



Prime rents weaken as Eurozone crisis lingers

Prime rents globally rose by less than 2% in the year to March 2012, the weakest annual rate of growth since Q4 2009. The Eurozone contagion, its impact on business confidence and the resulting dip in corporate relocations has led to slower growth in the prime lettings market. Kate Everett-Allen examines the figures

Headlines for Q1 2012

The Knight Frank Prime Global Rental Index rose by 1.7% in the 12 months to March 2012

Prime residential rents rose by 0.4% in the first quarter of 2012

Nairobi was the strongest performer on an annual basis (up 14%) and Moscow the strongest on a quarterly basis (up 6%)

Luxury rents in Manama (Bahrain) fell the most (down 20%) compared to a year earlier

Europe, despite tumultuous economic conditions, saw prime residential rents rise on average by 2.2% in the year to March 2012

After peaking in Q2 2008 and hitting a low point a year later, the Knight Frank Prime Global Rental Index has seen slow but steady growth.

The index's subdued performance in Q1 2012 conceals the large variation in city performance. The gap between the top and bottom of the results table is 34% (annual growth) with cities in Asia Pacific and North America dominating the top half and Europe the bottom.

Initially London, Hong Kong and New York led the recovery in growth during 2010, when post-Lehman stimulus measures prompted a brief, and it has to be said shallow financial recovery. Since 2010 China has been the focus of growth – since Q4 2010 Shanghai, Guangzhou and Beijing have seen rents rise by 12.2%, 9.4% and 7.5% respectively – overshadowing London and New York's growth of 6.3% and 3%.

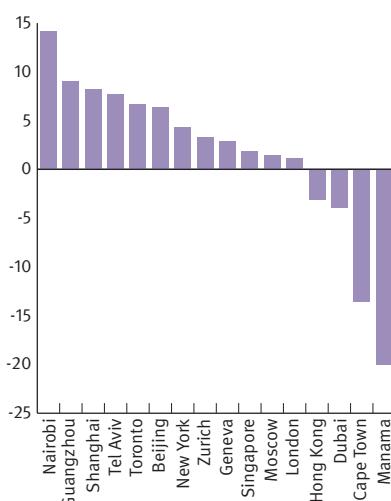
London and New York's rental performance is closely linked to the health of their employment markets. The number of jobs available in London's financial services sector declined by 57% in March 2012 compared to the same month a year earlier according to Morgan McKinley. These weaker employment conditions led to rental growth of just 1.2% in London over the same period, down from 6.3% a year earlier.

New York's position differs. Here, private sector jobs increased by 68,700 or 2.1% in the year to March 2012 and mortgage availability remains tight pushing many would-be purchasers into rental accommodation. Jonathan Miller, Knight Frank's market expert in New York comments "usually the rental market signifies an improving economy as it is more responsive to changes in unemployment than the sales market. However, rents began rising before unemployment began to improve meaning that the recent resurgence in rental growth has been largely credit driven."

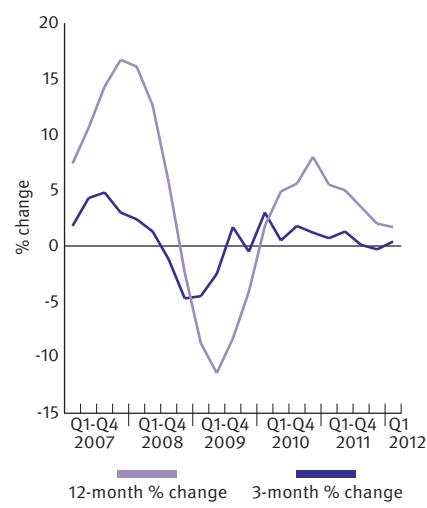
The outlook for prime rents hinges on the health of the global economy and with economic forecasts being revised downwards the prospects look poor with only limited growth likely in the remainder of 2012. There are likely to be bright spots however.

Some Asian cities may see rental demand strengthen following recent government efforts to restrict foreign purchases (via stamp duty, higher taxes, price thresholds etc). More expatriates may be pushed into the rental sector by policymakers keen to improve affordability for their domestic buyers. Our forecast for rental growth on a city-by-city basis is included in the newly-released [Global Corporate Lettings Review](#).

**Figure 1
12-month rental change**
Average % change in prime residential rents to Q1 2012



**Figure 2
Aggregate performance**
Unweighted average change in prime rents



"Some Asian cities may see rental demand strengthen following recent government efforts to restrict foreign purchases."



Kate Everett-Allen, International Residential Research

Source: Knight Frank Residential Research

Source: Knight Frank Residential Research

RESIDENTIAL RESEARCH

PRIME GLOBAL RENTAL INDEX

Knight Frank



Regional analysis

Unweighted average annual rental change, by world region

World Region	12-month % change
North America	5.5%
Asia Pacific	4.5%
Europe	2.2%
Africa	0.3%
Middle East	-5.4%

Global Corporate Lettings Review 2012

Knight Frank's inaugural Global Corporate Lettings Review looks at the demand for prime rental properties from multinationals and their employees across key cities worldwide. The report – a must for HR executives and relocation agents – provides a snapshot of lettings practises and trends across 11 cities from New York to Tokyo, it assesses current market conditions and outlines the risks and opportunities that lie ahead for this rapidly-expanding sector.

The report is available online. To sign up to receive our future global rental market reports please email:

residentialresearch@knightfrank.com

Data digest

The Knight Frank Prime Global Rental Index is the definitive means for investors and developers to monitor and compare the performance of prime rental markets across key global cities. Prime property corresponds to the top 5% of the mainstream 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, Q1 2012

Rank	City	World region	12-month % change (Mar 11 - Mar 12)	6-month % change (Sept 11 - Mar 12)	3-month % change (Dec 11 - Mar 12)
1	Nairobi	Africa	14.2%	8.1%	5.8%
2	Guangzhou	Asia Pacific	9.0%	4.3%	2.0%
3	Shanghai	Asia Pacific	8.2%	3.8%	3.5%
4	Tel Aviv	Middle East	7.7%	3.2%	1.5%
5	Toronto	North America	6.7%	2.6%	1.3%
6	Beijing	Asia Pacific	6.4%	-0.7%	-1.6%
7	New York	North America	4.3%	2.7%	0.1%
8	Zurich	Europe	3.3%	1.6%	5.0%
9	Geneva	Europe	2.9%	1.4%	1.4%
10	Singapore	Asia Pacific	1.9%	0.6%	0.5%
11	Moscow	Europe	1.5%	6.1%	6.2%
12	London	Europe	1.2%	-0.8%	-0.4%
13	Hong Kong	Asia Pacific	-3.1%	-8.4%	-4.1%
14	Dubai	Middle East	-3.9%	1.0%	1.0%
15	Cape Town	Africa	-13.6%	-4.7%	1.3%
16	Manama	Middle East	-20.0%	-17.9%	-16.7%

Source: Knight Frank Residential Research

Residential Research

Kate Everett-Allen

International Residential Research

+44(0)20 7861 1513

kate.everett-allen@knightfrank.com

Press Office

Bronya Heaver

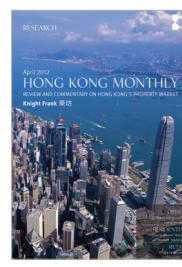
+44 (0)20 7861 1412

bronya.heaver@knightfrank.com

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