IPF Research

Investment Property Forum UK Consensus Forecasts

SPRING 2017

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

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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:

The Investment Property Forum Consensus Forecasts Spring 2017 Survey of Independent Forecasts for UK Commercial Property Investment

A total of 24 organisations contributed to this second survey of 2017. All forecasts were generated within 12 weeks of the survey date (10 May 2017), the earliest dating from the end of February.

Invoking Article 50 on 29 March, the UK Government formally commenced the process of withdrawal from the European Union, entering a two-year period to negotiate the terms of the UK's exit and future trading relations with the 27 remaining nations. The forthcoming general election, on 8 June, called to strengthen the government's hand in these negotiations, has added to political and economic uncertainty.

Against this backdrop, the short-term property outlook has improved across all performance measures, as a weaker pound and low interest rates have supported growth, although rising inflation, due to more costly imported goods pushing up prices, is likely to have an impact on consumer confidence and business investment. From 2019 onwards, whilst recovery in the markets will continue, growth rates are likely to be lower than reported three months ago.

Key points

Continuing improvement in 2017 forecasts

- The **All Property rental growth** forecast average for **2017** has continued to strengthen, rising to **0.6%** this quarter, from 0.2% reported in February (-0.5% in November and -0.7% in August 2016). Sector outlooks have also improved, with average forecasts ranging between 2.7% for Industrial rents (previously 1.8%) and -1.1% for Offices (from -1.3%).
- Average **capital value growth** rates for the current year have also continued to improve, although the majority of sectors are expected to remain in decline. Increased averages lie between 0.6% for Retail Warehouses, and 2.1% for Industrials, now forecast to grow by -1.2% and 3.3% respectively. The **All Property** average growth rate forecast of **-0.1%** compared to -1.6% three months ago.
- With increased expectations for both rental and capital growth in **2017**, the **All Property total return** has improved to **4.8%**, from 3.2%.
- **2018 rental growth** prospects for individual sectors have broadly lifted over the quarter, to average **0.3%** (from 0.1% three months ago), the exception being Shopping Centres, where the mean has fallen to 0.2%. **Capital growth** expectations are more varied, ranging between 1.4% for Industrials to -2.4% for Offices; the **All Property** average has improved marginally, to **-0.6%** from -0.7%. Notwithstanding these gains, the **2018 total return** forecast has declined to **4.1%** (from 4.3%), due to a 0.3% fall in the implied income return over the quarter (to 4.7%).

Medium-term expectations weaken

- Over the remaining years of the survey, whilst rental and capital growth rates are expected to recover, general forecaster sentiment has continued to weaken as a majority of current projections are lower than those recorded three months ago. **All Property** averages in each of the three years now lie at **0.7%, 1.2%** and **1.8%** for **rental growth** (from 0.8%, 1.4% and 1.8% respectively).
- For capital growth, average forecast rates have fallen across all markets in 2019, with only one or two segments stable or rising in 2020 and 2021. **All Property** average **capital growth** of **0.1%** is now forecast for **2019** (from 0.8%) and **1.0%** in **2020** (previously 1.4%). By **2021**, capital values are forecast to increase by **1.3%** on average (from 1.5% three months ago).
- All sectors record falls in total returns projections in each of these years. The **All Property total return** for **2019** now averages **4.9%**, from 5.8%, and **6.0%** and **6.2%** from 6.6% for both in **2020** and **2021**.

Five-year averages broadly unmoved

- The rolling five-year averages for each performance measure are virtually unchanged from three months ago. The annualised **All Property total return** may average **5.2% per annum**, implying an income return of 4.8% plus capital growth of 0.3%.

Summary Results

Summary average by sector

	Rental value growth (%)				Capital value growth (%)				Total return (%)			
	2017	2018	2019	2017/21	2017	2018	2019	2017/21	2017	2018	2019	2017/21
Office	-1.1	-1.1	0.1	0.3	-1.9	-2.4	-0.5	-0.5	2.5	1.8	4.0	4.0
Industrial	2.7	1.9	1.7	2.0	3.3	1.4	1.1	1.6	8.8	6.6	6.3	6.8
Standard Retail	0.9	0.5	0.8	1.1	0.4	-0.1	0.6	0.9	5.0	4.3	5.0	5.3
Shopping Centre	0.4	0.2	0.7	0.8	-1.0	-1.1	0.1	0.0	3.8	3.8	5.0	5.0
Retail Warehouse	0.5	0.4	0.7	0.9	-1.2	-0.8	0.4	0.2	4.3	4.6	5.7	5.5
All Property*	**0.6**	**0.3**	**0.7**	**0.9**	**-0.1**	**-0.6**	**0.1**	**0.3**	**4.8**	**4.1**	**4.9**	**5.2**
West End office	-2.3	-1.8	0.3	0.2	-2.9	-3.1	-0.3	-0.4	0.8	0.3	3.2	3.2
City office	-2.3	-2.6	-0.4	-0.2	-3.0	-3.9	-0.7	-0.9	0.9	-0.3	3.2	3.1
Office (all)	**-1.1**	**-1.1**	**0.1**	**0.3**	**-1.9**	**-2.4**	**-0.5**	**-0.5**	**2.5**	**1.8**	**4.0**	**4.0**

All Property average by forecast month

Month of forecast		Rental value growth* (%)				Capital value growth (%)				Total return (%)			
	(no. contributors)	2017	2018	2019	2017/21	2017	2018	2019	2017/21	2017	2018	2019	2017/21
March	(5	0.6	0.8	1.2	1.3	0.3	0.2	1.1	0.8	5.2	5.0	6.1	5.6
April	(7)	0.5	0.3	0.5	0.8	0.7	-0.2	-0.6	0.6	5.5	4.4	4.2	5.4
May	(10)	0.6	0.2	0.7	0.8	-0.4	-0.9	0.1	0.2	4.7	3.9	5.0	5.1
All Property	**(24)**	**0.6**	**0.3**	**0.7**	**0.9**	**-0.1**	**-0.6**	**0.1**	**0.3**	**4.8**	**4.1**	**4.9**	**5.2**

Two forecasts were generated in the last week of February 2017.
One contributor provided only rental growth forecasts.

Survey contributors

There were 24 contributors to this quarter's forecasts, comprising 11 Property Advisors and Research Consultancies, 12 Fund Managers and one Other. Full All Property forecasts were received from 23 contributors; one participant provided forecasts for rental value growth only for All Property as well as for individual sector rental growth forecasts. Complete sector forecasts were received from 21 contributors and from 19 for West End and City sub-office sectors. Sector figures are not analysed by contributor type – all such figures presented are at the All-forecaster level. All forecasts were generated within 12 weeks of the survey date (10 May 2017). Named contributors appear on the final page of this report.

Economic background

In news that may compound fears of the economy slowing as the impact of last June's Brexit vote begins to take effect, UK economic growth dipped more than expected in the first quarter of 2017, to a quarterly rate of 0.2% from 0.7% at the start of the year. The weakest quarterly growth since Q1 2016, this was a reduction in the initial estimate of 0.3%, made by the Office for National Statistics. It commented that the fall (from 0.7% in the final quarter of 2016) was driven by weakness in consumer-facing services industries, such as retail and accommodation, and as household spending slowed, partly due to rising prices. Construction (at 0.2%) and manufacturing also showed little growth, while business services & finance continued to grow strongly[1]. In other sectors, agriculture increased by 0.3% and total production by 0.1%.

Public sector net borrowing (excluding public sector banks) decreased by £23.4 billion to £48.7 billion in the financial year ending March 2017[2], compared to the financial year to March 2016; this is the lowest net annual borrowing since March 2008. Public sector net debt (excluding public sector banks) saw an increase of £114.1 billion over the year from April 2016. The total, £1,722.4 billion, at the end of April 2017, was the equivalent of 86% of GDP.

As the depreciation of sterling has begun to feed through to consumer prices, the Consumer Prices Index (CPI) rose to an annual rate of 2.6% in April 2017[3], up from 2.3% in March. This is the highest rate of inflation recorded since June 2013 and well above the Bank of England's target of 2.0%. Higher Easter air fares were the main contributors, with rising prices for clothing, vehicle excise duty and electricity also driving this increase. These upward pressures were partially offset by a fall in motor fuel prices between March and April, compared to a rise in this commodity between the same two months a year ago.

At the Bank of England's latest Monetary Policy Committee (MPC) meeting[4], members voted by a majority of 7-1 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 maintain the total stock of these purchases at £435 billion.

The latest ONS UK labour market statistical bulletin[5] reports 31.95 million people in work in the period January to March 2017 (122,000 more than for October to December 2016 and 381,000 more than for a year earlier). The current employment rate of 74.8% is the highest since comparable records began in 1971. There were 1.54 million unemployed people, i.e. people not in work but seeking and available to work, 53,000 fewer than for October to December 2016 and 152,000 fewer than a year earlier. Latest estimates for average weekly earnings show an increase of 2.4% when including bonuses, and 2.1% excluding bonuses, compared to 12 months ago.

In terms of retail sales[6], the quantity bought in April 2017 increased by 2.3% compared to March 2017 and by 4.0% compared to April 2016. Overall, average store prices have seen year-on-year growth across all sectors, with the largest increase noted in fuel stores. In terms of online sales, average weekly spending online in April 2017 was £1.0 billion; an increase of 19% compared to April 2016 and the amount spent online accounted for 15.6% of all retail spending, excluding automotive fuel, compared to 14% in April 2016..

