IPF

RESEARCH

European Consensus Forecasts
# of Prime Office Rents

IPF European Consensus Forecasts

Survey of European Office Market Rental Forecasts November 2020

For the second survey of 2020, 20 organisations provided growth forecasts for some or most of the 30 locations covered by this research. The earliest forecast was generated at the beginning of May, with the majority of the remainder produced in September (six) and October (11).

As fewer than the minimum requirement of five rental growth forecasts were received for Athens, no results for the current survey period have been produced for this market.

Figure 1 summarises the average growth projections across 29 office locations over the next three years and the annualised averages over three and five years (May figures in brackets).

Figure 1: Average Annual Growth Rates, 2020 – 2022, and 3- & 5-Year Annualised Averages (%)
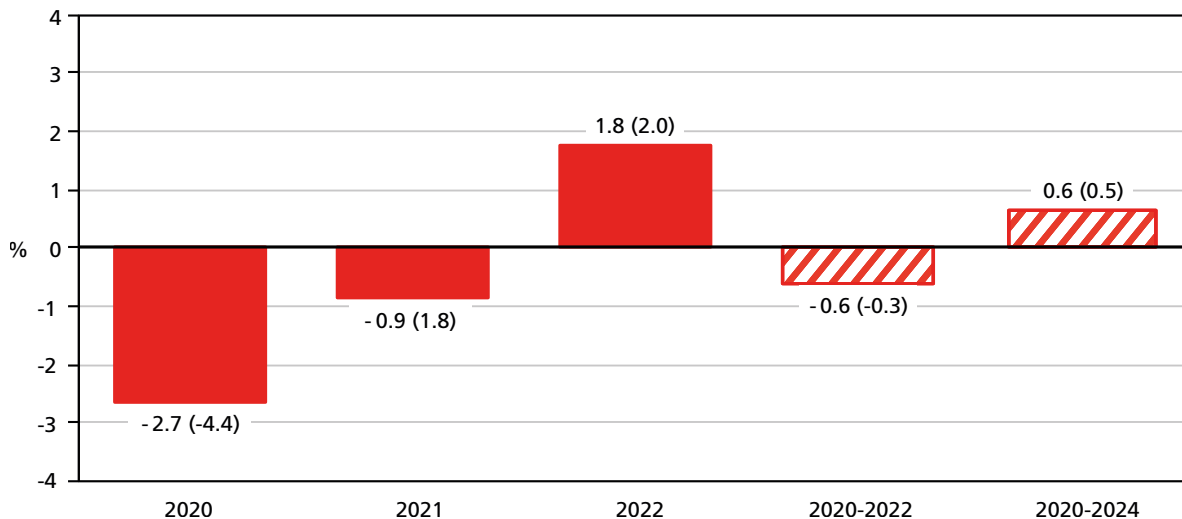
While markets continue to be adversely impacted by the COVID-19 pandemic, the average growth outlook for 2020 and 2021 is not as doubtful as six months ago, although recovery may prove more muted in 2022, resulting in a weaker three-year average. However, all forecasts were produced before the second round of lockdowns (or, indeed, the announcement of the breakthrough in developing an effective vaccine). Each forecast will have been determined by contributor assumptions about these restrictions and the long-term impact of working from home, which is still very much open to debate. While the five-year projection has improved slightly, these averages disguise considerable variations between individual locations and forecasts (see Tables 1 and 3).

Current year forecasts across the 29 locations project sub-zero growth in all but one market, Hamburg (at plus 0.6%), with average rates otherwise lying between -0.1% for Luxembourg and -7.5% for Moscow (both markets having been unreported in the last survey).

With the exception of London West End offices, projected to fall a further 0.8% by year-end (down an average of -6.6% over 2020), rental forecasts for the current year firmed by more than 180 basis points on average across all markets since May.

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However, this tempering of opinion does not extend to next year's forecasts, which declined by 270 bps on average over the six months. Having previously been expected to rebound and provide positive growth in all but one location (Dublin, averaging -0.8% in May), 2021 averages now range between Moscow, at 0.5%, and Dublin, at -3.6%, with only three German cities and the Russian capital potentially delivering very weak positive growth.

By 2022, however, despite an overall weaker forecast than predicted in May (the average is down by over 25 bps), contributors still project most markets to return to positive growth – from 4.6% in Oslo to 0.6% for Paris La Défense. The sole exception is Dublin, where a further weakening of 0.4% may occur.

