



SELF STORAGE 2018 MARKET REPORT

Texas Self Storage Association – October, 2018

Presented by: Chris Sonne

CBRE

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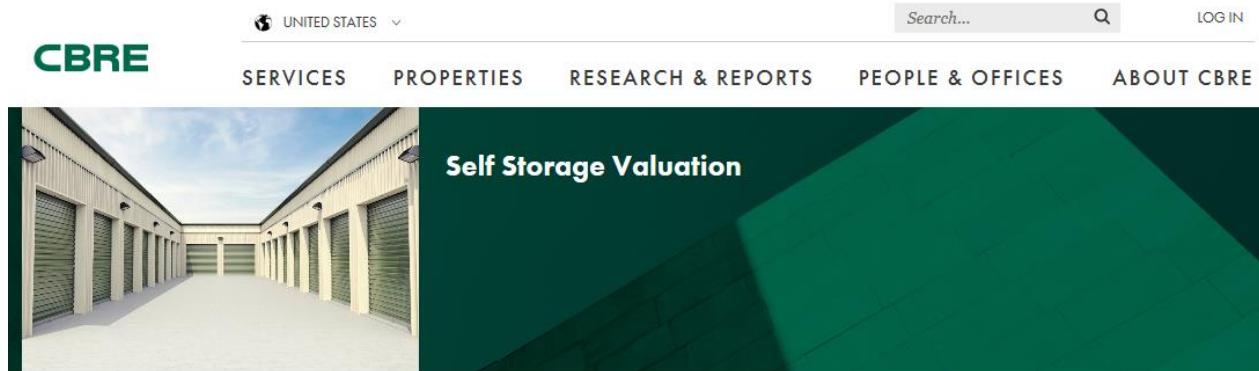
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SELF STORAGE WEBSITE

www.cbre.com/selfstorageevaluation



The screenshot shows the CBRE website for Self Storage Valuation. The top navigation bar includes a globe icon for 'UNITED STATES', a search bar with a magnifying glass icon, and 'LOG IN'. Below the navigation is a main menu with 'SERVICES', 'PROPERTIES', 'RESEARCH & REPORTS', 'PEOPLE & OFFICES', and 'ABOUT CBRE'. A large image of a self-storage facility is on the left, and the title 'Self Storage Valuation' is prominently displayed on the right.

United States > Real Estate Services > Industries & Specialties > Self Storage > [Self Storage Valuation](#)

SELF STORAGE VALUATION

SELF STORAGE

SELF STORAGE VALUATION CONTACTS

The most comprehensive look at new Self Storage Supply in the industry's history.

New Construction Report

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Market sentiment is that cap rates will remain level in the sector.

Investor Survey

[READ MORE](#)

Overview

With an appraisal background, the Self Storage Valuation Group can provide complete appraisal services in self-contained and summary report formats. Business arrangements vary by scope of services. Furthermore, it is the intent of the appraisal services to comply with the Uniform Standards of Professional Appraisal Practice as outlined by the Appraisal

Contacts

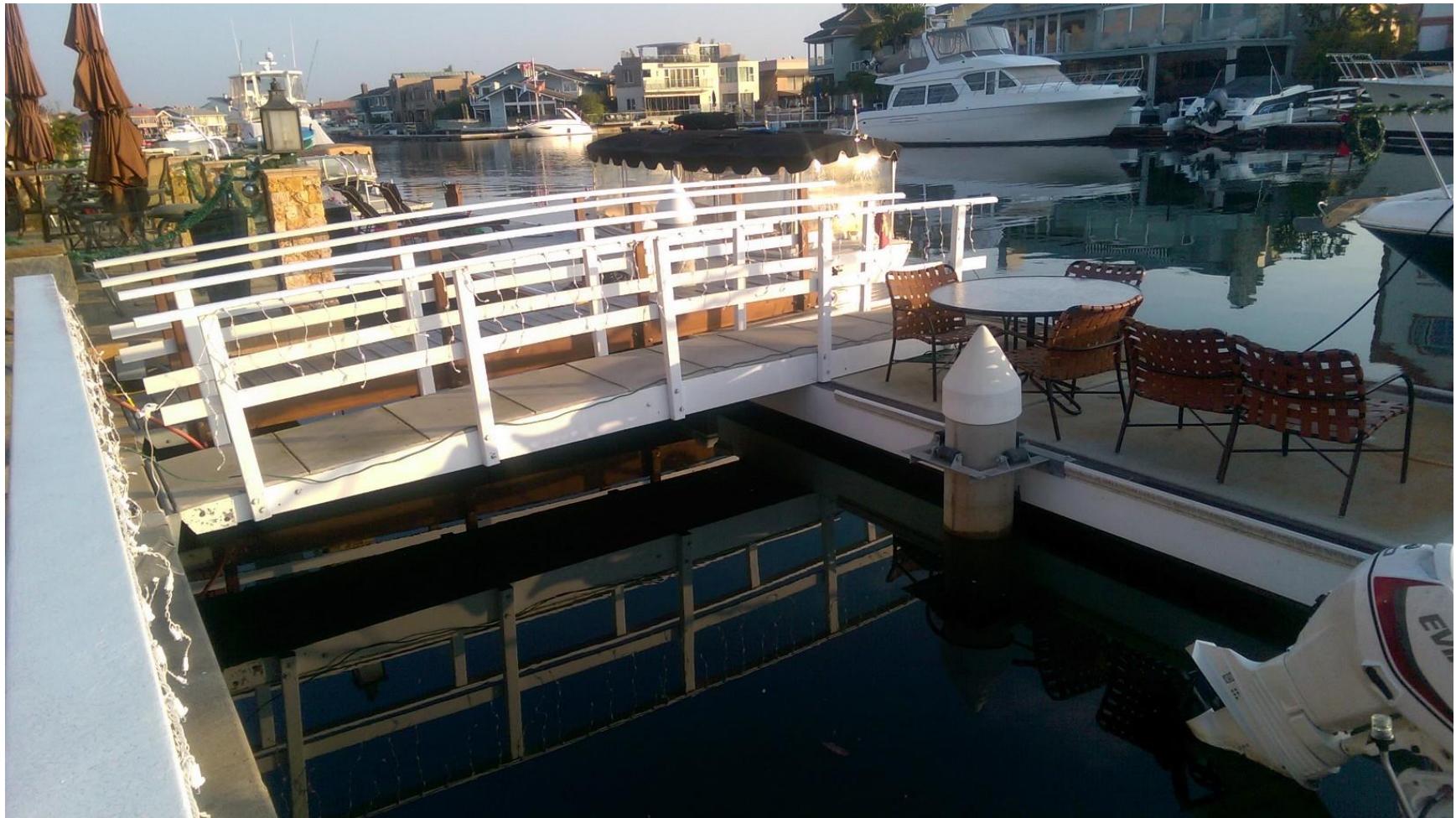


R. Christian Sonne,
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SERVICES


“A RISING TIDE LIFTS ALL BOATS”

- JOHN F. KENNEDY (1963)



“ONLY WHEN THE TIDE GOES OUT DO YOU DISCOVER WHO’S BEEN SWIMMING NAKED” - WARREN BUFFETT



ITS BEEN A LONG RIDE



REIT NOI GROWTH

REIT NOI GROWTH						
	Public Storage	Extra Space Storage	CubeSmart	Life Storage (Formerly Sovran Self Storage)	National Storage Affiliates	Average
2015 1Q	8.4%	11.4%	9.5%	7.5%	-	9.2%
2015 2Q	9.0%	12.1%	8.4%	7.8%	11.8%	9.8%
2015 3Q	8.4%	12.6%	9.3%	8.4%	13.6%	10.5%
2015 4Q	8.0%	11.5%	11.1%	7.8%	10.7%	9.8%
2016 1Q	10.4%	12.3%	12.9%	9.9%	11.3%	11.4%
2016 2Q	6.6%	9.4%	11.0%	6.8%	10.8%	8.9%
2016 3Q	4.7%	7.8%	9.3%	5.8%	9.5%	7.4%
2016 4Q	4.6%	7.9%	8.1%	3.7%	9.2%	6.7%
2017 1Q	4.1%	9.2%	6.0%	3.2%	9.1%	6.3%
2017 2Q	3.3%	7.7%	5.0%	-0.6%	8.4%	4.8%
2017 3Q	3.2%	5.5%	4.1%	2.4%	6.7%	4.4%
2017 4Q	3.0%	5.7%	5.4%	0.6%	5.7%	4.1%
2018 1Q	2.1%	4.5%	4.0%	2.5%	4.4%	3.5%
Average	5.8%	9.0%	8.0%	5.1%	8.9%	7.4%

Compiled by CBRE

REIT PERFORMANCE

SELF STORAGE REIT STATISTICS & PERFORMANCE

Stock:	Ticker:	2Q 2018		4Q 2017		4Q 2016		4Q 2015	
		Price:	Dividend:	Price:	Dividend:	Price:	Dividend:	Price:	Dividend:
Public Storage, Inc.	PSA	\$ 209.85	3.87%	\$ 196.11	3.93%	\$ 220.25	3.55%	\$ 240.59	2.18%
Life Storage (Formerly Sovran)	LSI	\$ 91.44	4.39%	\$ 84.24	4.60%	\$ 83.54	4.48%	\$ 100.83	3.37%
CubeSmart	CUBE	\$ 30.41	3.99%	\$ 27.72	4.24%	\$ 26.66	3.99%	\$ 29.16	2.18%
Extra Space Storage, Inc.	EXR	\$ 95.65	3.33%	\$ 82.37	3.66%	\$ 76.78	4.07%	\$ 84.10	2.81%
Jernigan Capital	JCAP	\$ 19.63	7.33%	\$ 18.64	7.58%	\$ 20.76	6.70%		
National Storage Affiliates Trust	NSA	\$ 27.73	4.16%	\$ 26.01	4.26%	\$ 22.34	4.22%		
Averages:		\$ 79.12	4.51%	\$ 72.52	4.71%	\$ 75.06	4.50%	\$ 113.67	2.64%

