



FEBRUARY 2020

RESEARCH

Winter 2019/2020 Survey of Independent Forecasts for UK Commercial Property Investment



COMMISSIONED BY THE IPF RESEARCH PROGRAMME

UK 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:



Winter 2019/2020 Survey of Independent Forecasts for UK Commercial Property Investment – February 2020

MSCI's recently published Quarterly Property Index results for 2019 indicate an annualised All Property total return for standing investments of 1.2%. This compares with the IPF consensus of 0.9% reported three months ago, based on forecasts produced between August and mid-November 2019. Turning to the latest set of forecasts, 24 contributors provided their performance projections, generated between late-November and mid-February 2020.

Key results include:

Modest rental and capital value growth raise total return expectations for 2020

- The **All Property rental growth** forecast for the current year rose slightly over the quarter, to **-0.1%**, driven by higher expectations for Offices (1.8% from 1.0% in November), continuing strength in Industrials (now 2.7% from 2.3%) and a slightly slower rate of decline in growth in Standard Retail (currently -2.9%). Shopping Centre and Retail Warehouse forecast averages fell 47 and 50 bps to -4.9% and -3.9%.
- Improved capital growth forecasts over the quarter for Offices, Industrials and Standard Retail, contributed to 73 bps rise in the **All Property capital growth** forecast to **-1.4%**, although, again, weaker sentiment for the remaining two retail sub-sectors (down 90 and 52 bps) continued to hold back an overall market recovery.
- The resultant **All Property total return** rose 91 bps to **3.5%**, from 2.5% a quarter ago.

Mixed prospects for 2021

- Despite growth holding up for Offices and Industrials (to 1.8%, 2.2%) and a slowing in the decline in Standard Retail rents (holding at -1.4%), further weakening in Shopping Centre and Retail Warehouse rental growth prospects (48 and 69 bps lower respectively) pushed the **2021 All Property rental growth** forecast down to **0.4%** from 0.7% in November.
- Although falls in average capital value growth rates were recorded in all three retail markets, the **2021 All Property capital value growth average** rose marginally, to **0.2%**, and the **total return**, to **5.0%** (from 0.1% and 4.9% respectively in November).

Outlook weakens for later years

- With the exception of the Industrial and Standard Retail sectors in **2022** and Industrials in **2023**, average rental growth forecasts weakened quarter-on-quarter. These resulted in 20 bps and 27 bps falls in the **All Property rental growth** averages, to **0.9%** and **1.1%** in these years.
- **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 to **0.4%**, whilst the **average total return** now stands at **5.2%** (from 5.7% in November).
- Similarly, in **2023**, average sector forecasts fell over the quarter – by between 11 bps (Industrials) and 172 bps (Shopping Centres) – to reduce the **All Property capital growth** average 58 bps, to **0.4%**. The **All Property total return** for 2023 fell 60 bps, to **5.3%**.

Five-year averages helped by loss of 2019 forecasts

The substitution of 2019 data with forecasts for 2024 that are marginally higher than those for 2023 has resulted in modest improvements to each performance measure.

- The five-year **All Property average rental growth** rate of **0.7% per annum** is 11 bps higher than in November.
- At just over **0.0% per annum**, the **All Property capital value growth** rate rose 76 bps over the quarter.
- The **implied income return** of **4.9%** improved 16 bps (from 4.7% in November) and the **All Property total return** average rose 93 bps to **4.9% per annum**.

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	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
All Property	-0.1	0.4	0.9	0.7	-1.4	0.2	0.4	0.0	3.5	5.0	5.2	4.9
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
Office (all)	1.8	1.8	1.9	1.9	2.3	1.7	1.4	1.5	6.5	5.9	5.6	5.8

All Property Average by Forecast Month

Month of forecast (no. contributors)	Rental value growth (%)				Capital value growth (%)				Total return (%)			
	2020	2021	2022	±2020/24	2020	2021	2022	±2020/24	2020	2021	2022	±2020/24
December (5)	-0.5	-0.2	0.5	0.4	-4.1	-2.1	-0.2	-1.1	0.3	2.5	4.5	3.5
January (6)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
February (12)	0.0	-0.3	0.7	0.6	-3.2	-2.4	0.0	-0.7	1.2	2.4	4.9	4.0
All Forecasters[‡] (24)	-0.2	-0.2	0.7	0.6	-3.5	-2.2	0.1	-0.8	0.9	2.5	4.9	3.9

[‡] Two contributors omitted 2024 forecasts

[‡] One forecast dated end-November 2019

Survey contributors

24 organisations contributed to this quarter's forecasts, comprising 12 Property Advisors and Research Consultancies, 9 Fund Managers and three Others*. Full All Property forecasts for all periods were received from 22 contributors.

Full sector forecasts for all periods were received from 21 contributors, with 20 providing full West End and City sub-office sector forecasts. All forecasts were generated within 12 weeks of the survey date (12 February 2020). Named contributors appear on the final page of this report.

*Note: a minimum of five forecasts are required for each group of contributors to be separately analysed. Data from Other contributors is included 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.

Economic background

The most recent ONS release¹ reported UK Gross Domestic Product unchanged over Quarter 4 2019, as growth in both services and construction was offset by a fall in production, resulting in 0.0% GDP growth. On a rolling basis, quarterly growth weakened for the third month in a row in December, with volatility through the year being due, in part, to the changes to activity associated with the two abortive departure dates from the EU (of March and October), although a net contributor to GDP growth of 0.3% in the month of December. As a whole, 2019 headline growth was 1.4%, of which construction contributed 2.5% (compared to 0.0% in 2018).

According to the latest public sector finance figures², net borrowing (excluding public sector banks, PSNB ex) in January 2020 was in surplus by £9.8 bn, £2.1 bn less than a year earlier, whilst borrowing in the financial year-to-date (commencing April 2019) totalled £44.8 bn, £5.8 bn more than in the same period of the previous year. Public sector debt (excluding public sector banks, PSND ex) at the end of January 2020 was £1,798.7 bn (79.6% of GDP); representing an increase of £41.4 bn (but a 0.7% decrease) on January 2019. Excluding the Bank of England's (mainly quantitative easing) debt at the end of January 2020 was £1,624.9 bn (72.0% of GDP); an increase of £54.4 bn (or a 0.2% rise) over 12 months.

The Bank of England's Monetary Policy Committee (MPC), at its latest meeting, ending on 29 January 2020, voted by a majority of seven to two to maintain Bank Rate at 0.75%. In their "In a nutshell" summary³, the Bank noted the slowdown in the UK economy in 2019 arose out of firms' reduced spending due to concerns about Brexit whilst, simultaneously, growth in the world economy slowed and UK inflation fell below the Bank's 2% target. However, the latest data suggests the uncertainty facing businesses has fallen and global growth has stabilised (although this meeting pre-dated the emergence of the threat of a coronavirus pandemic). Should global growth fail to pick up (which now seems increasingly likely), the Bank may need to lower interest rates to support UK growth, although, conversely, a modest increase in interest rates would be necessary to keep inflation at its 2% target.

In its most recent publication⁴, the ONS reported a 12-month CPI rate, which includes owner-occupiers' housing costs (CPIH), of 1.8% in January 2020, increasing from 1.4% in December 2019. This upward movement was mainly due to rises in housing and utility costs and other fuels, whilst the largest contributions to the change between December and January came from gas and electricity prices, fuels and lubricants, clothing and airfares.

On the labour market front, for the quarter to December 2019, the current ONS estimate⁵ of UK employment rate was at a record high, of 76.5%, 0.6% higher than a year ago and 0.4% up on the previous quarter. The UK unemployment rate of 3.8% is 0.2% lower than January 2019 and 0.1% lower than the previous quarter, equivalent to a 180,000 increase in employment on the three months.

The latest ONS estimates of annual growth in average weekly earnings⁶ were 2.9% for total pay (including bonuses, from 3.2%) and 3.2% (from 3.4%) 3.4% for regular pay excluding bonuses. Adjusted for inflation, the estimated annual growth rates were 1.4% and 1.8% respectively.

In the three months to January 2020, the ONS estimated⁷ a 0.8% decline in retail sales over the previous quarter, with falls across all sectors. As a proportion of all retailing, online sales was 19.0% in January 2020, down from 19.3% a month earlier.