Due to poorer near-term prospects, the rolling annualised three-year average remains lower than six months ago, recording a reduction of 36 bps. Over five years, however, the expectation is one of modest improvement, driven by higher forecast in 18 locations, although negative annualised averages may persist in the Paris La Défense and Dublin markets.

Average Growth Forecasts

Table 1 records the latest weighted averages across the 30 office markets surveyed[1], together with the year-on-year differences between the three periods reported.

With the exception of only four locations in 2021 (Paris CBD, Hamburg, Luxembourg and Amsterdam), the expectation is for rents to improve, although it is likely a significant proportion of these 25 remaining locations will continue to deliver negative growth. Year-on-year changes between 2020 and 2021 range between a substantial uplift for Moscow (potentially rising by 8.0% over the current year average of minus 0.5%), followed by a rise in London's West End of 6.3%, to a modest 0.2% increase in the average 2021 forecast for Zurich.

For 2022, the pattern is one of continuing improvement, as all growth rates are projected to exceed the previous year's forecasts – by as much as 4.7% in the case of Madrid and 4.6% for Oslo.

[1]As fewer than five forecasts were received for Athens it has not be possible to produce any aggregated data on this market.

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Table 1: Average Weighted Growth Forecasts and Year-on-Year Changes

	Rental growth forecast (% pa)			Y-o-Y Difference	
	2020	2021	2022	2021 vs. 2020	2022 vs. 2021
Vienna	-1.3	-0.7	0.9	0.6	1.6
Brussels	-1.4	-0.3	1.5	1.1	1.8
Prague	-2.7	-0.4	1.6	2.2	2.0
Copenhagen	-1.6	0.0	2.0	1.6	2.0
Helsinki	-2.6	0.0	2.0	2.6	2.0
Lyon	-3.2	-1.2	1.9	2.0	3.2
Paris CBD	-1.3	-2.1	0.8	-0.8	3.0
Paris la Défense	-6.8	-3.0	0.6	3.8	3.6
Berlin	-0.8	0.0	1.9	0.8	1.9
Frankfurt	-1.7	0.2	2.2	1.9	1.9
Hamburg	0.6	0.1	1.6	-0.5	1.5
Munich	-1.0	0.4	1.8	1.4	1.4
Athens*	na	na	na	na	na
Budapest	-2.5	-1.0	1.2	1.5	2.2
Dublin	-3.9	-3.6	-0.4	0.3	**3.1**
Milan	-3.2	-2.2	1.1	1.0	3.3
Rome	-2.5	-1.6	1.2	1.0	2.7
Luxembourg	-0.1	-0.4	1.3	-0.2	1.7
Amsterdam	-0.4	-0.6	1.9	-0.2	2.5
Oslo	-4.8	0.0	4.6	4.7	4.6
Warsaw	-2.2	-1.4	1.0	0.8	2.4
Lisbon	-2.3	-0.7	1.9	1.6	2.6
Moscow	-7.5	0.5	3.3	8.0	2.8
Madrid	-3.0	-2.6	2.1	0.4	4.7
Barcelona	-3.1	-1.7	1.5	1.4	3.2
Stockholm	-3.5	-0.5	2.3	3.0	2.8
Zurich	-1.1	-1.0	1.5	0.2	2.5
London: City	-5.5	-0.6	3.4	5.0	4.0
London: West End	-6.6	-0.4	3.1	6.3	3.4
Manchester	-1.4	-0.5	1.5	0.9	2.0
Average	**-2.7**	**-0.9**	**1.8**	**1.8**	**2.6**

* As fewer than five forecasts were received for Athens it has not been possible to produce any aggregated data on this market.

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Table 2 summarises average weighted growth rates, ranked by order of highest to lowest projections for the current year and includes the three- and five-year annualised forecasts. Hamburg, at 0.8% per annum, is predicted to be the best performing office market over three years, followed by Munich and Berlin at 0.4% per annum. Of the 29 locations, only these and four others (Amsterdam, Luxembourg, Frankfurt and Copenhagen) are expected to deliver positive growth in this period.

Over five years, Paris La Defense and Dublin, at -0.9% and-0.7% per annum respectively, are the only markets that could fail to return to positive growth, while the best performance projections are for the four German cities, Copenhagen, Amsterdam, Brussels and Oslo, with averages of 1.0% per annum or more.

