



MAY 2020

RESEARCH

European Consensus Forecasts of Prime Office Rents



COMMISSIONED BY THE IPF RESEARCH PROGRAMME

IPF European Consensus Forecasts

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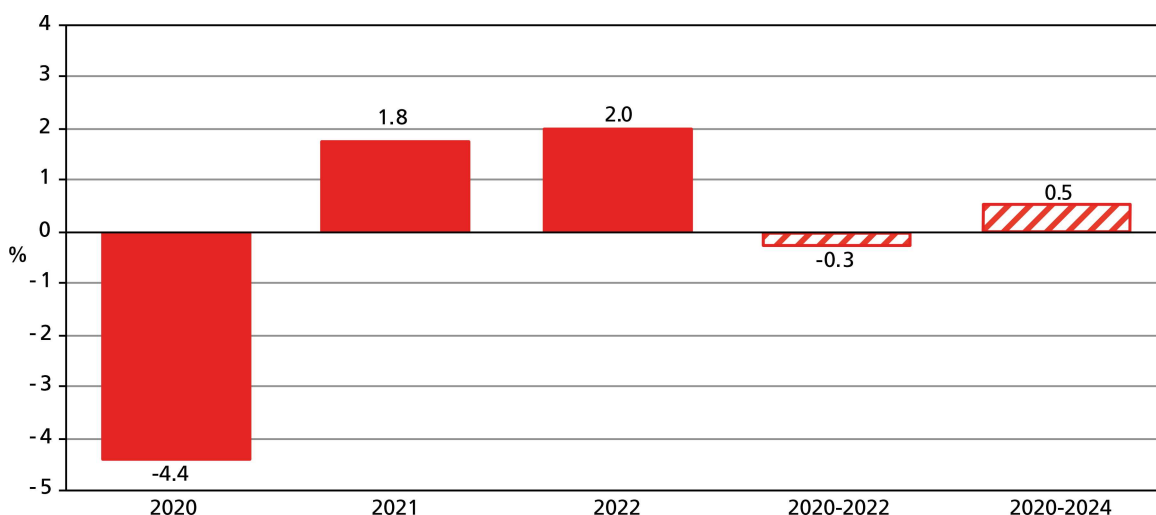
Survey of European Office Market Rental Forecasts May 2020

For the first survey of 2020, 15 organisations provided growth forecasts for some or most of the 30 locations covered by this research. As fewer than the minimum requirement of five forecasts were received for Athens, Luxembourg and Moscow, no results for the current survey period have been produced for these markets.

All forecasts were generated between 30 March and 20 May 2020 against a background of unprecedented market disruption arising out of the economic and wider effects of the COVID-19 pandemic. A high degree of uncertainty must be attached to projections for the current year, therefore, as well as the speed at which markets may recover in future years.

Figure 1 summarises the average growth projections across 27 office markets over the next three years and the annualised averages over three and five years. It should be noted that these disguise considerable variations between individual locations and forecasts, which are detailed in Tables 2 and 3 respectively.

Figure 1: Average Annual Growth Rates, 2020 – 2022, and 3- & 5-Year Annualised Averages (%)



The current 2020 forecast compares with a pre-COVID-19 (November 2019) average of 1.8% across 29 locations. Sub-zero growth is expected in all markets, with falls lying between -1.5% (Berlin) and -7.9% (Paris la Défense).

With the exception of prime Dublin offices, forecast to fall a further 0.8%, rental forecasts for 2021 are expected to rebound to provide positive increases within a range of 4.0% (narrower than the current year's 6.3%). Lying between Stockholm, at 3.1%, and Dublin, the average of 1.8% compares with November's average forecast of 1.3%.

By 2022, all markets should deliver growth of between 4.2% (City of London) and 0.6% (Zurich) to average 2.0%.

The rolling annualised three- and five-year averages are substantially lower than six months ago, recording reductions in excess of 2.5% over three years (from 2.2%) and 1.2% over five years (from 1.7%).

A comparison between the current and preceding survey results is provided in Table 4 on page 5.

