IPF Research

Investment Property Forum UK Consensus Forecasts

AUTUMN 2016

FULL REPORT

This research was commissioned by the IPF Research Programme **2015 – 2018**

This research was funded and commissioned through the IPF Research Programme 2015–2018.

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 gratefully acknowledges the support of these contributing organisations:

Autumn 2016 Survey of Independent Forecasts for UK Commercial Property Investment

27 organisations participated in this quarter's survey, contributing forecasts generated between the beginning of September and the middle of November for some or all sectors of the UK commercial property market. Following a period of uncertainty and lack of evidence post the EU referendum in June, transactional activity has re-emerged. Although a small number of contributors have maintained their previous quarter's forecasts, overall there has been a modest improvement in the near-term outlook, particularly for 2016 – reinforced by the most recently received (i.e. November) forecasts. In contrast, however, somewhat more pessimistic sentiment has developed for capital markets in 2018 and 2019.

Key points

Post-Brexit gloom lessens

- With economic news for the near-term improving over that which immediately followed the referendum decision, the **All Property rental growth** forecast average for **2016** has recovered slightly, to **1.4%** (from 1.3% last quarter). With the exception of Shopping Centres, all sector outlooks have firmed: average forecasts range between 0.7% for Retail Warehouses and Shopping Centres (0.6% and 0.7% previously) to 2.6% for Industrials (from 2.2%).
- Average **capital value growth** rates for 2016, whilst negative in all markets, have improved by between 24 and 192 bps for Retail Warehouses and Industrials, respectively now -6.1% and -1.1%, raising the **All Property** average to **-4.1%** (from -5.3% in August). Greater forecaster confidence is demonstrated by reduced ranges of between 10.5% (for Offices and Retail Warehouses) and 8.5% (for Industrials).
- The impact on the **2016 All Property total return** is to increase the forecast to **0.6%** (from -0.4% last quarter).

Occupier markets to stabilise in 2017?

- **2017** projections indicate modest improvements in **rental growth** rates in most sectors, although the **All Property** rate remains negative, at **-0.5%** (from -0.7% in August), due, primarily, to an average Office forecast of -2.1% and Shopping Centres at -0.2%. Whilst falls in **capital value growth** rates are expected to continue, the speed of decline is projected to reduce, leading to an **All Property** growth rate of **-3.6%** (previously -4.4%). The worst performing sector will be Offices, at -5.6% from -6.4% in August, with the remainder registering reduced growth of between -4.2% (Shopping Centres) and -1.9% (Industrials).
- Despite this continued weakening in values, **total returns** are predicted to remain positive in all but the Office sector, to deliver an average **1.3%** (from 0.6%) for **All Property**.

2018 and 2019 capital markets may be weaker

- The **2018 All Property rental growth** rate is now forecast to fall slightly below zero (to **-0.1%**), due to further weakening in expectations for three of the five market segments, the exceptions being in Offices and Standard Retail. **Capital value growth** is also expected to deteriorate in all sectors, resulting in an **All Property** growth rate of **-0.2%**, from 0.5% last quarter. The **All Property total return** is predicted to be lower, at **5.1%** (from 5.7%).
- **Rental value growth** rates are expected to be weakly positive in the remaining years of the survey period, averaging 1.6% by 2020 and achieving a **five-year figure** of only 0.7% at the **All Property** level. **Capital value growth**, whilst positive for all sectors in 2019 and 2020, is not forecast to improve enough to raise the five-year averages for any sector other than Industrials out of negative territory. However, the **All Property five-year** average has improved to **-0.8%**, compared to -1.2% three months ago.
- **All Property total returns** in **2019** and **2020** are projected to average **6.7%** and **7.4%** (from 6.8% and 7.1%), whilst the **five-year** forecast is in the order of **4.2%** (previously 3.9%), as the low returns of 2016 and 2017 continue to adversely affect this average.

Summary Results

Summary average by sector

	Rental value growth (%)				Capital value growth (%)				Total return (%)			
	2016	2017	2018	2016/20	2016	2017	2018	2016/20	2016	2017	2018	2016/20
Office	1.9	-2.1	-1.1	0.3	-5.0	-5.6	-0.7	-1.3	-1.0	-1.2	4.0	3.2
Industrial	2.6	0.8	0.7	1.3	-1.1	-1.9	0.6	0.3	4.2	3.5	6.2	5.8
Standard Retail	1.3	0.2	0.4	0.9	-3.1	-3.1	0.3	-0.4	1.4	1.6	5.3	4.5
Shopping Centre	0.7	-0.2	0.0	0.5	-5.5	-4.2	-0.4	-1.4	-1.3	0.7	5.0	3.6
Retail Warehouse	0.7	0.1	0.4	0.8	-6.1	-3.7	0.2	-1.3	-0.9	1.9	6.0	4.4
All Property	**1.4**	**-0.5**	**-0.1**	**0.7**	**-4.1**	**-3.6**	**-0.2**	**-0.8**	**0.6**	**1.3**	**5.1**	**4.2**
West End office	1.4	-2.9	-1.7	0.1	-5.3	-6.8	-1.2	-1.4	-2.5	-3.6	2.2	1.9
City office	2.0	-4.0	-2.6	-0.5	-5.7	-7.5	-1.8	-1.8	-2.2	-3.6	2.5	2.1
Office (all)	1.9	-2.1	-1.1	0.3	-5.0	-5.6	-0.7	-1.3	-1.0	-1.2	4.0	3.2

All Property average by forecast month

Month of forecast (no. contributors)	Rental value growth* (%)				Capital value growth (%)				Total return (%)			
	2016	2017	2018	2016/20	2016	2017	2018	2016/20	2016	2017	2018	2016/20
September (7)	0.8	-0.7	0.5	0.6	-4.4	-4.3	0.6	-1.0	0.4	0.9	6.0	4.3
October (7)	1.6	-1.0	-0.3	0.7	-5.0	-2.9	0.0	-0.4	-0.5	1.7	5.0	4.4
November (12)	1.7	-0.2	-0.3	0.6	-3.5	-3.8	-0.6	-1.0	1.3	1.3	4.7	4.1
All Property (26^)	1.4	-0.5	-0.1	0.7	-4.1	-3.6	-0.2	-0.8	0.6	1.3	5.1	4.2

*One contributor provided only rental growth forecasts.
^ One contributor did not provide forecasts at the All Property level.

Survey contributors

There were 27 contributors to this quarter's survey, comprising 11 Property Advisors and Research Consultancies, 15 Fund Managers and one Other. Full All Property forecasts were received from 25 contributors; one participant provided forecasts for rental value growth only for every sector and All Property. Twenty sector forecasts and 19 West End and City sub-office sector forecasts were received in full; one Property Advisor provided only rental value growth data for their central London office projections. All forecasts were generated within 12 weeks of the survey date (9 November 2016). Named contributors appear on the final page of this report.

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

In its first release of gross domestic product (GDP) growth covering a full quarter of data following the EU referendum, the preliminary estimate from the Office for National Statistics (ONS)[1] was an increase of 0.5% in the period July to September 2016, compared to growth of 0.7% in the preceding quarter (and 2.3% higher compared with the same quarter a year ago). Making up this 0.5% rise, services industries output increased by 0.8%, against a decrease in construction, of 1.4%, agriculture, 0.7%, and production, 0.4% (within which, manufacturing decreased by 1.0%).

Public sector net borrowing (excluding public sector banks) for the current financial year to date (April to October 2016), as reported by the ONS[2], includes four months of post-EU referendum data , decreased by £5.6 billion to £48.6 billion compared to the same period in 2015. At £1,641.6 billion, total PSB is equivalent to 83.8% of GDP, an increase of £50.9 billion compared with October 2015, although debt as a percentage of GDP fell by 0.5% compared with a year ago. This is the fifth successive month of debt falling using this measure and indicates that GDP is currently increasing (year-on-year) faster than net debt.

The Consumer Prices Index (CPI) rose by 0.9% in the year to October 2016[3], from 1.0% in the year to September. The principal downward contributors to this modest fall were prices for clothing and university tuition fees, which rose by less than they did a year ago, together with price reductions for certain games and toys, overnight hotel stays and non-alcoholic beverages. These pressures were offset by rising transport costs (namely higher motor fuel prices) and furniture and furnishings prices, which fell by less than they did 12 months ago.

The Bank of England's Monetary Policy Committee (MPC)[4], at its November meeting, voted unanimously to maintain Bank Rate at 0.25% and to continue the programme of sterling non-financial investment-grade corporate bond purchases, totalling up to £10 billion, financed by the issuance of central bank reserves. The programme of UK government bond purchases will also continue, to take the total stock of these purchases to £435 billion, again financed by the issuance of central bank reserves. In the three months since its August Inflation Report, indicators of activity and business sentiment have shown third quarter GDP growth was above expectations. Data suggests the near-term outlook for activity is stronger than expected, with faster growth in household spending than projected in August, whilst the housing market has proven more resilient. Investment intentions have continued to soften, however, and the Bank observed that the commercial property market has been subdued.

The latest ONS UK labour market statistical bulletin[5] reported 31.80 million people in work in the period July to September 2016 (49,000 more than for April to June and 461,000 more than for a year earlier). 23.24 million people were working full-time and 8.56 million working part-time (350,000 and 110,000 more respectively than a year ago). The current employment rate of 74.5% is the joint highest since comparable records began in 1971, whilst 1.60 million (or a rate of 4.8%), were unemployed, i.e. people not in work but seeking and available to work, 146,000 fewer than a year ago.

As reported by the ONS[6], retail sales (quantity of goods bought by volume) increased by 7.4% in October compared with October 2015 and by 1.9% compared with September 2016. Increases were reported in in all store types other than department stores, the largest contributions to growth coming from textiles, clothing and footwear stores. The amount spent online In October 2016 increased by 26.8% compared to the same month a year ago, and by 1.3% over the September 2016 figure.

