



TSSA Executive Retreat: TX Market Performance Analysis

April 2018

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Agenda

- ❖ STR + TSSA in Self Storage
- ❖ Methodology
- ❖ Performance Data in Major Texas Markets
- ❖ New Supply and Development Activity
- ❖ Unique Data Views



STR + TSSA in Self Storage

Who is STR?



33

**Years In
Business**

100%

**Family
Owned**

1

**Driving Force:
Data Confidentiality!**

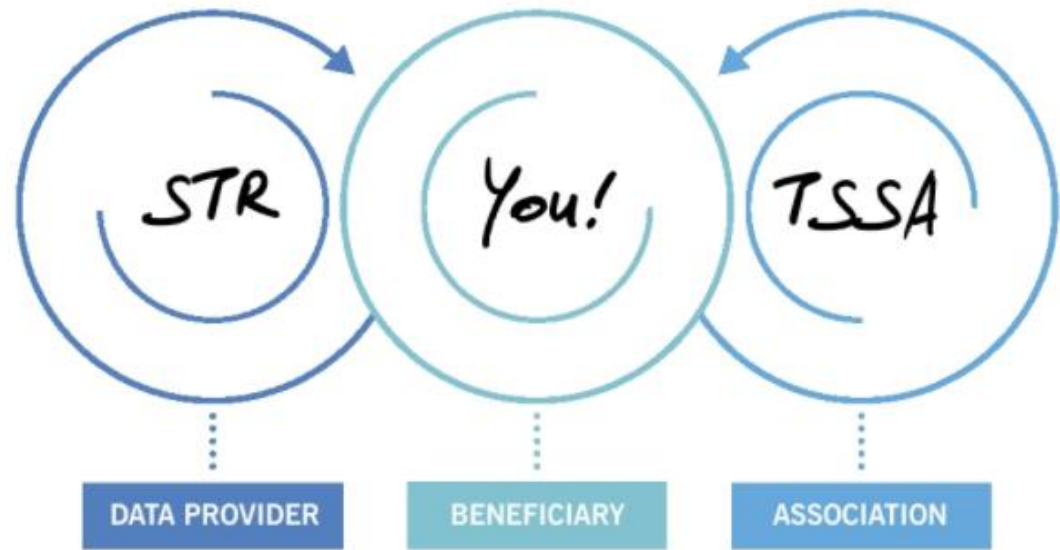
What is STR doing in storage?



TSSA Endorses STR as Data Analysis Provider

Why Now? What's in it for You and Your Business?

by Ginny Sutton, TSSA Executive Director

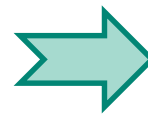


STR is reporting out on **seven markets in Texas**

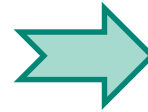


1. Austin
2. Dallas
3. Ft. Worth
4. Houston
5. San Antonio
6. Texas South
7. Texas East

Goal to:

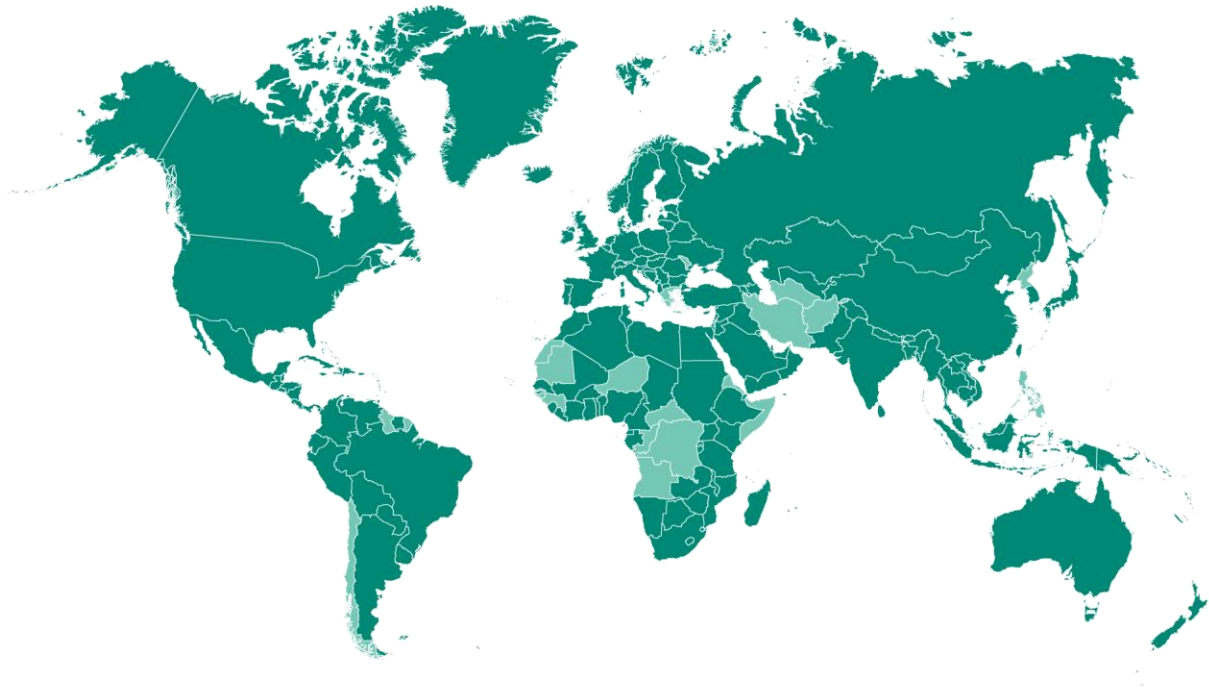


Maximize TX operator participation



Report on maximum markets/submarkets

We collect data from over 58,000 hotels, representing 7.6 million rooms in 182 countries worldwide



Arne Sorenson
CEO, Marriott
International

"STR has provided incredible value in its strategic partnership with the industry and provided insights that allow us to improve responses to market conditions."

*Marriott, a \$37bn+ company, is the largest hotel operator worldwide with >1,000,000 rooms in its portfolio

Select snapshot
of STR customers



Our products can be grouped broadly into three different categories



Supply

Comprehensive listing of **facilities nationwide** including **key attributes** associated with each facility



Pipeline

Analysis of the new supply of facilities that will be **opening in the future**



Demand & Performance Data

Provides insight into overall industry demand and enables individual facilities to benchmark their performance versus their competitors across key financial metrics



Methodology

STR data approach

STR data collection methodology is best in class

- ✓ **Direct from source, no call arounds**
- ✓ **100% confidential, aggregated data**

STR performance data presented with two viewpoints



1. Full Sample

❖ **Strategic** viewpoint

❖ Includes all open & operating facilities, including those in lease-up

2. Stabilized

❖ **Operational** viewpoint

❖ Includes only those facilities that have 12 consecutive months of >80% occupancy



STR focuses on **key performance indicators** Occupancy, rate and yield



Occupancy

$$\frac{\text{NRSF Rented}}{\text{NRSF Available}} \%$$



Rate

$$\$ \frac{\text{Rental Revenue}}{\text{NRSF Rented}}$$



Yield

$$\$ \frac{\text{Rental Revenue}}{\text{NRSF Available}}$$

Unit-based metrics also available

STR focuses on **key performance indicators** Occupancy, rate and yield



Occupancy



Rate



Yield

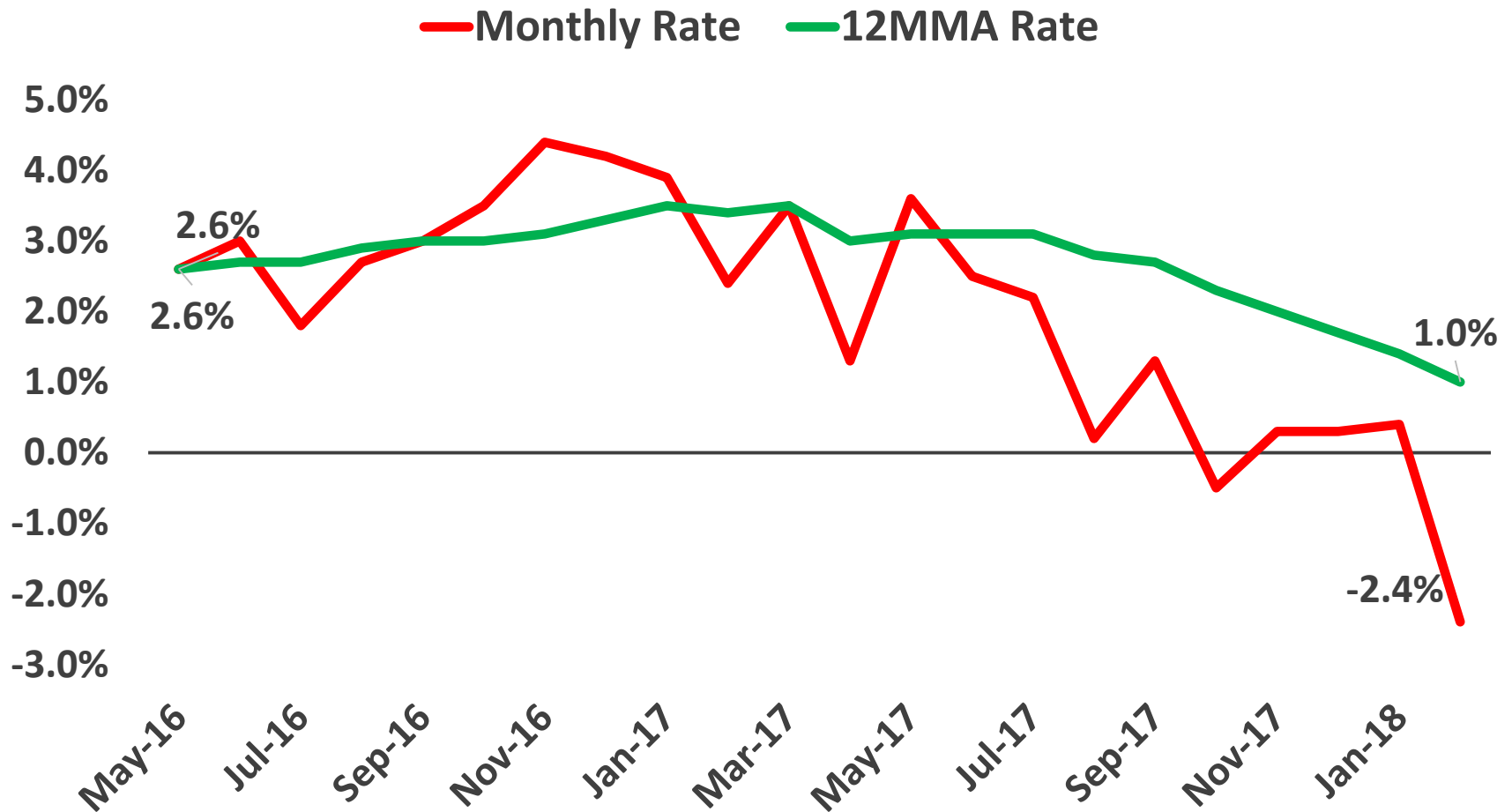
$$\begin{array}{c}
 \text{NRSF Rented} \\
 \hline
 \text{NRSF Available}
 \end{array}
 \times
 \begin{array}{c}
 \% \\
 \times \\
 \$
 \end{array}
 \begin{array}{c}
 \text{Rental Revenue} \\
 \hline
 \text{NRSF Rented}
 \end{array}
 =
 \begin{array}{c}
 \$ \\
 \text{Rental Revenue} \\
 \hline
 \text{NRSF Available}
 \end{array}$$

Unit-based metrics also available

Importance of 12-month moving average

Texas YOY % change in square foot rate

Full Sample



Note: Performance data includes all open & operating facilities, including those in lease-up
Data as of February 2018



Performance Data in Major Texas Markets

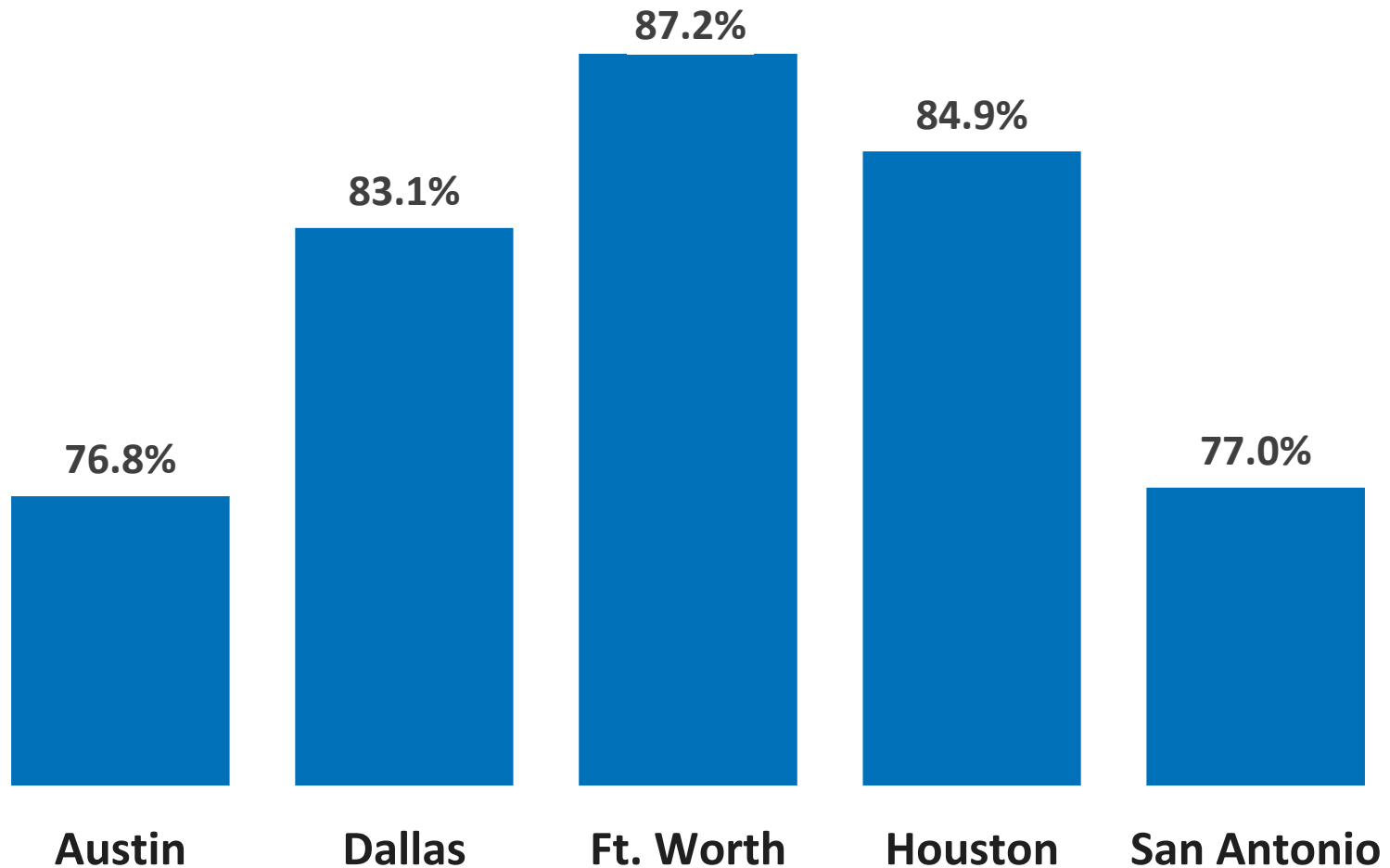
General trends in the major Texas markets



- ➡ **Supply & demand growth both slowing**
- ➡ **Occupancies largely declining but at a decelerating pace**
- ➡ **Rates largely growing but at a decelerating pace**
- ➡ **Yield trends are market dependent**

Lowest square foot occupancy in Austin

Square foot occupancy
February 2018, 12MMA
Full Sample

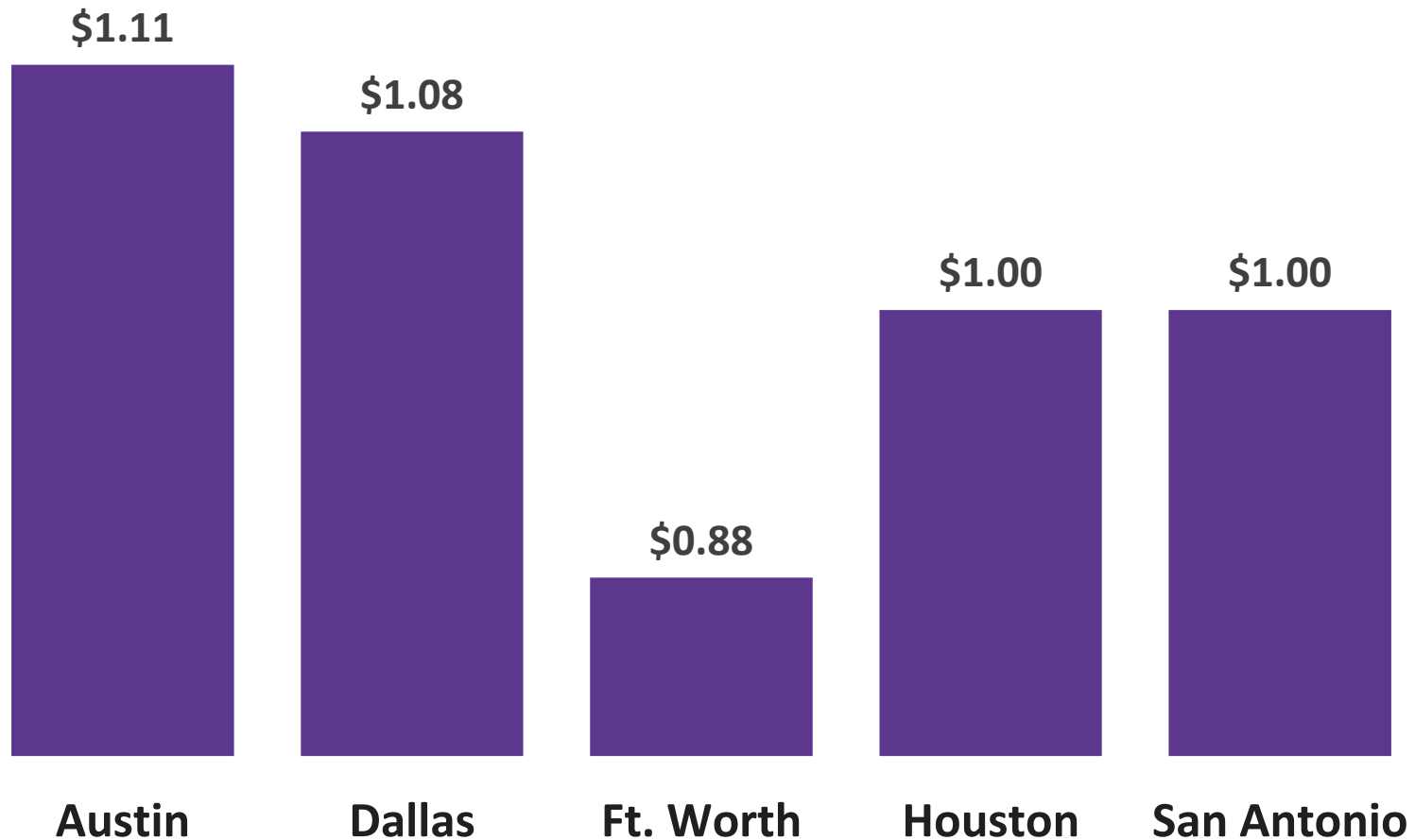


Note: Performance data includes all open & operating facilities, including those in lease-up

