IPF Research

Investment Property Forum
UK Consensus Forecasts

Winter 2018/19

COMMISSIONED BY THE IPF RESEARCH PROGRAMME

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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 Winter 2018/2019 Survey of Independent Forecasts for UK Commercial Property Investment – February 2019

27 organisations contributed data for the first survey of 2019, with forecasts dating from late November. The challenges faced by UK retail are reflected in worsening rental and capital value growth forecasts for each of the next three years, compared to the outlook three months ago. Contributor expectations that 2019 will mark the bottom of the property market, with a gradual recovery over the following four years have been maintained. Other key results include:

All Property performance dragged down by retail woes in 2019

- For the first time since November 2012, the **All Property rental growth** forecast has turned negative, lying **marginally below zero**, despite expectations for Office rents to stabilise at 0.0% (-0.3% previously) and continued buoyancy in the Industrial market (2.9% growth forecast), these are insufficient to counter further declines in retail forecasts, falling by up to 130 bps in the case of Shopping Centres.
- Declines in retail capital value forecasts have been substantial, although averages of between -5.3%
- (Standard Retail) and -8.2% (Shopping Centres) disguise considerable variation between contributors, by type as well as individually. The **All Property capital growth** forecast has fallen by over 60 bps, from -1.7% in November to **-2.3%**, with the **All Property total return** now **2.4%**, from 3.0% last quarter.

2020 outlook steady

- Whilst next year's **All Property rental growth** forecast weakened to 0.2%, from 0.5% in November, quarterly changes in average **capital value growth** and **total return** are virtually unchanged, at **-1.2%** and **3.5%** respectively.
- At the sector level, again retail rents are expected to deteriorate further, averaging falls of around 80 bps in each of the three sub-markets. Whilst growth projections for Industrial and Office rents are unchanged, capital growth averages are expected to improve (by almost 80 bps for Industrials, to 1.3%, and nearly 30 bps for Offices, to -1.5% from -1.8%). Forecasts for retail capital growth have weakened – an average decline of 4.7% for Shopping Centre, from -3.2%, and 3.5% for Retail Warehouses, from -1.9%.

Retail recovery unlikely in near-term

- Whilst Office and Industrial average rental growth forecasts for 2021 and 2022 are virtually unchanged from the last survey, retail sector growth rates have continued to lose ground. **2021 rental value** growth forecasts fell to -0.6% (Shopping Centres) with Standard Retail, at best, 0.0%, resulting in a **0.9% All Property average** compared to 1.1% previously. Whilst retail **capital growth** rate projections continued to weaken over the previous quarter's forecasts, improving averages for Offices (0.1%) and Industrial (1.0%) resulted in an **All Property average** of **0.0%** and the **2021 average total return** now stands at **4.9%**.
- Sentiment for **2022 rental growth also** weakened across all retail markets, as the **All Property average fell to 1.3%** (from 1.4%). Average sector capital growth prospects were more consistent, with improvements of between 17 bps for Retail Warehouses and 66 bps for Offices, to give an **All Property capital value average** of **0.7%** (0.3% previously). The **2022 All Property total return** is now **5.5%**, from **5.2%**.
- All **2023** sector **rental growth** forecasts improve on the 2022 averages, to produce an **All Property average** of **1.4%**. Increases in capital growth projections are confined to Standard Retail, to give a **All Property average capital growth** rate only marginally higher than 2022, at **1.0%**, and a **total return** of **5.8%**.

Five-year averages broadly unaltered

- The substitution of 2018 forecasts by relatively similar 2023 projections had a limited impact on the rolling five-year averages. At **0.8% per annum**, the **All Property rental value growth** rate is unchanged, whilst the annualised **capital growth** projection of -0.3% is also unaffected. Although the **implied income return** has fallen slightly, to **4.8%**, the **All Property total return** average now lies at **4.4% per annum** (from 4.5% in November).

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	0.0	0.3	1.3	1.1	-1.8	-1.5	0.1	-0.3	2.5	2.8	4.4	4.2
Industrial	2.9	2.2	2.0	2.1	2.9	1.3	1.0	1.5	7.6	6.1	5.6	6.2
Standard Retail	-2.0	-1.0	0.0	-0.3	-5.3	-3.0	-0.5	-1.5	-1.1	1.5	4.1	2.9
Shopping Centre	-2.8	-1.7	-0.6	-0.9	-8.2	-4.7	-1.8	-3.1	-3.4	0.6	3.7	2.1
Retail Warehouse	-2.1	-1.2	-0.4	-0.5	-6.5	-3.5	-1.1	-2.1	-1.0	2.3	5.0	3.8
All Property	**0.0**	**0.2**	**0.9**	**0.8**	**-2.3**	**-1.2**	**0.0**	**-0.3**	**2.4**	**3.5**	**4.9**	**4.4**
West End office	-0.2	0.3	1.5	1.4	-1.7	-1.5	0.6	0.3	1.5	2.1	4.3	3.9
City office	-0.9	-0.2	1.5	0.9	-2.0	-1.6	0.7	-0.3	1.7	2.4	4.8	3.8
Office (all)	0.0	0.3	1.3	1.1	-1.8	-1.5	0.1	-0.3	2.5	2.8	4.4	4.2

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
December (3)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
January (9)	0.0	0.3	0.9	0.9	-2.7	-1.4	0.1	-0.6	2.0	3.4	5.0	4.2
February (14)	0.0	0.2	0.9	0.7	-2.3	-1.1	0.2	0.0	2.6	3.6	5.0	4.8
All Property (27)	**0.0**	**0.2**	**0.9**	**0.8**	**-2.3**	**-1.2**	**0.0**	**-0.3**	**2.4**	**3.5**	**4.9**	**4.4**

One forecast was generated in late November.

Survey contributors

There were 27 contributors to this quarter's forecasts, comprising 12 Property Advisors and Research Consultancies, 12 Fund Managers and three Others. Full All Property forecasts for all periods were received from 23 contributors; four contributors have yet to produce forecasts for 2023.

Full sector forecasts were received from 21 contributors, including full West End and City sub-office sector forecasts. All forecasts were generated within 12 weeks of the survey date (13 February 2019). 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.

Economic background

UK economic growth slowed to 0.2% in Quarter 4 2018 (October to December), according to the latest ONS release[1], slightly below the latest Bank of England forecast, resulting in the lowest annual increase in gross domestic product (GDP) for six years. Growth was driven by professional, scientific, administration and support services within the services sector, with demand having been more resilient than expected in sectors such as commercial property, recruitment and business advisory services. Production and construction both contributing negatively: production output fell by 1.1% (its largest decline for six years), including a 0.9% fall in manufacturing output. Following two consecutive quarters of growth, construction output fell by 0.3% in the final quarter of 2018.

In terms of public sector finances[2], public sector net borrowing (excluding public sector banks) in January 2019 showed a surplus of £14.9 billion, £5.6 billion higher than a year ago and the largest January surplus since records began in 1993. In the current financial year-to-date (April 2018 to January 2019) PSB net borrowing (excluding public sector banks) was £21.2 billion, £18.5 billion less for the same period last year and the lowest YTD since 2001. Public sector net debt[3] as at the end of December 2018 was £1,782.1 billion (or 82.6% of GDP), an increase of £40.5 billion (or a decrease of 0.8%) over 12 months.

The Bank of England Monetary Policy Committee (MPC), at its meeting ending on 6 February 2019, voted unanimously to maintain both Bank Rate at 0.75% and the stock of sterling non-financial investment-grade corporate bond purchases (financed by the issuance of central bank reserves) at £10 billion, as well as the stock of UK government bond purchases, financed by the issuance of central bank reserves, at £435 billion. Summarising the most recent Inflation Report[4], against a backdrop of slowing global economic growth, a reflection of past tightening in global financial conditions and the initial impact of trade tensions on business sentiment, the Bank noted the slowing in UK economic growth in late 2018 and apparent further weakening in early 2019 are mainly due to softer activity overseas and greater Brexit uncertainties affecting domestic markets.

The 12-month inflation rate, as measured by both the Consumer Prices Index (CPI) and including owner-occupier housing costs (CPIH), was 1.8% in January[5], down from 2.1% and 2.0% respectively a month earlier. Downward pressure came from electricity, gas and other fuels, with prices overall falling between December 2018 and January 2019 compared with price rises the same time a year ago, although partially offset by air fare prices falling over this period by less than a year ago.

The ONS estimated[6] 32.6 million people in work, 167,000 more compared with July to September 2018 and 444,000 more than for a year earlier. This represents an employment rate of 75.8% for people aged 16 to 64 in work, which is higher than 12 months ago (75.2%). 1.36 million people were not in work but seeking and available to work; this is 14,000 fewer than for the quarter to September 2018 but 43,000 fewer than for a year earlier. The current level of unemployment is 4.1%. The number of economically inactive aged 16 to 64 years (i.e. not working and not seeking or available to work) has risen to 8.74 million (from 8.72 million three months ago) and 100,000 fewer than a year ago. Average weekly earnings in nominal terms increased by 3.4% both excluding and including bonuses. Adjusted for price inflation, the increases were 1.2% and 1.3% respectively.

