IPF Research

Investment Property Forum
UK Consensus Forecasts

Summer 2019

COMMISSIONED BY THE IPF RESEARCH PROGRAMME

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

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

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

The Investment Property Forum Consensus Forecasts Summer 2019 Survey of Independent Forecasts for UK Commercial Property Investment – August 2019

A significant weakening in capital growth expectations in retail markets for the current year has driven a fall in the overall performance projection for 2019, whilst uncertainty over the conclusion of Brexit negotiations continues to cast a shadow over the economic outlook more generally.

26 organisations contributed data for the third survey of 2019, comprising forecasts dating from early June to mid-August and included an additional forecast, based on the UK falling out of the EU on 31 October without a deal. Of remaining contributors, the majority confirmed an orderly Brexit presumption, although in some instances, felt there might be little difference, with potentially some near-term weakness followed by a fairly prompt recovery.

Key results this quarter include:

Poorer outlook for capital value growth weakens 2019 performance prospects

- The **All Property rental growth** forecast for the current year was unchanged over the quarter, to **-0.2%**, notwithstanding higher Office rental growth expectations (to 0.7% from -0.4% previously), which were negated by further falls in retail forecasts, of between 28 and 80 bps for Standard Retail and Shopping Centres, now lying at -3.1% and -4.7% for the year (Retail Warehouses having fallen by 72 bps to -3.8%).
- Substantial reductions in retail capital growth forecasts over the quarter, averaging over 190 bps in the three sub-markets, contributed to the majority of the decline in the **All Property capital growth** forecast to **-3.6%** (from -2.8% in May) – the Industrial market not being immune to some weakening sentiment, as the average forecast dropped by 55 bps to 2.1%.
- The resultant **All Property total return** fell to **0.9%**, from 1.8% a quarter ago.

Mixed 2020 outlook

- Further weakening in retail rental growth drove the **All Property rental growth** forecast down to **-0.1%**.
- Additional falls in average **capital value growth** rates over the quarter were confined to Shopping Centres and Retail Warehouses (to -7.2% and -5.7%), which brought about declines to the **All Property** averages for **capital value growth** and **total returns**, which are now **-1.8%** and **2.9%** respectively (from -1.7% and 3.1% in May).

Potential for improved recovery in later years

- Retail average rental growth forecasts from 2021 onwards weakened over the quarter. The impact of lower 2021 retail **rental value growth** forecasts on the market as a whole (ranging between –1.8% for Shopping Centres and -0.9% for Standard Retail), were countered by a 20 bps uplift in the Office average, to maintain the **All Property average** at **0.6%**.
- 2021 all sector **capital growth rates** improved for all sectors other than Shopping Centres and Retails Warehouses over the quarter, ranging from -3.7% (Shopping Centres) to 1.5% (Industrials), which resulted in an **All Property average** of **-0.2%** (over 30bps higher than in February). The 2021 **average total return** now stands at **4.7%** (4.4% in May).
- With the exception of Offices in both 2022 and 2023, all sector rental growth is expected to weaken in these years, although the **All Property averages** of **0.6%** and **1.0%**, are relatively unchanged (from 0.6% and 1.1% previously). Capital growth prospects for Offices and Industrials have risen in both of these later years, however, the effects of which have been to increase the **All Property capital value** averages to **0.6%** and **0.9%**. (from 0.3% and 0.6% three months ago). As a consequence, the **2022 All Property total return** now lies at **5.6%** (from 5.2%) and the **2023 return** has risen to **5.9%** (5.6% previously).

Five-year averages broadly unaltered

- A combination of weaker near-term performance counter-balanced by improving prospects in later years have resulted in a modest decline of only 7 bps in the five-year **All Property average rental growth** rate of **0.5% per annum** (from 0.6% in May).
- At **-0.8% per annum**, the **All Property capital value growth** rate is unchanged over the quarter.
- The **implied income return** has held at **4.8%** and the **All Property total return** average remains **4.0% per annum**.

Summary Results

Summary Average by Sector

	Rental value growth (%)				Capital value growth (%)				Total return (%)			
	2019	2020	2021	2019/23	2019	2020	2021	2019/23	2019	2020	2021	2019/23
Office	0.7	0.6	1.3	1.3	-1.1	-1.1	0.5	0.2	2.9	3.1	4.9	4.6
Industrial	3.0	2.0	1.7	2.0	2.1	1.1	1.5	1.5	6.6	5.7	6.1	6.1
Standard Retail	-3.1	-2.1	-0.9	-1.2	-8.1	-4.4	-1.4	-2.7	-3.9	0.1	3.3	1.9
Shopping Centre	-4.7	-3.3	-1.8	-2.3	-13.8	-7.2	-3.7	-5.7	-8.8	-1.5	2.3	0.0
Retail Warehouse	-3.8	-2.5	-1.0	-1.5	-10.8	-5.7	-1.9	-3.9	-5.2	0.5	4.6	2.4
All Property	**-0.2**	**-0.1**	**0.6**	**0.5**	**-3.6**	**-1.8**	**-0.2**	**-0.8**	**0.9**	**2.9**	**4.7**	**4.0**
West End office	0.8	0.5	1.6	1.6	-1.2	-0.9	0.9	0.6	2.2	2.6	4.6	4.3
City office	0.5	0.1	1.6	1.4	-2.0	-1.3	1.2	0.4	1.8	2.7	5.3	4.5
Office (all)	0.7	0.6	1.3	1.3	-1.1	-1.1	0.5	0.2	2.9	3.1	4.9	4.6

All Property Average by Forecast Month

	Rental value growth (%)				Capital value growth (%)				Total return (%)			
Month of forecast (no. contributors)	2019	2020	2021	2019/23	2019	2020	2021	2019/23	2019	2020	2021	2019/23
June (5)	-0.2	0.4	0.9	0.7	-3.1	-0.4	0.7	-0.4	1.4	4.3	5.5	4.4
July (5)	-0.1	0.3	0.6	0.7	-4.3	-3.1	-1.0	-1.1	0.3	1.7	4.0	3.8
August (17)	-0.3	-0.3	0.5	0.4	-3.6	-1.9	-0.2	-0.9	0.9	2.9	4.7	3.9
All Forecasters (27)	**-0.2**	**-0.1**	**0.6**	**0.5**	**-3.6**	**-1.8**	**-0.2**	**-0.8**	**0.9**	**2.9**	**4.7**	**4.0**

Survey contributors

26 organisations contributed to this quarter's forecasts, comprising 13 Property Advisors and Research Consultancies, 10 Fund Managers (of whom one provided two separate forecasts, one based on an orderly Brexit and a second on a no-deal Brexit on 31 October) and three Others*. Full All Property forecasts for all periods were received from 24 contributors.

Full sector forecasts were received from 23 contributors, including full West End and City sub-office sector forecasts. All forecasts were generated within 12 weeks of the survey date (14 August 2019). Named contributors appear on the final page of this report.

*Note: A minimum of five forecasts are required in order to be analysed on a separate basis. Data from Other contributors is included at the All Forecaster level of reportage.

Notes

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

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

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

Economic background

The latest ONS release[1] reported UK economic growth contracted by 0.2% in Quarter 2 2019 (April to June) due to falls of 1.4% and 1.3% in production and construction output, with services the only positive contributor, albeit at a subdued 0.1%. This is the first time GDP has contracted in the second quarter since 2012, following growth in the first quarter of 0.5%. A fall in imports, following a sharp rise in the first quarter, ahead of the UK's original EU departure date, caused the trade deficit to narrowed markedly, however.

The latest public sector finance figures[2], show net borrowing (excluding public sector banks) in July was in surplus by £1.3 billion, a £2.2 billion smaller surplus than in July 2018, which remains the highest July surplus since 2000. Whilst borrowing in the current financial year-to-date was £16.0 billion (£6 billion more than for the same period last year), borrowing of £23.6 billion in the latest full financial year (to March 2019) was £18.2 billion less than in the previous financial year and the lowest financial year borrowing for 17 years, although £0.8 billion more than forecast by the Office for Budget Responsibility. Public sector debt at the end of July 2019 excluding the Bank of England borrowing (mainly quantitative easing) was £1,625.9 billion (or 74.1% of GDP); an increase of £42.0 billion (or a decrease of 0.5% of GDP) on July 2018.

At its latest meeting, ending 31 July, the Bank of England's Monetary Policy Committee again voted unanimously to maintain the Bank Rate at 0.75%, as well as to maintain the stock of sterling non-financial investment-grade corporate bond purchases at £10 billion and stock of UK government bond purchases, at £435 billion, both financed by the issuance of central bank reserves. In its latest Inflation Report[3], the Bank announced inflation is back on target at 2% having, for most of the past two years, been above this rate, mainly due to the fall in the pound following the 2016 Brexit vote, although most of the rise in prices due to this have now taken place. The expectation is for inflation to dip below target later in the year, partly because of lower gas and electricity prices, although this fall is not expected to persist.

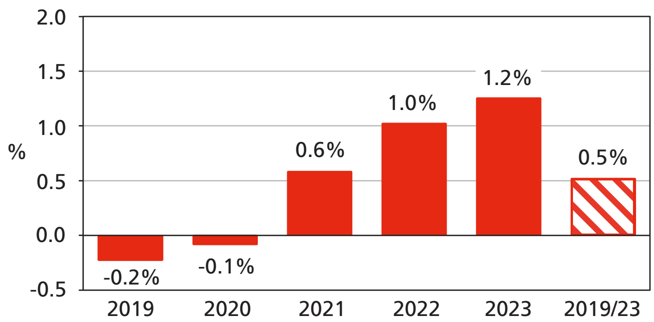
The Consumer Prices Index, including owner occupiers' housing costs (CPIH), 12-month inflation rate was 2.0% in July 2019, from 1.9% in June 2019[4]. The large upward contributions to the change were from games, toys and hobbies, and accommodation services, clothing and footwear, and other financial services. These were offset by downward changes to the cost of transport services and, to a lesser extent, from domestic fuels, principally electricity and gas.

