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Investment Property Forum
# European Consensus Forecasts

IPF European Consensus Forecasts

Survey of European Office Market Rental Forecasts
May 2022

For the first survey of 2022, 17 organisations provided rental growth forecasts for some or most of the 30 locations covered by this research. Although the earliest forecast dates from November 2021, nearly 90% (15) were produced within eight weeks of the survey deadline of 20 April. 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.

Figure 1 summarises the average growth projections across 28 office locations over the next three years and the annualised averages over three and five years (November 2021 forecasts in brackets).

Figure 1: Weighted Average Annual Growth Rates and 3- and 5-Year Annualised Averages
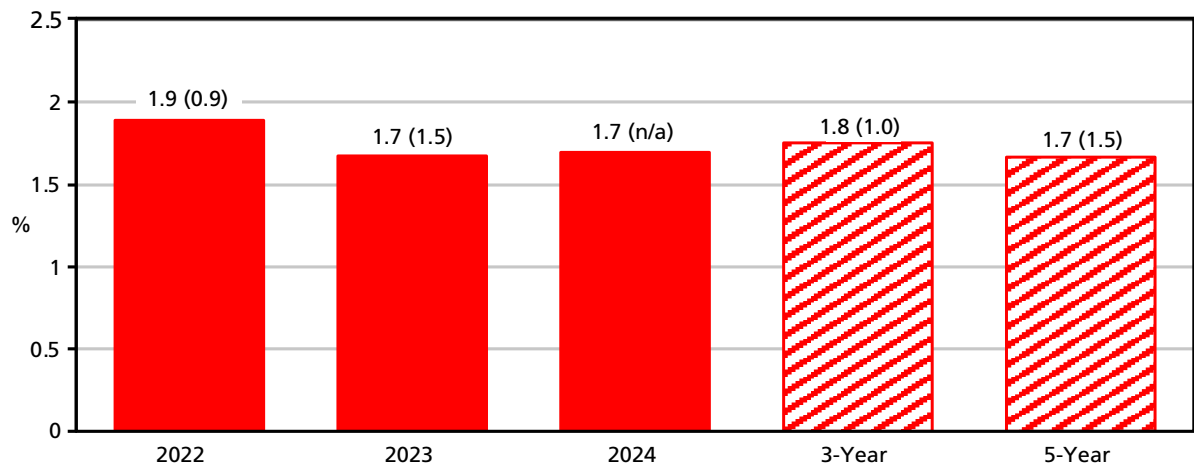
2022 Improved Outlook

In the six months since the previous survey, the 2022 average growth rate, across all locations, has improved substantially from 0.9% to 1.9%. This uplift is driven by an increase in forecasts in 23 markets, with the greatest upgrades in Milan, Rome and London's West End. London's West End (4.0%) and City (3.8%) markets, along with Berlin (3.4%), Stockholm (3.2%) and Milan (3.1%), have the strongest rental growth prospects for 2022. The forecasts of five locations were downgraded, albeit modestly, with the most significant decline in Barcelona, which slipped from 0.1 % rental growth to -0.4% rental decline. In the current year, the only other location expected to achieve rental decline is Paris la Défense.

Survey of European Office Market Rental Forecasts

2023 Broadly Unchanged

The overall expectation for next year is little changed from November's result, with only a marginal uplift in expected average rental growth from 1.5% to 1.7%. Eleven locations are anticipated to achieve higher rental growth, with an improvement of more than 1.0% forecast in Manchester, Frankfurt and London's West End. A further 10 locations have reduced rental growth expectations, with Madrid, Paris la Défense, Prague and Warsaw rents all predicted to be 0.7% lower, compared to the previous set of forecasts. The rental growth forecasts for seven locations are in line with those from the previous survey. The most attractive locations for rental prospects, in 2023, are expected to be Frankfurt (2.9%), Manchester (2.8%) and Stockholm (2.7%).

Consistent Outlook in 2024

The first set of 2024 forecasts, produced by the survey, demonstrate consistency with those of 2023 (see Table 1). Only Manchester, Frankfurt and Barcelona growth rates are expected to change by more than 1.0% between the two years, with Manchester rents forecast to fall by 1.5%, after a robust performance in 2023. Rental growth is projected to be strongest in London City (2.9%), Madrid (2.8%), Stockholm (2.5%) and London West End (2.5%) in 2024, while Rome (0.7%) and Oslo (0.8%) are expected to have the weakest prospects.

