



# 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

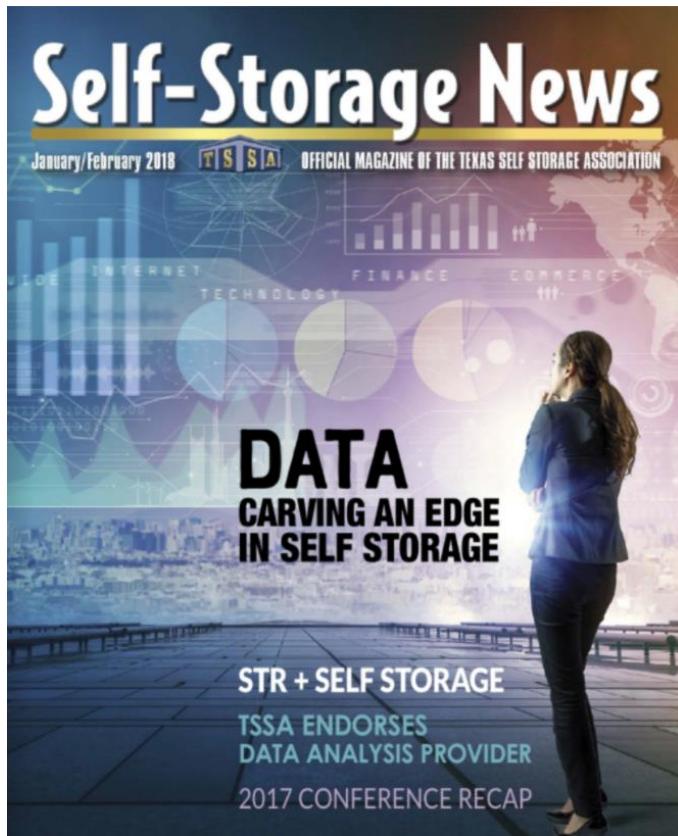
100%

Family  
Owned

1

Driving Force:  
Data Confidentiality!

# What is STR doing in storage?



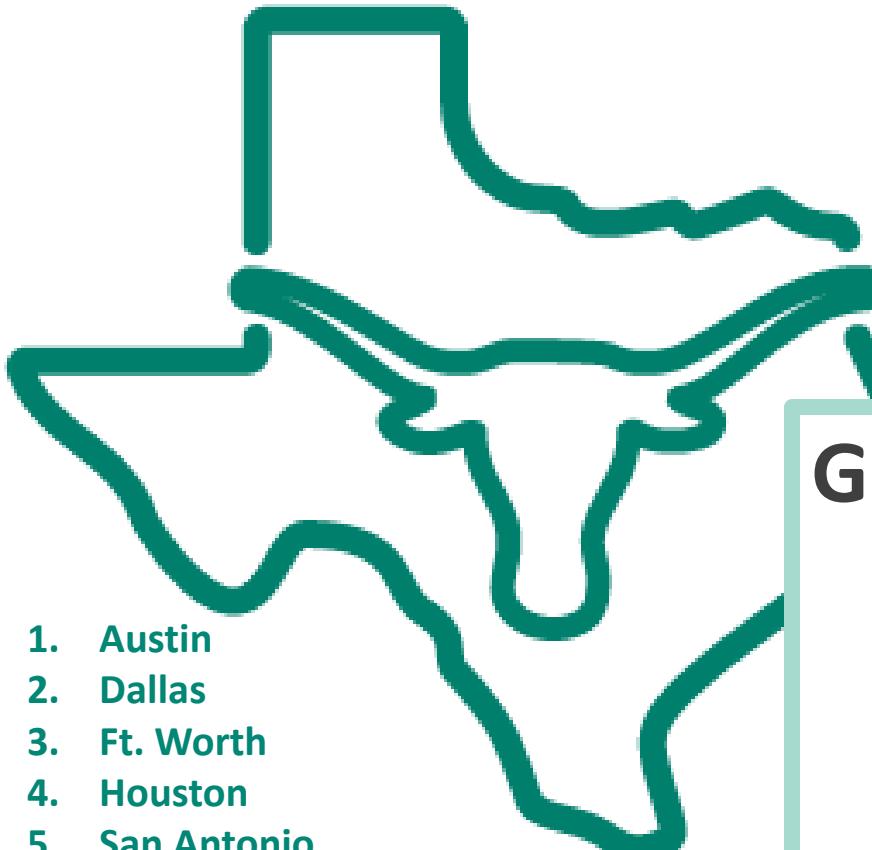
## TSSA Endorses STR as Data Analysis Provider

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:

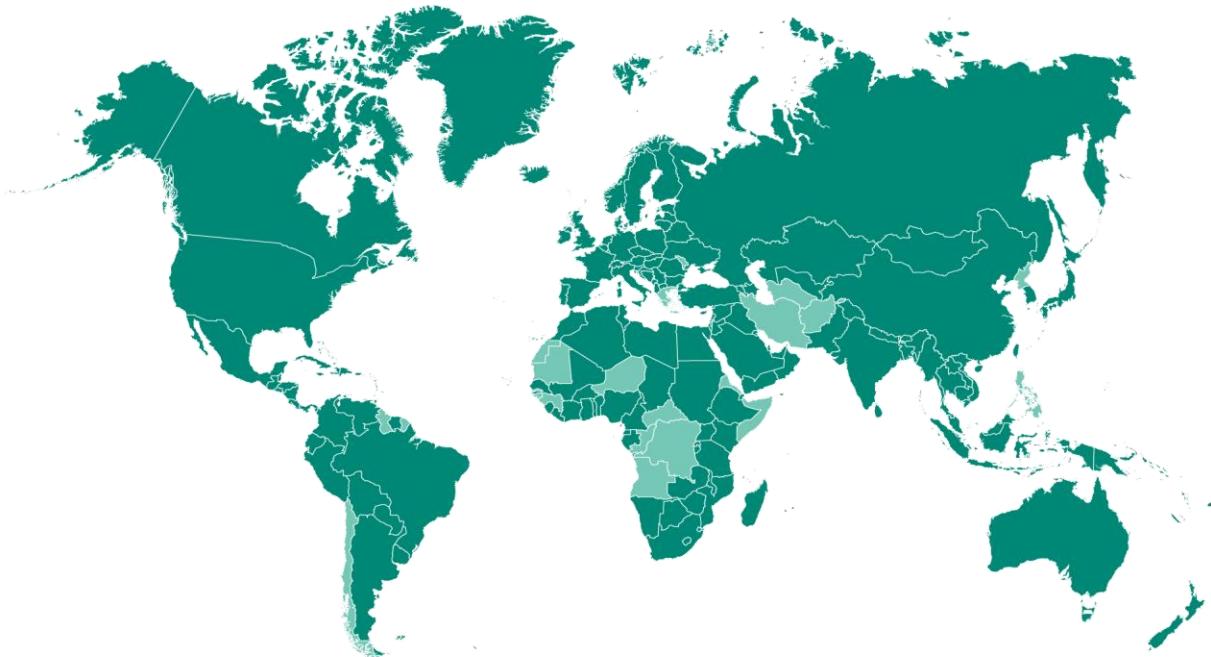


Maximize TX operator participation



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 collection methodology is best in class**

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



## 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



Rate



Yield

$$\frac{\text{NRSF Rented}}{\text{NRSF Available}} \quad \% \quad \$ \frac{\text{Rental Revenue}}{\text{NRSF Rented}}$$

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

Unit-based metrics also available

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



Occupancy



Rate



Yield

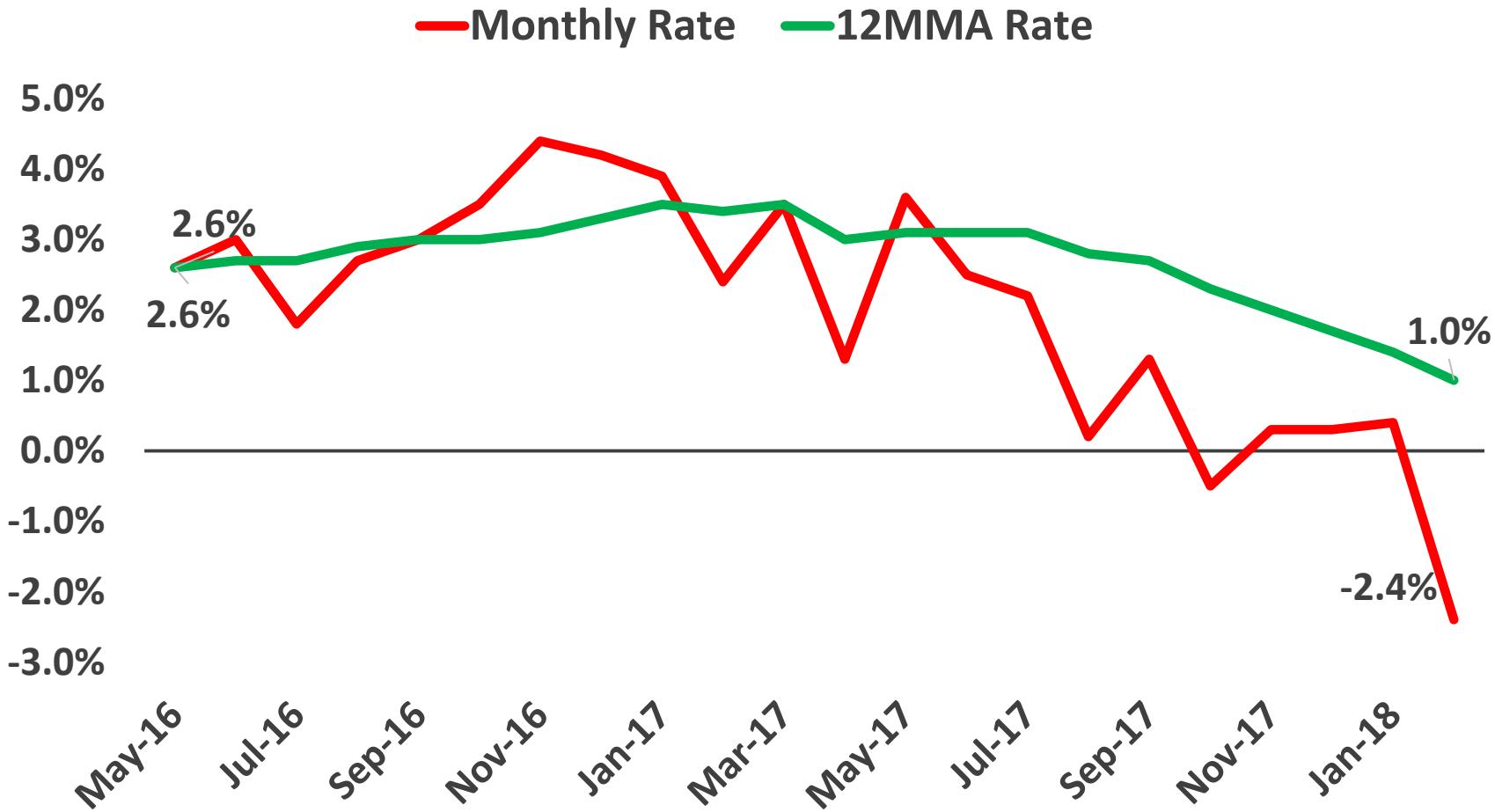
$$\frac{\text{NRSF Rented}}{\text{NRSF Available}} \times \$ \frac{\text{Rental Revenue}}{\text{NRSF Rented}} = \$ \frac{\text{Rental Revenue}}{\text{NRSF Available}}$$

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

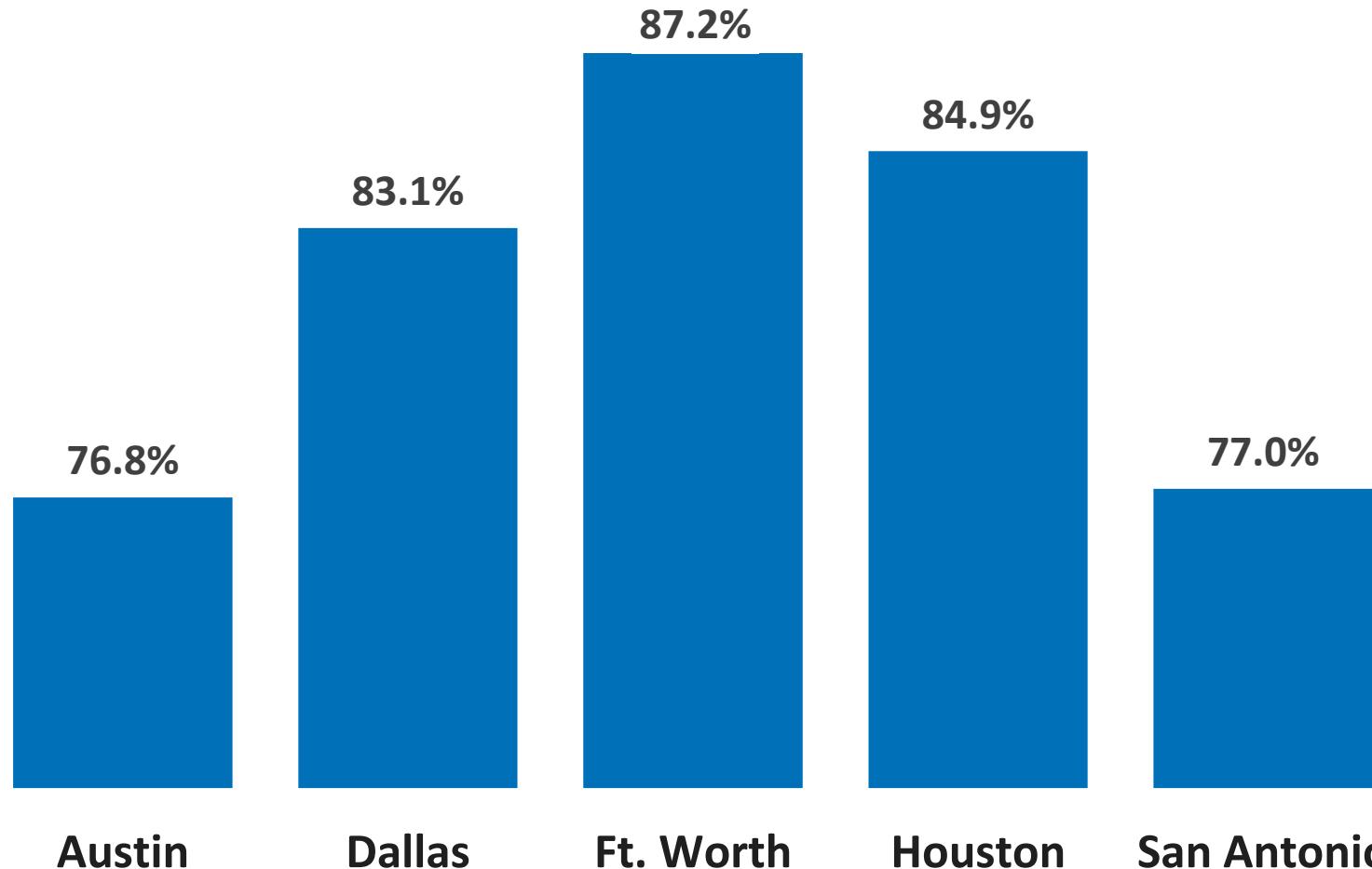


# Performance Data in Major Texas Markets

- 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

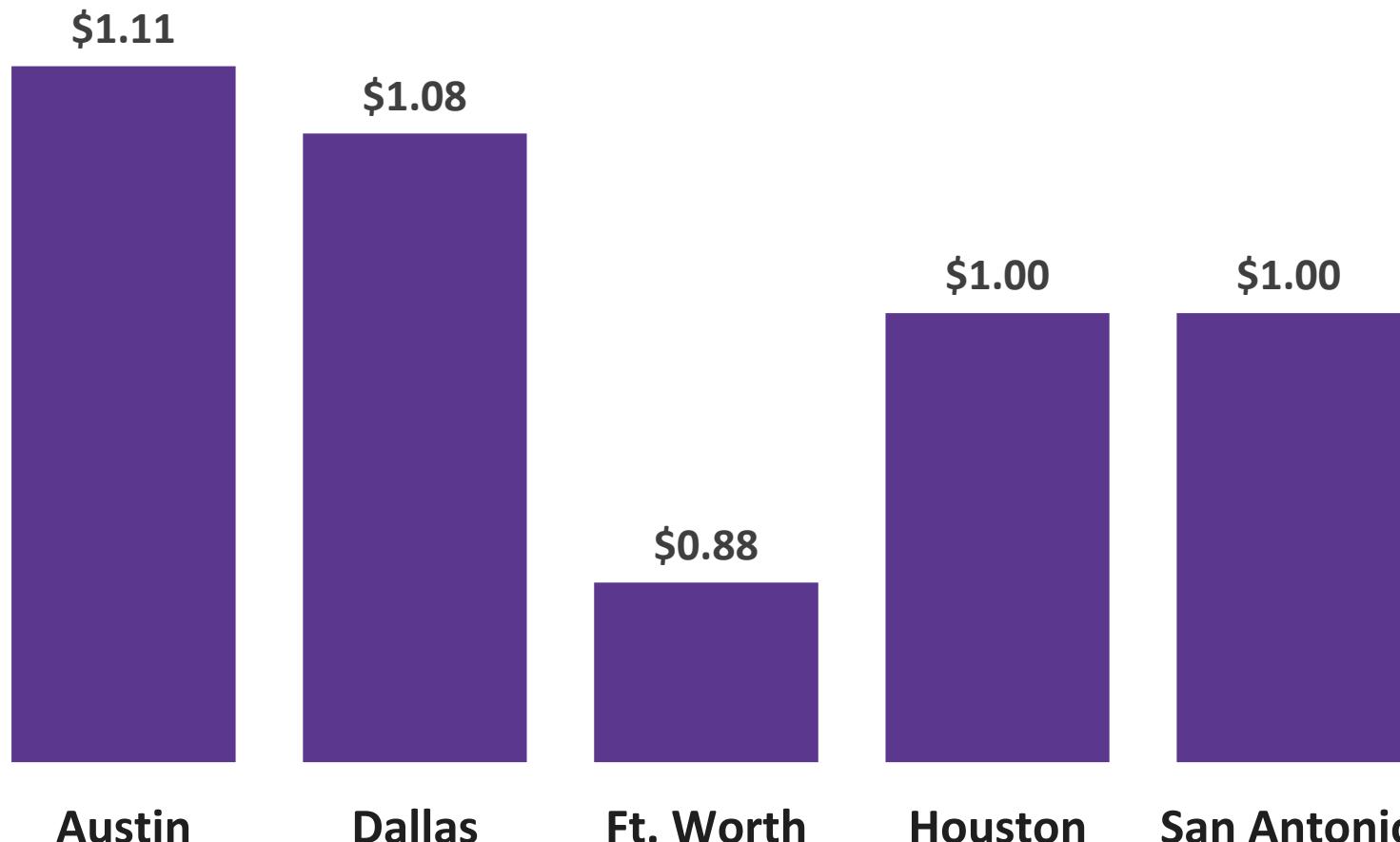


Note: Performance data includes all open & operating facilities, including those in lease-up

