

INVESTMENT FORECAST

Marcus & Millichap

SELF-STORAGE

Portland Metro Area

2019

Cycle-High Development Weighs on Rent Growth

Economic Overview

The establishment of 22,000 new jobs in 2018 helped move Portland's unemployment rate to a historically low level. In 2019, employers will bolster staffs by 19,000 positions. A year-over-year improvement in the number of traditional office workers will be witnessed, accounting for more than 20 percent of total employment growth this year.

Demographic Overview

An uptick in higher-paying job creation supports a sixth straight year of 4 percent-plus median income growth. These factors encourage the formation of 16,000 households, including some relocations to the metro. Positive net migration in 2019 coupled with strong income growth allow for a third consecutive year of robust retail spending, as annual consumer sales rise 6.1 percent in 2019, nearly double the national rate of increase.

Construction Overview

Completions ramped up last year, bringing 1.2 million square feet of space to market. This volume eclipsed the delivery total from the previous seven years combined. In 2019, self-storage construction remains elevated, as the metro is on pace to receive an additional 1.3 million square feet of space.

Vacancy/Rent Overview

Back-to-back years of heightened delivery volume will minimally increase self-storage availability in Portland, as the metro's vacancy rate reaches 8.8 percent in 2019 following a 20-basis-point uptick last year. The influx of new supply might require more discounts in select submarkets, lowering Portland's average asking rent to \$1.47 per square foot.

2019 Market Forecast

- Employment** up 1.6%

Portland employers expand the local employment base at a slower pace this year, adding 19,000 positions. In 2018, a 1.9 percent rise was registered.
- Population** up 1.0%

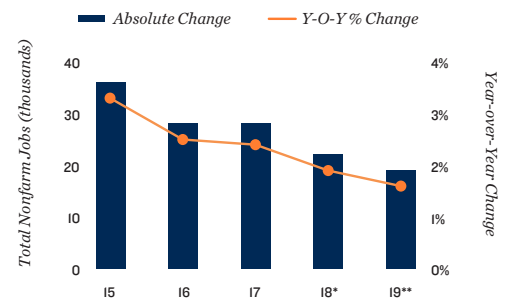
The metro's populace increases by 24,300 residents in 2019, showing steady growth following last year's gain of 1.1 percent.
- Construction** 1.3 million sq. ft.

More than 1 million square feet of self-storage space will be completed for a second straight year. Nearly half of this year's delivery volume is concentrated in Portland and Vancouver.
- Vacancy** up 40 bps

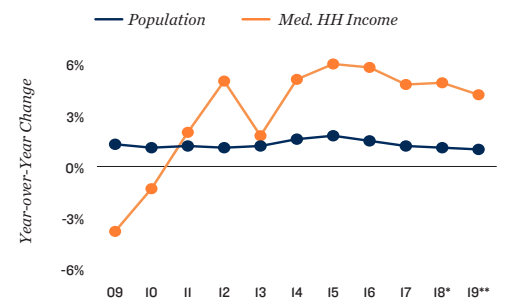
Metro vacancy rises for a second straight year amid an inflow of new supply, reaching a six-year high of 8.8 percent.
- Rent** down 2.0%

An increase in discounted rates lowers Portland's average rent to \$1.47 per square foot, representing a third straight year of decline.

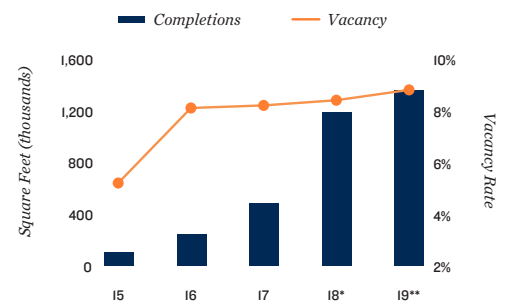
Employment Trends



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.