



2018 ANNUAL CONFERENCE

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



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



I. Where We Are Now

II. Near-Term Outlook (Cyclical)

III. Long-Term Outlook (Secular)

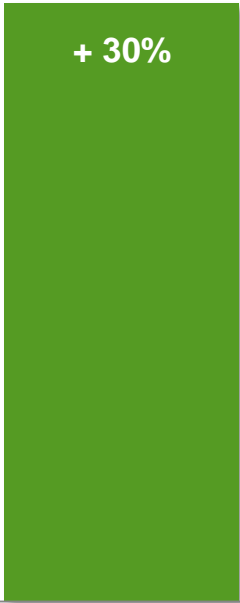
IV. What It All Means



I. Where We Are Now

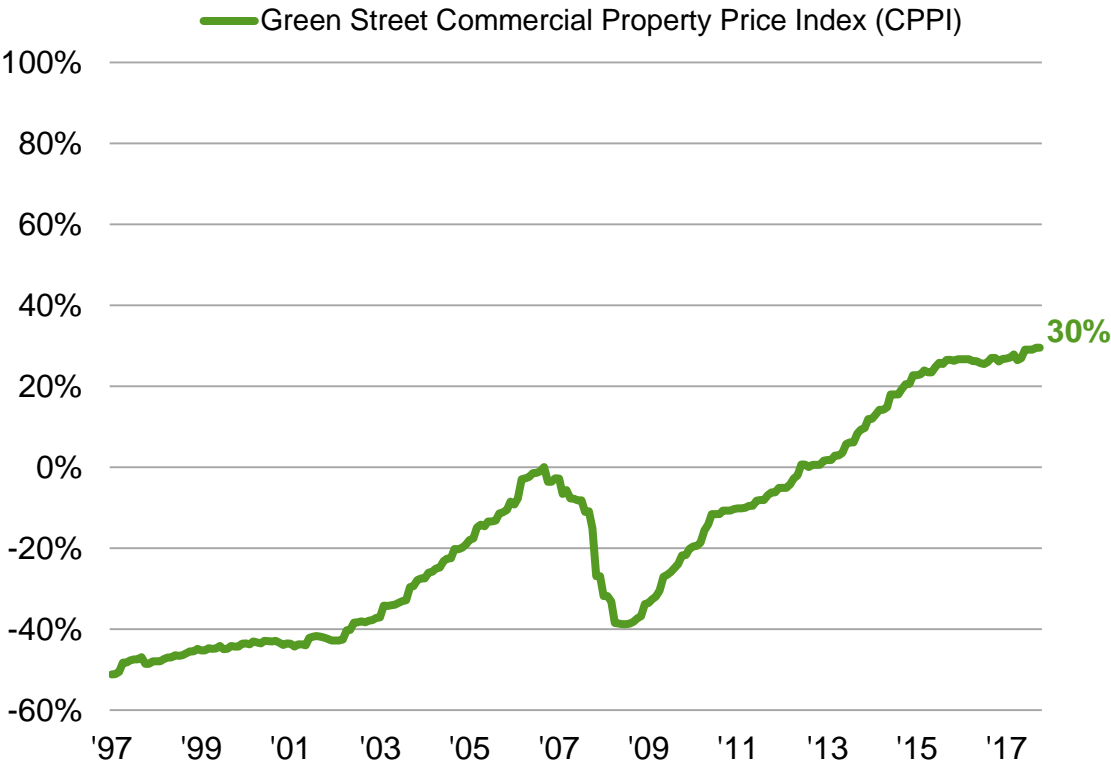
I. Property Values

Appreciation Since '07



Major Sector Avg.

