Research Programme

Investment Property Forum
UK Consensus Forecasts

SUMMER 2018

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 2018 Survey of Independent Forecasts for UK Commercial Property Investment – August 2018

23 organisations contributed data for the Summer 2018 report, comprising forecasts dating from June to mid-August. Key points include:

2018 performance expectations improve

At the **All Property** level, **average rental growth** for the current year has weakened marginally, to **0.9%** from 1.0% in May (as poorer retail forecasts outweigh improvement in both office and industrial rental growth prospects).

Capital growth prospects reinforce this divergence in sector sentiment, with significant increases in both Office and Industrial growth – up by over 130 and 325 bps in the quarter respectively, to 0.5% and 8.7% (from -0.8% and 5.4% previously) – whereas rapid falls in the three retail market averages exceed 105bps for Standard Retail and 265bps for Shopping Centres, which are now expected to deliver growth rates of -1.3% and -5.6%. Despite this further decline in the retail outlook, the **All Property average** has risen by 60 bps over the three months, to 1.0%.

This improving capital value growth forecast has led to an almost 60 bps rise in the 2018 **All Property total return,** to **5.8%,** from 5.2% last quarter (and from 4.6% six months ago).

Further weakening in 2019 outlook

Next year's **All Property** forecasts have moderated further across all measures since the May survey, driven by weaker expectations for the three retail sub-sectors. This is despite modest improvements in rental and capital value growth projections for both Office and Industrial investments, although only Industrial growth is expected to remain positive (at 2.5%). Otherwise, forecasts range from -0.3% (Standard Retail) to -0.9% (Shopping Centres), leading to a **2019 All Property rental growth** average of **0.4%** (0.6% previously).

The **capital growth** outlook for Offices and Industrials rose over the quarter (by 60 bps in the latter case, to 1.6%) but fell in the retail sub-sectors (by 90bps for Retail Warehouses), giving an **All Property capital growth** average of **-1.6%** (from -1.4% in May).

The current 2019 average forecast for **All Property total return** dropped over 25bps, to **3.2%**, from 3.4% previously (having been 4.2% at the start of the year).

Negative retail growth likely to persist until 2021

With the exception of the Industrial sector, average **2020 rental value growth** forecasts fell over the quarter, to lie between -0.4% (Shopping Centres) and 2.1% (Industrial), producing an **All Property** average of **0.7%,** compared to 1.0% last quarter. Expectations for **capital growth** have followed a similar pattern, ranging from -2.7% (Shopping Centres) to 0.1% (Industrial) with an All Property average of -0.9% (more than 20 bps lower than in May). The average total return for the year has fallen by almost 30 bps, to **4.0%.**

Sentiment for **2021 rental growth** weakened in all sectors over the quarter, to produce an **All Property average** of **1.2%** (1.5% previously). **Capital growth** prospects are more mixed, with stronger predictions for Industrial and Standard Retail (up by over 40 and 10 bps respectively). This has resulted in an **All Property average** of **0.5%,** from 0.3% in May, and the **average total return** has risen to **5.4%** as a consequence, although lower than six months ago (5.7%).

With the exception of Industrial rents, **2022** sector growth forecasts are weaker than in May, although capital growth projections have improved for all sectors other than Shopping Centres, leading to a rise in the total return **All Property.** Average measures now lie at **1.6%** (1.7%), **1.0%** (0.7%) and **6.0%** (5.7%) for rental, capital value growth and total return (previous quarter averages in brackets).

Little movement in five-year averages

Since the May survey, the **All Property rental value growth** rate has fallen by almost 20 bps, to **1.0%** per annum, whilst the annualised **capital value** growth projection has improved marginally, to **0.0%** (-0.1% previously). The **All Property total return** average has remained static, at **4.8%** per annum.

Summary Results

Summary Average by Sector

	Rental value growth (%)				Capital value growth (%)				Total return (%)			
	2018	2019	2020	2018/22	2018	2019	2020	2018/22	2018	2019	2020	2018/22
Office	0.3	-0.4	0.5	0.8	0.5	-2.6	-1.4	-0.4	4.7	1.7	3.0	4.0
Industrial	3.9	2.5	2.1	2.5	8.7	1.6	0.1	2.3	13.6	6.4	4.9	7.1
Standard Retail	-0.2	-0.3	0.1	0.3	-1.3	-2.4	-1.5	-0.8	3.0	1.9	3.1	3.7
Shopping Centre	-0.6	-0.9	-0.4	-0.3	-5.6	-4.5	-2.7	-2.7	-0.9	0.5	2.5	2.4
Retail Warehouse	-0.5	-0.6	-0.1	0.0	-2.6	-2.9	-2.0	-1.4	2.9	2.7	3.8	4.4
All Property	**0.9**	**0.4**	**0.7**	**1.0**	**1.0**	**-1.6**	**-0.9**	**0.0**	**5.8**	**3.2**	**4.0**	**4.8**
West End office	-0.4	-0.9	0.5	0.8	-0.5	-2.9	-1.1	-0.3	2.7	0.8	2.7	3.4
City office	-0.3	-1.3	0.1	0.6	0.2	-2.8	-1.3	-0.4	3.8	1.2	2.8	3.7
Office (all)	0.3	-0.4	0.5	0.8	0.5	-2.6	-1.4	-0.4	4.7	1.7	3.0	4.0

All Property Average by Forecast Month

	Rental value growth (%)				Capital value growth (%)				Total return (%)			
Month of forecast (no. contributors)	2018	2019	2020	2018/22	2018	2019	2020	2018/22	2018	2019	2020	2018/22
June (1)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
July (7)	1.0	0.4	0.7	0.9	0.7	-1.7	-1.0	-0.4	5.5	3.2	3.9	4.6
August (15)	0.9	0.4	0.8	1.0	1.3	-1.3	-0.6	0.2	6.0	3.5	4.2	5.1
All Property (23)	**0.9**	**0.4**	**0.7**	**1.0**	**1.0**	**-1.6**	**-0.9**	**0.0**	**5.8**	**3.2**	**4.0**	**4.8**

Survey contributors

There were 23 contributors to this quarter's forecasts, comprising 11 Property Advisors and Research Consultancies, 11 Fund Managers and one Other. Full All Property forecasts were received from all 23 contributors. Forecasts were received for all sectors from 20 contributors and from 19 for full West End and City sub-office sector forecasts. All forecasts were generated within 12 weeks of the survey date (22 August 2018). 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

According to the latest ONS report[1], UK gross domestic product (GDP) grew by an estimated 0.4% in the second quarter of 2018 (April to June), driven by service sector growth of 0.5% (previous quarter 0.3%) and a 0.9% rise in construction, reversing a four quarter contraction in this sector, but offset by a fall in production of 0.8%.

In the most recent ONS statistic bulletin on public sector finances[2], PSB net borrowing (excluding public sector banks) in the current financial year-to-date (April to July 2018) was £12.8 billion (£8.5 billion less than in the same period in 2017), representing the lowest year-to-date net borrowing since 2002. Public sector net debt[3] as at the end of July 2018 was £1,777.5 billion, the equivalent of 84.3% of GDP. The ONS also reported the central government net cash requirement in the current financial year-to-date was £0.3 billion, £4.4 billion less than in the same period in 2017 – the lowest net cash requirement for this period for 17 years.

At its meeting, ending on 1 August[4], the Bank of England Monetary Policy Committee (MPC) voted unanimously to maintain the stock of corporate bond purchases, financed by the issuance of central bank reserves, and UK government bond purchases, financed by the issuance of central bank reserves, at £10bn and £435bn respectively. Of more immediate impact was the MPC's unanimous vote to increase Bank Rate to 0.75%, whilst recognising the economic outlook could be significantly affected by the UK's withdrawal from the EU process. In its latest quarterly Inflation Report[5], the Bank noted a rise in inflation in June, to 2.4%, was due to currency depreciation and higher energy prices. These external pressures are expected to decline over the next three years, "though at a slightly slower rate than projected in May following the further fall in the sterling exchange rate over the past three months." A path for Bank Rate rises to 1.1% over the next three years is projected, with a small margin of excess demand likely to emerge by late 2019 and continue to build, which would raise domestic inflationary pressures.

The 12-month inflation rate, as measured by the Consumer Prices Index (CPIH), including owner occupier housing costs, was 2.3% in July[6], unchanged from the June figure. The principal contributors to this rate were computer games and transport fare rises, offset by falls in clothing and footwear prices (down 0.4% over the year) and the removal of initial charges for investment in some unit trusts. The Consumer Prices Index (CPI) 12-month rate was 2.5% in July, up from 2.4% in June.

The ONS now estimates[7] 32.39 million people in work, 313,000 more than for a year earlier, representing an employment rate of 75.6% for people aged 16 to 64 (unchanged from the three-month period to the end of March but higher than the same period 12 months ago, of 75.1%). The current level of unemployment is 4.0% (the lowest rate since 1975) and the total number unemployed is now calculated to be 1.36 million. The number of economically inactive aged 16 to 64 years (i.e. not working and not seeking or available to work) has risen to 8.72 million (from 8.66 million) but as a proportion of this age group is lower (at 21.2%) than a year ago (21.3%). Average weekly earnings in nominal terms increased by 2.7% including bonuses, year-on-year (adjusted for price inflation, the increase was 0.4%).

The quantity of goods purchased in July increased 0.7% over the previous month, which recorded a 0.5% fall, according to the latest ONS report[8]. Compared to July 2017, the amount bought increased by 3.5%. Non-store retailing showed strong growth – an increase of 4.9% on the month and 16.9% year-on-year. Comments from non-store retailers suggested online promotions encouraged sales, with non-food stores reporting a reduction in footfall in July 2018. The trend in online spending continued, reaching a new high in term of its proportion of all retailing, at 18.2%. Interestingly, given the issues affecting this type of retailer, strong growth in department stores was presented by the ONS as also reaching a record share of the market, at 18.2%.

