IPF Research

# Investment Property Forum European Consensus Forecasts of Prime Office Rents

## NOVEMBER 2017

This research was commissioned by the IPF Research Programme **2015 – 2018**

This research was funded and commissioned through the IPF Research Programme 2015–2018.

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

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

# Survey of European Office Market Rental Forecasts November 2017

## Political and Economic Background

The political situation in mainland Europe continues to exercise observers and forecasters alike. In the period since the May survey, the Conservatives failed to secure a stronger mandate from the British electorate to support the government's Brexit negotiations – the outcome of these still lacking in clarity or detail on all fronts

That said, the UK is not alone in experiencing challenging or unexpected outcomes from its electorate. Chancellor Angela Merkel, whilst renewing her mandate in Germany's September elections, found her Christian Democrat majority considerably reduced. The combined vote of the CDU with allies, the Christian Social Union of Bavaria and the Social Democrats fell to just under 54% (a post-war era low), whilst the Alternative for Germany, a right-wing populist party, finished in third place and became the first movement of its type to enter the Bundestag, causing consternation both at home and abroad. Added to this has been the results of Austria's October elections, which showed that the lines between Europe's centre-right and far-right parties are blurring, with mainstream conservatives adopting a much tougher stance on a range of issues, including immigration and domestic security.

Meanwhile, an event barely registering in May, and which, perhaps, has been the most significant since last year's UK vote to leave the EU, was the Catalan independence referendum. With 92% of those voting in favour (albeit on a turnout of under 50%), the result has rocked Spain and threatened to divide the nation. In the immediate aftermath, it was reported that over 800 companies had already decided to relocate their headquarters outside Catalonia. The short term implications are for Barcelona occupancy rates to come under pressure, although many of the forecasts for this survey were generated well ahead of the 1 October vote. It will be interesting to see how contributors view this market in six months' time.

Turning to economic matters, the statistical office of the European Union, Eurostat, gave a flash estimate for the third quarter of 0.6% in both the Eurozone (EA19) and wider EU28, up 2.5% compared to Q3 of 2016. FocusEconomics reported a steady flow of positive data, with economic sentiment rising to the highest level in a decade and unemployment at a multi-year low as industrial production grew. As a result, full year GDP growth estimates for 2017 now lie at 2.1%, due to the healthier labour market, highly supportive monetary policy and a stronger global backdrop although the 2018 forecast is lower, at 1.9%.

FocusEconomics also reports a number of Eurozone markets facing better 2018 prospects, with 12 countries having their GDP forecasts upgraded, including France, Germany and Italy. Estonia was the only economy to have its outlook downgraded, while the rest of the countries in the region had unchanged forecasts. Latvia, Luxembourg and Slovakia are expected to be the fastest-growing in the region in 2018, with growth rates potentially exceeding 3.5%. Italy is likely be the weakest economy, however, as it is projected to grow at 1.2%. Of the remaining major economies in the Eurozone, Spain may outperform the rest with 2.6% growth, with Germany expanding 1.9%, followed by France at 1.7%.

Eurostat also reported that inflation in the Eurozone fell back to 1.4% in October, still well below the European Central Bank's target of just below 2%, whilst core inflation, which strips out volatile fuel and energy costs, was only 0.9%.

According to Eurostat, the EA19 seasonally-adjusted unemployment rate declined to 8.9% in September 2017, down from 9.0% in the preceding month and from 9.9% in September 2016. This is the lowest rate recorded in the euro area since January 2009, although still well above the UK's current rate of 4.3%. The EU28 unemployment rate was 7.5% in September 2017, stable compared to August 2017 and down from 8.4% in September 2016.

[1] EuroStat 165/2017 – 31 October 2017 [2] FocusEconomics 25 October 2017

## Key Points

For the second survey of 2017, 19 contributors provided forecasts for some or a majority of the 30 locations covered by this research. There were insufficient forecasts for Athens offices to permit inclusion of data and analysis of its market on this occasion. All forecasts were generated within six months of the survey date (25 October 2017).

### 2017

- Average rental growth expectations for the current year continue to range widely: from 8.6% for Stockholm (5.2% six months ago) to -5.9% for the West End of London (from -4.5% in May). This compares to a mean forecast of 2.8% for the year across the 29 markets in this survey.
- The number of locations registering negative forecasts for the current year has risen to five (from four in May) although growth prospects in 18 markets have improved from expectations six months ago, with one virtually unchanged.
- Of the 10 markets where growth rates are lower than in the previous survey, Dublin records the greatest weakening in sentiment, down 1.9% to 2.8%. Falling growth rates for the remaining nine centres, range between a drop of 1.4% for the West End of London (now -5.9%) to 0.2% for the Paris central business district (currently 2.6% for the year).
- Brussels leads the majority of centres recording higher growth rates, with a 4.1% improvement in its average outlook (to 6.2%), followed by a rise of 3.4% for Stockholm (now 8.6%). Two other markets attract improved growth rates of more than 2.0% (Luxembourg, at 4.7% from 1.9%, and Milan, up 2.5% to 5.9%). Forecasts in four locations (Lyon, Berlin, Oslo and Amsterdam) have risen by between 1.0% and 1.8% (to 3.5%, 7.4%, 3.5% and 4.8% respectively).
- Growth rates of 4.0% or better are now forecast in eight markets; Barcelona (7.2%) and Madrid (6.8%) being in addition to those highlighted above, and rents in a further five markets may grow by 3.0% or better (including Lisbon, Munich and Prague).