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

-2%

50% Weight

Real Estate vs. REIT Share Prices

-8%

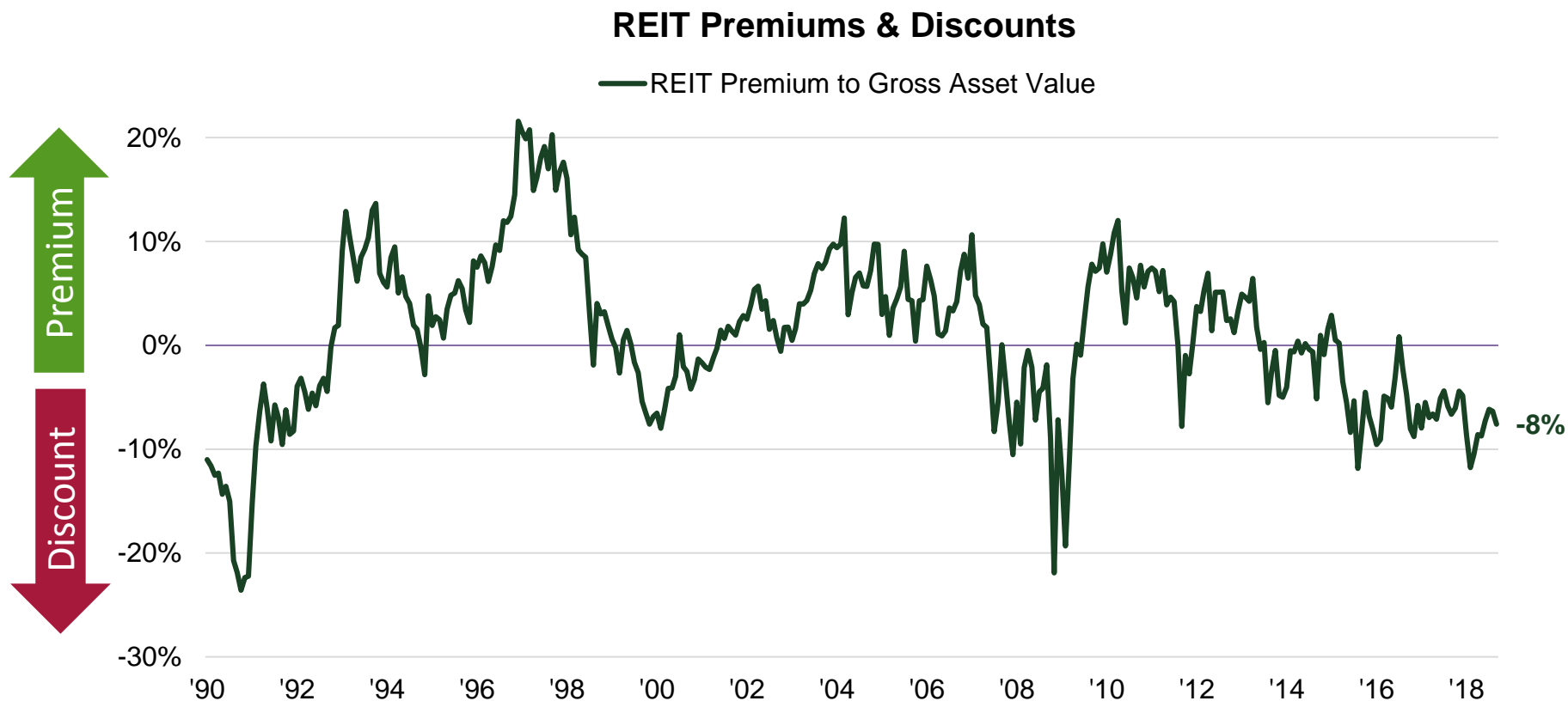
50% Weight



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

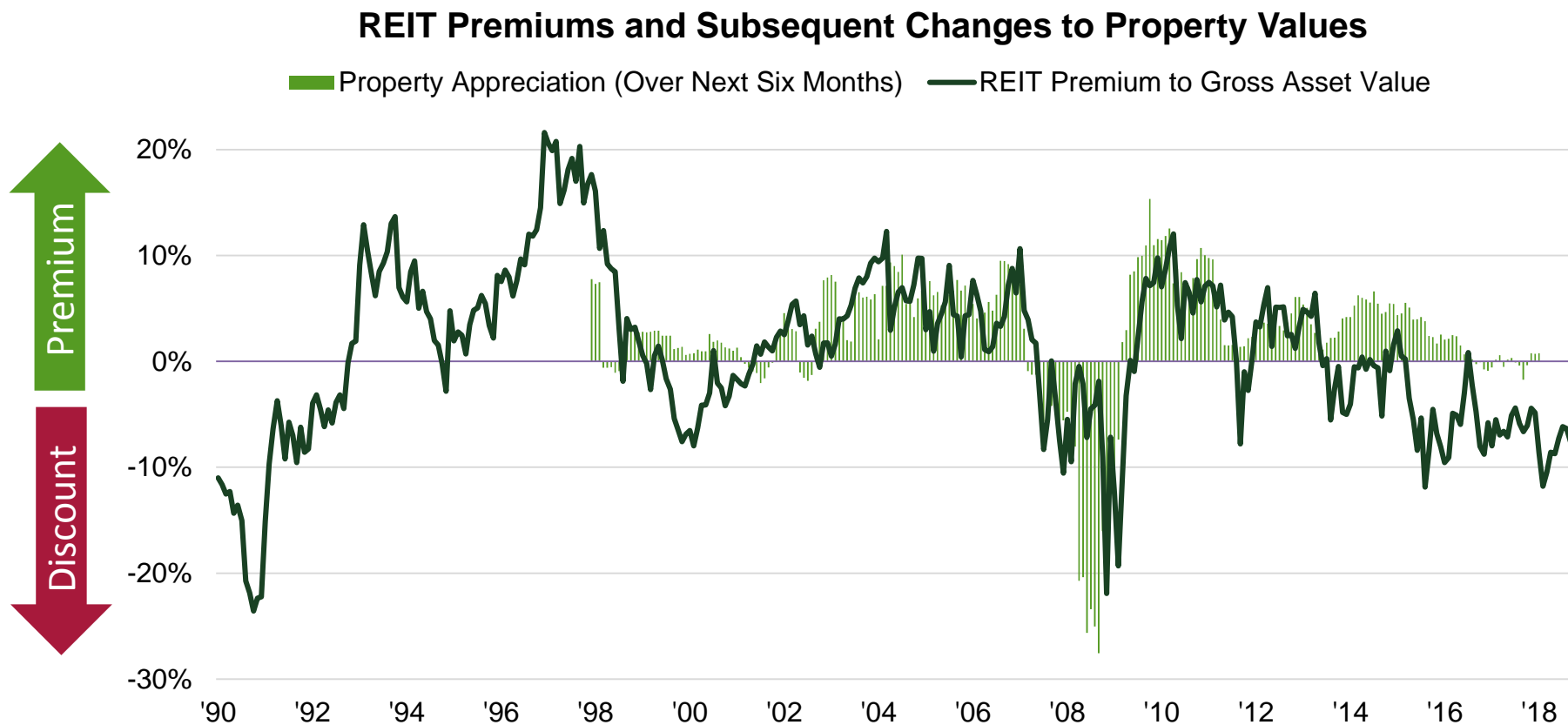
Source: Green Street Advisors

I. Historical REIT Signals



Source: Green Street Advisors

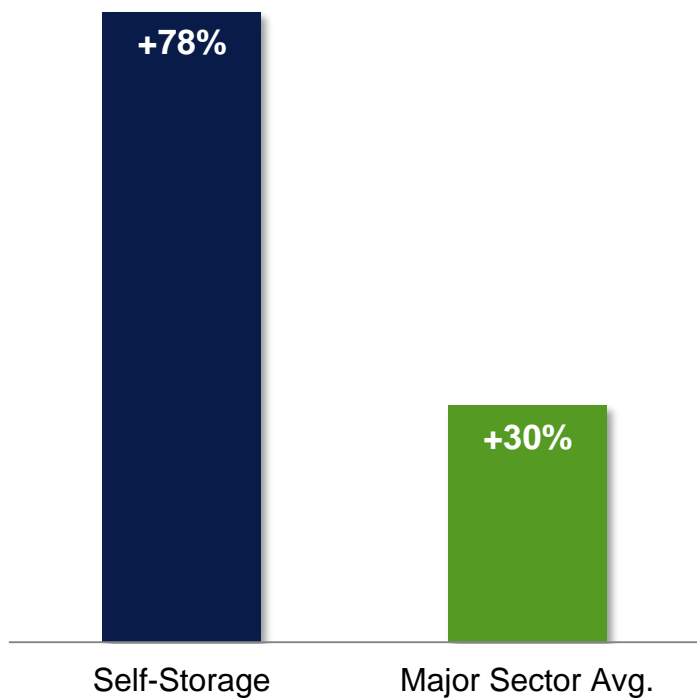
I. Historical REIT Signals