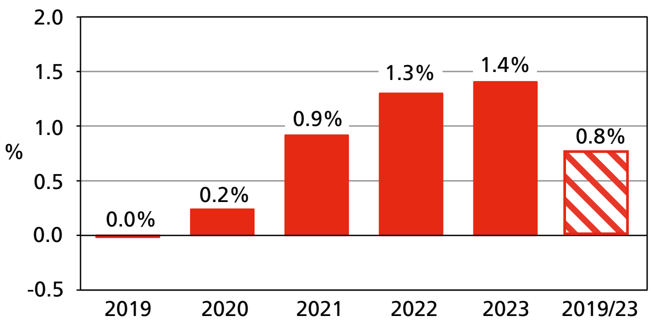
The ONS estimate of retail sales in volume and value terms in the three months to January 2019[7] indicates the quantity of goods purchased rose by 0.7% when compared to the previous period, with the monthly growth rate in January increasing by 1.0% following a decline of 0.7% in December 2018. Year-on-year growth, compared to January 2018, in the quantity bought in January 2019 was 4.2%, with textiles, clothing and footwear showing year-on-year growth at 5.5%.

Online sales as a total of all retailing decreased to 18.8% in January 2019, from the 19.8% reported in December 2018.

[1] ONS: GDP first quarterly estimate, UK: October to December 2018. Release date: 11 February 2019
[2] ONS: Public sector finances, UK: January 2019. Released: 21 February 2019
[3] Excluding public sector banks
[4] Bank of England Inflation Report, February 2019
[5] ONS Consumer price inflation, UK: January 2019. Release date: 13 February 2019
[6] ONS: UK Labour Market Statistics: January 2019. Release date: 19 February 2019
[7] ONS: ONS: Retail Sales, Great Britain: January 2019. Release date: 15 February 2019

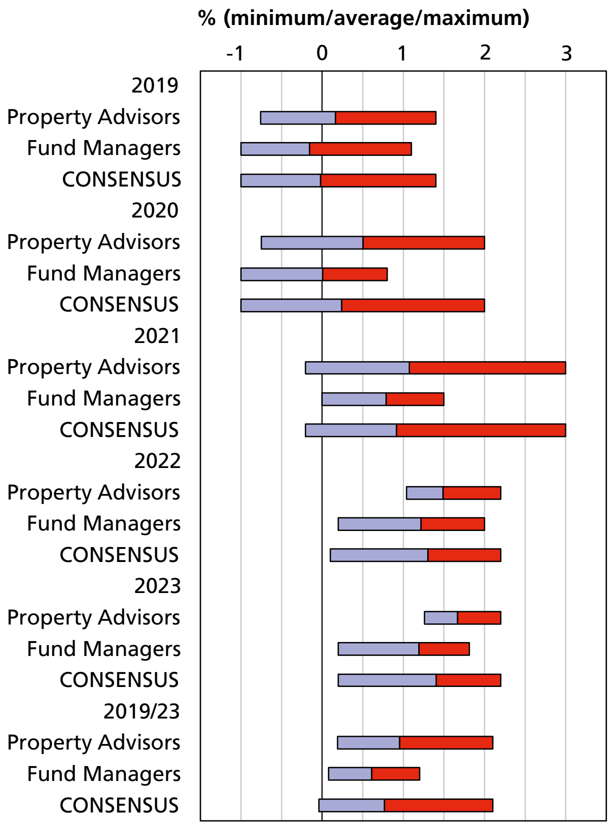
All Property rental value growth forecasts

Yearly average growth forecasts fell over the quarter, with the 2019 projection now lying marginally below 0.0% (from 0.2% in November). Declines of between c. 30 and 15 bps have been recorded in the 2020, 2021 and 2022 averages (down from 0.5%, 1.1% and 1.3% respectively on three months ago).



However, the expectation that current yearly will prove the low point in the current cycle is maintained and, despite the loss of an 2018 All Property growth rate (of 0.8%), the inclusion of the 2023 forecast has helped to maintain the five-year average rental growth rate at 0.8% per annum.

Rental value growth forecasts by contributor



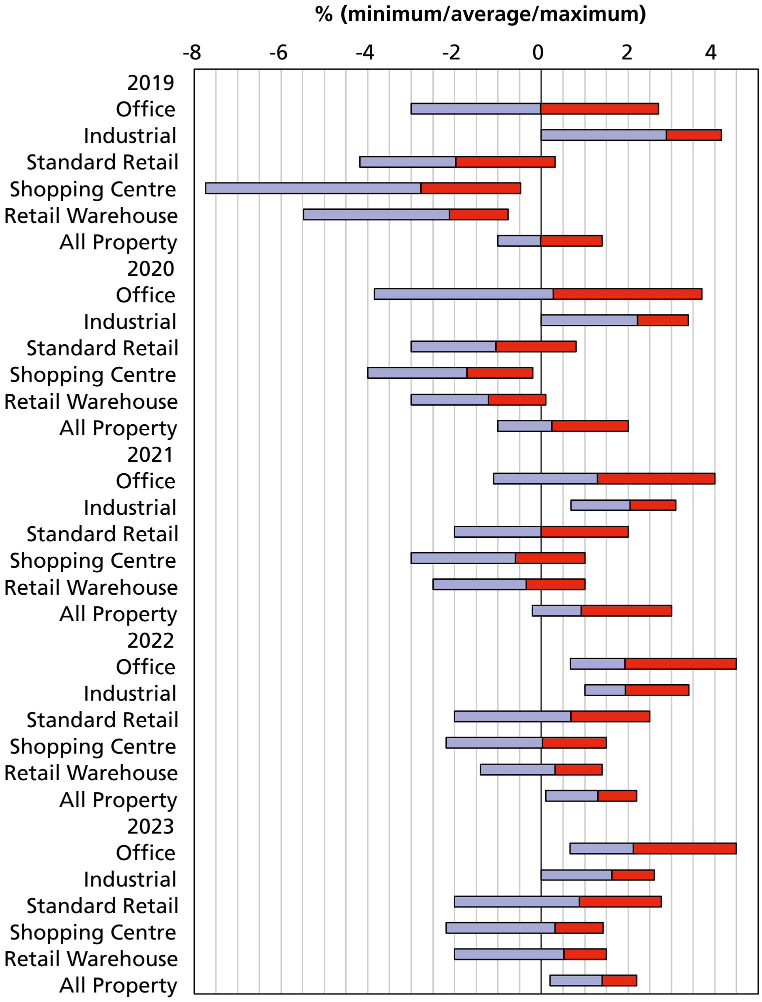
Expectations declined within both sets of contributor across all time periods forecast in November. For 2019, ranges are similar – 2.2% for Property Advisors and 2.1% for Fund Managers. While the latter are now more closely aligned in their views, despite a higher minimum projection (-2.0% last quarter), their average has turned negative, which, in combination with similar sentiment from the three Other participants, is sufficient to reduce the all forecaster average to marginally below zero.

Individual negative forecasts persist in 2020 and 2021, although not representative of the majority of contributors in either group. The highest average decline was recorded by Managers in 2020 (down 35 bps) although the minimum forecast remained -1.0%. Advisor ranges expanded in each of these years (to over 320 bps in 2021) before contracting in 2022 and 2023.

By 2022, all contributors expect a return to positive growth, with Advisors demonstrating a greater optimism than their Manager counterparts (averaging almost 40bps over the five individual forecast years and over 35 bps higher for the five-year annualised average).

N.B. Three 'Other' contributors returned data in addition to the 24 Property Advisors and Fund Managers.

Sector rental value growth annual forecasts



Comparing quarter-on-quarter changes, both 2019 Offices and Industrial averages improved by over 25 bps, to 0.0% and 2.9% respectively, whereas the means for all three retail market fell substantially (over 115 bps on average). The lowest Shopping Centre forecast recorded was -7.7% (by over 450 bps from November) ,whilst the Retail Warehouse minimum fell by 250 bps to -5.0%. In only two instances (from 26 forecasts) were positive growth forecasts received for Standard Retail in the current year, whilst all individual Shopping Centre and Retail Warehouse forecasts were negative.

Average and maximum forecasts for retail markets in each of the remaining forecast years are also lower than three months ago. Shopping Centres attracted the weakest growth projections throughout the five years surveyed, in terms of minima and averages, and only exceeded the Retail Warehouse maximum of 1.4% in 2022.

Average growth rates for Industrial rents remain positive throughout the five years; although weaker year-on-year, sentiment is broadly unchanged from November. Expectations for Office rents rose to over 2.1% by 2023 (compared to 1.6% for Industrials).

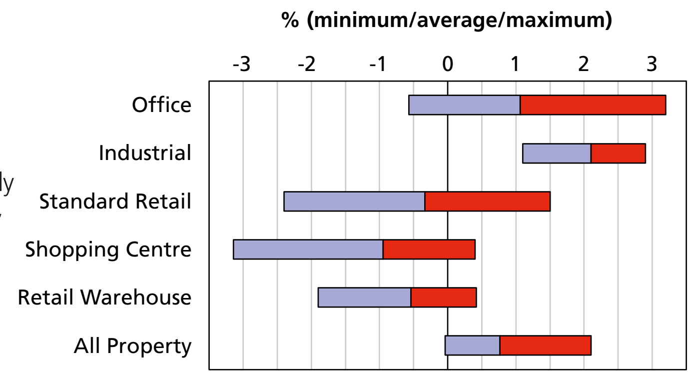
Declining growth in retail has adversely impacted the All Property averages: the 2019 and 2020 means each fell by over 20 bps, and by c. 15 bps in 2021 and 2022.

Sector rental value growth five-year average forecasts

Despite declining expectations for the four years to 2022, the inclusion of a 2023 forecast of 1.4% (in place of the 2018 projection of 0.8%) was sufficient to maintain the annualised All Property rental value growth rate at 0.8%.

