IPF Research

Investment Property Forum UK Consensus Forecasts

WINTER 2016/17

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

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

This Programme supports the IPF's wider goals of enhancing the understanding and efficiency of property as an investment. The initiative provides the UK property investment market with the ability to deliver substantial, objective and high-quality analysis on a structured basis. It encourages the whole industry to engage with other financial markets, the wider business community and government on a range of complementary issues.

The Programme is funded by a cross-section of businesses, representing key market participants. The IPF gratefully acknowledges the support of these contributing organisations:

Survey of Independent Forecasts for UK Commercial Property Investment Winter 2016/2017

The IPD's recently published Quarterly Index results for 2016 point to an annualised All Property total return for standing investments of 3.5%. The last time a figure close to this was recorded was for the 2009 All Property total return. This contrasts with the 0.6% IPF consensus reported in November 2016, derived from forecasts generated between early September and mid-November, prior to an increase in transactional activity in the final months of the year. Overseas investors contributed to a flurry of investment deals, taking advantage of sterling's continued weakness, which helped to offset sharp declines in capital values in the third quarter of 2016.

Turning to the present outlook for both 2017 and 2018, 12 months ago, prior to the EU referendum, growth forecasts were significantly higher although beginning to weaken from the peak values predicted in late 2015. The latest quarter-on-quarter changes have seen both positive and negative movements in each of the three perfomance measures and across sectors.

Key points

2017 forecasts strengthen … but mixed prospects for 2018

- Continuing the pattern of improvement from the last quarter, the **All Property rental growth** forecast average for **2017** has continued to recover, to **0.2%** (from -0.5% in November and -0.7% in August), with all sector outlooks firming; average forecasts range between 1.8% for Industrial rents to -1.3% for Offices (from 0.8% and -2.1% respectively three months ago).
- Average **capital value growth** rates for **2017**, whilst negative in all but one market, have improved by between 192 bps for Retail Warehouses (to -1.8%), and over 320 bps for Industrials, now forecast to grow by 1.3%. The **All Property average** growth rate forecast of **-1.6%** compares with -3.6% previously, with contributors more closely aligned in their expectations, most notably for the retail sub-sectors.
- The combination of greater optimism for both occupational and capital markets in 2017 has resulted in the **All Property total return** improving to **3.2%** from 1.3%.
- Prospects for **2018** vary between markets and, in contrast to nearer-term expectations, **capital growth** is projected to weaken in all sectors other than Industrials, being the only one to maintain a positive rate, to give an **All Property** average of **-0.7%** (from -0.2% in November). Movements in sector rental value growth forecasts demonstrate less pessimism, other than for Retail Warehouses and Offices, with only the latter remaining negative.
- Average sector forecasts of total returns next year are all weaker than three months ago, ranging between 4.0% for Offices to 6.2% for Industrials , whilst the **All Property return** is **5.1%**.

Medium-term performance likely to remain subdued

- In both **2019** and **2020**, whilst the **All Property rental growth rates** are a little subdued from the last survey (averaging **0.8%** and **1.4%**, from 0.9% and 1.6%), **capital growth rate** forecasts have **weakened** across all market segments in both years, leading to **All Property** averages of **0.8%** and **1.5%** in 2019 and 2020, as against predictions of 1.5% and 2.1% in November.
- The **All Property total returns** for these years have **declined** as a consequence and are now projected to deliver **5.8%** and **6.6%**, down from 6.7% and 7.4% for 2019 and 2020 respectively three months ago.

Five-year outlook improving

- With the substitution of 2016 forecasts by those for 2021, rolling five-year averages indicate a modest improvement over the period of the survey. With an implied income return of 5.2% and capital growth of 1.5% in 2021, the annualised **All Property total return** may average **5.2% per annum** (from 4.2% in November).

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	-1.3	-1.2	0.3	0.2	-3.2	-2.2	0.1	-0.6	1.5	2.5	4.8	4.1
Industrial	1.8	1.1	1.4	1.5	1.3	0.7	1.0	1.0	6.6	6.1	6.5	6.4
Standard Retail	0.7	0.4	0.9	1.0	-1.1	-0.2	1.1	0.6	3.6	4.6	6.0	5.4
Shopping Centre	0.4	0.2	0.7	0.8	-2.2	-0.9	0.6	0.0	2.8	4.4	6.0	5.2
Retail Warehouse	0.2	0.1	0.6	0.7	-1.8	-0.6	0.5	0.0	3.8	5.2	6.4	5.8
All Property	**0.2**	**0.1**	**0.8**	**0.8**	**-1.6**	**-0.7**	**0.8**	**0.2**	**3.2**	**4.3**	**5.8**	**5.2**
West End office	-2.5	-1.9	0.5	0.2	-4.6	-3.3	0.1	-0.8	-1.3	0.2	3.8	2.8
City office	-2.9	-2.9	-0.4	-0.5	-4.7	-3.9	-0.5	-1.4	-1.0	0.1	3.7	2.8
Office (all)	**-1.3**	**-1.2**	**0.3**	**0.2**	**-3.2**	**-2.2**	**0.1**	**-0.6**	**1.5**	**2.5**	**4.8**	**4.1**

All Property average by forecast month

Month of forecast	Rental value growth* (%)				Capital value growth (%)				Total return (%)			
(no. contributors)	2016	2017	2018	2016/20	2016	2017	2018	2016/20	2016	2017	2018	2016/20
December (4**)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
January (8)	0.0	0.1	1.0	1.1	-1.8	0.1	1.4	0.7	3.1	5.1	6.4	5.7
February (11)	0.2	-0.2	0.8	0.8	-1.3	-1.7	0.2	-0.1	3.6	3.4	5.3	5.0
All Property (25*)**	**0.2**	**0.1**	**0.8**	**0.8**	**-1.6**	**-0.7**	**0.8**	**0.2**	**3.2**	**4.3**	**5.8**	**5.2**

* One contributor provided only rental growth forecasts.
** A minimum of five forecasts are required in order to aggregate and analyse data.
*** Two forecasts were generated in the last week of November 2016, whilst two others omitted 2021 and five-year average forecasts.

Survey contributors

There were 25 contributors to this quarter's forecasts, comprising 12 Property Advisors and Research Consultancies, 12 Fund Managers and one Other. All Property forecasts were received from 24 contributors for all measures; one participant provided forecasts for rental value growth only for both All Property and all market segments. Between 22 and 20 sector and 19 West End and City sub-office sector forecasts were received; two Property Advisor omitted 2021 data for their central London office projections.
All forecasts were generated within 12 weeks of the survey date (8 February 2017). Named contributors appear on the final page of this report.

Notes

Consensus forecasts further the objective of the Investment Property Forum (IPF) to enhance the efficiency of the market. The IPF is extremely grateful for the continuing support of the contributors, including those noted on the last page of this publication. This report is only possible thanks to the provision of the individual forecasts.

If your organisation wishes to contribute to future surveys please contact IPF Research at pcraddock@ipf.org.uk.

Sector figures are not analysed by contributor type – all figures presented are at the all-forecaster level.

Economic background

The Office of National Statistics (ONS) reported[1] a continuation of the rate of growth of UK gross domestic product (GDP) for the final quarter of 2016. The increase of 0.7% over the period October to December 2016 was an upward revision of 0.1% from the preliminary estimate published on 26 January 2017, which reflects growth of 1.8% for the full year, compared to 2.2% in 2015 and 3.1% in 2014. The ONS Preliminary report noted activity within services and consumer-focused industries, such as hotels and restaurants, largely accounted for GDP growth in Quarter 4, with a small positive contribution (0.1%) from construction representing a reversal of the previous quarter's 1.4% decrease.

Public sector net borrowing (excluding public sector banks) for the financial year to date (April 2016 to January 2017) totalled £49.3 billion[2], a decrease of £13.6 billion compared with the same period in the previous financial year. The resultant surplus of £9.4 billion in January 2017 was £0.3 billion larger than the January 2016 surplus. At £1,682.8 billion, public sector net debt (excluding public sector banks) was equivalent to 85.3% of GDP, an increase of £91.7 billion since January 2016.

The Consumer Prices Index (CPI) rose by 1.8% in the year to January 2017[3], compared to a 1.6% rise in the year to December 2016 and the highest rate recorded since June 2014. The main contributors to the increase were rising prices for motor fuels and, to a lesser extent, food prices, which were unchanged between December 2016 and January 2017, having fallen in the same period a year ago. These upward pressures were partially offset by falling prices.

The Bank of England's Monetary Policy Committee (MPC), at its February 2017 meeting [4], voted unanimously to maintain Bank Rate at 0.25% and to continue the programme of sterling non-financial investment-grade corporate bond purchases, totalling up to £10 billion, financed by the issuance of central bank reserves. The programme of UK government bond purchases will maintain the total stock of these purchases at £435 billion, again financed by the issuance of central bank reserves. Data suggests the near-term outlook for activity is stronger than expected, with faster growth in household spending than projected in August. The MPC has increased its central expectation for growth in 2017 to 2.0% and anticipates growth of 1.6% in 2018 and 1.7% in 2019. Domestic demand has been stronger than expected over the past few months with relatively few signs of the slowdown in consumer spending predicted by the MPC following the referendum. Nevertheless, continued moderation in pay growth and higher import prices following sterling's depreciation (now 18% lower than its peak in November 2015) are likely to mean materially weaker household real income growth over the coming few years. As a consequence, real consumer spending is likely to slow.