Data as of February 2018

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

Square foot rate  
February 2018, 12MMA  
Full Sample

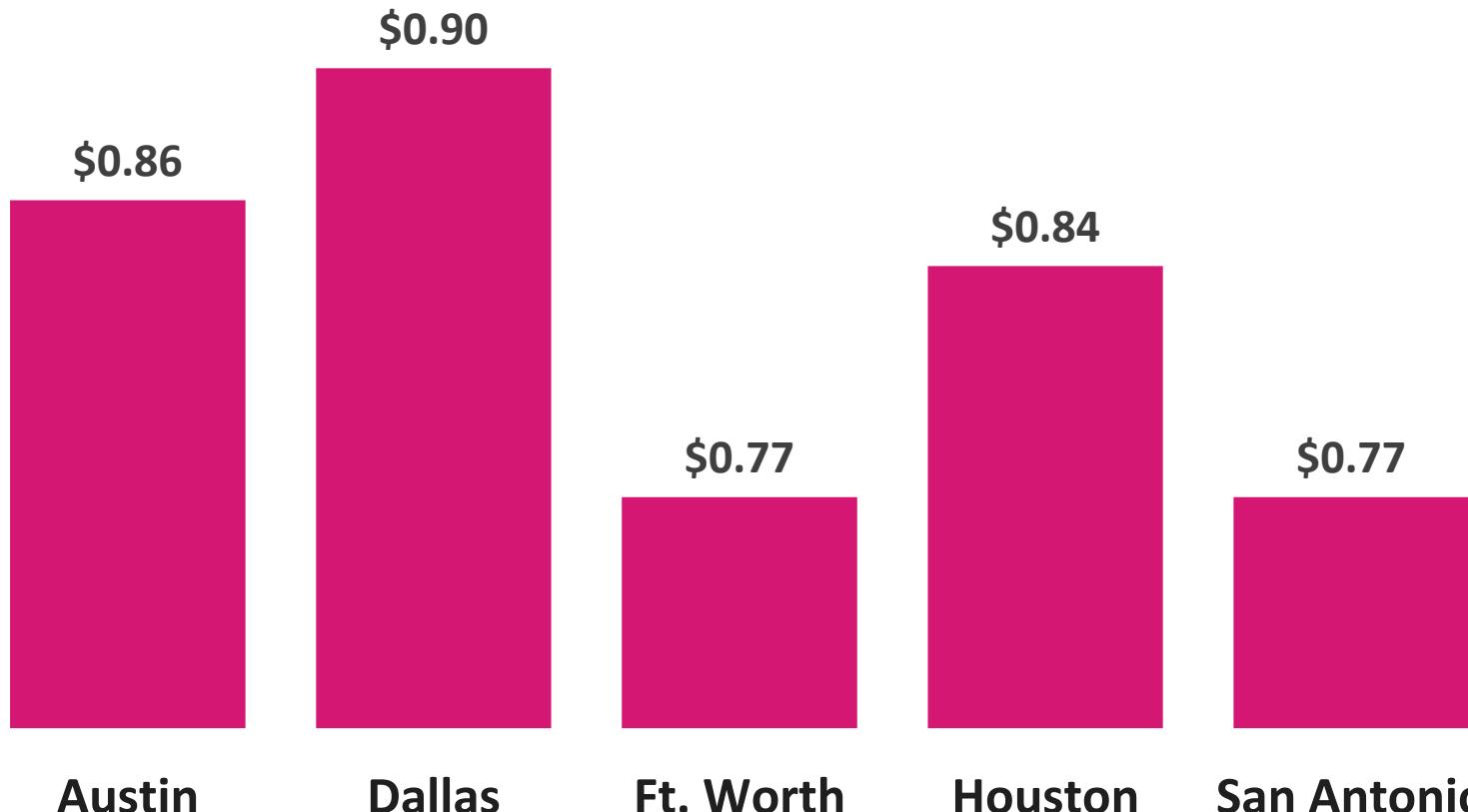


Note: Performance data includes all open & operating facilities, including those in lease-up

Data as of February 2018

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

Square foot yield<sup>1</sup>  
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

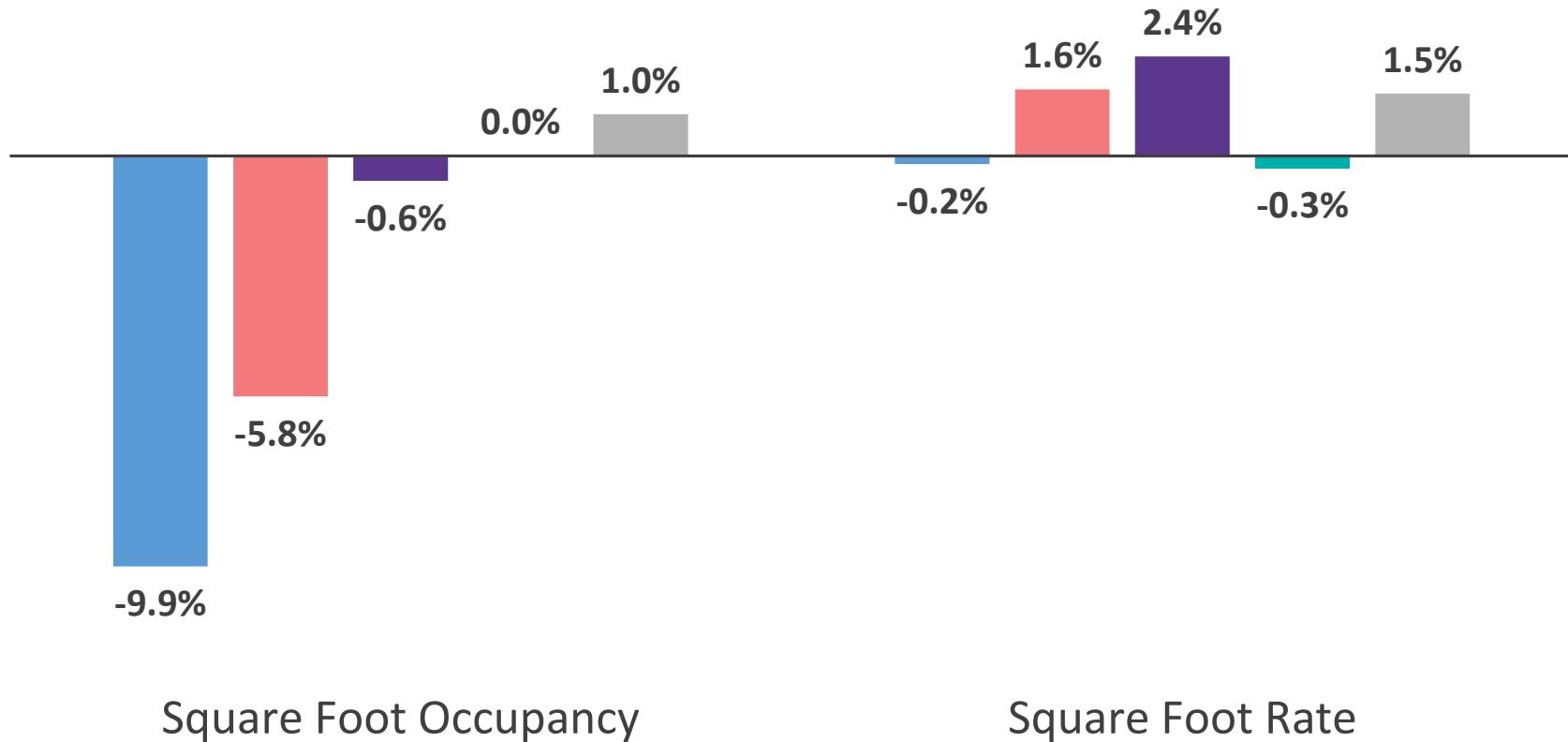
Occupancy and rate growth

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

Full Sample



■ Austin ■ Dallas ■ Ft. Worth ■ Houston ■ San Antonio



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

Data as of February 2018

# 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

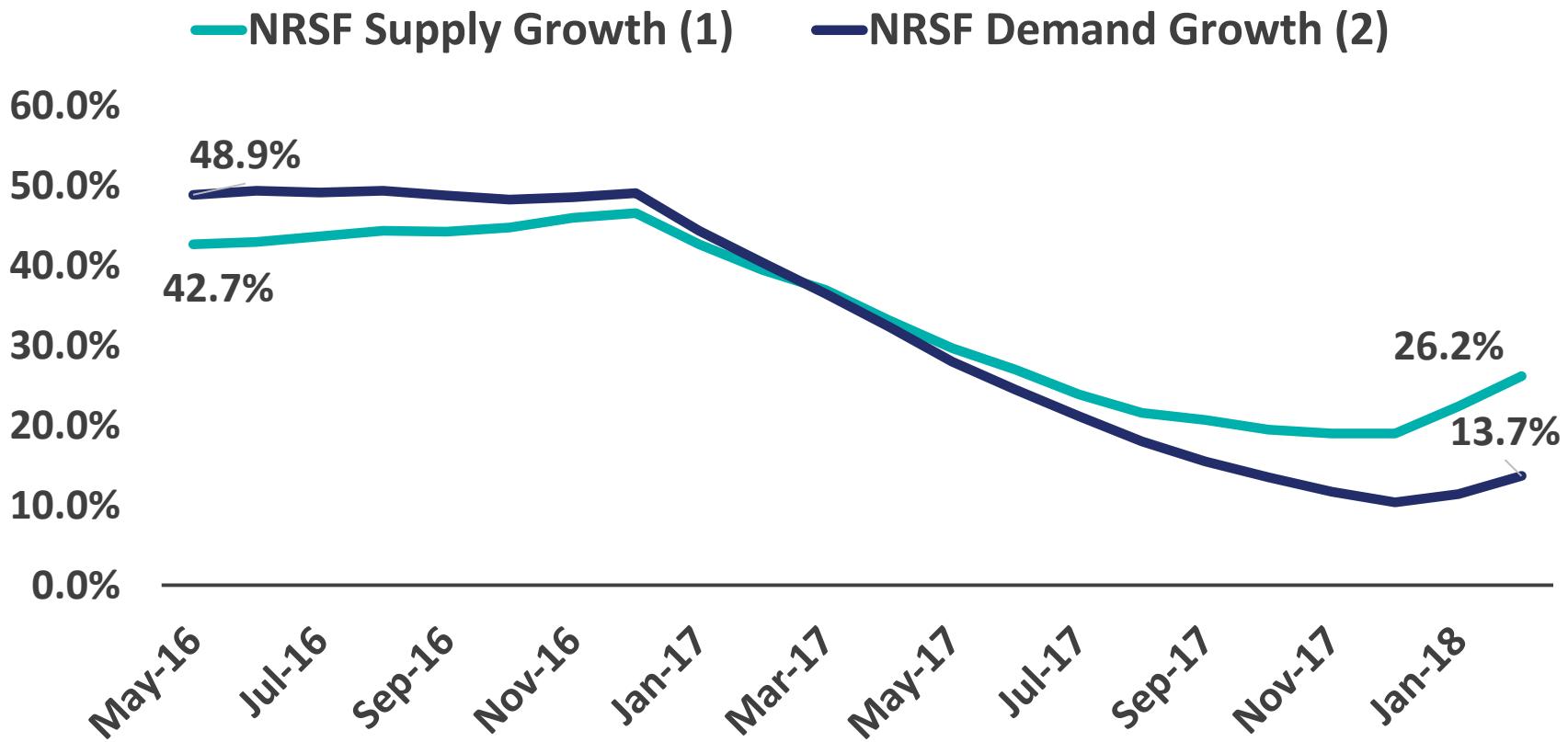


Note: Performance data includes all open & operating facilities, including those in lease-up

Data as of February 2018

# Austin: Supply growth now outpacing demand growth

YOY % change in NRSF Supply and Demand  
Full Sample



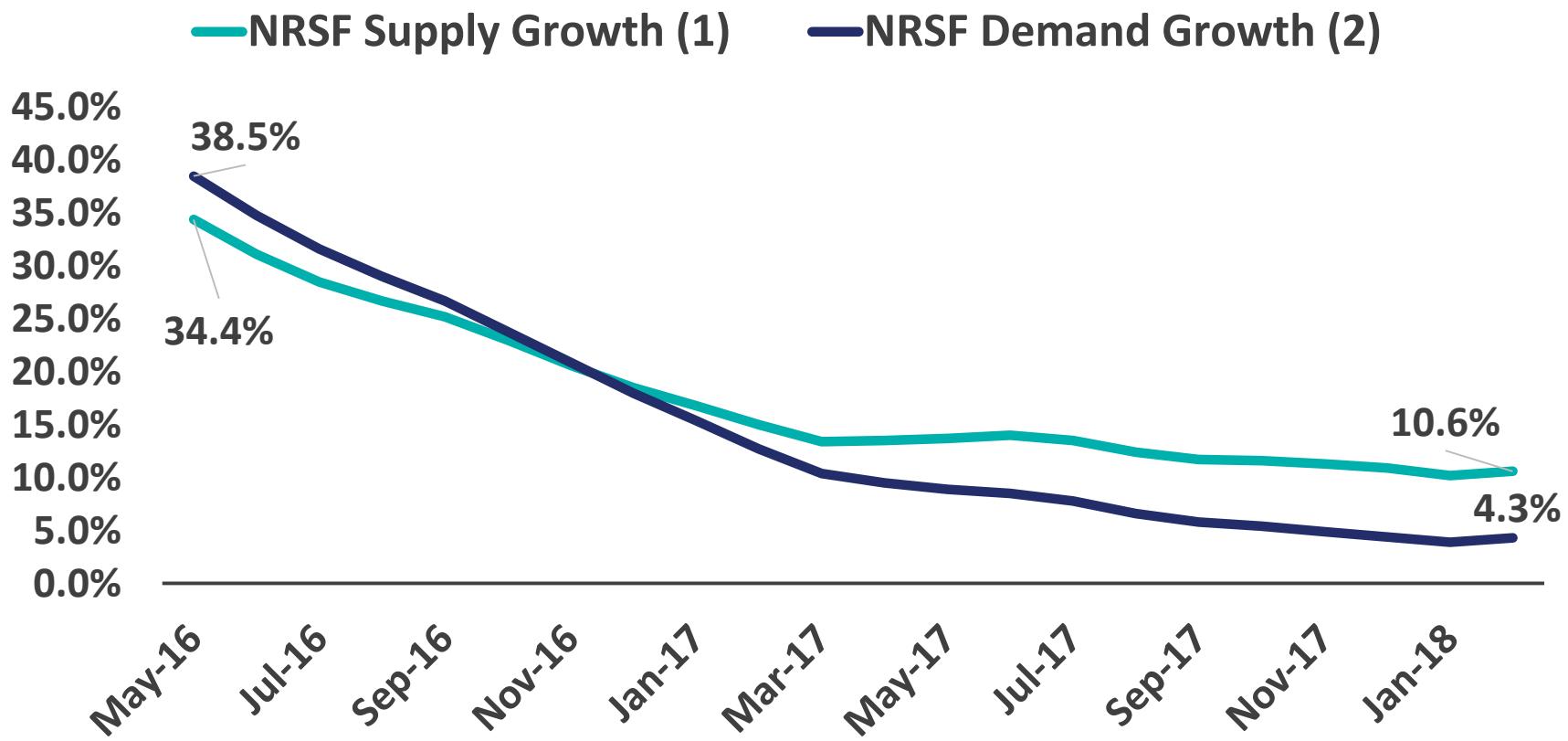
Note: Performance data includes all open & operating facilities, including those in lease-up.

