IPF Research

Investment Property Forum UK Consensus Forecasts

WINTER 2017/18

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:

The Investment Property Forum Consensus Forecasts Winter 2017/18 Survey of Independent Forecasts for UK Commercial Property Investment

The IPD's recently published Quarterly Index results for 2017 indicate an annualised All Property total return for standing investments of 10.2%. This compares with the IPF consensus of 8.2% reported in November, based on forecasts produced over the three months preceding that survey date.

Turning to the latest set of forecasts, 23 contributors provided their performance projections, generated between mid-November and mid-February 2018. Key results are detailed below.

Key points

Expectations for 2018 improving …

- Forecaster sentiment for the current year has picked up – the **2018 All Property rental growth** forecast has risen to an average of **0.8%** (from 0.4% in November). All sector average projections have risen by between 20 bps and 54 bps and now lie between 3.5% for Industrials to -0.8% for Offices.
- **Capital growth** expectations have strengthened across the majority of sectors with prospects for the Industrial market, at 4.0% (2.7% previously), substantially higher than the **All Property** projection of **-0.2%**. This, however, is an improvement of over 50 bps on the last quarter. The Shopping Centre sector average was the biggest faller over three months, down 30 bps to -2.4%.
- As a virtue of the better outlook for rental and capital growth, the **2018 total return** forecast for **All Property** has risen to **4.6%** currently, from 4.0% last quarter.

… but 2019 sentiment declines

- Despite marginally stronger sector **rental growth** projections than a quarter ago, leading to an increase in the **All Property average** to **0.8%** from 0.6% in November, **capital growth rates** have declined in the majority of sectors, the exception being a 10 bp improvement in the average Industrial capital growth figure (to 0.9%). Averages have fallen by between 79 bps for Shopping Centres and 12 bps for Retail Warehouses, resulting in a **2019 All Property capital growth** average of **-1.0%**, from -0.6% previously.
- As a consequence, the anticipated **total return** has fallen to **3.9%** from 4.2% three months ago.

Capital growth may remain negative until 2021 as weaker forecasts prevail

- This softening in forecaster sentiment carries into **2020**, with a lowering in the previous quarter's projections for all sectors, other than Industrials. With this being the only market likely to deliver positive **capital growth**, the forecast **All Property average** has dropped to **-0.4%** from 0.4% in November. A fall in the **2020 average total return** is anticipated – down 64 bps to **4.7%** from 5.3%.
- Whilst improving on the 2020 forecasts, both **2021 rental** and **capital value growth** projections are weaker than a quarter ago, averaging **1.6%** and **0.6%** respectively (from 1.7% and 0.9% previously). Similarly, the **All Property total return** has weakened to **5.7%** from 5.9%.
- The introduction of 2022 forecasts into the survey numbers demonstrate a continuance of the slow upward trend across all performance measures, with figures for that year currently averaging **1.8%**, **0.8%** and **5.8%** for rental and capital value growth and total return respectively.

Five-year averages fall

- The substitution of relatively strong 2017 forecasts by weaker 2022 projections has impacted on the rolling five-year averages.
- At **1.1% per annum**, the **All Property rental value growth** rate is unchanged due to rounding (only 9 bps lower than in November) but weaker annual expectations, other than in 2018, has resulted in the annualised **capital growth** projection falling from 0.6% to **-0.1%**.
- With an implied income return of 4.9% and capital growth of -0.1% in 2022, the **All Property total return** average is currently **4.8%** per annum (from 5.4% in November).

Summary Results

Summary Average by Sector

	Rental value growth (%)				Capital value growth (%)				Total return (%)			
	2018	2019	2020	2018/22	2018	2019	2020	2018/22	2018	2019	2020	2018/22
Office	-0.8	-0.1	1.1	0.8	-2.0	-1.9	-0.3	-0.6	2.3	2.5	4.2	3.9
Industrial	3.5	2.4	2.1	2.3	4.0	0.9	0.2	0.9	9.0	5.9	5.3	5.9
Standard Retail	0.7	0.6	1.0	1.0	-0.7	-0.8	-0.1	0.0	3.7	3.6	4.5	4.6
Shopping Centre	0.3	0.1	0.6	0.6	-2.4	-2.5	-1.0	-1.1	2.5	2.6	4.2	4.0
Retail Warehouse	0.7	0.6	0.8	0.8	0.0	-1.1	-0.3	-0.1	5.7	4.5	5.4	5.6
All Property*	0.8	0.8	1.2	1.1	-0.2	-1.0	-0.4	-0.1	4.6	3.9	4.7	4.8
West End office	-1.6	-0.4	1.2	0.9	-2.9	-2.1	0.4	-0.3	0.5	1.5	4.1	3.4
City office	-2.6	-1.0	1.1	0.5	-3.4	-2.4	0.3	-0.8	0.4	1.6	4.1	3.2
Office (all)	-0.8	-0.1	1.1	0.8	-2.0	-1.9	-0.3	-0.6	2.3	2.5	4.2	3.9

All Property Average by Forecast Month

	Rental value growth (%)				Capital value growth (%)				Total return (%)			
Month of forecast (no. contributors)	2017	2018	2019	2017/21	2017	2018	2019	2017/21	2017	2018	2019	2017/21
December (3)	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)	0.5	0.7	1.3	1.1	-0.2	-0.6	0.3	0.2	4.4	4.2	5.2	4.9
February (9)	1.0	0.9	1.2	1.3	0.1	-0.8	-0.6	0.0	5.3	4.4	4.8	5.2
All Property (23)	0.8	0.8	1.2	1.1	-0.2	-1.0	-0.4	-0.1	4.6	3.9	4.7	4.8

No analysis is published when fewer than 5 forecasts are received for any period or measure.
Three sets of forecasts were generated in the latter half of November 2017.
Two forecasts did not include projections for 2022 and thus no five-year averages could be calculated.

Survey contributors

There were 23 contributors to this quarter's survey, comprising 11 Property Advisors and Research Consultancies, 11 Fund Managers and one Other. Full All Property forecasts were received from 21 contributors. Forecasts were received for all sectors from 18 contributors and from 17 for West End and City sub-office sectors. Two participants did not provide forecasts for 2022 and, hence five-year averages at both the All property and individual sector levels were unavailable. All forecasts were generated within 12 weeks of the survey date (7 February 2018). 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 UK's gross domestic product (GDP) was estimated to have grown by 0.5% in the fourth quarter of 2017, according to the ONS , up from 0.4% for the preceding three-month period. The services sector continued to dominate, driven by growth of 0.6% in business services and finance. Production industries grew by 0.6%, boosted by the second consecutive quarter of strong growth in manufacturing, although partially offset by a significant fall in oil and gas extraction, due to repairs to the Forties pipeline. Construction contracted for the third quarter in a row.

In the current financial year, ONS reported public sector borrowing PSB fell by £7.2 billion to £37.7 billion (April 2017 to January 2018) compared to the same period in the previous financial year. The Office for Budget Responsibility (OBR) forecasts an annual figure of £49.9 billion (compared to a forecast of £58.3 billion three months ago) to March 2018, an increase of £4.1 billion (£12.5 billion) on the end March 2017 outturn. Public sector net debt was in surplus by£10 billion at the end of January, which is the second-lowest January net borrowing since monthly recording of net borrowing began in April 1993.

At the February 2018 meeting of the Bank of England Monetary Policy Committee , members voted unanimously both to maintain the Bank Rate at 0.5%, although it indicated that the pace of interest rate increases could accelerate if the economy remains on its current track – rates may need to rise "earlier" and by a "somewhat greater extent" than the Bank had thought at its last review in November 2017. The Committee also voted unanimously maintain both the stock of sterling non-financial investment-grade corporate bond purchases, financed by the issuance of central bank reserves, at £10 billion and the stock of UK government bond purchases, financed by the issuance of central bank reserves, at £435 billion.

The 12-month inflation rate, as measured by the Consumer Prices Index (CPI), including owner occupier housing costs (CPIH), was 2.7% in January , unchanged from December 2017. The largest contribution to change in the rate was motor fuel prices, which rose by less than they did a year ago, but prices for recreational and cultural goods and services, fell by less than they did a year ago. The Consumer Prices Index (CPI) 12-month rate remained at 3.0% in January, unchanged from December 2017.

Over the period October to December, the ONS reported 32.15 million people in work, 88,000 more than for July to September 2017 and 321,000 more than for a year earlier. This figure represents an employment rate of 75.2% for people aged 16 to 64 in work. The current level of unemployment is 4.4%; down from 4.8% a year ago, with 1.47 million unemployed, 46,000 more than for July to September 2017 but 123,000 fewer than for a year earlier.

Latest estimates show that average weekly earnings for employees in Great Britain in real terms (i.e. adjusted for price inflation) fell by 0.3%, both including and excluding bonuses, compared with a year earlier.

The latest retail sales figures show an underlying pattern of growth, based on an increase in purchases of 0.1% over the quarter ending January 2018, the lowest rate since April 2017, with declines across all major sectors other than non-food stores.. When compared with January 2017, the quantity bought in January 2018 increased by 1.6%; a slowdown to year-on-year growth when compared with an increase of 2.4% in January 2017. Internet sales saw a decrease in its proportion of all seasonally adjusted retailing in January compared December 2017; accounting for 16.5% of all retail, although this was an increase on the January 2017 figure of 15.8%.