For the period April to June 2019, the latest ONS estimate[5] reported a UK employment rate of 76.1% (or 32.81 million people aged 16 years and over in employment), this is a record high and 425,000 more than for a year earlier, as well as the joint-highest on record since comparable accounts began in 1971. With an unemployment rate of 3.9% (representing c. 1.33 million people) or 33,000 fewer than a year ago, when the rate was 4.0%, and 732,000 fewer than five years earlier. Economic inactivity for those aged from 16 to 64 years who are not in work or actively seeking employment was estimated to be 20.7%, also a joint-record low. Estimated annual growth in average weekly earnings[6] for employees in Great Britain increased to 3.7% for total pay (including bonuses) and 3.9% for regular pay (excluding bonuses), or increases of 1.8% and 1.9% respectively in real terms.

In the period May to July 2019, the estimate[7] of retail sales increased by 0.5% compared to the previous three months. Non-store retailing continued to show strong growth of 6.9%. Department stores' growth increased for the first time this year with a month-on-month rise of 1.6%, following six consecutive months of decline. Year-on-year growth in the quantity bought increased by 3.3% in July, with food stores being the only main sector reporting a fall (by -0.5%). 19.9% of total retailing was accounted for by online retailing in July 2019, compared to 18.9% in June, with overall growth of 12.7% when compared to July 2018.

[1] ONS: GDP monthly estimate, UK: June 2019. Release date: 9 August 2019
[2] ONS: Public sector finances, UK: July 2019. Released: 21 August 2019
[3] Bank of England Inflation Report, published 1 August 2019
[4] ONS Consumer price inflation, UK: July 2019. Release date: 14 August 2019
[5] ONS: Labour market overview, UK: August 2019. Release date: 13 August 2019
[6] ONS: Average weekly earnings in Great Britain: August 2019. Release date: 13 August 2019
[7] ONS: Retail sales, Great Britain: July 2019. Release date: 15 August 2019

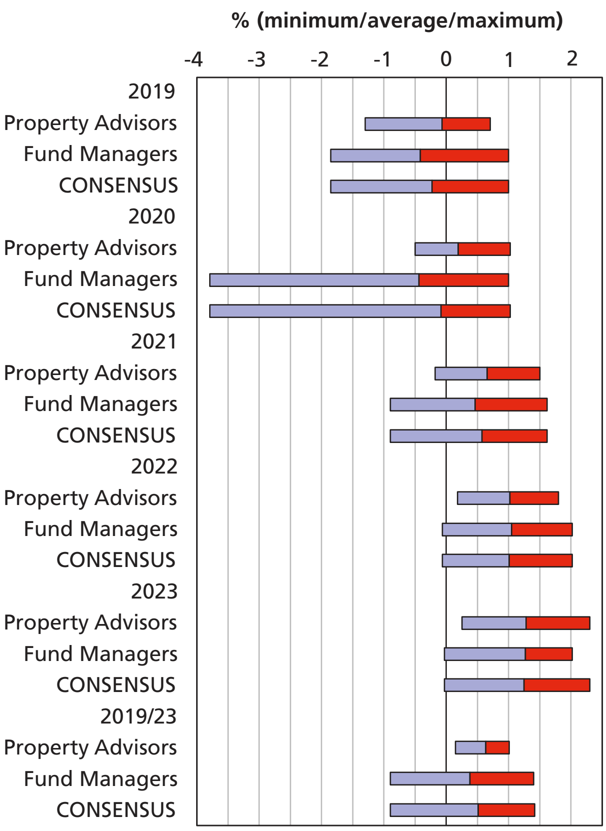
All Property rental value growth forecasts



Whilst the 2019 and 2021 annual growth forecasts were static over the quarter, average projections for remaining years fell marginally – by between 5 and 14 bps. Zero or negative growth in the current year was recorded in 16 forecasts, compared to 11 in 2020. By 2022, only one contributor expects marginally negative All Property growth of -0.1%, compared to a maximum estimate of 2.0%. Mean and median forecast values are almost identical for each of the years surveyed.

Although the five-year average weakened over the quarter by fewer than 10 bps, four participants predict negative averages, the lowest being -0.9% pa, compared to a maximum of 1.4% pa.

Rental value growth forecasts by contributor



N.B. Three ‘Other’ contributor returned data in addition to 23 Property Advisors and Fund Managers.

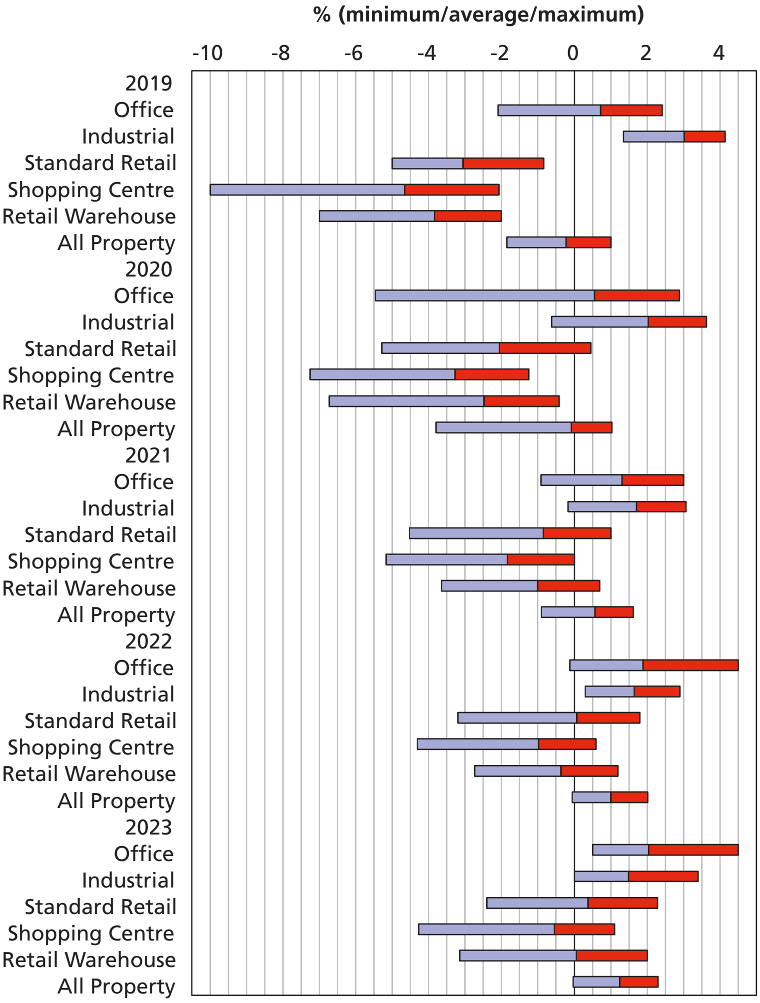
Fund Manager sentiment for 2019 growth is substantially weaker than the overall view of Property Advisors – the former lying between -1.9% and 1.0%, to average -0.4%, as compared to -1.3% and 0.7% (average -0.1%) for the latter. Forecast ranges have increased due to the inclusion of a ‘no deal’ Brexit scenario-based forecast. Although of minimal impact to average rental growth in the current year, the 2020 equivalent is some 14 bps lower when included, and demonstrates a substantial divergence from the lowest Advisor forecast of -0.5% for that year.

Across remaining periods, there is far closer accord between the two sets of contributors, both in terms of ranges and averages, and, by 2021, the adverse impact on rental growth expected from a disorderly UK exit from the EU has been dissipated.

In both 2021 and 2022, the uppermost Fund Manager forecasts marginally exceed those of Property Advisors, by over 10 and 20 bps, although producing a slightly lower average in 2021. In 2023, mean forecasts from the two groups coincide, at 1.3%, although the All Forecaster average is slightly lower.

The annualised five-year average projection is 0.7% for Advisors and 0.4% for Managers, compared to 0.6% for both in May.

Sector rental value growth annual forecasts



With the exception of Industrials forecast in 2019, 2022 and 2023 and Offices in 2023, all sectors attracted sub-zero forecasts throughout the survey period. Averages fell in the majority of instances over the quarter, with only Industrials in 2019 and Offices improving slightly or holding steady in each year. By 2022, the Office growth rate is expected to exceed that of Industrials (at 1.9% versus 1.6%), as the latter is expected to weaken, from 3.0% in the current year to 1.5% in 2023.

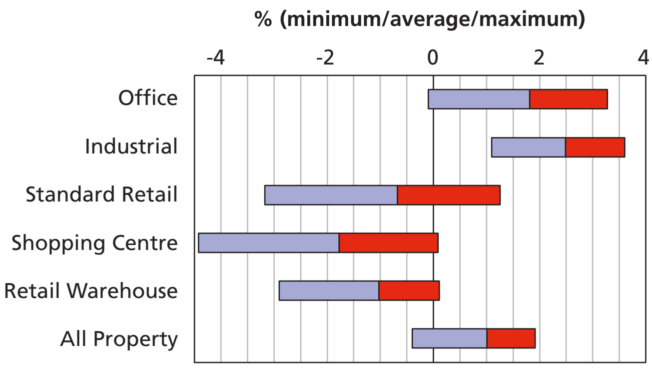
Again, contributors have marked down retail rental growth; each of the three sub-market average forecasts declined over the quarter. Shopping Centre fared worst, falling by 80bps in the current year, producing average negative rental growth of -4.7% in 2019 (from -3.9% in May). This is projected to rise gradually, to -0.5% by 2023, and is the only sector to register negative average growth throughout the forecast period. In terms of individual projections, minimum expectations are not derived solely from one contributor or group, with one Property Advisor viewing the prospects for out-of-town retail very poorly.

