

IPF UK CONSENSUS FORECASTS – SPRING 2018

Based on contributions from 26 leading property consultants and fund/investment managers, this report documents expectations formulated between mid-February and mid-May 2018.

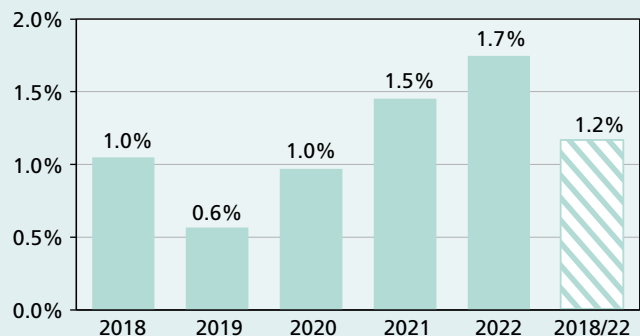
Whilst the outlook for 2018 improved over the quarter, 2019 forecasts have continued to weaken, in common with most performance measures in remaining years of the survey period.

Rental value growth

A further improvement in the outlook for 2018 has resulted in a 26bps rise in the average forecast, from February's 0.8%.

Projected growth rates in each of the remaining years have declined by between 26bps (2020) and 8bps (2022). The low-point of 2019, has been reinforced by a fall of almost 20bps to the average projection.

Despite the softening in later forecasts, the more optimistic 2018 figures have resulted in the five-year average remaining virtually unchanged (the 0.1% increase being due to rounding).

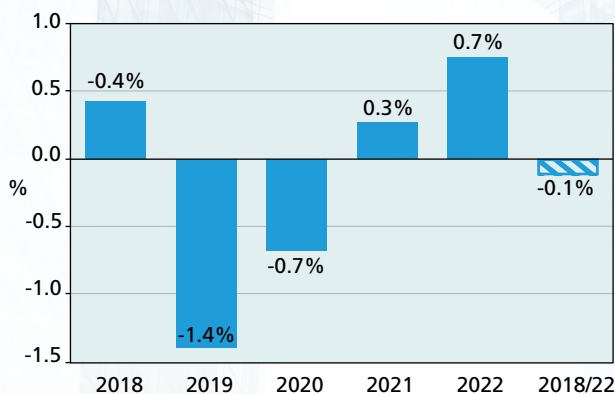


Capital value growth

Against February's expectation, the 2018 All Property average has returned to positive territory, (previously -0.2%), although this disguises a considerable variation in opinion among contributors.

Confidence has eroded further for the next two years, however, with averages falling by over 40bps for 2019 and almost 30bps for 2020. The return to positive growth in 2021 is also weaker, continuing the quarter-on-quarter decline over the two years since forecasts commenced.

Despite the poor outlook, the five-year rolling average has stabilised at -0.1%, buoyed by the improved outlook for 2018 growth rate.

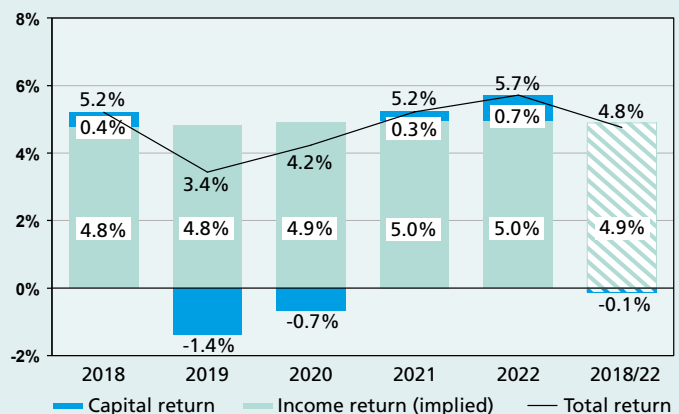


Total returns

Consistent with improving rental and capital value growth prospects for the current year, the 2018 All Property total return forecast has increased by more than 55bps over the quarter (previously 4.6%).