[1] ONS: Gross Domestic Product October to December. Release dated 26 January 2018

[2] ONS: Public sector finances January 2018. Release dated 21 February 2018

[3] All figures exclude public sector banks

[4] Bank of England Monetary Policy Summary and minutes of Monetary Policy Committee meeting ending on 7 February 2018

[5] ONS Consumer Price Inflation, January 2018. Release dated 13 February 2018

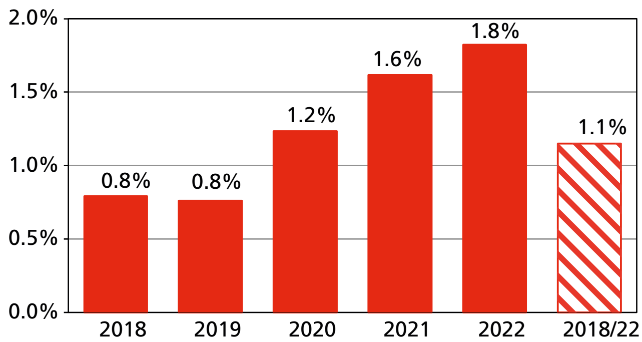
[6] ONS: Labour Market: January 2018. Release dated 21 February 2018

[7] ONS: Retail Sales Index. Release dated 16 February 2018

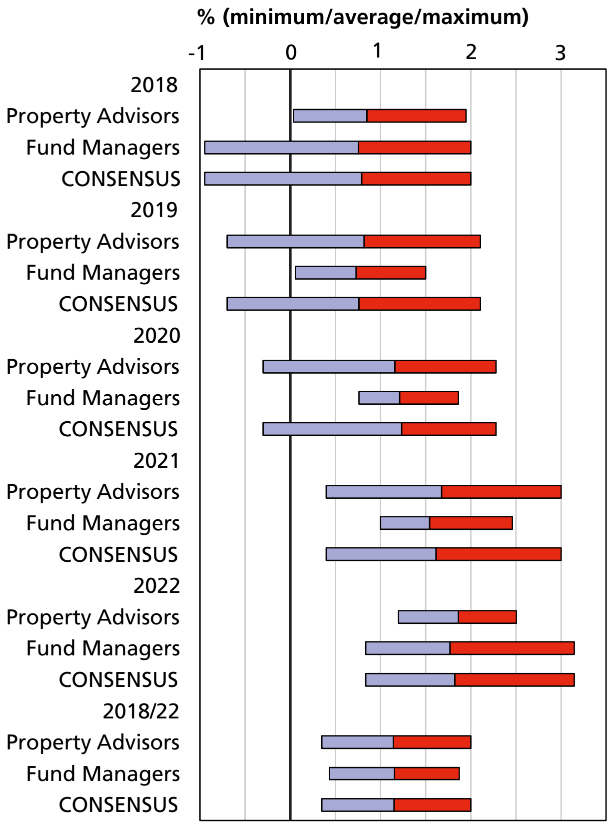
All Property rental value growth forecasts

The 2018 average forecast has risen by almost 40bps against the final forecast of 2017, of 0.4% (from 0.2% in August). The 2020 growth expectation is broadly unchanged, whilst the 2021 average is around 10 bps lower. The new 2020 projection indicates continuing year-on-year improvement, however.

Despite the loss of the 2017 All Property growth rate, the near-term strengthening of forecasts has maintained the five-year average rental growth rate at 1.1%.



Rental value growth forecasts by contributor



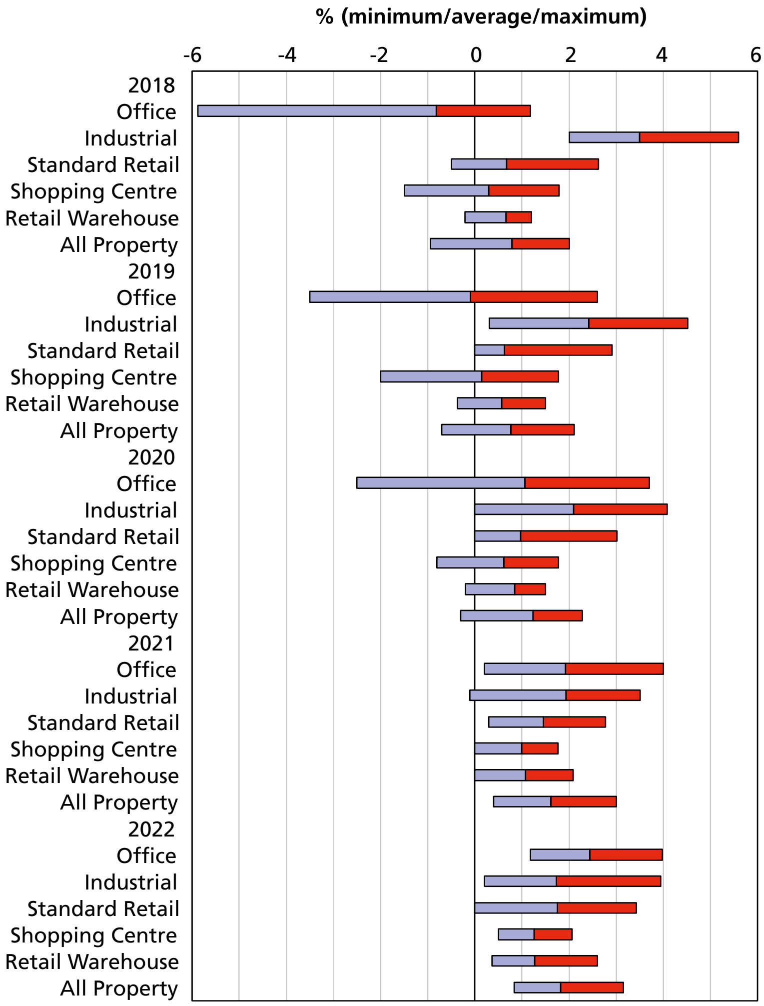
The improved sentiment for 2018 is reflected in better forecasts from both individual Property Advisors and Fund Managers – the former now positive (from -0.4% in November), although the latter remains negative but with only one sub-zero forecast of -0.9% (from five previously). The range of opinion for the current year has widened slightly for both groups though, at 1.9% and 2.9% respectively (from 1.8% and 2.7%).

The average 2019 forecast has also firmed, but the range of projections indicates greater uncertainty among Advisors than previously, with two forecasts dipping below zero, whereas Fund Managers remain unanimous in anticipating positive growth within a narrower range of less than 1.5%. This pattern continues into 2020; the 1.2% average, agreed by all contributors, is unchanged from three months ago.

The five-year averages show consistency within each group and, with the exception of Advisors in 2022, attract the closest accord of any year amongst forecasters.

N.B. One 'Other' contributor returned data in addition to the 22 Property Advisors and Fund Managers.

Sector rental value growth annual forecasts



Near-term average forecasts have broadly improved or remain unaltered from last quarter's survey, although opinion has widened in most sectors for both 2018 and 2019, as Offices continue to attract the weakest sentiment.

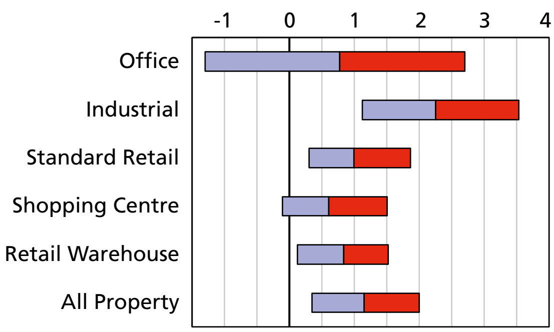
Despite lower minimum sector forecasts in 2020 and 2021 than a quarter ago, most averages have risen, year-on-year, from 2020. The exception is Industrials, which is expected to decline from 3.5% in the current year to 1.7% by 2022, reflected also by significant falls in minimum forecasts since November for 2020 and 2021. Until 2021, however, the Industrial sector is anticipated to remain the best performing market, matched only by Offices in that year, at 1.9% on average.

Other than for unit shops and Retail Warehouses, maximum forecasts for 2019, 2020 and 2021 have firmed since November Average projections for Shopping Centres and Retail Warehouses suggest rents in these two sub-markets are likely to underperform the All Property average throughout the forecast period, with Standard Retail only matching the All Property average of 1.8% in 2020.

Sector rental value growth five-year average forecasts

The rolling All Property average of 1.1% per annum matches that reported three months ago and is exceeded only by Industrials, at 2.3%.

The movement in annualised sector averages has been limited to less than 10 bps in the retail sub-markets. Office and Industrial averages (at 24 bps higher and 32 bps lower respectively) have shown greater fluctuation, and both now attract wider forecast ranges (4.0% from 3.5% for Offices and 2.4% from 2.3% for Industrials).

