

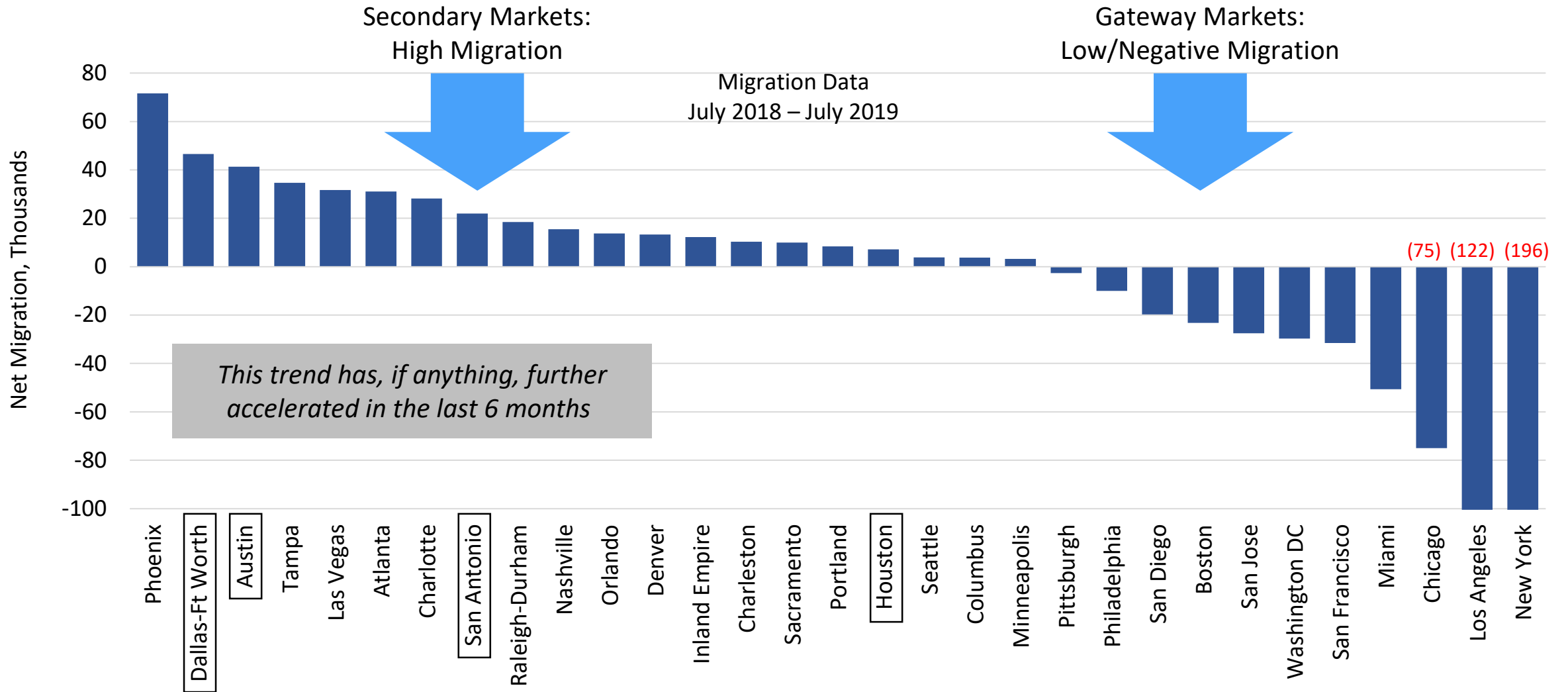
Self-Storage Market Performance Indicators

