

RESIDENTIAL RESEARCH



GLOBAL CORPORATE LETTINGS REPORT

ASSESSING PROPERTY MARKET CONDITIONS
FOR CORPORATE RESIDENTIAL TENANTS **2015**

CITY-BY-CITY: TOP AREAS
FOR CORPORATE TENANTS

CURRENCY IMPACT
ON PRIME RENTS

SCHOOLING: A TOP PRIORITY

KEY FINDINGS

Corporate tenants seeking value for money and are increasingly conscious of the rental differential between neighbourhoods in relatively close proximity

Cape Town, Zurich and Toronto recorded the strongest rise in prime rents in the year to June 2015

A strong US dollar has led to savings for US corporate tenants relocating abroad over the last year

For corporate tenants with families, schooling is a concern with places in some cities in increasingly short supply



LIAM BAILEY
Global Head of Research

“Our focus in this report is to consider neighbourhood level rental pricing, confirming the substantial differentials which can be achieved within relatively close proximity.”

GLOBAL OVERVIEW

Demand for prime residential accommodation in the world’s gateway cities is rising, led by economic growth and the increasing trend towards integrated global teams in the larger businesses.

In this report we review rental market performance in London, New York, Hong Kong, Singapore and Mumbai – together with a review of Bucharest, a key emerging European centre.

According to Worldwide ECR, 45% of global multinationals expect international assignments to increase but this figure rises to 54% amongst those with headquarters in the US. A stronger dollar means US companies are expanding once again.

Despite this expansion of demand, Knight Frank’s [Prime Global Rental Index](#), which tracks the performance of 18 key cities, confirms that rental growth has been muted in recent years – rising only 0.2% in the year to June 2015.

While cities like Cape Town, Zurich and Toronto have seen strong growth (10%, 8% and 5% respectively), rental performance in most cities has been weaker than might have been expected due to the increasing affordability squeeze in many locations.

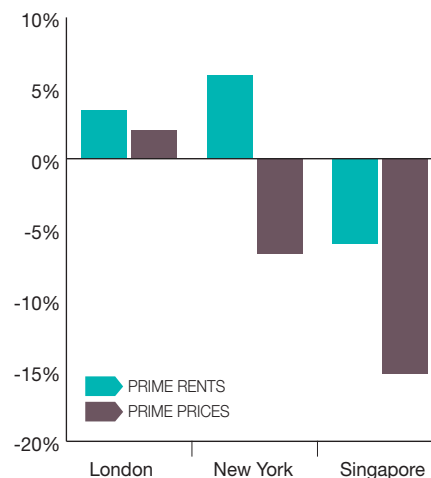
Corporate tenants are placing greater emphasis on value for money – with employees being encouraged to take control of their budgets directly, leading to a greater incentive for taking lower priced accommodation options.

Our focus in this report is to consider neighbourhood level rental pricing, confirming the substantial differentials which can be achieved within relatively close proximity – for example between Central Park South and Midtown in New York and between the Orchard Road Area and Serangoon in Singapore.

Currency fluctuations are an important consideration for corporate tenants. The on-going strength of the US dollar means that US tenants in particular have seen strong savings in rental costs. For example a US tenant spending the equivalent of \$1,000 a week in central London in mid-2008

FIGURE 1

Prime rents outperform prime prices
Annual % change to Q2 2015



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

would be paying \$800 for the same accommodation now, as a result of currency and market movements.

