



MAY 2021

RESEARCH

Spring 2021 Survey of Independent Forecasts for UK Commercial Property Investment

COMMISSIONED BY THE IPF RESEARCH PROGRAMME

UK Consensus Forecasts

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 Spring 2021 Survey of Independent Forecasts for UK Commercial Property Investment – May 2021

For the second survey of 2021, 21 organisations contributed data. Forecasts were produced between mid-March and mid-May 2021, with the majority (14) produced within two weeks of the 12 May survey date.

A wide distribution of individual forecasts was received for most markets, primarily in relation to 2021 and 2022 projections, and several contributors were invited to confirm their numbers, resulting in one correction. These enquiries also elicited further insights in addition to those received following a consideration of last quarter's significant outlying forecasts.

The polarised house views of two Fund Managers were instrumental in producing wide forecast ranges and previous explanations to justify their stances were reiterated this quarter, one looking to economic fundamentals to drive their outlook, the other reflecting the implications of longer-term structural changes within commercial real estate being wrought or accelerated by the pandemic.

While acknowledging there are downside risks attached to their forecasts, the former upgraded their economic outlook in response to the UK's successful management of COVID over the last six months, while the scale of the public spending programme announced by the Biden administration in the US will have a wider impact on the global economy, creating a stimulus for occupational demand and rental growth. In anticipation of real rates remaining low, in spite of inflationary pressures emerging, the current spread to property yields should lead to yield compression over the next two years, thus delivering strong capital growth and total returns.

This position is in stark contrast with the views of the second Manager, whose opinion is that retail values are still not reflecting reality. They believe there has been a complete change in the profile of potential shopping centre purchasers and owners "so there is a much higher yield required, reflecting much higher risk, shorter leases, more capex and much lower (largely turnover) rents" with a similar story for unit shops, where interest is "opportunistic and demanding double-digit yields." For offices, their central London forecasts are "predicated on rents so far barely reacting to massively weaker fundamentals." Citing current demand being for "new, high amenity space with strong ESG credentials", secondary space will require considerable capex to attract tenants (historically, not fully priced in by investors) combined with the likely prospect of falling rents/heightened risk at lease events, suggests a substantial lag in valuations.

Headline results

Rental value growth

Over the quarter, the **2021 All Property average growth rate** rose almost 100bps, to **-1.7%** (still below May 2020's projection of -1.3%), with forecasts lying between -4.8% and -0.3%. At the sector level, Standard Retail record the greatest range of projections, at over 12.5%, with individual estimates lying between -15.9% and -3.3%. As in February, only Industrials are expected to deliver positive growth, averaging 3.0% for the year.

For **2022**, the expectation for the **All Property** average is stronger than three months ago – now **0.9%** from 0.4% previously. Other than Offices, all sector ranges increased over the quarter, with Retail Warehouses recording the greatest improvement of over 100 bps to average -0.9%, as well as attracting the closest consensus with forecasts within a range of 3.2%.

Sector rental growth forecasts for the remaining three years of the survey have broadly strengthened, with **All Property** averages of **1.7%** in **2023** and **2024** and **1.6%** in **2025**.

Capital value growth

The **2021 All Property** average forecast rose by over 240 bps over the quarter to **-0.1%** (previously -2.5%) as, with the exception of Shopping Centres, which declined 210 bps to -15.2%, all sector averages improved; increases ranged between 469 bps for Retail Warehouses (to average -2.5%) to 85 bps for Offices (now -2.3%).

Quarter-on-quarter increases in every sector forecast for **2022** (including a rise of nearly 120 bps in the Industrial average) resulted in a return to positive growth in **All Property** average of **2.3%** (1.8% in February), representing an improvement of almost 50 bps.

The **2023 All Property** estimate is marginally stronger this quarter, at **1.9%** (1.8% previously), although all sectors continue to attract one or more negative forecasts. The last two years of the survey period now project weaker averages than three months ago, of **1.2%** in **2024** and **1.0%** in **2025**, from 1.5% and 1.4% last quarter.

Total returns

Average predictions for **2021 total returns** improved over the quarter for all but Shopping Centres, extending from 12.7% for Industrials to -9.8% for Shopping Centres (previously 8.7% and -7.0% respectively). The **All Property** forecast now lies at **4.4%** (from 2.1% in February).

Mirroring capital value expectations, total return forecasts are likely to peak in **2022**. The average **All Property total return** forecast now stands at **6.9%** (6.6% previously), with sector forecasts ranging between 2.3% (Shopping Centres) to 9.2% (Industrials).

In each of the three remaining survey years, most sector averages weaken, resulting in the **All Property** averages falling from **6.4%** in **2023** to **5.6%** by **2025**, when the best-performing sector may prove to be Retail Warehouses, currently predicted to deliver a total return of 6.9%.

The following table illustrates the evolution of the average All Property forecasts for the current year and 2022, as well as over five years, from February 2020:

All Property Average Forecasts: 2021, 2022 & 5-year Annualised

	Feb-20	May-20	Aug-20	Nov-20	Feb-21	May-21
2021						
Rental Value Growth	0.4%	-1.3%	-1.9%	-2.8%	-2.7%	-1.7%
Capital Value Growth	0.2%	0.2%	-1.8%	-3.2%	-2.5%	0.1%
Total Return	5.0%	5.3%	3.3%	1.5%	2.1%	4.4%
2022						
Rental Value Growth	0.9%	0.8%	0.7%	0.8%	0.4%	0.9%
Capital Value Growth	0.9%	2.9%	2.0%	2.3%	1.8%	2.3%
Total Return	5.2%	7.9%	7.2%	7.1%	6.6%	6.9%
Five-year annualised						
Rental Value Growth	0.7%	-0.8%	-0.5%	-0.7%	0.4%	0.8%
Capital Value Growth	0.0%	-1.3%	-1.8%	-1.5%	0.8%	1.2%
Total Return	4.9%	3.6%	3.2%	3.3%	5.6%	5.8%

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	-2.1	0.8	2.4	1.0	-2.3	2.5	3.0	1.3	1.3	6.6	7.2	5.3
Industrial	3.0	3.0	2.8	2.7	8.4	5.2	2.4	3.6	12.7	9.2	6.4	7.6
Standard Retail	-8.1	-2.3	-0.1	-1.9	-9.6	-1.4	-0.1	-2.0	-5.1	3.3	4.6	2.7
Shopping Centre	-9.9	-2.9	-0.9	-2.8	-15.2	-3.7	-1.1	-4.1	-9.8	2.3	5.1	1.9
Retail Warehouse	-4.0	-0.9	0.1	-0.7	-2.5	0.4	0.1	-0.3	4.1	7.1	6.6	6.3
All Property	-1.7	0.9	1.7	0.8	-0.1	2.3	1.9	1.2	4.4	6.9	6.4	5.8
West End office	-2.8	1.0	3.2	1.3	-2.6	2.8	4.1	1.7	0.8	6.4	7.7	5.2
City office	-3.1	0.9	2.9	1.0	-3.5	2.5	3.4	1.1	0.2	6.5	7.3	4.9
Office (all)	-2.1	0.8	2.4	1.0	-2.3	2.5	3.0	1.3	1.3	6.6	7.2	5.3

All Property Average by Forecast Month

Month of forecast (no. contributors)		Rental value growth (%)				Capital value growth (%)				Total return (%)			
		2021	2022	2023	2021/25	2021	2022	2023	2021/25	2021	2022	2023	2021/25
March	(5)	-2.2	0.5	1.5	0.5	-1.3	0.6	0.8	0.3	3.2	5.2	5.3	4.8
April	(4)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
May	(12)	-1.7	0.9	1.8	0.8	0.0	2.1	2.2	1.3	4.4	6.8	6.6	5.9
All Forecasters (21)		-1.7	0.9	1.7	0.8	-0.1	2.3	1.9	1.2	4.4	6.9	6.4	5.8

*A minimum of five forecasts are required for each period to be separately analysed.

Survey contributors

21 organisations contributed to this quarter's forecasts, comprising 8 Property Advisors and Research Consultancies, 10 Fund Managers and two Others¹.

Full All Property forecasts for all periods were received from all contributors. Full sector forecasts for all periods were received from 19 contributors, and full West End and City sub-office sector forecasts from 17 contributors. All forecasts were generated within 12 weeks of the survey date (12 May 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.

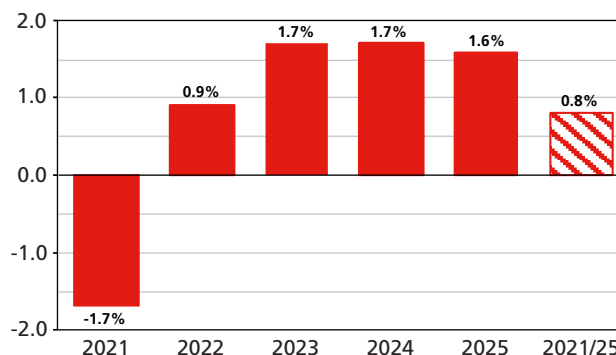
Rental Value Growth Forecasts

All Property rental value growth forecasts

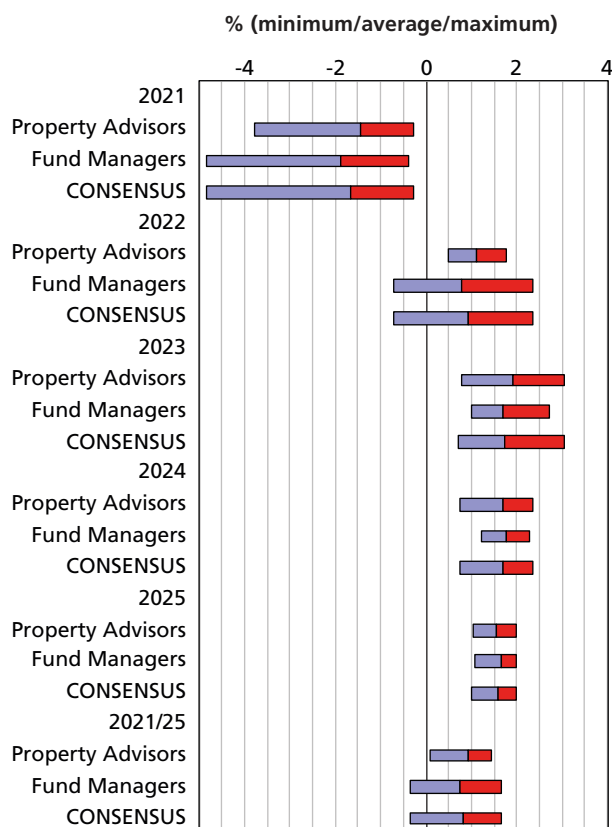
All average forecasts rose over the quarter, although the rate of growth pattern, peaking in 2024, now appears to be more evenly distributed in later years than reported in February.