Three and Five Year Prospects

The introduction of an average rental growth forecast of 1.7% for 2024, which replaces a weaker 2021 forecast of 0.9% has resulted in a higher three-year annualised average forecast of 1.7%, compared to 1.0% in November's survey. The five-year forecast has also strengthened marginally, from 1.5% to 1.7%.

On an individual basis, the strongest performing markets over the next three and five year periods are London's West End and City markets, as well as Stockholm and Berlin. Weaker forecasts are projected in Paris la Défense, Zurich and Budapest over the next five years. Barcelona is also anticipated to struggle in the next three years, compared to other European markets, although its prospects are expected to improve in later years, boosting its five-year forecast. All markets are expected to achieve positive rental growth over both three- and five-year periods.

Survey of European Office Market Rental Forecasts

Average Growth Forecasts

Table 1 records the latest weighted averages across the 30 office markets surveyed, together with 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	
	2022	**2023**	**2024**	**2023 vs 2022**	**2024 vs 2023**
Vienna	1.3	2.1	2.0	0.7	0.0
Brussels	1.5	1.7	2.1	0.3	0.4
Prague	2.8	0.9	1.0	-1.9	0.1
Copenhagen	0.8	1.6	1.9	0.8	0.3
Helsinki	1.7	1.2	1.7	-0.5	0.4
Lyon	0.6	0.9	1.8	0.3	0.9
Paris CBD	0.5	1.4	1.4	0.9	0.0
Paris la Défense	-0.2	0.2	1.0	0.3	0.8
Berlin	3.4	2.5	1.9	-0.9	-0.5
Frankfurt	2.1	2.9	1.8	0.8	-1.1
Hamburg	2.0	1.9	2.0	-0.1	0.1
Munich	2.9	2.1	1.9	-0.7	-0.2
Athens*	na	na	na	na	**na**
Budapest	0.1	1.6	1.0	1.5	-0.6
Dublin	2.2	1.9	1.9	-0.3	0.0
Milan	3.1	1.6	0.9	-1.5	-0.8
Rome	2.9	0.6	0.7	-2.3	0.1
Luxembourg	0.7	1.2	1.4	0.5	0.3
Amsterdam	2.7	2.1	1.9	-0.7	-0.2
Oslo	2.0	1.7	0.8	-0.3	-0.9
Warsaw	1.8	1.3	1.5	-0.5	0.2
Lisbon	2.8	1.5	1.6	-1.3	0.1
Moscow*	na	na	na	na	na
Madrid	1.0	2.0	2.8	1.0	0.9
Barcelona	-0.4	1.2	2.2	1.6	1.0
Stockholm	3.2	2.7	2.5	-0.5	-0.2
Zurich	1.3	1.1	1.2	-0.2	0.0
London: City	3.8	2.1	2.9	-1.7	0.8
London: West End	4.0	2.3	2.5	-1.7	0.2
Manchester	2.4	2.8	1.3	0.4	-1.5
Average	**1.9**	**1.7**	**1.7**	**-0.2**	**0.0**

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

Survey of European Office Market Rental Forecasts

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 forecasts.

Table 2: 2022 Ranked Weighted Average Growth Rates (%)

	End-2021 rents (psm)*	Year rental growth forecast (% pa)			Annualised prime rental growth forecast (% pa)	
		2022	2023	2024	2022-2024	2022-2026
Barcelona	317.15	-0.4	1.2	2.2	1.0	1.5
Paris la Défense	547.85	-0.2	0.2	1.0	0.3	0.6
Budapest	282.90	0.1	1.6	1.0	0.9	1.0
Paris CBD	903.23	0.5	1.4	1.4	1.1	1.4
Lyon	325.50	0.6	0.9	1.8	1.1	1.1
Luxembourg	615.86	0.7	1.2	1.4	1.1	1.3
Copenhagen (DKr)	1,960.84	0.8	1.6	1.9	1.4	1.3
Madrid	419.80	1.0	2.0	2.8	1.9	1.9
Vienna	303.39	1.3	2.1	2.0	1.8	1.6
Zurich (CHF)	853.54	1.3	1.1	1.2	1.2	0.9
Brussels	295.06	1.5	1.7	2.1	1.8	1.6
Helsinki	445.00	1.7	1.2	1.7	1.5	1.4
Warsaw	278.55	1.8	1.3	1.5	1.5	1.4
Hamburg	380.16	2.0	1.9	2.0	2.0	1.8
Oslo (NKr)	5,207.22	2.0	1.7	0.8	1.5	1.8
Frankfurt	534.56	2.1	2.9	1.8	2.3	1.9
Dublin	624.56	2.2	1.9	1.9	2.0	1.7
Manchester (GBP)	407.10	2.4	2.8	1.3	2.1	1.8
Amsterdam	471.08	2.7	2.1	1.9	2.2	2.2
Lisbon	280.58	2.8	1.5	1.6	1.9	1.8
Prague	274.93	2.8	0.9	1.0	1.6	1.2
Munich	497.75	2.9	2.1	1.9	2.3	2.0
Rome	467.94	2.9	0.6	0.7	1.4	1.3
Milan	611.00	3.1	1.6	0.9	1.9	1.7
Stockholm (SKr)	7,780.26	3.2	2.7	2.5	2.8	2.5
Berlin	481.42	3.4	2.5	1.9	2.6	2.3
London: City (GBP)	760.46	3.8	2.1	2.9	2.9	2.9
London: West End (GBP)	1,203.10	4.0	2.3	2.5	2.9	2.7
Athens	na	na	na	na	na	na
Moscow (USD)	na	na	na	na	na	na
Average	**na**	**1.9**	**1.7**	**1.7**	**1.8**	**1.7**
Range	**na**	**4.3**	**2.7**	**2.2**	**2.6**	**2.3**

*€ unless otherwise stated

Survey of European Office Market Rental Forecasts

Forecast Ranges

Table 3 reports the range of forecasts, provided for each location, over the time periods covered. The ranges are ranked by the range of the 2022 forecasts. There is a significant span of forecasts, provided by contributors, for a number of key locations in the current year. Paris CBD is of particular note, having the widest forecast range of all the locations, in both 2022 and 2024. There is much greater consistency across the 2022 forecasts reported for Luxembourg, Vienna and Lyon.

Table 3: Forecast Ranges Ranked by 2022 Forecasts (%)

	2022	2023	2024	2022-24 (pa)	2022-26 (pa)
Luxembourg	1.7	2.3	2.1	2.1	2.2
Vienna	2.4	4.6	4.3	2.7	2.8
Lyon	2.5	2.3	4.6	2.0	1.6
Budapest	3.6	5.0	4.1	3.1	2.9
Brussels	3.7	3.8	3.7	3.5	2.9
Copenhagen	3.7	4.6	3.2	3.0	3.2
Barcelona	3.9	5.8	4.3	3.4	2.5
Frankfurt	4.7	6.4	4.4	4.4	3.4
Munich	5.5	4.4	2.8	2.9	2.6
Hamburg	5.7	9.8	5.7	7.0	4.6
London:City	5.9	9.0	3.7	2.9	1.8
Madrid	6.6	6.0	6.0	4.3	3.1
London: West End	6.8	7.4	3.4	4.4	2.5
Amsterdam	7.4	2.3	3.5	3.1	2.9
Rome	7.8	5.9	4.3	2.9	2.4
Berlin	8.0	4.5	5.3	4.1	4.6
Lisbon	8.2	3.9	4.0	4.0	3.3
Paris: la Défense	8.3	4.2	3.6	3.8	2.7
Milan	8.3	3.7	3.3	2.9	3.3
Helsinki	8.5	4.3	2.7	4.6	2.5
Manchester	8.8	5.4	4.1	4.4	2.8
Zurich	9.3	2.5	1.6	3.5	0.9
Dublin	9.8	5.4	4.2	3.7	2.2
Oslo	10.0	4.9	4.7	3.7	3.3
Prague	10.3	5.6	4.9	4.8	3.4
Stockholm	10.5	3.4	2.7	5.4	3.2
Warsaw	12.2	4.4	3.4	5.3	3.3
Paris CBD	16.1	5.0	7.2	5.8	2.7
Minimum	**1.7**	**2.3**	**1.6**	**2.0**	**0.9**
Maximum	**16.1**	**9.8**	**7.2**	**7.0**	**4.6**
Median	**7.6**	**4.6**	**4.0**	**3.7**	**2.8**

Survey of European Office Market Rental Forecasts

Evolution of Forecasts

Table 4 compares the current set of forecasts with those from November 2021, while Table 5 shows the evolution of the 2022 forecasts over the last five surveys, starting from May 2020.