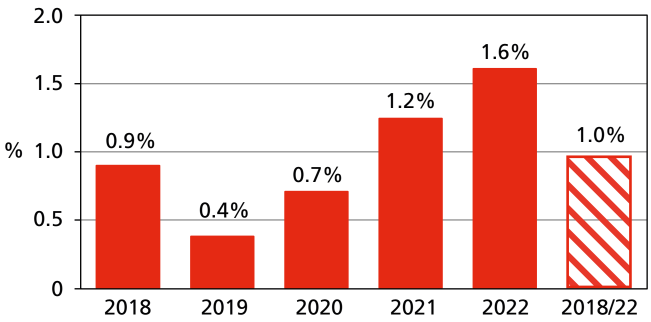
[1] ONS: GDP monthly estimate, UK: June 2018. Release date: 10 August 2018
[2] ONS: Public sector finances, UK: July 2018. Release date: 21 August 2018
[3] Excluding public sector banks
[4] Bank of England Monetary Policy Summary and Minutes of Monetary Policy Committee meeting ending on 1 August 2018
[5] Bank of England Inflation Report, August 2018
[6] ONS: Consumer Price Inflation, UK: July 2018. Release date: 15 August 2018
[7] ONS: UK Labour Market Statistics: August 2018. Release date: 15 August 2018
[8] ONS: Retail Sales, Great Britain: July 2018. Release date: 16 August 2018

All Property rental value growth forecasts

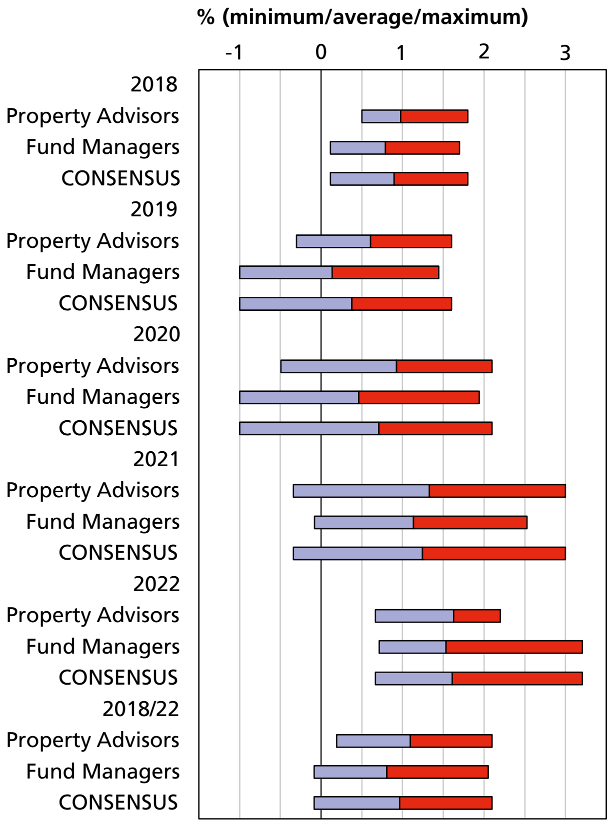
The steady improvement in rental growth prospects, recorded over the last five surveys, reversed over the current quarter, with a fall of some 15 bps. Projections for each of the remaining years have continued to declined – by between 14bps and 26bps (2022 and 2020).

2019 continues to record the weakest forecast, having lost a further 19bps since May.

As a result of the softening in forecasts, the five-year average has fallen by almost 20bps (from 1.2%).



Rental value growth forecasts by contributor



Expectations declined within both groups of forecaster across all time periods over the quarter. In 2018, averages lie between 1.0% and 0.8% for Advisors and Managers (from 1.2% and 0.9% previously). The Advisor forecast range narrowed by over 40bps whilst Managers were virtually unchanged. The minimum projection fell to 0.1% from 0.2% in May.

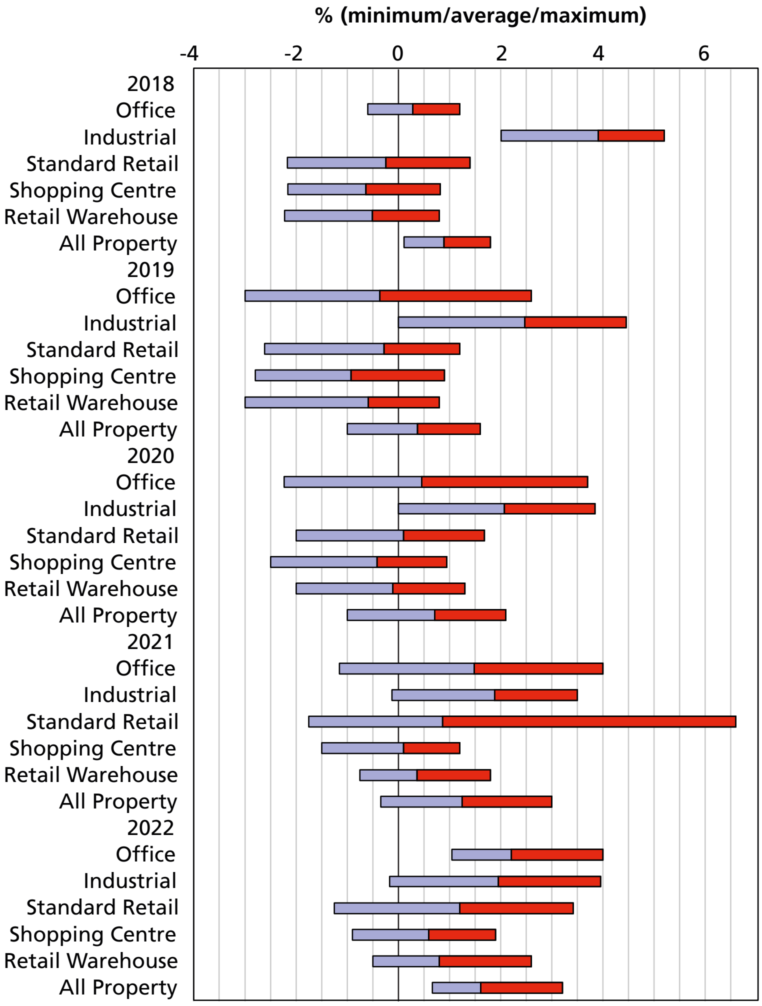
In other years, average forecasts continued to weaken, with the greatest decline recorded by Fund Managers in 2020 (of almost 40bps) with the minimum forecast falling to -1.0%.

In 2019, eight contributors provided negative forecasts, reducing to four in 2020 and two in 2021. Both maximum and minimum forecasts from 2020 remain broadly similar to three months ago although average sentiment has declined.

Advisors show the greatest consensus in all years other than 2021, when their range of forecasts extends to over 330bps. Managers, whose forecasts vary by between some 160bps in 2018 to over 290bps in 2020, are consistently less optimistic than Advisors, with the greatest divergences arising in 2019 and 2020, averaging almost 50bps in these years.

N.B. One 'Other' contributor returned data in addition to the 22 Property Advisors and Fund Managers.

Sector rental value growth annual forecasts



Offices have continued to register the greatest improvement in growth prospects, with the 2018 average rising by almost 35bps, to 0.3%; individual forecasts have narrowed to less than 180bps. All current year retail averages have fallen below zero (by -0.2% for Standard Retail to -0.6% for Shopping Centres, although the minimum forecast has risen from-3.1% to – 2.2%. Negative projections were provided by 12 of 21 contributors. The remaining rental growth forecast, for Industrials, has improved by over 25bps, to average 3.9%.

Minimum forecasts for Industrial rents remain positive until 2021, with one contributor anticipating a marginal decline that year, (to -0.1%), followed by a further weakening, to -0.2%, in 2022.

With the exception of Industrials and Offices in 2018 and 2019 and Industrials in 2020 and 2022, all forecast averages fell over the quarter. However, a noticeable improvement in sentiment in the outlook for Standard Retail emerges in 2021, when one house view is for a substantial increase (6.6%) 35bps to -0.5% in the current year followed by a further 30bps 2020).

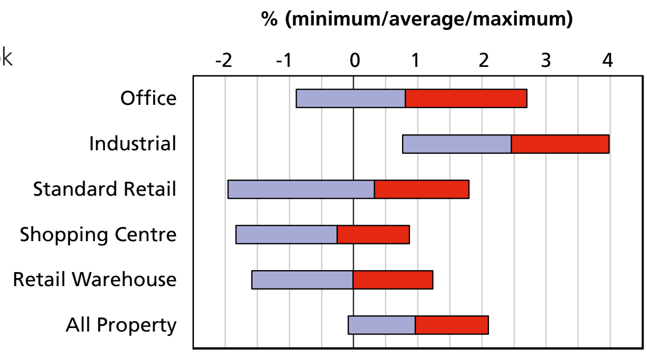
For later years, a more pessimistic attitude among contributors has emerged over the quarter, as minimum projections have continued to fall in the majority of sectors, although forecast spreads increased in most markets in 2021 and 2022.

Sector rental value growth five-year average forecasts

Over the quarter, the All Property rental value growth rate has fallen by almost 20 bps, to 1.0% per annum, reflecting the weaker outlook predicted for retail space over each of the five years of the survey.

Industrial rental growth remains the one sector likely to outperform, at 2.5% per annum (from 2.4% previously), with only Offices and Standard Retail likely to deliver positive growth, although lower than last quarter (at 0.8% and 0.3% respectively, from 0.9% and 1.0%) .

