Research

Investment Property Forum UK Consensus Forecasts

AUTUMN 2017

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 Autumn 2017 Survey of Independent Forecasts for UK Commercial Property Investment November 2017

The final survey of 2017 attracted 22 contributors, providing forecasts generated from the end of August until mid-November. Building on the summer's increased optimism for the current year, performance expectations across all three performance measures have strengthened. Key points are summarised below.

Key points

Near-term outlook improves

- Sentiment has continued to rise in the three months since the last survey, with the **2017 All Property rental growth** forecast currently averaging **1.6%** (from 0.9% in August). All sector projections have risen and now lie between 4.4% for Industrials (an increase of over 100 bps from three months ago) to 0.8% for Offices (up 62 bps).
- **Capital growth expectations** have firmed across the majority of sectors as, once again, prospects for the Industrial market, at 10.0% (6.8% previously) are substantially higher than the All Property projection. At **3.3%**, however, the **All Property average** for the current year reflects weaker growth in the retail and office markets, despite improved central London forecasts. Sentiment for Shopping Centres has softened, however, and the average capital value growth forecast has fallen by 27 bps to -0.4% currently.
- As a consequence of the better overall outlook for rental and capital growth, the **2017 total return** forecast for **All Property** has risen to **8.2%**, from 6.7% last quarter and 4.8% in May.

2018 forecasts signal the bottom of the market

- Lower **rental growth** is projected next year for all property types, compared to 2017, although slightly higher expectations than a quarter ago have resulted in a rise in the **All Property average** to **0.4%** from -0.2% (as against 0.3% in May).
- Further improvement in the average Industrial **capital growth** projection (up over 80bps, to 2.7%) contrasts with flat or falling averages elsewhere, leaving All Property average virtually unchanged, at **-0.7%**.
- The **2018 All Property total return** is now projected to be **4.0%**, from 4.1% last quarter.

Longer-term outlook softens

- In **2019**, the **All Property rental growth** outlook is broadly stable at a modest **0.6%** but **capital growth** expectations have continued to weaken, now **-0.7%** from -0.3% a quarter ago and 0.1% in May.
- Similarly, the **2019 total return** forecast has fallen again this quarter, from 4.6% to **4.2%**, having been 5.8% nine months ago.
- In each of the last two years of the survey, **total return** projections have declined by around 17 bps, to **5.3%** (from 5.5%) and **5.9%** (from 6.1%) for **2020** and **2021** respectively.

Five-year averages remain relatively static

- Looking to performance prospects across the five years of the survey, averages are little changed over the previous quarter. At **1.1% per annum**, the **All Property rental value growth** rate has increased by just less than 20 bps since August. **Capital growth** expectations have improved to **0.6%**, from 0.4%. The average **total return**, due to rounding, has remained static at **5.4% per annum**.

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	0.8	-1.2	-0.3	0.5	2.2	-2.4	-1.6	-0.1	6.3	1.9	3.1	4.4
Industrial	4.4	3.0	1.9	2.6	10.0	2.7	0.8	2.7	15.5	7.8	6.0	7.9
Standard Retail	1.3	0.5	0.7	1.0	2.6	-0.8	-0.5	0.6	7.1	3.7	4.1	5.1
Shopping Centre	1.0	0.0	0.2	0.6	-0.4	-2.1	-1.7	-0.8	4.6	2.8	3.3	4.3
Retail Warehouse	0.9	0.3	0.5	0.8	1.4	-1.4	-1.0	-0.1	7.2	4.3	4.7	5.7
All Property*	**1.6**	**0.4**	**0.6**	**1.1**	**3.3**	**-0.7**	**-0.6**	**0.6**	**8.2**	**4.0**	**4.2**	**5.4**
West End office	-0.3	-2.2	-0.5	0.3	2.0	-3.7	-1.6	-0.1	5.3	-0.3	2.0	3.5
City office	0.5	-2.7	-1.3	0.0	2.3	-4.0	-2.3	-0.5	5.9	-0.3	1.7	3.4
Office (all)	**0.8**	**-1.2**	**-0.3**	**0.5**	**2.2**	**-2.4**	**-1.6**	**-0.1**	**6.3**	**1.9**	**3.1**	**4.4**

All Property average by forecast month

Month of forecast**	(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
September ***	(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
October	(8)	0.6	0.1	0.6	0.8	2.0	-0.3	-0.5	0.7	6.8	4.4	4.3	5.4
November	(9)	1.2	0.2	0.5	0.9	2.3	-0.9	-0.2	0.6	7.3	4.1	4.9	5.6
All Property	**(22)**	**0.9**	**0.2**	**0.6**	**0.9**	**1.8**	**-0.8**	**-0.3**	**0.4**	**6.7**	**4.1**	**4.6**	**5.4**

* One contributor provided only rental growth forecasts.
** One forecast was generated end August 2017.
*** No analysis is published when fewer than 5 forecasts are received for any single metric.

Survey contributors

There were 22 contributors to this quarter's forecasts, comprising 10 Property Advisors and Research Consultancies, 11 Fund Managers and one Other. Full All Property forecasts were received from 21 contributors; one participant provided forecasts for rental value growth only for All Property as well as for individual sector rental growth forecasts. Forecasts were received for all sectors from 20 contributors and from 18 for West End and City sub-office sectors. All forecasts were generated within 12 weeks of the survey date (8 November 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

Britain's economy grew by 0.4% in the third quarter of 2017, according to the latest estimate by the ONS[1], up from 0.2% in the preceding three-month period. Expansion was driven by the dominant services sector, which, accounting for almost 80% of gross domestic product (GDP), increased by 0.4%, with a strong performance in computer programming, motor trade and retail. Manufacturing returned to growth after a weak second quarter, increasing by 1.0% in Q3, whilst construction contracted for the second quarter in a row, down 0.7% on Q2 but up 2.8% on a year earlier.

In the current financial year, ONS reported public sector borrowing[2] (PSB) fell by £4.1 billion to £38.5 billion[3] (April to October 2017) compared to the same period in 2016 – the lowest year-to-date net borrowing since 2007. The Office for Budget Responsibility (OBR) forecasts an annual figure of £58.3 billion to March 2018, an increase of £12.5 billion on the end March 2017 outturn. Public sector net debt was £1,790.4 billion at the end of October 2017, equivalent to 87.2% of GDP, an increase of £147.8 billion on October 2016.

The 12-month inflation rate, as measured by the Consumer Prices Index (CPI), including owner-occupier housing costs (CPIH), was 2.8% in October 2017[4], unchanged from September 2017. Upward contributions from food and non-alcoholic beverages, which increased by 4.1%, the highest yearly rate since September 2013, and, to a lesser extent, recreational goods were offset by falling motor fuel and furniture prices, along with owner-occupiers' housing costs.

At the most recent Bank of England Monetary Policy Committee meeting[5], members voted by a majority of 7-2 to increase the Bank Rate to 0.5%, the first increase since July 2007, when the rate rose to 5.75%. The Committee voted unanimously to maintain the stock of sterling non-financial investment-grade corporate bond purchases, financed by the issuance of central bank reserves, at £10 billion, as well as to maintain the stock of UK government bond purchases, financed by the issuance of central bank reserves, at £435 billion.

Headline numbers from the latest release by the ONS on the labour market[6], to September 2017, included: 32.06 million people in work, 14,000 fewer than for April to June 2017 but 279,000 more than for a year earlier, representing an employment rate of 75.0%, down slightly compared with April to June 2017 but up from 74.4% for a year earlier. The current level of unemployment is 4.3%, down from 4.8% a year ago, with 1.42 million unemployed, 59,000 fewer than for April to June 2017 and 182,000 fewer than for a year earlier.

Latest estimates show that average weekly earnings for employees in Great Britain in nominal terms increased by 2.2%, both including and excluding bonuses, compared to a year ago. Adjusted for price inflation, this figure fell by 0.4%, including bonuses, and by 0.5%, excluding bonuses, compared to a year earlier.

The latest retail sales figures[7] show an underlying pattern of growth, based on an increase in purchases of 0.9% over the quarter ending October 2017. Non-food stores, in particular second-hand goods stores (charity shops, auction houses, antiques and fine art dealers) provided the largest contribution to this expansion. This contrasts with the year-on-year growth rate, however, which recorded a 0.3% fall in the quantity of goods bought in comparison with a strong October 2016. Average store prices increased by 3.1% compared to October 2016, with the largest contribution from food stores where average prices rose by 3.5%, the largest year-on-year price increase since September 2013. Online sales values increased year-on-year by 10.7%, accounting for approximately 16.9% of all retail spending.

