IPF Research

European Consensus Forecasts of Prime Office Rents

IPF European Consensus Forecasts

Survey of European Prime Office Market Rental Forecasts November 2019

For the second survey of 2019, 19 contributors provided forecasts for some or most of the 30 locations covered by this research. All forecasts were generated within three months of the survey date (13 November 2019). Fewer than the minimum requirement of five rental growth forecasts were received for Athens, so reportage of this market has not been possible. Additionally, contributors were invited to provide MSCI sector total return forecasts for retail, office and all property markets in six countries (France, Germany, Ireland, the Netherlands, Spain and the UK), but insufficient data was received to permit such analysis.

Figure 1 summarises the average growth projections across all office markets for 2019 and the next two years, as well as the annualised averages over three and five years. However, these averages mask the considerable ranges in forecasts received for individual markets (see Table 3 on page 4, below).

Figure 1: Average European Growth Rates 2019 - 2021
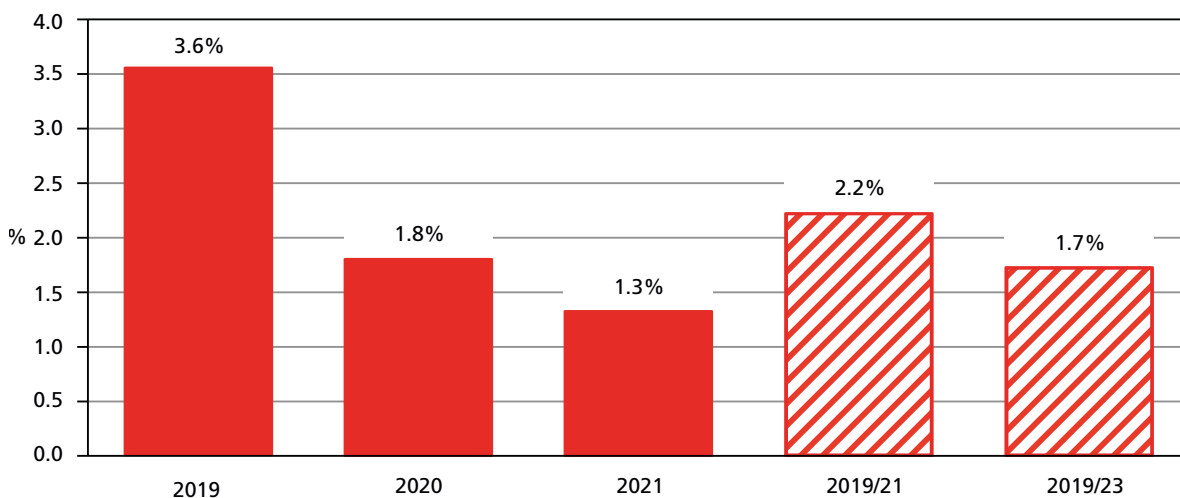
The current year average is a substantial improvement on the 2.8% reported in May. Of the 19 markets recording higher 2019 arithmetic means than six months ago, seven now lie 200bps or more above their May growth rates, led by a rise in the London City projection of almost 350 bps to 2.7% currently, with rates for a further six locations between 100 and 200 bps higher. The averages for 2020 and 2021 are little changed, with a more even numerical balance between markets showing stronger and weaker prospects on average. However, the general trend remains one of slowing growth in each of these years.

Over five years, the outlook for growth is, again, fairly well-matched, with around half of all centres being either marginally higher or lower than in May, with the exception of Stockholm, which recorded a fall of over 120 bps to average 2.0% per annum. Across the remaining 28 locations, November forecasts varied by between -0.6% and 0.8% on average from those reported six months earlier.

Table 1 illustrates the current differences between each year's average forecasts, whilst a comparison between the present, November, and preceding (May) survey results, including the three- and five-year annualised forecasts, is contained in Table 4 on page 5.

