

# INVESTMENT FORECAST

Marcus & Millichap

## SELF-STORAGE

Los Angeles Metro Area

2020

### Housing Shortage Leads Renters to Seek Storage Space

#### Economic Overview

The service industry continues to add workers to meet demand, yet the lack of affordability and overcrowding has persuaded many to move out of Los Angeles over the past few years. The unemployment rate began 2020 at a cyclical low, with the stretched labor pool causing a slower pace of hiring in recent years. The leisure, hospitality, education and health services sectors have grown the most over the past decade.

#### Demographic Overview

The metro's tight labor market, fueled by a diverse and distinguished economy, has helped bolster household incomes well above the national average, and they are expected to grow an additional 4.2 percent in 2020. Nevertheless, the region's housing shortage continues to maintain high costs of living, which may prompt residents to rent smaller apartments, driving demand for self-storage as retail sales keep pace with the national rate.






#### Construction Overview

Self-storage development had a notable jump in 2019, with 1 million square feet being completed, equivalent to the previous five years combined. In 2020, deliveries will temper to about half of last year's total but remain above the annual average this decade. A cluster of projects are near Los Angeles International Airport along the I-405.

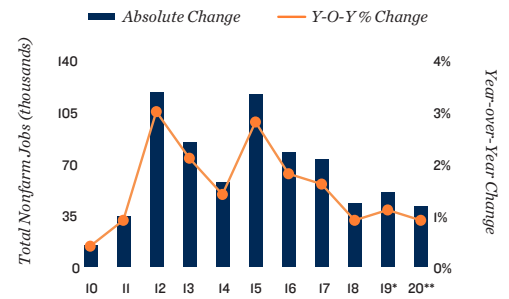
#### Vacancy/Rent Overview

Elevated construction has placed upward pressure on vacancy as the rate has ticked up 350 basis points over the past four years. In 2020, vacancy will decline 20 basis points with the influx of new supply gradually being leased up. Rental rates will have a 44 cents per square foot premium in the city center compared to the overall metrowide rate.

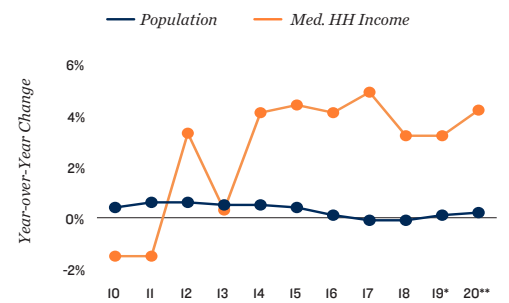
### 2020 Market Forecast

- Employment** up 0.9%  Metro employers will add 40,600 jobs to payrolls in 2020, a decline from the 50,000 workers hired in 2019.
- Population** up 0.2%  The population of Los Angeles will expand by 19,000 people in 2020, up from the 11,500 residents added in 2019.
- Construction** 504,000 sq. ft.  Deliveries will be at a slower pace than last year's 1 million square feet. East Los Angeles County will receive essentially all of the new construction in 2020.
- Vacancy** down 20 bps  Availability in the Los Angeles-Anaheim area will decrease to 8.3 percent in 2020, ending a three-year period of increases.
- Rent** up 2.3%  The average asking rent will tick up for a second consecutive year, building upon the 1.6 percent gain posted in 2019.

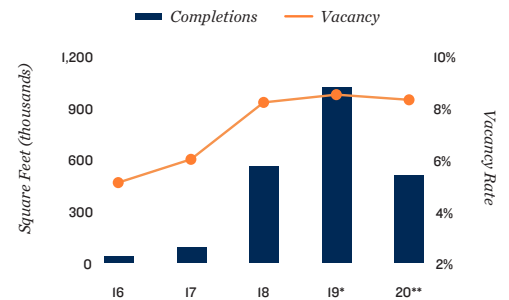
#### Employment Trends



#### Demographic Trends



#### Supply and Demand Trends



\* Estimate; \*\* Forecast

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

#### Los Angeles:

**Adam Christofferson** Senior Vice President/Division Manager  
(818) 212-2700 | adam.christofferson@marcusmillichap.com

**Jim Markel** Vice President/Regional Manager | Encino  
(818) 212-2700 | jim.markel@marcusmillichap.com

**Tony Solomon** First Vice President/Regional Manager | West L.A.  
(310) 909-5500 | tony.solomon@marcusmillichap.com

**Enrique Wong** First Vice President/Regional Manager | Downtown L.A.  
(818) 212-2700 | enrique.wong@marcusmillichap.com

**Damon Wyler** Vice President/Regional Manager | Long Beach  
(562) 257-1200 | damon.wyler@marcusmillichap.com

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.