Table 2: 2019 Ranked Weighted Average Growth Rates (%)

End-2019 rent (psm)*		Annual rental growth forecast (%)			Annualised rental growth forecast (% pa)	
		2020	2021	2022	2020/2022	2020/2024
Hamburg	360.86	0.6	0.1	1.6	0.8	1.2
Luxembourg	600.00	-0.1	-0.4	1.3	0.3	0.8
Amsterdam	452.20	-0.4	-0.6	1.9	0.3	1.0
Berlin	449.19	-0.8	0.0	1.9	0.4	1.2
Munich	476.89	-1.0	0.4	1.8	0.4	1.1
Zurich (CHF	852.05	-1.1	-1.0	1.5	-0.2	0.5
Paris CBD	863.67	-1.3	-2.1	0.8	-0.9	0.7
Vienna	299.23	-1.3	-0.7	0.9	-0.4	0.6
Brussels	293.51	-1.4	-0.3	1.5	0.0	1.0
Manchester (GBP)	385.07	-1.4	-0.5	1.5	-0.1	0.9
Copenhagen (DKr)	1,895.57	-1.6	0.0	2.0	0.1	1.3
Frankfurt	518.20	-1.7	0.2	2.2	0.2	1.0
Warsaw	281.28	-2.2	-1.4	1.0	-0.9	0.3
Lisbon	279.74	-2.3	-0.7	1.9	-0.4	0.8
Budapest	289.33	-2.5	-1.0	1.2	-0.8	0.2
Rome	449.80	-2.5	-1.6	1.2	-1.0	0.3
Helsinki	427.79	-2.6	0.0	2.0	-0.2	0.8
Prague	267.29	-2.7	-0.4	1.6	-0.5	0.6
Madrid	424.38	-3.0	-2.6	2.1	-1.2	0.7
Barcelona	329.15	-3.1	-1.7	1.5	-1.1	0.4
Milan	598.18	-3.2	-2.2	1.1	-1.4	0.1
Lyon	312.23	-3.2	-1.2	1.9	-0.9	0.5
Stockholm (SKr)	7,634.98	-3.5	-0.5	2.3	-0.6	0.9
Dublin	671.29	-3.9	-3.6	-0.4	-2.6	-0.7
Oslo (NKr)	5,077.68	-4.8	0.0	4.6	-0.1	1.0
London: City (GBP)	770.41	-5.5	-0.6	3.4	-1.0	0.8
London: West End (GBP)	1,180.73	-6.6	-0.4	3.1	-1.4	0.5
Paris la Défense	538.43	-6.8	-3.0	0.6	-3.1	-0.9
Moscow (USD)	735.27	-7.5	0.5	3.3	-1.3	0.5
Average	na	-4.4	1.8	2.0	-0.3	0.5
Range	na	6.3	4.0	3.5	2.9	2.3

*€ unless otherwise stated

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Forecast Ranges

The extent of forecast ranges reported remains significant, particularly in those markets with less transparency and/or lower transactional activity, while the inevitable uncertainty wrought by the impact of COVID-19 continues to be a major influence on forecaster confidence.

Table 3: Forecast Ranges (%)

	2020	2021	2022	2020-22 (% pa)	2020-24 (% pa)
Moscow	24.3	7.7	11.3	8.8	5.9
Paris la Défense	14.8	7.6	6.9	7.8	7.9
Rome	14.3	8.6	4.3	5.8	4.0
Manchester	13.9	8.2	5.2	5.6	3.2
Luxembourg	12.7	2.9	4.5	1.1	1.8
Stockholm	12.6	6.5	7.3	7.3	4.0
Madrid	12.4	12.2	9.0	8.7	4.9
Hamburg	11.9	5.6	4.2	4.4	2.7
London: West End	11.7	20.6	11.7	5.5	3.4
Zurich	11.6	4.3	4.6	3.3	1.8
Oslo	10.7	8.3	17.1	4.8	3.8
Lyon	10.5	4.5	8.4	3.8	2.6
Dublin	9.9	11.1	7.8	6.8	5.3
London: City	9.9	14.5	6.3	6.3	2.7
Barcelona	9.3	10.8	7.5	7.2	5.1
Helsinki	8.6	6.6	6.3	4.9	3.9
Milan	8.5	9.2	3.9	6.3	6.4
Amsterdam	8.5	7.5	6.7	4.9	2.3
Lisbon	8.2	6.8	7.3	6.2	4.6
Brussels	7.7	5.7	4.6	4.6	3.8
Warsaw	7.6	8.3	6.2	5.9	4.4
Paris CBD	7.3	8.0	8.6	4.7	3.2
Prague	7.2	7.5	4.0	4.7	2.6
Budapest	6.9	8.9	3.6	5.8	4.1
Berlin	6.7	11.6	8.7	5.7	3.8
Vienna	6.6	4.5	5.3	3.3	2.1
Frankfurt	5.9	7.1	8.5	5.6	3.3
Munich	5.7	7.5	5.0	4.3	1.7
Copenhagen	4.0	5.6	3.4	3.4	2.4
Maximum	**24.3**	**20.6**	**17.1**	**8.8**	**7.9**
Minimum	**5.9**	**2.9**	**3.4**	**1.1**	**1.7**
Median	**9.3**	**7.6**	**6.3**	**5.6**	**3.8**