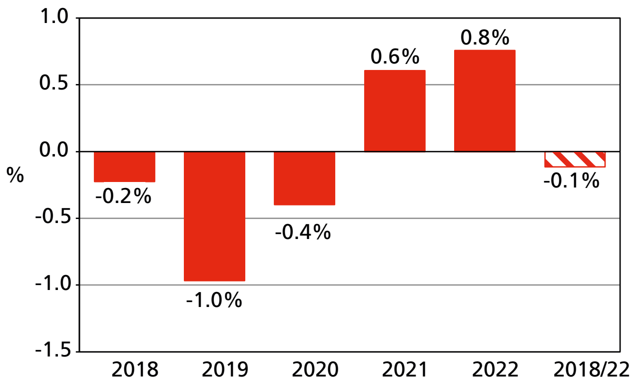


All Property average capital value growth forecasts

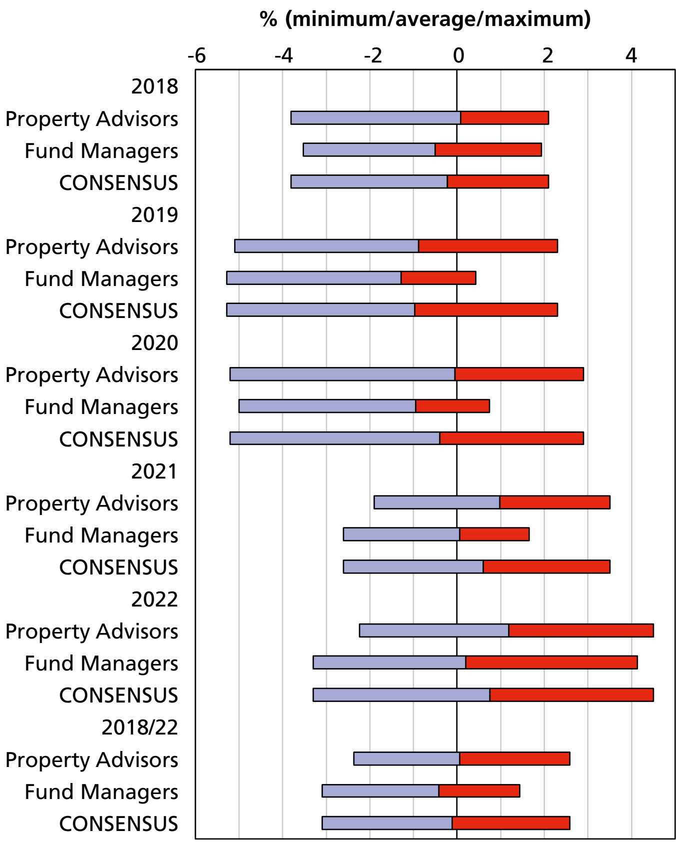
All Property capital growth of 5.2% was reported by MSCI for 2017, compared to an Autumn survey forecast of 3.3%. Expectations of a reversal to negative growth in the current year remain, although the average projection has moderated, from -0.7% three months ago. However, the outlook for the next two years has weakened – by over 30 bps in 2019 and by almost 80 bps in 2020, indicating a third consecutive year of sub-zero growth.

A return to positive growth may not occur until 2021 and the recovery may be slower than previously anticipated (the average forecast having been 0.9% for that year last quarter), thus continuing the trend seen in earlier surveys.

The weakening in mid-term forecasts produces a negative five-year projection, the rolling average having been 0.6% previously (a fall of almost 70 bps over the quarter).



Capital value growth forecasts by contributor



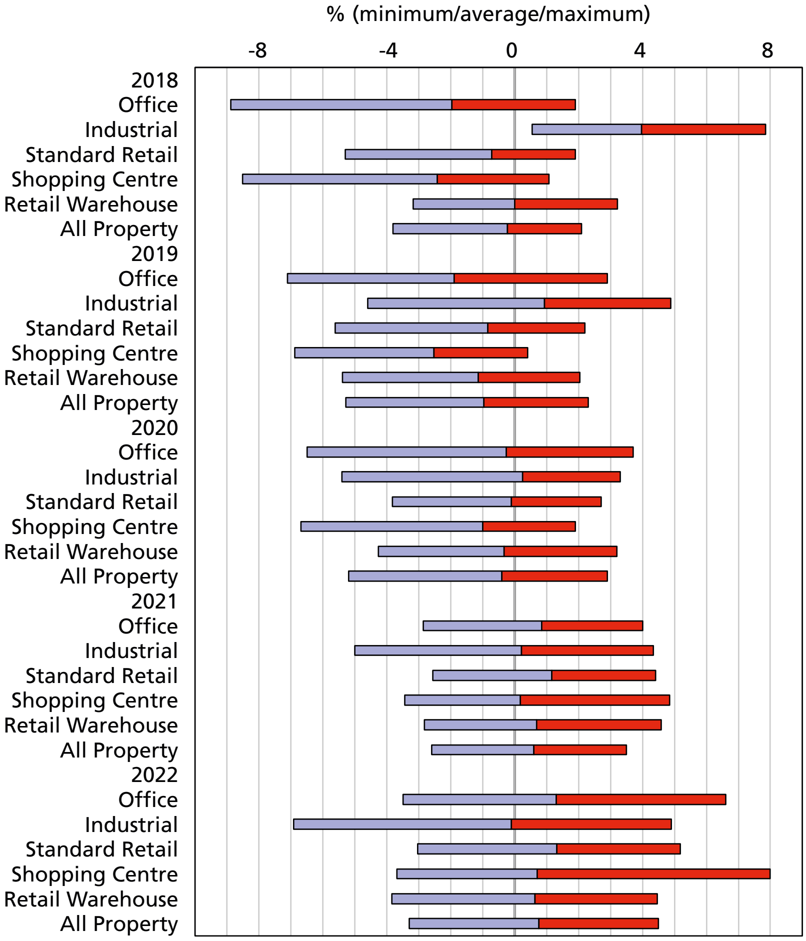
Near-term optimism has improved marginally over the quarter, as 2018 minimum, average and maximum projections have improved or held steady. Whilst three Property Advisors and five Fund Managers predict negative growth, minimum forecasts have improved to -3.8% and -3.5% (from -4.2% and -4.9% for respectively). The uppermost 2018 forecast is unchanged, at 2.1%.

Over the next two years, lower end forecasts are not dissimilar between the two sets of contributor but are considerably weaker than those reported in the last survey – at or below -5.0%, these represent falls in projections of almost 260 bps for 2019 and over 360 bps for 2020. With maximum forecasts little altered, the year averages reflect this more fragile sentiment.

In the last years of the survey period, a number of Manager and Advisors continue to forecast sub-zero growth. Rolling five-year averages are between 84 bps and 53 bps lower, with the negative Fund Manager average of -0.4% causing the all forecaster average to fall below 0.0% for the first time since August 2016 (in the period immediately following the EU Referendum).

N.B. One 'Other' contributor returned data in addition to the 22 Property Advisors and Fund Managers.

Sector capital value growth annual forecasts



Forecasts for the current year clearly illustrate continuing strong performance in the Industrial sector, driven by a sustained decline in yield (MSCI reports the sector equivalent yield fell to 5.7% in December 2017). The upper end growth project has increased by 300 bps over the quarter.

With the exception of 2018, however, minimum forecasts have fallen for each of the other years forecast last quarter, whilst upper end projections are broadly unchanged.

2019 is now anticipated to mark the low point of the survey period, with only Industrials expected to deliver positive growth (0.9%). The Shopping Centre average has continued to decline, down almost 80 bps to -2.5%, followed by Standard Retail (off 37 bps to 0.8%).

Other than Industrials, all sectors are also forecast to deliver negative growth in 2020. Average projections has weakened over the quarter by between 31 bps (Industrials) and 66 bps (Shopping Centres).

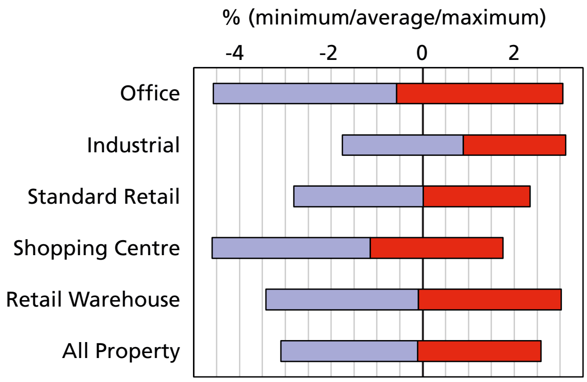
With a return to positive growth in all sectors by 2021, Standard Retail emerges as potentially the the best market that year, forecast to deliver 1.2%, and matched, at 1.3%, by Offices in 2022.

Sector capital value growth five-year forecasts

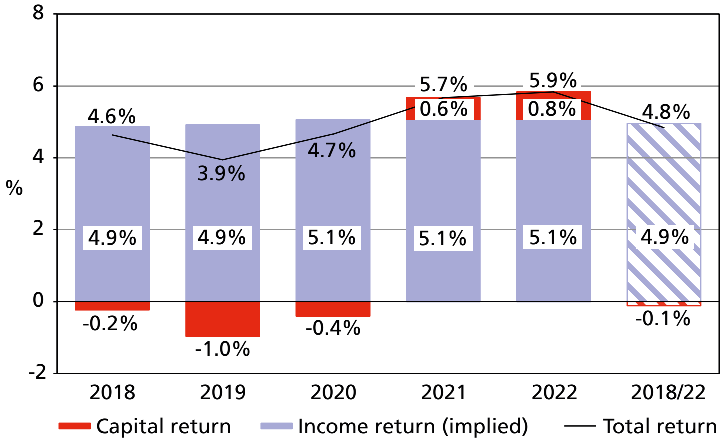
The Industrial sector remains the leading market, with a five-year average of 0.9% per annum, although this represents a significant reduction in average growth from November (formerly 2.7%). Standard Retail, at 0.0%, is the only other sector likely to out-perform the All Property average of -0.1% (which is matched by Retail Warehouses).

Shopping Centres continue to represent the weakest performing sector, averaging -1.1% per annum, while Offices may deliver -0.6% capital growth over the period.

Forecasts ranges lie between 4.9% for Industrials and 7.6% for Offices.



All Property total return forecasts



Following a strong outturn for 2017 (MSCI reporting 10.2% versus the IPF consensus of 8.2% in November), total return prospects for 2018 appear modest by comparison. However, for the current year, sentiment has improved over the quarter with forecasts now averaging 4.6%, from 4.0% previously, reflecting improved stronger capital growth expectations.

