Marcus & Millichap

2024

SELF-STORAGE

Investment Forecast

TO OUR VALUED CLIENTS

The self-storage sector has navigated a particularly complex series of structural changes over the past five years. After a supply surge in 2018 and 2019 lifted vacancy to near 10 percent, lifestyle disruptions from the COVID-19 pandemic dramatically increased the demand for storage units, and pulled the measure down to a record-low 5.5 percent in 2021. Asking rents have experienced similarly wild swings. While vacancy has since returned to about where it was before 2020, this reversion belies the roughly 250 million additional square feet of storage space that has been absorbed by renters during that dynamic half-decade. Even more profound, however, are the ways the self-storage sector's investment landscape and operational environment have evolved in that time.

Self-storage is emerging as a mainstream commercial real estate investment asset type. A broader range of investors new to the storage sector are entering the landscape, due to the property type's asynchronous risk profile. A belief that self-storage assets can provide differentiated returns during economic down periods has motivated both larger private investors and institutions to add self-storage properties to their portfolios to balance overall risk. This ongoing shift is coinciding with a similar maturing of operations.

The sector has experienced notable consolidation in recent years, headlined by recent acquisitions undertaken by Extra Space Storage and Public Storage. As mid- to large-scale operators continue to expand, operations have similarly grown more sophisticated. The implementation of dynamic pricing models has fundamentally changed the way rents are determined, while new technology has enabled a more seamless online customer experience and labor optimization. Although these trends are mostly present in the nation's largest urban centers for now, these initiatives will extend out to smaller markets as the sector matures.

To help investors navigate this complex and evolving climate, Marcus & Millichap presents the 2024 Self-Storage National Investment Forecast. As you adapt your strategies for the future, our sales and financing professionals look forward to assisting you with your goals.

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CLIENT SERVICES

Developed by Marcus & Millichap Research Services.

Additional contributions were made by Marcus & Millichap investment brokerage professionals nationwide.

EXECUTIVE SUMMARY

NATIONAL ECONOMY

- The overall outlook in early 2024 is notably more positive in comparison to forecasts made entering last year, as economic indicators continually defied recessionary predictions, despite additional headwinds emerging. The Federal Reserve's goal of an economic soft landing appears achievable, with most economists anticipating a year of soft, but steady, growth.
- This cautious optimism extends to labor markets. While a slower pace of economic growth will temper hiring, with contractions anticipated in some fields, roughly 1.7 million jobs are still expected to be added nationwide this year. Loosening monetary policy could alleviate some of the financing pressures that businesses are facing, facilitating more hiring in the year's latter half. Black swan events stemming from geopolitical or climactic currents could disrupt growth, however.
- Despite some temporary deviations from the course, inflation has broadly trended downward over the past two years, taking pressure off businesses and consumers. Still, impacts to global shipping, and potential labor disputes on the horizon, may have inflationary effects. Nevertheless, the economy weathered similar headwinds in 2023 to post a year of solid growth.

NATIONAL SELF-STORAGE OVERVIEW

- Self-storage vacancy was near pre-pandemic levels in most major metros entering 2024, despite substantial construction during the preceding four years. The absorption of this space indicates increasing long-run storage demand. Although vacancy will rise on a national basis this year, improving household formation should facilitate a solid backdrop for storage use.
- Elevated borrowing rates and materials costs continue to weigh on self-storage development this year, with construction on a downward trend nationwide. However, some Southeastern locales with strong in-migration remain hotspots for new construction. Developers may also have to contend with sporadic construction moratoriums aimed at curbing new projects.
- Rents will be the primary plane of competition among storage operators this year. Many major firms are employing dynamic pricing models that maneuver asking rates to more favorably meet market demand, while in place rents hold steady. This will aid revenue gains for top operators, despite declining street rates, and put smaller firms at a disadvantage.

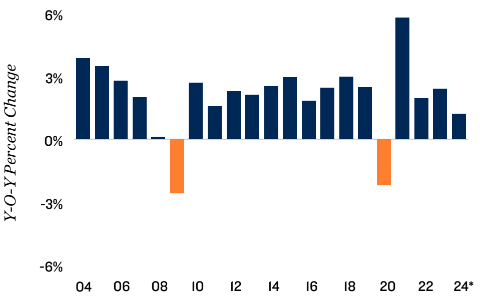
CAPITAL MARKETS

- Following a historical 18-month tightening cycle in which the lower bound of the federal funds rate increased 525 basis points, the Federal Reserve signaled that rates had hit their peak in late 2023. The Fed has indicated that rate cuts will begin later this year. The institution is also continuing to unwind its balance sheet, with the decision regarding how much to decrease holdings to be undertaken at some point in 2024.
- The industry's consistent cashflows have positioned self-storage assets more favorably among lenders than some other major property types. Lenders are more amenable to financing acquisitions in regions noting strong in-migration, though they remain conscious of oversupply risks, conducting more stringent due diligence in areas receiving a large number of new projects.
- Easing rates have already created opportunities for some investors, as falling long-term interest rates have eased borrowing costs in the permanent financing market. If the Federal Reserve lowers the overnight rate later this year, buyers who have been sidelined could pursue new storage opportunities, supporting further activity in the investment market.

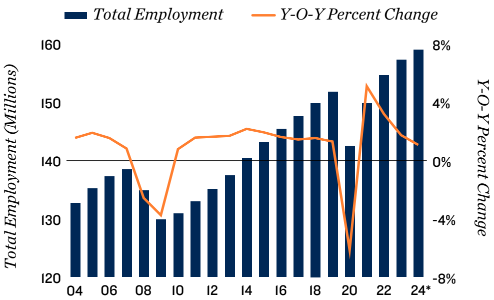
INVESTMENT OUTLOOK

- Multiple large-scale mergers and acquisitions headlined the storage sector in 2023, highlighting the increasingly important role that institutional actors have come to play over the past half-decade. While trades of properties below $10 million declined in 2023 relative to 2019, sales of assets north of that value doubled, despite notable financing headwinds last year. Consolidation could continue as many of the industry's top operators look to increase marketshare.
- A number of third-party management services have arisen in recent years as the sector has matured. Many of these services grant users access to dynamic pricing models, and partnering with such a firm can ease the financing process.
- Long-term migration trends over the past decade — which intensified in the wake of the COVID-19 pandemic — have favored Rocky Mountain and Sun Belt metros, where a large share of investment has shifted as a result. A number of new projects completed since the onset of the health crisis in these areas has greatly increased the options for acquisition in these locales.

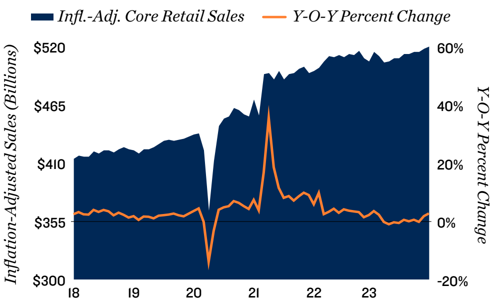
GDP Growth Trends



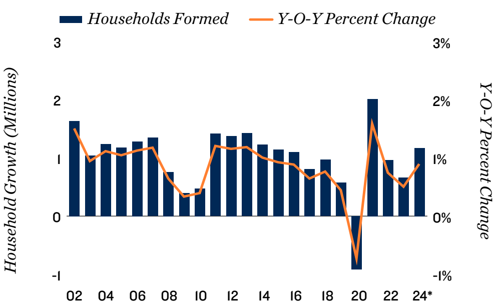
Job Creation Tempered in 2024



Real Core Retail Sales Climbing



Household Formation Accelerating



* Forecast

Year Ahead Defined by Cautious Optimism and Steady Growth; Potential Headwinds on the Horizon

Dominant outlook favors soft landing, but a variety of risks remain. The economy proved more robust than anticipated in 2023, achieving real GDP growth of 2.5 percent despite predictions of a recession. Strong consumer spending has been a major contributor, facilitated by median household wealth that was 36 percent above the pre-pandemic peak, well ahead of elevated inflation. Aggressive action by the Federal Reserve has helped tame price increases, despite exacerbating factors like the Russo-Ukrainian War and the conflict in the Middle East, as well as political gridlock and Congress' inability to set a budget in a timely manner. After jumping 6.5 percent in 2022, the PCE Index only increased by 2.6 percent last year, not far from the Fed's target rate. Lessened inflation has substantially bolstered optimism. The Consumer Confidence Index surged to a near two-year high in December, followed by a survey conducted by the National Association for Business Economics in which 91 percent of respondents placed the chance of a near-term recession below 50 percent. While that is a more bullish outlook than last year, downside risks remain. Many shoppers leaned on credit in 2023, driving both total consumer debt and revolving credit debt to record highs. Black swan events could also challenge the generally optimistic outlook for 2024.

Job additions expected to taper as Fed's soft landing appears achievable. A historically tight labor market has been another pillar of economic strength, with the nationwide unemployment rate holding in the upper-3 percent range since early 2021. As the pace of economic growth wanes under the weight of elevated interest rates, job formation will likely continue to slow. An average of nearly 400,000 jobs were added per month throughout 2022, declining to roughly 225,000 last year. That figure is expected to fall further in 2024, with employers anticipated to add less than 150,000 jobs on a monthly average basis. Some fields and markets may experience a period of job loss, with layoffs in the tech sector continuing into early 2024. As inflation aligns more closely with the Fed's target, however, loosening monetary policy could take some pressure off employers and consumers in the second half of the year.

2024 NATIONAL ECONOMIC OUTLOOK

- **Inflation trends toward target.** Although it will take some time for the pace of price increases to reach the Fed's 2 percent annual target, inflationary gauges have consistently trended downward since mid-2022, with both the trailing three- and six-month annualized inflation readings coming in below 2 percent. Still, extant hurdles could elongate this process as the year unfolds.

- **Threats to global shipping exacerbate uncertainty.** A combination of climactic and geopolitical factors have impacted shipping through the Panama and Suez canals, causing some cargo to be rerouted. These types of challenges could slow disinflationary trends as shipping costs rise once again.

- **Labor disputes an ongoing risk.** High-profile labor disputes have made headlines in recent years, some of which stalled movement through West Coast ports. Similar disruptions are possible this year, as the contract between the International Longshoremen's Association and U.S. Maritime Alliance is up for renewal in late 2024. Union leaders have already signaled a willingness to strike if negotiations stall.

Storage Demand Slowing, but Still Durable; Rental Rates Becoming Increasingly Fluid

Vacancy holds at pre-pandemic norms, despite supply influx. Following a stretch of historically low vacancy resulting from pandemic lockdowns, self-storage fundamentals were defined by a period of normalization in 2022 and 2023. The national vacancy rate entered 2024 at 9.6 percent, near pre-COVID-19 levels, despite an inventory increase of 13.6 percent, nearly 242 million square feet, during the preceding four years. Despite expectations of increasing household formation this year, the tight housing market could restrain storage space needs, placing upward pressure on vacancy rates in most major metros. The average 30-year fixed-rate residential mortgage was near 7 percent in early 2024, discouraging owners with lower rates from selling and reducing household mobility, a major source of storage demand. On a positive note, loosening monetary policy expected later in the year could stoke the housing market and relieve some of the restraints on home sales, in turn reviving storage space demand.

Sector consolidation drives change in street rate dynamics. Since late 2022, the storage industry has been impacted by falling asking rents. While this sparked concerns of oversupply, particularly in markets with active development pipelines, evolving pricing models have played a more significant role. Private owner-operators traditionally dominated the storage business, but as the sector has matured, major firms have acquired nearly 60 percent of net rentable square footage in the U.S., with an outsized presence in major metropolitan areas. As larger operators have increased their market presence, they have started to apply dynamic pricing with low teaser rates to draw in new tenants, followed by subsequent rate increases to ultimately achieve a higher target monthly rent. This has reduced visibility into actual effective rents while putting downward pressure on asking rates. In many cases, this has put some of the smaller private operators at a competitive disadvantage because they may lack the market data and automated systems to replicate the dynamic pricing models.

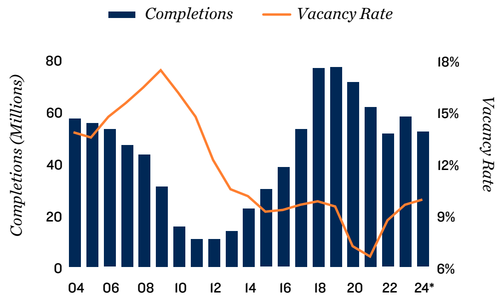
2024 NATIONAL SELF-STORAGE OUTLOOK

- **Supply additions taper across most major metros.** Elevated construction loan rates and materials costs have weighed on development, with deliveries tapering this year. Investors should, however, remain cautious about the pipeline of facilities that could come online in 2025 and 2026 as the flow of construction capital into self-storage has been on the rise in recent months.

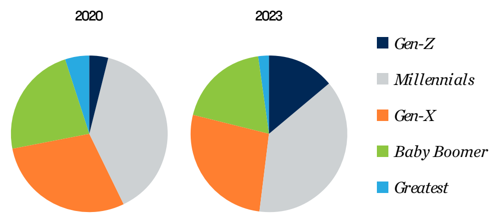
- **Local legislation continues to sporadically impact development.** Entering 2024, certain municipalities have adopted moratoriums or similar restrictions aimed at limiting the development of self-storage properties. These initiatives are usually limited to specific areas within wider metros.

- **REITs largely focus on major metropolitan areas.** Although large self-storage REITs are a substantial force in urban and suburban locales, they have yet to branch out to rural areas where their scale, infrastructure and management capabilities deliver a less substantial advantage. As the sector consolidates, the largest operators may seek growth opportunities in smaller markets.

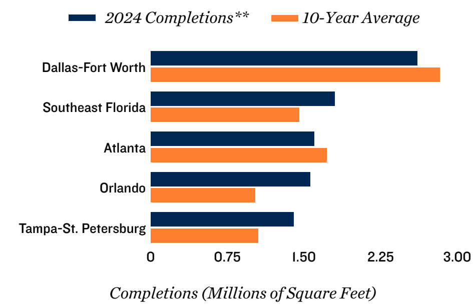
Supply & Vacancy Pressures Pick Up



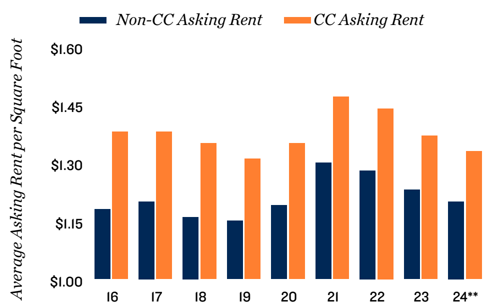
Gen-Z & Millennials Make Up More of Market



Top 5 Markets by 2024 Completions



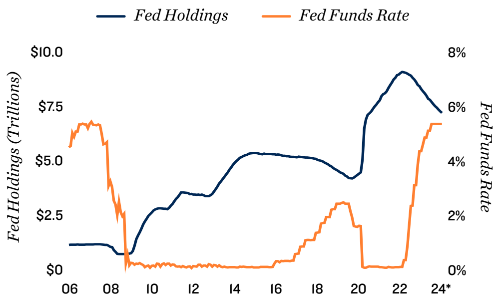
Asking Rent Trends



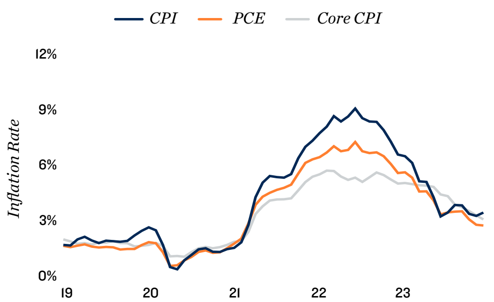
* Forecast for 2024, year-end 2023 vacancy rate estimated

** Forecast

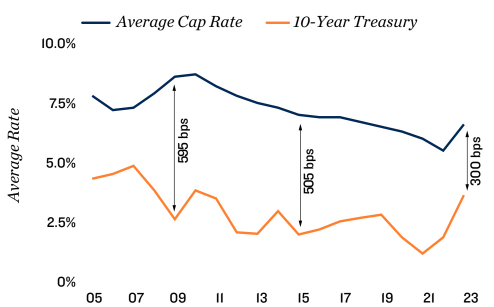
Monetary Policy Set to Shift Direction



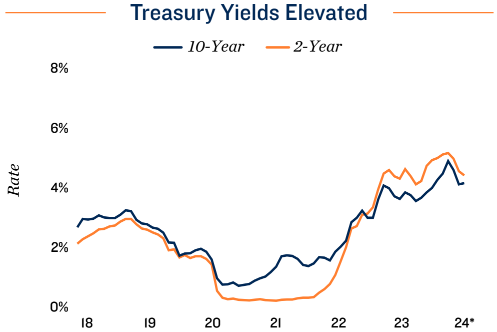
Inflation Pressures Tapering



Self-Storage Cap Rates Offer Margin



Treasury Yields Elevated



Anticipated Fed Rate Reductions Could Begin to Thaw Lending Climate and Bolster Transaction Activity

Federal Reserve signals rate cuts ahead. Capital markets were rocked by the Fed's 18-month tightening cycle that increased the federal funds rate to a lower bound of 5.25 percent. Since then, core PCE inflation, the Federal Reserve's preferred price gauge, has substantially decreased, ending 2023 at 2.9 percent on an annual basis. After late last year, the FOMC has indicated that rate cuts could potentially start at some point in 2024. The Fed is also continuing to unwind its balance sheet, placing upward pressure on longer-term rates, and has signaled that further decisions regarding how much to decrease holdings will be undertaken later in the year. Although higher borrowing costs have constrained investment sales across property types, including self-storage, capital has continued to accumulate, suggesting that declining interest rates could unlock more of these pent-up funds and bring a share of investors that have been sidelined over the past year to the market.

Lenders focus on experienced owners and regions of stable demand. Although financing acquisitions continue to face significant hurdles, self-storage is among the best positioned commercial property types entering 2024. The industry's consistent cashflows will continue to be a draw, with lenders amenable to financing trades involving assets reporting less than 20 percent vacancy. CMBS lenders have continued to pursue loans in the storage industry, though both regional banks and more localized lenders will likely increase activity in 2024 — especially after the Fed begins to reduce rates. Regions with strong in-migration, such as the Sun Belt and select Rocky Mountain metros, will remain most attractive to lenders. On the borrower side, lenders have favored parties with in-depth storage ownership and operating experience. Still, investors new to the sector may be able to leverage existing banking relationships and partnerships with seasoned third-party management services to secure financing.

2024 CAPITAL MARKETS OUTLOOK

- **Lending sources vary on asset preference.** Although performance is solid across the sector, lenders often focus on a particular niche. CMBS lenders, for example, target REIT portfolios or other trades of multiple high-quality properties. Banks, on the other hand, have generally been more flexible with asset location, size and quality.

- **Lenders conscious of oversupply risks.** While supply additions are currently on a downward trend nationwide, certain Sun Belt locales continue to note weighty development pipelines. As such, lenders are likely to conduct more stringent due diligence in areas where new projects could saturate the market. Still, these risks are localized, and will not entirely preclude financing in metros with active development.

- **Easing rate climate beginning to translate to opportunity.** In December 2023, 10-year treasury returns fell below 4 percent, translating to lower borrowing costs in the permanent financing market. As of early 2024, storage owners were able to close perm loans in the 6 percent zone as opposed to the 7 percent norm noted late last year.

* Through Jan. 31

Investment Landscape Well-Positioned as Prospect of Loosening Monetary Policy Stokes Investor Demand

REITs drive large, high-quality asset transaction climate. Although financing hurdles have subdued storage transaction velocity following the highs noted in 2021 and 2022, buyer appetites remain considerable. The transaction flow last year, excluding the Extra Space acquisition of Life Storage, was up modestly compared to 2019, but the momentum was not evenly distributed. There were about 7 percent fewer sales of properties priced below $10 million, while the sale of properties above that price point more than doubled. The perception that storage has higher recession tolerance and can provide asymmetrical risk benefits to portfolios has attracted a range of new investors to the sector. Some institutional-grade investors have also begun to add storage to their portfolio mix, further validating the asset class as a more mainstream property type.

Reduced interest rates could spur storage sector. Should a reduction of the overnight rate by the Federal Reserve lead to lower single-family mortgage rates, it could boost home sales, which have historically aligned with storage space demand. When combined with an anticipated rise of household formations in 2024, this convergence could boost storage space demand above the current forecast. Those operational gains could amplify the boost lower interest rates could deliver to storage transaction activity. While the national average cap rate on 2023 trades of 6.5 percent is the highest in five years, the margin relative to financing costs has narrowed some. Lower borrowing costs could enable more properties to change hands, further facilitating price discovery. The average sale price last year was $138 per square foot, down from 2022's peak of $155 per square foot, but still up 30 percent from the pre-pandemic mark. As such, long-term owners can still capture ample appreciation, while still adjusting to current market dynamics that place upward pressure on cap rates.

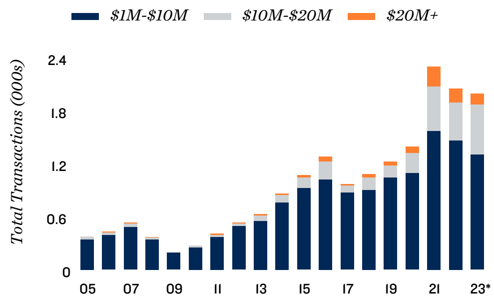
2024 INVESTMENT OUTLOOK

- **Consolidation likely to continue.** The sector saw multiple headline mergers in 2023, such as Extra Space Storage's all-stock purchase of Life Storage, followed by Public Storage's acquisition of Simply Self Storage later in the year. The largest operators will likely continue to seek pathways to growth through acquisitions and mergers as they continue to drive market penetration, coverage and economies of scale.

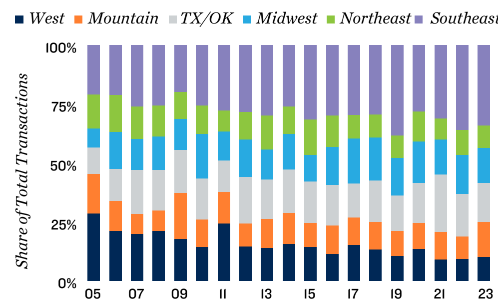
- **Growth of third-party management services aids smaller operators.** As the sector transitions from its small-business roots, a number of firms have risen to aid prospective owners with the daily operations of running a storage business. Partnering with an experienced manager can both ease the financing process during acquisition, and help stabilize facility operations afterward.

- **Rocky Mountain and Southeast metros gain attention.** Over the last 20 years, the distribution of self-storage investment sales has shifted more toward the Rocky Mountain and Southeast regions. Population migration, and the resulting impact on storage rental demand, is driving the shift. Robust development over the past five years has also created options for acquisitions of recently-built product.

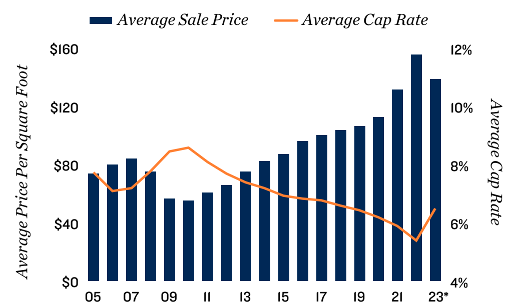
Self-Storage Transaction Activity



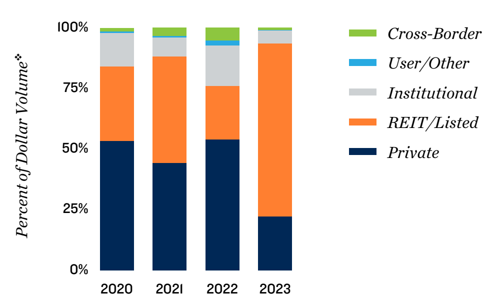
Regional Sales Reflect Sun Belt Focus



Buyer/Seller Expectation Gap Narrowing



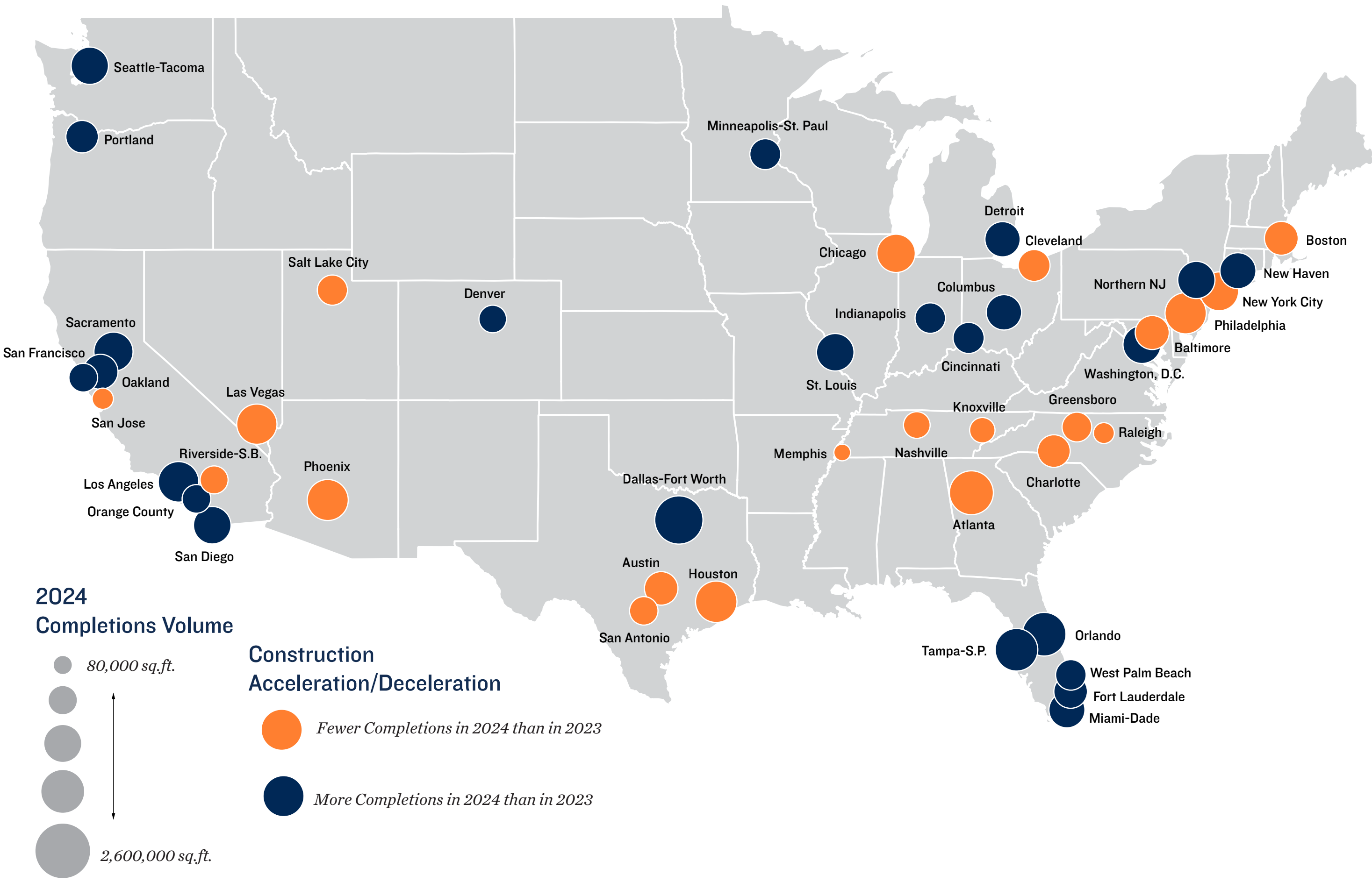
REIT Activity Picks Up Among Buyers



* Estimate

⁎ Sales $2.5 million and greater

DEVELOPMENT ELEVATED IN SOME MARKETS, SLOWING IN OTHERS



Construction trends downward, but story is nuanced by region. While self-storage operators are most concerned about competition on a localized basis, builders and lenders are more hesitant to break ground on projects in metros with weighty pipelines, mitigating the risks of oversupply. Although this is slowing inventory expansion on a national basis, some Sun Belt locales remain hotbeds for construction. Florida continues to be a development hotspot, with all of the state's major metros expected to see development accelerate in 2024. This new stock could place acute pressure on street rates and vacancy, particularly in Tampa-St. Petersburg and Orlando, which boast some of the highest square foot per capita metrics nationwide. Development could taper across the state moving forward, however, as insurance hurdles may impact inbound migration. Developers may begin to look toward more supply-constrained metros moving forward, where a lack of available parcels has traditionally inhibited development.

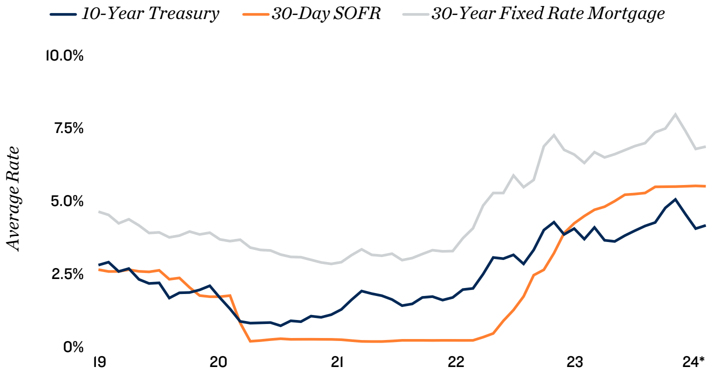
Primary markets and growing secondary metros divergent. New York City continues to boast the highest average street rate nationwide. Continued rent growth, despite heavy construction in recent years, indicates that densely-populated gateway metros like New York can sustain rapid supply increases. Builders are also increasing activity in the city's bedroom communities in Northern New Jersey and Southwestern Connecticut, noting robust and consistent demand from an affluent suburban clientele. Nevertheless, most metros in North Carolina, Tennessee, and the Rocky Mountain region, which saw a bevy of new residents in the post-pandemic era, are seeing falling construction for 2024 in line with national trends. Many of these metros, such as Nashville, Raleigh and Salt Lake City, are also particularly exposed to Silicon Valley headwinds, due to the tech hubs in these areas. Such metros still offer long-term growth potential, however, as in-migration should continue at an above-average pace across most of these markets.

2024 Completions are forecast values

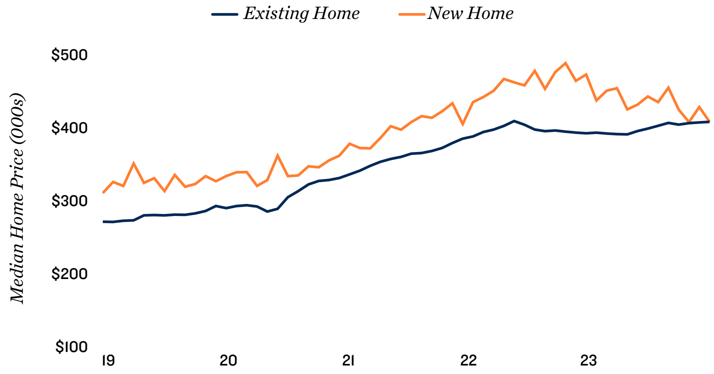
Sources: Marcus & Millichap Research Services; Yardi Matrix

TIGHT HOUSING MARKET, AGING POPULATION SPELL FUTURE OF STORAGE DEMAND

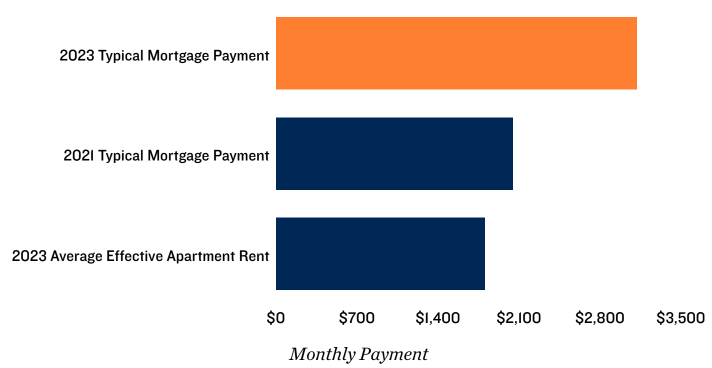
Interest Rates Elevated Through Early 2024



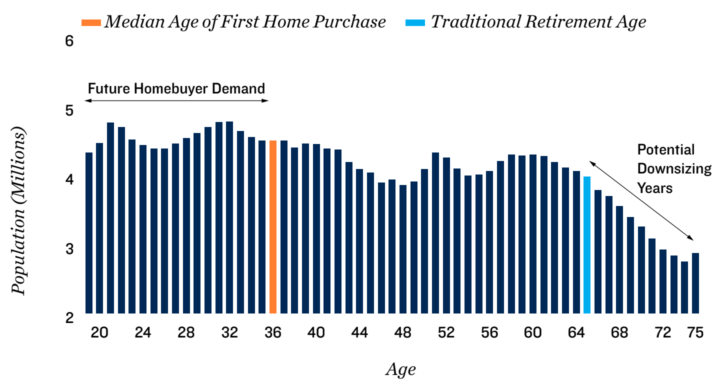
Home Prices High, But Stabilizing



Financial Burden Steep for Potential New Homeowners



Population Snapshot Shows Dual Demand Drivers



- The rapid increase of interest rates since March 2022 has had a dramatic impact on the housing market. The typical mortgage payment on a home priced at the U.S. median was over $3,100 at the start of 2024, up roughly 50 percent from two years prior. This comes amid a wave of baby boomers reaching retirement age, a period that typically accompanies downsizing into smaller living accommodations.

- Many older homeowners are waiting for interest rates to decline before searching for new abodes, keeping a large amount of single-family stock off the market. This has also kept home prices elevated, solidifying the barrier to homeownership for many prospective buyers, and limiting household formations and relocations, which can drive self-storage use. Nevertheless, these effects are not limited to older generations.

- Low for-sale home inventory and a $1,300 difference between the typical monthly mortgage payment and mean effective apartment rent is also delaying homeownership for millennial and older Gen Z renters. Much like their baby boomer counterparts, these residents find themselves locked in to current living arrangements. Monetary policy shifts could translate to some relief later in the year, however.

- The Federal Reserve is widely anticipated to lower interest rates at some point in 2024, which should unlock some pent-up homebuying demand across multiple age demographics. Still, evolving macroeconomic developments will determine the schedule and magnitude of any rate decreases, and policy lags may delay the full impact of loosening policy on the housing market, and subsequently self-storage demand.

** As of January*

Notes: Typical mortgage payment based on quarterly median home price for a 30-year fixed rate mortgage, 90% LTV, taxes, insurance and PMI.

Sources: Marcus & Millichap Research Services; Federal Reserve Freddie Mac; Moody's Analytics; Mortgage Bankers Association; National Association of Home Builders; National Association of Realtors; RealPage, Inc.; U.S. Census Bureau

Corporate Investments Boost Young Renter Population

Economic Overview

Long-term employment growth in Austin is aided by companies like Tesla, Apple and Oracle relocating or expanding here. Other projects like Samsung's semiconductor factory underway in Taylor will deliver this year, drawing new residents to staff the facility and support local self-storage demand while employees settle.

Demographic Overview

The metro's 20-to-34-year-old cohort will expand by 2.1 percent this year, the fastest increase among any major U.S. market. This segment is traditionally prone to renting, which will support self-storage demand as apartments tend to have limited available free space. The formation of new families and households can also necessitate storage.

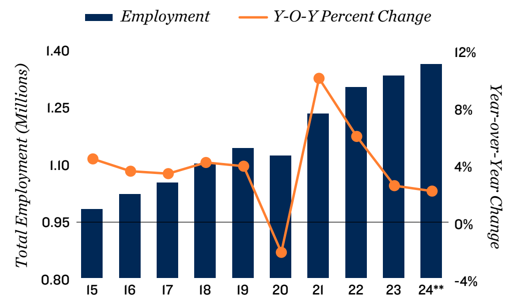
Construction Overview

Deliveries this year will fall nearly 140,000 square feet below the trailing two-decade average. While new space will be roughly in line with last year's delivery total, tapering construction long-term is a positive sign for vacancy. Suburban areas that expect continued in-migration, like Taylor and San Marcos, are poised to absorb new supply well.

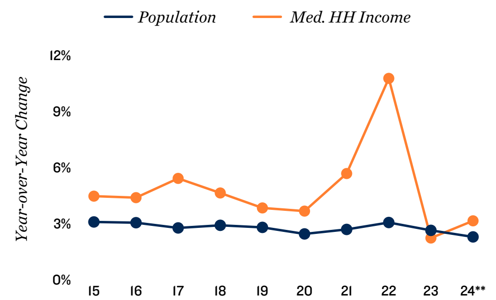
Vacancy/Rent Overview

Vacancy will rise by the slowest year-over-year pace observed in the last three years, signaling that demand following pandemic-era disruptions is stabilizing. Still, the average asking rent will decrease slightly for the second straight period as operators contend with more competition to draw renters.

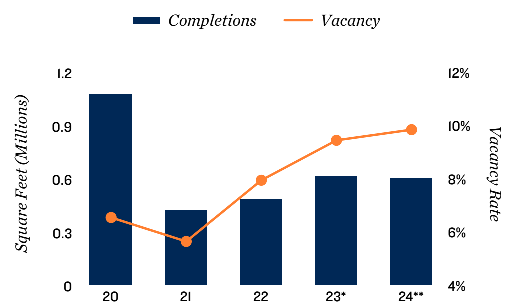
Employment Trends



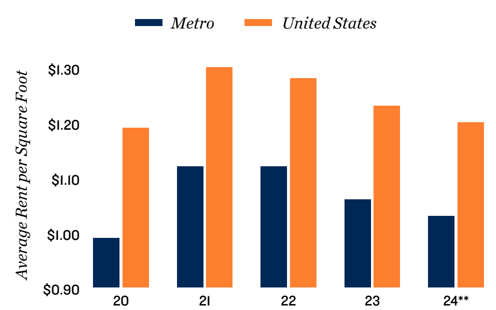
Demographic Trends



Supply and Demand Trends



Rent Trends



* Estimate; ** Forecast

Sources: CoStar Group, Inc.; Radius+; Yardi Matrix

2024 MARKET FORECAST

INVENTORY *26 million square feet and 10.2 square feet per capita*

+2.2% **EMPLOYMENT:** Austin will tie for the fourth-fastest pace of employment growth in 2024 as 29,000 jobs are added. By year-end, the local labor force will have grown 20 percent relative to 2019.

+2.1% **POPULATION:** Since 2007, Austin has claimed the fastest pace of population growth among all major U.S. markets. This year will be no different as the local population adds 54,000 residents.

602,000 *sq.ft.* **CONSTRUCTION:** Inventory will expand by 2.4 percent this year, roughly matching 2023's expansion. This will be the second-largest year-over-year increase among major Texas markets.

+40 bps **VACANCY:** While vacancy will reach a seven-year high in 2024, the 9.8 percent rate in December will still be 110 basis points below Austin's average year-end measure pre-pandemic.

-2.8% **RENT:** The metro's average asking rent peaked in 2021 and 2022, but downward adjustments this year will be less steep than neighboring San Antonio as the metric lands at $1.03 per square foot.

Nation-Leading In-Migration a Construction Call Sign

Economic Overview

The Metroplex's economy has soared following the pandemic, with local job creation and retail sales growth ranking among the strongest in the nation, backed by a number of high-profile corporate relocations and expansions. By year-end, the local employment base will stand 570,000 jobs ahead of its 2019 measure, while annual consumer spending lifts 51.5 percent ahead of the level recorded that same year.

Demographic Overview

Employment opportunities and a lower cost of living relative to other primary metros has spurred considerable net in-migration, a trend that will continue through 2024. More than 80,000 people are anticipated to move to Dallas-Fort Worth this year.

Construction Overview

Substantial population growth noted of late has driven developers to initiate the largest delivery slate in three years. Roughly two-thirds of new supply coming online will arrive in the greater Dallas area, while the remaining 880,000 square feet of completions service Fort Worth and surrounding counties.

Vacancy/Rent Overview

Despite robust in-migration and a strong labor market, the market's vacancy rate continues to normalize this year. This will bring the measure closer in line with norms recorded prior to 2019. As a result, downward rent momentum is noted again in 2024, lowering the asking rate below $1.00 per square foot for the first time since early 2021.

2024 MARKET FORECAST

INVENTORY	*90 million square feet and 10.8 square feet per capita*

+2.3% **EMPLOYMENT:** Local employers add nearly 100,000 jobs on net in 2024, roughly 43,000 more than the nation's next-best market, garnering the fastest employment growth rate of any primary metro.

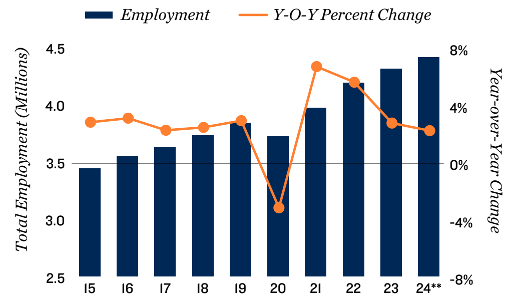
+1.5% **POPULATION:** Dallas-Fort Worth will have the largest gain in the country at 120,000 people, producing a growth rate that only stands behind six other metros.

2,611,000 *sq.ft.* **CONSTRUCTION:** This year's completion total will increase local stock by 3.0 percent. North Dallas will welcome roughly half of this new supply, lifting inventory here by 3.8 percent.

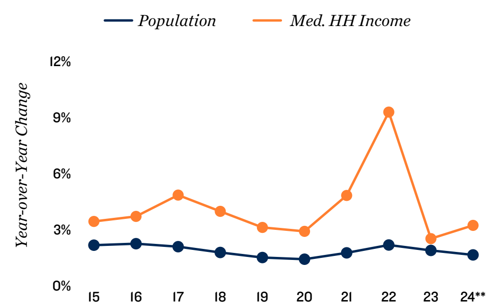
+100 bps **VACANCY:** An uptick in completions, coupled with tempering consumer demand, contributes to an increase in marketwide vacancy again this year, reaching 8.5 percent.

-1.8% **RENT:** Average asking rents will decline across the Metroplex this year, with North Dallas recording the largest downward adjustment at 3.0 percent. The overall rate will ebb to $0.98 per square foot.

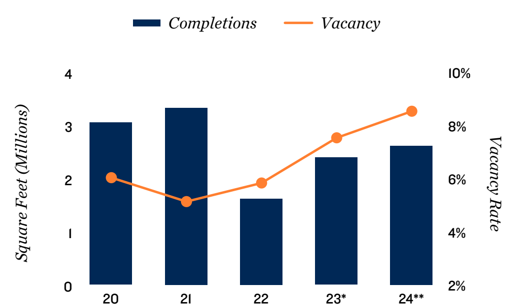
Employment Trends



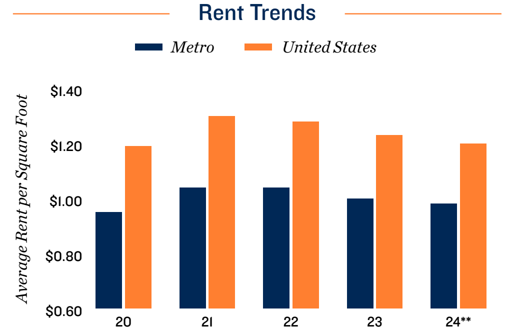
Demographic Trends



Supply and Demand Trends



Rent Trends



* Estimate; ** Forecast

Sources: CoStar Group, Inc.; Radius+; Yardi Matrix

HOUSTON

Competition Among Facilities Rises in Growing Suburbs

Economic Overview

All of Houston's employment sectors, apart from the construction and information industries, noted job growth last year. Moving forward, certain segments remain poised for gains. The energy sector is positioned to notch both near- and longer-term gains, as the metro has been selected to house one of the nation's seven clean hydrogen hubs, which will generate around 45,000 local jobs. The number of health services-related positions will also expand as population growth heightens demand for medical care.

Demographic Overview

Supported by job opportunities and lower cost of living, Houston registers the second-largest net in-migration total among major markets this year. The metro's 65-year-old-plus cohort also notes substantial growth of 3.8 percent during 2024, a boon for self-storage demand amid potential downsizing.

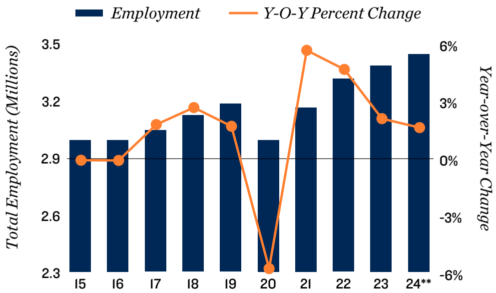
Construction Overview

Property completions scheduled for this year are concentrated in suburbs outside the Sam Houston Tollway, including the northern cities of Conroe, Tomball and Magnolia. Deliveries in the eastern half of the metro, however, are sparse.

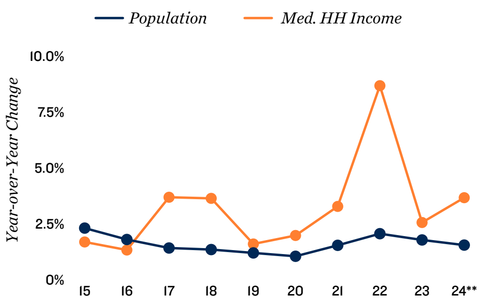
Vacancy/Rent Overview

Houston's vacancy rises by triple-digit basis points for a third consecutive year; however, the metro's rate holds 10 basis points below its 2016-2019 mean. The average asking rent, meanwhile, hovers in the $0.90-to-$1.00-per-square-foot band for a fourth straight year.

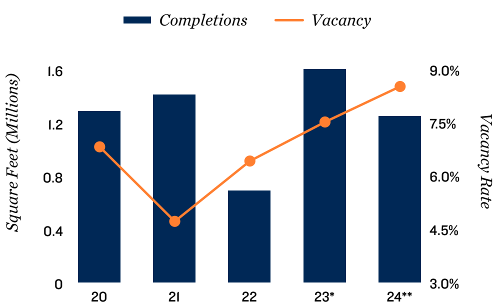
Employment Trends



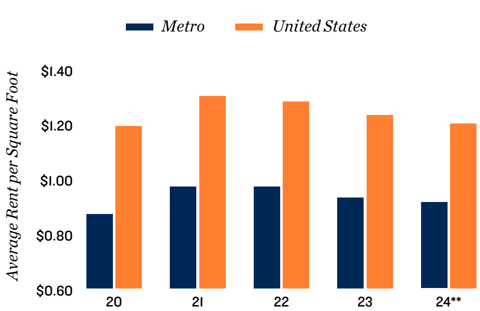
Demographic Trends



Supply and Demand Trends



Rent Trends



** Estimate; ** Forecast*

Sources: CoStar Group, Inc.; Radius+; Yardi Matrix

2024 MARKET FORECAST

INVENTORY	*85 million square feet and 11.1 square feet per capita*

+1.6% **EMPLOYMENT:** Employers are expected to add 55,000 positions in 2024, enabling Houston to record a rate of job creation that exceeds the national mark.

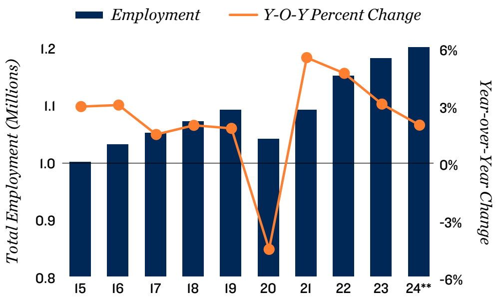
+1.4% **POPULATION:** Supported by a strong level of net in-migration, Houston's population expands by more than 100,000 people for a fourth straight year, lifting the resident count beyond 7.6 million.

1,250,000 *sq.ft.* **CONSTRUCTION:** Self-storage inventory is slated to grow by 1.5 percent in 2024, as delivery volume matches the prior four-year average. An additional 2.9 million square feet is in the planning stage.

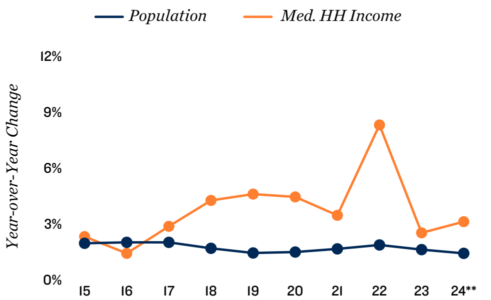
+100 bps **VACANCY:** The pace of vacancy increase mirrors last year, placing Houston's rate at 8.5 percent. While elevated, vacancy here is tighter than Austin and San Antonio, and matches Dallas-Fort Worth.

-1.9% **RENT:** Five-year-high vacancy translates to a moderate asking rent decline, dropping the average to $0.91 per square foot — the second lowest rate among major U.S. markets.

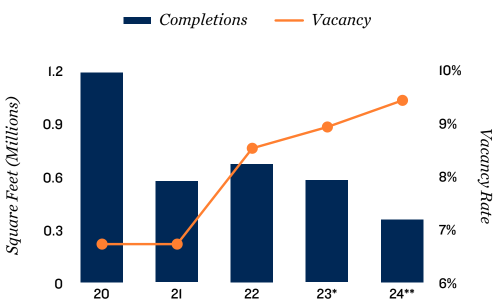
Employment Trends



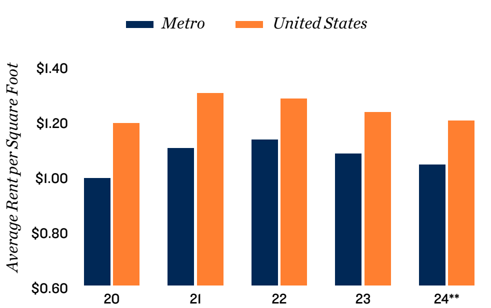
Demographic Trends



Supply and Demand Trends



Rent Trends



** Estimate; ** Forecast*

Sources: CoStar Group, Inc.; Radius+; Yardi Matrix

SAN ANTONIO

Decade-Low Delivery Slate Softens Rising Vacancy

Economic Overview

The pace of local employment growth will stand among the top 10 major U.S. markets this year. Entering 2024, gains made between 2020 and the end of 2023 have been most notable in professional and business services sectors. These roles typically offer higher wages and prompt additional discretionary spending, a boon for storage demand.

Demographic Overview

Net in-migration, and subsequently San Antonio's population growth rate, slows in 2024. As a result, household formation growth will remain below the market's long-term average. Nevertheless, the metro will record one of the largest increases of 20-to-34-year-old residents this year across the nation's major markets.

Construction Overview

Elevated construction costs and rebalancing demand have prompted fewer development initiatives. As a result, the metro welcomes its smallest self-storage delivery slate since 2012. San Antonio proper is scheduled to account for more than half of all completed space this year. The long-term pipeline here amounts to more than 1.2 million square feet.

Vacancy/Rent Overview

After spiking 180 basis points in 2022, metrowide vacancy expansion will total less than one-third of this magnitude for a second straight year. Still, the measure lifts above 9 percent for the first time since 2019. Slowing demand is reflected in lowering asking rents, as the metro's mean marketed rate falls again in 2024.

2024 MARKET FORECAST

INVENTORY *27 million square feet and 9.8 square feet per capita*

+2.0% — **EMPLOYMENT:** Total employment will expand by 23,500 positions in 2024. Nearly 170,000 jobs will have been added over the last four years, far exceeding the 49,000 roles lost in 2020.

+1.3% — **POPULATION:** The rate of population growth slows to be in line with pre-pandmic norms. This is partially attributed to a tempered pace of hiring and subsequently in-migration.

353,000 *sq.ft.* — **CONSTRUCTION:** This year's limited construction activity lifts local inventory by 1.3 percent, the metro's lowest gain since 2010. The active pipeline indicates more supply, however, is on the way.

+50 bps — **VACANCY:** Despite a more-than-decade-low inventory growth rate, tempered hiring and population growth contribute to another year of vacancy elevation, bringing the rate to 9.4 percent.

-3.7% — **RENT:** Although San Antonio's average asking rent will lower again in 2024, the metro's mean marketed rate of $1.04 per square foot remains 7.2 percent above its pre-pandemic measure.

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Note: Employment and Self-Storage data forecasts for 2024 are based on the most up-to-date information available as of January 2024 and are subject to change.

[2] 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 January 2024. Asking rents are based on a standard 10 foot by 10 foot unit. 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. Forecasts for employment and self-storage data are made during the first quarter and represent estimates of future performance. 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; CoStar Group, Inc.; Federal Reserve; Freddie Mac; Global Business Travel Association; Moody's Analytics; Mortgage Bankers Association; National Association of Home Builders; National Association of Realtors; Radius+; Real Capital Analytics; RealPage, Inc.; Trepp; U.S. Bureau of Economic Analysis; U.S. Bureau of Labor Statistics; U.S. Census Bureau; Yardi Matrix

STATISTICAL SUMMARY

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
	2021	2022	2023	2024**	2021	2022	2023	2024**	2021	2022	2023	2024**	2021	2022	2023*	2024**	2021	2022	2023	2024**	
Atlanta	6.0%	3.4%	2.4%	1.3%	1.0%	1.7%	1.2%	1.1%	2,000	1,600	2,400	1,600	4.4%	7.9%	9.2%	9.5%	$1.15	$1.12	$1.07	$1.03	Atlanta
Austin	10.0%	6.0%	2.6%	2.2%	2.5%	2.9%	2.5%	2.1%	400	500	600	600	5.6%	7.9%	9.4%	9.8%	$1.12	$1.12	$1.06	$1.03	Austin
Baltimore	4.6%	0.5%	2.0%	1.2%	-0.1%	-0.1%	0.3%	0.1%	1,100	900	700	600	6.8%	8.7%	8.4%	8.2%	$1.39	$1.33	$1.29	$1.32	Baltimore
Bay Area	7.5%	3.2%	1.4%	1.0%	-1.5%	0.3%	0.2%	0.2%	900	1,100	700	1,200	5.9%	6.7%	6.9%	7.7%	$2.06	$2.04	$1.95	$1.88	Bay Area
Boston	5.4%	3.1%	2.5%	1.3%	-0.2%	0.1%	0.3%	0.2%	900	800	1,500	600	6.8%	8.2%	8.0%	7.8%	$1.56	$1.51	$1.47	$1.50	Boston
Chicago	5.7%	2.7%	0.6%	0.6%	-0.8%	-0.5%	0.0%	-0.2%	500	1,300	1,900	900	5.0%	6.1%	6.8%	7.3%	$1.19	$1.15	$1.10	$1.13	Chicago
Cincinnati	4.2%	2.7%	2.0%	1.7%	0.1%	0.5%	0.6%	0.4%	400	700	200	500	4.6%	6.2%	7.3%	8.0%	$0.98	$0.97	$0.93	$0.96	Cincinnati
Cleveland-Akron	2.8%	1.1%	2.1%	1.4%	-0.5%	-0.2%	-0.1%	-0.2%	600	500	1,100	500	7.3%	9.7%	10.5%	10.8%	$1.06	$1.05	$1.02	$1.06	Cleveland-Akron
Columbus	4.6%	1.3%	0.5%	1.2%	0.5%	1.1%	1.2%	1.0%	400	300	300	700	8.4%	7.7%	8.5%	9.6%	$0.95	$0.97	$0.95	$0.92	Columbus
Dallas-Fort Worth	6.7%	5.6%	2.8%	2.3%	1.6%	2.0%	1.7%	1.5%	3,300	1,600	2,400	2,600	5.1%	5.8%	7.5%	8.5%	$1.04	$1.04	$1.00	$0.98	Dallas-Fort Worth
Denver	7.0%	2.4%	-0.9%	0.5%	0.2%	0.6%	0.8%	1.0%	900	300	200	300	5.3%	6.7%	7.7%	8.4%	$1.30	$1.28	$1.25	$1.22	Denver
Detroit	6.1%	2.0%	-0.1%	0.2%	-0.4%	-0.1%	-0.1%	-0.2%	1,000	300	400	700					$1.21	$1.19	$1.14	$1.09	Detroit
Houston	5.7%	4.7%	2.1%	1.6%	1.4%	2.0%	1.7%	1.4%	1,400	700	1,600	1,300	4.7%	6.4%	7.5%	8.5%	$0.97	$0.97	$0.93	$0.91	Houston
Indianapolis	4.8%	3.4%	2.8%	1.7%	0.8%	0.9%	1.1%	0.9%	900	500	200	400	2.9%	4.7%	7.2%	8.1%	$0.92	$0.91	$0.89	$0.87	Indianapolis
Las Vegas	13.9%	6.0%	4.1%	2.1%	0.8%	0.8%	1.5%	1.9%	1,100	900	1,300	1,100	4.4%	7.4%	9.2%	9.5%	$1.29	$1.23	$1.18	$1.16	Las Vegas
Los Angeles	8.4%	2.8%	2.1%	0.9%	-1.2%	-0.1%	0.0%	0.0%	800	700	900	1,100	4.2%	6.0%	7.2%	8.0%	$2.18	$2.19	$2.08	$2.10	Los Angeles
Minneapolis-St. Paul	5.4%	2.1%	1.6%	0.8%	0.1%	0.4%	0.9%	0.7%	1,200	300	300	500					$1.12	$1.07	$1.03	$1.01	Minneapolis-St. Paul
New Haven-Fairfield County	4.9%	1.7%	1.4%	-0.3%	0.6%	0.0%	0.3%	0.0%	600	700	400	800	4.0%	7.7%	8.9%	10.3%	$1.37	$1.36	$1.33	$1.28	New Haven-Fairfield County
New York City	7.4%	5.4%	1.2%	1.1%	-2.8%	0.0%	-0.2%	-0.1%	1,200	1,300	1,400	1,000	5.1%	6.3%	7.8%	8.8%	$2.67	$2.63	$2.69	$2.74	New York City
North Carolina	4.0%	3.2%	2.9%	2.4%	1.6%	1.7%	1.7%	1.4%	1,300	1,600	2,200	1,100	6.3%	7.9%	8.7%	9.2%	$0.98	$1.01	$0.97	$0.96	North Carolina
Orange County	7.5%	3.3%	2.1%	1.0%	-0.8%	-0.5%	-0.4%	-0.4%	100	600	100	400	4.2%	6.0%	7.2%	8.0%	$1.96	$2.02	$1.93	$1.91	Orange County
Orlando	10.2%	5.7%	1.8%	1.7%	1.7%	2.9%	1.9%	1.5%	1,300	700	1,200	1,600	4.4%	5.4%	7.8%	8.4%	$1.16	$1.19	$1.11	$1.07	Orlando
Philadelphia	6.0%	3.6%	2.6%	0.8%	0.1%	0.0%	0.3%	0.2%	2,400	700	2,100	1,200	6.0%	8.5%	8.9%	9.2%	$1.45	$1.36	$1.27	$1.31	Philadelphia
Phoenix	5.5%	3.1%	1.8%	1.7%	1.5%	1.3%	1.1%	1.5%	1,800	2,100	1,300	1,200	4.8%	6.7%	9.9%	10.8%	$1.27	$1.25	$1.16	$1.07	Phoenix
Portland	6.2%	3.6%	1.4%	1.0%	-0.3%	-0.6%	0.2%	0.3%	800	500	300	500					$1.46	$1.44	$1.39	$1.35	Portland
Riverside-San Bernardino	7.4%	2.7%	1.9%	0.6%	0.7%	0.7%	0.6%	0.6%	900	100	300	300	4.5%	5.7%	8.5%	9.7%	$1.40	$1.37	$1.30	$1.35	Riverside-San Bernardino
Sacramento	6.4%	2.9%	2.8%	1.6%	0.1%	0.1%	0.1%	0.1%	700	300	300	1,000	6.5%	8.5%	7.9%	8.4%	$1.46	$1.42	$1.37	$1.31	Sacramento
Salt Lake City	4.3%	3.1%	1.8%	1.3%	1.4%	1.1%	1.2%	1.3%	500	400	700	400	11.7%				$1.05	$1.07	$1.10	$1.12	Salt Lake City
San Antonio	5.5%	4.7%	3.1%	2.0%	1.5%	1.7%	1.5%	1.3%	600	700	600	400	6.7%	8.5%	8.9%	9.4%	$1.10	$1.13	$1.08	$1.04	San Antonio
San Diego	9.0%	3.9%	1.5%	0.8%	-0.6%	0.0%	-0.4%	-0.3%	700	500	400	900	3.6%	4.3%	8.0%	8.8%	$1.83	$1.82	$1.76	$1.72	San Diego
Seattle-Tacoma	5.7%	3.6%	2.0%	1.6%	0.0%	0.6%	0.3%	0.6%	600	900	300	900					$1.63	$1.62	$1.55	$1.49	Seattle-Tacoma
Southeast Florida	6.7%	4.0%	3.1%	1.9%	0.6%	2.7%	2.0%	1.8%	1,700	1,200	1,300	1,800	3.1%	5.3%	6.9%	7.9%	$1.70	$1.67	$1.55	$1.51	Southeast Florida
St Louis	3.7%	2.3%	1.6%	0.7%	-0.1%	0.1%	0.1%	0.0%	500	500	500	900	5.3%	7.8%			$0.99	$0.96	$0.93	$0.91	St Louis
Tampa-St. Petersburg	5.8%	4.8%	1.9%	0.8%	1.4%	1.6%	1.1%	0.9%	1,400	1,300	900	1,400	4.1%	6.5%	8.5%	9.9%	$1.21	$1.24	$1.16	$1.10	Tampa-St. Petersburg
Tennessee	3.9%	4.4%	1.5%	0.5%	0.9%	1.3%	1.0%	0.8%	1,400	1,300	1,100	600	8.3%	7.8%	9.0%	9.9%	$1.06	$1.07	$1.04	$1.06	Tennessee
Washington, D.C.	4.4%	1.7%	1.4%	0.8%	0.1%	0.5%	0.7%	0.7%	1,600	1,100	700	900	6.0%	6.8%	7.4%	7.9%	$1.53	$1.47	$1.42	$1.46	Washington, D.C.
United States	**5.1%**	**3.0%**	**2.0%**	**1.1%**	**0.2%**	**0.5%**	**0.5%**	**0.4%**	**61,600**	**51,200**	**57,900**	**52,000**	**6.6%**	**8.7%**	**9.6%**	**9.9%**	**$1.30**	**$1.28**	**$1.23**	**$1.20**	**United States**

** 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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