IPF Research Programme

Investment Property Forum
UK Consensus Forecasts

MAY 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 Spring 2018 Survey of Independent Forecasts for UK Commercial Property Investment

In this second survey of 2018, 26 contributors provided forecasts, generated over a period of 12 weeks, dating from late February to mid-May. Key points include:

Current year sentiment broadly stronger

- Improving projections for Office and Industrial rental growth in 2018 have outweighed greater pessimism in retail markets, to result a rise of 26bps in the **All Property rental growth average**, now **1.0%** (from 0.8% three months ago). Sector averages now range between 3.6% for Industrials (previously 3.5%) and -0.1% for Offices (up 76bps).
- Unlike other retail markets (and despite a modest fall in current year rental growth expectations), Standard Retail, Office and Industrial average **capital value growth** rates all rose quarter-on-quarter (by 47, 111 and 142bps to -0.3%, -0.8% and 5.4% respectively), with only the Industrial sector likely to outperform **All Property's average forecast** of **0.4%** (itself an improvement of 65bps). The Retail Warehouse average was the biggest faller, down over 100bps to -1.0%, but Shopping Centres remain the weakest sector, at -3.0% (down 53bps).
- As a consequence of these stronger rental and capital value growth forecasts, the **2018 All Property total return** has risen to **5.2%**, from 4.6% a quarter ago.

2019 expectations weaken further

- With the exception of a virtually unchanged Industrial average, sector forecasts for **rental growth** weakened over the quarter (by 37bps for Offices to 17bps for Standard Retail), causing the **All Property average** to decline to **0.6%** (from 0.8% in February).
- Excluding Industrials again, 2019 average capital value growth rates fell across all sectors – by between 77bps for Offices and 37bps for Standard Retail. This has led to an **All Property capital growth** average of **-1.4%** (-1.0% previously).
- The projected **All Property total return average** for 2019 has fallen a further 50bps, to **3.4%**, previously 3.9% (having been 4.2% six months ago).

Negative capital value growth to continue until 2021

- Over the quarter, **2020** forecast averages for both rental and capital values fell in all sectors, although the expectation for a return to positive **rental growth** throughout the market has been sustained, with an **All Property average** of **1.0%** (1.2% previously). **Capital growth** prospects are universally lower, with the All **Property average** forecast now **-0.7%**, from -0.4% in February. As a consequence, the **average total** return has fallen some 43bps, to **4.2%** from 4.7% previously.
- In **2021**, weaker **rental** and **capital value growth rates** now average **1.5%** and **0.3%** respectively (from 1.6% and 0.6% previously), whilst the **All Property total return** average has declined 45bps to **5.2%** from 5.7%.
- The second set of **2022** forecasts are generally weaker than a quarter ago, although continuing the slow upward movement in year-on-year growth rates and, hence, rising total return projection. At the **All Property** level, these measures now average **1.7%, 0.7%** and **5.7%** for rental and capital value growth and total return respectively (from 1.8%, 0.8% and 5.8% in February).

Five-year averages fall

Over the quarter, the All **Property rental value growth** rate improved marginally, to **1.2% per annum**, due to rounding, whilst the annualised **capital value growth** projection remains **-0.1%**.

- With a slightly reduced implied income return of 4.8%, the **All Property total return** average is unchanged, at **4.8%** per annum (from 5.4% in November).

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

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
March (5)	0.8	0.3	0.9	1.1	0.7	-1.5	-1.1	-0.1	5.4	3.2	3.8	4.7
April (7)	1.1	0.7	1.2	1.2	0.6	-1.6	-0.5	-0.4	5.4	3.4	4.4	4.6
May (12)	1.1	0.5	0.8	1.1	0.3	-1.3	-0.6	0.1	5.2	3.5	4.4	5.0
All Property (26*)	**1.0**	**0.6**	**1.0**	**1.2**	**0.4**	**-1.4**	**-0.7**	**-0.1**	**5.2**	**3.4**	**4.2**	**4.8**

* Two sets of forecasts were generated in the latter half of February 2018.

Survey contributors

There were 26 contributors to this quarter's forecasts, comprising 11 Property Advisors and Research Consultancies, 14 Fund Managers and one Other. Forecasts were received for all sectors from 24 contributors and from 24 for West End and City sub-office sectors. All forecasts were generated within 12 weeks of the survey date (9 May 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 ONS[1], UK gross domestic product (GDP) was estimated to have grown by 0.1% in the first quarter of 2018, against 0.4% for the final quarter of 2017. This is the slowest rate since Quarter 4 2012, with service sector growth of 0.3% unable to counteract the impact of a fall in construction of 3.3%, alongside slowing manufacturing growth of 0.2% over the three month period. This is the fourth consecutive quarter of contraction in construction activity.

In the latest ONS release on public sector finances[2], public sector borrowing (PSB) for the complete financial year ending March 2018, fell by £5.7 billion to £40.5 billion. This compares with an Office for Budget Responsibility (OBR) expectation of an annual figure of £45.2 billion. This represents to lowest net borrowing since the financial year ending March 2007. Public sector net debt[3] as at the end of April 2018 is the equivalent of 85.1% of GDP, or £1,777.3 billion, an increase of £56.8 billion (0.3%).

At its meeting on 9 May[4], the Bank of England Monetary Policy Committee (MPC) voted by a majority of 7-2 to maintain Bank Rate at 0.5%. In its latest quarterly Inflation Report[5], the Bank notes a greater than expected fall in inflation since the start of 2018, reaching 2.5% in March, as the impact of sterling's depreciation to import prices was lower than previously anticipated. Despite low GDP growth in Q1, due, in part, to adverse weather conditions, the MPC views there being "a very limited degree of slack" in the economy. Based on three 25 basis point rises in Bank Rate over the next three years, in response to the likely emergence of a small margin of excess demand by early 2020, which would raise domestic inflationary pressures, the conclusion is that inflation should settle at its 2% target. The MPC also voted unanimously to maintain the stock of corporate bond purchases and UK government bond purchases, at £10bn and £435bn respectively.

The 12-month inflation rate, as measured by the Consumer Prices Index (CPI), including owner occupier housing costs (CPIH), was 2.2% in April[6], down from the recent high of 2.8% recorded in Autumn 2017. The largest downward contribution was air fares (influenced by the timing of Easter), although rising motor fuel prices partially offset this. The Consumer Prices Index (CPI) 12-month rate was 2.4% in April, down from 2.5% in March.

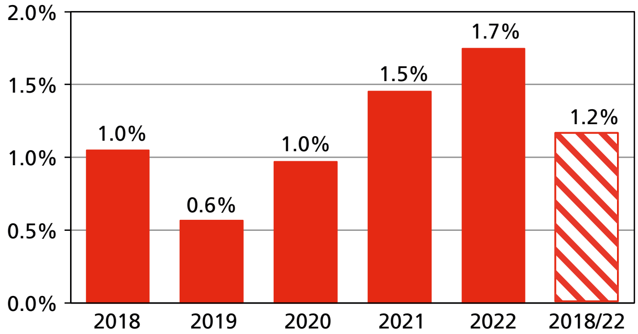
Turning to the labour market, the ONS estimated[7] 32.34 million people in work, 197,000 more than for October to December 2017 and 396,000 more than for a year earlier. This figure represents an employment rate of 75.6% for people aged 16 to 64 in work (compared to 74.8% 12 months ago). The current level of unemployment is 4.2% (the lowest rate since 1975) down from 4.6% a year ago. The total number unemployed is now calculates to be 1.42 million, 46,000 fewer than for July to September 2017 and 116,000 fewer than for a year earlier. The number of economically inactive aged 16 to 64 years (i.e. not working and not seeking or available to work) has fallen to 8.66 million – 115,000 fewer than for October to December 2017 and 171,000 fewer than for a year earlier. Average weekly earnings for employees in real terms (i.e. adjusted for price inflation) increased by 0.4%, both including bonuses, but remained unchanged excluding bonuses, compared with a year earlier.

The first estimate of April 2018[8] indicates the quantity of goods bought in the retail industry remained relatively flat with only a slight increase, of 0.1%, quarter-on-quarter. Compared with March, the quantity bought in April 20188 increased by 1.6% as all sectors, excluding department stores (which fell by 0.9%), recovered from the declines seen in March, when there was strong on-line purchasing activity. Petrol sales constituted the largest recovery, with a growth of 4.7% compared with a decline of 6.9% in March as road closures affected travel that month. Internet sales increased by 11.7% for the amount spent in April 2018 when compared with April 2017, with all sectors reporting growth on the year. As a proportion of all retailing, online sales continued to grow year-on-year at 17.3% in April 2018 (16.1% in April 2017). Food and clothing stores achieved record volumes (at 5.6% and 17.1% respectively).