Subsequent years are weaker than forecast previously (the 2020 average has fallen by over 60 bps since November). Poorer capital growth rates and static income returns result in a fall in the five-year average to 4.8% per annum, from 5.4% previously.

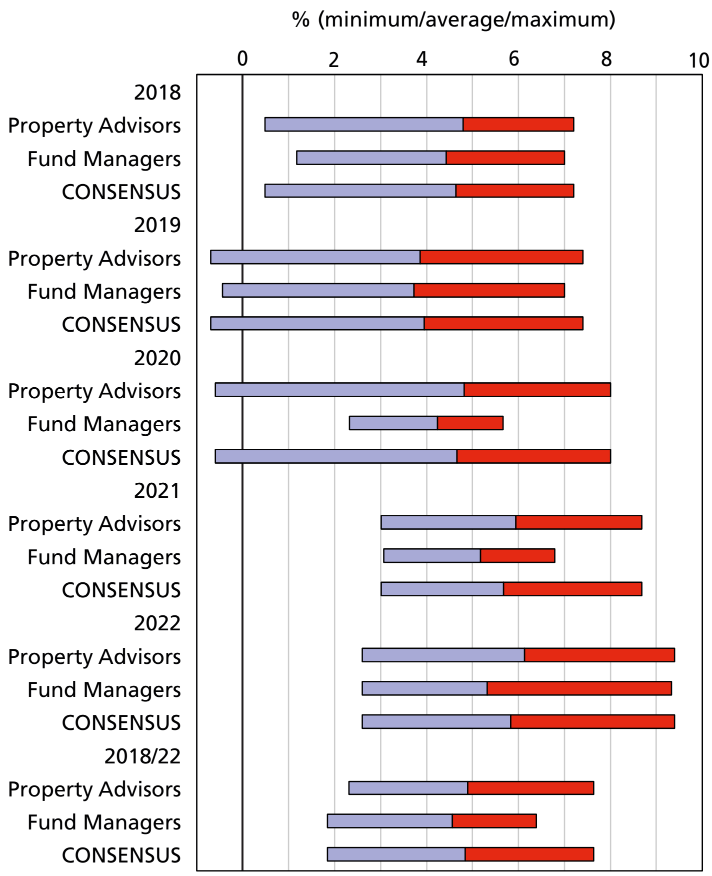
Contributors All Property total return forecasts

2018 forecasts have strengthened over the last three months, averaging 4.8% for Property Advisors (from 4.4%) and 4.4% for Fund Managers (3.6% previously) as minimum projections have risen. Whilst the spread of Advisor forecast returns has reduced by almost 100 bps (to lie between 0.5% and 7.2%), Fund Managers are in closer accord, ranging between 1.2% and 7.0%.

With expectations at their lowest in 2019, with two contributors now predicting negative returns for the year (-0.7% in the case of Advisors and -0.4% for Managers). The Advisor average, whilst falling by over 80 bps, to 3.9% currently, is still more optimistic that the Managers' 3.5% (representing a fall of 16 bps over the quarter).

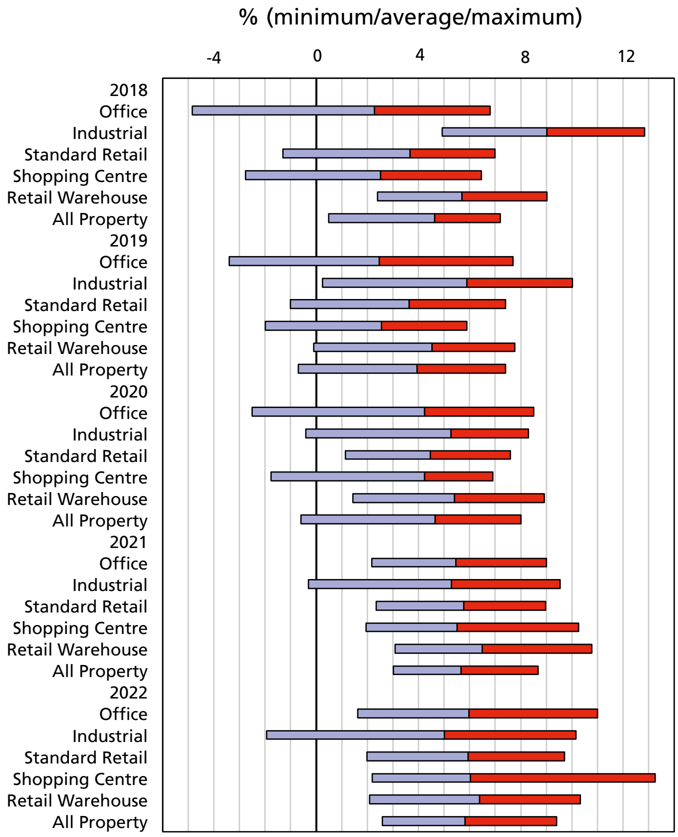
Consensus amongst Fund Managers is greater in 2020 and 2021 (ranging between 2.3% and 5.7% in 2020 – to average 4.2% – and 3.1% and 6.8% in 2022, and 5.2% on average), although Property Advisors continue to be more optimistic on average throughout the five survey years.

The five-year average has fallen to 4.9% per annum for Property Advisors (from 5.8% previously) and to 4.6% from 4.9% for Fund Managers.



N.B. One 'Other' contributor returned data in addition to the 22 Property Advisors and Fund Managers.

Sector total return annual forecasts



In 2018, the only average sector forecast to have declined over the quarter was Shopping Centres, down to 2.5% from 2.8%. With Standard Retail unchanged, improvements in other sectors ranged from 34bps for Offices to 144 bps for Retail Warehouses.

In the following three years, forecaster sentiment is generally weaker than three months ago, with minimum and average projections consistently lower for each sector. In 2020 in particular, falls in minimum forecasts range between 186 bps for Standard Retail to over 365 bps for Offices.

By 2020, the average Retail Warehouse return may exceed that of Industrials (5.4% versus 5.3%), rising further in 2021 (to 6.5%) when the Industrial sector may be the weakest performer, holding at 5.3%.

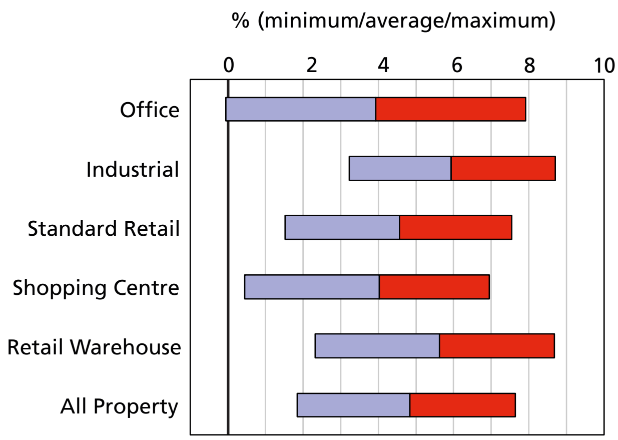
Offices continue to attract the widest opinions until 2021 (recording spreads of 11.0% or over in the first three survey years). Sector ranges have narrowed over the quarter for 2019 to 2021 forecasts, declining by over 400 bps for Retail Warehouses in 2019 down to 44 bps for Shopping Centres in 2021.

Sector total return five-year forecasts

All sector annualised return averages have fallen over the quarter as the strong 2017 performance is replaced by 2022 forecasts.

The greatest decline is recorded in the Industrial average, down 195 bps to 5.9% per annum, although still exceeding the All Property average of 4.8%. This performance is diluted by weak Office and Shopping Centre returns (3.9% and 4.0% respectively) with Standard Retail averaging 4.6%.

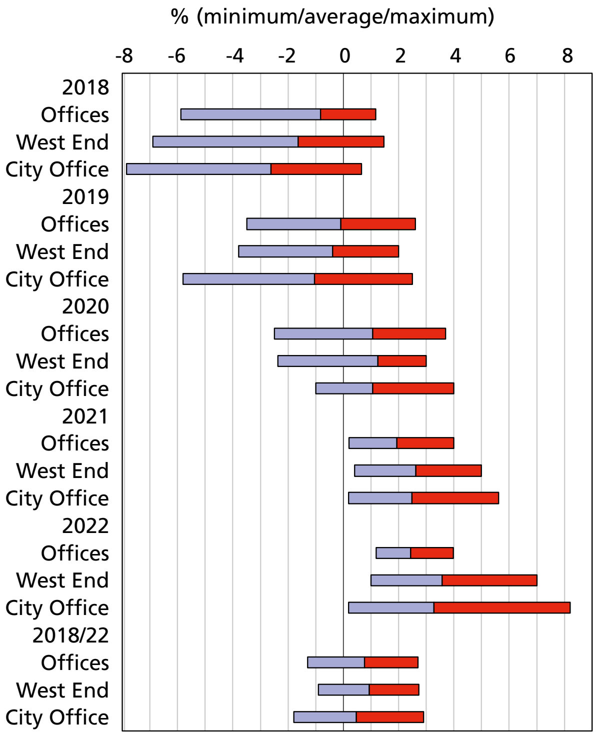
The Retail Warehouse sector average of 5.6% per annum reflects a relatively strong market in the later years of the survey period.



Central London offices

Demand for Central London office space remains resilient,with reports of 2017 take-up around a fifth more than in 2016 and some 10% higher than the long-run average. TMT and flexible workspace users appear to be driving this demand and rising employment in the capital should continue to support the occupational market in 2018. Rental growth is likely to be subdued, however, as the pipeline of development may push up the vacancy rate in the City in particular.