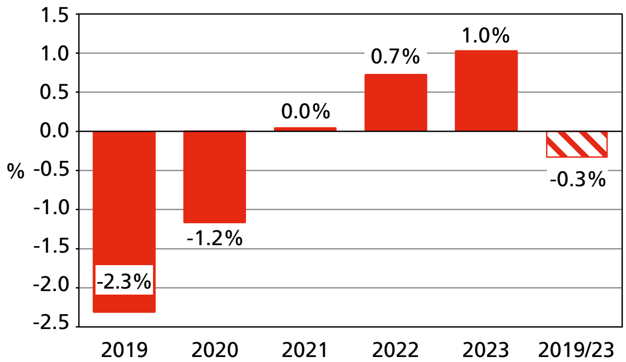
Against this, both the Office and Industrial sectors are likely to outperform, at 1.1% and 2.1% per annum respectively (from 0.8% and 2.6% previously).

The Standard Retail average declined by 35 bps to -0.3%, whilst the Retail Warehouse and Shopping Centre annualised averages fell over 15 bps to -0.5% and -0.9%.



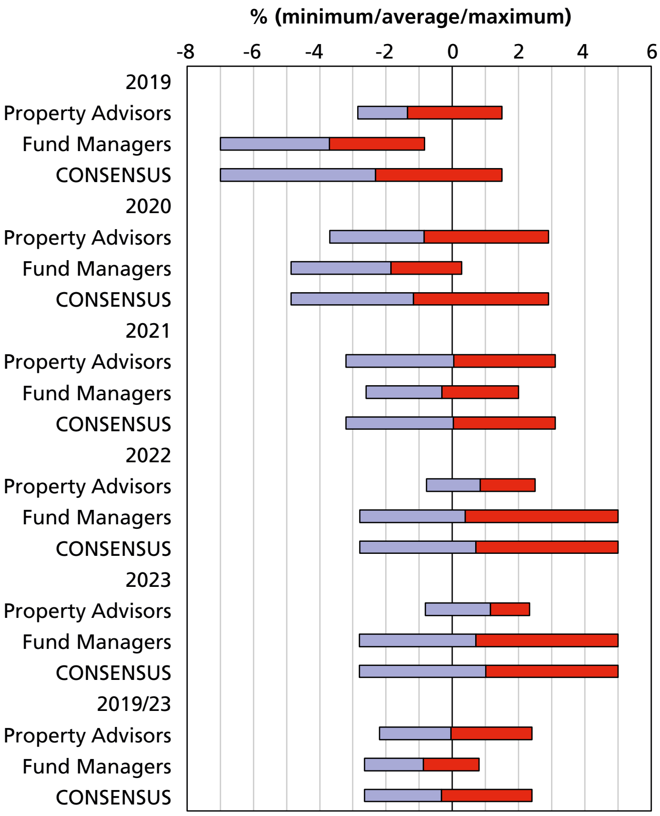
All Property average capital value growth forecasts

2019 capital value growth sentiment continued to weaken over the quarter, having started 2018 at -1.0%. The current average is over 65 bps lower than the -1.7% reported in November. In contrast, however, the 2020 average forecast appears to have stabilised, whilst there have been slight improvements in the 2021 and 2022 projections, from -0.3% and 0.3% previously, although still lower than 12 months ago.



The pattern of modest recovery in capital values continuing into 2023 was not sufficient, however, to alter the five-year rolling average, which remained at -0.3%.

Capital value growth forecasts by contributor



A substantial majority of contributors (25) forecast negative growth in 2019, although Property Advisors are more optimistic than three months ago, with rises in minimum, average and maximum forecasts of between c. 220 bps (to -2.9%) and over 10 bps (to average -1.4%). This contrasts with greater pessimism amongst Fund Managers, with their average falling over 160 bps, to -3.7%, as lowest and highest projections declined from -6.2% and 0.5% in November.

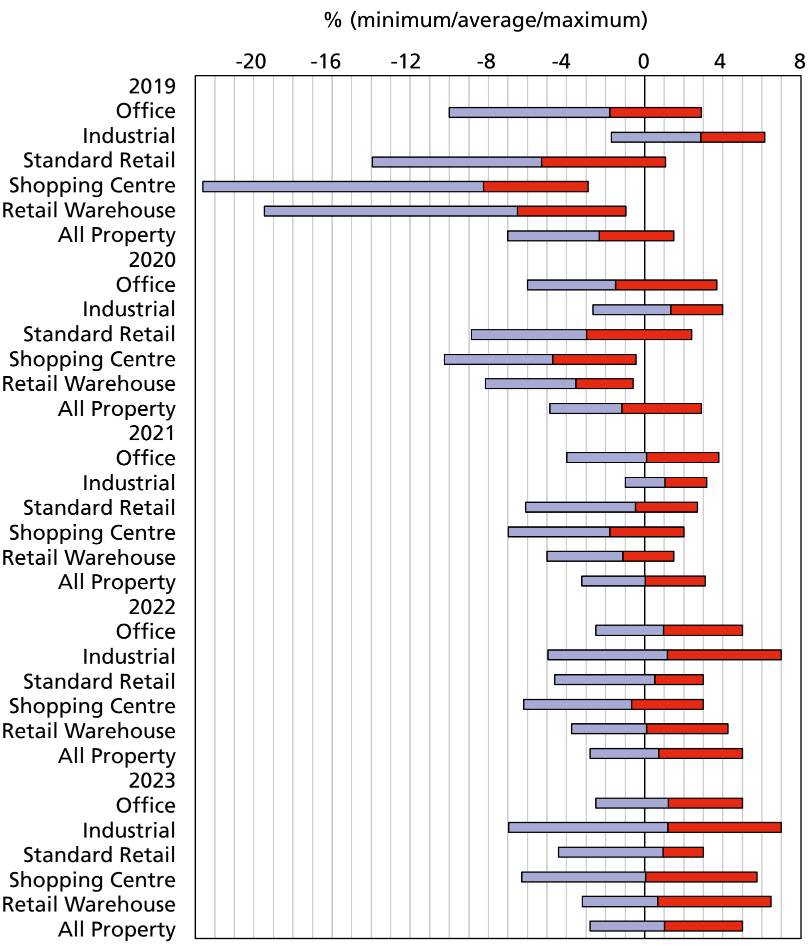
In 2020, all but four contributors' predictions were sub-zero. The range of Advisor forecasts increased, lying between -3.7% and 2.9% to average -0.9%. Conversely, the breadth of Manager forecasts narrowed, as the lowest 2020 prediction rose over 30 bps, whilst the maximum fell over 20 bps, to produce an average of -1.9%.

For 2021 and 2022, lowest and average forecasts within both groups improved over the quarter, resulting in a return to modest positive growth on average by 2022, which carries through into 2023.

The five-year annualised averages remain negative (marginally so in the case of Advisors, at less than 0.0% compared to -0.3% in November), whereas the Manager has fallen to -0.9% from -0.6% previously).

N.B. Three 'Other' contributors returned data in addition to the 24 Property Advisors and Fund Managers.

Sector capital value growth annual forecasts



Opinions of growth prospects across the five years surveyed varied considerably, the most extreme illustration being for Shopping Centres, where a 2019 average of -8.2% lies within a range of -22.6% and -2.9%. Six (of 12) Fund Manager contributors expect double-digit declines in the sector this year, giving this group an average of -10.8%, compared to -5.6% for Advisors, indicating a greater willingness on the part of Managers to take a robust view of pricing in distress in the current market.

Industrials is the only sector projected to deliver positive average growth, of 2.9% in 2019, (an improvement of 15 bps over November); three negative projections contributed to a range of forecasts lying between -1.7% and 6.2%. Industrial growth is expected to slow in subsequent years, however, reaching a 1.0% low on average in 2021.

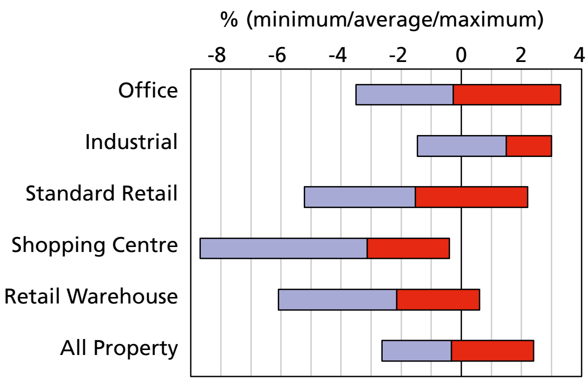
Individual retail sector forecasts for 2020 and 2021 fell over the quarter, although the rate at which capital values are expected to contract continued to reduce year-on-year, returning to positive growth, other than for Shopping Centres, by 2022.

Positive growth is forecast to return to the Office sector by 2021 (0.1%), which may rise to match Industrial growth of 1.2% on average by 2023.

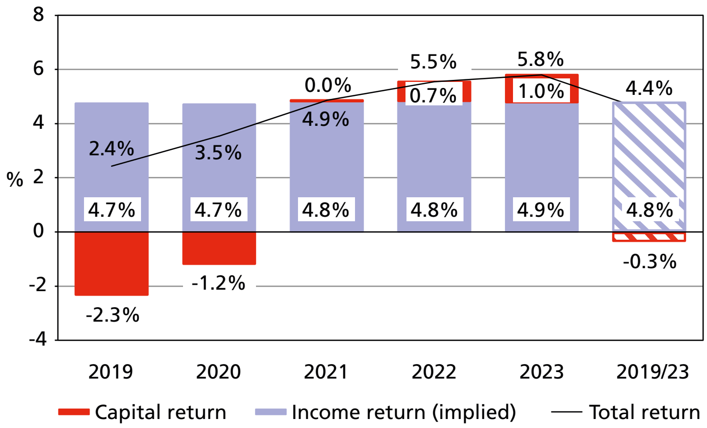
Sector capital value growth five-year forecasts

Industrials, at 1.5% (previously 2.3%) and Offices, marginally over -0.3% (from -0.5%), are projected to out-perform the All Property annualised average of -0.3% (from 0.0% in November). Annualised growth rates for retail sub-markets lie between -1.5% for Standard Retail and -3.1% for Shopping Centres, with Retail Warehouses at -2.1%.

At almost 830 bps, the greatest range of forecasts lies with the Shopping Centres sector, at between -8.7% and -0.4%, followed by Standard Retail (-5.2% to 2.2%).



All Property total return forecasts



The 2019 average All Property total return forecast has fallen almost 60bps since November (previously 3.0%), in response to weakened capital growth expectations. The average for 2020 has held, at 3.5%, due to virtually unaltered capital growth forecasts. From this stabilised position, modest improvement is expected in remaining survey years: the 2021 and 2022 averages rose by over 35 bps and 30 bps over the quarter.

Although implied income returns are broadly unchanged each year, these are lower than February 2018 (when the averages for 2020, 2021 and 2022 were all 5.1%). The introduction of the 2023 forecast has resulted in a barely changed five-year average, which fell from 4.5% as a result of rounding.

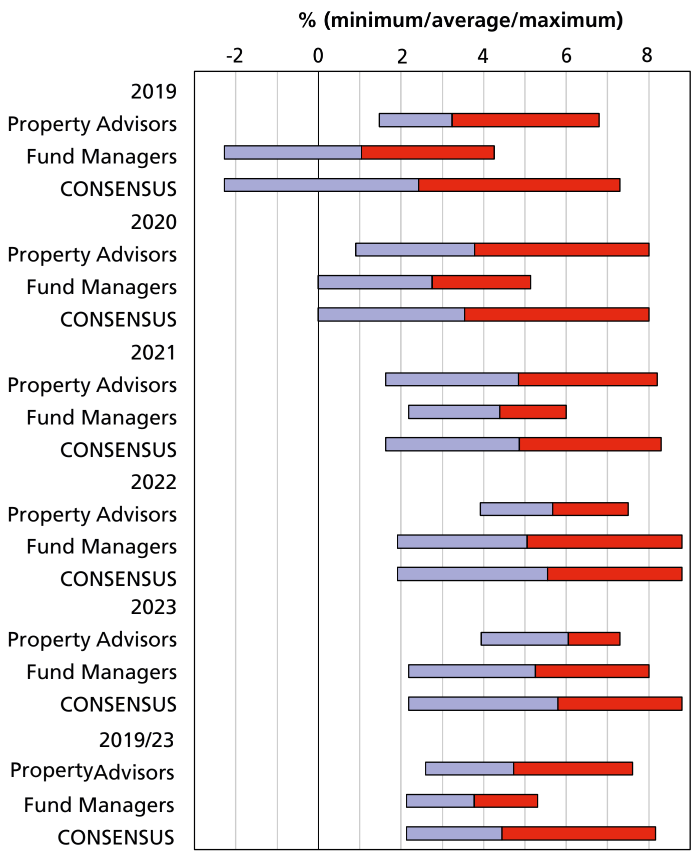
Contributors All Property total return forecasts

Weaker 2019 total return predictions from Fund Managers (including four negative forecasts), to average 1.0% (2.6% previously), countered a slightly improved Property Advisor average of 3.2% to produce a consensus of 2.4%.

For 2020, both sets of forecaster averages softened slightly, although the consensus average remained at 3.5%. In contrast, the 2021 and 2022 overall average projections rose, to 4.9% and 5.5%, from 4.5% and 5.2% in November, accompanied by improved forecasts from both groups of contributor.

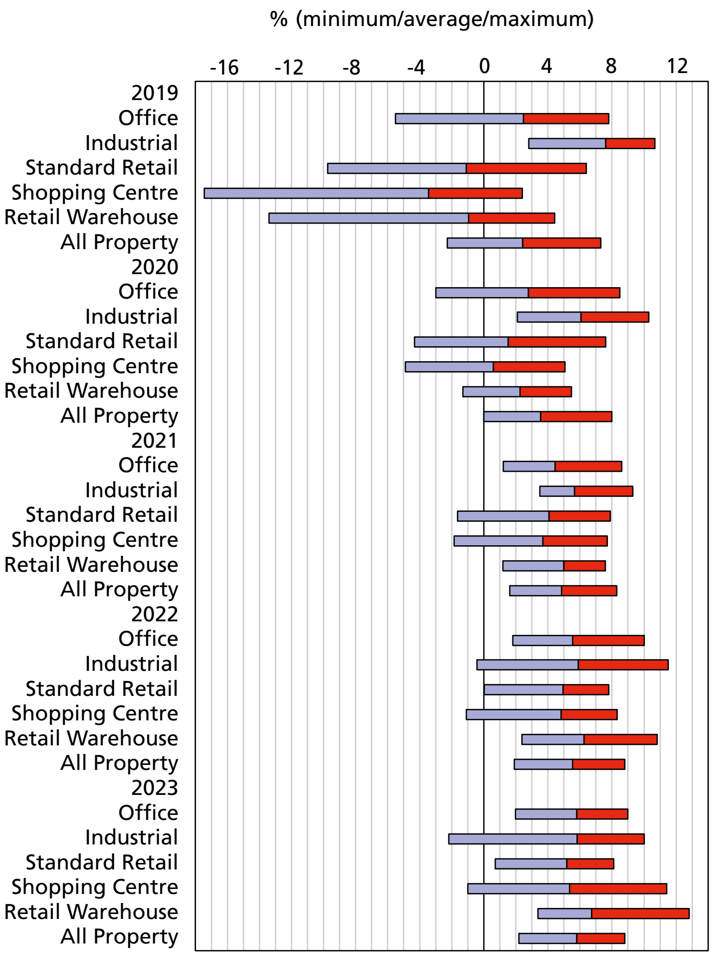
Property Advisor forecast ranges were wider than for Fund Managers in 2020 and 2021, although the pattern of more optimistic Advisor expectations than those of Managers was maintained throughout the survey period.

The five-year annualised average of 4.4% was virtually unchanged, despite the replacement of the 2018 projection (6.2%) by the 2023 forecast of 5.8%. The Advisor average improved slightly (by around 10bps to 4.7%) but fell to 3.8% for Managers (from 4.1% previously).



N.B. Three ‘Other’ contributor returned data in addition to the 24 Property Advisors and Fund Managers.

Sector total return annual forecasts



Expectations for Industrials to continue to outperform other sectors were sustained, with four double-digit forecasts received from 22 contributors, combining to produce a 2019 average of 7.6% (7.4% previously). Offices, at 2.5%, is the only other sector likely to outperform the All Property average this year. 2019 is also notable as a year of negative average total return forecasts: with Standard Retail and Retail Warehouses at -1.1% and -1.0% (from 0.9% and 1.6%), and Shopping Centres, at -3.4% (-0.6%), attracting a range of individual forecasts of between -17.4% and 2.4%.

Retail sector averages may return to positive territory in 2020, although forecast are c. 100 bps lower than last quarter (1.5%, 0.6% and 2.3%, for Standard Retail, Shopping Centres and Retail Warehouse respectively). Whilst Offices may improvement over 2019 (2.8%), the Industrial average return is expected to fall to 6.1% in 2020, reducing further in 2021, to 5.6%, albeit these forecasts are higher than in November.

By 2022, Retail Warehouses, at 6.3%, may outperform both Industrials (5.0%) and Offices (5.5%), against an All Property average of 5.5%, with Standard Retail and Shopping Centres lagging at 5.0% and 4.8%.

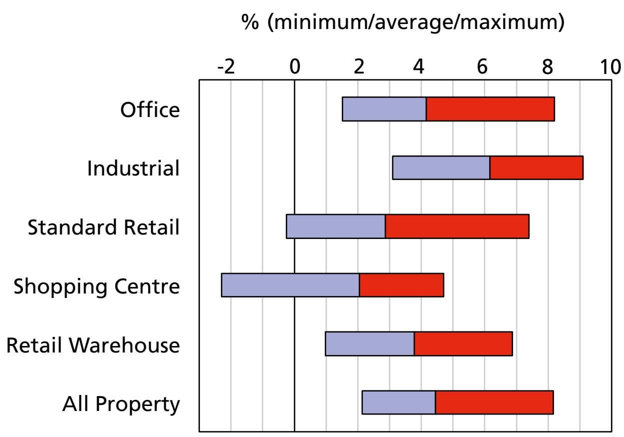
The first set of 2023 forecasts indicate Retail Warehouses as the best performing sector, averaging 6.7% compared to Offices and Industrials at 5.8%.

Sector total return five-year forecasts

Following the replacement of 2018 data with 2023 forecasts, only the Industrial sector, with an annualised average of 6.2%, is projected to outperform All Property, at 4.4% per annum (from 7.5% and 4.5% respectively), with Offices narrowly behind, at 4.4% (from 3.8%).

For retail sub-markets, compared to November 2018, averages are broadly unchanged for Standard Retail and Retail Warehouses (currently 2.9% and 3.8%, from 2.9% and 3.6%), whereas the Shopping Centre average has improved to 2.1% from 1.3% in November.

