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Investment Property Forum
# European Consensus Forecasts

IPF European Consensus Forecasts

Survey of European Office Market Rental Forecasts
November 2021

For the second survey of 2021, 18 organisations provided growth forecasts for some or most of the 30 locations covered by this research. Although the earliest forecast dates from May, more than three-quarters (15) were produced within eight weeks of the survey date of 27 October. As fewer than the minimum requirement of five rental growth forecasts were received for Athens and Moscow, no results for the current survey period have been produced for these markets.

The current average growth projections for each period illustrated in Figure 1 (May's results in brackets) belie the spread of mean forecasts for the 28 locations covered by the survey. This is most marked in the current year's weighted forecast averages, which range between -3.4% (Dublin) and 5.4% (London West End). This diversity of predictions reduces to between -0.7% and 2.5% (Paris la Défense and London City) in the 2022 results and to between 0.7% and 2.7% (Rome and Madrid) in 2023.

Figure 1: Weighted Average Annual Growth Rates and 3- & 5-Year Annualised Averages
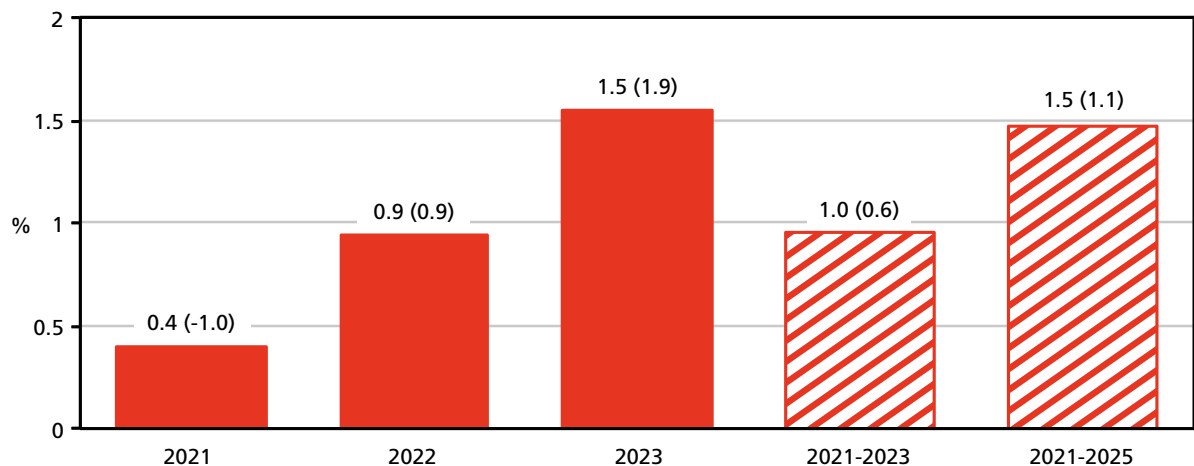
2021 Expected Outturn

In the six months since the last survey, the 2021 weighted average rate has shown a significant improvement. The rise of more than 1.4% has been driven by the expectation of a much stronger recovery in several markets, including all three UK locations that were previously projected to deliver negative growth. Of the 28 location results reported, only four registered falling averages, led by Budapest, down 1.2% to -2.8%. Compared to May's results, when 23 locations were expected to deliver sub-zero growth, this figure has more than halved, to 10 locations, ranging from -3.4% for Dublin (one of those markets registering a further weakening over the six months) to -0.2% for Prague. The median forecast for the year is 0.3%, while 12 locations currently exceed the 0.4% average.

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2022 Broadly Unchanged

The overall expectation for next year is little changed from May's result, with movements over the six months being broadly in balance. Increased averages of between 110 bps (Madrid) and 7bps (Munich) span the 12 locations recording an improvement, while the 14 markets where average growth projections have weakened recorded falls of between 134bps (Paris la Défense) and a little under 20 bps (Luxembourg and Helsinki). In absolute terms, only Paris la Défense rents are currently projected to decline in 2022 (to -0.7%). A total of 16 locations are currently anticipated to outperform the 0.9% average forecast for next year.

