RESEARCH

FEBRUARY 2021

Winter 2020-2021 Survey of Independent Forecasts for UK Commercial Property Investment

COMMISSIONED BY THE IPF RESEARCH PROGRAMME

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

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 makes a contribution to the Programme and gratefully acknowledges the support of these sponsoring organisations:

The Investment Property Forum Consensus Forecasts Winter 2020-2021 Survey of Independent Forecasts for UK Commercial Property Investment – February 2021

MSCI's recently published **Quarterly Index** results for **2020** indicate an annualised All Property total return for standing investments of **-2.4%**. By comparison, the IPF consensus of **-4.8%**, reported three months ago, was based on forecasts produced between August and mid-November 2020, with forecasters registering a clear improvement in sentiment as the year drew to a close. The 13 November forecasts averaged -4.3%, compared to -5.1% for the seven October projections.

Turning to the latest set of forecasts, 24 organisations contributed to this first survey of 2021, generated between late-November and mid-February 2020, with the majority (14) produced within two weeks of the 10 February survey date.

Forecast ranges continue to demonstrate the uncertainty the ongoing public health crisis has created, giving rise to numerous caveats to survey respondents' contributions. Given the wide dispersion of individual projections, at both the All Property and sector levels, contributors of significant outlying forecasts were invited to provide further comments on their figures.

One Fund Manager confirmed that, despite the age of their forecasts (early December), the major tenets of their house view stand, noting "the extraordinary fiscal support from the UK govt during the pandemic as crucial and really successful, and we envisage negative economic consequences once these measures are withdrawn" with the threat of bankruptcies and business failures to follow. This stance is shared, with another contributor stating, "There remains a question mark over the potential negative effect on businesses from the withdrawal of government support and the impact on occupier demand and rents".

While responding prior to the latest announcement regarding the easing of lockdown measures, and notwithstanding the role out of the vaccine programme, there was a feeling that forecasters may yet be required "to moderate or delay their 2021 bouncebacks (sic)."The output drag of **Brexit** also needs to be considered and this forecaster believes "with occupational and investment markets largely shuttered in 2020, 2021 will see further price discovery as markets reopen." They also highlight MSCI's treatment of deferred income, "which is not subtracted from the income return until it becomes bad debt and is written off".

Another Manager commented that fundamentals had been "affected so significantly by Covid that the supply and demand dynamics are much worse than they were this time last year, so that probably underpins the numbers to a greater extent." They go on to say, "Availability has gone through the roof and there are some clear emergent structural risks through a hybrid working future that are simply not priced in to yields or rents." Added to that "the risks to London from Brexit … remain, in terms of the drift of financial services over time and the now (thanks to Covid) even greater challenges with talent retention and attracting talent from overseas." Some surprise was expressed that their forecasts were such outliers: "if [they] follow anything like their historic relationship with availability then rents will fall substantially this year." They go on to question the likely speed and extent of any return to office working, feeling these have been misjudged, "as well as underestimating the structural changes, leading to misplaced optimism about the robustness of demand later in the year." There is a "sense that the industry is slightly in denial about the impact on offices because of the challenges in retail. People essentially don't want to contemplate both retail and offices, which are such a huge proportion of the investment universe, being so challenged at the same time."

A further Fund Manager respondent advised their overall UK forecasts have been "dragged down by central London but also by shopping centres", where they believe they have led the market with their forecasts for the latter and "see no reason for the valuation declines to relent this year given it still hugely lags the limited pricing evidence." Their forecast return for Industrials" could end up a little stronger if the momentum continues." And if they were to run their forecasts now, they would "revise up retail warehousing too to a mid-single digit total return", citing a "growing dispersion between grocery and value led essential retail, predominantly in affordable retail parks, and the vastly oversupplied non-essential retail space off unsustainable rents." They remain confident in their shopping centre numbers, while indicating that "if central London does better than our forecasts it will be very much despite the occupational fundamentals. … We are already seeing the West End underperforming the City because of its greater reliance on smaller tenants in smaller and less efficient buildings. The longer let, prime stock will likely keep attracting overseas interest to broadly support yields. But secondary stock is much more challenging and the MSCI sample is less prime than it was with overseas investors buying up more of the prime stock."

Of the more optimistic contributors, one Manager, whose strong capital growth projections for next year are significantly higher than others, expressed surprise that the 2022 consensus forecasts are so low "given that 2022 will be the year that we will see most of the recovery in regards to cap vals, as this year will be halted by social distancing restrictions for H1 2021. Our rationale is that we expect to see yield compression this year given how wide the spread between property yields and government bond yields is, and that we expect to see the start of a very strong economic recovery in the second half of this year moving into next year, supporting medium term rental growth prospects and capital values."

Sentiment remains strong for Industrials with one contributor indicating a shift in their view on the sector "to suggest more positive rental growth than previously, although medium term cap value growth may have downside risk". Overall, they are "now more taking into account 'structural' shift" and the largest falls in retail have been moved to 2021, albeit they caution there could be further downside risk ahead.

Another contributor observed the near-term boost that Industrials has benefitted from "by supply chain issues and increases in ecommerce", going on to note Retail is likely "to fall even more before it reaches a floor." While not explicitly including any working from home assumptions in this forecast run, the same party expects some downside in their current Office projections.

On a broader note, one respondent observed the five-year outlook being close to average, which compares favourably with other asset classes (fixed income) and should encourage capital into the sector once rental collection normalises. They go on to comment that the range in retail forecasts is still noteworthy, after almost 10 years of value decline, while retail warehousing, with a prospective return of 5.6% per annum over five years is starting – for some – to become a "buy" even though value drift still expected.

Headline results

The **2021 All Property average rental growth** rate indicates a decline of **-2.7%** for the year (a slight improvement on November's -2.8%), within a 6.0% range of projections (from -6.3% and -0.3%). At the sector level, Standard Retail and Shopping Centres attract the greatest falls in average projections, of 146 and 203 bps, to -8.3% and -10.5%, with only Industrials expected to deliver positive growth, averaging 2.1% for the year.

The current year's **capital value growth** average forecast for **All Property** rose 64 bps over the quarter, to **-2.5%** (previously -3.2%), as the Industrial average improved by almost 300 bps, to 4.3%. Retail growth prospects continued to decline – in the case of Shopping Centres, dropping 258 bps, to an average of -13.1%, with all but four contributors forecasting double digit falls.

Average predictions for **2021 total returns** broadly reflect the patterns of sector rental and capital value growth forecasts, with Industrials the sole sector improving over the quarter (by 294 bps to 8.7%). With Offices being the only other property type expected to deliver above zero returns, at 1.1%, the **All Property** forecast now lies at **2.1%** (from 1.5% in November).

For **2022**, the expectation for the **All Property rental growth** average is 34 bps weaker than three months ago, at – **0.4%**, from 0.8%, against marginally improved growth in Industrial rents (2.5%). A further decline in retail growth prospects is anticipated next year, with averages falling by between 59 and 67 bps.

As a consequence of quarter-on-quarter decreases in every **2022** sector forecast average, the mean **All Property capital growth** rate fell to **1.8%** (from 2.3% in November). Office, Standard Retail and Shopping Centre sector averages all recorded declines of more than 100 bps over the quarter, to lie at 2.3%, -1.6% and -3.8% respectively.

Mirroring the capital value projections, the **2022 All Property total return** forecast declined almost 50 bps to 6.6%, close to the anticipated peak, of **6.9%**, in **2023**.

For the balance of the survey period, average **All Property rental growth** forecasts are relatively static, lying between **1.4%** for **2023** and **1.6%** for **2024**, although the **All Property capital growth** projections are expected to decline, year-on-year, from **1.8%** in **2023** to **1.4%** in **2025**.

All Property total return forecasts in **2024** and **2025** currently average **6.3%**, with sector forecast averages ranging between 7.6% for Retail Warehouses and 5.9% for Industrials in the final year of the survey period.

Total Return Forecast Ranges (%)

	Feb-21	Nov-20	Aug-20	May-20	Feb-20
2021					
Office	24.0	22.5	18.6	21.4	12.9
Industrial	14.0	16.2	12.2	18.4	7.1
Standard Retail	24.5	14.5	14.8	19.2	10.3
Shopping Centre	28.1	17.2	16.9	29.4	12.1
Retail Warehouse	16.8	12.9	18.6	20.5	11.7
All Property	17.9	13.5	9.4	14.9	6.3
2022					
Office	23.0	21.3	20.6	18.0	5.7
Industrial	21.0	18.3	19.6	22.7	6.8
Standard Retail	13.7	15.5	12.5	11.8	11.6
Shopping Centre	17.7	20.0	9.0	9.2	16.1
Retail Warehouse	12.0	14.8	11.5	14.2	10.4
All Property	15.4	21.5	13.17	15.3	5.7
Five-year annualised					
Office	8.8	7.8	7.0	6.1	4.4
Industrial	8.7	7.4	7.6	7.6	4.1
Standard Retail	8.7	6.5	7.2	8.2	8.0
Shopping Centre	13.0	8.7	7.9	10.7	6.9
Retail Warehouse	7.1	4.4	7.9	6.2	5.9
All Property	6.0	4.7	4.2	5.6	3.6

Summary Results

Summary Average by Sector

	Rental value growth (%)				Capital value growth (%)				Total return (%)			
	2021	2022	2023	2021/25	2021	2022	2023	2021/25	2021	2022	2023	2021/25
Office	-2.4	1.0	2.2	1.0	-3.1	2.3	2.5	1.1	1.1	6.8	6.9	5.4
Industrial	2.1	2.5	2.5	2.3	4.3	4.0	2.5	2.9	8.7	8.3	6.8	7.2
Standard Retail	-8.3	-2.3	-0.3	-2.2	-10.9	-1.6	0.2	-1.8	-6.1	4.0	5.3	3.0
Shopping Centre	-10.5	-3.6	-1.6	-3.4	-13.1	-3.8	-1.6	-4.1	-7.0	3.1	5.4	2.8
Retail Warehouse	-5.9	-1.9	-0.1	-1.5	-7.2	-0.3	0.5	-1.3	-0.7	6.6	7.4	5.6
All Property	**-2.7**	**0.4**	**1.4**	**0.4**	**-2.5**	**1.8**	**1.8**	**0.8**	**2.1**	**6.6**	**6.7**	**5.6**
West End office	-2.6	1.6	2.9	1.5	-2.9	3.3	3.6	2.1	0.5	6.8	7.2	5.6
City office	-3.4	1.4	2.7	1.1	-3.3	2.9	3.3	1.3	0.8	7.1	7.4	5.4
Office (all)	-2.4	1.0	2.2	1.0	-3.1	2.3	2.5	1.1	1.1	6.8	6.9	5.4

All Property Average by Forecast Month

	Rental value growth (%)				Capital value growth (%)				Total return (%)			
Month of forecast† (no. contributors)	2021	2022	2023	2021/25	2021	2022	2023	2021/25	2021	2022	2023	2021/25
December* (3)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
January (6)	-2.7	0.2	1.2	0.2	-3.0	3.1	2.1	1.0	1.8	8.0	6.9	5.7
February (14)	-2.6	0.5	1.5	0.5	-2.2	1.2	1.8	0.8	2.6	6.2	6.7	5.7
All Forecasters (24)	**-2.7**	**0.4**	**1.4**	**0.4**	**-2.5**	**1.8**	**1.8**	**0.8**	**2.1**	**6.6**	**6.7**	**5.6**

†One contributor's forecasts dated from late November 2020, while a second's omitted 2025 projections and, hence, five-yearly annualised averages.
*A minimum of five forecasts are required for each period to be separately analysed.

