



NOVEMBER 2022

RESEARCH

Investment Property Forum European Consensus Forecasts

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IPF European Consensus Forecasts

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

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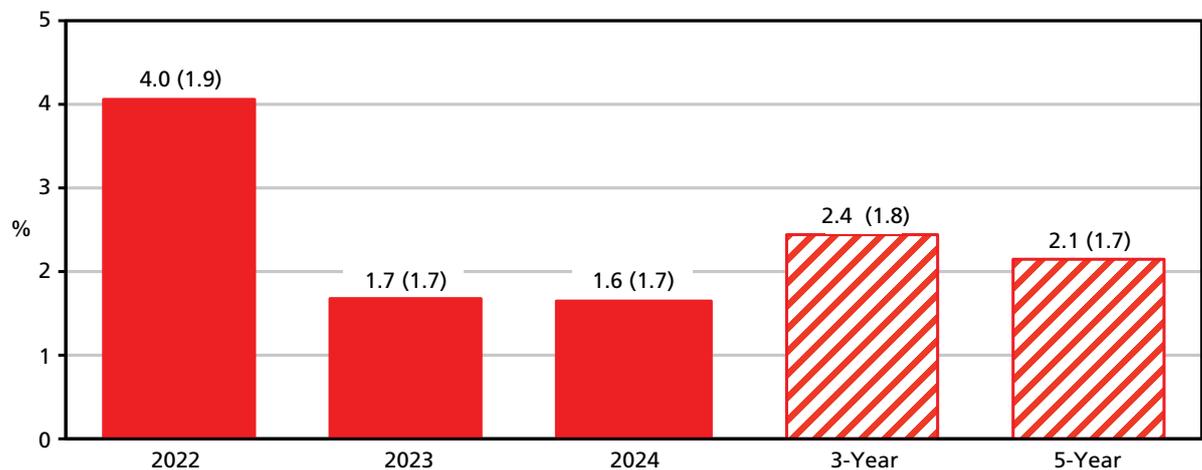


Survey of European Office Market Rental Forecasts November 2022

For the second survey of 2022, 18 organisations provided rental growth forecasts for some or most of the 30 locations covered by this research. Fifteen sets of forecasts were produced within eight weeks of the survey deadline of 26 October, with the earliest dating from 30 June. As fewer than the minimum requirement of five rental growth forecasts were received for Athens and Moscow, no results for the current survey period have been produced for these markets.

Figure 1 summarises the average growth projections across the 28 office locations, where data is available, over the next three years and the annualised averages over three and five years (May 2022 forecasts in brackets).

Figure 1: Average Annual Growth Rates, 2022–2024, and 3- and 5-Year Annualised Averages (%)



Substantially Improved 2022 Outlook

In the six months since the previous survey, the 2022 average growth rate, across all locations, has improved significantly from 1.9% to 4.0%. This uplift is driven by an increase in forecasts across 24 markets, with the greatest upgrades in Prague, Oslo and Dublin. These three cities have forecasts of 8.0% and over, and along with London: West End (7.4%), Milan (6.5%) and Stockholm (5.6%), have the strongest rental growth prospects for 2022. The forecasts of just four locations were downgraded, with the most significant decline in London: City, with growth of 2.8%, down from 3.8% noted in the last survey. In the current year, no location is expected to experience rental decline, although Budapest's rental growth is forecast to remain stagnant.

Survey of European Office Market Rental Forecasts

2023 Broadly Unchanged

The overall rental growth expectation for next year is unchanged from May's results, at 1.7%. Thirteen locations are anticipated to achieve higher rental growth, with an improvement of more than 1.0% forecast for Oslo, Lisbon and Rome. A further 13 locations have reduced rental growth expectations, with London: West End, London: City, Dublin, Frankfurt and Vienna all predicted to be at least 1.0% lower, compared to the previous set of forecasts. The rental growth forecasts for two locations, Barcelona and Manchester, are in line with those from the previous survey. In 2023, the most attractive locations for rental prospects are expected to be Oslo (3.3%), Manchester (2.7%), Lisbon (2.7%) and Munich (2.5%), while the least attractive are Warsaw (0.4%), Prague (0.5%) and London: West End (0.7%).

Consistent Outlook in 2024

The overall expectation for 2024 is little changed from May's result, with only a marginal downgrade in expected average rental growth from 1.7% to 1.6%. Only Vienna and London: West End growth rates have changed by more than 1.0% between the two surveys, both being downgraded by 1.2%. Rental growth is projected to be strongest in Munich (2.7%), Amsterdam (2.6%), London: City (2.6%) and Madrid (2.5%) in 2024, while Rome (0.5%) and Oslo (0.7%) are expected to have the weakest prospects.

Three- and Five-Year Prospects

Predominantly, as a result of the stronger 2022 forecast, both the three- and five-year annualised average forecasts have strengthened. The three-year forecast stands at 2.4% pa and the five-year forecast at 2.1% pa, up from 1.8% pa and 1.7% pa respectively.

On an individual basis, the strongest performing markets over the next three years are Prague (4.1% pa) and Oslo (4.0% pa), while Munich, London: City and Stockholm (all 2.8% pa) are expected to outperform over five years. Vienna and Budapest are anticipated to struggle over both the next three- and five-year periods, compared to other European markets. All markets are expected to achieve positive rental growth over both time periods.

Survey of European Office Market Rental Forecasts

Average Growth Forecasts

Table 1 records the latest weighted averages across the 30 office markets surveyed, together with the year-on-year differences between the three periods reported.

Table 1: Year-on-Year Average Weighted Growth Forecasts and Changes (%)

	Rental growth forecast			Y-o-Y Difference	
	2022	2023	2024	2023 vs. 2022	2024 vs. 2023
Vienna	1.0	1.1	0.8	0.1	-0.3
Brussels	2.4	2.2	2.1	-0.2	-0.1
Prague	11.2	0.5	0.8	-10.7	0.3
Copenhagen	4.1	2.2	1.0	-2.0	-1.2
Helsinki	1.1	1.2	1.6	0.0	0.5
Lyon	2.0	1.4	2.1	-0.6	0.7
Paris CBD	4.9	1.7	2.0	-3.2	0.3
Paris la Défense	1.3	1.0	1.0	-0.4	0.0
Berlin	4.9	2.4	2.4	-2.5	0.0
Frankfurt	2.2	1.9	1.9	-0.4	0.0
Hamburg	3.4	2.4	1.8	-1.1	-0.6
Munich	5.1	2.5	2.7	-2.6	0.2
Athens*	na	na	na	na	na
Budapest	0.0	1.3	1.8	1.3	0.5
Dublin	8.0	0.8	1.8	-7.2	1.0
Milan	6.5	1.9	1.3	-4.6	-0.6
Rome	4.8	1.9	0.5	-3.0	-1.4
Luxembourg	2.7	1.7	1.3	-1.1	-0.3
Amsterdam	3.8	2.2	2.6	-1.6	0.4
Oslo	8.0	3.3	0.7	-4.7	-2.5
Warsaw	5.2	0.4	1.4	-4.8	1.0
Lisbon	4.4	2.7	0.9	-1.7	-1.9
Moscow*	na	na	na	na	na
Madrid	3.1	1.3	2.5	-1.8	1.2
Barcelona	1.4	1.2	2.1	-0.2	0.9
Stockholm	5.6	2.4	2.2	-3.1	-0.2
Zurich	2.1	1.0	1.1	-1.1	0.1
London: City	2.8	0.9	2.6	-1.9	1.7
London: West End	7.4	0.7	1.3	-6.7	0.6
Manchester	3.7	2.7	1.8	-1.0	-1.0
Average	4.0	1.7	1.6	-2.4	0.0

* As fewer than five forecasts were received, it is not possible to report any analysis of these markets.

Survey of European Office Market Rental Forecasts

Table 2 summarises average weighted growth rates, ranked by order of lowest to highest projections for the current year and includes the three- and five-year annualised forecasts.