[1] ONS: Gross Domestic Product October to December. Release dated 27 April 2018
[2] ONS: Public sector finances April 2018. Release dated 22 May 2018
[3] Excluding public sector banks
[4] Bank of England Monetary Policy Summary and Minutes of Monetary Policy Committee meeting ending on 9 May 2018
[5] Bank of England Inflation Report, May 2018
[6] ONS Consumer Price Inflation, April 2018. Release dated 23 May 2018
[7] ONS: Labour Market. Release dated 15 May 2018
[8] ONS: Retail Sales Index. Release dated 24 May 2018

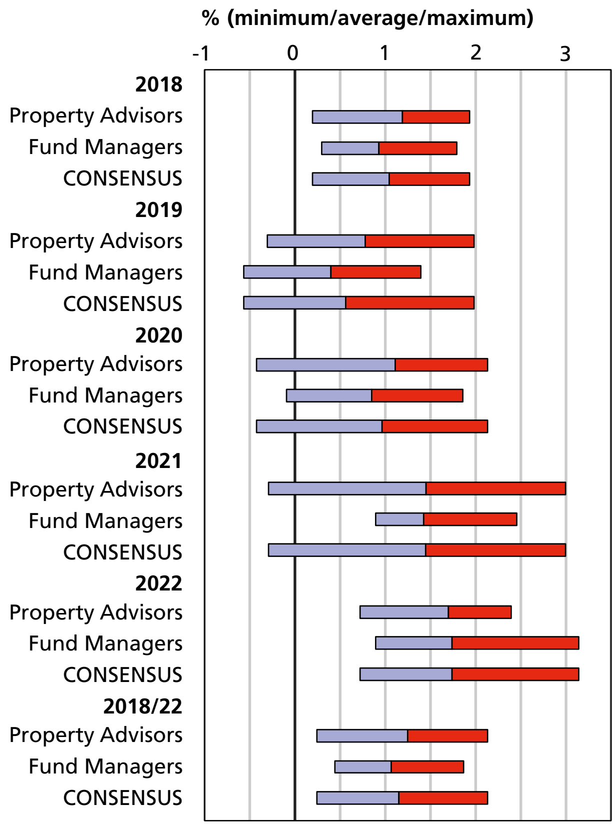
All Property rental value growth forecasts

A further improvement in the outlook for 2018 has resulted in a 26bps rise in the average forecast, from February's 0.8%. This represents a fifth consecutive quarterly increase. However, projected growth rates in each of the remaining years surveyed have declined by between 8bps (2022) and 26bps (2020) over the three months. 2019 remains clearly the anticipated low-point of the next five years, having weakened by almost 20bps, from 0.8% previously.



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

Rental value growth forecasts by contributor



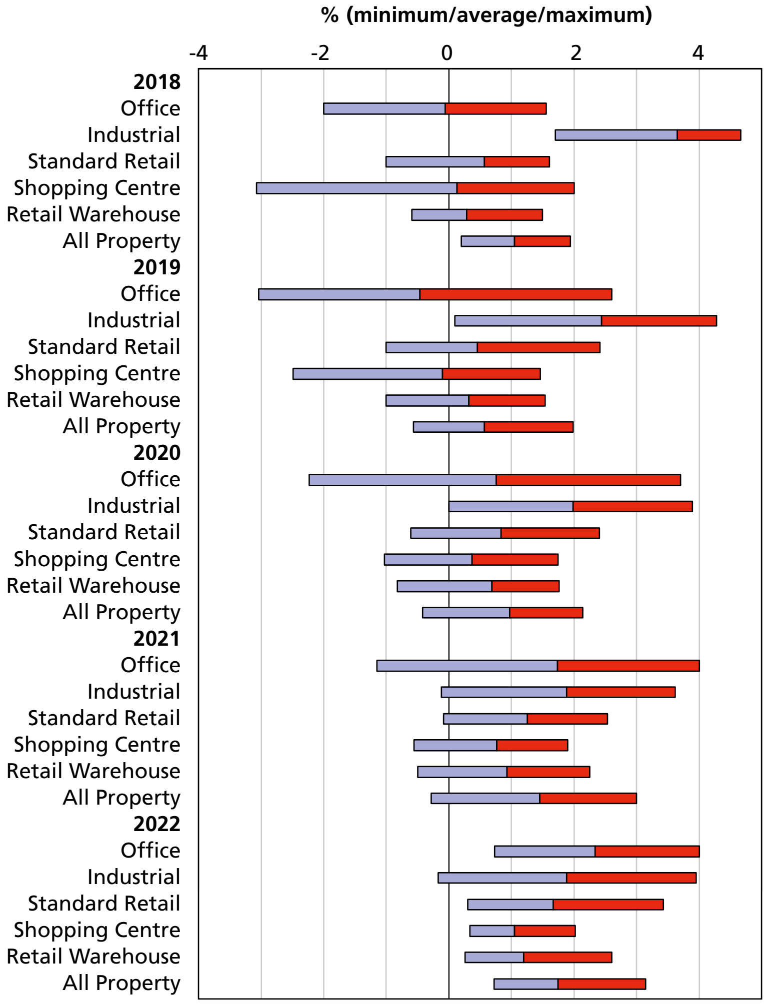
Both sets of contributors by type have improved their current year estimates for growth with averages lying at 1.2% for Property Advisors and 0.9% for Fund Managers, although forecast ranges have increased (by between 17bps and 145bps respectively). The minimum projection of 0.2% compares with -0.9% in February.

In the four later years, each group's average forecasts have weakened, albeit only marginally in 2019 and 2020 for Advisors. For 2019, negative projections were returned by six contributors (compared to two in February), reducing to two in 2020 and one in 2021. Maximum forecasts in all but 2018 and 2019 are virtually unchanged from three months ago.

Fund Managers continue to demonstrate the closest accord in most years, ranging between 150 and 225bps. Property Advisor forecast ranges rise yearly to 2021 (reaching 329bps) before shrinking to under 170bps the following year.

N.B. One 'Other' contributor returned data in addition to the 25 Property Advisors and Fund Managers.

Sector rental value growth annual forecasts



Over the quarter, Offices recorded the greatest current year improvement, with the average rising by over 75bps, to -0.1%, as the range of individual forecasts narrowed to less than 360bps from over 700bps previously. Despite a minimum Shopping Centre forecast of -3.1% (one of five sub-zero projections), Offices remain the only negative sector forecast for 2018. Other averages lie between 0.1% (Shopping Centres) and 3.6% (Industrials).

The resilience of the Industrial sector, underpinned by ongoing demand for logistics space, is reflected in this being the only market where minimum growth forecasts remain positive until 2021.

With the exception of Industrials in 2019 and 2022, yearly sector averages have weakened over the quarter, with a notable reversal of sentiment in the outlook for Offices over the next two years (down by more than 35bps, to -0.5%, in 2019 and a further 30bps in 2020).

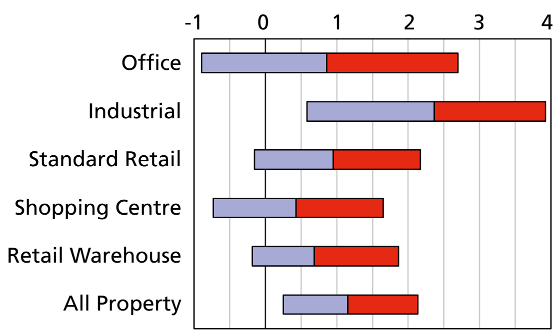
In these later years, a more pessimistic attitude has emerged, as minimum projections have continued to fall in the majority of sectors, with forecast spreads increasing in most markets in 2021 and 2022.

Sector rental value growth five-year average forecasts

The All Property rolling five-year average remains virtually unchanged, rising to 1.2% per annum due to rounding.

As in February, Industrials are the solitary likely outperformer, at 2.4% (from 2.3% previously) with Offices the only other sector average improving over the quarter (up 8bps to 0.9% per annum).

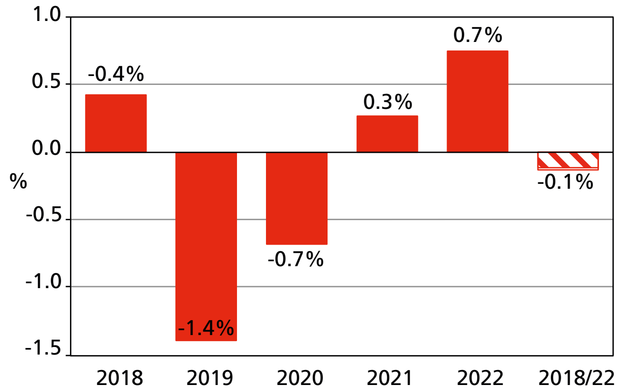
The Standard Retail average remained virtually flat, at 1.0%, followed by Retail Warehouses (down 15bps to 0.7%) and Shopping Centres (18bps lower, to 0.4%).



All Property average capital value growth forecasts

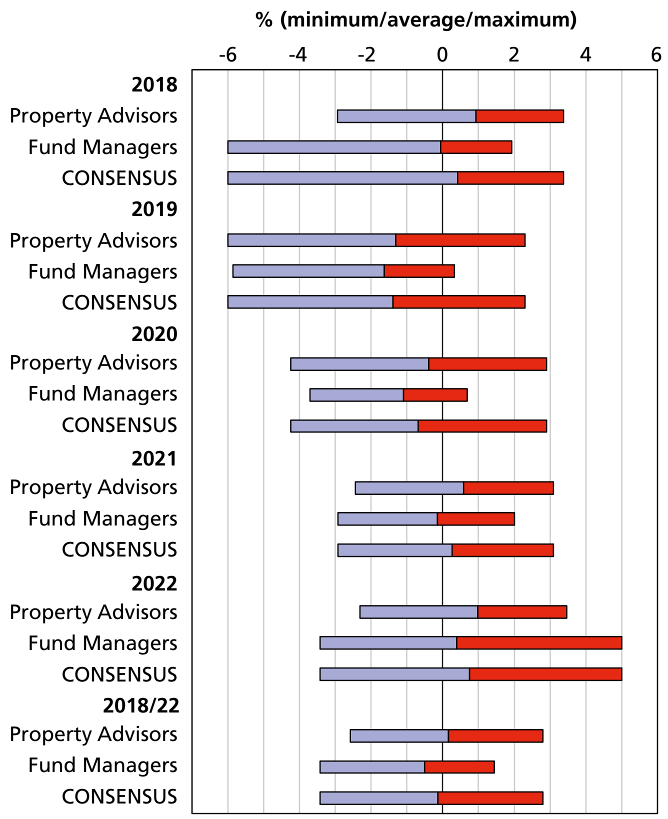
Against February's expectation, the 2018 All Property average has returned to positive territory, (previously -0.2%), although this disguises a considerable variation in opinion among contributors.

However, confidence has eroded further for the next two years, with averages falling by over 40bps for 2019 and almost 30bps for 2020. The return to positive growth in 2021 is also weaker than reported three months ago, this forecast having weakened quarter-on-quarter since commencing in February 2016.



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

Capital value growth forecasts by contributor



A majority of contributors (17) anticipate positive growth in 2018, with Property Advisors generally more optimistic (only three expecting sub-zero growth), illustrated by improved minimum, average and maximum individual forecasts. In contrast, six Fund Managers indicate negative growth, their minimum forecast having declined by almost 250bps (from -3.5%). The maximum projection is over 140bps lower than the best Property Advisor (1.9% versus 3.4%).

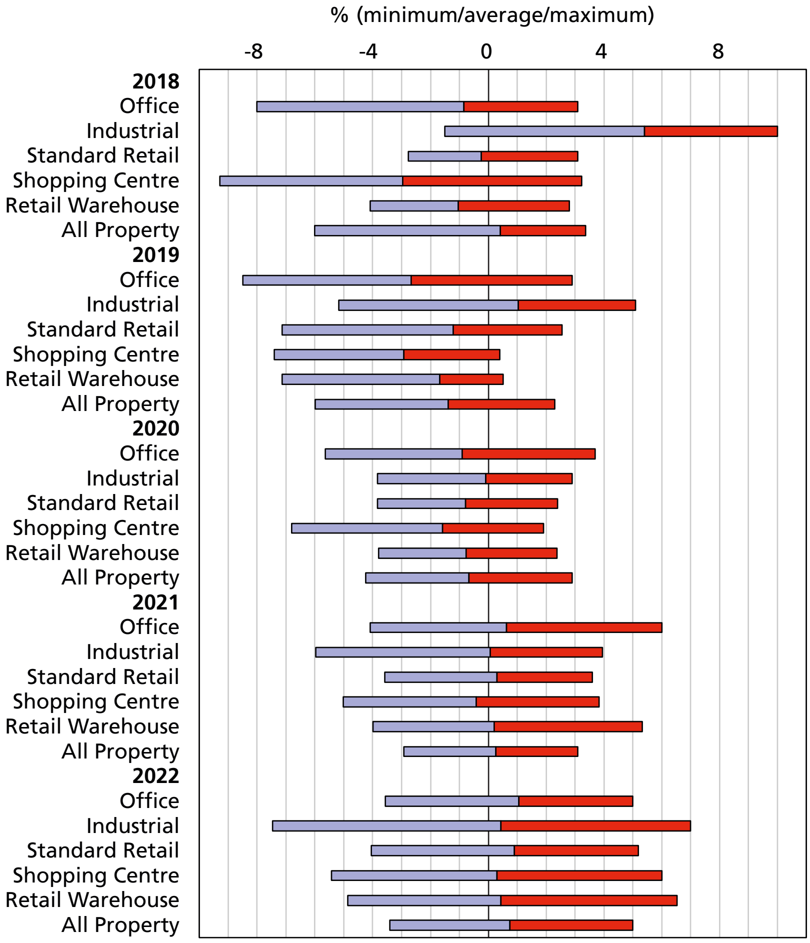
Lower expectations for 2019, representing a likely bottom to the current cycle, are supported by 19 contributors (six Advisors and 13 Managers) predicting negative growth; forecasts lie between -6.0% and 2.3% for Advisors and -5.9% and 0.3% for Managers, whilst the All Forecaster projection has declined over 40bps.

In following years, forecast ranges and individual projections improve, although average estimates are lower than a quarter ago – Advisors down over 30bps and 40bps in 2020 and 2021, with Managers down 14bps and 20bps respectively.

Throughout, Fund Managers remain the more pessimistic group, although more aligned in their opinions for the majority of years (2022 being the exception). Movements of c. 10bps either way in the rolling five-year averages results in the All Forecaster mean remaining at -0.1%.

N.B. One 'Other' contributor returned data in addition to the 25 Property Advisors and Fund Managers.

Sector capital value growth annual forecasts



2018 sector forecasts 2018 again show considerable optimism for Industrials (despite one negative estimate). The average improved by more than 140bps over the quarter, to 5.4%, whilst the highest projection increased 215bps, to 10.0%, following February's 300bps plus rise. Better averages were also recorded for Offices (up more than 110bps) and Standard Retail (nearly 50bps higher) although both remain negative for the year.

In contrast, average sentiment softened for all remaining periods of the survey, other than for Industrials in 2019 and 2022. As with rental growth expectations, 2019 is anticipated to be the weakest of the five years, with only the Industrial average expected to be positive. The Shopping Centre average for that year has continued to decline, off a further 39bps to -2.9%, followed by Offices (down almost 80bps to -2.7%).

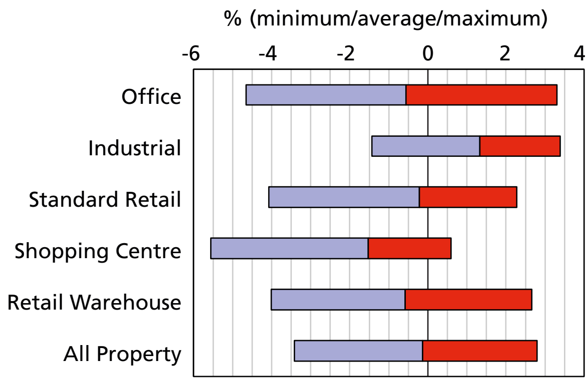
Positive average growth is expected to return by 2021 to all but Shopping Centres (-0.4%, compared to an All Property average of 0.3%), whilst Offices re-emerge as potentially the best performing sector, projected to grow 0.6% that year and 1.1% in 2022.

Sector capital value growth five-year forecasts

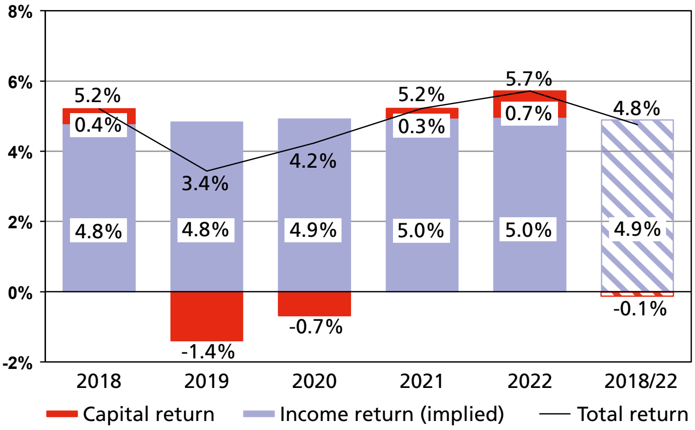
Over five years, the Industrial sector is the only market expected to deliver positive annualised growth (1.3% per annum), as against -0.1% for All Property.

All remaining sectors are likely to under-perform the All Property annualised average, ranging between -0.2% for Standard Retail to -1.5% for Shopping Centres. Offices may average -0.6% over the period, unchanged from the February projection.

The greatest range of forecasts lies with Offices (8.0%) with Industrials attracting the closest consensus (4.8%).