One set of forecasts included in these figures was produced before the mid-year point and thus reflect an expectation that markets would fare badly in the short term. Whilst this contributor noted that such rental falls are generally not showing up in the data at the moment, their suspicion is the data may be lagging and that rental declines might be delayed into next year or possibly be masked by rising incentives.

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In the case of Moscow, with only the minimum of five sets of end-2019 rents denominated in US dollars received (due to the volatility of the local currency), one other contributor noted a significant increase in Rouble rent levels in Q1 2020 with an expectation that these would remain flat over the rest of the year. A second forecaster commented demand for office space in Moscow as mild and major improvements are not expected until the year end, although the flexible space market is in good health with some tenants having turned away from standard office leasing during these uncertain times.

Evolution of Forecasts

Table 4 compares the last two sets of forecasts, whilst Table 5 shows the evolution of the 2020 forecasts over the six surveys, commencing May 2018, which clearly illustrates the sharp adjustment precipitated by the pandemic over the last two surveys.

Table 4: Mean weighted rental value growth forecasts (%) – November 2020 versus May 2020

	2020		2021		2022		Rolling 3-year average		Rolling 5-year average	
	Nov.	May	Nov.	May	Nov.	May	Nov.	May	Nov.	May
Vienna	-1.3	(-4.5)	-0.7	(1.3)	0.9	(1.8)	-0.4	(-0.5)	0.6	(0.5)
Brussels	-1.4	(-3.7)	-0.3	(1.8)	1.5	(2.0)	0.0	(0.0)	1.0	(0.6)
Prague	-2.7	(-3.9)	-0.4	(1.5)	1.6	(1.2)	-0.5	(-0.4)	0.6	(0.5)
Copenhagen	-1.6	(-3.5)	0.0	(2.8)	2.0	(2.4)	0.1	(0.5)	1.3	(1.1)
Helsinki	-2.6	(-4.6)	0.0	(2.9)	2.0	(2.8)	-0.2	(0.3)	0.8	(-0.1)
Lyon	-3.2	(-4.7)	-1.2	(1.9)	1.9	(1.6)	-0.9	(-0.4)	0.5	(0.5)
Paris CBD	-1.3	(-3.9)	-2.1	(2.0)	0.8	(2.2)	-0.9	(0.1)	0.7	(1.2)
Paris la Défense	-6.8	(-7.9)	-3.0	(0.5)	0.6	(1.5)	-3.1	(-2.0)	-0.9	(-0.2)
Berlin	-0.8	(-1.5)	0.0	(1.7)	1.9	(2.1)	0.4	(0.7)	1.2	(0.9)
Frankfurt	-1.7	(-3.6)	0.2	(2.0)	2.2	(1.4)	0.2	(-0.1)	1.0	(0.4)
Hamburg	0.6	(-2.0)	0.1	(2.4)	1.6	(1.9)	0.8	(0.8)	1.2	(0.7)
Munich	-1.0	(-2.7)	0.4	(1.8)	1.8	(1.6)	0.4	(0.2)	1.1	(0.7)
Athens*	na	(na)	na	(na)	na	(na)	na	(na)	na	(na)
Budapest	-2.5	(-3.6)	-1.0	(1.1)	1.2	(0.9)	-0.8	(-0.5)	0.2	(0.2)
Dublin	-3.9	(-6.0)	-3.6	(-0.8)	-0.4	(0.9)	-2.6	(-2.0)	-0.7	(-0.3)
Milan	-3.2	(-6.3)	-2.2	(1.1)	1.1	(1.7)	-1.4	(-1.2)	0.1	(0.3)
Rome	-2.5	(-6.0)	-1.6	(0.5)	1.2	(1.6)	-1.0	(-1.4)	0.3	(-0.2)
Luxembourg	-0.1	(na)	-0.4	(na)	1.3	(na)	0.3	(na)	0.8	(na)
Amsterdam	-0.4	(-2.4)	-0.6	(1.8)	1.9	(2.1)	0.3	(0.5)	1.0	(1.0)
Oslo	-4.8	(-5.5)	0.0	(2.4)	4.6	(2.0)	-0.1	(-0.4)	1.0	(0.4)
Warsaw	-2.2	(-4.0)	-1.4	(0.8)	1.0	(0.7)	-0.9	(-0.8)	0.3	(0.0)
Lisbon	-2.3	(-3.8)	-0.7	(2.1)	1.9	(2.3)	-0.4	(0.2)	0.8	(1.6)
Moscow	-7.5	(na)	0.5	(na)	3.3	(na)	-1.3	(na)	0.5	(na)
Madrid	-3.0	(-6.0)	-2.6	(2.6)	2.1	(3.7)	-1.2	(0.0)	0.7	(0.9)
Barcelona	-3.1	(-5.6)	-1.7	(2.9)	1.5	(2.4)	-1.1	(-0.2)	0.4	(0.5)
Stockholm	-3.5	(-3.5)	-0.5	(3.1)	2.3	(3.0)	-0.6	(0.8)	0.9	(1.1)
Zurich	-1.1	(-4.0)	-1.0	(0.0)	1.5	(0.6)	-0.2	(-0.5)	0.5	(0.0)
London: City	-5.5	(-5.9)	-0.6	(1.6)	3.4	(4.2)	-1.0	(-0.1)	0.8	(-0.4)
London: West End	-6.6	(-5.9)	-0.4	(3.0)	3.1	(3.4)	-1.4	(0.1)	0.5	(2.0)
Manchester	-1.4	(-3.8)	-0.5	(0.8)	1.5	(2.1)	-0.1	(-0.3)	0.9	(0.5)

