IPF Research Programme 2011–2015

UK CONSENSUS FORECASTS

FULL REPORT

# Investment Property Forum UK Consensus Forecasts

This research was commissioned by the IPF Research Programme 2011–2015

FEBRUARY 2015

This research was funded and commissioned through the IPF Research Programme 2011–2015.

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:

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# Survey of Independent Forecasts for UK Commercial Property Investment

## February 2015

The 2014 IPF Consensus forecast total return prediction of 18.9% appears high when compared with the reported IPD Quarterly Index total return of 17.9% (Annual Index outcome pending). The rental value growth average projection of 3.1% matches the IPD Quarterly outturn, whilst All Property capital value growth of 11.9% is lower than the Consensus view (12.6%). With the exception of property equities (at 24.3%), the direct real estate market significantly outperformed equities and bonds over the last year (0.5% and 11.8% respectively)[1].

Looking to the current year, market expectations are more subdued, as capital growth rates are expected to fall back across all sectors, whilst further weakening through the remainder of the survey period is reflected in a five-year average of just 2.1% and total returns at 7.2% per annum.

## Key points

**Prospect of double-digit total returns for all sectors in 2015**

- Whilst **rental growth** rates for the office and industrial sectors have improved slightly on the November 2014 forecast averages, expectations for the retail sector as a whole remain muted, resulting in the **All Property** forecast remaining static at **3.3%.**
- Despite the anticipated decline in **capital growth rates** compared to the previous year, with little opportunity for further yield compression, sentiment has nonetheless improved across all sectors to produce an average forecast of **7.0%** capital growth in 2015.
- **Total return** projections for the year range from 11.1% for Standard Retail and Retail Warehouses to 14.6% for Offices, leading to an **All Property** total return forecast of **12.4%**.

**Subsequent years of forecast predict weakening in all performance indicators**

- The relatively robust expectations for 2015 are not sustained through the remainder of the forecast period.
- In each of the ensuing survey years, rental and capital value growth rates are expected to continue their decline or, in the case of retail rents, plateau in the middle years to such an extent that, by 2019, the All Property averages are anticipated to be 1.8% and -0.1% respectively, with total returns in the order of 5.0%.
- As previously identified, the gap in performance expectations between individual sectors diminishover time, whilst the superior performance of Offices over other sectors is reversed in 2017.

**Five-year averages propped up by 2015 forecasts**

- Five-year annualised rental and capital value growth rates have weakened. As the strong 2014 capital growth performance falls away, to be replaced by a much weaker 2019 projection, the current forecast now lies at 2.6% and 2.1% per annum from 3.6%.
- The **All Property five-year total return** average forecast has deteriorated to **7.2%** (from 9.2% in November) and is exceeded only by the 2015 and 2016 average forecasts, with performance prospects dipping to below 6.0% in the remaining years of the survey, and, potentially, to 5.0% in 2019.
- Omitting 2015 data, the four-year average total return forecast for the period 2016/2019, at 6.0%, is only marginally above the implied income return.

[1] IPD UK Quarterly Property Index Results for the quarter to 31 December 2014

### Summary average by sector

| | Rental value growth (%) | | | | Capital value growth (%) | | | | Total return (%) | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2015 | 2016 | 2017 | 2015/19 | 2015 | 2016 | 2017 | 2015/19 | 2015 | 2016 | 2017 | 2015/19 |
| Office | 6.6 | 4.5 | 2.9 | 3.3 | 9.6 | 4.0 | 0.6 | 2.3 | 14.6 | 8.6 | 5.3 | 7.2 |
| Industrial | 3.0 | 2.9 | 2.7 | 2.6 | 6.5 | 2.6 | 0.7 | 1.9 | 13.0 | 8.5 | 6.3 | 7.9 |
| Standard Retail | 2.1 | 2.5 | 2.5 | 2.4 | 5.9 | 3.0 | 1.0 | 2.1 | 11.1 | 7.9 | 5.7 | 6.9 |
| Shopping Centre | 1.3 | 2.1 | 2.4 | 2.1 | 5.9 | 3.0 | 0.7 | 1.9 | 11.4 | 8.3 | 6.0 | 7.2 |
| Retail Warehouse | 1.4 | 2.0 | 2.2 | 2.0 | 5.5 | 2.8 | 0.8 | 1.9 | 11.1 | 8.2 | 6.1 | 7.3 |
| **All Property** | **3.3** | **3.0** | **2.6** | **2.6** | **7.0** | **3.1** | **0.6** | **2.1** | **12.4** | **8.2** | **5.6** | **7.2** |
| West End office | 8.7 | 5.6 | 3.2 | 4.0 | 11.1 | 4.3 | 0.2 | 2.3 | 14.7 | 7.8 | 3.8 | 5.9 |
| City office | 9.0 | 5.4 | 2.4 | 3.5 | 10.6 | 4.1 | -0.2 | 1.9 | 15.0 | 8.4 | 4.1 | 6.4 |
| **Office (all)** | **6.6** | **4.5** | **2.9** | **3.3** | **9.6** | **4.0** | **0.6** | **2.3** | **14.6** | **8.6** | **5.3** | **7.2** |

### All Property average by forecast month

| Month of forecast | | Rental value growth (%) | | | | Capital value growth (%) | | | | Total return (%) | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | (no. contributors) | 2015 | 2016 | 2017 | 2015/19 | 2015 | 2016 | 2017 | 2015/19 | 2015 | 2016 | 2017 | 2015/19 |
| 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 | (13) | 3.3 | 3.1 | 2.7 | 2.6 | 6.9 | 2.9 | 0.6 | 2.2 | 12.2 | 7.9 | 5.5 | 7.3 |
| February | (10) | 3.5 | 3.0 | 2.7 | 2.7 | 7.4 | 4.1 | 0.6 | 2.1 | 13.1 | 9.5 | 5.6 | 7.3 |
| **All Property** | **(28)** | **3.3** | **3.0** | **2.6** | **2.6** | **7.0** | **3.1** | **0.6** | **2.1** | **12.4** | **8.2** | **5.6** | **7.2** |

## Survey contributors

There were 28 contributors to this quarter's forecasts, including 12 Property Advisors, 15 Fund Managers and one Equity Brokers. Two sets of forecasts were generated in November 2014. Three contributors did not provide 2019 forecasts; hence, the 2019 and five-year averages are based on a reduced number of contributions. 24 participants provided sector forecasts, including West End and City office segment forecasts. All forecasts were generated within 12 weeks of the survey date (11 February 2015). Named contributors appear on the last 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.

The sector figures are not analysed by contributor type, with all figures shown at the all-forecaster level.

In the charts and tables, 'All Property' figures are for 28 contributors while most sector forecasts are from reduced samples (of between 24 and 25 contributors).

## Economic background

The Office for National Statistics (ONS) reported a preliminary estimate of gross domestic product (GDP) growth of 0.5% in Q4 2014 compared with Q3[2]. GDP was 2.7% higher compared with the same quarter a year ago and was up 2.6% for 2014 as a whole. Output increased in two of the four main industrial groupings within the economy (by 0.8% in services and 1.3% in agriculture), contrasting with output decreases of 1.8% in construction and 0.1% in production over the quarter.

In January 2015, public sector net borrowing was £8.8 billion in surplus, representing a decrease in borrowing of £2.3 billion compared with January 2014[3]. Public sector net debt has continued to grow, being £1,464.0 billion, or 79.6% of GDP at the end of January 2015, compared to £1,449.2 billion, or 79.5% of GDP in October 2014.

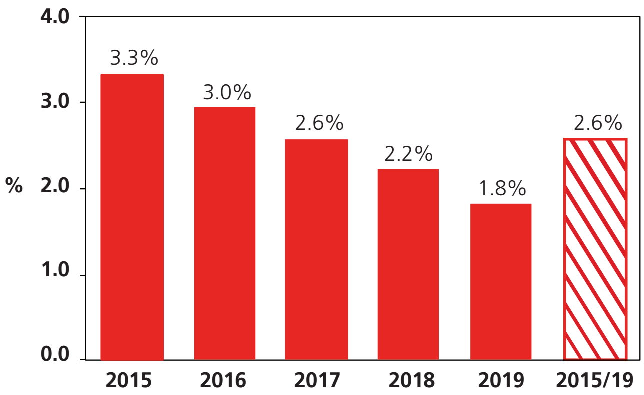
Turning to inflation, the Consumer Prices Index (CPI)[4] grew by 0.3% in the year to January 2015, down from 0.5% in December 2014. Major contributors to this slowing rate of increase were falling prices for motor fuels and food, although smaller price falls for clothing partially offset the slowdown. The Bank of England[5] noted that the inflation rate is well below its 2% target and that inflation is likely to fall further in the near term. Indeed, it could temporarily turn negative, as unusually low contributions from energy, food and other goods prices continue to bear down for the next year or so but inflation is likely to re-emerge towards the end of 2015 as these effects fall away. The Bank's Governor has stated that the UK is not experiencing deflation but indicated that, if low inflation persists, the Bank could cut interest rates further or expand the Bank's stimulus programme (quantitative easing). The Bank's current projection is that inflation will rise to the target rate of 2% by the middle of 2017 without it having to take any evasive action. If correct, interest rates will increase next year although, should inflation be greater than forecast (if the extra stimulus provided by low oil prices were to boost the economy more sharply than expected), the Bank could raise rates sooner than forecast.

The latest ONS labour market release[5] records 30.90 million people in work in the period October to December 2014, 103,000 more than for July to September and 608,000 more than for a year earlier. Conversely, 1.86 million people are recorded as unemployed (a rate of 5.7%, from 6.0%), 97,000 fewer than for the preceding three months and 486,000 fewer than for the same period of 2013. Pay including bonuses for employees was 2.1% higher than a year earlier (1.3% higher excluding bonuses).

The ONS estimated a 5.4% increase in reports[7] retail sales in January 2015 compared with January 2014, the 22nd month of consecutive year-on-year growth, although compared with a month earlier, the quantity bought in the retail industry was estimated to have decreased by 0.3%. The value of internet sales decreased by 0.2% in January compared with December, accounting for 11.6% of all retail sales in January 2015. Online sales increased by 12.0% compared with January 2014.