The 2021 outlook strengthened by 98 bps (from -2.7%), with next year's figure rising a further 48 bps (from 0.4%), reversing the preceding quarter's decline (0.8% recorded in the autumn survey). Increases in remaining yearly averages are more muted, culminating in a rise of less than 10 bps in the 2025 projection.

However, the improvement in each year's average has served to deliver a 43 bp increase in the five-year annualised growth rate.



Rental value growth forecasts by contributor



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

Once again, all contributors anticipate negative growth in 2021, although the minimum forecast, of -4.8% from Fund Managers (compared to Property Advisors at -3.8%), reflects a 143 bp improvement over February's low (of -6.3%). However, both uppermost projections are almost unchanged, at -0.4% and -0.3% respectively (both previously -0.3%).

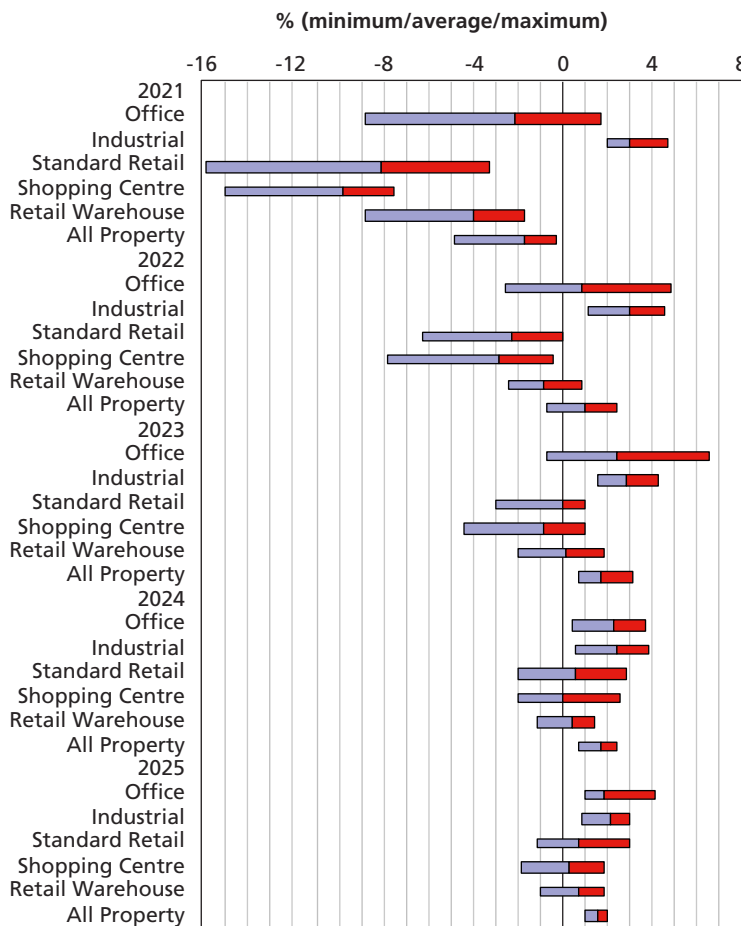
For the next two years, all minimum, average and maximum forecasts, by contributor group, rose over the quarter, while, with the exception of Property Advisors in 2025, every mean forecast recorded an improvement over February's results.

In the first three years of the survey, on average Property Advisors are marginally more optimistic than Fund Managers, albeit the differences reduce year-on-year from 43 bps for the current year to 22 bps by 2023. The situation is projected to reverse in 2024, when the Fund Manager mean is 8 bps higher than the Property Advisor number, increasing to 11 bps in 2025.

2021 forecast ranges narrowed to 3.5% and 4.5%, from 4.0% and 6.0% in February, with spreads reducing further in subsequent years although there is a greater divergence of opinion between Fund Managers than among Property Advisors in all years.

Rental Value Growth Forecasts (2)

Sector rental value growth annual forecasts



Only the Industrial sector attracts positive growth forecasts throughout the first three years of the survey, joined by Offices in 2024 and 2025. This in sharp contrast to retail markets, where one or more sub-zero projections were received for each year.

Contributors' views on growth prospects for unit shops are particularly polarised for 2021, ranging between -15.9% and -3.3% (although better than February's low of -18.0% and range of 17.4%); the 2021 average forecast is -8.1% (versus a median projection of -7.5%).

Shopping Centres and Retail Warehouses also garnered negative growth forecasts from all survey participants for the current year (and for 2022 Shopping Centre forecasts), the latter again registered the lowest average forecast in each year, from -9.9% in 2021, rising to a weakly positive 0.3% by 2025.

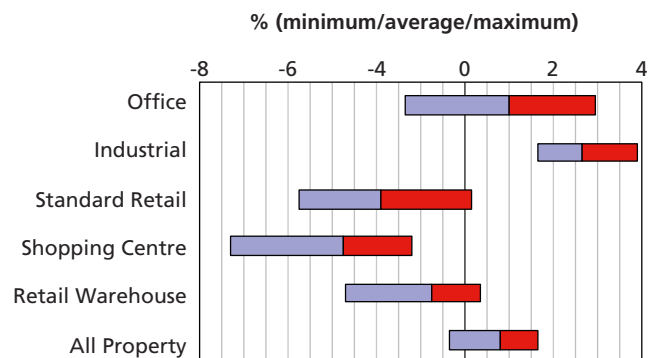
Office means for 2022 and 2024 declined over the quarter. Although expected to deliver positive growth from next year (0.8%), the sector is no longer likely to match Industrial performance in 2024 and 2025 (the latter now at 2.4% and 2.1% from 2.3% and 2.0% previously).

The overall pattern is one of strengthening averages year-on-year for most markets, with further improvement in Standard Retail and Shopping Centres now emerging in the final two years of the survey.

Sector rental value growth five-year average forecasts

Improved annualised averages for each sector, ranging between a 72 bps increase for Retail Warehouses (from -1.5% pa in February) to a virtually unchanged 1.0% pa for Offices (up 6 bps) has contributed to an increase in the in All Property annualised rental growth rate of 43 bps, to 0.8% pa (0.4% previously). In addition to Offices, the Industrial sector is again projected to outperform this figure, at 2.7% pa (from 2.3% last quarter).

All three retail sub-sector averages remain below zero, at -1.9%, -2.8% and -0.7% pa for Standard Retail, Shopping Centres and Retail Warehouses (formerly -2.2%, -3.4% and -1.5% pa respectively), reflecting rises of 25, 62 and 72 bps.

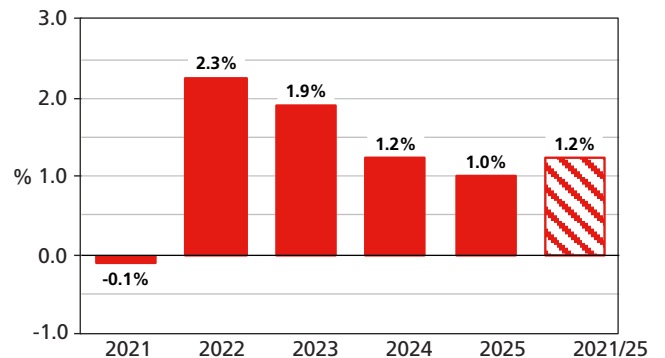


Capital Value Growth Forecasts

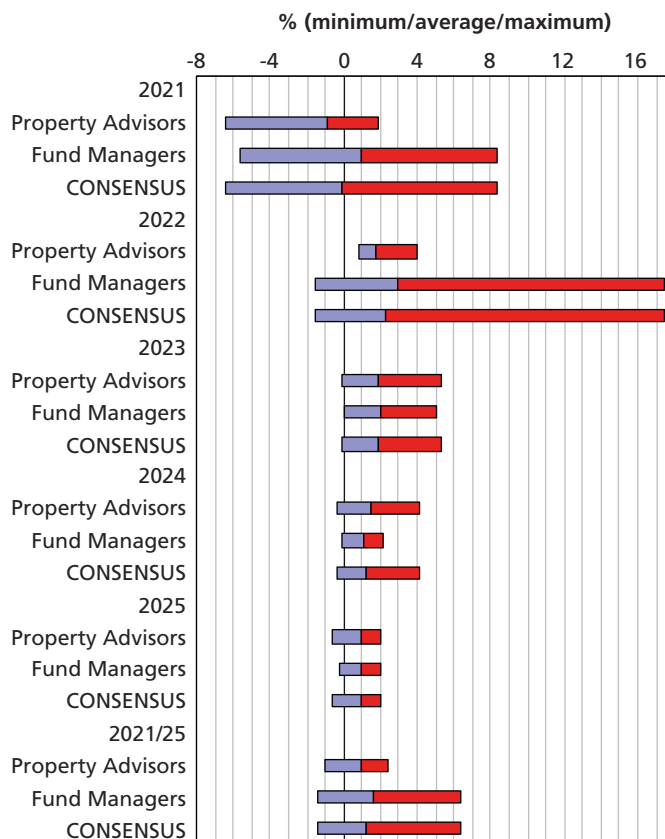
All Property average capital value growth forecasts

Following a rise of over 60 bps between November and February, the 2021 average improved substantially over the quarter, registering an increase of 244 bps (from -2.5% previously). Nine contributors forecast positive capital value growth (compared to three in February). The 2022 and 2023 means also strengthened, by 49 and 8 bps respectively (both 1.8% previously).

