

# IPF UK CONSENSUS FORECASTS – SPRING 2019

27 organisations contributed to the second survey of 2019; forecasts date from the beginning of March to mid-May 2019.

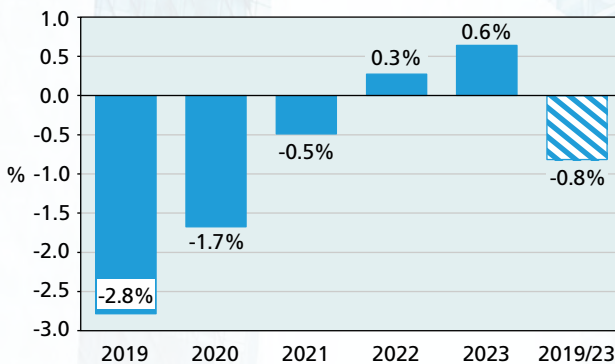
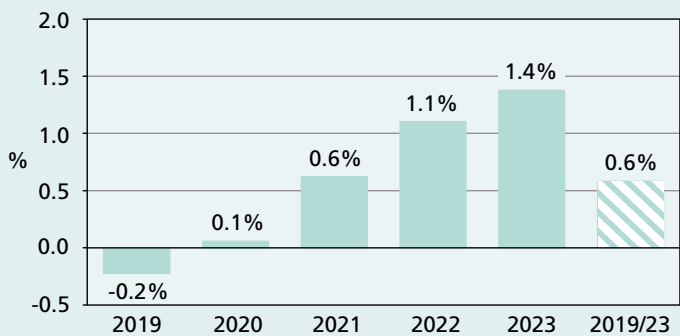
**The outlook for UK retail continued to weaken over the quarter. The forecast recovery from the current year's low in each measure is more muted over the next four years than previously predicted.**

## Rental value growth

**Annual growth forecasts fell over the quarter for each of the first four years of the survey period.**

A significant majority of contributors project zero or negative growth in the current year, which, alongside the 2020 average, is 20 bps lower than the February growth rate. The decline is most marked in the 2021 average, almost 30 bps below the 0.9% reported previously.

As a result, the five-year average has weakened by a magnitude of 18bps, from 0.8% pa at the start of the year.



## Capital value growth

**Yearly capital growth rates fell in every period surveyed.**

Other than one contributor, all forecasts were of negative growth for 2019 and all but five for 2020, with 16 sub-zero predictions causing the 2021 average to turn negative. Falls averaged over 45bps in each year, ranging from 52bps in 2021 (previously 0.0%) to 37bps in 2023 (from 1.0% in February).

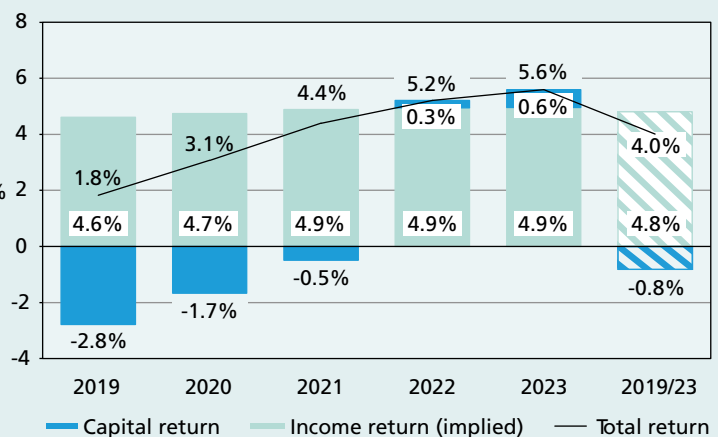
The resultant five-year average has fallen by a similar degree, having been -0.3% pa at the start of the year.

## Total returns

**Average All Property total return forecasts fell, partially reversing last quarter's results.**

2019 recorded the greatest change (down by 60bps since February and by 120bps over six months). The figures reflect further weakening in capital growth expectations, although the margin of decline over the preceding quarter is lower in each successive forecast.

With the exception of the current year, implied income returns have remained relatively static or increased marginally. The impact of weaker capital value growth over the five years has resulted in a drop in the annualised average, which fell almost 50bps, from 4.4% previously.