The Retail Warehouse annualised average has fallen to virtually zero (down 70bps from 0.7%) whilst the Shopping Centre average, which has declined by a similar amount to now lie at -0.3% per annum, remains the weakest sector.

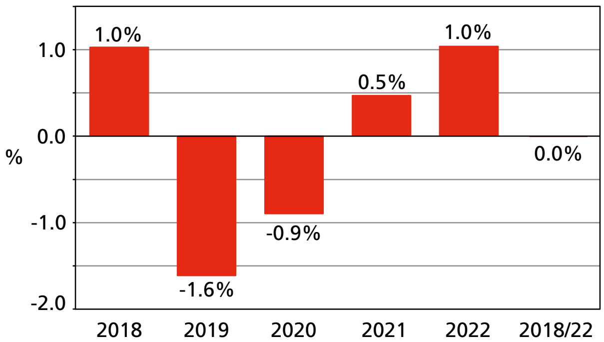


All Property average capital value growth forecasts

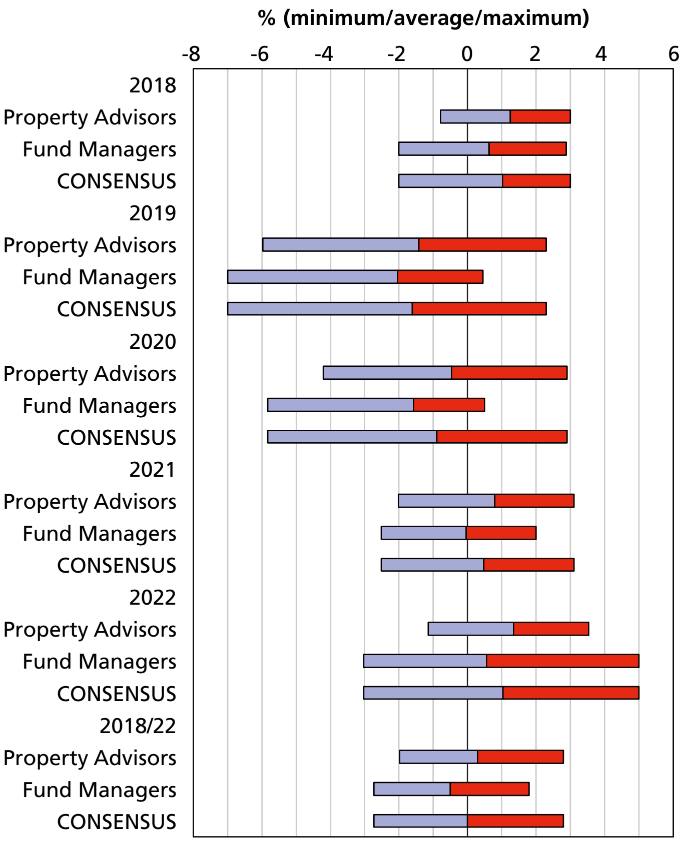
The strengthening in the 2018 All Property average capital growth forecast has continued, rising by a further 60bps over the quarter, having been -0.2% six months ago.

2019 and 2020, however, see a reversal of sentiment, with the latest average growth rates below those reported in May – down by over 20bps for each year, reflecting expectations of a further weakening in retail values. Despite the poor prospects for these two years, averages for the final two periods have increased – by around 20bps for 2021 and nearly 30bps for 2022 (previously 0.3% and 0.7%).

As a result of near- and mid-term improvements, the five-year rolling average has risen over 10bps to 0.0% per annum.



Capital value growth forecasts by contributor



A majority of contributors continue to forecast positive growth in 2018 (nine Property Advisors and seven Fund Managers) and both minimum forecasts have risen – by 400bps in the case of Managers, compared to over 200bps for Advisors. Although the maximum Advisor projection has reduced some 40 bps, to 3.0%, the best Manager forecast has risen by almost 100bps, from 1.9% previously, to produce an average of 0.6% as against that for Advisors of 1.2%.

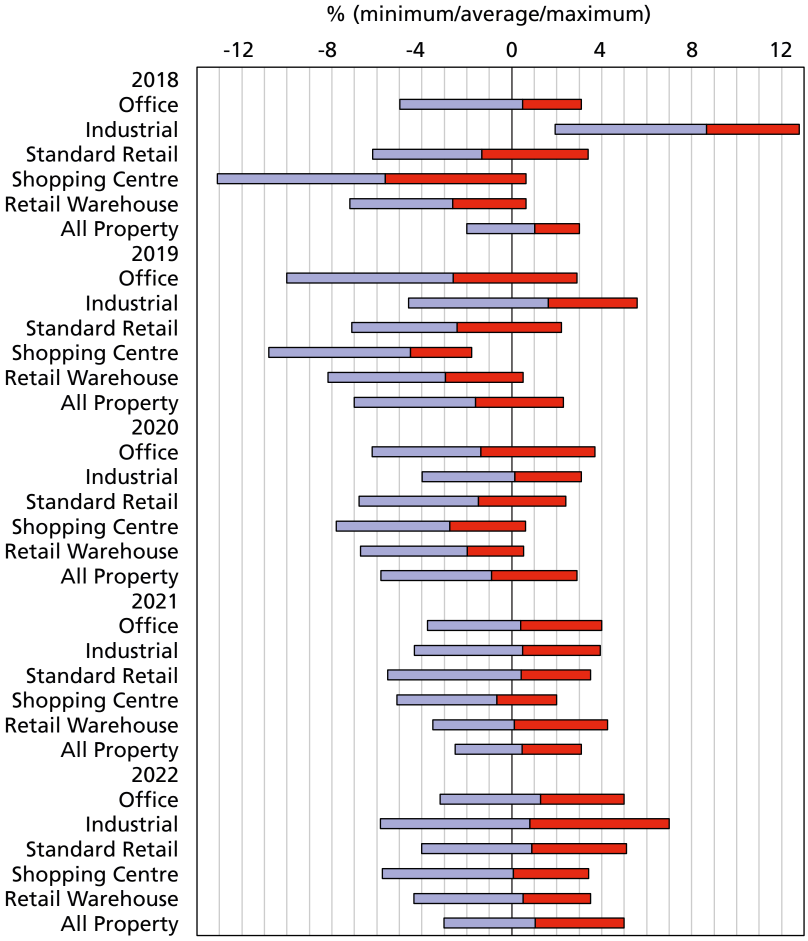
For 2019, all but four contributors predict negative growth (seven Advisors and 10 Managers). The range of Advisor forecasts is virtually unchanged, lying between -6.0% and 2.3% to average 1.4%, whereas Manager sentiment has softened: the bottom-end forecast is -7.0% compared to May's -5.9%, to average -2.0%, down 40 bps over the quarter.

Manager 2020 projections continue to weaken too, as their average fell nearly 50bps over three months, to -1.6%, with nine negative forecasts. Advisors have maintained a similar outlook, averaging -0.5% (less than 10bps lower than in May).

Both individual projections and 2021 and 2022 ranges improved over the quarter, although maximum forecasts remained static. Average estimates increased by between 10 and 35 bps within the two groups, leading to the all-forecaster means improving to 0.5% and 1.0% respectively, from 0.3% and 0.7% in May.

N.B. One 'Other' contributor returned data in addition to the 22 Property Advisors and Fund Managers.

Sector capital value growth annual forecasts



Anticipation of continued demand for Industrial stock has led to a further improvement in the 2018 minimum, maximum and average forecasts for this sector – now standing at 1.9%, 12.8% and 8.7%, representing rises of around 340, 330 and 280 bps respectively. Remaining sector prospects are considerably more muted, with only Offices, averaging 0.5% from -0.8% in May, likely to deliver positive growth. The Standard Retail average has fallen by over 100bps, to -1.3%, reversing the preceding quarter's improvement, whilst Shopping Centres and Retail Warehouse averages have declined by nearly 270 and 160 bps over the quarter to -5.6% and -2.6% currently.

For the next three years of the survey period – with the exception of Industrial value growth throughout, Offices in 2019 and Standard Retail in 2021 – average forecasts are lower than a quarter ago. With 2019 identified as the low point of the current cycle, average forecasts are likely to fall significantly in all three retail sub-markets, ranging from almost 160bps for Shopping Centres to c.130bps for Retail Warehouses (to -4.5% and -2.9% respectively).

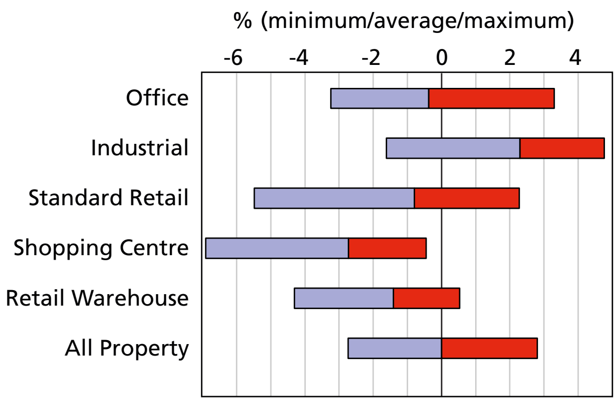
From 2020 onwards, forecast averages rise, although a return to positive growth in all sectors is only expected to occur in 2022.

Sector capital value growth five-year forecasts

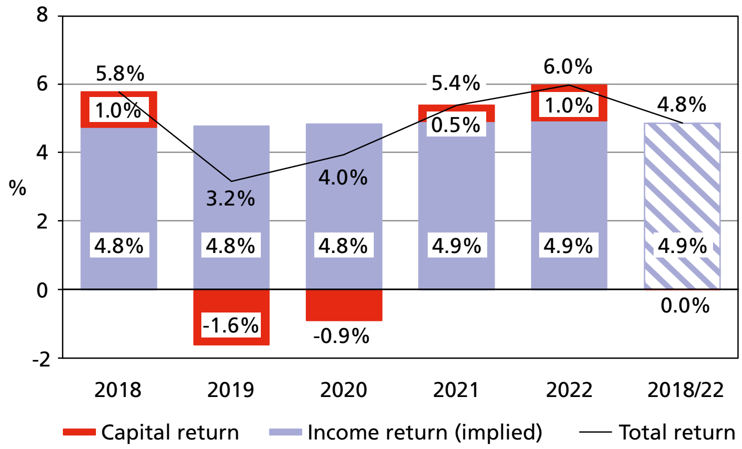
Over five years, with the exception of Industrials, at 2.3% per annum, all remaining sectors are likely to under-perform the All Property annualised average of 0.0%.

Individual averages vary between an improved -0.4% for Offices, previously -0.6%, to -2.7% for Shopping Centres, almost 120bps lower than last quarter's -1.5%.

Forecasts ranges lie between -5.5% and 2.3% for Standard Retail (-0.8% per annum on average) and -4.3% to 0.5% for Retail Warehouses, which once again attracts the attracting the closest consensus (averaging -1.4% per annum).



All Property total return forecasts



With further improvement in capital value growth expectations in 2018, the current year's average 2018 All Property total return forecast has risen almost 60bps since May (formerly 5.2%).

Averages for 2019 and 2020 have weakened, however, negative capital growth projections significantly impacting these years' forecasts – by around 30bps in each period.

The pattern of recovery from 2019 remains similar to previous forecasts although later years may deliver better than previously expected performance due to improved capital growth projections in 2021 and 2022. The five-year average of 4.8% per annum remains unchanged however.

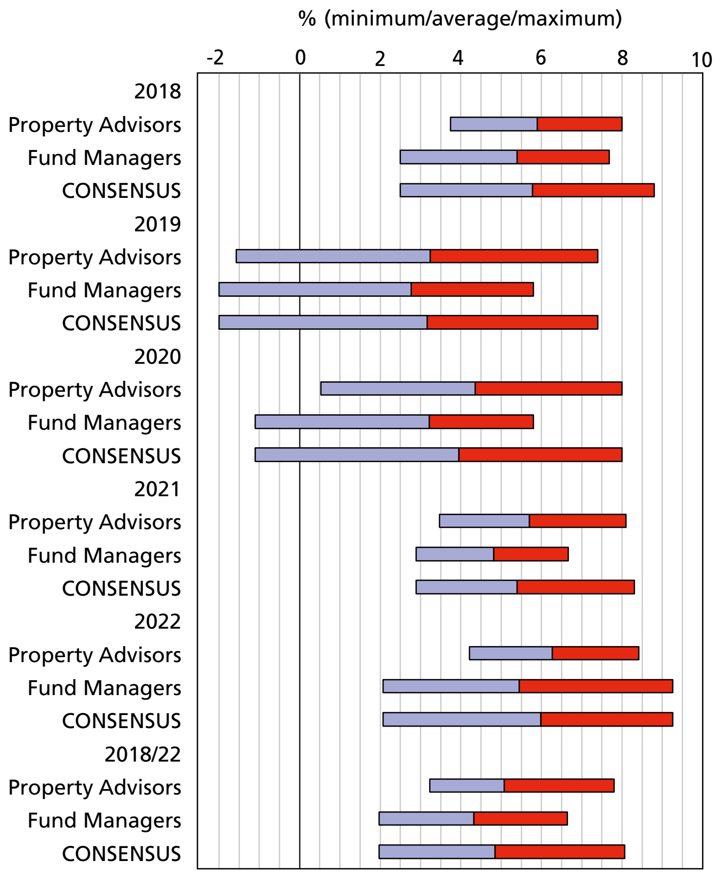
Contributors All Property total return forecasts

Both Property Advisors and Fund Managers share the expected improvement in the 2018 total return – respectively 5.9% and 5.4% (from 5.6% and 4.7% previously). Minimum projections rose over the quarter with forecast spreads narrowing to 6.3% from 9.4% in May.

2019 remains the weakest year of the forecast period, as three contributors continue to predict negative returns, static at -1.6% for Advisors and -2.0% for Managers, from -1.2% last quarter. The Advisor average fell by around 15bps, to 3.2% (form 3.4%), whilst the Manager average is almost 50bps lower, at 2.8% (from 3.2%).

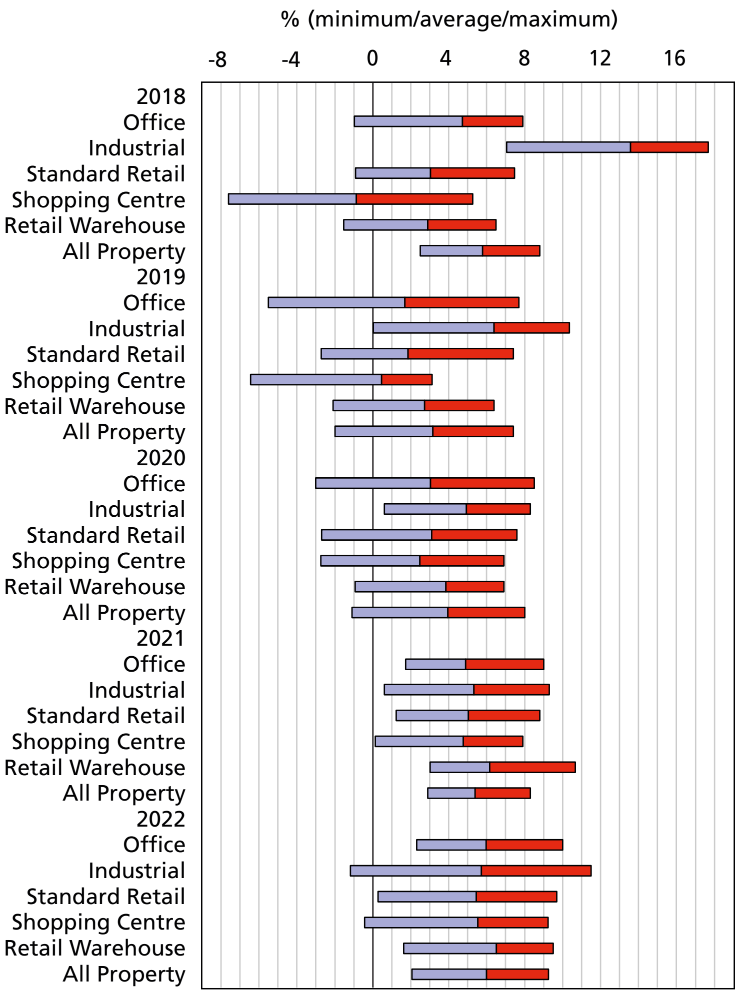
Advisor forecast ranges narrow in subsequent years with spreads reducing from 7.5% in 2020 to 4.2% in 2022. Manager forecasts form a similar pattern until 2022, when the range widens to between 2.1% and 9.3%. As previously noted, Property Advisors are consistently more optimistic throughout all time periods.

The five-year average has improved slightly for Advisors (by around 10bps to 5.1%) but fallen slightly for Managers (to 4.3% from4.4% in May).



N.B. One 'Other' contributor returned data in addition to the 22 Property Advisors and Fund Managers.

Sector total return annual forecasts



Current year forecasts continue previous survey confidence in the Industrial sector, with two-thirds of contributors forecasting double-digit returns, the highest being 17.7%. The average forecast has risen by some 330bps, compared to an increase of more than 120bps last quarter, to produce a mean of 13.6% (10.2 previously). An improved average of 4.2% for Offices (up over 140bps) contrasts with a fall in the Standard Retail average to 3.0%, representing a fall of more than 110bps, having risen by some 50bps in May. Significantly, the Shopping Centre average for 2018 has fallen below zero, driven by a severe reduction in capital values.

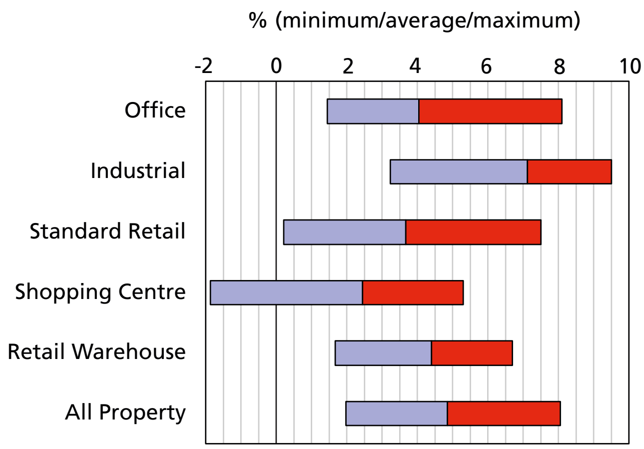
Similar to the pattern of capital growth forecasts, most sector averages are predicted to weaken further over the next two years. In 2019, only Office and Industrial averages have improved over the quarter, to 1/7% and 6.4%, whilst retail sub-sector averages have fallen by between 130 and 160bps (to 2.7% and 0.5% for Retail Warehouses and Shopping Centres respectively.

In 2021, improving returns may lead to Retail Warehouses outperforming Industrials (at 6.2% versus 5.3%), whilst, by 2022, the Office sector may emerge behind Retail Warehouse but ahead of Industrials in overall performance prospects (at 6.0%, 6.5% and 5.7% respectively).

Sector total return five-year forecasts

Improved returns in 2018, 2021 and 2022 have countered the weaker performance in 2019 and 2020 to produce higher five-year annualised averages in both the Office and Industrial sectors, now 4.0% and 7.1% from 3.8% and 6.3% previously.

Despite falling averages in the retail sub-markets (3.7%, 2.4% and 4.4% for Standard Retail, Shopping Centres and Retail Warehouses respectively, from 4.3%, 3.6% and 5.2%), the All Property average has remained broadly static at 4.8% per annum.

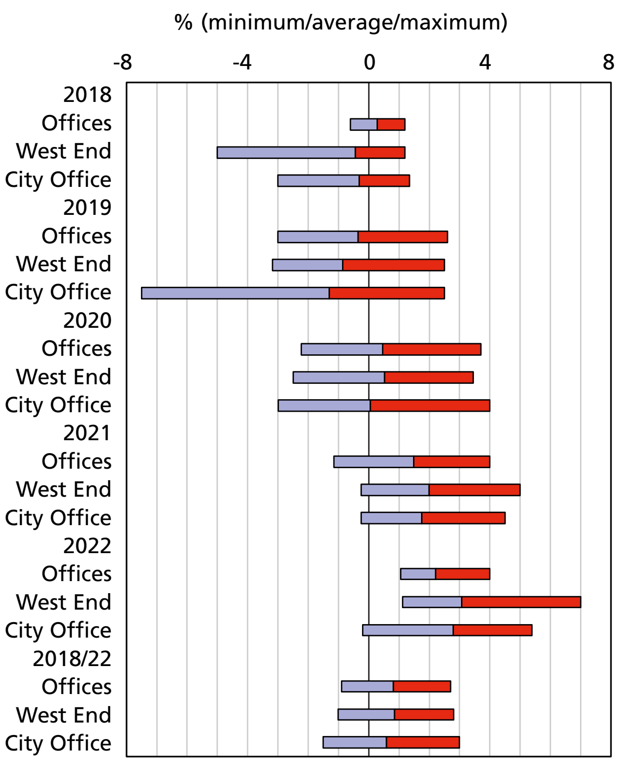


Central London offices

Leasing activity in the first half of the year has continued to defy expectations informed by the UK's 2019 exit from the EU. Higher City take up has been reported for the first half of 2018, some 30% higher than the 10-year average, reflected in a vacancy rate of around 5.3%. This compares with a current rate of 3.7% in the West End.

In the capital markets, H1 City investment activity was lower than 2017 in both the number of transactions and volume, with turnover reportedly 26% lower than for the same period last year. Asian buyers continue to dominate although there appears to have been a resurgence in interest from domestic investors. In the West End, the H1 total is reportedly lower than each of the last three years, but with activity anticipated to increase in Q3 with a number of deals in the pipeline.

Rental value growth



2018 rental growth prospects in both sub-markets firmed over the quarter, with averages improving by around 30bps in each, to lie at -0.4% and -0.3% respectively. West End forecast opinion has widened, ranging between -5.0% to 1.2%, compared to a spread of 4.3% for the City (from -3.0% to 1.3%).

The West End 2019 average has remained broadly stable, at -0.9%, whilst the City average has risen around 30bps to -1.3%, although one contributor has maintained its very negative stance (-7.5%) over the quarter. Consistent with wider market forecasts, general opinion is that next year will mark the nadir, as positive growth is expected to return by 2020, although average forecasts for each of these remaining years are weaker than reported in May and one negative City rental growth was received for 2021 and 2022.

From 2020, however, central London growth rates are likely to match or exceed the wider UK Office market, from a weakly 0.5% in 2020 for West End and 1.0% for the City averages, rising to 3.1% and 2.8% by 2022.

The West End five-year average rental growth rate has fallen slightly over the quarter, to 0.8% per annum (1.0% previously), whereas the City average has risen to 0.6% from 0.5% in May. By comparison, the UK Office market is expected to achieve rental growth of around 0.8% per annum over the five year period.

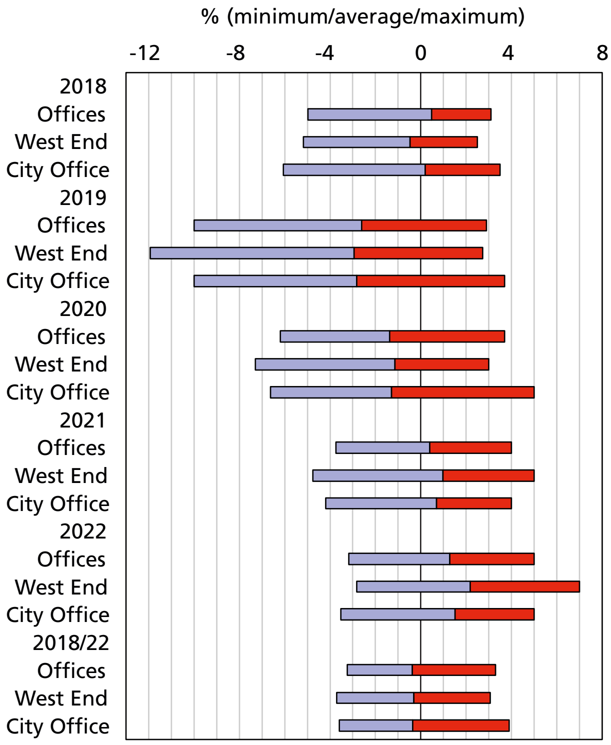
Central London offices (2)

Capital value growth

Substantial improvements in the 2018 average forecasts have been recorded over the quarter, to -0.5% and 0.2% for the West End and City respectively, representing rises of c. 160 and 275bps.

The decline in projections for 2019 growth rates have enjoyed a modest reversal, rising by around 60bps in the case of the City average, albeit, -2.8%, compared to -2.8% for the West End (-2.9% previously). A significant majority of contributors expect sub-zero growth (15 of 19), with around two-thirds (11) anticipating this decline to persist into 2020. Average growth rates in the latter year are weaker that the May forecast (at -1.1% and 1.3% for West End and City), representing falls of over 50 and 70bps. Although positive growth is still expected to return in 2021, current averages are lower than in May, at 1.0% and 0.7% (from 1.4% and 1.2% previously).

The West End five-year annualised growth rate firmed by 20bps, to -0.3% pa, with the City average rising by 40 bps to -0.4%, compared to a UK Office average of -0.4% per annum.



Total returns

The 2018 forecasts of total returns have risen by over 135 and 250bps since May, to 2.7% and 3.8% for the West End and City (compared to 4.7% for the UK as a whole), with those for 2019 also improving (to 0.8% and 1.2%, from 0.6% and 0.5%), although a number of contributors expect negative returns for both markets next year.

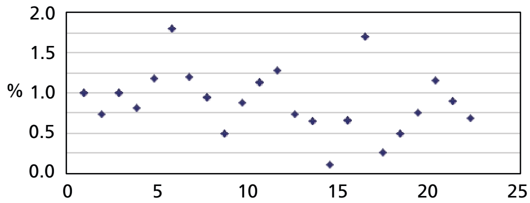
The 2020 average forecasts, although rising over the previous year, have weakened, however, and may average 2.7% in the West End and 2.8% in the City (around 35 and 70bps lower than in May). Similarly, 2021 forecasts are also lower, averaging 4.9% for the West End and 5.0% for the City (from 5.2% and 5.5%). f2022 prospects have improved for the West End (up nearly 40bps over the quarter, to 6.1%), whereas the City average e has fallen 30bps to 5.6%.

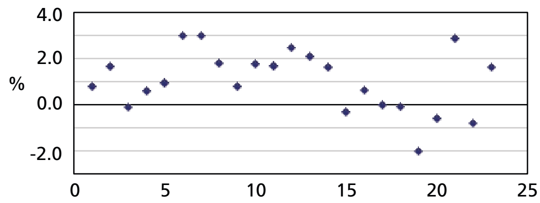
Five-year annualised returns have improved over the quarter for both markets, with the West End increasing to 3.4% (from 3.2%) and to 3.7% for the City (from 3.8% previously), whilst the UK Office average rose to 4.0% from 3.8%.

Distribution of forecasts

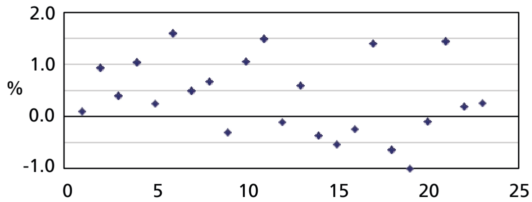
The scatter plots are the individual forecasts for All Property rental value and capital value growth. The contributors are listed in random order so that individual contributions cannot be identified. Previous quarter's forecast (May 2018) in brackets.