Rental value growth



Whilst minimum 2018 and 2019 rental growth projections have fallen for both UK and central London offices over the quarter, upper end forecasts have also increased in these markets. This greater range of opinion, varying by between 8.4% and 8.5% for the West End and City, has resulted in rising or static averages. Sub-zero growth is expected to persist until 2020, however, when forecasts indicate a return to positive growth in central London; at between 1.2% and 1.1%, these are comparable to the overall UK market. Similar to other sectors, 2020 forecast sentiment for the West End has weakened over the quarter, down almost 30bps, from 1.5% in November.

The pattern is one of slow improvement, as both London locations overtake the UK market in 2021 (averaging 2.6% and 2.5% for the West End and City respectively against 1.9% for Offices). This projected outperformance is maintained in 2022, when West End rents may average 3.6% growth, as against 3.3% for the City and 2.4% UK-wide.

The five-year average growth for the West End improved by 65 bps over the quarter, to 0.9% per annum currently, whilst the City average, rose by 50 bps to 0.5%, compared to a UK Office average of 0.8%.

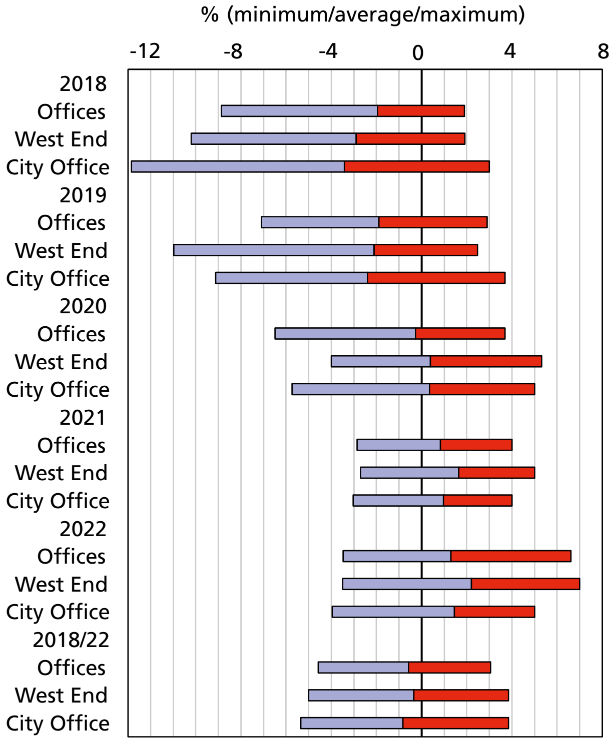
Central London offices (2)

Capital value growth

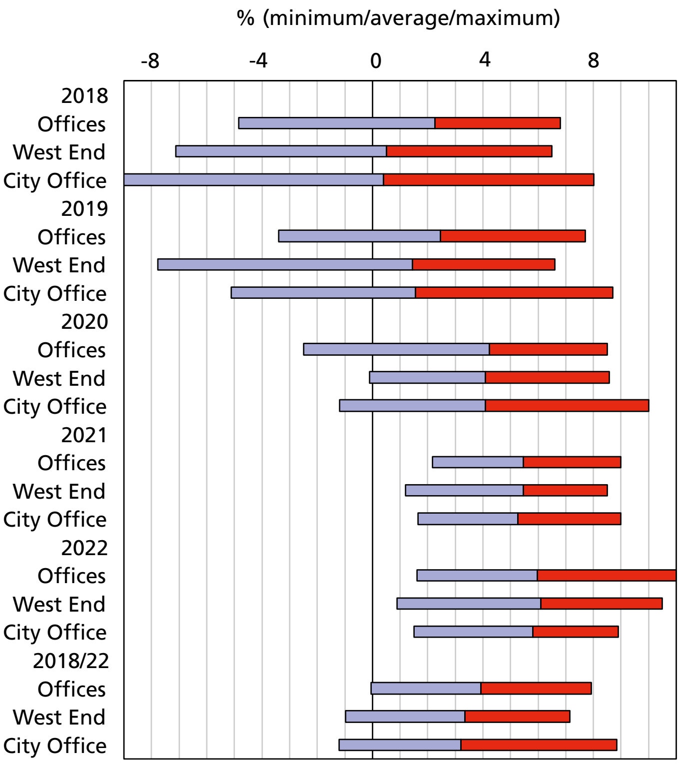
Both 2018 central London average forecasts have improved over the quarter to -2.9% and -3.4% for the West End and City, reflecting increases of nearly 80 bps and 60 bps respectively.

Growth rates in the following three years have weakened since November though, with values expected to decline by a further 2.1% and 2.4% on average in 2019. Positive growth is forecast for 2020, at 0.4% (0.7% previously) in the West End and 0.3% (from 0.4%) the City – better than the 2020 UK Office average of -0.3%. Whilst the trend is one of strengthening forecasts in the two remaining survey years, the rate of growth in 2021 is markedly slower than that forecast previously down by over 60 bps in the West End, to 1.6%, and by 50 bps, to 1.0%, in the City.

Five-year annualised growth rates have weakened; the West End average forecast has fallen to -0.3% (-0.1% previously) and to -0.8% for the City (from -0.5%).



Total returns



Expected returns for 2018 have risen since November, with averages of 0.5% and 0.4% (compared to -0.3% previously), representing improvements of 80 bps and 71 bps for the West End and City markets. Averages for the subsequent three years have weakened. Returns in 2019 and 2002 (of 1.5% and 4.1% in the West End and 1.6% and 4.1% in the City) are still expected to underperform the wider Office market (2.5% and 4.2% in these years). The gap in performance is predicted to close by 2021, when all three averages lie between 5.5% and 5.3%, potentially improving in 2022 to 6.1% in the West Ed and 5.8% in the City, when UK Offices may deliver a 6.0% total return.

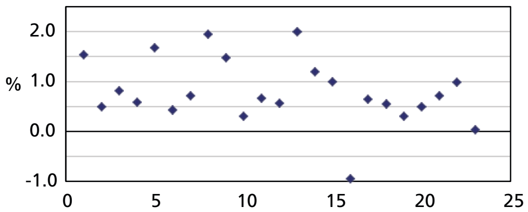
Forecast ranges in the earlier years of the survey period remain substantial (17.0% in the case of 2018 City projections). The closest consensus occurs in 2021 when the maximum and minimum forecasts lie within a span of 7.4%.

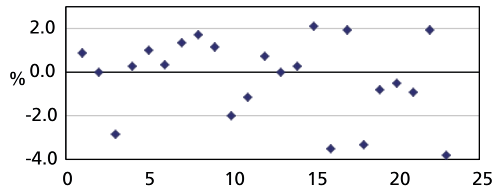
Five-year annualised returns weakened marginally over the quarter, to 3.4% and 3.2% (from 3.5% and 3.4%), compared to a UK average of 3.9% (4.4% previously).

Distribution of forecasts

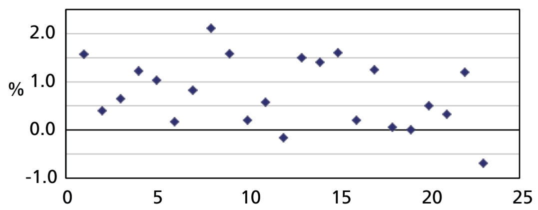
The scatter plots are the individual forecasts for All Property rental value and capital value growth. The contributors are listed in random order so that individual contributions cannot be identified. Previous quarter's forecast (May 2017) in brackets.

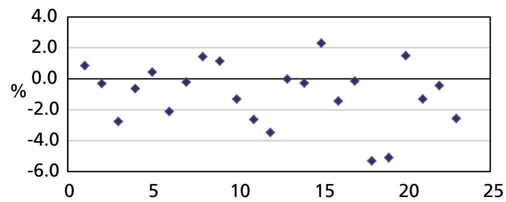
Rental value growth (% pa)	Capital value growth (% pa)
2018 Mean forecast: 0.8% (0.4%)	**2018** Mean forecast: -0.2% (-0.7%)



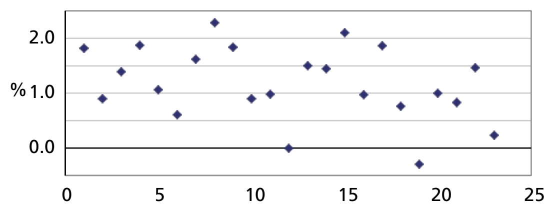


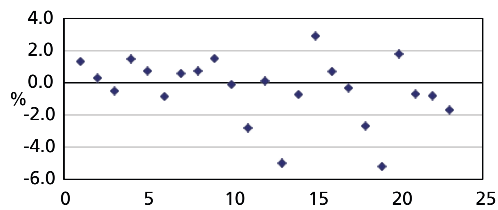
Rental value growth (% pa)	Capital value growth (% pa)
2019 Mean forecast: 0.8% (0.6%)	**2019** Mean forecast:-1.0% (-0.6%)





Rental value growth (% pa)	Capital value growth (% pa)
2020 Mean forecast: 1.2% (1.2%)	**2020** Mean forecast: -0.4% (0.4 %)

