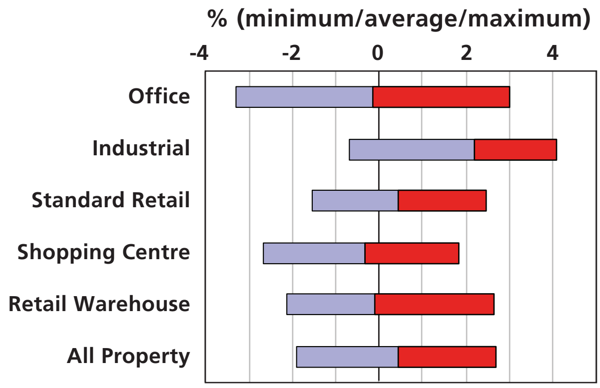
2018 projections for the three retail sub-markets have continued to soften, ranging between falls of 43 bps for Retail Warehouses and 73 bps for Standard Retail. A majority of forecasters expect capital value growth to shrink in each of these sectors next year and this pattern of further declines in average projections for all sectors is maintained throughout the remaining forecast period.

Sector capital value growth five-year average forecasts

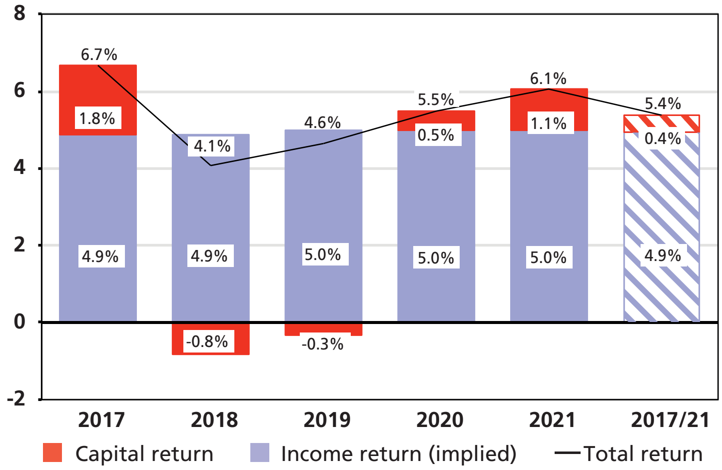
Annualised average rates for Offices and Industrials now stand at -0.1% and 2.2%, reflecting increases of 32 bps and 63 bps respectively (the latter driven by particularly strong near-term capital growth expectations).

All retail sub-sector averages weakened over the quarter, with both Shopping Centres and Retail Warehouses joining Offices in potentially delivering negative growth over the five years (at -0.3% and 0.1%), although Standard Retail matches the All Property forecast average of 0.4%.

Forecast ranges extend from 6.3% for Offices to 4.0% for Standard Retail, both slightly greater than three months ago (6.1% and 3.8%).



All Property total return forecasts



The current consensus for 2017 has risen significantly (from 4.8% last quarter) due to a further strengthening in capital growth expectations, which have served to sustain the substantial improvement in the average forecast since the start of the year (-1.6%).

The 2018 figure is broadly unchanged due to an increase in the implied income return. Although a pattern of increasing returns is maintained over ensuing years, 2019 and 2020 are weaker than forecast in May (the 2020 average is almost 55 bps lower). Poorer capital growth rates and flat or slightly lower income returns limit overall performance, though a stronger 2018 and slightly improved prospects in 2021 combine to raise the five-year average to 5.4% per annum.

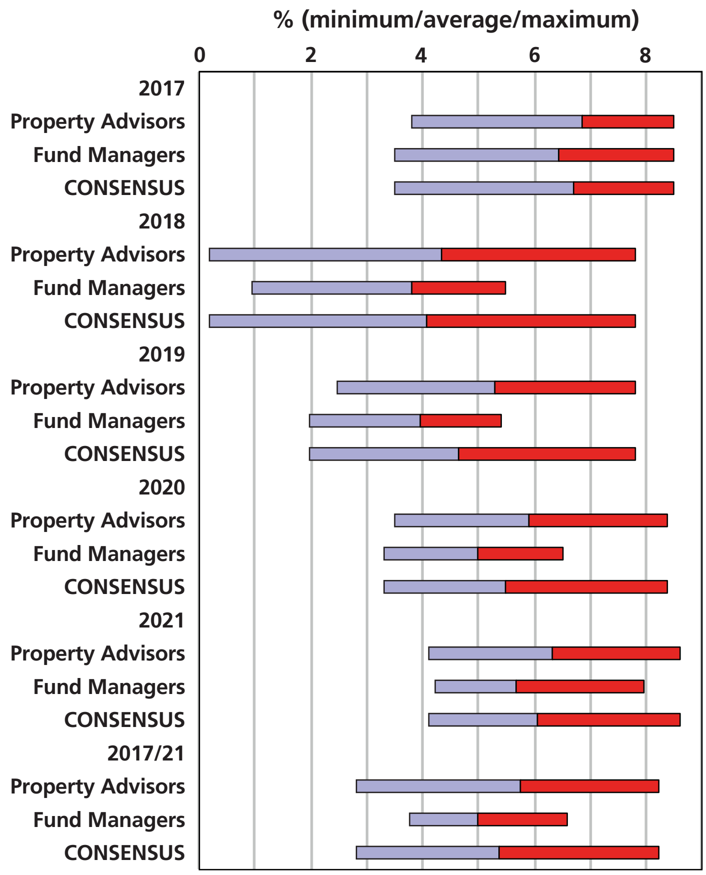
Contributors All Property total return forecasts

2017 forecasts have strengthened across all projections, averaging 6.9% for Property Advisors and 6.4% for Fund Managers. Reduced spreads (of between 4.7% and 5.0%) and maximum forecasts of 8.5% demonstrate a relatively closely alignment between both sets of contributor.

In 2018, against an overall weakening in market sentiment, Property Advisors are more optimistic on average than Fund Managers (at 4.3% versus 3.8%, compared to 4.2% and 4.1% in May). The degree of variation in forecasts has reversed, however, with the range in Fund Manager views down to 4.6%, from 6.8% three months ago, compared to that of Property Advisors expanding to 7.6% from 5.2%.