Table 2: 2022 Ranked Weighted Average Growth Rates (%)

	End-2021 rent (psm)*	Annual rental growth forecast			Annualised rental growth forecast (pa)	
		2022	2023	2024	2022/2024	2022/2026
Budapest	281.70	0.0	1.3	1.8	1.0	1.1
Vienna	303.70	1.0	1.1	0.8	1.0	1.2
Helsinki	458.36	1.1	1.2	1.6	1.3	1.7
Paris la Défense	552.00	1.3	1.0	1.0	1.1	1.4
Barcelona	321.63	1.4	1.2	2.1	1.6	1.8
Lyon	328.18	2.0	1.4	2.1	1.8	1.8
Zurich (CHF)	876.25	2.1	1.0	1.1	1.4	1.3
Frankfurt	536.19	2.2	1.9	1.9	2.0	2.2
Brussels	296.64	2.4	2.2	2.1	2.2	2.0
Luxembourg	617.14	2.7	1.7	1.3	1.9	1.8
London: City (GBP)	761.84	2.8	0.9	2.6	2.1	2.8
Madrid	418.31	3.1	1.3	2.5	2.3	2.4
Hamburg	381.50	3.4	2.4	1.8	2.5	2.2
Manchester (GBP)	404.02	3.7	2.7	1.8	2.7	2.3
Amsterdam	474.38	3.8	2.2	2.6	2.9	2.6
Copenhagen (DKr)	1,997.73	4.1	2.2	1.0	2.4	2.2
Lisbon	286.50	4.4	2.7	0.9	2.7	1.9
Rome	468.75	4.8	1.9	0.5	2.4	1.8
Berlin	486.75	4.9	2.4	2.4	3.2	2.6
Paris CBD	906.03	4.9	1.7	2.0	2.9	2.4
Munich	499.04	5.1	2.5	2.7	3.4	2.8
Warsaw	284.55	5.2	0.4	1.4	2.3	2.3
Stockholm (SKr)	7,842.82	5.6	2.4	2.2	3.4	2.8
Milan	616.36	6.5	1.9	1.3	3.2	2.4
London: West End (GBP)	1,219.46	7.4	0.7	1.3	3.1	2.6
Oslo (NKr)	5,211.50	8.0	3.3	0.7	4.0	2.7
Dublin	626.09	8.0	0.8	1.8	3.5	2.2
Prague	278.11	11.2	0.5	0.8	4.1	2.7
Average	na	4.0	1.7	1.6	2.4	2.1
Range	na	11.2	2.9	2.2	3.1	1.7

*€ unless otherwise stated

Survey of European Office Market Rental Forecasts

Forecast Ranges

Table 3 reports the range of forecasts, provided for each location, over the time periods covered. The ranges are ranked by the range of the 2022 forecasts. There is a significant span of forecasts, provided by contributors, for a number of key locations in the current year, although the ranges are generally less substantial than in the previous survey. Prague is of particular note, having the widest forecast range of all the locations, in 2022, although forecasts are very consistent in subsequent years. Dublin and Oslo also have a high degree of uncertainty around the 2022 forecasts. The range of forecasts, from contributors, is significantly lower for 2023 and 2024, than for 2022.

Table 3: Forecast Ranges Ranked by 2022 Forecasts (%)

