RESEARCH

MAY 2020

Spring 2020 Survey of Independent Forecasts for UK Commercial Property Investment

COMMISSIONED BY THE IPF RESEARCH PROGRAMME

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This Programme supports the IPF's wider goals of enhancing the understanding and efficiency of property as an investment. The initiative provides the UK property investment market with the ability to deliver substantial, objective and high-quality analysis on a structured basis. It encourages the whole industry to engage with other financial markets, the wider business community and government on a range of complementary issues.

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Spring 2020 Survey of Independent Forecasts for UK Commercial Property Investment – May 2020

The current public health threat of coronavirus has created unforeseen challenges at every level of society and taken a significant toll across the globe. Fundamental questions, such as how long will the pandemic last and, hence, how long for economies to recover, cannot be answered at present. For the built environment, as commented on by one survey contributor, "COVID-19 has supercharged the already rapid rate of change in the way commercial property is used, and past trends may become increasingly irrelevant."

Against this unprecedented backdrop and ongoing economic uncertainty, over a period of seven weeks – between 31 March and 18 May – 17 regular UK Consensus survey contributors faced the considerable task of providing forecasts of the potential implications for UK commercial real estate. Projections were accompanied by extensive cautions and caveats, particularly the risk to recovery over the next two to three years in the event of a longer than expected lockdown or resurgence of infection following an easing of restrictions. The extent of the virus' impact on income and business will affect the speed of recovery, together with the uncertainty surrounding post-Brexit international trading relations, many of which have still to be determined.

A number of earlier forecast models were based on predictions of a sharp bounce back once economic activity resumes in the second half of the year but, with the passage of time and continued restrictions on movement, expectations of a rapid and full recovery are reducing among contributors. One cites particular concerns regarding rising unemployment following austerity and post-Brexit business under-investment.

With all near-term performance measures severely affected, comparisons of anticipated rates of decline and recovery between sectors perhaps provide the most interesting insights. The arrays of forecaster views for each year and measure reflect other existing problems the crisis has intensified, most particularly the structural issues faced by Retail – online/shopping as a leisure pursuit. The speed of Retail's demise may have been accelerated by the current crisis. Offices will need to adjust to a period of lower occupancy rates, as a result of social distancing requirements, with implications for the high density/volume business model of flex space operators. While the industrial sector benefits from the positive influence of ecommerce, its occupancy base is widely drawn from across the economy and is not seen as immune to a slowdown in manufacturing and discretionary consumption, for example, as the UK faces a protracted economic recovery. One observer drew parallels with the time needed for UK GDP to recover, post the Global Financial Crisis (five years according to the ONS).

Asked to predict when capital values are likely to return to pre-COVID-19 levels, few forecasters would be drawn, one indicated their forecasts "do not show all property values returning to pre-COVID levels within a five-year horizon" – and none predict recovery within the next two years. Another is forecasting capital values "to return to pre-Covid levels in 2022 for Offices and Industrial. Ex-London we do not expect Retail to ever get back to its previous highs."

With so much still unknown about the virus, one forecaster notes this makes "even short-term predictions highly uncertain. In other words, we are just not sure what we are recovering from. It is possible that the crisis has passed, fear will dissipate quickly and, by July, the economy is rapidly returning to pre-crisis activity. It is also possible that the virus has only naturally waned and will return with a vengeance in the winter."

Comments from another, echoed elsewhere, is that any such recovery is unlikely "until 2023 because of the sharp movement in yields, particularly for retail assets. However, one of the most difficult sectors to forecast was the office sector because of the potential long-lasting impact of working from home and whether this would mean many companies are likely to significantly reduce their need for office space." Greater confidence is expressed for the industrial sector but "retail will be a very big drag on the overall performance."

Interestingly, only one contributor notes the heavy reliance of property returns on income, with the risk "in multi-let assets from smaller tenants withholding rental payments or large-scale occupier failures. … Small retail, food & beverage and leisure operators have been released from their rental obligations." comparing the level of rents received by a number of UK REITs due on the March 2020 quarter da compared to a year earlier. They go on to posit the view that investment-grade corporate bonds rather than gilts may be a more suitable benchmark for real estate. With bond spreads having widened in recent weeks to c. 3.2% currently, this would indicate an adjustment to real estate pricing in the order of 15%.

Headline results include:

Forecast Ranges

One of the most interesting aspects to emerge from the survey is the variety of forecaster opinion at both the All Property and individual sector level for the three performance measures:

Rental value growth

- Compared to last quarter's spread of **2020 All Property rental growth** of 256 bps (average 2.6%), current forecasts lie between -11.1% and -1.0% – a difference of **over 1,000 bps** – to average -6.3%. At the sector level, Industrials draws the greatest span of projections, at 1,449 bps, from -11.0% to 3.5%, whilst Standard Retail rental growth attracts the lowest individual forecast (-17.2%, versus a maximum of -6.4%).
- For **2021**, the **All Property** spread is slightly narrower, at **820 bps**. Sector ranges show an increase over 2020 for Standard Retail and Shopping Centres, rising to 1,230 and 1,330 bps respectively (from 1,075 and 888 bps for 2020), whereas remaining non-retail sector ranges have reduced substantially, to 526 bps for Industrials and 818 bps for Offices (from over 1,200 bps for 2020).

Capital value growth

- Ranges of **2020 capital growth forecasts** are greater than rental forecasts, with **All Property** extending between -19.5% and -4.0% (a spread of almost **1,550 bps**). Again, forecast views on Industrial growth is greatest, at over 2,090 bps (from -16.9% to 4.0%), whilst Shopping Centre values projected to decline by between -31.8% and -12.0%, representing a spread of more than 1,980 bps.
- Although the **All Property** forecast range reduces for **2021** to some **1,300 bps**, a number of sector spreads have increased: Shopping Centre predictions are highly divergent: from -12.9% to 12.1% – a spread of 2,500 bps – while forecasts for Offices lie between -7.7% and 14.0% (a range of 2,175 bps).

Total returns

- **2020 total return** predictions are similarly polarised; at the **All Property** level, the minimum expectation is -14.7%, against a maximum of 1.2%, i.e. a range of almost **1,590 bps**. The array of Shopping Centre forecasts encompasses a low of -26.7% and high of -4.2% – a spread in excess of 2,250 bps.
- **2021** forecast ranges extend between **1,490 bps** for **All Property** (from -1.0% to 13.9%) and over 2,940 bps for Shopping Centres (-7.5% to 21.9%).

2020 Forecast Results

- The average **All Property rental growth** forecast for the current year fell by more than 6.2% over the quarter, to a current projection of **-6.3%**, driven by significant declines in retail markets, ranging between -12.0% for Shopping Centres to -9.6% for Retail Warehouses.
- 2020 retail sector capital growth expectations suggest even greater falls proportionately, of between 19.8% for Standard Retail and 24.7% for Shopping Centres, and will contribute to a forecast decline of 11% in the All Property **capital growth** rate to **-12.4%** – with averages for Offices and Industrials potentially deteriorating to -9.5% and -7.1% by year-end.
- The 2020 All Property **total return** could fall to **-8.1%**, whilst the same performance measure for Shopping Centres could reach -19.7%.

2021 and 2022

- Although the average **All Property rental growth** forecast is expected to continue to decline in 2021, the rate should slow to c. -1.3%, whilst **capital growth** expectations may be weakly positive, at **0.2%** overall.
- The **2021 All Property total return** could recover to **5.3%**.
- Forecasts indicate **2022** may be the peak year for capital growth and total returns across the survey period, with an **All Property rental growth** rate of **0.8%** being close to the pre-COVID-19 forecast for 0.9%. The average **capital growth** forecast for 2022 is 35 bps higher than a quarter ago, at **2.9%**, whilst the predicted **All Property total return**, of **7.9%**, is some 2.7% higher than February's average.

Summary Results

Summary Average by Sector

	Rental value growth (%)				Capital value growth (%)				Total return (%)			
	2020	2021	2022	2020/24	2020	2021	2022	2020/24	2020	2021	2022	2020/24
Office	-5.4	0.3	2.3	0.5	-9.5	1.4	4.9	0.2	-5.5	5.9	9.3	4.5
Industrial	-2.9	1.1	2.4	1.1	-7.1	2.9	4.7	1.0	-3.0	7.7	9.4	5.5
Standard Retail	-10.7	-3.4	-1.4	-2.9	-19.8	-1.8	1.2	-3.8	-15.5	3.8	6.6	1.3
Shopping Centre	-12.0	-5.0	-3.0	-4.2	-24.7	-4.6	-2.7	-6.9	-19.7	2.2	4.1	-0.6
Retail Warehouse	-9.6	-2.7	-0.5	-2.4	-20.2	-1.1	1.1	-4.0	-14.6	6.1	8.3	2.7
All Property	**-6.3**	**-1.3**	**0.8**	**-0.8**	**-12.4**	**0.2**	**2.9**	**-1.3**	**-8.1**	**5.3**	**7.9**	**3.6**
West End office	-5.9	0.7	3.3	0.7	-10.2	2.3	8.2	1.1	-7.1	5.9	11.8	4.5
City office	-6.6	0.2	3.7	0.2	-9.9	2.0	7.5	0.5	-5.9	6.3	12.1	4.6
Office (all)	**-5.4**	**0.3**	**2.3**	**0.5**	**-9.5**	**1.4**	**4.9**	**0.2**	**-5.5**	**5.9**	**9.3**	**4.5**

All Property Average by Forecast Month

	Rental value growth (%)				Capital value growth (%)				Total return (%)			
Month of forecast (no. contributors)	2020	2021	*2022	*2020/24	2020	2021	*2022	±2020/24	2020	2021	*2022	±2020/24
March (1)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
April (2)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
May (14)	-6.3	-1.1	0.9	-0.7	-12.2	0.3	2.3	-1.3	-7.9	5.4	7.4	3.6
All Forecasters (17*)	**-6.3**	**-1.3**	**0.8**	**-0.8**	**-12.4**	**0.2**	**2.9**	**-1.3**	**-8.1**	**5.3**	**7.9**	**3.6**

* One contributor provided forecasts for 2020 and 2021 only.

