

RESIDENTIAL  
RESEARCH



# GLOBAL CORPORATE LETTINGS REVIEW 2013



LETTINGS SURVEY RESULTS

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GLOBAL MOBILITY

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PRIME RENTS

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EDUCATION

# SNAPSHOT GLOBAL LETTINGS TRENDS

## WELCOME

**Our Global Corporate Lettings Review looks in detail at the demand for prime residential accommodation by multinational corporate firms. Despite ongoing difficulties in the world economy, the trend towards increasing globalisation is continuing to underpin demand from corporate occupiers.**








As well as revealing the results of our Global Corporate Lettings Survey, which represents the views of Knight Frank's residential lettings experts around the world, the report also looks in more depth at a number of key global markets.

Alongside we present a concise snapshot of the differing trends and lettings practices in key cities worldwide, providing a valuable insight into this growing market sector.

## TRENDS & PRACTISES

Overlaying this map are snapshots of the different market trends and lettings practises in key cities around the world. Acting as a reference point for employees and HR teams alike, each city's data box provides an indication of the annual change in rents, the most common property type requested by corporate clients and a summary of key practises, from tenancy lengths to typical deposits.

### KEY

-  Prime rental growth (12-month % change to 2012)
-  Most common property requirement
-  Preferred maximum commute
-  Typical length of tenancy (months)
-  Typical deposit
-  % of furnished lets
-  Annual school fee – day student (US\$ per annum)\*\*








Source: Knight Frank Residential Research

\*The above data is based on our interpretation of standard market practises only

\*\*Estimate only








### LONDON

Market snapshot:

-  ▼ 3.2%
-  1 or 2-bedroom apartment
-  30 mins
-  12
-  6 weeks
-  85%
-  \$30,000








### NEW YORK

Market snapshot:

-  ▲ 4.5%
-  1-bedroom apartment
-  30 mins or less
-  12 or 24
-  4-8 weeks
-  10%
-  \$30,000








### HOME COUNTIES

Market snapshot:

-  ▼ 4.0%
-  4+ bedroom house
-  1 hour or less
-  24
-  6 weeks
-  5%
-  \$22,600

### SÃO PAULO








Market snapshot:

-  ▼ 15.4%\*
-  1-bedroom apartment
-  1 hour or less
-  36
-  12 weeks
-  10%
-  \$20,000

\*source Fipezap








### GENEVA

Market snapshot:

-  ▲ 1.4%
-  2-bedroom apartment
-  30 minutes or less
-  12
-  12 weeks
-  2-5%
-  \$30,000-\$35,000








### MUMBAI

Market snapshot:

-  ▼ 4.0%
-  3+ bedroom townhouse
-  30 mins or less
-  12
-  12-16 weeks
-  40%
-  \$9,500








### HONG KONG

Market snapshot:

-  ▲ 3.7%
-  3-bedroom apartment
-  30 mins or less
-  24
-  8 weeks
-  5%
-  \$15,500








### DUBAI

Market snapshot:

-  ▲ 14.3%
-  2-bedroom apartment
-  1 hour or less
-  12-24
-  5% of total rental amount
-  20%
-  \$10,000








### PARIS

Market snapshot:

-  0%
-  3 or 4-bedroom apartment
-  30 minutes or less
-  24
-  4 weeks (unfurnished)  
8 weeks (furnished)
-  50%
-  \$23,000-\$28,000

### SINGAPORE

Market snapshot:

-  ▲ 1.6%
-  2-bedroom apartment
-  1 hour or less
-  24
-  8 weeks
-  20%
-  \$23,500








### BEIJING

Market snapshot:

-  ▲ 8.5%
-  2 or 3-bedroom apartment
-  1 hour or less
-  12
-  8 weeks
-  100%
-  \$22,500

### SHANGHAI

Market snapshot:

-  ▲ 6.1%
-  3-bedroom townhouse
-  1 hour or less
-  12
-  8 weeks
-  90%
-  \$30,000



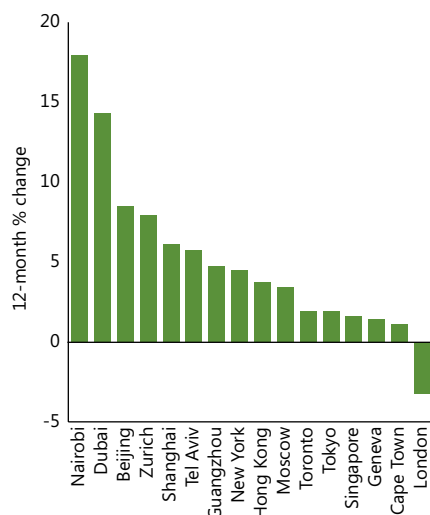
## SURVEY RESULTS

# GLOBAL CORPORATE LETTINGS SURVEY

**The performance of prime lettings markets worldwide is increasingly influenced by corporate demand. We surveyed the opinions of our global lettings teams to establish how the corporate market is performing.**