Data as of February 2018

Highest square foot rate in Austin, lowest in Ft. Worth

Square foot rate
February 2018, 12MMA
Full Sample

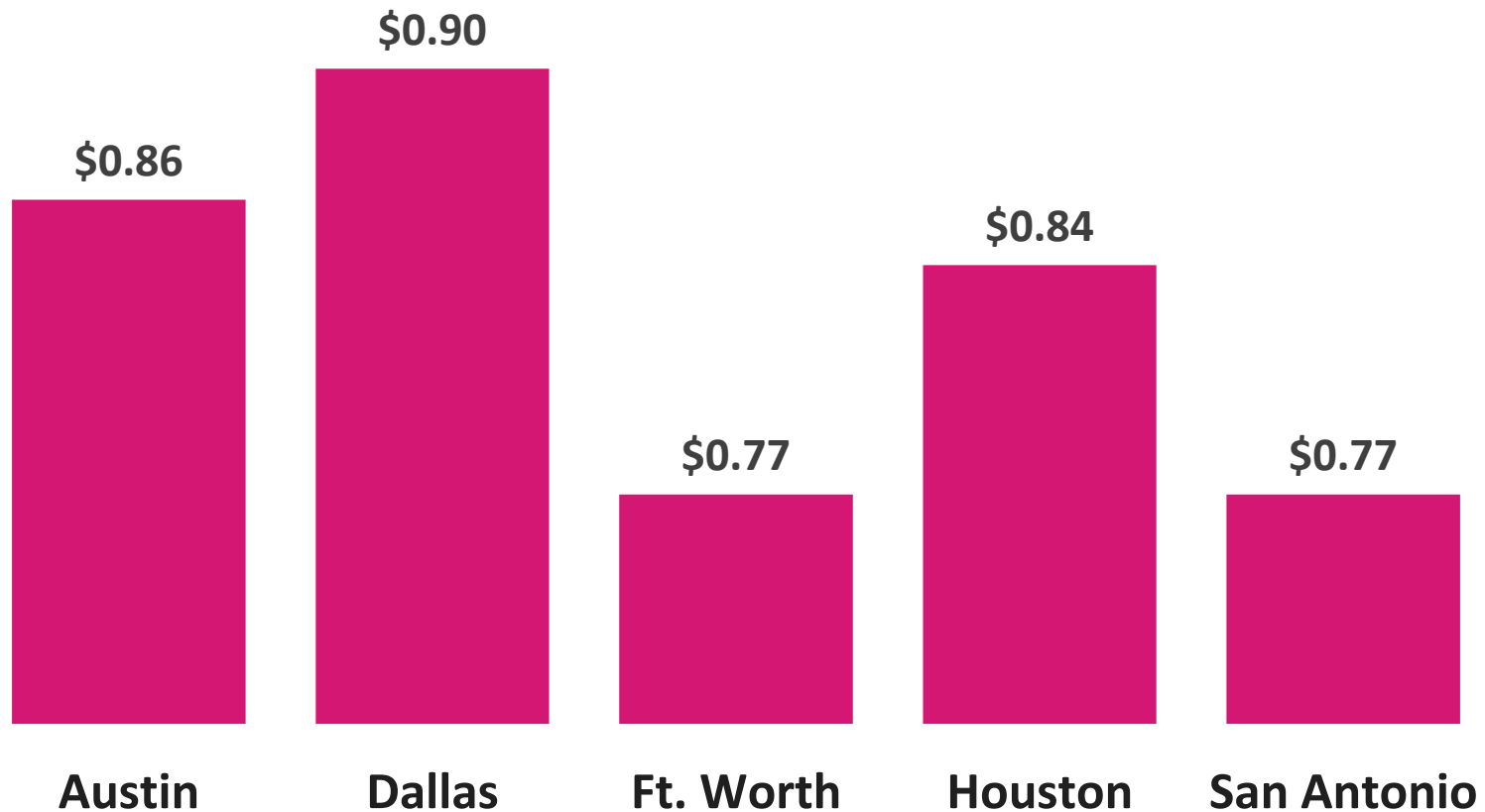


Note: Performance data includes all open & operating facilities, including those in lease-up

Data as of February 2018

Highest yield in Dallas, lowest in Ft. Worth and San Antonio

Square foot yield¹
February 2018, 12MMA
Full Sample



Note: Performance data includes all open & operating facilities, including those in lease-up

1. Rental Revenue per available square foot (RevPAF)

Data as of February 2018

Occupancy largely declining, rate flat to increasing

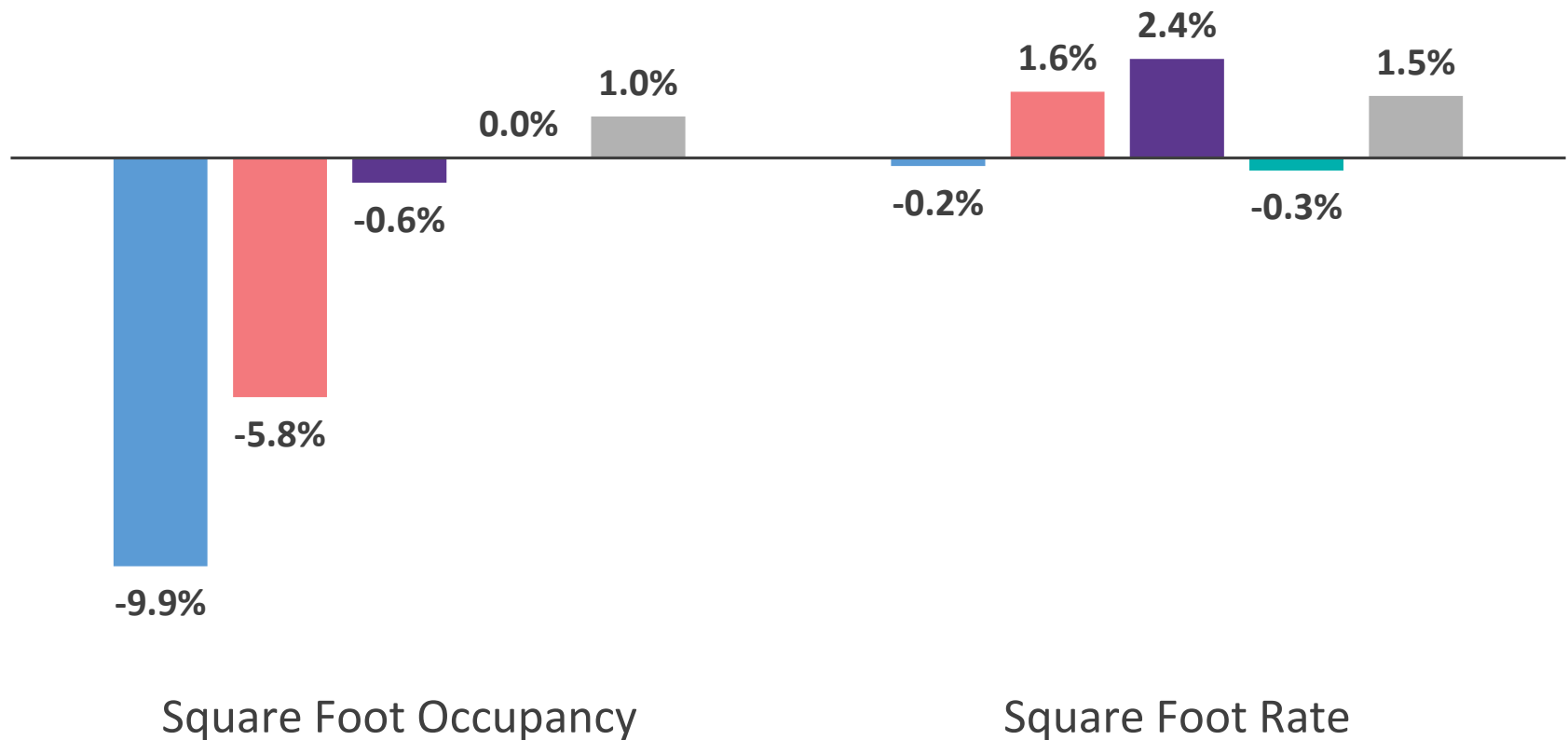
Occupancy and rate growth

February 2018, 12MMA year-over-year (YOY) % change

Full Sample



Austin Dallas Ft. Worth Houston San Antonio



Yield a mixed bag depending on the market

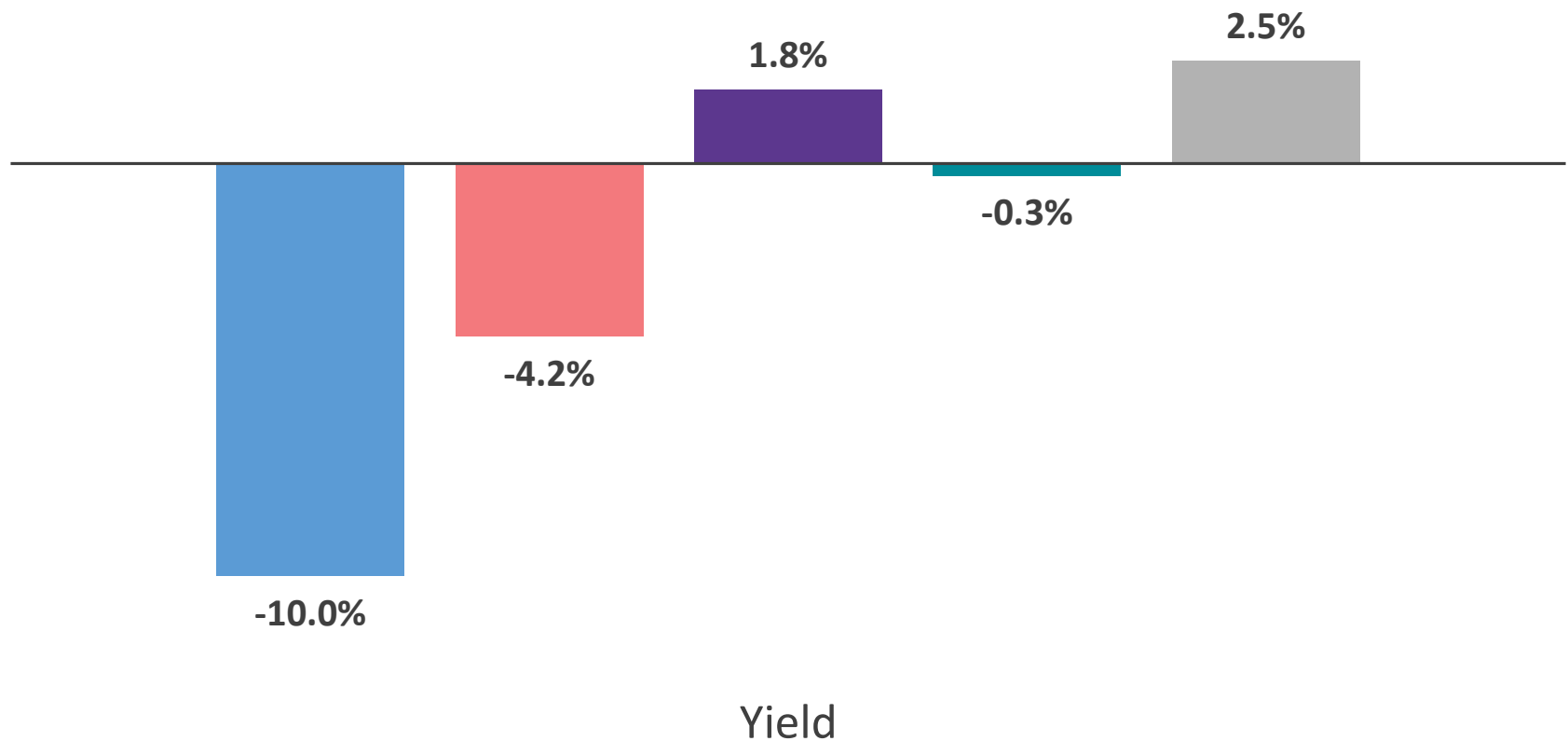
Yield growth

February 2018, 12MMA year-over-year (YOY) % change

Full Sample



Austin Dallas Ft. Worth Houston San Antonio

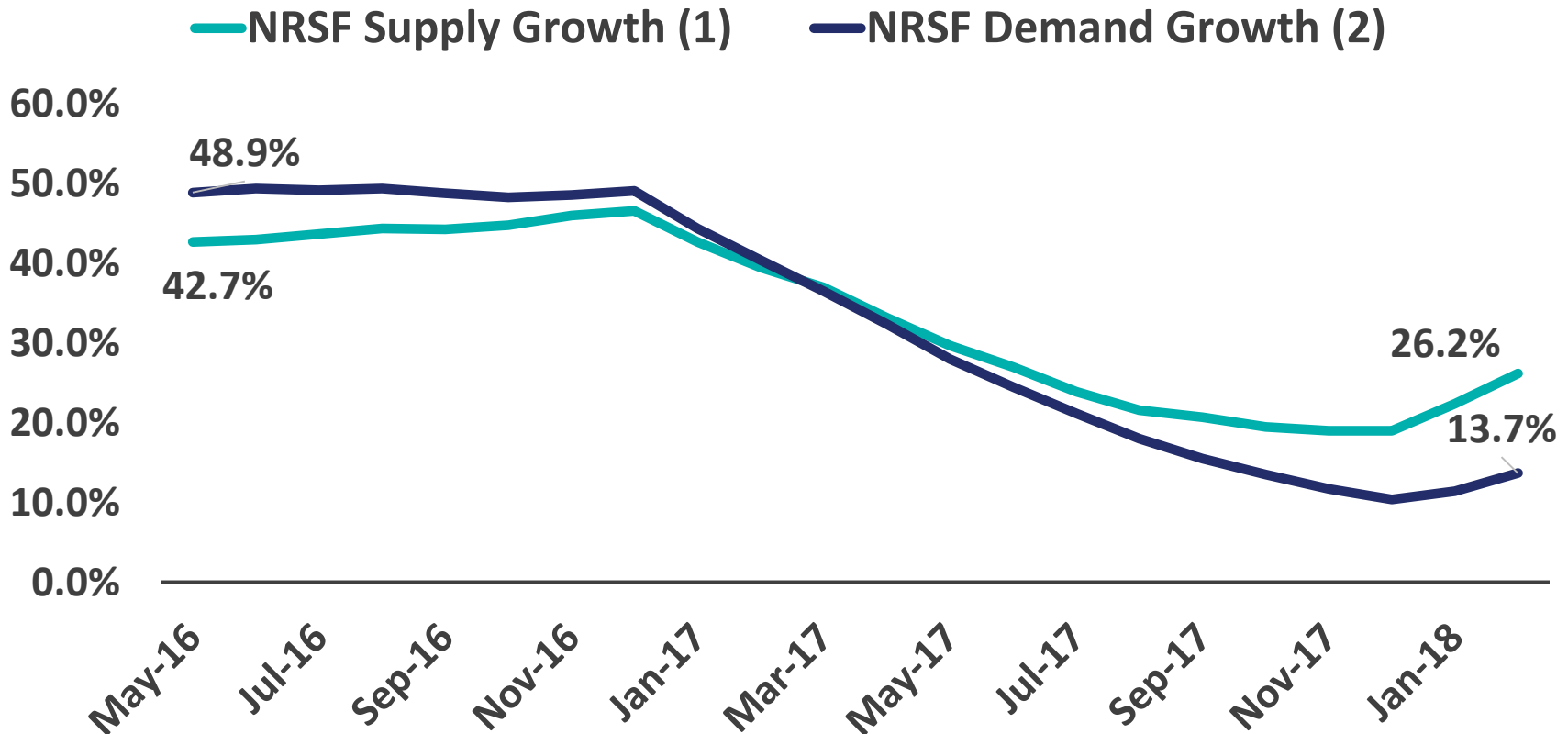


Note: Performance data includes all open & operating facilities, including those in lease-up

Data as of February 2018

Austin: Supply growth now outpacing demand growth

YOY % change in NRSF Supply and Demand
Full Sample



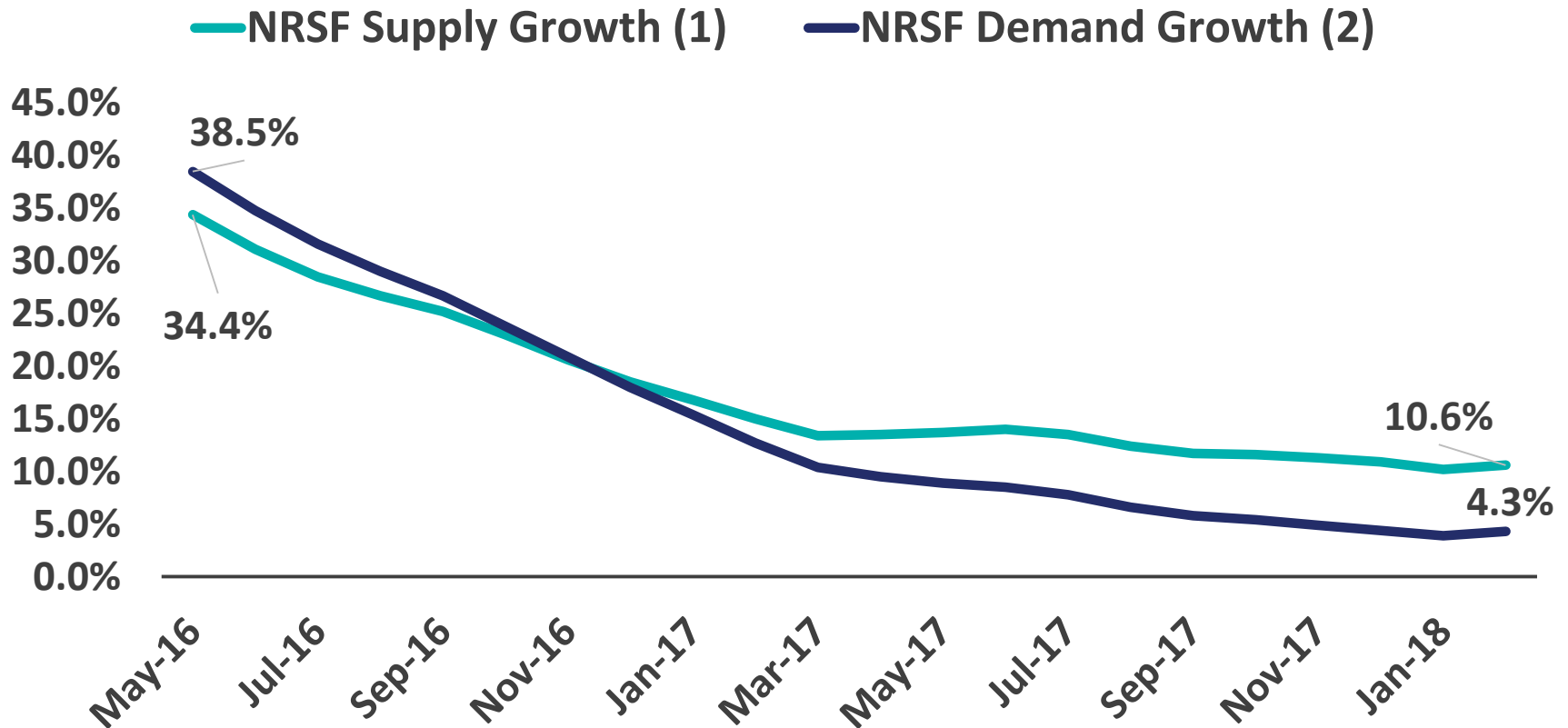
Note: Performance data includes all open & operating facilities, including those in lease-up.