Survey contributors

24 organisations contributed to this quarter's forecasts, comprising 10 Property Advisors and Research Consultancies, 11 Fund Managers and three Others .

Full All Property forecasts for all periods were received from all but one contributor. Full sector forecasts for all periods were received from 21 contributors, and full West End and City sub-office sector forecasts from 20 contributors. All forecasts were generated within 12 weeks of the survey date (10 February 2021). 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.

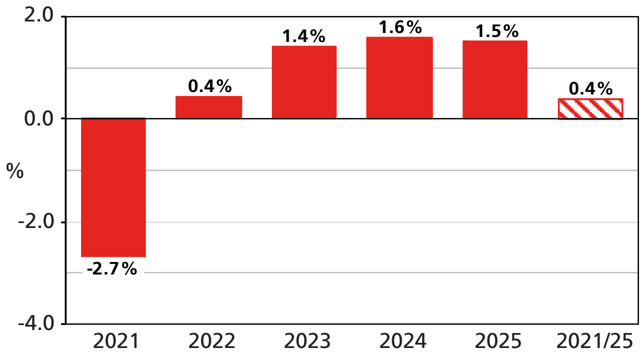
Sector figures are not analysed by contributor type – all figures presented are at the All-Forecaster level.

[1] As a minimum of five forecasts are required for each group of contributors to be separately analysed, data from Other contributors are included at the All-Forecaster level of reportage.

Rental Value Growth Forecasts

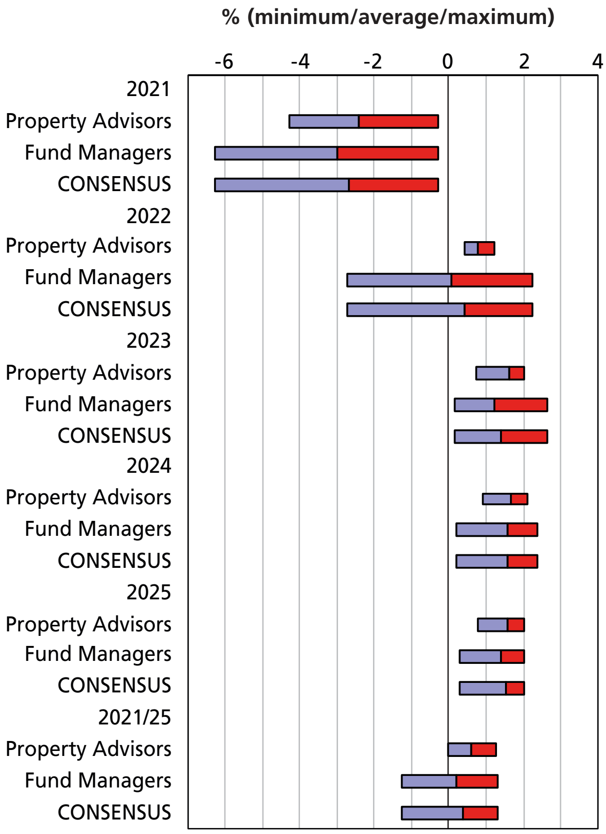
All Property rental value growth forecasts

Whilst the 2021 average outlook rose over the quarter (from -0.28% previously), with all contributors anticipating sub-zero growth, the 2022 average projections fell over 30 bps, from 0.8% in November, with five negative forecasts. The 2023 forecast also weakened (by 10 bps, from 1.5%), while a projection of 1.6% in 2024 indicates a likely peak in the current recovery..



As a consequence of replacing the final 2020 forecast, of -4.2%, with the new 2025 average, the five-year annualised figure rose over 100bps, from -0.7% per annum previously.

Rental value growth forecasts by contributor



Contributor sentiment for 2021 strengthened modestly over the quarter, supported by higher minimum forecasts of -4.3% from Property Advisors and -6.3% from Fund Managers (previously -8.0% and -7.5% respectively). With upper end projections falling to -0.3% for both, ranges narrowed (to 4.0% and 6.0%, from 8.4% and 7.7% in November).

This trend of improvement in minimum, average and maximum forecasts over the quarter is maintained within each group throughout the following three years.

With the exception of 2025 (new to this survey), uppermost Manager forecasts continue to exceed those of Advisors, although this greater optimism is not reflected in annual averages.

Stronger annualised five-year averages (0.6% and 0.2% for Advisors and Managers respectively), are due to the replacement of the very poor 2020 forecasts with improved growth expectations for 2025.

N.B. Three 'Other' contributors returned data in addition to those of 10 Property Advisors and 11 Fund Managers.

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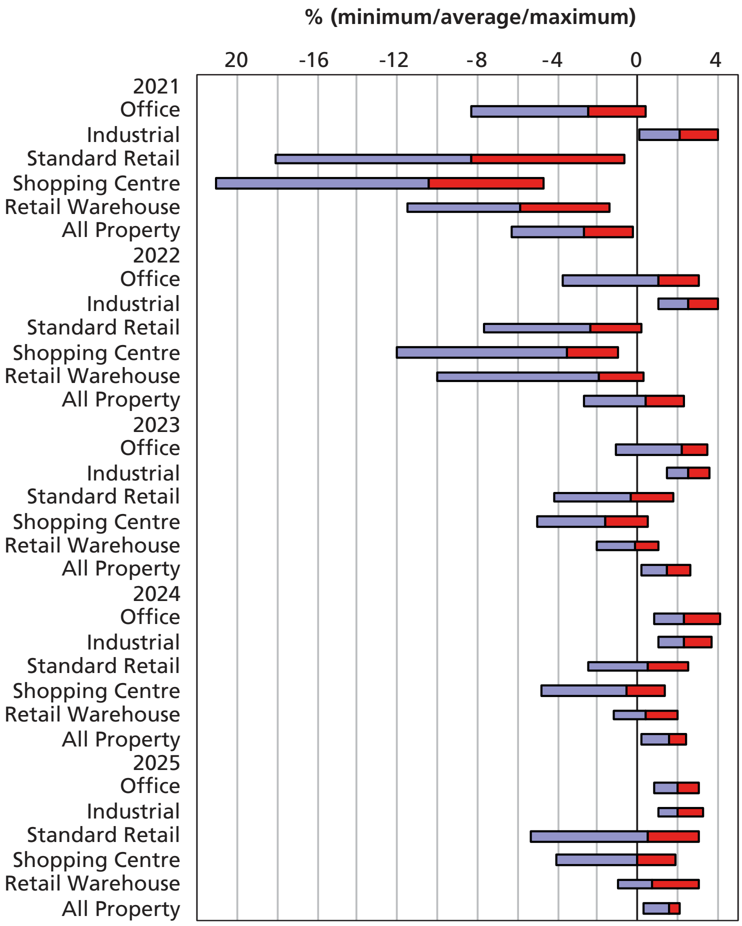
Rental Value Growth Forecasts (2)

Sector rental value growth annual forecasts



Near-term forecast ranges continue to illustrate the considerable difference in prospects for Standard Retail and Shopping Centres and, to a decreasing extent, Retail Warehouses, compared to the Industrial and Office sectors. 2021 forecasts for the former range between 17.4% (Standard Retail) and 10.1% (Retail Warehouses), with contributors universally negative in their outlook.

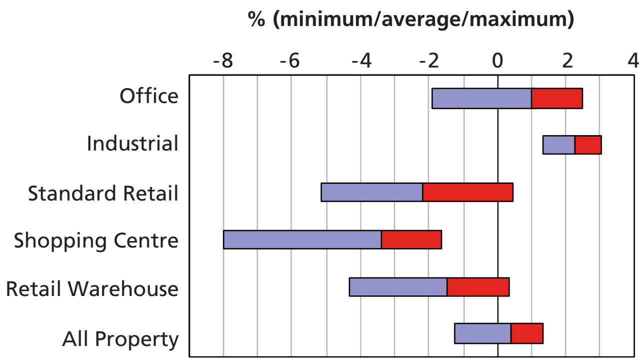
Shopping Centres continue to register the lowest individual forecasts in each of the next four years, from -21.0% currently to -4.0% in 2025, while negative averages are likely to persist throughout the survey period. Only Industrials are expected to delivery positive average growth throughout the survey period.

Office sector means from 2022 to 2024 declined over the quarter, although expected to deliver positive growth from next year and projected to match Industrial performance in both 2024 and 2025 (at 2.3% and 2.0% respectively).

Sector rental value growth five-year average forecasts

Despite the declines in All Property expectations for the three years between 2022 and 2024, the inclusion of a 1.5% forecast (in place of the 2020 projection of -4.2%) has caused an increase in the annualised rental growth rate to 0.4% (from -0.7% previously).

Both the Office and Industrial sectors are projected to outperform this figure, at 1.0% and 2.3% per annum respectively (from 0.4% and 1.8% in November).



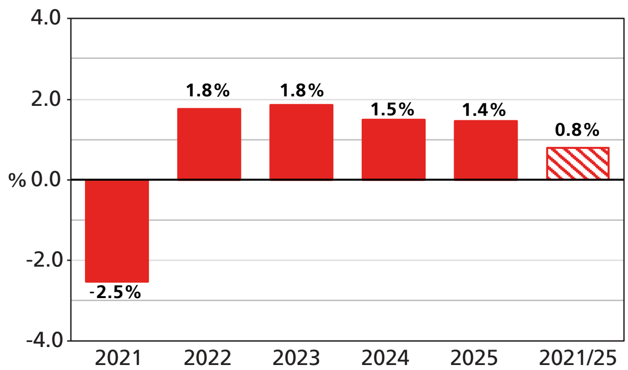
All three retail sub-sector averages have improved, albeit remaining below zero. These now register -2.2%, -3.4% and -1.5% per annum for Standard Retail, Shopping Centres and Retail Warehouses, reflecting rises of 169, 238 and 164bps on average.

Capital Value Growth Forecasts

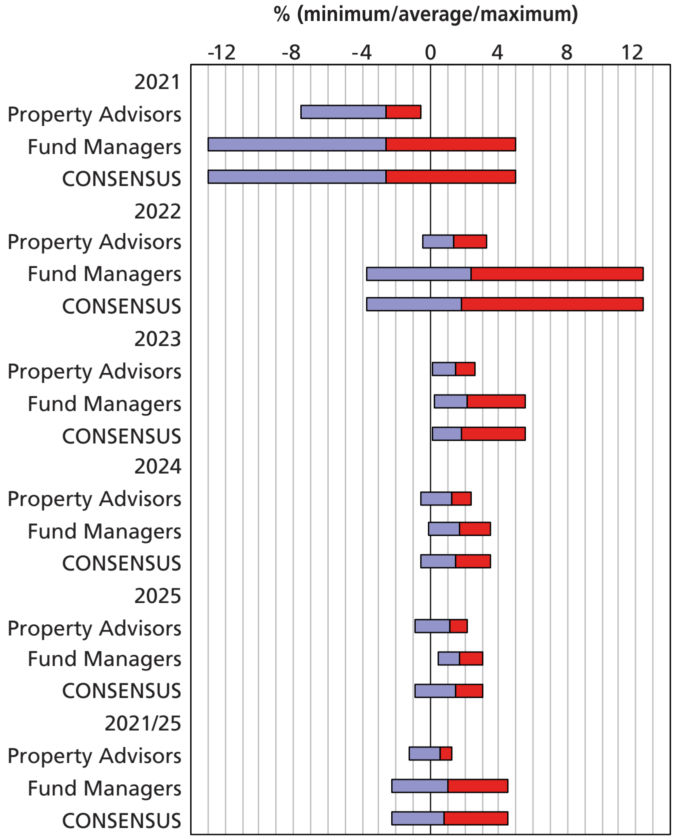
All Property average capital value growth forecasts

Following a fall of 140 bps in November, the 2021 average picked up by more than 60 bps (previously -3.2%), with three contributors forecasting positive capital value growth and a single outlying double-digit negative projection. However, the 2022 and 2023 means declined by 58 and 10 bps respectively (previously 2.3% and 1.9%).

With the substitution of November's 2020 forecast of -9.3%, the overall impact on the five-year annualised projection has been to increase this by almost 230 bps (from -1.5% per annum previously).



Capital value growth forecasts by contributor



N.B. Three 'Other' contributors returned data in addition to the 10 Property Advisors and 11 Fund Managers.

For the current year, average Property Advisor and Fund Manager forecasts rose over the quarter, by 96 bps and over 50 bps respectively, with both averaging -2.6%. Omitting the minimum outlying Fund Manager forecast, of -13.0%, however, would raise the average for this group to -1.5%.

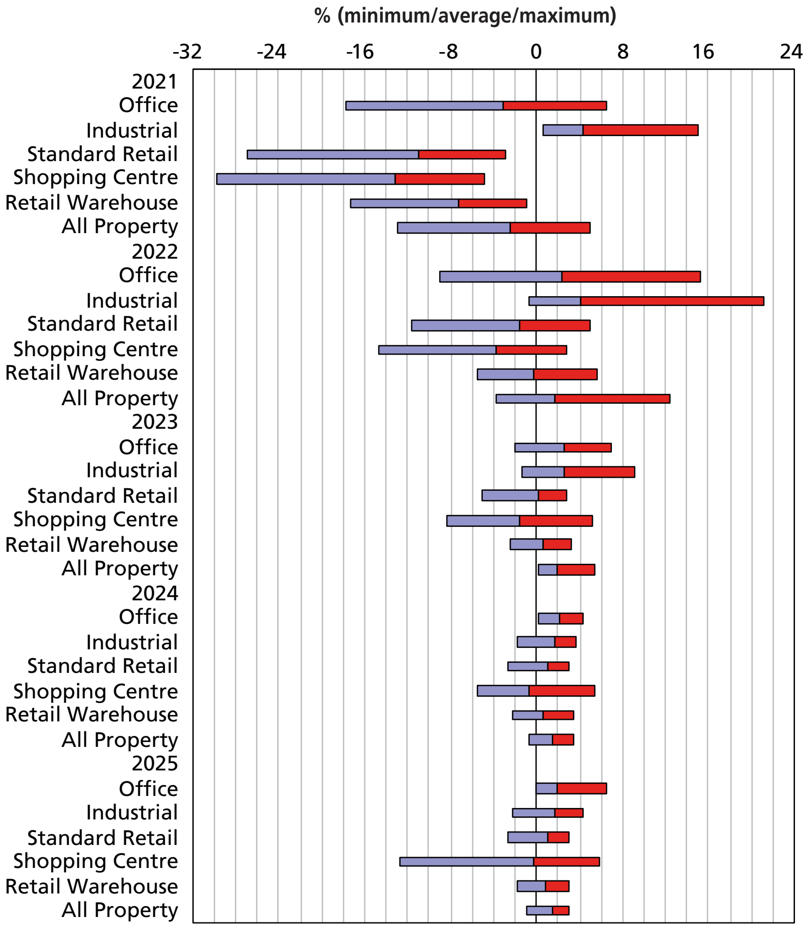
This strengthening of sentiment does not extend to either of the next two years, despite a significant outlier forecast of 12.4% by one Fund Manager in 2022; that year's averages declined by over 120 and 14 bps, to 1.3% and 2.3% respectively, while 2023 averages fell marginally, to 1.5% and 2.2% (from 1.7% and 2.3% in November).

Average Fund Manager expectations equal or are higher than those of Property Advisors in each survey year, although, in the near-term, the former sets of forecasts diverge considerably. Forecast spreads are at their widest in 2021 at 18.0%, falling to 16.1% in 2022, both being driven by highly polarised Fund Manager views, while Property Advisors consistently show a close consensus throughout the survey period.

With the inclusion of 2025 projections, the five-year averages improved significantly over the quarter, as Property Advisors recorded an increase of 201 bps and Fund Managers of 264 bps to 0.5% and 1.0% per annum.

Capital Value Growth Forecasts (2)

Sector capital value growth annual forecasts



Only the 2021 Industrial average rose over the quarter (by almost 300 bps to 4.3%), whereas growth rates for Office and retail capital values fell between 12 bps for the former and, in the case of Shopping Centres, 258 bps, to -3.1% and -13.1% respectively. All retail forecasts are negative for the current year, with a majority of Office forecasts also sub-zero (19 out of 23). With the exceptions of 2021 for Industrials and 2024 and 2025 for Offices, all sectors attracted one or more negative forecasts in each year.

A high level of uncertainty attaches to projections, with all sector forecast ranges both this year and next falling within double digit spreads. However, views converge significantly from 2023 onwards.

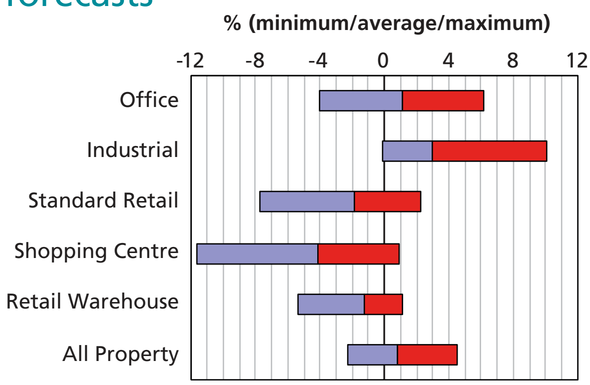
By 2023 Standard Retail and Retail Warehouse mean rates of growth may turn positive but the outlook for Shopping Centres remains bleak, with average expectations continuing to be negative throughout the survey period.

Newly generated 2025 projections suggest a flattening in any retail recovery. From 2024, the Office average is forecast to decline, from a peak of 2.5% in 2023 to 1.8% in 2025. For Industrial growth, year-on-year weakening is predicted from 2022 onwards, from a maximum of 4.0% in that year to 1.7% by 2025.

Sector capital value growth five-year forecasts

The introduction of 2025 forecasts has enhanced annualised averages in each sector with Offices and Industrials now lying at 1.1% and 2.9% (from -0.1% and 2.0% in November), which continue to surpass a much-improved All Property average of 0.8% (-1.5% previously).

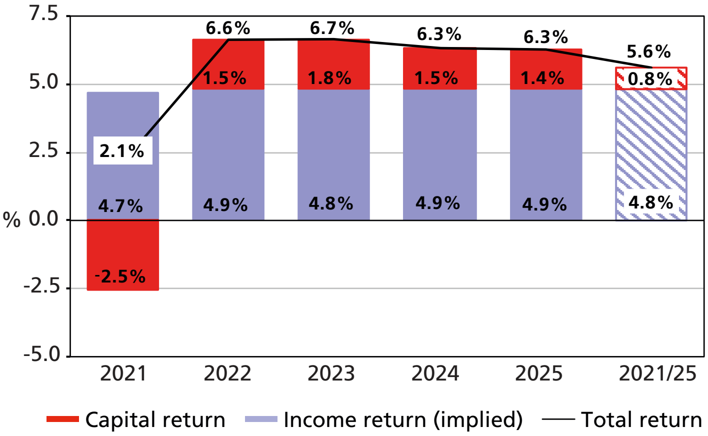
Average growth rates for all retail sub-markets also rose over the quarter, to -1.8% per annum for Standard Retail, -4.1% for Shopping Centres and -1.3% for Retail Warehouses (from -5.5%, -9.5% and -5.4% respectively).



Forecast ranges reduced in all sectors, with Shopping Centres recording the greatest fall (of 5.9%) whilst the Retail Warehouses average attracted the narrowest array of individual projections, at 6.5%.

Total Return Forecasts

All Property total return forecasts



2021 total return averages rose almost 60 bps over the quarter (from 1.5% in November) but projections have weakened for the following three years – most markedly so in 2022, with a fall of 46bps, from an average of 7.1%, as a consequence of lower capital growth expectations, while more modest declines of 13 and 4 bps were recorded for 2023 and 2024.

