Marcus & Millichap

2023

SELF-STORAGE

National
Investment Forecast

TO OUR VALUED CLIENTS

The last three years have brought tremendous growth for the self-storage sector. The behavioral and economic effects of the health crisis fostered a span of double-digit rent growth and record-low vacancy — standout performance that accelerated an already rising amount of investment activity. This landmark period was unlikely to last indefinitely, however, and as the new year begins, we are seeing signs of self-storage space demand returning to more typical patterns.

Even as rent growth slows and vacancy trends toward a more familiar level, both metrics are holding well ahead of their pre-pandemic marks. The sector's long-run outlook continues to be uplifted by growing millennial households and a downsizing retirement cohort, even as elevated inflation and a softer labor market outlook present near-term headwinds. The sector also benefits from below-peak development, with much of the activity aligning well with rapidly-expanding markets.

While the Federal Reserve's aggressive interest rate increases have complicated the transaction environment, investors are still engaged with the self-storage sector. The sector's durability during weak economic cycles and upside gains when the economy is growing have attracted increasing attention from a broad array of investors. Price points above those from even a few years ago appeal to seasoned operators, providing listings for an investor pool that has broadened considerably in the past decade.

To help commercial real estate investors capitalize on unique nuances of the investment climate, Marcus & Millichap presents the 2023 Self-Storage National Investment Forecast. As always, our investment brokerage and financing specialists across the U.S. and Canada are at your disposal, providing street-level investment guidance to empower your decisions.

Thank you and here's to your continued success,

STEVEN D. WEINSTOCK
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National Perspective

Market Overviews

Client Services

Developed by Marcus & Millichap Research Services. Additional contributions were made by Marcus & Millichap investment brokerage professionals nationwide.

National Economy

- The historic post-pandemic recovery faded into the rear view entering 2023, as the byproducts of robust fiscal and monetary support early in the health crisis came to light. An aggressive federal response to shore up national economic conditions in 2020 and 2021 allowed business and consumer demand to bounce back ahead of global supply chain headwinds, creating heightened inflation that persists into this year.
- Companies across various industries are bracing for economic hurdles in 2023 by tightening hiring goals or enacting staff layoffs. This year, periods of net employment contraction are likely, mixed with stretches of positive hiring activity. This combination will produce a mild rate of overall payroll growth for the full year that is unlikely to keep pace with the expansion of the labor pool, lifting unemployment.
- During a more difficult period for finding employment, some young adults graduating high school or college may delay entering the workforce. This would reduce household creation and self-storage needs within this cohort. Nonetheless, a temporary stall may generate pent-up demand for young adults to find jobs and form households in the coming years.

National Self-Storage Overview

- In the wake of the COVID-19 pandemic, the rise of remote work and the migration it allowed to less dense and costly cities fostered a historic period for self-storage. Entering 2023, however, most major metros reported stagnant rents and rising vacancy as demand cooled.
- While a growing retirement age demographic and millennial cohort progressing through higher-income earning years act as long-term supports for the sector, the near-term outlook is more clouded. Though retail spending proceeded at a commendable pace last year, inflation-weary consumers will likely begin to pare back purchasing in 2023 if annual price gains remain above the historical norm. The 2021 migration wave also appears to have abated, evidenced by attrition in the single-family and multifamily housing markets.
- Property fundamentals will be aided this year by annual supply additions that will fall well below previous peaks witnessed in 2018 and 2019. Mounting interest rates could present headwinds to construction financing as well, potentially weighing on development by year-end.

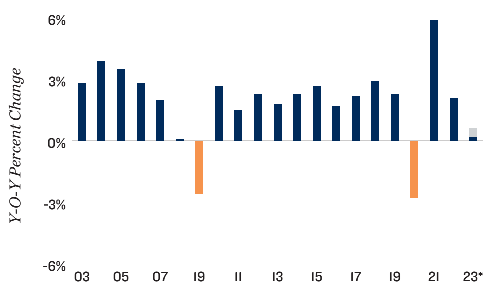
Capital Markets

- After being exceedingly accommodative during the pandemic in 2020 and 2021, the Federal Reserve began to markedly tighten monetary policy last year in order to combat high inflation. The central bank raised the overnight lending rate from a zero lower bound in March to above 4 percent by year-end. The most rapid succession of interest rate hikes since the early 1980s has successfully dampened inflation, but disrupted financial markets and hindered commercial property investment sales. Conditions should improve once interest rates stabilize.
- Bolstered by strong pandemic performance and a favorable long-term outlook, capital continues to be available for self-storage acquisitions. Elevated borrowing costs are nevertheless acting as an impediment to closing transactions.

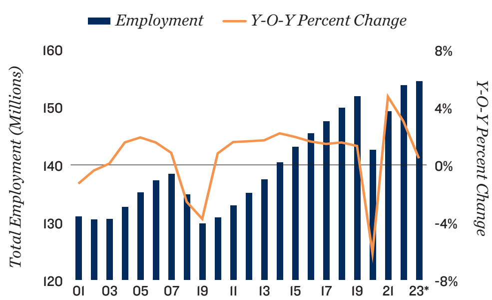
Investment Outlook

- Though increasing capital costs impacted investment across all commercial property sectors last year, a notable portion of buyers continued to pursue self-storage opportunities, aided by fundamentals outperforming pre-pandemic norms. High-growth metros, in particular, should continue to see capital inflows, as migration supports an active user base in these areas.
- Additional investment interest, paired with tighter cap rates, has prompted many traditional storage investors to expand their selection criteria, pursuing properties in smaller towns or farther away from major urban centers. Buyers following the demand fostered by a growing 65-plus cohort will target not only major Sun Belt markets, but also satellite metros, such as Tucson and Fayetteville.

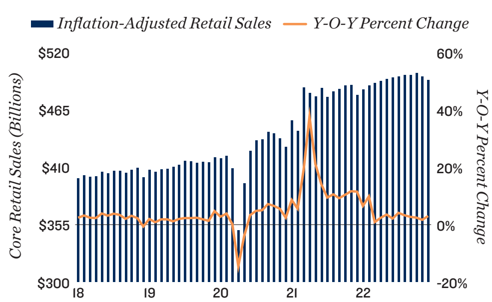
GDP Growth Trends



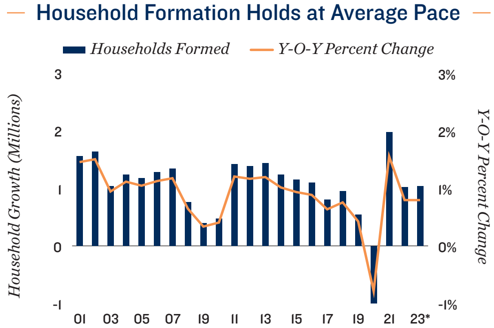
Hiring to Slow in 2023



Inflation-Adjusted Retail Sales Trends



Household Formation Holds at Average Pace



* Forecast

Softer Labor Market and Consumption Constraints Shape a Less Certain Economic Outlook in 2023

Recalibration prompts defensive mindsets for consumers and businesses. The historic post-pandemic recovery faded into the rear view entering 2023, as the byproducts of robust fiscal and monetary support early in the health crisis came to light. An aggressive Federal Reserve response to shore up national economic conditions in 2020 and 2021 allowed business and consumer demand to bounce back forcefully. Many individuals and companies were able to enhance their financial health, producing amplified spending by organizations and households. However, this occurred alongside global supply chain headwinds, creating an extensive period of heightened inflation that persists into this year. While the price trajectory for certain goods and services began to soften in late 2022, the costs of fundamental necessities like food, housing and medical services remain stubbornly elevated. While some households are positioned to weather the storm with lockdown-era savings, others are now borrowing more, even as debt costs rise. These dynamics will make U.S. consumers relatively selective with their purchases in 2023, while businesses respond to the uncertain economic outlook amid higher interest rates by re-examining their personnel needs and operational expenditures.

Labor market moderation reduces migration and weighs on consumption. Companies across various industries are bracing for economic hurdles in 2023 by tightening hiring goals or enacting staff layoffs. Meanwhile, many individuals are seeking additional income to help reinforce household budgets amid inflationary pressures. This represents a substantial shift in the labor market landscape, after job availability was historically plentiful during much of the pandemic. This year, periods of net employment contraction on a national level are likely, mixed with stretches of positive hiring activity. This combination will produce a mild rate of overall payroll growth for the full year that is unlikely to keep pace with the expansion of the labor pool, lifting unemployment. Workers facing the possibility of job loss or stalled career advancement will be more cautious with their spending in 2023, constraining retail sales and ultimately purchases of large goods that may require additional storage space. Furthermore, subdued hiring activity could limit the motivations to relocate, which is a foundational demand driver for the self-storage sector.

2023 National Economic Outlook

- **Labor conditions cap young adult household formation.** During a more difficult period for finding employment, some young adults graduating high school or college may delay entering the workforce. This would reduce household creation and self-storage needs within this cohort. Nonetheless, a temporary stall may generate pent-up demand for young adults to find jobs and form households in the coming years.
- **Household consolidation a potential self-storage aid.** Residents facing higher living expenses, including rental obligations, may pursue additional roommates to help shore up budgets. This consolidation into one household could result in self-storage demand, as multiple individuals need a place to put their belongings. At the same time, this subset could be particularly sensitive to the costs of utilizing self-storage.
- **Homeownership hurdles lead many to outgrow apartment storage.** A large share of millennials are entering an age range correlated with life events, such as marriage and raising children, that results in household growth. This coincides with barriers to homeownership amid high prices and mortgage rates. Residents are likely to rent longer than past generations, accumulating goods that exceed apartment storage capacity.

Headwinds Cool Off Sector After Historic Span; Supply Gains Continue in High-Growth Zones

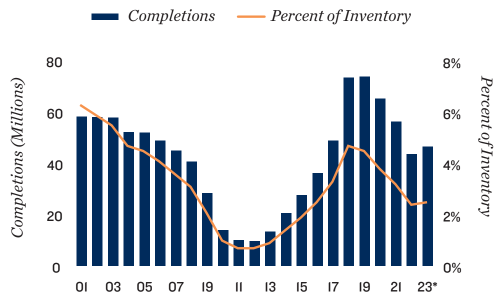
Economic slowdown a speed bump for storage sector. In the wake of the COVID-19 pandemic, the rise of remote work and the migration it allowed to less dense and costly cities fostered a historic period for self-storage. Availability across the U.S. hit an all-time low in 2021. Entering 2023, however, most major metros reported stagnant rents and rising vacancy as demand cooled. While a growing retirement age demographic and millennial cohort progressing through higher-income earning years act as long-term supports for the sector, the near-term outlook is more clouded. Though retail spending proceeded at a commendable pace last year, inflation-weary consumers will likely begin to pare back purchasing in 2023 if annual price gains remain above the historical norm. The 2021 migration wave also appears to have abated, evidenced by attrition in the single-family and multifamily housing markets. Both factors are set to weigh on the demand for storage units this year, although self-storage properties remain in a generally stronger position than preceding the pandemic. The sector is expected to close out this year with an average asking rent 14 percent above and vacancy 110 basis points below the 2019 marks.

Developers maintain focus on high in-migration locales. Property fundamentals will be aided this year by annual supply additions that will fall well below previous peaks witnessed in 2018 and 2019. Though overall completions will increase slightly this year over 2022, robust pockets of construction activity are largely concentrated in high-growth regions of the Sun Belt. Houston, Atlanta and the Dallas-Fort Worth metroplex rank among the top metros by square footage additions for 2023. Southern California markets are receiving comparatively scant arrivals, despite remaining historically undersupplied, given persistently limited land availability. Even in Northeastern metros with less dynamic populations, a lack of climate-control inventory may warrant supply infusions on a local level. Mounting interest rates could present headwinds to construction financing, however, potentially weighing on the pace of development nationally by the end of this year.

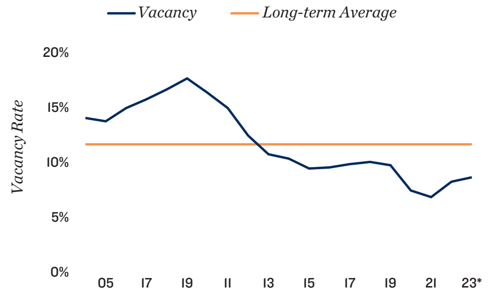
2023 National Self-Storage Outlook

- **Ongoing retirement wave facilitates backstop for demand.** Growth in the 65-plus age demographic has accelerated. The cohort is on track to expand more from 2021 to 2023 than in any prior three-year period. This generation will support storage usage in a time of general flux as many of its members transition into downsized living spaces.
- **Growing interest in tertiary markets warrants development in these locales.** In contrast to stalling rent growth in many gateway metros last year, smaller Midwestern and Sun Belt locales showcased robust increases in asking rates, often exceeding 5 percent. These cities are often within driving distance of a much larger primary or secondary market, appealing to regionally relocating households. Furthermore, self-storage inventory in these zones usually trails the national rate of supply increases.
- **Legislation unlikely to have a significant impact on construction pipeline.** While certain city governments have undertaken efforts to restrict the groundbreaking of new storage projects, these initiatives are sporadic, and are often limited to temporary construction moratoriums or the introduction of sector-specific permitting measures. Locales with solid fundamentals should see little effect on long-term development.

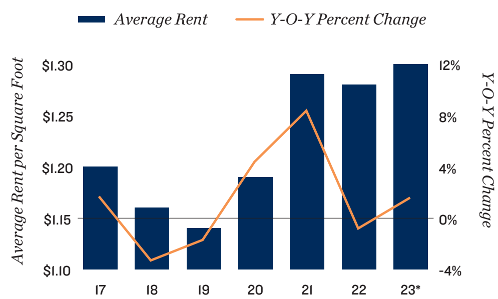
Construction Holds Below Previous Highs



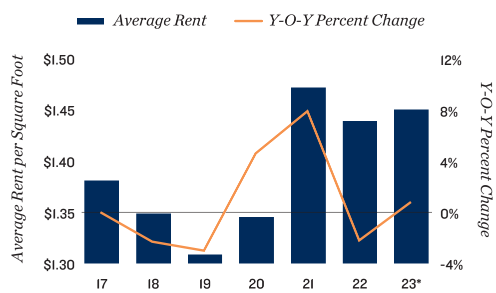
Vacancy Rate Trends



Rent Growth Trends: Non-Climate Controlled

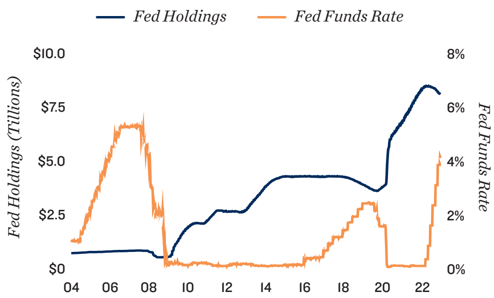


Rent Growth Trends: Climate Controlled

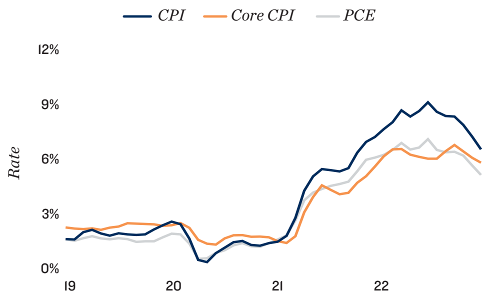


* Forecast

Reversal of Accommodative Monetary Policy

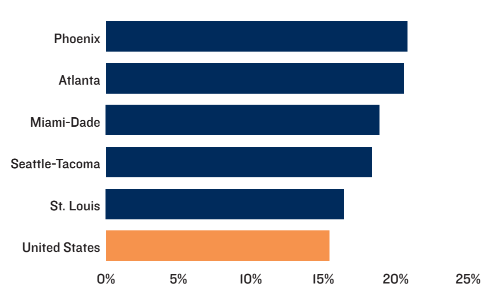


Inflation Eases Back From Historic Levels



Treasury Yields All Elevated

Top Markets by 2019-2022 Inflation



Fed Actions Complicate Capital Markets Borrowers Contending with Higher Costs

Last year's shift to tighter monetary policy continues into 2023 as inflation persists. After being exceedingly accommodative during the pandemic in 2020 and 2021, the Federal Reserve began to markedly tighten monetary policy last year in order to combat high inflation. The central bank raised the overnight lending rate from a zero lower bound in March to above 4 percent by year-end. The most rapid succession of interest rate hikes since the early 1980s has successfully dampened inflation, although upward pricing pressure has not completely evaporated, necessitating ongoing hikes this year. While the sheer speed and magnitude of the increases so far has disrupted financial markets and hindered commercial property investment sales, conditions should improve once interest rates stabilize. The Federal Open Market Committee is searching for an interest rate level that will sufficiently steer inflation back to a 2 percent target, without engendering a broader recession. Once the Fed settles on rates, even though capital costs will be higher than they have been in the recent past, the consistency will help both investors and lenders better determine valuations.

Higher interest rates a hurdle amid general capital availability. Bolstered by strong pandemic performance and a favorable long-term outlook, capital continues to be available for self-storage acquisitions. Elevated borrowing costs are nevertheless acting as an impediment to closing transactions. The combination of investor competition for assets and tightening monetary policy has created an unfavorable dynamic between cap rates on self-storage trades and the cost of commercial debt. This is fostering an expectations gap between buyers and sellers that is also exacerbated by tightened lending criteria. In order to meet necessary debt service coverage, borrowers are having to take on notably less leverage, dissuading some transactions. However, downward movement in the 10-year Treasury in the early part of 2023 grants optimism that lender rates will also start to dip, widening financing margins and allowing trading activity to resume in greater force.

2023 Capital Markets Outlook

- **Banks continue as prominent lenders in sector.** Local and regional banks, as well as credit unions, continue to be prominent providers of capital for self-storage acquisitions. While overall due diligence has tightened, these institutions can offer more flexibility in regards to term than alternative lenders, such as CMBS. The CMBS marketplace has nevertheless become more active following a pause in 2020, given the possibility for full-term, interest-only financing — particularly appealing for smaller investors.
- **Narrow returns may contribute to construction.** The favorable performance of the self-storage sector exiting each of the past two recessions has contributed to greater investor competition, and compressed the average cap rate by about 400 basis points over the past 20 years. These lower returns can be unfavorable, given potential alternatives. As such, some investors may opt to shift to one such alternative: development. Capital is available for self-storage construction projects, specifically in areas of older existing stock or strong population growth.
- **Borrower strategies adapt to higher-cost period.** The high-interest rate environment has placed an added emphasis on improving short-term cash flows. Enhancing net income can bridge the gap until rates lower and borrowers can refinance. Investors may find options among both in-development assets at certificate of occupancy, or older, drive-up properties with value-add potential.

Financing Costs Clash with Underlying Fundamentals; Investors Broaden Scope in Search of Opportunities

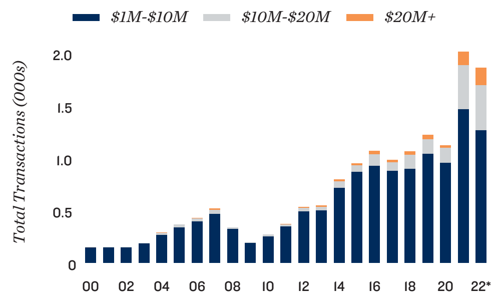
Storage needs of expanding locales support an engaged investor base. Though increasing capital costs impacted investment across all commercial property sectors last year, a notable portion of buyers continued to pursue self-storage opportunities, aided by fundamentals outperforming pre-pandemic norms. The segment recorded the smallest decline in sales activity among property types nationwide between the third and fourth quarters of 2022, a feat emphasized by robust midyear deal flow. Even though trading trended down during the final three months of the year, activity still exceeded comparable spans prior to 2020. Moving into 2023, high-growth metros, in particular, should continue to see capital inflows, as migration supports an active user base in these areas. Of the 20 fastest-growing major markets by overall population, 18 are in the Rocky Mountain and Sun Belt regions. An ongoing influx of new residents into these zones supported robust deal flow throughout last year, and will likely keep many investors engaged here this year as well. A push to acquire assets in these metros has translated to regional price appreciation well ahead of the U.S. average, which may entice additional listings. A 33 percent increase in the price per square foot on self-storage assets was recorded nationwide between 2019 through 2022.

Buyers note slower stock growth outside of major cities. Surging investor interest, following elevated pandemic-period renter demand, brought more investors in from other property types. Added competition helped push the average cap rate on self-storage assets nationwide from a mid-6 percent tranche in 2019 to mid-5 percent by late last year. Additional investment interest, paired with tighter cap rates, has prompted many traditional storage investors to expand their selection criteria, pursuing properties in smaller towns or farther away from major urban centers. In addition to typically higher yields, these locales are often undersupplied. Exurban stock can often be of an older vintage as well, providing investors with potential value-add opportunities through updating management systems. Buyers seeking turnkey solutions may look to facilities in these regions that are already employing climate controls and other contemporary technology.

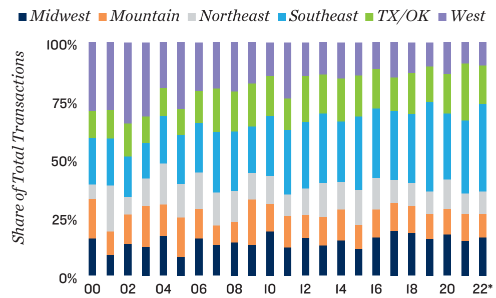
2023 Investment Outlook

- **Developers continue to look at redevelopment.** The large floorplates and proximity to residential neighborhoods found in many big-box retail properties has made these assets an increasingly attractive redevelopment opportunity for self-storage investors. Operators employing this strategy have traditionally targeted spaces in the 100,000-plus-square-foot range, even though ease of access is becoming a greater concern. This is prompting some buyers to seek out comparatively smaller assets in grocery-anchored centers.
- **Investors respond to aging demographics.** Buyers taking advantage of the demand fostered by a growing 65-plus cohort will target not only Sun Belt markets traditionally favorable to seniors, but also satellite metros, such as Tucson and Fayetteville. Renters are not the only group approaching retirement age, as older owners of smaller assets may be eager to sell due to the rapid price appreciation seen in recent years.
- **Cross-sector capital continues to play an important role.** In the wake of the pandemic demand boom, the self-storage sector attracted both institutional and private investors who had traditionally specialized in other asset classes. Though the segment faces near-term hurdles to operations, vacancy that remains below pre-2020 norms should keep buyers new to the sector engaged.