1. Year-over-Year % Change NRSF Available
2. Year-over-Year % Change NRSF Rented

Data as of February 2018

Dallas: Slowing growth in supply and demand

YOY % change in NRSF Supply and Demand
Full Sample



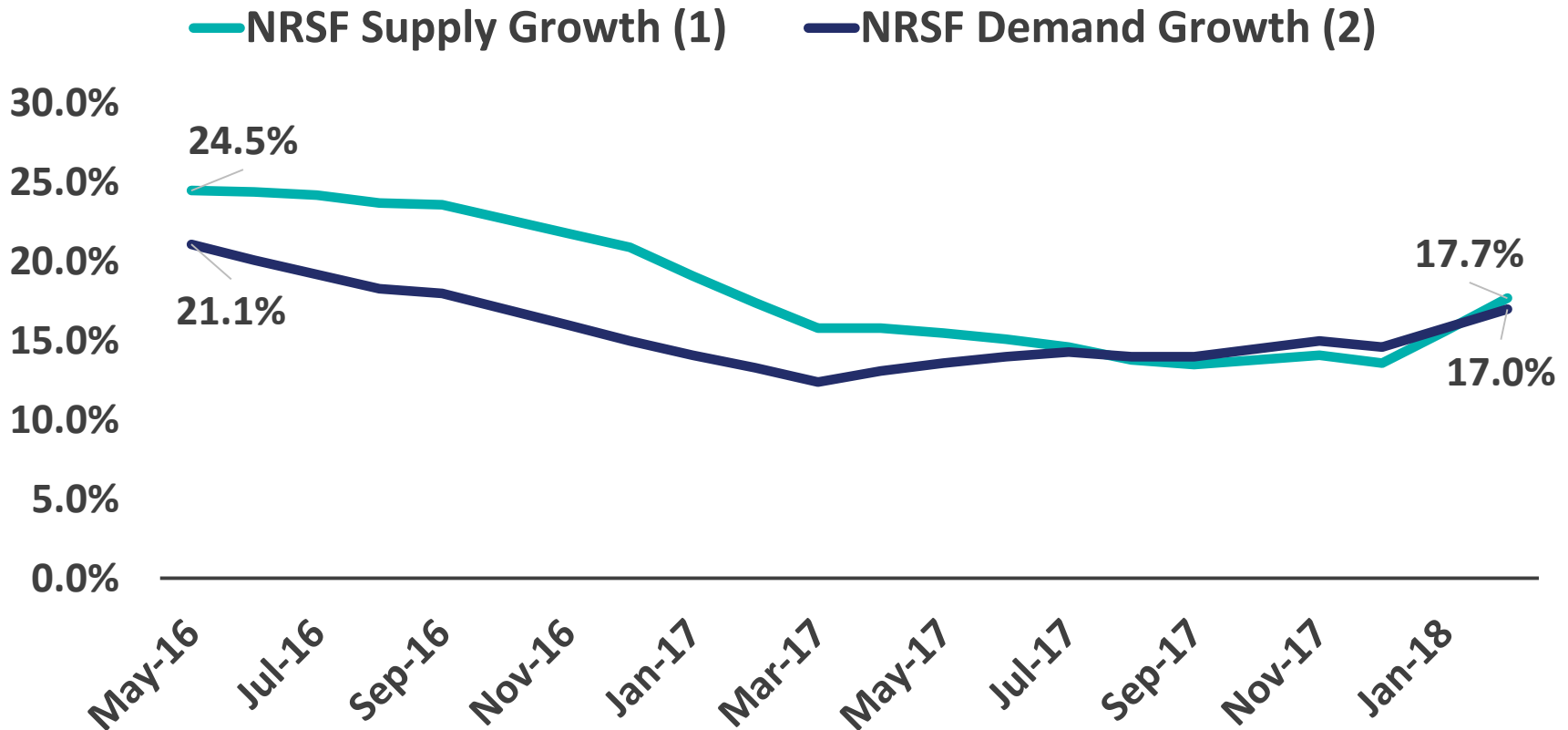
Note: Performance data includes all open & operating facilities, including those in lease-up.

1. Year-over-Year % Change NRSF Available
2. Year-over-Year % Change NRSF Rented

Data as of February 2018

Ft. Worth: Supply and demand growth currently in line

YOY % change in NRSF Supply and Demand
Full Sample



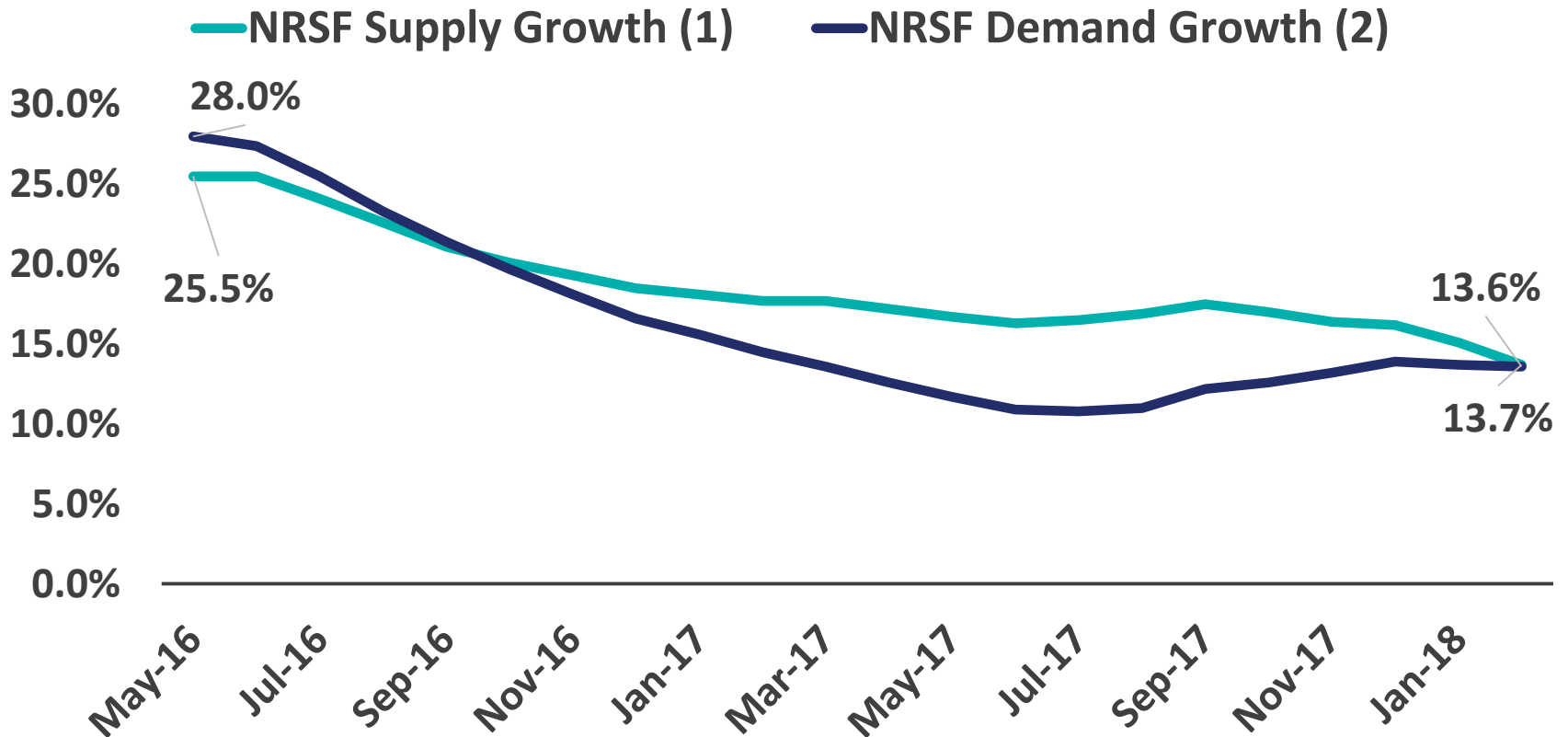
Note: Performance data includes all open & operating facilities, including those in lease-up.

1. Year-over-Year % Change NRSF Available
2. Year-over-Year % Change NRSF Rented

Data as of February 2018

Houston: Supply and demand growth recently converged

YOY % change in NRSF Supply and Demand
Full Sample



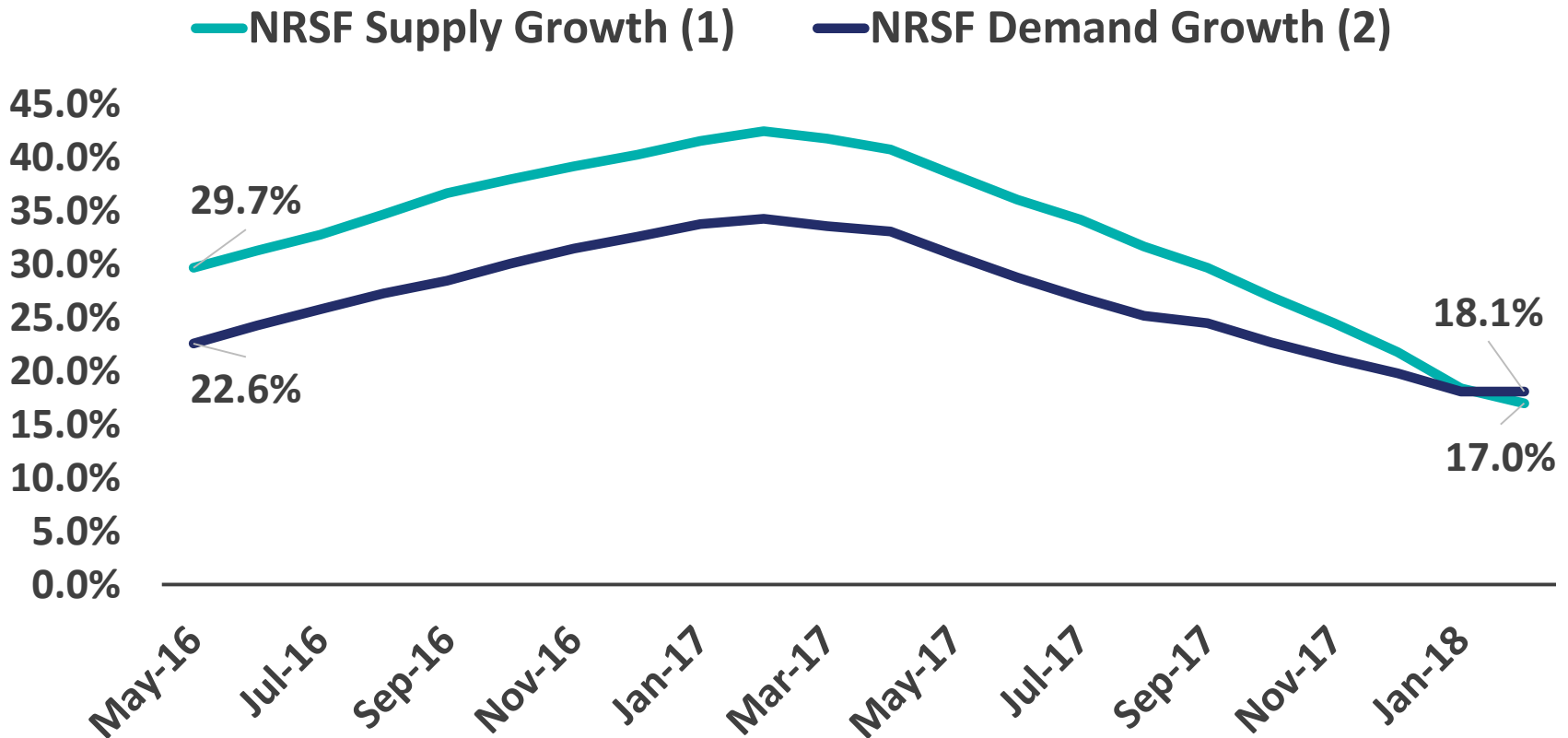
Note: Performance data includes all open & operating facilities, including those in lease-up.

1. Year-over-Year % Change NRSF Available
2. Year-over-Year % Change NRSF Rented

Data as of February 2018

San Antonio: Supply and demand growth currently converging

YOY % change in NRSF Supply and Demand
Full Sample



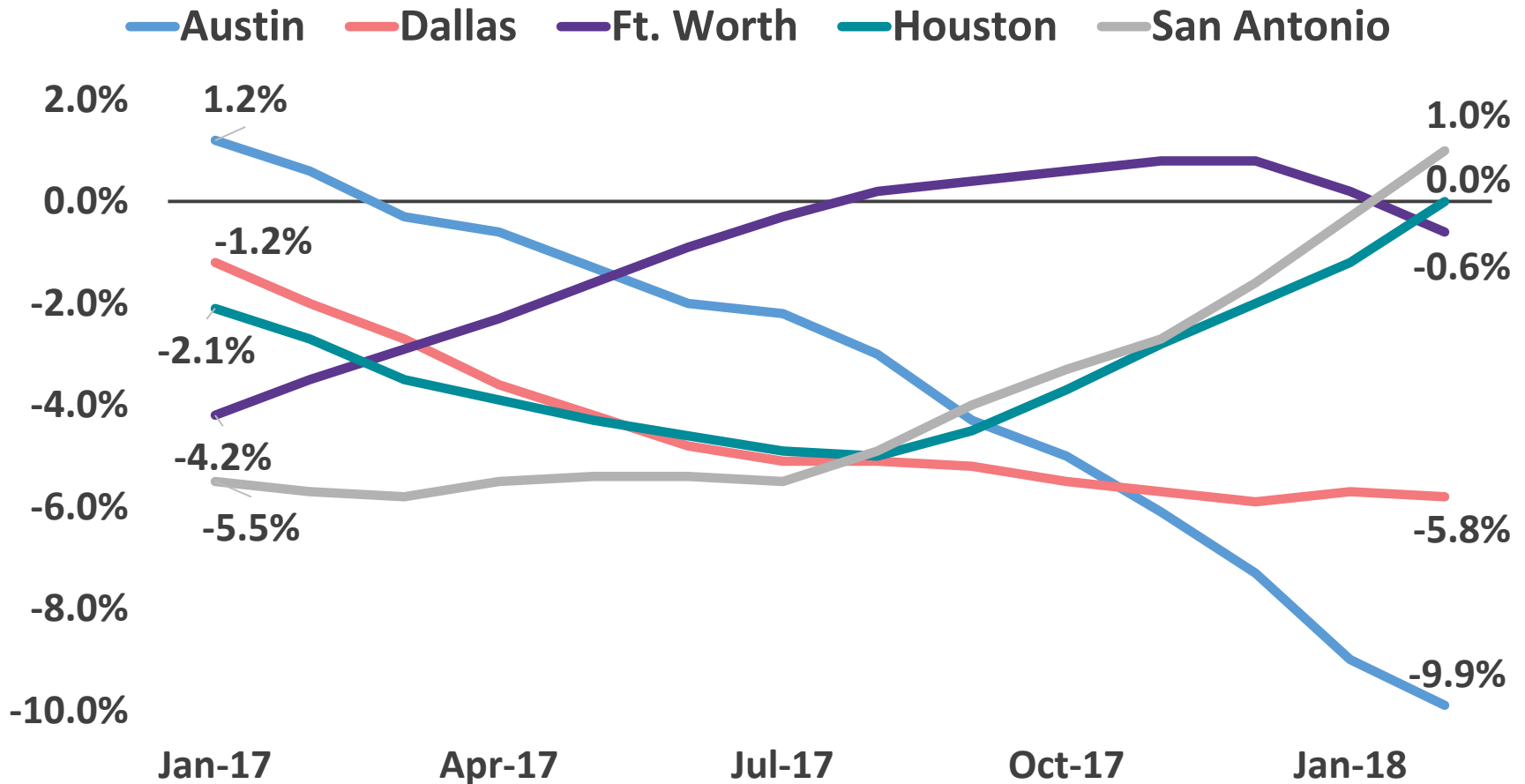
Note: Performance data includes all open & operating facilities, including those in lease-up.

