

Rental Concessions Gone Wild! Data Indicates City Living Loses Some Appeal

November 24, 2020—A combination of surging Coronavirus cases, new lockdowns, expiring government stimulus, and colder weather has set off a Rental Concessions bonanza in U.S. markets, as property managers, owners, agents, and tenants struggle to navigate continued volatility when securing housing plans before year's end.

While we have seen Rental Concessions gain momentum as the pandemic continues, the velocity, size, and scope of some of Rental Concessions being offered in some markets have set off desperation alarm bells.

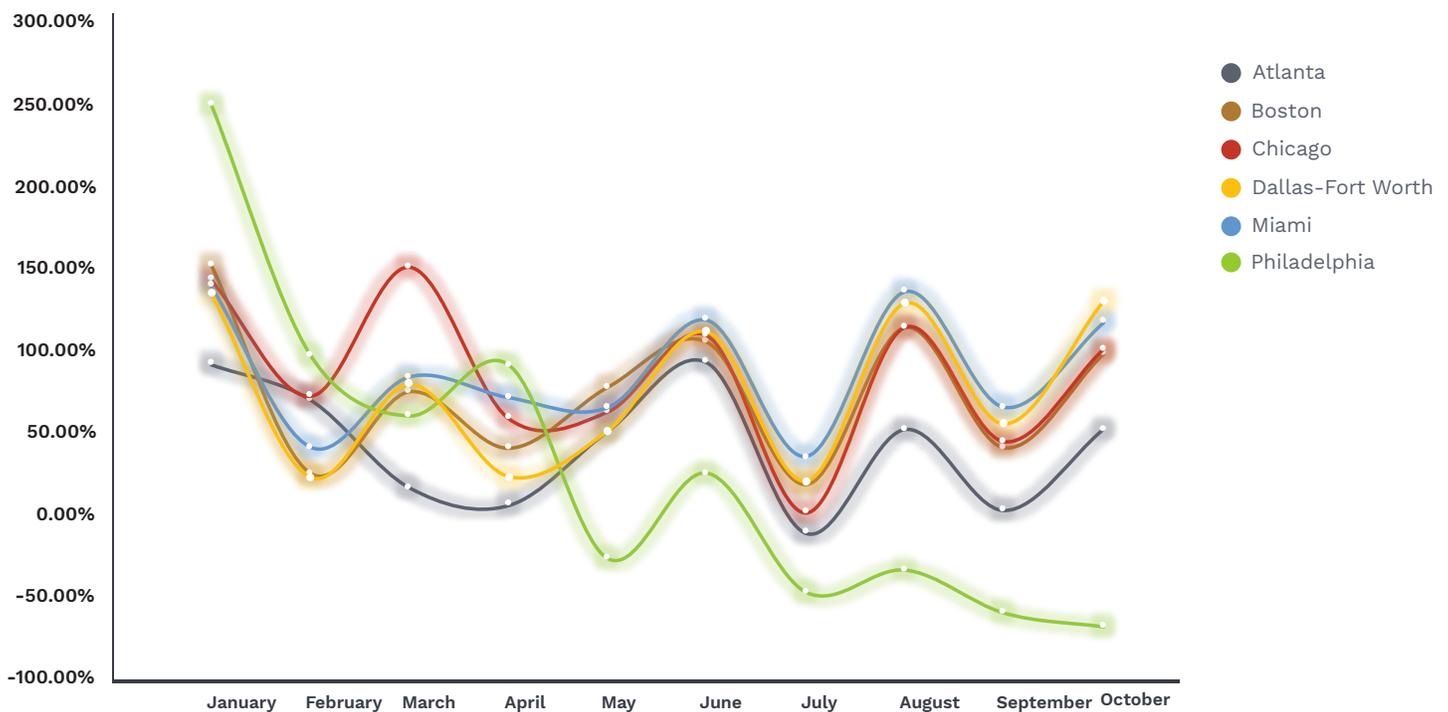
Additionally, Rental Inquiries in most cities featured in this report show continued year-over-year (YOY) declines, as renters seek out alternatives away from urban centers, including rentals with more space, to combat the prolonged impact of the pandemic. Atlanta, Boston, Dallas, and Miami continued their months' long trend of lower YOY Rental Inquiry rates, while Chicago and Philadelphia remain volatile but managed to report higher numbers.

In our seventh edition of the Rental Beast Market Report, we are pleased to include data and insights on the Dallas/Fort Worth metropolitan area, the fourth-largest urban center in the United States.

RENTAL CONCESSIONS

Rental Concessions are compromises landlords make to original rent terms in the hope of filling a vacancy more quickly. Rental Concessions can include monetary compensation, a discount, or various goods and services.

Rental Beast aggregates single family and multifamily Rental Concessions information from our 22 active markets. Our findings are summarized below.



ATLANTA

For the majority of 2020, Rental Concessions in Atlanta have been significantly higher than last year, and October was no exception, with the city registering a 50% YOY increase. We spoke with a local rental marketing specialist who described Atlanta's Rental Concession environment as "desperate". Having a hard time filling units, her firm is trying anything and everything as the pandemic and its impact on peoples' health and jobs drive both higher vacancy rates and depreciated demand.

Rental Concessions from large, multifamily operators like hers have become more aggressive, including bundling multiple concession offers to attract tenants. In many cases tenants claim as many as three concessions packaged into a single, special offer. These 3-for-1 specials can include one month's worth of free rent, a \$500 gift card, and a 50% reduction in pet deposits and fees. In November, the same company offered a Veteran's Day special, waiving all application and rental fees, or charging a flat \$11 administrative fee for servicemembers.

Need an air fryer? The same company is giving them away to tenants signing a lease within 48 hours of viewing a property, along with a month's worth of free rent.

Given these observations and the increase in concessions seen in the greater market, the Atlanta market has clearly taken a negative turn over the past 60 days. Our marketing executive interviewee expects heavy concessions to continue for at least the next six months.

BOSTON

October represented the 10th consecutive month Boston logged negative Rental Inquiry rates and higher YOY Rental Concession numbers. In October, Boston's Rental Inquiry levels dropped 44% YOY, while Rental Concessions increased by 95%. Savanna Rivas from Princeton Properties describes the Boston rental market as "desperate".

"With so many Bostonians working from home, why would anyone pay a premium to live in the city, especially if you can't take advantage of all that a Boston has to offer?", says Rivas.

Prior to the pandemic's onset, Princeton Properties did not offer short-term leases. Continued market volatility and decreased demand has forced the firm to reevaluate business practices and become more flexible. They now entertain five-month leases, rather than a typical, minimum twelve-month term. Additionally, Savanna indicated that while it has become common to offer one-two months' worth of free rent, the firm is wary of creating difficult situations where aggressive concessions at the start of a lease lead to challenges for tenants when rates are normalized upon renewal when tenants are forced to move because they can no longer afford their unit.

In addition to offering a free month's worth of rent, some tenants are securing a full year of free internet access. Savanna describes this as unprecedented.

"I've fielded many calls from current residents who are looking to re-negotiate their leases, hoping to get in on the discount frenzy—but a lease is a lease and terms must be honored."

CHICAGO

Like so many U.S. cities, COVID-19 has wreaked havoc on the Windy City. Racial protests, political unrest, and the end of the rental season brought on by cooler weather has created an environment ripe for peak Rental Concessions.

For October, Rental Concessions were up 98% YOY, as landlords and property managers work to secure tenant leases before the holidays and start of winter.

In October, Chicagoans remained concerned about their long-term living options while struggling to maintain employment. Rental Inquiries for Chicago were up a whopping 214% YOY in the month.

We spoke with Alex Fenton, Property Administrator at Tandem, who describes the Rental Concessions environment in Chicago as being “huge”.

“People are aggressively shopping for concessions, which typically include two or even three months’ worth of free rent, and waived administrative fees.”

Fenton indicated that in exchange for aggressive concessions his firm is pushing for 18-24 month leases, in hopes of securing longer-term occupancy rates.

Even current tenants are looking to get in on the concession rage. “Under certain circumstances we’ll re-negotiate leases and offer specials to current tenants, but again try for longer lease terms, as well as try to have the leases end during the summer months, when it is usually easier to rent.”

For those signing two-year leases on penthouse units, Tandem will provide creative “move-in gifts”, such as furniture items, including trendy standing desks. Alex indicated they’ve also introduced an incentive that includes a \$750 rent credit for referrals who ultimately sign leases.

DALLAS/FORT WORTH

We are thrilled to include the Dallas/Fort Worth market in this edition of the Rental Beast Market Report. Similar to the trends seen in other urban centers, Rental Inquiries for Dallas declined 40% YOY, while Rental Concessions jumped 128%.

Brandi Sakayam, District Manager at BH Management in Dallas, oversees a portfolio of primarily Class A properties; and she tells us Rental Concessions are on the rise across the entire Dallas Fort-Worth area. She indicated that one month’s worth of free rent is standard for Dallas, but in some cases, landlords are waiving some or all application and administrative fees. With continued new construction in the DFW area, lease-ups will often offer four to eight weeks’ worth of free rent.