¹ ONS: GDP monthly estimate, UK: December 2019. Release date: 11 February 2020

² ONS: Public sector finances, UK: January 2020. Released: 21 February 2020

³ Bank of England Monetary Policy Report – January 2020, published 30 January 2020

⁴ ONS Consumer price inflation, UK: January 2020. Release date: 19 February 2020

⁵ ONS: Labour market overview, UK: February 2020. Release date: 18 February 2020

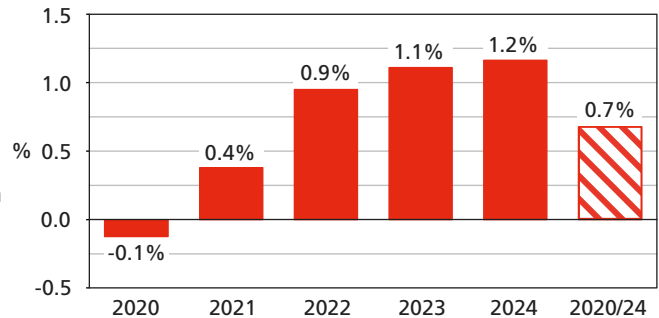
⁶ ONS: Average weekly earnings in Great Britain: February 2020. Release date: 18 February 2020

⁷ ONS: Retail sales, Great Britain: January 2020. Release date: 20 February 2020

All Property rental value growth forecasts

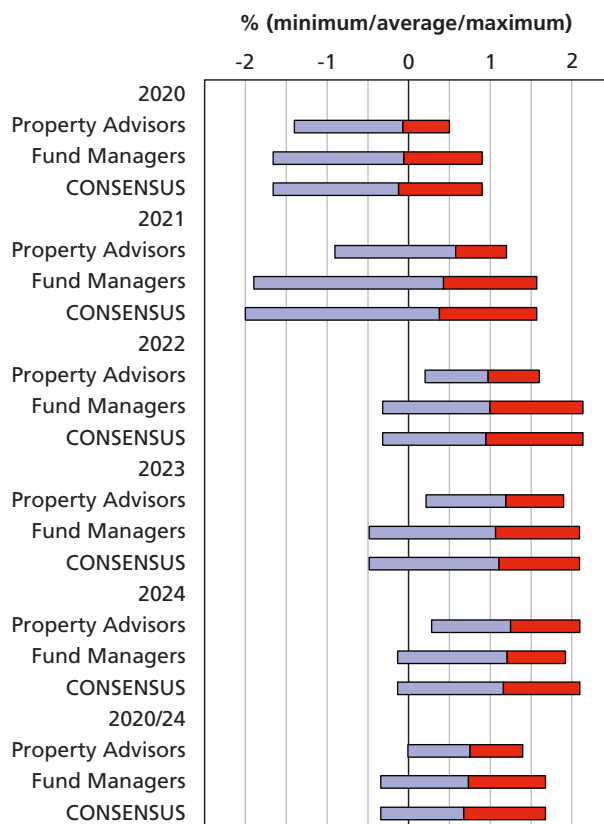
Whilst the 2020 average outlook rose over the quarter (from -0.2% previously), average projections for each of the next three years have weakened (from 0.7%, 1.2% and 1.4%).

12 contributors expect zero or sub-zero growth in the current year (from 13 last November), compared to seven negative forecasts received for 2021 (from three a quarter ago).



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).

Rental value growth forecasts by contributor



Fund Manager sentiment for 2020 strengthened over the quarter, to average -0.1% (from -0.5%), supported by a higher minimum forecast of -1.7% (previously -3.8%) resulting in a much narrower range (2.6% from 4.8%). Conversely, the Property Advisor average weakened by over 10bps to -0.1% (0.0%) as the minimum forecast fell to -1.4% (from 1.0%), although the upper end of the range was unchanged, at 0.5%.

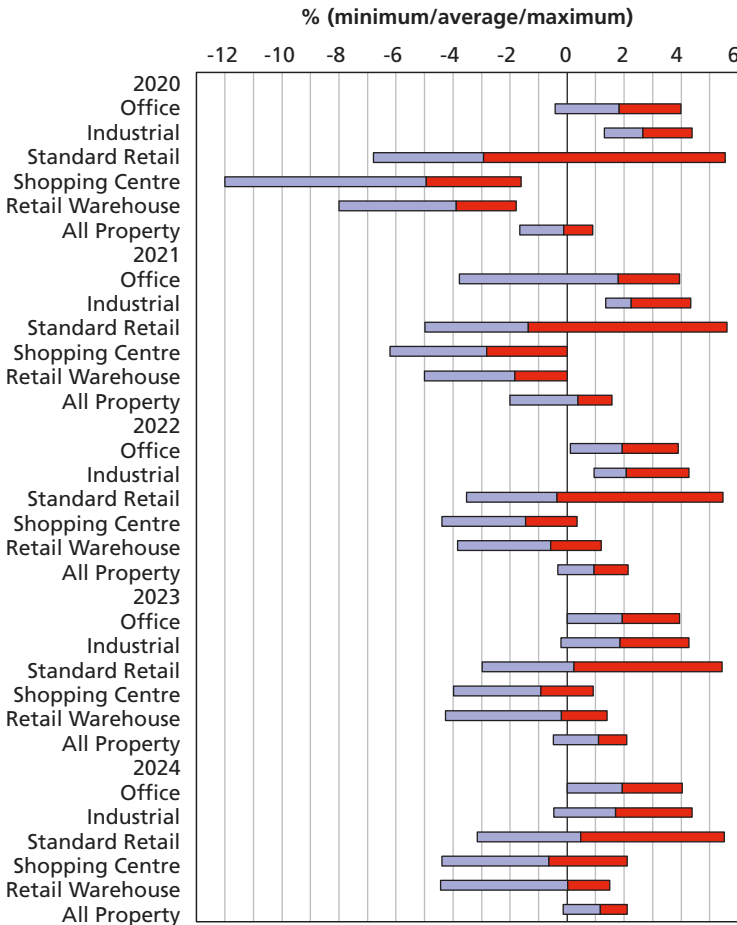
With one Fund Manager forecasting negative growth throughout the survey period, the greatest span of opinion now occurs in 2021, at 3.6% overall, from 2.3% in November. This greater uncertainty is also reflected in lower average forecast for both sets of contributors, down 19 and 15 bps respectively, to 0.6% and 0.4%.

With the exception of 2024 (new to this survey), uppermost Fund Manager forecasts continue to exceed those of Property Advisors each year – by margins of between 54 bps and 19 bps (2022 and 2023), although this greater optimism is not reflected in the annual averages.

N.B. Three 'Other' contributor returned data in addition to those of 21 Property Advisors and Fund Managers.

The rise in the annualised five-year averages (0.8% and 0.7% for Advisors and Managers respectively), re as a consequence of the 2019 forecasts being replaced by stronger growth expectations for 2024.

Sector rental value growth annual forecasts



Forecast ranges continue to illustrate the considerable differences between growth prospects for the three retail sub-markets as compared to Industrials and, with the exception perhaps of 2021, Offices. The greatest variation in opinion now appear in Standard Retail forecasts for 2020 and 2021 (with ranges of 12.3% and 10.6%) whilst, interestingly, also registering the highest individual forecasts for each year surveyed. Shopping Centres continue to attract the lowest forecasts over the next three years, with only Retail Warehouses potentially lower in 2023 (-4.3% versus -4.0%).

Positive averages are recorded for the Industrial and Office sectors throughout the five years. Of the retail sub-markets, only Standard Retail is expected to move above zero by 2023; the outlook for Retail Warehouses is flat by 2024; Shopping Centre averages remain negative throughout. Whilst Industrials is the only market to register positive minimum growth forecasts in 2020 and 2021, consistent with others, sentiment is more divided in later years – although average projections are relatively unaltered.

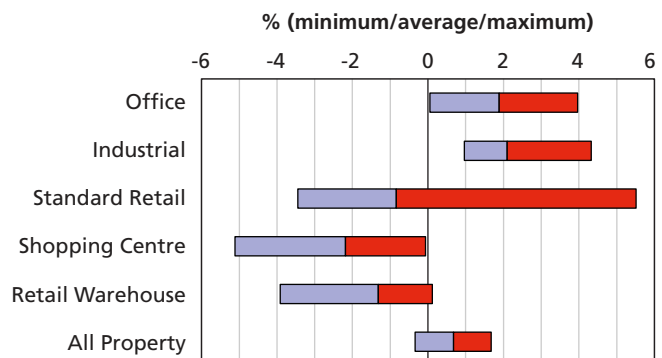
The pattern of change since the November survey is broadly one of strengthening prospects for Office, Industrial and Standard Retail between 2020 and 2022, with a continuing deterioration of each of the four years' averages for Shopping Centres and Retail Warehouses (of between 40 and 70 bps).

Sector rental value growth five-year average forecasts

Despite the declines in expectations for the four years to 2023, the inclusion of a 1.2% forecast (in place of the 2019 projection of -0.2%) has been sufficient to increase the annualised All Property rental growth rate to 0.7%.

Both the Office and Industrial sectors are likely to outperform this, at 1.9% and 2.1% per annum respectively (from 1.7% and 2.2% previously).

All three retail sub-sector averages have improved, albeit still below zero; these now register -0.8%, -2.2% and -1.3% per annum for Standard Retail, Shopping Centres and retail Warehouse, reflecting rises of 75, 48 and 42bps on average, as 2024 figures replace those for 2019.

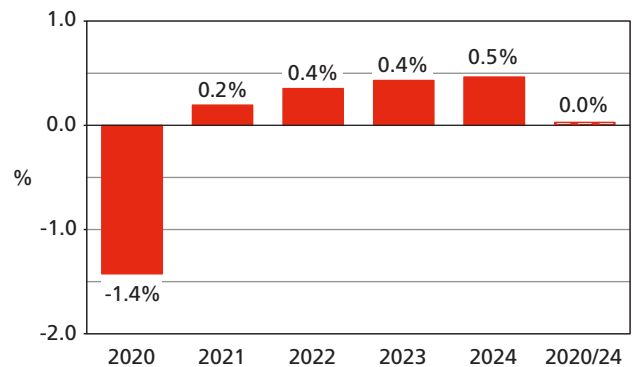


All Property average capital value growth forecasts

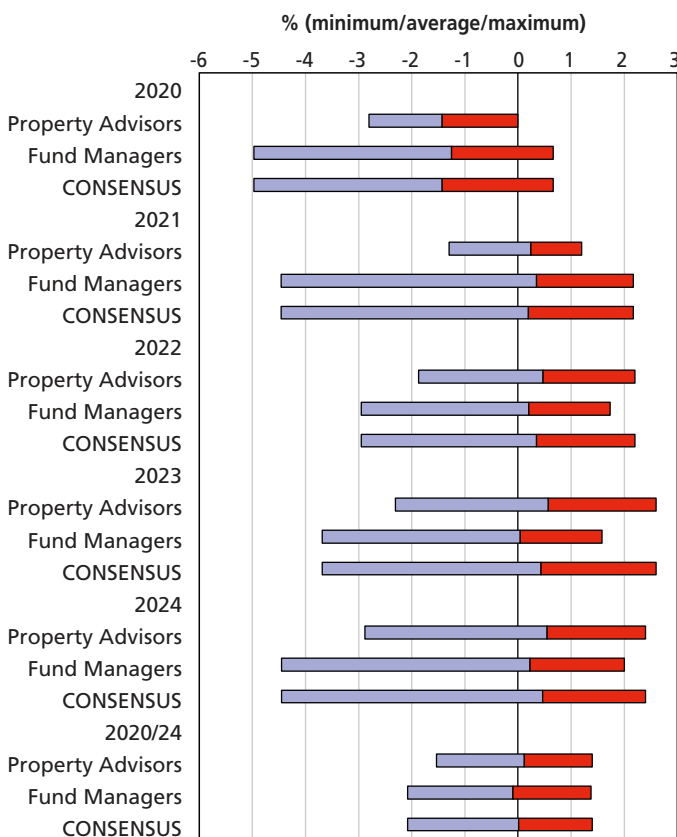
Following a fall of over 30 bps in November, the 2020 average picked up by more than 70 bps (previously -2.2%), with five contributors now forecasting either zero or positive capital value growth compared to one three months ago. The 2021 mean also improved, by 14bps (from 0.1%).

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).



Capital value growth forecasts by contributor



N.B. Three 'Other' contributor returned data in addition to the 21 Property Advisors and Fund Managers.

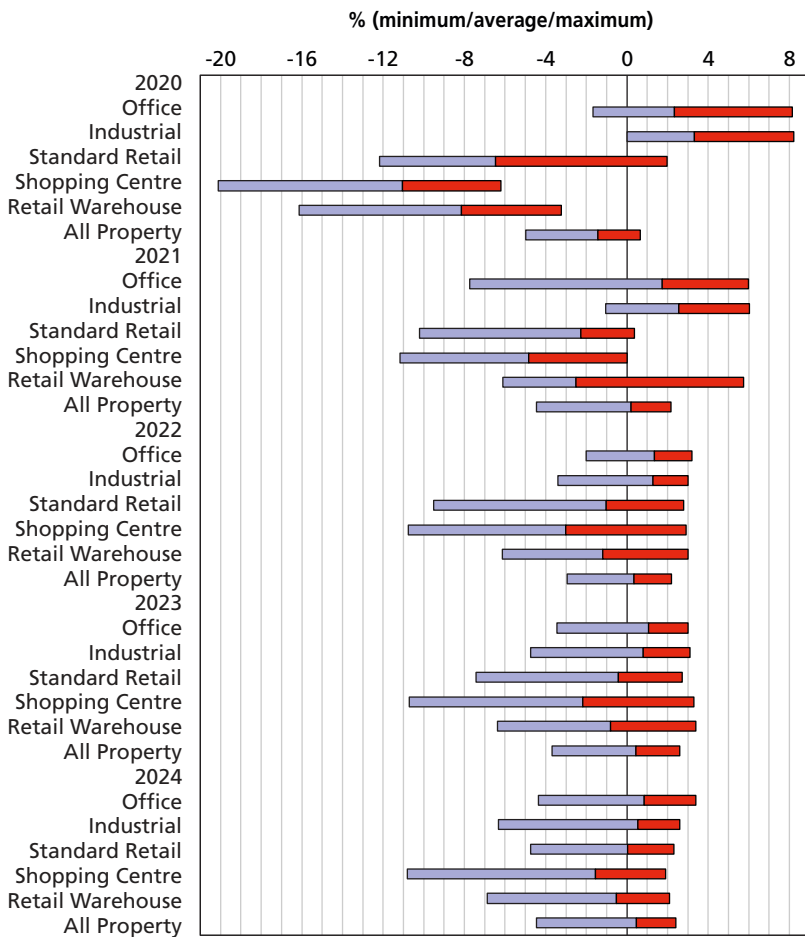
For the current year, the average Property Advisor forecast rose 105 bps over the quarter, to -1.4%, whilst the Fund Manager average rose over 75 bps to -1.2%, supported by improved minimum forecasts (to -2.8% and -5.0% from -6.1% and -9.9% previously). This strengthening of sentiment has extended to 2021, with a rises of around 30 bps in each average to 0.2% and 0.4% respectively, although the lowest Fund Manager projection fell to -4.5% (from -2.3% in November).

From 2022 onwards, Property Advisor expectations are higher for each metric, with averages exceeding those of Fund Managers by between 27 and 53 bps in 2022 and 2023, although four contributors provided negative growth for those years (compared to two Fund Managers).

Forecast spreads are at their widest in 2021, 2023 and 2024, at 6.6%, 6.3% and 6.9%, with Property Advisors consistently showing the closest consensus in each year.

With the omission of 2019 data and inclusion of 2024 projections, the five-year averages improved significantly over the quarter, as Property Advisors recorded an increase of 84 bps to 0.1% and Fund Managers of 74 bps to -0.1% per annum.

Sector capital value growth annual forecasts



2020 averages rose over the quarter for the Office, Industrial and Standard Retail sectors, with Offices showing the greatest improvement, rising over 210 bps to 2.1%. Industrials now lie at 3.3% (from 1.7%) whilst the rate of decline for Standard Retail slowed, from -6.8% to -6.5%. In contrast, the Shopping Centre average forecast fell to -11.1%, representing a drop of 90 bps over the quarter, while the outlook for Retail Warehouses also declined, to -8.1% currently (from -7.6% in November).

With the pattern of average capital growth forecasts mirroring that of rental growth, only the Office and Industrial sectors are expected to remain positive throughout the survey period, although (with the exception of 2020 Industrial growth) both attracted at least one negative forecast in each year.

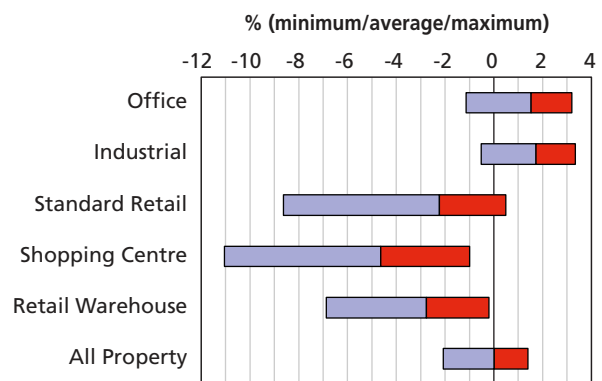
The newly generated 2024 projections suggest a continuing slow recovery within the retail sector, whereas from 2022 onwards Offices and Industrials averages are forecast to decline – from peaks of 1.7% and 2.6% in 2021 to 0.8% and 0.5% in 2024 respectively.

Sector capital value growth five-year average forecasts

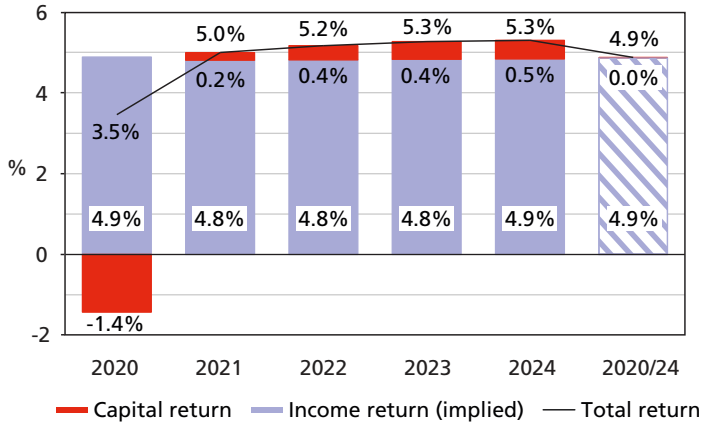
The new 2024 forecasts have raised annualised averages in each sector with Offices and Industrials now 1.5% and 1.7% (from 1.0% and 1.6% in November), which continue to surpass a much-improved All Property average of 0.0% (-0.8%).