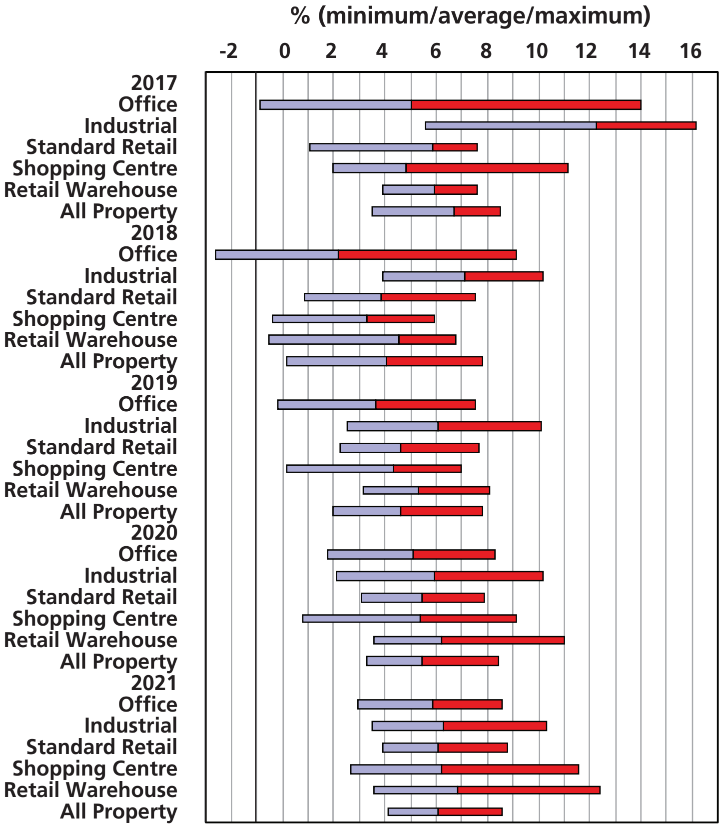
For 2019 and 2020, averages for each group have weakened over the quarter. Fund Manager forecasts continue to be less positive, averaging 4.0% and 5.0% compared to Property Advisor averages of 5.3% and 5.9% in each year.

Five-year averages have risen to 5.7% per annum for Property Advisors (from 5.2% in May) but fallen to 5.0% for Fund Managers (previously 5.1%).



N.B. One ’Other’ set of forecasts is included in the Consensus.

Sector total return annual forecasts



Average sector forecasts remain positive for all sectors throughout the survey period ranging between 12.2% for Industrials in 2017 (from 8.8% in May) and 3.3% for Shopping Centres in 2018. Previous expectations for Industrials to outperform remaining sectors in each year is maintained, although the current projection for 2020 indicated the average total return may fall below 6.0% that year.

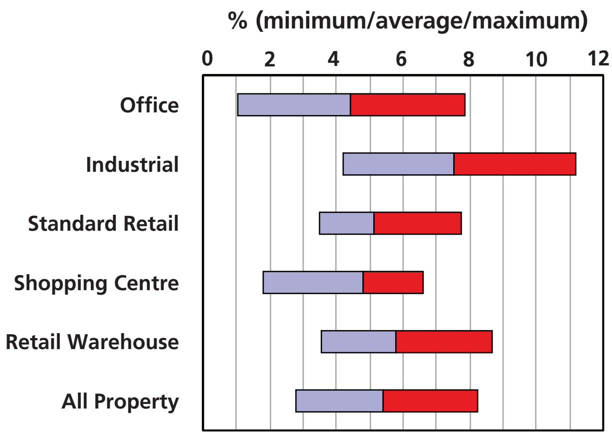
2019 and 2020 averages are weaker than the forecasts reported three months ago with greater falls for most sectors in in 2020. In this year, all sectors are projected to deliver average total returns of over 5.1% (5.6% in May), compared to an All Property average of 5.5% (previously 6.0%), exceeded only by Retail Warehouses (6.2%) and Industrials (5.9%).

Forecast ranges remain considerable for most sectors, with Offices attracting double digit spans in 2017 and 2018 (14.9% and 11.8%). Greater convergence in opinion appears to lie with forecasts for the retail sub-markets, where the broadest variation between individual forecasts is 8.8% for Standard Retail in 2021.

Sector total return five-year average forecasts

With the exception of Standard Retail and Shopping Centres (down by 11 and 20 bps respectively), the five-year annualised averages have improved over the quarter. The Industrial average has increased by 67 bps (to 7.5% per annum) and Offices by 42 bps, to 4.4%, with Retail Warehouses improving a more modest 21 bps (to 5.8%)

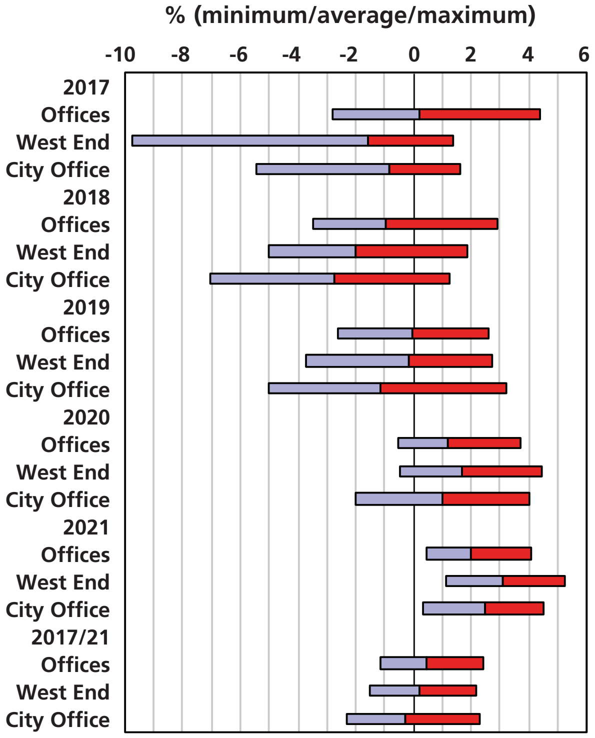
An improved All Property total return of 5.4% per annum (from 5.3%) is only exceeded by the Industrial and Retail Warehouse sector averages.



Central London offices

Capital market activity within central London offices remains relatively buoyant, as illustrated by several recent acquisitions of trophy buildings by international investors. A number of well-reported and substantial occupational commitments has also served to offset some of the concerns surrounding the expected contraction in the financial services sector following Brexit.

Rental value growth



Other than in 2018, the general expectation is for City office rental growth to remain below that of the West End. Short-term confidence in these markets has firmed slightly over the quarter as average rental growth rates continue to improve, albeit both remaining negative (at -1.6% and -0.9% for West End and City respectively). These averages disguise considerably diversity among contributors, however, as the spread of forecasts for the West End has expanded to more than 11% (from 9.1% in May) as the minimum forecast has fallen to -9.8% (from -7.6%). Conversely, City estimates have narrowed from 8.2% to 7.1%.