Weaker Outlook in 2023

Following May's first reported 2023 projections, although all markets are expected to deliver positive growth, with an equal distribution above and below the average of 1.5%, expectations fell back more markedly for certain markets as against those recording an improvement. The three UK locations registered some of the most substantial declines in growth forecasts over the period – by more than 380 bps for London's West End (to 1.1%), 230 bps for London City (now 2.0%) and almost 220 bps for Manchester (to 0.7%). In contrast, of the 14 projections for 2023 that improved over the period, only Warsaw recorded an increase of more than 100 bps (from 0.9% to 2.1%).

Three and Five Year Prospects

Reflecting the much-improved near-term outlook, on an annualised basis, the three-year mean growth rate of 1.0% reflects a rise of some 350 bps over May's rolling average of 0.6%, with 24 markets forecast to produce positive growth. These range between 0.3% for Milan to 2.7% for London's West End. Projected under-performers currently include Budapest and Dublin (both -0.4%), Barcelona (-0.3%) and Paris la Défense (-0.2%). Of the 14 locations at or above the average growth rate, 11 lie within a range of 1.0% and 2.0%.

In the six months since the last survey, the five-year average annualised projection has improved by over 110 bps. Forecasts now range between 0.3% (Paris la Défense) and 2.8% for London's West End. Current expectations are that 16 markets may exceed the overall average of 1.5% (median 1.6%).

See Tables 2 and 3 for summaries of weighted average forecasts for each market reported.

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Average Growth Forecasts

In addition to the latest weighted averages across the 30 office markets surveyed, Table 1 also provides the year-on-year differences between the three periods reported.

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

	Rental growth forecast (% pa)			Y-o-Y Difference	
	2021	**2022**	**2023**	**2022 vs. 2021**	**2023 vs. 2022**
Vienna	1.2	0.7	1.8	-0.5	1.0
Brussels	0.0	0.7	1.6	0.7	0.9
Prague	-0.2	1.1	1.6	1.3	0.5
Copenhagen	2.2	1.0	1.5	-1.3	0.5
Helsinki	-0.3	1.0	1.7	1.2	0.8
Lyon	3.7	0.3	1.3	-3.3	0.9
Paris CBD	0.2	0.3	1.2	0.1	1.0
Paris la Défense	-0.9	-0.7	0.9	0.1	1.6
Berlin	1.8	1.3	1.6	-0.4	0.3
Frankfurt	0.8	1.3	1.5	0.4	0.2
Hamburg	0.2	1.5	1.5	1.3	0.0
Munich	1.3	1.5	1.8	0.2	0.3
Athens*	na	na	na	na	**na**
Budapest	-2.8	0.2	1.3	3.0	1.1
Dublin	-3.4	0.5	1.9	3.9	1.4
Milan	-0.8	0.6	1.1	1.4	0.5
Rome	0.4	0.4	0.7	-0.1	0.4
Luxembourg	0.3	1.0	1.5	0.6	0.6
Amsterdam	0.1	1.3	2.3	1.2	0.9
Oslo	3.4	1.4	1.1	-2.0	-0.2
Warsaw	-1.5	1.4	2.1	3.0	0.6
Lisbon	-1.2	1.3	1.4	2.5	0.1
Moscow*	na	na	na	na	na
Madrid	-2.0	1.1	2.7	3.1	1.6
Barcelona	-2.5	0.1	1.4	2.6	1.3
Stockholm	2.1	2.1	2.7	0.0	0.5
Zurich	0.4	0.0	1.2	-0.4	1.2
London: City	1.0	2.5	2.0	1.5	-0.6
London: West End	5.4	1.7	1.1	-3.7	-0.7
Manchester	2.2	0.7	0.7	-1.5	0.0
Average	**0.4**	**0.9**	**1.5**	**0.5**	**0.6**

* As fewer than five forecasts were received, it is not possible to report any analysis of these markets.