Chris Nebenzahl, *Yardi Matrix*

John Manes, *Pinnacle Storage Properties*



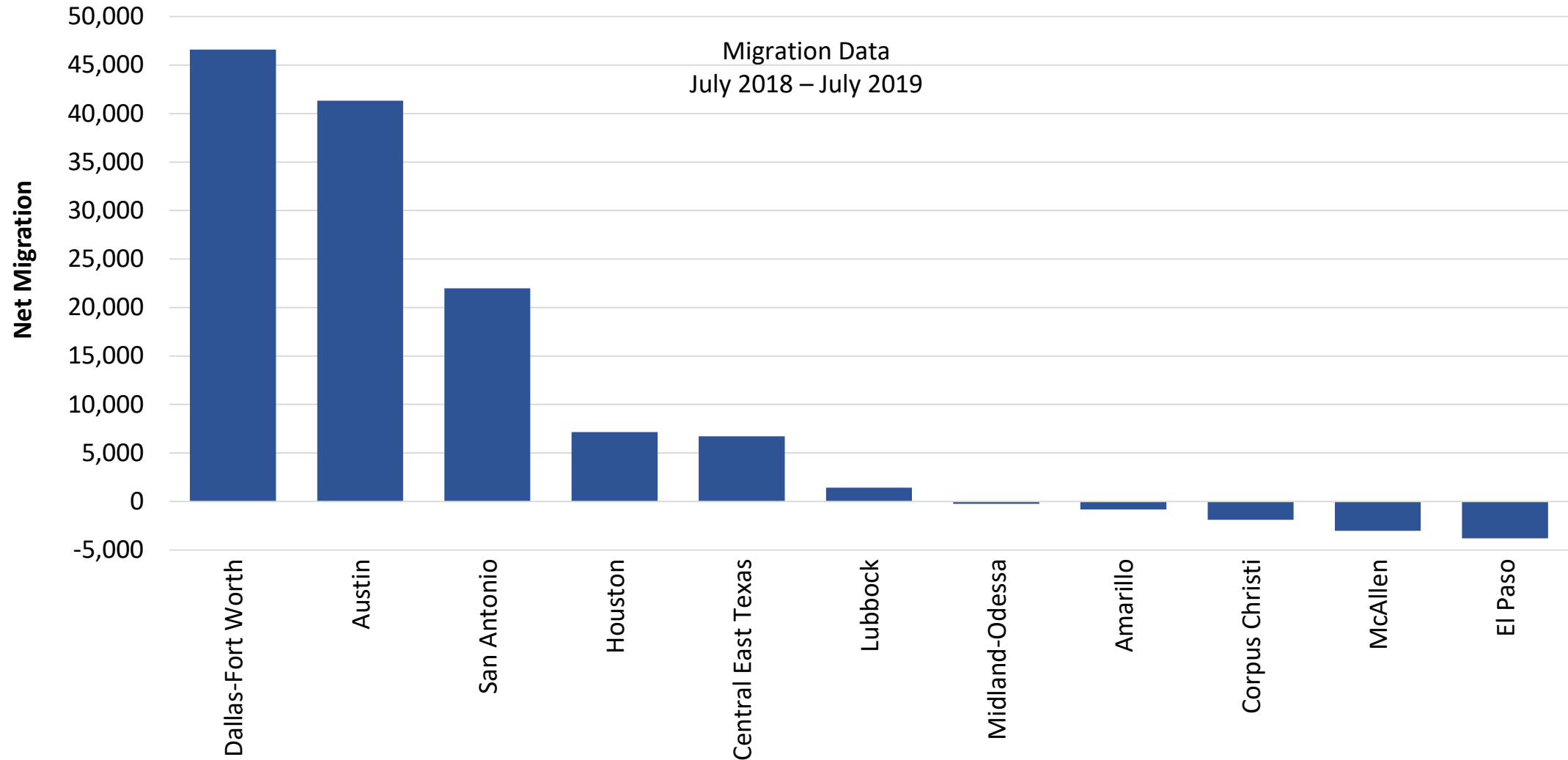
Domestic Migration Trend is Out of Gateway Metros and Into Secondary Cities



*Texas markets are boxed
Source: U.S. Census Bureau (BOC)



Secondary Cities in Texas Cities Benefitting from the Domestic Migration Out of Gateway Metros



