



Research
Programme

Investment Property Forum European Consensus Forecasts of Prime Office Rents

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IPF European Consensus Forecasts

This research was funded and commissioned through the IPF Research Programme.

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.

The Programme is funded by a cross-section of businesses, representing key market participants. The IPF makes a contribution to the Programme and gratefully acknowledges the support of these sponsoring organisations:

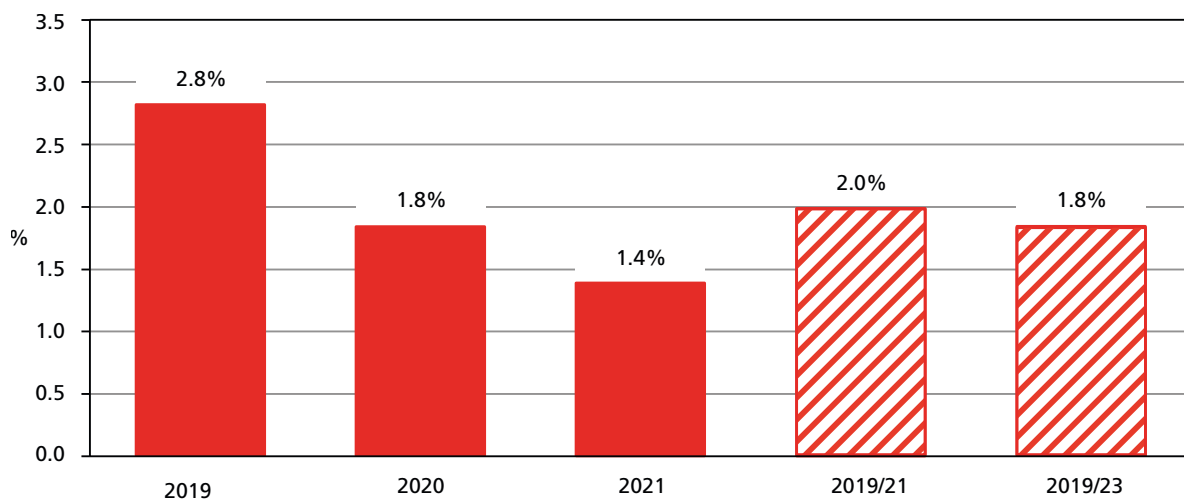


Survey of European Office Market Rental Forecasts May 2019

For the first survey of 2019, 22 contributors provided forecasts for some or most of the 30 locations covered by this research. There were insufficient rental growth forecasts for Athens to permit inclusion of data and analysis on this occasion. All forecasts were generated within six months of the survey date of 24 April 2019 and 16 within the last two months.

Figure 1 summarises the average growth projections across all office markets over the next three years and the annualised averages over three and five years. It should be noted that these disguise considerable variations between individual locations.

Figure 1: Average Weighted Growth Rates (%)



The overall trend is one of weakening growth over the next three years, with only London's West End expected to see improved growth over each year of the survey period, as detailed on Table 1. Marginal improvements in 2021 forecasts that exceeded those for 2020 (only eight in number) were insufficient to halt a decline in the average across all 29 markets to just under 1.4% in that year (from 1.8% in 2020).

Longer-term outlooks have softened for Berlin and Madrid, possibly a reflection of emerging concerns over affordability, although the loss of stronger 2018 data may be a contributing factor, whilst Milan forecasts have also been downgraded, likely in response to falling economic sentiment.

Conversely, Warsaw has seen the biggest upgrade for the current year (up 300 bps from six months ago) followed by a stronger 2020 outlook than the negative forecast reported in November (-1.5%), consistent with a general improvement in sentiment towards Polish offices.

A comparison between the current and preceding survey results is contained in Table 4 on page 5.

Survey of European Office Market Rental Forecasts

Table 1: Year-on-Year Changes in Average Weighted Growth Forecasts (%)