Whilst retail tends to attract wide ranges of forecasts, the 2020 Office projections offer the greatest spread, lying between -5.5% and 2.9. Across all sectors, diversity of opinion is at its highest in 2019 and 2020, with All Property attracting the closest accord between forecasters in later years.

Sector rental value growth five-year average forecasts

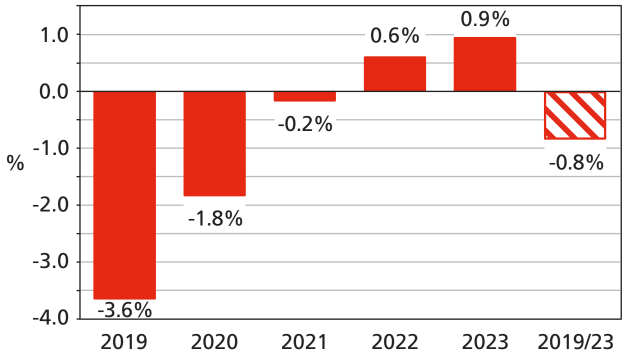
With the exception of the Office five-year average growth rate (up 16 bps), remaining sectors weakened over the quarter – recording falls of between 7 bps to over 60 bps. Averages now lie between 2.0% pa for Industrials and -2.3% pa for Shopping Centres.

Only Industrials and Offices (at 1.3% pa) are expected to outperform the All Property average of 0.5%, as forecasts for the three the retail sub-markets have continued to weaken (by 39 and 53 bps respectively for Standard Retail and Retail Warehouses).



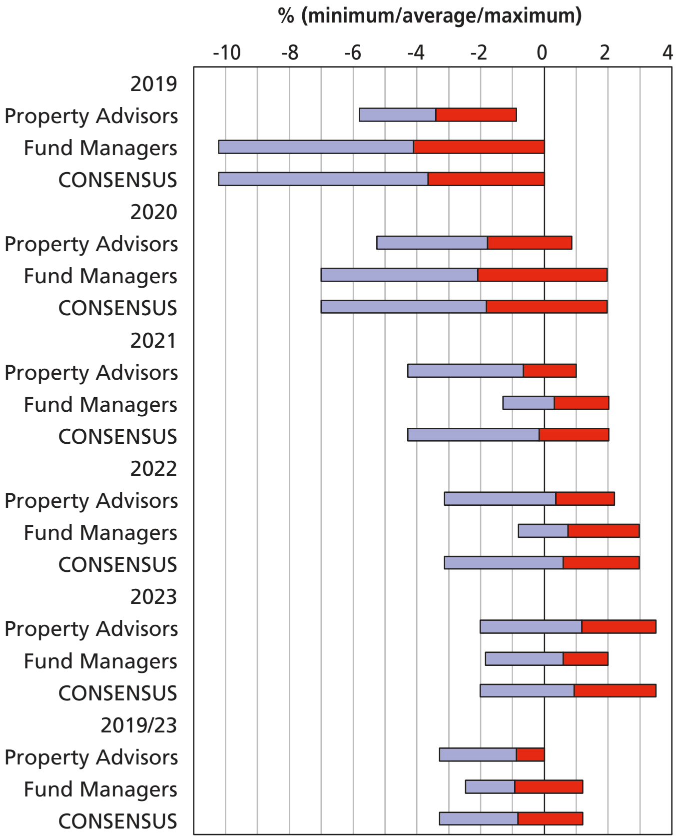
All Property average capital value growth forecasts

The average for 2019 declined substantially over the quarter (down 86 bps from -2.8% in May), with all but one contributor forecasting negative capital value growth for the current year, and the 2020 forecast also weakened slightly (from -1.7%). However, averages in remaining years improved (previously -0.5%, 0.3% and 0.6% respectively from 2021 to 2023).



Improvements in average forecasts over later years have cancelled out the impact of increased falls in 2019 and 2020 on the five-year projection, which remains -0.8% pa.

Capital value growth forecasts by contributor



N.B. Three 'Other' contributors returned data in addition to 23 Property Advisors and Fund Managers.

Over the quarter, Property Advisors and Fund Managers minimum, average and maximum 2019 and 2020 forecasts continued to fall; the current year's decline in sentiment is particularly notable, with averages of -3.4% and -4.1% respectively (from -2.5% and -3.4% in May).

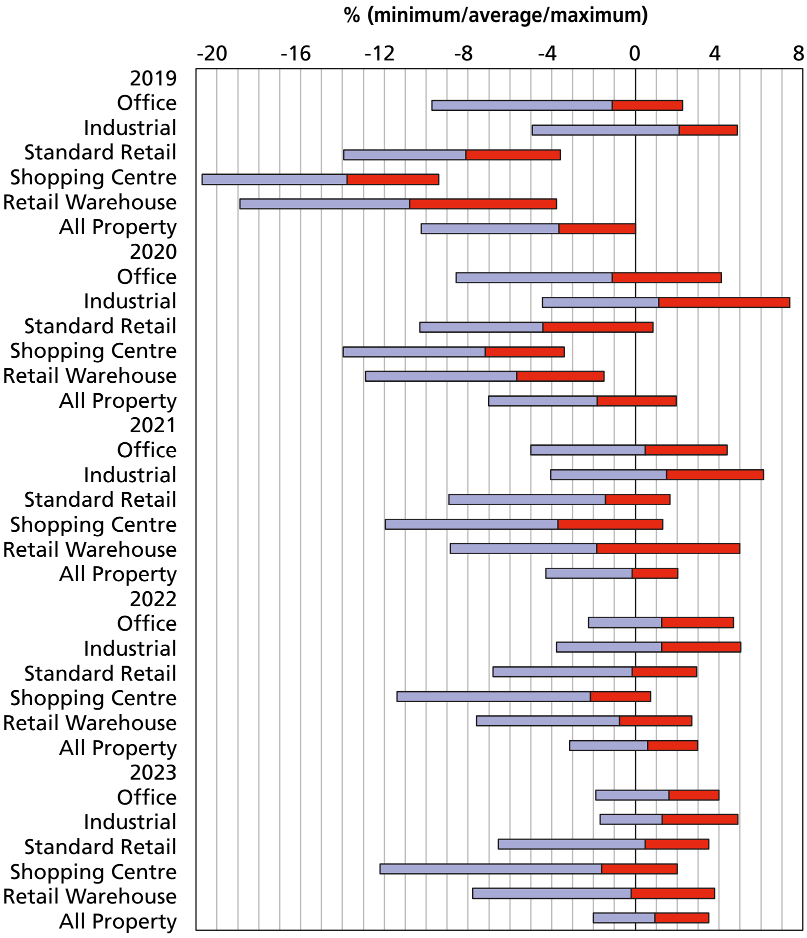
The upswing in Fund Manager expectations is more rapid than those of Property Advisors in the middle of the forecast period, with averages of 0.3% by 2021 and 0.7% in 2022, compared to -0.7% and 0.3% for Advisors in those years.

Although only five contributors expect a return to positive growth in 2020, this number rises to a majority (17) in 2021 and to 21 in 2022 and 2023, with Consensus averages of 0.6% and 0.9%.

Fund Manager forecast spreads for 2019 and 2020 widened significantly over the quarter (with the no deal-based scenario representing 340 bps of the 10.2% range in 2019). A much closer accord emerges in 2022 for this group (spanning 3.8% that year, compared to 5.3% for Property Advisors), and this trend continues in 2023 and for the five-year average.

A 30 bps improvement in the Fund Manager five-year average (from -1.2% pa), supported by Other forecasts, counters a weaker Property Advisor average (-0.9% pa from -0.7% pa) to deliver an unchanged All forecaster average.

Sector capital value growth annual forecasts



With the exception of Standard Retail, minimum forecasts for the current year fell over the quarter, by between 350 bps for Offices to 194 bps for Shopping Centres. Despite this, the Office average forecast rose 60 bps, as the maximum forecast improved to 2.2%, from 0.6% last quarter. Remaining averages for 2019 fell by between 307 bps for Shopping Centres to 55 bps for Industrials.

With the exception of Industrials in 2022 (at 1.3%, from 1.5% in the preceding year), individual sector forecasts have strengthened year-on-year, although rates of recovery in average retail growth rates are broadly slower than forecast three months ago, the exceptions being Standard Retail in 2020 and Retail Warehouses in 2021.

Shopping Centres continue to attract both the weakest average projections, with 21 of 25 forecasts recording double-digit negative growth in 2019 (the lowest from a Property Advisor).

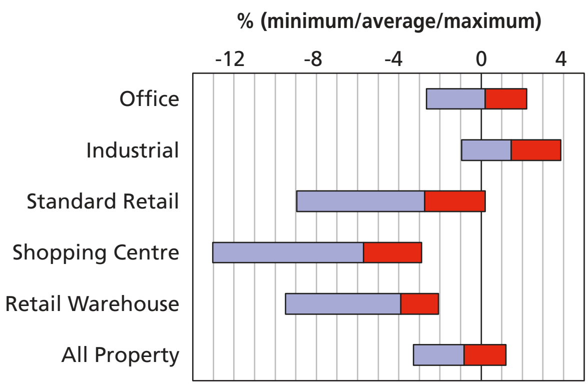
Industrials remains the only sector likely to deliver positive average growth in each of five forecast years, with projections strengthen from 2020 onwards. Conversely, Shopping Centres averages remain below zero throughout this period.

Notwithstanding the high level of discounting in growth expectations in the near-term for retail markets, Offices attract the greatest forecast ranges, extending to 12.0% and 12.7% in 2019 and 2020, these being exceeded only by Retail Warehouses in 2021, at 13.9%, and Shopping Centres in 2023 (14.2%).