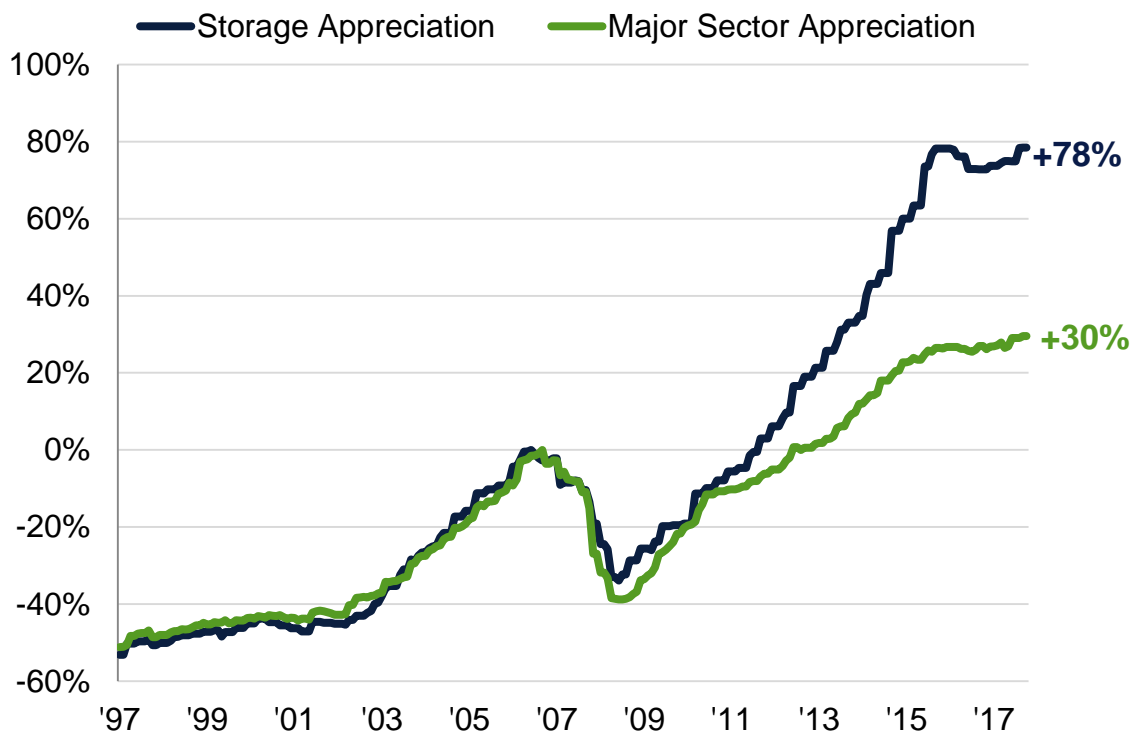
Source: Green Street Advisors

I. Self-Storage Property Values

Appreciation Since '07



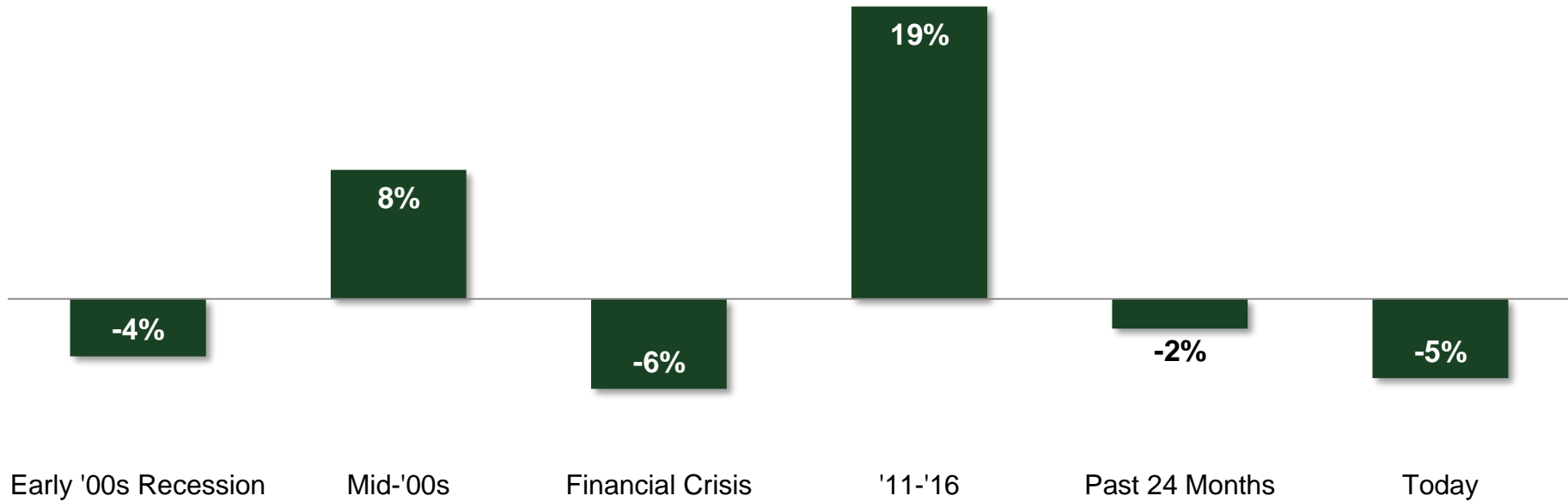
Historical Appreciation



Source: Green Street Advisors.

I. Self-Storage REIT Signals

Self-Storage REIT Premiums

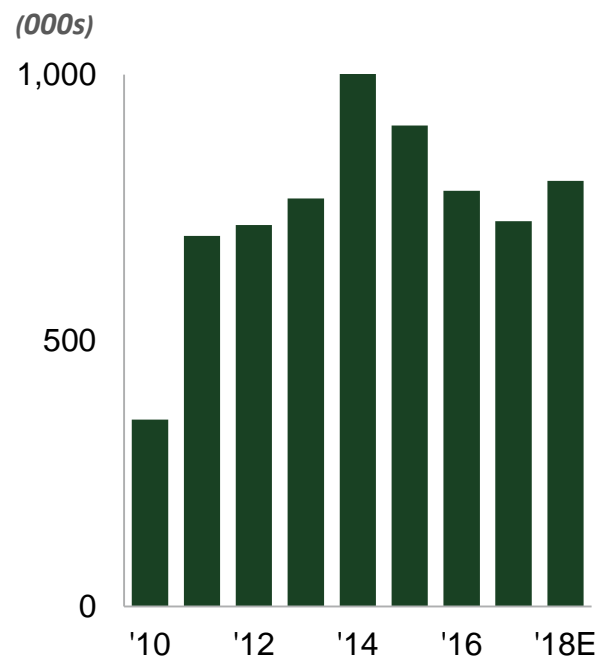


Source: Green Street Advisors

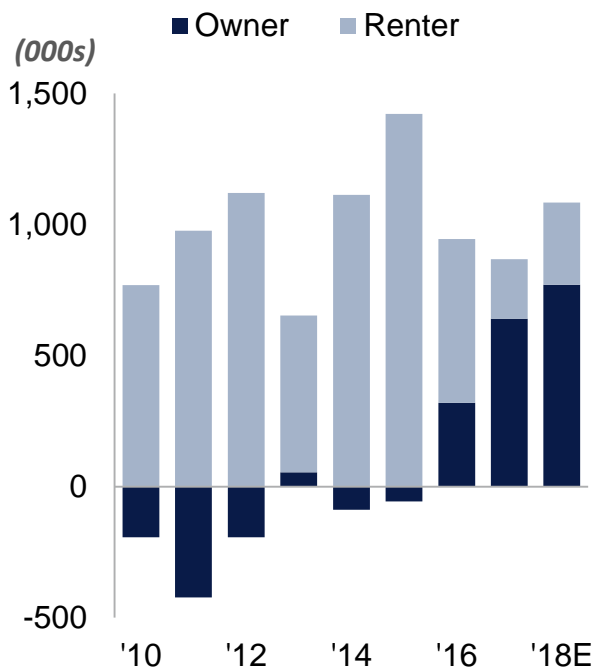
II. Near-Term Outlook (Cyclical)

