

August 2022

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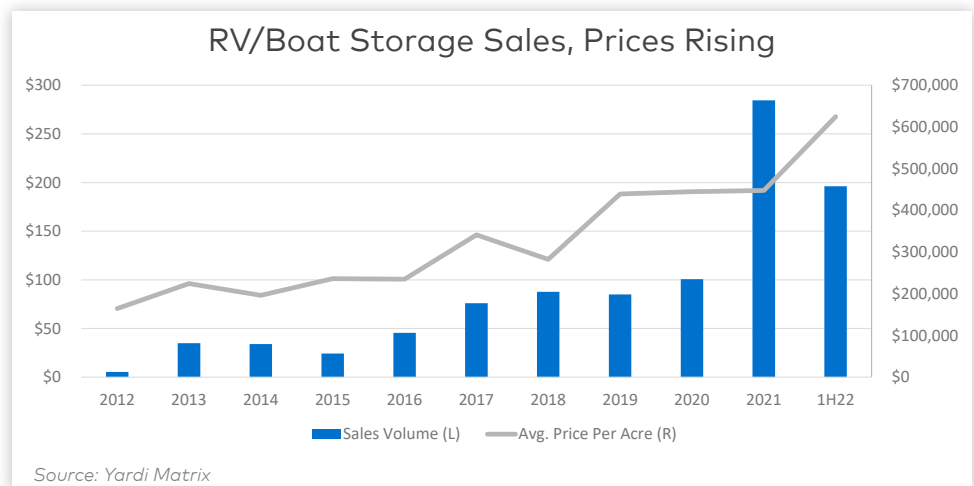
Opportunity Abounds In RV/Boat Storage Segment

The RV/boat storage sector has all the makings of an emerging niche asset class: elevated demand fueled by demographic and social trends, strong potential for income growth, and a dearth of institutional capital that creates an opportunity to exploit for deep-pocketed investors.

RV/boat storage is viewed as a subsector of the self-storage segment, as many vehicle storage facilities are situated in properties that also contain traditional storage. But the RV/boat storage market has unique demand drivers that may enable it to eventually break out on its own.

Underpinning the prospects for growth is the record consumer demand for RVs and boats, which translates into demand for facilities to store vehicles. That growth is only expected to intensify as vehicle registrations increase and owners clamor for more and better storage facilities. RV/boat storage deliveries in 2022 are expected to rise to the highest levels in nearly two decades, according to Yardi Matrix’s database of nearly 1,100 facilities, but the imbalance between demand and supply should keep occupancy rates elevated and push street rates ever higher.

Growth in the RV/boat segment has been limited by the lack of data and awareness among investors, limited institutional capital, and weak supply growth stemming from constraints involving the amount of land needed to develop a facility, the cost of construction and difficulty getting through the entitlement process.



Although institutional capital remains insignificant compared to major property types, investors are starting to notice the segment. According to Yardi Matrix, a record 66 properties were sold in 2021 totaling \$284.5 million, almost three times the previous high of \$100.7 million encompassing 35 transactions in 2020.

With commercial property investors looking for segments characterized by stable demand with upside growth in rents and values, 2022 will likely be another record year for RV/boat storage transaction volume. Midway through 2022, some 37 RV/boat facilities have been sold for a total of \$196.2 million, putting the segment on track for a new high in sales activity. Growing investor demand is pushing prices higher. The average price per acre of facilities sold in 2022 is \$624,500, well above 2021's record level of \$447,000 and more than double the prices from just a few years ago, per Matrix.

Record Vehicle Deliveries

Demand for facilities to store RVs and boats is driven by the explosive growth in the number of "adult toys," as they are called in the industry. As a result, registrations of RVs and motorboats are at all-time highs. Since the beginning of 2017, more than 2.5 million RVs and 1.6 million motorboats have been registered in the U.S., according to Statistical Surveys, a Michigan firm that compiles registration information.

Sales have increased since the pandemic started. RV registrations reached an all-time high of 571,000 in 2021, while motorboat sales peaked at 325,000 in 2020 before falling slightly to 313,000 in 2021, according to Statistical Surveys. States with the most RVs registered since 2017 are Texas (256,323), California (219,896), Florida (150,196), Michigan (103,025) and Washington (100,601).