Growth rates for the three retail sub-markets also rose over the quarter, to -2.2% per annum for Standard Retail (from -3.5%), -4.6% for Shopping Centres (-6.6%) and -2.8% for Retail Warehouses (from -4.5%).

With the exception of Shopping Centres, forecast ranges reduced in all sectors, with Offices recording the greatest fall (over 200 bps), whilst the All Property average attracted the narrowest array of individual projections, at 348 bps.



All Property total return forecasts



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

The near-term improvements and inclusion of 2024 data produced a 93 bps increase in the five-year average (from 3.9% per annum previously).

The 2020 implied income return rose slightly (rising almost 20 bps, from 4.7% in November) although more modest uplifts in later years left these unchanged due to rounding.

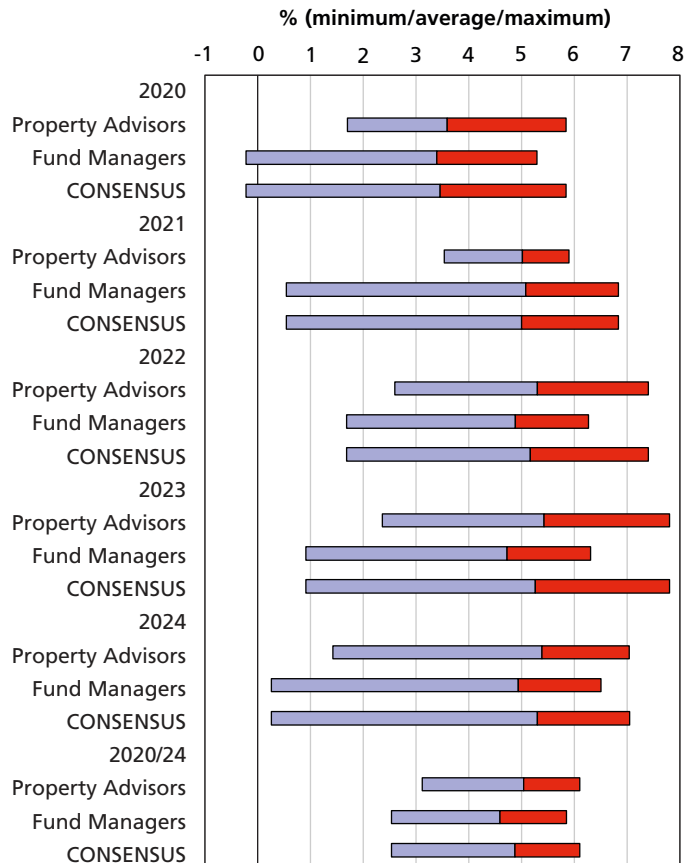
Contributors All Property total return forecasts

Only one contributor forecast a 2020 sub-zero total return, consistent with Fund Managers’ more negative capital growth expectation for the year. Excluding the maximum Manager projection, all measures (minimum/average/maximum) increased over the quarter. Averages now lie at 3.6% and 3.4%, from 2.1% and 2.7% in November (Advisors and Managers respectively).

2021 averages also rose, with Managers showing slightly more optimism (6 bps higher on average than Advisors). In remaining years both sets of contributors reduced their forecasts (Advisors on average by 68 and 90 bps and Managers by 30 and 69 bps, in 2022 and 2023).

A greater consensus in contributors’ 2020 forecasts emerged over the quarter, with Fund Manager ranges decreasing over 4.5% (to 5.1%), but widening to 6.3% in 2021 (from 3.1% in November). Property Advisor ranges contracted almost 1.3% and 0.8% in these years. From 2022, the two sets of contributors appear to be in closer agreement, with spreads of around 4.7% that year, rising to 5.6% (Advisors) and 6.2% (Managers) in 2024.

A substitution of 2024 for 2019 projections caused the average five-year returns to by 117 and 77 bps for the two groups, to 5.0% and 4.6% per annum respectively.



N.B. Three ‘Other’ contributor returned data in addition to the 21 Property Advisors and Fund Managers.

Sector total return annual forecasts



Both Office and Industrial average forecasts for 2020 and 2021 rose over the quarter, with current year expectations strengthening significantly: up 210 bps in the case of Offices (to 6.5%) and by 165 bps for industrials (now 7.7%). With the exception of Standard Retail (which recorded a 34 bps increase to -2.0%), 2020 retail return forecasts weakened – by 86 bps for Shopping Centres (now -5.4%) and 57 bps for Retail Warehouses (to -2.0%), with the former comprising only negative returns.

The expectation that Industrials will outperform other sectors in 2020 and 2021 has continued, as, together with Offices, the two years’ average forecasts increased over the quarter (respectively to 7.7% and 6.5% in the current year – from 6.1% and 4.4% – and to 7.0% and 5.9% – from 6.2% and 5.7% – in 2021).

All sector averages are forecast to be positive by next year. Despite retail projections weakening, in 2021 these markets are currently expected to average between 2.4% for Standard Retail (down 27 bps) to 1.3% for Shopping Centres (33 bps lower), with Retail Warehouses at 4.1% (51 bps lower than three months ago).

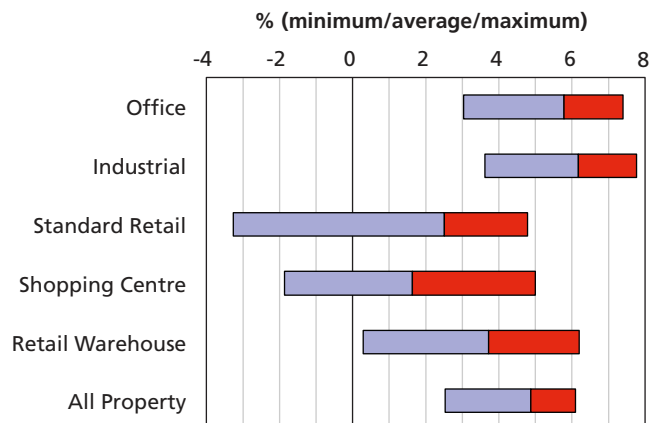
All 2022 and 2023 sector averages declined over the quarter, ranging between a fall of 169 bps for Shopping Centres and 21 bps for Industrials in 2023, with the Retail Warehouse projected total return potentially being the best performing sector that year, at 5.8% on average. Forecast averages for Offices, Industrials and Standard Retail in 2024 are very close at around 5.0%, whilst Retail Warehouses are currently expect to average 6.1%.

Sector total return five-year forecasts

Taking in the new 2024 forecasts, the Office and Industrial sectors remain on course to outperform the All Property average of 3.9% per annum (at 5.8% and 6.2% respectively).

All sector averages improved, following the loss of 2019 data, most particularly in the case of Shopping Centres, which rose over 235 bps to 1.6% per annum, followed by Retail Warehouses (up 230 bps to 3.7%) and Standard Retail (200 bps to 2.5%).

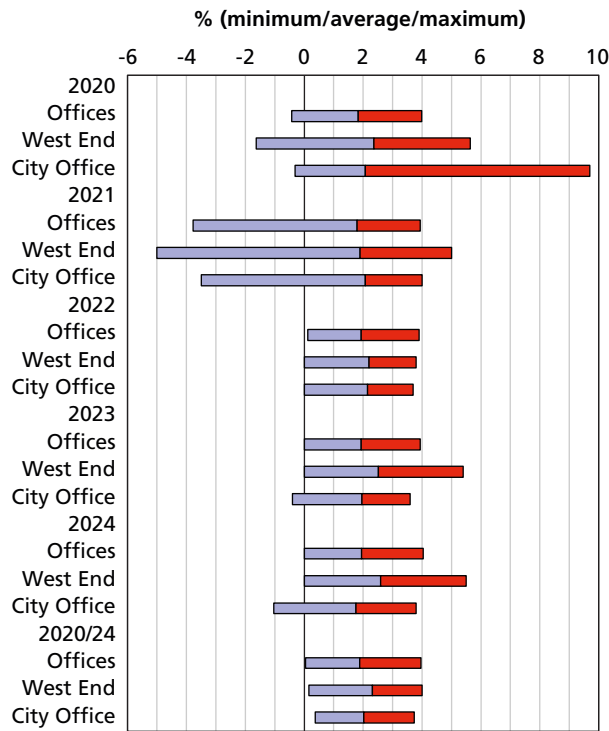
Overall forecast ranges also narrowed, although shifting downwards in each market, whilst the All Property average continued to show the greatest consensus of views, within a range of a little below 3.6%.



Central London offices

Combined with a more positive sentiment following the general election result, tight supply in this market is being used by investors to justify a more bullish outlook. However, the risk of a no deal Brexit at the end of 2020 remains high, which could push the UK economy into recession. Ending freedom of movement could impact demand for central London offices substantially - TMT and financial services have been an important source of occupiers, with both sectors relying heavily of frictionless movement of people and services with the EU. With a very hard Brexit making the UK a less attractive place to invest into, certain contributors have factored these concerns into their numbers.