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Table 2 summarises average weighted growth rates, ranked by order of lowest to highest projections for the current year and includes the three- and five-year annualised average forecasts.

Table 2: 2021 Ranked Weighted Average Growth Rates (%)

	End-2020 rent (psm)*	Annual rental growth forecast (%)			Annualised rental growth forecast (% pa)	
		2021	2022	2023	2021/2023	2021/2025
Dublin	644.73	-3.4	0.5	1.9	-0.4	0.8
Budapest	287.40	-2.8	0.2	1.3	-0.4	0.4
Barcelona	323.60	-2.5	0.1	1.4	-0.3	1.0
Madrid	420.63	-2.0	1.1	2.7	0.5	1.5
Warsaw	276.95	-1.5	1.4	2.1	0.6	1.6
Lisbon	285.97	-1.2	1.3	1.4	0.5	1.1
Paris la Défense	529.44	-0.9	-0.7	0.9	-0.2	0.3
Milan)	600.00	-0.8	0.6	1.1	0.3	1.0
Helsinki)	431.27	-0.3	1.0	1.7	0.8	1.2
Prague	262.86	-0.2	1.1	1.6	0.9	1.5
Brussels	296.28	0.0	0.7	1.6	0.7	1.6
Amsterdam	451.75	0.1	1.3	2.3	1.2	1.6
Paris CBD	898.88	0.2	0.3	1.2	0.6	1.2
Hamburg	373.96	0.2	1.5	1.5	1.1	1.7
Luxembourg	610.29	0.3	1.0	1.5	1.0	1.2
Zurich (CHF)	851.88	0.4	0.0	1.2	0.5	0.7
Rome	454.50	0.4	0.4	0.7	0.5	0.8
Frankfurt	523.88	0.8	1.3	1.5	1.2	1.6
London: City (GBP)	740.05	1.0	2.5	2.0	1.9	2.5
Vienna	299.58	1.2	0.7	1.8	1.2	1.8
Munich	479.03	1.3	1.5	1.8	1.5	1.7
Berlin	457.96	1.8	1.3	1.6	1.6	2.0
Stockholm (SKr)	7,381.82	2.1	2.1	2.7	2.3	2.4
Manchester (GBP)	393.48	2.2	0.7	0.7	1.2	1.6
Copenhagen (DKr)	1,927.57	2.2	1.0	1.5	1.6	1.9
Oslo (NKr)	5,005.30	3.4	1.4	1.1	1.9	1.9
Lyon	311.06	3.7	0.3	1.3	1.7	1.6
London: West End (GBP)	1,136.47	5.4	1.7	1.1	2.7	2.8
Athens	na	na	na	na	na	na
Moscow (USD)	na	na	na	na	na	na
Average	na	0.4	0.9	1.5	1.0	1.5
Range	na	8.9	3.3	1.9	3.2	2.5

*€ unless otherwise stated

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Forecast Ranges

Table 3 illustrates the markedly broad range of 2021 forecasts for a number of larger cities. A possible explanation for this substantial divergence of views may be due to a greater reliance on public transit systems, causing a potentially slower than anticipated return to the workplace in these major conurbations and, hence, greater uncertainty as to the speed of recovery in occupational markets.