[2] ONS: Gross Domestic Product: Preliminary Estimate, Q4 2014 Release, 27 January 2015
[3] ONS: Public Sector Finances, January 2015 Release, 20 February 2015
[4] ONS: Consumer Price Inflation, January 2015, 17 February 2015
[5] Bank of England Inflation Report, 12 February 2015
[6] ONS: UK Labour Market, February 2015, 18 February 2015
[7] ONS: Retail Sales, January 2015, 20 February 2015

## All Property rental value growth forecasts




The pattern of annual rental growth projections, declining from a peak in 2015, is maintained in the current survey, although sentiment appears to be stronger in the middle years of the forecast than reported in November.

Despite the optimism for growth in the current year, the five-year average has deteriorated slightly to reflect the expectation of a continued weakening of growth rates into 2019.

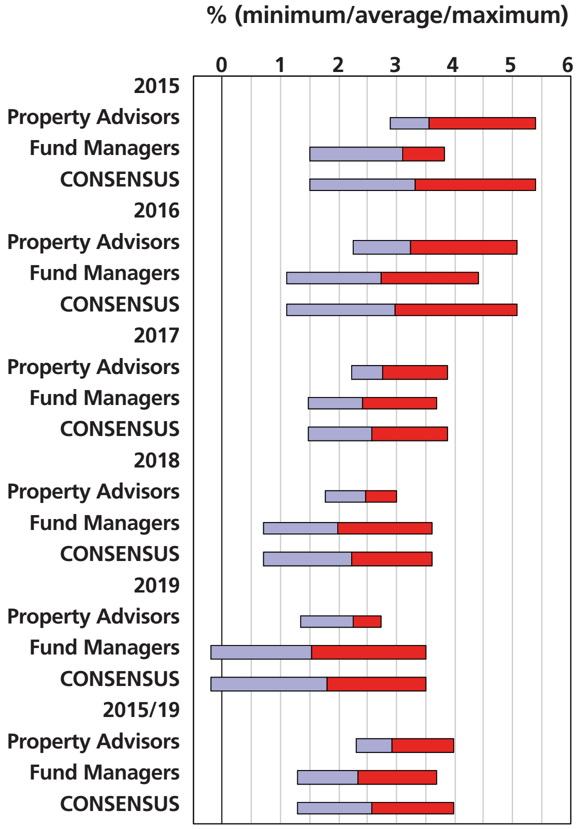
## Rental value growth forecasts by contributor

A broad spread of opinion appears among both sets of contributors for most periods of the forecast, the exceptions being the predictions of Property Advisors in 2018 and 2019.

As previously reported, Fund Managers, on average, are less optimistic than their Property Advisor peers and consistently record the most pessimistic forecasts in each period, ranging from 0.7% lower in 2017 to a difference of 1.6% in 2019. At the other end of the scale, whilst in the current year the highest Property Advisor forecast has fallen from 6.0% to 5.4%, the margin by which this maximum exceeds the most optimistic Fund Manager has increased to 1.6% from 1.3% last quarter.

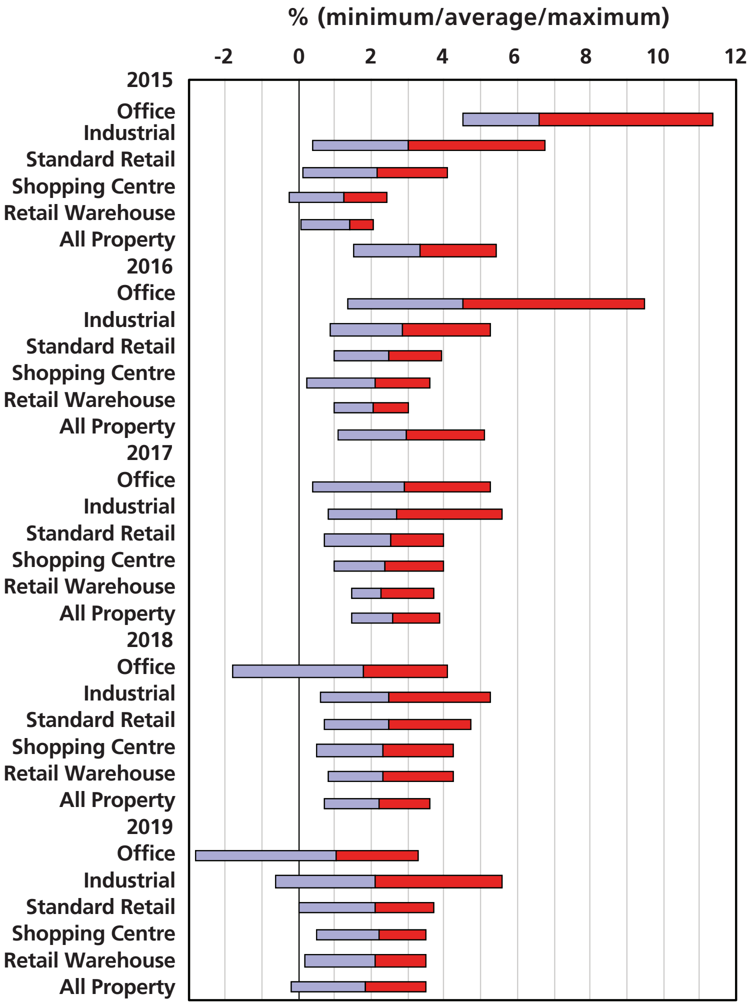
Other than in 2015, Fund Managers show a greater diversity in their views, with this spread of opinion particularly marked in the final two years, when the ranges are more than double those of the Property Advisors (2.9% and 3.7% compared to 1.2% and 1.4% respectively).

The five-year average of 2.6% is drawn from forecasts ranging between 1.3% and 4.0%, with Fund Managers again more restrained in their outlook, averaging 2.3% against 2.9% for Property Advisors.




N.B. One Equity Broker contributed to this quarter's Consensus survey. Their forecasts are included only at the All Forecaster level for each performance measure.

## Sector rental value growth annual forecasts




At the sector level, Offices continue to attract the widest spread of opinion across all periods of the survey, most obviously so in 2015 and 2016. In 2015, the All Property average is projected to exceed all but the Office growth rate (3.3% versus 6.6%) - better than the long-run average of just over 3.0%.

Whilst the upper end of the forecast range for the current year has fallen back slightly since the last survey of 2014 (from 11.9% to 11.4%), the most positive outlook for 2016 has increased over the quarter, from 8.0% to 9.5%, and the distribution of forecasts indicate more upside confidence in both years.

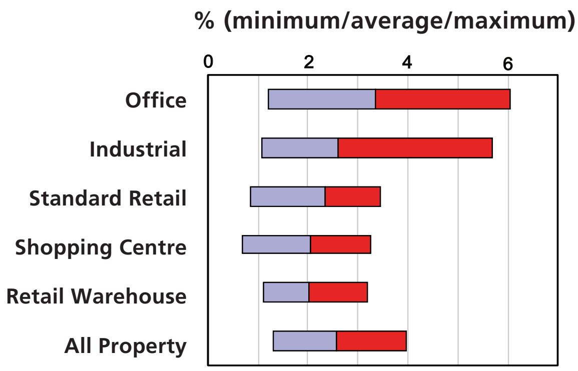
Average expectations for Office rental growth continue to exceed all other sectors until the final two years of the forecast period. The average for 2018 is currently 1.8% although the median forecast is 2.1% (from 1.5% and 2.0% respectively in November 2014).

Retail growth rates are generally expected to hold or improve slightly year-on-year until 2019, when all averages are forecast to weaken, although only the minimum forecasts for Office and Industrial fall below zero.

## Sector rental value growth five-year average forecasts

At annualised averages of 3.3% and 2.6%, Offices and Industrials are the only sectors anticipated to outperform All Property over a five-year period, with superior growth prospects in the earlier years sustaining the leading position for Offices.

Forecast ranges for the Retail sectors are narrower (between 2.1% for Retail Warehouses and 2.6% for Standard Retail) compared to Offices and Industrials (4.9% and 4.6%). However, the spreads of individual predictions are broadly balanced, with median forecasts lying within 0.1% of the mean in all instances.

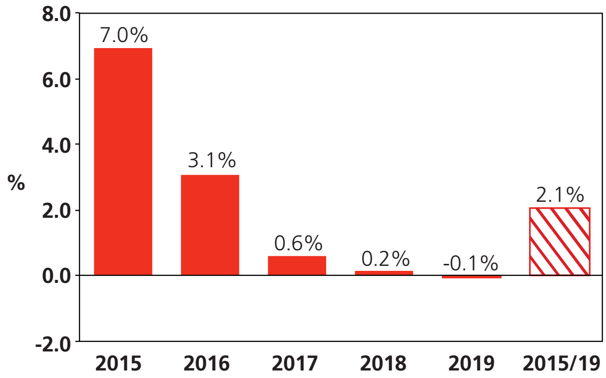


## All Property average capital value growth forecasts

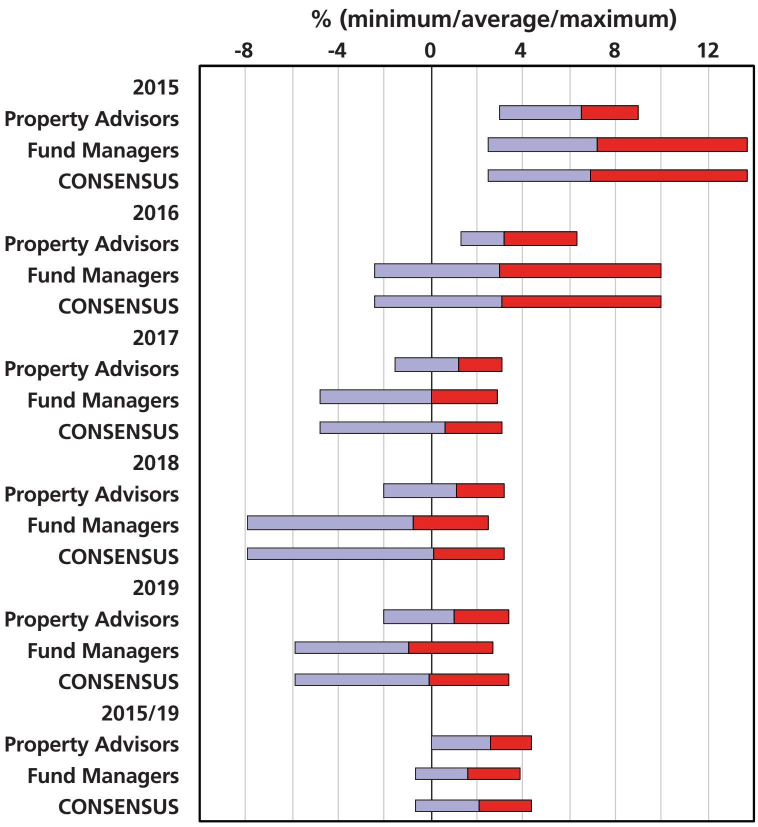
The expectation that the relative attractions of investment in real estate will decline, particularly as bond yields begin to rise, is demonstrated through falling capital value growth forecasts.