### 2018

- Average annual growth forecasts in 2018 range from -3.9% for London's City offices (previously -3.7%) to 5.2 % for Madrid (previously 6.2%). The mean for all locations has remained at 1.6% with 15 markets forecast to achieve better growth than this average rate.
- Compared to six months ago, confidence has grown in 11 locations (by 0.5% or more in six of these) but weakened in 18 centres, although by only 0.5% or greater in six markets.
- With an average growth rate of 1.7% across all markets, eight locations are forecast to grow by 3.0% or more next year, led by Madrid and Barcelona at 5.2% and 4.0% respectively, and a further three projected to show rental increases of between 2.0% and 3.0% over this period.
- Current forecasts for 26 of the 29 locations covered in the current survey are positive, with only the two central London markets (-3.9% in the City and -3.6% in the West End) and Warsaw (-0.1%) registering negative growth.

# Key Points

## 2019

- Positive growth is forecast for 26 markets in 2019, the exceptions being Dublin (at -1.2%), the City of London (-0.8%) and Warsaw (-0.2%). The average for all markets has dropped back from 1.5% in May to 1.2% currently, although 13 locations are expected to exceed this.
- The highest growth prospects are recorded for Berlin (3.1%, a rise of 1.3% from six months ago) followed by Madrid (2.8%) and Moscow at 2.4%.
- Three markets are forecast to grow by 2.0% or more in the final year of the survey, compared to 10 in May, with the majority (17) lying between 1.0% and 1.9%.

## Three-year Average Growth Rates

- The forecast annual average growth rate for all 29 markets has risen slightly, to 1.9% per annum, from 1.8% six months ago, with 13 locations exceeding this.
- Annualised averages for 14 centres weakened over the period since the last survey, falling by more than 0.5% in five instances.
- Rental growth expectations in central London offices have continued to fall, to -2.9% and -2.6% per annum, from -1.9% and -2.5% per annum six months ago, for the City and West End respectively. The prospects for Warsaw have improved marginally, rising to -0.4% from -0.6% per annum previously.
- Annualised three-year growth rates of 3.0% or more are recorded for six markets, led by Berlin (5.0% per annum), Madrid (4.9%), Stockholm (4.4%) and Barcelona (4.3%).

## Five-year Outlook

- Over the longer term, to 2021, the rolling average growth rate has risen slightly, to 1.7% per annum from 1.6% three months ago. The range of forecast averages extend from -0.6% for London's City market (from -0.1% previously), to 3.8% for Berlin (previously 3.1%).
- Up to 14 locations may experience above-average growth, including all four German centres (although Hamburg is the weakest of the group, at a rate of 1.8% per annum). Stockholm emerges as the office market expected to be the best non-Eurozone market for rental growth, at 2.7% per annum over five years (from 2.5%).

Changes in average growth forecasts between May and November 2017 are detailed in the table in Appendix 1.

# Prospects for 2017

## Confidence increasing as the year progresses

The average growth rate across the 29 markets surveyed has risen from 2.2% in May to over 2.8% currently, with 16 locations projected to exceed this average. Of these, all but three are forecast to grow by more than 3.0%, and by between 4.7% and 8.6% in eight instances. The spread across all centres for the current year has risen to 14.5% however, from 12.4% reported six months ago and 10.8% at this time last year.

Forecast averages for 19 markets have risen since the May survey, the greatest improvement being a 4.1% rise in the Brussels growth rate, where CBRE reports that, despite modest take-up, Grade A voids remain very low at with a vacancy rate of less than 9%. Other locations where better projections have been recorded than ago include six markets where average forecasts have increased by 1.0% or more, including Stockholm, up 3.4% to 8.6%, Luxembourg and Milan, up 2.8% and 2.5% (to 4.7% and 5.9%) respectively.

Declines in growth forecasts were registered in 10 locations, the largest being a 1.9% reduction in Dublin rents (to 2.8%) with four others softening by between 1.5% and 1.0%, being London West End (-5.9%), Moscow (-0.7%), Budapest (2.9%) and Madrid (down 1.2% to 6.8%).

As previously reported, in May, the greatest range of projected growth rates arises for Stockholm, at 15.2% (from 16.9%), followed by Helsinki (12.9%) and Brussels (12.8%), each market average being derived from 16 or 17 forecasts. The closest accord between individual contributors occurred for the Manchester market, spanning 3.3% across the 12 forecasts received.

