

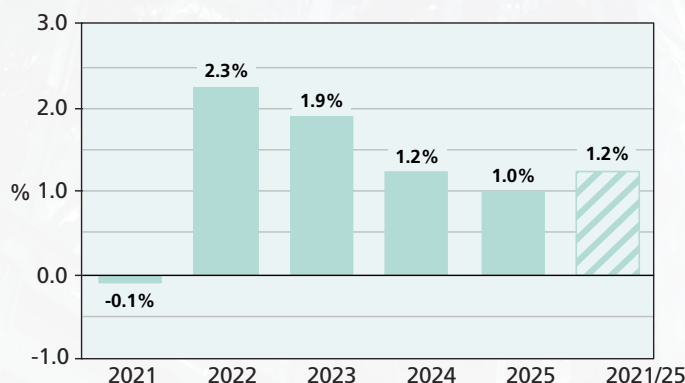
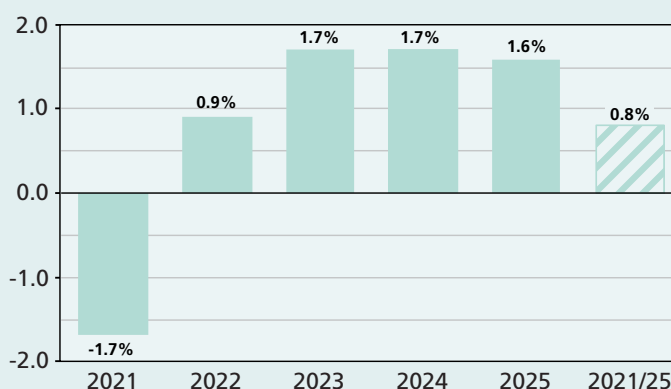
IPF UK Consensus Forecasts – SPRING 2021

21 organisations contributed to the second survey of the year; forecasts date from mid-March to mid-May 2021

Rental value growth

The All Property forecasts for each survey year rose over the quarter, although the pattern of growth appears to be more evenly distributed in later years than reported in February.

The 2021 outlook strengthened by 98 bps, with next year's figure rising a further 48 bps, reversing the preceding quarter's decline. Quarter-on-quarter increases in remaining averages are more muted, culminating in a rise of less than 10 bps in the 2025 projection. The five-year annualised average improved 43bps over February's 0.4%.



Capital value growth

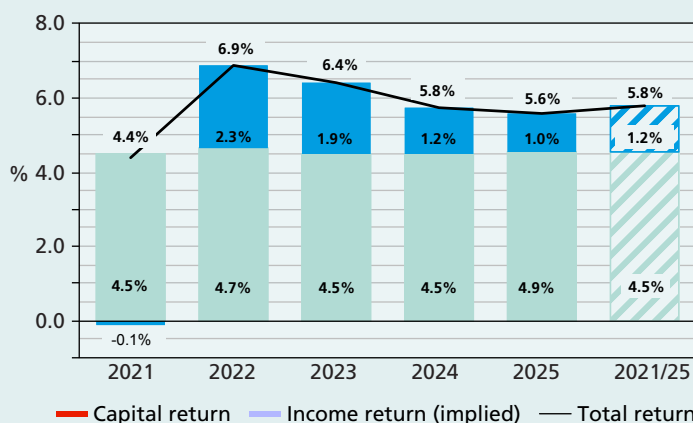
Following a rise of over 60 bps between November and February, May's 2021 All Property capital growth average recorded a further substantial increase, of 244 bps (from -2.5% previously). Nine contributors forecast positive capital value growth (compared to three in February). The 2022 and 2023 means also strengthened, by 49 and 8 bps respectively (both 1.8% previously).

Despite declines in the 2024 and 2025 averages (of 24 and 43 bps), the five-year annualised projection increased by over 45 bps (from 0.8% pa previously).

