CITI HABITATS

Residential Rental Market Report

June & Second Quarter 2017

Residential Rental Market Report

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This report follows overall conditions in the Manhattan rental market during June as well as throughout the second quarter of the year. In addition, we track average and median rents for 14 neighborhoods in the borough of Brooklyn over the same period.

Our research found that rental market conditions shifted further to the tenants' favor during June, bucking the historic trend of a market that tightens as summer progresses. Average rents remained flat or declined slightly across the board month-over-month, while the vacancy rate climbed. Landlords' use of incentives also increased. This extends the string of double-digit concession percentages to 20 consecutive months.

From May to June, rents in Manhattan and Brooklyn remained stagnant.

Rents have climbed slightly but consistently since January, but this trend came to a halt in June, when rents declined overall - albeit very slightly. While home-seekers are out in force, the lack of rent increases reflects continued price-sensitivity in the marketplace.

In June, pricing in Manhattan declined an average of 1% for studio and two-bedroom units when compared to the month prior. Rents for one-bedroom homes rose, while they decreased for three-bedrooms – but by insignificant amounts for both categories.

In Brooklyn, average rents fell 2% for studio apartments during June. Pricing declined for one-bedrooms, while it increased for three-bedroom homes. However, the changes were negligible for both apartment sizes. Rents for two-bedroom units remained unchanged from May.

In addition, Manhattan rents remained stable year-over-year.

When compared to June 2016, rents in Manhattan increased 1% on average for studio, one- and three-bedroom homes. For two-bedroom units, prices decreased an average of 3%. Citi Habitats has tracked rents across the borough since 2002 - and according to our research, rents continue to hover near all-time highs, despite the lack of recent growth.

Meanwhile, the vacancy rate ticked upwards.

In June, 1.74% of Manhattan apartments were vacant, compared to 1.58% in May. The rate also rose slightly year-over-year. In June 2016, the vacancy rate was 1.70%. Vacancy rates were highest in the East and West Villages, where small homes often carry high price tags. In contrast, inventory was tightest in Murray Hill and the Upper East Side, both areas with a reputation for offering 'good value' for tenants.

Are incentives the market's 'new normal?'

In June, 28% of new leases signed with Citi Habitats included some form of concession, up from 22% in May. With increased options for apartment shoppers, both in Manhattan and the outer boroughs, many landlords continue to rely on concessions to keep rents at the levels they desire. The percentage of leases signed with Citi Habitats that include a move-in incentive has topped 20% since September of 2016, and has been higher than 10% from October 2015 onwards.

While the market has recently slowed, the quarterly data shows strength when compared to Q1.

During the second quarter of 2017, Manhattan rents increased overall when compared to the quarter that preceded it. Meanwhile, the borough's vacancy rate decreased to 1.78% from 1.93% in Q1. The percentage of concessions also fell quarter-over-quarter. During the most recent quarter, 26% of leases included one, compared to 34% in Q1.

Renters have more housing options, and in some cases, increased negotiability compared to years past. However, it's important to remember that the local rental market remains strong and competitive – a sign of our city's vitality. Our goal with this report is to create a better understanding our unique marketplace, and we hope you find it to be a valuable resource.

Gary Malin, President, Citi Habitats

When examining our report, please keep the following in mind:

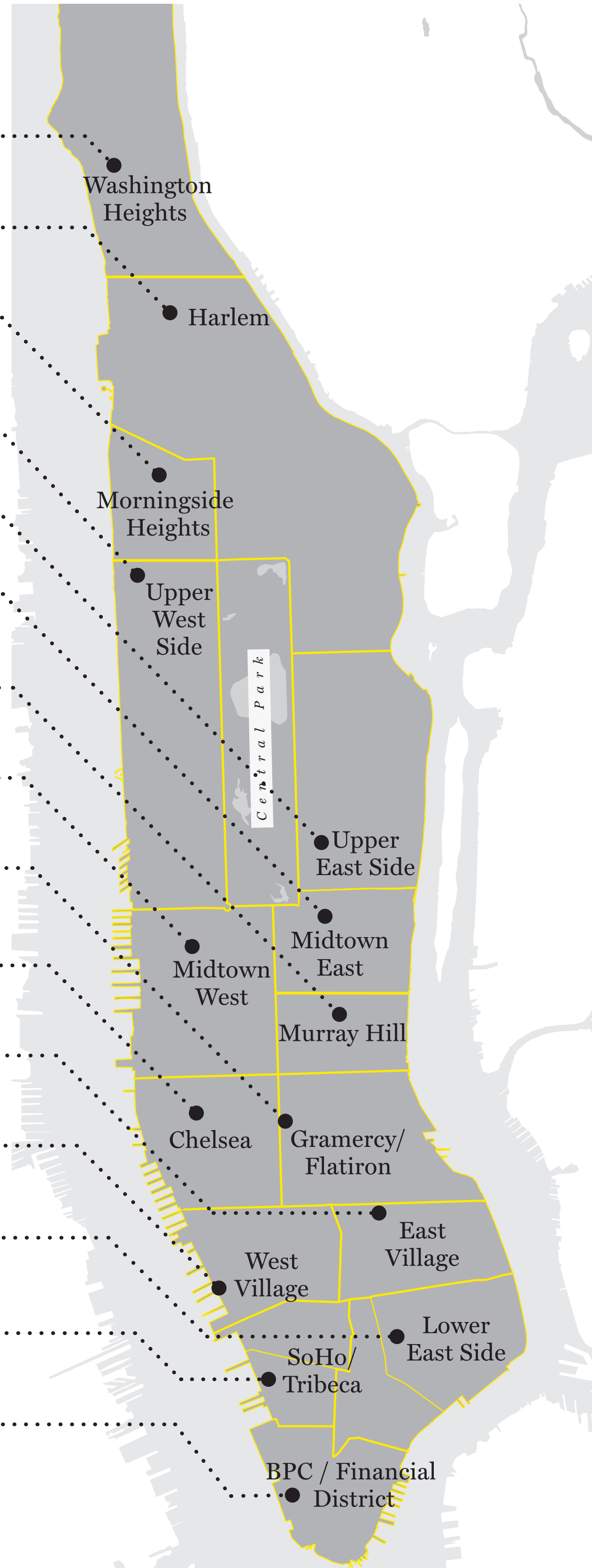
1. The statistics in the letter above, and in the report that follows, are based on Citi Habitats' closed rental transactions, current rental listings in the firm's database and company research.

2. Average rents cited in this report are, for the most part, gross rents, not net effective rents, and do not include landlord incentives, unless the face rent reported on the lease was the net-effective amount.

Manhattan Residential Rental Market Report

June 2017

AVERAGE RENT	MEDIAN RENT
$1,934	$3,995
$2,742	$2,600
$2,746	$3,200
$4,048	$3,595
$3,545	$3,300
$3,699	$3,500
$3,798	$3,550
$3,899	$3,600
$4,343	$4,285
$4,256	$3,995
$3,423	$3,450
$4,237	$3,895
$3,543	$3,295
$5,537	$6,095
$4,556	$3,995



