

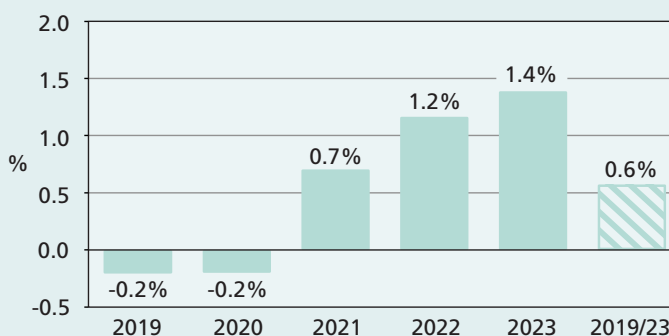
# IPF UK CONSENSUS FORECASTS – AUTUMN 2019

23 organisations contributed to the final survey of 2019, with forecasts dating from the beginning of September to mid-November 2019.

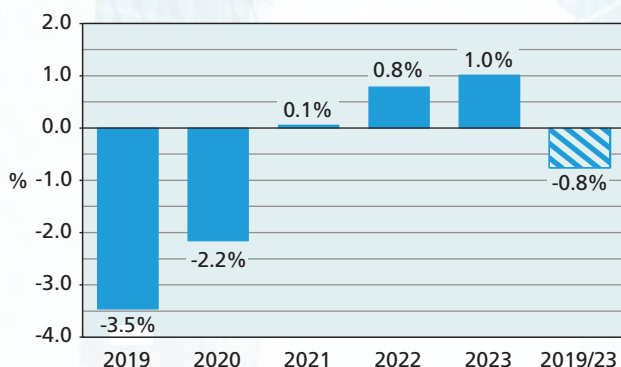
## Rental value growth

Although the 2019 forecast was static, next year's average outlook fell 10 bps over the quarter, whereas projections for remaining years improved by between 11 and 15 bps, resulting in a marginal uplift in the five-year annualised average (previously 0.5%).

Zero or sub-zero growth in the current year was recorded in 19 forecasts, compared to 13 in 2020 and three in 2021. By 2022, all contributors expect a return to positive rental growth. With the exception of 2019, median forecast values are marginally higher than the arithmetic mean.



## Capital value growth



Following the substantial fall recorded by the August survey, the average for 2019 firmed slightly over the quarter, from -3.6% previously, with all but one contributor forecasting negative capital value growth (this exception predicting zero growth). The 2020 forecast mean weakened again, however, from -2.0% three months ago. In contrast, averages in remaining years improved, from -0.2%, 0.6% and 0.9% previously.

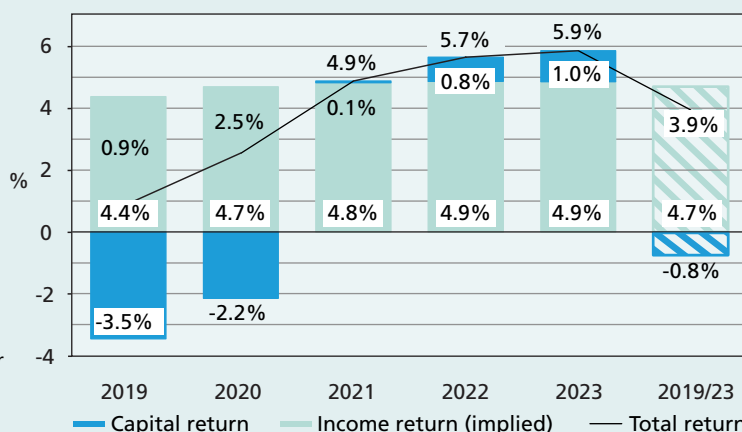
Notwithstanding improved averages in four of the five years, the five-year annualised projection has remained stable, at -0.8% pa.

## Total returns

The 2019 total return average improved marginally over the quarter but weakened for 2020 (falling by over 35 bps, from -1.8%) due to poorer capital growth expectations next year. Average forecasts in 2021 and 2022 rose over the three months, from 4.7% and 5.6% in August, whilst the 2023 projection was static.

Implied income returns for 2019 and 2022 softened slightly (falling 14 and 13 bps from 4.5% and 5.0% in August) with more modest falls in other years.

The five-year average fell marginally over the quarter to stand at 3.9% currently.