[1] ONS: Gross Domestic Product Preliminary Estimate: July to September 2016. Release, 27 October 2016

[2] ONS: Public sector finances: October 2016, 22 November 2016

[3] ONS: Consumer Price Inflation, October 2016, 15 November 2016

[4] Bank of England Monetary Policy Summary and minutes of Monetary Policy Committee meeting ending 2 November 2016, 3 November 2016

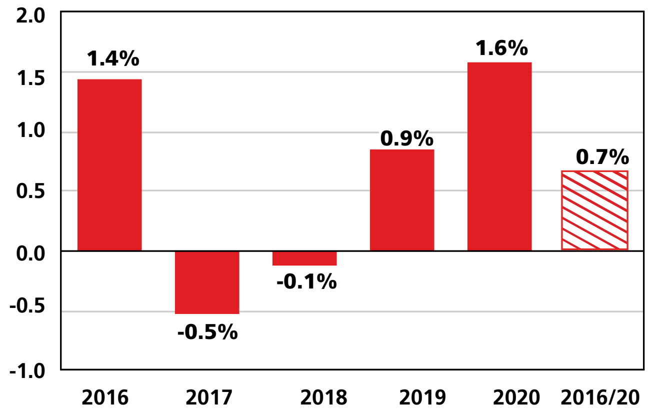
[5] ONS: UK Labour Market, 16 November 2016

[6] ONS: Retail Sales in Great Britain, 17 November 2016

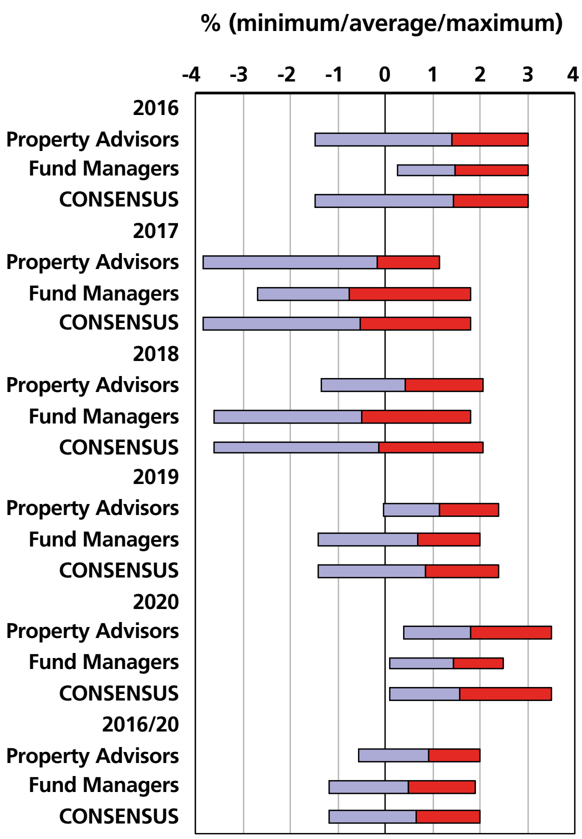
All Property rental value growth forecasts

A further three months on from the referendum decision, contributors appear to be broadly similarly-minded about near-term performance prospects in the occupational markets. 2016 has emerged as a year of two halves – following a May forecast of 3.1%, prospects have recovered slightly, to a current level less than 20 basis points (bps) above the last reported average of 1.3%. Weakly negative growth in 2017 and 2018 is likely to be followed by a modest recovery in later years.

The 2020 average has fallen back slightly (from 1.7% last quarter), whilst the overall impact on the five-year average is almost negligible (having been 0.6% per annum previously).



Rental value growth forecasts by contributor



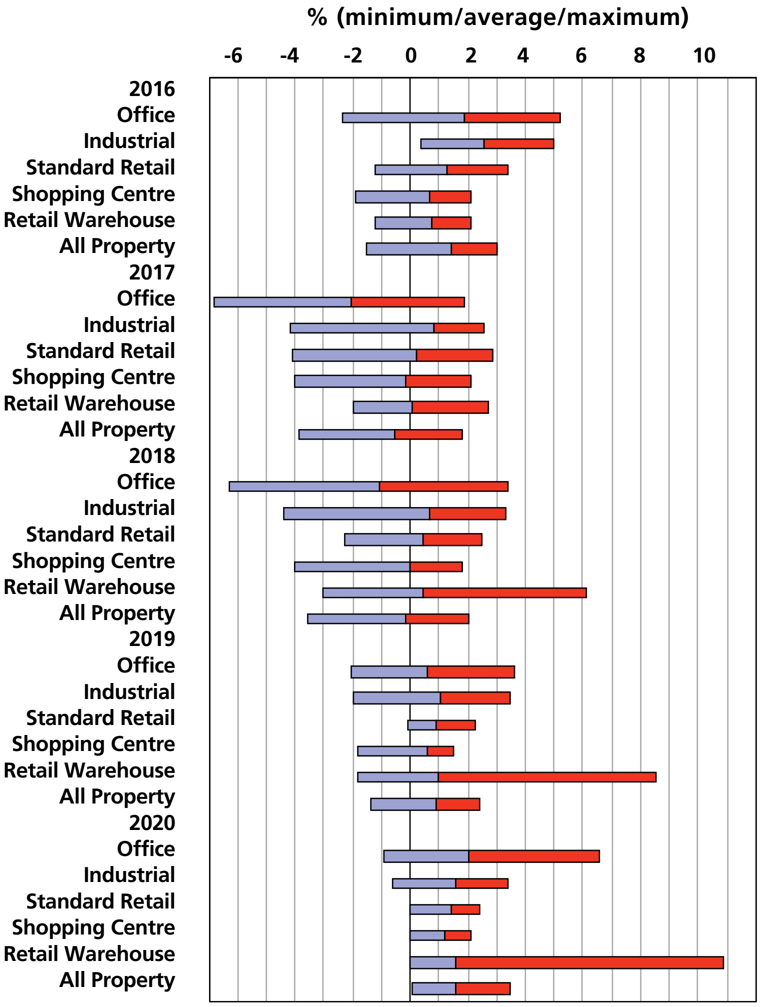
Whilst the current year includes relatively strong first half growth, the consensus among the two contributor types is for the full year average to lie within a spread of fewer than 10 bps. Only one Advisor predicts negative growth (of -1.5%) for 2016; omitting this outlier would increase this group's average by more than 40 bps, to over 1.7%.

2017 and 2018 continue to provide both the greatest range of estimates and weakest averages, although the most pessimistic Fund Manager three months ago has revised its projection for 2017 from -5.0% to -1.0%. Over the quarter, the majority of forecasts (16 of the 22 common to both surveys) are stronger or unchanged for the next two years, although a proportionately greater number of Fund Managers are more optimistic (eight of 13) compared to Property Advisors (four of eight). Forecast ranges for 2017 have reduced to 5.6% (from 7.0%) but widened in 2018 (to 5.6% from 3.4%).

Opinions in the later years of the forecast period and the five-year average are more closely aligned (at between 3.8% and 3.2%), although maximum projections have moderated.

N.B. One 'Other' contributor also returned data for this quarter's survey, included in the Consensus of all forecasts.

Sector rental value growth annual forecasts



Other than for Shopping Centres, average sector forecasts have improved slightly for the current year and 2017. Whilst minimum forecasts have broadly remained constant, with the exception of 2016 Offices, maximum growth projections have strengthened modestly in these years.

Office rental growth prospects continue to generate the widest ranges of opinion in the first three years of the survey period (reaching 9.7% by 2018, with a minimum forecast of -6.3%). Individual Retail Warehouse estimates indicate upside potential for this sector from 2018 onwards.

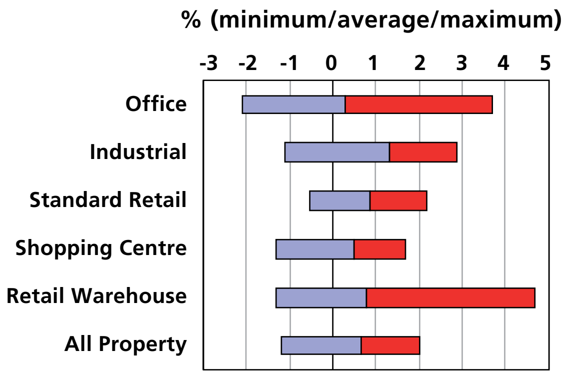
Compared to the All Property average, omitting Offices, other sectors are projected to outperform the wider market measure between 2017 and 2019, led by Industrials in each year.

Sector averages, other than those for Offices, are generally comparable in the later years of the survey. As identified in August, Office rental growth, averaging 2.0% (1.9% previously), is likely to exceed the All Property average in 2020, with Industrial and Retail Warehouse rates broadly the same (at 1.6%).

Sector rental value growth five-year average forecasts

Excluding the Shopping Centre average, which has weakened by 13 bps to 0.5% per annum, five-year sector growth rates have strengthened only marginally. Industrial remains the best-performing sector, at 1.3% per annum. The other two retail sub-market averages are projected to exceed the All Property average (of 0.7% per annum) by almost 20 bps for Standard Retail (0.9%) and 12 bps for Retail Warehousing (0.8%).

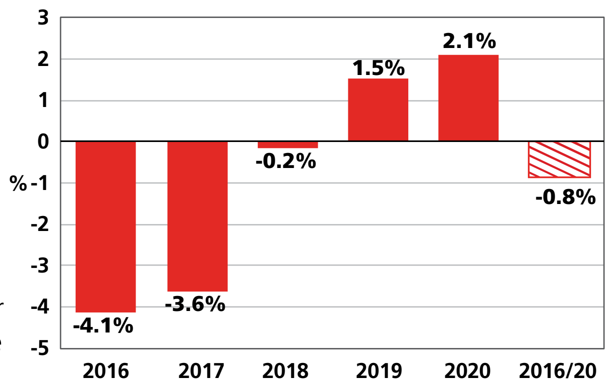
The greatest improvement over the quarter is registered by Offices, where the five-year mean has improved by 27 bps to 0.3% but still lags the All Property average.



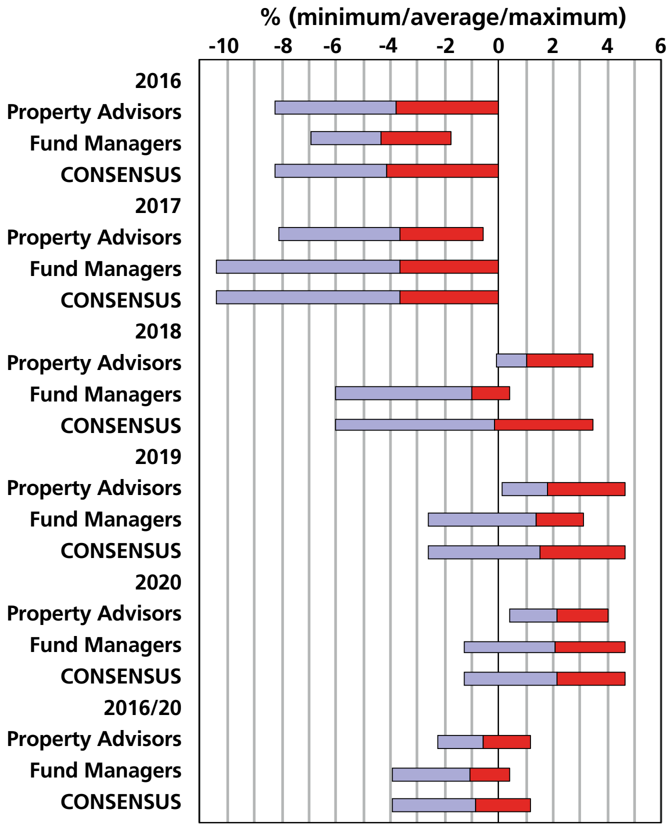
All Property average capital value growth forecasts

Capital value growth estimates have improved somewhat for 2016 and 2017, (previously -5.3% and -4.4% respectively) but greater pessimism is emerging for 2018 and 2019 (previously 0.5% and 1.6%) before strengthening in the final year of the survey (1.9% in August).

Although remaining negative, the impact of this near-term improvement, despite weakening growth expectations in the medium term, is to raise the five-year average by around 37 bps, from -1.2% per annum three months ago.



Capital value growth forecasts by contributor

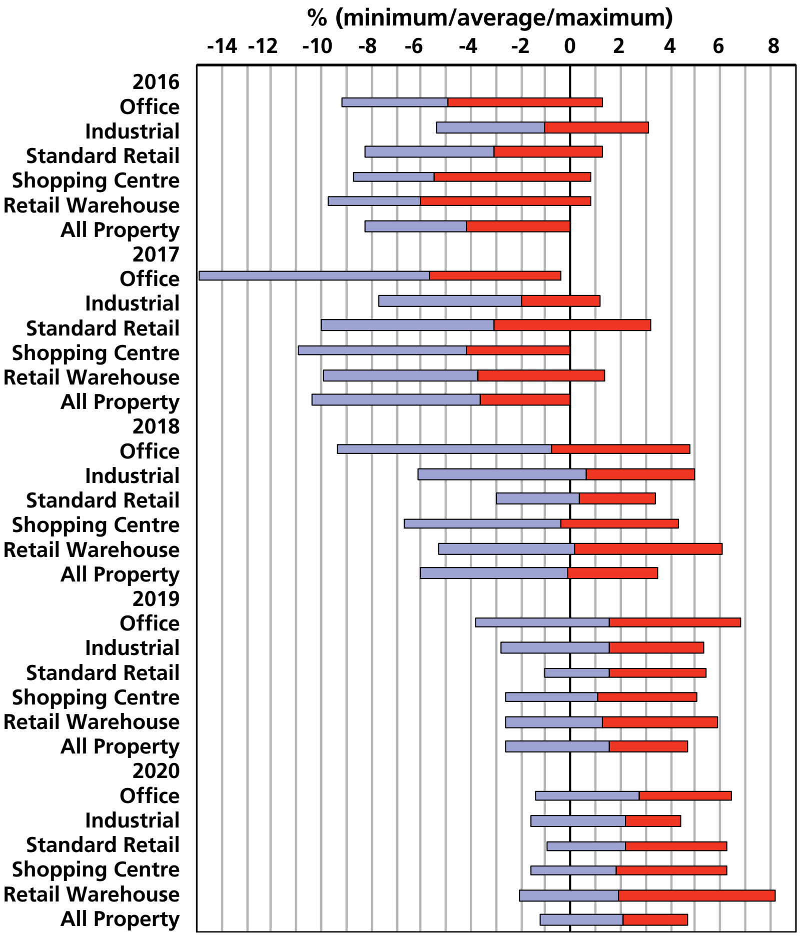


Although maximum forecasts in both 2016 and 2017 do not exceed zero, average forecasts have firmed, primarily as a result of improving sentiment on the part of a majority of Fund Managers, reinforced in 2017 by unchanged or stronger growth forecasts by the eight Advisors that contributed in both quarters.

Greater optimism is shown by Property Advisors in 2018 and 2019, in terms of both maximum and average forecasts (3.5% and 1.0% and 4.7% and 1.8% respectively for each year), despite several individual projections being unchanged over the quarter. In these years, Fund Manager forecasts are more varied, with maximum forecast of 0.4% and 3.1%, and averages of -1.0% and 1.4%.

Compared to three months ago, the five-year consensus among contributors has increased slightly despite the minimum individual forecast from the Fund Managers having fallen to -3.9% (from -3.5%). With a maximum of 1.2% from 0.7% three months ago, Property Advisor five-year average is almost 80 bps higher, at -0.6% currently, compared to the Fund Manager average of -1.1%.

Sector capital value growth annual forecasts



Despite further falls in minimum forecasts for four of the five sectors in 2017, average sector projections in 2016 and 2017 exceed those of three months ago, due to increased maximum forecasts. As a result, ranges have narrowed in 2016 (to between 8.5% and 10.5%) but widened in the following year (to between 14.5% and 8.9%). In both years, the greatest consensus lies with Industrial growth rates, Offices the least, although the three retail sub-sectors also generate double digit percentage forecast ranges.

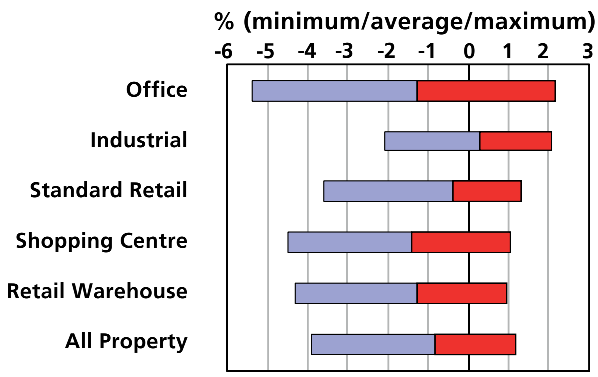
In 2018, Office and Shopping Centre growth expectations remain weakly negative (-0.7% and -0.4% respectively, compared to an All Property mean of -0.2%). Marginal positive capital value growth may be delivered by Industrial, Standard Retail and Retail Warehouse sectors (of between 0.6% and 0.2%). 2018 and 2019 forecast averages are generally weaker than those presented in August, the principal exception being an improving outlook for Offices in 2019. The ranges of forecaster opinion have narrowed in both these years and in 2020 also.

From 2019, sector averages are expected to lie between 1.6% and 1.1% for Offices/Industrials and Shopping Centres and may improve further in the final year of the survey period, although Office growth of 2.7% and Industrial and Standard Retail growth, both 2.2%, contrast with rates of 1.9% and 1.8% for the other two retail sub-sectors.

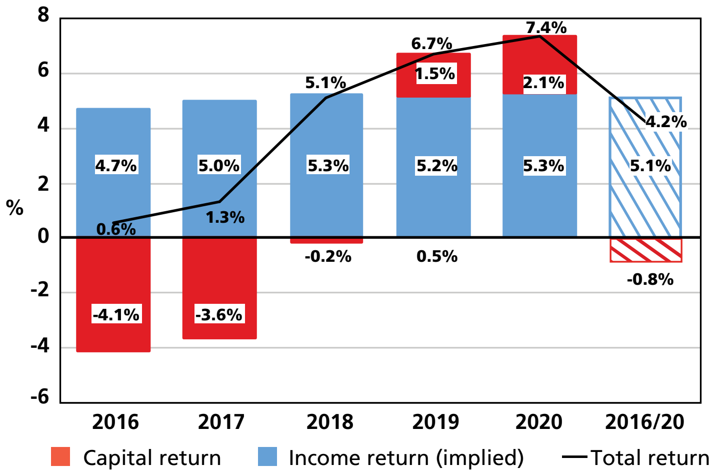
Sector capital value growth five-year forecasts

With the exception of Industrials, at 0.3% per annum, all sector averages remain below zero over five years. However, as well as Industrials, the Office and Standard Retail averages have improved over the quarter, by between 0.7% and 0.5% (to -1.3% and -0.4%), with the latter expected to exceed an All Property average of -0.8%.

Forecast ranges over five years are narrower than for any individual year of the survey period, lying between 7.6% for Offices and 4.2% for Industrial growth.



All Property total return forecasts



The fall in the capital value growth forecast that led to the significant reduction in the 2016 total return (to -0.4%) has been tempered by firmer sentiment in the current quarter, leading to a 1.0% improvement and, whilst not quite so great, the 2017 forecast is also better than the August estimate (of 0.6%).

Weaker growth projections in 2018 and 2019 have resulted in lower total return forecasts in those years (previously 5.7% and 6.8%) but the 2020 average has increased by 29 bps (from 7.1%). This, combined with better near-term expectations, has resulted in a five-year average 35 bps higher than a quarter ago.

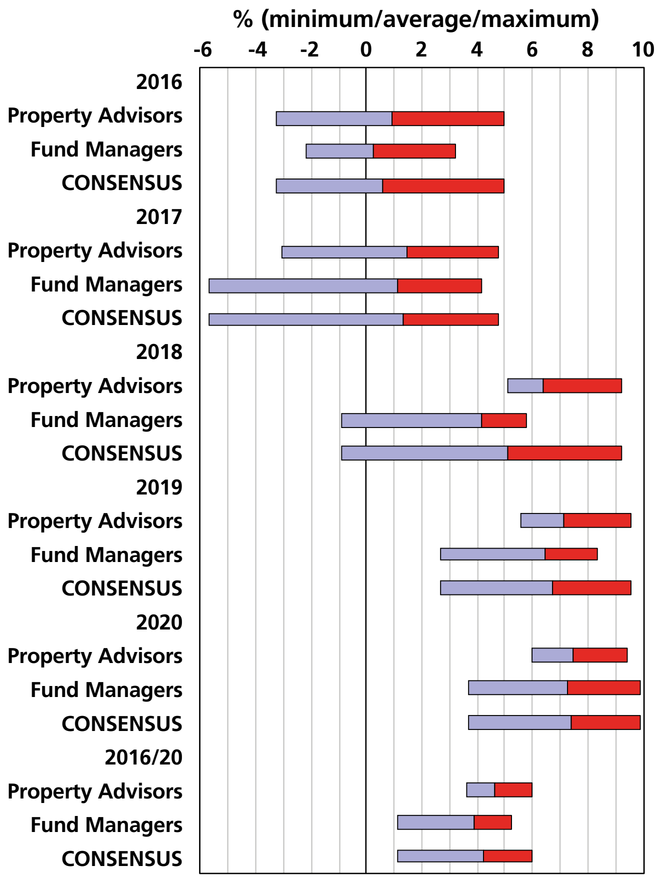
Contributors All Property total return forecasts

With the exception of the current year, Fund Managers hold a greater range of views than Property Advisors, as this latter group moves to a closer accord through the survey period (from a range of 8.3% in 2016 to 3.4% in 2020 and 2.4% for the five-year average).

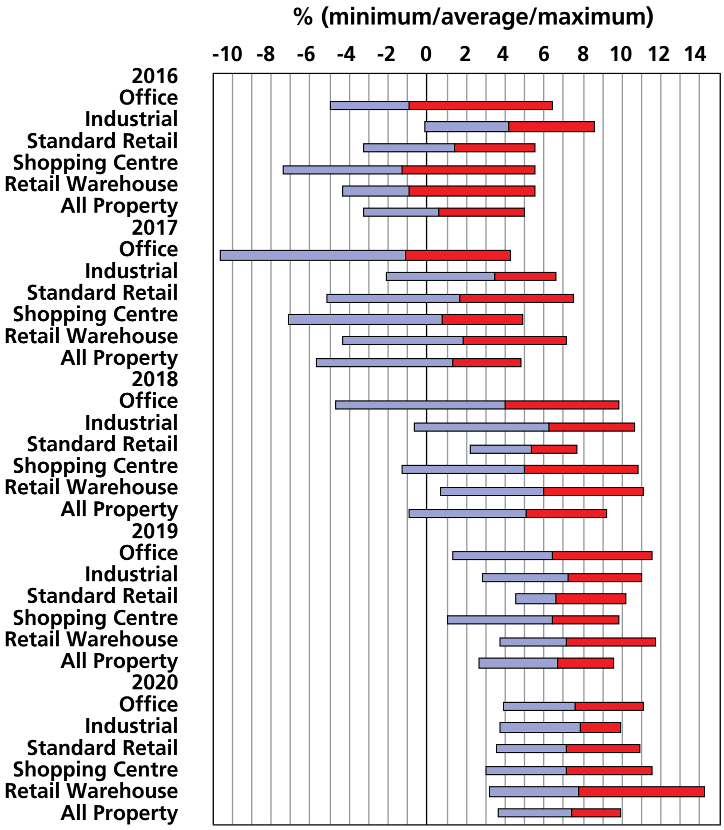
The eight Advisors common to both the current and previous surveys are relatively evenly distributed in terms of being more or less optimistic or unchanged in their opinions across all periods, whereas Fund Managers, on balance, appear more positive in their predictions generally, showing a minority of reduced forecasts this quarter. Of the 12 that also participated in the August survey, nine of their 2016 forecasts have improved, two are weaker and one is unchanged. Only in 2018 does the number of weaker Fund Manager forecasts exceed improved ones.

Whilst both sets of averages have increased for 2017, the 2018 and 2019 Fund Manager means have fallen (to 4.1% and 6.4%, from 6.1% and 7.3%) but are expected to recover in 2020 (to 7.2% from 6.8%), compared to a Property Advisor average of 7.5% that year.

The greatest accord between the two sets of contributors occurs for the five-year average, with Property Advisors at 4.6% compared to 3.9% for Fund Managers (from 4.0% and 3.7% respectively three months ago).



Sector total return annual forecasts



The distribution of individual total return forecasts continue to vary within and between sectors: all 2016 projections have reduced over the quarter with only Offices and Shopping Centres attracting ranges of more than 10% (at 11.4% and 13.0%, compared to averages of -1.0% and -1.3% respectively).

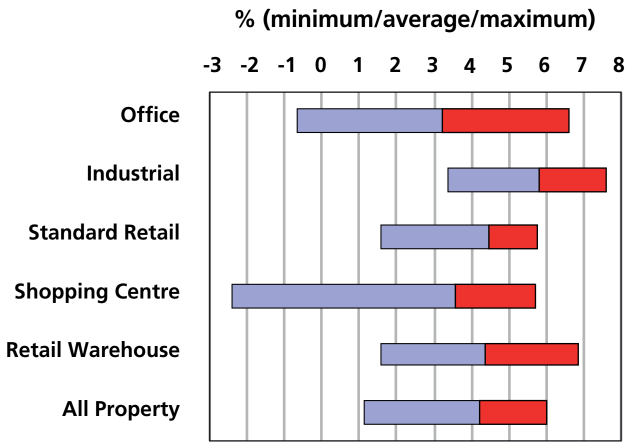
All sectors register negative return forecasts in 2016 and 2017 and sub-zero projections have emerged for Offices, Industrials and Shopping Centres in 2018, leading to lower averages throughout. Forecasts revert to being positive for all sectors in the two remaining years.

On average, the Industrial sector is now projected to be the best performing sector throughout the survey period, from a predicted low of 3.5% in 2017 to 7.8% in 2020, despite a recovery in the Office sector that year to a projected 7.6%. By the final year, all sectors are forecast to return in excess of 7.0%. Against an average of 7.4% in 2020, only Standard Retail and Shopping Centres (at averages of 7.2% and 7.1%) are expected to marginally underperform All Property, whilst Retail Warehouses are projected to deliver 7.7% that year.

Sector total return five-year forecasts

A combination of firmer 2016 and 2017 average forecasts but weaker 2018 projections has resulted in modest improvements in the five-year annualised averages, including an All Property total return rising to 4.2% per annum from 3.9% three months ago.

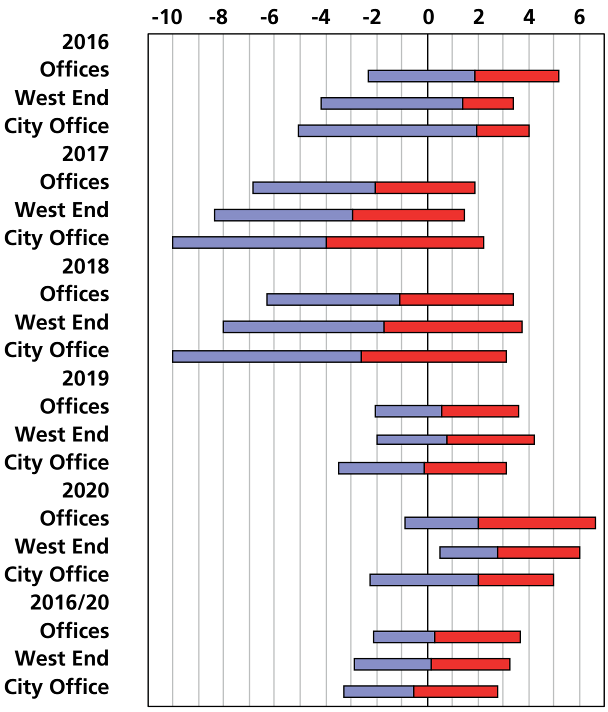
At the individual sector level, Industrials are expected to deliver the best performance, at 5.8% (from 5.3%), followed by Standard Retail at 4.5% (from 4.1%), whilst the Retail Warehouse mean has weakened slightly, to 4.4% (from 4.5%). Both Offices and Shopping Centres are predicted to produce annualised averages below the All Property, of 3.2% and 3.6% respectively.



Central London offices

Weakened sentiment for central London offices continues to be reflected by consistently lower forecasts in the short-term (2016 and 2017) across all measures compared to the wider UK office market and the low yield profile of these assets adversely impacts total returns throughout the survey period.

Rental value growth



Compared to August, the expected 2016 average rental growth rate for City offices has improved to 2.0%, from 0.9%, although the West End outlook has weakened marginally, to 1.4% from 1.5% (the national forecast having risen to 1.9% from 1.6%). As an indication of greater certainty, forecast ranges have narrowed over the period, although with potentially less upside in these numbers: whilst minimum projections are unchanged (at -5.1% and -4.2%), the highest have reduced (to 4.0% and 3.4% from 5.4% and 5.0%).

Earlier pessimism regarding 2017 growth rates has moderated slightly but averages remain negative (-2.9% and -4.0% for West End and City respectively, from -3.1% and -4.6%), although ranges of opinion have widened compared to three months ago. By contrast, 2018 average growth expectations have fallen further, albeit at a slower rate than for 2017 (at -1.7% and -2.6% from -1.5% and -2.4% in the West End and City).

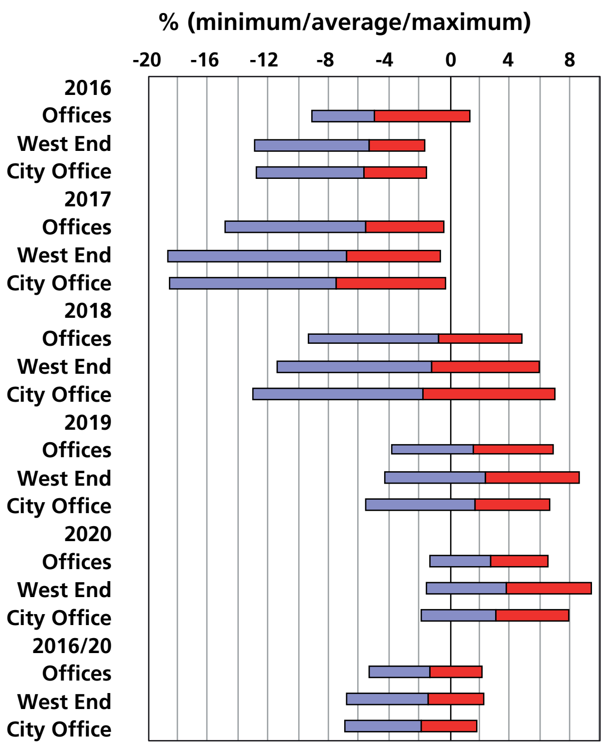
Sentiment for City growth in 2019 has firmed, with a return to positive growth predicted in the final year of the survey period (albeit averaging 2.0% against 2.6% in August). This contrasts with a considerably improved 2019 West End forecast (0.8% from -0.1%), followed by 2.8% in 2020, overtaking the UK average in both years. This results in a marginally positive five-year annualised growth rate (of 0.1%, up from -0.1%), although a 140 bps improvement in the City average does not return this sub-market to positive average growth (at -0.5% from -0.9%).

Capital value growth

The falls in 2016 and 2017 capital growth rates recorded in the August survey have moderated over the quarter (improving by an average of over 150 bps for the current year and 65 bps in 2017) although forecast ranges have increased for 2017, when the markets are expected to reach their lowest levels of growth.

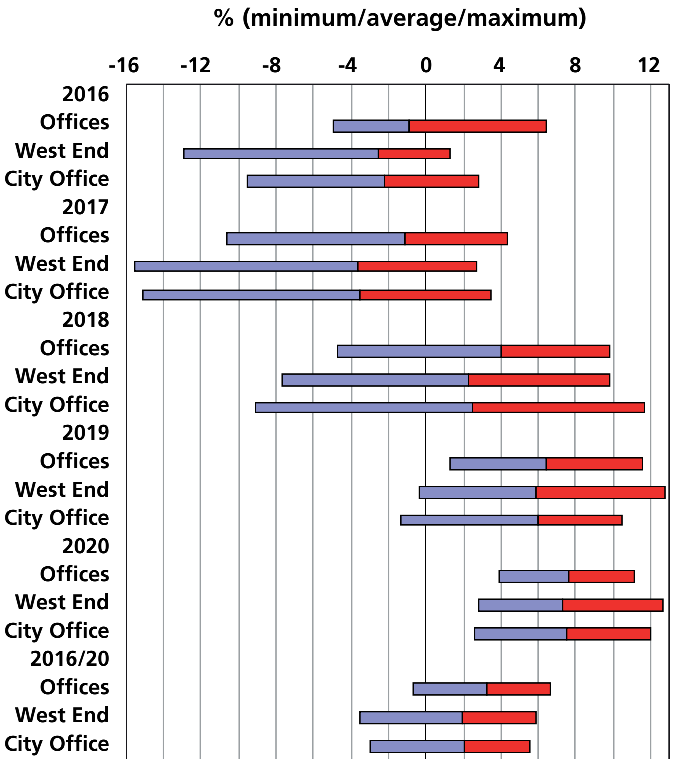
The expected recovery of each market in 2018 has weakened slightly over the quarter (to -1.2% for the West End and -1.8% for the City from 0.0% and -0.9%), although there is less accord between contributors as forecast ranges has widened (to 17.3% for the West End and 19.9% for the City). The return to positive growth thereafter, as indicated in the August survey, has been maintained and average projections have risen in each of the final two years whilst forecast ranges have also reduced.

Five-year annualised rates remain negative in all Office markets, despite improved averages in four of the five survey years. Forecasts are now -1.4% per annum for the West End (previously -2.2%) and -1.8% for the City (from -2.7%), as against -1.3% (-2.0%) nationally.



Central London offices (2)

Total returns



City prospects in particular have recovered over the quarter, as total return forecasts for 2016 and 2017 have improved by between 117 bps and 38 bps on average respectively, to -2.5% and -2.2% in 2016 for the West End and City (from -3.4% and -3.6%) and, despite continued declines in both markets in 2017, to -3.6% (from –3.7% and -4.2%). Whilst there is increasing consensus in the current year, as forecast ranges have narrowed by between 240 and 530 bps, contributors differ more in their 2017 views, which have widened by between 650 and 770 bps to stand at 18.2% for the West End and 18.5% for the City, primarily due to significant falls in minimum individual forecasts.

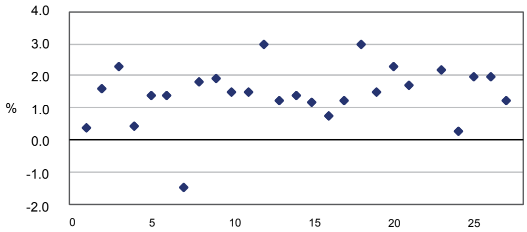
2018 marks a turning point, as projections strengthen and average total returns turn positive (2.2% and 2.5% for West End and City (respectively) with further improvement expected in the final two years; both markets are forecast to exceed 7.0% by 2020, although not matching the UK average of 7.67% that year.

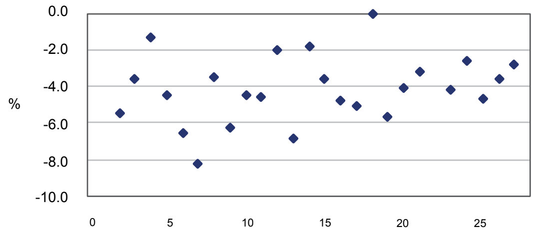
Five-year annualised returns have risen since August to 1.9% and 2.1% (from 1.5% for both). However, both continue to lag the national market (predicted to average 3.2%).

Distribution of forecasts

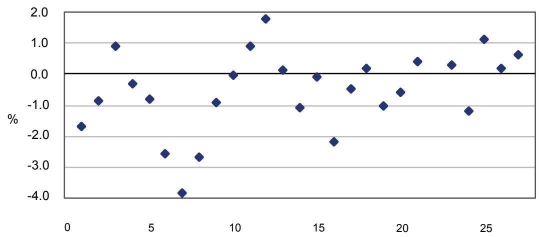
The scatter plots are the individual forecasts for **All Property** rental value and capital value growth. The contributors are listed in random order so that individual contributions cannot be identified. Previous quarter's forecast (August 2016) in brackets.

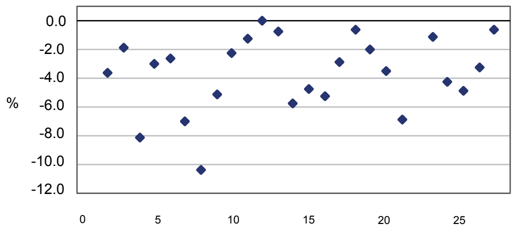
Rental value growth (% pa)	Capital value growth (% pa)
2016 Mean forecast: 1.4% (1.3%)	**2016** Mean forecast: -4.1% (-5.3%)



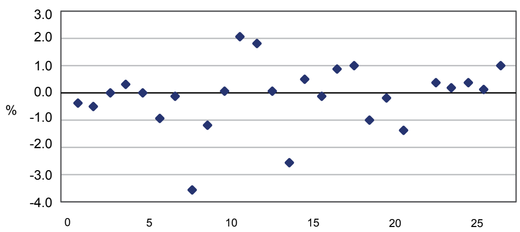


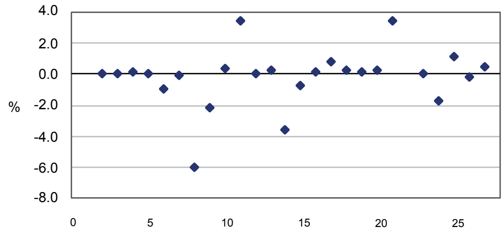
Rental value growth (% pa)	Capital value growth (% pa)
2017 Mean forecast: -0.5% (0.7%)	**2017** Mean forecast: -3.6 % (-4.4%)





Rental value growth (% pa)	Capital value growth (% pa)
2018 Mean forecast: -0.1% (0.0%)	**2018** Mean forecast: -0.2% (0.5 %)

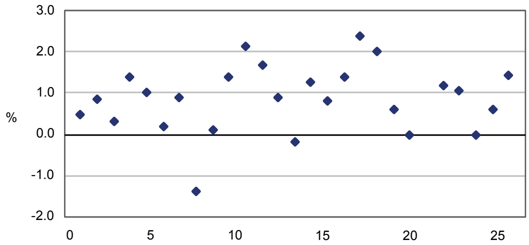




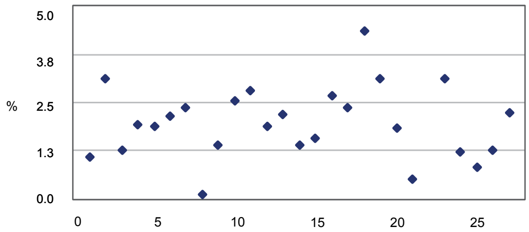
Distribution of forecasts (2)

Rental value growth (% pa)

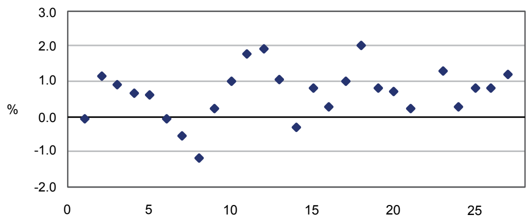
2019 Mean forecast: 0.9% (0.9%)