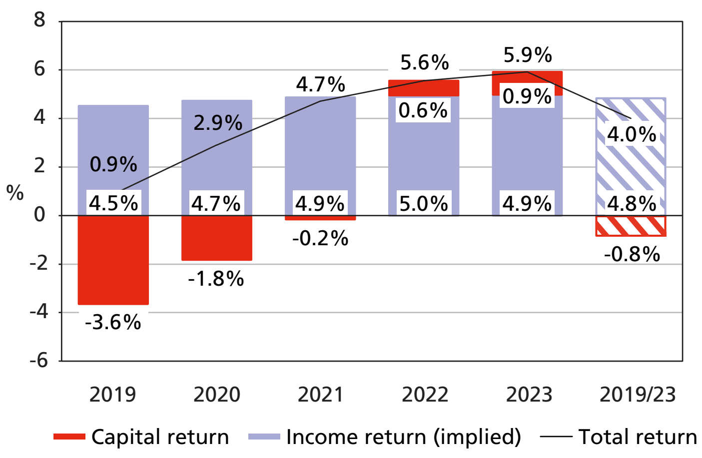
Sector capital value growth five-year average forecasts

Industrials, at 1.5% pa (up 45bps over the quarter) and Offices, rising 52 bps to 0.2% pa, remain the two sectors expected to exceed the All Property average of -0.8% pa. Annualised growth rates for the three retail sub-markets lie between -2.7% for Standard Retail (from -2.5%) and -5.7% for Shopping Centres (-4.6%), Retail Warehouses being –3.9% (from -3.2%).

Over the quarter, five-year forecast ranges widened by between 132 bps for Retail Warehouses to over 145 bps for both Shopping Centres and Standard Retail. Conversely, the array of Office forecasts reduced by some 70 bps to 4.9% currently.



All Property total return forecasts



The substantial fall in the 2019 average (of 95 bps) was driven by the weaker capital growth forecast for the year but later years' projections indicate an improving outlook, with the 2020 average down only 16 bps from 3.1% in May. (Interesting, whilst omitting the 'no deal' Brexit outlying forecast would increase the 2019 average to 1.2%, this is still some 67 bps lower than the May average forecast of 1.8%.)

Rises of over 30 bps in each of the remaining three years are insufficient to offset the impact of the lower 2019 mean on the five-year average, which remains at 4.0% pa.

The implied income return for 2019 has softened slightly (falling 9 bps from 4.6% in May), with other years broadly unaltered, the 2022 increase being as a result of rounding.

Contributors All Property total return forecasts

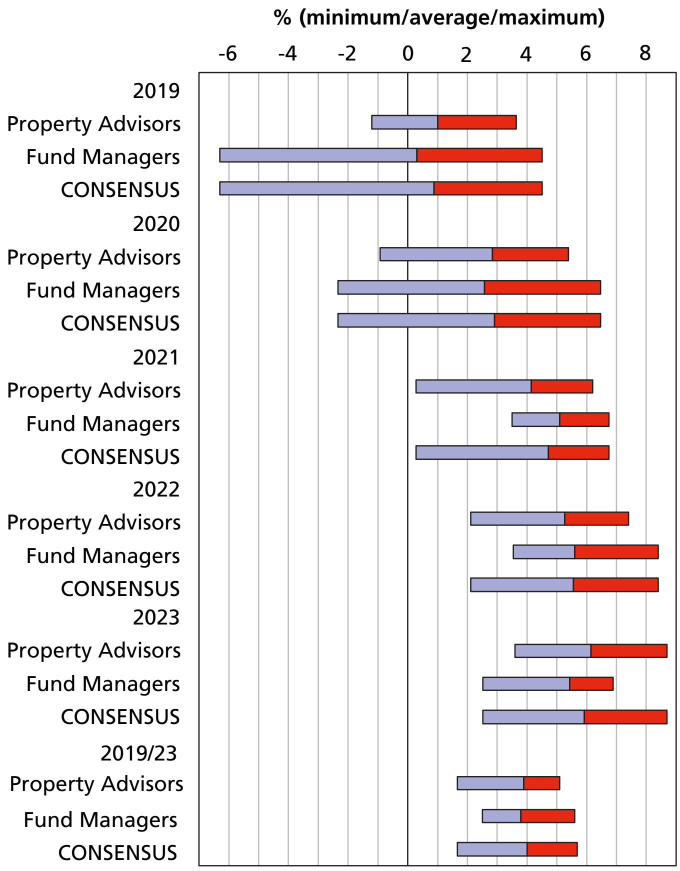
Six sub-zero total return forecasts were received for 2019, split evenly between Property Advisors and Fund Managers. Whilst averages fell 100 bps and 83 bps respectively over the quarter (from 2.0% and 1.1%), the range of Property Advisor forecasts reduced from 5.8% to 4.8% but increased by 4.0% to 10.8% for Fund Managers (which would have been unaltered but for the inclusion of the 'no- deal' Brexit forecast).

Current forecast ranges contract over remaining years, with Fund Managers showing the closest alignment of views in 2022 and over the five-year average (recording spans of 3.3% and 3.1% respectively).

From 2023, average expectations for both groups have improved compared to last quarter, peaking at 5.6% for Fund Managers in 2022 and 6.2% for Property Advisors in 2023.

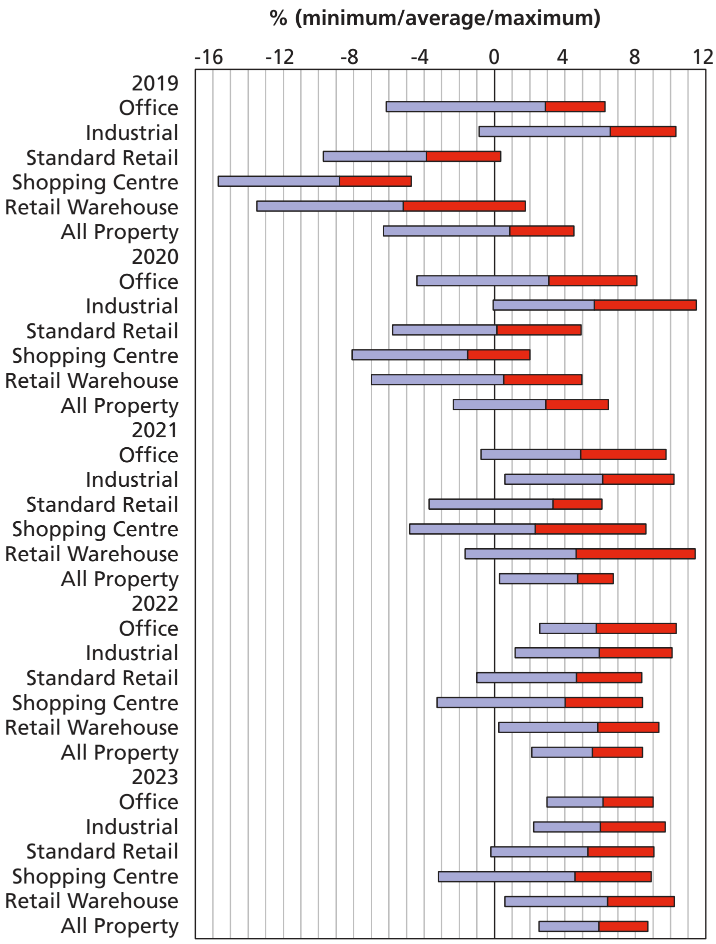
On average, Property Advisors are the more optimistic group in three of the five years surveyed, with Fund Manager averages higher in 2021 and 2022, reflecting increases of over 80 bps compared to May.

For the five-year annualised returns, the Property Advisor average declined by 17 bps (to 3.9% pa), whilst the Fund Manager average rose 27 bps (3.5% pa previously).



N.B. Three 'Other' contributors returned data in addition to 23 Property Advisors and Fund Managers.

Sector total return annual forecasts



With the exception of Offices, all sector return forecasts for 2019 weakened over the quarter – from a 67 bps fall for Industrials to over 300 bps for Shopping Centres. In the case of the latter, all 25 returns received were negative (lying between -15.7% and -4.7%) and included 10 in double-digits. All but one Standard Retail and Retail Warehouse forecasts were also negative, ranging between -9.7% to 0.4% for the former and -13.5% and 1.8% for the latter. (Note: in only one of the three retail sub-markets was the lowest projection provided under the 'no deal' Brexit scenario.)

Expectations for Industrials to outperform other sectors in most survey years was maintained; Offices and Retail Warehouses are predicted to overtake it in 2023 (at 6.2% and 6.4% versus 6.0%). Only in 2020 is the Industrial return likely to fall below 6.0%.

On average, all sectors are anticipated to provide positive returns by 2021 – ranging between 2.3% for Shopping Centres to 6.1% for industrials.

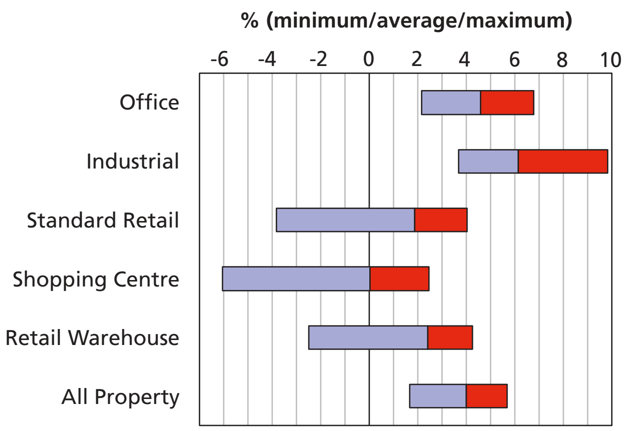
The overall trend is one of year-on-year improvement throughout the survey period. Stronger capital growth in Offices and Industrials in 2021 and 2022 and some weakening in later Retail Warehouse forecasts have resulted in the recovery of the latter to appear more muted than reported in May.

