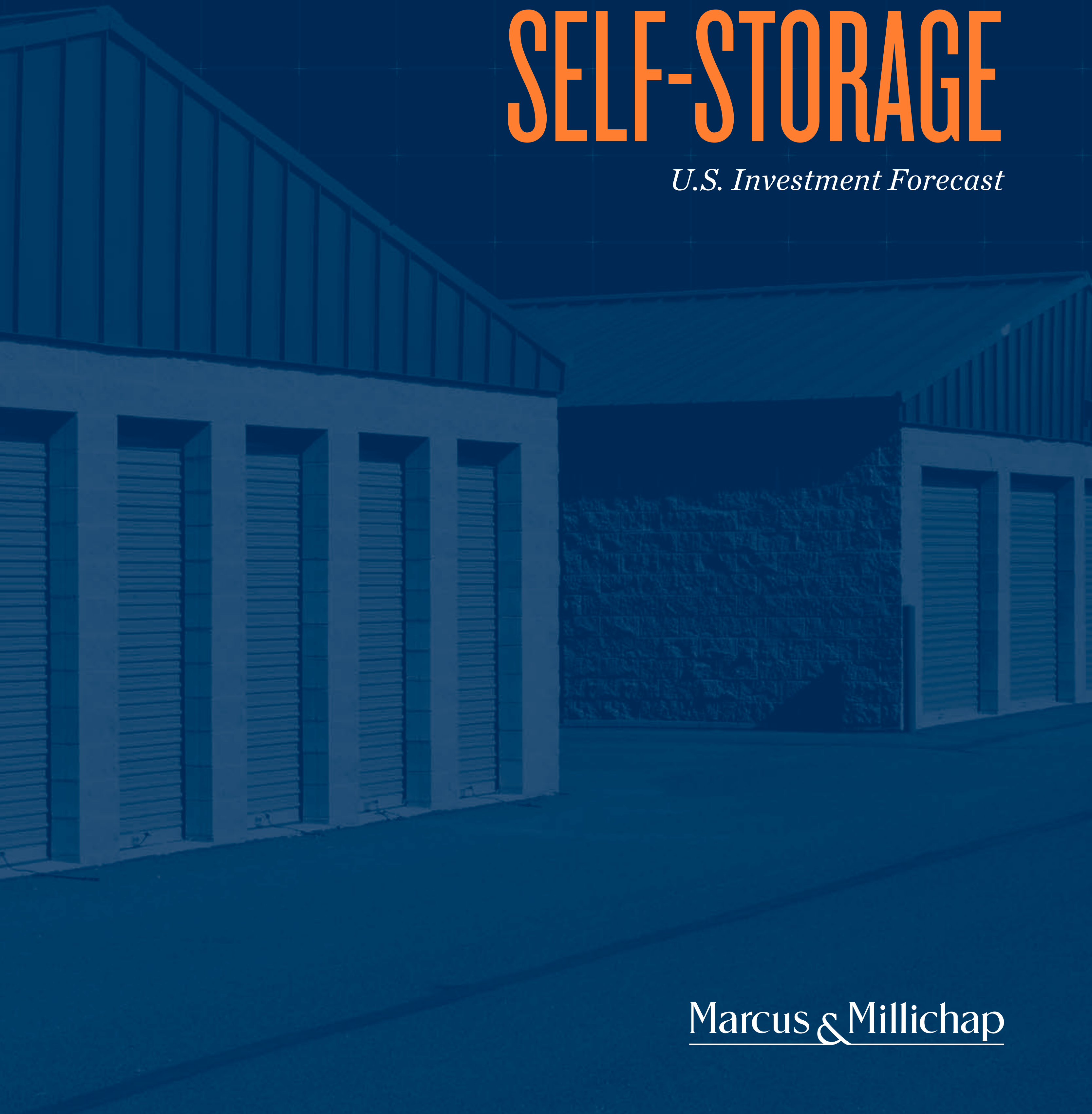
# 2019 SELF-STORAGE

*U.S. Investment Forecast*



Marcus & Millichap

## To Our Valued Clients:

Demand for self-storage space has been robust throughout the current growth cycle, and last year's absorption set the strongest pace in five years. Positive economic momentum, including accelerated job creation, elevated confidence levels and heightened household formation, supported the self-storage sector. The strong demand was, however, offset by record development levels that placed upward pressure on vacancy rates in several markets.

The millennial generation continues to play a key role in sustaining self-storage demand. Lifestyle choices, including their preferences for renting, flexibility, mobility and smaller living spaces, favor the use of self-storage space. For millennials, self-storage has become more than just a place to store infrequently used belongings, it has become an extension of their closet space. Young adults frequently store active-lifestyle equipment such as bicycles and camping gear in their facility, and about a third of these renters access their storage unit at least once per week. As facility operators adapt their properties and services to this new generation of customers, demand could continue to rise.

Though completions set an all-time high in 2018, the wave has begun to recede. Tighter lending has joined the impact of rising building and labor costs to restrain self-storage construction in 2019. It is also worth noting that construction has generally been quite concentrated, with just five metros receiving 25 percent of the supply over the last three years. Though new competition and properties in lease-up could create short-term challenges on a localized basis, several major metropolitan areas still face a shortage of self-storage space.

The sales climate remains active, elevated and stable, with generally steady cap rates. Interest rate volatility could alternately benefit and detract from the sector this year, but market liquidity remains strong. Undoubtedly, new challenges will emerge, but most forward-looking metrics still point to additional runway for self-storage investments in 2019. As you recalibrate your investment strategies in this dynamic climate, our investment professionals stand ready to help you evaluate your options and implement your strategies.

Sincerely,

Joel Deis
Vice President, National Director | National Self-Storage Group

John Chang
Senior Vice President, National Director | Research Services

## National Perspective



## Market Overviews



## Client Services



Developed by Marcus & Millichap Research Services. The Capital Markets section was co-authored by David Shillington, President, Marcus & Millichap Capital Corporation. Additional contributions were made by Marcus & Millichap investment brokerage professionals nationwide.

## National Economy

- Steady job creation will sustain economic growth in the coming year, but the tight labor market will create a highly competitive recruiting climate that restrains total job additions. To attract and retain top candidates, companies will continue to raise wages, but they will also revisit their benefits, work environment and job locations. Several major businesses are opening offices in new areas to tap local talent instead of trying to relocate staff members to existing facilities, migrating job creation to a variety of markets across the country.
- The U.S. economy remains structurally positioned for growth in 2019, thanks to steady employment gains, wage growth and increased consumption. Opening the year with a government shutdown and a volatile stock market could weigh on momentum, however. Greater trade barriers and slowing economic growth internationally could contribute to a modest step back in the pace of expansion this year.
- Home sales have trended lower as a variety factors weigh on demand, including the fact that the majority of millennials have yet to make a meaningful move into homeownership and continue to rent. The slowing housing market could weigh on growth but aids self-storage.

## National Self-Storage Overview

- The self-storage industry continues to benefit from long-term demographic factors, including the aging of the millennial generation. The 80 million strong population cohort represents a little less than a third of all non-commercial self-storage renters. That proportion is likely to rise as the leading edge of the demographic group enters their primary income-earning years.
- Private businesses are a major source of self-storage demand, and more companies are likely to make use of such facilities this year. The economy supports business expansion, and self-storage offers a cost-effective option compared with office and retail rents.
- Fewer completions are anticipated for 2019 relative to last year, but deliveries are still elevated. Subdued construction earlier in the cycle has left many metros with pent-up demand for new storage supply, benefiting properties in even the most actively developed metros. Nevertheless, certain businesses will face competition for leases within pockets of concentrated construction.

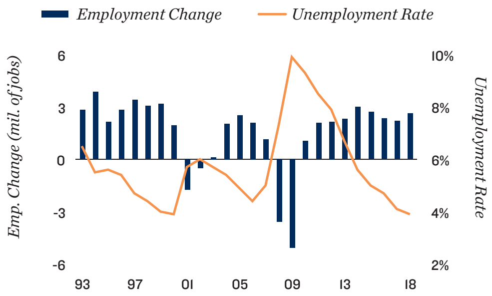
## Investment Outlook

- A new cadre of buyers are entering the self-storage market from other commercial property types for the limited management needs and positive yield arbitrage. Private investors have begun to pursue more self-storage properties in smaller markets, where yields are generally higher than in the major metros. Institutional and REIT buyers remain active in larger cities, however, scouring the local submarkets for neighborhoods with fewer deliveries and positive demographics.
- Major self-storage operators have become experts at adaptive reuse. As national big-box retailers have closed stores, several have been converted to storage facilities. The reuse of existing assets often saves on construction costs while enabling self-storage businesses to enter favorable locations.

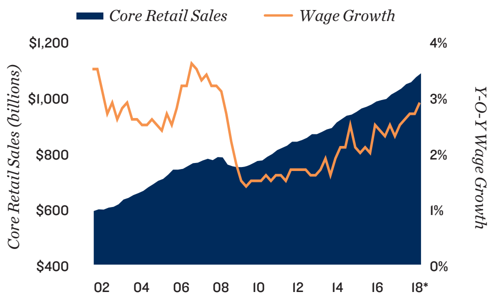
## Capital Markets

- Moving through 2019, the Federal Reserve will monitor the impact of low unemployment on wage growth and inflation, but stock market volatility and slowing economic growth abroad are keeping long-term interest rates low. Short-term rates are not far below, raising the possibility of a future yield-curve inversion, which some interpret as a sign of a coming recession.
- A favorable outlook for self-storage underscores readily available financing, but loan terms will vary depending on the borrower's industry experience and how lenders perceive the risk profile of the local area. The influx of new supply into the market over the last couple of years has also led to an increase in the number of loan requests for purchasing recently built properties. The competition for renters in select metros has motivated some developers to sell assets prior to stabilization.

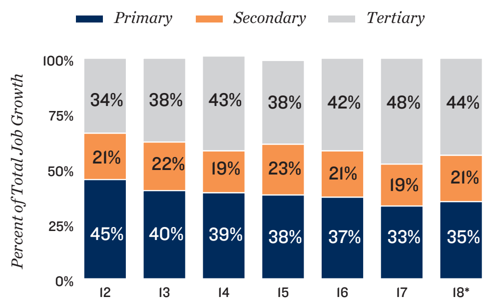
Employment vs. Unemployment



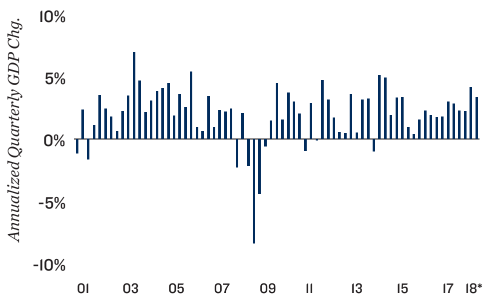

Core Retail Sales vs. Wage Growth




Job Creation Migrates to Smaller Cities




U.S. GDP Growth




* Through 3Q

## Small City Job Creation Accelerates in 2019; Economic Momentum Beginning to Moderate

**Burgeoning smaller cities favored by extended growth cycle.** Steady job creation will sustain economic growth in the coming year, but the tight labor market will create a highly competitive recruiting climate that restrains total job additions. Many companies are citing recruiting challenges as their greatest difficulty, and this hurdle will cause many to reevaluate their strategic staffing plans. To attract and retain top candidates, firms will continue to raise wages, but they will also revisit their benefits, work environment and job locations. Several major companies, including Amazon and Google, are opening offices in metros across the country to tap local talent rather than trying to relocate staff members to existing facilities. This is migrating job creation to a variety of markets across the country, including several smaller metros, rather than keeping job formations concentrated in the largest primary markets.

**Positive economic momentum to battle headwinds in 2019.** The U.S. economy remains structurally positioned for growth in 2019. Steady employment gains, wage growth and increased consumption will align to deliver GDP growth in the low- to mid-2 percent range, but several hurdles could weigh on the momentum. Opening the new year with a government shutdown and a highly volatile stock market has the potential to sap both consumer and business confidence from the record levels achieved last year. In addition, slowing international economies, particularly in conjunction with greater trade barriers, could both restrain trade-based economic growth and raise inflationary pressure. Together, these factors could contribute to a modest step back in the pace of expansion this year. Nonetheless, the most substantive driver of the economy, consumption, should remain strong as both U.S. household wealth and disposable income now stand at all-time highs.

## 2019 National Economic Outlook

- **Slowing housing market to weigh on growth, but is a positive for self-storage.** Home sales have trended lower as a variety of factors weigh on demand. Demographics are a significant factor, with the majority of millennials still in the mid- to late twenties having yet to make a meaningful move into homeownership. In addition, the limited supply of entry-level homes on the market and elevated interest rate volatility have weighed on homebuying as well.

- **Federal Reserve likely to temper pressure on rates.** Increasing wages and rising tariffs continue to place upward pressure on inflation, and until recently, the Federal Reserve was communicating a moderately hawkish position on interest rates for 2019. Stepping into the new year, as reports of slowing economies internationally began to emerge, the Fed stepped back its positioning on both interest rate hikes and quantitative tightening. This will reduce upward pressure on interest rates in 2019, offering investors a more favorable lending climate.

- **Smaller cities to lead growth in 2019.** The early stages of the growth cycle favored major business and economic hubs, with primary markets capturing 45 percent of the jobs created in 2012 and tertiary metros generating only 34 percent of new jobs. By 2017-18, the metrics had inverted to favor tertiary markets. This trend will likely continue in the coming year as companies add facilities in smaller cities to capitalize on local talent that is unwilling to relocate.

## Significant New Construction Creates Pockets of Supply Risk, But Demand Remains Elevated

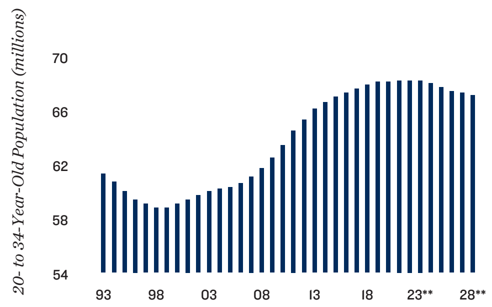
**Younger adults and expanding businesses drive need for storage.** The self-storage industry continues to benefit from long-term demographic demand factors, including the aging of the millennial generation. The 80-million strong population cohort is larger than the baby boomer generation and represents 28 percent of non-commercial self-storage renters. That proportion will likely rise as the leading edge of the demographic group enters their primary income-earning years. Private businesses are another major source of self-storage demand, comprising 19 percent of customers at a typical storage complex. More companies are likely to make use of these facilities this year as the economy supports business expansion, and self-storage offers a cost-effective option compared with office and retail rents. Organizations may opt for a smaller office or storefront and lease a storage unit to keep excess inventory, records or other items. Business customers further benefit property operations in that about half of them tend to rent multiple units, and for longer periods of time than private individuals.

**Construction pipeline for 2019 weighs on some localized operations.** Fewer completions are anticipated for 2019 relative to last year, but deliveries are still elevated. Markets most impacted by new supply include Seattle-Tacoma, Denver, Nashville and Charlotte, where asking rents will face increased pressure as new arrivals lease up. The pace of development is largely being offset by rapid population growth in Southwestern markets such as Phoenix and Las Vegas. Major cities in California and the northeast are also faring well, largely because high land costs and numerous policy hurdles limit new inventory. Subdued construction earlier in the cycle has left many metros with pent-up demand for new storage supply, benefiting properties in even the most actively developed markets. Certain businesses will face more competition for leases as pockets of concentrated development do exist, tempering growth in asking rents during the short term.

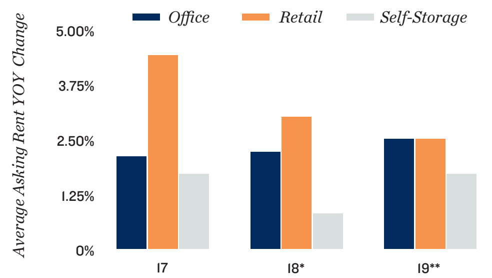
## 2019 National Self-Storage Outlook

- **Smaller unit floor plans favored by younger generations.** The renting lifestyle common among millennials, either by preference or necessity, has them interacting with self-storage in ways that differ from older generations. Young adults tend to rent smaller unit sizes that they visit more frequently. Among millennial renters, 26.5 percent lease five by five foot or smaller units and 19.6 percent open the unit more than once per week. Only about 10 percent of older renters rent such units or visit as often.
- **Self-storage adaptive across economic cycles.** Shorter development timelines and modest operating costs help self-storage businesses quickly adapt to changing economic conditions. During the last recession, downsizing businesses and consolidating households created new sources of storage demand that helped vacancy decline by 520 basis points between 2009 and 2012. This reiterates the resilience and importance of these properties.
- **New technologies play critical role in customer engagement and efficiency.** Self-service kiosks, online automated payment systems and electronic locks are just some of the innovations taking hold in the industry. New advances in cloud-based computing and Internet-connected devices now allow operators to perform common chores like adjusting building temperature remotely, reducing labor costs. As more self-storage customers come from the digitally native millennial generation, these tools will become increasingly important.

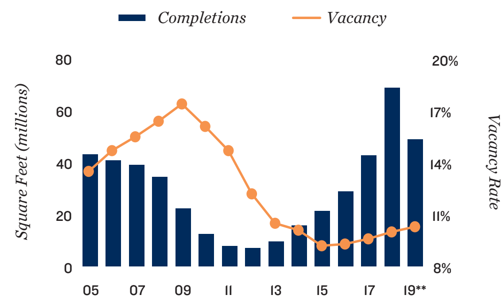
Millennial Wave Inbound



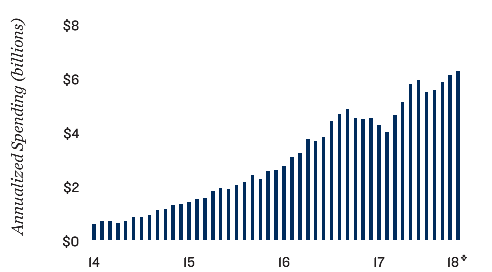

U.S. Annual Rent Growth




Self-Storage Supply and Demand

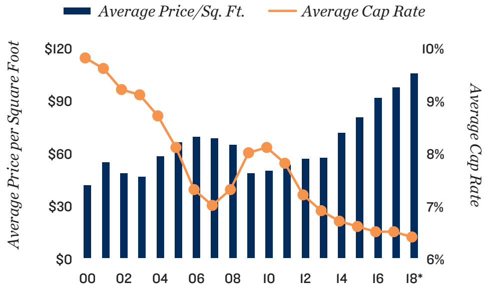



Self-Storage Construction Spending

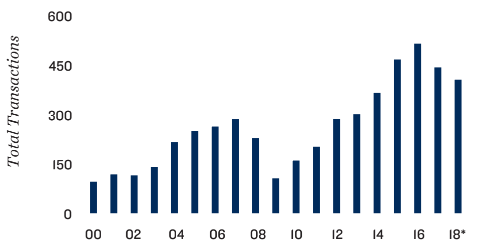



* Estimate
** Forecast
✦ Through October

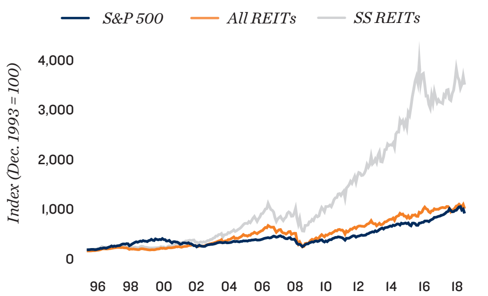
## Price and Cap Rate Trends



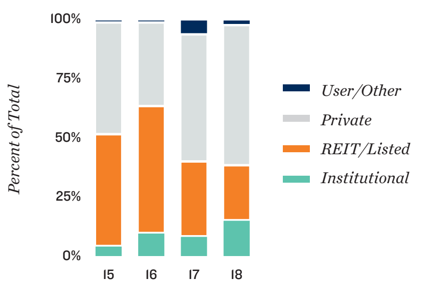

## U.S. Self-Storage Investment Transactions




## Self-Storage REITs Outperforming




## Self-Storage Buyer Composition




*Sales figures for $1 million and greater.*

** Estimate*

# Investment Landscape Becomes More Selective; Initial Returns Stay Well Above Interest Rates

**Self-storage assets entice broader range of investors.** A new cadre of buyers are entering self-storage from other commercial property types for the limited management needs and positive yield arbitrage. Private apartment investors in particular have been attracted to self-storage assets because the yields are often 50 to 100 basis points higher and they tend to be less management intensive. In addition, as cap rates on self-storage properties have compressed in recent years, private investors have begun to pursue more self-storage properties in smaller markets as they can offer yields 150-200 basis points higher than primary metros. Institutional and REIT buyers, however, remain more focused on the safety major metros provide, but they are scouring the local submarkets for areas with fewer deliveries and positive demographics. An important consideration among all self-storage investors is development, and properties that are proximate to substantial new self-storage locations will face challenges in acquiring a buyer.

**Population shifts attract sales as transaction velocity remains steady nationally.** Substantial population growth has bolstered trading activity in the Mountain and South regions of the U.S., raising the number of annual transactions 4 and 10 percent, respectively, in 2018. Positive in-migration improves storage renter demand in both areas, while the combination of high rents and low entry costs in the South appeals to investors. There is heightened interest in the Texas/Oklahoma region as well. Favorable demographics and nationally high cap rates attract buyers despite how the recent building surge has restrained rent growth over the past three years. Some other areas of the U.S. are seeing the number of sales slow modestly, but opportunities remain. Investors pursuing yields into smaller cities are finding options in the Midwest region. Many of these markets are generating sub-6 percent vacancy rates and offering a 100-basis-point yield premium relative to the national average, increasing the region's attraction. Acute population density supports demand in primary Northeast and West Coast cities, but limited construction contributes to fewer investment options, curbing deal flow.

# 2019 Investment Outlook

- **Yield spreads over the Treasury remain favorable.** Self-storage yields remained stable last year as rates rose, so if treasury rates stay under 3 percent through 2019 investors will benefit from a favorable yield spread. Compared with the U.S. 10-year Treasury, the national average self-storage cap rate is more than 350 basis points higher. During the height of the previous growth cycle that spread was just 250 basis points.
- **Vacated retail space a boon for self-storage.** Major self-storage operators have become experts at adaptive reuse. As big-brand big-box retailers such as Sears have closed stores, several have been converted to storage facilities. In 2018 alone, U-Haul purchased 25 vacant Sears and Kmart stores across the country for such conversions. The reuse of existing assets often saves on construction costs while enabling self-storage operators to get into favorable locations.
- **Economic volatility could weigh on investor activity.** The government shutdown at the start of the year, together with stock market volatility and heightened trade tensions, could dampen investor and consumer confidence levels. If sentiment wanes, transaction activity could moderate. However, momentum levels appear strong at the outset of 2019, and barring a major setback it is likely that activity levels will align with the last two years.

## Lenders Maintain Disciplined Approach as Fed Leaves Path Forward Open

**Fed performs careful balancing act.** Federal Reserve Chair Jerome Powell considers current short-term interest rates near what economists sometimes refer to as neutral territory, or where the rate neither slows or accelerates economic activity. Moving through 2019, the Fed will continue to monitor the impact of low unemployment on wage growth and inflation. Stock market volatility brought on by uncertainty over future trade policies and slowing economic growth abroad has at the same time driven more investors toward bonds, keeping long-term interest rates low. Short-term rates are not far below. At the start of the year, the yield spread between the U.S. 10-year and two-year Treasury notes ranged within 20 basis points and any rise in the latter rate without a corresponding uptick in the former could lead to an inversion, a commonly perceived but not guaranteed sign of an impending recession. An economic downturn may also occur without a prior yield curve inversion, which was happened in the past 80 years.

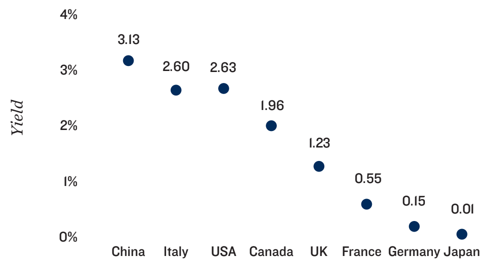
**Underwriting standards remain stable as more recent completions trade.** A favorable outlook for self-storage underscores readily available financing. Self-storage cap rates did not rise during the interest rate surge in 2018, so as rates abated at the end of last year, the spreads became increasingly appealing. Financing for self-storage assets remains readily available, but terms of the loan will vary depending on the borrower's industry experience and how lenders perceive the risk profile in the local market. Banks are issuing loans at 65-70 percent LTVs and interest rates in the mid-4 to high-5 percent zone. Borrowers with high-quality assets in stronger markets can find even more favorable conditions, with life insurance companies offering longer financing periods at interest rates 50 to 75 basis points below bank loans. The CMBS market also continues to fuel acquisition volume by offering non-recourse, interest only loan terms. The influx of new supply into the market over the last couple of years has also led to an increase in the number of loan requests for purchasing recently built properties. The competition for renters in select metros has motivated some developers to sell assets prior to stabilization. Such transactions can include interest rates at about 200 basis points above 30-day Libor.

