

INVESTMENT FORECAST

Marcus & Millichap

SELF-STORAGE Austin Metro Area

2020

Influx of New Residents Support Rental Gains

Economic Overview

Job growth in Austin was above the national average in 2019, and the metro will continue to grow in 2020, adding 21,250 jobs this year. Amid these gains, the unemployment rate has dropped to a cyclical low of 2.7 percent. Hiring over the past three years was focused in professional and business services, and the trade, transportation and utilities sectors.

Demographic Overview

Austin's population has expanded 32 percent over the past decade, with little sign of slowing. Another 53,500 people will call the metro home in 2020, as a large startup presence, low cost of business, and vibrant culture attract young professionals from other regions of the U.S. Residents of Austin also have a propensity to spend; retail sales will rise faster than the national rate in 2020. Amid changing tastes toward apartment living, where extra space is limited, self-storage prospects in Austin are formidable.

Construction Overview

Development in the metro hit a cyclical high of 1.6 million square feet of deliveries in 2019, following a trend of elevated construction over the prior three years. Fewer units will arrive in 2020, diffused around the southern outskirts of the city center and in Round Rock, where two projects will open along Interstate 35.

Vacancy/Rent Overview

Over the past six years, vacancy in the Austin metro dropped 680 basis points to 8.0 percent in 2019. Availability will continue to trend downward in 2020, falling to 7.5 percent. Rental prices have decreased 7.7 percent over the past three years to 98 cents per square foot, as the influx of new supply shifts the equilibrium.

2020 Market Forecast

- Employment** up 2.3%

Amid near-record low unemployment, the metro will add an additional 25,300 personnel to payrolls in 2020.
- Population** up 2.4%

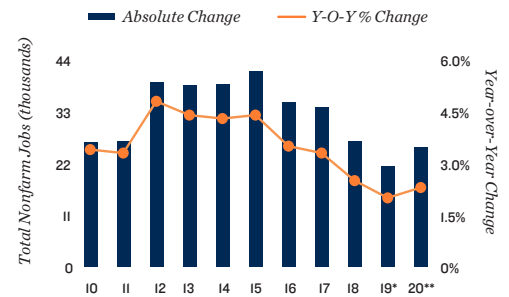
Austin will grow by 53,500 new people this year, at a rate substantially higher than the national pace of 0.6 percent. Last year, Austin expanded by 2.5 percent, or 54,000 residents.
- Construction** 813,700 sq. ft.

Construction in the metro has averaged 1.3 million square feet since 2016, but in 2020 new deliveries will total about half of 2019's completions.
- Vacancy** down 50 bps

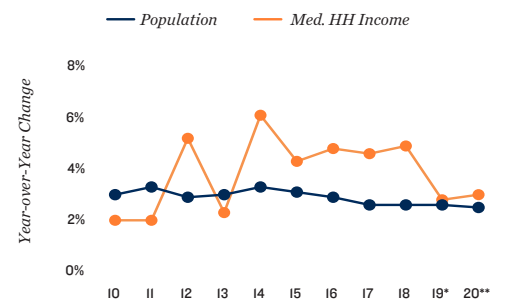
Availability in the metro will drop to 7.5 percent in 2020, following a series of successive yearly drops since 2014.
- Rent** up 1.0%

As new construction diminishes, rents will stabilize to 99 cents per square foot in 2020.

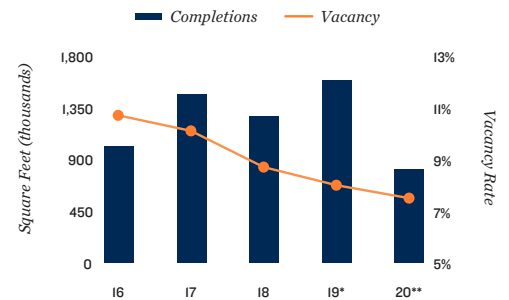
Employment Trends



Demographic Trends



Supply and Demand Trends



* Estimate; ** Forecast

Sources: BLS; U.S. Census Bureau; Yardi Matrix; Union Realtime, LLC

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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 2020. 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.