Stock:	Ticker:	4Q 2014		4Q 2013		4Q 2013		4Q 2012	
		Price:	Dividend:	Price:	Dividend:	Price:	Dividend:	Price:	Dividend:
Public Storage, Inc.	PSA	\$ 186.76	2.88%	\$ 162.06	3.49%	\$ 162.06	3.49%	\$ 146.22	2.98%
Sovran Self Storage	SSS	\$ 89.09	3.27%	\$ 67.91	3.06%	\$ 67.91	3.06%	\$ 61.30	3.12%
CubeSmart	CUBE	\$ 22.08	2.74%	\$ 16.40	2.51%	\$ 16.40	2.51%	\$ 14.63	2.41%
Extra Space Storage, Inc.	EXR	\$ 58.64	3.01%	\$ 42.59	3.72%	\$ 42.59	3.72%	\$ 37.33	2.32%
Averages:		\$ 89.14	2.98%	\$ 72.24	3.20%	\$ 72.24	3.20%	\$ 64.87	2.71%

Compiled by CBRE

SECTOR PRICING IS FLAT

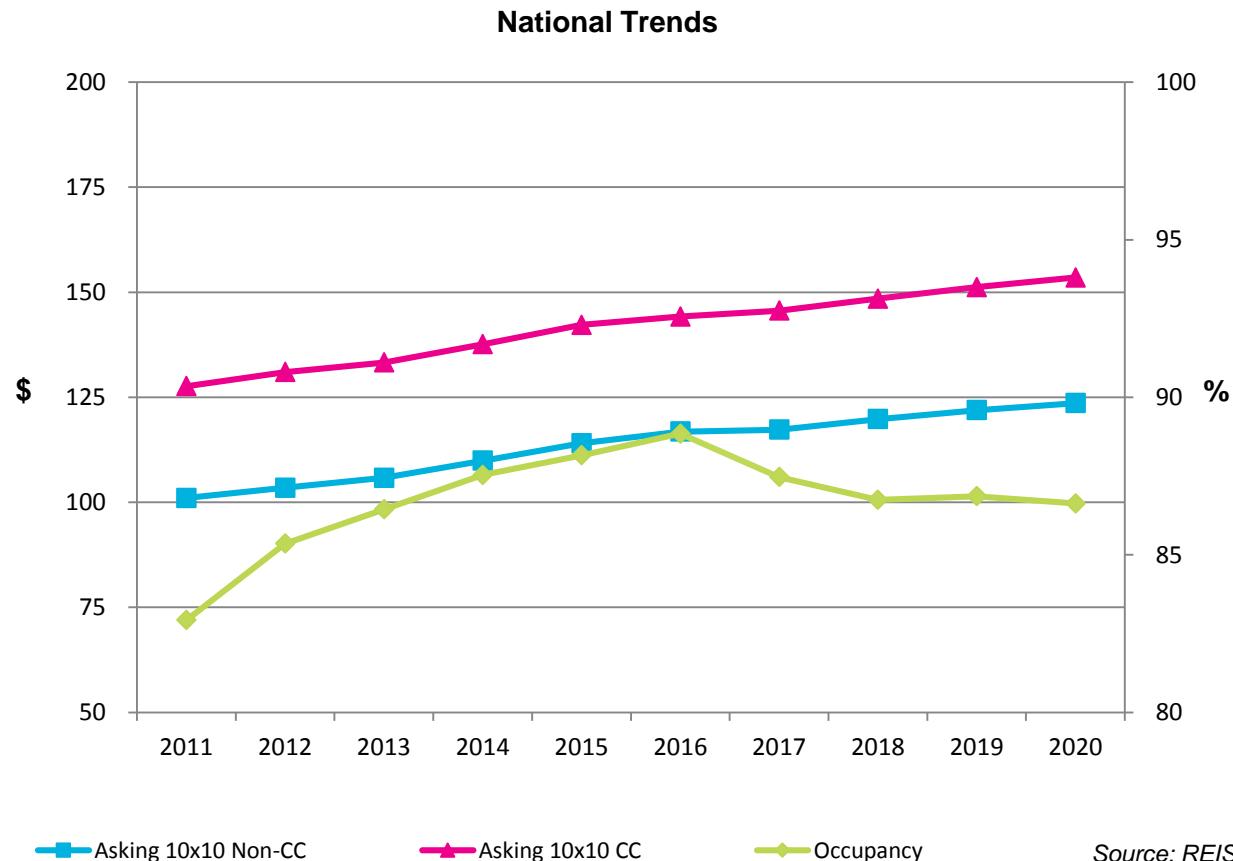
SELF STORAGE REIT STATISTICS & PERFORMANCE

Stock:	Ticker:	2Q 2018		4Q 2017		4Q 2016		4Q 2015	
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CubeSmart	CUBE	\$ 30.41	3.99%	\$ 27.72	4.24%	\$ 26.66	3.99%	\$ 29.16	2.18%
Extra Space Storage, Inc.	EXR	\$ 95.65	3.33%	\$ 82.37	3.66%	\$ 76.78	4.07%	\$ 84.10	2.81%
Averages:		\$ 106.84	3.90%	\$ 97.61	4.11%	\$ 101.81	4.02%	\$ 113.67	2.64%
Change:		9.45%		-4.12%		-10.44%		27.51%	

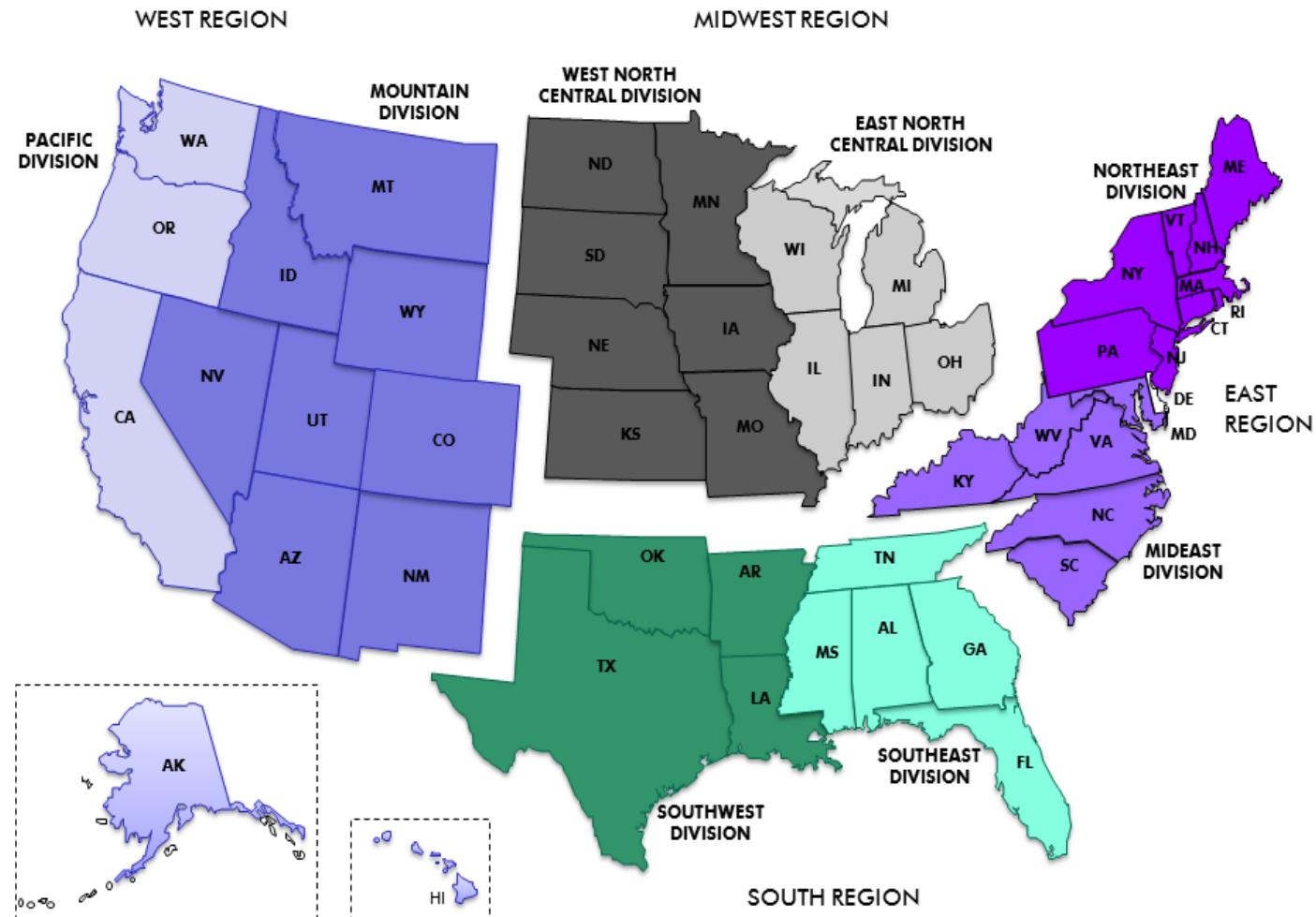
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		Price:	Dividend:	Price:	Dividend:	Price:	Dividend:	Price:	Dividend:
Public Storage, Inc.	PSA	\$ 186.76	2.88%	\$ 162.06	3.49%	\$ 146.22	2.98%	\$ 131.90	2.88%
Sovran Self Storage	SSS	\$ 89.09	3.27%	\$ 67.91	3.06%	\$ 61.30	3.12%	\$ 41.64	4.32%
CubeSmart	CUBE	\$ 22.08	2.74%	\$ 16.40	2.51%	\$ 14.63	2.41%	\$ 9.97	2.81%
Extra Space Storage, Inc.	EXR	\$ 58.64	3.01%	\$ 42.59	3.72%	\$ 37.33	2.32%	\$ 24.10	2.32%
Averages:		\$ 89.14	2.98%	\$ 72.24	3.20%	\$ 64.87	2.71%	\$ 51.90	3.08%
Change:		23.40%		11.36%		24.98%			

