

INVESTMENT FORECAST

Marcus & Millichap

SELF-STORAGE

Salt Lake City Metro Area

2019

Construction Overshadows Demand to Raise Vacancy

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

- 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%

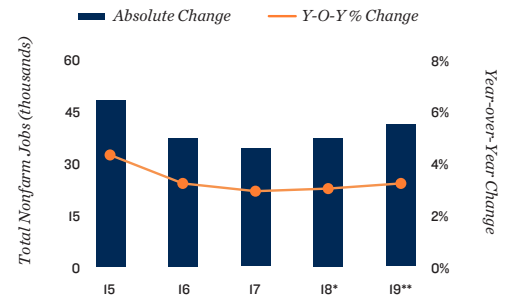
An expanding younger population contributes to an overall increase in the market's residential base by 36,800 individuals. In 2018, the population grew by 1.6 percent.
- Construction 1.0 million sq. ft.

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

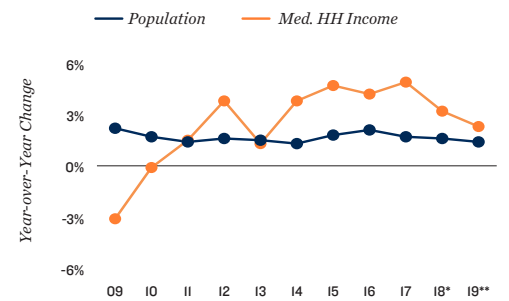
The addition of nearly 2 million square feet of self-storage space over two years will drive the vacancy rate up to 8.8 percent. Last year, availability rose 50 basis points.
- Rent down 3.1%

The average asking rent drops to \$0.93 per square foot, nearly matching the 3.0 percent decline posted last year.

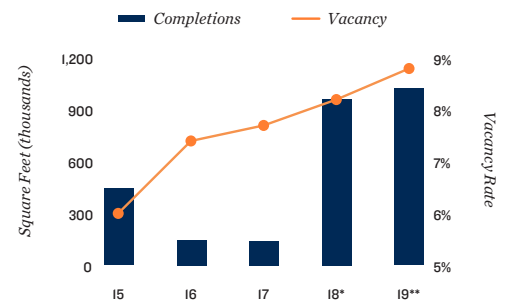
Employment Trends



Demographic Trends



Supply and Demand Trends



* Estimate; ** Forecast;

Sources: CoStar Group, Inc.; Real Capital Analytics

Salt Lake City Office:

Phil Brierley Regional Manager
 111 South Main Street, Suite 500
 Salt Lake City, UT 84111
 (801) 736-2600 | phil.brierley@marcusmillichap.com

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.