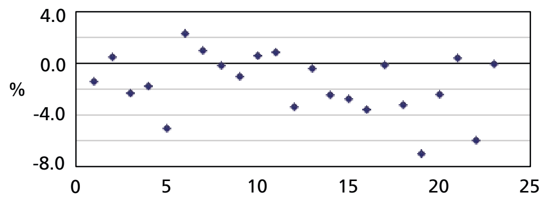
Rental value growth (% pa)	Capital value growth (% pa)
2018 Mean forecast: 0.9% (1.0%)	**2018** Mean forecast: 1.0% (0.4%)



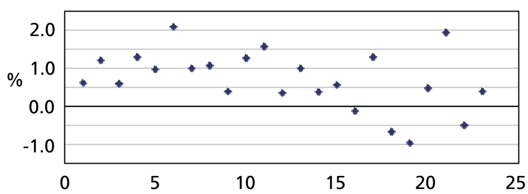


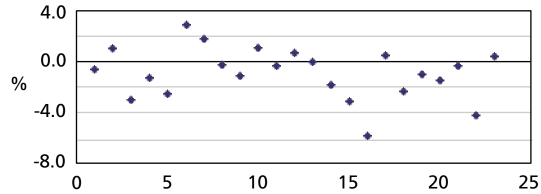
Rental value growth (% pa)	Capital value growth (% pa)
2019 Mean forecast: 0.4% (0.6%)	**2019** Mean forecast: -1.6% (-1.4%)





Rental value growth (% pa)	Capital value growth (% pa)
2020 Mean forecast: 0.7% (1.0%)	**2020** Mean forecast: -0.9% (-0.7 %)

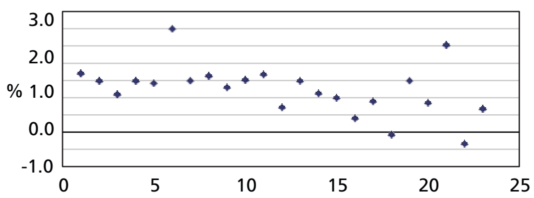




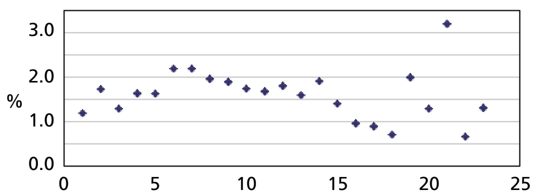
Distribution of forecasts (2)

Rental value growth (% pa)

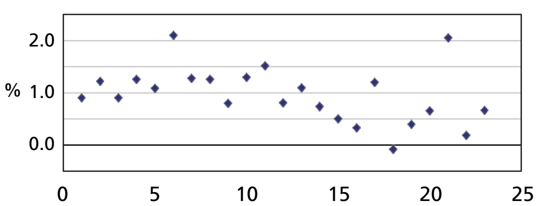
2021 Mean forecast: 1.2% (1.5%)



2022 Mean forecast: 1.6% (1.7%)

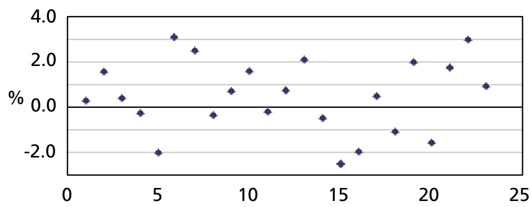


2018/22 Mean forecast: 1.0% (1.2%)

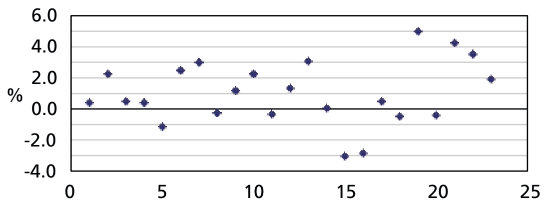


Capital value growth (% pa)

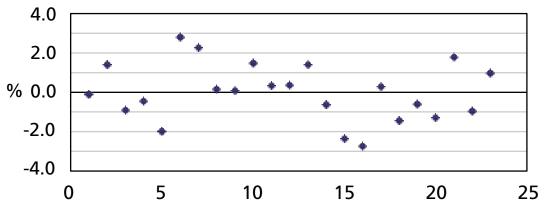
2021 Mean forecast: 0.5% (0.3%)



2022 Mean forecast: 1.0% (0.7%)



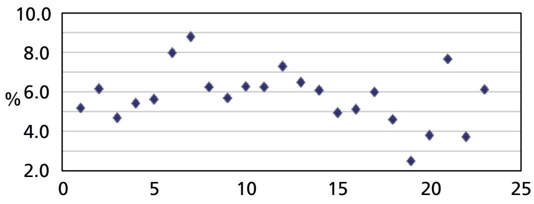
2018/22 Mean forecast: 0.0% (-0.1%)



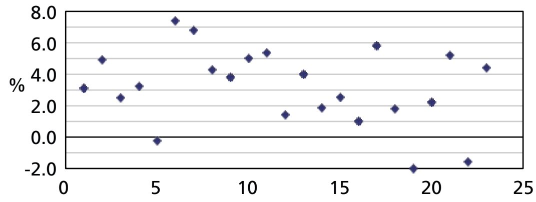
Distribution of forecasts (3)

All Property total returns (% pa)

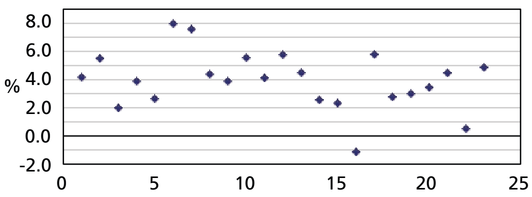
2018 Mean forecast: 5.8% (5.2%)



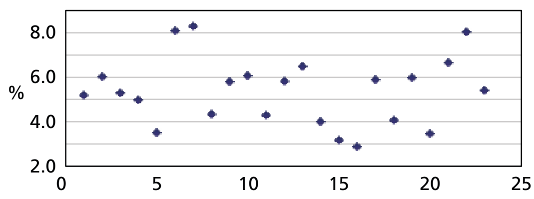
2019 Mean forecast: 3.2% (3.4 %)



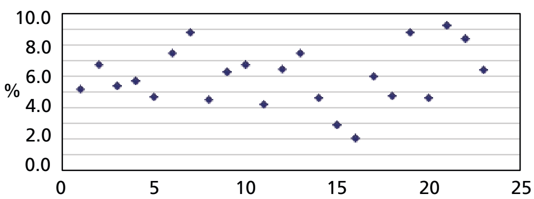
2020 Mean forecast: 4.0% (4.2%)



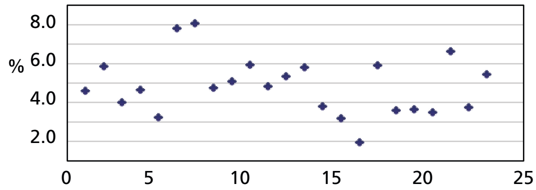
2021 Mean forecast: 5.4% (5.2%)



2022 Mean forecast: 6.0% (5.4%)

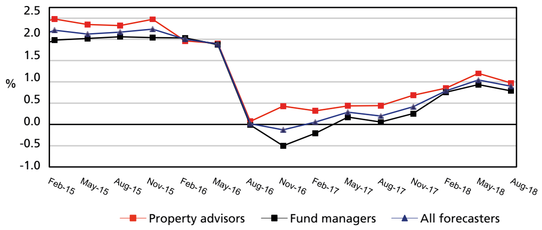


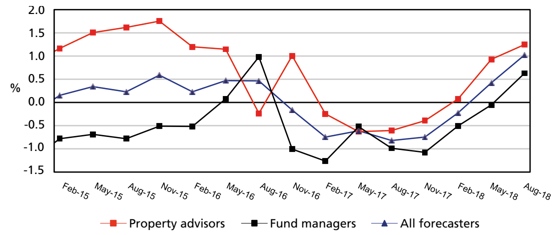
2018/2022 Mean forecast: 4.8% (4.8%)



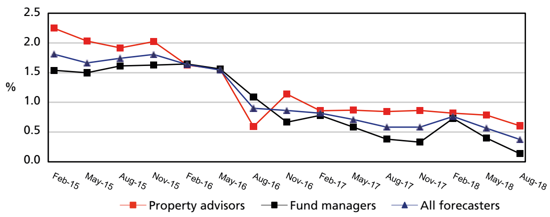
Evolution of the consensus

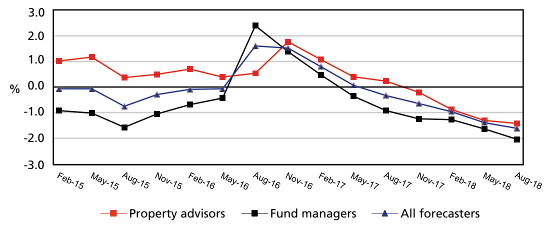
All Property rental value growth (% pa)	All Property capital value growth (% pa)
2018 Mean forecast: 0.9% (1.0%)	**2018** Mean forecast: 1.0% (0.4%)



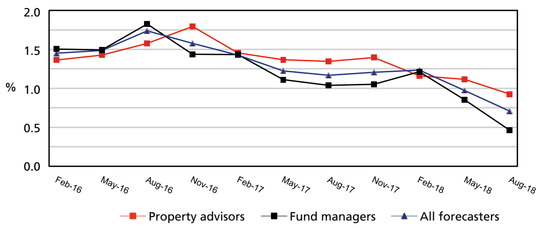


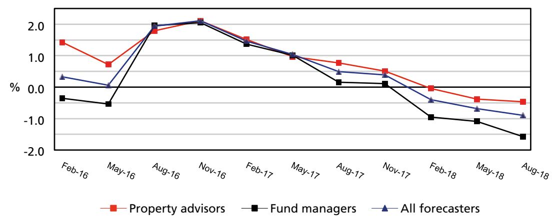
2019 Mean forecast: 0.4% (0.6%)	**2019** Mean forecast: -1.6% (-1.4%)



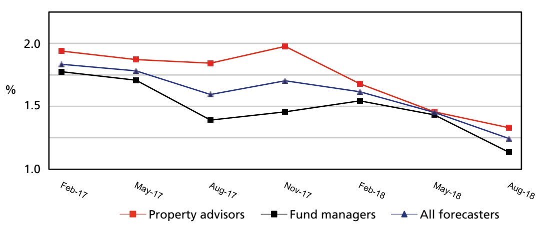


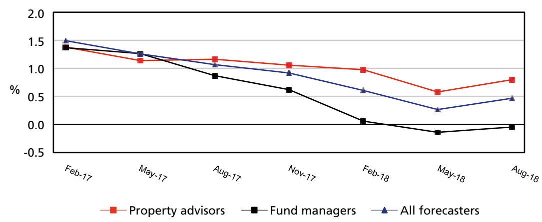
2020 Mean forecast: 0.7% (1.0%)	**2020** Mean forecast: -0.9% (-0.7%)





