

Prime Global Rental Index

2024 Q3 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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Rent growth cools across key world cities

- Average annual rental growth slowed to 1.9% across our basket of 15 cities in the 12 months to September 2024, marking the slowest growth since Q2 2021. Annual growth is now running below the pre-Covid long-run trend rate, which was 3.7%.

Slowing rents

The third quarter saw a return to slowing growth in annual rental prices. This slowdown marks the largest drop in growth since the recent deceleration began, following the market peak in early 2022.

Flat growth

Rents were flat over Q3 on a quarterly basis, marking the weakest rate of growth since Q4 2020, a period when rents were falling sharply. Although rents have outpaced wage growth over the past few years, the latest quarterly figure indicates that market affordability is placing limits on rental growth.

Toronto falls

The largest drop in rental prices over the past year occurred in Toronto, following a surge at the end of 2021 and throughout 2022 that culminated in a peak annual growth rate of 18% in the first quarter of 2022. This decline of 5.6% in annual rent reflects the affordability constraints Canadian renters face, which limit their ability to continue bidding rents higher.

Sydney growth

Sydney continues to lead our basket of cities in terms of rental growth, maintaining its position as the top market for the fifth consecutive quarter. Although its annual rental growth rate of 8.3% is lower than the 14% recorded last quarter and significantly below the 18% seen at the end of 2023, this slowdown still means that rents are rising far ahead of long-term trend levels, indicating a sharp imbalance between strong demand and the limited supply of new accommodation.

1.9%

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

5th

quarter that Sydney's prime rents grew the fastest in our 15-city basket

1%

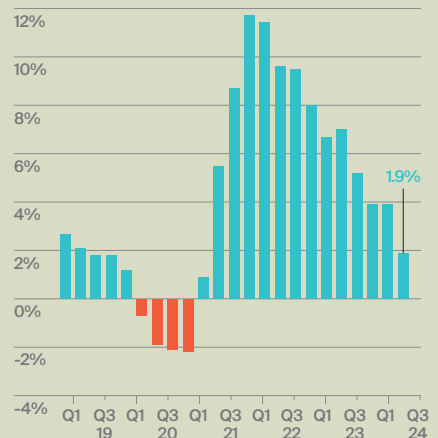
the amount house prices grew more than rents in the third quarter

-5.6%

the annual decline of prime rents in Toronto

Fig 1: Slowdown continues

PGRI annual growth, 15 city average



Source: Knight Frank Prime Rental Cities Index

Rent versus house prices

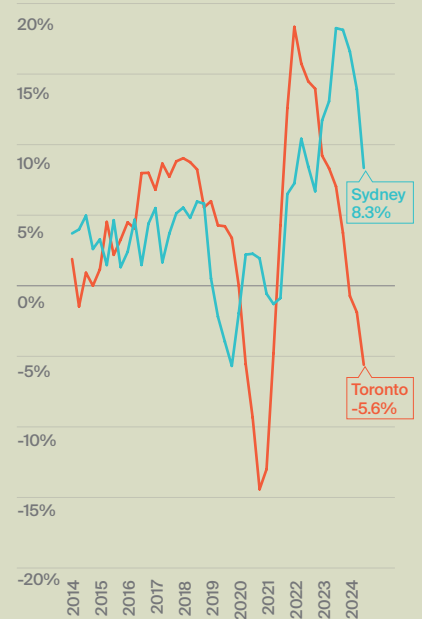
The slowdown in rental growth marks a shift in its relationship with house price growth. Before the pandemic, home prices generally outpaced rents, driven higher by the impact of lower interest rates. This process was supercharged during the pandemic as the market boomed amid the so-called ‘race for space’. Since the pandemic, as interest rates rapidly rose, house prices have been under pressure while rental growth sharply outpaced house price growth. Recently, these two metrics have converged as affordability issues impact the rental sector and interest rate cuts add some liquidity to the housing market.

“Global rental markets are feeling the pressure of affordability constraints after a two-year period during which rental growth sharply outpaced wage inflation in most developed markets. Despite the slowdown in rental growth, our view is that the structural under-supply of new accommodation in major cities means rents are likely to rise faster than trend levels over the next few years.”

Liam Bailey, Knight Frank’s global head of research

Fig 3: The pulse of two cities

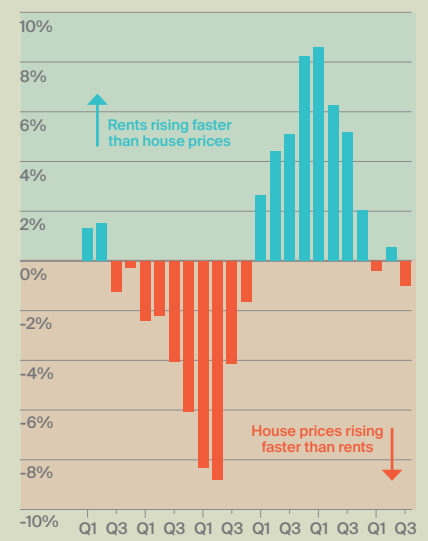
Sydney & Toronto PGRI annual growth



Source: Knight Frank Prime Rental Cities Index

Fig 4: Gap between house price and rent growth is historically close

Prime annual rental growth less prime annual house price growth [Prime Global Rental Index vs. Prime Global Cities Index]



Source: Knight Frank Research

Fig 2: Knight Frank Prime Global Rental Index

Changes to 2024 Q3

Rank/Location	12-month % change	3-month % change
1 AU Sydney	8.4	-0.6
2 CH Zurich	5.6	2.8
3 DE Berlin	5.4	0.3
4 DE Frankfurt	4.7	0.4
5 US Los Angeles	3.7	0.6
6 US Miami	3.2	1.2
7 NZ Auckland	2.9	-1.3
8 MC Monaco	1.7	0.8
9 CH Geneva	1.6	-2.0
10 JP Tokyo	1.2	-1.4
11 UK London	1.1	0.2
12 US New York	0.1	-2.3
13 HK Hong Kong	-0.1	1.7
14 SG Singapore	-4.8	-1.6
15 CA Toronto	-5.6	1.2

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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