

# IPF UK Consensus Forecasts – Winter 2019/2020

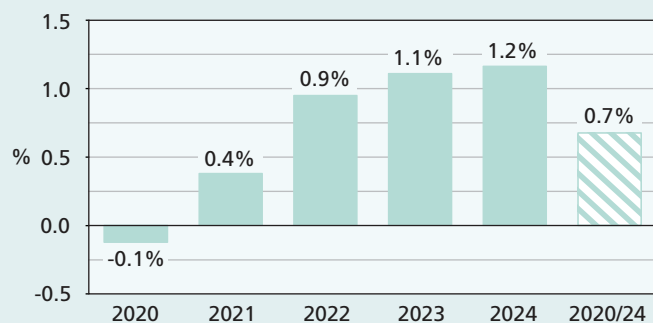
24 organisations contributed to the first survey of 2020 with forecasts dating from the end of November 2019 to mid-February 2020.

## Rental value growth

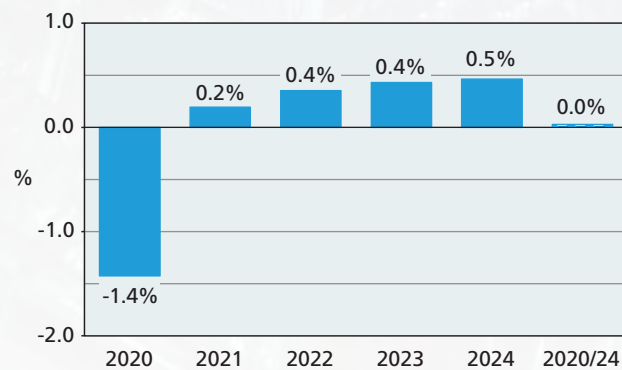
Whilst the 2020 average outlook rose over the quarter (from -0.2% previously), average projections for each of the next three years have weakened (from 0.7%, 1.2% and 1.4%).

Zero or sub-zero growth in the current year was recorded in 12 forecasts (13 in November) compared to seven in 2021 (3).

A projection of 1.2% for 2024 indicates a slowdown in the rate of recovery over the survey period, although a consequence of it replacing the 2019 forecast (-0.2%) has been to increase the five-year annualised average (previously 0.6% per annum).



## Capital value growth



Following a fall of over 30 bps in November, the 2020 average picked up by more than 70 bps (previously -2.2%), with five contributors now forecasting either zero or positive capital value growth compared to one three months ago. The 2021 mean also improved, by 14bps (from 0.1%).

This near-term improvement in sentiment is not sustained in later years, as the 2022 and 2023 average forecasts declined by 43 and 58 bps respectively (from 0.8% and 1.0%).

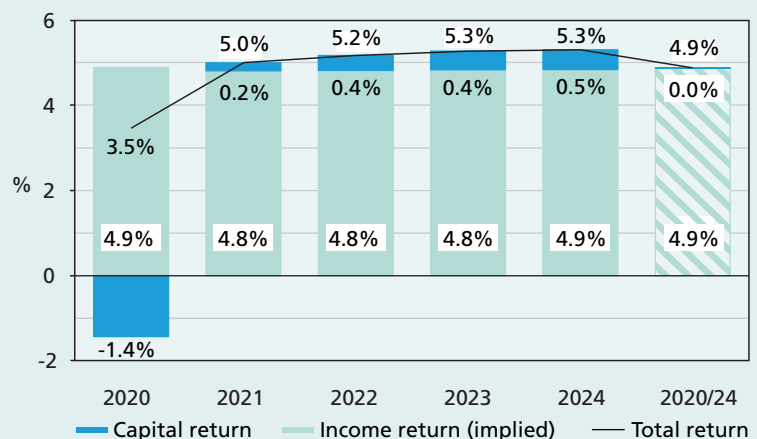
With the substitution of the 2024 for the November 2019 forecast of -0.2%, however, the overall impact on the five-year annualised projection has been to increase this by over 75 bps, from -0.8% per annum previously).

## Total returns

The 2020 and 2021 total return averages rose by more than 90 bps and 10 bps over the quarter but weaker projections were received for 2022 and 2023 (falling by 49 and 60 bps respectively) as a consequence of lower capital growth expectations in those years (previously 0.8% and 1.0%).

The near-term improvements and inclusion of the 2024 forecast average has resulted in the five-year average rising by over 90 bps (from 3.9% per annum previously).