**“The link between the health of a city’s employment market and its prime rental market became more apparent in 2012.”**

Figure 1  
**Prime rental growth by city**  
Change in prime rents in 12 months to Q4 2012



Source: Knight Frank Residential Research

Globally, the corporate lettings market is showing signs of a resurgence as companies look to recruit senior employees from around the world. Respondents to our survey reported that relocation budgets for senior executives have increased over the past year, with a net 60% noticing an uptick in allocated funds. Some 20% felt they had stayed the same and 20% reported a fall over this time.

This follows a period at the start of 2009, during the recession, when companies cut back on employing overseas staff and appetites to spend heavily on prime rental property among corporates fell sharply.

Deploying expatriate employees is becoming an increasingly important aspect of multinational companies' business strategies, especially as growth comes back onto the agenda for firms. But with volatile markets and stunted economic growth in many parts of the world still an issue, a keen eye on cost efficiency is essential, including on expatriate remuneration packages.

The flow of talent is still predominantly from West to East, but companies are starting to tap into rich talent pools in emerging markets and have been committing greater resources to finding and renting prime properties to attract and relocate senior staff.

According to the Mercer Talent Barometer, 60% of organisations are spending more on talent in recent years, with this viewed as key to success in today's global economy.

### Sector shifts

However, while there has been an increase in corporate budgets, this hasn't necessarily been in the traditional sectors. The squeeze on financial sector employment, for example, has given way to a rise in prominence of new

sectors, respondents noted. In Shanghai, an increasing number of tenants are from the automobile sector, while Hong Kong has seen a rise in the number of accounting and law firms moving staff abroad due to economic activity, regulation changes and new trade agreements which allow more foreign law firms access to the market.

In Sao Paulo the growth of the petrol, oil and gas industries has resulted in an increase in the number of executives relocating to the city.

The growth of Tech City in East London, meanwhile, has resulted in greater demand from the technology and media (TMT) sectors, a trend that should ultimately serve to increase tenant demand from corporates. We have explored this in more detail in the box opposite.

In Asia, there has been a shift towards personal leases as individuals opt to generate personal savings on their housing budgets. We expect this to be an ongoing theme this year. Making sure salaries adequately reflect the difference in cost of living to the employee's home country is important in order to attract and retain the right talent where companies need them.

Shanghai remains one of the primary destinations for expatriates in China due to the growing presence of multinational companies as a result of its position as the Chinese commercial and financial hub.

The expatriate population in Shanghai has grown rapidly in the last two years. According to the latest national census, conducted in late 2010, the city's total number of expatriates (including those from Hong Kong, Macau and Taiwan) reached 208,602, an increase of approximately 48% compared with 2008, which means Shanghai is home to the largest expatriate population in China.

## Recent developments

Knight Frank's Prime Global Rental Index shows rents in key cities worldwide rose by an average of 5.1% in 2012, despite the underlying adverse economic climate. Fifteen of the 16 cities included in the index saw rents rise last year, led by Nairobi (17.9%), Dubai (14.3%) and Beijing (8.5%).

The link between the health of employment markets on a city-by-city basis and the performance of their respective prime rental markets has become more apparent in 2012. The fragile state of Europe's economy has left its financial jobs market in a weakened state. London, which saw prime rents fall by 3.2% in 2012, is expected to see the number of financial sector jobs fall by over 25% at the end of 2013 compared to the level seen in 2000.

The number of expatriates moving to Asia has soared in recent years as Europe's struggling economies have sent talent eastbound. Firms continue to expand and relocate staff to 'growth' regions, helping to push up both rents and occupancy rates.

## A changing workforce

As growth from London's traditional occupiers has stymied over recent years in response to the challenging economic climate, the technology, media and telecoms (TMT) sector has bucked this downward trend and achieved genuine growth.

Whilst the TMT sector has always had a London presence, it has often been perceived as the darling of the Thames Valley office market. But as innovation has gathered pace the sector's location and staffing needs have changed. Mature companies and start-ups alike are now competing for talented employees who tend to be young and London-based.

