RESIDENTIAL RESEARCH





PRIME GLOBAL RENTAL INDEX STALLS

Global economic and political uncertainty has contributed to a slowdown in prime global rents, with rental growth stalling in the year to September 2016.

Prime rental performance across the 17 cities tracked by Knight Frank's Prime Global Rental Index has ground to a halt recording 0% annual growth in the year to September 2016, down from 0.7% last quarter.

Despite this slowdown in aggregate performance, the number of cities where annual rental growth is positive remains the same as last quarter (10); however, the rate of growth has slowed in 10 of the 17 cities.

Toronto leads the rankings with prime rents rising by 7.9% year-on-year. Annual population growth of 9% in 2015 and a low and stable rate of unemployment (6.6%) have contributed to increased demand for rental properties. Rising homeownership costs (<u>12% year-on-year price growth</u> and higher mortgage rates) and a narrowing vacancy rate have pushed prime rents higher.

Tokyo's prime rents increased annually by 7.3% with the fundamentals driving this performance being similar to those witnessed in Toronto (Figure 3).

Oversupply of prime rental properties and lower demand from corporate clients due to a prolonged period of low oil prices has led to prime rents in Nairobi falling by 10.8% in the year to September 2016. London's prime rental market continues to absorb higher stock levels; this has put downwards pressure on prime rents which fell by 4.7% in the 12 months to September 2016. Although uncertainty remains, primarily due to the UK's decision to leave the EU, Knight Frank has agreed a record number of tenancies in the year to September. Our latest Prime Central London Rental Index can be found here.

North America continued to be the strongest-performing world region with average annual prime rental growth of 5.1%. Africa registered the weakest performance with prime rents falling 3.7% on average in the year to September 2016.

Whilst uncertainty remains over the form of Brexit and the stance on global trade which President-elect Trump is likely to take we can be more confident that a US rate hike is imminent. However, any rise may have significant knock on effects particularly for emerging markets. Record levels of sovereign debt in some emerging markets means that even a small increase in interest rates may suppress corporate activity, which in turn could hinder economic growth and prime rental market performance.

FIGURE 1

TAIMUR KHAN Senior Research Analyst

"Whilst uncertainty remains over the form of Brexit and the stance on global trade which President-elect Trump is likely to take we can be more confident that a US rate hike is imminent."

Follow Taimur at @TaimurKF

For the latest news, views and analysis on the world of prime property, visit Global Briefing or @kfglobalbrief



Results for Q3 2016

The global index recorded 0% growth in the year to September 2016

Some regions have outperformed, with prime rents in North America rising by 5.1% on average

Toronto leads the rankings with prime rents increasing by 7.9% on an annual basis

The annual rate of growth has slowed in 10 of the 17 cities tracked by the index

Nairobi occupies the bottom ranking with prime rents falling by 10.8% year-on-year

PRIME GLOBAL RENTAL INDEX Q3 2016



FIGURE 3 Performance contributors

Falling unemployment and rising population



Source: Knight Frank Research, United Nations Department of Economic & Social Affairs (UNDESA), Statistics Canada, Statistics Japan.

Unemployment Data Note: Toronto Data to Nov 2016, Tokyo data is for the Southern-Kanto Region, data as at Sept. 2016

FIGURE 4

Prime rents by world region Average annual % change to Q3 2016



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

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 change in prime residential rents is measured in local currency. The index is compiled on a quarterly basis using data from Knight Frank's network of global offices and research teams.

Knight Frank Global House Price Index, Q3 2016 Ranked by annual % change

Rank	Country	12-month % change (Q3 2015-Q3 2016)	6-month % change (Q1 2016-Q3 2016)	3-month % change (Q2 2016-Q3 2016)	Market direction*
1	Toronto	7.9%	1.9%	3.8%	۲
2	Tokyo ²	7.3%	3.1%	-1.6%	
3	Cape Town	3.3%	1.8%	1.8%	•
4	Moscow	3.2%	1.8%	-1.0%	۲
5	Tel Aviv	2.7%	0.3%	1.1%	۲
6	New York	2.4%	0.3%	-3.0%	۲
7	Beijing	2.1%	1.3%	1.1%	
8	Guangzhou	2.1%	1.8%	0.8%	۲
9	Zurich	1.6%	5.1%	3.3%	۲
10	Shanghai	1.4%	1.7%	1.1%	۲
11	Taipei	0.0%	0.0%	0.0%	۲
12	Vienna	-3.3%	-2.4%	-2.1%	۲
13	Singapore	-3.3%	-1.3%	-1.4%	
14	London ¹	-4.7%	-2.6%	-1.5%	۲
15	Geneva	-5.9%	-1.5%	-4.5%	۲
16	Hong Kong	-6.9%	-1.0%	0.0%	۲
17	Nairobi	-10.8%	-3.2%	-1.7%	۲

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

¹ London: latest data is available for prime central London here

² Data is based on all rental contracts agreed above ¥ 300,000 or where the internal area is 30 tsubo+ * Direction of price growth compared to previous quarter

RECENT MARKET-LEADING RESEARCH PUBLICATIONS







Ski Property Report -2016

	ECONOMIC UNCERTAINTY HITS LUKURY HOUSE PRICES AROUND THE WORLD		
Results for G3 2016 The help example (31) and the second of the second of the second the second of the second of the second of the second the second of the second o	The second secon	An even of the second s	
CONTRACTOR CONTRA		Spring, reserved of the fit right legal asserved of resolution and the activity data and the result, results, an incompany, tasks for the fit with same of resolution and asservery balance, but a strong the off has approximately physics.	

Prime Global Cities Index - Q3 2016



Greater China - Property Market Report Q3 2016



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

RESIDENTIAL RESEARCH

Liam Bailey

Global Head of Research +44 20 7861 5133 liam.bailey@knightfrank.com

Taimur Khan

Senior Research Analyst +44 20 7861 1436 taimur.khan@knightfrank.com

PRESS OFFICE

Astrid Etchells +44 20 7861 1182 astrid.etchells@knightfrank.com



Important Notice

© Knight Frank LLP 2016 - This report is published for general information only and not to be relied upon in any way. Although high standards have been used in the preparation of the information, analysis, views and projections presented in this report, no responsibility or liability whatsoever can be accepted by Knight Frank LLP for any loss or damage resultant from any use of, reliance on or reference to the contents of this document. As a general report, this material does not necessarily represent the view of Knight Frank LLP in relation to particular properties or projects. Reproduction of this report in whole or in part is not allowed without prior written approval of Knight Frank LLP to the form and content within which it appears. Knight Frank LLP is a limited liability partnership registered in England with registered number OC305934. Our registered office is 55 Baker Street, London, W1U 8AN, where you may look at a list of members' names.

Knight Frank Research Reports are available at KnightFrank.com/Research