# 2022 SELF-STORAGE

NATIONAL
INVESTMENT
FORECAST

Marcus & Millichap

# TO OUR VALUED CLIENTS

To Our Valued Clients,

Self-storage properties benefited from the significant behavioral, health and economic changes of the last two years. Entering the pandemic, there was a substantive self-storage space overhang that weighed on market fundamentals, but the health crisis brought numerous changes that shored up demand. Many have questioned whether the changes that supported storage demand will be temporary, but thus far, storage space needs continue to hold strong.

Barriers to development, including elevated land, material and labor costs, continue to inhibit new storage construction, a trend likely to hold through the coming year. This will help keep supply and demand at a healthy balance. Meanwhile, the self-storage sector's comparative resistance to inflation, with leases that rapidly adjust to market changes, will remain enticing to investors this year.

The alignment of so many positive forces suggests that 2022 will deliver an active transactional climate, as seasoned operators consider harvesting at price points beyond anything seen in prior years, and new capital enters the sector to leverage the positive momentum and inflation resistance of the asset class.

To help our investor clients adapt to and capitalize on the unprecedented health crisis-driven economic and investment climate, Marcus & Millichap presents the 2022 National Self-Storage 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**
First Vice President/Director
Self-Storage Division

**JOHN CHANG**
Senior Vice President/Director
Research Services Division

## 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

- After the substantial economic disruptions of 2020 and the subsequent recovery in 2021, the economy is staged to grow between 3 percent and 4 percent in the coming year, fueled by robust consumer spending and corporate profits. Since the onset of the COVID-19 health crisis, the collective balance of savings deposits and money market funds has increased by over $5 trillion.
- A significant impediment to growth in 2022 will be logistical hurdles. A shortage of raw materials and finished goods has contributed to multidecade high inflation. Resolving the backlogs and blockages in the global supply chain will take time, extending this inflation pressure beyond the beginning of this year.
- Another substantial challenge facing the economy this year is a tight labor market. While about 85 percent of the jobs lost at the onset of the pandemic have been restored, with 3.7 million new positions expected this year, employers' staffing needs are still not met. There are more open positions than people looking for work, a shortfall that is fostering upward pressure on wages.

## National Self-Storage Overview

- Self-storage properties have delivered record performance over the past two years as lifestyles adapted to the pandemic. The closure of offices and college campuses, as well as other lockdowns, prompted many households to place belongings in storage units as they turned spare rooms and garages into home classrooms, offices and gyms. The resulting rapid drop in vacancy has restored rent growth.
- The untethering of numerous office workers has accelerated a migration trend that was already underway as more millennials age into common family formation years. Millennials represent both the largest and most active share of self-storage renters, making their lifestyle changes especially relevant for self-storage owners. Many households are relocating to larger accommodations in nearby suburban settings or in new markets that offer other advantages, such as temperate weather, benefiting self-storage properties in satellite cities and the Sun Belt.
- More self-storage operations are adapting to a "touchless" business model, which has been encouraged by the pandemic and expected from younger renters. Businesses also benefit from this practice by receiving increased off-hour leasing activity.

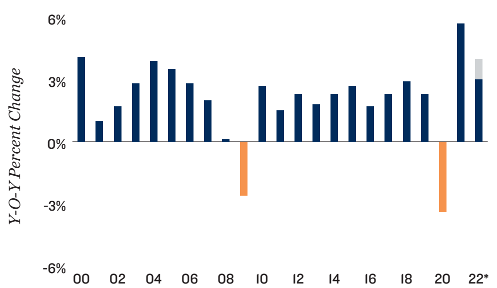
## Capital Markets

- In 2022, the Federal Reserve faces the delicate dilemma of curbing historic inflation, while also maintaining positive economic momentum. Inflation that has surpassed the Fed's expectations is forcing them to become increasingly hawkish. The central bank will conclude its health-crisis era asset purchasing programs in March, when it is also likely to raise the short-term Federal Funds rate for the first time this year. The Fed may also consider reducing its balance sheet in a quantitative tightening process.
- The durability of self-storage properties over the past two years is supporting the ready availability of capital for investment sales. While lending conditions have generally tightened since the onset of the pandemic, financiers have favored self-storage.

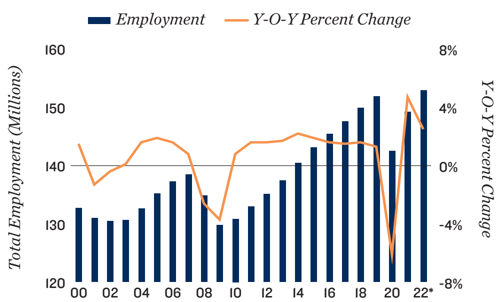
## Investment Outlook

- Improving property fundamentals amid the health crisis sustained investors' interest in self-storage through the pandemic. The property type's resiliency and recession resistance took center stage, enticing fresh capital into the sector. A record number of self-storage properties changed hands last year, with the competitive bidding environment applying ample downward pressure on cap rates.
- As multidecade high inflation persists this year, more investors may turn their attention to self-storage. Because units are generally rented on a monthly basis and operators can respond quickly to changing market conditions, the property type is considered one of the strongest inflation hedge options in commercial real estate.

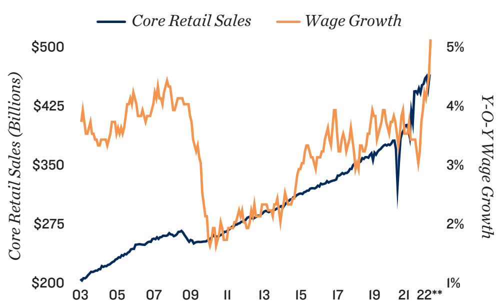
## GDP Growth Trends



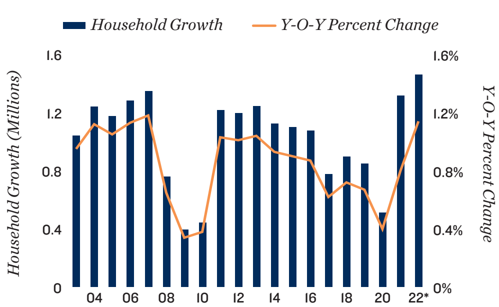

## Employment Trends




## Core Retail Sales vs. Wage Growth




## Household Growth Trends




** Forecast*

*** Through January*

# Economy Staged for Steady Growth Though Headwinds Could Create Choppy Climate

**Elevated savings underpins economic growth.** After the substantial economic disruptions of 2020 and the subsequent recovery in 2021, the economy is staged to grow between 3 percent and 4 percent in the coming year, fueled by robust consumer spending and corporate profits. Retail sales are up more than 23 percent compared to pre-pandemic measures, empowered by savings accumulated during lockdowns. Since the onset of the COVID-19 health crisis, the collective balance of savings deposits and money market funds has increased by over $5 trillion. Appreciating home values and multiple stimulus measures have also strengthened the financial resources of numerous households. Most businesses have weathered the disruptions as well, with corporate profits for the year ended September 2021 up over 19 percent compared to the previous 12-month span. A significant impediment to growth in 2022 will be logistical hurdles. A shortage of raw materials and finished goods has contributed to multi-decade high inflation. Resolving the backlogs and blockages in the global supply chain will take time, extending this inflation pressure beyond the beginning of this year. Higher prices in turn could weigh on consumer spending.

**Tight employment market complicates outlook.** A substantial challenge for the economy will be the particularly tight labor market. About 85 percent of the jobs lost at the onset of the pandemic have now been restored, with another 3.7 million positions set to be created this year. Despite this rapid employment growth, employers' staffing needs are still not met. There are more open positions than people actively looking for work, a shortfall that is fostering upward pressure on wages. Average hourly earnings increased by over 4 percent last year, well above the 2.7 percent preceding-decade average. Higher pay may not be enough to entice workers back, however. Labor participation has declined since the onset of the pandemic, as some individuals retired early and others left work to care for family members. Barring changes to immigration policy, filling the labor shortfall may take years, restraining economic growth as businesses compete for talent. Some sectors are expanding more quickly than others. While headcounts in professional and business services have reached new highs, hospitality and leisure payrolls continue to lag.

