IPF Research

Investment Property Forum
UK Consensus Forecasts

Spring 2019

COMMISSIONED BY THE IPF RESEARCH PROGRAMME

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:

The Investment Property Forum Consensus Forecasts
Spring 2019 Survey of Independent Forecasts for UK Commercial Property Investment – May 2019

27 organisations contributed data for the second survey of 2019, comprising forecasts dating from March to mid-May. Key results include:

Retail drag on 2019 All Property performance continues

- The **All Property rental growth** forecast for the current year fell a further 20 bps over the quarter, to **-0.2%**, despite improved Office rental growth expectations (to 0.4% from -0.0% previously) and continuing strength in the Industrial market (anticipated to increase by 3.0% over the year), as a result of further declines in retail forecasts, ranging between 100 and 107bps for Retail Warehouses and Shopping Centres (Standard Retail being down 81bps).
- Again, a substantial lowering in retail capital growth forecasts over the quarter was recorded, with average falls of over 200bps in each sub-sector generating the majority of the decline in the **All Property capital growth** forecast to **-2.8%** (-2.3% in February).
- In turn, the **All Property total return** fell to **1.8%**, from 2.4% a quarter ago.

2020 outlook weaker in most sectors

- An anticipated further weakening in retail rents resulted in the **All Property rental growth** forecast declining almost 20 bps, to **0.1%**, whilst falling average **capital value growth** rates in all but the Office sector precipitated a reduction in **total returns**, the **All Property** averages now lying at **-1.7%** and **3.1%** respectively (from -1.2% and 3.5%).
- The margin of weakening in 2020 retail rental growth expectations was not as great as that in 2019 (at between 66 and 84bps), while projections for Industrials and Offices were virtually static over the quarter. Capital growth averages followed a similar pattern to rents – the rate of decrease slowed compared to the current year; from a fall of 32bps for Industrials (to 1.0%) to declines of over 140bps in each retail sub-sector (Standard Retail now down to -4.5%, the Shopping Centre average lower at -6.2%, and Retail Warehouses at -4.9%).

Continuing weakening in sentiment slows recovery

- Both Office and Industrial average rental growth forecasts for 2021 and 2022 were weaker than recorded by the last survey, whilst the decline in retail sector growth rates continued. The **2021** retail **rental value growth** forecasts now lie between -1.3% (Shopping Centres) and -0.6% (Standard Retail), resulting in a lower **All Property average** compared to three months ago, of **0.6%** (0.9% previously).
- **2021** all sector **capital growth rates** deteriorated over the quarter, ranging from -3.1% (Shopping Centres) to 0.5% (Industrials) resulting in an **All Property average** of **-0.5%** (over 50bps lower than in February). The 2021 **average total return** now stands at **4.4%**.
- Weakening sentiment for **2022 rental growth** characterised all sectors, to produce an **All Property average of 1.1%** (1.3% previously), with capital growth prospects consistently lower too, which resulted in a 44bp drop in the **All Property capital value** average to **0.3%**. The **2022 All Property total return** now lies at **5.2%** (from 5.5%).
- **2023** sector **rental growth** forecasts were only marginally lower over the quarter, with the average remaining **1.4%** at the **All Property** level. Falling capital growth projections across all sectors over the quarter left the **2023 All Property average capital growth** 37bps lower, at **0.6%**, and the **total return** at **5.6%** (5.8% previously).

Five-year averages fall

- Weakening forecasts in the majority of sectors over the survey period resulted in declines in all three rolling five-year performance averages.
- At **0.6% per annum**, the **All Property rental value growth** rate fell almost 20bps over the quarter, whilst the annualised **capital growth** projection of **-0.8%** was nearly 50bps lower.
- Although the **implied income return** was unchanged, at **4.8%**, the **All Property total return** average is now **4.0% per annum** (from 4.4% in February).

Summary Results

Summary Average by Sector

	Rental value growth (%)				Capital value growth (%)				Total return (%)			
	2019	2020	2021	2019/23	2019	2020	2021	2019/23	2019	2020	2021	2019/23
Office	0.4	0.3	1.1	1.1	-1.7	-1.3	-0.1	-0.3	2.4	3.1	4.3	4.1
Industrial	3.0	2.2	1.8	2.1	2.6	1.0	0.5	1.0	7.2	5.7	5.2	5.7
Standard Retail	-2.8	-1.7	-0.6	-0.8	-7.4	-4.5	-1.3	-2.5	-3.2	0.0	3.4	2.1
Shopping Centre	-3.9	-2.6	-1.3	-1.7	-10.7	-6.2	-3.1	-4.6	-5.8	-0.7	2.7	1.0
Retail Warehouse	-3.1	-2.1	-0.9	-1.0	-8.9	-4.9	-2.0	-3.2	-3.2	1.2	4.4	3.0
All Property	**-0.2**	**0.1**	**0.6**	**0.6**	**-2.8**	**-1.7**	**-0.5**	**-0.8**	**1.8**	**3.1**	**4.4**	**4.0**
West End office	0.2	0.3	1.3	1.5	-1.7	-0.7	0.5	0.2	1.7	2.8	4.1	3.8
City office	0.2	-0.1	1.4	1.3	-2.0	-1.1	0.7	0.0	1.9	2.9	4.8	4.1
Office (all)	0.4	0.3	1.1	1.1	-1.7	-1.3	-0.1	-0.3	2.4	3.1	4.3	4.1

All Property Average by Forecast Month

	Rental value growth (%)				Capital value growth (%)				Total return (%)			
Month of forecast (no. contributors)	2019	2020	2021	2019/23	2019	2020	2021	2019/23	2019	2020	2021	2019/23
March (5)	-0.3	0.2	1.0	0.7	-2.3	-1.0	-0.5	-0.7	2.1	3.6	4.2	4.0
April (9)	-0.4	0.0	0.6	0.6	-3.3	-2.0	-0.3	-1.0	1.1	2.8	4.6	3.8
May (13)	-0.1	0.0	0.5	0.5	-2.6	-1.7	-0.6	-0.7	2.2	3.0	4.3	4.1
All Forecasters (27)	**-0.2**	**0.1**	**0.6**	**0.6**	**-2.8**	**-1.7**	**-0.5**	**-0.8**	**1.8**	**3.1**	**4.4**	**4.0**

Survey contributors

There were 27 contributors to this quarter's forecasts, comprising 13 Property Advisors and Research Consultancies, 12 Fund Managers and two 'Other' forecasts*. Full All Property forecasts for all periods were received from 25 contributors.

Full sector forecasts were received from 23 contributors, including full West End and City sub-office sector forecasts. All forecasts were generated within 12 weeks of the survey date (15 May 2019). Named contributors appear on the final page of this report.

*A minimum of five forecasts are required in order to be analysed on a separate basis. 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

According to the latest ONS release[1], UK economic growth, rose to 0.5% in Quarter 1 2019 (January to March) from 0.2% in Quarter 4 2018. This was against a backdrop of a larger-than-expected, albeit temporary, boost from stock building by companies in the UK and EU in advance of recent Brexit deadlines. Production output increased by 1.4% over the quarter, with manufacturing output increasing by 2.2%. This was offset by a slowing in services output growth, to 0.3%, while construction output increased by 1.0%. The only negative contribution to growth was in the agriculture, forestry and fishing sector, where output fell by 1.8%.

Turning to public sector finances[2], net borrowing (excluding public sector banks) in April 2019 was £5.8 billion, £0.03 billion less than a year ago and the lowest since 2007. In the last full financial year-to-date (April 2018 to March 2019), PSB net borrowing (excluding public sector banks) was £23.5 billion, £18.3 billion less for the previous year and the lowest full financial year borrowing for 17 years (April 2001 to March 2002). Public sector net debt[3] as at the end of April 2019 was £1,797.7 billion (or 82.7% of GDP), an increase of £20.5 billion (or a decrease of 1.6% of GDP) on April 2018. Debt at the end of April 2019 was £1,610.1 billion (74.1% of GDP), representing an annual increase of £26.9 billion (or 1.0% decrease in GDP).

The May 2019 meeting of the Bank of England Monetary Policy Committee again voted unanimously to maintain the Bank Rate at 0.75% and the stock of sterling non-financial investment-grade corporate bond purchases at £10 billion, as well as the stock of UK government bond purchases at £435 billion. In its latest Inflation Report[4], updated projections assume a smooth adjustment to the average of a range of possible outcomes for the UK's eventual trading relationship with the EU. The project for Base Rate is a rise to around 1.0% by the end of the forecast period, lower than in the February Report, having been heavily influenced by recent global developments; the Bank particularly cites forward interest rates in the US and the euro area falling markedly.

The annual inflation rate, as measured by the Consumer Prices Index including owner-occupier housing costs (CPIH), was 2.0% in April[5], up from 1.8% in March. Influenced by the late timing of Easter, rising energy prices and air fares produced the largest upward contributions to change in the rate between March and April 2019. The largest downward contribution came from across a range of items, including computer games and package holidays, whilst clothing and footwear continued to have a downward impact to inflation

The latest ONS estimate of people in work[6], measured over the period January to March 2019, was 32.7 million. This represents an increase of 354,000 more than for a year earlier, due entirely to full-time working (up 372,000 to 24.1 million)., with people working part-time falling 18,000, to 8.6 million. This represents an employment rate of 76.1% for people aged 16 to 64 in work, compared to 75.6% a year ago (and the joint highest figure on record). Unemployment was estimated at 3.8%; the lowest since Q4 1974. The rate of economically inactive aged 16 to 64 years (i.e. not working and not seeking or available to work) was estimated at 20.8%, lower than for a year earlier (21.1%) and close to a record low. Average weekly earnings in increased by 3.3% excluding bonuses (1.5% in real terms).