Table 4: Mean weighted rental value growth forecasts (%) – May 2022 versus November 2021

	2022		2023		2024		Rolling 3-year average		Rolling 5-year average	
	May	Nov	May	Nov	May	Nov	May	Nov	May	Nov
Vienna	1.3	(0.7)	2.1	(1.8)	2.0	(na)	1.8	(1.2)	1.6	(1.8)
Brussels	1.5	(0.7)	1.7	(1.6)	2.1	(na)	1.8	(0.7)	1.6	(1.6)
Prague	2.8	(1.1)	0.9	(1.6)	1.0	(na)	1.6	(0.9)	1.2	(1.5)
Copenhagen	0.8	(1.0)	1.6	(1.5)	1.9	(na)	1.4	(1.6)	1.3	(1.9)
Helsinki	1.7	(1.0)	1.2	(1.7)	1.7	(na)	1.5	(0.8)	1.4	(1.2)
Lyon	0.6	(0.3)	0.9	(1.3)	1.8	(na)	1.1	(1.7)	1.1	(1.6)
Paris CBD	0.5	(0.3)	1.4	(1.2)	1.4	(na)	1.1	(0.6)	1.4	(1.2)
Paris la Défense	-0.2	(-0.7)	0.2	(0.9)	1.0	(na)	0.3	(-0.2)	0.6	(0.3)
Berlin	3.4	(1.3)	2.5	(1.6)	1.9	(na)	2.6	(1.6)	2.3	(2.0)
Frankfurt	2.1	(1.3)	2.9	(1.5)	1.8	(na)	2.3	(1.2)	1.9	(1.6)
Hamburg	2.0	(1.5)	1.9	(1.5)	2.0	(na)	2.0	(1.1)	1.8	(1.7)
Munich	2.9	(1.5)	2.1	(1.8)	1.9	(na)	2.3	(1.5)	2.0	(1.7)
Athens*	na	(na)	na	(na)	na	(na)	na	(na)	na	(na)
Budapest	0.1	(0.2)	1.6	(1.3)	1.0	(na)	0.9	(-0.4)	1.0	(0.4)
Dublin	2.2	(0.5)	1.9	(1.9)	1.9	(na)	2.0	(-0.4)	1.7	(0.8)
Milan	3.1	(0.6)	1.6	(1.1)	0.9	(na)	1.9	(0.3)	1.7	(1.0)
Rome	2.9	(0.4)	0.6	(0.7)	0.7	(na)	1.4	(0.5)	1.3	(0.8)
Luxembourg	0.7	(1.0)	1.2	(1.5)	1.4	(na)	1.1	(1.0)	1.3	(1.2)
Amsterdam	2.7	(1.3)	2.1	(2.3)	1.9	(na)	2.2	(1.2)	2.2	(1.6)
Oslo	2.0	(1.4)	1.7	(1.1)	0.8	(na)	1.5	(1.9)	1.8	(1.9)
Warsaw	1.8	(1.4)	1.3	(2.1)	1.5	(na)	1.5	(0.6)	1.4	(1.6)
Lisbon	2.8	(1.3)	1.5	(1.4)	1.6	(na)	1.9	(0.5)	1.8	(1.1)
Moscow*	na	(na)	na	(na)	na	(na)	na	(na)	na	(na)
Madrid	1.0	(1.1)	2.0	(2.7)	2.8	(na)	1.9	(0.5)	1.9	(1.5)
Barcelona	-0.4	(0.1)	1.2	(1.4)	2.2	(na)	1.0	(-0.3)	1.5	(1.0)
Stockholm	3.2	(2.1)	2.7	(2.7)	2.5	(na)	2.8	(2.3)	2.5	(2.4)
Zurich	1.3	(0.0)	1.1	(1.2)	1.2	(na)	1.2	(0.5)	0.9	(0.7)
London: City	3.8	(2.5)	2.1	(2.0)	2.9	(na)	2.9	(1.9)	2.9	(2.5)
London: West End	4.0	(1.7)	2.3	(1.1)	2.5	(na)	2.9	(2.7)	2.7	(2.8)
Manchester	2.4	(0.7)	2.8	(0.7)	1.3	(na)	2.1	(1.2)	1.8	(1.6)

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

Survey of European Office Market Rental Forecasts

Table 5: Evolution of 2022 mean weighted rental value growth forecasts (%)