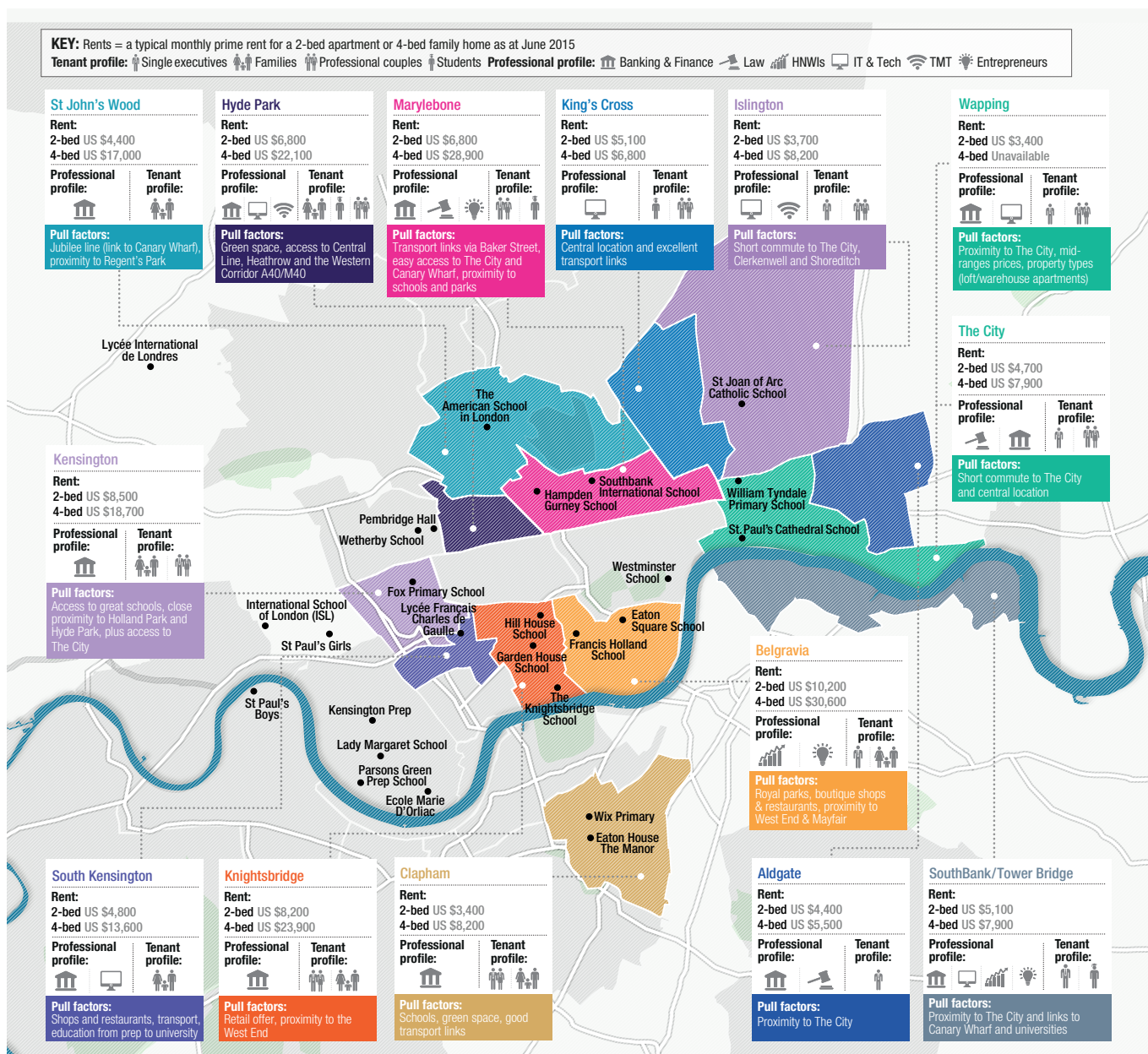
At the same time European tenants have seen their budgets moving in the other direction due to the weakness of the Euro. Over the same period described above a French banker renting accommodation in New York would have seen the need for a weekly budget of €1,000 moving to almost €1,500.

As we have discussed in [previous editions](#) of this report, challenges faced by global HR teams are not limited to the price of accommodation, the wider offer of lifestyle quality and education are critical in terms of the retention of staff. On pages 6 and 7 we assess the issue of schooling, a key concern for families relocating, particularly if heading to Hong Kong.

I hope you enjoy this report and find our summary of the global corporate lettings markets useful, if you have any queries please contact me or my colleagues listed at the back of the report.

LONDON

Market intelligence for the global corporate tenant



Source: Knight Frank Research

USD exchange rates calculated as at 30 June 2015. Note: The profiles shown highlight where there is a concentration of particular professions but the list is not exhaustive and all sub-markets attract a diverse range of professions and tenant types.

In the year to June 2015 prime rents in central London rose on average by 3.4% with areas such as Marylebone and Hyde Park outperforming the market average.

The improving UK economic landscape saw annual rental growth exceed 4% earlier in the year but the General Election dampened activity as the lettings market entered a period of adjustment. Stock levels increased as some owners chose to rent their property rather than sell as a post-election spike in prices failed to emerge.