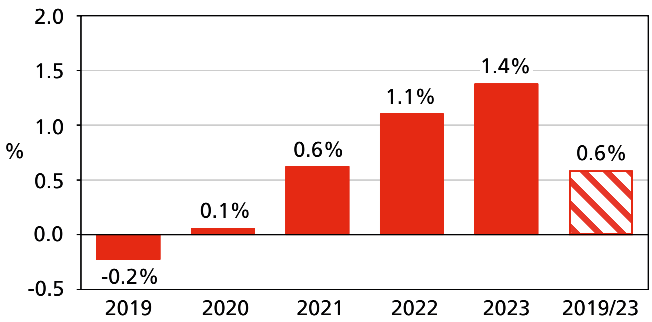
In the three months to April 2019, the ONS estimate[7] of the quantity of goods bought (volume) in retail sales increased by 1.8% compared to the previous three months. Non-store retailing showed particularly strong growth, reaching a record 9.4%.

In the three months to April 2019, the quantity of goods bought (volume) in retail sales increased by 1.8% when compared with the previous three months, with strong growth in non-store retailing, which reached a record high of 9.4%, driven by online sales of clothing items. Compared to the previous year, the quantity bought in April 2019 increased by 5.2%, with growth across all sectors other than household goods (down 4.5%) In April 2019, online accounted for 18.7% of total retailing compared to 17.7% a year earlier.

[1] ONS: GDP first quarterly estimate, UK: January to March 2018. Release date: 10 May 2019
[2] ONS: Public sector finances, UK: April 2019. Released: 22 May 2019
[3] Excluding public sector banks
[4] Bank of England Inflation Report, published 2 May 2019
[5] ONS Consumer price inflation, UK: April 2019. Release date: 22 May 2019
[6] ONS: UK Labour Market Statistics: January 2019. Release date: 14 May 2019
[7] ONS: Retail Sales, Great Britain: April 2019. Release date: 24 May 2019

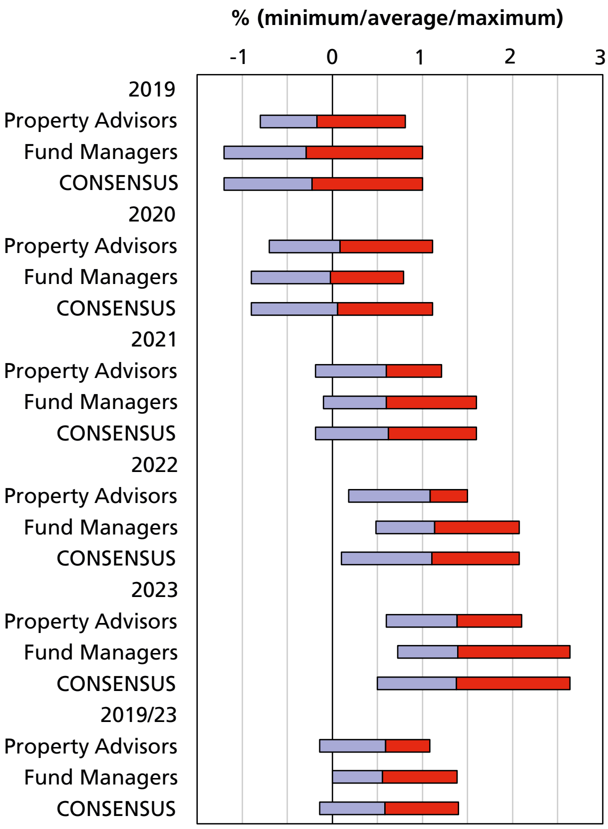
All Property rental value growth forecasts

Annual growth forecasts fell over the quarter for each of the first four years of the survey period. A significant majority of contributors (23) project zero or negative growth in the current year, which, as well as the 2020 average, is 20 bps lower than the February growth rate. The decline is most marked in the 2021 average, almost 30 bps below the 0.9% reported previously.



As a result, the five-year average has weakened by a magnitude of 18bps, from 0.8% pa at the start of the year.

Rental value growth forecasts by contributor



N.B. Two 'Other' contributors returned data in addition to the 25 Property Advisors and Fund Managers.

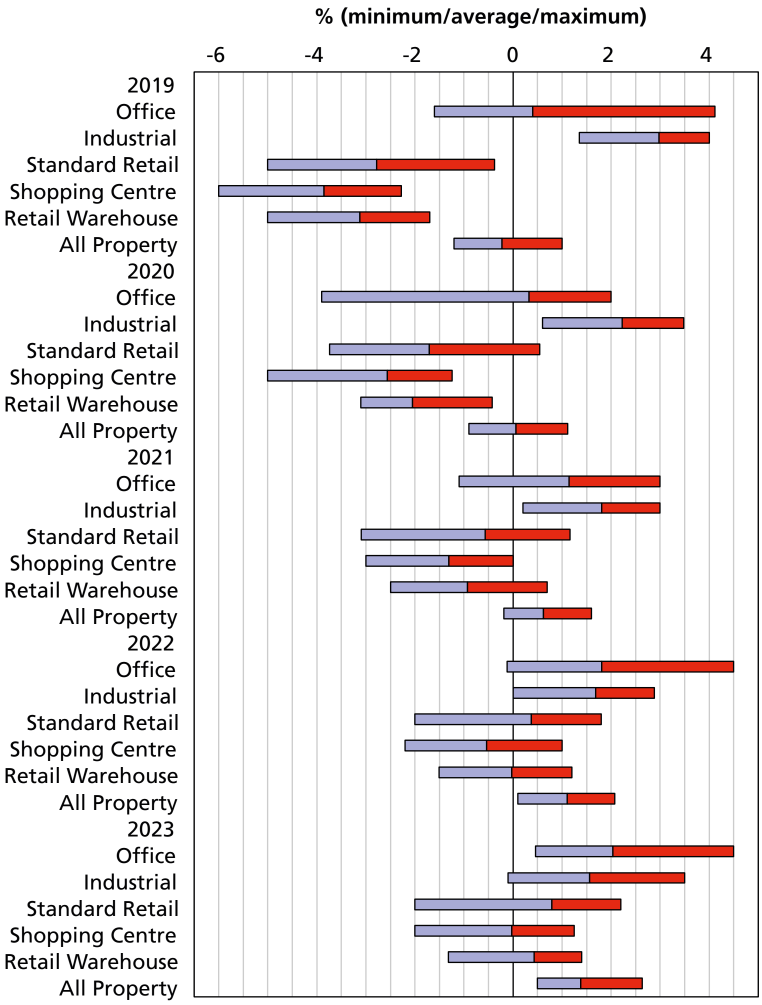
The fall in the 2019 average is due to weakening sentiment on the part of Fund Manager contributors, whose minimum forecast fell from -1.0% to -1.2%, although a drop in the maximum Property Advisor prediction (from 1.4% to 0.8%) contributed in tipping this group's average to below zero for the first time (to -0.2% from 0.2% in February).

Across remaining forecast periods, all forecasters' averages have declined, maintaining a similar pattern to that reported last quarter. The only exception at the contributor level is the Fund Manager average in 2023, which, at 1.4%, is some 20bps higher. Individual sub-zero forecasts persist into 2021 although both sets of contributors average 0.6% that year and are matching in the two remaining years, rising to equal the 2023 average of 1.4% recorded in February.

Forecast ranges fluctuated between the two categories of contributor with a narrowing of the overall average in most years, other than in 2023 when an increase of more than 50bps in the Property Advisors span extended the Consensus range to over 210bps. With the exception of 2020, Property Advisors continue to be most closely aligned in their forecasts.

The annualised five-year average projection is 0.6% for both groups, which is consistent in the case of Fund Managers but over 35bps lower than the February average for Property Advisors (previously 1.0%).

Sector rental value growth annual forecasts



Significant improvements in minimum forecasts for Offices and Industrials in 2019 have resulted in stronger average growth rates for these markets, with Offices now expected to deliver positive growth in 2019. Industrial rental growth is likely to exceed all other sectors, with the three retail sub-markets all declining over the quarter by between 107bps for Shopping Centres and over 80bps for unit shops (to -3.9% and -2.8% respectively), although the minimum Shopping Centre projection rose from -7.7% to -6.0% over the quarter. The Office sector was the only segment to attract a higher maximum forecast in 2019 (of 4.1% from 2.7% previously).

The diverse pattern of sector forecasts persists in 2020, with only Office and Industrial average growth rates comparable to those reported in February. Average rates are lower across all sectors in each of the three remaining forecast years than three months ag.

Combined ranges of opinion for sectors narrow in each successive year between 2019 and 2022, which include a maximum individual Office forecast of 5.9% in 2020 to minima of 2.7% for Industrials in 2019 and Retail Warehouses in 2020, 2021 and 2023.