1. Year-over-Year % Change NRSF Available
2. Year-over-Year % Change NRSF Rented

Data as of February 2018

Austin experiencing greatest occupancy declines

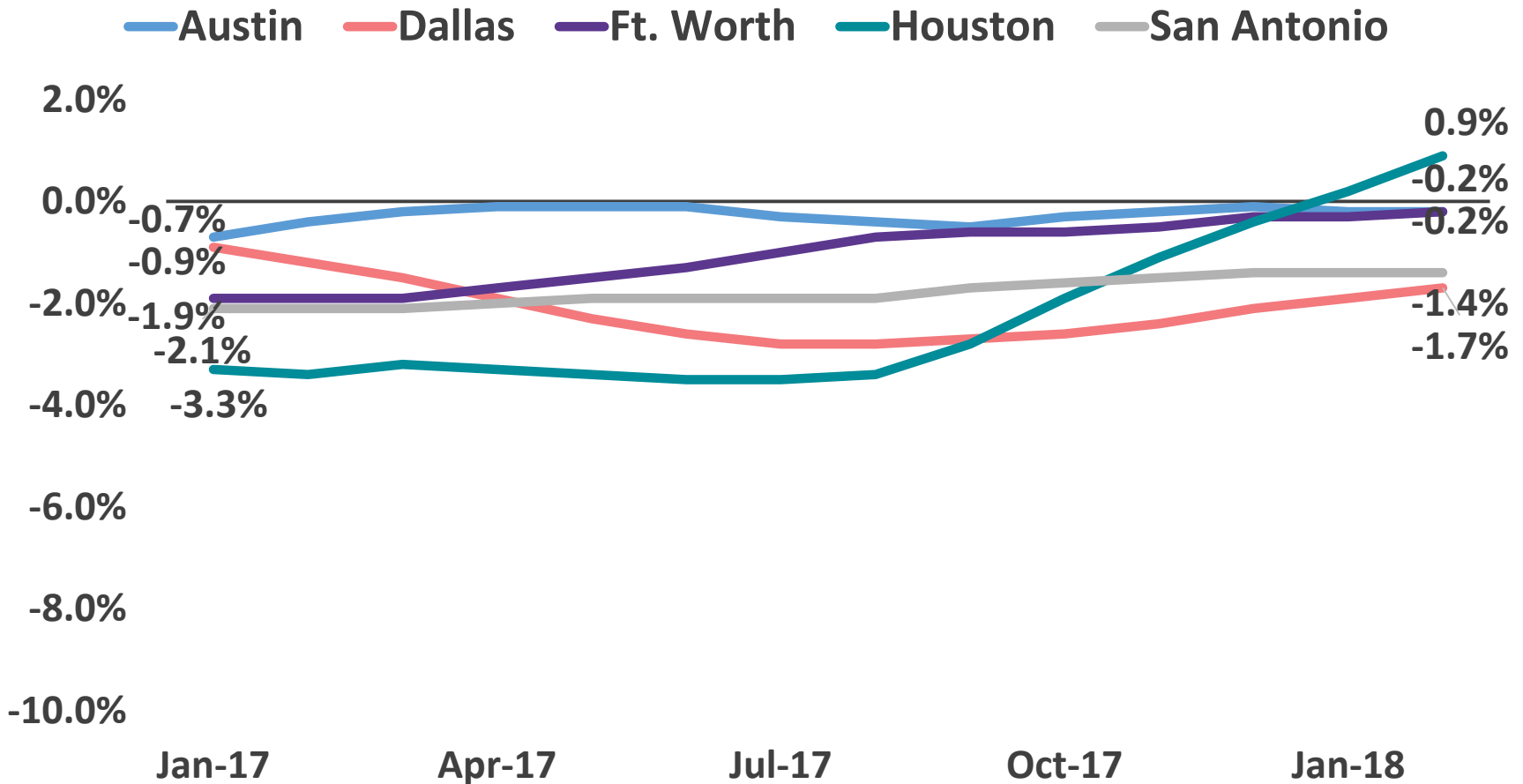
Full Sample square foot occupancy growth
February 2018, 12MMA YOY % Change



Note: Performance data includes all open & operating facilities, including those in lease-up
Data as of February 2018

Occupancy resilient in stabilized facilities

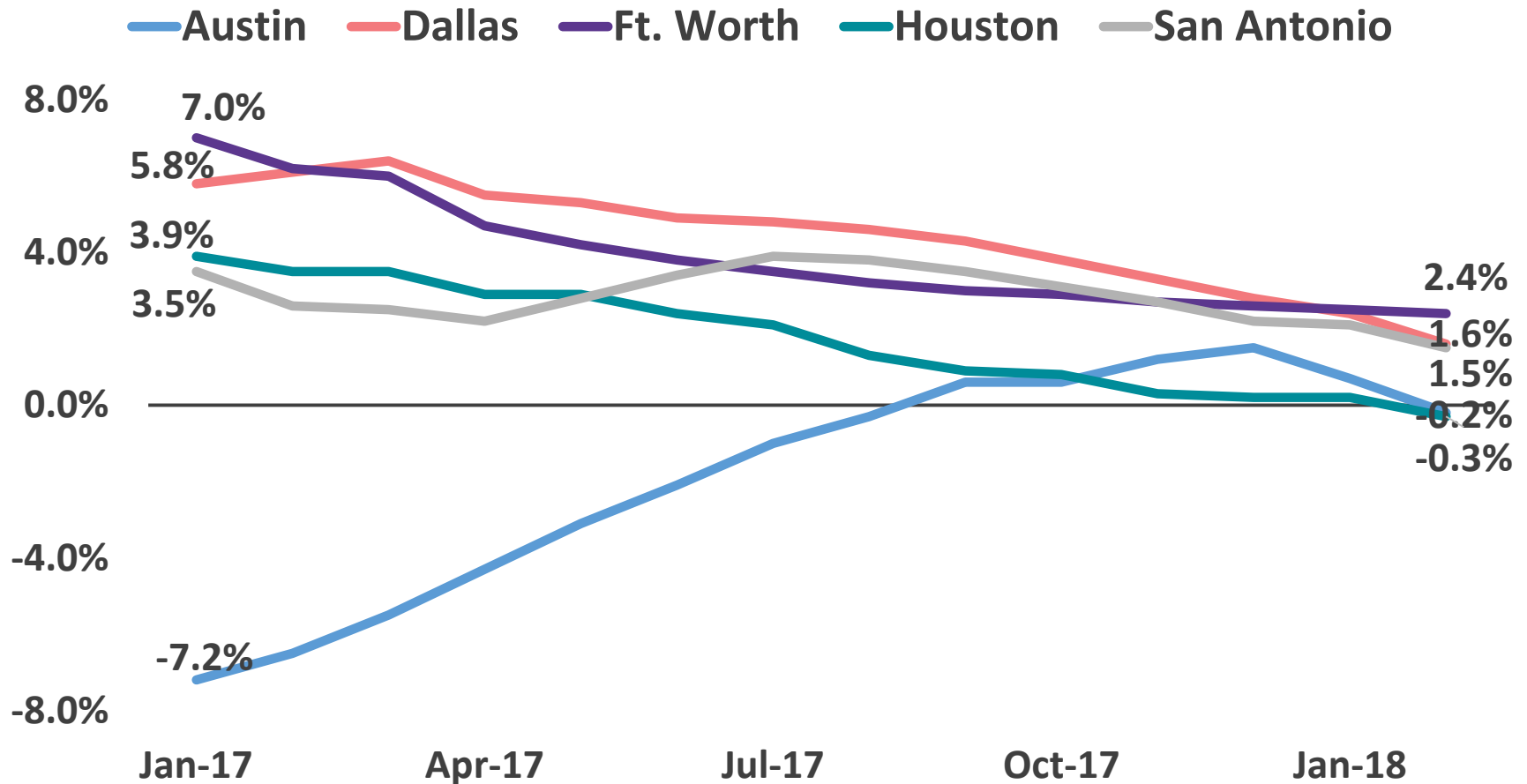
Stabilized square foot occupancy growth
February 2018, 12MMA YOY % Change



Note: Performance data includes only those facilities with >80% occupancy for 12 consecutive months
Data as of February 2018

Rates largely growing, excepting Austin

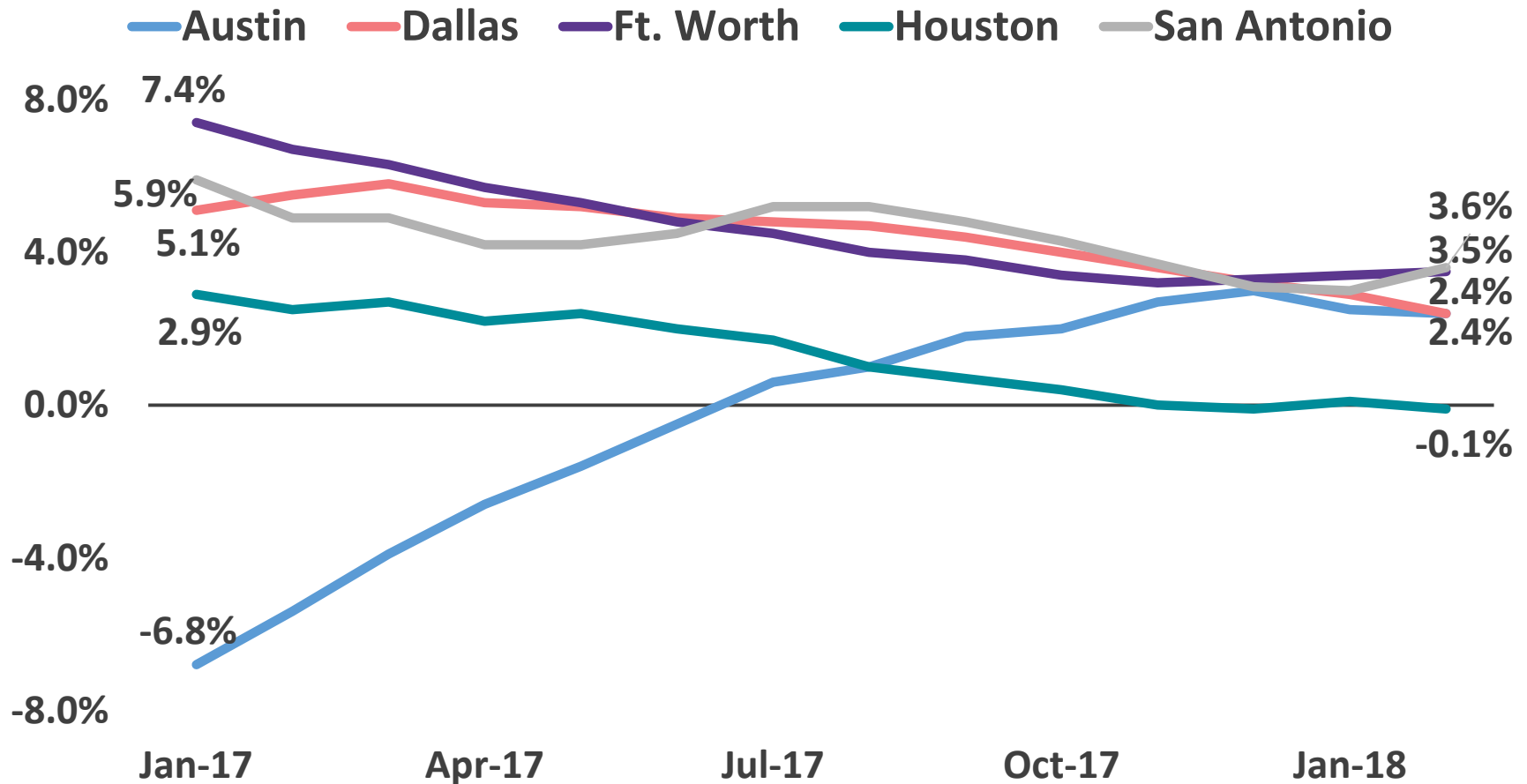
Full Sample square foot rate growth
February 2018, 12MMA YOY % Change



Note: Performance data includes all open & operating facilities, including those in lease-up
Data as of February 2018

Rate growth becoming in line across major markets

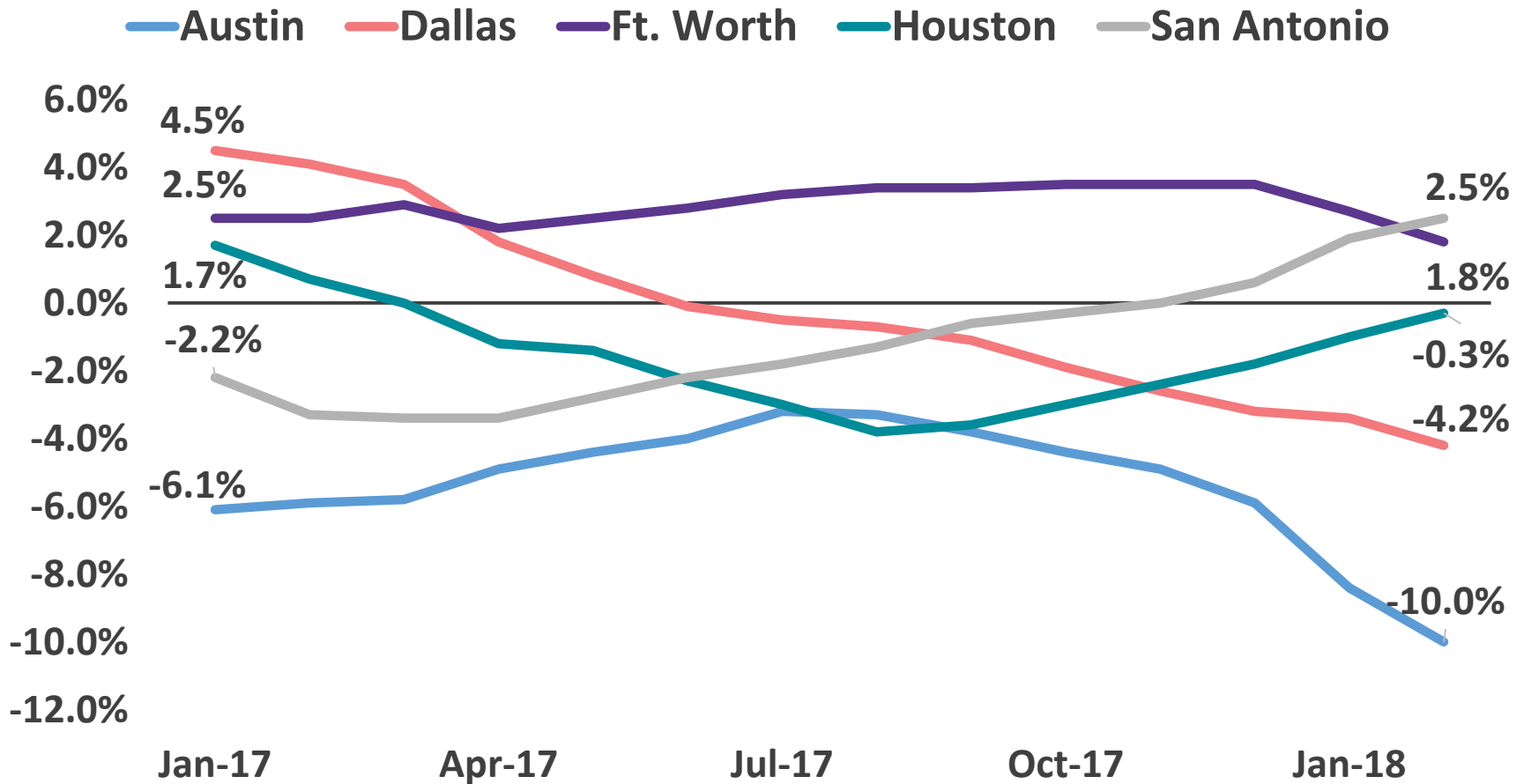
Stabilized square foot rate growth
February 2018, 12MMA YOY % Change



Note: Performance data includes only those facilities with >80% occupancy for 12 consecutive months
Data as of February 2018

Yield growth impacted by occupancy

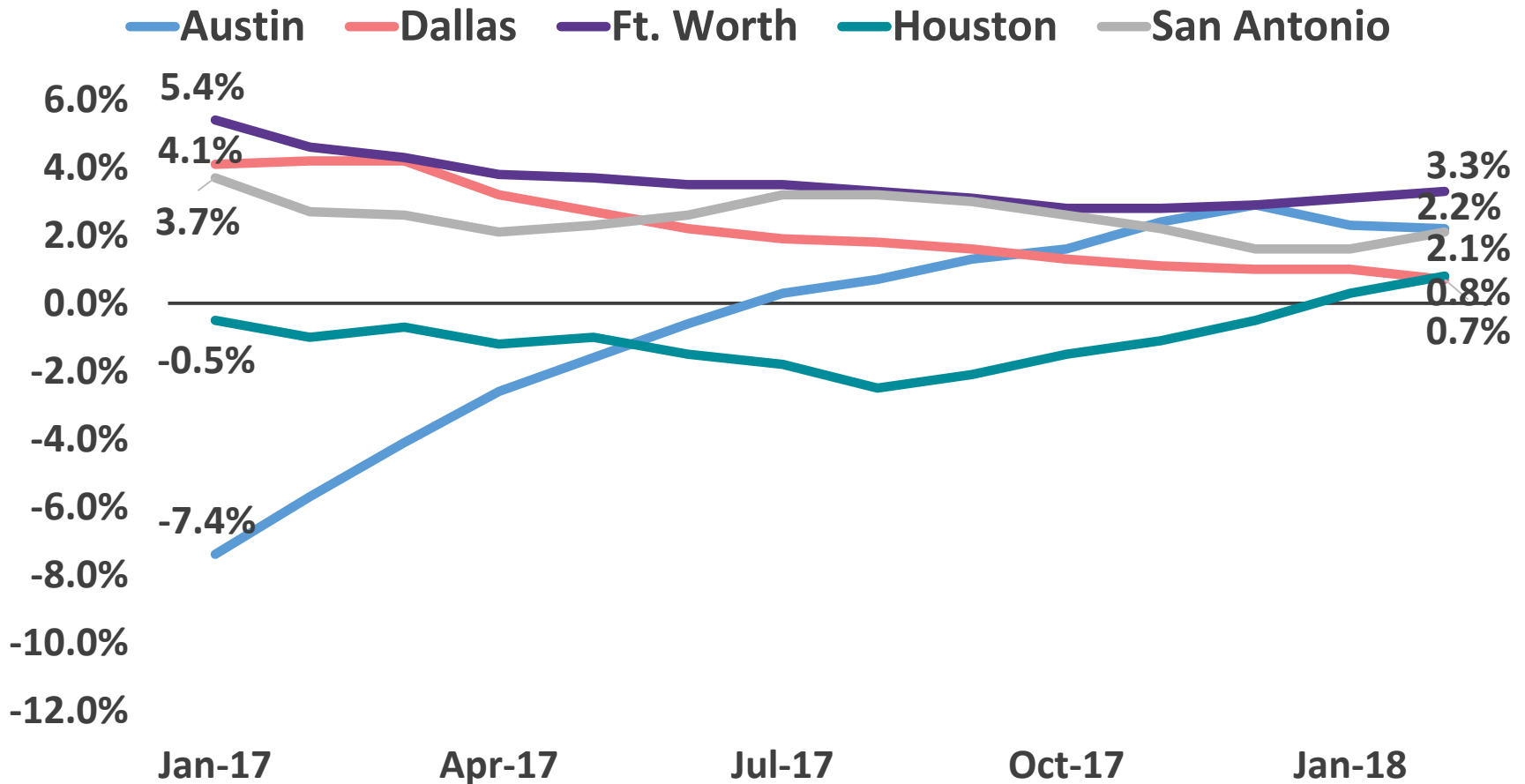
Full Sample square foot yield growth
February 2018, 12MMA YOY % Change



