Yardi® Matrix

NATIONAL SELF STORAGE REPORT

SEPTEMBER 2019

MONTHLY SUPPLY AND RATE RECAP

Self storage struggling amid high supply levels

- The self storage industry is in for a continued tough slog, as new deliveries weigh on street rates in almost all markets. Not only are developers completing new ground-up projects but conversions and expansions are having a material impact on new supply and overall storage inventory, especially in older and highly regulated markets. One of the major themes from the SSA Fall Conference was the need for owners and operators to increase efficiency and reduce operating costs in order to drive performance, since the vast levels of recent new supply are dragging down street rates. Looking forward, deliveries are expected to remain elevated, adding increased pricing pressures to many stores.
- Nationwide, Yardi Matrix tracks a total of 2,113 self storage properties in various stages of development—comprising 609 under construction, 1,137 planned and 367 prospective projects. The national new-supply pipeline as a percent of existing inventory increased by 0.2% month-over-month in September, and the share of projects in various stages of development accounts for 9.4% of existing inventory.
- Yardi Matrix also maintains operational profiles for 25,331 completed self storage facilities across the U.S., bringing the total data set to 27,444 stores.

New completions further impact rate growth

- New inventory continued to put downward pressure on national street rates, which contracted by 1.7% year-over-year in August for standard 10x10 non-climate-controlled (NON CC) units. Street rates in 10x10 climate-controlled (CC) units decreased by 2.9%.
- On a year-over-year basis, street rates decreased in about 75% of the top metros tracked by Yardi Matrix. The wave of new completions continued to put pressure on Charleston, which saw the steepest decline in street rate performance (down 11.3%). The Inland Empire and Las Vegas were the only metros that went against the national trend, with rate increases spurred by strong population gains and domestic inmigration.

MONTHLY NEW SUPPLY UPDATE

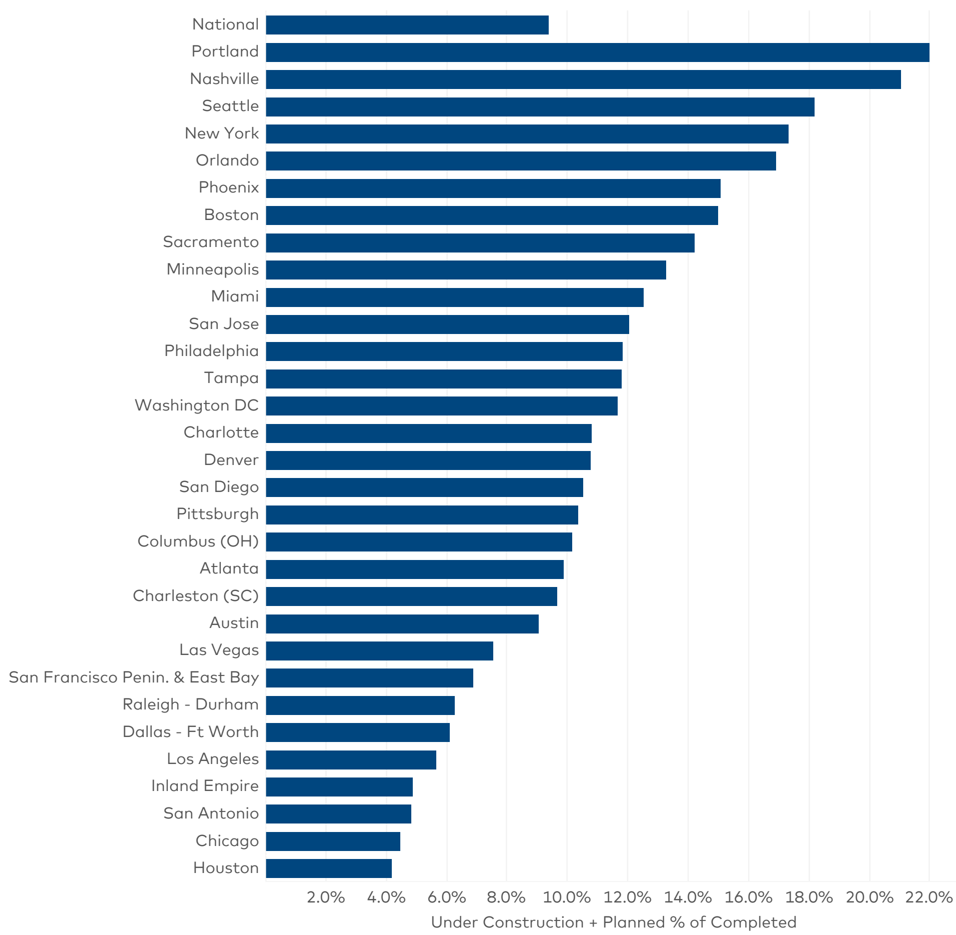
Development continues despite most markets showing signs of saturation