# 2022 National Economic Outlook

- **COVID-19 mutations affect logistics, labor outlooks.** New variants of coronavirus pose future risks to supply chains, especially for Pacific Coast markets. A strict zero-COVID-19 policy in China is leading to intermittent shutdowns at production facilities and ports, interrupting the flow of supplies to the West Coast of the U.S. Sick employees quarantining at home have also intermittently left many domestic businesses short-staffed. Both of these disruptions could apply inflationary pressure.
- **Housing shortage could weigh on growth.** More than 1.4 million households will form this year, the most since 2002. A recovering jobs market and changing lifestyle patterns are driving the gain and exacerbating limited housing availability, especially for entry-level options. This scarcity may impede future household formations.
- **Infrastructure improvements elevate outlook.** Funding unlocked by the Infrastructure Investment and Jobs Act will begin to be applied this year as part of a long-term goal of improving the country's transportation, utilities and information infrastructure. The potential economic benefits are notable, enhanced by the prospect of new private investment following the public aid into previously underconsidered areas.

## Demand Growth Stabilizes Following Pandemic-Induced Surge with Oversupply Concerns in the Rearview Mirror

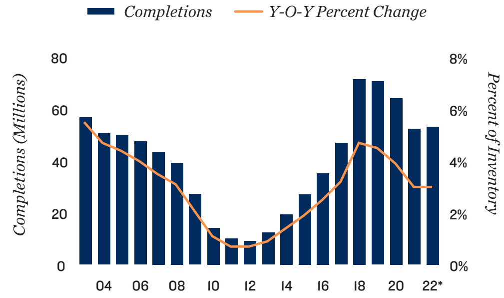
**Storage sector poised to sustain strong performance as demand normalizes.** Self-storage properties have delivered record performance over the past two years as lifestyles adapted to the pandemic. The closure of offices and college campuses as well as other lockdowns prompted many households to place belongings in storage units as they turned spare rooms and garages into home classrooms, offices and gyms. Between March 2020 and September 2021, self-storage vacancy fell by 460 basis points to a record low of 5.5 percent. The rapid drop in availability has restored rent growth after the surge of development in 2018 and 2019 added 142 million square feet to the sector, weighing on asking rates. Since the onset of the health crisis, the national average marketed rent for a standard 10-foot-by-10-foot unit has increased by 13 percent. Moving forward, the pace of rent growth is projected to moderate as some pandemic-specific demand drivers dissipate. Even as many places reopen, not every home office or garage gym will be taken down. At the same time, the tight labor market is lifting income, supporting robust household formation and elevated retail spending. All of these factors bode well for self-storage properties in the coming year.

**Demographic and pandemic-motivated relocations fostering storage use.** The untethering of numerous office workers has accelerated a migration trend that was already underway as more millennials age into common family formation years. Millennials represent both the largest and most active share of self-storage renters, making their lifestyle changes especially relevant for self-storage owners. Many households are relocating to larger accommodations in nearby suburban settings or in new markets that offer other advantages such as temperate weather. Self-storage properties in satellite cities and the Sun Belt are benefiting as a result. While representing a smaller proportion of self-storage users, retiring baby boomers are also supporting storage demand, especially in markets with low tax burdens. As older households downsize, they often hold onto worldly possessions by placing them in storage. These two demographic trends will underpin self-storage needs for the foreseeable future, even as demand and supply rebalance following the health and economic shocks of the past two years.

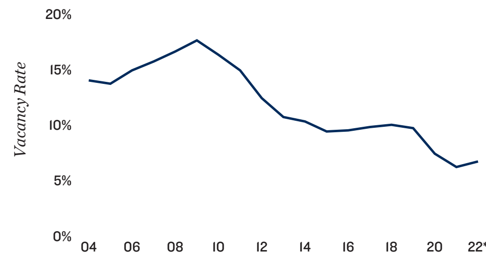
## 2022 National Self-Storage Outlook

- **Ravenous demand for recreational vehicles a potential boon for storage.** Since the onset of the COVID-19 pandemic, demand has skyrocketed for recreational vehicles (RVs), with manufacturers struggling to keep up. The return to offices as well as other forms of travel such as cruises may prompt people to park these RVs, leading to increased demand for covered vehicle storage space at self-storage facilities.
- **Online portals an increasingly important factor for customers and operators.** More self-storage operators are adapting to "touchless" business models encouraged by the pandemic and favored by the next generation of renters. These users expect to be able to find, lease and pay for a unit entirely online. Businesses also benefit from this practice by allowing easier off-hour leasing.
- **Near-term oversupply risk tempered by supply shortages.** Deliveries for this year will remain well below recent peaks. A shortage of materials and labor is affecting timelines. In some cases projects cannot find the materials needed to finish. Further on the horizon, development is likely to increase again as these hurdles are overcome.

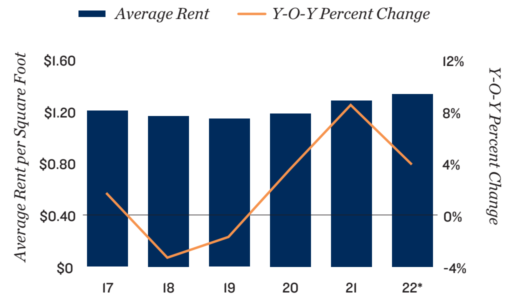
### Construction Trends



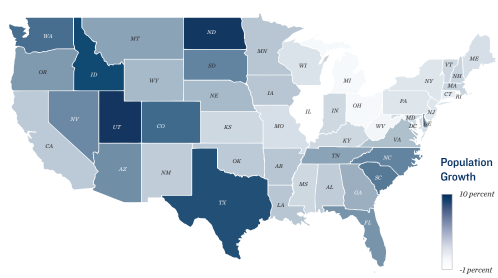

### Vacancy Rate Trends




### Rent Growth Trends




### Population Growth Projections: 2022-2026*




* Forecast

## Fed Looks to Avoid Pitfalls as It Tightens Policy; Strong Property Performance Aids Capital Liquidity

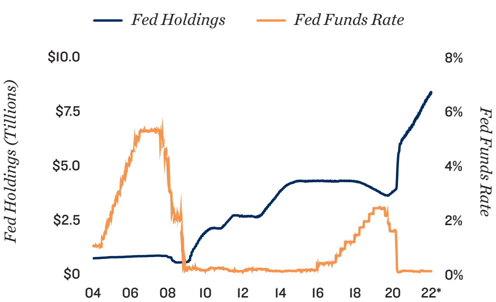
**The U.S. central bank works to restrain inflation without jolting economy.** In 2022, the Federal Reserve faces the delicate dilemma of curbing historic inflation while also maintaining positive economic momentum. To combat the pandemic-induced recession in 2020, the Fed took aggressive steps to invigorate growth, leveraging quantitative easing and lower lending rates. As the economy recovered and supply chains were overwhelmed by consumer demand, inflation has surpassed the Fed's expectations, forcing them to become increasingly hawkish in their stance. The central bank will conclude its health-crisis-era asset purchasing programs in March in a measure designed to boost long-term interest rates. The Federal Open Market Committee is also likely to raise the short-term Federal Funds rate multiple times this year and may also consider reducing the Fed's balance sheet in a quantitative tightening process. The change in monetary policy is necessary to combat the elevated inflationary pressure but brings with it risks of derailing economic growth. If the Fed overcorrects, the rising cost of borrowing could even push the economy into another downturn. The ongoing state of the labor market recovery and the health crisis, as well as ongoing diplomatic developments, are other outside factors that could influence Fed policy.

**Self-storage sector benefits from ample capital liquidity.** The durability of self-storage properties over the past two years is supporting the ready availability of capital for investment sales. While lending conditions have generally tightened since the onset of the pandemic, financiers have favored self-storage. Nevertheless, self-storage can be a highly localized industry, with property performance heavily driven by the renter demand profile within the surrounding three- to five-mile radius. As such, loan terms can vary depending on the specific location of the property as well as other factors including occupancy levels, rent rolls and the borrower's credentials. Across all commercial property types, lender composition has largely returned to pre-pandemic levels. Regional and local banks continue to represent the largest share of financing, followed by a revived CMBS space. National and international banks are also active. Bridge lending is also available for borrowers seeking short-term options, more common for nonstabilized assets.