Manhattan Residential Rental Market Report

June 2017

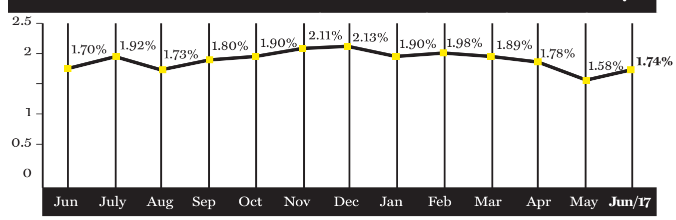
AVERAGE RENT SUMMARY: June 2017				
Location	**Studio**	**1BR**	**2BR**	**3BR**
BPC / Financial Dist.	$2,959	3,828	4,705	6,732
Chelsea	$2,697	3,530	4,789	6,007
East Village	$2,298	2,917	3,546	4,932
Gramercy/Flatiron	$2,767	3,900	4,891	5,813
Harlem	$1,900	2,294	3,257	3,515
Lower East Side	$2,350	3,325	3,861	4,635
Midtown East	$2,173	3,212	4,185	5,225
Midtown West	$2,362	3,251	4,584	5,397
Morningside Heights	$2,079	2,575	2,879	3,450
Murray Hill	$2,411	3,205	4,075	5,500
Soho/Tribeca	$3,200	4,345	6,184	8,420
Upper East Side	$2,152	2,854	3,304	5,868
Upper West Side	$2,239	2,881	4,549	6,524
Washington Heights	$1,550	1,664	2,080	2,442
West Village	$2,666	3,688	4,293	6,300
Average: June	$2,387	3,165	4,079	5,384
Average: May	$2,412	3,155	4,122	5,388
% Change	-1%	0%	-1%	0%

AVERAGE VACANCY RATE: June 2017	
Location	**Vacancy Rate**
BPC / Financial Dist.	1.49%
Chelsea	1.77%
East Village	2.67%
Gramercy	1.61%
Midtown East	2.04%
Midtown West	1.79%
Murray Hill	1.36%
Soho/Tribeca	2.00%
Upper East Side	1.41%
Upper West Side	1.51%
West Village	2.58%
Average: June	1.74%
Average: May	1.58%
Difference	-0.16

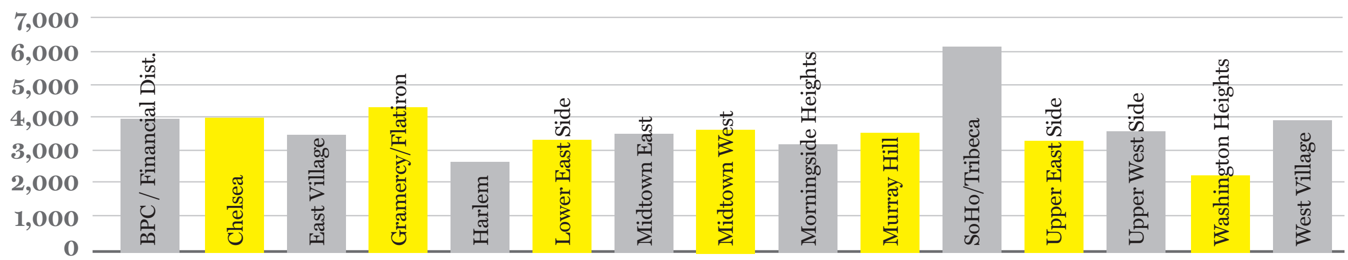
% OF TRANSACTIONS WITH A CONCESSION JUNE 2017 **28%**

OVERALL BLENDED AVERAGES: June 2017				
BLDG Classification	**Studio**	**1BR**	**2BR**	**3BR**
New Development w/ DM*	$3,436	4,691	7,562	10,538
Doorman	$2,892	4,066	6,782	8,918
Elevator**	$2,522	3,331	4,587	6,029
Walkup***	$2,233	2,827	3,569	5,075

MANHATTAN RENTAL VACANCY RATES: June 2017



MEDIAN RENT SUMMARY: June 2017



Median	$3,995	$3,995	$3,450	$4,285	$2,600	$3,295	$3,500	$3,600	$3,200	$3,550	$6,095	$3,300	$3,595	$2,250	$3,895

*New Developments include all rental and condo buildings built after 2008. **Elevator averages in the downtown neighborhoods include a significant number of loft rentals compared to other neighborhoods. ***Walkup averages include brownstone and townhouse rentals.