Despite declines in the 2024 and 2025 averages (of 24 and 43 bps), the five-year annualised projection increased by over 45 bps (from 0.8% pa previously).



Capital value growth forecasts by contributor



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

For 2021, the average Property Advisor forecast rose 161 bps over the quarter, to -0.9%, while Fund Managers recorded a rise of almost 350 bps to average 0.9%. Omitting the maximum Manager forecast (8.3%), the average for this group would fall to 0.1%, while the removal of the lowest Advisor forecast (-6.5%) would cause that cohort's average to rise to -0.2%.

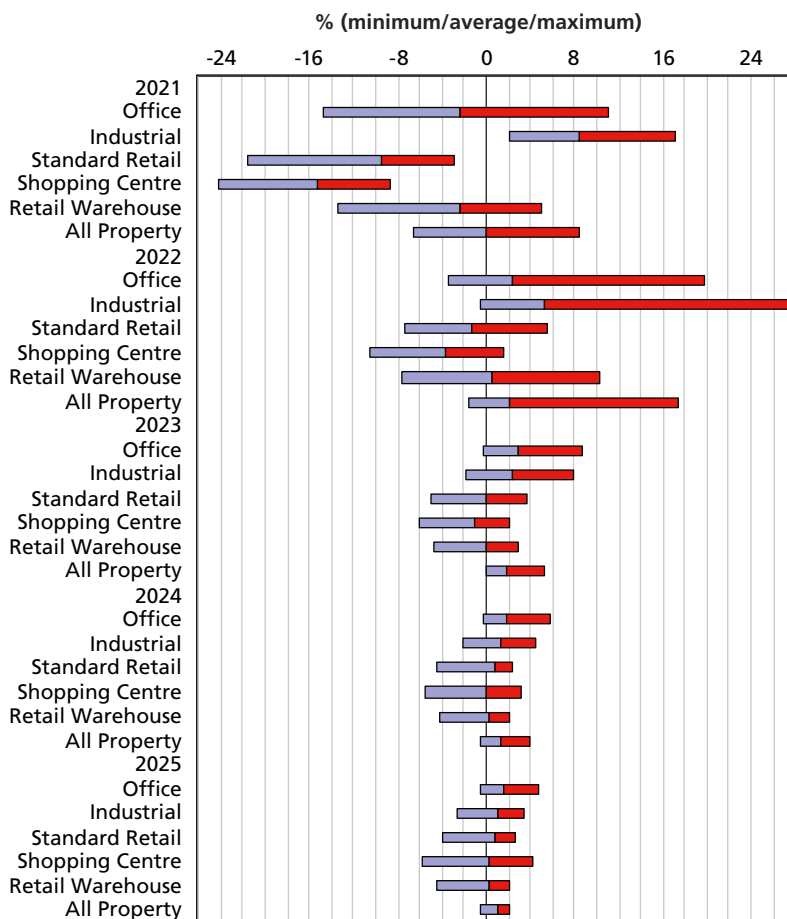
Compared to the 2022 Advisor average of 1.8%, one significant Manager forecast of 17.4% heavily influences both its group and the wider averages of 3.0% and 2.3% (1.4% and 1.5% respectively if omitted). Average Manager expectations are also higher than those of Advisors in 2023 (2.0% versus 1.9%) but then fall to 1.1% in 2024 (versus 1.4%). For 2025, both groups average growth of 1.0%.

Forecast spreads for the current year narrowed over the quarter, to 14.8% from 18.0% in February. However, the 2022 range grew 2.8% as the Manager outlier resulted in an 18.9% span. In contrast, Advisors show a far closer consensus in outlook for next year, with forecasts lying within a spread of 3.2%.

Five-year annualised averages improved significantly over the quarter; Advisors recorded an increase of 47 bps to 1.0% and Managers 53 bps to 1.6%, to average 1.2% pa overall.

Capital Value Growth Forecasts (2)

Sector capital value growth annual forecasts



With the exception of Shopping Centres, which declined 210 bps to -15.2%, all 2021 sector mean forecasts rose over the quarter, ranging from 85 bps for Offices to almost 470 bps for Retail Warehouses. However, the Industrial sector is the only market expected to deliver positive growth, averaging 8.4% (from 4.3% in February). 2021 averages for remaining sector are sub-zero, with negative forecasts recorded throughout for Standard Retail and Shopping, whereas Retail Warehouses attracted eight (from 19) and Offices four (from 20) positive forecasts.

The outlook for 2022 continues to show wide variations between sectors, although all averages rose over the quarter. Industrial growth is likely to fall, to around 5.2% (albeit almost 120 bps higher than February's average), while the Retail Warehouse average rose 75 bps, to 0.4%.

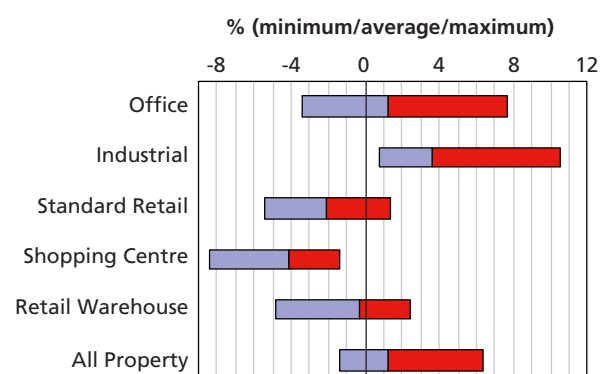
Although mean growth rates for retail remain weak in later years, improved averages for Shopping Centres over this period suggests positive growth may finally return to this sub-sector by 2025 (0.3%), despite seven of the 20 forecasts for that year are sub-zero.

Sector forecast spreads both this year and next remain in double digits, as a result of the heavily opposing views of two contributors. Greater consensus emerges in the 2023 forecasts and is maintained in the following years.

Sector capital value growth five-year forecasts

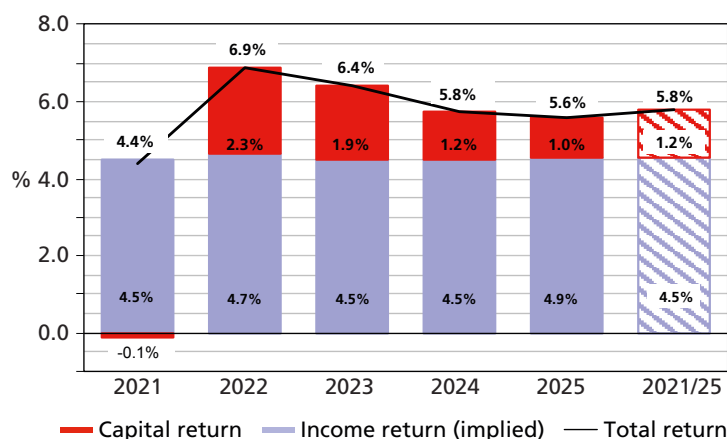
Over the quarter, Office, Industrial and Retail Warehouse five-year annualised averages improved by 21, 69 and 92 bps respectively, resulting in projected capital value growth of 1.3%, 3.6% and -0.3% pa. Small declines were recorded for Standard Retail and Shopping Centres (of only 4 bps for the latter, 19 bps for the former), resulting in averages of -2.0% and -4.1% pa respectively. The All Property average rose to 1.2% pa (from 0.8% in February and -1.5% in November).

Forecast ranges increased for Offices and Retail Warehouses (by 91 and 76 bps), but fell in remaining sectors with Shopping Centres recording the greatest fall (over 550 bps), whilst the Standard Retail average attracted the narrowest array of individual projections, at 675 bps.



Total Return Forecasts

All Property total return forecasts



The 2021 total return averages rose by 225 bps over the quarter (from February's average of 2.1%) and next year's average also showed an increase, of 29 bps (previously averaging 6.6%). However, the following three years' projections have weakened, down 25, 59 and 72 bps lower for 2023, 2024 and 2025 respectively (from 6.7%, 6.3% and 6.3% last quarter).

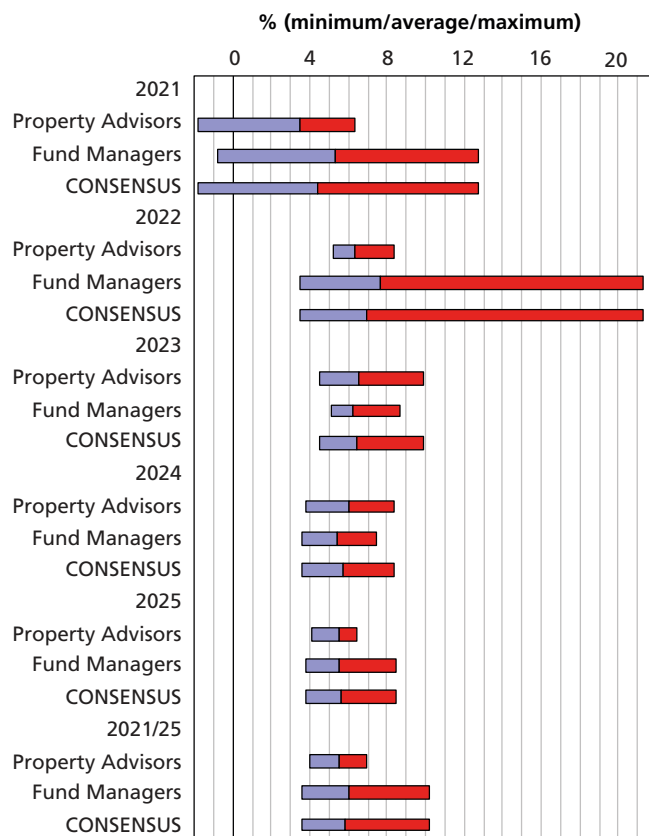
Despite weaker forecasts for these later years, improved projections for 2021 and 2022 support a modest improvement in the five-year average (from 5.6% pa previously).