2020 Mean forecast: 1.6% (1.7%)

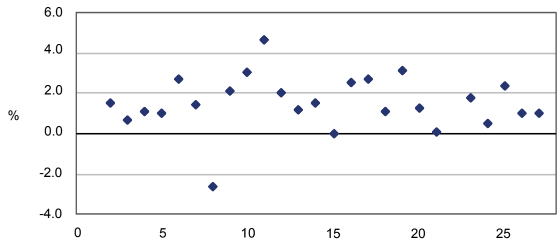


2016/20 Mean forecast: 0.7% (0.6%)

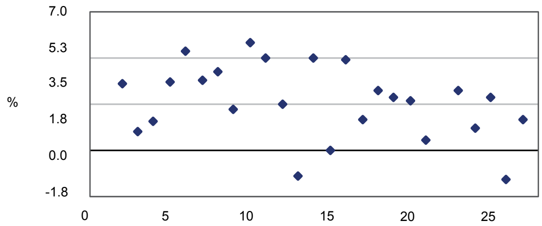


Capital value growth (% pa)

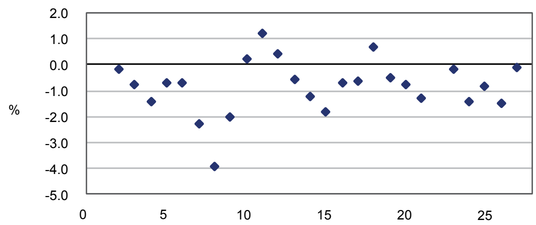
2019 Mean forecast: 1.5% (1.6%)



2020 Mean forecast: 2.1% (1.9%)



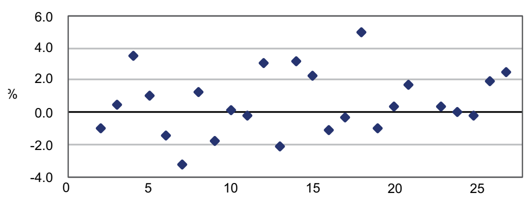
2016/20 Mean forecast: -0.8% (-1.2%)



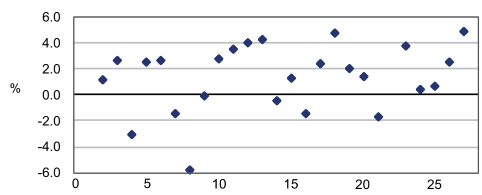
Distribution of forecasts (3)

All Property total returns (% pa)

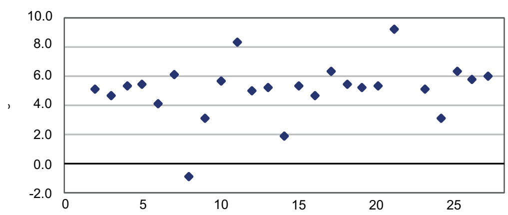
2016 Mean forecast: 0.6 % (-0.4%)



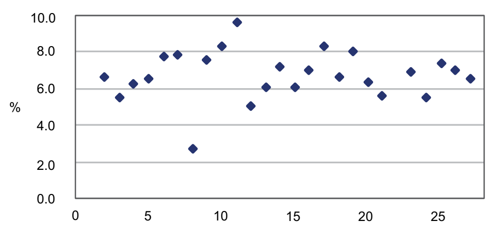
2017 Mean forecast: 1.3% (0.6%)



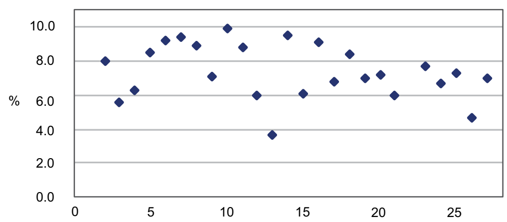
2018 Mean forecast: 5.1% (5.7%)



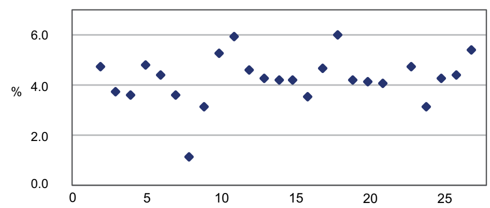
2019 Mean forecast: 6.7% (6.8%)



2020 Mean forecast: 7.4% (7.1%)



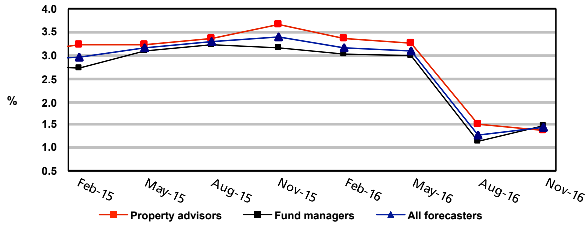
2016/20 Mean forecast: 4.2% (3.9%)



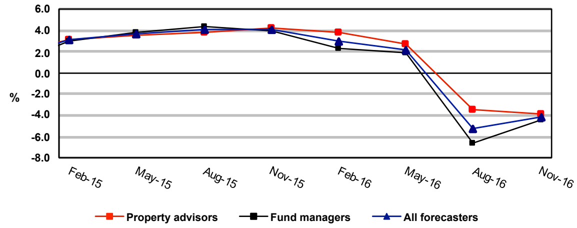
Evolution of the consensus

All Property rental value growth (% pa)	All Property capital value growth (% pa)

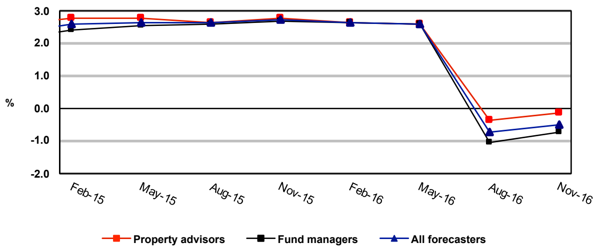
2016 Mean forecast: 1.4% (1.3%)



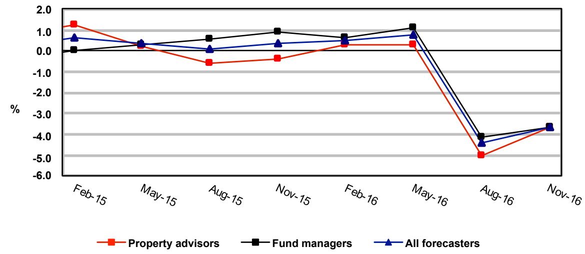
2016 Mean forecast: -4.1% (-5.3%)



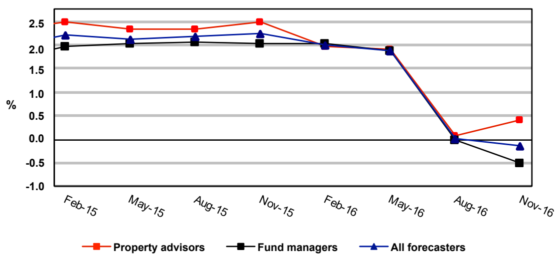
2017 Mean forecast: -0.5% (0.7%)



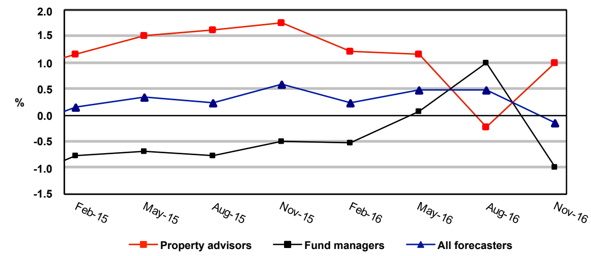
2017 Mean forecast: -3.6% (-4.4%)



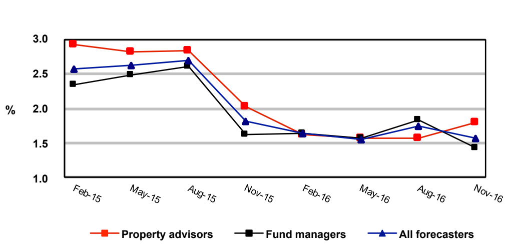
2018 Mean forecast: -0.1% (0.0%)



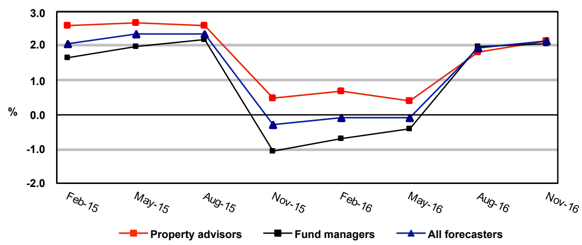
2018 Mean forecast: -0.2% (0.5 %)



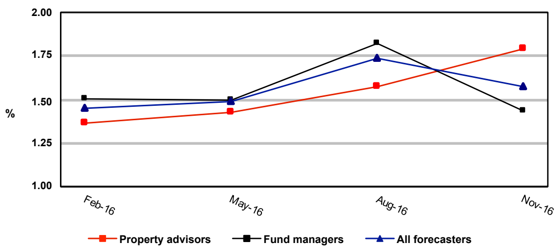
2019 Mean forecast: 0.9% (0.9%)



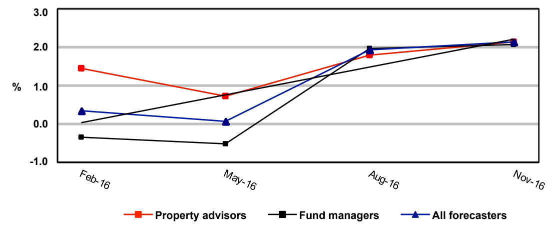
2019 Mean forecast: 1.5% (1.6%)



2020 Mean forecast: 1.6% (1.7%)



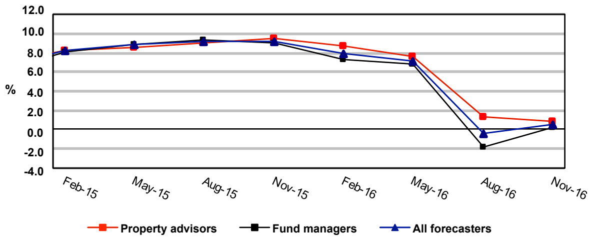
2020 Mean forecast: 2.1% (1.9%)



