



## Zurich and London lead rental boom, according to the first ever Prime Global Rental Index

### Headlines for Q1 2011

**Zurich experienced the strongest growth in prime rents**, recording 18.2% growth in the year to March 2011

**London's lettings market continues to experience boom conditions** with annual growth of 16.9%

**Geneva recorded the strongest quarterly growth**, with rents rising 8% in the first three months of 2011

**Declining rents in Moscow** (-5.7% in the last quarter) represent a correction in the market following 7.2% growth in Q3 2010

**Europe experienced the highest rental growth of all continents at 11.4%**

**Overall, the index recorded average annual rental growth of 6% in Q1 2011**, compared with a fall of 1.7% a year earlier

This, the first edition of Knight Frank's Prime Global Rental Index aims to provide investors, landlords and HR managers with a quarterly analysis of prime residential property's rental performance across key world cities.

There are a number of factors driving the world's prime rental markets. Strong growth is being observed in cities where the recovery of their financial services sector is well-advanced. Zurich, London, Singapore and Hong Kong, which occupy the top four rankings, are all benefitting from favourable employment conditions and an increase in corporate relocations.

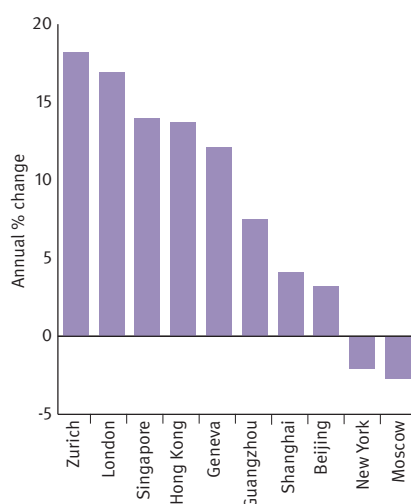
Supply and demand factors are also important. In a number of cities the financial crisis effectively turned off the supply of prime property and now, three years on, there is a dearth of new-build homes available for let. Where prime developments are completed, equity-rich investors are able to compete successfully with domestic owner-occupiers, who, due to restricted lending are having to opt for rental properties as an interim measure.

The performance of the sales market has influenced available rental stock. In cities where prices and activity stalled or even plummeted in 2008-2009 many homeowners decided to let their property, expanding the supply of rental accommodation. As sales values have started to recover many of these properties have now been sold, exacerbating the lack of rental supply.

Interestingly, unlike [Knight Frank's Prime Global Cities Index](#), which tracks the performance of the sales markets, few parallels can be drawn between cities on the same continent. The strength of the Asian economies for example is not translating into strong rental growth across all the continent's cities. Singapore and Hong Kong saw double-digit rental growth in the year to March 2011 (14% and 13.7% respectively), while Beijing recorded only a 3.2% rise.

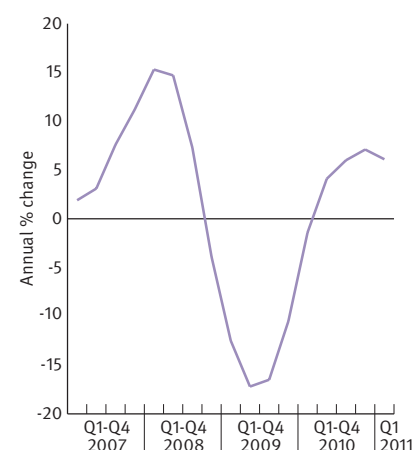
Our view is that rents have further to go in a number of cities where the economic outlook is positive in terms of employment and foreign investment. Growth will be strongest in those cities where tax changes are being implemented, deterring foreign investment and home ownership.

Figure 1  
**12-month rental change**  
Average % change in prime residential rents to Q1 2011



Source: Knight Frank Residential Research

Figure 2  
**Aggregate performance**  
Unweighted average change in prime rents



Source: Knight Frank Residential Research



**Kate Everett-Allen**  
Associate, Residential Research  
+44 (0)20 7861 1513  
kate.everett-allen@knightfrank.com

# RESIDENTIAL RESEARCH PRIME GLOBAL RENTAL INDEX

**Knight Frank**



## Data digest

The **Knight Frank Prime Global Rental Index** established in 2011 is the definitive means for investors and developers to monitor and compare the performance of prime rental markets across key global cities. Prime property corresponds to the top 5% of the mainstream housing market in each city. The index is compiled on a quarterly basis using data from Knight Frank's network of global offices and research teams.

## Regional analysis

Unweighted average annual rental change, by world region

World Region	Annual % change
Asia Pacific	8.4%
Europe	11.1%
North America	-2.1%

### Knight Frank Prime Global Rental Index, Q1 2011

Rank	City	Annual % change (Mar 10 - Mar 11)	Six-month % change (Sept 10 - Mar 11)	Quarterly % change (Dec 10 - Mar 11)
1	Zurich	18.2%	8.3%	4.8%
2	London	16.9%	7.3%	5.0%
4	Singapore	14.0%	3.5%	1.2%
3	Hong Kong	13.7%	4.2%	2.7%
5	Geneva	12.1%	8.3%	8.3%
6	Guangzhou	7.5%	5.3%	0.4%
7	Shanghai	4.1%	4.0%	3.6%
8	Beijing	3.2%	-2.6%	1.2%
9	New York (Manhattan)	-2.1%	1.7%	-1.3%
10	Moscow	-2.7%	-6.1%	-5.7%

Source: Knight Frank Residential Research

## Residential Research

**Liam Bailey**  
Head of Residential Research  
+44(0)20 7861 5133  
liam.bailey@knightfrank.com

## Press Office

**Bronya Heaver**  
+44 (0)20 7861 1412  
bronya.heaver@knightfrank.com

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