Subsequent averages have weakened though, with the 2019 negative capital value projection significantly reducing the forecast for that year (by over 50bps), representing a seventh successive quarter of decline in this measure.

The pattern of recovery from 2019's low point is similar to previous forecasts but more muted than earlier surveys. The better 2018 growth rates and relatively static income returns result in an unchanged five-year average of 4.8% per annum.



Summary Average by Sector

	Rental value growth (%)				Capital value growth (%)				Total return (%)			
	2018	2019	2020	2018/22	2018	2019	2020	2018/22	2018	2019	2020	2018/22
Office	-0.1	-0.5	0.8	0.9	-0.8	-2.7	-0.9	-0.6	3.3	1.6	3.4	3.8
Industrial	3.6	2.4	2.0	2.4	5.4	1.0	-0.1	1.3	10.2	5.8	4.8	6.3
Standard Retail	0.6	0.5	0.8	1.0	-0.3	-1.2	-0.8	-0.2	4.2	3.2	3.7	4.3
Shopping Centre	0.1	-0.1	0.4	0.4	-3.0	-2.9	-1.6	-1.5	1.9	2.0	3.5	3.6
Retail Warehouse	0.3	0.3	0.7	0.7	-1.0	-1.7	-0.8	-0.6	4.6	4.0	5.0	5.2
All Property	1.0	0.6	1.0	1.2	0.4	-1.4	-0.7	-0.1	5.2	3.4	4.2	4.8
West End office	-0.7	-0.8	0.8	1.0	-2.1	-3.0	-0.6	-0.5	1.3	0.6	3.1	3.2
City office	-1.3	-1.6	0.7	0.5	-2.5	-3.4	-0.6	-0.8	1.3	0.5	3.5	3.3

Key Points

Current year

The overall outlook for 2018 has improved again over the quarter;

- At the All Property level, the rental value growth average forecast has risen to 1.0% (from 0.8% three months ago), although retail markets on average have contracted slightly since February's survey;
- The average capital value growth rate has turned positive, rising to 0.4% (from -0.2% in November); the Industrial growth rate rose quarter-on-quarter by over 140 bps, to 5.4% (from 4.0%);
- Although the implied income return is virtually unchanged, at 4.8%, improved sentiment for Industrials and Offices has resulted in an All Property 2018 average total return projection of 5.2% for the year, previously 4.6%.

2019

- The outlook for next year continues to weaken, however. With the exception of Industrial rental and capital value growth, averages across all measures are lower than three months ago;

- The All Property averages for value growth now lie at 0.6% and -1.4%, rental and capital (from 0.8% and -1.0%);
- The average total return forecast has declined to 3.4% from 3.9%.

Beyond 2019

- On average, rental growth in all sectors is expected to remain weakly positive throughout the five years of the forecast period, although above-zero average capital value growth is not anticipated until 2021 (or 2022 in the case of Shopping Centres), when All Property may deliver a 0.3% rise in values on average;
- The total return projection may recover to around 5.2% in that year, rising to 5.7% by 2022.

Five-year averages

2018/2022 All Property rolling five-year average forecast (previous quarter in brackets):

- Rental value growth: 1.2% per annum (1.1%)
- Capital value growth: -0.1% per annum (-0.1%)
- Total return: 4.8% per annum (4.8%)

Click [here](#) to download the full report from the IPF website.

Acknowledgement

The IPF thanks all those organisations contributing to the Spring 2018 Consensus Forecasts, including:

Aberdeen Standard Investments	CBRE Global Investors	JLL	LGIM Real Assets
Aviva Investors	Colliers International	Keills	M&G Real Estate
AXA IM Real Assets	Cushman & Wakefield	Knight Frank	Real Estate Forecasting Limited
BMO Real Estate Partners	DWS (formerly Deutsche Asset Management)	Knight Frank Investment Management	Real Estate Strategies
BNP Paribas Real Estate	Fletcher King	LaSalle Investment Management	Savills Investment Management
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