

# IPF UK CONSENSUS FORECASTS – WINTER 2018/19

**27 organisations contributed to the first survey of 2019, with forecasts dating from late November 2018 to mid-February 2019.**

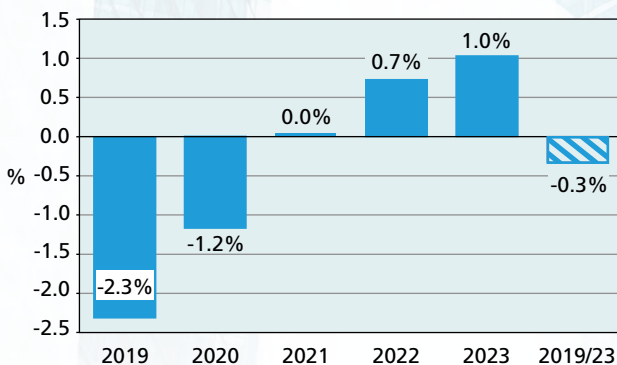
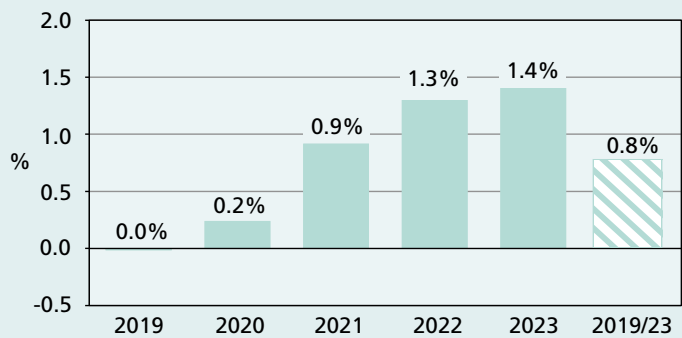
The challenges faced by UK retail are reflected in worsening rental and capital value growth outlooks for each of the next three years, compared to the situation three months ago. Contributor expectations that 2019 will mark the bottom of the property market have been maintained, with only a gradual recovery over the following four years.

## Rental value growth

**Yearly average growth forecasts fell over the quarter, with the 2019 projection now lying marginally below 0.0% (from 0.2% in November).**

Declines of between c. 30 and 15 bps have been recorded in the 2020, 2021 and 2022 averages (down from 0.5%, 1.1% and 1.3% respectively on three months ago).

The current year should prove the low point in the current cycle, however. The inclusion of the 2023 forecast has helped to maintain the five-year average rental growth rate at 0.8% per annum.



## Capital value growth

**2019 capital value growth sentiment continued to weaken over the quarter, having started 2018 at -1.0%. The current average is over 65 bps lower than reported in November**

In contrast, the 2020 average forecast appears to have stabilised, whilst there have been slight improvements in the 2021 and 2022 projections, from -0.3% and 0.3% previously, although still lower than 12 months ago.

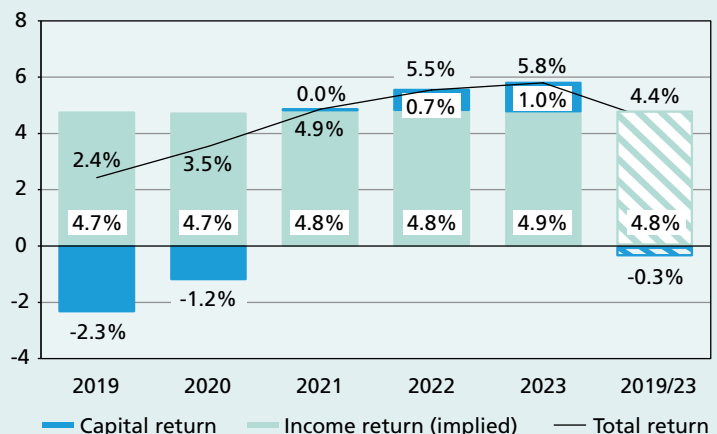
The pattern of modest recovery in capital values continuing into 2023 was not sufficient to alter the five-year rolling average, which remained at -0.3%.