	2022	2023	2024	2022-24 (pa)	2022-26 (pa)
Budapest	0.0	1.3	1.8	1.0	1.1
Vienna	1.0	1.1	0.8	1.0	1.2
Helsinki	1.1	1.2	1.6	1.3	1.7
Paris la Défense	1.3	1.0	1.0	1.1	1.4
Barcelona	1.4	1.2	2.1	1.6	1.8
Lyon	2.0	1.4	2.1	1.8	1.8
Zurich	2.1	1.0	1.1	1.4	1.3
Frankfurt	2.2	1.9	1.9	2.0	2.2
Brussels	2.4	2.2	2.1	2.2	2.0
Luxembourg	2.7	1.7	1.3	1.9	1.8
London: City	2.8	0.9	2.6	2.1	2.8
Madrid	3.1	1.3	2.5	2.3	2.4
Hamburg	3.4	2.4	1.8	2.5	2.2
Manchester	3.7	2.7	1.8	2.7	2.3
Amsterdam	3.8	2.2	2.6	2.9	2.6
Copenhagen	4.1	2.2	1.0	2.4	2.2
Lisbon	4.4	2.7	0.9	2.7	1.9
Rome	4.8	1.9	0.5	2.4	1.8
Berlin	4.9	2.4	2.4	3.2	2.6
Paris CBD	4.9	1.7	2.0	2.9	2.4
Munich	5.1	2.5	2.7	3.4	2.8
Warsaw	5.2	0.4	1.4	2.3	2.3
Stockholm	5.6	2.4	2.2	3.4	2.8
Milan	6.5	1.9	1.3	3.2	2.4
London: West End	7.4	0.7	1.3	3.1	2.6
Oslo	8.0	3.3	0.7	4.0	2.7
Dublin	8.0	0.8	1.8	3.5	2.2
Prague	11.2	0.5	0.8	4.1	2.7
Minimum	0.0	0.4	0.5	1.0	1.1
Maximum	11.2	3.3	2.7	4.1	2.8
Median	3.8	1.7	1.8	2.4	2.2

Survey of European Office Market Rental Forecasts

Evolution of Forecasts

Table 4 compares the current set of forecasts with those from May 2022, while Table 5 shows the evolution of the 2022 forecasts over the last six surveys, starting from May 2020.

Table 4: Mean weighted rental value growth forecasts (%) – November 2022 versus May 2022

	2022		2023		2024		Rolling 3-year average (pa)		Rolling 5-year average (pa)	
	Nov	May	Nov	May	Nov	May	Nov	May	Nov	May
Vienna	1.0	(1.3)	1.1	(2.1)	0.8	(2.0)	1.0	(1.8)	1.2	(1.6)
Brussels	2.4	(1.5)	2.2	(1.7)	2.1	(2.1)	2.2	(1.8)	2.0	(1.6)
Prague	11.2	(2.8)	0.5	(0.9)	0.8	(1.0)	4.1	(1.6)	2.7	(1.2)
Copenhagen	4.1	(0.8)	2.2	(1.6)	1.0	(1.9)	2.4	(1.4)	2.2	(1.3)
Helsinki	1.1	(1.7)	1.2	(1.2)	1.6	(1.7)	1.3	(1.5)	1.7	(1.4)
Lyon	2.0	(0.6)	1.4	(0.9)	2.1	(1.8)	1.8	(1.1)	1.8	(1.1)
Paris CBD	4.9	(0.5)	1.7	(1.4)	2.0	(1.4)	2.9	(1.1)	2.4	(1.4)
Paris la Défense	1.3	(-0.2)	1.0	(0.2)	1.0	(1.0)	1.1	(0.3)	1.4	(0.6)
Berlin	4.9	(3.4)	2.4	(2.5)	2.4	(1.9)	3.2	(2.6)	2.6	(2.3)
Frankfurt	2.2	(2.1)	1.9	(2.9)	1.9	(1.8)	2.0	(2.3)	2.2	(1.9)
Hamburg	3.4	(2.0)	2.4	(1.9)	1.8	(2.0)	2.5	(2.0)	2.2	(1.8)
Munich	5.1	(2.9)	2.5	(2.1)	2.7	(1.9)	3.4	(2.3)	2.8	(2.0)
Athens*	na	(na)	na	(na)	na	(na)	na	(na)	na	(na)
Budapest	0.0	(0.1)	1.3	(1.6)	1.8	(1.0)	1.0	(0.9)	1.1	(1.0)
Dublin	8.0	(2.2)	0.8	(1.9)	1.8	(1.9)	3.5	(2.0)	2.2	(1.7)
Milan	6.5	(3.1)	1.9	(1.6)	1.3	(0.9)	3.2	(1.9)	2.4	(1.7)
Rome	4.8	(2.9)	1.9	(0.6)	0.5	(0.7)	2.4	(1.4)	1.8	(1.3)
Luxembourg	2.7	(0.7)	1.7	(1.2)	1.3	(1.4)	1.9	(1.1)	1.8	(1.3)
Amsterdam	3.8	(2.7)	2.2	(2.1)	2.6	(1.9)	2.9	(2.2)	2.6	(2.2)
Oslo	8.0	(2.0)	3.3	(1.7)	0.7	(0.8)	4.0	(1.5)	2.7	(1.8)
Warsaw	5.2	(1.8)	0.4	(1.3)	1.4	(1.5)	2.3	(1.5)	2.3	(1.4)
Lisbon	4.4	(2.8)	2.7	(1.5)	0.9	(1.6)	2.7	(1.9)	1.9	(1.8)
Moscow*	na	(na)	na	(na)	na	(na)	na	(na)	na	(na)
Madrid	3.1	(1.0)	1.3	(2.0)	2.5	(2.8)	2.3	(1.9)	2.4	(1.9)
Barcelona	1.4	(-0.4)	1.2	(1.2)	2.1	(2.2)	1.6	(1.0)	1.8	(1.5)
Stockholm	5.6	(3.2)	2.4	(2.7)	2.2	(2.5)	3.4	(2.8)	2.8	(2.5)
Zurich	2.1	(1.3)	1.0	(1.1)	1.1	(1.2)	1.4	(1.2)	1.3	(0.9)
London: City	2.8	(3.8)	0.9	(2.1)	2.6	(2.9)	2.1	(2.9)	2.8	(2.9)
London: West End	7.4	(4.0)	0.7	(2.3)	1.3	(2.5)	3.1	(2.9)	2.6	(2.7)
Manchester	3.7	(2.4)	2.7	(2.8)	1.8	(1.3)	2.7	(2.1)	2.3	(1.8)

Previous survey figures in brackets

*Fewer than five forecasts received for these markets

Survey of European Office Market Rental Forecasts

Table 5: Evolution of 2022 mean weighted rental value growth forecasts (%)

	May-20	Nov-20	May-21	Nov-21	May-22	Nov-22
Vienna	1.8	0.9	1.1	0.7	1.3	1.0
Brussels	2.0	1.5	0.9	0.7	1.5	2.4
Prague	1.2	1.6	1.0	1.1	2.8	11.2
Copenhagen	2.4	2.0	1.0	1.0	0.8	4.1
Helsinki	2.8	2.0	1.1	1.0	1.7	1.1
Lyon	1.6	1.9	0.7	0.3	0.6	2.0
Paris CBD	2.2	0.8	0.0	0.3	0.5	4.9
Paris la Défense	1.5	0.6	0.6	-0.7	-0.2	1.3
Berlin	2.1	1.9	1.8	1.3	3.4	4.9
Frankfurt	1.4	2.2	1.1	1.3	2.1	2.2
Hamburg	1.9	1.6	1.4	1.5	2.0	3.4
Munich	1.6	1.8	1.4	1.5	2.9	5.1
Athens*	na	na	na	na	na	na
Budapest	0.9	1.2	0.0	0.2	0.1	0.0
Dublin	0.9	-0.4	-0.5	0.5	2.2	8.0
Milan	1.7	1.1	-0.3	0.6	3.1	6.5
Rome	1.6	1.2	0.0	0.4	2.9	4.8
Luxembourg	n/a	1.3	1.2	1.0	0.7	2.7
Amsterdam	2.1	1.9	1.4	1.3	2.7	3.8
Oslo	2.0	4.6	1.0	1.4	2.0	8.0
Warsaw	0.7	1.0	0.5	1.4	1.8	5.2
Lisbon	2.3	1.9	1.9	1.3	2.8	4.4
Moscow*	na	3.3	-1.7	na	na	na
Madrid	3.7	2.1	0.0	1.1	1.0	3.1
Barcelona	2.4	1.5	0.5	0.1	-0.4	1.4
Stockholm	3.0	2.3	2.6	2.1	3.2	5.6
Zurich	0.6	1.5	0.5	0.0	1.3	2.1
London: City	4.2	3.4	2.8	2.5	3.8	2.8
London: West End	3.4	3.1	2.1	1.7	4.0	7.4
Manchester	2.1	1.5	1.2	0.7	2.4	3.7
Average All Markets	2.0	1.8	0.9	0.9	1.9	4.0

Survey of European Office Market Rental Forecasts

Figures 2 and 3 present the evolution of the rolling three- and five-year average forecasts for each market covered by the surveys from May 2017 to November 2022.