Although the 2021 implied income return fell slightly (by 4 bps from November), next year's average rose 12 bps. More modest changes in 2023 and 2024 have left these returns unaltered due to rounding.

The anticipated improvement in the current year and inclusion of 2025 data in place of 2020 have resulted in a 234 bps increase in the five-year average (from 3.3% per annum previously).

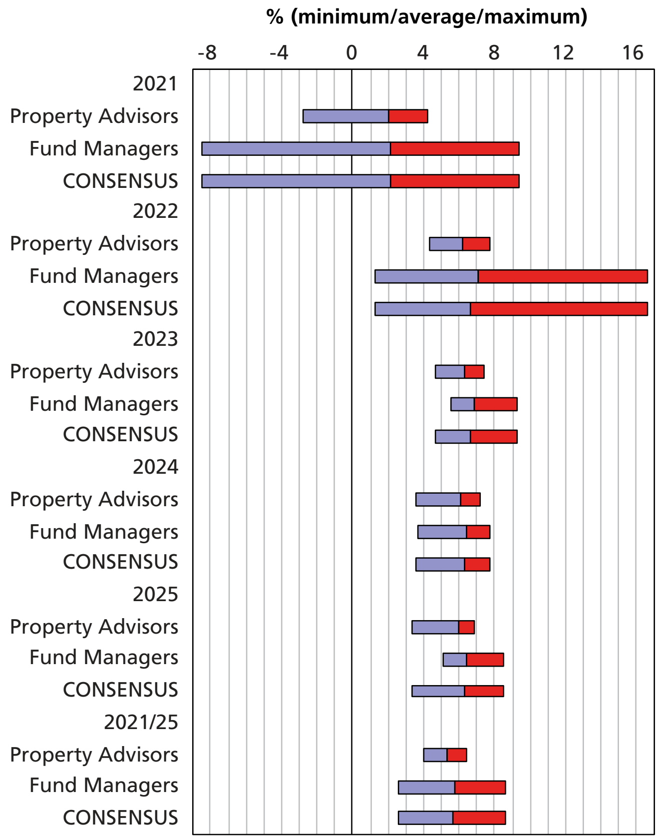
Contributors All Property total return forecasts

Only four contributors (including one Property Advisor) forecast sub-zero total returns for 2021. Demonstrating the uncertainty attaching to these forecasts, however, omitting the lowest outliers of each group's current year forecasts would result in mean returns rising to 2.6% and 3.1%, to give an overall average of 2.8%.

Both 2022 and 2023 averages fell over the quarter, although, collectively, Managers showed the greater optimism (almost 90 and 60 bps higher than Advisors, driven by a substantial outlying maximum forecast in 2022) and this trend persists in the final two years of the survey period.

A greater consensus between contributors emerges from 2023 onwards, as Fund Manager ranges decrease significantly – to 3.8% that year, from 15.4% in the preceding year – with spreads of 4.0% or less in 2024 and 2025 for these two groups.

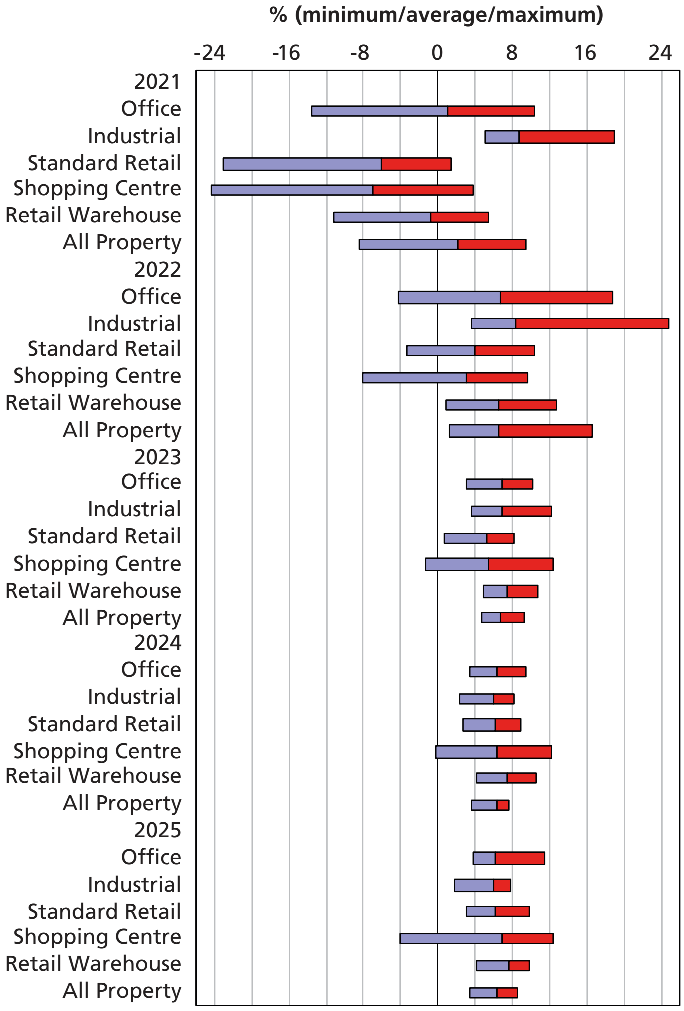
A substitution of 2025 projections caused the average five-year returns to rise by 216 and 258 bps for Advisors and Managers, to 5.4% and 5.7% per annum respectively.



N.B. Three 'Other' contributors returned data in addition to the 10 Property Advisors and 11 Fund Managers.

Total Return Forecasts (2)

Sector total return annual forecasts



Most annual sector average forecasts fell compared to last quarter, with only current year expectations for Industrials strengthening significantly: up 294 bps (to 8.7%). While the 2021 Office average was virtually unchanged, at 1.1% (1.2% previously), retail average returns recorded declines of between 281 bps for Shopping Centres (from -4.2% in November, with only two contributors forecasting positive returns) and 117 bps for Retail Warehouses (from 0.5%).

The expectation that Industrials will outperform other sectors in 2021 and 2022 has persisted, although the 6.8% average in 2023 may be overtaken by Retail Warehouses, with a mean projection of 7.4%, with Offices potentially returning 6.9% that year, despite a general weakening in forecasts over the quarter.

Positive averages are projected for all sectors from 2022 onwards, ranging between 3.1% for Shopping Centres and 8.3% for Industrials (from 4.5% and 8.8% three months ago). Continued weakening in sentiment for 2023 performance is manifested in quarterly falls of over 40 bps for both Industrial and Standard Retail returns, with a 35 bps drop in the Office average.

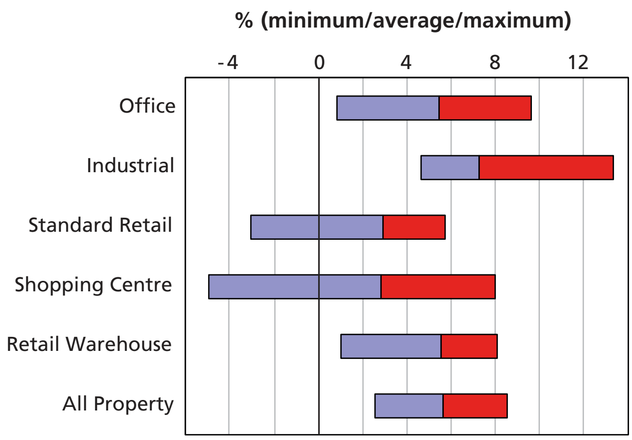
With the exception of Retail Warehouses, by 2024, sector averages lie between 6.0% and 7.0%, with greater consensus between forecasters in all but Shopping Centre projections, which continue to attract double digit spreads.

Sector total return five-year forecasts

Inclusion of 2025 forecasts causes the Industrial sector, at 7.2%, to remain on course to outperform the All Property average of 5.6% per annum.

All sector averages improved over the quarter, following the loss of 2020 data, most particularly in the case of Shopping Centres, which rose over 590 bps to 2.8% per annum, followed by Retail Warehouses (up 421 bps to 5.6%) and Standard Retail (up 363 bps to 3.0%).

All forecast ranges widened, however, with Shopping Centre forecasts spanning 13.0% market, while the All Property average continued to show the greatest consensus of views, within a range of 6.0%.



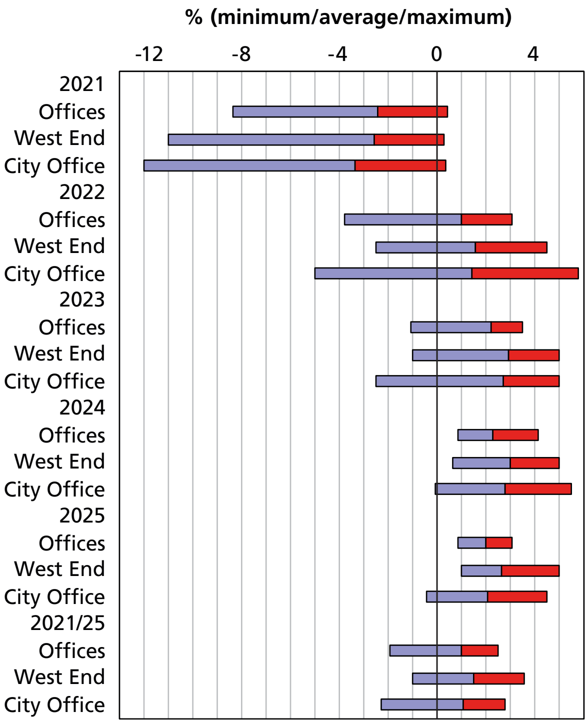
Central London Office Forecasts

Central London offices

In its overview of the central London market[2] in 2020, JLL reported just 751,000 sq. ft. was let during the final three months of the year – the lowest quarterly volume on record – contributing to a total of 4.7 million sq. ft., representing around 50% of the 10-year average of 9.9 million sq. ft. In Q4, the most active sector was banking and finance, but professional services dominated the 12 months as a whole. Representing a vacancy rate of 6.8% currently (well above the 10-year average of 5.0%), the supply of space rose through to a combination of subdued leasing activity and increasing volumes of second-hand accommodation being released onto the market, while the completion of 22 Bishopsgate added over half a million sq. ft of new space. As a result, almost 17 million sq. ft. was available by the end of 2020.

In contrast, a number of large investment transactions were completed in Q4, involving a concentration of West End assets. 2020 investment volumes reached £9.2 billion, down over 25% on 2019 and well below the 10-year average of £15.0 billion. Overseas investors accounted for 72% of volumes in Q4 and predominated over other investors for the year as a whole (at c. 63% of total activity).