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Table 1: Yearly Average Weighted Growth Forecasts and Changes, 2019-2021

	Year rental growth forecast (%)			Difference in forecast*	
	2019	2020	2021	2020 vs. 2019	2021 vs. 2020
Vienna	0.9	1.3	1.3	0.3	0.0
Brussels	1.3	1.2	1.1	-0.1	-0.1
Prague	4.6	1.7	1.4	-2.9	-0.3
Copenhagen	1.8	1.8	1.7	0.0	-0.2
Helsinki	2.8	1.5	1.4	-1.3	-0.1
Lyon	3.1	1.0	0.6	-2.0	-0.4
Paris CBD	3.1	1.7	0.8	-1.4	-1.0
Paris la Défense	1.7	1.6	1.0	-0.1	-0.6
Berlin	9.0	4.6	2.1	-4.4	-2.6
Frankfurt	3.8	2.0	1.4	-1.9	-0.5
Hamburg	6.2	2.4	1.6	-3.9	-0.8
Munich	3.5	2.3	1.6	-1.1	-0.8
Athens	na	na	na	na	na
Budapest	3.1	1.7	1.7	-1.4	0.0
Dublin	1.0	0.6	0.1	-0.4	-0.5
Milan	3.5	3.5	1.6	-1.9	-1.0
Rome	3.6	0.6	1.0	-3.0	0.4
Luxembourg	1.3	0.8	0.5	-0.5	-0.2
Amsterdam	6.4	3.3	1.4	-3.2	-1.9
Oslo	5.9	3.0	1.9	-2.9	-1.1
Warsaw	2.0	1.5	1.2	-0.5	-0.2
Lisbon	5.5	2.2	1.5	-3.3	-0.6
Moscow	2.6	3.0	2.8	0.4	-0.2
Madrid	4.8	3.0	2.1	-1.8	-0.9
Barcelona	6.6	3.2	0.9	-3.4	-2.2
Stockholm	3.9	1.7	1.4	-2.2	-0.2
Zurich	2.5	0.7	0.7	-1.8	0.0
London: City	2.7	0.6	1.7	-2.1	1.2
London: West End	1.5	0.9	1.9	-0.7	1.0
Manchester	4.3	1.0	0.9	-3.3	-0.1
Average	**3.6**	**1.8**	**1.3**	**-0.8**	**-0.5**

*Note: Changes in forecast may differ to those values recorded in the table due to rounding.

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Table 2 summarises weighted growth rates, ranked by order of highest to lowest projections for 2019, extended to include annualised average forecasts over three- and five-years.

Table 2: 2019 Ranked Weighted Average Growth Rates

End-2018 rent (psm)		Year rental growth forecast (%)				
	(Local Currency)	2019	2020	2021	2019-2021 (% pa)	2019-2023 (% pa)
Berlin (€)	404.42	9.0	4.6	2.1	5.2	3.3
Barcelona (€)	299.94	6.6	3.2	0.9	3.5	2.4
Amsterdam (€)	422.86	6.4	3.3	1.4	3.7	2.6
Hamburg (€)	337.18	6.2	2.4	1.6	3.4	2.1
Oslo (NKr)	4,548.89	5.9	3.0	1.9	3.6	2.3
Lisbon (€)	250.42	5.5	2.2	1.5	3.0	1.9
Madrid (€)	414.64	4.8	3.0	2.1	3.3	2.5
Prague (€)	255.69	4.6	1.7	1.4	2.5	1.7
Manchester (GBP)	367.86	4.3	1.0	0.9	2.1	1.9
Stockholm (SKr)	7,105.77	3.9	1.7	1.4	2.3	2.0
Frankfurt (€)	495.71	3.8	2.0	1.4	2.4	1.6
Rome (€)	412.71	3.6	0.6	1.0	1.7	1.5
Milan (€)	573.66	3.5	1.6	0.6	1.9	1.6
Munich (€)	457.85	3.5	2.3	1.6	2.5	2.0
Paris CBD (€)	830.52	3.1	1.7	0.8	1.9	1.4
Budapest (€)	273.92	3.1	1.7	1.7	2.2	1.5
Lyon (€)	293.30	3.1	1.0	0.6	1.6	1.3
Helsinki (€)	400.89	2.8	1.5	1.4	1.9	1.5
London: City (GBP)	729.87	2.7	0.6	1.7	1.7	1.8
Moscow (USD)	745.27	2.6	3.0	2.8	2.8	2.4
Zurich (CHF)	779.08	2.5	0.7	0.7	1.3	1.2
Warsaw (€)	271.92	2.0	1.5	1.2	1.5	1.0
Copenhagen (DKr)	1,883.36	1.8	1.8	1.7	1.8	1.7
Paris la Défense (€)	537.46	1.7	1.6	1.0	1.5	1.2
London: West End (GBP)	1,127.37	1.5	0.9	1.9	1.5	1.7
Luxembourg (€)	561.50	1.3	0.8	0.5	0.9	1.0
Brussels (€)	289.71	1.3	1.2	1.1	1.2	0.8
Dublin (€)	665.64	1.0	0.6	0.1	0.6	0.7
Vienna (€)	298.69	0.9	1.3	1.3	1.2	1.3
Athens (€)	255.42	na	na	na	na	na
Average	na	**3.6**	**1.8**	**1.3**	**2.2**	**1.7**
Range	na	**8.1**	**4.0**	**2.6**	**4.6**	**2.6**