## Spanish Growth Prospects Moderate

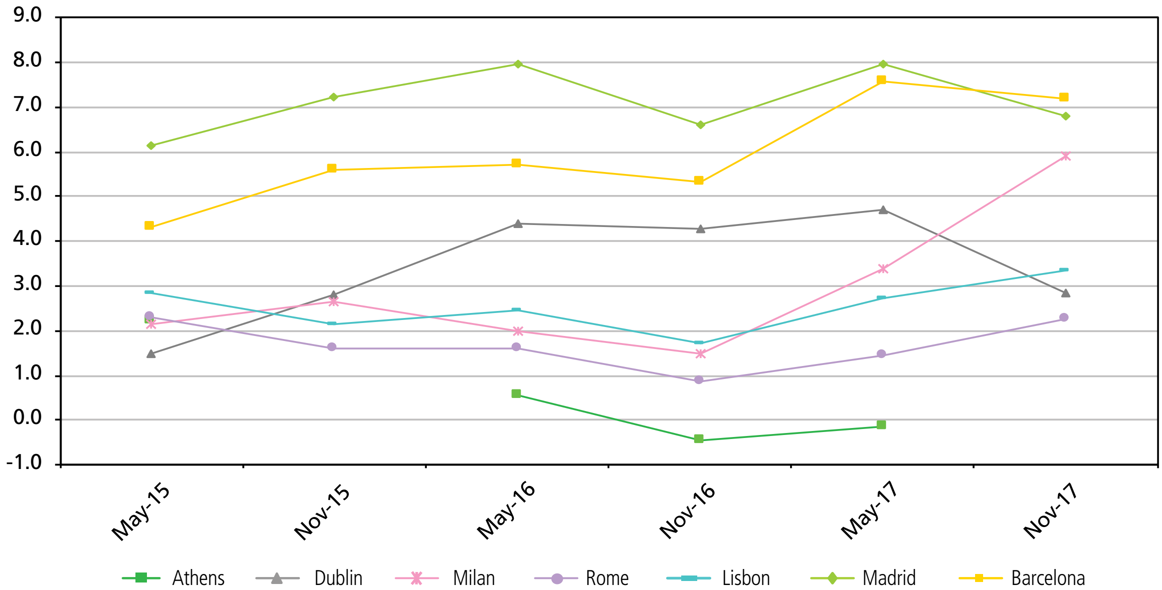
With the key caveat that the majority of forecasts for Barcelona were generated before the Catalan independence referendum took place, the double digit growth rates previously recorded for the two main Iberian office markets have tempered considerably, although still showing relatively strong prospects in the current year, at 6.8% and 7.2% (from 11.9% and 12.0% previously) for Madrid and Barcelona respectively.

With the exception of Rome and Athens (the latter being omitted from this survey as fewer than five contributors provided forecasts), office markets situated in those Eurozone economies most severely affected by the global financial crisis are now expected to outperform the average growth projection of 2.8% for all markets surveyed, despite weakening sentiment for Dublin, Madrid and Barcelona.

The strengthening of Milan rents (potentially growing by 5.9% this year) is supported by agents reporting a positive trend in take up, as a limited development pipeline has led to a fall in vacancy rates to a little over 7% in the central business district. Rome rents are also on an upward path, although more muted that Milan, being forecast to grow by 2.3% currently (from 1.4% six months ago).

## Prospects for 2017

**Figure 1: Peripheral Eurozone Economies Weighted Growth Forecasts 2017**




## Other Euro-denominated Markets

The short-term outlook for 11 of these 15 locations continues to improve, led by Berlin (now 7.4% from 5.9% in May), where year-on-year take up in excess of 12.0% has caused the vacancy rate to shrink to below 4.0%. In addition to Berlin, Luxembourg and Lyon projected growth rates have improved the most over the last six months, from 1.9% and 1.7% to 4.7% and 3.5% respectively.

In contrast, Warsaw, at -1.0% from -1.8% previously, remains the weakest market in prospect. Whilst 11 locations are forecast to exceed the average growth rate of 2.5% for this group, Budapest records the greatest decline in sentiment, down to 2.9% from 4.1% in May.

## Outside the Eurozone

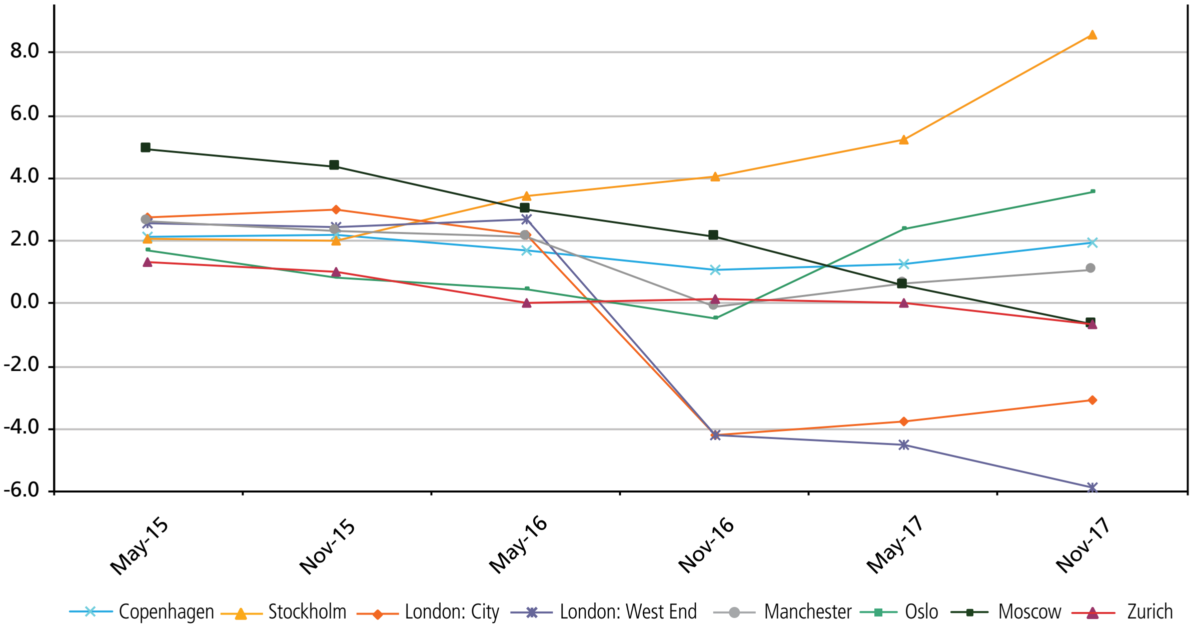
With an average growth rate of 0.6% in 2017, prospects for four of these eight locations are positive, ranging widely between Stockholm, Oslo, Copenhagen and Manchester, at 8.6%, 3.5%, 2.0% and 1.1% in turn. Manchester's improved prospects are supported by the city being well exposed to growth sectors of the economy, forecast to see stronger than average employment growth over the next five years. With take up 20% higher year-on-year in the first half of 2017, falling Grade A supply is pushing prime rents upwards.