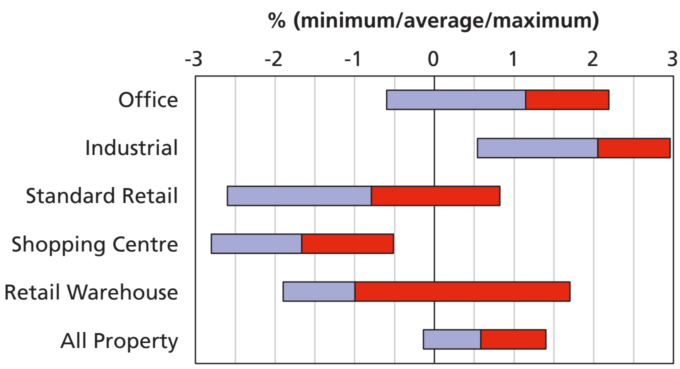
The sustained weakening of retail growth rates continue to adversely affect the All Property averages, compounded by weaker Office and Industrial rates from 2021 onwards.

Sector rental value growth five-year average forecasts

Further declines in most sector projections for the four years to 2022 have caused the annualised All Property rental value growth rate to fall by almost 20bps from 0.8% pa.

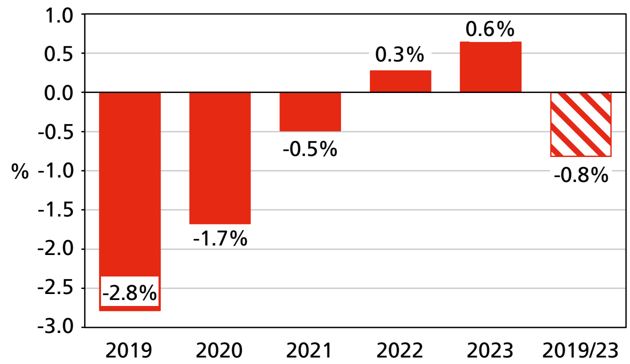
Office and Industrial sector performances are likely to significantly exceed those for the retail sub-markets, having held at 1.1% pa and 2.1% pa.

The Standard Retail average declined by 45 bps to -0.8% pa, with the Retail Warehouse and Shopping Centre annualised averages fell over the quarter by 47bps and 72bps, to lie at -1.0% pa and -1.7% pa currently.



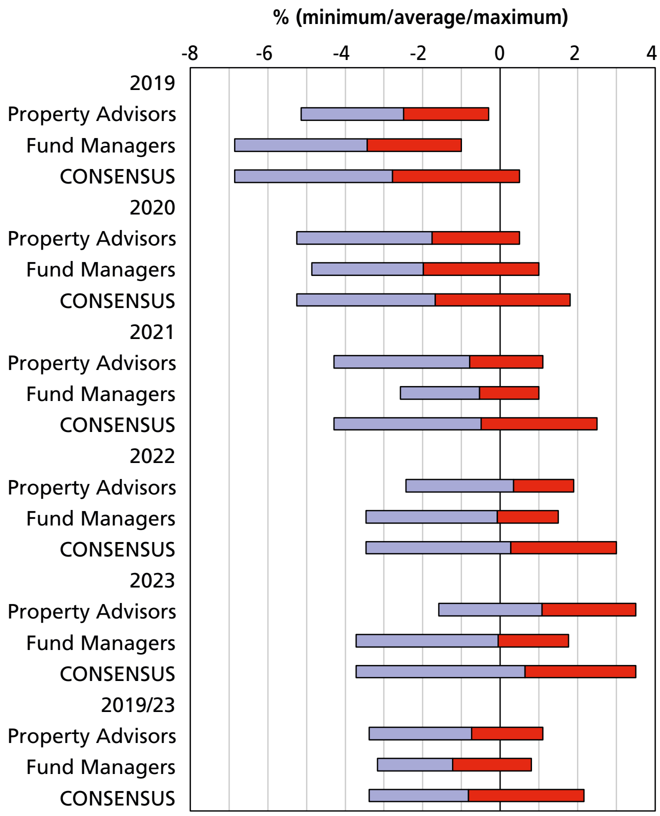
All Property average capital value growth forecasts

Annual capital value growth projections fell over the quarter for every year of the survey period. With the exception of only one contributor, all forecasts were negative growth in the current year and all but five for 2020, with 16 sub-zero returns causing the 2021 average also to turn negative. Falls have averaged over 45bps in each period, ranging from 52bps in 2021 (previously 0.0%) to 37bps in 2023 (1.0% in February).



The resultant five-year average has fallen by a similar degree, having been -0.3% pa at the start of the year.

Capital value growth forecasts by contributor



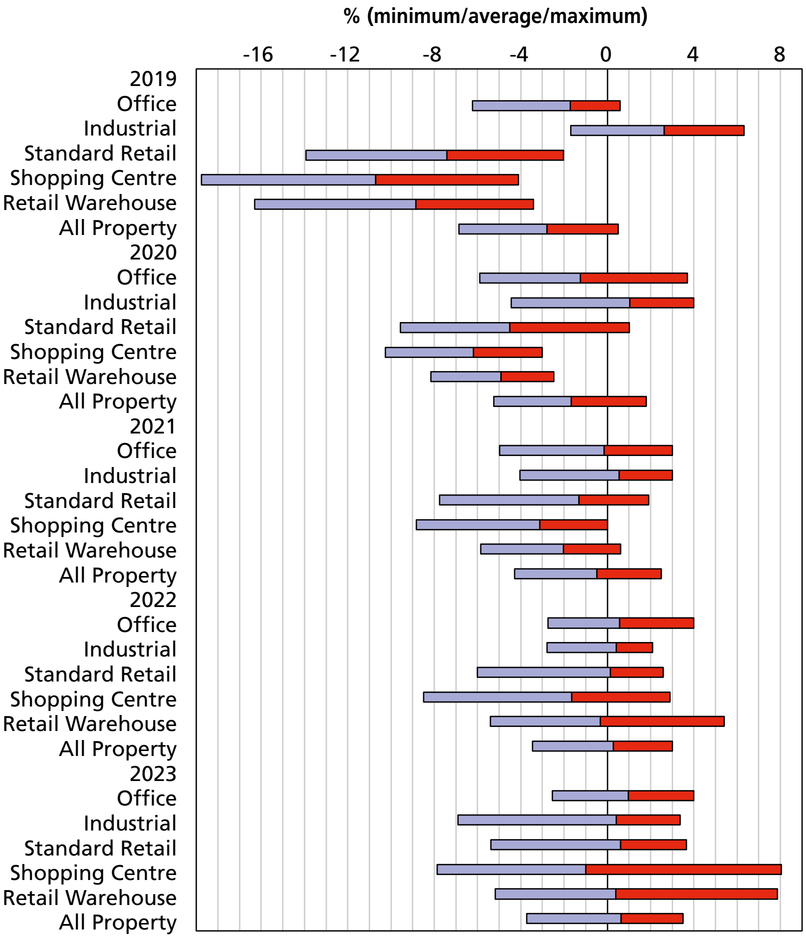
N.B. Two ‘Other’ contributors returned data in addition to the 25 Property Advisors and Fund Managers.

All Fund Managers and Property Advisors continue to forecast negative growth in 2019, at -3.4% and -2.5% respectively, although the former’s average outlook is slightly more optimistic than the -3.7% reported three months ago, compared to -1.4% for Advisors. (It should be noted the positive maximum forecast for 2019 is at the All Forecaster level.)

Since February, minimum, average and maximum Property Advisor forecasts have fallen in all forecast years, with the exception of a single higher individual projection in 2023, with a similar pattern for Fund Manager expectations, other than in 2020, when the maximum forecast was over 70bps higher at 1.0%. Although only five contributors expect a return to positive growth in 2020, this rises to 11 in 2021 and to a majority (19) by 2022, when the overall average is expected to turn positive despite a Fund Manager average of -0.1%.

Property Advisors remain the more optimistic group on average in most forecasting periods (except in 2021, when the projected average is -0.8% compared to -0.5% for Fund Managers). 2019 and 2020 forecast ranges widened over the quarter, due to a weaker 2019 consensus between Advisors, whereas Fund Manager views diverged more in 2020.

The five-year annualised averages weakened – by almost 70bps in the case of Advisors (to -0.7%) and by 35bps for Fund Managers (to -1.2%).



Minimum forecasts for the current year appear to have held or improved slightly over the quarter, although, falls in maximum individual forecasts have resulted in all sector averages other than Offices falling by between 247bps (Shopping Centres, now -10.7%) and 23bps (Industrials, now 2.6%).

Shopping Centres continue to attract the weakest average forecasts throughout the survey period, with 13 of 24 contributors forecasting double-digit negative growth in 2019. The sector also records the widest opinion in three of the five survey years, the other two being Standard Retail.

Industrial is the only sector likely to deliver positive average growth in each of the next three years: at 2.6% in 2019 (although down 23bps from February), 1.0% in 2020 (down 32bps) and 0.5% in 2021 (down 50bps). Of 25 forecasts received, 10 project negative growth in one or more of the five years surveyed.

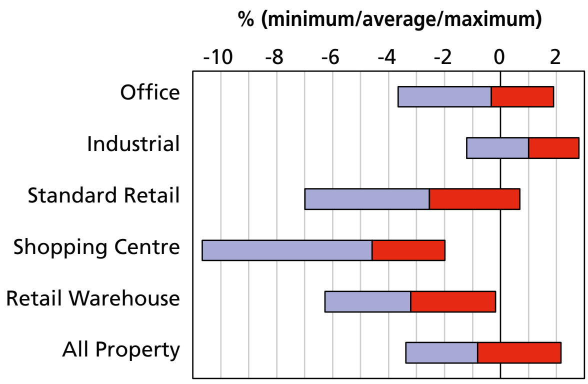
2019 and 2020 average Office forecasts improved over the quarter. Otherwise, sentiment weakened across all sectors over all periods. Falls in average rates ranged from 247bps for 2019 Shopping Centres (and, interestingly, attracting a significant positive outlier of 8.0% in 2023) to 25bps for 2021 and 2023 Offices.