[1] ONS: Gross Domestic Product January to March, Released 25 May 2017

[2] ONS: Public sector finances: April 2017. Released: 23 May 2017

[3] ONS: Consumer Price Inflation, April 2017. Released: 16 May 2017

[4] Bank of England Monetary Policy Summary and minutes of Monetary Policy Committee meeting ending on 10 May 2017

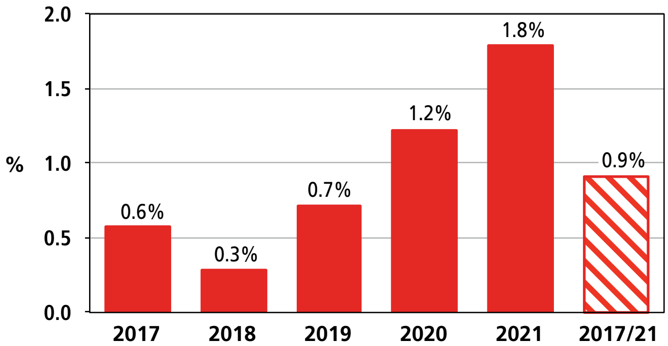
[5] ONS: UK Labour Market. Released: 17 May 2017

[6] ONS: Retail Sales in Great Britain. Released: 18 May 2017

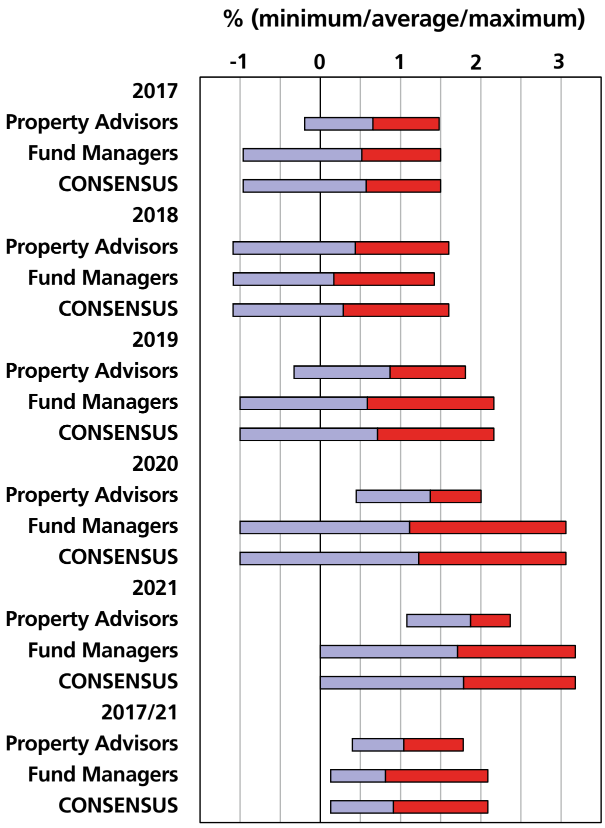
All Property rental value growth forecasts

Both the 2017 and 2018 average rental growth forecasts have improved since the last report in February (the current year by almost 40 bps and 2018 by 23 bps). However, projections for later years have weakened (by between 11 and 20 bps in 2019 and 2020) or stayed broadly flat in the case of 2021.

The improvement in near-term rental growth prospects has resulted in a small uplift in the five-year annualised average (from 0.8% three months ago).



Rental value growth forecasts by contributor



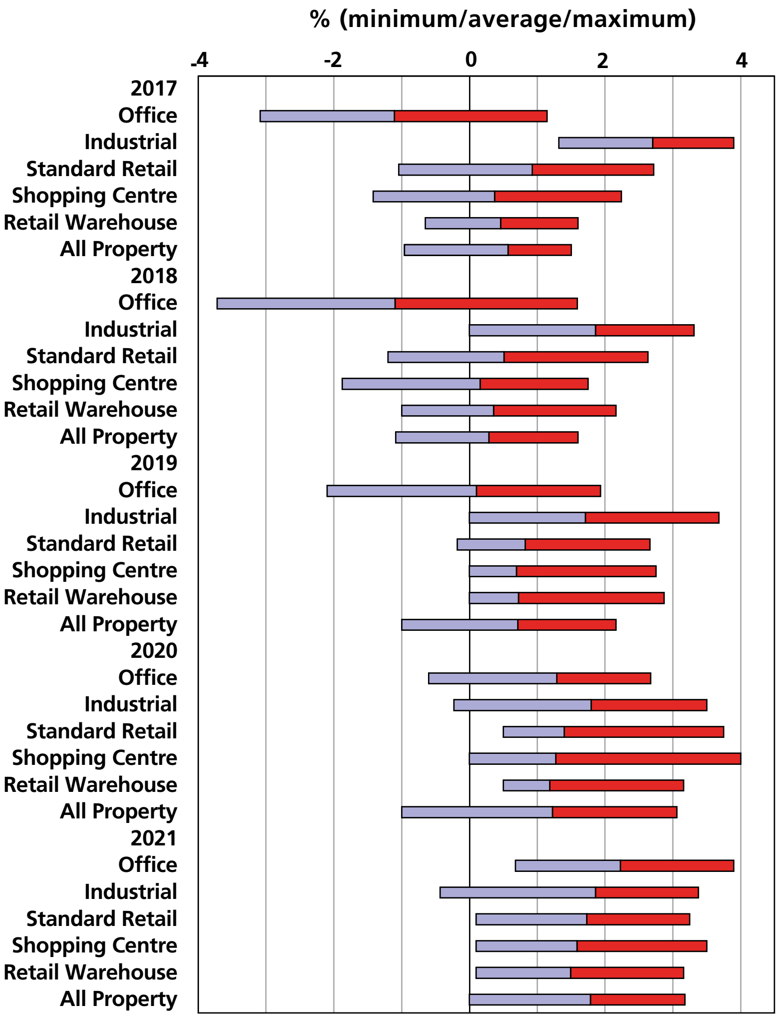
2017 forecasts from both sets of contributors have continued to firm, with only three (one Property Advisor and two Fund Managers) anticipating sub-zero growth. The minimum forecast (of -1.0%) almost 1.0% higher than that recorded by the last survey and the consensus average is c. 40 bps better. The range of projections for 2017 has narrowed by over 50 bps to 2.5%, whilst the spread is only 1.7% for Property Advisors.

In 2018, five Fund Managers and three Property Advisors forecast negative growth, although lowest projections for each group have risen by 77 bps and 28 bps respectively. Averages have increased by almost 40 bps in the case of Fund Managers (to 0.2%) and by 12 bps for Property Advisors (to 0.3%). Although wider than in 2017, forecast ranges for next year have continued to narrow within both groups – to between 2.5% and 2.7% from 3.7% and 3.1% in that order.

Over the three remaining years, Fund Manager forecasts are more widely spread as well as consistently c. 0.1% lower on average than Property Advisors. Greater divergency emerges in 2020 and 2021, with forecast spreads for the latter of 1.7% and 1.6%, compared to 4.1% and 3.2% for Fund Managers.

N.B. One ‘Other’ contributor returned data in addition to the 23 Property Advisors and Fund Managers.

Sector rental value growth annual forecasts



Average 2017 estimates have held or continued to improve in all sectors, rising by over 90 bps for Industrials. Although minimum forecasts have risen in every sector, maximum projections, with the exception of Industrials (which has increased by over 40 bps to 3.9% from three months ago), have fallen by between 8 bps (Standard Retail) and 65 bps (Retail Warehouses).

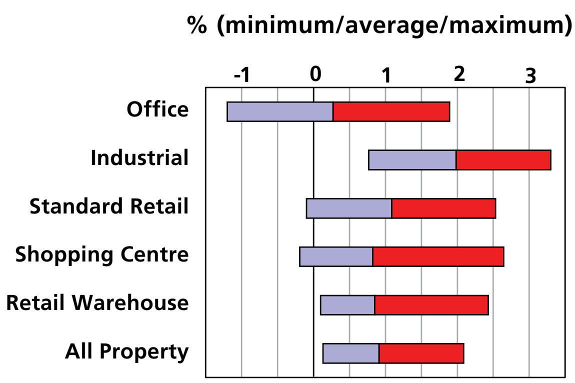
Next year attracts the greatest array of opinion for Office rental growth, from -3.7% to 1.6%, with an average of -1.1%. Year-on-year, all remaining sector mean forecasts are lower in 2018, although higher than three months ago, other than the Shopping Centre average, which has fallen marginally. Offices continue to be the only sector to average negative growth.

In 2019, the pattern of forecasts remains broadly similar to preceding years and the trend is one of gradually improving average growth thereafter. Projected growth in Industrial rents is only exceeded by Offices in 2021, (2.2% compared to 1.9% for the former).

Sector rental value growth five-year average forecasts

The All Property average, of 0.9% per annum, is almost 0.1% higher than three months ago, with only Industrial and Standard Retail rates exceeding this rate, at 2.0% and 1.1% (from 1.5% and 1.0% respectively). Retail Warehouses have improved nearly 0.2% (previously 0.7%) but the greatest increase over the quarter is recorded by Industrials (by over 0.5%). The annualised average rental growth rate for Offices continues to lag; at 0.3% per annum, this reflects the negative forecast averages in the initial two years of the survey period.

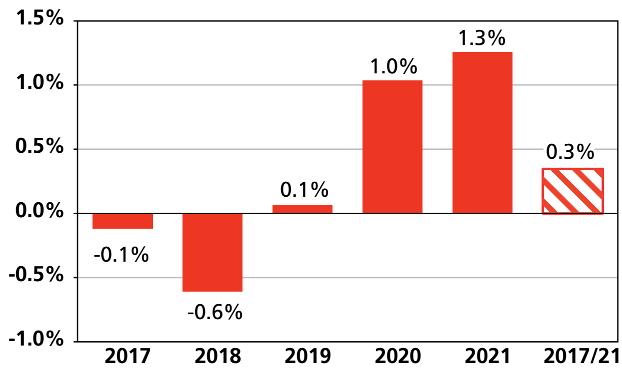
Forecast ranges have narrowed in most sectors, to between 2.3% (Retail Warehouses) and 2.5% (Industrials). Differences in contributor opinion persist most markedly in the Office sector (currently spanning 3.1% from 3.7% previously), followed by Shopping Centres (2.8% from 2.0%).