Compiled by CBRE

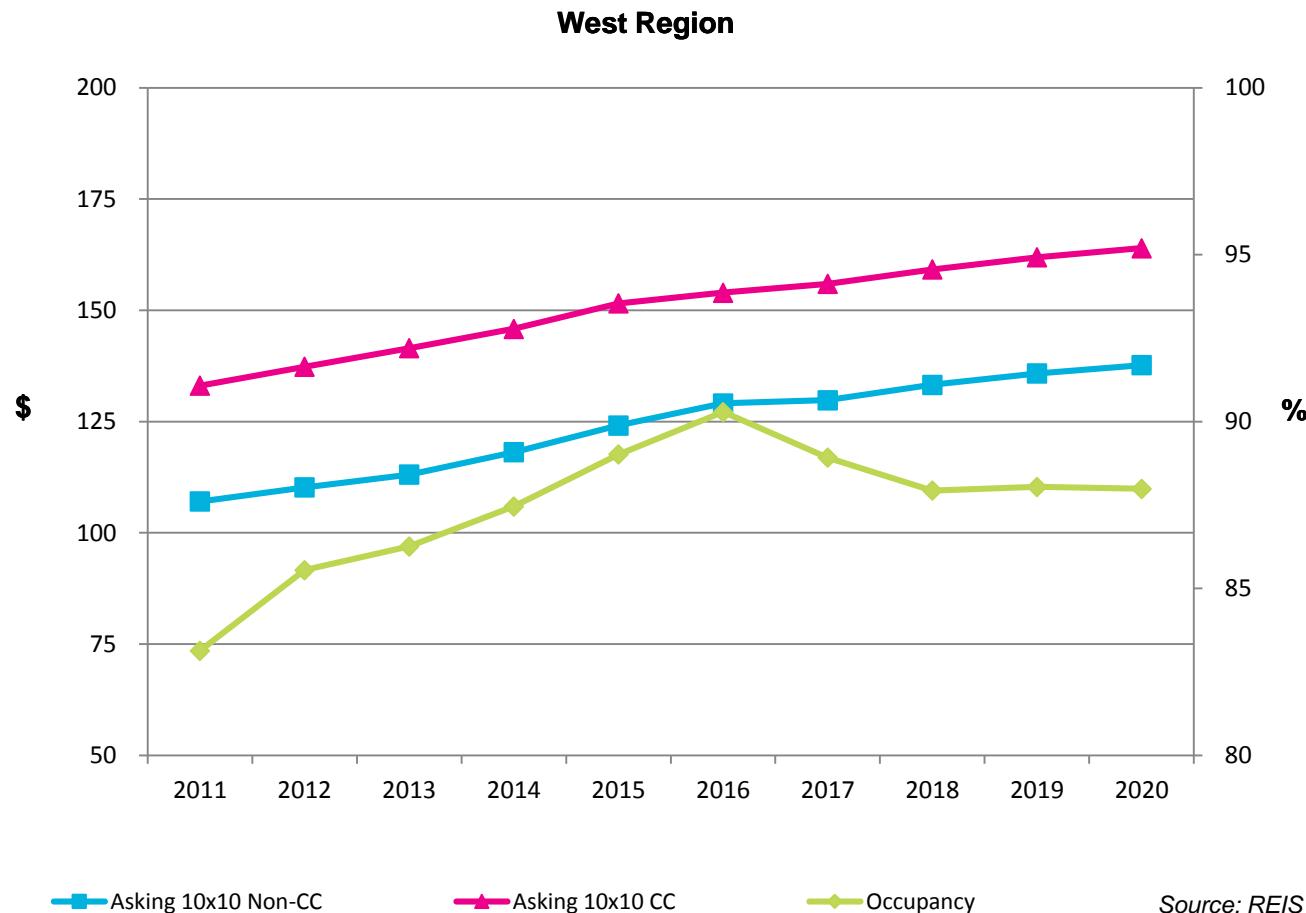
SELF STORAGE TRENDS IN THE USA



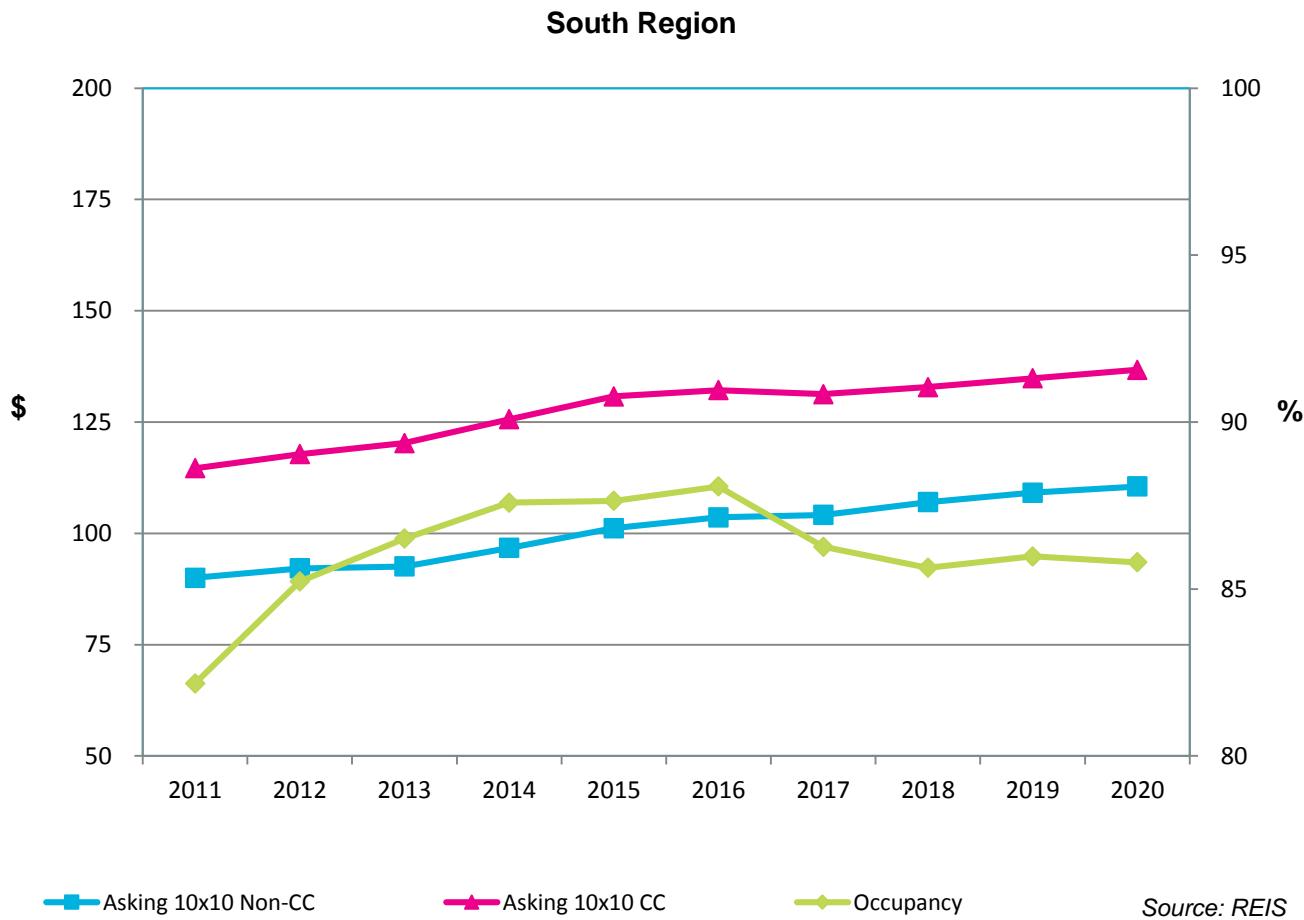
NCREIF REGIONS



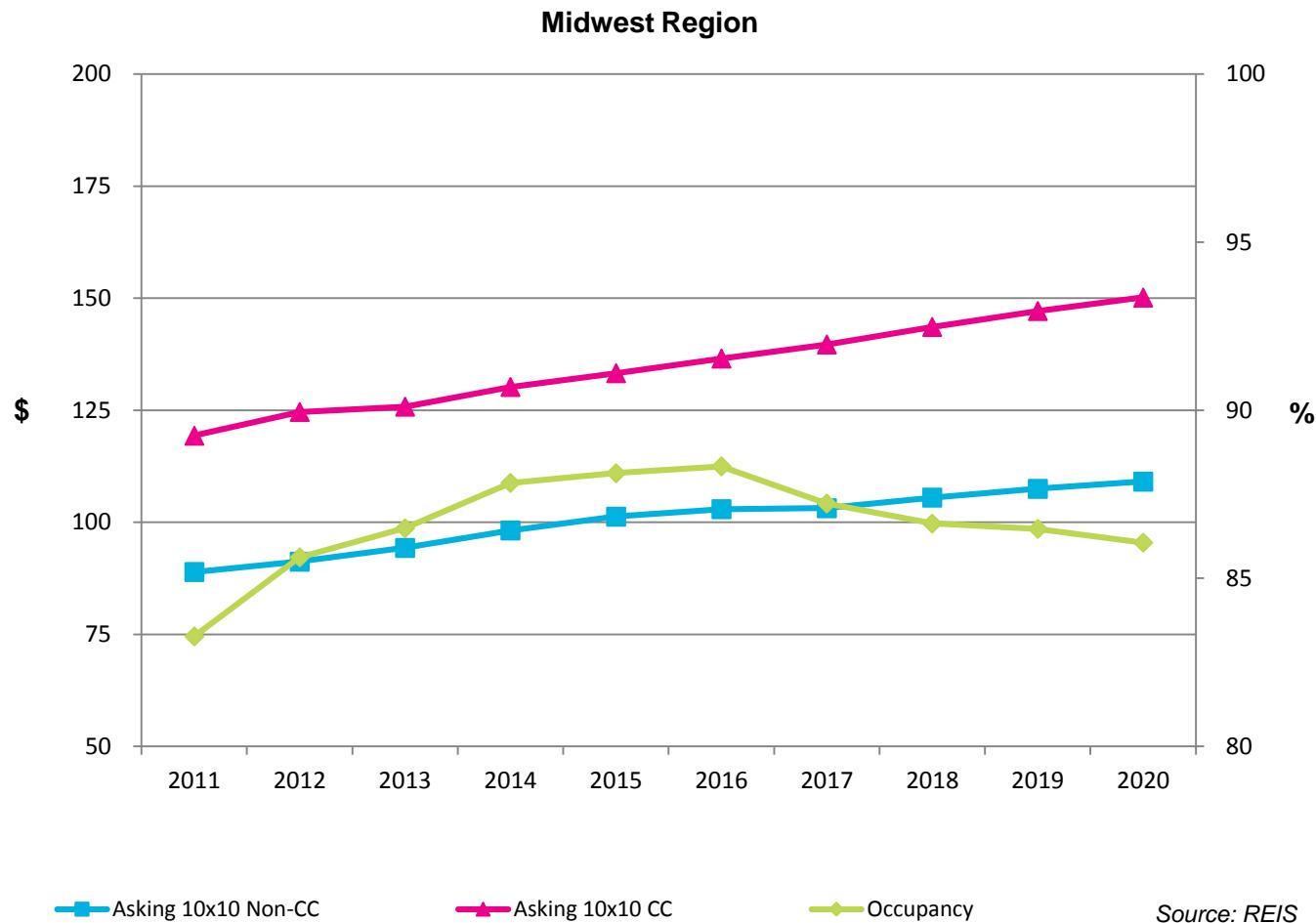
SELF STORAGE TRENDS IN THE WEST REGION



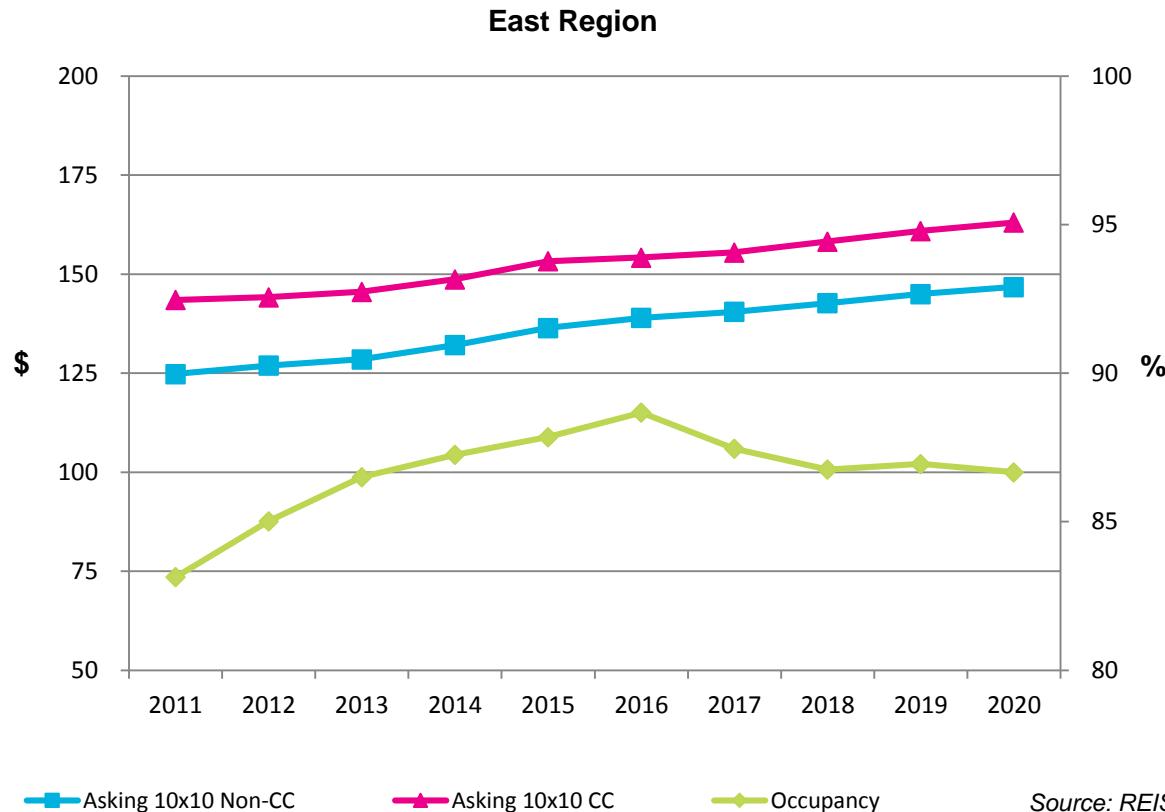
SELF STORAGE TRENDS IN THE SOUTH REGION



SELF STORAGE TRENDS IN THE MIDWEST REGION



SELF STORAGE TRENDS IN THE EAST REGION



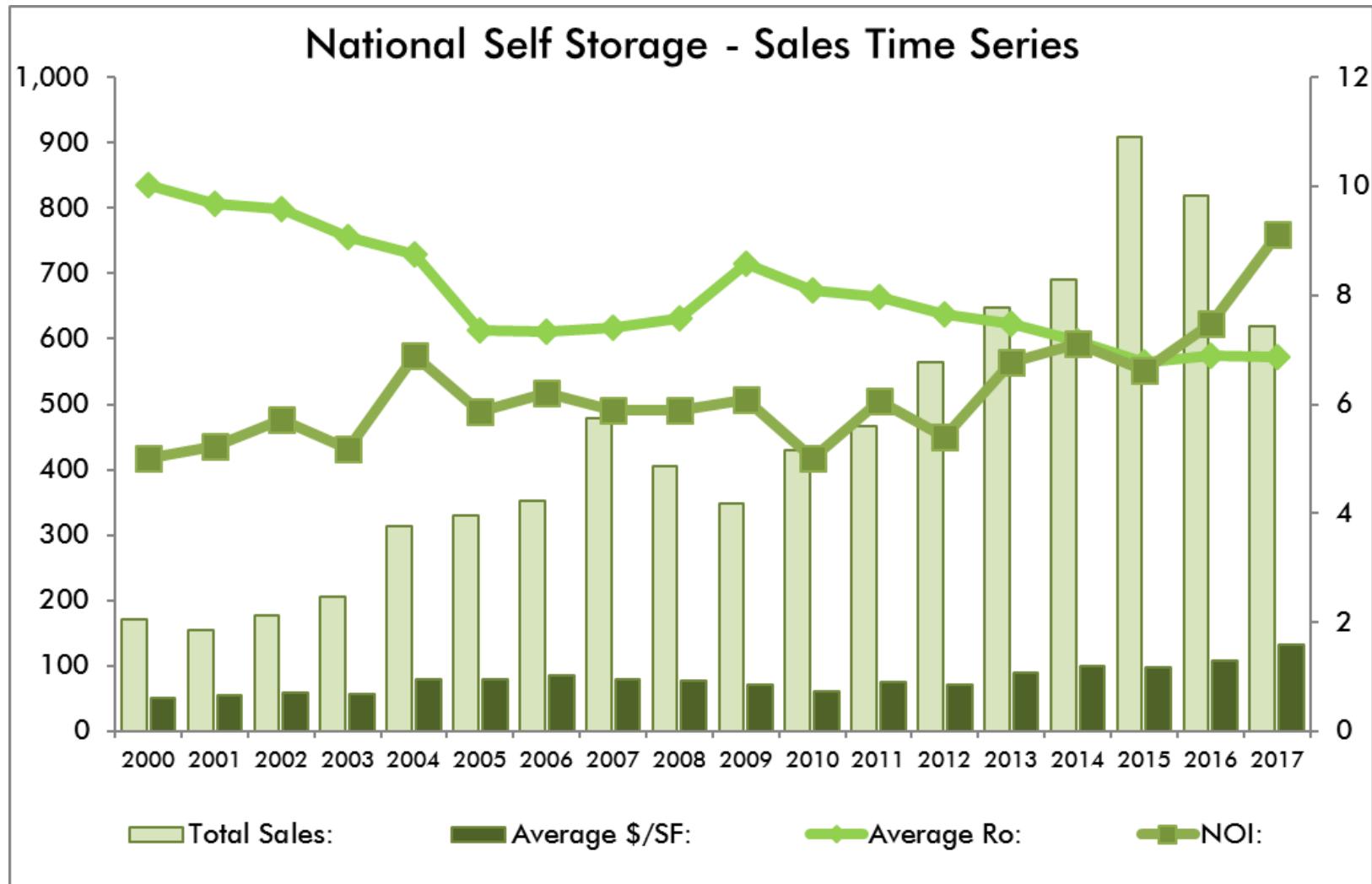
ANNUAL RETURNS BY PROPERTY SECTOR

Analysis - Calculated Based on NAREIT Data					
	(Returns in Percent)				
	Office	Industrial	Retail	Apartments	Self Storage
1994	2.86	18.67	2.98	2.19	8.90
1995	38.80	16.21	5.10	12.26	34.40
1996	51.80	37.22	34.60	28.93	42.84
1997	29.01	19.02	16.95	16.04	3.41
1998	-17.35	-11.74	-4.94	-8.77	-7.20
1999	4.25	3.90	-11.77	10.73	-8.04
2000	35.46	28.62	17.97	35.53	14.69
2001	6.65	7.42	30.42	8.66	43.24
2002	-6.82	17.32	21.07	-6.15	0.56
2003	34.01	33.14	46.77	25.49	38.14
2004	23.28	34.09	40.23	34.71	29.70
2005	13.11	15.42	11.80	14.65	26.55
2006	45.22	28.92	29.01	39.95	40.95
2007	-18.96	0.38	-15.77	-25.43	-24.82
2008	-41.07	-67.47	-48.36	-25.13	5.05
2009	35.55	12.17	27.17	30.40	8.37
2010	18.41	18.89	33.41	47.04	29.29
2011	-0.76	-5.16	12.20	15.37	31.62
2012	14.15	31.28	26.74	6.93	19.94
2013	5.57	7.40	1.86	-6.20	9.49
2014	25.86	21.00	27.62	39.62	31.44
2015	0.29	2.64	4.56	16.45	40.65
2016	13.17	30.72	0.95	2.86	-8.14
2017	5.25	20.58	-4.77	3.72	3.74
2018 June	3.16	2.65	5.77	3.66	7.03