Whilst the All Property average turns positive by 2022, Shopping Centres is the one sector that remains sub-zero throughout the entire survey period (-1.0% in 2023).

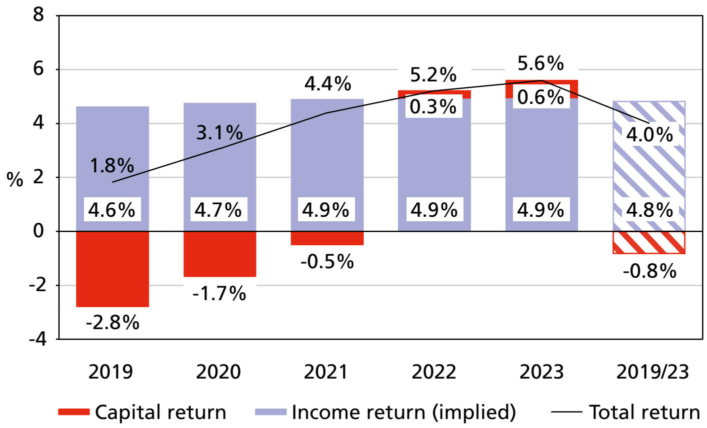
Sector capital value growth five-year average forecasts

Industrials, at 1.0% pa (previously 1.5%) and Offices, broadly stable at -0.3% pa, remain the two sectors likely to out-perform the All Property annualised average of -0.8% (-0.3% last quarter). Annualised growth rates for the three retail sub-markets lie between -2.5% for Standard Retail (-1.5% previously) and -4.6% for Shopping Centres (from -3.1%), with Retail Warehouses at –3.2% (from -2.1%).

Forecast ranges for Shopping Centres and Standard Retail widened over the quarter (from 829 to 867 bps and 742 to 768bps respectively), compared to a 125bps reduction in the Office forecast range, to 556bps currently.



All Property total return forecasts



In a partial reversal of last quarter's results, the average All Property total return forecast fell for each period of the survey. 2019 recorded the greatest change (down 60bps since February, and 120bps over six months). These figures reflect further weakening in capital growth expectations, although the level of decline diminishes year on year.

With the exception of the current year, which has fallen by 14bps, implied income returns have remained relatively static or increased marginally (changes lying between 3 and 17bps over the quarter). The impact of weaker capital value growth over the five years has resulted in a drop in annualised average, which fell almost 50bps, from 4.4% previously.

Contributors All Property total return forecasts

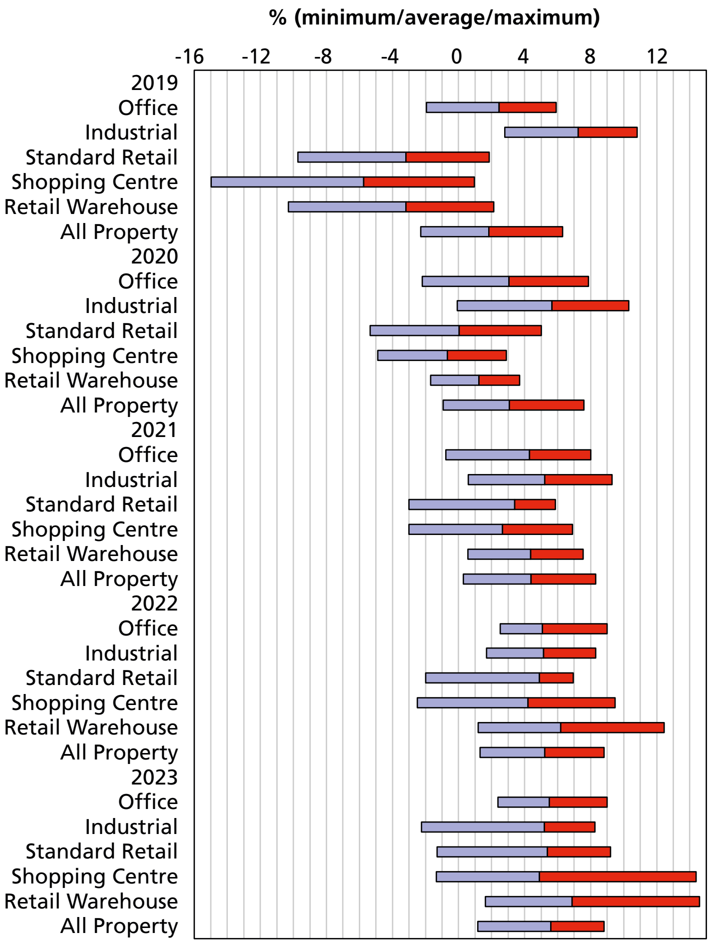
Other than the 2019 Fund Manager average (where only two negative projections were received compared to four in February), total return predictions by both sets of contributor fell in each period, with forecast ranges widening for the current year. Property Advisor expectations declined more markedly than those of the Fund Managers in all years other than 2023, a drop of 124bps in 2019 being the largest, due to falls of 230 and 180bps in the minimum and maximum forecast respectively. (Note: similar to the 2019 capital values consensus, the highest current year forecast is at the All Forecaster level).

Despite these declines, Property Advisors are substantially more optimistic on average in 2019 (at 2.0%, 85bps higher than Fund Managers) and in 2023 (118bps higher, at 6.0%), with Fund Managers only more positive in their outlook in 2021 (at 4.3% versus 4.1% on average, compared to 4.8% and 4.4% last quarter).

For the five-year annualised average, the Property Advisor average declined by over 65bps (to 4.1% pa), whilst the Fund Manager average fell 25bps to 3.5% (3.8% previously).

N.B. Two 'Other' contributors returned data in addition to the 25 Property Advisors and Fund Managers.

Sector total return annual forecasts



Although weakening, the expectation for Industrials to outperform other sectors in most years was maintained with a 2019 average of 7.2% (7.6% previously). At 2.4%, Offices is the only other sector likely to outperform the All Property average this year. Negative average total return projections for the three retail markets persist in the current year, at -3.2% for both Standard Retail and Retail Warehouses and -5.8% for Shopping Centre, with a forecast range for the latter extending to 15.9%. This sector's return is also expected to remain negative in 2020 (-0.7%).

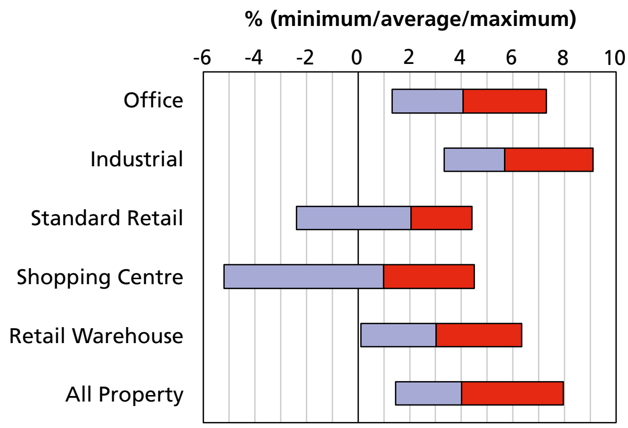
Although Industrial forecasts soften over the following three years to 2022, the general trend is one of improving returns in each of the remaining sectors, year on year, with Retail Warehousing recording the highest average forecasts in 2022 and 2023 (at 6.2% and 6.9%, compared to Offices and Industrials at 5.1% in 2022 and 5.5% and 5.2% in 2023 respectively).

Across the five years, individual sector forecasts range between -15.0% for Shopping Centres in 2019 to an outlier of 14.6% for Retail Warehouses in 2023 (closely followed by another outlier prediction of 14.4% for Shopping Centres in that year also).

Sector total return five-year forecasts

The improved near-term outlook for capital value growth in the Office sector, compared to a weaker retail outlook, has caused the former to join Industrials as the sectors likely to outperform the 4.0% pa All Property average over five years (at 4.1% pa, from 4.2% previously), Industrials now 5.7% from 6.2% in February).

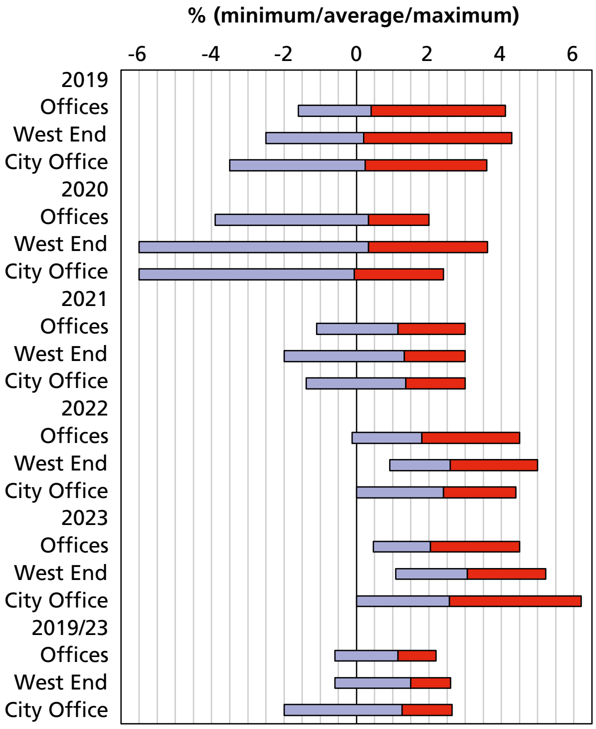
Retail averages have weakened more than other sectors, at 2.1%, 3.0% and 1.0% for Standard Retail, Retail Warehouses and Shopping Centres (from 2.9%, 3.8% and 1.3% last quarter).