The latest ONS UK labour market statistical bulletin[5] reported 31.84 million people in work in the period October to December 2016 (37,000 more than for July to September and 302,000 more than for a year earlier). 23.29 million people were working full-time and 8.55 million working part-time (84,000 more than for a year earlier). The current employment rate of 74.6% is the joint highest since comparable records began in 1971, whilst 1.60 million (or a rate of 4.8%, down from 5.1% a year earlier) were unemployed, i.e. people not in work but seeking and available to work, 97, 000 fewer than a year ago. Latest estimates for average weekly earnings show an increase of 2.6% (not adjusted for price inflation), both including and excluding bonuses, compared with a year earlier.

As reported by the ONS[6], retail sales (quantity of goods bought by volume) in January 2017 increased by. 1.5% compared with the same month a year ago, the lowest growth since November 2013. Month-on-month, the quantity bought is estimated to have fallen by 0.3% and a decline of 0.4% over the preceding three months. Average store prices (including fuel) increased by 1.9% on the year, the largest contribution to this increase coming from petrol stations, where year-on-year average prices were estimated to have risen by 16.1%. Online sales (excluding fuel) increased by 10.1% year-on-year, but fell on the month by 7.2%; accounting for approximately 14.6% of all retail spending.

[1] ONS: Gross Domestic Product Second Estimate: October to December 2016. Released: 22 February 2017

[2] ONS: Public sector finances: January 2017. Released: 21 February 2017

[3] ONS: Consumer Price Inflation, January 2017. Released: 14 February 2017

[4] Bank of England Monetary Policy Summary and minutes of Monetary Policy Committee meeting ending on 1 February 2017

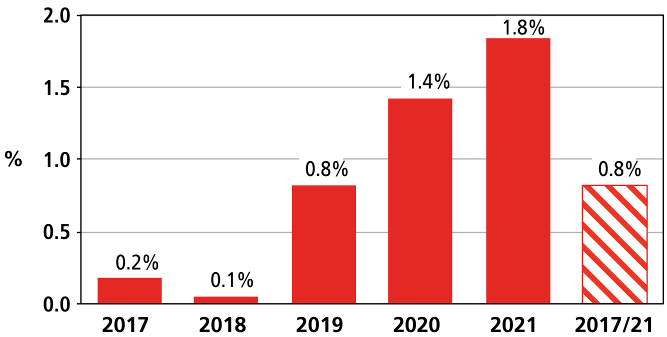
[5] ONS: UK Labour Market. Released: 15 February 2017

[6] ONS: Retail Sales in Great Britain. Released: 17 February 2017

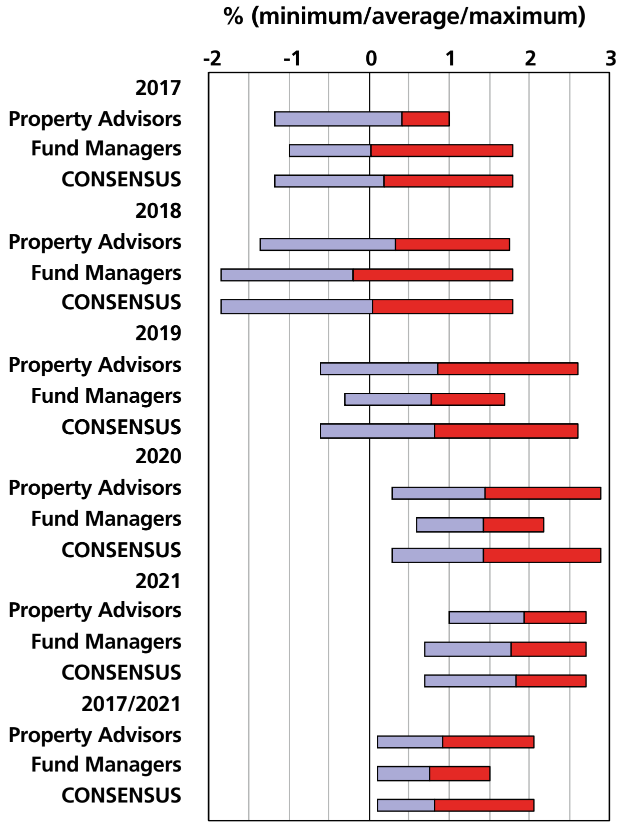
All Property rental value growth forecasts

The 2017 average rental growth forecast has improved by around 70 bps over the quarter since November (from -0.5%), whilst the 2018 projection has also improved (by a little under 20 bps from -0.1%). Predictions for 2019 and 2020 have weakened, however, (from 0.9% and 1.6% respectively), although the increasing growth trend has been maintained.

The substitution of the 2016 forecast (of 1.4%) by 2021's 1.8% projection has resulted in a marginal increase in the five-year annualised average (formerly 0.7%).



Rental value growth forecasts by contributor



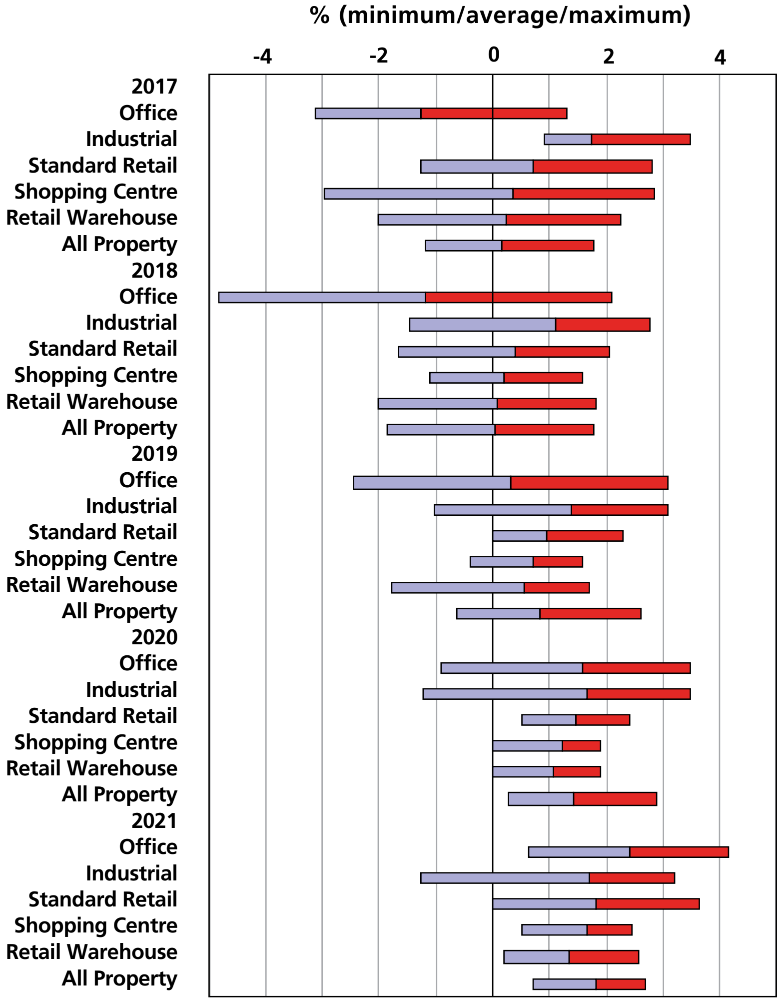
2017 attracts significantly more optimistic forecasts from both sets of contributors than three months ago (averages have increased by almost 60 bps in the case of Property Advisors and by over 75 bps for Fund Managers), possibly reflecting better than expected economic performance. The range of individual projections has narrowed within both groups – by 280 and 170 bps respectively – suggests greater confidence in these forecasts.

Although a wider span of projected growth rates is recorded for 2018 than for the current year, the overall spread is again less than recorded in November (down from over 560 bps to 365 bps). On average, Fund Managers, whilst more pessimistic than Property Advisors (at -0.2% against 0.3%), have increased their forecasts over the quarter (from -0.5%), whereas Property Advisors have weakened slightly to 0.3% from 0.4%.

Forecast arrays reduce and averages increase in remaining years. The closest consensus occurs in 2021, when maximum and minimum forecasts fall within a range of 200 bps and averages lie within 12 bps of one another

N.B. Only one 'Other' returned data for this quarter.

Sector rental value growth annual forecasts



Average rental growth forecasts for all sectors have improved for the current year, by between 95 bps for Industrial and 14 bps for Retail Warehouses. Minimum forecasts have risen across the board, although all but Industrials (at 0.9%) are negative, lying between -3.1% for Offices and -1.3% for Standard Retail. Movements in maximum growth projections vary between sectors with Shopping Centre and Industrial rates increasing, but other markets falling back.

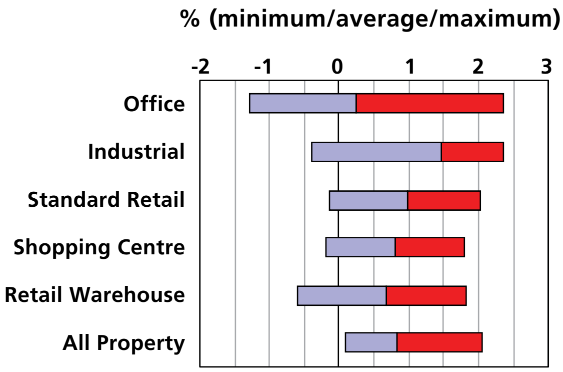
Shopping Centre forecasts have overtaken Offices in generating the widest range of opinion in the current year, although the greatest disparity in views for Office rental growth re-emerges in 2018 (from -4.8% to 2.1%). As in 2017, the Office sector is the only market to register an average growth projection of below zero.

The overall pattern of rising average rates, led by Industrials, continues in 2019 but growth in the Office sector is only anticipated to recover in the final two years of the survey, with average forecasts exceeding the All Property in each period. This gradual improvement in rental growth rates for all sectors is expected to continue in 2021.