Total returns

The 2021 All Property mean total return rose 225 bps over the quarter (from February's 2.1%) and next year's average also showed an increase, of 29 bps (previously averaging 6.6%). However, the following three years' projections have weakened, down 25, 59 and 72 bps for 2023, 2024 and 2025 respectively (from 6.7%, 6.3% and 6.3% last quarter).

Despite weaker forecasts for these later years, improved projections for 2021 and 2022 support a modest improvement in the five-year average (from 5.6% pa previously).



Average by sector summary

	Rental value growth (%)				Capital value growth (%)				Total return (%)			
	2021	2022	2023	2021/25	2021	2022	2023	2021/25	2021	2022	2023	2021/25
Office	-2.1	0.8	2.4	1.0	-2.3	2.5	3.0	1.3	1.3	6.6	7.2	5.3
Industrial	3.0	3.0	2.8	2.7	8.4	5.2	2.4	3.6	12.7	9.2	6.4	7.6
Standard Retail	-8.1	-2.3	-0.1	-1.9	-9.6	-1.4	-0.1	-2.0	-5.1	3.3	4.6	2.7
Shopping Centre	-9.9	-2.9	-0.9	-2.8	-15.2	-3.7	-1.1	-4.1	-9.8	2.3	5.1	1.9
Retail Warehouse	-4.0	-0.9	0.1	-0.7	-2.5	0.4	0.1	-0.3	4.1	7.1	6.6	6.3
All Property	-1.7	0.9	1.7	0.8	-0.1	2.3	1.9	1.2	4.4	6.9	6.4	5.8
West End office	-2.8	1.0	3.2	1.3	-2.6	2.8	4.1	1.7	0.8	6.4	7.7	5.2
City office	-3.1	0.9	2.9	1.0	-3.5	2.5	3.4	1.1	0.2	6.5	7.3	4.9

Key points

- The 2021 All Property average rental value growth forecast of -1.7% represents c.100 bps improvement over February's mean, with individual forecasts lying between -4.8% and -0.3%. Sentiment for 2022 rental growth is 48 bps stronger than three months ago, reversing last quarter's fall but below November's 0.8% average prediction.
- The 2021 mean capital growth projection for All Property rose by over 240 bps (from -2.5%), while for 2022, the average increased 49 bps from 1.8%. Retail Warehouses recording the greatest uplifts in both years (of 469 and 75 bps) to average -2.5% and 0.4% respectively. Next year also attracted the greatest divergence of forecaster opinion, with projections ranging from -1.5% to 17.4%.
- The 2021 predicted All Property total return climbed 225 bps over the quarter, from a previous average of 2.1%, with only two contributors expecting sub-zero performance. The 2022 average improved 29 bps, from 6.6% in February, although the range of forecasts widened to 17.9% (from 15.4%) with individual projections between 3.4% and 21.3% (previously 1.3% and 16.6%).
- The pattern of year-on-year changes in average growth expectations now suggests rental value growth is likely to level off at 1.7% by 2023, remaining broadly static in following years, whereas capital value growth may peak in 2022, potentially declining to 1.0% by the final year of the survey.
- Total return forecasts continue to be underpinned by income returns, with around two-thirds of 2022's performance projection reliant on this driver.

Rolling five-year averages

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

- Rental value growth: 0.8% per annum (0.4%)
- Capital value growth: 1.2% per annum (0.8%)
- Total return: 5.8% per annum (5.6%)

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

Acknowledgement

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

Aberdeen Standard Investments	Cushman & Wakefield	Legal & General Investment Management
Aviva Investors	DWS	M&G Real Estate
BNP Paribas Real Estate	Alexander Property Research for Fletcher King	Nuveen Real Estate
Capital Economics	JLL	Real Estate Forecasting Limited
Carter Jonas	Keills	Savills Investment Management
CBRE	Knight Frank	UBS Asset Management
CBRE Global Investors		

The Research Programme is sponsored by:

