

LUXURY RESIDENTIAL RENTS RISE FASTEST IN TORONTO

Key luxury rental markets saw prime rents fall 0.4% in 2016 with supply proving the key determinant of rental market performance

Results for Q4 2016

Average prime global rents fell marginally by 0.4% in 2016

North America saw prime rents increase by 5.2% on average

Europe displaced Africa as the weakest-performing region with prime rents falling 2.1% in 2016

Toronto leads the rankings with prime rents increasing by 8% on an annual basis

Nairobi occupies the bottom ranking with rents falling by 6% year-on-year

Prime rents across the 17 key cities tracked in Knight Frank's Prime Global Rental Index fell marginally by 0.4% in 2016. This compares to 2.5% growth reported by the index two years ago.

While the general trend was for rental declines in 2016, there were areas of positive performance. Ten cities recorded rental growth over the course of 2016 up from seven in 2015. At the same time the difference between the strongest and weakest-performing markets increased to 14%, up from 12.5% in 2015.

Toronto leads our ranking with prime rents growing by 8% year-on-year. This rise comes despite a fall in the volume of tenancies agreed over the course of the year caused by a lack of supply in the condominium rental market. With luxury house prices in Toronto rising by 15.1% in 2016, buyers who may have been considering single-family homes are now turning their attention to the less-expensive condominium market which exacerbated the lack of supply further.

Nairobi remained the weakest-performing market for the fourth consecutive quarter with rental values falling by 6% in 2016. However, in the last quarter of 2016, prime rents were unchanged, suggesting declines may have started to bottom out. This trend is further supported by a steady increase in oil prices over the past few months.

Despite rental value declines in prime central London in 2016, latest activity data is pointing to an uptick in demand, which is beginning to counter-balance the effect of growing supply. The number of tenancies agreed in prime central London was 20% higher in the final quarter of 2016 compared to 2015. Meanwhile, there was a 12% year-on-year rise in new rental properties coming onto the market in the final quarter of 2016, a figure that was lower than the increase of 30% recorded over the first nine months of the year. We expect more positive rental performance in 2017.

North America continued to be the strongest performing world region for the fifth consecutive quarter with average annual prime rental growth of 5.2%. Europe displaced Africa as the weakest-performing region with prime rents falling 2.1% in 2016.

With increasingly active fiscal and monetary policies in the US, such as President Trump's proposed US\$1trillion infrastructure plan and tax cuts as well as the decision by the Federal Reserve to raise interest rates, we may see other central banks and governments follow suit to either support currency or to deal with any spill-over of inflation. Higher interest rates would negatively impact on market affordability, a process which could lead to an increase in the demand for rental accommodation, as prospective buyers opted to rent for a period.



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"Ten cities recorded rental growth over the course of 2016, up from seven in 2015."