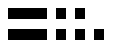


Increase in Domestic Migration Seen Due to COVID-19



- 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

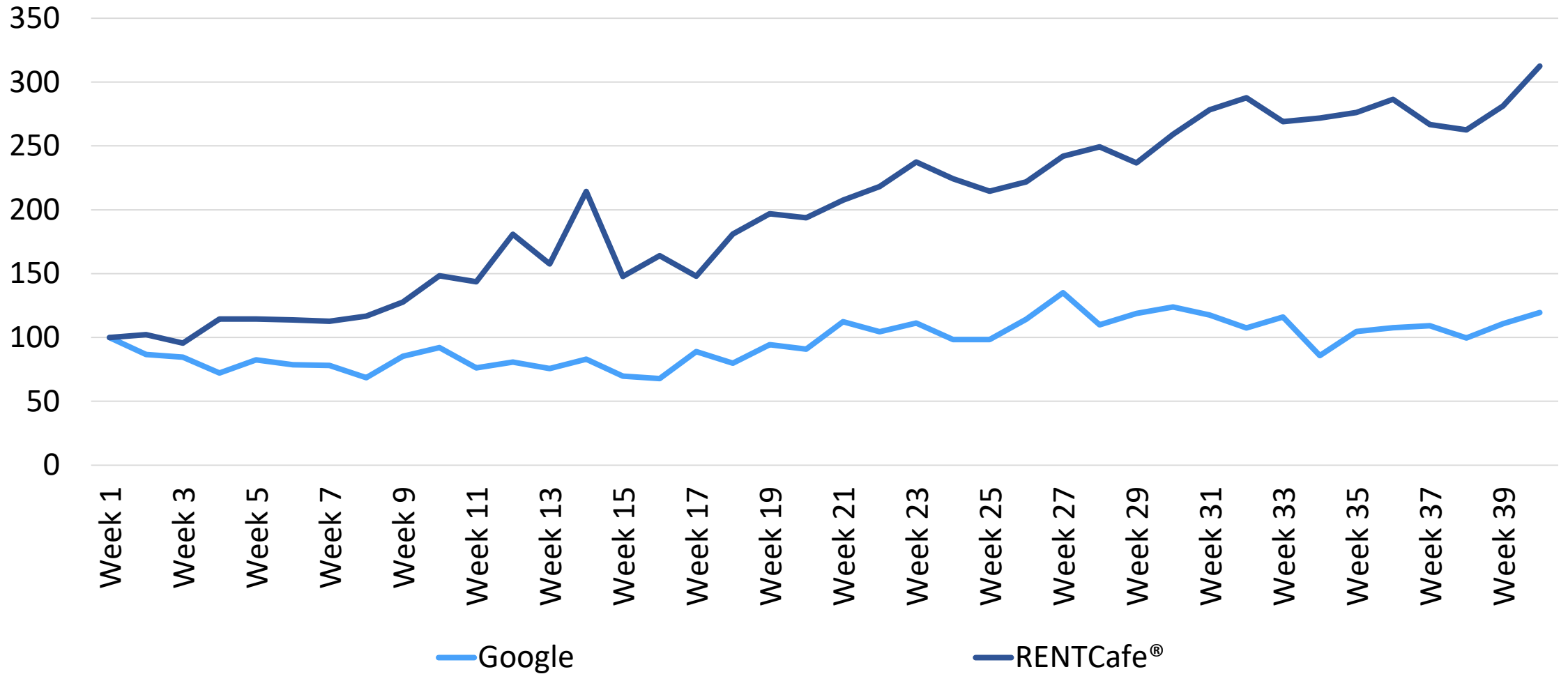




Google Storage Searches Continue Steady Pace

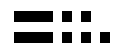


Weekly Storage Searches
Indexed to Week 1 of 2020



*Week 1 is the first week in 2020
Source: Yardi Matrix; RENTCafe®; Google Analytics





10x10 Non-Climate-Controlled Rate Performance Has Improved in Most Texas Metros Over Last 2 Years



Metro	Avg Street Rate Aug 2020	Growth in Street Rates Aug 2019 – Aug 2020	Growth in Street Rates Aug 2018 – Aug 2019
Lubbock	\$83	25.8%	-9.6%
Midland – Odessa	\$104	8.3%	6.7%
McAllen	\$76	7.0%	0.0%
El Paso	\$77	6.9%	1.4%
Central East Texas	\$78	1.3%	2.7%
San Antonio	\$96	-1.0%	-2.0%
Dallas - Ft Worth	\$93	-1.1%	-4.1%
Houston	\$83	-2.4%	-3.4%
Austin	\$97	-3.0%	-2.0%
Corpus Christi	\$89	-3.3%	-1.1%
Amarillo	\$70	-7.9%	2.7%



*10x10 Non-climate-controlled; Year-over-year rate growth

Source: Yardi Matrix



10x10 Climate-Controlled Rate Performance Did Not Improve as Well Over Last 24 Months

Metro	Avg Street Rate Aug 2020	Growth in Street Rates Aug 2019 – Aug 2020	Growth in Street Rates Aug 2018 – Aug 2019
Lubbock	\$126	40.0%	-16.7%
Midland - Odessa	\$136	4.6%	4.8%
McAllen	\$128	4.1%	1.7%
Central East Texas	\$109	1.9%	0.9%
Corpus Christi	\$131	0.8%	-4.4%
San Antonio	\$115	-0.9%	-3.3%
Dallas - Ft Worth	\$112	-1.8%	-3.4%
Houston	\$102	-1.9%	-8.0%
El Paso	\$99	-2.0%	8.6%
Austin	\$117	-4.1%	-3.9%
Amarillo	\$84	-9.7%	5.7%

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

Month-Over-Month Non-Climate-Controlled Rates Remained Steady or Improved in Almost All Texas Markets

Metro	Growth in Street Rates July 2020 – August 2020
Lubbock	3.8%
Houston	1.2%
San Antonio	1.1%
Austin	1.0%
Amarillo	0.0%
Central East Texas	0.0%
Corpus Christi	0.0%
Dallas - Ft Worth	0.0%
El Paso	0.0%
McAllen	0.0%
Midland - Odessa	-1.9%

*10x10 Non-climate-controlled; Month-over-month rate growth

Source: Yardi Matrix



Several Texas Markets Saw Positive Growth in 10x10 Climate-Controlled Rates from July to August



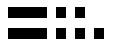
Metro	Growth in Street Rates July 2020 – August 2020
Lubbock	3.3%
Houston	2.0%
Austin	1.7%
Dallas - Ft Worth	0.9%
San Antonio	0.9%
McAllen	0.8%
Amarillo	0.0%
Central East Texas	0.0%
Corpus Christi	0.0%
El Paso	0.0%
Midland - Odessa	-2.2%