Survey contributors

17 organisations contributed to this quarter's forecasts, comprising 8 Property Advisors and Research Consultancies, 6 Fund Managers and three Others†. Full All Property forecasts for all periods were received from 16 contributors.

Full sector forecasts for all periods were received from 16 contributors, with 13 providing full West End and City sub-office sector forecasts. All forecasts were generated within 8 weeks of the survey date (20 May 2020). Named contributors appear on the final page of this report.

†A minimum of five forecasts are required for each group of contributors to be separately analysed. Data from Other contributors are included therefore at the All Forecaster level of reportage.

Notes

Consensus forecasts further the objective of the Investment Property Forum (IPF) to enhance the efficiency of the market. The IPF is extremely grateful for the continuing support of the contributors, including those noted on the last page of this publication. This report is only possible thanks to the provision of the individual forecasts.

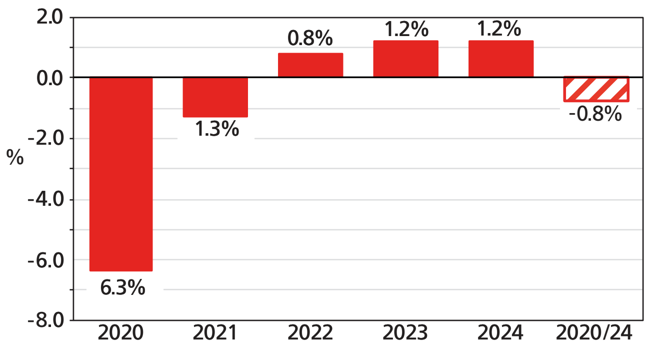
If your organisation wishes to contribute to future surveys please contact IPF Research at pcraddock@ipf.org.uk.

Sector figures are not analysed by contributor type – all figures presented are at the All-forecaster level.

Rental Value Growth Forecasts

All Property rental value growth forecasts

Average rental growth projections for 2020 and 2021 have fallen by over 620 and 160 bps respectively, with all forecasters projecting negative growth in the current year. However, the impact of COVID-19 may be a relatively short-term phenomenon with the 2022 average only 15 bps lower and 2023 and 2024 virtually unchanged – from 0.9%, 1.1% and 1.2% respectively in February.

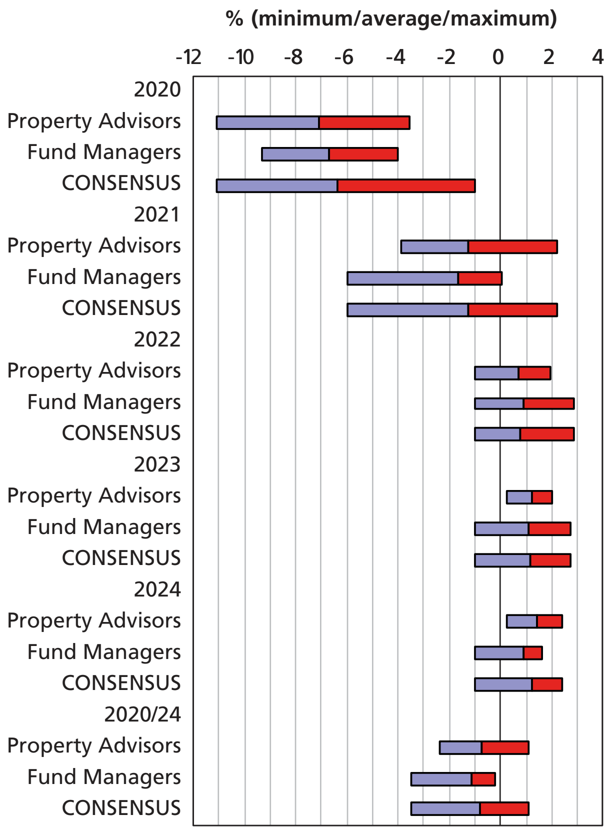


The depth of the reduction predicted for 2020 has had a significant impact on the five-year average, which has declined by over 140 bps per annum.

The All Property figures disguise considerable variations between sectors, however, further details of which appear at page 6.

Rental value growth forecasts by contributor

Eight Property Advisors and six Fund Managers provided data this quarter, making it possible to compare forecasts by contributor type, whilst recording the influence of Other data returns on the overall consensus.



N.B. Three 'Other' contributors returned data in addition to those of 14 Property Advisors and Fund Managers.

For the current year, Managers show a closer alignment in views than Advisors and, average, a more optimistic outlook (-6.7% compared to -7.1%). However, more positive sentiment from the three Other contributors serves to increase the 2020 average to -6.3%.

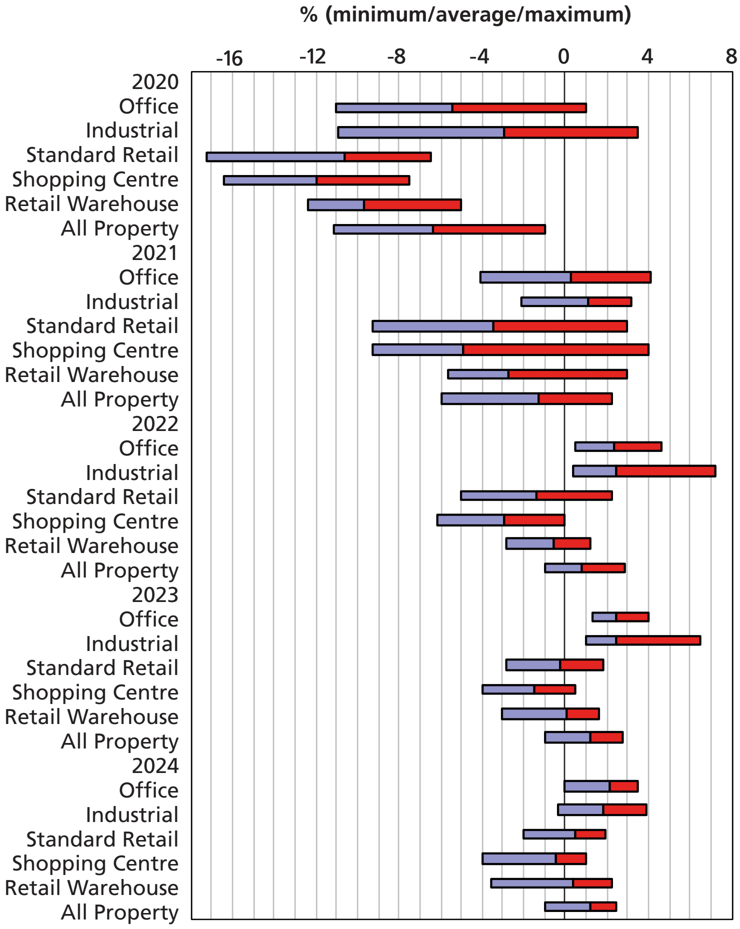
All contributors anticipate 2021 rates to improve, as almost a third expect zero or positive growth to return within the next 12 months, with Advisors and Others providing five of the six such projections.

Forecast ranges for the next two years are considerable, at over 10.0% for 2020 and 8.2% for 2021 – spreads of this order not having been recorded since Q1 2009, as a result of the Global Financial Crisis.

The fall in the annualised five-year averages (-0.7% and -1.2% for Advisors and Managers respectively), is, in part, a reflection of the former's higher 2024 average (of 1.5% versus 0.9%).

Rental Value Growth Forecasts (2)

Sector rental value growth annual forecasts



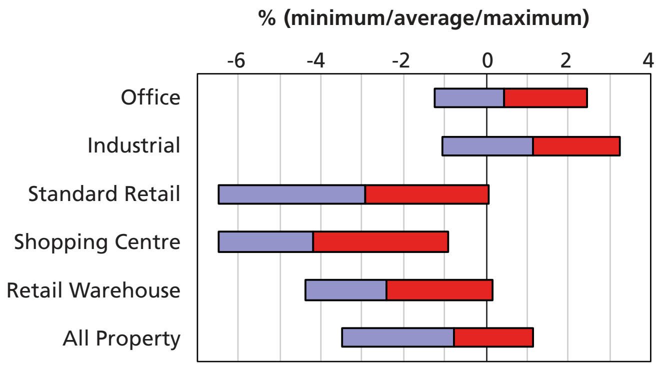
Rental growth is a challenge across all markets with Industrial best-placed and Retail worst. The gap between average Office and Industrial growth prospects and those for retail sectors in the current year is more evident than previously reported, at -5.4% and -2.9% versus -10.7% for Standard Retail and -12.0% for Shopping Centres, although forecast ranges are narrower (7.4% for Retail Warehouses and 10.8% for Standard Retail, as opposed to 12.0% and 14.5% for Offices and Industrials). Whilst a small number of contributors predict positive growth in 2020 (two in the case of Offices and four for Industrial), there is a unanimous expectation of negative growth within all three retail markets.