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



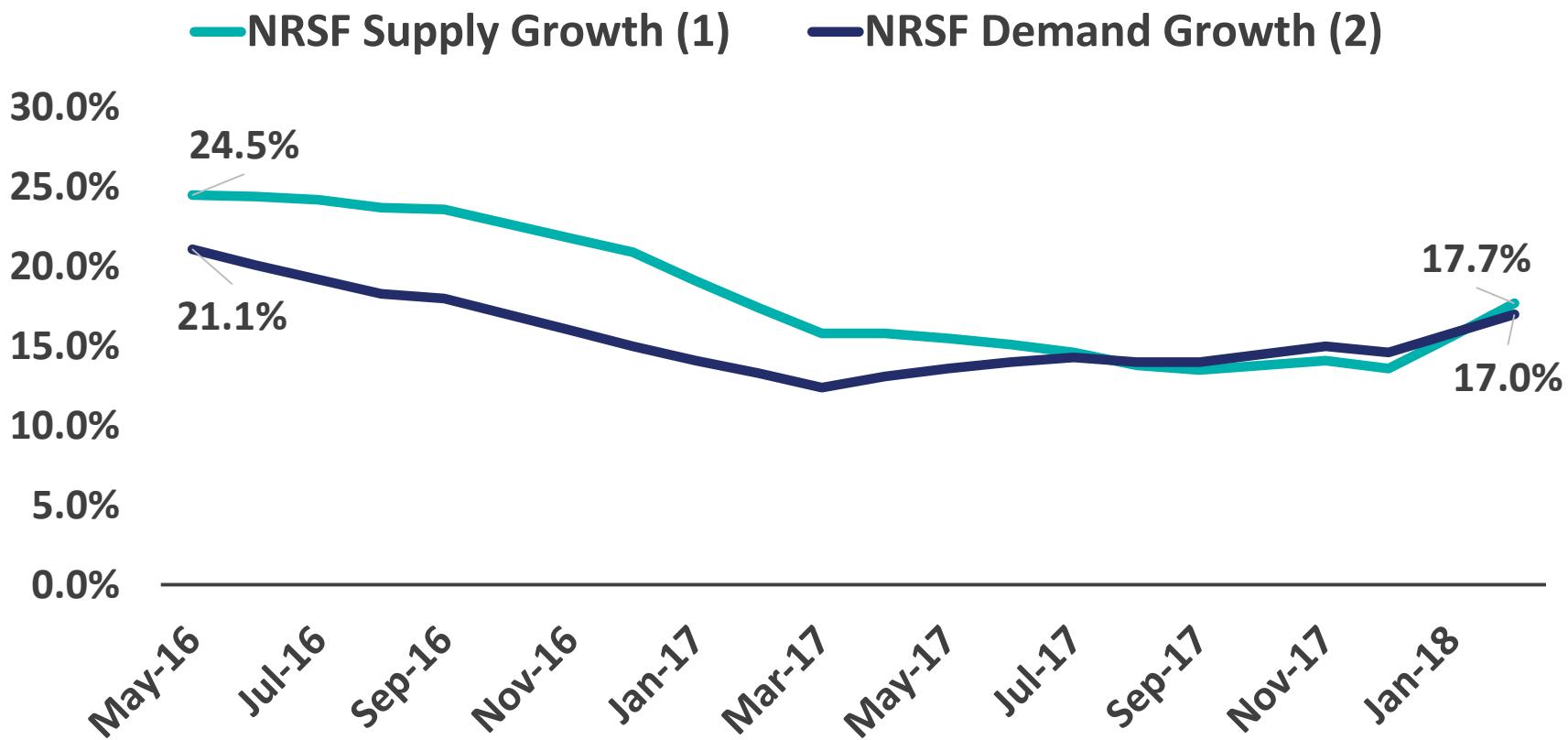
Note: Performance data includes all open & operating facilities, including those in lease-up.

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



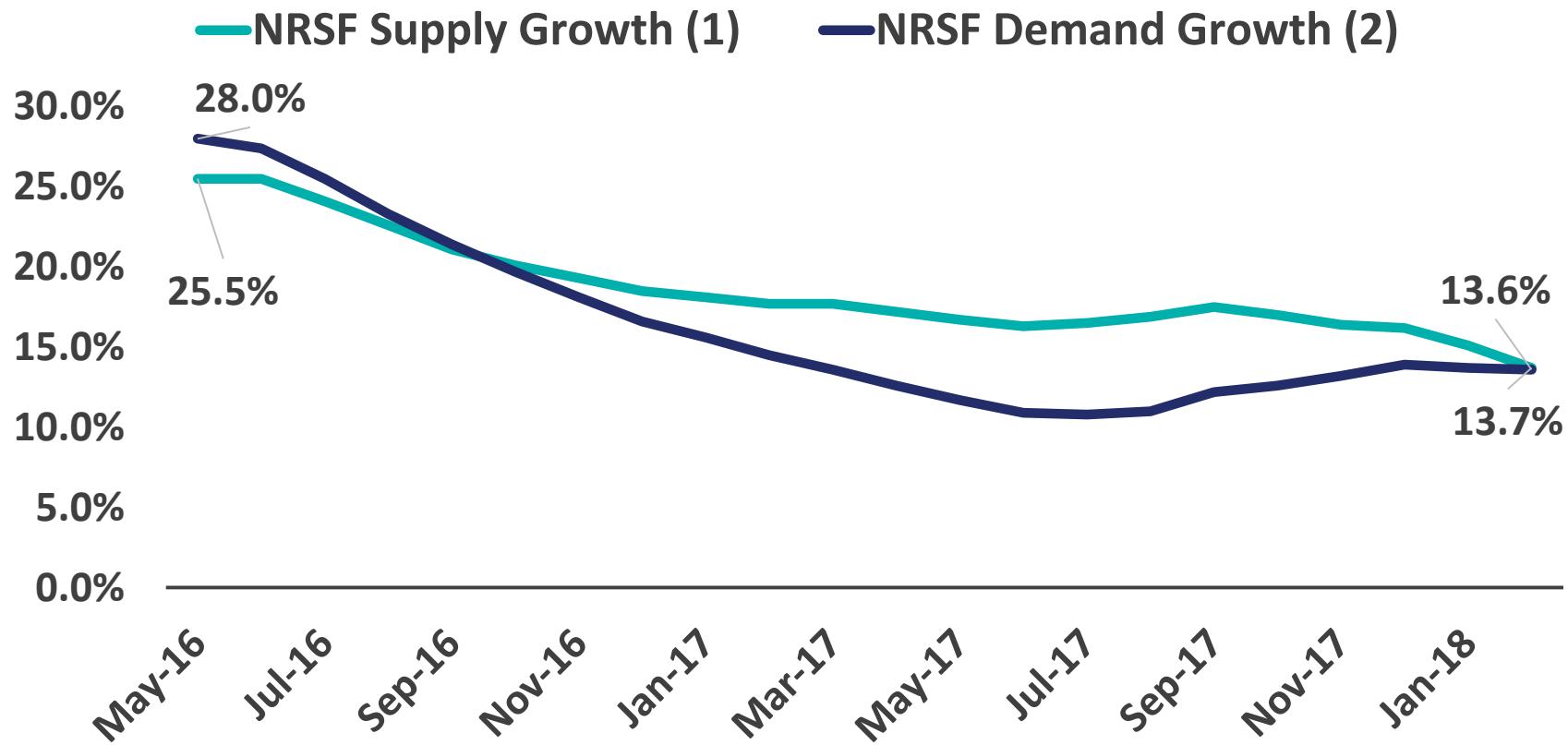
Note: Performance data includes all open & operating facilities, including those in lease-up.

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



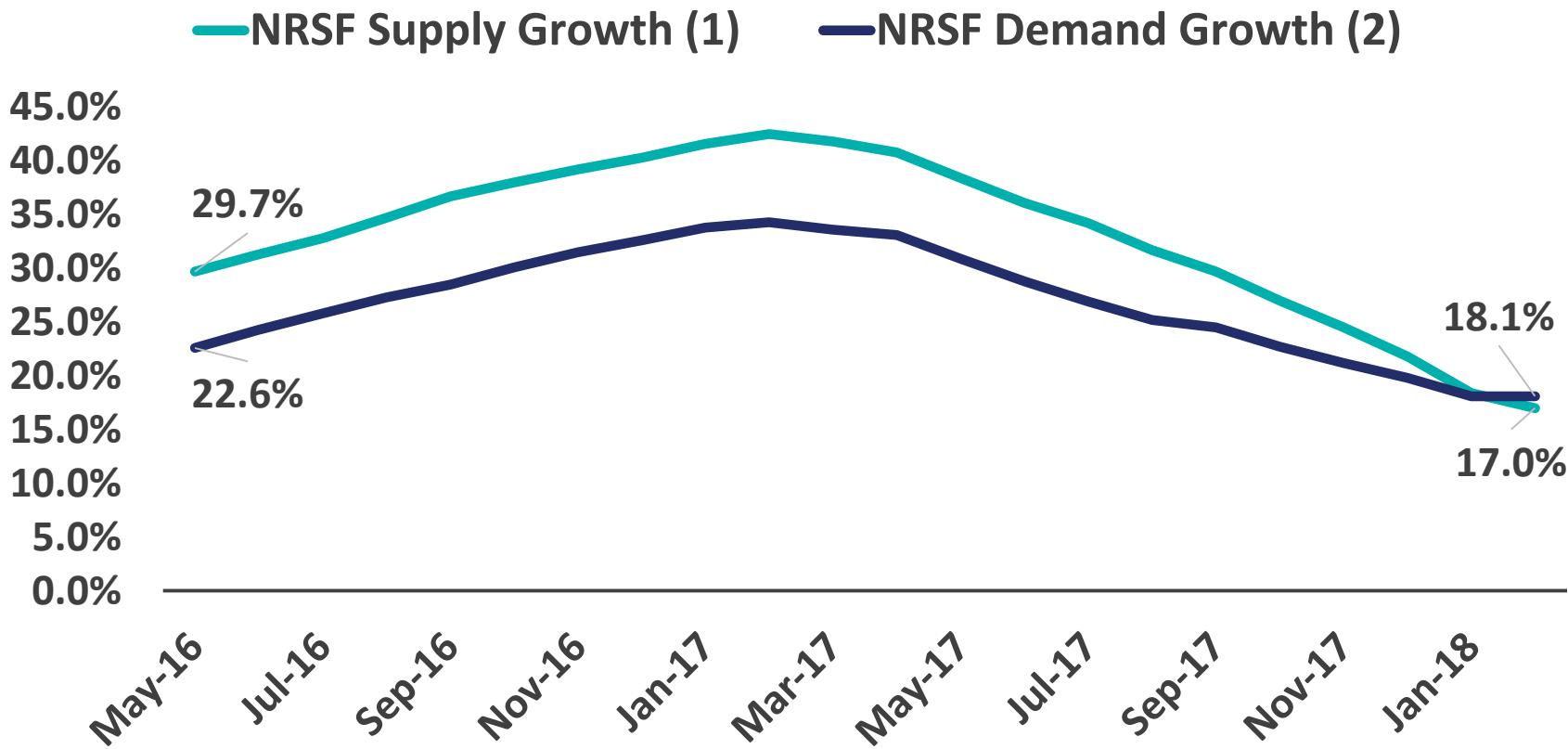
Note: Performance data includes all open & operating facilities, including those in lease-up.

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



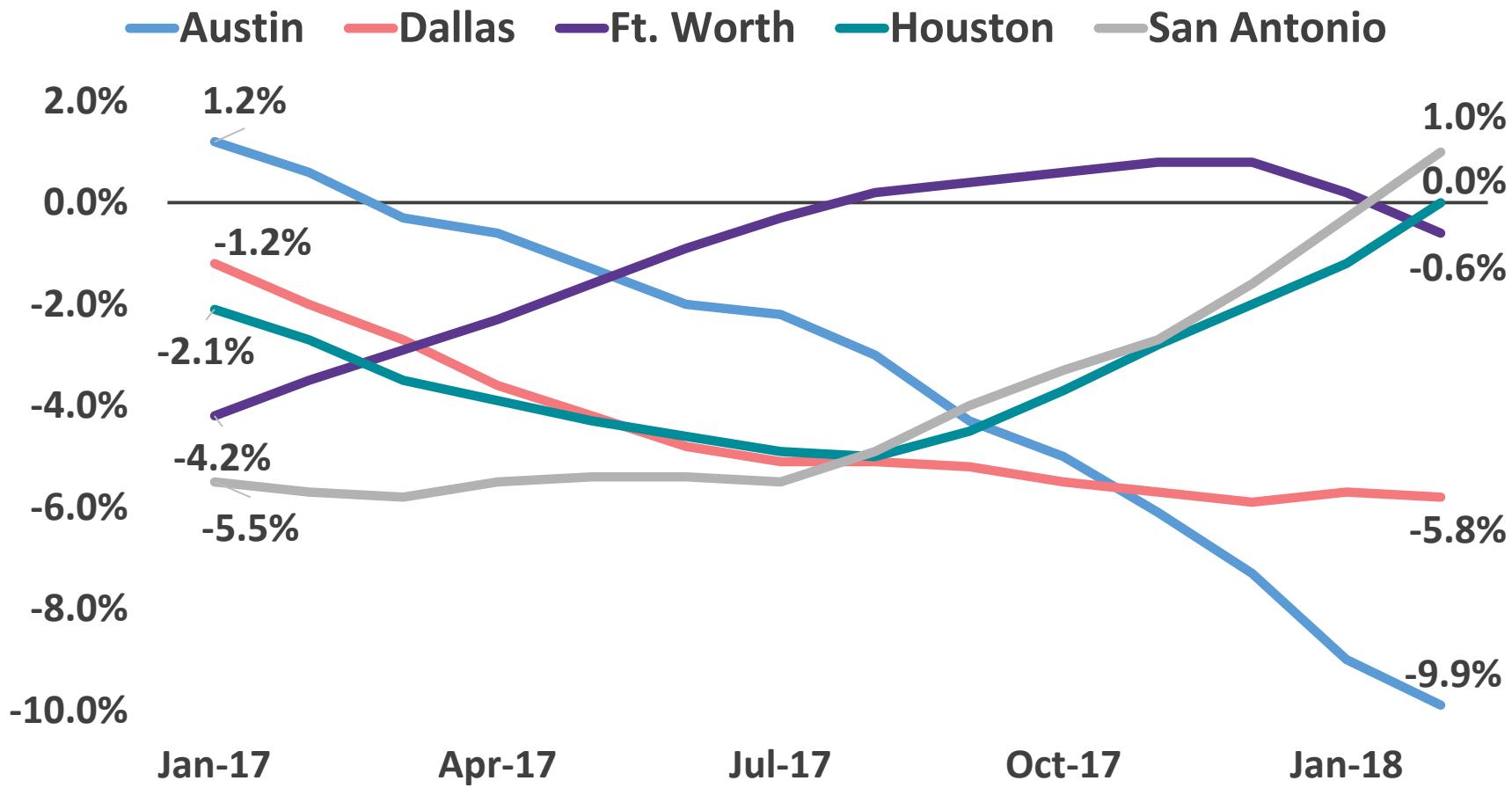
Note: Performance data includes all open & operating facilities, including those in lease-up.

