



MAY 2021

RESEARCH

Investment Property Forum European Consensus Forecasts

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IPF European Consensus Forecasts

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This Programme supports the IPF's wider goals of enhancing the understanding and efficiency of property as an investment. The initiative provides the UK property investment market with the ability to deliver substantial, objective and high-quality analysis on a structured basis. It encourages the whole industry to engage with other financial markets, the wider business community and government on a range of complementary issues.

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Survey of European Office Market Rental Forecasts May 2021

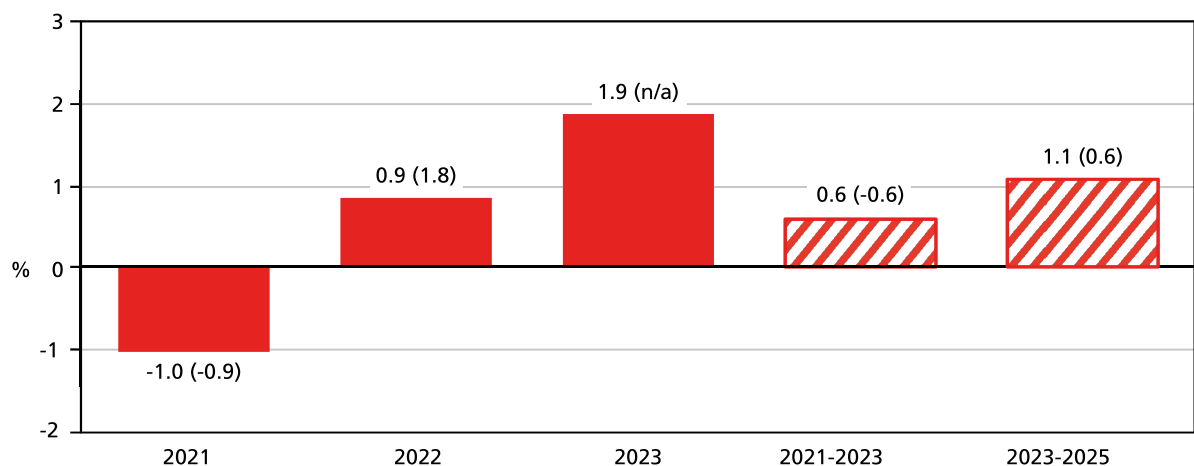
For the first survey of 2021, 20 organisations provided growth forecasts for some or most of the 30 locations covered by this research. Although the earliest forecast was generated in November 2020, half (10) were produced in April 2021 and a further seven date from March 2021. As fewer than the minimum requirement of five rental growth forecasts were received for Athens, no results for the current survey period have been produced for this market.

With the roll out of vaccination programmes progressing at different rates across the continent, the pandemic continues to be a significant influence on rental growth expectations. Uncertainty surrounding its long-term impact, leading to, potentially, a more flexible approach by employers to working from home one or more days a week, continues to challenge forecasting assumptions.

A number of survey contributors volunteered concerns about the confidence they place in their forecasts, in one instance expressing reservations regarding both the accuracy of current rent estimates and the relevance of economic data, with GDP, as a modelling input, oscillating hugely, from a big negative for 2020 to a big positive for 2021.

Weighted average growth projections are summarised in Figure 1, which shows yearly and annualised averages, over three and five years, across the 29 office locations where adequate data was available for analysis. (November 2020 figures appear in brackets.)

Figure 1: Weighted Average Annual & Annualised Growth Rates, 2021-2025 (%)



Survey of European Office Market Rental Forecasts

2021 Outlook

Although the overall prospects for current year rental growth are little changed, the latest reported 2021 forecasts for these 27 cities indicate zero or positive growth in only seven locations – a modest improvement on November (four). The strongest projection is for Munich (at + 0.6%), with average rates otherwise ranging between -3.6% for Madrid and 0.4% for Berlin, while the median forecast lies close to the average, at -0.9%. Of the 12 centres where forecasts are weaker than reported previously, the greatest reduction was recorded for Moscow, down by more than 170 bps over the six months, albeit based on only six forecasts. Hamburg, on the other hand, is unaltered at 0.1% (16 forecasts).

2022 and Longer Term

The 2022 average growth rate has fallen 90 bps over the six months. Five negative forecasts, comprising (in ascending order of decline) Moscow, Dublin, Milan, Paris CBD and Madrid, compared to only one previously (Dublin), and a majority of lower growth projections (totalling 25 locations) contributed to this decrease against a mean of 1.8% reported in November. The two markets expected to produce modestly better average growth rates consist of Stockholm (up 30 bps, to 2.6%) and Vienna (up 19 bps, to 1.1%). Overall, 17 markets are projected to outperform the 0.9% average forecast for next year.

The introduction of forecasts for 2023, replacing 2020's substantially weaker projections, which combined to produce an average of -2.7%, has resulted in an expected return to positive growth on an annualised basis over three years. The mean reflects a rise of almost 120 bps over last November's rolling three-year average, with 20 of the 29 markets forecast to produce positive growth. These range between 0.2% per annum for Warsaw to 2.1% per annum for London's West End. Against an average and median of 0.6% per annum, underperformers may include both Paris markets and a number of CEE locations, while 16 locations are at or above the average growth rate.

The five-year average annualised projection, which has improved by 50 bps since the last survey, contains only a single negative forecast, being Prague at -0.9%. Remaining centres range between 0.4% per annum (Dublin and Rome) and 2.5% per annum for London's West End. Currently, 15 markets lie above the overall average of 1.1% per annum (14 above median value of 1.2% per annum).

Survey of European Office Market Rental Forecasts

Average Growth Forecasts

Table 1 records the latest weighted averages across the 30 office markets surveyed¹, together with the year-on-year differences between the periods reported.

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

	Rental growth forecast (% pa)			Y-o-Y Difference	
	2021	2022	2023	2022 vs. 2021	2023 vs. 2022
Vienna	0.0	1.1	1.7	0.9	1.5
Brussels	-0.2	0.9	1.4	0.7	1.4
Prague	-1.0	1.0	0.8	0.3	-0.9
Copenhagen	0.4	1.0	2.2	1.2	1.4
Helsinki	-1.1	1.1	1.8	0.6	1.1
Lyon	-0.8	0.7	1.6	0.5	1.3
Paris CBD	-1.8	0.0	1.9	0.0	0.9
Paris la Défense	-2.6	0.6	2.1	0.0	1.0
Berlin	0.4	1.8	1.4	1.2	1.6
Frankfurt	0.2	1.1	1.4	0.9	1.2
Hamburg	0.1	1.4	1.3	0.9	1.1
Munich	0.6	1.4	1.7	1.2	1.3
Athens*	na	na	na	na	na
Budapest	-1.6	0.0	1.1	-0.2	0.5
Dublin	-2.5	-0.5	1.8	-0.4	0.4
Milan	-1.9	-0.3	1.0	-0.4	0.8
Rome	-1.6	0.0	0.9	-0.2	0.4
Luxembourg	-0.2	1.2	2.1	1.0	1.3
Amsterdam	-1.8	1.4	2.3	0.6	1.2
Oslo	0.4	1.0	1.8	1.0	1.9
Warsaw	-0.8	0.5	0.9	0.2	0.8
Lisbon	-1.1	1.9	1.1	0.6	1.3
Moscow	-1.2	-1.7	2.1	-0.3	1.1
Madrid	-3.6	0.0	2.3	-0.4	0.6
Barcelona	-2.8	0.5	1.9	-0.2	0.7
Stockholm	-0.8	2.6	3.2	1.7	2.2
Zurich	-0.7	0.5	1.0	0.3	0.6
London: City	-2.3	2.8	4.3	1.6	2.2
London: West End	-0.4	2.1	4.8	2.1	2.5
Manchester	-0.9	1.2	3.0	1.1	1.3
Average	-1.0	0.9	1.9	0.6	1.1

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

¹ As fewer than five forecasts were received for Athens it has not be possible to produce any aggregated data on this market.