As a result of its history, London, finds itself with distinct professional hubs or

neighbourhoods. Lawyers relocating to London look for proximity to Chancery Lane, Temple and The City. Those in IT, media and the communications industry often gravitate towards Islington and Kings Cross which gives them easy access to the technology hubs of Clerkenwell and Shoreditch.

Single executives and young professionals relocating to London spread their net wide but areas such as The City, Wapping and South Bank rank highly with them.

Families often opt for West or North London where there is plenty of green space, easy access to quality schools and often

a village-feel in areas such as Kensington and Clapham.

London: winners and losers

The change in prime rents taking account of currency movements only

Corporate tenants arriving in London from

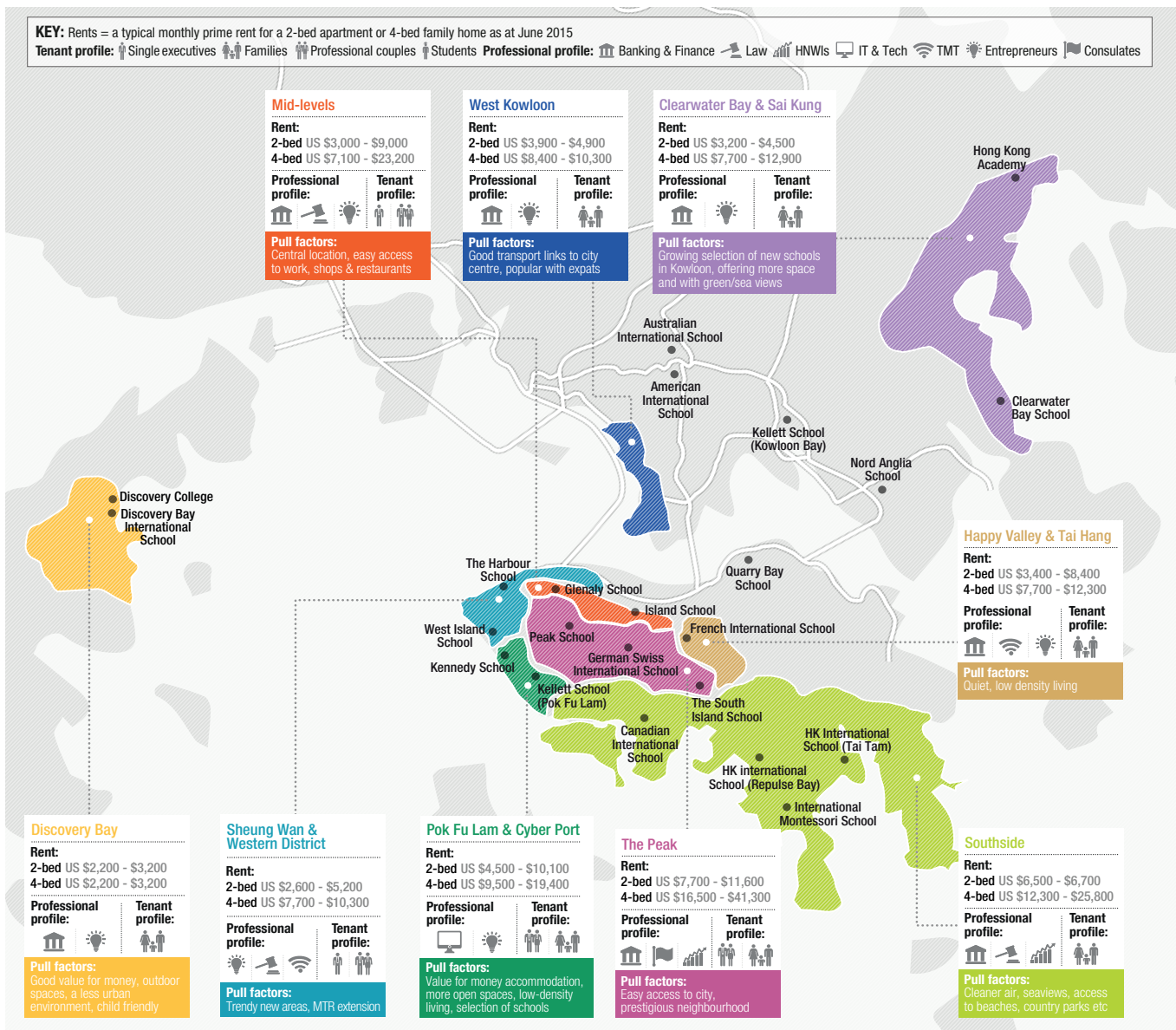


*30 June 2014 to 30 June 2015

Source: Knight Frank Research

HONG KONG

Market intelligence for the global corporate tenant



Source: Knight Frank Research

USD exchange rates calculated as at 30 June 2015. **Note:** The profiles shown highlight where there is a concentration of particular professions but the list is not exhaustive and all sub-markets attract a diverse range of professions and tenant types.