Rental value growth



Of the 22 forecasts received for 2020 West End rental growth, only one (generated in November and, hence, pre-dating the general election) was below zero. With a rise of almost 640 bps in the minimum forecast, the average improved by more than 110 bps over the quarter, to 2.4%. The current year City office average forecast also improved significantly – up 134 bps to 2.1%, although now including two negative forecasts and a significant uppermost outlier forecast (the omission of which figure would reduce the average by 36 bps). By comparison, the wider Office sector average rose 81 bps in the three months, to 1.8%.

A lower West End average forecast next year (1.9% from 2.2%) is consistent with the year-on-year decline recorded in earlier surveys, although the City average rose marginally, to 2.1% currently.

Whilst the ranges of 2020 and 2021 forecasts reflect ongoing uncertainty as Brexit negotiations continue, both are expected to marginally exceed the wider national market, the latter forecasts averaging 1.8% in each year.

With the exception of the uppermost West End forecast in 2023, all three measures (minimum/average/maximum) for the following two years (2022 and 2023) fell over the quarter. Averages for the two markets declined by between 45 and 38 bps, compared to falls of 8 and 25 bps in the same measure for UK Offices. The outlook for 2024 suggests contributors expect a modest uplift in central London rents to continue.

Compared to the wider UK market, both West End and City rental growth rates are likely to be greater in each year until 2024, when the City may average 1.8%, compared to 2.6% for the West End and 1.9% nationally.

Stronger forecasts for 2024, replacing those for 2019, are reflected in improved five-year averages of 2.3% and 2.0% per annum for the West End and City respectively, compared to 2.2% and 1.7% in November.

Central London offices (2)

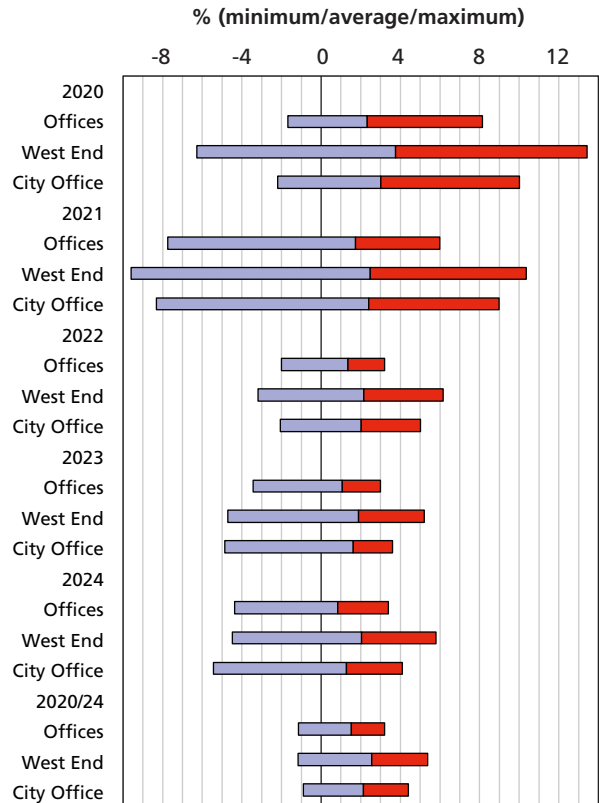
Capital value growth

2020 West End forecasts included one negative projection (dating from November), as well as two in double-digits, resulting in a forecast range of 19.7%, to average 3.8%. With three sub-zero forecasts for the City, capital growth projections for the current year range between -2.2% to 10.0%, to average 3.0% for this market.

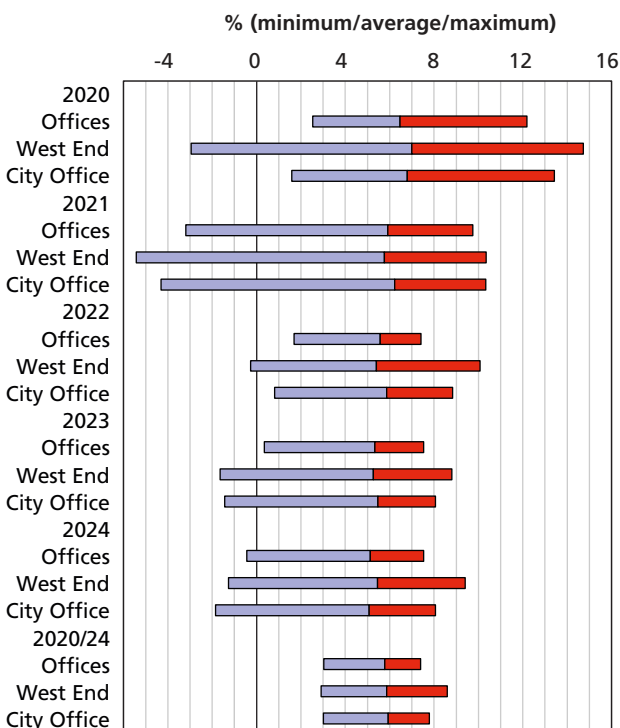
In 2021, expectations for each market are also disparate, with spreads of 20.0% and 17.3% and averages of 2.5% and 2.4% for the West End and City, although, from 2022, individual contributors appear to be more in accord.

The year-on-year decline in average growth rates to 2023 is more pronounced in each market than last quarter, falling by between 19 and 23 bps in 2022 and 2023 for West End values and by 31 bps for City growth in both years. While City prospects continue to deteriorate in 2024 (down a further 35 bps over the quarter, to 1.3%), in contrast, the mean West End forecast, of 2.0%, is 16 bps higher than for 2023.

The omission of weak 2019 data has caused the five-year growth rates to rise by c.100 bps in each market to 2.6% and 2.1% per annum for the West End and City respectively.



Total returns



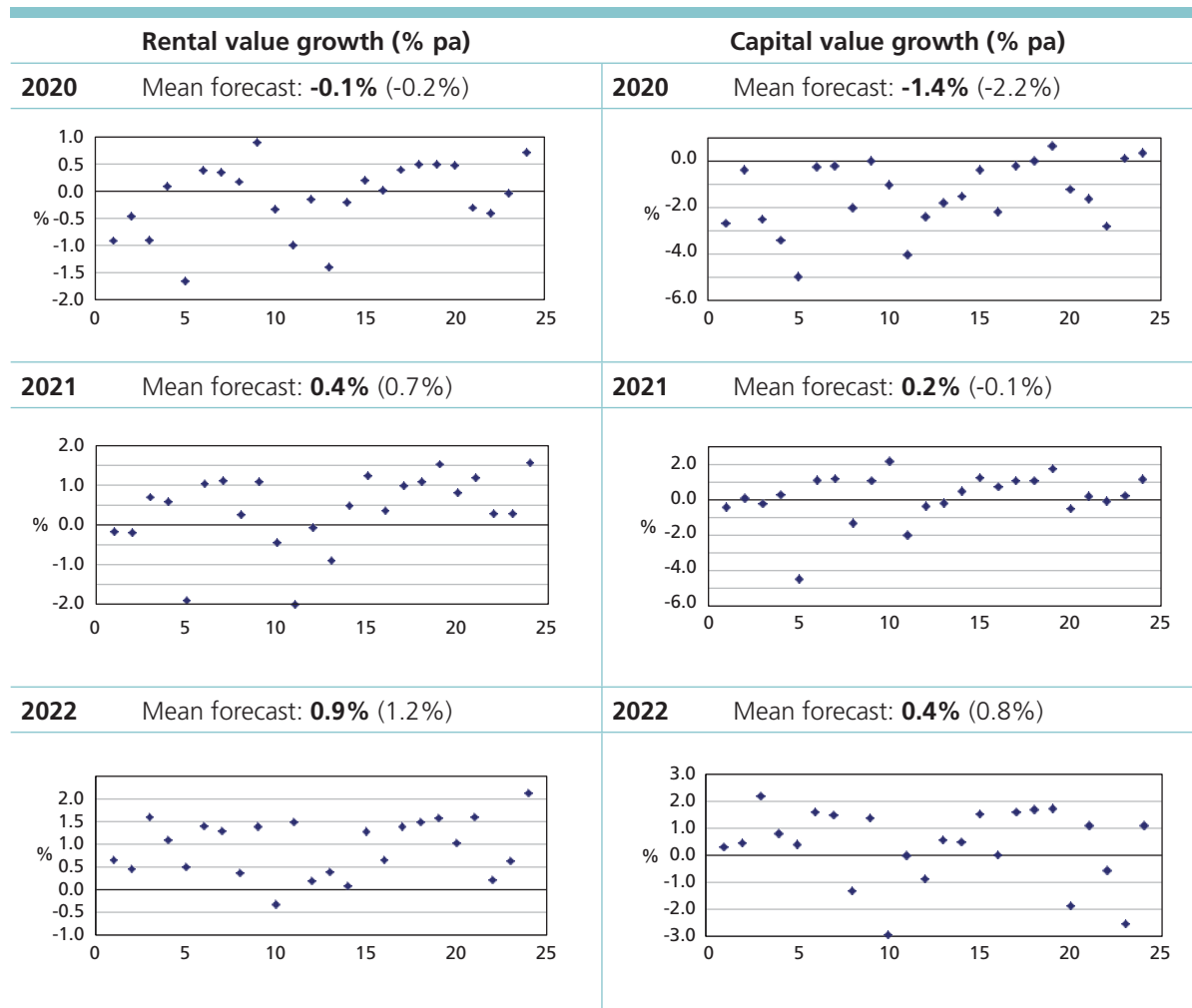
Average 2020 forecast total returns improved substantially over the quarter for both markets, increasing more than 240 bps, to 7.0%, for the West End and by 264 bps, to 6.8%, for the City, albeit within large ranges (17.7% and 11.8%). 2021 averages, whilst lower than for 2020, increased more modestly, at 18 and 19 bps respectively, to produce means of 5.8% and 6.2% within ranges of 15.8% and 14.6%.