Sector rental value growth five-year average forecasts

With the 2016 forecasts falling out of the five-year data, to be replaced by 2021 projections, Office and Retail Warehouse annualised averages have weakened slightly (by around 0.1%) to 0.2% and 0.7% respectively.

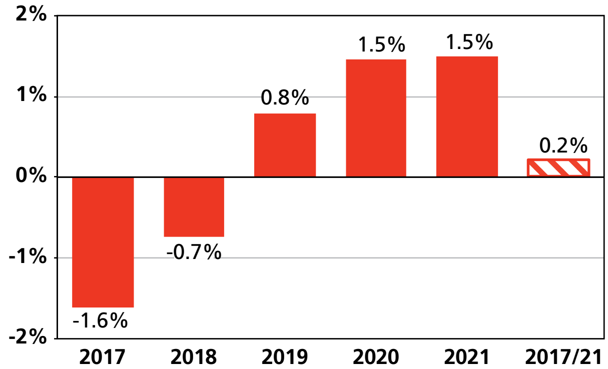
The rolling All Property average of 0.8% per annum is marginally higher than three months ago (0.7%) and is broadly matched by the Shopping Centre average (previously 0.5%), whilst Industrial and Standard Retail average growth rates, at 1.5% and 1.0% respectively, have both risen by 13 bps over the quarter.



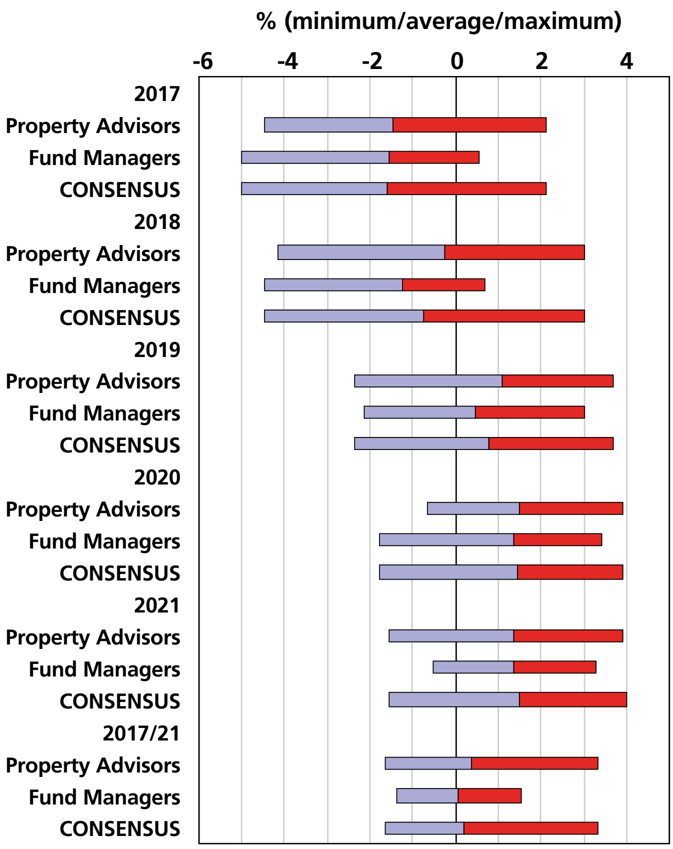
All Property average capital value growth forecasts

From a weakly positive 2017 forecast of 0.5% 12 months ago, capital growth expectations underwent a rapid decline in the immediate aftermath of the referendum result, registering a low of -4.4% in September. However, stronger market activity in the final months of 2016 appears to have influenced short-term expectations, with the current average reflecting an improvement of more than 200 bps since November. However, the greater negativity that emerged in the last quarter for 2018 and 2019 growth prospects has continued (formerly -0.2% and 1.5% respectively) and this pessimism now extends to the 2020 forecast (from 2.1% three months ago).

Despite poorer growth expectations in later years, the annualised average over five years is now weakly positive due to stronger near-term forecasts. The five-year average has increased by 105 bps over three months, from -0.8% per annum previously.



Capital value growth forecasts by contributor

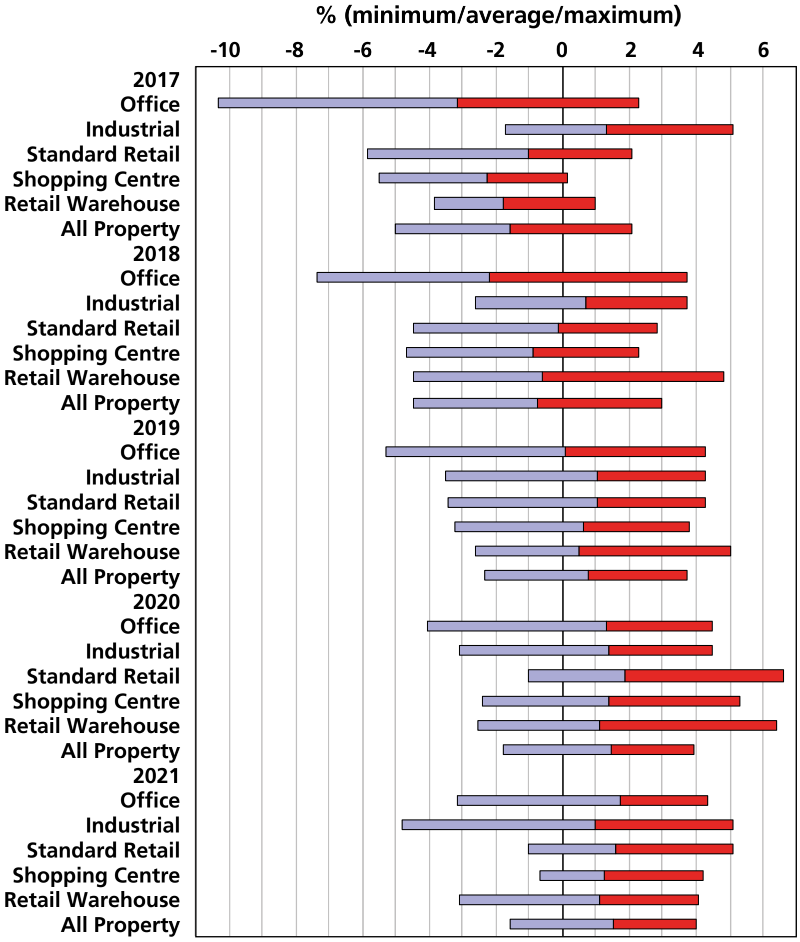


Whilst remaining below zero, the 2017 average growth forecasts have continued to firm. Ranges of individual forecasts have reduced considerably – the minimum Fund Manager projection is -5.0% compared with -10.4% three months ago (and -4.5% versus -8.1% for Property Advisors over the same period). Maximum forecasts have also risen above zero for both sets of contributor, resulting in average forecasts improving by more than 200 bps.

Contrary to this, though, is a declining outlook for the next three years' averages (2018 to 2020). Upper and lower Property Advisor forecasts have fallen in each of these years with increased ranges indicating potentially greater downside. Fund Managers are not so divided in their views in 2018 and 2019 (ranging between -4.5% and 0.7% in 2018 and -2.1% and 3.0% in 2019), despite recording lower average rates than Advisors for every period.

An improving outlook for 2017 and a return to positive average growth for 2019 onward for both groups have combined to produce an annualised average over five years around 105 bps higher than November's -0.8%.

Sector capital value growth annual forecasts



The Industrial sector is the only market predicted to deliver on average positive growth in each of the five years surveyed. Greater confidence in 2017's prospects is reflected in rising minimum forecasts (of between 460 bps for Offices, from -14.9% to -10.5%, and 600 bps for Industrials and Retail Warehouses, to -1.7% and -3.9% respectively). Forecast ranges have also narrowed for each sector.

In contrast, 2018 average projections have softened in every market other than Industrials. Whilst minimum forecasts have continued rise for all but Standard Retail, maximum forecasts have weakened in every sector. Forecast ranges lie between 11.0% for Offices (from 14.2% in November) to 6.3% for Industrials (from 11.1%).

In both 2019 and 2020, despite forecasts having weaken over the quarter, average growth rates remain positive, with similar uplifts from 2018 to 2019 as reported three months ago. This pattern continues into 2020 but expectations for 2021 fall back for all sectors other than Offices (forecast to grow by 1.7% on average in 2021 compared to 1.3% in 2020).

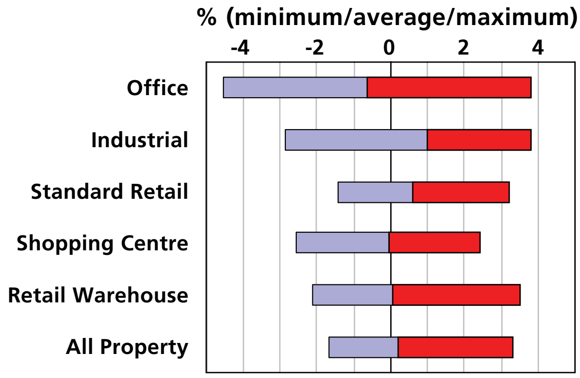
The range in average forecasts between sectors diminishes with time – from 4.5% in 2017 (due to an average rate for Offices of -3.2% against Industrial growth of 1.3%) to 0.8% between the same two sectors by 2021.

In 2019 and 2020, forecast averages indicate Standard Retail as the best performing market segment with growth prospects for Retail Warehouses being the weakest in these two years.