- Nationwide, self storage projects under construction or in the planning stages account for 9.4% of total stock, a 20-basis-point increase from August. Development picked up the most in Charleston (up 1.4% since August). Despite strong economic and demographic fundamentals, a growing development pipeline is concerning in Charleston as the market already averages nearly 11 net rentable square feet per person. Continued new supply and heavy existing inventory are driving street rates down by near double digits for almost all unit types. Storage demand may see a slight uptick as a result of damage caused by Hurricane Dorian, but the long-term view is bleak for most of the Charleston market.

- In Seattle, development activity contracted by a slight 30 basis points to 18.2% of existing stock in September. While demand remains elevated thanks to the metro's expanding tech sector that continues to attract a young workforce, developers should be cautious, as a new wave of storage space is projected to reach completion during the second half of this year. Most projects are underway near multifamily clusters in suburban locations where building costs are lower and available land is easier to find.

Under Construction & Planned Percent of Existing Inventory

Metro	Aug-19	Sept-19	Change
NATIONAL	9.2%	9.4%	↑
Portland	21.6%	22.0%	↑
Nashville	20.6%	21.1%	↑
Seattle	18.5%	18.2%	↓
New York	16.7%	17.3%	↑
Orlando	16.6%	16.9%	↑
Phoenix	15.1%	15.1%	—
Boston	14.4%	15.0%	↑
Sacramento	13.7%	14.2%	↑
Minneapolis	13.3%	13.2%	↓
Miami	12.6%	12.5%	↓
San Jose	12.1%	12.1%	—
Philadelphia	11.6%	11.8%	↑
Tampa	11.8%	11.8%	—
Washington DC	11.2%	11.7%	↑
Charlotte	10.4%	10.8%	↑
Denver	10.8%	10.8%	—
San Diego	10.5%	10.5%	—
Pittsburgh	10.4%	10.4%	—
Columbus (OH)	10.2%	10.2%	—
Atlanta	9.7%	9.9%	↑
Charleston (SC)	8.3%	9.7%	↑
Austin	9.1%	9.0%	↓
Las Vegas	7.6%	7.6%	—
San Francisco Penin. & East Bay	6.9%	6.9%	—
Raleigh-Durham	6.3%	6.3%	—
Dallas-Ft Worth	6.0%	6.1%	↑
Los Angeles	5.7%	5.6%	↓
Inland Empire	4.9%	4.9%	—
San Antonio	4.8%	4.8%	—
Chicago	4.5%	4.5%	—
Houston	4.2%	4.2%	—