Table 3: Forecast Ranges Ranked by 2021 Forecasts (%)

	2021	2022	2023	2021-23 (pa)	2021-25 (pa)
Brussels	2.4	2.6	2.7	1.3	2.5
Luxembourg	3.0	1.9	2.1	1.8	2.0
Warsaw	3.0	5.3	4.2	2.6	2.7
Zurich	3.4	2.2	2.3	2.5	1.2
Prague	3.7	7.8	3.1	3.2	1.6
Amsterdam	4.0	6.0	5.8	3.9	2.5
Vienna	4.0	4.5	3.8	3.2	2.6
Hamburg	4.8	3.3	4.6	2.3	1.8
Munich	5.1	2.9	2.6	2.9	1.9
Copenhagen	5.3	2.5	3.2	2.6	2.3
Helsinki	5.5	2.1	2.7	2.6	1.4
Dublin	5.5	4.5	4.4	3.4	3.0
Frankfurt	5.6	4.8	6.2	4.0	2.1
Oslo	5.9	3.4	3.2	2.6	3.1
Berlin	6.3	6.1	5.9	5.6	3.7
Madrid	6.4	6.7	8.9	5.1	2.6
Rome	6.4	4.3	3.4	3.0	1.5
Barcelona	6.9	7.4	3.0	3.3	2.3
Stockholm	7.0	5.1	4.4	4.8	3.1
Lisbon	7.3	5.2	4.7	3.5	2.9
Milan	7.4	5.9	3.4	3.6	2.8
Budapest	7.7	3.7	3.6	3.5	2.1
Lyon	8.2	1.5	2.9	3.1	1.8
Paris CBD	9.3	4.1	4.5	4.5	2.8
London: City	11.4	13.5	5.4	9.1	3.9
Manchester	13.3	6.9	3.6	5.3	3.5
Paris: la Défense	18.4	8.6	6.3	6.0	6.9
London: West End	19.7	10.2	4.9	9.3	3.9
Minimum	**2.4**	**1.5**	**2.1**	**1.3**	**1.2**
Maximum	**19.7**	**13.5**	**8.9**	**9.3**	**6.9**
Median	**6.1**	**4.6**	**3.7**	**3.3**	**2.6**

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Evolution of Forecasts

Table 4 compares the last two sets of forecasts, whilst Table 5 shows the evolution of the 2021 forecasts over six surveys, commencing May 2019.

Table 4: Mean weighted rental value growth forecasts (%) – November versus May 2021

