



# **SELF STORAGE 2018 MARKET REPORT**

Texas Self Storage Association – October, 2018

Presented by: Chris Sonne

**CBRE**



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SELF STORAGE

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


Investor Survey

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### 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 to 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



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# “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

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# ITS BEEN A LONG RIDE

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# 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%		
<b>Averages:</b>		<b>\$ 79.12</b>	<b>4.51%</b>	<b>\$ 72.52</b>	<b>4.71%</b>	<b>\$ 75.06</b>	<b>4.50%</b>	<b>\$ 113.67</b>	<b>2.64%</b>

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%
<b>Averages:</b>		<b>\$ 89.14</b>	<b>2.98%</b>	<b>\$ 72.24</b>	<b>3.20%</b>	<b>\$ 72.24</b>	<b>3.20%</b>	<b>\$ 64.87</b>	<b>2.71%</b>

Compiled by CBRE



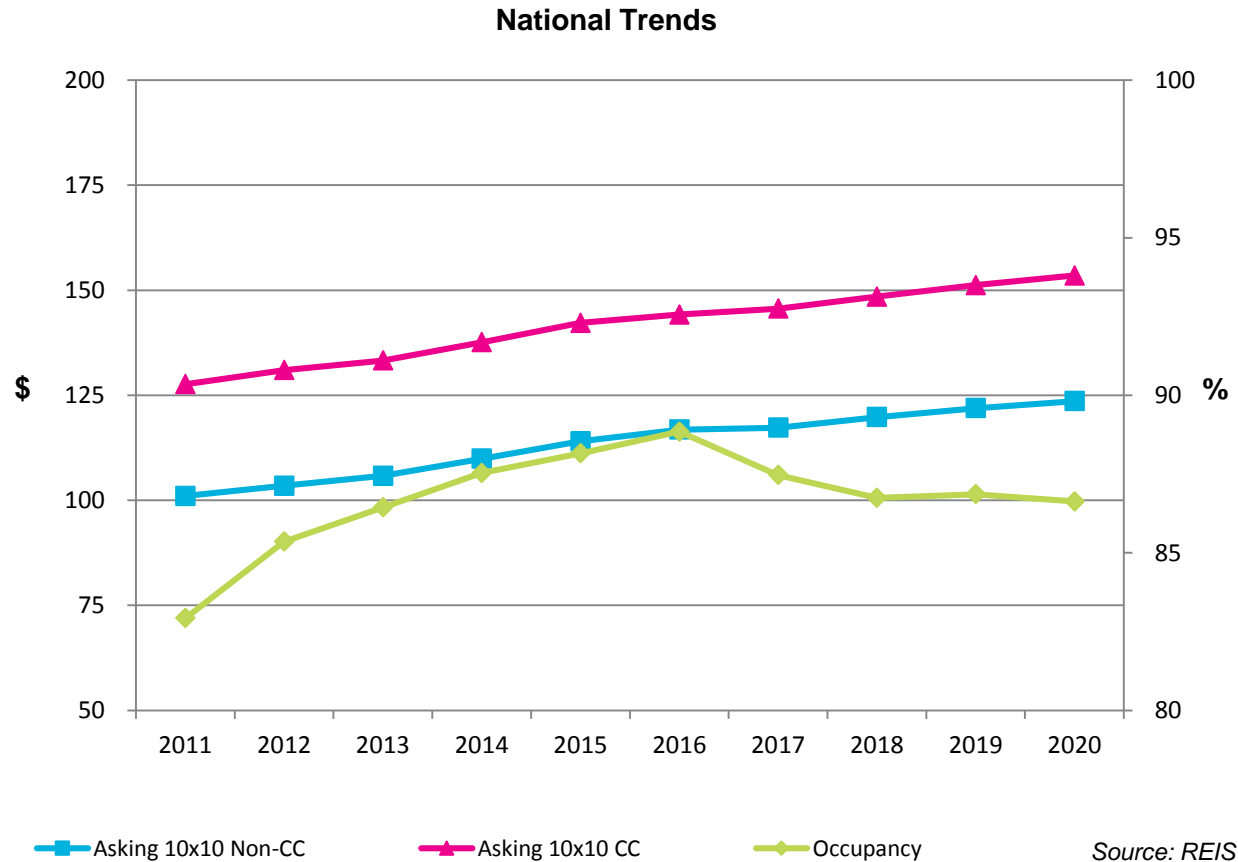
# SECTOR PRICING IS FLAT

## SELF STORAGE REIT STATISTICS & PERFORMANCE

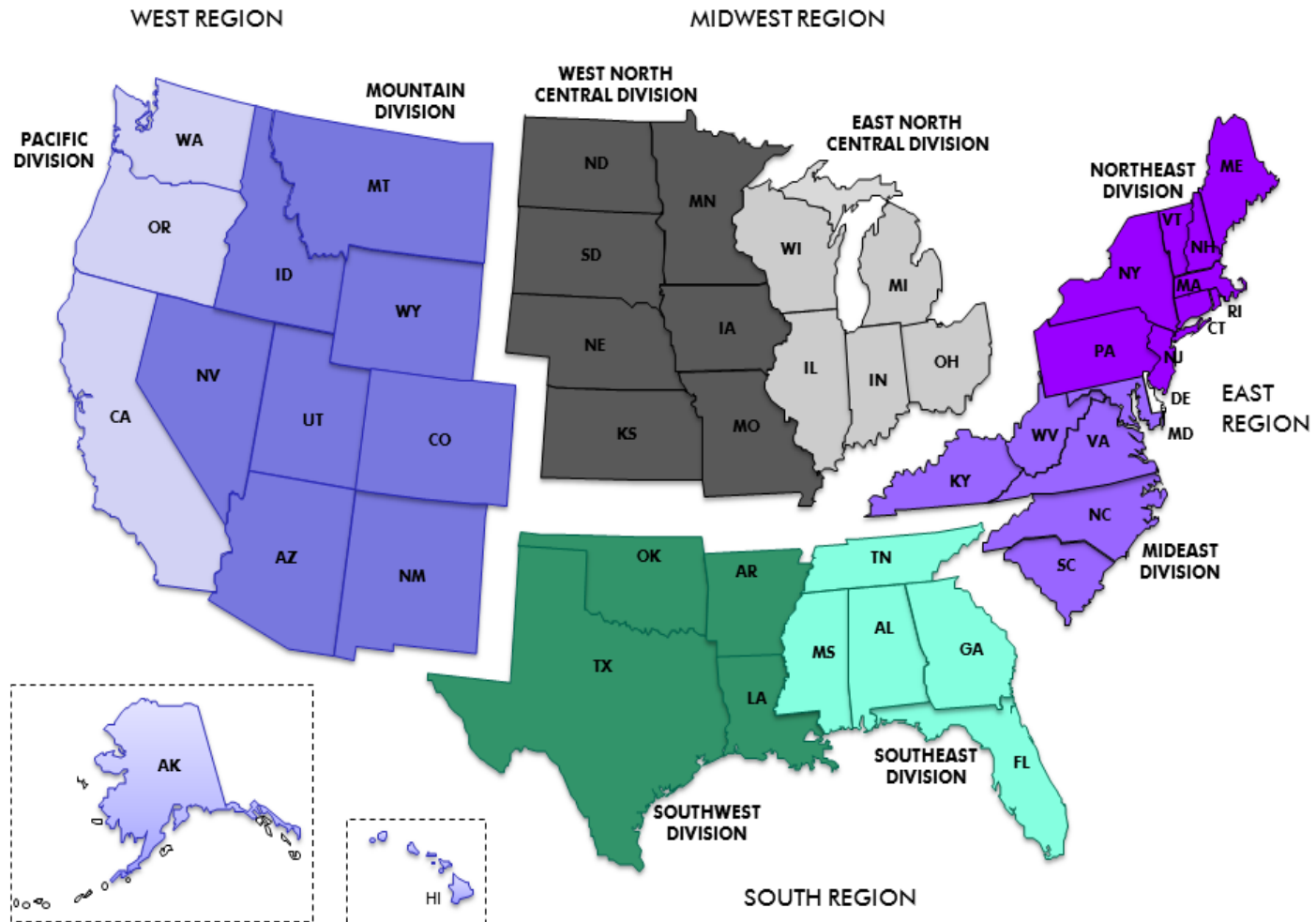
Stock:	Ticker:	2Q 2018		4Q 2017		4Q 2016		4Q 2015	
		Price:	Dividend:	Price:	Dividend:	Price:	Dividend:	Price:	Dividend:
Public Storage, Inc.	PSA	\$ 209.85	3.87%	\$ 196.11	3.93%	\$ 220.25	3.55%	\$ 240.59	2.18%
Life Storage (Formerly Sovran)	LSI	\$ 91.44	4.39%	\$ 84.24	4.60%	\$ 83.54	4.48%	\$ 100.83	3.37%
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%
<b>Averages:</b>		<b>\$106.84</b>	<b>3.90%</b>	<b>\$ 97.61</b>	<b>4.11%</b>	<b>\$101.81</b>	<b>4.02%</b>	<b>\$113.67</b>	<b>2.64%</b>
Change:		9.45%		-4.12%		-10.44%		27.51%	

Stock:	Ticker:	4Q 2014		4Q 2013		4Q 2012		4Q 2011	
		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%
<b>Averages:</b>		<b>\$ 89.14</b>	<b>2.98%</b>	<b>\$ 72.24</b>	<b>3.20%</b>	<b>\$ 64.87</b>	<b>2.71%</b>	<b>\$ 51.90</b>	<b>3.08%</b>
Change:		23.40%		11.36%		24.98%			
Compiled by CBRE									