The contraction of rental growth rates is expected to reduce in 2021; forecast retail averages may rise by between 6.9% and 7.2%, to -2.7% and -3.4%, for Retail Warehouses and Standard Retail. However,with one outlier expecting an early rebound, retail forecast ranges have expanded (to 13.3% in the case of Shopping Centres), contrasting with narrower spreads for Offices and Industrials (8.2% and 5.3%).

Sector rental value growth five-year average forecasts

Substantially lower negative growth rates in 2020 and 2021 have inevitably impacted five-year averages, despite some strengthening in individual markets in later survey years.

The considerable fall in the All Property average, to -0.8% pa from 0.7% last quarter, was greatly influenced by lowered retail growth prospects (down by between 1.1%, to -2.4% pa for Retail Warehouses, and over 2.0%, to -2.4% and -4.5% pa for Standard Retail and Shopping Centres).

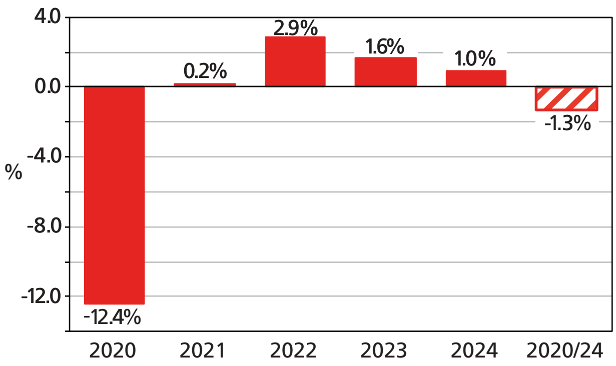


Whilst maintaining marginally positive growth rates, Offices and Industrial falls of 144bps and 98 bps produce annualised averages of 0.5% and 1.1% (1.9% and 2.1% previously).

Capital Value Growth Forecasts

All Property average capital value growth forecasts

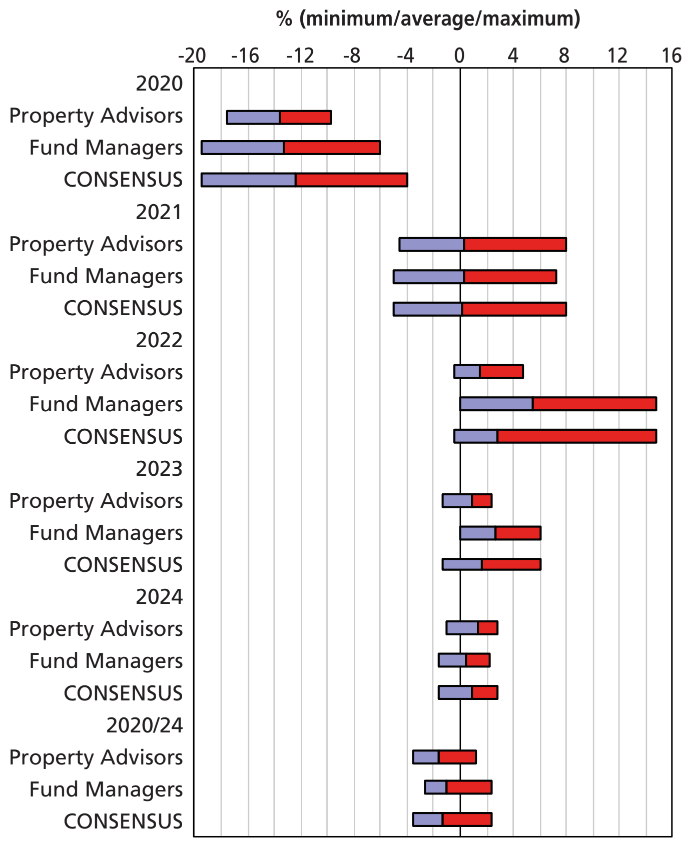
The decline in the 2020 All Property capital value growth rate reflects a sharp movement in yields, although more than one-third of contributors to this quarter's survey (seven) expect flat or better than zero growth emerging in 2021 (the forecast for which is unchanged from February).



A further recovery in values, albeit from a lower base, may occur in the medium term, with higher projections recorded for all three remaining years (from 0.4%, 0.4% and 0.5% respectively last quarter).

However, the significant fall predicted for the current year has had a profound effect on the previously flat five-year average, representing a fall of 1.3%.

Capital value growth forecasts by contributor



N.B. Three 'Other' contributors returned data in addition to the 14 Property Advisors and Fund Managers.

Unlike rental growth projections, Advisors show a closer consensus than Managers for the current year, although average projections lie within c. 30 bps of one another (-13.5% and -13.2% respectively). Again, more positive expectations from three Other contributors lift the 2020 average to -12.4%.

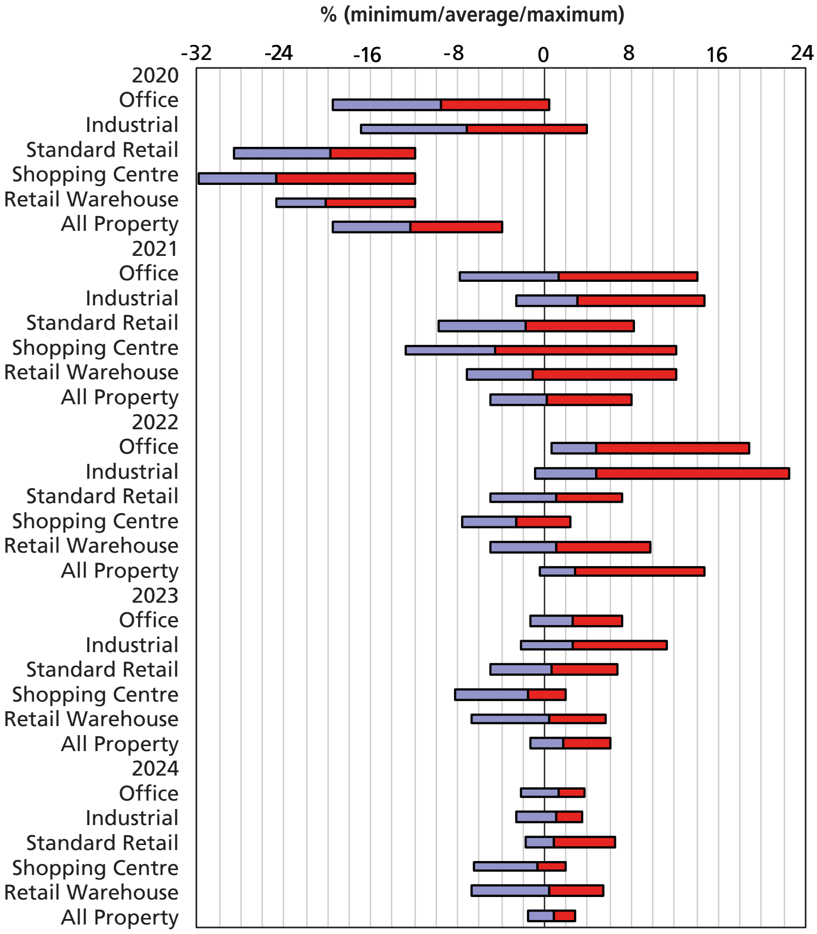
All forecasters anticipate 2021 rates to improve. 11 of the 17 contributors expect a double-digit bounce back – the greatest predicting an increase almost a quarter over the period. Five of the seven expecting a return to positive growth by the end of 2021 are Advisors and Others.

The ranges of Fund Manager and All Forecaster projections for the next three years extend into double figures before moving to a much closer consensus in later survey years.

Falls in the annualised five-year averages (of -1.7% and -1.0% for Advisors and Managers respectively), disguise improved annual averages from 2022 onwards due to the significant impact of the current year's projections.

Capital Value Growth Forecasts (2)

Sector capital value growth annual forecasts



The substantial variations in growth prospects for the different sectors over the five years is illustrated by the chart, which ranges from a minimum forecast of -31.8% for Shopping Centres in 2020 to a maximum of 22.5% for Industrials in 2022. However, with the exception of the minimum 2021 Office forecast (of 0.6%), at least one negative projection has been recorded in each year for each sector.

Whilst there is unanimity among participants that 2020 retail capital growth will remain substantially negative, a small number contributors forecast a strong recovery in these markets in 2021 – by over 12.0% in three instances for Shopping Centres and Retail Warehouses. All remaining forecasters expect the decline in capital value growth to ease in 2021.

Of the 15 sector forecasts received for 2022, a majority predict positive growth for Standard Retail and Retail Warehouses, reflected in averages of 1.2% and 1.1%. However, a significant majority (13) of Shopping Centres projections remain below zero, to average -2.7%.

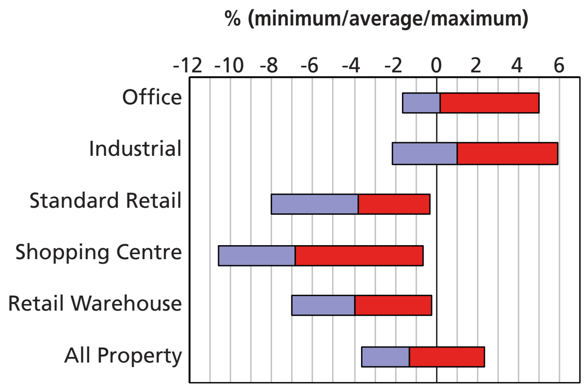
With the exception of Shopping Centres in 2022 (at 9.9%), sector forecast ranges extend to double figures for this and the next two year, averaging between 17.6% in 2020 19.1% in 2021 and 15.6% in 2022.