Contributors All Property total return forecasts

Only two participants forecast sub-zero total returns for 2021, reflecting strongly negative views on capital growth prospects this year. Compared to last quarter, however, the outlooks of both sets of contributors have improved for the current and next year, with averages rising by 148 and 327 bps to 3.5% and 5.8% for Property Advisors and Fund Managers respectively in 2021, and by 15 and 53 bps to 6.3% and 7.6% in 2022. However, one particularly bullish set of forecasts drives the substantially more optimistic Manager averages in these years: omitting these, the means fall to 4.5% and 6.1%.

The 2023 average fell over the quarter, due to a weakening in Manager optimism (down over 60 bps to 6.3%), contrasting with a further rise in the Advisors' average, of 19 bps to 6.5%. Prospective performance in the final two years of the survey is lower than reported previously, as both groups returned lower forecasts, Manager averages falling by over 100 then 90 bps, and Advisors 50 bps lower in 2025.

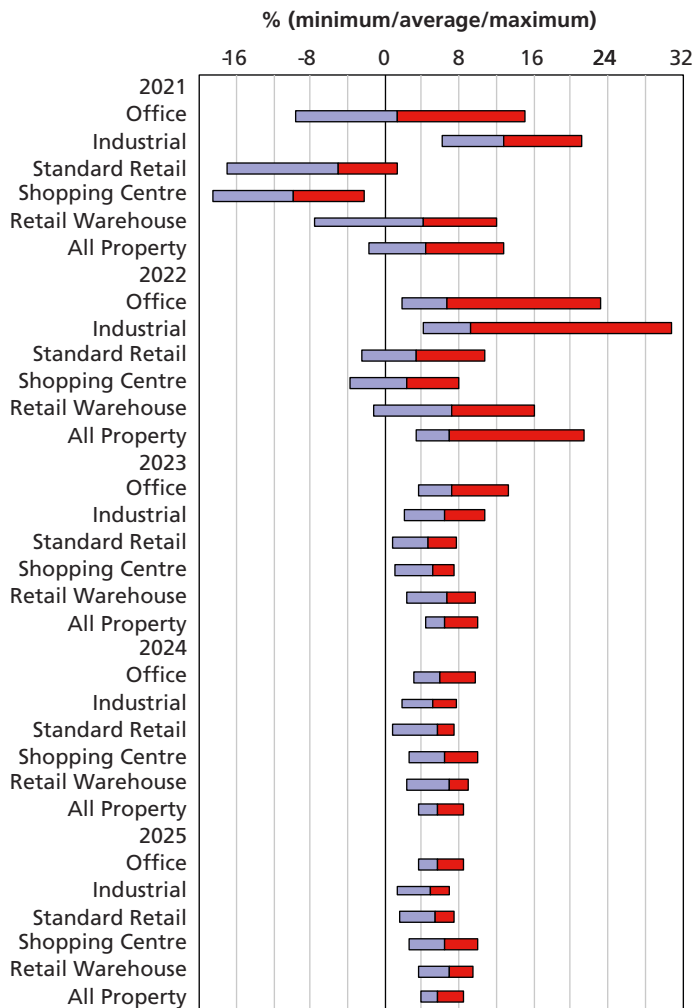
As reported last quarter, a closer consensus emerges after 2022; Manager ranges decrease significantly in 2023 (to 3.6% from 15.9% in 2022), with spreads for both groups of less than 5.0% by 2024 and 2025.



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

Total Return Forecasts (2)

Sector total return annual forecasts



With the exception of Shopping Centres (down 281 bps to -9.8%), all other 2021 average sector return forecasts rose over the quarter, with expectations for Retail Warehouses, which attracted only four negative forecasts, rising over 480 bps (to 4.1%). The Industrial average also strengthening significantly: up nearly 400 bps (to 12.7%). Although Offices drew six negative forecasts, its average improved by 23 bps, to 1.3%, while Standard Retail (16 negative forecasts) rose 96 bps to -5.1%.

Industrials still re expected outperform other sectors in 2021 and 2022. By 2023, however, and despite a general weakening over the quarter of that year's forecasts, other than for Offices, the latter and Retail Warehouse return forecasts, of 7.2% ad 6.6%, are likely to overtake an Industrial average projection of 6.4%.

This decline in sentiment continues through 2024 and 2025, with Industrial averages recording the greatest falls of 85 and 102 bps in these years (to 5.2% and 4.9%), followed by lower Retail Warehouse averages (down 64 and 71 bps, to 6.9% for both years).

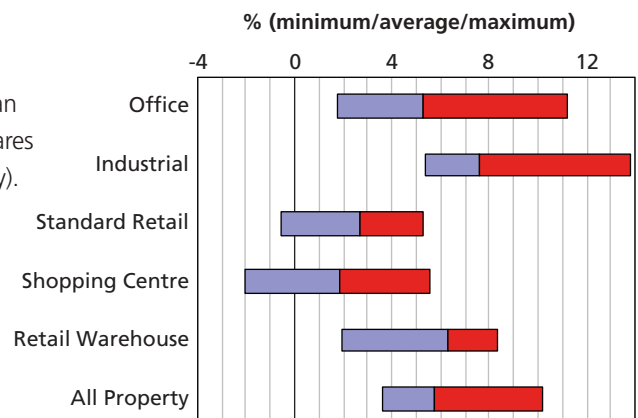
Double-digit spreads characterise the first two years of the survey in all sectors but a greater consensus emerges from 2023. A narrowing in the range of Shopping Centre projections is particularly notable, having previously attracted double digit spreads in all five years.

Sector total return five-year forecasts

The continuing strength of expectations for the Industrial sector in the current year and 2022 sustains its projected outperformance of all other markets over five years, with an annualised average of 7.6% (previously 7.2%). This compares with an All Property average of 5.8% pa (5.6% in February).

The only other sector to improve was Retail Warehouses, averaging 6.3% pa (up 70 bps over the quarter). whilst Standard Retail and Shopping Centres fell 31 and 92 bps (to 2.7% and 1.9% pa). The Office average weakened 11 bps to 5.3% pa.

With the exception of Offices and All Property, forecast spans narrowed over the quarter. Offices now attract the greatest spread (at 9.4%), while Standard Retail forecasts offer the closest consensus, within a range of 5.8%.



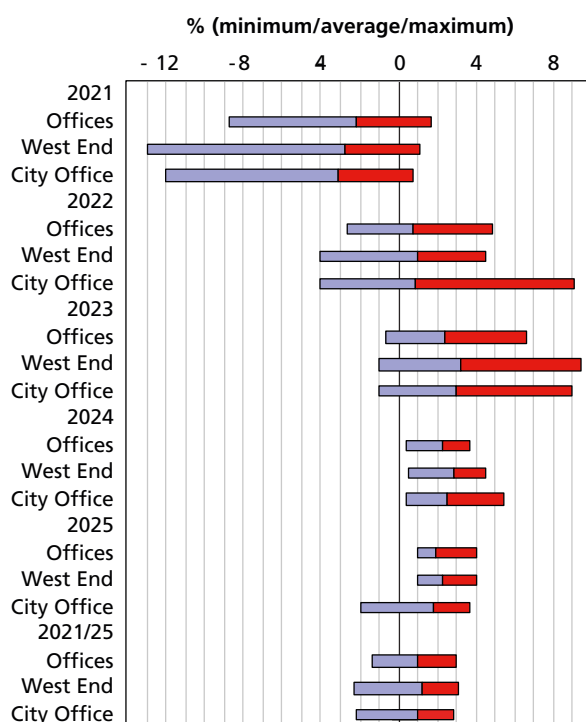
Central London Office Forecasts

Central London offices

In their Central London Overview for Q1 2021¹, JLL report increased leasing activity, with 1.3m sq. ft. let during the first three months of the year and ending five consecutive quarterly declines. Banking & finance and professional services were the most active sectors, accounting for over half of the space leased during the quarter. Vacancy rates continued to increase, however, rising to 6.4% for second-hand accommodation and to 1.3% for new space, above the 10-year average of 1.1%.

Unsurprisingly, Q1 investment activity was lower than the preceding quarter, with JLL describing the year closing “with a flurry”². A total of £1.2bn of transactions was reported to the end of March (compared to £4.9bn for Q4 2020) despite over £2bn of assets understood to be under offer at year end. Overseas investors continued to dominate, accounting for almost three-quarters of deals (c. £827m). Activity is expected to increase during the second half of 2021, as stock levels rise in keeping with a return to the office following the ending of lockdown measures.

Rental value growth



The majority of central London office forecasts received continue to predict sub-zero growth in 2021 for both West End and City rents (16 and 15 respectively, from 18 in total). The minimum forecast of -13.0% for the former represented a weakening of 200 bps over the quarter, while the City minimum forecast was unchanged at -12.0%. Despite higher upper end forecasts for both locations, the West End average deteriorated by 16 bps to -2.8%, but the City average rose 24 bps, to -3.1% (previously -2.6% and -3.4%).

Even though average forecasts are lower than February's (each down over 55 bps) the outlook is for a return to positive growth for both sub-markets in 2022, with further improvement the following year. However, 2024 and 2025 forecasts weakened over the three months since the last survey.

