

Self-Storage Research

2018 INVESTMENT FORECAST

San Antonio Metro Area

Developers Respond to Vacancy Trend

Economic Overview

Spikes in the number of education, health and construction positions translated to the creation of nearly 33,000 jobs last year, reducing San Antonio's unemployment rate to 3 percent. Moving forward, a lack of available local labor could force employers to recruit from outside the metro with greater frequency. Job gains in 2018 will be highlighted by the retail trade and government sectors.

Demographic Overview

Annual household formations total 17,000 for a second consecutive year, spurred by healthy rates of income and job growth. These factors also support the influx of more than 7,000 millennials in 2018. Positive net migration and a wave of apartment and office deliveries bode well for local retailers as consumer spending is slated to rise by 5.1 percent.






Construction Overview

A 150-basis-point rise in vacancy over the past two years has influenced developers to reduce the metro's construction pipeline. The finalization of more than 450,000 square feet in 2018 represents the lowest delivery volume in five years with projects along Highway 281 accounting for a notable chunk of new supply.

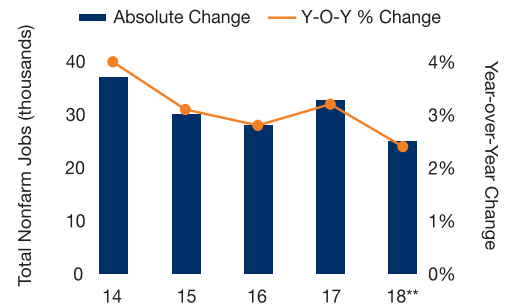
Vacancy/Rent Overview

San Antonio's vacancy rate rises for a third consecutive period, approaching 11 percent by year end, yet nominal rent growth persists. This uptick is regionally notable, as Texas' other major metros all witness rent reductions in 2018.

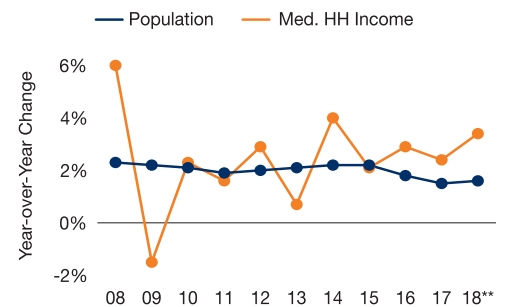
2018 Market Forecast

- Employment** up 2.4%  Employers will add 25,000 positions this year amid extremely low unemployment. The 2.4 percent gain set for 2018 trails last year's 3.2 percent rise.
- Population** up 1.6%  San Antonio's population continues to steadily climb, increasing by nearly 41,000 new residents in 2018 following last year's 1.5 percent uptick.
- Construction** 458,000 sq. ft.  After completing 803,000 square feet in 2017, developers finalize 458,000 square feet this year.
- Vacancy** up 50 bps  A 50-basis-point increase in vacancy pushes the metro's rate to 10.7 percent by year end. Last year, an expansion of 90 basis points was recorded.
- Rent** up 1.0%  The metro's average rent inches up by 1 percent for a second straight year, reaching \$1.03 per square foot.

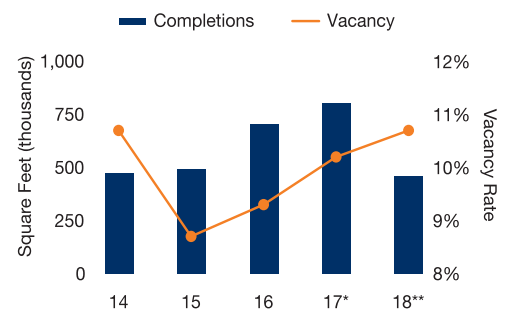
Employment Trends



Demographic Trends



Supply and Demand Trends



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

San Antonio Office

Craig R. Swanson Regional Manager
8200 IH 10 W, Suite 603
San Antonio, TX 78230
(210) 343-7800 | craig.swanson@marcusmillichap.com

For information on national self-storage trends, contact:

John Chang First Vice President | National Director
Research Services
Tel: (602) 707-9700 | john.chang@marcusmillichap.com