The current projections show an improvement over the last quarter's forecasts, however. The 2015 average has risen in this period by 1.6% in 2016 (from 5.4%) and by 2.0% in 2016 (from 1.1%).

As a consequence of the 2019 forecast replacing 2014's 12.6%, the five-year average has fallen (by almost 1.6%).




## Capital value growth forecasts by contributor



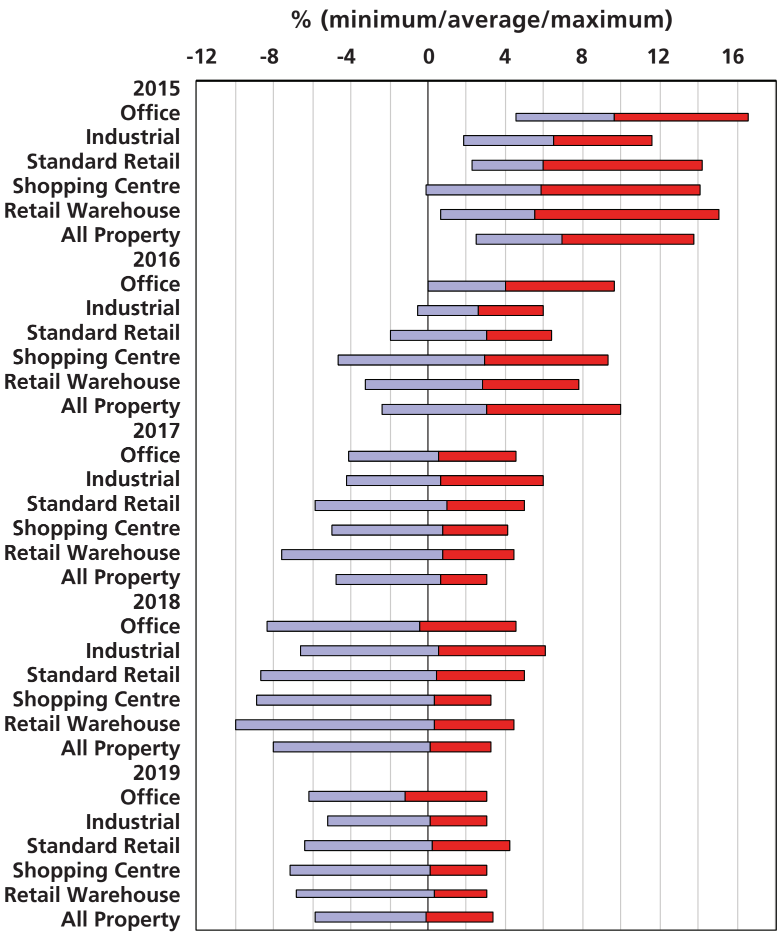

Consistent with previous surveys, Property Advisors continue to demonstrate a closer accord in their views than Fund Managers, whose spread of forecasts is 11.2% in 2015 and 12.4% in 2016. This latter group is also more optimistic in its average predictions in the current year (7.2% versus 6.6% for Property Advisors), falling back to 3.0% in 2016, as against 3.1% for Property Advisors, whose minimum forecast in that year has risen from -1.0% three months ago to 1.3% currently.

By 2017, almost half of Fund Managers are predicting negative growth rates (the minimum being -4.8% against an average of 0.0%), whilst two-thirds or more of their 2018 and 2019 forecasts are currently below zero, averaging -0.8% and -0.9% respectively. Over these periods, a small number of Property Advisors predict negative growth but their average forecasts remain positive, albeit weakly so throughout (between 1.5% in 2017 and 1.4% in 2019).

Over the five years of the forecast, average growth rates remain positive for both sets of forecasters (at 2.6% and 1.6%) and are also more closely aligned, as opinions range by between 4.4% and 4.6%.

N.B. Equity Broker forecasts are included only at the All Forecaster level for each performance measure.

## Sector capital value growth annual forecasts




Whilst having peaked in 2014, there is, nonetheless an expectation of relatively strong capital value growth in 2015, ranging from 5.5% for Retail Warehouses to 9.6% for the Office sector as a whole, as the All Property mean is projected to be 7.0%. However, subsequent years of the survey show an ongoing downward trend in growth prospects with much closer alignment of average growth across the sectors.

Current forecasts suggest virtually nil growth in 2018 and 2019, with Office growth expected to fall below zero.

Turning to individual forecasts, contributors hold widely differing opinions of growth prospects: in each year, one or more sectors currently attract double-digit spreads and, from 2017, all sectors record negative growth forecasts.

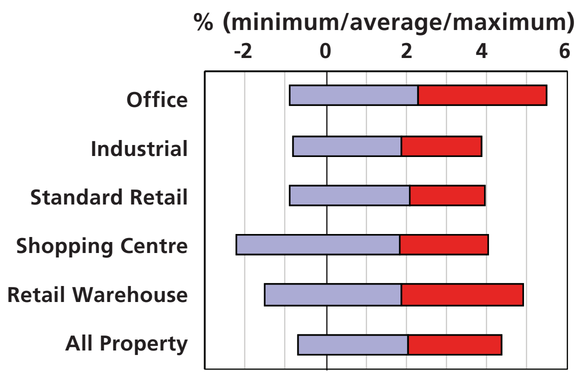
Distributions of individual forecast values, however, broadly suggest more positive/upside sentiment in the later years of the survey (2017 to 2019).

## Sector capital value growth five-year forecasts

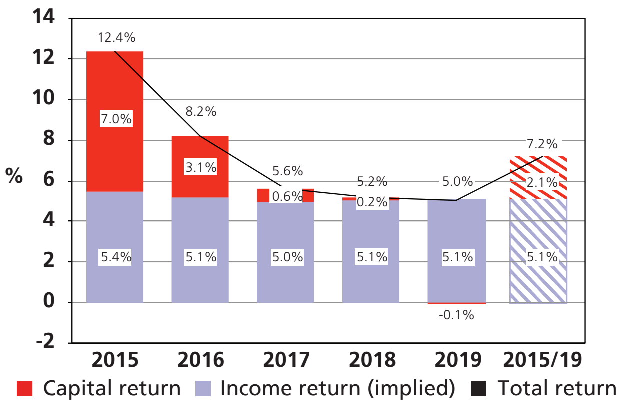
The new five-year averages, omitting 2014 and including 2019 data, differ substantially from the previous period. The All Property average now stands at 2.1% compared to 3.6% in November.

Both Office and Industrial means are almost 2.4% lower, at 2.3% and 1.9% respectively, with the latter now below the All Property average, whilst Retail sector means have declined by between 1.2% and 1.3% to lie around 2.0% on average.

Forecast ranges have narrowed markedly for Offices (by over 2.2% to 6.4%) but less so for Industrials and Standard Retail, although modestly wider for the two other Retail sectors.



## All Property total return forecasts




Capital growth continues to be a major contributor to total returns and predictions for 2015 have strengthened since the last survey. The quarter-on-quarter rise of 1.6% is wholly as a result of improved capital growth expectations.

Each of the subsequent survey years to 2018 also record higher total returns than previously reported, although the implied income return continues to decline (having been almost 6.0% a year ago).

The 2.0% fall in the five-year average reflects the loss of 2014 data and introduction of much weaker 2019 forecasts.

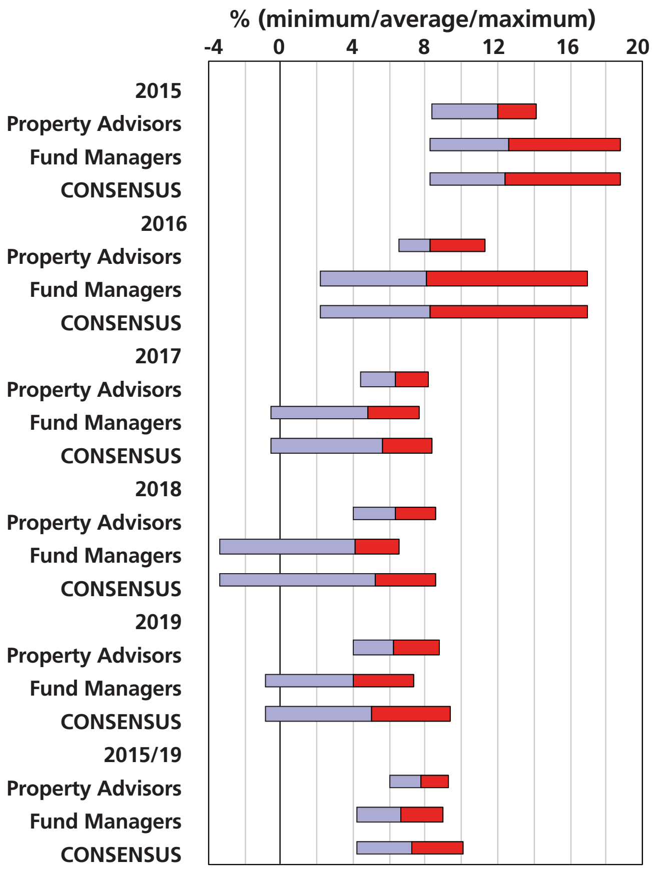
## Contributors All Property total return forecasts

The pattern of wide-ranging opinion between Fund Managers continues within the total return forecasts, particularly in the current and next year; spreads exceed 10% in both periods, with forecast arrays of 8.2% to 18.8% in 2015 and 2.2% to 17.0% in 2016.