Expectations for remaining years have weakened however, with growth rates likely to reach their nadir in 2018. Averaging -2.0% in the West End and -2.7% in the City, of 23 contributors, only six predict positive growth of between 0.0% and 1.9% for the West End, whilst five City forecasts are zero or better (up to 1.3%). Average growth projections turn weakly positive by 2020 (1.7% and 1.0% for West End and City respectively), rising to 3.1% and 2.4% in 2021.

Five-year average growth for the West End remains virtually unchanged over the quarter, at 0.2% per annum, whereas City growth has weakened slightly, to -0.3% per annum.

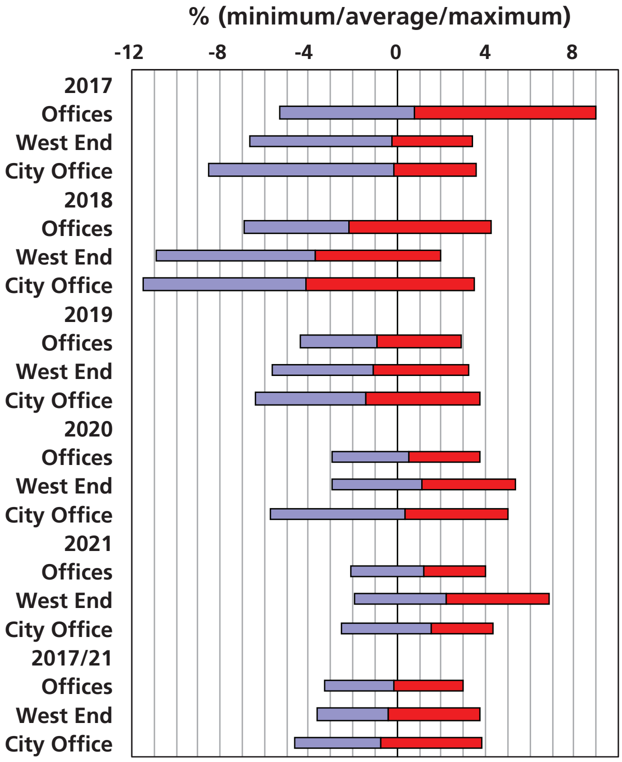
Central London offices (2)

Capital value growth

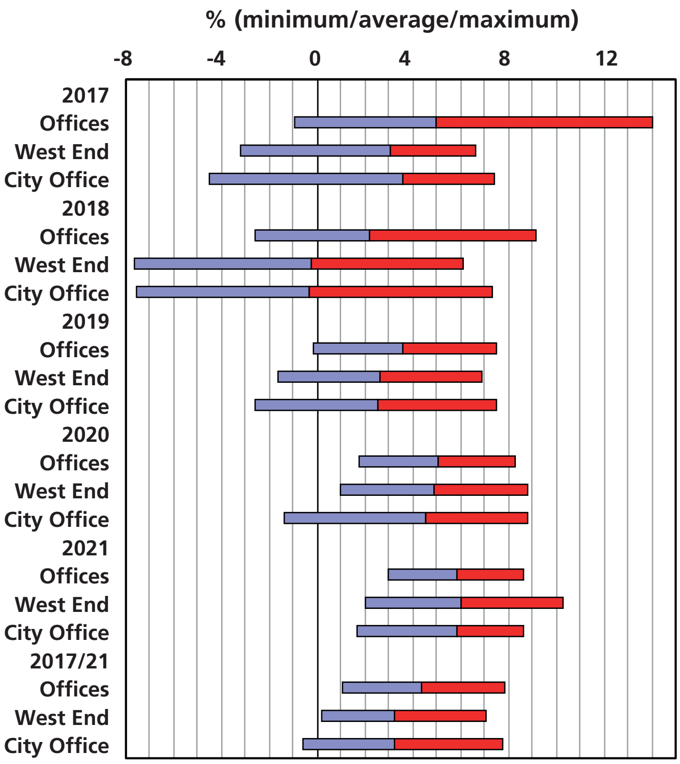
Echoing the UK Office forecast, 2017 central London average capital growth rates have improved over the quarter, rising over 260 bps in the case of the West End (to -0.2%), and by over 280 bps for the City (to -0.1%). Double-digit forecast spreads for each market demonstrate the continuing diversity of views though and extend to 2018, when average growth rates are predicted to be -3.7% for the West End and -4.1% for the City (from –3.1% and -3.9% three months ago).

Averages in remaining years have weakened, although the consensus is for positive growth to re-emerge by 2020 (1.1% and 0.4%) and rising further in 2021, to 2.2.% and 1.6% in West End and City respectively.

Five-year annualised growth rates remain below zero, with the West End average forecast unchanged at -0.4% per annum although the City average has firmed marginally to -0.8% from -0.9%.



Total returns



With the exception of much improved expectations over the quarter for 2017 (rising by 230 and 268 bps for the West End and City respectively over the May projections), forecast returns are weaker for remaining years, with the City average falling by over 100 bps in 2020, although in the final two years of the survey all forecasts are positive other than one contributor prediction of a -1.4% return in 2020.

Opinions continue to vary considerably in 2018, (ranging from a low of -7.7% in the West End to a high of 7.3% in the City, with averages of -0.2% and -0.3% respectively. For the remainder of the survey period, the earlier trend of improving total returns is maintained, although lower on average in each year than those reported in May.

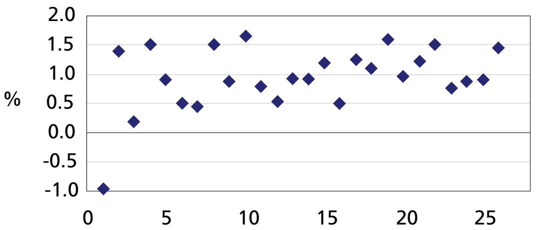
Five-year annualised returns are broadly unchanged, at 3.3% and 3.2% for the West End and City, from 3.2% and 3.1% three months ago, but below the UK average of 4.4% (from 4.0% in May).

Distribution of forecasts

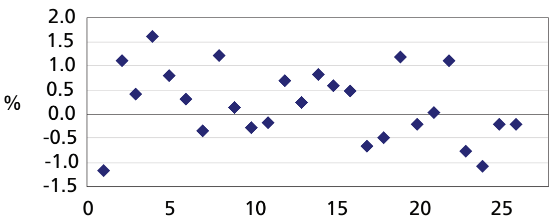
The scatter plots are the individual forecasts for **All Property** rental value and capital value growth. The contributors are listed in random order so that individual contributions cannot be identified. Previous quarter's forecast (February 2017) in brackets.