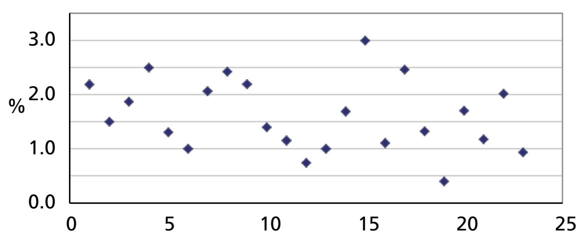




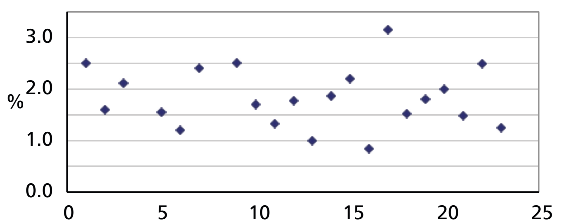
Distribution of forecasts (2)

Rental value growth (% pa)

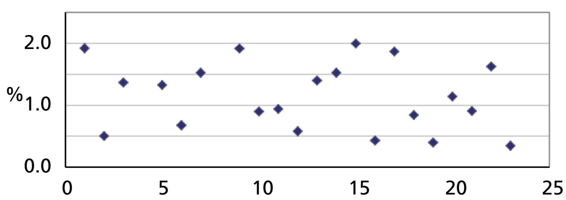
2021 Mean forecast: 1.6% (1.7%)



2022 Mean forecast: 1.8% (n/a)

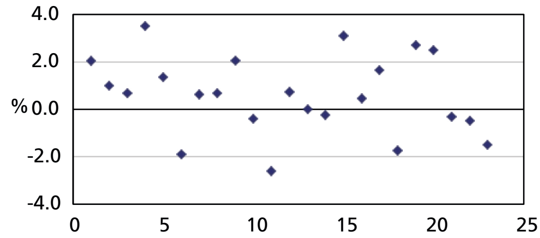


2018/22 Mean forecast: 1.1% (n/a)

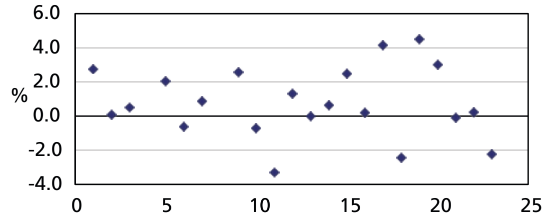


Capital value growth (% pa)

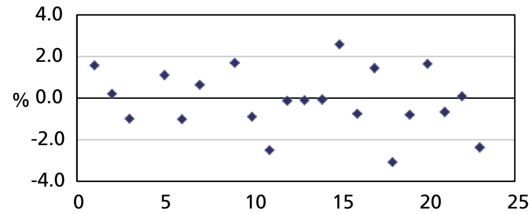
2021 Mean forecast: 0.6% (0.9%)



2022 Mean forecast: 0.8% (n/a)



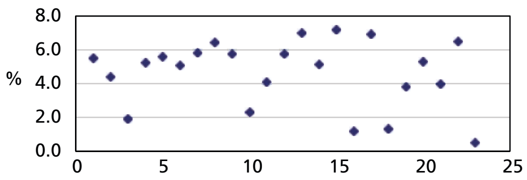
2018/22 Mean forecast: -0.1% (n/a)



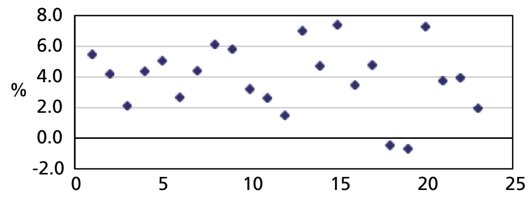
Distribution of forecasts (3)

All Property total returns (% pa)

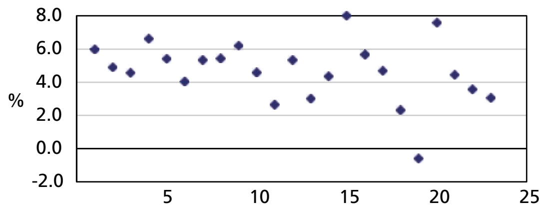
2018 Mean forecast: 4.6% (4.0%)



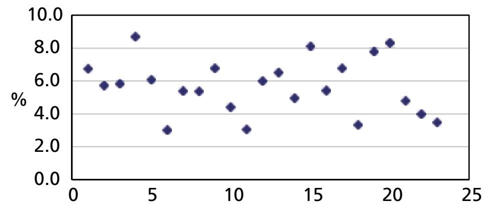
2019 Mean forecast: 3.9% (4.2 %)



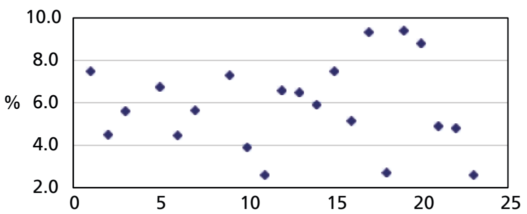
2020 Mean forecast: 4.7% (5.3%)



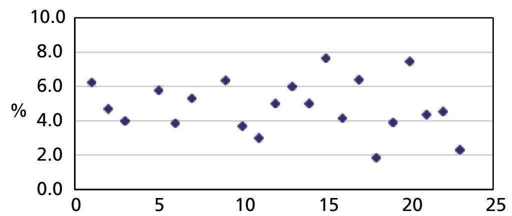
2021 Mean forecast: 5.7% (5.5%)



2022 Mean forecast: 5.8% (n/a)



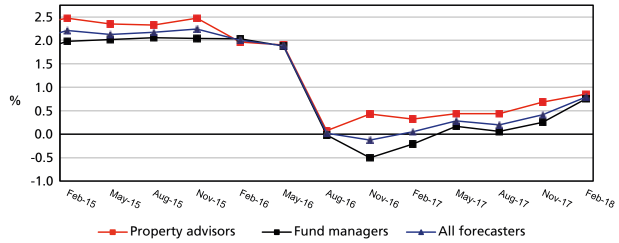
2018/2022 Mean forecast: 4.8% (n/a)



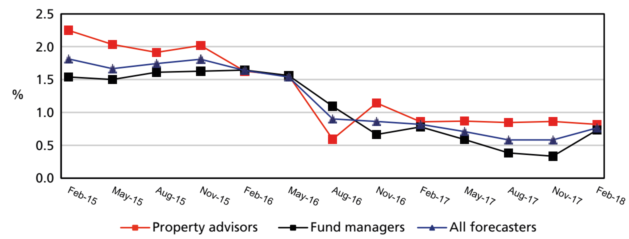
Evolution of the consensus

All Property rental value growth (% pa)

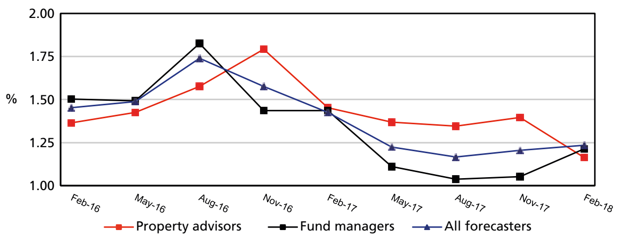
2018 Mean forecast: 0.8% (0.4%)



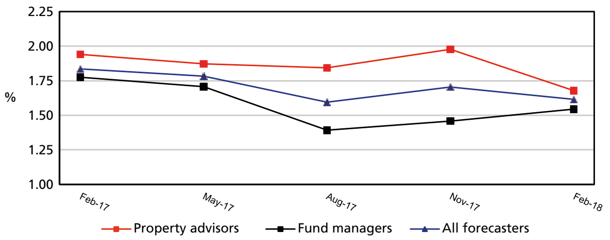
2019 Mean forecast: 0.8% (0.6%)



2020 Mean forecast: 1.2% (1.2%)

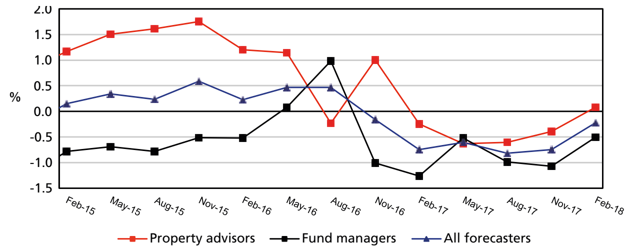


2021 Mean forecast: 1.6% (1.7%)

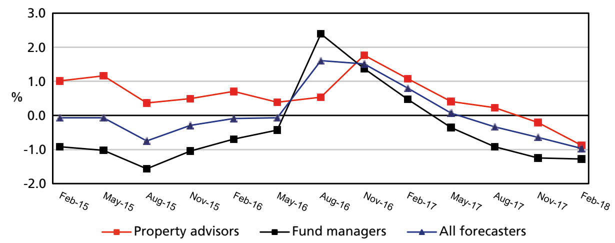


All Property capital value growth (% pa)

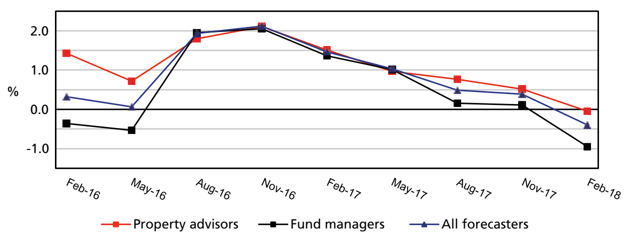
2018 Mean forecast: -0.2% (-0.7%)



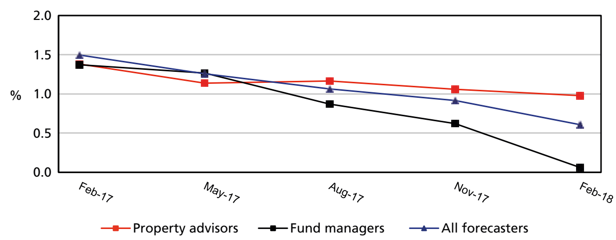
2019 Mean forecast: -1.0% (-0.6%)