Forecast ranges increased over the quarter for Offices, Industrials and Standard Retail but narrowed for Shopping Centres, Retail Warehouses and All Property.



Central London offices

With just over a month to go before the UK's exit from the EU, forecasters remain relatively optimistic about the immediate and medium-term prospects for the central London office markets, following a buoyant 2018 for lettings and above average investment volumes transacted.

Rental value growth

Rental growth projections for 2019 firmed slightly over the quarter. Whilst still sub-zero, the rate of decline in both West End and City has slowed, to -0.2% and -0.9% respectively currently (from -0.6% and -1.1%). The range of forecaster opinion spans between an unchanged lower figure of -7.5% (2 contributors) and 2.6% (1.5% previously) for the City and from -3.0% to 2.7% for the West End (from -3.2% to 2.5%), with 10 negative forecasts from the 25 received for the latter market (compared to 14 of 25 City responses).

A return to positive growth in the West End is expected in 2020, with an average projection of 0.3%, although the lowest forecast has fallen to -6.0%, from -3.2% in November. By contrast, whilst the average forecast for City rents has remained -2.0%, the highest forecast has fallen to 2.0% from 4.0% previously.

Consistent with previous reports, in each of the remaining survey years, the average projections for both markets rise and may surpass the wider UK Offices forecast (of 1.3%) by 2021, despite a very small number of contributors predicting negative growth in that year. By 2023, average forecasts lie at 2.9% for the West End and 2.3% for the City, as against 2.1% for UK Offices.

The five-year average growth rates remain very weak however, although the West End improved by almost 50 bps over the quarter, to 1.4% per annum currently, whilst the City average, rose by 30 bps to 0.9%, compared to a UK average of 1.1% (up by over 25 bps).

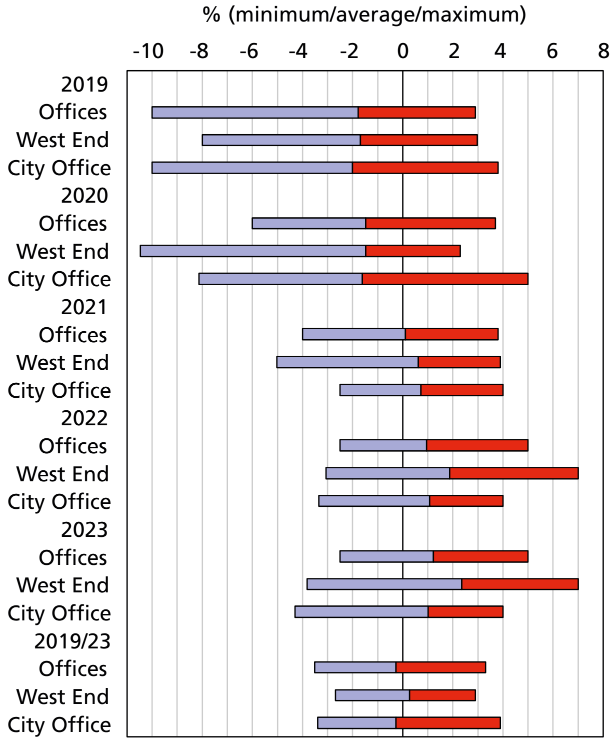
Central London offices (2)

Capital value growth

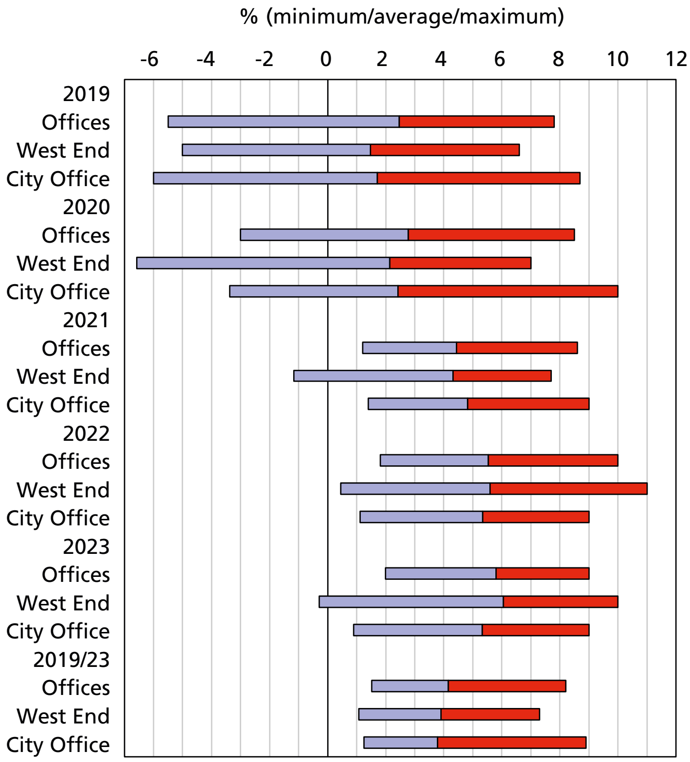
Both 2019 central London average capital value forecasts improved over the quarter, to -1.7% and -2.0% respectively for the West End and City, reflecting increases of over 90 bps and 100 bps (from -2.9% and -3.4% a year ago).

Growth rates in the following three years have improved since November, although further declines are expected until 2020 (of -1.5% and -1.6% on average). Modest positive growth is forecast in 2021, at 0.6% (from 0.4%) in the West End and 0.7% (from 0.2%) in the City – better than a UK Office average of 0.1%. The trend is one of gradually improving forecasts, although the rate of City growth may stall in 2023 (at 1.0% on average against 1.2% for UK Offices). The West End is expected outperform the wider market in each year of the survey from 2021, being projected to rise to an average of 2.4% by 2023.

Five-year annualised growth rates improved over the quarter; the West End forecast rose 55 bps, to 0.3% (-0.3% previously) and for the City by over 25 bps, to -0.3% (from -0.5%).



Total returns



Expected returns for 2019 rose by over 100 bps for each sub-market since November, with averages of 1.5% and 1.7% (compared to 0.5% and 0.4% a year ago). Averages for the subsequent three years also improved. Returns in 2020 (of 2.1% and 2.4% in the West End and City respectively) are still expected to underperform the wider Office market (at 2.8%), although the City Office average may exceed the main UK forecast of 4.4% in 2021 by c. 40 bps (compared to a West End average of 4.3% that year). The gap in performance is predicted to close by 2022, when the three averages lie between 5.6% and 5.3%, potentially improving in 2023 to 6.1% for the West End with the City static at 5.3%, when UK Offices may deliver a 6.8% total return.

Forecast ranges in the first two years of the survey period are more than 10.0% in each market. The closest consensus occurs in 2021 when the maximum and minimum forecasts lie within a span of 7.8%.

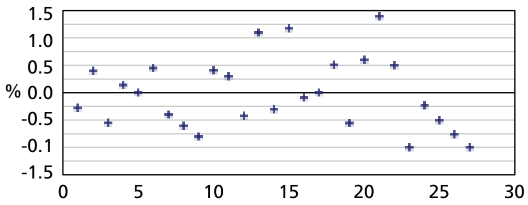
Over the quarter, five-year annualised returns strengthened to 3.9% and 3.8% (from 3.2% and 3.4%), compared to a UK average of 4.2% (3.8% previously).

Distribution of forecasts

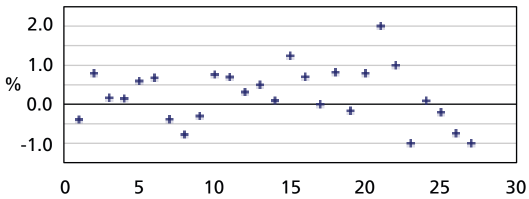
The scatter plots are the individual forecasts for All Property rental value and capital value growth. The contributors are listed in random order so that individual contributions cannot be identified. Previous quarter's forecast (November 2018) in brackets.

Rental value growth (% pa)

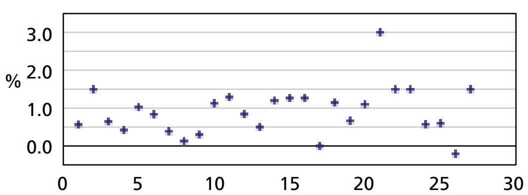
2019 Mean forecast: **0.0%** (0.2%)



2020 Mean forecast: **0.2%** (0.5%)

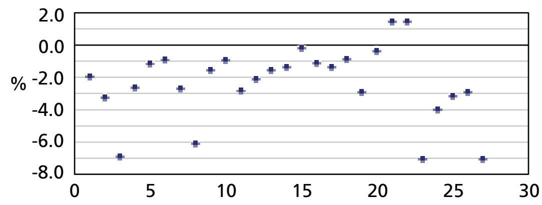


2021 Mean forecast: **0.9%** (1.1%)

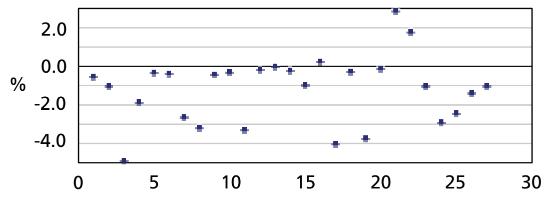


Capital value growth (% pa)

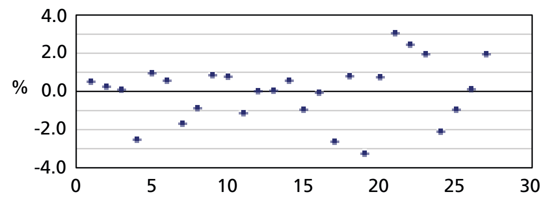
2019 Mean forecast: **-2.3%** (-1.7%)