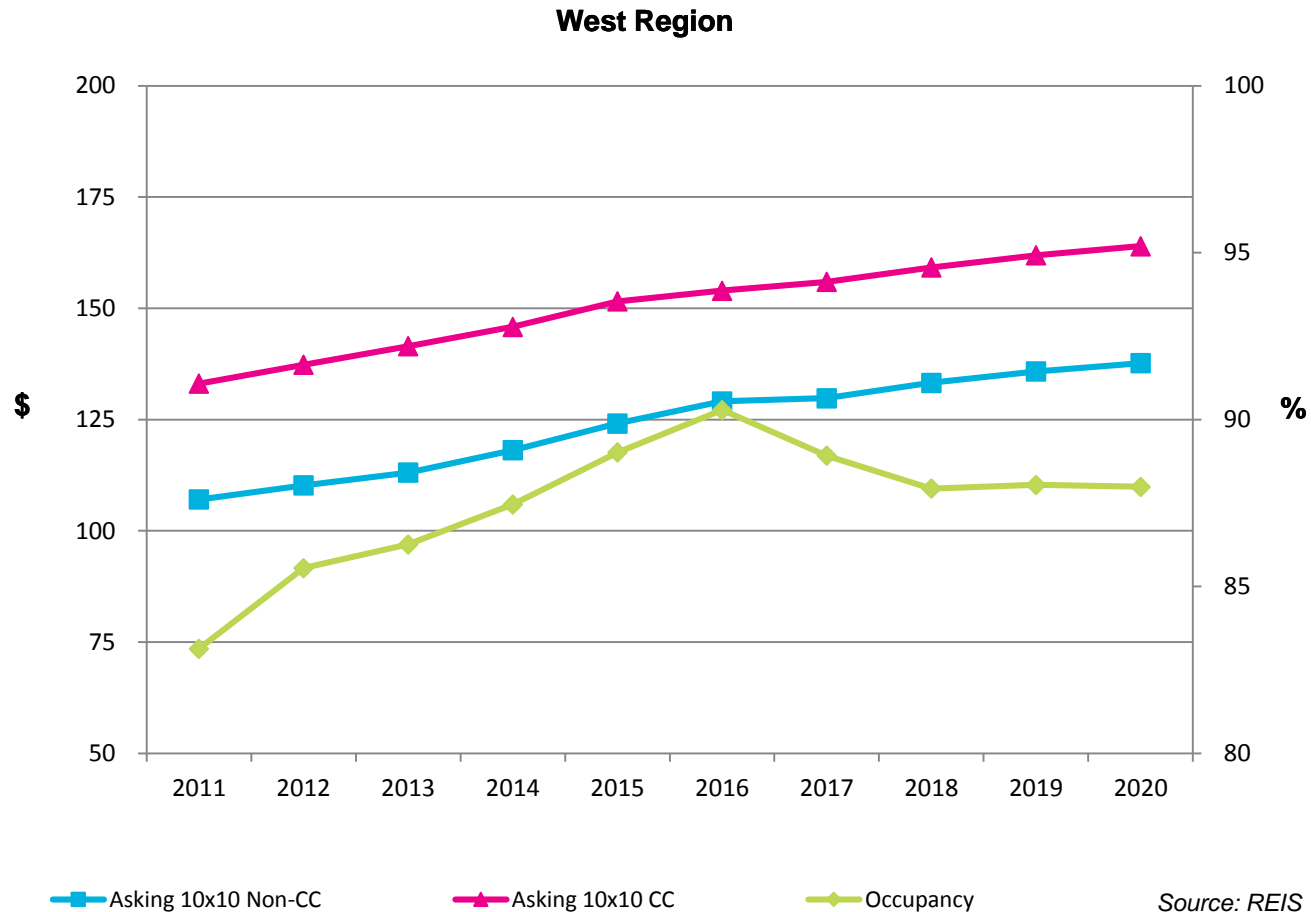
# SELF STORAGE TRENDS IN THE USA



# NCREIF REGIONS

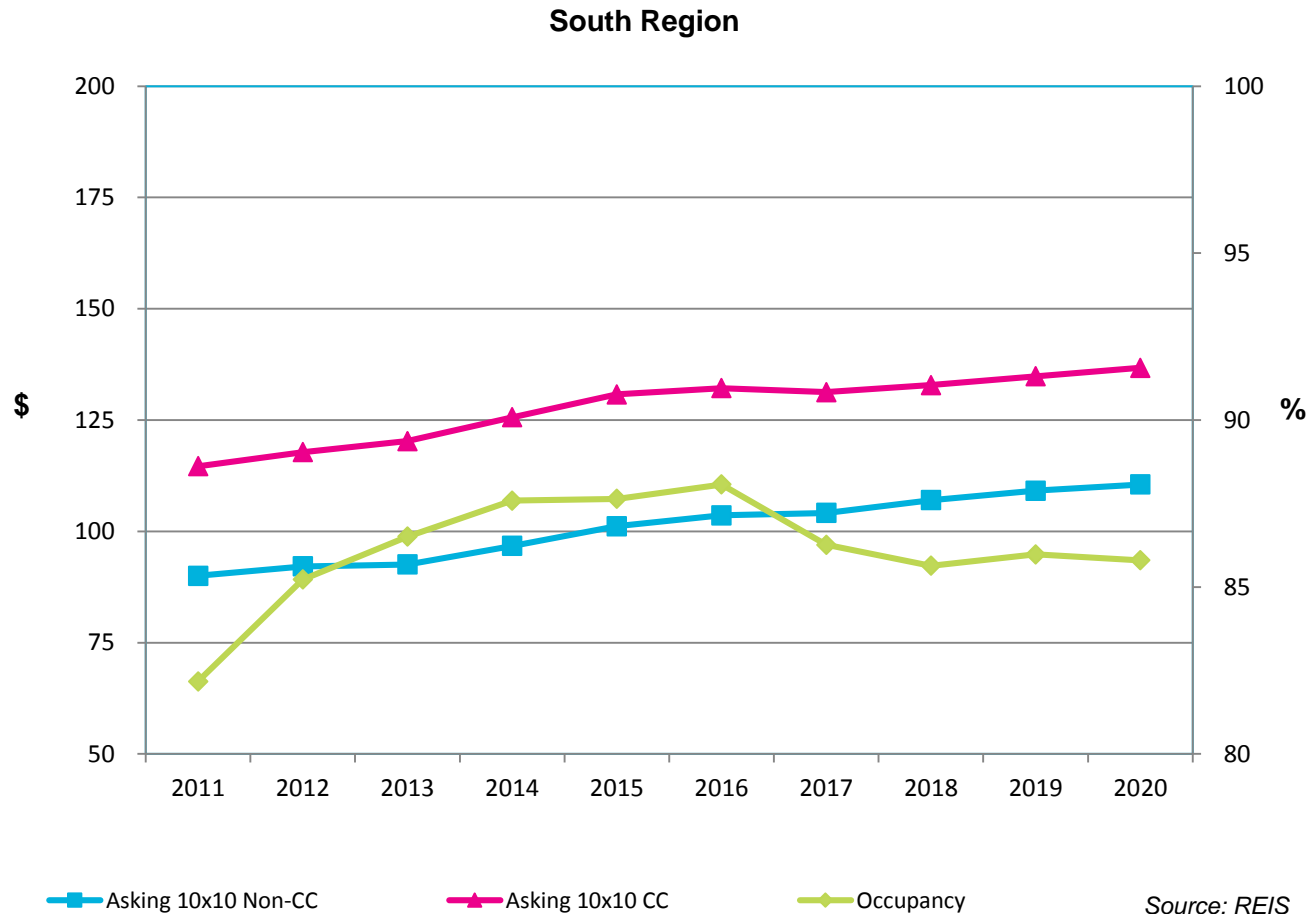


