

Prime rents rose fastest in emerging markets in 2013

Knight Frank's Prime Global Rental Index, which measures the performance of prime residential rents across 17 cities worldwide, rose by 4.8% in 2013. Kate Everett-Allen examines the latest set of results

Results for Q4 2013

Prime global rents rose by 4.8% in 2013

Nairobi topped the annual rankings for the third consecutive quarter

Prime rents fell most rapidly in London and Hong Kong in 2013

Since Lehman's collapse prime rents have risen the most in London, up by 20.9%

Improving employment projections hint **at strengthening rents in London and New York**

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The performance of the world's prime rental markets is intrinsically tied to the health of each city's respective employment market, in particular the business and financial services sector. Prime rents recorded weaker growth in 2013 (4.8%) than in 2012 (5.1%) as employment gains in 2013 proved marginal.

Emerging markets outperformed the world's top financial centres. Nairobi recorded the strongest rate of growth in annual terms in 2013. Prime rents rose by nearly 26% in 2013 as multinationals looked to strengthen their headcount in the Kenyan capital.

Prime rents in Dubai ended the year almost 14% higher, down from an annual rate of growth of 16% last quarter. A two tier market emerged in the second half of 2013 with secondary locations recording a stronger rate of growth than those in the Emirate's prime developments.

Events in Syria and Egypt emphasised Dubai's status as a regional safe haven. Tenant demand also rose following the announcement that the city will host Expo 2020.

Although prime rents in Nairobi and Dubai recorded the strongest rate of annual growth

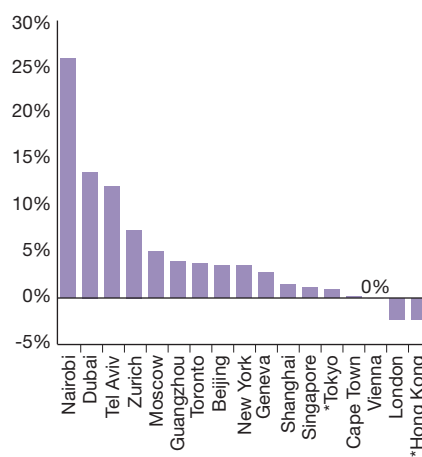
in 2013, rents here are half, or in Nairobi's case, as much as 70% below those found in London and New York.

The contrasting fortunes of London and New York's financial sectors explains their differing results. Manhattan saw luxury rents increase by 3.5% in 2013 at a time when Wall Street bonuses rose by 15% year-on-year. By comparison, the number employed in London's financial services is estimated to have contracted slightly in 2013 (-0.2%) and prime rents declined by 2.3%.

Slowing prime rental growth in Hong Kong is attributable to the reduction in housing allowances and fewer expat arrivals. Tenants are finding that landlords are more willing to negotiate on rents than they have been for several years. The 2014-15 Land Sale Programme, which will deliver 15,500 new homes, may impact on prime rents if tenants forced to rent in recent years due to the lack of available homes are now able to secure their own property.

A comparison of prime rental growth since the start of the financial crisis in 2008 shows that despite London's recent weak performance it has outperformed the remaining cities, rising by 20.9% (figure 2).

FIGURE 1
Change in prime rents by city
Annual % change to Q4 2013



Source and notes: see main table of results

FIGURE 2
Six years on...
% change in prime rents since Lehman's collapse



Source and notes: see main table of results



KATE EVERETT-ALLEN
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"Prime rental growth in emerging markets outperformed the world's top financial centres in 2013."

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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 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, Q4 2013

Rank	City	World region	12-month % change (Dec 12 - Dec 13)	6-month % change (Jun 13 - Dec 13)	3-month % change (Sep 13 - Dec 13)
1	Nairobi	Africa	25.9%	7.6%	5.2%
2	Dubai	Middle East	13.6%	5.6%	4.0%
3	Tel Aviv	Middle East	12.1%	5.8%	2.5%
4	Zurich	Europe	7.4%	2.8%	-1.4%
5	Moscow	Europe	5.0%	6.4%	3.0%
6	Guangzhou	Asia Pacific	3.9%	2.8%	1.8%
7	Toronto	North America	3.7%	-0.4%	-0.4%
8	Beijing	Asia Pacific	3.5%	-1.3%	-1.9%
9	New York	North America	3.5%	7.1%	8.8%
10	Geneva	Europe	2.8%	0.0%	0.0%
11	Shanghai	Asia Pacific	1.5%	0.6%	-1.1%
12	Singapore	Asia Pacific	1.1%	-0.2%	-0.5%
13	Tokyo*	Asia Pacific	0.9%	1.7%	-0.7%
14	Cape Town	Africa	0.1%	-1.9%	0.0%
15	Vienna	Europe	0.0%	0.0%	0.0%
16	London	Europe	-2.3%	-1.9%	-1.2%
17	Hong Kong**	Asia Pacific	-2.3%	0.4%	-0.1%

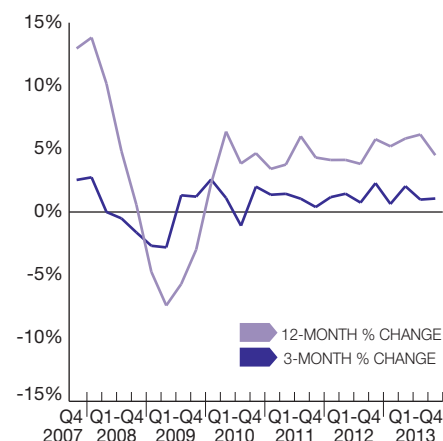
Source: Knight Frank Residential Research, Miller Samuel/Douglas Elliman, Ken Corporation, Hong Kong Rating and Valuation Dept

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

FIGURE 3

Index performance

Unweighted change in prime rents (aggregate)



Source and notes: see main table of results



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