2020 Mean forecast: **-1.2%** (-1.2%)



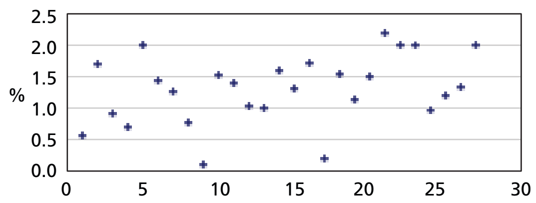
2021 Mean forecast: **0.0%** (-0.3 %)



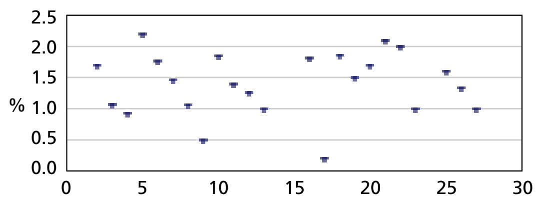
Distribution of forecasts (2)

Rental value growth (% pa)

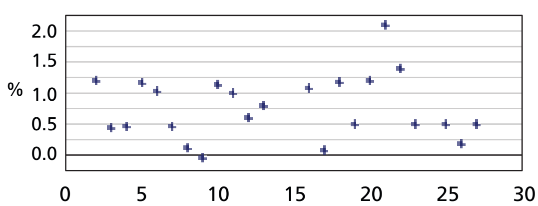
2022 Mean forecast: **1.3%** (1.4%)



2023 Mean forecast: **1.4%** (n/a)

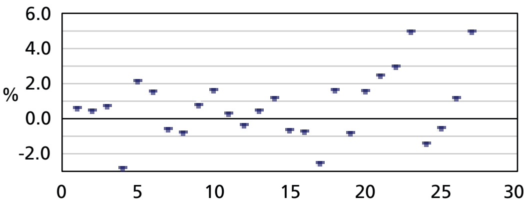


2019/23 Mean forecast: **0.8%** (n/a)

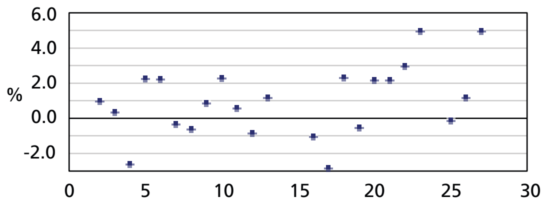


Capital value growth (% pa)

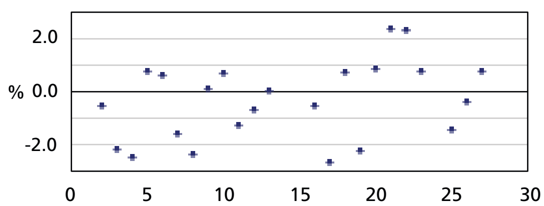
2022 Mean forecast: **0.7%** (0.3%)



2023 Mean forecast: **1.0%** (n/a)



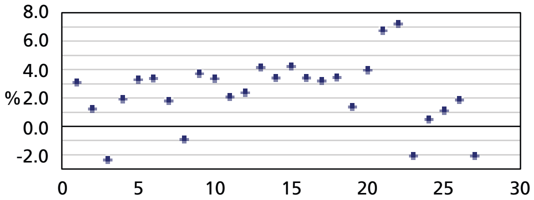
2019/23 Mean forecast: **-0.3%** (n/a)



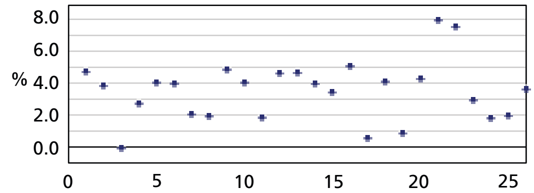
Distribution of forecasts (3)

All Property total returns (% pa)

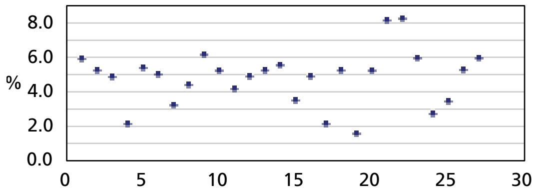
2019 Mean forecast: **2.4%** (3.0%)



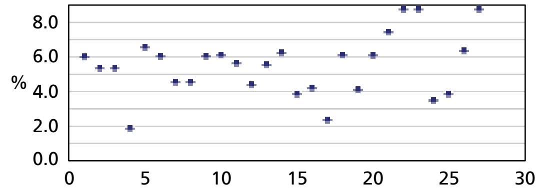
2020 Mean forecast: **3.5%** (3.5 %)



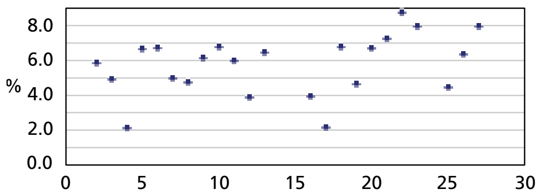
2021 Mean forecast: **4.9%** (4.5%)



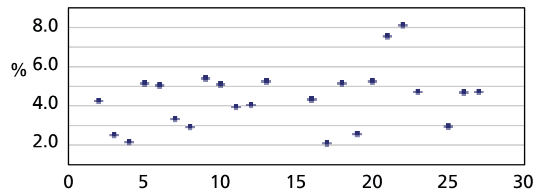
2022 Mean forecast: **5.5%** (5.2%)



2023 Mean forecast: **5.8%** (n/a)



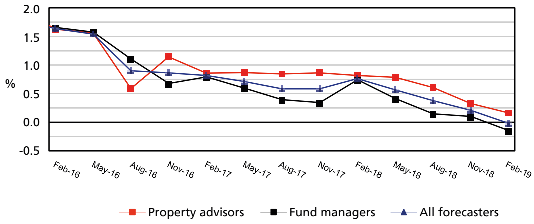
2019/2023 Mean forecast: **4.4%** (n/a)



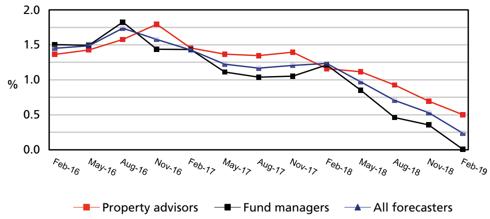
Evolution of the consensus

All Property rental value growth (% pa)

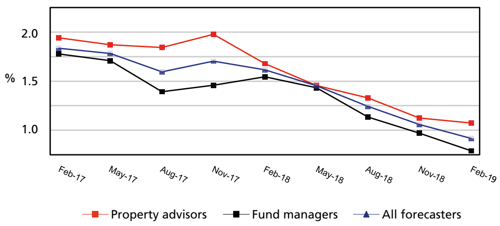
2019 Mean forecast: **0.0%** (0.2%)



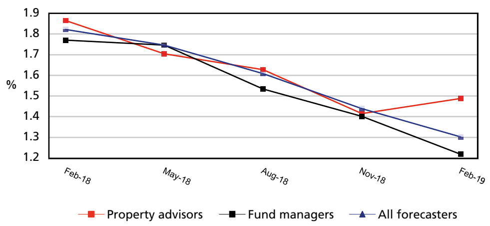
2020 Mean forecast: **0.2%** (0.5%)



2021 Mean forecast: **0.9%** (1.1%)

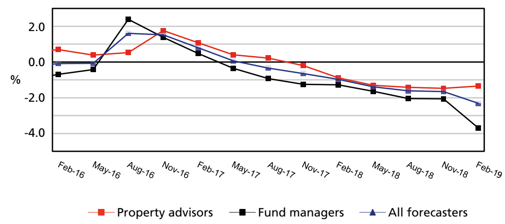


2022 Mean forecast: **1.3%** (1.4%)

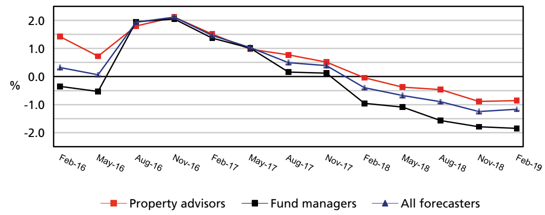


All Property capital value growth (% pa)

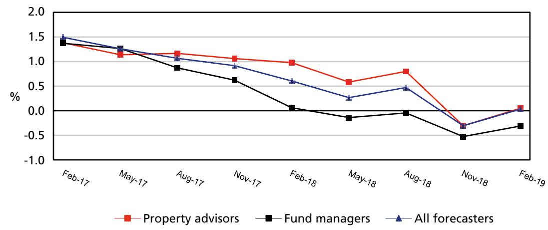
2019 Mean forecast: **-2.3%** (-1.7%)



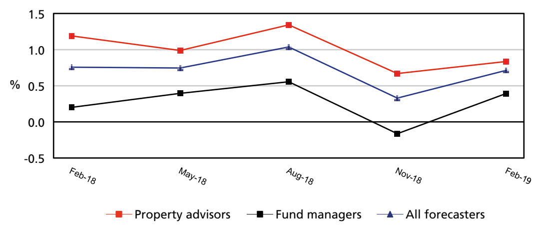
2020 Mean forecast: **-1.2%** (-1.2%)



