

BIG
Ideas
Storage
in

2018 ANNUAL CONFERENCE

OCTOBER 7-9, 2018 | Hilton Anatole Hotel, Dallas

Hilton® Anatole



Green Street Advisors

Definitive Leaders in Real Estate Research for over 30 years

About Green Street Advisors

- Commercial Real Estate Research and Advisory Firm
- Three Core Product Lines
 - *REIT Research*
 - *Real Estate Analytics*
 - *Advisory and Consulting*
- Founded in 1985
- Offices in Newport Beach, Dallas, and London
- Widely recognized thought leader in REIT and real estate analysis
- Coverage of the top 50 U.S. markets, all property sectors, and 85 publicly listed REITs
- Coverage of 45 companies in the UK & Europe



Topics

I. Where We Are Now

II. Near-Term Outlook (Cyclical)

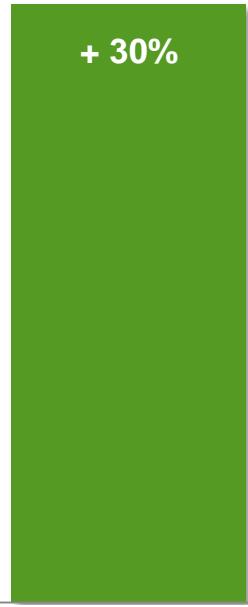
III. Long-Term Outlook (Secular)

IV. What It All Means

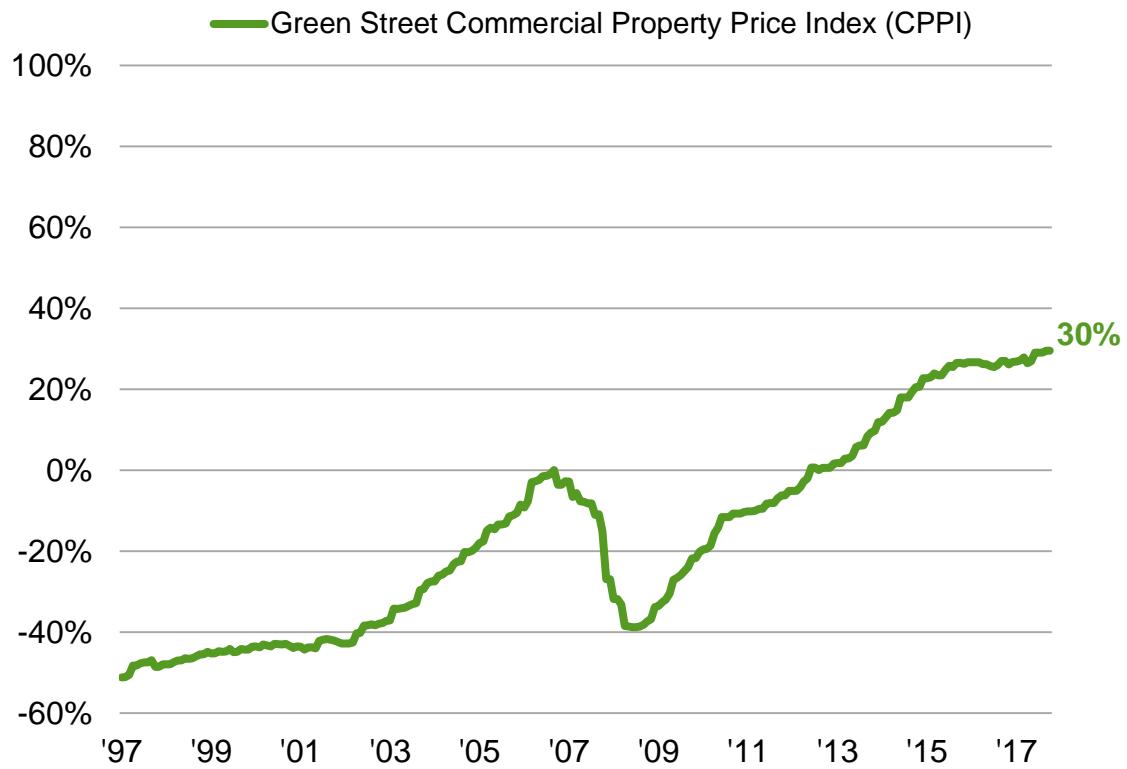
I. Where We Are Now

I. Property Values

Appreciation Since '07



Historical Appreciation



Source: Green Street Advisors. Major Sectors include Apartments, Office, Industrial, Malls, and Strip Centers.

I. Property Value Forecast

Real Estate vs. Corporate Bonds



50% Weight

Real Estate vs. REIT Share Prices



50% Weight



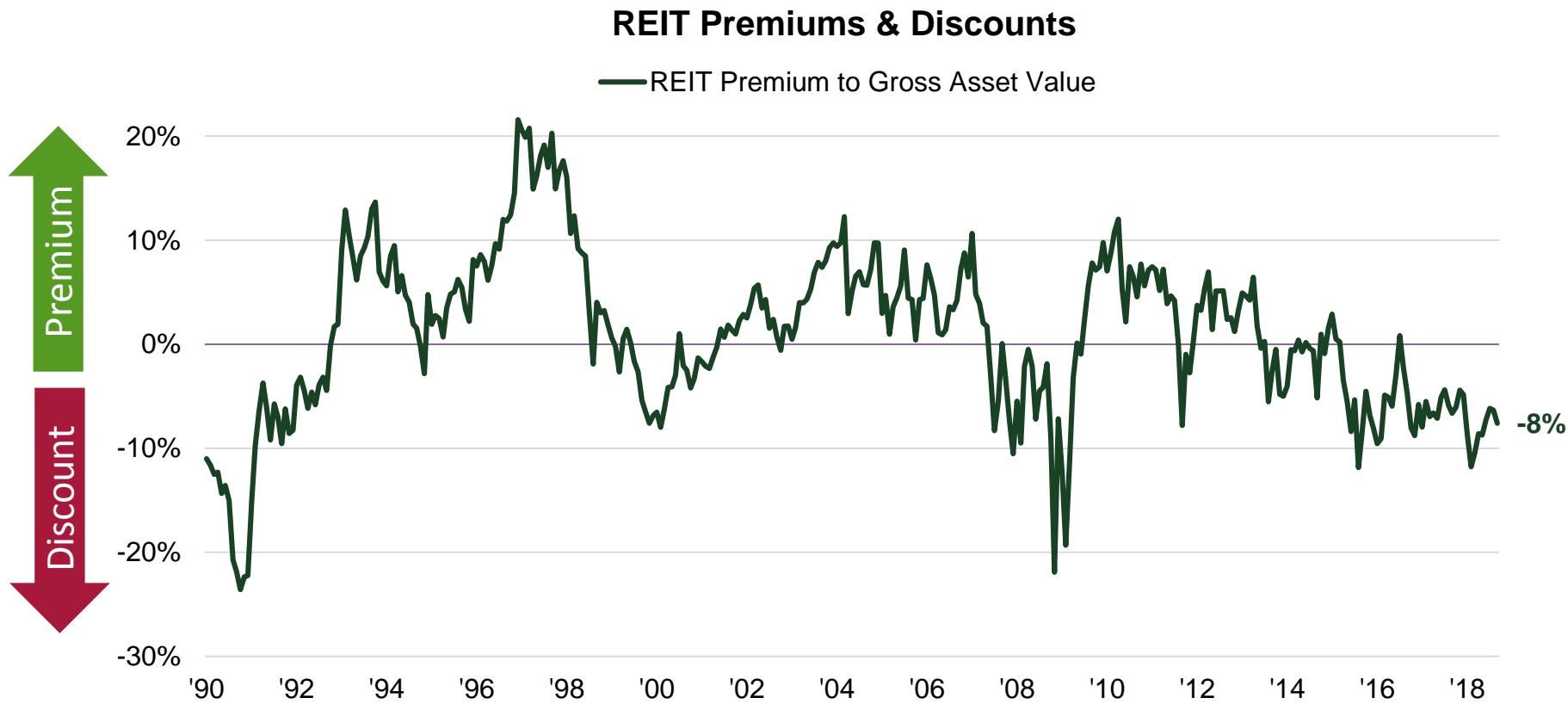
Property Values Expected to be Flat Over Next Six-to-Twelve Months