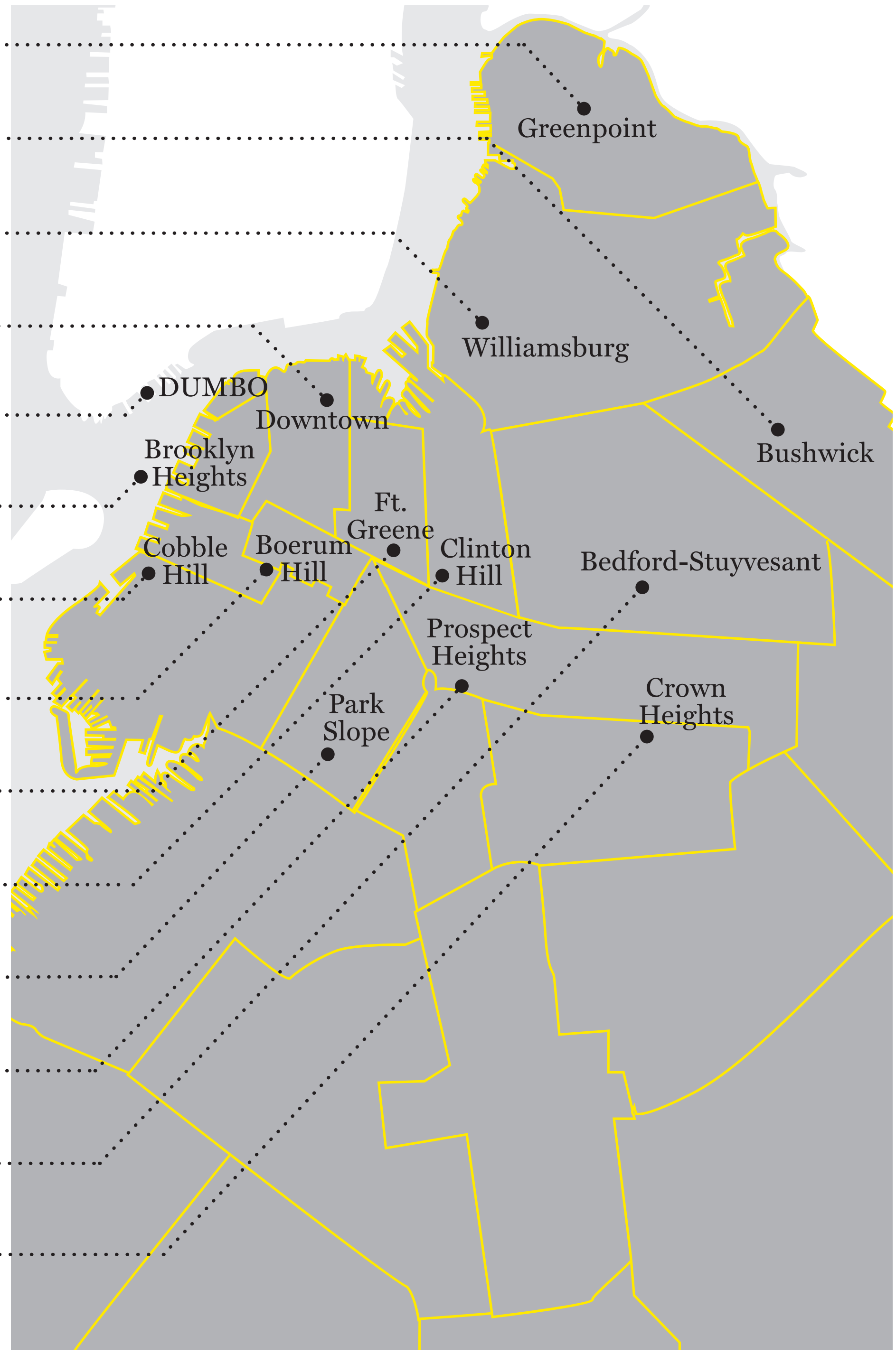
The above estimated information is based on Citi Habitats' closed rental transactions, current rental listings in the firm's database and company research. Owned and operated by NRT.