## 2019 Capital Markets Outlook

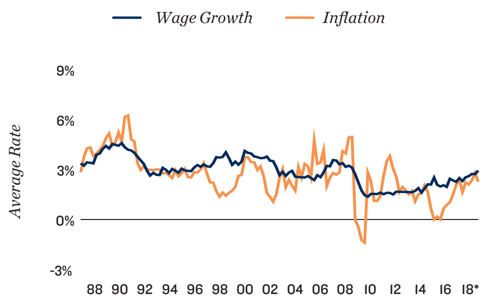
- **Length of growth cycle under consideration.** The outlook for the domestic economy remains upbeat despite slowing international growth. Job creation and wage gains are supporting healthy consumption, with 2018 holiday sales expanding by the fastest pace in six years. Unemployment remains under 4 percent, while job openings consistently surpasses the number of those seeking jobs.
- **International demand adds downward pressure to U.S. Treasurys.** More subdued global economic growth and stock market volatility underpin a flight to the comparably safer U.S. bond market by international investors. Yields for high-quality sovereign bonds in Europe and Asia remain extremely low, fostering consistent bids for U.S. Treasury notes. That drive is pushing the 10-year Treasury rate down into the mid-2 to high-2 percent zone.
- **Greater financing costs to temper REIT trading activity.** The major self-storage REITs demonstrate their favorable outlook on the market by continuing to acquire new properties. Deal velocity could moderate this year, in part due to financing costs. Some institutions will refinance their credit sources under the current, higher interest rates. That could slightly curb their liquidity for additional purchases.

### 10-Year Treasury vs. 2-Year Treasury Yield Spread Tightens

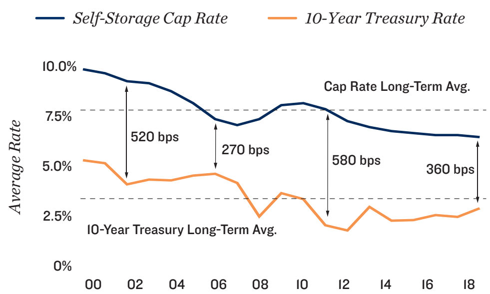

### Foreign 10-Year Treasury Rates❖




### Wage Growth Trending Ahead of Inflation




### U.S. Self-Storage Cap Rate Trends

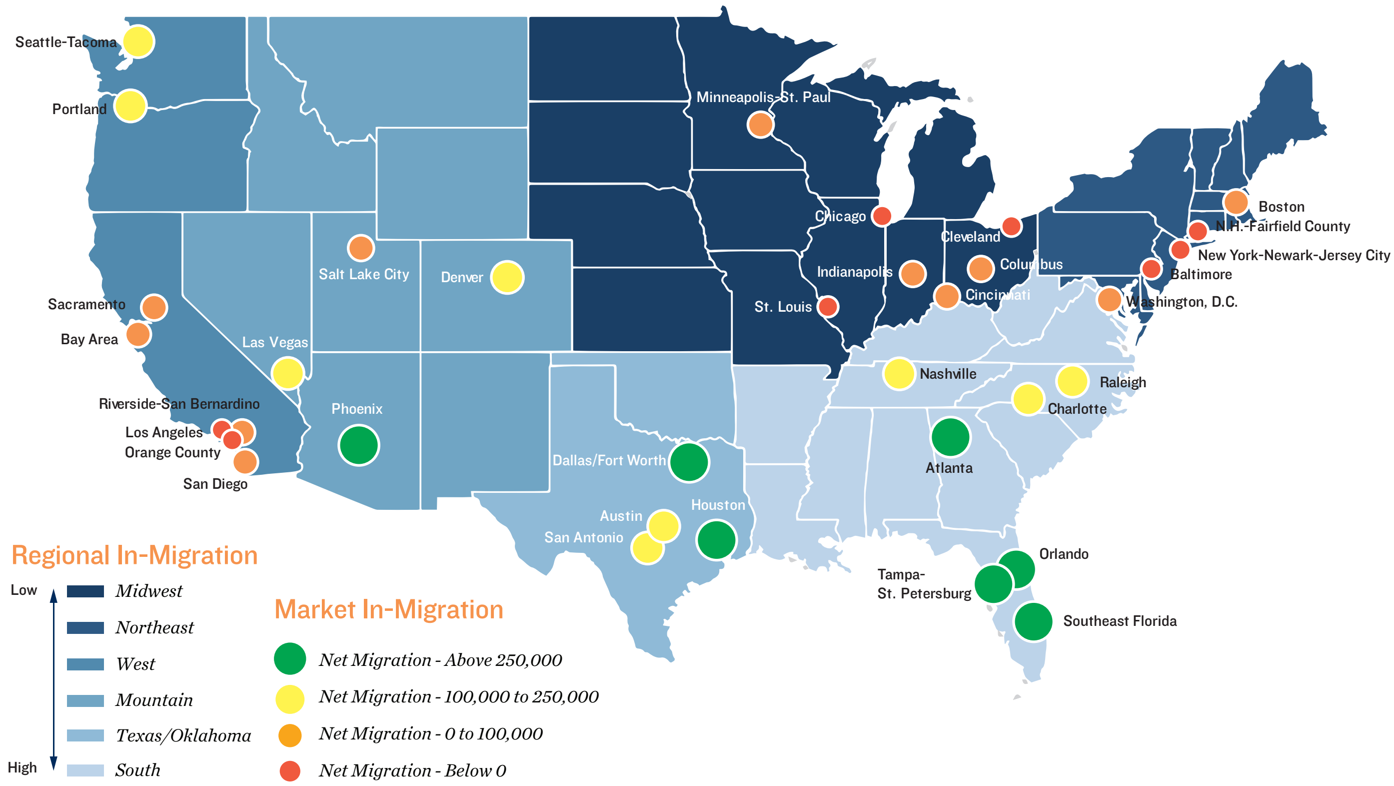



❖ Through Jan. 31

* Through 3Q

## Five-Year Migration Trends Reshape Demographic Backdrop

### Total Net Migration 2015-2019*




## Population Mobility a Key Consideration

**Demographic changes underscore long-term need for storage**. Population growth is a primary driver of self-storage demand. Over the past several years there has been a migration south and west across the United States. Florida markets such as Orlando and Tampa-St. Petersburg are welcoming nearly as many new residents as the larger cities of Dallas/Fort Worth and Phoenix, which continue to expand at a fast pace. Smaller metros, including Nashville, Raleigh and Austin, are also growing at rapid clips, particularly considering their current populations. Job openings, lifestyle preferences and tax reform are strong influences on these migration trends. An unencumbered young labor force is demonstrating a willingness to move, sometimes by vast distances, for great job opportunities. Lifestyle and climate can also exert a strong force on where someone chooses to live. The Tax Cuts and Jobs Act, which came into effect last year, changed how state and local taxes are deducted from federal returns. The resulting financial implications have some considering moving to areas with lower tax burdens. As these factors drive migration into certain metros, the demand for self-storage will improve as the population increases.

## Net Migration Trends by Region, 2015-2019*

| Region | Five-Year In-Migration Total* | Five-Year Population Growth* |
|---|---|---|
| South | 1,851,000 | 7.0% |
| Texas/Oklahoma | 1,127,200 | 7.9% |
| Mountain | 718,500 | 7.6% |
| West | 368,700 | 2.6% |
| Northeast | -9,000 | 1.6% |
| Midwest | -137,200 | 1.3% |

## Top 10 Markets by Net Migration 2015-2019*

| Most Net In-Migration | Five-Year In-Migration Total* | Five-Year Population Growth* |
|---|---|---|
| Dallas/Fort Worth | 444,800 | 8.0% |
| Southeast Florida | 343,300 | 6.0% |
| Houston | 337,600 | 7.0% |
| Phoenix | 336,100 | 8.4% |
| Atlanta | 331,900 | 7.5% |
| Orlando | 275,900 | 11.4% |
| Tampa-St. Petersburg | 273,600 | 7.2% |
| Austin | 203,700 | 11.3% |
| Las Vegas | 192,600 | 9.7% |
| Charlotte | 192,000 | 8.4% |
| **U.S.** | | **2.8%** |

** Forecast*

*Regional values compiled from 47 metropolitan statistical areas*

*Southeast Florida encompasses Miami, Fort Lauderdale, and West Palm Beach*

*Bay Area encompasses San Francisco, San Jose, and Oakland*

*Sources: Marcus & Millichap Research Services; U.S. Census Bureau*

## Supply Wave Has Varied Impact Across Country

### 2019 Inventory Growth vs. Existing Supply per Capita


## Top 10 Markets by Inventory Change in 2019*

| Most Growth | 2019 Inventory Growth* | Square Feet Per Capita* |
|---|---|---|
| Portland | 9.5% | 6.2 |
| Seattle-Tacoma | 9.1% | 8.2 |
| Minneapolis-St. Paul | 7.8% | 5.1 |
| Nashville | 7.3% | 6.7 |
| Phoenix | 6.5% | 6.9 |
| Washington, D.C. | 6.4% | 5.1 |
| Boston | 6.2% | 5.1 |
| Raleigh | 6.1% | 7.8 |
| New York City | 6.0% | 3.1 |
| Austin | 5.6% | 9.1 |
| **U.S.** | **3.8%** | **6.5** |

| Least Growth | 2019 Inventory Growth* | Square Feet Per Capita* |
|---|---|---|
| Riverside-San Bernardino | 0.7% | 7.2 |
| Columbus | 0.7% | 5.5 |
| New Haven-Fairfield County | 1.0% | 8.5 |
| Chicago | 1.3% | 5.3 |
| Sacramento | 1.5% | 7.8 |
| Oakland | 1.6% | 7.5 |
| Orange County | 1.7% | 6.2 |
| Philadelphia | 1.7% | 4.5 |
| San Francisco | 1.9% | 7.9 |
| Houston | 2.0% | 9.5 |
| **U.S.** | **3.8%** | **6.5** |

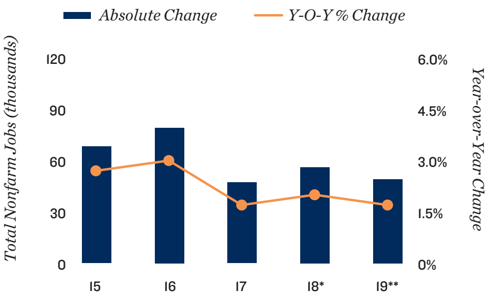
** Forecast*

*U.S. figures here represent aggregate values for all markets covered in above graph*

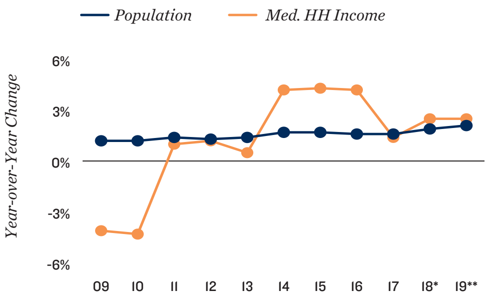
*Sources: Marcus & Millichap Research Services; Yardi Matrix; U.S. Census Bureau*

# Population Spike Bolsters Self-Storage Leasing

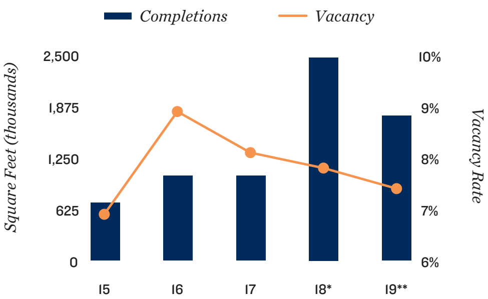
Employment Trends



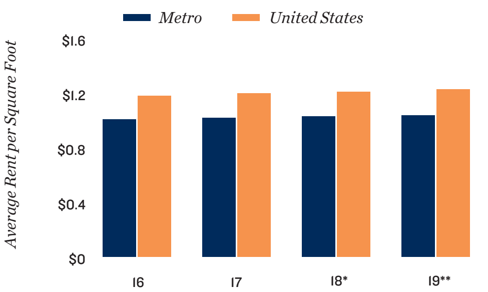

Demographic Trends




Supply and Demand Trends




Rent Trends




** Estimate; ** Forecast*

*Sources: BLS; U.S. Census Bureau; Yardi Matrix; Union Realtime, LLC*

## Economic Overview

Atlanta employers expanded payrolls 2.0 percent in 2018, representing an uptick of 56,000 jobs. Hiring activity was diverse, as four employment sectors each added more than 10,000 positions, led by the trade, transportation and utilities industry, which grew by 16,800 workers. Amid low-3 percent unemployment, the availability of labor thins. Yet, overall job creation remains strong as organizations lift the employment base 1.7 percent in 2019.

## Demographic Overview

Job openings and an affordable cost of living contribute to a nation-leading level of net migration, spurring the formation of 52,000 households in 2019. Additionally, median household income growth is set to rise 2.5 percent for the second straight year, supporting a 4.5 percent increase in retail sales. New residents buying more goods will positively impact underlying self-storage demand moving forward.

## Construction Overview

Self-storage construction activity remains elevated in Atlanta as over 1 million square feet of new space will be delivered in the market for the fourth consecutive year. A collection of completions is focused in suburban cities off GA 400, where population growth fuels a need for additional storage units.

## Vacancy/Rent Overview

An extended span of heightened development has yet to negatively impact self-storage fundamentals. Instead, demand outpaces new supply, lowering the metro's year-end vacancy rate to 7.4 percent. Strong unit absorption allows for positive rent growth of 1.0 percent for a third consecutive year.

# 2019 Market Forecast

**Inventory**
40.4 million square feet and 6.5 square feet per capita

**Employment** up 1.7%
Following a 2.0 percent increase last year, the Atlanta employment base is on pace to grow by 49,000 jobs in 2019.

**Population** up 2.1%
The addition of 128,000 residents, the highest annual total since 2006, drives metrowide population growth in 2019, beating last year's 1.9 percent expansion rate.

**Construction** 1.8 million sq. ft.
After the finalization of more than 2.4 million square feet of storage space in 2018, delivery volume moderates this year, marked by a decline in urban Atlanta completions.

**Vacancy** down 40 bps
Metrowide vacancy compresses to 7.4 percent in 2019, building on last year's 30-basis-point reduction.

**Rent** up 1.0%
Average rent increases this year to $1.04 per square foot. Rent growth will be most pronounced at urban-located facilities.

# New Supply Weighs on Rent Growth in Austin

## Economic Overview

Positive job creation across nearly all employment sectors supported the addition of 30,000 positions in 2018, expanding Austin's employment base by 2.9 percent. The metro's diverse and growing economy continues to bolster this pace of hiring, with higher-paying, traditional office jobs accounting for a fourth of the 28,000 positions created in 2019. Retail-related employment growth should also remain robust this year, aided by increased consumer demand for everyday goods and services.

## Demographic Overview

Net migration of 41,000 people and a positive economic outlook spur the formation of 24,000 households in 2019. Additionally, median household income growth is set to accelerate by 3.1 percent, nearly matching the national rate of increase. This boost in earnings supports a more than 5 percent rise in retail sales for a ninth consecutive year.

## Construction Overview

A prolonged span of robust population growth encourages the completion of more than 1 million square feet of self-storage space for a fourth straight year. Approximately 60 percent of this year's new supply is concentrated in the city of Austin, with Bee Cave representing the only other municipality to welcome more than 100,000 square feet of space.

## Vacancy/Rent Overview

Elevated development is raising the competition for leases, prompting asking rents to fall as some operators cut rates to maintain occupancy. In 2019, Austin's average rent will drop 2.0 percent following a nearly 6.0 percent decline over the previous two years combined. These discounts allow vacancy to nominally compress, falling to 9.8 percent.

## 2019 Market Forecast

**Inventory** — 20.5 million square feet and 9.1 square feet per capita

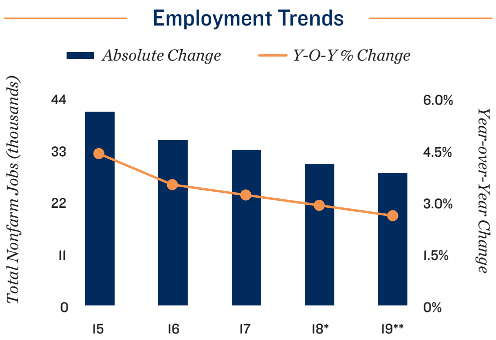
**Employment up 2.6%** — At full employment, the metro adds 28,000 positions in 2019, nearly matching last year's hiring velocity.

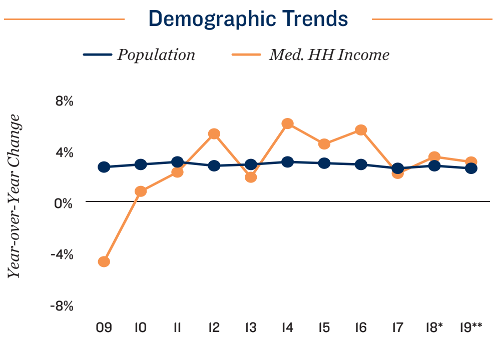
**Population up 2.6%** — Annual population growth in 2019 surpasses 50,000 people for a ninth consecutive year. Of these new residents, more than 13,000 are millennials.

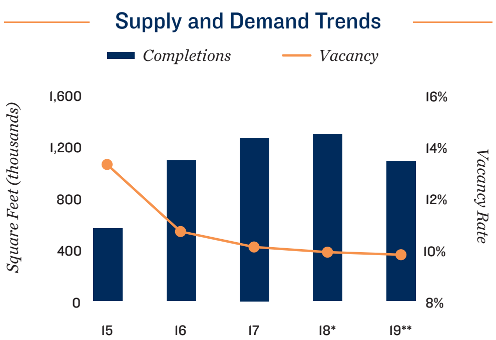
**Construction 1.1 million sq. ft.** — More than 1 million square feet of storage space will be completed in 2019, yet delivery volume drops by 200,000 square feet on a year-over-year basis.

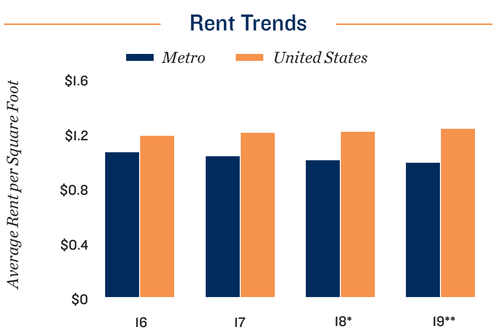
**Vacancy down 10 bps** — Following a decline of 20 basis points last year, the metro's vacancy rate drops slightly in 2019, reaching 9.8 percent.

**Rent down 2.0%** — After sliding 2.9 percent in 2018, average rent will fall to 98 cents per square foot this year.



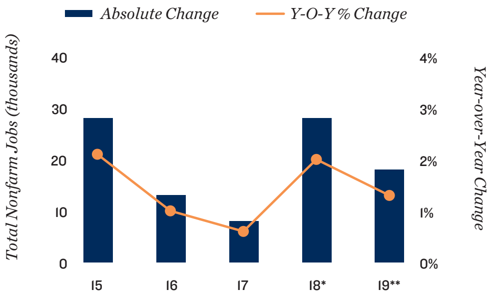




*Estimate; **Forecast

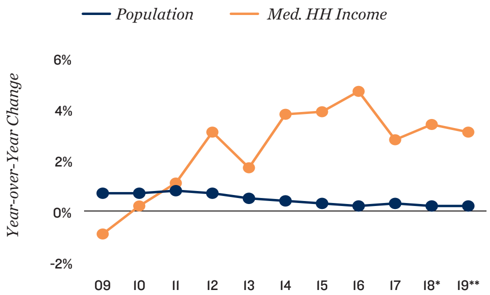
Sources: BLS; U.S. Census Bureau; Yardi Matrix; Union Realtime, LLC

# Baltimore's Resilient Economy Preserves Tight Vacancy

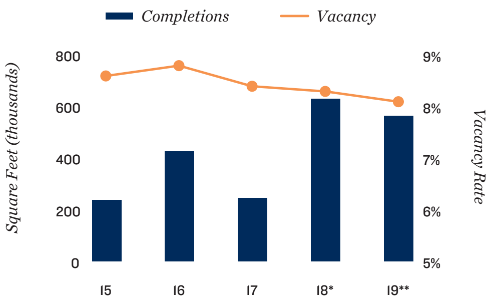
### Employment Trends



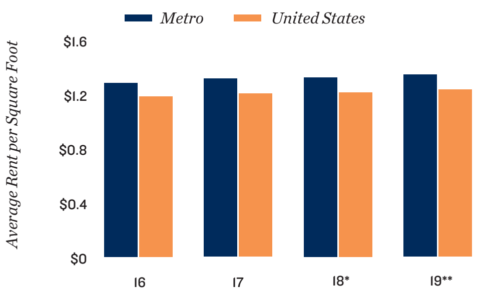

### Demographic Trends




### Supply and Demand Trends




### Rent Trends




** Estimate; ** Forecast*

*Sources: BLS; U.S. Census Bureau; Yardi Matrix; Union Realtime, LLC*

## Economic Overview

The Baltimore economy enters 2019 on a high note, boasting an annual employment gain of 28,000 jobs in 2018, the strongest absolute increase in the past three years. The professional and business services and health sectors remain the primary engines of growth moving forward, equating to a boost in traditional office positions. Overall, the metro's employment base is on pace to expand 1.3 percent in 2019, translating to the addition of 18,000 workers.

## Demographic Overview

A resurgent job market buoyed by higher-paying employment growth boosts the metro's median household income 3.1 percent in 2019, nearly matching the national rate of increase. This wage growth encourages the formation of 9,000 households, representing a 0.8 percent annual rise. Both of these factors support a 3.0 percent-plus upsurge in retail sales for the third consecutive year.

## Construction Overview

More than 500,000 square feet of storage space will come online for a second straight year. Three properties in the city of Baltimore, each comprising more than 100,000 square feet, represent the largest individual additions to this year's new supply.

## Vacancy/Rent Overview

Steady demand for Baltimore self-storage space has held the metro's vacancy rate below 9.0 percent for five straight years. This trend persists in 2019, as demand in suburban submarkets outpaces construction and new supply in the city of Baltimore is absorbed throughout the year, lowering metrowide availability to 8.1 percent. Tightening vacancy allows the metro's average rent to rise 1.5 percent to a four-year-high rate.

# 2019 Market Forecast

**Inventory** — 16 million square feet and 5.7 square feet per capita

**Employment up 1.3%** — Following a 2.0 percent increase last year, Baltimore's employment base is slated to grow by 18,000 positions in 2019.

**Population up 0.2%** — The addition of 5,000 residents will slightly increase the metro's population in 2019, matching last year's expansion rate.

**Construction 564,000 sq. ft.** — After completing 629,000 square feet of self-storage space in 2018, the largest annual total in 10 years, development remains elevated through 2019.

**Vacancy down 20 bps** — The metro's vacancy rate declines marginally for a third straight year, falling to a six-year low of 8.1 percent.

**Rent up 1.5%** — The annual rate of rent growth nearly doubles in 2019, reaching an average of $1.34 per square foot.

# Deliveries Elevate Amid Lack of Available Space

## Economic Overview

The strength of the Bay Area's professional and business services sector continues to support overall hiring velocity, resulting in the addition of 42,000 traditional office positions in 2018. Robust job creation within the industry persists in 2019, supporting a 2.4 percent boost in the region's overall employment base. San Jose represents the primary driver of Bay Area employment growth this year as payrolls expand by 40,000 positions in the metro, accounting for nearly half of the jobs added in the region.

## Demographic Overview

Positive net migration and a wealth of higher-paying job opportunities spur the formation of 28,000 households throughout the region in 2019. The Oakland metro welcomes 12,000 new households, as many residents gravitate to the region's most affordable locale. In San Francisco and San Jose, median income growth of more than 5 percent supports similar increases in retail spending this year.

## Construction Overview

This year, more than 1 million square feet of self-storage space will be completed for the first time since 2004. The San Jose metro drives the overall increase in regionwide construction activity, accounting for 561,000 square feet of new supply in 2019.

## Vacancy/Rent Overview

Rising incomes and consistent population growth generate solid demand for self-storage space in 2019, allowing vacancy in the Bay Area to reach its lowest level in the past four years. Fewer vacant units supports positive average asking rate growth this year, although the influx of new supply will slow the rate of increase as the several newly opened properties provide concessions to draw tenants during the stabilization process.

## 2019 Market Forecast

**Inventory** — 45.5 million square feet and 6.9 square feet per capita

**Employment up 2.4%** — Hiring velocity is consistent on a year-over-year basis in each of the three metros that comprise the Bay Area, equating to the creation of 84,000 positions.

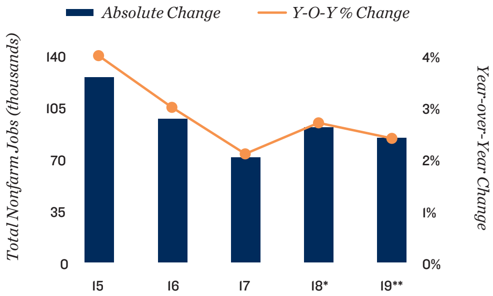
**Population up 0.7%** — The region's population expands by more than 43,000 people in 2019. The Oakland metro accounts for 19,700 of these residents.

**Construction 1.1 million sq. ft.** — Year-over-year delivery volume nearly doubles following the finalization of 656,000 square feet of self-storage space in 2018. Most underway projects complete in 2019.