Source: Green Street Advisors



Green Street Advisors

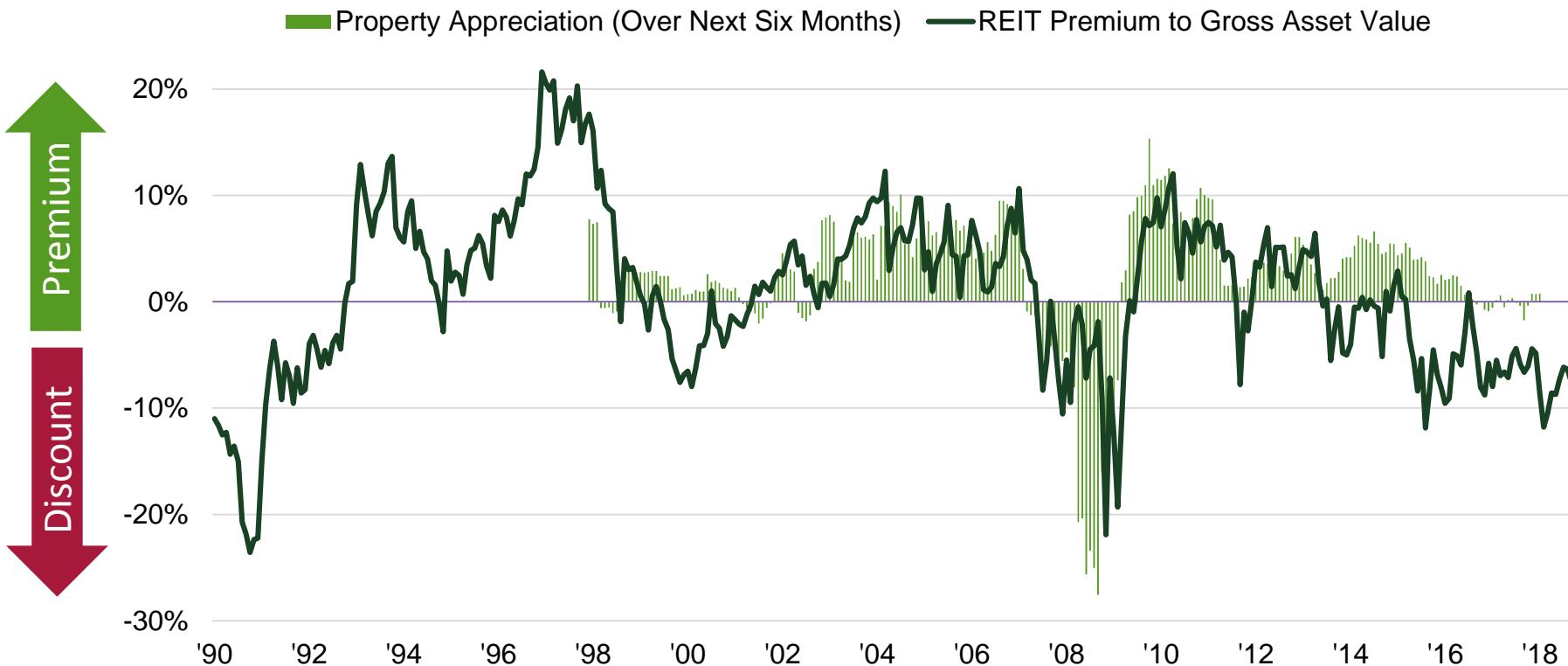
I. Historical REIT Signals



Source: Green Street Advisors

I. Historical REIT Signals

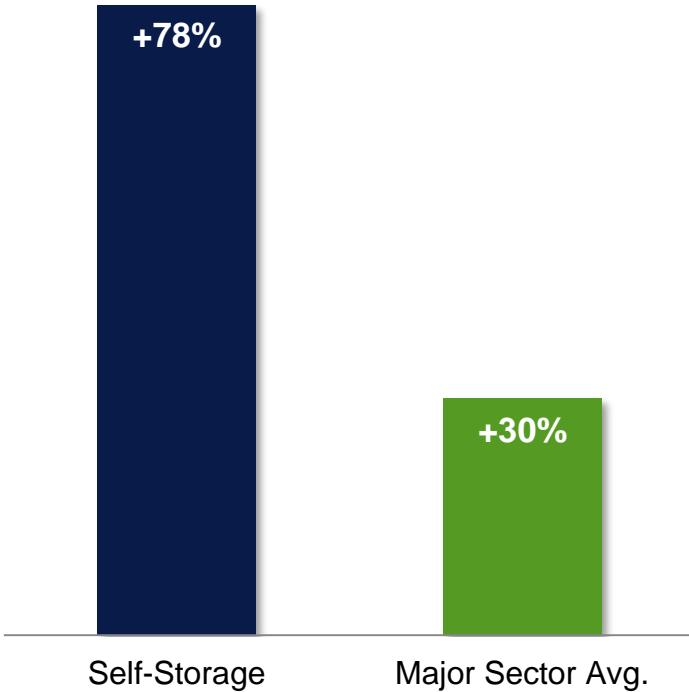
REIT Premiums and Subsequent Changes to Property Values