Further declines in rental growth were reported in three of the remaining markets, however, with London's West End falling 1.4% to -5.9%. Moscow and Zurich, which are both projected to deliver -0.7% growth for the year, saw average projections decline by 1.3% and 0.7% respectively.

Despite the overhang of Brexit particularly impacting on the City of London office market, forecasts for this location have improved since the last survey, indicating a mean contraction over the year to -3.1% from -3.8% in May.

## Prospects for 2017

**Figure 2: Non-Eurozone Centres Weighted Average Growth Forecasts 2017**




Whilst the current survey again attracted eight forecasts for Moscow, the prolonged slump in the exchange rate (described by one contributor as the "Russian rouble debacle"), ongoing since 2014, has increasingly led the majority of occupiers, even at the prime end, to refuse to sign leases denominated in USD. Accordingly, current and forecast rents expressed in roubles, with associated growth rates, have been omitted for the purpose of analysis.

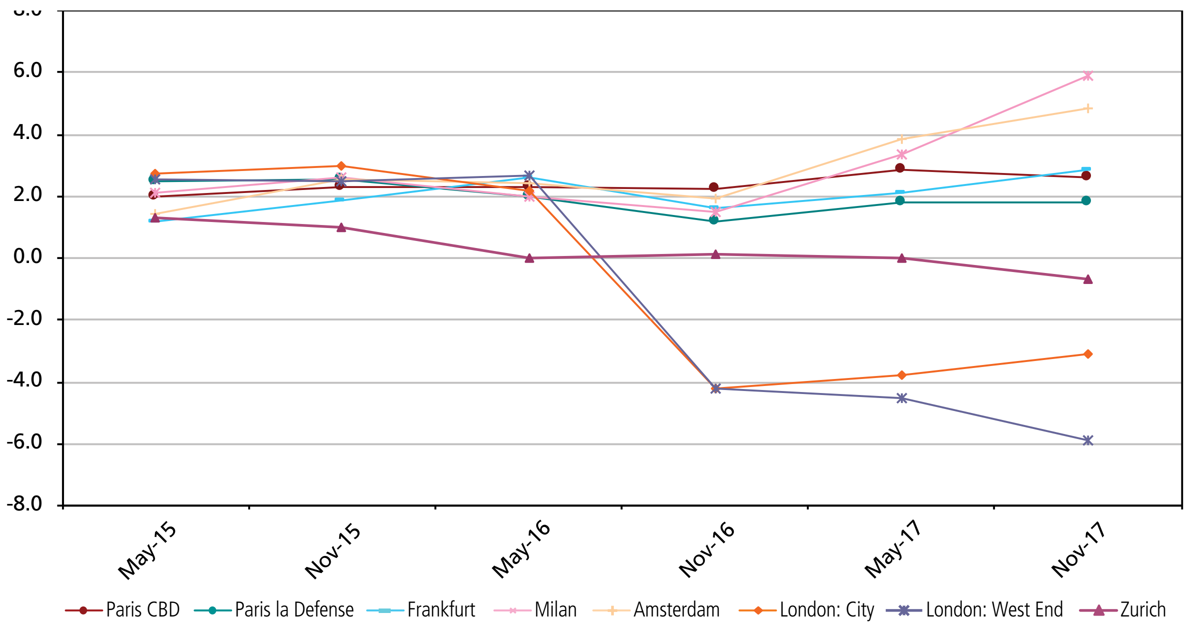
## Financial centres

Over the six months since the last survey, little clarity has emerged from the UK's EU exit negotiations. Discussions of a 'hard' Brexit have begun to mutate into speculation over what a 'no deal' situation might look like. In late October, the Bank of England was widely reported as saying that, should no specific financial services deal be struck, a "reasonable scenario" might be job losses of up to 75,000 in the sector, with a figure of 10,000 likely to be the 'Day One' number in these circumstances.

Frankfurt remains the most likely beneficiary of these potential shifts in jobs leaving the UK, with Paris, Dublin, Brussels and Madrid other contenders.