Note: Performance data includes all open & operating facilities, including those in lease-up
Data as of February 2018

Yield growth becoming in line across major markets

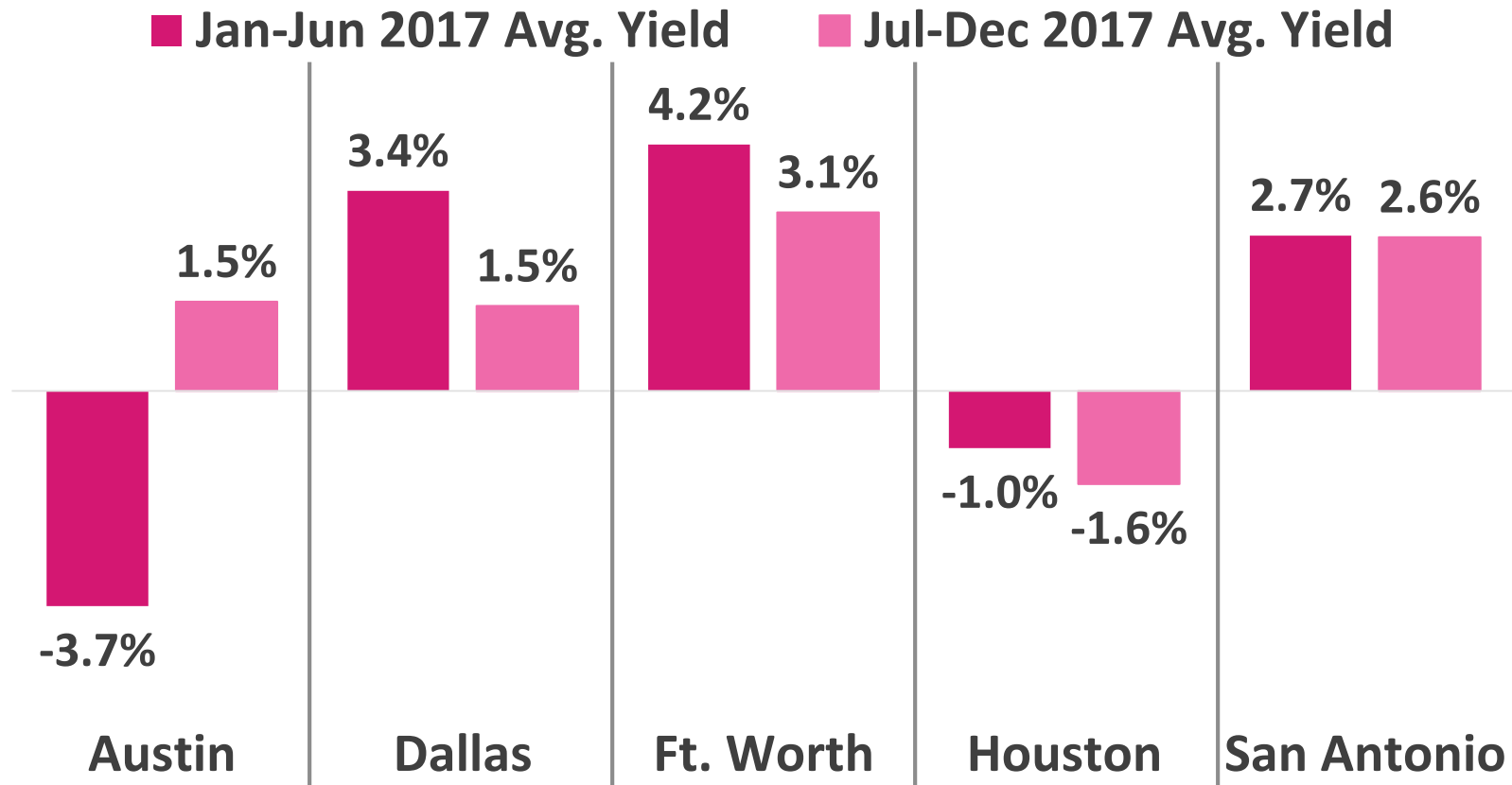
Stabilized square foot yield growth
February 2018, 12MMA YOY % Change



Note: Performance data includes only those facilities with >80% occupancy for 12 consecutive months
Data as of February 2018

Yield growth overall has decreased

Stabilized square foot yield growth
February 2018, 12MMA YOY % Change

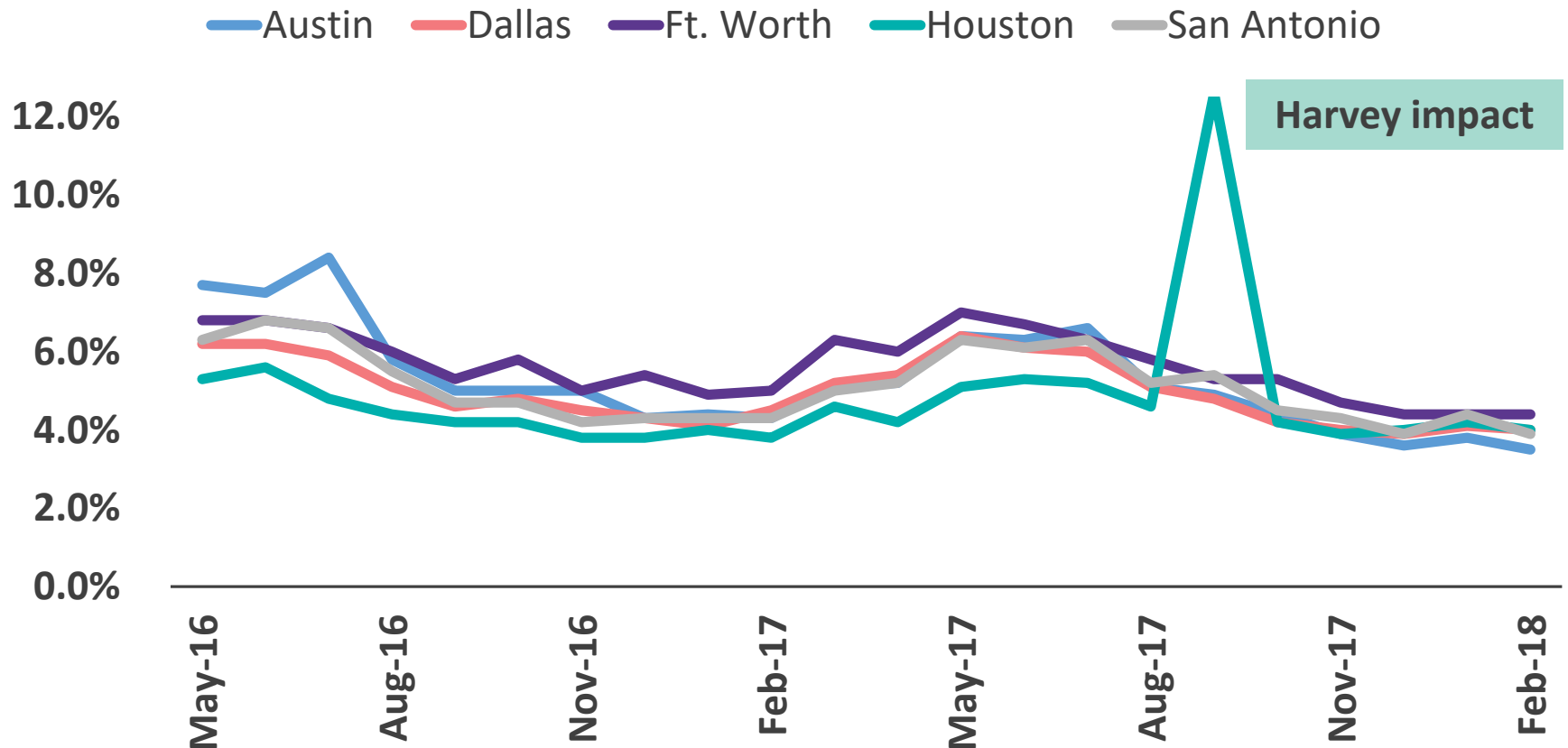


Note: Performance data includes only those facilities with >80% occupancy for 12 consecutive months

Move-ins relatively stable over time

Full Sample move-in volume

Monthly Move-ins as % of Units Available





Note: Performance data includes all open & operating facilities, including those in lease-up.

Storage is a local business, with each submarket having unique performance dynamics



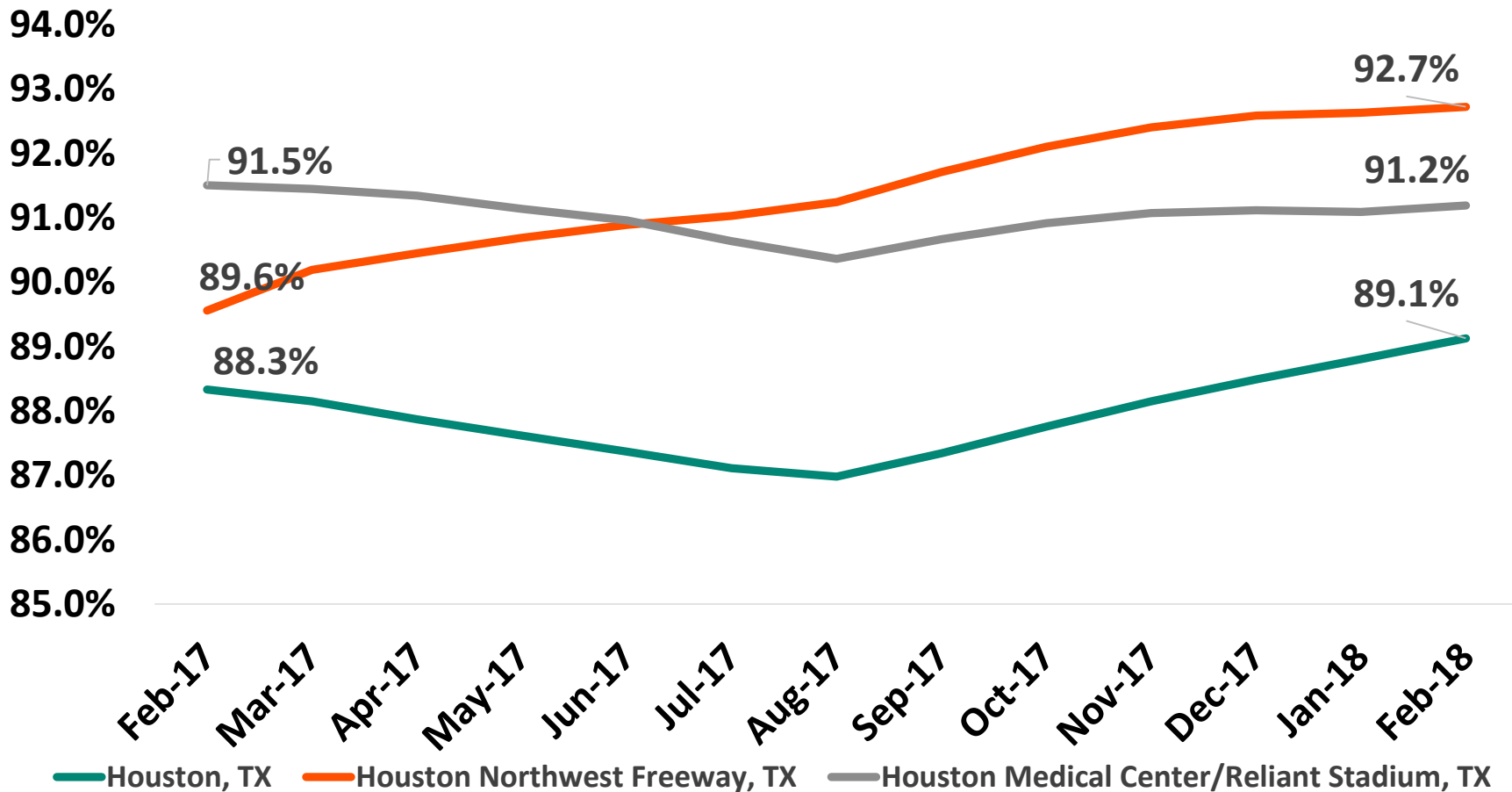
Legend

Submarket

-  Houston Medical Center/Reliant Stadium, TX
-  Houston Northwest Freeway, TX

Occupancy varies by submarket

Stabilized square foot occupancy
12MMA

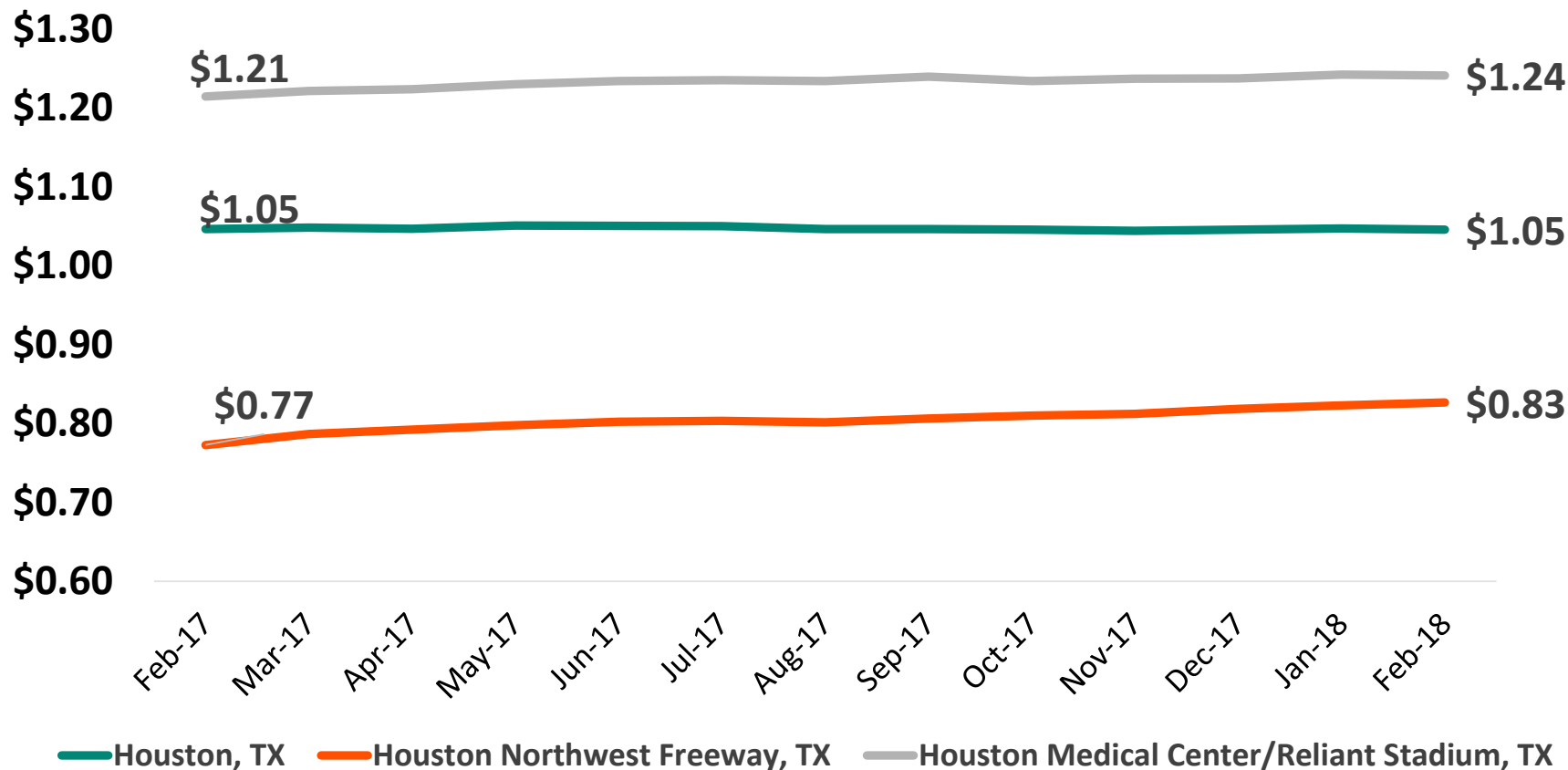


Note: Performance data includes only those facilities with >80% occupancy for 12 consecutive months
Data as of February 2018

Rates vary by submarket

Stabilized square foot rate

12MMA



Note: Performance data includes only those facilities with >80% occupancy for 12 consecutive months