## 2022 Capital Markets Outlook

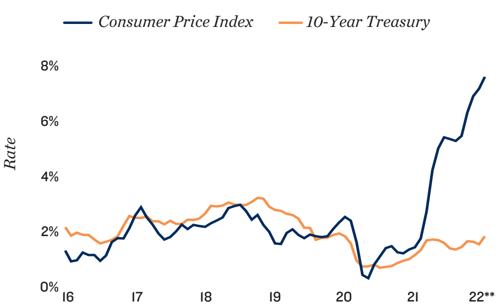
- **U.S. foreign policy could impact interest rate environment.** Geopolitical turmoil complicates the Federal Reserve's mission this year. A flight-to-safety in government bonds would depress yields on Treasuries, limiting the margin by which the Fed could raise short-term lending rates without inverting the yield curve. At the same time, diplomatic disputes abroad could increase energy prices at home, adding further upward pressure to inflation and the Fed's need to respond.
- **Storage properties exhibit exemplary loan performance.** The self-storage sector continues to demonstrate incredibly low CMBS loan delinquency rates. While the overall delinquency rate for all commercial real estate rested above 4 percent early in the year, the same measure for self-storage loans has remained under 1 percent for the duration of the health crisis.
- **Capital for development is available, but other factors complicate process.** Banks continue to be the primary lender for self-storage construction financing, although investor-driven capital is also available. Oversupply concerns have lessened following the recent renter demand surge, but construction spending is still trending lower. Rising material and labor costs and local restrictions are playing more of a role on future development decisions beyond the availability of construction financing.

### Accommodative Monetary Policy

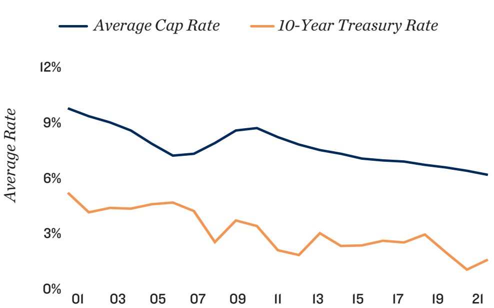



### Yield Spread Tightening


### Inflation Could Pressure Interest Rates




### Self-Storage Cap Rate vs. Treasury




** As of February 9*
*** Through January*

# Investors Face Competitive Bid Climate; Potential Interest Rate Surge May Dampen Enthusiasm

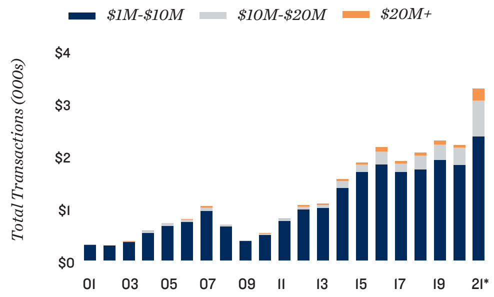
**Record property performance begets record sales environment.** Improving property fundamentals amid the health crisis sustained investors' interest in self-storage through the pandemic. The property type's resiliency and recession resistance took center stage, enticing fresh capital into the sector. A record number of self-storage properties changed hands last year, up nearly 50 percent compared to 2020 and up over 40 percent relative to 2019. An extremely competitive bidding environment pushed the average sale price up 15 percent over the past two years to $122 per square foot. Higher sale prices have translated into lower cap rates, with the U.S. mean dropping under 6 percent in early 2022. Cap rate compression is also being driven by a larger number of transactions priced over $10 million, where cap rates are much tighter. Top-tier assets in growth markets are changing hands with first-year returns in the 3 percent to 4 percent zone. Yields will continue to face downward pressure this year as property performance generally maintains the ground gained during the pandemic, drawing further investment.

**Self-storage investment wave bolsters all regions.** Investor demand for self-storage is up across the country. In 2020, the only region to show any notable transaction slowdown was in the Southeast, and even then the impact was brief. Sales velocity in the Southeast last year exceeded the 2019 tally by over 30 percent. Buyers were even more engaged in the Rocky Mountain area as well as Texas/Oklahoma. Trading in both regions was up more than 60 percent in 2021 compared to two years prior. Demographics are playing a factor with investors' decision making. Several of the states that led in sales volumes last year — Texas, Florida, Georgia and North Carolina — are also popular relocation destinations. However, trading is also up in parts of the country where in-migration is less pronounced. The Northeast recorded over 40 percent more transactions in 2021 than 2019, as a tight employment market bolsters incomes and drives household formation.

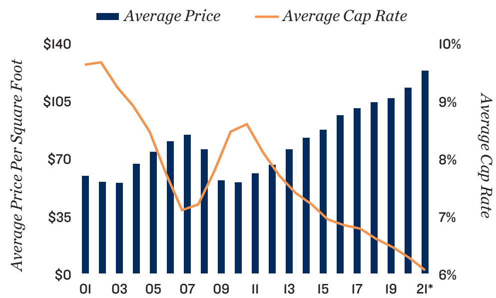
## 2022 Investment Outlook

- **Inflation a growing consideration.** As multi-decade high inflation persists this year, more investors may turn their attention to self-storage. Because units are generally rented on a monthly basis, operators can respond quickly to changing market conditions. As such, self-storage properties are considered one of the strongest inflation hedge options in commercial real estate.
- **Rising interest rate environment to impact some investment strategies.** With the Federal Reserve suggesting they may raise short-term lending rates multiple times this year and long-term bond yields generally on the rise, investors may face more pressure on their financing margins. Some self-storage assets will be heavily squeezed, dissuading investors who do not have a plan to immediately raise revenue. Many more assets, however, continue to offer yields above those of alternative, lower-risk financial instruments.
- **Robust investment landscape may have negative impact on tax burdens.** The rapid rise in sales prices comes with the inevitable risk that rising property valuations translate into higher tax burdens. Many municipalities, buffeted by the financial crisis, are also pursuing changes to how businesses are taxed, including self-storage facilities. As such, self-storage operators may face a higher tax burden in the future, adding to the ongoing labor and materials costs that are also rising.