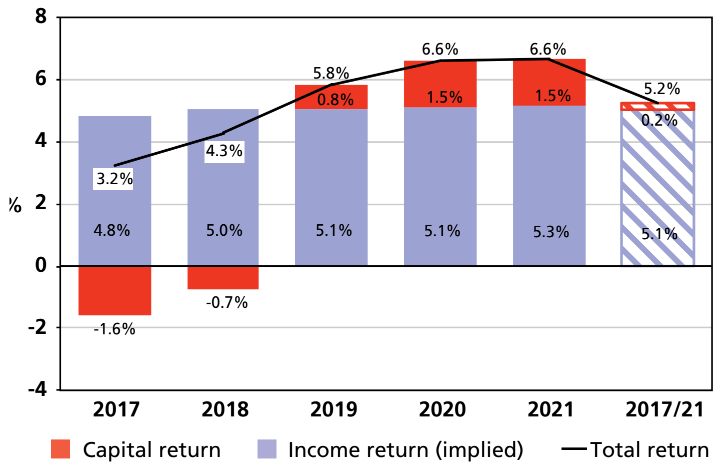
Sector capital value growth five-year forecasts

Over five years, two sector capital growth averages are positive, at 1.0% per annum for Industrials and 0.6% per annum for Standard Retail, alongside the All Property annualised average of 0.2%.

The majority of forecast ranges are narrower than for any individual year within the survey period. The Office sector attracts a greater disparity of views than three months ago with a spread of 8.3% (7.6% previously) as forecasts lie between -4.5% and 3.8%, whilst the closest consensus lies with Standard Retail growth rates, ranging between -1.4% and 3.2%.



All Property total return forecasts



The much improved outlook for capital value growth in the current year has a direct impact on the 2017 All Property total return forecast (an increase of 1.9% on average from 1.3%).

In 2018, however, a further weakening in capital growth than previously anticipated (of -0.2%) may result in a lower return than the 5.1% November forecast (representing a fall of 80 bps). Whilst returns should continue to rise in later years, weaker capital growth rates are likely to constrain performance more than earlier survey data suggested – 2019 and 2020 average return projections are almost 90 bps and 80 bps lower than three months ago.

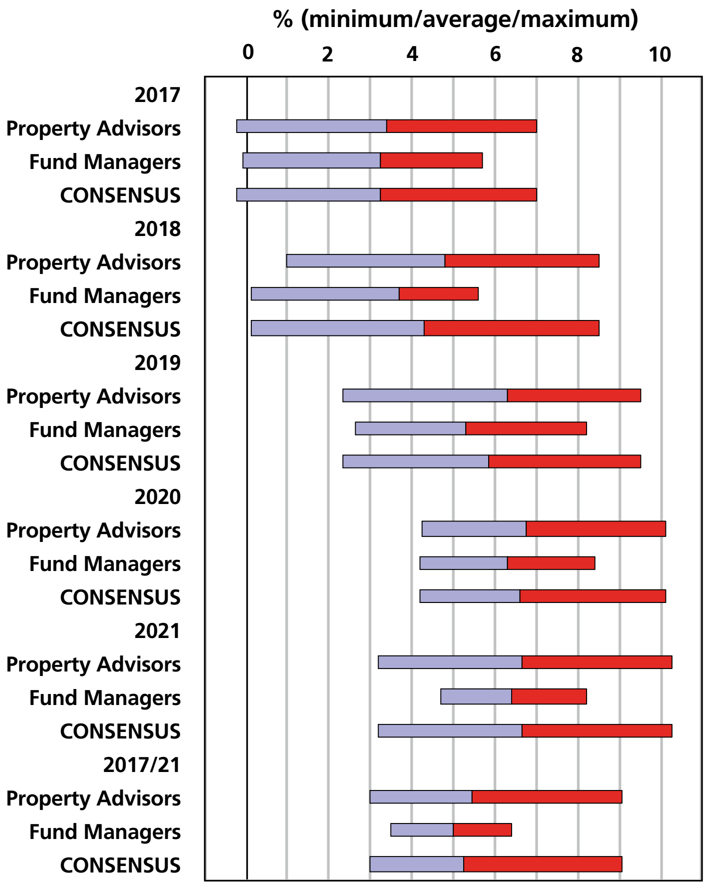
A better 2017 projection, however, has resulted in a five-year average 1.0% higher than three months ago.

Contributors All Property total return forecasts

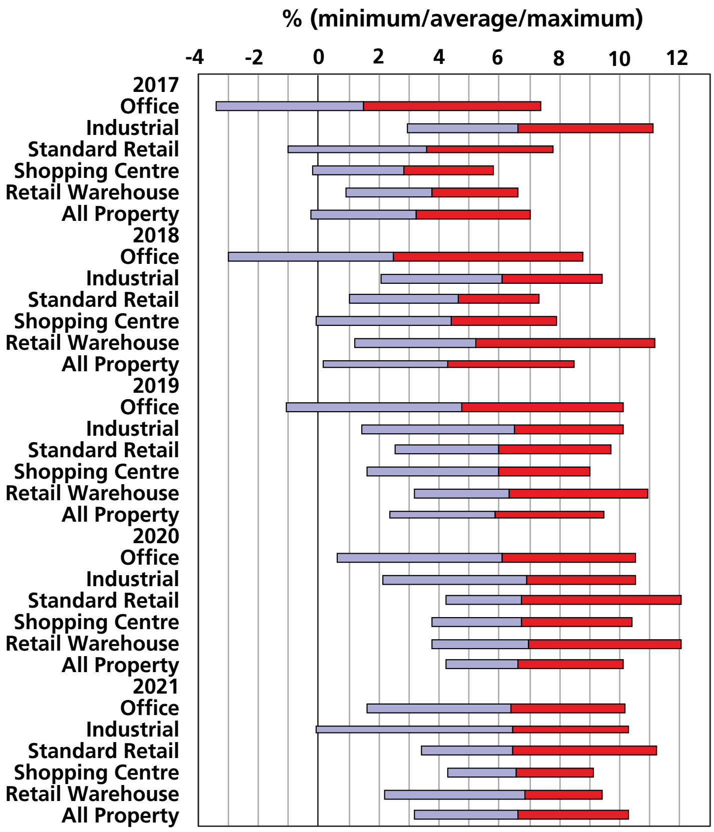
Reversing the pattern of three months ago, a closer consensus of views for total returns has emerged amongst Fund Managers than Property Advisors, with forecast spreads narrowing over time – from 5.8% for the current year to 3.5% in 2021.

Consistent with projections of capital value growth, both groups forecast lower returns in 2018, 2019 and 2020 than three months ago. Fund Manager averages are more negative than Property Advisors in each year, the greatest difference occurring in 2018, when the former group's projected average is 3.7% (versus 4.8% for Advisors).

As identified in previous reports, the greatest accord between both sets of contributor arises in the five-year average forecasts, where the mean forecast for Property Advisors is 5.5% (from 4.6% in November) and 5.0% for Fund Managers (3.9% previously). Projections of annual returns range between 3.5% and 6.4% for Fund Managers and 3.0% and 9.1% for Advisors.



Sector total return annual forecasts



Total return forecasts at the sector level continue to attract considerable variation in expectations. In all years other than 2021, Offices consistently generate the widest range of individual forecasts (from 10.8% in the current year, rising to 11.5% in 2018, then narrowing slightly, to 11.2% in 2019 and 9.9% in 2020).

Average sector forecasts remain positive for all sectors throughout the survey period with Industrials expected to deliver in excess of 6.0% each year. From 2018, Retail sub-sectors attract the highest individual forecasts – Retail Warehouses may deliver double digit returns in each of the three years from 2018 whilst the highest Standard Retail forecast is 11.2% in 2021.

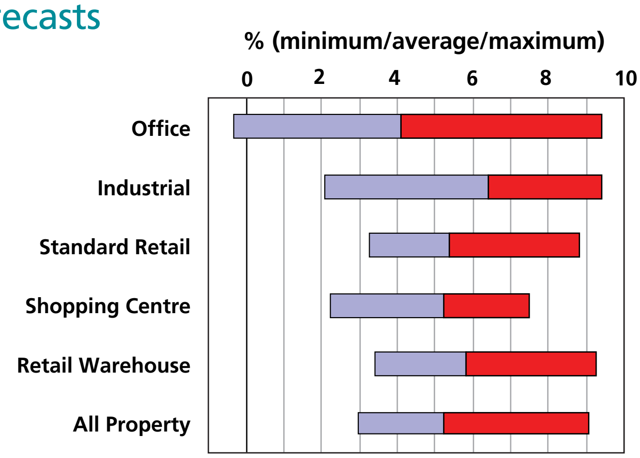
On average, the Industrial sector is predicted to deliver the best performance between 2017 and 2019, although returns may be lower than previously forecast from next year onwards. Retail Warehouses record the highest average return (of 7.0% in 2020, down from 7.7% last quarter) against an All Property average of 6.6% in the same year.

Despite a potentially strong recovery in later years, the Office sector is the only one forecast to underperform the All Property average in each of the five years surveyed.

Sector total return five-year forecasts

Rolling five-year annualised sector averages have improved over the quarter, by between 62 bps and 164 bps in the cases of Industrials and Shopping Centres respectively, now forecast to return 6.4% and 5.2% per annum.

