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CORT DESTINATION SERVICES

2017 RENTAL MARKET REVIEW

Twice each year, CORT reviews its many sources for insights on the rental market. Looking back to 2017, projecting through 2018, we hope the information is useful to our clients and partners in planning for a successful year.

First-time homebuyers accounted for 32 percent of purchases in December. The rate has ranged between 24 and 33 percent since the real estate crash of 2008. According to all sources, this will likely remain steady through 2018, remaining well below the 41 percent long-term average. That means young folks will continue to be more likely to rent than in past periods.

In 2018, apartment completions will ease from the 380,000 units delivered in 2017 to 335,000 apartments. About half of all additions are concentrated in 10 markets, and vacancy will remain tight throughout much of the country this year. *Marcus & Millichap*

TOP TEN METROS IN 2017

METRO	NEW UNITS	METRO	NEW UNITS
Chicago	3884	San Antonio	2161
Dallas	3280	Austin	1968
Houston	2940	Seattle	1943
NYC-Northern NJ	2911	DC-MD	1887
Denver	2349	Nashville	1790

Source: Yardi

The strong new unit completions reflect the growth in new residents in certain markets. Denver has for some years demonstrated healthy inbound millennials with lifestyle preferences offered by the Denver Metro proximity to all sorts of recreational options. Austin and Seattle are meccas for young professionals, especially technology careers. Dallas and Houston continue to rely on the energy sector for new job growth, with Houston rebuilding affecting activity.

Big metros like New York, Chicago and Washington DC grow in part from inertia generated by their size, but there is also a strong influx of new residents in each case. And Nashville! Another growing southern metropolis!

Strong new unit completions for three straight years have begun to affect the market in several ways. More competition for older units has motivated investment in amenities, driving up the rental cost. A large percentage of higher end units, especially with newer amenities, are rented by downsizing baby boomers, the second biggest demographic segment (after the Gens) in apartment renters. Overall pressure on rental prices from newer units continues to put upward pressure on rental cost growth, which rose again in 2017 by over 2%.

OCCUPANY, RENT COST GROWTH, NEW APARTMENTS 2017

Metro Area	Rent Growth	New Units	Occupancy	Projected Occ
Las Vegas	6.30%	276	94.30%	95.00%
Orlando	6.30%	1562	96.10%	96.40%
Richmond	6.10%	208	95.30%	95.00%
Jacksonville	5.30%	120	94.70%	94.80%
Houston	4.40%	2940	94.00%	93.30%
Phoenix	4.40%	1336	95.00%	94.70%
San Diego	3.80%	846	96.90%	96.50%
Columbus	3.60%	173	96.40%	95.20%
Twin Cities	3.40%	640	97.00%	96.80%
National Average	2.20%	NA	94.50%	94.20%

Source: Axiomatics

Tax deduction impact – an increase in standard deductions to $12,000 for singles and $24,000 for couples means fewer homeowners will realize a benefit from itemizing deductions on their taxes. The threshold home price at which itemizing offers the ability to lower a married couple's tax liability has increased from about $200,000 to above $400,000, which is well above the median home price in most metros. Concerns about affordability and low savings rates will continue to drive demand for apartments as first-time homebuyers are largely affected. *Marcus & Millichap*

CORT rental and destination services are delivered throughout the United States and Canada. Our network of local consultants gives us current and distinctive market understanding of the challenges and opportunities for those serving renting transferees. We invite our clients to contact us any time market information is needed to enhance your understanding of a clients needs in relocation.