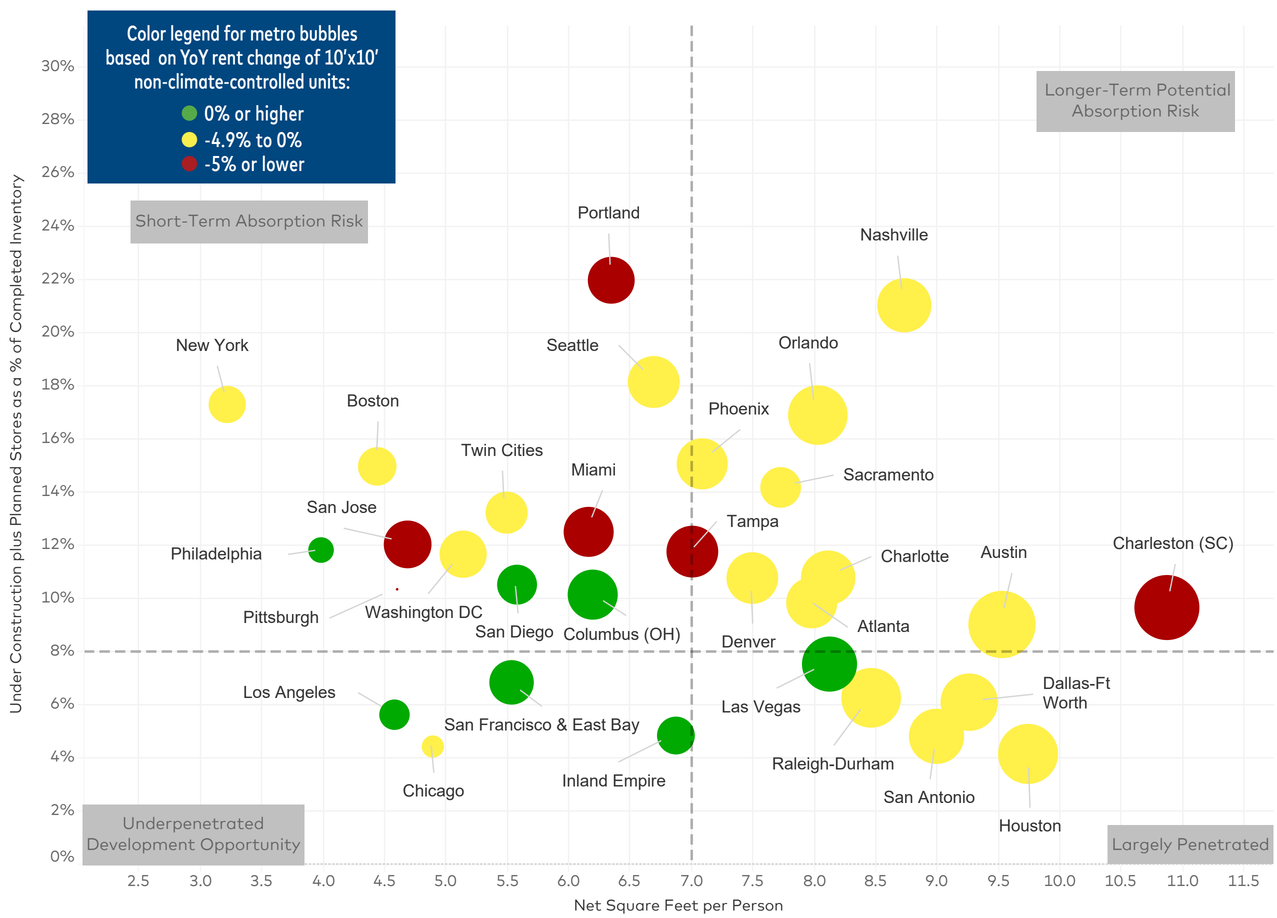
* Drawn from our national database of more than 27,400 stores, including some 2,100 projects in the new-supply pipeline as well as more than 25,300 completed stores.

Source: Yardi Matrix. Supply data as of September 10, 2019.

Demand struggles to keep pace with new supply

- Nashville's strong population growth has driven demand. However, new supply has more than met the need for facilities in the Music City, and additional inventory has yet to be delivered. As of September, the metro's new-supply pipeline of 65 stores accounts for 21.1% of total stock, up 50 basis points from August. Nashville's pipeline of under-construction and planned properties has exceeded 20% of existing stock going back to early 2018.
- Development activity continues in Miami, where 26 projects were under construction as of September, with another 34 stores in the planning stages. The metro's new-supply pipeline of 12.5% of existing stock remained almost unchanged compared to August. However, demand continues to be driven by high-net-worth individuals and retired Baby Boomers lured by Florida's low taxes and favorable climate.

