

INVESTMENT FORECAST

Marcus & Millichap

SELF-STORAGE

Phoenix Metro Area

2020

Rapid In-Migration Supporting Demand for Self-Storage

Economic Overview

Phoenix added 53,000 new jobs in 2019, increasing the workforce by 2.5 percent. The unemployment rate has been decreasing consistently since 2015 and will start this year in the low-4 percent zone. The trade, transportation and utilities, and professional and business services sectors made the largest contributions to the job market in 2019.

Demographic Overview

Strong employment gains along with the in-migration of 76,500 residents have resulted in the population growing by over 100,000 people annually since 2018. Together, these demographic factors have contributed to 41,400 household formations and a 6.5 percent gain in retail sales in 2019, the largest annual increase in five years. Greater consumer spending is a positive factor for self-storage demand.

Construction Overview

Self-storage deliveries have surpassed 1.3 million square feet annually since 2017 and achieved a decade-high 2.5 million square feet of openings last year. Supply growth will slow in 2020 and be outpaced by demand, as shown in recent vacancy and rent trends.

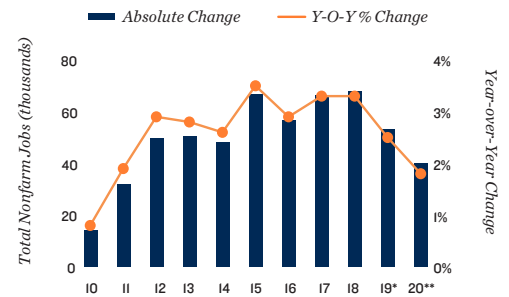
Vacancy/Rent Overview

Vacancy declined in 2019 amid a 84 percent year-over-year increase in annual completions, as robust job and population growth helped drive up self-storage rental demand. Rents likewise remained unscathed by the robust construction activity in 2019. Moving into 2020, availability is expected to contract further while the average asking rent will climb to \$1.04 per square foot.

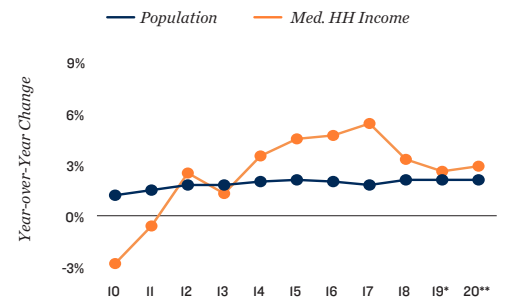
2020 Market Forecast

- Employment**
up 1.8%
 - Employers will add 40,000 jobs in 2020. Approximately 8,000 of those positions will be in the professional and business services, financial activities, and information sectors.
- Population**
up 2.1%
 - The metro's populace will expand by 102,800 residents this year, growing by a consistent 2.1 percent for the third consecutive year.
- Construction**
1.8 million sq. ft.
 - Approximately 1.8 million square feet will be delivered in 2020, after a cycle-high 2.5 million square feet was deposited last year. An average of 1.8 million has opened per year since 2017.
- Vacancy**
down 50 bps
 - Metro vacancy will fall to 6.7 percent in 2020, down 160 basis points from the end of 2017.
- Rent**
up 1.0%
 - The metro's average asking rent will rise to \$1.04 per square foot following no change last year.

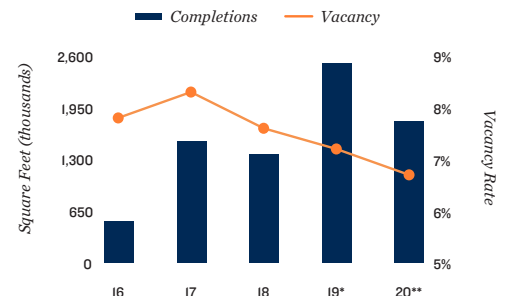
Employment Trends



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.