In 2019 and 2020, sector forecast ranges exceed 10.0% (up to 15.3% in the case of 2019 Retail Warehouse projections), whilst Shopping Centre ranges extend to double-digits in all five years.

Sector total return five-year forecasts

The Office and Industrial sector five-year average forecasts continue to outperform the static 4.0% pa All Property average, being some 52 and 46 bps higher than last quarter, at 4.6% pa and 6.1% pa respectively (from 4.1% and 5.7%).

The annualised five-year retail averages weakened by 18, 95 and 61 bps for Standard Retail, Shopping Centres and Retail Warehouse in turn, to 1.9%, 0.0% and 2.4%, with overall forecast ranges shifting downwards for each of these markets.



Central London offices

Q2 2019 saw an increase in leasing activity in the Central London office market, with reports of take up ranging between a little under 2.8 million sqft.[8] and 3.1 million sqft.[9], or a 25% to 27% increase on Q1 volumes. A lack of supply impacted investment activity, but estimates of transaction volumes of between £4.5 and £5.1 billion for H1 2019 indicate the resilience of these markets despite the political and economic uncertainty wrought by the UK's exit from the EU.

Rental value growth

Despite a number of negative forecasts, rental growth projections in the current year continued to improve over the quarter, rising 56 and 23 bps to 0.8% and 0.5% for West End and City respectively. This compares to a rise in the wider Office sector of 31bps to 0.7%.

The projected pattern of growth assumes a lower rate of increase in 2020 than 2019 (of 0.5% and 0.1%), although averages for both locations rose by 12 bps over the quarter. This is followed by continuous increases in remaining years to 2.7% and 2.4% by 2023. Quarter-on-quarter, averages rose in the first three forecast years but weakened slightly for 2022 (albeit down by less than 10 bps in each market), which decline accelerated in 2023 (down 36 and 16 bps respectively for West End and City).

Against the wider market, growth in central London rents is likely to exceed that of the UK as a whole from 2021 and this is reflected in the five-year averages, of 1.6% and 1.4% pa versus 1.3% pa for Offices generally.

In term of forecaster opinion, the greatest difference occurs in the 2020 projections and is particularly marked in the case of City rents, which range between -9.0% and 3.0% (from -6.0% and 2.4% in May), compared to the span of West End projections, which are unchanged at 9.6% (extending from -6.0% to 3.6%).

The impact of the explicit no-deal Brexit forecast is confined to the 2019 and 2020 projections. In the current year, West End and City averages would have been 14 and 23 bps higher, whilst in 2020, these would have increased by 24 and 34 bps.

[8] JLL Q2 2019 Central London office market report, 09 August 2019
[9] Cushman & Wakefield Central London Marketbeat - Q2 2019, 07 August 2019

Central London offices (2)

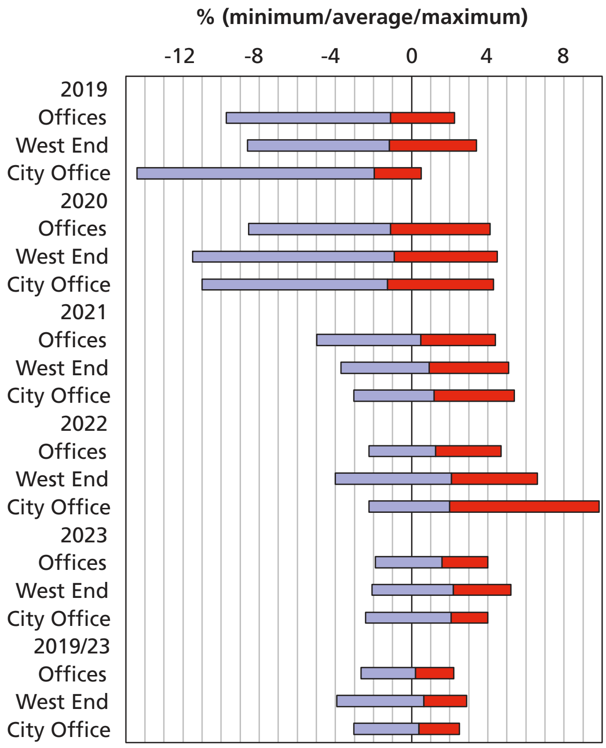
Capital value growth

For 2019, the average City capital value growth forecast was unchanged over the quarter, at -2.0%, whilst the West End improved by 50 bps to -1.2%. Of the 24 forecasts received for each market, 21 City projections fell below zero with 12 negative growth projections for the West End.

Expectations for West End offices in 2020, at an average of -0.9%, were weaker by some 19 bps over the quarter, whilst the City average of -1.3%, was 17 bps lower. The modestly positive 2021 growth forecasts reported in May improved further – by nearly 50 bps in each location, to 0.9% and 1.2% – with further increases recorded for the 2022 and 2023 averages (rising respectively by 69 and 96 bps in 2022 and by 59 and 86 bps in 2023).

With the exception of the current year, both the West End and City are expected to outperform the wider market.

Five-year growth rates improved over the quarter, with the West End forecast rising 47 bps, to 0.6% pa, whilst the City average rose 42 bps, to 0.4% pa.



Total returns

Average West End total return expectations for 2019 rose over the quarter by more than 40 bps, to 2.2%, compared to 1.8% for the City (which recorded a small fall, from 1.9% in May). However, both markets' average forecasts fell by 23 bps for 2020, to 2.6% and 2.7%, and central London projections lag the UK Office average in both years (the latter being expected to deliver average returns of 2.9% in 2019 and 3.1% in 2020).

Forecast averages in remaining years mirror improving prospects for capital growth, with strengthening projections in each market compared to May.

With the exception of 2023, forecast ranges widened in each year – extending to more than 10.0% in 2019, 2020 and 2022 in each market, mainly due to the inclusion of the outlier forecast.

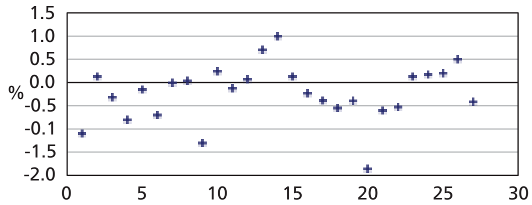
The five-year annualised City return strengthened to 4.5% from 4.1% over the quarter and to 4.3% from 3.8% for the West End. These improvements are comparable to the level of improvement in the UK Office average , which rose over 50 bps in the three months, to 4.6% pa.

Distribution of forecasts

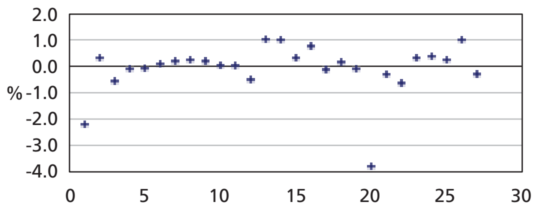
The scatter plots are the individual forecasts for All Property rental value and capital value growth. The contributors are listed in random order so that individual contributions cannot be identified. Previous quarter's forecast (May 2019) in brackets.

Rental value growth (% pa)

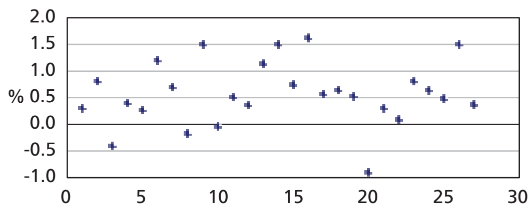
2019 Mean forecast: **-0.2%** (-0.2%)



2020 Mean forecast: **-0.1%** (0.1%)

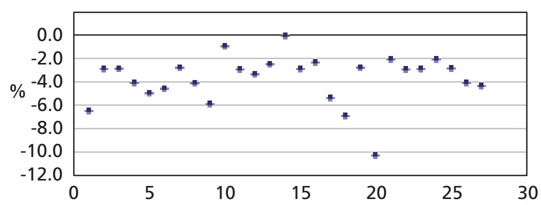


2021 Mean forecast: **0.6%** (0.6%)

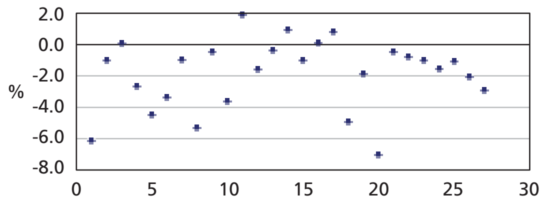


Capital value growth (% pa)

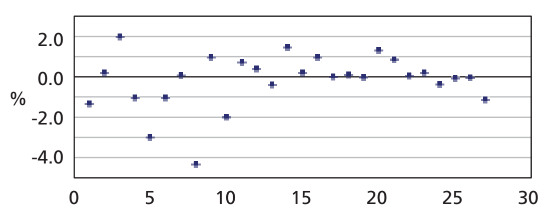
2019 Mean forecast: **-3.6%** (-2.8%)



2020 Mean forecast: **-1.8%** (-1.7%)

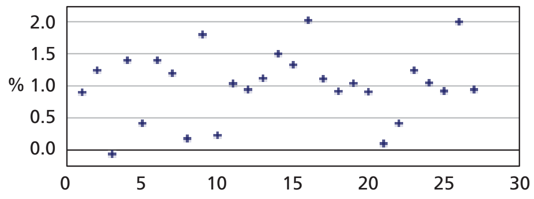


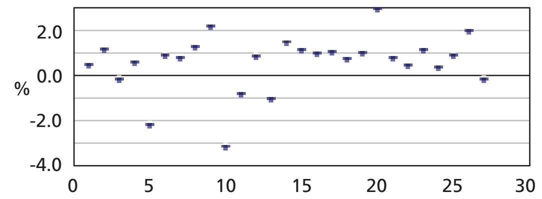
2021 Mean forecast: **-0.2%** (-0.5%)