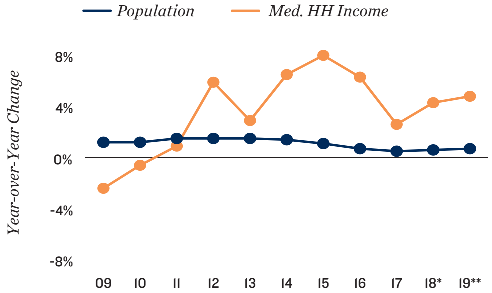
**Vacancy down 20 bps** — After compressing by 100 basis points over the past two years, the region's vacancy rate falls slightly to 5.7 percent in 2019.

**Rent up 1.0%** — Average asking rent in the Bay Area rises nominally to $1.96 per square foot as rent growth slows in all three of the region's metros.

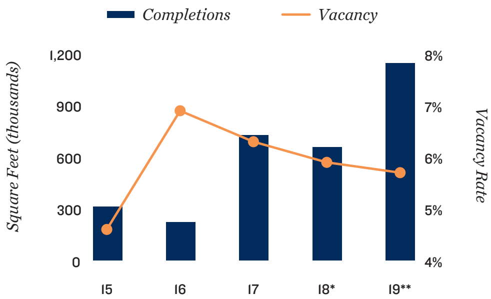
### Employment Trends



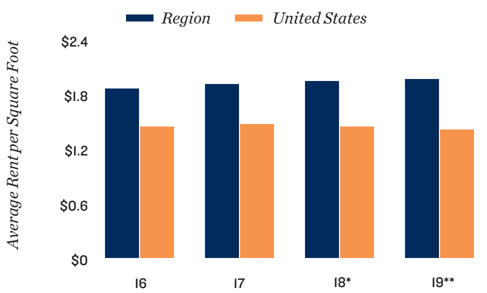

### Demographic Trends




### Supply and Demand Trends




### Rent Trends



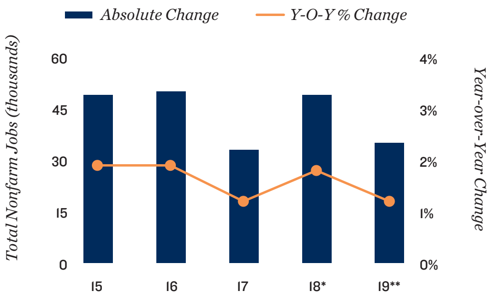

* Estimate; ** Forecast

Sources: BLS; U.S. Census Bureau; Yardi Matrix; Union Realtime, LLC

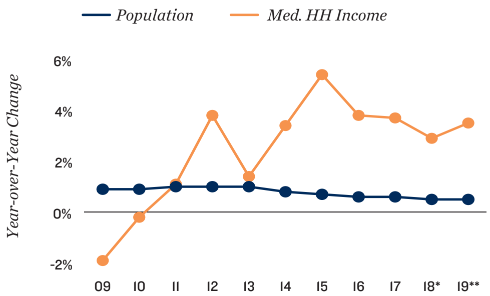
The Bay Area region encompasses San Francisco, San Jose, and Oakland.

# Suburban Demand Aids Boston Development

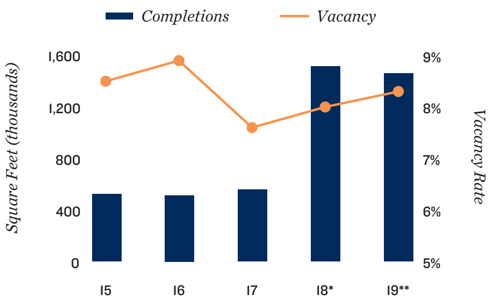
Employment Trends



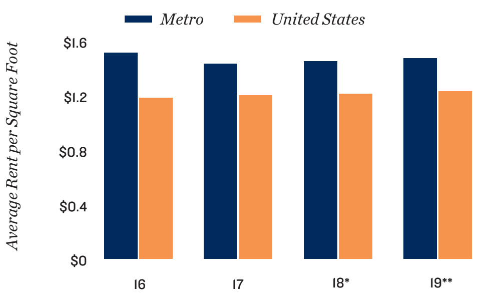

Demographic Trends




Supply and Demand Trends




Rent Trends




** Estimate; ** Forecast*

*Sources: BLS; U.S. Census Bureau; Yardi Matrix; Union Realtime, LLC*

## Economic Overview

The Boston economy enters 2019 following a year in which annual employment growth improved amid low-3 percent unemployment. While the professional and business services sector continues to expand this year, it should do so at a slower pace than in 2018, with overall job creation more dependent on hiring activity within the construction, education and health sectors.

## Demographic Overview

A diverse economy and income growth on par with the previous three-year average will contribute to a second straight year of healthy household growth in 2019, as a 1.0 percent gain is once again registered. A consistent rise in higher-earning households supports a 5.8 percent increase in retail spending this year, underpinning self-storage demand.

## Construction Overview

Aggressive self-storage construction activity will continue in Boston with the delivery of 1.5 million square feet of new space to the market for the second consecutive year. Completions are distributed throughout suburban markets with only the city of Waltham welcoming more than 200,000 square feet.

## Vacancy/Rent Overview

New self-storage facilities opening across the metro instead of concentrated in specific areas benefits overall absorption, allowing Boston's vacancy rate to adjust marginally up in 2019, reaching 8.3 percent. Strong leasing velocity enables the metro's average rent to lift by 1.4 percent for a second straight year.

# 2019 Market Forecast

**Inventory** — 25 million square feet and 5.1 square feet per capita

**Employment** up 1.2% — The Boston employment base is on pace to enlarge by 35,000 workers in 2019 following last year's 1.8 percent increase.

**Population** up 0.5% — The addition of 24,000 residents will drive metrowide population growth in 2019, matching last year's expansion rate.

**Construction** 1.5 million sq. ft. — A combined 3 million square feet of self-storage space comes online in 2018 and 2019, matching the previous 10-year total.

**Vacancy** up 30 bps — Amid elevated construction, the metro's vacancy rate rises to 8.3 percent. In 2018, space availability rose 40 basis points.

**Rent** up 1.4% — The average asking rent will climb in 2019 to $1.47 per square foot. Last year, Boston registered a similar increase.

# Vacancy Rises Despite Robust Relocations

## Economic Overview

The addition of many new higher-paying jobs has driven overall hiring velocity in Charlotte over the past two years, with the professional and business services and financial activities sectors adding nearly 20,000 positions combined. Continued job creation by organizations within these industries coupled with government and retail-related employment growth supports an uptick in hiring during 2019, with the metro's employment base expanding by 2.6 percent.

## Demographic Overview

A rise in job openings and a regionally affordable cost of living support the strongest year for net migration in more than 10 years, with the metro's millennial populace expanding by 15,600 individuals. Additionally, a 3.2 percent boost in median household income encourages the formation of 25,000 households for a second consecutive year. Diverse population growth and greater earnings warrant a 7.7 percent spike in retail spending, the second largest annual increase in the nation.

## Construction Overview

Following more than 3 million square feet of self-storage space finalized over the past two years, the pace of completions slows down in 2019, with 583,000 square feet slated for delivery. Upcoming arrivals are split between properties in Charlotte and Concord.

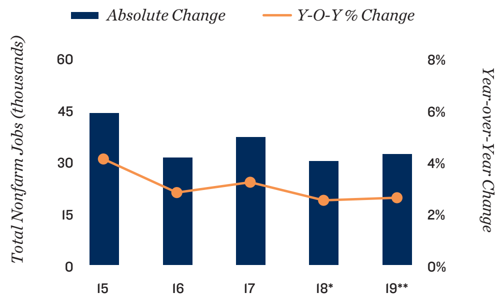
## Vacancy/Rent Overview

Two consecutive years of elevated construction and rising vacancy have added downward pressure to asking rents. This trend carries over into 2019, as the average rent falls 2.4 percent. Amid these discounts, vacancy rises moderately this year, reaching 8.8 percent.

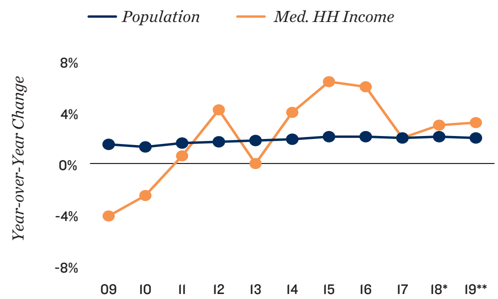
# 2019 Market Forecast

| | |
|---|---|
| Inventory | 20 million square feet and 7.5 square feet per capita |
| Employment up 2.6% | Job creation improves on a year-over-year basis, as Charlotte organizations bolster payrolls by 32,000 positions. In 2018, the metro's employment base grew by 2.5 percent. |
| Population up 2.0% | After expanding by more than 200,000 residents over the past four years, the metro's populace increases by an additional 52,500 individuals during 2019. |
| Construction 583,000 sq. ft. | Delivery volume notably drops this year following the completion of more than 1.8 million square feet in 2018. |
| Vacancy up 30 bps | Vacancy rises for a fourth consecutive year, reaching 8.8 percent. Last year, a jump of 90 basis points was recorded. |
| Rent down 2.4% | After sliding by 14 percent over the past two years, average rent decreases further in 2019, falling to 83 cents per square foot. |

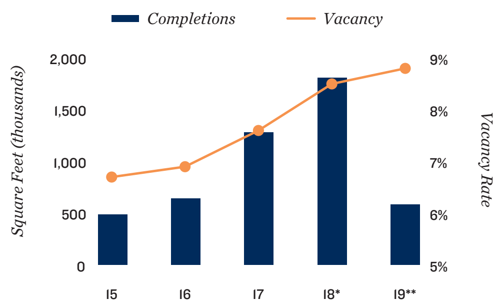
### Employment Trends



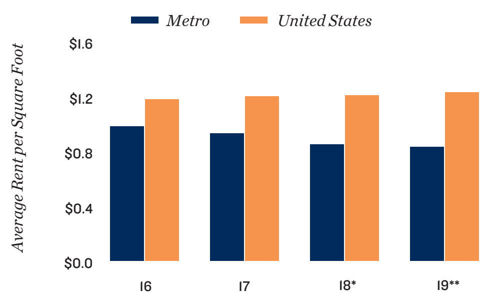

### Demographic Trends




### Supply and Demand Trends




### Rent Trends

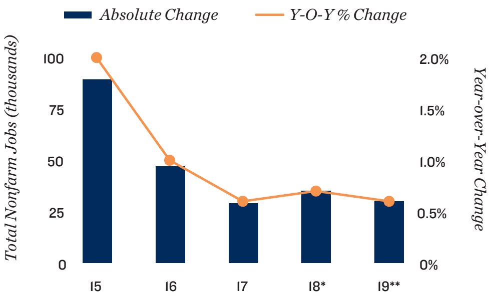



*Estimate; ** Forecast

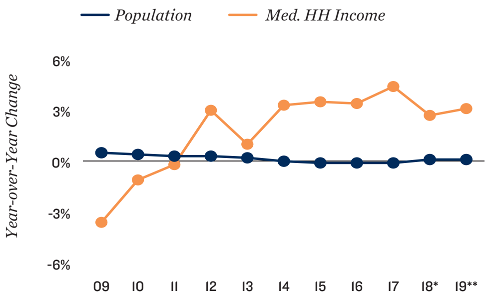
Sources: BLS; U.S. Census Bureau; Yardi Matrix; Union Realtime, LLC

# Rising Vacancy in Chicago Slows Development Pipeline

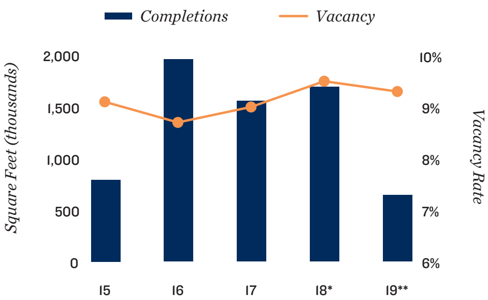
### Employment Trends



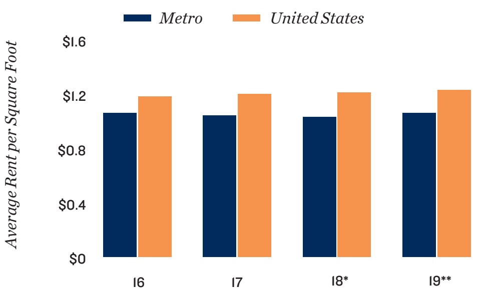

### Demographic Trends




### Supply and Demand Trends




### Rent Trends




** Estimate; ** Forecast*

*Sources: BLS; U.S. Census Bureau; Yardi Matrix; Union Realtime, LLC*

## Economic Overview

Job creation in the Chicago metro improved on a year-over-year basis in 2018, as organizations expanded payrolls by 34,500 positions. The increase in job openings was primarily driven by upticks in the number of government, manufacturing and construction positions. In 2019, traditional office roles account for a fourth of total employment growth, with the metro on pace to add 30,000 workers to staffs.

## Demographic Overview

Steady employment gains in the metro contributes to another year of healthy household growth. Following the formation of 40,000 households in 2018, Chicago will witness the creation this year of 29,000 additional households. This increase coupled with a 3.1 percent boost in retail spending underpins demand for self-storage space in 2019.

## Construction Overview

Spanning the past three years, 5.2 million square feet of self-storage space was finalized throughout Chicago. This stretch of elevated development comes to a close in 2019, marked by a significant decline in urban-located completions. Overall, the metro is slated to welcome 642,000 square feet of new supply this year.

## Vacancy/Rent Overview

A slowdown in self-storage development allows demand to outpace new supply for the first time in the past three years, lowering the metro's vacancy rate to 9.3 percent in 2019. Tightening availability and a significant drop in new space enable the metro's average asking rent to rise by 2.9 percent, nearly negating the 3.0 percent decline that occurred during the previous two years.

# 2019 Market Forecast

**Inventory** — 50.5 million square feet and 5.3 square feet per capita

**Employment** up 0.6% — Following a 0.7 percent increase last year, the Chicago employment base is on pace to expand by 30,000 jobs in 2019.

**Population** up 0.1% — Metrowide population growth exceeds 5,000 residents for a second straight year after a three-year span of populace declines.

**Construction** 642,000 sq. ft. — Year-over-year delivery volume drops by more than 1 million square feet of self-storage space, as the majority of upcoming completions comprise less than 100,000 square feet.

**Vacancy** down 20 bps — After rising 80 basis points over the past two years, metrowide vacancy slightly compresses, falling to 9.3 percent in 2019.

**Rent** up 2.9% — The average rent will increase in 2019 to $1.06 per square foot, driven by a 3.2 percent gain in suburban Chicago.

# Net Migration Preserves Self-Storage Demand

## Economic Overview

The Cincinnati economy enters 2019 on an encouraging note, boasting annual employment growth of 20,000 jobs in 2018 following a subpar year for hiring velocity. The retail trade, transportation and utilities sector was the primary driver of job creation, with the number of construction and financial-related positions also on the rise. Moving forward, the metro's employment base is on pace to expand by 17,500 workers in 2019.

## Demographic Overview

A positive economic outlook and a low cost of living support a sixth consecutive year of positive net migration in 2019. Additionally, median income growth of 2.3 percent, a rate of increase comparable to last year, encourages the formation of 6,000 households and an uptick in retail spending of 1.7 percent.

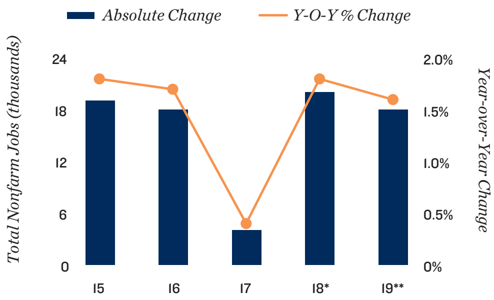
## Construction Overview

Self-storage development rises slightly in 2019 yet remains historically subdued, marked by a lack of completions in the city of Cincinnati. A 136,000-square-foot facility in Liberty Township accounts for more than half of this year's delivery volume.

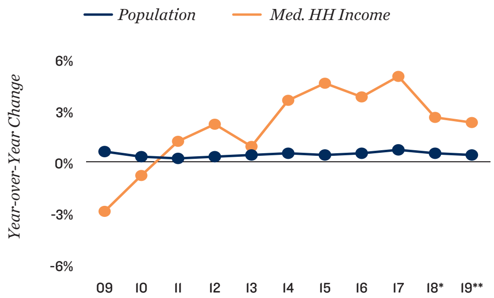
## Vacancy/Rent Overview

Positive net migration should generate a need for self-storage space in 2019, yet a minimal gain in retail spending prevents a substantial rise in demand from occurring. These factors equate to the metro's vacancy rate rising slightly to 8.6 percent in 2019. Increased availability could introduce the use of discounts to keep units filled, translating to a slight drop in average asking rent.

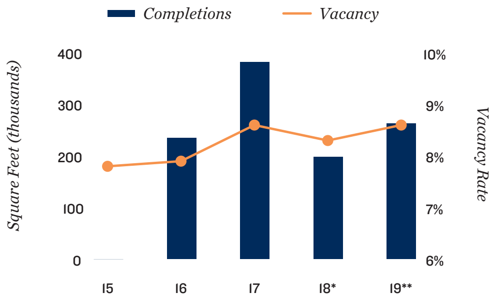
## Employment Trends



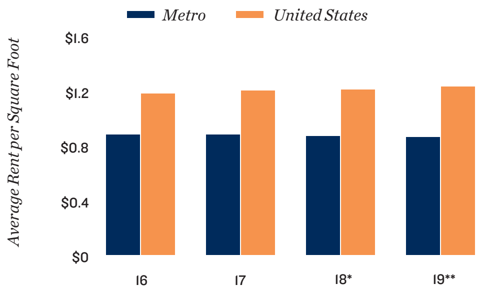

## Demographic Trends




## Supply and Demand Trends




## Rent Trends




* Estimate; ** Forecast

Sources: BLS; U.S. Census Bureau; Yardi Matrix; Union Realtime, LLC

## 2019 Market Forecast

**Inventory** — 10.7 million square feet and 4.9 square feet per capita

**Employment up 1.6%** — The metro's employment base expands at a steady clip in 2019 following a 1.8 percent gain last year.

**Population up 0.4%** — After expanding by an average of 12,600 people over the past three years, population growth in Cincinnati slows in 2019, as the metro adds approximately 8,800 new residents.

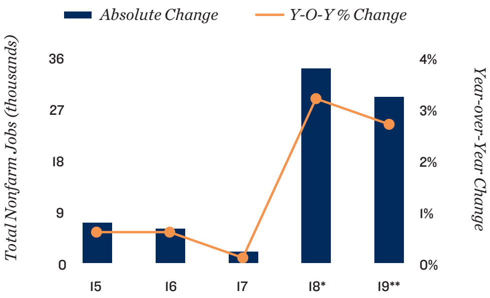
**Construction 262,000 sq. ft.** — Development in 2019 will outpace last year's delivery total by roughly 65,000 square feet.

**Vacancy up 30 bps** — Following compression of 30 basis points last year, the metro's vacancy rate rises moderately in 2019 yet remains below 9 percent for a fifth straight year.

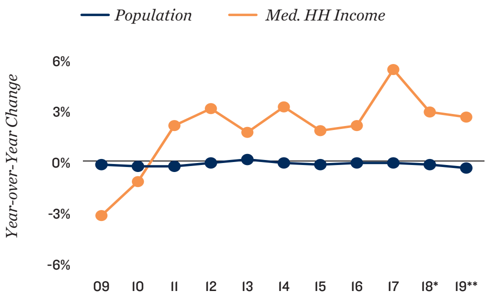
**Rent down 1.1%** — The decline in average rent that occurs in 2019 matches last year's decrease, lowering the metro's rate to 86 cents per square foot.

# Strong Employment Gains Warrant Reduced Vacancy

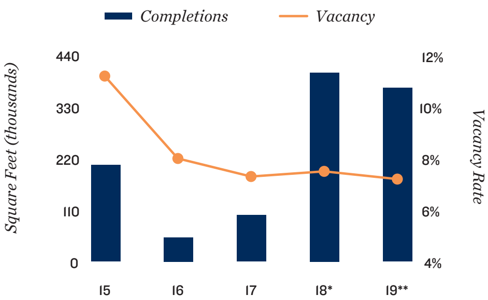
### Employment Trends



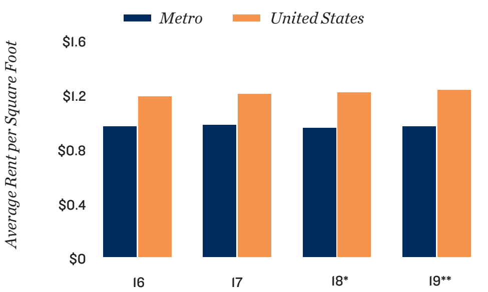

### Demographic Trends




### Supply and Demand Trends




### Rent Trends




** Estimate; ** Forecast*

*Sources: BLS; U.S. Census Bureau; Yardi Matrix; Union Realtime, LLC*

## Economic Overview

Cleveland's employment base increased 3.2 percent in 2018, a notable uptick following a four-year period of 2.1 annual percent growth. The recent spike in hiring velocity was driven by a resurgence in manufacturing-related job growth coupled with additions by retail trade, transportation and utilities organizations.

## Demographic Overview

A second year of substantial job creation improves Cleveland's median household income 2.6 percent in 2019, yet the number of households within the metro does not change. The lack of household formation coupled with another year of negative net migration does not bode well for consumer spending. Consequently, retail sales volume is slated to increase by 1.2 percent this year, the lowest figure among primary U.S. metros.

## Construction Overview

Completions in suburbs near Interstate 271 drive delivery volume in 2019, as construction activity in the metro's core is lacking. The 369,000 square feet of self-storage space slated for finalization this year represents a moderate decline in year-over-year development.

## Vacancy/Rent Overview

A second year of strong job creation coupled with income growth supports a consistent need for self-storage units in 2019. Overall, demand will outpace new supply, reducing Cleveland's vacancy rate to 7.2 percent, a six-year low. Cyclically tight availability allows the average asking rent to rise to 96 cents per square foot.

# 2019 Market Forecast

| | |
|---|---|
| Inventory | 13.5 million square feet and 6.6 square feet per capita |
| Employment up 2.7% | Cleveland's employment base climbs by 29,000 workers in 2019, driven by a sizable increase in traditional office positions. |
| Population unchanged | The metro's population remains essentially unchanged in 2019, as has been the case for the past several years. |
| Construction 369,000 sq. ft. | In 2018, delivery volume reached a four-year-high, as 402,000 square feet of self-storage space was finalized. This year, completions fall slightly below this figure. |
| Vacancy down 30 bps | Metrowide vacancy will hold below 8 percent for a third consecutive year. In 2018, an increase of 20 basis points was recorded. |
| Rent up 1.1% | After falling 2.1 percent last year, positive rent growth occurs in 2019, upping Cleveland's average rate to 96 cents per square foot. |

# Dearth of Completions Supports Increased Rent Growth

## Economic Overview

Similar to other Ohio markets, Columbus experiences a second consecutive year of job creation. In 2018, local employers bolstered staffs by 2.1 percent, aided by a boost in traditional office positions coupled with a rise in retail-related hiring. This year, the metro's employment base expands 1.9 percent, again supported by steady hiring among organizations whose staffs primarily work in offices.

## Demographic Overview

With the local unemployment rate resting below 4 percent, some Columbus organizations are recruiting from outside the metro to fill job openings. This method of hiring supports a rate of net migration nearly on par with the previous five-year annual average. Steady hiring and income growth aid the formation of 10,000 households in 2019. Additionally, the metro's millennial populace increases by 4,500 individuals this year.

## Construction Overview

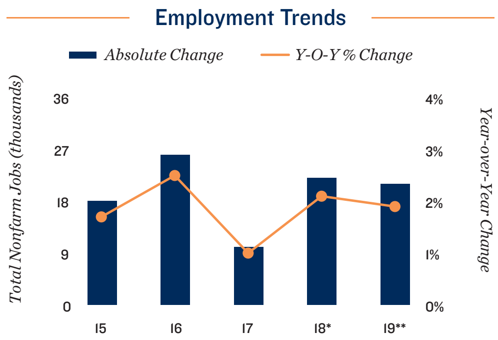
Last year, more than 930,000 square feet of self-storage space was completed - a historically-high mark for the metro that eclipsed the delivery total from the previous seven years combined. In 2019, project finalizations are minimal, with several properties outside the Interstate 270 loop accounting for the only deliveries.

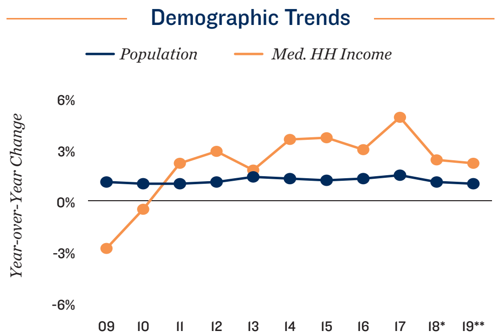
## Vacancy/Rent Overview

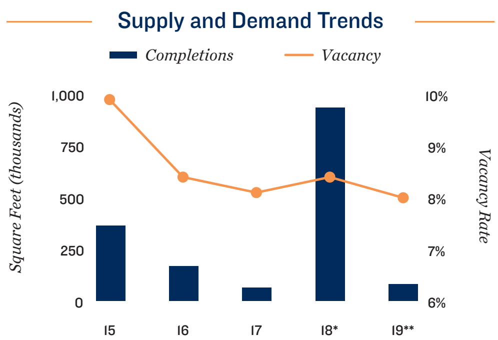
After absorbing most of the space delivered in 2018, Columbus will see its vacancy rate drop to 8 percent in 2019, as demand surpasses the lower level of new supply coming this year. A decline in available space warrants a third consecutive year of positive rent growth, as the metro's average asking rate increases to 89 cents per square foot.