Survey of European Prime Office Market Rental Forecasts

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

	Annual rental growth forecast (%)			Difference in forecast (%)	
	2020	2021	2022	2021 vs. 2020	2022 vs. 2021
Vienna	-4.5	1.3	1.8	5.8	0.5
Brussels	-3.7	1.8	2.0	5.6	0.2
Prague	-3.9	1.5	1.2	5.4	-0.3
Copenhagen	-3.5	2.8	2.4	6.3	-0.3
Helsinki	-4.6	2.9	2.8	7.5	0.0
Lyon	-4.7	1.9	1.6	6.6	-0.3
Paris CBD	-3.9	2.0	2.2	6.0	0.2
Paris la Défense	-7.9	0.5	1.5	8.4	0.9
Berlin	-1.5	1.7	2.1	3.2	0.4
Frankfurt	-3.6	2.0	1.4	5.6	-0.6
Hamburg	-2.0	2.4	1.9	4.4	-0.5
Munich	-2.7	1.8	1.6	4.6	-0.3
Athens	na	na	na	na	na
Budapest	-3.6	1.1	0.9	4.7	-0.3
Dublin	-6.0	-0.8	0.9	5.2	1.7
Milan	-6.3	1.1	1.7	7.4	0.5
Rome	-6.0	0.5	1.6	6.5	1.1
Luxembourg	na	na	na	na	na
Amsterdam	-2.4	1.8	2.1	4.2	0.4
Oslo	-5.5	2.4	2.0	7.9	-0.4
Warsaw	-4.0	0.8	0.7	4.8	-0.1
Lisbon	-3.8	2.1	2.3	5.9	0.2
Moscow	na	na	na	na	na
Madrid	-6.0	2.6	3.7	8.6	1.1
Barcelona	-5.6	2.9	2.4	8.5	-0.4
Stockholm	-3.5	3.1	3.0	6.7	-0.2
Zurich	-4.0	1.9	0.6	5.9	-1.2
London: City	-5.9	1.6	4.2	7.5	2.6
London: West End	-5.9	3.0	3.4	8.8	0.5
Manchester	-3.8	0.8	2.1	4.6	1.3
Average	-4.4	1.8	2.0	6.2	0.2

*Note: Changes in forecasts may differ to those values recorded in the table due to rounding.

Survey of European Prime Office Market Rental Forecasts

Table 2 summarises weighted growth rates for the 27 markets analysed, ranked by order of highest to lowest projections for the current year, including the three- and five-year annualised forecasts.

Table 2: 2019 Ranked Weighted Average Growth Rates (%)

End-2019 rent (psm)		Yearly rental growth forecast (%)			Annualised rental growth forecast (% pa)	
Location/currency		2020	2021	2022	2020/2022	2020/2024
Berlin (€)	446.45	-1.5	1.7	2.1	0.7	0.9
Hamburg (€)	360.41	-2.0	2.4	1.9	0.8	0.7
Amsterdam (€)	450.56	-2.4	1.8	2.1	0.5	1.0
Munich (€)	473.38	-2.7	1.8	1.6	0.2	0.7
Stockholm (SKr)	7,012.75	-3.5	3.1	3.0	0.8	1.1
Copenhagen (DKr)	1,885.50	-3.5	2.8	2.4	0.5	1.1
Budapest (€)	287.67	-3.6	1.1	0.9	-0.5	0.2
Frankfurt (€)	519.61	-3.6	2.0	1.4	-0.1	0.4
Brussels (€)	287.22	-3.7	1.8	2.0	0.0	0.6
Lisbon (€)	274.83	-3.8	2.1	2.3	0.2	1.6
Manchester (GBP)	388.75	-3.8	0.8	2.1	-0.3	0.7
Prague (€)	266.38	-3.9	1.5	1.2	-0.4	0.5
Paris CBD (€)	860.69	-3.9	2.0	2.2	0.1	1.2
Warsaw (€)	279.11	-4.0	0.8	0.7	-0.8	0.0
Zurich (CHF)	812.56	-4.0	1.9	0.6	-0.5	0.0
Vienna (€)	297.32	-4.5	1.3	1.8	-0.5	0.5
Helsinki (€)	406.95	-4.6	2.9	2.8	0.3	-0.1
Lyon (€)	304.74	-4.7	1.9	1.6	-0.4	0.5
Oslo (Nkr)	4,695.20	-5.5	2.4	2.0	-0.4	0.4
Barcelona (€)	320.96	-5.6	2.9	2.4	-0.2	0.5
London: West End (GBP)	1,115.96	-5.9	3.0	3.4	0.1	2.0
London: City (GBP)	816.07	-5.9	1.6	4.2	-0.1	-0.4
Dublin (€)	672.97	-6.0	-0.8	0.9	-2.0	-0.3
Madrid (€)	420.82	-6.0	2.6	3.7	0.0	0.9
Rome (€)	443.33	-6.0	0.5	1.6	-1.4	-0.2
Milan (€)	595.42	-6.3	1.1	1.7	-1.2	0.3
Paris la Défense (€)	540.00	-7.9	0.5	1.5	-2.0	-0.2
Average	na	-4.4	1.8	2.0	-0.3	0.5
Range	na	6.3	4.0	3.5	2.9	2.3

Survey of European Prime Office Market Rental Forecasts

The considerable forecast ranges reported reflect the lack of certainty in the near-term, due to the impact of COVID-19 across Europe. However, forecaster opinion appears to narrow in subsequent years, as economic activity is expected to recover.

Table 3: Forecast Ranges (%)

	2020	2021	2022	2020-22 (% pa)	2020-24 (% pa)
Budapest	17.4	6.4	2.7	6.4	7.3
Paris CBD	16.4	8.5	4.6	5.9	2.9
London: West End	16.2	15.6	2.8	6.2	2.2
Lyon	15.9	8.2	4.3	4.9	2.3
Madrid	15.7	14.2	7.2	7.0	6.1
London: City	15.1	12.6	4.2	6.1	3.0
Prague	15.1	8.0	4.0	6.4	3.9
Paris la Défense	14.8	14.7	3.7	7.5	5.4
Hamburg	14.6	12.1	6.6	5.5	4.9
Milan	14.4	9.0	3.6	7.2	4.6
Oslo	14.2	10.9	7.0	6.0	4.6
Berlin	14.0	11.4	4.0	7.4	6.7
Dublin	13.7	16.6	7.0	8.4	4.9
Rome	13.6	10.2	3.9	6.3	4.0
Warsaw	13.4	8.0	3.5	5.1	3.5
Frankfurt	13.1	8.9	4.0	4.7	2.6
Barcelona	12.9	12.6	4.3	6.1	5.1
Zurich	12.8	6.6	2.5	5.0	2.0
Munich	12.8	6.1	5.3	5.0	3.8
Helsinki	12.6	11.3	7.3	5.1	2.2
Manchester	12.4	10.4	4.0	4.6	3.2
Lisbon	11.9	7.9	2.3	5.7	4.4
Vienna	11.6	8.2	3.2	3.8	1.4
Amsterdam	11.2	8.4	2.5	5.0	4.0
Copenhagen	10.8	7.7	3.8	2.7	2.1
Stockholm	10.3	12.0	8.1	6.4	3.8
Brussels	8.3	11.4	4.4	4.1	2.3
Minimum	8.3	6.1	2.3	2.7	1.4
Maximum	17.4	16.6	8.1	8.4	7.3
Median	13.6	10.2	4.0	5.9	3.8

Survey of European Prime Office Market Rental Forecasts

Table 4 compares the last two sets of forecasts, whilst Table 5 shows the evolution of the 2020 forecasts over the five surveys covering this period, commencing in May 2018.

Table 4: Mean weighted rental value growth forecasts (%) – May 2020 versus November 2019

	2020		2021		2022		Rolling 3-year average		Rolling 5-year average	
	May	Nov.	May	Nov.	May	Nov.	May	Nov.	May	Nov.
Vienna	-4.5	(1.3)	1.3	(1.3)	1.8	(na)	-0.5	(1.2)	0.5	(1.3)
Brussels	-3.7	(1.2)	1.8	(1.1)	2.0	(na)	0.0	(1.2)	0.6	(0.8)
Prague	-3.9	(1.7)	1.5	(1.4)	1.2	(na)	-0.4	(2.5)	0.5	(1.7)
Copenhagen	-3.5	(1.8)	2.8	(1.7)	2.4	(na)	0.5	(1.8)	1.1	(1.7)
Helsinki	-4.6	(1.5)	2.9	(1.4)	2.8	(na)	0.3	(1.9)	-0.1	(1.5)
Lyon	-4.7	(1.0)	1.9	(0.6)	1.6	(na)	-0.4	(1.6)	0.5	(1.3)
Paris CBD	-3.9	(1.7)	2.0	(0.8)	2.2	(na)	0.1	(1.9)	1.2	(1.4)
Paris la Défense	-7.9	(1.6)	0.5	(1.0)	1.5	(na)	-2.0	(1.5)	-0.2	(1.2)
Berlin	-1.5	(4.6)	1.7	(2.1)	2.1	(na)	0.7	(5.2)	0.9	(3.3)
Frankfurt	-3.6	(2.0)	2.0	(1.4)	1.4	(na)	-0.1	(2.4)	0.4	(1.6)
Hamburg	-2.0	(2.4)	2.4	(1.6)	1.9	(na)	0.8	(3.4)	0.7	(2.1)
Munich	-2.7	(2.3)	1.8	(1.6)	1.6	(na)	0.2	(2.5)	0.7	(2.0)
Athens*	na	(na)	na	(na)	na	(na)	na	(na)	na	(na)
Budapest	-3.6	(1.7)	1.1	(1.7)	0.9	(na)	-0.5	(2.2)	0.2	(1.5)
Dublin	-6.0	(0.6)	-0.8	(0.1)	0.9	(na)	-2.0	(0.6)	-0.3	(0.7)
Milan	-6.3	(1.6)	1.1	(0.6)	1.7	(na)	-1.2	(1.9)	0.3	(1.6)
Rome	-6.0	(0.6)	0.5	(1.0)	1.6	(na)	-1.4	(1.7)	-0.2	(1.5)
Luxembourg*	na	(0.8)	na	(0.5)	na	(na)	na	(0.9)	na	(1.0)
Amsterdam	-2.4	(3.3)	1.8	(1.4)	2.1	(na)	0.5	(3.7)	1.0	(2.6)
Oslo	-5.5	(3.0)	2.4	(1.9)	2.0	(na)	-0.4	(3.6)	0.4	(2.3)
Warsaw	-4.0	(1.5)	0.8	(1.2)	0.7	(na)	-0.8	(1.5)	0.0	(1.0)
Lisbon	-3.8	(2.2)	2.1	(1.5)	2.3	(na)	0.2	(3.0)	1.6	(1.9)
Moscow*	na	(3.0)	na	(2.8)	na	(na)	na	(2.8)	na	(2.4)
Madrid	-6.0	(3.0)	2.6	(2.1)	3.7	(na)	0.0	(3.3)	0.9	(2.5)
Barcelona	-5.6	(3.2)	2.9	(0.9)	2.4	(na)	-0.2	(3.5)	0.5	(2.4)
Stockholm	-3.5	(1.7)	3.1	(1.4)	3.0	(na)	0.8	(2.3)	1.1	(2.0)
Zurich	-4.0	(0.7)	1.9	(0.7)	0.6	(na)	-0.5	(1.3)	0.0	(1.2)
London: City	-5.9	(0.6)	1.6	(1.7)	4.2	(na)	-0.1	(1.7)	-0.4	(1.8)
London: West End	-5.9	(0.9)	3.0	(1.9)	3.4	(na)	0.1	(1.5)	2.0	(1.7)
Manchester	-3.8	(1.0)	0.8	(0.9)	2.1	(na)	-0.3	(2.1)	0.7	(1.9)

Previous survey figures in brackets

*Fewer than 5 forecasts received for these markets

Survey of European Prime Office Market Rental Forecasts

Table 5: Evolution of 2020 mean weighted rental value growth forecasts (%)