[1] ONS: Gross Domestic Product July to September. Release dated 25 October 2017

[2] ONS: Public sector finances October 2017. Release dated 21 November 2017

[3] All figures exclude public sector banks

[4] ONS Consumer Price Inflation, October 2017. Release dated 14 November 2017

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

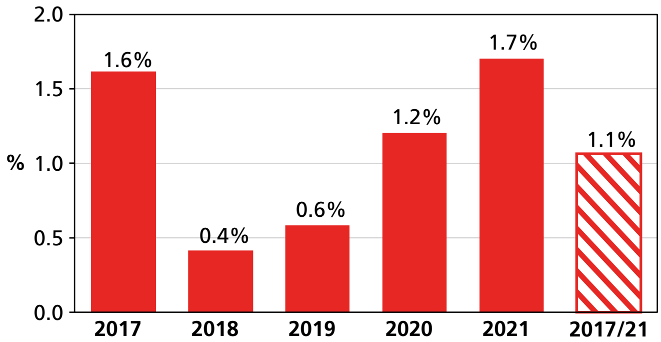
[6] ONS: Labour Market. Release dated 15 November 2017

[7] ONS: Retail Sales Index. Release dated 16 November 2017

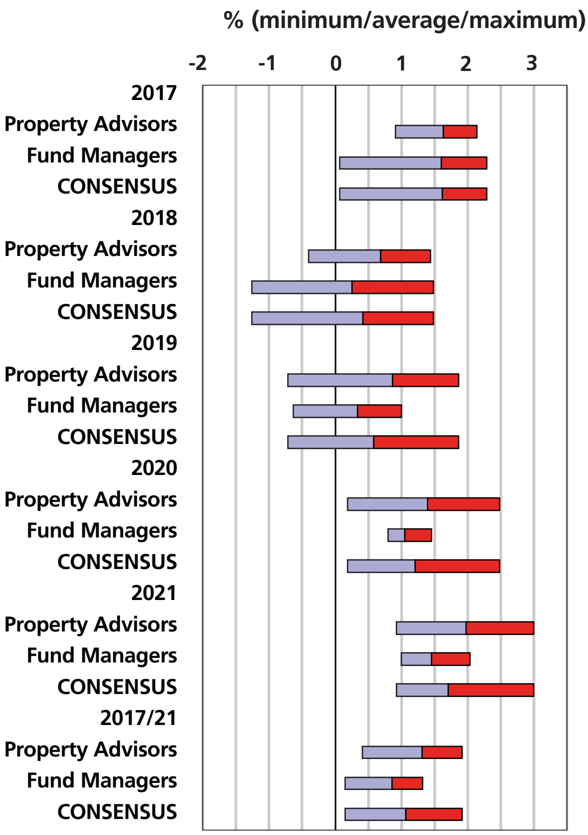
All Property rental value growth forecasts

The 2017 average forecast has risen by almost 70bps against the last quarter's forecast of 0.9% (from 0.6% in May). The 2018 projection has also strengthened, by 20 bps, from 0.2%, with growth expectations in the remaining survey years broadly unchanged from the September report.

These near-term movements have caused the five-year average rental growth rate to rise by almost 20 bps, from 0.9% per annum previously.



Rental value growth forecasts by contributor



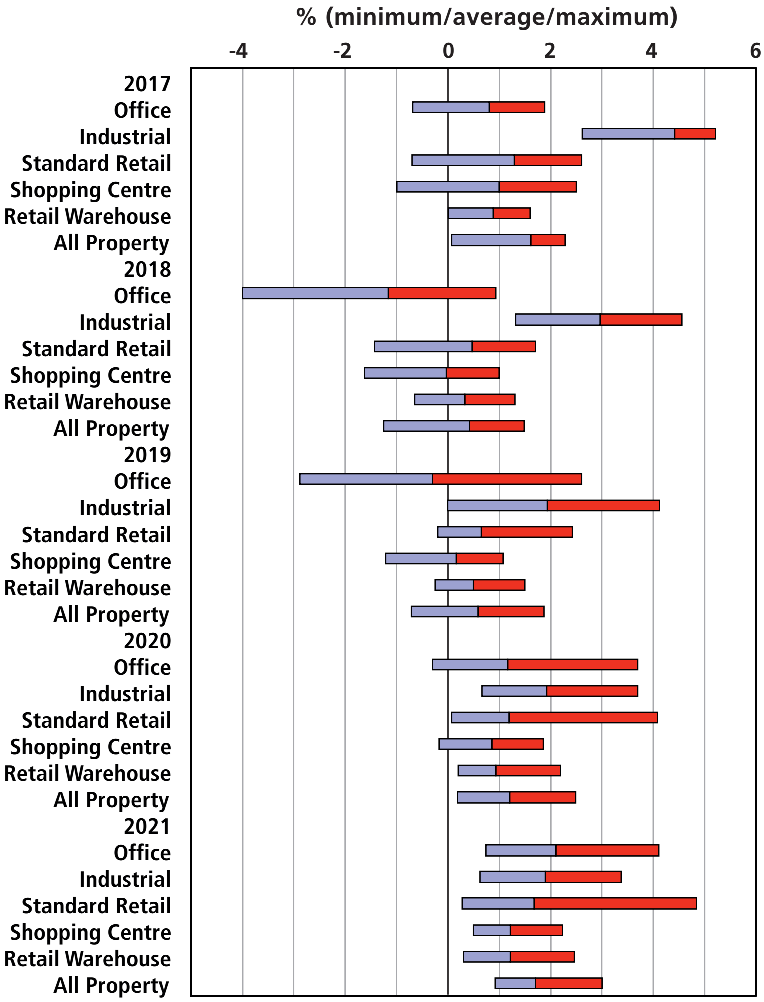
For 2017, all contributors predict positive growth. Property Advisors demonstrate the closest consensus – their forecasts lie within a range of just over 120 bps – from 0.9% to 2.1% (as against -1.0% to 1.5% three months ago). Fund Manager opinion, whilst more spread (between 0.1% and 2.3%), has also improved over the quarter, from an average of 0.9% to match the Property Advisors' average of 1.6% (1.0% in August).

For 2018, five Fund Managers record negative growth forecasts, the lowest being -1.3%), whereas Property Advisors, again in greater accord, remain more upbeat, although with two projections of -0.4%. Average forecasts are slightly improved over the quarter, at 0.3% and 0.7% respectively (from at 0.1% and 0.4%).

For remaining years, forecast averages are broadly similar to three months ago, rising from 0.6% in 2019 to 1.7% in 2021. The pattern of individual projections by contributor type has reversed, however, with Fund Managers more concentrated, particularly in 2020 when their predictions span less than 70 bps (from 0.8% to 1.5%). This group remains less optimistic on average that the Property Advisors, including the five-year annualised rates, at 0.9% versus 1.3%.

N.B. One 'Other' contributor returned data in addition to the 21 Property Advisors and Fund Managers

Sector rental value growth annual forecasts



Compared to three months ago, 2017 average growth rates have improved for all sectors. This is also the case in the majority of instances over each of the four remaining survey years, although Offices forecasts have continued to soften for each year until 2021.

2018 marks the weakest forecast year, with averages rising year-on-year to 2021, other than for Industrial rental growth, which is expected to decline to 1.9% by 2019 and remain around this level over the following two years.

With the exception of Offices in 2018 and 2019 and Shopping Centres in 2020, minimum forecast have risen for all sectors, whilst most maximum forecasts have firmed over the final three years of the survey.

Industrial is the only sector not to attract an individual negative growth forecast and, on average, is likely to outperform all markets throughout the five years, other than Offices in 2021 (estimated at 1.9% and 2.1% respectively). Shopping Centres and Retail Warehouses are projected to underperform the All Property average rental growth rate throughout the forecast period.

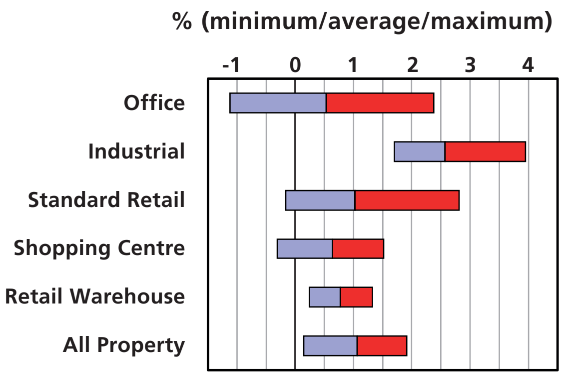
Offices continue to generate the greatest range of opinion, peaking at 5.5% in 2019 (ranging from -2.9% to 2.6%).