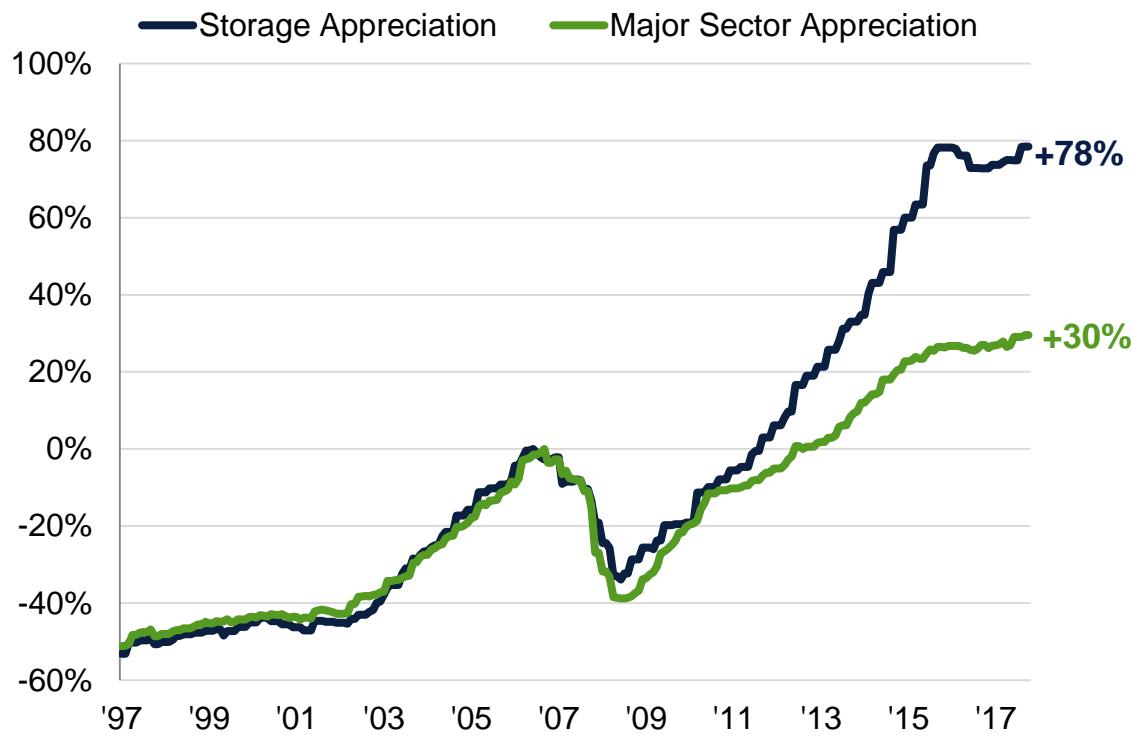
Source: Green Street Advisors

I. Self-Storage Property Values

Appreciation Since '07



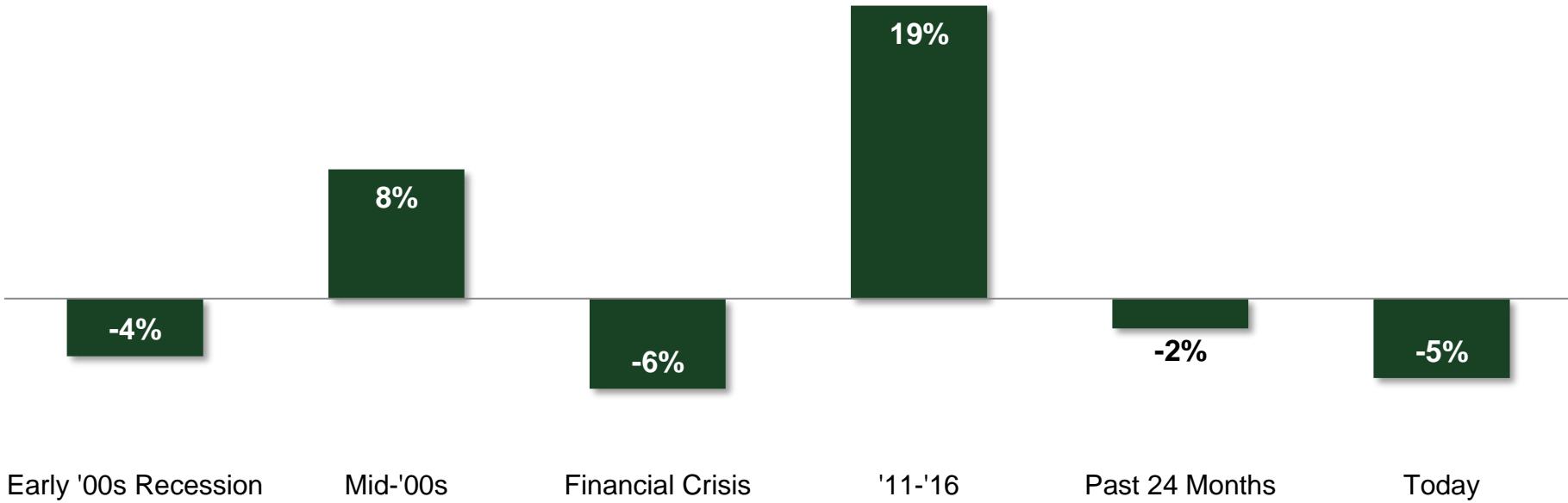
Historical Appreciation



Source: Green Street Advisors.

I. Self-Storage REIT Signals

Self-Storage REIT Premiums

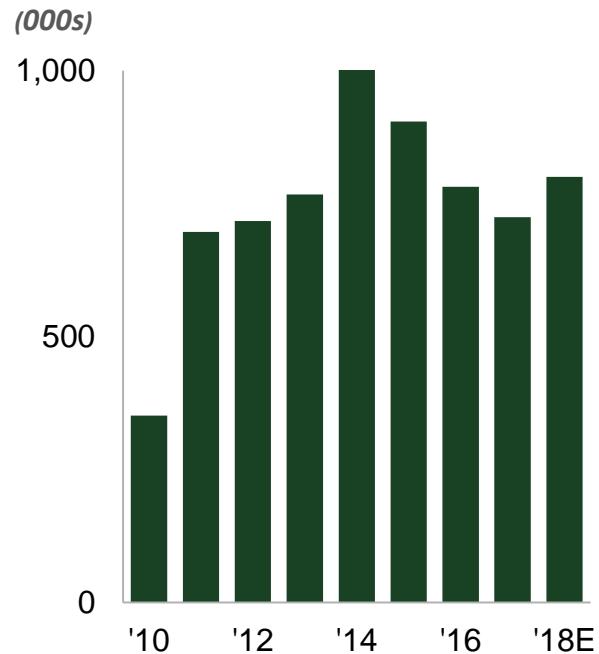


Source: Green Street Advisors

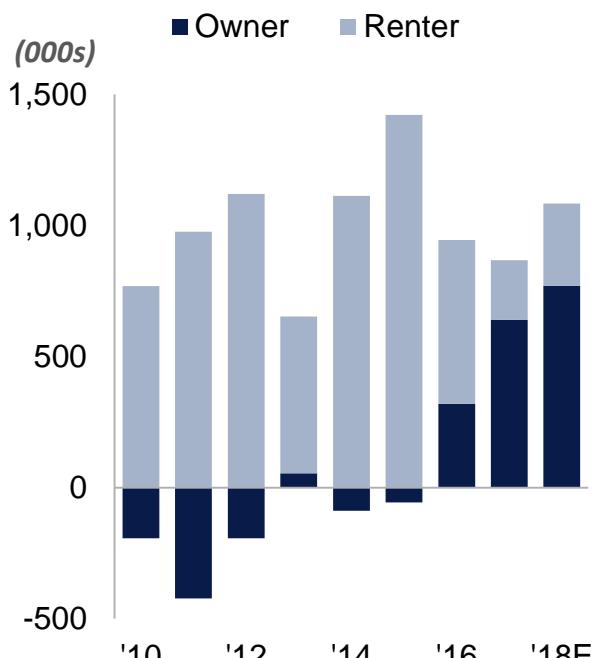
II. Near-Term Outlook (Cyclical)