A weakening in average forecasts (previously expected in 2023) may occur sooner, as quarter-on-quarter falls of 50 and 54 bps, to 5.4% and 5.9% were recorded for 2022, followed by reductions of 42 and 53 bps in 2023 (to 5.3% and 5.5%). The consensus between forecasters is much closer in these years however (ranging between 10.3% and 10.4% for the West End and 8.0% and 9.5% for the City).

Improved 2024 forecasts, compared to those for 2019, caused the five-year returns to rise by 88 and 78 bps for the West End and City, to 5.9% per annum for both markets, from 5.0% and 5.2% in November. This compares with an overall Office market projection of 5.8% (an improvement of 60 bps over the quarter).

Distribution of forecasts

The scatter plots are the individual forecasts for All Property rental value and capital value growth. The contributors are listed in random order so that individual contributions cannot be identified. Previous quarter's forecast (November 2019) in brackets.

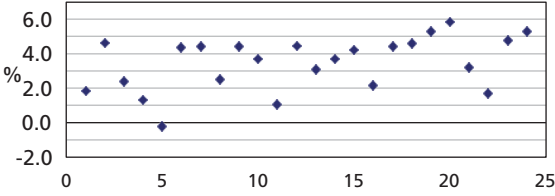
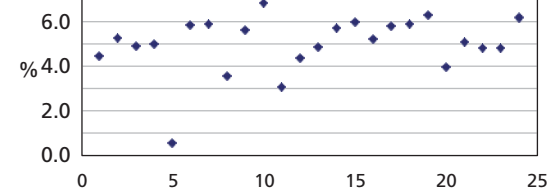
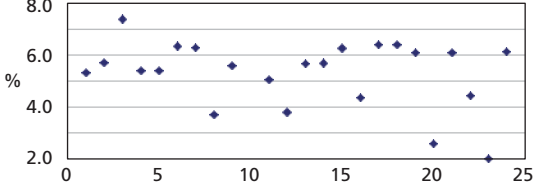
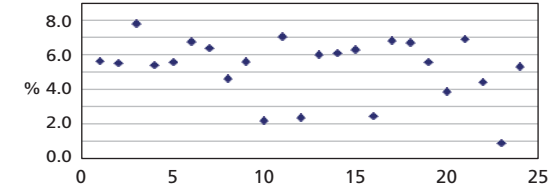
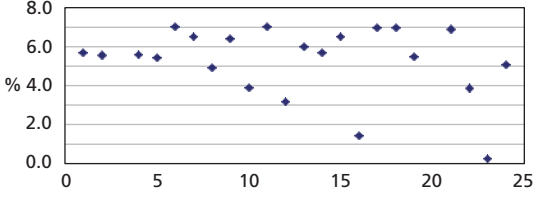
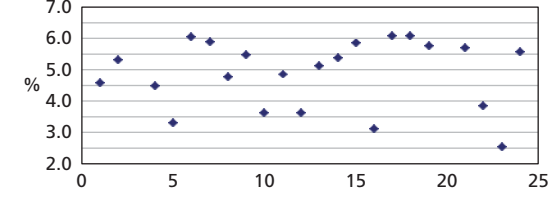


Distribution of forecasts (2)

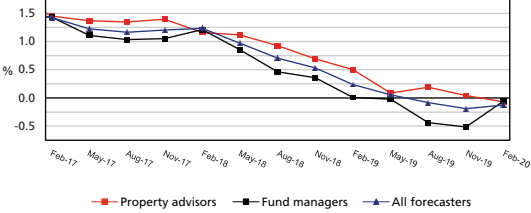
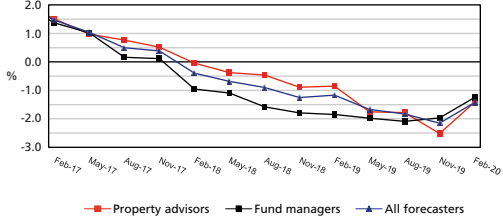
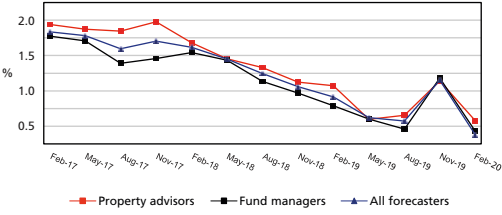
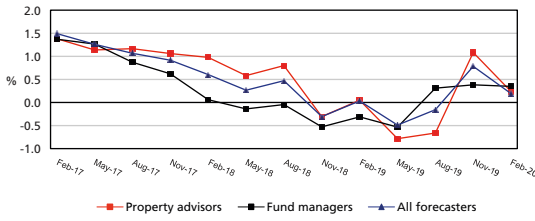
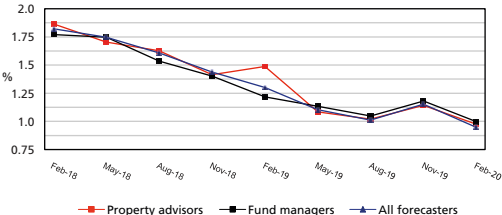
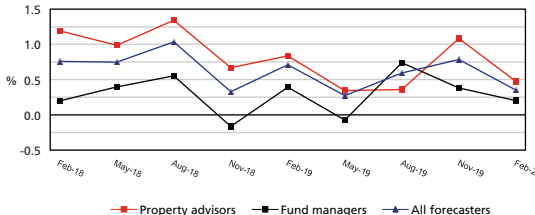
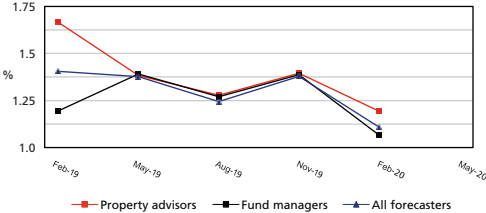
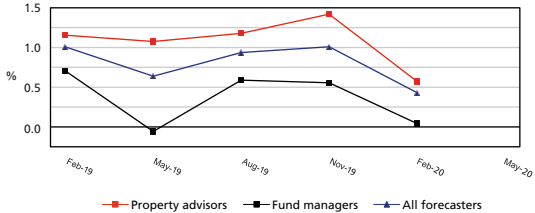
Rental value growth (% pa)		Capital value growth (% pa)	
2023	Mean forecast: 1.1% (1.0%)	2023	Mean forecast: 0.4% (0.6%)
2024	Mean forecast: 1.2% (n/a)	2024	Mean forecast: 0.5% (n/a)
2020/24	Mean forecast: 0.7% (n/a)	2020/24	Mean forecast: 0.0% (n/a)

Distribution of forecasts (3)

All Property total returns (% pa)

<p>2020 Mean forecast: 3.5% (2.5%)</p> 	<p>2021 Mean forecast: 5.0% (4.9%)</p> 
<p>2022 Mean forecast: 5.2% (5.7%)</p> 	<p>2023 Mean forecast: 5.3% (5.9%)</p> 
<p>2024 Mean forecast: 5.3% (n/a)</p> 	<p>2020/2024 Mean forecast: 4.9% (n/a)</p> 

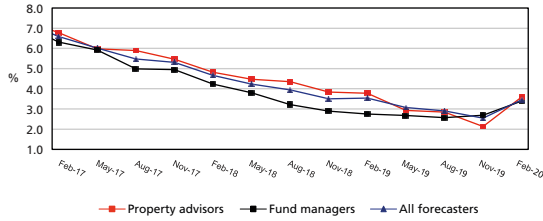
Evolution of the consensus (Previous quarter's forecast November 2019)

All Property rental value growth (% pa)		All Property capital value growth (% pa)	
2020	Mean forecast: -0.1% (-0.2%)	2020	Mean forecast: -1.4% (-2.2%)
			
2021	Mean forecast: 0.4% (0.7%)	2021	Mean forecast: 0.2% (-0.1%)
			
2022	Mean forecast: 0.9% (1.2%)	2022	Mean forecast: 0.4% (0.8%)
			
2023	Mean forecast: 1.1% (1.0%)	2023	Mean forecast: 0.4% (-0.8%)
			

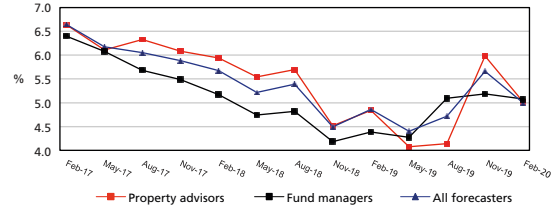
Evolution of the consensus (2)