Sector rental value growth five-year average forecasts

The rolling All Property average of 1.1% per annum is 19 bps higher than three months ago, as all sector averages have risen. Once again, however, the only sector to exceed this rate is Industrials, at 2.6% (41 bps higher than previously reported). The Office sector is unchanged at an average of 0.5%.

The Standard Retail average has improved by 25 bps, to 1.0% from 0.8%, whilst the Retail Warehouse sector has risen by 16 bps to 0.8%. Shopping Centres have remained static at 0.6%.

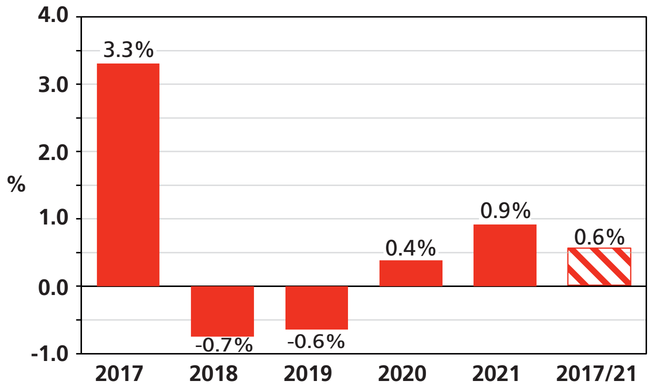
Forecast ranges have narrowed across all sectors, ranging from falls of over 70 bps for Shopping Centres and 60 bps for Retail Warehouses to just under 10 bps for Offices.



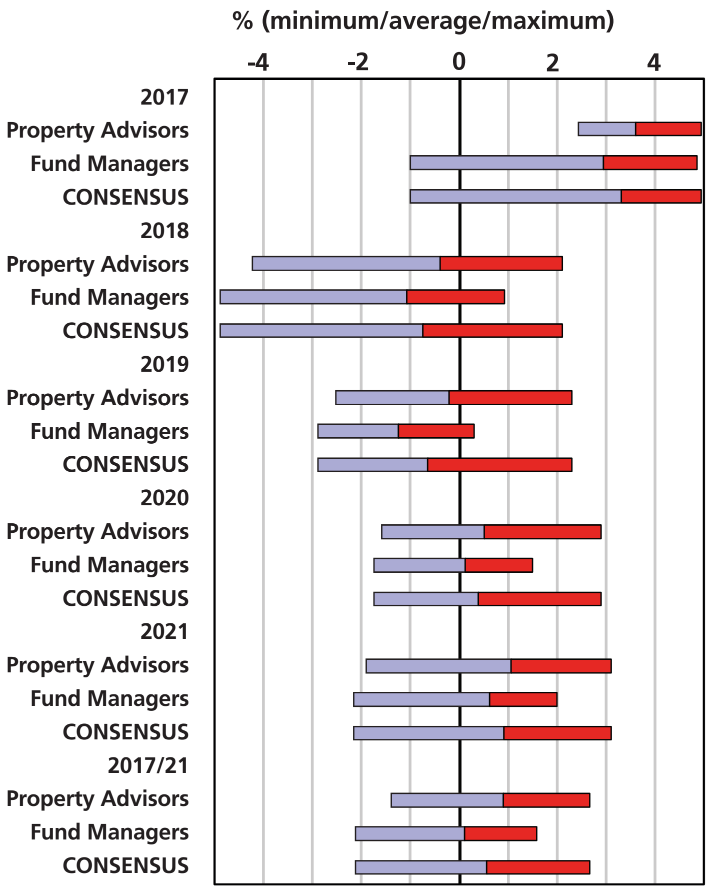
All Property average capital value growth forecasts

Capital growth prospects for the current year have improved, with the average forecast rising by almost 150 bps, from 1.8% last quarter. Anticipation of a substantial fall next year remains, however, with 2018 expected to mark the weakest year of the five covered. The 2019 average is 30bps weaker than a quarter ago and rates in remaining years are also more muted, falling by 11 and 15 bps in 2020 and 2021 (from 0.5% and 1.1% in August) – a continuation of the trend seen in earlier surveys.

Once again, an improvement in the near-term average has resulted in a modest increase in the annualised growth rate over five years, which has risen 12 bps over the quarter.



Capital value growth forecasts by contributor



Only one All Property level prediction of negative capital value growth was received for 2017 and minimum forecasts rose within both groups of contributor (to 2.4% and -1.0% for Property Advisors and Fund Managers, from -0.6% and -1.4% respectively in August). The range of opinion displayed by the latter was substantially greater than for the Advisors (at 5.9% versus 2.5%). With rising maximum forecasts, averages have increased to 3.6% and 2.9% (from 1.9% and 1.7% previously).

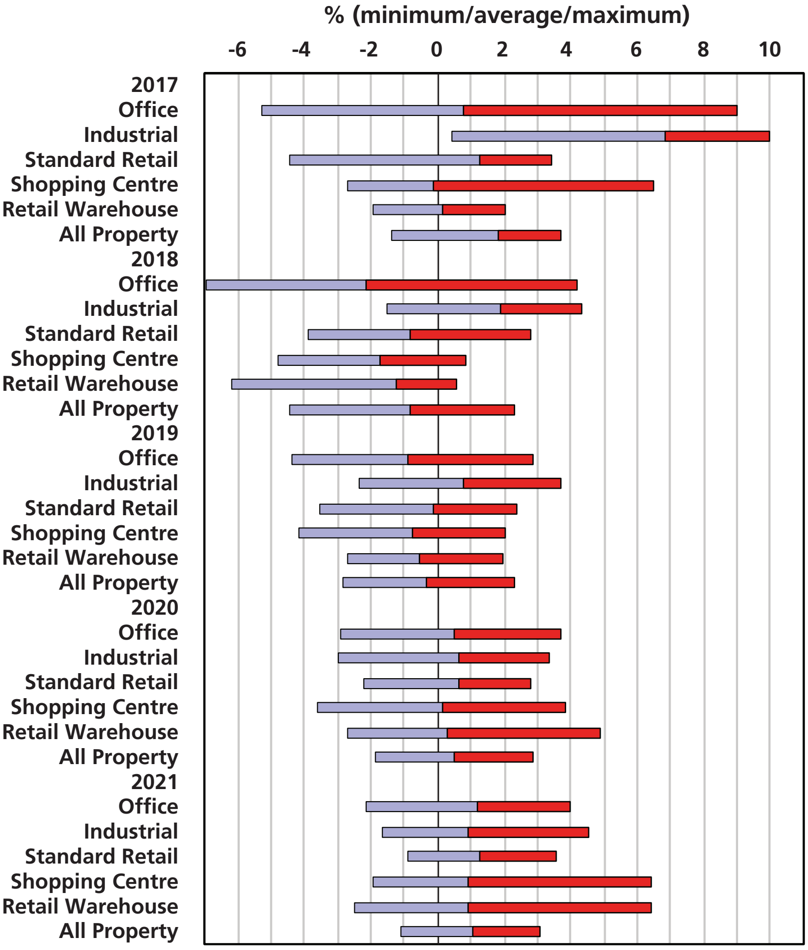
This near-term optimism is not sustained, however. In 2018, four Property Advisors and five Fund Managers predicting declines in capital values, with a minimum Fund Manager forecast of -4.9% (from -4.4% last quarter), the weakest Advisor forecast being -4.2% (from -4.3%), whilst the overall average is virtually unchanged, at -0.7% (-0.8% previously).

The pattern of lower Fund Manager expectations at each end of the forecast range, as well as on average, continues, with a closer configuration of projections than shown by the Property Advisor forecasts.

Averages for both groups have continued to weaken compared to the last survey although the upward trend, year-on-year, is maintained. Whilst a number of Manager and Advisors recorded sub-zero forecasts in each year, this pessimism declines in time, 2019 attracting the highest number of negative forecasts, at seven and five respectively.

N.B. One ‘Other’ contributor returned data in addition to the 21 Property Advisors and Fund Managers

Sector capital value growth annual forecasts



Other than in 2021, Industrials continues to be the leading sector for capital appreciation and is the only one projected to deliver positive growth each year.