Prime rents in Hong Kong rose by 2.4% in the year to June 2015, wealth flows from mainland China and a growing number of corporate relocations strengthened demand.

According to Hong Kong's Immigration Department, 31,676 employment visas were granted in 2014, a 12% increase on the previous year.

Schooling is a critical consideration for corporate tenants moving to Hong Kong with demand severely outweighing supply particularly at primary level (see page 6).

Sheung Wan and Western District saw stronger demand, partly due to the

opening of the new MTR extension but also given their close proximity to several top schools.

The strength of the Hong Kong Dollar (pegged to the US Dollar) means few foreign tenants have benefitted from the currency play in the last 12 months with Eurozone tenants having fared particularly poorly.

Towards the third quarter of 2015, with cooling measures still in place, the focus of the sales market has shifted to the new development market with developers actively launching new flats with larger discounts and more beneficial packages. Resale transactions have been suppressed

and some owners have opted to lease their properties rather than sell, adding to supply levels within the lettings market.

Hong Kong: winners and losers

The change in prime rents taking account of currency movements only

Corporate tenants arriving in Hong Kong from			
UK	China	US	Eurozone
would, compared to a year ago*, find prime rents...			
more expensive by 8.2%	cheaper by 0.3%	no change	more expensive by 22.3%
↑	↓	→	↑

*30 June 2014 to 30 June 2015

Source: Knight Frank Research

NEW YORK

Market intelligence for the global corporate tenant

New York: winners and losers

The change in prime rents taking account of currency movements only

Corporate tenants arriving in New York from



would, compared to a year ago*, find prime rents...