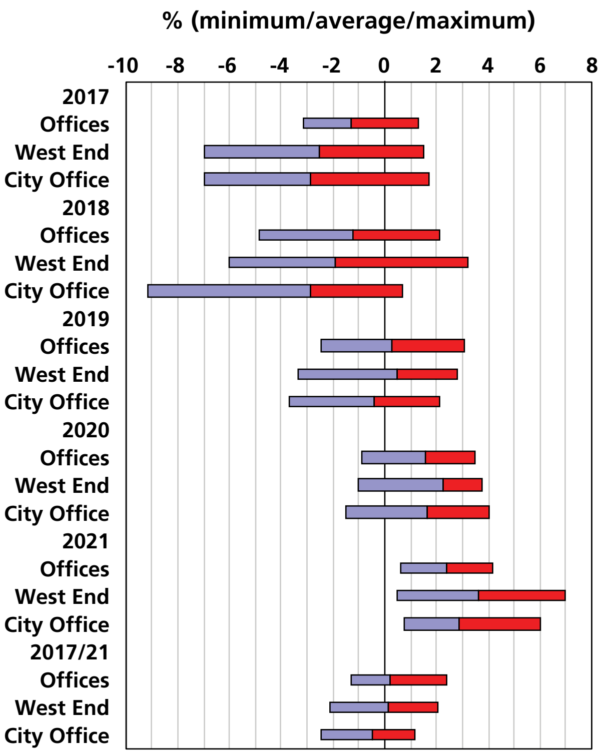
The All Property total return has risen to 5.2%, from 4.2% per annum in November. With Standard Retail averaging 5.4% and Retail Warehouses 5.8%, this leaves only Offices, at 4.1%, to underperform All Property.



Central London offices

With a trend of weakening growth forecasts dating back to the second quarter of 2016 and the threat of major job losses, expected to result from long-term Brexit-driven corporate relocations, it has been suggested that up to 8 million square feet off space could be released from 2018 onwards. However, the final months of 2016 experienced an increase of transactional activity, primarily due to overseas investors taking advantage of sterling's near-20% devaluation against other currencies.

Rental value growth



Expected 2017 average rental growth rates for both City and West End offices have improved over the quarter, rising to -2.9% and -2.5% from -4.0% and -2.9% respectively. Whilst these markets continue to attract a wide spectrum of opinion, ranges have contracted since November for each year forecast, from over 13.0% to 9.9% for 2018 City growth rates (and from 1.7% to 9.2% for the West End).

Replicating the wider Office market, in each survey year from 2018 average projections fell over the quarter. Positive growth may return to the West End in 2019 (with a forecast average of 0.5%), followed by the City in 2020 (1.6% compared to 2.3% for the West End that year).

Forecasts for 2021 indicate a continuing recovery, as averages may rise to 3.6% and 2.9% in the West End and City respectively, compared to an all UK Office average of 2.4%.

Whilst the five-year average growth rate for the West End may match the Office average of 0.2% per annum, the annualised average for City offices remains negative, unchanged from the November forecast (of -0.5% per annum).

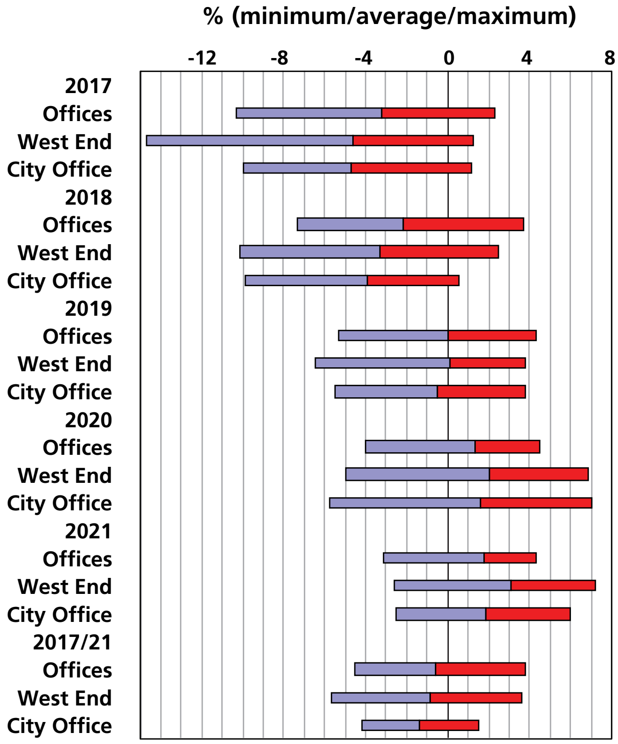
Central London offices (2)

Capital value growth

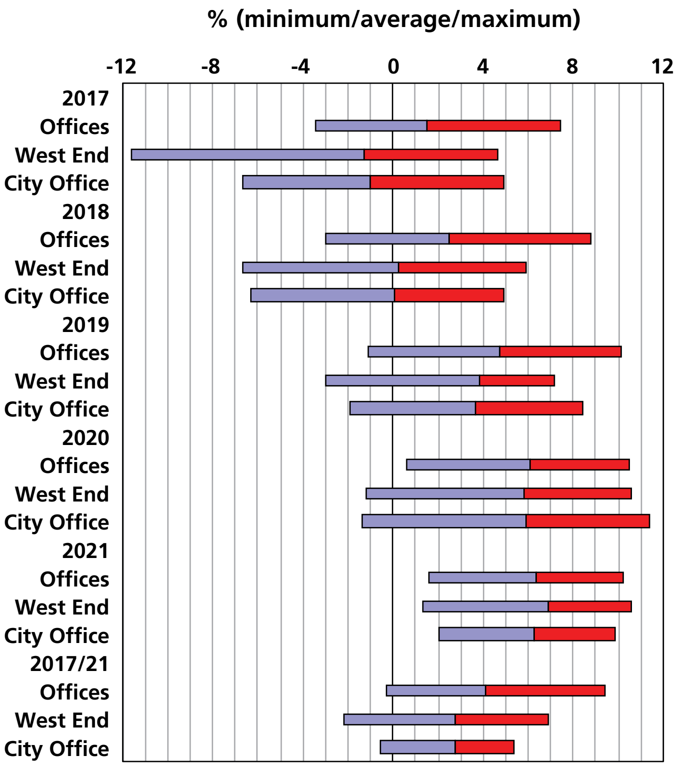
Whilst still negative, average 2017 capital growth forecasts have improved over the quarter (by over 220 bps in the case of West End values, to -4.6 %, and over 280 bps for City offices, to -4.7%). Forecast ranges have reduced by between 2.0% and 7.2% for the West End and City respectively and rises in individual minimum and maximum projections indicate a less pessimistic outlook for the next 12 months, albeit in stark contrast to the strong performance of recent years.

Whilst the pattern over five years is of rates rising, average forecasts have softened for each year since the November survey – by over 200 bps in each sub-market in 2018 and 2019 and by between 150 and 170 bps in 2020.

Despite positive averages in the final two survey years, five-year annualised growth rates remain sub-zero in all Office markets. The average forecast for the West End is now -0.8% per annum (from -1.4%) and -1.4% per annum for the City (formerly -1.8%), as against a UK Office average of -0.6% (from -1.3%).



Total returns



Average total return forecasts for 2017, whilst still negative in each sub-market, have improved over the quarter – by 2.3% for the West End (now -1.3%) and 2.6% in the City (to -1.0%). Forecaster opinion continues to vary considerably throughout the survey, with double digit spreads in four of the five survey years, although ranges have narrowed for 2017 – 2019 projections (by over 950 bps to 11.2% in the case of the 2018 City forecast).

Average forecasts may return to positive territory in 2018, current projections being 0.2% and 0.1%. In a similar pattern to the capital growth forecasts, total returns are expected to recover gradually and the West End may exceed the UK Office average by 2021 (6.9% versus 6.4%), with the City lagging slightly at 6.3%.

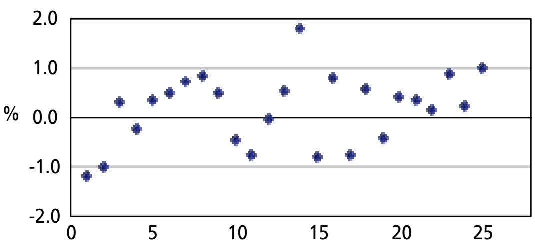
Five-year annualised returns have continue to firm, averaging 2.8% in each sub-market, compared to 1.9% and 2.1% previously but likely to under-perform the UK average of 4.1%.

Distribution of forecasts

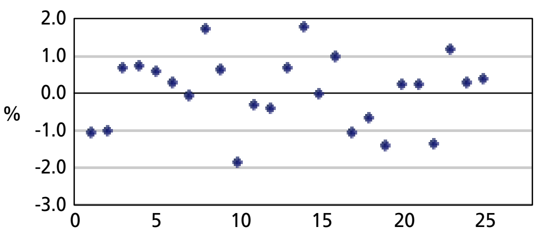
The scatter plots are the individual forecasts for **All Property** rental value and capital value growth. The contributors are listed in random order so that individual contributions cannot be identified. Previous quarter's forecast (November 2016) in brackets

Rental value growth (% pa)

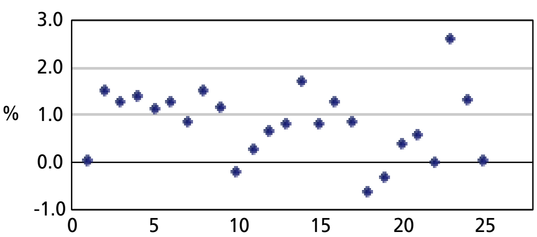
2017 Mean forecast: 0.2% (-0.5%)