Although minimum forecasts have risen for the current year, a majority of uppermost projections have been reined back, the exceptions being Retail Warehouses and All Property. Aside from Shopping Centres (down 27 bps to -0.3%), all sector averages have risen – by 127 bps for Retail Warehouses to over 320 bps for Industrials (now 1.4% and 10.0% respectively).

2018 is anticipated to be the weakest year of the survey period, with only Industrial expected to deliver positive growth (of 2.7%). Average projections are weaker than reported three months ago, the biggest faller being Shopping Centres, down 0.4% to -2.1%, followed by Offices (off 0.2% to -2.4%).

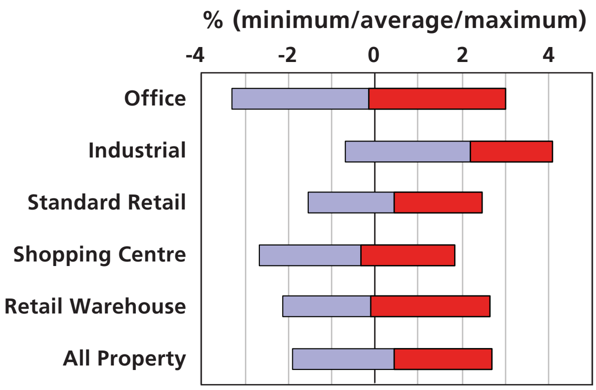
Growth rates, other than Industrial, improve in subsequent years, although forecaster sentiment is generally weaker than a quarter ago. Against this trend, Industrial values are projected to decline in 2019 and 2020 before picking up in 2021.

Sector capital value growth five-year average forecasts

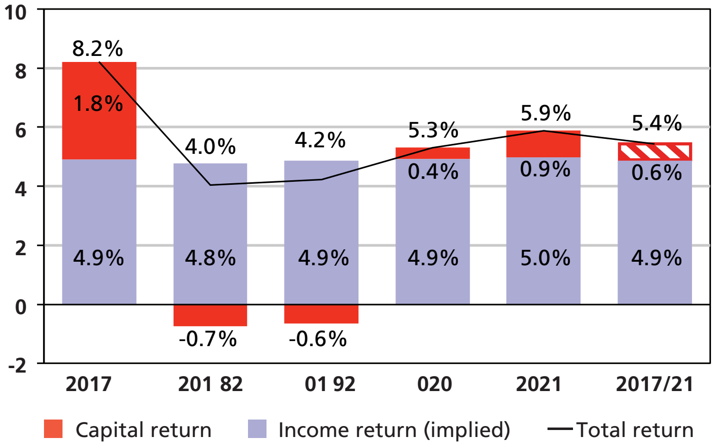
At an annualised average of 2.7%, Industrials are expected to be the best performing sector over five years, due to the considerable strengthening in the near-term forecast, followed by Standard Retail at 0.6%, on a par with the All Property average.

The weakest sector performance is likely to come from Shopping Centres, at -0.8% per annum, whilst Retail Warehouses and Offices may average -0.1%.

Forecasts range from 3.7% for Shopping Centres to 6.8% for Offices.



All Property total return forecasts



Total return prospects for 2017 have again risen substantially (from 6.7% last quarter and 4.8% in May) driven by strong capital growth expectations, maintaining the trend of improvement through the year.

Although the 2018 figure is broadly unchanged, subsequent years are weaker than forecast previously (the 2020 average has fallen by more than 40 bps over the quarter). Poorer capital growth rates and flat income returns limit overall performance, leaving the five-year average at 5.4% per annum.

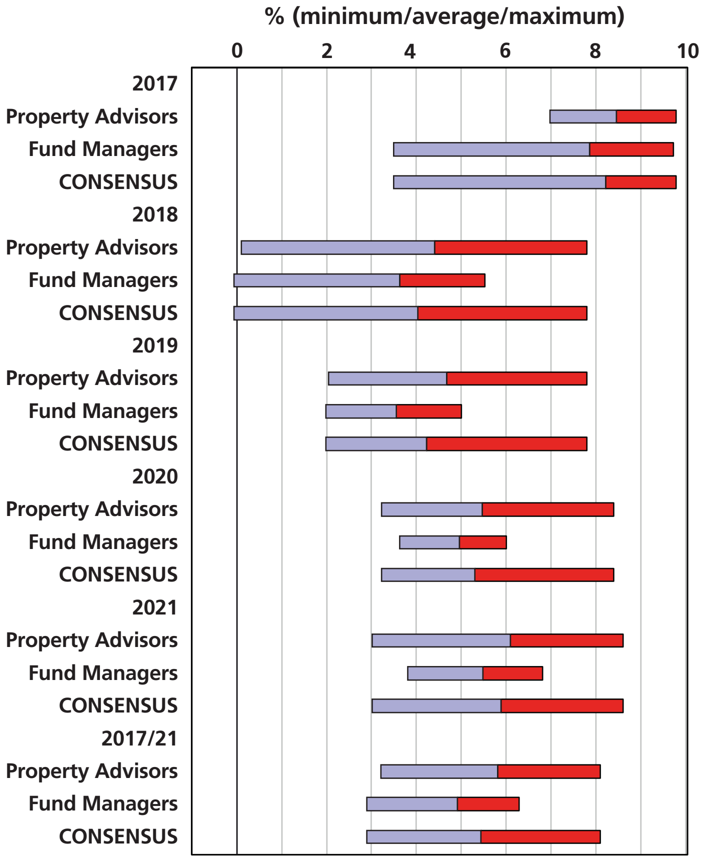
Contributors All Property total return forecasts

Over the last three months, 2017 forecasts have continued to improve, averaging 8.5% for Property Advisors (from 6.9%) and 7.9% for Fund Managers (6.4% previously). Whilst the forecast range for Advisors has reduced by almost 190 bps (to 2.8%), Fund Manager opinion is more divided, the spread having increased from 5.0% to 6.2% currently.

Next year, with expectations at their lowest, Property Advisors hold a more optimistic view on average compared to Fund Managers (at 4.4% and 3.6% respectively, as against 4.3% and 3.8% in August), There is greater consensus amongst the latter group, however, with spreads of 5.5% versus 7.8%.

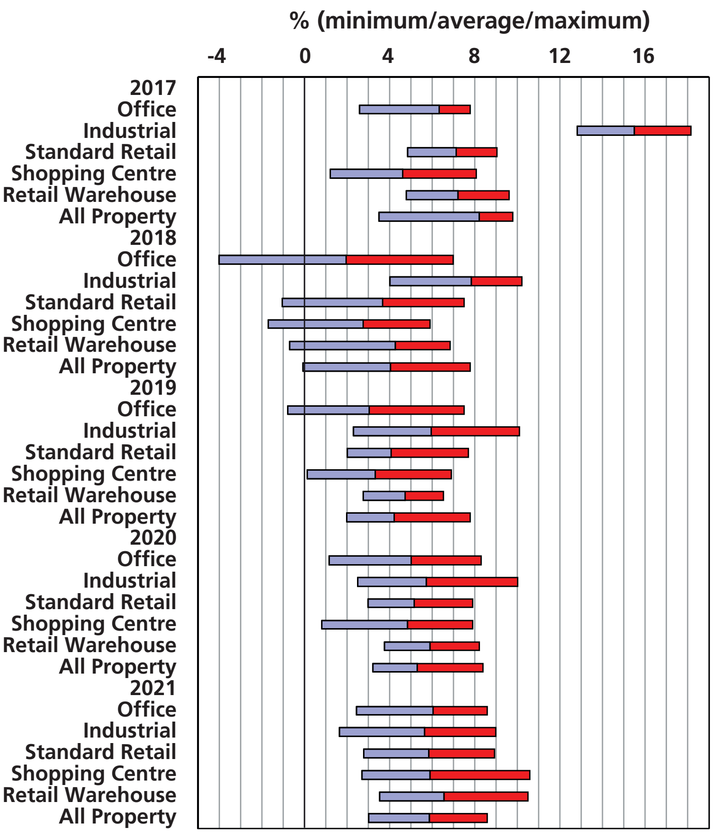
In 2019 and 2020, Advisor average forecasts are lower than three months ago, down by 60 bps and 43 bps (to 4.7% and 5.5%). Whilst the Fund Manager average has declined over 40 bps for 2019, to 3.6% currently, the 2020 forecast is broadly unchanged, at 5.0%.

