# Prime Global Rental Index

**2023 Q3 Edition**

Knight Frank's Prime Global Rental Index provides a quarterly snapshot of trends in luxury lettings markets across 10 key world city markets

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## Global residential rents tick higher but affordability begins to bite

- Luxury rents in key world cities increased by 7.9% in the 12 months to September, according to The Knight Frank Prime Global Rental Index. This represents a modest increase from the 7.5% growth recorded in Q2. Rents are now rising at three and a half times their long-run trend rate.

Prime rents in the 10 cities covered by the Prime Global Rental Index rose by 7.9% in the year to September. While this increase is only slightly higher than the 7.5% observed in Q2, the latest data confirms that rents in this sector are rising at a rate three and a half times their long-term pre-pandemic trend.

Strong recent growth has pushed prime rents 17.9% above their pre-pandemic high, seen in Q3 2019, and 25.5% higher than the pandemic low in Q1 2021. Among the cities in our basket, both Singapore and New York experienced a quarterly dip in rents, although none of the cities reported an annual decrease.

Market trends from the previous quarter persist in the global rental market, with strong demand from renters facing affordability challenges in the sales market and constrained new supply.

Despite ongoing debates surrounding work-from-home arrangements and the challenges in the office sector in key cities, the data confirms the underlying strength of demand for city living and the resilience of accommodation requirements from workers in close proximity to CBDs.

### CITY FOCUS

The rise in annual growth was driven by strong performances in Auckland (7.2% in Q2 to 13.1% in Q3), Tokyo (0.8% to 8.1%), and Sydney, the top-ranked city, whose annual growth went from 13.1% last quarter to 18.3% this one.

The increase in prime rents in Sydney can be attributed to the ongoing trend of limited new supply, resulting from construction challenges during the pandemic. This is further fuelled by strong demand from newly arrived residents, with inward migration picking up sharply after a three-year hiatus.

Singapore's rental market remains strong annually. However, the city's policy initiatives implemented to address surging rents are beginning to show their effectiveness, with rents falling by -1.7% over the last three months and annual growth declining from 24.5% last quarter to 14.5% this quarter.

**7.9%**
the average growth in prime rents across the PGRI city basket in the 12-months to September

**17.9%**
prime rents are now 17.9% above their Q3 2019 pre-pandemic high

**No.1**
Sydney claims the top spot in luxury rent increases over the past 12-months

**-1.7%**
Singapore's annual growth remains strong, but rents have fallen over the last quarter

**2.4%**
New York's prime rental market is cooling with 2.4% annual price growth, the lowest for over two years

Hong Kong's rental market has seen an improvement, with annual growth turning positive (1.6%) following falls in the previous five quarters. This rebound can be attributed to several contributing factors, including the return of overseas workers, the success of The Top Talent Pass Scheme in bolstering rental demand, and the sluggish state of the home-sales market.

Annual rental growth in Prime Central London stands at 11.2%, the lowest figure in two years, indicating a cooling trend as demand and supply re-balance. Financial pressures, potential regulations, and the alignment of tenants' and landlords' expectations will be critical in the coming months. The Renters Reform Bill, currently progressing through parliament, has the potential to impact supply, although the timeline for implementation remains unclear.

After a period of robust growth, New York's tenants will be pleased to learn that rental growth has slowed significantly. Annual growth has dropped from its peak of nearly 40% in Q1 2022 to 2.4% this quarter, with rents declining by 1.3% over the past three months. This deceleration can partly be attributed to an improvement in new supply delivery following an extended period of limited stock availability, but also results from a limited ability for tenants to pay higher rents as wage growth slows.

## OUTLOOK

In most of the cities we cover, measures of demand point to strong growth in accommodation requirements. This, together with a relatively low pipeline of new stock, suggests that upwards pressure on rents will remain in place. However, we can see limits to this process in terms of affordability. There comes a point where, even in markets with very strong demand and weak supply dynamics, tenants become unable to keep bidding rents substantially higher.

Three markets stand out in terms of rental growth since 2021. London has seen rents rise by 55.2%, New York by 53.4%, and Singapore by 50.3%. Both New York and Singapore are experiencing slowing rental growth, with rents actually falling over the past three months. For now, London is still seeing double-digit growth, supported in part by strong wage growth, which at 7% is running well ahead of comparable cities at the current time. However, New York and Singapore likely point to the direction of travel for most big-city markets over the next few quarters, with a shift to lower growth reflecting tighter rental market affordability.

"While prime global rents continue to climb, with the Prime Global Rental Index strengthening to 7.9% year-on-year in September, slower growth in markets like New York and Singapore points to the likely direction of travel for big city markets - where, despite strong demand and weak supply, we are approaching affordability limits."

Liam Bailey, Knight Frank's global head of research

### Knight Frank Prime Global Rental Index

Changes to 2023 Q3

| Rank/Location | | 12-month % change | 6-month % change | 3-month % change |
|---|---|---|---|---|
| 1 | Sydney | 18.3 | 7.9 | 4.5 |
| 2 | Singapore | 14.5 | 0.3 | -1.7 |
| 3 | Auckland | 13.1 | 6.0 | 2.2 |
| 4 | London | 11.2 | 5.2 | 2.6 |
| 5 | Toronto | 9.6 | 2.7 | 3.2 |
| 6 | Tokyo | 8.1 | 3.4 | 8.0 |
| 7 | Monaco | 3.0 | 3.0 | 3.0 |
| 8 | Geneva | 2.7 | 0.7 | 0.6 |
| 9 | New York | 2.4 | 0.0 | -1.3 |
| 10 | Hong Kong | 1.6 | 1.1 | 1.0 |

Source: Knight Frank Research

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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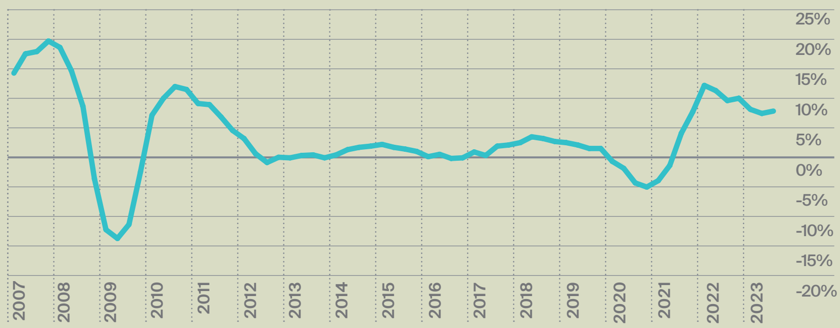
### Knight Frank Prime Global Rental Index

Global average annual change in prime rents across 10 cities




Source: Knight Frank Research

We like questions, if you've got one about our research, or would like some property advice, we would love to hear from you.


**Research enquiries**
Liam Bailey
+44 7919 303 148
liam.bailey@knightfrank.com

**Press enquiries**
Astrid Recaldin
+44 20 7861 1182
astrid.recaldin@knightfrank.com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