2021 Mean forecast: 1.2% (1.5%)	**2021** Mean forecast: 0.5% (0.3%)

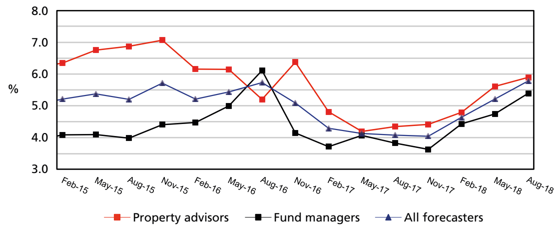




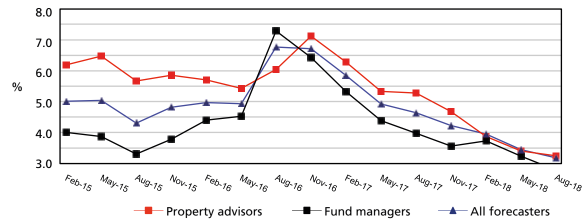
Evolution of the consensus (2)

All Property total returns (% pa)

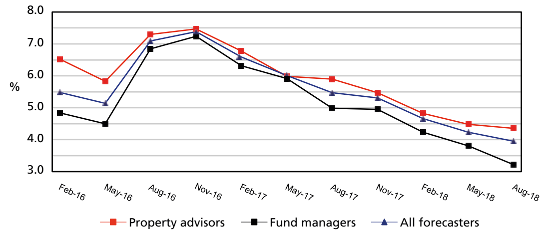
2018 Mean forecast: 5.8 % (5.2%)



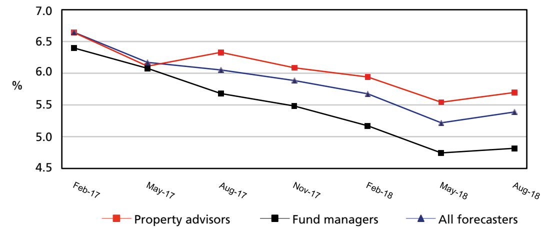
2019 Mean forecast: 3.2% (3.4%)



2020 Mean forecast: 4.0% (4.2%)



2021 Mean forecast: 5.4% (5.2%)



All Property survey results by contributor type

(Forecasts in brackets are May 2018 comparisons)

Property Advisors and Research Consultancies

11 (11)	Rental value growth (%)						Capital value growth (%)						Total return (%)					
contributors	2018		2019		2018/22*		2018		2019		2018/22*		2018		2019		2018/22*	
Maximum	1.8	(1.9)	1.6	(2.0)	2.1	(2.1)	3.0	(3.4)	2.3	(2.3)	2.8	(2.8)	8.0	(8.4)	7.4	(7.4)	7.8	(7.8)
Minimum	0.5	(0.2)	-0.3	(-0.3)	0.2	(0.3)	-0.8	(-2.9)	-6.0	(-6.0)	-2.0	(-2.6)	3.7	(1.6)	-1.6	(-1.6)	3.2	(2.3)
Range	1.3	(1.7)	1.9	(2.3)	1.9	(1.9)	3.8	(6/3)	8.3	(8.3)	4.8	(5.4)	4.3	(6.8)	9.0	(9.0)	4.6	(5.5)
Median	0.9	(1.2)	0.6	(1.0)	1.1	(1.4)	1.7	(1.2)	-1.0	(-0.6)	0.3	(0.5)	6.2	(6.1)	3.8	(4.4)	5.1	(5.6)
Mean	**1.0**	**(1.2)**	**0.6**	**(0.8)**	**1.1**	**(1.3)**	**1.2**	**(0.9)**	**-1.4**	**(-1.3)**	**0.3**	**(0.2)**	**5.9**	**(5.6)**	**3.2**	**(3.4)**	**5.1**	**(5.0)**

Fund Managers

11 (14)	Rental value growth (%)						Capital value growth (%)						Total return (%)					
contributors	2018		2019		2018/22		2018		2019		2018/22		2018		2019		2018/22	
Maximum	1.7	(1.8)	1.4	(1.4)	2.1	(1.9)	2.9	(1.9)	0.4	(0.3)	1.8	(1.4)	7.7	(6.9)	5.8	(6.0)	6.6	(6.4)
Minimum	0.1	(0.3)	-1.0	(-0.6)	-0.1	(0.4)	-2.0	(-6.0)	-7.0	(-5.9)	-2.7	(-3.4)	2.5	(-1.0)	-2.0	(-1.2)	2.0	(1.4)
Range	1.6	(1.5)	2.4	(2.0)	2.1	(1.4)	4.9	(7.9)	7.4	(6.2)	4.5	(4.9)	5.2	(7.9)	7.8	(7.2)	4.7	(5.0)
Median	0.7	(0.9)	0.1	(0.4)	0.7	(1.0)	0.6	(0.0)	-2.3	(-1.0)	-0.6	(-0.4)	5.2	(4.8)	2.5	(3.7)	4.0	(4.3)
Mean	**0.8**	**(0.9)**	**0.1**	**(0.4)**	**0.8**	**(1.1)**	**0.6**	**(-0.1)**	**-2.0**	**(-1.6)**	**-0.5**	**(-0.5)**	**5.4**	**(4.7)**	**2.8**	**(3.2)**	**4.3**	**(4.4)**

All Property forecasters

23 (26)	Rental value growth (%)						Capital value growth (%)						Total return (%)					
contributors	2018		2019		2018/22		2018		2019		2018/22		2018		2019		2018/22*	
Maximum	1.8	(1.9)	1.6	(2.0)	2.1	(2.1)	3.0	(3.4)	2.3	(2.3)	2.8	(2.8)	8.8	(8.4)	7.4	(7.4)	8.1	(7.8)
Minimum	0.1	(0.2)	-1.0	(-0.6)	-0.1	(0.3)	-2.0	(-6.0)	-7.0	(-6.0)	-2.7	(-3.4)	2.5	(-1.0)	-2.0	(-1.6)	2.0	(1.4)
Range	1.7	(1.7)	2.6	(2.5)	2.2	(1.9)	5.0	(9.4)	9.3	(8.3)	5.5	(6.2)	6.3	(9.4)	9.4	(9.0)	6.1	(6.4)
Std. Dev.	0.4	(0.4)	0.7	(0.7)	0.5	(0.5)	1.3	(2.0)	2.3	(2.2)	1.4	(1.5)	1.4	(2.0)	2.4	(2.3)	1.5	(1.5)
Median	0.9	(1.0)	0.3	(0.5)	0.9	(1.1)	0.9	(1.0)	-1.4	(-0.7)	0.1	(-0.1)	6.0	(5.9)	3.2	(4.0)	4.8	(4.6)
Mean	**0.9**	**(1.0)**	**0.4**	**(0.6)**	**1.0**	**(1.2)**	**1.0**	**(0.4)**	**-1.6**	**(-1.4)**	**0.0**	**(-0.1)**	**5.8**	**(5.2)**	**3.2**	**(3.4)**	**4.8**	**(4.8)**

Notes:

1. Figures are subject to rounding and are forecasts of All Property or relevant segment Annual Index measures published by the Investment Property Databank (IPD). 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 (22 August 2018).
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. Full forecasts for all sectors were received from 20 contributors (19 for central London offices).

Survey results by sector

Office

21 contributors	Rental value growth (%)				Capital value growth (%)				Total return (%)			
	2018	2019	2020	2018/22	2018	2019	2020	2018/22	2018	2019	2020	2018/22
Maximum	1.2	2.6	3.7	2.7	3.1	2.9	3.7	3.3	7.9	7.7	8.5	8.1
Minimum	-0.6	-3.0	-2.2	-0.9	-5.0	-10.0	-6.2	-3.2	-1.0	-5.5	-3.0	1.4
Range	1.8	5.6	5.9	3.6	8.1	12.9	9.9	6.5	8.9	13.2	11.5	6.7
Median	0.3	-0.7	0.8	0.8	0.8	-2.1	-0.7	-0.2	4.8	2.4	3.2	3.9
Mean	**0.3**	**-0.4**	**0.5**	**0.8**	**0.5**	**-2.6**	**-1.4**	**-0.4**	**4.7**	**1.7**	**3.0**	**4.0**

Industrial

21 contributors	Rental value growth (%)				Capital value growth (%)				Total return (%)			
	2018	2019	2020	2018/22	2018	2019	2020	2018/22	2018	2019	2020	2018/22
Maximum	5.2	4.5	3.9	4.0	12.8	5.6	3.1	4.8	17.7	10.4	8.3	9.5
Minimum	2.0	0.0	0.0	0.8	1.9	-4.6	-4.0	-1.6	7.1	0.0	0.6	3.2
Range	3.2	4.5	3.9	3.2	10.9	10.2	7.1	6.4	10.6	10.3	7.7	6.3
Median	3.8	2.6	2.0	2.6	9.5	2.6	0.3	3.0	14.4	7.1	4.8	7.5
Mean	**3.9**	**2.5**	**2.1**	**2.5**	**8.7**	**1.6**	**0.1**	**2.3**	**13.6**	**6.4**	**4.9**	**7.1**