The 2020 implied income return rose slightly (increasing almost 20 bps from 4.7% in November) whilst headline figures for later years were effectively unaltered due to more modest rises of well below 10 bps in each instance.



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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	1.8	1.8	1.9	1.9	2.3	1.7	1.4	1.5	6.5	5.9	5.6	5.8
Industrial	2.7	2.2	2.1	2.1	3.3	2.6	1.3	1.7	7.7	7.0	5.7	6.2
Standard Retail	-2.9	-1.4	-0.4	-0.8	-6.5	-2.3	-1.0	-2.2	-2.0	2.4	3.7	2.5
Shopping Centre	-4.9	-2.8	-1.4	-2.2	-11.1	-4.8	-3.0	-4.6	-5.4	1.3	3.3	1.6
Retail Warehouse	-3.9	-1.8	-0.6	-1.3	-8.1	-2.5	-1.2	-2.8	-2.0	4.1	5.5	3.7
<b>All Property</b>	<b>-0.1</b>	<b>0.4</b>	<b>0.9</b>	<b>0.7</b>	<b>-1.4</b>	<b>0.2</b>	<b>0.4</b>	<b>0.0</b>	<b>3.5</b>	<b>5.0</b>	<b>5.2</b>	<b>4.9</b>
West End office	2.4	1.9	2.2	2.3	3.8	2.5	2.2	2.6	7.0	5.8	5.4	5.9
City office	2.1	2.1	2.1	2.0	3.0	2.4	2.0	2.1	6.8	6.2	5.9	5.9

**Key points**

**Modest growth expectations lift 2020 total return**

- The All Property average rental growth forecast for **2020** rose slightly over the quarter, to -0.1%, driven by higher expectations for Offices, continuing strength in Industrials and a slightly slower rate of decline in growth in Standard Retail. Shopping Centre and Retail Warehouse forecast averages fell a further 47 and 50 bps.
- Improved capital growth forecasts over the quarter for Offices, Industrials and Standard Retail, contributed to a 73 bps rise in the All Property forecast. Although weaker sentiment for the remaining two retail sub-sectors (down 90 and 52 bps) will continue to inhibit a recovery, the All Property total return rose 91 bps, from 2.5% in November.

**Mixed prospects in 2021; weaker outlook to follow**

- Despite rental growth holding up for Offices and Industrials and a slowing in the decline in Standard Retail rents, further weakening in Shopping Centre and Retail Warehouse average growth prospects (48 and 69 bps lower) pushed the **2021** All Property forecast down over 30 bps, from 0.7% in November. Although falls in average capital value growth rates were recorded in all three retail markets, Offices and Industrials supported modest increases in both the All Property average and total return, rising 14 and 12 bps (from 0.1% and 4.9% in November).

- With the exception of the Industrial and Standard Retail sector forecasts in **2022** and the **2023** Industrial forecast, average rental growth weakened quarter-on-quarter. These resulted in 20 and 27 bps falls in the All Property rental growth averages for these years, from 1.2% and 1.4%. **2022** capital growth rate forecasts weakened for all sectors, ranging from 100 bps (Shopping Centres) to 14 bps (Industrials), causing the All Property capital growth rate average to fall 43 bps, from 0.8%, whilst the average total return now stands 49 bps lower (5.7% in November).
- Similarly, **2023** average sector forecasts fell over the quarter – between 11 bps (Industrials) and 150 bps (Shopping Centres) – to reduce the All Property capital growth average 58 bps. The All Property total return for that year fell 60 bps, from 5.9%.
- Newly-produced **2024** forecasts indicate broadly comparable average growth rates and total returns at both sector and All Property levels as currently projected for 2023.

**Rolling averages (2020/2024)**

All Property rolling five-year average forecasts now comprise:

- Rental value growth: 0.7% per annum (0.6% previously)
- Capital value growth: 0.0% per annum (-0.8%)
- Total return: 4.9% per annum (3.9%)

Click [here](#) to download the full report from the IPF website.

**Acknowledgement**

The IPF thanks all those organisations contributing to the Winter 2019/2020 Consensus Forecasts, including:

Aberdeen Standard Investments	Avison Young	Aviva Investors	BMO Real Estate Partners
BNP Paribas Real Estate	Capital Economics	Carter Jonas	CBRE
Colliers International	Cushman & Wakefield	DWS	Fletcher King
JLL	Keills	Knight Frank	Knight Frank Investment Management
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