	May-18	Nov-18	May-19	Nov-19	May-20
Vienna	0.6	1.0	1.0	1.3	-4.5
Brussels	1.5	1.1	1.1	1.2	-3.7
Prague	0.9	0.9	1.9	1.7	-3.9
Copenhagen	1.7	1.7	2.2	1.8	-3.5
Helsinki	1.5	1.3	1.5	1.5	-4.6
Lyon	1.0	1.6	1.2	1.0	-4.7
Paris CBD	1.7	1.9	1.9	1.7	-3.9
Paris la Défense	1.2	1.5	1.6	1.6	-7.9
Berlin	2.5	4.0	5.0	4.6	-1.5
Frankfurt	1.6	2.0	2.4	2.0	-3.6
Hamburg	1.1	1.9	2.4	2.4	-2.0
Munich	1.9	2.4	2.8	2.3	-2.7
Athens	na	na	na	na	na
Budapest	0.4	1.0	1.5	1.7	-3.6
Dublin	-0.8	0.8	0.7	0.6	-6.0
Milan	1.2	1.1	1.3	1.6	-6.3
Rome	1.1	0.9	1.1	0.6	-6.0
Luxembourg	0.5	1.0	1.1	0.8	na
Amsterdam	1.8	2.0	2.9	3.3	-2.4
Oslo	0.8	1.7	2.9	3.0	-5.5
Warsaw	-0.8	-1.2	0.2	1.5	-4.0
Lisbon	1.5	17.4	2.2	2.2	-3.8
Moscow	1.7	2.2	3.2	3.0	na
Madrid	2.1	2.4	3.5	3.0	-6.0
Barcelona	1.6	1.5	3.0	3.2	-5.6
Stockholm	1.2	1.4	2.8	1.7	-3.5
Zurich	0.8	0.6	0.5	0.7	-4.0
London: City	0.5	-0.2	-1.1	0.6	-5.9
London: West End	0.9	70.2	-0.1	0.9	-5.9
Manchester	0.9	1.0	1.2	1.0	-3.8