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The span of forecast projections is considerable for those markets where there is little reportage (such as Moscow, with only five sets of projections) and those that are anticipated to deliver very strong growth at present (including Berlin and Amsterdam). Notwithstanding the continuing uncertainties of the UK's withdrawal from the European Union, the forecast ranges for both central London markets lie at or close the median average forecast for 2019, of 6.9%.

Table 3: Forecast Ranges (%)

	2019		2020		2021		2019-2021		2019-2023	
Berlin	18.9		7.2		4.9		7.2		5.4	
Moscow	12.9		5.9		5.9		7.5		4.9	
Rome	10.8		1.9		3.4		3.6		2.6	
Amsterdam	10.8		5.6		3.0		4.8		2.7	
Paris la Défense	9.1		6.8		4.7		2.5		2.6	
Lisbon	8.5		4.3		4.2		4.0		3.7	
Lyon	8.3		6.6		4.2		5.3		2.2	
Oslo	8.1		6.1		6.4		5.3		4.9	
Manchester	8.0		7.3		5.7		6.1		3.8	
Stockholm	7.7		3.5		5.9		3.4		4.3	
Frankfurt	7.7		2.9		3.3		2.5		2.1	
Warsaw	7.4		4.0		3.9		3.3		1.1	
Dublin	7.2		3.7		5.4		3.8		3.2	
Hamburg	7.0		4.2		3.2		3.0		3.5	
London: City	6.9		6.2		4.0		3.9		3.5	
Madrid	6.9		4.2		9.8		4.2		4.3	
Barcelona	6.8		3.7		6.7		2.9		2.4	
London: West End	6.8		9.0		4.7		4.9		4.4	
Helsinki	6.7		4.6		2.6		3.2		2.9	
Munich	6.5		5.8		3.6		3.7		2.8	
Milan	6.5		4.7		3.8		3.5		3.0	
Budapest	6.0		4.0		4.2		2.4		4.4	
Zurich	5.7		2.9		4.1		2.4		3.2	
Paris CBD	5.3		6.9		4.5		3.4		2.7	
Prague	5.1		3.2		5.6		3.3		3.0	
Luxembourg	4.2		6.2		3.1		3.0		0.7	
Copenhagen	3.8		3.7		2.6		2.8		2.3	
Vienna	2.2		4.0		2.1		1.8		2.0	
Brussels	2.0		2.9		2.5		2.0		2.1	
Athens	na		na		na		na		na	
Minimum	2.0	(1.4)	1.9	(2.0)	2.1	(2.4)	1.8	(1.8)	0.7	(1.1)
Maximum	18.9	(11.6)	9.0	(13.1)	9.8	(11.6)	7.5	(7.1)	5.4	(6.3)
Median	6.9	(7.2)	4.3	(5.3)	4.2	(4.6)	3.4	(4.8)	3.0	(3.6)

Preceding survey results shown in brackets.

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Table 4 compares the average growth rates reported at the current and previous surveys, whilst Table 5 shows the evolution of the 2019 forecasts over all six surveys covering this period, commencing in May 2017.