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

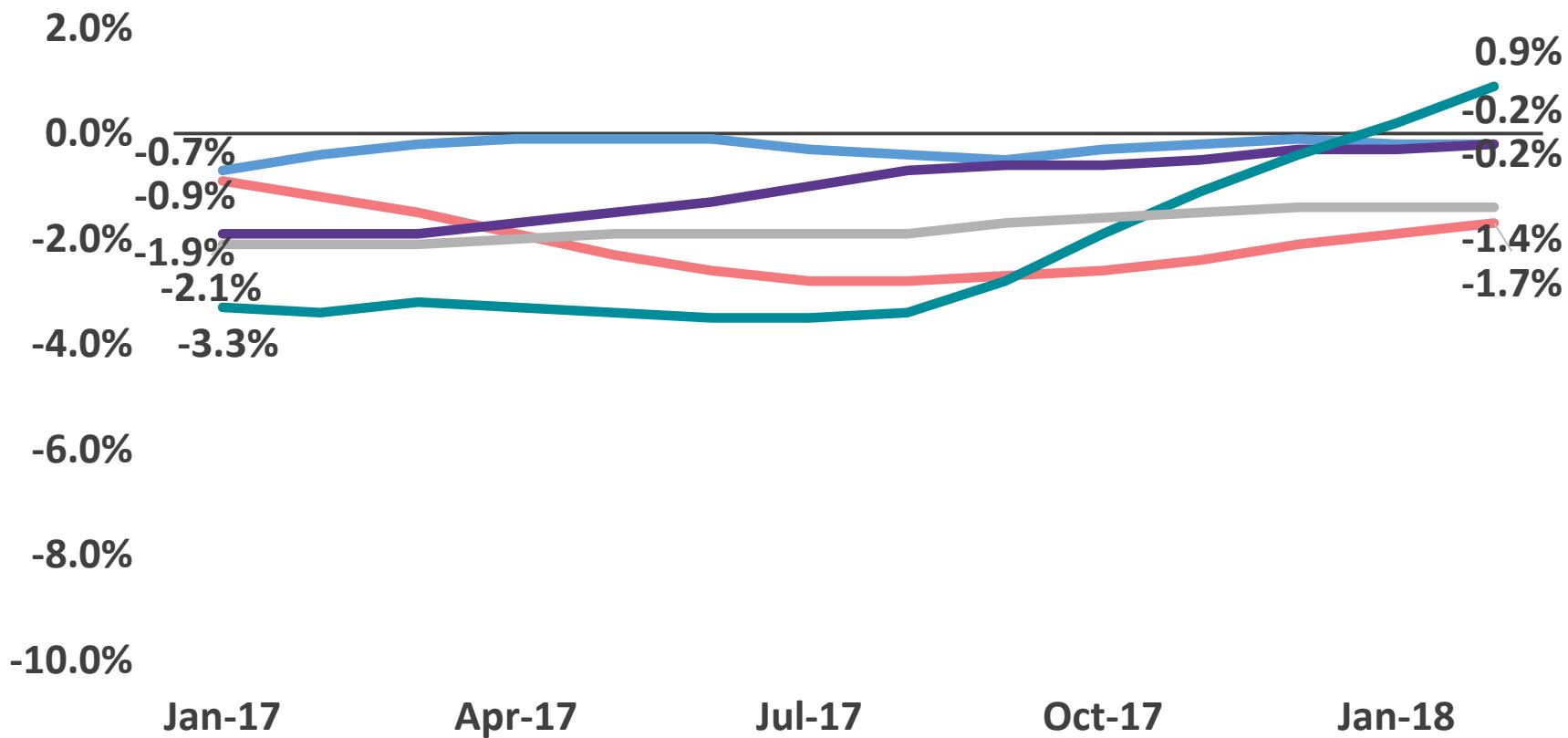
# Occupancy resilient in stabilized facilities

## Stabilized square foot occupancy growth

### February 2018, 12MMA YOY % Change



Austin Dallas Ft. Worth Houston San Antonio

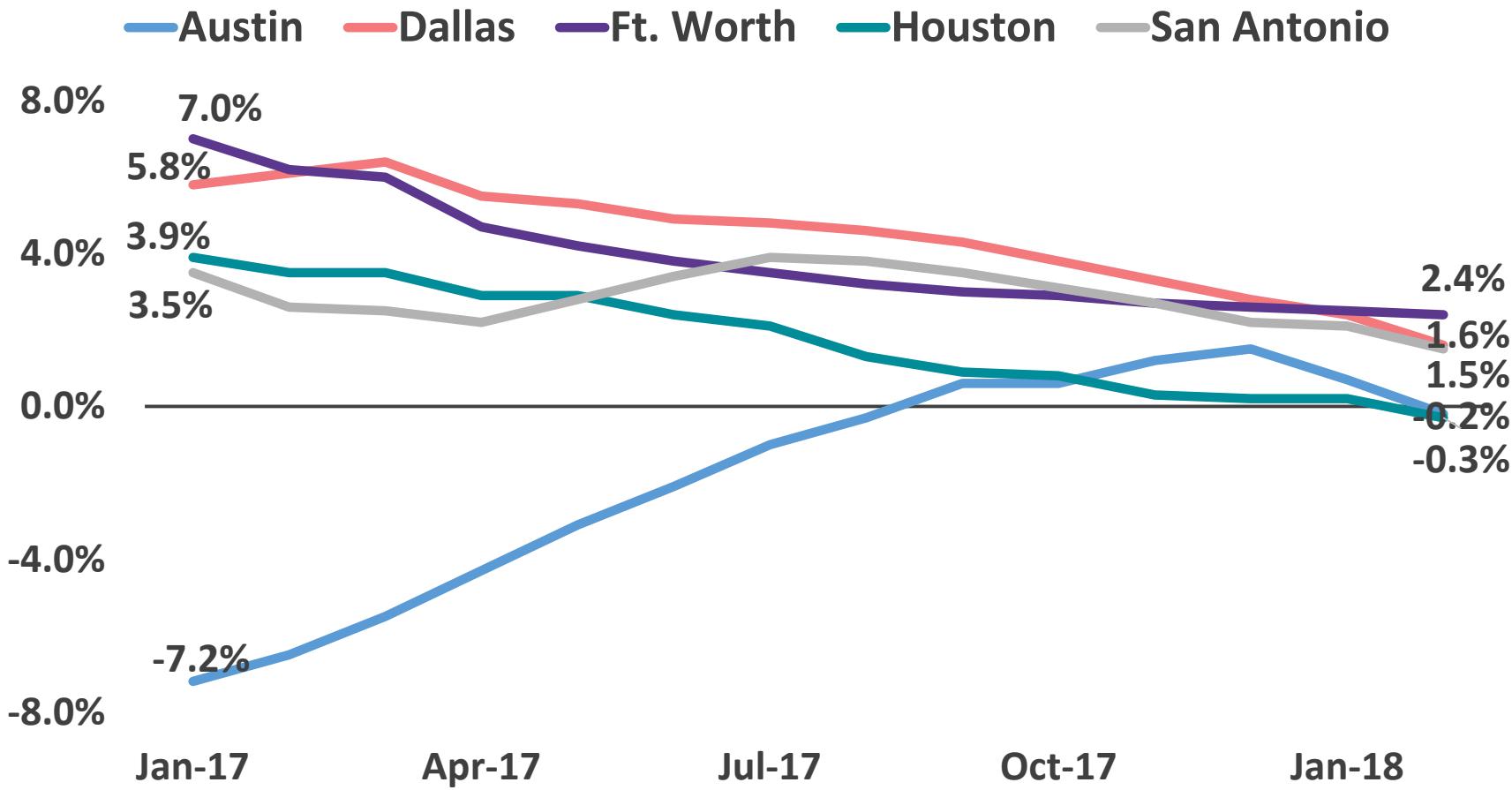


Note: Performance data includes only those facilities with >80% occupancy for 12 consecutive months

Data as of February 2018

# Rates largely growing, excepting Austin

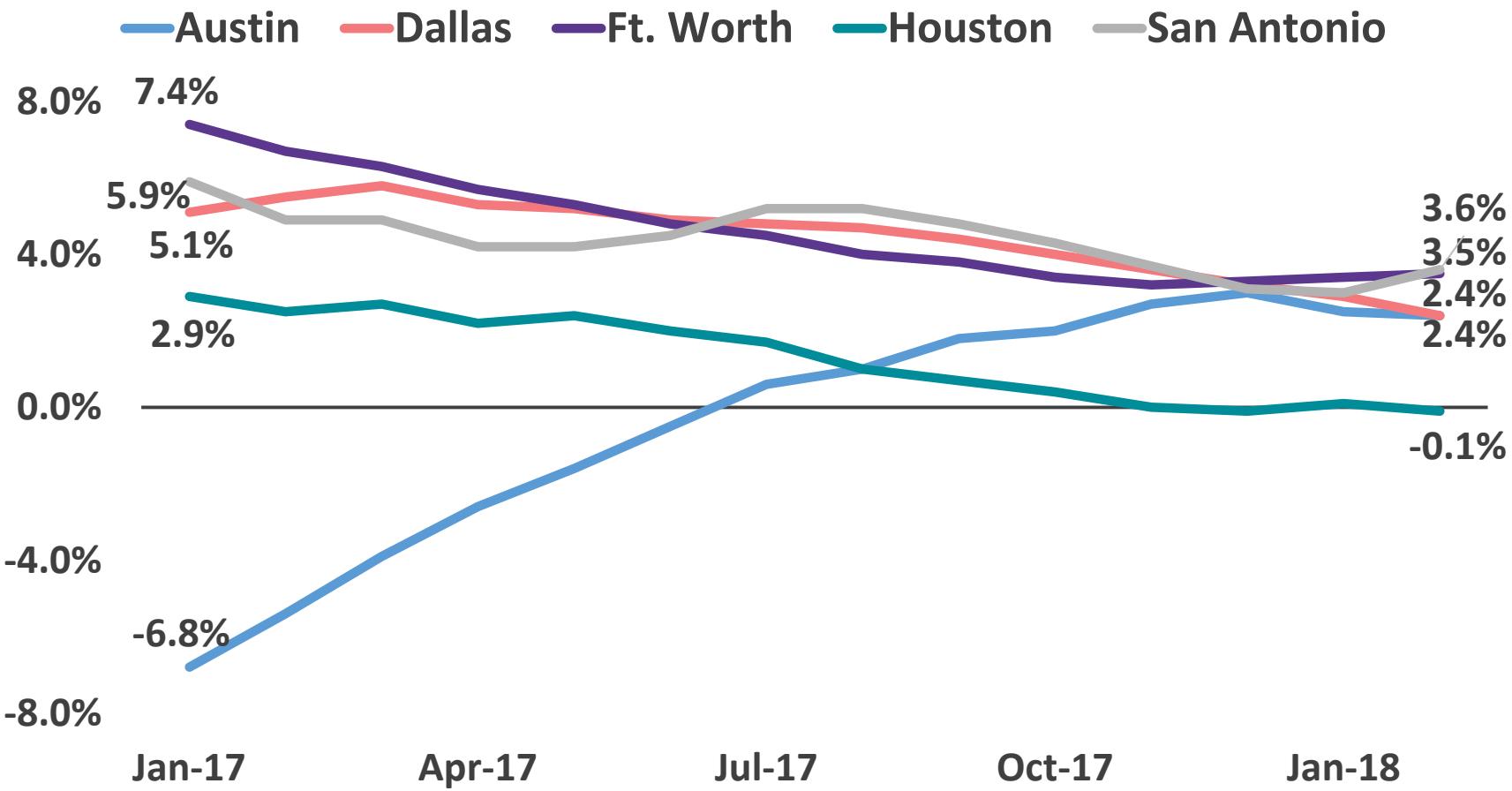
Full Sample square foot rate growth  
February 2018, 12MMA YOY % Change



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

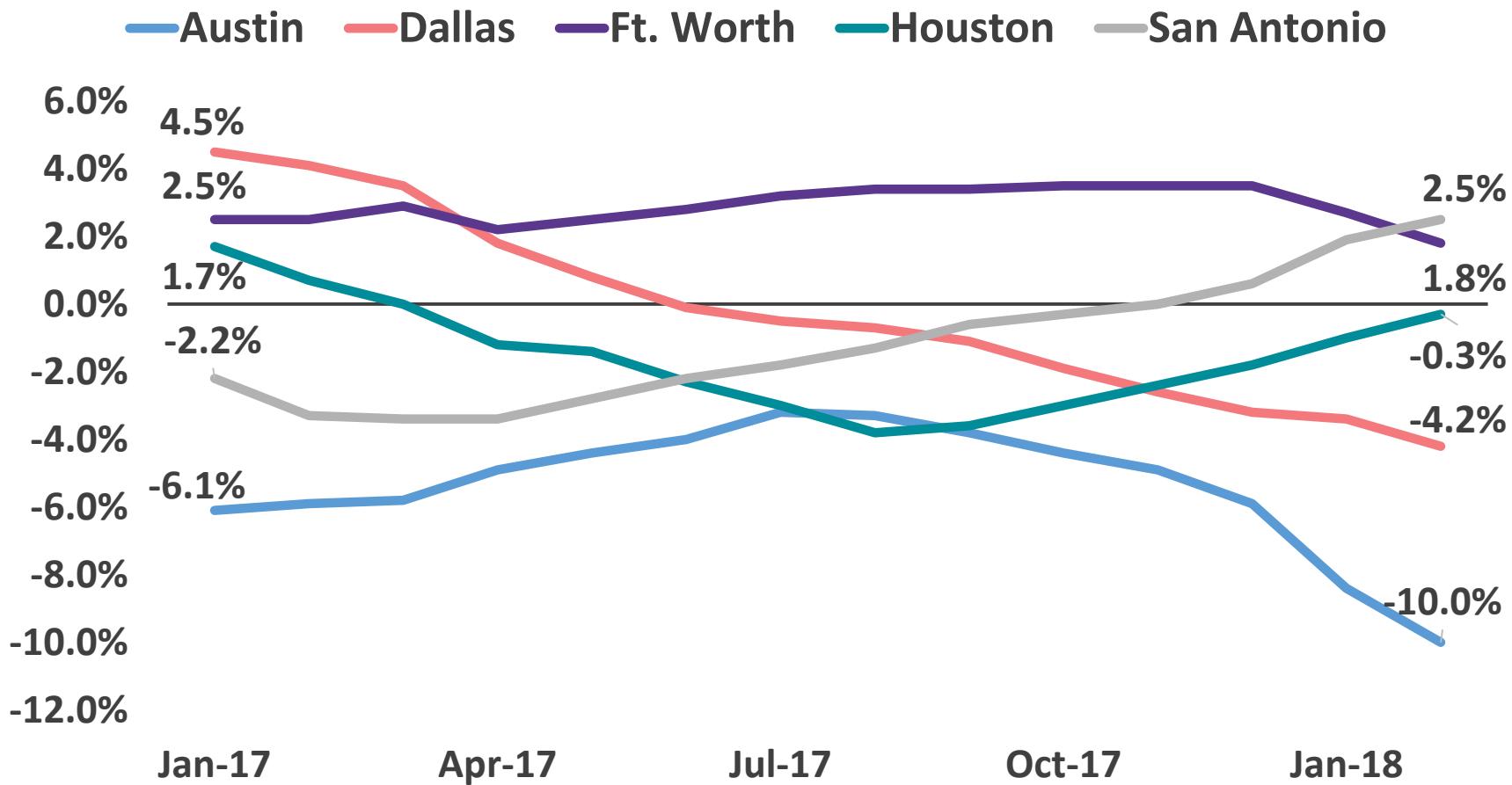


Note: Performance data includes only those facilities with >80% occupancy for 12 consecutive months

Data as of February 2018

# Yield growth impacted by occupancy

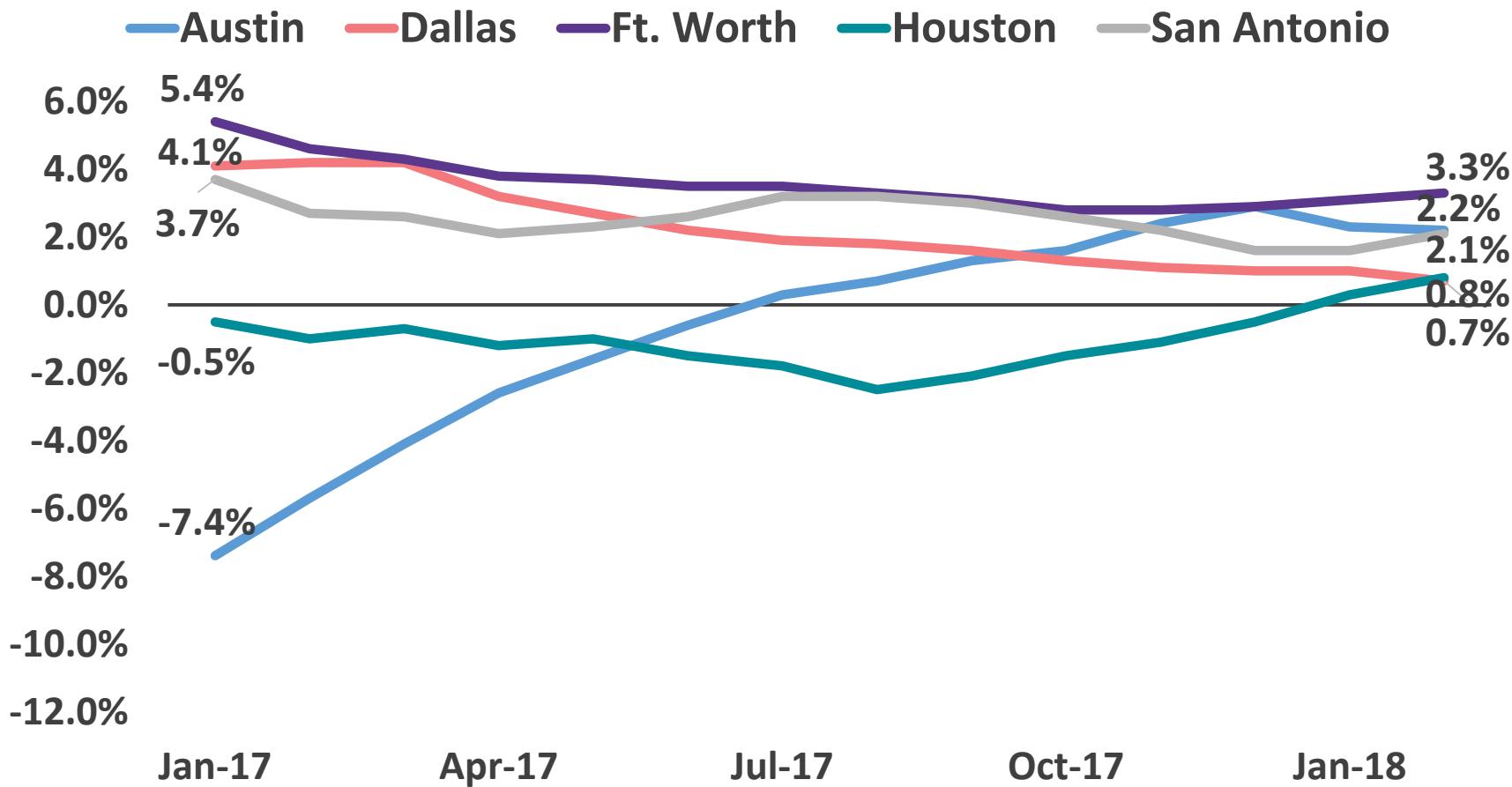
Full Sample square foot yield growth  
February 2018, 12MMA YOY % Change