II. Macro Drivers Steady

Solid Job Growth

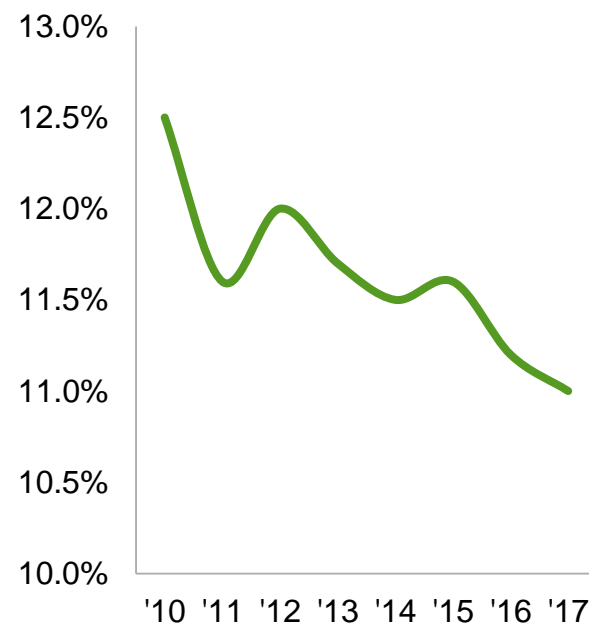


Steady Household Formation



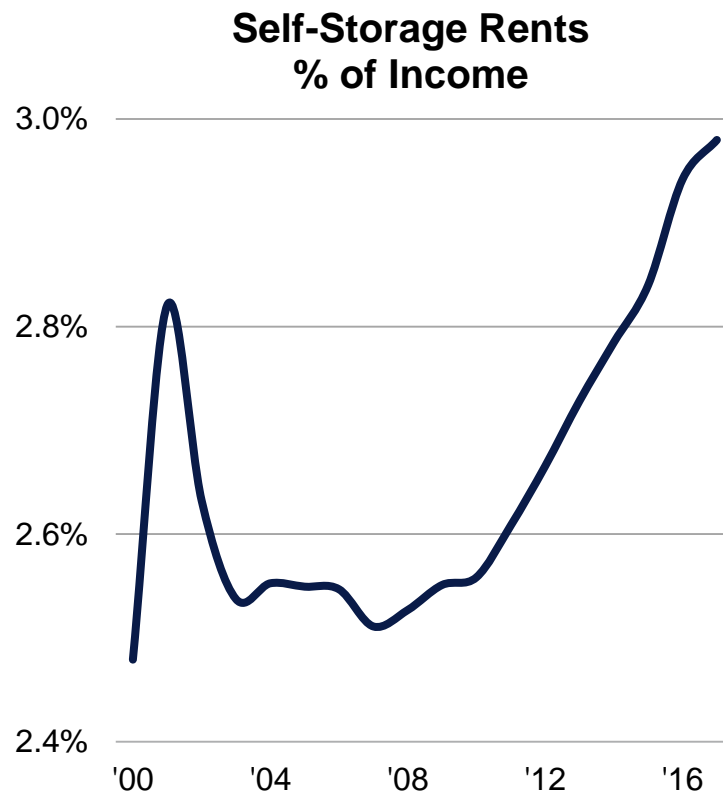
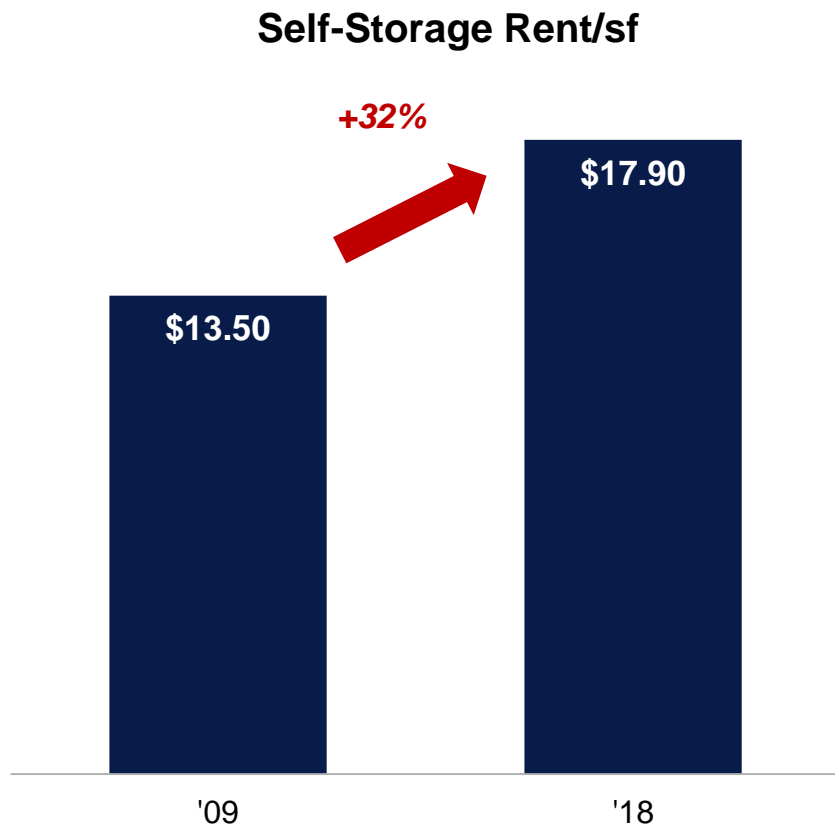
Lower Mobility