# SELF STORAGE TRENDS IN THE WEST REGION

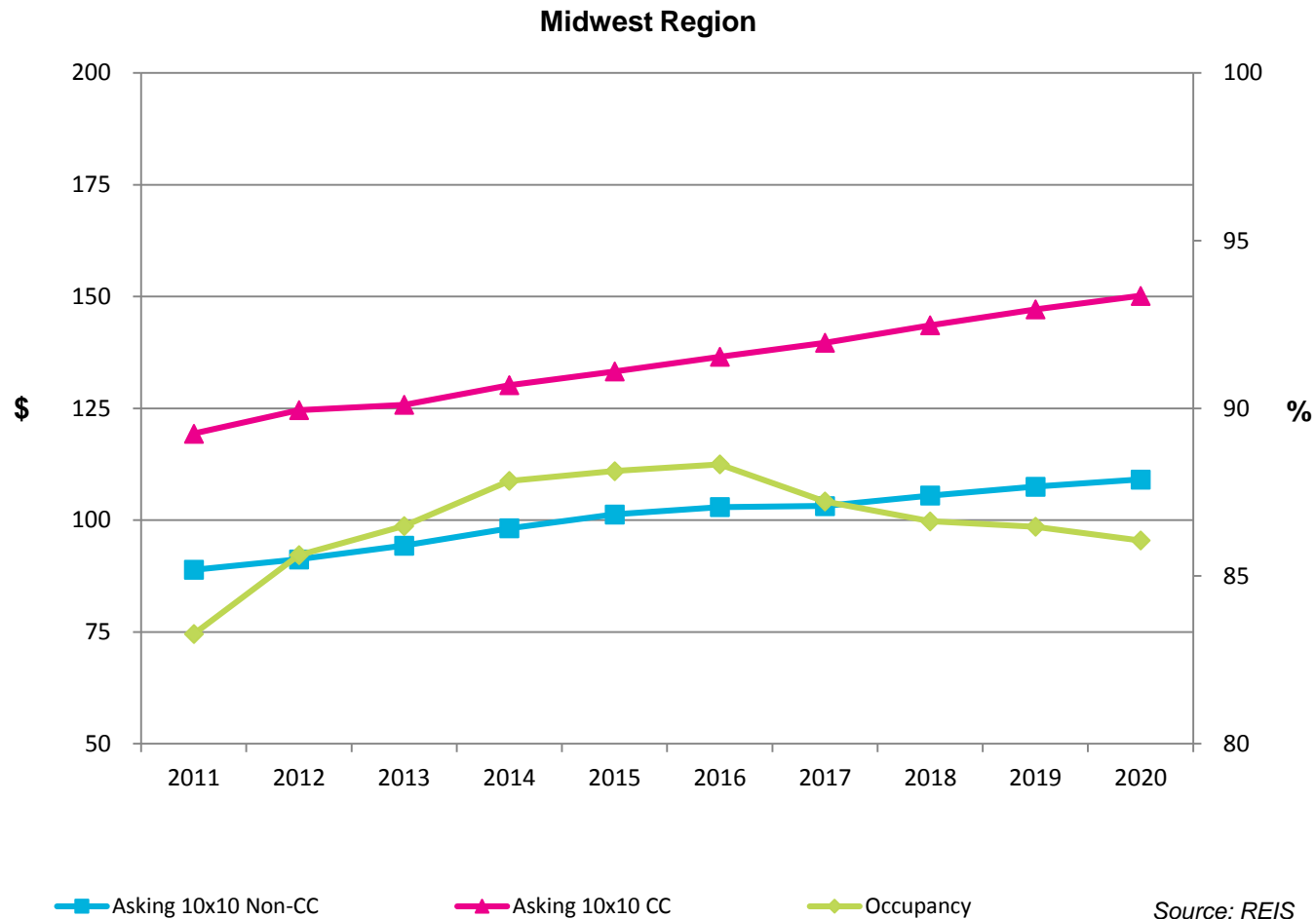




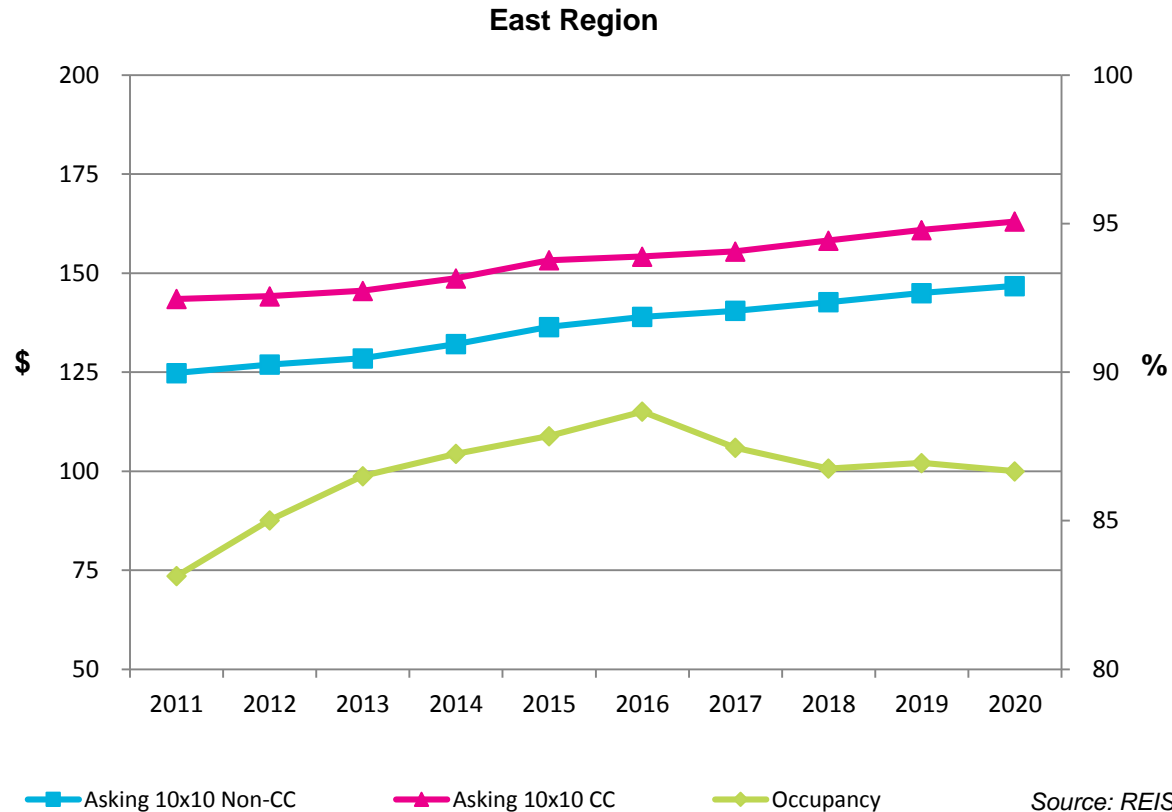
# SELF STORAGE TRENDS IN THE SOUTH REGION