Whilst no longer recording any individual negative total return forecasts in 2016, unlike the last quarter, Fund Manager sentiment weakens in the later years of the survey to drop markedly below that of the Property Advisors' average forecasts.

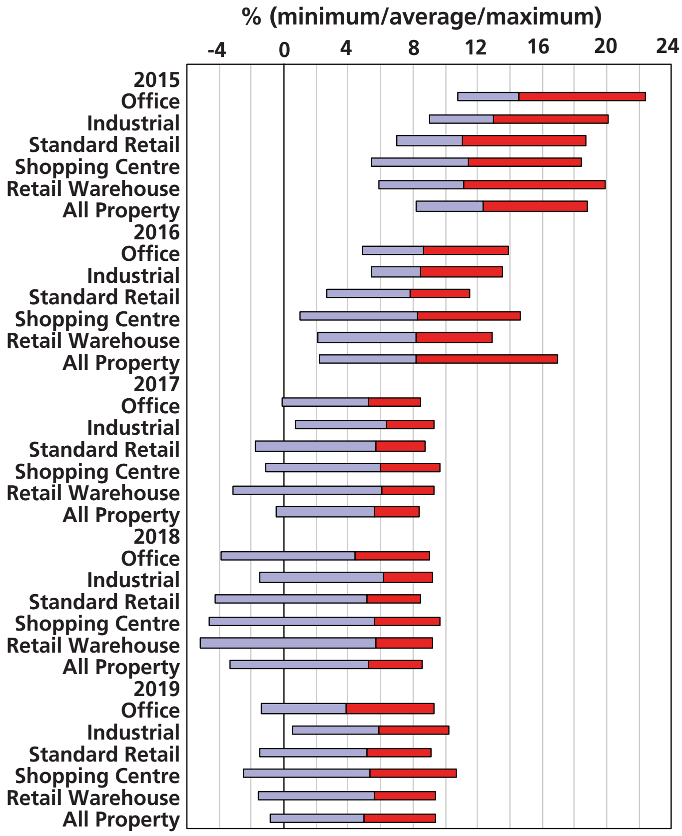
Property Advisors show a much greater accord in their predictions of this measure than for rental or capital value growth, the greatest variation occurring in the current year, with a spread of 5.7%.

Closer consensus among Fund Managers returns within their five-year forecasts, although still greater than for Property Managers (4.8% versus 3.3%), and averaging 6.6% compared to 7.8% per annum for Property Advisors.




N.B. Equity Broker forecasts are included only at the All Forecaster level for each performance measure.

## Sector total return annual forecasts




Sector level forecasts continue to generate a wide spread of opinion amongst contributors. In the current year, whilst, on average, all sectors are expected to deliver double digit returns, the range of forecasts extends from 10.6% for All Property to 14.1% for Retail Warehouses.

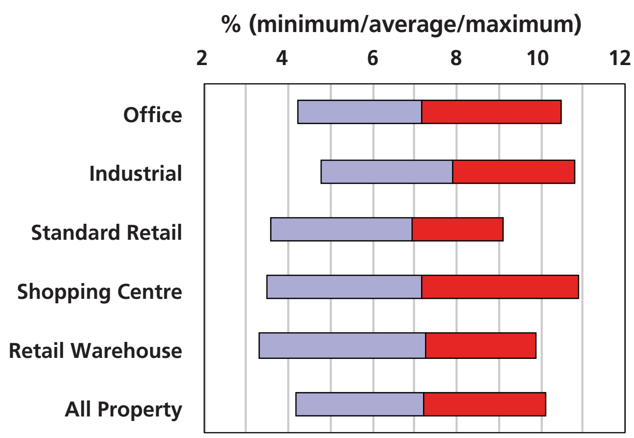
A continuing decline in capital value growth in 2016 reduces average expectations to between 7.9% for Standard Retail and 8.6% for Offices.

Negative individual forecasts appear in all sectors subsequently, other than Industrials in 2017 and 2019, being the sector that emerges as the leading performer from 2017 onwards. Office returns are expected to underperform all sectors in the last three years of the survey, as identified previously.

## Sector total return five-year forecasts

As the 2014 figures drop out of the five-year data, marked changes can be seen in average performance expectations, with individual sector averages reducing by between 1.5% (Shopping Centres and Retail Warehouses) and 2.7% (Offices).

Industrials continue to appear likely to outperform the All Property average forecast (although the former has fallen to 7.9% from 9.2% in November), whilst Retail Warehouses, Offices and Shopping Centres are likely to approximate the All Property average, currently anticipated to be in the order of 7.2%. Standard Retail remains the weakest performing sector, with an expected average of 6.9% per annum.



## Central London offices

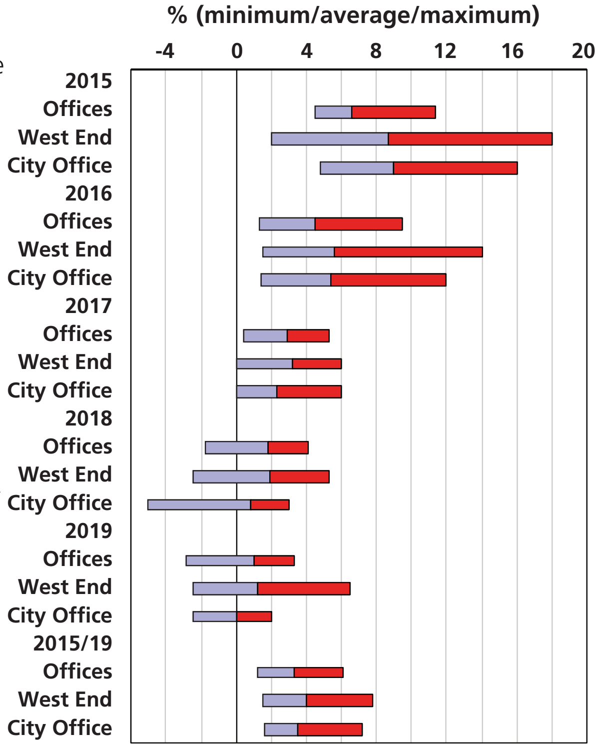
Sentiment for the central London offices remains strongin both occupational and investment terms. The implications of a UK withdrawal from the EU and recovery of bond markets do not appear, on average, to be exerting any great influence in the near term.

### Rental value growth

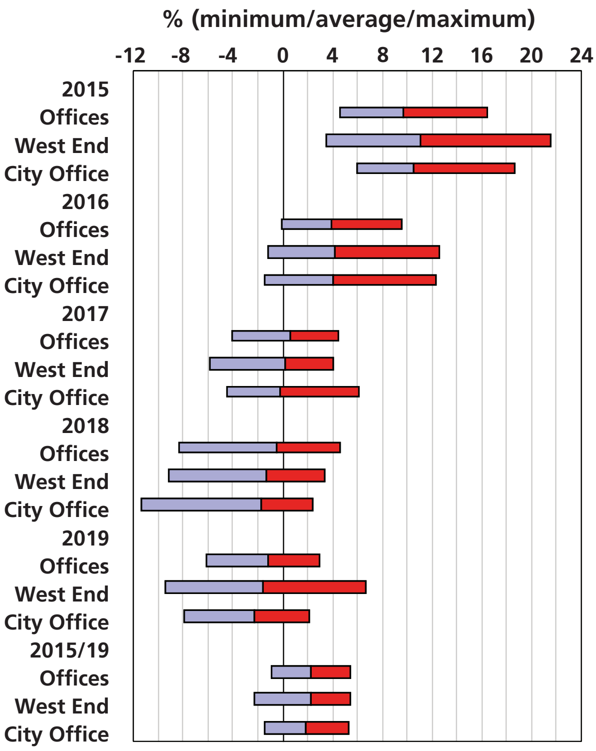
Rental value growth forecasts have continued to firm over the quarter, with improved averages for each year of the survey, although declining over five years (from 9.0% and 8.7% currently, in the City and West End respectively, to 0.0% and 1.3% by 2019). The West End is expected to outperform the City forecasts in all years other than 2015.

The spread of forecasts in the near-term implies considerable divergence of opinion, most particularly in the West End, where 2015 End forecasts range between 2.0% and 18.0% (averaging 8.7% versus 6.2% in November). The outlook for 2016 is more moderate and the average may decrease to around 5.6%, although the highest individual forecast is 14.0%. A greater consensus emerges in 2017, with both City and West End forecasts lying within a 6.0% range, although the averages differ – 3.2% for the West End and 2.4% for the City – and City rents are expected to lag behind the West End for the remainder of the survey period.

The five-year averages, of 4.0% and 3.5% (as against 5.6 % and 4.9% three months ago), still exceed the overall Office market (at 3.3%) and the All Property forecast of 2.6%.




### Capital value growth




Growth rates for all four comparable years of the forecast period have improved over the averages reported in November, although these margins diminish over time.

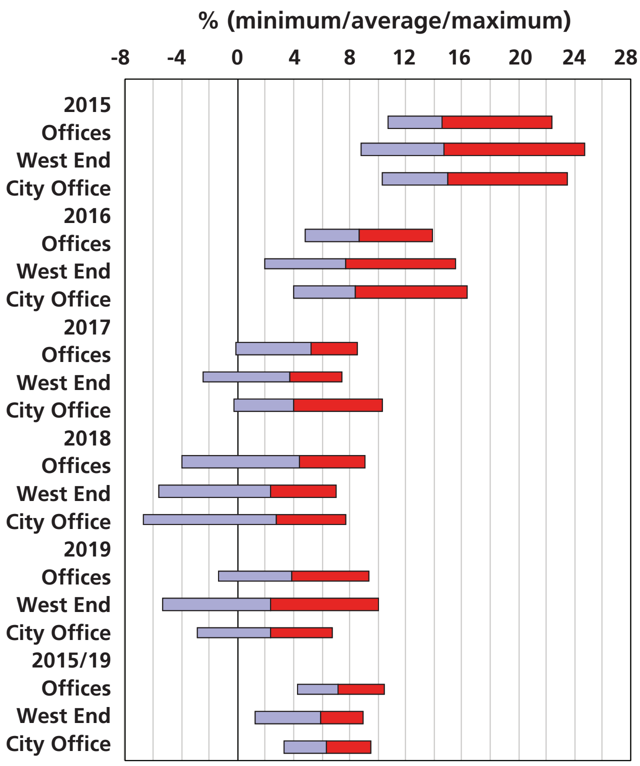
Double-digit growth is anticipated for both sub-markets in 2015, at 11.1% and 10.6% in the West End and City respectively, and lie within a considerable spread of expectations (ranging between 21.5% and 3.5% in the West End, and 18.6% and 6.0% in the City).