Brooklyn Residential Rental Market Report

CITI HABITATS

June 2017

AVERAGE RENT	MEDIAN RENT
$3,358	$3,100
$2,782	$2,650
$3,825	$3,400
$3,785	$3,200
$5,964	$5,050
$3,808	$3,150
$3,389	$3,000
$3,927	$3,350
$3,361	$3,100
$3,103	$2,800
$3,605	$3,100
$3,194	$3,000
$2,644	$2,500
$2,762	$2,600

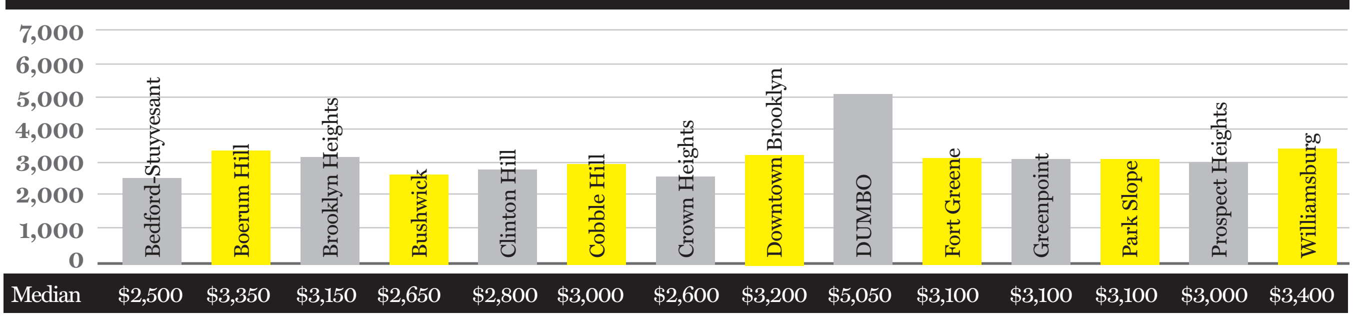


Brooklyn Residential Rental Market Report

June 2017

AVERAGE RENT SUMMARY: June 2017				
Location	**Studio**	**1BR**	**2BR**	**3BR**
Bedford-Stuyvesant	$1,814	2,177	2,610	3,015
Boerum Hill	$2,203	2,787	3,824	5,590
Brooklyn Heights	$2,383	3,164	4,665	7,537
Bushwick	$1,786	2,182	2,481	3,032
Clinton Hill	$2,033	2,581	3,230	4,460
Cobble Hill	$2,107	2,728	3,641	5,263
Crown Heights	$2,104	2,379	2,626	2,888
Downtown Brooklyn	$2,634	3,153	4,941	8,201
DUMBO	$2,732	4,595	6,441	9,311
Fort Greene	$2,418	3,040	3,944	4,653
Greenpoint	$1,808	2,656	3,320	3,776
Park Slope	$2,108	2,624	3,575	4,548
Prospect Heights	$2,393	2,924	3,481	4,324
Williamsburg	$2,805	3,253	3,889	5,261
Average: June	$2,238	2,875	3,762	5,133
Average: May	$2,277	2,868	3,762	5,140
% Change	-2%	0%	0%	0%

