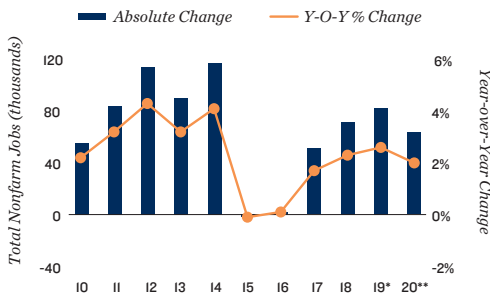
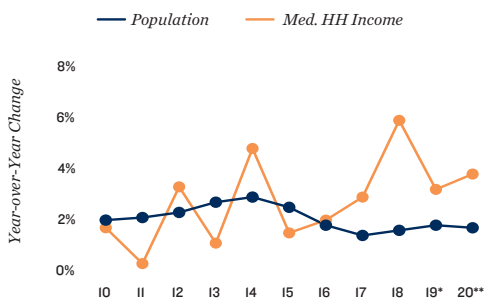


Energy Presence a Boost to Self-Storage Prospects

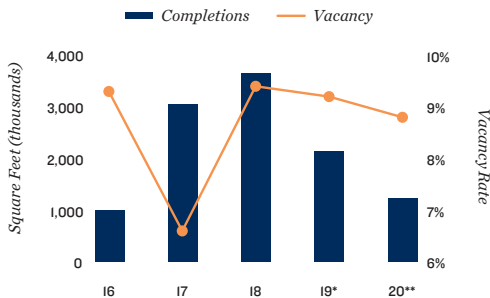
Employment Trends



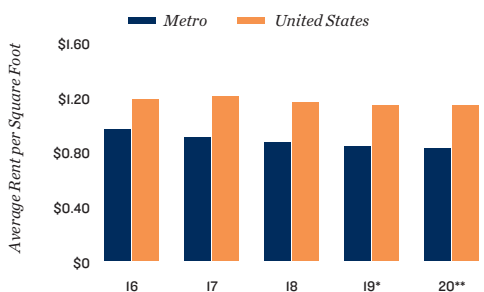
Demographic Trends



Supply and Demand Trends



Rent Trends



Economic Overview

Houston has long been a major energy trade hub due in part to the Port of Houston and the proximity to major oil fields in the region. While the industry remains volatile, the metro has quickly rebounded from turmoil of 2014 to 2016 and has created on average 68,000 jobs annually over the past three years. The trend will continue in 2020, albeit at a slower pace due to a stretched labor pool.

Demographic Overview

Due to the large trade, corporate, and natural resource presence in the region, the metro has a higher-than-average median household income, which will drive retail sales growth in 2020 above the national rate. However, these industries are cyclical and could impact self-storage if a downturn is serious enough to trigger layoffs. Environmental factors like hurricanes may also impact prospects if large enough to reach Gulf states.

Construction Overview

Development will slow down in Houston as the market becomes saturated following three years of elevated construction. West Houston has received the majority of deliveries over this timespan, totaling 6.5 million square feet. In 2020, about 830,000 square feet will be completed in this portion of the metro.

Vacancy/Rent Overview

Metrowide vacancy will drop to a three-year low in 2020. While vacancy has been volatile, with 150-plus basis-point swings common, recent changes have been less dramatic, showing signs of a more stabilized market. Rental costs have dropped steadily over the past four years, yet East Houston has maintained the highest rental rates on average.

2020 Market Forecast

- Inventory** 70.7 million square feet and 9.7 square feet per capita
- Employment** Payrolls in the Houston metro will grow by 63,200 workers in 2020, roughly 22 percent fewer positions than added in 2019.
up 2.0%
- Population** Houston's population will grow by 115,000 people in 2020, less than the 117,000 added in the previous year.
up 1.6%
- Construction** Development in the metro will decline by about 900,000 square feet from 2019, with the majority going to West Houston. This follows a cyclical high of 3.6 million square feet delivered in 2018.
1.2 million sq. ft.
- Vacancy** Availability in the metro will dip slightly to 8.8 percent as construction cools down after record-level completions.
down 40 bps
- Rent** The average asking rent will tick down again for a fifth consecutive year to 82 cents per square foot, following 2019's 3.8 percent decrease.
down 2.0%

* Estimate; ** Forecast

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