Declining growth rates over the remainder of the forecast period result in projected averages falling below zero in 2018 and 2019, as a majority of contributors in each year predict negative growth.

The predicted five-year average for the West End, at 2.3%, whilst matching the wider Office forecast, is expected to out-perform the All Property average (2.1%), as well as the City average of 1.9%.

# Central London offices (2)

## Total returns




All three Office sector segments are forecast to deliver better returns for comparable periods than three months ago, with averages of 14.7% and 15.0% predicted in 2015 for the West End and City (against 12.7% and 13.0% in November).

In 2016, the performance of the Office sector as a whole is predicted to overtake those of the central London markets (at 8.6% versus 7.8% in the West End and 8.4% in the City) and this pattern of superior performance continues for the remainder of the forecast period.

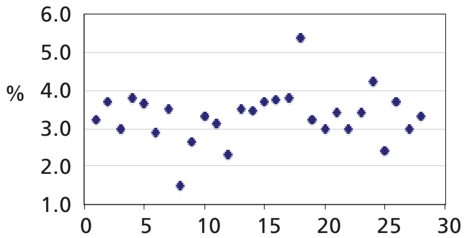
The substitution of weak forecast data for 2019 in place of 2014, results in much more muted five-year average returns of 5.9% and 6.4%, compared to 7.2% for both the wider sector and All Property.

## Distribution of forecasts

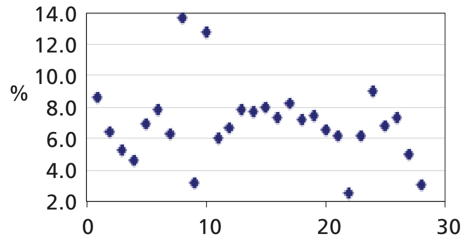
The scatter plots are the individual forecasts for **All Property** rental value and capital value growth. The contributors are listed in random order so that individual contributions cannot be identified.

**Rental value growth (% pa)** | **Capital value growth (% pa)**

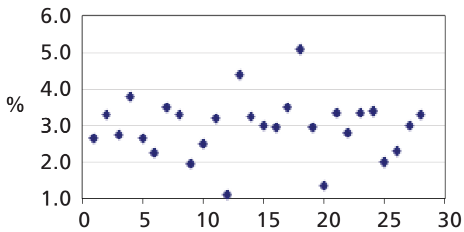
**2015** (Mean forecast 3.3%)



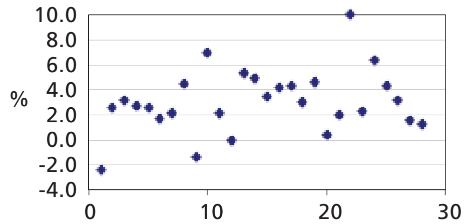

**2015** (Mean forecast 7.0%)



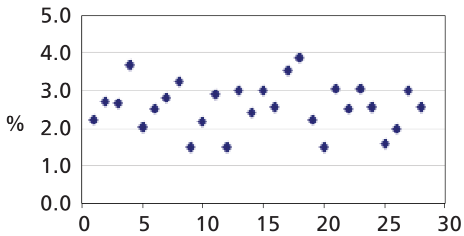

**2016** (Mean forecast 3.0%)



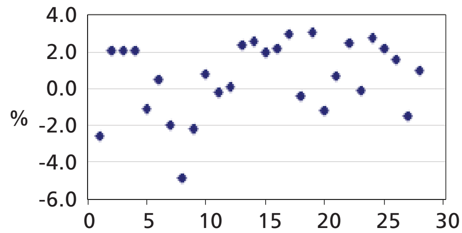

**2016** (Mean forecast 3.1%)



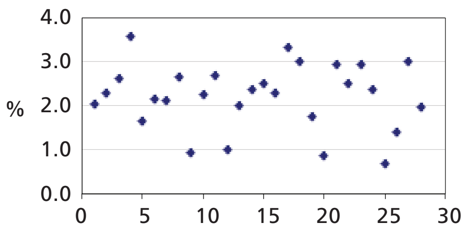

**2017** (Mean forecast 2.6%)



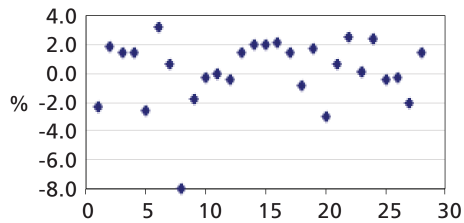

**2017** (Mean forecast 0.6%)




**2018** (Mean forecast 2.2% pa)



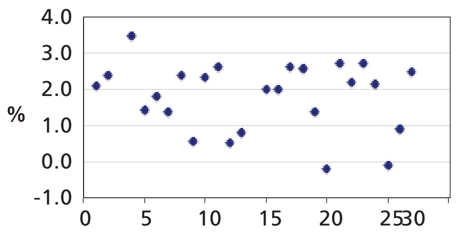

**2018** (Mean forecast 0.2% pa)



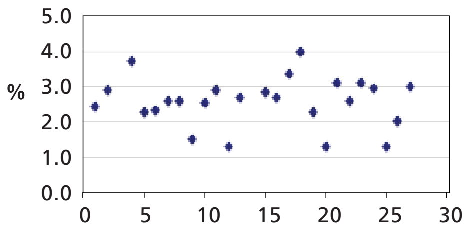
## Distribution of forecasts (2)

**Rental value growth (% pa)**

**2019** (Mean forecast 1.8%)

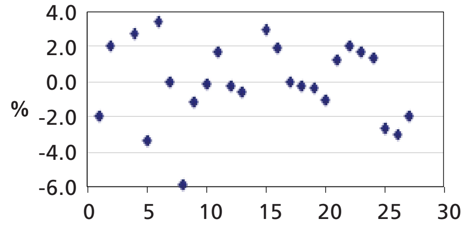



**2015/19** (Mean forecast 1.8%)

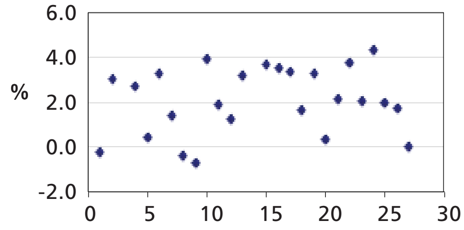



**Capital value growth (% pa)**

**2019** (Mean forecast -0.1%)

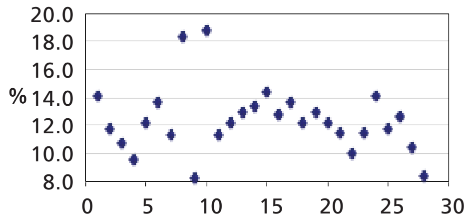



**2015/19** (Mean forecast 2.1%)

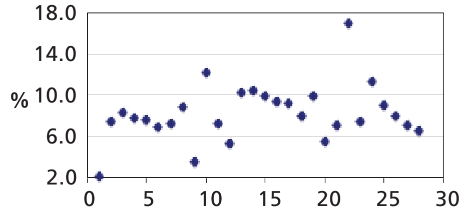



**All Property total returns (% pa)**

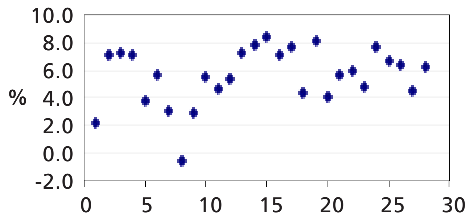
**2015** (Mean forecast 12.4%)



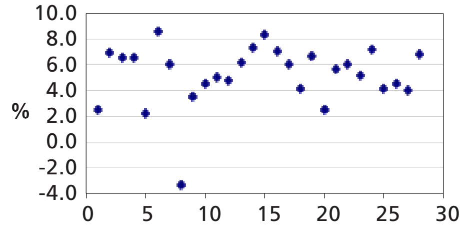

**2016** (Mean forecast 8.2%)




**2017** (Mean forecast 5.6% pa)

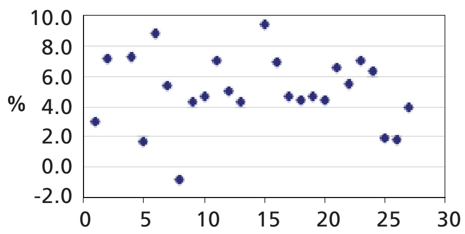
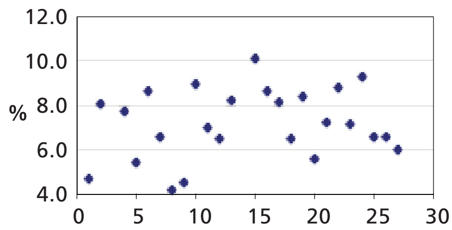



**2018** (Mean forecast 5.2% pa)



## Distribution of forecasts (3)

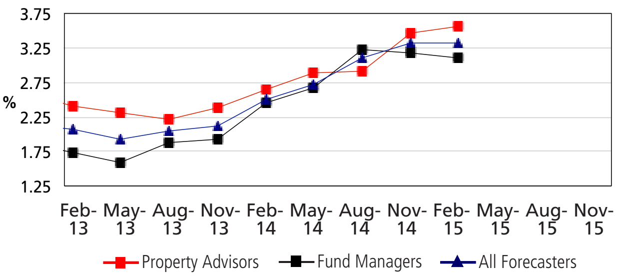
**All Property total returns (% pa)**

| **2019** (Mean forecast 5.0%) | **2015/19** (Mean forecast 7.2%) |
|---|---|
|  |  |

