

Prime Global Rental Index



2024 Q1 Edition

Knight Frank's Prime Global Rental Index provides a quarterly snapshot of trends in luxury lettings markets across 15 key world city markets.

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Prime city residential rental growth eases

- Average annual rental growth across our 15 city basket stood at 3.7% in the 12 months to March 2024, down from 5.3% growth seen in the final quarter of 2023. The last time rents were rising this slowly was back in Q2 2021.

The first quarter of 2024 saw a continued slowing in annual rental growth. The average rate of growth across the 15 cities in our prime city basket has fallen from a high of 12.4% in Q1 2022 to 3.7% this quarter. This latest slowdown means that rental growth has slipped below its long-term trend rate of 3.8%.

Over the past 12 months, 80% of our markets saw rents rise, with 20% seeing rents fall. This contrasts with Q3 2023, when no markets were experiencing annual rental declines.

While annual rental growth has slowed, quarterly growth picked up, standing at 0.7%, up from -0.6% in Q4 2023.

This slowdown in rental performance comes after nearly three years of surging rents following the pandemic. Rents across our 15 cities rose by an average of 26% between Q1 2021 and Q3 2024, before effectively flatlining since then.

Evidence from many markets points to a rebalancing between supply and demand. However, with tenant requirements still far outpacing stock

availability, 80% of our markets are still seeing positive annual rental growth.

CITY FOCUS

Leading the pack is Sydney, with the strongest annual and quarterly growth at 17.3% and 4.5%, respectively. Demographic pressures from strong inward migration are helping to underpin rental growth across price bands, including the prime market segment.

London and Auckland vie for second place, with 5.6% growth apiece, although Auckland saw rents slip by 1.1% in the most recent quarter.

London's recent growth is in the spotlight, with the opposition Labour party discussing the potential for rent caps should they win the forthcoming general election in the UK. Interestingly, despite raising the prospect of such a move in mid-May, the party is now busy rowing back from confirmation of such a policy, with many commentators citing the poor performance of a similar policy in Scotland.

3.7%

the average annual growth in prime rents in the 12-months to March

80%

of markets are seeing rental growth

0.7%

the average quarterly growth in prime rents in the 3-months to March

Sydney

the city with the strongest rental growth in Q1 2024

26%

growth in global prime rents from Q1 2021 to Q1 2024

Several other cities continue to see rental growth well above trend levels. Berlin, Miami, Monaco, LA, and Tokyo are all seeing growth at 4.5% or more.

Singapore sits at the bottom of our ranking, with rents down by 2.9% over the past year. Despite relatively healthy economic growth and employment market demand for accommodation, demand has been matched in some

price brackets by a higher supply of accommodation.

Despite the recent slowing in rental growth, our view is that rents will continue to rise in the majority of major markets in 2024, with the potential for above-trend growth to resume later in the year.

“After a period of substantial rental growth, it’s not surprising to see policymakers exploring solutions to high rents, as evidenced by the discussions around rent caps in London. While the Labour party is reconsidering their stance on this policy, the very conversation underscores the pressures felt in the market. Despite this, we expect rental growth to resume its upward trajectory later in the year, driven by sustained demand in key global cities. The rebalancing between supply and demand will be crucial in shaping the rental landscape moving forward.”

Liam Bailey, Knight Frank’s global head of research

Prime property definition: The most desirable and expensive property in a given location, generally defined as the top 5% of each market by value. Prime markets often have a significant international bias.

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We like questions, if you’ve got one about our research, or would like some property advice, we would love to hear from you.



Research enquiries
Liam Bailey
+44 7919 303 148
liam.bailey@knightfrank.com



Press enquiries
Astrid Recaldin
+44 20 7861 1182
astrid.recaldin@knightfrank.com

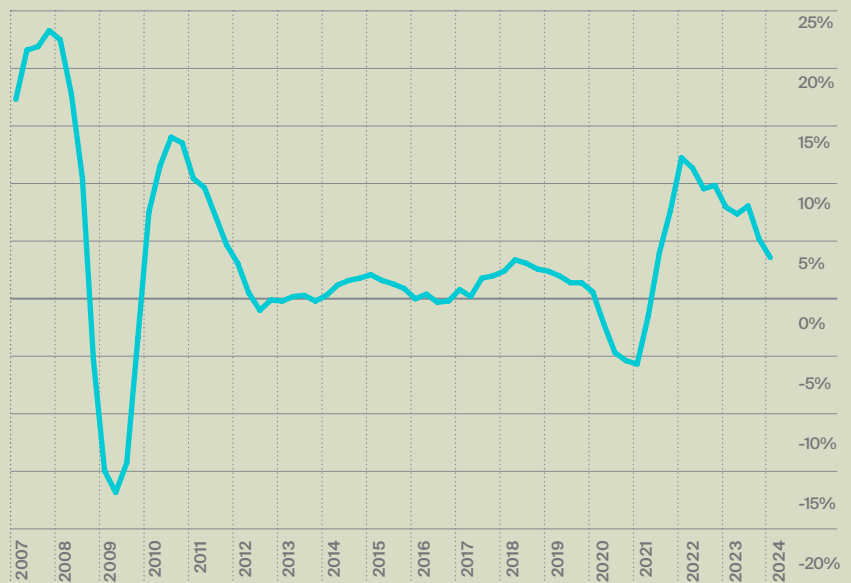
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Changes to 2024 Q1

| Rank/Location | | 12-month % change | 6-month % change | 3-month % change |
|---------------|----------------|-------------------|------------------|------------------|
| 1 | AU Sydney | 17.3 | 8.7 | 4.5 |
| 2 | NZ Auckland | 5.6 | -0.4 | -1.1 |
| 3 | UK London | 5.6 | 0.4 | 0.4 |
| 4 | DE Berlin | 5.1 | 3.3 | 1.4 |
| 5 | US Miami | 5.1 | 0.9 | 0.8 |
| 6 | MC Monaco | 4.7 | 1.7 | 0.8 |
| 7 | US Los Angeles | 4.5 | 1.2 | 1.4 |
| 8 | JP Tokyo | 4.5 | 1.1 | 3.6 |
| 9 | DE Frankfurt | 4.2 | 3.1 | 1.1 |
| 10 | CH Geneva | 3.0 | 2.3 | -0.2 |
| 11 | CH Zurich | 1.3 | 2.7 | -2.3 |
| 12 | US New York | 0.1 | 0.2 | 3.1 |
| 13 | HK Hong Kong | -0.2 | -1.3 | 0.7 |
| 14 | CA Toronto | -0.7 | -8.5 | -3.9 |
| 15 | SG Singapore | -2.9 | -3.1 | -1.6 |

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Global average annual change in prime rents across 15 cities



Source: Knight Frank Research



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