% of People That Moved In Past 12 Months



Source: BLS, Census, and Green Street Advisors

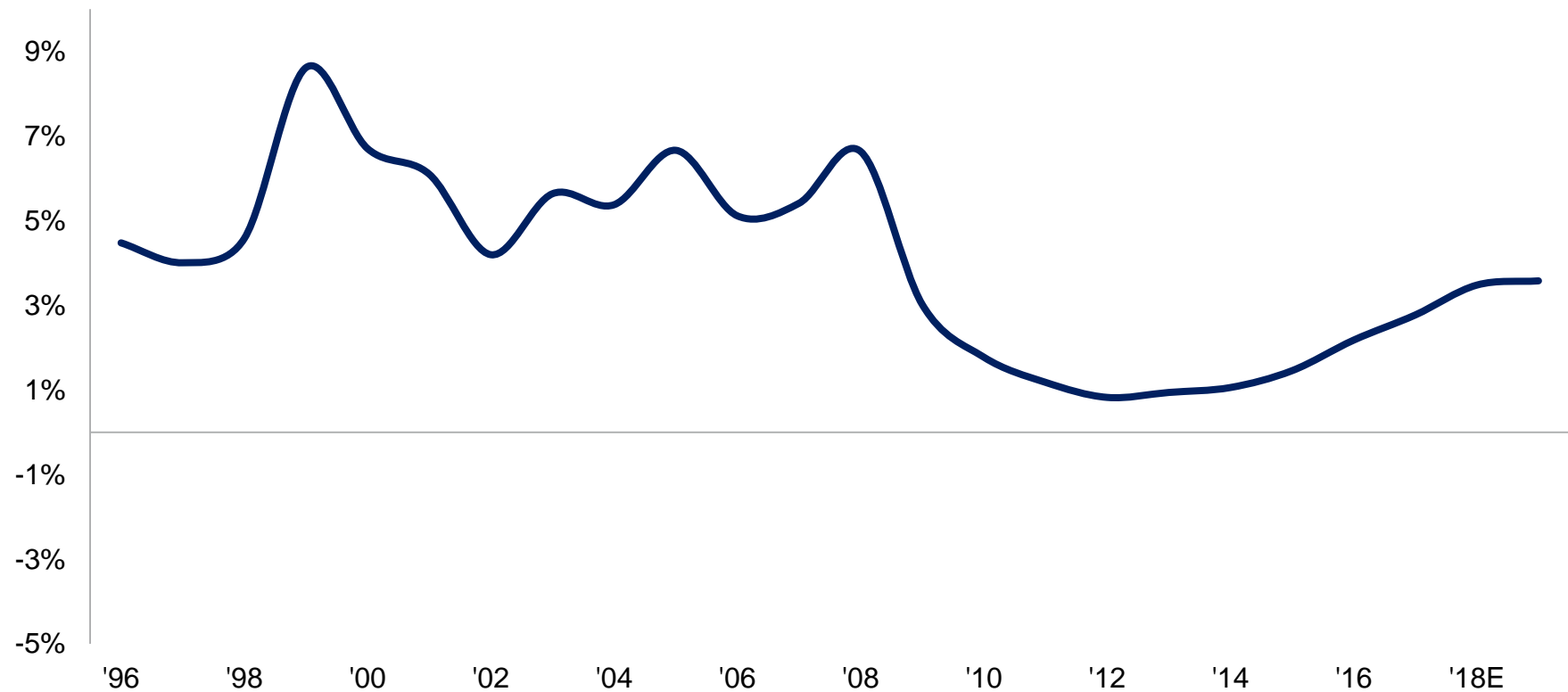
II. Rents At All-Time Highs



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

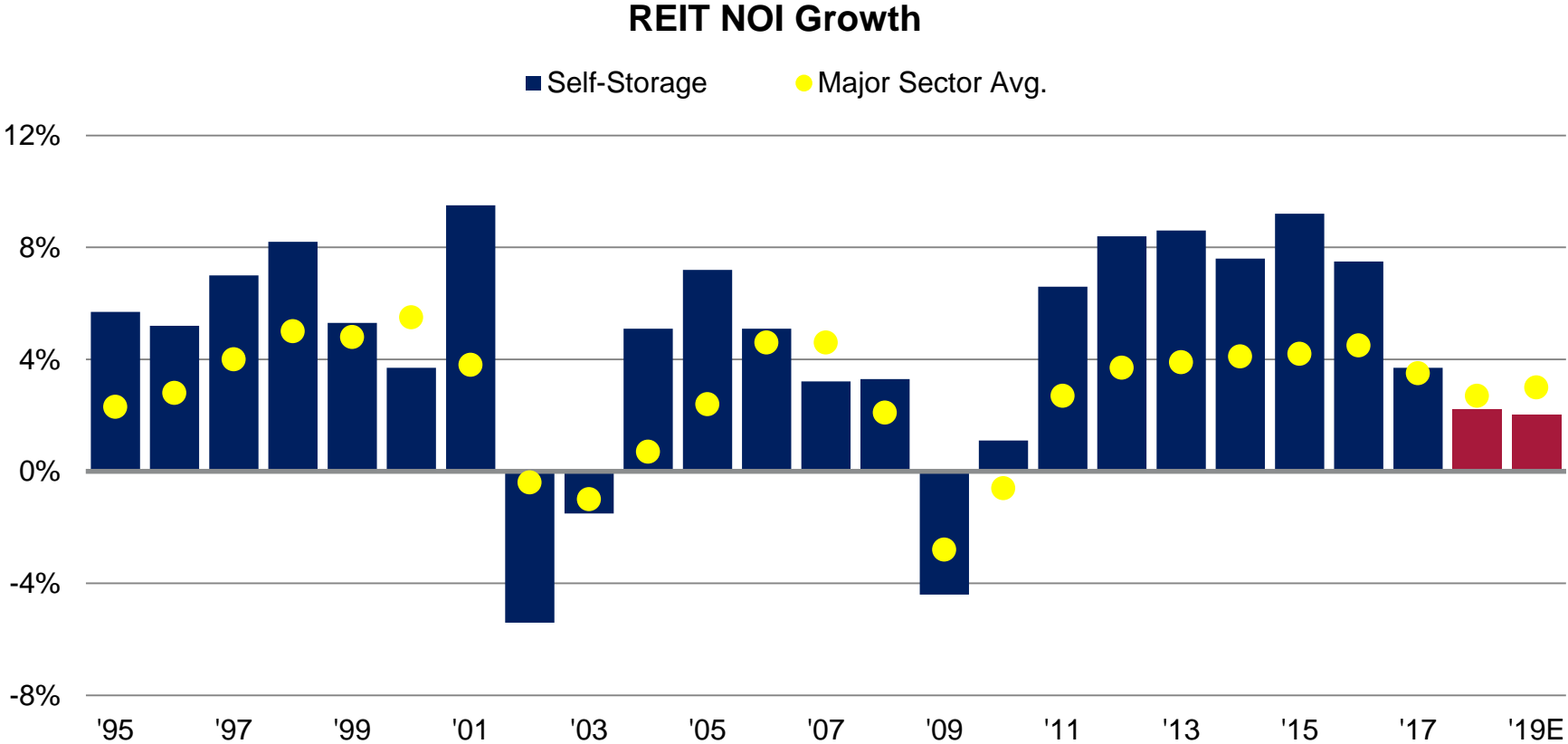
II. Development In Full Swing

Self-Storage Annual Supply Growth



