

INVESTMENT FORECAST

Marcus & Millichap

SELF-STORAGE

Riverside-San Bernardino Metro Area

2019

Rent Growth Accelerates Amid Minimal Supply Additions

Economic Overview

Multiple Inland Empire employment sectors added jobs in 2018, for a net total of 47,000 new positions. About 9,000 of those roles were in traditionally office-using professions, for a 4.4 percent annual expansion rate. Job growth in 2019 will fall just under that level as a tightening labor market constrains hiring efforts.

Demographic Overview

Employment growth that is double the national pace supports both positive net migration and the formation of 21,000 households this year. Many of these newly formed households will elect to rent, given the rising cost of homeownership. Home prices appreciated about twice as much as incomes in 2018.

Construction Overview

The market's self-storage inventory will expand by less than 1 percent this year after 477,500 square feet were delivered in 2018. Completions are primarily in Murrieta, Victorville and Palm Springs. About two thirds of the 2019 pipeline represent expansions to existing properties.

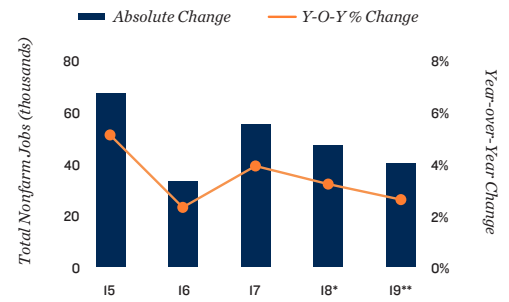
Vacancy/Rent Overview

Vacancy will drop for the first time in two years, enabled by less new supply. The marketwide rate had fallen as low as 5.3 percent in 2016 before rising. Fewer arrivals paired with lower availability is prompting asking rates to increase by 2.7 percent, 80 basis points higher than in 2018.

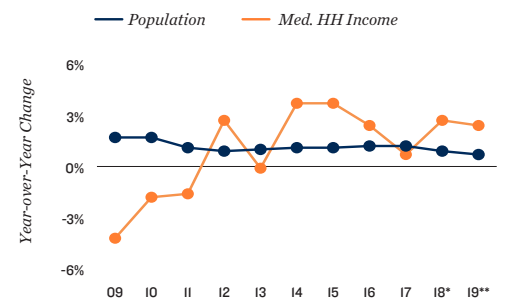
2019 Market Forecast

- Employment up 2.6%
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 Payrolls expand by 40,000 individuals in 2019. Employment grew by 3.2 percent last year.
- Population up 0.7%
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 Riverside-San Bernardino will have about 31,200 more residents in 2019 than in 2018, a modest increase for an area with a population of over 4.6 million.
- Construction 225,000 sq. ft.
↓
 Completions for 2019 total 225,000 square feet of space, well below delivery levels from the early 2000s, when as much as 2.2 million square feet were delivered within a single year.
- Vacancy down 10 bps
↓
 The vacancy rate dips 10 basis points to 5.9 percent in 2019 following a 20-basis-point increase from the year prior.
- Rent up 2.7%
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 The average asking rate advances to \$1.13 per square foot, building on a 1.9 percent growth rate from 2018.

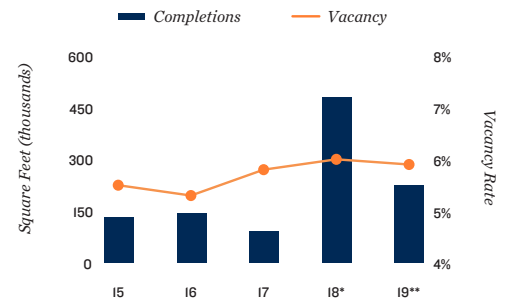
Employment Trends



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.