

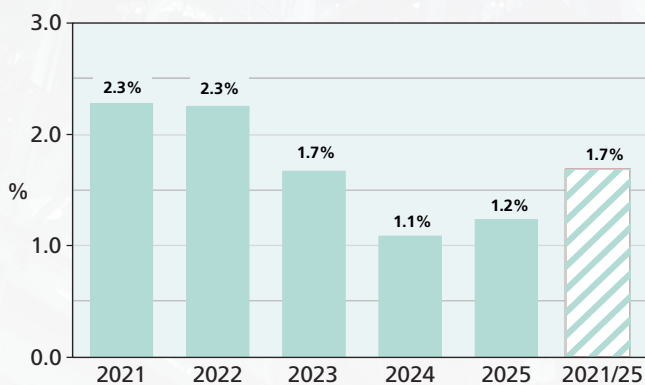
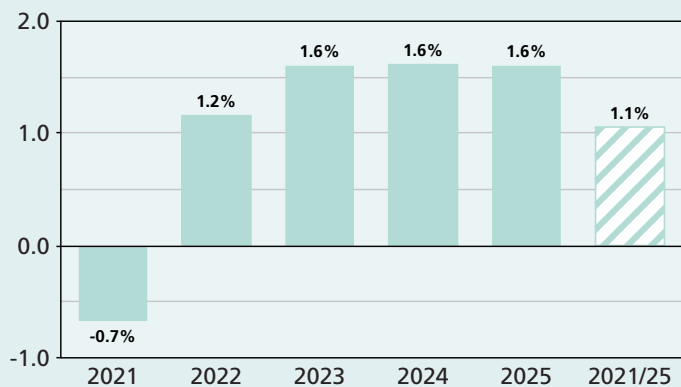
IPF UK Consensus Forecasts – SUMMER 2021

The results of the third quarterly survey of 2021 are based on data received from 23 organisations, whose forecasts were generated between late May and mid-August.

Rental value growth

Almost half of contributors now anticipate zero or modest positive rental growth in 2021, causing the average to increase by 100 bps (from -1.7% previously), with the 2022 projection over 25 bps higher than May's 0.9%. However, any further improvement is likely to level off after 2023, as rates are expected stabilise at 1.6% for each of the three remaining survey years.

As a result of these early years upgrades, the five-year annualised figure has risen 24 bps (from 0.8%).



Capital value growth

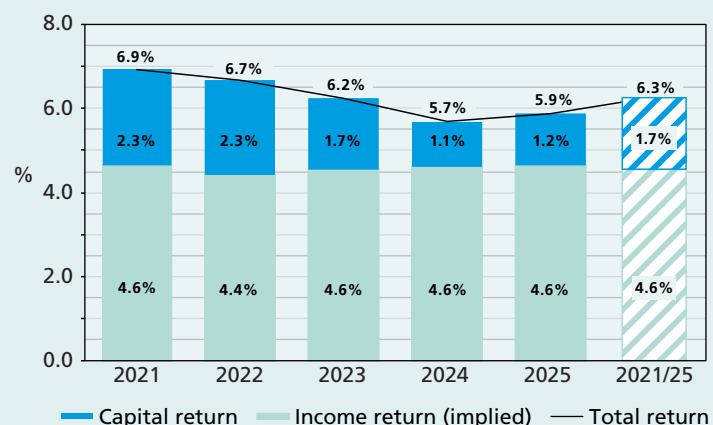
The All Property average growth rate forecast for 2021 rose by almost 240 bps over the quarter, from -0.1% in May. While the 2022 average is unchanged, both 2023 and 2024 projections weakened slightly (from 1.9% and 1.2%), in contrast to the 2025 average, which increased by over 20 bps (1.0% previously).

The near-term improvement in growth expectations has resulted in a 45 bp rise in the five-year annualised growth average, from 1.2% pa in May.

Total returns

The 2021 total return average rose almost 480 bps over the quarter, from 2.1% in May. While virtually unaltered in 2022 (6.6% previously), average projections weakened by between 42 and 65 bps in the three remaining years, to 6.2%, 5.7% and 5.9% respectively.

The improvement in the current year forecast resulted in a 66 bps increase in the five-year average (5.6% pa previously).



RESEARCH

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	-1.0	1.1	1.9	1.2	-1.9	2.0	2.1	1.0	2.2	6.3	6.4	5.3
Industrial	3.9	3.1	2.7	2.8	12.0	4.7	2.3	4.2	16.4	8.8	6.3	8.3
Standard Retail	-7.0	-2.2	0.1	-1.5	-7.1	-1.5	0.3	-1.4	-2.2	3.4	5.1	3.5
Shopping Centre	-9.1	-3.5	-1.3	-2.9	-15.2	-4.5	-1.2	-4.6	-9.5	2.1	5.5	1.9
Retail Warehouse	-3.1	-0.5	0.1	-0.5	1.6	1.2	0.9	0.8	8.4	7.8	7.4	7.3
All Property	-0.7	1.2	1.6	1.1	2.3	2.3	1.7	1.7	6.9	6.7	6.2	6.3
West End office	-1.8	1.3	2.6	1.4	-1.5	2.8	3.5	1.9	1.9	6.4	7.0	5.4
City office	-1.5	1.5	2.6	1.3	-1.3	3.2	2.9	1.6	2.4	7.0	6.7	5.4

Key points

- The 2021 All Property average rental value growth forecast of -1.0% represents a 100 bps improvement over May's figure, with individual forecasts lying between -4.0% and 1.3%. All sector forecasts rose over the period, including a 74 bps rise in the Shopping Centre average, although this improvement was not sustained in the 2022 projections (unlike other segments).
- The 2021 mean capital growth projection for All Property rose almost 240 bps (from May's -0.1%). Meanwhile, the 2022 mean was unchanged over the quarter, with only next year's Retail Warehouse growth rate improving over the quarter, contrary to an overall weakening in sentiment elsewhere. 2022 continues to draw the greatest spread of forecasts, with projections between -13.7% (Shopping Centres) and 25.6% (industrials).
- The 2021 predicted All Property total return average rose 254 bps over the quarter (previously 4.4%). In contrast, the 2022 average declined 22 bps, from 6.9% in May. Both years attracted double digit spreads within each sector.
- Compared to last quarter, the expected recovery appears to be more near-term, driven by much stronger capital value growth in the current year, to match 2022's expected performance, then weakening in 2023.
- Although lower than last quarter, implied income returns continue to be the major component of total returns within each forecasting period.

Rolling five-year averages

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

- Rental value growth: 1.1% per annum (0.8%);
- Rental value growth: 1.1% per annum (0.8%);
- Total return: 6.3% per annum (5.8%).

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

Acknowledgement

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

Aberdeen Standard Investments	Colliers International	LaSalle Investment Management
Avison Young	DWS	Legal & General Investment Management
Aviva Investors	Alexander Property Research for Fletcher King	Peel Hunt
BNP Paribas Real Estate	JLL	Real Estate Forecasting Limited
Capital Economics	Keills	Real Estate Strategies Global Limited
Carter Jonas	Knight Frank	Savills Investment Management
CBRE	Knight Frank Investment Management	UBS Asset Management

The Research Programme is sponsored by:

