News Release

Five Cities, the Size of LA, Needed Annually for the Next Five Years, Creating Huge Real Estate Opportunities

London, UK - Five new cities, each the size of Los Angeles, will need to be built every year for the next five years to accommodate the expected 380 million[1] new city dwellers, according to *Global Cities : The 2016 Report* published today by Knight Frank.

This increased urbanisation, combined with greater demand and low vacancy rates, will cause office rents to rise in the key global cities. Knight Frank forecasts that rents in Madrid will increase by more than 22 per cent by 2018, followed closely by Mumbai (21.3 per cent) and San Francisco (20.2 per cent).

James Roberts, chief economist, Knight Frank commented: “Of the global cities, we are forecasting Madrid, which is rebounding from the euro crisis years, to see the strongest office rental growth to 2018. The city centre has become undersupplied due to developers hitting the brakes during the euro crisis, only to see demand recover in the last two years.

“San Francisco, with its burgeoning tech economy, is predicted to see the highest rental growth in the Americas – over 20 per cent in the next three years. Tech firms are expanding in the city centre in preference to Silicon Valley and this has created tight supply for real estate.

“Mumbai and Bengaluru, are in the top five for rental growth, despite being emerging markets. This is because India is actually on the right side of the trends that are acting against other emerging markets. India has big IT and outsourcing companies, which sell services to major western corporations.”

[1] Source United Nations

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Forecast Office Rental Growth (end of 2015 to end of 2018)

	City	**%**
1	Madrid	22.2%
2	Mumbai	21.3%
3	San Francisco	20.2%
4	Melbourne	15.8%
5	Bengaluru	15.8%
6	London	13.6%
7	Los Angeles	12.5%
8	Hong Kong	12.0%
9	Paris	9.8%
10	Chicago	9.3%
11	Washington DC	8.5%
12	Sydney	7.7%
13	Shanghai	6.1%
14	New York City	5.8%
15	Tokyo	5.3%
16	Delhi	5.0%
17	Frankfurt	3.5%
18	Mexico City	1.5%
19	Beijing	1.8%
20	Singapore	-3.0%

Capital markets opportunities

Jeremy Waters, head of international capital markets commented: "We expect advanced industrial nations to drive the global economy in the next three years; with the global cities in those nations offering the strongest opportunities for real estate investors.

"With the US moving closer to a rate rise, the dollar is strong, and American private equity investors are already buying more stock overseas. We see this trend accelerating in 2016. They tend to be more comfortable with a higher risk profile, so we expect increased interest in sites and short income assets.

"In Europe, thanks to low bond yields and signs of economic turnaround, we are predicting more opportunist money will come into the market.

"In general, we see investors casting the net wider, with specialist property rising up the agenda. In part, this reflects a growing desire to seek diversity in a portfolio. "

The report also highlights five key trends that investors should bear in mind when deciding how and where to invest in the growth of cities:

1. Expansion of infrastructure: This year's Global Cities report has identified a series of mega infrastructure projects coming to fruition around the world – a third lane in the Panama Canal, a new airport in Dubai and an industrial corridor in India between Delhi and Mumbai. Their significance being that new transport hubs create new business centres, offering development opportunities.

2. Need for mixed use: the growth in city-living has brought back a focus on how best to integrate the way in which people live, work and play in cities. This offers a diversified opportunity to investors that also exposes them to a fast-growing trend. Good examples of mixed use areas include Barangaroo in Sydney and Battersea Power Station in London.

3. Deregulation freeing up opportunities: in various parts of the world, changes to regulation are freeing up ownership restrictions or enabling new investment vehicles. One example is the legislation in India in 2014 which has introduced the Real Estates Investment Trust, a sector which is expected to be worth as much as $100 billion in a few years. Another example is the Free Trade Agreement between China and Australia.

4. Importance of specialist property: investors should no longer think just in terms of commercial or residential, but also consider the specialist sector, including accommodation for the elderly or students, automotive, hotels and even the private rental sector. There are various reasons for this, such as the growth in the number of old people and students, as well as the need for investors to diversify.

5. Think shorter term: traditional yields on long leases have been attractive, but changing market conditions make them less easy to achieve. The imbalance between supply and demand means longer leases are less available and so investors are moving to factor in capital values and rental growth prospects.

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Global Cities: The 2016 Report sets the context for investors by saying that five new cities, each the size of Los Angeles, will need to be built every year for the next five years to accommodate the expected 380 million new city dwellers. The report predicts that the number of people moving to cities over the next five years will be more than three times the current population of Japan, as they try to make the most of the economic advantages cities increasingly deliver.

Global Cities : The 2016 Report is available in full from www.KnightFrank.com/GlobalCities

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(a) Notes to Editors

Knight Frank LLP is a leading independent global property consultancy. Headquartered in London, the firm operates from more than 370 offices, in 55 countries, across six continents and has over 12,000 people. This includes Newmark Grubb Knight Frank in the Americas, and Douglas Elliman Fine Homes in the USA. The Group advises clients ranging from individual owners and buyers to major developers, investors and corporate tenants. For further information about our business, please visit knightfrank.com.