# SELF STORAGE TRENDS IN THE MIDWEST REGION



# SELF STORAGE TRENDS IN THE EAST REGION

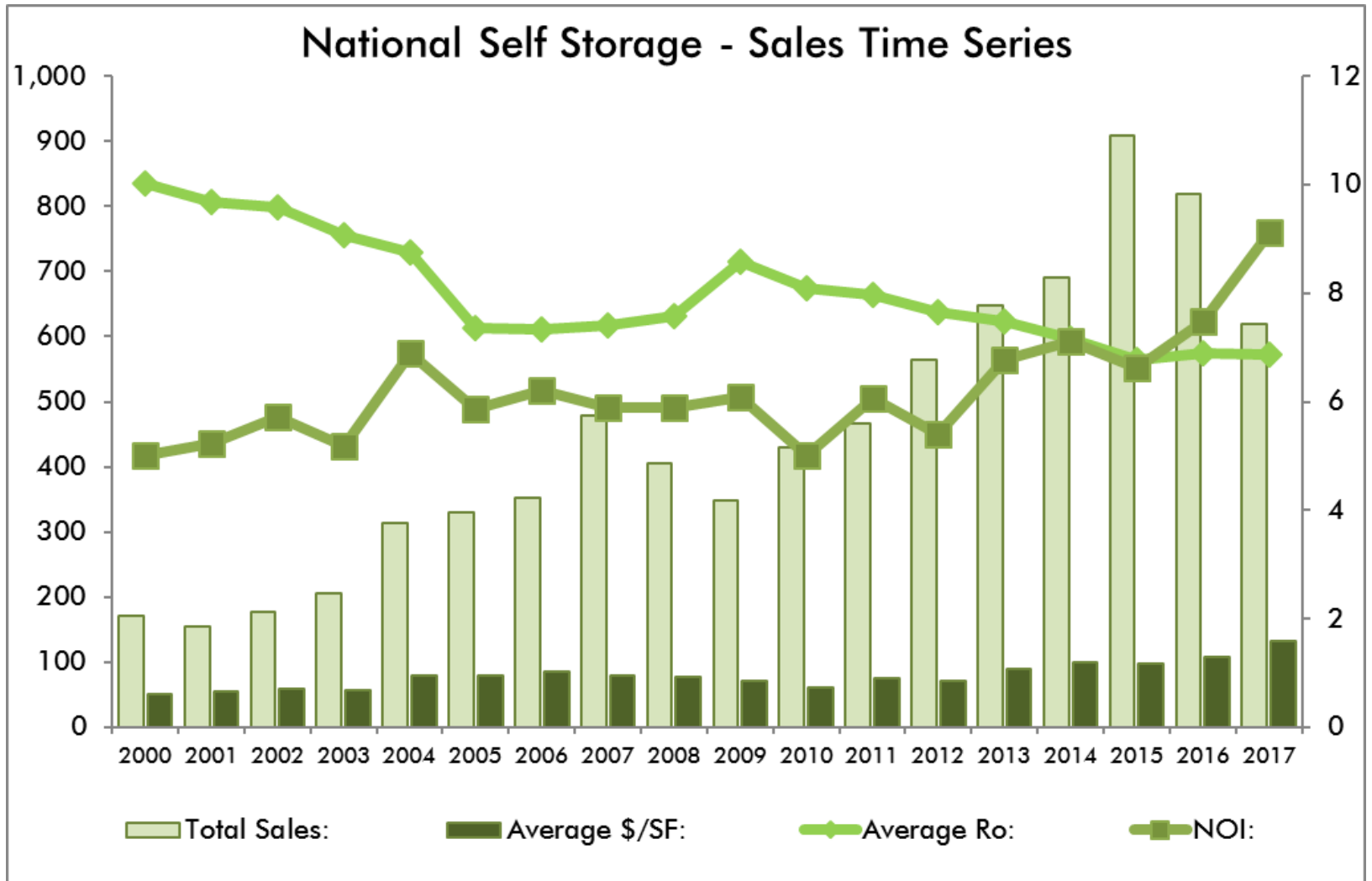


# ANNUAL RETURNS BY PROPERTY SECTOR

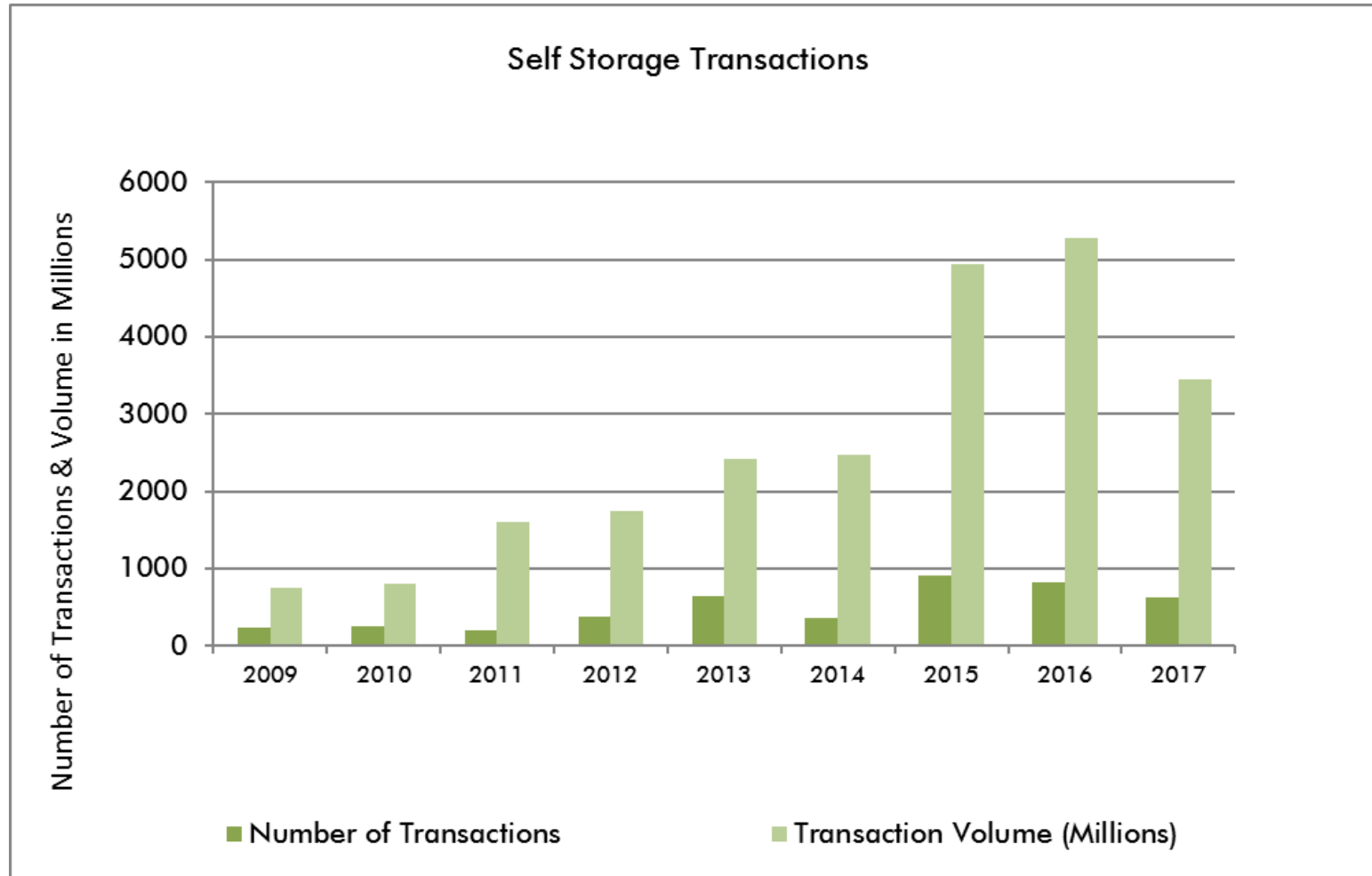
Analysis - Calculated Based on NAREIT Data					
(Returns in Percent)					
	Office	Industrial	Retail	Apartments	Self Storage
1994	2.86	18.67	2.98	2.19	8.90
1995	38.80	16.21	5.10	12.26	34.40
1996	51.80	37.22	34.60	28.93	42.84
1997	29.01	19.02	16.95	16.04	3.41
1998	-17.35	-11.74	-4.94	-8.77	-7.20
1999	4.25	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



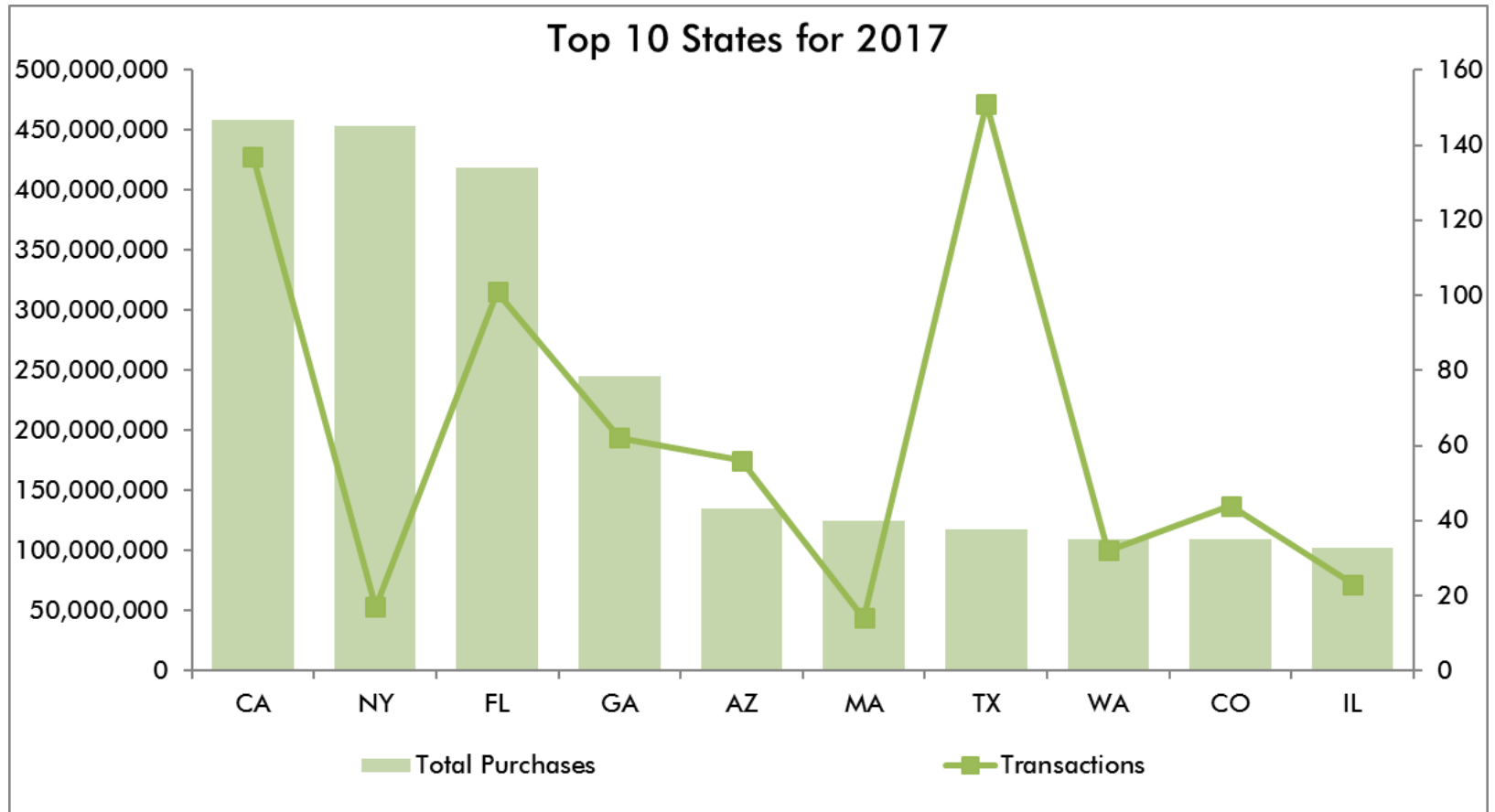
# SELF STORAGE TIME SERIES TRENDS



# 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
<b>2018</b>					
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%
<b>2017</b>					
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%
<b>2016</b>					
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%
<b>2015</b>					
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