Top States for RV Registrations

State	New RV Registrations Full Year 2021	New RV Registrations Partial Year 2022*	Total New RV Registrations 2017-2022	Total Existing RV Registrations
National	571,423	252,424	2,784,469	6,005,184
California	45,238	17,916	219,896	493,175
Michigan	20,169	9,490	103,025	377,158
Texas	53,819	21,381	256,323	372,688
Florida	30,525	15,558	150,196	323,852
Washington	19,600	8,857	100,601	256,840
Arizona	14,498	6,438	66,994	233,762
Minnesota	14,658	6,392	73,769	198,506
Ohio	16,571	7,174	84,175	197,172
Oregon	15,814	6,268	74,042	192,649
Pennsylvania	16,160	7,161	76,823	191,790
Colorado	16,401	7,592	78,921	181,099
New York	13,674	5,411	67,505	159,194
North Carolina	14,873	7,033	71,446	149,161
Georgia	13,141	5,701	62,489	147,581
Wisconsin	13,098	5,604	62,331	143,407

Source: S&P Global, Statistical Surveys, 2022 data through 1H

Motorboats are most popular in coastal states and the Upper Midwest, where lakes abound. States with the highest number of registered motorboats since 2017 are Florida (215,490), Texas (126,490), Michigan (87,585), Minnesota (71,004) and Wisconsin (67,935).

Sales of RVs and boats are likely to be affected by higher borrowing costs from rising interest rates, supply-chain logjams that delay deliveries, and the slowing economy. June vehicle shipments were down slightly year-over-year, the first month of 2022 that failed to record growth over 2021 levels. That was a sign that the increase in interest rates is having an impact on consumer behavior.

RV shipments totaled 252,000 through June, a pace that would put the market below 2020 and 2021 but also would be higher than any previous year, per Statistical Surveys. First-quarter motorboat sales were just shy of 53,000, down slight-

ly year-over-year, according to the firm. Even if sales slow temporarily, however, growth in the total number of RVs and boats to be delivered over the next five to 10 years is likely to be solid and increase demand for storage.

Weak Development Pipeline

The pandemic helped drive demand for recreational vehicles as families looked for vacation destinations that are drivable and outdoors. Most vehicles are only used occasionally, and many RV and boat owners either do not have space to store vehicles at their residences or live in communities where storage is prohibited. "The need for Class A and A+ boat and RV storage is exponential, driven by homeowner association rules and the increased pipeline of new RVs and boats," said Amy Bix, director of sales for Toy Storage Nation, an industry trade group based in Walnut Creek, Calif.

Top States for New Motorboat Registrations

State	New Motorboat Registrations Full Year 2021	New Motorboat Registrations Partial Year 2022*	Total New Motorboat Registrations 2017-2022
National	313,243	52,896	1,565,422
Florida	43,469	10,897	215,490
Texas	23,332	4,552	126,775
Michigan	17,379	2,665	87,585
Minnesota	15,310	1,733	71,004
Wisconsin	14,420	1,955	67,935
California	13,511	1,943	64,959
North Carolina	12,722	2,751	64,950
New York	11,291	1,174	54,622
Georgia	9,864	1,822	50,470
South Carolina	9,446	1,005	47,506
Alabama	9,009	1,909	46,749
Tennessee	8,665	1,575	42,084
Ohio	8,244	1,117	41,325
Missouri	8,117	1,326	37,057
Louisiana	5,874	728	34,228

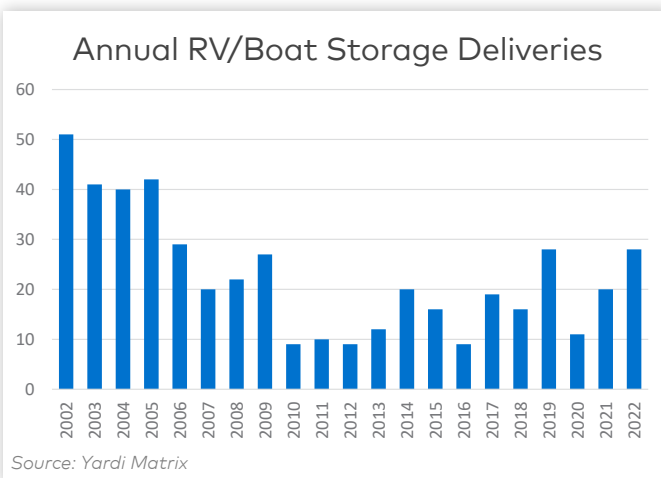
Source: Statistical Surveys, *2022 through 1Q