Previous survey figures in brackets
*Fewer than 5 forecasts received for this market

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Table 5: Evolution of 2020 mean weighted rental value growth forecasts (%)

	May-18	Nov-18	May-19	Nov-19	May-20	Nov-20
Vienna	0.6	1.1	1.2	1.3	-4.5	-1.3
Brussels	1.5	1.3	1.2	1.2	-3.7	-1.4
Prague	0.9	0.8	2.0	1.7	-3.9	-2.7
Copenhagen	1.7	1.9	2.2	1.8	-3.5	-1.6
Helsinki	1.5	1.2	1.4	1.5	-4.6	-2.6
Lyon	1.0	1.4	1.0	1.0	-4.7	-3.2
Paris CBD	1.7	1.8	1.9	1.7	-3.9	-1.3
Paris la Défense	1.2	1.5	1.5	1.6	-7.9	-6.8
Berlin	2.5	4.1	5.0	4.6	-1.5	-0.8
Frankfurt	1.6	2.0	2.4	2.0	-3.6	-1.7
Hamburg	1.1	2.0	2.3	2.4	-2.0	0.6
Munich	1.9	2.4	2.7	2.3	-2.7	-1.0
Athens	na	na	na	na	na	na
Budapest	0.4	1.1	1.5	1.7	-3.6	-2.5
Dublin	-0.8	0.8	0.1	0.6	-6.0	-3.9
Milan	1.2	0.9	1.2	1.6	-6.3	-3.2
Rome	1.1	1.0	1.2	0.6	-6.0	-2.5
Luxembourg	0.5	1.0	1.0	0.8	na	-0.1
Amsterdam	1.8	2.0	2.8	3.3	-2.4	-0.4
Oslo	0.8	1.6	2.8	3.0	-5.5	-4.8
Warsaw	-0.8	-1.5	0.2	1.5	-4.0	-2.2
Lisbon	1.5	1.9	2.3	2.2	-3.8	-2.3
Moscow	1.7	2.1	2.7	3.0	na	-7.5
Madrid	2.1	2.6	3.6	3.0	-6.0	-3.0
Barcelona	1.6	1.6	3.0	3.2	-5.6	-3.1
Stockholm	1.2	1.6	2.9	1.7	-3.5	-3.5
Zurich	0.8	0.9	0.5	0.7	-4.0	-1.1
London: City	0.5	-0.3	-0.9	0.6	-5.9	-5.5
London: West End	0.9	0.4	0.0	0.9	-5.9	-6.6
Manchester	0.9	1.0	1.2	1.0	-3.8	-1.4
Average All Markets	**1.1**	**1.4**	**1.8**	**1.8**	**-4.4**	**-2.7**

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Figures 2 and 3 present the evolution of the rolling three- and five-year average forecasts for each market covered by the survey, comprising 11 data points, from November 2015.

