

# Prime Global Rental Index

2024 Q2 Edition

Knight Frank's Prime Global Rental Index provides a quarterly snapshot of trends in luxury lettings markets across 15 key world city markets.

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## Prime city residential rental growth stabilises

- ▶ Average annual rental growth across our basket of 15 cities was 3.5% in the 12 months to the end of June 2024, remaining at the same level seen in the first quarter of the year. This result halted the ongoing decline in annual rental growth that had been evident since growth spiked in early 2022.

### Stable Growth

The rate of annual rental growth remained at 3.5% in the second quarter of this year, the same level reached in the first quarter. While this rate is significantly lower than the average growth seen in recent years (see figure 1), it is only slightly below the long-run pre-Covid average rate of 3.8%.

### Near-term acceleration

Although annual growth has slowed recently, quarterly growth has picked up, standing at 1.1% in Q2 – slightly above the long-run trend rate of 0.9%.

### Majority of markets see growth

In Q2, 80% of markets saw rents rise on an annual basis, the same as last quarter (figure 2). Hong Kong, Toronto, and Singapore are exceptions: rents in all three markets are under pressure due to relatively healthy new supply volumes.

### Sydney leads

The strongest market tracked was Sydney, where rents have risen by nearly 14% in the past year. The market in Sydney has been buoyed by strong immigration over the past two years, which surged after Covid restrictions were eased and has yet to be significantly offset by the delivery of new-build accommodation.

### Positive Growth

Tokyo, Berlin, and Frankfurt are the only other markets with rental growth above 5% in the past 12-month period. Key markets in Germany have experienced strong house price and rental growth over recent years, as demand for accommodation has significantly outpaced supply.

## 3.5%

the average annual growth in prime rents in the 12-months to June

## 80%

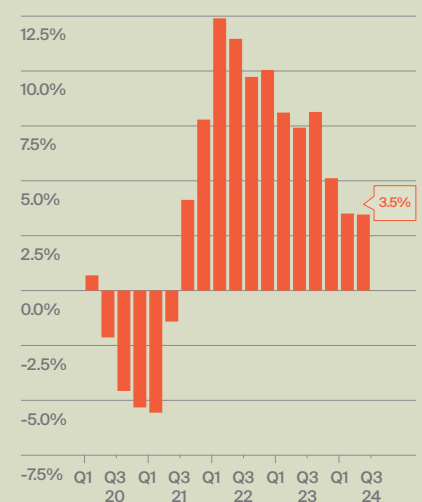
of markets are seeing rental growth

## 1.1%

the average quarterly growth in prime rents in the 3-months to June

**Fig 1: Growth plateaus**

PGRI annual growth, 15 city average



Source: Knight Frank Prime Rental Cities Index

## Long-term leaders

Prime rents are now 27% above their Q1 2021 level on average across our basket of cities. The biggest growth has occurred in five cities which have seen rents rise by more than 40% over the period (see figure 3), led by New York (57.1%) and London (56.5%).

## Rents vs house prices

Over recent years, rents have moved in opposite directions to house prices in luxury markets (see Figure 4). The Covid-inspired housing boom saw rents significantly underperform house prices through 2020 and 2021. Through 2022 and 2023, rents surged as workers flocked to cities following the end of rolling lockdowns, and house prices began to be impacted by rising interest rates, leading to significant rental outperformance. Affordability constraints in both the sales and rental markets appear to have conspired to push the two measures closer in the past two quarters.

“The recent slowing in prime rental growth suggests an end to the substantial upward repricing of key city markets seen over recent years. Even the luxury sector is subject to affordability constraints, and in most cities, rental growth has moved closer to long-term trend levels. However, with the majority of markets still experiencing pressure from relatively strong demand set against limited supply – exacerbated by Covid-era development disruptions – upward pressure on rents is likely to support above-trend growth in the medium term.”

Liam Bailey, Knight Frank's global head of research

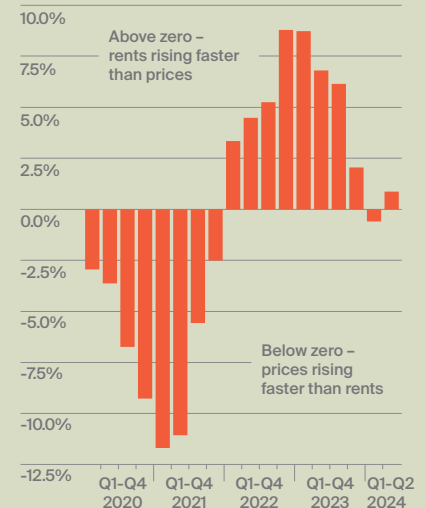
**Fig 3: Prime rental growth since Q1 2021**

	%
US New York	57.1
UK London	56.5
US Miami	45.8
SG Singapore	41.4
AU Sydney	40.9
CA Toronto	29.9
DE Berlin	27.2
US Los Angeles	25.0
JP Tokyo	17.3
NZ Auckland	14.2
MC Monaco	12.7
DE Frankfurt	11.5
CH Zurich	11.3
CH Geneva	9.2
HK Hong Kong	-0.6

Source: Knight Frank Prime Rental Cities Index

**Fig 4: Rent outpaces house prices, but the gap is narrowing**

Prime annual rental growth less prime annual house price growth, Prime Global Rental Index vs Prime Global Cities Index



Source: Knight Frank Prime Rental Cities Index

**Fig 2: Knight Frank Prime Global Rental Index**

Changes to 2024 Q2

Rank/Location	12-month % change	3-month % change
1 AU Sydney	13.9	0.9
2 JP Tokyo	11.0	1.6
3 DE Berlin	6.9	1.8
4 DE Frankfurt	5.1	1.2
5 NZ Auckland	4.7	3.1
6 CH Geneva	4.3	1.4
7 US Los Angeles	3.9	1.4
8 MC Monaco	3.9	0.3
9 CH Zurich	3.8	0.1
10 UK London	3.5	0.4
11 US Miami	3.4	1.1
12 US New York	1.1	2.4
13 HK Hong Kong	-0.8	-0.5
14 CA Toronto	-1.9	1.2
15 SG Singapore	-4.8	-0.1

Source: Knight Frank Prime Rental Cities Index

Prime property definition: The most desirable and expensive property in a given location, generally defined as the top 5% of each market by value. Prime markets often have a significant international bias.

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