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

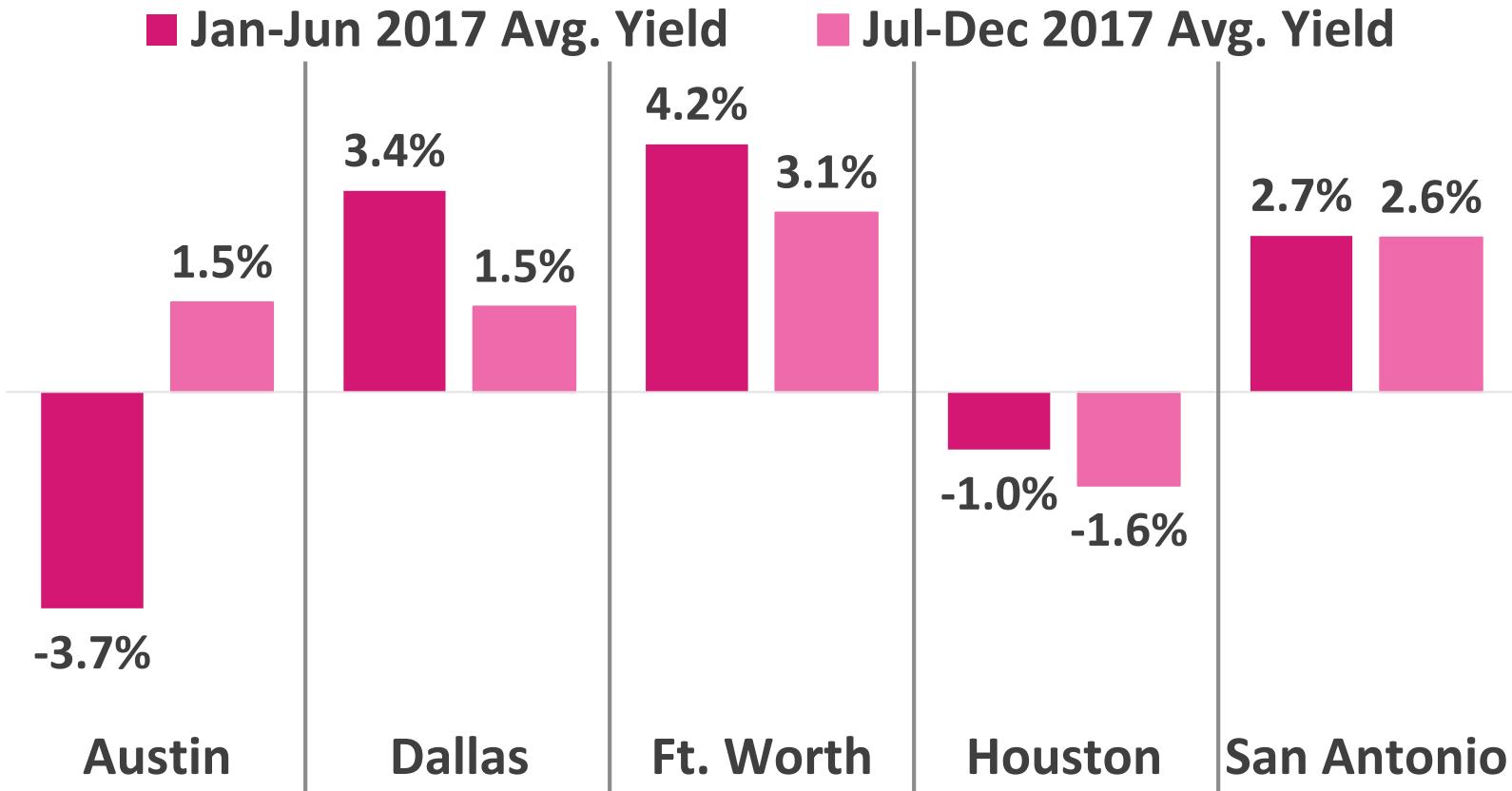
Stabilized square foot yield growth  
February 2018, 12MMA YOY % Change



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

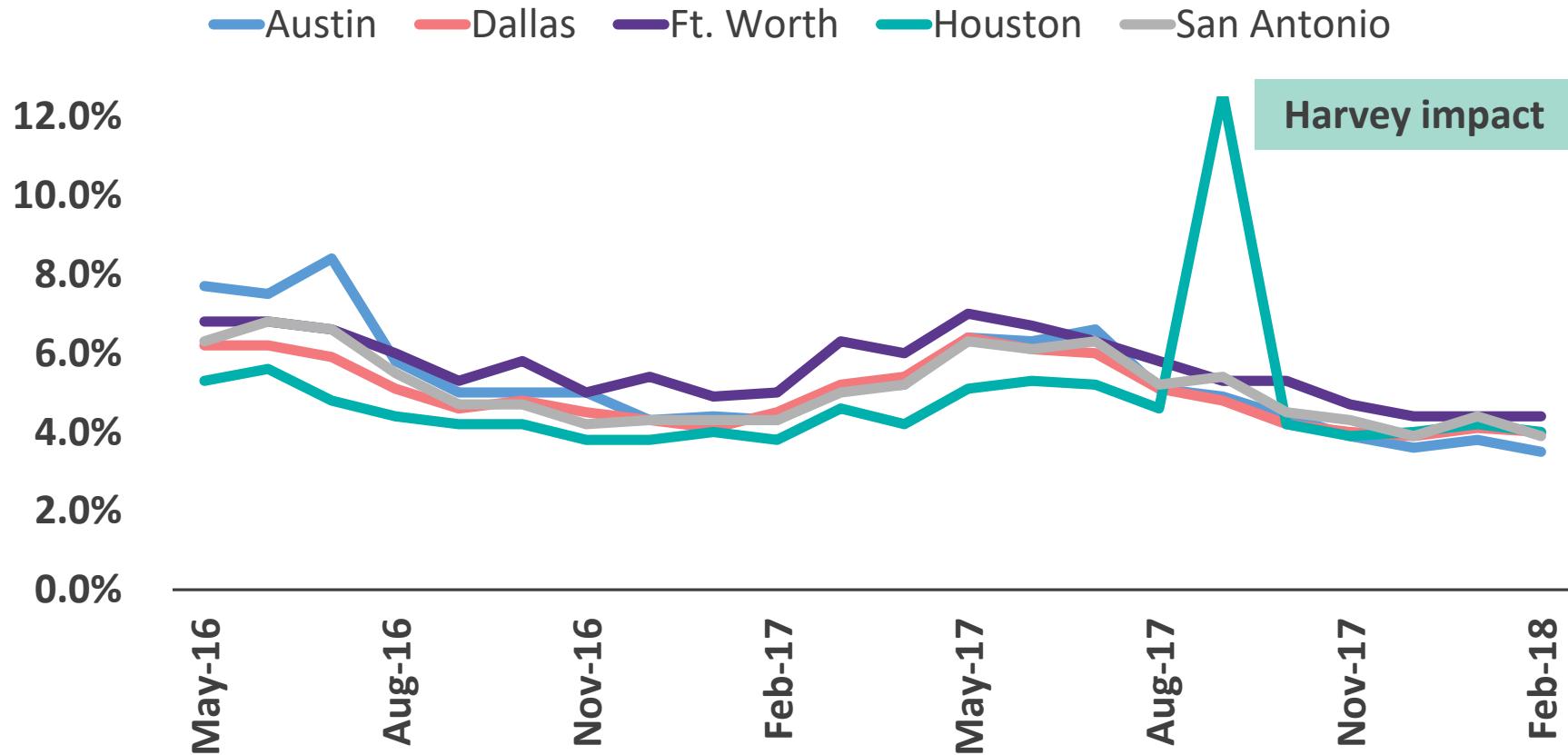


Note: Performance data includes only those facilities with >80% occupancy for 12 consecutive months

# 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**

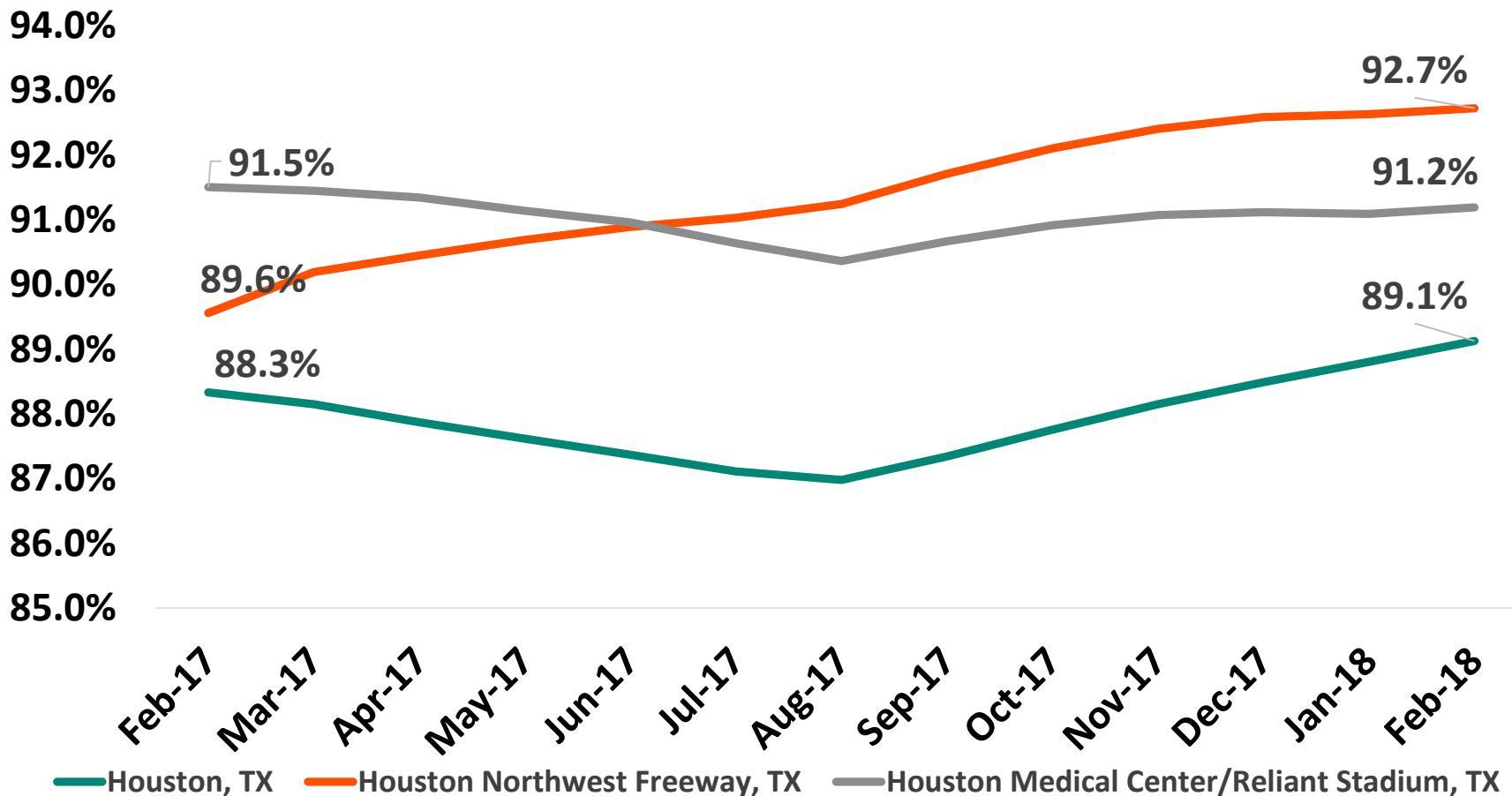
**Submarket**

Houston Medical Center/Reliant Stadium, TX

Houston Northwest Freeway, TX

# Occupancy varies by submarket

Stabilized square foot occupancy  
12MMA

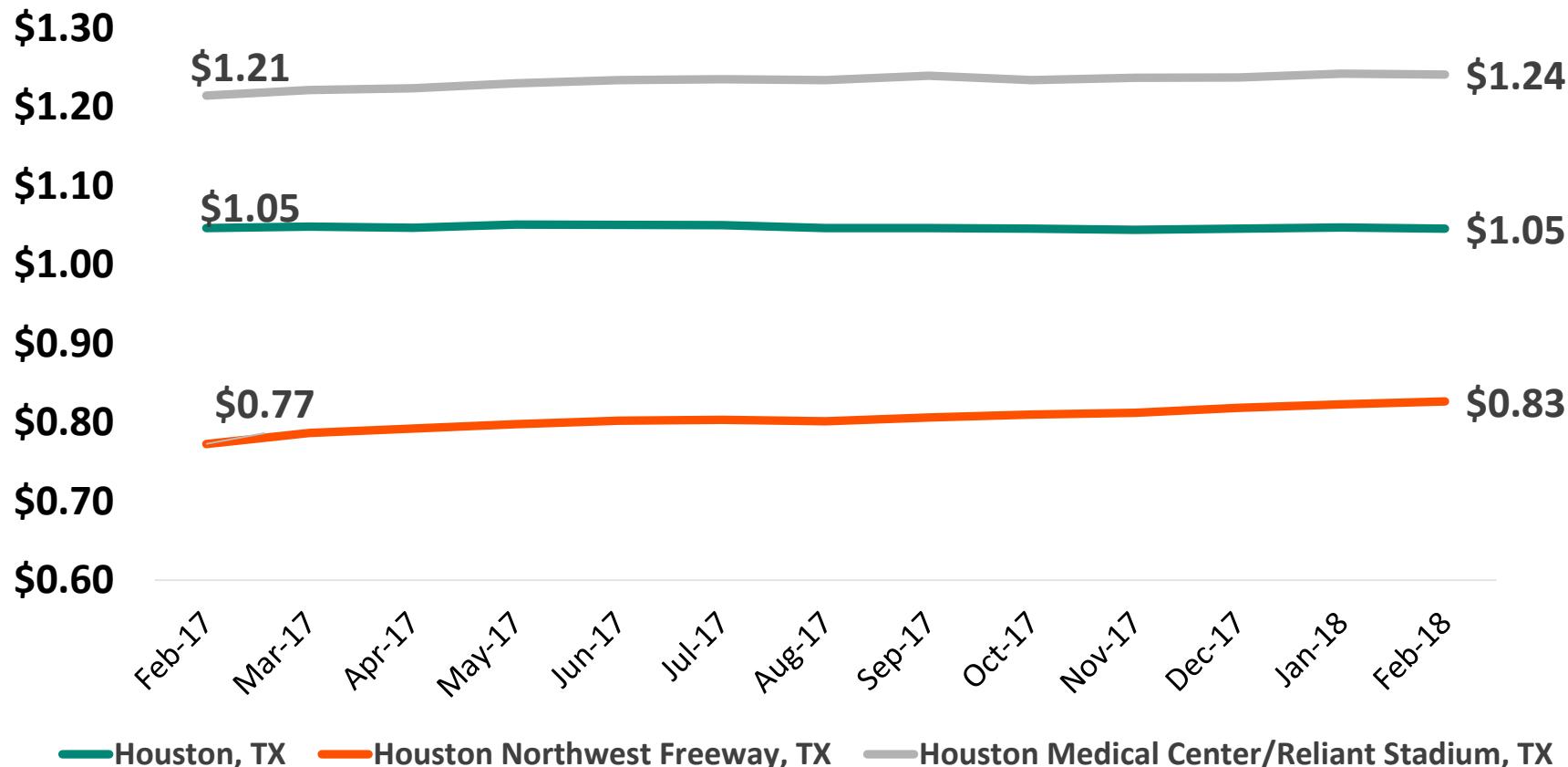


Note: Performance data includes only those facilities with >80% occupancy for 12 consecutive months  
Data as of February 2018

# 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



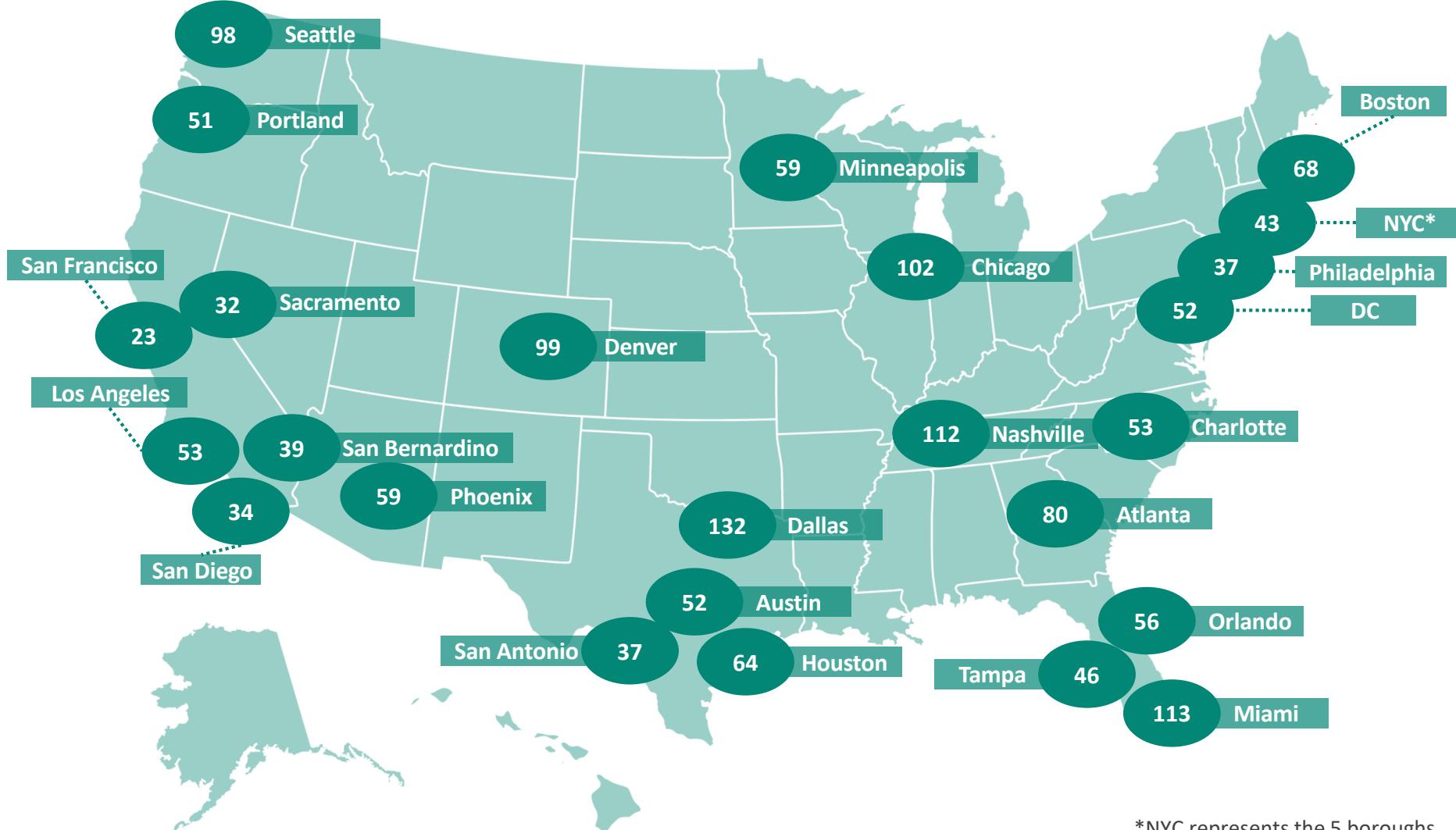
- Supply & demand growth both slowing
- Occupancies largely declining but at a decelerating pace
- Rates largely growing but at a decelerating pace
- Yield trends are market dependent