All Property total return forecasts



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

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

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

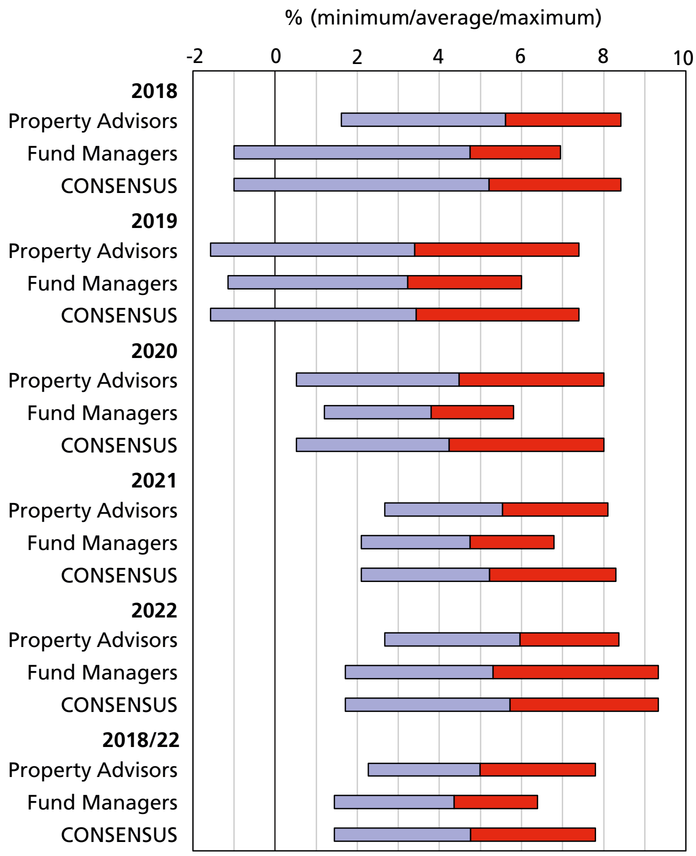
Contributors All Property total return forecasts

Greater optimism for 2018 is evidenced by an increase in average forecasts by both Property Advisors at 5.6% (from 4.8%) and 4.7% for Fund Managers (4.4% previously). With the exception of one negative return from a Fund Manager anticipating a fall in capital values of 1%, minimum projections have also risen. Forecast spreads have increased since the last survey, however.

Expectations are at their weakest for 2019, with minimum individual forecast of -1.6% and -1.2% reported by Advisor and Managers respectively. Averages have declined by almost 50bps in each group (to 3.4% and 3.2%), although the most optimistic Advisor forecast is 7.4%, compared to 6.0% for Managers.

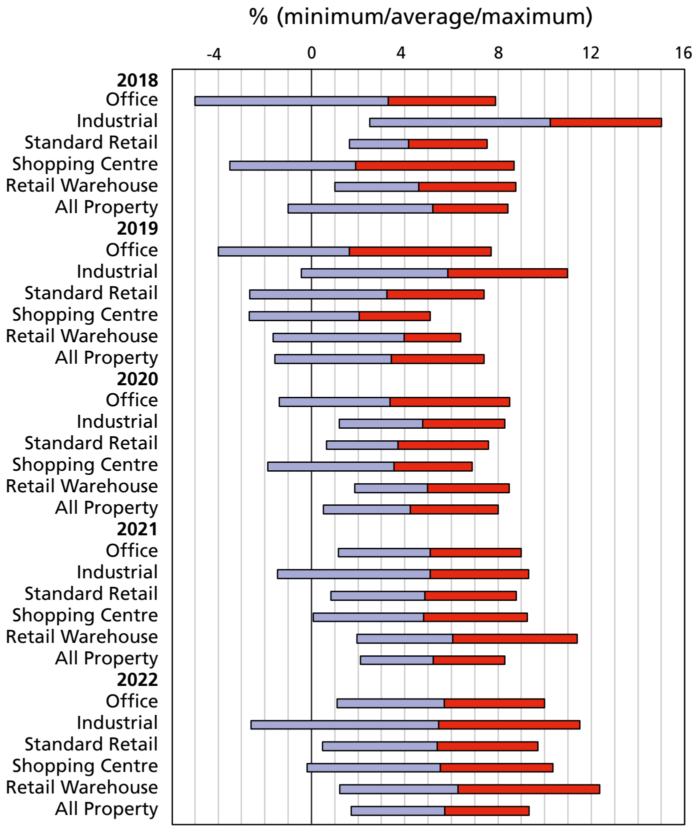
Forecast ranges broaden in later years (up to 7.5% for Advisors in 2020 and 7.6% for Managers in 2022), wider than last quarter.

In all years, Property Advisors are consistently more optimistic, whilst the five-year average has improved by 10bps to 5.0% for Advisors, but fallen by 20bps for Managers (to 4.4% currently).



N.B. One 'Other' contributor returned data in addition to the 25 Property Advisors and Fund Managers.

Sector total return annual forecasts



Sector forecasts for 2018 continue to show considerable optimism for Industrials, with 15 contributors forecasting double-digit returns. The average forecast has improved by more than 120bps over the quarter, to 10.2%, as the uppermost growth project has risen by 216bps. Higher averages were also recorded for Offices (over 100bps) and Standard Retail (nearly 50bps).

Current year expectations contrast with weakening sentiment for remaining years. Excluding Industrials, where the 2022 average rose, all other sector averages are lower than in reported February. In particular, Offices averages in 2019 and 2020 declined by over 80bps, whilst the minimum 2022 sector forecast for Shopping Centres fell by almost 240bps.

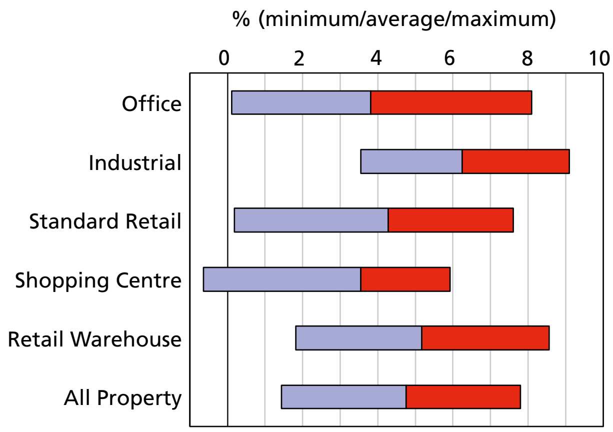
From 2020, Retail Warehouses are projected to be the best-performing sector, with an average return of 5.0% (as against Industrials at 4.8%). This dominance is expected to continue in 2021 and 2022, with averages of 6.1% and 6.3%, followed by Offices, at 5.1% and 5.7%.

Sector total return five-year forecasts

Annualised returns over five years are weaker than those reported in February in all sectors other than Industrials, which has risen over 30bps to 6.3%.

Despite better anticipated performance in later years, a decline in the Retail Warehouse average (of over 45bps to 5.2%) is similar to the fall in the Shopping Centre average (46bps).

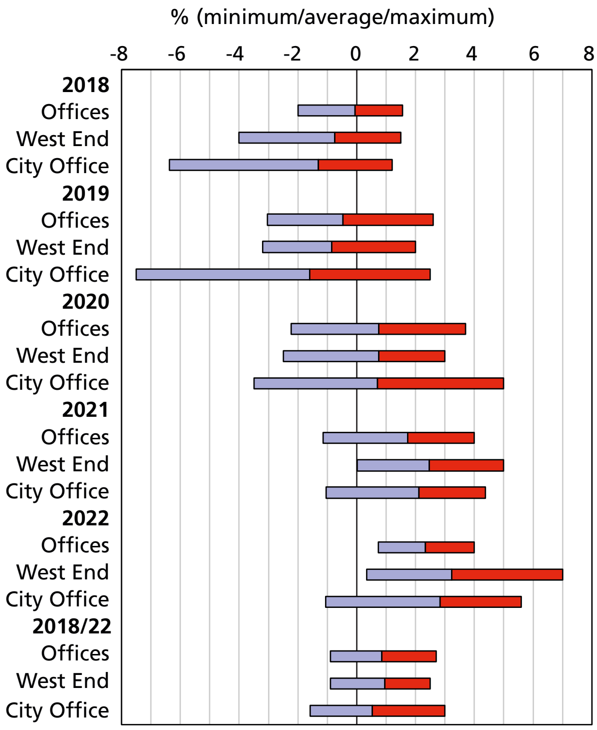
At 3.6%, the latter is the poorest performing sector. Together with Offices (3.8%) and Standard Retail (4.3%), these markets are all predicted to underperform the All Property average of 4.8% pa.



Central London offices

Despite the shadow of Brexit overhanging the central London markets, leasing activity in the first quarter of 2018 was almost 15% higher than a year ago and exceeded the 10-year average. No one sector dominated; take up in the services sector has been driven primarily by the continuing expansion of serviced office providers. Although somewhat subdued compared to a strong final quarter in 2017, both overseas and domestic investor appetite remains positive.

Rental value growth



2018 rental growth prospects have firmed in both markets. Although sub-zero, averages have risen over the quarter by around 90 and 130bps for the West End and City, to -0.7% and -1.3% respectively. The latter market attracts a wide array of forecast opinion, ranging from -6.4% to 1.2%, compared to a spread of 5.5% for the West End (from -4.0% to 1.5%).

2019 averages are weaker, by between 45 and 55bps, with City forecast ranging from -7.5% to 2.5%. With a consensus that next year will register the low point, positive growth is expected to return to both locations by 2020, although more muted than previously reported– at or close to the wider UK Office average of 0.8% but some 40 to 50bps lower than February.

Only one contributor anticipates negative rental growth to persist in the City in 2021 and 2022. Although averages continue to lag the West End (2.1% and 2.8% versus 2.5% and 3.2%, City rental growth is likely to exceed the UK average (of 1.7% and 2.3%) in each of these years.

Five-year average annualised rental growth rates are virtually unchanged over the quarter, at 1.0% for the West End and 0.5% for the City, compared to a slightly improved UK Office average of 0.9% (0.8% previously).

N.B. Equity Broker forecasts are included only at the Consensus level for each year within the performance measure.

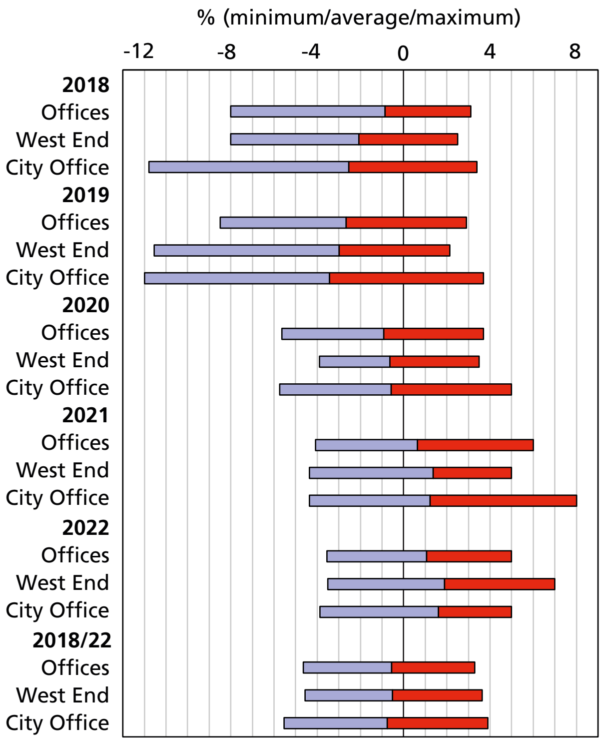
Central London offices (2)

Capital value growth

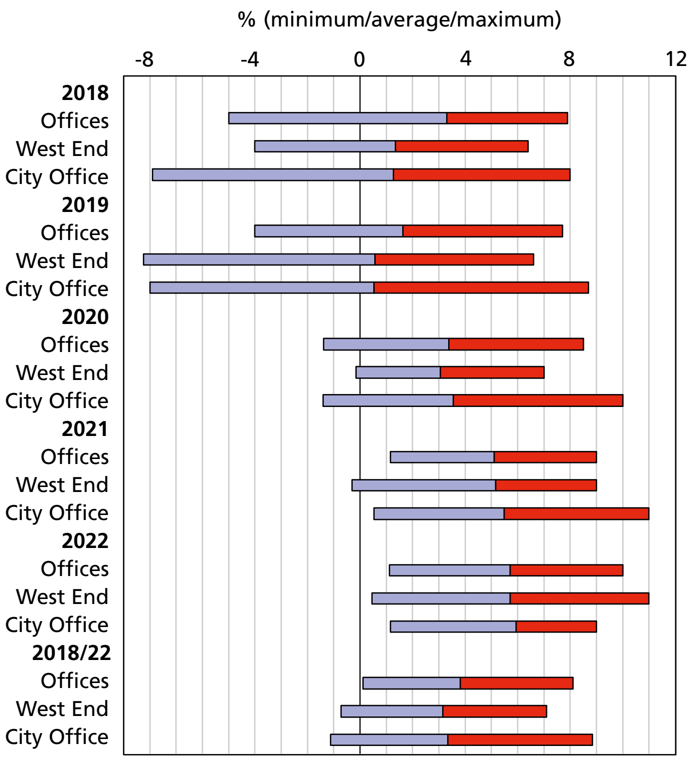
Average forecasts for 2018 have improved again over the quarter, to -2.1% and -2.5% for the West End and City respectively, representing increases of 83 bps and 89bps. 2019 growth rates have declined, however, to -3.0% and -3.4% (down 88 and 103bps). Negative capital growth expectations now extend to 2020, in contrast to February's anticipated 0.4% and 0.3%, with averages falling by over 100 and 90bps respectively for the West End and City.

Although still lower than West End projections, 2021 and 2022 City average growth forecasts have firmed by almost 30 and 20bps over the quarter, to 1.2% and 1.6%, compared to declines of around 30bps for West End capital values in each year, to 1.4% and 1.9%.

The West End five-year annualised growth rate has weakened almost 20bps, to -0.5%, with the City average forecast is unaltered, at -0.8%, against a UK Office average of -0.6%..



Total returns



Current year expectations have risen by between 80 and 90bps since February, to 1.3% for both locations (compared to 3.3% for UK Offices as a whole). This contrasts with weaker 2019 and 2020 prospects – 2019 forecasts now average 0.6% and 0.5% in the West End and City.

The 2020 outlook, although weaker, is substantially better than for 2019 (3.1% and 3.5%), with the City potentially exceeding the UK Office market (3.4%).

By 2021, West End office returns are predicted to be marginally higher than UK Offices (at 5.2% versus 5.1%) with the City at 5.5%. This pattern continues in 2022, as both the West End and wider UK office markets are forecast to average 5.7%, compared to 5.9% for the City.

Contributor opinions differ considerably – by 10.4% and 16.7% in 2018 and 2019 – whilst City forecasts in the four years to 2021 are consistently more varied than those for the West End.

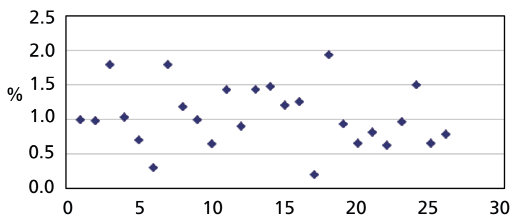
West End five-year annualised returns fell over the quarter (to 3.2% from 3.4%), whereas the City average rose to 3.3% (3.2% previously), but still lower than the UK Office average (3.8%).

Distribution of forecasts

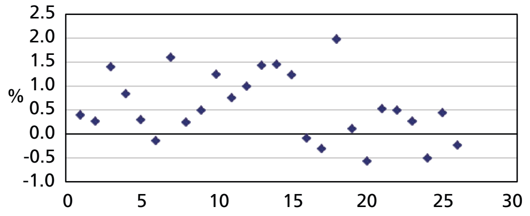
The scatter plots are the individual forecasts for All Property rental value and capital value growth. The contributors are listed in random order so that individual contributions cannot be identified. Previous quarter's forecast (February 2018) in brackets.

Rental value growth (% pa)

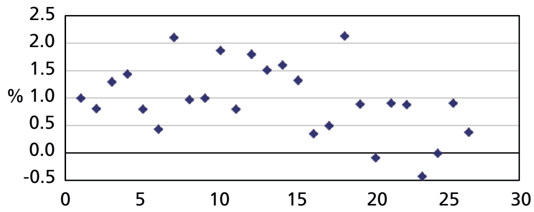
2018 Mean forecast: 1.0% (0.8%)



2019 Mean forecast: 0.6% (0.8%)

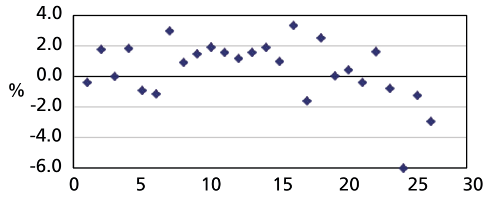


2020 Mean forecast: 1.0% (1.2%)

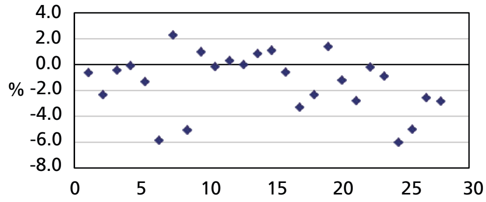


Capital value growth (% pa)

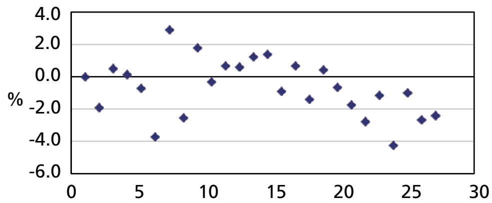
2018 Mean forecast: 0.4% (-0.2%)



2019 Mean forecast:-1.4% (-1.0%)



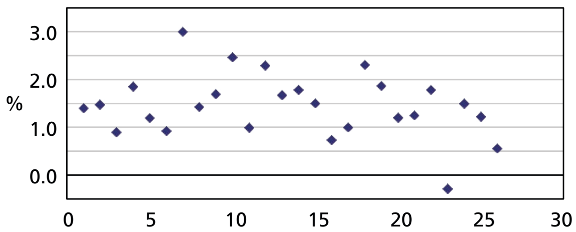
2020 Mean forecast: -0.7% (-0.4 %)



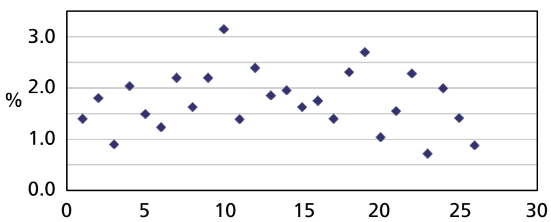
Distribution of forecasts (2)

Rental value growth (% pa)

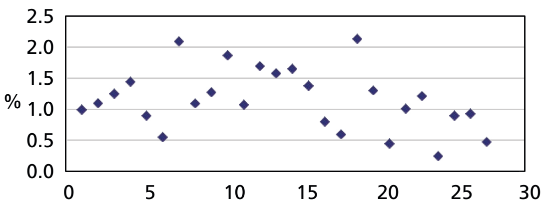
2021 Mean forecast: 1.5% (1.6%)



2022 Mean forecast: 1.7% (1.8%)

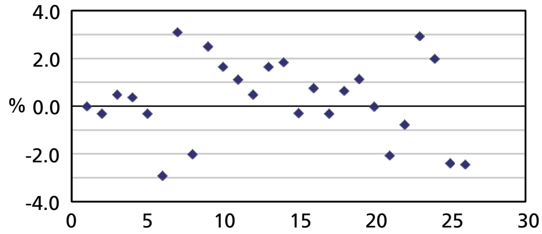


2018/22 Mean forecast: 1.2% (1.1%)

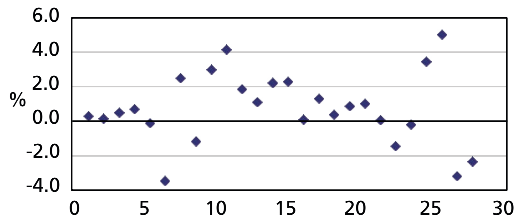


Capital value growth (% pa)

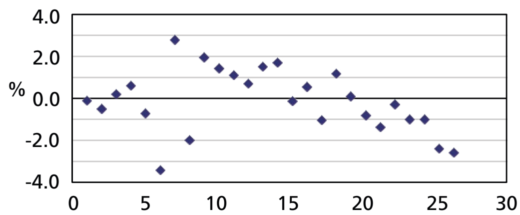
2021 Mean forecast: 0.3% (0.6%)



2022 Mean forecast: 0.7% (0.8%)



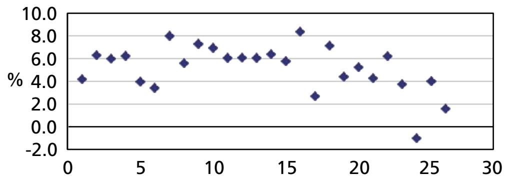
2018/22 Mean forecast: -0.1% (-0.1%)



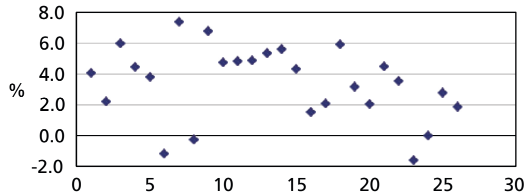
Distribution of forecasts (3)

All Property total returns (% pa)

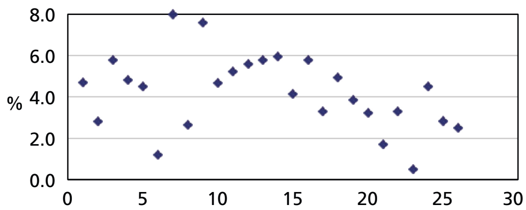
2018 Mean forecast: 5.2% (4.6%)



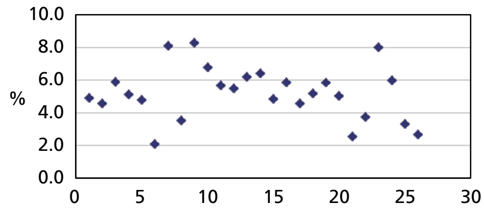
2019 Mean forecast: 3.4% (3.9 %)



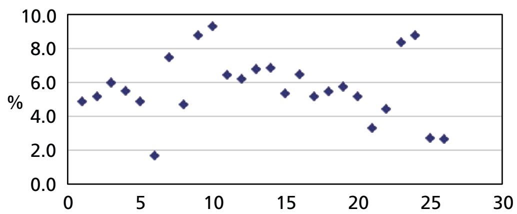
2020 Mean forecast: 4.2% (4.7%)



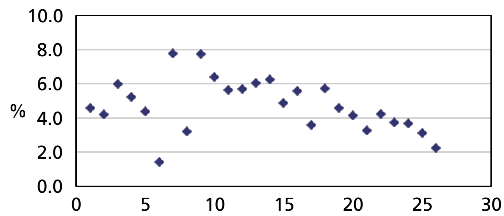
2021 Mean forecast: 5.2% (5.7%)



2022 Mean forecast: 5.7% (5.8%)



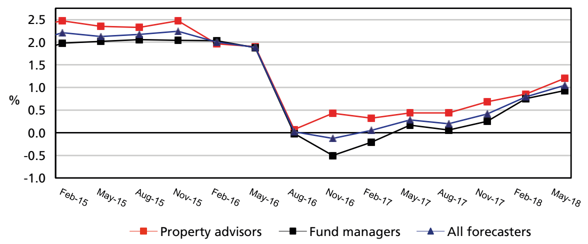
2018/2022 Mean forecast: 4.8% (4.8%)



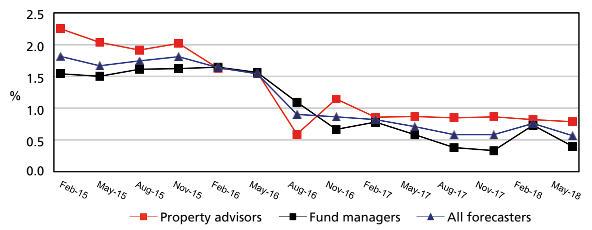
Evolution of the consensus

All Property rental value growth (% pa)

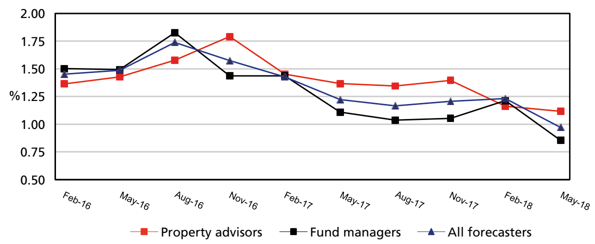
2018 Mean forecast: 1.0% (0.8%)



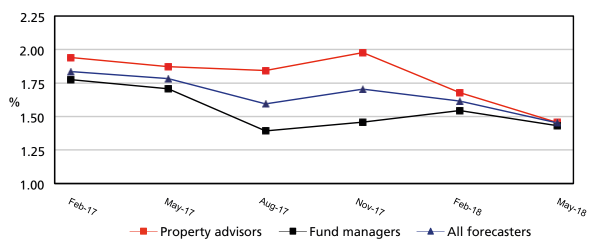
2019 Mean forecast: 0.6% (0.8%)



2020 Mean forecast: 1.0% (1.2%)

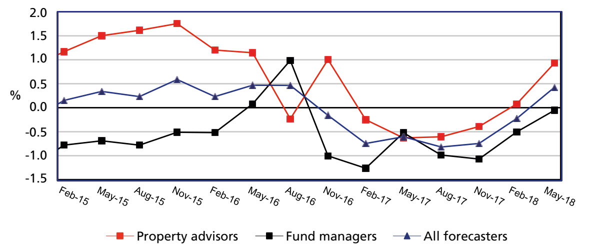


2021 Mean forecast: 1.5% (1.6%)

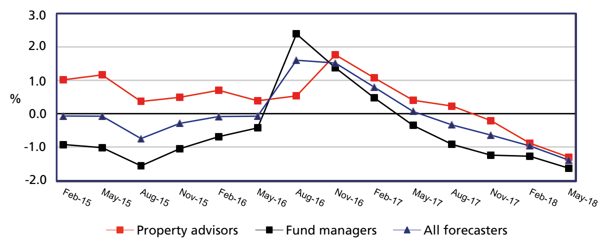


All Property capital value growth (% pa)