The five-year average has risen to 5.8% per annum for Property Advisors (from 5.7% in August) but fallen to 4.9% for Fund Managers (previously 5.0%).



N.B. One ‘Other’ contributor returned data in addition to the 21 Property Advisors and Fund Managers

Sector total return annual forecasts



With the exception of the current year, forecaster sentiment is generally weaker than three months ago. Average sector forecasts vary considerably, from 15.5% for Industrials in 2017 (12.2% last quarter) to 2.8% for Shopping Centres in 2018 (previously 3.3%).

2018 remains the weakest forecast year with Offices projected to deliver 1.9%, whilst only the Industrial sector, at 7.8%, may exceed the All Property average (4.0%).

Above average growth in Industrial rental and capital values maintains its top sector performance in 2019, at a projected 6.0% total return, Retail Warehouses being the only other market likely to outperform the All Property average (4.7% versus 4.2%).

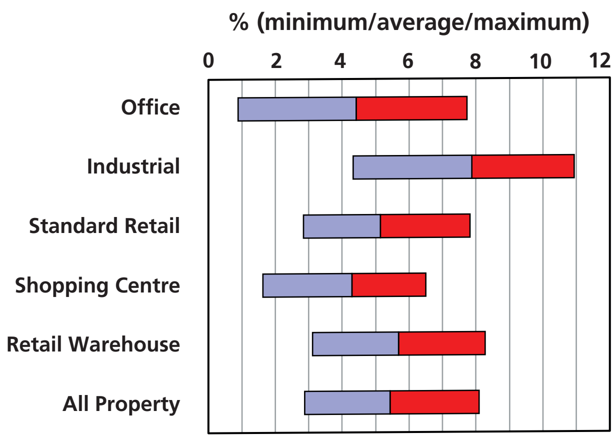
In 2020 and 2021, Retail Warehouses may deliver the best total returns, at 5.9% and 6.6%.

Forecast ranges have narrowed considerably for the current year (Office projections now 7.8% from 14.9% in August) but widen again from 2018.

Sector total return five-year average forecasts

Whilst annualised returns for the three retail sub-sectors have remained broadly flat or fallen over the quarter (the Shopping Centre average has declined almost 50 bps to 4.3%), strong near-term growth prospects for the Industrial sector has resulted in a rise of over 35 bps, to 7.9% per annum.

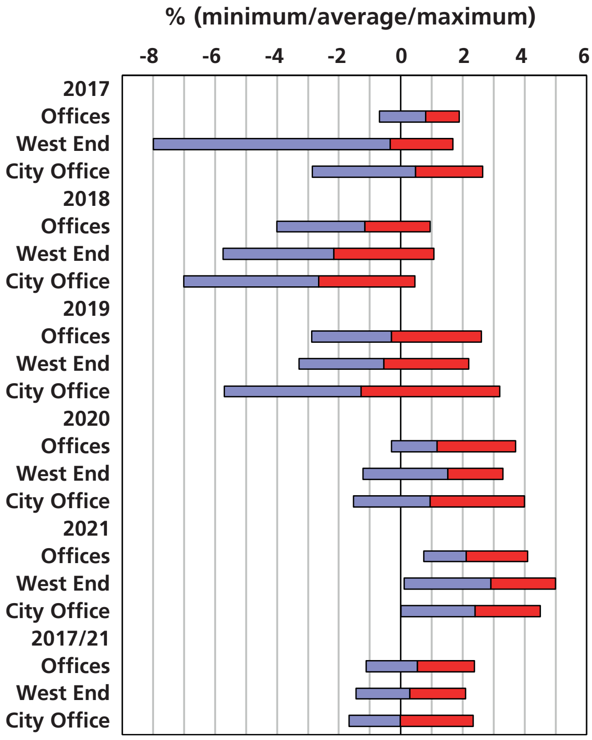
Both the Office and All Property averages are unchanged, at 4.4% and 5.4% per annum respectively. Although Standard Retail may underperform the All Property total return, at 5.1%, the Retail Warehouse sector average of 5.7% per annum reflects a strengthening in this market in the later years of the survey period.



Central London offices

Strong occupier demand, evidenced by above average take up in the City and approaching a record level in the West End, combined with a sustained investment appetite for central London assets have served to counter, at least temporarily, the anticipated negative impact of Brexit on this key office market. Regulators are warning, however, that banks, insurers and fund managers will need to implement contingency plans soon unless a transition deal can be agreed, with Frankfurt, Paris and Amsterdam at the forefront of those European cities hoping to take in significant numbers of the 75,000 jobs the Bank of England has been widely reported as saying might be a "reasonable scenario", should no specific financial services deal be struck.

Rental value growth



The latest 2017 forecasts have improved on average, rising to -0.3% in the West End and 0.5% in the City, representing uplifts of 123 and 134 bps respectively. Minimum and maximum forecasts have improved significantly over the quarter, now -8.0% and 1.7% in the West End and -2.9% and 2.6% in the City (previously between -9.8% and 1.4% and -5.4% and 1.6% in turn).

Similar to other markets, forecaster sentiment has weakened this quarter for later years of the survey period. Rental growth expectations remain negative for 2018 and 2019, with next year marking the low point as forecasts average -2.2% and -2.7% (from -2.0% and -2.7% in August). Whilst improving in subsequent years, City growth rates continue to lag those of the West End throughout, with the former also attracting a wider range of opinion between 2018 and 2020. By 2021, both locations are expected to outperform the national market, with average projections of 2.9% and 2.4%, against 2.1% for UK Offices.

The five-year average growth for the West End has improved by 10 bps over the quarter, to lie at 0.3% per annum currently, whilst the City average, although still technically negative, has risen by 25 bps to 0.0%. These contrast with a UK Office average of 0.5%.

Central London offices (2)

Capital value growth

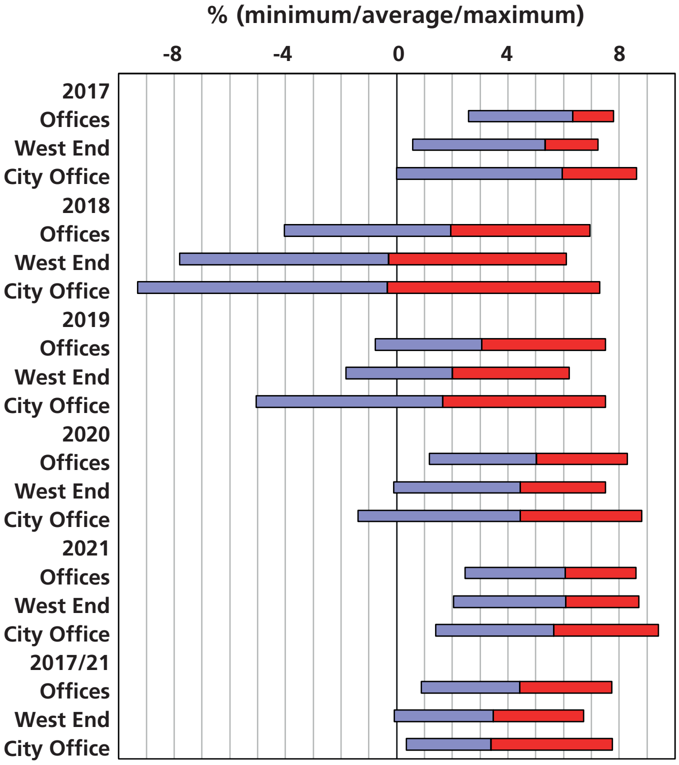
Both 2017 central London market average forecasts have risen substantially over the last three months to return to positive growth, from -0.2% and -0.1% to 2.0% and 2.3% for the West End and City in turn.

This anticipated improvement is short-lived, however, as values are expected to fall in the following two years, averaging -3.7% and -1.6% for the West End and -4.0% and -2.3% for the City in 2018 and 2019 respectively.

Weakly positive growth is anticipated in 2020 and, at 0.7% (down from 1.1%) for the West End and stable at 0.4% for the City, these may exceed the UK Office average of 0.3% that year. Further improvement is forecast for 2021, at 2.3% and 1.5% (from 2.2% and 1.6%) respectively.

Whilst the five-year annualised growth rates remain below zero, the West End average forecast has risen to -0.1% (-0.4% previously) and -0.5% for the City (from -0.8%).