## Prospects for 2017

**Figure 3: Financial Centres Weighted Average Rental Growth Forecasts 2017**



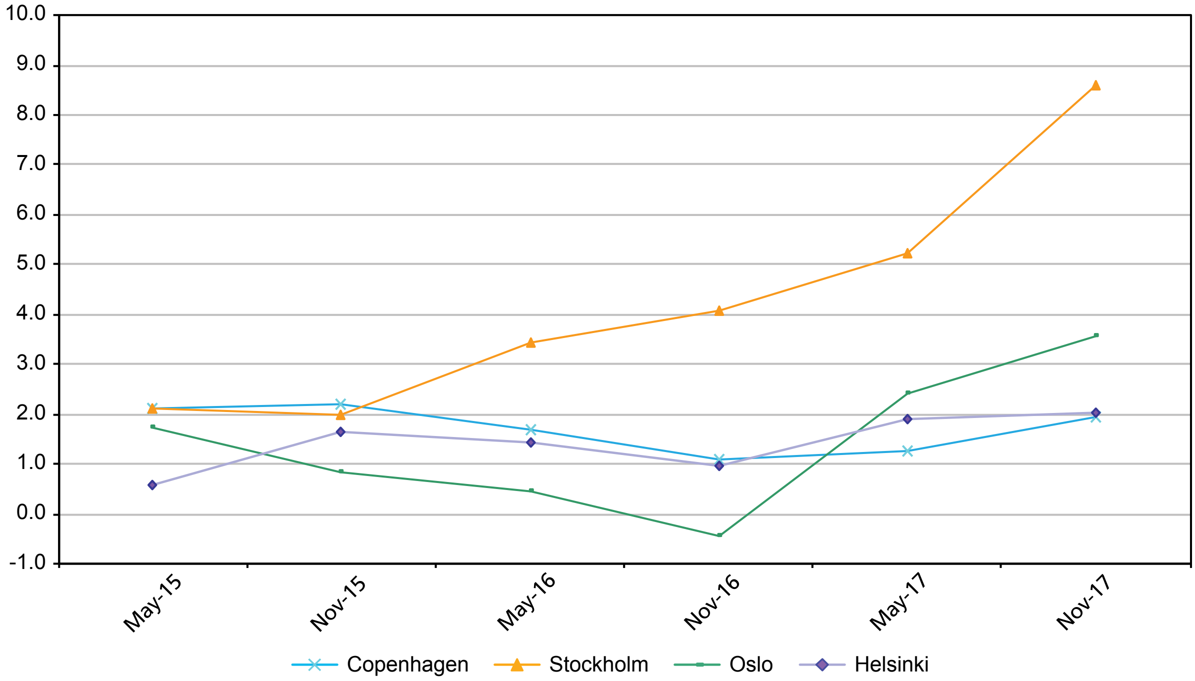

For 2017, Amsterdam and Milan continue to offer the strongest growth prospects (at 4.8% and 5.9% currently, from 3.9% and 3.4% respectively). Sentiment appears to have plateaued for the two Paris markets; having risen in May to 2.9%, the forecast for the Central Business District has fallen back to 2.6%, whilst La Défense has remained static at 1.8%.

## Nordics

The strong underlying economy, employment growth and low vacancy levels continue to drive up prime rents in Stockholm, which remains the best-performing market within the Nordic grouping for 2017. The situation is reinforced by strong occupier demand linked with a low volume of commercial development in the pipeline, as a boom in residential developments has diverted planning and construction resources. The median prime rent for end-2017 from 16 forecasts received has risen to SEK 6,174 psm from SEK 5,925 psm in May. Significant growth is expected by three survey contributors,, who produced growth forecasts of between 14.5% and 17.2%, whilst the range extended to over 15%.

## Prospects for 2017

### Figure 4: Nordic Centres Weighted Average Rental Growth Forecasts 2017




Oslo, despite weak GDP growth (c. 2.0% being forecast for the current year), is experiencing rising rents. Vacancy rates have fallen to below 7%, driven in part by record low net new construction of office space, whilst increased conversion of offices to housing may also have had a positive effect on rents. Individual growth forecasts range between 0.0% and 7.0% for the current year, averaging 3.5% on a weighted basis.

Forecasts for Copenhagen have risen over the six months since the last survey, to average 2.0% (1.3% previously). Although prime rents are broadly expected to remain stable, lack of available space in the CBD, where the vacancy rate is currently below 7%, is not being offset by development elsewhere; hence further growth is likely to emerge over the next two years. The Helsinki office market continues to show modest growth prospects (2.0% from 1.9% in May), as vacancy rates remain relatively high at around 14% at the end of Q2.

# Expectations beyond 2017

## 2018 and 2019 Outlook

On average, all but three locations are expected to deliver positive growth next year, and all but two in 2019. The 2018 projected average across the 29 centres surveyed on this occasion now lies at 1.6%, ranging from -3.9% for the City of London (previously -3.7%) to 5.2% for Madrid (down from 8.0% six months ago).

In total, 15 centres are anticipated to exceed the 2018 average growth expectation and relatively strong growth (of 3.0% or more) is anticipated in seven of these: Munich, Moscow, Amsterdam, Stockholm, Barcelona, Berlin and Madrid.

In 2019, average rents are forecast to increase to between -1.2% (Dublin, formerly -2.0%) and 3.1% (Berlin, up from 2.8%). Growth rates have softened in 16 locations since May, whilst compared to current 2018 projections, 21 locations are anticipated to deliver slower growth in this final year of the survey period, The largest year-on-year decline recorded is for Dublin (where the average anticipated fall is 3.0%, from 1.8% in 2018) followed by Madrid (off 2.5%, to 2.8%). Against an all markets average of 1.5% for 2019, 13 markets may outperform this figure.

The table in Appendix 1 records market averages for each of the three individual years of the consensus forecast as well as the three and five-year averages discussed on page 3 and below.

## Three- and Five-year Average Forecasts

The three-year rolling average growth rate forecast for the 29 locations analysed for this survey has improved marginally, to 1.9% per annum from 1.8% six months ago. As with the previous survey, the three projections of negative growth continue to attach to the central London markets (at -2.9% for the City and -2.6% for the West End, from -2.5% and 1.9% previously) and Warsaw (now -0.4% from -0.6%).

Almost half (14) of the three-year annualised forecasts have strengthened since May (by 1.5% in the case of Stockholm and 1.3% for Brussels, to 4.4% and 2.8% respectively). Falls of over 0.5% were recorded for five locations, led by London's West End, down 0.9% to -2.9%, the remainder comprising Madrid, Zurich, Moscow and Paris La Défense.

Over five years, across the 29 markets the rolling average growth rate has firmed slightly, to 1.7% per annum. Negative average forecasts are reported for both the City of London and West End (-0.6% and -0.5% respectively. Locations predicted to exceed the average, include 12 registering growth projections of 2.0% or more (including three forecasts higher than 3.0%). Since May, rates of growth forecast have improved in 19 markets, led by Brussels with an increase of 1.0% (to an average of 2.4% per annum). Of the remainder, only Berlin and Frankfurt have firmed by more than 0.5% (to 3.8% and 2.1%).

