

Elevated Development Weighs on Rent Growth

Economic Overview

Austin employers expanded payrolls 2.7 percent in 2017, representing an increase of 27,500 jobs. Gains came from 10 out of the 11 employment sectors as the metro's diverse and expanding economy continues to support job creation. As the metro's unemployment rate continues to tighten, the availability of a skilled workforce thins. Yet, here job growth will remain strong as employers work to lift the employment base 2.4 percent in 2018.

Demographic Overview

A steady flow of net migration and a positive economic outlook will spur the formation of 24,000 households in 2018. Additionally, median household income growth is set to accelerate to 3.9 percent, supporting a 6.8 percent increase in retail sales. New residents buying more goods will have a positive impact on underlying self-storage demand.






Construction Overview

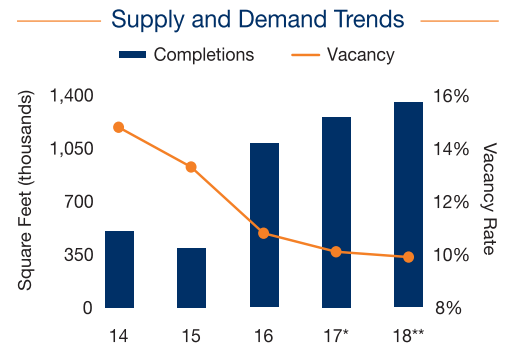
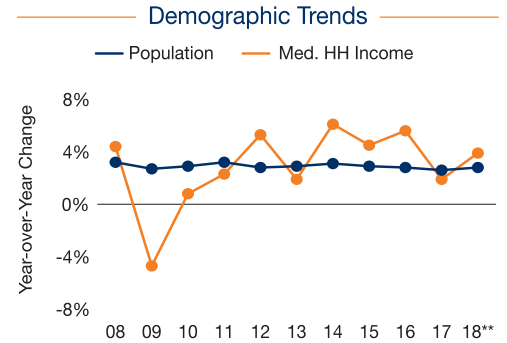
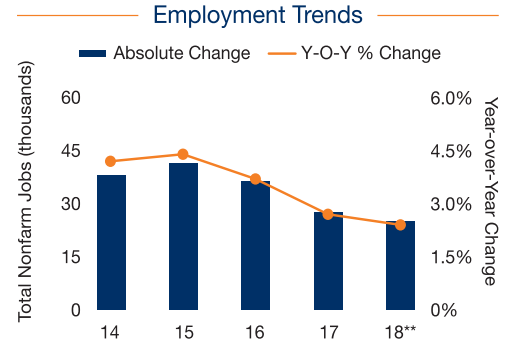
Rising incomes and robust population growth encouraged the completion of more than 2.3 million square feet of self-storage space over the past two years. Developers will finalize another 1.35 million square feet in 2018, focusing mainly on the urban area just south of downtown Austin.

Vacancy/Rent Overview

Heightened development levels are beginning to negatively impact fundamentals as operators cut rents to keep units occupied. Austin's average rent will fall in 2018, though the pace of decline is slowing. These discounts will allow vacancy to reach 9.9 percent this year, representing a 490-basis-point decline since 2014.

2018 Market Forecast

- Employment** up 2.4%  With the metro firmly at full employment, Austin employment growth will result in the addition of 25,000 workers to staffs in 2018.
- Population** up 2.8%  In 2017, the Austin population grew by 53,600 people, a 2.6 percent increase. This year, the metro is expected to add another 59,700 residents.
- Construction** 1.3 million sq. ft.  Austin self-storage developers in 2018 will outpace last year's delivery total by roughly 100,000 square feet.
- Vacancy** down 20 bps  Vacancy is on pace to compress to 9.9 percent in 2018. Last year, Austin registered a 70-basis-point vacancy rate improvement.
- Rent** down 1.8%  After sliding 3.9 percent in 2017, average rent will fall to 99 cents per square foot this year.



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

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