# New Supply & Development Activity

# 1,594 development projects in Top 25 MSAs

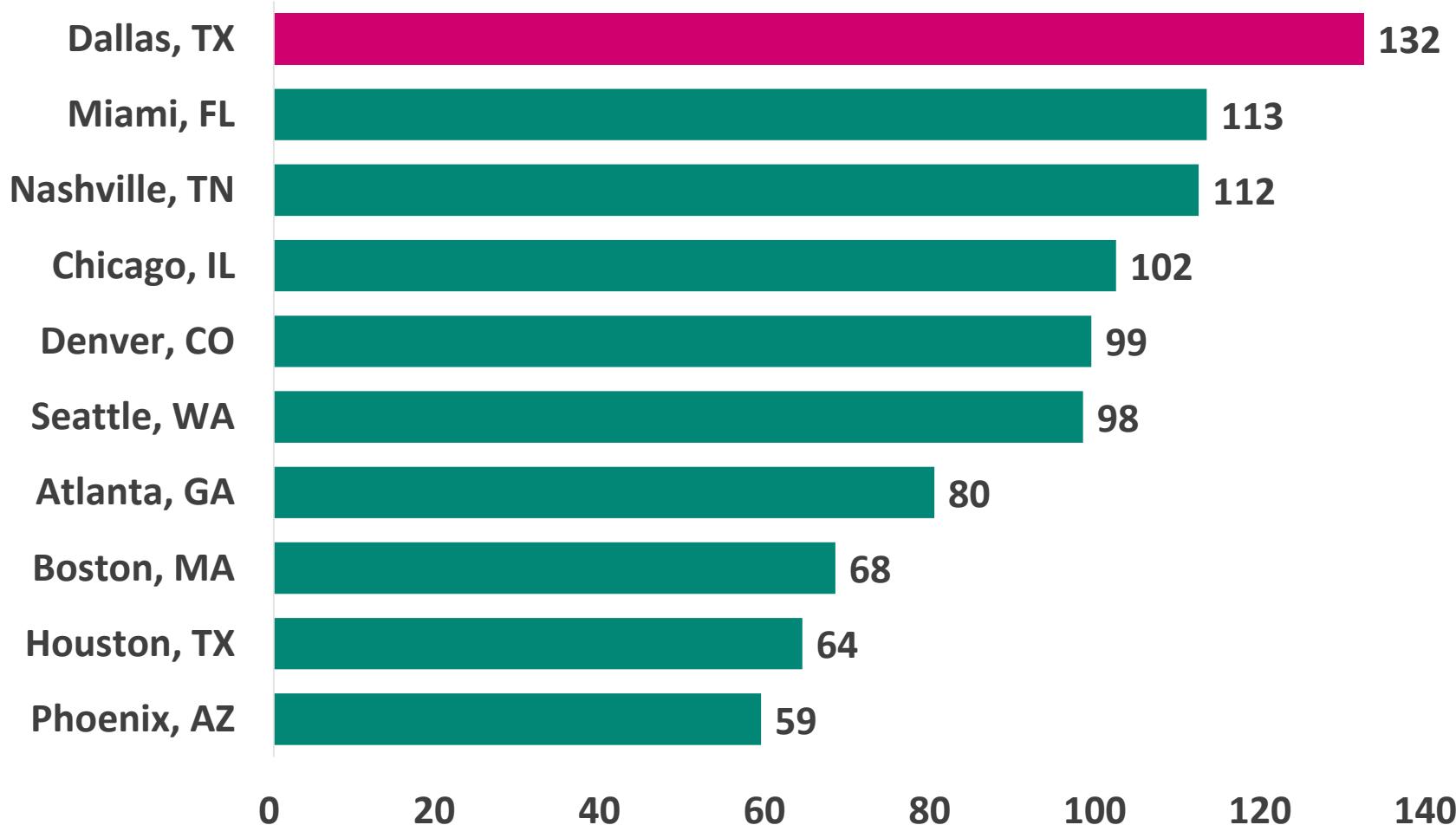
## Pipeline projects<sup>1</sup>



\*NYC represents the 5 boroughs

# Dallas has the largest pipeline of the Top 25 MSAs

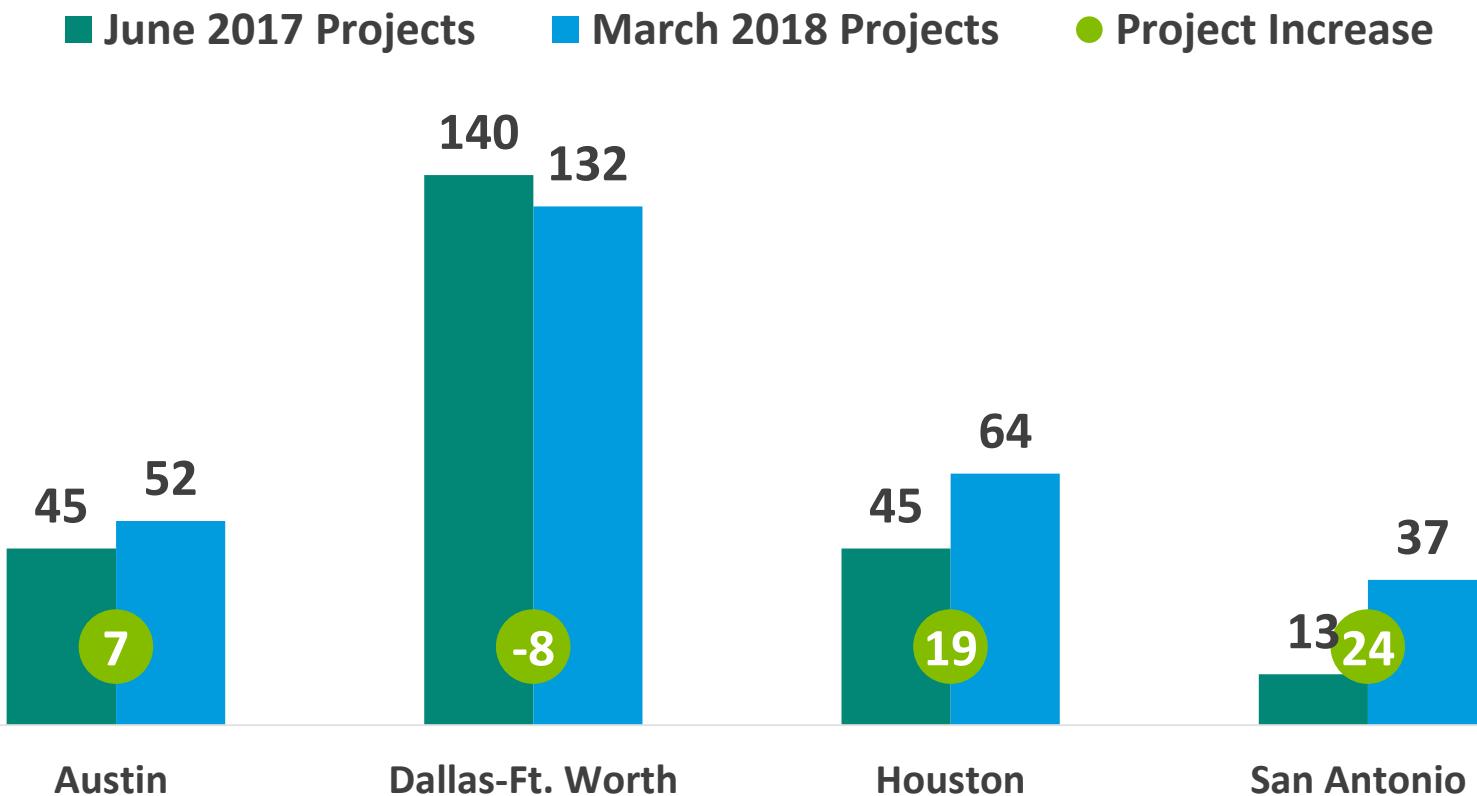
Pipeline projects<sup>1</sup> by MSA



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

# Pipeline largely continues to increase

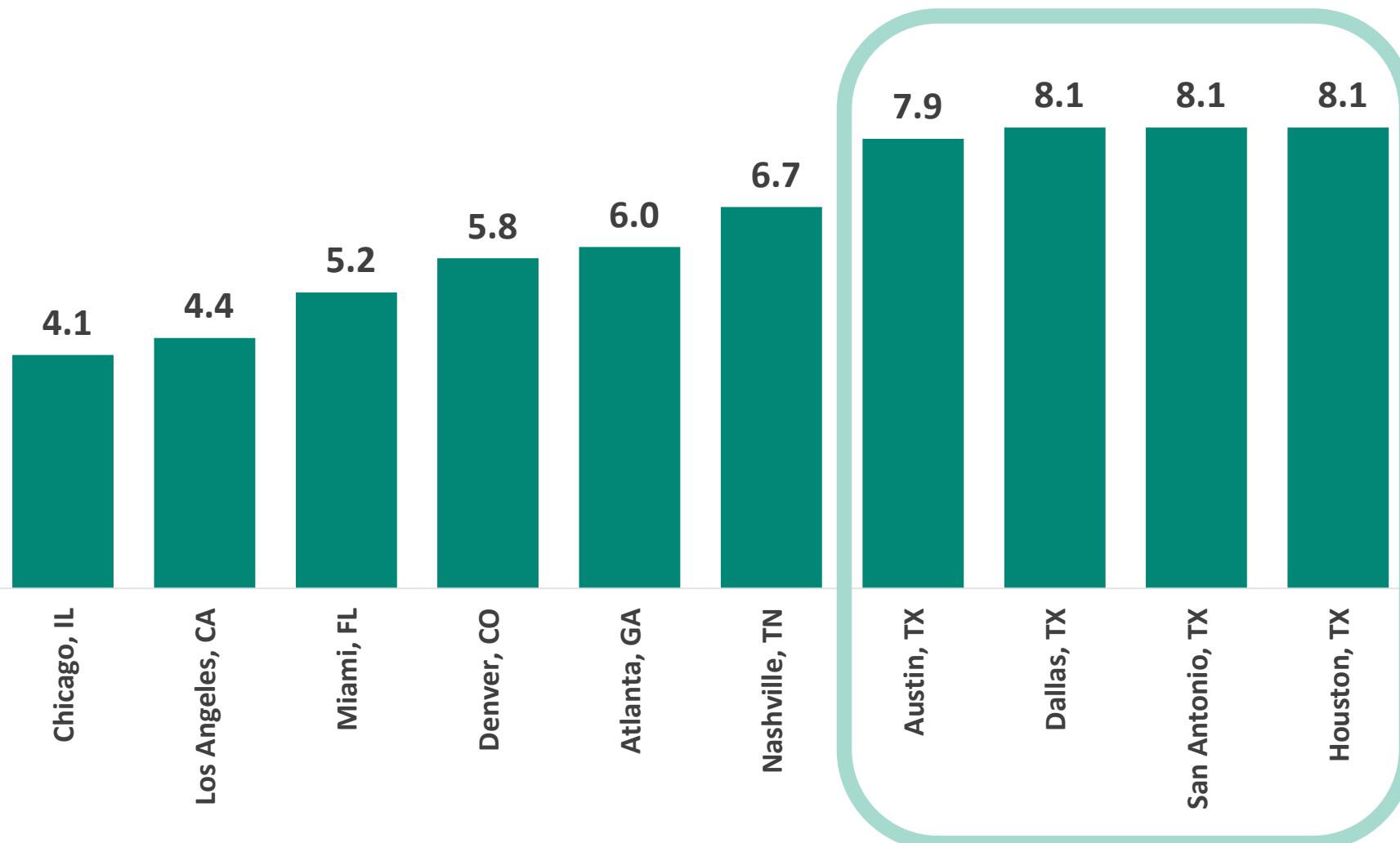
## Pipeline projects<sup>1</sup> by MSA



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

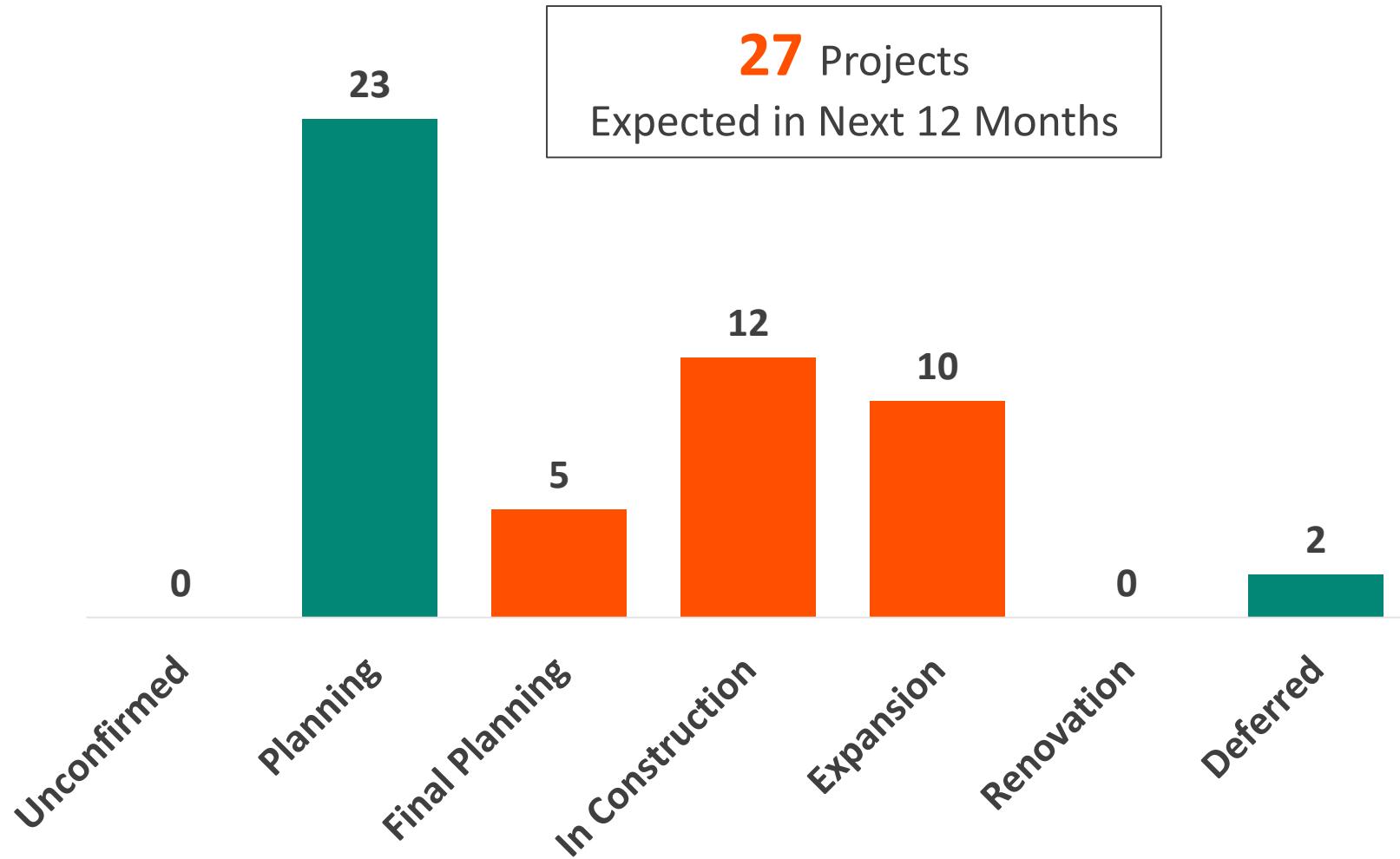
# Texas markets have highest NRSF/capita