2020 Mean forecast: -0.4% (0.4%)



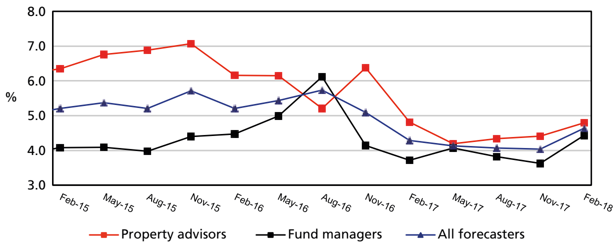
2021 Mean forecast: 0.6% (0.9%)



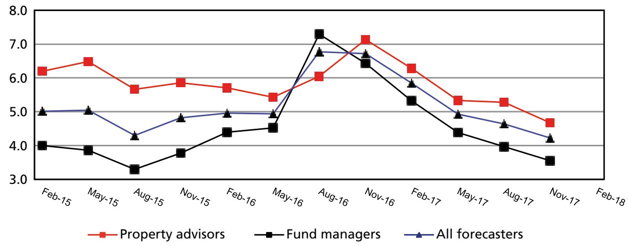
Evolution of the consensus (2)

All Property total returns (% pa)

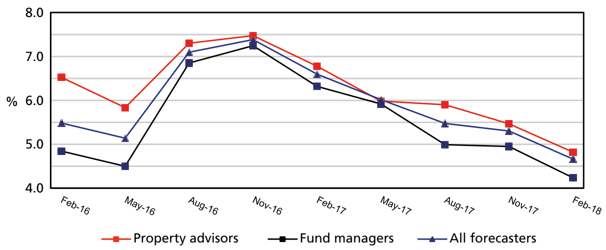
2018 Mean forecast: 4.6% (4.0%)



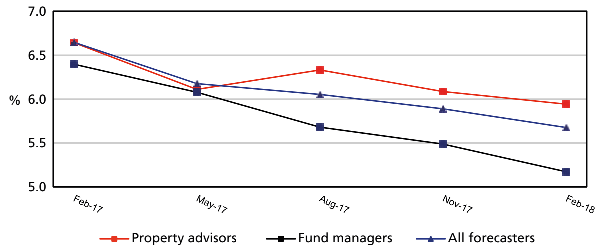
2019 Mean forecast: 3.9% (4.2%)



2020 Mean forecast: 4.7% (5.3%)



2021 Mean forecast: 5.7% (5.5%)



All Property survey results by contributor type

(Forecasts in brackets are November 2017 comparisons)

Property Advisors and Research Consultancies

11 (11)	Rental value growth (%)						Capital value growth (%)						Total return (%)					
contributors	2018		2019		2018/22*		2018		2019		2018/22*		2018		2019		2018/22*	
Maximum	2.0	(1.4)	2.1	(1.9)	2.0	(n/a)	2.1	(2.1)	2.3	(2.3)	2.6	(n/a)	7.2	(7.8)	7.4	(7.8)	7.6	(n/a)
Minimum	0.0	(-0.4)	-0.7	(-0.7)	0.3	(n/a)	-3.8	(-4.2)	-5.1	(-2.5)	-2.4	(n/a)	0.5	(0.1)	-0.7	(2.0)	2.3	(n/a)
Range	1.9	(1.8)	2.8	(2.6)	1.7	(n/a)	5.9	(6.3)	7.4	(4.8)	4.9	(n/a)	6.7	(7.7)	8.1	(5.8)	5.3	(n/a)
Median	0.6	(0.9)	1.2	(1.3)	0.9	(n/a)	0.3	(0.4)	-0.6	(0.0)	-0.1	(n/a)	5.3	(5.1)	4.4	(5.2)	5.0	(n/a)
Mean	0.9	(0.7)	0.8	(0.9)	1.1	(n/a)	0.1	(-0.4)	-0.9	(-0.2)	0.1	(n/a)	4.8	(4.4)	3.9	(4.7)	4.9	(n/a)

Fund Managers

11 (11)	Rental value growth (%)						Capital value growth (%)						Total return (%)					
contributors	2018		2019		2018/22		2018		2019		2018/22		2018		2019		2018/22	
Maximum	2.0	(1.5)	1.5	(1.0)	1.9	(n/a)	1.9	(0.9)	0.4	(0.3)	1.4	(n/a)	7.0	(5.5)	7.0	(5.0)	6.4	(n/a)
Minimum	-0.9	(-1.3)	0.1	(-0.6)	0.4	(n/a)	-3.5	(-4.9)	-5.3	(-2.9)	-3.1	(n/a)	1.2	(-0.1)	-0.4	(2.0)	1.8	(n/a)
Range	2.9	(2.7)	1.4	(1.6)	1.4	(n/a)	5.5	(5.8)	5.7	(3.2)	4.5	(n/a)	5.8	(5.6)	7.4	(3.0)	4.5	(n/a)
Median	0.7	(-0.1)	0.7	(0.4)	1.3	(n/a)	0.0	(-0.1)	-0.4	(-1.1)	-0.1	(n/a)	4.4	(4.4)	3.9	(3.6)	4.6	(n/a)
Mean	0.8	(0.3)	0.7	(0.3)	1.2	(n/a)	-0.5	(-1.1)	-1.3	(-1.2)	-0.4	(n/a)	4.4	(3.6)	3.7	(3.6)	4.6	(n/a)

All Property forecasters

23 (22)	Rental value growth (%)						Capital value growth (%)						Total return (%)					
contributors	2018		2019		2018/22*		2018		2019		2018/22**		2018		2019		2018/22*	
Maximum	2.0	(1.5)	2.1	(1.9)	2.0	(n/a)	2.1	(2.1)	2.3	(2.3)	2.6	(n/a)	7.2	(7.8)	7.4	(7.8)	7.6	(n/a)
Minimum	-0.9	(-1.3)	-0.7	(-0.7)	0.3	(n/a)	-3.8	(-4.9)	-5.3	(-2.9)	-3.1	(n/a)	0.5	(-0.1)	-0.7	(2.0)	1.8	(n/a)
Range	2.9	(2.7)	2.8	(2.6)	1.7	(n/a)	5.9	(7.0)	7.6	(5.2)	5.7	(n/a)	6.7	(7.9)	8.1	(5.8)	5.8	(n/a)
Std. Dev.	0.7	(0.8)	0.7	(0.7)	0.5	(n/a)	1.8	(1.9)	1.9	(1.4)	1.4	(n/a)	2.0	(2.0)	2.1	(1.5)	1.4	(n/a)
Median	0.7	(0.5)	0.7	(0.4)	1.1	(n/a)	0.3	(-0.1)	-0.4	(-0.6)	-0.1	(n/a)	5.3	(4.4)	4.2	(4.4)	4.7	(n/a)
Mean	0.8	(0.4)	0.8	(0.6)	1.1	(n/a)	-0.2	(-0.7)	-1.0	(-0.6)	-0.1	(n/a)	4.6	(4.0)	3.9	(4.2)	4.8	(n/a)

* Excludes two forecasts where 2022 projections were not provided.

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 7 February 2018).
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 23 participants for each performance measure. Sector forecasts were received from reduced data inputs from 21 or 20 contributors (19 for central London offices).

Survey results by sector

Office

21 contributors	Rental value growth (%)				Capital value growth (%)				Total return (%)			
	2018	2019	2020	2018/22*	2018	2019	2020	2018/22*	2018	2019	2020	2018/22*
Maximum	1.2	2.6	3.7	2.7	1.9	2.9	3.7	3.1	6.8	7.7	8.5	7.9
Minimum	-5.9	-3.5	-2.5	-1.3	-8.9	-7.1	-6.5	-4.6	-4.8	-3.4	-2.5	-0.1
Range	7.1	6.1	6.2	4.0	10.8	10.0	10.2	7.6	11.6	11.1	11.0	8.0
Median	-0.7	0.0	1.2	0.8	-0.9	-1.4	0.1	-0.8	3.2	2.7	4.7	3.8
Mean	**-0.8**	**-0.1**	**1.1**	**0.8**	**-2.0**	**-1.9**	**-0.3**	**-0.6**	**2.3**	**2.5**	**4.2**	**3.9**

Industrial

21 contributors	Rental value growth (%)				Capital value growth (%)				Total return (%)			
	2018	2019	2020	2018/22*	2018	2019	2020	2018/22*	2018	2019	2020	2018/22*
Maximum	5.6	4.5	4.1	3.5	7.8	4.9	3.3	3.1	12.8	10.0	8.3	8.7
Minimum	2.0	0.3	0.0	1.1	0.6	-4.6	-5.4	-1.8	4.9	0.2	-0.4	3.2
Range	3.6	4.2	4.1	2.4	7.3	9.5	8.7	4.9	7.9	9.8	8.7	5.5
Median	3.2	2.1	1.9	2.1	4.5	1.7	0.5	1.1	9.5	6.2	5.6	6.0
Mean	**3.5**	**2.4**	**2.1**	**2.3**	**4.0**	**0.9**	**0.2**	**0.9**	**9.0**	**5.9**	**5.3**	**5.9**