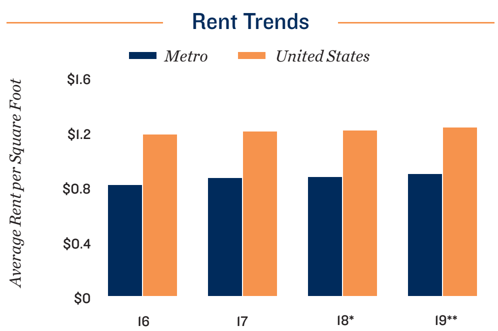
## 2019 Market Forecast

| | |
|---|---|
| Inventory | 11.8 million square feet and 5.5 square feet per capita |
| Employment up 1.9% | Annual job creation in Columbus exceeds 20,000 positions for a second consecutive year. |
| Population up 1.0% | The metro's populace continues to expand in 2019, increasing by 20,400 individuals, yet this total represents an eight-year low for resident growth. |
| Construction 80,500 sq. ft. | Self-storage delivery volume in 2019 declines by more than 850,000 square feet on a year-over-year basis. |
| Vacancy down 40 bps | Vacancy is on pace to compress to 8.0 percent in 2019, remaining in the low-8 percent range for a fourth straight year. |
| Rent up 2.3% | The pace of rent growth improves this year after the metro's average rate appreciated by 1.2 percent in 2018. |



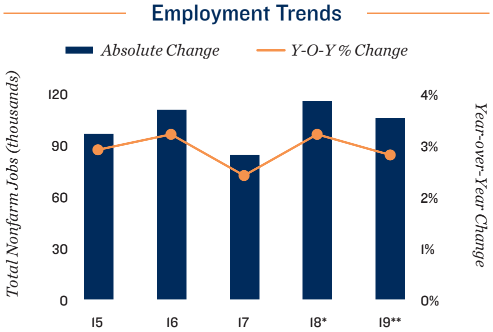



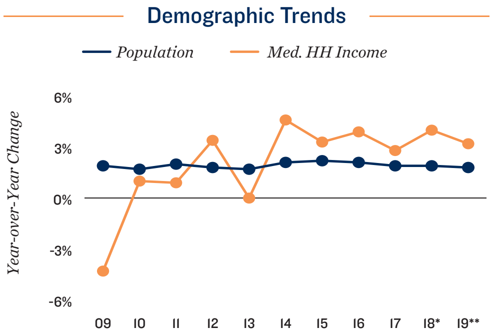



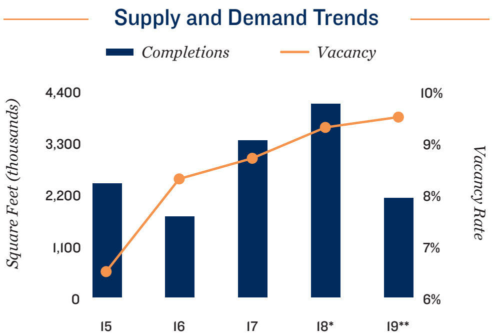

* Estimate; ** Forecast

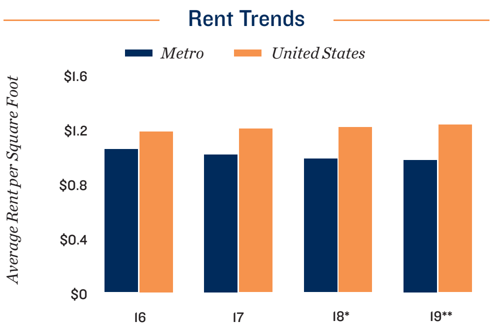
Sources: BLS; U.S. Census Bureau; Yardi Matrix; Union Realtime, LLC

# Widespread Job Creation Aids Self-Storage Leasing




** Estimate; ** Forecast*

*Sources: BLS; U.S. Census Bureau; Yardi Matrix; Union Realtime, LLC*

## Economic Overview

Dallas/Fort Worth organizations are forecast to create more than 100,000 positions for a second consecutive year, ranking the Metroplex as one of the nation's top markets for total jobs added in 2019. Diverse hiring velocity will allow the metro's employment base to expand 2.8 percent this year, led by a continued influx of traditional office positions. Additionally, job gains within the hospitality, retail and health sectors should also be robust, a response to the market's rapidly growing populace.

## Demographic Overview

Net migration in 2019 is on pace to exceed 80,000 residents for a fifth consecutive year, as individuals and households remain drawn to the Metroplex's stout employment growth and low cost of living. The rate of household formation will reach 2.1 percent this year, bouyed by a 3.2 percent boost in median income. The addition of 59,000 new households bolsters consumer spending 4.8 percent, underpinning demand for self-storage space.

## Construction Overview

Aggressive self-storage construction activity in 2018 translated to a historic year for delivery volume in Dallas/Fort Worth, as 4.1 million square feet of space was finalized. This year, completions moderate, yet 2.1 million square feet is still brought to market, highlighted by more than 1.1 million square feet in the Fort Worth metro.

## Vacancy/Rent Overview

A slowdown in development allows demand to catch up with new supply, preventing a notable uptick in vacancy from occurring this year. Instead, availability rises nominally to 9.5 percent, lowering the Metroplex's average rent to 97 cents per square foot.

## 2019 Market Forecast

| | |
|---|---|
| Inventory | 70.5 million square feet and 9.1 square feet per capita |
| Employment up 2.8% | Following a 3.2 percent increase last year, the Dallas/Fort Worth employment base is on pace to expand by 105,000 jobs in 2019. |
| Population up 1.8% | Populace growth remains robust in 2019, as the Metroplex expands by 138,700 residents, slightly trailing the previous five-year annual average of 146,300 individuals. |
| Construction 2.1 million sq. ft. | Delivery volume drops by 2 million square feet of self-storage space on an annual basis in 2019, following the completion of 4.1 million square feet last year. |
| Vacancy up 20 bps | Vacancy in Dallas/Fort Worth rises slightly in 2019 after increasing a combined 280 basis points over the previous three years. |
| Rent down 1.0% | The average rent will drop in 2019 to 97 cents per square foot. Last year, the metro recorded a rent decrease of 3.0 percent. |

# Consistent Net Migration Prolongs Influx of New Supply

## Economic Overview

Denver's employment base grew by more than 30,000 positions during each of the past two years, holding unemployment below 3 percent. In 2019, job creation improves, as organizations recruit with increased frequency, bolstering payrolls by 36,000 workers. Of these jobs, 30 percent will be traditional office positions.

## Demographic Overview

A wealth of higher-paying job opportunities coupled with a limited stock of skilled workers makes Denver a top locale in the Mountain region for relocations in 2019. An influx of new residents translates to another year of consistent net migration for the metro. This inflow coupled with median income growth of 3.2 percent spurs the formation of 20,000 households for a second consecutive year. Wage growth and an increasing populace bode well for annual retail spending, which is slated to rise 4.1 percent this year.

## Construction Overview

The past three years have represented a historic period for self-storage construction in Denver, highlighted by the finalization of 3.3 million square feet of space in 2018. This span of above-average self-storage development persists this year, albeit at a more subdued pace, as developers complete 1.3 million square feet of space. The city of Aurora accounts for more than 300,000 square feet of this new supply.

## Vacancy/Rent Overview

Elevated construction has added upward pressure to vacancy, prompting asking rents to drop so more units can be filled. This trend persists in 2019, as the average rent declines to $1.25 per square foot. These discounts will hold vacancy to 10.5 percent this year.

## 2019 Market Forecast

**Inventory** — 29.2 million square feet and 9.8 square feet per capita

**Employment up 2.4%** — Job creation reaches a four-year high, as employers bolstered staffs by 36,000 positions in 2019. Last year, Denver's employment base grew 2.3 percent.

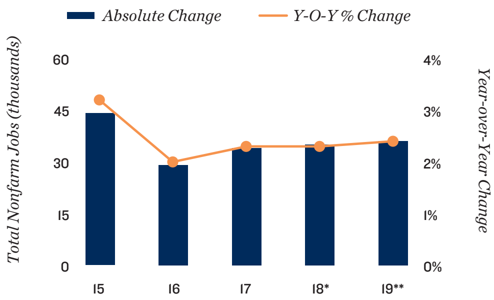
**Population up 1.2%** — In 2018, the metro's population expanded by 36,200 people, a 1.2 percent increase. This year, the metro is expected to add another 34,800 residents.

**Construction 1.3 million sq. ft.** — After completing a cycle-high volume of new supply in 2018, annual delivery volume drops by 2 million square feet this year.

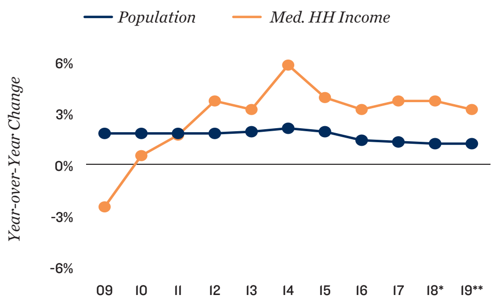
**Vacancy up 30 bps** — Self-storage completions eclipse 1 million square feet for a fourth straight year, pushing Denver's vacancy rate to 10.5 percent.

**Rent down 1.6%** — The metro's average rent declines for a third straight year, falling to $1.25 per square foot.

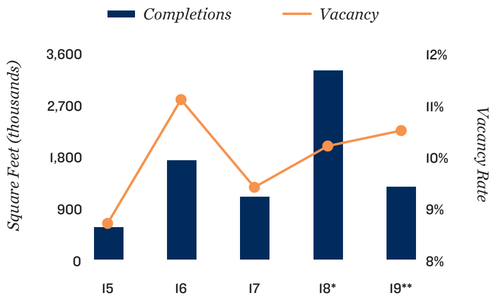
### Employment Trends



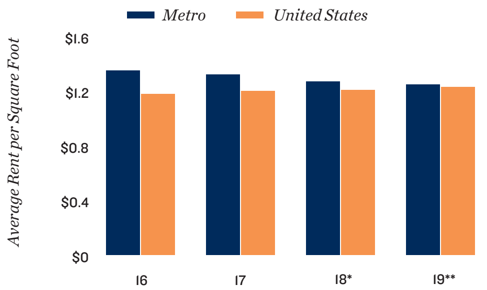

### Demographic Trends




### Supply and Demand Trends




### Rent Trends

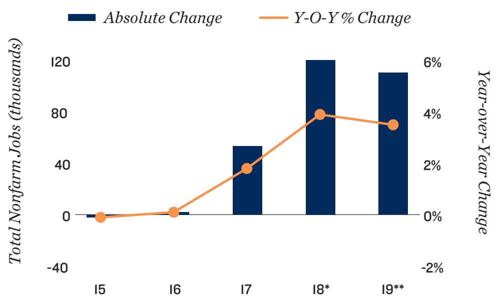



* Estimate; ** Forecast

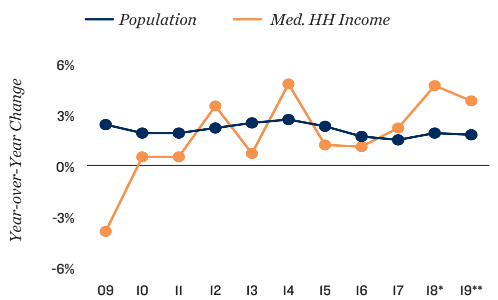
Sources: BLS; U.S. Census Bureau; Yardi Matrix; Union Realtime, LLC

# Sizable Job, Population Gains Benefit Vacant Stock

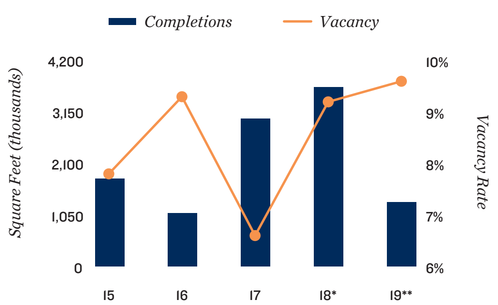
### Employment Trends



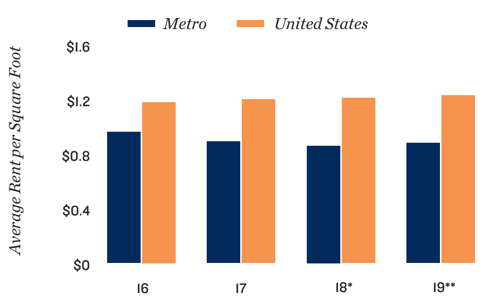

### Demographic Trends




### Supply and Demand Trends




### Rent Trends




** Estimate; ** Forecast*

*Sources: BLS; U.S. Census Bureau; Yardi Matrix; Union Realtime, LLC*

## Economic Overview

Houston experienced a significant spike in job creation last year, as employers bolstered payrolls by 120,000 workers, the largest total among U.S. metros. In 2019, this trend persists as the market adds an additional 110,000 jobs. An influx of professional and business services positions coupled with strong construction, retail and manufacturing-related hiring support this second consecutive year of robust employment growth.

## Demographic Overview

A wealth of job opportunities in 2019 and a low cost of living push net migration in Houston beyond 60,000 people for a second consecutive year. An influx of new residents and median income growth that exceeds the national rate supports the formation of 50,000 households. This rapidly growing populace bolsters retail spending by at least 5 percent for a third consecutive year.

## Construction Overview

Heightened self-storage development activity in Houston over the past two years equated to the delivery of nearly 6.7 million square feet of space. This year, construction moderates, yet a collection of facilities comprising 1.3 million square feet of space will be finalized. More than 40 percent of this new supply is concentrated in the city of Houston.

## Vacancy/Rent Overview

The cycle-high volume of self-storage space completed last year elevated Houston's vacancy rate 260 basis points. The pullback in deliveries that occurs in 2019 allows unfilled space finalized last year to be rented, while upcoming completions are also leased, enabling the average asking rent to rise for the first time in the past three years.

## 2019 Market Forecast

**Inventory** — 68.4 million square feet and 9.5 square feet per capita

**Employment up 3.5%** — After expanding 3.9 percent in 2018, the Houston employment base is slated to grow by 110,000 jobs this year.

**Population up 1.8%** — The addition of roughly 124,500 residents will drive metrowide population growth in 2019, matching the previous four-year-annual-average increase of 1.8 percent.

**Construction 1.3 million sq. ft.** — Delivery volume in 2019 drops by nearly 2.5 million square feet of space on a year-over-year basis. Upcoming facilities remain concentrated in the western portion of the metro.

**Vacancy up 40 bps** — Houston's vacancy rate rises for a second consecutive year, albeit at a much slower pace than 2018, reaching 9.6 percent.

**Rent up 2.3%** — After declining by 10 percent over the past two years, the metro's average asking rent increases to 88 cents per square foot in 2019.

# Deliveries Moderate Following Historic Year

## Economic Overview

Indianapolis job growth improved by more than 24,000 positions in 2018, as employers enlarged the metro's employment base 2.3 percent following a 1.3 percent rise the year prior. An uptick in retail-related hiring coupled with an inflow of traditional office and construction jobs supported the rise in employment creation. The trend of elevated hiring persists in 2019, as organizations add an additional 25,000 workers to staffs.

## Demographic Overview

A positive economic outlook and a steady flow of net migration in 2019 will prompt the formation of 13,000 households for a second consecutive year. Additionally, the influx of 25,000 new jobs accelerates Indianapolis' median household income 3.8 percent, marking the third straight year the metro has surpassed the national rate of increase. Household growth and rising earnings support a 4.5 percent uptick in retail sales, positively impacting self-storage demand.

## Construction Overview

A historically high volume of self-storage space was completed last year, adding nearly 1.2 million square feet to the market. While construction activity slows in 2019, the 424,000 square feet of new supply that is finalized represents the second largest annual delivery total since 2008.

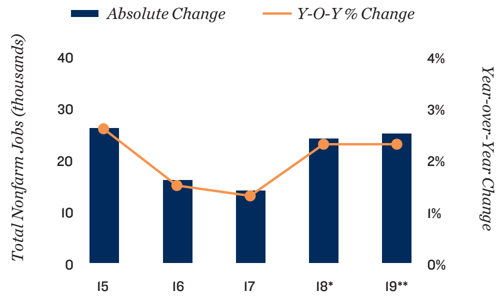
## Vacancy/Rent Overview

A flood of new supply last year led to some discounted offers designed to fill units, resulting in a 2.4 percent drop in the metro's average asking rent. In 2019, the average rate rises to 83 cents per square foot as demand outpaces new supply, lowering vacancy to 7.5 percent.

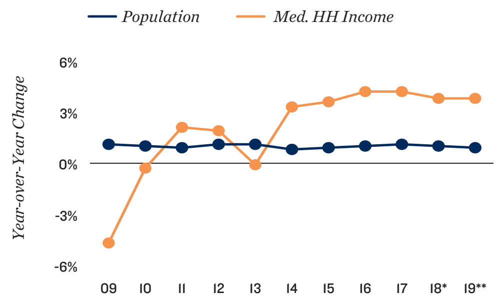
## 2019 Market Forecast

| | |
|---|---|
| Inventory | 15.5 million square feet and 7.5 square feet per capita |
| Employment up 2.3% | The metro's employment base expands in 2019 at a similar clip to last year, when organizations added 24,400 positions. |
| Population up 0.9% | The metro's populace grows by about 18,700 residents this year, trailing the previous three-year annual average of 21,000 people. |
| Construction 424,000 sq. ft. | Deliveries moderate in 2019 following the completion of nearly 1.2 million square feet last year. Approximately half of this year's new supply is concentrated in the city of Indianapolis. |
| Vacancy down 30 bps | Vacancy falls to 7.5 percent in 2019, representing a more than five-year low. Last year, an uptick of 20 basis points was recorded. |
| Rent up 1.2% | Tight vacancy allows the metro's average rent to reach 83 cents per square foot this year, after the average rate dropped 2.4 percent in 2018. |

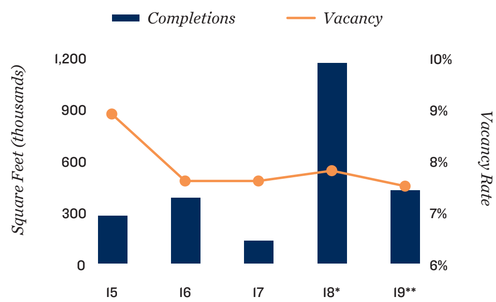
### Employment Trends



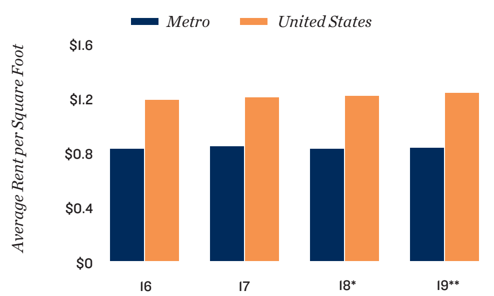

### Demographic Trends




### Supply and Demand Trends



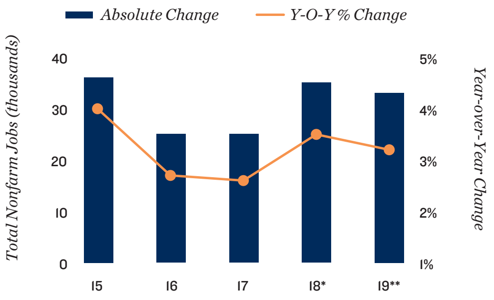

### Rent Trends



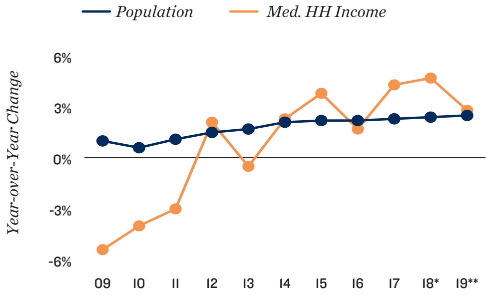

* Estimate; ** Forecast

Sources: BLS; U.S. Census Bureau; Yardi Matrix; Union Realtime, LLC

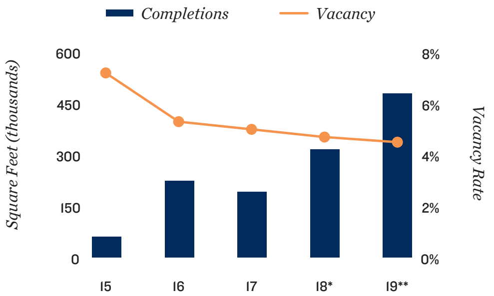
## Employment Trends




## Demographic Trends




## Supply and Demand Trends

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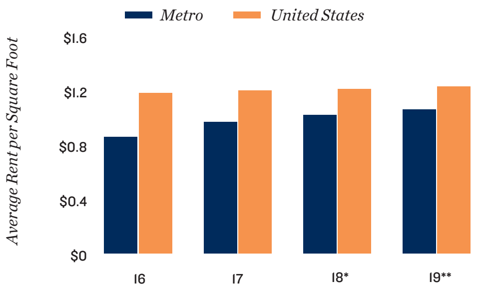



* Estimate; ** Forecast

Sources: BLS; U.S. Census Bureau; Yardi Matrix; Union Realtime, LLC

# Historically Low Vacancy Justifies Rent Advancement

## Economic Overview

Las Vegas employers expanded payrolls 3.5 percent in 2018, representing an increase of 35,000 jobs. The metro's sizable volume of infrastructure and residential development translated to a significant addition in the number of construction positions, with hiring among restaurants and hotels also on the rise. Moving forward, the Las Vegas workforce is on pace to enlarge at a comparable rate in 2019, with a 3.2 percent gain.

## Demographic Overview

An affordable cost of living compared to West Coast metros and a diverse economy continue to attract a wave of transplants to Las Vegas. In 2019, an influx of households and millennials support the strongest year for net migration since 2007. A 2.8 percent boost in median household income coupled with this inflow of new residents bolsters retail spending 4.3 percent this year.

## Construction Overview

Delivery volume reaches a 12-year-high level in 2019, as 478,000 square feet of self-storage space is finalized. Completions are concentrated near Interstate 215 in Southwest Las Vegas and Henderson, areas of rapid residential expansion.

## Vacancy/Rent Overview

Moderate self-storage construction and extremely limited vacancy helped increase the metro's average asking rent by a combined 18 percent over the past two years. In 2019, the average rate climbs further, but at a slower pace, reaching $1.06 per square foot. Strong net migration this year maintains demand for self-storage space, allowing absorption to outpace a cycle-high volume of new supply and lowering vacancy to 4.5 percent.

# 2019 Market Forecast

| | |
|---|---|
| Inventory | 18.1 million square feet and 7.8 square feet per capita |
| Employment up 3.2% | Nationally, Las Vegas represents one of seven large metros to witness employment growth of more than 3 percent in 2019, as 33,000 jobs are added. |
| Population up 2.5% | The metro's populace expands by 56,000 residents this year, the largest annual total since 2006. |
| Construction 478,000 sq. ft. | A third conseuctive year of robust population growth warrants an increase in year-over-year delivery volume. In 2018, 315,000 square feet of self-storage space was completed. |
| Vacancy down 30 bps | Metrowide vacancy remains extremely tight for a second consecutive year, compressing to 4.5 percent. |
| Rent up 3.9% | Historically low vacancy allows Las Vegas' average asking rent to rise to $1.06 per square foot. |

# Residential Development Sparks Self-Storage Activity

## Economic Overview

Los Angeles employers added an average of 65,500 jobs annually over the past three years, reducing the metro's unemployment rate to a historically low level. Robust hospitality-related hiring coupled with an influx of higher-paying tech and media positions supported this pace of employment growth. Moving forward, organizations bolster the local employment base by an additional 50,000 positions in 2019, as the aforementioned sectors along with the health, defense and aerospace industries add to staffs.

## Demographic Overview

Diverse job creation boosts the metro's median household income 3.6 percent in 2019, eclipsing the national rate of increase. This rise in earnings encourages the formation of 35,000 households this year, the strongest annual growth rate in seven years. A surge in households supports a 2.8 percent uptick in retail spending, which proves beneficial during a period of elevated self-storage construction.

## Construction Overview

A wave of residential construction has bolstered the demand for self-storage space moving forward. This year, a concentration of first-half deliveries lifts the metro's self-storage completion volume beyond 1 million square feet, surpassing the amount of space finalized during the previous seven years combined. A 346,000-square-foot facility in Cerritos, dubbed Crusader Self Storage, highlights this year's list of openings.

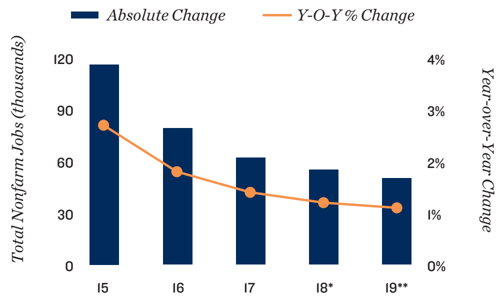
## Vacancy/Rent Overview

Vacancy in the Los Angeles-Long Beach-Anaheim region will rise to a five-year high, yet the average rent in Los Angeles County climbs two cents to $1.94 per square foot.