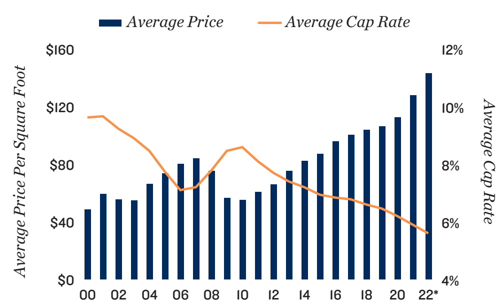
Self-Storage Transaction Activity



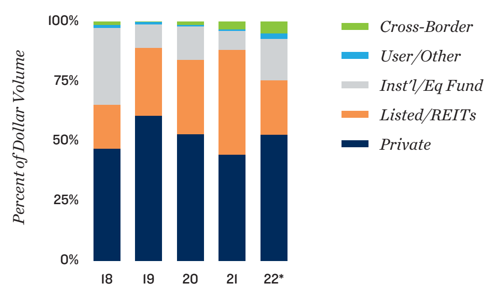
Self-Storage Regional Sales Composition



Price vs. Cap Rate



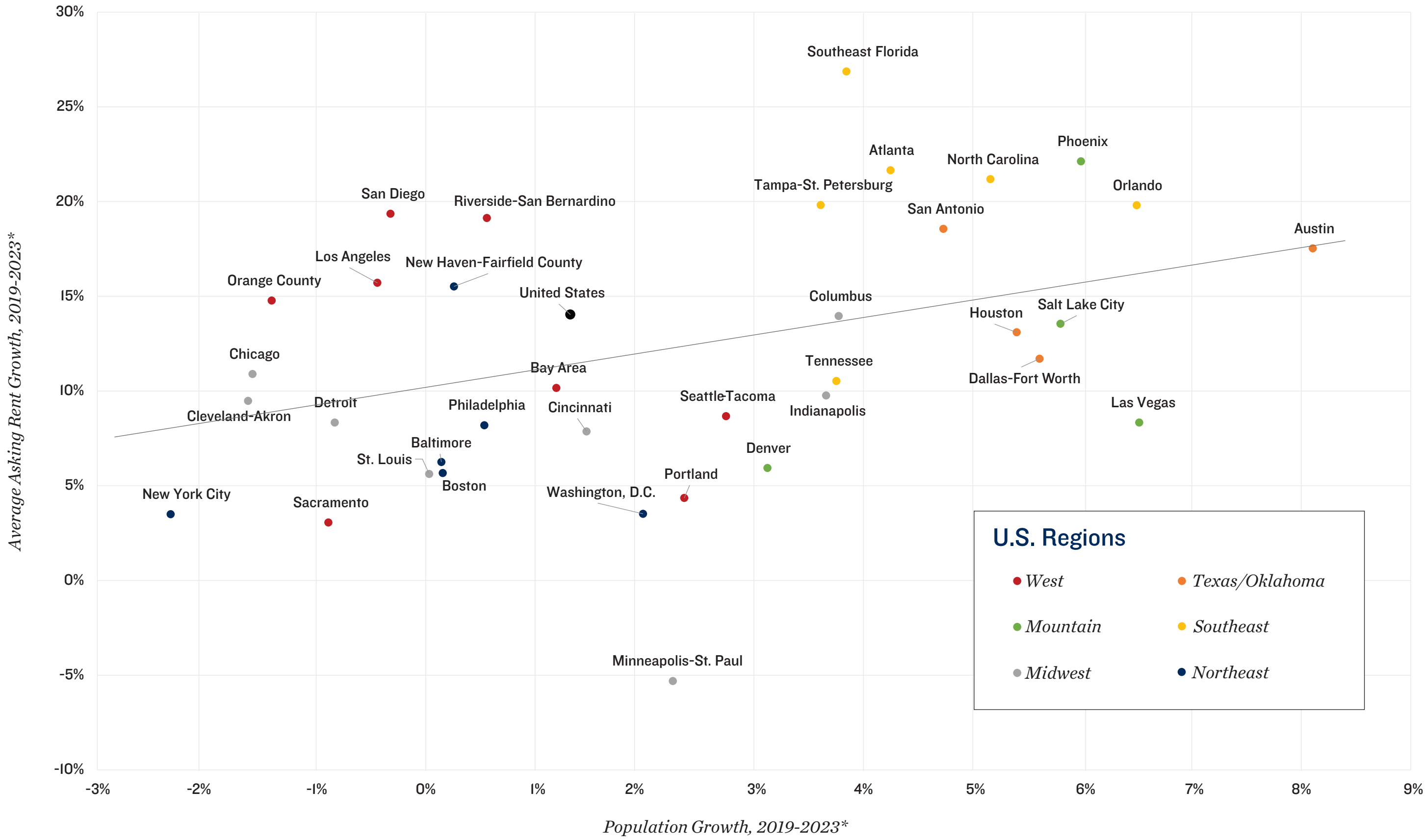
Self-Storage Buyer Composition



* Estimate

Influx of Residents Driving Self-Storage Use

Population and Self-Storage Rent Growth 2019-2023*



Top 10 Markets by Population Growth 2019-2023*

Metro	65+ Pop	Y-O-Y Change	% Change
Orlando	486,000	21,000	4.6%
Austin	304,000	13,000	4.4%
Phoenix	965,000	40,000	4.3%
West Palm Beach	440,000	17,000	4.1%
Las Vegas	406,000	16,000	4.1%
Jacksonville	302,000	11,000	3.9%
Fort Lauderdale	396,000	15,000	3.9%
Dallas-Fort Worth	1,061,000	39,000	3.8%
Raleigh	309,000	11,000	3.8%
Houston	961,000	34,000	3.7%

Metro	20-34 Pop	Y-O-Y Change	% Change
Austin	588,000	12,000	2.1%
Raleigh	461,000	9,000	1.9%
Salt Lake City	665,000	11,000	1.7%
Las Vegas	509,000	8,000	1.7%
Dallas-Fort Worth	1,733,000	26,000	1.5%
Charlotte	573,000	8,000	1.5%
Houston	1,606,000	23,000	1.5%
San Antonio	591,000	7,000	1.3%
Phoenix	1,089,000	13,000	1.2%
Reno	109,000	1,000	1.2%

** Forecast*

Sources: Marcus & Millichap Research Services; Moody's Analytics; U.S. Census Bureau; Yardi Matrix

Relocations Underpin Rent Momentum

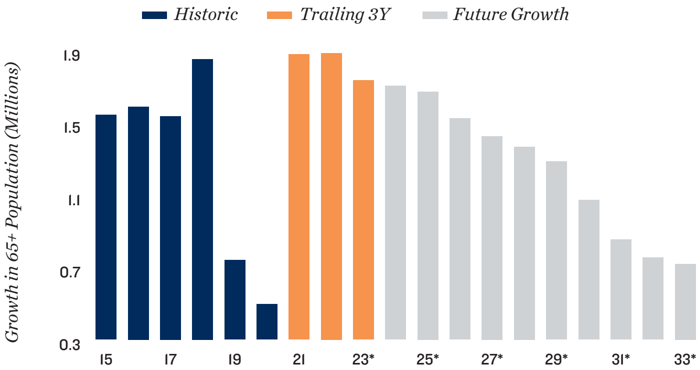
- **Population growth major factor in rent gains**. Sun Belt locales with robust job markets and expanding populations of young professionals have seen the most significant upward pressure on marketed rates. Conversely, rents in the Northeastern and Midwestern metros that reported tepid demographic gains, or in some cases contraction, typically trailed the national average. Nevertheless, Minneapolis-St. Paul was the single metro nationwide to post declining asking rents during this period. Increased development, along with an outflowing 20- to 34-year-old cohort here, combine to weigh down on asking rates in a metro where rents in various sectors already tend to grow by less than the national pace.

- **Southern California markets eschew national trends.** Despite population losses along the coastal corridor, solid rent growth has been observed among such locales. Development here is constrained, limiting the supply pipeline and dramatically reducing the competition to existing operations. The Inland Empire is a notable exception, where coastal expats have driven demand for storage units in San Bernardino County.

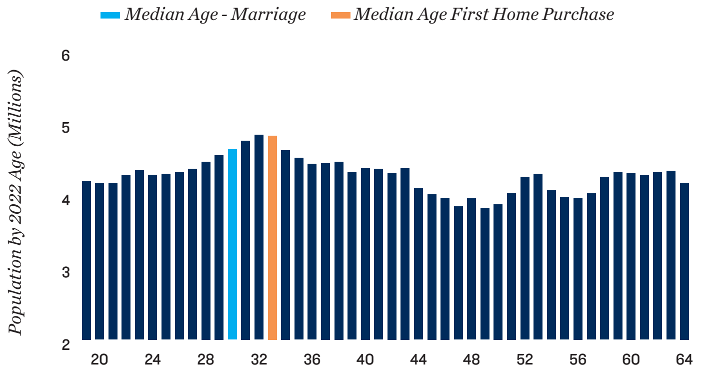
Demographic and Housing Trends Support Long-Term Self-Storage Outlook

Multiple Factors Show Link Between Residential Demand and Storage Utilization

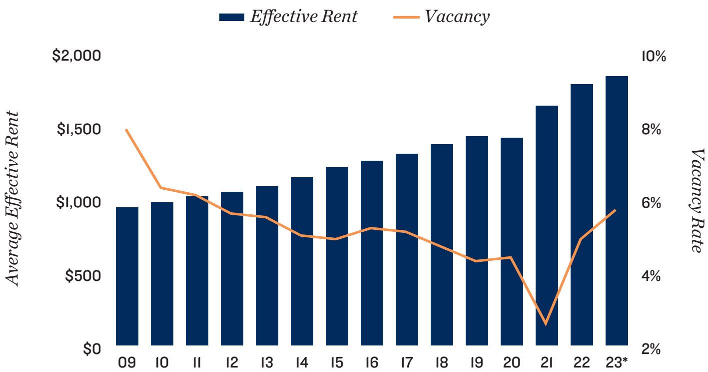
Senior Demographics Continue Historic Growth



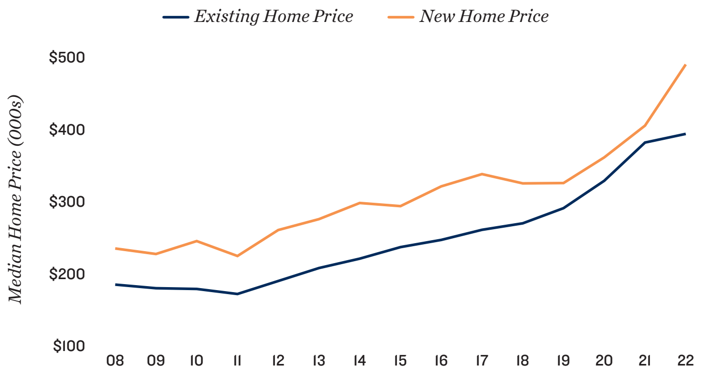
Sizable Population Near Prime Spending Age



Multifamily Performance Normalizing



Pricing Attrition Less Apparent in New Builds



Lifestyle Factors Bolstering Storage Demand

- **Tight housing market incentivizes smaller living options.** Though the market is showing signs of attrition, a historically limited amount of single-family homes for sale has kept values elevated. The median sale price entered 2023 roughly 35 percent above the pre-pandemic equivalent, which, together with rising interest rates, has pushed the typical monthly mortgage payment up more than 70 percent in just three years. This will support demand for comparatively less expensive multifamily units.
- **Growing families support storage use.** While multifamily fundamentals in 2023 are shifting closer to long-run trends, a historic number of millennials are now entering typical homebuying and family formation years. Due to high housing costs, however, many in this cohort are expected to stay in the renter pool. This structural shift is likely to support self-storage use in the years ahead as more growing households reorganize apartments, taking advantage of external storage space.
- **Aging population contributes to Sun Belt tightness.** The wave of individuals entering the 65-plus age bracket is cresting entering 2023. As the younger cohort of baby boomers retires, they should shift to smaller living spaces, boding well for demand in the Southern and Southwestern locales targeted by older Americans.
- **Cyclically-agnostic factors facilitate backstop for demand.** Many storage users target rentals for reasons independent of economic conditions. Familial deaths, marriages and divorces can prompt lifestyle changes necessitating storage units. Additionally, some firms are required to keep physical records of business information, and may use climate-control units to do so.
- **Volatility generates demand from businesses.** Downturns and periods of flux translate to elevated levels of firm consolidation and formation. This friction could prompt some companies to seek out storage solutions to place equipment on a short-term basis.

** Forecast*

Sources: Marcus & Millichap Research Services; CoStar Group, Inc.; Moody's Analytics; National Association of Realtors; RealPage, Inc.; U.S. Census Bureau; Radius+; Yardi Matrix

High In-Migration Meters Rising Availability

Economic Overview

Atlanta is slated to observe a number of corporate move-ins and expansions in 2023, showcasing diverse corporate initiatives — including Micron, Nike and Walmart. These operations are targeting the metro, due to a growing, educated labor pool. This highlights the metro's long-term growth potential, despite incoming headwinds.

Demographic Overview

The Greater Atlanta region is projected to continue the commendable population gains observed in recent years, with much of 2023's growth consisting of new residents migrating from other metros. The market's status as a burgeoning cybersecurity hub has attracted a growing number of well-compensated professionals, pushing the median household income over $80,000 this year. The geographic diversity and relative affordability of many of the metro's neighborhoods will allow for solid growth across all age cohorts.

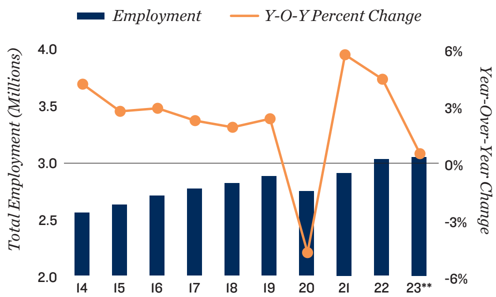
Construction Overview

Development comes in roughly 230,000 square feet under the trailing half-decade average this year. Builders heavily favor the suburbs, which will receive a four-year high of new square footage in 2023. Completions are more scant in the urban core. The 330,000 square feet set to come online here mark the second-slowest increase in an annual span since 2017.

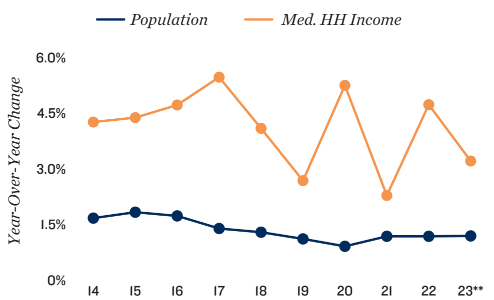
Vacancy/Rent Overview

Though Atlanta boasts one of the nation's weightiest construction pipelines this year, supply gains seem to be falling roughly in line with demand growth. Availability should remain below the highs seen preceding the health crisis, as storage usage is supported by robust net in-migration. Atlanta will see solid rent gains metrowide, with the urban core leading growth as the mean marketed rate here advances 5.6 percent to $1.33 per square foot.

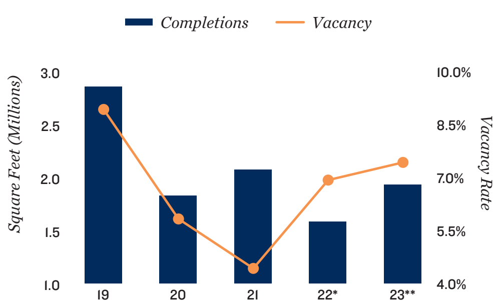
Employment Trends



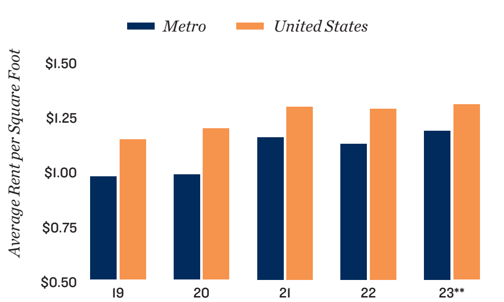
Demographic Trends



Supply and Demand Trends



Rent Trends



** Estimate; ** Forecast*

Sources: BLS; U.S. Census Bureau; Radius+; Yardi Matrix

2023 Market Forecast

Inventory — 57 million square feet and 9.1 square feet per capita

Employment up 0.5% — Atlanta employers expand staff counts by 15,000 in 2023, with one-third of these stemming from traditional office-using firms.

Population up 1.1% — The Greater Atlanta area gains a commendable 68,000 new denizens in 2023, with roughly two-thirds of these individuals having migrated to the metro from elsewhere.

Construction 1,930,000 sq. ft. — Development accelerates roughly 20 percent from last year as Atlanta's continued growth warrants additional supply. The metro ranks second nationwide by square footage additions in 2023.

Vacancy up 50 bps — Availability ticks up to 7.4 percent. During the previous decade, vacancy in the mid-8 percent range was the norm.

Rent up 5.4% — Asking rents will resume positive movement, after a 3.0 percent retreat in 2022. The metro's mean marketed rent will close out 2023 at $1.18 per square foot, the highest year-end rate on record.

Continual Inflow of New Residents Drives Demand

Economic Overview

Austin's job count will continue to climb this year, albeit at a reduced pace. Several large companies are currently expanding in the market, which will support construction-related hiring over the near term and higher-paying job creation beyond 2023. Apple is one such firm, with the company building a campus in Northwest Austin that will house 5,000 employees after its first phase of completion.

Demographic Overview

Net in-migration will surpass the 30,000-resident mark for the ninth time in 10 years, ranking Austin as one of the top markets for relocations in 2023. This sustained movement into the metro will supplement self-storage demand as new residents and households settle into apartments and homes. Additionally, in-market movement may become more prevalent as living expenses rise, a boon for storage facilities in lower-cost locales.

Construction Overview

Substantial population growth should provide demand for this year's construction pipeline. Of the projects coming online in 2023, over 270,000 square feet is slated for the fast-growing city of San Marcos — an area popular among individuals and households seeking lower-cost living options proximate to both Austin and San Antonio.

Vacancy/Rent Overview

The pace of rent growth mirrors last year, despite a moderate increase in vacancy, pushing the average asking rate to a new high. Record rent is supported by notable population growth, with storage facilities in expanding neighborhoods and cities, such as San Marcos, positioned to register more pronounced rent gains.

2023 Market Forecast

Inventory — 25 million square feet and 10.4 square feet per capita

Employment up 0.8% — Austin's employment base will expand by 10,000 positions during 2023, a notable slowdown from last year's 51,900 roles.

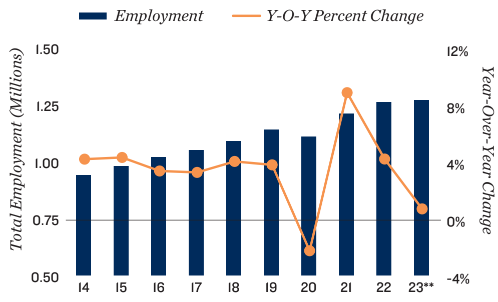
Population up 2.1% — The metro's population grows by 49,500 residents in 2023, the largest year-over-year increase among major U.S. markets. Across a decade, the metro will have gained more than 520,000 people.

Construction 920,000 sq. ft. — Completions will reach a three-year high, growing inventory by 3.7 percent. Still, the volume of square footage delivered this year will slightly trail the prior 15-year average.

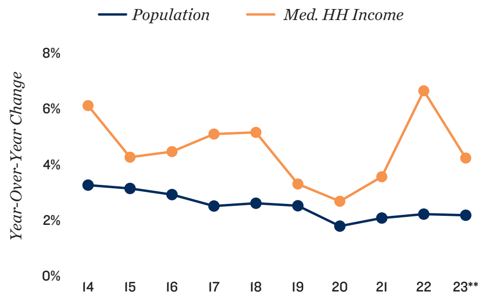
Vacancy up 60 bps — Availability rises for a second year in a row, lifting vacancy to 6.9 percent, a rate 180 basis points below the prior eight-year mean.

Rent up 0.9% — Amid rising vacancy, the average monthly rent inches up to $1.14 per square foot, a rate on par with nearby San Antonio.

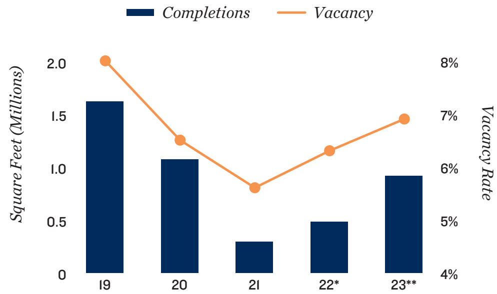
Employment Trends



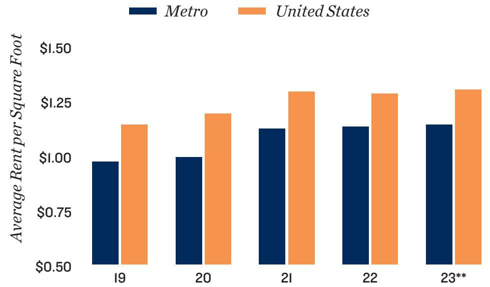
Demographic Trends



Supply and Demand Trends



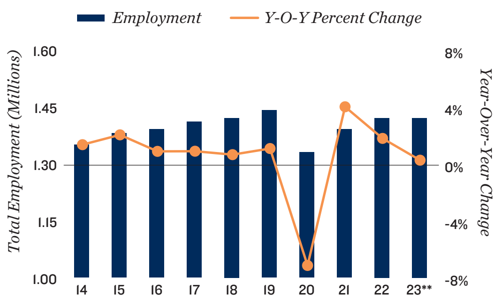
Rent Trends



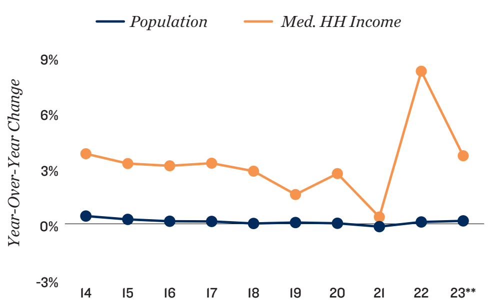
* Estimate; ** Forecast

Sources: BLS; U.S. Census Bureau; Radius +; Yardi Matrix

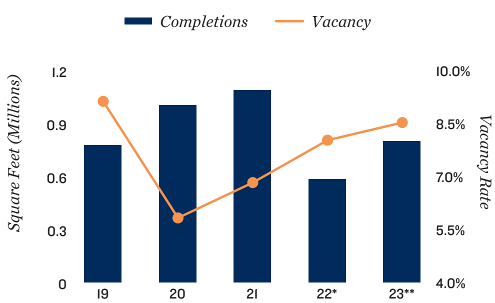
Employment Trends



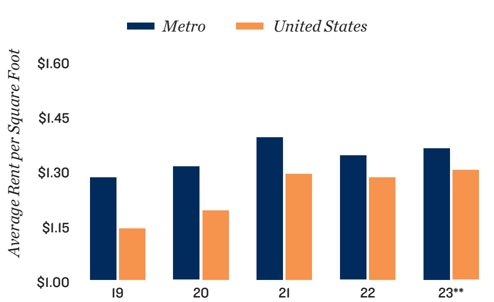
Demographic Trends



Supply and Demand Trends



Rent Trends



** Estimate; ** Forecast*

Sources: BLS; U.S. Census Bureau; Radius+; Yardi Matrix

Population Growth Returns in Baltimore

Economic Overview

The metro's unique workforce consists of federal government agencies, world-class health care providers and a growing logistics industry that should help provide some stability in the labor market during times of economic uncertainty. However, job gains are expected to slow this year relative to levels observed in 2021 and 2022. As a result, total employment will likely remain below pre-health crisis levels until at least 2024.

Demographic Overview

Job recovery in traditionally office-using sectors outpaced other local industries, allowing the median household income to surpass the U.S. average by more than $20,000 entering 2023. Furthermore, after losing more than 4,000 people in 2021, population growth returned in Baltimore. Since then, the metro recovered nearly 70 percent of those losses and is expected to add roughly 2,500 new residents per annum over the next five years.

Construction Overview

Self-storage development activity will accelerate in 2023 relative to last year's pace, with 800,000 square feet expected to come online. Deliveries are widespread throughout the metro, as nine different cities are expected to gain inventory. The largest project slated for near-term completion is a 146,000-square-foot facility in Columbia.

Vacancy/Rent Overview

The average rate retreated by nearly 4 percent to $1.34 per square foot in 2022, following two straight years of rent gains. This decline was likely driven by the 120-basis-point rise in vacancy last year. Although availability will continue to climb in 2023, economic headwinds should lessen over the second half, allowing for a small increase in asking rents.

2023 Market Forecast

Inventory — 20 million square feet and 7.3 square feet per capita

Employment up 0.4% — Firms are expected to add 5,000 new positions, bringing total employment within 1 percent of the 2019 level.

Population up 0.2% — Roughly 5,000 residents are expected to call Baltimore their new home in 2023. However, the local growth rate will trail the U.S. average of 0.5 percent.

Construction 800,000 sq. ft. — Construction activity increases in 2023 and reaches the fifth-highest total on record. The development pace is well above the long-term average of 500,000 square feet per year.

Vacancy up 50 bps — Incoming supply will place upward pressure on availability, pushing the rate to 8.5 percent.

Rent up 1.5% — Asking rent growth returns, with the rate expected to reach $1.36 per square foot by the end of this year.

New Residents Support Demand for Storage

Economic Overview

The Bay Area's job market remains comparatively strong, as unemployment was 100 basis points below the national average entering this year. In 2023, total headcounts are expected to surpass the pre-pandemic peak, despite macroeconomic headwinds slowing the pace of hiring. A habit of working from home at least two days per week is ongoing, which should continue to underpin demand for storage space in the near- to mid-term.

Demographic Overview

Opportunities for high-paying jobs will continue to drive migration to the Bay Area. This year, population growth through net in-migration alone is expected to exceed 10,000. Many of the incoming residents will choose Oakland as their new home, as some look to reduce their housing expenses during a period of widespread inflation.

Construction Overview

Self-storage development across the Bay Area is projected to exceed 1 million square feet for the second consecutive year, marking a new 20-year high. The bulk of the pipeline is slated for delivery in the East Bay. Activity is also strong in San Jose proper, where the two largest projects in the pipeline are scheduled for completion in early 2023.

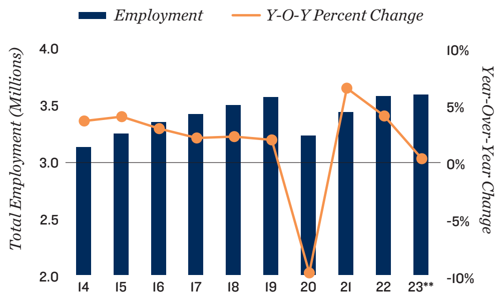
Vacancy/Rent Overview

Elevated self-storage development is placing upward pressure on availability across the region. Vacancy increased by 60 basis points in 2022 to 6.5 percent, and projections for this year suggest the rate will continue to escalate at a similar pace. However, the growing number of households throughout the Bay Area should drive a small increase in the average asking rent by the end of 2023.

