

INVESTMENT FORECAST

Marcus & Millichap

SELF-STORAGE

Seattle-Tacoma Metro Area

2019

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.

2019 Market Forecast

- 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%

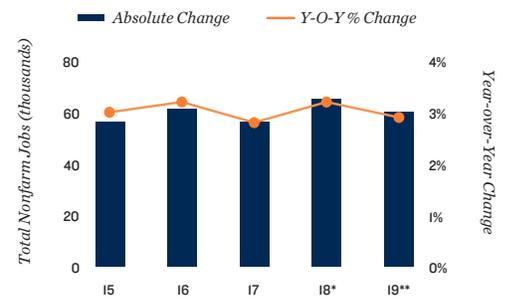
High levels of employment gains and relocations helps expand the metro's population by 48,300 individuals.
- Construction**
2.7 million sq. ft.

Completions reach 2.7 million square feet this year. In 2018, 902,500 square feet of space was delivered.
- Vacancy**
up 70 bps

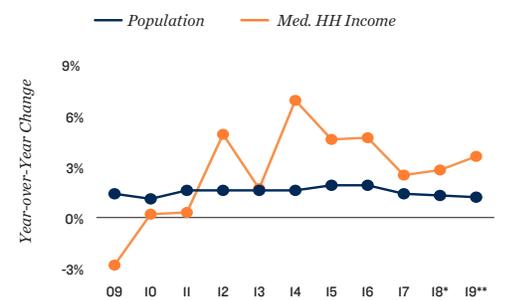
Supply pressures raise the vacancy rate to 7.7 percent, building on a 50-basis-point increase from the year before.
- Rent**
down 1.3%

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.

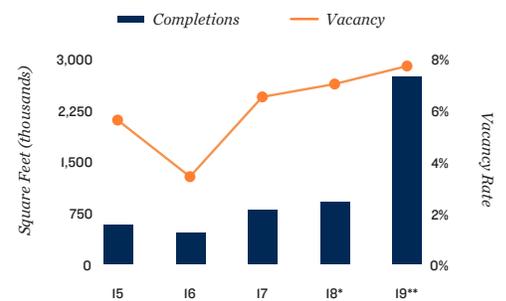
Employment Trends



Demographic Trends



Supply and Demand Trends



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

Seattle Office:

Joel Deis Vice President/Regional Manager
Two Union Square, 601 Union Street, Suite 2710
Seattle, WA 98101
(206) 826-5700 | joel.deis@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.