

# INVESTMENT FORECAST

Marcus & Millichap

## SELF-STORAGE

Orange County Metro Area

2019

### Median Income Growth Underpins Self-Storage Demand

#### 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

- 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%

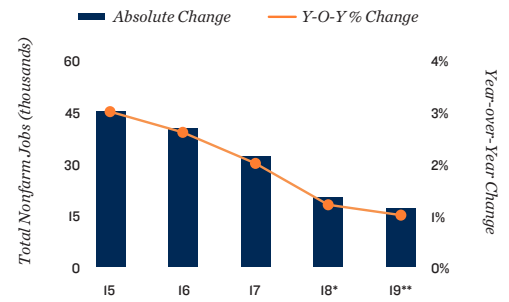
Population growth in 2019 falls below 5,000 residents for a second straight year.
- Construction 324,000 sq. ft.

The volume of new supply delivered this year dips slightly following the completion of 382,000 square feet in 2018.
- Vacancy up 70 bps

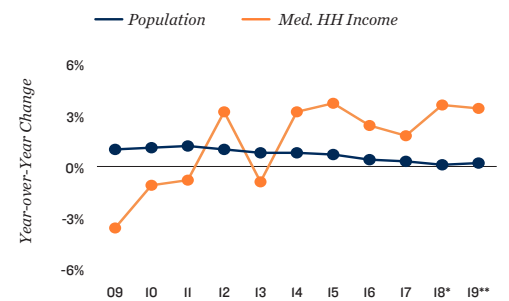
Spanning the past six quarters, availability in the Los Angeles-Long Beach-Anaheim mega market rose 190 basis points. This year, vacancy further increases, reaching 7.1 percent.
- Rent up 4.7%

Average rent in Orange County advances by more than 4 percent for a second consecutive year, reaching \$1.77 per square foot.

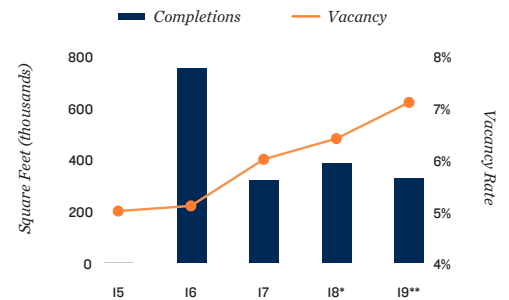
#### Employment Trends



#### Demographic Trends



#### Supply and Demand Trends



\* Estimate; \*\* Forecast  
Sources: CoStar Group, Inc.; Real Capital Analytics

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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.