	Year rental growth forecast (% pa)			Difference in forecast	
	2019	2020	2021	2020 vs. 2019	2021 vs. 2020
Vienna	1.5	1.2	1.2	-0.3	0.0
Brussels	1.6	1.2	1.0	-0.5	-0.2
Prague	2.8	2.0	0.8	-0.8	-1.2
Copenhagen	2.6	2.2	1.6	-0.4	-0.6
Helsinki	1.9	1.4	1.9	-0.5	0.5
Lyon	2.0	1.0	1.2	-0.9	0.2
Paris CBD	2.9	1.9	1.2	-1.0	-0.6
Paris la Défense	2.6	1.5	1.3	-1.1	-0.2
Berlin	6.7	5.0	2.1	-1.6	-2.9
Frankfurt	4.1	2.4	1.7	-1.8	-0.7
Hamburg	3.8	2.3	1.1	-1.4	-1.2
Munich	3.6	2.7	1.9	-0.9	-0.8
Athens	na	na	na	na	na
Budapest	2.8	1.5	0.8	-1.3	-0.7
Dublin	1.6	0.1	-0.1	-1.6	-0.1
Milan	2.4	1.2	0.6	-1.3	-0.6
Rome	1.5	1.2	0.7	-0.4	-0.5
Luxembourg	1.6	1.0	0.7	-0.6	-0.3
Amsterdam	4.0	2.8	1.8	-1.2	-1.1
Oslo	4.6	2.8	1.7	-1.8	-1.1
Warsaw	3.1	0.2	0.9	-3.0	0.8
Lisbon	4.8	2.3	1.7	-2.5	-0.6
Moscow	3.6	2.7	2.4	-0.9	-0.3
Madrid	4.5	3.6	2.9	-0.9	-0.6
Barcelona	4.5	3.0	2.1	-1.5	-0.9
Stockholm	4.8	2.9	2.2	-1.8	-0.7
Zurich	1.2	0.5	1.0	-0.7	0.5
London: City	-0.8	-0.9	1.3	-0.1	2.2
London: West End	-0.4	0.0	1.1	0.3	1.2
Manchester	1.7	1.2	1.4	-0.5	0.2
Average	2.8	1.8	1.4	-1.1	-0.4

Survey of European Office Market Rental Forecasts

Table 2 summarises weighted growth rates, ranked by order of highest to lowest projections for the current year, including the three- and five-year annualised forecasts.

Table 2: 2019 Ranked Weighted Average Growth Rates (%)

End-2018 Av. Rent (psm)	(Local Currency)	Year rental growth forecast (% pa)			2019/2021 (% pa)	2019/2023 (% pa)
		2019	2020	2021		
Berlin	402.49	6.7	5.0	2.1	4.6	3.0
Lisbon	246.69	4.8	2.3	1.7	2.9	2.5
Stockholm	7,221.63	4.8	2.9	2.2	3.3	3.2
Oslo	4,711.07	4.6	2.8	1.7	3.1	3.0
Madrid	400.94	4.5	3.6	2.9	3.7	2.9
Barcelona	300.15	4.5	3.0	2.1	3.2	2.3
Frankfurt	495.57	4.1	2.4	1.7	2.7	2.2
Amsterdam	423.75	4.0	2.8	1.8	2.9	2.1
Hamburg	334.08	3.8	2.3	1.1	2.4	1.8
Munich	457.14	3.6	2.7	1.9	2.7	2.1
Moscow	749.74	3.6	2.7	2.4	2.9	2.5
Warsaw	271.76	3.1	0.2	0.9	1.4	1.7
Paris CBD	829.43	2.9	1.9	1.2	2.0	1.4
Budapest	665.28	2.8	1.5	0.8	1.7	1.4
Prague	254.84	2.8	2.0	0.8	1.8	1.4
Paris la Défense	542.31	2.6	1.5	1.3	1.8	1.3
Copenhagen	1,859.14	2.6	2.2	1.6	2.1	2.1
Milan	571.64	2.4	1.2	0.6	1.4	1.2
Lyon	291.24	2.0	1.0	1.2	1.4	1.4
Helsinki	405.93	1.9	1.4	1.9	1.8	2.0
Manchester	368.54	1.7	1.2	1.4	1.4	1.9
Luxembourg	584.58	1.6	1.0	0.7	1.1	1.1
Brussels	286.00	1.6	1.2	1.0	1.3	1.7
Dublin	665.28	1.6	0.1	-0.1	0.5	0.6
Vienna	299.91	1.5	1.2	1.2	1.3	1.4
Rome	409.56	1.5	1.2	0.7	1.1	1.3
Zurich	793.98	1.2	0.5	1.0	0.9	0.9
London: West End	1,130.70	-0.4	0.0	1.1	0.2	1.6
London: City	726.82	-0.8	-0.9	1.3	-0.1	1.2
Athens	273.83	na	na	na	na	na
Average		2.8	1.8	1.4	2.0	1.8
Range		7.5	5.9	3.4	4.7	4.2

Survey of European Office Market Rental Forecasts

As might be expected, the range of projections for London remains large, highlighting continued uncertainty, particularly in the City market. A wide range of expected outcomes has also been recorded for those markets that are seeing very strong growth at present (including Berlin, Stockholm and Madrid).

