

INVESTMENT FORECAST

Marcus & Millichap

SELF-STORAGE

Denver Metro Area

2020

In-Migration and Retail Sales Boosting Self-Storage

Economic Overview

In 2019, active hiring helped lower the unemployment rate below 3 percent. Due to the tight labor pool, employment growth will curtail slightly going forward. Denver's rapid job creation over the course of this decade has increased the number of households in the region at a rate faster than the national pace. Additionally, the annual median household income has advanced by more than \$24,000 over the same period.

Demographic Overview

In-migration to Denver has remained high since a cycle-high 40,500 residents moved in during 2015. An additional 22,260 people will move in during 2020. Demand for self-storage will be bolstered by elevated net in-migration and above-average retail sales growth. The prominent outdoors culture in the region will also assist self-storage prospects; large items like kayaks, bikes, and other equipment may be put into storage.






Construction Overview

Self-storage construction in the metro will bring nearly double the amount of square feet in 2020 as was delivered last year. Development hit a cycle high of 3.1 million square feet in 2018, a sizable difference from the average 926,000 square feet delivered yearly from 2013 to 2017. Two major projects in progress are to the north of Denver, near Brighton.

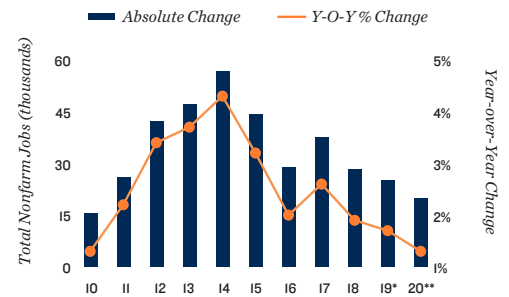
Vacancy/Rent Overview

Amid near-record supply increases, availability decreased 130 basis points from 2016 through 2019, and that trend will be continued with a 20-basis-point vacancy decline in 2020. The average asking rent in Denver has also trended down. Over the past four years, rent has declined 15 percent to \$1.17 per square foot in 2019.

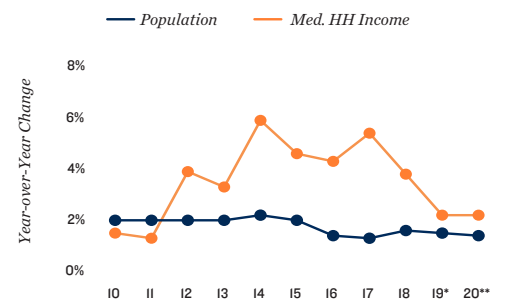
2020 Market Forecast

<p>Employment up 1.3%</p>	 <p>Denver will add 19,800 workers in 2020, about 20 percent less than 2019's total amount of new payrolls.</p>
<p>Population up 1.3%</p>	 <p>The metro will add 38,750 people in 2020, a slight decline from last year's 40,000 person gain. Denver's population has grown by 18 percent over the past decade.</p>
<p>Construction 2.1 million sq. ft.</p>	 <p>Deliveries in 2020 will rise this year by 720,000 square feet compared with last year's total.</p>
<p>Vacancy down 20 bps</p>	 <p>A slight decline in availability will be posted in 2020, dropping the rate to 9.6 percent, following a 20-basis-point drop in 2019.</p>
<p>Rent down 4.3%</p>	 <p>The average asking rent will decline to \$1.12 per square foot in 2020, following three years of successive average rent pricing drops.</p>

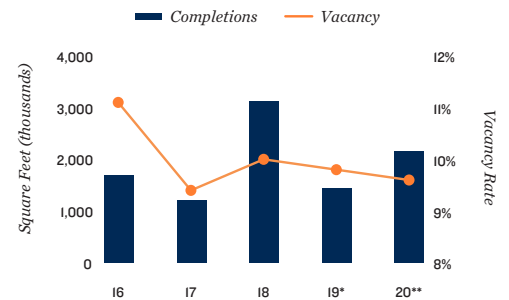
Employment Trends



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.