## Average by Sector summary

	Rental value growth (%)				Capital value growth (%)				Total return (%)			
	2019	2020	2021	2022/23	2019	2020	2021	2022/23	2019	2020	2021	2022/23
Office	0.4	0.3	1.1	1.1	-1.7	-1.3	-0.1	-0.3	2.4	3.1	4.3	4.1
Industrial	3.0	2.2	1.8	2.1	2.6	1.0	0.5	1.0	7.2	5.7	5.2	5.7
Standard Retail	-2.8	-1.7	-0.6	-0.8	-7.4	-4.5	-1.3	-2.5	-3.2	0.0	3.4	2.1
Shopping Centre	-3.9	-2.6	-1.3	-1.7	-10.7	-6.2	-3.1	-4.6	-5.8	-0.7	2.7	1.0
Retail Warehouse	-3.1	-2.1	-0.9	-1.0	-8.9	-4.9	-2.0	-3.2	-3.2	1.2	4.4	3.0
<b>All Property</b>	<b>-0.2</b>	<b>0.1</b>	<b>0.6</b>	<b>0.6</b>	<b>-2.8</b>	<b>-1.7</b>	<b>-0.5</b>	<b>-0.8</b>	<b>1.8</b>	<b>3.1</b>	<b>4.4</b>	<b>4.0</b>
West End office	0.2	0.3	1.3	1.5	-1.7	-0.7	0.5	0.2	1.7	2.8	4.1	3.8
City office	0.2	-0.1	1.4	1.3	-2.0	-1.1	0.7	0.0	1.9	2.9	4.8	4.1

## Key Points

### 2019

- The All Property rental growth forecast fell by 20 bps (from 0.0% in February).
- Further weakening in capital growth expectations for retail markets and a softening in sentiment for Industrials caused the All Property projection to decline almost 50 bps, from -2.3% previously.
- The total return forecast for All Property fell by 60 bps, from 2.4%.

### 2020

- The 2020 All Property rental growth forecast dropped 18 bps, from over 0.2%.
- A 50 bps fall in average capital value growth rates, from -1.2% previously, triggered a similar reduction in total returns (3.5% last quarter).

### 2021 and beyond

- All sector average rental growth forecasts for 2021 weakened over the quarter, resulting in an All Property average almost 30 bps lower (0.9% previously).

- A 52 bps deterioration in capital growth rates produced a 2021 average of -0.5% and total return average 46 bps lower, at 4.4%.
- The 2022 All Property rental growth average of 1.1% represents a 20 bps fall over the quarter, with capital growth prospects consistently lower too, causing the average to fall some 44 bps to 0.3%. The All Property total return now lies at 5.2% (from 5.5%).
- 2023 sector rental growth forecasts were only marginally lower over the quarter, leaving the All Property average at 1.4%. Falling capital growth rates across all property types lowered the 2023 capital growth average to 0.6% and the total return to 5.6%.

### Rolling five-year averages

- Weakening forecasts in the majority of sectors over the survey period resulted in declines in all three rolling five-year performance averages.
- At 0.6% per annum, the All Property rental value growth rate fell almost 20bps over the quarter, whilst the annualised capital growth projection of -0.8% was nearly 50bps lower.
  - Although the implied income return was unchanged, at 4.8%, the All Property total return average is now 4.0% per annum (from 4.4% in February).

Click [here](#) to download the full report from the IPF website.

## Acknowledgement

The IPF thanks all those organisations contributing to the Spring 2019 Consensus Forecasts, including:

Aberdeen Standard Investments	CBRE	JLL	LGIM Real Assets
Avison Young	CBRE Global Investors	Keills	M&G Real Estate
BMO Real Estate Partners	Colliers International	Knight Frank	Nuveen Real Estate
BNP Paribas Real Estate	Cushman & Wakefield	Knight Frank IM	Real Estate Forecasting Limited
Capital Economics	DWS	Lambert Smith Hampton	Real Estate Strategies
Carter Jonas	Fletcher King	LaSalle IM	Savills IM
			UBS AM

## The Research Programme is sponsored by:

