# SELF STORAGE ASSOCIATION
# MAY 19, 2020

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# TODAY'S AGENDA

1. Opening Remarks
2. Macroeconomic Overview
3. National Storage Fundamentals
4. Storage Supply Forecast
5. The Next Tier of Storage Markets

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# Opening Remarks

# Yardi Matrix House View May 2020

**<u>The shock is over, but the pain has just started</u>**

- The COVID-19 caused downturn has been swift and deep
    - 30 MM jobless in 6 weeks – depression levels
    - U.S. fiscal/monetary response has been swift too
        - Mitigating losses in the financial markets
        - Initially replacing incomes lost at the bottom of the economic scale
        - Carnage in the energy sector is just as bad as travel and hospitality
        - Impossible to replace a $22 trillion economy, despite best efforts
    - The pain has just started; Q1 GDP -5%, Q2 -20% to -40%; we are just beginning to see the ripple effects

**<u>The shape and speed of a recovery is dependent first on a medical solution, but second on political will</u>**

- Scenarios mostly driven by progress on anti-virals & vaccines; we should assume medical science will prevail, but with a lag
- Initial primary public policy goal was to avoid overwhelming the medical system
- Politically, now morphing into implicit partisan driven power objectives – for some, “a tragedy is a terrible thing to waste”
- Under the best of circumstances, and short of a medical solution, the recovery is likely to be partial and slow – think extended “U”, leaving =>10% of the workforce idled for an extended period of time
- Recovery likely to be slower in “Blue” states, faster in “Red” States…at least through the Nov. election, for each’s political goals
- The resulting explosion of “war-time” government debt will result in higher taxes and inflation – but not for another ~5 years

Source: Yardi Matrix

# Yardi Matrix House View – Self Storage

**Impact of COVID-19 pandemic on self storage beginning to emerge**

- National street rates for 10x10 NON CC units fell 2.6% year-over-year in April. Rates for 10x10 CC units dropped 6.0% year-over-year, the largest decline in more than three years

- Street rates for standard NON CC units decreased in roughly 97% of the top markets tracked by Yardi Matrix in April. All the top markets saw negative street rate performance for standard 10x10 CC units

- Street rate declines were more severe in the major 30 markets than the next tier markets

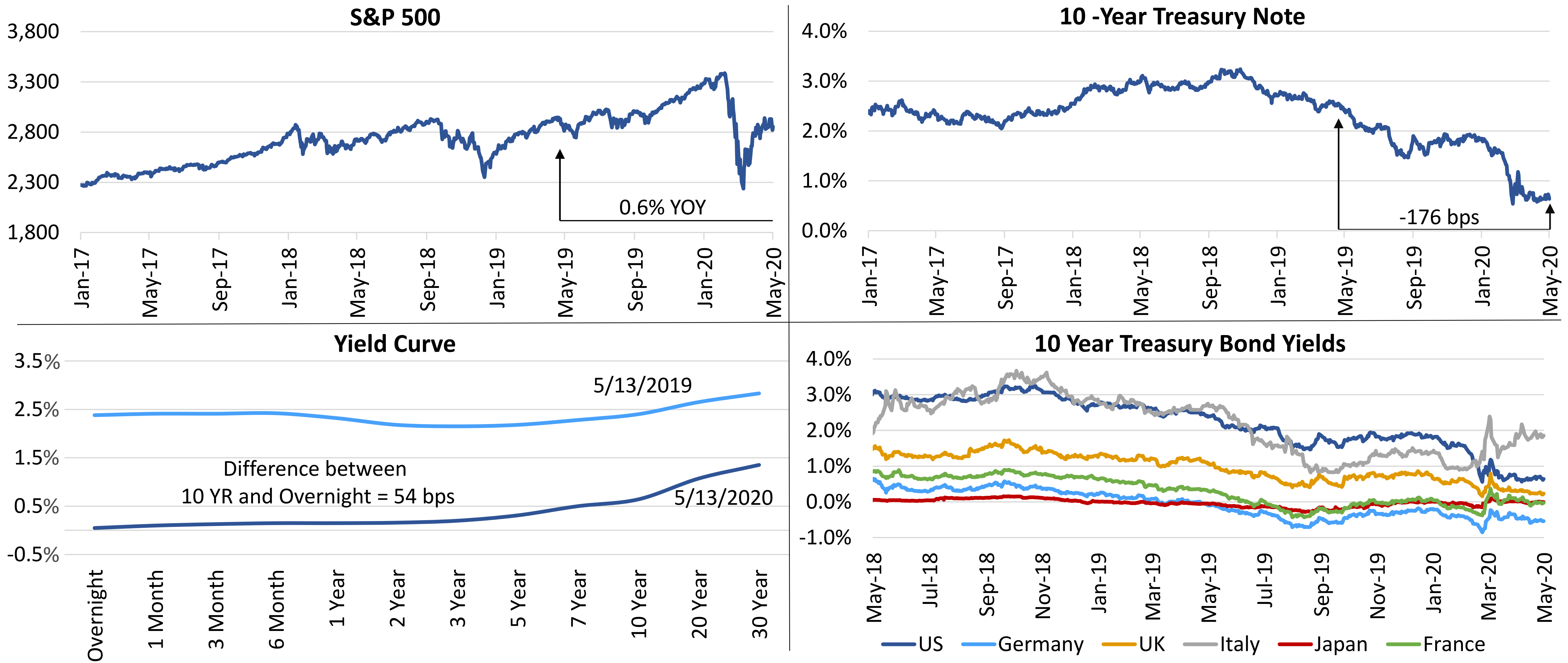
- The new supply pipeline has yet to be affected, as storage properties under construction or in the planning stages account for 9.0% of total stock, a 20-basis-point increase month-over-month…however development activity will eventually decline

- Yardi Matrix's most recent supply completion forecasts show deliveries dropping by roughly 10% in 2020 and by about 40% over the next five years

Source: Yardi Matrix

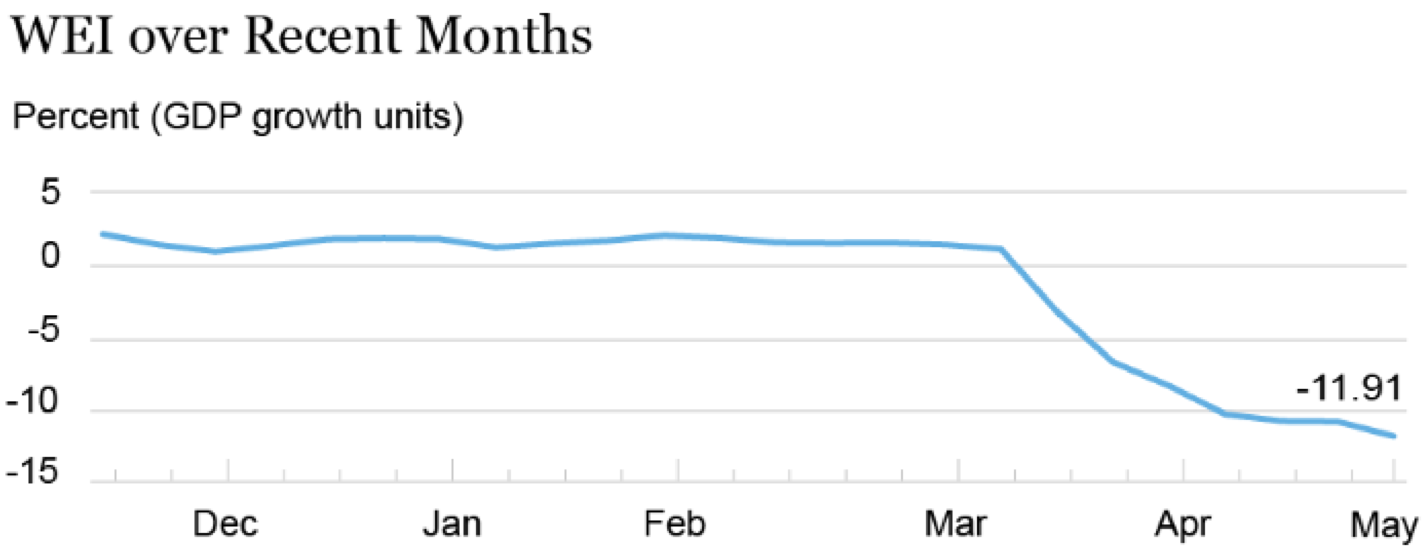
# Macroeconomic Overview

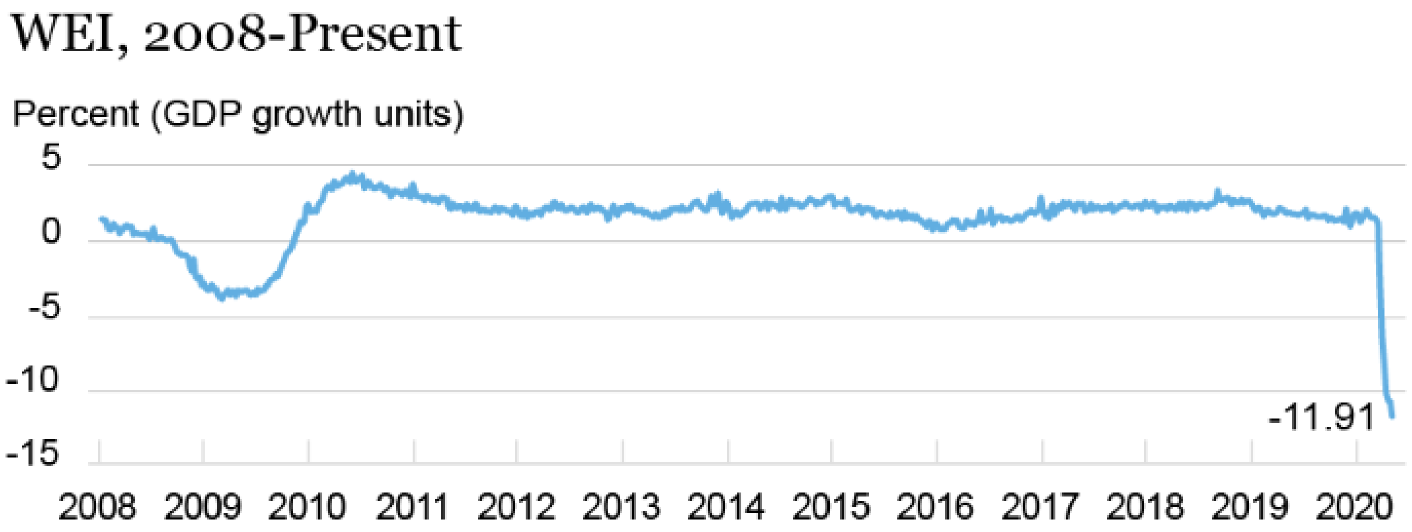
# U.S. and International Financial Market




Source: Yardi Matrix; Moody's Analytics; Investing.com

# Weekly Economic Index (WEI)




**U.S. GDP contracted 4.8% in the first quarter of 2020**

*(at a seasonally & inflation adjusted annual rate)*

**The WEI is an index of 10 daily and weekly indicators of real economic activity, scaled to align with the four-quarter GDP growth rate**

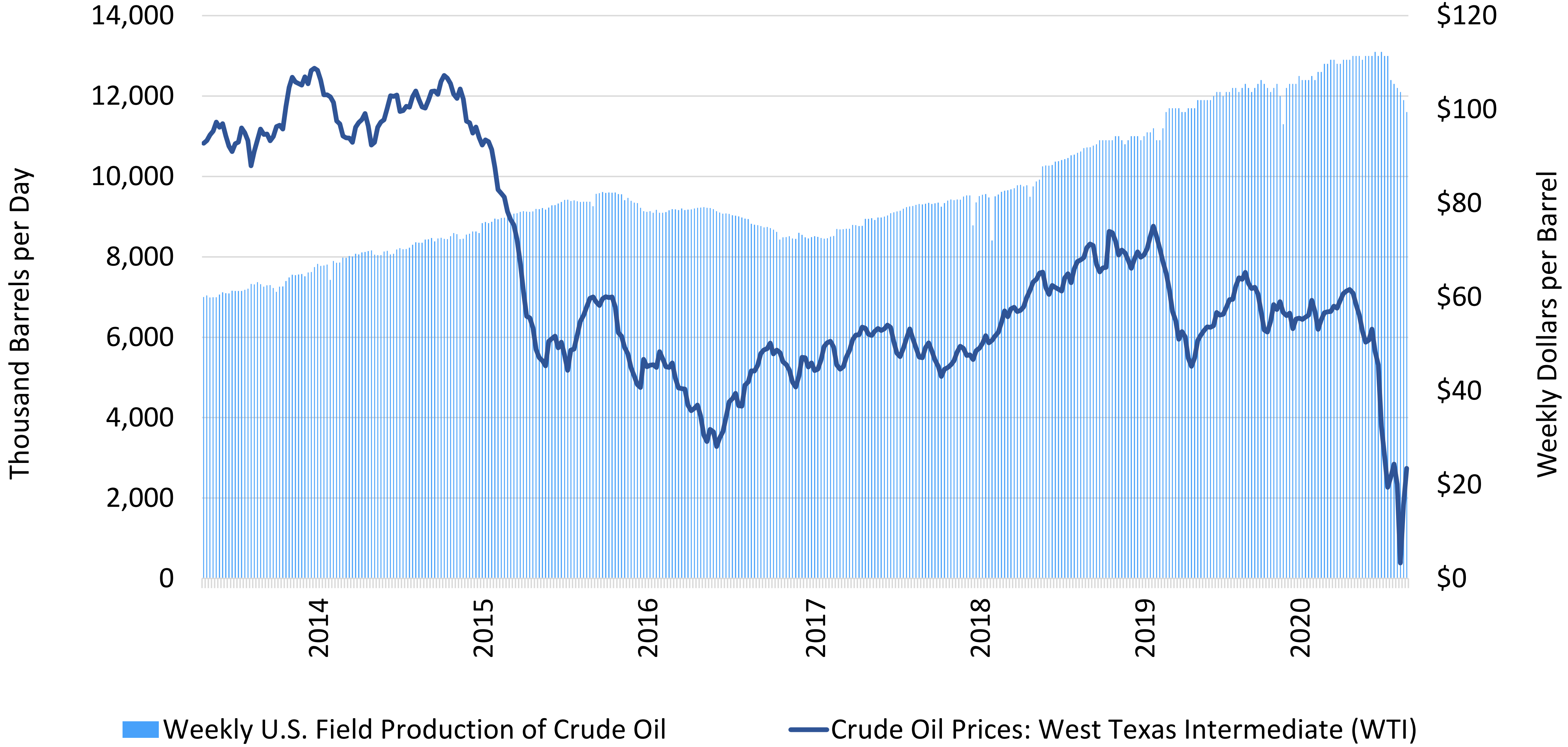
- For the week ending May 2, the WEI is -11.91%, scaled to four-quarter GDP growth; in comparison, the WEI stood at 1.58% for the week ending February 29.
- The **decline** in WEI for the week of May 2 was ***driven by the initial unemployment claims release, a drop in electricity usage, and a fall in fuel sales relative to the same time last year.*** These factors cancel out the increases in rail traffic and payroll tax withholdings.

*As of May 7, 2020

Source: Yardi Matrix; Wall Street Journal;

Federal Reserve Bank of New York: Weekly Economic Index, https://www.newyorkfed.org/research/policy/weekly-economic-index

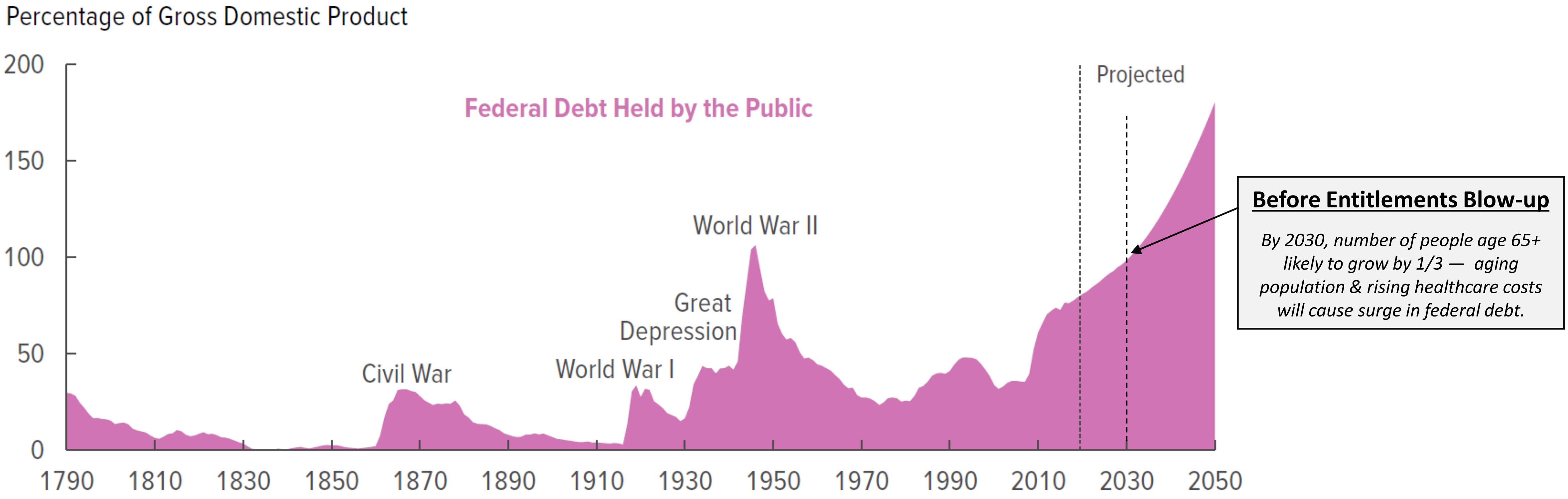
# No Inflation Here




*Data as of May 8, 2020

Source: Yardi Matrix; Energy Information Administration, Federal Reserve Bank of St. Louis, Economic Research Division

# Federal Debt to GDP Ratio: Before the COVID-19 Pandemic




In January 2020, the Congressional Budget Office (CBO) released "The Budget and Economic Outlook: 2020 to 2030" report based on the laws and economy at that time. **In April, CBO updated their projections based reflect the COVID-19 pandemic**

Some of this findings and predictions from this report included:

- **Federal debt** held by the public was **79% of GDP** at the end of fiscal year **2019**
- CBO estimated federal debt was going to rise over the coming decade— from 81% of GDP in 2020 to 98% of GDP in 2030

*Chart taken from CBO's Budget and Economic Outlook: 2020 to 2030 report released January 28, 2020. Predictions are based on laws and economy as of January 2020.
Source: Yardi Matrix; Congressional Budget Office (CBO), "The Budget and Economic Outlook: 2020 to 2030"; Committee for a Responsible Federal Budget

# Federal Debt to GDP Ratio In the Wake of COVID-19

***On April 24, CBO released new preliminary projections which factor in the effects of the COVID-10 pandemic on the U.S. economy.***

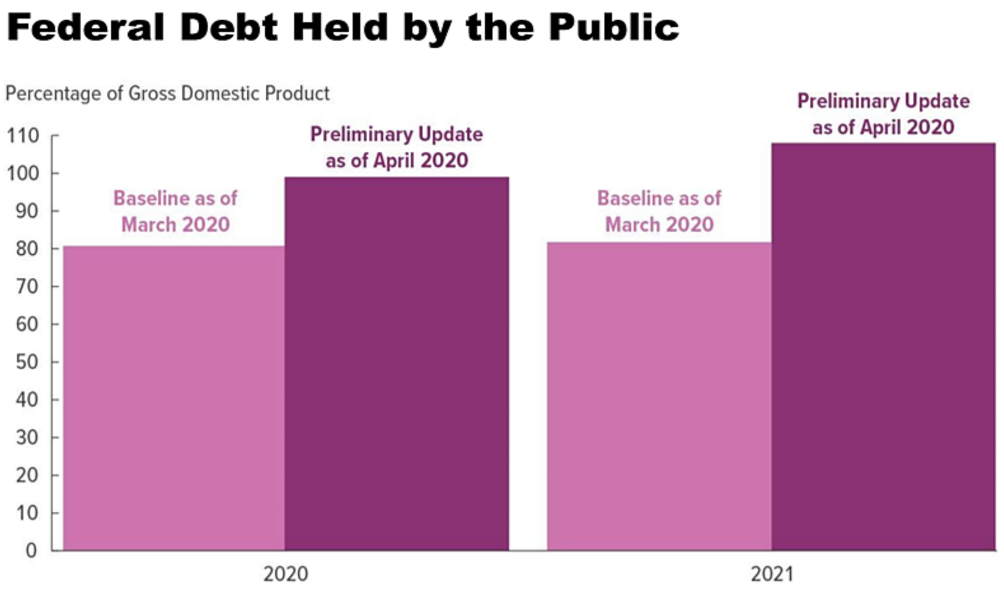
**Federal debt will rise to 101% of GDP by end of FY 2020**

→ 20% higher than the March baseline projections

**Federal debt will grow to 108% of GDP by end of FY 2021**

→ 26% higher than the March baseline projections

→ *Surpassing the 107% threshold during World War II*




## POTENTIAL IMPLICATIONS OF THE RISING FEDERAL DEBT DUE TO COVID-19

- Surge in debt is equal to increases historically seen in times of war and resulted in inflation afterwards (WWI, WWII, Vietnam)
- There will likely be an inflationary after-effect in 3 to 5 years
  - An aging population may mitigate some inflation, esp. as more people claim pension benefits, further burdening federal debt
- Low interest rates have helped offset the rise in debt, but there is still some uncertainty of the long-term effects of COVID-19 to rates
- Not an immediate concern, but 7 to 10-year investment horizons must take into account

*Preliminary projections based on laws and economy as of April 24. Current projections are only through 2021, CBO plans to provide a comprehensive, long-term analysis of pandemic legislature & baseline projections later this year.
Source: Yardi Matrix; Congressional Budget Office (CBO); Committee for a Responsible Federal Budget; Wall Street Journal

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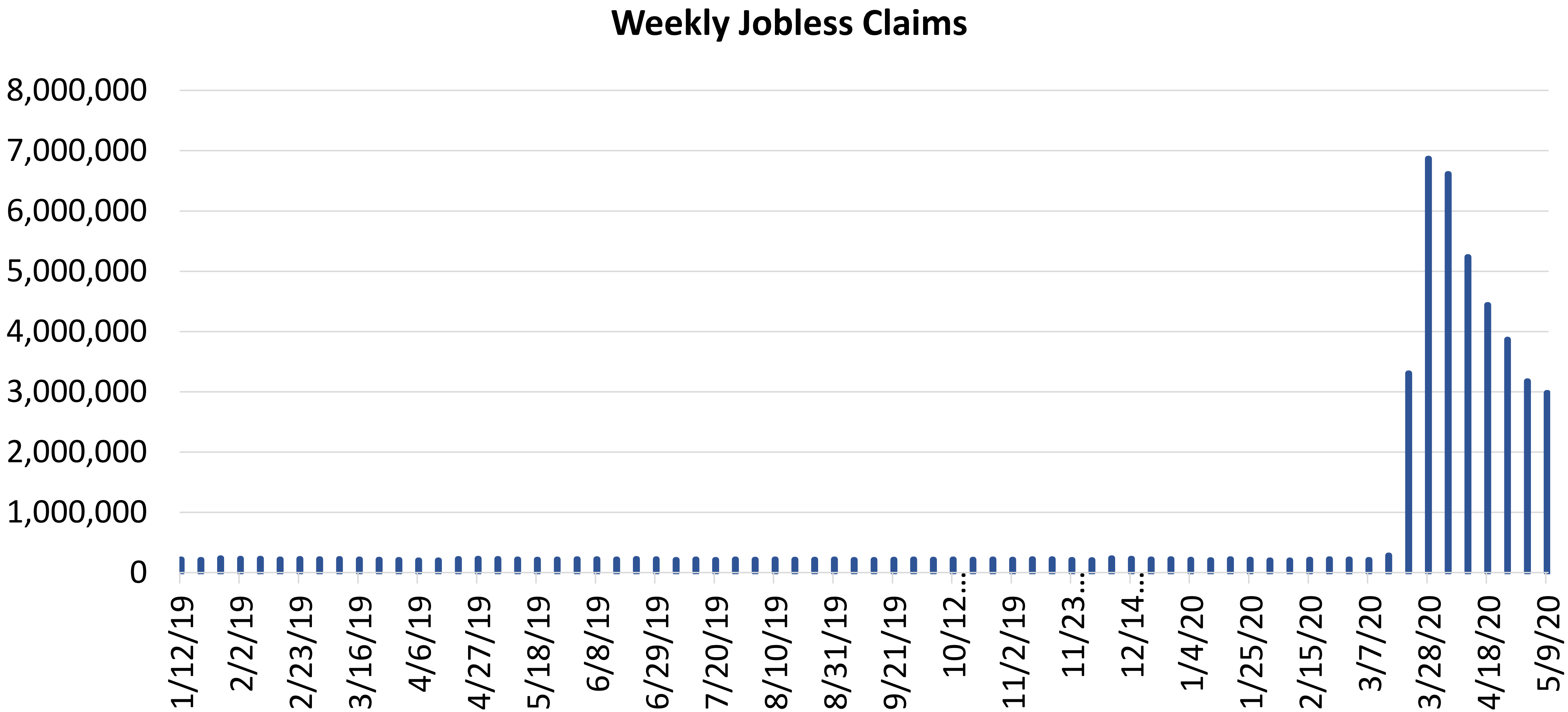
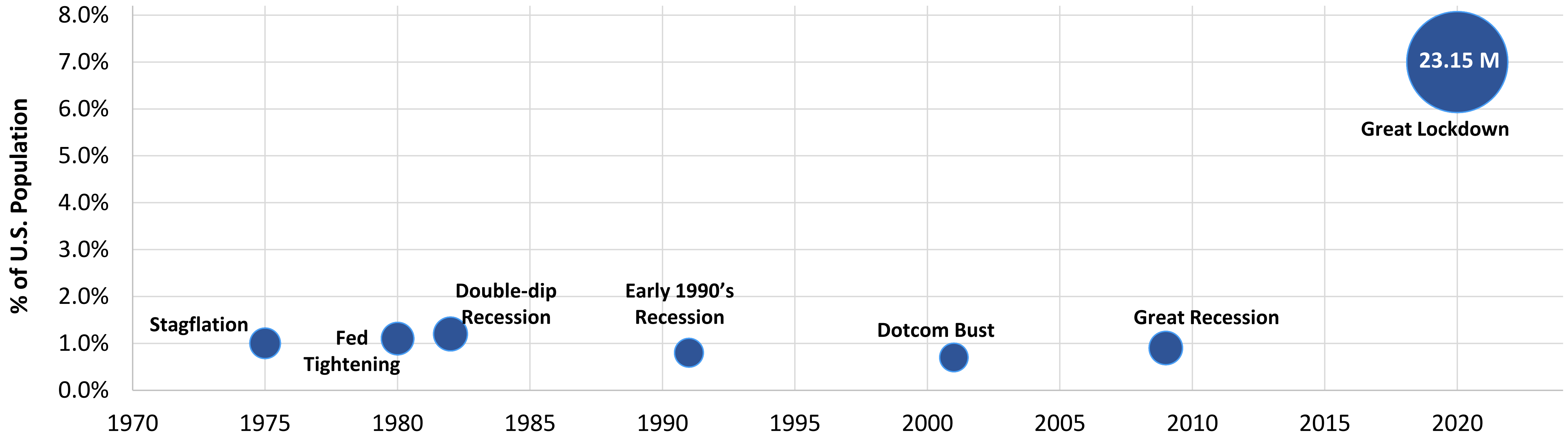
# 37 Million Have Filed for U.S. Jobless Benefits Since the Beginning of March




Source: Yardi Matrix; Moody's Analytics; U.S. Employment & Training Administration (ETA)

# Historic U.S. Job Losses in Perspective




| Year | Description | Peak Jobless Claims (4-week total) | % of U.S. Population |
|---|---|---|---|
| 1975 | Stagflation | 2.24 Million | 1.0% |
| 1980 | Fed Tightening (Volcker) | 2.52 Million | 1.1% |
| 1982 | Double-dip Recession | 2.70 Million | 1.2% |
| 1991 | Early 1990's Recession | 2.00 Million | 0.8% |
| 2001 | Dotcom Bust | 1.96 Million | 0.7% |
| 2009 | Great Recession | 2.64 Million | 0.9% |
| 2020 | Great Lockdown (COVID-19 Pandemic) | 23.15 Million* | 7.0% |

*4-week total of jobless claims for the week end of March 28, 2020 to the week end of April 18, 2020

Source: Yardi Matrix; Moody's Analytics; U.S. Employment & Training Administration (ETA); Visual Capitalist; Financial Times

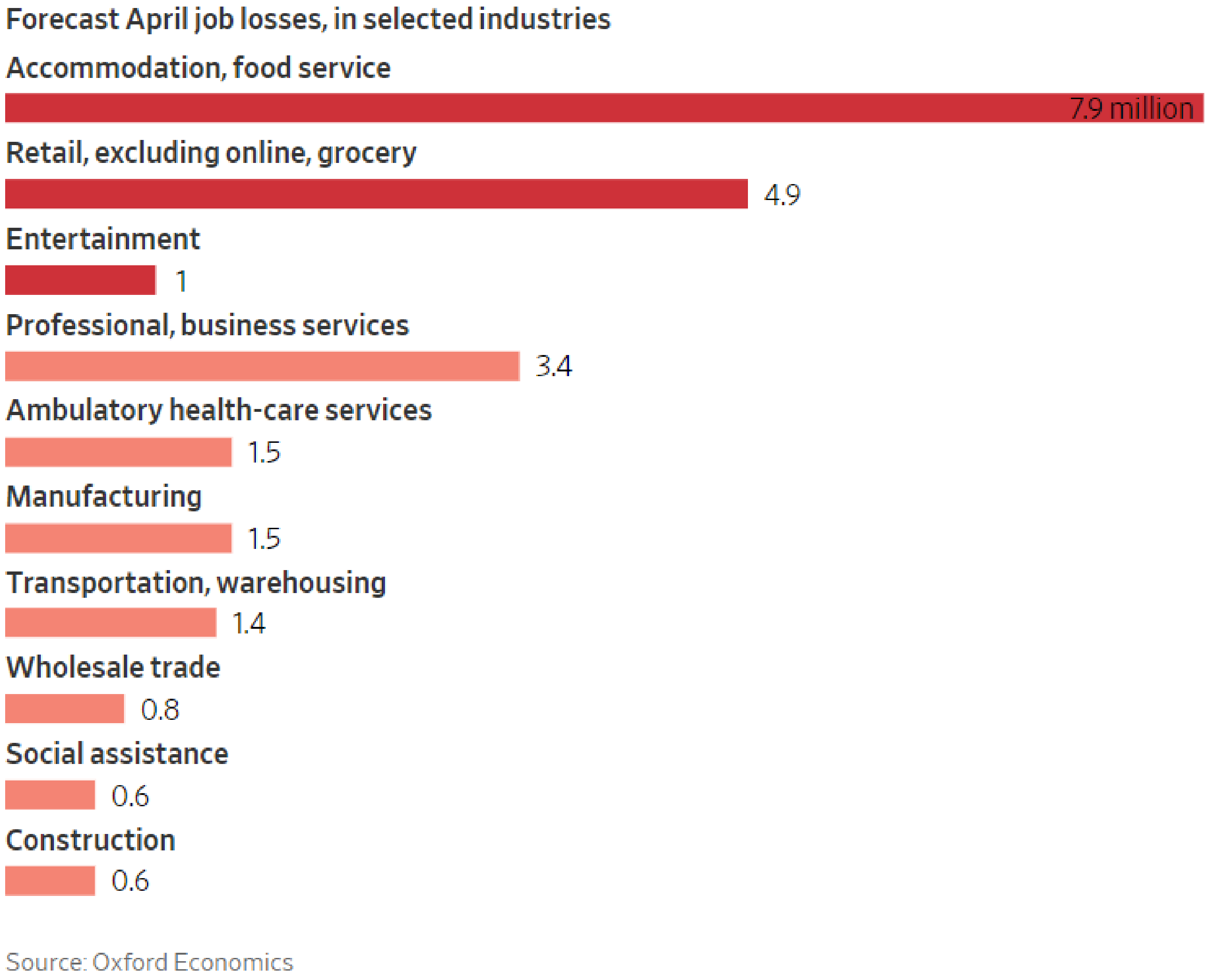
# Employment: Secondary Industry Layoffs Begin

First industries to lose their jobs included restaurants, malls, hotels and other places that closed to contain the pandemic

Now, a **<u>second wave of job loss</u>** is hitting higher-skilled workers, including corporate lawyers, healthcare workers not involved in fighting the pandemic & government workers being furloughed

Consensus of 57 economists surveyed by The Wall Street Journal says **<u>14.4 million jobs will be lost in the coming months</u>**, and **<u>unemployment rate will rise to a record 13% in June</u>**

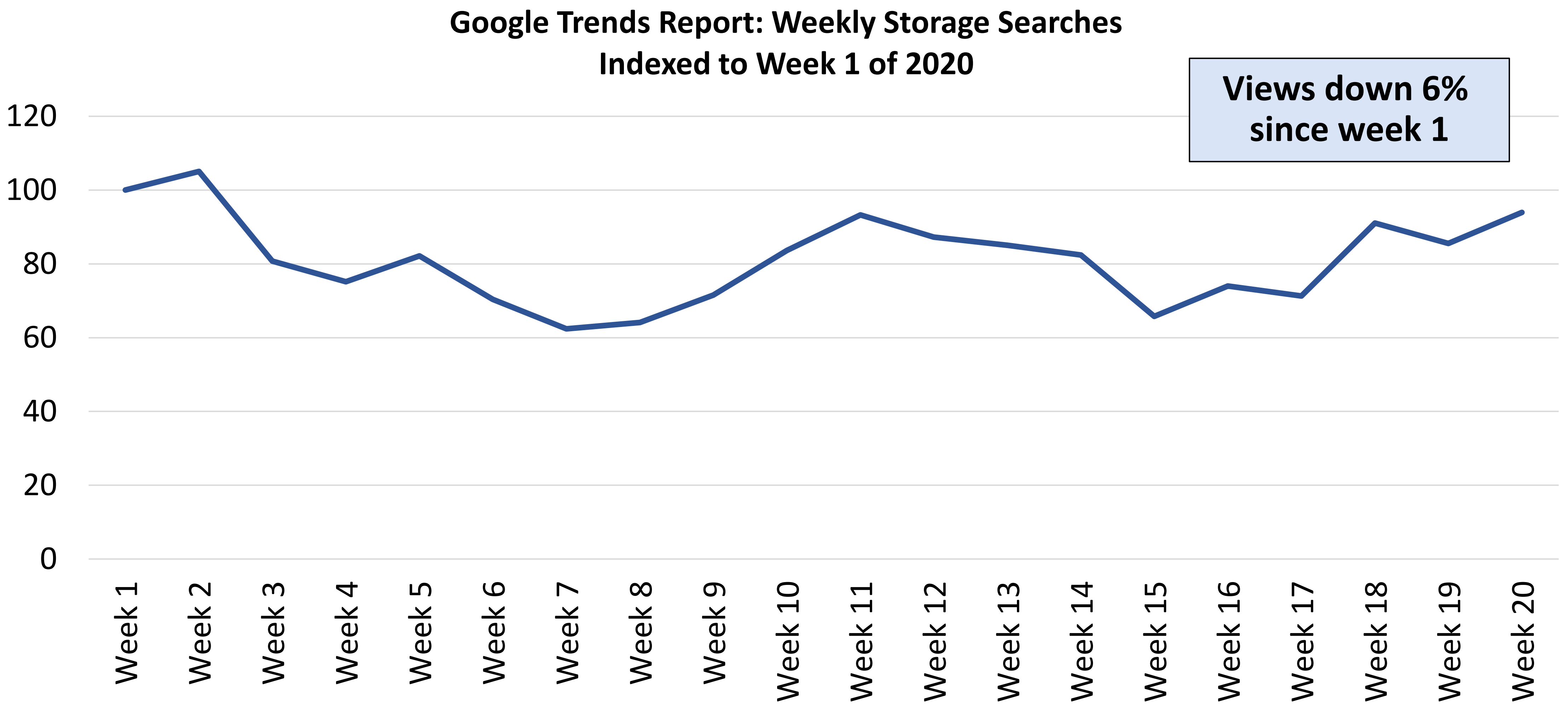
***Given all the industries impacted, we can expect to see a 10-20% GDP loss in the second quarter***




Source: Yardi Matrix; Wall Street Journal, "A Second Round of Coronavirus Layoffs Has Begun. Few Are Safe."

# National Self Storage Fundamentals

# Weekly Self Storage Searches from Google Trends Report




*Week 1 is the first week in 2020

Source: Yardi Matrix; RENT*Café*®

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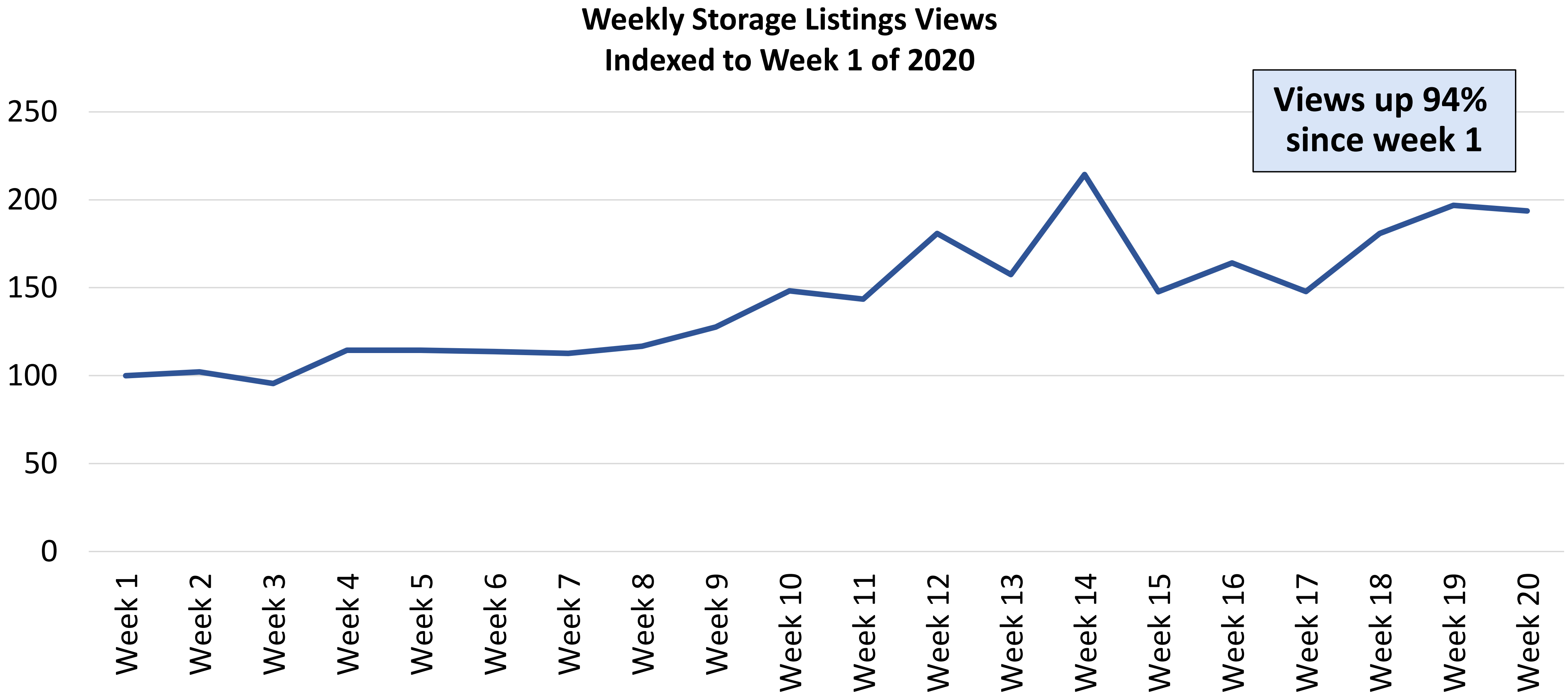
# Weekly Storage Listings Views Increasing on RENT*Café*®




*Week 1 is the first week in 2020
Source: Yardi Matrix; RENT*Café*®

# Increased Marketing Spend for Storage REITs in Q1

| REIT | Q1 2020 Marketing Expense | % Change from Q1 2019 |
|---|---|---|
| Public Storage | $5.3 Million | +58.8% |
| Extra Space Storage | $6.7 Million | +23.1% |
| Life Storage | $3.2 Million | +54.4% |
| CubeSmart Self Storage | $2.2 Million | +21.2% |
| National Storage Affiliates | $2.0 Million | +22.3% |
| TOTAL | $19.4 Million | +36.0% Average Increase |

Source: Yardi Matrix; Public Storage; Extra Space Storage; Life Storage; CubeSmart Self Storage

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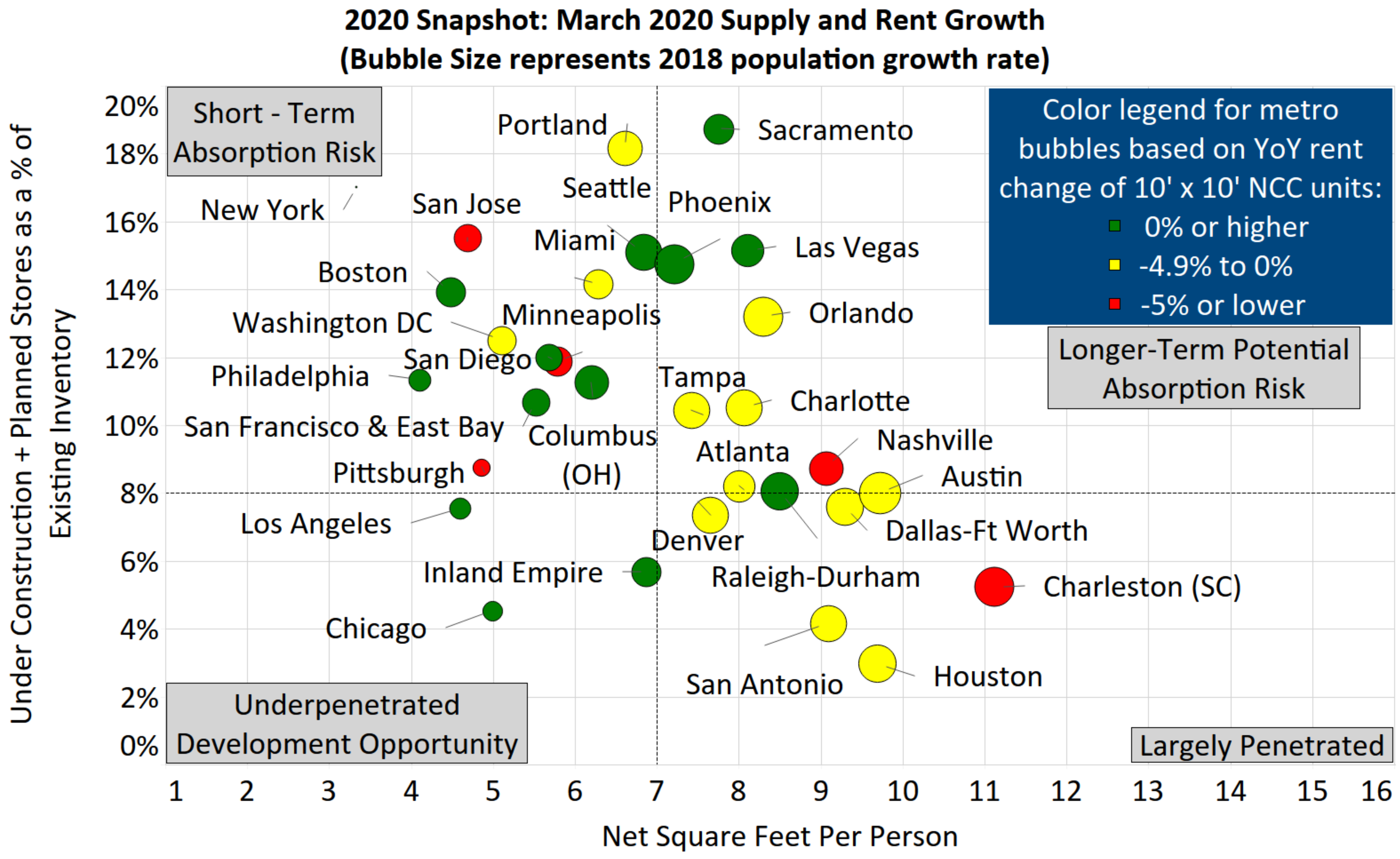
# A Handful of Markets Had Positive Street Rate Growth in March




Source: Yardi Matrix

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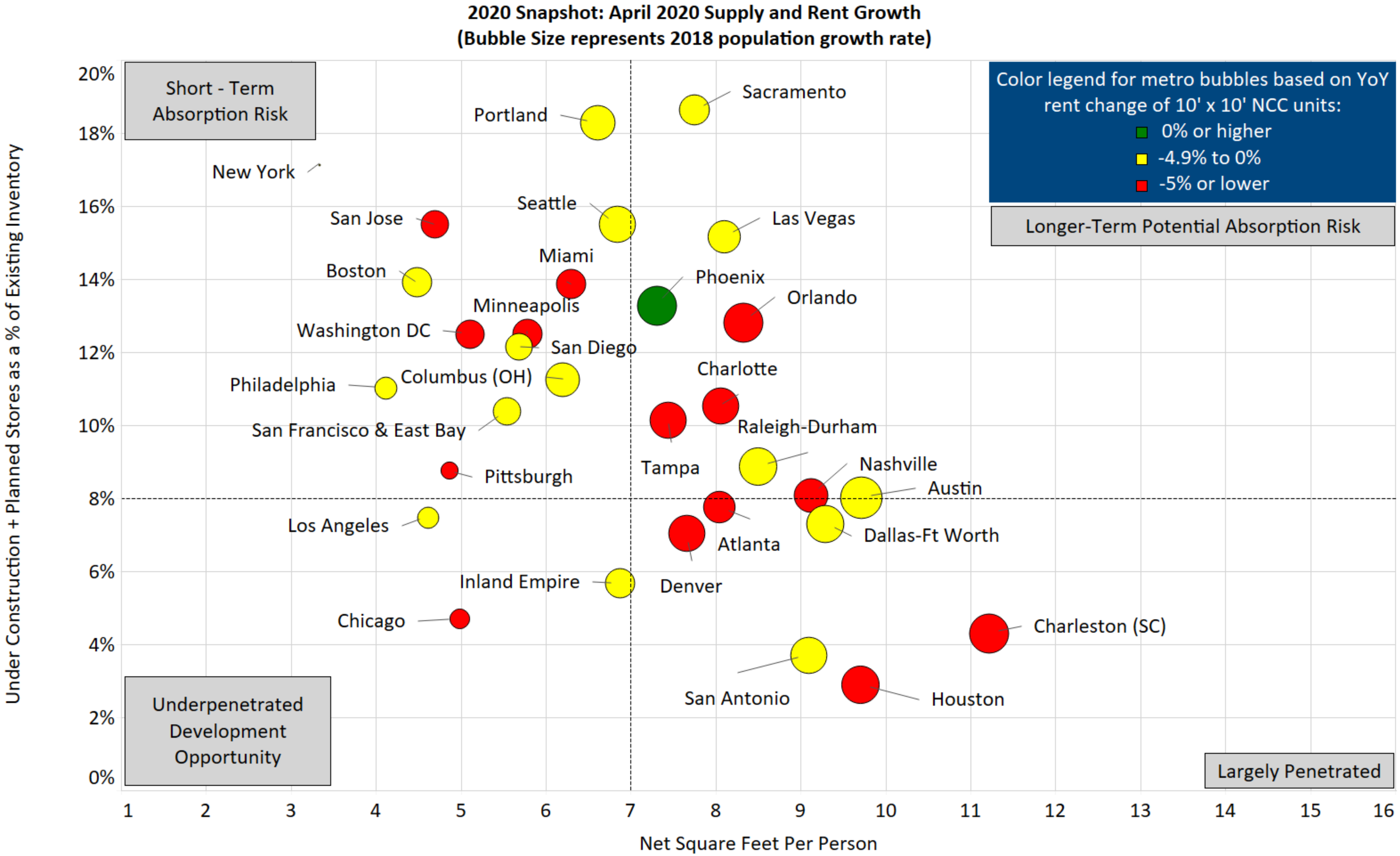
# Despite Increased Marketing Spend, April Street Rates Dropped Dramatically Across Major Markets




Source: Yardi Matrix

# Most 10x10 Non-Climate Controlled Street Rates Are Negative and Decelerating

| Market | Growth in Street Rates April '18-'19 | Growth in Street Rates April '19-'20 | Change |
|---|---|---|---|
| Raleigh - Durham | -6.5% | -2.3% | 4.2% |
| Portland | -6.0% | -4.3% | 1.7% |
| Phoenix | 0.0% | 0.0% | 0.0% |
| San Diego | -0.6% | -0.6% | 0.0% |
| Boston | -2.0% | -2.1% | 0.0% |
| Denver | -5.5% | -5.8% | -0.3% |
| Charleston (SC) | -8.6% | -9.4% | -0.8% |
| Austin | -3.0% | -4.1% | -1.1% |
| Tampa | -4.4% | -5.5% | -1.1% |
| Dallas - Ft Worth | -3.1% | -4.2% | -1.1% |
| Seattle | -1.3% | -2.6% | -1.3% |
| San Antonio | -2.0% | -4.1% | -2.1% |
| Miami | -2.9% | -5.3% | -2.3% |
| Houston | -3.4% | -5.8% | -2.4% |
| SF Penin. & East Bay | 0.5% | -2.6% | -3.1% |

| Market | Growth in Street Rates April '18-'19 | Growth in Street Rates April '19-'20 | Change |
|---|---|---|---|
| Columbus (OH) | 1.2% | -2.3% | -3.5% |
| Pittsburgh | -2.5% | -6.1% | -3.5% |
| Los Angeles | 2.2% | -2.2% | -4.4% |
| Inland Empire | 2.7% | -1.8% | -4.5% |
| New York | 1.2% | -3.4% | -4.6% |
| Charlotte | -2.3% | -7.0% | -4.7% |
| Chicago | 0.0% | -5.0% | -5.0% |
| San Jose | -3.3% | -8.5% | -5.2% |
| Sacramento | 1.5% | -3.7% | -5.2% |
| Philadelphia | 2.5% | -4.1% | -6.6% |
| Atlanta | 0.0% | -7.1% | -7.1% |
| Orlando | 1.0% | -6.7% | -7.7% |
| Nashville | -1.8% | -10.1% | -8.3% |
| Washington DC | 2.1% | -6.8% | -8.9% |
| Las Vegas | 7.0% | -2.8% | -9.8% |

Source: Yardi Matrix

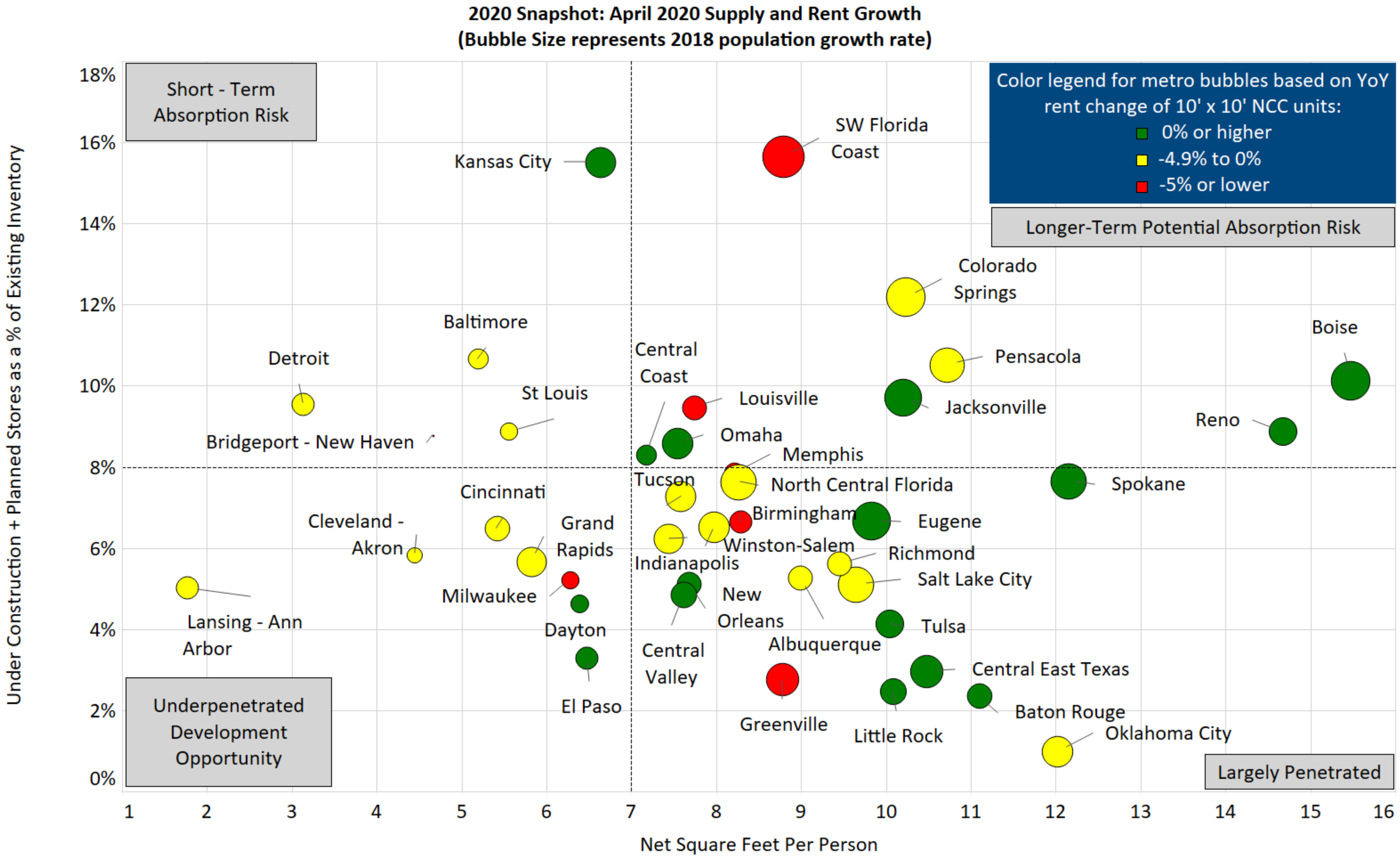
# As With Non-CC Rates, 10x10 Climate Controlled Rates are Dropping Dramatically

| Market | Growth in Street Rates April ‘18-’19 | Growth in Street Rates April ‘19-’20 | Change |
|---|---|---|---|
| Portland | -7.3% | -2.9% | 4.5% |
| Houston | -9.4% | -8.5% | 0.9% |
| Denver | -5.9% | -6.3% | -0.4% |
| Raleigh - Durham | -6.3% | -6.7% | -0.4% |
| SF Penin. & East Bay | -2.0% | -2.5% | -0.5% |
| Dallas - Ft Worth | -3.4% | -4.4% | -1.0% |
| Nashville | -5.0% | -7.5% | -2.5% |
| Austin | -4.0% | -6.7% | -2.7% |
| Miami | -3.8% | -7.1% | -3.4% |
| Los Angeles | 1.6% | -2.2% | -3.8% |
| San Jose | -3.3% | -7.4% | -4.1% |
| Pittsburgh | -3.4% | -7.6% | -4.3% |
| Inland Empire | 2.1% | -2.7% | -4.8% |
| Boston | 0.0% | -5.4% | -5.4% |
| Columbus (OH) | 1.9% | -3.6% | -5.5% |

| Market | Growth in Street Rates April ‘18-’19 | Growth in Street Rates April ‘19-’20 | Change |
|---|---|---|---|
| Phoenix | 2.4% | -3.2% | -5.6% |
| San Antonio | 0.0% | -5.9% | -5.9% |
| Seattle | 0.0% | -6.3% | -6.3% |
| Chicago | 0.0% | -6.4% | -6.4% |
| New York | -0.5% | -7.0% | -6.5% |
| Tampa | -3.5% | -10.1% | -6.6% |
| Charleston (SC) | -6.1% | -12.9% | -6.8% |
| Las Vegas | 4.9% | -2.8% | -7.7% |
| San Diego | 5.0% | -3.0% | -7.9% |
| Philadelphia | 1.4% | -6.8% | -8.1% |
| Charlotte | -1.8% | -9.9% | -8.1% |
| Sacramento | -1.3% | -9.6% | -8.3% |
| Washington DC | 1.3% | -8.0% | -9.3% |
| Orlando | 0.8% | -10.1% | -10.9% |
| Atlanta | 1.7% | -10.0% | -11.7% |

Source: Yardi Matrix

# There Has Been a Shift to the Two Right Quadrants Since Last Year, Reflecting an Influx of Supply in Next Tier Markets




Source: Yardi Matrix

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# Storage Supply Forecast

# Supply Completion Forecast Methodology

- Includes new construction, conversions and expansions
- Extends forecasts into 2025
- Forecasts precise net rentable square footage at the property level
- Predicts completions at the property level and aggregates up to market and national levels incorporating local factors including average historical completion times
- Uses construction loans as a backstop, will not remove any projects that have a loan identified, however the model is not solely limited to properties with construction loans
- Simulates and predicts new supply tracking process by applying historical completion percentages to the pipeline each month
- Movement between development statuses is relatively consistent as a percentage of the total size of each status group, allowing us to generate future snapshots of the entire pipeline
- Predicts completions by using a weighted sampling system that generates a pool of candidate properties for completion
- Model simulates the entire pipeline thus predicting new projects not yet found, and refills planned and prospective pipeline

Source: Yardi Matrix

# Supply Completion Forecast Methodology – Changes Q2 2020

Our forecast methodology has remained the same from the methodology developed in the summer of 2019 except for the following assumptions of the rate of movement between stages of the pipeline:

- **Planned** to **Under Construction** has been reduced by **40%**
- **Prospective** to **Planned** has been reduced by **50%**
- **Under Construction** to **Completed** has remained unchanged

- **Prospective** to **Abandoned** has been increased to **50%**
- **Planned** to **Abandoned** has been increased to **25%**

Source: Yardi Matrix

# Takeaways From Our Supply Completion Forecast Methodology

- Deliveries dropped by roughly 10% in 2020, and by roughly 40% over the next 5 years

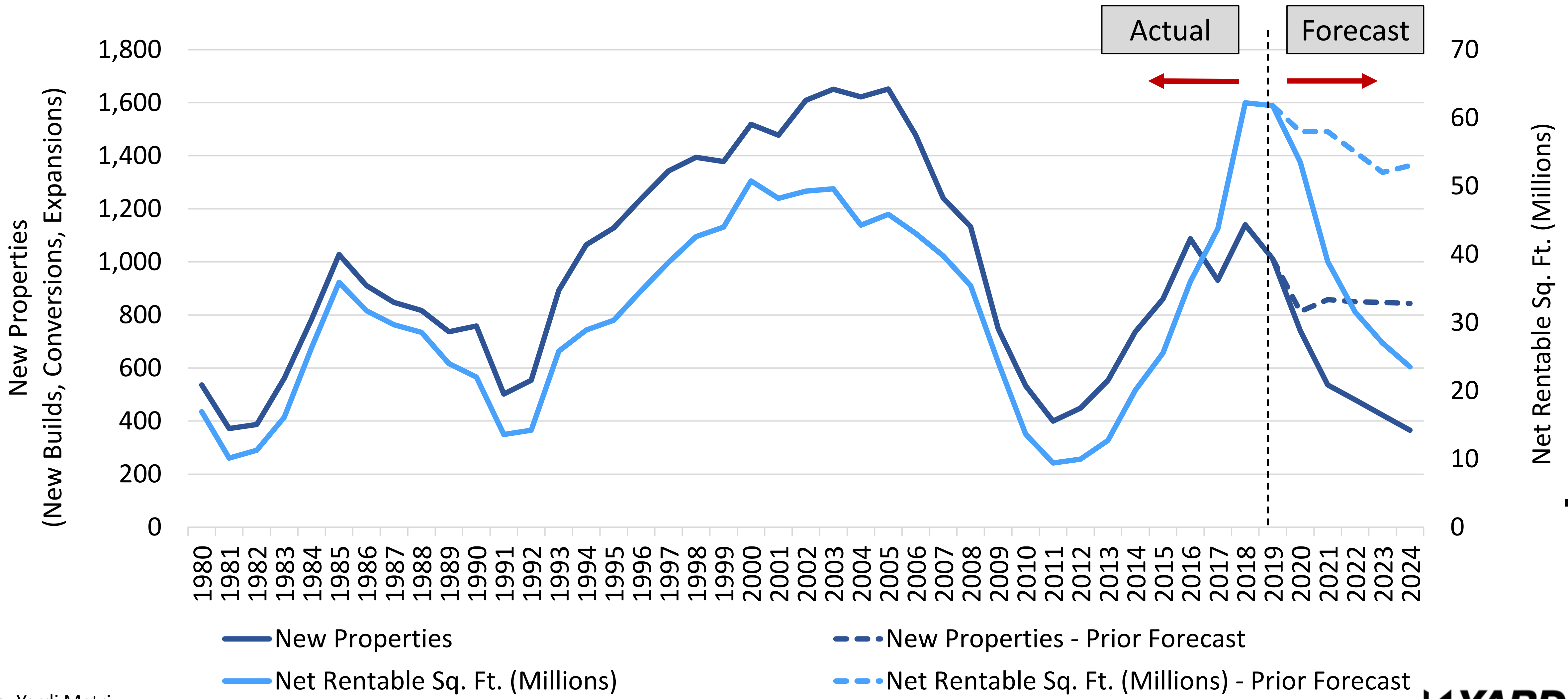
- Abandoned projects increased significantly as we expect projects to fall out of the pipeline that were in pre-permitting phases

- Developments currently under construction **will be built** but will likely deliver 3-6 months later than originally anticipated as materials are harder to source and construction sites shut down

- Slowdown in deliveries should be a welcome sight for the industry as it faces continued supply pressures in most markets

Source: Yardi Matrix

# Our Current Forecasts Show New Deliveries Dropping in the Next Few Years




Source: Yardi Matrix

# New Storage Forecast Summary – National

| Property Forecasts | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|
| New Build | 578 | 530 | 379 | 312 | 278 | 244 | 192 |
| Conversion | 145 | 97 | 57 | 63 | 42 | 51 | 41 |
| Expansion | 261 | 114 | 100 | 105 | 102 | 70 | 71 |
| Total | 984 | 741 | 536 | 480 | 422 | 365 | 304 |

| NRSF Forecasts (Millions) | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|
| New Build | 42 | 41 | 30 | 23 | 21 | 18 | 14 |
| Conversion | 11 | 8 | 5 | 5 | 3 | 4 | 3 |
| Expansion | 8 | 5 | 4 | 3 | 3 | 2 | 2 |
| Total | 61 | 53 | 39 | 32 | 27 | 24 | 19 |
| NRSF as a % of Stock | 4.5% | 3.6% | 2.5% | 2.0% | 1.7% | 1.4% | 1.2% |

Source: Yardi Matrix

# New Storage Forecast Summary – Top 50 MSAs

| Property Forecasts | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|
| New Build | 459 | 421 | 294 | 250 | 211 | 182 | 150 |
| Conversion | 107 | 73 | 44 | 43 | 27 | 40 | 30 |
| Expansion | 167 | 89 | 84 | 86 | 81 | 55 | 54 |
| Total | 733 | 583 | 422 | 379 | 319 | 277 | 234 |

| NRSF Forecasts (Millions) | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|
| New Build | 35 | 34 | 23 | 19 | 16 | 13 | 11 |
| Conversion | 8 | 6 | 4 | 3 | 2 | 3 | 2 |
| Expansion | 6 | 4 | 4 | 3 | 2 | 2 | 1 |
| Total | 49 | 44 | 31 | 25 | 20 | 18 | 15 |
| NRSF as a % of Stock | 5.2% | 3.9% | 2.7% | 2.1% | 1.6% | 1.4% | 1.2% |

Source: Yardi Matrix

# New Storage Forecast Summary – Top 25 MSAs

| Property Forecasts | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|
| New Build | 336 | 323 | 218 | 170 | 144 | 129 | 104 |
| Conversion | 60 | 54 | 29 | 30 | 21 | 23 | 22 |
| Expansion | 111 | 65 | 57 | 53 | 55 | 42 | 37 |
| Total | 507 | 442 | 304 | 253 | 220 | 194 | 163 |

| NRSF Forecasts (Millions) | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|
| New Build | 28 | 27 | 18 | 13 | 11 | 10 | 8 |
| Conversion | 4 | 4 | 3 | 2 | 2 | 2 | 2 |
| Expansion | 4 | 3 | 3 | 2 | 2 | 1 | 1 |
| Total | 36 | 34 | 23 | 17 | 14 | 13 | 11 |
| NRSF as a % of Stock | 4.6% | 4.2% | 2.7% | 2.0% | 1.6% | 1.4% | 1.2% |

Source: Yardi Matrix

# The Next Tier of Storage Markets

# Population Growth is Steady or Accelerating in Many of the “Next Tier” of Storage Markets

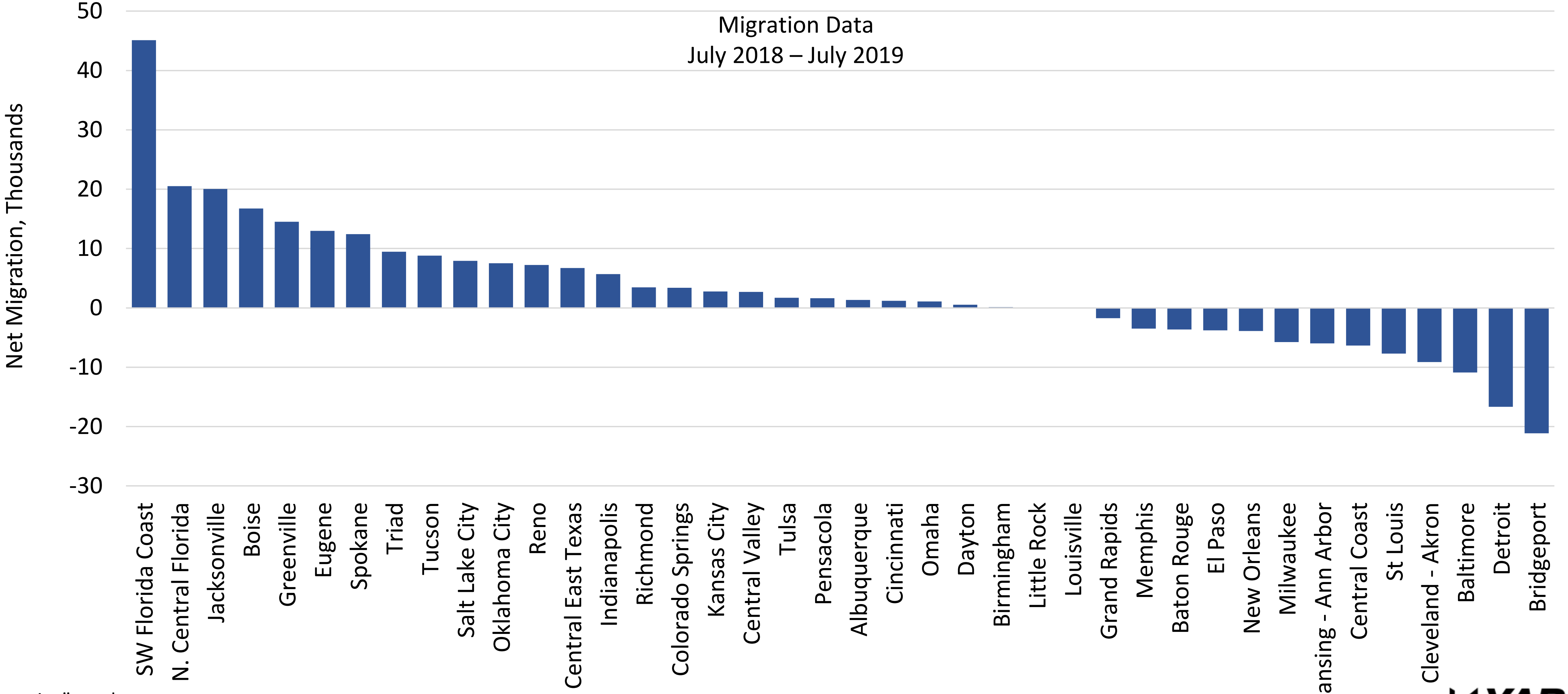
| Market | 2017 Pop. Growth | 2018 Pop. Growth | 2019 Pop. Growth | Overall Trend |
|---|---|---|---|---|
| Boise | 2.7% | 2.7% | 2.8% | Accelerating |
| SW Florida Coast | 2.2% | 1.9% | 2.0% | Accelerating |
| Spokane | 1.9% | 1.8% | 2.0% | Accelerating |
| Jacksonville | 2.0% | 1.8% | 1.8% | Stable |
| Salt Lake City | 1.9% | 1.6% | 1.6% | Stable |
| Central East Texas | 1.6% | 1.3% | 1.5% | Accelerating |
| Reno | 1.4% | 1.6% | 1.5% | Decelerating |
| Greenville | 1.4% | 1.5% | 1.5% | Stable |
| North Central Florida | 1.6% | 1.5% | 1.3% | Decelerating |
| Eugene | 2.0% | 1.5% | 1.3% | Decelerating |
| Colorado Springs | 1.7% | 1.7% | 1.2% | Decelerating |
| Oklahoma City | 0.6% | 0.7% | 1.0% | Accelerating |
| Indianapolis | 0.9% | 1.1% | 1.0% | Decelerating |
| Tucson | 1.0% | 1.0% | 1.0% | Stable |
| Omaha | 1.0% | 0.9% | 0.9% | Stable |
| Triad | 0.8% | 0.8% | 0.8% | Stable |
| Central Valley | 0.9% | 0.8% | 0.8% | Stable |
| Tulsa | 0.3% | 0.2% | 0.6% | Accelerating |
| Kansas City | 0.9% | 0.8% | 0.6% | Decelerating |
| Richmond - Tidewater | 0.5% | 0.5% | 0.5% | Stable |

| Market | 2017 Pop. Growth | 2018 Pop. Growth | 2019 Pop. Growth | Overall Trend |
|---|---|---|---|---|
| Grand Rapids | 0.8% | 0.6% | 0.4% | Decelerating |
| Cincinnati | 0.5% | 0.4% | 0.4% | Stable |
| El Paso | 0.3% | 0.0% | 0.3% | Accelerating |
| Louisville | 0.6% | 0.4% | 0.3% | Decelerating |
| Albuquerque | 0.4% | 0.3% | 0.3% | Stable |
| Little Rock | 0.5% | 0.3% | 0.3% | Stable |
| Memphis | 0.2% | 0.3% | 0.3% | Stable |
| Birmingham | 0.2% | 0.2% | 0.2% | Stable |
| Dayton | 0.1% | 0.2% | 0.2% | Stable |
| Milwaukee | 0.0% | 0.0% | 0.1% | Accelerating |
| Pensacola | 1.4% | 1.5% | 0.1% | Decelerating |
| New Orleans | 0.3% | 0.1% | 0.1% | Stable |
| Baton Rouge | -0.3% | 0.1% | 0.1% | Stable |
| St Louis | 0.0% | -0.1% | 0.0% | Accelerating |
| Baltimore | 0.2% | 0.1% | 0.0% | Decelerating |
| Lansing - Ann Arbor | 0.3% | 0.1% | 0.0% | Decelerating |
| Central Coast | 0.2% | 0.0% | 0.0% | Stable |
| Detroit | 0.1% | 0.0% | -0.1% | Decelerating |
| Bridgeport-New Haven | -0.1% | -0.1% | -0.2% | Decelerating |
| Cleveland - Akron | -0.2% | -0.1% | -0.2% | Decelerating |

*40 “next tier” markets

Source: Moody’s Analytics; U.S. Census Bureau (BOC)

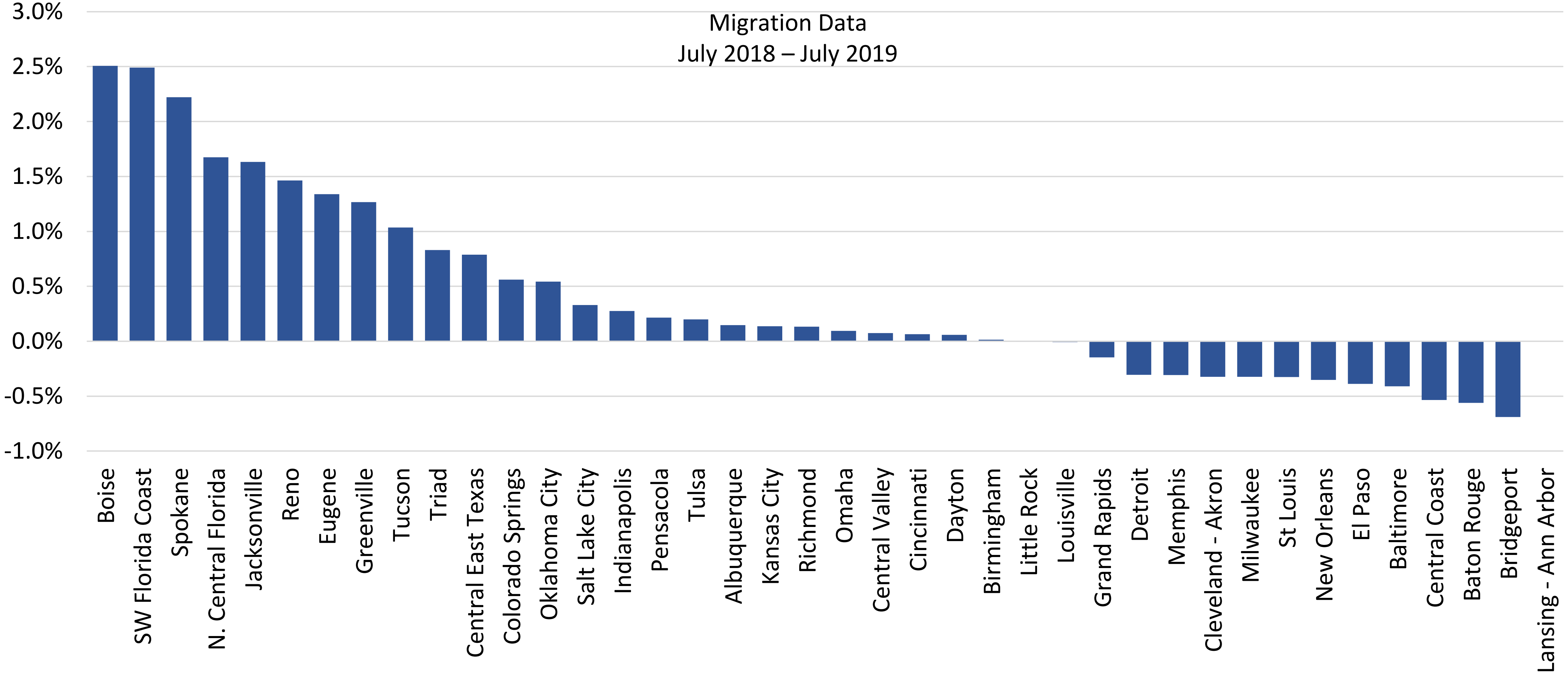
# Domestic Migration Trend in Next Tier of Markets: Northeast and Midwest Struggling