Sector capital value growth five-year forecasts

The impact of the current year's sector averages, combined with falling averages in 2022 and 2023, has resulted in lower five-year averages.

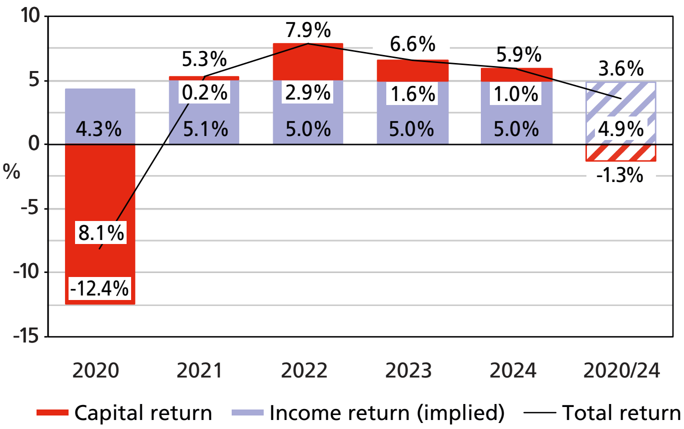
The reduction in the All Property average, to -1.3% pa from 0.0% pa reported in February, reflects the significant fall in capital growth forecasts in 2020 (of between -24.7% for Shopping Centres and -19.8% for Standard Retail). Annualised averages for these markets now lie at -6.9% and -3.8% respectively.

Only Office and Industrial five-year averages at expected to be marginally positive, at 0.2% and 1.0% pa.



Total Return Forecasts

All Property total return forecasts



For 2020, the substantial projected fall in total return, driven by the capital value component, is partially offset by the implied income return – a constant and significant contributor to real estate performance. However, Government intervention, providing relief in the form of rent holidays for many commercial property occupiers, places income return at risk.

The forecast deterioration in 2020 capital values and prospective rate of recovery in subsequent years combine to produce a 1.3% reduction in the five-year average (from 4.9% pa in February).

Contributors All Property total return forecasts

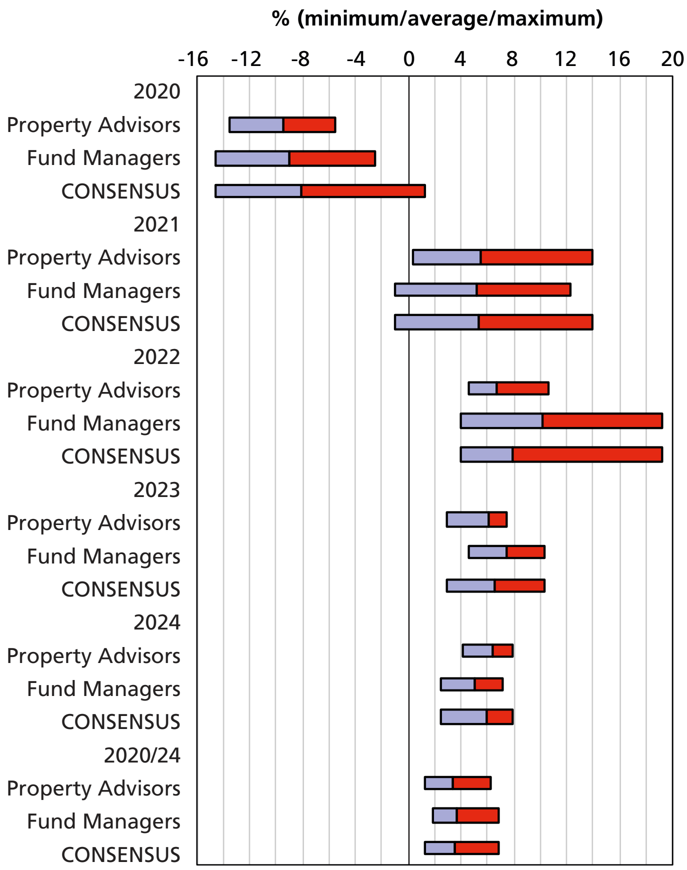
The impact of a single contributor's small positive 2020 total return forecast has the effect of lifting the Consensus average by almost 60 bps – from -8.7% to -8.1% – compared to Property Advisors and Fund Managers' current year average predictions of -9.5% and -9.0% respectively. This outlier also has the effect of increasing the forecast array by over 3.7% bps to 15.9% (contrasting with 8.1% and 12.2% for Advisors and Managers respectively).

Driven by the income component, the 2021 total return averages are projected to rise to 5.4% and 5.2% for these two groups (5.3% for All Forecasters), albeit within bigger ranges: 13.5% and 13.3%.

This diversity of Fund Manager views extends to 2022 forecasts, although the average for this cohort is over 3.5% higher than that of the Advisors, at 10.2% versus 6.7%, driven by a more optimistic outlook for capital growth that year.

In remaining years, a much closer consensus emerges between the two sets of contributors, as well as within each group, with averages lying within 1.3% of each other.

Five-year annualised returns reflect the severe downward expectations for the current year, although Fund Managers are slightly more optimistic than property Advisors, at 3.6% versus 3.3% pa.



N.B. Three 'Other' contributors returned data in addition to the 14 Property Advisors and Fund Managers.

Total Return Forecasts (2)

Sector total return annual forecasts

As with capital value growth forecast, there are substantial differences in total returns at the sector level in each year reported. The minimum 2020 forecast of -26.7% for Shopping Centres contrasting with a maximum of 26.6% for Industrials in 2022, mirror the pattern of value growth.

Without exception, all 2020 retail projections are negative. Whilst a small number of contributors anticipate modest positive returns for Offices and Industrials (three and five respectively from the 15 forecasts received), these are insufficient to lift the averages for these markets above zero (currently -5.5% and -3.0%).

A small number contributors forecast a strong (double digit) recovery in 2021 returns for all markets, including retail, resulting in positive averages. Although lower end negative outlooks, particularly for Standard Retail and Shopping Centres, hold back averages, all sectors are expected to deliver positive returns next year.

2022 forecasts continue to show a significant variation in projections for Office and Industrial returns and, to a lesser extent, for Retail Warehouses, with uppermost predictions in excess of 20% for the former two.

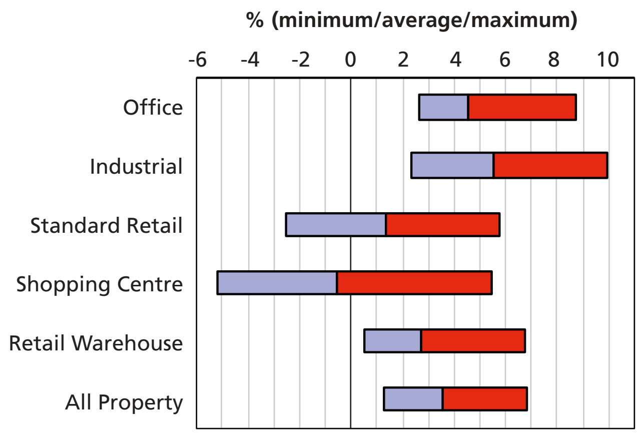
Mirroring current capital value projections, with the exception of Shopping Centres in 2022 (at 9.2%), sector forecast ranges extend to double figures for 2020 and the following two year, averaging between 18.8% in 2020, 20.6% in 2021 and 15.2% in 2022.

Sector total return five-year forecasts

The current year's weakened averages are reflected in lower five-year averages for each sector – from an Industrial average 63 bps lower, at 5.5% pa, to a 220 bps fall in the Shopping Centre average, to -0.6%.

The 1.3% pa reduction in the All Property average return (to 3.6% pa) is similar to the fall reported for five-year All Property capital value growth.

Annualised averages for remaining markets currently stand at 4.5% for Offices, 1.3% for Standard Retail and 2.7% for retail Warehouses.



Central London Office Forecasts

Central London is expected to be severely affected by the measures imposed as a result of Covid-19, with office occupancy rates falling in response to employee furloughs and home working, as well as to the strictures of social distancing for those unable to work remotely. Transaction activity is much reduced, despite reported overseas interest – these markets being vulnerable to international travel restrictions – compounded by limited access to buildings for inspection and valuation/due diligence purposes slowing the flow of deals already in the pipeline[1].

Rental value growth

Average growth expectations from the 15 contributors providing 2020 forecasts have fallen by over 8.0% for West End and City locations, to -5.9% and -6.6% respectively. Individual projections spread are of an order of 17.0% in both instances, between -15.7% and 1.5% for the West End and -15.8% and 1.0% for the City.

With a greater consensus between forecasters in 2021, modest positive average rental growth is expected in the following 12 months, although around a third of all projections are sub-zero.

Growth rates in remaining years may exceed those forecast a quarter ago, however, with 2022 recording the highest averages for the entire period – 3.3% for the West End and 3.7% for the City (although the latter falls to 3.0% if an outlying forecast of more than 10% growth is excluded). Central London markets are projected to exceed wider UK Office rental growth in both 2022 and 2023.

Weaker 2020 and 2024 City averages contribute to a reduced five-year average of 0.2% pa (2.0% pa previously), whilst the West End five-year average is now 0.7% (2.3% pa), compared to 0.5% pa (from 1.9% pa) for all UK Offices.

