

INVESTMENT FORECAST

Marcus & Millichap

SELF-STORAGE

San Diego Metro Area

2019

High Propensity to Rent Aids Self-Storage Demand

Economic Overview

Professional and business services firms led overall hiring in 2018, accounting for more than 15,000 of the total 25,000 jobs created that year. Schools, hospitals, doctors' offices and manufacturers together hired another 9,000 people, offsetting losses in other sectors. For 2019, expect the growing life sciences and technology industries in San Diego to support additional recruiting.

Demographic Overview

The median household income will improve 3.5 percent in 2019, partially motivating the formation of 15,000 households. A 2.9 percent increase in the metro's median home price restrains many of these new households from owning a home, driving them toward apartments. A propensity to rent that is currently near 80 percent underscores demand for self-storage as apartments lack excess space to store large or seasonal belongings.

Construction Overview

The development pipeline expands for the second year in a row as projects are underway north and east of the city of San Diego. Approximately 416,000 square feet will be delivered to the northern suburbs in 2019, along with an additional 236,500 square feet in Escondido. A pair of projects will also open in Santee and Spring Valley.

Vacancy/Rent Overview

The highest number of completions observed so far this economic cycle adds upward pressure to vacancy, pushing the marketwide rate up 50 basis points in 2019. Asking rates, which held flat on average in 2018, will decline by less than 1.0 percent this year due to the added supply.

2019 Market Forecast

- Employment** up 1.5%

About 23,000 new jobs will come to the metro this year, following a 1.7 percent rate of employment growth in 2018.
- Population** up 0.6%

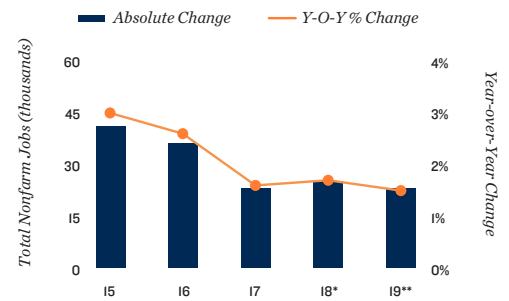
The number of San Diegans will grow by 19,100 people in 2019, expanding the population by 0.6 percent for the third straight year.
- Construction** 850,600 sq. ft.

The development pipeline expands after 663,600 square feet of storage space opened in 2018. The completion total for 2019 is the highest since 2003.
- Vacancy** up 50 bps

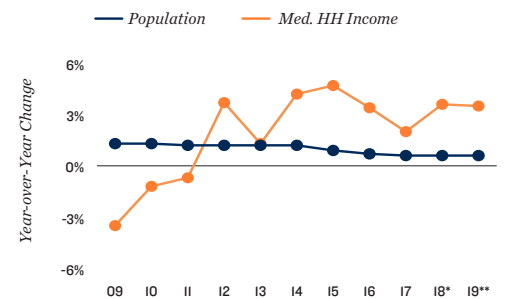
Multiple projects coming online around the same time moves the market's vacancy rate up to 7.5 percent after advancing 10 basis points last year.
- Rent** down 0.6%

The average asking rent will dip to \$1.53 per square foot after staying at \$1.54 per square foot in 2018.

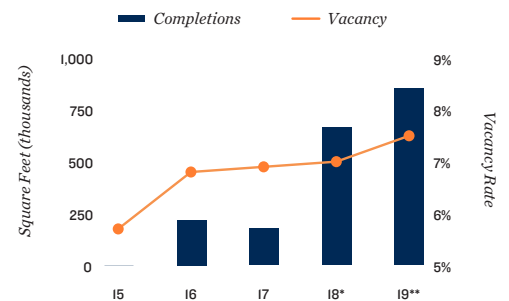
Employment Trends



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.