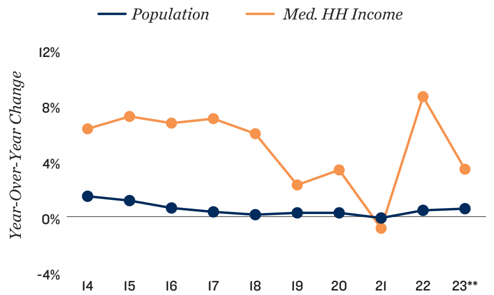
2023 Market Forecast

Inventory	51 million square feet and 7.9 square feet per capita
Employment up 0.3%	Bay Area employers will add 12,000 new positions in 2023, fully recovering all jobs lost at the onset of the health crisis.
Population up 0.6%	The region is expected to gain 37,000 new residents in 2023. Local population growth will nearly mirror the national pace of increase, which is 0.5 percent.
Construction 1,265,000 sq. ft.	Supply additions reach a two-decade high, with developers increasing local stock by 2.5 percent. This construction pace is well above the long-term average of 750,000 square feet per annum.
Vacancy up 70 bps	Availability will increase to 7.2 percent in 2023, roughly 30 basis points above the pre-pandemic level.
Rent up 1.0%	The average asking rent will inch up to $2.06 per square foot, with San Jose noting the largest local increase within the region.

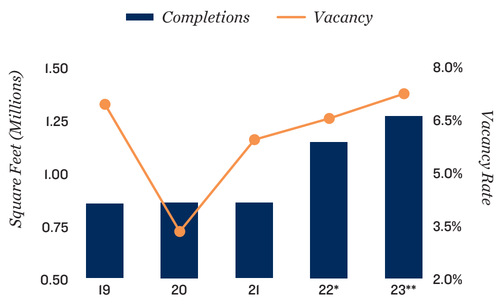
Employment Trends



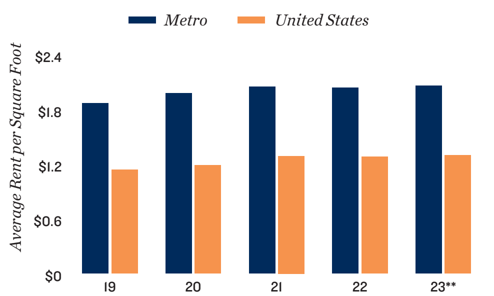
Demographic Trends



Supply and Demand Trends



Rent Trends

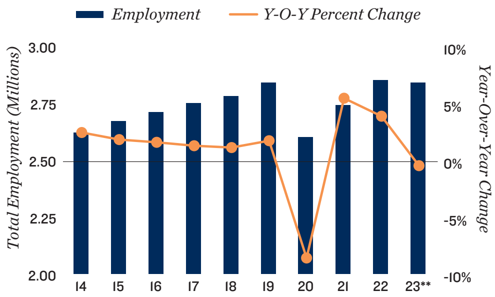


* Estimate; ** Forecast

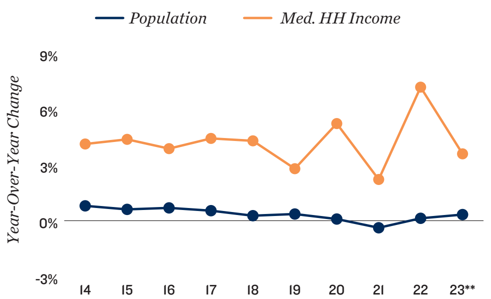
Sources: BLS; U.S. Census Bureau; Radius +; Yardi Matrix

The Bay Area region encompasses San Francisco, San Jose and Oakland.

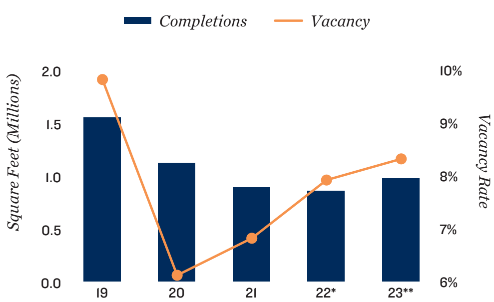
Employment Trends



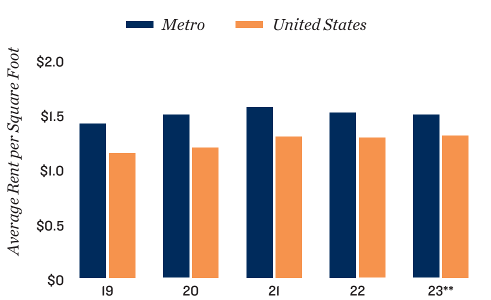
Demographic Trends



Supply and Demand Trends



Rent Trends



*Estimate; **Forecast

Sources: BLS; U.S. Census Bureau; Radius+; Yardi Matrix

Development Follows Demographics to Northern Locales

Economic Overview

An overall contraction in the labor market will hinder consumer spending; however, employers are still establishing and expanding Boston operations across multiple sectors. A bevy of move-ins, including Amazon distribution centers and pharmaceutical research facilities, will facilitate a solid backstop for storage demand as these firms recruit.

Demographic Overview

Boston is projected to grow by more than 21,100 inhabitants in 2023, roughly 70 percent of whom will have moved to the metro from elsewhere. Development hurdles have exacerbated the housing shortage in recent years, with the median home price rising 33 percent from 2019 to 2023. This has prompted many to seek housing in outlying regions of the metro, with Worcester and the Manchester-Nashua areas drawing many new arrivals.

Construction Overview

Development increases on an annual basis, though supply additions remain well-below the highs completed from 2018 through 2020. In line with previous years, the majority of space scheduled for delivery this year will come online in northern Essex and Middlesex counties, as well as southern New Hampshire.

Vacancy/Rent Overview

Normalizing demand as the health crisis falls into the rear view will return vacancy to the mid-8 percent zone by the end of 2023, a level comparable to the tightest pre-pandemic years. This ongoing decompression will translate to a 4.5 percent decline in the marketed rent over the two-year period closing this December.

2023 Market Forecast

Inventory — 30 million square feet and 6.2 square feet per capita

Employment down 0.4% — Boston's employment base will lose 10,000 positions on a net basis this year, just one-eighth of 2022's advance.

Population up 0.3% — Overall population growth decelerates slightly from last year's 0.5 percent gain, though Boston will still see its highest net in-migration figure in six years.

Construction 975,000 sq. ft. — Space completions will fail to exceed the 1 million-square-foot mark for the third consecutive year, a figure not observed since the period from 2015 to 2017.

Vacancy up 40 bps — Vacancy rises to 8.3 percent by the end of this year, a notable deceleration from the 110-basis-point decompression seen in 2022.

Rent down 1.3% — The mean marketed rent falls to $1.49 per square foot, equivalent to 2020's year-end street rate.

Older Population Holds Vacancy Below Historical Levels

Economic Overview

Although slowing job growth has altered some perceptions of Chicago's economic outlook, affirmation of long-term confidence in the metro continues. Despite its recent relocation, Boeing confirms its move will not affect those employed locally. Meanwhile, a relocation into the city by Kellogg's reinforces this confidence in the local economy.

Demographic Overview

Despite Chicago noting another year with the nation's largest net out-migration of any major U.S. metro, and subsequently negative population change, the market's count of 65-plus year olds continues to expand. Increasing by 2 percent in 2023, this demographic is most likely to consider downsizing their living situations, thus putting a positive note toward self-storage demand.

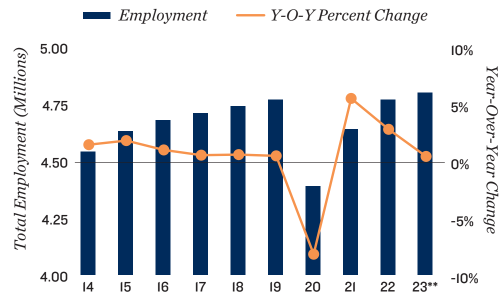
Construction Overview

After more than doubling deliveries from the 2021 decade-low, the metro continues its expansionary momentum, growing total inventory by 1.7 percent in 2023. Builders remain most active across suburban locales, as completions within the city of Chicago amount to less than half their five-year average and just 15 percent of this year's supply.

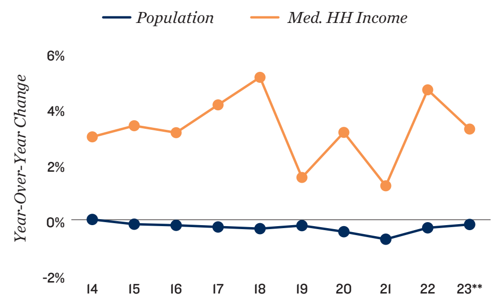
Vacancy/Rent Overview

Demand continues to normalize from significant gains made during the pandemic. Still, the metro's vacancy rate remains more than 100 basis points below its historical average. This easing demand nevertheless drives down the average asking rent across both urban and suburban assets, as mean rates settle to $1.26 and $1.03 per square foot, respectively.

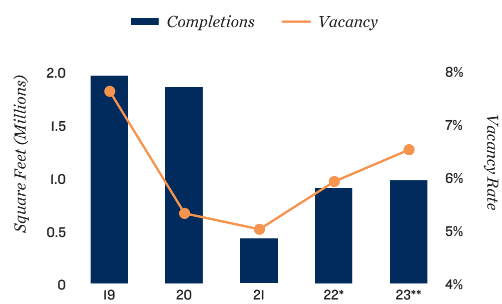
Employment Trends



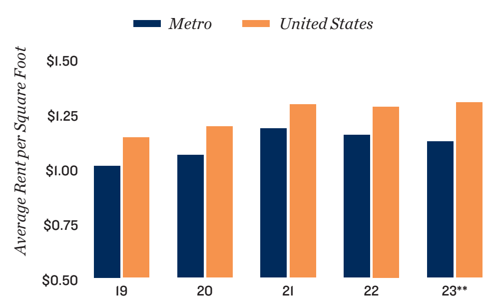
Demographic Trends



Supply and Demand Trends



Rent Trends



** Estimate; ** Forecast*

Sources: BLS; U.S. Census Bureau; Radius +; Yardi Matrix

2023 Market Forecast

Inventory — 58 million square feet and 6.3 square feet per capita

Employment up 0.5% — Chicago adds 26,000 positions to the employment base in 2023, over 100,000 less than last year.

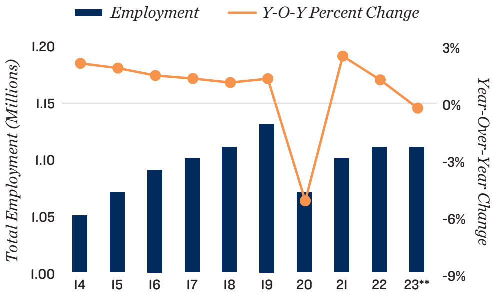
Population down 0.2% — The metro's population sheds 15,600 people as migration to Sun Belt metros continues to pull away some Windy City residents.

Construction 970,000 sq. ft. — Developers expand deliveries by 100,000 square feet over the last year, increasing total inventory by 1.7 percent. Still, arrivals are half a million square feet short of the trailing five-year average.

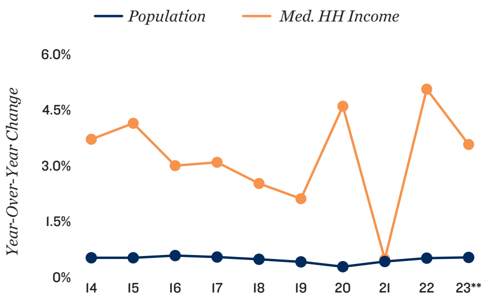
Vacancy up 60 bps — Availability grows for the second consecutive period after a four-year run of tightening vacancy, reaching 6.5 percent by year-end.

Rent down 2.6% — Slowing demand drives the metro's average asking rate to a three-year low at $1.12 per square foot in 2023.

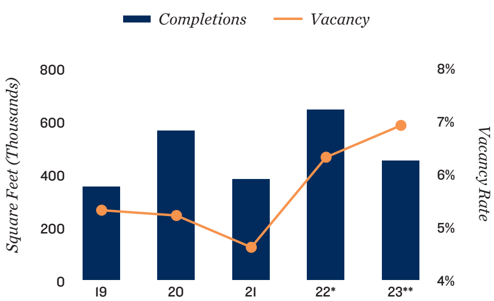
Employment Trends



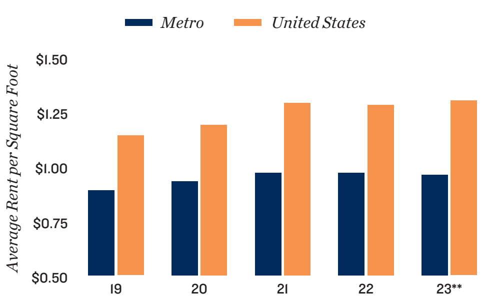
Demographic Trends



Supply and Demand Trends



Rent Trends



*Estimate; ** Forecast

Sources: BLS; U.S. Census Bureau; Radius+; Yardi Matrix

Migration Aids Demand, Supply Wave Poises Headwinds

Economic Overview

Total employment will remain persistently below the pre-pandemic position recorded in February 2020. However, on a brighter note, several sectors had surpassed previous highs by the end of last year, including construction and trade, transportation, and utilities. Notable employers have also announced long-term expansions in Cincinnati — such as Medpace, Trew and Thermo Fisher Scientific — hinting at future job growth.

Demographic Overview

This year will note the greatest sum of in-migration on a net basis since the early 1990s, contributing to the rapidly-increasing effective mean monthly rent on an apartment unit in Cincinnati. As the median household income fails to keep pace with inflation, the rising cost-of-living has led many to consider downsizing or consolidating households, making self-storage an increasingly appealing option.

Construction Overview

Last year noted the greatest volume of year-end deliveries since 2002. Construction will decline in 2023, but the annual total will still exceed 350,000 square feet for the eighth consecutive annual period. The majority of deliveries are slated for outer submarkets in the city of Hamilton or across the river in Kentucky. Construction activity is following the growing renter pool in these suburban areas.

Vacancy/Rent Overview

The average monthly rent per square foot will remain relatively consistent with the prior two years, only shrinking by one cent. Elevating vacancy and high construction are the primary causes of stagnating rent growth.

2023 Market Forecast

Inventory — 14 million square feet and 6.2 square feet per capita

Employment down 0.3% — Total employment will contract in 2023 by 3,000 positions, following last year's gain of 13,400 jobs.

Population up 0.5% — Cincinnati's population will expand by over 10,000 residents this year, just above the prior decade's mean. Net in-migration will account for approximately 5,300 of these additions.

Construction 450,000 sq. ft. — Development will taper in 2023 from last year's rapid inventory expansion, landing just below the trailing five-year average. Metro stock will expand by around 3.2 percent.

Vacancy up 60 bps — Availability will rise annually for the second straight year, reaching 6.9 percent in the fourth quarter.

Rent down 1.0% — Climbing vacancy will hinder rent growth, pulling the average monthly rent down to $0.96 per square foot.

Household Consolidation Underpins Storage Use

Economic Overview

The employment base will decline in 2023 as the market feels the impact of macroeconomic headwinds. Long-term job growth may be on the horizon, however, as several companies commit to future expansions. Hana Technologies intends to build a sizable manufacturing facility in Solon, while Sherwin-Williams is constructing a new headquarters in downtown Cleveland.

Demographic Overview

Cleveland's population is slated to decline for a 10th year in a row; however, the age 65-plus cohort will continue to register year-over-year expansion equal to or exceeding 2 percent. The aging baby boomer population will likely represent a primary source of self-storage demand as they look to downsize lifestyles. Additionally, the consolidation of apartment renters into roommate situations may require some to utilize self-storage space for overflow items.

Construction Overview

A collection of projects that each comprise more than 100,000 square feet make up the bulk of this year's deliveries. These properties are primarily spread across Canton, Cleveland proper, Mentor, Parma Heights and Wickliffe. The influx of new storage units will outpace consumer demand for space and place upward pressure on vacancy.

Vacancy/Rent Overview

Cleveland-Akron maintains the highest monthly rent among the three major Ohio markets — the only one to surpass $1 per square foot — despite persisting supply and demand headwinds. Further rent recalibration may be necessary long term as market conditions continue to shift and Cleveland's population decreases.

2023 Market Forecast

Inventory — 17 million square feet and 6.2 square feet per capita

Employment down 0.04% — Following last year's 23,100 new positions, Cleveland-Akron's combined job count will dip by a net 500 roles in 2023.

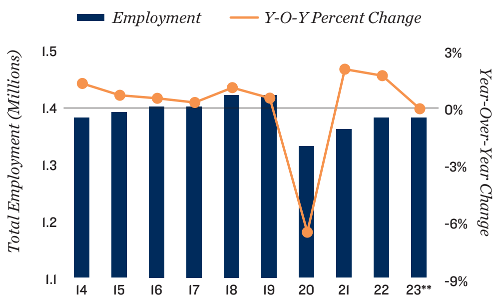
Population down 0.2% — Cleveland will continue its decade-long trend of population reduction. The metro will lose over 6,400 residents overall, though the age 65-plus cohort will still grow by 8,300 people.

Construction 900,000 sq. ft. — Completions reach their highest level since at least 2000, as annual deliveries exceed the prior two-year tally. The market's stock expansion notably surpasses that of Cincinnati and Columbus.

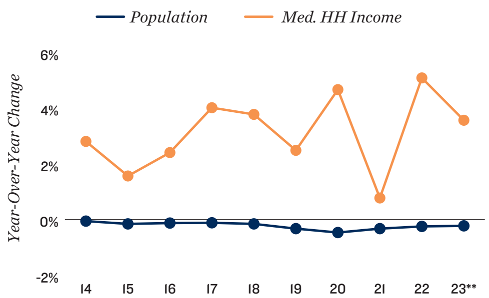
Vacancy up 30 bps — Availability rises for the third straight year. Still, the market's 8.5 percent rate is nearly on par with the national mark.

Rent down 1.9% — The average monthly rent begins to fall as vacancy rises, placing the year-end marketed rate at $1.04 per square foot.

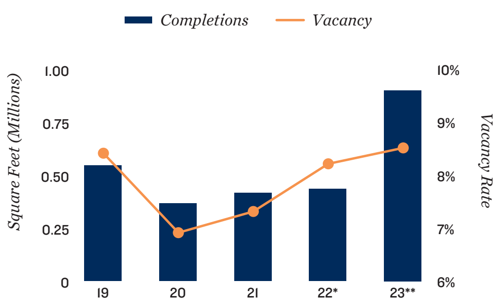
Employment Trends



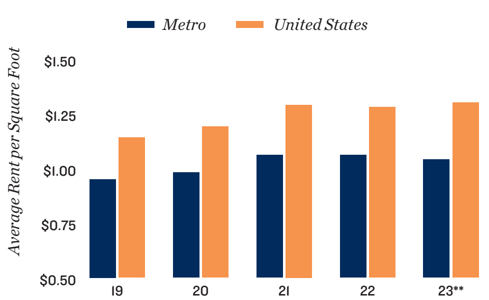
Demographic Trends



Supply and Demand Trends



Rent Trends



* Estimate; ** Forecast

Sources: BLS; U.S. Census Bureau; Radius +; Yardi Matrix

Major Firm Move-Ins Prelude Heightened Relocations

Economic Overview

In 2022, Intel broke ground on two microchip factories in Licking County, which are expected to create 7,000 construction jobs and 3,000 permanent positions. Since that announcement, several other companies — such as Hyperion — have signaled moves to Central Ohio. These long-term tech and manufacturing commitments in the capital city will enable sustained employment and wage growth through this year and beyond.

Demographic Overview

In-migration and median income improvements, fueled by employment opportunities in well-paying sectors, will aid self-storage demand. Additionally, Columbus notes growth in the age 65-plus cohort, adding over 11,300 residents in 2023. These baby boomers contribute to demand for storage space as the generation retires into downsized lifestyles.

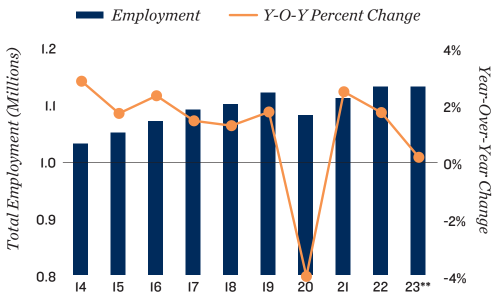
Construction Overview

An expanding population and continued hiring suggest that the market is well-positioned to receive the ample square footage set to deliver this year. Nevertheless, the new supply may cause occupancy headwinds near term. Outer submarkets, in particular, should see heightened self-storage needs as apartment renters continue to target these areas. A 120,000-plus-square-foot project in Canal Winchester headlines this year's deliveries.

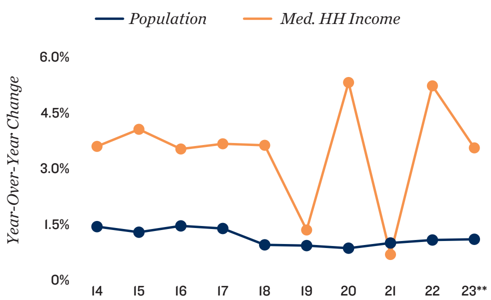
Vacancy/Rent Overview

The average monthly rent in Columbus in 2023 will increase by the same margin as 2022, surpassing the year-end rate recorded in Cincinnati by two cents. This marks the first time Columbus will have surpassed southern Ohio in this metric. Similarly, year-end vacancy in Central Ohio will be lower than Cincinnati for the first time since 2017.

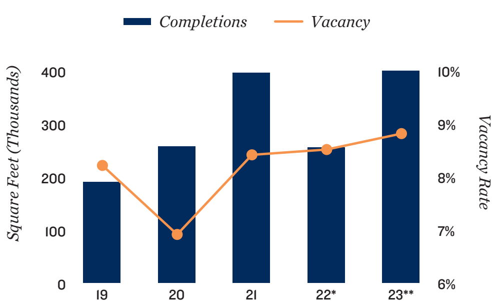
Employment Trends



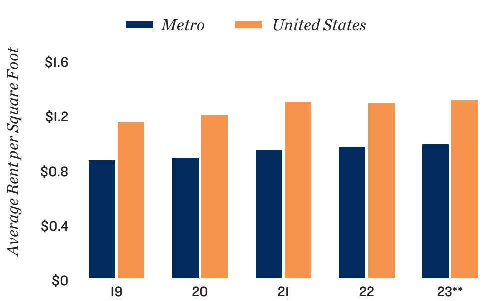
Demographic Trends



Supply and Demand Trends



Rent Trends



*Estimate; **Forecast

Sources: BLS; U.S. Census Bureau; Radius+; Yardi Matrix

2023 Market Forecast

Inventory — 14 million square feet and 6.3 square feet per capita

Employment up 0.2% — Columbus gains 2,000 positions this year, the only major Ohio market to post a rising job count in 2023.

Population up 1.0% — The metro will add over 22,000 residents, the largest population increase since 2017 and the second-largest gain among major Midwest markets.

Construction 400,000 sq. ft. — Completions in 2023 will reach their highest annual total since 2018, nearly doubling last year's tally, which will expand inventory by 2.9 percent.

Vacancy up 30 bps — Availability will reach its highest level since 2018, reaching 8.8 percent by December.

Rent up 2.1% — Sustained demand for self-storage space enables the mean asking rent to reach $0.98 per square foot.

Nation-Leading In-Migration Drives Storage Demand

Economic Overview

In 2023, Dallas-Fort Worth will add the second-highest number of new positions nationally to its employment count. Growth in the leisure and hospitality sector, as well as in the traditionally office-using segment, will highlight these gains. Company expansions into the market — though beginning to slow amid mounting economic headwinds — have fueled most of the recent hiring and incentivized individuals to relocate to the Metroplex.

Demographic Overview

Dallas-Fort Worth tops all metros nationwide by the amount of total new residents in 2023. Despite moderating hiring velocity, net in-migration is expected to be the largest in the country for a third consecutive year, stoking this expansion. As new residents move in, demand for self-storage will hold strong.

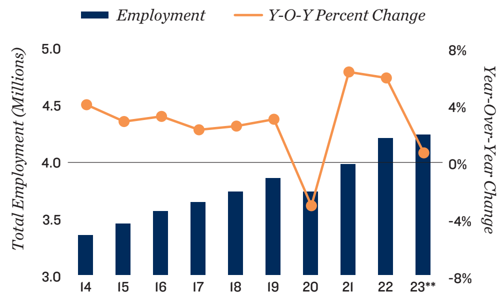
Construction Overview

More square footage is expected to come online in Dallas-Fort Worth this year than in any other U.S. market; yet, the delivery volume will trail the Metroplex's prior five-year average of over 3 million square feet. Fort Worth is slated to receive the majority of completions. The fast-growing outer cities of Carrollton and Melissa in North Dallas are both expecting 200,000-plus-square-foot projects.

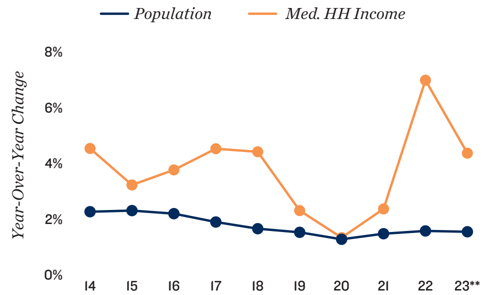
Vacancy/Rent Overview

The average monthly rate will advance the fastest in Fort Worth, rising to $1.02 per square foot. The city is likely to continue to see increasing self-storage demand as some neighborhoods offer living cost advantages to Dallas. Commuting residents seeking lower housing expenses, or employees with remote work flexibility, may opt for Fort Worth.