Rental value growth



Of the 21 complete central London office forecasts received, only one 2021 West End rental growth projection was above zero; the minimum forecast of -11.0% represented an improvement on November's -18.1%, while the -12.0% City forecast was unchanged. Both averages weakened, to -2.6% and -3.4%, from -2.5% and -2.6% previously.

Despite the City market attracting at least one negative forecast in each survey year, the average consensus is for a return to positive growth within both sub-markets from 2022, with year-on-year improvement until falling back slightly in 2025. However, future years' forecasts weakened over the three months since the last survey, indicating a further slowdown in any potential recovery.

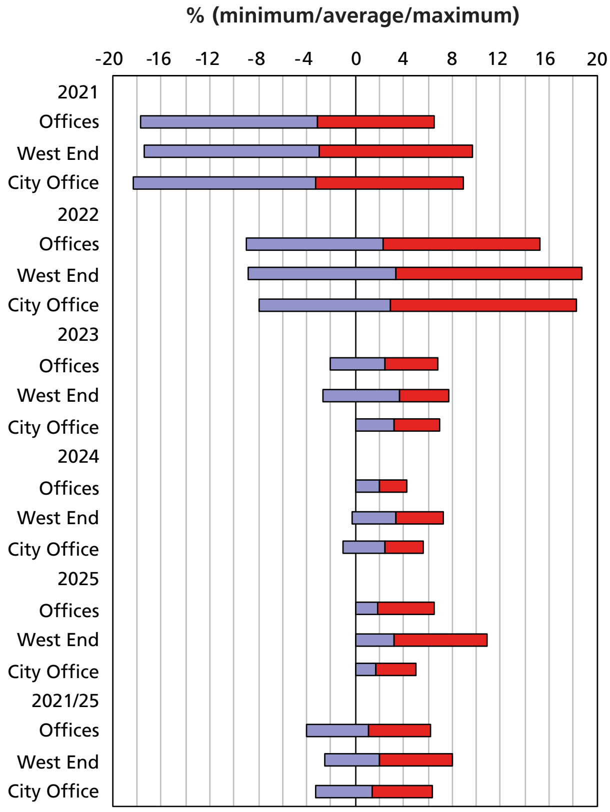
As a consequence of positive forecasts for 2025 replacing last year's negative growth rates (of -2.5% and -1.4%), five-year annualised averages rose to 1.5% and 1.1% per annum for the West End and City respectively, compared to 0.6% and 0.7% in November.

Near-term forecast ranges reflect the continuing uncertainty caused by coronavirus, compounded by ongoing Brexit concerns, with both markets attracting greater diversity of opinion than the wider national market.

[2] JLL Central London office market report, Q4 2020

Central London Office Forecasts (2)

Capital value growth



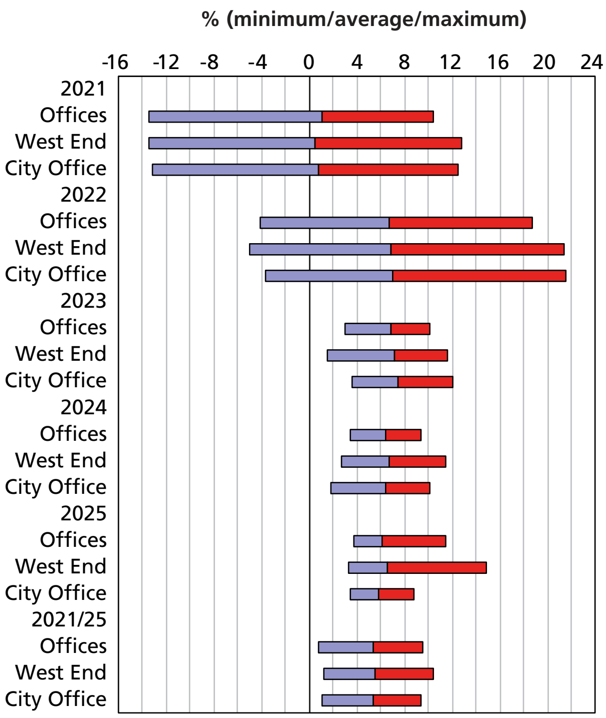
2021 West End forecasts included three positive growth projections, as well as two double-digit negative forecasts, resulting in a span of over 27%, to average -2.9%, barely changed over the quarter. With a similar distribution of projections for City values, current year estimates range between -17.42% to 9.6%, to average -3.3%.

Next year's expectations for both markets are similarly extensive, with spreads of 27.5% and 26.3% around 2022 averages of 3.3% and 2.9% for the West End and City, although individual contributors appear to be more in accord from 2023.

Compared to November's survey, however, forecast means are markedly weaker in both 2022 and 2023, down by 221 and 182 bps for the West End and City next year (from average growth rates of 5.5% and 4.7% previously) and by 44 and 34 bps respectively for 2023, to 3.6% and 3.3%.

The omission of very poor 2020 data has caused the five-year growth rates to rise by c.150 and 100 bps in the two markets to give annualised averages of 2.1% and 1.3% respectively.

Total returns



The 2021 West End mean forecast of total return improved marginally over the quarter, increasing 25 bps to 0.5%, while the City average weakened 34 bps to 0.8%. Both markets attracted large forecast ranges (26.2% and 25.6%) with two double-digit positive and negative outliers each. Stronger performance over the next two years, with 2022 averages of 6.8% and 7.1% and 2023 of 7.2% and 7.2%, are more muted than anticipated in November's survey, which recorded averages of 9.1% and 8.8% for the former and 7.5% and 7.9% for the latter year.

The consensus between forecasters is relatively closer in the later survey years, although the West End continues to attract double-digit spans in both 2023 and 2025 (of 10.1% and 11.4%), while City forecasts range between 8.5% and 5.4% in these years.

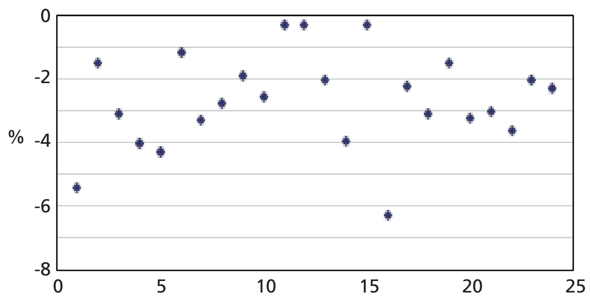
Improved 2025 forecasts, compared to those for 2020, caused five-year returns to rise by 166 and 100 bps for the West End and City, to 5.6% and 5.4% per annum, from 3.9% and 4.4% in November. This compares with the current overall Office market projection of 5.4% per annum (an improvement of 133 bps over the quarter).

Distribution of Forecasts

The scatter charts record forecasts of **All Property** rental value and capital value growth for the **Winter 2020-2021** survey. Contributor projections are included in random order so that individual forecasts cannot be identified. Previous quarter's forecasts (November 2020) appear in brackets.

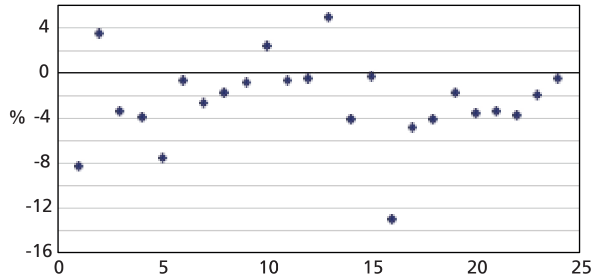
Rental value growth (% pa)

2021 Mean Forecast: **-2.7%** (-2.8%)

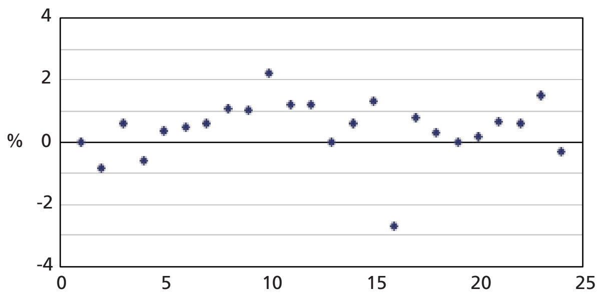


Capital value growth (% pa)

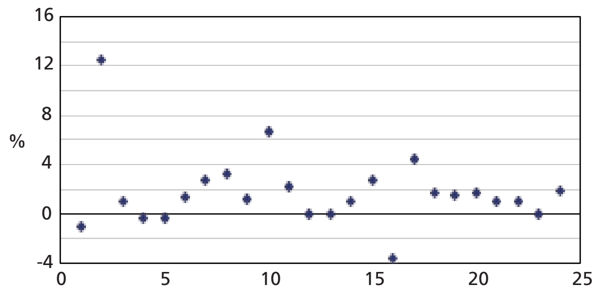
2021 Mean Forecast: **-2.5%** (-3.2%)



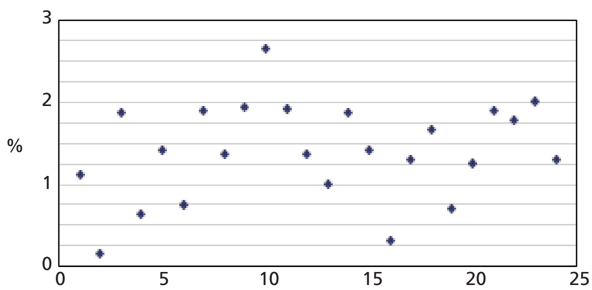
2022 Mean Forecast: **0.4%** (0.8%)



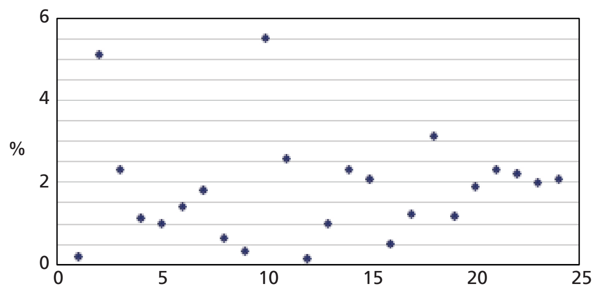
2022 Mean Forecast: **1.8%** (-2.3%)



2023 Mean Forecast: **1.4%** (1.5%)



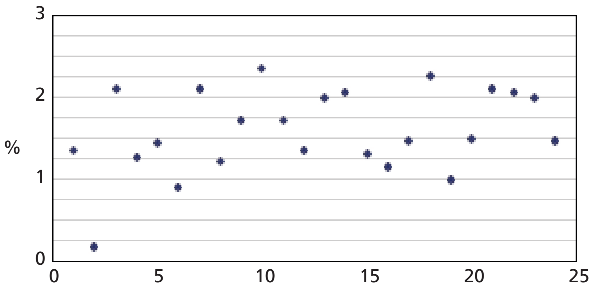
2023 Mean Forecast: **1.8%** (1.9%)



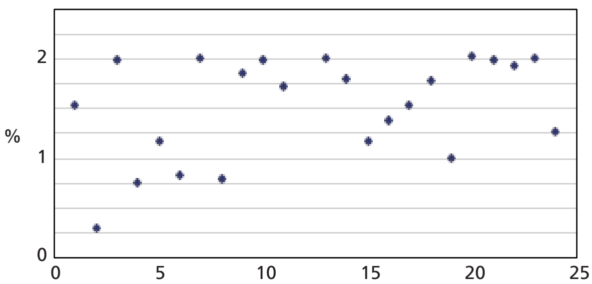
Distribution of Forecasts (2)

Rental value growth (% pa)

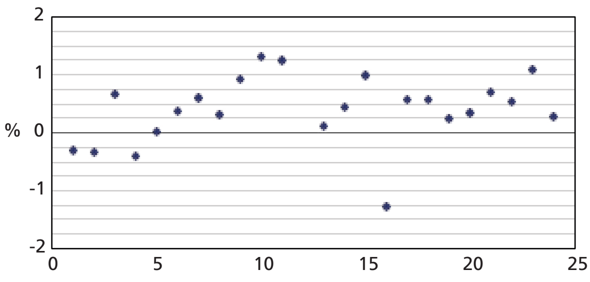
2024 Mean Forecast: **1.6%** (1.6%)



2025 Mean Forecast: **1.5%** (n/a

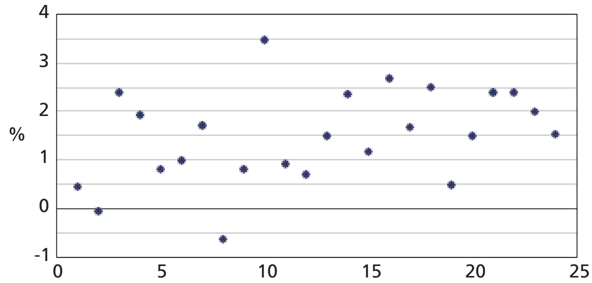


2021/25 25 Mean forecast: **0.4%** (n/a)

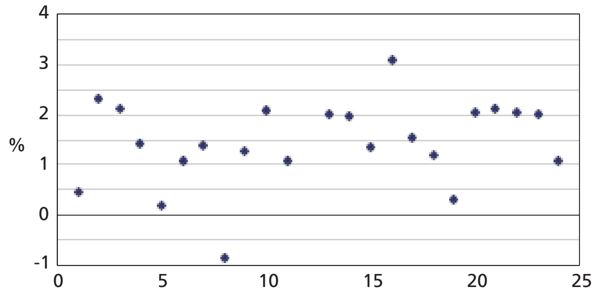


Capital value growth (% pa)

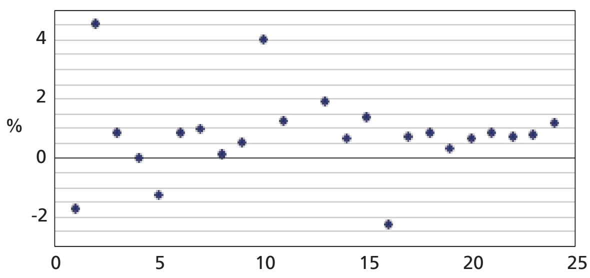
2024 Mean Forecast: **1.5%** (1.5%)



2025 Mean Forecast: **1.4%** (n/a)



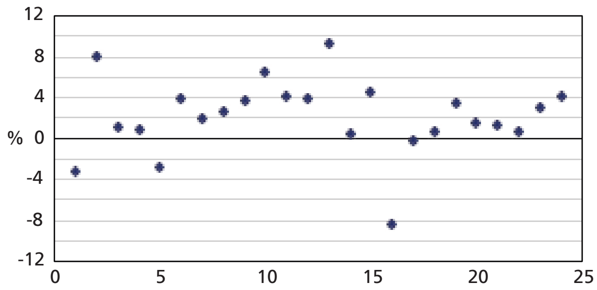
2021/2025 Mean forecast: **0.8%** (n/a)



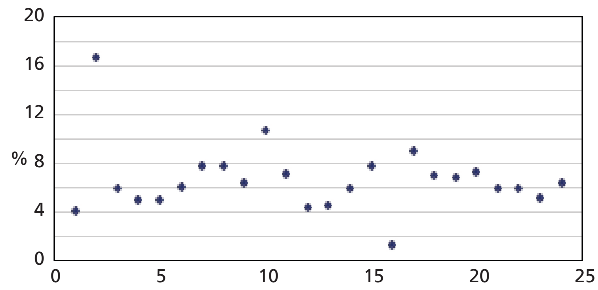
Distribution of Forecasts (3)

All Property total returns (% pa)

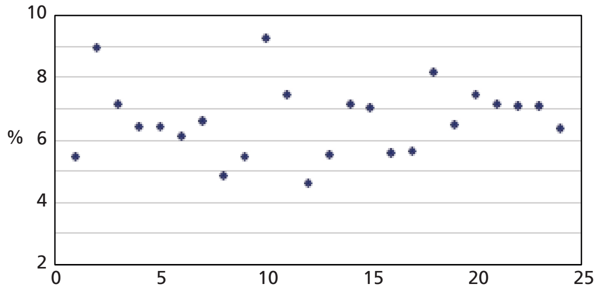
2021 Mean forecast: **2.1%** (1.5%)



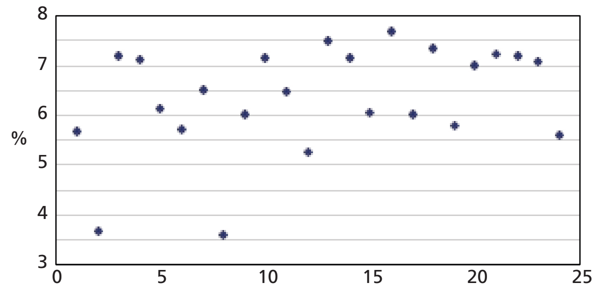
2022 Mean forecast: **6.6%** (7.1%)



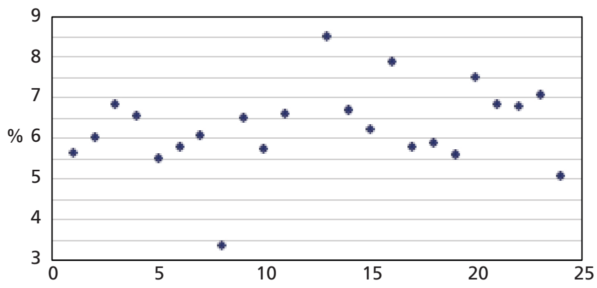
2023 Mean forecast: **6.7%** (6.8%)



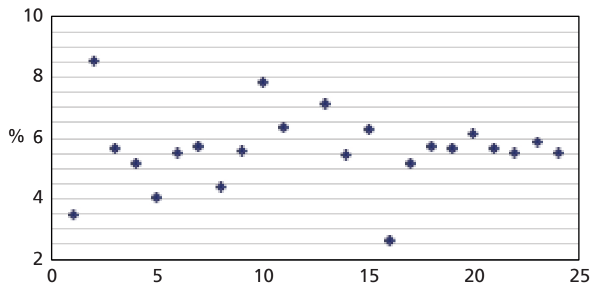
2024 Mean forecast: **6.3%** (6.4%)



2025 Mean forecast: **6.3%** (n/a)

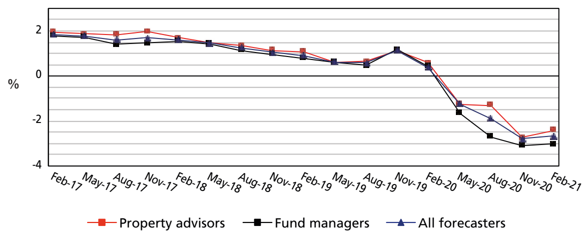


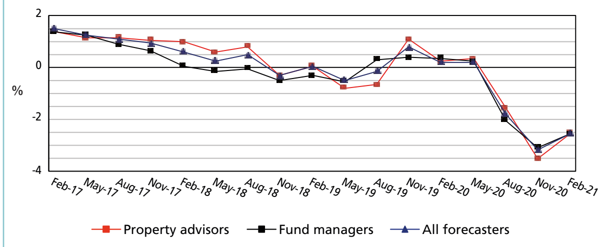
2021/2025 Mean forecast: **5.6%** (n/a)



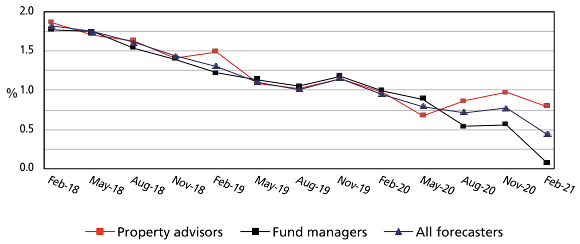
Evolution of the All Property Consensus

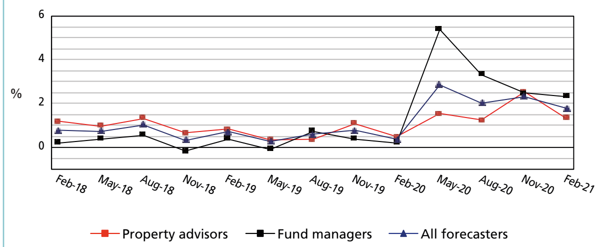
All Property rental value growth (% pa)	All Property capital value growth (% pa)
2021 Mean Forecast: **-2.7%** (-2.8%)	**2021** Mean Forecast: **-2.5%** (-3.2%)