Data as of February 2018

General trends in the major Texas markets



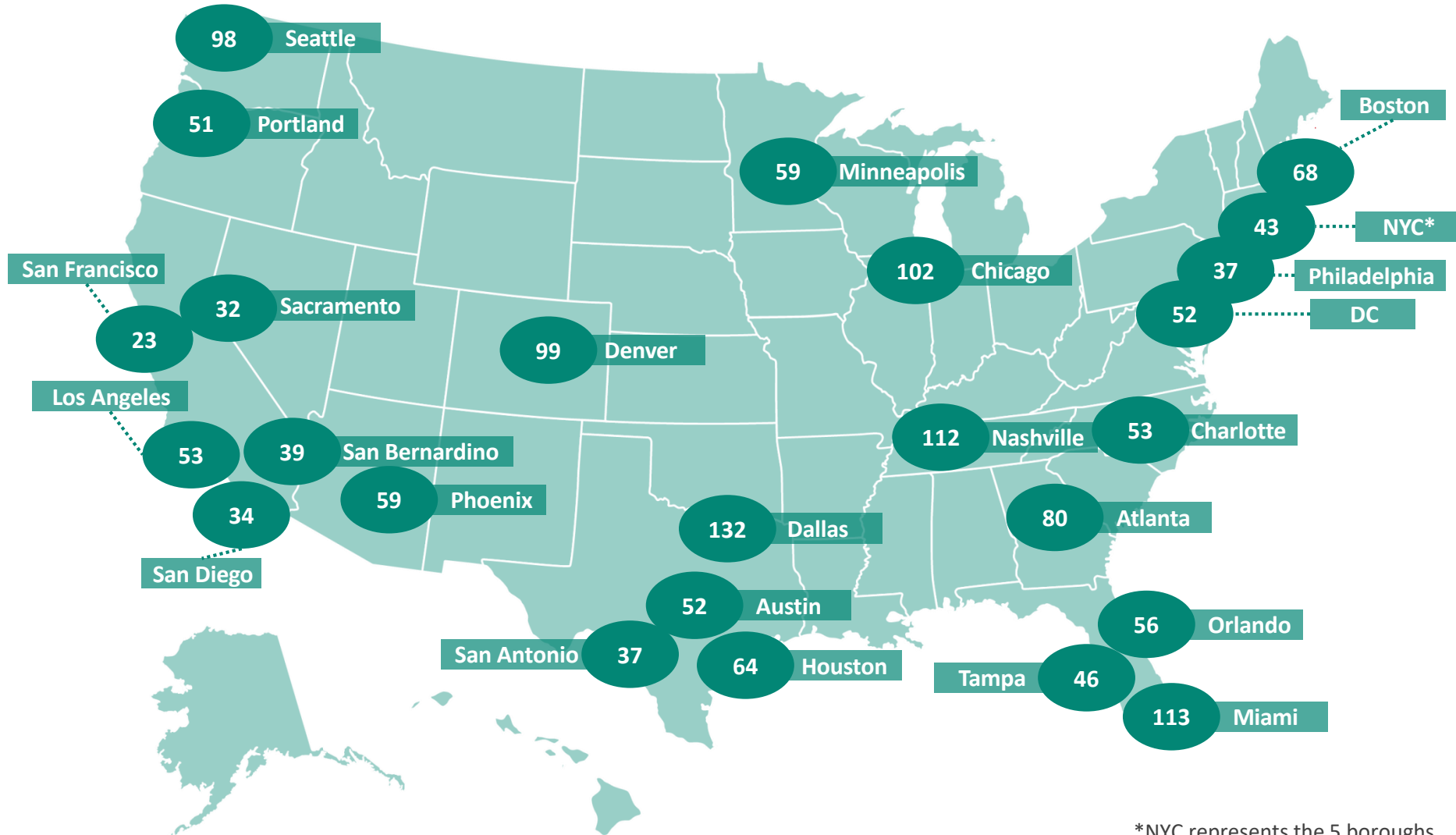
- ➡ Supply & demand growth both slowing
- ➡ Occupancies largely declining but at a decelerating pace
- ➡ Rates largely growing but at a decelerating pace
- ➡ Yield trends are market dependent



New Supply & Development Activity

1,594 development projects in Top 25 MSAs

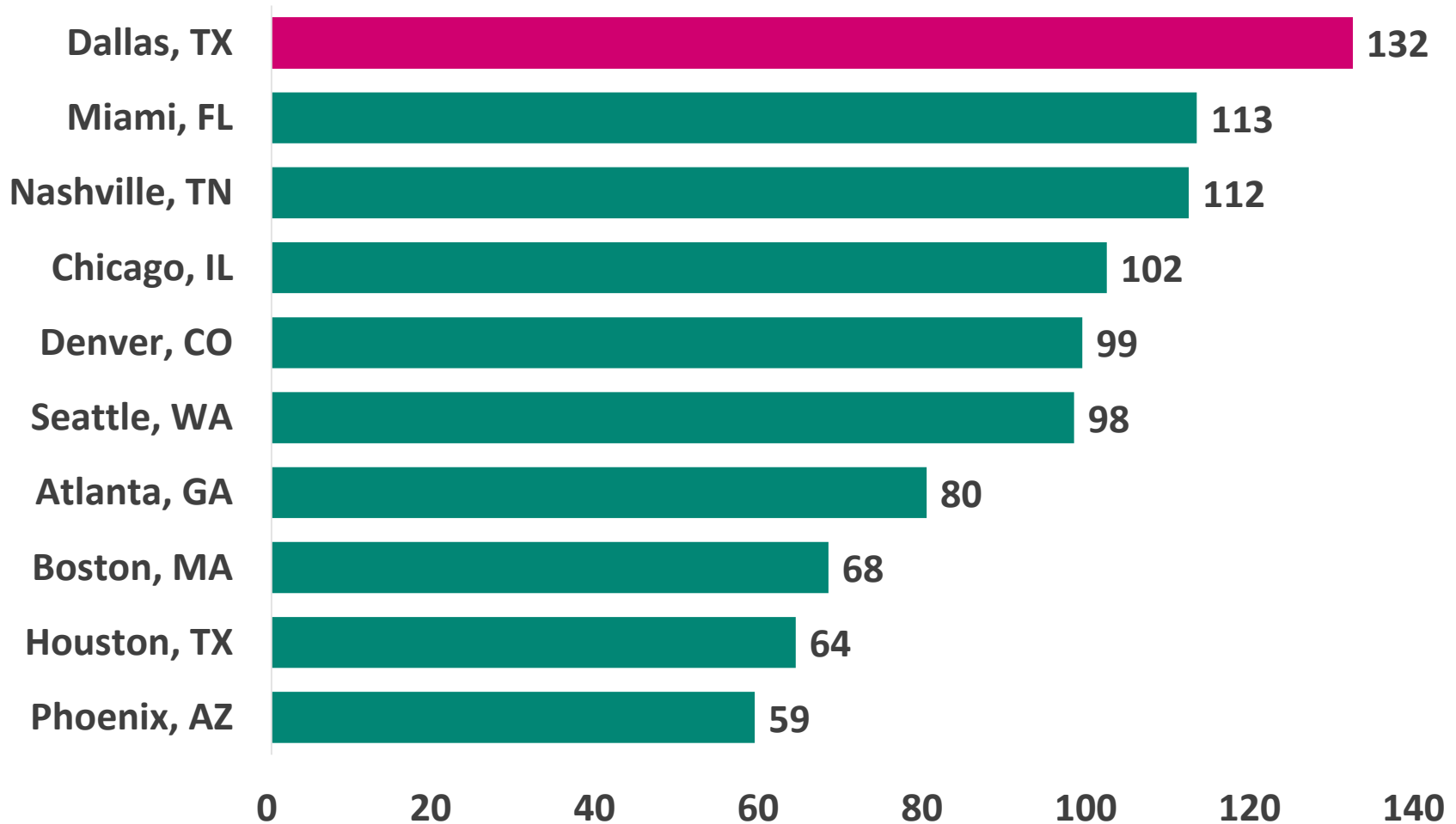
Pipeline projects¹



*NYC represents the 5 boroughs

Dallas has the largest pipeline of the Top 25 MSAs

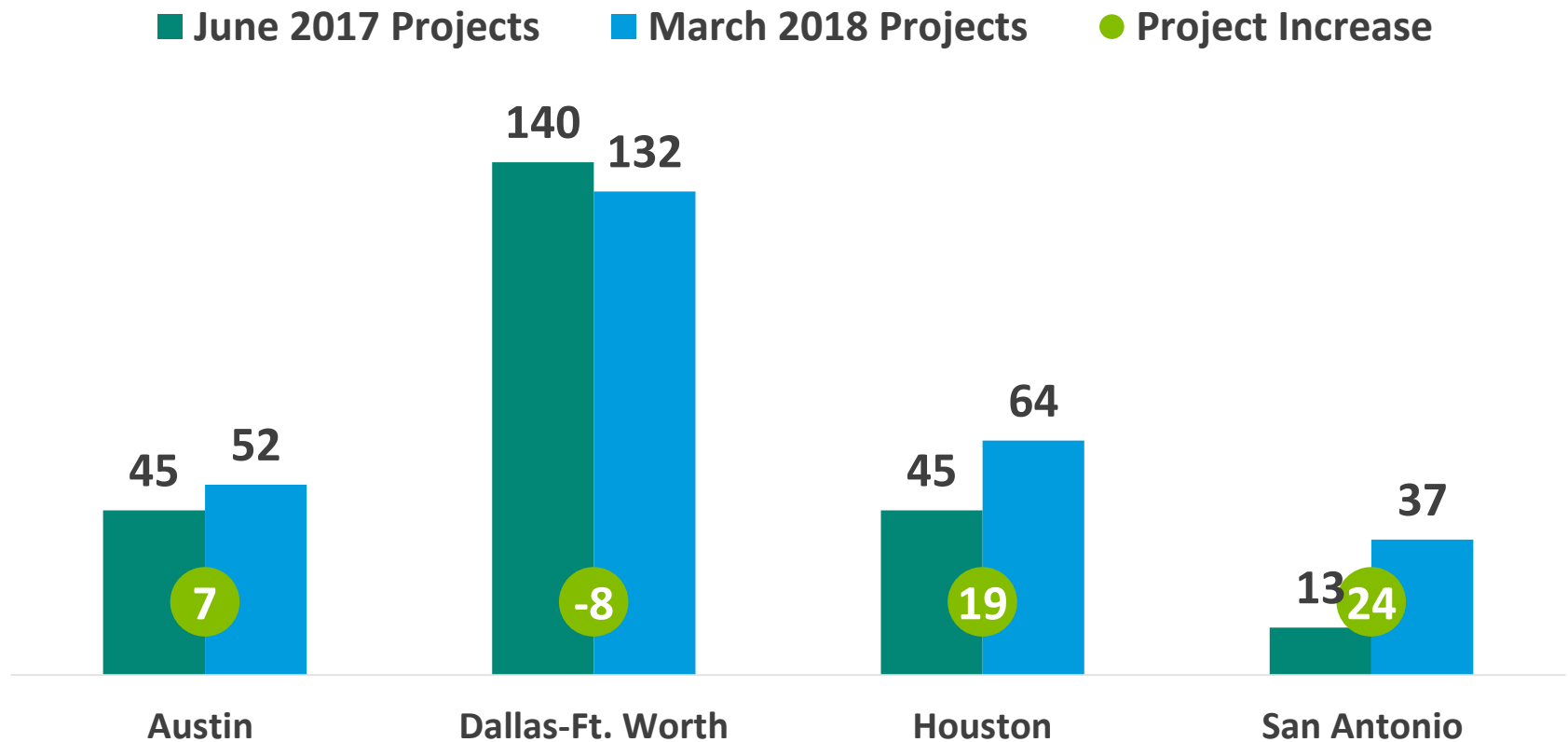
Pipeline projects¹ by MSA



¹Pipeline project phases include: Expansion, Renovation, Deferred, Unconfirmed, Planning, Final Planning, and In Construction
Data as of March 2018

Pipeline largely continues to increase

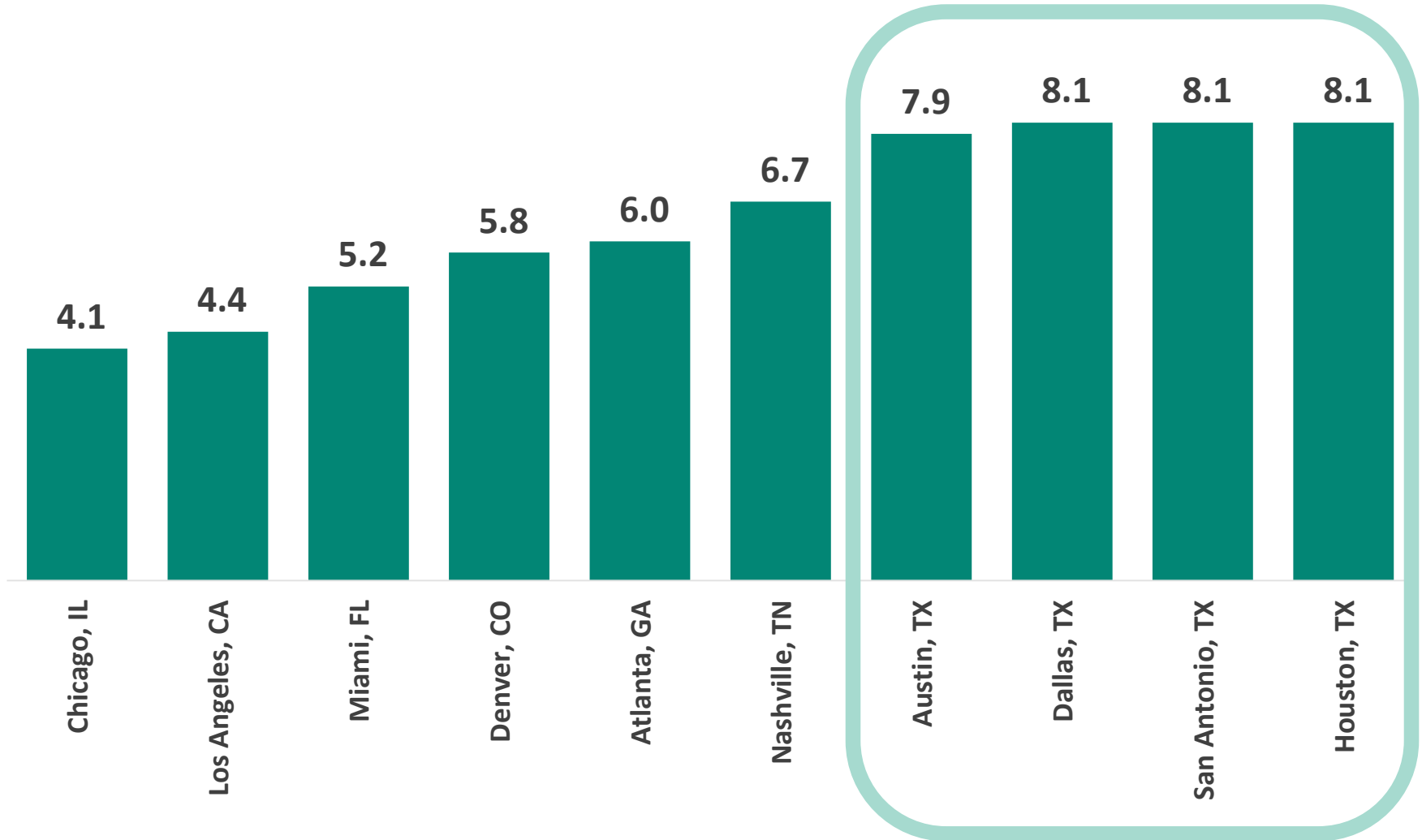
Pipeline projects¹ by MSA



¹Pipeline project phases include: Expansion, Renovation, Deferred, Unconfirmed, Planning, Final Planning, and In Construction
Data as of March 2018