Self Storage Major Metro Summary
New-Supply Pipeline (y-axis) & Completed Inventory Per Capita (x-axis)
(bubble size represents 2017 population growth rate, three-mile radius)



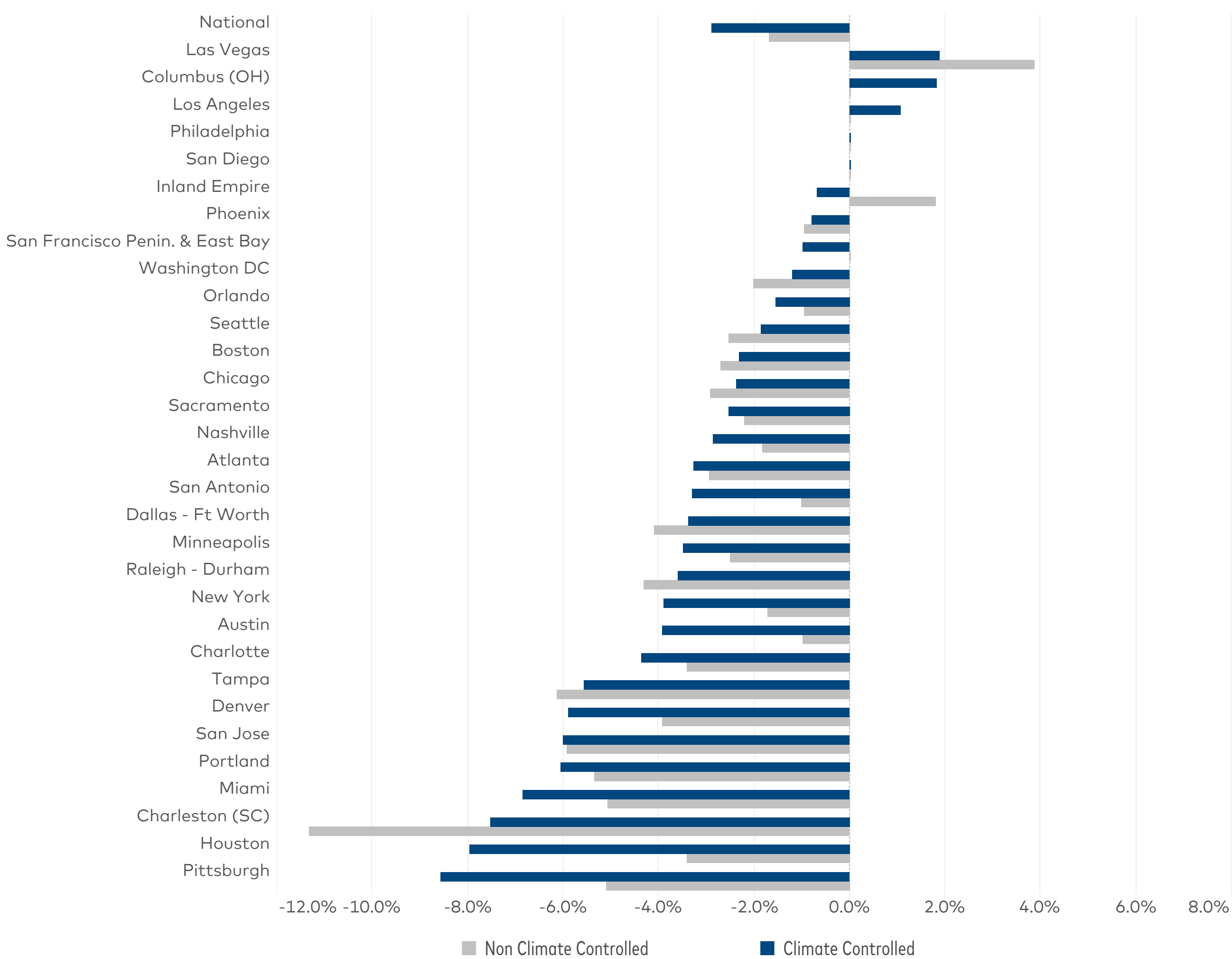
Sources: Yardi Matrix; U.S. Census Bureau. Supply data as of September 10, 2019.

MONTHLY RATE GROWTH UPDATE

Only two markets see positive street rate performance in August

- Heightened completion levels continue to drive down street rates in most markets nationwide. Many secondary markets, such as Atlanta and Phoenix, continue to benefit from strong domestic migration fueled by new retirees and migrating Millennials, but rates of growth are cooling off as new product takes longer to be absorbed.
- Compared to the previous month, the national average street rate remained flat at $116 per unit as of August. In Boston, one of the historically undersupplied metros in the Northeast, street rates increased by $1 to $145 per unit, month-over-month. However, on a year-over-year basis, Boston street rates decreased by 2.7% for 10x10 NON CC units and by 2.3% for CC units of similar size.
- Only two markets had street rate growth on a year-over-year basis—Las Vegas (up 3.9%) and the Inland Empire (up 1.8%).

August 2019 Year-over-Year Rent Change for 10'x10' Units



Source: Yardi Matrix. Street rate data as of August 2019

MONTHLY RATE RECAP

Market	Avg Metro Rate 10′x10′ (non cc)	August 2019 YoY Rate Performance				
		5′x5′ (non cc)	5′x10′ (non cc)	10′x10′ (non cc)	10′x10′ (cc)	10′x20′ (non cc)
National	116	-2%	-1%	**-2%**	**-3%**	-2%
Las Vegas	107	10%	8%	**4%**	**2%**	2%
Columbus (OH)	88	0%	0%	**0%**	**2%**	-1%
Los Angeles	184	1%	1%	**0%**	**1%**	-1%
Philadelphia	123	0%	0%	**0%**	**0%**	-1%
San Diego	156	0%	2%	**0%**	**0%**	-1%
Inland Empire	112	2%	1%	**2%**	**-1%**	1%
Phoenix	104	0%	-2%	**-1%**	**-1%**	-2%
San Francisco Penin. & East Bay	194	0%	-1%	**0%**	**-1%**	-2%
Washington DC	146	-2%	-3%	**-2%**	**-1%**	-2%
Orlando	104	-2%	-5%	**-1%**	**-2%**	-1%
Seattle	154	-2%	-2%	**-3%**	**-2%**	-2%
Boston	145	0%	-3%	**-3%**	**-2%**	0%
Chicago	100	-3%	-2%	**-3%**	**-2%**	-3%
Sacramento	133	0%	0%	**-2%**	**-3%**	-1%
Nashville	107	-5%	-5%	**-2%**	**-3%**	-5%
Atlanta	99	0%	-2%	**-3%**	**-3%**	-3%
San Antonio	98	0%	0%	**-1%**	**-3%**	-2%
Dallas–Ft Worth	94	-7%	-6%	**-4%**	**-3%**	-3%
Minneapolis	117	-6%	-4%	**-3%**	**-3%**	-2%
Raleigh–Durham	89	-9%	-5%	**-4%**	**-4%**	-3%
New York	173	-3%	-1%	**-2%**	**-4%**	-1%
Austin	101	-7%	-2%	**-1%**	**-4%**	-1%
Charlotte	85	-2%	0%	**-3%**	**-4%**	-4%
Tampa	107	-2%	-4%	**-6%**	**-6%**	-3%
Denver	122	-5%	-5%	**-4%**	**-6%**	-2%
San Jose	175	-5%	-6%	**-6%**	**-6%**	-7%
Portland	142	-8%	-7%	**-5%**	**-6%**	-5%
Miami	131	-4%	-5%	**-5%**	**-7%**	-4%
Charleston (SC)	94	-9%	-11%	**-11%**	**-8%**	-8%
Houston	85	-8%	-5%	**-3%**	**-8%**	-3%
Pittsburgh	112	-10%	-6%	**-5%**	**-9%**	-4%

Source: Yardi Matrix. Sorted according to 10x10 CC rent performance.