*40 “next tier” markets

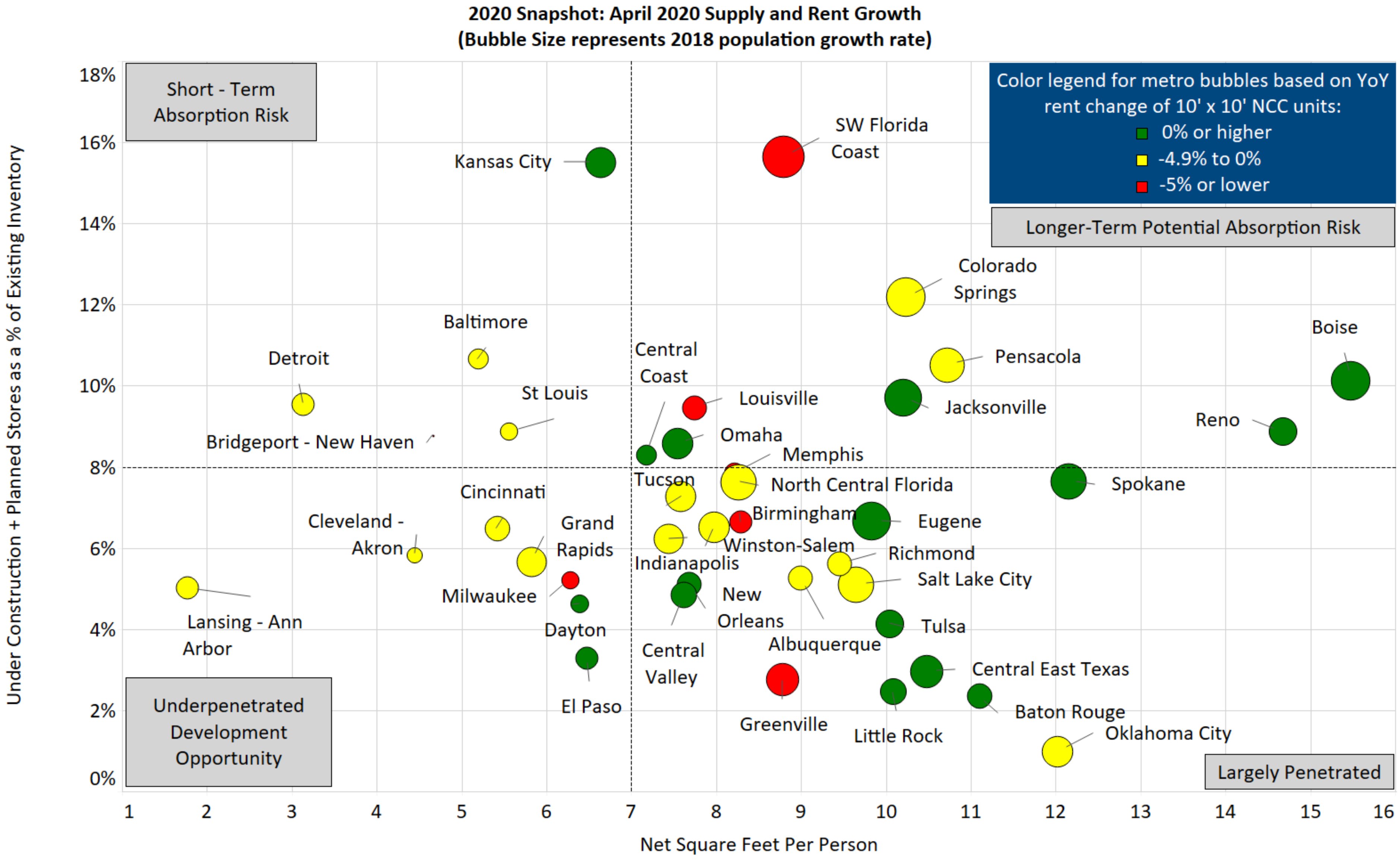
Source: U.S. Census Bureau (BOC)

# Domestic Net Migration as a % of Population for Next Tier Storage Markets




Source: Yardi Matrix

# There Has Been a Shift to the Two Right Quadrants Since Last Year, Reflecting an Influx of Supply in Next Tier Markets




Source: Yardi Matrix

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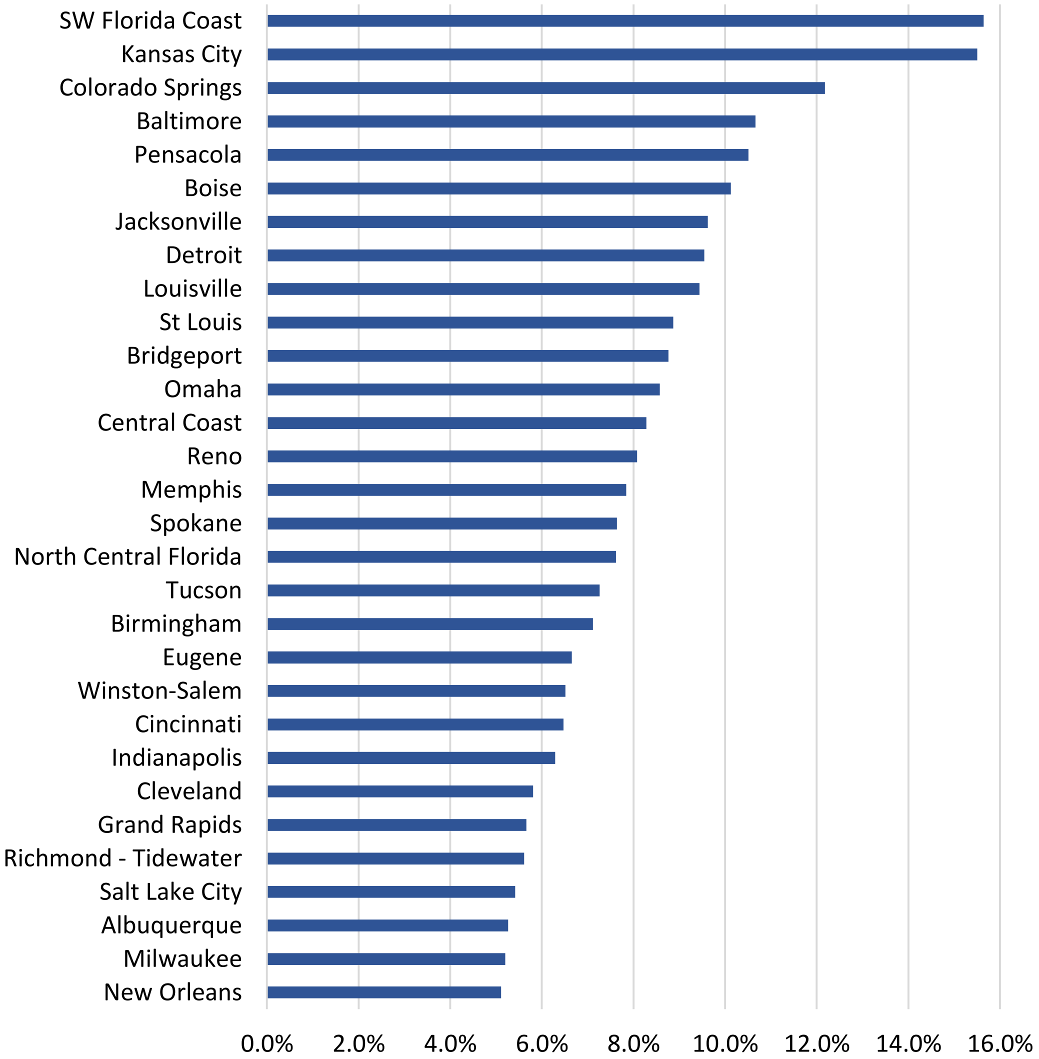
# There are Heavy New Supply Pipelines Across the Board

| Metro | UC + Planned % of Completed April 2020 | Metro | UC + Planned % of Completed April 2020 |
|---|---|---|---|
| SW Florida Coast | 15.6% | Spokane | 7.6% |
| Kansas City | 15.5% | North Central Florida | 7.6% |
| Colorado Springs | 12.2% | Tucson | 7.3% |
| Baltimore | 10.7% | Birmingham | 7.1% |
| Pensacola | 10.5% | Eugene | 6.7% |
| Boise | 10.1% | Winston-Salem | 6.5% |
| Jacksonville | 9.6% | Cincinnati | 6.5% |
| Detroit | 9.5% | Indianapolis | 6.3% |
| Louisville | 9.4% | Cleveland | 5.8% |
| St Louis | 8.9% | Grand Rapids | 5.7% |
| Bridgeport | 8.8% | Richmond | 5.6% |
| Omaha | 8.6% | Salt Lake City | 5.4% |
| Central Coast | 8.3% | Albuquerque | 5.3% |
| Reno | 8.1% | Milwaukee | 5.2% |
| Memphis | 7.8% | New Orleans | 5.1% |

**Under Construction and Planned as a % of Existing Inventory**




*Top 30 markets out of 40 “next tier” markets
Source: Yardi Matrix, Data as of April 2020

# 10x10 Non-Climate Controlled Street Rate Trends Vary Quite a Bit Across the Next Tier Markets

| Market | Growth in Street Rates April ‘18-’19 | Growth in Street Rates April ‘19-’20 | Change |
|---|---|---|---|
| Jacksonville | -8.4% | 6.9% | 15.3% |
| El Paso | -1.4% | 10.0% | 11.4% |
| New Orleans | 4.0% | 8.6% | 4.6% |
| St Louis | -6.1% | -3.3% | 2.9% |
| Central East Texas | 0.0% | 2.7% | 2.7% |
| Omaha | -1.3% | 1.3% | 2.5% |
| Colorado Springs | -3.6% | -1.9% | 1.7% |
| Tulsa | -1.4% | 0.0% | 1.4% |
| North Central Florida | -2.2% | -1.1% | 1.1% |
| Central Valley | 2.1% | 3.1% | 1.0% |
| Central Coast | 0.0% | 0.0% | 0.0% |
| Eugene | 0.9% | 0.9% | 0.0% |
| Kansas City | 1.1% | 0.0% | -1.1% |
| Reno | 4.9% | 2.8% | -2.1% |
| Cleveland - Akron | 0.0% | -2.1% | -2.1% |

| Market | Growth in Street Rates April ‘18-’19 | Growth in Street Rates April ‘19-’20 | Change |
|---|---|---|---|
| Spokane | 3.3% | 1.1% | -2.2% |
| Dayton | 3.9% | 1.3% | -2.6% |
| Oklahoma City | 0.0% | -3.1% | -3.1% |
| Little Rock | 6.0% | 2.8% | -3.2% |
| Albuquerque | 2.2% | -1.1% | -3.2% |
| Cincinnati | 1.1% | -2.2% | -3.4% |
| Boise | 3.8% | 0.0% | -3.8% |
| Richmond - Tidewater | 3.3% | -1.1% | -4.3% |
| Grand Rapids | 2.4% | -2.4% | -4.8% |
| Indianapolis | 2.4% | -3.6% | -6.0% |
| Salt Lake City | 3.2% | -3.1% | -6.2% |
| Tucson | 5.5% | -2.1% | -7.6% |
| Pensacola | 9.6% | -2.2% | -11.8% |
| Baton Rouge | 17.5% | 5.3% | -12.2% |
| Lansing - Ann Arbor | 12.2% | -1.1% | -13.3% |

*Top 30 markets with the highest growth in street rates April ‘19-April’20 of the 40 “next tier” markets
Source: Yardi Matrix

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# As With Non-CC Rates, 10x10 Climate Controlled Rates are Positive and Accelerating in Some Markets, but Worsening in Others

| Market | Growth in Street Rates April '18-'19 | Growth in Street Rates April '19-'20 | Change |
|---|---|---|---|
| Jacksonville | -14.9% | 6.8% | 21.7% |
| Central Coast | -9.1% | -1.6% | 7.5% |
| Little Rock | -3.4% | 3.5% | 6.8% |
| Omaha | -6.1% | 0.0% | 6.1% |
| New Orleans | -4.2% | 1.5% | 5.7% |
| Grand Rapids | -7.4% | -2.7% | 4.7% |
| Kansas City | -4.1% | 0.0% | 4.1% |
| Central East Texas | -1.9% | 1.9% | 3.8% |
| Boise | -1.0% | 0.0% | 1.0% |
| North Central Florida | -0.8% | 0.0% | 0.8% |
| Reno | -0.8% | 0.0% | 0.8% |
| Tulsa | 0.0% | 0.0% | 0.0% |
| Oklahoma City | -1.1% | -2.3% | -1.2% |
| Cincinnati | 0.0% | -1.8% | -1.8% |
| Central Valley | 4.9% | 3.1% | -1.8% |

| Market | Growth in Street Rates April '18-'19 | Growth in Street Rates April '19-'20 | Change |
|---|---|---|---|
| Eugene | 1.6% | -0.8% | -2.4% |
| Baton Rouge | 5.6% | 2.7% | -3.0% |
| Salt Lake City | -1.7% | -5.2% | -3.5% |
| Birmingham | -1.6% | -5.7% | -4.1% |
| Richmond - Tidewater | 1.7% | -2.5% | -4.2% |
| Tucson | 4.6% | 0.0% | -4.6% |
| Bridgeport - New Haven | 0.0% | -5.4% | -5.4% |
| Winston-Salem | 0.0% | -5.7% | -5.7% |
| Detroit | 1.5% | -4.5% | -6.0% |
| Lansing - Ann Arbor | 3.5% | -2.5% | -6.0% |
| Memphis | 5.4% | -1.7% | -7.1% |
| Dayton | 5.1% | -2.4% | -7.6% |
| Pensacola | 5.2% | -2.5% | -7.7% |
| Indianapolis | 3.8% | -6.4% | -10.2% |
| El Paso | 8.5% | -4.9% | -13.4% |

*Top 30 markets with the highest growth in street rates April '19-April'20 of the 40 "next tier" markets
Source: Yardi Matrix

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# Retail to Storage Opportunities are Also Growing in the Next Tier Markets

| Retailer Closing: Store Address | Nearest Metro | Distance to Metro (Miles) | Is store in Opportunity Zone? (Y/N) | # of Facilities Within 5 Miles | 5-Mile NRSF Per Capita if Property is Converted |
|---|---|---|---|---|---|
| Art Van Furniture: 15701 Market Dr., Dearborn, MI | Detroit | 7 | N | 12 | 2.88 |
| Kmart: 8980 Waltham Woods Rd., Baltimore, MD | Baltimore | - | N | 12 | 3.67 |
| Art Van Furniture: 5711 S Lindbergh Blvd., St. Louis, MO | St. Louis | - | N | 14 | 3.68 |
| Kmart: 2803 E Kanesville Blvd., Council Bluffs, IA | Omaha | 6 | N | 5 | 4.26 |
| Macy's: 9531 Colerain Ave., Cincinnati, OH | Cincinnati | - | N | 9 | 4.46 |
| Sears: 2000 Brittain Rd., Akron, OH | Cleveland | 18 | Y | 15 | 4.69 |
| Toys R Us: 6104 N. Division St., Spokane, WA | Spokane | - | N | 16 | 6.45 |
| Toys R Us: 45 Hotel Circle, Albuquerque, NM | Albuquerque | - | N | 41 | 6.90 |
| Shopko: 2165 East 9400 South, Sandy, UT | Salt Lake City | 10 | N | 25 | 7.44 |

Source: Yardi® Matrix; Community Development Financial Institutions Fund - United States Department of the Treasury

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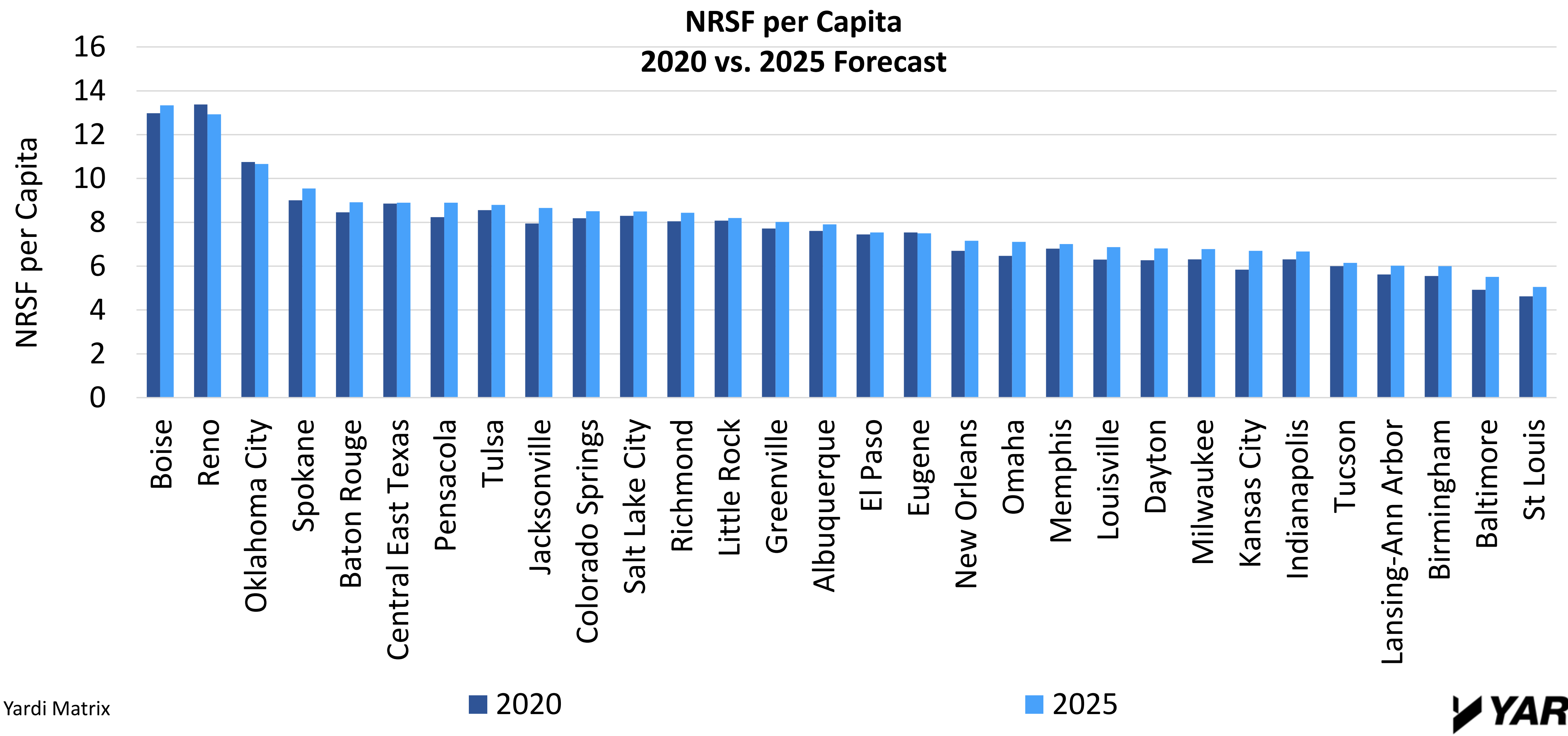
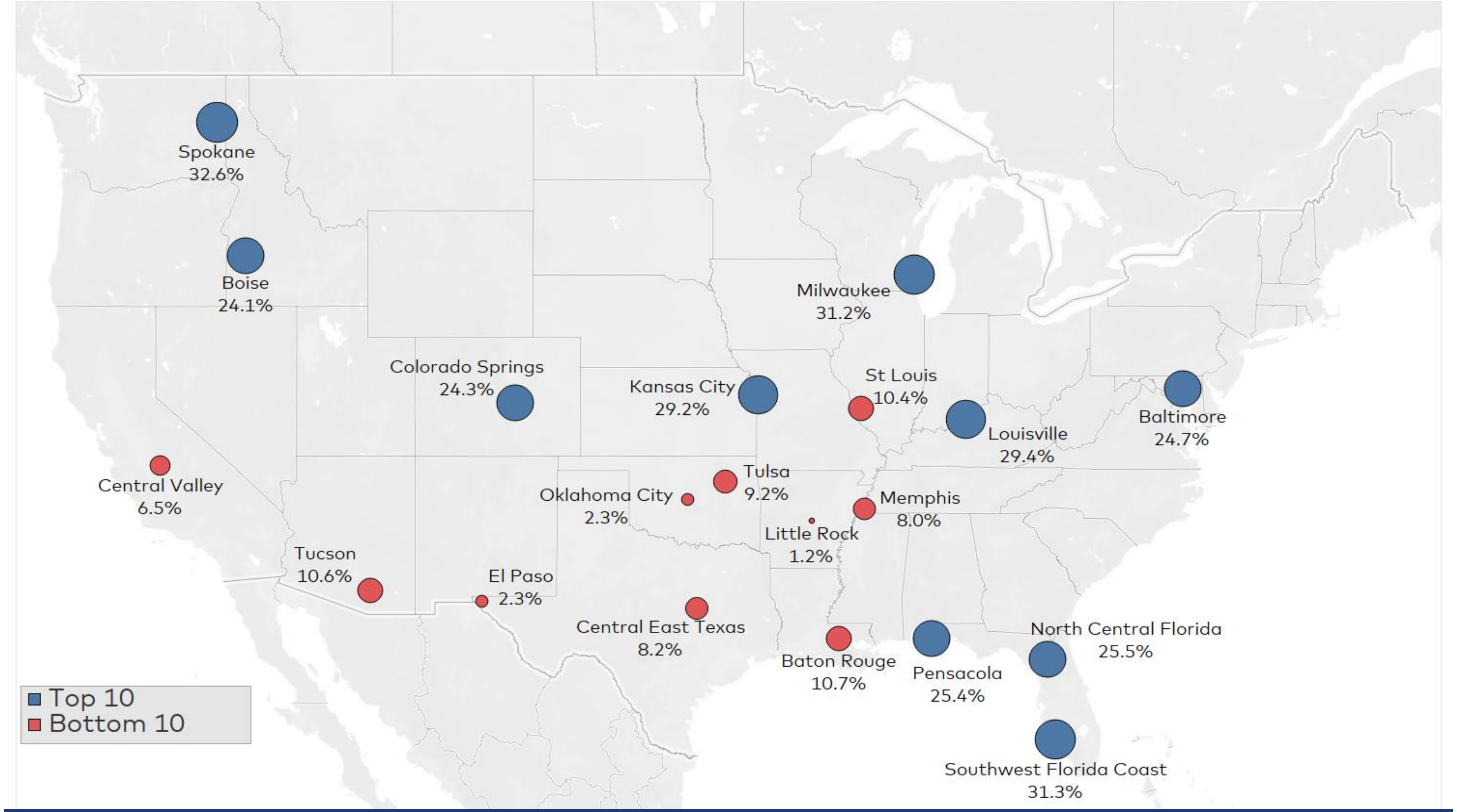
# With the Exception of Reno, All Next Tier Storage Metros are Forecasted to Have a Higher NRSF per Capita in 5 Years




Source: Yardi Matrix

# Most Next Tier Markets Face Short-Term Absorption Risk with Forecasted New NRSF Above 15% of Existing Stock




**Bubble Size = Forecasted New NRSF as a % of Existing Stock (2020-2024)**

Source: Yardi Matrix; Tableau

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# Yardi Matrix House View May 2020

**<u>The shock is over, but the pain has just started</u>**

- The COVID-19 caused downturn has been swift and deep
  - 30 MM jobless in 6 weeks – depression levels
  - U.S. fiscal/monetary response has been swift too
    - Mitigating losses in the financial markets
    - Initially replacing incomes lost at the bottom of the economic scale
    - Carnage in the energy sector is just as bad as travel and hospitality
    - Impossible to replace a $22 trillion economy, despite best efforts
  - The pain has just started; Q1 GDP -5%, Q2 -20% to -40%; we are just beginning to see the ripple effects

**<u>The shape and speed of a recovery is dependent first on a medical solution, but second on political will</u>**

- Scenarios mostly driven by progress on anti-virals & vaccines; we should assume medical science will prevail, but with a lag
- Initial primary public policy goal was to avoid overwhelming the medical system
- Politically, now morphing into implicit partisan driven power objectives – for some, "a tragedy is a terrible thing to waste"
- Under the best of circumstances, and short of a medical solution, the recovery is likely to be partial and slow – think extended "U", leaving =>10% of the workforce idled for an extended period of time
- Recovery likely to be slower in "Blue" states, faster in "Red" States…at least through the Nov. election, for each's political goals
- The resulting explosion of "war-time" government debt will result in higher taxes and inflation – but not for another ~5 years

Source: Yardi Matrix

# Yardi Matrix House View – Self Storage

**Impact of COVID-19 pandemic on self storage beginning to emerge**

- National street rates for 10x10 NON CC units fell 2.6% year-over-year in April. Rates for 10x10 CC units dropped 6.0% year-over-year, the largest decline in more than three years

- Street rates for standard NON CC units decreased in roughly 97% of the top markets tracked by Yardi Matrix in April. All the top markets saw negative street rate performance for standard 10x10 CC units

- Street rate declines were more severe in the major 30 markets than the next tier markets

- The new supply pipeline has yet to be affected, as storage properties under construction or in the planning stages account for 9.0% of total stock, a 20-basis-point increase month-over-month…however development activity will eventually decline

- Yardi Matrix's most recent supply completion forecasts show deliveries dropping by roughly 10% in 2020 and by about 40% over the next five years

Source: Yardi Matrix

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FOR ANY QUESTIONS PLEASE FEEL FREE TO CONTACT ME

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