2018 Mean forecast: 0.1% (-0.1%)

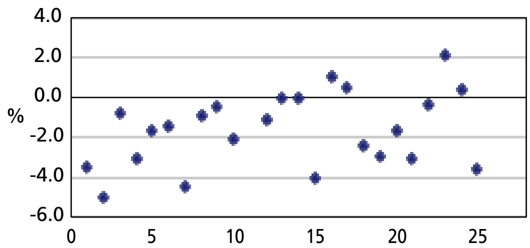


2019 Mean forecast: 0.8% (0.9%)

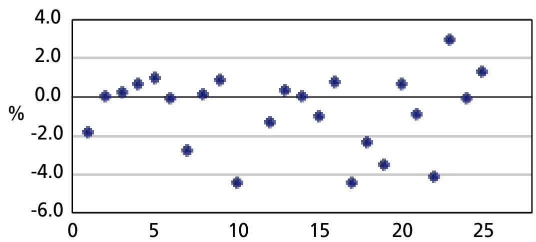


Capital value growth (% pa)

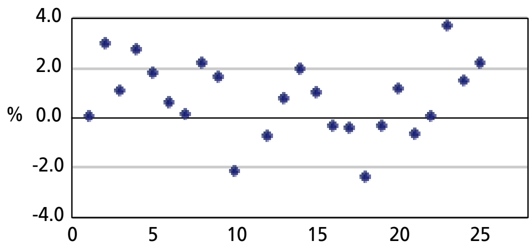
2017 Mean forecast: -1.6% (-3.6%)



2018 Mean forecast: -0.7% (-0.2%)



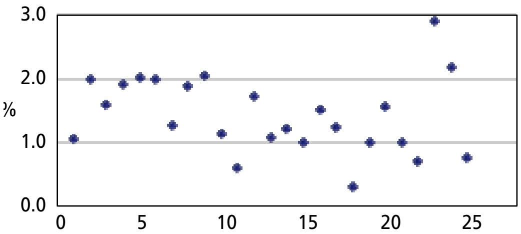
2019 Mean forecast: 0.8% (1.5%)



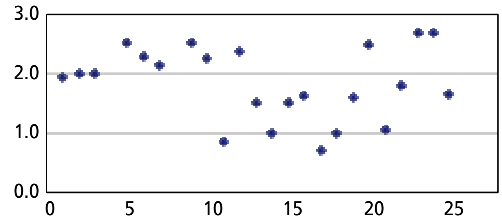
Distribution of forecasts (2)

Rental value growth (% pa)

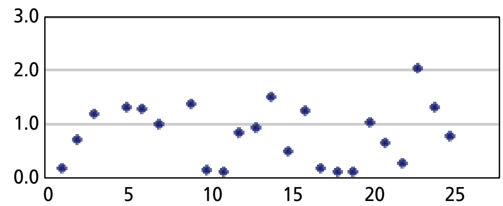
2020 Mean forecast: 1.4% (1.6%)



2021 Mean forecast: 1.8% (n/a)

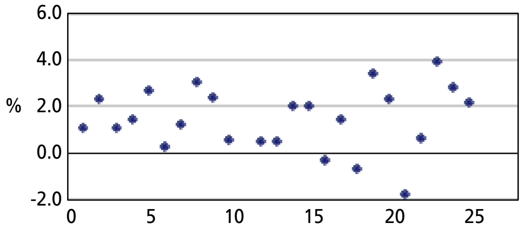


2017/21 Mean forecast: 0.8% (2016/20: 0.7%)

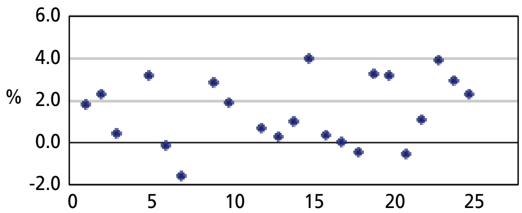


Capital value growth (% pa)

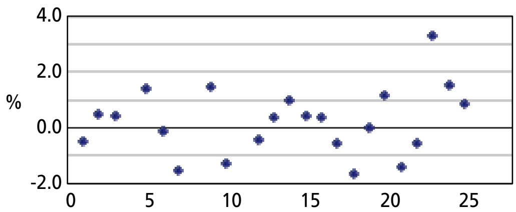
2020 Mean forecast: 1.5% (2.1%)



2021 Mean forecast: 1.5% (n/a)



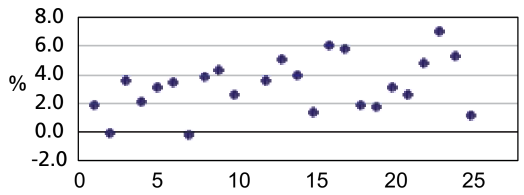
2017/21 Mean forecast: 0.2% (2016/20: -0.8%)



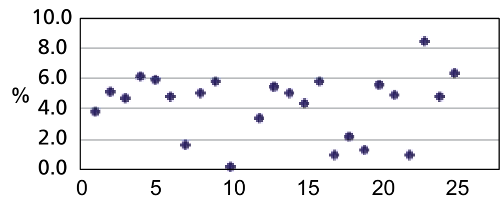
Distribution of forecasts (3)

All Property total returns (% pa)

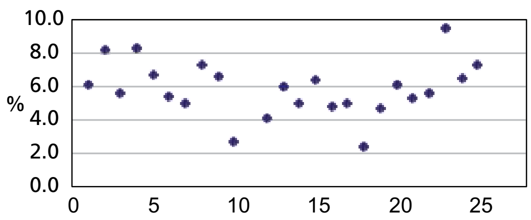
2017 Mean forecast: 3.2% (1.3%)



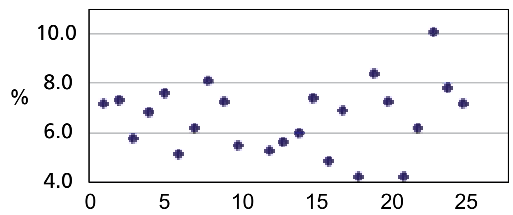
2018 Mean forecast: 4.3% (5.1%)



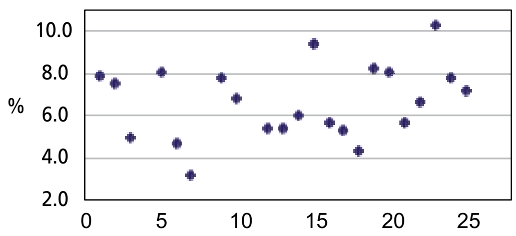
2019 Mean forecast: 5.8% (6.7%)



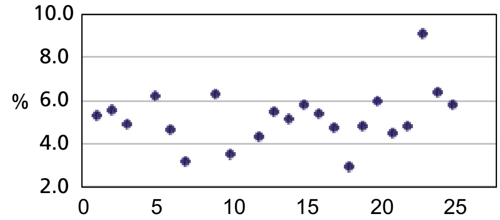
2020 Mean forecast: 6.6% (7.4%)



2021 Mean forecast: 6.6% (n/a)



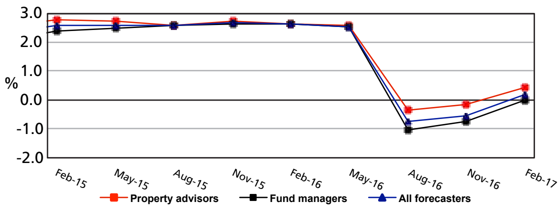
2017/21 Mean forecast: 5.2% (2016/20: 4.2%)



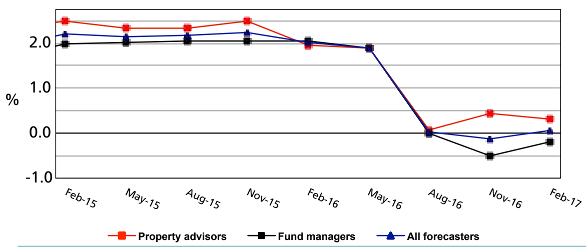
Evolution of the consensus

All Property rental value growth (% pa)

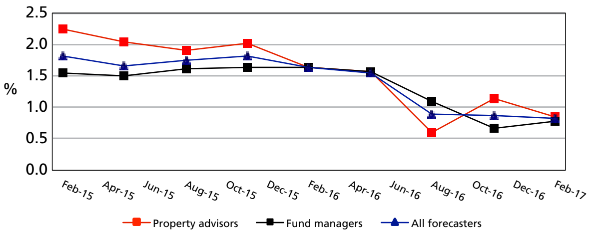
2017 Mean forecast: 0.2% (-0.5%)



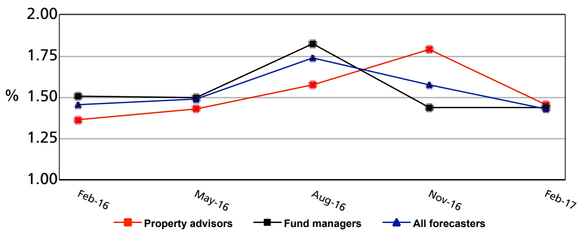
2018 Mean forecast: 0.1% (-0.1%)



2019 Mean forecast: 0.8% (0.9%)

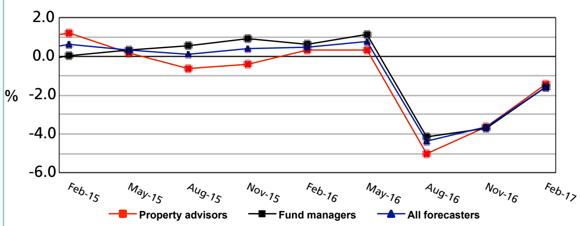


2020 Mean forecast: 1.4% (1.6%)

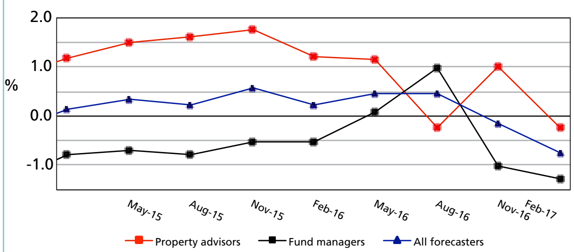


All Property capital value growth (% pa)