	2021		2022		2023		Rolling 3-year average		Rolling 5-year average	
	Nov	**May**	**Nov**	**May**	**Nov**	**May**	**Nov**	**May**	**Nov**	**May**
Vienna	1.2	(0.0)	0.7	(1.1)	1.8	(1.7)	1.2	(0.9)	1.8	(1.5)
Brussels	0.0	(-0.2)	0.7	(0.9)	1.6	(1.4)	0.7	(0.7)	1.6	(1.4)
Prague	-0.2	(-1.0)	1.1	(1.0)	1.6	(0.8)	0.9	(0.3)	1.5	(-0.9)
Copenhagen	2.2	(0.4)	1.0	(1.0)	1.5	(2.2)	1.6	(1.2)	1.9	(1.4)
Helsinki	-0.3	(-1.1)	1.0	(1.1)	1.7	(1.8)	0.8	(0.6)	1.2	(1.1)
Lyon	3.7	(-0.8)	0.3	(0.7)	1.3	(1.6)	1.7	(0.5)	1.6	(1.3)
Paris CBD	0.2	(-1.8)	0.3	(0.0)	1.2	(1.9)	0.6	(0.0)	1.2	(0.9)
Paris la Défense	-0.9	(-2.6)	-0.7	(0.6)	0.9	(2.1)	-0.2	(0.0)	0.3	(1.0)
Berlin	1.8	(0.4)	1.3	(1.8)	1.6	(1.4)	1.6	(1.2)	2.0	(1.6)
Frankfurt	0.8	(0.2)	1.3	(1.1)	1.5	(1.4)	1.2	(0.9)	1.6	(1.2)
Hamburg	0.2	(0.1)	1.5	(1.4)	1.5	(1.3)	1.1	(0.9)	1.7	(1.1)
Munich	1.3	(0.6)	1.5	(1.4)	1.8	(1.7)	1.5	(1.2)	1.7	(1.3)
Athens*	na	(na)	na	(na)	na	(na)	na	(na)	na	(na)
Budapest	-2.8	(-1.6)	0.2	(0.0)	1.3	(1.1)	-0.4	(-0.2)	0.4	(0.5)
Dublin	-3.4	(-2.5)	0.5	(-0.5)	1.9	(1.8)	-0.4	(-0.4)	0.8	(0.4)
Milan	-0.8	(-1.9)	0.6	(-0.3)	1.1	(1.0)	0.3	(-0.4)	1.0	(0.8)
Rome	0.4	(-1.6)	0.4	(0.0)	0.7	(0.9)	0.5	(-0.2)	0.8	(0.4)
Luxembourg	0.3	(-0.2)	1.0	(1.2)	1.5	(2.1)	1.0	(1.0)	1.2	(1.3)
Amsterdam	0.1	(-1.8)	1.3	(1.4)	2.3	(2.3)	1.2	(0.6)	1.6	(1.2)
Oslo	3.4	(0.4)	1.4	(1.0)	1.1	(1.8)	1.9	(1.0)	1.9	(1.9)
Warsaw	-1.5	(-0.8)	1.4	(0.5)	2.1	(0.9)	0.6	(0.2)	1.6	(0.8)
Lisbon	-1.2	(-1.1)	1.3	(1.9)	1.4	(1.1)	0.5	(0.6)	1.1	(1.3)
Moscow*	na	(-1.2)	na	(-1.7)	na	(2.1)	na	(-0.3)	na	(1.1)
Madrid	-2.0	(-3.6)	1.1	(0.0)	2.7	(2.3)	0.5	(-0.4)	1.5	(0.6)
Barcelona	-2.5	(-2.8)	0.1	(0.5)	1.4	(1.9)	-0.3	(-0.2)	1.0	(0.7)
