

PRIME GLOBAL RENTAL INDEX CONTINUES NEGATIVE PERFORMANCE

Knight Frank's Prime Global Rental Index fell by 1.1% in 2015 with equity market volatility and economic fragility in emerging markets driving rents lower. Taimur Khan examines the latest figures.

Results for Q4 2015

The index fell by 1.1% in 2015, partially reversing the rise of 2.5% in 2014

Weak equity markets and record low commodity prices contributed to the index's weaker performance in 2015

Guangzhou tops the annual rankings for a second consecutive quarter

On a regional basis, North America recorded the strongest rise in prime rents, up by 2.8% on average

Over 50% of the cities tracked by the index recorded a decline in prime rents in 2015

Knight Frank's Prime Global Rental Index, which tracks the change in luxury residential rents across 17 cities globally, fell by 1.1% in 2015, down from growth of 2.5% in 2014.

The performance of prime global rental markets is intrinsically linked to each city's employment market and in particular the professional services sector. Muted performance in equity markets and record low commodity prices contributed to the index's weaker performance in 2015.

Guangzhou remained the strongest performing city recording annual rental growth of 5.3% in 2015. This is despite market conditions being favourable for buyers with record low interest rates and a relaxation of financing for second homes and foreign buyer restrictions in China last year.

Geneva displaced Moscow as the weakest performing market in 2015, with rents falling by 7.1% annually, the downward pressure on rents being caused in part by strong supply.

Some of the world's top financial centres have shown divergence in terms of the performance of prime rents. Rents fell in

Hong Kong (0.8%) and Singapore (3.8%) whereas Tokyo, New York and London recorded a rise in prime rents year-on-year of 3.3%, 2.4% and 0.7% respectively.

2015 saw large regional variations in terms of rental performance around the world. North American cities recorded the strongest rise in prime rents, up 2.8% on average whilst Europe saw the largest decline, with average prime rents decreasing by 3.5% (figure 4).

Since its post financial crisis low in Q2 2009 the index has increased by 19%. From Q1 2007 to Q3 2008, prior to the financial crisis, the index averaged increases of 9.1% per annum; however post Q2 2009 the average annual change has diminished to 2.5%.

On the upside, 2015 saw a partial resolution to the 'Grexit' crisis and the Asian equity markets stabilised. In 2016, 'Brexit' looks to be fuelling further uncertainty within Europe, with business activity hitting a 13-month low, according to the Markit's European composite Purchasing Managers' Index. In markets which are already reflecting on negative interest rates, low commodity prices and a slowdown in China, further uncertainty in the world's key prime rental markets is likely.



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"Weak equity markets and record low commodity prices contributed to the index's weaker performance in 2015."