Total returns



Forecasts for the current year have increases substantially over the quarter and now lie at 5.3% and 5.9% (rising by over 220 and 240 bps) for the West End and City respectively. Expected returns for the subsequent three years have weakened, however, although only falling below zero in 2018 (both -0.3%), turning positive from 2019, at 2.0% and 1.7%, and rising to 6.1% and 5.9% by 2021.

2018 continues to attract the widest range of forecasts, spanning 16.6% for the City, as projections lie between -9.3% and 7.3%, compared to a spread of 13.9% in the West End (from -7.8% to 6.1%).

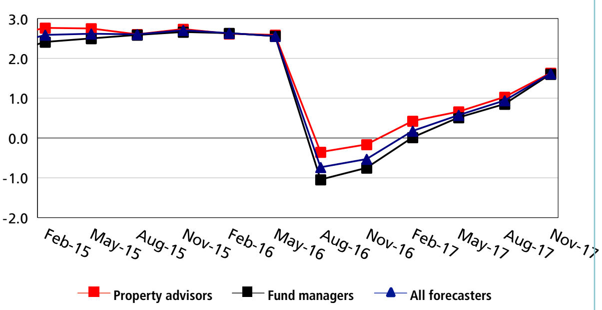
Five-year annualised returns have improved over the quarter, to 3.5% and 3.4%, from 3.2% and 3.1% three months ago, but remain below the UK average of 4.4% (unchanged from August).

Evolution of the consensus

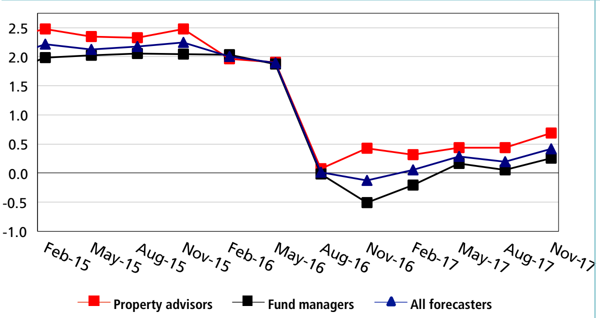
Previous quarter's forecasts (August 2017) in brackets.

All Property rental value growth (% pa)

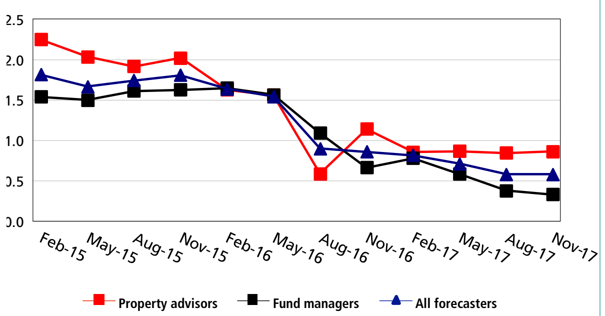
2017 Mean forecast: 1.6% (0.9%)



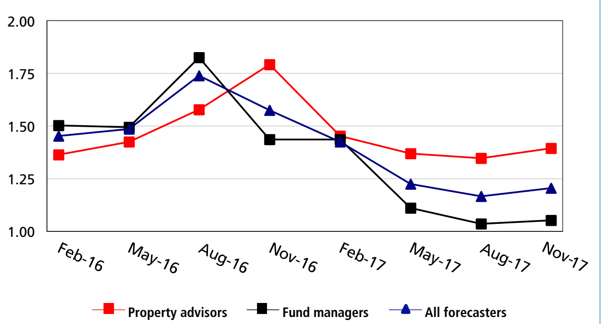
2018 Mean forecast: 0.4% (0.2%)



2019 Mean forecast: 0.6% (0.6%)

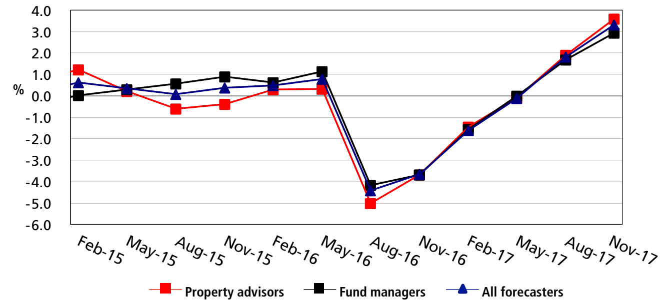


2020 Mean forecast: 1.2% (1.2%)

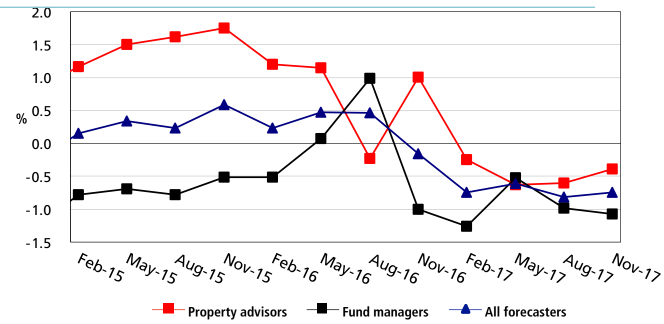


All Property capital value growth (% pa)

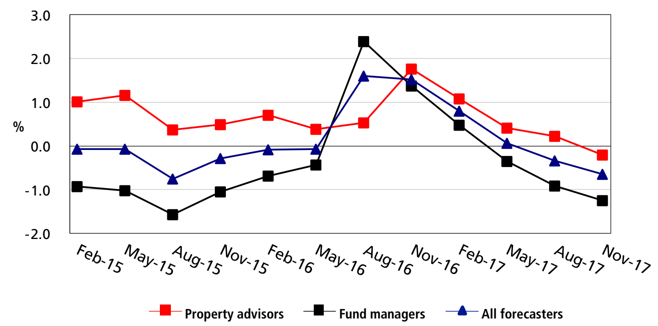
2017 Mean forecast: 3.3% (1.8%)



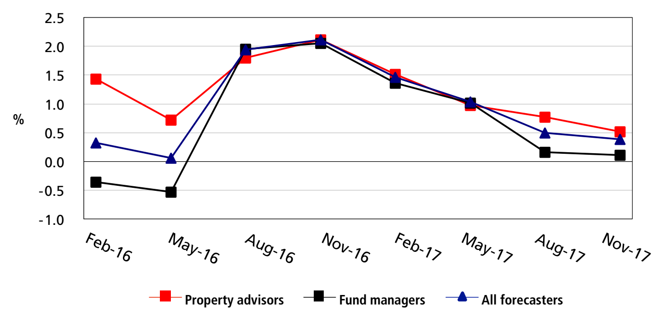
2018 Mean forecast: -0.7% (-0.8%)



2019 Mean forecast: -0.6% (-0.3%)



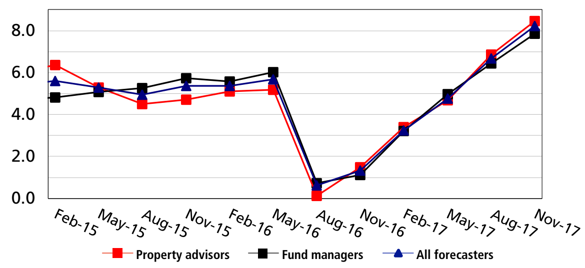
2020 Mean forecast: 0.4% (0.5%)



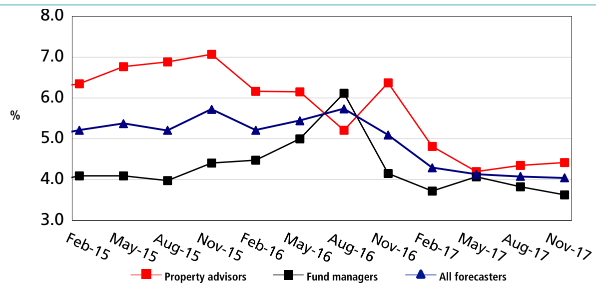
Evolution of the consensus (2)

All Property total returns (% pa)

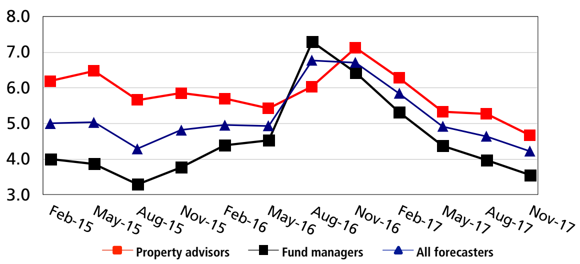
2017 Mean forecast: 8.2% (6.7%)