Table 3: Forecast Ranges (%)

	2019	2020	2021	2019-21 (% pa)	2019-23 (% pa)
London: City	11.6	8.2	9.1	5.7	3.7
Dublin	11.5	6.7	4.8	6.2	3.6
Berlin	11.2	11.1	7.2	6.4	4.4
Stockholm	10.3	6.8	10.2	6.8	6.3
Warsaw	10.1	3.1	6.6	4.8	3.8
Lisbon	10.1	5.4	3.5	6.2	3.9
Madrid	9.2	6.0	11.6	7.1	6.2
Munich	9.2	5.0	3.5	5.2	3.6
Milan	9.1	4.8	4.4	4.2	2.8
Paris la Défense	8.8	11.5	4.7	5.3	3.4
Frankfurt	7.7	5.5	3.3	3.8	3.5
Budapest	7.6	5.0	8.3	6.7	5.4
Manchester	7.5	7.6	3.9	5.8	4.3
Oslo	7.3	5.3	6.8	5.6	5.0
Barcelona	7.2	7.0	7.7	5.3	3.1
London: West End	7.1	13.1	7.6	6.5	3.8
Amsterdam	6.7	5.6	5.3	5.0	4.2
Paris CBD	6.5	3.7	3.6	3.6	2.9
Zurich	5.8	4.7	3.5	4.3	3.6
Copenhagen	5.8	2.9	3.4	2.6	2.3
Brussels	5.1	2.9	3.0	3.0	3.0
Prague	5.0	5.0	4.6	4.2	2.6
Vienna	4.5	4.8	3.0	3.0	2.7
Luxembourg	4.2	2.0	2.4	1.8	1.1
Helsinki	3.8	6.5	5.2	4.5	2.4
Lyon	3.7	5.2	3.1	3.3	2.0
Rome	3.6	4.7	4.3	3.5	2.5
Hamburg	3.5	3.7	3.3	2.2	2.8
Moscow	1.4	6.4	7.7	3.8	3.6
Athens	na	na	na	na	na
Minimum	1.4	2.0	2.4	1.8	1.1
Maximum	11.6	13.1	11.6	7.1	6.3
Median	7.2	5.3	4.6	4.8	3.6

Survey of European Office Market Rental Forecasts

Table 4: Mean Weighted Rental Value Growth Forecasts (%) – May 2019 versus November 2018¹

	2019		2020		2021		Rolling 3-year average		Rolling 5-year average	
	May 2019	Nov. 2018	May 2019	Nov. 2018	May 2019	Nov. 2018	May 2019	Nov. 2018	May 2019	Nov. 2018
Vienna	1.5	(0.7)	1.2	(1.1)	1.2	(na)	1.3	(0.6)	1.4	(1.0)
Brussels	1.6	(1.6)	1.2	(1.3)	1.0	(na)	1.3	(1.8)	1.7	(1.5)
Prague	2.8	(1.8)	2.0	(0.8)	0.8	(na)	1.8	(2.2)	1.4	(1.4)
Copenhagen	2.6	(2.2)	2.2	(1.9)	1.6	(na)	2.1	(2.7)	2.1	(2.2)
Helsinki	1.9	(1.0)	1.4	(1.2)	1.9	(na)	1.8	(1.6)	2.0	(1.7)
Lyon	2.0	(2.6)	1.0	(1.4)	1.2	(na)	1.4	(2.3)	1.4	(1.7)
Paris CBD	2.9	(2.7)	1.9	(1.8)	1.2	(na)	2.0	(2.6)	1.4	(2.0)
Paris la Défense	2.6	(4.0)	1.5	(1.5)	1.3	(na)	1.8	(2.6)	1.3	(2.3)
Berlin	6.7	(5.4)	5.0	(4.1)	2.1	(na)	4.6	(5.9)	3.0	(4.3)
Frankfurt	4.1	(3.7)	2.4	(2.0)	1.7	(na)	2.7	(3.4)	2.2	(2.7)
Hamburg	3.8	(3.6)	2.3	(2.0)	1.1	(na)	2.4	(3.0)	1.8	(2.4)
Munich	3.6	(3.0)	2.7	(2.4)	1.9	(na)	2.7	(3.2)	2.1	(2.5)
Athens*	na	(na)	na	(na)	na	(na)	na	(na)	na	(na)
Budapest	2.8	(1.6)	1.5	(1.1)	0.8	(na)	1.7	(2.0)	1.4	(1.6)
Dublin	1.6	(1.4)	0.1	(0.8)	-0.1	(na)	0.5	(1.4)	0.6	(0.6)
Milan	2.4	(2.0)	1.2	(0.9)	0.6	(na)	1.4	(2.7)	1.2	(2.0)
Rome	1.5	(1.3)	1.2	(1.0)	0.7	(na)	1.1	(1.5)	1.3	(1.3)
Luxembourg	1.6	(1.0)	1.0	(1.0)	0.7	(na)	1.1	(0.9)	1.1	(1.0)
Amsterdam	4.0	(3.0)	2.8	(2.0)	1.8	(na)	2.9	(3.4)	2.1	(2.5)
Oslo	4.6	(2.6)	2.8	(1.6)	1.7	(na)	3.1	(3.3)	3.0	(2.7)
Warsaw	3.1	(0.2)	0.2	(-1.5)	0.9	(na)	1.4	(0.0)	1.7	(0.9)
Lisbon	4.8	(2.6)	2.3	(1.9)	1.7	(na)	2.9	(3.3)	2.5	(2.2)
Moscow	3.6	(6.7)	2.7	(2.1)	2.4	(na)	2.9	(3.5)	2.5	(3.3)
Madrid	4.5	(5.3)	3.6	(2.6)	2.9	(na)	3.7	(5.2)	2.9	(3.8)
Barcelona	4.5	(2.9)	3.0	(1.6)	2.1	(na)	3.2	(4.0)	2.3	(2.9)
Stockholm	4.8	(4.0)	2.9	(1.6)	2.2	(na)	3.3	(4.2)	3.2	(2.9)
Zurich	1.2	(1.4)	0.5	(0.9)	1.0	(na)	0.9	(1.2)	0.9	(1.2)
London: City	-0.8	(-1.6)	-0.9	(-0.3)	1.3	(na)	-0.1	(-1.2)	1.2	(0.1)
London: West End	-0.4	(-0.9)	0.0	(0.4)	1.1	(na)	0.2	(-0.5)	1.6	(0.6)
Manchester	1.7	(1.5)	1.2	(1.0)	1.4	(na)	1.4	(1.8)	1.9	(1.4)

Previous survey figures in brackets

*Fewer than 5 forecasts received for this market

¹ Note: November 2018 results have been revised.

Survey of European Office Market Rental Forecasts

Table 5: Evolution of 2019 Mean Weighted Rental Value Growth Forecasts (%)

	May 2017	Nov. 2017	May 2018	Nov. 2018	May 2019
Vienna	1.2	0.7	0.6	0.6	1.3
Brussels	1.6	2.8	1.8	1.8	1.3
Prague	1.5	1.7	1.7	2.2	1.8
Copenhagen	1.5	1.7	2.1	2.7	2.1
Helsinki	1.7	1.5	1.7	1.6	1.8
Lyon	1.4	1.9	2.0	2.3	1.4
Paris CBD	2.0	1.8	2.4	2.6	2.0
Paris la Défense	2.2	1.6	2.3	2.6	1.8
Berlin	4.2	5.0	4.8	5.9	4.6
Frankfurt	1.7	2.4	2.8	3.4	2.7
Hamburg	2.0	2.0	2.4	3.0	2.4
Munich	2.9	2.7	3.1	3.2	2.7
Athens	1.0	na		na	
Budapest	2.1	1.7	1.0	2.0	1.7
Dublin	1.5	1.1	1.1	1.4	0.5
Milan	2.6	3.2	2.7	2.7	1.4
Rome	1.3	1.5	1.3	1.5	1.1
Luxembourg	1.7	2.2	0.9	0.9	1.1
Amsterdam	3.0	3.4	3.2	3.4	2.9
Oslo	2.1	2.4	2.6	3.3	3.1
Warsaw	-0.6	-0.4	-0.3	0.0	1.4
Lisbon	2.1	2.3	2.9	3.3	2.9
Moscow	2.3	1.7	3.1	3.5	2.9
Madrid	5.6	4.9	4.8	5.2	3.7
Barcelona	4.7	4.3	3.1	4.0	3.2
Stockholm	2.9	4.4	2.5	4.2	3.3
Zurich	0.8	0.2	0.8	1.2	0.9
London: City	-2.5	-2.6	-1.7	-1.2	-0.1
London: West End	-1.9	-2.9	-0.8	-0.5	0.2
Manchester	1.0	1.0	1.0	1.8	1.4