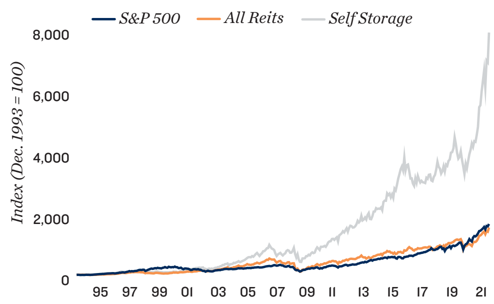
Self-Storage Transaction Activity



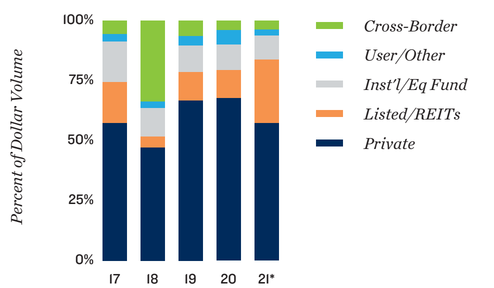

Price vs. Cap Rate




Self-Storage REITs Outperforming



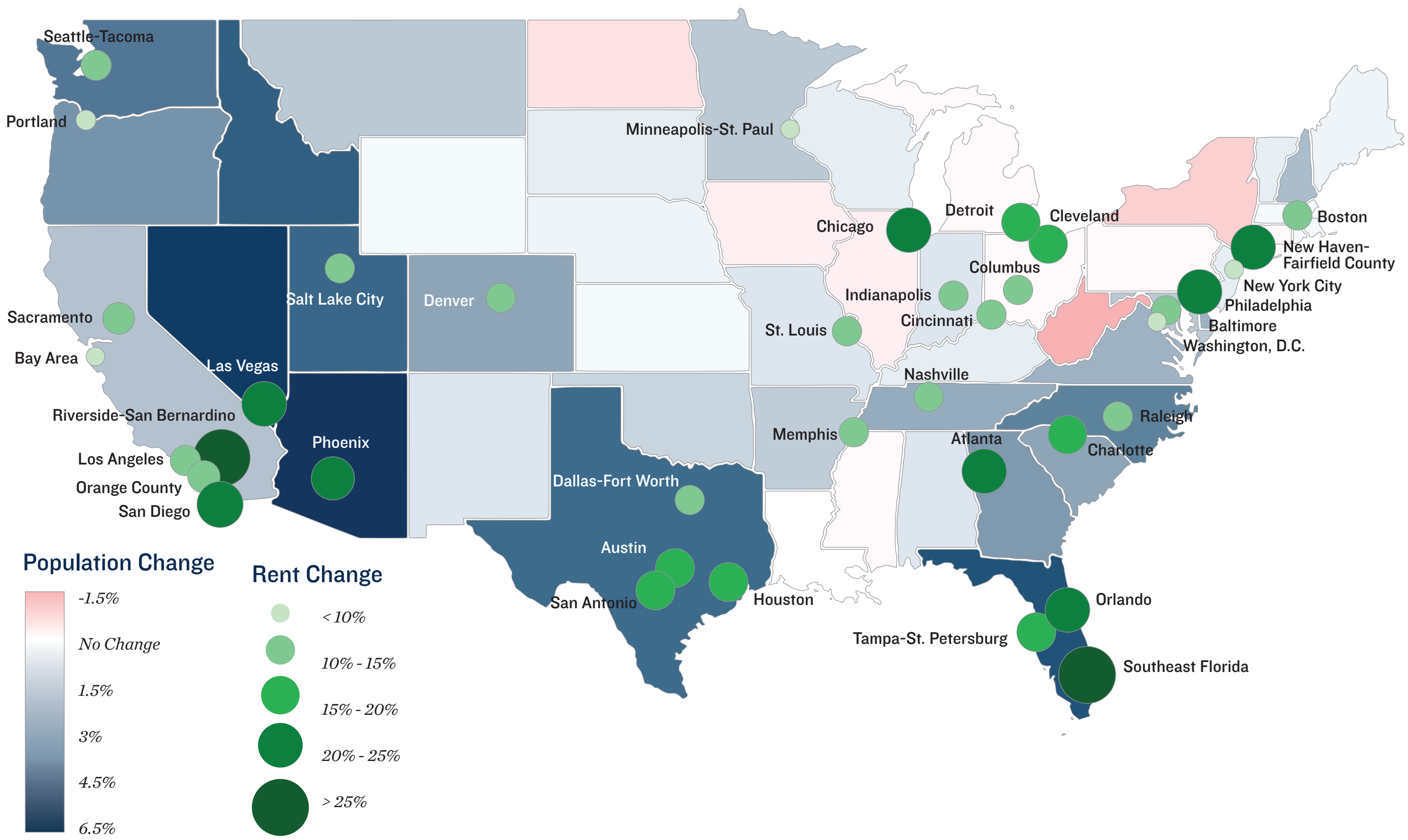

Self-Storage Buyer Composition




* Estimate

## Influx of Residents Driving Self-Storage Use

### Population and Self-Storage Rent Growth 2019-2022*




## Top 10 Markets by Population Growth 2019-2022*

| Market | Three-Year Population Growth* | Three-Year Inventory Growth* |
|---|---|---|
| Austin | 6.0% | 9.3% |
| Las Vegas | 5.1% | 16.5% |
| Phoenix | 4.4% | 17.9% |
| Orlando | 4.3% | 12.0% |
| Raleigh | 4.3% | 8.0% |
| Dallas-Fort Worth | 4.1% | 10.1% |
| Salt Lake City | 4.0% | 5.1% |
| West Palm Beach | 3.8% | 13.5% |
| San Antonio | 3.5% | 8.5% |
| Charlotte | 3.5% | 9.2% |
| **U.S.** | **1.4%** | **10.2%** |

** Forecast*

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

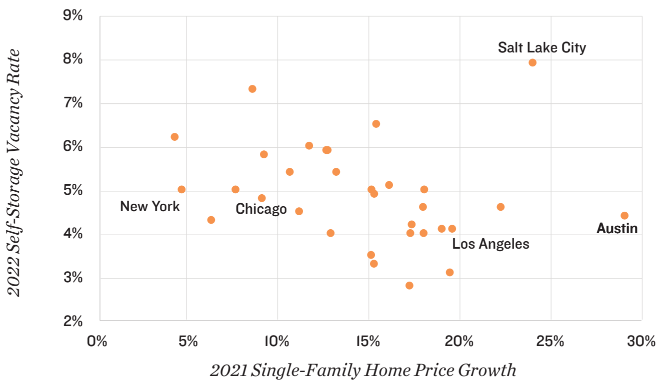
## Drivers of Record Rent Growth Wave

- After falling by nearly 9 percent between June 2016 and June 2020, the average asking rent for a standard 10-foot-by-10-foot unit in the U.S. has increased by over 13 percent. This rapid rise in rents has more than compensated for the downward pressure on marketed rates caused by record completions in 2018 and 2019. Population growth is a supporting factor in many regions, including the Southwest and Southeast, as well as Texas and parts of the Rocky Mountain zone.
- Markets that experienced some of the largest inventory gains over the past five years, including Austin, Phoenix and Orlando, are all now reporting a recovery in rents, aided by robust migration trends that coincided with the deliveries.
- Rent growth last year was most pronounced in Florida, a prominent relocation destination. Asking rates jumped by more than 15 percent in Miami-Dade, Fort Lauderdale and Jacksonville. Nearby Atlanta also saw rates go up 16 percent.

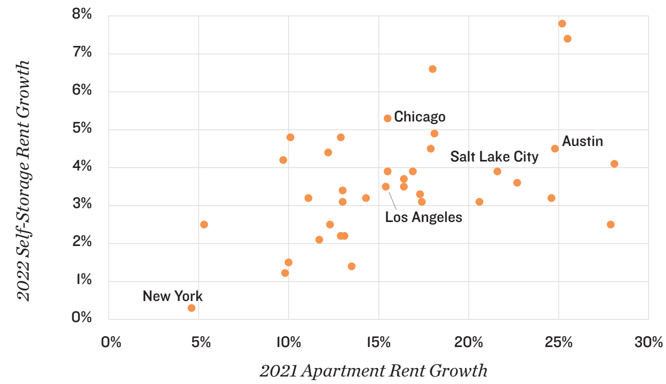
# Tight Housing Markets Drive Self-Storage Use

## Multiple Factors Show Link Between Residential Demand and Storage Utilization

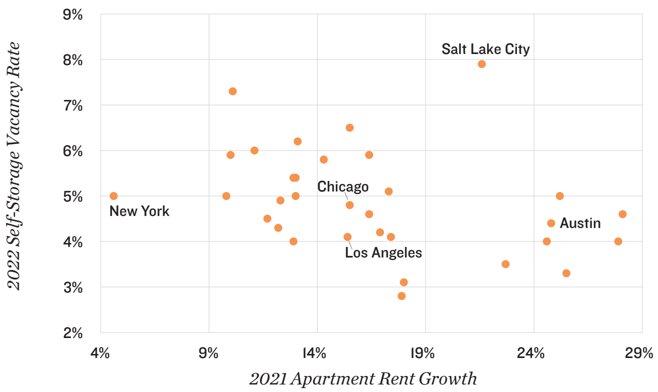
### In-Demand Housing Markets Tend to Have Lower Vacancy Rates



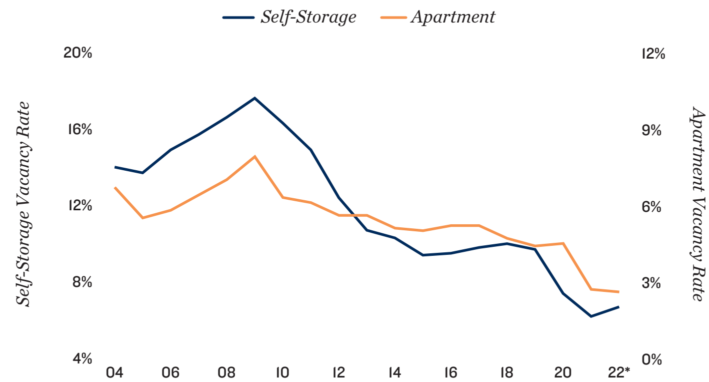

### Self-Storage and Apartment Rent Growth Linked




### Apartment Rent Growth Strongly Correlated With Vacancy




### Self-Storage and Apartment Vacancy Rates Trend in Tandum




## Factors Behind Strong Housing/Storage Needs

**Housing and storage demand linked.** Multiple vectors show a clear connection between competitive residential markets and places with abundant self-storage needs. In metros where home prices and apartment rents are both growing rapidly, self-storage vacancy is low and self-storage rents are readily climbing. There are two main factors behind this relationship.

- Population Growth: Some of the markets that have been recording substantial home price and rent growth since the pandemic began, including Phoenix and West Palm Beach, are welcoming waves of new residents, driving the demand for housing. Relocations such as these represent the second most common reason to rent storage units.
- Limited Space: Metros with climbing home prices emphasize the benefits of multifamily living. A higher preponderance of apartment renting, where unused space comes at a premium, underscores the utility of a separate storage unit.

## Top Markets by Home Price/Rent Growth In 2021

| Market | Home Price Growth |
|---|---|
| Austin | 28.8% |
| Salt Lake City | 23.7% |
| Phoenix | 22.0% |
| Los Angeles | 19.3% |
| Riverside-San Bernardino | 19.2% |
| Orange County | 18.8% |
| Bay Area | 17.8% |
| Tampa-St. Petersburg | 17.8% |
| Sacramento | 17.7% |
| Denver | 17.1% |
| **United States** | **15.2%** |

| Market | Apartment Rent Growth |
|---|---|
| Phoenix | 28.1% |
| Tampa-St. Petersburg | 27.9% |
| South Florida | 25.5% |
| Orlando | 25.2% |
| Austin | 24.8% |
| Las Vegas | 24.6% |
| Atlanta | 22.7% |
| Salt Lake City | 21.6% |
| Riverside-San Bernardino | 18.0% |
| San Diego | 17.9% |
| **United States** | **15.5%** |

** Forecast*

*Sources: Marcus & Millichap Research Services; CoStar Group; RealPage, Inc.; U.S. Census Bureau; Radius+; Yardi Matrix*

# Booming Tech Sector Boosts Incomes, Storage Demand

## Economic Overview

As prominent companies like Tesla and Facebook move operations to Austin this year, the metro's job market is projected to grow substantially. Due to a thriving tech industry, Austin boasts the fastest job growth in office-using sectors among major metropolitan areas, allowing for a consumer base with higher discretionary incomes.

## Demographic Overview

Having expanded by nearly 25 percent over the past decade, Austin has consistently ranked as the nation's fastest-growing city, with a vibrant cultural scene and the presence of tech giants and startups alike attracting a plethora of young professionals. Austin's 20-to-34-year-old demographic is set to expand by 23 times the national average in 2022, creating robust demand for storage as young renters navigate the local housing market.

## Construction Overview

Although Austin's self-storage stock grew by over 1 million square feet each year from 2016 through 2020, the recent development pipeline has been more conservative. Combined, the 2021-2022 construction total will be under the trailing-five-year annual average for completions. This year's new facilities are contained to the suburban I-35 Corridor, concentrated near both Round Rock and Georgetown.

## Vacancy/Rent Overview

Following several years of declining rents due to oversupply, the pandemic storage demand boom along with a restrained construction schedule reversed this course, sending rent growth into double-digit territory in 2021. While vacancy is projected to tick up for the first time in several years, rents are expected to increase at a sustainable 4.5 percent.

## 2022 Market Forecast

**Inventory** — 23 million square feet and 9.9 square feet per capita

**Employment** up 5.0% — With all job losses recovered in 2021, the 59,000 positions added this year put metro employment well above pre-pandemic totals.

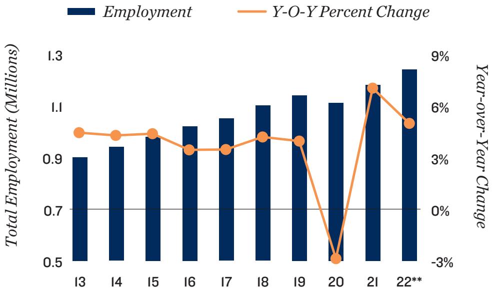
**Population** up 2.3% — Austin is expected to gain over 54,000 residents this year, including the net in-migration of 36,000 individuals. The metro ties with Boise for fastest-growing population among major U.S. cities.

**Construction** 625,000 sq. ft. — Space deliveries double from last year's 301,000 square feet, though construction remains well under the trailing-five-year average of 1,150,000 square feet.

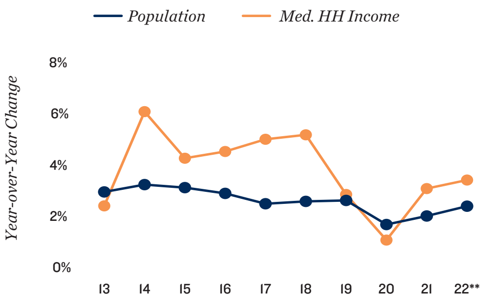
**Vacancy** up 20 bps — After reporting consistent year-over-year compression since 2014, vacancy bumps up slightly to 4.4 percent.

**Rent** up 4.5% — Rent growth continues after surging 13.3 percent in 2021, bringing asking rents to a new peak average of $1.16 per square foot.

### Employment Trends




### Demographic Trends

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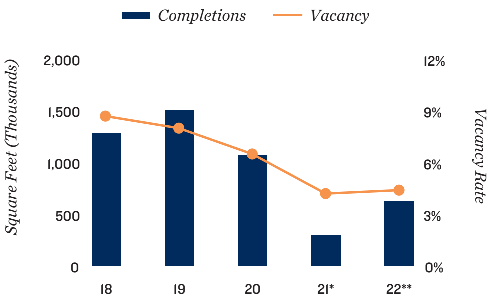


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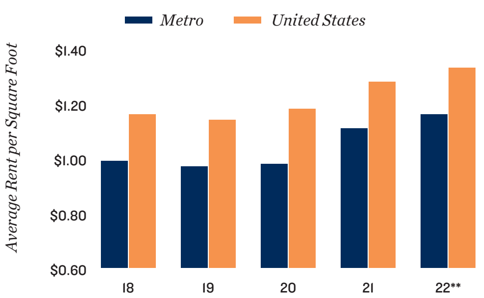



*Estimate; **Forecast

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

# Workforce, Corporate Gains Boost Metroplex Economy

## Economic Overview

Already home to twenty-two Fortune 500 companies, the Dallas-Fort Worth Metroplex is a favorite target for corporate relocations, including a recently announced move by engineering giant AECOM. The favorable business climate has also allowed a swift job market recovery, with the metro's employment total set to surpass 4 million workers this year.

## Demographic Overview

Solid economic performance has given way to consistently high in-migration to the market. A net-migration count of nearly 71,600 in 2022 brings the 10-year figure to over 730,000 individuals. The metro will also observe above-national average population growth across all demographics, including the 20-to 34-year-old and 65+ segments, which tend to be heavy storage users, due to their tendency toward downsized living spaces.

## Construction Overview

Development activity will be more conservative in 2022, as builders are set to finish under 2 million square feet for the first year since 2016. Northern Dallas will receive the most space, with 780,000 square feet marking a three-year high. The 530,000 square feet scheduled for Fort Worth is less than half the trailing five-year average.

## Vacancy/Rent Overview

Prior to the health crisis, high annual supply additions kept availability above 8 percent, and the average rent fell nearly 20 cents per square foot from 2016 through 2020. Plunging vacancy from the pandemic demand boom brought rents back over $1 per square foot, though builders may risk oversupply if pipelines do not remain narrow.

## 2022 Market Forecast

**Inventory** — 81 million square feet and 10.1 square feet per capita

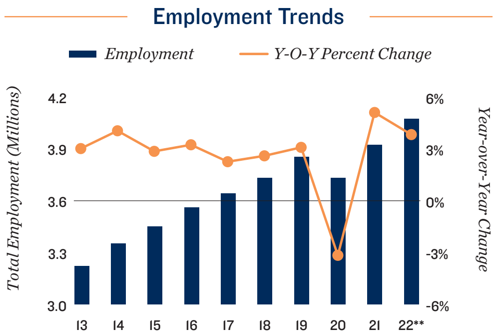
**Employment** up 3.8% — Having already regained pandemic job losses, the 150,000 upcoming roles this year will put the total headcount at an all-time high.

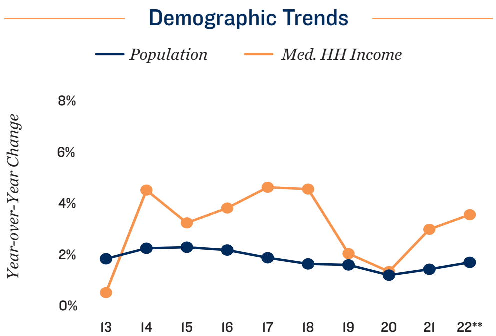
**Population** up 1.6% — The market will grow with over 127,500 new individuals in 2022. This year's gain will take the combined metroplex population over the 8 million mark.

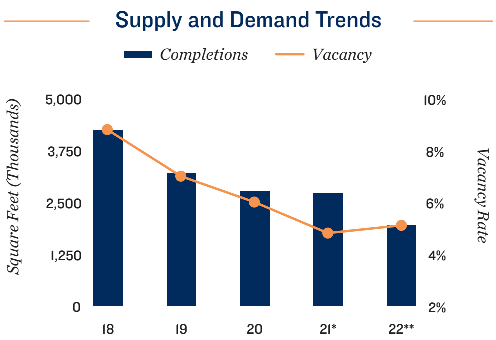
**Construction** 1.9 million sq. ft. — Completed space tapers from 2021. This year's square footage finishes out lagging over 1 million square feet behind the trailing five-year average.

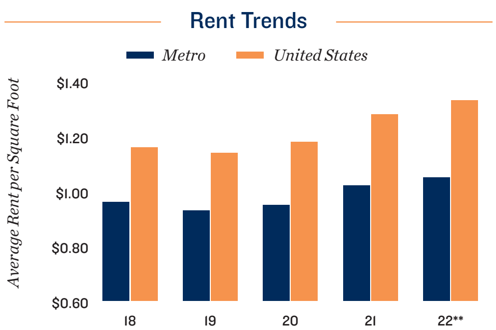
**Vacancy** up 30 bps — Availability pivots, following a three-year decline. Vacancy climbs to end this year at 5.1 percent.

**Rent** up 3.3% — Asking rents rise to an average of $1.05 per square foot. Growth in the Fort Worth area is highest, with rents advancing 5.1 percent.



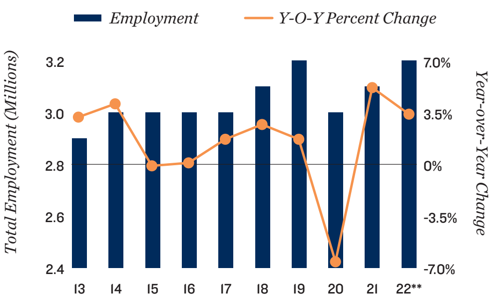



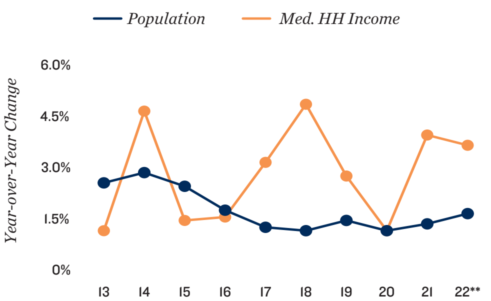

*Estimate; **Forecast

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

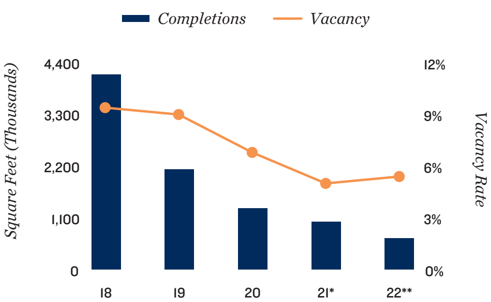
## Employment Trends



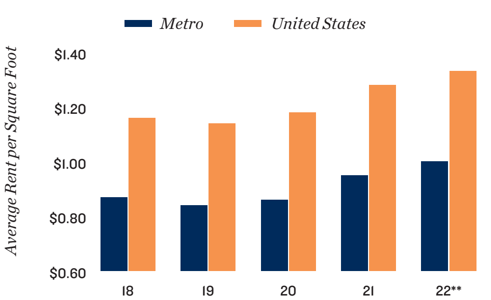

## Demographic Trends




## Supply and Demand Trends




## Rent Trends




** Estimate; ** Forecast*

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

# Rents Stabilize as Construction Ebbs

## Economic Overview

Unemployment in Houston decreased in 2021 after a jump in 2020, though the rate remained well above the national average. An increasing number of jobs available, however, positions Houston to possibly surpass pre-pandemic levels of the employment base this year. An additional 105,000 positions will come to the metro by the end of 2022.

## Demographic Overview

An increasing number of jobs and downward trending unemployment lift household income by 3.6 percent in 2022, arriving at about $8,200 above the national average. New households are also on track to form this year, continuing a recovery and reaching the highest growth rate since 2016. Net in-migration will be at its highest since 2016 as well.

## Construction Overview

Following a period of elevated construction, the number of completed square feet will decrease by 34 percent in 2022. Most openings will be located in West Houston, at 455,000 square feet accounting for 68 percent of this year's new space.

## Vacancy/Rent Overview

Vacancy will increase by 40 basis points to 5.4 percent in 2022; the rate, however, will remain below the average 8 percent seen in the past eight years. Lowering availability contributes to rent growth, allowing asking rents to continue advancing this year by 4.8 percent, stabilizing after a 10 percent growth spike in the advertised rent in 2021.

# 2022 Market Forecast

**Inventory** — 75 million square feet and 10.1 square feet per capita

**Employment** up 3.4% — The pace of hiring will slow from last year, as metro employers add 105,000 jobs in 2022.

**Population** up 1.6% — Houston will grow by 113,500 people this year, and will experience a net in-migration of 56,600 residents. The population has expanded by 20 percent over the past decade.

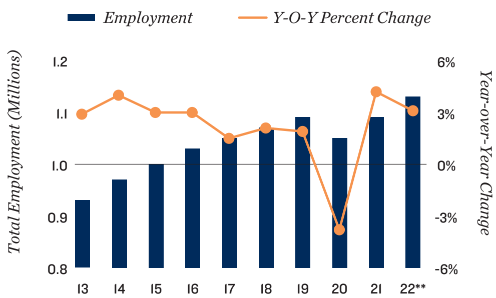
**Construction** 665,000 sq. ft. — Deliveries will fall in 2022, as the metro will add 345,000 less square feet than in 2021. Houston has averaged 2.3 million new square feet annually over the past five years.

**Vacancy** up 40 bps — Vacancy in the metro will rise to 5.4 percent in 2022, remaining over 440 basis points below the 2019 rate.

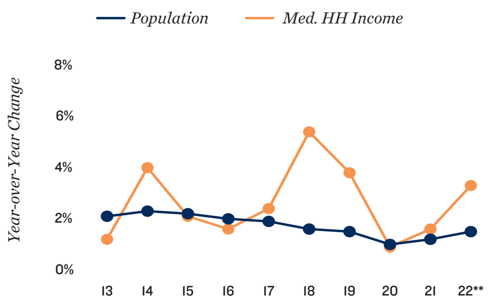
**Rent** up 4.8% — Consistent with rising advertised rates since 2019, the average asking rent in Houston will increase to $1.00 per square foot.

# Cuts to Construction Puts Pressure on Rents

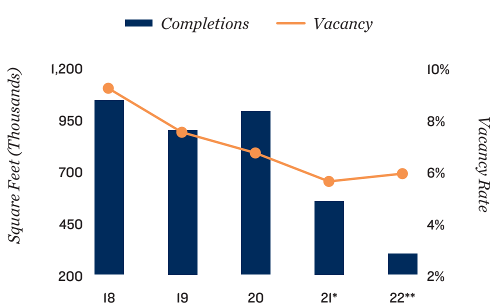
### Employment Trends



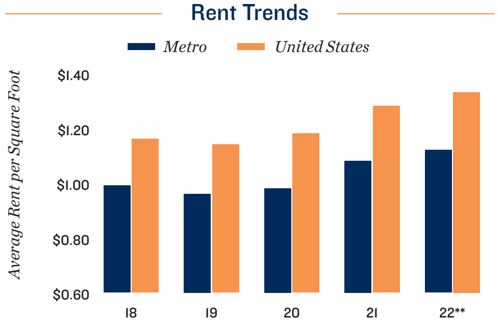

### Demographic Trends




### Supply and Demand Trends




### Rent Trends




** Estimate; ** Forecast*

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

## Economic Overview

Corporate relocations and expansions, including fast growing tech-focused firms, such as Skipcart and SafeRide Health, as well as more established businesses like Pabst Blue Ribbon, are helping boost worker counts. Total employment came within 1 percent of the pre-pandemic high at the end of 2021, a threshold that will easily be surpassed this year.

## Demographic Overview

Domestic movers, many from higher-cost primary markets, have been a key driver of population gains. While this trend has aided growth for many years, the pandemic accelerated relocation decisions as work-from-home policies allowed employees to prioritize lower-cost areas with lower density and higher quality of life. The influx has boosted local retail spending, rising this year to more than 26 percent above the 2019 level.

## Construction Overview

Despite positive demographic demand drivers, new construction in 2021 fell to about half of the levels seen over the three years prior. Deliveries will dip again this year, with just 300,000 square feet expected to hit the market. Since 2001, average annual additions to stock totaled 580,000 square feet.

## Vacancy/Rent Overview

With a slowdown in completions coinciding with positive demand trends, the vacancy rate has experienced a steady downward trajectory. Vacancy has nearly halved from 10.7 percent in 2014 to 5.6 percent at the end of 2021. The tighter market is lifting rental rates, with a sizable 10.2 percent gain registered last year.

# 2022 Market Forecast

**Inventory** — 24 million square feet and 8.8 square feet per capita

**Employment** up 3.1% — Job gains this year will hit 34,000, increasing the total headcount by 3.1 percent.

**Population** up 1.4% — With nearly 36,000 new residents expected this year, the housing market will be pressured further. Median home prices have pushed above $300,000 for the first time, and apartment vacancy is anticipated to move below 2 percent this year.

**Construction** 300,000 sq. ft. — Deliveries will continue the downtrend from last year, with only 300,000 square feet of new builds representing an increase of 1.3 percent to existing stock.

**Vacancy** up 30 bps — The vacancy rate will tick up 30 basis points to 5.9 percent in 2022, only marginally offsetting the 360-basis-point decline recorded over the past three years.

**Rent** up 3.7% — The average asking rent will increase for the third year in a row, moving up 3.7 percent in 2022 to $1.12 per square foot.

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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 2022. 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. 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; Blue Chip Economic Indicators; Bureau of Economic Analysis; Capital Economics; CoStar Group, Inc.; Experian; Federal Reserve; Moody's Analytics; Mortgage Bankers Association Commercial/Multifamily Quarterly DataBook; National Federation of Independent Business; Real Capital Analytics; 2022 Self-Storage Almanac; TWR/Dodge Pipeline; U.S. Bureau of Labor Statistics; U.S. Census Bureau; U.S. Securities and Exchange Commission; U.S. Treasury Department; Radius+; Yardi Matrix