II. Macro Drivers Steady

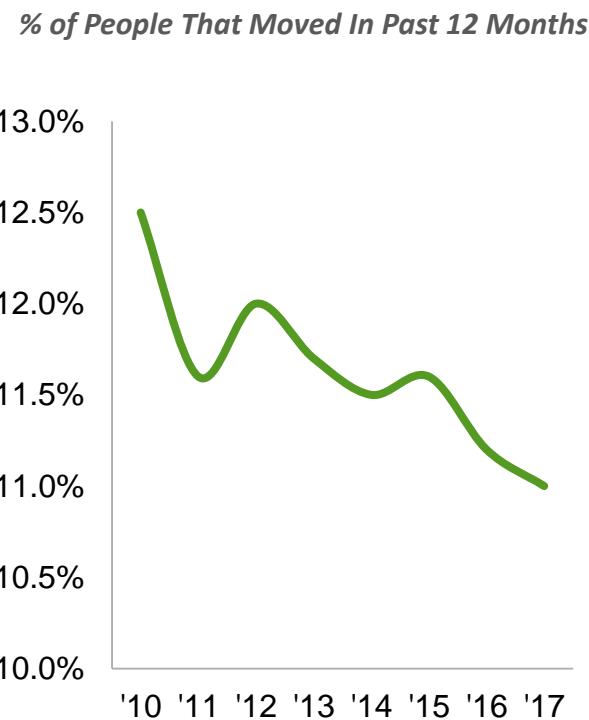
Solid Job Growth



Steady Household Formation

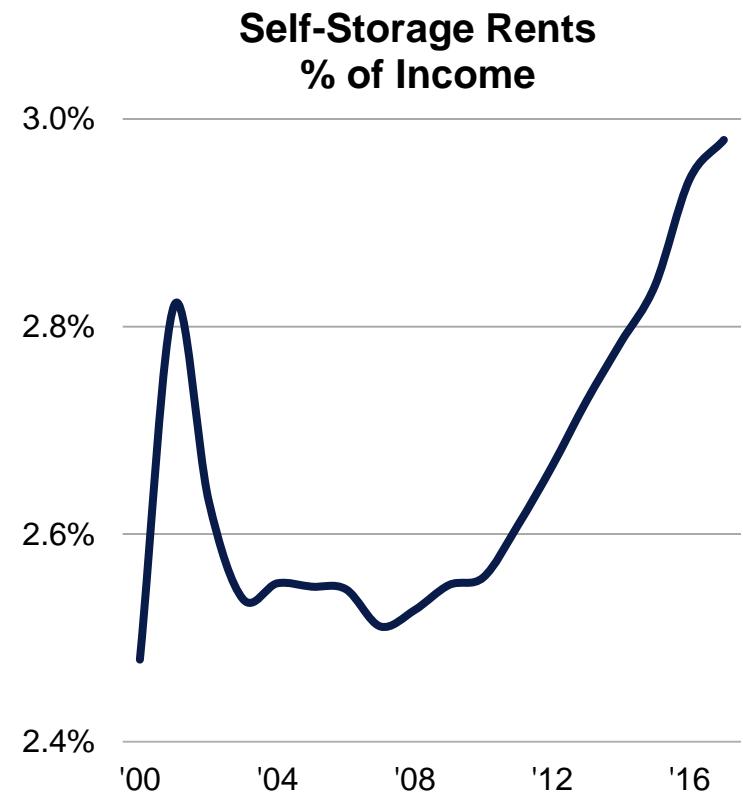


Lower Mobility



Source: BLS, Census, and Green Street Advisors

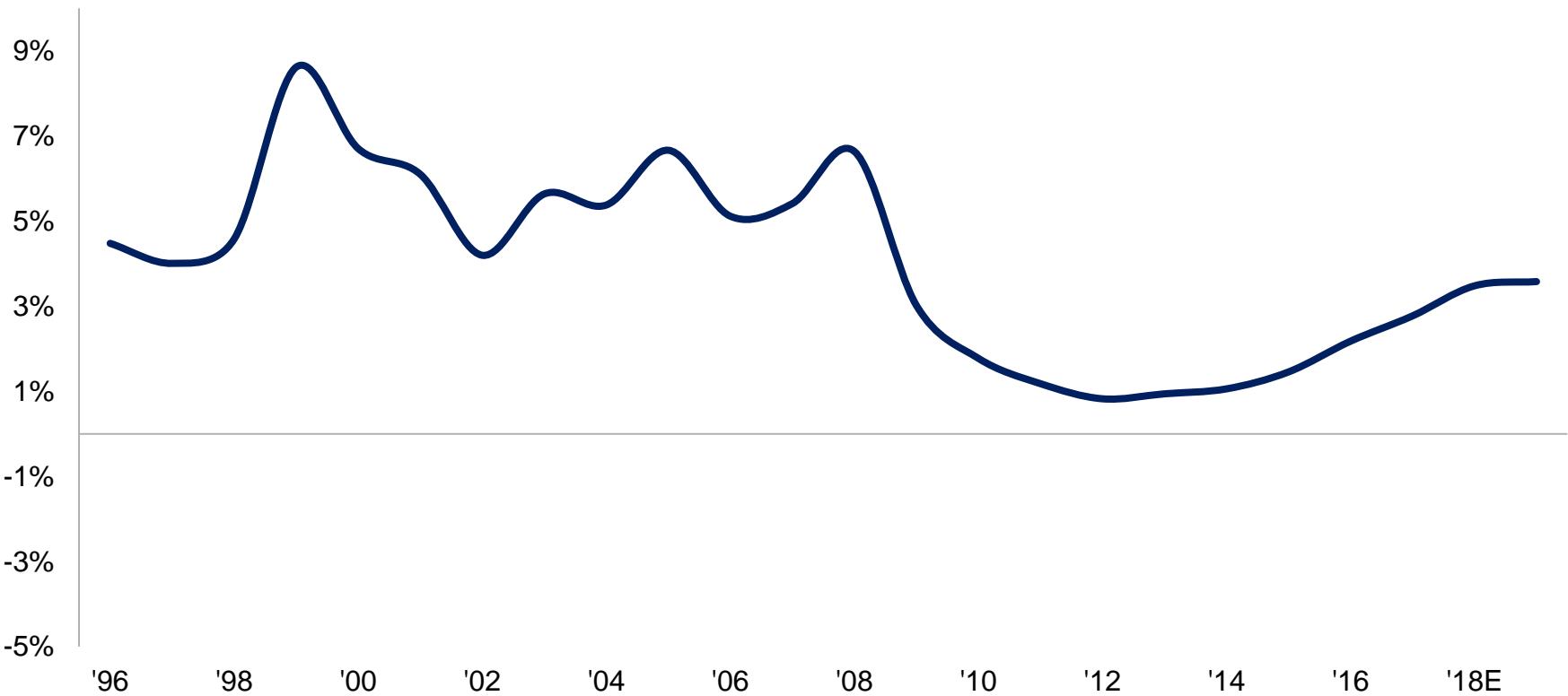
II. Rents At All-Time Highs



Source: PSA filings, BLS, and Green Street Advisors. *PSA rents used as a proxy for sector-level rents.