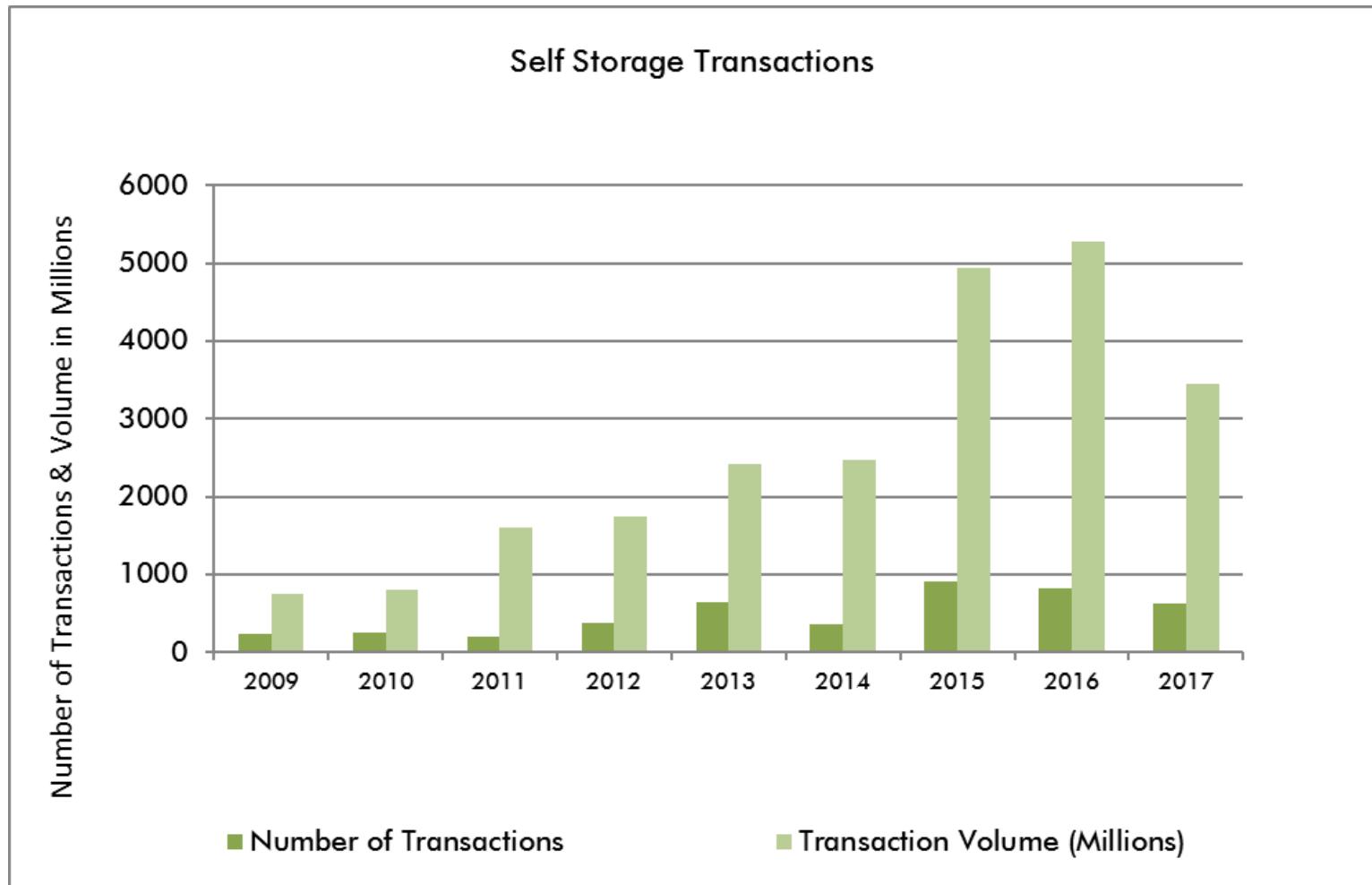
Source Data: NAREIT / Compiled By: CBRE

Analysis - Calculated Based on NAREIT Data					
5 yr Avg. Return '13-'17	10.03	16.47	6.04	11.29	15.44
5 yr Standard Deviation	8.92	10.14	11.21	15.90	18.00
10 yr Avg. Return '08-'17	7.64	7.21	8.14	13.11	17.15
10 yr Standard Deviation	19.51	27.23	22.82	20.58	14.91
15 yr Avg. Return '03-'17	11.54	12.27	12.89	14.70	18.80
15 yr Standard Deviation	21.09	24.51	23.68	21.64	18.61

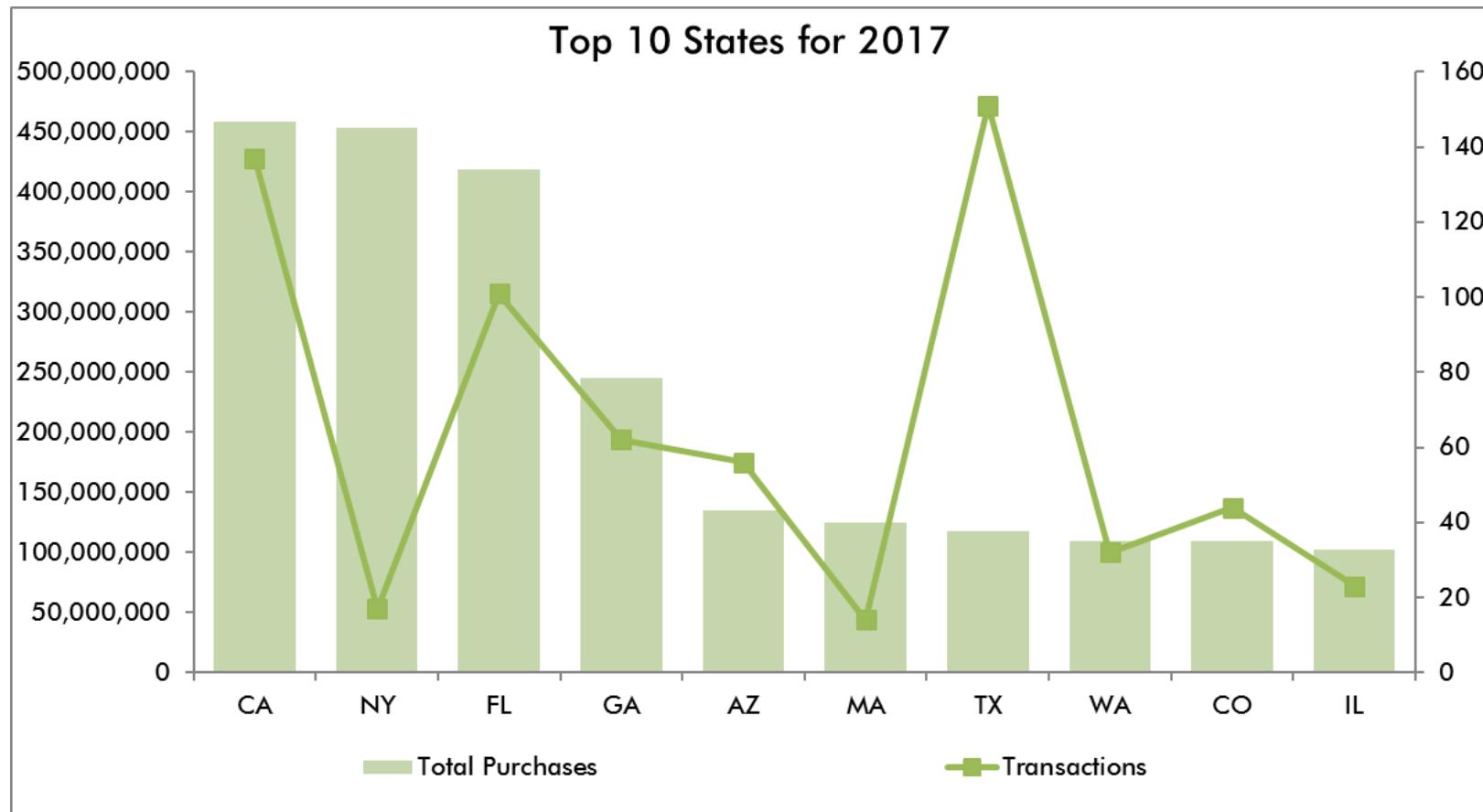
SELF STORAGE TIME SERIES TRENDS



SELF STORAGE TRANSACTION ACTIVITY



SELF STORAGE TRANSACTION ACTIVITY



PORTFOLIO SALES

SELF STORAGE PORTFOLIO SALES						
		Sales Price	NRA	Price/ SF	Pro Forma Cap Rate	TTM Cap Rate
2018						
Low	\$	209,300,000	1,109,371	\$152.30	5.54%	5.00%
High	\$	1,325,000,000	8,700,000	\$188.67	5.60%	5.50%
Average	\$	767,150,000	4,904,686	\$170.48	5.57%	5.25%
2017						
Low	\$	126,000,000	1,378,726	\$ 75.45	4.75%	4.51%
High	\$	330,000,000	2,300,756	\$216.49	6.40%	5.90%
Average	\$	248,400,000	1,718,445	\$149.03	5.43%	5.23%
2016						
Low	\$	77,788,000	435,000	\$ 87.34	4.75%	4.00%
High	\$	1,229,900,000	6,851,703	\$246.96	6.00%	6.10%
Average	\$	340,472,207	2,277,377	\$148.69	5.47%	5.20%
2015						
Low	\$	61,300,000	580,661	\$ 81.79	5.00%	4.85%
High	\$	1,400,000,000	9,027,785	\$158.59	6.50%	6.00%
Average	\$	351,133,333	2,402,448	\$117.51	5.82%	5.45%
Compiled by CBRE						

