

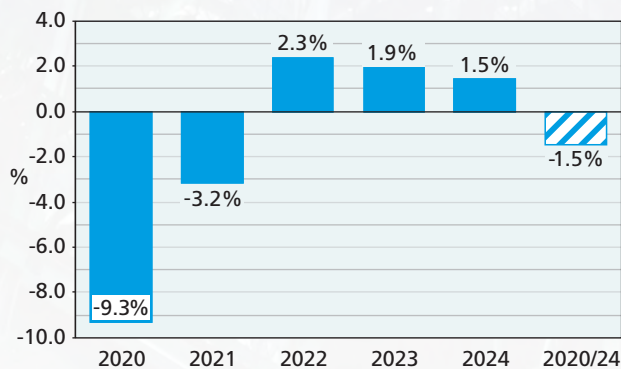
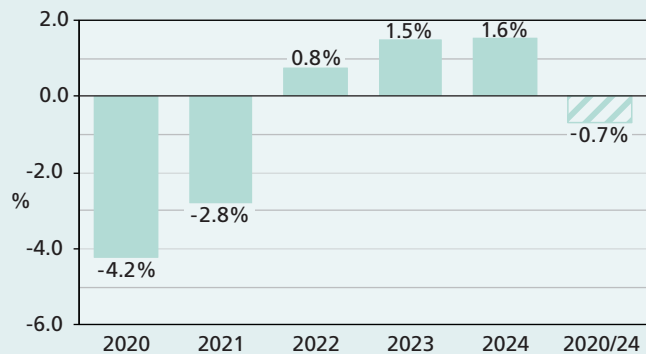
IPF UK Consensus Forecasts – AUTUMN 2020

23 organisations contributed to the final survey of the year. Forecasts dated from 1 September to mid-November 2020.

Rental value growth

In a repeat of last quarter's movement in views on current and next year's All Property rental growth expectations, the average forecast for 2020 rose over the period (by 74bps, compared to 135 bps in May), whereas the 2021 outlook weakened further (from -1.9% and -1.3% in the Spring). The prospective recovery in 2022 remains around 0.8% (previously 0.7%), while the residual years of the forecast period are unaltered over the quarter.

As a consequence of the fall in the 2021 forecast, despite the improved 2020 average, the five-year annualised average declined just over 20 bps (from -0.5% in August).



Capital value growth

In August all but five contributors predicted double-digit falls in the 2020 All Property capital value growth rate, whereas fewer than a third have returned forecasts of this order for the current quarter, resulting in a 240 bps rise in the average. In contrast, the outlook for 2021 worsened by 140 bps over the period (from -1.8%).

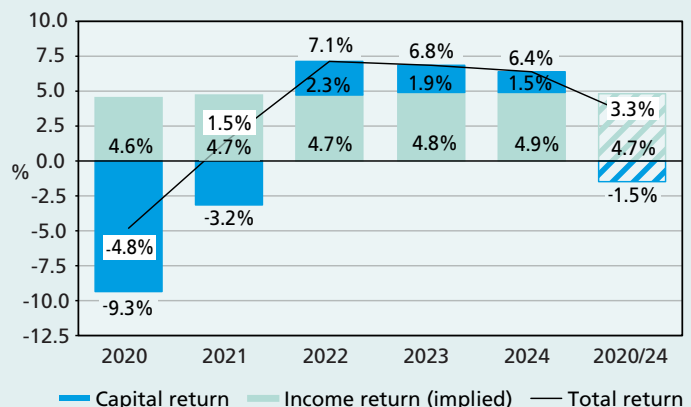
Although the 2022 average rose almost 30 bps, those for 2023 and 2024 were virtually unaltered (down 7 and up 4 bps respectively).

The impact of these changes is to produce an improvement in the five-year annualised average, now some 30 bps higher than August's -1.8% pa.

Total returns

From the low of -8.1% in May, this year's total return forecast has continued to firm, rising by almost 260 bps over the last quarter, as the rate of capital value decline has moderated further and the 2020 implied income return has also improved.

Despite a worsening outlook for 2021 capital values over the quarter and softer implied income returns throughout the remaining years of the survey, the strength of recovery in the 2020 forecast has been sufficient to cause the five-year average to increase marginally, from last quarter's 3.1%.



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Average by sector summary

	Rental value growth (%)				Capital value growth (%)				Total return (%)			
	2020	2021	2022	2020/24	2020	2021	2022	2020/24	2020	2021	2022	2020/24
Office	-2.2	-2.5	1.9	0.4	-5.8	-3.0	3.8	-0.1	-1.9	1.2	8.3	4.1
Industrial	1.2	1.0	2.2	1.8	-0.5	1.3	4.3	2.0	3.7	5.8	8.8	6.4
Standard Retail	-10.1	-6.8	-1.7	-3.9	-18.3	-8.5	-0.3	-5.5	-14.4	-3.8	5.0	-0.7
Shopping Centre	-14.4	-8.4	-3.0	-5.8	-28.2	-10.5	-2.7	-9.5	-23.5	-4.2	4.5	-3.1
Retail Warehouse	-8.6	-5.4	-1.3	-3.1	-19.5	-6.4	0.3	-5.4	-14.1	0.5	7.7	1.4
All Property	-4.2	-2.8	0.8	-0.7	-9.3	-3.2	2.3	-1.5	-4.8	1.5	7.1	3.3
West End office	-3.7	-2.5	2.6	0.6	-5.6	-3.0	5.5	0.6	-2.5	0.3	9.1	3.9
City office	-2.8	-2.6	2.6	0.7	-5.2	-3.0	4.7	0.3	-1.4	1.1	8.8	4.4

Key points

2020 forecasts continue to moderate but weaker outlook for 2021

- The 2020 All Property average rental growth forecast of -4.2% represents a 74 bps improvement over August (-5.0%), with individual forecasts lying between -10.0% and -2.0%. The overall expectation for 2021 growth is weaker than three months ago, as the average declined to -2.8%, from -1.9% (-1.3% in May).
- While the extent of 2020 capital growth projections for All Property is little changed over the quarter (ranging from -15.0% to -4.0%), the average rose to -9.3% (from -11.7% previously). For 2021, the average fell a further 140 bps to -3.2%, following a decline of some 200 bps between May and August, to reflect a continued weakening in sentiment across all sectors. Again, retail markets saw the brunt of these markdowns.

- Predictions for the 2020 All Property total return narrowed over the quarter, to average -4.8% from -7.4%, with only two contributors expecting this measure to be above zero. The 2021 average fell to 1.5%, from 3.3% in August (and 5.3% in May) as the range of forecasts extended between -6.0% and 7.5% from -0.3% and 9.1% previously.

Overall performance still likely to peak in 2022

- The pattern of year-on-year changes in rental and capital value growth expectations are again for the former to improve throughout the five years analysed, while the latter may reach a maximum in 2022. The resultant total return forecast for this mid-point in the survey period is 7.1%, with an implied income return of 4.7%.

Rolling five-year averages

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

- Rental value growth: 0.6% per annum (-0.5%);
- Capital value growth: -1.5% per annum (-1.9%);
- Total return: 3.3% per annum (3.1%).

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:

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|-------------------------------|------------------------|---------------------------------------|
| Aberdeen Standard Investments | CBRE | Knight Frank Investment Management |
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