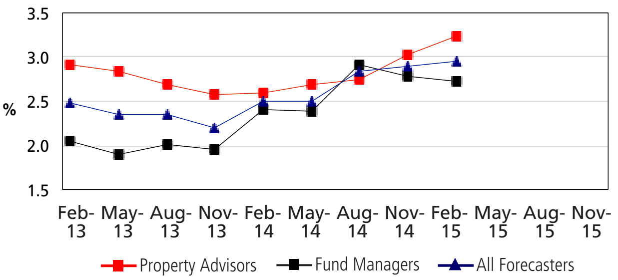
# Evolution of the consensus

## All Property rental value growth (% pa)

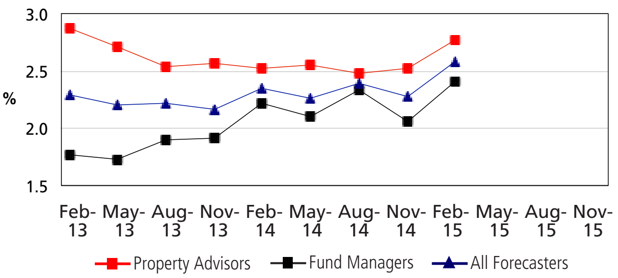
### 2015 (Mean forecast 3.3%)



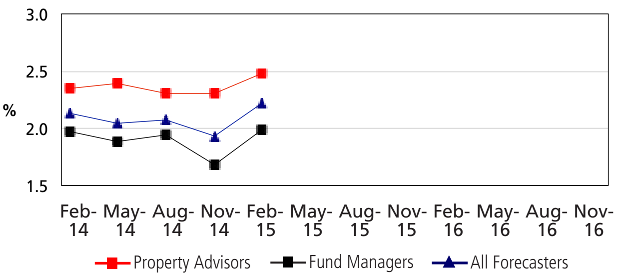

### 2016 (Mean forecast 3.0%)




### 2017 (Mean forecast 2.6%)

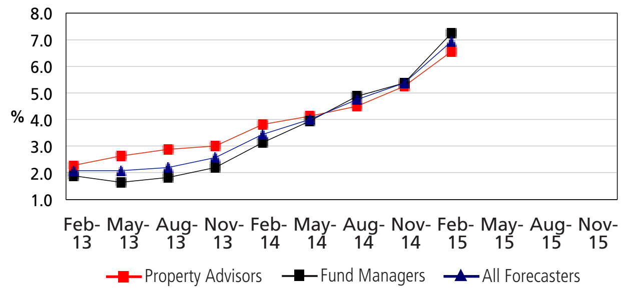



### 2018 (Mean forecast 2.2%)

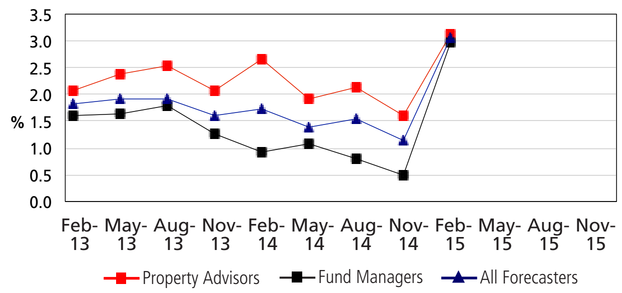



## All Property capital value growth (% pa)

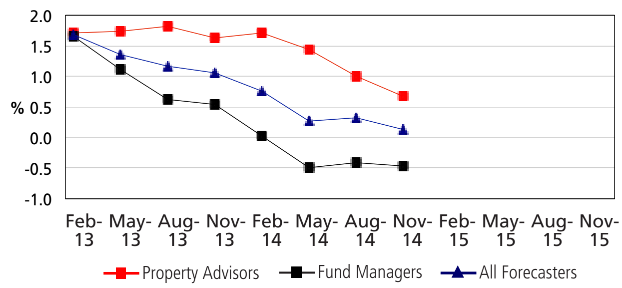
### 2015 (Mean forecast 7.0%)



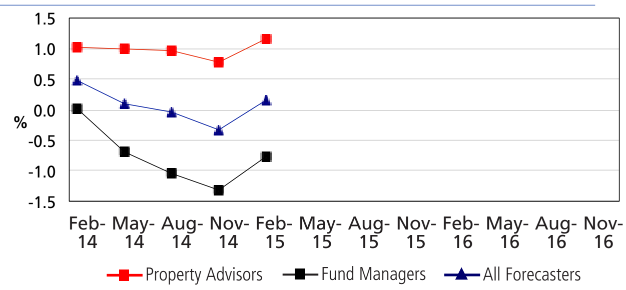

### 2016 (Mean forecast 3.1%)




### 2017 (Mean forecast 0.6%)



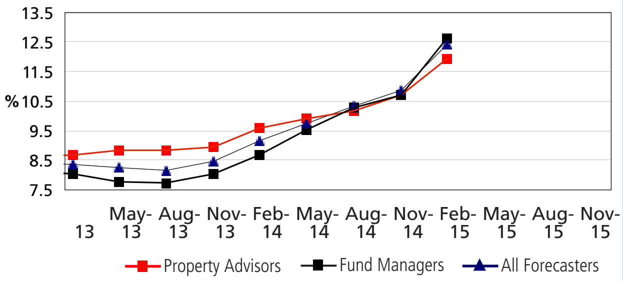

### 2018 (Mean forecast 0.2%)



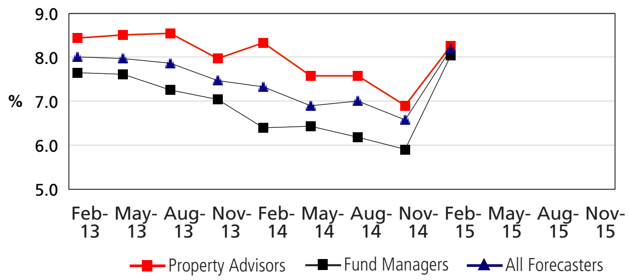
## Evolution of the consensus (2)

**All Property total returns (% pa)**

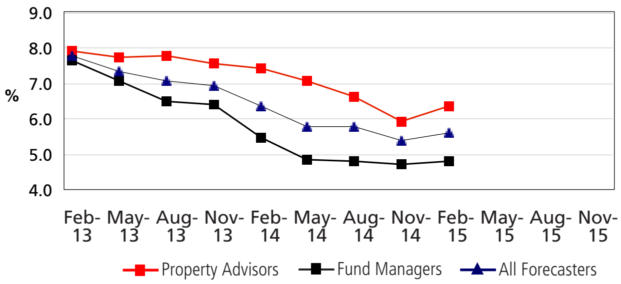
**2015** (Mean forecast 12.4%)



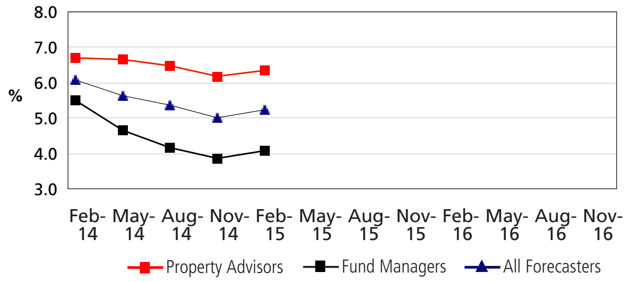

**2016** (Mean forecast 8.2%)



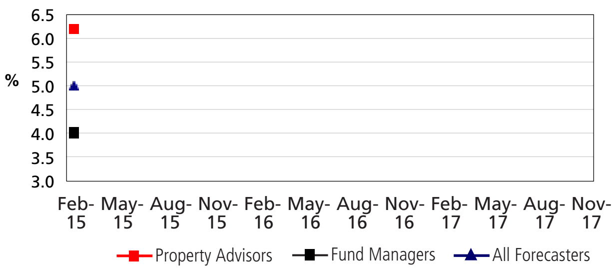

**2017** (Mean forecast 5.6%)



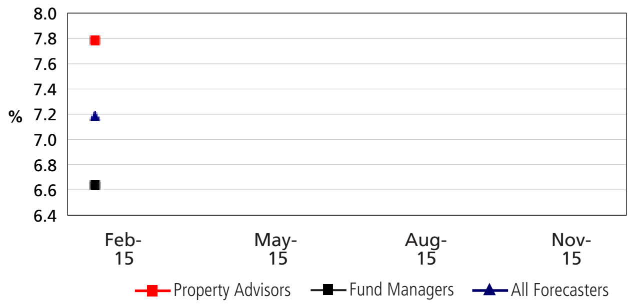

**2018** (Mean forecast 5.2%)




**2019** (Mean forecast 5.0%)




**2015/2019** (Mean forecast 7.2%)



# All Property survey results by contributor type

(Forecasts in brackets are November 2014 comparisons)

## Property Advisors and research consultancies

| 12 (12) contributors | Rental value growth (%) | | | | | | Capital value growth (%) | | | | | | Total return (%) | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2015 | | 2016 | | 2015/19 | | 2015 | | 2016 | | 2015/19 | | 2015 | | 2016 | | 2015/19 | |
| Maximum | 5.4 | (6.0) | 5.1 | (5.0) | 4.0 | (n/a) | 9.0 | (7.6) | 6.4 | (5.0) | 4.4 | (n/a) | 14.1 | (13.3) | 11.3 | (10.4) | 9.3 | (n/a) |
| Minimum | 2.9 | (2.3) | 2.3 | (2.1) | 2.3 | (n/a) | 3.0 | (2.5) | 1.3 | (-1.0) | 0.0 | (n/a) | 8.4 | ( 8.0) | 6.5 | ( 4.7) | 6.0 | (n/a) |
| Range | 2.5 | (3.7) | 2.8 | (2.9) | 1.7 | (n/a) | 5.9 | (5.1) | 5.1 | (6.0) | 4.4 | (n/a) | 5.7 | ( 5.3) | 4.8 | ( 5.7) | 3.3 | (n/a) |
| Median | 3.4 | (3.3) | 3.3 | (3.1) | 2.9 | (n/a) | 6.8 | (4.9) | 2.7 | (2.2) | 3.0 | (n/a) | 11.9 | (10.4) | 7.7 | ( 7.3) | 8.1 | (n/a) |
| **Mean** | **3.6** | **(3.5)** | **3.2** | **(3.0)** | **2.9** | **(n/a)** | **6.6** | **(5.2)** | **3.1** | **(1.6)** | **2.6** | **(n/a)** | **12.0** | **(10.7)** | **8.3** | **( 6.9)** | **7.8** | **(n/a)** |

