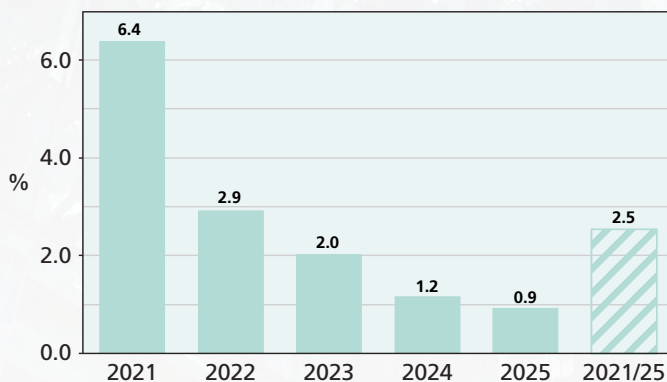
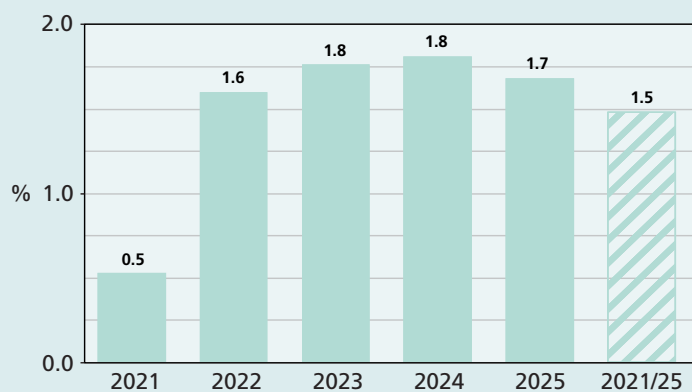


IPF UK Consensus Forecasts – AUTUMN 2021

The results of the final quarterly survey of the year are based on data received from 20 organisations, whose forecasts were generated between late August and mid-November 2021.

Rental value growth

Only five survey participants expect sub-zero rental growth in 2021, resulting in a rise in the average of more than 120 bps (from -0.7% previously). The 2022 projection is over 40 bps higher than last quarter's 1.2%, although further improvements in remaining years' forecasts are more modest – of between 19 and 9bps. The increase in the current year outlook has contributed to a 42bps rise in the five-year annualised figure (1.1% previously).



Capital value growth

In August, five contributors predicted declines in the 2021 All Property capital value growth rate, compared to a single negative forecast this quarter. Most contributors registered a significant improvement in sentiment for the year, resulting in a rise of more than 400bps.

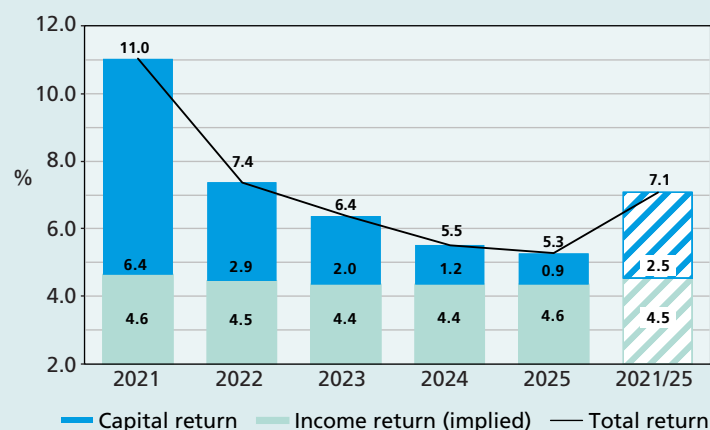
With the exception of the 2025 average (down some 30bps), projections for other years also rose, although diluting year-on-year – up 67bps for 2022 by 8bps for 2024.

The impact of these changes has produced an 85bps improvement in the five-year annualised average, from August's 1.7% pa.

Total returns

From a low of 1.5% 12 months ago, the improvement in this year's total return forecast has continued, rising more than 410bps since August to its current 11.0%. As a result of further yield improvement, the capital value component exceeds the implied income return for the first time since November 2017.

This greatly improved outlook for 2021 capital values and, to a lesser extent, for 2022, has caused the five-year average to increase over 80bps, from last quarter's 6.3% pa, despite weakening expectations for 2024 and 2025 averages.



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Summary results

	Rental value growth (%)				Capital value growth (%)				Total return (%)			
	2021	2022	2023	2021/25	2021	2022	2023	2021/25	2021	2022	2023	2021/25
Office	0.0	1.0	1.6	1.4	0.4	1.6	1.5	1.2	4.5	5.8	5.7	5.3
Industrial	5.7	4.1	3.2	3.5	19.9	5.9	3.2	5.8	24.5	9.8	6.9	10.0
Standard Retail	-6.4	-1.9	0.2	-1.1	-5.6	-0.6	0.8	-0.7	-0.9	4.3	5.6	4.0
Shopping Centre	-7.2	-2.3	-0.6	-1.9	-11.8	-2.8	-0.2	-3.0	-6.4	3.2	5.7	2.8
Retail Warehouse	-2.4	0.4	0.8	0.1	8.8	3.2	2.1	2.8	15.8	9.5	8.2	9.3
All Property	0.5	1.6	1.8	1.5	6.4	2.9	2.0	2.5	11.0	7.4	6.4	7.1
West End office	-0.2	1.4	2.3	1.8	0.8	2.3	2.5	1.9	4.2	5.8	6.0	5.4
City office	0.2	1.2	1.9	1.5	0.9	1.8	1.8	1.6	4.5	5.4	5.4	5.2

Key points

- The rise in the 2021 All Property average rental value growth forecast to 0.5% follows a 100bp improvement between May and August; individual forecasts now lie between -1.1% and 1.5%. All sector forecasts rose over the period, including a 191bp increase in the Shopping Centre average, followed by Industrials (up 178bps).
- The 2021 mean capital growth projection for All Property rose 411 bps to 6.4% (May -0.1%). While the 2022 mean increased, the rise was a more muted 67bps, as Retail Warehouses, Shopping Centres and Industrials all registered 100bps+ improvement in growth rate, from 2.3% three months ago.
- Similar rises in the predicted All Property total return average for 2021 and 2022, indicate likely outturns of 11.0% and 7.4%, the latter reversing the August survey's predicted decline of 22bps from May's 6.9%.
- While rents show potential for further growth in later years, comparing quarter-on-quarter movements in capital recovery appears to be confined mainly to the current year.

Rolling five-year averages

The 2021/2025 All Property rolling five-year average forecasts (with November's 2020/2024 figures in brackets) now comprise:

- Rental value growth: 1.5% per annum (0.8%);
- Capital value growth: 2.5% per annum (1.2%);
- Total return: 7.1% per annum (5.8%).

The full report may be downloaded from the [IPF website](#).

Acknowledgement

The IPF thanks all those organisations contributing to the Autumn 2021 Consensus Forecasts, including:

- abrdn
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- JLL
- Knight Frank
- Legal & General Investment Management
- M&G Real Estate
- Nuveen Real Estate
- Real Estate Forecasting Limited
- Real Estate Strategies Global Limited
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- UBS Asset Management

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