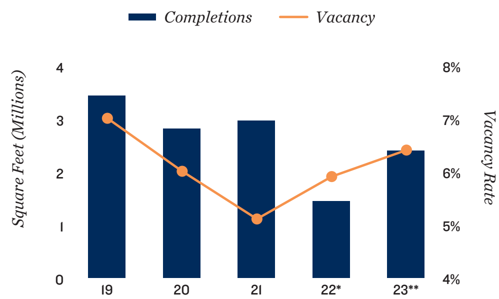
Employment Trends



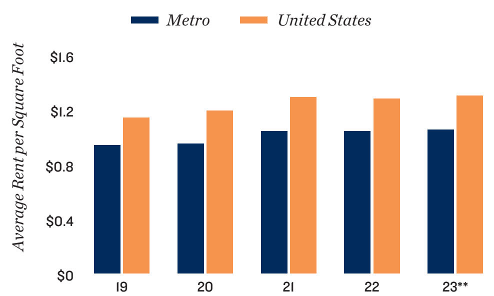
Demographic Trends



Supply and Demand Trends



Rent Trends



2023 Market Forecast

Inventory — 86 million square feet and 10.6 square feet per capita

Employment up 0.7% — Dallas-Fort Worth will add 28,000 positions this year, a notable drop from 2022's surge of 235,000 jobs.

Population up 1.4% — The Metroplex's population will grow by 116,400 residents. This increase is supported by a net of 73,000 out-of-market individuals relocating to the area.

Construction 2,400,000 sq. ft. — Completions in Dallas-Fort Worth will be the highest among the four major Texas markets. Inventory will expand here by around 2.8 percent, and Fort Worth alone will gain 1.1 million square feet.

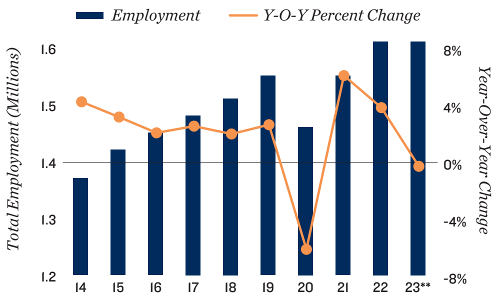
Vacancy up 50 bps — Despite reporting the largest statewide pipeline, Dallas-Fort Worth maintains Texas' lowest vacancy rate at 6.4 percent.

Rent up 1.0% — After a net-zero change during the 2022 calendar year, the mean marketed rent will advance to $1.05 per square foot in 2023.

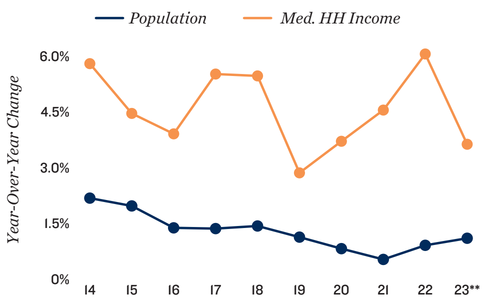
** Estimate; ** Forecast*

Sources: BLS; U.S. Census Bureau; Radius +; Yardi Matrix

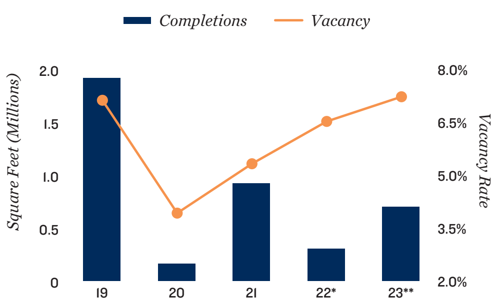
Employment Trends



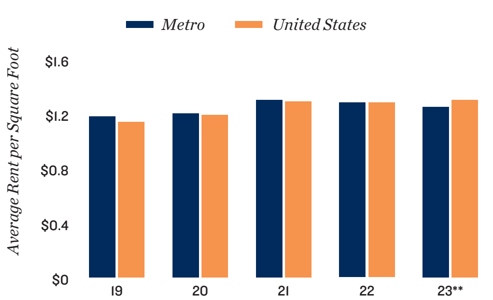
Demographic Trends



Supply and Demand Trends



Rent Trends



** Estimate; ** Forecast*

Sources: BLS; U.S. Census Bureau; Radius+; Yardi Matrix

In-Migration Preserves Below-Average Vacancy

Economic Overview

National economic challenges will impact the Mile High City's tech and startup sectors this year, with layoffs likely across both segments. Accounting for a notable portion of Denver's employment base, losses in these industries will directly impact local consumer spending in 2023. The expected slowdown in retail sales growth that results has the potential to negatively impact demand for storage space; however, individuals and households relocating to the metro should help counteract this dynamic.

Demographic Overview

Once one of the nation's fastest-growing cities, Denver's pace of population growth has tempered. Still, the metro's populace is slated to expand by an average of 30,000 residents annually over the next five years. This and the market's median household income surpassing the $100,000 threshold should aid the near-term, self-storage outlook.

Construction Overview

Denver's delivery volume fails to exceed the 1-million-square-foot mark for the fourth consecutive year, after an average of 2 million square feet was finalized annually during the prior four-year interval. Of the properties slated for near-term delivery, larger facilities remain the most prevalent as nearly two-thirds of the projects in the active pipeline comprise more than 80,000 square feet.

Vacancy/Rent Overview

Despite another year of vacancy expansion, the metro's year-end availability rate holds 50 basis points below its historical average. Nevertheless, rising vacancy over the near term contracts the average asking rent to a three-year low.

2023 Market Forecast

Inventory — 33 million square feet and 10.8 square feet per capita

Employment down 0.2% — Denver's employment count drops by 4,000 in 2023, after the addition of 60,000 roles last year. Staff cuts by traditional office-using firms will account for 20 percent of this year's job losses.

Population up 1.1% — The metro's populace expands by 31,200 this year, supported by above-average household creation and net in-migration.

Construction 700,000 sq. ft. — Supply additions more than double last year, expanding inventory by 2.1 percent. Deliveries are well-dispersed across the metro, with Colorado Springs slated to welcome the most new space.

Vacancy up 70 bps — Metro vacancy continues to rise, albeit at a slower pace than the past two years, reaching 7.2 percent.

Rent down 2.3% — Economic headwinds ease demand for self-storage space this year, ceding some upward rent momentum. This pulls the average asking rate down to $1.25 per square foot.

Suburban Shift Drives Demand in Outer Areas

Economic Overview

By the end of 2022, traditionally office-using positions had grown more than 12,700 roles above the February 2020 count. While this sector is expected to note a net loss of 1,500 jobs this year, earlier expansion in high-paying fields will carry into 2023 as the metro's median household income grows by 3.1 percent to $69,500 annually.

Demographic Overview

Despite a declining overall population, wage growth in Detroit will spur household formation into 2023. These households may be drawn to the suburbs as companies shift within the market — such as BMC Compuware moving from downtown to Southfield. With the majority of self-storage facilities slated to come online this year in outer submarkets, residents moving to exurban areas may stimulate demand.

Construction Overview

Deliveries are generally focused in outer areas this year, and there will be a small concentration of builds in Warren. The city is slated to receive around 329,000 square feet in 2023. The other eight cities with projects coming online this year each only had one development underway as of January 2023.

Rent Overview

Sustained supply additions, paired with some out-migration, will cause the average monthly rent to fall for the second year in a row. However, the metro will maintain the highest mean monthly rent in the Midwest through 2023, sitting $0.15 per square foot above the regional average. Increasing metro stock may necessitate another rent adjustment going forward, but the average will likely remain above pre-pandemic norms.

2023 Market Forecast

Inventory — 22 million square feet and 5.2 square feet per capita

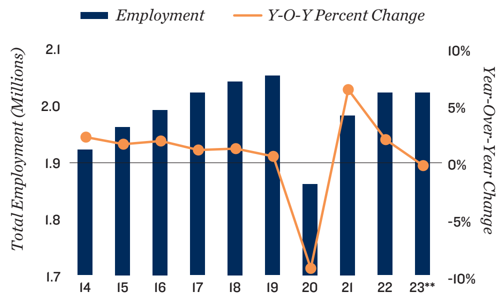
Employment down 0.2% — Total employment in Detroit will contract by 5,000 positions in 2023, landing around 35,600 roles below the 2019 tally.

Population down 0.2% — Detroit's population will contract by around 8,300 people this year. Much of this shift will be due to the net out-migration of over 10,800 relocations.

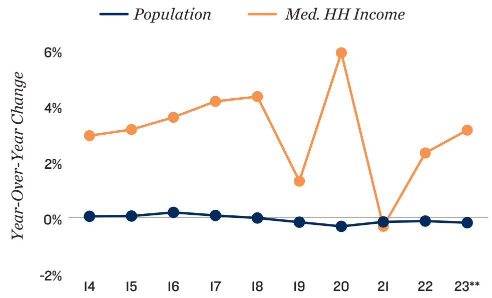
Construction 630,000 sq. ft. — Completions will be consistent with the trailing five-year average, expanding inventory by 2.8 percent. Four 100,000-plus-square-foot projects make up over half the pipeline.

Rent down 0.8% — After reaching a high of $1.23 per square foot in mid-2022, the average monthly rent will shrink to $1.17 per square foot this year.

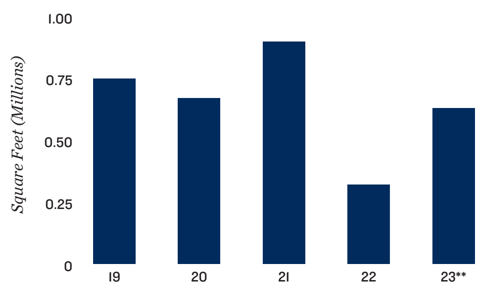
Employment Trends



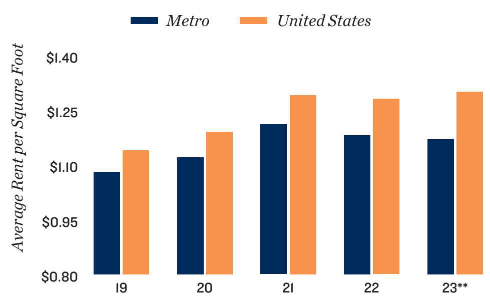
Demographic Trends



Supply Trends



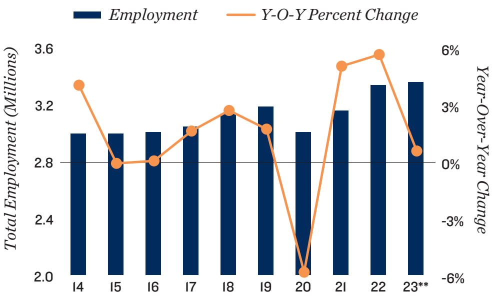
Rent Trends



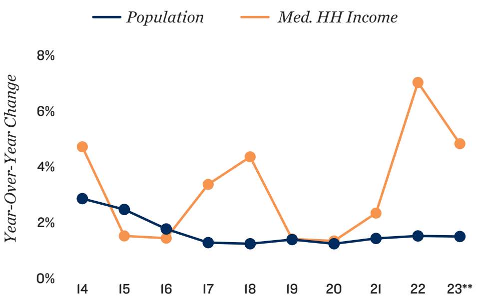
** Estimate; ** Forecast*

Sources: BLS; U.S. Census Bureau; Radius +; Yardi Matrix

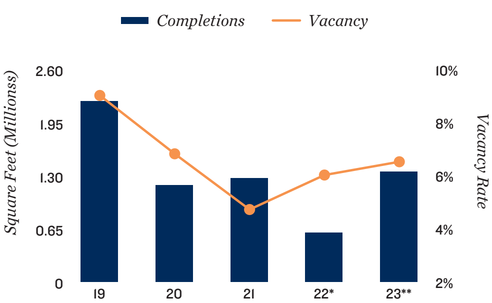
Employment Trends



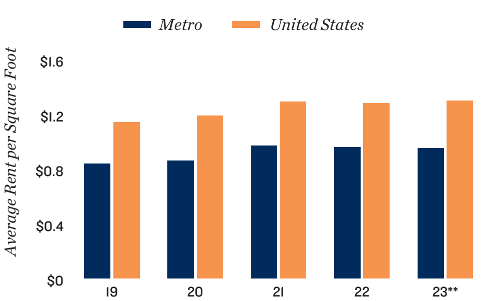
Demographic Trends



Supply and Demand Trends



Rent Trends



** Estimate; ** Forecast*

Sources: BLS; U.S. Census Bureau; Radius+; Yardi Matrix

Regionally-Low Housing Costs Aid Storage Demand

Economic Overview

Houston adds the fourth-highest number of jobs among major U.S. markets this year. Despite slowing from 2022's historically high headcount expansion, employment opportunities are still prevalent, drawing out-of-market residents and contributing to sustained household formation in 2023.

Demographic Overview

In 2023, the median household income for Houston residents is expected to rise 4.7 percent year-over-year, the largest increase among major Texas markets. This, paired with a lower average effective apartment rent than Dallas-Fort Worth or Austin, is a major factor drawing in-state relocations to Houston. In-migration will account for over 57,000 of this year's new residents.

Construction Overview

Several large projects spearhead the 2023 pipeline. Conroe, Tomball and Houston proper are all expecting builds exceeding 100,000 square feet. These three areas account for two-thirds of the active pipeline. More cost-effective living options can be found in outer cities, allowing supply here to benefit from greater in-migration. Conversely, Houston proper may face headwinds in the near term as nearly 400,000 square feet comes online here.

Vacancy/Rent Overview

Although availability will rise this year, the 2023 rate will land 90 basis points below the long-term average. As supply and demand rebalance, the mean monthly rent will slide by $0.01 per square foot. Houston retains the lowest monthly rate among major Texas markets, but also the second-lowest vacancy, potentially allowing for future rent gains.

2023 Market Forecast

Inventory — 82 million square feet and 10.9 square feet per capita

Employment up 0.6% — Following 2022's record high of 178,600 new roles, hiring will slow with only 20,000 positions being added during 2023.

Population up 1.4% — Houston will note the second-largest population increase in the nation, trailing only Dallas-Fort Worth. Over 103,000 new residents are expected this year.

Construction 1,350,000 sq. ft. — Houston West is slated to lead this year's 1.7 percent stock expansion, with 840,000 square feet coming online. Meanwhile, Houston East will gain a more modest 510,000 square feet.

Vacancy up 50 bps — Amid a sizable construction pipeline, availability will creep upward, reaching 6.5 percent by year-end.

Rent down 1.0% — The mean monthly rate will dip to $0.95 per square foot, still more than 13 percent above the average rent in 2019.

Vacancy Edges up, Despite a Moderate Pipeline

Economic Overview

The hospitality and government sectors have yet to recoup their pandemic job losses, a situation that will continue as overall hiring efforts wane this year amid economic headwinds. As such, metro employment recedes for the first time since the onset of the health crisis. Although, newcomers to Indianapolis, such as agricultural giant Corteva, may help mitigate some of these labor market challenges. Still, a slowing local economy results in tapered retail sales growth as more consumers pare back their discretionary spending.

Demographic Overview

The metro's moderate cost-of-living compared to other Midwest markets attracts more than 21,000 new residents to Indianapolis this year. A sturdy population inflow and higher incomes support a rate of household formation that slightly exceeds the metro's long-term average, a potential boon for self-storage demand this year, despite national economic headwinds.

Construction Overview

A number of large-scale facilities come online in the first half of 2023, with the active pipeline slated to grow inventory by 2.3 percent this year. Nevertheless, completions remain lower than previous years, limiting supply-side pressure amid slower consumer spending.

Vacancy/Rent Overview

Following a 260-basis-point spike last year, vacancy continues its upward trajectory in 2023. The anticipated 110-basis-point hike ranks as the largest increase registered across major markets. Slowing local demand places downward pressure on rents this year. Fortunately for storage users, the metro's average asking rate is the lowest nationally.

2023 Market Forecast

Inventory — 19 million square feet and 8.9 square feet per capita

Employment down 0.2% — Despite shedding 2,000 positions this year, Indianapolis' job count remains over 22,000 roles above the pre-pandemic level.

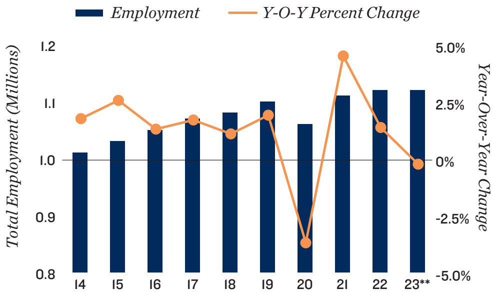
Population up 1.0% — In-migration higher than the previous decade average — highlighted by growth in northern and western suburbs — contributes to population expansion of more than 20,000 people in 2023.

Construction 440,000 sq. ft. — Delivery volume trails the prior five-year average by nearly 400,000 square feet during 2023. Facilities slated for completion are concentrated in Indianapolis proper and southern suburbs.

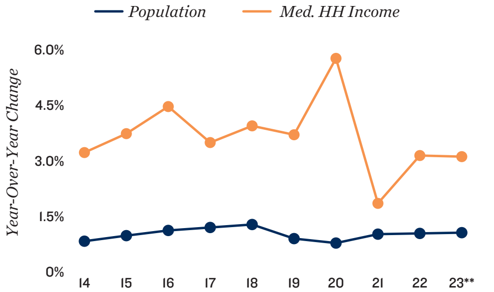
Vacancy up 110 bps — Availability reaches 6.6 percent this year, the metro's highest year-end vacancy since 2018.

Rent down 1.1% — Expanding vacancy and softening consumer sentiment contribute to a second straight year of negative rent growth. This pulls the average asking rent down to $0.90 per square foot.

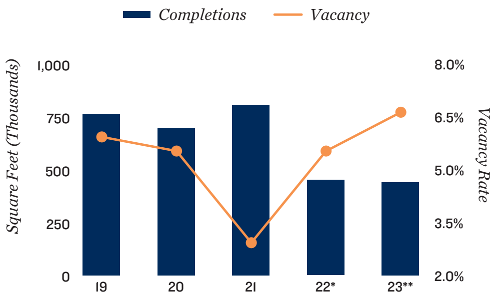
Employment Trends



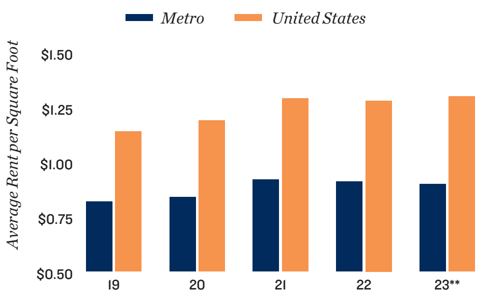
Demographic Trends



Supply and Demand Trends



Rent Trends



* Estimate; ** Forecast

Sources: BLS; U.S. Census Bureau; Radius +; Yardi Matrix

Demand Interrupted by Labor Market Uncertainty

Economic Overview

With international travel into the U.S. still lagging behind pre-pandemic volumes, the local leisure and hospitality sector has yet to reach full recovery. Near-term job market uncertainty may also negatively impact discretionary spending on a national level, reducing travel budgets and visits to Las Vegas. Some segments, however, are positioned to expand. The transportation and warehousing sector, for example, should benefit from Crocs and Tapestry's move-ins to 700,000-plus-square-foot distribution centers during 2023.

Demographic Overview

Robust net in-migration is fueling a population growth rate nearly four times the national pace. This year, the populace will expand by more than 45,000 people, with 85 percent coming from in-migration alone. A lower income tax rate and more affordable housing will continue to spur relocations from higher-cost Pacific Coast markets. As such, household growth in Vegas is expected to be the strongest among major metros in 2023.

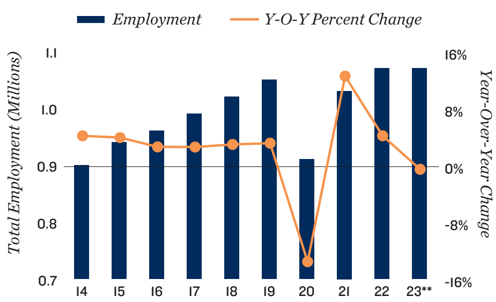
Construction Overview

Developers respond to continued population gains, increasing the volume of newly-delivered stock. By year-end, inventory will have grown by nearly 3 million square feet from 2021 to 2023, compared to just 2 million square feet during the three years prior.

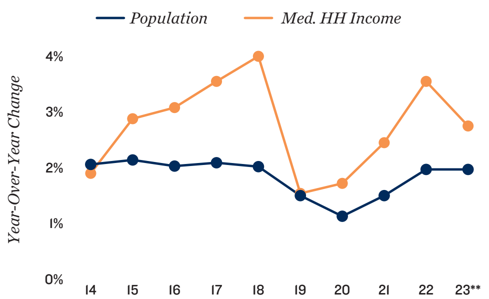
Vacancy/Rent Overview

Las Vegas registers two consecutive years of declining rents for the first time since before 2016. Elevated construction in 2023 will compound with softening demand to lift the vacancy rate above the historic norm. Renter competition for existing available stock should weaken as a result, pulling the metro's average monthly rent down by nearly 5 percent.

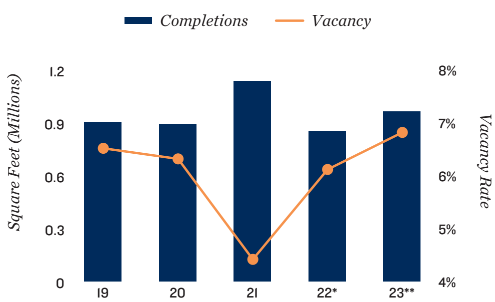
Employment Trends



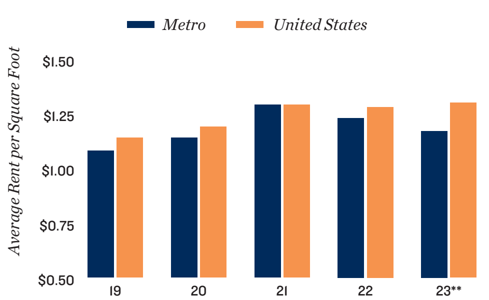
Demographic Trends



Supply and Demand Trends



Rent Trends



** Estimate; ** Forecast*

Sources: BLS; U.S. Census Bureau; Radius+; Yardi Matrix

2023 Market Forecast

Inventory — 24 million square feet and 10.0 square feet per capita

Employment down 0.4% — Despite a temporary setback in the labor market, the metro will continue to welcome incoming new residents, supporting the formation of nearly 24,000 new households during the year.

Population up 1.9% — With population growth at 1.9 percent in 2023, demand for space should support self-storage rent rolls when hiring re-stabilizes.

Construction 965,000 sq. ft. — Development accelerates this year after a slight moderation in 2022, with builders expanding self-storage stock by 4.0 percent.

Vacancy up 70 bps — Availability jumps up to 6.8 percent, as a great deal of new units fail to secure renters. Still, the vacancy rate remains 180 basis points below the national benchmark.

Rent down 4.9% — Asking rents decline by the largest magnitude in the past decade, reducing the average monthly payment to $1.17 per square foot. Despite this setback, rents remain above the pre-pandemic level.

Large Resident Base Underpins Self-Storage Needs

Economic Overview

National economic headwinds will slow the pace of hiring in Los Angeles and prolong a full recovery from the loss of staff at the onset of the pandemic. Entering this year, total employment was about 30,000 positions below the previous peak, with much of this gap stemming from the leisure and hospitality sector. The number of jobs created this year will amount to roughly 14 percent of the 2022 total gain.

Demographic Overview

The Los Angeles metropolitan area is one of the nation's largest economies, with a total population that is approaching 10 million people. Projections indicate the market will gain an average of 8,000 new residents over the next five years. Many incoming transplants may be steered toward the rental market because of high median home prices, elevating demand for storage due to smaller housing floor plans.

Construction Overview

While local construction is expected to accelerate in 2023 relative to last year's pace, supply additions will continue to lag behind other large notable metros. Strict zoning laws and high land costs in California limit overall development activity, and help lessen the risk of oversupply in Los Angeles and other major markets within the state.

Vacancy/Rent Overview

After falling to a record low in mid-2021, availability in the Los Angeles-Anaheim area has begun to increase, as widespread inflation negatively impacted consumer spending. Vacancy was at 5.9 percent entering 2023 — and while projected to rise further throughout this year — the rate will still remain 60 basis points below the pre-pandemic level.

2023 Market Forecast

Inventory — 38 million square feet and 3.8 square feet per capita

Employment up 0.3% — Firms will add an estimated 15,000 new jobs in 2023, with many coming from the accommodations and food services sector.