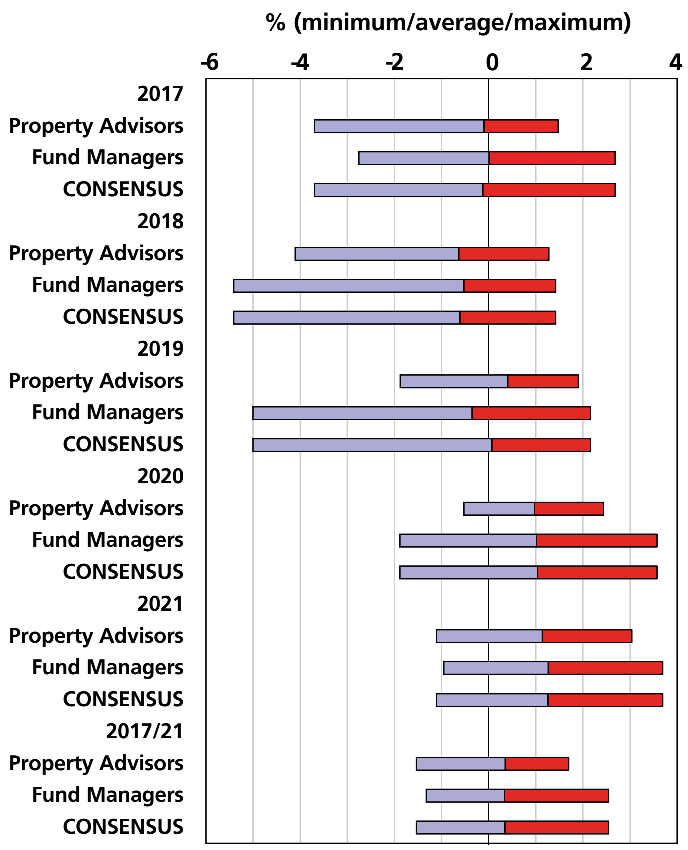
All Property average capital value growth forecasts

Near-term forecasts for capital value growth have continued to improve; the 2017 average rate has increased by almost 150 bps since the last survey, although the rise in 2018 is more modest, at 14 bps. Growth prospects in remaining years (2019–2021) have continued to weaken however, from 0.8% in 2019 (representing a fall of over 70 bps), with both 2020 and 2021 previously 1.5%.

Notwithstanding more fragile growth expectations in these later years, greater short-term confidence has contributed to a slight improvement in the annualised five-year average, which has risen over 10 bps, from 0.2% three months ago.



Capital value growth forecasts by contributor



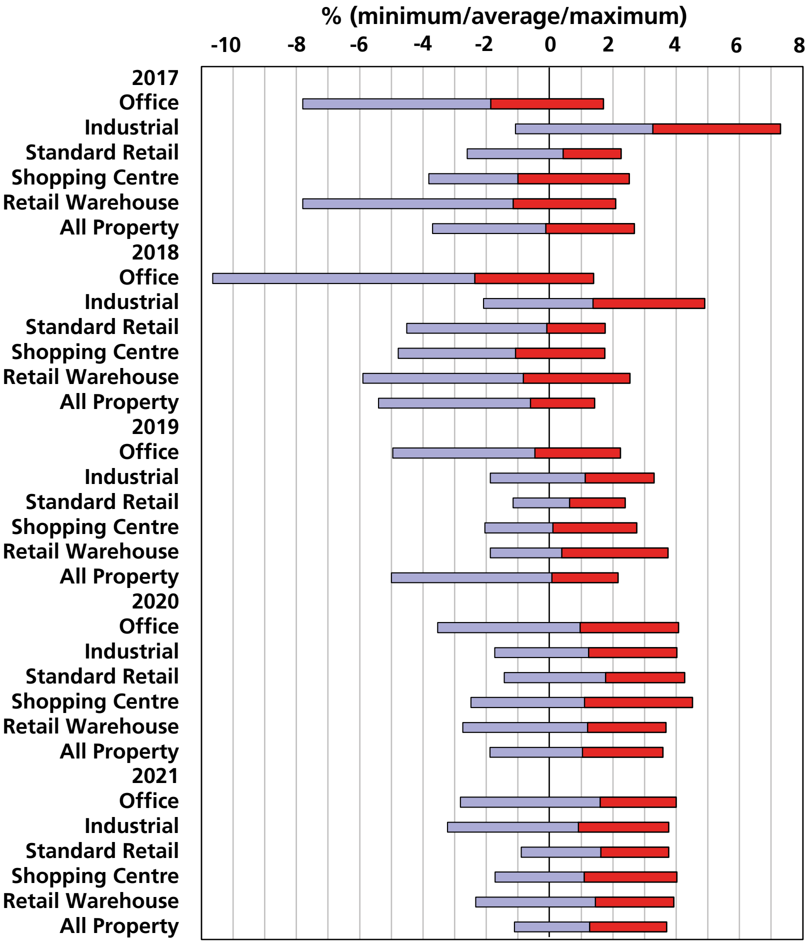
In total, nine forecasters (four Property Advisors and five Fund Managers) anticipate declining capital values in 2017. Maintaining the trend reported three months ago, however, current year forecasts have continued to improve; minimum individual projections for both sets of contributor have risen (to -3.7% from -4.5% for Advisors and to -2.8% from -5.0% for Managers). Although the maximum Property Advisor forecast has fallen from 2.1% to 1.5%, the Fund Manager maximum has increased to 2.7% from 0.5%; combined with a higher minimum, there is a noticeable uplift in this group's average forecast, to 0.0% (previously -1.6%).

2018 forecast changes are more mixed: average Property Advisor expectations have weakened (-0.6%, from 0.2%), whereas Fund Managers are more confident (-0.5% from -1.2%). Uppermost forecasts have reduced from 3.0% to 1.4% and, in total, 11 contributors anticipate capital values to fall next year.

The outlook for remaining years of the survey is also weaker than three months ago, although average growth projections increase year-on-year. Average growth forecasts are positive for both groups by 2020, despite three from each predicting negative growth in that year and two each in 2021.

N.B. Forecast data from one 'Other' contributor is included at the Consensus level.

Sector capital value growth annual forecasts



The Industrial sector continues to be only one forecast to deliver positive growth throughout the five years. However, all 2017 sector averages have improved over the last three months, by more than 60 bps for Retail Warehouses (to -1.2%) to over 210 bps for Industrials (to 3.3%). This greater confidence is reflected in rising minimum forecasts in all but Retail Warehouses – from almost 330 bps for Standard Retail, to -2.6% from -5.9%, followed by Offices (to -7.8% from –10.5%).

In contrast, 2018 average projections have softened in every segment other than Industrials (up 0.6% to 1.4%) and Standard Retail (up 0.1% to -0.1%). Minimum and maximum projections have fallen for all sectors other than Industrials with forecast ranges lying between 12.0% for Offices (from 11.0% previously) and 6.3% for Standard Retail (from 7.3%).

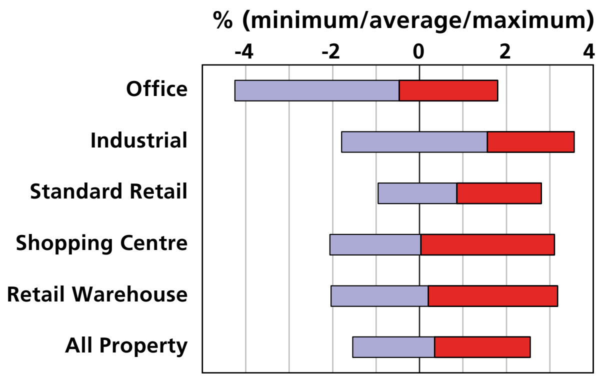
In 2019, apart from Offices (at an average of -0.5%), all sectors are expected to deliver positive growth, although sector average forecasts have weaken over the quarter. A pattern of rising, but lower than previously forecast, averages broadly continues into 2020 and 2021, Retail Warehouses being the exception in each of these years.

The range of mean sector forecasts diminishes annually, from 5.2% in 2017 (Offices averaging -1.9% against Industrial growth of 3.3%), to 0.7% by 2021, albeit the order of these two sectors reverses as Office values are projected to grow 1.6% and Industrials 0.9% in that year.

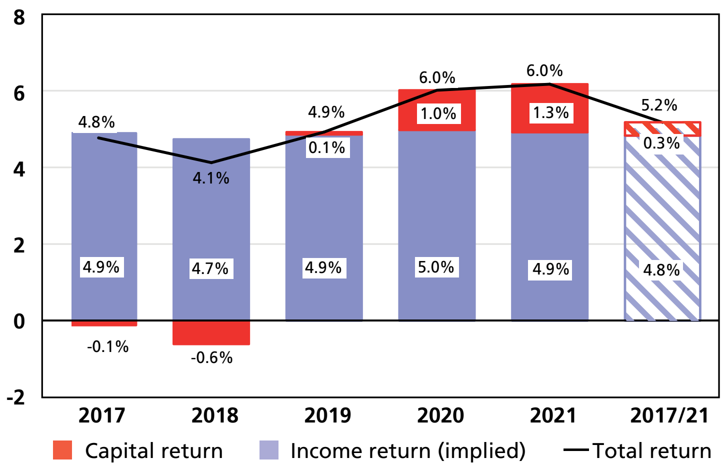
Sector capital value growth five-year average forecasts

Over five years, capital growth forecasts are at or above 0.0% for all sectors other than Offices – from 1.6% per annum for Industrials (1.0% per annum three months ago) to 0.0% for Shopping Centres (static over the quarter). The All Property average, at 0.3%, is bettered only by Industrials and Standard Retail (now 0.9%).