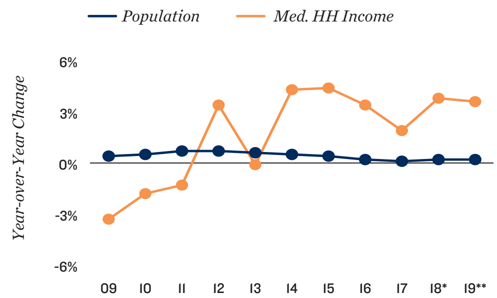
## 2019 Market Forecast

| | |
|---|---|
| Inventory | 34.9 million square feet and 3.4 square feet per capita |
| Employment up 1.1% | Driven by an influx of traditional office positions, the metro's employment base swells by 50,000 jobs in 2019, nearly matching last year's 1.2 percent increase. |
| Population up 0.2% | Los Angeles' population expands by 24,400 residents in 2019, the largest annual gain in the past four years. |
| Construction 1 million sq. ft. | Year-over-year delivery volume advances by nearly 600,000 square feet in the metro, reaching a cycle-high level. |
| Vacancy up 70 bps | Spanning the past six quarters, availability in the Los Angeles-Long-Beach-Anaheim mega market rose 190 basis points. This year, vacancy further jumps, reaching 7.1 percent. |
| Rent up 1.0% | The average rent in Los Angeles County rises at a comparable rate to last year's 1.6 percent uptick, climbing to $1.94 per square foot. |

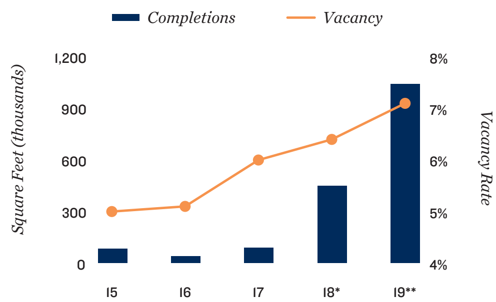
### Employment Trends



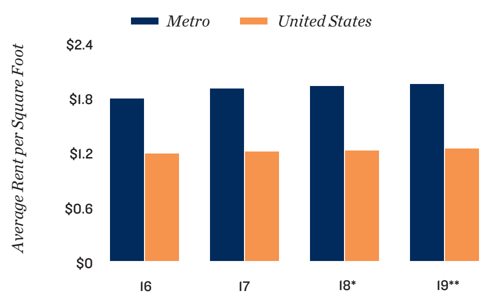

### Demographic Trends




### Supply and Demand Trends




### Rent Trends



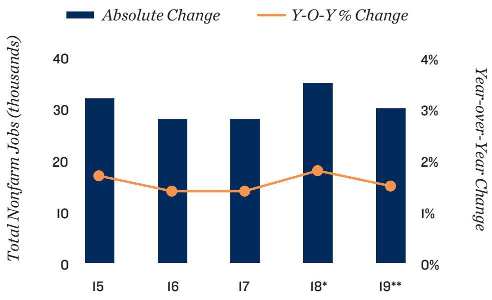

* Estimate; ** Forecast

Sources: BLS; U.S. Census Bureau; Yardi Matrix; Union Realtime, LLC

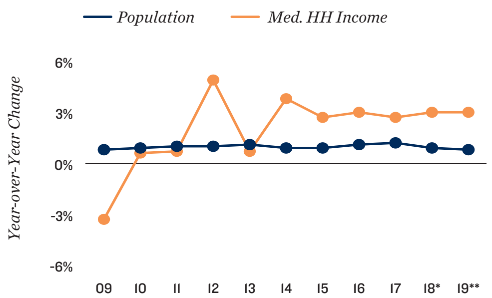
Note: Vacancy metric covers the Los Angeles-Long Beach-Anaheim area.

# Twin Cities' Delivery Volume Reaches Historic Mark

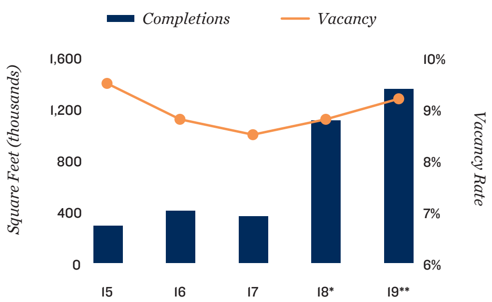
### Employment Trends



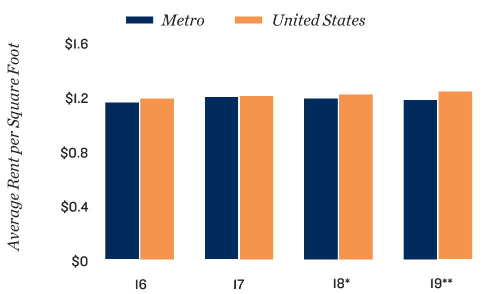

### Demographic Trends




### Supply and Demand Trends




### Rent Trends




** Estimate; ** Forecast*

*Sources: BLS; U.S. Census Bureau; Yardi Matrix; Union Realtime, LLC*

## Economic Overview

Spanning the past five years, Minneapolis-St. Paul employers added an average of 31,000 jobs annually, lowering unemployment to a mid-2 percent rate entering 2019. Positive hiring velocity across nearly all industries this year prolongs the stretch of consistent payroll growth, as organizations increase staffs by 30,000 positions led by the retail trade, transportation and utilities sector.

## Demographic Overview

Diverse job creation in Minneapolis-St. Paul amid extremely low unemployment suggests employers recruit from outside the metro to fill openings in 2019. This method of hiring supports another year of positive net migration for the metro. Widespread employment gains also support a fourth straight year of consistent income growth, encouraging the formation of 19,000 households, while also warranting an uptick in retail sales that exceeds the national rate of increase.

## Construction Overview

During portions of 2016 and 2017, vacancy in the metro dipped below 6 percent, building demand for a new wave of development projects. This uptick in construction resulted in the completion of 1.1 million square feet of space last year. Delivery volume further elevates in 2019, as nearly 1.4 million square feet come to market.

## Vacancy/Rent Overview

Demand for self-storage space, aided by slight rent discounts, partially negates the impact of new supply in 2019. Overall, metro vacancy rises marginally to 9.2 percent, while the average rent declines nominally to $1.17 per square foot.

# 2019 Market Forecast

| | |
|---|---|
| Inventory | 18.7 million square feet and 5.1 square feet per capita |
| Employment up 1.5% | The metro's employment base expanded 1.8 percent in 2018, representing a five-year-high pace of job creation. This year, organizations create an additional 30,000 positions. |
| Population up 0.8% | Annual population growth exceeds 30,000 residents for a ninth straight year. |
| Construction 1.4 million sq. ft. | Deliveries reach more than 1 million square feet of space for a second consecutive year. Completions are equally spread among the suburbs and urban cores of Minneapolis and St. Paul. |
| Vacancy up 40 bps | Metro vacancy inches up for a second consecutive year amid elevated construction, reaching 9.2 percent. |
| Rent down 0.8% | The slight decline in rent that occurs in 2019 matches last year's recorded drop, lowering the average rate to $1.17 per square foot. |

# Net Migration Supports Strong Absorption in Nashville

## Economic Overview

Since 2010, the number of traditional office workers in Nashville has ballooned by approximately 96,000 positions, largely supported by the expansion of the professional and business services sector. In 2019, traditional office roles account for more than half of the 16,000 total jobs added, with millennials who relocate to the metro filling a significant percentage of these openings.

## Demographic Overview

A shortage of skilled workers and degreed professionals motivates employers to look outside the metro when filling some job openings, fueling a three-year-high rate of net migration in 2019. An uptick in relocations coupled with median income growth that matches the national rate of increase warrants the formation of 16,000 households and a third year of strong retail spending.

## Construction Overview

A consistent inflow of new residents motivated the opening of nearly 1.4 million square feet of self-storage space in 2018, surpassing the completion total from the previous eight years combined. While building slightly pulled back in 2019, overall delivery volume remains historically elevated, as more than 900,000 square feet is brought to market.

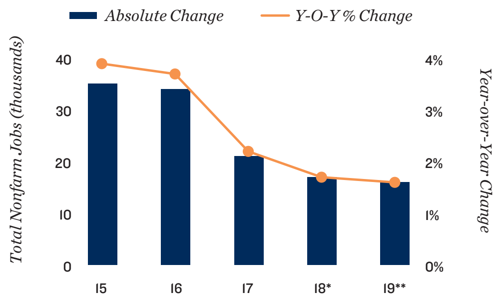
## Vacancy/Rent Overview

Demand for self-storage space outweighs new supply in 2019, lowering vacancy to 8.3 percent and negating the 20-basis-point rise registered last year. The metro's ability to maintain sub-9 percent vacancy amid two consecutive years of elevated construction supports a slight bump in the average asking rent this year to $1.14 per square foot.

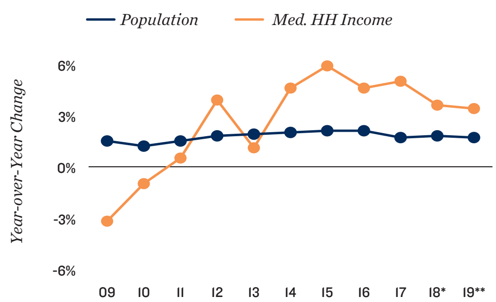
# 2019 Market Forecast

| | |
|---|---|
| Inventory | 13.4 million square feet and 6.7 square feet per capita |
| Employment<br>up 1.6% | Entering the year with a sub-3 percent unemployment rate, the metro gains 16,000 positions in 2019. Last year, employers bolstered staffs by 17,000 workers. |
| Population<br>up 1.7% | The metro's populace continues to grow at a steady rate this cycle, expanding by more than 33,000 residents in 2019. |
| Construction<br>912,000 sq. ft. | After a historically high volume of self-storage completions in 2018, development somewhat recedes this year. Most newly delivered space is concentrated in Nashville and Murfreesboro. |
| Vacancy<br>down 20 bps | Stout absorption persists during a span of elevated construction, allowing the metro's vacancy rate to drop to 8.3 percent in 2019. |
| Rent<br>up 0.9% | In 2019, the average asking rent inches up to $1.14 per square foot after dropping 3.4 percent last year. |

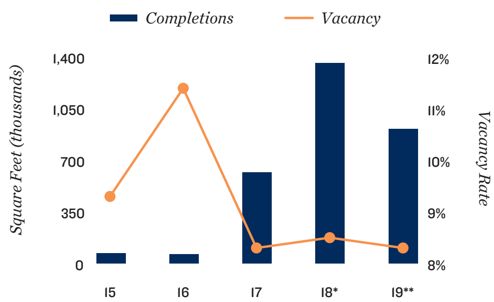
### Employment Trends



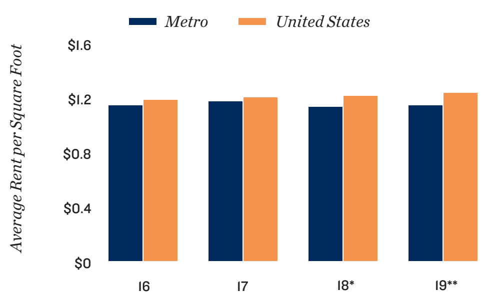

### Demographic Trends




### Supply and Demand Trends




### Rent Trends

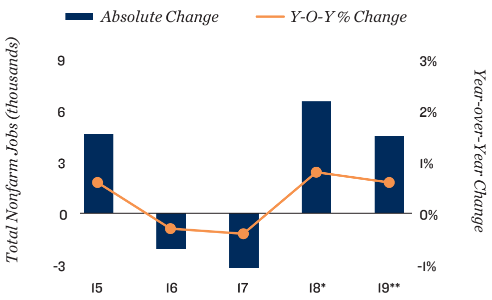



* Estimate; ** Forecast

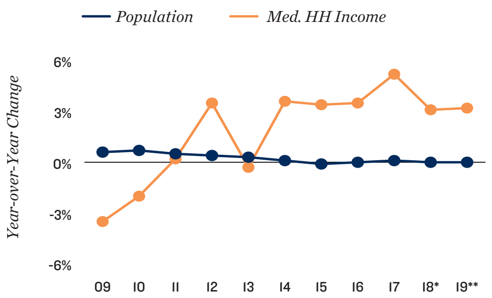
Sources: BLS; U.S. Census Bureau; Yardi Matrix; Union Realtime, LLC

# Economic Outlook Warrants Rent Growth

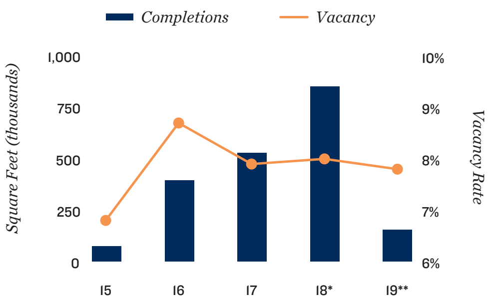
### Employment Trends



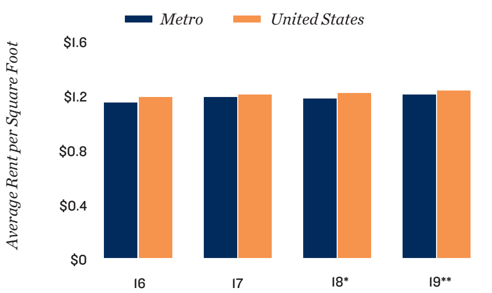

### Demographic Trends




### Supply and Demand Trends




### Rent Trends




*Estimate; ** Forecast

Sources: BLS; U.S. Census Bureau; Yardi Matrix; Union Realtime, LLC

## Economic Overview

New Haven-Fairfield County enters this year on an encouraging note, as positive job creation occurred in 2018 following two straight years of employment loses. Increases in the number of health, financial and professional service-related positions drove the overall rebound in hiring velocity. These sectors continue to support positive economic growth in 2019, as employers are on pace to add 4,500 total workers.

## Demographic Overview

Resurgent hiring activity among high-paying employment sectors this year boosts the metro's median household income at a pace comparable to the national rate of increase. Heightened earnings and a positive economic outlook also support the formation of 4,000 households for a second consecutive year and a 3.4 percent rise in retail spending.

## Construction Overview

Nearly 850,000 square feet of self-storage space opened last year, representing a more than 15-year-high volume of new supply. In 2019, development activity slows notably with a trio of properties slated for completion. These projects are smaller in nature, as none of them comprises more than 75,000 square feet.

## Vacancy/Rent Overview

Last year's wave of self-storage deliveries was met with solid demand, holding metro vacancy in the low-8 percent range. The lack of completions slated for 2019 allows absorption to outpace new supply, reducing availability to a four-year low of 7.8 percent. Vacancy compression supports a rise in the average asking rent to $1.20 per square foot following a year of slight rate declines and discounts.

# 2019 Market Forecast

**Inventory** — 15.5 million square feet and 8.5 square feet per capita

**Employment** up 0.6% — Organizations create 4,500 jobs this year, nearly half of which are traditional office positions. Last year, the metro's employment base expanded 0.8 percent.

**Population** unchanged — For a sixth consecutive year, New Haven-Fairfield County's resident count minimally adjusts.

**Construction** 153,000 sq. ft. — Delivery volume drops by approximately 700,000 square feet on a year-over-year basis. Most of this year's new supply is finalized in the city of Ridgefield.

**Vacancy** down 20 bps — Following an increase of 10 basis points last year, metro vacancy falls below 8 percent in 2019, reaching 7.8 percent.

**Rent** up 2.6% — The metro's average rent climbs to a four-year high of $1.20 per square foot in 2019 after slightly declining last year.

# Second Wave of New Supply Hits New York City

## Economic Overview

New York City employers added an average of 95,000 jobs during each of the past five years, reducing the metro's unemployment rate to an all-time low in late 2018. A lack of available labor restricts the level of job creation in 2019, yet organizations still bolster staffs by 55,000 positions. Rapid expansion of the education and health sector coupled with steady hiring by traditional office firms accounts for a significant percentage of total employment growth this year.

## Demographic Overview

Continued job creation and a 2.7 percent boost in the metro's median household income will contribute to a second consecutive year of healthy household growth. Following a 0.9 percent increase in 2018, the New York City household base will expand by a slightly lower rate in 2019, equating to the formation of 31,000 households.

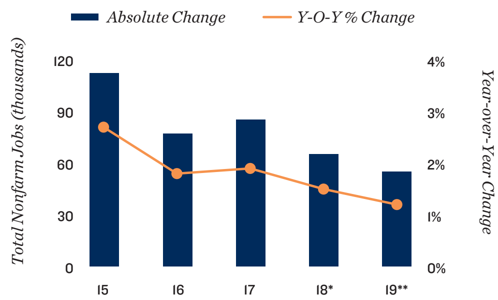
## Construction Overview

Following the completion of 1.2 million square feet of self-storage space last year, new development is on pace to add 1.5 million square feet of space in 2019. This historical year for new supply is driven by the delivery of more than 500,000 square feet in both Brooklyn and Queens, while Manhattan witnesses a dearth of new space.

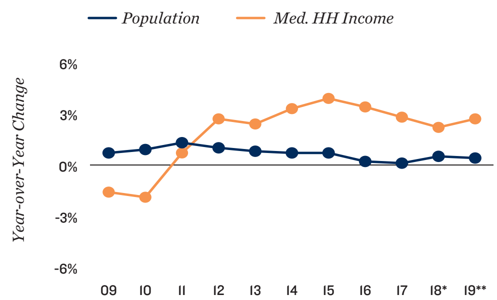
## Vacancy/Rent Overview

A second year of historically high self-storage development has the potential to increase New York City's vacancy rate, yet availability in the New York-Newark-Jersey City mega market is on pace to compress. Additionally, the upcoming wave of supply will not hinder rent growth, as New York City's average rant advances to $2.66 per square foot.

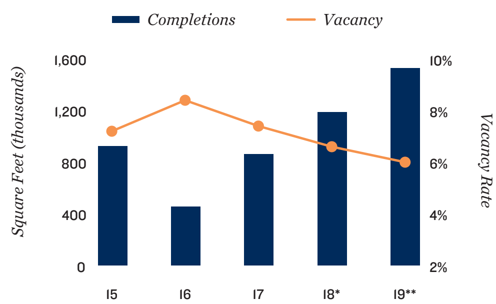
Employment Trends



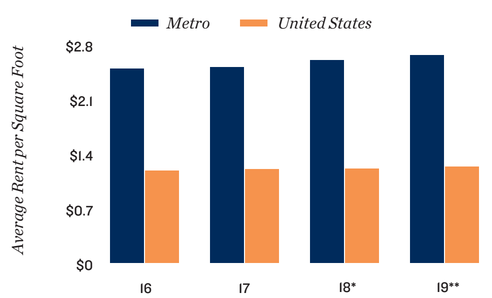

Demographic Trends




Supply and Demand Trends




Rent Trends




* Estimate; ** Forecast

Sources: BLS; U.S. Census Bureau; Yardi Matrix; Union Realtime, LLC

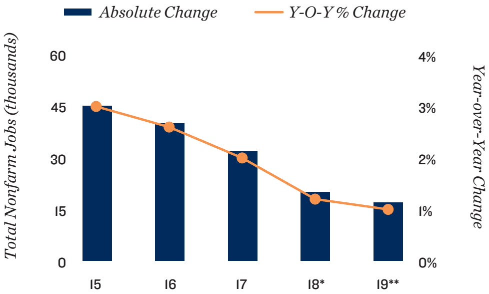
Note: Vacancy metric covers the New York-Newark-Jersey City area.

## 2019 Market Forecast

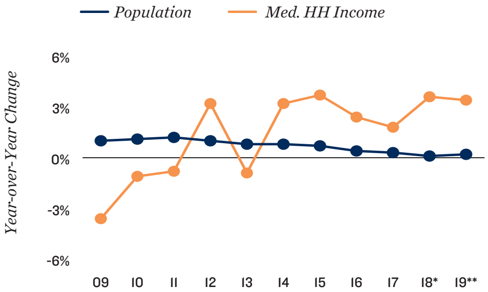
| | |
|---|---|
| Inventory | 26.8 million square feet and 3.1 square feet per capita |
| Employment up 1.2% | After increasing 1.5 percent in 2018, New York City's employment base expands by 55,000 workers in 2019. Of these new positions, approximately 10,000 will be traditional office jobs. |
| Population up 0.4% | The metro's populace swells by more than 30,000 residents for a second consecutive year, following a short span of historically subpar population growth. |
| Construction 1.5 million sq. ft. | Self-storage deliveries in 2019 surpass 1 million square feet for the third time this cycle. |
| Vacancy down 60 bps | Vacancy in the New York-Newark-Jersey City mega market falls for a third conseuctive year, reaching 6 percent in 2019. |
| Rent up 2.3% | Positive rent growth across all five boroughs lifts the metro's average rate to $2.66 per square foot. |

# Median Income Growth Underpins Self-Storage Demand

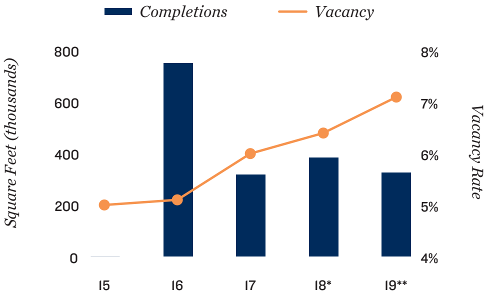
Employment Trends



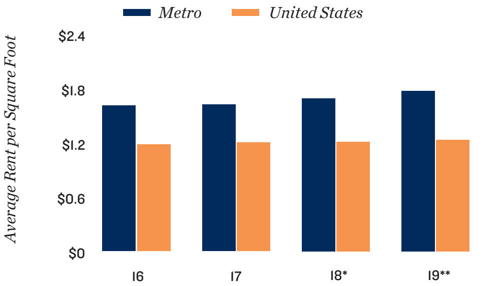

Demographic Trends




Supply and Demand Trends




Rent Trends




** Estimate; ** Forecast*

*Sources: BLS; U.S. Census Bureau; Yardi Matrix; Union Realtime, LLC*

*Note: Vacancy metric covers the Los Angeles-Long Beach-Anaheim area.*

## Economic Overview

At near full employment, Orange County employers added 20,000 jobs last year. Roughly half of these new positions were within the hospitality, education and health sectors, offsetting declines in the number of manufacturing and financial-related workers. This overall pace of job creation largely persists in 2019, as organizations hire an additional 17,000 individuals, yet hiring among traditional office firms hits an eight-year low.

## Demographic Overview

Median household income in the metro reaches $90,000 this year, appreciating by more than 3 percent annually for a second consecutive year. Increased earnings and low unemployment encourage the formation of 10,000 households this year, the largest total in seven years. A rise in both households and incomes bodes well for consumer spending, with an uptick in goods purchased having a positive impact on self-storage demand.

## Construction Overview

Following the completion of 750,000 square feet of self-storage space in 2016, annual delivery volume has hovered in the 300,000-square-foot range for two straight years. This trend continues in 2019, with a 157,000-square-foot Simply Self Storage in the city of Orange highlighting the list of upcoming deliveries.

## Vacancy/Rent Overview

Vacancy in the Los Angeles-Long Beach-Anaheim mega market will rise to 7.1 percent in 2019, yet the average rent in Orange County climbs, to $1.77 per square foot. Cycle-high rent suggests local availability may compress moving forward amid sparse self-storage development and increased retail spending.

# 2019 Market Forecast

**Inventory** — 19.9 million square feet and 6.2 square feet per capita

**Employment up 1.0%** — Amid century-low unemployment, metro organizations grow staffs by 17,000 positions in 2019. Last year, the employment base expanded 1.2 percent.

**Population up 0.2%** — Population growth in 2019 falls below 5,000 residents for a second straight year.

**Construction 324,000 sq. ft.** — The volume of new supply delivered this year dips slightly following the completion of 382,000 square feet in 2018.

**Vacancy up 70 bps** — Spanning the past six quarters, availability in the Los Angeles-Long Beach-Anaheim mega market rose 190 basis points. This year, vacancy further increases, reaching 7.1 percent.

**Rent up 4.7%** — Average rent in Orange County advances by more than 4 percent for a second consecutive year, reaching $1.77 per square foot.

# Top Market for Job Creation Absorbs New Supply

## Economic Overview

After being one of the nation's top metros for employment growth in 2018, Orlando is expected to have another high-performance year. Supported by a strong inflow of tourists, the metro's leisure and hospitality sector continues to rapidly expand, adding a significant amount of new positions moving forward. This growth coupled with a fifth consecutive year of traditional office hiring backs the creation of 65,000 total jobs in 2019, surpassing last year's gain of 50,000 workers.

## Demographic Overview

The metro enters this year at near full employment, suggesting companies could recruit from outside more than in the past to fill job openings, translating to a second consecutive year of robust net migration. The abundance of employment opportunities in 2019 improves Orlando's median household income 5.2 percent, encouraging a rise in household formations at triple the national rate and a 6.7 percent uptick in retail spending.