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

	2019		2020		2021		Rolling 3-year average		Rolling 5-year average	
	Nov.	May	Nov.	May	Nov.	May	Nov.	May	Nov.	May
Vienna	0.9	(1.5)	1.3	(1.2)	1.3	(1.2)	1.2	(0.6)	1.3	(1.4)
Brussels	1.3	(1.6)	1.2	(1.2)	1.1	(1.0)	1.2	(1.8)	0.8	(1.7)
Prague	4.6	(2.8)	1.7	(2.0)	1.4	(0.8)	2.5	(2.2)	1.7	(1.4)
Copenhagen	1.8	(2.6)	1.8	(2.2)	1.7	(1.6)	1.8	(2.7)	1.7	(2.1)
Helsinki	2.8	(1.9)	1.5	(1.4)	1.4	(1.9)	1.9	(1.6)	1.5	(2.0)
Lyon	3.1	(2.0)	1.0	(1.0)	0.6	(1.2)	1.6	(2.3)	1.3	(1.4)
Paris CBD	3.1	(2.9)	1.7	(1.9)	0.8	(1.2)	1.9	(2.6)	1.4	(1.4)
Paris la Défense	1.7	(2.6)	1.6	(1.5)	1.0	(1.3)	1.5	(2.6)	1.2	(1.3)
Berlin	9.0	(6.7)	4.6	(5.0)	2.1	(2.1)	5.2	(5.9)	3.3	(3.0)
Frankfurt	3.8	(4.1)	2.0	(2.4)	1.4	(1.7)	2.4	(3.4)	1.6	(2.2)
Hamburg	6.2	(3.8)	2.4	(2.3)	1.6	(1.1)	3.4	(3.0)	2.1	(1.8)
Munich	3.5	(3.6)	2.3	(2.7)	1.6	(1.9)	2.5	(3.2)	2.0	(2.1)
Athens*	na	(na)	na	(na)	na	(na)	na	(na)	na	(na)
Budapest	3.1	(2.8)	1.7	(1.5)	1.7	(0.8)	2.2	(2.0)	1.5	(1.4)
Dublin	1.0	(1.6)	0.6	(0.1)	0.1	(-0.1)	0.6	(1.4)	0.7	(0.6)
Milan	3.5	(2.4)	1.6	(1.2)	0.6	(0.6)	1.9	(2.7)	1.6	(1.2)
Rome	3.6	(1.5)	0.6	(1.2)	1.0	(0.7)	1.7	(1.5)	1.5	(1.3)
Luxembourg	1.3	(1.6)	0.8	(1.0)	0.5	(0.7)	0.9	(0.9)	1.0	(1.1)
Amsterdam	6.4	(4.0)	3.3	(2.8)	1.4	(1.8)	3.7	(3.4)	2.6	(2.1)
Oslo	5.9	(4.6)	3.0	(2.8)	1.9	(1.7)	3.6	(3.3)	2.3	(3.0)
Warsaw	2.0	(3.1)	1.5	(0.2)	1.2	(0.9)	1.5	(0.0)	1.0	(1.7)
Lisbon	5.5	(4.8)	2.2	(2.3)	1.5	(1.7)	3.0	(3.3)	1.9	(2.5)
Moscow	2.6	(3.6)	3.0	(2.7)	2.8	(2.4)	2.8	(3.5)	2.4	(2.5)
Madrid	4.8	(4.5)	3.0	(3.6)	2.1	(2.9)	3.3	(5.2)	2.5	(2.9)
Barcelona	6.6	(4.5)	3.2	(3.0)	0.9	(2.1)	3.5	(4.0)	2.4	(2.3)
Stockholm	3.9	(4.8)	1.7	(2.9)	1.4	(2.2)	2.3	(4.2)	2.0	(3.2)
Zurich	2.5	(1.2)	0.7	(0.5)	0.7	(1.0)	1.3	(1.2)	1.2	(0.9)
London: City	2.7	(-0.8)	0.6	(-0.9)	1.7	(1.3)	1.7	(-1.2)	1.8	(1.2)
London: West End	1.5	(-0.4)	0.9	(0.0)	1.9	(1.1)	1.5	(-0.5)	1.7	(1.6)
Manchester	4.3	(1.7)	1.0	(1.2)	0.9	(1.4)	2.1	(1.8)	1.9	(1.9)

Preceding survey results shown in brackets.
*Fewer than 5 forecasts received for this market