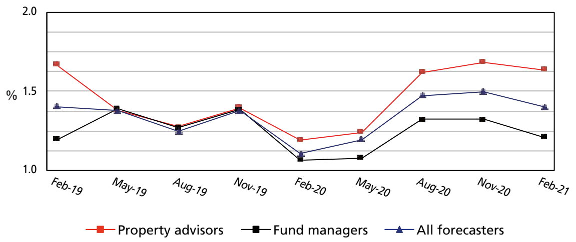


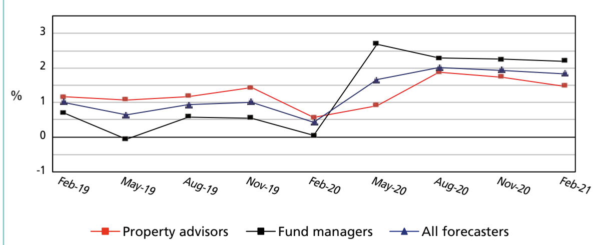
2022 Mean Forecast: **0.4%** (0.8%)	**2022** Mean Forecast: **1.8%** (2.3%)



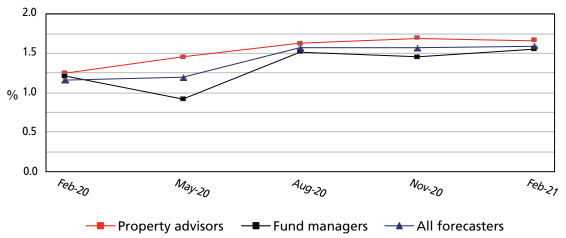


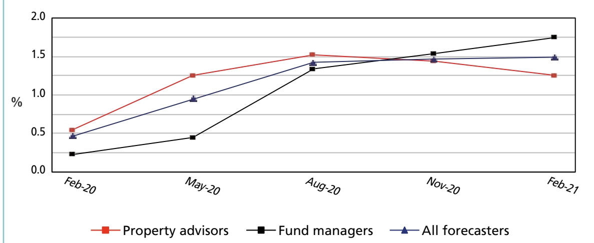
2023 Mean Forecast: **1.4%** (1.5%)	**2023** Mean Forecast: **1.8%** (1.9%)





2024 Mean Forecast: **1.6%** (1.6%)	**2024** Mean Forecast: **1.5%** (1.5%)

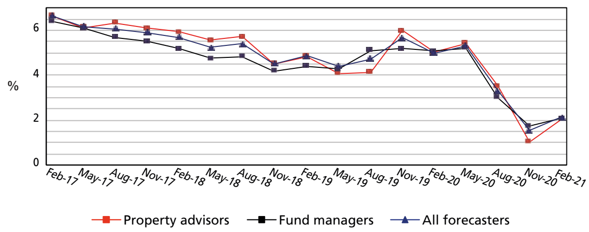




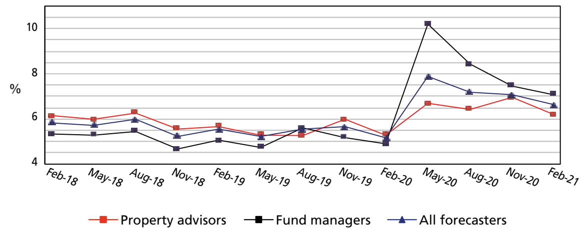
Evolution of the consensus (2)

All Property total returns (% pa)

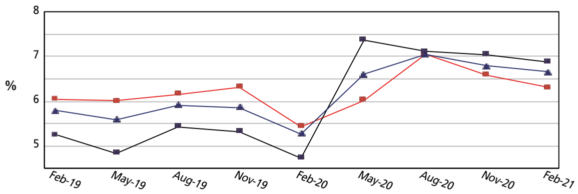
2021 Mean Forecast: **2.1%** (1.5%)



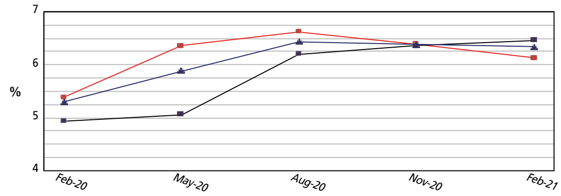
2022 Mean Forecast: **6.6%** (7.1%)



2023 Mean Forecast: **6.7%** (6.8%)



2024 Mean Forecast: **6.3%** (6.4%)



All Property Survey Results by Contributor Type

(Forecasts in brackets are November 2020 comparisons)

Property Advisors and Research Consultancies

10 (11)	Rental value growth (%)						Capital value growth (%)						Total return (%)					
contributors	2021		2022		2021/25		2021		2022		2021/25		2021		2022		2021/25	
Maximum	-0.3	(0.4)	1.2	(3.5)	1.3	(n/a)	-0.5	(0.5)	3.3	(12.7)	1.2	(n/a)	4.2	(4.9)	7.7	(18.7)	6.4	(n/a)
Minimum	-4.3	(-8.0)	0.4	(0.2)	0.0	(n/a)	-7.6	(-10.8)	-0.4	(-0.4)	-1.3	(n/a)	-2.8	(-6.0)	4.3	(-2.8)	4.0	(n/a)
Range	4.0	(8.4)	0.8	(3.3)	1.3	(n/a)	7.1	(11.3)	3.7	(13.1)	2.5	(n/a)	7.0	(11.0)	3.4	(21.5)	2.4	(n/a)
Median	-2.9	(-2.6)	0.6	(0.6)	0.6	(n/a)	-2.2	(-3.3)	1.1	(1.0)	0.8	(n/a)	2.2	(1.5)	6.0	(6.0)	5.6	(n/a)
Mean	**-2.4**	**(-2.7)**	**0.8**	**(1.0)**	**0.6**	**(n/a)**	**-2.6**	**(-3.5)**	**1.3**	**(2.5)**	**0.5**	**(n/a)**	**2.0**	**(1.0)**	**6.2**	**(7.0)**	**5.4**	**(n/a)**

Fund Managers

11 (10)	Rental value growth (%)						Capital value growth (%)						Total return (%)					
contributors	2021		2022		2021/25		2021		2022		2021/25		2021		2022		2021/25	
Maximum	-0.3	(0.2)	2.2	(1.3)	1.3	(n/a)	5.0	(2.9)	12.4	(11.3)	4.6	(n/a)	9.4	(7.5)	16.6	(15.6)	8.6	(n/a)
Minimum	-6.3	(-7.5)	-2.7	(-0.4)	-1.3	(n/a)	-13.0	(-8.6)	-3.7	(-0.8)	-2.3	(n/a)	-8.5	(-3.2)	1.3	(4.5)	2.6	(n/a)
Range	6.0	(7.7)	5.0	(1.7)	2.6	(n/a)	18.0	(11.5)	16.1	(12.1)	6.8	(n/a)	17.9	(10.7)	15.4	(11.1)	6.0	(n/a)
Median	-2.5	(-3.1)	0.0	(0.7)	0.3	(n/a)	-3.9	(-3.2)	1.8	(1.8)	0.9	(n/a)	0.9	(1.7)	6.3	(6.8)	5.5	(n/a)
Mean	**-3.0**	**(-3.1)**	**0.1**	**(0.6)**	**0.2**	**(n/a)**	**-2.6**	**(-3.1)**	**2.3**	**(2.5)**	**1.0**	**(n/a)**	**2.1**	**(1.7)**	**7.1**	**(7.5)**	**5.7**	**(n/a)**

All Property forecasters

24 (23)	Rental value growth (%)						Capital value growth (%)						Total return (%)					
contributors	2021		2022		2021/25		2021		2022		2021/25		2021		2022		2021/25	
Maximum	-0.3	(0.4)	2.2	(3.5)	1.3	(n/a)	5.0	(2.9)	12.4	(12.7)	4.6	(n/a)	9.4	(7.5)	16.6	(18.7)	8.6	(n/a)
Minimum	-6.3	(-8.0)	-2.7	(-0.4)	-1.3	(n/a)	-13.0	(-10.8)	-3.7	(-0.8)	-2.3	(n/a)	-8.5	(-6.0)	1.3	(-2.8)	2.6	(n/a)
Range	6.0	(8.4)	5.0	(3.9)	2.6	(n/a)	18.0	(13.7)	16.1	(13.5)	6.8	(n/a)	17.9	(13.5)	15.4	(21.5)	6.0	(n/a)
Std. Dev.	1.5	(2.1)	0.9	(0.8)	0.6	(n/a)	3.7	(3.2)	2.9	(3.4)	1.4	(n/a)	3.6	(3.4)	2.7	(4.0)	1.2	(n/a)
Median	-2.7	(-2.5)	0.6	(0.6)	0.5	(n/a)	-2.4	(-2.6)	1.2	(1.3)	0.8	(n/a)	2.2	(2.5)	6.2	(6.3)	5.6	(n/a)
Mean	**-2.7**	**(-2.8)**	**0.4**	**(0.8)**	**0.4**	**(n/a)**	**-2.5**	**(-3.2)**	**1.8**	**(2.3)**	**0.8**	**(n/a)**	**2.1**	**(1.5)**	**6.6**	**(7.1)**	**5.6**	**(n/a)**

Notes:

1. Figures are subject to rounding and are forecasts of All Property or relevant segment Annual Index measures published by MSCI). 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, forecasts must be generated within 12 weeks of the survey date (10 February 2021).
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 derived from 23 forecasts for each performance measure over all periods. Full sector forecasts were received from 21 organisations (20 for full central London office forecasts).