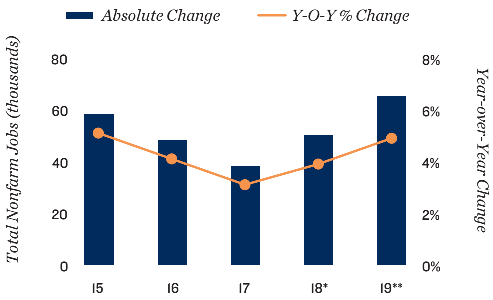
## Construction Overview

A prolonged span of strong net in-migration bolsters the need for self-storage, prompting the completion of 1.3 million square feet of space in 2018. The trend of heightened construction activity persists in 2019, as an additional 1.2 million square feet of space is slated for finalization.

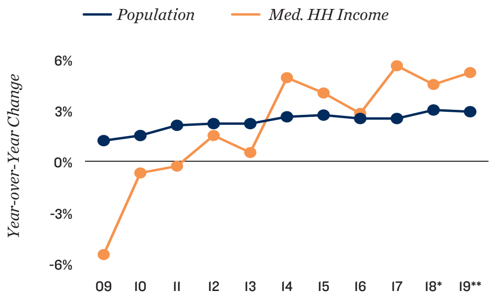
## Vacancy/Rent Overview

Demand for self-storage space nearly kept pace with a historic volume of new supply last year, as metro vacancy inched up 30 basis points. Similar market conditions and a slight increase in availability also occur in 2019, aided by fewer discounted rents on offer.

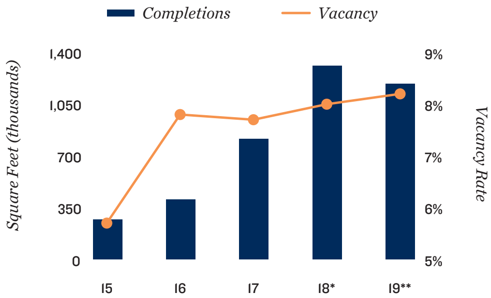
### Employment Trends



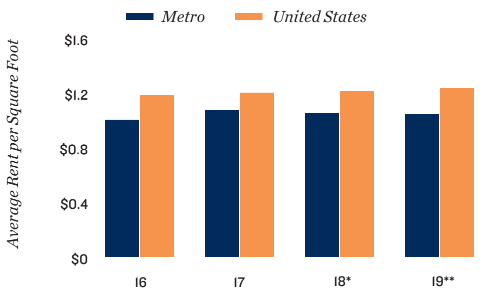

### Demographic Trends




### Supply and Demand Trends




### Rent Trends




*Estimate; **Forecast

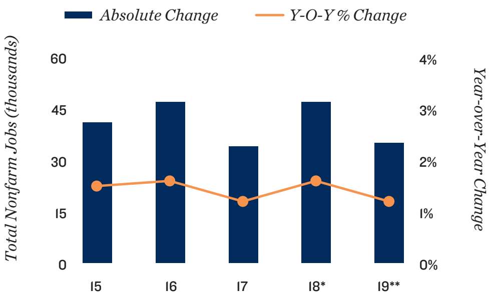
Sources: BLS; U.S. Census Bureau; Yardi Matrix; Union Realtime, LLC

## 2019 Market Forecast

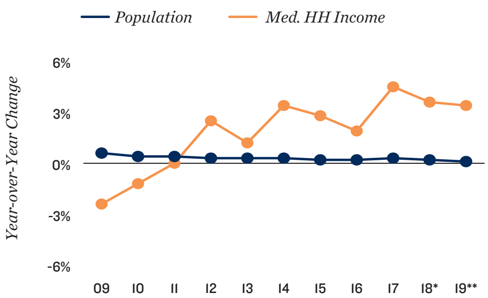
| | |
|---|---|
| Inventory | 24.1 million square feet and 8.9 square feet per capita |
| Employment up 4.9% | Orlando represents the only metro in the nation where the local employment base expands by more than 4 percent in 2019, equating to the creation of 65,000 positions. |
| Population up 2.9% | The metro's populace in 2019 expands by more than 75,000 residents for a second straight year. |
| Construction 1.2 million sq. ft. | Delivery volume remains elevated for a second consecutive year following the finalization of 1.3 million square feet in 2018. |
| Vacancy up 20 bps | Vacancy is on pace to reach 8.2 percent in 2019, marking a four-year-high rate. Last year, self-storage availability in Orlando rose 30 basis points. |
| Rent down 1.0% | After sliding 1.9 percent in 2018, average rent will fall at a similar clip this year, dropping to $1.04 per square foot. |

# Rent Growth Rebounds as Construction Pipeline Dries

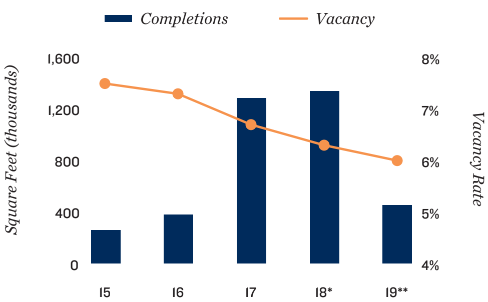
### Employment Trends



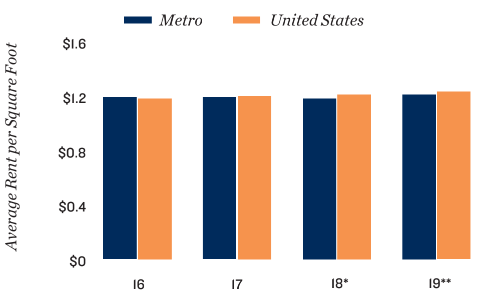

### Demographic Trends




### Supply and Demand Trends




### Rent Trends




** Estimate; ** Forecast*

*Sources: BLS; U.S. Census Bureau; Yardi Matrix; Union Realtime, LLC*

## Economic Overview

Hiring among traditional office firms continues to buoy overall hiring velocity in Philadelphia. Of the 47,000 positions added in 2018, roughly a third were in office jobs within the education, health or professional services sectors. This trend persists in 2019, as metro employers create another 12,000 traditional office positions, supporting the overall establishment of 35,000 new jobs.

## Demographic Overview

Retail spending in Philadelphia is on pace to improve 3.9 percent in 2019, representing the first time in four years that local consumer spending exceeds the national rate. Steadily increasing earnings are the driving force behind this above-average rise in sales, as the metro's median household income rises by 3.4 percent this year. This boost encourages the formation of 18,000 households for second consecutive year.

## Construction Overview

Solid rates of job creation and household formation have influenced the completion of 2.6 million square feet of self-storage space over the past two years. In 2019, this span of elevated construction activity ends, as delivery volume totals 451,000 square feet of space. Both urban and suburban Philadelphia experience notable dips in development activity this year.

## Vacancy/Rent Overview

The slowdown in deliveries that occurs during 2019 allows metro vacancy to compress for a fifth straight year, falling to a cycle low of 6 percent. Following discounts offered during 2018, a lack of new supply this year supports a rise in the metro's average asking rent to $1.21 per square foot, with the strongest gains occurring in urban Philadelphia.

# 2019 Market Forecast

**Inventory** — 27.5 million square feet and 4.5 square feet per capita

**Employment up 1.2%** — After expanding by 1.6 percent last year, employment growth slows in Philadelphia during 2019, as employers bolster staffs by 35,000 workers.

**Population up 0.1%** — The metro's populace expands by 6,000 residents this year, a notable dip following a three-year span when annual population growth averaged 15,000 people.

**Construction 451,000 sq. ft.** — Approximately 1.3 million square feet of space was delivered last year. In 2019, a third of this volume is completed.

**Vacancy down 30 bps** — Metro vacancy fell 40 basis points last year. Following this compression, availability in 2019 drops further, to 6 percent.

**Rent up 2.5%** — The metro's average rent rises to $1.21 per square foot following a slight decline last year.

# Stout Net Migration Supports Flood of New Space

## Economic Overview

The employee base in Phoenix expanded by 4.4 percent, or nearly 90,000 positions, in 2018, ranking the metro as the nation's top market for annual employment growth. Job creation was diverse, as the professional service, construction and education and health industries each added at least 10,000 workers. Widespread hiring velocity persists in 2019, as employers grow staffs by an additional 80,800 individuals.

## Demographic Overview

A wealth of varying job opportunities and a more affordable cost of living than West Coast metros has made Phoenix a top spot nationally for relocations. In 2019, net migration totals 80,000 individuals, representing a cycle high for the metro. The inflow of new households and millennials, coupled with median income growth, bodes well for retail spending, which is slated to increase by 5.5 percent this year.

## Construction Overview

After the completion of 1.5 million square feet of self-storage space during each of the previous two years, annual development activity increases in 2019, with 2.1 million square feet slated to open. Upcoming deliveries are concentrated east of the 101 Loop, where residential and commercial growth is prevalent, and within the city of Phoenix.

## Vacancy/Rent Overview

The metro demonstrated an ability to absorb 1.5 million square feet of new self-storage space last year, as vacancy fell 90 basis points. Robust demand persists in 2019, as availability in Phoenix falls to 7.2 percent amid a wave of new supply. Strong leasing velocity allows operators to increase the metro's average rent to a historically high $1.09 per square foot.

## 2019 Market Forecast

**Inventory** — 34.3 million square feet and 6.9 square feet per capita

**Employment up 3.8%** — Phoenix organizations follow up a historic year for employment growth by creating 80,800 additional positions, more than a fourth of which are traditional office jobs.

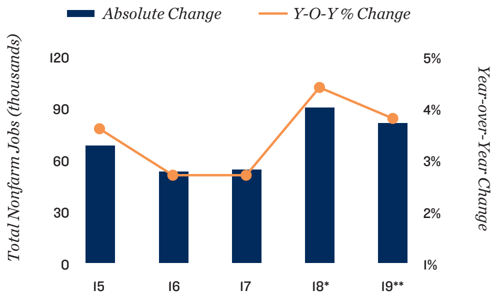
**Population up 2.2%** — Robust job creation enables the metro's populace to swell by more than 100,000 residents for a second straight year.

**Construction 2.1 million sq. ft.** — Delivery volume rises by roughly 600,000 square feet on a year-over-year basis, prolonging a span of heightened self-storage development activity.

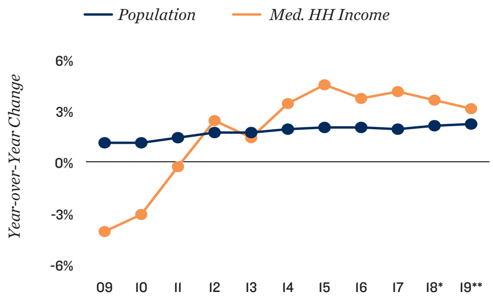
**Vacancy down 20 bps** — Metro vacancy falls to 7.2 percent in 2019, following a 90-basis-point decline last year.

**Rent up 2.8%** — Tightening vacancy amid robust construction allows the average asking rent to improve to $1.09 per square foot this year.

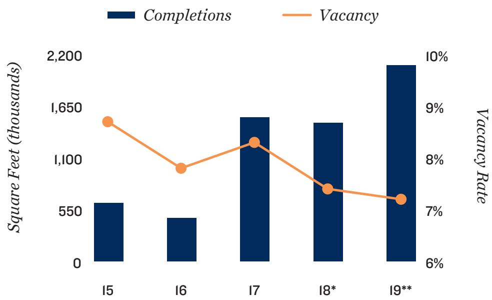
### Employment Trends



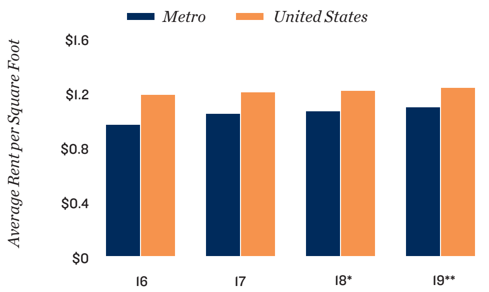

### Demographic Trends




### Supply and Demand Trends




### Rent Trends

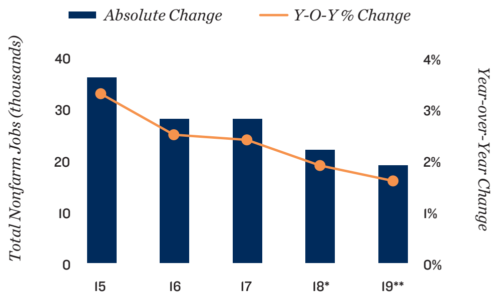



* Estimate; ** Forecast

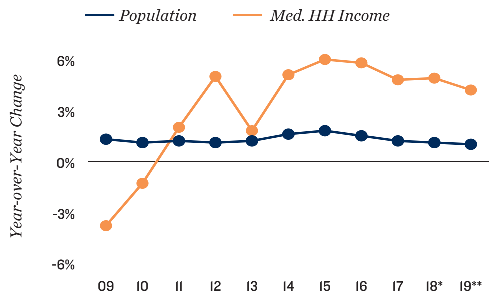
Sources: BLS; U.S. Census Bureau; Yardi Matrix; Union Realtime, LLC

# Cycle-High Development Weighs on Rent Growth

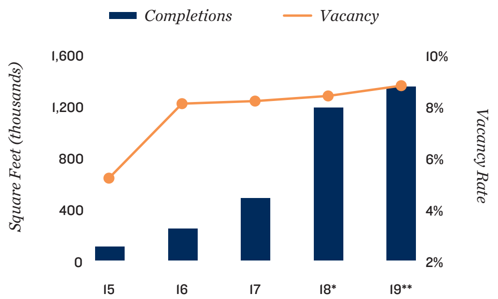
### Employment Trends



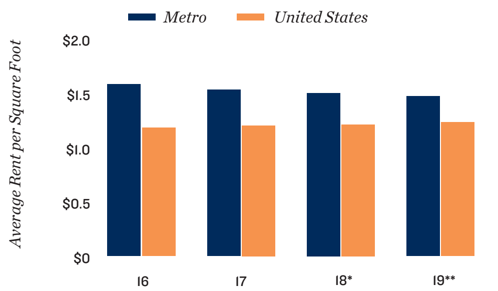

### Demographic Trends




### Supply and Demand Trends




### Rent Trends




** Estimate; ** Forecast*

*Sources: BLS; U.S. Census Bureau; Yardi Matrix; Union Realtime, LLC*

## Economic Overview

The establishment of 22,000 new jobs in 2018 helped move Portland's unemployment rate to a historically low level. In 2019, employers will bolster staffs by 19,000 positions. A year-over-year improvement in the number of traditional office workers will be witnessed, accounting for more than 20 percent of total employment growth this year.

## Demographic Overview

An uptick in higher-paying job creation supports a sixth straight year of 4 percent-plus median income growth. These factors encourage the formation of 16,000 households, including some relocations to the metro. Positive net migration in 2019 coupled with strong income growth allow for a third consecutive year of robust retail spending, as annual consumer sales rise 6.1 percent in 2019, nearly double the national rate of increase.

## Construction Overview

Completions ramped up last year, bringing 1.2 million square feet of space to market. This volume eclipsed the delivery total from the previous seven years combined. In 2019, self-storage construction remains elevated, as the metro is on pace to receive an additional 1.3 million square feet of space.

## Vacancy/Rent Overview

Back-to-back years of heightened delivery volume will minimally increase self-storage availability in Portland, as the metro's vacancy rate reaches 8.8 percent in 2019 following a 20-basis-point uptick last year. The influx of new supply might require more discounts in select submarkets, lowering Portland's average asking rent to $1.47 per square foot.

# 2019 Market Forecast

**Inventory** — 15.6 million square feet and 6.2 square feet per capita

**Employment up 1.6%** — Portland employers expand the local employment base at a slower pace this year, adding 19,000 positions. In 2018, a 1.9 percent rise was registered.

**Population up 1.0%** — The metro's populace increases by 24,300 residents in 2019, showing steady growth following last year's gain of 1.1 percent.

**Construction 1.3 million sq. ft.** — More than 1 million square feet of self-storage space will be completed for a second straight year. Nearly half of this year's delivery volume is concentrated in Portland and Vancouver.

**Vacancy up 40 bps** — Metro vacancy rises for a second straight year amid an inflow of new supply, reaching a six-year high of 8.8 percent.

**Rent down 2.0%** — An increase in discounted rates lowers Portland's average rent to $1.47 per square foot, representing a third straight year of decline.

# Population Growth Halts Span of Increasing Vacancy

## Economic Overview

Raleigh is following a strong year for hiring, as organizations in 2018 bolstered the metro's employment base by 3.8 percent, representing one the largest gains in the nation. An influx of traditional office positions and increased job creation by construction and retail-related firms drove this recent span of strong employment growth. Looking forward, employers are on pace to hire an additional 30,000 workers in 2019.

## Demographic Overview

Diverse job creation amid a period of low unemployment prompts some employers to recruit from outside the metro to fill open positions, supporting a cycle-high level of net migration in 2019. An inflow of new residents and steadily increasing incomes support a 7.9 spike in retail sales in 2019. Robust consumer purchasing coupled with strong population growth bodes well for self-storage demand moving forward.

## Construction Overview

Strong retail spending and net migration encouraged the finalization of 2.5 million square feet of self-storage space over the past two years. Moving forward, annual delivery volume dips below 1 million square feet in 2019.

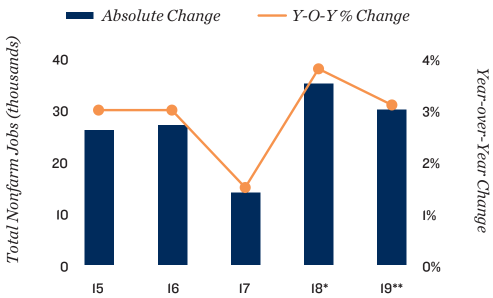
## Vacancy/Rent Overview

The influx of new supply over the past two years increased Raleigh's vacancy rate 220 basis points. The upcoming slowdown in development activity allows demand to exceed delivery volume this year, lowering metrowide availability to 11 percent, yet the persistence of double-digit vacancy continues to prevent positive average rent growth from occurring.

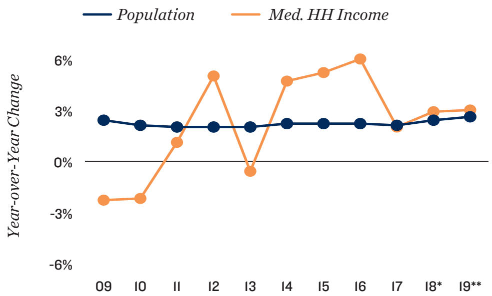
## 2019 Market Forecast

| | |
|---|---|
| Inventory | 15.8 million square feet and 7.8 square feet per capita |
| Employment up 3.1% | Hiring by traditional office firms supports the creation of 30,000 total positions in 2019. Last year, a 3.8 percent gain was recorded. |
| Population up 2.6% | Raleigh's populace expands by 50,500 residents in 2019, representing a more than 10-year-high rate of growth. |
| Construction 902,000 sq. ft. | Completions in 2019 will trail last year's delivery total by roughly 500,000 square feet. The city of Durham is slated to welcome the most new supply this year. |
| Vacancy down 20 bps | Vacancy is on pace to compress to 11 percent in 2019. Last year, Raleigh registered a 50-basis-point vacancy increase. |
| Rent down 2.1% | Discounted rent remains widespread in Raleigh, allowing the metro's average rate to fall to 92 cents per square foot this year. In 2018, a decrease of 3.1 percent was recorded. |

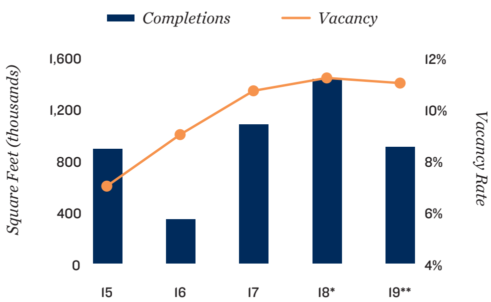
### Employment Trends



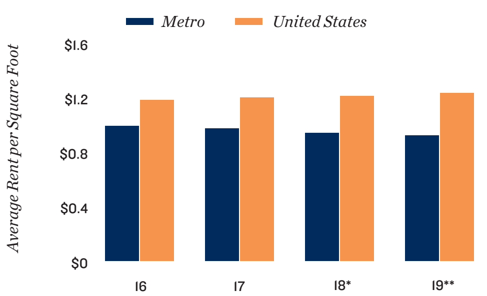

### Demographic Trends




### Supply and Demand Trends




### Rent Trends

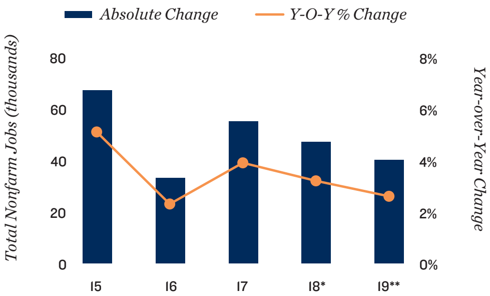



*Estimate; ** Forecast

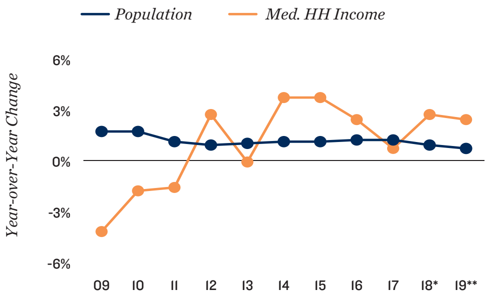
Sources: BLS; U.S. Census Bureau; Yardi Matrix; Union Realtime, LLC

# Rent Growth Accelerates Amid Minimal Supply Additions

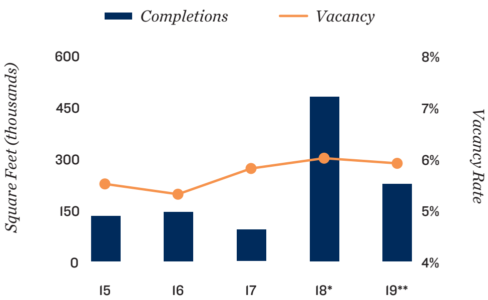
### Employment Trends



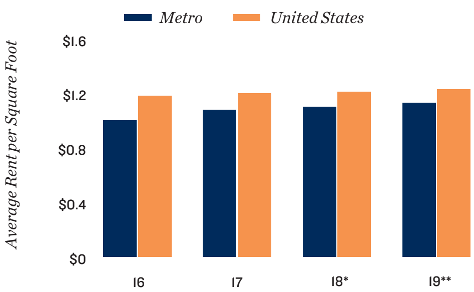

### Demographic Trends




### Supply and Demand Trends




### Rent Trends




** Estimate; ** Forecast*

*Sources: BLS; U.S. Census Bureau; Yardi Matrix; Union Realtime, LLC*

## Economic Overview

Multiple Inland Empire employment sectors added jobs in 2018, for a net total of 47,000 new positions. About 9,000 of those roles were in traditionally office-using professions, for a 4.4 percent annual expansion rate. Job growth in 2019 will fall just under that level as a tightening labor market constrains hiring efforts.

## Demographic Overview

Employment growth that is double the national pace supports both positive net migration and the formation of 21,000 households this year. Many of these newly formed households will elect to rent, given the rising cost of homeownership. Home prices appreciated about twice as much as incomes in 2018.

## Construction Overview

The market's self-storage inventory will expand by less than 1 percent this year after 477,500 square feet were delivered in 2018. Completions are primarily in Murrieta, Victorville and Palm Springs. About two thirds of the 2019 pipeline represent expansions to existing properties.

## Vacancy/Rent Overview

Vacancy will drop for the first time in two years, enabled by less new supply. The marketwide rate had fallen as low as 5.3 percent in 2016 before rising. Fewer arrivals paired with lower availability is prompting asking rates to increase by 2.7 percent, 80 basis points higher than in 2018.

## 2019 Market Forecast

| | |
|---|---|
| Inventory | 33.7 million square feet and 7.2 square feet per capita |
| Employment up 2.6% | Payrolls expand by 40,000 individuals in 2019. Employment grew by 3.2 percent last year. |
| Population up 0.7% | Riverside-San Bernardino will have about 31,200 more residents in 2019 than in 2018, a modest increase for an area with a population of over 4.6 million. |
| Construction 225,000 sq. ft. | Completions for 2019 total 225,000 square feet of space, well below delivery levels from the early 2000s, when as much as 2.2 million square feet were delivered within a single year. |
| Vacancy down 10 bps | The vacancy rate dips 10 basis points to 5.9 percent in 2019 following a 20-basis-point increase from the year prior. |
| Rent up 2.7% | The average asking rate advances to $1.13 per square foot, building on a 1.9 percent growth rate from 2018. |

# Subdued Construction Aids Vacancy in Sacramento

## Economic Overview

Employment growth slowed in California's capital during 2018 as multiple sectors suffered job losses. Hiring for roles in information, education, heath and government offset other vacated positions for a net 11,500 new jobs. Additional opportunities in traditionally office-using industries will boost employment gains for 2019.

## Demographic Overview

Improving incomes are supporting the formation of households as well as an uptick in discretionary spending. The market is expected to welcome 11,000 new households this year, about 1,000 more than in 2018. Greater discretionary spending is reflected in higher total retail sales, which are anticipated to improve 2.7 percent this year. Both household formation and consumer spending are positive signals for future self-storage demand.

## Construction Overview

Approximately 200,000 fewer square feet of self-storage space will arrive in the market this year than came online in 2018. This year's construction pipeline consists primarily of two projects underway in the city of Sacramento, each over 100,000 square feet in size. An existing storage facility in Elk Grove is also expanding by about 17,600 square feet.