	May-20	Nov-20	May-21	Nov-21	May-22
Vienna	1.8	0.9	1.1	0.7	1.3
Brussels	2.0	1.5	0.9	0.7	1.5
Prague	1.2	1.6	1.0	1.1	2.8
Copenhagen	2.4	2.0	1.0	1.0	0.8
Helsinki	2.8	2.0	1.1	1.0	1.7
Lyon	1.6	1.9	0.7	0.3	0.6
Paris CBD	2.2	0.8	0.0	0.3	0.5
Paris la Défense	1.5	0.6	0.6	-0.7	-0.2
Berlin	2.1	1.9	1.8	1.3	3.4
Frankfurt	1.4	2.2	1.1	1.3	2.1
Hamburg	1.9	1.6	1.4	1.5	2.0
Munich	1.6	1.8	1.4	1.5	2.9
Athens*	na	na	na	na	na
Budapest	0.9	1.2	0.0	0.2	0.1
Dublin	0.9	-0.4	-0.5	0.5	2.2
Milan	1.7	1.1	-0.3	0.6	3.1
Rome	1.6	1.2	0.0	0.4	2.9
Luxembourg	n/a	1.3	1.2	1.0	0.7
Amsterdam	2.1	1.9	1.4	1.3	2.7
Oslo	2.0	4.6	1.0	1.4	2.0
Warsaw	0.7	1.0	0.5	1.4	1.8
Lisbon	2.3	1.9	1.9	1.3	2.8
Moscow*	na	3.3	-1.7	na	na
Madrid	3.7	2.1	0.0	1.1	1.0
Barcelona	2.4	1.5	0.5	0.1	-0.4
Stockholm	3.0	2.3	2.6	2.1	3.2
Zurich	0.6	1.5	0.5	0.0	1.3
London: City	4.2	3.4	2.8	2.5	3.8
London: West End	3.4	3.1	2.1	1.7	4.0
Manchester	2.1	1.5	1.2	0.7	2.4
Average All Markets	**2.0**	**1.8**	**0.9**	**0.9**	**1.9**

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 surveys from May 2017 to May 2022.