Lower forecasts for three of the five years have contributed to falls in the five-year annualised averages to 1.3% and 1.0% for the West End and City respectively, from 1.5% and 1.1% in February.

Compared to the wider UK Office market, expectations are for central London offices to deliver stronger rental growth next year and in 2023 and 2024, while the West End averages exceed those of Offices as a whole from 2022 onwards.

¹ <https://www.jll.co.uk/content/dam/jll-com/documents/pdf/research/emea/uk/jll-emea-uk-q1-2021-central-london-office-market-report-new.pdf>

² <https://www.jll.co.uk/en/trends-and-insights/research/q4-2020-central-london-office-market-report>

Central London Office Forecasts (2)

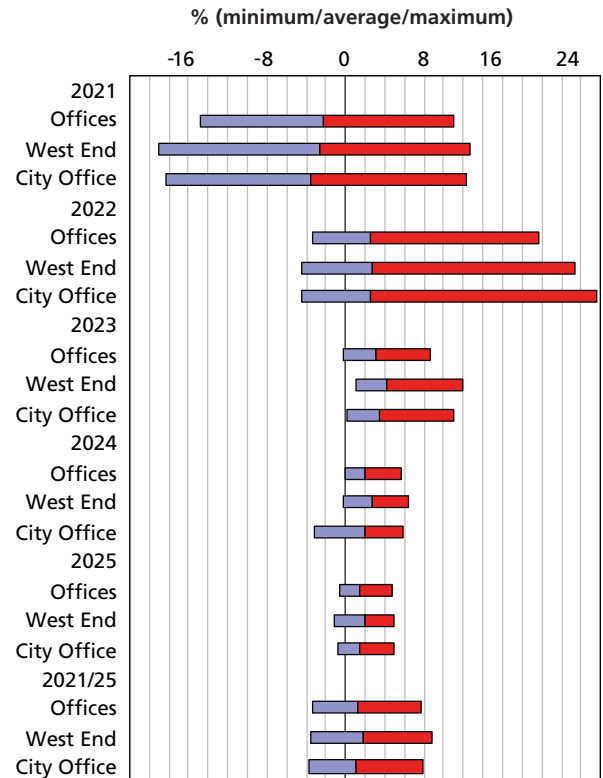
Capital value growth

Current year estimates included four positive growth projections for each sub-market, but both attract one or more double-digit outliers at the two ends of the forecast ranges, resulting in spans of over 30%. The West End average improved 34 bps over the quarter, to -2.6% (-2.9% previously), whereas the City average declined 14 bps, to -3.5%.

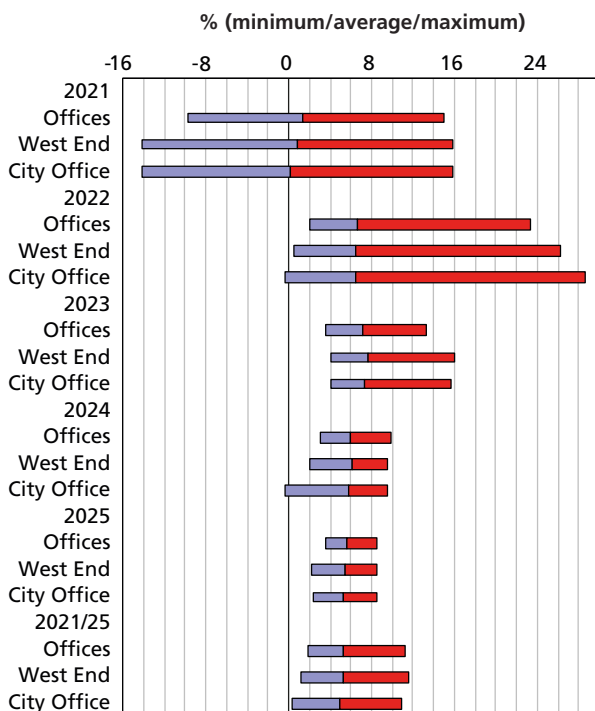
The range of expectations in 2022 for both markets are only slightly less broad, with spreads of 27.9% and 30.1% around weaker averages of 2.8% and 2.5% (previously 3.3% and 2.9%) for the West End and City.

Although 2023 forecasts improved against those reported in February (47 and 10 bps higher respectively, to 4.1% and 3.4%), both 2024 and 2025 forecast means weakened over the quarter, down by 60 and 50 bps for the West End and City in 2024 (from average growth rates of 2.2% and 2.4% previously) and by 109 and 29 bps in 2025, from 3.1% and 1.8%.

The five-year annualised growth rates fell by 34 and 26 bps in the two sub-markets to give averages of 1.7% and 1.1% pa respectively.



Total returns



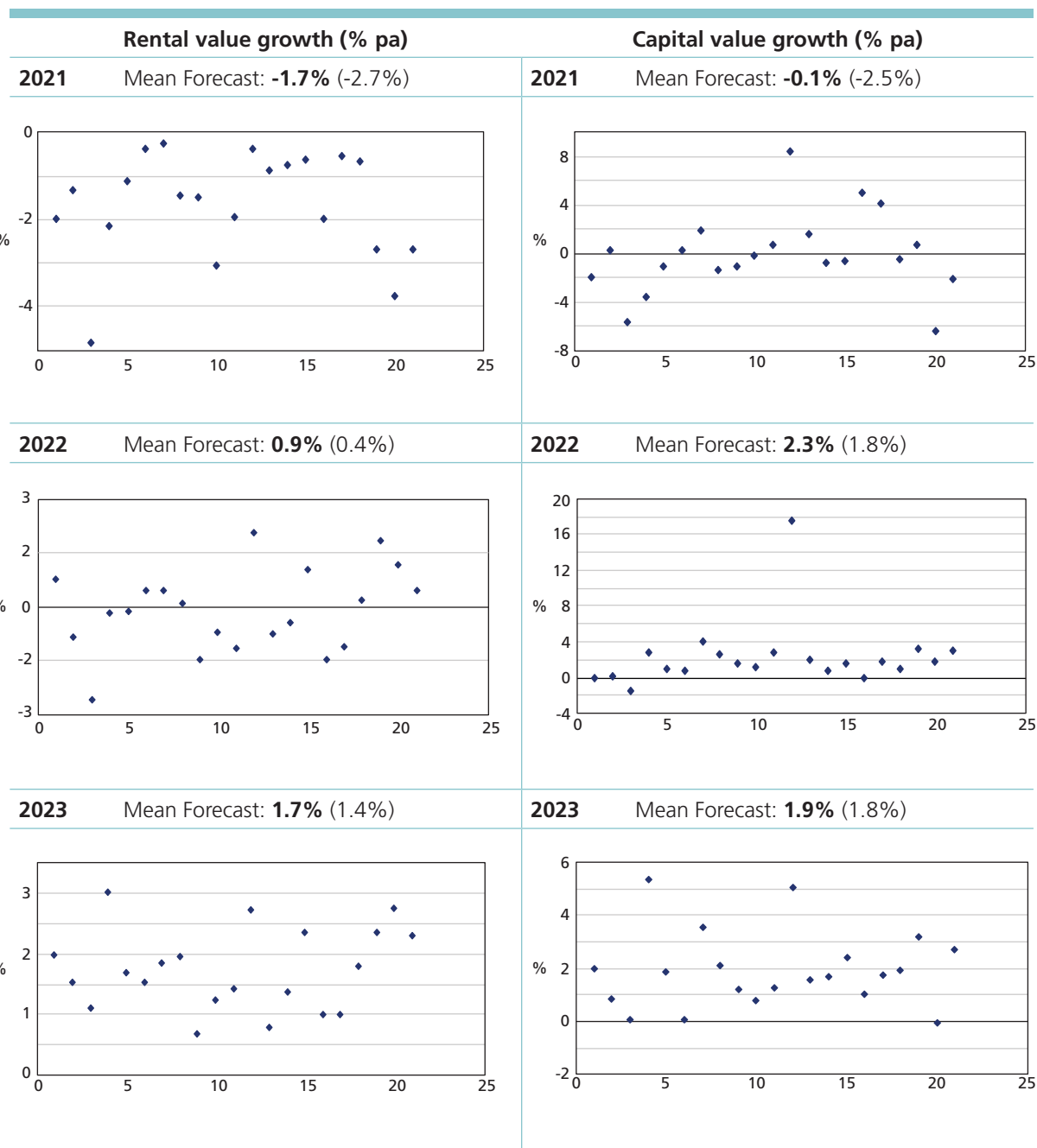
The 2021 West End mean forecast of total return improved again over the quarter, increasing 23 bps to 0.8%, while the City average weakened 60 bps to 0.2%. Both locations attracted the same wide forecast range of 30.1% each with a double-digit positive and negative outlier. While stronger performance is anticipated in 2022, the averages fell over the quarter, to 6.4% and 6.5% despite double-digit upper end forecasts. For 2023, which appears to be the peak year for performance, the predicted West End average rose 58 bps over the quarter, to 7.7%, whereas the City average was 11 bps lower, at 7.3%.

In the final two years, the accord between contributors improves, as West End forecasts narrow to 7.5% in 2024 and 6.3% in 2025, with predicted average returns of 6.2% and 5.5%. The City attracts a slightly greater range of opinion in 2024, with a spread of 9.9% (5.8% average), reducing to 6.3% in 2025, against an average of 5.3%.