## Total returns

**The 2019 average All Property total return forecast fell almost 60bps from November (3.0%), in response to weakened capital growth expectations.**

The average for 2020 held at 3.5%, due to virtually unaltered capital growth forecasts. From this stabilised position, modest improvement is expected in remaining years of the forecast: the 2021 and 2022 averages rose by over 35 bps and 30 bps over the quarter.

Although implied income returns are broadly unchanged from November, these are lower than a year ago (with averages for 2020, 2021 and 2022 of 5.1%). The introduction of the 2023 forecast resulted in a barely changed five-year average, which fell from 4.5% as a result of rounding.



## 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	0.0	0.3	1.3	1.1	-1.8	-1.5	0.1	-0.3	2.5	2.8	4.4	4.2
Industrial	2.9	2.2	2.0	2.1	2.9	1.3	1.0	1.5	7.6	6.1	5.6	6.2
Standard Retail	-2.0	-1.0	0.0	-0.3	-5.3	-3.0	-0.5	-1.5	-1.1	1.5	4.1	2.9
Shopping Centre	-2.8	-1.7	-0.6	-0.9	-8.2	-4.7	-1.8	-3.1	-3.4	0.6	3.7	2.1
Retail Warehouse	-2.1	-1.2	-0.4	-0.5	-6.5	-3.5	-1.1	-2.1	-1.0	2.3	5.0	3.8
<b>All Property</b>	<b>0.0</b>	<b>0.2</b>	<b>0.9</b>	<b>0.8</b>	<b>-2.3</b>	<b>-1.2</b>	<b>0.0</b>	<b>-0.3</b>	<b>2.4</b>	<b>3.5</b>	<b>4.9</b>	<b>4.4</b>
West End office	-0.2	0.3	1.5	1.4	-1.7	-1.5	0.6	0.3	1.5	2.1	4.3	3.9
City office	-0.9	-0.2	1.5	0.9	-2.0	-1.6	0.7	-0.3	1.7	2.4	4.8	3.8

\*Some forecasters did not include projections for 2023 and thus only 23 five-year averages were available.

## Key Points

### 2019

- The All Property rental growth forecast fell by over 20 bps (from 0.2% in November).
- Capital growth expectations weakened for retail markets, which, despite improving prospects for Industrial values (at 2.9%), caused the All Property projection to decline over 65 bps, from -1.7% in November.
- The 2018 total return forecast for All Property has risen by 60 bps, from 4.0% last quarter.

### 2020

- Poorer sector rental growth projections for all but industrials led to a 30 bps fall in the All Property Capital growth rates declined by 100 bps or more in each retail market but stronger projections for Offices and Industrials left the All Property average almost unaltered.
- The 2021 total return is unchanged over the three months.

### 2021 onwards

- Average rental and capital growth rates turn positive from 2021, although sentiment for retail returns does not improve until 2022. The All Property 2021 total return average increased by c.35 bps, driven by stronger capital growth in Offices and Industrials.
- 2022 forecasts show a continuation of the slow upward trend across all measures, currently averaging 1.3%, 0.7% and 5.5% respectively. The improvement in the capital growth average, of almost 40 bps, is reflected in a similar rise in the total return (from 5.2% in November).

### Rolling five-year averages

- At 0.8% and -0.3% per annum, the All Property rental and capital value growth rates are virtually unchanged, the total return average moving from 4.5% due to rounding.
- The implied income return of 4.8% is a slight improvement on November but some 30 bps lower than 12 months ago (5.1%).

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

## Acknowledgement

The IPF thanks all those organisations contributing to the Winter 2018/19 Consensus Forecasts, including:

Aberdeen Standard Investments	BNP Paribas Real Estate	Fletcher King	LGIM Real Assets
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AXA IM Real Assets	Colliers International	Knight Frank	Real Estate Strategies
BlackRock Real Assets	Cushman & Wakefield	Lambert Smith Hampton	Savills Investment Management
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