The growth in demand for storage is not being met by growth in facilities. Due to the current lack of executive-level Class A boat and RV storage facilities available, Bix said that some vehicle owners have resorted to storing them on the sides of highways, neighborhoods and shopping center parking lots. Per Matrix, 28 new facilities have been delivered in 2022, representing 2.6% growth in total square footage, and 18 are under construction. While that represents the most active year for new supply since the early 2000s, it remains well below what is needed to meet the demands of the market. Between 2002 and 2005, 44 new facilities were delivered annually. Since 2006, the segment has averaged only 17 deliveries annually, per Matrix.

New supply is likely to remain insufficient to meet demand, given constraints to development. One constraint is the limited number of developers in the segment. Another is locating suitable facilities. Each storage unit requires about 750 square feet of space, so a minimum of three acres of land is necessary to build a facility large enough to generate sufficient revenue. Some RV/boat storage sites encompass more than 15 acres.

Suitable locations require specific characteristics. Prime locations for RV/boat facilities are areas outside city centers zoned for light industrial, preferably on a route between populated areas and recreational areas such as national parks and lakes. Meanwhile, municipalities do not always welcome storage facilities, and entitlement processes can drag out.

The cost of development is yet another limitation. Supply-chain bottlenecks and the shortage of labor have increased the total cost of development by upwards of 50% since 2019, according to Matt Maurer, business development manager at Betco Inc., a self-storage building manufacturer in Statesville, N.C. Municipalities are further adding to costs by increasingly requiring that developers incorporate design features intended to improve visibility.



What's more, RV and boat owners increasingly prefer facilities with higher-end features. Many older facilities consisted of unpaved parking spots. Even some paved parking might not have any facilities other than a canopy. New high-end facilities, however, are enclosed, insulated and air conditioned to protect vehicles from the elements. Other popular customer features include ice machines, electricity, locking systems, tight security and access to water and lighting.

RV/boat storage facilities cost roughly \$50 per square foot to build, about one-third the cost to build traditional storage facilities. Nationally, rents for RV/boat storage average about 70 cents per square foot, per Matrix, but the range varies widely depending on location and the types of amenities at facilities. Average rents are highest in larger gateway metros such as San Francisco (\$1.54 per square foot), Los Angeles (\$1.46/sf) and Chicago (\$1.38/sf). But in many other markets—including Dallas, Austin, Denver and Phoenix—rents average less than 50 cents per square foot.

Since RVs and boats cost a minimum of \$50,000 and many cost hundreds of thousands of dollars, owners are willing to pony up to keep their investments safe and protected. Vehicle owners tend to be more stable financially than the average self-storage customer and thus can absorb rent increases. And with so few storage facilities available, vehicle owners often have few choices as

to where to store their RVs and boats. Although there are RV/boat storage facilities in every state, the composition of current stock is weighted toward the South and West regions, areas with coastlines or lakes, campgrounds and national parks. Metros with the most facilities are Houston (79), Dallas (57), Denver (51), San Francisco (41) and Los Angeles (39), per Matrix.

Yardi's RV/boat storage pipeline encompasses 18 properties with 850,000 square feet of space that are under construction, 59 properties with 1.3 million square feet in the planning stage, and 23 properties with 700,000 square feet in the prospective stage. Florida and Texas are the primary locations for new construction of RV/boat facilities. Florida leads with five properties totaling 63,000 square feet. Texas has four properties under construction with more than 500,000 square feet. Counting planned and prospective properties, the Texas pipeline tops 1.1 million square feet.

Opportunity to Collect Properties

The RV/boat storage segment represents an opportunity for investors, since more than 90% of the property owners in the Yardi Matrix database own only one unit and just a handful own more than five. The largest owners in the Matrix database are Gary J. Wojtaszek, who along with private-equity firm Centerbridge Partners operates under the brand RecNation RV & Boat Storage, and A-Affordable Storage.