2021 Mean forecast: **0.0%** (-0.3%)



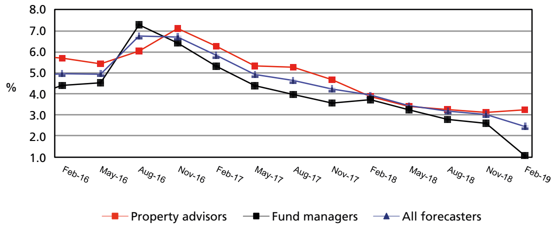
2022 Mean forecast: **0.7%** (0.3%)



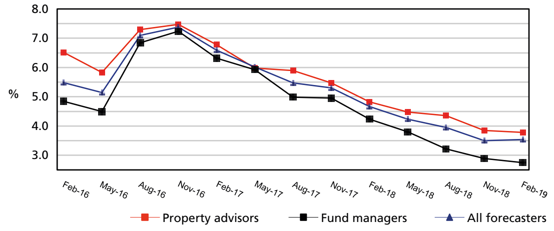
Evolution of the consensus (2)

All Property total returns (% pa)

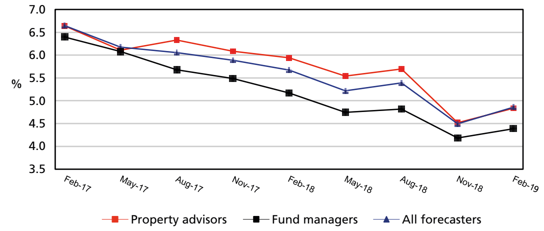
2019 Mean forecast: **2.4%** (3.0%)



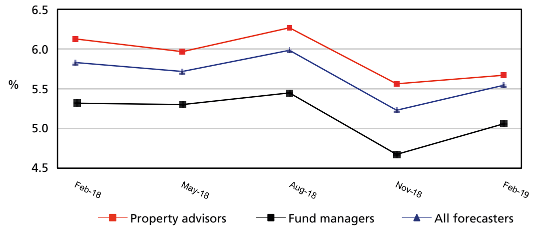
2020 Mean forecast: **3.5%** (3.5%)



2021 Mean forecast: **4.9%** (4.5%)



2022 Mean forecast: **5.5%** (5.2%)



All Property survey results by contributor type

(Forecasts in brackets are November 2018 comparisons)

Property Advisors and Research Consultancies

12 (13)	Rental value growth (%)						Capital value growth (%)						Total return (%)					
contributors	2019		2020		2018/23*		2019		2020		2018/23*		2019		2020		2018/23*	
Maximum	1.1	(1.4)	0.8	(1.9)	1.2	(n/a)	-0.8	(0.8)	0.3	(0.5)	0.8	(n/a)	4.3	(5.6)	5.1	(5.5)	5.3	(n/a)
Minimum	-1.0	(-2.0)	-1.0	(-1.0)	0.1	(n/a)	-7.0	(-6.2)	-4.9	(-5.2)	-2.6	(n/a)	-2.3	(-2.0)	0.0	(-0.4)	2.1	(n/a)
Range	2.1	(3.4)	1.8	(2.9)	1.1	(n/a)	6.2	(7.0)	5.1	(5.7)	3.4	(n/a)	6.5	(7.6)	5.1	(5.9)	3.2	(n/a)
Median	-0.2	(0.0)	0.1	(0.3)	0.5	(n/a)	-3.2	(-2.3)	-1.4	(-1.9)	-0.5	(n/a)	1.3	(2.5)	2.9	(2.6)	4.3	(n/a)
Mean	**-0.2**	**(0.1)**	**0.0**	**(0.4)**	**0.6**	**(n/a)**	**-3.7**	**(-2.1)**	**-1.9**	**(-1.8)**	**-0.9**	**(n/a)**	**1.0**	**(2.6)**	**2.7**	**(2.9)**	**3.8**	**(n/a)**

Fund Managers

12 (11)	Rental value growth (%)						Capital value growth (%)						Total return (%)					
contributors	2019		2020		2018/23*		2019		2020		2018/23*		2019		2020		2018/23*	
Maximum	1.4	(1.5)	2.0	(1.6)	2.1	(n/a)	1.5	(0.9)	2.9	(0.7)	2.4	(n/a)	6.8	(5.4)	8.0	(5.8)	7.6	(n/a)
Minimum	-0.8	(-0.3)	-0.7	(0.0)	0.2	(n/a)	-2.9	(-5.0)	-3.7	(-4.6)	-2.2	(n/a)	1.5	(-0.2)	0.9	(-0.3)	2.6	(n/a)
Range	2.2	(1.8)	2.7	(1.6)	1.9	(n/a)	4.4	(5.9)	6.6	(5.3)	4.6	(n/a)	5.3	(5.6)	7.1	(6.1)	5.0	(n/a)
Median	0.2	(0.3)	0.6	(0.9)	1.1	(n/a)	-1.2	(-1.2)	-0.3	(-0.2)	0.2	(n/a)	3.4	(3.3)	4.0	(4.5)	4.9	(n/a)
Mean	**0.2**	**(0.3)**	**0.5**	**(0.7)**	**1.0**	**(n/a)**	**-1.4**	**(-1.5)**	**-0.9**	**(-0.9)**	**0.0**	**(n/a)**	**3.2**	**(3.1)**	**3.8**	**(3.8)**	**4.7**	**(n/a)**

All Property forecasters

27 (25)	Rental value growth (%)						Capital value growth (%)						Total return (%)					
contributors	2019		2020		2018/23*		2019		2020		2018/23*		2019		2020		2018/23*	
Maximum	1.4	(1.5)	2.0	(1.9)	2.1	(n/a)	1.5	(1.5)	2.9	(1.8)	2.4	(n/a)	7.3	(7.3)	8.0	(7.6)	8.2	(n/a)
Minimum	-1.0	(-2.0)	-1.0	(-1.0)	0.0	(n/a)	-7.0	(-6.2)	-4.9	(-5.2)	-2.6	(n/a)	-2.3	(-2.0)	0.0	(-0.4)	2.1	(n/a)
Range	2.4	(3.5)	3.0	(2.9)	2.1	(n/a)	8.5	(7.7)	7.8	(7.0)	5.0	(n/a)	9.6	(9.3)	8.0	(8.0)	6.0	(n/a)
Std. Dev.	0.6	(0.7)	0.7	(0.6)	0.5	(n/a)	2.2	(1.8)	1.7	(1.7)	1.4	(n/a)	2.3	(2.0)	1.8	(1.9)	1.5	(n/a)
Median	-0.1	(0.2)	0.2	(0.4)	0.6	(n/a)	-1.9	(-1.6)	-0.9	(-0.4)	-0.3	(n/a)	3.2	(3.2)	3.9	(4.1)	4.7	(n/a)
Mean	**0.0**	**(0.2)**	**0.2**	**(0.5)**	**0.8**	**(n/a)**	**-2.3**	**(-1.7)**	**-1.2**	**(-1.2)**	**-0.3**	**(n/a)**	**2.4**	**(3.0)**	**3.5**	**(3.5)**	**4.4**	**(n/a)**

*Some contributors have yet to produce forecast for 2023; accordingly, the number of annualised five-year averages are based on four fewer sets of data.

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 (13 February 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 contributed by 23 participants for each performance measure over all periods. Full sector forecasts were received from 21 contributors (including for central London offices).

Survey results by sector

Office

26 contributors	Rental value growth (%)				Capital value growth (%)				Total return (%)			
	2019	2020	2021	2019/23	2019	2020	2021	2019/23	2019	2020	2021	2019/23
Maximum	2.7	3.7	4.0	3.2	2.9	3.7	3.8	3.3	7.8	8.5	8.6	8.2
Minimum	-3.0	-3.9	-1.1	-0.6	-10.0	-6.0	-4.0	-3.5	-5.5	-3.0	1.2	1.5
Range	5.7	7.6	5.1	3.8	12.9	9.7	7.8	6.8	13.3	11.5	7.4	6.7
Median	0.2	0.6	1.3	1.0	-0.7	-0.9	0.2	-0.7	3.6	3.4	4.7	3.8
Mean	**0.0**	**0.3**	**1.3**	**1.1**	**-1.8**	**-1.5**	**0.1**	**-0.3**	**2.5**	**2.8**	**4.4**	**4.2**

Industrial

26 contributors	Rental value growth (%)				Capital value growth (%)				Total return (%)			
	2019	2020	2021	2019/23	2019	2020	2021	2019/23	2019	2020	2021	2019/23
Maximum	4.2	3.4	3.1	2.9	6.2	4.0	3.2	3.0	10.7	10.3	9.3	9.1
Minimum	0.0	0.0	0.7	1.1	-1.7	-2.6	-1.0	-1.5	2.8	2.1	3.5	3.1
Range	4.2	3.4	2.4	1.8	7.9	6.6	4.1	4.5	7.9	8.2	5.8	6.0
Median	2.9	2.5	2.1	2.2	3.0	1.7	1.3	2.1	7.4	6.0	5.6	6.5
Mean	**2.9**	**2.2**	**2.0**	**2.1**	**2.9**	**1.3**	**1.0**	**1.5**	**7.6**	**6.1**	**5.6**	**6.2**