Rental value growth (% pa)

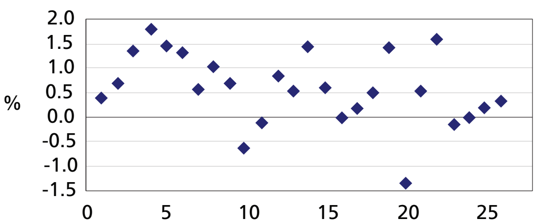
2017 Mean forecast: 0.9% (0.6%)



2018 Mean forecast: 0.2% (0.3%)

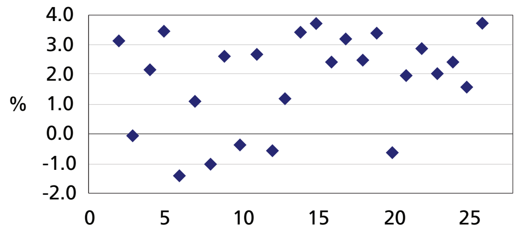


2019 Mean forecast: 0.6% (0.7%)

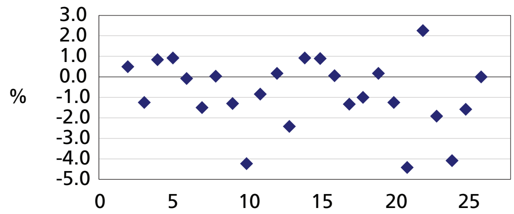


Capital value growth (% pa)

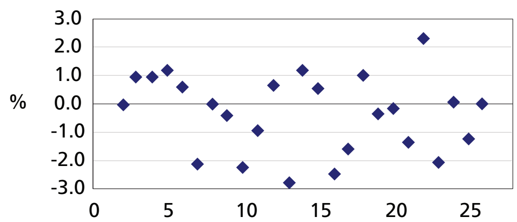
2017 Mean forecast: 1.8% (-0.1%)



2018 Mean forecast: -0.8% (-0.6%)

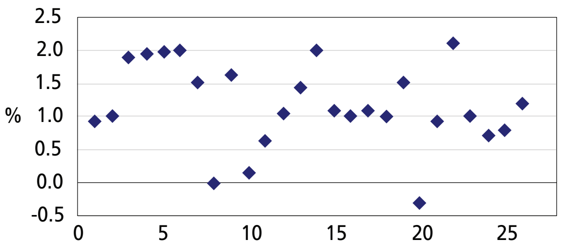


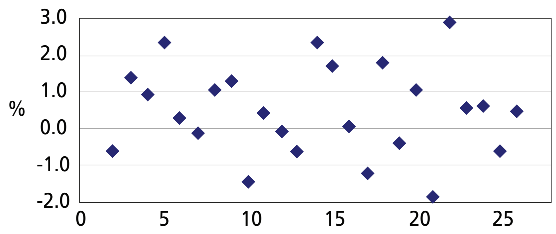
2019 Mean forecast: -0.3% (0.1 %)



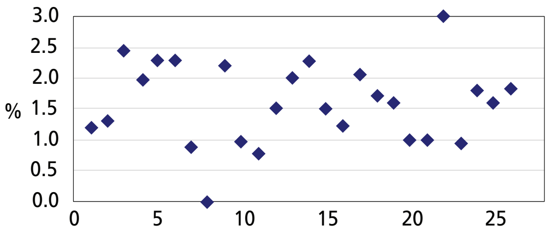
Distribution of forecasts (2)

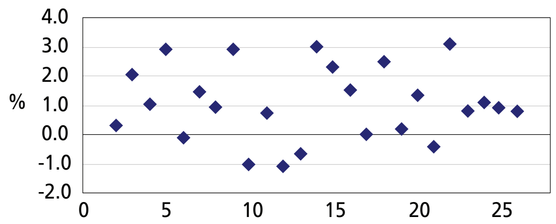
Rental value growth (% pa)	Capital value growth (% pa)
2020 Mean forecast: 1.2% (1.2%)	**2020** Mean forecast: 0.5% (1.0%)



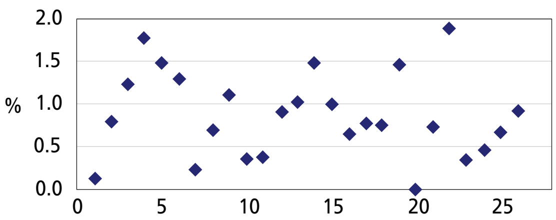


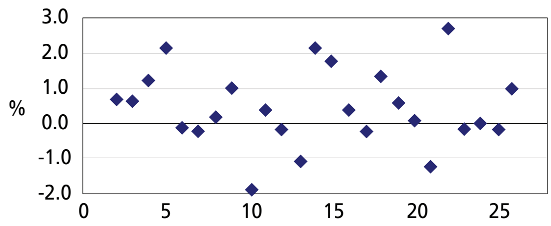
2021 Mean forecast: 1.6% (1.8%)	**2021** Mean forecast: 1.1% (1.3%)





2017/21 Mean forecast: 0.9% (0.9%)	**2017/21** Mean forecast: 0.4% (0.3%)

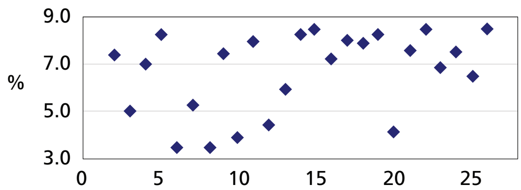




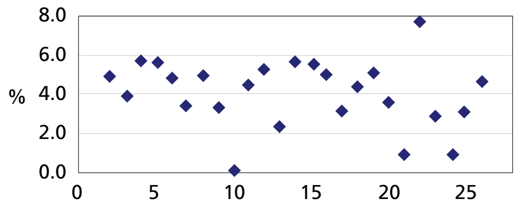
Distribution of forecasts (3)

All Property total returns (% pa)

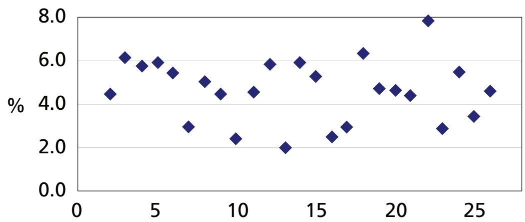
2017 Mean forecast: 6.7% (4.8%)



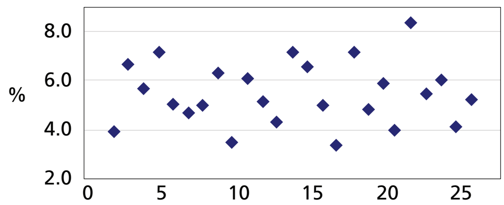
2018 Mean forecast: 4.1% (4.1%)