## Average by Sector summary

	Rental value growth (%)				Capital value growth (%)				Total return (%)			
	2019	2020	2021	2022/23	2019	2020	2021	2022/23	2019	2020	2021	2022/23
Office	1.5	1.0	1.7	1.7	0.0	0.2	1.5	1.0	4.0	4.4	5.7	5.2
Industrial	3.1	2.3	2.1	2.2	2.1	1.7	1.7	1.6	6.6	6.1	6.2	6.1
Standard Retail	-3.6	-3.1	-1.4	-1.6	-9.4	-6.8	-2.1	-3.5	-5.2	-2.3	2.7	0.5
Shopping Centre	-5.3	-4.5	-2.3	-2.7	-15.4	-10.2	-4.5	-6.6	-10.5	-4.5	1.6	-0.7
Retail Warehouse	-4.3	-3.4	-1.2	-1.7	-12.7	-7.6	-2.0	-4.5	-7.1	-1.4	4.6	1.4
<b>All Property</b>	<b>-0.2</b>	<b>-0.2</b>	<b>0.7</b>	<b>0.6</b>	<b>-3.5</b>	<b>-2.2</b>	<b>0.1</b>	<b>-0.8</b>	<b>0.9</b>	<b>2.5</b>	<b>4.9</b>	<b>3.9</b>
West End office	2.1	1.2	2.2	2.2	0.5	1.1	2.0	1.6	3.9	4.6	5.6	5.0
City office	1.1	0.7	2.0	1.7	-0.6	0.2	2.0	1.1	3.3	4.1	6.0	5.2

## Key Points

### 2019

Over the quarter, although the average capital value growth forecast improved slightly, the overall rental growth and total return projections were unchanged:

- At the All Property level, the rental value growth forecast remains -0.2% for the year, although Property Advisors are slightly more pessimistic than Fund Managers in their outlook (-0.3% versus -0.2%);
- The implied income return is marginally lower, at 4.4% (from 4.5%), whilst the All Property 2019 average total return projection is unchanged, at 0.9%, although there is considerable variation between sectors, with Industrials and Offices expected to deliver returns of 6.6% and 4.0%, compared to Shopping Centres at -10.5%, Retail Warehouses at -7.1% and Standard Retail at -5.2%;
- For central London offices, 2019 rental and capital value growth rates improved further over the quarter for both the West End and City. Respective rental growth averages now lie at 2.1% and 1.1% (from 0.8% and 0.5% last quarter) with capital growth forecasts of 0.5% and -0.6% (from -1.2% and -2.0%). Total return projections for the year are now 3.9% and 3.3%, (from 2.2% and 1.8% in August).

### 2020 and beyond

In a repeat of the last survey, retail sector forecasts for next year declined again over the quarter:

- The All Property averages for rental and capital value growth both weakened to lie at -0.2% and -2.2%, as retail growth prospects weakened in spite of rising Office forecasts and further improvement in the Industrial outlook; as a result the 2020 All Property average total return forecast declined to 2.6% (2.9% in August).
- There are signs of a modest upturn in later years, with All Property rental growth forecasts currently averaging 0.7%, 1.2% and 1.4% in 2021, 2022 and 2023 (from 0.6%, 1.0% and 1.2% in August). Capital growth projections also improved over the quarter, to 0.1%, 0.8% and 1.0% (from -0.2%, 0.6% and 0.9%). The total return forecast for 2021 is now 4.9% (previously 4.7%), rising to 5.7% in 2022 (5.6%) and 5.9% (5.9%) by 2023.

### Rolling five-year averages

The 2019/2023 All Property rolling five-year average forecasts now comprise:

- Rental value growth: 0.6% per annum (0.5% previously)
- Capital value growth: -0.8% per annum (-0.8%)
- Total return: 3.9% per annum (4.0%)

Click [here](#) to download the full report from the IPF website.

## Acknowledgement

The IPF thanks all those organisations contributing to the Autumn 2019 Consensus Forecasts, including:

Aberdeen Standard Investments	Carter Jonas	JLL	M&G Real Estate
Avison Young	CBRE	Keills	Real Estate Forecasting Limited
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BMO Real Estate Partners	Colliers International	Knight Frank Investment Management	UBS Asset Management.
BNP Paribas Real Estate	DWS		
Capital Economics	Fletcher King	LaSalle Investment Management	

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