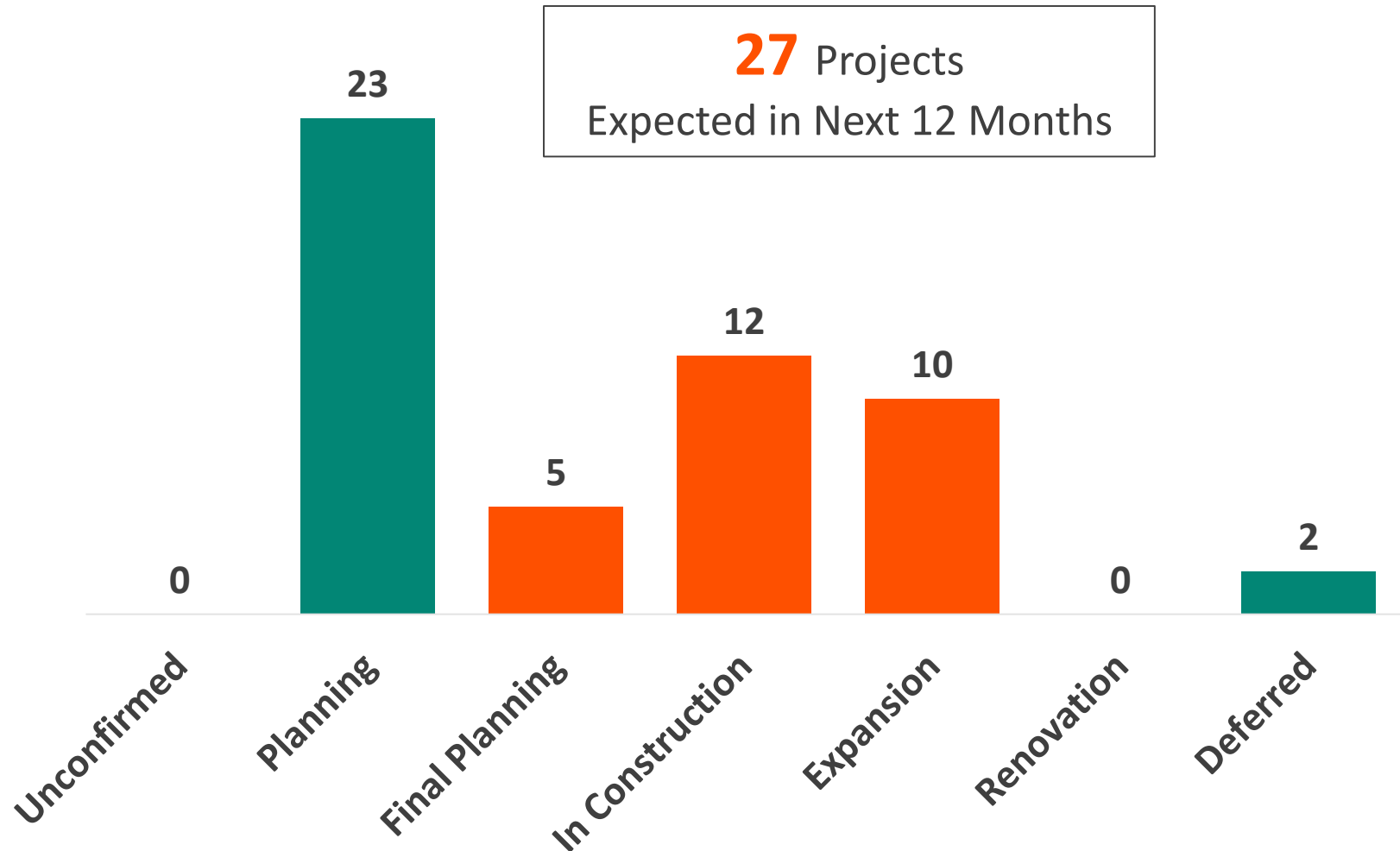
Texas markets have highest NRSF/capita

NRFS/Capita in select MSAs



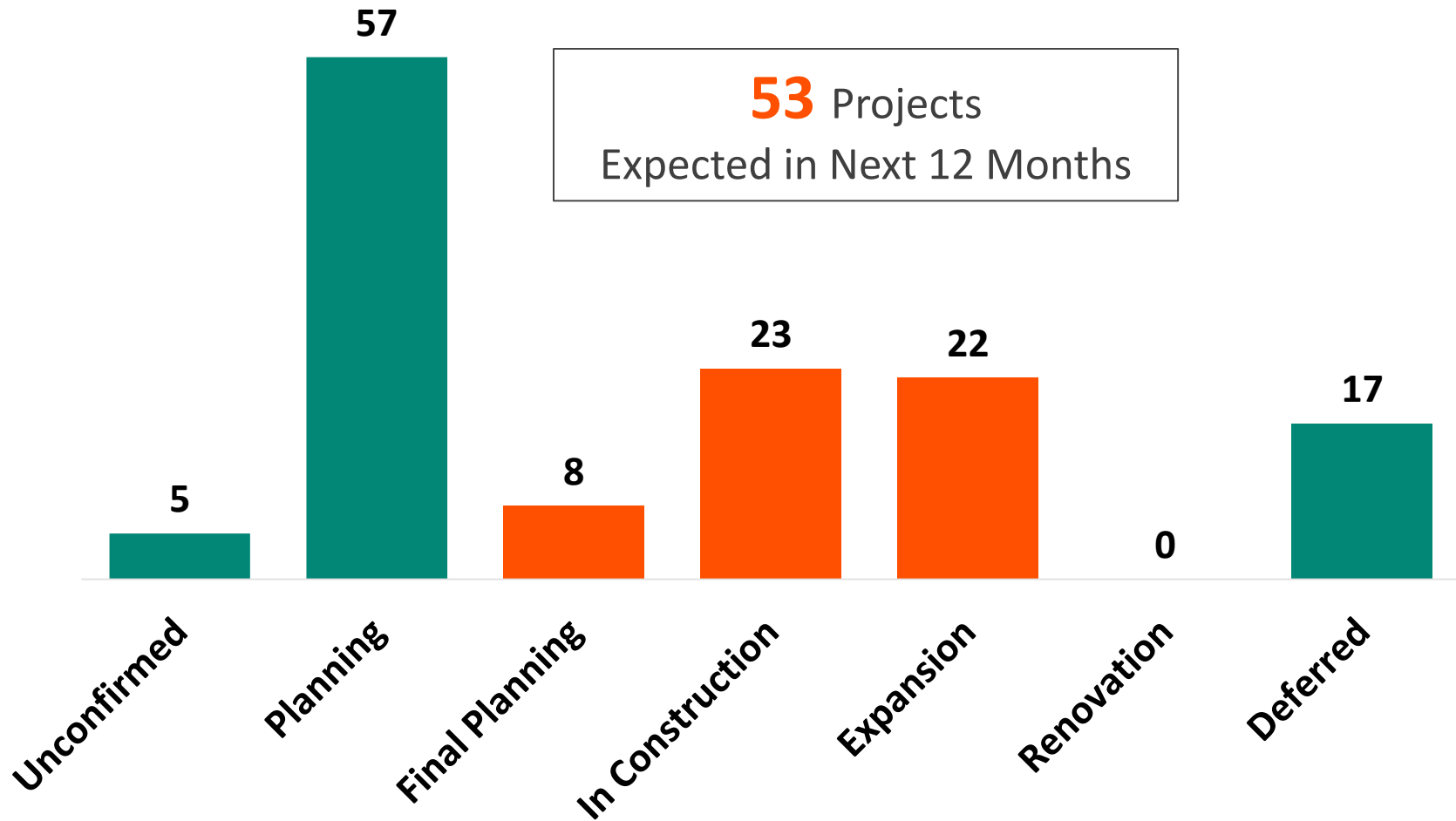
Austin projects concentrated in Planning

of projects in each development phase



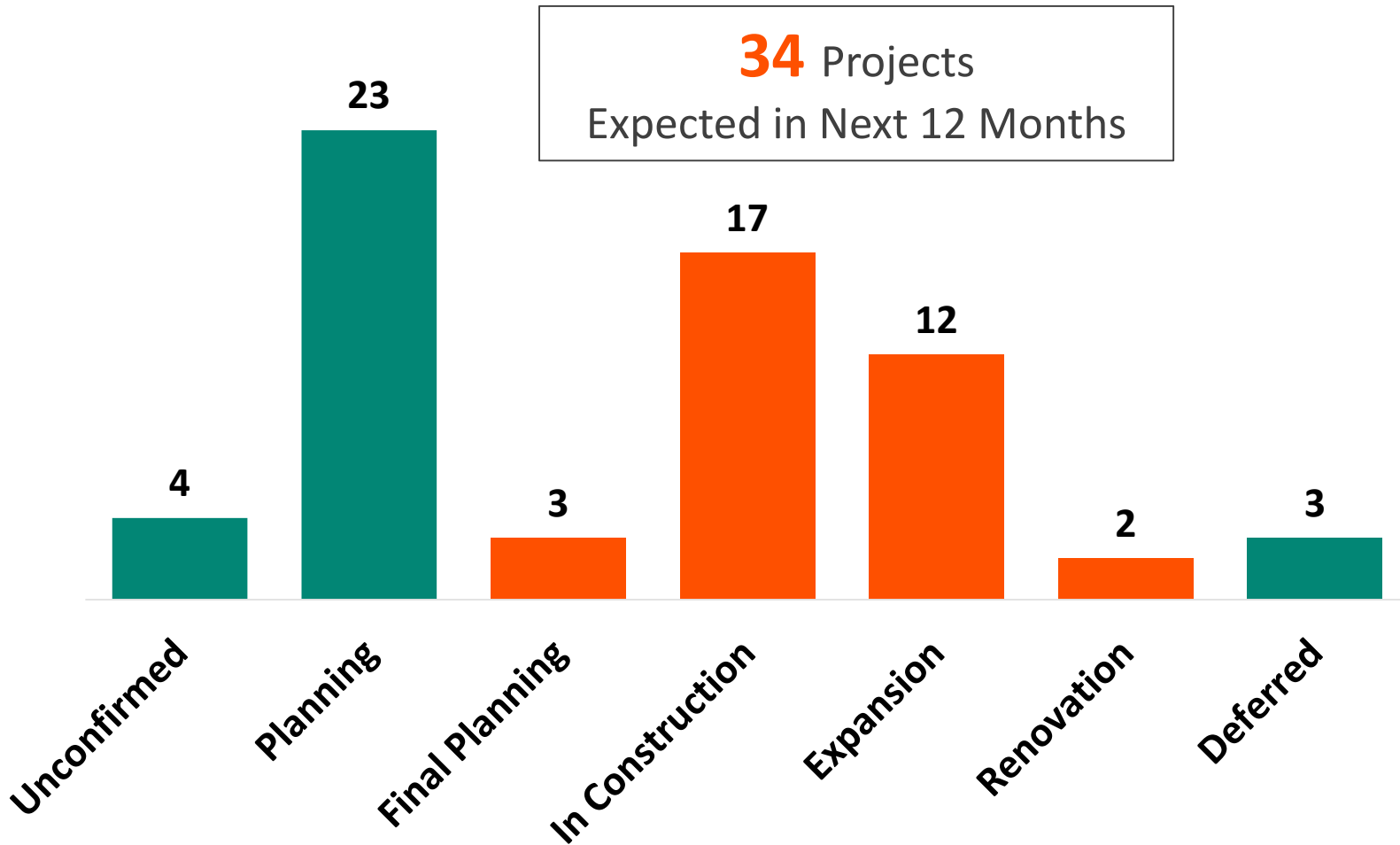
Dallas-Ft. Worth projects concentrated in Planning

of projects in each development phase



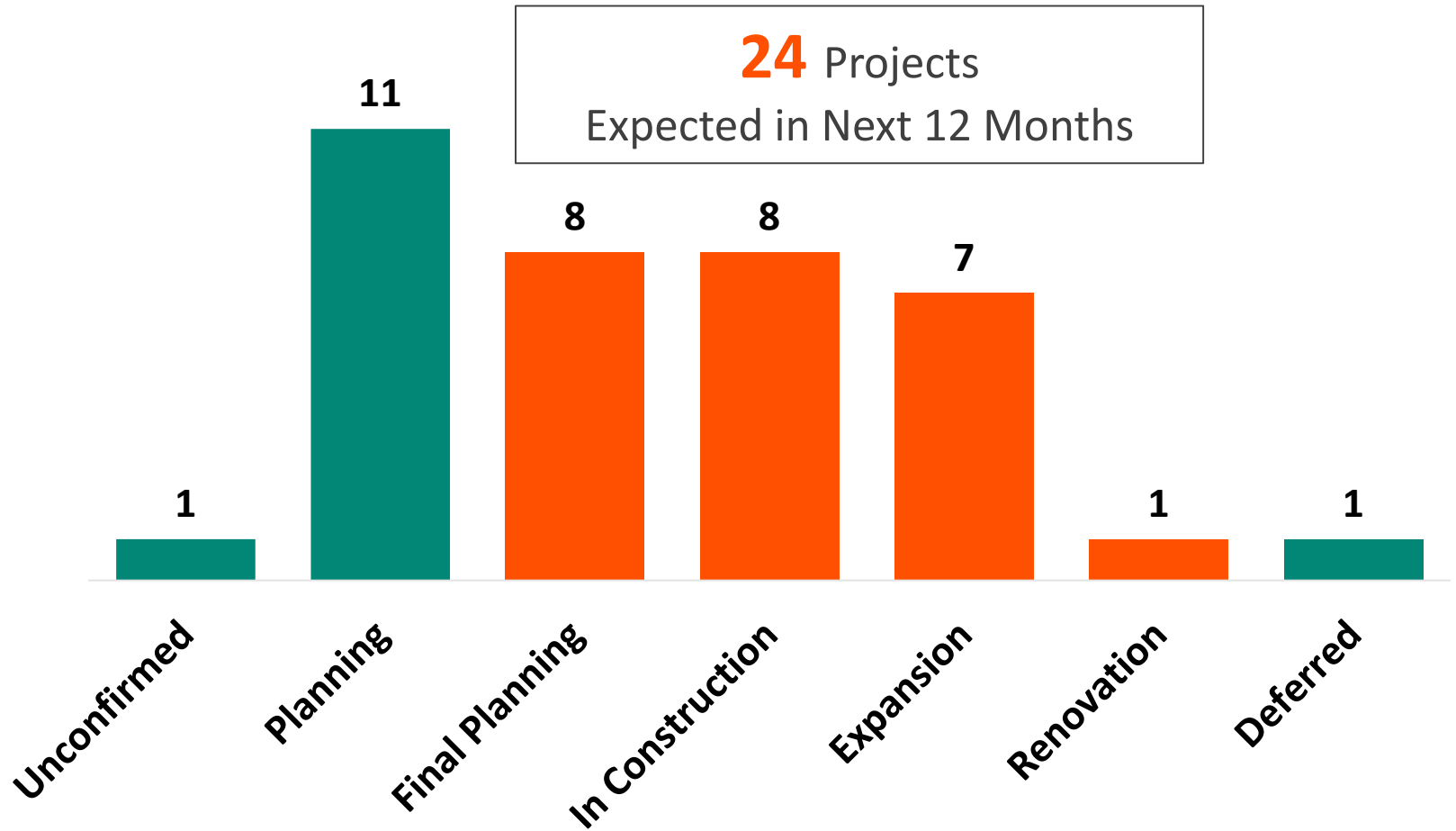
Houston projects concentrated in Planning

of projects in each development phase



San Antonio projects concentrated in Planning

of projects in each development phase

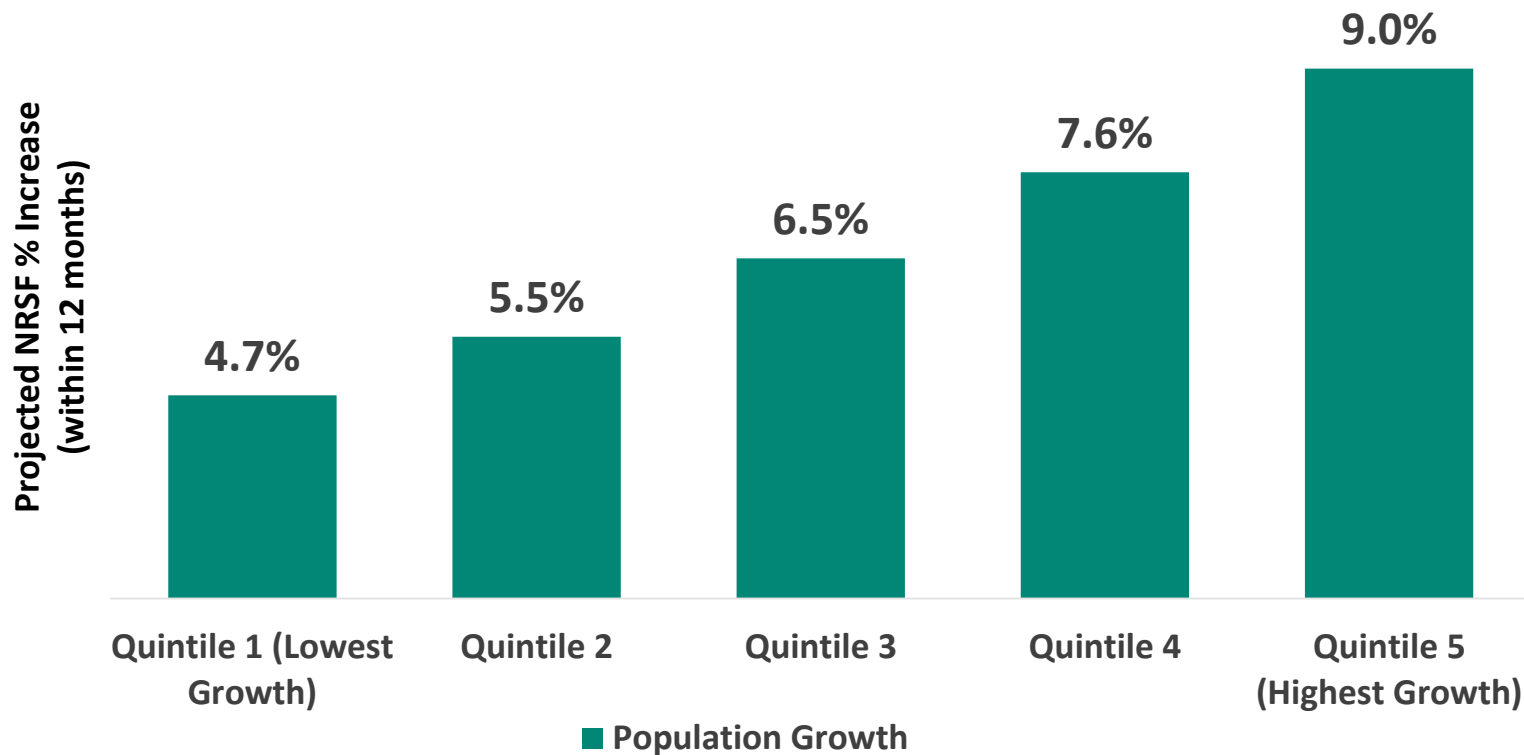




Unique Data Views

Supply growth highest where population is growing

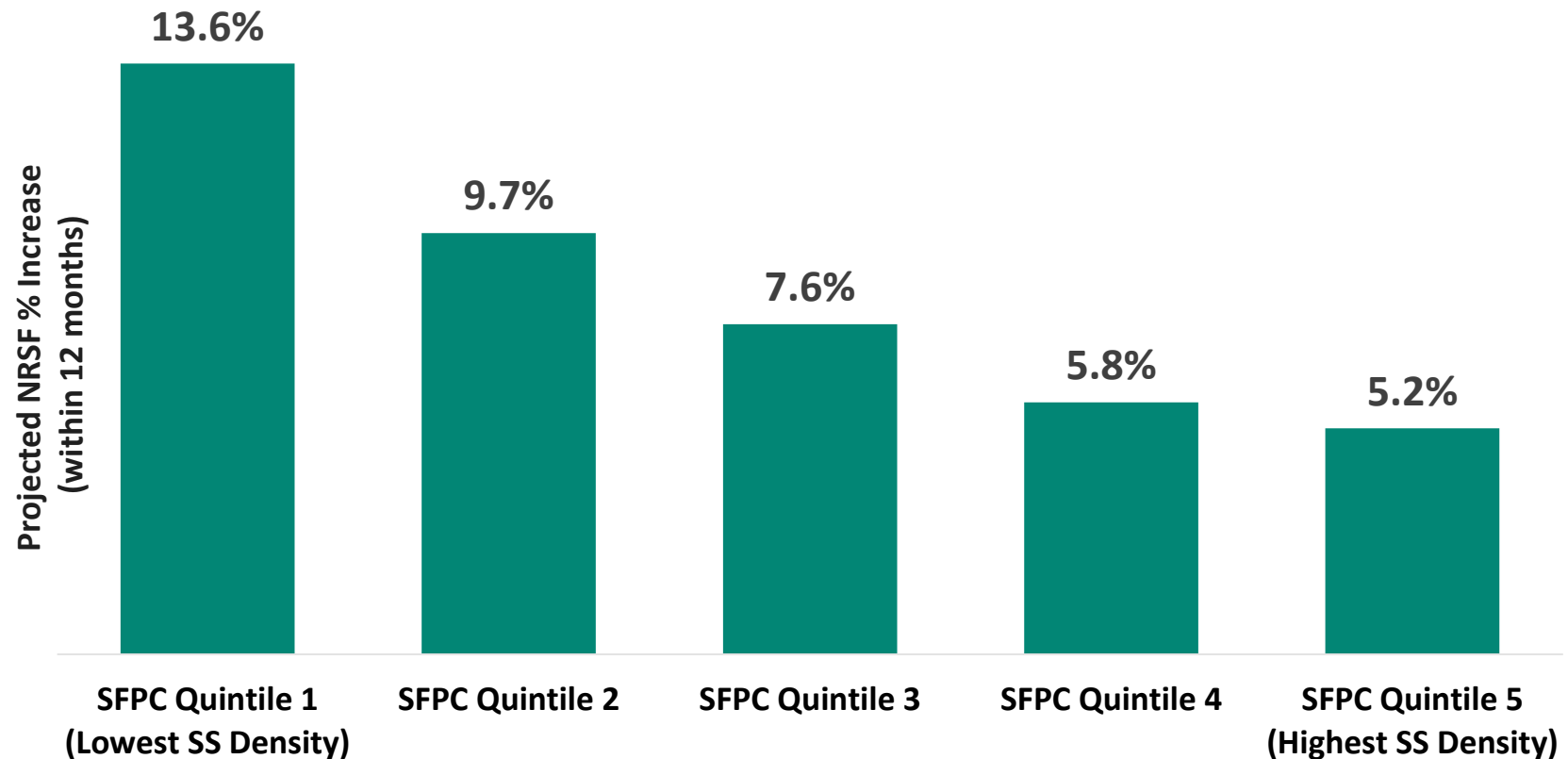
Zip codes with high population growth are projected to have the highest growth in supply over the next 12 months



*Population growth quintiles are calculated for the Top 56 MSAs tracked by STR based on data from US Census Bureau American Community Survey data at the zip code tabulation area (ZCTA) level from 2011 to 2016

Supply growth highest in areas with low NRSF/capita

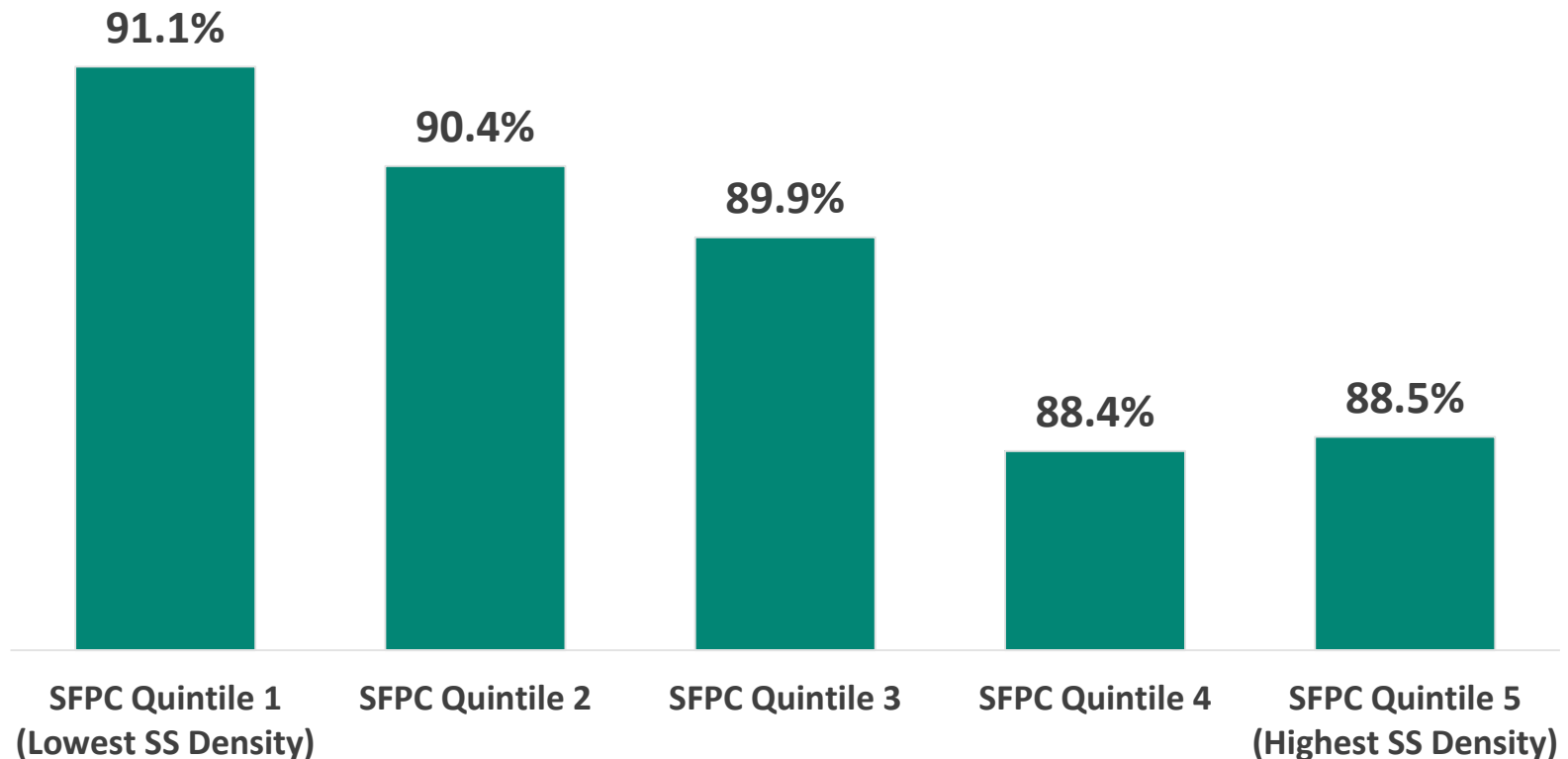
Zip codes with lowest NRSF/capita are projected to have the highest growth in supply over the next 12 months



*Square foot per capita quintiles are calculated for zip codes in the Top 56 MSAs that are tracked by STR. This calculation uses self storage square footage as of March 2018 and dividing by 2017 population figures from the US Census Bureau American Community Survey data at the zip code tabulation area (ZCTA) level

Square foot occupancy higher in areas with lower NRSF/capita

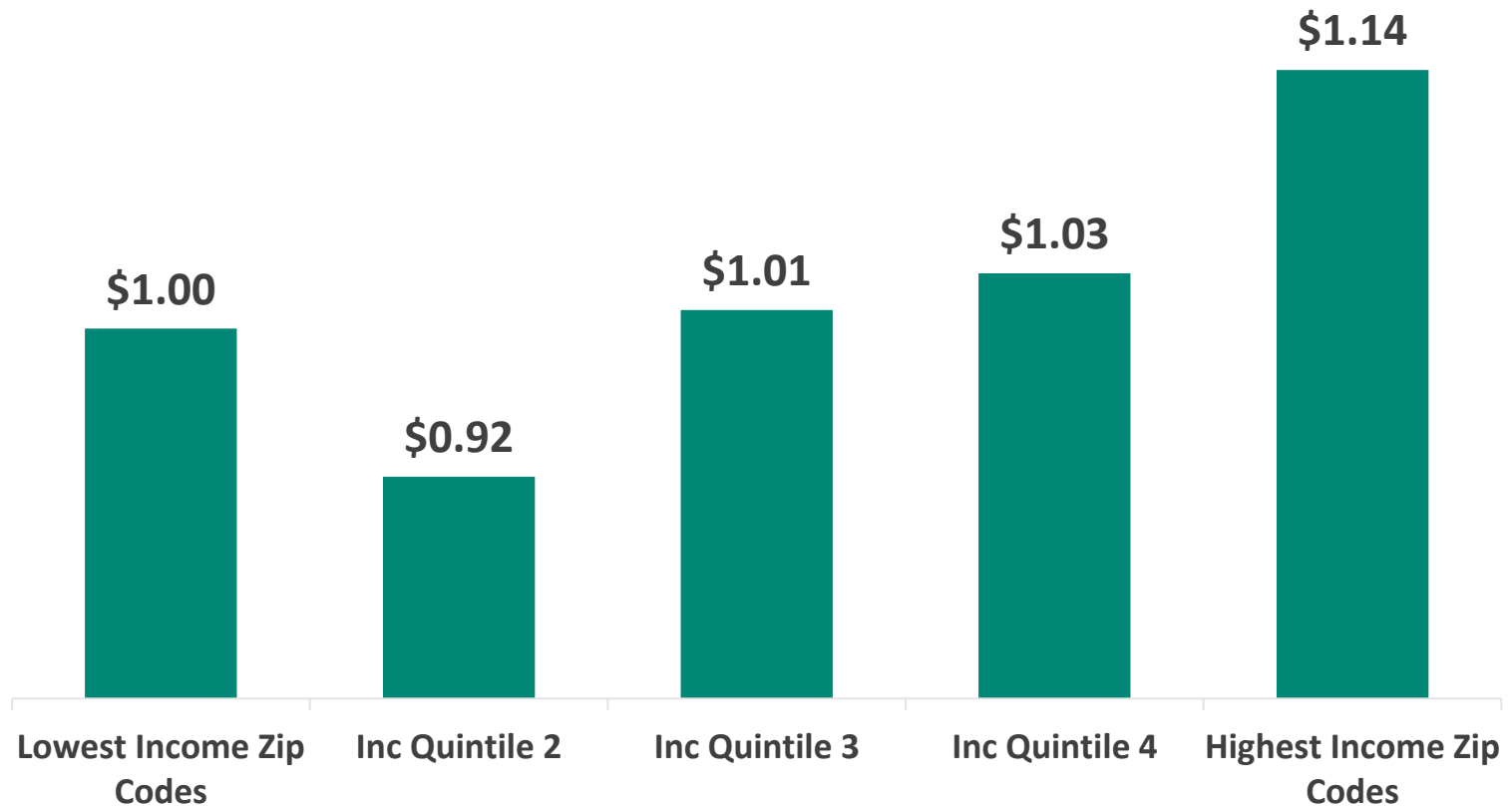
Stabilized NRSF occupancy, 12MMA



*Square foot per capita quintiles are calculated for zip codes in Texas in MSAs that are tracked by STR. This calculation uses self storage square footage as of March 2018 and dividing by 2017 population figures from the US Census Bureau American Community Survey data at the zip code tabulation area (ZCTA) level

NRSF rate higher in more affluent zip codes

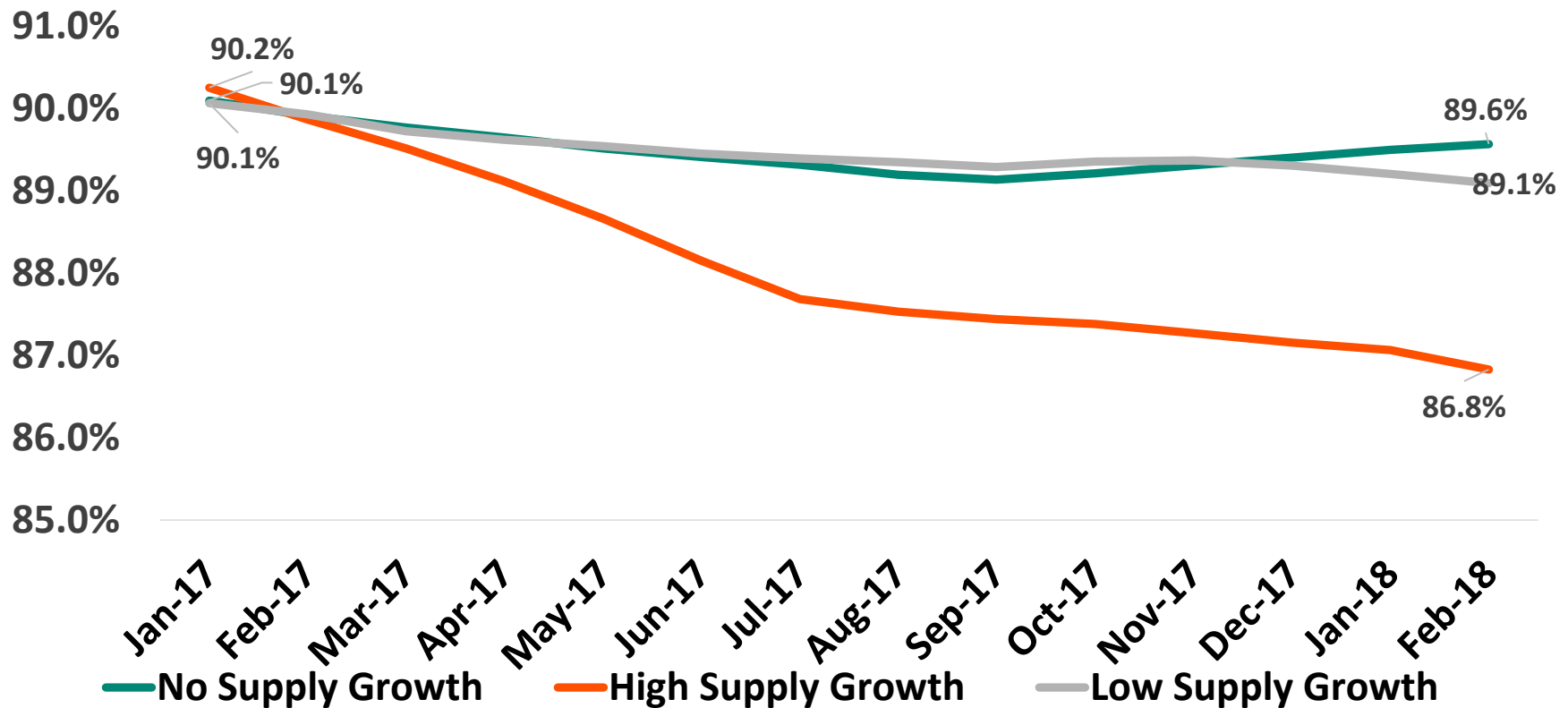
Stabilized NRSF rate, 12MMA



*Median Household Income quintiles are indexed for each zip code (Texas zip codes) based on their relative value to their respective CBSA's Median Household Income levels. Data is from US Census Bureau American Community Survey data at the zip code tabulation area (ZCTA) level for 2016.

Supply growth impacts market occupancy

Stabilized NRSF occupancy growth, 12MMA YOY % Change*

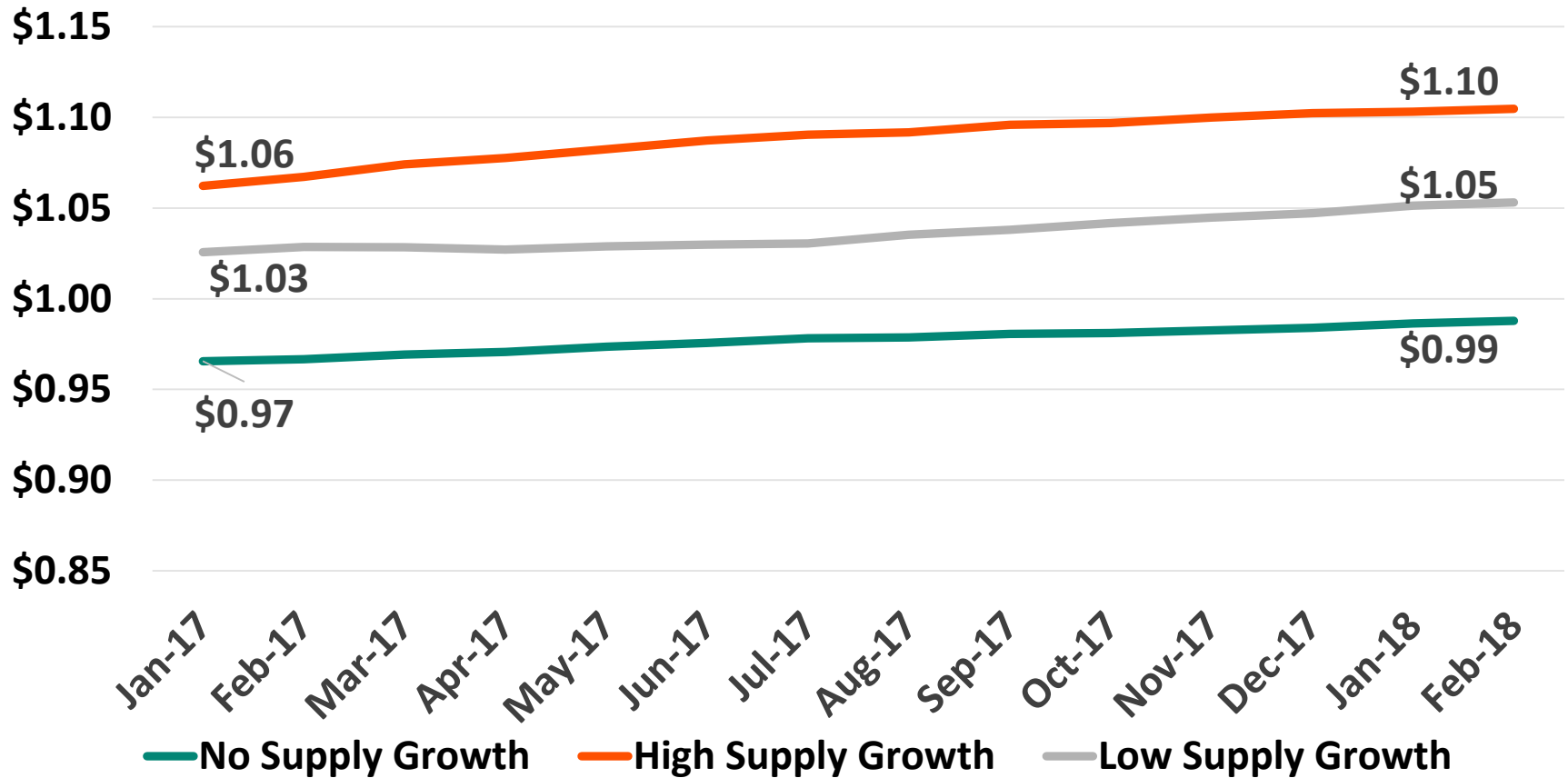


*High growth zip codes are defined as Texas zip codes that rank above the 50th percentile in NRSF growth from June 2017 to March 2018. Note: Performance data includes only those facilities with >80% occupancy for 12 consecutive months

Data as of February 2018

Supply growth greater in areas with higher rates

Stabilized NRSF rates, 12MMA



*High growth zip codes are defined as Texas zip codes that rank above the 50th percentile in NRSF growth from June 2017 to March 2018. Note: Performance data includes only those facilities with >80% occupancy for 12 consecutive months

Data as of February 2018



Any Questions?