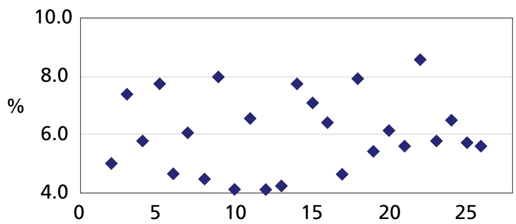
2019 Mean forecast: 4.6% (4.9%)



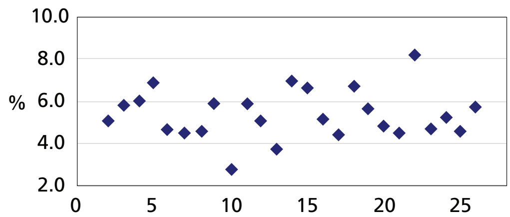
2020 Mean forecast: 5.5% (6.0%)



2021 Mean forecast: 6.1% (6.2%)



2017/21 Mean forecast: 5.4% (5.2%)

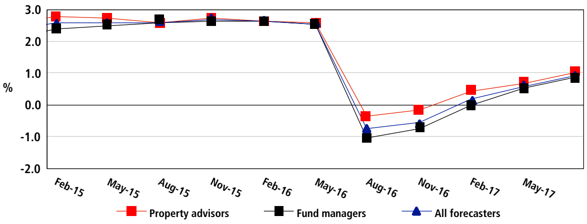


Evolution of the consensus

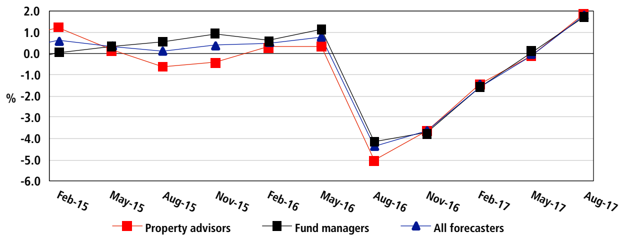
All Property rental value growth (% pa)

All Property capital value growth (% pa)

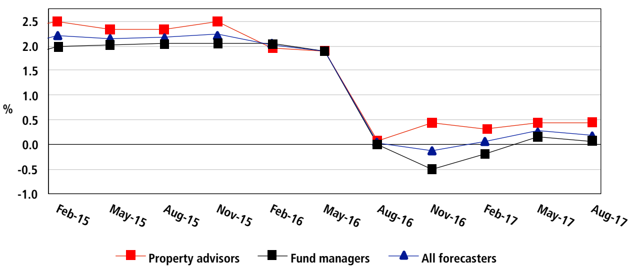
2017 Mean forecast: 0.9% (0.6%)



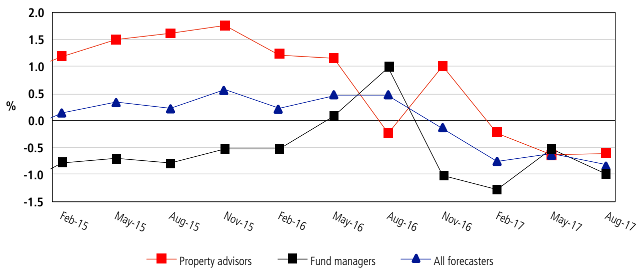
2017 Mean forecast: 1.8% (-0.1%)



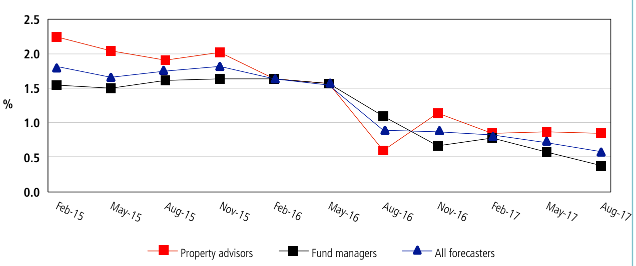
2018 Mean forecast: 0.2% (0.3%)



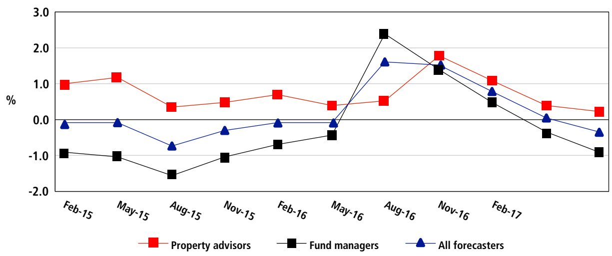
2018 Mean forecast: -0.8% (-0.6%)



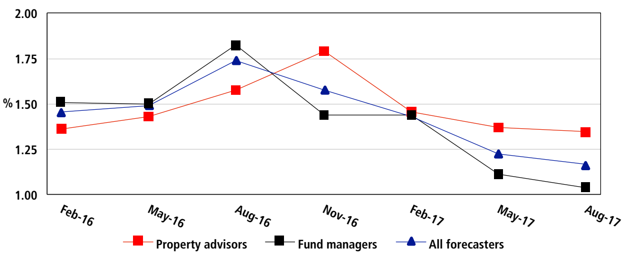
2019 Mean forecast: 0.6% (0.7%)



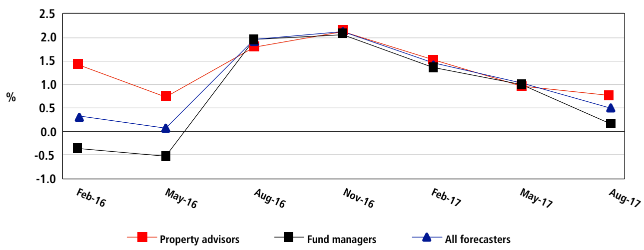
2019 Mean forecast: -0.3% (0.1%)



2020 Mean forecast: 1.2% (1.2%)



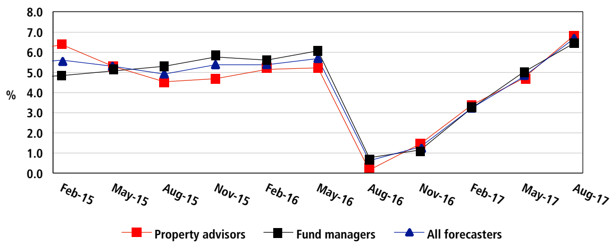
2020 Mean forecast: 0.5% (1.0%)