Survey of European Office Market Rental Forecasts

Figure 2: Rolling Three-year Weighted Average Growth Forecasts

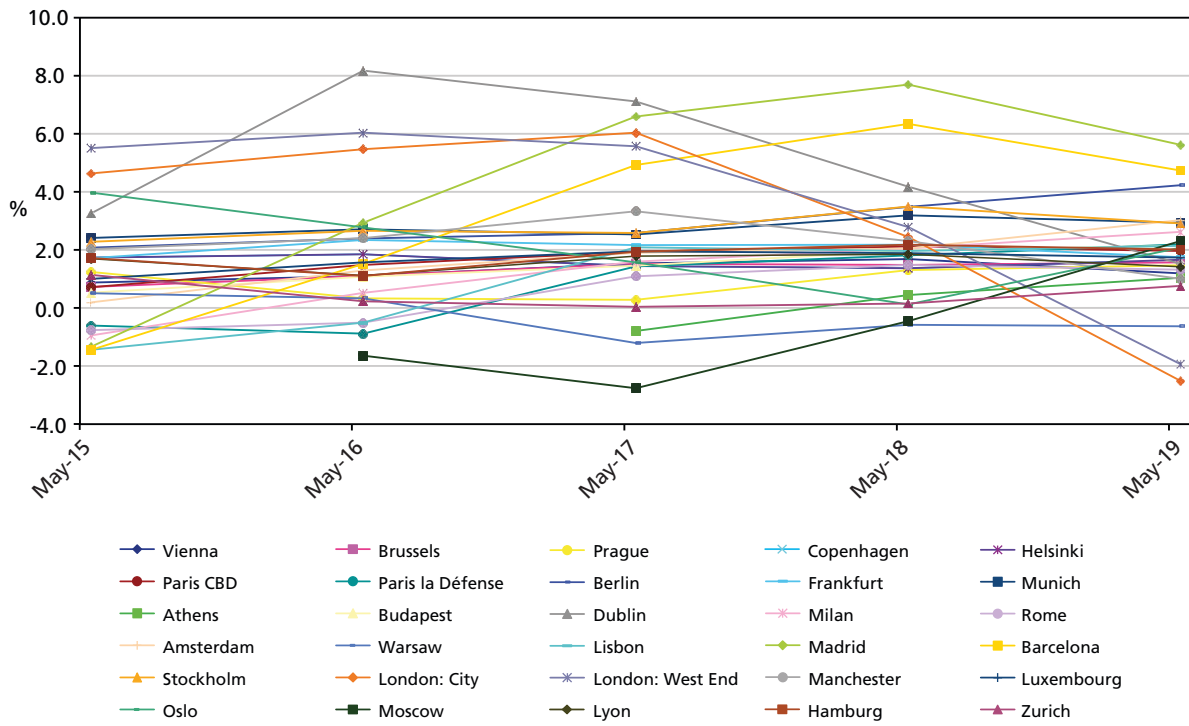
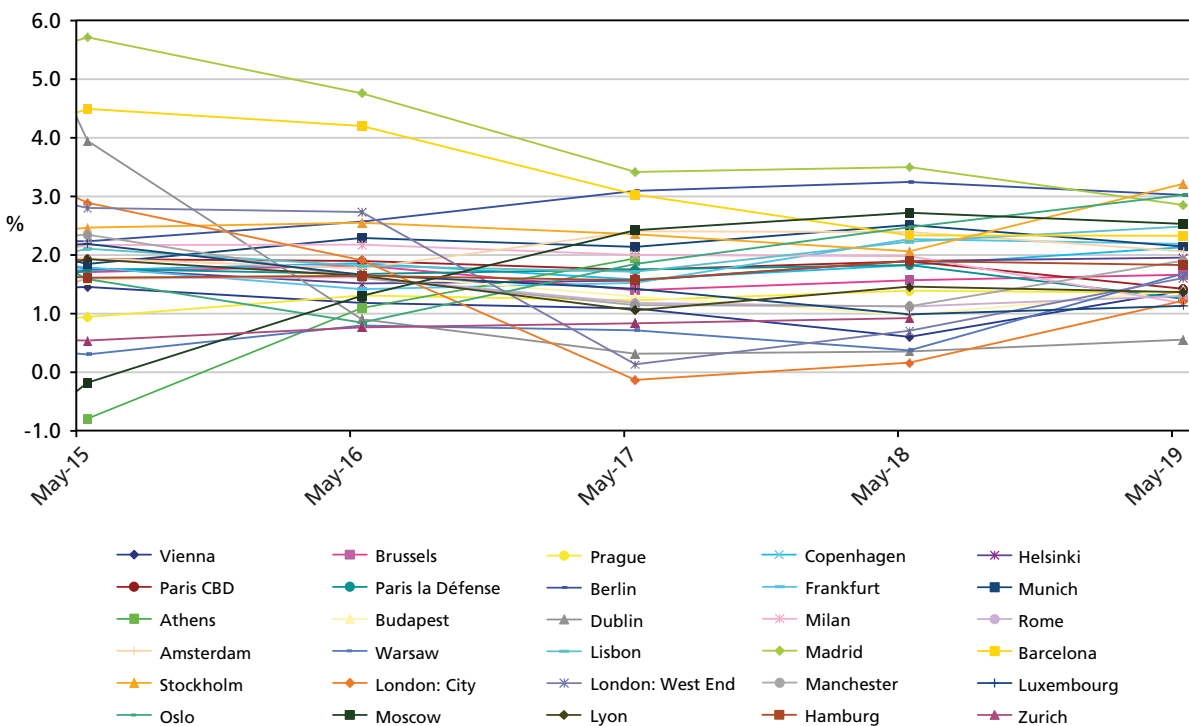