NRFS/Capita in select MSAs



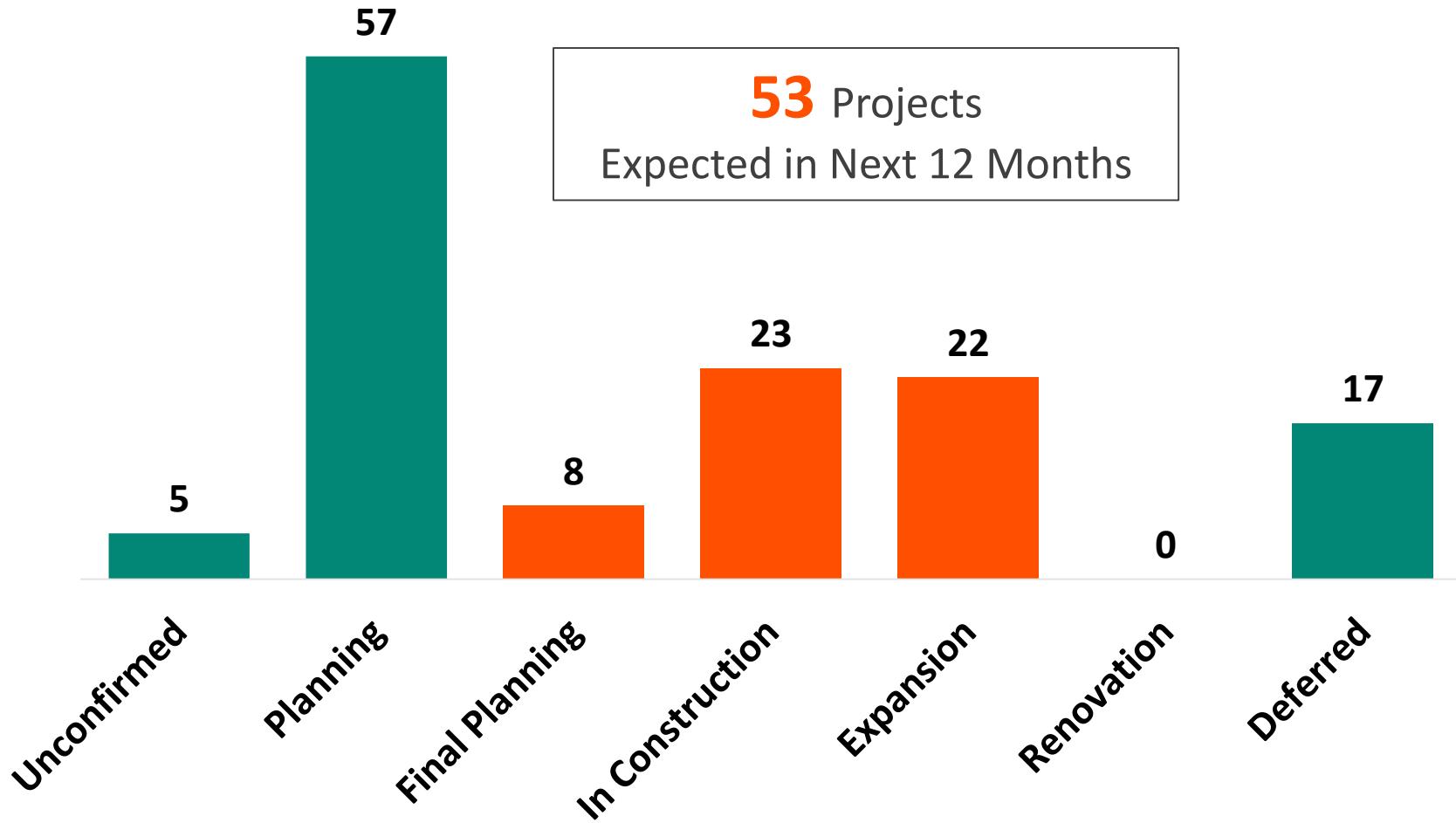
# Austin projects concentrated in Planning

# of projects in each development phase



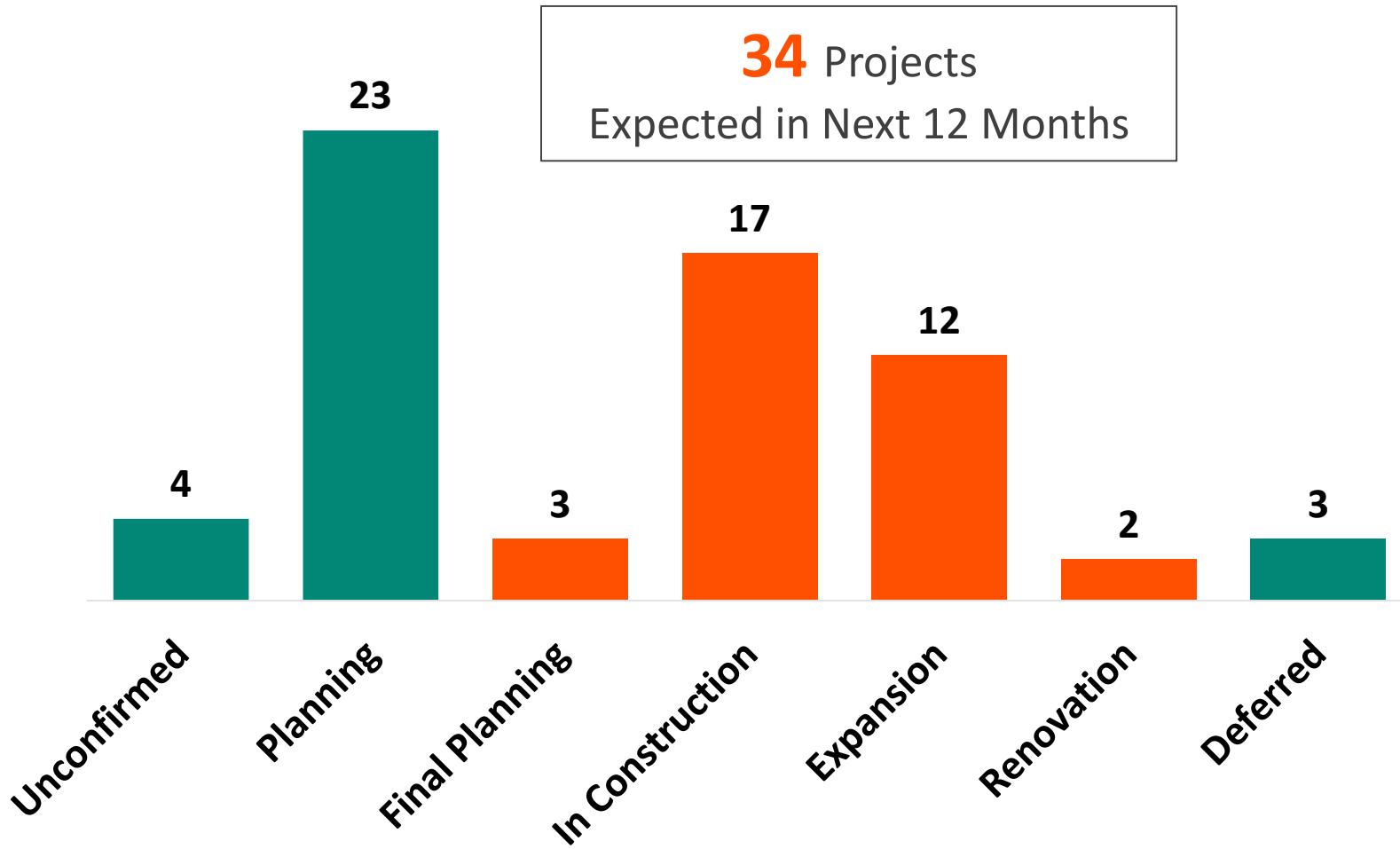
# Dallas-Ft. Worth projects concentrated in Planning

# of projects in each development phase



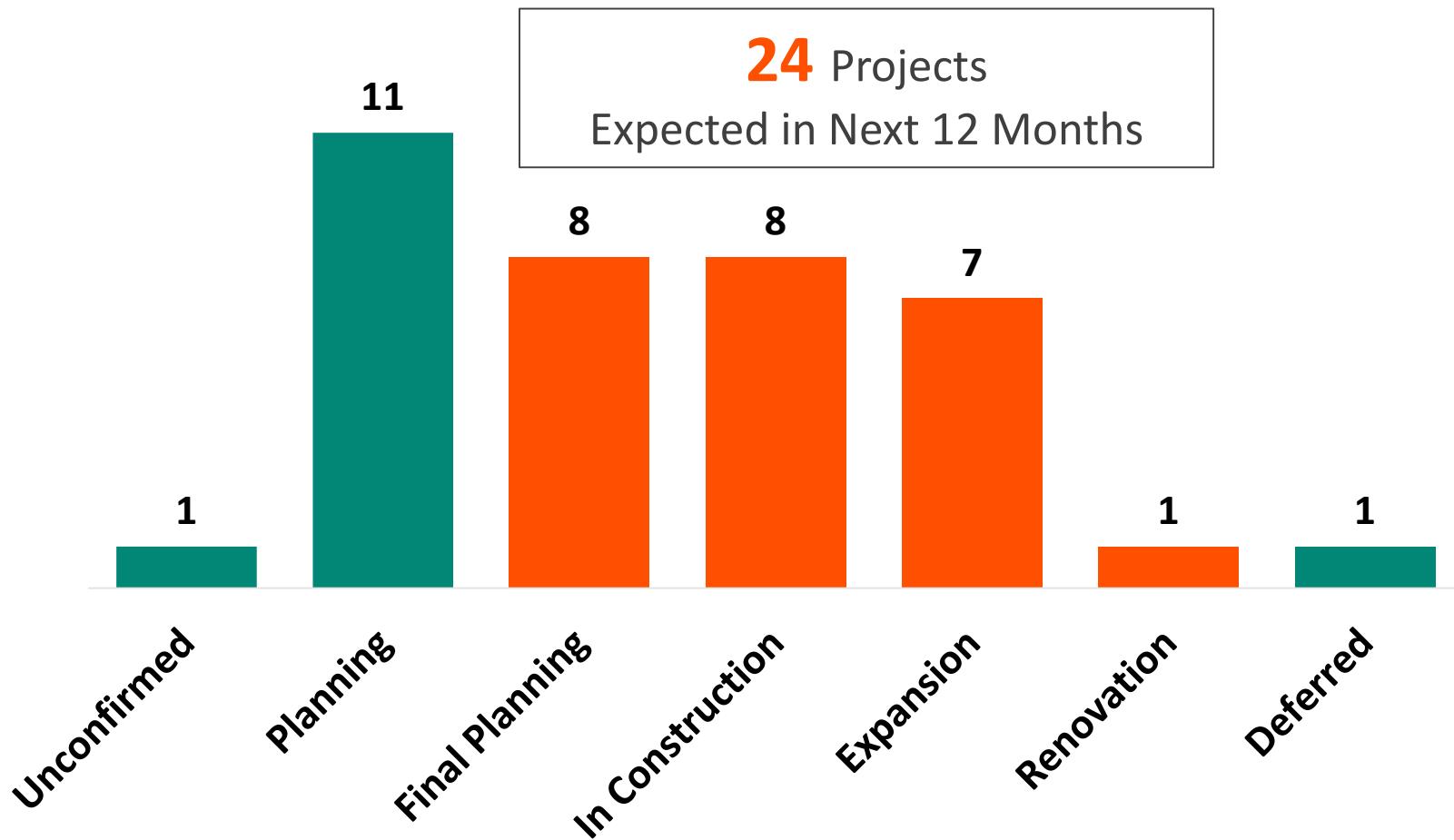
# Houston projects concentrated in Planning

# of projects in each development phase



# San Antonio projects concentrated in Planning

# of projects in each development phase

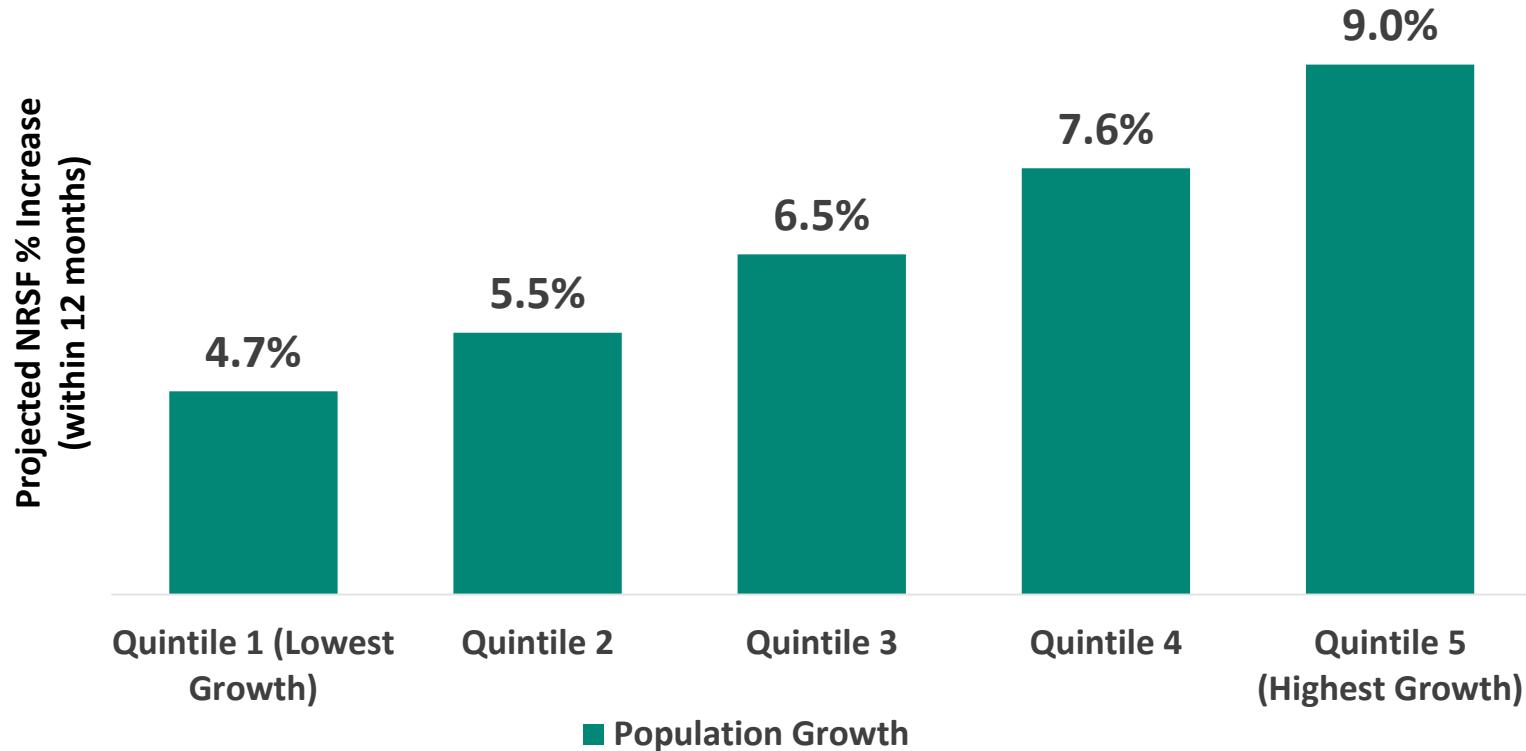




# Unique Data Views

# Supply growth highest where population is growing

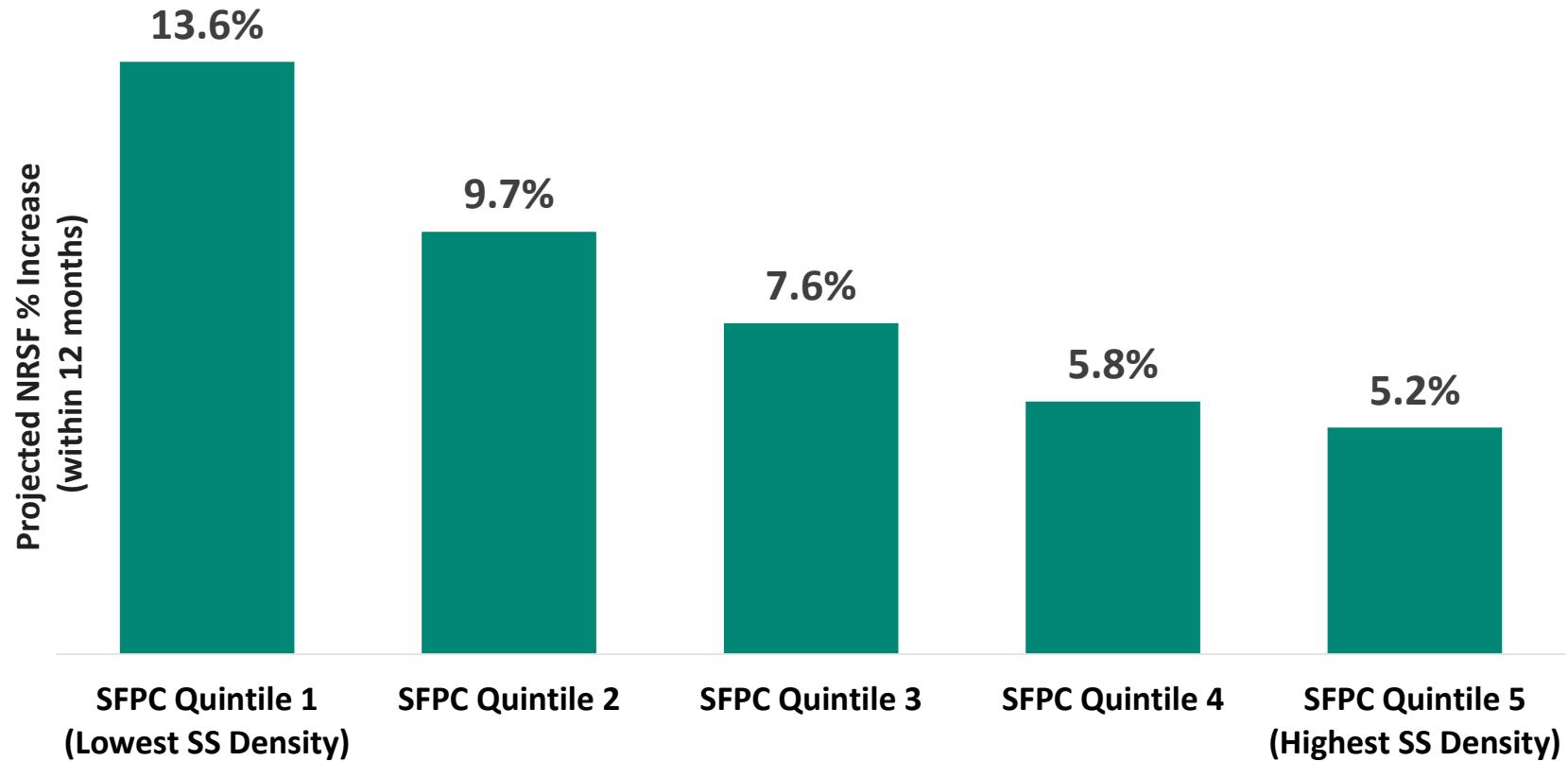
Zip codes with high population growth are projected to have the highest growth in supply over the next 12 months