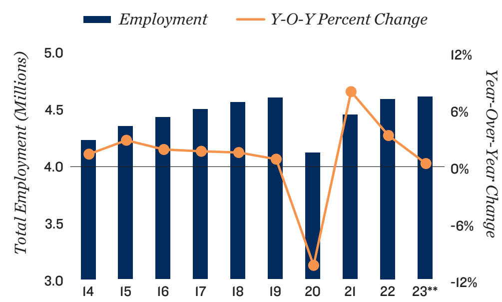
Population up 0.2% — The total population will increase by 16,000 throughout this year. Much of this growth will be driven by an older age demographic, specifically the 55 and up age cohort.

Construction 715,000 sq. ft. — Developers will elevate self-storage inventory by roughly 1.9 percent throughout Los Angeles County, a pace that exceeds the metro's long-term average.

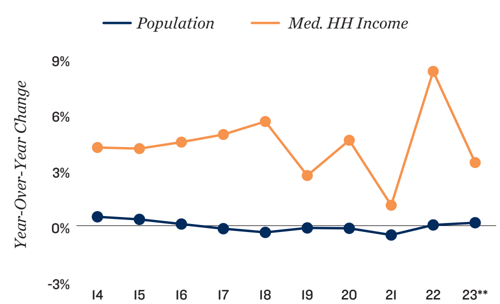
Vacancy up 100 bps — Vacancy continues its upward ascend, following the 170-basis-point rise during 2022. Availability will reach 6.9 percent, which is 60 basis points less than the 2019 recording.

Rent up 1.8% — Rent growth returns to Los Angeles in 2023, with the average asking rate ticking up to $2.21 per square foot.

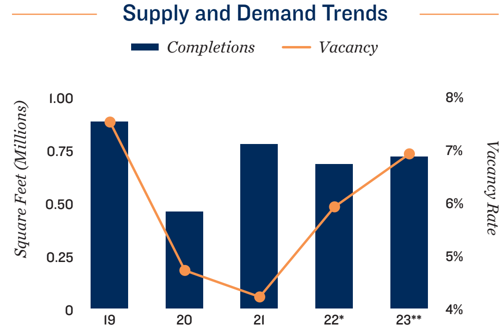
Employment Trends



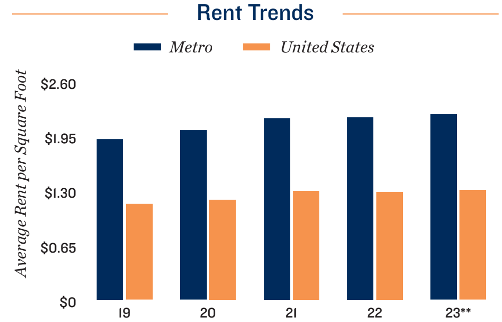
Demographic Trends



Supply and Demand Trends



Rent Trends



*Estimate; **Forecast

Sources: BLS; U.S. Census Bureau; Radius +; Yardi Matrix

Accelerating Construction Efforts Pressure Rates

Economic Overview

Despite a contracting labor pool and marginal income growth, the 15,900 new households projected to form in Minneapolis-St. Paul this year is the strongest gain in the Midwest. Nevertheless, national economic headwinds shrink the pace of retail sales growth as consumers become more stringent on discretionary spending.

Demographic Overview

Population gains in the metro are bolstered by a 3.3 percent increase in the 65-plus cohort this year. This age demographic is most prominent in the outer-western suburbs. Meanwhile, the Twin Cities' population of 20- to 34-year-olds drops by more than 2,000 people as migration to warm weather climates remains a prominent theme nationwide.

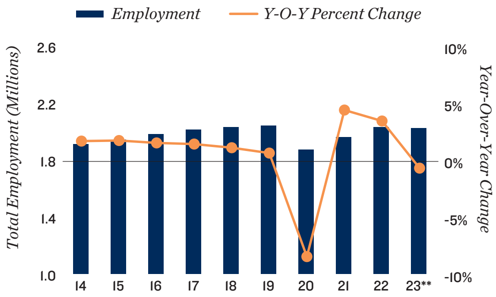
Construction Overview

Development ramps up this year, coming closer in line with pre-pandemic levels, after notching a decade-low 230,000 square feet delivered in 2022. With the majority of projects coming online in suburban areas this year, renter competition could increase for urban core units. Of the active pipeline, nearly all projects are less than 100,000 square feet in size.

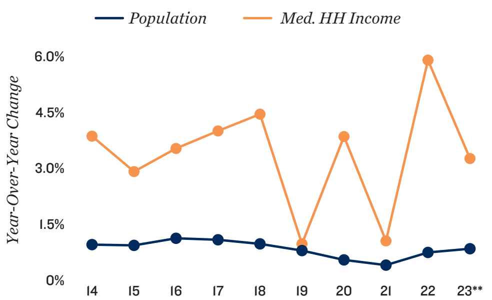
Rent Overview

Following a notable pullback in the metro's average asking rate last year, the pace of decline slows in 2023. Minimal development in the urban corridor bolsters an average gain of 0.9 percent here, bringing the segment's mean to $1.14 per square foot. Nevertheless, an elevated delivery slate and slowing demand results in a near-1 percent drop metrowide.

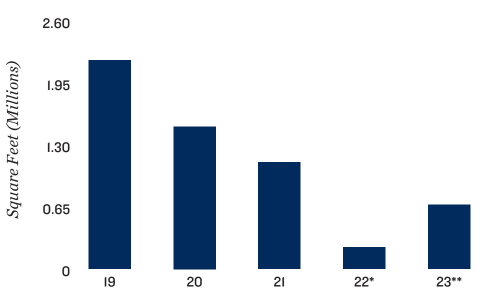
Employment Trends



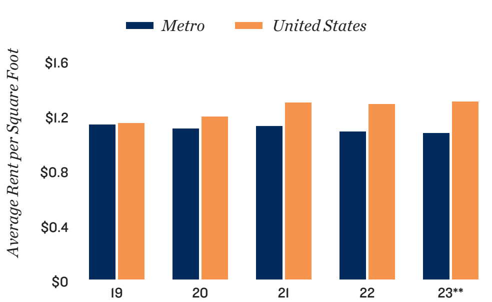
Demographic Trends



Supply Trends



Rent Trends



** Estimate; ** Forecast*

Sources: BLS; U.S. Census Bureau; Radius+; Yardi Matrix

2023 Market Forecast

Inventory — 26 million square feet and 6.8 square feet per capita

Employment down 0.6% — The metro's labor market contracts by 12,000 positions this year, holding employment 28,700 jobs below 2019's tally.

Population up 0.8% — In 2023, the Twin Cities matches its pace of growth from the previous two years. A four-year net in-migration high backfills the aforementioned declining 20- to 34-year-old population.

Construction 675,000 sq. ft. — Developers increase inventory by nearly three times last year's count. Still, the metro welcomes less than half the square footage of its trailing five-year average.

Rent down 0.9% — A notable 1.9 percent decline in the suburban average asking rent wanes the metro mean. At $1.07 per square foot, this will be the Twin Cities' lowest rate since at least 2016.

Nearby Drivers Provide Backstop for Demand

Economic Overview

Though the region's endogenous employers will shed positions in 2023, Fairfield County hosts bedroom communities for much of New York's commuter base, where many firms are anticipated to recruit additional personnel this year. Moving east, a demand base supported by Yale's academic ecosystem and a robust biotechnology sector should help mitigate declining storage demand from a quieter local labor market to a certain degree.

Demographic Overview

Southwestern Connecticut boasts the highest median income among all major markets nationwide, translating to a population with considerable discretionary spending capability. Nevertheless, high living costs are pushing the 20- to 34-year-old cohort to migrate to less expensive environs, though the region's older demographics are still expanding.

Construction Overview

Developers will pull back on supply additions this year, adding the lowest amount of square footage during any annual span since 2016. The vast majority of square footage slated for 2023 completion is located in the northern halves of New Haven and Fairfield counties, removed from more densely-populated locales along the coastal Interstate 95 corridor.

Vacancy/Rent Overview

Though supply gains will be sluggish in comparison with the previous half-decade, a combination of long-term population attrition and consumer spending headwinds will stifle the storage sector from the demand-side this year. Availability returns to a level comparable with the middle of the last decade, though well under the peak of 10.6 percent reported in late 2019. Similarly, marketed rents will observe some attrition, despite retaining a positive gap between pre-pandemic levels and the year-end 2023 asking rate.

2023 Market Forecast

Inventory — 19 million square feet and 10.5 square feet per capita

Employment down 0.5% — Regional employers shed 4,000 positions on a net basis in 2023, equating to roughly 40 percent of last year's gain.

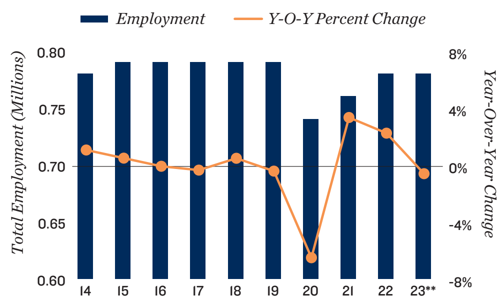
Population up 0.1% — Southwestern Connecticut records a minor uptick in population, growing by just over 1,100 denizens. Roughly 500 of these new residents will stem from this year's positive net migration figures.

Construction 475,000 sq. ft. — Supply additions in 2023 decline to roughly three-quarters of the previous year's rate. During the preceding half-decade, annual completions averaged at 680,000 square feet.

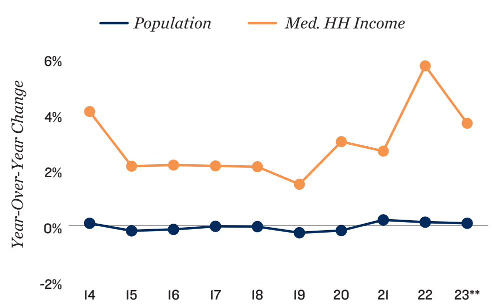
Vacancy up 40 bps — Vacancy decompression decelerates from 2022's notable 420-basis-point jump, bringing availability to 8.6 percent.

Rent down 0.7% — Though rents decline for the second year in a row, the mean asking rent of $1.34 per square foot is still well ahead of the 2019 rate.

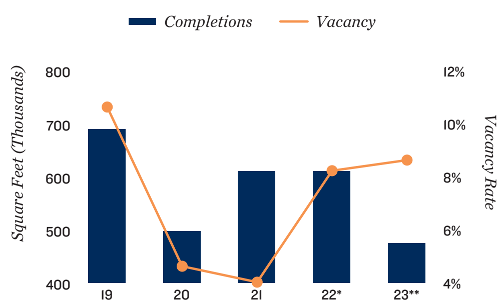
Employment Trends



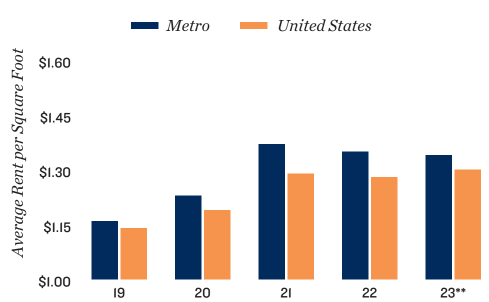
Demographic Trends



Supply and Demand Trends



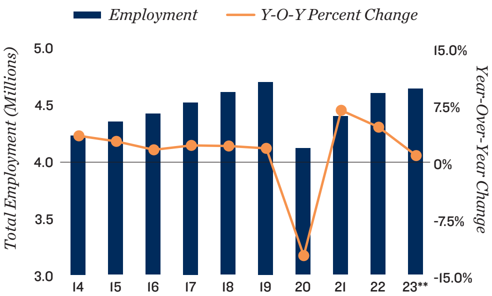
Rent Trends



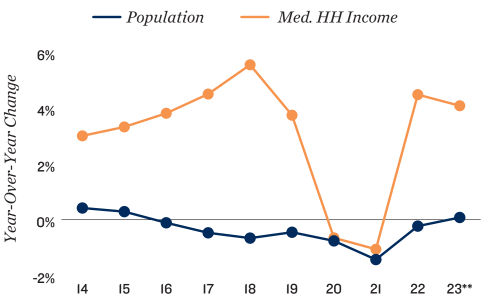
*Estimate; **Forecast

Sources: BLS; U.S. Census Bureau; Radius +; Yardi Matrix

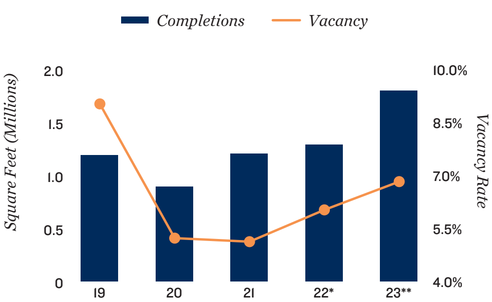
Employment Trends



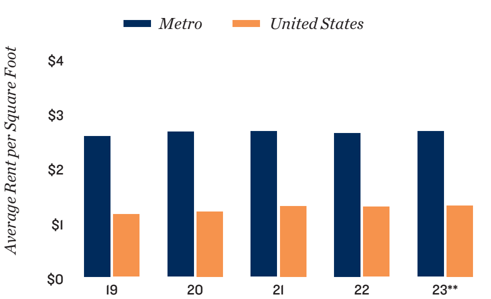
Demographic Trends



Supply and Demand Trends



Rent Trends



** Estimate; ** Forecast*

Sources: BLS; U.S. Census Bureau; Radius+; Yardi Matrix

Robust Supply Additions Test Population Recovery

Economic Overview

New York's employment market is expected to notch a third consecutive year of expansion, though hiring velocity decelerates from last year. Nevertheless, Manhattan office usage enters 2023 at roughly 50 percent of pre-health crisis norms. Many outer borough commuters who have opted for storage units after organizing an office at home should retain these units, due to the still-uncertain future of the hybrid work environment.

Demographic Overview

The five boroughs will mark a demographic recovery in 2023 from health crisis losses, as the population count is projected to exceed the year-end 2019 level by the end of the first quarter. A negative net-migration statistic indicates that much of these gains will stem from growing families, which may foster demand for storage units as new parents reconfigure their living spaces to accommodate their children.

Construction Overview

Supply additions mark an all-time high this year, as square footage completions increase 40 percent on an annual basis. While space in Queens and Staten Island stems from new builds, operators in Manhattan and Brooklyn often opt to lease warehouse properties and retrofit them for self-storage purposes, due to the dense development in these locales.

Vacancy/Rent Overview

Rapid construction relative to historical norms will drive vacancy up to 6.8 percent in 2023, the highest level since the onset of the COVID-19 pandemic. Nevertheless, New York retains the second-lowest ratio of self-storage space to population size among major markets, allowing this segment to command an overall rent increase at the metro level.

2023 Market Forecast

Inventory — 31 million square feet and 3.8 square feet per capita

Employment up 0.9% — Employment growth continues, though a net gain of 40,000 jobs marks a slower pace than in the previous two years.

Population up 0.1% — New York registers another annual span of net population growth, though the total count at the close of this year will remain 130,000 residents shy of the 2016 high.

Construction 1,800,000 sq. ft. — Developers will finalize a record amount of space this year. Staten Island will see a notable supply expansion this span, with 2023's additions growing stock here by more than 25 percent.

Vacancy up 80 bps — Though availability will mark a post-health crisis high, vacancy remains well-below the norms observed before the pandemic.

Rent up 1.1% — Marketed rents record a modest increase after a 1.0 percent loss last year, averaging at $2.66 per square foot by the close of 2023.

Residential Inflow Upholds Rents in the Tar Heel State

Economic Overview

North Carolina — serving as a trucking and intermodal through-point for the flow of goods between the Port of Savannah and much of the Eastern Seaboard — is benefiting from the seaport's recent record-level activity. Paired with robust population growth, this is motivating firms to bolster transportation and warehousing staff across the state. As such, Amazon plans to move into distribution centers in Smithfield and Pineville this year, while Ecolab and Home Depot set up large-scale warehouses near Greensboro.

Demographic Overview

Both Charlotte and Raleigh-Durham are projected to rank among the top major U.S. markets for household formation during 2023, a boon for operators in these locales. Here, net in-migration is being supported by a cost-of-living that remains generally low among similar-sized Southeastern markets. Overall, the Charlotte, Raleigh-Durham and Greensboro-Winston Salem metro areas add a combined 90,000 people through 2023.

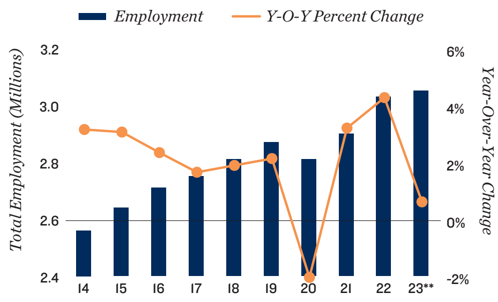
Construction Overview

Builders more than triple the amount of stock delivered in Greensboro-Winston Salem relative to last year, while augmenting the 2022 completion total in Raleigh-Durham by 200,000 square feet. Inventory expansion in these metros offset reduced construction in Charlotte, enabling the trio of metros to record their highest delivery volume in five years.

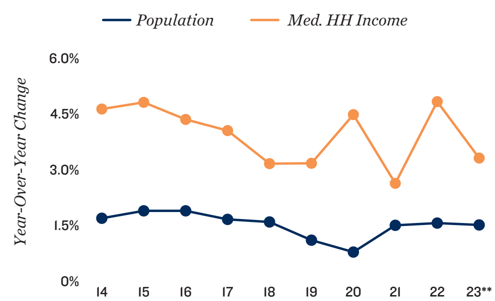
Vacancy/Rent Overview

Raleigh-Durham hosts the highest average asking rent among the major North Carolina metros at $1.05 per square foot. This is supported by a metro vacancy rate that, while rising, will remain 150 basis points below the Charlotte level at the end of this year.

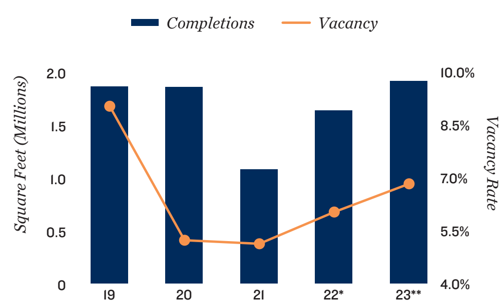
Employment Trends



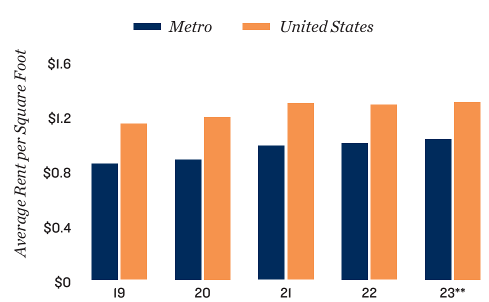
Demographic Trends



Supply and Demand Trends



Rent Trends



2023 Market Forecast

Inventory — 55 million square feet and 8.6 square feet per capita

Employment up 0.7% — After adding more than 125,000 roles last year, job creation in the state's three major metros tempers to 20,000 positions in 2023.

Population up 1.4% — Charlotte, Raleigh-Durham and Greensboro-Winston Salem's combined rate of population growth, at 1.4 percent, outstrips the national pace nearly three-fold during 2023.

Construction 1,915,000 sq. ft. — Builders expand the combined self-storage inventory in the major North Carolina metros by 3.6 percent. Stock expansion will be the fastest in Greensboro-Winston Salem at 4.8 percent.

Vacancy up 50 bps — The collective vacancy rate between Charlotte and Raleigh-Durham will climb to 7.1 percent by year-end.

Rent up 3.0% — Growth will accelerate to about two times the 2016-2022 average pace, elevating the three-metro mean to $1.03 per square foot.

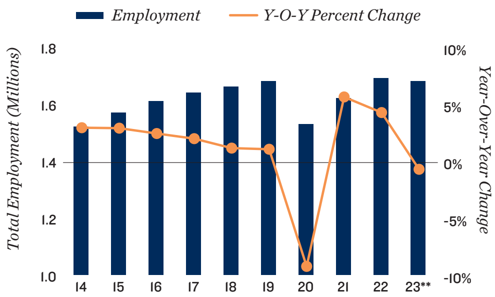
** Estimate; ** Forecast*

Sources: BLS; U.S. Census Bureau; Radius +; Yardi Matrix

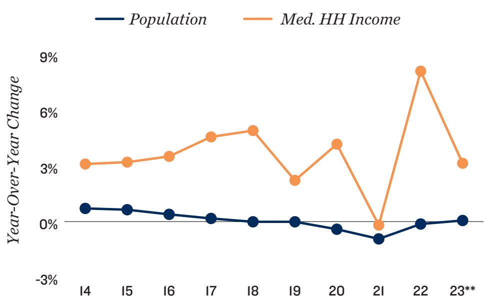
North Carolina encompasses Charlotte, Raleigh-Durham and Greensboro-Winston Salem.

Orange County Development Reaches Three-Year High

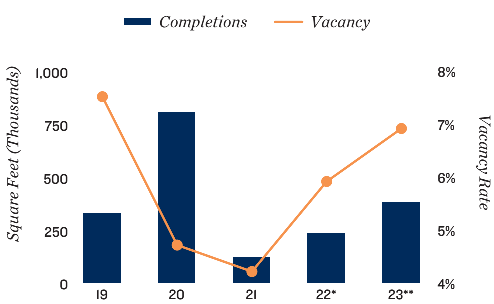
Employment Trends



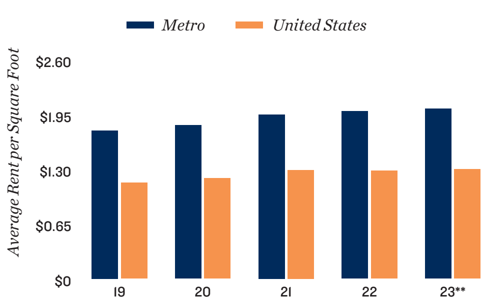
Demographic Trends



Supply and Demand Trends



Rent Trends



** Estimate; ** Forecast*

Sources: BLS; U.S. Census Bureau; Radius+; Yardi Matrix

Economic Overview

Orange County's diverse economy has aided the metro in recovering jobs lost as a result of the health crisis. Entering this year, unemployment was more than 100 basis points below California's average, while headcounts were within 6,000 positions of the previous peak achieved in 2020. However, national economic headwinds will negatively impact hiring, and total employment is expected to observe a net loss this year as a result.

Demographic Overview

Population growth returns to Orange County in 2023, following five consecutive years of annual declines. However, this year's increase to the overall resident count will be at a rate much slower than the national benchmark. Still, the median household income ranks as one of the highest in the nation, and the affluent consumer base will continue to drive retail sales, which also benefits self-storage demand.

Construction Overview

Self-storage development is projected to reach a three-year high, with developers adding 380,000 square feet of new supply. However, the volume of space delivering this year ranks as the lowest total among all major U.S. markets. Projects slated for delivery this year are concentrated in Irvine, Anaheim and Costa Mesa.

Vacancy/Rent Overview

Availability in the Los Angeles-Orange County region increased on an annual basis last year for the first time since 2018. Vacancy is expected to climb even further; however, the rate will remain below levels observed at the onset of the pandemic. This will allow the average asking rent to reach a new high, eclipsing $2 per square foot by year-end.

2023 Market Forecast

Inventory — 22 million square feet and 7.0 square feet per capita

Employment down 0.6% — Rising capital costs negatively impact the labor market, as firms reevaluate their staffing requirements. A net loss of roughly 10,000 positions is expected to occur in 2023 as a result, with total employment about 16,000 jobs below the pre-pandemic peak.

Population up 0.1% — Orange County is expected to add 5,500 new households throughout this year.

Construction 380,000 sq. ft. — Self-storage inventory in Orange County will increase by 1.8 percent in 2023.

Vacancy up 100 bps — Availability in the Los Angeles-Orange County region will escalate to 6.9 percent, marking the highest year-end rate recorded in the area since 2019.

Rent up 1.5% — The average asking rent in Orange County will reach $2.02 per square foot, building off the 2.1 percent gain recorded last year.

Robust In-Migration is Driving Construction Activity

Economic Overview

A less restrictive environment allowed Orlando's labor market to recover the loss of staff stemming from the health crisis much quicker than most of the nation. Entering this year, total employment in the metro was at an all-time high, roughly 30,000 positions above the pre-pandemic peak. Much of the job creation is spurred by company relocations and expansions, driven by tax incentives and lower business costs in Florida.

Demographic Overview

In-migration to Florida rapidly accelerated over the past few years. From 2019 to 2022, Orlando's population increased by more than 150,000, and this momentum is expected to remain for the foreseeable future. Over the next five years, Orlando will add roughly 43,000 new residents per year. This expeditious pace of arriving denizens bodes well for local self-storage demand longer term.