While TMT has flourished, the financial sector has floundered in comparison. Back in 2007 the financial sector was worth almost £1 trillion, while the technology sector was worth just over half that. Fast forward to March 2013 and tech has a market capitalisation of just under £700m while the finance sector has seen its share shrink to £726m.

Further evidence of the shift away from finance towards TMT can be seen when looking at the make-up of occupiers in central London in recent years. Back in 2001, the financial sector was completely dominant, accounting for 43% of all leasing transactions compared to just 14% for TMT. By the end of 2012, however, this had completely changed. The TMT sector accounted for 26% of transactions over the course of the year, with finance accounting for 14%.

The growth of the TMT sector is not a trend which is limited to London, however. Research from the Center for an Urban Future found that in New York the tech sector has emerged as an increasingly powerful economic driver for the city.

New York's tech renaissance has occurred as the city's traditional sources of jobs have declined. According to March 2013 data, the city now has 60,800 people working in its information technology sector\*, up 47% from March 2007. Meanwhile, jobs in the 'financial activities' sector have declined by 6.8% over the same period.

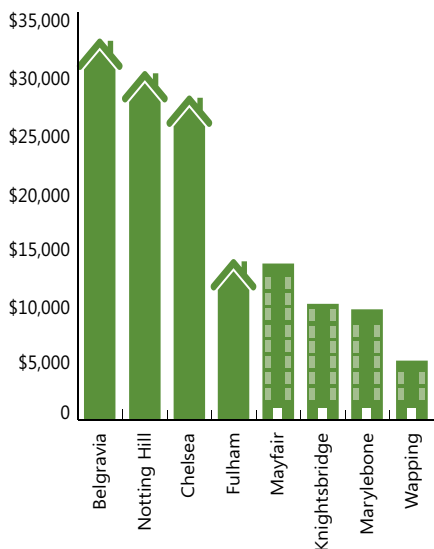
\*New York State Department of Labor. Data is for March 2013 and March 2007. For "information technology", we used Computer Systems Design and Related Services.

Figure 2

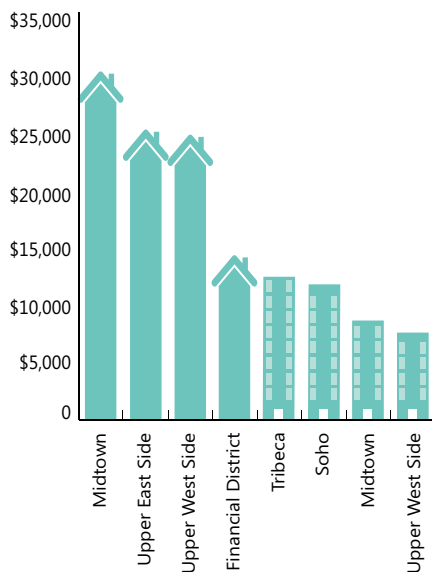
### Global relocation

Monthly rent payable (US\$) in selected locations and for different property types

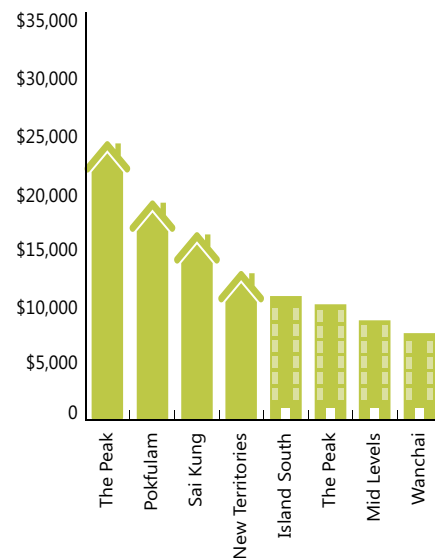
#### LONDON



#### NEW YORK



#### HONG KONG



Source: Knight Frank Residential Research



3,000 sq ft house for CEO & family



1,500 sq ft apartment for single executive

# INSIGHT MARKET DATA







Here, we take a look at a number of corporate relocation markets in more detail, highlighting the districts and sub-markets which are most popular with corporate tenants.

Additionally, we canvassed the opinions of our Residential Corporate Service Teams around the world to find the most typical property requirements of relocating executives, which range from having a good view to being within walking distance of shops, schools and the office.

## LONDON: 1%

Forecast prime rental change 2013










Popular districts	Typical property requested	Average prime rent (pcm)
1. Notting Hill	4-bedroom family house  	\$20,000-\$30,000
2. South Kensington	2-bedroom conversion  	\$4,000-\$8,000
3. Wapping	1-bedroom new-build  	\$2,500-\$4,000

## SINGAPORE: 0%

Forecast prime rental change 2013









Popular districts	Typical property requested	Average prime rent (pcm)
1. Central Region	1-bedroom apartment  	\$2,400-\$4,000
2. East Coast	2-bedroom apartment  	\$3,200-\$4,800
3. West Coast	3-bedroom apartment   	\$4,800-\$6,400

## HONG KONG: 0%

Forecast prime rental change 2013









Popular districts	Typical property requested	Average prime rent (pcm)
1. Mid Levels	3-4 bedroom apartment  	\$12,900-\$16,800
2. Island South	4-bedroom apartment  	\$14,200-\$19,000
3. The Peak	4-bedroom house  	\$19,000-\$28,000

## NEW YORK: 5-10%

Forecast prime rental change 2013








Popular districts	Typical property requested	Average prime rent (pcm)
1. Financial District	1-bedroom apartment  	\$3,500
2. Upper East Side	2-bedroom apartment  	\$5,200
3. Upper West Side	3-bedroom apartment  	\$13,300

## BEIJING: 3-9%

Forecast prime rental change 2013









Popular districts	Typical property requested	Average prime rent (pcm)
1. Dongchen District	2-bedroom apartment 	\$3,200-\$4,800
2. Chaoyang District	3-bedroom apartment  	\$4,000-\$6,400
3. Shunyi District	Detached Villa  	\$4,000-\$11,300

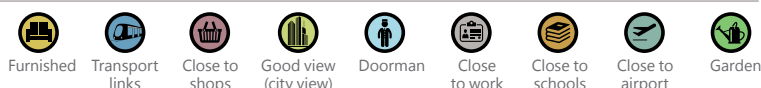
## HOME COUNTIES: 0%

Forecast prime rental change 2013



Popular districts	Typical property requested	Average prime rent (pcm)
1. Ascot	4+ bedroom family house  	\$7,600
2. Sunningdale	4+ bedroom family house  	\$7,600
3. Virginia Water	4+ bedroom family house  	\$6,100-\$9,100

### KEY



# SCHOOLS SHORTAGE

**Education has become a critical part of the relocation 'offer' for expats. While demand for the global mobility of talent increases as new markets emerge, there is a growing disparity surrounding access to high-quality international schools.**

Even in relatively mature destinations, such as London, demand for places at the very best international schools is high and can result in strong competition.

Richard Northey of The Education Consultancy notes that many of the international schools in and around London are reporting that fewer pupils are leaving each year as families stay in the UK longer than before.

Where these schools normally see between 20% and 35% of students leave each year as international secondments end, this figure has been reduced to between 10% and 15% in many cases as companies, particularly in the financial sector, hire employees on longer-term contracts. Subsequently, new places are not as readily available as they were previously, yet applications are still healthy, with growth from UK families looking for alternatives to the British state system.

Research from ISC in 2012 found that, as a whole, the sector continues to flourish: there was a 6.7% rise globally in international schools recorded by the body in 2012 and a net increase of 7.7% in students taught over the course of the year.

## Asia leading

In China the international education scene is rapidly taking off, with several big-name establishments having opened in recent years. However, similarly to London, supply isn't keeping up with demand when it comes to school places.

In fact, in Hong Kong the schools crunch is thought of as one of the biggest hurdles

for companies looking to attract overseas workers to the city and the situation has become worse in recent years because of increased demand.

During 2010 and 2011, the number of British expats moving to Hong Kong jumped more than 50%, to 15,300. This is about half of the number of American expats relocating to the city, all of whom are putting further pressure on good international schools.

Indeed, over the past decade, the number of international school places has increased by nearly 20% from 31,000 in the 2001/02 school year to 37,000 in the 2011/12 school year, official figures show. The Hong Kong government has pledged to create 5,000 new international school places in 2013 and to limit the number of local students who can be enrolled in some international schools, although the impact of this is unlikely to be immediate.

There is anecdotal evidence that competition for good school places is serving to limit the relocation of some senior staff to Hong Kong.

Statistics from Shanghai's education sector show the city is home to 20 international schools of different types. More than 30,000 expat children from nearly 40 countries are enrolled in the international divisions of five local schools and in the state-run classes of 150 local Chinese schools each year.

As global mobility increases and demand for school places continues to be squeezed, it will become ever more important for firms, and relocation agents, to consider how to best approach and tackle potential education shortfalls.

**"In China the international education scene is rapidly taking off, with several big-name establishments having opened in recent years."**

# 7.7%

Increase in students taught at international schools globally in 2012, according to ISC

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Front cover image: Hong Kong waterfront

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