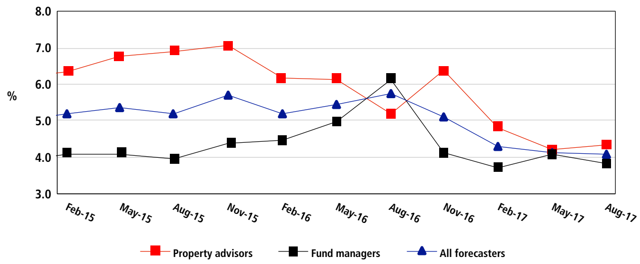
Evolution of the consensus (2)

All Property total returns (% pa)

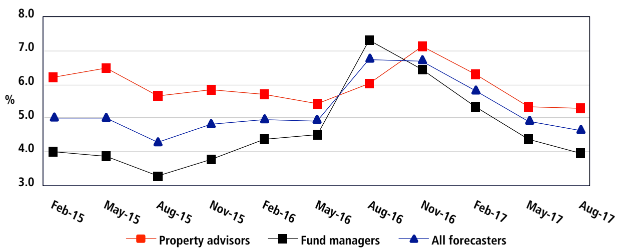
2017 Mean forecast: 6.7% (4.1%)



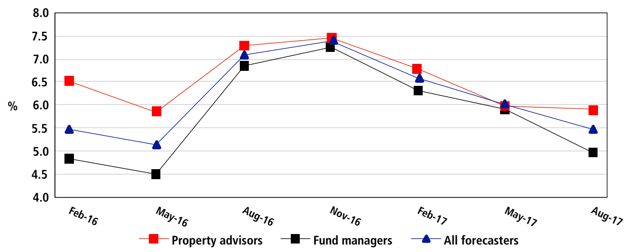
2018 Mean forecast: 4.1% (4.1%)



2019 Mean forecast: 4.6% (4.9%)



2020 Mean forecast: 5.5% (6.0%)



All Property survey results by contributor type

(Forecasts in brackets are May 2017 comparisons)

Property Advisors and Research Consultancies

11 (11) contributors	Rental value growth (%)						Capital value growth (%)						Total return (%)					
	2017		2018		2017/21		2017		2018		2017/21		2017		2018		2017/21	
Maximum	1.6	(1.5)	1.6	(1.6)	1.9	(1.8)	3.4	(1.5)	2.3	(1.3)	2.7	(1.7)	8.5	(6.6)	7.8	(6.1)	8.2	(6.5)
Minimum	0.2	(-0.2)	-1.1	(-1.1)	0.4	(0.4)	-0.6	(-3.7)	-4.3	(-4.1)	-1.9	(-1.5)	3.8	(0.6)	0.2	(0.9)	2.8	(3.1)
Range	1.4	(1.7)	2.7	(2.7)	1.5	(1.4)	4.0	(5.2)	6.6	(5.4)	4.6	(3.2)	4.7	(6.0)	7.6	(5.1)	5.4	(3.4)
Median	0.9	(0.6)	0.7	(0.7)	1.2	(1.2)	2.4	(0.8)	0.1	(0.2)	0.6	(0.3)	7.5	(5.5)	5.1	(5.3)	5.8	(5.4)
Mean	**1.0**	**(0.7)**	**0.4**	**(0.4)**	**1.1**	**(1.0)**	**1.9**	**(-0.1)**	**-0.6**	**(-0.6)**	**0.7**	**(0.3)**	**6.9**	**(4.7)**	**4.3**	**(4.2)**	**5.7**	**(5.2)**

Fund Managers*

14 (12) contributors	Rental value growth* (%)						Capital value growth (%)						Total return (%)					
	2017		2018		2017/21		2017		2018		2017/21		2017		2018		2017/21	
Maximum	1.5	(1.5)	1.2	(1.4)	1.3	(2.1)	3.7	(2.7)	0.8	(1.4)	1.8	(2.5)	8.5	(7.5)	5.5	(6.1)	6.6	(7.3)
Minimum	-1.0	(-1.0)	-1.1	(-1.1)	0.0	(0.1)	-1.4	(-2.8)	-4.4	(-5.4)	-1.2	(-1.3)	3.5	(1.6)	0.9	(-0.7)	3.7	(3.9)
Range	2.5	(2.5)	2.3	(2.5)	1.3	(2.0)	5.1	(5.4)	5.2	(6.8)	3.0	(3.9)	5.0	(5.9)	4.6	(6.8)	2.9	(3.4)
Median	0.9	(0.5)	0.1	(0.1)	0.8	(0.7)	2.0	(0.2)	-1.2	(0.0)	0.1	(0.2)	7.2	(4.9)	3.6	(4.9)	4.8	(4.7)
Mean	**0.9**	**(0.5)**	**0.1**	**(0.2)**	**0.7**	**(0.8)**	**1.7**	**(0.0)**	**-1.0**	**(-0.5)**	**0.2**	**(0.3)**	**6.4**	**(5.0)**	**3.8**	**(4.1)**	**5.0**	**(5.1)**

All Forecasters

26 (24) contributors	Rental value growth* (%)						Capital value growth (%)						Total return (%)					
	2017		2018		2017/21		2017		2018		2017/21		2017		2018		2017/21	
Maximum	1.6	(1.5)	1.6	(1.6)	1.9	(2.1)	3.7	(2.7)	2.3	(1.4)	2.7	(2.5)	8.5	(7.5)	7.8	(6.1)	8.2	(7.3)
Minimum	-1.0	(-1.0)	-1.1	(-1.1)	0.0	(0.1)	-1.4	(-3.7)	-4.4	(-5.4)	-1.9	(-1.5)	3.5	(0.6)	0.2	(-0.7)	2.8	(3.1)
Range	2.6	(2.5)	2.8	(2.7)	1.9	(2.0)	5.1	(6.4)	6.7	(6.8)	4.6	(4.1)	5.0	(6.9)	7.6	(6.8)	5.4	(4.2)
Std. Dev.	0.6	(0.6)	0.7	(0.8)	0.5	(0.5)	1.6	(1.6)	1.7	(1.8)	1.1	(1.1)	1.7	(1.8)	1.7	(1.9)	1.1	(1.1)
Median	0.9	(0.5)	0.2	(0.3)	0.8	(0.8)	2.4	(0.6)	-0.9	(0.0)	0.3	(0.2)	7.4	(5.5)	4.5	(4.9)	5.2	(5.1)
Mean	**0.9**	**(0.6)**	**0.2**	**(0.3)**	**0.9**	**(0.9)**	**1.8**	**(-0.1)**	**-0.8**	**(-0.6)**	**0.4**	**(0.3)**	**6.7**	**(4.8)**	**4.1**	**(4.1)**	**5.4**	**(5.2)**

* Includes one Fund Manager who provided rental growth forecasts only at the All Property and each sector level (including central London offices).