Survey Results by Sector

Office

23 forecasts†	Rental value growth (%)				Capital value growth (%)				Total return (%)			
	2021	2022	2023	2021/25	2021	2022	2023	2021/25	2021	2022	2023	2021/25
Maximum	0.4	3.1	3.5	2.5	6.5	15.2	6.9	6.2	10.5	18.8	10.1	9.6
Minimum	-8.3	-3.8	-1.1	-1.9	-17.7	-9.0	-2.1	-4.0	-13.5	-4.2	3.0	0.8
Range	8.8	6.9	4.6	4.4	24.2	24.2	9.0	10.2	24.0	23.0	7.1	8.8
Median	-2.4	1.3	2.5	1.1	-2.6	2.0	2.7	1.2	1.5	6.1	7.0	5.5
Mean	**-2.4**	**1.0**	**2.2**	**1.0**	**-3.1**	**2.3**	**2.5**	**1.1**	**1.1**	**6.8**	**6.9**	**5.4**

Industrial

23 forecasts†	Rental value growth (%)				Capital value growth (%)				Total return (%)			
	2021	2022	2023	2021/25	2021	2022	2023	2021/25	2021	2022	2023	2021/25
Maximum	4.0	4.0	3.6	3.0	15.0	21.2	9.2	10.0	19.0	24.7	12.3	13.3
Minimum	0.1	1.0	1.5	1.3	0.5	-0.7	-1.3	-0.2	5.1	3.7	3.6	4.6
Range	3.9	3.0	2.1	1.7	14.4	21.9	10.4	10.2	14.0	21.0	8.7	8.7
Median	2.1	2.4	2.3	2.2	3.0	3.2	2.6	2.5	7.4	7.5	6.7	7.0
Mean	**2.1**	**2.5**	**2.5**	**2.3**	**4.3**	**4.0**	**2.5**	**2.9**	**8.7**	**8.3**	**6.8**	**7.2**

Standard Retail

22 forecasts†	Rental value growth (%)				Capital value growth (%)				Total return (%)			
	2021	2022	2023	2021/25	2021	2022	2023	2021/25	2021	2022	2023	2021/25
Maximum	-0.6	0.2	1.8	0.5	-2.9	5.1	2.8	2.2	1.4	10.4	8.2	5.7
Minimum	-18.0	-7.7	-4.2	-5.2	-26.9	-11.6	-5.0	-7.8	-23.1	-3.2	0.7	-3.0
Range	17.4	7.9	6.0	5.6	24.0	16.7	7.8	10.0	24.5	13.7	7.5	8.7
Median	-7.5	-2.1	0.1	-1.9	-8.7	-0.8	0.7	-1.8	-4.0	4.9	5.9	3.7
Mean	**-8.3**	**-2.3**	**-0.3**	**-2.2**	**-10.9**	**-1.6**	**0.2**	**-1.8**	**-6.1**	**4.0**	**5.3**	**3.0**

Shopping Centre

23 forecasts†	Rental value growth (%)				Capital value growth (%)				Total return (%)			
	2021	2022	2023	2021/25	2021	2022	2023	2021/25	2021	2022	2023	2021/25
Maximum	-4.7	-1.0	0.5	-1.6	-4.8	2.8	5.3	0.9	3.8	9.6	12.3	8.0
Minimum	-21.0	-12.0	-5.0	-8.0	-29.7	-14.6	-8.3	-11.6	-24.3	-8.1	-1.3	-5.0
Range	16.3	11.0	5.5	6.4	24.9	17.4	13.6	12.6	28.1	17.7	13.6	13.0
Median	-10.0	-3.0	-1.1	-2.9	-12.5	-3.1	-1.0	-3.5	-5.4	3.3	5.7	2.9
Mean	**-10.5**	**-3.6**	**-1.6**	**-3.4**	**-13.1**	**-3.8**	**-1.6**	**-4.1**	**-7.0**	**3.1**	**5.4**	**2.8**

Retail Warehouse

22 forecasts†	Rental value growth (%)				Capital value growth (%)				Total return (%)			
	2021	2022	2023	2021/25	2021	2022	2023	2021/25	2021	2022	2023	2021/25
Maximum	-1.4	0.3	1.0	0.4	-1.0	5.7	3.2	1.1	5.5	12.8	10.7	8.1
Minimum	-11.5	-10.0	-2.0	-4.3	-17.4	-5.6	-2.4	-5.4	-11.3	0.8	5.0	1.0
Range	10.1	10.3	3.0	4.7	16.4	11.3	5.7	6.5	16.8	12.0	5.7	7.1
Median	-5.9	-1.2	0.0	-1.2	-6.8	-0.3	0.8	-1.1	-0.1	6.5	7.4	5.9
Mean	**-5.9**	**-1.9**	**-0.1**	**-1.5**	**-7.2**	**-0.3**	**0.5**	**-1.3**	**-0.7**	**6.6**	**7.4**	**5.6**

All Property

24 forecasts†	Rental value growth (%)				Capital value growth (%)				Total return (%)			
	2021	2022	2023	2021/25	2021	2022	2023	2021/25	2021	2022	2023	2021/25
Maximum	-0.3	2.2	2.6	1.3	5.0	12.4	5.5	4.6	9.4	16.6	9.3	8.6
Minimum	-6.3	-2.7	0.2	-1.3	-13.0	-3.7	0.2	-2.3	-8.5	1.3	4.6	2.6
Range	6.0	5.0	2.5	2.6	18.0	16.1	5.3	6.8	17.9	15.4	4.6	6.0
Std. Dev.	1.5	0.9	0.6	0.6	3.7	2.9	1.3	1.4	3.6	2.7	1.1	1.2
Median	-2.7	0.6	1.4	0.5	-2.4	1.2	1.9	0.8	2.2	6.2	6.6	5.6
Mean	**-2.7**	**0.4**	**1.4**	**0.4**	**-2.5**	**1.8**	**1.8**	**0.8**	**2.1**	**6.6**	**6.7**	**5.6**

† One contributor did not provide forecasts for 2024 or five-year annualised averages.

Sector Summary: Means

Sector summary: Means

(no. forecasts)	Rental value growth (%)				Capital value growth (%)				Total return (%)			
	2021	2022	2023	2021/25	2021	2022	2023	2021/25	2021	2022	2023	2021/25
Office (23)	-2.4	1.0	2.2	1.0	-3.1	2.3	2.5	1.1	1.1	6.8	6.9	5.4
Industrial (23)	2.1	2.5	2.5	2.3	4.3	4.0	2.5	2.9	8.7	8.3	6.8	7.2
Standard Retail (22)	-8.3	-2.3	-0.3	-2.2	-10.9	-1.6	0.2	-1.8	-6.1	4.0	5.3	3.0
Shopping Centre (22)	-10.5	-3.6	-1.6	-3.4	-13.1	-3.8	-1.6	-4.1	-7.0	3.1	5.4	2.8
Retail Warehouse (23)	-5.9	-1.9	-0.1	-1.5	-7.2	-0.3	0.5	-1.3	-0.7	6.6	7.4	5.6
All Property (24)	**-2.7**	**0.4**	**1.4**	**0.4**	**-2.5**	**1.8**	**1.8**	**0.8**	**2.1**	**6.6**	**6.7**	**5.6**

West End office

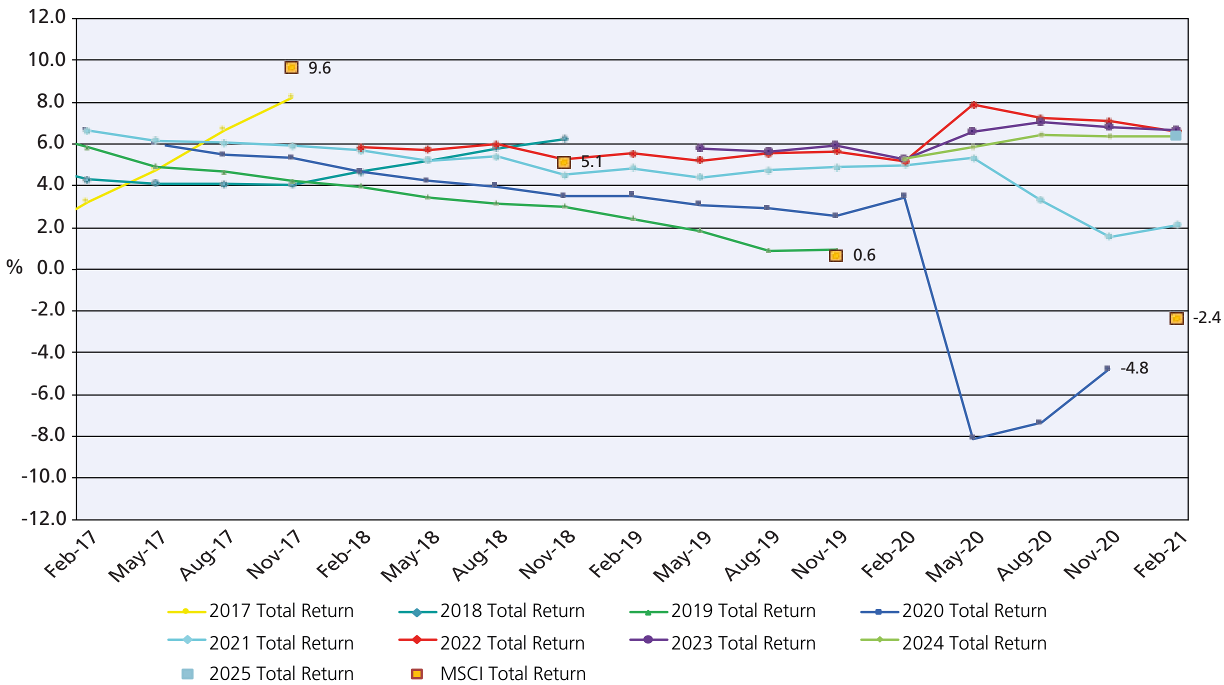
20 forecasts†	Rental value growth (%)				Capital value growth (%)				Total return (%)			
	2021	2022	2023	2021/25	2021	2022	2023	2021/25	2021	2022	2023	2021/25
Maximum	0.2	4.5	5.0	3.6	9.6	18.8	7.8	8.0	12.8	21.4	11.6	10.5
Minimum	-11.0	-2.5	-1.0	-1.0	-17.4	-8.8	-2.6	-2.5	-13.4	-4.9	1.5	1.3
Range	11.2	7.0	6.0	4.6	27.1	27.5	10.4	10.6	26.2	26.3	10.1	9.2
Median	-2.7	1.8	3.5	1.9	-2.3	2.6	3.5	2.1	1.0	6.5	7.3	6.0
Mean	**-2.6**	**1.6**	**2.9**	**1.5**	**-2.9**	**3.3**	**3.6**	**2.1**	**0.5**	**6.8**	**7.2**	**5.6**

City office

20 forecasts†	Rental value growth (%)				Capital value growth (%)				Total return (%)			
	2021	2022	2023	2021/25	2021	2022	2023	2021/25	2021	2022	2023	2021/25
Maximum	0.3	5.8	5.0	2.8	8.9	18.3	7.0	6.3	12.5	21.5	12.0	9.4
Minimum	-12.0	-5.0	-2.5	-2.3	-18.3	-8.0	0.1	-3.2	-13.1	-3.7	3.6	1.1
Range	12.3	10.8	7.5	5.0	27.2	26.3	6.9	9.5	25.6	25.2	8.5	8.3
Median	-2.8	1.4	3.1	1.2	-2.0	2.0	3.0	1.5	1.5	5.9	7.4	5.7
Mean	**-3.4**	**1.4**	**2.7**	**1.1**	**-3.3**	**2.9**	**3.3**	**1.3**	**0.8**	**7.1**	**7.4**	**5.4**

† One contributor did not provide forecasts for 2024 or five-year annualised averages and a further contributor provided only rental value growth forecasts.

Consensus Forecast All Property Total Return Forecasts versus MSCI (IPD) Annual Outturns



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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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