more
expensive
by 8.2%

cheaper by
0.3%

no
change

more
expensive
by 22.3%

*30 June 2014 to 30 June 2015

Source: Knight Frank Research

Upper West Side

Rent:
2-bed US \$ 4,600 - \$ 5,600
4-bed US \$ 10,100 - \$ 12,300

Central Park South

Rent:
2-bed US \$ 16,600 - \$ 20,300
4-bed US \$ 40,500 - \$ 49,500

Lincoln Square

Rent:
2-bed US \$ 7,600 - \$ 9,300
4-bed US \$ 21,200 - \$ 26,000

Midtown

Rent:
2-bed US \$ 7,100 - \$ 8,600
4-bed US \$ 15,800 - \$ 19,300

Midtown West

Rent:
2-bed US \$ 4,600 - \$ 10,500
4-bed US \$ 5,600 - \$ 12,800

Chelsea

Rent:
2-bed US \$ 6,300 - \$ 15,900
4-bed US \$ 7,700 - \$ 19,500

West Village - Meatpacking District

Rent:
2-bed US \$ 5,400 - \$ 6,600
4-bed US \$ 17,100 - \$ 21,600

Soho

Rent:
2-bed US \$ 6,000 - \$ 7,400
4-bed US \$ 18,500 - \$ 22,600

Tribeca

Rent:
2-bed US \$ 8,300 - \$ 10,200
4-bed US \$ 22,800 - \$ 27,900

Little Italy - Chinatown

Rent:
2-bed US \$ 4,300 - \$ 5,300
4-bed US \$ 8,000 - \$ 9,800

Battery Park City

Rent:
2-bed US \$ 5,900 - \$ 7,200
4-bed US \$ 17,500 - \$ 21,400

Financial District

Rent:
2-bed US \$ 5,300 - \$ 6,500
4-bed US \$ 11,300 - \$ 13,800

East Harlem

Rent:
2-bed US \$ 2,300 - \$ 2,900
4-bed US \$ N/A - \$ N/A

Carnegie Hill

Rent:
2-bed US \$ 5,400 - \$ 16,800
4-bed US \$ 6,600 - \$ 15,800

Upper East Side

Rent:
2-bed US \$ 5,900 - \$ 7,200
4-bed US \$ 17,100 - \$ 20,900

Turtle Bay

Rent:
2-bed US \$ 5,500 - \$ 6,700
4-bed US \$ 9,400 - \$ 11,500

Sutton Area

Rent:
2-bed US \$ 5,500 - \$ 6,700
4-bed US \$ 12,400 - \$ 15,100

Beekman

Rent:
2-bed US \$ 7,800 - \$ 9,500
4-bed US \$ 12,900 - \$ 15,800

Murray Hill

Rent:
2-bed US \$ 4,900 - \$ 6,000
4-bed US \$ 11,300 - \$ 13,800

Kips Bay

Rent:
2-bed US \$ 4,100 - \$ 5,000
4-bed US \$ 9,800 - \$ 12,000

Gramercy

Rent:
2-bed US \$ 4,800 - \$ 5,900
4-bed US \$ 13,600 - \$ 16,700

Flatiron District

Rent:
2-bed US \$ 7,800 - \$ 9,600
4-bed US \$ 11,100 - \$ 13,600

East Village

Rent:
2-bed US \$ 3,700 - \$ 4,500
4-bed US \$ 6,100 - \$ 7,400

Greenwich Village

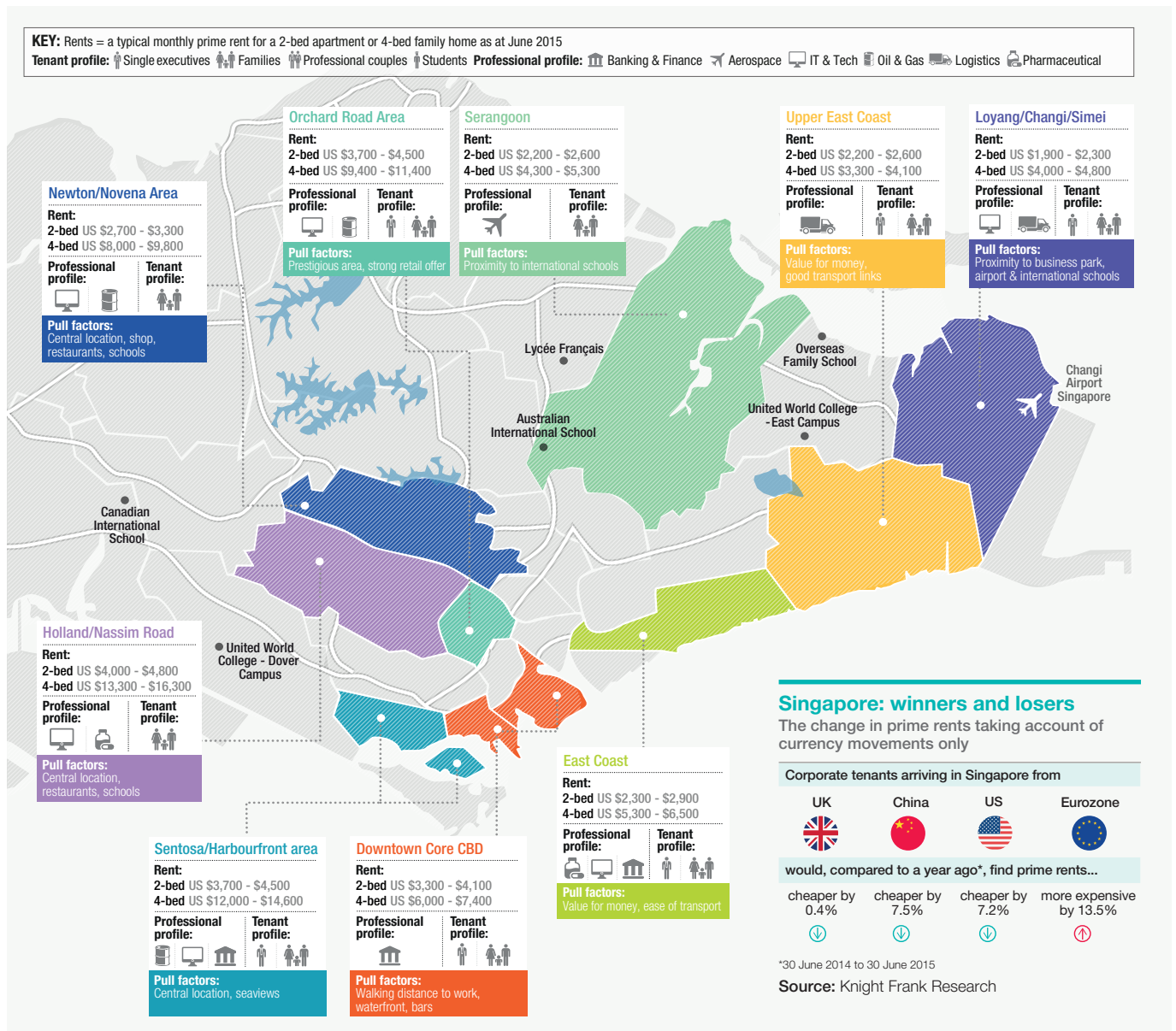
Rent:
2-bed US \$ 5,400 - \$ 6,700
4-bed US \$ 14,800 - \$ 18,000