KEY INDICATORS

OVERALL CAPITALIZATION RATES

Investor Surveys	OAR Range	Average
CBRE Self Storage Investor Survey: 4th Qtr. 2015	5.00% - 8.25%	5.74%
CBRE Self Storage Investor Survey: 1st Qtr. 2016	5.00% - 8.20%	5.70%
CBRE Self Storage Investor Survey: 3rd Qtr. 2016	4.90% - 8.00%	5.64%
CBRE Self Storage Investor Survey: 3rd Qtr. 2017	4.75% - 8.50%	5.60%
CBRE Self Storage Investor Survey: 3rd Qtr. 2018	4.50% - 8.50%	5.68%

Compiled by: CBRE

TERMINAL CAPITALIZATION RATES

Investor Surveys	Rate Range	Average	Spread To Cap Rate (bps)
CBRE Self Storage Investor Survey: 4th Qtr. 2015	5.25% - 8.25%	6.01%	25
CBRE Self Storage Investor Survey: 1st Qtr. 2016	5.25% - 8.45%	5.94%	27
CBRE Self Storage Investor Survey: 3rd Qtr. 2016	5.20% - 8.20%	5.88%	24
CBRE Self Storage Investor Survey: 3rd Qtr. 2017	5.00% - 8.30%	5.86%	26
CBRE Self Storage Investor Survey: 3rd Qtr. 2018	4.75% - 8.75%	5.92%	24

Compiled by: CBRE

KEY INDICATORS

DISCOUNT RATES

Investor Surveys	Rate Range	Average
CBRE Self Storage Investor Survey: 4th Qtr. 2015	8.00% - 10.75%	8.75%
CBRE Self Storage Investor Survey: 1st Qtr. 2016	8.00% - 10.70%	8.72%
CBRE Self Storage Investor Survey: 3rd Qtr. 2016	7.75% - 10.75%	8.63%
CBRE Self Storage Investor Survey: 3rd Qtr. 2017	7.75% - 10.75%	8.75%
CBRE Self Storage Investor Survey: 3rd Qtr. 2018	7.50% - 11.00%	8.73%

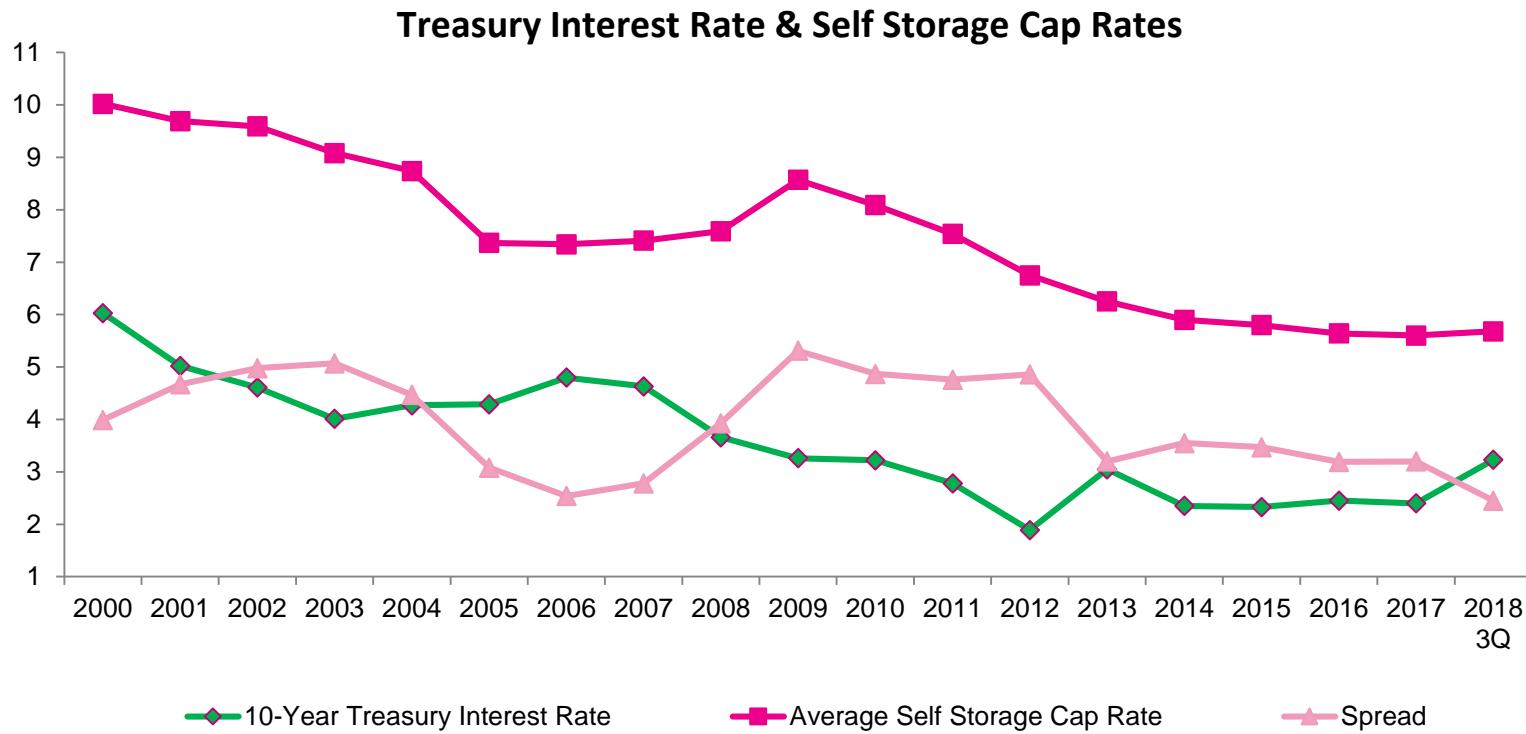
Compiled by: CBRE

SUMMARY OF GROWTH RATES

Investor Surveys	Rent Growth			Expense Growth		
	Rate Range	Average	Rate Range	Average	Rate Range	Average
CBRE Self Storage Investor Survey: 4th Qtr. 2015	3.00% - 6.00%	3.60%	2.00% - 5.00%	2.94%		
CBRE Self Storage Investor Survey: 1st Qtr. 2016	3.00% - 6.00%	3.55%	2.00% - 5.00%	3.02%		
CBRE Self Storage Investor Survey: 3rd Qtr. 2016	3.00% - 6.00%	3.56%	2.00% - 5.00%	3.01%		
CBRE Self Storage Investor Survey: 3rd Qtr. 2017	3.00% - 6.00%	3.50%	2.00% - 5.00%	3.02%		
CBRE Self Storage Investor Survey: 3rd Qtr. 2018	3.00% - 6.00%	3.50%	2.00% - 5.00%	3.00%		

Compiled by: CBRE

TREASURY INTEREST RATE & SELF STORAGE CAP RATES



Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018 3Q	Average
10-Year Treasury Interest Rate	6.03	5.02	4.61	4.01	4.27	4.29	4.80	4.63	3.66	3.26	3.22	2.78	1.89	3.05	2.35	2.33	2.45	2.40	3.23	3.59
Average Self Storage Cap Rate	10.02	9.69	9.59	9.08	8.74	7.37	7.34	7.41	7.59	8.57	8.09	7.54	6.75	6.25	5.90	5.80	5.64	5.60	5.68	7.51
Spread	3.99	4.67	4.98	5.07	4.47	3.08	2.54	2.78	3.93	5.31	4.87	4.76	4.86	3.20	3.55	3.47	3.19	3.20	2.45	3.91

BAND OF INVESTMENT

BAND OF INVESTMENT - MORTGAGE AND EQUITY

Mortgage Interest Rate	5.00%
Mortgage Term (Amortization Period)	30 Years
Mortgage Ratio (Loan-to-Value)	68%
Mortgage Constant (monthly payments)	6.44%
Equity Dividend Rate (EDR)	3.90%
 Mortgage Requirement	68% x 6.44% = 4.38%
Equity Requirement	32% x 3.90% = 1.25%
	100% 5.63%

Indicated OAR: 5.63%

Compiled by: CBRE

MORTGAGE EQUITY

MORTGAGE EQUITY ANALYSIS

Interest Rate	5.00%
Amortization Term	30 Years
Loan-to-Value Ratio	68%
Mortgage Constant	6.44%
Equity Yield Rate (Y _E)	13.10%
Projection Period (n)	10 Years
Compound Annual Appreciation/Depreciation	3.5% per Year
Total Appreciation/Depreciation	41.06%

Compiled by: CBRE

MORTGAGE-EQUITY ANALYSIS - AKERSON FORMAT

Loan Ratio x Annual Constant	=	68.00% x	6.44% =	4.38%
Equity Ratio x Equity Yield Rate	= +	32.00% x	13.10% =	4.19%
Weighted Average				8.57%

Less Credit for Equity Build-up

Loan Ratio x % Paid off in Projected Period x Sinking Fund Factor	= -	68.00% x	18.66% x	5.40% =	0.69%
Basic Rate					7.89%