[1] Colliers International UK Property Snapshot May 2020

Central London Office Forecasts (2)

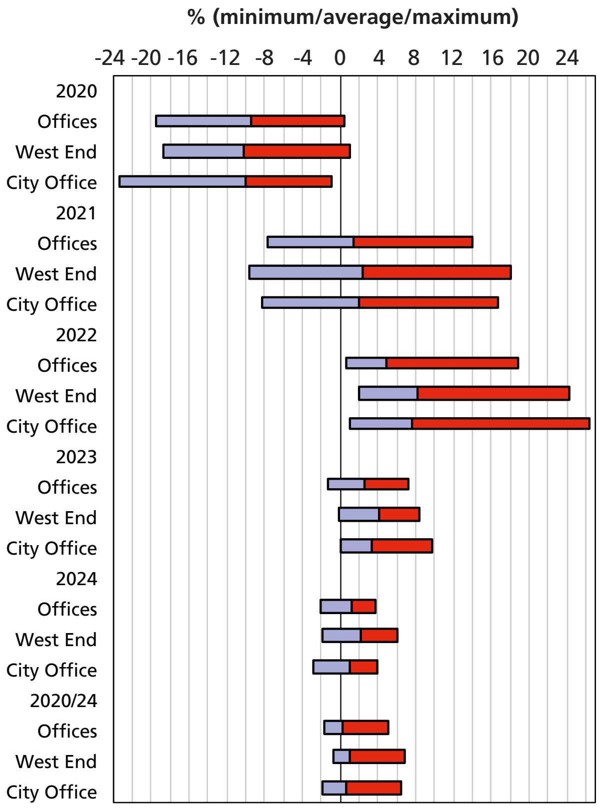
Capital value growth

2020 capital value projections have fallen by between 13.0% and 13.9%, as all but one of the 15 contributions received recorded negative growth, the exception being a 1.0% forecast for the West End. Averages now lie at -9.9% for the City and -10.2% for the West End.

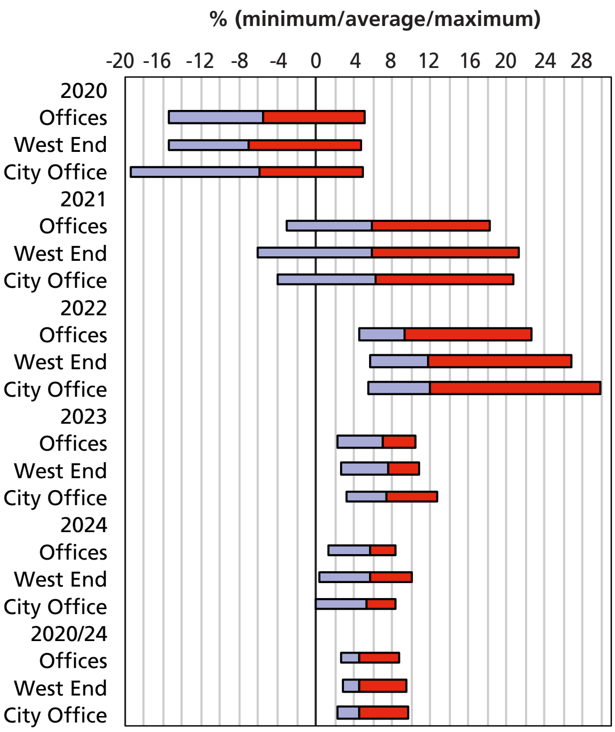
Forecast ranges lie in double figures for both markets in each of the first three survey years, with the greatest divergence of opinion emerging in 2021, consistent with UK Office forecasts.

Based on 13 observations, a substantial bounce back in capital values may occur in 2022. Driven by a number of double digit (and, in three cases, over 20%) growth predictions for the two markets, average projections may reach 8.2% and 7.5% in the West End and City respectively.

However, the depth of declines in value in 2020 has resulted in lower five-year annualised averages with growth rates of 1.1% pa for the West End and 0.5% pa for the City (from 2.6% and 2.1% pa in February), but comparing favourably with the wider UK Office average of 0.2% pa, from 1.5% pa previously).



Total returns



Reflecting the substantial falls projected in capital values and lower yields than the UK Office market as a whole, 2020 average total returns for the two central London markets have declined to -14.1% for the West End and 12.7% for the City (from 7.0% and 6.8% last quarter).

With a projected return to modest capital value growth in 2021, total returns next year may average 5.9% and 6.3%, the former representing an 18 bps improvement over the February average forecast.

Projected improvements in returns peak in 2022, with potential averages of 11.8% and 12.1% for the West End and City, driven by predictions of substantial capital growth that year.

More extreme individual forecasts for each of the first three years have expanded the range of projections to double figures, averaging over 22% in 2020 and 2022 and 26% in 2021, with a minimum City forecast of -19.5% in 220 compared to 29.8% in 2022.

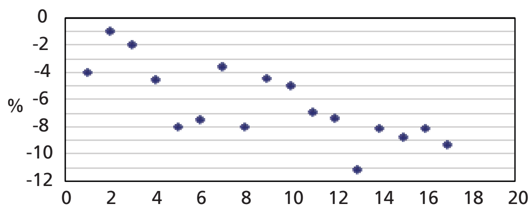
Despite the significant increases to 2021 and 2022 averages, the annualised five-year City return fell almost 130 bps over the quarter, to 4.6% from 5.9% pa, and to 4.5% from 5.9% pa for the West End (a decline of 134 bps), broadly consistent

Distribution of Forecasts

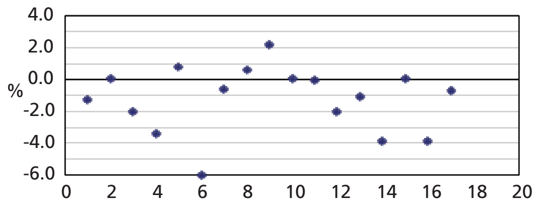
The scatter plots are the individual forecasts for **All Property** rental value and capital value growth. These are listed in random order so that individual contributions cannot be identified. Previous quarter's forecast (February 2020) in brackets.

Rental value growth (% pa)

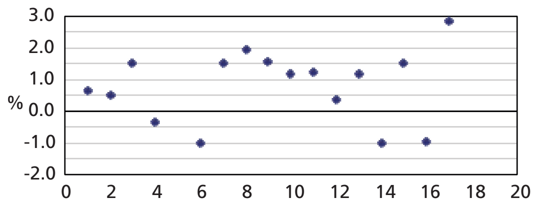
2020 Mean forecast: **-6.3%** (-0.1%)



2021 Mean forecast: **-1.3%** (0.4%)

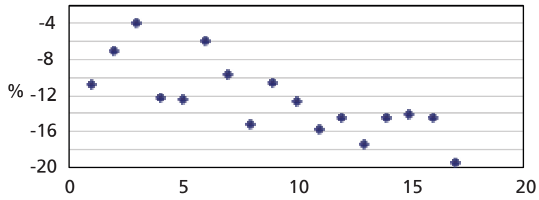


2022 Mean forecast: **0.8%** (0.9%)

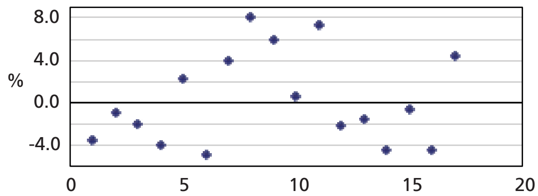


Capital value growth (% pa)

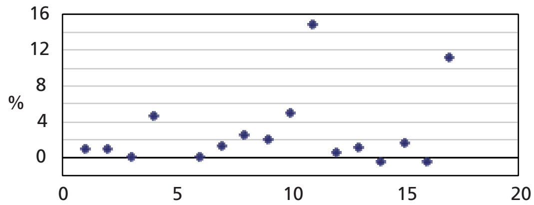
2020 Mean forecast: **-12.4%** (-1.4%)



2021 Mean forecast: **0.2%** (0.4%)



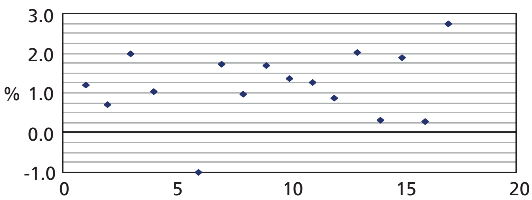
2022 Mean forecast: **2.9%** (0.4%)



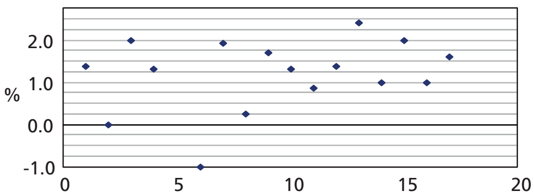
Distribution of Forecasts (2)

Rental value growth (% pa)

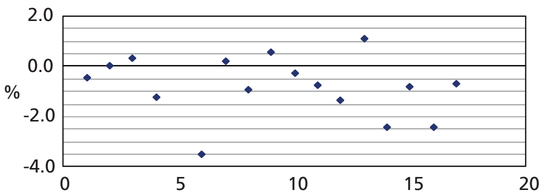
2023 Mean forecast: **1.2%** (1.1%)



2024 Mean forecast: **1.2%** (1.2%)

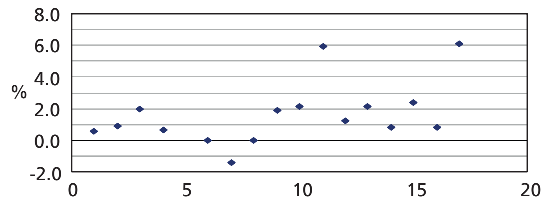


2020/2024 Mean forecast: **-0.8%** (0.7%)