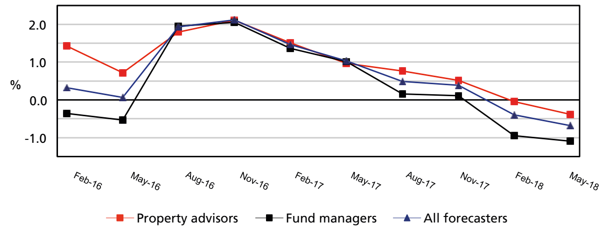
2018 Mean forecast: 0.4% (-0.2%)



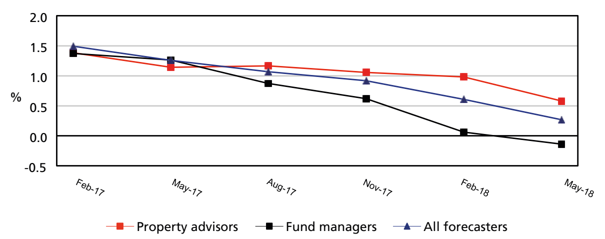
2019 Mean forecast: -1.4% (-1.0%)



2020 Mean forecast: -0.7% (-0.4%)



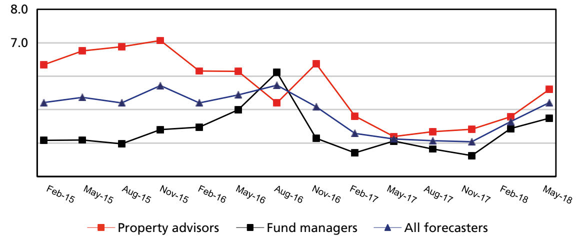
2021 Mean forecast: 0.3% (0.6%)



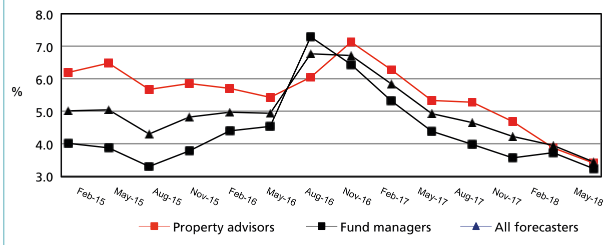
Evolution of the consensus (2)

All Property total returns (% pa)

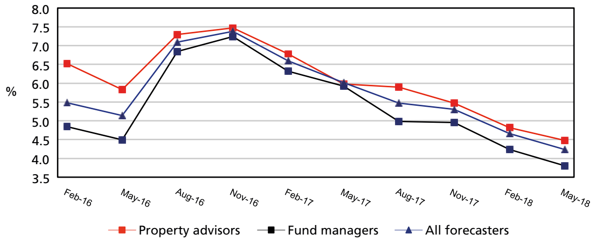
2018 Mean forecast: 5.2% (4.6%)



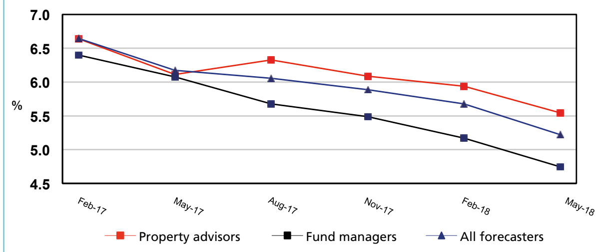
2019 Mean forecast: 3.4% (3.9%)



2020 Mean forecast: 4.2% (4.7%)



2021 Mean forecast: 5.2% (5.7%)



All Property survey results by contributor type

(Forecasts in brackets are February 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	1.9	(2.0)	2.0	(2.1)	2.1	(2.0)	3.4	(2.1)	2.3	(2.3)	2.8	(2.6)	8.4	(7.2)	7.4	(7.4)	7.8	(7.6)
Minimum	0.2	(0.0)	-0.3	(-0.7)	0.3	(0.3)	-2.9	(-3.8)	-6.0	(-5.1)	-2.6	(-2.4)	1.6	(0.5)	-1.6	(-0.7)	2.3	(2.3)
Range	1.7	(1.9)	2.3	(2.8)	1.9	(1.7)	6.3	(5.9)	8.3	(7.4)	5.4	(4.9)	6.8	(6.7)	9.0	(8.1)	5.5	(5.3)
Median	1.2	(0.6)	1.0	(1.2)	1.4	(0.9)	1.2	(0.3)	-0.6	(-0.6)	0.5	(-0.1)	6.1	(5.3)	4.4	(4.4)	5.6	(5.0)
Mean	1.2	(0.9)	0.8	(0.8)	1.3	(1.1)	0.9	(0.1)	-1.3	(-0.9)	0.2	(0.1)	5.6	(4.8)	3.4	(3.9)	5.0	(4.9)

Fund Managers

14 (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	(2.0)	1.4	(1.5)	1.9	(1.9)	1.9	(1.9)	0.3	(0.4)	1.4	(1.4)	6.9	(7.0)	6.0	(7.0)	6.4	(6.4)
Minimum	0.3	(-0.9)	-0.6	(0.1)	0.4	(0.4)	-6.0	(-3.5)	-5.9	(-5.3)	-3.4	(-3.1)	-1.0	(1.2)	-1.2	(-0.4)	1.4	(1.8)
Range	1.5	(2.9)	2.0	(1.4)	1.4	(1.4)	7.9	(5.5)	6.2	(5.7)	4.9	(4.5)	7.9	(5.8)	7.2	(7.4)	5.0	(4.5)
Median	0.9	(0.7)	0.4	(0.7)	1.0	(1.3)	0.0	(0.0)	-1.0	(-0.4)	-0.4	(-0.1)	4.8	(4.4)	3.7	(3.9)	4.3	(4.6)
Mean	0.9	(0.8)	0.4	(0.7)	1.1	(1.2)	-0.1	(-0.5)	-1.6	(-1.3)	-0.5	(-0.4)	4.7	(4.4)	3.2	(3.7)	4.4	(4.6)

All Property forecasters

26 (23)	Rental value growth (%)						Capital value growth (%)						Total return (%)					
contributors	2018		2019		2018/22		2018		2019		2018/22		2018		2019		2018/22	
Maximum	1.9	(2.0)	2.0	(2.1)	2.1	(2.0)	3.4	(2.1)	2.3	(2.3)	2.8	(2.6)	8.4	(7.2)	7.4	(7.4)	7.8	(7.6)
Minimum	0.2	(-0.9)	-0.6	(-0.7)	0.3	(0.3)	-6.0	(-3.8)	-6.0	(-5.3)	-3.4	(-3.1)	-1.0	(0.5)	-1.6	(-0.7)	1.4	(1.8)
Range	1.7	(2.9)	2.5	(2.8)	1.9	(1.7)	9.4	(5.9)	8.3	(7.6)	6.2	(5.7)	9.4	(6.7)	9.0	(8.1)	6.4	(5.8)
Std. Dev.	0.4	(0.7)	0.7	(0.7)	0.5	(0.5)	2.0	(1.8)	2.2	(1.9)	1.5	(1.4)	2.0	(2.0)	2.3	(2.1)	1.5	(1.4)
Median	1.0	(0.7)	0.5	(0.7)	1.1	(1.1)	1.0	(0.3)	-0.7	(-0.4)	-0.1	(-0.1)	5.9	(5.3)	4.0	(4.2)	4.6	(4.7)
Mean	1.0	(0.8)	0.6	(0.8)	1.2	(1.1)	0.4	(-0.2)	-1.4	(-1.0)	-0.1	(-0.1)	5.2	(4.6)	3.4	(3.9)	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 (9 May 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 26 participants for each performance measure. Sector forecasts were received from 24 contributors (24 for central London offices).

