

Luxury rents rise fastest in emerging markets

Prime rents in key cities worldwide rose by 0.2% in the first quarter of 2013, the index's lowest rate of quarterly growth since late 2009. Kate Everett-Allen examines the latest data.

Results for Q1 2013

The Knight Frank Prime Global Rental Index rose by 0.2% in the first quarter of 2013 and by 3.8% in the year to March

The index has risen for 15 consecutive quarters and now stands 20.3% above its low in the second quarter of 2009

Dubai saw the largest increase in prime rents, up 18% year-on-year

The leading financial centres of Hong Kong, New York and London were some of the weakest performers, recording falls of 2.3%, 2.6% and 3.1% respectively

On a regional basis, the Middle East saw the strongest rise in prime rents (up 13.1%) and North America the weakest (down 0.7%)

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"Despite the slower rate of growth this quarter the index has now risen for 15 consecutive quarters and stands 20.3% above its low in Q2 2009."



Kate Everett-Allen, International Residential Research

Prime rents are rising strongly in many emerging markets, but this growth is being overshadowed by weakening rents in some of the world's more established financial centres such as Hong Kong, New York and London.

Luxury rents in Dubai, Nairobi and Beijing rose by 18.3%, 13.9% and 12.3% respectively in the year to March. By comparison, Hong Kong, New York and London saw prime rents fall by 2.3%, 2.6% and 3.1% over the same period. In this second group of cities, the rental markets have suffered as relocation budgets for executives have been trimmed during a period of weaker financial sector performance.

Despite the slower rate of growth this quarter, the index, which tracks the performance of luxury lettings markets worldwide and which is increasingly influenced by corporate and expatriate demand, has now risen for 15 consecutive quarters and stands 20.3% above its low in Q2 2009.

Global mobility is on the rise as companies look to plug their skills gap but the latest figures suggest it is increasingly a west to east shift with many multinationals relocating a

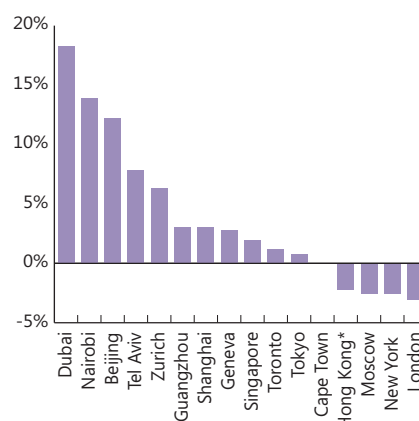
growing portion of their key talent to growth markets in Africa, China and the Middle East.

A regional breakdown of rental performance confirms this trend. The Middle East, Africa and Asia saw average growth of 13.1%, 7.0% and 3.1% respectively in the year to March. Prime rents in Europe and North America fared less well, recording average growth of 0.9% and -0.7%. Here, salaries are failing to keep pace with inflation and the economic recovery remains in a fragile state.

With the US jobs market picking up and tentative signs of improving business sentiment in the Eurozone we may see rents strengthen in New York and potentially London in the second half of 2013. However, we expect the emerging markets to continue to top the rankings as established industries in Europe and the US look to tap into new world markets.

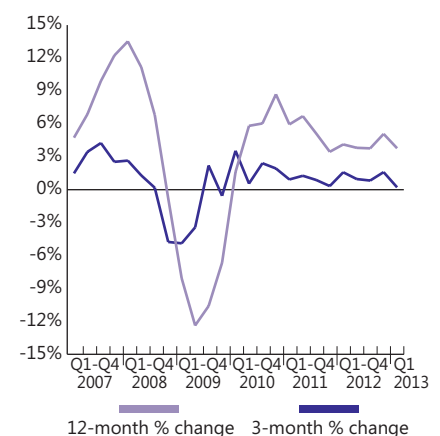
For a city-by-city breakdown examining which property types and districts are most popular with corporate assignees, and for an indication of typical monthly rents by city see our latest [Global Corporate Lettings Report](#).

Figure 1
Change in prime rents by city
Annual % change in prime residential rents to Q1 2013



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

Figure 2
Index performance
Unweighted average % change in global prime rents

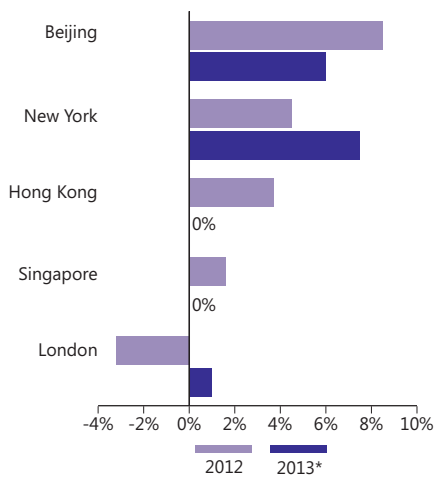


Source: Knight Frank Residential Research

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.

Figure 3
Prime rents 2012 vs 2013
Annual % change



*Forecast

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

Knight Frank Prime Global Rental Index, Q1 2013

Rank	City	World region	12-month % change (Mar 12 - Mar 13)	6-month % change (Sep 12 - Mar 13)	3-month % change (Dec 12 - Mar 13)
1	Dubai	Middle East	18.3%	10.1%	3.5%
2	Nairobi	Africa	13.9%	7.5%	2.2%
3	Beijing	Asia Pacific	12.3%	4.4%	1.8%
4	Tel Aviv	Middle East	7.9%	5.4%	3.6%
5	Zurich	Europe	6.3%	3.1%	-1.5%
6	Guangzhou	Asia Pacific	3.1%	1.0%	0.5%
7	Shanghai	Asia Pacific	3.0%	0.7%	0.5%
8	Geneva	Europe	2.8%	2.8%	2.8%
9	Singapore	Asia Pacific	1.9%	1.5%	0.8%
10	Toronto	North America	1.2%	0.8%	1.2%
11	Tokyo	Asia Pacific	0.7%	1.6%	-0.2%
12	Cape Town	Africa	0.0%	0.0%	0.0%
13	Hong Kong*	Asia Pacific	-2.3%	-0.7%	-5.1%
14	Moscow	Europe	-2.6%	-1.1%	0.1%
15	New York	North America	-2.6%	-6.5%	-6.6%
16	London	Europe	-3.1%	-1.6%	-0.3%

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

* Ratings and Valuation Dept: changes in average rents between different periods may be due to variations in the characteristics of the different properties being analysed and does not necessarily indicate a general change in value over the period.

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