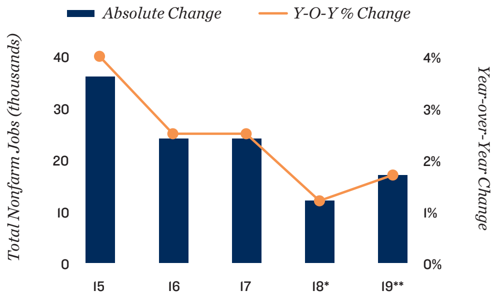
## Vacancy/Rent Overview

A contracting development pipeline is aiding operations as the vacancy rate dips 10 basis points, undoing an increase from 2018 when the rate was 7.5 percent. Less available space is fostering rent growth. After falling less than a percentage point last year, the average asking rent for the market will appreciate by 2.9 percent this year.

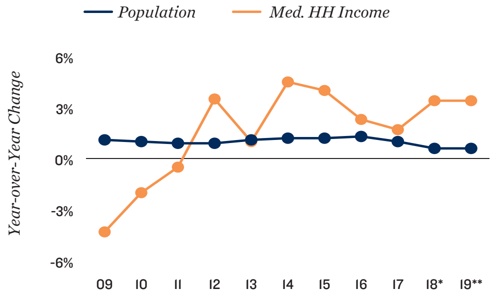
# 2019 Market Forecast

| | |
|---|---|
| Inventory | 18.3 million square feet and 7.8 square feet per capita |
| Employment<br>up 1.7% | About 17,000 jobs will come to the market in 2019, building on a 1.2 percent rate of employment growth from last year. |
| Population<br>up 0.6% | The metro's total population will grow by an almost identical proportion as last year, with some new residents relocating from the Bay Area where living expenses are higher. |
| Construction<br>279,300 sq. ft. | Development activity slows year over year, following the completions of 481,000 square feet in 2018. |
| Vacancy<br>down 10 bps | The marketwide vacancy rate drops down to 7.4 percent, returning to its 2017 level after a small rise last year. |
| Rent<br>up 2.9% | After a brief period of declining rents, the average asking rate increases to $1.41 per square foot this year. In 2018, rents fell by an average of 0.7 percent. |

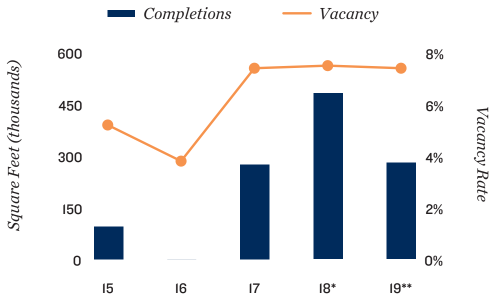
### Employment Trends



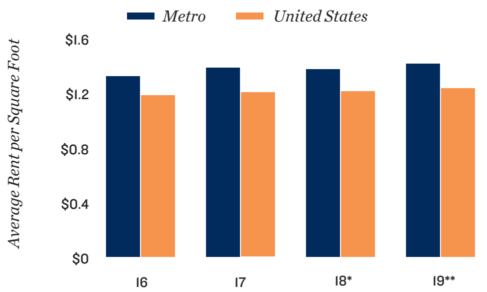

### Demographic Trends




### Supply and Demand Trends




### Rent Trends

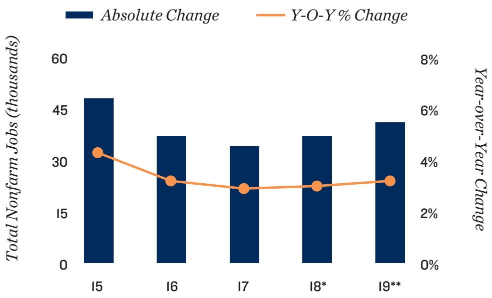



* Estimate; ** Forecast

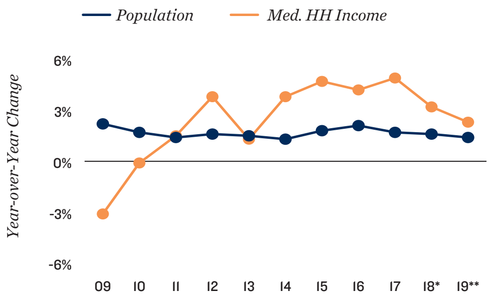
Sources: BLS; U.S. Census Bureau; Yardi Matrix; Union Realtime, LLC

# Construction Overshadows Demand to Raise Vacancy

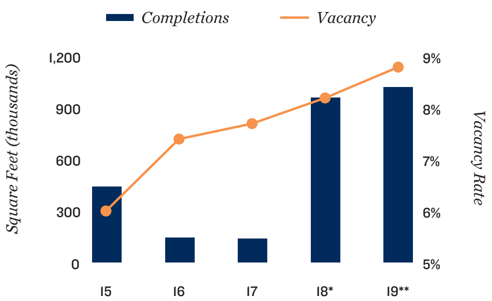
### Employment Trends



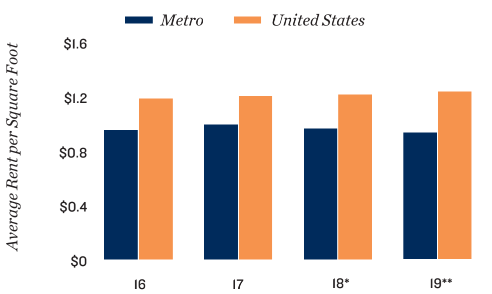

### Demographic Trends




### Supply and Demand Trends




### Rent Trends




** Estimate; ** Forecast*

*Sources: BLS; U.S. Census Bureau; Yardi Matrix; Union Realtime, LLC*

## Economic Overview

Metro employers added 37,400 jobs in 2018, with opportunities in trade, transportation and utilities representing the largest share of a diversified hiring wave. The total number of positions created surpassed the totals from either of the two preceding years. Employment growth advances further in 2019 as recruiting for office-based roles increases.

## Demographic Overview

The population of young adults in Salt Lake City flourishes this year as the number of 20-to-34-year-olds in the area increases by 2.3 percent. At 200 basis points above the national level, that pace of growth is also one of the fastest in the Southwest. As the number of local residents expands, more households are forming, raising the long-term potential demand for self-storage.

## Construction Overview

Construction activity increases by a modest amount, as approximately 60,000 more square feet of self-storage space will open in the metro this year than was delivered in 2018. At that time, the 960,000 square feet of completions marked the strongest year for development since 2008. Arrivals for 2019 are spread across the Wasatch Front, with the largest single project, at 142,500 square feet, coming to Bluffdale.

## Vacancy/Rent Overview

A second year of elevated development weighs on operations, raising the marketwide vacancy rate 60 basis points. Higher availability places pressure on rent growth, causing the average asking rate to contract 3.1 percent this year.

# 2019 Market Forecast

**Inventory** — 22.5 million square feet and 8.7 square feet per capita

**Employment up 3.2%** — About 41,300 jobs will be created in 2019, building on the 3.0 percent employment growth rate from the prior year.

**Population up 1.4%** — An expanding younger population contributes to an overall increase in the market's residential base by 36,800 individuals. In 2018, the population grew by 1.6 percent.

**Construction 1.0 million sq. ft.** — This year marks the first time in 11 years that 1 million square feet of self-storage space will open in a 12-month period.

**Vacancy up 60 bps** — The addition of nearly 2 million square feet of self-storage space over two years will drive the vacancy rate up to 8.8 percent. Last year, availability rose 50 basis points.

**Rent down 3.1%** — The average asking rent drops to $0.93 per square foot, nearly matching the 3.0 percent decline posted last year.

# Favorable Demographics, Low Development Lift Rents

## Economic Overview

Hiring in the fields of education, health services, transportation and energy represent a large share of the 10,000 positions added in 2018. Losses in the leisure and hospitality sector as well as in business and professional services cut job creation by about half relative to the year before. Employment growth slows again in 2019 but by a much more moderate 10 percent.

## Demographic Overview

Tempered job gains belie favorable migration trends as nearly 23,000 people relocate to San Antonio in 2019, about the same as last year. These new arrivals are supporting a 1.5 percent increase in the overall population. For those between the ages of 20 and 34, that measure is 1.3 percent, 100 basis points above the national rate. A growing cohort of young adults, with decades of consumption ahead of them, is a positive sign for future self-storage demand.

## Construction Overview

Development activity continues to decline this year following a cycle-high level of completions in 2017. About 823,600 square feet were delivered that year, almost double 2019's construction pipeline. Projects coming online this year are located primarily north and west of the city center near U.S. 281 and Interstate 410.

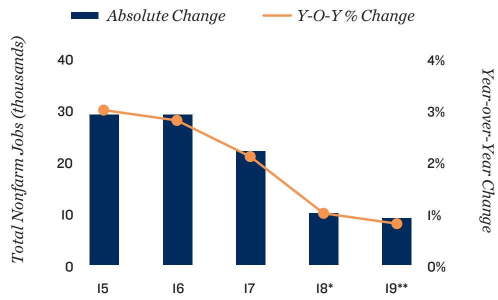
## Vacancy/Rent Overview

The lowest number of supply additions in four years aids operations and enables asking rents to improve for the first time in two years. Vacancy in the market declines 40 basis points in 2019 while the average monthly rate appreciates by 2 percent.

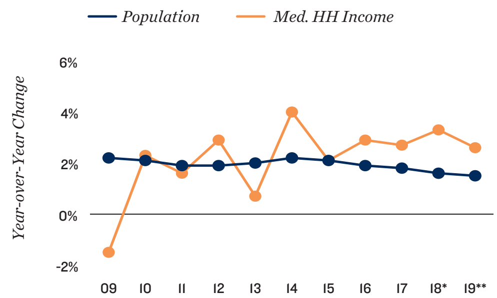
## 2019 Market Forecast

| | |
|---|---|
| Inventory | 20.0 million square feet and 7.8 square feet per capita |
| Employment up 0.8% | Metro employers hire 9,000 personnel in 2019, compared to 10,000 last year. A majority of these positions will be in fields that do not traditionally use offices. |
| Population up 1.5% | Positive net migration helps raise the population by 39,100 people this year, contributing to the formation of 17,000 households. Last year, the population grew by 1.6 percent. |
| Construction 480,900 sq. ft. | Deliveries planned for 2019 fall below last year's level, when 716,800 square feet of space opened in the market. |
| Vacancy down 40 bps | The metro's vacancy rate declines to 8.7 percent this year after rising 20 basis points during the prior annual period. |
| Rent up 2.0% | Falling availability helps lift the average asking rent up to $1.02 per square foot this year following a 1.0 percent dip in 2018. |

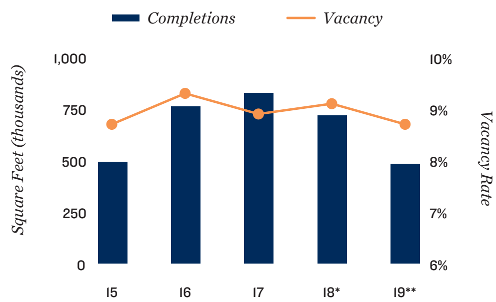
### Employment Trends



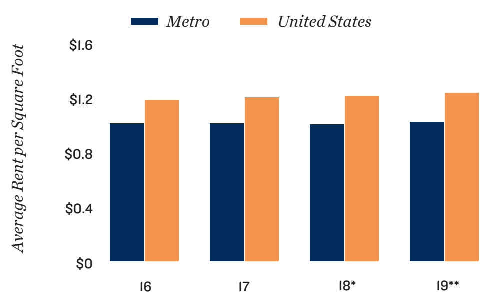

### Demographic Trends




### Supply and Demand Trends




### Rent Trends

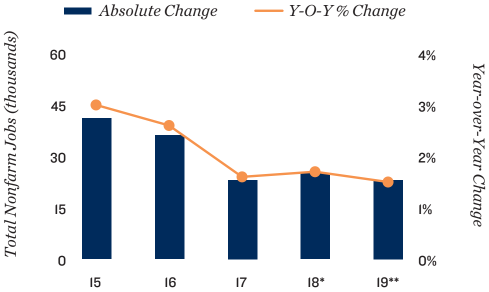



* Estimate; ** Forecast

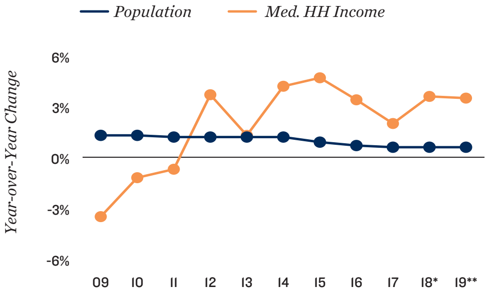
Sources: BLS; U.S. Census Bureau; Yardi Matrix; Union Realtime, LLC

# High Propensity to Rent Aids Self-Storage Demand

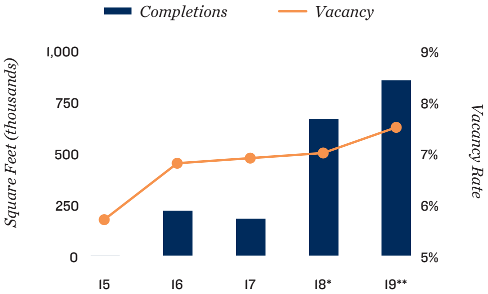
Employment Trends



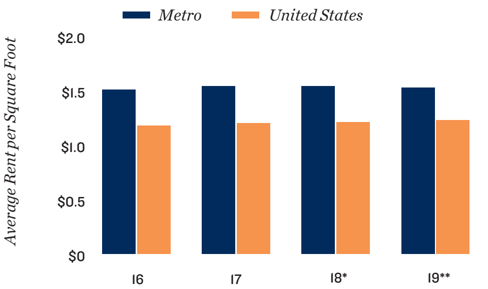

Demographic Trends




Supply and Demand Trends




Rent Trends




*Estimate; **Forecast

Sources: BLS; U.S. Census Bureau; Yardi Matrix; Union Realtime, LLC

## Economic Overview

Professional and business services firms led overall hiring in 2018, accounting for more than 15,000 of the total 25,000 jobs created that year. Schools, hospitals, doctors' offices and manufacturers together hired another 9,000 people, offsetting losses in other sectors. For 2019, expect the growing life sciences and technology industries in San Diego to support additional recruiting.

## Demographic Overview

The median household income will improve 3.5 percent in 2019, partially motivating the formation of 15,000 households. A 2.9 percent increase in the metro's median home price restrains many of these new households from owning a home, driving them toward apartments. A propensity to rent that is currently near 80 percent underscores demand for self-storage as apartments lack excess space to store large or seasonal belongings.

## Construction Overview

The development pipeline expands for the second year in a row as projects are underway north and east of the city of San Diego. Approximately 416,000 square feet will be delivered to the northern suburbs in 2019, along with an additional 236,500 square feet in Escondido. A pair of projects will also open in Santee and Spring Valley.

## Vacancy/Rent Overview

The highest number of completions observed so far this economic cycle adds upward pressure to vacancy, pushing the marketwide rate up 50 basis points in 2019. Asking rates, which held flat on average in 2018, will decline by less than 1.0 percent this year due to the added supply.

# 2019 Market Forecast

| | |
|---|---|
| Inventory | 20.7 million square feet and 6.1 square feet per capita |
| Employment up 1.5% | About 23,000 new jobs will come to the metro this year, following a 1.7 percent rate of employment growth in 2018. |
| Population up 0.6% | The number of San Diegans will grow by 19,100 people in 2019, expanding the population by 0.6 percent for the third straight year. |
| Construction 850,600 sq. ft. | The development pipeline expands after 663,600 square feet of storage space opened in 2018. The completion total for 2019 is the highest since 2003. |
| Vacancy up 50 bps | Multiple projects coming online around the same time moves the market's vacancy rate up to 7.5 percent after advancing 10 basis points last year. |
| Rent down 0.6% | The average asking rent will dip to $1.53 per square foot after staying at $1.54 per square foot in 2018. |

# Moderate Supply Additions Preserve Rents in Tacoma

## Economic Overview

Last year, over 30,000 new jobs were added in professional and business services as well as in trade, transportation and utilities, contributing to 65,000 total hires. That is the strongest year of employment growth since 1997. Job creation will moderate in 2019 while still outperforming the annual average for this economic cycle.

## Demographic Overview

Robust employment growth amid a tightening labor market has some companies looking outside the metro to recruit, drawing nearly 27,000 new residents to the area. Additional job opportunities are also supporting the formation of 26,000 households. Many of those households will live in apartments, as the typical home mortgage payment is nearly $1,500 higher than the average rent. That is the widest gap of any major city outside of California or New York.

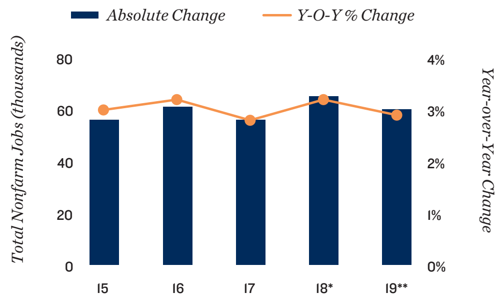
## Construction Overview

Completions this year within the city limits of Seattle total 1.9 million square feet - 1.5 million more than in 2018. The construction pipeline in Tacoma is also expanding, but by a more modest 238,000 square feet, for a total slate of 794,900 square feet.

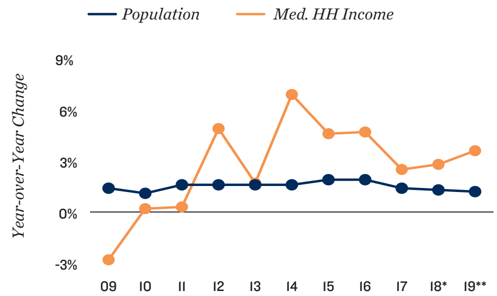
## Vacancy/Rent Overview

Additional construction activity weighs on operations, pushing the marketwide vacancy rate up 70 basis points this year. While rents are stable in Tacoma, declining asking rates in Seattle contribute to an overall contraction in the average monthly rent for the Seattle-Tacoma metro area.

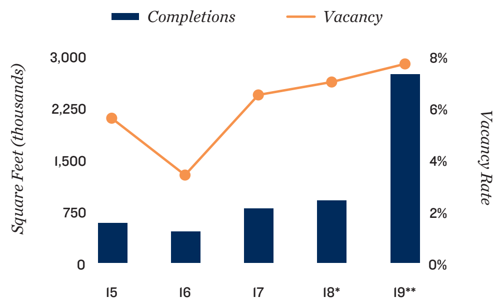
### Employment Trends



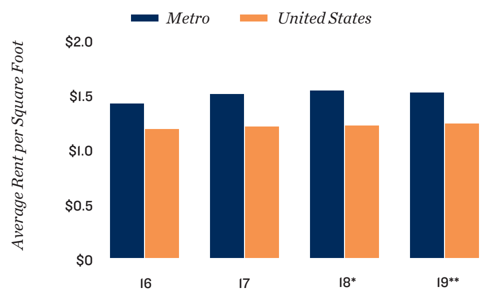

### Demographic Trends




### Supply and Demand Trends




### Rent Trends




* Estimate; ** Forecast

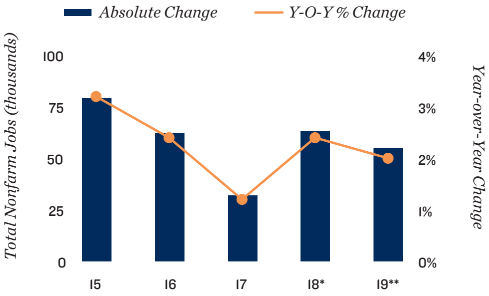
Sources: BLS; U.S. Census Bureau; Yardi Matrix; Union Realtime, LLC

# 2019 Market Forecast

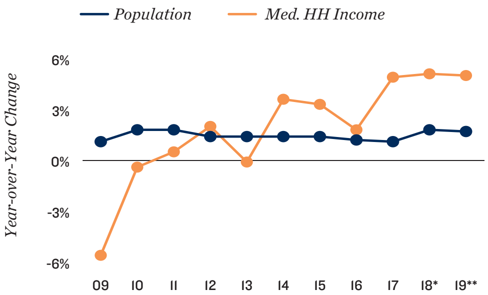
| | |
|---|---|
| Inventory | 32.7 million square feet and 8.2 square feet per capita |
| Employment up 2.9% | Seattle employers will create 60,000 jobs this year, setting a hiring pace that falls slightly below the 3.2 percent growth rate recorded in 2018. |
| Population up 1.2% | High levels of employment gains and relocations helps expand the metro's population by 48,300 individuals. |
| Construction 2.7 million sq. ft. | Completions reach 2.7 million square feet this year. In 2018, 902,500 square feet of space was delivered. |
| Vacancy up 70 bps | Supply pressures raise the vacancy rate to 7.7 percent, building on a 50-basis-point increase from the year before. |
| Rent down 1.3% | The average asking rent in Seattle falls 1.9 percent while remaining flat in Tacoma, for a combined drop in the metro average to $1.51 per square foot. Last year, monthly rates rose 2.0 percent. |

# Income Growth Spurs Storage Demand

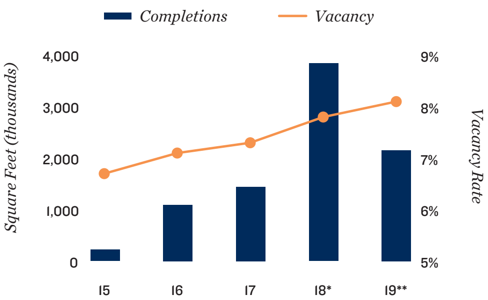
Employment Trends



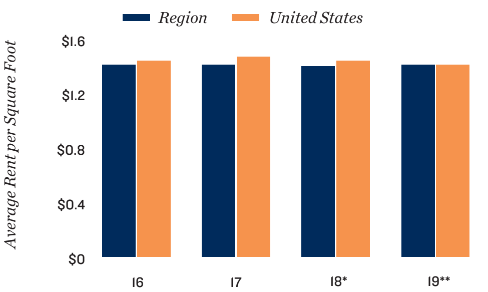

Demographic Trends




Supply and Demand Trends




Rent Trends




** Estimate; ** Forecast*

*Sources: BLS; U.S. Census Bureau; Yardi Matrix; Union Realtime, LLC*
*Southeast Florida encompasses Fort Lauderdale, Miami and West Palm Beach.*

## Economic Overview

Hiring across a diverse array of disciplines led to accelerated employment growth in southeastern Florida during 2018. Employers in Miami created the most jobs at 27,000 - about 5,000 more than in Fort Lauderdale and 13,000 more than in West Palm Beach. Falling unemployment in all three metros will modestly slow recruiting in 2019 to 55,000 new positions.

## Demographic Overview

West Palm Beach leads the region in relocations this year, supporting the formation of 21,000 households. Relatively high levels of net migration are also occurring in Miami and Fort Lauderdale, aiding above-national levels of household formation in these markets. Median incomes are growing between 4.8 and 5.2 percent in the three metros, contributing to a 4.8 percent increase in retail sales for the region.

## Construction Overview

The development pipeline contracts in all three markets this year, with the most additions going to Fort Lauderdale. The largest projects, each around 150,000 square feet in size, will open in Miami in mid-2019. About half of the deliveries to Palm Beach County will be in West Palm Beach, with Lake Park also welcoming over 100,000 square feet of new space.

## Vacancy/Rent Overview

The average asking rent in West Palm Beach appreciates for the third straight year but remains the lowest in the region. Monthly rates in Miami and Fort Lauderdale both declined in 2018 and are expected to fall again in 2019 for the latter market. Across the region, the average asking rent will improve by 0.7 percent.

# 2019 Market Forecast

| | |
|---|---|
| Inventory | 44.7 million square feet and 6.9 square feet per capita |
| Employment up 2.0% | Fort Lauderdale leads employment growth with a 2.2 percent increase. Employers expand staffs by 2.0 and 1.9 percent in Miami and West Palm Beach, respectively. |
| Population up 1.7% | West Palm Beach's population grows by 2.6 percent in 2019, followed by 1.7 percent in Fort Lauderdale and 1.3 percent in Miami. |
| Construction 2.2 million sq. ft. | Deliveries reach 929,460 square feet in Fort Lauderdale while completions total 788,490 square feet in Miami and 428,100 square feet in West Palm Beach. |
| Vacancy up 30 bps | The regional vacancy rate advances to 8.1 percent following a 50-basis-point jump last year. |
| Rent up 0.7% | The average asking rent in the region appreciates to $1.41 per square foot, led by a 3.0 percent gain in West Palm Beach. |

# Vacancy Slow to Recover in St. Louis Amid New Supply

## Economic Overview

Employers in the education and health services sector led hiring efforts in 2018, offsetting job losses in construction and the public sector. For 2019, expect another modest year of employment growth as unemployment lies under 3.3 percent.

## Demographic Overview

A 3.5 percent increase in median household income paired with continued job growth supports the formation of 9,000 households this year. A widening gap between the average apartment and mortgage payment will direct more of these new households to rent. As apartment living becomes more common in St. Louis, renters may have further need for storage units to compensate for smaller floorplans.