Less Appreciation / Plus Depreciation

Appreciation/Depreciation x Sinking Fund Factor	= + / -	41.06% x	5.40% =	2.22%
Overall Capitalization Rate				5.67%

Compiled by: CBRE

CAP RATE ANALYTICS

CAP RATE COMPARISON			
Time	Apartment	Self Storage	Spread
3Q 2018	5.26%	5.68%	42
4Q 2017	5.32%	5.65%	33
3Q 2017	5.35%	5.60%	25
3Q 2016	5.25%	5.64%	39
2Q 2016	5.29%	5.65%	36
4Q 2015	5.35%	5.75%	40
2Q 2015	5.30%	5.80%	50
4Q 2014	5.36%	5.90%	54
2Q 2014	5.59%	6.12%	53
4Q 2013	5.80%	6.25%	35
2Q 2013	5.70%	6.55%	75
2Q 2010	7.85%	8.45%	60
Average	5.68%	6.17%	45

Compiled by: CBRE

CBRE SELF STORAGE NEW CONSTRUCTION REPORT

Q3 2017

Research sources include F.W. Dodge, STR, Big Byte Insights, the US Census, REIS, and the SSPQ in addition to the primary survey research performed by Argus. Not all the sources covered all Metros, and the scope and methods varied. The results vary widely because of the challenges in sorting out actual construction starts to planned projects. In Los Angeles, for example, sources indicate from 5 to 33 projects are either planned, under construction or in absorption phase (complete). In Phoenix, the range varied from 8 to 64.

CBRE SELF STORAGE NEW CONSTRUCTION REPORT

NEW CONSTRUCTION REPORT - 3Q 2017				Construction & Pre-Occupancy			
Metro	Ranned	Construction & Pre-Certificate of Occupancy	Lease Up	Los Angeles	6	11	4
Atlanta	15	24	10	Miami	21	35	14
Austin	13	22	9	Minneapolis	5	8	3
Baltimore	1	2	1	Nashville	12	20	8
Boston	8	14	6	New York Metro	16	27	11
Charlotte	10	17	7	Oklahoma City	5	9	4
Chicago	12	21	8	Orlando	6	11	4
Cincinnati	2	3	1	Philadelphia	5	8	3
Cleveland	1	2	1	Phoenix	13	22	9
Columbus	2	3	1	Portland	9	16	6
Dallas	49	82	33	Sacramento	4	7	3
Denver	14	24	10	San Antonio	6	10	4
Detroit	3	5	2	San Bernardino/Riverside	7	11	4
Houston	16	26	10	San Diego	5	8	3
Indianapolis	0	1	0	San Francisco / San Jose	3	5	2
Kansas City	1	2	1	Seattle	5	9	4
Las Vegas	1	2	1	St. Louis	2	4	1
				Tampa-St. Petersburg	5	9	3
				Total	283	480	190
				Compiled by CBRE & Argus Self Storage Sales Network			

CBRE SELF STORAGE NEW CONSTRUCTION REPORT

IMPACT OF NEW CONSTRUCTION BY METRO - 3Q 2017

Metro	New Supply	Current Supply/Pers on/SF	Ratio of New Supply to Existing	SF Per Person	Forecast Demand	Variance Current	Market Condition Current	After New Construction	Market Condition After Construction
	SF	on/SF	on/SF						
Atlanta	2,681,250	0.46	6.11	7.6%	6.11	5.76	(0.35) Equilibrium	(0.81) Over-Supplied	
Austin	2,420,000	1.17	8.39	13.9%	8.39	8.28	(0.11) Equilibrium	(1.28) Over-Supplied	
Baltimore	165,000	0.06	3.70	1.6%	3.70	7.47	3.77 Under-Supplied	3.72 Under-Supplied	
Boston	1,540,000	0.32	5.67	5.6%	5.67	8.02	2.35 Under-Supplied	2.03 Under-Supplied	
Charlotte	1,815,000	0.73	5.90	12.3%	5.90	6.33	0.43 Equilibrium	(0.29) Equilibrium	
Chicago	2,282,500	0.24	4.68	5.0%	4.68	4.52	(0.16) Equilibrium	(0.40) Equilibrium	
Cincinnati	302,500	0.14	6.14	2.2%	6.14	6.22	0.07 Equilibrium	(0.06) Equilibrium	
Cleveland	220,000	0.11	5.28	2.0%	5.28	5.31	0.03 Equilibrium	(0.08) Equilibrium	
Columbus	275,000	0.13	6.24	2.1%	6.24	6.52	0.28 Equilibrium	0.15 Equilibrium	
Dallas	9,020,000	1.24	7.58	16.3%	7.58	6.01	(1.57) Over-Supplied	(2.81) Over-Supplied	
Denver	2,653,750	0.92	7.89	11.7%	7.89	7.64	(0.25) Equilibrium	(1.18) Over-Supplied	
Detroit	495,000	0.11	6.58	1.7%	6.58	4.72	(1.86) Over-Supplied	(1.97) Over-Supplied	
Houston	2,873,750	0.42	7.74	5.4%	7.74	6.61	(1.13) Over-Supplied	(1.54) Over-Supplied	
Indianapolis	55,000	0.03	8.01	0.3%	8.01	6.25	(1.76) Over-Supplied	(1.79) Over-Supplied	
Kansas City	261,250	0.12	6.35	1.9%	6.35	6.43	0.08 Equilibrium	(0.04) Equilibrium	
Las Vegas	165,000	0.08	8.20	0.9%	8.20	6.92	(1.28) Over-Supplied	(1.35) Over-Supplied	
Los Angeles	1,155,000	0.09	5.73	1.5%	5.73	5.43	(0.30) Equilibrium	(0.39) Equilibrium	
Miami	3,863,750	0.64	3.19	20.1%	3.19	5.06	1.87 Under-Supplied	1.23 Under-Supplied	
Minneapolis	880,000	0.24	4.90	5.0%	4.90	6.64	1.74 Under-Supplied	1.49 Under-Supplied	
Nashville	2,200,000	1.16	6.57	17.7%	6.57	6.51	(0.06) Equilibrium	(1.23) Over-Supplied	
New York Metro	2,915,000	0.14	2.95	4.8%	2.95	1.84	(1.11) Over-Supplied	(1.25) Over-Supplied	
Oklahoma City	990,000	0.70	11.08	6.3%	11.08	6.38	(4.70) Over-Supplied	(5.40) Over-Supplied	
Orlando	1,182,500	0.48	5.87	8.2%	5.87	6.35	0.48 Equilibrium	0.00 Equilibrium	
Philadelphia	825,000	0.13	4.27	3.1%	4.27	5.66	1.39 Under-Supplied	1.26 Under-Supplied	
Phoenix	2,392,500	0.51	5.24	9.6%	5.24	5.63	0.39 Equilibrium	(0.12) Equilibrium	
Portland	1,705,000	0.70	6.97	10.0%	6.97	7.36	0.39 Equilibrium	(0.31) Equilibrium	
Sacramento	742,500	0.32	7.12	4.5%	7.12	7.91	0.79 Under-Supplied	0.47 Equilibrium	
San Antonio	1,141,250	0.47	7.11	6.5%	7.11	7.15	0.05 Equilibrium	(0.42) Equilibrium	
San Bernardino/Riverside	1,210,000	0.27	5.22	5.1%	5.22	7.53	2.32 Under-Supplied	2.05 Under-Supplied	
San Diego	825,000	0.25	4.33	5.7%	4.33	8.90	4.57 Under-Supplied	4.32 Under-Supplied	
San Francisco / San Jose	495,000	0.11	8.10	1.3%	8.10	9.94	1.85 Under-Supplied	1.76 Under-Supplied	
Seattle	1,003,750	0.26	7.62	3.5%	7.62	7.71	0.08 Equilibrium	(0.18) Equilibrium	
St. Louis	385,000	0.14	6.43	2.1%	6.43	5.58	(0.85) Over-Supplied	(0.98) Over-Supplied	
Tampa-St. Petersburg	948,750	0.31	6.47	4.8%	6.47	4.89	(1.58) Over-Supplied	(1.89) Over-Supplied	

Compiled by CBRE & Argus Self Storage Sales Network

NEW CONSTRUCTION FORECAST

Nationwide, CBRE estimates approximately 600 facilities were constructed nationwide in 2016, and about 960 new starts in 2017. Utilizing our Construction Report, there are 480 projects under construction (3Q, 2017) that represent about half the US population. That might suggest twice as many projects or 960 nationwide.