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FIGURE 1

Prime Global Rental Index Q4 2016

Annual performance over the last five years 12-month % change

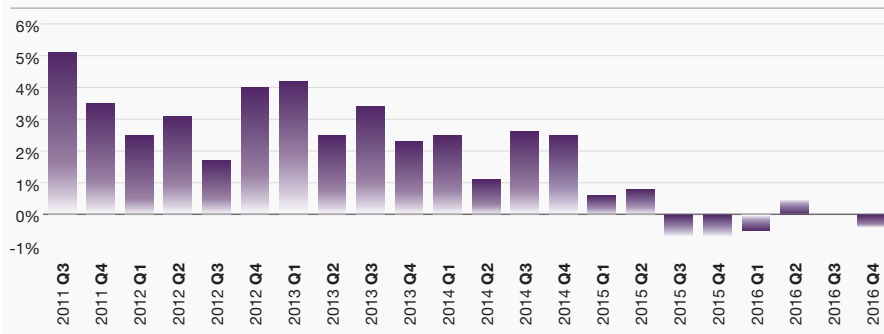
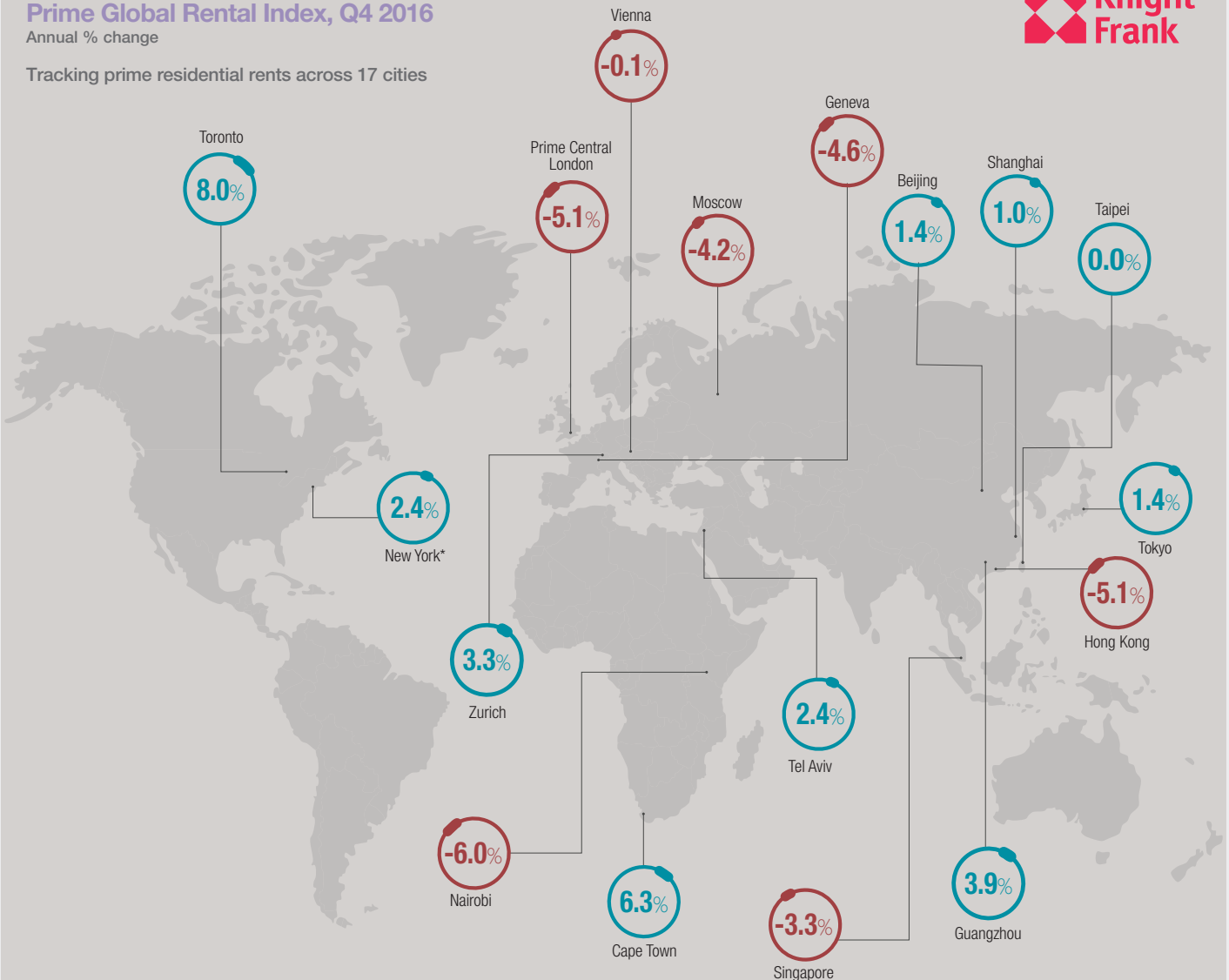