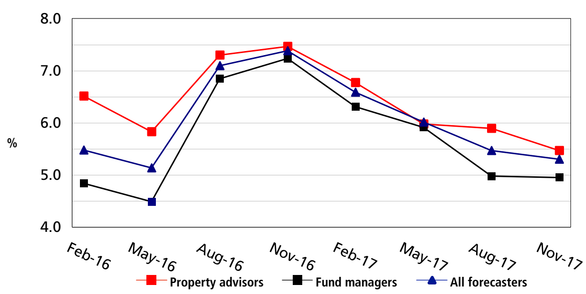
2018 Mean forecast: 4.0% (4.1%)



2019 Mean forecast: 4.2% (4.6%)



2020 Mean forecast: 5.3% (5.5%)



All Property survey results by contributor type

(Forecasts in brackets are August 2017 comparisons)

Property Advisors and Research Consultancies

10 (11) contributors	Rental value growth (%)						Capital value growth (%)						Total return (%)					
	2017		2018		2017/21		2017		2018		2017/21		2017		2018		2017/21	
Maximum	2.1	(1.6)	1.4	(1.6)	1.9	(1.9)	4.9	(3.4)	2.1	(2.3)	2.7	(2.7)	9.8	(8.5)	7.8	(7.8)	8.1	(8.2)
Minimum	0.9	(0.2)	-0.4	(-1.1)	0.4	(0.4)	2.4	(-0.6)	-4.2	(-4.3)	-1.4	(-1.9)	7.0	(3.8)	0.1	(0.2)	3.2	(2.8)
Range	1.2	(1.4)	1.8	(2.7)	1.5	(1.5)	2.5	(4.0)	6.3	(6.6)	4.0	(4.6)	2.8	(4.7)	7.7	(7.6)	4.9	(5.4)
Median	1.7	(0.9)	0.9	(0.7)	1.4	(1.2)	3.7	(2.4)	0.4	(0.1)	1.0	(0.6)	8.5	(7.5)	5.1	(5.1)	6.0	(5.8)
Mean	**1.6**	**(1.0)**	**0.7**	**(0.4)**	**1.3**	**(1.1)**	**3.6**	**(1.9)**	**-0.4**	**(-0.6)**	**0.9**	**(0.7)**	**8.5**	**(6.9)**	**4.4**	**(4.3)**	**5.8**	**(5.7)**

Fund Managers*

11 (14) contributors	Rental value growth* (%)						Capital value growth (%)						Total return (%)					
	2017		2018		2017/21		2017		2018		2017/21		2017		2018		2017/21	
Maximum	2.3	(1.5)	1.5	(1.2)	1.3	(1.3)	4.9	(3.7)	0.9	(0.8)	1.6	(1.8)	9.7	(8.5)	5.5	(5.5)	6.3	(6.6)
Minimum	0.1	(-1.0)	-1.3	(-1.1)	0.2	(0.0)	-1.0	(-1.4)	-4.9	(-4.4)	-2.1	(-1.2)	3.5	(3.5)	-0.1	(0.9)	2.9	(3.7)
Range	2.2	(2.5)	2.7	(2.3)	1.2	(1.3)	5.9	(5.1)	5.8	(5.2)	3.7	(3.0)	6.2	(5.0)	5.6	(4.6)	3.4	(2.9)
Median	1.7	(0.9)	-0.1	(0.1)	0.9	(0.8)	3.3	(2.0)	-0.1	(-1.2)	0.2	(0.1)	8.1	(7.2)	4.4	(3.6)	5.0	(4.8)
Mean	**1.6**	**(0.9)**	**0.3**	**(0.1)**	**0.9**	**(0.7)**	**2.9**	**(1.7)**	**-1.1**	**(-1.0)**	**0.1**	**(0.2)**	**7.9**	**(6.4)**	**3.6**	**(3.8)**	**4.9**	**(5.0)**

All Forecasters

22 (26) contributors	Rental value growth* (%)						Capital value growth (%)						Total return (%)					
	2017		2018		2017/21		2017		2018		2017/21		2017		2018		2017/21	
Maximum	2.3	(1.6)	1.5	(1.6)	1.9	(1.9)	4.9	(3.7)	2.1	(2.3)	2.7	(2.7)	9.8	(8.5)	7.8	(7.8)	8.1	(8.2)
Minimum	0.1	(-1.0)	-1.3	(-1.1)	0.2	(0.0)	-1.0	(-1.4)	-4.9	(-4.4)	-2.1	(-1.9)	3.5	(3.5)	-0.1	(0.2)	2.9	(2.8)
Range	2.2	(2.6)	2.7	(2.8)	1.8	(1.9)	5.9	(5.1)	7.0	(6.7)	4.8	(4.6)	6.3	(5.0)	7.9	(7.6)	5.2	(5.4)
Std. Dev.	0.5	(0.6)	0.8	(0.7)	0.5	(0.5)	1.4	(1.6)	1.9	(1.7)	1.2	(1.1)	1.5	(1.7)	2.0	(1.7)	1.2	(1.1)
Median	1.7	(0.9)	0.5	(0.2)	1.1	(0.8)	3.5	(2.4)	-0.1	(-0.9)	0.7	(0.3)	8.4	(7.4)	4.4	(4.5)	5.3	(5.2)
Mean	**1.6**	**(0.9)**	**0.4**	**(0.2)**	**1.1**	**(0.9)**	**3.3**	**(1.8)**	**-0.7**	**(-0.8)**	**0.6**	**(0.4)**	**8.2**	**(6.7)**	**4.0**	**(4.1)**	**5.4**	**(5.4)**

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

Notes:

1. Figures are subject to rounding and are forecasts of All Property or relevant segment Annual Index measures published by the Investment Property Databank (IPD). These measures relate to standing investments only, meaning that the effects of transaction activity, developments and certain active management initiatives are specifically excluded.
2. To qualify, all forecasts were produced no more than 12 weeks prior to the survey date (of 8 November 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 22 participants for each performance measure (other than one Fund Manager who provided rental growth forecasts only). Sector forecasts were received from reduced samples of 20/21 contributors (18 for central London offices).

Survey results by sector

Office

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	1.9	0.9	2.6	2.4	3.7	1.9	2.9	3.1	7.8	6.9	7.5	7.7
Minimum	-0.7	-4.0	-2.9	-1.1	-1.7	-8.1	-5.1	-3.4	2.6	-4.0	-0.8	0.9
Range	2.6	4.9	5.5	3.5	5.4	10.0	8.0	6.5	5.2	11.0	8.3	6.9
Median	1.0	-1.0	-0.2	0.6	2.5	-1.6	-1.8	-0.2	6.5	2.5	3.3	4.3
Mean	**0.8**	**-1.2**	**-0.3**	**0.5**	**2.2**	**-2.4**	**-1.6**	**-0.1**	**6.3**	**1.9**	**3.1**	**4.4**

Industrial

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	5.2	4.6	4.1	4.0	12.5	4.8	3.6	5.0	18.1	10.2	10.1	10.9
Minimum	2.6	1.3	0.0	1.7	8.1	-1.4	-2.6	-0.9	12.8	4.0	2.3	4.3
Range	2.6	3.2	4.1	2.3	4.4	6.3	6.2	5.8	5.3	6.2	7.8	6.6
Median	4.5	3.0	1.9	2.5	10.0	3.3	1.1	3.0	15.4	8.2	5.9	8.1
Mean	**4.4**	**3.0**	**1.9**	**2.6**	**10.0**	**2.7**	**0.8**	**2.7**	**15.5**	**7.8**	**6.0**	**7.9**

Standard Retail

20 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	2.6	1.7	2.4	2.8	4.6	2.0	2.2	2.2	9.0	7.5	7.7	7.8
Minimum	-0.7	-1.4	-0.2	-0.2	0.8	-5.3	-3.7	-1.6	4.8	-1.0	2.0	2.8
Range	3.3	3.1	2.6	3.0	3.8	7.3	5.9	3.8	4.2	8.5	5.7	5.0
Median	1.5	0.7	0.5	1.0	2.3	0.0	-0.5	0.9	7.2	4.3	4.1	5.2
Mean	**1.3**	**0.5**	**0.7**	**1.0**	**2.6**	**-0.8**	**-0.5**	**0.6**	**7.1**	**3.7**	**4.1**	**5.1**