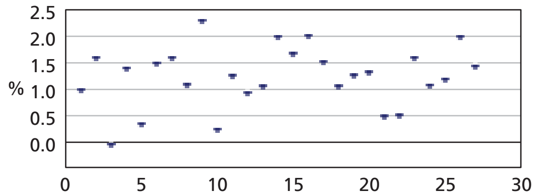
Distribution of forecasts (2)

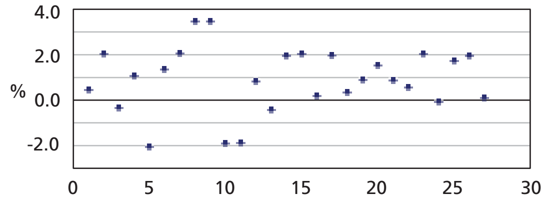
Rental value growth (% pa)	Capital value growth (% pa)
2022 Mean forecast: **1.0%** (1.1%)	**2022** Mean forecast: **0.6%** (0.3%)



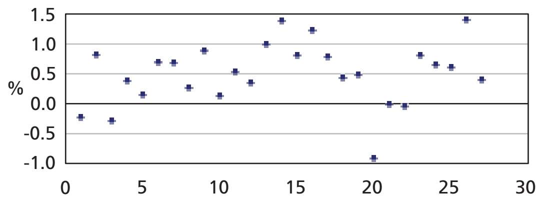


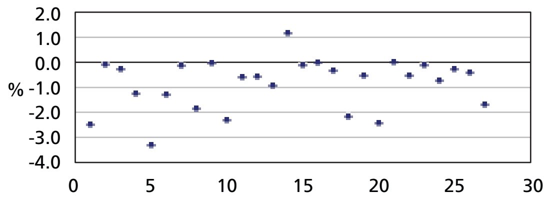
2023 Mean forecast: **1.2%** (1.4%)	**2023** Mean forecast: **0.9%** (0.6%)





2019/23 Mean forecast: **0.5%** (0.6%)	**2019/23** Mean forecast: **-0.8%** (-0.8%)

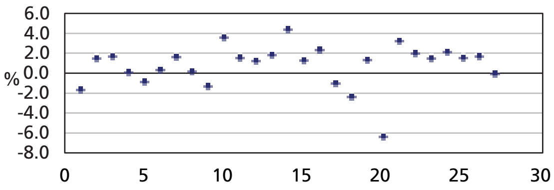




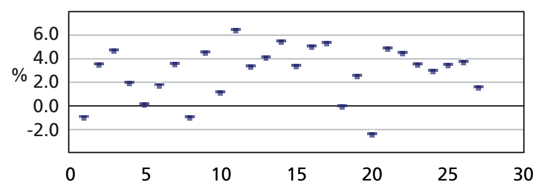
Distribution of forecasts (3)

All Property total returns (% pa)

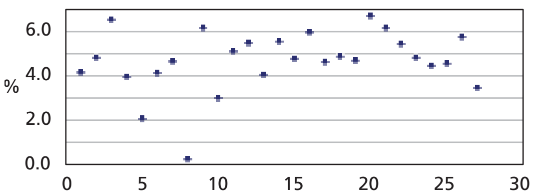
2019 Mean forecast: **0.9%** (1.8%)



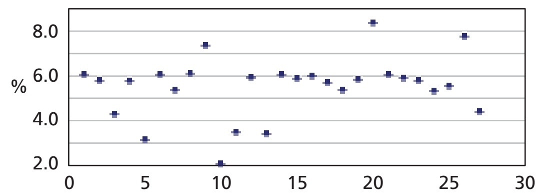
2020 Mean forecast: **2.9%** (3.1%)



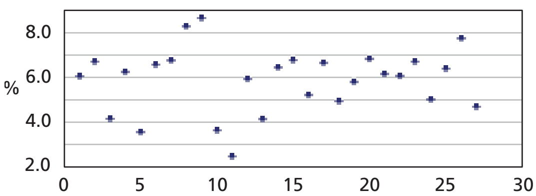
2021 Mean forecast: **4.7%** (4.4%)



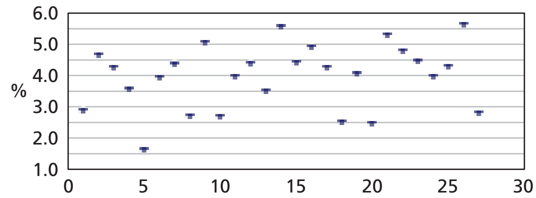
2022 Mean forecast: **5.6%** (5.2%)



2023 Mean forecast: **5.9%** (5.6%)



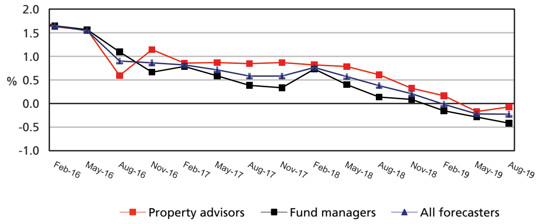
2019/2023 Mean forecast: **4.0%** (4.0%)



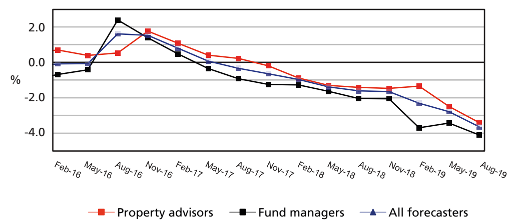
Evolution of the consensus (Previous quarter’s forecast (May 2019))

All Property rental value growth (% pa)	All Property capital value growth (% pa)

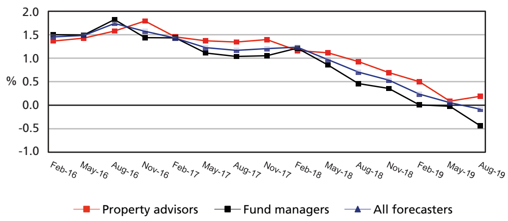
2019 Mean forecast: **-0.2%** (-0.2%)



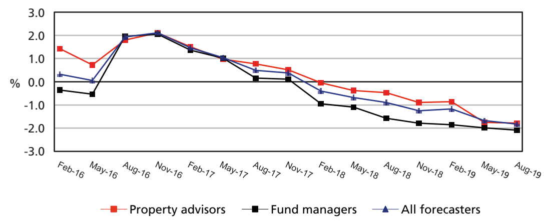
2019 Mean forecast: **-3.6%** (-2.8%)



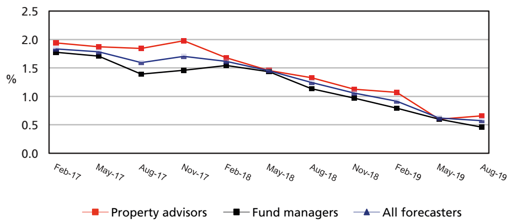
2020 Mean forecast: **-0.1%** (0.1%)



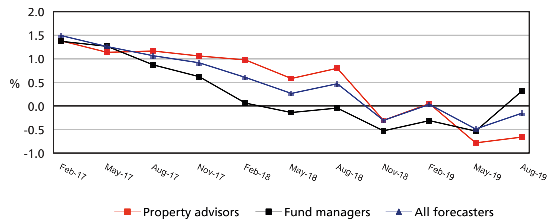
2020 Mean forecast: **-1.8%** (-1.7%)



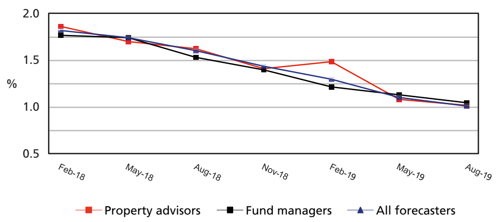
2021 Mean forecast: **0.6%** (0.6%)



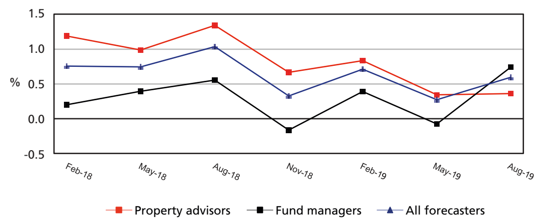
2021 Mean forecast: **-0.2%** (-0.5%)



2022 Mean forecast: **1.0%** (1.1%)



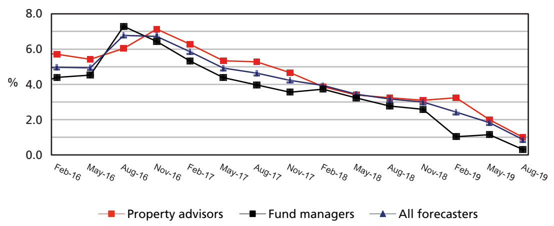
2022 Mean forecast: **0.6%** (0.3%)



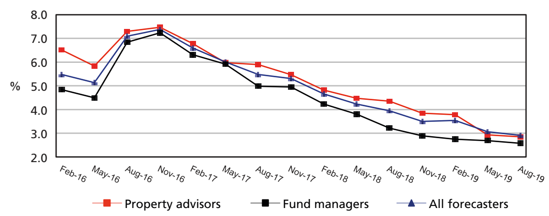
Evolution of the consensus (2)

All Property total returns (% pa)

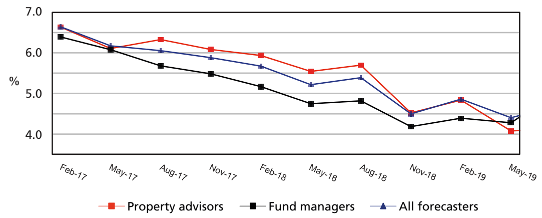
2019 Mean forecast: **0.9%** (1.8%)