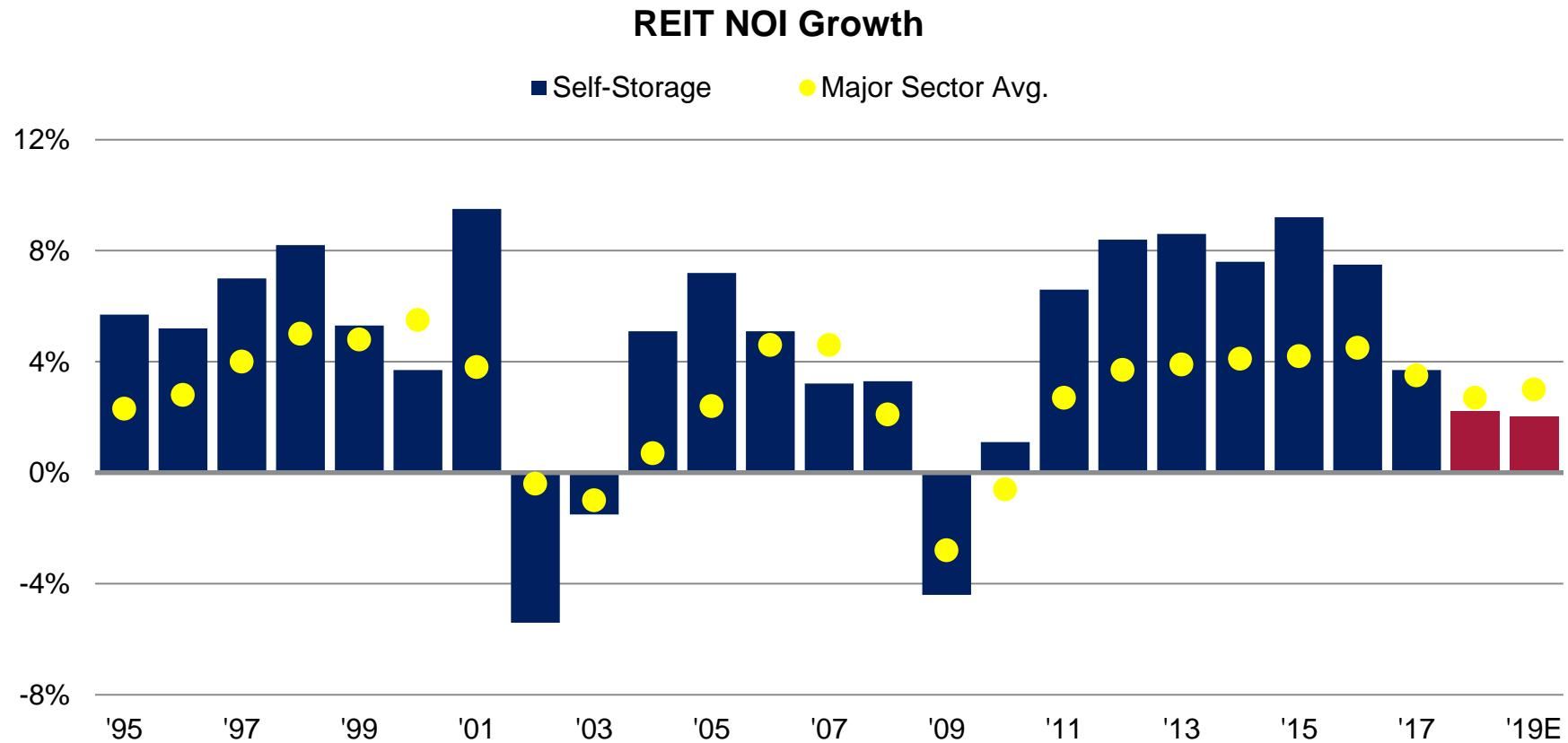
II. Development In Full Swing

Self-Storage Annual Supply Growth



Source: Mini-Storage Messenger – Self-Storage Almanac and Green Street Advisors

II. NOI Growth Slowing

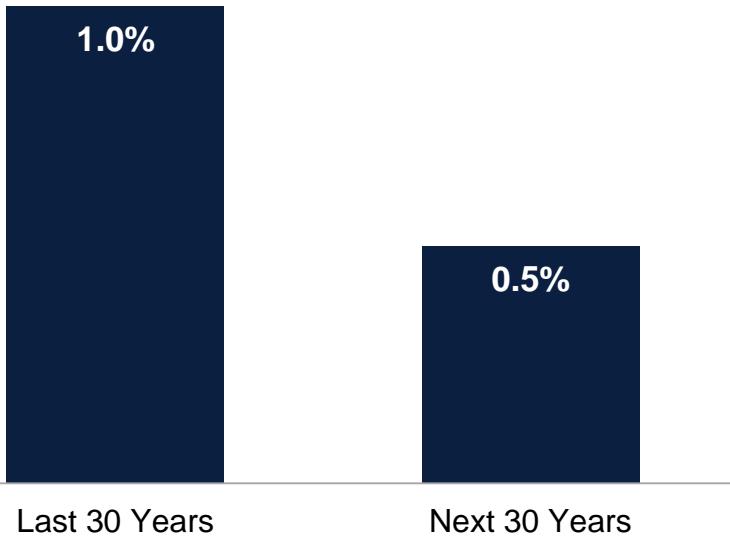


Source: REIT filings and Green Street Advisors

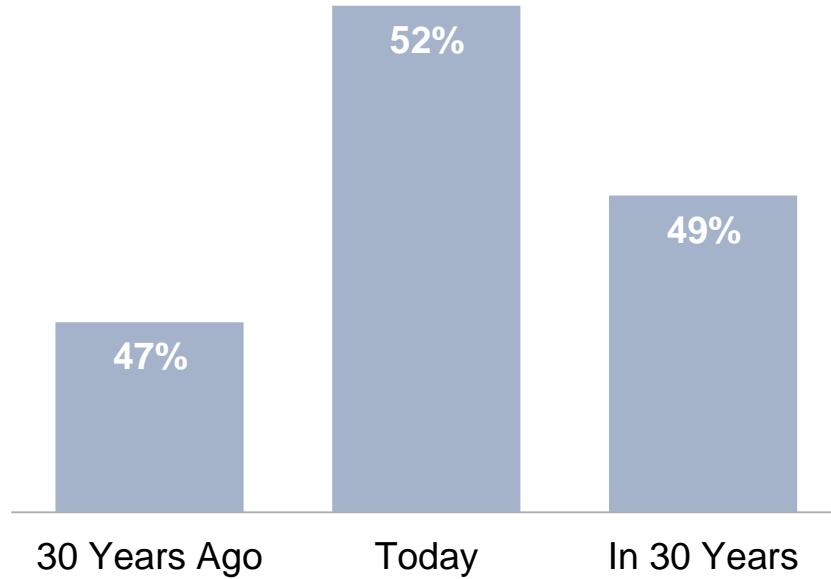
III. Long-Term Outlook (Secular)

III. Population: Slower Growth & Getting Older

Annual U.S. Population Growth

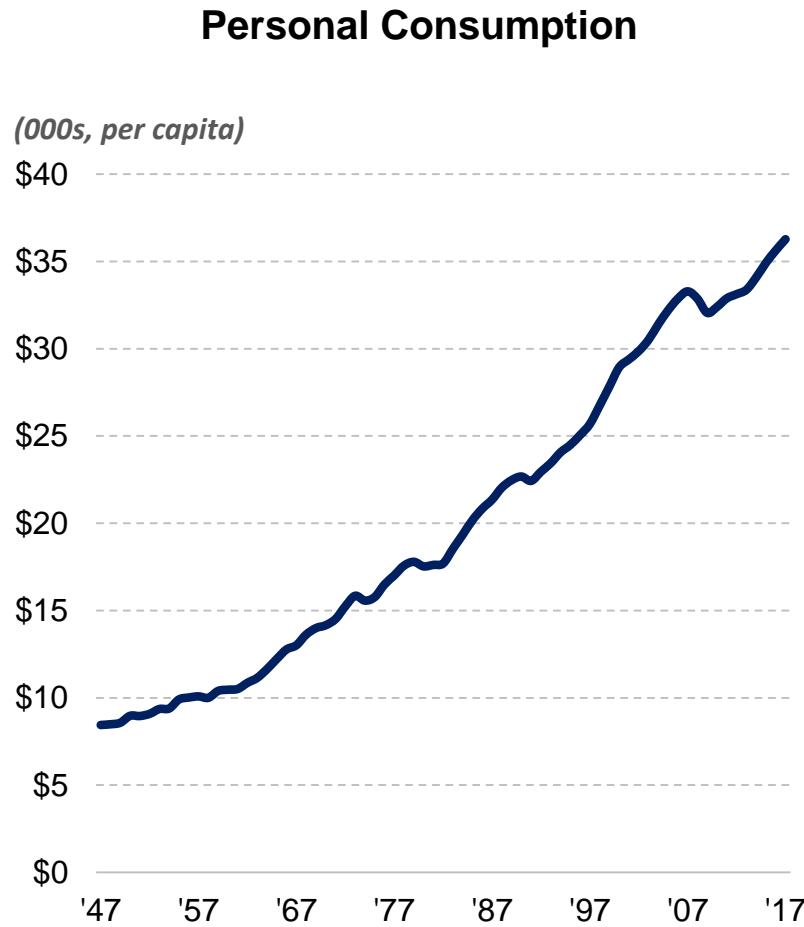


**Working-Age Population
% of Total Population**

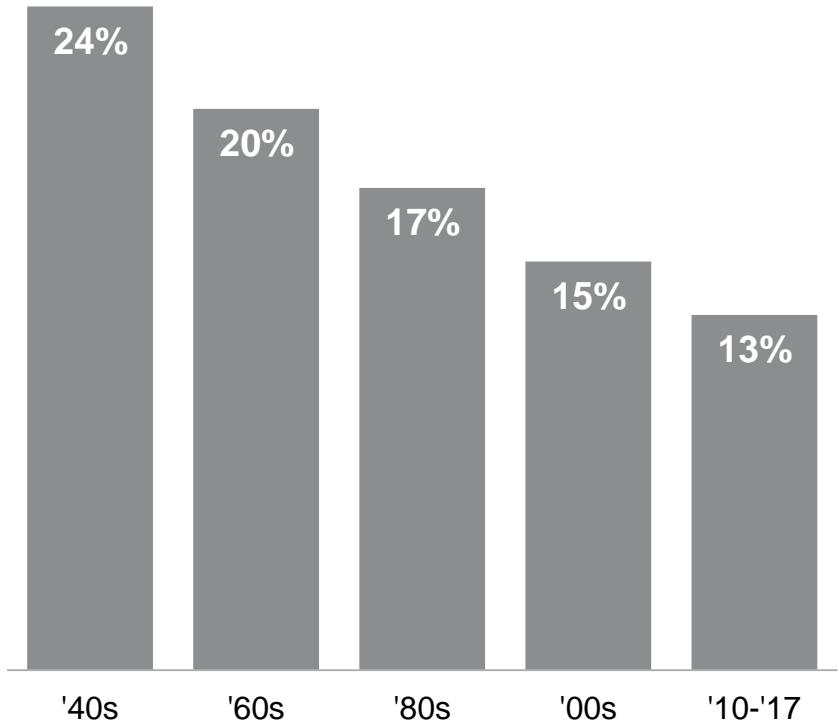


Source: Census and Green Street Advisors

III. Consumption: More, but Less



**Storable Goods Consumption
% of Total Personal Consumption**



Source: Bureau of Economic Analysis and Green Street Advisors. * Subset of personal consumption expenditures (PCE) as defined by Green Street.

III. Goods: Some Replaced, Others Becoming Smaller

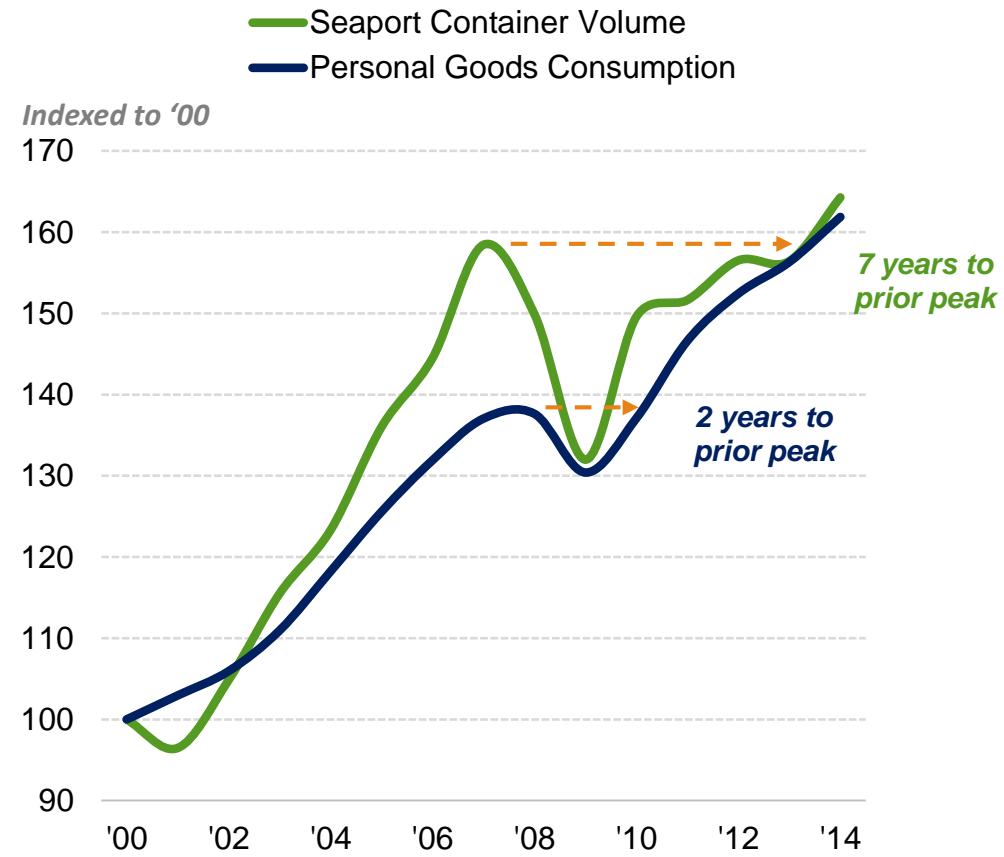
The Mobile / On-Demand Economy



Just some of what's been replaced:

- *Filing cabinets*
- *CDs / Tapes / DVDs*
- *Books / Newspapers / Magazines*
- *Home phones*
- *Answering machines*
- *Cameras / photo albums*
- *Camcorders / video archives*
- *Alarm clocks*

Seaport Container Volume vs. Personal Goods Consumption



Source: The World Bank, Bureau of Economic Analysis, and Green Street Advisors.

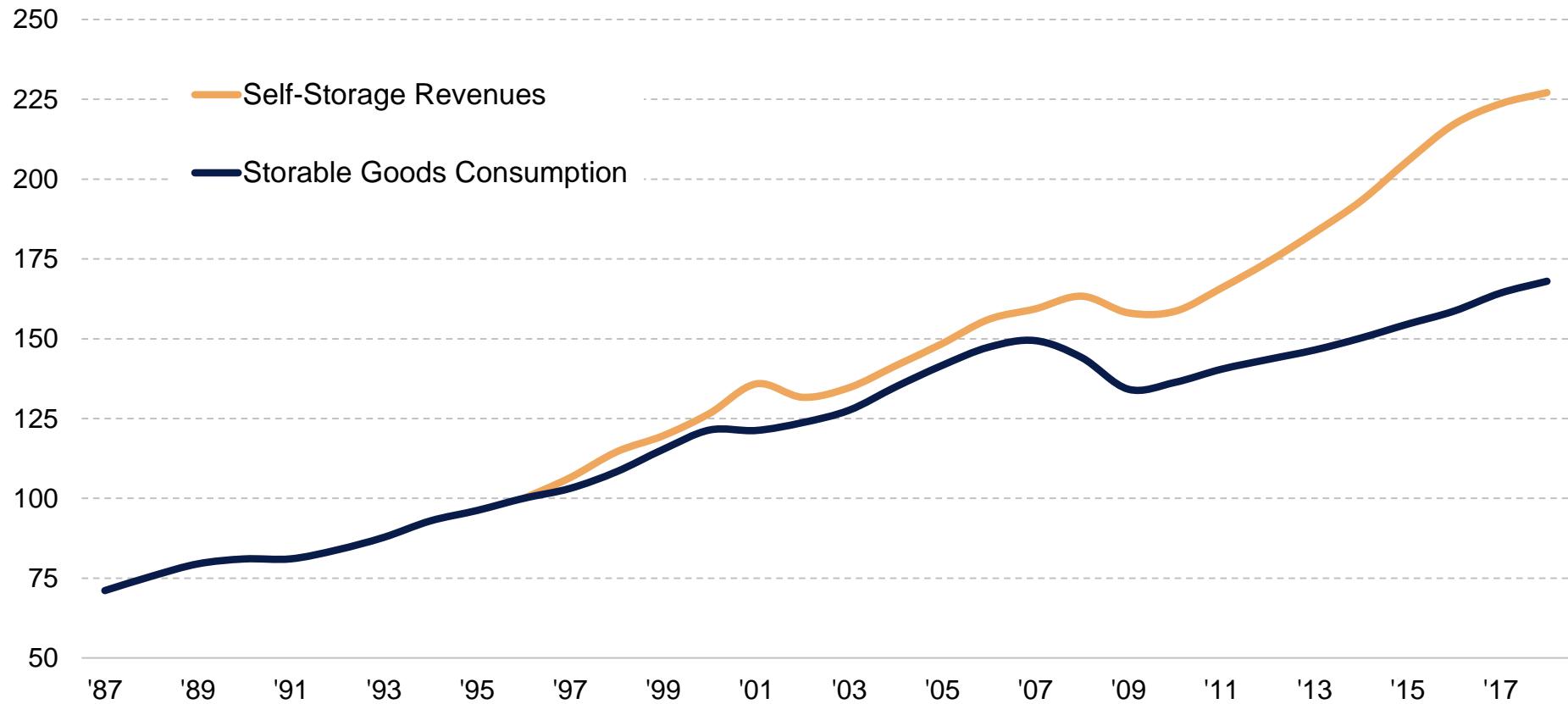


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III. Drivers Bad, but Revenue Growth Great?

Self-Storage Demand Trends

Indexed to '96

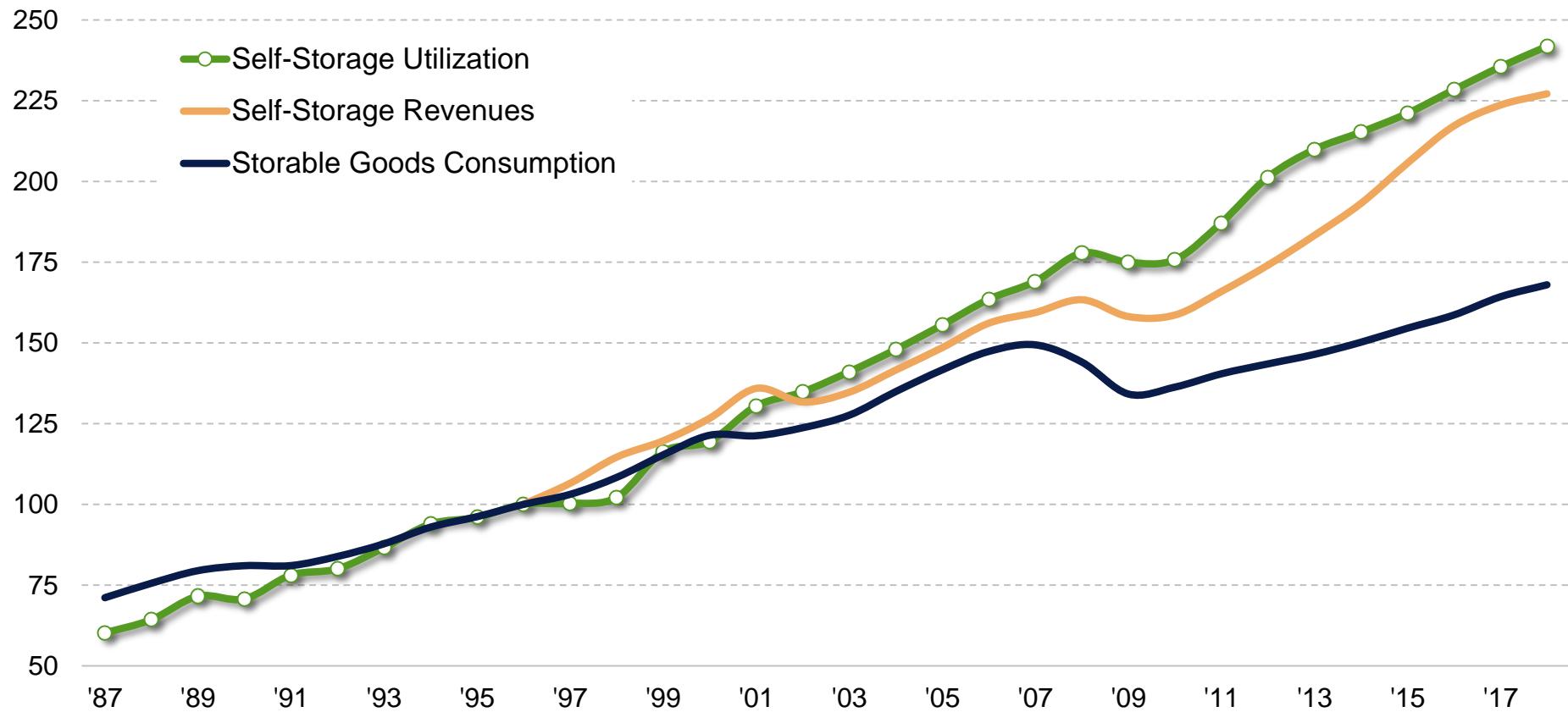


Source: Bureau of Economic Analysis, Mini-Storage Messenger – Self-Storage Almanac, and Green Street Advisors. *PSA revenues used as a proxy for sector-level revenues..

III. Utilization Gains Have Ruled the Day

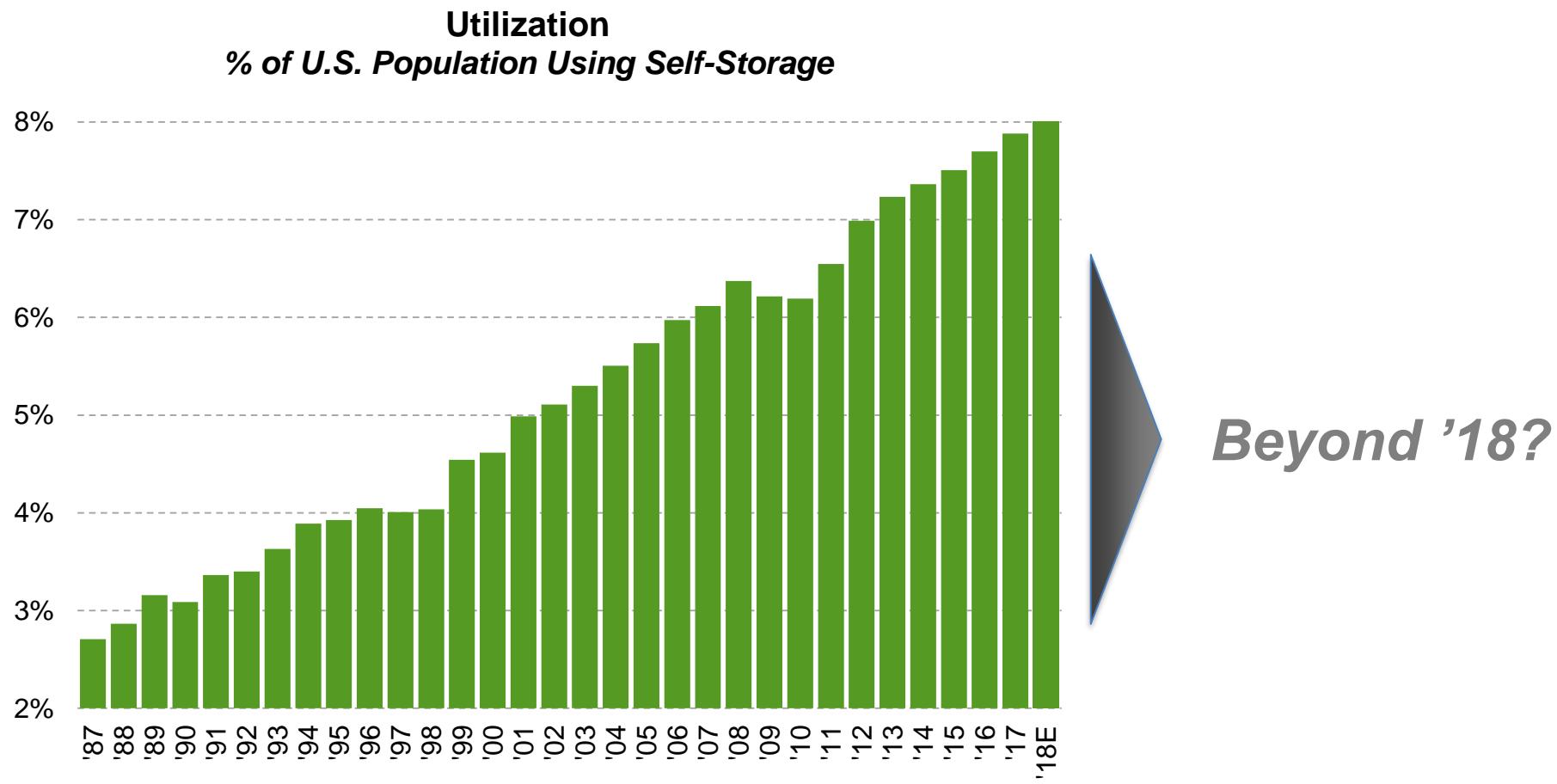
Self-Storage Demand Trends

Indexed to '96



Source: Bureau of Economic Analysis, Census, Mini-Storage Messenger – Self-Storage Almanac, and Green Street Advisors. *PSA revenues used as a proxy for sector-level revenues..

III. Utilization: Self-Storage's Secret Sauce



Source: Mini-Storage Messenger – Self-Storage Almanac, Census, and Green Street Advisors.

IV. What It All Means

IV. Near-Term

- 1. Slowing NOI growth**
- 2. Even greater technological importance**
- 3. Strong investor demand, steady values**
- 4. Development will continue**

IV. Long-Term: A Great Business

$$\text{Nominal Yield (cap rate)} + \text{Capex} + \text{Future NOI Growth} = \text{Expected Return (IRR)}$$



Source: Green Street Advisors

IV. Long-Term

- 1. Not as easy as it has been**
- 2. Valuations appear reasonable**
- 3. Utilization is THE biggest question mark**
- 4. Don't overdevelop**