CORT

CORT YEAR-END RENTAL MARKET REPORT

RENTAL OCCUPANCY MODERATES

Our report is a summary of findings from our staff, our network of real estate consultants, research into the best sources, and conversations with our strategic partner property managers. We share the current state of rental occupancy, since availability continues to be a challenge in most markets.

The robust building of new rental units over the past 3 years has begun to affect occupancy and rental demand. In most major markets the pace of new units coming online has slowed, with Houston and Dallas Texas as notable exceptions. The result is a moderation of occupancy rates and an easing of rental cost pressure. Reports of an increase of concessions are coming in even from the most robust rental markets as new inventory becomes available.

COMPLETED INVENTORY 2016
NEW APARTMENTS COMPLETED

Metro	Q3	Q4
Houston	4460	6197
Denver	2943	1777
Dallas	2611	4209
Seattle	2618	2352
DC/MD/NoVA	1204	581
Twin Cities	1188	637

Source: Yardi

Occupancy at Lowest Point in 35 Months

The national occupancy rate is still above its long-term average though its steady climb of the past 8 quarters has slowed. The 94.5% occupancy rate in December was the lowest since the 94.3% of February 2014. December's rate represented a decrease from November's 94.7% and a drop from the 94.8% of December 2015. But, occupancy is still well above the post-recession long-term average of 94.1%. While the seasons influence occupancy, the occupancy rate has underperformed 2015 benchmarks every month from May to December 2016.

Reports of more concessions, even in some of the most active markets began to grow beginning in the fourth quarter of 2016. A month of free rent, reduction in security deposit and even some free amenities like health club membership were offered at properties in many markets. The seasonality of rental occupancy – higher in summer, lower in late fall to winter – may also have an impact.

The entry of housing options from the likes of such as Airbnb and even Marriott have already had some impact on the traditional methods and sources for rental living. Some large property managers are working on ways to expand their services in the short term and temporary housing space.

Here is a list of selected markets showing the changes in December occupancy year over year:

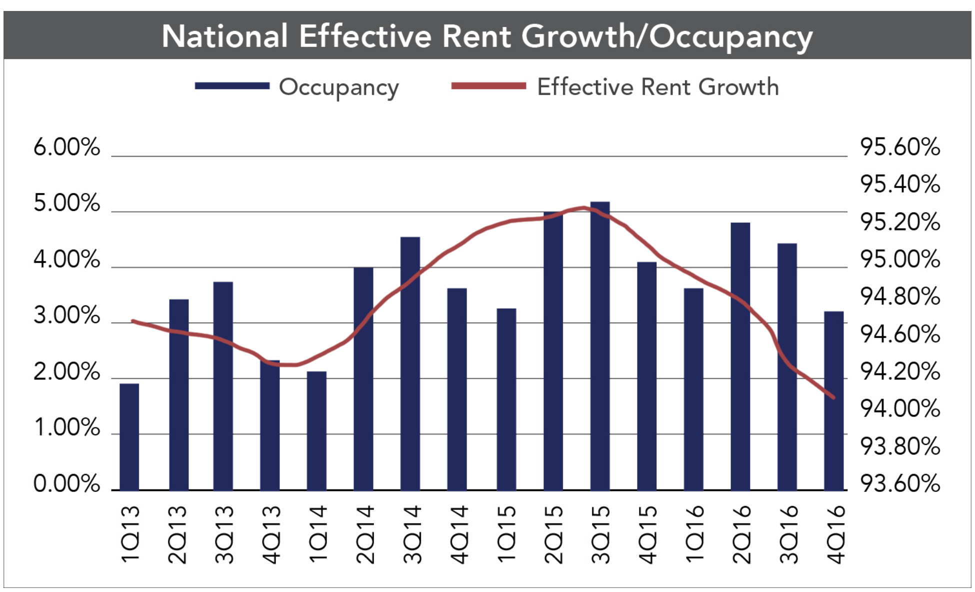
	Occupancy Rate	
Metro Area	Dec-15	Dec-16
Sacramento, CA	95.8%	95.7%
Las Vegas, NV	93.6%	93.9%
Phoenix, AZ	94.7%	94.1%
Salt Lake City, UT	95.6%	95.6%
Fort Worth, TX	95.4%	95.3%
Seattle, WA	95.1%	94.9%
Atlanta, GA	94.2%	94.0%
Anaheim, CA	95.7%	96.1%
Raleigh, NC	94.8%	94.5%
Memphis, TN	93.1%	93.1%
Orlando, FL	95.0%	96.3%
Minneapolis, MN	95.9%	96.9%
Tampa, FL	95.6%	94.4%
Dallas,TX	95.3%	94.9%
Charlotte, NC	95.3%	95.1%

Source: Axiometrics

What to Expect in 2017

Developers will bring 350-375,000 units to the market in 2017. Projected job creation and rental household formation should support demand. Demographic trends also support low vacancy and a steady pace of rent increases. Millennials are expected to continue to enter the workforce in large numbers, they will continue to be a prime mover of growth in the rental market.

Marcus and Millichap projects national apartment vacancy will end 2017 at 4.0 percent as rapidly increasing household formation generates robust absorption of existing and new units. New renter households also supports a projected 3.8 percent rise in the average rent cost.



Source: Axiometrics

Rent cost growth continued but at a slower pace. Although the national annual effective rent cost growth declined over the past five quarters, the rate has remained above the long-term average of 2.2%. But that streak ended in December 2016, when national rent growth was 2.1%, the lowest since July 2010.

The decline of the November rate of 2.4% and from the 4.3% of December 2015 has been affecting metro markets across the board. Axiometrics reports that only 13 of the top 50 markets recorded higher rent growth in December than they did in November. However, some experts predict that expected increases in new renter households supports a projected 3.8 percent rise in the average rent cost in 2017 – so the rise in cost will continue.

WHAT THIS MEANS FOR HOME FINDING

Even those who complete a thorough internet search for rental options may find them unavailable when they arrive for home finding. Assignees should consider:

- Obtain good information on the destination market's occupancy challenges
- Get comparative pricing and lifestyle information
- Use tools that provide neighborhood demographic detail
- Engage a local rental expert for home search guidance
- Come to the home finding visit ready to act decisively
- Be prepared to be flexible on preferences and amenities

If possible, move in fall or winter rather than spring or summer. Better availability, more landlord cost and concessions flexibility occur in the "off season". Of course, job demands can overrule such options.

Providers need to be absolutely up to date on new inventory & concession opportunities.

