

The 10 Most Expensive Cities for Renting

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The cities that are most expensive to buy in are not necessarily the cities in which it is most expensive to rent residential real estate. Our analysis shows that San Francisco is the most expensive world city rental market, followed by Dublin, New York, and Los Angeles. All these cities are a lot more expensive for renting than London – and even Hong Kong – both cities known for having among the highest capital values.

It is not just the booming tech sector that has made San Francisco the most expensive global city in which to rent mainstream residential property, at US\$620 per week. While talented, tech savvy millennials do still flock to the city, the supply of rental accommodation is limited because property owners are reluctant to become landlords. Rent controls, although advantageous for existing tenants, are a factor in limiting supply and so, ironically perhaps, rents have risen significantly in the face of unrelenting demand and while incomers still find it difficult to find accommodation.

Top 10 Mainstream Residential Rents

Rank	City	Mainstream rent per week (USD)	2017 Growth (local currency)
1	San Francisco	\$620	0.7%
2	Dublin	\$540	5.6%
3	New York	\$540	0.4%
4	Los Angeles	\$520	2.0%
5	London	\$460	-0.6%
6	Chicago	\$460	1.7%
7	Sydney	\$440	1.4%
8	Miami	\$430	-2.1%
9	Hong Kong	\$430	13.2%
10	Paris	\$400	0.9%

Source: Savills Research

Dublin and New York are significantly cheaper for mainstream rents than San Francisco but still come joint second in the rental league. The story is similar for them and 4th placed Los Angeles. Strong demand for rentals from a growing population is meeting with limited levels of supply. A buoyant domestic economy and constrained sales market during 2017, drove mainstream rents up by

5.6% in Dublin, for example. At US\$540 per week rents are now 40% above their 2011 low there and, perhaps surprisingly, higher than the average rent in London (average household incomes are remarkably similar in the two cities).

London, Chicago, Sydney, Miami, Hong Kong and Paris show very similar mainstream average rents per week, well below those for the five most expensive cities. Rents for the same group of administrative workers and their households in these cities range between US\$400 per month in Paris and US\$460 in London.

This table illustrates an anomaly which investors and occupiers would do well to note. Some cities are 'investors' markets' having seen strong rental growth, high rents but relatively low capital values. Rental yields are high in these cities.

Other cities are low yielding which is good for tenants who will likely pay less for rent than for a mortgage in places like Hong Kong. These 'tenants' markets' are less good for investors unless there is the prospect of capital growth. Where yields are still relatively high, in Paris and Chicago for example, there is the prospect of further yield compression and consequent asset growth. Lower net yields in Sydney, Hong Kong and London make capital growth less likely without rental growth.

Prime Residential Differs

Prime rents are a slightly different story to mainstream as supply patterns in the prime markets are different to mainstream properties. New York tops the table for prime, or luxury, rentals at US\$3,070 per week (over five times the mainstream rent). A raft of new supply in the prime segment has boosted the quality of prime rental markets in New York and so boosted rents overall, but concessions are increasingly offered to fill new buildings.

Top 10 Prime Residential Rents

Rank	City	Prime rent per week (USD)	2017 Growth (local currency)
1	New York	\$3,070	5.4%
2	Tokyo	\$2,580	7.7%
3	London	\$2,270	-2.9%
4	Hong Kong	\$2,260	2.7%
5	Amsterdam	\$1,820	19.8%
6	Dubai	\$1,800	-11.0%
7	Dublin	\$1,690	5.4%
8	Beijing	\$1,600	2.2%
9	San Francisco	\$1,360	-3.1%
10	Shenzhen	\$1,360	13.4%

Source: Savills Research

Tokyo, which doesn't appear at all in the top ten for mainstream rents is second most expensive global city for prime rents, at US\$2,580 per week. London and Hong Kong follow, at US\$2,270 and \$2,260 per week, respectively and are higher up the table for prime than mainstream. We expect Hong Kong to overtake London in 2018 as rents are rising there but falling in London.

Amsterdam and Dubai also feature in the prime top ten, but not in the mainstream. This reflects demand for prestigious properties from global renters in these cities and the fact that a premium is being paid for relatively rare stock. Amsterdam's prime rents increased by 19.8% in 2017, putting it fifth at US\$1,820 per week. A major and growing hub for the European headquarters of multinational companies, rents have been driven up by relocating expats coupled with a shortage of stock.

Two Chinese cities feature in the top ten, Beijing and Shenzhen, with prime rents of US\$1,600 and US\$1,360 per week respectively. They also attract global, premium tenants (particularly as overseas residents are unable to buy) and prime stock remains relatively rare enough to command a premium. Dubbed China's Silicon Valley, Shenzhen's population has risen from 300,000 in 1980 to 12 million today. Expats together with a rising number of wealthy domestic tenants have fuelled prime rental demand.

Methodology

Comparable rental values for each city are obtained by comparing the properties occupied by the same group of people but in different properties in each world city. Prime property is occupied by CEOs and directors and their families. Mainstream property is that occupied by administrative workers in the same company and their households.