Year	2016 Estimate	2017 Estimate
2017	910	960
2018	400	550
2019	-	450

TRADE AREA ANALYSIS – QUALITATIVE & QUANTITATIVE

SELF STORAGE SUPPLY						
	Total Units	Total SF Available	Avg. Unit Size (SF)	Avg. Year Built	Average Occupancy	Total SF Occupied
3 Mile Radius	7,280	717,542	99	1994	93.0%	667,563
Compiled by CBRE						

DEMAND FORECAST								
Total Population	% Renters	Household Size (Avg.)	Average Household Income	Existing Supply (SF)	Existing Supply (SF) / Capita	Calculated Demand (SF) / Capita	Demand - Supply (SF) / Capita (*)	Total Unsatisfied Demand (SF) (*)
3 Miles	122,919	45.6%	3.26	\$70,317	717,542	5.84	8.28	2.45
(*) A negative number in this column implies oversupply								
Compiled by CBRE								

TRADE AREA ANALYSIS - CONCLUSION

SELF STORAGE MARKET EQUILIBRIUM

Trade Area	3.0 miles radius
Existing Supply	717,542
New Construction	160,277
Total Supply	877,819
Less: Occupancy	667,563
Available Supply	210,256
Less: Market Vacancy (10%)	87,782
Subtotal (Remaining Supply)	122,474
Unsatisfied Demand	300,724
Demand Less Remaining Supply	178,250
Equilibrium Forecast	Under-Supplied
Compiled by CBRE	

DISCOUNTED CASH FLOW

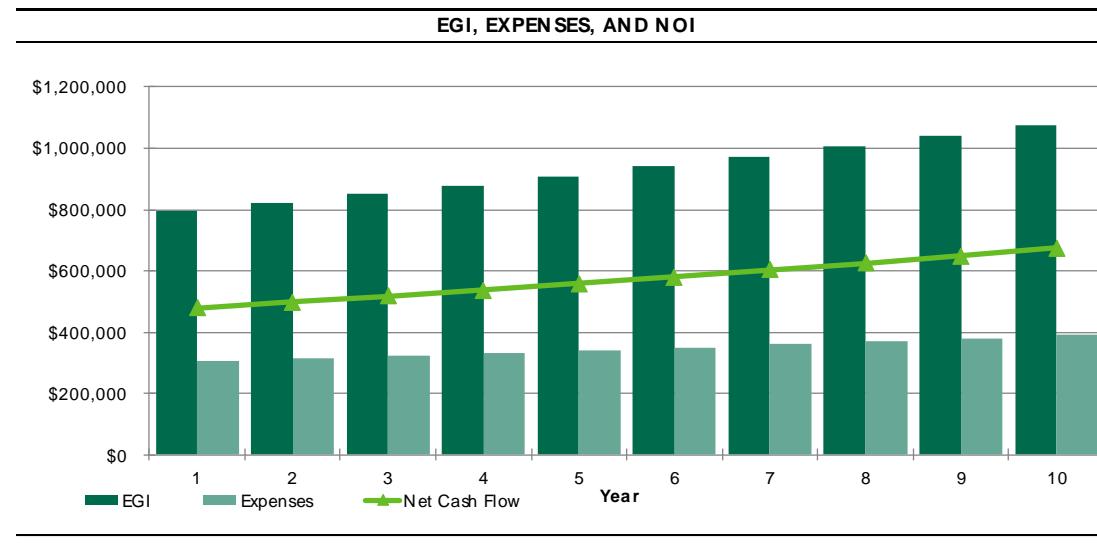


DISCOUNTED CASH FLOW ANALYSIS

YEAR	1	2	3	4	5	6	7	8	9	10	Reversion	Annual Growth
Income												
Actual Rent (Occupied Storage Units)	\$807,092	\$835,341	\$864,578	\$894,838	\$926,157	\$958,572	\$992,122	\$1,026,846	\$1,062,786	\$1,099,984	\$1,138,483	3.50%
Plus Market Rent (Vacant Storage Units)	26,460	27,254	28,072	28,914	29,781	30,674	31,594	32,542	33,518	34,524	35,560	3.00%
Potential Self Storage Income	833,552	862,595	892,650	923,752	955,938	989,246	1,023,716	1,059,388	1,096,304	1,134,508	1,174,043	3.48%
Billboard and Cell Tower Income	-	-	-	-	-	-	-	-	-	-	-	--
Parking Income	59,088	60,861	62,687	64,568	66,505	68,500	70,555	72,672	74,852	77,098	79,411	3.00%
Industrial/Office/Retail Rental Income	-	-	-	-	-	-	-	-	-	-	-	--
Ancillary Income	41,678	42,928	44,216	45,542	46,908	48,315	49,764	51,257	52,795	54,379	56,010	3.00%
Total Potential Gross Income	\$934,318	\$966,383	\$999,551	\$1,033,861	\$1,069,351	\$1,106,061	\$1,144,035	\$1,183,317	\$1,223,951	\$1,265,985	\$1,309,464	3.43%
Economic Vacancy	(140,148)	(144,957)	(149,933)	(155,079)	(160,403)	(165,909)	(171,605)	(177,498)	(183,593)	(189,898)	(196,420)	3.43%
Effective Gross Income	\$794,170	\$821,426	\$849,619	\$878,782	\$908,948	\$940,152	\$972,430	\$1,005,819	\$1,040,358	\$1,076,087	\$1,113,044	3.43%
Expenses												
Real Estate Taxes	\$104,978	\$107,078	\$109,220	\$111,404	\$113,632	\$115,905	\$118,223	\$120,587	\$122,999	\$125,459	\$127,968	2.00%
Property Insurance	11,000	11,330	11,670	12,020	12,381	12,752	13,135	13,529	13,935	14,353	14,784	3.00%
Utilities	16,000	16,480	16,974	17,483	18,007	18,547	19,103	19,676	20,266	20,874	21,500	3.00%
Repairs & Maintenance	18,000	18,540	19,096	19,669	20,259	20,867	21,493	22,138	22,802	23,486	24,191	3.00%
Administration	36,000	37,080	38,192	39,338	40,518	41,734	42,986	44,276	45,604	46,972	48,381	3.00%
Off-Site Management ¹	43,679	45,178	46,729	48,333	49,992	51,708	53,484	55,320	57,220	59,185	61,217	3.43%
On-Site Management	62,000	63,860	65,776	67,749	69,781	71,874	74,030	76,251	78,539	80,895	83,322	3.00%
Advertising	14,500	14,935	15,383	15,844	16,319	16,809	17,313	17,832	18,367	18,918	19,486	3.00%
Miscellaneous	500	515	530	546	562	579	596	614	632	651	671	2.98%
Ground Lease	-	-	-	-	-	-	-	-	-	-	-	--
Total Expenses	\$306,658	\$314,996	\$323,570	\$332,386	\$341,451	\$350,775	\$360,363	\$370,223	\$380,364	\$390,793	\$401,520	2.73%
Net Operating Income	\$487,513	\$506,429	\$526,049	\$546,396	\$567,497	\$589,376	\$612,067	\$635,596	\$659,995	\$685,294	\$711,524	3.86%
Reserves	\$7,942	\$8,214	\$8,496	\$8,788	\$9,089	\$9,402	\$9,724	\$10,058	\$10,404	\$10,761	\$11,130	3.43%
Capital Expenditure	-	-	-	-	-	-	-	-	-	-	-	--
Capital Reserves	\$7,942	\$8,214	\$8,496	\$8,788	\$9,089	\$9,402	\$9,724	\$10,058	\$10,404	\$10,761	\$11,130	3.43%
Cash Flow Before Debt Service	\$479,571	\$498,215	\$517,552	\$537,608	\$558,407	\$579,975	\$602,343	\$625,538	\$649,591	\$674,534	\$700,394	3.86%
Input:												
Rent Growth (Income in place)	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
Rent Growth (Market)	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Other Income Growth	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Expense Growth	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Tax Growth	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Ground Lease	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Off-Site Management (% of EGI)	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%
Economic Vacancy	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%
Reserves for Replacement (% of EGI)	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
Cost of Sale	2.00%											



DISCOUNTED CASH FLOW



SALE / YIELD MATRIX

		Terminal Cap Rate		
		6.50%	6.25%	6.00%
IRR	9.50%	7,822,495	7,995,645	8,183,223
	9.25%	7,963,344	8,140,497	8,332,412
	9.00%	8,107,467	8,288,725	8,485,088

Reconciled Value
Indication: \$8,140,497

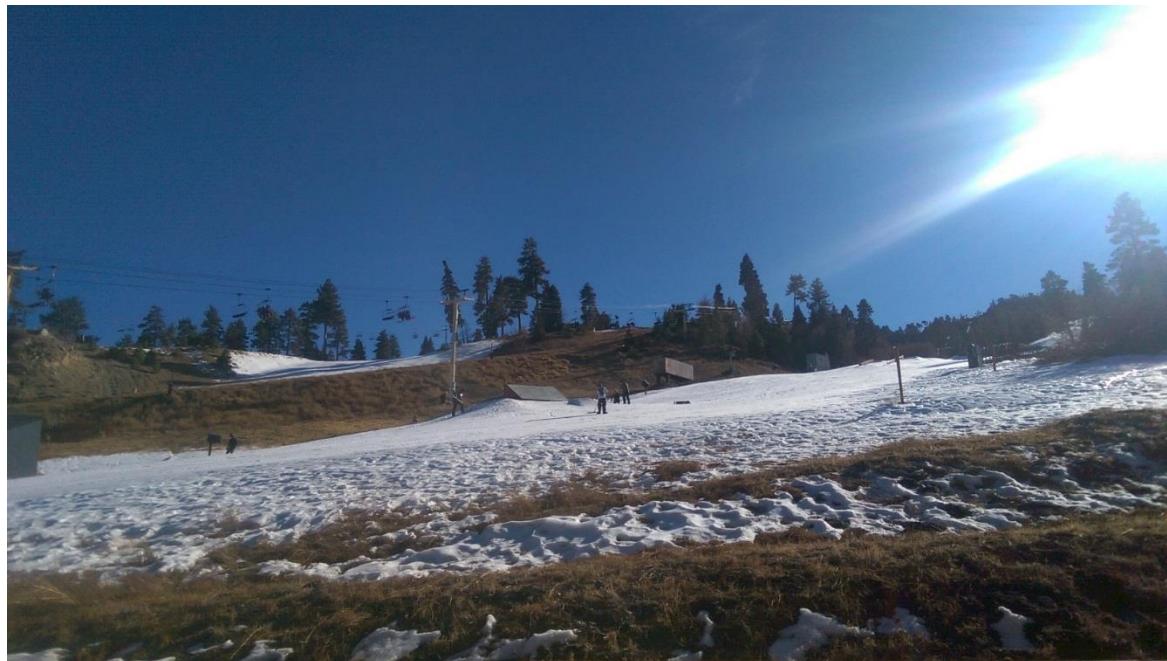
As Is Value Indication (Rounded): \$8,100,000

Percent Residual 56.9%

As-Is Value Indication (\$/SF) \$111.49

Compiled by: CBRE

STRANGE TIMES



STEADY AS SHE GOES



QUESTIONS & ANSWERS



For more information regarding this presentation please contact:
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