Construction Overview

Robust in-migration is spurring self-storage development activity. Supply additions in 2023 are expected to exceed 1 million square feet for the third time in the past four years. Construction will likely remain elevated in the near- to mid-term, as roughly 4 million square feet of projects were in the prospective or planning stage entering the new year.

Vacancy/Rent Overview

Following the 100 basis point jump in 2022, availability continues on its upward trajectory this year, albeit at a slower pace. Despite this rise, the rate will remain nearly 100 basis points below the long-term average, indicating storage demand is still strong by historical standards. Meanwhile, asking rents will note positive growth for the fourth straight year.

2023 Market Forecast

Inventory — 31 million square feet and 11.2 square feet per capita

Employment up 0.6% — Local employers add 8,000 new positions in 2023, amounting to 16 percent of last year's increase.

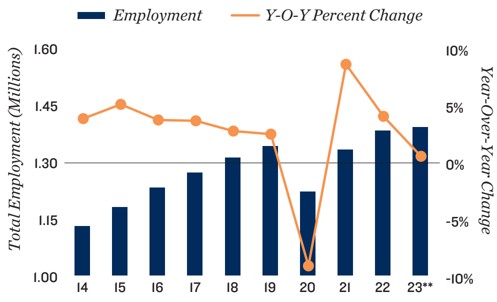
Population up 1.9% — Orlando ranks among the national leaders in population growth, with the addition of 46,000 new residents.

Construction 1,200,000 sq. ft. — Development activity is well-above the metro's long-term average of 730,000 square feet per year, as developers increase Orlando's self-storage inventory by 4 percent in 2023.

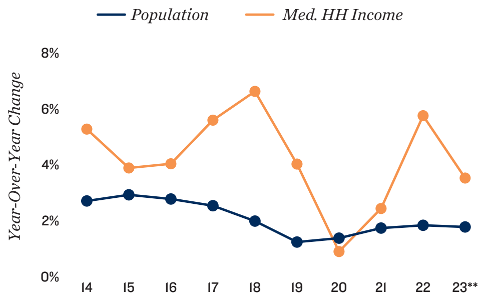
Vacancy up 40 bps — Although vacancy ticks up to 5.8 percent this year, the rate still remains 380 basis points below the pre-pandemic level.

Rent up 2.5% — Orlando ranks among the top four rent growth markets in the nation, as robust in-migration drives storage demand. The average asking rate will climb to $1.21 per square foot.

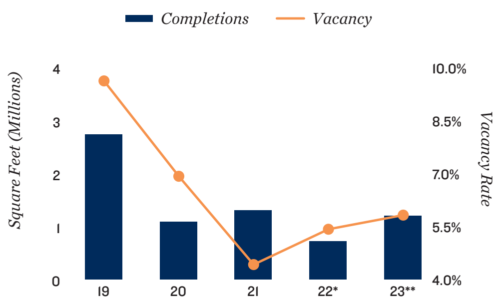
Employment Trends



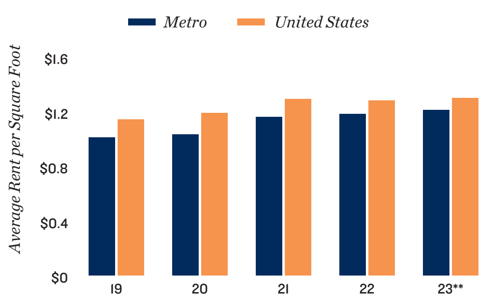
Demographic Trends



Supply and Demand Trends



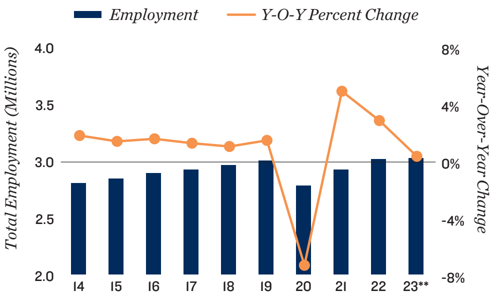
Rent Trends



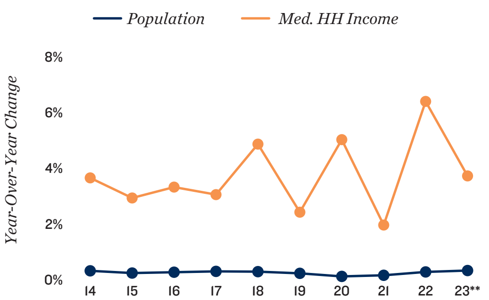
* Estimate; ** Forecast

Sources: BLS; U.S. Census Bureau; Radius +; Yardi Matrix

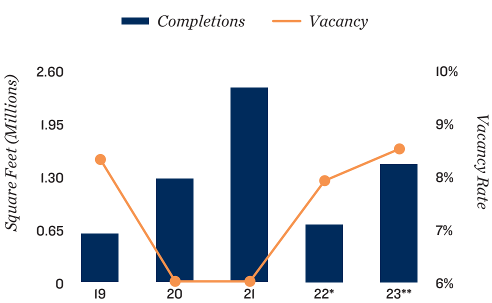
Employment Trends



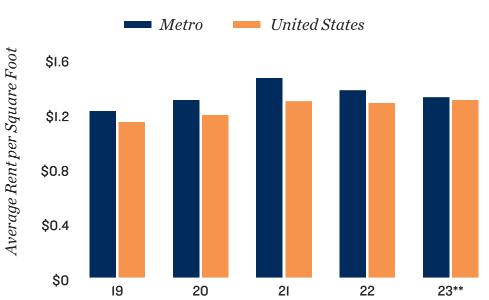
Demographic Trends



Supply and Demand Trends



Rent Trends



** Estimate; ** Forecast*
Sources: BLS; U.S. Census Bureau; Radius+; Yardi Matrix

Supply Injection Contrasts with Wavering Storage Needs

Economic Overview

Amid general flux, continued economic growth in Philadelphia this year should provide a backstop for self-storage demand. A minor expansion to the employment base will keep median household income growth at parity with the national average, assisting retail activity during a potential recessionary period. The long-term outlook is also optimistic, with finance employers — including Morgan Lewis — expanding in the core.

Demographic Overview

In line with historical norms, population growth will continue at a slow, yet steady, rate. Demographics are shifting to favor older adults, with this year's 2.7 percent increase in the 65-plus cohort contrasting a 0.7 percent contraction in the 20- to 34-year-old group. At more than 9,500 arrivals in 2023, Philadelphia is still expected to observe the greatest amount of in-migration on a net basis since 2009, due to hiring efforts by area firms.

Construction Overview

Development activity this year more than doubles the 700,000 square feet completed during the previous annual span. Builders are primarily focusing on suburban zones, which will add the second-highest amount of square footage since 2004. Most of these projects are positioned north of the city and in New Jersey's Camden and Gloucester counties.

Vacancy/Rent Overview

Ongoing supply expansion is largely responsible for Philadelphia's ranking among the nation's most vacant major markets this year. Elevated vacancy metrics will support continued rent normalization in the wake of 2021's 12.0 percent surge, with the mean marketed rate anticipated to decline for a second consecutive year.

2023 Market Forecast

Inventory — 32 million square feet and 5.2 square feet per capita

Employment up 0.4% — The 12,000 positions added on a net basis this year will elevate Philadelphia's job count to a new high.

Population up 0.3% — Demographic gains slow from last year's decade-long high, though the metro still adds 15,600 residents. Roughly two-thirds of these individuals will have moved from other markets.

Construction 1,450,000 sq. ft. — This year's notable inventory expansion has only been exceeded twice during the past 20 years. Excluding Sun Belt metros, local development in 2023 is only outpaced by New York.

Vacancy up 60 bps — Supply additions and a potential decline in consumers' spending power will test demand for storage, lifting vacancy to 8.5 percent.

Rent down 3.6% — Marketed rate declines slow from 2022's 6.0 percent contraction, as the mean asking rent falls to $1.32 per square foot. Urban rates wane more acutely, retreating 4.1 percent to $1.40 per square foot.

Operational Expansions Plant Seeds for Future Demand

Economic Overview

Despite some labor market uncertainty — with a potential economic downturn negatively affecting the local financial, retail trade and construction sectors — job growth is still on the horizon. Taiwan Semiconductor Manufacturing Company's Fab 21 factory comes fully online in late 2023. Meanwhile, Lowe's, Puma, Nestlé, PepsiCo and Frito-Lay will move into a combined 3.1 million square feet of industrial facilities during the year.

Demographic Overview

Population gains during 2022 were the strongest among any major market outside of Texas. This trend should hold this year, as a lower income tax rate and more affordable housing costs remain key features that attract individuals and families from more expensive West Coast markets. A net 63,000 new residents are projected to move to Phoenix during 2023, helping fuel a rate of household formation that doubles the national pace.

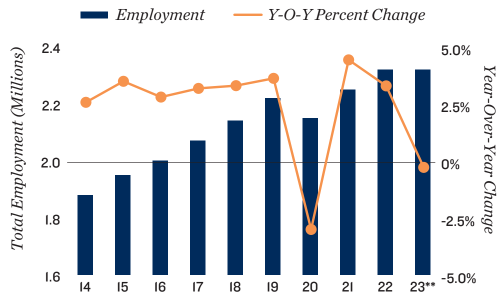
Construction Overview

From 2018 through 2020, an average of nearly 2.3 million square feet was delivered annually. Since then, completions volume has tempered to about 1.8 million square feet per year. Still, supply additions during 2023 will be above the long-term mean.

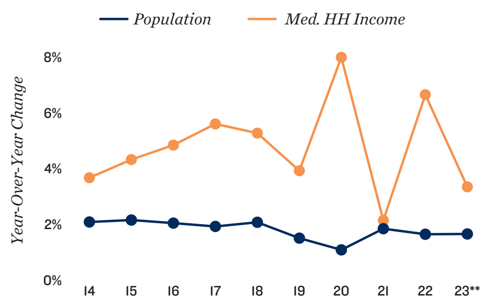
Vacancy/Rent Overview

Last year marked a temporary setback for Phoenix's rent momentum. Economic uncertainty kept many would-be movers in their current residences — though, this may have cultivated a batch of pent-up demand for storage space that could bubble back up in the coming quarters. As such, asking rents should recover from the retreat observed last year, as 2023's vacancy rise will be less than one-third of 2022's magnitude.

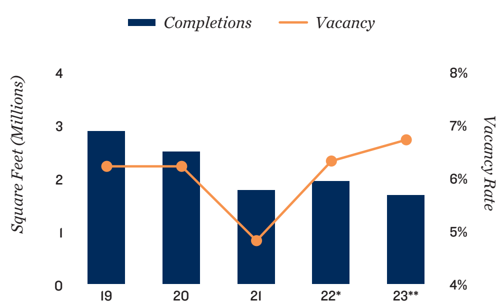
Employment Trends



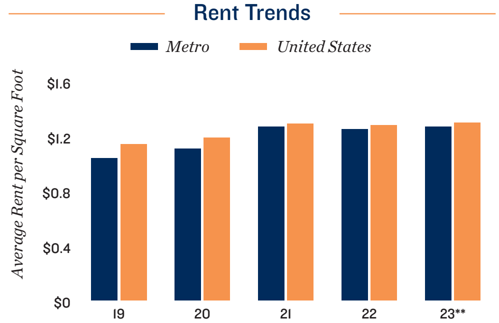
Demographic Trends



Supply and Demand Trends



Rent Trends



** Estimate; ** Forecast*

Sources: BLS; U.S. Census Bureau; Radius +; Yardi Matrix

2023 Market Forecast

Inventory — 44 million square feet and 8.4 square feet per capita

Employment down 0.2% — Despite shedding a net 5,000 roles during 2023, the total headcount remains 93,000 jobs above the pre-pandemic peak.

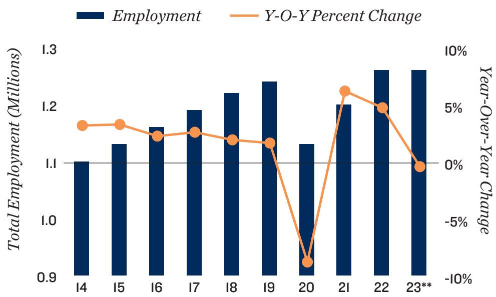
Population up 1.7% — Bolstered by net in-migration, which ranks as the second-strongest among major markets, the populace grows by 81,000 in 2023.

Construction 1,670,000 sq. ft. — Responding to the metro's sustained residential growth, builders increase inventory by 3.9 percent this year.

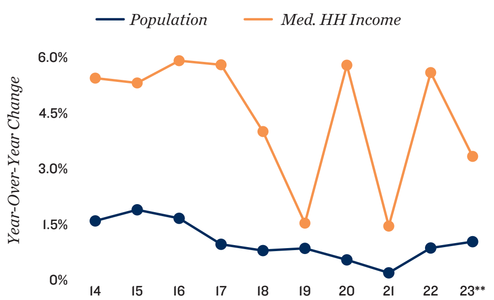
Vacancy up 40 bps — Weaker supply-side pressure relative to 2022 should limit upward vacancy momentum. Still, the rate lifts to 6.7 percent.

Rent up 1.6% — Rent growth resumes, despite local job market uncertainty. Continued in-migration and household formation help facilitate a rise in the mean monthly payment to $1.27 per square foot.

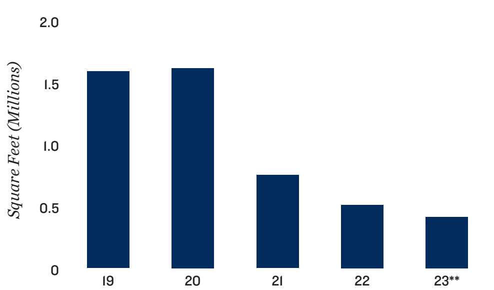
Employment Trends



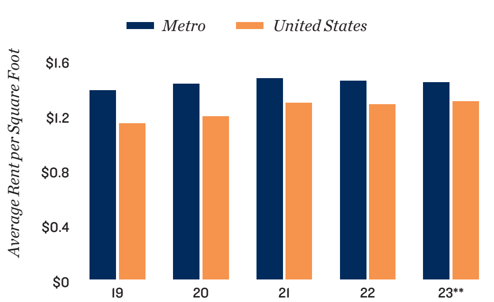
Demographic Trends



Supply Trends



Rent Trends



** Estimate; ** Forecast*

Sources: BLS; U.S. Census Bureau; Radius+; Yardi Matrix

Labor Market Flux Temporarily Moderates Demand

Economic Overview

The job market enters a short-term reset, after returning to the pre-pandemic headcount late last year. A slowing U.S. manufacturing sector burdens the metro, putting a pause on hiring in local industries. On the other hand, the transportation and warehousing segment should sustain payrolls as residential gains bolster demand for last-mile distributions. This is confirmed by Amazon's plans to move into a combined 600,000 square feet of warehousing space in Canby and Vancouver during 2023.

Demographic Overview

Net in-migration is projected to rise to a six-year high during 2023, as generally lower housing costs and density continue to draw transplants from major Bay Area markets and Seattle. These residential features will also contribute to a rate of household formation that doubles the national benchmark.

Construction Overview

Annual deliveries have remained under the 1-million-square-foot mark since 2021, consecutively decreasing year-after-year. This tempering of new supply will carry on in 2023, with builders slated to expand self-storage inventory by the smallest increment since 2016. This slowdown will relieve some of the pressures affecting rents.

Rent Overview

Negative rent momentum softens as the metro observes weaker supply pressures relative to last year. Although asking rates will continue regressing, the average monthly payment still remains higher than the pre-pandemic rate. Moving forward, continued population growth should help reignite rent rolls once the local job market re-stabilizes.

2023 Market Forecast

Inventory — 20 million square feet and 7.8 square feet per capita

Employment down 0.3% — Employer headcounts fall by a net 4,000 positions, reducing the metro's post-pandemic gain to 5,800 jobs.

Population up 1.2% — Portland's population will increase by nearly 25,000 in 2023, with over 70 percent stemming from in-migration alone. These movers should help buoy self-storage demand in a year when many operators expect to see an economic-induced moderation.

Construction 413,000 sq. ft. — Completions for 2023 are down from the previous period, when 500,000 square feet was delivered. Inventory expands by 2.1 percent throughout the year, 40 basis points under the national pace.

Rent down 0.7% — Rents will continue on a downward trajectory in 2023, but the pace of retreat will slow down. The average rate will fall to $1.44 per square foot. Last year, rents receded by 1.4 percent.

Regionally Discounted Living Costs Spur In-Migration

Economic Overview

Driven by the rapid expansion of its warehousing and transportation sector, the Inland Empire's total headcount was nearly 100,000 positions above the pre-pandemic peak at the onset of this year. Elevated population growth in recent quarters has also driven robust employment gains in other parts of the labor market, such as education, health services, and the professional and business services sector.

Demographic Overview

Relative affordability in the Riverside-San Bernardino housing market compared to other major California metros is stimulating in-migration. The Inland Empire ranked second among major markets in the state for population growth since 2019, and will add more than 30,000 new residents per annum over the next five years. The rising resident base should help further diversify the economy, aiding household income growth.

Construction Overview

Development activity is ramping up in Riverside-San Bernardino, as two years of strong population growth has instilled confidence in self-storage developers. Completions are projected to more than triple last year's total, with two large projects in Corona and Lake Elsinore accounting for over half of all new supply delivering in 2023.

Vacancy/Rent Overview

Accelerated construction activity is expected to place upward pressure on availability in 2023. Still, the Inland Empire will record the second-lowest vacancy rate among major U.S. metros by year-end. Furthermore, rent growth may return, after the average asking rate retreated by nearly 3 percent last year.

2023 Market Forecast

Inventory — 37 million square feet and 7.9 square feet per capita

Employment up 0.3% — Macroeconomic headwinds slow the pace of hiring, resulting in only 5,000 news jobs added throughout this year.

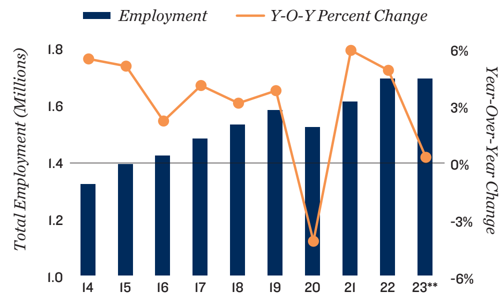
Population up 1.1% — Riverside-San Bernardino will welcome more than 45,000 residents in 2023, equating to a growth rate of double the national average. Nearly half of these gains will stem from net in-migration.

Construction 450,000 sq. ft. — Although development more than doubles last year's pace, supply additions remain well-below the long-term annual mean of 850,000 square feet. Local stock will rise by 1.2 percent in 2023.

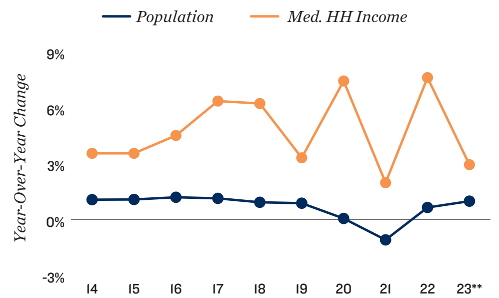
Vacancy up 50 bps — Availability in the Inland Empire increases to 5.7 percent, which is still 70 basis points below the 2019 rate.

Rent up 0.7% — Despite positive growth this year, the average asking rate remains below the previous peak achieved in 2021.

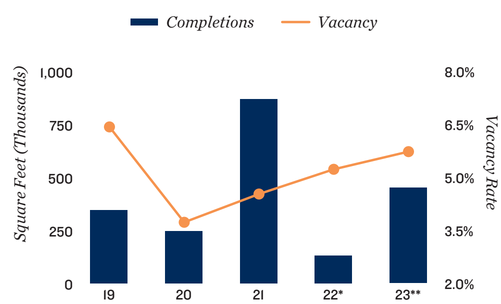
Employment Trends



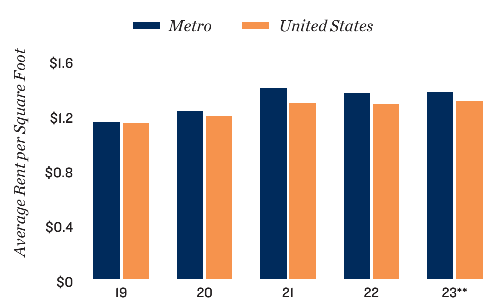
Demographic Trends



Supply and Demand Trends



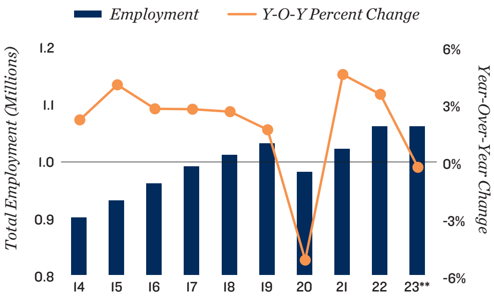
Rent Trends



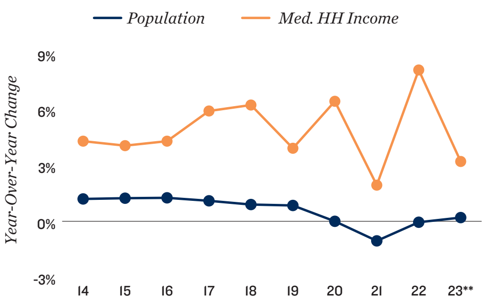
*Estimate; **Forecast

Sources: BLS; U.S. Census Bureau; Radius +; Yardi Matrix

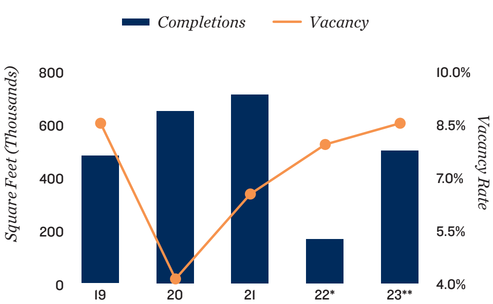
Employment Trends



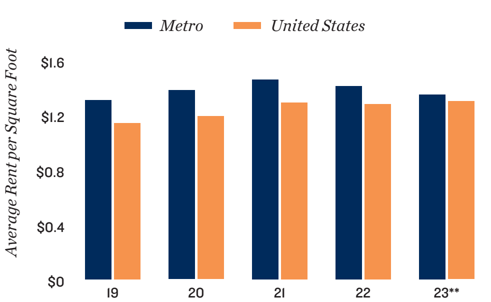
Demographic Trends



Supply and Demand Trends



Rent Trends



** Estimate; ** Forecast*

Sources: BLS; U.S. Census Bureau; Radius+; Yardi Matrix

Growing 65-Plus Population Aids Long-Term Demand

Economic Overview

The growth of the metro's 65-plus cohort is stimulating demand for medical services and bolstering personnel needs for local providers. The healthcare and social assistance sector entered 2023 with a staff count 7 percent higher than its pre-pandemic peak. Additional hiring is likely as the local population continues to age, offsetting some of the losses from an overall job market reshuffling this year.

Demographic Overview

Population growth will be strongest in the age 65-plus cohort, which is projected to expand by 2.5 percent this year. Meanwhile, the home price-to-income ratio in Sacramento remains well-below other major California markets. This relative affordability of local single-family housing may prevent a sizable drop in home sales activity this year, aiding demand for storage space as the need for temporary units is sustained by movers.

Construction Overview

After less than 200,000 square feet was finalized last year, delivery volume is slated to surpass the long-term average during 2023. Near-term supply additions should bring the rate of stock expansion from 2020 through 2023 to 10.0 percent, with the amount of space completed nearly doubling from the prior equivalent four-year span.

Vacancy/Rent Overview

Although operators face elevated competition, due to an increase in deliveries during 2023, vacancy will rise by its smallest margin since 2020. Asking rents, however, retreat for a second straight year, coinciding with the slowest rate of annual population growth on record. Longer term, rent rolls will remain muted until local hiring re-stabilizes.

2023 Market Forecast

Inventory — 22 million square feet and 9.5 million square feet per capita

Employment down 0.3% — Companies shed 3,000 positions; yet, the year-end employment count remains 19,000 roles higher than in February 2020.

Population up 0.3% — Population growth will be limited by net out-migration and a decline in the rate of household formations. Nevertheless, Sacramento's resident count enlarges by 4,800 residents in 2023.

Construction 500,000 sq. ft. — Builders complete more than three times the amount of new space during 2023 than in 2022, expanding stock by 2.3 percent. Most of the ongoing construction is taking place in Elk Grove.

Vacancy up 60 bps — Availability continues to rise, but at a more measured pace than in the past two years. By year-end, the rate will sit at 8.5 percent.

Rent down 4.3% — Demand remains subdued by generally unfavorable demographic trends. However, on a more positive note, the average asking rent remains higher than the pre-pandemic rate, despite falling to $1.35 per square foot.

Cautionary Development Bolsters Rent Growth

Economic Overview

As a popular relocation destination for individuals and companies alike, Salt Lake City builds off the strong employment gains noted over the last two years, increasing the local job count yet again in 2023. Consistent net migration inflows — a trend that accelerated during the health crisis — has spurred considerable development efforts across real estate segments. As such, the construction staff tally has risen more than 20 percent since 2019.

Demographic Overview

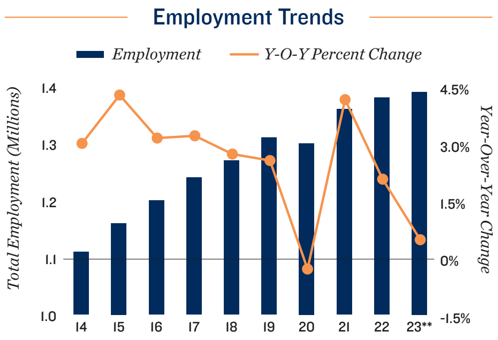
A diversifying employment base, paired with household income growth that ranks among the fastest in the country, should sustain job prospects that appeal to the 20- to 34-year-old demographic. Having increased by at least 11,000 people in each of the last five years, this cohort accounts for roughly one-fourth of the metro's total population. However, the inflow of young adults may cool over the next decade amid rapidly rising living costs.

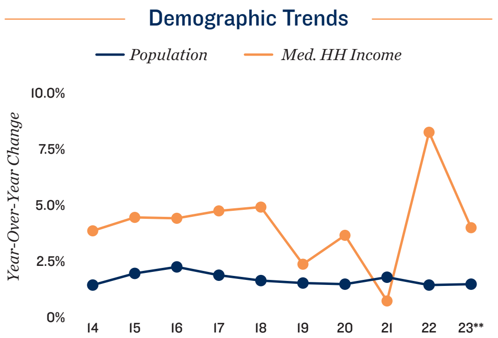
Construction Overview

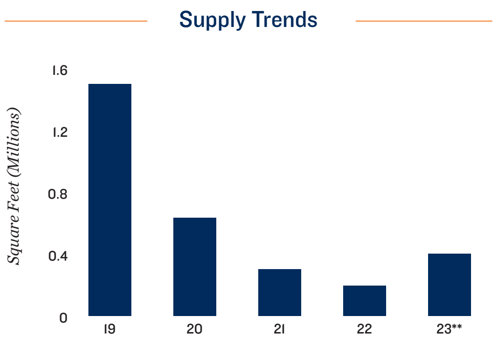
This year's delivery slate elevates from the multi-decade low recorded in 2022, as strong net in-migration continues to aid demand for newly-built storage space. Despite a larger construction pipeline than the previous two years, supply additions increase metro inventory just 1.5 percent this year, less than half of the market's five-year average.

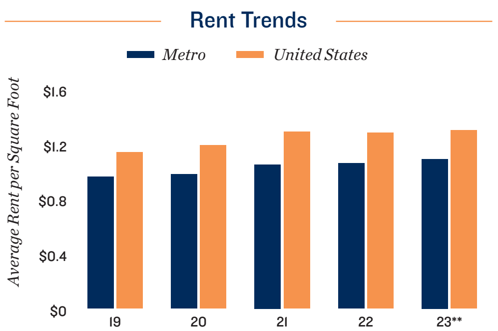
Rent Overview

A slim construction pipeline over the last three years has guided storage users to existing facilities. Another year of below-average supply additions and a growing populace should maintain Salt Lake City's upward rent momentum, with the metric expanding for a fourth consecutive year in 2023.









2023 Market Forecast

Inventory — 27 million square feet and 10.0 square feet per capita

Employment up 0.5% — Salt Lake City enters 2023 with an astounding low-2 percent unemployment rate. The lack of available labor partially contributes to a tamed pace of hiring this year, following notable gains in 2022, with the metro adding just 7,000 positions.

Population up 1.4% — Continued in-migration contributes to the metro's population rising by more than 36,000 residents this year. This pace of population gains puts Salt Lake City among the top-10 fastest-growing major metros in the U.S. in 2023.

Construction 400,000 sq. ft. — Supply additions in Lehi are becoming more frequent, a response to residential growth along Interstate 15. Here, facilities larger than 100,000 square feet account for the majority of the pipeline.

Rent up 2.8% — Asking rents increase again in 2023, reaching $1.09 per square foot on average. The pace of growth notably exceeds the 1.4 percent mean recorded over the previous five years.

** Estimate; ** Forecast*

Sources: BLS; U.S. Census Bureau; Radius +; Yardi Matrix

Low Supply in Outer Cities Contradicts Growing Demand

Economic Overview

Although employment base additions trail last year's 4.3 percent expansion, job opportunities are still drawing new residents to the metro. The leisure and hospitality sector alone added nearly 8,300 positions in 2022, a 4 percent headcount increase from 2019.

Demographic Overview

San Antonio retains the lowest apartment rent among major Texas markets, encouraging in-migration to the metro. By the end of 2023, the market will have gained over 249,000 out-of-market residents over the last 10 years. Sustained population growth, particularly from relocating households, will underpin self-storage demand through this year. Facilities in outer cities may especially benefit from in-migration as Austin and San Antonio become increasingly intertwined, drawing residents to suburbs located in between.

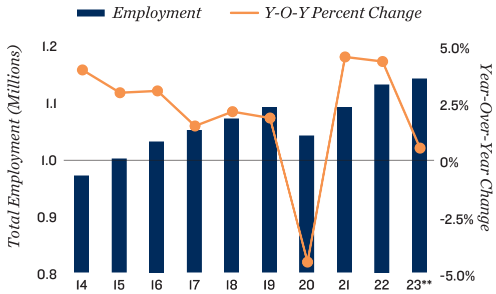
Construction Overview

Self-storage facilities in submarkets between San Antonio and Austin will be aided by a dearth of new supply. As of January 2023, nearly all of the deliveries coming online this year were slated for San Antonio proper. This may create vacancy challenges for some urban areas in the near term, but historically moderating supply additions will mitigate headwinds.

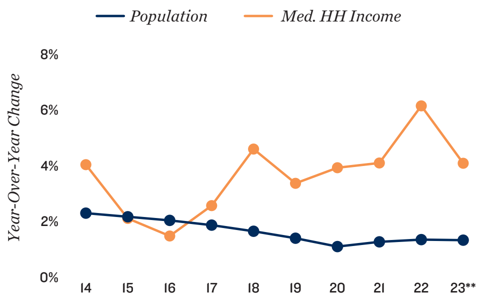
Vacancy/Rent Overview

Availability in the metro has remained relatively consistent since 2019. As other markets noted major vacancy swings during the three years prior to 2023, San Antonio kept its annual rate of availability between 6.7 percent and 7.5 percent. This stability continues to justify a rising average monthly rent, albeit at a slower pace this year than what was recorded from 2019 through 2022.

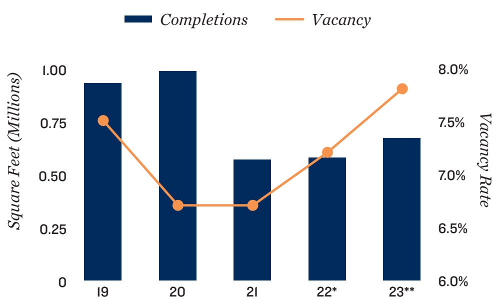
Employment Trends



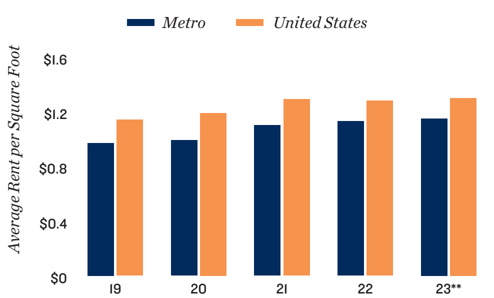
Demographic Trends



Supply and Demand Trends



Rent Trends



** Estimate; ** Forecast*

Sources: BLS; U.S. Census Bureau; Radius+; Yardi Matrix

2023 Market Forecast

Inventory — 25 million square feet and 9.3 square feet per capita

Employment up 0.5% — Total employment increases by 6,000 roles, bringing the headcount nearly 50,000 positions above the February 2020 high.

Population up 1.4% — San Antonio's population continues to expand rapidly, growing by 32,500 individuals this year. Of this, about 65 percent will come from net in-migration. Subsequently, around 14,000 new households will form, just below last year's tally.

Construction 670,000 sq. ft. — Completions will fall below the trailing 10-year average as stock expands by just 2.7 percent. This marks the third year of annual deliveries under 700,000 square feet.

Vacancy up 60 bps — Availability will nearly realign with the long-term mean, sitting about 50 basis points below that mark. In 2023, the vacancy rate reaches 7.8 percent.

Rent up 1.8% — The mean monthly rent elevates for the fourth year in a row, measuring at $1.15 per square foot by the end of December.

San Diego Maintains the Nation's Tightest Vacancy Rate

Economic Overview

Nearly 160,000 people entered the workforce in San Diego over the past two years, which elevated total employment above the previous peak achieved in early 2020. The metro has noted an uptick in tourism as of late, allowing for strong growth in the leisure and hospitality sector. Meanwhile, headcounts in traditionally office-using sectors are more than 20,000 positions higher than the pre-pandemic peak.

Demographic Overview

Roughly 8,800 new households will be formed across San Diego County in 2023. The metro's median single-family home price of nearly $900,000 will place many of these households into the renter pool. A notable percentage of the population living in smaller housing floor plans will aid overall demand for self-storage facilities.

Construction Overview

Development in San Diego is generally lower than other major metros, as strict zoning laws and high land costs limit self-storage construction. Still, delivery volume is expected to reach a two-decade high in 2023. This amounts to roughly 830,000 square feet, more than double the trailing 20-year average.

Vacancy/Rent Overview

Entering this year, San Diego laid claim to the nation's lowest vacancy rate at 4.7 percent. Although a slight increase is projected in 2023, due to the rise in supply additions, the metro will maintain its top spot for another year. Meanwhile, positive asking rent growth is expected to return this year, after the average rate held relatively steady in 2022. New facilities will command above-average rents, aiding in overall growth.

2023 Market Forecast

Inventory
24 million square feet and 7.1 square feet per capita

Employment up 0.4%
Job creation slows considerably relative to last year's pace, with the addition of just 6,000 new positions.

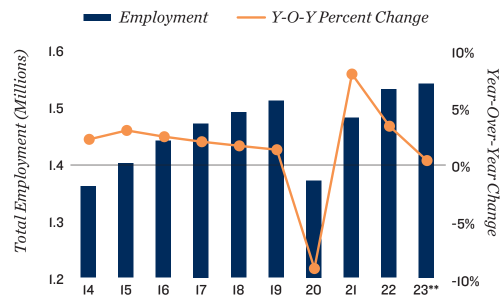
Population up 0.5%
San Diego County is expected to add about 11,000 new residents in 2023, bringing the total population to nearly 3.4 million. Still, the metro's 0.3 percent growth rate trails the national mark.

Construction 830,000 sq. ft.
Supply additions nearly double last year's total, with developers increasing local stock by 3.6 percent.

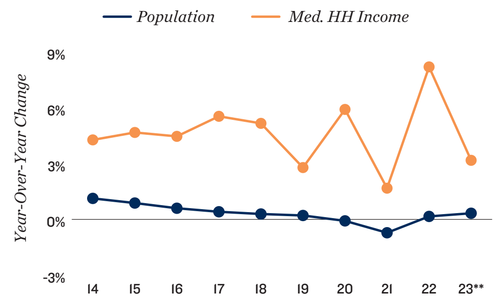
Vacancy up 50 bps
Availability will climb to 5.2 percent, marking the third consecutive year of annual vacancy expansion. Nevertheless, the rate remains more than 200 basis points below the year-end 2019 level.

Rent up 1.6%
The nation's lowest vacancy rate stimulates rent growth, lifting the average asking rate to $1.85 per square foot.

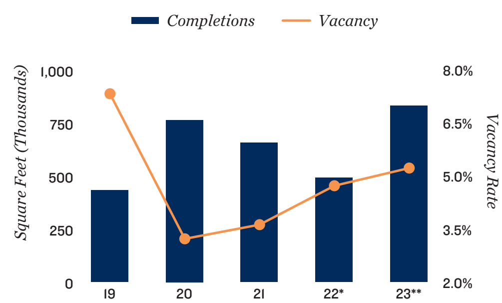
Employment Trends



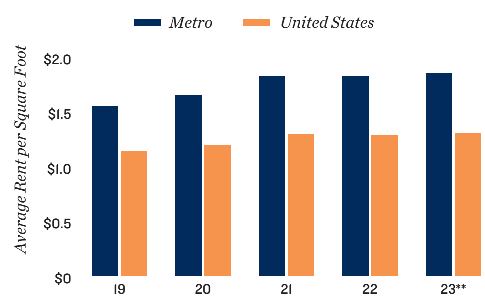
Demographic Trends



Supply and Demand Trends

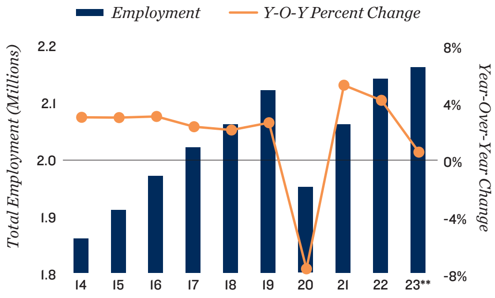


Rent Trends

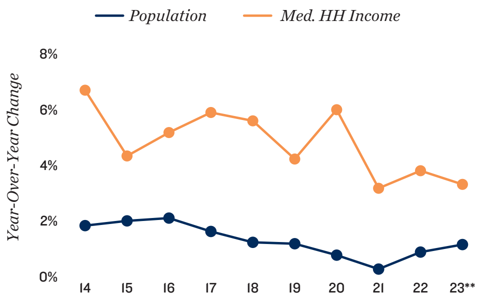


* Estimate; ** Forecast
Sources: BLS; U.S. Census Bureau; Radius +; Yardi Matrix

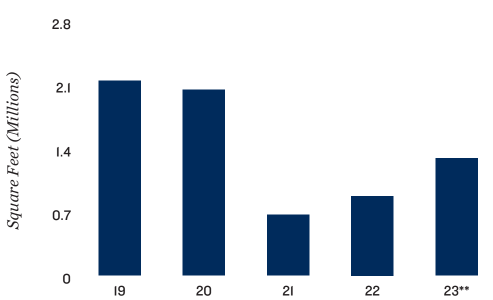
Employment Trends



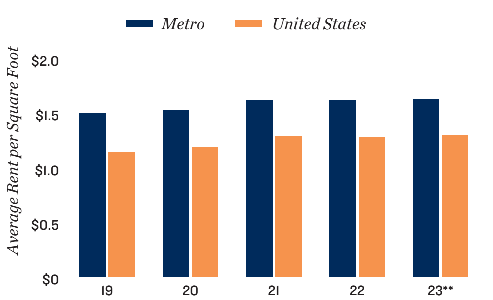
Demographic Trends



Supply Trends



Rent Trends



** Estimate; ** Forecast*

Sources: BLS; U.S. Census Bureau; Radius+; Yardi Matrix

Economic Diversification Bolsters Renter Base

Economic Overview

Staff counts in the local tech sector remain 16 percent larger than the pre-pandemic peak, despite several companies' recent layoffs. Offsetting this, other segments of the labor pool should continue to add jobs at a similar pace to 2022. Transportation and warehousing providers, including GXO, NFI Industries and OnTrac Logistics, move into a combined 1.1 million square feet of industrial space this year. Meanwhile, the biotech firm Seagen Inc. and pharmaceutical manufacturer McKesson Inc. will undergo sizable expansions.

Demographic Overview

Net in-migration is being stimulated by the relative availability of employment opportunities in Seattle-Tacoma, with national labor market uncertainty emphasizing the attractiveness of the metro to relocating residents. Household formations during the year should be bolstered by a pace of wage growth on-par with the long-term mean, fueling a median income of nearly $110,000 per year, one of the highest among major U.S. markets.

Construction Overview

Annual development pushes above the 1-million-square-foot mark for the first time in three years. While Tacoma has received a higher volume of deliveries since 2020, Seattle welcomes 12 percent more supply additions than its sister city during 2023.

Rent Overview

Despite facing increased supply pressure, rent growth should accelerate in 2023 as demand drivers remain relatively steady. Fundamental gains are likely to be more concentrated in Tacoma, however, as comparatively lower housing costs and density continue to stoke higher levels of residential growth and self-storage demand relative to the overall metro.

2023 Market Forecast

Inventory — 38 million square feet and 9.2 square feet per capita

Employment up 0.6% — Hiring moderates after a strong 2022, but additions this year augment the metro's pre-pandemic total by 29,000 positions.

Population up 1.2% — Seattle-Tacoma gains 43,000 new residents this year, with one-half coming from in-migration. These movers should support self-storage rent rolls amid slower population growth overall.

Construction 1,293,000 sq. ft. — Builders complete the largest volume of new stock since 2020, expanding self-storage inventory by 3.5 percent. This pace should exceed the national benchmark by 100 basis points during 2023.

Rent up 0.6% — Rent growth resumes after the metro observed a standstill last year, as the average asking rent advances to $1.63 per square foot. Tacoma, with much less supply and improving demand drivers, has a comparatively stronger rent trajectory than Seattle.

Developers Ramp up Activity in Fort Lauderdale

Economic Overview

Southeast Florida boasts one of the strongest local economies in the U.S. Entering this year, unemployment was at 2.1 percent, 140 basis points below the national average. The region is attracting numerous corporate relocations and expansions — particularly from the financial services industry — with firms like Citadel, NuVerse Advisors LLC and FundKite establishing local headquarter locations over the past year.

Demographic Overview

The region has been among the national leaders in population growth since the onset of the pandemic, and projections indicate this trend will continue into this year. Southeast Florida will gain nearly 65,000 new residents this year, with the total populace approaching 6.5 million people. Snowbirds also frequently visit the area during the winter months, which also provides a boost to local self-storage demand.

Construction Overview

Strong in-migration to the region is catching the attention of self-storage developers. More than 11.5 million square feet has delivered since 2017, and development activity is expected to remain robust heading into 2023. Supply additions will exceed 1 million square feet for the seventh straight year, with Fort Lauderdale receiving the bulk of incoming inventory.

Vacancy/Rent Overview

Elevated self-storage development is placing upward pressure on availability. Vacancy is expected to climb 70 basis points this year; however, the rate will remain below the metro's long-term average of 6.4 percent. Furthermore, positive rent growth is likely to return by year-end, after the average rate retreated 2 percent in 2022.

2023 Market Forecast

Inventory — 52 million square feet and 8.0 square feet per capita

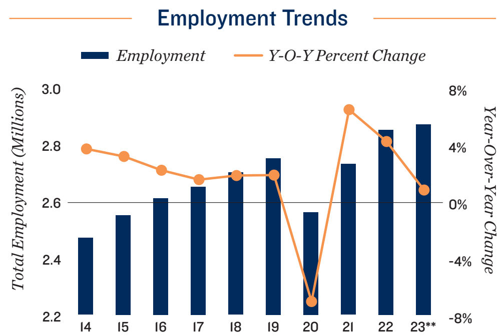
Employment up 0.9% — Roughly 25,000 new jobs are expected to be created throughout Miami, West Palm Beach and Fort Lauderdale.

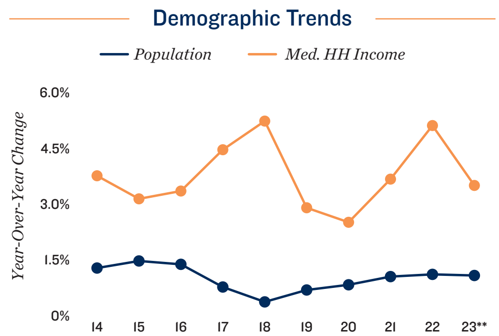
Population up 1.1% — Strong population growth will translate to roughly 40,000 new households being formed in Southeast Florida throughout 2023. A sizable portion of this will stem from the 65 and up age cohort.

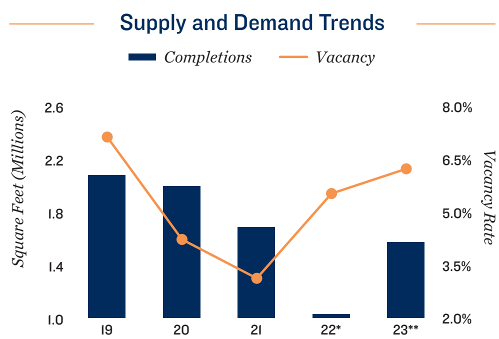
Construction 1,570,000 sq. ft. — Construction activity accelerates, following the addition of just over 1 million square feet in 2022. The largest project slated for delivery is a 163,000-square-foot facility in North Miami Beach.

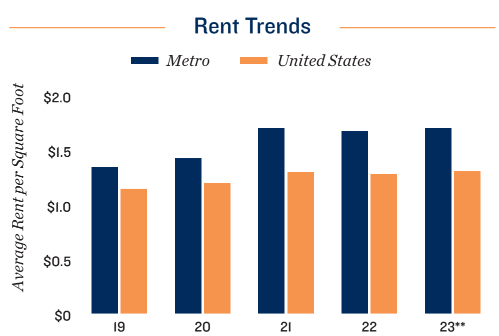
Vacancy up 70 bps — The regional vacancy rate will rise to 6.2 percent this year, 160 basis points below the pre-pandemic level.

Rent up 1.8% — Asking rents fully recover from the losses recored last year, as the rate inches up to $1.70 per square foot.







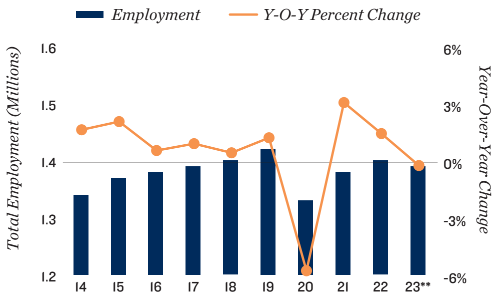


** Estimate; ** Forecast*

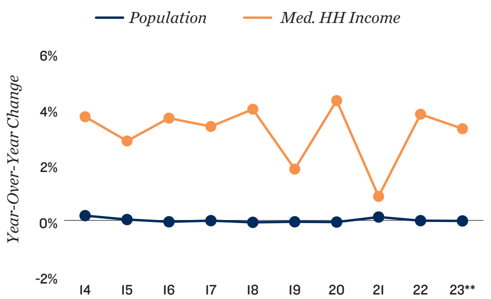
Sources: BLS; U.S. Census Bureau; Radius +; Yardi Matrix

The Southeast Florida region encompasses Fort Lauderdale, Miami-Dade, and West Palm Beach.

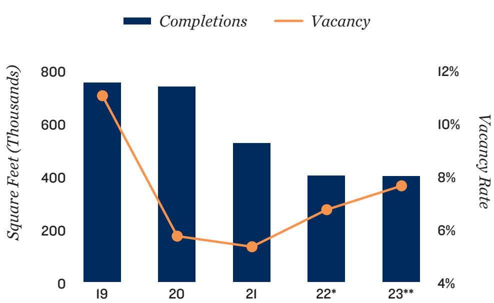
Employment Trends



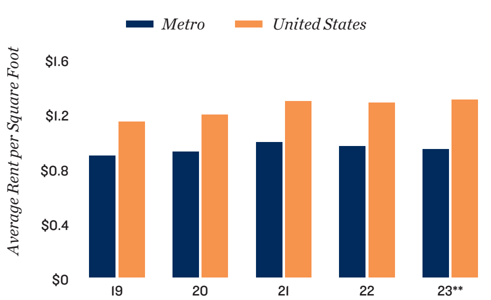
Demographic Trends



Supply and Demand Trends



Rent Trends



* *Estimate;* ** *Forecast*

Sources: BLS; U.S. Census Bureau; Radius+; Yardi Matrix

Specialized Fields Aid Area Income, Storage Needs

Economic Overview

The local job count will remain 30,000 positions below the pre-pandemic high, further hindered by a contraction in total employment this year. High-paying positions in the traditionally office-using sector, however, will continue climbing. Company commitments in the metro — such as the National Geospatial-Intelligence Agency's (NGA) new headquarters slated for 2024 — will aid this sector longer term.

Demographic Overview

Additional high-wage roles will enable the median household income to grow by 3.3 percent to over $74,000 per year. With the rise in wages, over 4,000 households are expected to be added in St. Louis. NGA's partnership with local universities may also help retain younger residents in the market. Historical trends show this demographic shrinking, but future growth of the younger generation could fuel self-storage demand as these residents are more likely to rent with roommates and live in smaller spaces.

Construction Overview

Development will fall just below last year's mark. Builds are concentrated in St. Peters and Lake St. Louis, with these cities accounting for 355,000 square feet of projects underway as of January 2023. Wentzville is expected to receive the remaining space. Stock expansion will contribute to the rise in vacancy.

Vacancy/Rent Overview

Availability will fall in line with the Midwest average of 7.5 percent. Elevating vacancy will necessitate rent adjustments, which will contribute to the mean monthly asking rate falling to the second lowest among major Midwest metros by the end of 2023.