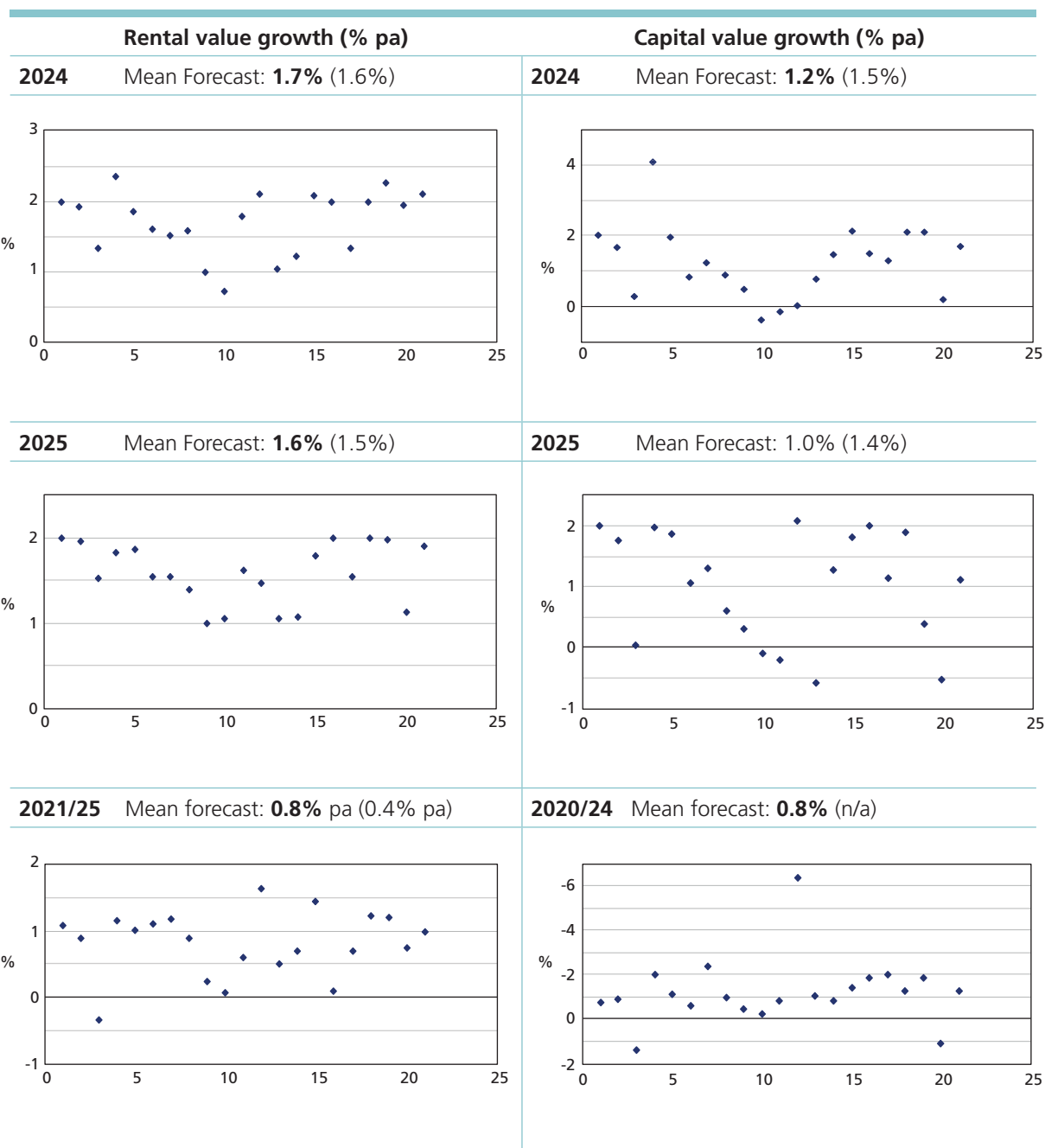
Five-year returns weakened over the quarter, by 32 and 52 bps for the West End and City, to 5.2% and 4.9% pa, from 5.6% and 5.4% in February. This compares with a current overall Office market projection of 5.3% pa (11 bps lower than three months ago).

Distribution of Forecasts

The scatter charts record forecasts of **All Property** rental value and capital value and total returns the **Spring 2021** survey. Contributor projections are included in random order so that individual forecasts cannot be identified. Previous quarter's forecasts (February 2021) appear in brackets.



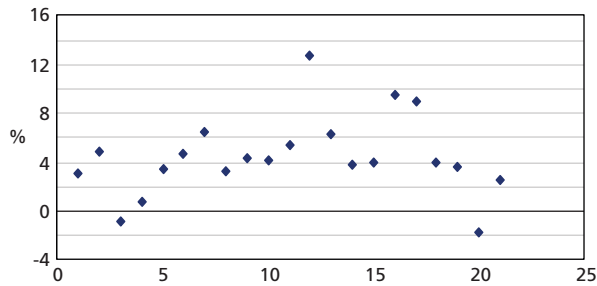
Distribution of Forecasts (2)



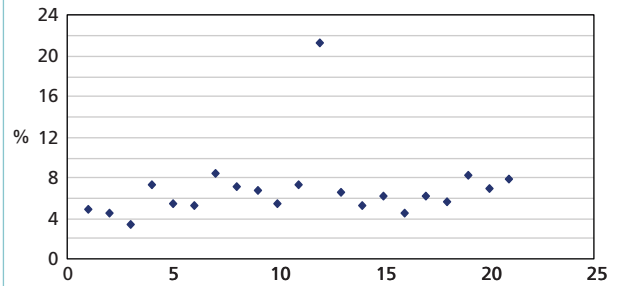
Distribution of Forecasts (3)

All Property total returns (% pa)

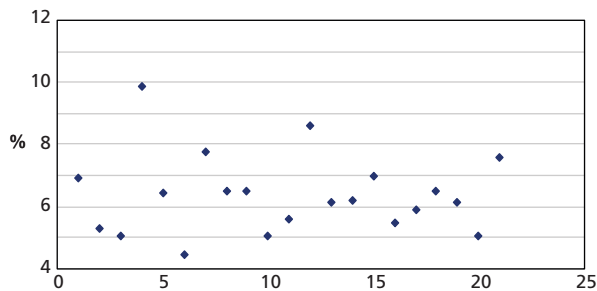
2021 Mean forecast: **4.4%** (2.1%)



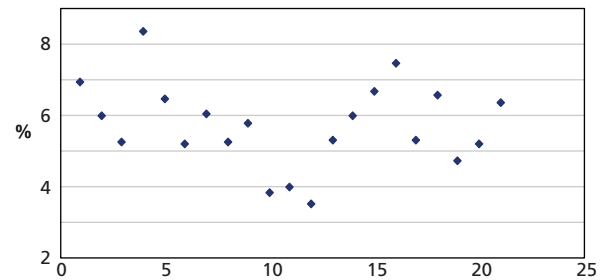
2022 Mean forecast: **6.9%** (6.6%)



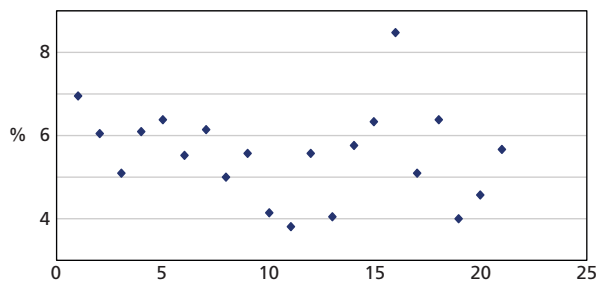
2023 Mean forecast: **6.4%** (6.7%)



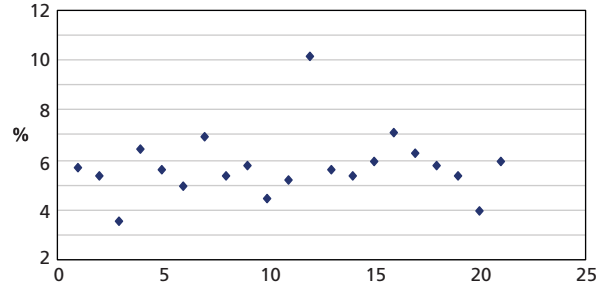
2024 Mean forecast: **5.8%** (6.3%)



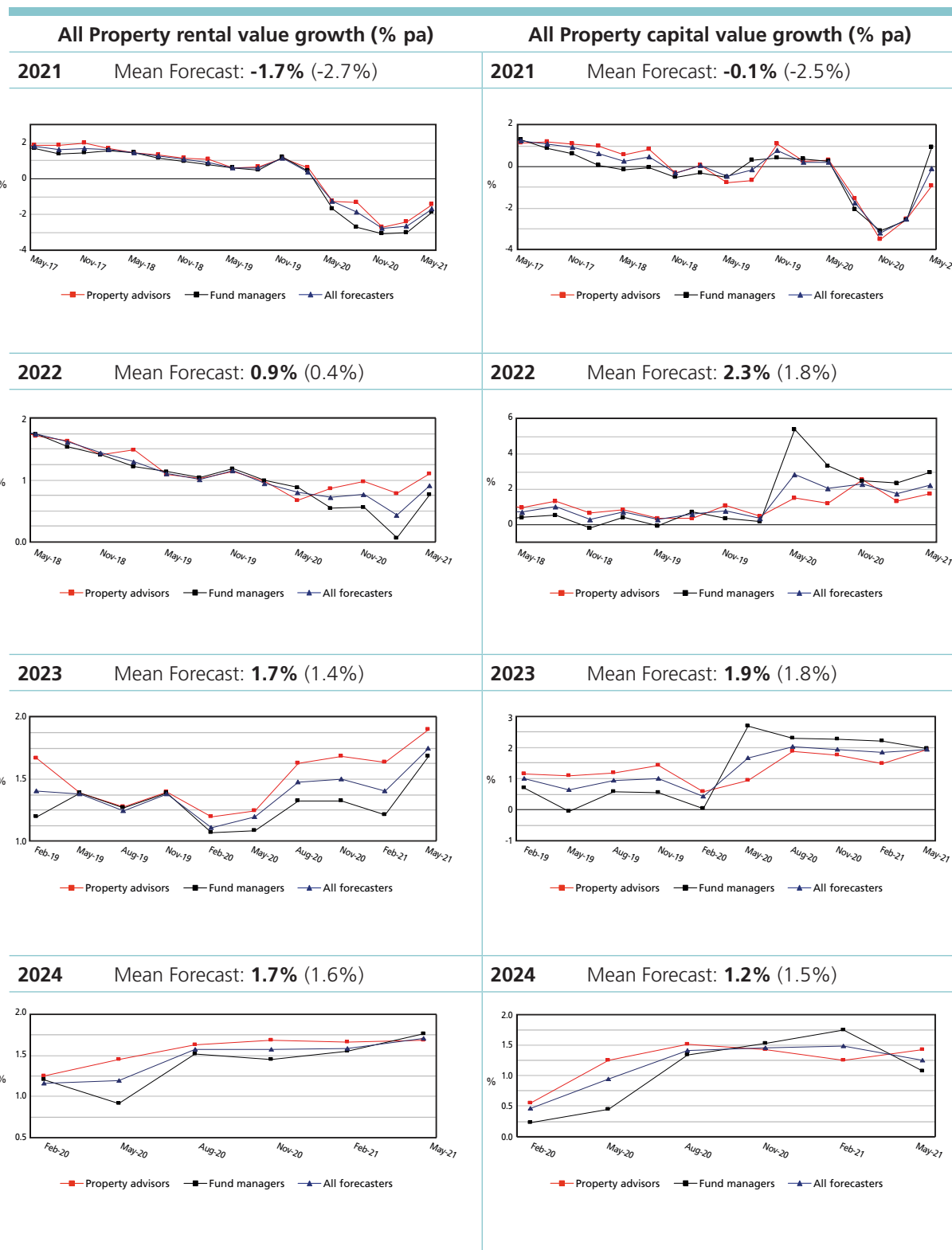
2025 Mean forecast: **5.6%** (6.3%)



2021/2025 Mean forecast: **5.8% pa** (5.6% pa)



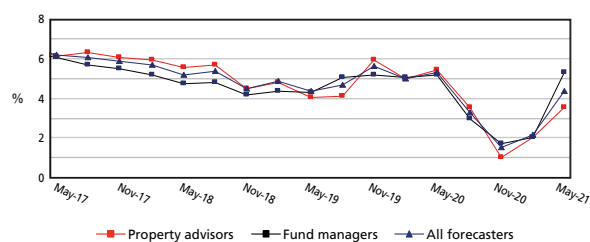
Evolution of the All Property Consensus



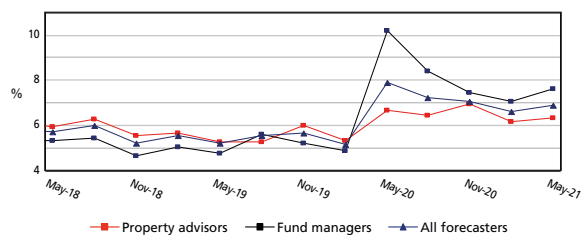
Evolution of the consensus (2)

All Property total returns (% pa)

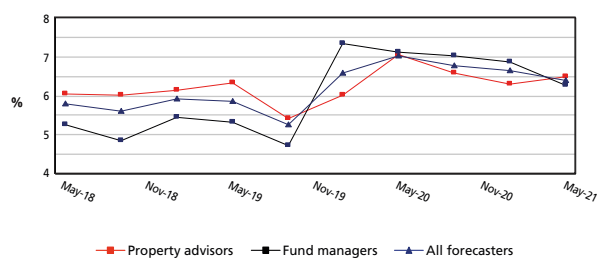
2021 Mean Forecast: **4.4%** (2.1%)



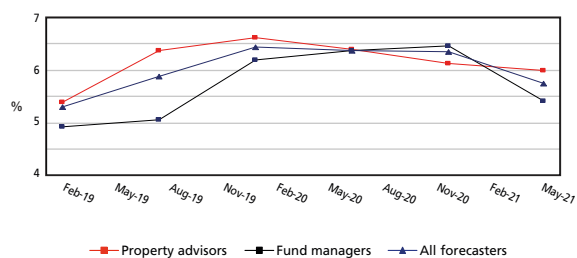
2022 Mean Forecast: **6.9%** (6.6%)



2023 Mean Forecast: **6.4%** (6.7%)



2024 Mean Forecast: **5.8%** (6.3%)



All Property Survey Results by Contributor Type

(Forecasts in brackets are February 2021 comparisons)

Property Advisors and Research Consultancies

9 (10) contributors	Rental value growth (%)					Capital value growth (%)					Total return (%)				
	2021	2022	2021/25	2021	2022	2021/25	2021	2022	2021/25	2021	2022	2021/25	2021	2022	2021/25
Maximum	-0.3 (-0.3)	1.8 (1.2)	1.4 (1.3)	1.9 (-0.5)	4.0 (3.3)	2.4 (1.2)	6.3 (4.2)	8.4 (7.7)	6.9 (6.4)						
Minimum	-3.8 (-4.3)	0.5 (0.4)	0.1 (0.0)	-6.5 (-7.6)	0.8 (-0.4)	-1.1 (-1.3)	-1.8 (-2.8)	5.2 (4.3)	4.0 (4.0)						
Range	3.5 (4.0)	1.3 (0.8)	1.4 (1.3)	8.4 (7.1)	3.2 (3.7)	3.5 (2.5)	8.2 (7.0)	3.1 (3.4)	3.0 (2.4)						
Median	-0.9 (-2.9)	1.1 (0.6)	1.1 (0.6)	-0.5 (-2.2)	1.5 (1.1)	1.1 (0.8)	4.0 (2.2)	6.1 (6.0)	5.7 (5.6)						
Mean	-1.5 (-2.4)	1.1 (0.8)	0.9 (0.6)	-0.9 (-2.6)	1.8 (1.3)	1.0 (0.5)	3.5 (2.0)	6.3 (6.2)	5.6 (5.4)						

Fund Managers

11 (11) contributors	Rental value growth (%)					Capital value growth (%)					Total return (%)				
	2021	2022	2021/25	2021	2022	2021/25	2021	2022	2021/25	2021	2022	2021/25	2021	2022	2021/25
Maximum	-0.4 (-0.3)	2.4 (2.2)	1.7 (1.3)	8.3 (5.0)	17.4 (12.4)	6.4 (4.6)	12.7 (9.4)	21.3 (16.6)	10.2 (8.6)						
Minimum	-4.8 (-6.3)	-0.7 (-2.7)	-0.3 (-1.3)	-5.6 (-13.0)	-1.5 (-3.7)	-1.4 (-2.3)	-0.8 (-8.5)	3.4 (1.3)	3.6 (2.6)						
Range	4.5 (6.0)	3.1 (5.0)	2.0 (2.6)	14.0 (18.0)	18.9 (16.1)	7.8 (6.8)	13.5 (17.9)	17.9 (15.4)	6.6 (6.0)						
Median	-1.7 (-2.5)	0.5 (0.0)	0.8 (0.3)	0.5 (-3.9)	2.3 (1.8)	1.1 (0.9)	4.2 (0.9)	6.7 (6.3)	5.4 (5.5)						
Mean	-1.9 (-3.0)	0.8 (0.1)	0.7 (0.2)	0.9 (-2.6)	3.0 (2.3)	1.6 (1.0)	5.3 (2.1)	7.6 (7.1)	6.0 (5.7)						

All Property forecasters

21 (24) contributors	Rental value growth (%)					Capital value growth (%)					Total return (%)				
	2021	2022	2021/25	2021	2022	2021/25	2021	2022	2021/25	2021	2022	2021/25	2021	2022	2021/25
Maximum	-0.3 (-0.3)	2.4 (2.2)	1.7 (1.3)	8.3 (5.0)	17.4 (12.4)	6.4 (4.6)	12.7 (9.4)	21.3 (16.6)	10.2 (8.6)						
Minimum	-4.8 (-6.3)	-0.7 (-2.7)	-0.3 (-1.3)	-6.5 (-13.0)	-1.5 (-3.7)	-1.4 (-2.3)	-1.8 (-8.5)	3.4 (1.3)	3.6 (2.6)						
Range	4.5 (6.0)	3.1 (5.0)	2.0 (2.6)	14.8 (18.0)	18.9 (16.1)	7.8 (6.8)	14.5 (17.9)	17.9 (15.4)	6.6 (6.0)						
Std. Dev.	1.2 (1.5)	0.8 (0.9)	0.5 (0.6)	3.2 (3.7)	3.6 (2.9)	1.5 (1.4)	3.2 (3.6)	3.5 (2.7)	1.3 (1.2)						
Median	-1.5 (-2.7)	0.9 (0.6)	0.9 (0.5)	-0.5 (-2.4)	1.5 (1.2)	1.1 (0.8)	4.0 (2.2)	6.2 (6.2)	5.7 (5.6)						
Mean	-1.7 (-2.7)	0.9 (0.4)	0.8 (0.4)	-0.1 (-2.5)	2.3 (1.8)	1.2 (0.8)	4.4 (2.1)	6.9 (6.6)	5.8 (5.6)						

Notes:

- 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.
- To qualify, forecasts must be generated within 12 weeks of the survey date (12 May 2021).
- Maximum: The strongest growth or return forecast in the survey under each heading.
- Minimum: The weakest growth or return forecast in the survey under each heading.
- Range: The difference between the maximum and minimum figures in the survey.
- 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.
- Mean: The arithmetic mean of all forecasts in the survey under each heading. All views carry equal weight.
- Standard deviation: A statistical measure of the spread of forecasts around the mean. Calculated at the 'All forecaster' level only.
- The sector figures are not analysed by contributor type; all figures are shown at the 'All forecaster' level.
- In the charts and tables, 'All Property' figures were derived from 21 forecasts for each performance measure over all periods. Full sector forecasts were received from 19 organisations (17 for full central London office forecasts).