Sakayam said she sees a continuation of new tenants relocating from other parts of Texas, but is also seeing an increased number of families moving from California and the Northeast. While her firm is hopeful that they can pull back on Rental Concessions in 2021, they don't expect to return to anything close to normal until the second or third quarter of next year, as their occupancy rates have dipped from 95% to 93%.

Olivia Taylor, General Manager of The National Residences, described Dallas as a “concessions driven market”. While it's typical for properties to offer one month's worth of free rent, she's observed movement to six-eight weeks' free rent. “There is so much new construction in Dallas you can see construction cranes everywhere. Buildings are competing for tenants. I'm aware of look-and-lease deals where tenants can secure a \$1,000 Visa gift card for committing to a one-year lease within 48 hours of viewing a unit.”

Like Brandi, Olivia is also seeing families moving to Dallas from California and Chicago, as companies like Uber, McKesson Corp., and Charles Schwab open large local offices. While Olivia is currently seeing slower traffic at her properties, she attributes that both to increasing Coronavirus cases and the onset of typical holiday-related seasonality.

LOS ANGELES

Rental Beast recently entered the Los Angeles market, and, as part of the ramping up process, we spoke with Danny Levin, Co-Founder of TDI Properties. While many urban rental markets across the country are struggling to find qualified renters, Danny said that L.A. has long suffered from a significant residential rental supply shortage.

“If you have a unit that is clean and well-priced it will get rented,” said Levin.

While the Los Angeles rental market typically slows in November and December, Levin indicates that seasonality isn't impacting the market, and he's not seeing a barrage of Rental Concessions observed in other cities. Instead, he said that class A & B properties continue to offer one month's worth of free rent to entice tenants.

Says Levin, “the pandemic has slowed the pace in which Class A & B properties in LA are rented, but they are getting rented.”

MIAMI

Like Boston, Miami registered ten consecutive months of lower YOY Rental Inquiries, and during the same time period Rental Concessions have consistently overpowered 2019 rates. For October, Rental Inquiries in Miami were down 30% YOY, while Rental Concessions jumped 115%. According to the Federal Reserve Bank of St. Louis, Miami started the fourth quarter of 2020 with a 13% unemployment rate, with COVID-19 continuing to impact the service, travel, hotel and tourism industries.

While many people in Miami are experiencing Covid-19 fatigue, the dramatic increase in the number of Coronavirus infections and deaths has driven South Floridians to continue to explore living options outside of Miami, as they yearn for more space to accommodate work from home situations and remote school learning.

PHILADELPHIA

As we have seen for most of the year, Rental Inquiries for Philadelphia remain strong. The city logged a 86% YOY increase, while Rental Concessions declined 71%. New York City has more than 16,000 vacant apartments, and many New Yorkers leaving the Big Apple are contemplating calling Philadelphia home.

While anecdotal indications paint Philly's Rental Concessions environment in similarly to Atlanta and Boston, our data shows a 71% YOY decline. We will continue to monitor this change to determine if this is a temporary movement or a prolonged trend.

Rental Beast recently spoke with a Marketing Manager from a prominent, Philadelphia-based property management firm. This Manager described the current Rental Concessions environment as "vicious", as she believes Philadelphia has hit a peak in Rental Concession issuance. She notes two to three months' worth of free rent being consistently offered, as landlords continue to cope with the fallout from the pandemic. The same indicates that in a normal year "meds and eds" (medical and undergraduate and graduate students) drive high occupancy rates in Philadelphia, but this year is far from normal.