2023 Market Forecast

Inventory — 17 million square feet and 6.2 square feet per capita

Employment down 0.2% — Total employment will contract by 2,500 this year; however, the traditionally office-using sector will gain 1,000 roles.

Population no change — The metro's overall population has been predominantly stagnant since 2021; however, the aged 20- to 34-year-old cohort has continued to steadily dwindle.

Construction 400,000 sq. ft. — Inventory will expand by 2.3 percent this year — rounding out a total five-year addition of 2.8 million square feet — even though 2023 notes the lowest stock expansion since 2018.

Vacancy up 90 bps — Availability will reach 7.6 percent, the highest rate recorded since 2019, but still 100 basis points below the long-term average.

Rent down 2.1% — The mean monthly rent will fall for the second year in a row, dropping to $0.94 per square foot.

Strong Economic Growth Garners Developer Interest

Economic Overview

Employment growth in Tampa-St. Petersburg reached record heights in 2021 and 2022, with local employers adding more than 125,000 new positions during that span. Entering this year, headcounts were at an all-time high, and the local unemployment rate was 90 basis points below the national benchmark. The region's business-friendly environment and strong in-migration will likely continue to drive job gains moving forward.

Demographic Overview

Tampa boasts the largest population among major North and Central Florida markets, with a resident base of more than 3.2 million people. The region's warm climate, lack of state income tax and ample job opportunities have driven robust net in-migration, and this momentum will continue into this year. It is estimated that the total populace will increase by over 30,000 new residents in 2023.

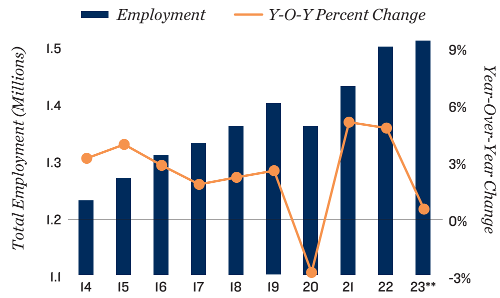
Construction Overview

Strong population growth has given developers confidence to increase inventory in Tampa's self-storage sector. Completions will amount to at least 1 million square feet for the seventh consecutive year. Near-term deliveries are concentrated in non-CBD areas, such as Davenport, Lakeland, Spring Hill and St. Petersburg.

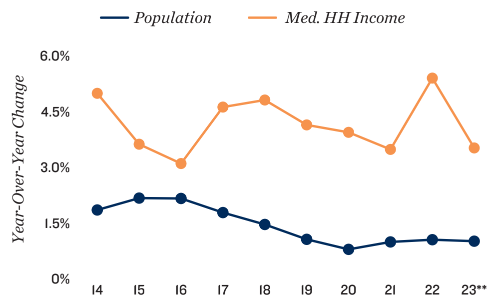
Vacancy/Rent Overview

Although availability rose by 170 basis points in 2022, the rate was still 90 basis points below Tampa's long-term average entering this year. Widespread inflation will continue to curb consumer spending, ultimately affecting self-storage demand. As a result, vacancy will climb for the second straight year; however, some rent growth momentum remains.

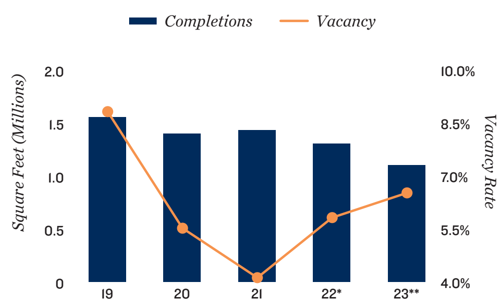
Employment Trends



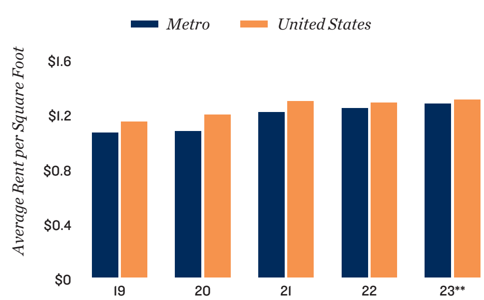
Demographic Trends



Supply and Demand Trends



Rent Trends



*Estimate; ** Forecast

Sources: BLS; U.S. Census Bureau; Radius +; Yardi Matrix

2023 Market Forecast

Inventory — 35 million square feet and 10.4 square feet per capita

Employment up 0.5% — The addition of 8,000 new jobs in 2023 will place total employment roughly 96,000 positions above the pre-pandemic peak.

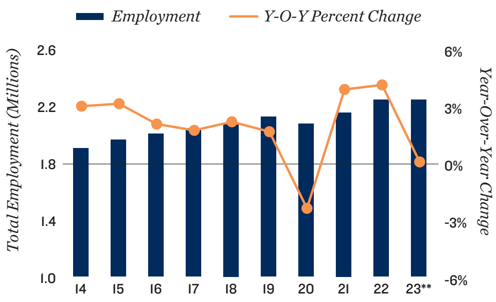
Population up 1.1% — The 65 and up age cohort continues to drive much of the population gains, expanding by 3.7 percent. It is estimated that a total of more than 21,000 new households will be formed in 2023.

Construction 1,100,000 sq. ft. — Development activity remains well above the trailing 22-year average of 705,000 square feet per year, as local inventory increases by 3.3 percent. The largest project in the pipeline is a 138,000-square-foot facility delivering in Davenport.

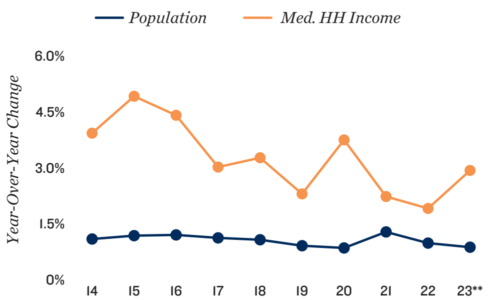
Vacancy up 70 bps — Availability rises to 6.5 percent in 2023. Still, this rate is more than 200 basis points below the pre-pandemic rate.

Rent up 2.4% — Tampa records positive rent gains for the fourth straight year, as the average rate rises to $1.27 per square foot.

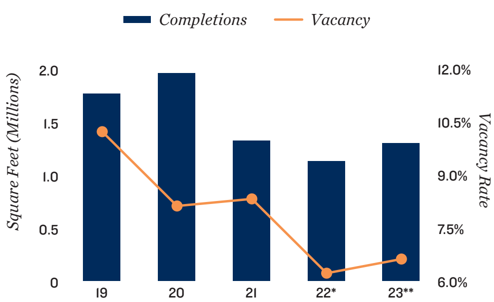
Employment Trends



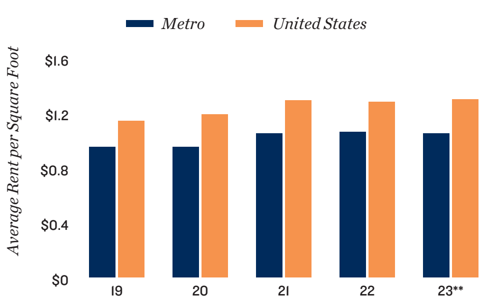
Demographic Trends



Supply and Demand Trends



Rent Trends



** Estimate; ** Forecast*

Sources: BLS; U.S. Census Bureau; Radius+; Yardi Matrix

Tennessee encompasses Knoxville, Memphis, and Nashville.

New Supply is Well Received, Vacancy Historically Low

Economic Overview

The main metros of the Tennessee market — Knoxville, Memphis and Nashville — each entered this year with an employment count that exceeded their respective February 2020 tallies. Nashville, in particular, has seen notable growth, with 52,300 new positions filled last year. Outside of traditionally office-using sectors, most of these gains were in education and health services, as well as the trade, transportation and utilities segment.

Demographic Overview

Combined, the three metros will have added 193,600 people from 2019 to the end of 2023. Net in-migration will remain strong throughout this year amid recessionary fears, as employment opportunities exist for new residents. Movement to the state will fuel demand for self-storage space, keeping availability low and justifying this year's stock expansion. Nashville and Knoxville are expecting the greatest volume of out-of-market move-ins.

Construction Overview

After this year's completions, nearly 7.5 million square feet will have been added across the top three metros in five years. Nashville accounts for roughly 60 percent of this space. However, the pace of construction in this metro is slowing relative to historic norms, enabling demand to keep up with supply additions.

Vacancy/Rent Overview

Strong in-migration will help sustain historically low vacancy in Nashville. Supply additions are most prevalent in this metro, along with Knoxville, which are well-positioned to utilize the coming space. With its larger population, Nashville will maintain the highest mean monthly rent at $1.12 per square foot.

2023 Market Forecast

Inventory — 39 million square feet and 8.9 square feet per capita

Employment up 0.1% — The pace of hiring slows in Knoxville and Nashville, but total roles still increase. Conversely, Memphis may have a slight reduction.

Population up 0.9% — Knoxville, Memphis and Nashville will all note population gains this year, with the latter metro expected to add more than 22,500 new residents during 2023.

Construction 1,300,000 sq. ft. — Inventory will expand by 3.4 percent across the three Tennessee metros during 2023. Knoxville will account for half of this year's delivery slate, with 650,000 square feet completed.

Vacancy up 40 bps — After compressing to a new low last year, availability in Nashville will rise to 6.6 percent — the second-lowest recording since 2014.

Rent down 0.9% — The mean monthly rent will ease in all three major Tennessee markets, lowering the overall average to $1.05 per square foot.

Employment Opportunities Drive Population Gains

Economic Overview

Tourism to the nation's capital has not yet returned to pre-pandemic levels and is impacting the local labor market. Entering this year, total employment was roughly 68,000 positions below the previous peak, with nearly half of this gap stemming from the leisure and hospitality sector. However, headcounts in traditionally office-using sectors have fully recovered from job losses that occurred at the onset of the health crisis.

Demographic Overview

A plethora of well-paying job opportunities in Washington, D.C. is stimulating robust population growth. From 2019-2022, the metro added more than 115,000 new inhabitants, with many targeting growing suburban submarkets, such as Loudoun County and Frederick. Notable firms like Amazon will continue to drive high-wage employment growth, and the region is expected to gain nearly 40,000 new residents per annum over the next five years.

Construction Overview

The Washington, D.C. metro will add at least 1 million square feet of new self-storage stock for the eighth consecutive year. In Suburban Maryland, deliveries are widespread across eight different cities. Developers in Northern Virginia are focusing on outlying suburban submarkets, such as Stafford and Fredericksburg.

Vacancy/Rent Overview

Availability in D.C. rises on an annual basis for the third straight year. Despite the increase, the rate remains historically tight in the low-7 percent range. From 2014-2019, vacancy averaged around 7.8 percent. The increase in vacant stock will discourage rent growth, as the average rate is projected to hold relatively steady in 2023.

2023 Market Forecast

Inventory — 38 million square feet and 5.9 square feet per capita

Employment up 0.5% — Local employers will add 15,000 new jobs, amounting to roughly 19 percent of last year's gain.

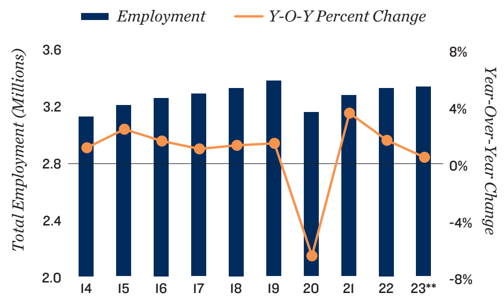
Population up 0.8% — The D.C. metro continues to grow its resident base, adding approximately 46,000 new people in 2023. The population gain will translate to more than 22,000 new households.

Construction 1,015,000 sq. ft. — Supply additions tick down from last year's pace, as developers increase local stock by 2.7 percent. The largest project in the active pipeline is a 177,000-square-foot facility in Bethesda.

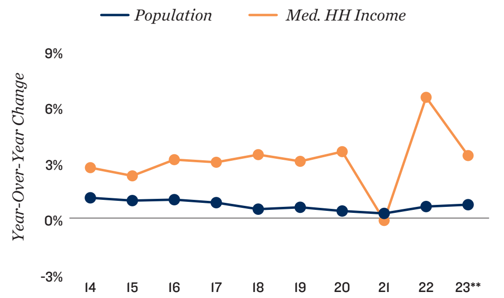
Vacancy up 50 bps — Availability climbs to 7.3 percent. Still, the rate will remain 140 basis points below the 2019 recording.

Rent no change — Rent gains in Northern Virginia will be offset by reductions in Suburban Maryland, resulting in the metro's average asking rate remaining relatively flat throughout this year.

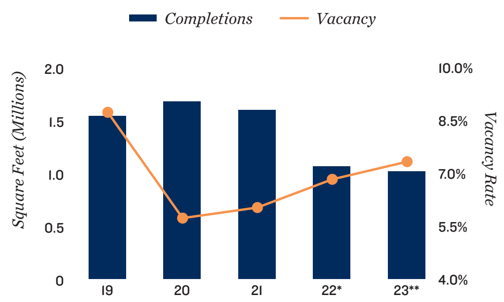
Employment Trends



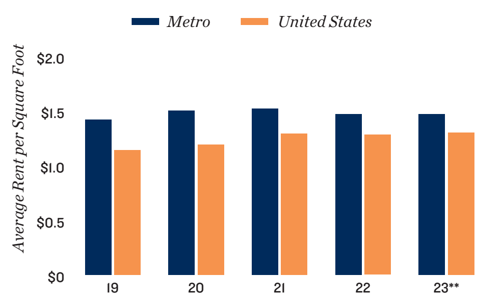
Demographic Trends



Supply and Demand Trends



Rent Trends



** Estimate; ** Forecast*

Sources: BLS; U.S. Census Bureau; Radius +; Yardi Matrix

Note: Vacancy metric covers the Washington-Arlington-Alexandria area.

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Statistical Summary Note: Metro-level employment, vacancy and asking rents are year-end figures and are based on the most up-to-date information available as of February 2023. 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 first quarter and represent estimates of future performance. Average asking rent is based on a standard 10-foot by 10-foot non-climate controlled unit unless otherwise stated. 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.

Sources: Marcus & Millichap Research Services; Bureau of Economic Analysis; Capital Economics; CoStar Group, Inc.; Experian; Federal Reserve; Moody's Analytics; National Association of Realtors; Real Capital Analytics; 2023 Self-Storage Almanac; U.S. Bureau of Labor Statistics; U.S. Census Bureau; U.S. Securities and Exchange Commission; U.S. Treasury Department; Radius+; Yardi Matrix

2023 U.S. SELF-STORAGE INVESTMENT FORECAST

Market Name	Employment Growth[2]				Population Growth[2]				Completions (000 of Sq. Ft.)[2]				Vacancy Rate[2]				Asking Rent per Sq. Ft.[2]				Market Name
	2020	2021	2022	2023**	2020	2021	2022	2023**	2020	2021	2022	2023**	2020	2021	2022*	2023**	2020	2021	2022	2023**	
Atlanta	-4.7%	5.7%	4.4%	0.5%	0.8%	1.1%	1.1%	1.1%	1,800	2,100	1,600	1,900	5.8%	4.4%	6.9%	7.4%	$0.98	$1.15	$1.12	$1.18	Atlanta
Austin	-2.1%	8.9%	4.3%	0.8%	1.7%	2.0%	2.1%	2.1%	1,100	300	500	900	6.5%	5.6%	6.3%	6.9%	$0.99	$1.12	$1.13	$1.14	Austin
Baltimore	-7.0%	4.1%	1.9%	0.4%	0.0%	-0.1%	0.1%	0.2%	1,000	1,100	600	800	5.8%	6.8%	8.0%	8.5%	$1.31	$1.39	$1.34	$1.36	Baltimore
Bay Area	-9.7%	6.5%	4.1%	0.3%	0.3%	-0.1%	0.5%	0.6%	900	900	1,100	1,300	3.3%	5.9%	6.5%	7.2%	$1.98	$2.05	$2.04	$2.06	Bay Area
Boston	-8.4%	5.6%	4.0%	-0.4%	0.1%	-0.4%	0.1%	0.3%	1,100	900	900	1,000	6.1%	6.8%	7.9%	8.3%	$1.49	$1.56	$1.51	$1.49	Boston
Chicago	-8.0%	5.6%	2.9%	0.5%	-0.4%	-0.7%	-0.3%	-0.2%	1,800	400	900	1,000	5.3%	5.0%	5.9%	6.5%	$1.06	$1.18	$1.15	$1.12	Chicago
Cincinnati	-5.2%	2.5%	1.2%	-0.3%	0.2%	0.4%	0.4%	0.5%	600	400	600	500	5.2%	4.6%	6.3%	6.9%	$0.93	$0.97	$0.97	$0.96	Cincinnati
Cleveland-Akron	-6.5%	2.0%	1.7%	0.0%	-0.5%	-0.3%	-0.2%	-0.2%	400	400	400	900	6.9%	7.3%	8.2%	8.5%	$0.98	$1.06	$1.06	$1.04	Cleveland-Akron
Columbus	-4.0%	2.5%	1.7%	0.2%	0.8%	0.9%	1.0%	1.0%	300	400	300	400	6.9%	8.4%	8.5%	8.8%	$0.88	$0.94	$0.96	$0.98	Columbus
Dallas-Fort Worth	-3.0%	6.4%	5.9%	0.7%	1.2%	1.4%	1.5%	1.5%	2,800	3,000	1,400	2,400	6.0%	5.1%	5.9%	6.4%	$0.95	$1.04	$1.04	$1.05	Dallas-Fort Worth
Denver	-6.1%	6.1%	3.9%	-0.2%	0.8%	0.5%	0.8%	1.0%	200	900	300	700	3.9%	5.3%	6.5%	7.2%	$1.20	$1.30	$1.28	$1.25	Denver
Detroit	-9.3%	6.4%	2.0%	-0.2%	-0.3%	-0.2%	-0.1%	-0.2%	700	900	300	600	-	-	-	-	$1.12	$1.21	$1.18	$1.17	Detroit
Houston	-5.8%	5.1%	5.7%	0.6%	1.1%	1.3%	1.4%	1.4%	1,200	1,300	600	1,400	6.8%	4.7%	6.0%	6.5%	$0.86	$0.97	$0.96	$0.95	Houston
Indianapolis	-3.6%	4.6%	1.4%	-0.2%	0.7%	1.0%	1.0%	1.0%	700	800	500	400	5.5%	2.9%	5.5%	6.6%	$0.84	$0.92	$0.91	$0.90	Indianapolis
Las Vegas	-13.3%	12.7%	4.3%	-0.4%	1.1%	1.5%	1.9%	1.9%	900	1,100	900	1,000	6.3%	4.4%	6.1%	6.8%	$1.14	$1.29	$1.23	$1.17	Las Vegas
Los Angeles	-10.4%	7.9%	3.3%	0.3%	-0.1%	-0.5%	0.0%	0.2%	500	800	700	700	4.7%	4.2%	5.9%	6.9%	$2.02	$2.16	$2.17	$2.21	Los Angeles
Minneapolis-St. Paul	-8.3%	4.5%	3.5%	-0.6%	0.5%	0.3%	0.7%	0.8%	1,500	1,100	200	700	-	-	-	-	$1.10	$1.12	$1.08	$1.07	Minneapolis-St. Paul
New Haven-Fairfield County	-6.4%	3.4%	2.3%	-0.5%	-0.2%	0.2%	0.1%	0.1%	500	600	600	500	4.6%	4.0%	8.2%	8.6%	$1.23	$1.37	$1.35	$1.34	New Haven-Fairfield County
New York City	-12.3%	6.8%	4.6%	0.9%	-0.8%	-1.4%	-0.2%	0.1%	900	1,200	1,300	1,800	5.2%	5.1%	6.0%	6.8%	$2.65	$2.66	$2.63	$2.66	New York City
North Carolina	-2.0%	3.2%	4.3%	0.7%	0.7%	1.4%	1.5%	1.4%	1,900	1,100	1,600	1,900	8.0%	6.3%	6.6%	7.1%	$0.88	$0.98	$1.00	$1.03	North Carolina
Orange County	-9.1%	5.8%	4.4%	-0.6%	-0.4%	-0.9%	-0.1%	0.1%	800	100	200	400	4.7%	4.2%	5.9%	6.9%	$1.82	$1.95	$1.99	$2.02	Orange County
Orlando	-9.0%	8.6%	4.1%	0.6%	1.3%	1.6%	1.7%	1.7%	1,100	1,300	700	1,200	6.9%	4.4%	5.4%	5.8%	$1.03	$1.16	$1.18	$1.21	Orlando
Philadelphia	-7.2%	5.0%	2.9%	0.4%	0.0%	0.1%	0.2%	0.2%	1,300	2,400	700	1,500	6.0%	6.0%	7.9%	8.5%	$1.30	$1.46	$1.37	$1.32	Philadelphia
Phoenix	-2.9%	4.5%	3.3%	-0.2%	1.0%	1.8%	1.5%	1.6%	2,500	1,800	1,900	1,700	6.2%	4.8%	6.3%	6.7%	$1.11	$1.27	$1.25	$1.27	Phoenix
Portland	-8.7%	6.3%	4.9%	-0.3%	0.5%	0.1%	0.8%	1.0%	1,600	800	500	400	-	-	-	-	$1.43	$1.47	$1.45	$1.44	Portland
Riverside-San Bernardino	-4.1%	5.9%	4.9%	0.3%	0.0%	-1.1%	0.6%	1.0%	200	900	100	500	3.7%	4.5%	5.2%	5.7%	$1.23	$1.40	$1.36	$1.37	Riverside-San Bernardino
Sacramento	-5.2%	4.6%	3.5%	-0.3%	0.0%	-1.0%	0.0%	0.2%	600	700	200	500	4.1%	6.5%	7.9%	8.5%	$1.38	$1.46	$1.41	$1.35	Sacramento
Salt Lake City	-0.3%	4.2%	2.1%	0.5%	1.3%	1.7%	1.3%	1.4%	600	300	200	400	10.3%	11.7%	-	-	$0.98	$1.05	$1.06	$1.09	Salt Lake City
San Antonio	-4.5%	4.5%	4.3%	0.5%	1.0%	1.2%	1.3%	1.2%	1,000	600	600	700	6.7%	6.7%	7.2%	7.8%	$0.99	$1.10	$1.13	$1.15	San Antonio
San Diego	-9.1%	8.0%	3.4%	0.4%	-0.1%	-0.7%	0.2%	0.3%	800	700	500	800	3.2%	3.6%	4.7%	5.2%	$1.65	$1.82	$1.82	$1.85	San Diego
Seattle-Tacoma	-7.6%	5.2%	4.2%	0.6%	0.7%	0.2%	0.8%	1.1%	2,000	700	900	1,300	-	-	-	-	$1.53	$1.62	$1.62	$1.63	Seattle-Tacoma
Southeast Florida	-7.0%	6.5%	4.3%	0.9%	0.8%	1.0%	1.0%	1.0%	2,000	1,700	1,000	1,600	4.2%	3.1%	5.5%	6.2%	$1.42	$1.70	$1.67	$1.70	Southeast Florida
St. Louis	-5.7%	3.1%	1.5%	-0.2%	-0.1%	0.1%	0.0%	0.0%	700	500	400	400	5.7%	5.3%	6.7%	7.6%	$0.92	$0.99	$0.96	$0.94	St. Louis
Tampa-St Petersburg	-2.8%	5.1%	4.8%	0.5%	0.7%	0.9%	1.0%	0.9%	1,400	1,400	1,300	1,100	5.5%	4.1%	5.8%	6.5%	$1.07	$1.21	$1.24	$1.27	Tampa-St Petersburg
Tennessee	-2.3%	3.9%	4.2%	0.1%	0.8%	1.2%	0.9%	0.8%	2,000	1,300	1,100	1,300	8.1%	8.3%	6.2%	6.6%	$0.95	$1.05	$1.06	$1.05	Tennessee
Washington, D.C.	-6.5%	3.6%	1.6%	0.5%	0.4%	0.3%	0.6%	0.7%	1,700	1,600	1,100	1,000	5.7%	6.0%	6.8%	7.3%	$1.50	$1.52	$1.47	$1.47	Washington, D.C.
United States	**-6.1%**	**4.7%**	**3.0%**	**0.5%**	**0.2%**	**0.1%**	**0.5%**	**0.5%**	**65,200**	**56,300**	**43,500**	**46,500**	**7.2%**	**6.6%**	**8.0%**	**8.4%**	**$1.19**	**$1.29**	**$1.28**	**$1.30**	**United States**

** Estimate ** Forecast*

2 See Statistical Summary Note on Page 48.

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Marcus & Millichap was founded in 1971 with the goal of being a new kind of company — one driven by long-term relationships and built on a culture of collaboration. We focus on bringing together specialized market knowledge, the industry's leading brokerage platform and exclusive access to inventory to achieve exceptional results for our clients, year after year.

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