Stockholm	2.1	(-0.8)	2.1	(2.6)	2.7	(3.2)	2.3	(1.7)	2.4	(2.2)
Zurich	0.4	(-0.7)	0.0	(0.5)	1.2	(1.0)	0.5	(0.3)	0.7	(0.6)
London: City	1.0	(-2.3)	2.5	(2.8)	2.0	(4.3)	1.9	(1.6)	2.5	(2.2)
London: West End	5.4	(-0.4)	1.7	(2.1)	1.1	(4.8)	2.7	(2.1)	2.8	(2.5)
Manchester	2.2	(-0.9)	0.7	(1.2)	0.7	(3.0)	1.2	(1.1)	1.6	(1.3)

Previous survey figures in brackets
*Fewer than 5 forecasts received for these markets

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Table 5: Evolution of 2021 mean weighted rental value growth forecasts (%)

	May-19	Nov-19	May-20	Nov-20	May-21	Nov-21
Vienna	1.2	1.3	1.3	-0.7	0.0	1.2
Brussels	1.0	1.1	1.8	-0.3	-0.2	0.0
Prague	0.8	1.4	1.5	-0.4	-1.0	-0.2
Copenhagen	1.6	1.7	2.8	0.0	0.4	2.2
Helsinki	1.9	1.4	2.9	0.0	-1.1	-0.3
Lyon	1.2	0.6	1.9	-1.2	-0.8	3.7
Paris CBD	1.2	0.8	2.0	-2.1	-1.8	0.2
Paris la Défense	1.3	1.0	0.5	-3.0	-2.6	-0.9
Berlin	2.1	2.1	1.7	0.0	0.4	1.8
Frankfurt	1.7	1.4	2.0	0.2	0.2	0.8
Hamburg	1.1	1.6	2.4	0.1	0.1	0.2
Munich	1.9	1.6	1.8	0.4	0.6	1.3
Athens	na	na	na	na	na	na
Budapest	0.8	1.7	1.1	-1.0	-1.6	-2.8
Dublin	-0.1	0.1	-0.8	-3.6	-2.5	-3.4
Milan	0.6	0.6	1.1	-2.2	-1.9	-0.8
Rome	0.7	1.0	0.5	-1.6	-1.6	0.4
Luxembourg	0.7	0.5	na	-0.4	-0.2	0.3
Amsterdam	1.8	1.4	1.8	-0.6	-1.8	0.1
Oslo	1.7	1.9	2.4	0.0	0.4	3.4
Warsaw	0.9	1.2	0.8	-1.4	-0.8	-1.5
Lisbon	1.7	1.5	2.1	-0.7	-1.1	-1.2
Moscow	2.4	2.8	na	0.5	-1.2	na
Madrid	2.9	2.1	2.6	-2.6	-3.6	-2.0
Barcelona	2.1	0.9	2.9	-1.7	-2.8	-2.5
Stockholm	2.2	1.4	3.1	-0.5	-0.8	2.1
Zurich	1.0	0.7	0.0	-1.0	-0.7	0.4
London: City	1.3	1.7	1.6	-0.6	-2.3	1.0
London: West End	1.1	1.9	3.0	-0.4	-0.4	5.4
Manchester	1.4	0.9	0.8	-0.5	-0.9	2.2
Average All Markets	**1.4**	**1.3**	**1.7**	**-0.9**	**-1.0**	**0.4**