Shopping Centre

20 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	2.5	1.0	1.1	1.5	3.0	0.4	0.5	0.6	8.1	5.9	6.9	6.5
Minimum	-1.0	-1.6	-1.2	-0.3	-4.5	-6.5	-4.2	-3.1	1.2	-1.7	0.1	1.6
Range	3.5	2.6	2.3	1.8	7.5	6.9	4.7	3.7	6.9	7.6	6.8	4.9
Median	0.9	0.2	0.3	0.7	-0.4	-1.4	-1.5	-0.5	4.0	3.3	3.6	4.4
Mean	**1.0**	**0.0**	**0.2**	**0.6**	**-0.4**	**-2.1**	**-1.7**	**-0.8**	**4.6**	**2.8**	**3.3**	**4.3**

Retail Warehouse

20 contributors	*Rental value growth (%) 2017	2018	2019	2017/21	Capital value growth (%) 2017	2018	2019	2017/21	Total return (%) 2017	2018	2019	2017/21
Maximum	1.6	1.3	1.5	1.3	3.5	1.1	0.7	2.4	9.6	6.8	6.5	8.3
Minimum	0.0	-0.6	-0.3	0.2	-1.0	-6.3	-3.2	-2.7	4.8	-0.7	2.8	3.1
Range	1.6	1.9	1.8	1.1	4.5	7.4	3.9	5.1	4.8	7.5	3.8	5.2
Median	0.9	0.5	0.4	0.7	1.3	-0.8	-0.7	-0.1	7.2	4.6	4.7	5.6
Mean	**0.9**	**0.3**	**0.5**	**0.8**	**1.4**	**-1.4**	**-1.0**	**-0.1**	**7.2**	**4.3**	**4.7**	**5.7**

All Property

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	2.3	1.5	1.9	1.9	4.9	2.1	2.3	2.7	9.8	7.8	7.8	8.1
Minimum	0.1	-1.3	-0.7	0.2	-1.0	-4.9	-2.9	-2.1	3.5	-0.1	2.0	2.9
Range	2.2	2.7	2.6	1.8	5.9	7.0	5.2	4.8	6.3	7.9	5.8	5.2
Std. Dev.	0.5	0.8	0.7	0.5	1.4	1.9	1.4	1.2	1.5	2.0	1.5	1.2
Median	1.7	0.5	0.4	1.1	3.5	-0.1	-0.6	0.7	8.4	4.4	4.4	5.3
Mean	**1.6**	**0.4**	**0.6**	**1.1**	**3.3**	**-0.7**	**-0.6**	**0.6**	**8.2**	**4.0**	**4.2**	**5.4**

* Each sector includes one forecast comprising rental value growth forecasts only.

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 (21)	0.8	-1.2	-0.3	0.5	2.2	-2.4	-1.6	-0.1	6.3	1.9	3.1	4.4
Industrial (21)	4.4	3.0	1.9	2.6	10.0	2.7	0.8	2.7	15.5	7.8	6.0	7.9
Standard Retail (20)	1.3	0.5	0.7	1.0	2.6	-0.8	-0.5	0.6	7.1	3.7	4.1	5.1
Shopping Centre (20)	1.0	0.0	0.2	0.6	-0.4	-2.1	-1.7	-0.8	4.6	2.8	3.3	4.3
Retail Warehouse (20)	0.9	0.3	0.5	0.8	1.4	-1.4	-1.0	-0.1	7.2	4.3	4.7	5.7
All Property (20)	**1.6**	**0.4**	**0.6**	**1.1**	**3.3**	**-0.7**	**-0.6**	**0.6**	**8.2**	**4.0**	**4.2**	**5.4**

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

West End office

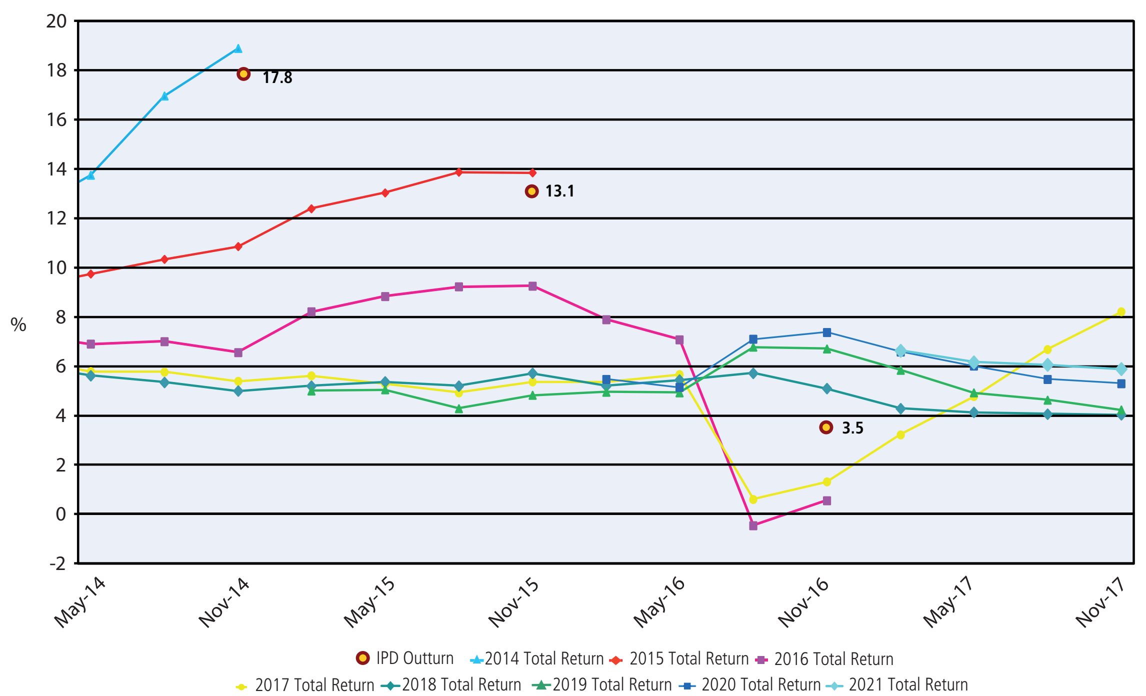
18 contributors	^Rental value growth (%)				Capital value growth (%)				Total return (%)			
	2017	2018	2019	2017/21	2017	2018	2019	2017/21	2017	2018	2019	2017/21
Maximum	1.7	1.1	2.2	2.1	4.0	1.8	2.4	3.4	7.2	6.1	6.2	6.7
Minimum	-8.0	-5.8	-3.3	-1.4	-2.8	-11.0	-5.6	-4.2	0.6	-7.8	-1.8	-0.1
Range	9.7	6.8	5.5	3.5	6.8	12.8	8.0	7.6	6.7	13.9	8.0	6.8
Median	0.3	-2.2	0.0	0.4	2.6	-2.6	-1.8	-0.1	5.8	0.8	2.1	3.3
Mean	**-0.3**	**-2.2**	**-0.5**	**0.3**	**2.0**	**-3.7**	**-1.6**	**-0.1**	**5.3**	**-0.3**	**2.0**	**3.5**

City office

18 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	2.6	0.5	3.2	2.3	5.0	3.2	3.7	3.9	8.6	7.3	7.5	7.8
Minimum	-2.9	-7.0	-5.7	-1.7	-3.7	-13.4	-9.1	-4.7	0.0	-9.3	-5.1	0.3
Range	5.5	7.5	8.9	4.0	8.7	16.6	12.8	8.6	8.6	16.6	12.6	7.4
Median	0.5	-2.8	-1.0	-0.3	3.0	-3.0	-2.1	-0.7	6.6	0.5	1.7	3.2
Mean	**0.5**	**-2.7**	**-1.3**	**0.0**	**2.3**	**-4.0**	**-2.3**	**-0.5**	**5.9**	**-0.3**	**1.7**	**3.4**

^ 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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Property advisors (including research consultancies): Capital Economics, CBRE, Colliers International, Cushman & Wakefield, Fletcher King, GVA, JLL, Knight Frank, Real Estate Forecasting Limited and Real Estate Strategies.

Fund and investment managers: Aberdeen Asset Management, Aviva Investors, BMO Real Estate Partners, CBRE Global Investors, Deutsche Asset Management, Keills, M&G Real Estate, Savills Investment Management, Standard Life Investments, TH Real Estate and UBS Asset Management.

Note
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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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