## Fund Managers

| 15 (16) contributors | Rental value growth (%) | | | | | | Capital value growth (%) | | | | | | Total return (%) | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2015 | | 2016 | | 2015/19 | | 2015 | | 2016 | | 2015/19 | | 2015 | | 2016 | | 2015/19 | |
| Maximum | 3.8 | (4.7) | 4.4 | (4.3) | 3.7 | (n/a) | 13.7 | (11.9) | 10.0 | (3.4) | 3.9 | (n/a) | 18.8 | (17.7) | 17.0 | (17.7) | 9.0 | (n/a) |
| Minimum | 1.5 | (2.0) | 1.1 | (1.3) | 1.3 | (n/a) | 2.5 | ( 1.0) | -2.4 | (-5.7) | -0.7 | (n/a) | 8.2 | ( 6.3) | 2.2 | ( 6.3) | 4.2 | (n/a) |
| Range | 2.3 | (2.7) | 3.3 | (3.0) | 2.4 | (n/a) | 11.2 | (10.9) | 12.4 | (9.1) | 4.6 | (n/a) | 10.6 | (11.4) | 14.8 | (11.4) | 4.8 | (n/a) |
| Median | 3.2 | (3.2) | 2.6 | (2.8) | 2.5 | (n/a) | 6.8 | ( 5.8) | 2.7 | (1.2) | 1.7 | (n/a) | 12.2 | (10.9) | 7.8 | (10.9) | 6.6 | (n/a) |
| **Mean** | **3.1** | **(3.2)** | **2.7** | **(2.8)** | **2.3** | **(n/a)** | **7.2** | **( 5.4)** | **3.0** | **(0.5)** | **1.6** | **(n/a)** | **12.6** | (10.7) | **8.0** | **(10.7)** | **6.6** | **(n/a)** |

## All Forecasters

| 28 (30) contributors | Rental value growth (%) | | | | | | Capital value growth (%) | | | | | | Total return (%) | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2015 | | 2016 | | 2015/19 | | 2015 | | 2016 | | 2015/19 | | 2015 | | 2016 | | 2015/19 | |
| Maximum | 5.4 | (6.0) | 5.1 | (5.0) | 4.0 | (n/a) | 13.7 | (11.9) | 10.0 | ( 5.0) | 4.4 | (n/a) | 18.8 | (17.7) | 17.0 | (10.4) | 10.1 | (n/a) |
| Minimum | 1.5 | (2.0) | 1.1 | (1.3) | 1.3 | (n/a) | 2.5 | ( 1.0) | -2.4 | (-5.7) | -0.7 | (n/a) | 8.2 | ( 6.3) | 2.2 | (-0.7) | 4.2 | (n/a) |
| Range | 3.9 | (4.0) | 4.0 | (3.7) | 2.7 | (n/a) | 11.2 | (10.9) | 12.4 | (10.7) | 5.1 | (n/a) | 10.6 | (11.4) | 14.8 | (11.1) | 5.9 | (n/a) |
| **Std. Dev.** | 0.7 | (0.8) | 0.8 | (0.8) | 0.7 | (n/a) | 2.4 | ( 2.7) | 2.6 | ( 2.3) | 1.5 | (n/a) | 2.4 | (2.6) | 2.8 | ( 2.4) | 1.5 | (n/a) |
| Median | 3.4 | (3.3) | 3.0 | (3.0) | 2.6 | (n/a) | 6.8 | ( 5.7) | 2.8 | ( 2.0) | 2.0 | (n/a) | 12.2 | (10.9) | 7.8 | ( 7.0) | 7.2 | (n/a) |
| **Mean** | **3.3** | **(3.3)** | **3.0** | **(2.9)** | **2.6** | **(n/a)** | **7.0** | **( 5.4)** | **3.1** | **( 1.1)** | **2.1** | **(n/a)** | **12.4** | **(10.8)** | **8.2** | **( 6.6)** | **7.2** | **(n/a)** |

**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. 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.
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 are for 28 contributors, while the sector forecasts are for reduced samples (24/25) of contributors.

# Survey results by sector

## Office

| 25 | Rental value growth (%) | | | | Capital value growth (%) | | | | Total return (%) | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| contributors | 2015 | 2016 | 2017 | 2015/19* | 2015 | 2016 | 2017 | 2015/19* | 2015 | 2016 | 2017 | 2015/19* |
| Maximum | 11.4 | 9.5 | 5.3 | 6.1 | 16.5 | 9.6 | 4.5 | 5.5 | 22.4 | 13.9 | 8.5 | 10.5 |
| Minimum | 4.5 | 1.4 | 0.4 | 1.2 | 4.5 | -0.1 | -4.1 | -0.9 | 10.7 | 4.8 | -0.1 | 4.2 |
| Range | 6.9 | 8.1 | 4.9 | 4.9 | 11.9 | 9.7 | 8.6 | 6.4 | 11.7 | 9.1 | 8.6 | 6.3 |
| Median | 6.5 | 4.5 | 3.0 | 3.4 | 9.0 | 4.0 | 0.9 | 2.1 | 14.1 | 8.3 | 5.7 | 7.4 |
| **Mean** | **6.6** | **4.5** | **2.9** | **3.3** | **9.6** | **4.0** | **0.6** | **2.3** | **14.6** | **8.6** | **5.3** | **7.2** |

## Industrial

| 25 | Rental value growth (%) | | | | Capital value growth (%) | | | | Total return (%) | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| contributors | 2015 | 2016 | 2017 | 2015/19* | 2015 | 2016 | 2017 | 2015/19* | 2015 | 2016 | 2017 | 2015/19* |
| Maximum | 6.7 | 5.3 | 5.6 | 5.7 | 11.5 | 5.9 | 6.0 | 3.9 | 20.1 | 13.5 | 9.3 | 10.8 |
| Minimum | 0.4 | 0.9 | 0.8 | 1.1 | 1.8 | -0.6 | -4.2 | -0.8 | 9.0 | 5.5 | 0.7 | 4.8 |
| Range | 6.3 | 4.4 | 4.8 | 4.6 | 9.7 | 6.5 | 10.1 | 4.7 | 11.1 | 8.0 | 8.6 | 6.0 |
| Median | 3.1 | 3.0 | 2.7 | 2.5 | 6.6 | 2.0 | 1.1 | 1.8 | 12.6 | 7.8 | 7.0 | 7.8 |
| **Mean** | **3.0** | **2.9** | **2.7** | **2.6** | **6.5** | **2.6** | **0.7** | **1.9** | **13.0** | **8.5** | **6.3** | **7.9** |

## Standard Retail

| 24 | Rental value growth (%) | | | | Capital value growth (%) | | | | Total return (%) | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| contributors | 2015 | 2016 | 2017 | 2015/19* | 2015 | 2016 | 2017 | 2015/19* | 2015 | 2016 | 2017 | 2015/19* |
| Maximum | 4.1 | 3.9 | 4.0 | 3.4 | 14.2 | 6.4 | 4.9 | 3.9 | 18.7 | 11.5 | 8.8 | 9.1 |
| Minimum | 0.1 | 1.0 | 0.7 | 0.8 | 2.3 | -2.0 | -5.8 | -0.9 | 7.0 | 2.6 | -1.7 | 3.6 |
| Range | 4.0 | 2.9 | 3.3 | 2.6 | 11.9 | 8.4 | 10.8 | 4.8 | 11.7 | 8.9 | 10.5 | 5.5 |
| Median | 2.1 | 2.5 | 2.6 | 2.5 | 5.7 | 2.8 | 1.2 | 2.3 | 11.0 | 7.9 | 6.4 | 7.2 |
| **Mean** | **2.1** | **2.5** | **2.5** | **2.4** | **5.9** | **3.0** | **1.0** | **2.1** | **11.1** | **7.9** | **5.7** | **6.9** |

## Shopping Centre

| 24 | Rental value growth (%) | | | | Capital value growth (%) | | | | Total return (%) | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| contributors | 2015 | 2016 | 2017 | 2015/19* | 2015 | 2016 | 2017 | 2015/19* | 2015 | 2016 | 2017 | 2015/19* |
| Maximum | 2.4 | 3.6 | 4.0 | 3.2 | 14.1 | 9.3 | 4.1 | 4.0 | 18.4 | 14.6 | 9.7 | 10.9 |
| Minimum | -0.3 | 0.3 | 1.0 | 0.7 | -0.1 | -4.6 | -5.0 | -2.2 | 5.5 | 1.0 | -1.1 | 3.5 |
| Range | 2.7 | 3.4 | 3.0 | 2.5 | 14.2 | 13.9 | 9.1 | 6.3 | 13.0 | 13.6 | 10.8 | 7.4 |
| Median | 1.5 | 2.1 | 2.3 | 2.2 | 5.5 | 2.7 | 1.2 | 2.0 | 11.2 | 8.0 | 6.9 | 7.1 |
| **Mean** | **1.3** | **2.1** | **2.4** | **2.1** | **5.9** | **3.0** | **0.7** | **1.9** | **11.4** | **8.3** | **6.0** | **7.2** |