Lower East Side

Rent:
2-bed US \$ 3,600 - \$ 4,400
4-bed US \$ 5,600 - \$ 6,800

SINGAPORE

Market intelligence for the global corporate tenant



Source: Knight Frank Research

USD exchange rates calculated as at 30 June 2015. **Note:** The profiles shown highlight where there is a concentration of particular professions but the list is not exhaustive and all sub-markets attract a diverse range of professions and tenant types.

SCHOOLING: A TOP PRIORITY

For families relocating around the world, finding the right school can be their biggest challenge. The options range from city to city and the application process from school to school.

In cities such as Hong Kong, where local schools are usually bypassed by foreign nationals due to the language barrier, places at primary school are

coveted with many expats now putting their child's name down at birth. Petra Almond, Knight Frank's School Specialist in Hong Kong believes research, flexibility and compromise are critical for those relocating to the city. Petra has managed to place 200 children in three years but she is also aware of cases where senior executives have turned down a relocation

offer because of Hong Kong's limited school places.

Different schools prioritise different criteria; a corporate debenture, a sibling already at the school, or in some cases the passport you hold can influence where you sit on the waiting list. Competition is less fierce at the secondary level because many expats

in Hong Kong opt to send their children to boarding school in their home country at this stage.

Although few other cities see the clamour for places that Hong Kong does, education is still a top priority for those relocating elsewhere.

Unlike New York, in London a corporate tenant looking to educate their child in a state school needs to find a property first before applying for a school and it does not automatically follow that they will be offered the closest school to their new property.









Unlike Hong Kong, London has no debenture system which means an employer, a US Bank for example, may provide an employee with a £20,000 allowance for their child to attend the city's American School but there is no right of entry conferred on the child as part of a corporate debenture. Similarly, if the child accesses a school with a lower fee the remaining allowance is forfeited.

For fee-paying schools, Richard Northey of The Education Consultancy stresses the need to research your options and register early in London to maximise the chance of a place.

Secondary school places for boys are currently in short supply with many having to sit pre-tests at 10-11 years of age for entry at 13+ which can be problematic for corporate tenants arriving in the city at short notice, this explains the current level of demand for international schools.