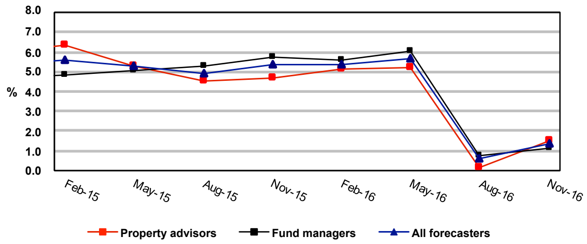
Evolution of the consensus (2)

All Property total returns (% pa)

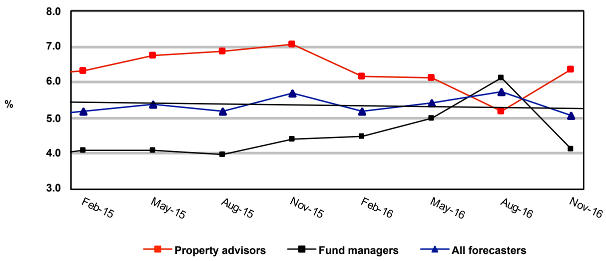
2016 Mean forecast: 0.6% (-0.4%)



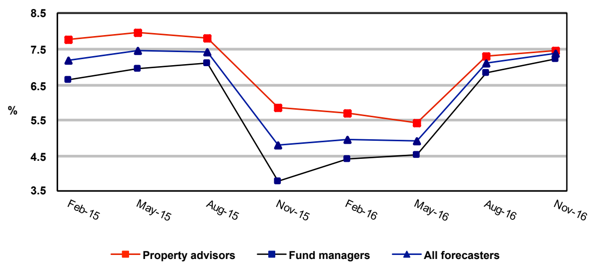
2017 Mean forecast: 1.3% (0.6%)



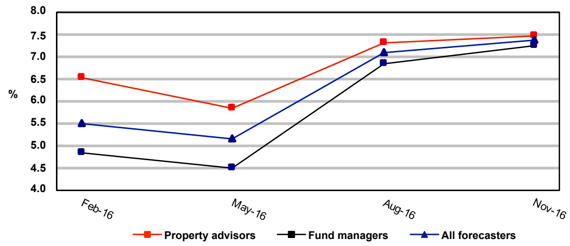
2018 Mean forecast: 5.1% (5.7%)



2019 Mean forecast: 6.7% (6.8%)



2020 Mean forecast: 7.4% (7.1%)



All Property survey results by contributor type

(Forecasts in brackets are May 2016 comparisons)

Property Advisors and Research Consultancies

9 (10) contributors	Rental value growth (%)						Capital value growth (%)						Total return (%)					
	2016		2017		2016/20		2016		2017		2016/20		2016		2017		2016/20	
Maximum	3.0	(3.2)	1.1	(1.2)	2.0	(2.3)	0.0	(0.2)	-0.6	(-0.6)	1.2	(0.7)	5.0	(5.7)	4.8	(5.3)	6.0	(6.5)
Minimum	-1.5	(-1.5)	-3.8	(-3.8)	-0.6	(-0.6)	-8.3	(-8.3)	-8.1	(-8.4)	-2.3	(-2.3)	-3.3	(-3.3)	-3.1	(-3.1)	3.6	(2.8)
Range	4.5	(4.7)	5.0	(5.1)	2.6	(2.9)	8.3	(8.4)	7.5	(7.8)	3.5	(3.0)	8.3	(9.0)	7.8	(8.4)	2.4	(3.7)
Median	1.6	(1.9)	0.3	(0.0)	0.9	(0.7)	-4.1	(-2.8)	-3.1	(-4.7)	-0.7	(-1.4)	0.4	(2.5)	1.9	(-0.1)	4.4	(3.6)
Mean	**1.4**	**(1.5)**	**-0.2**	**(-0.4)**	**0.9**	**(0.7)**	**-3.8**	**(-3.5)**	**-3.7**	**(-5.0)**	**-0.6**	**(-1.3)**	**0.9**	**(1.4)**	**1.5**	**(0.1)**	**4.6**	**(4.0)**

Fund Managers*

15 (14) contributors	Rental value growth (%)						Capital value growth (%)						Total return (%)					
	2016		2017		2016/20		2016		2017		2016/20		2016		2017		2016/20	
Maximum	3.0	(3.0)	1.8	(2.0)	1.9	(2.2)	-1.8	(-1.2)	0.0	(0.0)	0.4	(0.8)	3.2	(3.0)	4.2	(4.0)	5.3	(5.4)
Minimum	0.2	(-0.6)	-2.7	(-5.0)	-1.2	(-0.1)	-6.9	(-10.0)	-10.4	(-10.7)	-3.9	(-3.5)	-2.2	(-5.9)	-5.7	(-5.4)	1.1	(2.2)
Range	2.8	(3.6)	4.5	(7.0)	3.1	(2.3)	5.1	(8.8)	10.4	(10.7)	4.3	(4.3)	5.4	(8.9)	9.9	(9.4)	4.1	(3.2)
Median	1.5	(1.4)	-0.9	(-1.1)	0.8	(0.5)	-4.0	(-6.5)	-3.4	(-3.2)	-0.8	(-1.2)	0.1	(-1.7)	1.7	(1.8)	4.2	(3.8)
Mean	**1.5**	**(1.1)**	**-0.7**	**(-1.0)**	**0.5**	**(0.6)**	**-4.4**	**(-6.6)**	**-3.7**	**(-4.2)**	**-1.1**	**(-1.2)**	**0.3**	**(-1.8)**	**1.1**	**(0.7)**	**3.9**	**(3.7)**

All Forecasters*

25 (24) contributors	Rental value growth (%)						Capital value growth (%)						Total return (%)					
	2016		2017		2016/20		2016		2017		2016/20		2016		2017		2016/20	
Maximum	3.0	(3.2)	1.8	(2.0)	2.0	(2.3)	0.0	(0.2)	0.0	(0.0)	1.2	(0.8)	5.0	(5.7)	4.8	(5.3)	6.0	(6.5)
Minimum	-1.5	(-1.5)	-3.8	(-5.0)	-1.2	(-0.6)	-8.3	(-10.0)	-10.4	(-10.7)	-3.9	(-3.5)	-3.3	(-5.9)	-5.7	(-5.4)	1.1	(2.2)
Range	4.5	(4.7)	5.6	(7.0)	3.2	(2.9)	8.3	(10.2)	10.4	(10.7)	5.1	(4.3)	8.3	(11.6)	10.5	(10.7)	4.9	(4.3)
Std. Dev.	0.9	(1.1)	1.3	(1.6)	0.7	(0.6)	1.8	(2.9)	2.5	(2.8)	1.0	(1.1)	1.9	(3.0)	2.5	(2.8)	1.0	(1.1)
Median	1.5	(1.5)	-0.4	(-0.3)	0.8	(0.6)	-4.1	(-6.0)	-3.2	(-4.5)	-0.7	(-1.4)	0.3	(-0.9)	2.0	(0.1)	4.2	(3.6)
Mean	**1.4**	**(1.3)**	**-0.5**	**(-0.7)**	**0.7**	**(0.6)**	**-4.1**	**(-5.3)**	**-3.6**	**(-4.4)**	**-0.8**	**(-1.2)**	**0.6**	**(-0.4)**	**1.3**	**(0.6)**	**4.2**	**(3.9)**

*Includes one additional Fund Manager, who provided rental growth forecasts only at the All Property and each sector level (including central London offices).

Notes:

1. Figures are subject to rounding and are forecasts of All Property or relevant segment Annual Index measures published by the Investment Property Databank (IPD). 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, all forecasts were produced no more than 12 weeks prior to the survey date.
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 contributed by 25 participants for each performance measure (other than one Fund Manager who provided rental growth forecasts only). Full sector forecasts were received from reduced samples of 21/20 contributors (19 for central London offices).

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Survey results by sector

Office

21 contributors	*Rental value growth* (%)				Capital value growth (%)				Total return (%)			
	2016	2017	2018	2016/20	2016	2017	2018	2016/20	2016	2017	2018	2016/20
Maximum	5.2	1.9	3.4	3.7	1.3	-0.4	4.8	2.2	6.4	4.3	9.8	6.6
Minimum	-2.3	-6.9	-6.3	-2.1	-9.2	-14.9	-9.4	-5.4	-5.0	-10.6	-4.7	-0.7
Range	7.5	8.7	9.7	5.8	10.5	14.5	14.2	7.6	11.4	14.9	14.5	7.3
Median	2.4	-1.7	-1.1	0.4	-5.2	-4.7	-0.5	-1.2	-1.2	-0.1	4.1	3.2
Mean	**1.9**	**-2.1**	**-1.1**	**0.3**	**-5.0**	**-5.6**	**-0.7**	**-1.3**	**-1.0**	**-1.2**	**4.0**	**3.2**

Industrial

20 contributors	*Rental value growth (%)				Capital value growth (%)				Total return (%)			
	2016	2017	2018	2016/20**	2016	2017	2018	2016/20**	2016	2017	2018	2016/20**
Maximum	5.0	2.6	3.3	2.9	3.1	1.2	5.0	2.1	8.6	6.6	10.7	7.6
Minimum	0.4	-4.2	-4.4	-1.1	-5.4	-7.7	-6.1	-2.1	-0.1	-2.1	-0.7	3.4
Range	4.6	6.7	7.7	4.0	8.5	8.9	11.1	4.2	8.7	8.7	11.4	4.2
Median	2.6	0.9	1.0	1.3	-1.0	-1.3	0.7	0.3	4.0	3.9	6.5	5.8
Mean	**2.6**	**0.8**	**0.7**	**1.3**	**-1.1**	**-1.9**	**0.6**	**0.3**	**4.2**	**3.5**	**6.2**	**5.8**