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

	May 2017	Nov. 2017	May 2018	Nov. 2018	May 2019	Nov. 2019
Vienna	0.9	0.5	0.7	0.7	1.5	0.9
Brussels	1.5	1.1	1.8	1.6	1.6	1.3
Prague	0.6	0.8	1.7	1.8	2.8	4.6
Copenhagen	1.7	1.6	2.2	2.2	2.6	1.8
Helsinki	2.1	1.4	1.7	1.0	1.9	2.8
Lyon	1.9	1.6	2.1	2.6	2.0	3.1
Paris CBD	1.3	1.1	2.0	2.7	2.9	3.1
Paris la Défense	2.3	1.2	2.7	4.0	2.6	1.7
Berlin	2.8	3.1	4.8	5.4	6.7	9.0
Frankfurt	1.3	1.9	2.8	3.7	4.1	3.8
Hamburg	1.7	1.4	2.7	3.6	3.8	6.2
Munich	2.1	1.8	2.9	3.0	3.6	3.5
Athens	2.3	na	na	na	na	na
Budapest	0.9	0.9	0.8	1.6	2.8	3.1
Dublin	-2.0	-1.2	1.7	1.4	1.6	1.0
Milan	2.1	1.6	2.6	2.0	2.4	3.5
Rome	1.2	1.0	1.2	1.3	1.5	3.6
Luxembourg	1.7	1.0	1.4	1.0	1.6	1.3
Amsterdam	2.4	1.9	3.4	3.0	4.0	6.4
Oslo	1.8	1.2	2.3	2.6	4.6	5.9
Warsaw	0.5	-0.2	0.1	0.2	3.1	2.0
Lisbon	1.9	2.0	2.7	2.6	4.8	5.5
Moscow	2.6	2.4	4.7	6.7	3.6	2.6
Madrid	2.8	2.8	5.3	5.3	4.5	4.8
Barcelona	2.7	1.8	3.5	2.9	4.5	6.6
Stockholm	1.3	1.2	2.9	4.0	4.8	3.9
Zurich	1.2	0.9	1.0	1.4	1.2	2.5
London: City	0.0	-0.8	-2.6	-1.6	-0.8	2.7
London: West End	1.4	1.1	-1.3	-0.9	-0.4	1.5
Manchester	1.3	1.2	0.6	1.5	1.7	4.3

Survey of European Prime Office Market Rental Forecasts

Figures 2 and 3 present the evolution of the rolling three- and five-year average forecasts for each market covered by the survey.