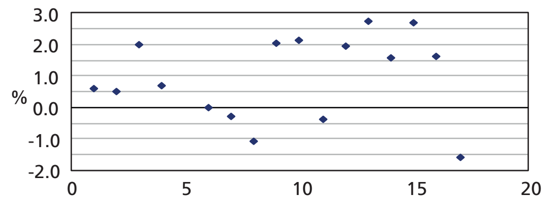


Capital value growth (% pa)

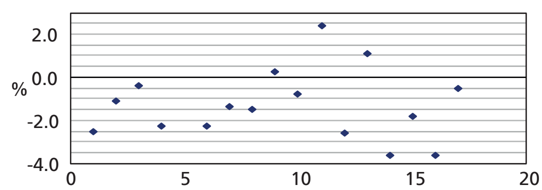
2023 Mean forecast: **1.6%** (0.4%)



2024 Mean forecast: **1.0%** (0.5%)



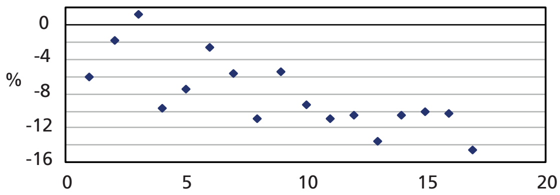
2020/2024 Mean forecast: **-1.3%** (0.0%)



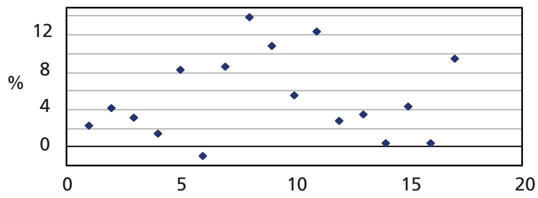
Distribution of Forecasts (3)

All Property total returns (% pa)

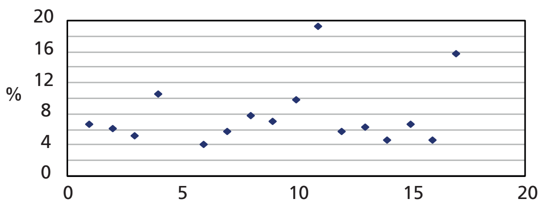
2020 Mean forecast: **-8.1%** (3.5%)



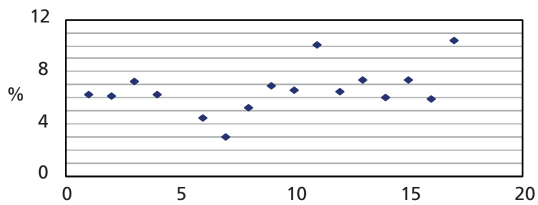
2021 Mean forecast: **5.3%** (5.0%)



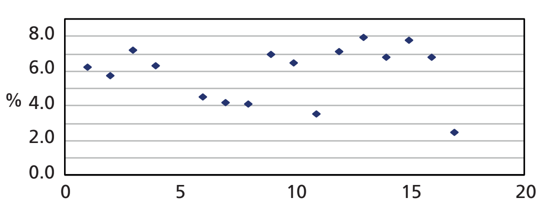
2022 Mean forecast: **7.9%** (5.2%)



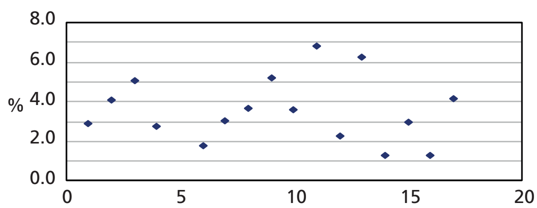
2023 Mean forecast: **6.6%** (5.3%)



2024 Mean forecast: **5.9%** (5.3%)



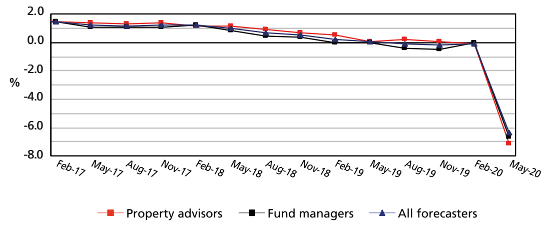
2020/2024 Mean forecast: **3.6%** (4.9%)



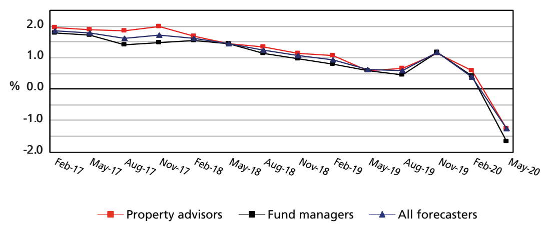
Evolution of Consensus (February 2020 in brackets)

All Property rental value growth (% pa)

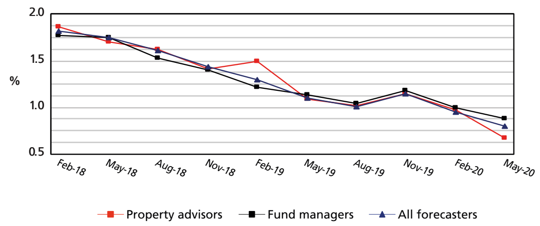
2020 Mean forecast: **-7.3%** (-0.1%)



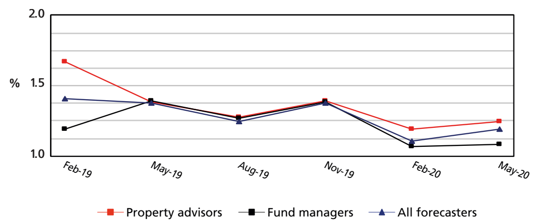
2021 Mean forecast: **-1.3%** (0.4%)



2022 Mean forecast: **0.8%** (0.9%)

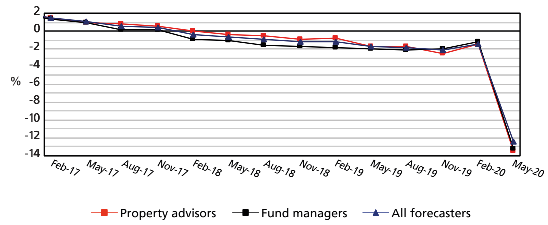


2023 Mean forecast: **1.2%** (1.1%)

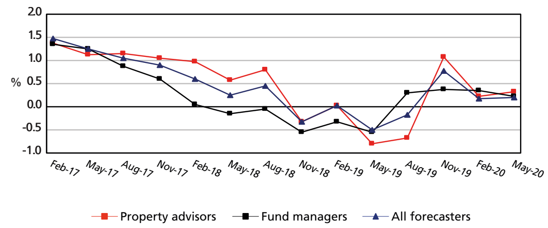


All Property capital value growth (% pa)

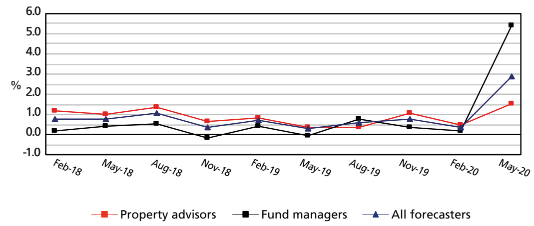
2020 Mean forecast: **-12.4%** (-1.4%)



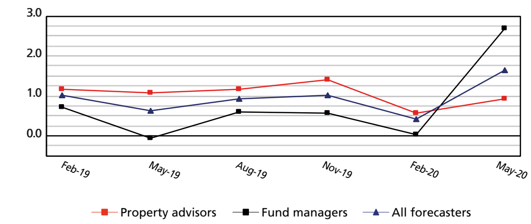
2021 Mean forecast: **0.2%** (0.2%)



2022 Mean forecast: **2.9%** (0.4%)



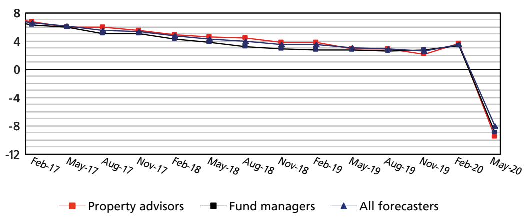
2023 Mean forecast: **1.6%** (0.4%)



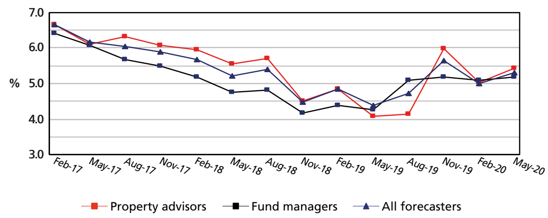
Evolution of Consensus (2)

All Property total returns (% pa)

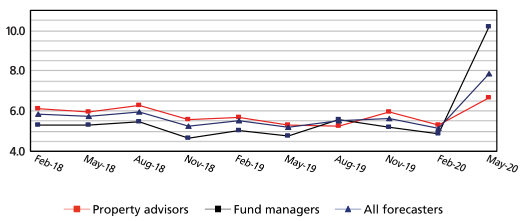
2020 Mean forecast: **-8.1%** (3.5%)