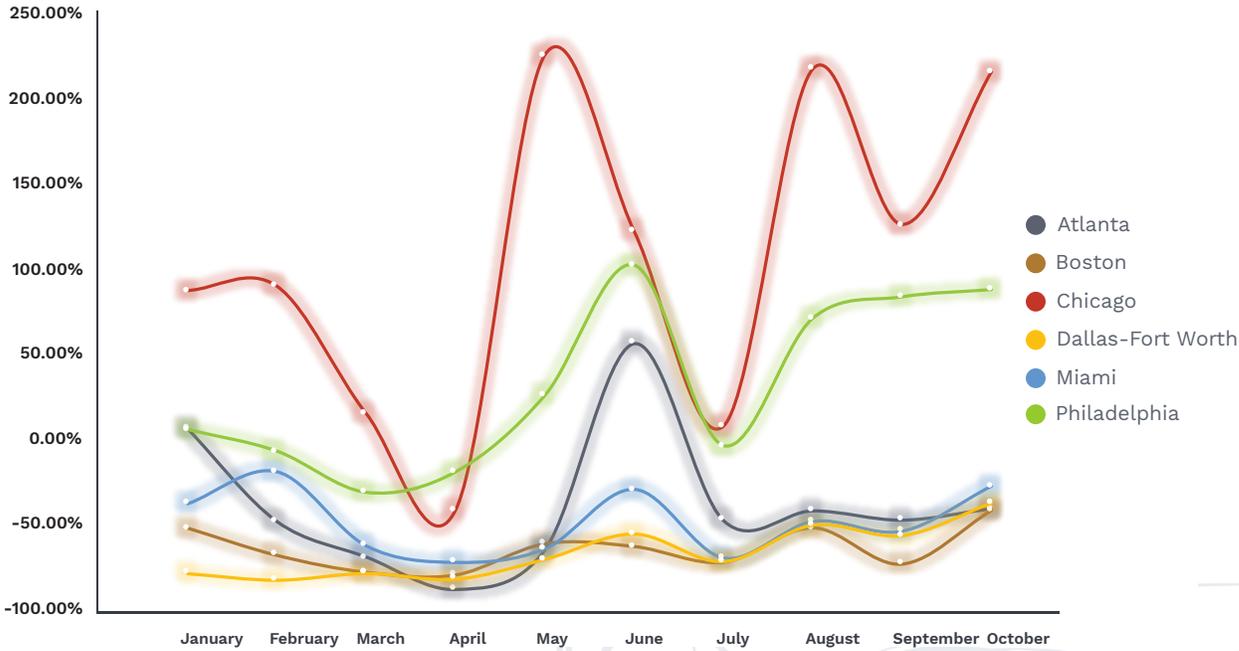
She explains, "Students are studying virtually at home, and many international students are not allowed to travel and therefore do not require rental housing. While most buildings would be well leased up at this point in the year, property managers and owners are starting to panic as we head into the "dead season" a.k.a winter months."

In addition to offering two to three months' worth of free rent, our contact indicates that her firm is also offering waived amenity fees, application fees, and are offering gift card incentives to potential tenants. Waived or reduced security deposits are also available in some cases.

RENTAL INQUIRIES

Rental Inquiries are prospective tenants actively seeking to rent an available property in our database. Rental Inquiry volume typically follows a predictable seasonal pattern—Rental Beast data from previous years show a high volume of Rental Inquiries during the summer months, as renters hoping to move in the fall begin their apartment search. Departures from such patterns serve as powerful, quantifiable early indicators of a shift in the rental marketplace, and are more powerful predictors of future transactional activity than traditional rental information, such as average rent. Rental Beast monitors all inquiries to available listings on the Rental Beast website and listings syndicated to our partner sites including Facebook Marketplace and Realtor.com.

RENTAL INQUIRIES



ABOUT RENTAL BEAST

Rental Beast is a SaaS platform that simplifies the leasing process with an end-to-end platform and maintains a highly accurate database of nearly nine million off-MLS rental properties. With active listings in 22 markets across the United States, Rental Beast's Data Services Group tracks various rental trends in its markets across the nation.

Lauren Marder

Director of Sales – Data Services

Rental Beast

Direct: 774-470-1222

Cell: 646-342-4415

Email: lauren.marder@rentalbeast.com

Rental Beast Markets

Active Markets:

- Annapolis, MD
- Atlanta, GA
- Austin, TX
- Baltimore, MD
- Boston, MA
- Charlotte, NC
- Chicago, IL
- Dallas-Fort Worth, TX
- Denver, CO
- Houston, TX
- Jacksonville, FL
- Miami, FL
- Minneapolis, MN
- Orlando, FL
- Philadelphia, PA
- Phoenix, AZ
- Sacramento, CA
- San Antonio, TX
- San Diego, CA
- Tampa, FL
- Washington, D.C.

Expansion Markets:

- Anaheim, CA
- Cincinnati, OH
- Cleveland, OH
- Columbus, OH
- Detroit, MI
- Indianapolis, IN
- Kansas City, KS/MO
- Las Vegas, NV
- Milwaukee, WI
- Nashville, TN
- New Orleans, LA
- Norfolk, VA
- Pittsburgh, PA
- Portland, OR
- Richmond, VA
- Salt Lake City, UT
- UT Seattle, WA
- St. Louis, MO
- Virginia Beach, VA