*10x10 Climate-controlled; Month-over-month rate growth

Source: Yardi Matrix

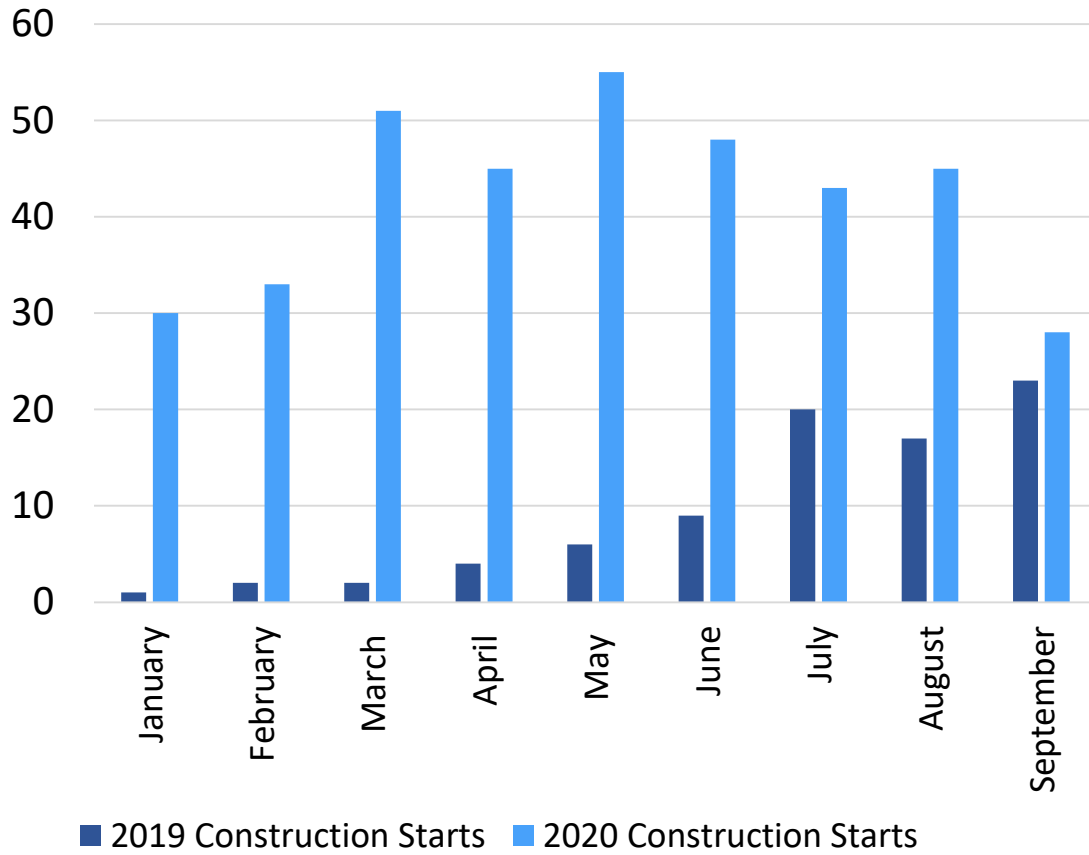




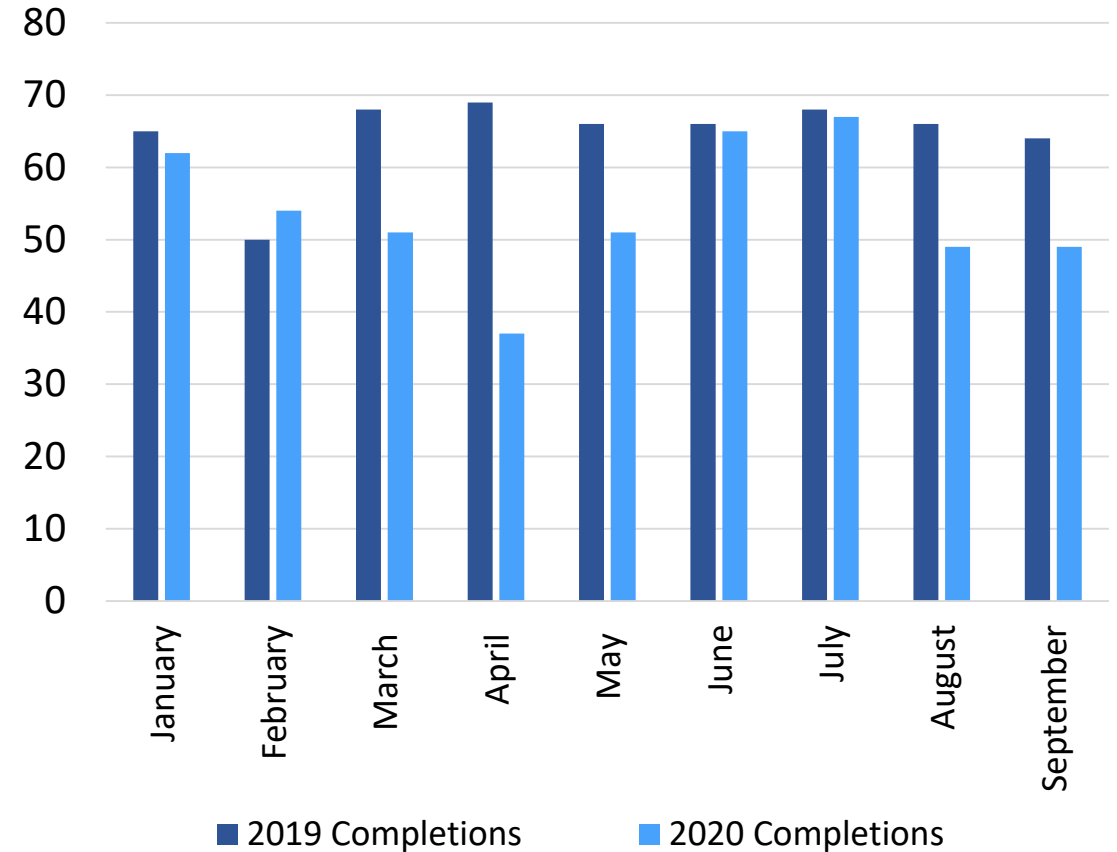
At A National Level, Construction Starts Have Increased YoY, While Completions Have Declined



Storage Construction Starts



Storage Completions



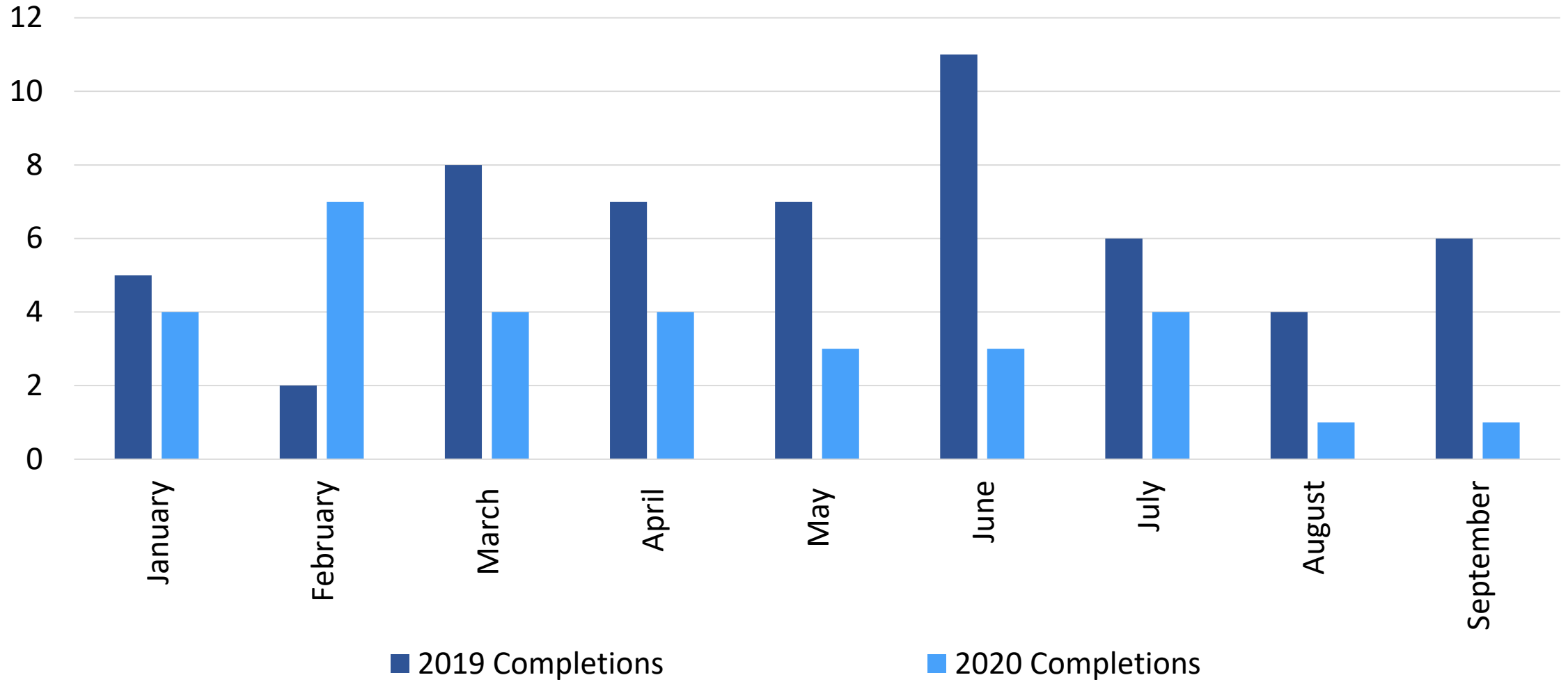
*Expansions not included in completion totals

Source: Yardi Matrix



☰☰☰ Total Completions in Texas Markets Have Also Declined YoY ☰☰

Storage Completions

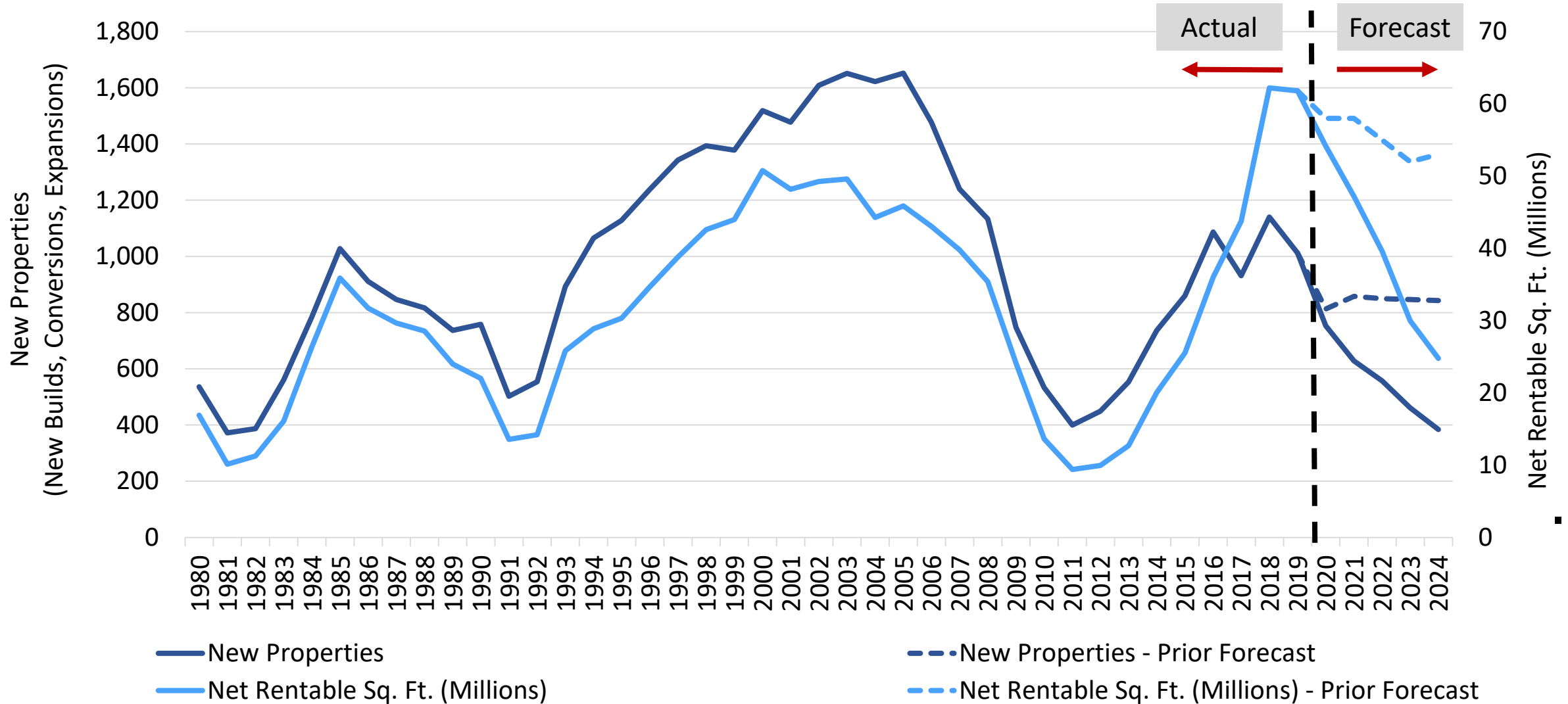


☰☰

*Expansions not included in completion totals

Source: Yardi Matrix

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



Source: Yardi Matrix



Forecast of New Storage Supply Summary

Texas Markets Q4 2020 Update

Property Forecasts	2020	2021	2022	2023	2024	2025
New Build	32	22	20	16	19	14
Conversion	1	2	2	1	2	5
Expansion	12	6	11	6	9	6
Total	45	30	33	23	30	25

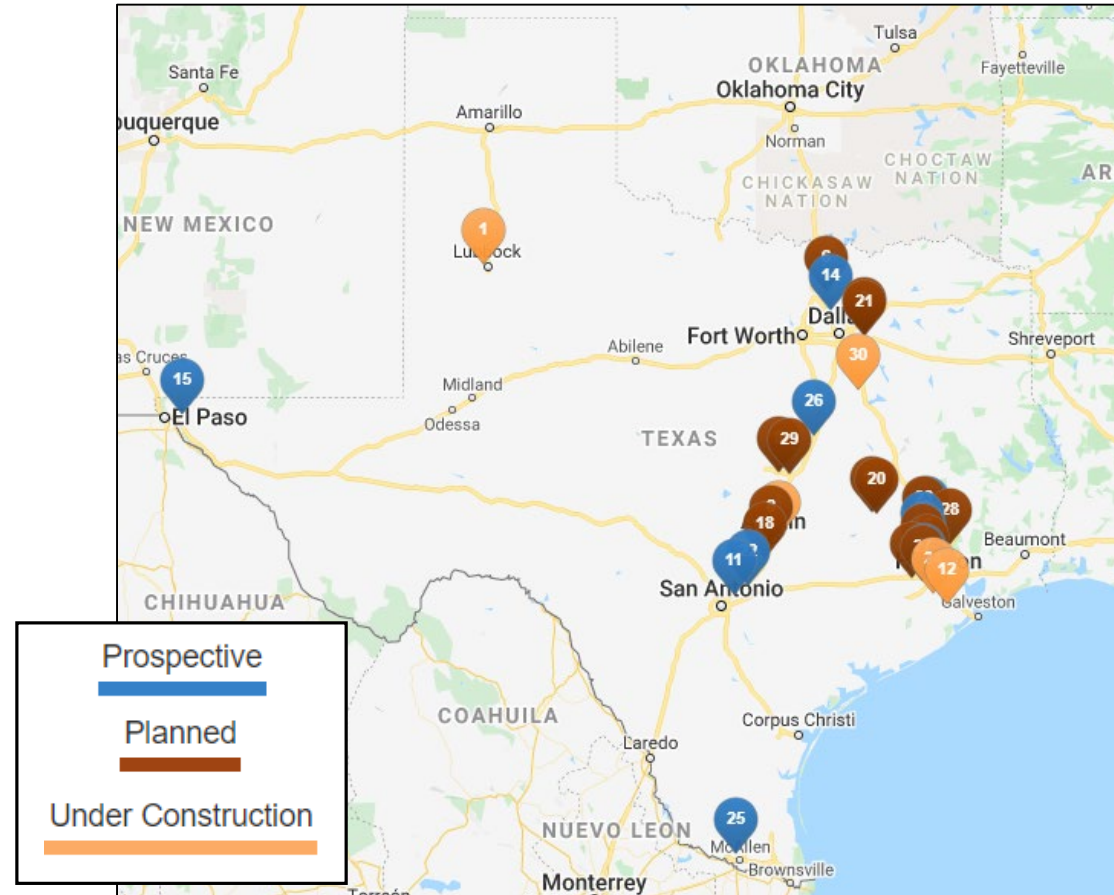
NRSF Forecasts (Thousands)	2020	2021	2022	2023	2024	2025
New Build	2,629	1,544	1,624	1,200	1,281	1,023
Conversion	69	100	160	80	160	400
Expansion	382	95	550	173	214	151
Total	3,080	1,739	2,334	1,454	1,656	1,575
NRSF as a % of Stock	2.3%	1.2%	1.7%	1.0%	1.1%	1.1%

*Forecast totals for Yardi Matrix's 11 Texas storage metros

Source: Yardi Matrix



Robust Expansion Activity in Texas Storage Markets

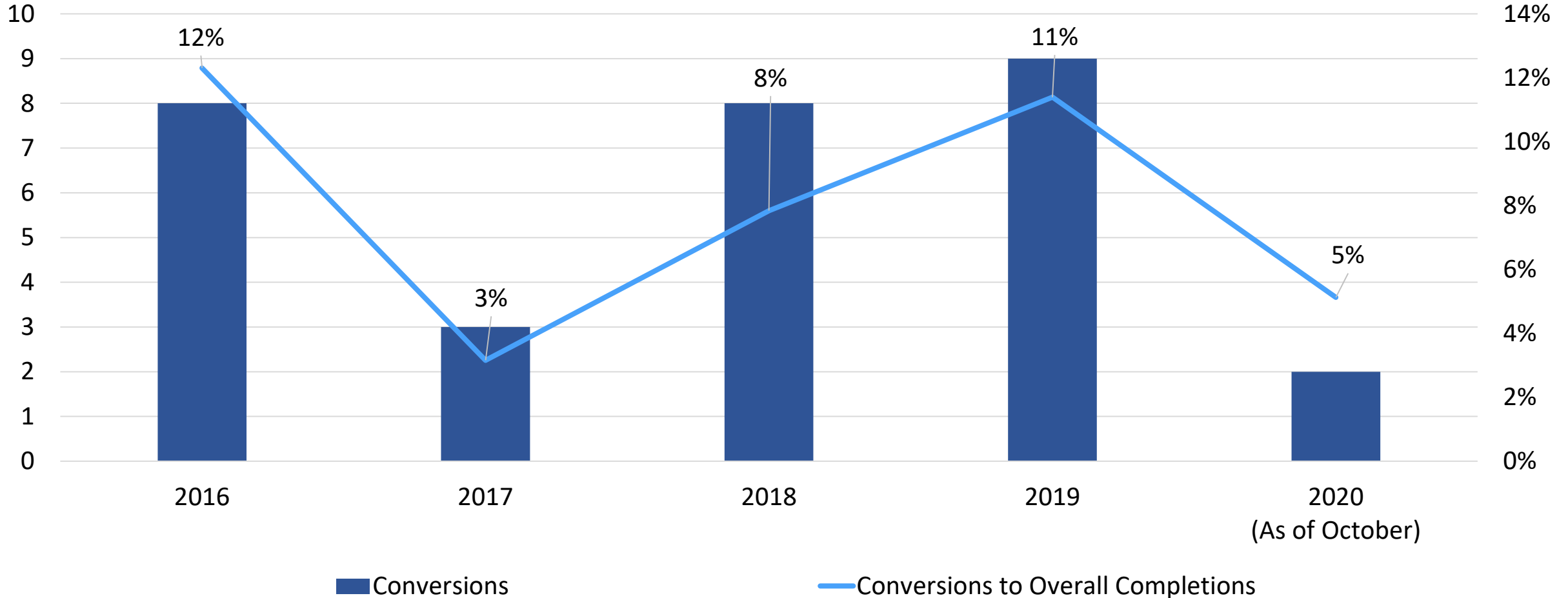


Property Status	# Properties	Total Sq. Ft.	Rentable Sq. Ft.
Prospective	10	262,390	216,926
Planned	15	679,290	585,396
Under Construction	5	112,772	107,133
TOTAL EXPANSIONS:	30	1,054,452	909,455