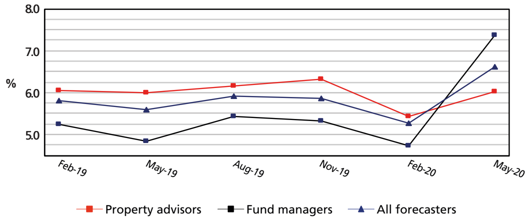
2021 Mean forecast: **5.3%** (5.0%)



2022 Mean forecast: **7.9%** (5.2%)



2023 Mean forecast: **6.6%** (5.3%)



All Property Survey Results by Contributor Type

(Forecasts in brackets are February 2020 comparisons)

Property Advisors and Research Consultancies

8 (12)x	Rental value growth (%)						Capital value growth (%)						Total return (%)					
contributors	2020		2021		2020/24		2020		2021		2020/24		2020		2021		2020/24	
Maximum	-3.5	(0.5)	2.2	(1.2)	1.1	(1.4)	-9.7	(0.0)	8.0	(1.2)	1.1	(1.4)	-5.5	(5.8)	13.9	(5.9)	6.3	(6.1)
Minimum	-11.1	(-1.4)	-3.9	(-0.9)	-2.4	(-0.0)	-17.5	(-2.8)	-4.5	(-1.3)	-3.6	(-1.5)	-13.6	(1.7)	0.4	(3.5)	1.3	(3.1)
Range	7.6	(1.9)	6.1	(2.1)	3.5	(1.4)	7.8	(2.8)	12.5	(2.5)	4.7	(2.9)	8.1	(4.1)	13.5	(2.4)	5.0	(3.0)
Median	-8.0	(0.1)	-0.9	(0.8)	-0.9	(0.8)	-14.3	(-1.7)	-1.1	(0.1)	-1.6	(0.4)	-10.2	(3.8)	4.0	(5.0)	3.0	(5.4)
Mean	**-7.1**	**(-0.1)**	**-1.3**	**(0.6)**	**-0.7**	**(0.8)**	**-13.5**	**(-1.4)**	**0.3**	**(0.2)**	**-1.6**	**(0.1)**	**-9.5**	**(3.6)**	**5.4**	**(5.0)**	**3.3**	**(5.0)**

Fund Managers

6 (9)	Rental value growth (%)						Capital value growth (%)						Total return (%)					
contributors	2020		2021		2020/24		2020		2021		2020/24		2020		2021		2020/24	
Maximum	-4.0	(0.9)	0.1	(1.6)	-0.2	(1.7)	-6.0	(0.7)	7.2	(2.2)	2.4	(1.4)	-2.5	(5.3)	12.3	(6.8)	6.8	(5.9)
Minimum	-9.4	(-1.7)	-6.0	(-1.9)	-3.5	(-0.3)	-19.5	(-5.0)	-5.0	(-4.5)	-2.6	(-2.1)	-14.7	(-0.2)	-1.0	(0.5)	1.8	(2.5)
Range	5.3	(2.6)	6.1	(3.5)	3.3	(2.0)	13.5	(5.6)	12.2	(6.6)	5.0	(3.4)	12.2	(5.5)	13.3	(6.3)	5.0	(3.3)
Median	-7.1	(0.1)	-1.0	(0.6)	-0.7	(0.9)	-13.6	(-0.4)	-0.9	(1.1)	-1.5	(-0.1)	-9.8	(4.2)	4.1	(5.6)	3.3	(4.6)
Mean	**-6.7**	**(-0.1)**	**-1.7**	**(0.4)**	**-1.2**	**(0.7)**	**-13.2**	**(-1.2)**	**0.2**	**(0.4)**	**-1.1**	**(-0.1)**	**-9.0**	**(3.4)**	**5.2**	**(5.1)**	**3.6**	**(4.6)**

All Property forecasters

17 (24)	Rental value growth (%)						Capital value growth (%)						Total return (%)					
contributors	2020		2021		2020/24		2020		2021		2020/24		2020		2021		2020/24	
Maximum	-1.0	(0.9)	2.2	(1.6)	1.1	(1.7)	-4.0	(0.7)	8.0	(2.2)	2.4	(1.4)	1.2	(5.8)	13.9	(6.8)	6.8	(6.1)
Minimum	-11.1	(-1.7)	-6.0	(-2.0)	-3.5	(-0.3)	-19.5	(-5.0)	-5.0	(-4.5)	-3.6	(-2.1)	-14.7	(-0.2)	-1.0	(0.5)	1.3	(2.5)
Range	10.1	(2.6)	8.2	(3.6)	4.6	(2.0)	15.5	(5.6)	13.0	(6.6)	6.0	(3.5)	15.9	(6.1)	14.9	(6.3)	5.6	(3.6)
Std. Dev.	2.7	(0.7)	2.0	(0.9)	1.2	(0.6)	3.9	(1.5)	4.2	(1.3)	1.6	(1.1)	4.1	(1.5)	4.3	(1.3)	1.6	(1.1)
Median	-7.3	(-0.0)	-0.7	(0.6)	-0.7	(0.5)	-12.6	(-1.4)	-1.0	(0.3)	-1.4	(0.1)	-9.8	(4.0)	4.2	(5.2)	3.3	(5.2)
Mean	**-6.3**	**(-0.1)**	**-1.3**	**(0.4)**	**-0.8**	**(0.7)**	**-12.4**	**(-1.4)**	**0.2**	**(0.2)**	**-1.3**	**(0.0)**	**-8.1**	**(3.5)**	**5.3**	**(5.0)**	**3.6**	**(4.9)**

Notes:

1. Figures are subject to rounding and are forecasts of All Property or relevant segment Annual Index measures published by MSCI). These measures relate to standing investments only, meaning that the effects of transaction activity, developments and certain active management initiatives are specifically excluded.
2. To qualify, forecasts must be generated within 7 weeks of the survey date (20 May 2020).
3. Maximum: The strongest growth or return forecast in the survey under each heading.
4. Minimum: The weakest growth or return forecast in the survey under each heading.
5. Range: The difference between the maximum and minimum figures in the survey.
6. Median: The middle forecast when all observations are ranked in order. The average of the middle two forecasts is taken where there is an even number of observations.
7. Mean: The arithmetic mean of all forecasts in the survey under each heading. All views carry equal weight.
8. Standard deviation: A statistical measure of the spread of forecasts around the mean. Calculated at the 'All forecaster' level only.
9. The sector figures are not analysed by contributor type; all figures are shown at the 'All forecaster' level.
10. In the charts and tables, 'All Property' figures were derived from 16 forecasts for each performance measure over all periods. Full sector forecasts were received from 15 organisations (13 for full central London office forecasts).

Survey Results by Sector

Office

16 forecasts	Rental value growth (%)				Capital value growth (%)				Total return (%)			
	2020	2021	*2022	*2020/24	2020	2021	*2022	*2020/24	2020	2021	*2022	*2020/24
Maximum	1.0	4.1	4.6	2.4	0.5	14.0	18.9	5.0	5.2	18.3	22.6	8.7
Minimum	-11.0	-4.0	0.5	-1.2	-19.5	-7.7	0.6	-1.6	-15.4	-3.1	4.5	2.6
Range	12.0	8.2	4.1	3.7	20.0	21.8	18.3	6.7	20.5	21.4	18.0	6.1
Median	-5.9	0.7	2.1	0.5	-9.7	0.5	2.6	-0.2	-6.1	5.2	7.3	3.7
Mean	**-5.4**	**0.3**	**2.3**	**0.5**	**-9.5**	**1.4**	**4.9**	**0.2**	**-5.5**	**5.9**	**9.3**	**4.5**

Industrial

16 forecasts	Rental value growth (%)				Capital value growth (%)				Total return (%)			
	2020	2021	*2022	*2020/24	2020	2021	*2022	*2020/24	2020	2021	*2022	*2020/24
Maximum	3.5	3.1	7.2	3.2	4.0	14.7	22.5	5.9	8.6	20.2	26.6	9.9
Minimum	-11.0	-2.1	0.3	-1.0	-16.9	-2.7	-0.9	-2.1	-12.4	1.8	3.9	2.3
Range	14.5	5.3	6.8	4.3	20.9	17.3	23.4	8.0	20.9	18.4	22.7	7.6
Median	-3.6	1.1	2.0	1.2	-6.7	1.9	2.7	0.5	-2.7	6.6	7.4	5.3
Mean	**-2.9**	**1.1**	**2.4**	**1.1**	**-7.1**	**2.9**	**4.7**	**1.0**	**-3.0**	**7.7**	**9.4**	**5.5**

Standard Retail

16 forecasts	Rental value growth (%)				Capital value growth (%)				Total return (%)			
	2020	2021	*2022	*2020/24	2020	2021	*2022	*2020/24	2020	2021	*2022	*2020/24
Maximum	-6.4	3.0	2.3	0.1	-12.0	8.3	7.1	-0.3	-6.0	14.9	12.8	5.7
Minimum	-17.2	-9.3	-5.0	-6.5	-28.6	-9.8	-5.0	-8.0	-24.7	-4.3	1.0	-2.5
Range	10.8	12.3	7.3	6.6	16.6	18.1	12.1	7.7	18.7	19.2	11.8	8.2
Median	-9.9	-3.0	-1.6	-3.3	-20.8	-2.6	2.3	-4.0	-16.2	2.9	7.4	0.7
Mean	**-10.7**	**-3.4**	**-1.4**	**-2.9**	**-19.8**	**-1.8**	**1.2**	**-3.8**	**-15.5**	**3.8**	**6.6**	**1.3**

