

# Savills Prime Residential Index: World Cities Rents & Yields



World city: Berlin

### Focal points

From Dec 22 to Jun 23

%

**2.6%**

Average rental growth across 30 cities



**9.2%**

Rental price growth in Berlin in H1 2023



Rents expected to continue to outperform capital values for the remainder of 2023

## Scarcity of prime rental stock fuels rent growth

Prime residential rents grew by 2.6% across the 30 cities in the Savills World Cities Index during the first six months of 2023.

Several factors contributed to this upward trend, including the scarcity of available rental properties, especially those of high quality, and the preference, for some, to 'try before they buy'.

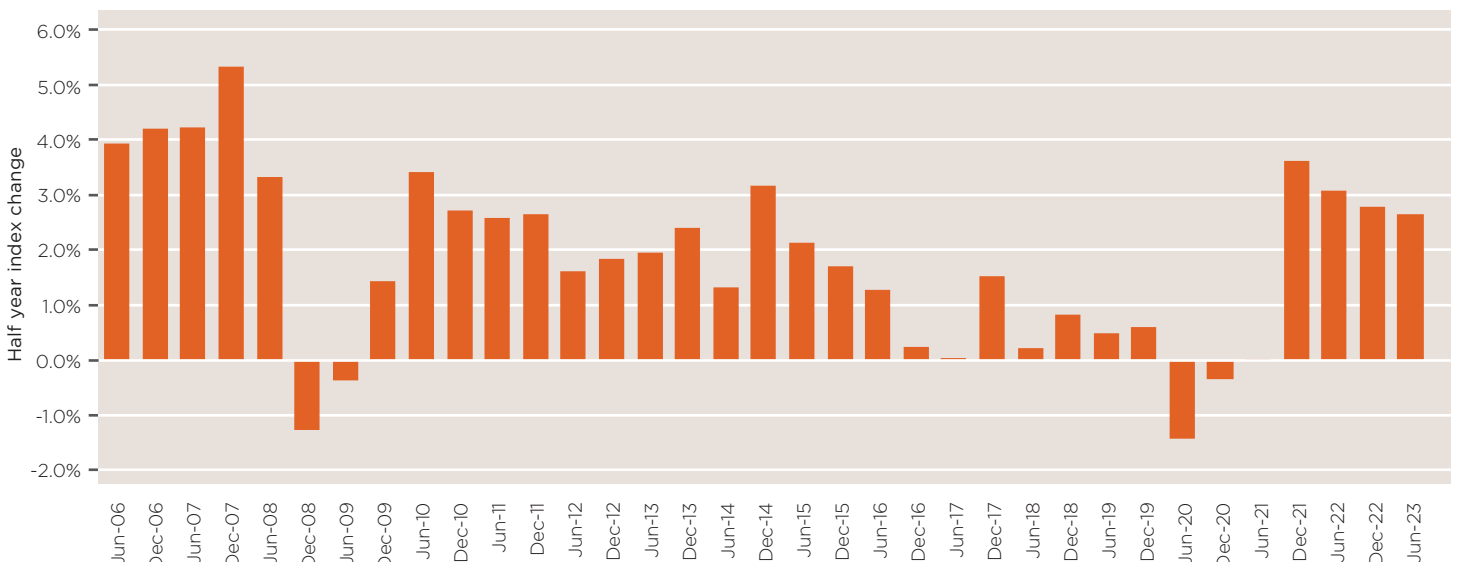
Renting also provides international occupiers with the flexibility they desire, which has further contributed to rental price increases now that they have fully returned to the market following pandemic-related travel restrictions.

Average prime rents continued to show strong performance in 2023, surpassing growth in prime capital