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. The data continue to disguise variations between individual locations, with no apparent link to either region or currency.

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
Madrid	424.25	-3.6	0.0	2.3	-0.4	0.6
Barcelona	326.81	-2.8	0.5	1.9	-0.2	0.7
Paris la Défense	521.64	-2.6	0.6	2.1	0.0	1.0
Dublin	644.65	-2.5	-0.5	1.8	-0.4	0.4
London: City (GBP)	733.01	-2.3	2.8	4.3	1.6	2.2
Milan	597.63	-1.9	-0.3	1.0	-0.4	0.8
Paris CBD	898.24	-1.8	0.0	1.9	0.0	0.9
Amsterdam	452.48	-1.8	1.4	2.3	0.6	1.2
Rome	449.16	-1.6	0.0	0.9	-0.2	0.4
Budapest	288.69	-1.6	0.0	1.1	-0.2	0.5
Moscow (USD)	681.18	-1.2	-1.7	2.1	-0.3	1.1
Helsinki	433.22	-1.1	1.1	1.8	0.6	1.1
Lisbon	285.14	-1.1	1.9	1.1	0.6	1.3
Prague	263.15	-1.0	1.0	0.8	0.3	-0.9
Manchester (GBP)	391.64	-0.9	1.2	3.0	1.1	1.3
Warsaw	279.57	-0.8	0.5	0.9	0.2	0.8
Lyon	308.23	-0.8	0.7	1.6	0.5	1.3
Stockholm (SKr)	7,364.66	-0.8	2.6	3.2	1.7	2.2
Zurich (CHF)	848.14	-0.7	0.5	1.0	0.3	0.6
London: West End (GBP)	1,111.53	-0.4	2.1	4.8	2.1	2.5
Luxembourg	606.63	-0.2	1.2	2.1	1.0	1.3
Brussels	296.56	-0.2	0.9	1.4	0.7	1.4
Vienna	300.39	0.0	1.1	1.7	0.9	1.5
Hamburg	374.66	0.1	1.4	1.3	0.9	1.1
Frankfurt	523.61	0.2	1.1	1.4	0.9	1.2
Copenhagen (DKr)	1,926.74	0.4	1.0	2.2	1.2	1.4
Oslo (Nkr)	4,957.53	0.4	1.0	1.8	1.0	1.9
Berlin	458.78	0.4	1.8	1.4	1.2	1.6
Munich	476.99	0.6	1.4	1.7	1.2	1.3
Average	na	-1.0	0.9	1.9	0.6	1.1
Range	na	4.2	4.5	4.0	2.6	3.3

*€ unless otherwise stated

Survey of European Office Market Rental Forecasts

Forecast Ranges

The extent of forecast ranges reported remains significant in a number of instances, although not confined to those markets with less transparency and/or lower transactional activity, as illustrated in Table 3.

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

	2021	2022	2023	2021-23 (pa)	2021-25 (pa)
Vienna	3.1	5.5	4.3	2.6	2.9
Zurich	3.2	3.0	3.0	2.1	0.8
Moscow	4.7	17.1	2.9	6.1	4.1
Helsinki	5.1	8.0	5.4	5.8	2.0
Luxembourg	5.3	4.9	6.1	1.8	1.9
Hamburg	5.4	7.5	3.4	4.0	2.0
Lyon	5.8	10.6	3.1	4.8	2.3
Munich	6.4	5.3	2.4	4.2	1.9
Berlin	6.8	6.3	5.5	4.9	4.2
Oslo	6.8	7.5	7.7	3.8	2.3
Amsterdam	7.0	7.5	8.1	4.6	2.5
Lisbon	7.0	9.1	4.8	4.9	4.8
Dublin	7.5	5.9	7.4	4.8	3.2
Prague	7.6	7.3	6.4	5.0	4.0
Copenhagen	7.6	3.3	3.0	3.3	2.3
Paris CBD	7.7	7.7	7.1	5.4	2.8
London: West End	8.0	17.3	10.0	7.9	3.0
Milan	8.1	6.0	4.9	3.5	5.1
Barcelona	8.3	12.1	7.1	5.2	2.4
Frankfurt	8.5	5.7	5.8	4.7	3.3
Budapest	8.5	6.9	4.2	5.3	3.1
Stockholm	8.8	10.0	4.8	7.5	4.5
Brussels	9.4	10.0	4.2	6.2	3.3
Madrid	9.5	14.9	5.3	7.4	2.7
Rome	10.7	4.6	11.9	3.7	2.4
Warsaw	11.1	8.1	6.6	6.1	6.7
London: City	13.7	17.0	10.6	9.3	3.7
Paris: la Défense	14.0	12.0	8.8	9.0	6.8
Manchester	17.5	12.5	8.6	5.4	3.3
Maximum	24.3	20.6	17.1	8.8	7.9
Minimum	5.9	2.9	3.4	1.1	1.7
Median	9.3	7.6	6.3	5.6	3.8

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The greatest divergence of 2021 forecast opinions reported in November was for London's West End (of 20.6%) and, whereas the difference has reduced significantly (to 8.0%) currently, the broad range of contributor view for this market re-emerges in the following two years. Three of the double-digit forecast ranges for 2021 are repeated in those markets in 2022 and, in the case of London City, in 2023 also.

Evolution of Forecasts

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

Table 4: Mean Weighted Rental Value Growth Forecasts (%) May 2021 versus November 2020

	2021		2022		2023		Rolling 3-year average		Rolling 5-year average	
	May	Nov	May	Nov	May	Nov	May	Nov	May	Nov
Vienna	0.0	(-0.7)	1.1	(0.9)	1.7	na	0.9	(-0.4)	1.5	(0.6)
Brussels	-0.2	(-0.3)	0.9	(1.5)	1.4	na	0.7	(0.0)	1.4	(1.0)
Prague	-1.0	(-0.4)	1.0	(1.6)	0.8	na	0.3	(-0.5)	-0.9	(0.6)
Copenhagen	0.4	(0.0)	1.0	(2.0)	2.2	na	1.2	(0.1)	1.4	(1.3)
Helsinki	-1.1	(0.0)	1.1	(2.0)	1.8	na	0.6	(-0.2)	1.1	(0.8)
Lyon	-0.8	(-1.2)	0.7	(1.9)	1.6	na	0.5	(-0.9)	1.3	(0.5)
Paris CBD	-1.8	(-2.1)	0.0	(0.8)	1.9	na	0.0	(-0.9)	0.9	(0.7)
Paris la Défense	-2.6	(-3.0)	0.6	(0.6)	2.1	na	0.0	(-3.1)	1.0	(-0.9)
Berlin	0.4	(0.0)	1.8	(1.9)	1.4	na	1.2	(0.4)	1.6	(1.2)
Frankfurt	0.2	(0.2)	1.1	(2.2)	1.4	na	0.9	(0.2)	1.2	(1.0)
Hamburg	0.1	(0.1)	1.4	(1.6)	1.3	na	0.9	(0.8)	1.1	(1.2)
Munich	0.6	(0.4)	1.4	(1.8)	1.7	na	1.2	(0.4)	1.3	(1.1)
Athens*	na	(na)	na	(na)	na	na	na	(na)	na	(na)
Budapest	-1.6	(1.0)	0.0	(1.2)	1.1	na	-0.2	(-0.8)	0.5	(0.2)
Dublin	-2.5	(-3.6)	-0.5	(-0.4)	1.8	na	-0.4	(-2.6)	0.4	(-0.7)
Milan	-1.9	(-2.2)	-0.3	(1.1)	1.0	na	-0.4	(-1.4)	0.8	(0.1)
Rome	-1.6	(-1.6)	0.0	(1.2)	0.9	na	-0.2	(-1.0)	0.4	(0.3)
Luxembourg	-0.2	(-0.4)	1.2	(1.3)	2.1	na	1.0	(0.3)	1.3	(0.8)
Amsterdam	-1.8	(-0.6)	1.4	(1.9)	2.3	na	0.6	(0.3)	1.2	(1.0)
Oslo	0.4	(0.0)	1.0	(4.6)	1.8	na	1.0	(-0.1)	1.9	(1.0)
Warsaw	-0.8	(-1.4)	0.5	(1.0)	0.9	na	0.2	(-0.9)	0.8	(0.3)
Lisbon	-1.1	(-0.7)	1.9	(1.9)	1.1	na	0.6	(-0.4)	1.3	(0.8)
Moscow	-1.2	(0.5)	-1.7	(3.3)	2.1	na	-0.3	(-1.3)	1.1	(0.5)
Madrid	-3.6	(-2.6)	0.0	(2.1)	2.3	na	-0.4	(-1.2)	0.6	(0.7)
Barcelona	-2.8	(-1.7)	0.5	(1.5)	1.9	na	-0.2	(-1.1)	0.7	(0.4)
Stockholm	-0.8	(-0.5)	2.6	(2.3)	3.2	na	1.7	(-0.6)	2.2	(0.9)
Zurich	-0.7	(-1.0)	0.5	(1.5)	1.0	na	0.3	(-0.2)	0.6	(0.5)
London: City	-2.3	(-0.6)	2.8	(3.4)	4.3	na	1.6	(-1.0)	2.2	(0.8)
London: West End	-0.4	(-0.4)	2.1	(3.1)	4.8	na	2.1	(-1.4)	2.5	(0.5)
Manchester	-0.9	(-0.5)	1.2	(1.5)	3.0	na	1.1	(-0.1)	1.3	(0.9)