Mumbai: winners and losers

The change in prime rents taking account of currency movements only

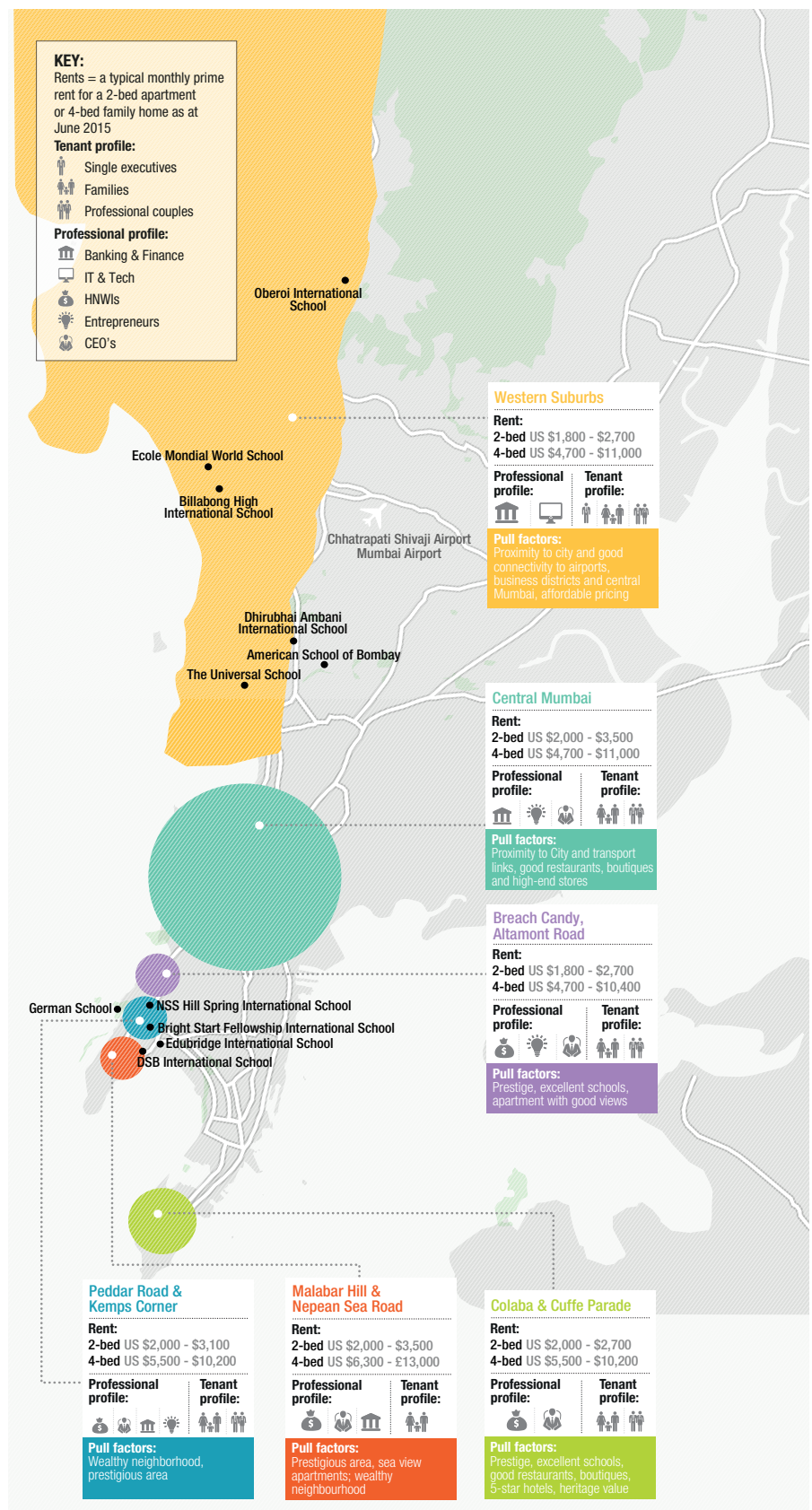
Corporate tenants arriving in Mumbai from			
UK	China	US	Eurozone
			
would, compared to a year ago*, find prime rents...			
more expensive by 2.1%	cheaper by 5.9%	cheaper by 5.6%	more expensive by 15.4%
			

*30 June 2014 to 30 June 2015

Source: Knight Frank Research

MUMBAI

Market intelligence for the global corporate tenant



Source: Knight Frank Research

USD exchange rates calculated as at 30 June 2015. **Note:** The profiles shown highlight where there is a concentration of particular professions but the list is not exhaustive and all sub-markets attract a diverse range of professions and tenant types.



GLOBAL BRIEFING

For the latest news, views and analysis
on the world of prime property, visit
KnightFrankblog.com/global-briefing

ONE TO WATCH: BUCHAREST

For multinationals looking for a presence within Central and Eastern Europe, the Romanian capital is emerging as a key base.

The take-up of office space in Bucharest reached a five-year high in 2014 with the IT and Communications sector accounting for 43% of total leasing activity. Orange, Vodafone, Microsoft and Oracle now have a presence in the city with several having leased 10,000-25,000 sq m in the last 12 months.

Knight Frank's new Corporate Rentals and Relocation team is assisting corporate tenants, but also expats and private clients, in finding the right home in Bucharest.

Established neighbourhoods include Herastrau and Primaverii but emerging

districts such as Baneasa (Sisesti) and more recently, Dimitrie Pompeiu are increasingly popular as tenants look to gain easier access to their offices and cut commute time.

A four bedroom family home in Aviatorilor or Kiseleff typically rents for US\$2,250-US\$4,000 per month while a young executive wanting a central location can find a two bedroom apartment for US\$ 680 per month

For families relocating to the city there are several good international schools – the options are broad with both British and American International Schools, a Lycée Français and a Cambridge School now in situ.

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