Survey of European Office Market Rental Forecasts

Figures 2 and 3 present the evolution of the rolling three- and five-year average forecasts for each market covered by the survey from November 2016.

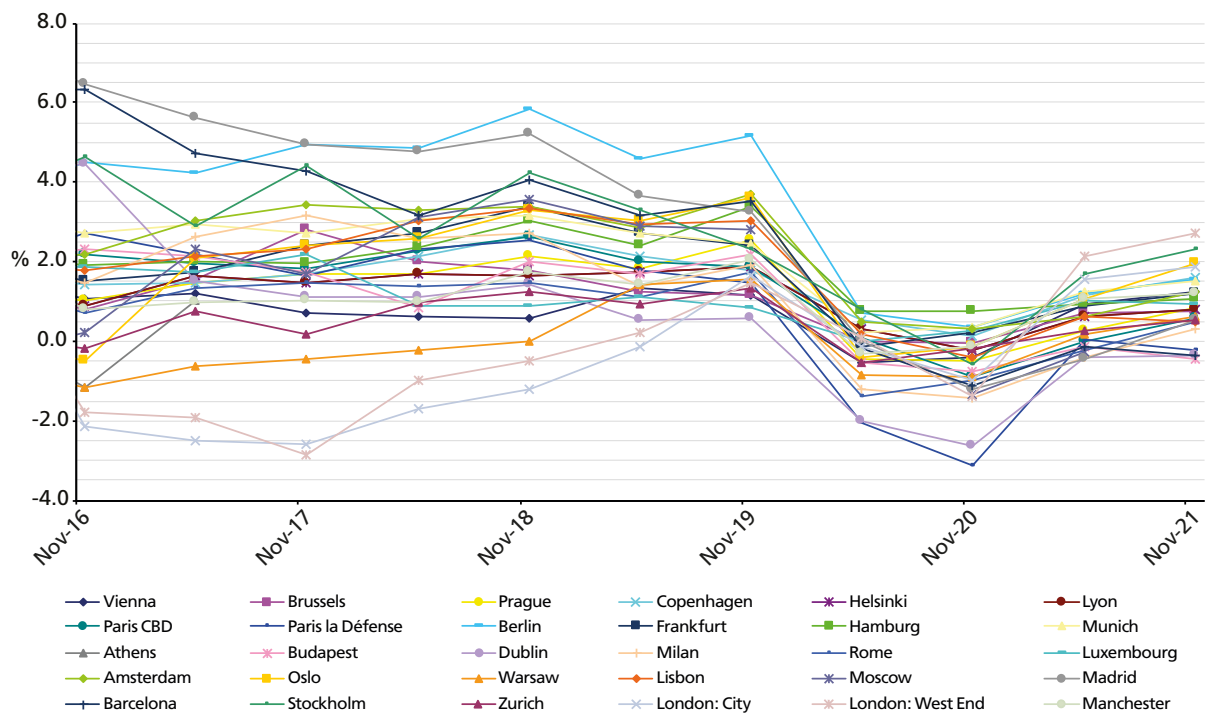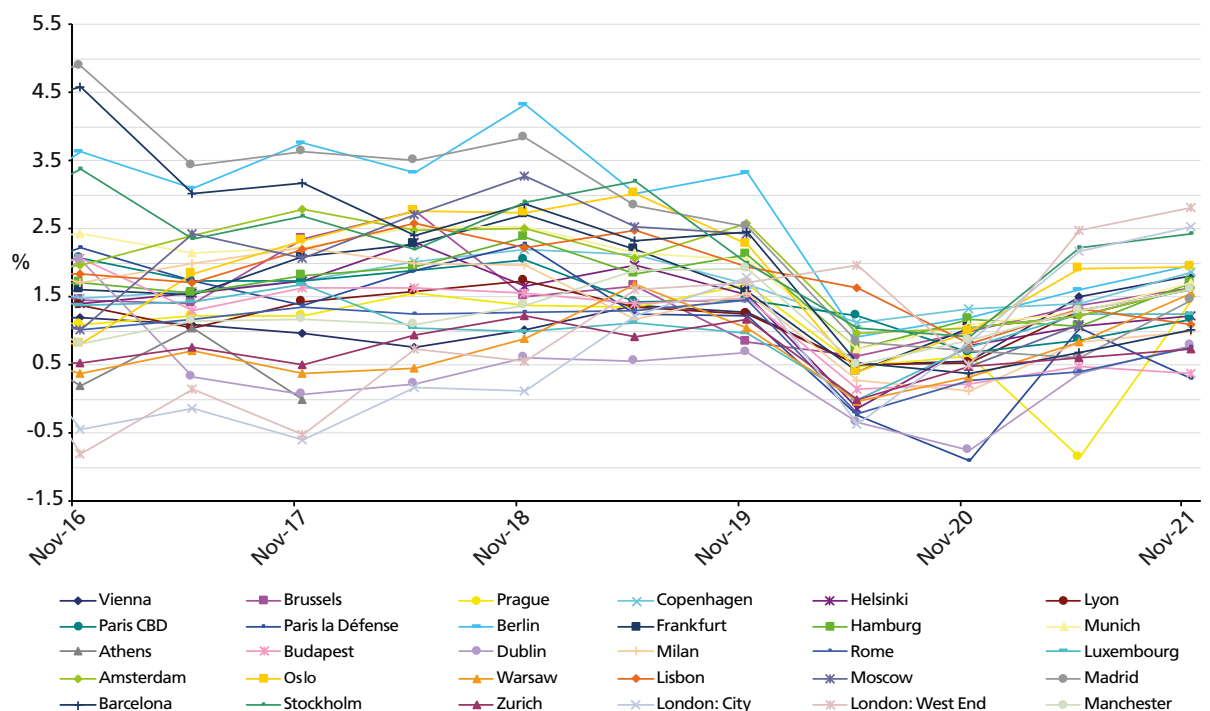### Figure 2: Rolling Three-year %age Weighted Average Growth Forecasts

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

Acknowledgements

Forecast Contributors

Notes

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

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

The Data

This latest survey collected prime office rental forecasts for 30 centres for the calendar years 2021, 2022 and 2023. A three-year average forecast for 2021-2023 is requested where individual years are not available, as well as a five-year average for the period 2021-2025. The survey requested both percentage annual rental growth rates and year-end rent levels as a check. Growth forecasts provided by each organisation are analysed to provide weighted average ('consensus') figures for each market. Forecasts are aggregated and reported only for office markets for which a minimum of **five** contributions have been received.

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

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

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

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

Notes

Disclaimer

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

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