

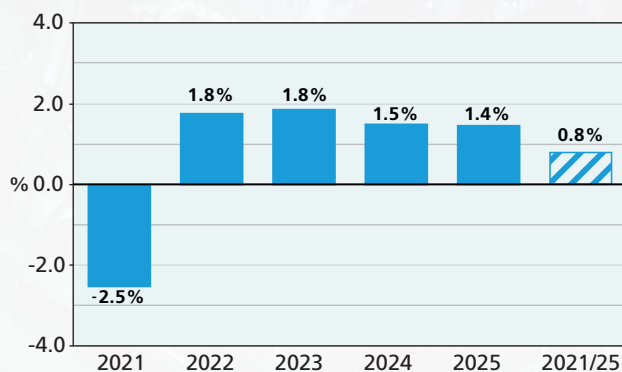
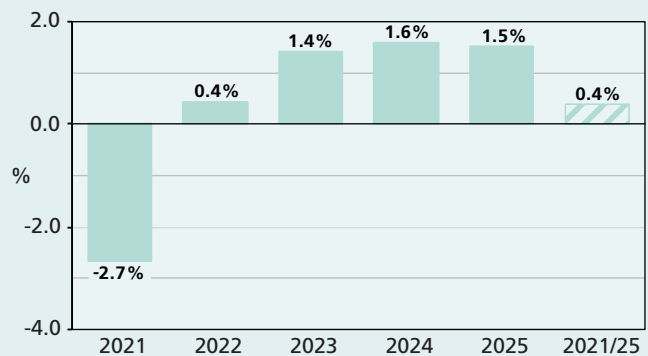
# IPF UK Consensus Forecasts – WINTER 2020/21

24 organisations contributed to the first survey of the year. Forecasts dated from late November 2020 to mid-February 2021

## Rental value growth

Whilst the 2021 average outlook rose over the quarter (from -0.28% previously), with all contributors anticipating sub-zero growth, the 2022 average projections fell over 30 bps, from 0.8% in November, with five negative forecasts. The 2023 forecast also weakened (by 10 bps, from 1.5%), while a projection of 1.6% in 2024 indicates a likely peak in the current recovery.

As a consequence of replacing the final 2020 forecast, of -4.2%, with the new 2025 average, the five-year annualised figure rose over 100bps, from -0.7% per annum previously.



## Capital value growth

Following a fall of 140 bps in November, the 2021 average picked up by more than 60 bps (previously -3.2%), with three contributors forecasting positive capital value growth and a single outlying double-digit negative projection. However, the 2022 and 2023 means declined by 58 and 10 bps respectively (previously 2.3% and 1.9%).

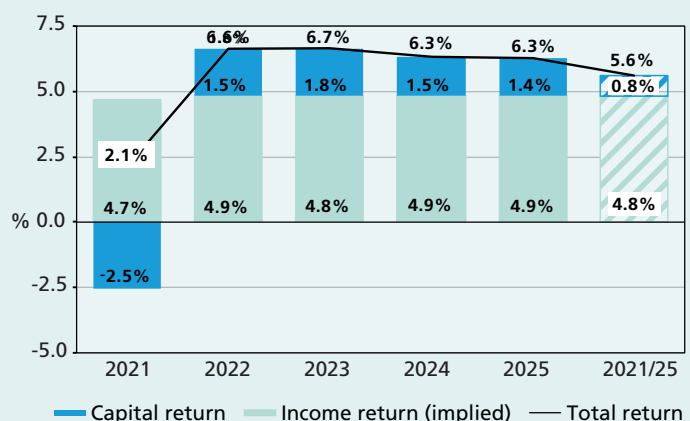
With the substitution of November's 2020 forecast of -9.3%, the overall impact on the five-year annualised projection has been to increase this by almost 230 bps (from -1.5% per annum previously).

## Total returns

2021 total return averages rose almost 60 bps over the quarter (from 1.5% in November) but projections have weakened for the following three years – most markedly so in 2022, with a fall of 46bps, from an average of 7.1%, as a consequence of lower capital growth expectations, while more modest declines of 13 and 4 bps were recorded for 2023 and 2024.

Although the 2021 implied income return fell slightly (by 4 bps from November), next year's average rose 12 bps. More modest changes in 2023 and 2024 have left these returns unaltered due to rounding.

The anticipated improvement in the current year and inclusion of 2025 data in place of 2020 have resulted in a 234 bps increase in the five-year average (from 3.3% per annum previously).



## RESEARCH

### 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	-2.4	1.0	2.2	1.0	-3.1	2.3	2.5	1.1	1.1	6.8	6.9	5.4
Industrial	2.1	2.5	2.5	2.3	4.3	4.0	2.5	2.9	8.7	8.3	6.8	7.2
Standard Retail	-8.3	-2.3	-0.3	-2.2	-10.9	-1.6	0.2	-1.8	-6.1	4.0	5.3	3.0
Shopping Centre	-10.5	-3.6	-1.6	-3.4	-13.1	-3.8	-1.6	-4.1	-7.0	3.1	5.4	2.8
Retail Warehouse	-5.9	-1.9	-0.1	-1.5	-7.2	-0.3	0.5	-1.3	-0.7	6.6	7.4	5.6
<b>All Property</b>	<b>-2.7</b>	<b>0.4</b>	<b>1.4</b>	<b>0.4</b>	<b>-2.5</b>	<b>1.8</b>	<b>1.8</b>	<b>0.8</b>	<b>2.1</b>	<b>6.6</b>	<b>6.7</b>	<b>5.6</b>
West End office	-2.6	1.6	2.9	1.5	-2.9	3.3	3.6	2.1	0.5	6.8	7.2	5.6
City office	-3.4	1.4	2.7	1.1	-3.3	2.9	3.3	1.3	0.8	7.1	7.4	5.4

### Key points

- The 2021 All Property average rental growth forecast of -2.7% represents a 11 bps improvement over the quarter, with individual forecasts lying between -6.3% and -0.3%. The overall expectation for 2022 rental growth is 343 bps weaker than three months ago, as the average declined further, from 0.8% in November.
- The 2021 capital growth projection for All Property improved, with the mean rising 64 bps (from -3.2% previously). For 2022, however, the average fell by 58 bps, from 2.3%, reflecting a weakening across all sectors, with the greatest fall recorded by a slump of 150 bps in the Office average, to 2.3%.
- Predictions for the 2021 All Property total return rose 59 bps over the quarter, from a previous average of 1.5%, with only four contributors expecting performance to be sub-zero. The 2022 average fell 46 bps, from 7.1% in November, although the range of forecasts narrowed to 15.4% (from 21.5%) with individual forecasts lying between 1.3% and 16.6%, from -2.8% and 18.7% previously.
- The pattern of year-on-year changes in average growth expectations indicates a likely peak in rental value in 2024, at 1.6%, whereas rising capital value growth may level off next year, with a gradual decline from 2024.
- Total return forecasts suggest a continuing reliance on the implied income return to deliver performance, ranging between 4.7% in the current year to 4.9% in 2024, while the five-year average for this measure is 4.8% per annum.

### 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: 0.4% per annum (-0.7%)
- Capital value growth: 0.8% per annum (-1.5%)
- Total return: 5.6% per annum (3.3%)

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

### Acknowledgement

The IPF thanks all those organisations contributing to the Autumn 2020 Consensus Forecasts, including:

Aberdeen Standard Investments	Colliers International	LaSalle Investment Management
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BMO Real Estate Partners	JLL	Peel Hunt
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