Central London offices

Supported by recent headlines announcing construction starts to be the highest since the 2016 referendum[8] and rents rising in a "flat" market[9], near-term forecaster sentiment has improved slightly over the quarter in terms of the occupational market, as vacancy rates remain stable at just over 5%.

Rental value growth



Rental growth projections for 2019 continued to improve over the quarter, rising to 0.2% in both City and West End, from-0.2% and 0.0% in February, reflecting increases of 119 and 37bps respectively (compared to a rise in the wider office sector of 42bps to 0.4%), although each sub-market attracted 10 negative growth forecasts for the current year.

The range of forecaster opinion for the West End was unchanged, although lying between higher minimum and maximum forecasts of -2.5% and 4.3% (from -3.0% and 2.7%). Individual 2019 City forecasts ranged between -3.5% and 3.6% (-7.5% and 2.6% previously).

While the City average may lie marginally negative in 2020 (-0.1% in average), increasing growth rates are expected throughout the remainder of the survey period, despite a slight weakening in forecaster sentiment in 2021.

Throughout, the West End is projected to deliver better growth, overtaking the overall Office market in 2021 (at 1.3% versus a UK average of 1.1%), although both may be exceeded by the City at 1.4% that year.

By 2023, average rental growth of 3.2% and 3.6% are predicted, compared to 2.0% for Offices generally, which contribute to five-year averages of 1.5% and 1.3% (from 1.4% and 0.9%, compared to a static UK average of 1.1% pa).

Central London offices (2)

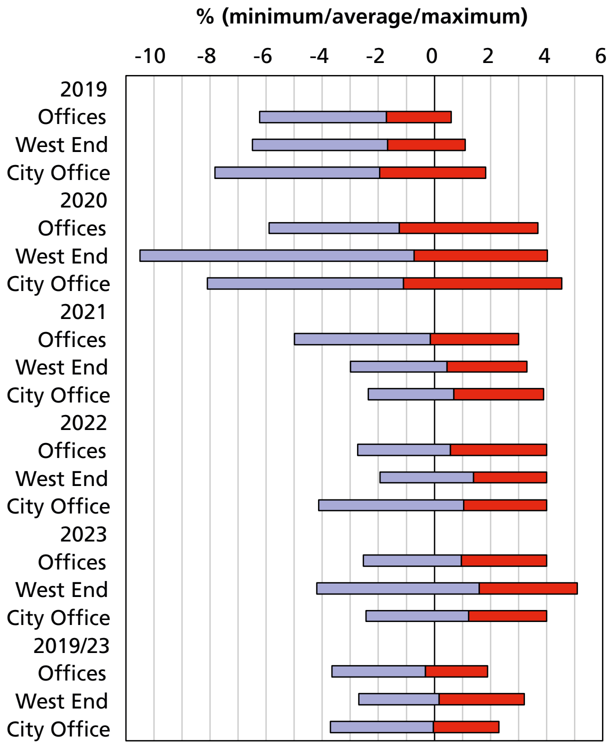
Capital value growth

For the current year, both central London average capital value forecasts were virtually unchanged over the quarter, at -1.7% and -2.0% for the West End and City respectively.

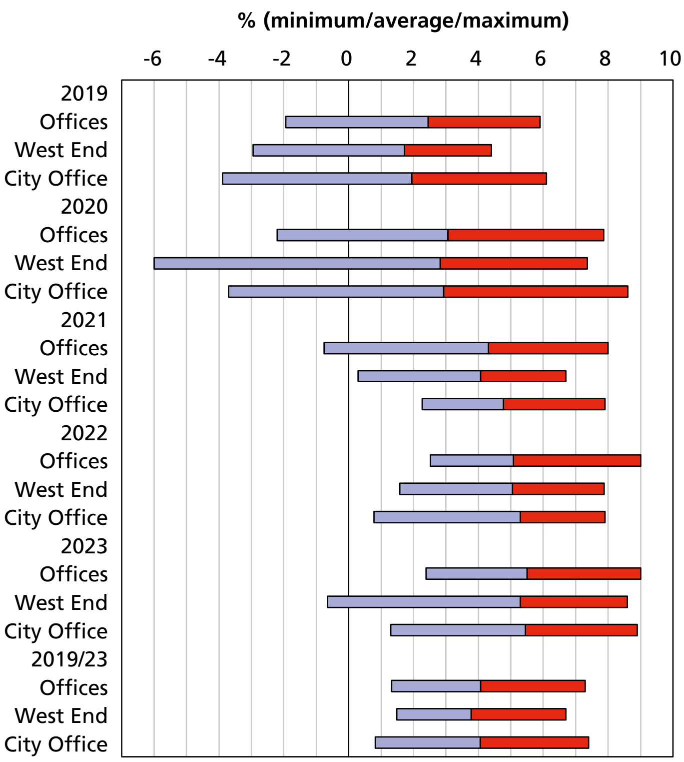
Capital value growth expectations in 2020 improved by between 75 and 52bps for West End and City, to lie at -0.7% and -1.1% (from -1.5% and -1.6%). Last quarter's modest positive growth forecasts for 2021 weakened slightly to 0.5% (0.6% previously) in the West End but were broadly unchanged 0.7% in the City, and likely to exceed a weaker UK Office average of -0.1% (0.1% previously).

Both the West End and City are expected outperform the wider market in each year from 2021, although the averages are lower in each sub-market than three months ago, with the exception of the 2023 City growth rate of 1.2% (from 1.0% in February).

Five-year annualised growth rates were little changed over the quarter; the West End forecast fell 11 bps, to 0.2% (0.3% previously) whilst the City average rose 23bps, to 0.0% (from -0.3%).



Total returns



Expected returns for 2019 and 2020 rose over the quarter – in the current year by 24bps in each sub-market and by 68 and 50bps in 2020. However, in both years central London continues to lag the UK Office average (of 2.4% in 2019 versus 1.7% and 1.9% for West End and City respectively, and 3.1% in 2020 against 2.8% and 2.9%).

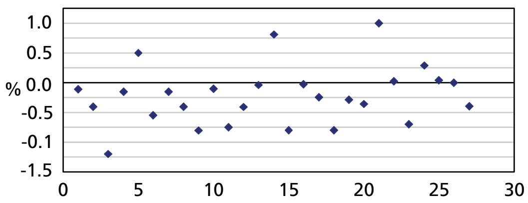
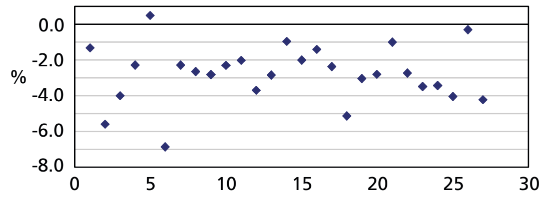
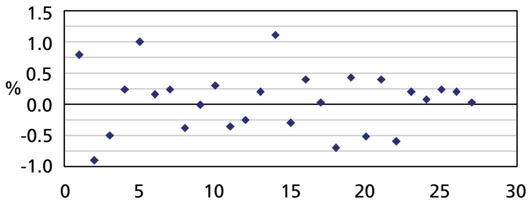
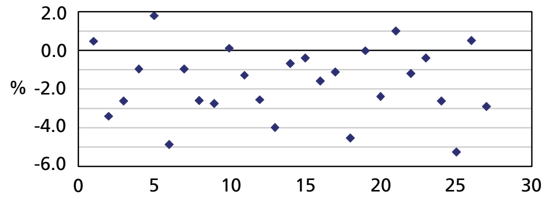
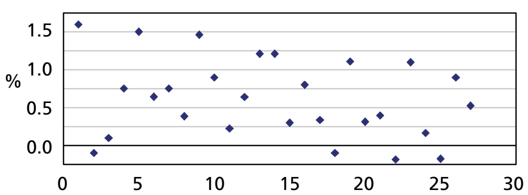
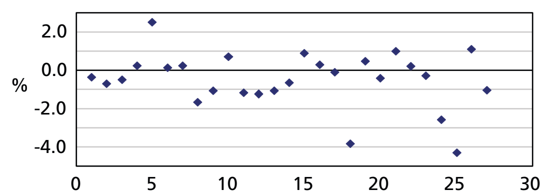
Projected averages in subsequent years, whilst rising, weakened slightly in each market compared to last quarter, other than the 2023 City forecast average, which rose 12bps to 5.5%.

Whilst reducing, forecast ranges remain wider in the first two years of the survey period, at more than 10.0% in the City, although the span of West End projections (at 7.3%) is narrower than three months ago (11.6%).

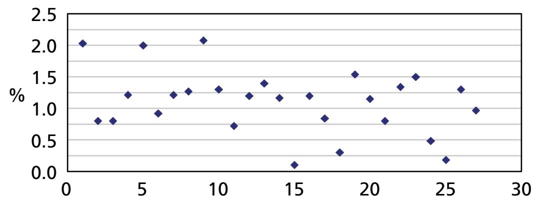
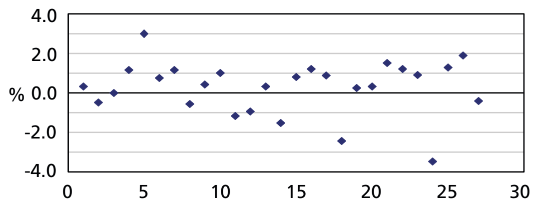
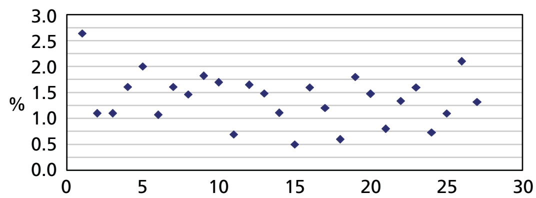
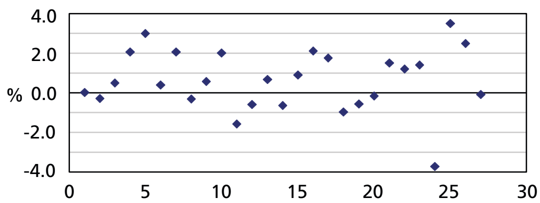
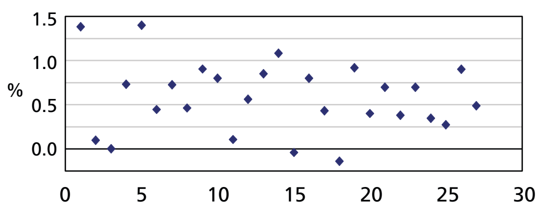
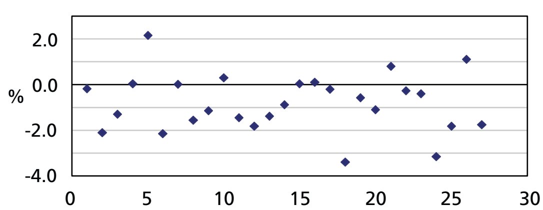
The five-year annualised City return strengthened to 4.1% from 3.8% over the quarter, whereas the West End and UK Office averages weakened marginally (by 13 and 9bps, to 3.8% and 4.1% respectively).

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 (February 2019 in brackets).

Rental value growth (% pa)	Capital value growth (% pa)
2019 Mean forecast: **-0.2%** (0.0%)	**2019** Mean forecast: **-2.8%** (-2.3%)
	
2020 Mean forecast: **0.1%** (0.2%)	**2020** Mean forecast: **-1.7%** (-1.2%)
	
2021 Mean forecast: **0.6%** (0.9%)	**2021** Mean forecast: **-0.5%** (0.0%)
	

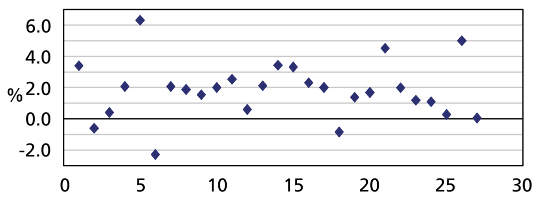
Distribution of forecasts (2)

Rental value growth (% pa)	Capital value growth (% pa)
2022 Mean forecast: **1.1%** (1.3%)	**2022** Mean forecast: **0.3%** (0.7%)
	
2023 Mean forecast: **1.4%** (1.4%)	**2023** Mean forecast: **0.6 %** (1.0%)
	
2019/23 Mean forecast: **0.6%** (0.8)	**2019/23** Mean forecast: **-0.8%** (-0.3)
	

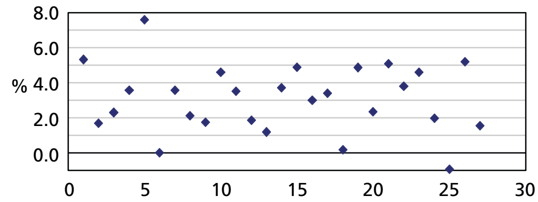
Distribution of forecasts (3)

All Property total returns (% pa)

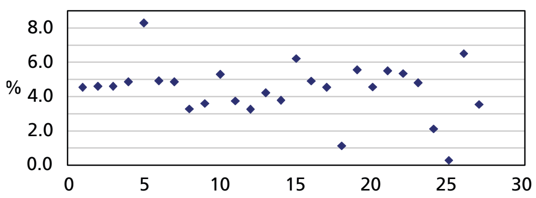
2019 Mean forecast: **1.8%** (2.4%)



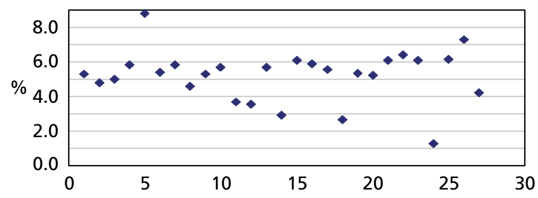
2020 Mean forecast: **3.1%** (3.5 %)



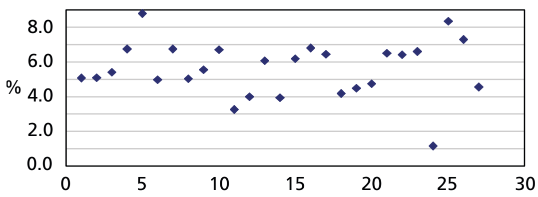
2021 Mean forecast: **4.4%** (4.9%)



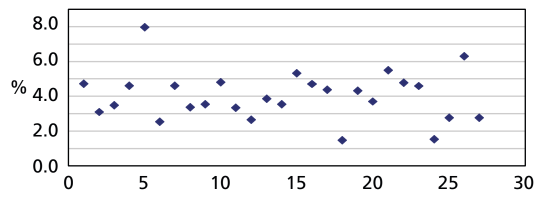
2022 Mean forecast: **5.2%** (5.5%)



2023 Mean forecast: **5.6%** (5.8%)



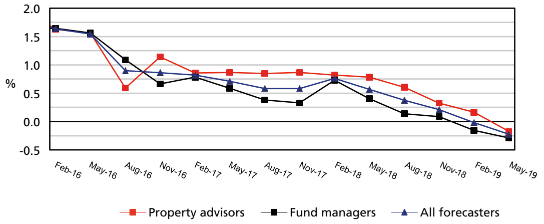
2019/2023 Mean forecast: **4.0%** (4.4%)



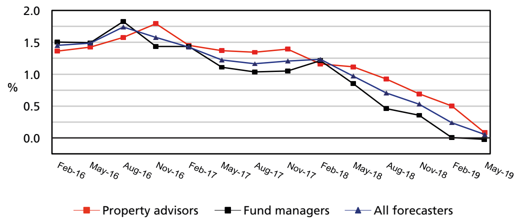
Evolution of the consensus

All Property rental value growth (% pa)

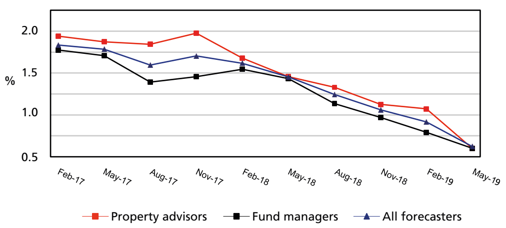
2019 Mean forecast: **-0.2%** (0.0%)



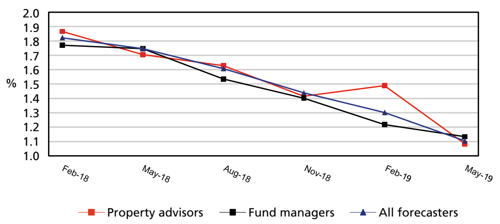
2020 Mean forecast: **0.1%** (0.2%)



2021 Mean forecast: **0.6%** (0.9%)

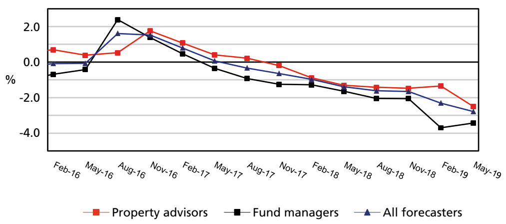


2022 Mean forecast: **1.1%** (1.3%)

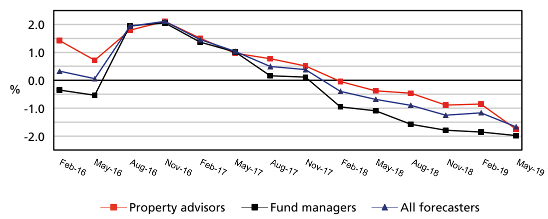


All Property capital value growth (% pa)

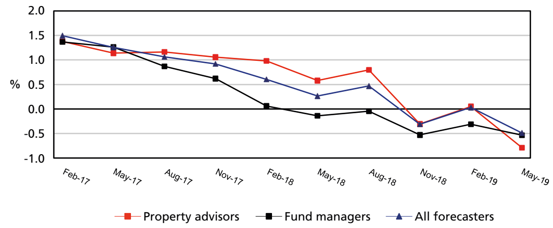
2019 Mean forecast: **-2.8%** (-2.3%)



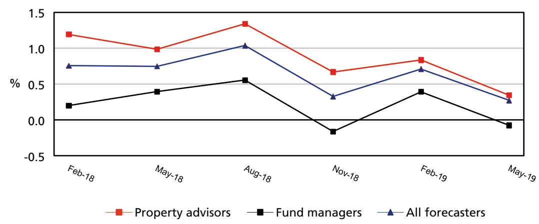
2020 Mean forecast: **-1.7%** (-1.2%)