Opportunity in the RV/boat sector falls into different levels. One level is the need for more facilities, presenting an opportunity for investors to acquire land and build properties. Another option for those with capital is to create a portfolio by acquiring properties owned by mom-and-pop investors, much as institutional owners are doing in the traditional self-storage segment. However, unlike traditional storage, where overdevelopment is a perpetual concern, there is little chance

Metros With the Most RV/Boat Facilities

Market	Property Count	Total Acreage
Houston	79	576.8
Dallas	57	591.9
Denver	51	651.6
San Fran & E Bay	40	467.4
Los Angeles	39	245.5
Inland Empire	36	246.5
Phoenix	31	387.4
Central Valley, Ca.	30	222.8
Detroit	27	309.1
Sarasota	26	202.9
Sacramento	22	194.6
Seattle	22	122.1
Austin	19	224.0
Tampa	19	87.2
Orlando	18	180.6
Jacksonville	18	97.2
Atlanta	17	223.8
San Antonio	17	119.4
Portland	16	692.1
Charleston, S.C.	16	214.2
St Louis	16	126.7
Colorado Springs	15	117.9

Source: Yardi Matrix

that RV/boat storage will get overly saturated anytime soon.

Another opportunity in the RV/boat sector is for owners to increase rents, which on average are almost half as much per square foot as traditional self storage. The national average rent for RV/boat storage is \$0.70 per square foot, compared to roughly \$1.50 per square foot for traditional self storage, according to Yardi Matrix's database. Seattle, at \$1.25 psf, has the biggest gap between RV/boat and traditional storage. Seattle's RV/boat storage averages \$0.48 psf, compared to \$1.73 psf for traditional storage. Metros with the next-highest gap between the two types of storage are Phoenix and Denver. In each metro there is a \$1.10 psf difference between the two types of storage.

The disparity provides opportunity for owners to raise rents at existing facilities. In some cases, rents are below market and can be increased, but in other cases investors are adopting a value-add strategy of making capital improvements and then raising rates in the upgraded facility.

To be sure, the sample sizes on a metro level are small, and the averages are impacted by the makeup of the amenities (in other words, the proportion of RV/boat facilities that are indoors or air conditioned is not the same in each market). Consequently, comparing average rents by metro is not apples-to-apples. That said, given the low average rents per square foot at RV/boat facilities, the supply-demand dynamics, and relative lack of sophistication of RV/boat storage owners, the potential for outside rent growth is conspicuous.

Yardi Matrix's database is just shy of 1,000 operating RV/boat storage facilities. Industry players say the segment is still in the infancy stage of development, with demand expected to outstrip supply for years. The segment "has a long run ahead of it," said Robert Heyworth, chief executive officer of Baja Construction of Martinez, Calif. "In the not-too-distant future, RV/boat storage will compete with mini-storage."

Paul Fiorilla, Director of Research

Rent Differential Between RV/Boat And Traditional Storage

Metro	RV/Boat Avg. Rent/psf	Total Storage Avg. Rent/psf	Diff Btwn RV/Boat and All Storage
Central Coast, Ca.	\$0.70	\$2.22	\$1.52
Seattle	\$0.48	\$1.73	\$1.25
Phoenix	\$0.26	\$1.36	\$1.10
Denver	\$0.32	\$1.42	\$1.10
Atlanta	\$0.37	\$1.31	\$0.94
Sacramento	\$0.48	\$1.42	\$0.94
Inland Empire	\$0.45	\$1.38	\$0.93
Tucson	\$0.45	\$1.35	\$0.90
Savannah	\$0.44	\$1.34	\$0.90
Sarasota	\$0.58	\$1.48	\$0.90
Las Vegas	\$0.37	\$1.26	\$0.89
San Fran & E. Bay	\$1.51	\$2.40	\$0.89
Los Angeles	\$1.43	\$2.32	\$0.89
Austin	\$0.41	\$1.28	\$0.87
Tampa	\$0.54	\$1.39	\$0.85
N Central Fla.	\$0.37	\$1.21	\$0.84
San Diego	\$1.33	\$2.10	\$0.77
Des Moines	\$0.13	\$0.89	\$0.76
Birmingham	\$0.44	\$1.19	\$0.75
Eugene	\$0.47	\$1.20	\$0.73
Dallas	\$0.43	\$1.13	\$0.70
Greenville, S.C.	\$0.18	\$0.86	\$0.68
Orlando	\$0.66	\$1.32	\$0.66
Kansas City	\$0.41	\$1.03	\$0.62
Lubbock, Tx.	\$0.35	\$0.95	\$0.60

Source: Yardi Matrix

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