Shopping Centre

16 forecasts	Rental value growth (%)				Capital value growth (%)				Total return (%)			
	2020	2021	*2022	*2020/24	2020	2021	*2022	*2020/24	2020	2021	*2022	*2020/24
Maximum	-7.5	4.0	0.0	-0.9	-12.0	12.1	2.4	-0.6	-4.2	21.9	8.6	5.5
Minimum	-16.4	-9.3	-6.2	-6.5	-31.8	-12.9	-7.6	-10.6	-26.7	-7.5	-0.6	-5.2
Range	8.9	13.3	6.2	5.6	19.8	25.0	9.9	10.0	22.5	29.4	9.2	10.7
Median	-12.3	-5.2	-2.4	-4.3	-25.5	-6.9	-3.0	-7.6	-21.6	0.3	3.9	-1.0
Mean	**-12.0**	**-5.0**	**-3.0**	**-4.2**	**-24.7**	**-4.6**	**-2.7**	**-6.9**	**-19.7**	**2.2**	**4.1**	**-0.6**

Retail Warehouse

16 forecasts	Rental value growth (%)				Capital value growth (%)				Total return (%)			
	2020	2021	*2022	*2020/24	2020	2021	*2022	*2020/24	2020	2021	*2022	*2020/24
Maximum	-5.0	3.0	1.2	0.2	-12.0	12.1	9.7	-0.2	-4.9	20.0	16.3	6.7
Minimum	-12.4	-5.6	-2.9	-4.4	-24.7	-7.1	-5.0	-7.0	-19.0	-0.5	2.1	0.5
Range	7.4	8.6	4.1	4.5	12.7	19.2	14.7	6.7	14.1	20.5	14.2	6.2
Median	-9.9	-3.3	-0.5	-2.5	-21.5	-3.1	-0.5	-4.5	-16.1	4.5	6.6	2.4
Mean	**-9.6**	**-2.7**	**-0.5**	**-2.4**	**-20.2**	**-1.1**	**1.1**	**-4.0**	**-14.6**	**6.1**	**8.3**	**2.7**

All Property

17 forecasts[†]	Rental value growth (%)				Capital value growth (%)				Total return (%)			
	2020	2021	*2022	*2020/24	2020	2021	*2022	*2020/24	2020	2021	*2022	*2020/24
Maximum	-1.0	2.2	2.8	1.1	-4.0	8.0	14.8	2.4	1.2	13.9	19.3	6.8
Minimum	-11.1	-6.0	-1.0	-3.5	-19.5	-5.0	-0.5	-3.6	-14.7	-1.0	4.0	1.3
Range	10.1	8.2	3.8	4.6	15.5	13.0	15.3	6.0	15.9	14.9	15.3	5.6
Std. Dev.	2.7	2.0	1.1	1.2	3.9	4.2	4.2	1.6	4.1	4.3	4.1	1.6
Median	-7.3	-0.7	1.2	-0.7	-12.6	-1.0	1.2	-1.4	-9.8	4.2	6.5	3.3
Mean	**-6.3**	**-1.3**	**0.8**	**-0.8**	**-12.4**	**0.2**	**2.9**	**-1.3**	**-8.1**	**5.3**	**7.9**	**3.6**

[†]One contributor provided an All Property only set of forecasts for all periods.
* One other contributor provided All Property and sector forecasts for 2020 and 2021 only.

Sector Summary: Means

Sector summary: Means

	Rental value growth (%)				Capital value growth (%)				Total return (%)			
	2020	2021	*2022	*2020/24	2020	2021	*2022	*2020/24	2020	2021	*2022	*2020/24
Office (16)	-5.4	0.3	2.3	0.5	-9.5	1.4	4.9	0.2	-5.5	5.9	9.3	4.5
Industrial (16)	-2.9	1.1	2.4	1.1	-7.1	2.9	4.7	1.0	-3.0	7.7	9.4	5.5
Standard Retail (16)	-10.7	-3.4	-1.4	-2.9	-19.8	-1.8	1.2	-3.8	-15.5	3.8	6.6	1.3
Shopping Centre (16)	-12.0	-5.0	-3.0	-4.2	-24.7	-4.6	-2.7	-6.9	-19.7	2.2	4.1	-0.6
Retail Warehouse (16)	-9.6	-2.7	-0.5	-2.4	-20.2	-1.1	1.1	-4.0	-14.6	6.1	8.3	2.7
All Property (17)	**-6.3**	**-1.3**	**0.8**	**-0.8**	**-12.4**	**0.2**	**2.9**	**-1.3**	**-8.1**	**5.3**	**7.9**	**3.6**

West End office

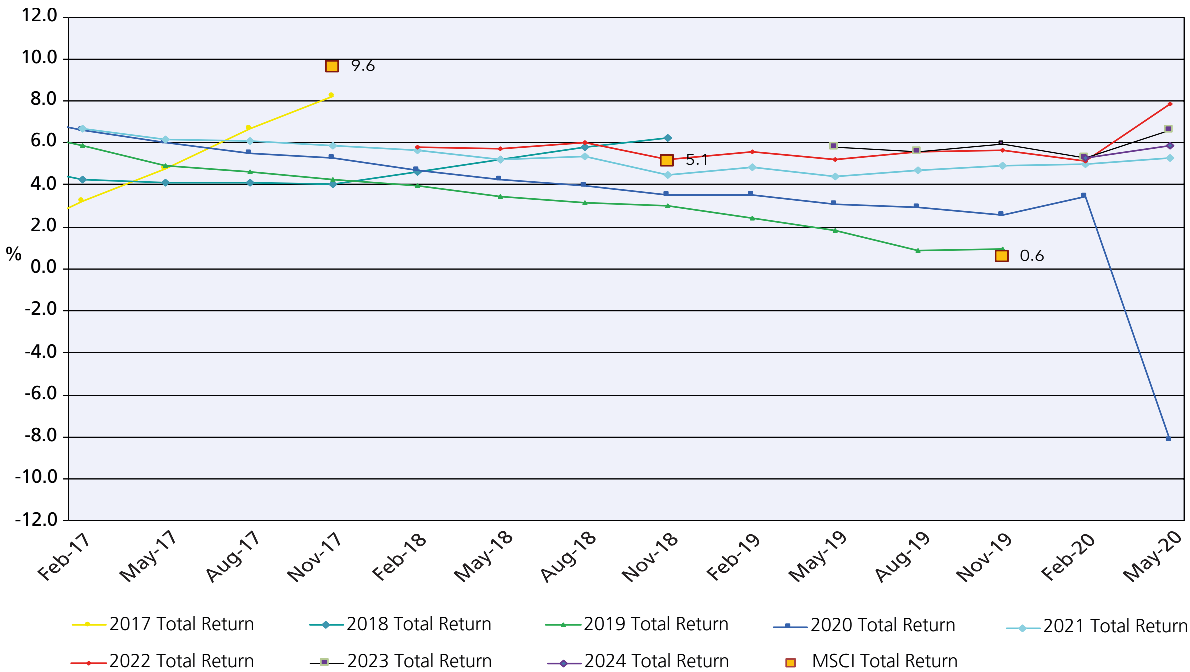
15 forecasts†	Rental value growth (%)				Capital value growth (%)				Total return (%)			
	2020	2021	*2022	*2020/24	2020	2021	*2022	*2020/24	2020	2021	*2022	*2020/24
Maximum	1.5	5.8	5.9	2.5	1.0	18.0	24.2	6.8	4.7	21.3	26.9	9.6
Minimum	-15.7	-5.0	1.2	-1.4	-18.7	-9.6	2.0	-0.8	-15.4	-6.1	5.7	2.9
Range	17.2	10.8	4.7	3.9	19.7	27.6	22.2	7.6	20.1	27.4	21.2	6.7
Median	-5.0	2.0	3.0	0.4	-11.4	1.3	5.0	0.2	-8.8	5.3	8.9	3.9
Mean	**-5.9**	**0.7**	**3.3**	**0.7**	**-10.2**	**2.3**	**8.2**	**1.1**	**-7.1**	**5.9**	**11.8**	**4.5**

City office

15 forecasts†	Rental value growth (%)				Capital value growth (%)				*Total return (%)			
	2020	2021	*2022	*2020/24	2020	2021	*2022	*2020/24	2020	2021	*2022	*2020/24
Maximum	1.0	6.5	12.3	2.7	-1.0	16.7	26.5	6.4	5.0	20.7	29.8	9.7
Minimum	-15.8	-5.6	-0.4	-2.7	-23.3	-8.3	1.0	-1.9	-19.5	-3.9	5.5	2.3
Range	16.8	12.1	12.8	5.4	22.3	25.0	25.5	8.3	24.5	24.6	24.3	7.5
Median	-7.5	1.2	2.3	0.5	-9.4	1.6	3.6	-0.3	-6.1	5.8	8.7	4.0
Mean	**-6.6**	**0.2**	**3.7**	**0.2**	**-9.9**	**2.0**	**7.5**	**0.5**	**-5.9**	**6.3**	**12.1**	**4.6**

† One contributor only provided rental growth forecasts.
* A further contributor only provided forecasts for 2020 and 2021.

Consensus Forecast All Property Total Return Forecasts versus MSCI (IPD) Annual Outturns



Note: The MSCI Outturn for 2019 is based on the results from the MSCI All Property Quarterly Index, published on 05 February 2020, and will be corrected on publication of the MSCI All Property Annual Index results.

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If your organisation wishes to contribute to future surveys, please contact the IPF Research Director at pcraddock@ipf.org.uk.

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