

# Growth in prime global rents hits three year high

**Prime residential rents around the world rose on average by 2.3% in the second quarter of the year, the strongest rate of growth since 2010. Kate Everett-Allen examines the latest index results.**

## Results for Q2 2013

**The Knight Frank Prime Global Rental Index rose by 2.3% in the second quarter of 2013...**

**..this is the index's highest quarterly rate of growth for three years**

**Nairobi recorded the largest increase in prime rents**, rising by over 24% over the last 12 months

**The world's key financial centres of New York and London were the weakest performers**, recording annual falls of 2.9% and 3.0% respectively

**Searches for prime rental properties on Knight Frank's website increased by 12% in the first eight months of 2013 year-on-year**

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**KATE EVERETT-ALLEN**  
International Residential Research

*"As the Eurozone's drag on global economic confidence has weakened, and buyer restrictions have been introduced in many Asian sales markets, demand for prime rental properties has increased."*

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As the Eurozone's drag on global economic confidence has weakened and buyer restrictions have been introduced in many Asian property markets, demand for prime rental properties around the world has strengthened.

Knight Frank's Prime Global Rental Index has now risen for 14 consecutive quarters and stands 23% above its low in the second quarter of 2009. This is confirmed by searches for prime rental properties on Knight Frank's website which increased by 12% in the first eight months of 2013 year-on-year.

On an annual basis, prime rents are 5.3% higher than they were 12 months ago. However, the index's latest strong results hide a number of variations worldwide.

Emerging markets such as Nairobi and Dubai, where rents rose by 24.2% and 15% respectively on an annual basis, significantly outperformed the global financial centres of New York and London where prime rents declined by 2.9% and 3.0% respectively over the same period.

Nairobi and Dubai are experiencing high levels of international investment and many companies, governmental agencies and embassies are willing to pay top tier rents

for secure, private homes within commutable distances of each city's Central Business District for their employees.

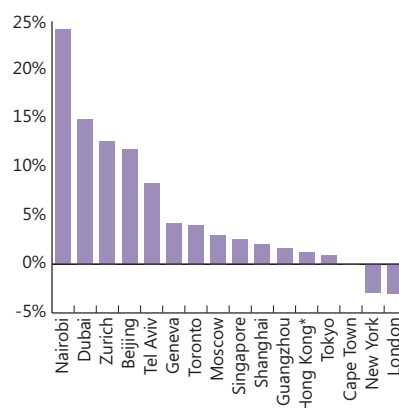
In Dubai new restrictions limiting the rights of landlords to increase rents for existing tenants has curtailed the potential for even higher rental growth. Investors in Dubai are seeking out good rental investments where typically they can expect 4-6% net yields.

Although prime rents fell on an annual basis in New York, the city has seen a reversal of fortunes in the last quarter with rents rising by 6.7% in the three months to June. On the back of improving economic indicators and a more competitive sales market, rents are strengthening.

Prime rents in London have now been falling for seven consecutive quarters. There are strong links between prime rents and job prospects in the financial services sector, a key driver of the sub-£1,500 per week market, which has seen rents fall by 1% since the start of the year.

Analysing the index by world region, Africa and the Middle East top the rankings, with average prime rents now 12.1% and 11.7% higher respectively than 12 months earlier. We expect emerging markets in these regions to occupy the top rankings well into 2014.

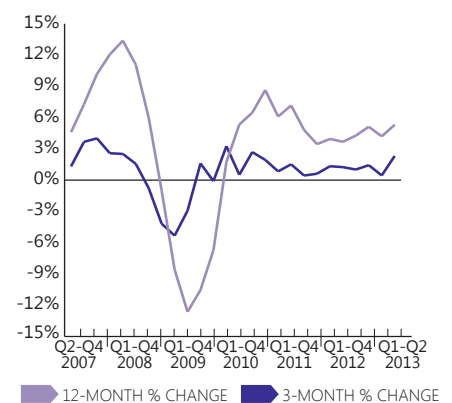
**FIGURE 1**  
**Change in prime rents by city**  
Annual % change to Q2 2013



\* Provisional

Source: Knight Frank Residential Research, Miller Samuel/Douglas Elliman, Ken Corporation, Hong Kong Rating and Valuation Dept

**FIGURE 2**  
**Index performance**  
Unweighted average % change in global prime rents



Source: Knight Frank Residential Research, Miller Samuel/Douglas Elliman, Ken Corporation, Hong Kong Rating and Valuation Dept

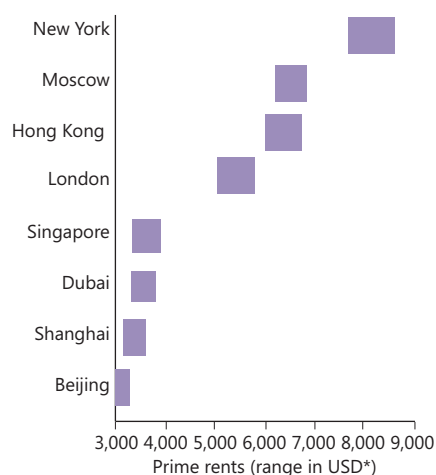
## DATA DIGEST

The **Knight Frank Prime Global Rental Index** 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.

FIGURE 3

### Prime rents Q2 2013

Based on a two bedroom apartment in a central location



Source: Knight Frank Residential Research, Douglas Elliman/Miller Samuel

\*Based on exchange rate as at 30 June 2013

### Knight Frank Prime Global Rental Index, Q2 2013

Rank	City	World region	12-month % change (Jun 12 - Jun 13)	6-month % change (Dec 12 - Jun 13)	3-month % change (Mar 13 - Jun 13)
1	Nairobi	Africa	24.2%	17.0%	14.4%
2	Dubai	Middle East	15.0%	7.6%	4.0%
3	Zurich	Europe	12.7%	4.4%	6.0%
4	Beijing	Asia Pacific	11.8%	4.9%	3.0%
5	Tel Aviv	Middle East	8.4%	5.9%	2.3%
6	Geneva	Europe	4.2%	2.8%	0.0%
7	Toronto	North America	4.1%	4.1%	2.8%
8	Moscow	Europe	3.1%	-1.3%	-1.4%
9	Singapore	Asia Pacific	2.6%	1.3%	0.5%
10	Shanghai	Asia Pacific	2.1%	0.9%	0.4%
11	Guangzhou	Asia Pacific	1.7%	1.1%	0.6%
12	Hong Kong*	Asia Pacific	1.3%	-2.9%	-1.5%
13	Tokyo	Asia Pacific	1.0%	-0.7%	-0.5%
14	Cape Town	Africa	0.0%	0.0%	0.0%
15	New York	North America	-2.9%	-0.3%	6.7%
16	London	Europe	-3.0%	-0.4%	-0.1%

Source: Knight Frank Residential Research, Miller Samuel/Douglas Elliman, Ken Corporation, Hong Kong Rating and Valuation Dept

\*Provisional

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### Notes to Editors

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