Standard Retail

20 contributors	*Rental value growth (%)				Capital value growth (%)				Total return (%)			
	2016	2017	2018	2016/20	2016	2017	2018	2016/20	2016	2017	2018	2016/20
Maximum	3.4	2.9	2.5	2.2	1.3	3.2	3.4	1.3	5.5	7.5	7.7	5.8
Minimum	-1.3	-4.1	-2.3	-0.5	-8.3	-10.0	-3.0	-3.6	-3.3	-5.1	2.2	1.6
Range	4.6	7.0	4.8	2.7	9.6	13.2	6.4	4.9	8.8	12.6	5.5	4.2
Median	1.4	0.0	0.5	0.9	-2.9	-2.2	0.5	-0.2	2.1	2.5	5.6	4.7
Mean	**1.3**	**0.2**	**0.4**	**0.9**	**-3.1**	**-3.1**	**0.3**	**-0.4**	**1.4**	**1.6**	**5.3**	**4.5**

Shopping Centre

20 contributors	*Rental value growth (%)				Capital value growth (%)				Total return (%)			
	2016	2017	2018	2016/20	2016	2017	2018	2016/20	2016	2017	2018	2016/20
Maximum	2.1	2.1	1.8	1.7	0.8	0.0	4.3	1.0	5.5	4.9	10.8	5.7
Minimum	-1.9	-4.0	-4.0	-1.3	-8.7	-10.9	-6.7	-4.5	-7.4	-7.1	-1.3	-2.4
Range	4.0	6.1	5.8	3.0	9.5	10.9	11.0	5.5	13.0	12.0	12.1	8.1
Median	1.0	0.0	0.4	0.8	-5.9	-3.3	-0.1	-1.2	-1.5	1.2	5.4	4.0
Mean	**0.7**	**-0.2**	**0.0**	**0.5**	**-5.5**	**-4.2**	**-0.4**	**-1.4**	**-1.3**	**0.7**	**5.0**	**3.6**

Retail Warehouse

20 contributors	*Rental value growth (%)				Capital value growth (%)				Total return (%)			
	2016	2017	2018	2016/20	2016	2017	2018	2016/20	2016	2017	2018	2016/20
Maximum	2.1	2.7	6.1	4.7	0.8	1.4	6.0	1.0	5.5	7.1	11.0	6.8
Minimum	-1.2	-2.0	-3.0	-1.3	-9.7	-9.9	-5.3	-4.3	-4.3	-4.3	0.7	1.6
Range	3.4	4.7	9.1	6.0	10.5	11.3	11.3	5.3	9.8	11.4	10.3	5.2
Median	0.8	0.0	0.3	0.6	-6.5	-3.7	0.1	-1.1	-1.4	2.6	5.7	4.4
Mean	**0.7**	**0.1**	**0.4**	**0.8**	**-6.1**	**-3.7**	**0.2**	**-1.3**	**-0.9**	**1.9**	**6.0**	**4.4**

All Property

25 contributors	*Rental value growth (%)				Capital value growth (%)				Total return (%)			
	2016	2017	2018	2016/20	2016	2017	2018	2016/20	2016	2017	2018	2016/20
Maximum	3.0	1.8	2.0	2.0	0.0	0.0	3.5	1.2	5.0	4.8	9.2	6.0
Minimum	-1.5	-3.8	-3.6	-1.2	-8.3	-10.4	-6.0	-3.9	-3.3	-5.7	-0.9	1.1
Range	4.5	5.6	5.6	3.2	8.3	10.4	9.5	5.1	8.3	10.5	10.1	4.9
Std. Dev.	0.9	1.3	1.2	0.7	1.9	2.6	1.9	1.0	2.0	2.6	1.9	1.0
Median	1.5	-0.4	0.0	0.8	-4.1	-3.2	0.1	-0.7	0.3	2.0	5.3	4.2
Mean	**1.4**	**-0.5**	**-0.1**	**0.7**	**-4.1**	**-3.6**	**-0.2**	**-0.8**	**0.6**	**1.3**	**5.1**	**4.2**

* One additional rental value growth forecast was received for each sector and All Property.

Sector summary: Means

All sectors

(no. contributors)		*Rental value growth (%)				Capital value growth (%)				Total return (%)			
		2016	2017	2018	2016/20	2016	2017	2018	2016/20	2016	2017	2018	2016/20
Office	(21)	1.9	-2.1	-1.1	0.3	-5.0	-5.6	-0.7	-1.3	-1.0	-1.2	4.0	3.2
Industrial	(20)	2.6	0.8	0.7	1.3	-1.1	-1.9	0.6	0.3	4.2	3.5	6.2	5.8
Standard Retail	(20)	1.3	0.2	0.4	0.9	-3.1	-3.1	0.3	-0.4	1.4	1.6	5.3	4.5
Shopping Centre	(20)	0.7	-0.2	0.0	0.5	-5.5	-4.2	-0.4	-1.4	-1.3	0.7	5.0	3.6
Retail Warehouse	(20)	0.7	0.1	0.4	0.8	-6.1	-3.7	0.2	-1.3	-0.9	1.9	6.0	4.4
All Property	**(25)**	**1.4**	**-0.5**	**-0.1**	**0.7**	**-4.1**	**-3.6**	**-0.2**	**-0.8**	**0.6**	**1.3**	**5.1**	**4.2**

West End office

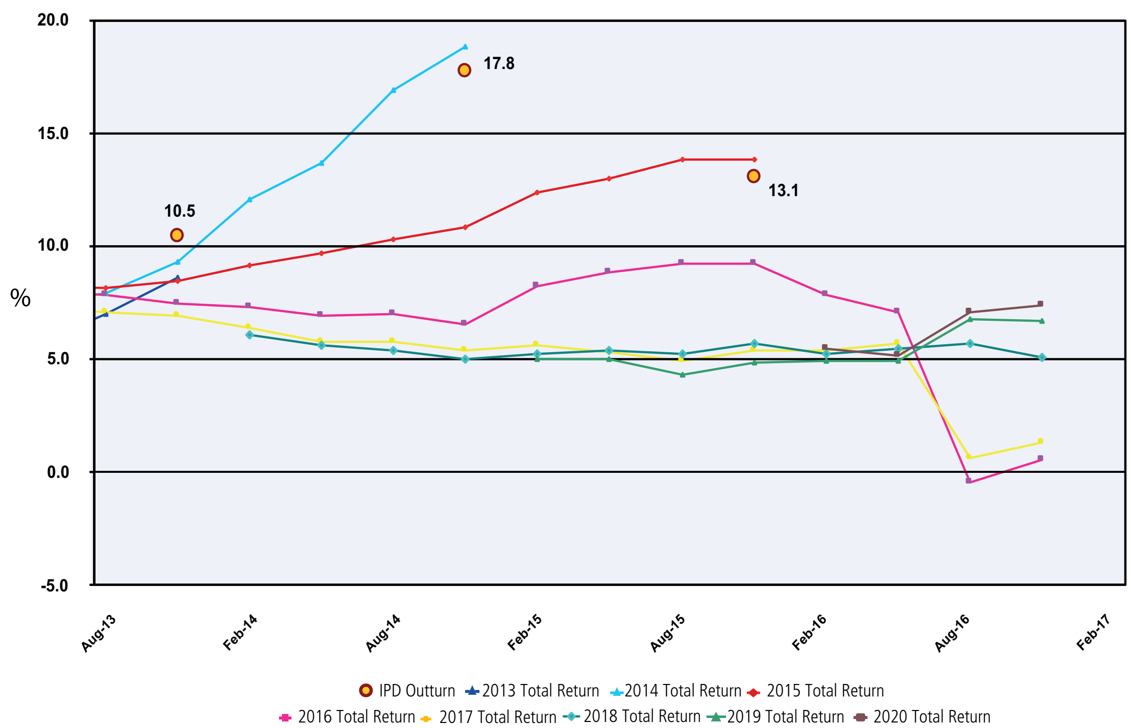
19 contributors	†Rental value growth (%)				Capital value growth (%)				Total return (%)			
	2016	2017	2018	2016/20	2016	2017	2018	2016/20	2016	2017	2018	2016/20
Maximum	3.4	1.5	3.7	3.2	-1.7	-0.7	5.9	2.2	1.3	2.7	9.8	5.9
Minimum	-4.2	-8.4	-8.0	-2.9	-12.9	-18.7	-11.4	-6.9	-12.9	-15.5	-7.7	-3.5
Range	7.6	9.9	11.7	6.1	11.3	18.0	17.3	9.1	14.2	18.2	17.5	9.4
Median	2.0	-2.7	-1.8	-0.2	-4.7	-5.9	-0.5	-1.4	-1.7	-2.5	2.6	2.1
Mean	**1.4**	**-2.9**	**-1.7**	**0.1**	**-5.3**	**-6.8**	**-1.2**	**-1.4**	**-2.5**	**-3.6**	**2.2**	**1.9**

City office

19 contributors	†Rental value growth (%)				Capital value growth (%)				Total return (%)			
	2016	2017	2018	2016/20	2016	2017	2018	2016/20	2016	2017	2018	2016/20
Maximum	4.0	2.2	3.1	2.8	-1.5	-0.2	6.9	1.8	2.8	3.4	11.7	5.5
Minimum	-5.1	-10.0	-10.0	-3.3	-12.8	-18.6	-13.0	-7.0	-9.5	-15.1	-9.1	-3.0
Range	9.1	12.2	13.1	6.1	11.3	18.4	19.9	8.8	12.3	18.5	20.8	8.5
Median	2.5	-4.6	-2.5	-0.9	-5.1	-7.1	-1.5	-1.9	-1.7	-3.1	2.9	2.0
Mean	**2.0**	**-4.0**	**-2.6**	**-0.5**	**-5.7**	**-7.5**	**-1.8**	**-1.8**	**-2.2**	**-3.6**	**2.5**	**2.1**

† Rental value growth forecasts were received from 21 contributors.

Consensus Forecast All Property Total Return Forecasts versus IPD Annual Outturn



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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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