2022 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 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022** | 2019 | 2020 | 2021 | 2022** | 2019 | 2020 | 2021 | 2022** | 2019 | 2020 | 2021* | 2022** | 2019 | 2020 | 2021 | 2022** | |
| Atlanta | 2.3% | -5.5% | 5.0% | 3.1% | 1.3% | 1.0% | 1.1% | 1.2% | 2,500 | 1,700 | 1,800 | 1,500 | 8.9% | 5.8% | 3.0% | 3.5% | $0.97 | $0.98 | $1.14 | $1.18 | Atlanta |
| Austin | 4.0% | -2.9% | 7.0% | 5.0% | 2.5% | 1.6% | 1.9% | 2.3% | 1,500 | 1,100 | 300 | 600 | 8.0% | 6.5% | 4.2% | 4.4% | $0.97 | $0.98 | $1.11 | $1.16 | Austin |
| Baltimore | 1.1% | -5.9% | 2.5% | 2.2% | -0.1% | 0.0% | 0.1% | 0.2% | 800 | 900 | 1,100 | 1,200 | 9.1% | 5.8% | 5.6% | 6.2% | $1.28 | $1.31 | $1.38 | $1.41 | Baltimore |
| Bay Area | 2.0% | -10.4% | 5.9% | 4.2% | 0.2% | 0.5% | 0.5% | 0.6% | 900 | 900 | 800 | 1,800 | 6.9% | 3.3% | 4.0% | 5.0% | $1.88 | $1.98 | $2.03 | $2.06 | Bay Area |
| Boston | 1.5% | -9.8% | 7.0% | 2.6% | 0.2% | 0.2% | 0.3% | 0.5% | 1,600 | 1,100 | 900 | 1,400 | 9.8% | 6.1% | 5.4% | 5.8% | $1.40 | $1.48 | $1.55 | $1.60 | Boston |
| Chicago | 0.6% | -8.5% | 4.3% | 3.6% | -0.4% | -0.2% | -0.1% | -0.1% | 2,100 | 1,800 | 400 | 1,000 | 7.6% | 5.3% | 4.3% | 4.8% | $1.01 | $1.06 | $1.18 | $1.24 | Chicago |
| Cincinnati | 1.2% | -5.8% | 3.8% | 2.3% | 0.4% | 0.3% | 0.5% | 0.5% | 300 | 600 | 400 | 500 | 5.3% | 5.2% | 3.7% | 4.5% | $0.88 | $0.93 | $0.97 | $0.99 | Cincinnati |
| Cleveland | 0.5% | -7.1% | 2.5% | 1.6% | -0.3% | -0.4% | -0.3% | -0.2% | 500 | 400 | 400 | 400 | 8.4% | 6.9% | 6.6% | 7.3% | $0.94 | $0.97 | $1.05 | $1.10 | Cleveland |
| Columbus | 1.8% | -4.3% | 2.0% | 1.7% | 0.9% | 0.9% | 1.0% | 1.1% | 100 | 300 | 400 | 300 | 8.2% | 6.9% | 5.4% | 6.0% | $0.86 | $0.87 | $0.93 | $0.96 | Columbus |
| Dallas-Fort Worth | 3.1% | -3.2% | 5.1% | 3.8% | 1.5% | 1.1% | 1.4% | 1.6% | 3,200 | 2,700 | 2,700 | 1,900 | 7.0% | 6.0% | 4.8% | 5.1% | $0.93 | $0.95 | $1.02 | $1.05 | Dallas-Fort Worth |
| Denver | 2.6% | -6.7% | 6.5% | 3.2% | 1.2% | 0.8% | 1.0% | 1.1% | 1,900 | 200 | 900 | 800 | 7.1% | 3.9% | 3.4% | 4.2% | $1.18 | $1.20 | $1.28 | $1.33 | Denver |
| Detroit | 0.5% | -9.7% | 6.0% | 3.1% | -0.2% | -0.2% | -0.2% | -0.1% | 700 | 600 | 800 | 600 | 6.9% | - | - | - | $1.08 | $1.11 | $1.20 | $1.25 | Detroit |
| Houston | 1.7% | -6.6% | 5.2% | 3.4% | 1.4% | 1.1% | 1.3% | 1.6% | 2,100 | 1,300 | 1,000 | 700 | 9.0% | 6.8% | 5.0% | 5.4% | $0.84 | $0.86 | $0.95 | $1.00 | Houston |
| Indianapolis | 1.9% | -3.3% | 2.3% | 2.0% | 1.0% | 0.8% | 0.9% | 1.0% | 600 | 700 | 600 | 800 | 5.9% | 5.5% | 3.3% | 4.0% | $0.82 | $0.83 | $0.90 | $0.92 | Indianapolis |
| Las Vegas | 3.3% | -14.0% | 8.7% | 6.6% | 2.1% | 1.3% | 1.7% | 2.0% | 500 | 900 | 1,100 | 1,200 | 6.5% | 6.3% | 3.6% | 4.0% | $1.07 | $1.11 | $1.25 | $1.29 | Las Vegas |
| Los Angeles | 0.8% | -11.6% | 7.1% | 5.1% | -0.2% | 0.1% | 0.1% | 0.2% | 900 | 500 | 700 | 1,200 | 7.5% | 4.7% | 3.7% | 4.1% | $1.92 | $2.01 | $2.13 | $2.20 | Los Angeles |
| Minneapolis-St. Paul | 0.7% | -9.5% | 5.4% | 2.8% | 0.8% | 0.7% | 0.8% | 0.8% | 2,200 | 1,500 | 1,000 | 1,100 | - | - | - | - | $1.12 | $1.09 | $1.11 | $1.14 | Minneapolis-St. Paul |
| New Haven-Fairfield County | -0.6% | -7.6% | 3.3% | 2.1% | -0.3% | -0.1% | 0.0% | 0.1% | 700 | 500 | 600 | 700 | 10.6% | 4.6% | 4.0% | 4.3% | $1.16 | $1.22 | $1.35 | $1.41 | New Haven-Fairfield County |
| New York City | 1.8% | -13.5% | 5.8% | 3.7% | -0.4% | -0.1% | -0.2% | 0.3% | 1,200 | 900 | 1,200 | 2,100 | 9.0% | 5.2% | 4.3% | 5.0% | $2.57 | $2.65 | $2.66 | $2.67 | New York City |
| North Carolina | 2.3% | -3.7% | 3.4% | 2.9% | 1.5% | 0.8% | 1.1% | 1.3% | 1,900 | 1,900 | 1,100 | 1,500 | 10.9% | 8.0% | - | - | $0.85 | $0.87 | $0.95 | $0.98 | North Carolina |
| Orange County | 1.1% | -10.0% | 7.0% | 4.4% | -0.1% | -0.1% | 0.0% | 0.1% | 300 | 700 | 100 | 300 | 7.5% | 4.7% | 3.7% | 4.1% | $1.75 | $1.81 | $1.92 | $1.98 | Orange County |
| Orlando | 2.3% | -12.5% | 7.8% | 6.3% | 1.2% | 0.9% | 1.4% | 1.9% | 2,600 | 1,100 | 1,100 | 1,000 | 9.6% | 6.9% | 4.7% | 5.0% | $1.01 | $1.03 | $1.15 | $1.24 | Orlando |
| Philadelphia | 1.5% | -7.9% | 4.7% | 3.0% | 0.1% | 0.1% | 0.3% | 0.3% | 600 | 1,300 | 2,400 | 1,300 | 8.3% | 6.0% | 4.7% | 5.4% | $1.22 | $1.30 | $1.44 | $1.49 | Philadelphia |
| Phoenix | 3.7% | -3.7% | 5.6% | 3.7% | 2.1% | 1.2% | 1.5% | 1.7% | 2,700 | 2,400 | 1,600 | 2,300 | 6.2% | 6.2% | 4.4% | 4.6% | $1.03 | $1.09 | $1.23 | $1.28 | Phoenix |
| Portland | 1.7% | -8.9% | 7.3% | 4.1% | 1.0% | 0.7% | 1.0% | 1.2% | 1,600 | 1,600 | 600 | 600 | 6.1% | - | - | - | $1.38 | $1.42 | $1.45 | $1.47 | Portland |
| Riverside-San Bernardino | 3.7% | -5.7% | 4.4% | 2.6% | 0.6% | 0.7% | 0.9% | 1.1% | 300 | 200 | 800 | 800 | 6.4% | 3.7% | 2.8% | 3.1% | $1.14 | $1.22 | $1.37 | $1.46 | Riverside-San Bernardino |
| Sacramento | 1.7% | -5.9% | 3.7% | 3.0% | 0.6% | 0.5% | 0.3% | 0.3% | 500 | 600 | 700 | 500 | 8.5% | 4.1% | 4.0% | 4.6% | $1.31 | $1.37 | $1.44 | $1.49 | Sacramento |
| Salt Lake City | 2.5% | -0.2% | 4.3% | 3.5% | 1.6% | 1.2% | 1.3% | 1.4% | 1,500 | 600 | 300 | 400 | 7.5% | 10.3% | 7.5% | 7.9% | $0.95 | $0.97 | $1.03 | $1.07 | Salt Lake City |
| San Antonio | 1.9% | -3.8% | 4.2% | 3.1% | 1.4% | 0.9% | 1.1% | 1.4% | 900 | 1,000 | 600 | 300 | 7.5% | 6.7% | 5.6% | 5.9% | $0.96 | $0.98 | $1.08 | $1.12 | San Antonio |
| San Diego | 1.3% | -8.8% | 4.7% | 3.9% | 0.0% | 0.3% | 0.4% | 0.4% | 400 | 800 | 500 | 1,100 | 7.3% | 3.2% | 2.5% | 2.8% | $1.54 | $1.63 | $1.78 | $1.86 | San Diego |
| Seattle-Tacoma | 2.6% | -7.4% | 6.1% | 4.3% | 1.2% | 0.9% | 1.0% | 1.2% | 2,100 | 2,000 | 700 | 1,200 | 8.4% | - | 4.5% | 4.9% | $1.49 | $1.52 | $1.60 | $1.64 | Seattle-Tacoma |
| Southeast Florida | 1.8% | -7.5% | 5.0% | 4.3% | 0.6% | 0.5% | 0.9% | 1.1% | 2,100 | 2,100 | 1,600 | 2,200 | 7.1% | 4.2% | 3.1% | 3.3% | $1.33 | $1.41 | $1.68 | $1.80 | Southeast Florida |
| St. Louis | 1.2% | -5.7% | 2.4% | 1.9% | 0.0% | 0.0% | 0.0% | 0.0% | 800 | 700 | 500 | 700 | 11.0% | 5.7% | 4.6% | 5.0% | $0.89 | $0.92 | $0.98 | $1.01 | St. Louis |
| Tampa-St Petersburg | 2.6% | -3.2% | 5.1% | 4.5% | 1.0% | 0.5% | 0.8% | 1.1% | 1,600 | 1,400 | 1,200 | 1,000 | 8.8% | 5.5% | 3.5% | 4.0% | $1.06 | $1.07 | $1.19 | $1.22 | Tampa-St Petersburg |
| Tennessee | 1.8% | -3.4% | 3.7% | 2.9% | 1.1% | 0.6% | 0.8% | 0.9% | 1,500 | 1,900 | 1,100 | 1,300 | 10.2% | 8.1% | 7.6% | 7.8% | $0.94 | $0.93 | $1.03 | $1.08 | Tennessee |
| Washington, D.C. | 1.4% | -6.7% | 4.2% | 3.0% | 0.5% | 0.5% | 0.7% | 0.8% | 1,500 | 1,700 | 1,600 | 1,000 | 8.7% | 5.7% | 5.2% | 5.9% | $1.42 | $1.49 | $1.51 | $1.53 | Washington, D.C. |
| United States | 1.3% | -6.1% | 4.7% | 2.5% | 0.4% | 0.3% | 0.5% | 0.6% | 70,500 | 64,000 | 52,200 | 53,000 | 9.5% | 7.2% | 6.0% | 6.5% | $1.14 | $1.18 | $1.28 | $1.33 | United States |

** Estimate ** Forecast [2] See Statistical Summary Note on Page 48.*

** Estimate ** Forecast [2] See Statistical Summary Note on Page 48*

# A TRUSTED VISION FOR THE FUTURE

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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