Standard Retail

21 contributors	Rental value growth (%)				Capital value growth (%)				Total return (%)			
	2018	2019	2020	2018/22	2018	2019	2020	2018/22	2018	2019	2020	2018/22
Maximum	1.4	1.2	1.7	1.8	3.4	2.2	2.4	2.3	7.5	7.4	7.6	7.5
Minimum	-2.2	-2.6	-2.0	-2.0	-6.2	-7.1	-6.8	-5.5	-0.9	-2.7	-2.7	0.2
Range	3.6	3.8	3.7	3.8	9.6	9.3	9.2	7.8	8.4	10.1	10.3	7.3
Median	-0.2	-0.1	0.4	0.3	-1.3	-2.0	-1.0	-0.4	3.1	2.1	3.6	3.5
Mean	**-0.2**	**-0.3**	**0.1**	**0.3**	**-1.3**	**-2.4**	**-1.5**	**-0.8**	**3.0**	**1.9**	**3.1**	**3.7**

Shopping Centre

20 contributors	Rental value growth (%)				Capital value growth (%)				Total return (%)			
	2018	2019	2020	2018/22	2018	2019	2020	2018/22	2018	2019	2020	2018/22
Maximum	0.8	0.9	1.0	0.9	0.6	-1.8	0.6	-0.4	5.3	3.1	6.9	5.3
Minimum	-2.2	-2.8	-2.5	-1.8	-13.1	-10.8	-7.8	-6.9	-7.6	-6.4	-2.7	-1.9
Range	3.0	3.7	3.5	2.7	13.7	9.0	8.4	6.5	12.9	9.6	9.6	7.2
Median	-0.7	-0.9	-0.4	-0.3	-5.4	-4.0	-2.3	-2.3	-0.7	1.0	3.1	2.9
Mean	**-0.6**	**-0.9**	**-0.4**	**-0.3**	**-5.6**	**-4.5**	**-2.7**	**-2.7**	**-0.9**	**0.5**	**2.5**	**2.4**

Retail Warehouse

20 contributors	Rental value growth (%)				Capital value growth (%)				Total return (%)			
	2018	2019	2020	2018/22	2018	2019	2020	2018/22	2018	2019	2020	2018/22
Maximum	0.8	0.8	1.3	1.2	0.6	0.5	0.5	0.5	6.5	6.4	6.9	6.7
Minimum	-2.2	-3.0	-2.0	-1.6	-7.2	-8.2	-6.7	-4.3	-1.5	-2.1	-0.9	1.7
Range	3.0	3.8	3.3	2.8	7.8	8.7	7.2	4.8	8.0	8.5	7.8	5.0
Median	-0.5	-0.3	0.1	0.2	-1.9	-2.4	-1.3	-1.2	3.7	3.5	4.3	4.5
Mean	**-0.5**	**-0.6**	**-0.1**	**0.0**	**-2.6**	**-2.9**	**-2.0**	**-1.4**	**2.9**	**2.7**	**3.8**	**4.4**

All Property

23 contributors	Rental value growth (%)				Capital value growth (%)				Total return (%)			
	2018	2019	2020	2018/22	2018	2019	2020	2018/22	2018	2019	2020	2018/22
Maximum	1.8	1.6	2.1	2.1	3.0	2.3	2.9	2.8	8.8	7.4	8.0	8.1
Minimum	0.1	-1.0	-1.0	-0.1	-2.0	-7.0	-5.8	-2.7	2.5	-2.0	-1.1	2.0
Range	1.7	2.6	3.1	2.2	5.0	9.3	8.7	5.5	6.3	9.4	9.1	6.1
Std. Dev.	0.4	0.7	0.8	0.5	1.3	2.3	2.0	1.4	1.4	2.4	2.0	1.5
Median	0.9	0.3	0.6	0.9	0.9	-1.4	-0.6	0.1	6.0	3.2	4.1	4.8
Mean	**0.9**	**0.4**	**0.7**	**1.0**	**1.0**	**-1.6**	**-0.9**	**0.0**	**5.8**	**3.2**	**4.0**	**4.8**

Sector Summary

Sector means

(no. contributors*)	Rental value growth (%)				Capital value growth (%)				Total return (%)			
	2018	2019	2020	2018/22	2018	2019	2020	2018/22	2018	2019	2020	2018/22
Office (21)	0.3	-0.4	0.5	0.8	0.5	-2.6	-1.4	-0.4	4.7	1.7	3.0	4.0
Industrial (21)	3.9	2.5	2.1	2.5	8.7	1.6	0.1	2.3	13.6	6.4	4.9	7.1
Standard Retail (21)	-0.2	-0.3	0.1	0.3	-1.3	-2.4	-1.5	-0.8	3.0	1.9	3.1	3.7
Shopping Centre (20)	-0.6	-0.9	-0.4	-0.3	-5.6	-4.5	-2.7	-2.7	-0.9	0.5	2.5	2.4
Retail Warehouse (20)	-0.5	-0.6	-0.1	0.0	-2.6	-2.9	-2.0	-1.4	2.9	2.7	3.8	4.4
All Property (23)	**0.9**	**0.4**	**0.7**	**1.0**	**1.0**	**-1.6**	**-0.9**	**0.0**	**5.8**	**3.2**	**4.0**	**4.8**

West End office

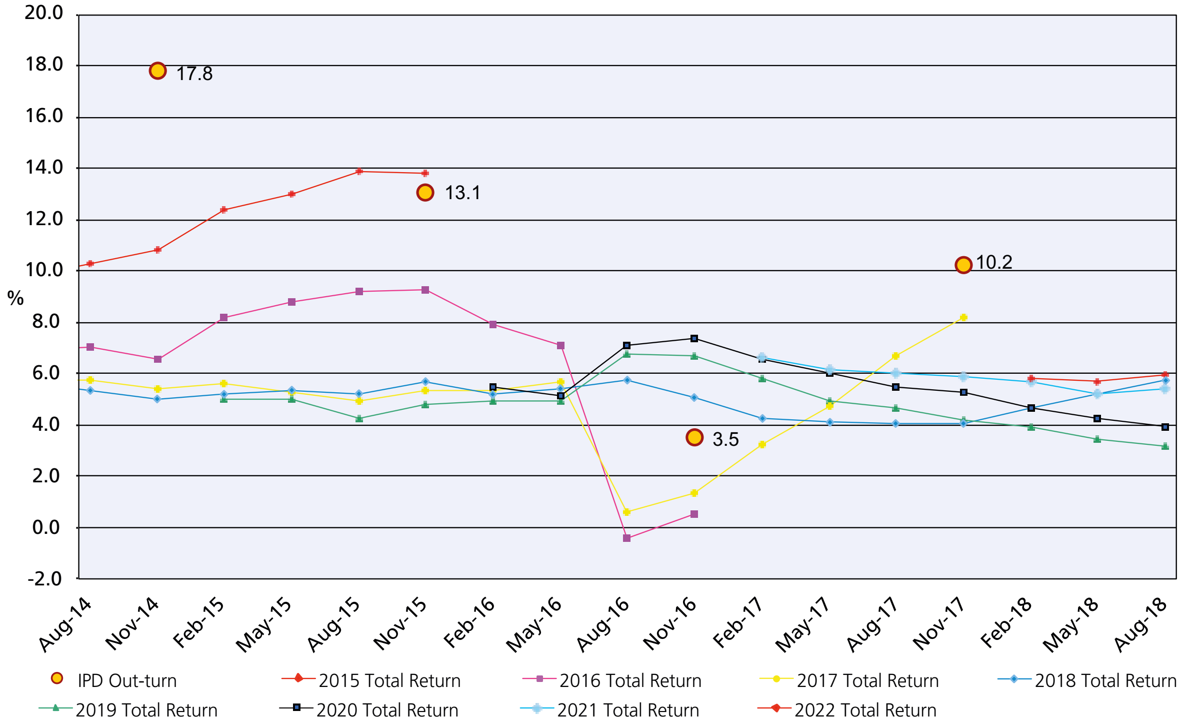
19 contributors	‡Rental value growth (%)				Capital value growth (%)				Total return (%)			
	2018	2019	2020	2018/22	2018	2019	2020	2018/22	2018	2019	2020	2018/22
Maximum	1.2	2.5	3.5	2.8	2.5	2.7	3.0	3.1	6.4	6.6	7.0	7.1
Minimum	-5.0	-3.2	-2.5	-1.0	-5.2	-11.9	-7.3	-3.7	-2.2	-8.8	-2.6	0.3
Range	6.2	5.7	6.0	3.8	7.7	14.7	10.3	6.8	8.6	15.4	9.6	6.8
Median	-0.2	-1.5	0.6	0.5	0.1	-3.1	-1.2	-1.0	3.7	0.9	2.3	2.5
Mean	**-0.4**	**-0.9**	**0.5**	**0.8**	**-0.5**	**-2.9**	**-1.1**	**-0.3**	**2.7**	**0.8**	**2.7**	**3.4**

City office

19 contributors	‡Rental value growth (%)				Capital value growth (%)				Total return (%)			
	2018	2019	2020	2018/22	2018	2019	2020	2018/22	2018	2019	2020	2018/22
Maximum	1.3	2.5	4.0	3.0	3.5	3.7	5.0	3.9	8.1	8.7	10.0	8.9
Minimum	-3.0	-7.5	-3.0	-1.5	-6.1	-10.0	-6.6	-3.6	-2.5	-6.1	-3.6	-0.1
Range	4.3	10.0	7.0	4.5	9.6	13.7	11.6	7.5	10.6	14.8	13.6	9.0
Median	0.0	-1.8	0.0	0.5	0.8	-1.6	-0.5	0.0	4.2	2.3	3.9	3.3
Mean	**-0.3**	**-1.3**	**0.1**	**0.6**	**0.2**	**-2.8**	**-1.3**	**-0.4**	**3.8**	**1.2**	**2.8**	**3.7**

‡ In addition to the 19 sets of forecasts received, a further contributor provided rental value growth forecasts only.

Consensus Forecast All Property Total Return Forecasts versus IPD Annual Outturn



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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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