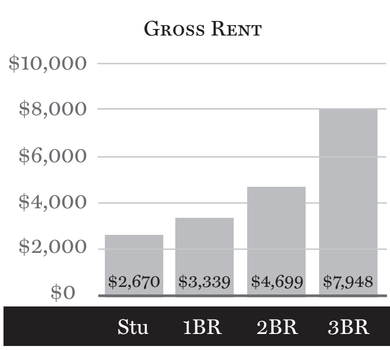
MEDIAN RENT SUMMARY: June 2017

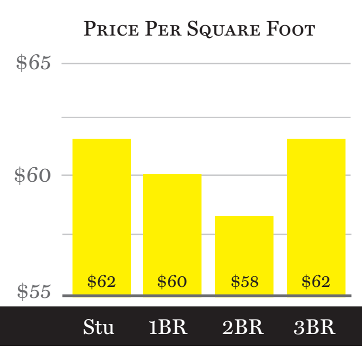


NEW DEVELOPMENTS SPOTLIGHT: Downtown Brooklyn

Average Per Apartment Category

On the Market





PIPELINE FORECAST

2,953

Units coming to market by 2019

Manhattan Residential Rental Market Report

Second Quarter 2017

AVERAGE RENT SUMMARY: Q2 2017

Location	Studio	1BR	2BR	3BR
BPC/Financial Dist.	$2,805	3,751	4,856	6,748
Chelsea	$2,654	3,646	4,794	6,182
East Village	$2,356	2,914	3,523	4,929
Gramercy/Flatiron	$2,641	3,790	4,872	5,963
Harlem	$2,093	2,300	3,308	3,594
Lower East Side	$2,391	3,358	3,890	4,729
Midtown East	$2,200	3,223	4,246	5,057
Midtown West	$2,350	3,246	4,569	5,364
Morningside Heights	$2,035	2,463	2,843	3,540
Murray Hill	$2,398	3,163	4,105	5,480
Soho/Tribeca	$3,103	4,427	6,187	8,231
Upper East Side	$2,160	2,754	3,391	5,596
Upper West Side	$2,262	2,885	4,543	6,693
Washington Heights	$1,500	1,677	2,131	2,339
West Village	$2,754	3,772	4,382	6,184
Average: Q2/17	$2,380	3,158	4,109	5,375
Average: Q1/17	$2,328	3,098	4,098	5,261
% Change	2.2%	1.9%	0.3%	2.2%
Average: Q2/16	$2,324	3,114	4,134	5,322
% Change: Q2-16/17	2.4%	1.4%	-0.6%	1.0%

AVERAGE VACANCY RATE: Q2 2017

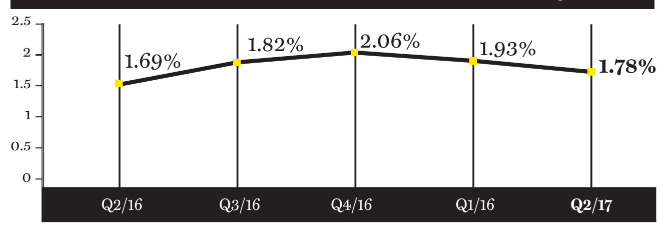
Location	Vacancy Rate
BPC/Financial Dist.	1.63%
Chelsea	1.86%
East Village	2.14%
Gramercy	1.48%
Midtown East	1.95%
Midtown West	1.91%
Murray Hill	1.42%
Soho/Tribeca	1.71%
Upper East Side	1.51%
Upper West Side	1.57%
West Village	2.38%
Average: Q2/17	1.78%
Average: Q1/17	1.93%
Difference	-0.15
Average: Q2/16	1.69%
Difference: Q2-16/17	0.09

