

PRIME GLOBAL RENTAL INDEX AT FIVE-YEAR LOW

Our Prime Global Rental Index saw a notable slowdown this quarter. On an annual basis the index rose by just 0.6% in 2014, its weakest rate of growth since 2009. Kate Everett-Allen examines the latest data.

Results for Q4 2014

Prime global rents rose by 0.6% in 2014, their weakest annual rise since 2009

Tokyo leads the annual rankings with prime rents ending last year 11.1% higher

At 6.5%, the Middle East recorded the strongest increase of all the world regions year-on-year

Moscow, where rents are largely US dollar dominated, saw prime rents plummet by 16% due primarily to the weakness of the Rouble

Singapore is the only key financial centre where luxury prices and luxury rents declined in 2014

The 16% decline in prime rents recorded in Moscow dragged our global index down but four other cities also saw prime rents slip year-on-year; Vienna, Geneva, Singapore and Beijing.

Moscow's prime rents are measured in US dollars and the fall is directly linked to the weakness of the Rouble. At the start of 2014 the US dollar equated to 32.8 roubles, by the end it was closer to 56.5.

The weak index results underline the global economy's fragility in 2014 but hides the fact that 12 of the 17 cities we cover saw luxury residential rents increase or remain static in 2014.

Tokyo leads the rankings with luxury rents ending the year 11.1% higher (figure 2). Japan emerged from recession at the end of 2014 and the economy is forecast to rise by 1.3% in 2015 and 2% in 2016. Central wards such as Chiyoda and Minato are seeing a rise in tenant demand due to strong population growth and expat demand.

In Hong Kong the potential interest rate rise in the US and the continuation of

cooling measures meant more landlords chose to rent their property rather than sell in 2014, adding to rental supply and suppressing rental growth.

In Dubai the bulk of the 8.1% increase in prime rents occurred in the first half of the year. Outside the oil industry tenant demand has proved robust.

Although monthly growth slowed to zero in prime central London by the end of the year, the annual increase in rental values reached 3.3%, which was the highest rate in three years.

Demand and activity in the prime residential rental market is strongly linked to business activity and employment levels. Events in Europe will be critical to the overall index's performance in 2015 with significant areas of concern still being addressed in the region's economy.

Although a 'Grexit' remains a possibility, business activity in the Eurozone is now close to a four-year high and deflationary pressures have eased partly due to higher wages suggesting a more positive outlook for 2015.



KATE EVERETT-ALLEN
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"The weakness of this quarter's results hides the fact that 12 of the 17 cities saw luxury residential rents increase or remain static in 2014."

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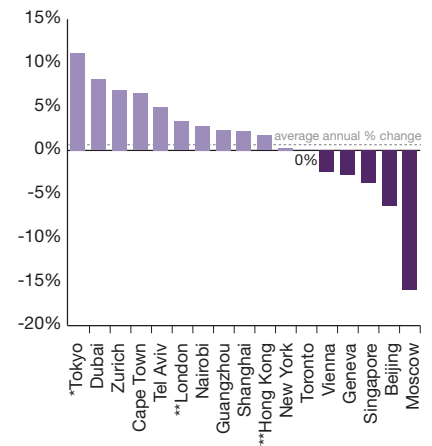
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FIGURE 1
Index performance
Unweighted annual % change in prime rents



Source and notes: see main table of results

FIGURE 2
Change in prime rents by city
Annual % change to Q4 2014



Source and notes: see main table of results

DATA DIGEST

The Knight Frank Prime Global Rental Index is an important resource for investors and developers looking to monitor and compare the performance of prime residential rents across key global cities. Prime property corresponds to the top 5% of the housing market in each city. The index is compiled on a quarterly basis using data from Knight Frank's network of global offices and research teams.

Knight Frank Prime Global Rental Index, Q4 2014

Rank	City	World region	12-month % change (Dec 13 - Dec 14)	6-month % change (Jun 14 - Dec 14)	3-month % change (Sep 14 - Dec 14)
1	Tokyo*	Asia Pacific	11.1%	3.1%	0.4%
2	Dubai	Middle East	8.1%	0.0%	0.0%
3	Zurich	Europe	6.9%	3.3%	3.3%
4	Cape Town	Africa	6.5%	7.3%	0.0%
5	Tel Aviv	Middle East	5.0%	1.3%	2.0%
6	London**	Europe	3.3%	1.7%	0.5%
7	Nairobi	Africa	2.8%	0.7%	0.7%
8	Guangzhou	Asia Pacific	2.3%	1.1%	1.0%
9	Shanghai	Asia Pacific	2.2%	1.0%	-0.2%
10	Hong Kong***	Asia Pacific	1.7%	0.4%	-0.5%
11	New York	North America	0.3%	4.0%	1.2%
12	Toronto	North America	0.0%	1.1%	-1.2%
13	Vienna	Europe	-2.5%	-2.5%	-2.5%
14	Geneva	Europe	-2.8%	0.0%	0.0%
15	Singapore	Asia Pacific	-3.7%	-3.0%	-1.2%
16	Beijing	Asia Pacific	-6.3%	-6.8%	-3.5%
17	Moscow	Europe	-16.0%	-8.3%	-7.3%

Source: Knight Frank Residential Research, Miller Samuel/Douglas Elliman, Ken Corporation

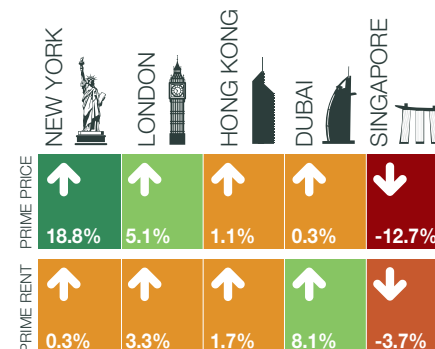
* Data is based on all rental contracts agreed above ¥ 300,000 or where the internal area is 30 tsubo+

** London: new prime rental data is now available

***Provisional

FIGURE 3

Prime rents v prime prices Annual % change, 2014



Source and notes: see main table of results



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