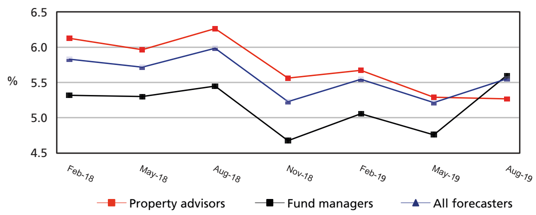
2020 Mean forecast: **2.9%** (3.1%)



2021 Mean forecast: **4.7%** (4.4%)



2022 Mean forecast: **5.6%** (5.2%)



All Property survey results by contributor type

(Forecasts in brackets are May 2019 comparisons)

Property Advisors and Research Consultancies

13 (13)	Rental value growth (%)						Capital value growth (%)						Total return (%)					
forecasts	2019		2020		2019/23		2019		2020		2019/23		2019		2020		2019/23	
Maximum	0.7	(0.8)	1.0	(1.1)	1.0	(1.1)	-0.9	(-0.3)	0.9	(0.5)	0.0	(1.1)	3.6	(5.0)	5.4	(5.2)	5.1	(6.3)
Minimum	-1.3	(-0.8)	-0.5	(-0.7)	0.1	(-0.1)	-5.8	(-5.1)	-5.3	(-5.3)	-3.3	(-3.4)	-1.2	(-0.8)	-0.9	(-0.9)	1.7	(1.5)
Range	2.0	(1.6)	1.5	(1.8)	0.9	(1.2)	4.9	(4.8)	6.1	(5.8)	3.3	(4.5)	4.8	(5.8)	6.3	(6.1)	3.4	(4.8)
Median	0.1	(-0.1)	0.2	(0.2)	0.7	(0.7)	-2.8	(-2.3)	-1.0	(-1.2)	-0.5	(-0.4)	1.4	(2.1)	3.5	(3.6)	4.3	(4.6)
Mean	**-0.1**	**(-0.2)**	**0.2**	**(0.1)**	**0.6**	**(0.6)**	**-3.4**	**(-2.5)**	**-1.8**	**(-1.8)**	**-0.9**	**(-0.7)**	**1.0**	**(2.0)**	**2.8**	**(2.9)**	**3.9**	**(4.1)**

Fund Managers

11 (12)	Rental value growth (%)						Capital value growth (%)						Total return (%)					
forecasts	2019		2020		2019/23		2019		2020		2019/23		2019		2020		2019/23	
Maximum	1.0	(1.0)	1.0	(0.8)	1.4	(1.4)	0.0	(-1.0)	2.0	(1.0)	1.2	(0.8)	4.5	(4.5)	6.5	(5.3)	5.6	(5.5)
Minimum	-1.9	(-1.2)	-3.8	(-0.9)	-0.9	(0.0)	-10.2	(-6.9)	-7.0	(-4.9)	-2.5	(-3.2)	-6.3	(-2.3)	-2.3	(-0.0)	2.5	(1.5)
Range	2.9	(2.2)	4.8	(1.7)	2.3	(1.4)	10.2	(5.9)	9.0	(5.9)	3.7	(4.0)	10.8	(6.8)	8.8	(5.3)	3.1	(4.0)
Median	-0.4	(-0.4)	-0.1	(0.0)	0.4	(0.5)	-2.9	(-3.2)	-1.8	(-2.6)	-0.6	(-1.2)	1.4	(1.2)	2.6	(2.1)	4.0	(3.5)
Mean	**-0.4**	**(-0.3)**	**-0.4**	**(-0.0)**	**0.4**	**(0.6)**	**-4.1**	**(-3.4)**	**-2.1**	**(-2.0)**	**-0.9**	**(-1.2)**	**0.3**	**(1.1)**	**2.6**	**(2.7)**	**3.8**	**(3.5)**

All Property forecasters

27 (27)	Rental value growth (%)						Capital value growth (%)						Total return (%)					
forecasts	2019		2020		2019/23		2019		2020		2019/23		2019		2020		2019/23	
Maximum	1.0	(1.0)	1.0	(1.1)	1.4	(1.4)	0.0	(0.5)	2.0	(1.8)	1.2	(2.2)	4.5	(6.3)	6.5	(7.6)	5.7	(8.0)
Minimum	-1.9	(-1.2)	-3.8	(-0.9)	-0.9	(-0.1)	-10.2	(-6.9)	-7.0	(-5.3)	-3.3	(-3.4)	-6.3	(-2.3)	-2.3	(-0.9)	1.7	(1.5)
Range	2.9	(2.2)	4.8	(2.0)	2.3	(1.5)	10.2	(7.4)	9.0	(7.1)	4.5	(5.5)	10.8	(8.6)	8.8	(8.5)	4.0	(6.5)
Std. Dev.	0.6	(0.5)	1.0	(0.5)	0.5	(0.4)	2.0	(1.6)	2.2	(1.8)	1.0	(1.2)	2.1	(1.8)	2.2	(1.9)	1.0	(1.4)
Median	-0.1	(-0.2)	0.1	(0.2)	0.5	(0.6)	-2.9	(-2.7)	-1.0	(-1.3)	-0.5	(-0.9)	1.6	(2.0)	3.5	(3.4)	4.3	(3.9)
Mean	**-0.2**	**(-0.2)**	**-0.1**	**(0.1)**	**0.5**	**(0.6)**	**-3.6**	**(-2.8)**	**-1.8**	**(-1.7)**	**-0.8**	**(-0.8)**	**0.9**	**(1.8)**	**2.9**	**(3.1)**	**4.0**	**(4.0)**

Notes:

1. Figures are subject to rounding and are forecasts of All Property or relevant segment Annual Index measures published by MSCI). These measures relate to standing investments only, meaning that the effects of transaction activity, developments and certain active management initiatives are specifically excluded.
2. To qualify, forecasts must be generated within 12 weeks of the survey date (21 August 2019).
3. Maximum: The strongest growth or return forecast in the survey under each heading.
4. Minimum: The weakest growth or return forecast in the survey under each heading.
5. Range: The difference between the maximum and minimum figures in the survey.
6. Median: The middle forecast when all observations are ranked in order. The average of the middle two forecasts is taken where there is an even number of observations.
7. Mean: The arithmetic mean of all forecasts in the survey under each heading. All views carry equal weight.
8. Standard deviation: A statistical measure of the spread of forecasts around the mean. Calculated at the 'All forecaster' level only.
9. The sector figures are not analysed by contributor type; all figures are shown at the 'All forecaster' level.
10. In the charts and tables, 'All Property' figures were derived from 27 forecasts for each performance measure over all periods. 25 full sector forecasts were received from 24 organisations (and 23 full central London office forecasts).

Survey results by sector

Office

25 forecasts	Rental value growth (%)				Capital value growth (%)				Total return (%)			
	2019	2020	2021	2019/23	2019	2020	2021	2019/23	2019	2020	2021	2019/23
Maximum	2.4	2.9	3.0	2.8	2.2	4.1	4.4	2.2	6.3	8.1	9.7	6.8
Minimum	-2.1	-5.5	-0.9	-0.6	-9.7	-8.6	-5.0	-2.7	-6.2	-4.4	-0.8	2.2
Range	4.5	8.3	3.9	3.4	12.0	12.7	9.4	4.9	12.4	12.5	10.5	4.6
Median	1.1	1.1	1.4	1.5	-0.1	0.0	0.6	0.6	3.8	4.0	4.8	5.1
Mean	**0.7**	**0.6**	**1.3**	**1.3**	**-1.1**	**-1.1**	**0.5**	**0.2**	**2.9**	**3.1**	**4.9**	**4.6**

Industrial

25 forecasts	Rental value growth (%)				Capital value growth (%)				Total return (%)			
	2019	2020	2021	2019/23	2019	2020	2021	2019/23	2019	2020	2021	2019/23
Maximum	4.1	3.6	3.1	3.1	4.9	7.4	6.1	3.9	10.3	11.5	10.2	9.8
Minimum	1.3	-0.6	-0.2	0.6	-4.9	-4.4	-4.0	-1.0	-0.9	-0.1	0.6	3.7
Range	2.8	4.2	3.2	2.5	9.8	11.8	10.2	4.8	11.2	11.5	9.6	6.1
Median	2.8	1.9	1.6	1.9	2.3	1.0	1.3	1.6	6.5	5.3	5.6	6.0
Mean	**3.0**	**2.0**	**1.7**	**2.0**	**2.1**	**1.1**	**1.5**	**1.5**	**6.6**	**5.7**	**6.1**	**6.1**

Standard Retail

25 forecasts	Rental value growth (%)				Capital value growth (%)				Total return (%)			
	2019	2020	2021	2019/23	2019	2020	2021	2019/23	2019	2020	2021	2019/23
Maximum	-0.8	0.5	1.0	0.8	-3.6	0.9	1.7	0.2	0.4	4.9	6.1	4.0
Minimum	-5.0	-5.3	-4.5	-3.7	-13.9	-10.3	-8.9	-9.0	-9.7	-5.8	-3.7	-3.8
Range	4.2	5.7	5.5	4.4	10.4	11.2	10.6	9.1	10.1	10.7	9.8	7.9
Median	-2.9	-2.0	-0.7	-0.9	-7.6	-3.8	-0.8	-2.7	-3.5	1.0	3.9	2.3
Mean	**-3.1**	**-2.1**	**-0.9**	**-1.2**	**-8.1**	**-4.4**	**-1.4**	**-2.7**	**-3.9**	**0.1**	**3.3**	**1.9**

Shopping Centre

25 forecasts	Rental value growth (%)				Capital value growth (%)				Total return (%)			
	2019	2020	2021	2019/23	2019	2020	2021	2019/23	2019	2020	2021	2019/23
Maximum	-2.1	-1.2	0.0	-0.4	-9.4	-3.4	1.3	-2.9	-4.7	2.0	8.6	2.5
Minimum	-10.0	-7.3	-5.2	-4.9	-20.7	-14.0	-11.9	-13.0	-15.7	-8.1	-4.8	-6.1
Range	7.9	6.0	5.2	4.5	11.3	10.6	13.2	10.1	11.0	10.1	13.4	8.5
Median	-4.7	-3.0	-1.6	-2.4	-14.3	-6.4	-3.7	-4.9	-8.7	-0.7	2.4	0.6
Mean	**-4.7**	**-3.3**	**-1.8**	**-2.3**	**-13.8**	**-7.2**	**-3.7**	**-5.7**	**-8.8**	**-1.5**	**2.3**	**0.0**