% OF TRANSACTIONS WITH A CONCESSION SECOND QUARTER 2017 **26%**

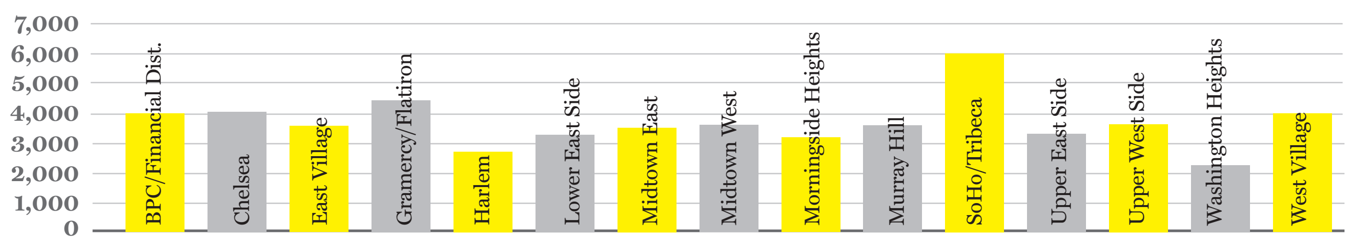
OVERALL BLENDED AVERAGES: Q2 2017

BLDG Classification	Studio	1BR	2BR	3BR
New Development w/ DM*	$3,396	4,716	7,653	10,470
Doorman	$2,891	4,056	6,750	9,205
Elevator**	$2,497	3,299	4,604	6,142
Walkup***	$2,238	2,812	3,547	5,092

MANHATTAN RENTAL VACANCY RATES: Q2 2017



MEDIAN RENT SUMMARY: Q2 2017



Median	$3,948	$4,023	$3,503	$4,407	$2,642	$3,243	$3,483	$3,580	$3,158	$3,580	$6,006	$3,300	$3,598	$2,233	$3,947

*New Developments include all rental and condo buildings built after 2006. **Elevator averages in the downtown neighborhoods include a significant number of loft rentals compared to other neighborhoods. ***Walkup averages include brownstone and townhouse rentals.

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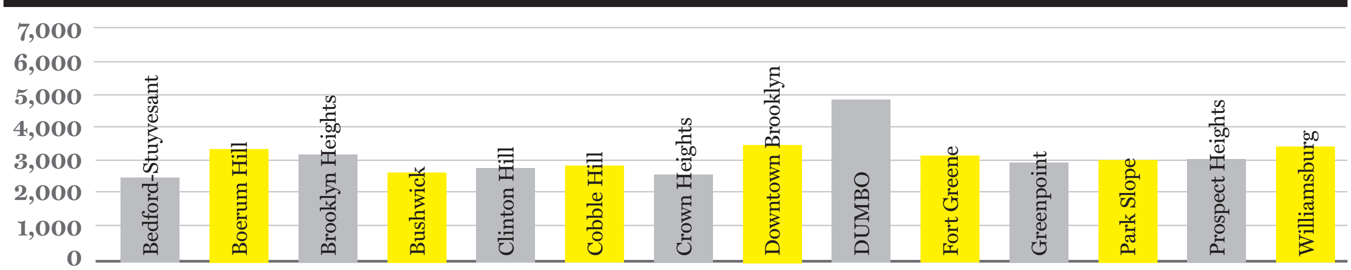
Brooklyn Residential Rental Market Report

Second Quarter 2017

AVERAGE RENT SUMMARY: Q2 2017				
Location	**Studio**	**1BR**	**2BR**	**3BR**
Bedford-Stuyvesant	$1,798	2,170	2,571	3,011
Boerum Hill	$2,232	2,929	3,870	5,461
Brooklyn Heights	$2,387	3,144	4,753	7,855
Bushwick	$1,797	2,149	2,465	2,988
Clinton Hill	$2,063	2,597	3,238	4,327
Cobble Hill	$2,083	2,640	3,614	5,430
Crown Heights	$1,988	2,322	2,610	2,885
Downtown Brooklyn	$2,663	3,304	5,014	8,111
DUMBO	$2,894	4,467	6,267	9,208
Fort Greene	$2,434	3,070	4,054	4,571
Greenpoint	$2,047	2,562	3,257	3,876
Park Slope	$2,096	2,630	3,472	4,320
Prospect Heights	$2,331	2,899	3,361	4,144
Williamsburg	$2,831	3,219	3,979	5,317
Average: Q2/17	$2,260	2,865	3,752	5,107
Average: Q1/17	$2,296	2,809	3,645	4,908
% Change	-1.6%	2.0%	2.9%	4.1%

MEDIAN RENT SUMMARY: Q2 2017



Median	$2,482	$3,333	$3,165	$2,630	$2,765	$2,842	$2,582	$3,443	$4,825	$3,133	$2,933	$3,000	$3,025	$3,403

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