2021 Mean forecast: **-0.5%** (0.0%)



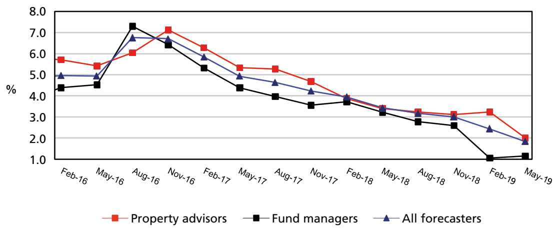
2022 Mean forecast: **0.3%** (0.7%)



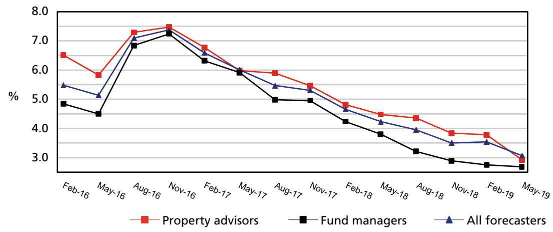
Evolution of the consensus (2)

All Property total returns (% pa)

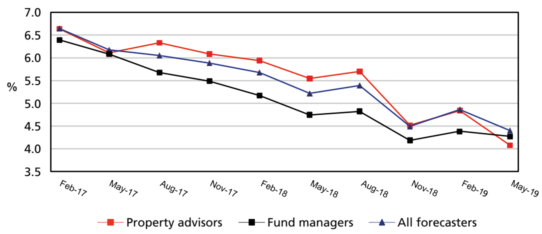
2019 Mean forecast: **1.8%** (2.4%)



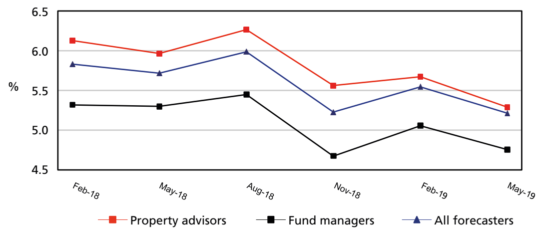
2020 Mean forecast: **3.1%** (3.5%)



2021 Mean forecast: **4.4%** (4.9%)



2022 Mean forecast: **5.2%** (5.5%)



All Property survey results by contributor type

(Forecasts in brackets are February 2019 comparisons)

Property Advisors and Research Consultancies

12 (13)	Rental value growth (%)						Capital value growth (%)						Total return (%)					
contributors	2019		2020		2018/23		2019		2020		2018/23		2019		2020		2018/23	
Maximum	0.8	(1.4)	1.1	(2.0)	1.1	(2.1)	-0.3	(1.5)	0.5	(2.9)	1.1	(2.4)	5.0	(6.8)	5.2	(8.0)	6.3	(7.6)
Minimum	-0.8	(-0.8)	-0.7	(-0.7)	-0.1	(0.2)	-5.1	(-2.9)	-5.3	(-3.7)	-3.4	(-2.2)	-0.8	(1.5)	-0.9	(0.9)	1.5	(2.6)
Range	1.6	(2.2)	1.8	(2.7)	1.2	(1.9)	4.8	(4.4)	5.8	(6.6)	4.5	(4.6)	5.8	(5.3)	6.1	(7.1)	4.8	(5.0)
Median	-0.1	(0.2)	0.2	(0.6)	0.7	(1.1)	-2.3	(-1.2)	-1.2	(-0.3)	-0.4	(0.2)	2.1	(3.4)	3.6	(4.0)	4.6	(4.9)
Mean	**-0.2**	**(0.2)**	**0.1**	**(0.5)**	**0.6**	**(1.0)**	**-2.5**	**(-1.4)**	**-1.8**	**(-0.9)**	**-0.7**	**(0.0)**	**2.0**	**(3.2)**	**2.9**	**(3.8)**	**4.1**	**(4.7)**

Fund Managers

12 (11)	Rental value growth (%)						Capital value growth (%)						Total return (%)					
contributors	2019		2020		2018/23		2019		2020		2018/23		2019		2020		2018/23	
Maximum	1.0	(1.1)	0.8	(0.8)	1.4	(1.2)	-1.0	(-0.8)	1.0	(0.3)	0.8	(0.8)	4.5	(4.3)	5.3	(5.1)	5.5	(5.3)
Minimum	-1.2	(-1.0)	-0.9	(-1.0)	0.0	(0.1)	-6.9	(-7.0)	-4.9	(-4.9)	-3.2	(-2.6)	-2.3	(-2.3)	0.0	(0.0)	1.5	(2.1)
Range	2.2	(2.1)	1.7	(1.8)	1.4	(1.1)	5.9	(6.2)	5.9	(5.1)	4.0	(3.4)	6.8	(6.5)	5.3	(5.1)	4.0	(3.2)
Median	-0.4	(-0.2)	0.0	(0.1)	0.5	(0.5)	-3.2	(-3.2)	-2.6	(-1.4)	-1.2	(-0.5)	1.2	(1.3)	2.1	(2.9)	3.5	(4.3)
Mean	**-0.3**	**(-0.2)**	**0.0**	**(0.0)**	**0.6**	**(0.6)**	**-3.4**	**(-3.7)**	**-2.0**	**(-1.9)**	**-1.2**	**(-0.9)**	**1.1**	**(1.0)**	**2.7**	**(2.7)**	**3.5**	**(3.8)**

All Property forecasters

27 (25)	Rental value growth (%)						Capital value growth (%)						Total return (%)					
contributors	2019		2020		2018/23		2019		2020		2018/23		2019		2020		2018/23	
Maximum	1.0	(1.4)	1.1	(2.0)	1.4	(2.1)	0.5	(1.5)	1.8	(2.9)	2.2	(2.4)	6.3	(7.3)	7.6	(7.0)	8.0	(8.2)
Minimum	-1.2	(-1.0)	-0.9	(-1.0)	-0.1	(0.0)	-6.9	(-7.0)	-5.3	(-4.9)	-3.4	(-2.6)	-2.3	(-2.3)	-0.9	(0.0)	1.5	(2.1)
Range	2.2	(2.4)	2.0	(3.0)	1.5	(2.1)	7.4	(8.5)	7.1	(7.8)	5.5	(5.0)	8.6	(9.6)	8.5	(8.0)	6.5	(6.0)
Std. Dev.	0.5	(0.6)	0.5	(0.7)	0.4	(0.5)	1.6	(2.2)	1.8	(1.7)	1.2	(1.4)	1.8	(2.3)	1.9	(1.8)	1.4	(1.5)
Median	-0.2	(-0.1)	0.2	(0.2)	0.6	(0.6)	-2.7	(-1.9)	-1.3	(-0.9)	-0.9	(-0.3)	2.0	(3.2)	3.4	(3.9)	3.9	(4.7)
Mean	**-0.2**	**(0.0)**	**0.1**	**(0.2)**	**0.6**	**(0.8)**	**-2.8**	**(-2.3)**	**-1.7**	**(-1.2)**	**-0.8**	**(-0.3)**	**1.8**	**(2.4)**	**3.1**	**(3.5)**	**4.0**	**(4.4)**

Notes:

1. 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.
2. To qualify, forecasts must be generated within 12 weeks of the survey date (15 May 2019).
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 27 participants for each performance measure over all periods. Full sector forecasts were received from 23 contributors (including for central London offices).

Survey results by sector

Office

25 contributors	Rental value growth (%)				Capital value growth (%)				Total return (%)			
	2019	2020	2021	2019/23	2019	2020	2021	2019/23	2019	2020	2021	2019/23
Maximum	4.1	2.0	3.0	2.2	0.6	3.7	3.0	1.9	5.9	7.9	8.0	7.3
Minimum	-1.6	-3.9	-1.1	-0.6	-6.2	-5.9	-5.0	-3.7	-1.9	-2.2	-0.8	1.3
Range	5.7	5.9	4.1	2.8	6.8	9.6	8.0	5.6	7.8	10.1	8.8	6.0
Median	0.9	0.7	1.3	1.4	-1.5	-1.2	0.2	-0.7	3.0	3.1	4.6	4.0
Mean	**0.4**	**0.3**	**1.1**	**1.1**	**-1.7**	**-1.3**	**-0.1**	**-0.3**	**2.4**	**3.1**	**4.3**	**4.1**

Industrial

25 contributors	Rental value growth (%)				Capital value growth (%)				Total return (%)			
	2019	2020	2021	2019/23	2019	2020	2021	2019/23	2019	2020	2021	2019/23
Maximum	4.0	3.5	3.0	3.0	6.3	4.0	3.0	2.8	10.8	10.3	9.3	9.1
Minimum	1.4	0.6	0.2	0.5	-1.7	-4.4	-4.0	-1.2	2.8	-0.1	0.6	3.3
Range	2.7	2.9	2.8	2.4	8.0	8.4	7.0	4.0	8.0	10.4	8.7	5.8
Median	3.0	2.2	1.9	2.1	2.9	1.3	0.5	1.3	7.3	5.9	5.2	5.8
Mean	**3.0**	**2.2**	**1.8**	**2.1**	**2.6**	**1.0**	**0.5**	**1.0**	**7.2**	**5.7**	**5.2**	**5.7**