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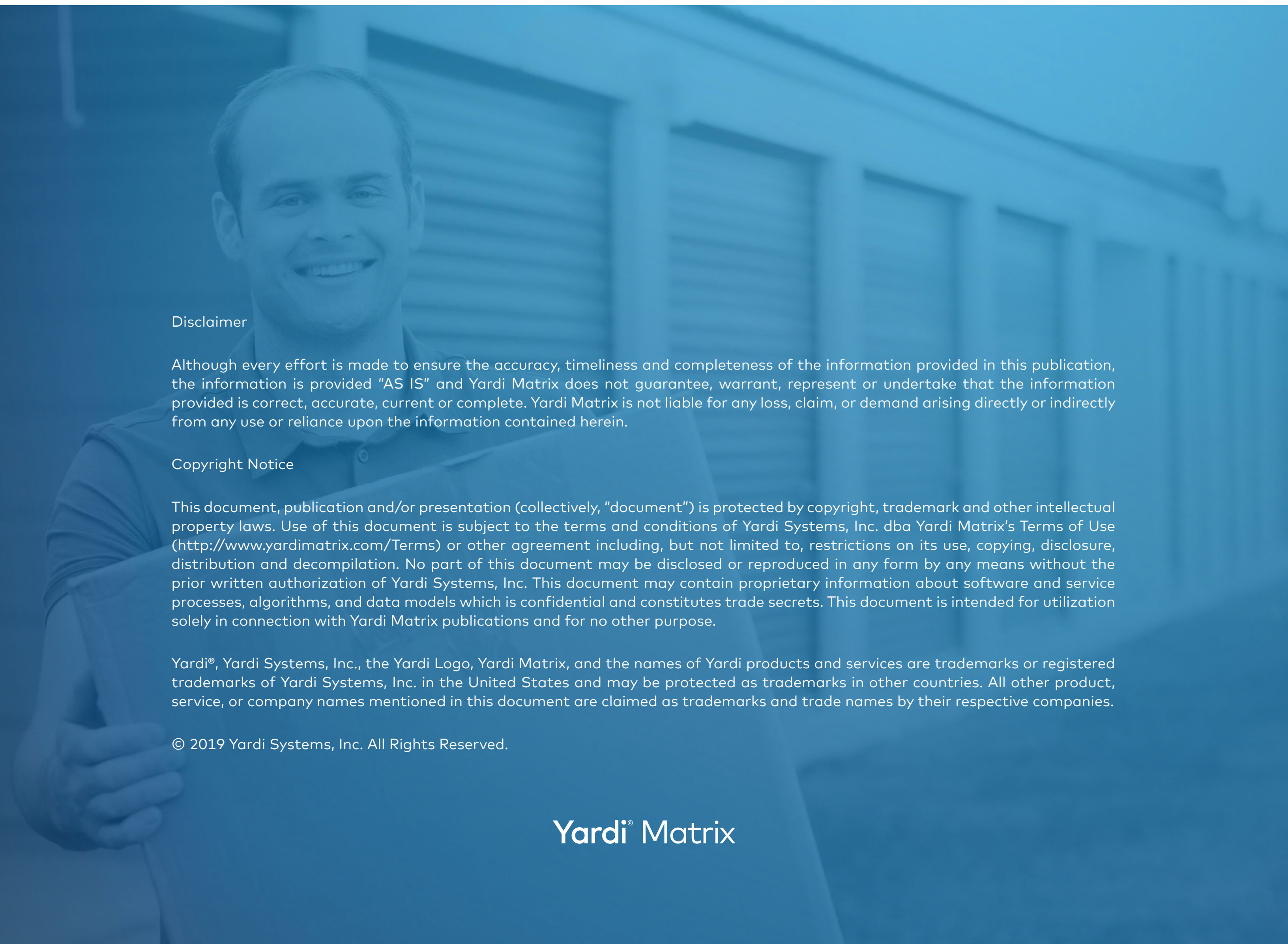

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