

INVESTMENT FORECAST

Marcus & Millichap

SELF-STORAGE

Denver Metro Area

2019

Consistent Net Migration Prolongs Influx of New Supply

Economic Overview

Denver's employment base grew by more than 30,000 positions during each of the past two years, holding unemployment below 3 percent. In 2019, job creation improves, as organizations recruit with increased frequency, bolstering payrolls by 36,000 workers. Of these jobs, 30 percent will be traditional office positions.

Demographic Overview

A wealth of higher-paying job opportunities coupled with a limited stock of skilled workers makes Denver a top locale in the Mountain region for relocations in 2019. An influx of new residents translates to another year of consistent net migration for the metro. This inflow coupled with median income growth of 3.2 percent spurs the formation of 20,000 households for a second consecutive year. Wage growth and an increasing populace bode well for annual retail spending, which is slated to rise 4.1 percent this year.






Construction Overview

The past three years have represented a historic period for self-storage construction in Denver, highlighted by the finalization of 3.3 million square feet of space in 2018. This span of above-average self-storage development persists this year, albeit at a more subdued pace, as developers complete 1.3 million square feet of space. The city of Aurora accounts for more than 300,000 square feet of this new supply.

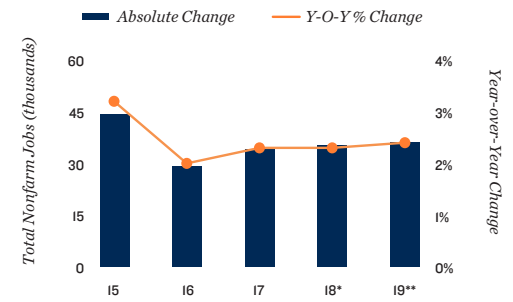
Vacancy/Rent Overview

Elevated construction has added upward pressure to vacancy, prompting asking rents to drop so more units can be filled. This trend persists in 2019, as the average rent declines to \$1.25 per square foot. These discounts will hold vacancy to 10.5 percent this year.

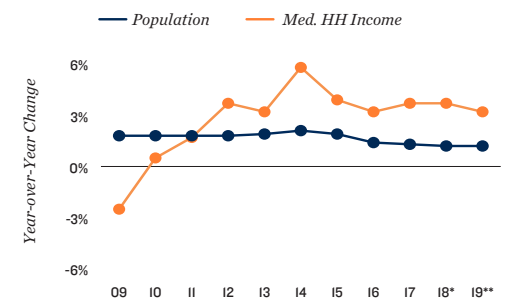
2019 Market Forecast

- Employment** up 2.4%  Job creation reaches a four-year high, as employers bolstered staffs by 36,000 positions in 2019. Last year, Denver's employment base grew 2.3 percent.
- Population** up 1.2%  In 2018, the metro's population expanded by 36,200 people, a 1.2 percent increase. This year, the metro is expected to add another 34,800 residents.
- Construction** 1.3 million sq. ft.  After completing a cycle-high volume of new supply in 2018, annual delivery volume drops by 2 million square feet this year.
- Vacancy** up 30 bps  Self-storage completions eclipse 1 million square feet for a fourth straight year, pushing Denver's vacancy rate to 10.5 percent.
- Rent** down 1.6%  The metro's average rent declines for a third straight year, falling to \$1.25 per square foot.

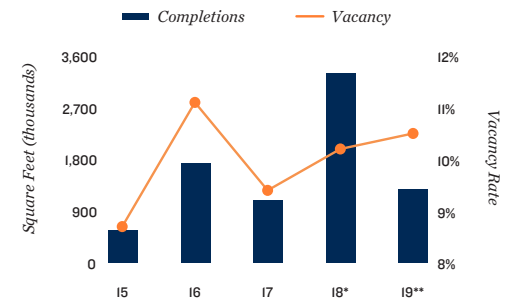
Employment Trends



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.