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

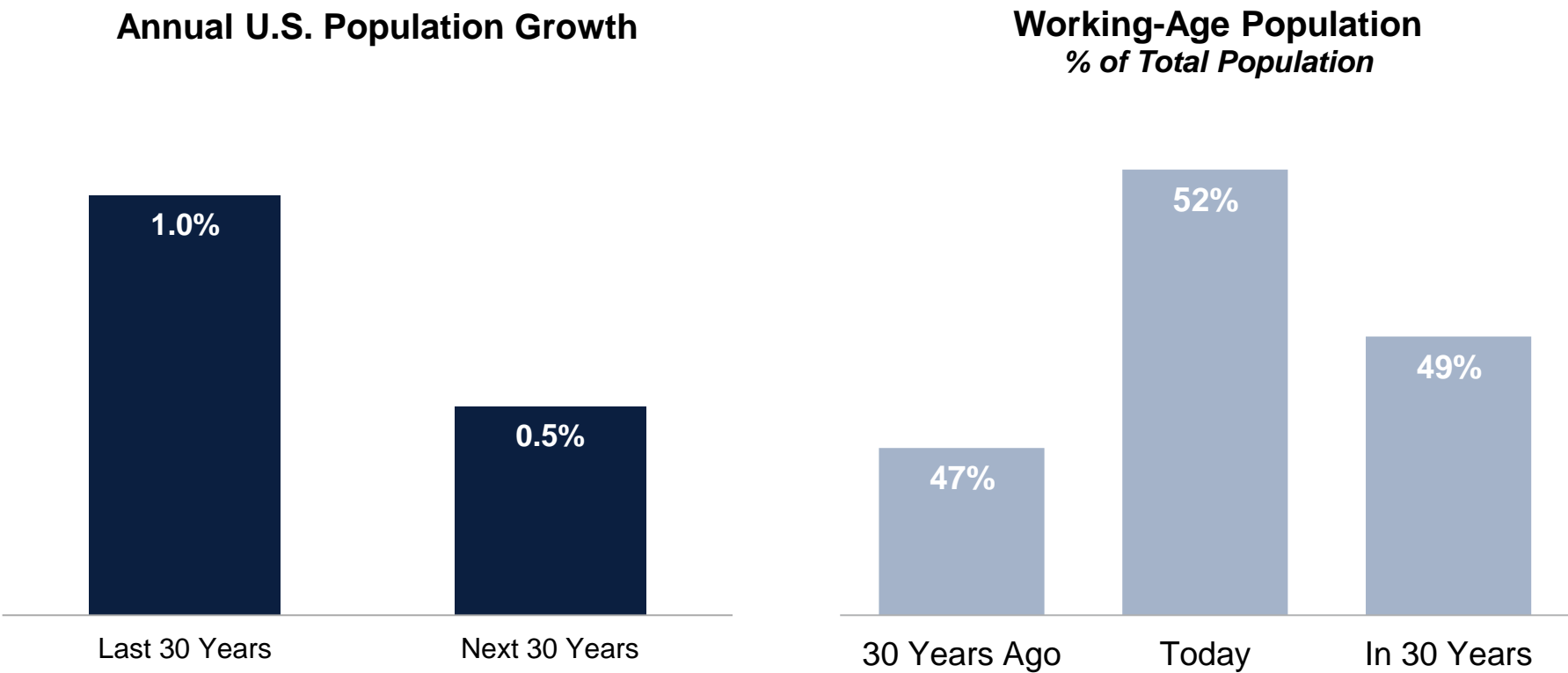
II. NOI Growth Slowing



Source: REIT filings and Green Street Advisors

III. Long-Term Outlook (Secular)

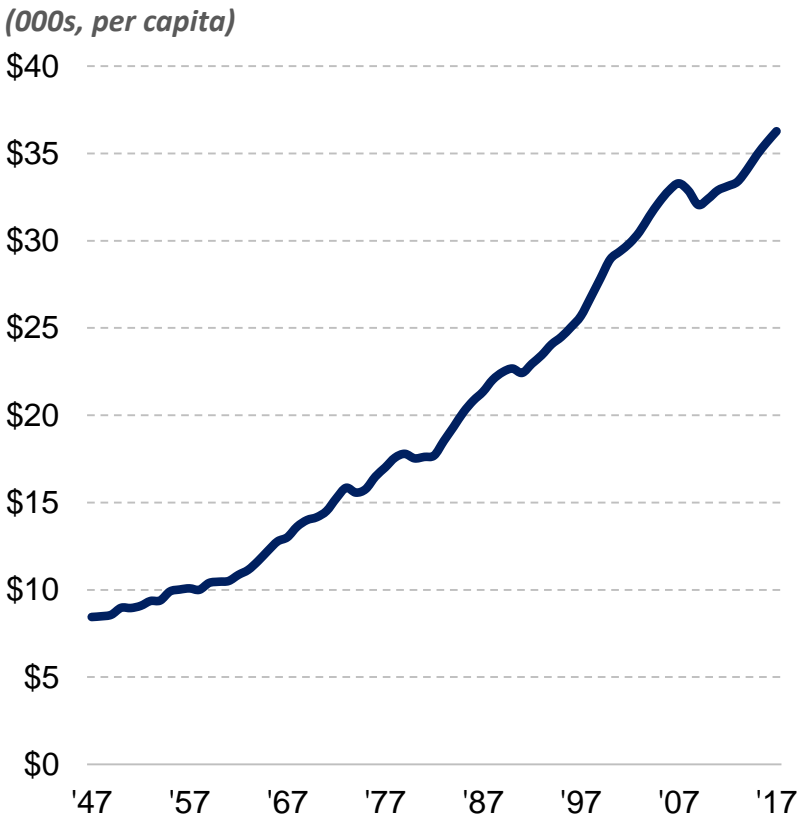
III. Population: Slower Growth & Getting Older



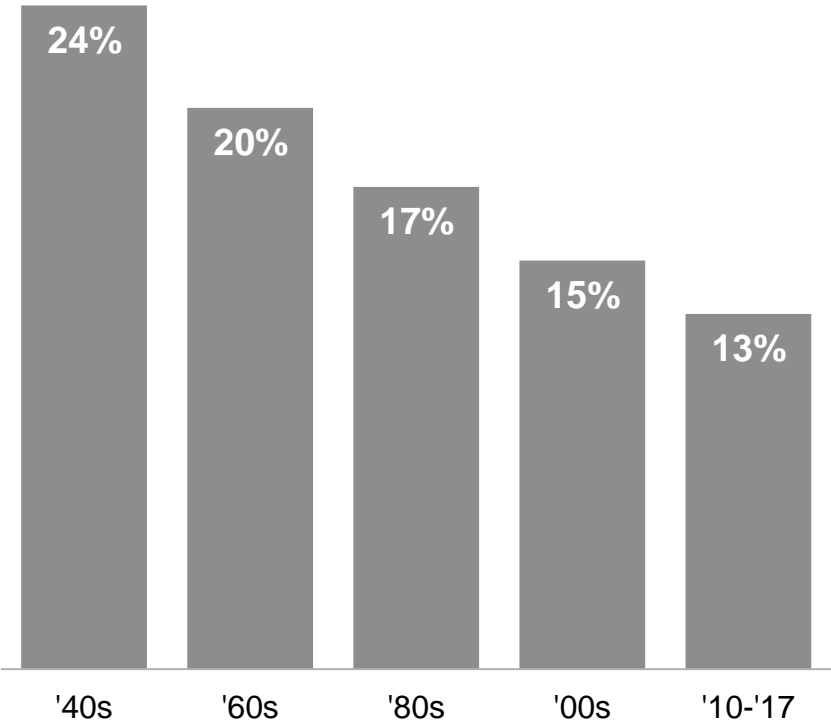
Source: Census and Green Street Advisors