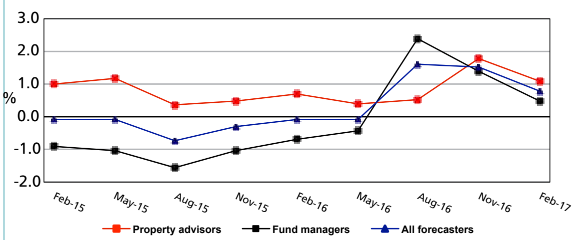
2017 Mean forecast: -1.6% (-3.6%)



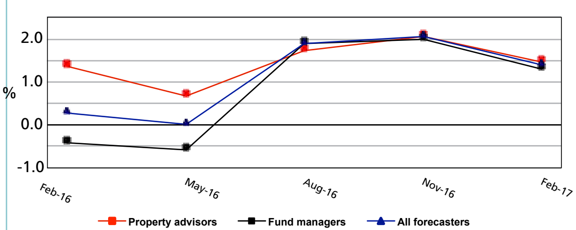
2018 Mean forecast: -0.7% (-0.2%)



2019 Mean forecast: 0.8% (1.5%)



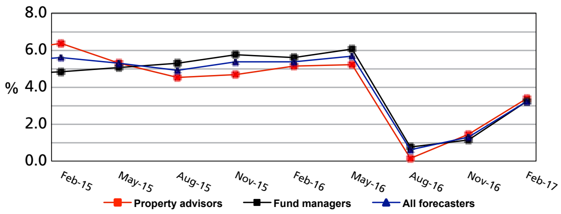
2020 Mean forecast: 1.5% (2.1%)



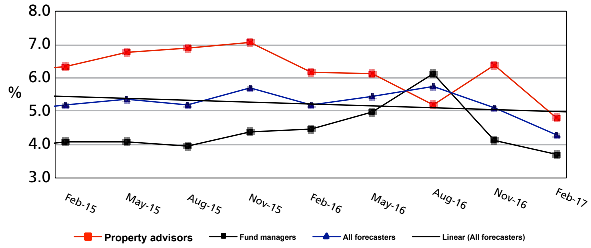
Evolution of the consensus (2)

All Property total returns (% pa)

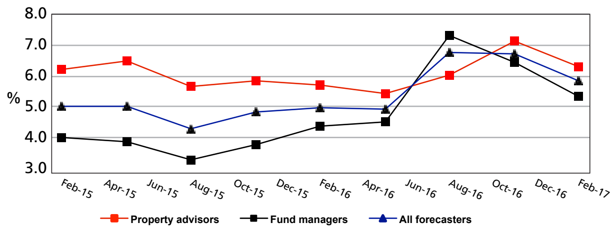
2017 Mean forecast: % (0.6%)



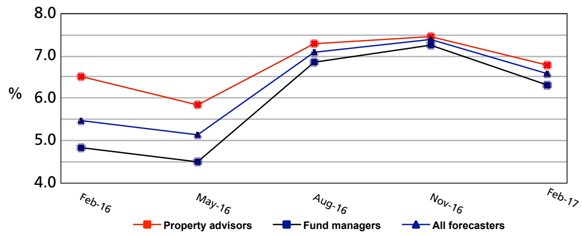
2018 Mean forecast: 4.3% (5.1%)



2019 Mean forecast: 5.8% (6.7%)



2020 Mean forecast: 6.6% (7.4%)



All Property survey results by contributor type

(Forecasts in brackets are November 2016 comparisons)

Property Advisors and Research Consultancies

12 (10) contributors	Rental value growth* (%)						Capital value growth (%)						Total return (%)					
	2017		2018		2017/21		2017		2018		2017/21		2017		2018		2017/21	
Maximum	1.0	(1.1)	1.7	(2.0)	2.1	(n/a)	2.1	(-0.6)	3.0	(3.5)	3.3	(n/a)	7.0	(4.8)	8.5	(9.2)	9.1	(n/a)
Minimum	-1.2	(-3.8)	-1.4	(-1.4)	0.1	(n/a)	-4.5	(-8.1)	-4.2	(-0.1)	-1.7	(n/a)	-0.2	(-3.1)	1.0	(5.1)	3.0	(n/a)
Range	2.2	(5.0)	3.1	(3.4)	1.9	(n/a)	6.6	(7.5)	7.2	(3.5)	5.0	(n/a)	7.2	(7.8)	7.5	(4.1)	6.1	(n/a)
Median	0.6	(0.3)	0.6	(0.4)	1.0	(n/a)	-1.3	(-3.1)	0.6	(0.4)	0.4	(n/a)	3.4	(1.9)	5.6	(6.1)	5.5	(n/a)
Mean	**0.4**	**(-0.2)**	**0.3**	**(0.4)**	**0.9**	**(n/a)**	**-1.4**	**(-3.7)**	**-0.2**	**(1.0)**	**0.4**	**(n/a)**	**3.4**	**(1.5)**	**4.8**	**(6.4)**	**5.5**	**(n/a)**

Fund Managers*

12 (15) contributors	Rental value growth (%)						Capital value growth (%)						Total return (%)					
	2017		2018		2017/21		2017		2018		2017/21		2017		2018		2017/21	
Maximum	1.8	(1.8)	1.8	(1.8)	1.5	(n/a)	0.5	(0.0)	0.7	(0.4)	1.5	(n/a)	5.7	(4.2)	5.6	(5.8)	6.4	(n/a)
Minimum	-1.0	(-2.7)	-1.9	(-3.6)	0.1	(n/a)	-5.0	(-10.4)	-4.5	(-6.0)	-1.4	(n/a)	-0.1	(-5.7)	0.1	(-0.9)	3.5	(n/a)
Range	2.8	(4.5)	3.7	(5.4)	1.4	(n/a)	5.5	(10.4)	5.2	(6.4)	2.9	(n/a)	5.8	(9.9)	5.5	(6.7)	2.9	(n/a)
Median	0.1	(-0.9)	0.0	(-0.2)	0.8	(n/a)	-1.4	(-3.4)	-0.1	(-0.1)	0.0	(n/a)	3.5	(1.7)	4.8	(4.9)	4.9	(n/a)
Mean	**0.0**	**(-0.7)**	**-0.2**	**(-0.5)**	**0.8**	**(n/a)**	**-1.6**	**(-3.7)**	**-1.3**	**(-1.0)**	**0.1**	**(n/a)**	**3.2**	**(1.1)**	**3.7**	**(4.1)**	**5.0**	**(n/a)**

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	1.8	(1.8)	1.8	(2.0)	2.1	(n/a)	2.1	(0.0)	3.0	(3.5)	3.3	(n/a)	7.0	(4.8)	8.5	(9.2)	9.1	(n/a)
Minimum	-1.2	(-3.8)	-1.9	(-3.6)	0.1	(n/a)	-5.0	(-10.4)	-4.5	(-6.0)	-1.7	(n/a)	-0.2	(-5.7)	0.1	(-0.9)	3.0	(n/a)
Range	3.0	(5.6)	3.7	(5.6)	2.0	(n/a)	7.1	(10.4)	7.5	(9.5)	5.0	(n/a)	7.2	(10.5)	8.4	(10.1)	6.1	(n/a)
Std. Dev.	0.7	(1.3)	1.0	(1.2)	0.5	(n/a)	1.8	(2.6)	2.0	(1.9)	1.2	(n/a)	1.8	(2.6)	2.1	(1.9)	1.3	(n/a)
Median	0.4	(-0.4)	0.3	(0.0)	0.9	(n/a)	-1.5	(-3.2)	0.0	(0.1)	0.4	(n/a)	3.3	(2.0)	4.9	(5.3)	5.3	(n/a)
Mean	**0.2**	**(-0.5)**	**0.1**	**(-0.1)**	**0.8**	**(n/a)**	**-1.6**	**(-3.6)**	**-0.7**	**(-0.2)**	**0.2**	**(n/a)**	**3.2**	**(1.3)**	**4.3**	**(5.1)**	**5.2**	**(n/a)**

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

Notes:

1. Figures are subject to rounding and are forecasts of All Property or relevant segment Annual Index measures published by the Investment Property Databank (IPD). These measures relate to standing investments only, meaning that the effects of transaction activity, developments and certain active management initiatives are specifically excluded.
2. To qualify, all forecasts were produced no more than 12 weeks prior to the survey date (of 8 February 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 25 participants for each performance measure (other than one Fund Manager who provided rental growth forecasts only). Sector forecasts were received from reduced samples of 24/22 contributors (21 for central London offices). Two contributors, whose forecasts were generated during 2016 did not provide 2021 projections nor five-year averages.