All Property total returns (% pa)

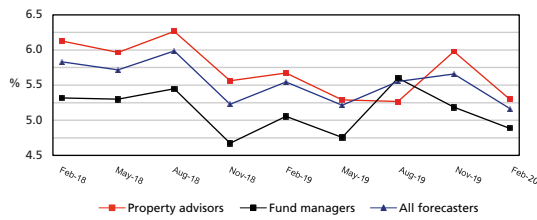
2020 Mean forecast: **3.5%** (2.5%)



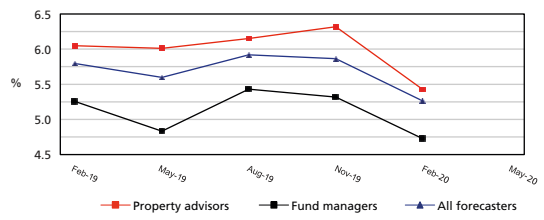
2021 Mean forecast: **5.0%** (4.9%)



2022 Mean forecast: **5.2%** (5.7%)



2023 Mean forecast: **5.3%** (5.6%)



All Property survey results by contributor type

(Forecasts in brackets are November 2019 comparisons)

Property Advisors and Research Consultancies

12 (10) contributors	Rental value growth (%)						Capital value growth (%)						Total return (%)					
	2020		2021		2020/24		2020		2021		2020/24		2020		2021		2020/24	
Maximum	0.5	(0.5)	1.2	(1.2)	1.4	(n/a)	0.0	(-1.0)	1.2	(0.8)	1.4	(n/a)	5.8	(3.6)	5.9	(5.6)	6.1	(n/a)
Minimum	-1.4	(-1.0)	-0.9	(0.2)	0.0	(n/a)	-2.8	(-6.1)	-1.3	(-2.1)	-1.5	(n/a)	1.7	(-1.8)	3.5	(2.5)	3.1	(n/a)
Range	1.9	(1.5)	2.1	(1.0)	1.4	(n/a)	2.8	(5.1)	2.5	(2.9)	2.9	(n/a)	4.1	(5.4)	2.4	(3.1)	3.0	(n/a)
Median	0.1	(0.3)	0.8	(0.9)	0.8	(n/a)	-1.7	(-2.0)	0.1	(0.5)	0.4	(n/a)	3.8	(2.7)	5.0	(5.4)	5.4	(n/a)
Mean	-0.1	(0.0)	0.6	(0.8)	0.8	(n/a)	-1.4	(-2.5)	0.2	(-0.0)	0.1	(n/a)	3.6	(2.1)	5.0	(4.8)	5.0	(n/a)

Fund Managers

9 (11) contributors	Rental value growth (%)						Capital value growth (%)						Total return (%)					
	2020		2021		2020/24		2020		2021		2020/24		2020		2021		2020/24	
Maximum	0.9	(1.0)	1.6	(1.6)	1.7	(n/a)	0.7	(1.0)	2.2	(1.5)	1.4	(n/a)	5.3	(5.5)	6.8	(6.2)	5.9	(n/a)
Minimum	-1.7	(-3.8)	-1.9	(-0.6)	-0.3	(n/a)	-5.0	(-9.9)	-4.5	(-2.3)	-2.1	(n/a)	-0.2	(-4.6)	0.5	(3.1)	2.5	(n/a)
Range	2.6	(4.8)	3.5	(2.3)	2.0	(n/a)	5.6	(10.9)	6.6	(3.8)	3.4	(n/a)	5.5	(10.1)	6.3	(3.1)	3.3	(n/a)
Median	0.1	(-0.4)	0.6	(0.6)	0.9	(n/a)	-0.4	(-1.2)	1.1	(0.1)	-0.1	(n/a)	4.2	(3.3)	5.6	(5.0)	4.6	(n/a)
Mean	-0.1	(-0.5)	0.4	(0.6)	0.7	(n/a)	-1.2	(-2.0)	0.4	(0.0)	-0.1	(n/a)	3.4	(2.7)	5.1	(4.8)	4.6	(n/a)

All Property forecasters

24 (23) contributors	Rental value growth (%)						Capital value growth (%)						Total return (%)					
	2020		2021		2020/24		2020		2021		2020/24		2020		2021		2020/24	
Maximum	0.9	(1.0)	1.6	(1.6)	1.7	(n/a)	0.7	(1.0)	2.2	(1.5)	1.4	(n/a)	5.8	(5.5)	6.8	(6.4)	6.1	(n/a)
Minimum	-1.7	(-3.8)	-2.0	(-0.6)	-0.3	(n/a)	-5.0	(-9.9)	-4.5	(-2.3)	-2.1	(n/a)	-0.2	(-4.6)	0.5	(2.5)	2.5	(n/a)
Range	2.6	(4.8)	3.6	(2.3)	2.0	(n/a)	5.6	(10.9)	6.6	(3.8)	3.5	(n/a)	6.1	(10.1)	6.3	(3.9)	3.6	(n/a)
Std. Dev.	0.7	(1.0)	0.9	(0.6)	0.6	(n/a)	1.5	(2.3)	1.3	(1.1)	1.1	(n/a)	1.5	(2.3)	1.3	(1.0)	1.1	(n/a)
Median	0.0	(-0.1)	0.6	(0.8)	0.5	(n/a)	-1.4	(-1.8)	0.3	(0.5)	0.1	(n/a)	4.0	(3.1)	5.2	(5.3)	5.2	(n/a)
Mean	-0.1	(-0.2)	0.4	(0.7)	0.7	(n/a)	-1.4	(-2.2)	0.2	(0.1)	0.0	(n/a)	3.5	(2.5)	5.0	(4.9)	4.9	(n/a)

Notes:

- 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.
- To qualify, forecasts must be generated within 12 weeks of the survey date (12 February 2020).
- Maximum: The strongest growth or return forecast in the survey under each heading.
- Minimum: The weakest growth or return forecast in the survey under each heading.
- Range: The difference between the maximum and minimum figures in the survey.
- 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.
- Mean: The arithmetic mean of all forecasts in the survey under each heading. All views carry equal weight.
- Standard deviation: A statistical measure of the spread of forecasts around the mean. Calculated at the 'All forecaster' level only.
- The sector figures are not analysed by contributor type; all figures are shown at the 'All forecaster' level.
- In the charts and tables, 'All Property' figures were derived from 22 forecasts for each performance measure over all periods. Full sector forecasts for all periods were received from 21 organisations (20 for central London offices).

Survey results by sector

Office

23 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	4.0	3.9	3.9	4.0	8.1	6.0	3.2	3.2	12.2	9.8	7.4	7.4
Minimum	-0.4	-3.8	0.1	0.1	-1.7	-7.8	-2.0	-1.1	2.5	-3.2	1.7	3.0
Range	4.4	7.7	3.8	3.9	9.8	13.7	5.2	4.3	9.6	12.9	5.7	4.4
Median	1.8	2.0	2.0	1.8	2.4	2.1	2.0	1.8	6.5	6.8	6.1	6.6
Mean	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

23 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	4.4	4.3	4.3	4.3	8.2	6.0	3.0	3.3	12.3	10.1	7.5	7.8
Minimum	1.3	1.3	1.0	1.0	0.0	-1.0	-3.4	-0.5	4.4	3.0	0.7	3.6
Range	3.1	3.0	3.3	3.4	8.2	7.1	6.4	3.9	7.9	7.1	6.8	4.1
Median	2.7	2.2	2.1	2.1	2.9	2.6	1.8	1.9	7.2	6.9	6.2	6.4
Mean	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

23 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	5.6	5.6	5.5	5.5	2.0	0.4	2.8	0.5	6.2	4.8	7.4	4.8
Minimum	-6.8	-5.0	-3.5	-3.4	-12.2	-10.2	-9.5	-8.6	-7.9	-5.5	-4.2	-3.3
Range	12.3	10.6	9.0	9.0	14.2	10.6	12.3	9.1	14.2	10.3	11.6	8.0
Median	-2.9	-1.1	-0.3	-0.8	-6.1	-1.2	-0.3	-2.2	-1.8	3.3	4.5	2.7
Mean	-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

23 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	-1.6	0.0	0.3	-0.1	-6.2	0.0	2.9	-1.0	-0.3	6.0	11.6	5.0
Minimum	-12.0	-6.2	-4.4	-5.1	-20.1	-11.2	-10.7	-11.0	-14.0	-6.1	-4.5	-1.9
Range	10.4	6.2	4.7	5.0	13.9	11.2	13.6	10.0	13.8	12.1	16.1	6.9
Median	-4.8	-3.0	-1.0	-2.2	-11.6	-4.9	-2.7	-4.5	-4.8	1.3	4.3	2.1
Mean	-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

