Prime Global Rental Index

Knight Frank

2023 Q4 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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Boom in luxury rentals is coming to a close

- Knight Frank's Prime Global Rental Index confirms that prime rental growth across key world cities is starting to slow, with the annual rate easing to 5.2% over the past 12 months

The 10 cities covered by the Prime Global Rental Index saw luxury rental values rise by an average of 5.2% in the year to December. This rate is down from the 8.1% seen in Q2 and is the lowest level observed since 2021 Q3, although rents are still rising above their long-term pre-pandemic trend rate.

On a quarterly basis, average rental growth actually declined by -0.6%, providing some relief for tenants. This marks the first quarterly fall observed since Q1 2021.

As with most residential rental markets, the luxury segment has been characterised by a chronic mismatch between supply and demand for over three years. However, while demand remains strong, the ability for tenants to continue bidding rents higher is being limited by affordability constraints. This, together with a slight improvement in rental supply, is limiting the pace of rental growth.

CITY FOCUS

Good news for renters in New York – prime rents have fallen each month during the most recent quarter. The city sits at the bottom of our ranking with -0.3% annual and -2.5% quarterly growth. However, with Douglas Elliman confirming median rents in the prime market at $4,195, affordability is only slowly improving.

In London, a slower labour market, easing earnings growth, and increased affordability pressures have limited the pace at which rents can rise. Demand is declining due to the squeeze on tenants' finances, resulting in a more balanced market. Annual rental growth in Prime Central London stands at 7.9%, the lowest figure in two years, indicating a cooling trend as demand and supply rebalance.

The Sydney rental market has softened slightly but is still running hot, with 18.1% growth annually and 4% quarterly. The ongoing housing shortage is primarily due to limited new construction, a consequence of pandemic-related challenges. Compounding this issue is the surge in demand driven by a significant increase in inward migration following a three-year lull.

After a two-year rally, Singapore's rental market is softening, with annual growth slowing to 5% and a quarterly fall of 1.6%. An increase in new-build supply has helped tip the market in favour of tenants. Changes in official occupancy rules, which will allow more sharing of accommodation, are expected to increase available supply over the course of 2024.

5.2%
the average annual growth in global prime rents in the 12-months to December

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

50%
half of the markets tracked are seeing rents fall on a quarterly basis

x2
annual rental growth has slowed but is still running at double its long-term rate

-0.3%
New York's annual rental change – the weakest on our survey

Finally, Hong Kong's prime residential rental market saw limited annual growth of 0.9%, pulled back by a quarterly fall of 2%. This recent decline was influenced by seasonality, as the winter market traditionally marks a quiet period for new rentals. Additionally, it reflected a weak period in financial markets, which has impacted hiring and, subsequently, high-end demand.

"Over the past three years, prime global rental markets have experienced one of their strongest booms on record, with a perfect storm of low existing supply reinforced by low new-build completions meeting strong renewed demand supported by healthy labour markets. Rents, which were running at four times their long-term rate a year ago, are now running at 'only' double that rate. However, the direction of travel is clear – expect rental markets to normalize over the rest of 2024."

Liam Bailey, Knight Frank's global head of 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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Changes to 2023 Q4

Rank	Location	12-month % change	6-month % change	3-month % change
1	Sydney	18.1	8.6	4.0
2	Auckland	8.0	2.8	0.7
3	London	7.9	2.6	0.0
4	Singapore	5.0	-3.2	-1.6
5	Geneva	4.3	3.1	2.5
6	Toronto	3.7	0.1	-4.8
7	Monaco	3.0	3.0	-
8	Tokyo	1.5	5.4	-2.5
9	Hong Kong	0.9	-1.0	-2.0
10	New York	-0.3	-4.6	-2.5

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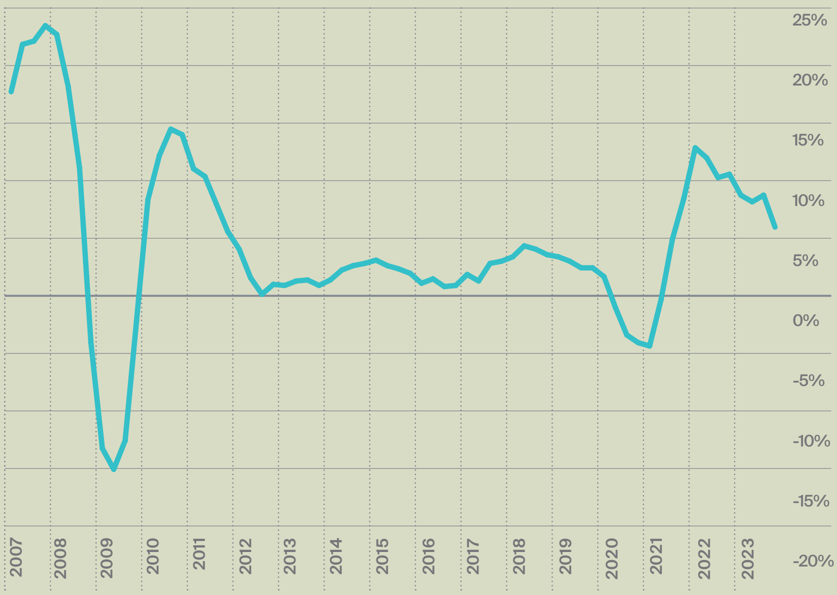
Global average annual change in prime rents across 10 cities



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.

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