Forecast ranges are generally narrower over five years than in any individual year. Offices continue to generate the greatest spread, of 6.1%. The closest consensus remains for Standard Retail, ranging from just under -1.0% to 2.8%.



All Property total return forecasts



The All Property total return for 2017 has risen over 150 bps, from 3.2% three months ago, as a result of the significant improvement in the negative capital value growth projection (to -0.1% from -1.6%). In 2018, however, a fall in the implied income return may produce a lower total return than the previous forecast of 4.1%,(a reduction of some 16 bps).

Despite rising in later years, weaker capital growth rates and lower income returns are likely to continue to constrain performance. 2019 and 2020 average return projections are over 90 bps and almost 60 bps lower than forecast three months ago.

An improved 2017 forecast has maintained the five-year average of 5.2% per annum.

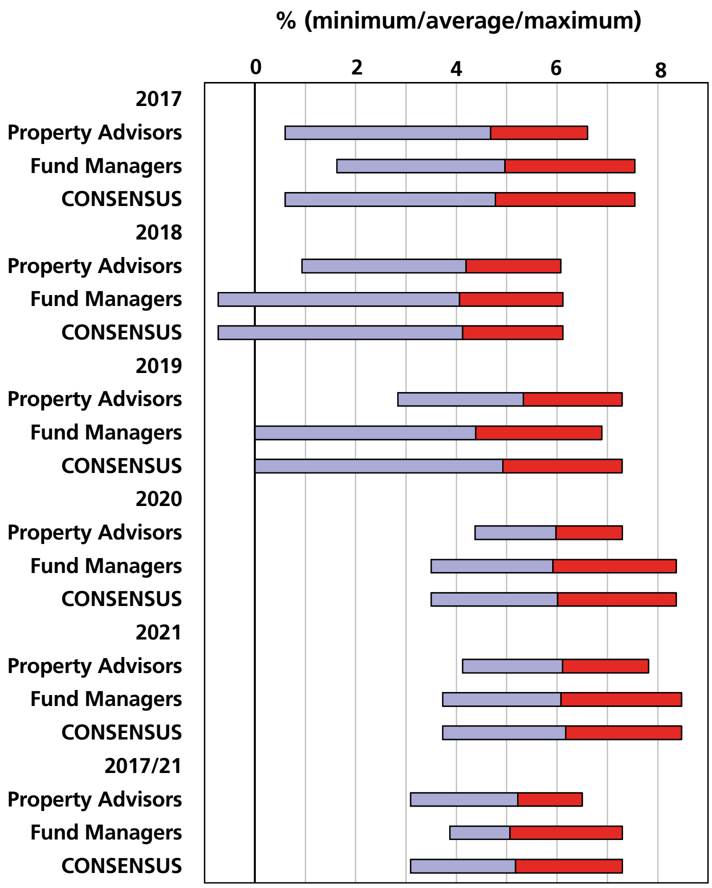
Contributors All Property total return forecasts

2017 forecast spreads for total return lie between 5.9% for Property Advisors and 6.0% for Fund Managers. Although differences in minimum and maximum projections vary by 1.0% and 0.9% respectively, Fund Mangers are more optimistic on average (at 5.0% versus 4.7%).

In 2018, with market sentiment weakening overall, the situation is reversed; average expectations for Property Advisors are marginally higher than for Fund Managers (4.2% against 4.1%). One of the latter group predicts a-0.7% total return next year, driven by an expectation of significant capital falls. As a result, the spread of forecasts for Fund Managers lies at 6.8% (5.2% for Property Advisors).

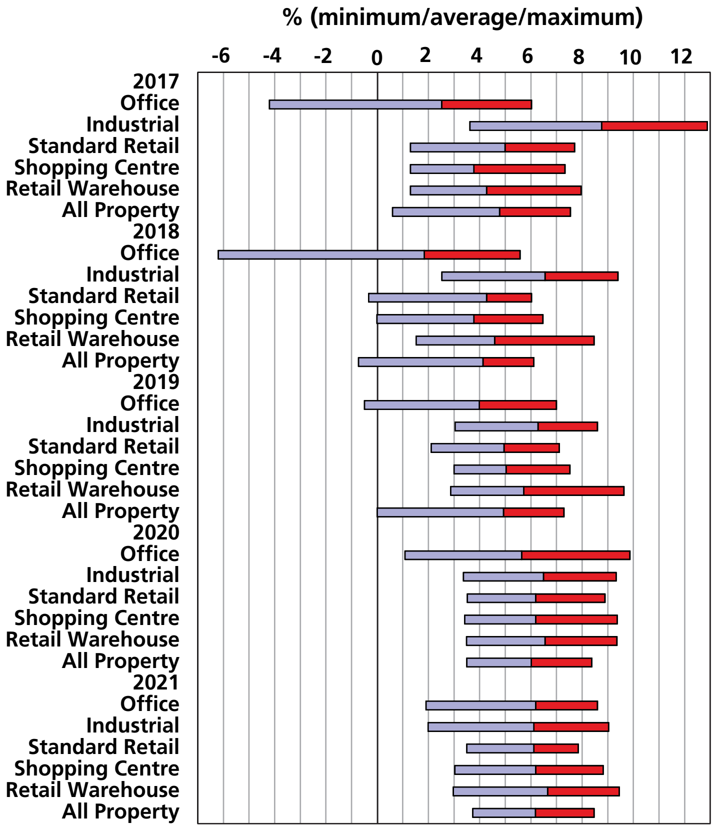
Over the remaining period, whilst rising year-on-year, average returns have weakened in both sets of forecasts. Fund Manager projections are distinctly more negative than Property Advisors in 2019, when the former's average is 4.4% (5.3% for Advisors). In the final two years, expectations are more closely aligned, averages being 6.0% in 2020 and 6.2% in 2021.

The five-year forecast for Property Advisors is 5.2% (from 5.5% in February) and 5.1% for Fund Managers (5.0%), as estimates range between 3.9% and 7.3% for Fund Managers and 3.1% and 6.5% for Advisors.



N.B. One 'Other' set of forecasts is included in the Consensus.

Sector total return annual forecasts



Total return forecast ranges remain considerable. Other than 2021, Offices attract the widest spread of individual projections (peaking at 11.8% in 2019). From 2019 onwards, average and uppermost projections of expected returns are lower than previously reported and ranges also reduce for most sectors in these remaining years of the survey.

Average forecasts are positive for all sectors throughout the survey period with Industrials expected to deliver in excess of 6.0% annually. The 2017 maximum individual projection (of 12.9%) is supported by a further seven contributors forecasting double digit returns.

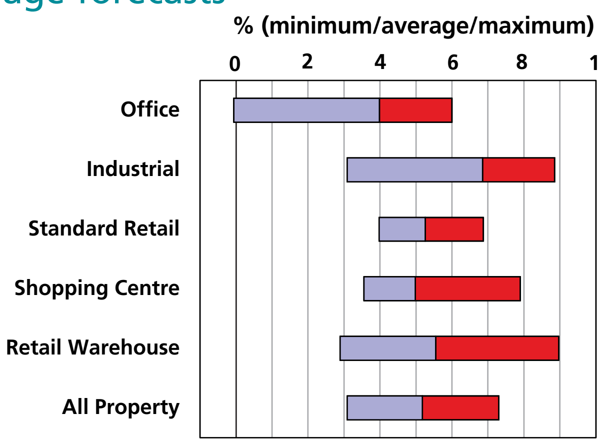
By 2020, all sectors (other than Offices, at 5.6%) are predicted to deliver average total returns of 6.0% plus. The highest individual forecast in that year is for Offices, at 9.9%, whilst Retail Warehouses may be the leading sector in 2021 with a current average forecast of 9.5% total return.

The Office sector is expected to underperform the All Property average each year until 2021, when it may match it at 6.2%.

Sector total return five-year average forecasts

With the exception of Industrials (which has increased by almost 40 bps to 6.8%), five-year annualised sector averages have weakened marginally over the quarter. Falls of between 14 bps (Standard Retail) and 25 bps (Retail Warehouses) have resulted 5.3% and 5.5% per annum averages for these markets.

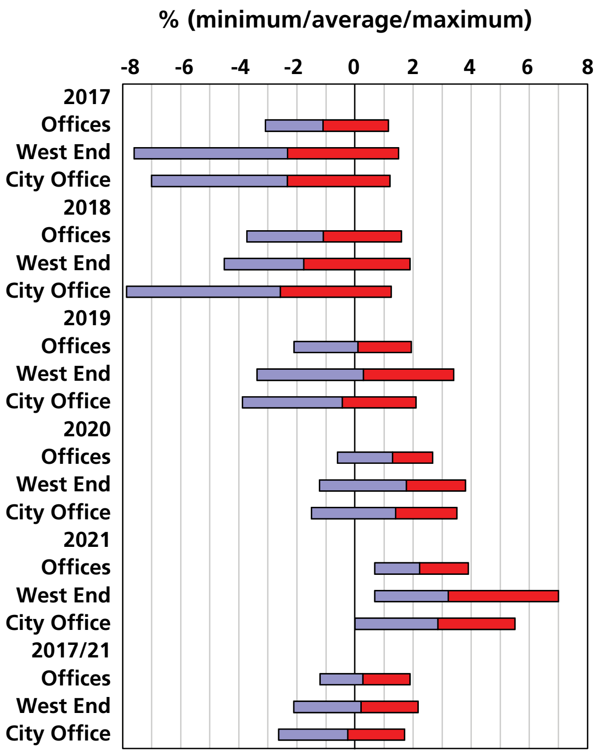
The All Property total return has remained broadly unchanged, at 5.2% per annum, with only Offices, currently projected to underperform this, at 4.0%.