Survey results by sector

Office

25 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	1.6	2.6	3.7	2.7	3.1	2.9	3.7	3.3	7.9	7.7	8.5	8.1
Minimum	-2.0	-3.0	-2.2	-0.9	-8.0	-8.5	-5.6	-4.7	-5.0	-4.0	-1.4	0.1
Range	3.6	5.6	5.9	3.6	11.1	11.4	9.3	8.0	12.9	11.7	9.9	8.0
Median	0.0	-0.6	1.0	0.9	0.0	-1.9	-0.2	-0.7	4.1	2.5	3.4	3.6
Mean	**-0.1**	**-0.5**	**0.8**	**0.9**	**-0.8**	**-2.7**	**-0.9**	**-0.6**	**3.3**	**1.6**	**3.4**	**3.8**

Industrial

25 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	4.7	4.3	3.9	3.9	10.0	5.1	2.9	3.4	15.0	11.0	8.3	9.1
Minimum	1.7	0.1	0.0	0.6	-1.5	-5.2	-3.8	-1.4	2.5	-0.4	1.2	3.5
Range	3.0	4.2	3.9	3.3	11.5	10.3	6.7	4.8	12.5	11.4	7.1	5.6
Median	3.8	2.5	2.0	2.5	6.1	1.3	0.0	1.3	10.9	6.2	4.6	6.4
Mean	**3.6**	**2.4**	**2.0**	**2.4**	**5.4**	**1.0**	**-0.1**	**1.3**	**10.2**	**5.8**	**4.8**	**6.3**

Standard Retail

25 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	1.6	2.4	2.4	2.2	3.1	2.5	2.4	2.3	7.5	7.4	7.6	7.6
Minimum	-1.0	-1.0	-0.6	-0.2	-2.8	-7.1	-3.8	-4.1	1.6	-2.6	0.6	0.2
Range	2.6	3.4	3.0	2.3	5.9	9.7	6.2	6.3	5.9	10.0	7.0	7.4
Median	0.6	0.4	0.8	0.9	-0.3	-0.8	-0.5	-0.3	4.4	3.5	3.8	4.3
Mean	**0.6**	**0.5**	**0.8**	**1.0**	**-0.3**	**-1.2**	**-0.8**	**-0.2**	**4.2**	**3.2**	**3.7**	**4.3**

Shopping Centre

24 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	2.0	1.5	1.7	1.7	3.2	0.4	1.9	0.6	8.7	5.1	6.9	5.9
Minimum	-3.1	-2.5	-1.0	-0.7	-9.3	-7.4	-6.8	-5.6	-3.5	-2.7	-1.9	-0.6
Range	5.1	3.9	2.8	2.4	12.5	7.8	8.7	6.2	12.2	7.8	8.8	6.6
Median	0.1	-0.2	0.3	0.4	-2.9	-2.8	-0.9	-1.2	1.8	2.0	4.0	3.9
Mean	**0.1**	**-0.1**	**0.4**	**0.4**	**-3.0**	**-2.9**	**-1.6**	**-1.5**	**1.9**	**2.0**	**3.5**	**3.6**

Retail Warehouse

24 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	1.5	1.5	1.8	1.9	2.8	0.5	2.4	2.7	8.8	6.4	8.5	8.6
Minimum	-0.6	-1.0	-0.8	-0.2	-4.1	-7.1	-3.8	-4.0	1.0	-1.6	1.9	1.8
Range	2.1	2.5	2.6	2.1	6.9	7.6	6.2	6.7	7.8	8.0	6.6	6.7
Median	0.3	0.4	0.7	0.7	-0.9	-0.8	-0.5	-0.4	4.9	4.8	5.1	5.1
Mean	**0.3**	**0.3**	**0.7**	**0.7**	**-1.0**	**-1.7**	**-0.8**	**-0.6**	**4.6**	**4.0**	**5.0**	**5.2**

All Property

26 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	1.9	2.0	2.1	2.1	3.4	2.3	2.9	2.8	8.4	7.4	8.0	7.8
Minimum	0.2	-0.6	-0.4	0.3	-6.0	-6.0	-4.2	-3.4	-1.0	-1.6	0.5	1.4
Range	1.7	2.5	2.6	1.9	9.4	8.3	7.1	6.2	9.4	9.0	7.5	6.4
Std. Dev.	0.4	0.7	0.6	0.5	2.0	2.2	1.7	1.5	2.0	2.3	1.8	1.5
Median	1.0	0.5	0.9	1.1	1.0	-0.7	-0.7	-0.1	5.9	4.0	4.5	4.6
Mean	**1.0**	**0.6**	**1.0**	**1.2**	**0.4**	**-1.4**	**-0.7**	**-0.1**	**5.2**	**3.4**	**4.2**	**4.8**

Sector summary: Means

Sector summary: Means

	Rental value growth (%)				Capital value growth (%)				Total return (%)			
	2018	2019	2020	2018/22	2018	2019	2020	2018/22	2018	2019	2020	2018/22
Office (25)	-0.1	-0.5	0.8	0.9	-0.8	-2.7	-0.9	-0.6	3.3	1.6	3.4	3.8
Industrial (25)	3.6	2.4	2.0	2.4	5.4	1.0	-0.1	1.3	10.2	5.8	4.8	6.3
Standard Retail (25)	0.6	0.5	0.8	1.0	-0.3	-1.2	-0.8	-0.2	4.2	3.2	3.7	4.3
Shopping Centre (24)	0.1	-0.1	0.4	0.4	-3.0	-2.9	-1.6	-1.5	1.9	2.0	3.5	3.6
Retail Warehouse (24)	0.3	0.3	0.7	0.7	-1.0	-1.7	-0.8	-0.6	4.6	4.0	5.0	5.2
All Property (26)	**1.0**	**0.6**	**1.0**	**1.2**	**0.4**	**-1.4**	**-0.7**	**-0.1**	**5.2**	**3.4**	**4.2**	**4.8**

West End office

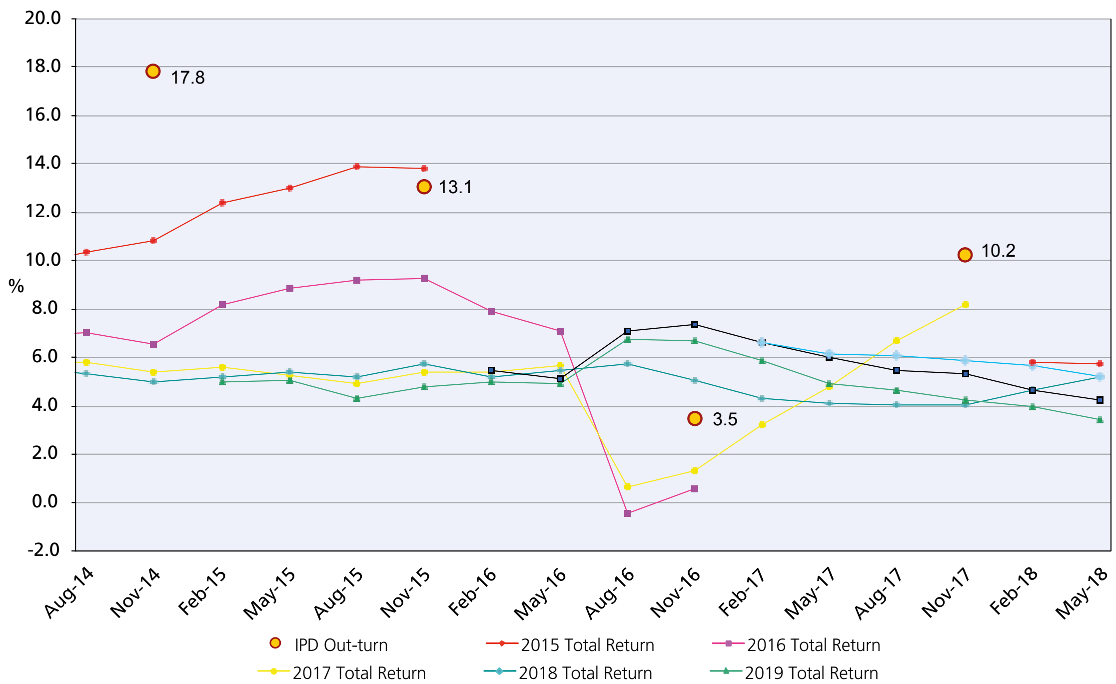
23 contributors	*Rental value growth (%)				Capital value growth (%)				Total return (%)			
	2018	2019	2020	2018/22	2018	2019	2020	2018/22	2018	2019	2020	2018/22
Maximum	1.5	2.0	3.0	2.5	2.5	2.1	3.5	3.6	6.4	6.6	7.0	7.1
Minimum	-4.0	-3.2	-2.5	-0.9	-8.0	-11.5	-3.9	-4.6	-4.0	-8.2	-0.2	-0.7
Range	5.5	5.2	5.5	3.4	10.5	13.7	7.4	8.2	10.4	14.8	7.2	7.8
Median	-0.7	-1.2	0.8	1.0	-2.0	-3.1	-0.8	-0.5	1.3	0.7	2.6	3.1
Mean	**-0.7**	**-0.8**	**0.8**	**1.0**	**-2.1**	**-3.0**	**-0.6**	**-0.5**	**1.3**	**0.6**	**3.1**	**3.2**

City office

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	1.2	2.5	5.0	3.0	3.4	3.7	5.0	3.9	8.0	8.7	10.0	8.8
Minimum	-6.4	-7.5	-3.5	-1.6	-11.8	-12.0	-5.7	-5.5	-7.9	-8.0	-1.4	-1.1
Range	7.6	10.0	8.5	4.6	15.2	15.7	10.7	9.4	15.9	16.7	11.4	10.0
Median	-1.1	-1.8	0.9	0.6	-1.5	-4.1	-0.5	-0.9	2.1	0.1	3.4	3.0
Mean	**-1.3**	**-1.6**	**0.7**	**0.5**	**-2.5**	**-3.4**	**-0.6**	**-0.8**	**1.3**	**0.5**	**3.5**	**3.3**

*Rental value growth forecasts were received from one additional contributor.

Consensus Forecast All Property Total Return Forecasts versus IPD Annual Outturn



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Note

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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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