

PRIME GLOBAL RENTS CONTINUE TO FALL GLOBALLY

Knight Frank's Prime Global Rental Index fell by 0.5% in the year to March 2016 as continuing economic uncertainty drives rents lower. Taimur Khan assesses the latest index results.

Results for Q1 2016

The index falls for a third consecutive quarter, recording a fall of 0.5% in the year to March 2016

Toronto leads the rankings with prime rents increasing by 8.9% in the year to March 2016

North America continues as the strongest-performing region with prices rising by 3.3% on average

Out of 17 cities, London has slipped to 11th with prime rental prices slipping 1.0% year-on-year

Nairobi occupies the bottom ranking with reduced corporate demand and increased supply causing rents to slip 7.9%

Knight Frank's Prime Global Rental Index, which tracks the change in luxury residential rents across 17 cities globally, fell for a third consecutive quarter with rents falling on average by 0.5% in the year to March 2016. Of the 17 cities tracked by the index, 11 have recorded flat or falling prime rents over the last 12 months.

Toronto leads the rankings with prime rents rising by 8.9%. Strong demand for prime rental properties, combined with a low vacancy rate for condominium apartments, has driven prime rents higher. This is despite completions nearing historic highs, which would usually mean an increase in rental supply and downward pressure on prime rents.

Prime rents in Nairobi fell by 7.9% in the 12 months to March. Demand for prime rental properties has traditionally been from expats. Rents have trended lower as we are seeing weakened demand from this segment of the market due to multinational firms downsizing as a result of adverse economic circumstances driven by low commodity prices.

In London we have seen prime rental growth slow to -1% in the year to March 2016, the lowest annual rate since May 2014. However, the total rental yield which

is a combination of capital growth and rental yield was 3.7% in the year to March, outperforming benchmark hedge fund and stock market indices.

Luxury rental and sales markets tend to move in opposite directions (figure 4). Luxury sales markets have been subject to increased regulation (New York) and a changing tax landscape (UK). Prior to the implementation of some of these regulations, volumes in prime sales markets have increased. This has led to an increased level of supply of prime rentals and therefore prices have fallen, in the coming year we expect the prime global rental index to rebound as these factors are absorbed.

North America remains the best performing region with average prime rents increasing by 3.3% in the year to March. Africa has displaced Europe as weakest-performing region with rents falling on average by 3.2% annually.

Uncertainty in global markets, partly as a result of Brexit, the US presidential election and the timing of the next US rate hike has led to investment decisions on a corporate level being put on hold as firms adopt a wait and see attitude.



TAIMUR KHAN
Senior Research Analyst

"Of the 17 cities tracked by the index, 11 have recorded flat or falling prime rents over the last 12 months."

Follow Taimur at [@taimur124](https://twitter.com/taimur124)

For the latest news, views and analysis on the world of prime property, visit [Global Briefing](#) or [@kgfglobalbrief](https://twitter.com/kgfglobalbrief)