Central London offices

The UK's financial services sector potentially has much to lose as a result of Brexit. Major employers are beginning to identify alternative locations to central London from which to service their EU customers, thus signalling a medium-term reduction in occupational requirements. In the capital markets, however, a weak pound appears to be sustaining investment levels. For Q1 2017, JLL reports[7] a continuation of the recovery in the slump in investment activity that immediately followed the post-Brexit vote, with a record increase in foreign investment, led by a surge of activity from Hong Kong-based private investors.

Rental value growth



Although the minimum projection for West End Offices fell by 60 bps over the quarter (to -7.6%), the maximum 2017 forecast of rental growth for this sub-market is unchanged at 1.5%, whilst the mean expectation has improved marginally, to -2.3% (-2.5% previously). The City office growth rate has also risen, to -2.3% from -3.0%.

Greater forecaster confidence in West End growth prospects is demonstrated in 2018, when the array of opinions spans between -4.5% and 1.9% (against an average of -1.8%), whereas the average City growth forecast of -2.6% lies with a range of 9.1% to -7.9%.

With a more extensive occupier base than the City, West End rents may deliver weakly positive growth (0.3% on average) in 2019. Average City rental growth in 2019 is broadly unchanged over the quarter (at -0.4%) with positive growth only likely to emerge in 2020: 1.4% compared to 1.8% for the West End and lower than previously reported for that year.

Although opinions widen in 2021, the overall consensus of recovering growth is maintained with averages rising to 3.2% and 2.8% (from 3.6% and 2.9%) in the West End and City respectively, exceeding the all UK Office average of 2.2% (2.4% previously).

The five-year average growth rate for the West End has remained static over the quarter (0.2%), whereas the City average, although still negative, has improved to -0.2% (from -0.6% reported in February).

[7] JLL Central London Office MarkSet Report Q1 2017

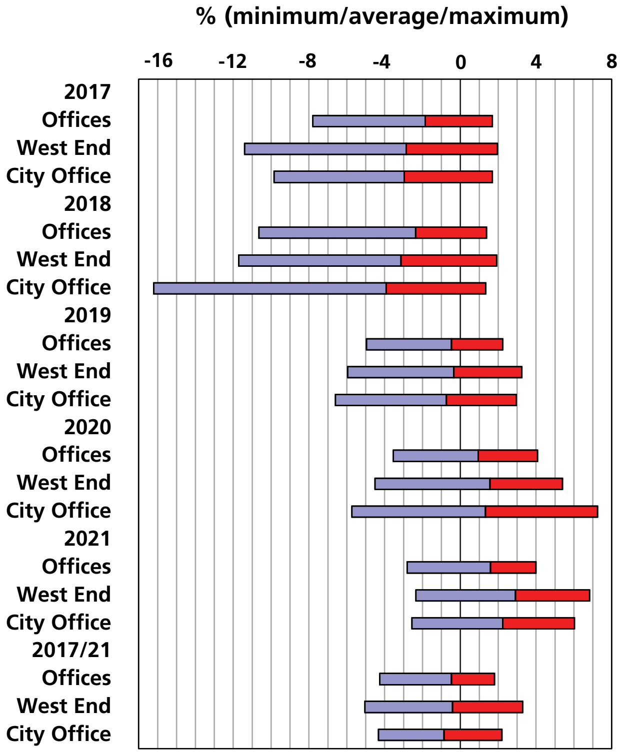
Central London offices (2)

Capital value growth

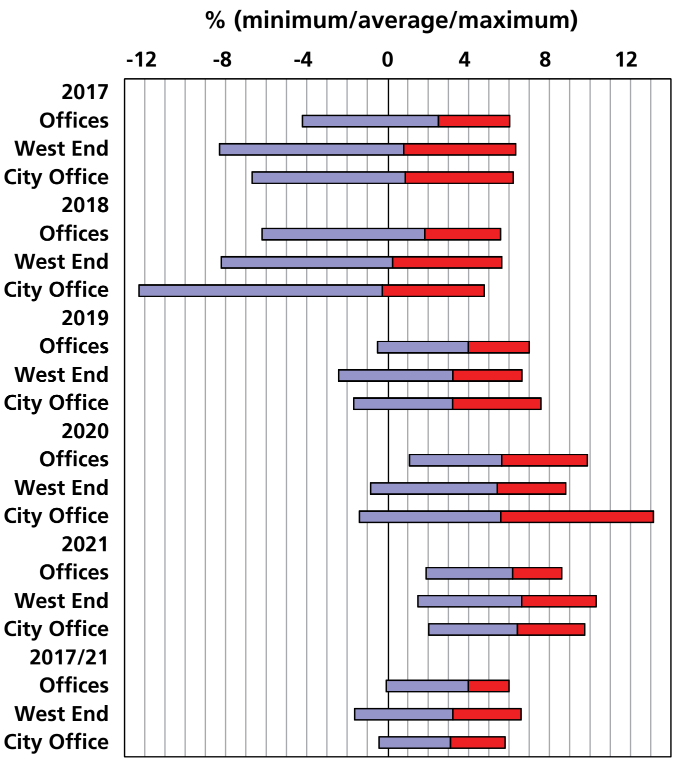
The 2017 West End average capital growth rate forecast has weakened over the quarter (by over 30 bps, to -2.9%), whilst the City projection has remained at -3.0%. The range of views for each market has expanded, with greater negativity emerging; minimum forecasts now lie at -11.7% and -16.2% for the West End and City respectively (from -6.0% and -9.2% previously). Positive growth forecasts are held by only a minority of contributors in each instance (three West End and seven City forecasts, from a total of 19 received).

In each of the remaining years of the survey, expectations have fallen back in both markets, although 2018 may mark a bottoming out of this decline, when average growth rates are predicted to be -3.1% and -3.9% for West End and City respectively (from -1.9% and -3.1% three months ago). From 2019, overall confidence recovers, with average rental growth turning positive in 2020, to 1.6% and 1.3% for the West End and City (versus 1.1% for UK Offices).

Five-year annualised growth rates are below zero in both central London and in the wider UK markets, the average forecast for the West End being -0.4% (from 0.2%) and -0.9% for the City (formerly -0.6%), as against a UK Office average of -0.5% (from 0.2%).



Total returns



2017 average total return forecasts, have improved over the quarter – by 2.1% for the West End and 2.0% in the City – to produce weakly positive performance (of 0.8% and 0.9% respectively). A significant proportion of contributors (nine in each market) predict negative returns, however.

Opinion varies considerably in 2018. Against averages of -0.3% and 0.3%, respectively, City Office forecasts range between -12.3% and 4.8%, with West End projections lying between -8.2% and 5.6%.

From 2019 onwards, total returns improve year-on-year, although almost all projected means are lower than three months ago, the exception being a slight improvement in the total return for City Offices in 2021 (up 0.2% to 6.4%).

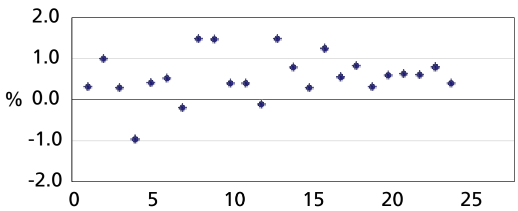
Five-year annualised returns now lie at 3.2% and 3.1% per annum for the West End and City, from 2.8% in each sub-market three months ago. However, these still lag the UK projected average of 4.0% (4.1% in February).

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 2017) in brackets.

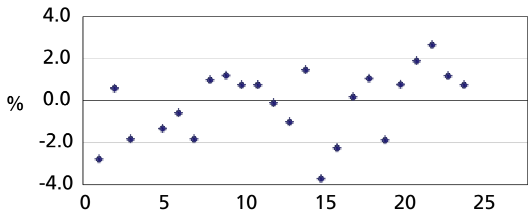
Rental value growth (% pa)

2017 Mean forecast: 0.6% (0.2%)

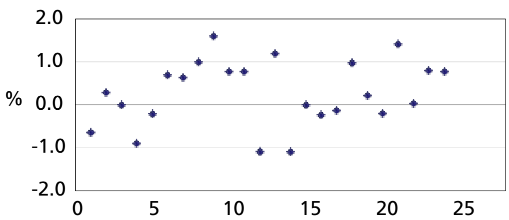


Capital value growth (% pa)

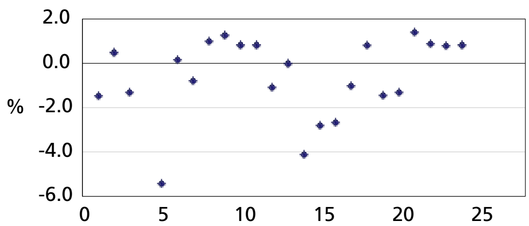
2017 Mean forecast: -0.1% (-1.6%)



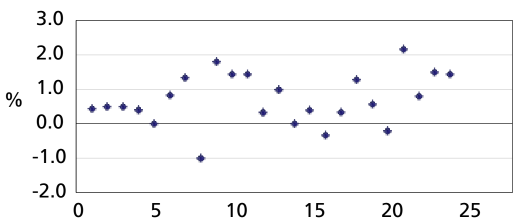
2018 Mean forecast: 0.3% (0.1%)



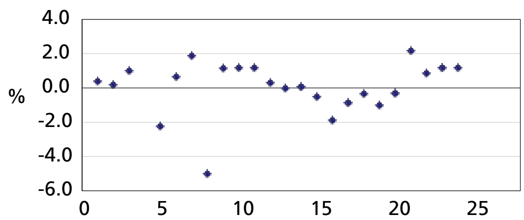
2018 Mean forecast: -0.6% (-0.7%)