<i>Investor Surveys</i>	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

<i>Investor Surveys</i>	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

<i>Investor Surveys</i>	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%

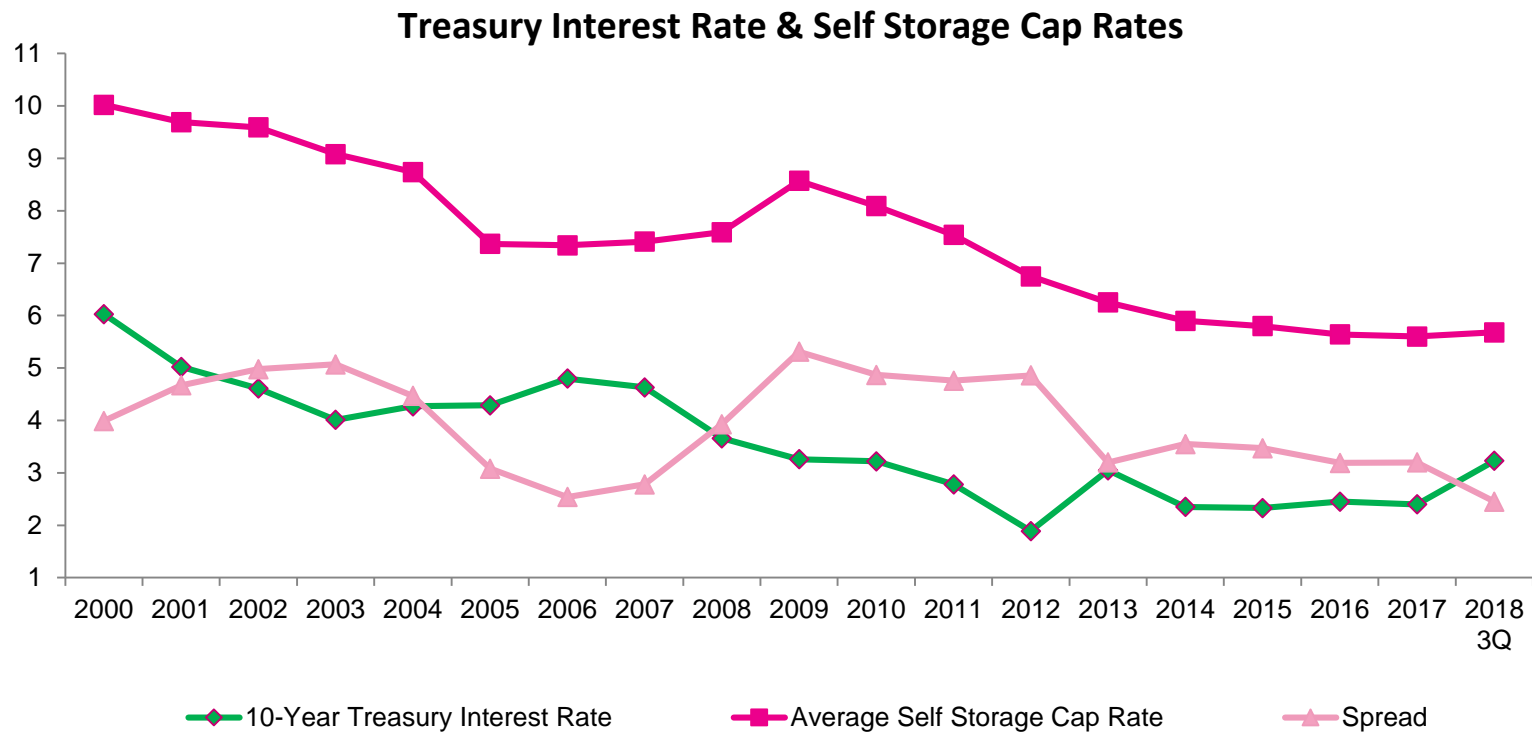
Compiled by: CBRE

## SUMMARY OF GROWTH RATES

<i>Investor Surveys</i>	<u>Rent Growth</u>		<u>Expense Growth</u>	
	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%
<b>Indicated OAR:</b>				<b>5.63%</b>
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%
<b>Weighted Average</b>				<b>8.57%</b>

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%
<b>Basic Rate</b>				<b>7.89%</b>

Less Appreciation / Plus Depreciation

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

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
<b>Average</b>	<b>5.68%</b>	<b>6.17%</b>	<b>45</b>
Compiled by: CBRE			

# CBRE SELF STORAGE NEW CONSTRUCTION REPORT

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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			
Metro	Planned	Construction & Pre-Certificate of Occupancy	Lease Up
Atlanta	15	24	10
Austin	13	22	9
Baltimore	1	2	1
Boston	8	14	6
Charlotte	10	17	7
Chicago	12	21	8
Cincinnati	2	3	1
Cleveland	1	2	1
Columbus	2	3	1
Dallas	49	82	33
Denver	14	24	10
Detroit	3	5	2
Houston	16	26	10
Indianapolis	0	1	0
Kansas City	1	2	1
Las Vegas	1	2	1

Los Angeles	6	11	4
Miami	21	35	14
Minneapolis	5	8	3
Nashville	12	20	8
New York Metro	16	27	11
Oklahoma City	5	9	4
Orlando	6	11	4
Philadelphia	5	8	3
Phoenix	13	22	9
Portland	9	16	6
Sacramento	4	7	3
San Antonio	6	10	4
San Bernardino/Riverside	7	11	4
San Diego	5	8	3
San Francisco / San Jose	3	5	2
Seattle	5	9	4
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 SF	New Supply/Pers on/SF	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
Atlanta	2,681,250	0.46	6.11	7.6%	6.11	5.76	(0.35)	Equilibrium	(0.81)	<u>Over-Supplied</u>
Austin	2,420,000	1.17	8.39	13.9%	8.39	8.28	(0.11)	Equilibrium	(1.28)	<u>Over-Supplied</u>
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)	<u>Over-Supplied</u>
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)	<u>Over-Supplied</u>
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	<u>Equilibrium</u>
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

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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	300,724

(\*) A negative number in this column implies oversupply

Compiled by CBRE

# TRADE AREA ANALYSIS - CONCLUSION

<b>SELF STORAGE MARKET EQUILIBRIUM</b>	
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	