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FIGURE 1

Prime Global Rental Index Q4 2015

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

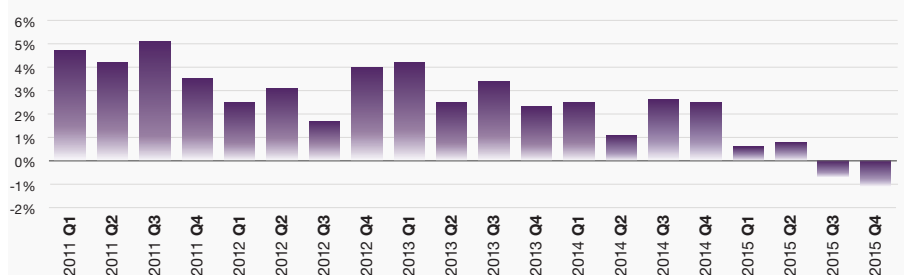


FIGURE 2
Prime Global Rental Index, Q4 2015
 Annual % change to Q4 2015

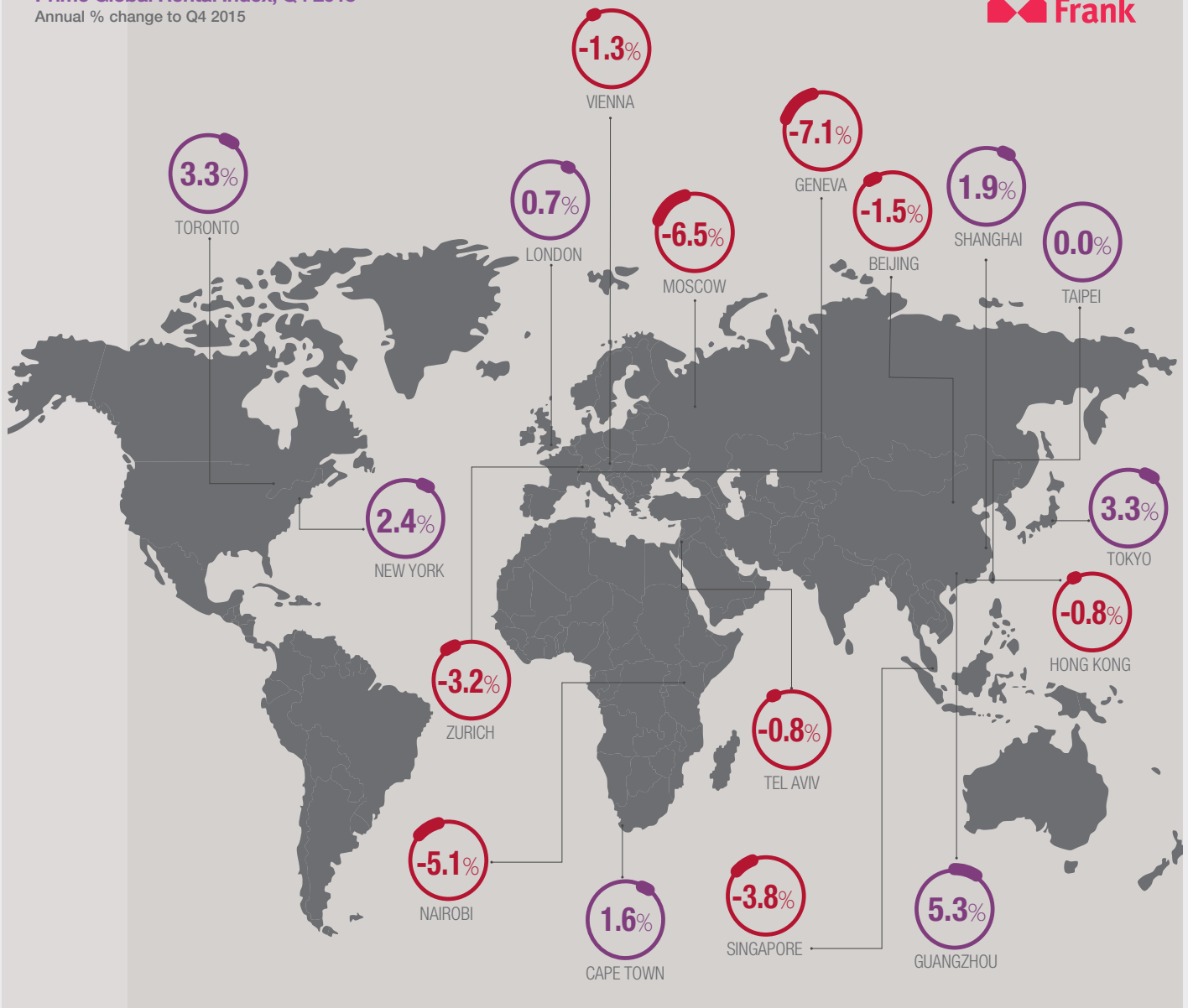
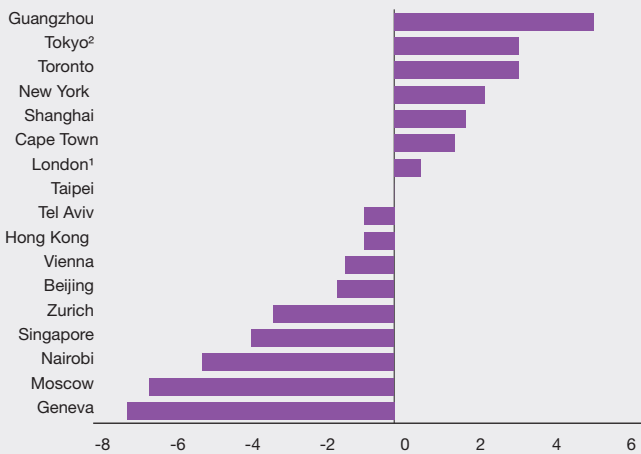
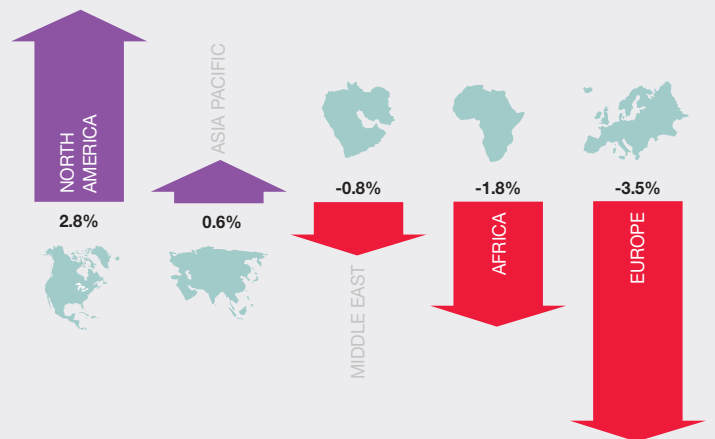


FIGURE 3
Prime residential rental growth by city
 Annual % change to Q4 2015



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

FIGURE 4
Prime rents by world region
 Average annual % change to Q4 2015



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, Q4 2015

Rank	City	World region	12-month % change (Dec 14-Dec 15)	6-month % change (Jun 15-Dec 15)	3-month % change (Sept 15-Dec 15)
1	Guangzhou	Asia Pacific	5.3%	3.7%	0.2%
2	Tokyo ²	Asia Pacific	3.3%	5.3%	5.4%
3	Toronto	North America	3.3%	-0.1%	-0.2%
4	New York	North America	2.4%	9.0%	9.9%
5	Shanghai	Asia Pacific	1.9%	1.4%	0.1%
6	Cape Town ³	Africa	1.6%	0.0%	0.0%
7	London ¹	Europe	0.7%	-0.9%	-1.1%
8	Taipei	Asia Pacific	0.0%	0.0%	0.0%
9	Tel Aviv	Middle East	-0.8%	0.3%	1.2%
10	Hong Kong	Asia Pacific	-0.8%	-2.7%	-2.2%
11	Vienna	Europe	-1.3%	2.0%	-1.6%
12	Beijing	Asia Pacific	-1.5%	0.3%	0.7%
13	Zurich	Europe	-3.2%	-7.7%	-1.6%
14	Singapore	Asia Pacific	-3.8%	-0.7%	-0.4%
15	Nairobi	Africa	-5.1%	-5.1%	-5.1%
16	Moscow	Europe	-6.5%	15.0%	8.0%
17	Geneva	Europe	-7.1%	-4.4%	-4.4%

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

¹ Data is based on all rental contracts agreed above ¥ 300,000 or where the internal area is 30 tsubo+

² London: new data is available for prime central London [here](#)

³ Q3 2015



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