2019 Mean forecast: 0.7% (0.8%)

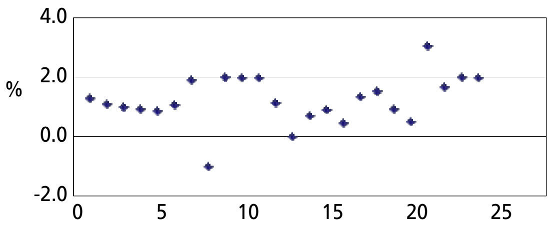


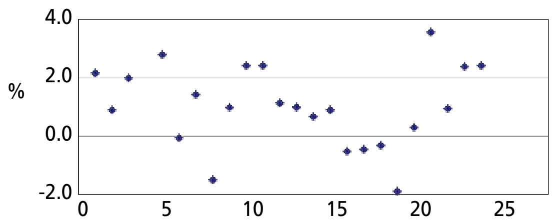
2019 Mean forecast: 0.1% (0.8 %)



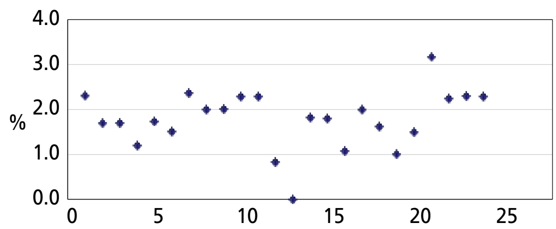
Distribution of forecasts (2)

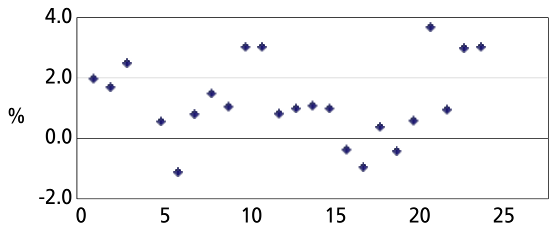
	Rental value growth (% pa)		Capital value growth (% pa)
2020	Mean forecast: 1.2% (1.4%)	**2020**	Mean forecast: 1.0% (1.5%)



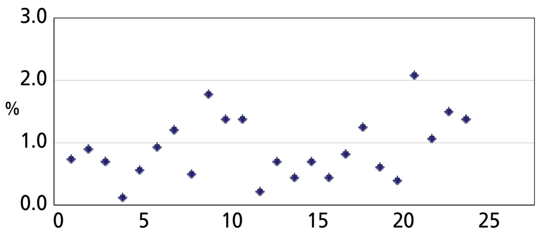


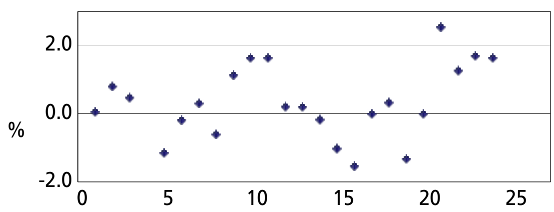
2021	Mean forecast: 1.8% (1.8%)	**2021**	Mean forecast: 1.3% (1.5%)





2017/21	Mean forecast: 0.9% (0.8%)	**2017/21**	Mean forecast: 0.3% (0.2%)

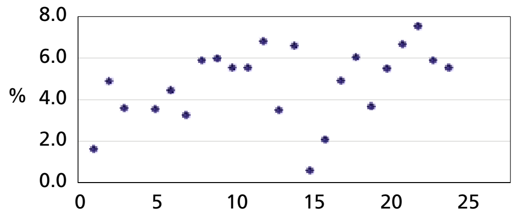




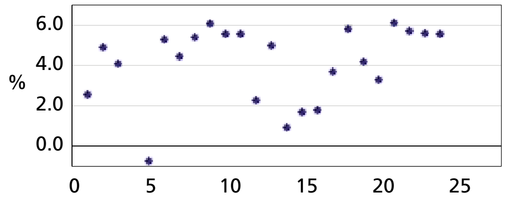
Distribution of forecasts (3)

All Property total returns (% pa)

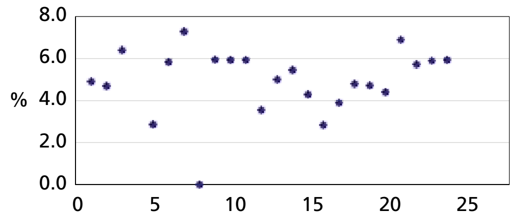
2017 Mean forecast: 4.8% (3.2%)



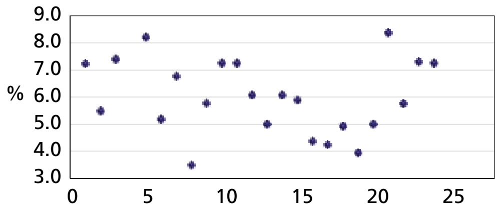
2018 Mean forecast: 4.1 % (4.3%)



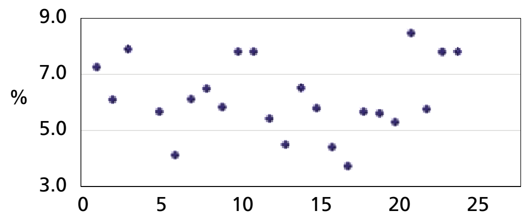
2019 Mean forecast: 4.9% (5.8%)



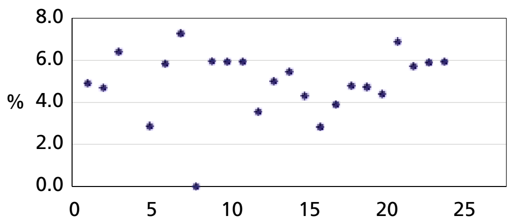
2020 Mean forecast: 6.0% (6.6%)



2021 Mean forecast: 6.2% (6.6)



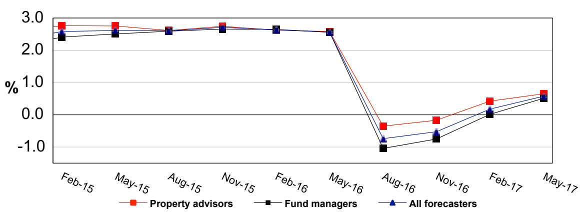
2017/21 Mean forecast: 5.2% (5.2%)



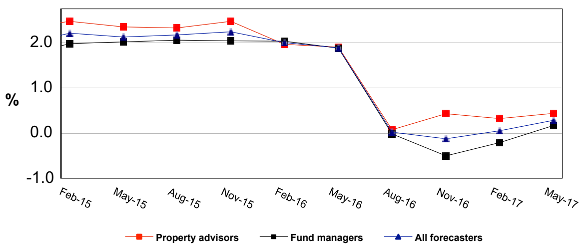
Evolution of the consensus

All Property rental value growth (% pa)

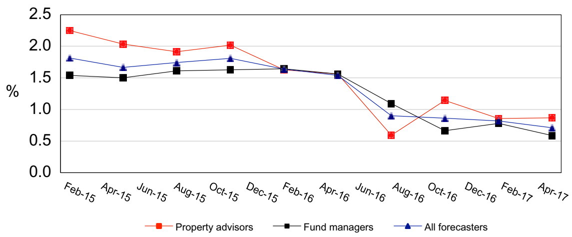
2017 Mean forecast: 0.6% (0.2%)



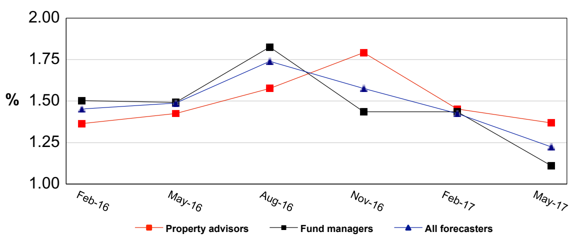
2018 Mean forecast: 0.3% (0.1%)



2019 Mean forecast: 0.7% (0.8%)

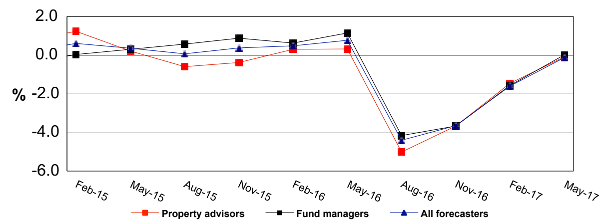


2020 Mean forecast: 1.2% (1.4%)

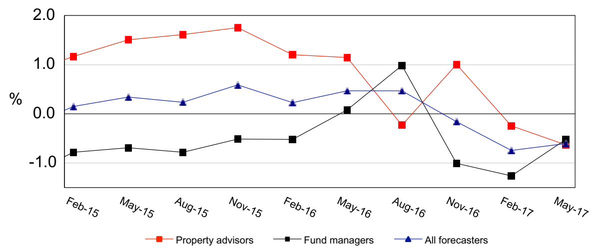


All Property capital value growth (% pa)

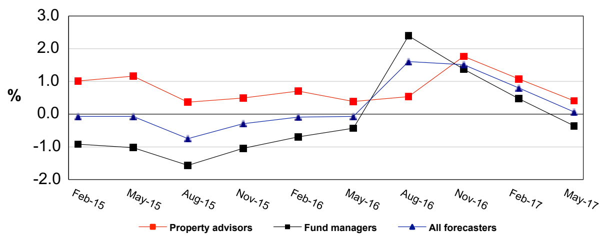
2017 Mean forecast: -0.1% (-1.6%)



