

# INVESTMENT FORECAST

Marcus & Millichap

## SELF-STORAGE

Phoenix Metro Area

2019

## Stout Net Migration Supports Flood of New Space

### Economic Overview

The employee base in Phoenix expanded by 4.4 percent, or nearly 90,000 positions, in 2018, ranking the metro as the nation's top market for annual employment growth. Job creation was diverse, as the professional service, construction and education and health industries each added at least 10,000 workers. Widespread hiring velocity persists in 2019, as employers grow staffs by an additional 80,800 individuals.

### Demographic Overview

A wealth of varying job opportunities and a more affordable cost of living than West Coast metros has made Phoenix a top spot nationally for relocations. In 2019, net migration totals 80,000 individuals, representing a cycle high for the metro. The inflow of new households and millennials, coupled with median income growth, bodes well for retail spending, which is slated to increase by 5.5 percent this year.

### Construction Overview

After the completion of 1.5 million square feet of self-storage space during each of the previous two years, annual development activity increases in 2019, with 2.1 million square feet slated to open. Upcoming deliveries are concentrated east of the 101 Loop, where residential and commercial growth is prevalent, and within the city of Phoenix.

### Vacancy/Rent Overview

The metro demonstrated an ability to absorb 1.5 million square feet of new self-storage space last year, as vacancy fell 90 basis points. Robust demand persists in 2019, as availability in Phoenix falls to 7.2 percent amid a wave of new supply. Strong leasing velocity allows operators to increase the metro's average rent to a historically high \$1.09 per square foot.

## 2019 Market Forecast

- Employment** up 3.8%

Phoenix organizations follow up a historic year for employment growth by creating 80,800 additional positions, more than a fourth of which are traditional office jobs.
- Population** up 2.2%

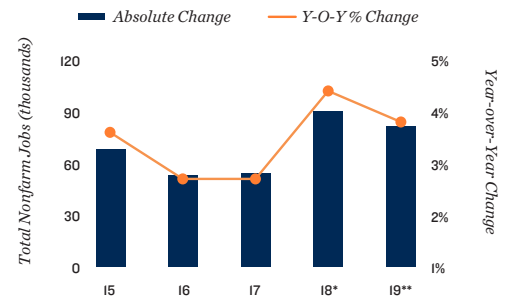
Robust job creation enables the metro's populace to swell by more than 100,000 residents for a second straight year.
- Construction** 2.1 million sq. ft.

Delivery volume rises by roughly 600,000 square feet on a year-over-year basis, prolonging a span of heightened self-storage development activity.
- Vacancy** down 20 bps

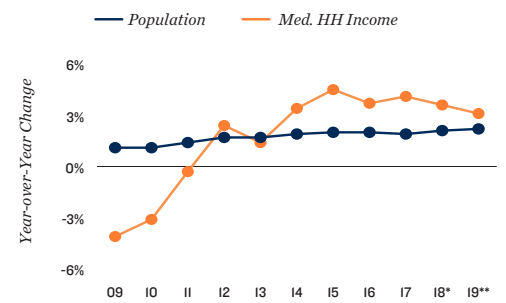
Metro vacancy falls to 7.2 percent in 2019, following a 90-basis-point decline last year.
- Rent** up 2.8%

Tightening vacancy amid robust construction allows the average asking rent to improve to \$1.09 per square foot this year.

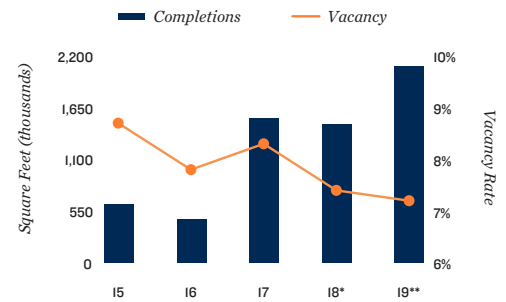
### Employment Trends



### 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.