Of the eight locations where average forecasts over five years have declined since the May survey, all lie within a range of 0.2% to 0.7% with the central London markets again attracting a weakening in forecaster sentiment.

The only markets unchanged since the last survey are Prague and Paris CBD, maintaining average projections of 1.2% and 1.7% per annum respectively.

Table 1 (Appendix 1) details individual market consensus forecasts for the current survey and six months ago.

## Conclusions

Overall sentiment appears to have improved for the current year, as two-thirds of average market forecasts rose as compared to the May returns. Uncertainty over the outcome of Brexit negotiations continues to exert a negative influence on the central London markets though.

Growth prospects vary considerably between locations, whether in or outside the Eurozone – averages analysed for this survey range by 11.9% from the highest to lowest in the current year. Individual contributors also continue to demonstrate wide differences of opinion, as evidenced by a spread of 2017 growth forecasts for Stockholm in excess of 15.2%.

Across the survey period, 2017 to 2019, expectations are for growth to weaken year-on-year; current forecasts indicate a slow down across the majority of markets in both 2018 and 2019 (23 and 21 respectively lower than the preceding year).

# Appendix 1

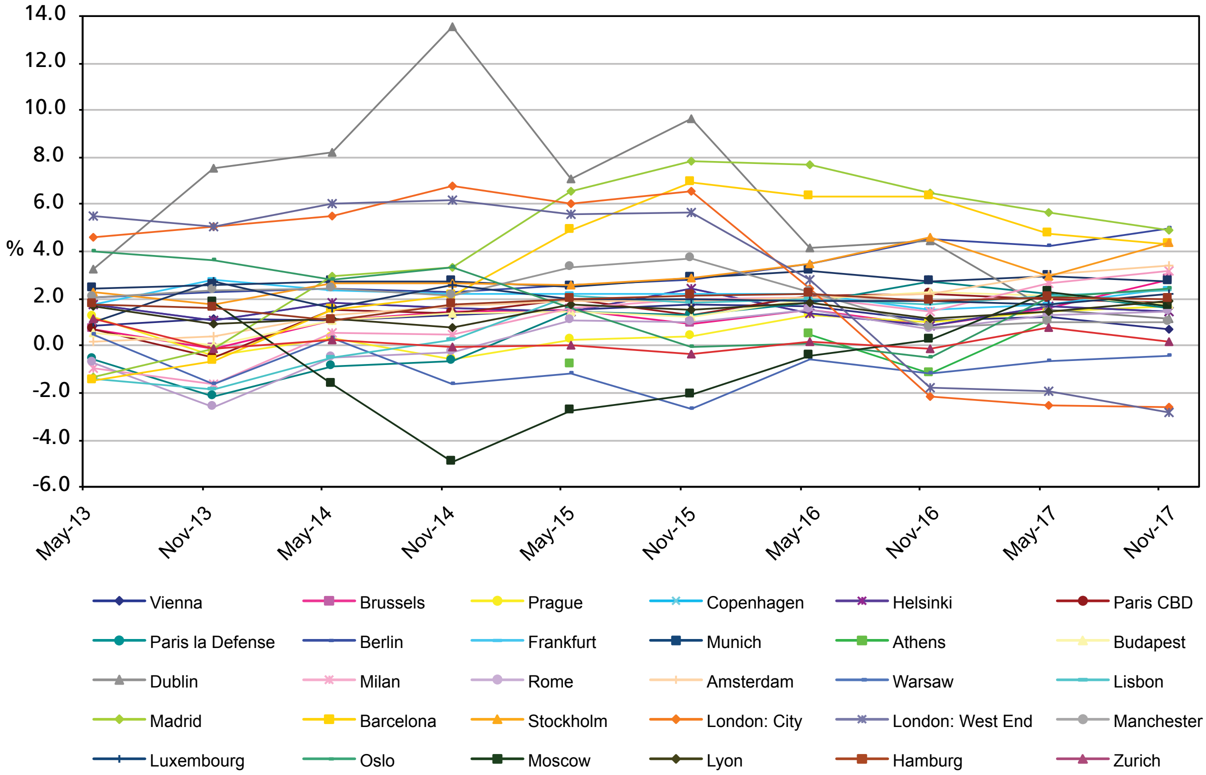
## Mean weighted rental value growth forecasts – October 2017