Previous survey figures in brackets

*Fewer than 5 forecasts received for this market

Survey of European Office Market Rental Forecasts

Table 5: Evolution of 2021 Mean Weighted Rental Value Growth Forecasts (%)

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

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 survey, comprising 13 data points, from May 2015.

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

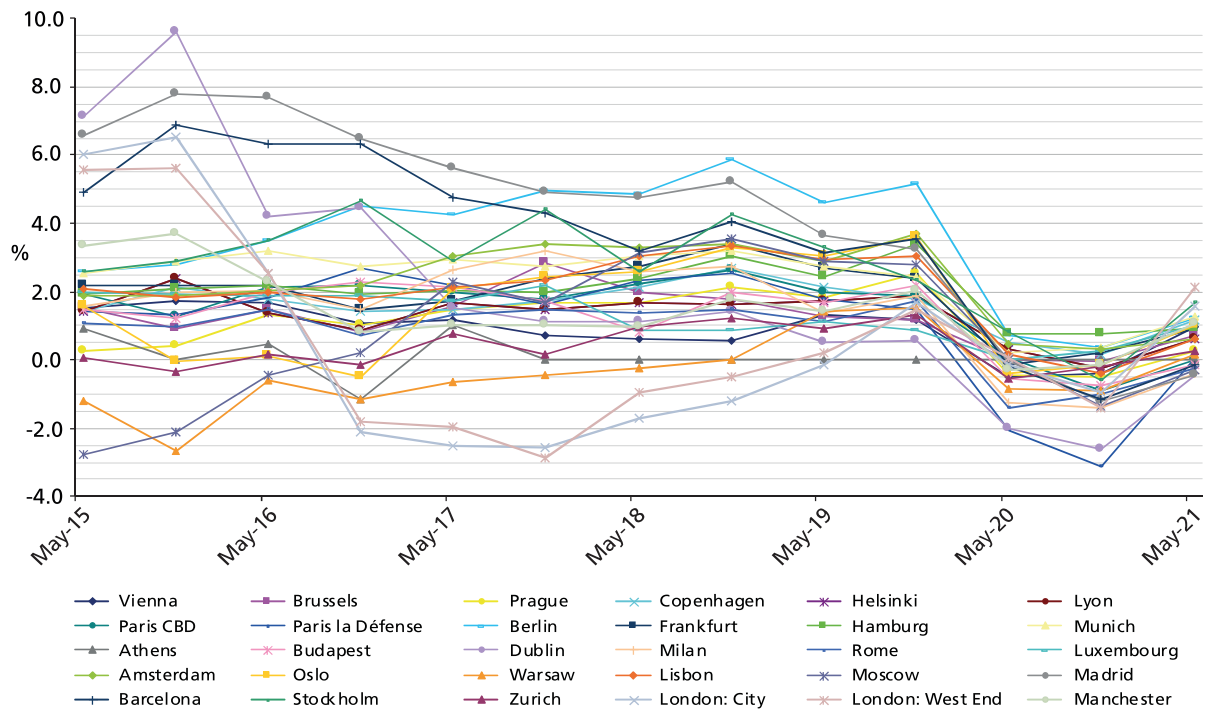
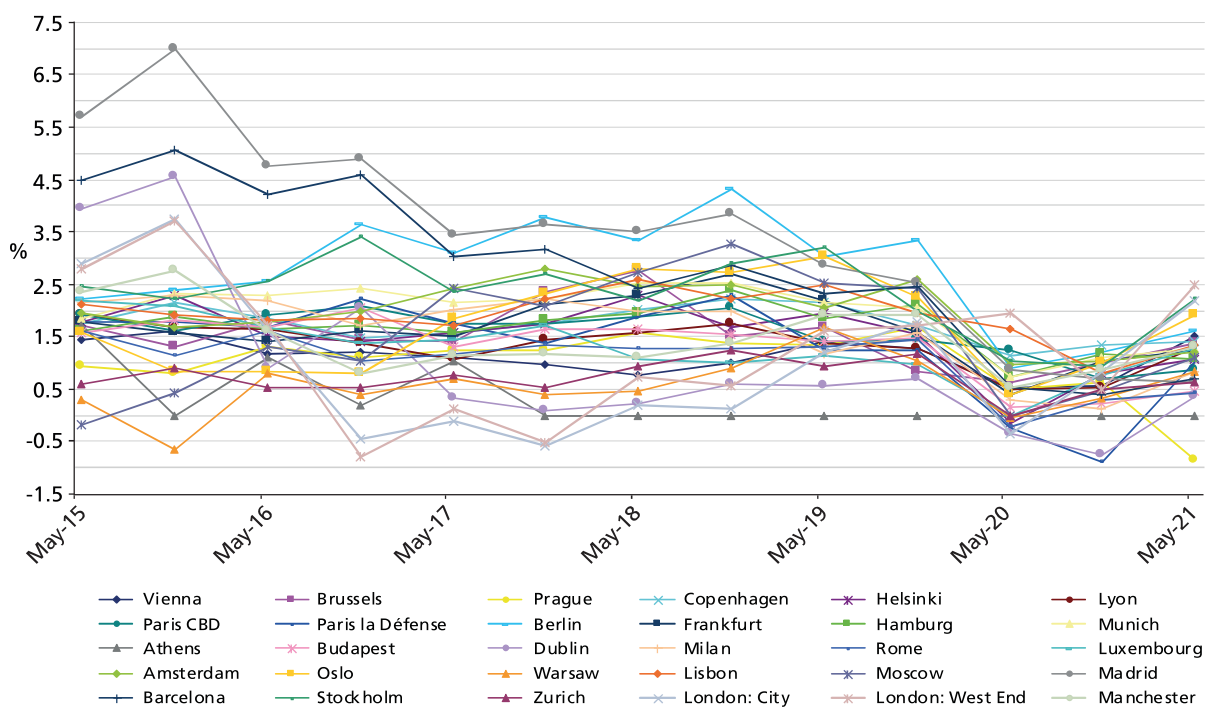


Figure 3: Rolling Five-year %age Weighted Average Growth Forecasts



Acknowledgements

Forecast Contributors

IPF thanks all participants in the survey for contributing rental data to the November 2020 European Consensus Forecasts, including the following organisations:

Aberdeen Standard Investments, AEW, Aviva Investors, AXA-IM Real Assets, blackolive, BNP Paribas Real Estate, Capital Economics, Catella, CBRE, CBRE Global Investors, CoStar, Cushman & Wakefield, Danish Property Federation, DWS, Grosvenor, Invesco, JLL, LaSalle Investment Management, Lisney 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 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

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