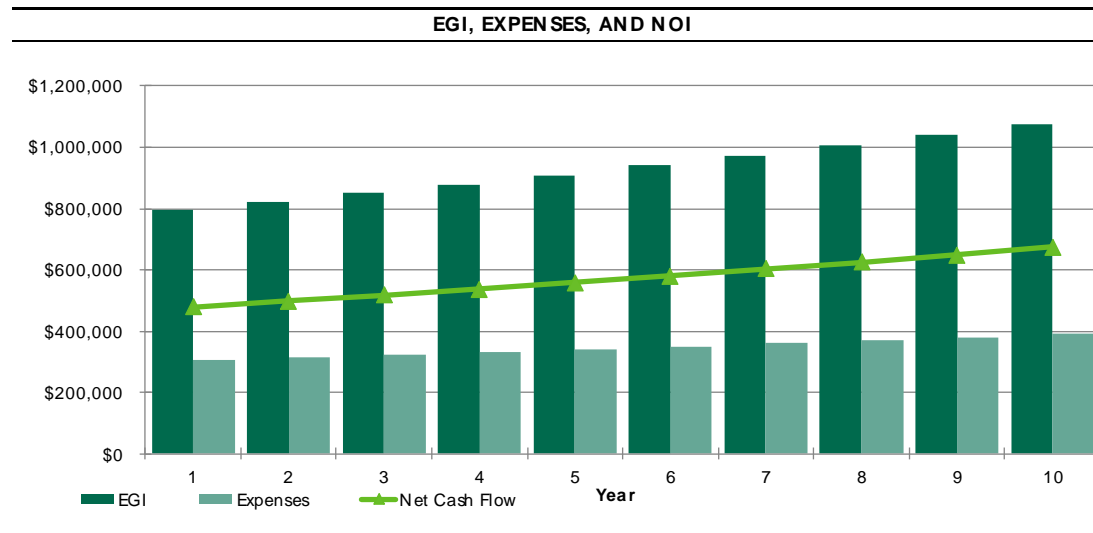
# DISCOUNTED CASH FLOW



## DISCOUNTED CASH FLOW ANALYSIS

YEAR	1	2	3	4	5	6	7	8	9	10	Reversion	Annual Growth
<b>Income</b>												
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%
<b>Potential Self Storage Income</b>	<b>833,552</b>	<b>862,595</b>	<b>892,650</b>	<b>923,752</b>	<b>955,938</b>	<b>989,246</b>	<b>1,023,716</b>	<b>1,059,388</b>	<b>1,096,304</b>	<b>1,134,508</b>	<b>1,174,043</b>	<b>3.48%</b>
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%
<b>Total Potential Gross Income</b>	<b>\$934,318</b>	<b>\$966,383</b>	<b>\$999,551</b>	<b>\$1,033,861</b>	<b>\$1,069,351</b>	<b>\$1,106,061</b>	<b>\$1,144,035</b>	<b>\$1,183,317</b>	<b>\$1,223,951</b>	<b>\$1,265,985</b>	<b>\$1,309,464</b>	<b>3.43%</b>
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%
<b>Effective Gross Income</b>	<b>\$794,170</b>	<b>\$821,426</b>	<b>\$849,619</b>	<b>\$878,782</b>	<b>\$908,948</b>	<b>\$940,152</b>	<b>\$972,430</b>	<b>\$1,005,819</b>	<b>\$1,040,358</b>	<b>\$1,076,087</b>	<b>\$1,113,044</b>	<b>3.43%</b>
<b>Expenses</b>												
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 <sup>1</sup>	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	-	-	-	-	-	-	-	-	-	-	-	--
<b>Total Expenses</b>	<b>\$306,658</b>	<b>\$314,996</b>	<b>\$323,570</b>	<b>\$332,386</b>	<b>\$341,451</b>	<b>\$350,775</b>	<b>\$360,363</b>	<b>\$370,223</b>	<b>\$380,364</b>	<b>\$390,793</b>	<b>\$401,520</b>	<b>2.73%</b>
<b>Net Operating Income</b>	<b>\$487,513</b>	<b>\$506,429</b>	<b>\$526,049</b>	<b>\$546,396</b>	<b>\$567,497</b>	<b>\$589,376</b>	<b>\$612,067</b>	<b>\$635,596</b>	<b>\$659,995</b>	<b>\$685,294</b>	<b>\$711,524</b>	<b>3.86%</b>
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%
<b>Cash Flow Before Debt Service</b>	<b>\$479,571</b>	<b>\$498,215</b>	<b>\$517,552</b>	<b>\$537,608</b>	<b>\$558,407</b>	<b>\$579,975</b>	<b>\$602,343</b>	<b>\$625,538</b>	<b>\$649,591</b>	<b>\$674,534</b>	<b>\$700,394</b>	<b>3.86%</b>
<b>Input:</b>												
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%	
Rent Growth (Market)		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%	
Expense Growth		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%	
Ground Lease		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%	
Economic Vacancy	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%	
Cost of Sale	2.00%											

# DISCOUNTED CASH FLOW



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

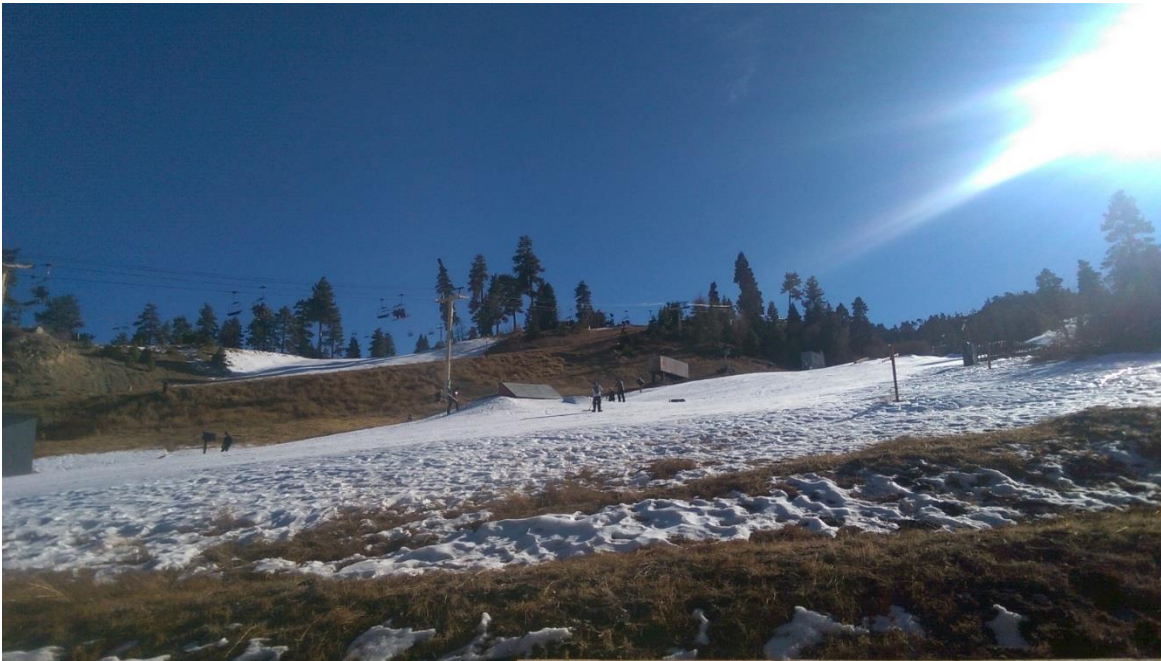
  

Reconciled Value Indication:	<b>\$8,140,497</b>
As Is Value Indication (Rounded):	<b>\$8,100,000</b>
Percent Residual	56.9%
As-Is Value Indication (\$/SF)	\$111.49

Compiled by: CBRE

# STRANGE TIMES

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# STEADY AS SHE GOES

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# QUESTIONS & ANSWERS



For more information regarding this presentation please contact:  
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