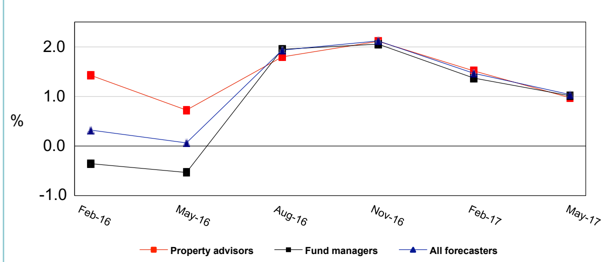
2018 Mean forecast: -0.6% (-0.7%)



2019 Mean forecast: 0.1% (0.8%)



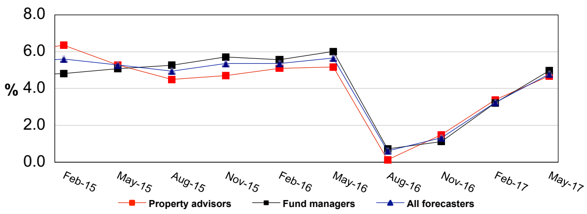
2020 Mean forecast: 1.0% (1.5%)



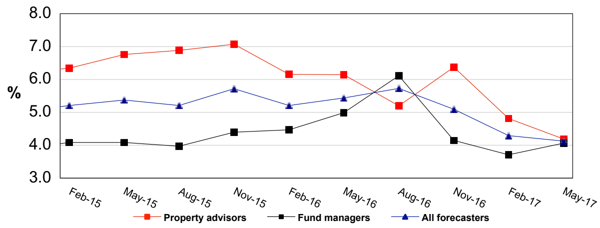
Evolution of the consensus (2)

All Property total returns (% pa)

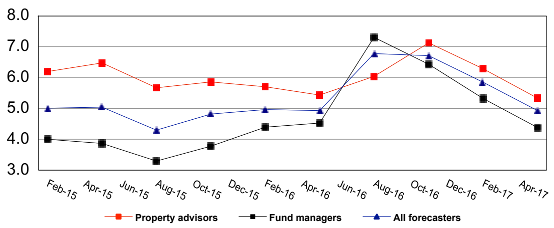
2017 Mean forecast: 4.8% (3.2%)



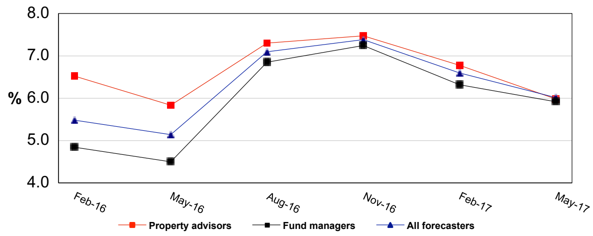
2018 Mean forecast: 4.1% (4.3%)



2019 Mean forecast: 4.9% (5.8%)



2020 Mean forecast: 6.0% (6.6%)



All Property survey results by contributor type

(Forecasts in brackets are February 2017 comparisons)

Property Advisors and Research Consultancies

11 (12) contributors	Rental value growth (%)						Capital value growth (%)						Total return (%)					
	2017		2018		2017/21		2017		2018		2017/21		2017		2018		2017/21	
Maximum	1.5	(1.0)	1.6	(1.7)	1.8	(2.1)	1.5	(2.1)	1.3	(3.0)	1.7	(3.3)	6.6	(7.0)	6.1	(8.5)	6.5	(9.1)
Minimum	-0.2	(-1.2)	-1.1	(-1.4)	0.4	(0.1)	-3.7	(-4.5)	-4.1	(-4.2)	-1.5	(-1.7)	0.6	(-0.2)	0.9	(1.0)	3.1	(3.0)
Range	1.7	(2.2)	2.7	(3.1)	1.4	(1.9)	5.2	(6.6)	5.4	(7.2)	3.2	(5.0)	6.0	(7.2)	5.1	(7.5)	3.4	(6.1
Median	0.6	(0.6)	0.7	(0.6)	1.2	(1.0)	0.8	(-1.3)	0.2	(0.6)	0.3	(0.4)	5.5	(3.4)	5.3	(5.6)	5.4	(5.5)
Mean	**0.7**	**(0.4)**	**0.4**	**(0.3)**	**1.0**	**(0.9)**	**-0.1**	**(-1.4)**	**-0.6**	**(-0.2)**	**0.3**	**(0.4)**	**4.7**	**(3.4)**	**4.2**	**(4.8)**	**5.2**	**(5.5)**

Fund Managers*

12 (12) contributors	Rental value growth* (%)						Capital value growth (%)						Total return (%)					
	2017		2018		2017/21		2017		2018		2017/21		2017		2018		2017/21	
Maximum	1.5	(1.8)	1.4	(1.8)	2.1	(1.5)	2.7	(0.5)	1.4	(0.7)	2.5	(1.5)	7.5	(5.7)	6.1	(5.6)	7.3	(6.4)
Minimum	-1.0	(-1.0)	-1.1	(-1.9)	0.1	(0.1)	-2.8	(-5.0)	-5.4	(-4.5)	-1.3	(-1.4)	1.6	(-0.1)	-0.7	(0.1)	3.9	(3.5)
Range	2.5	(2.8)	2.5	(3.7)	2.0	(1.4)	5.4	(5.5)	6.8	(5.2)	3.9	(2.9)	5.9	(5.8)	6.8	(5.5)	3.4	(2.9)
Median	0.5	(0.1)	0.1	(0.0)	0.7	(0.8)	0.2	(-1.4)	0.0	(-0.1)	0.2	(0.0)	4.9	(3.5)	4.9	(4.8)	4.7	(4.9)
Mean	**0.5**	**(0.0)**	**0.2**	**(-0.2)**	**0.8**	**(0.8)**	**0.0**	**(-1.6)**	**-0.5**	**(-1.3)**	**0.3**	**(0.1)**	**5.0**	**(3.2)**	**4.1**	**(3.7)**	**5.1**	**(5.0)**

All Forecasters

24 (25) contributors	Rental value growth* (%)						Capital value growth (%)						Total return (%)					
	2017		2018		2017/21		2017		2018		2017/21		2017		2018		2017/21	
Maximum	1.5	(1.8)	1.6	(1.8)	2.1	(2.1)	2.7	(2.1)	1.4	(3.0)	2.5	(3.3)	7.5	(7.0)	6.1	(8.5)	7.3	(9.1)
Minimum	-1.0	(-1.2)	-1.1	(-1.9)	0.1	(0.1)	-3.7	(-5.0)	-5.4	(-4.5)	-1.5	(-1.7)	0.6	(-0.2)	-0.7	(0.1)	3.1	(3.0)
Range	2.5	(3.0)	2.7	(3.7)	2.0	(2.0)	6.4	(7.1)	6.8	(7.5)	4.1	(5.0)	6.9	(7.2)	6.8	(8.4)	4.2	(6.1)
Std. Dev.	0.5	(0.7)	0.7	(1.0)	0.5	(0.5)	1.6	(1.8)	1.8	(2.0)	1.1	(1.2)	1.7	(1.8)	1.8	(2.1)	1.1	(1.3)
Median	0.5	(0.4)	0.3	(0.3)	0.8	(0.9)	0.6	(-1.5)	0.0	(0.0)	0.2	(0.4)	5.5	(3.3)	4.9	(4.9)	5.1	(5.3)
Mean	**0.6**	**(0.2)**	**0.3**	**(0.1)**	**0.9**	**(0.8)**	**-0.1**	**(-1.6)**	**-0.6**	**(-0.7)**	**0.3**	**(0.2)**	**4.8**	**(3.2)**	**4.1**	**(4.3)**	**5.2**	**(5.2)**

* Includes one 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 (of 10 May 2017).
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 24 participants for each performance measure (other than one Fund Manager who provided rental growth forecasts only). Full sector forecasts were received from a reduced sample of 21 contributors (19 for central London offices).

Survey results by sector

Office

22 contributors	*Rental value growth (%) 2017	2018	2019	2017/21	Capital value growth (%) 2017	2018	2019	2017/21	Total return (%) 2017	2018	2019	2017/21
Maximum	1.1	1.6	1.9	1.9	1.7	1.4	2.2	1.8	6.0	5.6	7.0	6.0
Minimum	-3.1	-3.7	-2.1	-1.2	-7.8	-10.6	-5.0	-4.3	-4.2	-6.2	-0.5	-0.1
Range	4.2	5.3	4.0	3.1	9.5	12.0	7.2	6.1	10.2	11.8	7.5	6.1
Median	-1.0	-1.2	0.2	0.2	-1.8	-1.5	0.0	-0.3	2.6	2.6	4.5	4.1
Mean	**-1.1**	**-1.1**	**0.1**	**0.3**	**-1.9**	**-2.4**	**-0.5**	**-0.5**	**2.5**	**1.8**	**4.0**	**4.0**

Industrial

22 contributors	*Rental value growth (%) 2017	2018	2019	2017/21	Capital value growth (%) 2017	2018	2019	2017/21	Total return (%) 2017	2018	2019	2017/21
Maximum	3.9	3.3	3.7	3.3	7.3	4.9	3.3	3.6	12.9	9.4	8.6	8.9
Minimum	1.3	0.0	0.0	0.8	-1.1	-2.1	-1.9	-1.8	3.6	2.5	3.0	3.1
Range	2.6	3.3	3.7	2.5	8.4	7.0	5.2	5.4	9.3	6.9	5.6	5.8
Median	2.7	1.8	1.2	1.8	3.7	1.4	1.0	1.4	9.7	6.5	6.1	6.6
Mean	**2.7**	**1.9**	**1.7**	**2.0**	**3.3**	**1.4**	**1.1**	**1.6**	**8.8**	**6.6**	**6.3**	**6.8**