Notes:

1. Figures are subject to rounding and are forecasts of All Property or relevant segment Annual Index measures published by the Investment Property Databank (IPD). These measures relate to standing investments only, meaning that the effects of transaction activity, developments and certain active management initiatives are specifically excluded.
2. To qualify, all forecasts were produced no more than 12 weeks prior to the survey date (of 16 August 2017).
3. Maximum: The strongest growth or return forecast in the survey under each heading.
4. Minimum: The weakest growth or return forecast in the survey under each heading.
5. Range: The difference between the maximum and minimum figures in the survey.
6. Median: The middle forecast when all observations are ranked in order. The average of the middle two forecasts is taken where there is an even number of observations.
7. Mean: The arithmetic mean of all forecasts in the survey under each heading. All views carry equal weight.
8. Standard deviation: A statistical measure of the spread of forecasts around the mean. Calculated at the 'All forecaster' level only.
9. The sector figures are not analysed by contributor type; all figures are shown at the 'All forecaster' level.
10. In the charts and tables, 'All Property' figures were contributed by 26 participants for each performance measure (other than one Fund Manager who provided rental growth forecasts only). Sector forecasts were received from reduced samples of 22/24 contributors (21 for central London offices).

Survey results by sector

Office

25 contributors	*Rental value growth (%) 2017	2018	2019	2017/21	Capital value growth (%) 2017	2018	2019	2017/21	Total return (%) 2017	2018	2019	2017/21
Maximum	4.4	2.9	2.6	2.4	9.0	4.2	2.9	3.0	14.0	9.1	7.5	7.8
Minimum	-2.8	-3.5	-2.6	-1.1	-5.3	-6.9	-4.3	-3.3	-0.9	-2.6	-0.2	1.1
Range	7.2	6.4	5.2	3.5	14.3	11.2	7.2	6.3	14.9	11.8	7.7	6.8
Median	0.4	-1.0	0.0	0.3	1.3	-2.9	-1.2	-0.3	5.5	1.6	3.4	4.2
Mean	**0.2**	**-1.0**	**-0.1**	**0.5**	**0.7**	**-2.2**	**-0.9**	**-0.1**	**5.0**	**2.2**	**3.6**	**4.4**

Industrial

24 contributors	*Rental value growth (%) 2017	2018	2019	2017/21	Capital value growth (%) 2017	2018	2019	2017/21	Total return (%) 2017	2018	2019	2017/21
Maximum	5.2	3.5	3.6	3.3	10.0	4.3	3.7	4.1	16.1	10.2	10.1	11.2
Minimum	1.1	0.0	0.0	0.8	0.4	-1.5	-2.4	-0.7	5.6	4.0	2.5	4.2
Range	4.1	3.5	3.6	2.5	9.6	5.8	6.1	4.8	10.5	6.2	7.6	7.0
Median	3.6	2.2	1.4	2.2	7.9	1.8	0.8	2.2	13.0	7.1	5.9	7.5
Mean	**3.3**	**2.1**	**1.7**	**2.2**	**6.8**	**1.9**	**0.8**	**2.2**	**12.2**	**7.1**	**6.1**	**7.5**

Standard Retail

23 contributors	*Rental value growth (%) 2017	2018	2019	2017/21	Capital value growth (%) 2017	2018	2019	2017/21	Total return (%) 2017	2018	2019	2017/21
Maximum	2.6	2.4	2.4	2.3	3.4	2.8	2.4	2.5	7.6	7.5	7.7	7.8
Minimum	-1.0	-1.5	-1.5	-0.7	-4.4	-3.8	-3.5	-1.5	1.0	0.8	2.2	3.5
Range	3.7	3.9	3.9	3.0	7.8	6.6	5.9	4.0	6.6	6.7	5.5	4.3
Median	0.9	0.3	0.5	0.9	1.4	-1.0	0.1	0.3	6.4	3.5	4.6	5.1
Mean	**0.8**	**0.2**	**0.6**	**0.8**	**1.3**	**-0.8**	**-0.1**	**0.4**	**5.9**	**3.8**	**4.6**	**5.2**

Shopping Centre

23 contributors	*Rental value growth (%) 2017	2018	2019	2017/21	Capital value growth (%) 2017	2018	2019	2017/21	Total return (%) 2017	2018	2019	2017/21
Maximum	1.4	1.5	1.7	1.7	6.5	0.8	2.1	1.8	11.2	5.9	6.9	6.6
Minimum	-1.0	-1.7	-1.5	-0.8	-2.7	-4.8	-4.2	-2.7	2.0	-0.4	0.2	1.8
Range	2.4	3.2	3.2	2.5	9.2	5.7	6.2	4.5	9.2	6.3	6.8	4.8
Median	0.5	0.0	0.4	0.6	-0.1	-1.2	-0.3	-0.3	4.5	4.3	4.8	5.1
Mean	**0.4**	**-0.1**	**0.4**	**0.6**	**-0.1**	**-1.7**	**-0.8**	**-0.3**	**4.8**	**3.3**	**4.4**	**4.8**

Retail Warehouse

23 contributors	*Rental value growth (%) 2017	2018	2019	2017/21	Capital value growth (%) 2017	2018	2019	2017/21	Total return (%) 2017	2018	2019	2017/21
Maximum	1.1	0.8	1.5	1.2	2.0	0.6	1.9	2.6	7.6	6.8	8.1	8.7
Minimum	-0.6	-1.0	-2.0	-0.5	-1.9	-6.2	-2.7	-2.1	3.9	-0.5	3.1	3.5
Range	1.7	1.8	3.5	1.7	3.9	6.8	4.6	4.8	3.7	7.3	4.9	5.1
Median	0.5	0.2	0.4	0.6	0.0	-0.7	-0.2	-0.2	5.9	5.3	5.7	5.8
Mean	**0.5**	**0.1**	**0.4**	**0.6**	**0.2**	**-1.3**	**-0.5**	**-0.1**	**5.9**	**4.5**	**5.3**	**5.8**

All Property

26 contributors	*Rental value growth (%) 2017	2018	2019	2017/21	Capital value growth (%) 2017	2018	2019	2017/21	Total return (%) 2017	2018	2019	2017/21
Maximum	1.6	1.6	1.8	1.9	3.7	2.3	2.3	2.7	8.5	7.8	7.8	8.2
Minimum	-1.0	-1.1	-1.4	0.0	-1.4	-4.4	-2.9	-1.9	3.5	0.2	2.0	2.8
Range	2.6	2.8	3.2	1.9	5.1	6.7	5.2	4.6	5.0	7.6	5.8	5.4
Std. Dev.	0.6	0.7	0.7	0.5	1.6	1.7	1.3	1.1	1.7	1.7	1.4	1.1
Median	0.9	0.2	0.6	0.8	2.4	-0.9	0.0	0.3	7.4	4.5	4.7	5.2
Mean	**0.9**	**0.2**	**0.6**	**0.9**	**1.8**	**-0.8**	**-0.3**	**0.4**	**6.7**	**4.1**	**4.6**	**5.4**

* Each sector includes one forecast comprising rental value growth forecasts only.