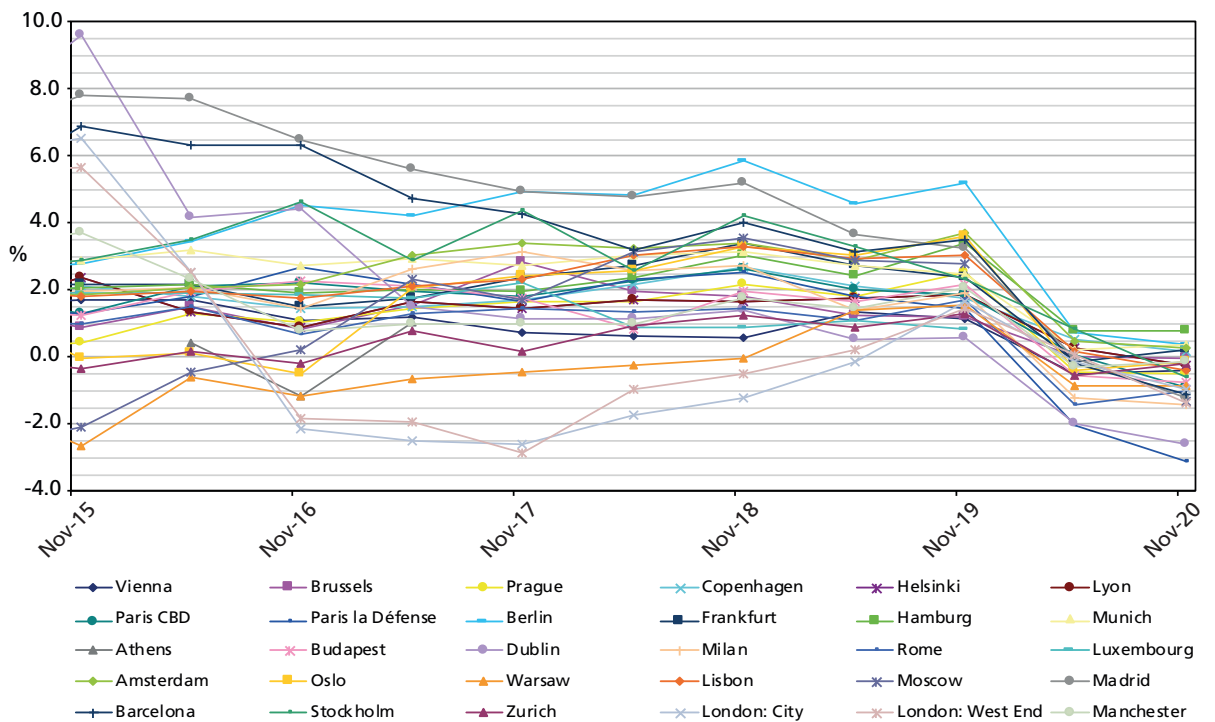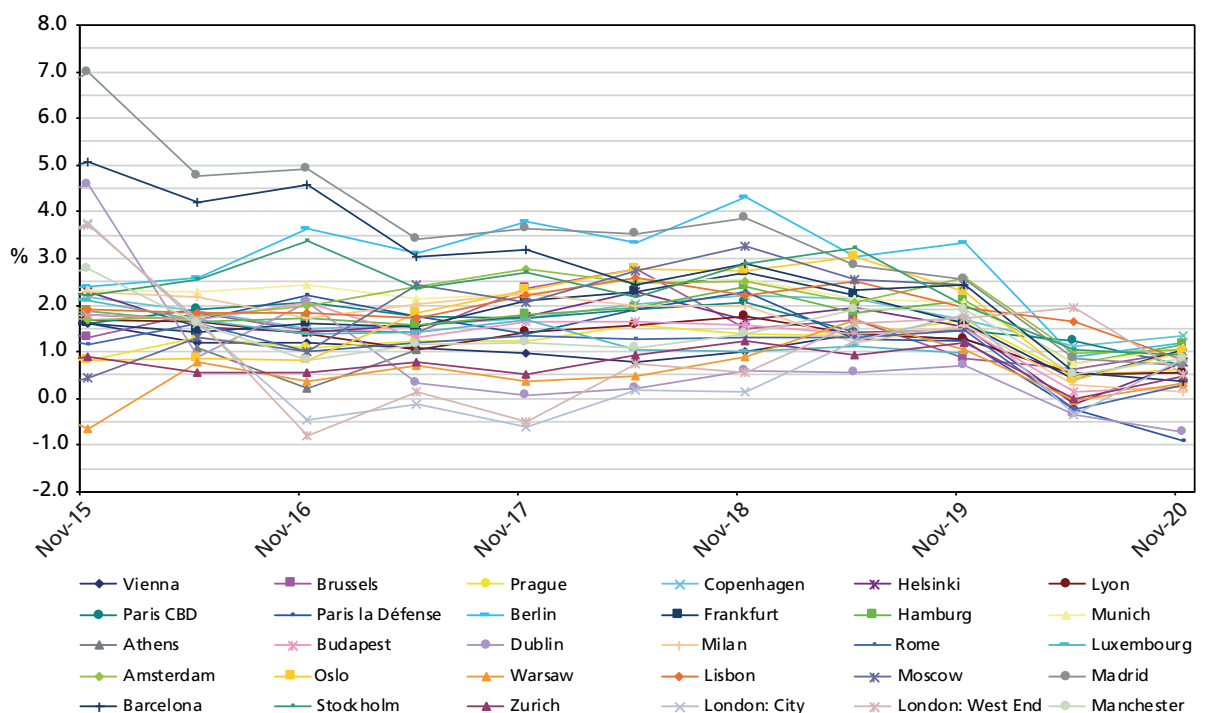### Figure 2: Rolling Three-year %age Weighted Average Growth Forecasts