Standard Retail

22 contributors	*Rental value growth (%) 2017	2018	2019	2017/21	Capital value growth (%) 2017	2018	2019	2017/21	Total return (%) 2017	2018	2019	2017/21
Maximum	2.7	2.6	2.7	2.5	2.3	1.8	2.4	2.8	7.7	6.0	7.1	6.9
Minimum	-1.0	-1.2	-0.2	-0.1	-2.6	-4.5	-1.2	-1.0	1.3	-0.3	2.1	4.0
Range	3.8	3.8	2.8	2.6	4.9	6.3	3.5	3.8	6.4	6.4	5.0	2.9
Median	1.0	0.5	0.8	1.1	0.7	-0.1	0.5	0.7	5.3	4.3	4.8	5.2
Mean	**0.9**	**0.5**	**0.8**	**1.1**	**0.4**	**-0.1**	**0.6**	**0.9**	**5.0**	**4.3**	**5.0**	**5.3**

Shopping Centre

22 contributors	*Rental value growth (%) 2017	2018	2019	2017/21	Capital value growth (%) 2017	2018	2019	2017/21	Total return (%) 2017	2018	2019	2017/21
Maximum	2.2	1.8	2.8	2.6	2.5	1.8	2.8	3.1	7.3	6.5	7.5	7.9
Minimum	-1.4	-1.9	0.0	-0.2	-3.8	-4.8	-2.0	-2.1	1.3	0.0	3.0	3.6
Range	3.7	3.6	2.8	2.8	6.3	6.5	4.8	5.2	6.0	6.5	4.5	4.3
Median	0.4	0.2	0.6	0.9	-1.5	-0.8	0.3	-0.1	3.2	4.2	5.0	5.1
Mean	**0.4**	**0.2**	**0.7**	**0.8**	**-1.0**	**-1.1**	**0.1**	**0.0**	**3.8**	**3.8**	**5.0**	**5.0**

Retail Warehouse

22 contributors	*Rental value growth (%) 2017	2018	2019	2017/21	Capital value growth (%) 2017	2018	2019	2017/21	Total return (%) 2017	2018	2019	2017/21
Maximum	1.6	2.2	2.9	2.4	2.1	2.5	3.7	3.2	8.0	8.5	9.6	9.0
Minimum	-0.7	-1.0	0.0	0.1	-7.8	-5.9	-1.9	-2.0	1.3	1.5	2.9	2.9
Range	2.3	3.2	2.9	2.3	9.9	8.4	5.6	5.2	6.7	6.9	6.8	6.1
Median	0.5	0.4	0.6	0.8	-1.2	-0.3	0.3	0.1	4.4	5.4	6.0	5.8
Mean	**0.5**	**0.4**	**0.7**	**0.9**	**-1.2**	**-0.8**	**0.4**	**0.2**	**4.3**	**4.6**	**5.7**	**5.5**

All Property

24 contributors	*Rental value growth (%) 2017	2018	2019	2017/21	Capital value growth (%) 2017	2018	2019	2017/21	Total return (%) 2017	2018	2019	2017/21
Maximum	1.5	1.6	2.2	2.1	2.7	1.4	2.2	2.5	7.5	6.1	7.3	7.3
Minimum	-1.0	-1.1	-1.0	0.1	-3.7	-5.4	-5.0	-1.5	0.6	-0.7	0.0	3.1
Range	2.5	2.7	3.2	2.0	6.4	6.8	7.2	4.1	6.9	6.8	7.3	4.2
Std. Dev.	0.5	0.7	0.7	0.5	1.6	1.8	1.5	1.1	1.7	1.8	1.5	1.1
Median	0.5	0.3	0.5	0.8	0.6	0.0	0.3	0.2	5.5	4.9	5.0	5.1
Mean	**0.6**	**0.3**	**0.7**	**0.9**	**-0.1**	**-0.6**	**0.1**	**0.3**	**4.8**	**4.1**	**4.9**	**5.2**

* Includes one additional rental value growth forecast.

Sector summary: Means

All sectors

(no. contributors*)		Rental value growth (%)				Capital value growth (%)				Total return (%)			
		2017	2018	2019	2017/21	2017	2018	2019	2017/21	2017	2018	2019	2017/21
Office	(22)	-1.1	-1.1	0.1	0.3	-1.9	-2.4	-0.5	-0.5	2.5	1.8	4.0	4.0
Industrial	(22)	2.7	1.9	1.7	2.0	3.3	1.4	1.1	1.6	8.8	6.6	6.3	6.8
Standard Retail	(22)	0.9	0.5	0.8	1.1	0.4	-0.1	0.6	0.9	5.0	4.3	5.0	5.3
Shopping Centre	(22)	0.4	0.2	0.7	0.8	-1.0	-1.1	0.1	0.0	3.8	3.8	5.0	5.0
Retail Warehouse	(22)	0.5	0.4	0.7	0.9	-1.2	-0.8	0.4	0.2	4.3	4.6	5.7	5.5
All Property	**(24)**	**0.6**	**0.3**	**0.7**	**0.9**	**-0.1**	**-0.6**	**0.1**	**0.3**	**4.8**	**4.1**	**4.9**	**5.2**

* Totals include one contributor providing rental value growth forecasts only for each sector and All Property.

West End office

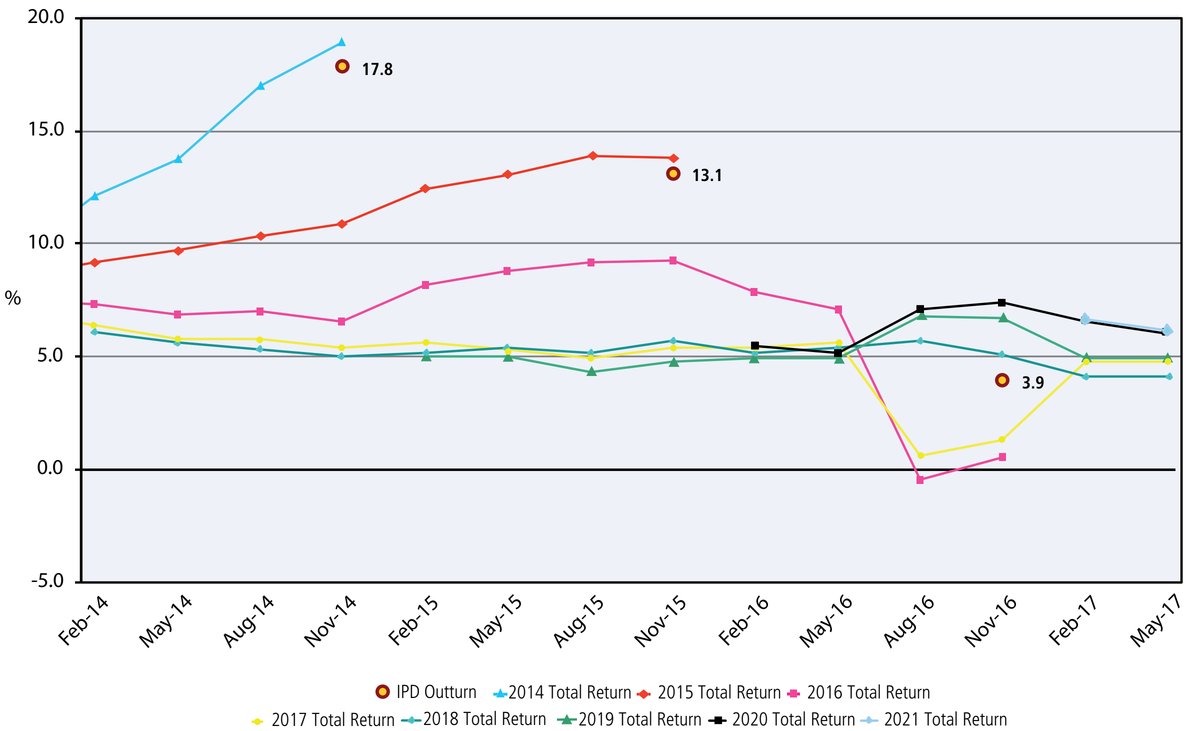
19 contributors	^Rental value growth (%)				Capital value growth (%)				Total return (%)			
	2017	2018	2019	2017/21	2017	2018	2019	2017/21	2017	2018	2019	2017/21
Maximum	1.5	1.9	3.4	2.2	2.0	1.9	3.2	3.3	6.3	5.6	6.6	6.6
Minimum	-7.6	-4.5	-3.4	-2.1	-11.4	-11.7	-6.0	-5.0	-8.3	-8.2	-2.4	-1.6
Range	9.1	6.4	6.8	4.3	13.4	13.6	9.2	8.3	14.6	13.9	9.1	8.2
Median	-1.6	-2.2	0.5	0.3	-2.5	-3.0	-0.6	-0.8	1.9	0.6	3.3	2.8
Mean	**-2.3**	**-1.8**	**0.3**	**0.2**	**-2.9**	**-3.1**	**-0.3**	**-0.4**	**0.8**	**0.3**	**3.2**	**3.2**

City office

19 contributors	^Rental value growth (%)				Capital value growth (%)				Total return (%)			
	2017	2018	2019	2017/21	2017	2018	2019	2017/21	2017	2018	2019	2017/21
Maximum	1.2	1.2	2.1	1.7	1.7	1.3	3.0	2.2	6.2	4.8	7.6	5.8
Minimum	-7.0	-7.9	-3.9	-2.6	-9.8	-16.2	-6.6	-4.3	-6.7	-12.3	-1.7	-0.4
Range	8.2	9.1	6.0	4.3	11.5	17.5	9.6	6.5	12.9	17.1	9.2	6.2
Median	-1.7	-2.1	0.0	-0.7	-2.4	-3.9	-0.3	-1.0	0.9	-0.4	3.6	2.9
Mean	**-2.3**	**-2.6**	**-0.4**	**-0.2**	**-3.0**	**-3.9**	**-0.7**	**-0.9**	**0.9**	**-0.3**	**3.2**	**3.1**

^ 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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