| | Year weighted average rental growth forecast | | | | | | Rolling 3-year average | | Rolling 5-year average | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2017 | | 2018 | | 2019 | | | | | |
| | Nov. 2017 | May 2017 | Nov. 2017 | May 2017 | Oct. 2017 | May 2017 | Oct. 2017 | May 2017 | Oct. 2017 | May 2017 |
| Vienna | 1.2 | (1.7) | 0.5 | (1.0) | 0.5 | (0.9) | 0.7 | (1.2) | 1.0 | (1.2) |
| Brussels | 6.2 | (2.1) | 1.2 | (1.2) | 1.1 | (1.5) | 2.8 | (1.6) | 2.4 | (1.4) |
| Prague | 3.1 | (2.7) | 1.1 | (1.1) | 0.8 | (0.6) | 1.7 | (1.5) | 1.2 | (1.3) |
| Copenhagen | 2.0 | (1.3) | 1.5 | (1.4) | 1.6 | (1.7) | 1.7 | (1.5) | 1.7 | (1.7) |
| Helsinki | 2.0 | (1.9) | 1.0 | (1.0) | 1.4 | (2.1) | 1.5 | (1.7) | 1.8 | (1.8) |
| Lyon | 3.5 | (1.7) | 0.7 | (0.6) | 1.6 | (1.9) | 1.9 | (1.4) | 1.4 | (1.2) |
| Paris CBD | 2.6 | (2.9) | 1.7 | (1.8) | 1.1 | (1.3) | 1.8 | (2.0) | 1.7 | (1.8) |
| Paris la Défense | 1.8 | (1.8) | 1.9 | (2.4) | 1.2 | (2.3) | 1.6 | (2.2) | 1.4 | (1.8) |
| Berlin | 7.4 | (5.9) | 4.5 | (4.0) | 3.1 | (2.8) | 5.0 | (4.2) | 3.8 | (3.1) |
| Frankfurt | 2.9 | (2.1) | 2.4 | (1.9) | 1.9 | (1.3) | 2.4 | (1.7) | 2.1 | (1.5) |
| Hamburg | 2.7 | (2.2) | 1.8 | (2.1) | 1.4 | (1.7) | 2.0 | (2.0) | 1.8 | (1.6) |
| Munich | 3.3 | (3.6) | 3.0 | (3.1) | 1.8 | (2.1) | 2.7 | (2.9) | 2.2 | (2.1) |
| Athens* | na | (-0.2) | na | (0.9) | na | (2.3) | na | (1.0) | na | (1.9) |
| Budapest | 2.9 | (4.1) | 1.4 | (1.5) | 0.9 | (0.9) | 1.7 | (2.1) | 1.6 | (1.5) |
| Dublin | 2.8 | (4.7) | 1.8 | (1.9) | -1.2 | (-2.0) | 1.1 | (1.5) | 0.1 | (0.3) |
| Milan | 5.9 | (3.4) | 2.1 | (2.4) | 1.6 | (2.1) | 3.2 | (2.6) | 2.2 | (2.0) |
| Rome | 2.3 | (1.4) | 1.1 | (1.3) | 1.0 | (1.2) | 1.5 | (1.3) | 1.3 | (1.1) |
| Luxembourg | 4.7 | (1.9) | 0.9 | (1.6) | 1.0 | (1.7) | 2.2 | (1.7) | 1.7 | (1.5) |
| Amsterdam | 4.8 | (3.9) | 3.5 | (2.8) | 1.9 | (2.4) | 3.4 | (3.0) | 2.8 | (2.5) |
| Oslo | 3.5 | (2.4) | 2.6 | (2.0) | 1.2 | (1.8) | 2.4 | (2.1) | 2.3 | (2.0) |
| Warsaw | -1.0 | (-1.8) | -0.1 | (-0.6) | -0.2 | (0.5) | -0.4 | (-0.6) | 0.4 | (0.8) |
| Lisbon | 3.4 | (2.7) | 1.7 | (1.8) | 2.0 | (1.9)) | 2.3 | (2.1) | 2.2 | (1.9) |
| Moscow | -0.7 | (0.6) | 3.4 | (3.7) | 2.4 | (2.6) | 1.7 | (2.3) | 2.1 | (2.7) |
| Madrid | 6.8 | (8.0) | 5.2 | (6.2) | 2.8 | (2.8) | 4.9 | (5.6) | 3.6 | (3.4) |
| Barcelona | 7.2 | (7.6) | 4.0 | (4.0) | 1.8 | (2.7) | 4.3 | (4.7) | 3.2 | (3.1) |
| Stockholm | 8.6 | (5.2) | 3.6 | (2.3) | 1.2 | (1.3) | 4.4 | (2.9) | 2.7 | (2.3) |
| Zurich | -0.7 | (0.0) | 0.3 | (1.1) | 0.9 | (1.2) | 0.2 | (0.8) | 0.5 | (0.8) |
| London: City | -3.1 | (-3.8) | -3.9 | (-3.7) | -0.8 | (0.0) | -2.6 | (-2.5) | -0.6 | (-1.8) |
| London: West End | -5.9 | (-4.5) | -3.6 | (-2.6) | 1.1 | (1.4) | -2.9 | (-1.9) | -0.5 | (0.2) |
| Manchester | 1.1 | (0.6) | 0.7 | (1.0) | 1.2 | (-7.4) | 1.0 | (-2.0) | 1.2 | (1.2) |

Previous survey figures in brackets
*Fewer than 5 forecasts received for this market

