SELF-STORAGE SPOTLIGHT

Marcus & Millichap

NATIONAL CONSTRUCTION OVERVIEW

FALL 2019

Historically High Construction Beginning to Taper; Development Creating Pockets of Supply Pressure

Self-storage development activity begins to taper nationally. The development pipeline for self-storage properties is moderating after a record 65.8 million square feet of space was completed in 2018. An estimated 60 million square feet of storage space is expected to open this year, with another 53 million square feet anticipated to come online in 2020. The contracting construction pipeline should begin to relieve new supply pressures on vacancies and rent growth, although the exact metro-level trends vary.

Select parts of the country feel acute supply pressure. Self-storage inventories have grown the most over the past 10 years in the Southeastern United States and in Texas, followed by the Northeast and Rocky Mountain regions. Metros in these areas that have experienced the most new development relative to their size include Miami-Dade, Denver, Austin, and Raleigh-Durham. The total amount of self-storage space in the latter market has increased by nearly 40 percent since 2014, compared with 14 percent for the nation overall. The elevated number of completions in these metros has presented short-term challenges for owners and operators seeking to fill units, although population growth has helped offset the new additions. While Austin's self-storage supply expanded by more than 27 percent since 2014, the number of residents in the area also rose by one of the fastest paces of any market in the country, supporting lower vacancy. Other metros have added fewer storage units in recent years but are about to welcome a considerable amount of new space. These include Minneapolis-St. Paul and Phoenix, where total supply will grow by 13.1 percent and 8.9 percent this year, respectively, resulting in a slightly higher measure of inventory per capita. The populations in both metros are growing, which will ultimately support the absorption of the new space over time.

Other areas experience less impact from construction. One of the major self-storage markets to report a decline in per capita inventory was Las Vegas. Robust net in-migration to the market contributed to a modest 3.7 percent reduction in the measure between 2014 and the end of this year, despite the delivery of more than 1.3 million square feet in that time. The other metro where per capital self-storage supply decreased was the Inland Empire. The metric fell from 7.38 square feet in 2014 to 7.17 square feet in 2019. Regulatory requirements and higher construction costs constrain self-storage development in California, with inventories in Los Angeles and the Inland Empire having grown by less than 6 percent between 2008 and 2018. The Bay Area and San Diego also reported similarly muted supply changes, which translated to one of the lowest vacancy rates in the country in San Diego as of June. Although in-migration into California has slowed, demand is expected to remain high due to limited construction.

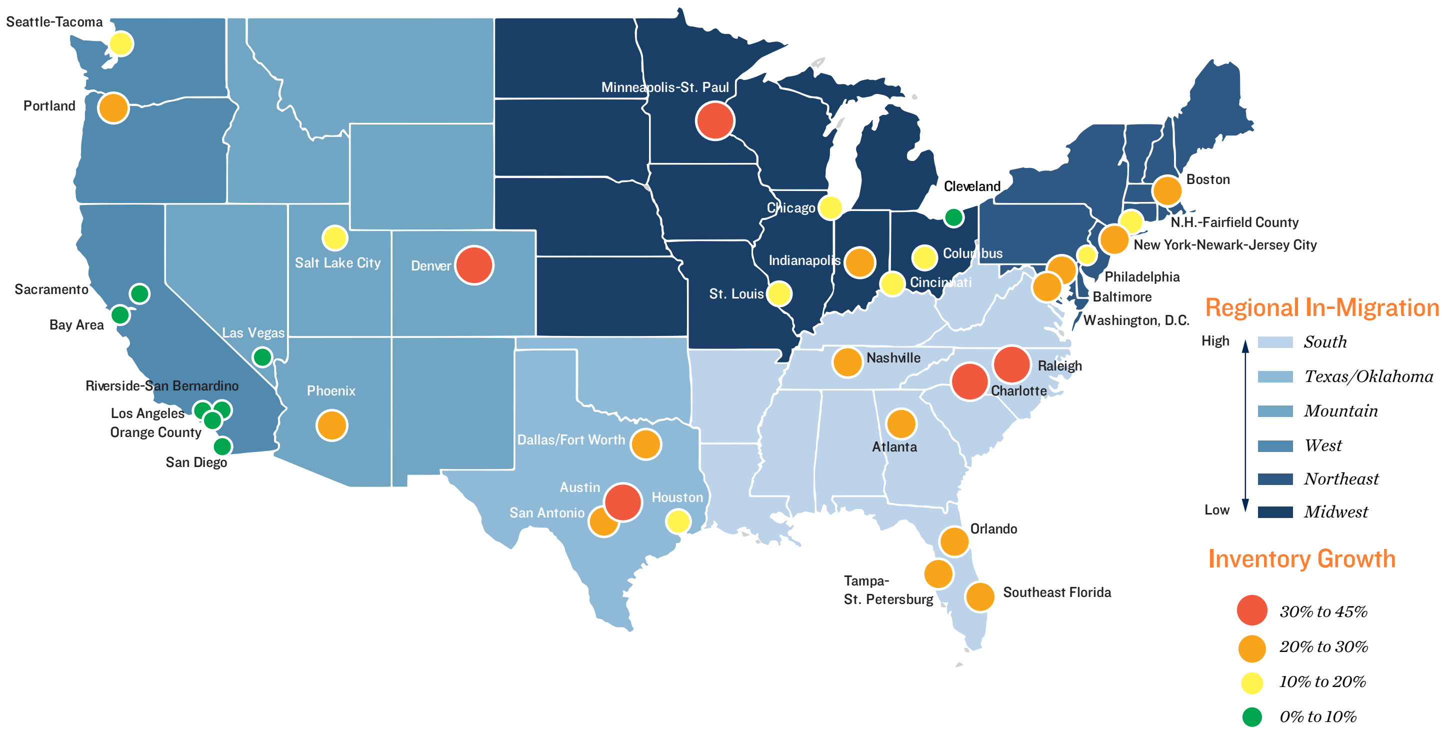
TOP 20 MARKETS BY CONSTRUCTION PIPELINE

Market	2019* Completions (Sq. Ft.)	Y-O-Y Change in Inventory
Phoenix	2,860,700	8.9%
Dallas/Fort Worth	2,845,500	4.2%
Seattle-Tacoma	2,491,400	8.4%
Minneapolis-St. Paul	2,325,100	13.1%
Atlanta	2,192,289	5.7%
Washington, D.C.	2,047,500	6.6%
Orlando	1,894,600	8.2%
New York City	1,802,000	7.2%
Portland	1,680,000	11.8%
Houston	1,661,700	2.5%
Northern New Jersey	1,592,900	9.2%
Austin	1,583,400	8.1%
Boston	1,507,905	6.3%
Tampa-St. Petersburg	1,501,600	5.6%
Denver	1,480,000	5.2%
Salt Lake City	1,382,000	6.0%
Chicago	1,362,800	2.7%
Fort Lauderdale	1,350,000	8.2%
Miami	1,318,800	9.4%
Los Angeles	996, 200	2.9%
United States	**60,100,000**	**3.9%**

** Forecast*

Sources: Marcus & Millichap Research Services; Yardi Matrix

Inventory Growth from 2014 to 2019* Favors High In-Migration Regions



Per Capita Inventory Change Between 2014 and 2019

** Forecast; Per capita table includes the 20 markets with the largest construction pipelines for 2019, organized in descending order of per capita supply by region*

Sources: Marcus & Millichap Research Services; Yardi Matrix; U.S. Census Bureau

Sources: Marcus & Millichap Research Services; U.S. Census Bureau; Union Realtime, LLC; Yardi Matrix; 2019 Self-Storage Almanac

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