Figure 3: Rolling Five-year Weighted Average Rental Growth Forecasts



Acknowledgements and Notes

Forecast Contributors

IPF thanks all participants in the survey for contributing rental data to the November 2018 European Consensus Forecasts, including the following organisations:

Aberdeen Standard Investments, AEW, Aviva Investors, AXA-IM Real Assets, Barings, blackolive advisors gmbh, BNP Paribas Real Estate, Capital Economics, CBRE, CBRE Global Investors, CoStar, Cushman & Wakefield, Danish Property Federation, DWS, Grossmann & Berger, GmbH, Grosvenor, Invesco, JLL, LaSalle Investment Management, Lisney, PATRIZIA and Real Estate Strategies.

Notes

The IPF European Consensus Forecasts survey currently focuses on office rental value growth in major cities. It is not possible to assemble sufficient forecasts of all sectors across all European countries to produce a meaningful consensus of views, although our ambition is to extend and improve the scope of the survey.

In addition to the rental value forecasts, we run a consensus survey of forecast IPD European total returns by sector. The samples provided for this survey were once again insufficient to permit publication, as fewer than five forecasts were received for each sector/territory. We aim to produce a full release of this data at a future date, once the number of responses has grown to five or more.

It should be noted that November 2018 data has been revised due to the identification of an estimation error. In practice, this has made a small difference to figures previously reported. However, for the sake of completeness, the next version of this publication will include amended figures for all periods reported.

The Data

This latest survey collected prime office rental forecasts for 30 centres for the calendar years 2019, 2020 and 2021. We request a three-year average forecast for 2019-2021 where individual years are not available, as well as a five-year average for 2019-2023. The survey requested both the percentage annual rental growth rates and also the year-end rent levels. The growth forecasts provided by each organisation are analysed to provide weighted average ('consensus') figures for each market. Figures are only aggregated and reported for office markets for which a minimum of five contributions are received.

The **definition of market rent** used in the survey is **"achievable prime rental values for city centre offices, based on buildings of representative size with representative lease terms for modern structures in the best location."** Prime in this case **does not mean headline** rents taken from individual buildings but, rather, rental levels based on market evidence, which can be replicated. All figures included in the survey are required to have been generated by formal forecasting models. This report is based on contributions from 20 different organisations (fund/investment management houses and property advisors).

Consensus forecasts further the objective of the Investment Property Forum to enhance the understanding and efficiency of the property market. The IPF is extremely grateful for the support those organisations that contribute to this publication, which is only possible thanks to the provision of individual forecasts.

Acknowledgements and Notes

The IPF welcomes new contributors for future surveys, so that the coverage of the market can be widened. If your organisation wishes to contribute to future surveys, please contact Pam Craddock, IPF Research Director at pcraddock@ipf.org.uk, tel. +44 (0)20 7194 7925.

Contributors receive a more detailed set of statistical outputs than those shown in this report – for each office centre, the sample size, median and range of rental values are also provided.

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