RENTAL OCCUPANCY CONTINUES TO MODERATE

The CORT Destination Services Occupancy Report is a summary of findings from our staff, our network of rental 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.

During the second half of 2016, robust building of new rental units that occurred in several markets began to affect occupancy and rental demand. All major markets, with few exceptions, slowed the pace of delivering new properties.

COMPLETED NEW APARTMENT UNITS
SECOND HALF 2016 v FIRST HALF 2017

Metro	Second Half 2016	First Half 2017	Change	New Permits
Houston	10,657	6,353	-4,304	2,270
Denver	4,720	3,324	-1,396	4,913
Dallas	6,820	3,232	-3,588	6,048
Seattle	4,970	3,436	-1,534	4,801
Twin Cities	1,825	988	-837	1,902
Washington DC	1,785	2,512	727	1,807

Source: Yardi

OCCUPANCY DOWN IN KEY MARKETS - The moderation of occupancy rates in several key markets has resulted in some easing of rental cost pressure, particularly in the very high rental cost markets of Manhattan and the Bay Area. Concessions are more common than early 2016, as property managers strive to fill up new inventory.

MILLENIAL'S DRIVE THE MARKET - Markets affected most by the increases in millennial household formation, and continued strong employment, are still building new units. Seattle and Denver, in spite of a drop from second half 2016, have experienced an upward spike in 2017. This trend is an indication of investor's confidence in continued strong demand.

HOUSTON MARKET COOLING OFF, A BIT - Houston, which has seen the most vigorous building of new rental units, has experienced a considerable slow-down in the pace of construction. The occupancy rate in Houston reflects this change, having dropped from a height of 95.0% in May of 2014 to a June level of 92.2%. A slight decline in average rental cost is not surprising.

OCCUPANCY REMAINS OFF-PEAK

NATIONAL OCCUPANCY DIPS - The national occupancy rate is still above its long-term average though its steady climb has halted and reversed course. The 94.1% occupancy rate in June 2017 was the lowest since the 94.3% of February 2014. But, occupancy is still well above the post-recession long-term average.

LANDLORDS TURNING TO CONCESSIONS - 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

NEWCOMERS MAKE 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.

RENTS STILL INCREASING IN MOST MAJOR MARKETS - In spite of a slowdown in new units delivered, and a lower occupancy rate, rental cost continues to increase in most major markets. The demand from new hires, and the continued influence of boomer downsizing, fills up the new inventory of rental units steadily.

OCCUPANCY TRENDS IN SELECTED MARKETS

Metro Area	Peak Occupancy	Date of Peak	June-17	2018 Rent Proj
Houston	95.0%	May-14	92.2%	-0.2%
Seattle	96.4%	June-14	95.9%	4.7%
San Francisco	96.8%	September-14	95.8%	-1.2%
New York	97.2%	June-15	96.8%	-2.6%
Dallas	95.8%	August-15	95.0%	3.8%
Boston	96.5%	September-15	96.0%	2.0%
Los Angeles	96.5%	October-15	96.0%	5.0%
Phoenix	95.6%	March-16	94.4%	5.1%
Washington DC	95.7%	August-16	95.5%	1.2%
Atlanta	95.0%	August-16	94,4%	3.7%
Denver	94.0%	January-16	95.1%	1.6%

Source: AxioMetrics

A BIT OF RELIEF IN NYC AND SFO - In spite of continued high occupancy, albeit somewhat lower, rental cost appears to be easing in Manhattan and the Bay Area. Analysts believe that, at least in part, the absolute cost of rentals in both markets – well over $4000 monthly – is hitting a ceiling for too many renters.

SEATTLE AND PHOENIX HEAT UP - Seattle, a millennial mecca, is expected to see another 5% rise in rental cost in 2018. Phoenix, which lagged behind in new construction, expects a comparably robust increase in average rents as supply is tight.

We invite you to contact CORT for more information as your business moves into the new year of 2018.