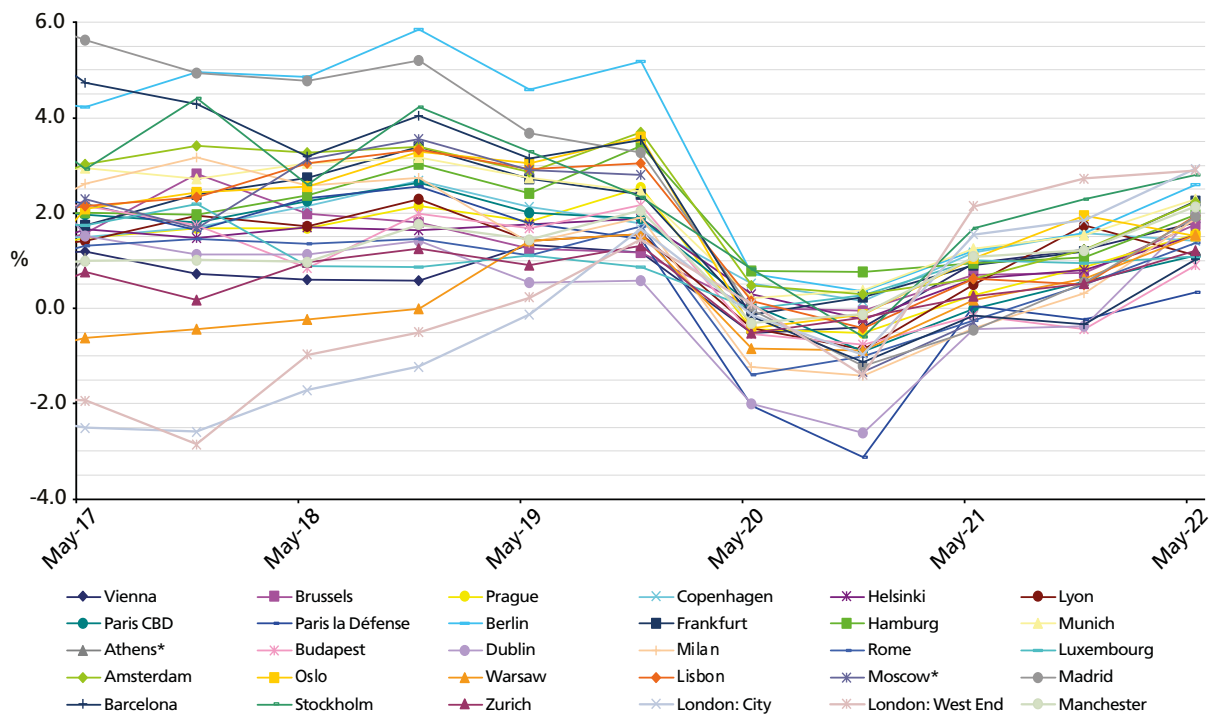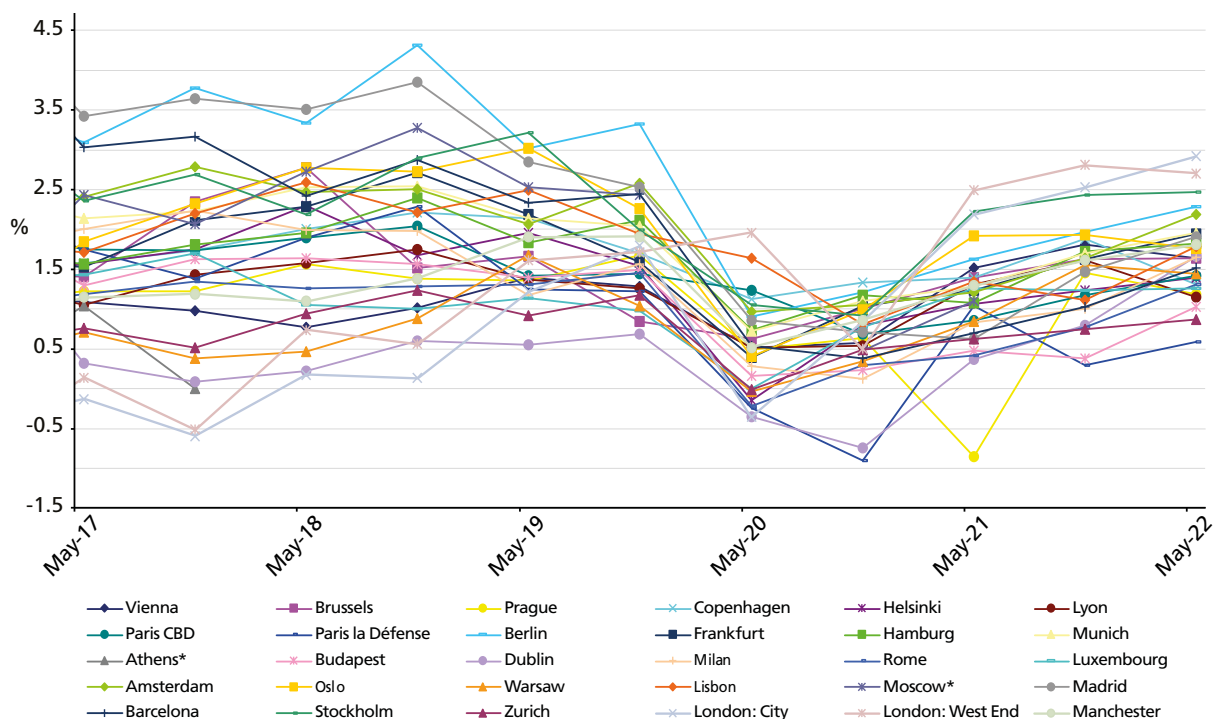**Figure 2: Rolling Three-year %age Weighted Average Growth Forecasts**

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

Acknowledgements

Forecast Contributors

IPF thanks all participants in the survey for contributing rental data to the May 2022 European Consensus Forecasts, comprising the following organisations:

abrdn, AEW, Aviva Investors, blackolive, BNP Paribas Real Estate, Capital Economics, CBRE, CBRE Investment Management, CoStar, Cushman & Wakefield, Danish Property Federation, DWS, Grosvenor, Invesco, JLL, LaSalle Investment Management and Lisney.

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 2022, 2023 and 2024. A three-year average forecast for 2022-2024 is requested where individual years are not available, as well as a five-year average for the period 2022-2026. 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 <u>not</u> 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 17 different organisations (fund/investment management houses and property advisors).

Consensus forecasts further the objective of the Investment Property Forum (IPF) 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 IPF Chief Executive, Sue Forster, at sforster@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

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