Yardi Webinar

# Self Storage National Outlook Fall 2020

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# YARDI MATRIX SELF STORAGE WEBINAR

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1. Macroeconomics
2. Industry Perspectives: Storage REITs
3. Self Storage Fundamentals: Major Markets
4. Self Storage Fundamentals: Next Tier Markets
5. Multifamily vs. Self Storage Fundamentals

# Yardi Matrix House View — September 2020

- The U.S. and global economy plunged into a deep recession due to COVID-19, but the recovery is beginning
- Record unemployment ended the longest post-WWII recovery, but employment is now rebounding
- The initial purpose of the lockdowns was to avoid overwhelming the health care system. That succeeded, now the slow return to normal is volatile
- Consumer confidence remains very low, consumer behavior has shifted to goods from services/experiences. Goods producing industries and technology industries are doing very well
- Restaurants, hotels and experience driven industries continue to struggle and will likely remain depressed for months until widespread vaccine adoption is available
- Political disruptions are causing further uncertainty and volatility
- Third quarter GDP will likely be largely positive as the U.S. continues to stumble forward towards recovery, continued volatility likely

Source: Yardi Matrix

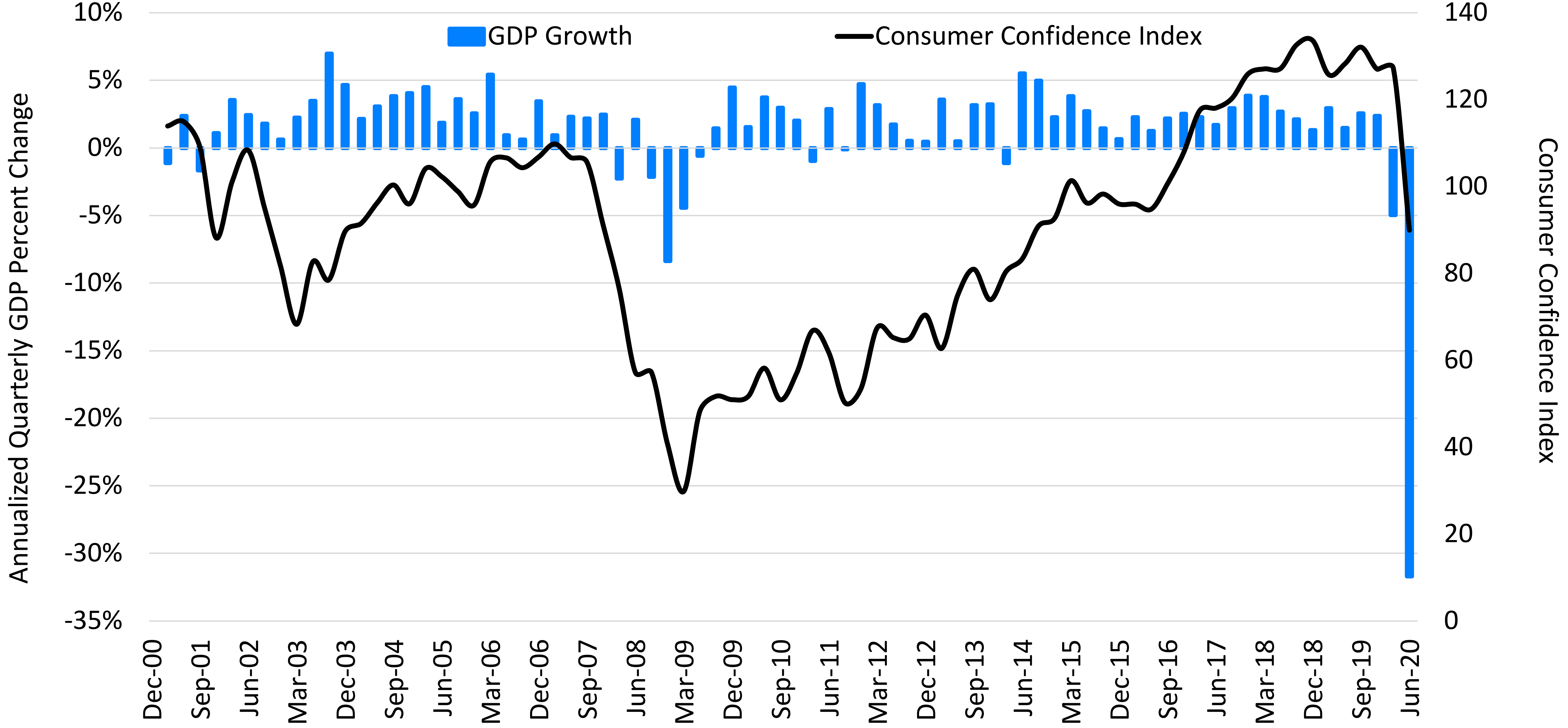
# Yardi Matrix House View — September 2020

- Street rates fell dramatically immediately following COVID-19 outbreak and started to stabilize in June and July and began improving in August
- Construction slowed down heavily in April and May. June and July deliveries showed an acceleration over May, but August deliveries dropped again
- Overall development pipeline hasn't changed, but fewer projects are breaking ground and abandonments are increasing
- What we see right now: deliveries to fall by roughly 10% in 2020 and by about 40% over the next five years as short-term construction delays and long-term financing/permitting issues slow development, although a decrease in supply pressure may be welcome in many markets
- Occupancy has held up amidst the pressure of new supply and the economic downturn as new drivers of demand are emerging. Move-ins seem to be slightly ahead of move-outs
- The slog in self storage continues for the next 18 to 24 months, with some emerging upside

Source: Yardi Matrix

# Macroeconomics

# GDP Growth Has Suffered Drastically Due to COVID-19




Source: Yardi Matrix; Moody's Analytics; Bureau of Labor Statistics (BLS); S&P Dow Jones Indices LLC; CoreLogic, Inc; Federal Housing Agency (FHFA); Freddie Mac; Fannie Mae; U.S. Bureau of Economic Analysis (BEA); U.S. Board of Governors of the Federal Reserve System (FRB); Investing.com; Federal Reserve Bank of Atlanta

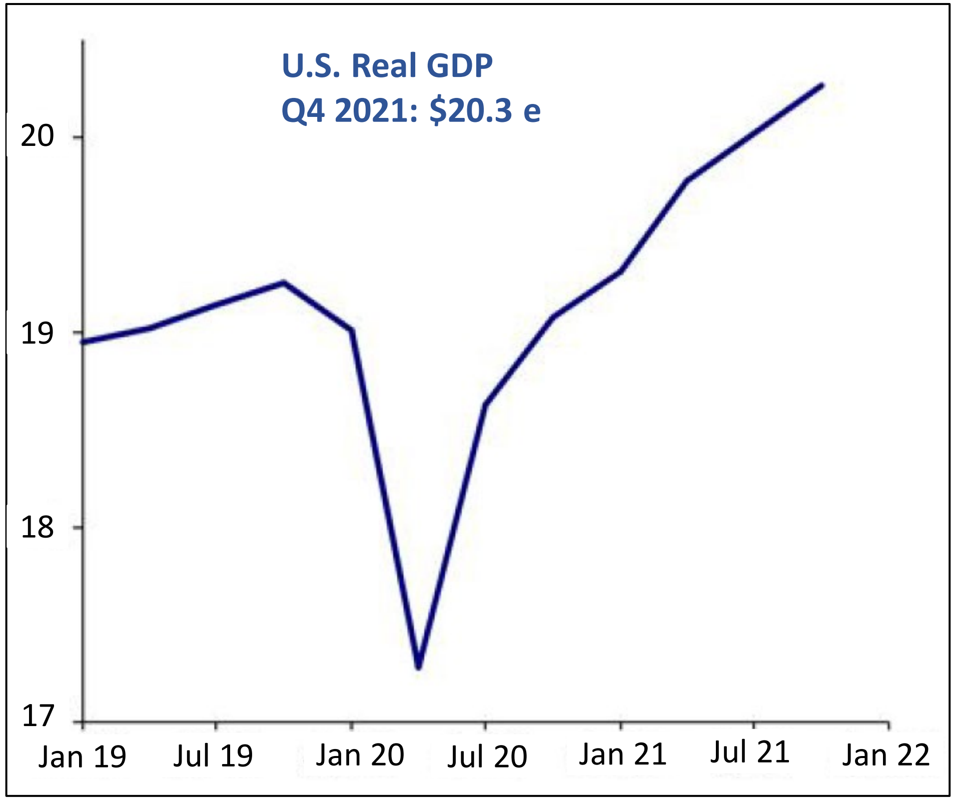
# US GDP Forecast: A "V" or "U"-Shaped Recovery

***We share Evercore ISI's view, that the recovery in GDP looks like a V/U-shaped rebound…***

- In **Q3 2020**, GDP will probably increase **+35%** (quarter-over-quarter, Q/Q)
- Slowdown of GDP growth to **+10% in Q4 2020**
- In **Q1 2021**, GDP growth likely to continue to slow to **+5%**
- Potential **uptick of +10% in Q2 2021** due to vaccine, but this forecast is variable
- The **last two quarters of 2021** are both projected to see roughly **+5% growth** in GDP
- **If this forecast is accurate, the recovery will be V/U-shaped**

**U.S. Real GDP Forecasted Growth**
**Q/Q % A.R.**

| 2020 | | 2021 | | | |
|---|---|---|---|---|---|
| Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| +35% | +10% | +5% | +10% | +5% | +5% |




Source: Yardi Matrix; Evercore ISI, Economic Report, “V-Shaped Recovery,” September 15, 2020

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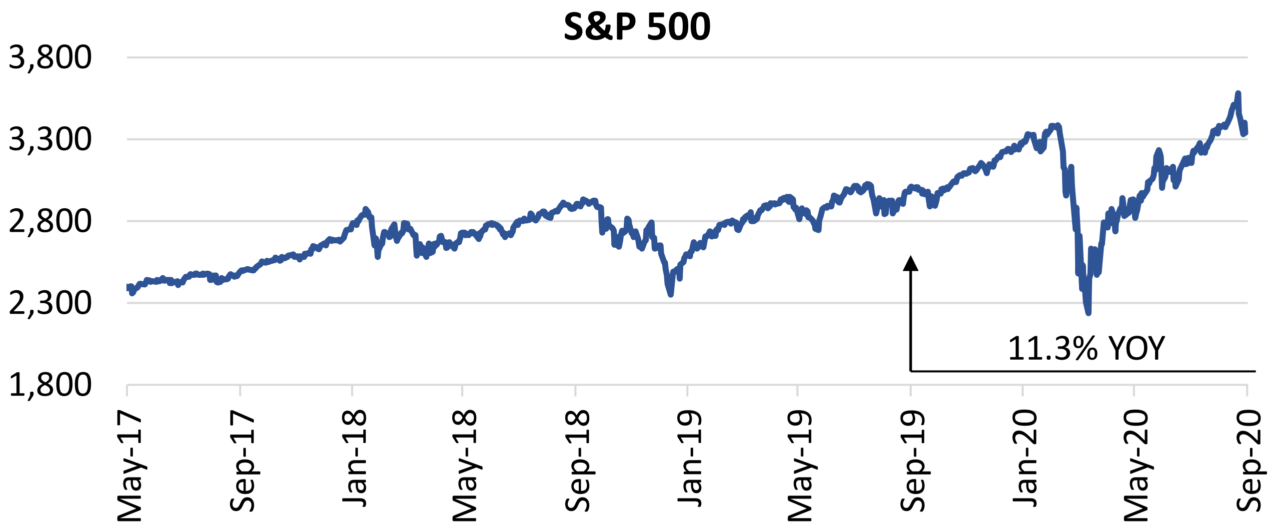
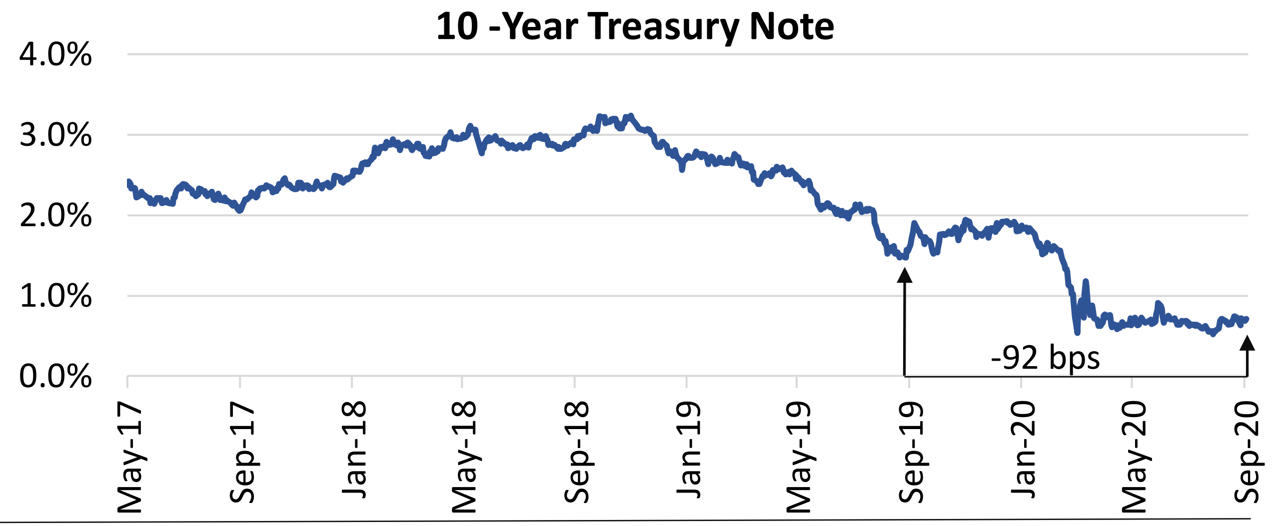
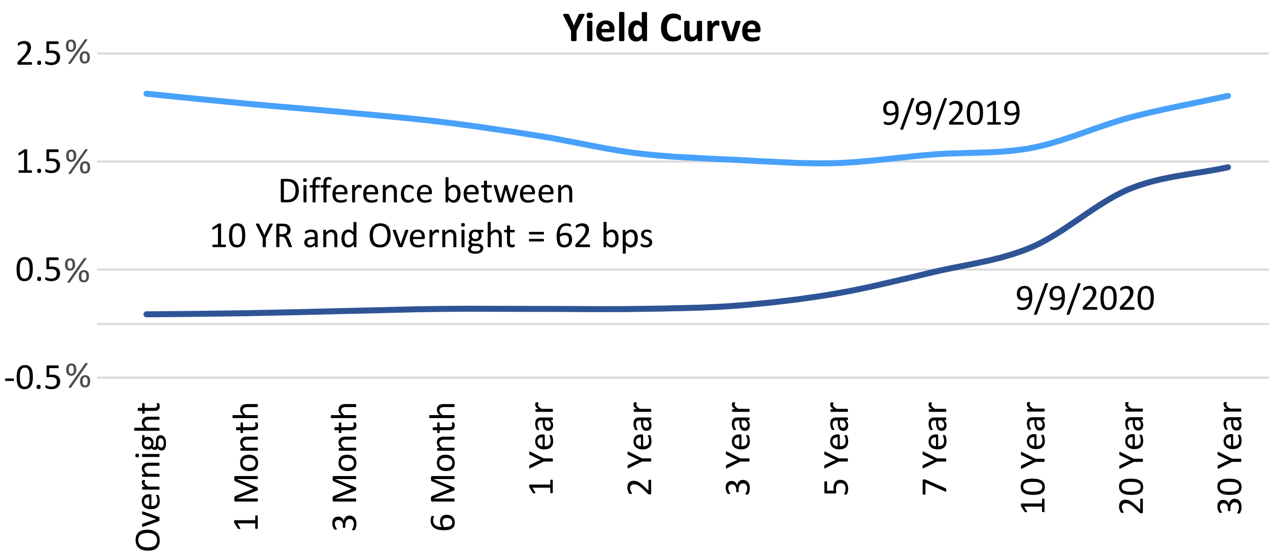
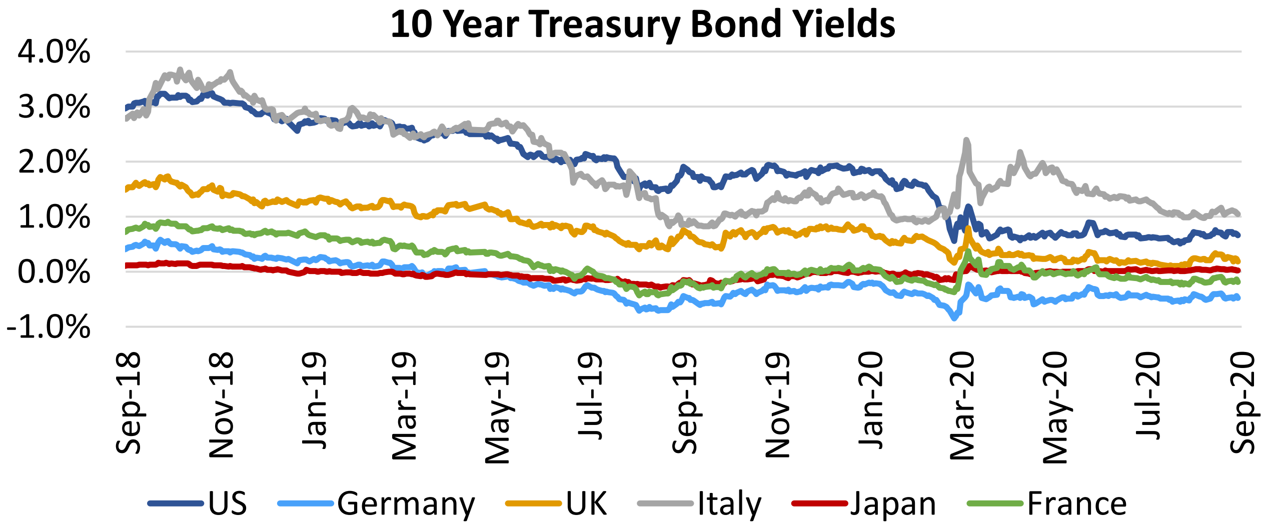
# U.S. and International Financial Markets



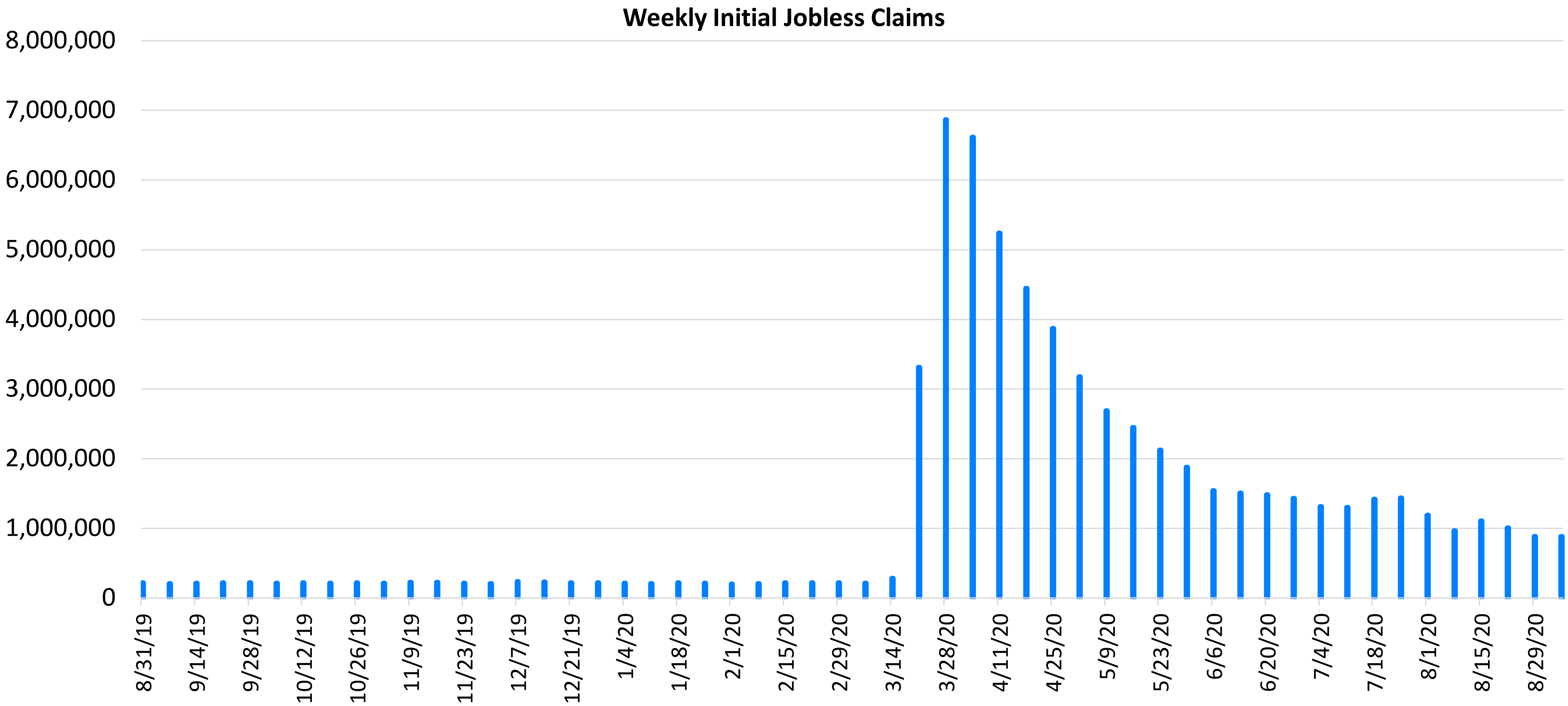




Source: Yardi Matrix; Moody’s Analytics; Investing.com

# After Peaking, Initial Weekly Jobless Claims Slowly Declining




Source: Yardi Matrix; Moody's Analytics

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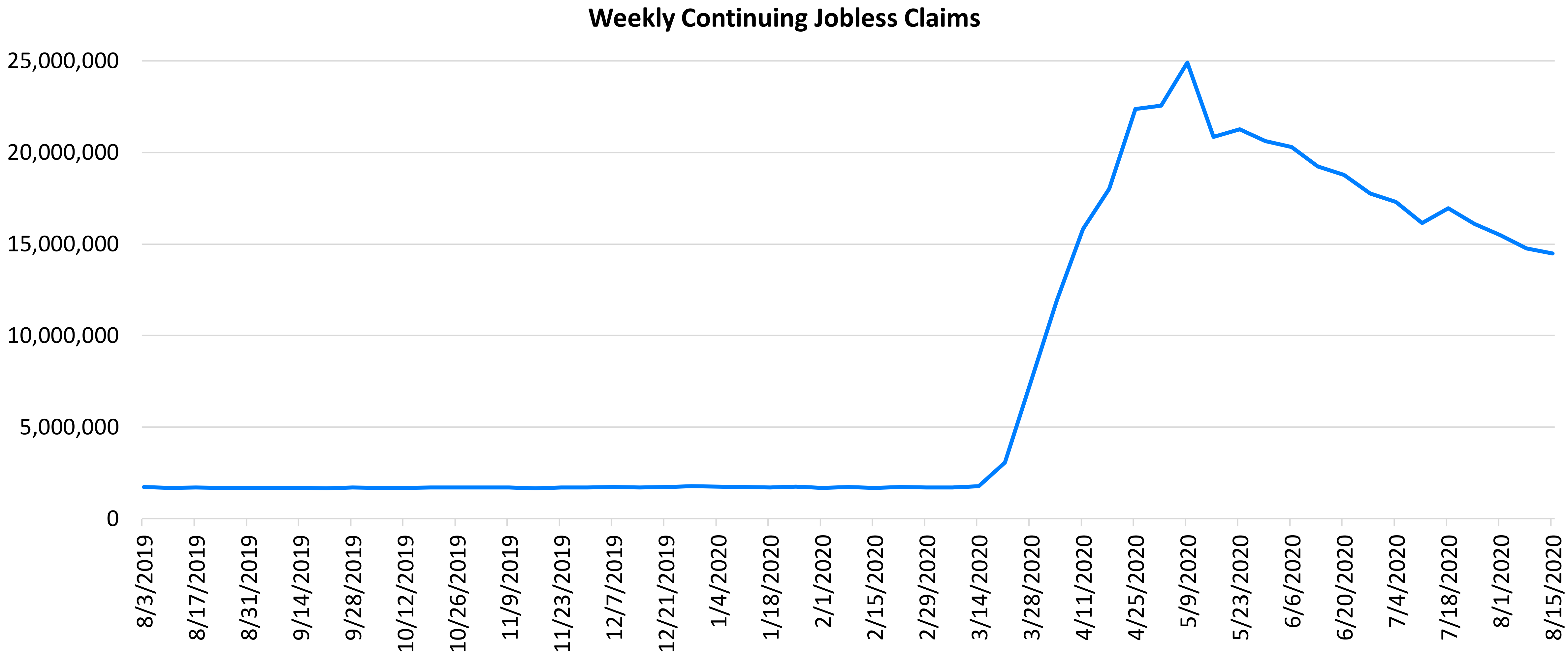
# Continuing Weekly Jobless Claims Have Been Steady, But Decreasing




*Seasonally Adjusted Continuing Unemployment Claims
Source: Yardi Matrix; U.S. Department of Labor (DOL)

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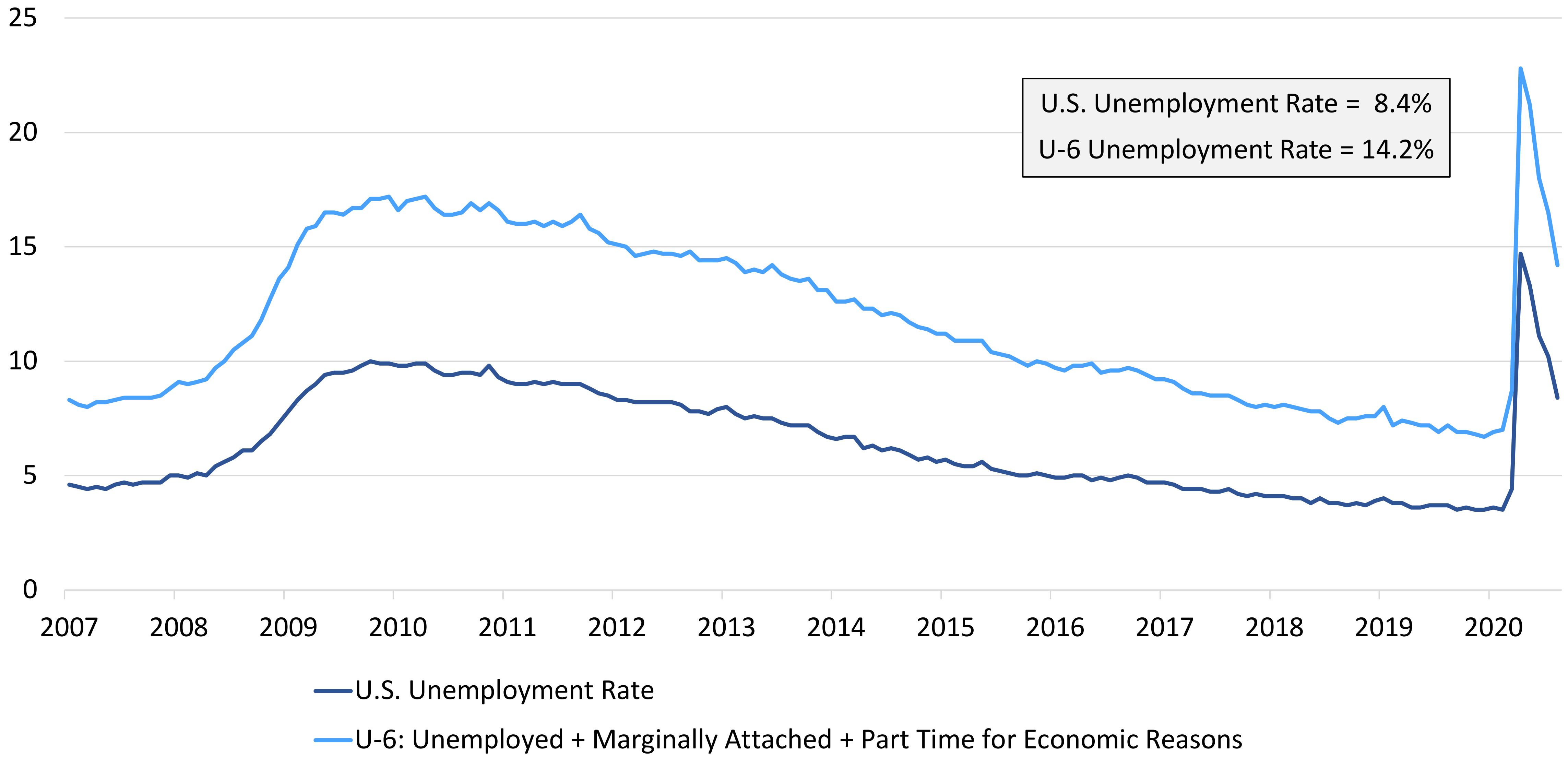
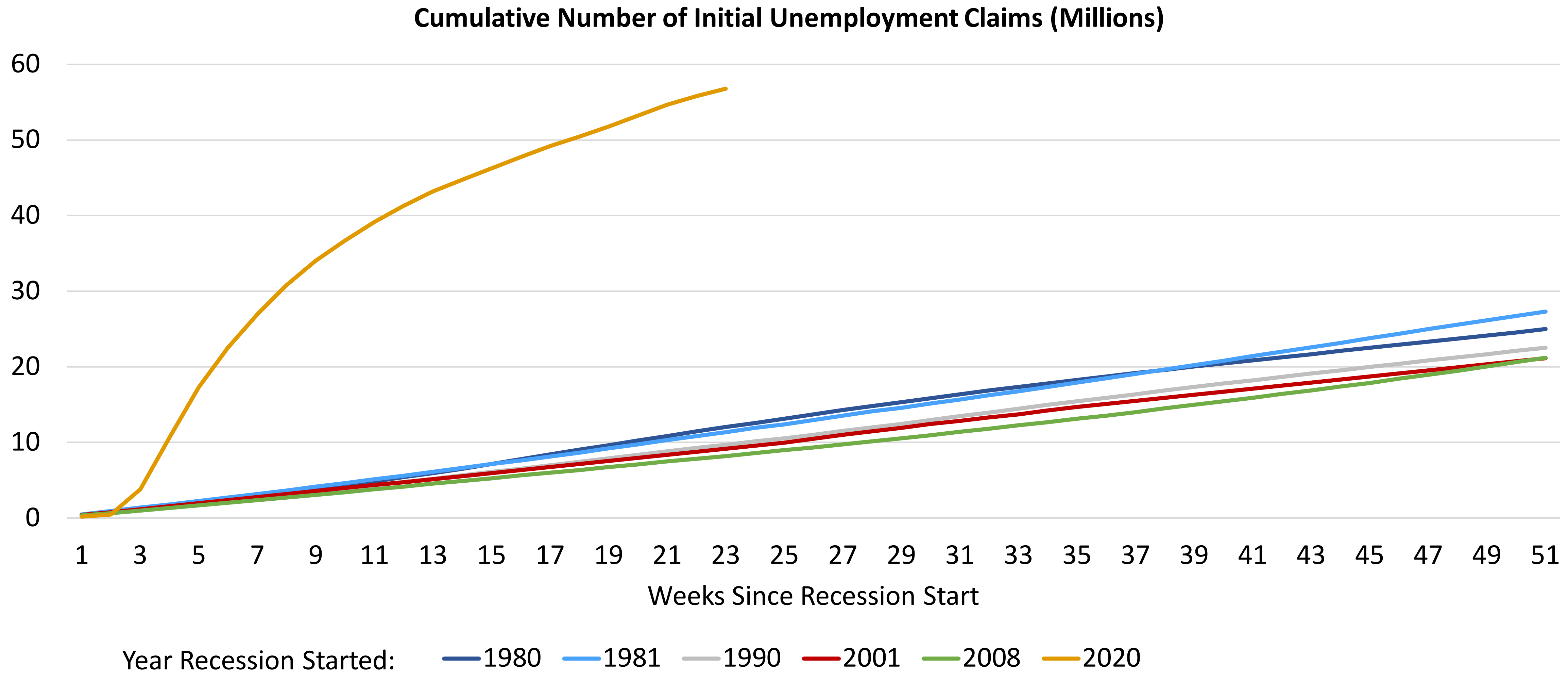
# After Peaking, Unemployment & Underemployment Falling




*Data through August 2020

Source: Yardi Matrix; Bureau of Labor Statistics (BLS)

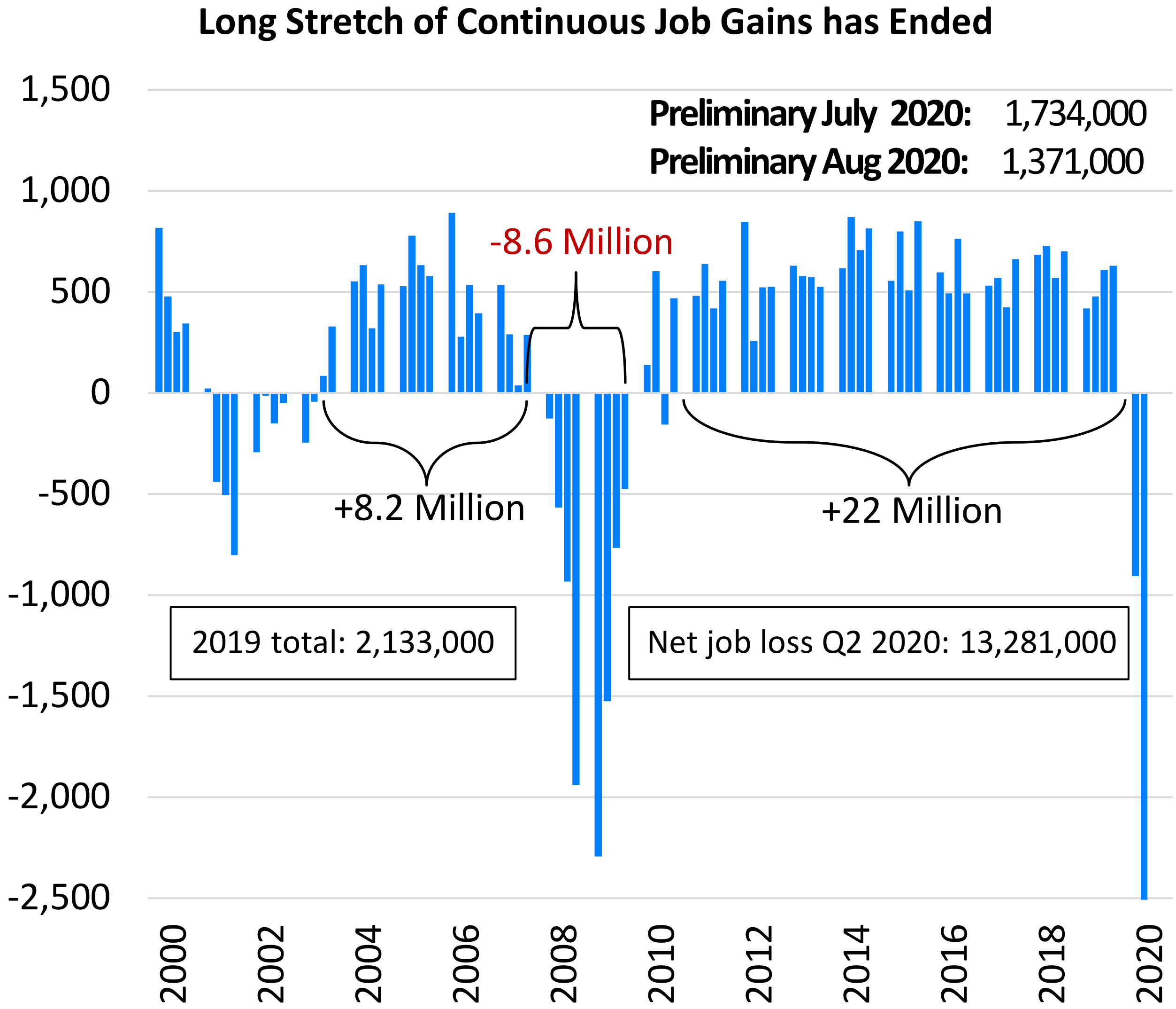
# Initial Unemployment Claims Soared Much Faster in 2020 Compared to the Five Most Recent Recessions




*Seasonally adjusted initial unemployment claims. Data for 2020 shows cumulative claims over a 23-week period starting with March 7, 2020 week-end data

Source: Yardi Matrix; U.S. Department of Labor (DOL); National Bureau of Economic Research (NBER); Joint Center for Housing Studies of Harvard University (JCHS)

# Long Stretch of Continuous Job Gains has Abruptly Ended



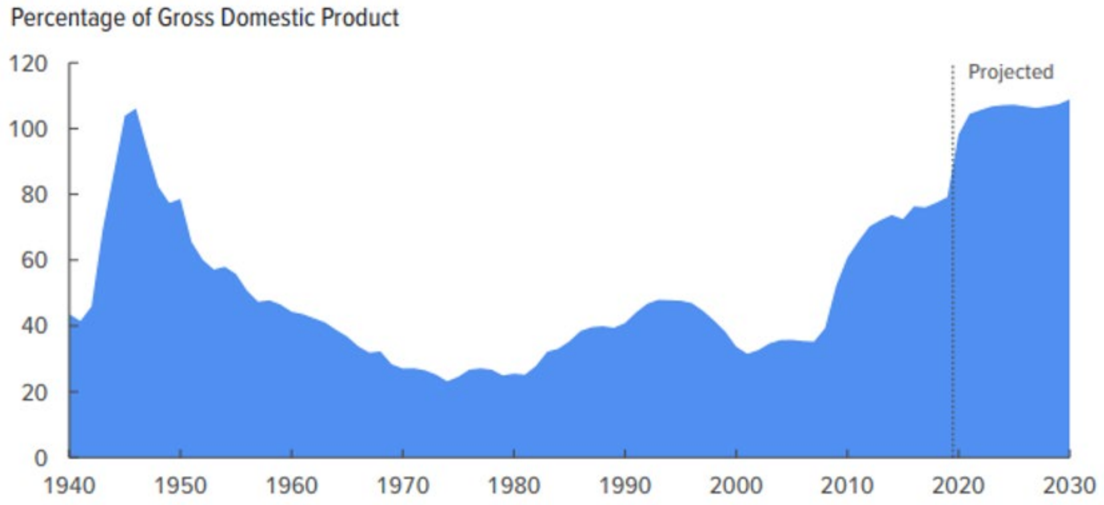


Source: Moody's Analytics; Bureau of Labor Statistics (BLS); The Conference Board

# Federal Debt to GDP is Projected to Exceed 100% in 2021

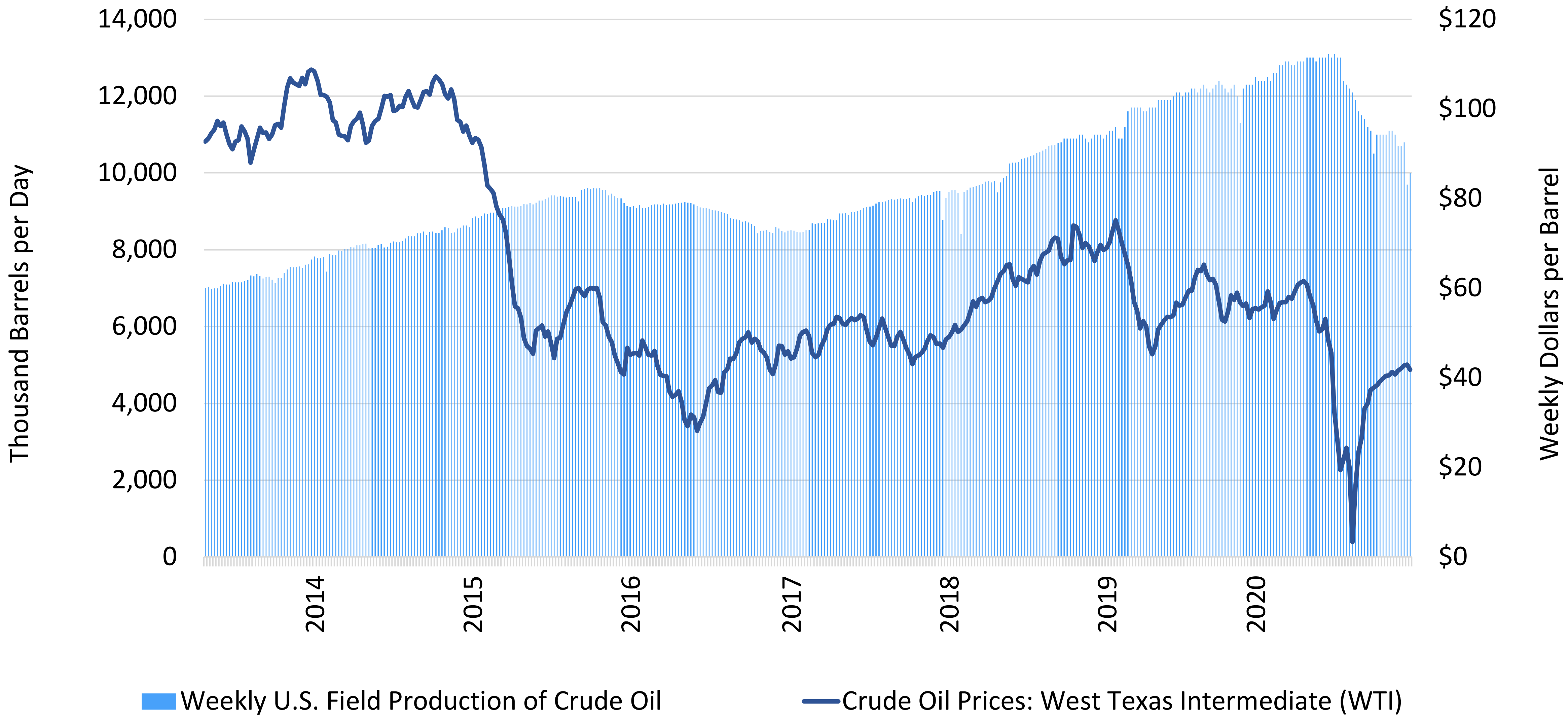
- Congressional Budget Office (CBO) projects federal debt held by the public to increase to **98% of GDP in 2020 -** *compared with 79% in 2019 and 35% in 2007, before the start of the last recession*
- **Federal debt to GDP is projected to exceed 100% in 2021 and rise to 107% in 2023**, *the highest in the nation's history*
- Increase in federal debt is mostly the result of the economic disruption caused by the coronavirus pandemic and the enactment of legislation in response
- GDP to debt ratio anticipated to continue to increase as **social security spending increases due to the aging population** and **government revenues remain low due to recent tax cuts**

**Federal Debt as Percent of GDP**



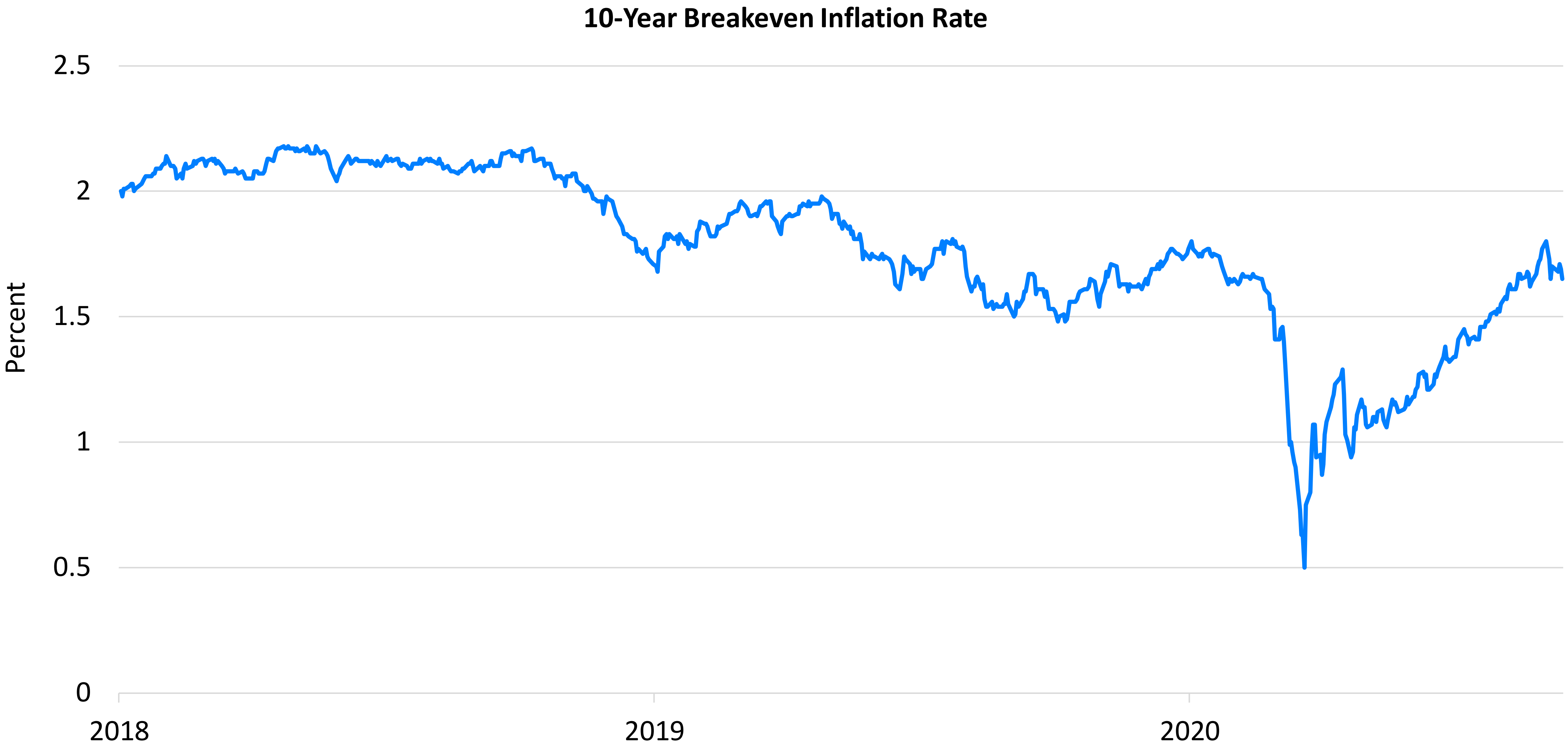

Source: Yardi Matrix; Congressional Budget Office (CBO), An Update to the Budget: 2020 to 2030, September 2020

# No Inflation Here



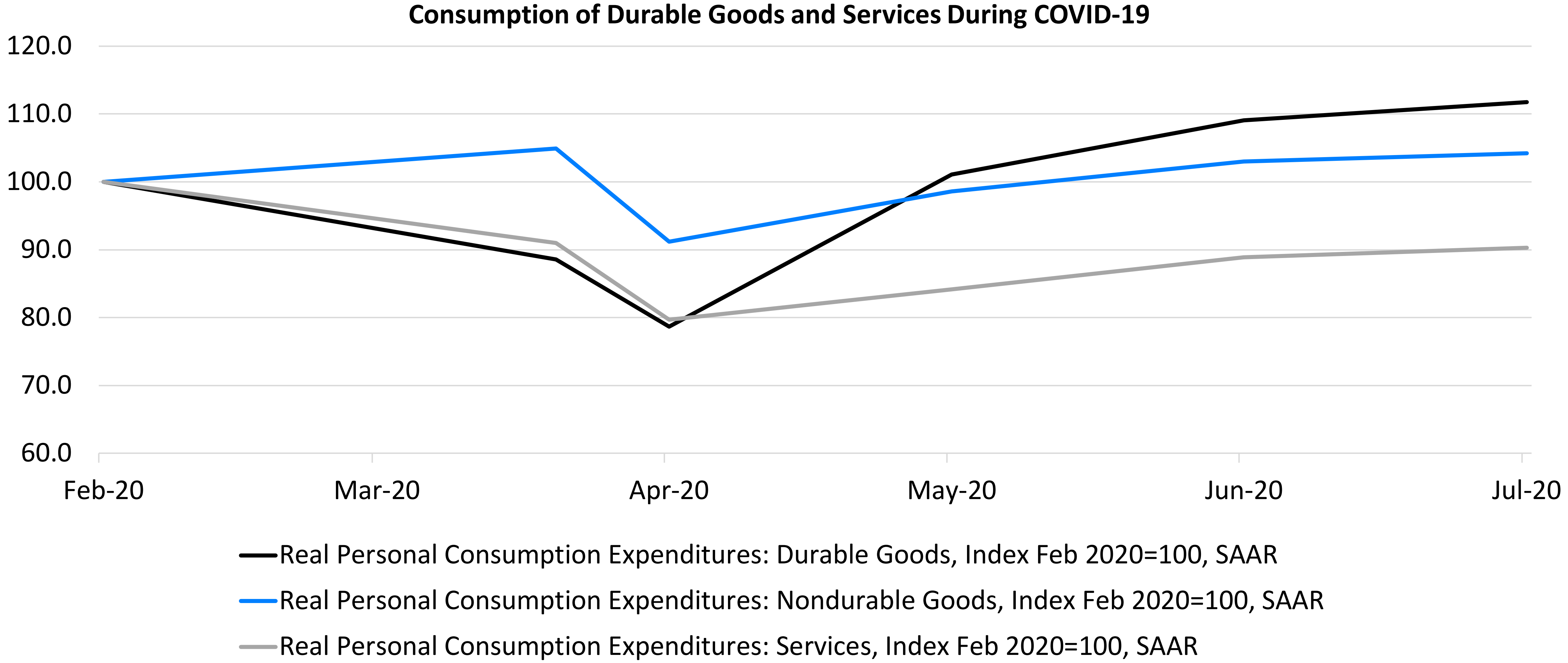

Source: Yardi Matrix; Energy Information Administration; Federal Reserve Bank of St. Louis, Economic Research Division

# Longer Term Inflation Expectations Still Low




Source: Yardi Matrix; Federal Reserve Bank of St. Louis (FRED)

# From Services to Goods: Consumers are Now Spending More Money on Durable Goods




Source: Yardi Matrix; Federal Reserve Bank of St. Louis (FRED); U.S. Bureau of Economic Analysis

# Recent Emerging Consumer Trends

- **Shift to value and essentials:**
  - With more people expecting COVID-19 to negatively impact their income, consumers are shifting away from experiences and focusing their spending on essentials, such as grocery and household supplies
  - Consumers are becoming more mindful of their spending by trading down to less expensive products

- **Shift to digital and omnichannel:**
  - Most product categories have seen more than 10% growth in their online customer base during the pandemic
  - E-commerce continues to grow across product categories and many consumers say they plan to continue shopping online even when brick-and-mortar stores reopen
  - In addition to e-commerce, other digital and contactless services — including curbside pickup, delivery and drive-through service — are also seeing much higher adoption rates

Source: Yardi Matrix; McKinsey & Company, "Consumer sentiment and behavior continue to reflect the uncertainty of the COVID-19 crisis"

# Certain Trends Have Seen a Reversal or Acceleration Due to Impacts of the Coronavirus

| ***ACCELERATION* OF TRENDS** | **POTENTIAL *REVERSAL* OF TRENDS** |
|---|---|
| • E-commerce | • Experiences over "Things" |
| • Virtualization | • Densification |
| • Local political risk/higher taxes | • Globalization |

Source: Yardi Matrix

# Industry Perspectives: Storage REITs

# Forward Looking Comments from the Second Quarter Earning Calls

- REITs anticipate delays for prospective and planned projects, but are determined to complete currently under construction projects despite postponements
- A slowdown of development activity is welcomed in markets which have seen fundamentals suffer due to elevated new supply pressures
- After a drastic drop at the end of Q1 and the beginning of Q2, most REITs expect to see stable street rates and possible growth month-over-month for the remainder of 2020
- Mentioned in-place rates will again be increased and the plan to restore auctions/evictions, demonstrating there is <u>confidence in the demand for storage.</u> Public markets are valuing the REITs above estimated net asset value, another vote of confidence
- Overall, industry has held up well despite the economic fallout caused by COVID-19

Source: Yardi Matrix

# Self Storage Fundamentals: Major Markets

# Population Growth is Positive in Most of the Top 30 Markets

| Market | 2017 Pop. Growth | 2018 Pop. Growth | 2019 Pop. Growth | Overall Trend |
|---|---|---|---|---|
| Austin | 2.6% | 2.4% | 2.8% | Accelerating |
| Phoenix | 1.8% | 1.9% | 2.0% | Accelerating |
| Raleigh - Durham | 2.0% | 2.0% | 1.8% | Decelerating |
| Las Vegas | 2.0% | 2.0% | 1.8% | Decelerating |
| Charlotte | 2.1% | 1.7% | 1.7% | Stable |
| Dallas | 2.0% | 1.6% | 1.6% | Stable |
| Nashville | 1.8% | 1.6% | 1.5% | Decelerating |
| San Antonio | 1.9% | 1.6% | 1.5% | Decelerating |
| Tampa | 2.1% | 1.8% | 1.5% | Decelerating |
| Denver | 1.4% | 1.5% | 1.4% | Decelerating |
| Houston | 1.4% | 1.1% | 1.3% | Accelerating |
| Atlanta | 1.5% | 1.2% | 1.3% | Accelerating |
| Orlando | 2.4% | 2.1% | 1.3% | Decelerating |
| Seattle | 1.8% | 1.2% | 1.1% | Decelerating |
| Sacramento | 1.2% | 1.0% | 0.9% | Decelerating |

| Market | 2017 Pop. Growth | 2018 Pop. Growth | 2019 Pop. Growth | Overall Trend |
|---|---|---|---|---|
| Columbus | 1.5% | 1.0% | 0.9% | Decelerating |
| Twin Cities | 1.0% | 1.0% | 0.8% | Decelerating |
| Inland Empire | 1.2% | 1.0% | 0.8% | Decelerating |
| Portland | 1.2% | 0.8% | 0.8% | Stable |
| Washington DC | 1.0% | 0.6% | 0.5% | Decelerating |
| Boston | 0.7% | 0.4% | 0.3% | Decelerating |
| Miami Metro | 0.9% | 0.3% | 0.2% | Decelerating |
| Philadelphia | 0.2% | 0.2% | 0.2% | Stable |
| San Diego | 0.5% | 0.4% | 0.1% | Decelerating |
| San Francisco | 0.5% | 0.2% | 0.0% | Decelerating |
| Pittsburgh | -0.5% | -0.3% | -0.2% | Accelerating |
| San Jose | 0.3% | 0.1% | -0.2% | Decelerating |
| Chicago | -0.2% | -0.3% | -0.3% | Stable/Negative |
| Los Angeles | 0.0% | -0.3% | -0.3% | Stable/Negative |
| New York | -0.1% | -0.3% | -0.3% | Stable/Negative |

*Top 30 MSA's
Source: Moody's Analytics; U.S. Census Bureau (BOC)

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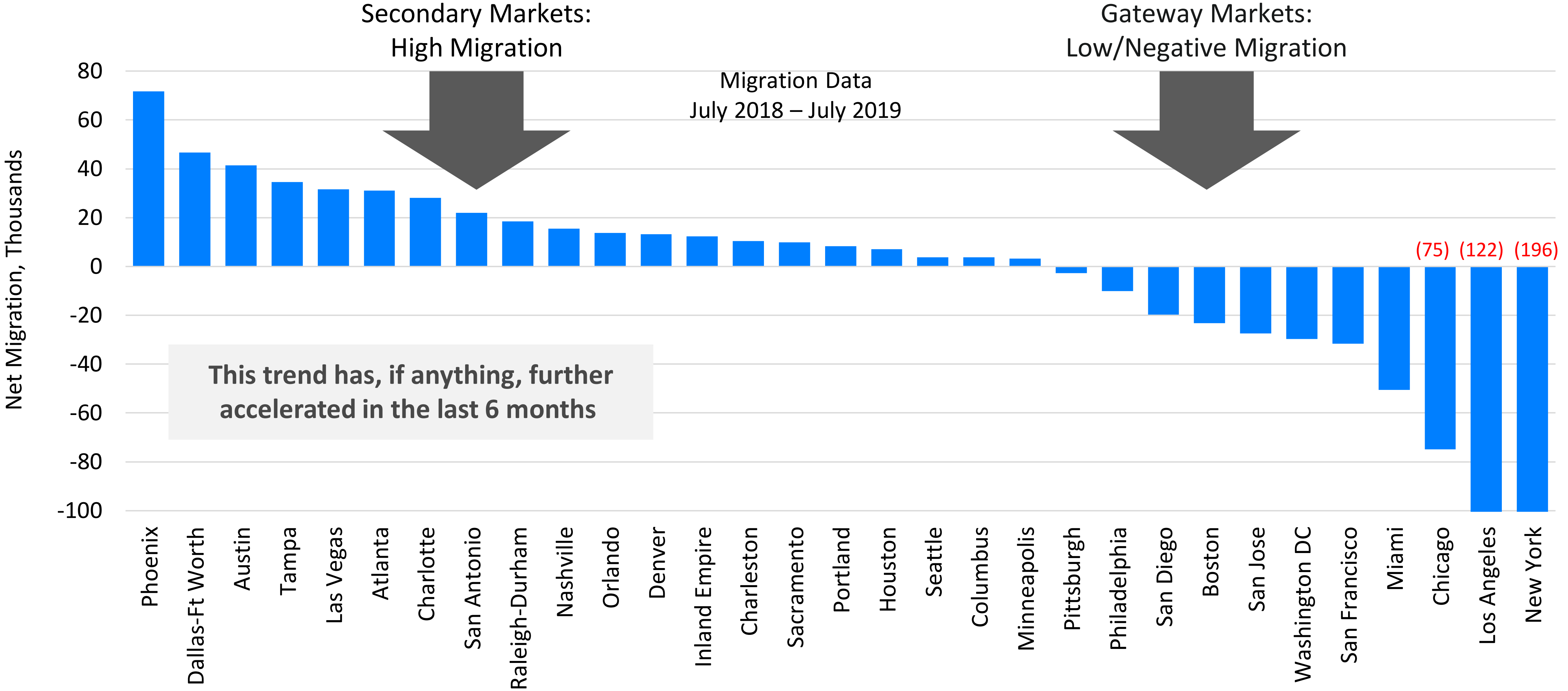
# Domestic Migration Trend is Out of Gateway Metros and Into Secondary Cities




Source: U.S. Census Bureau (BOC)

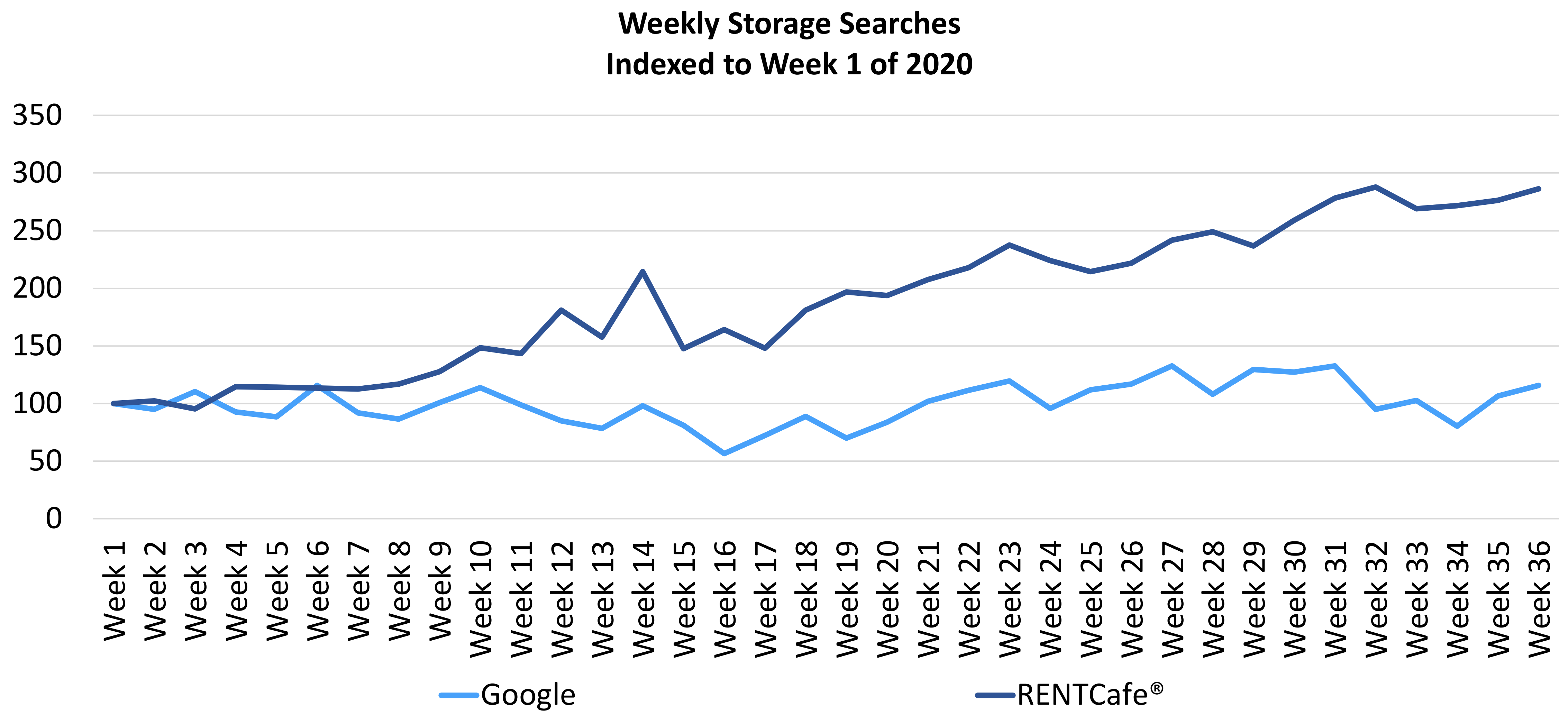
# Increase in Domestic Migration Seen Due to COVID-19

- The AEI Housing Center reports that many Americans are now untethered from a central office, **many people are moving to lower density areas with less expensive land and homes**
  - Many large metro areas are experiencing intra-metro moves to less dense and less expensive areas
  - The greater New York and Los Angeles metros have been hit the hardest

- According to a Pew Research Center survey, **roughly one in five U.S. adults (22%) say they have either changed their residence due to the pandemic or know someone who did**
  - About 9% of young adults (ages 18 to 29) say they moved due to coronavirus pandemic, higher than the share in any other age group

Source: Yardi Matrix; AEI Housing Center, "The Great American Land Rush of 2020"; Pew Research Center, "About a fifth of U.S. adults moved due to COVID-19 or know someone who did"

# Google Storage Searches Continue Steady Pace




*Week 1 is the first week in 2020

Source: Yardi Matrix; RENTCafe®; Google Analytics

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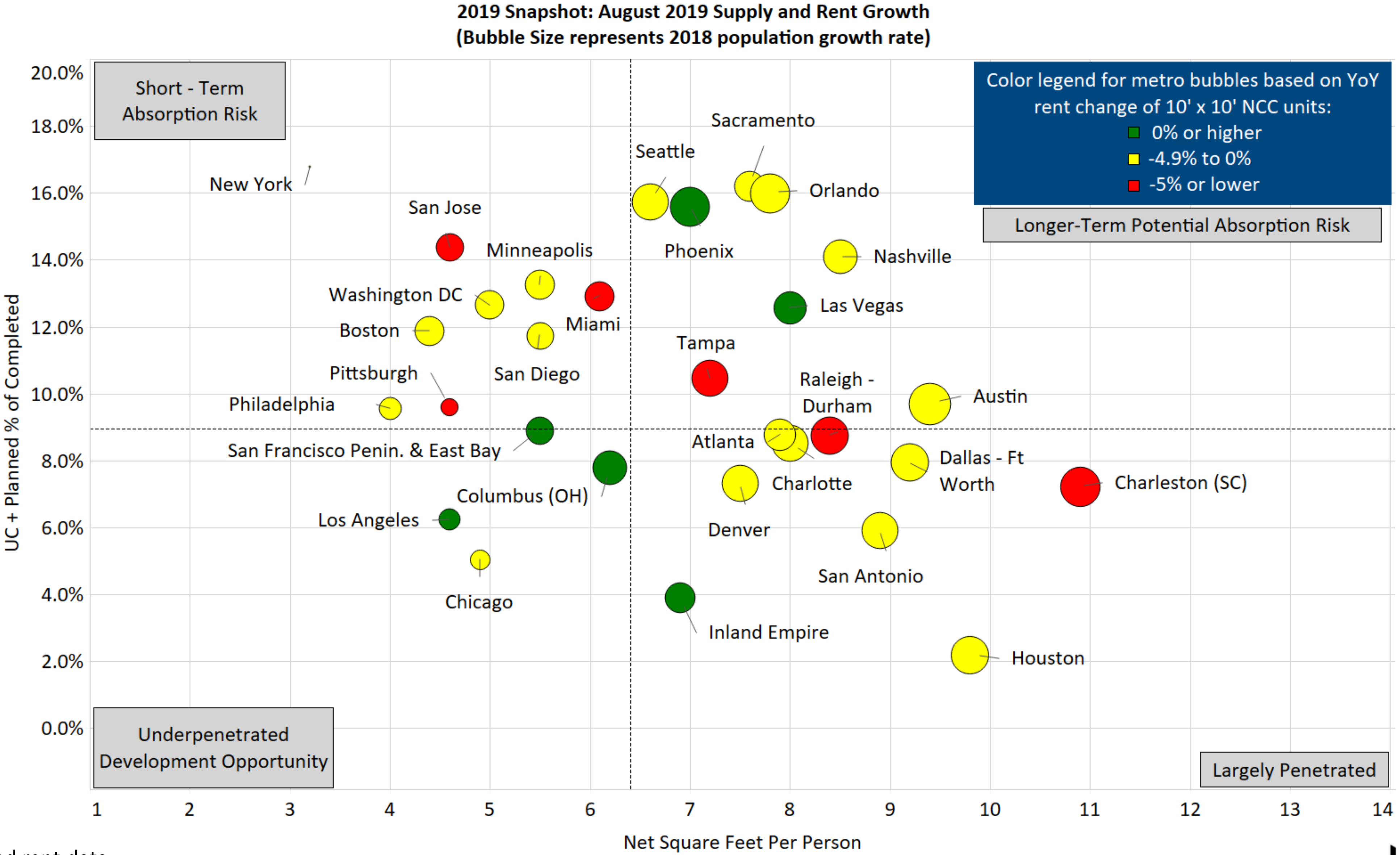
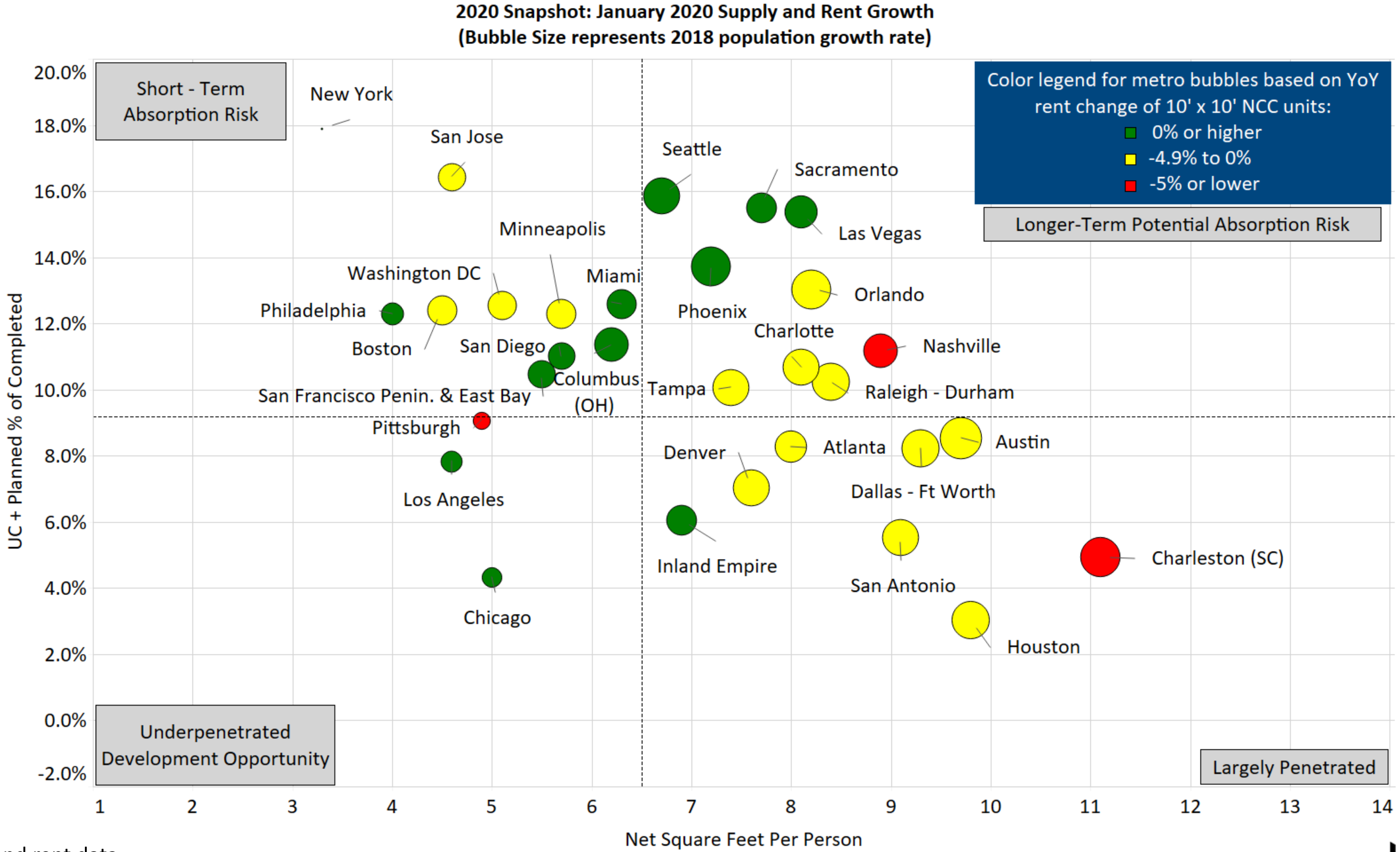
# Most Major Markets Looked Okay Last Summer



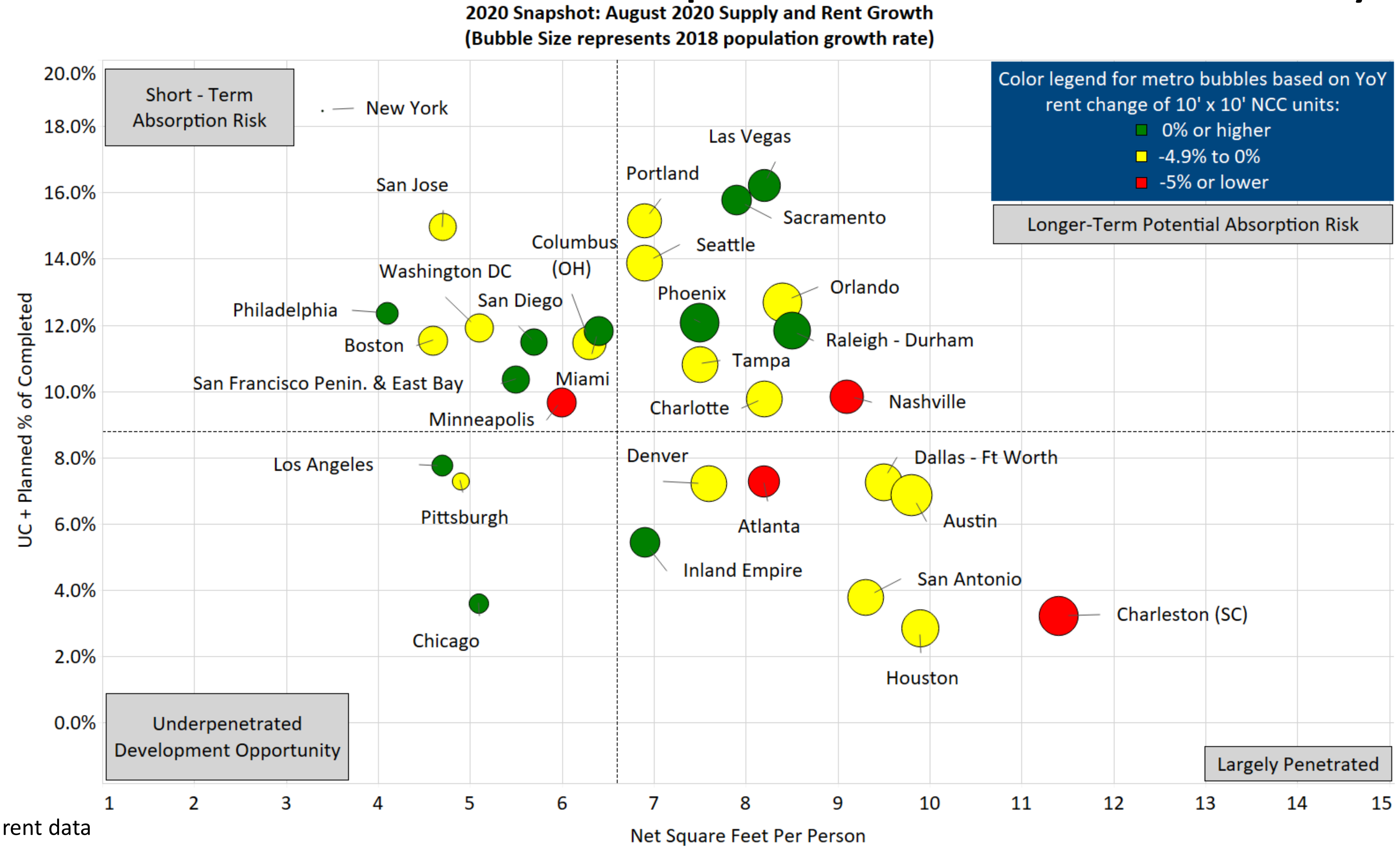

*August 2019 supply and rent data
Source: Yardi Matrix

# Rate Growth in Major Markets Accelerated in Early 2020




*January 2020 supply and rent data
Source: Yardi Matrix

# Compared to Last Summer, More Major Markets Saw Positive Rate Growth Despite COVID-19 Uncertainty




*August 2020 supply and rent data
Source: Yardi Matrix

# 10x10 Non-Climate-Controlled Rates Have Increased in Several Major Markets Year-Over-Year

| Market | Growth in Street Rates August 2019 – August 2020 |
|---|---|
| Inland Empire | 3.6% |
| Chicago | 2.0% |
| San Diego | 1.9% |
| Phoenix | 1.9% |
| Miami | 1.5% |
| Raleigh - Durham | 1.1% |
| Los Angeles | 1.1% |
| Sacramento | 0.8% |
| New York | 0.0% |
| Philadelphia | 0.0% |
| San Francisco & East Bay | 0.0% |
| Las Vegas | 0.0% |
| Seattle | -0.6% |
| Portland | -0.7% |
| San Antonio | -1.0% |
| Dallas - Ft Worth | -1.1% |

| Market | Growth in Street Rates August 2019 – August 2020 |
|---|---|
| Columbus (OH) | -1.1% |
| Washington DC | -1.4% |
| Pittsburgh | -1.8% |
| Charlotte | -2.4% |
| Houston | -2.4% |
| Denver | -2.5% |
| Tampa | -2.8% |
| San Jose | -2.9% |
| Orlando | -2.9% |
| Austin | -3.0% |
| Boston | -3.5% |
| Atlanta | -5.1% |
| Charleston (SC) | -5.4% |
| Nashville | -5.7% |
| Minneapolis | -6.0% |

*10x10 Non-climate-controlled; Year-over-year rate growth
Source: Yardi Matrix

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# Most Major Markets Have Seen a Decline in 10x10 Climate-Controlled Rates Over the Last 12 Months

| Market | Growth in Street Rates August 2019 – August 2020 |
|---|---|
| Miami | 0.0% |
| Phoenix | 0.0% |
| San Francisco & East Bay | 0.0% |
| Inland Empire | 0.0% |
| Los Angeles | -0.5% |
| Denver | -0.8% |
| San Antonio | -0.9% |
| Portland | -1.4% |
| Dallas - Ft Worth | -1.8% |
| San Diego | -1.8% |
| Las Vegas | -1.9% |
| Houston | -1.9% |
| Washington DC | -2.4% |
| Seattle | -2.5% |
| Chicago | -3.2% |
| Pittsburgh | -3.6% |

| Market | Growth in Street Rates August 2019 – August 2020 |
|---|---|
| San Jose | -3.9% |
| New York | -4.1% |
| Austin | -4.1% |
| Charlotte | -4.6% |
| Orlando | -4.7% |
| Boston | -4.8% |
| Columbus (OH) | -5.3% |
| Raleigh - Durham | -5.7% |
| Philadelphia | -6.1% |
| Sacramento | -7.2% |
| Nashville | -7.5% |
| Atlanta | -7.7% |
| Tampa | -8.8% |
| Charleston (SC) | -9.9% |
| Minneapolis | -12.4% |

*10x10 Climate-controlled; Year-over-year rate growth
Source: Yardi Matrix

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# Month-Over-Month 10x10 Non-Climate-Controlled Rate Performance Improved in Almost All Top Markets

| Market | Growth in Street Rates July 2020 – August 2020 |
|---|---|
| Miami | 3.9% |
| Chicago | 3.0% |
| Washington DC | 2.9% |
| Raleigh - Durham | 2.3% |
| Seattle | 2.0% |
| Tampa | 2.0% |
| Las Vegas | 1.9% |
| San Diego | 1.9% |
| Minneapolis | 1.9% |
| San Jose | 1.8% |
| Los Angeles | 1.6% |
| Sacramento | 1.5% |
| Portland | 1.4% |
| Charlotte | 1.2% |
| Houston | 1.2% |
| New York | 1.2% |

| Market | Growth in Street Rates July 2020 – August 2020 |
|---|---|
| Columbus (OH) | 1.2% |
| Charleston (SC) | 1.1% |
| Atlanta | 1.1% |
| San Antonio | 1.1% |
| Austin | 1.0% |
| San Francisco & East Bay | 1.0% |
| Orlando | 1.0% |
| Phoenix | 1.0% |
| Inland Empire | 0.9% |
| Denver | 0.9% |
| Philadelphia | 0.8% |
| Boston | 0.0% |
| Dallas - Ft Worth | 0.0% |
| Nashville | 0.0% |
| Pittsburgh | 0.0% |

*10x10 Non-climate-controlled; Month-over-month rate growth
Source: Yardi Matrix

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# Most Markets Saw Positive Growth in 10x10 Climate-Controlled Rates Increase from July to August

| Market | Growth in Street Rates July 2020 – August 2020 |
|---|---|
| San Jose | 4.9% |
| Miami | 3.4% |
| Washington DC | 3.2% |
| Minneapolis | 2.6% |
| San Diego | 2.5% |
| Los Angeles | 2.2% |
| Raleigh - Durham | 2.0% |
| Houston | 2.0% |
| Charlotte | 2.0% |
| Charleston (SC) | 1.9% |
| Austin | 1.7% |
| Chicago | 1.7% |
| Orlando | 1.7% |
| Phoenix | 1.6% |
| San Francisco & East Bay | 1.5% |
| Inland Empire | 1.4% |

| Market | Growth in Street Rates July 2020 – August 2020 |
|---|---|
| Boston | 1.3% |
| New York | 1.1% |
| Las Vegas | 1.0% |
| Columbus (OH) | 0.9% |
| Atlanta | 0.9% |
| Dallas - Ft Worth | 0.9% |
| San Antonio | 0.9% |
| Nashville | 0.8% |
| Tampa | 0.8% |
| Denver | 0.8% |
| Philadelphia | 0.7% |
| Sacramento | 0.7% |
| Seattle | 0.7% |
| Pittsburgh | 0.0% |
| Portland | -0.7% |

*10x10 Climate-controlled; Month-over-month rate growth
Source: Yardi Matrix

# For Review: Forecast of New Supply Methodology

- Includes property expansions, not previously forecasted
- 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

# For Review: Forecast of New Supply Methodology

Our forecast methodology has remained the same since 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 Forecast of New Supply Methodology

- Q3 forecast update similar to Q2 forecast update
- 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

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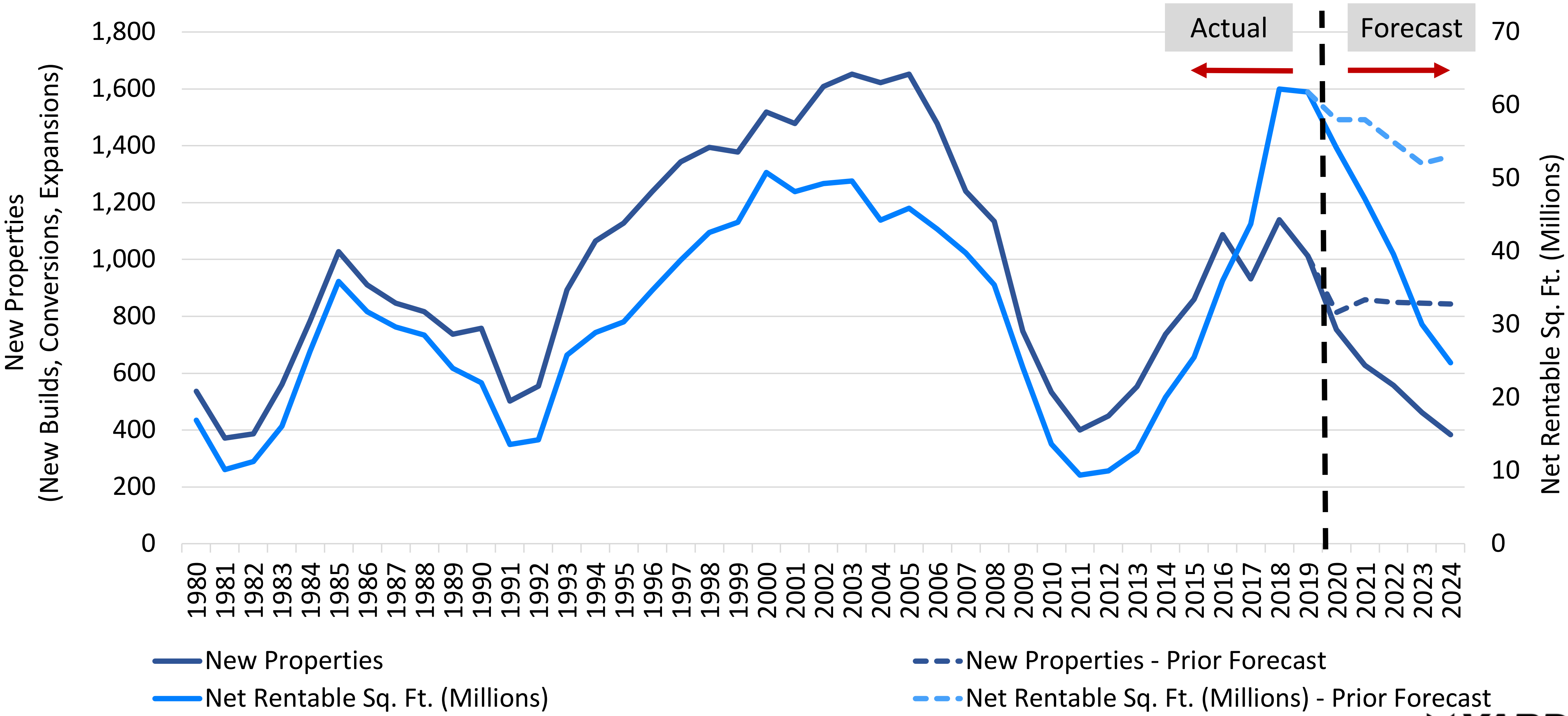
# Our Current Forecasts Show New Deliveries Dropping in the Next Few Years




Source: Yardi Matrix

# Forecast of New Storage Supply Summary
# National Q3 2020 Update

| Property Forecasts | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|
| New Build | 526 | 458 | 398 | 305 | 260 | 188 |
| Conversion | 106 | 60 | 66 | 56 | 53 | 34 |
| Expansion | 121 | 110 | 93 | 100 | 71 | 78 |
| Total | 753 | 628 | 557 | 461 | 384 | 300 |

| NRSF Forecasts (Millions) | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|
| New Build | 41 | 37 | 30 | 23 | 19 | 13 |
| Conversion | 9 | 5 | 5 | 4 | 4 | 3 |
| Expansion | 4 | 6 | 4 | 3 | 2 | 2 |
| Total | 54 | 47 | 40 | 30 | 25 | 18 |
| NRSF as a % of Stock | 3.8% | 3.1% | 2.4% | 1.8% | 1.4% | 1.0% |

Source: Yardi Matrix

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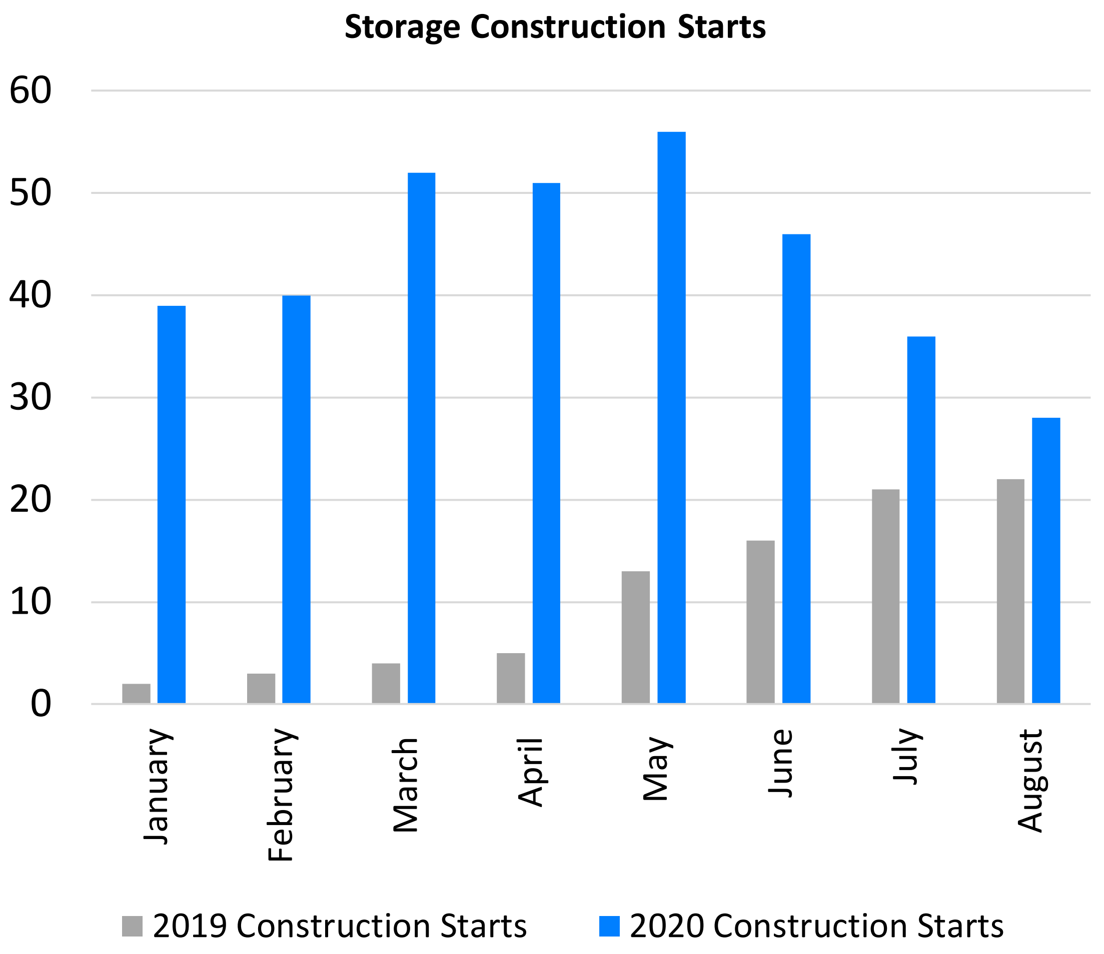
# Forecast of New Storage Supply Summary
# Major Markets Q3 2020 Update

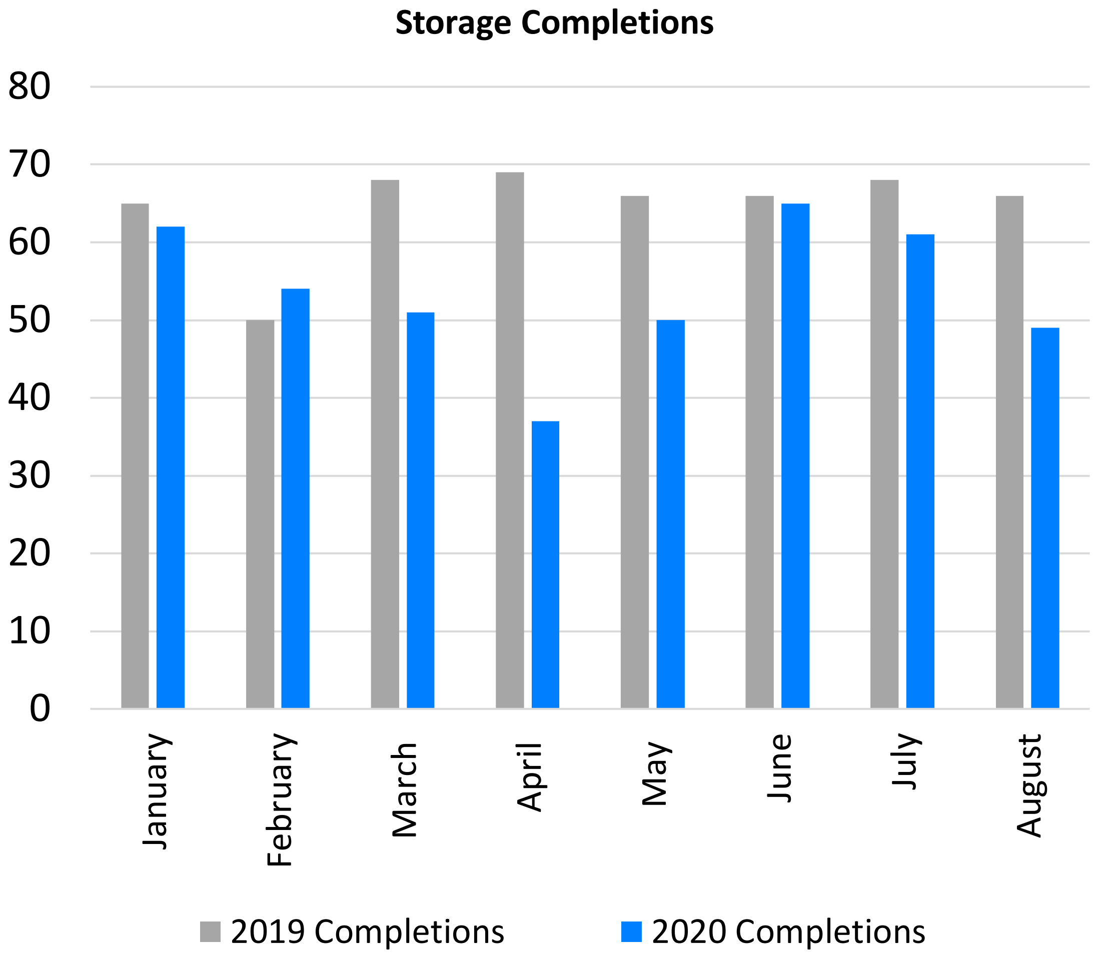
| Property Forecasts | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|
| New Build | 358 | 315 | 243 | 190 | 153 | 108 |
| Conversion | 55 | 32 | 39 | 23 | 28 | 18 |
| Expansion | 72 | 72 | 63 | 62 | 34 | 39 |
| Total | 485 | 419 | 345 | 275 | 215 | 165 |

| NRSF Forecasts (Millions) | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|
| New Build | 30 | 26 | 19 | 15 | 11 | 8 |
| Conversion | 5 | 2 | 3 | 2 | 2 | 1 |
| Expansion | 3 | 4 | 3 | 2 | 1 | 1 |
| Total | 37 | 33 | 25 | 18 | 14 | 10 |
| NRSF as a % of Stock | 4.4% | 3.6% | 2.6% | 1.8% | 1.3% | 0.9% |

Source: Yardi Matrix

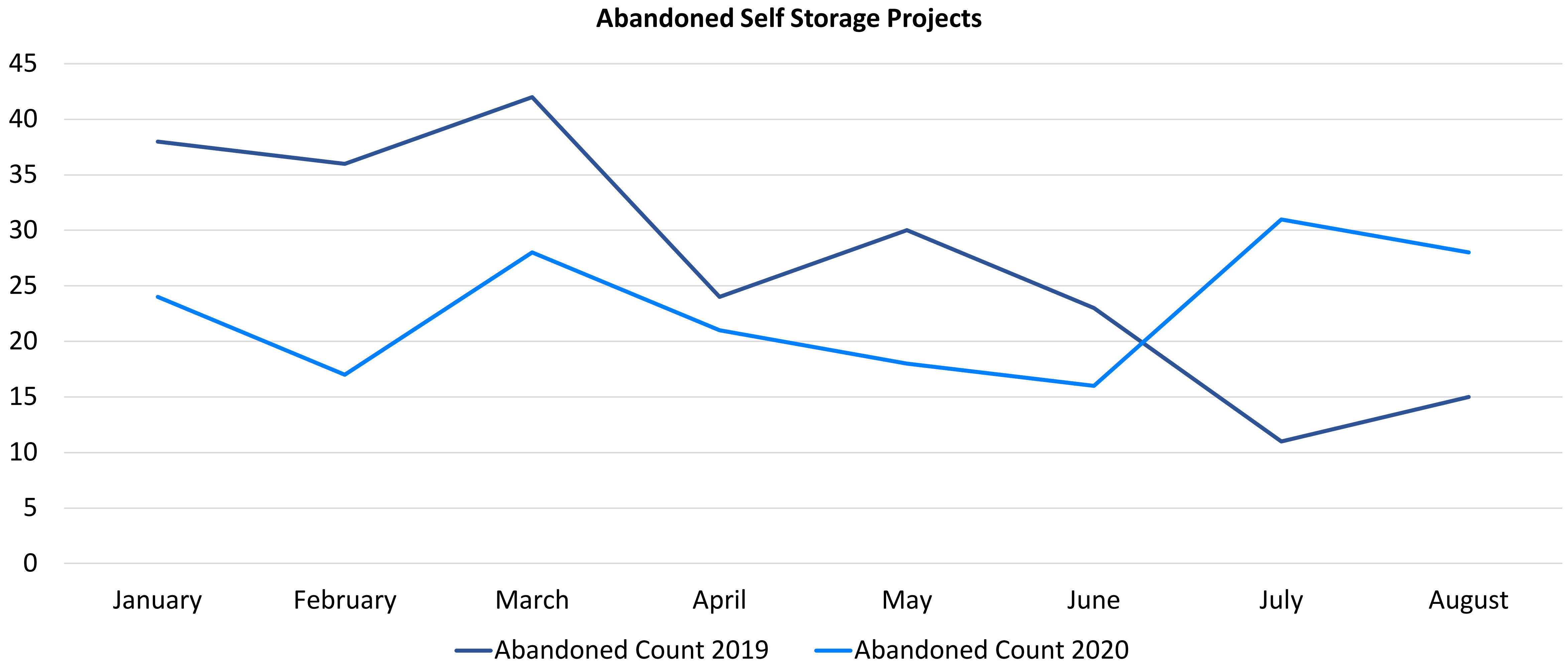
# Construction Starts Have Increased YoY, While Completions Have Declined



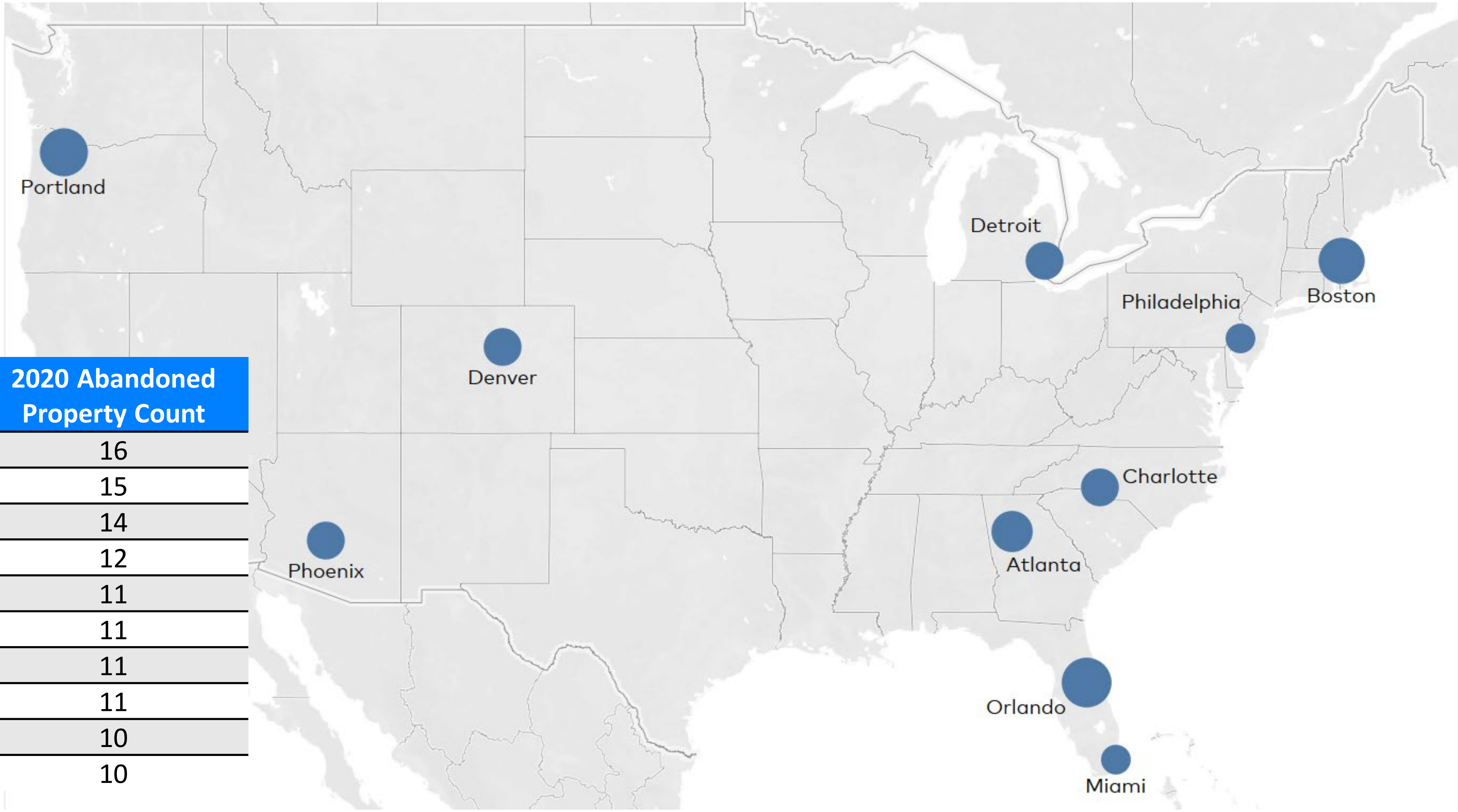

*Data as of September 10, 2020
Source: Yardi Matrix

# Abandoned Self Storage Projects in the New-Supply Pipeline are Increasing




Source: Yardi Matrix

# Markets with Heavy New Supply Pipelines Have Seen a Higher Number of Properties Abandoned in 2020




| Market | 2020 Abandoned Property Count |
|---|---|
| Orlando | 16 |
| Portland | 15 |
| Boston | 14 |
| Atlanta | 12 |
| Charlotte | 11 |
| Denver | 11 |
| Detroit | 11 |
| Phoenix | 11 |
| Miami | 10 |
| Philadelphia | 10 |

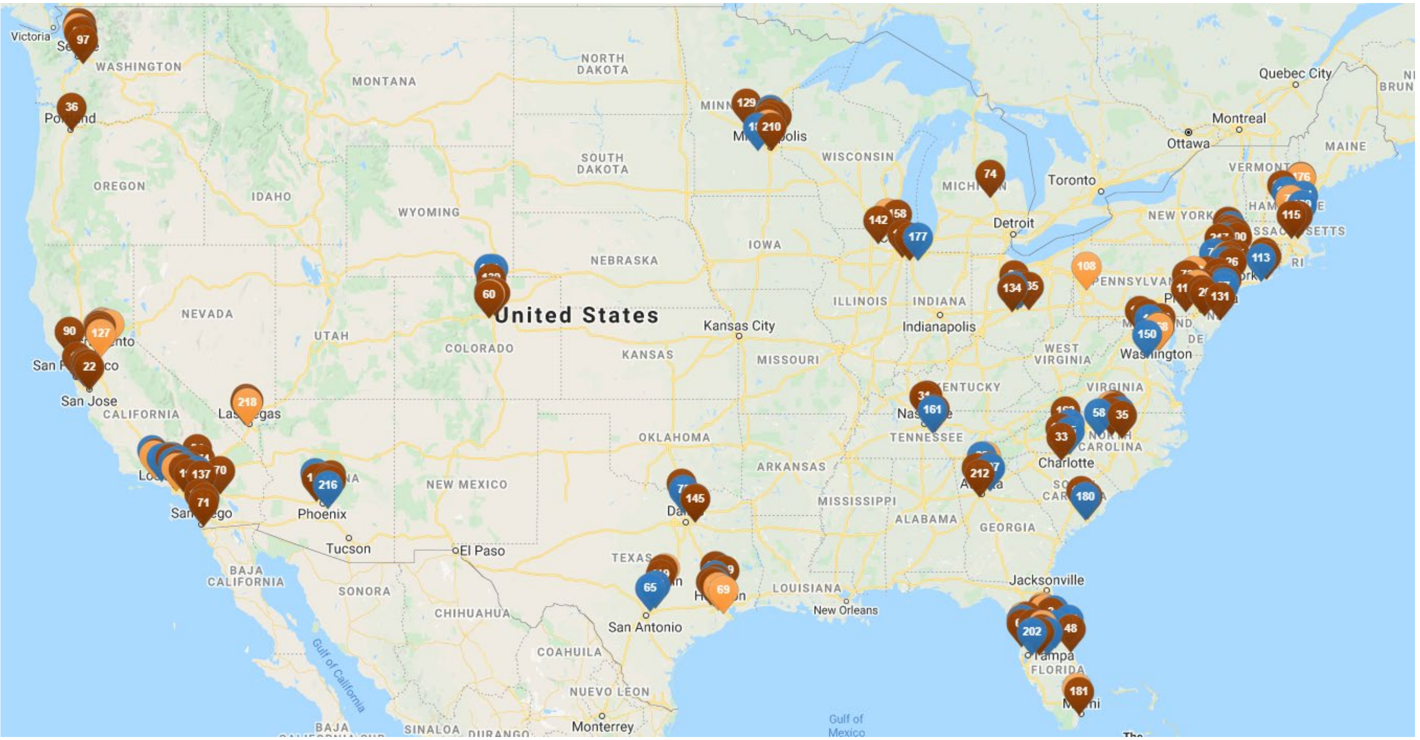
*Top 10 markets with the highest number of abandoned storage properties year-to-date out of all storage markets nationwide. Data as of September 10, 2020
Source: Yardi Matrix

# Despite Potential Constraint on New Builds, there is Robust Expansion Activity in Major Markets

Prospective

Planned

Under Construction




| Property Status | # Properties | Total Sq. Ft. (MM) | Rentable Sq. Ft. (MM) |
|---|---|---|---|
| Prospective | 52 | 2.2 | 1.9 |
| Planned | 138 | 7.9 | 6.6 |
| Under Construction | 31 | 1.5 | 1.3 |
| TOTAL EXPANSIONS: | 221 | 11.6 | 9.8 |

Source: Yardi Matrix

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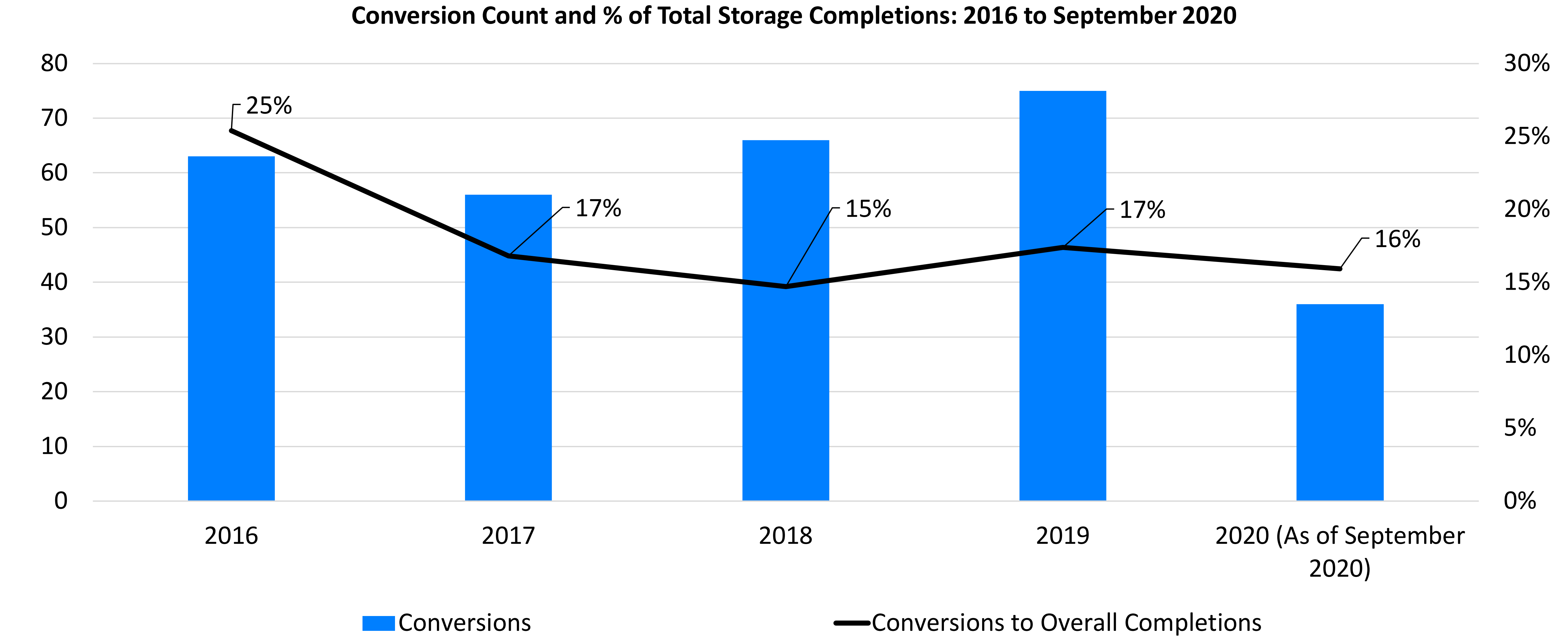
# Total Number of Conversion Deliveries in Major Markets Peaked in 2019

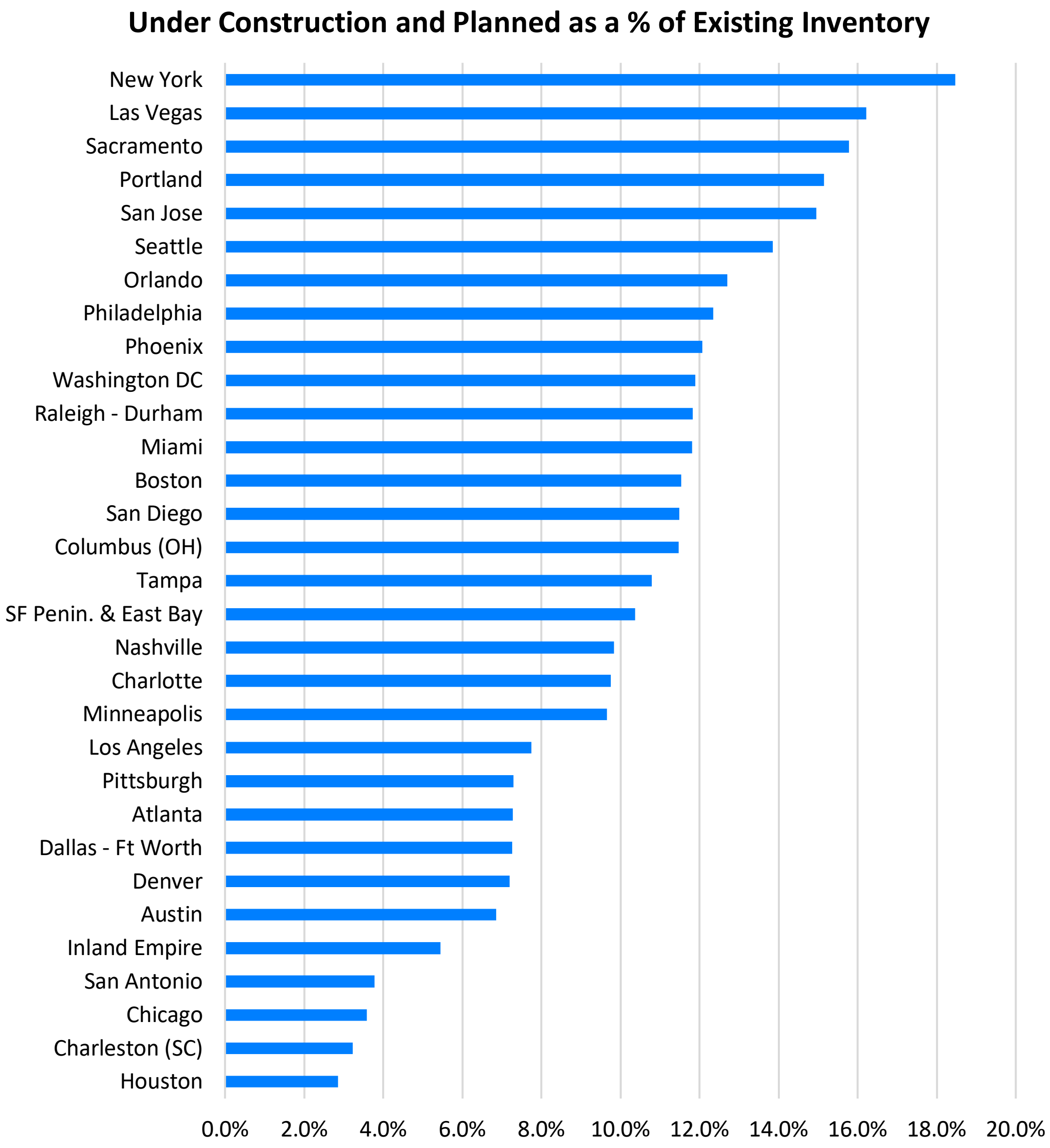



Source: Yardi Matrix

# Heavy New Supply Pipelines in Domestic Migration Favorites

| Market | UC + Planned % of Completed Aug 2020 |
|---|---|
| New York | 18.5% |
| Las Vegas | 16.2% |
| Sacramento | 15.8% |
| Portland | 15.2% |
| San Jose | 14.9% |
| Seattle | 13.9% |
| Orlando | 12.7% |
| Philadelphia | 12.3% |
| Phoenix | 12.1% |
| Washington DC | 11.9% |
| Raleigh - Durham | 11.8% |
| Miami | 11.8% |
| Boston | 11.5% |
| San Diego | 11.5% |
| Columbus (OH) | 11.5% |

| Market | UC + Planned % of Completed Aug 2020 |
|---|---|
| Tampa | 10.8% |
| SF Penin. & East Bay | 10.4% |
| Nashville | 9.8% |
| Charlotte | 9.8% |
| Minneapolis | 9.7% |
| Los Angeles | 7.7% |
| Pittsburgh | 7.3% |
| Atlanta | 7.3% |
| Dallas - Ft Worth | 7.3% |
| Denver | 7.2% |
| Austin | 6.9% |
| Inland Empire | 5.4% |
| San Antonio | 3.8% |
| Chicago | 3.6% |
| Charleston (SC) | 3.2% |
| Houston | 2.9% |




*Drawn from our national database of 28,300 stores, including 2,150 projects in the new supply pipeline as well as 26,150 completed stores. Data as of August 2020

Source: Yardi Matrix

# Recent Government Legislation & Moratoriums Impacting the Self Storage Industry

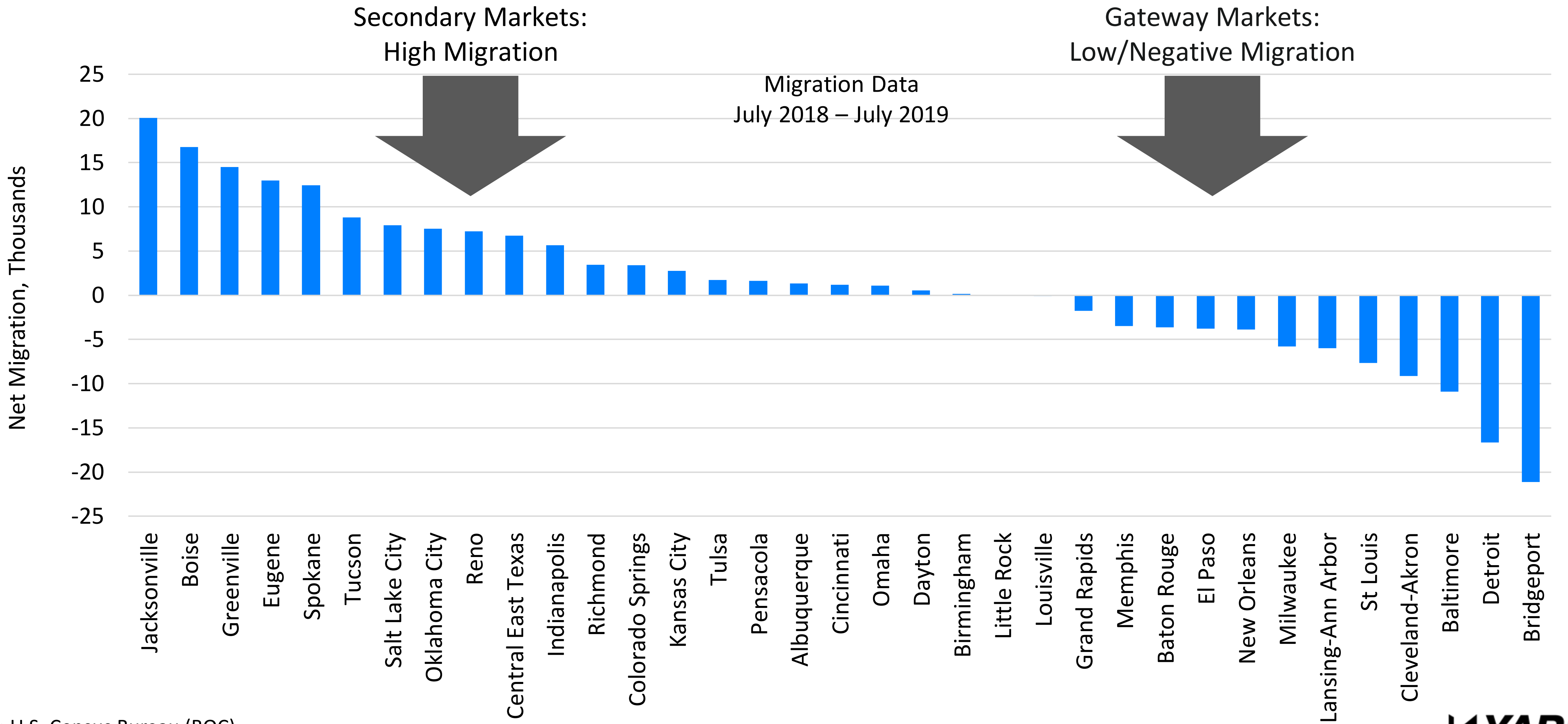
- **New York's Industrial Commercial Abatement Program (ICAP)**
  - An updated amendment to the New York State 2021 budget bill in April 2020 moved up the deadline for qualifiable self storage facilities to earn abatements for property taxes for up to 25 years
  - Developers had **until July 1, 2020, instead of June 2022 to be approved** for the city's Industrial & Commercial Abatement Program (ICAP)
  - The new program makes previously eligible self storage facilities ineligible for ICAP benefits. Any self storage facilities that qualified for ICAP by July 1 was grandfathered into the program
  - Eliminating these benefits may result in fewer storage facilities being developed and may potentially create long-term revenue loss for some projects, making them economically unfeasible

- **Local and state governments have responded to the COVID-19 crisis by enacting commercial eviction moratoriums and restrictive orders, many of which restrict storage operators from late charges, overlocks and lien enforcement**
  - **Los Angeles, CA:** City Council passed an ordinance requiring self storage operators to defer rent and prohibits late fees, if tenant is unable to pay due to COVID-19 and provides documentation to the owner no later than 7 days after rent is due. The deferral lasts until three months after the local emergency period
  - **Livermore, CA:** Issued an order banning eviction of tenants who can't pay rent as a result of the pandemic, as well as prohibits conducting lien sales. Order remains in effect until September 30
  - **Oregon:** Signed a bill prohibiting non-residential evictions until December 31 and does not require the tenant to provide any reason for or notice when missing a payment. Bill contains broad language that may prohibit self storage lien sales, lockouts, and late fees

Source: Yardi Matrix; globest.com; mannpublications.com; Nyc.gov; selfstorage.org; californiaselfstorage.org; dailybulletin.com

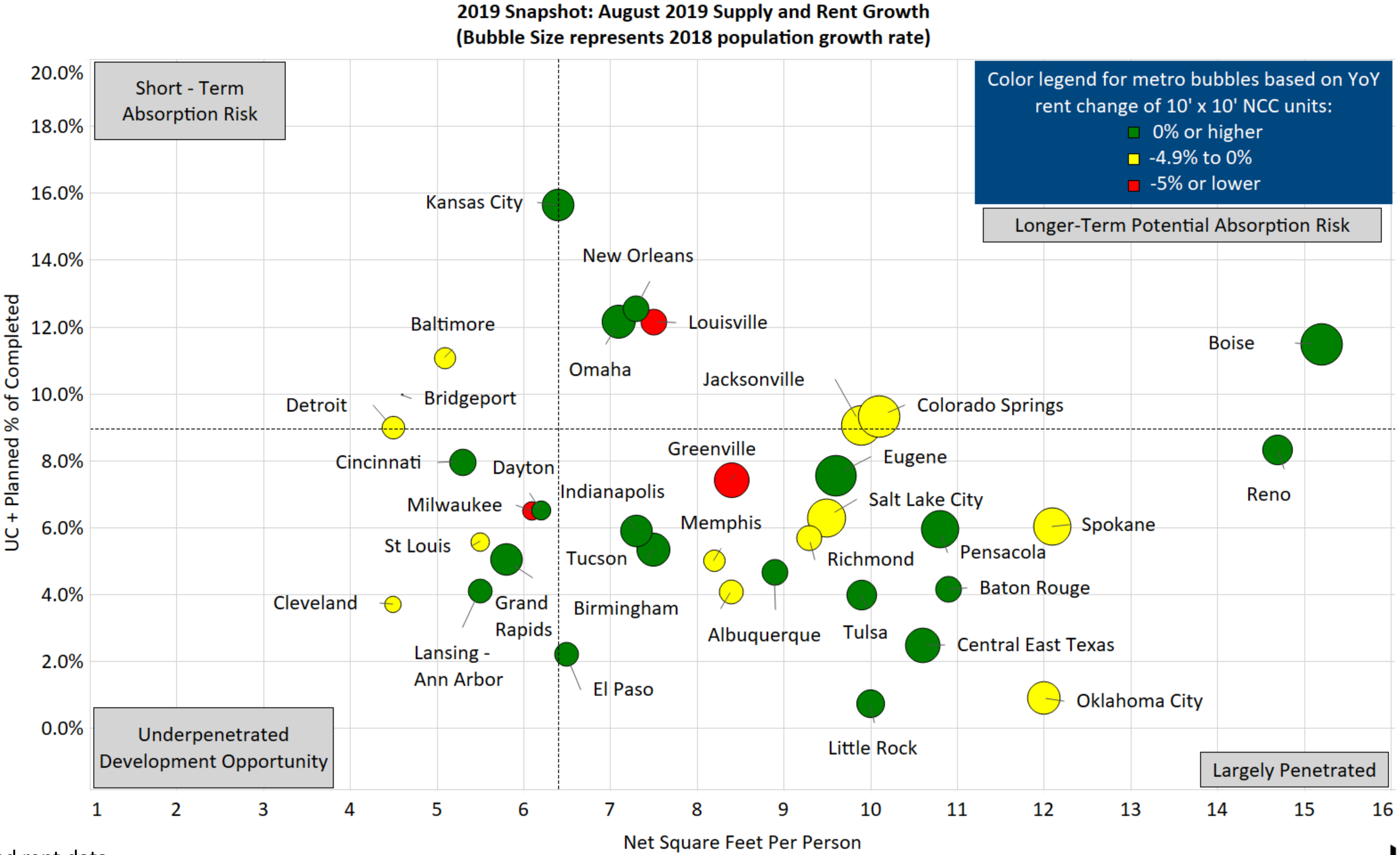
# Self Storage Fundamentals: Next Tier Markets

# Domestic Migration Trend is Out of Gateway Metros and Into Secondary Cities



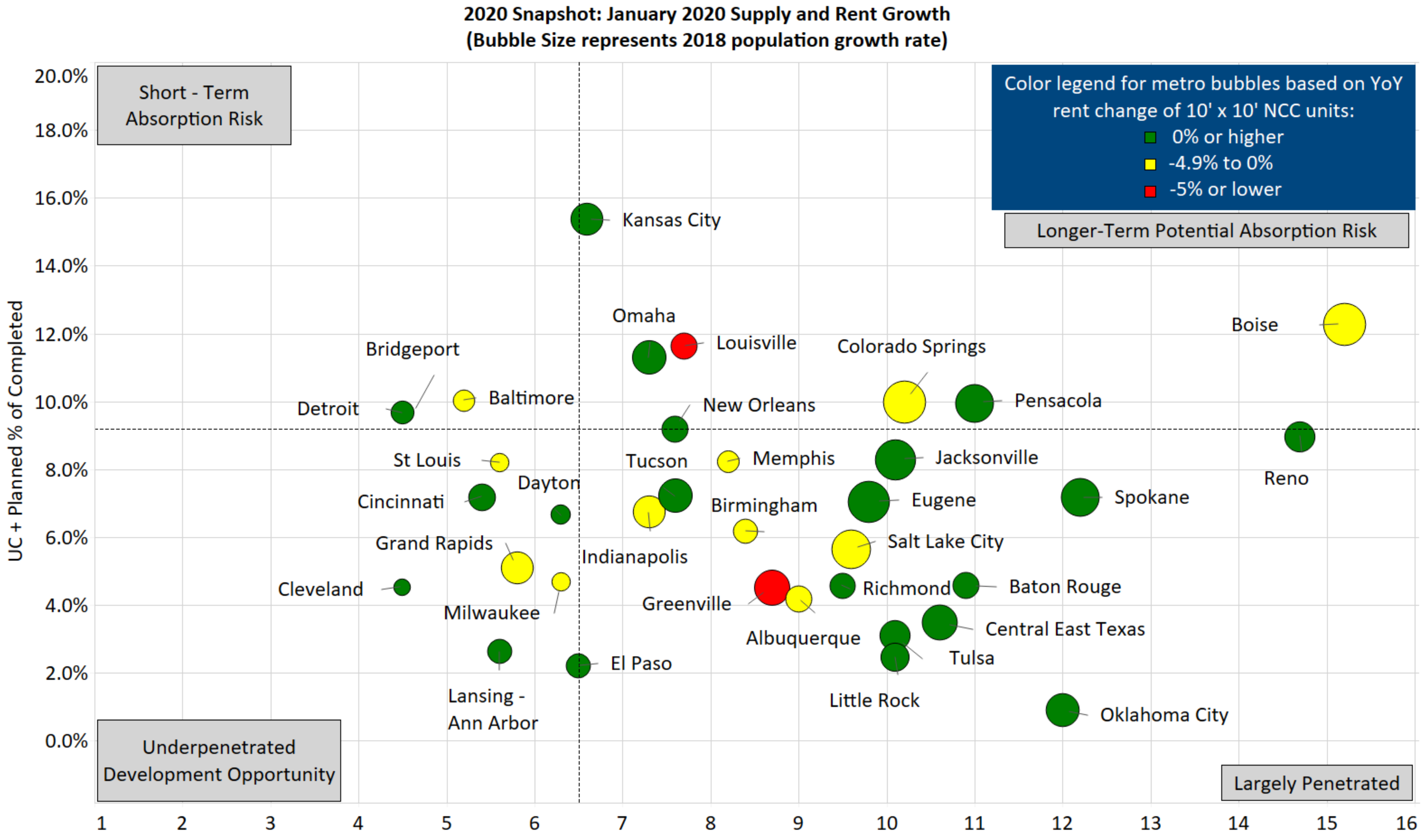

Source: U.S. Census Bureau (BOC)

# Most Next Tier Markets Looked Good Last Summer



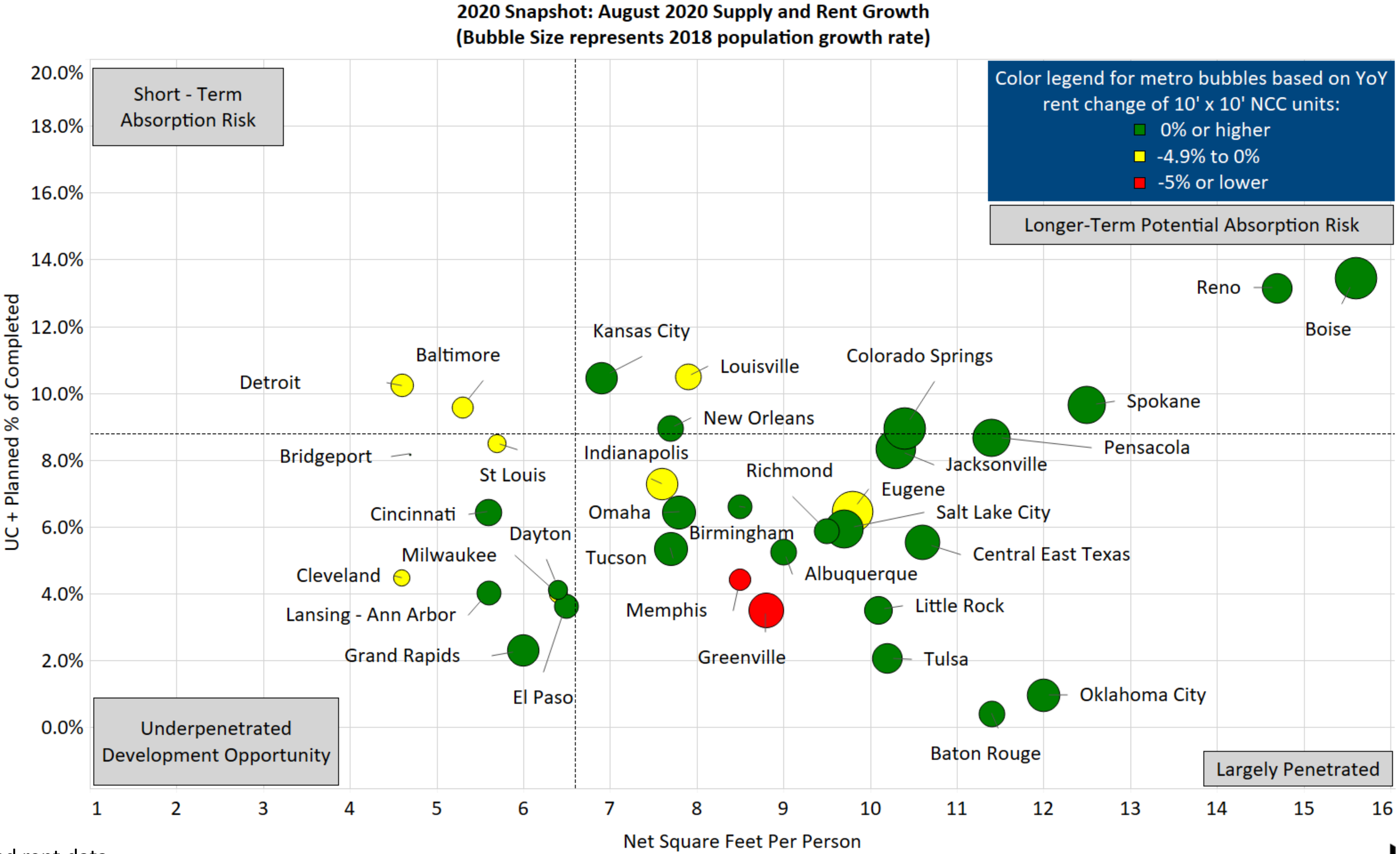

*August 2019 supply and rent data
Source: Yardi Matrix

# Rate Growth Accelerated into Early 2020 in Next Tier Markets




*January 2020 supply and rent data
Source: Yardi Matrix

# Next Tier Market Rate Performance Stays Strong




*August 2020 supply and rent data
Source: Yardi Matrix

# 10x10 Non-Climate-Controlled Rates Have Grown Significantly Year-Over-Year in Some Next Tier Markets

| Market | Growth in Street Rates August 2019 – August 2020 |
|---|---|
| El Paso | 6.9% |
| Jacksonville | 6.7% |
| Spokane | 4.3% |
| Richmond - Tidewater | 3.2% |
| Oklahoma City | 3.2% |
| Little Rock | 2.8% |
| New Orleans | 2.8% |
| Birmingham | 2.2% |
| Pensacola | 2.2% |
| Albuquerque | 2.2% |
| Baton Rouge | 2.1% |
| Central East Texas | 1.3% |
| Omaha | 1.3% |
| Grand Rapids | 1.2% |
| Cincinnati | 1.1% |
| Kansas City | 1.0% |
| Colorado Springs | 0.9% |
| Reno | 0.9% |

| Market | Growth in Street Rates August 2019 – August 2020 |
|---|---|
| Bridgeport - New Haven | 0.0% |
| Salt Lake City | 0.0% |
| Tulsa | 0.0% |
| Dayton | 0.0% |
| Tucson | 0.0% |
| Lansing - Ann Arbor | 0.0% |
| Boise | 0.0% |
| Cleveland - Akron | -1.1% |
| Detroit | -1.8% |
| St Louis | -2.2% |
| Milwaukee | -2.2% |
| Indianapolis | -2.4% |
| Eugene | -2.5% |
| Louisville | -3.4% |
| Baltimore | -3.9% |
| Memphis | -5.7% |
| Greenville | -6.4% |

*10x10 Non-climate-controlled; Year-over-year rate growth
Source: Yardi Matrix

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# 10x10 Climate-Controlled Rates in Next Tier Markets Have Not Performed As Well Over the Last 12 Months

| Market | Growth in Street Rates August 2019 – August 2020 |
|---|---|
| Jacksonville | 5.6% |
| Little Rock | 3.4% |
| Omaha | 3.1% |
| Central East Texas | 1.9% |
| Boise | 1.0% |
| Grand Rapids | 0.9% |
| Memphis | 0.9% |
| Detroit | 0.8% |
| Oklahoma City | 0.0% |
| Richmond - Tidewater | 0.0% |
| Reno | 0.0% |
| New Orleans | -0.7% |
| Kansas City | -0.8% |
| Baton Rouge | -0.9% |
| Cincinnati | -0.9% |
| Spokane | -0.9% |
| Eugene | -1.6% |
| Dayton | -1.7% |

| Market | Growth in Street Rates August 2019 – August 2020 |
|---|---|
| Salt Lake City | -1.8% |
| Tulsa | -1.8% |
| El Paso | -2.0% |
| Lansing - Ann Arbor | -2.5% |
| Birmingham | -2.5% |
| Tucson | -2.5% |
| Bridgeport - New Haven | -2.7% |
| Albuquerque | -3.0% |
| Indianapolis | -3.7% |
| Colorado Springs | -4.2% |
| Milwaukee | -4.6% |
| Pensacola | -4.8% |
| Baltimore | -4.9% |
| Louisville | -5.3% |
| Cleveland - Akron | -5.5% |
| St Louis | -6.9% |
| Greenville | -10.2% |

*10x10 Climate-controlled; Year-over-year rate growth
Source: Yardi Matrix

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# Only One Next Tier Market Saw Poor Rate Performance Month-Over-Month for Non-Climate-Controlled Units

| Market | Growth in Street Rates July 2020 – August 2020 |
|---|---|
| Baton Rouge | 2.1% |
| Detroit | 1.9% |
| Oklahoma City | 1.6% |
| Dayton | 1.2% |
| Indianapolis | 1.2% |
| Grand Rapids | 1.2% |
| Birmingham | 1.1% |
| Pensacola | 1.1% |
| Lansing - Ann Arbor | 1.1% |
| Cleveland - Akron | 1.1% |
| Salt Lake City | 1.1% |
| Kansas City | 1.0% |
| Richmond - Tidewater | 1.0% |
| Spokane | 1.0% |
| Tucson | 1.0% |
| Colorado Springs | 0.9% |
| Reno | 0.9% |
| New Orleans | 0.9% |

| Market | Growth in Street Rates July 2020 – August 2020 |
|---|---|
| Eugene | 0.9% |
| Bridgeport - New Haven | 0.9% |
| Baltimore | 0.8% |
| Albuquerque | 0.0% |
| Boise | 0.0% |
| Central East Texas | 0.0% |
| Cincinnati | 0.0% |
| El Paso | 0.0% |
| Greenville | 0.0% |
| Jacksonville | 0.0% |
| Louisville | 0.0% |
| Memphis | 0.0% |
| Milwaukee | 0.0% |
| Omaha | 0.0% |
| St Louis | 0.0% |
| Tulsa | 0.0% |
| Little Rock | -1.3% |

*10x10 Non-climate-controlled; Month-over-month rate growth
Source: Yardi Matrix

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# Month-Over-Month 10x10 Climate-Controlled Rate Performance Improved in Most Next Tier Markets

| Market | Growth in Street Rates July 2020 – August 2020 |
|---|---|
| Colorado Springs | 2.7% |
| Detroit | 2.3% |
| Omaha | 2.1% |
| St Louis | 1.9% |
| Grand Rapids | 1.8% |
| Cincinnati | 1.8% |
| Memphis | 1.8% |
| Cleveland - Akron | 1.7% |
| Reno | 1.7% |
| Richmond - Tidewater | 1.7% |
| Indianapolis | 1.0% |
| Jacksonville | 0.9% |
| Lansing - Ann Arbor | 0.9% |
| Pensacola | 0.9% |
| Kansas City | 0.8% |
| Little Rock | 0.8% |
| Eugene | 0.8% |
| Bridgeport - New Haven | 0.7% |

| Market | Growth in Street Rates July 2020 – August 2020 |
|---|---|
| Albuquerque | 0.0% |
| Birmingham | 0.0% |
| Boise | 0.0% |
| Central East Texas | 0.0% |
| Dayton | 0.0% |
| El Paso | 0.0% |
| Greenville | 0.0% |
| Milwaukee | 0.0% |
| New Orleans | 0.0% |
| Oklahoma City | 0.0% |
| Tucson | 0.0% |
| Tulsa | 0.0% |
| Baltimore | -0.7% |
| Baton Rouge | -0.9% |
| Spokane | -0.9% |
| Salt Lake City | -0.9% |
| Louisville | -0.9% |

*10x10 Climate-controlled; Month-over-month rate growth
Source: Yardi Matrix

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# Forecast of New Storage Supply Summary – Next Tier Markets Q3 2020 Update

| Property Forecasts | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|
| New Build | 90 | 88 | 85 | 64 | 59 | 37 |
| Conversion | 29 | 20 | 15 | 17 | 16 | 12 |
| Expansion | 33 | 26 | 17 | 24 | 18 | 21 |
| Total | 152 | 134 | 117 | 105 | 93 | 70 |

| NRSF Forecasts (Millions) | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|
| New Build | 6.0 | 6.2 | 6.3 | 4.7 | 4.2 | 2.5 |
| Conversion | 2.5 | 1.7 | 1.2 | 1.4 | 1.2 | 0.9 |
| Expansion | 1.1 | 1.0 | 0.6 | 0.8 | 0.5 | 0.5 |
| Total | 9.6 | 8.9 | 8.1 | 6.9 | 5.9 | 3.9 |
| NRSF as a % of Stock | 2.6% | 2.3% | 2.1% | 1.7% | 1.5% | 1.0% |

Source: Yardi Matrix

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# Less Expansion Activity in Next Tier Markets Compared to the Expansion Activity in Major Markets

Prospective

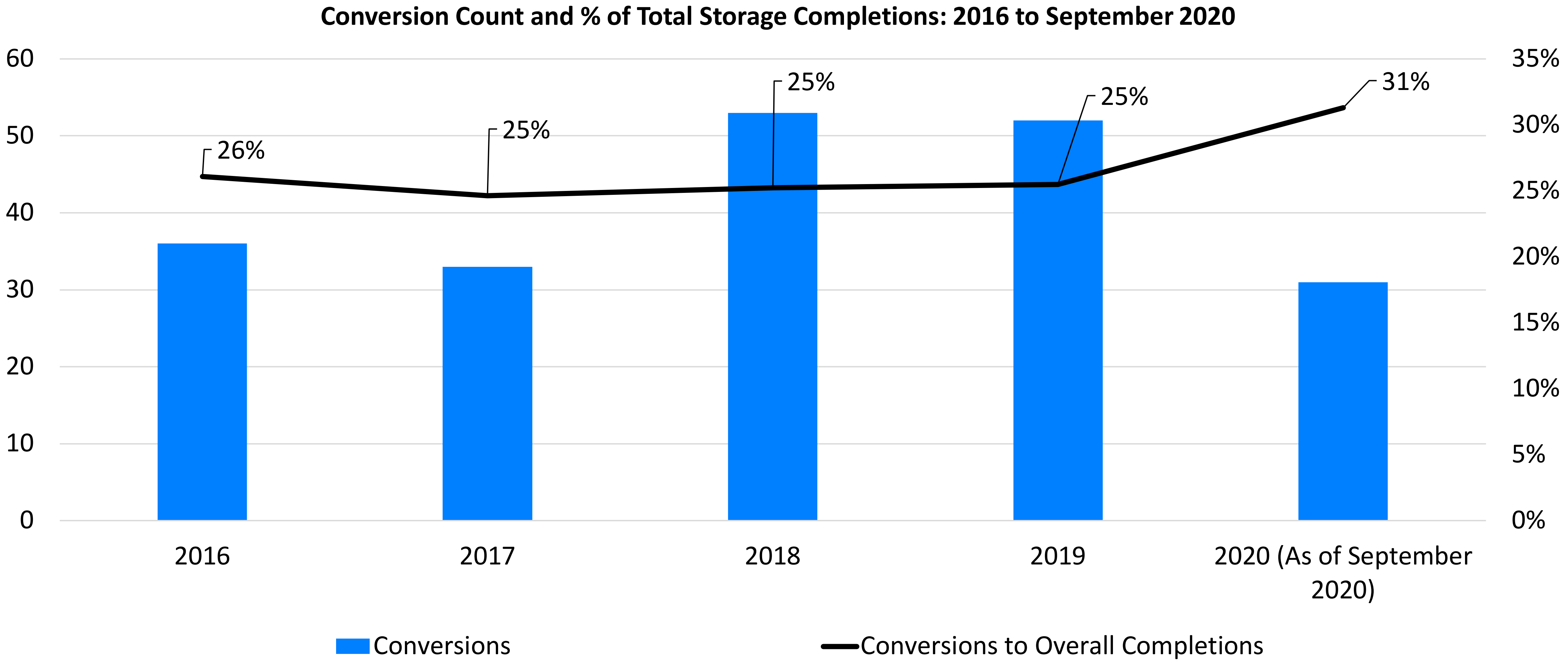
Planned

Under Construction


| Property Status | # Properties | Total Sq. Ft. (MM) | Rentable Sq. Ft. (MM) |
|---|---|---|---|
| Prospective | 15 | 0.4 | 0.3 |
| Planned | 64 | 2.1 | 1.9 |
| Under Construction | 19 | 0.9 | 0.8 |
| TOTAL EXPANSIONS: | 98 | 3.4 | 3.0 |

Source: Yardi Matrix

# Total Number of Conversion Deliveries in Next Tier Markets Peaked in 2018 and 2019



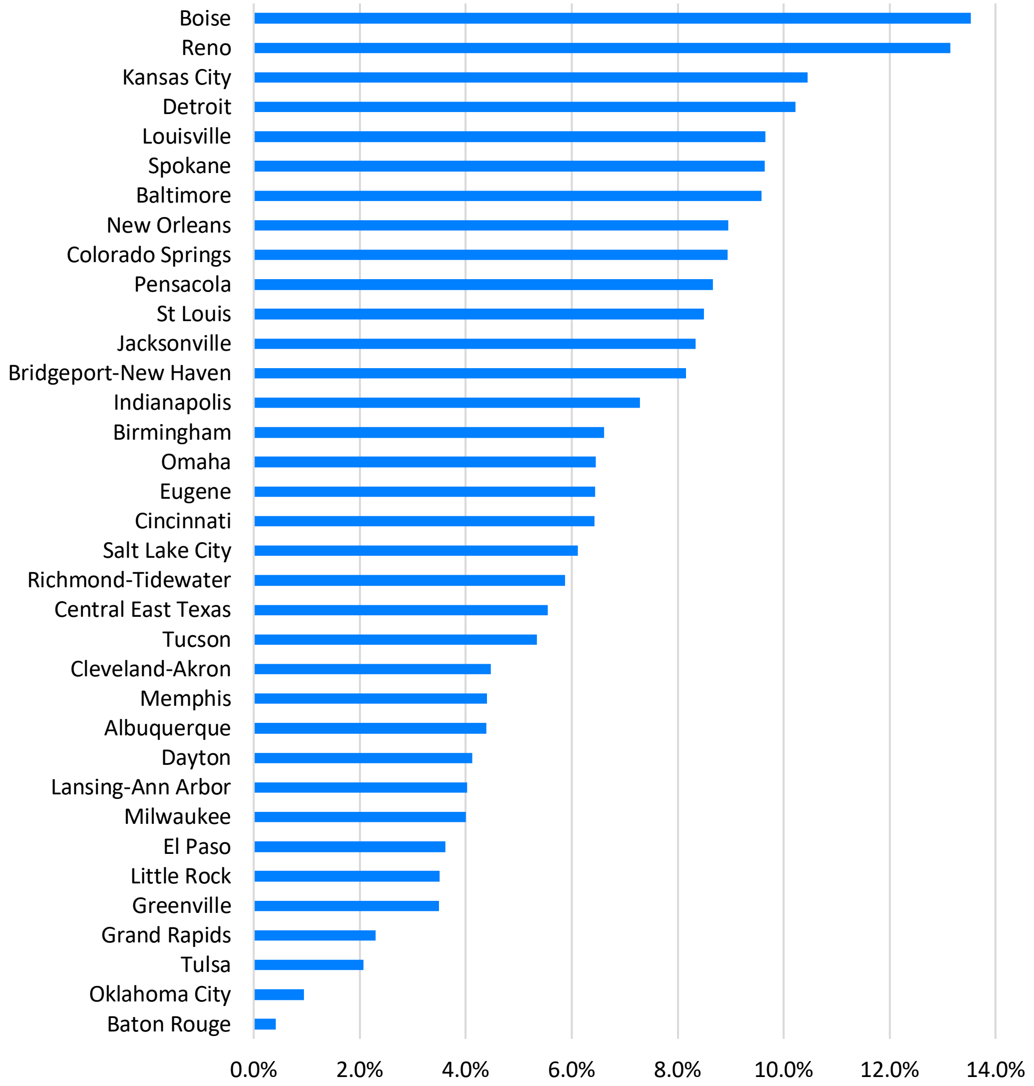

Source: Yardi Matrix

# Heavy New Supply Pipelines in Emerging Next Tier Markets

| Market | UC + Planned % of Completed Aug 2020 |
|---|---|
| Boise | 13.5% |
| Reno | 13.1% |
| Kansas City | 10.4% |
| Detroit | 10.2% |
| Louisville | 9.7% |
| Spokane | 9.6% |
| Baltimore | 9.6% |
| New Orleans | 9.0% |
| Colorado Springs | 8.9% |
| Pensacola | 8.7% |
| St Louis | 8.5% |
| Jacksonville | 8.3% |
| Bridgeport-New Haven | 8.2% |
| Indianapolis | 7.3% |
| Birmingham | 6.6% |

| Market | UC + Planned % of Completed Aug 2020 |
|---|---|
| Cincinnati | 6.4% |
| Salt Lake City | 6.1% |
| Richmond-Tidewater | 5.9% |
| Central East Texas | 5.5% |
| Tucson | 5.3% |
| Cleveland - Akron | 4.5% |
| Memphis | 4.4% |
| Albuquerque | 4.4% |
| Dayton | 4.1% |
| Lansing-Ann Arbor | 4.0% |
| Milwaukee | 4.0% |
| El Paso | 3.6% |
| Little Rock | 3.5% |
| Greenville | 3.5% |
| Grand Rapids | 2.3% |
| Tulsa | 2.1% |

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




*Drawn from our national database of 28,300 stores, including 2,150 projects in the new supply pipeline as well as 26,150 completed stores. Data as of August 2020

Source: Yardi Matrix

# Multifamily vs. Self Storage Fundamentals

# Multifamily vs. Storage Rates

| Metro | Multifamily New Rent Change (Mar '20 – Jul '20) | Storage Street Rate Change (Mar '20 – Jul '20) | Difference |
|---|---|---|---|
| Manhattan | -12.3% | 7.8% | 20.1% |
| Los Angeles – Metro | -4.8% | 1.7% | 6.5% |
| San Francisco Penin. | -2.6% | -1.0% | 1.6% |
| Denver | 1.1% | 1.6% | 0.5% |
| Seattle | -0.7% | -0.6% | 0.1% |
| Portland | 0.8% | 0.7% | -0.1% |
| Northern NJ | -2.7% | -3.0% | -0.4% |
| San Fernando Valley | 0.6% | 0.0% | -0.6% |
| Orange County | -0.3% | -1.1% | -0.8% |
| Chicago- Urban | -0.6% | -1.6% | -1.0% |
| Phoenix | 2.1% | 0.9% | -1.2% |
| Houston (W) | 1.9% | 0.0% | -1.9% |
| Bridgeport-New Haven | 1.3% | -1.5% | -2.8% |
| Northern VA | 2.2% | -0.6% | -2.8% |
| Orlando | 3.0% | 0.0% | -3.0% |

| Metro | Multifamily New Rent Change (Mar '20 – Jul '20) | Storage Street Rate Change (Mar '20 – Jul '20) | Difference |
|---|---|---|---|
| Chicago- Suburban | 1.3% | -1.8% | -3.0% |
| San Diego | 3.1% | 0.0% | -3.1% |
| White Plains | 0.7% | -2.3% | -3.1% |
| Charlotte | 2.2% | -1.0% | -3.2% |
| Nashville | 3.0% | -0.8% | -3.8% |
| Las Vegas | 3.0% | -0.9% | -3.8% |
| Dallas (N) | 4.2% | 0.0% | -4.2% |
| Raleigh – Durham | 3.8% | -1.0% | -4.8% |
| Austin | 4.1% | -0.8% | -4.9% |
| Tampa | 2.0% | -4.2% | -6.2% |
| Miami | 3.5% | -2.8% | -6.2% |
| Long Island | 4.2% | -2.1% | -6.3% |
| Suburban MD/ DC | 7.4% | -2.5% | -10.0% |
| Atlanta – Urban | 8.1% | -3.0% | -11.1% |
| Boston | 6.7% | -4.4% | -11.2% |

*Multifamily: Improvement Ranking Class A & B. Storage: Average rent for All Unit Types; Improvement Ranking Class A & B.
Source: Yardi Matrix Expert Data

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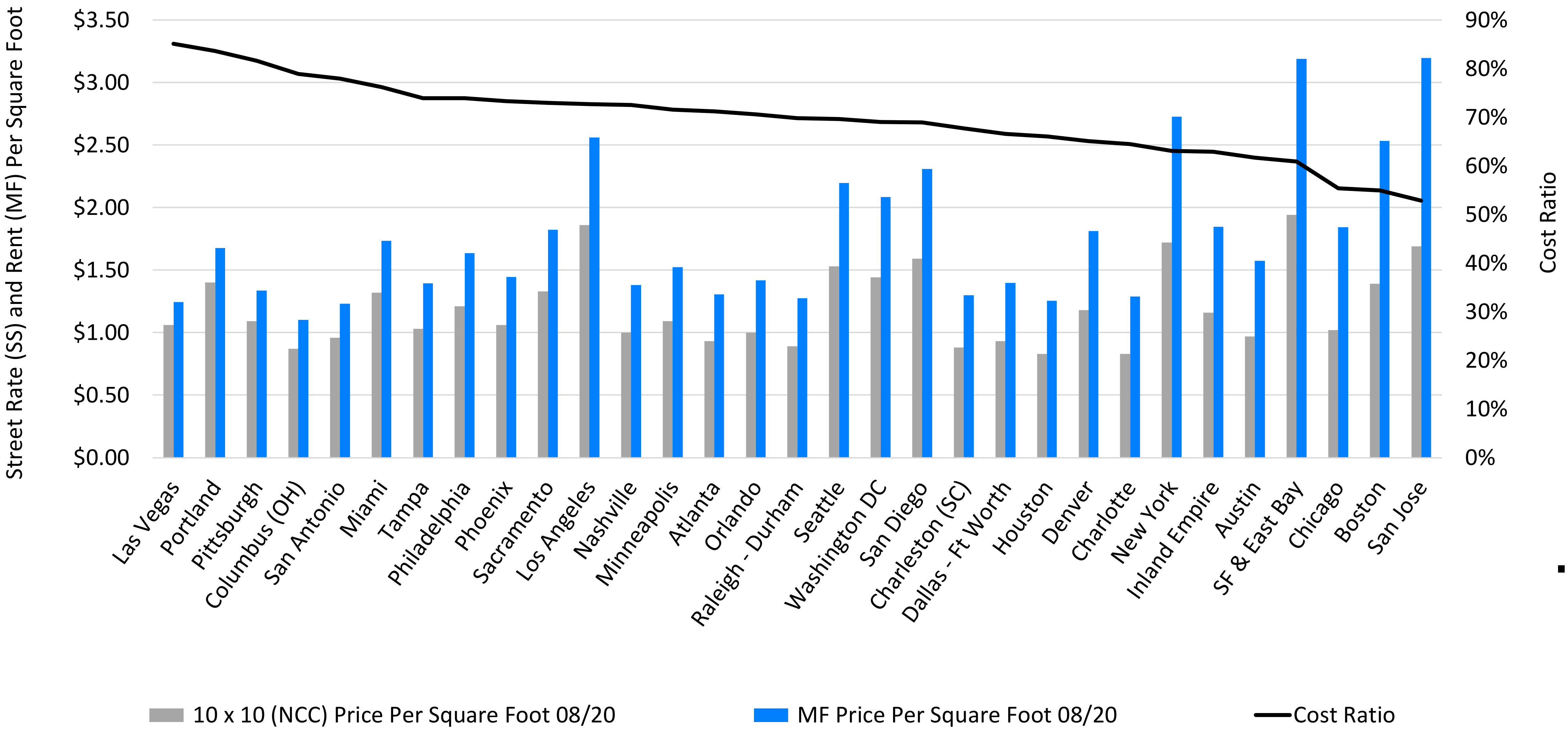
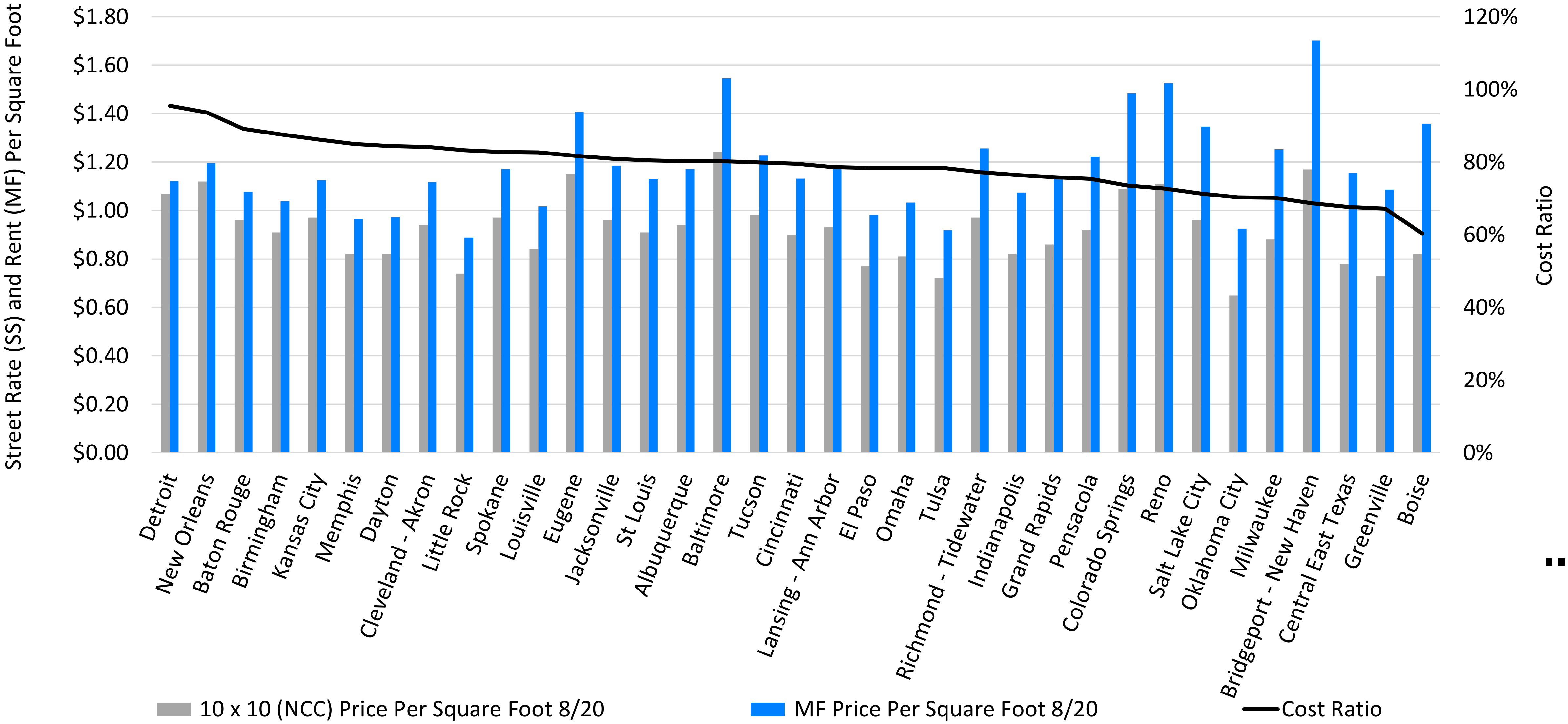
# Opportunities to Drive Street Rates in Many Major Markets




Source: Yardi Matrix Expert Data

# Fewer Opportunities to Drive Street Rates in Next Tier Markets




Source: Yardi Matrix Expert Data

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# Yardi Matrix House View — September 2020

- The U.S. and global economy plunged into a deep recession due to COVID-19, but the recovery is beginning
- Record unemployment ended the longest post-WWII recovery, but employment is now rebounding
- The initial purpose of the lockdowns was to avoid overwhelming the health care system. That succeeded, now the slow return to normal is volatile
- Consumer confidence remains very low, consumer behavior has shifted to goods from services/experiences. Goods producing industries and technology industries are doing very well
- Restaurants, hotels and experience driven industries continue to struggle and will likely remain depressed for months until widespread vaccine adoption is available
- Political disruptions are causing further uncertainty and volatility
- Third quarter GDP will likely be largely positive as the U.S. continues to stumble forward towards recovery, continued volatility likely

Source: Yardi Matrix

# Matrix House View — September 2020

- Street rates fell dramatically immediately following COVID-19 outbreak and started to stabilize in June and July and began improving in August

- Construction slowed down heavily in April and May. June and July deliveries showed an acceleration over May, but August deliveries dropped again

- Overall development pipeline hasn't changed, but fewer projects are breaking ground and abandonments are increasing

- What we see right now: deliveries to fall by roughly 10% in 2020 and by about 40% over the next five years as short-term construction delays and long-term financing/permitting issues slow development, although a decrease in supply pressure may be welcome in many markets

- Occupancy has held up amidst the pressure of new supply and the economic downturn as new drivers of demand are emerging. Move-ins seem to be slightly ahead of move-outs

- The slog in self storage continues for the next 18 to 24 months, with some emerging upside

Source: Yardi Matrix

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