Retail Warehouse

25 forecasts	Rental value growth (%)				Capital value growth (%)				Total return (%)			
	2019	2020	2021	2019/23	2019	2020	2021	2019/23	2019	2020	2021	2019/23
Maximum	-2.0	-0.4	0.7	-0.4	-3.8	-1.5	5.0	-2.1	1.8	5.0	11.4	4.3
Minimum	-7.0	-6.7	-3.6	-3.4	-18.9	-12.9	-8.9	-9.5	-13.5	-7.0	-1.7	-2.5
Range	5.0	6.3	4.3	3.0	15.1	11.4	13.9	7.4	15.3	11.9	13.1	6.8
Median	-3.6	-2.0	-0.8	-1.2	-10.1	-5.0	-1.4	-3.7	-4.7	1.4	4.9	2.7
Mean	**-3.8**	**-2.5**	**-1.0**	**-1.5**	**-10.8**	**-5.7**	**-1.9**	**-3.9**	**-5.2**	**0.5**	**4.6**	**2.4**

All Property

27 forecasts	Rental value growth (%)				Capital value growth (%)				Total return (%)			
	2019	2020	2021	2019/23	2019	2020	2021	2019/23	2019	2020	2021	2019/23
Maximum	1.0	1.0	1.6	1.4	0.0	2.0	2.0	1.2	4.5	6.5	6.7	5.7
Minimum	-1.9	-3.8	-0.9	-0.9	-10.2	-7.0	-4.3	-3.3	-6.3	-2.3	0.3	1.7
Range	2.9	4.8	2.5	2.3	10.2	9.0	6.3	4.5	10.8	8.8	6.5	4.0
Std. Dev.	0.6	1.0	0.6	0.5	2.0	2.2	1.3	1.0	2.1	2.2	1.4	1.0
Median	-0.1	0.1	0.5	0.5	-2.9	-1.0	0.1	-0.5	1.6	3.5	4.8	4.3
Mean	**-0.2**	**-0.1**	**0.6**	**0.5**	**-3.6**	**-1.8**	**-0.2**	**-0.8**	**0.9**	**2.9**	**4.7**	**4.0**

Sector summary: Means

Sector summary: Means

(no. forecasts)*	Rental value growth (%)				Capital value growth (%)				Total return (%)			
	2019	2020	2021	2019/23	2019	2020	2021	2019/23	2019	2020	2021	2019/23
Office (25)	0.7	0.6	1.3	1.3	-1.1	-1.1	0.5	0.2	2.9	3.1	4.9	4.6
Industrial (25)	3.0	2.0	1.7	2.0	2.1	1.1	1.5	1.5	6.6	5.7	6.1	6.1
Standard Retail (25)	-3.1	-2.1	-0.9	-1.2	-8.1	-4.4	-1.4	-2.7	-3.9	0.1	3.3	1.9
Shopping Centre (25)	-4.7	-3.3	-1.8	-2.3	-13.8	-7.2	-3.7	-5.7	-8.8	-1.5	2.3	0.0
Retail Warehouse (25)	-3.8	-2.5	-1.0	-1.5	-10.8	-5.7	-1.9	-3.9	-5.2	0.5	4.6	2.4
All Property (27)	**-0.2**	**-0.1**	**0.6**	**0.5**	**-3.6**	**-1.8**	**-0.2**	**-0.8**	**0.9**	**2.9**	**4.7**	**4.0**

West End office

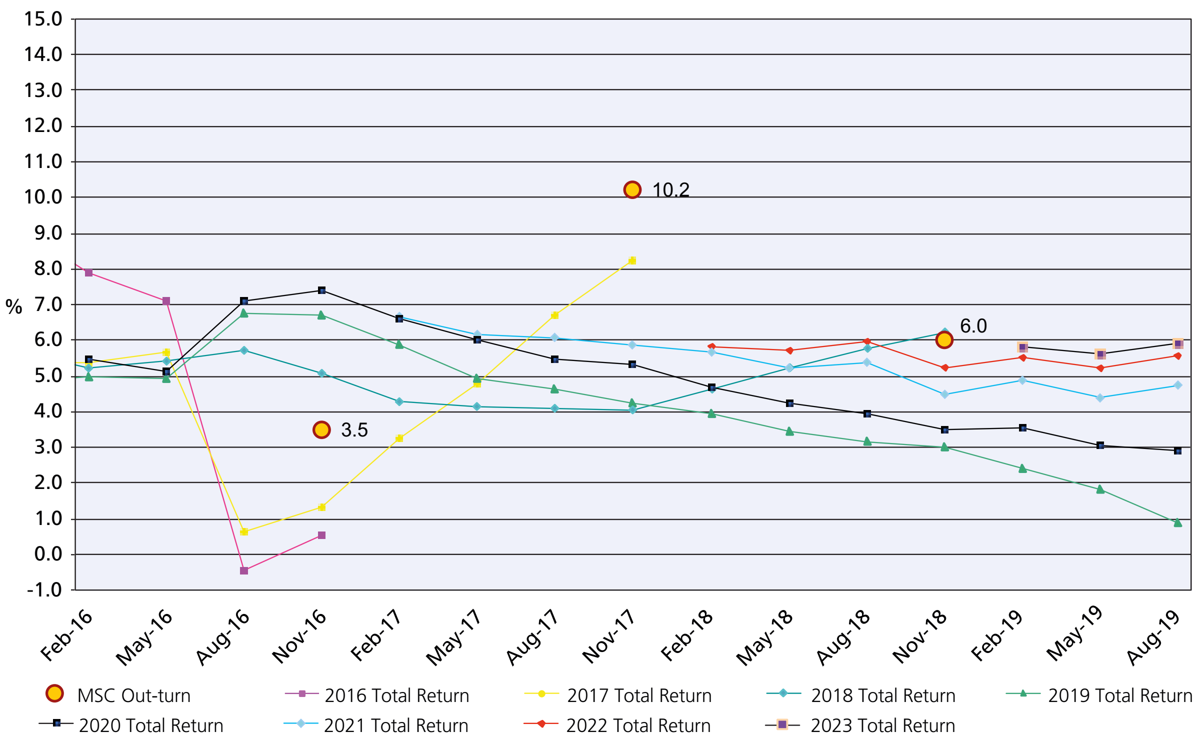
25 forecasts	Rental value growth (%)				*Capital value growth (%)				*Total return (%)			
	2019	2020	2021	2019/23	2019	2020	2021	2019/23	2019	2020	2021	2019/23
Maximum	2.4	3.6	3.0	3.0	3.4	4.5	5.1	2.9	6.5	7.8	9.6	6.5
Minimum	-3.0	-6.0	-0.1	-1.0	-8.6	-11.5	-3.7	-3.9	-5.7	-6.9	0.3	0.0
Range	5.4	9.6	3.1	4.0	12.0	16.0	8.8	6.8	12.2	14.7	9.3	6.4
Median	1.5	0.9	1.6	1.9	-0.1	0.2	1.3	1.1	3.3	3.6	4.8	4.5
Mean	**0.8**	**0.5**	**1.6**	**1.6**	**-1.2**	**-0.9**	**0.9**	**0.6**	**2.2**	**2.6**	**4.6**	**4.3**

City office

25 forecasts	Rental value growth (%)				*Capital value growth (%)				*Total return (%)			
	2019	2020	2021	2019/23	2019	2020	2021	2019/23	2019	2020	2021	2019/23
Maximum	4.3	3.0	3.5	2.9	0.5	4.3	5.4	2.5	4.9	8.5	11.1	6.8
Minimum	-4.0	-9.0	0.0	-0.6	-14.4	-11.0	-3.0	-3.0	-11.2	-6.5	1.5	1.6
Range	8.3	12.0	3.5	3.5	14.9	15.3	8.4	5.5	16.1	15.0	9.7	5.2
Median	0.9	0.8	1.6	1.7	-0.7	0.1	1.2	0.9	2.9	3.9	5.1	4.9
Mean	**0.5**	**0.1**	**1.6**	**1.4**	**-2.0**	**-1.3**	**1.2**	**0.4**	**1.8**	**2.7**	**5.3**	**4.5**

*One contributor only provided rental growth projections for the two central London markets.

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



Acknowledgements

The Investment Property Forum (IPF) thanks all those organisations that contributed to the IPF Summer 2019 UK Consensus Forecasts, including:

Property advisors *(including research consultancies):* Avison Young, BNP Paribas Real Estate, Capital Economics, Carter Jonas, CBRE, Colliers International, Cushman & Wakefield, Fletcher King, JLL, Knight Frank, Lambert Smith Hampton, Real Estate Forecasting Limited and Real Estate Strategies.

Fund and investment managers: Aberdeen Standard Investments, Aviva Investors, BMO Real Estate Partners, DWS, Keills, Knight Frank Investment Management, LGIM Real Assets, Nuveen Real Estate, Savills Investment Management and UBS Asset Management.

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 the contributors as 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.

Disclaimer

The IPF Survey of Independent Forecasts for UK Property Investment is for information purposes only. The information therein is believed to be correct, but cannot be guaranteed, and the opinions expressed in it constitute our judgment as of the date of publication but are subject to change. Reliance should not be placed on the information and opinions set out therein for the purposes of any particular transaction or advice. The IPF cannot accept any liability arising from any use of the publication.

Copyright

Research Programme

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

Printed on recycled paper