Total Number of Conversion Deliveries in Texas Markets Peaked in 2019

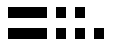
Conversion Count and % of Total Storage Completions: 2016 to September 2020



*Conversion totals for Yardi Matrix's 11 Texas storage metros

Source: Yardi Matrix

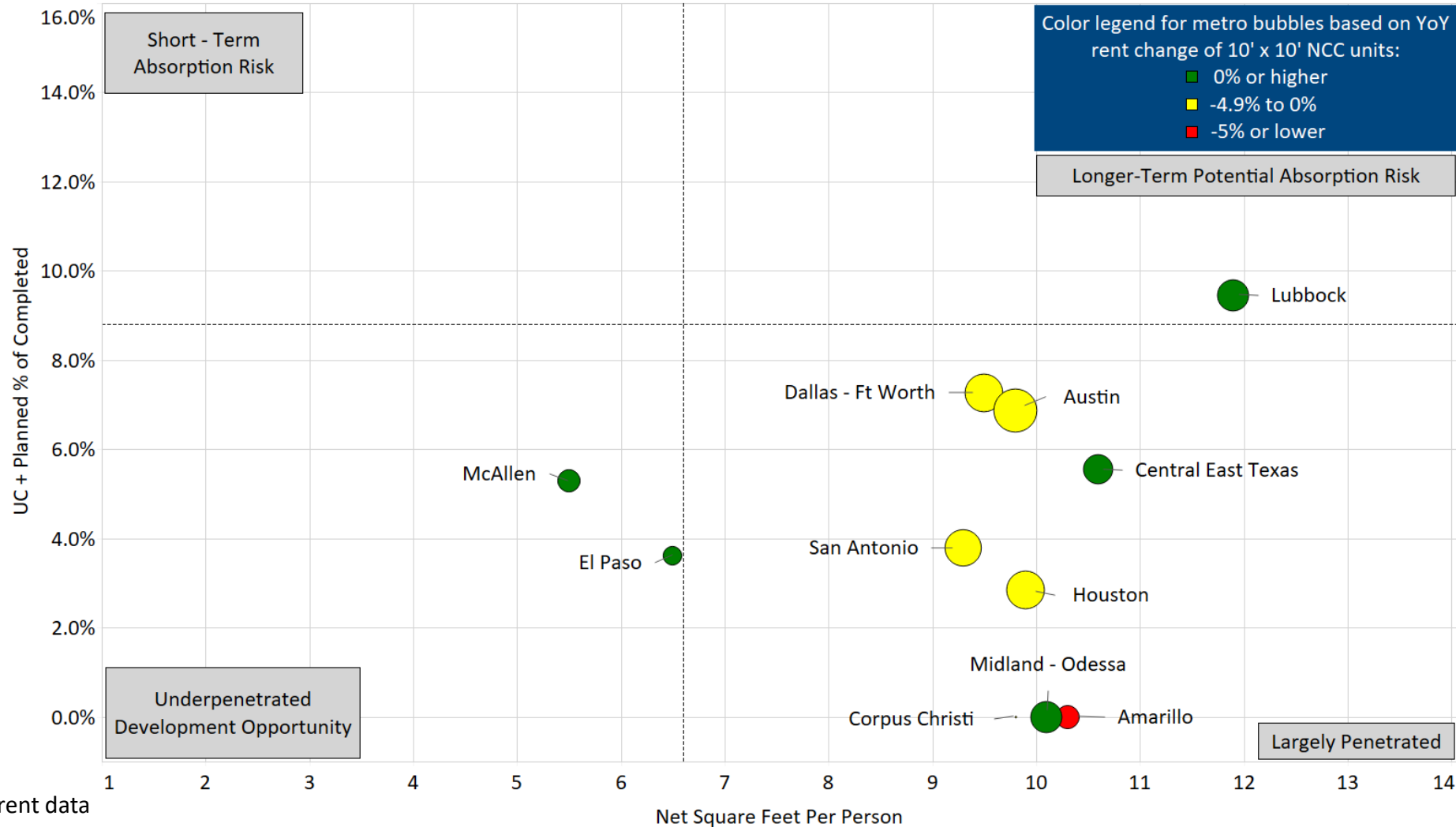




Despite COVID-19 Uncertainty, Half of the Texas Metros See Positive Rate Growth



2020 Snapshot: August 2020 Supply and Rent Growth
(Bubble Size represents 2018 population growth rate)



*August 2020 supply and rent data
Source: Yardi Matrix

Yardi Matrix House View

- Street rates fell dramatically immediately following COVID-19 outbreak, started to stabilize in June and July, and began improving in August for several Texas markets
- Construction completions in Texas peaked in February, but have steadily continued to drop through September
- Overall development pipeline hasn't changed much, but fewer projects are breaking ground, and more Texas markets are seeing project abandonments

Yardi Matrix House View

Continued

- 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 the overall self storage industry continues for the next 18 to 24 months, with some emerging upside

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Texas Self Storage Association



CHRIS NEBENZAHL

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THANK YOU

FOR ANY QUESTIONS PLEASE FEEL FREE TO CONTACT ME

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