Survey Results by Sector

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	1.7	4.8	6.6	3.0	11.0	19.7	8.6	7.7	15.0	23.3	13.3	11.2
Minimum	-8.7	-2.6	-0.7	-1.3	-14.8	-3.3	-0.3	-3.4	-9.7	2.0	3.6	1.8
Range	10.5	7.4	7.2	4.3	25.8	23.0	8.9	11.1	24.7	21.3	9.6	9.4
Median	-1.6	0.9	2.1	1.3	-2.7	1.4	2.7	1.0	1.0	5.4	6.8	5.2
Mean	-2.1	0.8	2.4	1.0	-2.3	2.5	3.0	1.3	1.3	6.6	7.2	5.3

Industrial

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	4.7	4.5	4.3	3.9	17.2	27.5	7.9	10.6	21.2	30.9	10.8	13.8
Minimum	2.0	1.1	1.5	1.7	2.0	-0.4	-1.7	0.7	6.2	4.1	2.1	5.4
Range	2.7	3.4	2.8	2.2	15.2	27.9	9.7	9.8	15.0	26.8	8.7	8.4
Median	3.0	3.1	2.8	2.7	7.9	3.7	2.5	3.2	12.0	7.9	6.4	7.3
Mean	3.0	3.0	2.8	2.7	8.4	5.2	2.4	3.6	12.7	9.2	6.4	7.6

Standard Retail

19 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	-3.3	0.0	1.0	0.2	-2.9	5.5	3.7	1.3	1.4	10.6	7.7	5.3
Minimum	-15.9	-6.2	-3.0	-3.8	-21.6	-7.4	-5.0	-5.4	-16.9	-2.4	0.9	-0.5
Range	12.6	6.2	4.0	4.0	18.8	12.9	8.7	6.8	18.3	13.1	6.8	5.8
Median	-7.5	-2.3	0.1	-1.7	-8.2	-0.9	0.7	-2.0	-4.1	3.3	4.9	2.9
Mean	-8.1	-2.3	-0.1	-1.9	-9.6	-1.4	-0.1	-2.0	-5.1	3.3	4.6	2.7

Shopping Centre

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	-7.5	-0.5	1.0	-1.2	-8.7	1.5	2.2	-1.3	-2.2	8.0	7.3	5.5
Minimum	-15.0	-7.8	-4.4	-5.3	-24.1	-10.5	-5.9	-8.3	-18.5	-3.6	1.0	-2.0
Range	7.5	7.4	5.4	4.1	15.4	12.0	8.1	7.0	16.3	11.6	6.4	7.5
Median	-9.4	-2.5	-0.3	-2.4	-14.8	-3.2	-0.9	-4.1	-8.6	3.0	5.5	2.2
Mean	-9.9	-2.9	-0.9	-2.8	-15.2	-3.7	-1.1	-4.1	-9.8	2.3	5.1	1.9

Retail Warehouse

19 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	-1.7	0.8	1.8	0.3	5.0	10.4	2.8	2.4	12.0	16.0	9.7	8.3
Minimum	-8.8	-2.4	-2.0	-2.7	-13.5	-7.6	-4.7	-4.8	-7.5	-1.1	2.3	2.0
Range	7.1	3.2	3.8	3.0	18.4	18.0	7.6	7.2	19.5	17.1	7.4	6.3
Median	-3.5	-1.0	0.2	-0.9	-0.3	0.4	0.6	0.2	6.0	7.1	7.0	6.3
Mean	-4.0	-0.9	0.1	-0.7	-2.5	0.4	0.1	-0.3	4.1	7.1	6.6	6.3

All Property

21 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	2.4	3.0	1.7	8.3	17.4	5.3	6.4	12.7	21.3	9.9	10.2
Minimum	-4.8	-0.7	0.7	-0.3	-6.5	-1.5	-0.1	-1.4	-1.8	3.4	4.5	3.6
Range	4.5	3.1	2.3	2.0	14.8	18.9	5.4	7.8	14.5	17.9	5.5	6.6
Std. Dev.	1.2	0.8	0.7	0.5	3.2	3.6	1.4	1.5	3.2	3.5	1.3	1.3
Median	-1.5	0.9	1.7	0.9	-0.5	1.5	1.8	1.1	4.0	6.2	6.2	5.7
Mean	-1.7	0.9	1.7	0.8	-0.1	2.3	1.9	1.2	4.4	6.9	6.4	5.8

† 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 (20)	-2.1	0.8	2.4	1.0	-2.3	2.5	3.0	1.3	1.3	6.6	7.2	5.3
Industrial (20)	3.0	3.0	2.8	2.7	8.4	5.2	2.4	3.6	12.7	9.2	6.4	7.6
Standard Retail (19)	-8.1	-2.3	-0.1	-1.9	-9.6	-1.4	-0.1	-2.0	-5.1	3.3	4.6	2.7
Shopping Centre (20)	-9.9	-2.9	-0.9	-2.8	-15.2	-3.7	-1.1	-4.1	-9.8	2.3	5.1	1.9
Retail Warehouse (19)	-4.0	-0.9	0.1	-0.7	-2.5	0.4	0.1	-0.3	4.1	7.1	6.6	6.3
All Property (21)	-1.7	0.9	1.7	0.8	-0.1	2.3	1.9	1.2	4.4	6.9	6.4	5.8

West End office

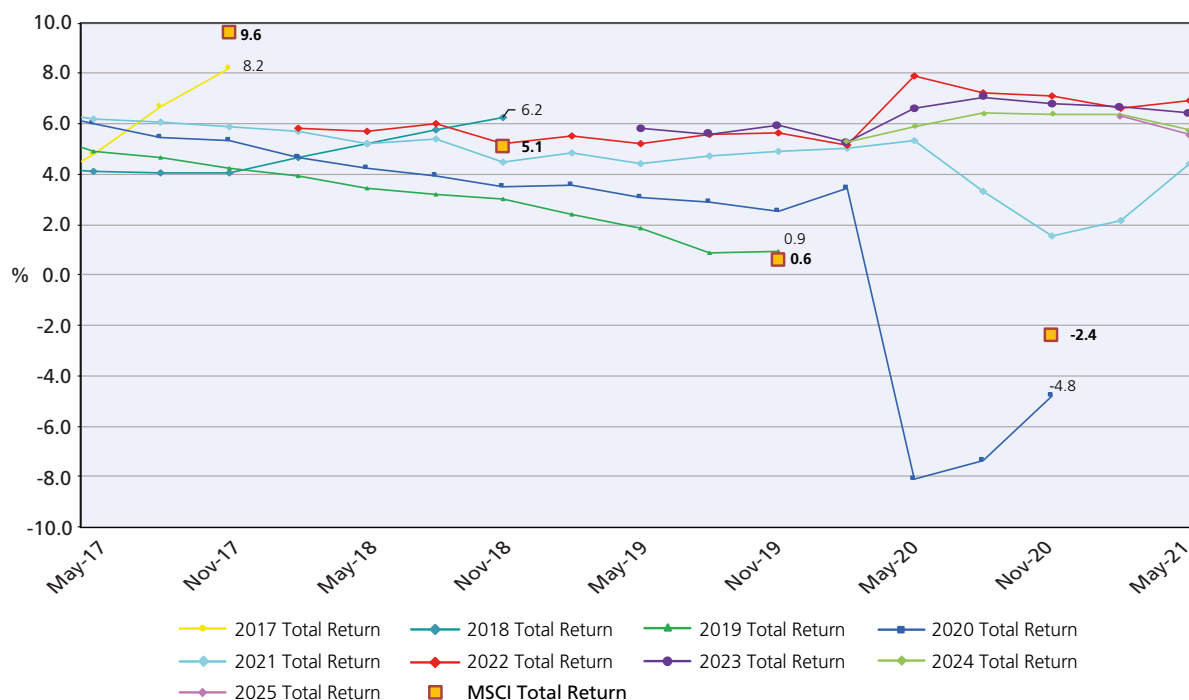
18 forecasts	Rental value growth [†] (%)				Capital value growth (%)				Total return (%)			
	2021	2022	2023	2021/25	2021	2022	2023	2021/25	2021	2022	2023	2021/25
Maximum	1.1	4.6	9.4	3.1	12.6	23.4	11.9	8.9	15.9	26.2	16.0	11.5
Minimum	-13.0	-4.0	-1.0	-2.3	-19.1	-4.5	1.0	-3.6	-14.2	0.5	4.2	1.2
Range	14.1	8.6	10.4	5.4	31.7	27.9	10.9	12.5	30.1	25.7	11.8	10.3
Median	-1.9	1.0	3.1	1.6	-2.8	1.7	3.6	1.7	0.6	5.2	7.4	5.4
Mean	-2.8	1.0	3.2	1.3	-2.6	2.8	4.1	1.7	0.8	6.4	7.7	5.2

City office

18 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	0.8	9.1	9.0	2.9	12.3	25.5	11.1	7.9	15.9	28.6	15.6	10.9
Minimum	-12.0	-4.0	-1.0	-2.2	-18.3	-4.5	0.1	-3.7	-14.2	-0.3	4.0	0.3
Range	12.8	13.1	10.0	5.1	30.6	30.1	10.9	11.6	30.1	29.0	11.6	10.6
Median	-2.3	0.5	2.4	1.1	-2.6	1.3	2.7	1.0	1.3	5.3	6.8	5.0
Mean	-3.1	0.9	2.9	1.0	-3.5	2.5	3.4	1.1	0.2	6.5	7.3	4.9

[†] One contributor only provided rental growth forecasts.

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



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Note

Consensus forecasts further the objective of the IPF to enhance the efficiency of the real estate investment market. The IPF is extremely grateful for the continuing support of contributors, some of whom are noted above. This publication is only possible thanks to the provision of these individual forecasts.

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

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