## Construction Overview

Self-storage deliveries drop below the five-year average in 2019 after nearly a half-decade of elevated construction. Between 2015 and 2018, the inventory of storage units in the market expanded by almost 1.5 million units. More than half of that supply was added in the past two years. Additions for this year are located primarily in the suburban areas of Ballwin and St. Peters.

## Vacancy/Rent Overview

The wave of openings in the market over the past four years has softened operations in the metro, raising the vacancy rate by triple digits during that span. Availability will advance further in 2019 despite a contracting development pipeline as recently completed facilities take time to stabilize. Fewer completions combined with positive underlying demand slows the rate of decline for asking rent growth to 2.0 percent.

## 2019 Market Forecast

**Inventory** — 13.6 million square feet and 4.8 square feet per capita

**Employment up 0.6%** — Job growth remains at 0.6 percent for the third straight year as 8,500 additional personnel are hired in 2019.

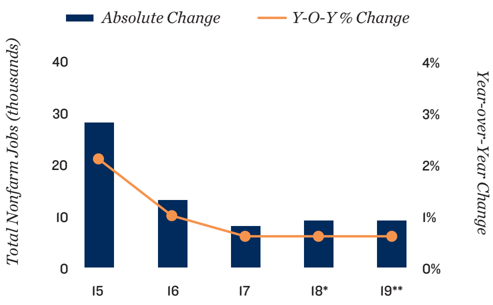
**Population up 0.1%** — The number of residents in the metro inches up by 3,130 people this year, about on par with 2018 and 2017.

**Construction 313,000 sq. ft.** — Approximately 55,000 fewer square feet are underway for completion in 2019 compared to last year. The highest number of annual deliveries recorded in this cycle was in 2017, when inventory grew by 604,000 square feet.

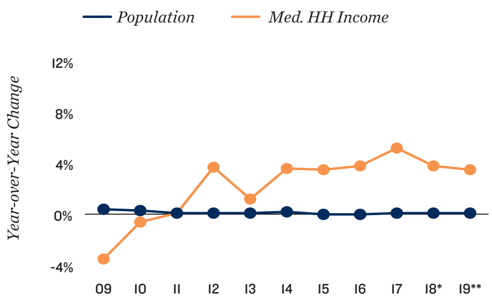
**Vacancy up 20 bps** — The vacancy rate rises to 10 percent this year, following a 30-basis-point increase last year.

**Rent down 2.0%** — The average asking rent drops to $0.96 per square foot. Last year, rents receded by 3.9 percent.

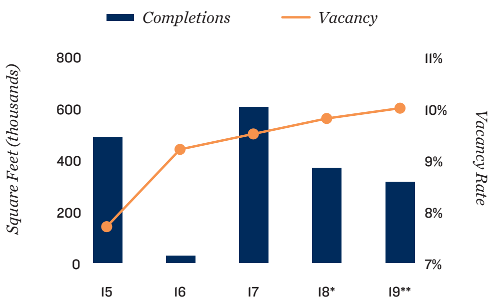
### Employment Trends



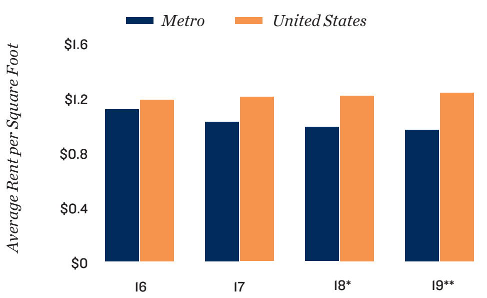

### Demographic Trends




### Supply and Demand Trends




### Rent Trends

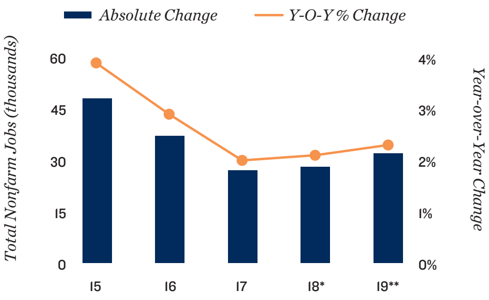



*Estimate; **Forecast

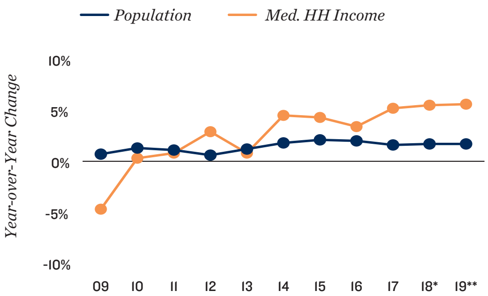
Sources: BLS; U.S. Census Bureau; Yardi Matrix; Union Realtime, LLC

# New Residents Use Self-Storage, Aid Rent Growth

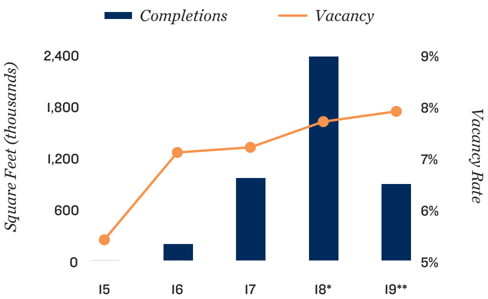
### Employment Trends



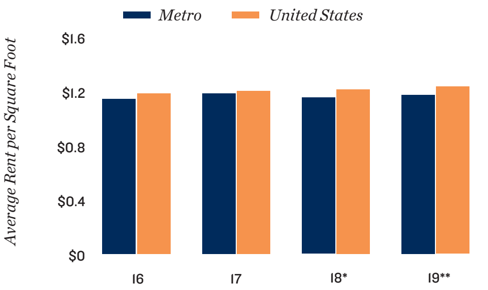

### Demographic Trends




### Supply and Demand Trends




### Rent Trends




** Estimate; ** Forecast*

*Sources: BLS; U.S. Census Bureau; Yardi Matrix; Union Realtime, LLC*

## Economic Overview

New jobs at doctors' offices, hospitals, hotels and other entertainment venues made up the majority of the 28,000 positions added to the Tampa area in 2018. An unemployment rate falling under 3.5 percent will not hinder recruiting as employers are expected to expand payrolls by 32,000 personnel in 2019.

## Demographic Overview

Tampa-St. Petersburg remains one of the most popular destinations in the country to relocate. A temperate climate, a lower cost of living, and numerous job opportunities will draw over 52,000 people to the metro in 2019. Migration into the market creates demand for self-storage units, as does a 5.4 percent increase in retail sales aided in part by a 5.6 percent rise in the median household income.

## Construction Overview

Construction activity slows to a three-year low after a record 2.4 million square feet of self-storage space opened in 2018. A little under half of deliveries will be in the cities of Tampa and Lutz, with other projects coming online in Dade City, Brandon, Tarpon Springs and elsewhere.

## Vacancy/Rent Overview

Fewer completions in 2019 lessens the competitive pressure on rents, enabling the average asking rate to advance by 1.7 percent after falling last year. The vacancy rate will approach 8 percent, though, as the wave of arrivals over the past three years takes time to fully lease.

# 2019 Market Forecast

**Inventory** — 27.5 million square feet and 8.5 square feet per capita

**Employment up 2.3%** — Employers bolster staffs at a faster rate than in 2018, when employment grew by 2.1 percent.

**Population up 1.7%** — More retirees and young professionals alike will call Tampa home in 2019, supporting a population increase of 52,000 people.

**Construction 886,000 sq. ft.** — The development pipeline contracts by 63 percent year over year as fewer than 1 million square feet of space opens in the market.

**Vacancy up 20 bps** — The arrival of 4.2 million square feet of inventory since 2016 leaves many units still on the market for lease, propping vacancy up to 7.9 percent. Last year, the vacancy rate rose 50 basis points.

**Rent up 1.7%** — Several new units on the market for leases contributes to a small uptick in the average asking rent, to $1.17 per square foot.

# Lower Rents Enable Vacancy Dip in Washington, D.C.

## Economic Overview

Our nation's Capital enters 2019 with a sub-3.3 percent unemployment rate, its lowest level in a decade, following the creation of 55,000 jobs last year. Law firms and other professional service providers accounted for about a third of hiring velocity. A tight labor market will hinder recruiting and slow employment growth this year.

## Demographic Overview

The net migration of over 14,600 individuals into the metro this year contributes to a shrinking local labor pool, aiding recruiters. Low unemployment is also facilitating wage gains, supporting a 2.2 percent rise in median household income and the creation of 34,000 households. Accompanying more households is a 3.9 percent increase in retail sales, which bodes well for self-storage demand.

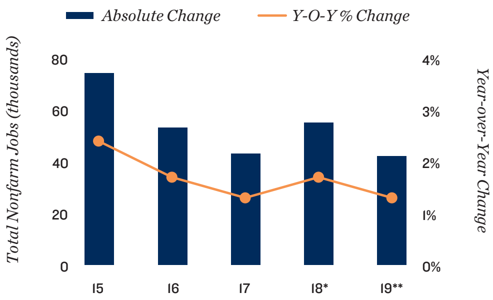
## Construction Overview

The development pipeline expands for the fourth consecutive year in 2019, as nearly 1.3 million square feet of space is slated for delivery in northern Virginia. Approximately 640,000 square feet will also come online in Maryland and the District, which is about 35,000 fewer square feet than what opened last year.

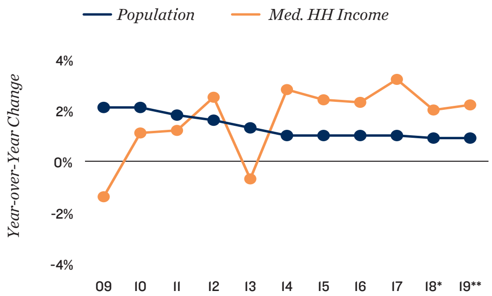
## Vacancy/Rent Overview

An uptick in completions will not weigh strongly on vacancy as the rate falls 20 basis points this year. Operations improve in large part due to a 2.1 decrease in the average asking rent. Monthly rates remain flat across D.C. and Maryland but drop by more than 3.0 percent in northern Virginia amid the larger construction pipeline.

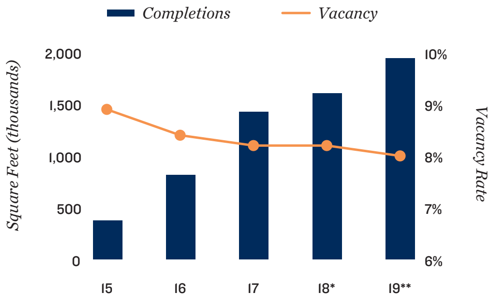
### Employment Trends



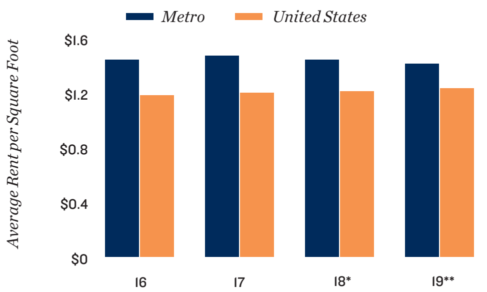

### Demographic Trends




### Supply and Demand Trends




### Rent Trends




## 2019 Market Forecast

**Inventory** — 32.2 million square feet and 5.1 square feet per capita

**Employment** up 1.3% — The metro's employment base expands by 42,000 new positions in 2019, building on a 1.7 percent gain from last year.

**Population** up 0.9% — The population of Washington, D.C. grows by 0.9 percent for the second straight year via the addition of 56,700 people.

**Construction** 1.9 million sq. ft. — A pair of EZ Storage facilities in Fairfax represent the largest deliveries for 2019. Last year, about 1.6 million square feet of new storage space came to Washington, D.C.

**Vacancy** down 20 bps — After holding at 8.2 percent for two years, vacancy drops to 8.0 percent in 2019, as lower asking rates encourage leasing activity.

**Rent** down 2.1% — The average asking rate drops to $1.41 per square foot, following a 2.0 percent decline in 2018.

*Estimate; ** Forecast

Sources: BLS; U.S. Census Bureau; Yardi Matrix; Union Realtime, LLC
Note: Vacancy metric covers the Washington-Arlington-Alexandria area.

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Statistical Summary Note: Metro-level employment, vacancy and effective rents are year-end figures and are based on the most up-to-date information available as of January 2019. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Sales data includes transactions valued at $1,000,000 and greater unless otherwise noted. Forecasts for employment and self-storage data are made during the fourth quarter and represent estimates of future performance. No representation, warranty or guarantee, express or implied may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guaranty regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.

Sources: Marcus & Millichap Research Services; American Council of Life Insurers; Blue Chip Economic Indicators; Bureau of Economic Analysis; Capital Economics; Commercial Mortgage Alert; CoStar Group, Inc.; Experian; Federal Reserve; Moody's Analytics; Real Capital Analytics; Standard & Poor's; The Conference Board; Trepp; TWR/Dodge Pipeline; U.S. Bureau of Labor Statistics; U.S. Census Bureau; U.S. Securities and Exchange Commission; U.S. Treasury Department; Union Realtime, LLC; Yardi Matrix; 2019 Self-Storage Almanac; National Federation of Independent Business

2019 U.S. Self-Storage Investment Forecast

| Market Name | Employment Growth | | | | Population Growth | | | | Completions (000s of Sq. Ft.) | | | | Vacancy Rate | | | | Asking Rent per Sq. Ft. | | | | Market Name |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2016 | 2017 | 2018* | 2019** | 2016 | 2017 | 2018* | 2019** | 2016 | 2017 | 2018* | 2019** | 2016 | 2017 | 2018* | 2019** | 2016 | 2017 | 2018* | 2019** | |
| Atlanta | 3.0% | 1.7% | 2.0% | 1.7% | 1.6% | 1.6% | 1.9% | 2.1% | 1,031 | 1,028 | 2,463 | 1,755 | 8.9% | 8.1% | 7.8% | 7.4% | $1.01 | $1.02 | $1.03 | $1.04 | Atlanta |
| Austin | 3.5% | 3.2% | 2.9% | 2.6% | 2.9% | 2.6% | 2.8% | 2.6% | 1,087 | 1,262 | 1,293 | 1,082 | 10.7% | 10.1% | 9.9% | 9.8% | $1.06 | $1.03 | $1.00 | $0.98 | Austin |
| Baltimore | 1.0% | 0.6% | 2.0% | 1.3% | 0.2% | 0.3% | 0.2% | 0.2% | 428 | 245 | 629 | 564 | 8.8% | 8.4% | 8.3% | 8.1% | $1.28 | $1.31 | $1.32 | $1.34 | Baltimore |
| Bay Area | 3.0% | 2.1% | 2.7% | 2.4% | 0.7% | 0.5% | 0.6% | 0.7% | 221 | 727 | 656 | 1,143 | 6.9% | 6.3% | 5.9% | 5.7% | $1.86 | $1.91 | $1.94 | $1.96 | Bay Area |
| Boston | 1.9% | 1.2% | 1.8% | 1.2% | 0.6% | 0.6% | 0.5% | 0.5% | 512 | 557 | 1,510 | 1,457 | 8.9% | 7.6% | 8.0% | 8.3% | $1.51 | $1.43 | $1.45 | $1.47 | Boston |
| Charlotte | 2.8% | 3.2% | 2.5% | 2.6% | 2.1% | 2.0% | 2.1% | 2.0% | 640 | 1,276 | 1,804 | 583 | 6.9% | 7.6% | 8.5% | 8.8% | $0.98 | $0.93 | $0.85 | $0.83 | Charlotte |
| Chicago | 1.0% | 0.6% | 0.7% | 0.6% | -0.1% | -0.1% | 0.1% | 0.1% | 1,957 | 1,555 | 1,691 | 642 | 8.7% | 9.0% | 9.5% | 9.3% | $1.06 | $1.04 | $1.03 | $1.06 | Chicago |
| Cincinnati | 1.7% | 0.4% | 1.8% | 1.6% | 0.5% | 0.7% | 0.5% | 0.4% | 234 | 381 | 198 | 262 | 7.9% | 8.6% | 8.3% | 8.6% | $0.88 | $0.88 | $0.87 | $0.86 | Cincinnati |
| Cleveland | 0.6% | 0.1% | 3.2% | 2.7% | -0.1% | -0.1% | -0.2% | -0.4% | 51 | 99 | 402 | 369 | 8.0% | 7.3% | 7.5% | 7.2% | $0.96 | $0.97 | $0.95 | $0.96 | Cleveland |
| Columbus | 2.5% | 1.0% | 2.1% | 1.9% | 1.3% | 1.5% | 1.1% | 1.0% | 169 | 64 | 933 | 81 | 8.4% | 8.1% | 8.4% | 8.0% | $0.81 | $0.86 | $0.87 | $0.89 | Columbus |
| Dallas/Fort Worth | 3.2% | 2.4% | 3.2% | 2.8% | 2.1% | 1.9% | 1.9% | 1.8% | 1,720 | 3,347 | 4,119 | 2,117 | 8.3% | 8.7% | 9.3% | 9.5% | $1.05 | $1.01 | $0.98 | $0.97 | Dallas/Fort Worth |
| Denver | 2.0% | 2.3% | 2.3% | 2.4% | 1.4% | 1.3% | 1.2% | 1.2% | 1,726 | 1,088 | 3,283 | 1,268 | 11.1% | 9.4% | 10.2% | 10.5% | $1.35 | $1.32 | $1.27 | $1.25 | Denver |
| Houston | 0.1% | 1.8% | 3.9% | 3.5% | 1.7% | 1.5% | 1.9% | 1.8% | 1,084 | 3,005 | 3,651 | 1,313 | 9.3% | 6.6% | 9.2% | 9.6% | $0.96 | $0.89 | $0.86 | $0.88 | Houston |
| Indianapolis | 1.5% | 1.3% | 2.3% | 2.3% | 1.0% | 1.1% | 1.0% | 0.9% | 380 | 133 | 1,165 | 424 | 7.6% | 7.6% | 7.8% | 7.5% | $0.82 | $0.84 | $0.82 | $0.83 | Indianapolis |
| Las Vegas | 2.7% | 2.6% | 3.5% | 3.2% | 2.2% | 2.3% | 2.4% | 2.5% | 224 | 191 | 315 | 478 | 5.3% | 5.0% | 4.7% | 4.5% | $0.86 | $0.97 | $1.02 | $1.06 | Las Vegas |
| Los Angeles | 1.8% | 1.4% | 1.2% | 1.1% | 0.2% | 0.1% | 0.2% | 0.2% | 40 | 88 | 449 | 1,040 | 5.1% | 6.0% | 6.4% | 7.1% | $1.78 | $1.89 | $1.92 | $1.94 | Los Angeles |
| Minneapolis-St. Paul | 1.4% | 1.4% | 1.8% | 1.5% | 1.1% | 1.2% | 0.9% | 0.8% | 405 | 363 | 1,110 | 1,353 | 8.8% | 8.5% | 8.8% | 9.2% | $1.15 | $1.19 | $1.18 | $1.17 | Minneapolis-St. Paul |
| Nashville | 3.7% | 2.2% | 1.7% | 1.6% | 2.1% | 1.7% | 1.8% | 1.7% | 62 | 617 | 1,358 | 912 | 11.4% | 8.3% | 8.5% | 8.3% | $1.14 | $1.17 | $1.13 | $1.14 | Nashville |
| New Haven-Fairfield County | -0.3% | -0.4% | 0.8% | 0.6% | 0.0% | 0.1% | 0.0% | 0.0% | 393 | 528 | 849 | 153 | 8.7% | 7.9% | 8.0% | 7.8% | $1.14 | $1.18 | $1.17 | $1.20 | New Haven-Fairfield County |
| New York City | 1.8% | 1.9% | 1.5% | 1.2% | 0.2% | 0.1% | 0.5% | 0.4% | 455 | 860 | 1,186 | 1,525 | 8.4% | 7.4% | 6.6% | 6.0% | $2.49 | $2.51 | $2.60 | $2.66 | New York City |
| Orange County | 2.6% | 2.0% | 1.2% | 1.0% | 0.4% | 0.3% | 0.1% | 0.2% | 750 | 318 | 383 | 324 | 5.1% | 6.0% | 6.4% | 7.1% | $1.61 | $1.62 | $1.69 | $1.77 | Orange County |
| Orlando | 4.1% | 3.1% | 3.9% | 4.9% | 2.5% | 2.5% | 3.0% | 2.9% | 405 | 813 | 1,306 | 1,184 | 7.8% | 7.7% | 8.0% | 8.2% | $1.00 | $1.07 | $1.05 | $1.04 | Orlando |
| Philadelphia | 1.6% | 1.2% | 1.6% | 1.2% | 0.2% | 0.3% | 0.2% | 0.1% | 377 | 1,283 | 1,338 | 451 | 7.3% | 6.7% | 6.3% | 6.0% | $1.19 | $1.19 | $1.18 | $1.21 | Philadelphia |
| Phoenix | 2.7% | 2.7% | 4.4% | 3.8% | 2.0% | 1.9% | 2.1% | 2.2% | 457 | 1,528 | 1,468 | 2,083 | 7.8% | 8.3% | 7.4% | 7.2% | $0.96 | $1.04 | $1.06 | $1.09 | Phoenix |
| Portland | 2.5% | 2.4% | 1.9% | 1.6% | 1.5% | 1.2% | 1.1% | 1.0% | 246 | 483 | 1,185 | 1,349 | 8.1% | 8.2% | 8.4% | 8.8% | $1.58 | $1.53 | $1.50 | $1.47 | Portland |
| Raleigh | 3.0% | 1.5% | 3.8% | 3.1% | 2.2% | 2.1% | 2.4% | 2.6% | 341 | 1,075 | 1,426 | 902 | 9.0% | 10.7% | 11.2% | 11.0% | $0.99 | $0.97 | $0.94 | $0.92 | Raleigh |
| Riverside-San Bernardino | 2.3% | 3.9% | 3.2% | 2.6% | 1.2% | 1.2% | 0.9% | 0.7% | 144 | 91 | 478 | 224 | 5.3% | 5.8% | 6.0% | 5.9% | $1.00 | $1.08 | $1.10 | $1.13 | Riverside-San Bernardino |
| Sacramento | 2.5% | 2.5% | 1.2% | 1.7% | 1.3% | 1.0% | 0.6% | 0.6% | - | 274 | 481 | 279 | 3.8% | 7.4% | 7.5% | 7.4% | $1.32 | $1.38 | $1.37 | $1.41 | Sacramento |
| Salt Lake City | 3.2% | 2.9% | 3.0% | 3.2% | 2.1% | 1.7% | 1.6% | 1.4% | 145 | 139 | 960 | 1,020 | 7.4% | 7.7% | 8.2% | 8.8% | $0.95 | $0.99 | $0.96 | $0.93 | Salt Lake City |
| San Antonio | 2.8% | 2.1% | 1.0% | 0.8% | 1.9% | 1.8% | 1.6% | 1.5% | 758 | 824 | 717 | 481 | 9.3% | 8.9% | 9.1% | 8.7% | $1.01 | $1.01 | $1.00 | $1.02 | San Antonio |
| San Diego | 2.6% | 1.6% | 1.7% | 1.5% | 0.7% | 0.6% | 0.6% | 0.6% | 218 | 177 | 664 | 851 | 6.8% | 6.9% | 7.0% | 7.5% | $1.51 | $1.54 | $1.54 | $1.53 | San Diego |
| Seattle-Tacoma | 3.2% | 2.8% | 3.2% | 2.9% | 1.9% | 1.4% | 1.3% | 1.2% | 450 | 786 | 902 | 2,724 | 3.4% | 6.5% | 7.0% | 7.7% | $1.41 | $1.50 | $1.53 | $1.51 | Seattle-Tacoma |
| Southeast Florida | 3.2% | 2.4% | 1.2% | 2.4% | 1.2% | 1.1% | 1.8% | 1.7% | 1,090 | 1,440 | 3,833 | 2,146 | 7.1% | 7.3% | 7.8% | 8.1% | $1.41 | $1.41 | $1.40 | $1.41 | Southeast Florida |
| St. Louis | 1.0% | 0.6% | 0.6% | 0.6% | 0.0% | 0.1% | 0.1% | 0.1% | 27 | 604 | 367 | 313 | 9.2% | 9.5% | 9.8% | 10.0% | $1.11 | $1.02 | $0.98 | $0.96 | St. Louis |
| Tampa-St. Petersburg | 2.9% | 2.0% | 2.1% | 2.3% | 2.0% | 1.6% | 1.7% | 1.7% | 189 | 958 | 2,375 | 886 | 7.1% | 7.2% | 7.7% | 7.9% | $1.14 | $1.18 | $1.15 | $1.17 | Tampa-St. Petersburg |
| Washington, D.C. | 1.7% | 1.3% | 1.7% | 1.3% | 1.0% | 1.0% | 0.9% | 0.9% | 814 | 1,423 | 1,602 | 1,938 | 8.4% | 8.2% | 8.2% | 8.0% | $1.44 | $1.47 | $1.44 | $1.41 | Washington, D.C. |
| United States | 1.6% | 1.5% | 1.7% | 1.3% | 0.7% | 0.7% | 0.7% | 0.6% | 28,753 | 42,673 | 68,680 | 48,753 | 9.3% | 9.6% | 10.0% | 10.3% | $1.18 | $1.20 | $1.21 | $1.23 | United States |

* Estimate ** Forecast, See Statistical Summary Note on Page 48

* Estimate ** Forecast, See Statistical Summary Note on Page 48

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