Sector summary: Means

All sectors

(no. contributors*)	Rental value growth (%)				Capital value growth (%)				Total return (%)			
	2017	2018	2019	2017/21	2017	2018	2019	2017/21	2017	2018	2019	2017/21
Office (25)	0.2	-1.0	-0.1	0.5	0.7	-2.2	-0.9	-0.1	5.0	2.2	3.6	4.4
Industrial (24)	3.3	2.1	1.7	2.2	6.8	1.9	0.8	2.2	12.2	7.1	6.1	7.5
Standard Retail (23)	0.8	0.2	0.6	0.8	1.3	-0.8	-0.1	0.4	5.9	3.8	4.6	5.2
Shopping Centre (23)	0.4	-0.1	0.4	0.6	-0.1	-1.7	-0.8	-0.3	4.8	3.3	4.4	4.8
Retail Warehouse (23)	0.5	0.1	0.4	0.6	0.2	-1.3	-0.5	-0.1	5.9	4.5	5.3	5.8
All Property (26)	**0.9**	**0.2**	**0.6**	**0.9**	**1.8**	**-0.8**	**-0.3**	**0.4**	**6.7**	**4.1**	**4.6**	**5.4**

* Totals include one contributor providing rental value growth forecasts only for each sector and All Property.

West End office

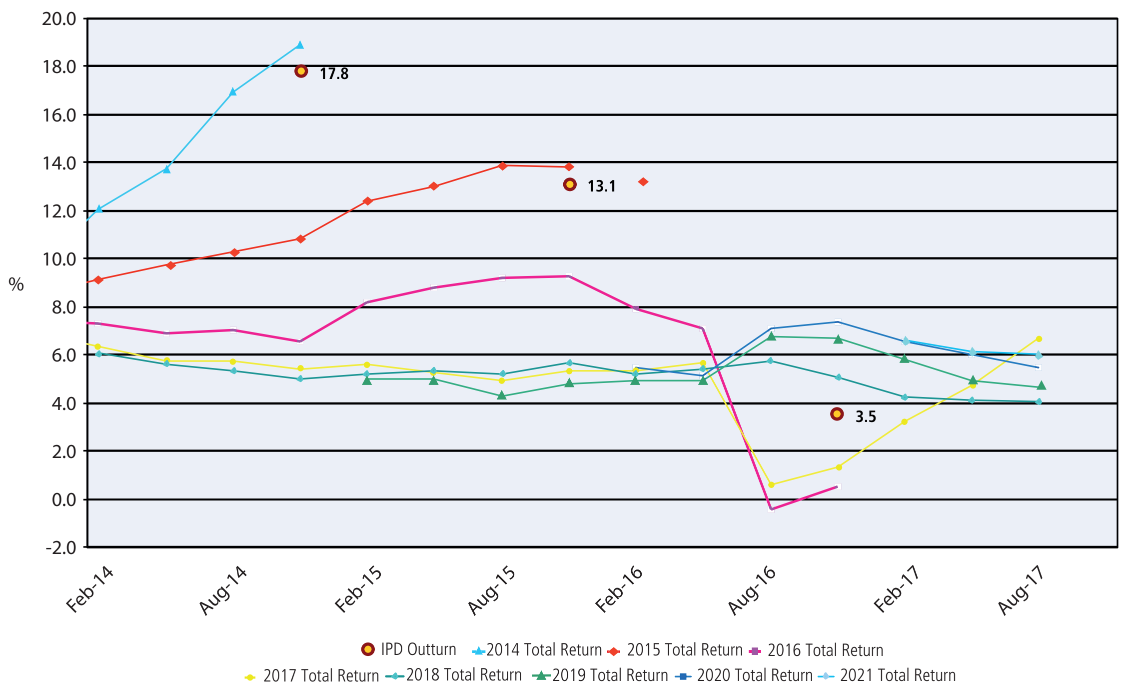
23 contributors	^Rental value growth (%)				Capital value growth (%)				Total return (%)			
	2017	2018	2019	2017/21	2017	2018	2019	2017/21	2017	2018	2019	2017/21
Maximum	1.4	1.9	2.7	2.2	3.4	1.9	3.2	3.7	6.6	6.1	6.9	7.1
Minimum	-9.8	-5.0	-3.7	-1.5	-6.7	-10.9	-5.6	-3.6	-3.2	-7.7	-1.7	0.2
Range	11.1	6.9	6.4	3.7	10.1	12.8	8.9	7.3	9.8	13.8	8.5	6.9
Median	-1.5	-2.5	0.0	0.1	0.1	-3.0	-1.4	-0.7	3.4	0.5	2.2	2.9
Mean	**-1.6**	**-2.0**	**-0.2**	**0.2**	**-0.2**	**-3.7**	**-1.1**	**-0.4**	**3.1**	**-0.2**	**2.6**	**3.3**

City office

23 contributors	^Rental value growth (%)				Capital value growth (%)				Total return (%)			
	2017	2018	2019	2017/21	2017	2018	2019	2017/21	2017	2018	2019	2017/21
Maximum	1.6	1.3	3.2	2.3	3.6	3.5	3.7	3.8	7.4	7.3	7.5	7.8
Minimum	-5.4	-7.0	-5.0	-2.3	-8.5	-11.5	-6.4	-4.6	-4.5	-7.5	-2.6	-0.6
Range	7.1	8.3	8.2	4.6	12.1	15.0	10.1	8.4	11.9	14.8	10.1	8.3
Median	0.0	-3.0	-1.1	-0.6	0.9	-4.7	-1.7	-0.9	4.4	-0.9	2.3	3.6
Mean	**-0.9**	**-2.7**	**-1.1**	**-0.3**	**-0.1**	**-4.1**	**-1.4**	**-0.8**	**3.5**	**-0.3**	**2.6**	**3.2**

^ Two contributors provided only rental value growth forecasts.

Consensus Forecast All Property Total Return Forecasts versus IPD Annual Outturn



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If your organisation wishes to contribute to future surveys, please contact the IPF Research Director at pcraddock@ipf.org.uk.

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