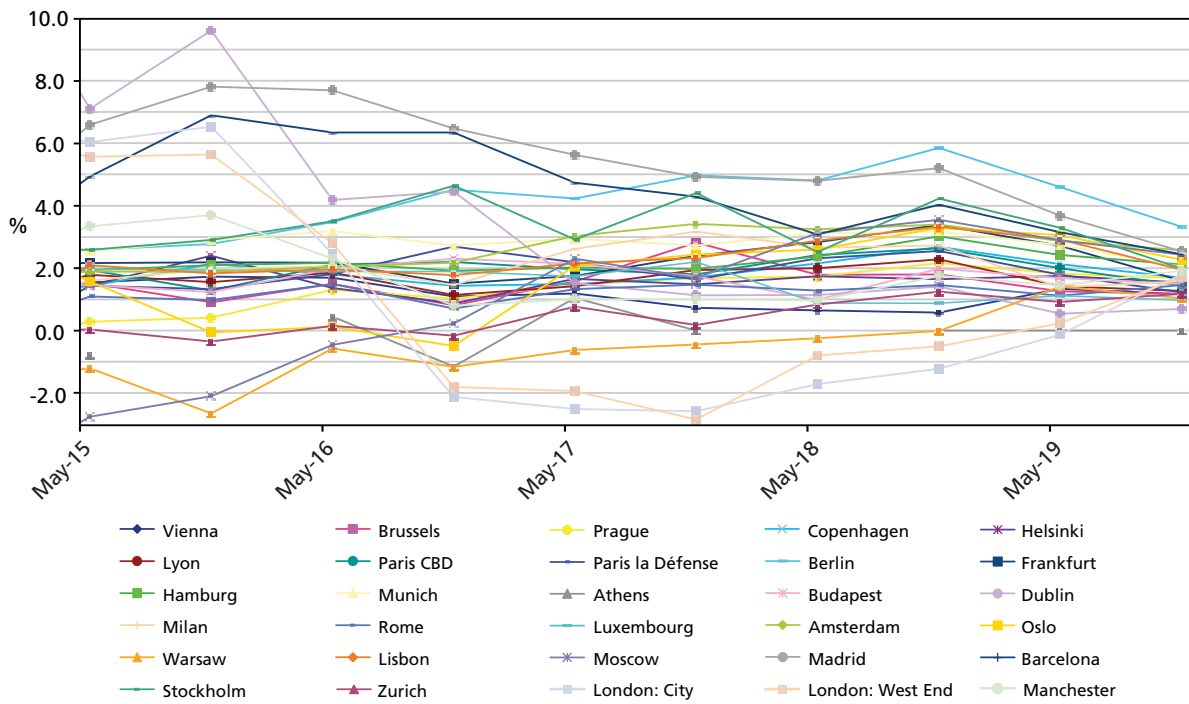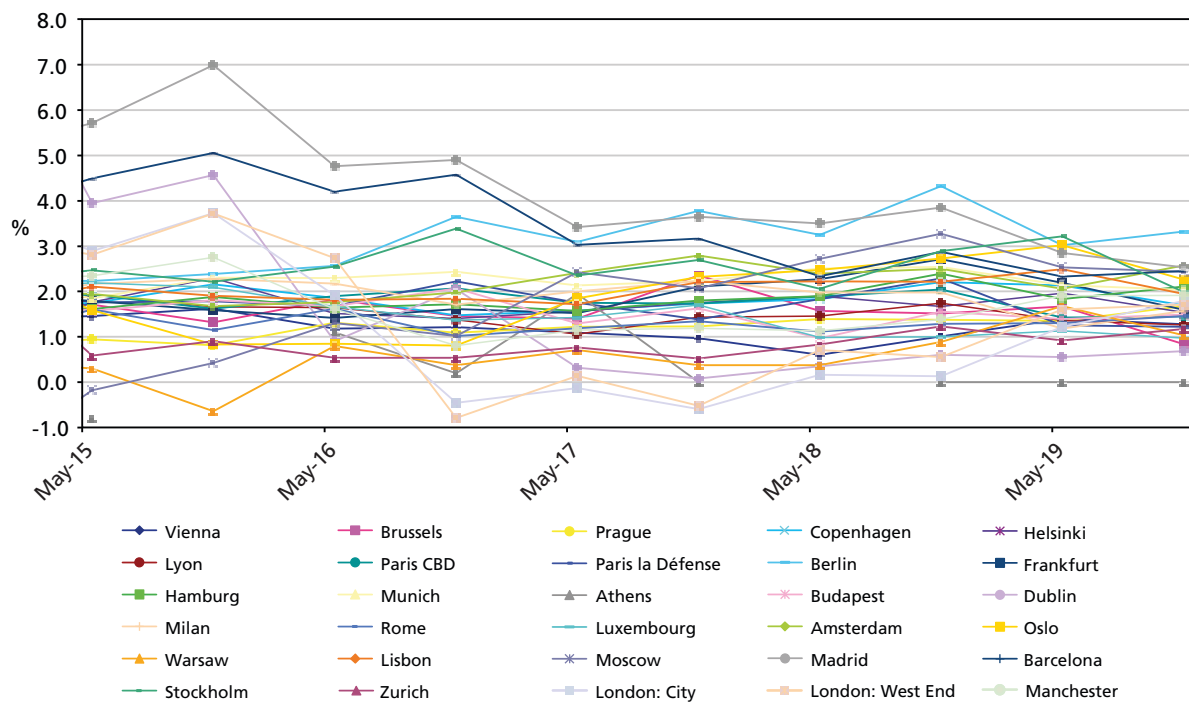## Figure 2: Rolling Three-year Weighted Average Growth Forecasts

Legend: Vienna, Brussels, Prague, Copenhagen, Helsinki, Lyon, Paris CBD, Paris la Défense, Berlin, Frankfurt, Hamburg, Munich, Athens, Budapest, Dublin, Milan, Rome, Luxembourg, Amsterdam, Oslo, Warsaw, Lisbon, Moscow, Madrid, Barcelona, Stockholm, Zurich, London: City, London: West End, Manchester

Figure 3: Rolling Five-year Weighted Average Growth Forecasts

Legend: Vienna, Brussels, Prague, Copenhagen, Helsinki, Lyon, Paris CBD, Paris la Défense, Berlin, Frankfurt, Hamburg, Munich, Athens, Budapest, Dublin, Milan, Rome, Luxembourg, Amsterdam, Oslo, Warsaw, Lisbon, Moscow, Madrid, Barcelona, Stockholm, Zurich, London: City, London: West End, Manchester

Acknowledgements

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 MSCI 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.

As previously noted, November 2018 data was revised for the purpose of the May 2019 report, due to the identification of an estimation error. Whilst, in practice, this made little difference to figures previously reported, for the sake of completeness, all figures have been checked and reconfirmed for all periods reported in this edition.

The Data

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

The definition of **market rent** used in the survey is the **"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 19 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.

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, together with standard deviations are also provided.

Disclaimer

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