Survey of European Prime Office Market Rental Forecasts

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

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

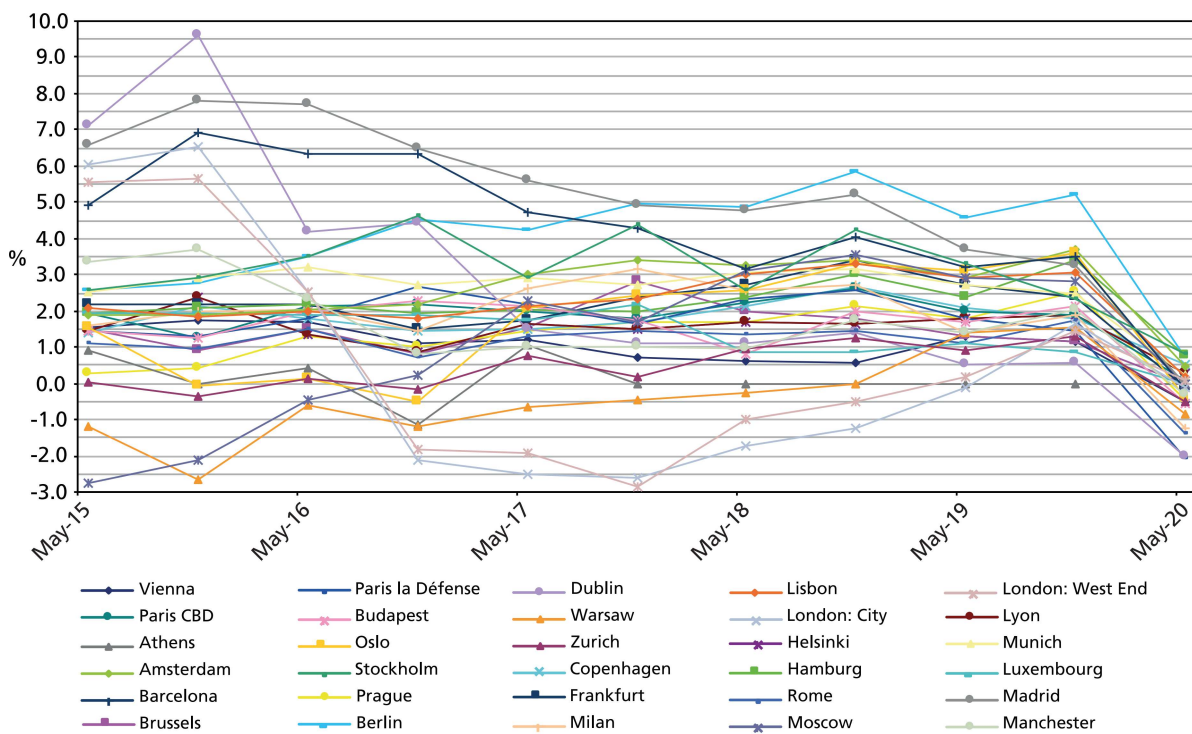
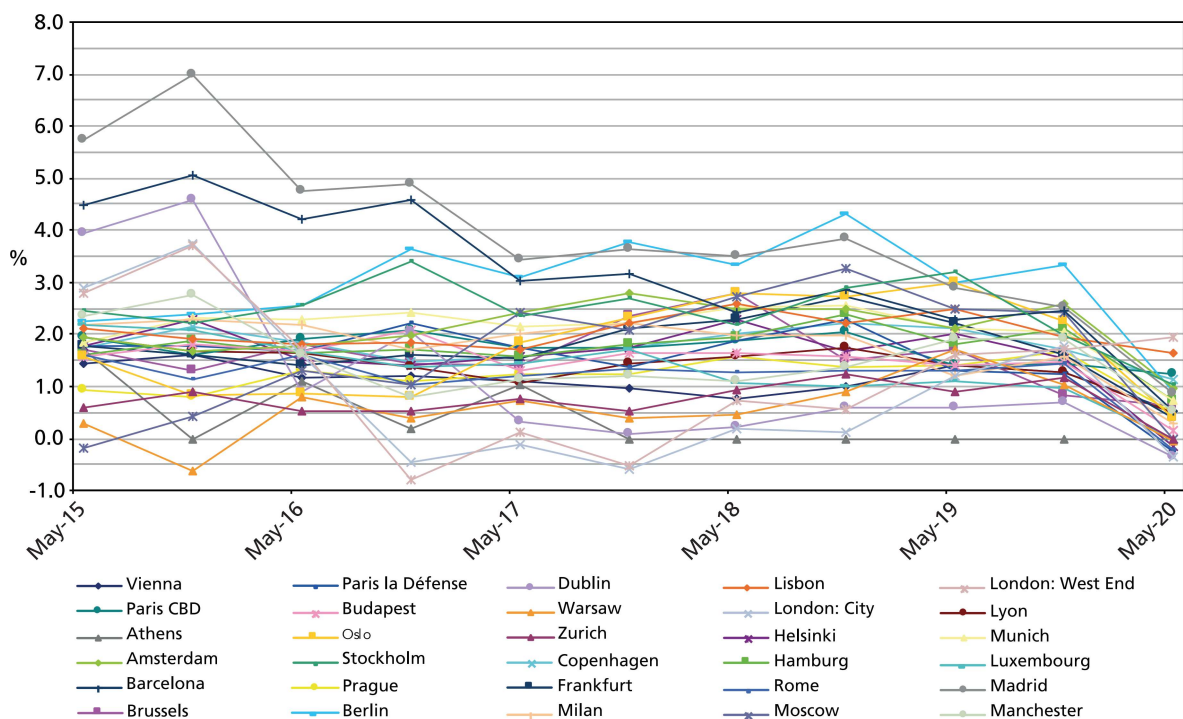


Figure 3: Rolling Five-year %age Weighted Average Growth Forecasts



Acknowledgements

Forecast Contributors

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Aberdeen Standard Investments, AEW, AXA-IM Real Assets, blackolive, Capital Economics, CBRE, CBRE Global Investors, CoStar, Cushman & Wakefield, Danish Property Federation, DWS, Grosvenor, Lisney, PATRIZIA and Real Estate Strategies.

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 2020, 2021 and 2022. A three-year average forecast for 2020-2022 is requested where individual years are not available, as well as a five-year average for the period 2020-2024. 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, tel. +44 (0)20 7194 7925.

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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