23 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	-1.8	0.0	1.2	0.1	-3.2	5.8	3.0	-0.2	2.7	12.5	11.5	6.2
Minimum	-8.0	-5.0	-3.8	-3.9	-16.1	-6.1	-6.1	-6.9	-9.5	0.9	1.1	0.3
Range	6.2	5.0	5.0	4.0	12.9	11.9	9.1	6.7	12.2	11.7	10.4	5.9
Median	-3.8	-2.0	-0.5	-1.5	-8.0	-2.6	-0.2	-2.4	-2.2	3.8	6.3	4.1
Mean	-3.9	-1.8	-0.6	-1.3	-8.1	-2.5	-1.2	-2.8	-2.0	4.1	5.5	3.7

All Property

24 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	0.9	1.6	2.1	1.7	0.7	2.2	2.2	1.4	5.8	6.8	7.4	6.1
Minimum	-1.7	-2.0	-0.3	-0.3	-5.0	-4.5	-2.9	-2.1	-0.2	0.5	1.7	2.5
Range	2.6	3.6	2.5	2.0	5.6	6.6	5.1	3.5	6.1	6.3	5.7	3.6
Std. Dev.	0.7	0.9	0.6	0.6	1.5	1.3	1.4	1.1	1.5	1.3	1.4	1.1
Median	0.0	0.6	1.1	0.5	-1.4	0.3	0.5	0.1	4.0	5.2	5.6	5.2
Mean	-0.1	0.4	0.9	0.7	-1.4	0.2	0.4	0.0	3.5	5.0	5.2	4.9

Notes: One contributor provided an All Property only set of forecasts over all periods.

Two other contributors did not provide 2024 annual forecasts, nor five-year average forecasts at the All Property or individual sector levels.

Sector summary: Means

Sector summary: Means

(no. forecasts)*	Rental value growth (%)				Capital value growth (%)				Total return (%)			
	2020	2021	2022	2020/24	2020	2021	2022	2020/24	2020	2021	2022	2020/24
Office (23)	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 (23)	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 (23)	-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 (23)	-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 (23)	-3.9	-1.8	-0.6	-1.3	-8.1	-2.5	-1.2	-2.8	-2.0	4.1	5.5	3.7
All Property (24)	-0.1	0.4	0.9	0.7	-1.4	0.2	0.4	0.0	3.5	5.0	5.2	4.9

West End office

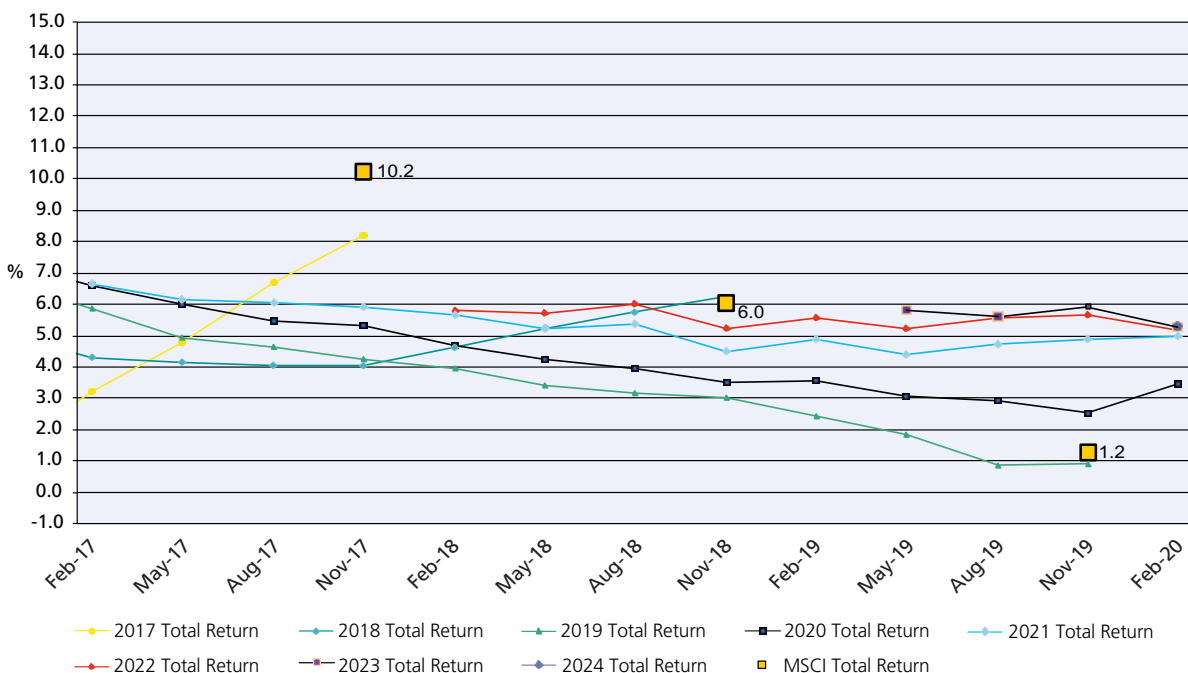
22 forecasts*	Rental value growth (%)				Capital value growth (%)				Total return (%)			
	2020	2021	2022	2020/24	2020	2021	2022	2020/24	2020	2021	2022	2020/24
Maximum	5.6	5.0	3.8	4.0	13.4	10.4	6.2	5.4	14.7	10.4	10.1	8.6
Minimum	-1.6	-5.0	0.0	0.2	-6.3	-9.6	-3.2	-1.2	-2.9	-5.4	-0.3	2.9
Range	7.3	10.0	3.8	3.8	19.7	20.0	9.4	6.5	17.7	15.8	10.3	5.7
Median	2.3	2.3	2.2	2.4	3.6	3.6	2.1	2.6	6.9	7.0	5.6	5.6
Mean	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

22 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	9.7	4.0	3.7	3.7	10.0	9.0	5.0	4.4	13.4	10.3	8.8	7.8
Minimum	-0.3	-3.5	0.0	0.4	-2.2	-8.3	-2.1	-0.9	1.6	-4.3	0.8	3.0
Range	10.0	7.5	3.7	3.4	12.2	17.3	7.1	5.3	11.8	14.6	8.0	4.8
Median	1.8	2.0	2.3	1.9	2.8	3.0	2.2	2.6	6.5	6.8	6.7	6.5
Mean	2.1	2.1	2.1	2.0	3.0	2.4	2.0	2.1	6.8	6.2	5.9	5.9

*Of the numbers noted, two contributors did not provide 2024 annual forecasts, at nor five-year average forecasts at the All Property or sector/sub-sector level.

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



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.

Acknowledgements

The Investment Property Forum (IPF) thanks all those organisations that contributed to the IPF Winter 2019/2020 UK Consensus Forecasts, including:

Property advisors (including research consultancies): Avison Young, BNP Paribas Real Estate, Capital Economics, Carter Jonas, CBRE, Colliers International, Cushman & Wakefield, Fletcher King, JLL, Knight Frank, Real Estate Forecasting Limited and Real Estate Strategies.

Fund, investment managers and Other: Aberdeen Standard Investments, Aviva Investors, BMO Real Estate Partners, DWS, Keills, Knight Frank Investment Management, Legal & General Investment Management, Peel Hunt, Savills Investment Management and UBS Asset Management.

Note

Consensus forecasts further the objective of the IPF to enhance the efficiency of the real estate investment market. The IPF is extremely grateful for the continuing support of the contributors as noted above. This publication is only possible thanks to the provision of these individual forecasts.

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

Disclaimer

The IPF Survey of Independent Forecasts for UK Property Investment is for information purposes only. The information therein is believed to be correct, but cannot be guaranteed, and the opinions expressed in it constitute our judgment as of the date of publication but are subject to change. Reliance should not be placed on the information and opinions set out therein for the purposes of any particular transaction or advice. The IPF cannot accept any liability arising from any use of the publication.

Copyright

The IPF makes Consensus Forecasts available to IPF members, those organisations that supply data to the forecasts and those that subscribe to them. **The copyright of Consensus Forecasts belongs to, and remains with, the IPF.**

You are entitled to use reasonable limited extracts and/or quotes from the publication in your work, reports and publications, with an appropriate acknowledgement of the source. It is a breach of copyright for any member or organisation to reproduce and/or republish in any printed or electronic form the whole Consensus Forecasts document, or substantive parts thereof, without the prior approval of the IPF. Such approval shall be on terms at the discretion of the IPF and may be subject to the payment of a fee.

Electronic copies of Consensus Forecasts may not be placed on an organisation's website, internal intranet or any other systems that widely disseminate the publication within a subscriber's organisation without the prior approval of the IPF. Such approval shall be on terms at the discretion of the IPF and may be subject to the payment of a fee.

If you or your organisation wishes to use more than a reasonable extract from Consensus Forecasts or reproduce the publication, contact the IPF in the first instance. Enquiries should be addressed to the IPF Research Director at pcraddock@ipf.org.uk.





RESEARCH

Investment Property Forum
New Broad Street House
35 New Broad Street
London EC2M 1NH

Telephone: 020 7194 7925

Fax: 020 7194 7921

Email: ipfoffice@ipf.org.uk

Web: www.ipf.org.uk

