

INVESTMENT FORECAST

Marcus & Millichap

SELF-STORAGE

Los Angeles Metro Area

2019

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

- 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%

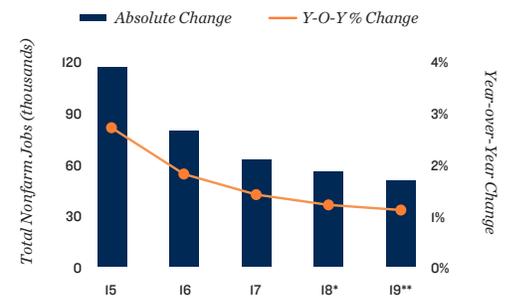
Los Angeles' population expands by 24,400 residents in 2019, the largest annual gain in the past four years.
- Construction** 1 million sq. ft.

Year-over-year delivery volume advances by nearly 600,000 square feet in the metro, reaching a cycle-high level.
- Vacancy** up 70 bps

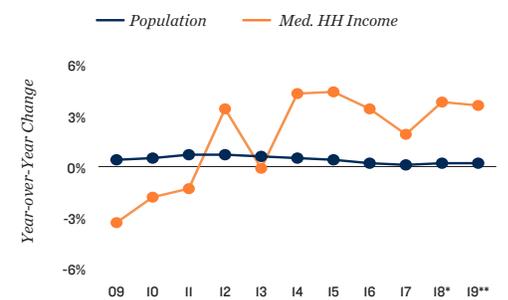
Spanning the past six quarters, availability in the Los Angeles-Long-Beach-Anaheim mega market rose 190 basis points. This year, vacancy further jumps, reaching 7.1 percent.
- Rent** up 1.0%

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.

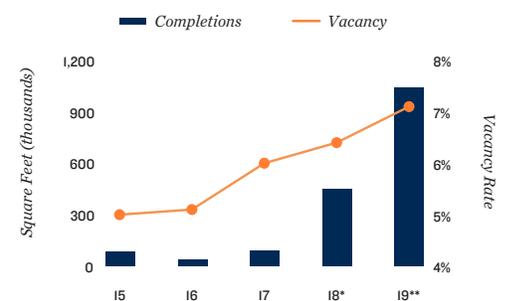
Employment Trends



Demographic Trends



Supply and Demand Trends



* 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.