III. Consumption: More, but Less

Personal Consumption



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

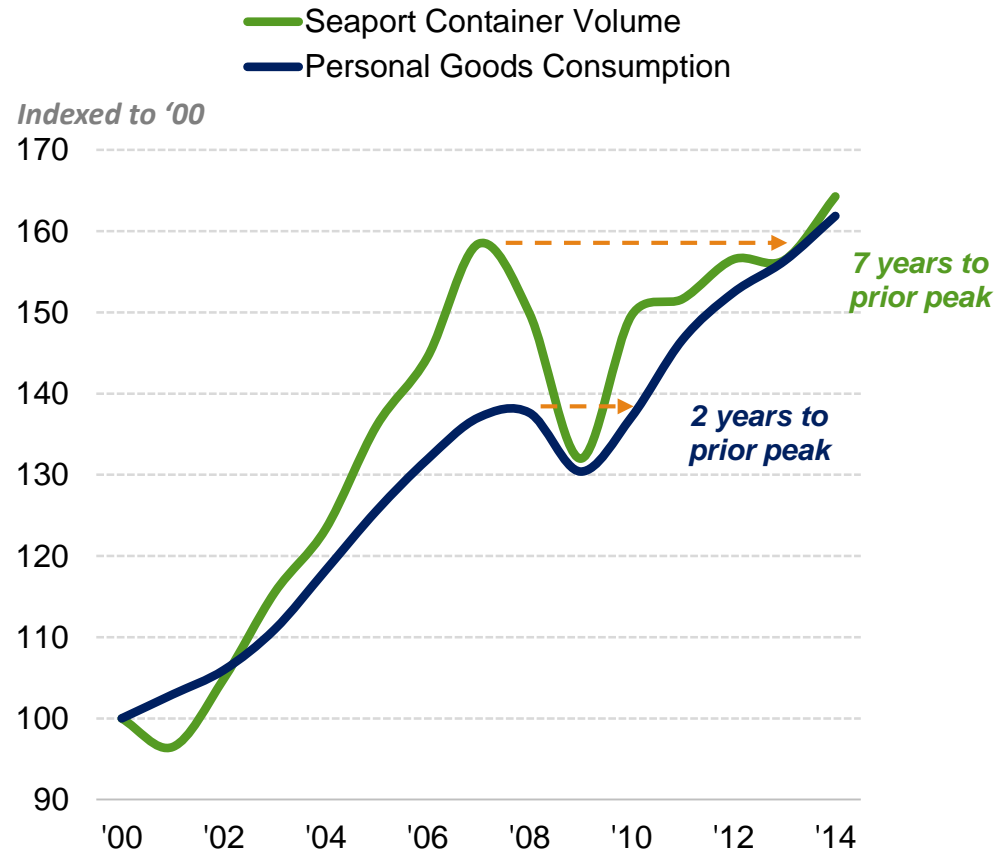
The Mobile / On-Demand Economy



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*

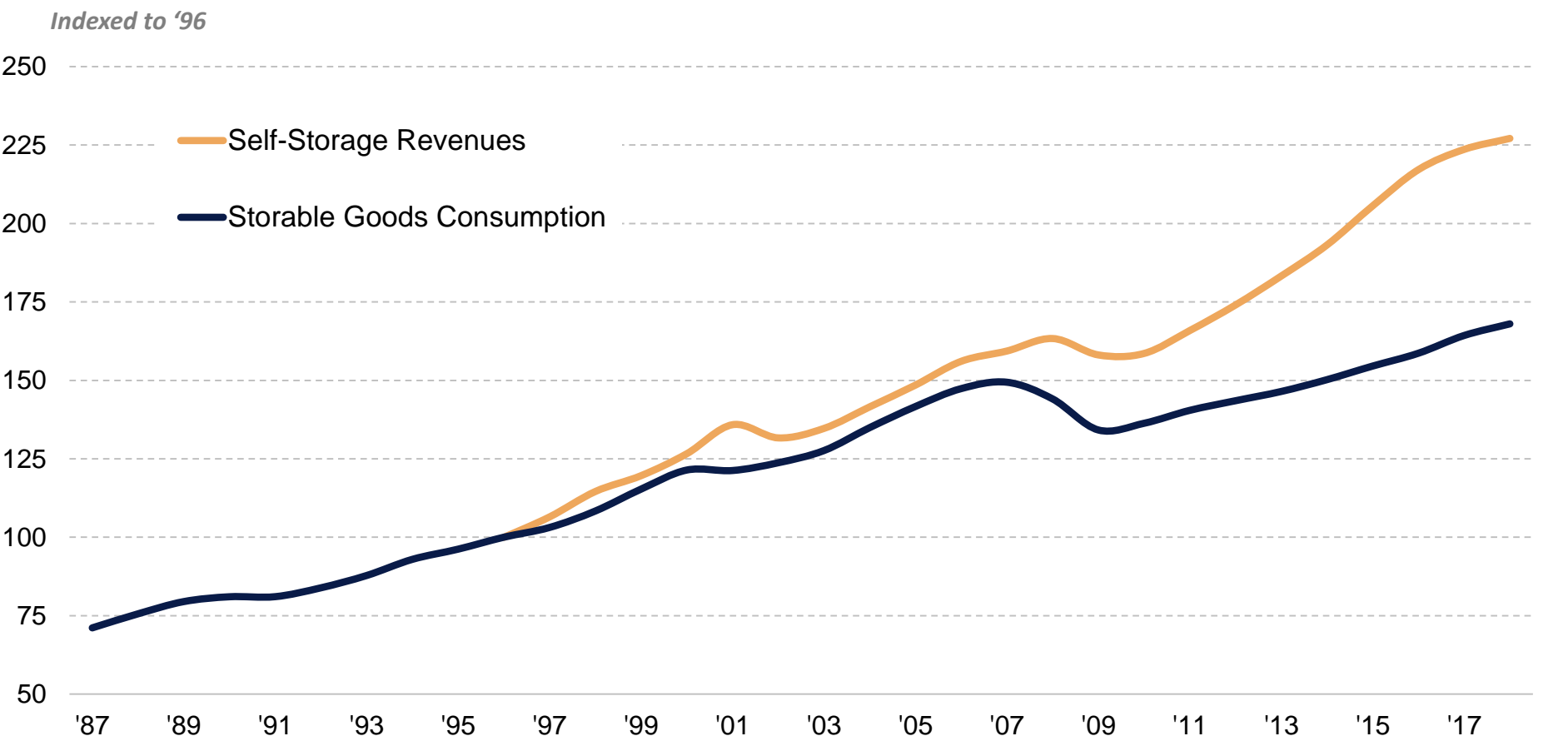
Seaport Container Volume vs. Personal Goods Consumption



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

III. Drivers Bad, but Revenue Growth Great?

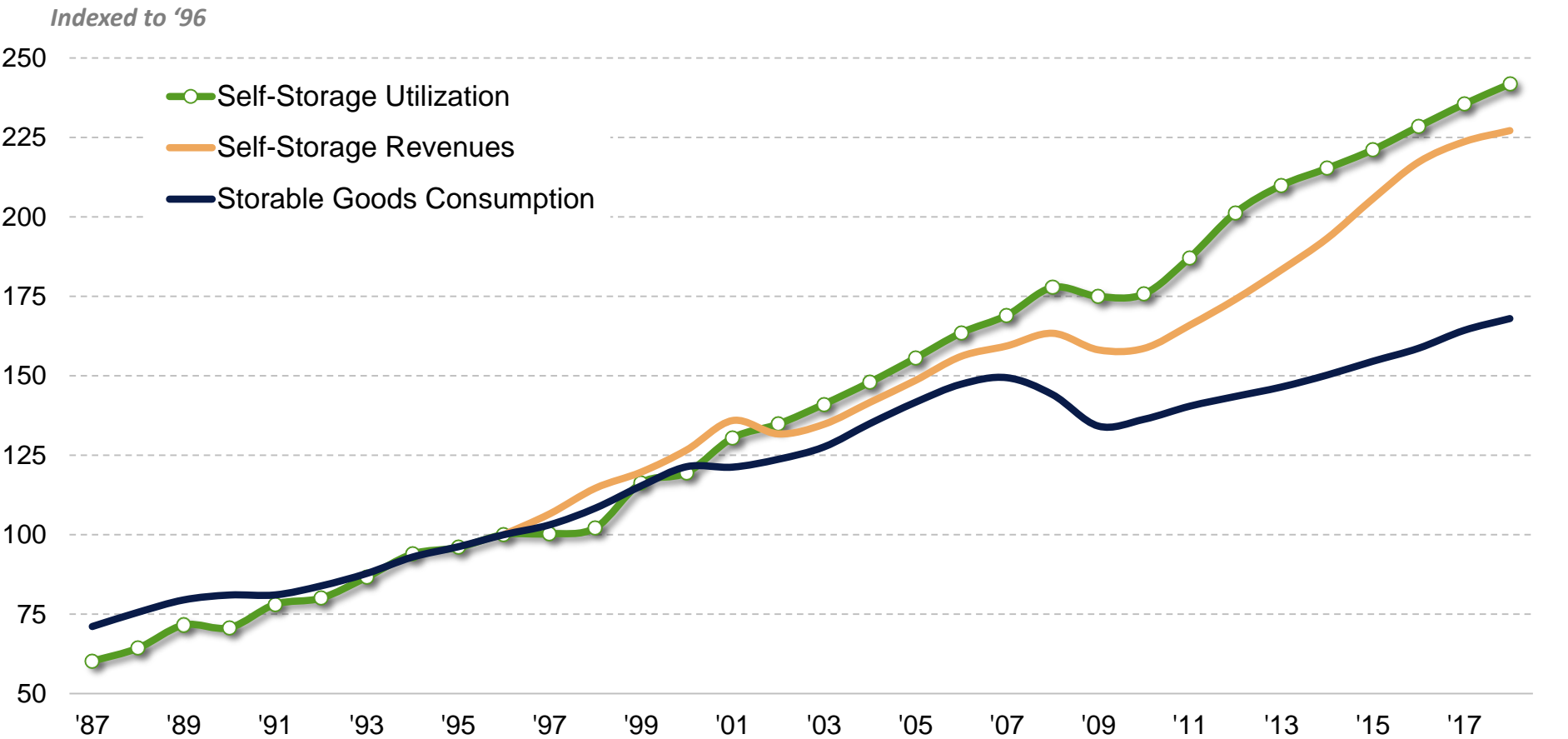
Self-Storage Demand Trends



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..

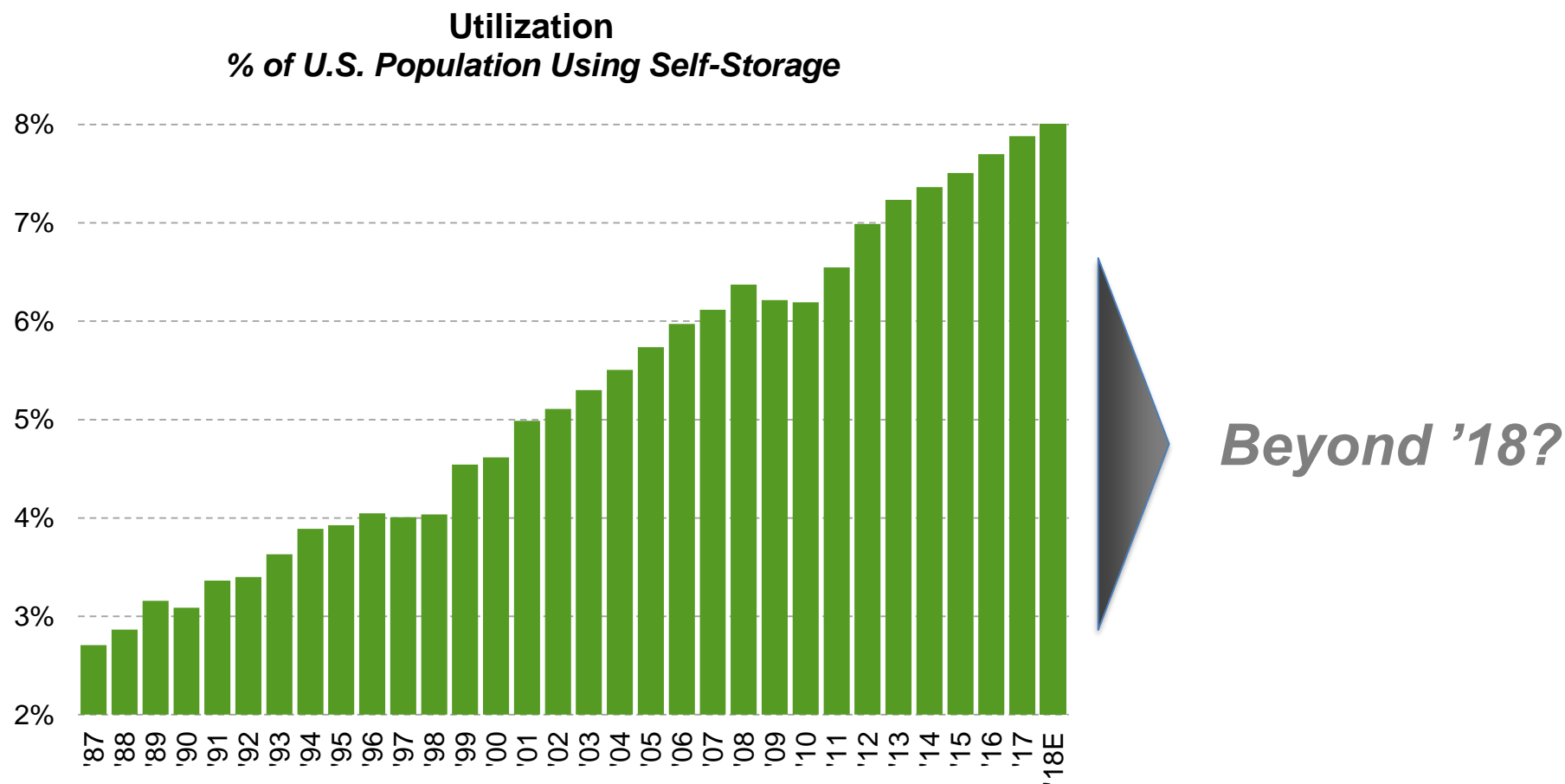
III. Utilization Gains Have Ruled the Day

Self-Storage Demand Trends



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

Nominal Yield
(cap rate)

+

Capex

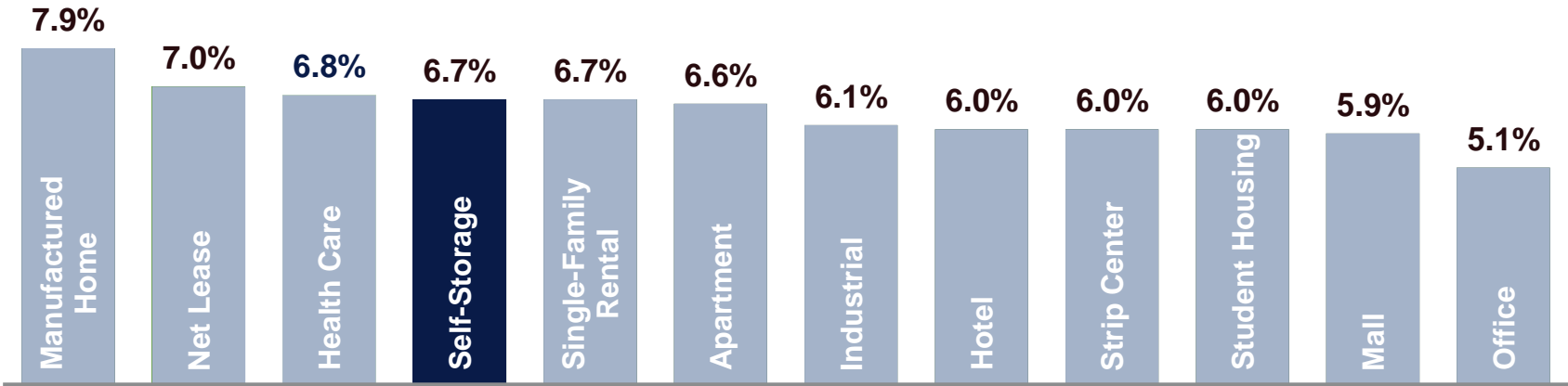
+

Future NOI
Growth

=

Expected
Return (IRR)

Expected Returns (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**