Standard Retail

24 contributors	Rental value growth (%)				Capital value growth (%)				Total return (%)			
	2019	2020	2021	2019/23	2019	2020	2021	2019/23	2019	2020	2021	2019/23
Maximum	-0.4	0.5	1.2	0.8	-2.0	1.0	1.9	0.7	1.9	5.0	5.9	4.4
Minimum	-5.0	-3.7	-3.1	-2.6	-13.9	-9.6	-7.7	-7.0	-9.7	-5.4	-3.0	-2.4
Range	4.6	4.3	4.3	3.4	11.9	10.6	9.7	7.7	11.6	10.4	8.9	6.8
Median	-2.7	-1.8	-0.6	-0.8	-7.3	-4.7	-0.7	-2.3	-2.8	0.5	3.8	2.4
Mean	**-2.8**	**-1.7**	**-0.6**	**-0.8**	**-7.4**	**-4.5**	**-1.3**	**-2.5**	**-3.2**	**0.0**	**3.4**	**2.1**

Shopping Centre

24 contributors	Rental value growth (%)				Capital value growth (%)				Total return (%)			
	2019	2020	2021	2019/23	2019	2020	2021	2019/23	2019	2020	2021	2019/23
Maximum	-2.3	-1.2	0.0	-0.5	-4.1	-3.0	0.0	-2.0	1.0	2.9	6.9	4.5
Minimum	-6.0	-5.0	-3.0	-2.8	-18.8	-10.3	-8.8	-10.7	-15.0	-4.9	-3.0	-5.2
Range	3.7	3.8	3.0	2.3	14.7	7.3	8.8	8.7	15.9	7.8	9.9	9.7
Median	-4.0	-2.5	-1.3	-1.5	-10.3	-6.4	-2.4	-4.1	-5.0	-0.5	3.3	1.7
Mean	**-3.9**	**-2.6**	**-1.3**	**-1.7**	**-10.7**	**-6.2**	**-3.1**	**-4.6**	**-5.8**	**-0.7**	**2.7**	**1.0**

Retail Warehouse

23 contributors	Rental value growth (%)				Capital value growth (%)				Total return (%)			
	2019	2020	2021	2019/23	2019	2020	2021	2019/23	2019	2020	2021	2019/23
Maximum	-1.7	-0.4	0.7	1.7	-3.4	-2.5	0.6	-0.2	2.1	3.7	7.5	6.3
Minimum	-5.0	-3.1	-2.5	-1.9	-16.3	-8.2	-5.9	-6.3	-10.3	-1.7	0.6	0.1
Range	3.3	2.7	3.2	3.6	12.9	5.7	6.5	6.1	12.4	5.4	7.0	6.2
Median	-3.0	-1.9	-0.9	-1.1	-8.7	-5.1	-1.4	-2.8	-3.1	1.3	4.9	3.3
Mean	**-3.1**	**-2.1**	**-0.9**	**-1.0**	**-8.9**	**-4.9**	**-2.0**	**-3.2**	**-3.2**	**1.2**	**4.4**	**3.0**

All Property

27 contributors	Rental value growth (%)				Capital value growth (%)				Total return (%)			
	2019	2020	2021	2019/23	2019	2020	2021	2019/23	2019	2020	2021	2019/23
Maximum	1.0	1.1	1.6	1.4	0.5	1.8	2.5	2.2	6.3	7.6	8.3	8.0
Minimum	-1.2	-0.9	-0.2	-0.1	-6.9	-5.3	-4.3	-3.4	-2.3	-0.9	0.3	1.5
Range	2.2	2.0	1.8	1.5	7.4	7.1	6.8	5.5	8.6	8.5	8.0	6.5
Std. Dev.	0.5	0.5	0.5	0.4	1.6	1.8	1.4	1.2	1.8	1.9	1.6	1.4
Median	-0.2	0.2	0.6	0.6	-2.7	-1.3	-0.4	-0.9	2.0	3.4	4.6	3.9
Mean	**-0.2**	**0.1**	**0.6**	**0.6**	**-2.8**	**-1.7**	**-0.5**	**-0.8**	**1.8**	**3.1**	**4.4**	**4.0**

Sector summary: Means

Sector summary: Means

(no. contributors)	Rental value growth (%)				Capital value growth (%)				Total return (%)			
	2019	2020	2021	2019/23	2019	2020	2021	2019/23	2019	2020	2021	2019/23
Office (25)	0.4	0.3	1.1	1.1	-1.7	-1.3	-0.1	-0.3	2.4	3.1	4.3	4.1
Industrial (25)	3.0	2.2	1.8	2.1	2.6	1.0	0.5	1.0	7.2	5.7	5.2	5.7
Standard Retail (24)	-2.8	-1.7	-0.6	-0.8	-7.4	-4.5	-1.3	-2.5	-3.2	0.0	3.4	2.1
Shopping Centre (24)	-3.9	-2.6	-1.3	-1.7	-10.7	-6.2	-3.1	-4.6	-5.8	-0.7	2.7	1.0
Retail Warehouse (23)	-3.1	-2.1	-0.9	-1.0	-8.9	-4.9	-2.0	-3.2	-3.2	1.2	4.4	3.0
All Property (27)	**-0.2**	**0.1**	**0.6**	**0.6**	**-2.8**	**-1.7**	**-0.5**	**-0.8**	**1.8**	**3.1**	**4.4**	**4.0**

West End office

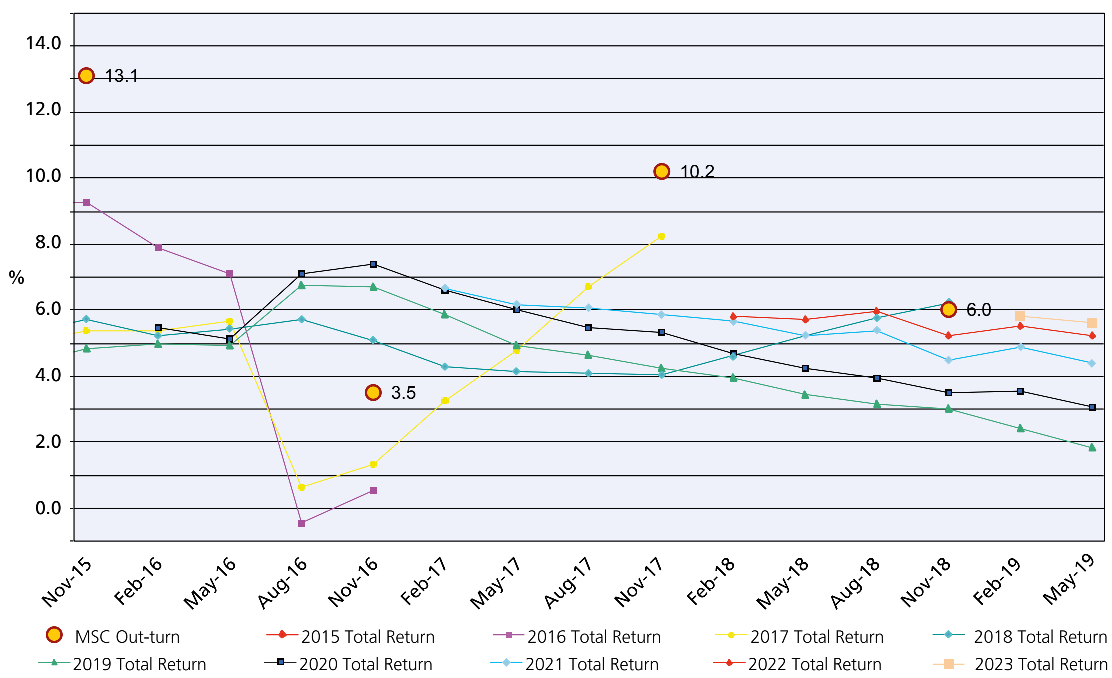
24 contributors	Rental value growth* (%)				Capital value growth (%)				Total return (%)			
	2019	2020	2021	2019/23	2019	2020	2021	2019/23	2019	2020	2021	2019/23
Maximum	4.3	3.6	3.0	2.6	1.1	4.0	3.3	3.2	4.4	7.4	6.7	6.7
Minimum	-2.5	-6.0	-2.0	-0.6	-6.5	-10.5	-3.0	-2.7	-2.9	-6.0	0.3	1.5
Range	6.8	9.6	5.0	3.2	7.6	14.5	6.3	5.9	7.3	13.4	6.4	5.2
Median	0.2	0.6	1.5	1.6	-0.6	0.0	0.4	0.0	2.6	3.4	4.1	3.5
Mean	**0.2**	**0.3**	**1.3**	**1.5**	**-1.7**	**-0.7**	**0.5**	**0.2**	**1.7**	**2.8**	**4.1**	**3.8**

City office

24 contributors	Rental value growth* (%)				Capital value growth (%)				Total return (%)			
	2019	2020	2021	2019/23	2019	2020	2021	2019/23	2019	2020	2021	2019/23
Maximum	3.6	2.4	3.0	2.6	1.8	4.5	3.9	2.3	6.1	8.6	7.9	7.4
Minimum	-3.5	-6.0	-1.4	-2.0	-7.8	-8.1	-2.4	-3.7	-3.9	-3.7	2.3	0.8
Range	7.1	8.4	4.4	4.6	9.7	12.6	6.3	6.0	10.0	12.3	5.6	6.6
Median	0.8	0.4	1.4	1.6	-1.5	0.0	1.1	0.1	2.3	3.8	4.9	4.3
Mean	**0.2**	**-0.1**	**1.4**	**1.3**	**-2.0**	**-1.1**	**0.7**	**0.0**	**1.9**	**2.9**	**4.8**	**4.1**

*One contributor only provided rental growth projections for the two central London markets.

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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