FIGURE 1

Prime Global Rental Index Q1 2016

Annual performance over the last five years 12-month % change

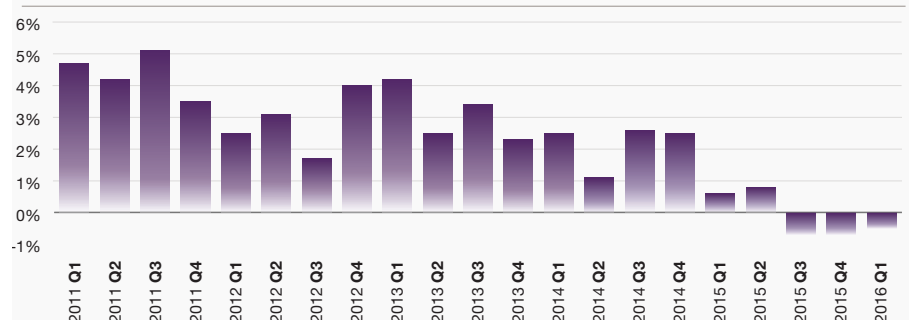


FIGURE 2
Prime Global Rental Index, Q1 2016
 Annual % change

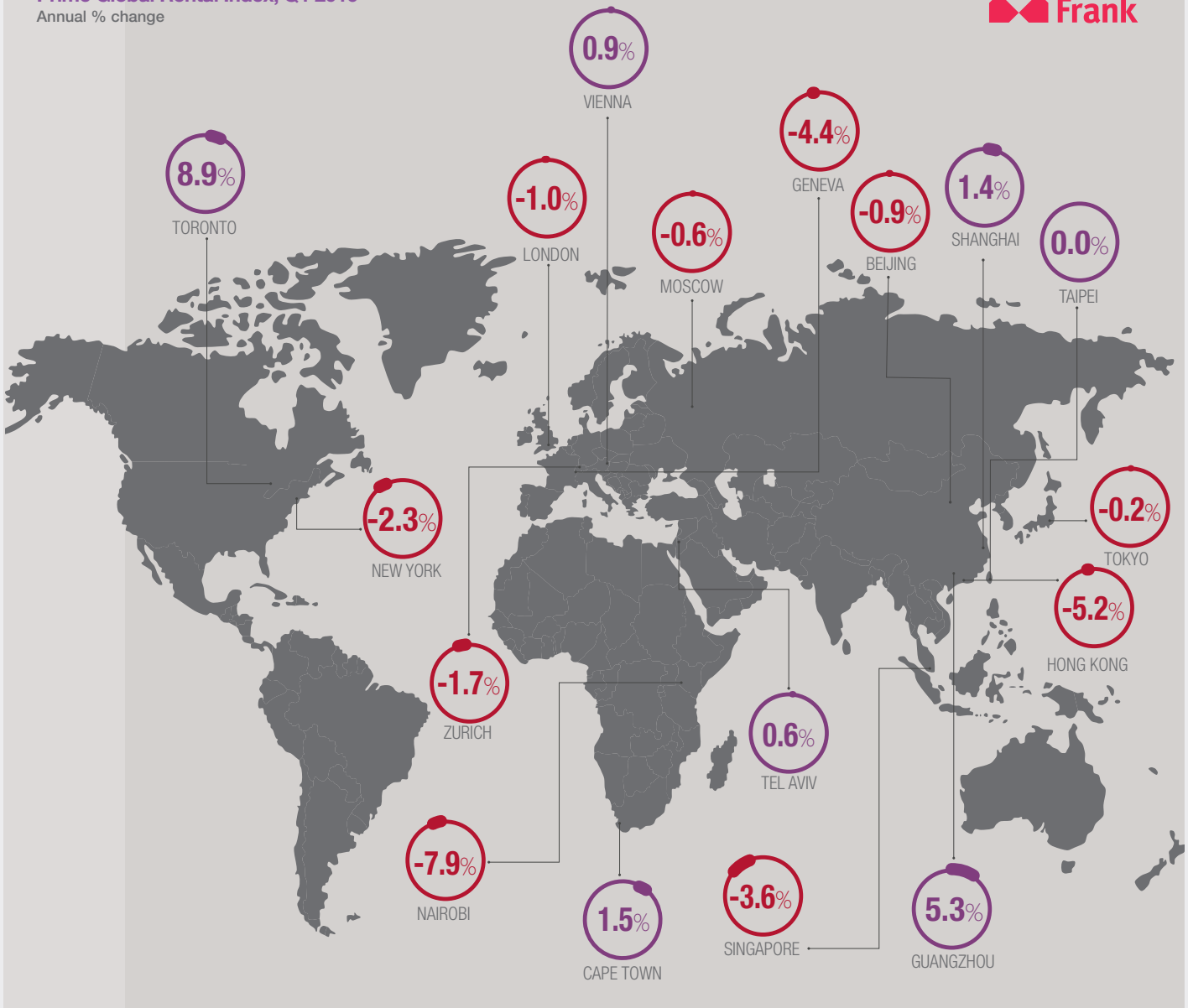
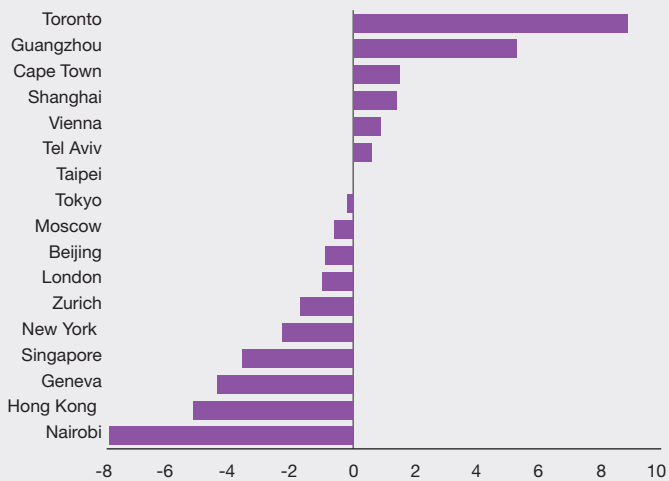
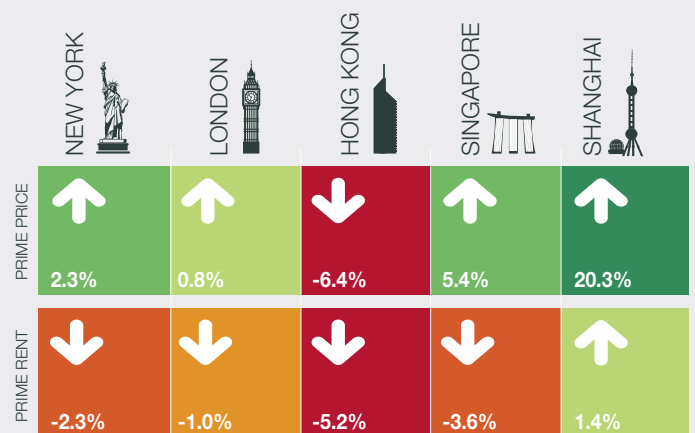


FIGURE 3
Prime residential rental growth by city
 Annual % change to Q1 2016



Source: Knight Frank Research, Miller Samuel/Douglas Elliman, Ken Corporation

FIGURE 4
Prime rental and price growth across key cities
 Average annual % change to Q1 2016



Source: Knight Frank Research, Miller Samuel/Douglas Elliman, Ken Corporation

DATA DIGEST

The Knight Frank Prime Global Rental Index is an important resource for investors and developers looking to monitor and compare the performance of prime residential rents across key global cities. Prime property corresponds to the top 5% of the housing market in each city. The change in prime residential rents is measured in local currency. The index is compiled on a quarterly basis using data from Knight Frank's network of global offices and research teams.

Knight Frank Prime Global Rental Index, Q1 2016

Rank	City	World region	12-month % change (Q1 2015-Q1 2016)	6-month % change (Q3 2015-Q1 2016)	3-month % change (Q4 2015-Q1 2016)
1	Toronto	North America	8.9%	6.0%	6.2%
2	Guangzhou	Asia Pacific	5.3%	0.3%	0.1%
3	Cape Town	Africa	1.5%	1.5%	1.5%
4	Shanghai	Asia Pacific	1.4%	-0.3%	-0.4%
5	Vienna	Europe	0.9%	-0.9%	0.8%
6	Tel Aviv	Middle East	0.6%	2.5%	1.3%
7	Taipei	Asia Pacific	0.0%	0.0%	0.0%
8	Tokyo ²	Asia Pacific	-0.2%	4.1%	-1.2%
9	Moscow	Europe	-0.6%	1.4%	-6.2%
10	Beijing	Asia Pacific	-0.9%	0.8%	0.1%
11	London ¹	Europe	-1.0%	-2.1%	-1.0%
12	Zurich	Europe	-1.7%	-3.3%	-1.7%
13	New York	North America	-2.3%	2.1%	-7.1%
14	Singapore	Asia Pacific	-3.6%	-2.0%	-1.7%
15	Geneva	Europe	-4.4%	-4.4%	0.0%
16	Hong Kong	Asia Pacific	-5.2%	-5.9%	-3.8%
17	Nairobi	Africa	-7.9%	-7.9%	-2.9%

Source: Knight Frank Research, Miller Samuel/Douglas Elliman, Ken Corporation

¹ London: new data is available for prime central London [here](#)

² Data is based on all rental contracts agreed above ¥ 300,000 or where the internal area is 30 tsubo+



GLOBAL BRIEFING

For the latest news, views and analysis on the world of prime property, visit KnightFrankblog.com/global-briefing

RESIDENTIAL RESEARCH

Liam Bailey

Global Head of Research
+44 20 7861 5133
liam.bailey@knightfrank.com

Taimur Khan

Senior Research Analyst
+44 20 7861 1436
taimur.khan@knightfrank.com

PRESS OFFICE

Astrid Etechells

+44 20 7861 1182
astrid.etchells@knightfrank.com



Important Notice

© Knight Frank LLP 2016 – This report is published for general information only and not to be relied upon in any way. Although high standards have been used in the preparation of the information, analysis, views and projections presented in this report, no responsibility or liability whatsoever can be accepted by Knight Frank LLP for any loss or damage resultant from any use of, reliance on or reference to the contents of this document. As a general report, this material does not necessarily represent the view of Knight Frank LLP in relation to particular properties or projects. Reproduction of this report in whole or in part is not allowed without prior written approval of Knight Frank LLP to the form and content within which it appears. Knight Frank LLP is a limited liability partnership registered in England with registered number OC305934. Our registered office is 55 Baker Street, London, W1U 8AN, where you may look at a list of members' names.

RECENT MARKET-LEADING RESEARCH PUBLICATIONS



The Wealth Report - 2016



Luxury Investment Index: Classic Car Special - Q1 2016



Portugal Insight Report - 2016



Global House Price Index - Q1 2016