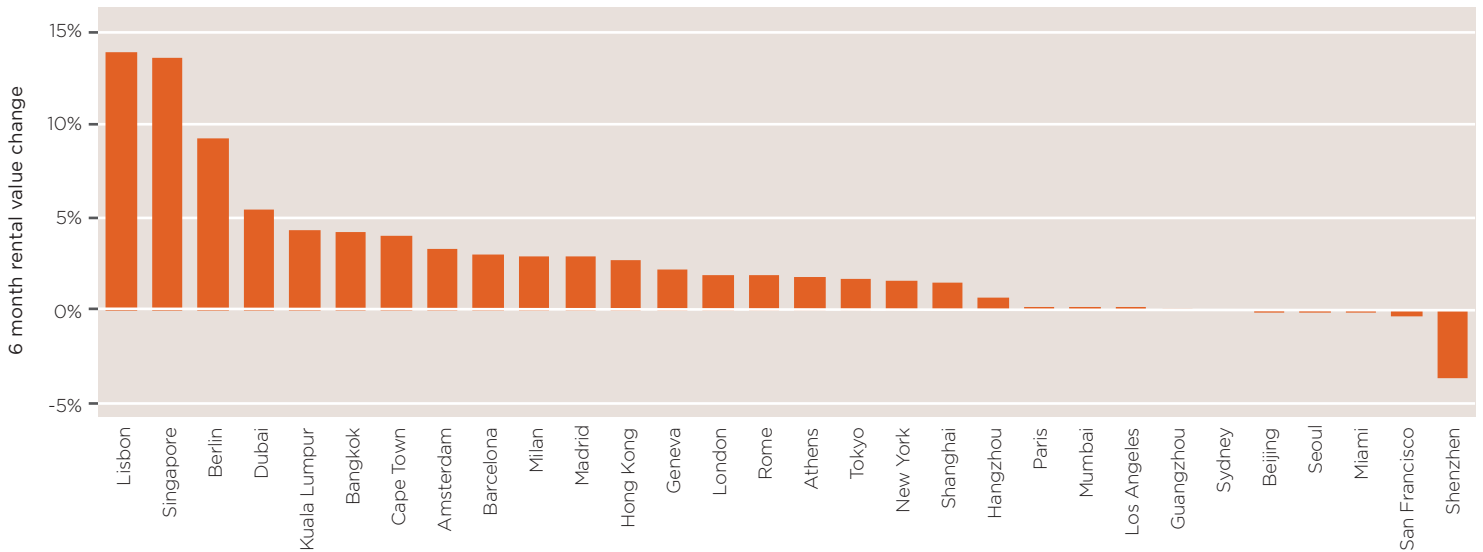
values. Berlin, Singapore, Lisbon, and Amsterdam commanded the greatest increases in rents, and in turn yields, during the six months to June 2023.

The average gross prime yield across the 30 markets held steady at approximately 3.0% for the first half of the year. Dubai, Los Angeles and New York remain the highest yielding cities at just below 5.0%.

Savills World Cities Index Half year change in prime residential rents



## Savills World Cities Index Rental value change



Source Savills Research

## Supply - where is it?

Lisbon and Singapore's rental markets have witnessed significant levels of price growth over the past 18 months, with rents increasing by over 40% as an influx of international tenants drove demand for prime residences. Berlin's prime rents, meanwhile, increased by 9.2% in H1 2023, largely attributed to the rising demand from wealthy domestic individuals.

Dubai's prime rents have continued to grow in line with capital values. Since December 2020, average prime rents in Dubai have witnessed a significant increase of 62%. The city has been successful in attracting UHNWIs from various countries, and this is particularly evident in the growth of branded residences in the city, a segment especially appealing to an international consumer base.

Positive rental value growth is reported across the Index's eleven European cities. Averaging 3.9% across the region, growth is predominantly driven by a lack of supply. Amsterdam and Paris's prime rental market performance in the year to June 2023 was positive compared to trends in the purchase market, growing at 3.3% and 0.2% respectively. In Paris, French nationals and international occupiers are looking for Pied-à-terre, whilst in Amsterdam, expats have returned and apartments between

60 and 100 square metres are in particular demand.

Kuala Lumpur (4.3%) and Bangkok's (4.2%) rental markets are regaining momentum not seen since before the pandemic. Hong Kong also is experiencing a surge in residential leasing demand following the easing of all Covid-19 restrictions at the end of 2022, and Tokyo is benefitting from a movement back to the city, with average prime rents rising there by 1.7% in the first half of 2023.

New York performed the strongest of the North American cities we monitor, with rents up 1.6% in the year to June 2023. Although vacancy is up and more inventory is available, strong demand is observed in the city; particularly for door-man buildings and those which offer a more full-service lifestyle.

Looking to China, four of our five Chinese cities' prime rental markets have remained predominantly stable, averaging a growth of 0.6% for the first half of the year. Shenzhen is the only Chinese city that saw rental prices fall by -3.7% as rents continue their downward trajectory. Even within the prime market segment, landlords are offering rental incentives and greater flexibility to attract prospective tenants.

## Outlook

- We expect rents to continue to outperform capital values for the remainder of 2023 and in the medium-term, as supply continues to remain scarce in the face of growing demand, with positive rental growth in the majority of

cities in the Index for the remainder of 2023.

- Rising interest rates and caution in the sales market is driving more people to the prime rental markets.
- Supply is expected to remain tight in many world cities. Several factors,

including rising construction costs, development challenges, and increasing debt costs, contribute to the limited availability of prime inventory and the upward pressure on rental prices.

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