Figure 3: Rolling Five-year %age Weighted Average Growth Forecasts

Acknowledgements

Forecast Contributors

Notes

The IPF European Consensus Forecasts survey currently focuses on office rental value growth in major cities. It is not possible to assemble sufficient forecasts of all sectors across all European countries to produce a meaningful consensus of views, although our ambition is to extend and improve the scope of the survey.

In addition to the rental value forecasts, we run a consensus survey of forecast IPD European total returns by sector. The samples provided for this survey were once again insufficient to permit publication, as fewer than five forecasts were received for each sector/territory. We aim to produce a full release of this data at a future date, once the number of responses has grown to five or more.

The Data

This latest survey collected prime office rental forecasts for 30 centres for the calendar years 2020, 2021 and 2022. A three-year average forecast for 2020-2022 is requested where individual years are not available, as well as a five-year average for the period 2020-2024. The survey requested both percentage annual rental growth rates and year-end rent levels as a check. Growth forecasts provided by each organisation are analysed to provide weighted average ('consensus') figures for each market. Forecasts are aggregated and reported only for office markets for which a minimum of **five** contributions have been received.

The definition of **market rent** used in the survey is the **"achievable prime rental values for city centre offices, based on buildings of representative size with representative lease terms for modern structures in the best location." Prime** in this case **does not mean headline** rents taken from individual buildings but, rather, rental levels based on market evidence, which can be replicated. All figures included in the survey are required to have been generated by formal forecasting models. This report is based on contributions from 19 different organisations (fund/investment management houses and property advisors).

Consensus forecasts further the objective of the Investment Property Forum to enhance the understanding and efficiency of the property market. The IPF is extremely grateful for the support those organisations that contribute to this publication, which is only possible thanks to the provision of individual forecasts.

The IPF welcomes new contributors for future surveys, so that the coverage can be extended to further markets. If your organisation wishes to contribute to future surveys, please contact Pam Craddock, IPF Research Director at pcraddock@ipf.org.uk, tel. +44 (0)20 7194 7925.

Contributors receive a more detailed set of statistical outputs than those shown in this report – for each office centre, the sample size, median and range of rental values, together with standard deviations are also provided.

Notes

Disclaimer

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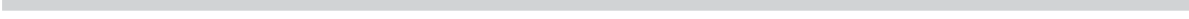
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