Standard Retail

21 contributors	Rental value growth (%)				Capital value growth (%)				Total return (%)			
	2018	2019	2020	2018/22*	2018	2019	2020	2018/22*	2018	2019	2020	2018/22*
Maximum	2.6	2.9	3.0	1.9	1.9	2.2	2.7	2.3	7.0	7.4	7.6	7.5
Minimum	-0.5	0.0	0.0	0.3	-5.3	-5.6	-3.8	-2.8	-1.3	-1.0	1.1	1.5
Range	3.1	2.9	3.0	1.6	7.2	7.8	6.5	5.2	8.3	8.4	6.5	6.0
Median	0.7	0.5	0.9	1.1	-0.2	-0.2	0.1	0.1	4.1	3.9	4.5	4.4
Mean	**0.7**	**0.6**	**1.0**	**1.0**	**-0.7**	**-0.8**	**-0.1**	**0.0**	**3.7**	**3.6**	**4.5**	**4.6**

Shopping Centre

20 contributors	Rental value growth (%)				Capital value growth (%)				Total return (%)			
	2018	2019	2020	2018/22*	2018	2019	2020	2018/22*	2018	2019	2020	2018/22*
Maximum	1.8	1.8	1.8	1.5	1.1	0.4	1.9	1.8	6.5	5.9	6.9	7.0
Minimum	-1.5	-2.0	-0.8	-0.1	-8.5	-6.9	-6.7	-4.6	-2.8	-2.0	-1.8	0.4
Range	3.3	3.8	2.6	1.6	9.6	7.3	8.6	6.4	9.2	7.9	8.7	6.5
Median	0.1	0.1	0.6	0.5	-2.8	-2.2	-0.3	-0.8	2.5	2.6	4.5	4.2
Mean	**0.3**	**0.1**	**0.6**	**0.6**	**-2.4**	**-2.5**	**-1.0**	**-1.1**	**2.5**	**2.6**	**4.2**	**4.0**

Retail Warehouse

20 contributors	Rental value growth (%)				Capital value growth (%)				Total return (%)			
	2018	2019	2020	2018/22*	2018	2019	2020	2018/22*	2018	2019	2020	2018/22*
Maximum	1.2	1.5	1.5	1.5	3.2	2.0	3.2	3.0	9.0	7.8	8.9	8.7
Minimum	-0.2	-0.4	-0.2	0.1	-3.2	-5.4	-4.3	-3.4	2.4	-0.1	1.4	2.3
Range	1.4	1.9	1.7	1.4	6.4	7.4	7.5	6.4	6.6	7.9	7.5	6.4
Median	0.8	0.6	0.8	0.7	0.1	-0.3	-0.1	-0.1	5.8	5.2	5.7	5.5
Mean	**0.7**	**0.6**	**0.8**	**0.8**	**0.0**	**-1.1**	**-0.3**	**-0.1**	**5.7**	**4.5**	**5.4**	**5.6**

All Property

23 contributors	Rental value growth (%)				Capital value growth (%)				Total return (%)			
	2018	2019	2020	2018/22*	2018	2019	2020	2018/22*	2018	2019	2020	2018/22*
Maximum	2.0	2.1	2.3	2.0	2.1	2.3	2.9	2.6	7.2	7.4	8.0	7.6
Minimum	-0.9	-0.7	-0.3	0.3	-3.8	-5.3	-5.2	-3.1	0.5	-0.7	-0.6	1.8
Range	2.9	2.8	2.6	1.7	5.9	7.6	8.1	5.7	6.7	8.1	8.6	5.8
Std. Dev.	0.6	0.7	0.6	0.5	1.8	2.0	2.0	1.4	1.9	2.1	1.8	1.5
Median	0.7	0.7	1.4	1.1	0.3	-0.4	-0.1	-0.1	5.3	4.2	4.7	4.7
Mean	**0.8**	**0.8**	**1.2**	**1.1**	**-0.2**	**-1.0**	**-0.4**	**-0.1**	**4.6**	**3.9**	**4.7**	**4.8**

*Two contributors only forecast to 2021 so were unable to provide five-year averages.

Sector summary: Means

Sector summary: Means

(no. contributors*)	Rental value growth (%)				Capital value growth (%)				Total return (%)			
	2018	2019	2020	2018/22*	2018	2019	2020	2018/22*	2018	2019	2020	2018/22*
Office (21)	-0.8	-0.1	1.1	0.8	-2.0	-1.9	-0.3	-0.6	2.3	2.5	4.2	3.9
Industrial (21)	3.5	2.4	2.1	2.3	4.0	0.9	0.2	0.9	9.0	5.9	5.3	5.9
Standard Retail (21)	0.7	0.6	1.0	1.0	-0.7	-0.8	-0.1	0.0	3.7	3.6	4.5	4.6
Shopping Centre (20)	0.3	0.1	0.6	0.6	-2.4	-2.5	-1.0	-1.1	2.5	2.6	4.2	4.0
Retail Warehouse (20)	0.7	0.6	0.8	0.8	0.0	-1.1	-0.3	-0.1	5.7	4.5	5.4	5.6
All Property (23)	**0.8**	**0.8**	**1.2**	**1.1**	**-0.2**	**-1.0**	**-0.4**	**-0.1**	**4.6**	**3.9**	**4.7**	**4.8**

*Two contributors only forecast to 2021 so were unable to provide five-year averages.

West End office

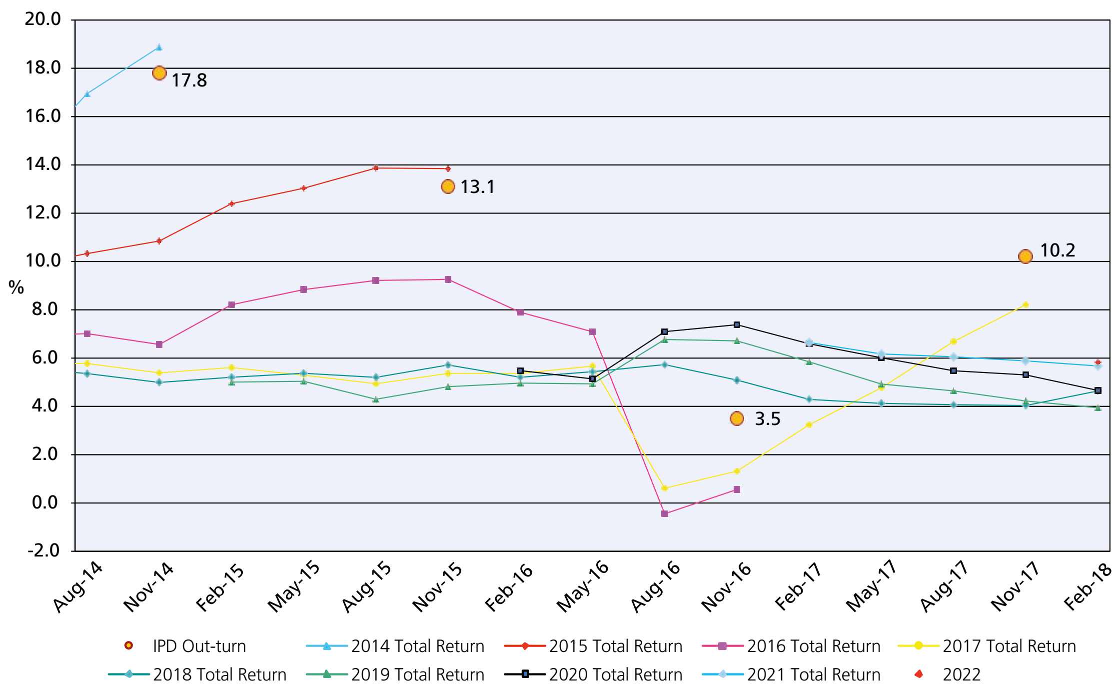
20 contributors	‡Rental value growth (%)				Capital value growth (%)				Total return (%)			
	2018	2019	2020	2018/22*	2018	2019	2020	2018/22*	2018	2019	2020	2018/22*
Maximum	1.5	2.0	3.0	2.7	1.9	2.5	5.3	3.8	6.5	6.6	8.6	7.2
Minimum	-6.9	-3.8	-2.4	-0.9	-10.2	-11.0	-4.0	-5.0	-7.1	-7.8	-0.1	-1.0
Range	8.4	5.8	5.4	3.6	12.1	13.4	9.3	8.8	13.6	14.4	8.7	8.1
Median	-2.2	0.0	1.5	0.7	-2.5	-0.4	0.3	-0.4	0.9	2.7	4.0	2.9
Mean	**-1.6**	**-0.4**	**1.2**	**0.9**	**-2.9**	**-2.1**	**0.4**	**-0.3**	**0.5**	**1.5**	**4.1**	**3.4**

City office

20 contributors	‡Rental value growth (%)				Capital value growth (%)				Total return (%)			
	2018	2019	2020	2018/22*	2018	2019	2020	2018/22*	2018	2019	2020	2018/22*
Maximum	0.7	2.5	4.0	2.9	3.0	3.7	5.0	3.8	8.0	8.7	10.0	8.8
Minimum	-7.9	-5.8	-1.0	-1.8	-12.9	-9.1	-5.7	-5.4	-9.0	-5.1	-1.2	-1.2
Range	8.5	8.3	5.0	4.7	15.9	12.8	10.7	9.2	17.0	13.8	11.2	10.0
Median	-2.5	-0.2	1.2	0.7	-2.0	-0.9	0.9	-0.8	2.0	2.4	4.8	3.3
Mean	-2.6	-1.0	1.1	0.5	-3.4	-2.4	0.3	-0.8	0.4	1.6	4.1	3.2

‡Of the 20 forecasts received, two contributors provided only rental value growth 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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