Figure 2: Rolling Three-year %age Weighted Average Growth Forecasts

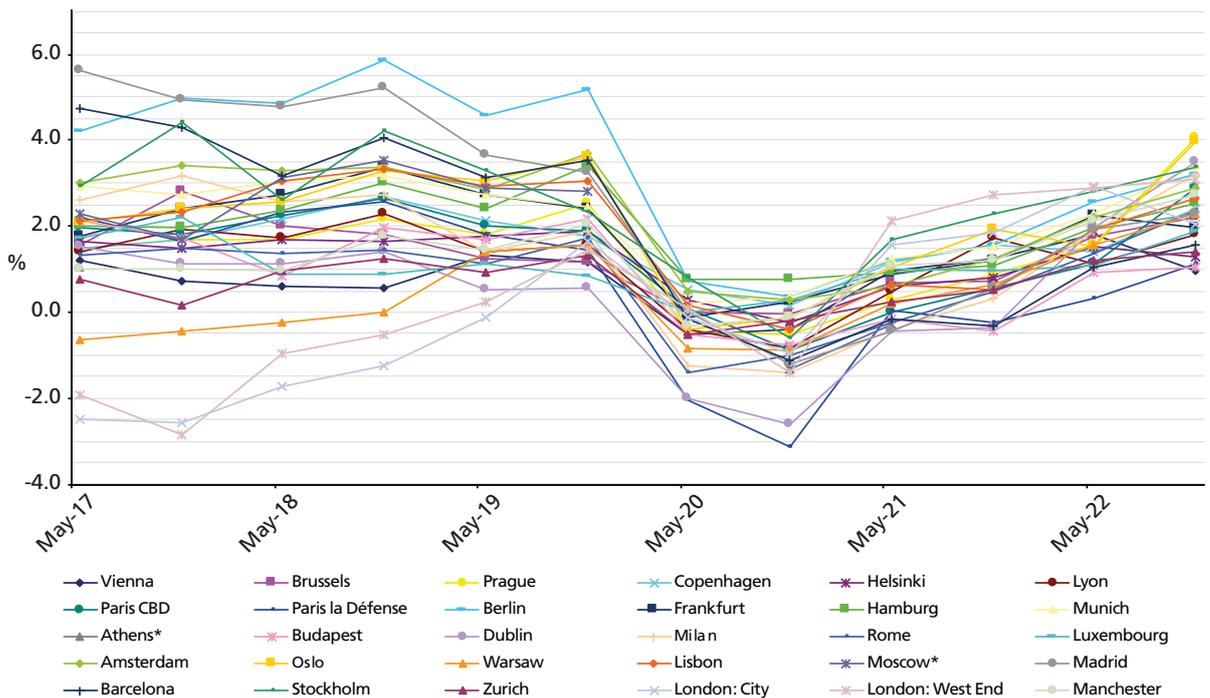
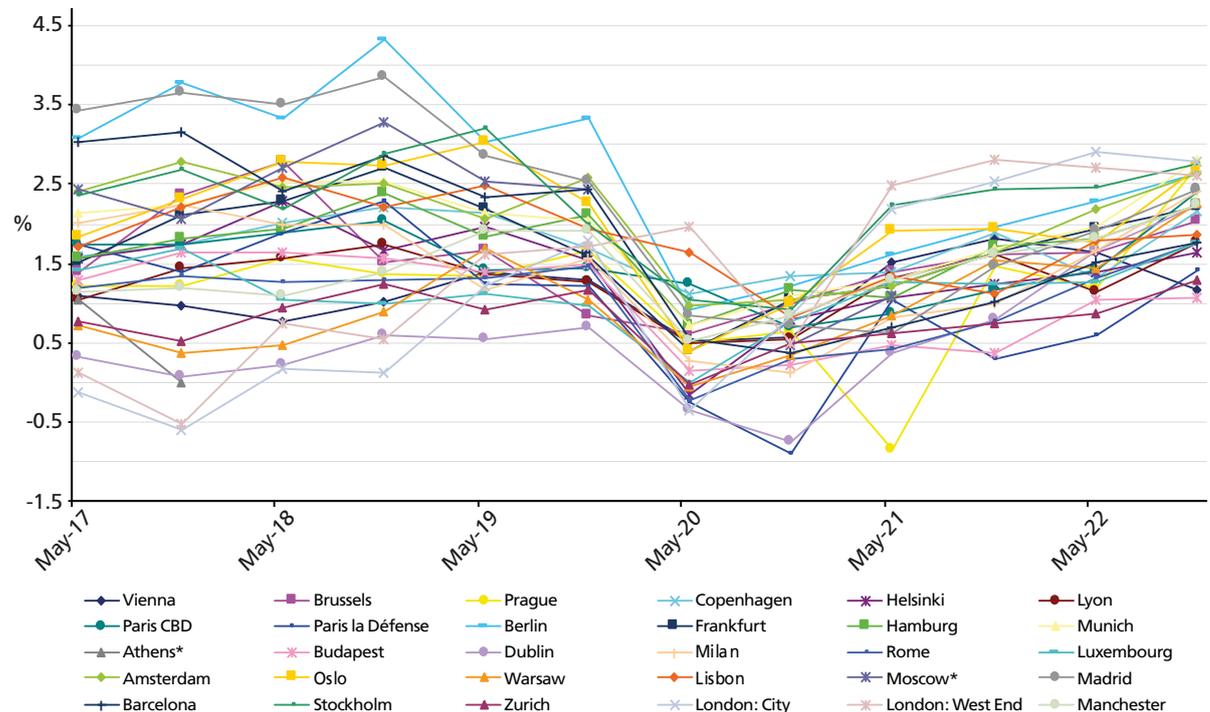


