

Self-Storage Research

2018 INVESTMENT FORECAST

Los Angeles Metro Area

Pockets of Development Minimally Impact Vacancy

Economic Overview

Four employment sectors each added more than 7,000 workers in 2017, fueling the creation of 46,700 jobs. A boost in construction positions was supported by the metro's high volume of infrastructure, apartment and office developments. This year, hiring velocity is more diverse, led by an increase in retail, health, tech and financial job openings.

Demographic Overview

The metro's stock of higher-paying job opportunities is steadily driving incomes, influencing the formation of 38,000 more households in 2018. This increase supports overall population growth as millennial relocations slow. The influx of new apartments and office space bodes well for retail sales and underlying self-storage demand, namely in Downtown Los Angeles and Westside Cities.

Construction Overview

For a metro of its size, Los Angeles County will see largely subdued development activity this year with total inventory on pace to expand just 2.1 percent. Of the 647,000 square feet slated for delivery in 2018, most is in the South Bay or South Los Angeles, with minimal finalizations in either downtown Los Angeles or Westside Cities.

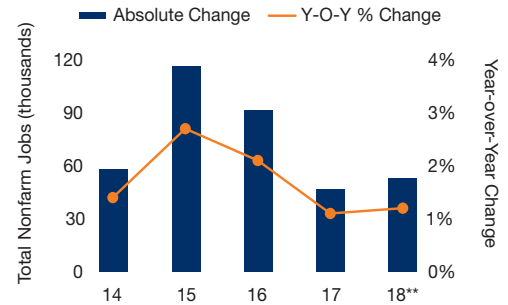
Vacancy/Rent Overview

A lack of new space during the past two years allowed vacancy to hover in the low-5 percent range. In 2018, a slight uptick will be witnessed as the metro's vacancy rate reaches 5.4 percent. Limited availability continues to warrant rate gains with operators increasing the average rent by nearly 4 percent this year.

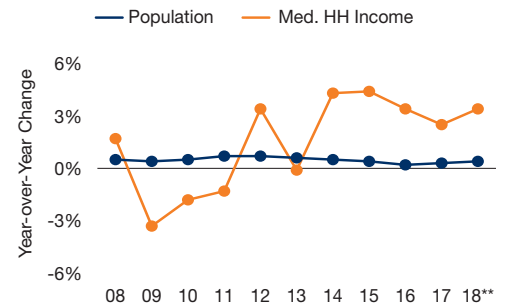
2018 Market Forecast

- Employment** up 1.2% Amid historically low unemployment, organizations will create 53,000 jobs in 2018, a 1.2 percent bump. In 2017, an increase of 1.1 percent occurred.
- Population** up 0.4% Los Angeles' population grows at its fastest pace in three years, swelling by nearly 38,000 residents. Last year, a 0.3 percent gain was registered.
- Construction** 647,000 sq. ft. Developers complete a five-year high volume of space in 2018 as 647,000 square feet is finalized. Last year witnessed the delivery of 275,000 square feet.
- Vacancy** up 30 bps After being relatively unchanged the past two years, vacancy will inch up 30 basis points to 5.4 percent in 2018.
- Rent** up 3.9% Los Angeles County experiences a second straight year of healthy rate growth with the average rent climbing 3.9 percent to \$1.85 per square foot.

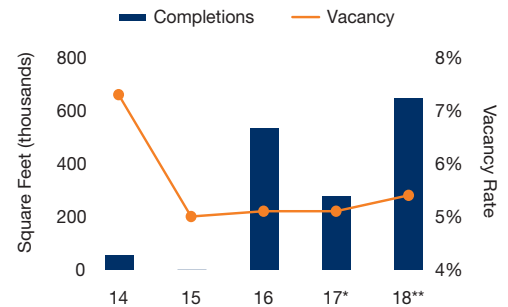
Employment Trends



Demographic Trends



Supply and Demand Trends



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

Los Angeles

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