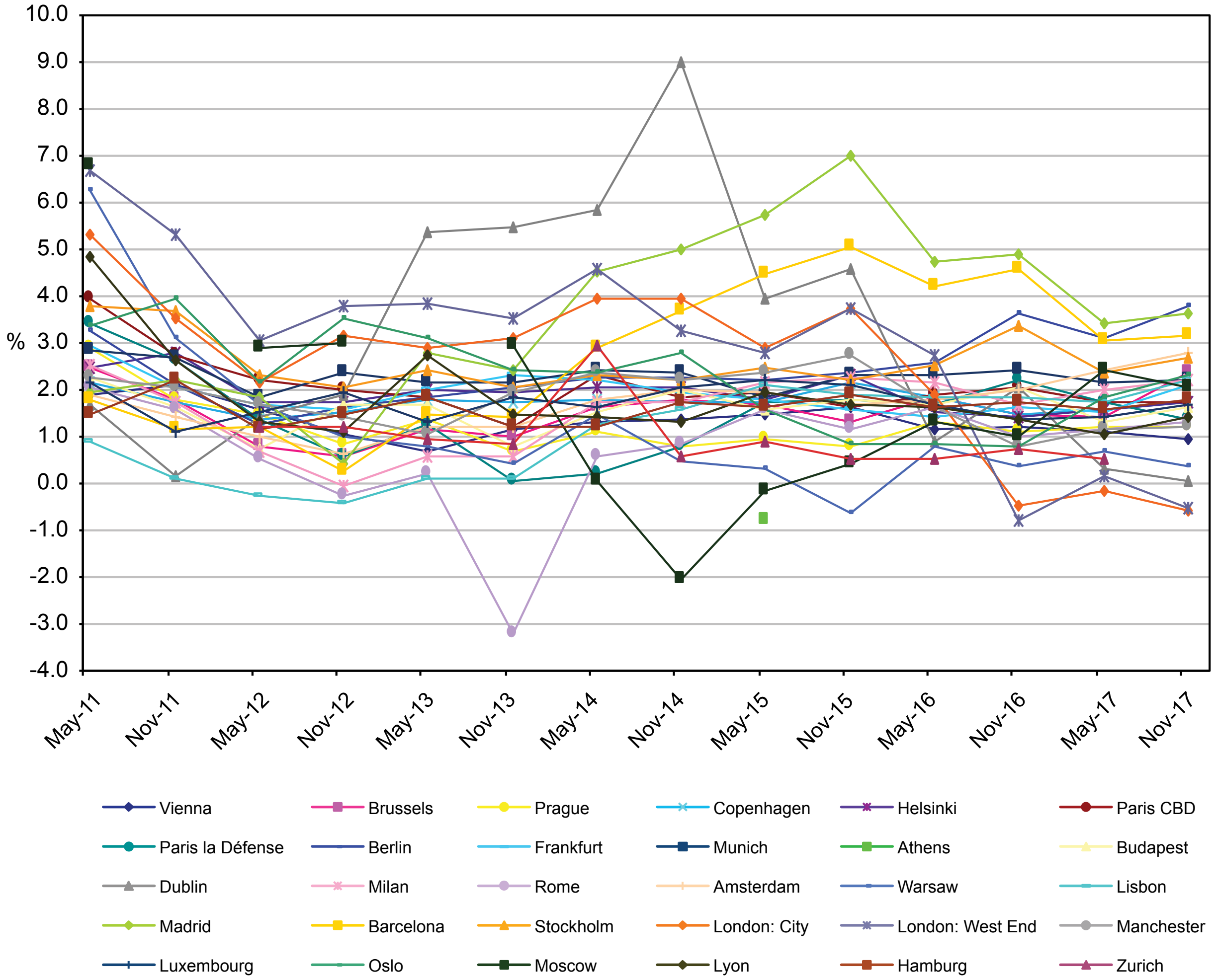
## APPENDIX 2

### Figure 5: Rolling Three-year %age Weighted Average Rental Growth Forecasts



## APPENDIX 3

### Figure 6: Rolling Five-year %age Weighted Average Rental Growth Forecasts



## Acknowledgement and Notes

**Forecast Contributors**

IPF thanks all participants in the survey for contributing rental data to the November 2017 European Consensus Forecasts, comprising the following organisations:

Aberdeen Asset Management, AEW, Aviva Investors, AXA IM – Real Assets, Barings, BNP Paribas Real Estate, Capital Economics, Catella, CBRE, CBRE Global Investors, CoStar, Cushman & Wakefield, Danish Property Federation, Deutsche Asset Management, Grosvenor, Invesco, JLL, Rockspring PIM and Standard Life Investments.

## Notes

The IPF European Consensus Forecasts survey currently focuses on office rental value growth in major cities. It is not possible to assemble sufficient forecasts of all sectors across all European countries to produce a meaningful consensus of views, although our ambition is to extend and improve the scope of the survey.

In addition to the rental value forecasts, we run a consensus survey of forecast IPD European total returns by sector. The samples provided for this survey were once again insufficient to permit publication, as fewer than five forecasts were received for each sector/territory. We aim to produce a full release of this data at a future date, once the number of responses has grown to five or more.

**Data**

This latest survey collected prime office rental forecasts for 30 centres for the calendar years 2017, 2018 and 2019. We request a three-year average forecast for 2017-2019 where individual years are not available, as well as a five-year average for 2017-2021. The survey requested both the percentage annual rental growth rates and also the year-end rent levels. The growth forecasts provided by each organisation are analysed to provide weighted average ('consensus') figures for each market. Figures are only aggregated and reported for office markets for which a minimum of **five** contributions are received.

The **definition of market rent** used in the survey is **"achievable prime rental values for city centre offices, based on buildings of representative size with representative lease terms for modern structures in the best location." Prime** in this case **does not mean headline** rents taken from individual buildings but, rather, rental levels based on market evidence, which can be replicated. All figures included in the survey are required to have been generated by formal forecasting models. This report is based on contributions from 16 different organisations (fund/investment management houses and property advisors).

Consensus forecasts further the objective of the Investment Property Forum to enhance the understanding and efficiency of the property market. The IPF is extremely grateful for the support those organisations that contribute to this publication, which is only possible thanks to the provision of individual forecasts.

The IPF welcomes new contributors for future surveys, so that the coverage of the market can be widened. If your organisation wishes to contribute to future surveys, please contact Pam Craddock, IPF Research Director at pcraddock@ipf.org.uk, tel. +44 (0)20 7194 7925.

Contributors receive a more detailed set of statistical outputs than those shown in Appendix 1 – for each office centre, the sample size, median and range of rental values are also provided.

## Acknowledgement and Notes

IPF Research

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

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

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