Figure 3: Rolling Five-year %age Weighted Average Growth Forecasts



Acknowledgements

Forecast Contributors

IPF thanks all participants in the survey for contributing rental data to the November 2022 European Consensus Forecasts, including the following organisations:

abrdn, AEW, Aviva Investors, AXA Investment Management, blackolive advisors gmbh, BNP Paribas Real Estate, Capital Economics, CBRE, CBRE Investment Management, CoStar, Cushman & Wakefield, Danish Property Federation, DWS, Grosvenor, Invesco, LaSalle Investment Management and Lisney.

Notes

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

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

The Data

This latest survey collected prime office rental forecasts for 30 centres for the calendar years 2022, 2023 and 2024. A three-year average forecast for 2022-2024 is requested where individual years are not available, as well as a five-year average for the period 2022-2026. The survey requested both percentage annual rental growth rates and year-end rent levels as a check. Growth forecasts provided by each organisation are analysed to provide weighted average ('consensus') figures for each market. Forecasts are aggregated and reported only for office markets for which a minimum of **five** contributions have been received.

The definition of market rent used in the survey is the **"achievable prime rental values for city centre offices, based on buildings of representative size with representative lease terms for modern structures in the best location."** Prime in this case **does not mean** headline rents taken from individual buildings but, rather, rental levels based on market evidence, which can be replicated. All figures included in the survey are required to have been generated by formal forecasting models. This report is based on contributions from 18 different organisations (fund/investment management houses and property advisors).

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

The IPF welcomes new contributors for future surveys, so that the coverage can be extended to further markets. If your organisation wishes to contribute to future surveys, please contact IPF Chief Executive, Sue Forster, at sforster@ipf.org.uk.

Contributors receive a more detailed set of statistical outputs than those shown in this report – for each office centre, the sample size, median and range of rental values, together with standard deviations are also provided.

Notes

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