

INVESTMENT FORECAST

Marcus & Millichap

SELF-STORAGE

Bay Area

2019

Deliveries Elevate Amid Lack of Available Space

Economic Overview

The strength of the Bay Area's professional and business services sector continues to support overall hiring velocity, resulting in the addition of 42,000 traditional office positions in 2018. Robust job creation within the industry persists in 2019, supporting a 2.4 percent boost in the region's overall employment base. San Jose represents the primary driver of Bay Area employment growth this year as payrolls expand by 40,000 positions in the metro, accounting for nearly half of the jobs added in the region.

Demographic Overview

Positive net migration and a wealth of higher-paying job opportunities spur the formation of 28,000 households throughout the region in 2019. The Oakland metro welcomes 12,000 new households, as many residents gravitate to the region's most affordable locale. In San Francisco and San Jose, median income growth of more than 5 percent supports similar increases in retail spending this year.

Construction Overview

This year, more than 1 million square feet of self-storage space will be completed for the first time since 2004. The San Jose metro drives the overall increase in regionwide construction activity, accounting for 561,000 square feet of new supply in 2019.

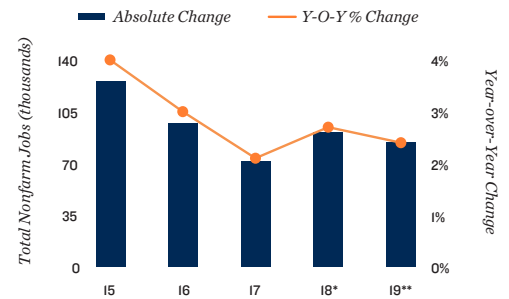
Vacancy/Rent Overview

Rising incomes and consistent population growth generate solid demand for self-storage space in 2019, allowing vacancy in the Bay Area to reach its lowest level in the past four years. Fewer vacant units supports positive average asking rate growth this year, although the influx of new supply will slow the rate of increase as the several newly opened properties provide concessions to draw tenants during the stabilization process.

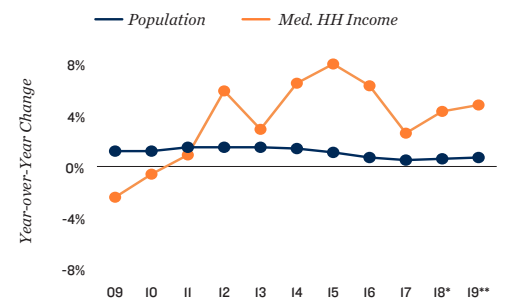
2019 Market Forecast

- Employment**  Hiring velocity is consistent on a year-over-year basis in each of the three metros that comprise the Bay Area, equating to the creation of 84,000 positions.
 - up 2.4%
- Population**  The region's population expands by more than 43,000 people in 2019. The Oakland metro accounts for 19,700 of these residents.
 - up 0.7%
- Construction**  Year-over-year delivery volume nearly doubles following the finalization of 656,000 square feet of self-storage space in 2018. Most underway projects complete in 2019.
 - 1.1 million sq. ft.
- Vacancy**  After compressing by 100 basis points over the past two years, the region's vacancy rate falls slightly to 5.7 percent in 2019.
 - down 20 bps
- Rent**  Average asking rent in the Bay Area rises nominally to \$1.96 per square foot as rent growth slows in all three of the region's metros.
 - up 1.0%

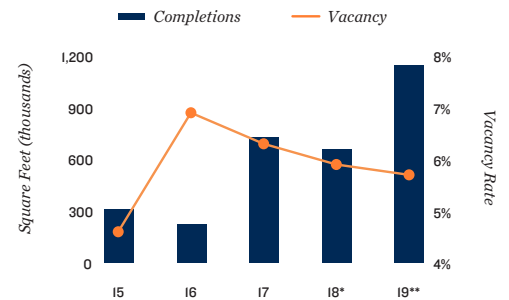
Employment Trends



Demographic Trends



Supply and Demand Trends



* Estimate; ** Forecast;

Sources: CoStar Group, Inc.; Real Capital Analytics

The Bay Area region encompasses San Francisco, San Jose, and Oakland.

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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.