\*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

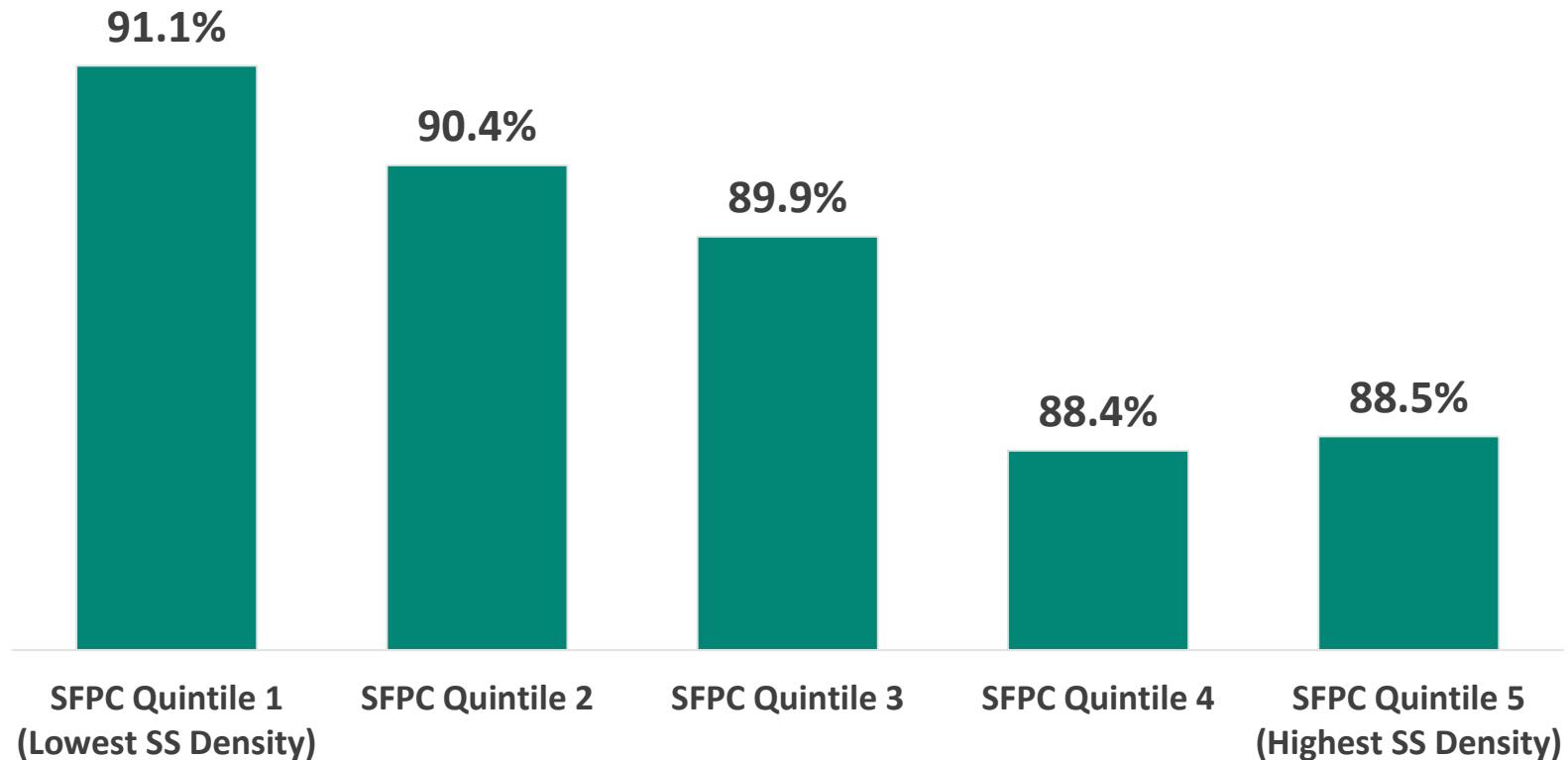
Zip codes with lowest NRSF/capita are projected to have the highest growth in supply over the next 12 months



\*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

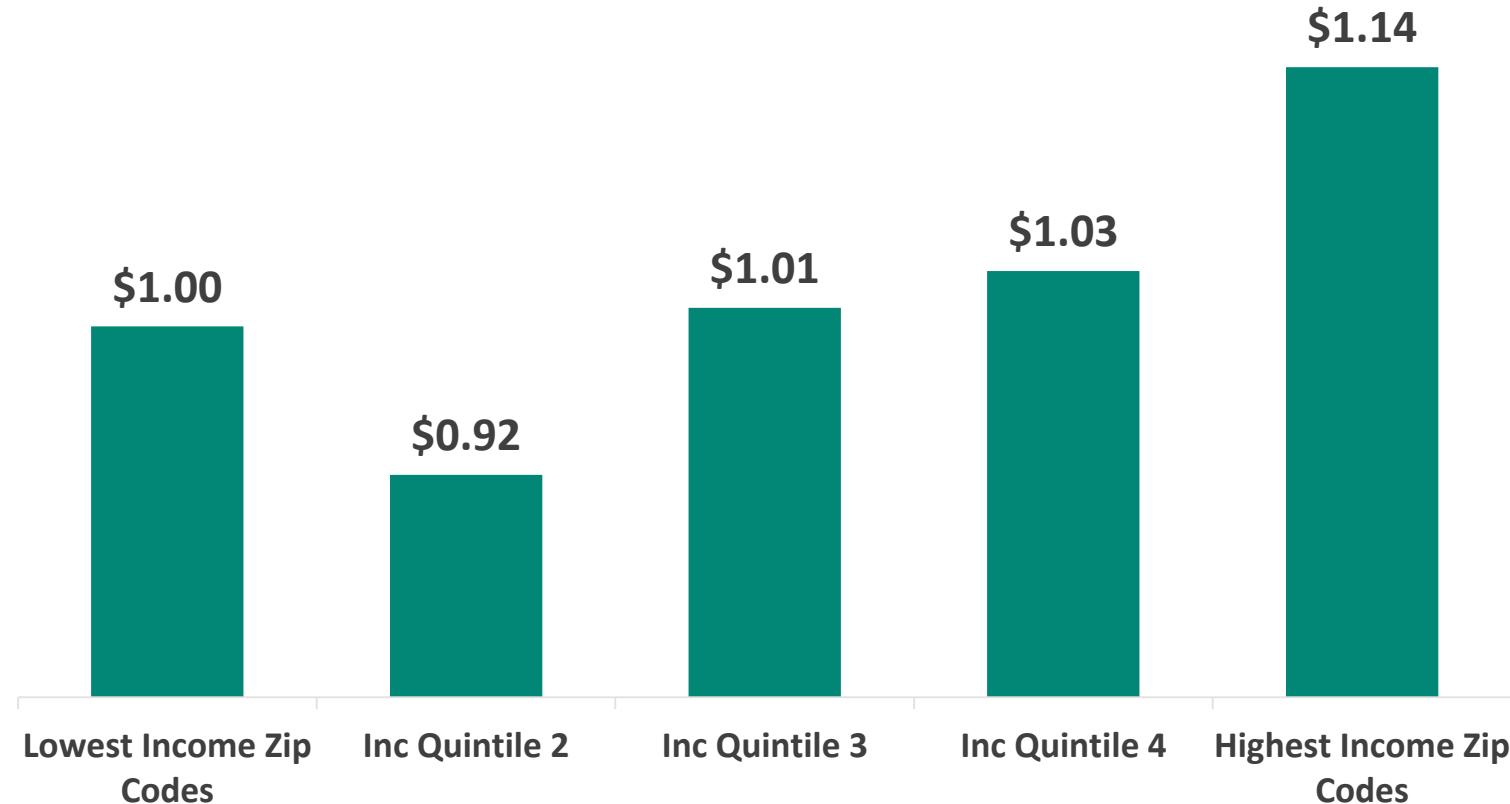
Stabilized NRSF occupancy, 12MMA



\*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

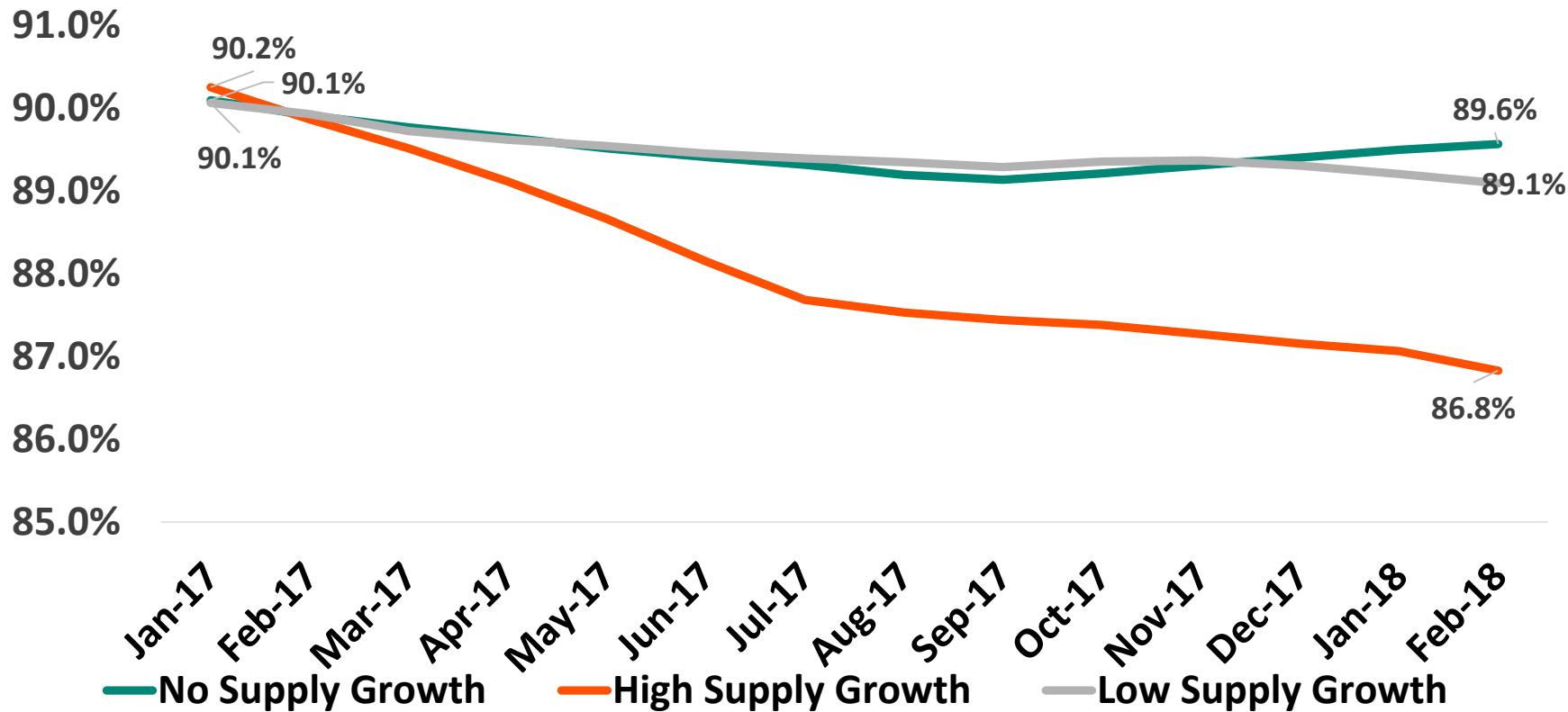
Stabilized NRSF rate, 12MMA



\*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\*

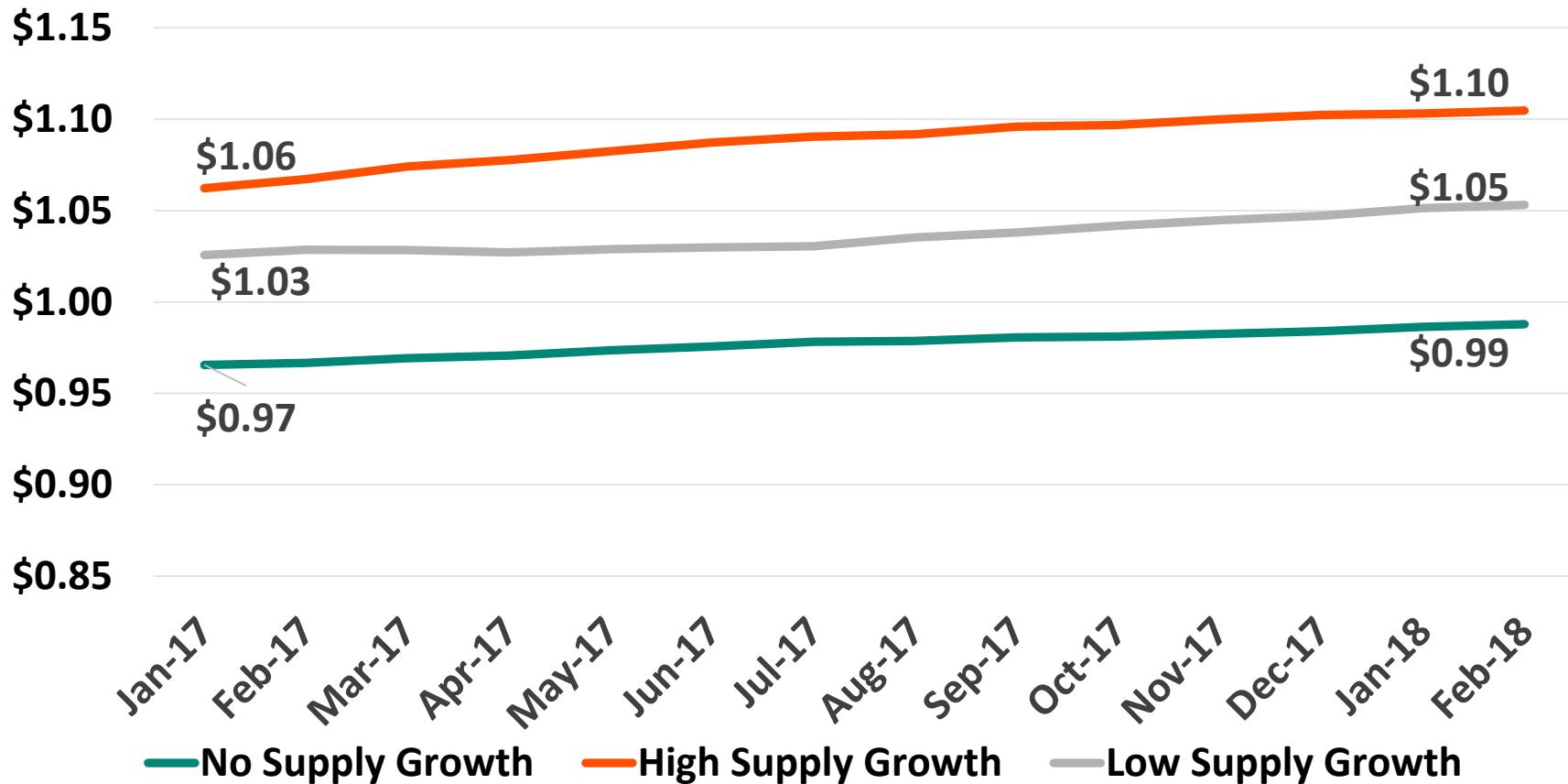


\*High growth zip codes are defined as Texas zip codes that rank above the 50<sup>th</sup> percentile in NRSF growth from June 2017 to March 2018. Note: Performance data includes only those facilities with >80% occupancy for 12 consecutive months

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 50<sup>th</sup> 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?