Standard Retail

26 contributors	Rental value growth (%)				Capital value growth (%)				Total return (%)			
	2019	2020	2021	2019/23	2019	2020	2021	2019/23	2019	2020	2021	2019/23
Maximum	0.3	0.8	2.0	1.5	1.1	2.4	2.7	2.2	6.4	7.6	7.9	7.4
Minimum	-4.2	-3.0	-2.0	-2.4	-13.9	-8.9	-6.1	-5.2	-9.7	-4.3	-1.6	-0.2
Range	4.5	3.8	4.0	3.9	15.0	11.3	8.8	7.4	16.1	11.9	9.5	7.6
Median	-2.0	-1.1	0.0	-0.4	-5.0	-2.6	0.3	-1.0	-1.0	1.5	4.5	3.1
Mean	**-2.0**	**-1.0**	**0.0**	**-0.3**	**-5.3**	**-3.0**	**-0.5**	**-1.5**	**-1.1**	**1.5**	**4.1**	**2.9**

Shopping Centre

25 contributors	Rental value growth (%)				Capital value growth (%)				Total return (%)			
	2019	2020	2021	2019/23	2019	2020	2021	2019/23	2019	2020	2021	2019/23
Maximum	-0.5	-0.2	1.0	0.4	-2.9	-0.5	2.0	-0.4	2.4	5.1	7.7	4.7
Minimum	-7.7	-4.0	-3.0	-3.1	-22.6	-10.3	-7.0	-8.7	-17.4	-4.9	-1.8	-2.3
Range	7.3	3.8	4.0	3.5	19.7	9.8	9.0	8.3	19.8	10.0	9.6	7.0
Median	-2.5	-1.9	-0.4	-0.9	-7.0	-4.0	-0.7	-2.4	-2.6	1.3	4.3	3.4
Mean	**-2.8**	**-1.7**	**-0.6**	**-0.9**	**-8.2**	**-4.7**	**-1.8**	**-3.1**	**-3.4**	**0.6**	**3.7**	**2.1**

Retail Warehouse

25 contributors	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	0.1	1.0	0.4	-1.0	-0.6	1.5	0.6	4.4	5.5	7.6	6.9
Minimum	-5.5	-3.0	-2.5	-1.9	-19.5	-8.2	-5.0	-6.1	-13.4	-1.3	1.2	1.0
Range	4.7	3.1	3.5	2.3	18.5	7.6	6.5	6.7	17.8	6.8	6.4	5.9
Median	-1.7	-1.1	0.0	-0.2	-6.1	-3.0	-0.5	-1.9	-0.6	2.5	5.6	4.3
Mean	**-2.1**	**-1.2**	**-0.4**	**-0.5**	**-6.5**	**-3.5**	**-1.1**	**-2.1**	**-1.0**	**2.3**	**5.0**	**3.8**

All Property

27 contributors	Rental value growth (%)				Capital value growth (%)				Total return (%)			
	2019	2020	2021	2019/23	2019	2020	2021	2019/23	2019	2020	2021	2019/23
Maximum	1.4	2.0	3.0	2.1	1.5	2.9	3.1	2.4	7.3	8.0	8.3	8.2
Minimum	-1.0	-1.0	-0.2	0.0	-7.0	-4.9	-3.2	-2.6	-2.3	0.0	1.6	2.1
Range	2.4	3.0	3.2	2.1	8.5	7.8	6.3	5.0	9.6	8.0	6.7	6.0
Std. Dev.	0.6	0.7	0.6	0.5	2.2	1.7	1.5	1.4	2.3	1.8	1.6	1.5
Median	-0.1	0.2	0.9	0.6	-1.9	-0.9	0.2	-0.3	3.2	3.9	5.3	4.7
Mean	**0.0**	**0.2**	**0.9**	**0.8**	**-2.3**	**-1.2**	**0.0**	**-0.3**	**2.4**	**3.5**	**4.9**	**4.4**

*Note: Contributors providing five-year annualised averages number four fewer than stated for each sector, as not all survey participants produced forecasts for 2023.

Sector summary: Means

Sector summary: Means

(no. contributors*)	Rental value growth (%)				Capital value growth (%)				Total return (%)			
	2019	2020	2021	2019/23	2019	2020	2021	2019/23	2019	2020	2021	2019/23
Office (26)	0.0	0.3	1.3	1.1	-1.8	-1.5	0.1	-0.3	2.5	2.8	4.4	4.2
Industrial (26)	2.9	2.2	2.0	2.1	2.9	1.3	1.0	1.5	7.6	6.1	5.6	6.2
Standard Retail (26)	-2.0	-1.0	0.0	-0.3	-5.3	-3.0	-0.5	-1.5	-1.1	1.5	4.1	2.9
Shopping Centre (25)	-2.8	-1.7	-0.6	-0.9	-8.2	-4.7	-1.8	-3.1	-3.4	0.6	3.7	2.1
Retail Warehouse (25)	-2.1	-1.2	-0.4	-0.5	-6.5	-3.5	-1.1	-2.1	-1.0	2.3	5.0	3.8
All Property (27)	**0.0**	**0.2**	**0.9**	**0.8**	**-2.3**	**-1.2**	**0.0**	**-0.3**	**2.4**	**3.5**	**4.9**	**4.4**

West End office

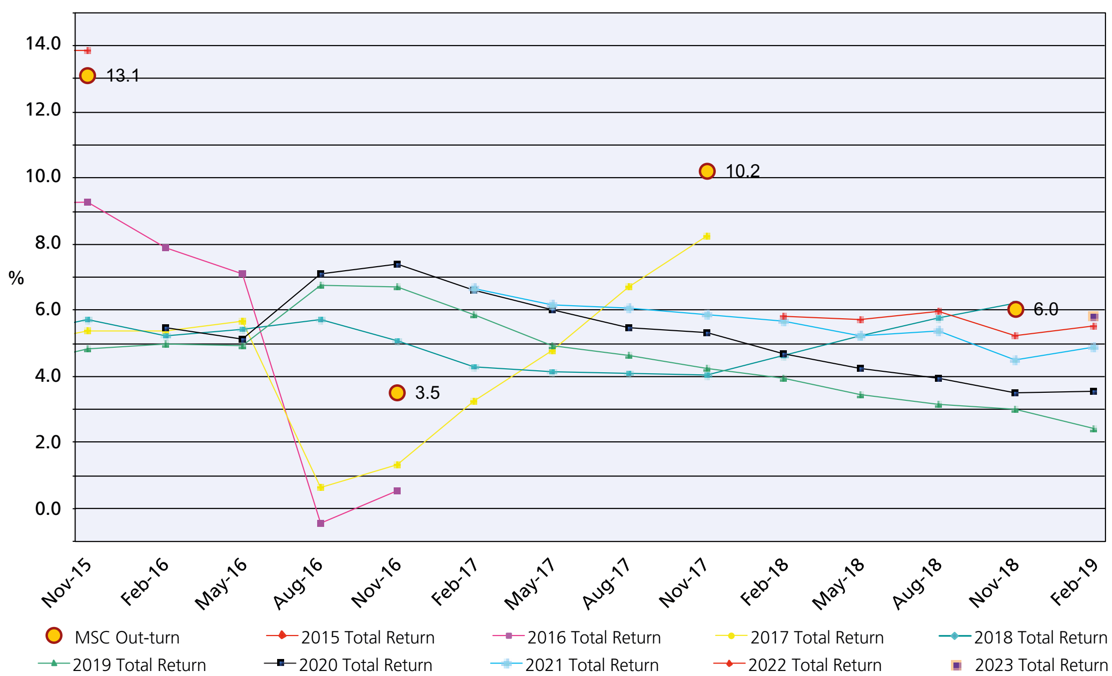
25* contributors	Rental value growth (%)				Capital value growth (%)				Total return (%)			
	2019	2020	2021	2019/23	2019	2020	2021	2019/23	2019	2020	2021	2019/23
Maximum	2.7	3.6	3.5	2.8	3.0	2.3	3.9	2.9	6.6	7.0	7.7	7.3
Minimum	-3.0	-6.0	-2.0	-0.6	-8.0	-10.5	-5.0	-2.7	-5.0	-6.6	-1.2	1.1
Range	5.7	9.6	5.5	3.4	11.0	12.8	8.9	5.6	11.6	13.6	8.9	6.2
Median	0.2	0.5	1.5	1.7	-0.5	-0.6	0.5	-0.1	2.8	2.7	4.3	3.5
Mean	**-0.2**	**0.3**	**1.5**	**1.4**	**-1.7**	**-1.5**	**0.6**	**0.3**	**1.5**	**2.1**	**4.3**	**3.9**

City office

25* contributors	Rental value growth (%)				Capital value growth (%)				Total return (%)			
	2019	2020	2021	2019/23	2019	2020	2021	2019/23	2019	2020	2021	2019/23
Maximum	2.6	4.0	4.5	2.5	3.8	5.0	4.0	3.9	8.7	10.0	9.0	8.9
Minimum	-7.5	-6.0	-0.5	-2.0	-10.0	-8.1	-2.5	-3.4	-6.0	-3.4	1.4	1.3
Range	10.1	10.0	5.0	4.5	13.8	13.1	6.5	7.3	14.7	13.4	7.6	7.6
Median	-1.0	0.3	1.4	0.8	-0.6	-1.0	1.0	-0.5	2.5	3.1	5.0	3.6
Mean	**-0.9**	**-0.2**	**1.5**	**0.9**	**-2.0**	**-1.6**	**0.7**	**-0.3**	**1.7**	**2.4**	**4.8**	**3.8**

*Contributors providing five-year annualised averages number four fewer than stated, as not all survey participants produced forecasts for 2023.

Consensus Forecast All Property Total Return Forecasts versus IPD Annual Outturn



N.B. MSCI 2018 Outturn based on annualised Quarterly Index, pending publication of Annual Index results.

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

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