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	1.3	2.1	3.1	2.4	2.3	3.7	4.3	3.8	7.4	8.8	10.1	9.4
Minimum	-3.1	-4.8	-2.4	-1.3	-10.3	-7.3	-5.3	-4.5	-3.4	-3.0	-1.1	-0.3
Range	4.4	6.9	5.5	3.7	12.6	11.0	9.6	8.3	10.8	11.8	11.2	9.7
Median	-1.5	-1.3	0.2	0.2	-3.2	-1.1	0.3	-0.9	1.3	3.3	5.1	3.8
Mean	**-1.3**	**-1.2**	**0.3**	**0.2**	**-3.2**	**-2.2**	**0.1**	**-0.6**	**1.5**	**2.5**	**4.8**	**4.1**

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	3.5	2.8	3.1	2.4	5.1	3.7	4.3	3.8	11.1	9.4	10.1	9.4
Minimum	0.9	-1.5	-1.0	-0.4	-1.7	-2.6	-3.5	-2.9	3.0	2.1	1.4	2.1
Range	2.6	4.2	4.1	2.7	6.8	6.3	7.8	6.7	8.1	7.3	8.7	7.3
Median	1.8	1.1	1.3	1.5	1.0	1.0	0.7	0.9	6.8	6.2	6.2	6.5
Mean	**1.8**	**1.1**	**1.4**	**1.5**	**1.3**	**0.7**	**1.0**	**1.0**	**6.6**	**6.1**	**6.5**	**6.4**

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	2.8	2.1	2.3	2.0	2.0	2.8	4.3	3.2	7.8	7.3	9.7	8.8
Minimum	-1.3	-1.7	0.0	-0.1	-5.9	-4.5	-3.4	-1.4	-1.0	1.0	2.6	3.2
Range	4.0	3.7	2.3	2.2	7.9	7.3	7.7	4.6	8.8	6.3	7.1	5.6
Median	0.8	0.5	0.8	1.0	-0.7	-0.1	0.9	0.4	3.8	4.8	6.0	5.4
Mean	**0.7**	**0.4**	**0.9**	**1.0**	**-1.1**	**-0.2**	**1.1**	**0.6**	**3.6**	**4.6**	**6.0**	**5.4**

Shopping Centre

21 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	2.8	1.6	1.6	1.8	0.2	2.3	3.8	2.4	5.8	7.9	9.0	7.5
Minimum	-3.0	-1.1	-0.4	-0.2	-5.5	-4.7	-3.2	-2.6	-0.2	-0.1	1.6	2.2
Range	5.8	2.7	2.0	2.0	5.7	6.9	7.0	5.0	6.0	8.0	7.4	5.2
Median	0.6	0.5	0.8	0.9	-2.0	-0.5	0.6	-0.2	2.8	5.0	6.0	5.4
Mean	**0.4**	**0.2**	**0.7**	**0.8**	**-2.2**	**-0.9**	**0.6**	**0.0**	**2.8**	**4.4**	**6.0**	**5.2**

Retail Warehouse

21 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	2.3	1.8	1.7	1.8	0.9	4.8	5.0	3.5	6.6	11.2	10.9	9.2
Minimum	-2.0	-2.0	-1.8	-0.6	-3.9	-4.5	-2.6	-2.1	0.9	1.2	3.2	3.4
Range	4.3	3.8	3.5	2.4	4.8	9.3	7.6	5.6	5.8	10.0	7.7	5.8
Median	0.3	0.3	0.5	0.7	-2.0	-0.3	0.0	-0.1	3.3	5.6	6.2	5.5
Mean	**0.2**	**0.1**	**0.6**	**0.7**	**-1.8**	**-0.6**	**0.5**	**0.0**	**3.8**	**5.2**	**6.4**	**5.8**

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	1.8	1.8	2.6	2.1	2.1	3.0	3.7	3.3	7.0	8.5	9.5	9.1
Minimum	-1.2	-1.9	-0.6	0.1	-5.0	-4.5	-2.4	-1.7	-0.2	0.1	2.3	3.0
Range	3.0	3.7	3.2	2.0	7.1	7.5	6.1	5.0	7.2	8.4	7.2	6.1
Std. Dev.	0.7	1.0	0.7	0.5	1.8	2.0	1.5	1.2	1.8	2.1	1.6	1.3
Median	0.4	0.3	0.9	0.9	-1.5	0.0	0.9	0.4	3.3	4.9	5.8	5.3
Mean	**0.2**	**0.1**	**0.8**	**0.8**	**-1.6**	**-0.7**	**0.8**	**0.2**	**3.2**	**4.3**	**5.8**	**5.2**

* Two contributors did not provide 2021 forecasts or five-year averages.

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

Sector summary: Means

All sectors

(no. contributors)	Rental value growth (%)				Capital value growth (%)				Total return (%)			
	2017	2018	2019	2017/21	2017	2018	2019	2017/21	2017	2018	2019	2017/21
Office (22)	-1.3	-1.2	0.3	0.2	-3.2	-2.2	0.1	-0.6	1.5	2.5	4.8	4.1
Industrial (22)	1.8	1.1	1.4	1.5	1.3	0.7	1.0	1.0	6.6	6.1	6.5	6.4
Standard Retail (22)	0.7	0.4	0.9	1.0	-1.1	-0.2	1.1	0.6	3.6	4.6	6.0	5.4
Shopping Centre (21)	0.4	0.2	0.7	0.8	-2.2	-0.9	0.6	0.0	2.8	4.4	6.0	5.2
Retail Warehouse (21)	0.2	0.1	0.6	0.7	-1.8	-0.6	0.5	0.0	3.8	5.2	6.4	5.8
All Property (24)	**0.2**	**0.1**	**0.8**	**0.8**	**-1.6**	**-0.7**	**0.8**	**0.2**	**3.2**	**4.3**	**5.8**	**5.2**

West End office

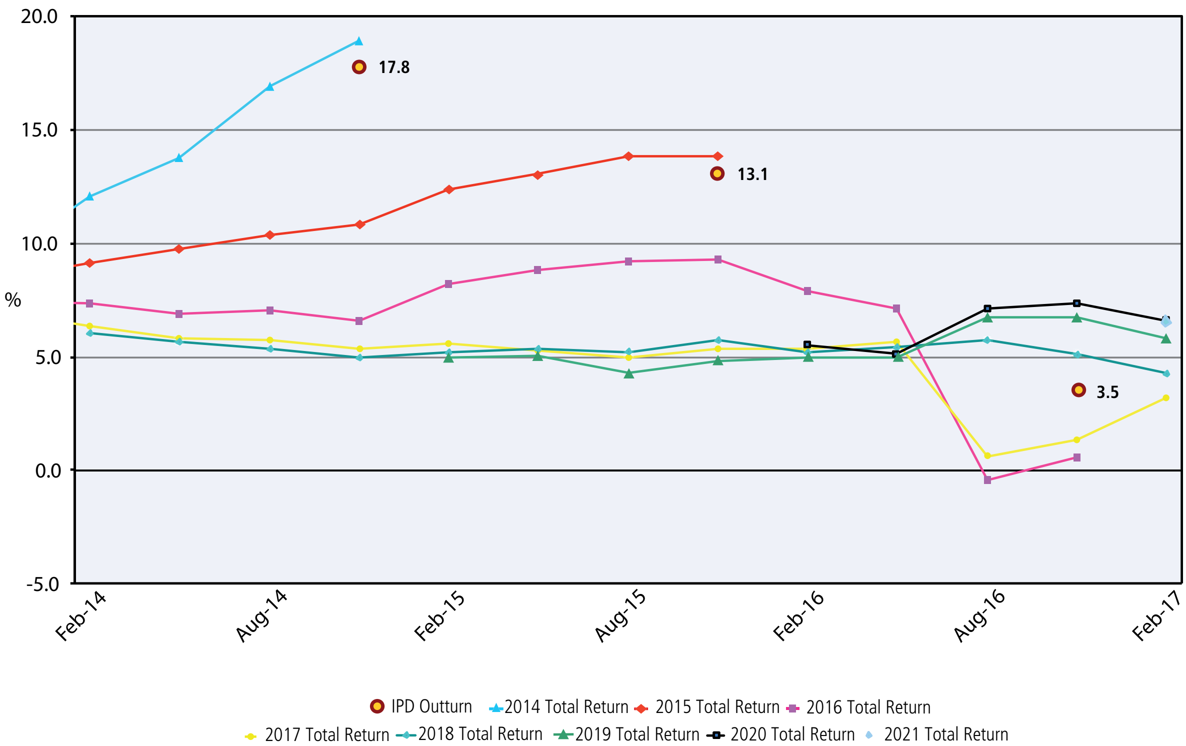
19 contributors	*Rental value growth (%)				Capital value growth (%)				Total return (%)			
	2017	2018	2019	2017/21	2017	2018	2019	2017/21	2017	2018	2019	2017/21
Maximum	1.5	3.2	2.8	2.1	1.3	2.5	3.8	3.6	4.7	5.9	7.2	6.9
Minimum	-7.0	-6.0	-3.4	-2.1	-14.7	-10.1	-6.4	-5.7	-11.6	-6.7	-3.0	-2.2
Range	8.5	9.2	6.2	4.2	16.0	12.6	10.2	9.2	16.3	12.5	10.2	9.1
Median	-2.5	-2.5	0.3	0.0	-4.9	-3.2	0.3	-1.3	-1.7	0.9	4.4	2.2
Mean	**-2.5**	**-1.9**	**0.5**	**0.2**	**-4.6**	**-3.3**	**0.1**	**-0.8**	**-1.3**	**0.2**	**3.8**	**2.8**

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	1.7	0.7	2.1	1.2	1.2	0.5	3.8	1.5	4.9	4.9	8.5	5.4
Minimum	-7.0	-9.2	-3.7	-2.4	-10.0	-9.9	-5.5	-4.2	-6.7	-6.3	-1.9	-0.5
Range	8.7	9.9	5.8	3.6	11.2	10.4	9.4	5.7	11.6	11.2	10.4	5.9
Median	-3.5	-3.0	0.0	-0.8	-4.0	-3.8	0.0	-1.5	-0.7	0.8	4.3	2.7
Mean	**-2.9**	**-2.9**	**-0.4**	**-0.5**	**-4.7**	**-3.9**	**-0.5**	**-1.4**	**-1.0**	**0.1**	**3.7**	**2.8**

*Rental value growth forecasts were received from 21 contributors.
** Two contributors did not provide five-year average forecasts.

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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