FIGURE 2

Prime Global Rental Index, Q4 2016

Annual % change

Tracking prime residential rents across 17 cities

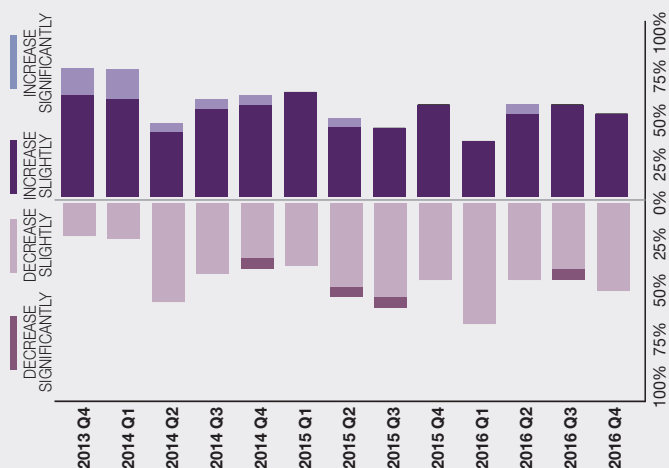


Source: Knight Frank Research, Miller Samuel/Douglas Elliman, Ken Corporation

FIGURE 3

Proportion of cities by annual change in prime rents

12-month % change (Q4 2013-Q4 2016)

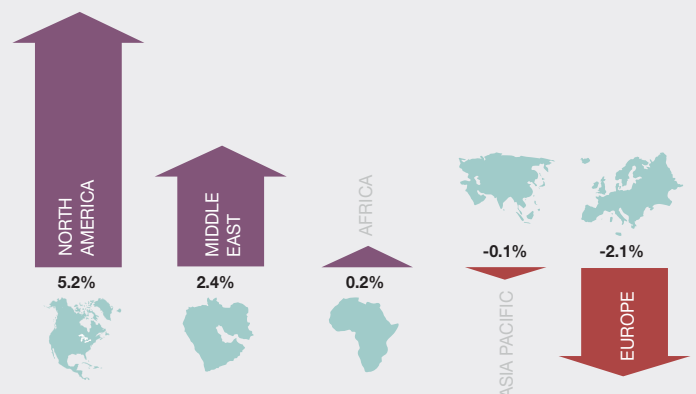


Source: Knight Frank Research, Miller Samuel/Douglas Elliman, Ken Corporation

FIGURE 4

Prime rents by world region

Average annual % change to Q4 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 Prime Global Rental Index, Q4 2016

Ranked by annual % change

Rank	Country	12-month % change (Q4 2015-Q4 2016)	6-month % change (Q2 2016-Q4 2016)	3-month % change (Q3 2016-Q4 2016)	Market direction*
1	Toronto	8.0%	3.6%	-0.2%	↑
2	Cape Town	6.3%	4.8%	2.9%	↑
3	Guangzhou	3.9%	2.8%	2.0%	↑
4	Zurich	3.3%	3.3%	0.0%	↑
5	Tel Aviv	2.4%	2.0%	0.9%	↑
6	New York*	2.4%	0.3%	-3.0%	↓
7	Beijing	1.4%	1.0%	-0.1%	↑
8	Tokyo ²	1.4%	-2.0%	-0.4%	↑
9	Shanghai	1.0%	0.8%	-0.3%	↑
10	Taipei	0.0%	0.0%	0.0%	↑
11	Vienna	-0.1%	-0.6%	1.6%	↑
12	Singapore	-3.3%	-1.8%	-0.4%	↑
13	Moscow	-4.2%	-0.8%	0.2%	↑
14	Geneva	-4.6%	-7.5%	-3.1%	↑
15	Hong Kong	-5.1%	-0.2%	-0.2%	↑
16	London ¹	-5.1%	-3.1%	-1.6%	↑
17	Nairobi	-6.0%	-1.7%	0.0%	↑

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

¹ London: new 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+

* New York data is to Q3 2016



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