## Retail Warehouse

| 24 | Rental value growth (%) | | | | Capital value growth (%) | | | | Total return (%) | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| contributors | 2015 | 2016 | 2017 | 2015/19* | 2015 | 2016 | 2017 | 2015/19* | 2015 | 2016 | 2017 | 2015/19* |
| Maximum | 2.1 | 3.0 | 3.7 | 3.2 | 15.1 | 7.8 | 4.4 | 4.9 | 20.0 | 12.9 | 9.3 | 9.9 |
| Minimum | 0.1 | 1.0 | 1.4 | 1.1 | 0.6 | -3.2 | -7.5 | -1.5 | 5.9 | 2.1 | -3.2 | 3.3 |
| Range | 2.0 | 2.0 | 2.3 | 2.1 | 14.5 | 11.0 | 12.0 | 6.4 | 14.1 | 10.9 | 12.5 | 6.6 |
| Median | 1.5 | 2.0 | 2.1 | 1.9 | 5.2 | 2.9 | 1.4 | 2.3 | 11.0 | 8.3 | 6.7 | 7.3 |
| **Mean** | **1.4** | **2.0** | **2.2** | **2.0** | **5.5** | **2.8** | **0.8** | **1.9** | **11.1** | **8.2** | **6.1** | **7.3** |

## All Property

| 28 | Rental value growth (%) | | | | Capital value growth (%) | | | | Total return (%) | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| contributors | 2015 | 2016 | 2017 | 2015/19* | 2015 | 2016 | 2017 | 2015/19* | 2015 | 2016 | 2017 | 2015/19* |
| Maximum | 5.4 | 5.1 | 3.9 | 4.0 | 13.7 | 10.0 | 3.1 | 4.4 | 18.8 | 17.0 | 8.4 | 10.1 |
| Minimum | 1.5 | 1.1 | 1.5 | 1.3 | 2.5 | -2.4 | -4.8 | -0.7 | 8.2 | 2.2 | -0.5 | 4.2 |
| Range | 3.9 | 4.0 | 2.4 | 2.7 | 11.2 | 12.4 | 7.9 | 5.1 | 10.6 | 14.8 | 8.9 | 5.9 |
| Std. Dev. | 0.7 | 0.8 | 0.6 | 0.7 | 2.4 | 2.6 | 2.0 | 1.5 | 2.4 | 2.8 | 2.0 | 1.5 |
| Median | 3.4 | 3.0 | 2.6 | 2.6 | 6.8 | 2.8 | 0.9 | 2.0 | 12.2 | 7.8 | 5.8 | 7.2 |
| **Mean** | **3.3** | **3.0** | **2.6** | **2.6** | **7.0** | **3.1** | **0.6** | **2.1** | **12.4** | **8.2** | **5.6** | **7.2** |

# Sector summary: Means

## All sectors

| (no. contributors) | | Rental value growth (%) | | | | Capital value growth (%) | | | | Total return (%) | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 2015 | 2016 | 2017 | 2015/19* | 2015 | 2016 | 2017 | 2015/19* | 2015 | 2016 | 2017 | 2015/19* |
| Office | (25) | 6.6 | 4.5 | 2.9 | 3.3 | 9.6 | 4.0 | 0.6 | 2.3 | 14.6 | 8.6 | 5.3 | 7.2 |
| Industrial | (25) | 3.0 | 2.9 | 2.7 | 2.6 | 6.5 | 2.6 | 0.7 | 1.9 | 13.0 | 8.5 | 6.3 | 7.9 |
| Standard Retail | (24) | 2.1 | 2.5 | 2.5 | 2.4 | 5.9 | 3.0 | 1.0 | 2.1 | 11.1 | 7.9 | 5.7 | 6.9 |
| Shopping Centre | (24) | 1.3 | 2.1 | 2.4 | 2.1 | 5.9 | 3.0 | 0.7 | 1.9 | 11.4 | 8.3 | 6.0 | 7.2 |
| Retail Warehouse | (24) | 1.4 | 2.0 | 2.2 | 2.0 | 5.5 | 2.8 | 0.8 | 1.9 | 11.1 | 8.2 | 6.1 | 7.3 |
| **All Property** | **(28)** | **3.3** | **3.0** | **2.6** | **2.6** | **7.0** | **3.1** | **0.6** | **2.1** | **12.4** | **8.2** | **5.6** | **7.2** |

## West End office

| 24 contributors | Rental value growth (%) | | | | **Capital value growth (%) | | | | **Total return (%) | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2015 | 2016 | 2017 | 2015/19* | 2015 | 2016 | 2017 | 2015/19* | 2015 | 2016 | 2017 | 2015/19* |
| Maximum | 18.0 | 14.0 | 6.0 | 7.8 | 21.5 | 12.6 | 4.0 | 5.4 | 24.8 | 15.5 | 7.4 | 8.9 |
| Minimum | 2.0 | 1.5 | 0.0 | 1.5 | 3.5 | -1.2 | -5.8 | -2.3 | 8.8 | 2.0 | -2.5 | 1.3 |
| Range | 16.0 | 12.5 | 6.0 | 6.3 | 18.0 | 13.8 | 9.8 | 7.7 | 16.0 | 13.5 | 9.9 | 7.6 |
| Median | 8.5 | 5.5 | 3.3 | 3.8 | 10.7 | 4.8 | 1.6 | 2.8 | 14.1 | 8.3 | 4.9 | 6.5 |
| **Mean** | **8.7** | **5.6** | **3.2** | **4.0** | **11.1** | **4.3** | **0.2** | **2.3** | **14.7** | **7.8** | **3.8** | **5.9** |

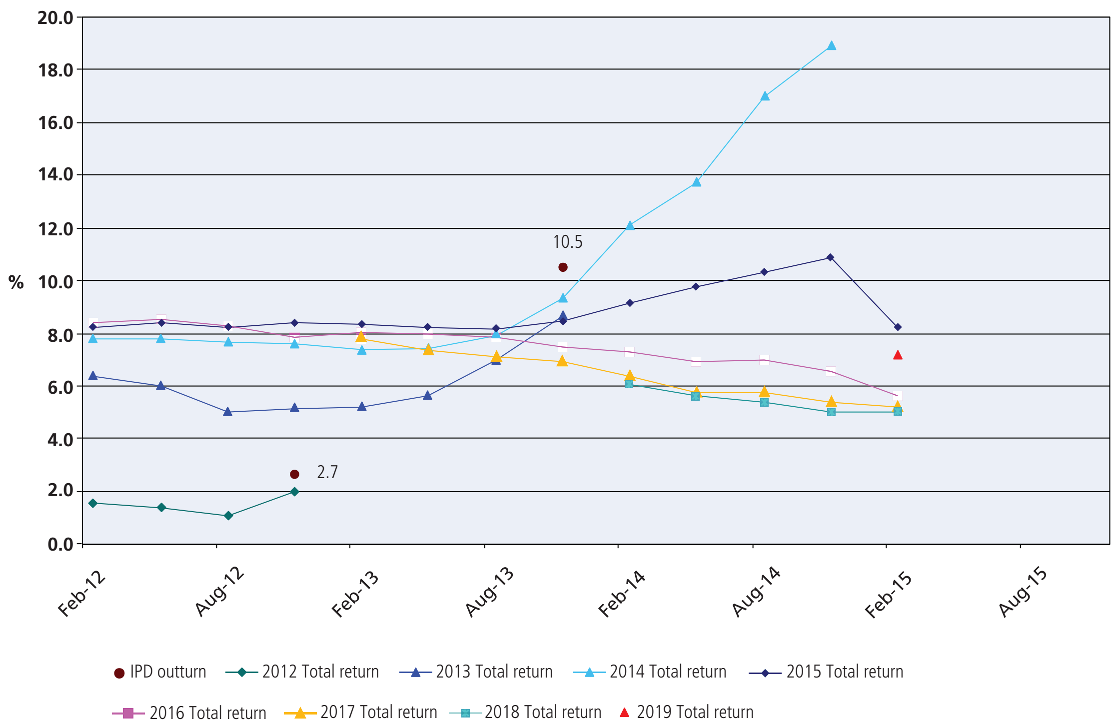
## City office

| 24 contributors | Rental value growth (%) | | | | **Capital value growth (%) | | | | **Total return (%) | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2015 | 2016 | 2017 | 2015/19* | 2015 | 2016 | 2017 | 2015/19* | 2015 | 2016 | 2017 | 2015/19* |
| Maximum | 16.0 | 12.0 | 6.0 | 7.2 | 18.6 | 12.3 | 6.1 | 5.3 | 23.5 | 16.3 | 10.3 | 9.5 |
| Minimum | 4.8 | 1.4 | 0.0 | 1.6 | 6.0 | -1.5 | -4.4 | -1.5 | 10.4 | 4.0 | -0.3 | 3.3 |
| Range | 11.2 | 10.6 | 6.0 | 5.6 | 12.6 | 13.8 | 10.5 | 6.8 | 13.1 | 12.3 | 10.6 | 6.2 |
| Median | 8.6 | 5.2 | 2.0 | 3.5 | 11.0 | 4.0 | -0.4 | 1.9 | 15.9 | 8.4 | 3.6 | 6.2 |
| **Mean** | **9.0** | **5.4** | **2.4** | **3.5** | **10.6** | **4.1** | **-0.2** | **1.9** | **15.0** | **8.4** | **4.1** | **6.4** |

*Three contributors have yet to generate 2019 forecasts.

** One contributor provided only rental value growth forecast numbers for the central London office markets.

## Consensus Forecast All Property Total Return Forecasts versus IPD Annual Outturn



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Property advisors (including research consultancies): BNP Paribas Real Estate, Capital Economics, CBRE, Cluttons LLP, Colliers International, DTZ, Fletcher King, GVA, JLL, Paul Mitchell Real Estate Consultancy Limited, Real Estate Forecasting Limited, The Lazarus Partnership.

Fund managers: Aberdeen Asset Management, Aviva Investors, AXA Real Estate Investment Management, CBRE Global Investors, Cordea Savills, Cornerstone Real Estate Advisors, Deutsche Asset & Wealth Management, F&C REIT Asset Management, HSBC Global Investors, Keills, Knight Frank Investment Management, LaSalle Investment Management, Legal & General Property, M&G Real Estate, Standard Life Investments.

**Note**

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

IPF Research Programme 2011–2015

Investment Property Forum
New Broad Street House
35 New Broad Street
London EC2M 1NH

**Telephone:** 020 7194 7920
**Fax:** 020 7194 7921
**Email:** ipfoffice@ipf.org.uk
**Web:** www.ipf.org.uk

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