



YARDI MATRIX SELF STORAGE

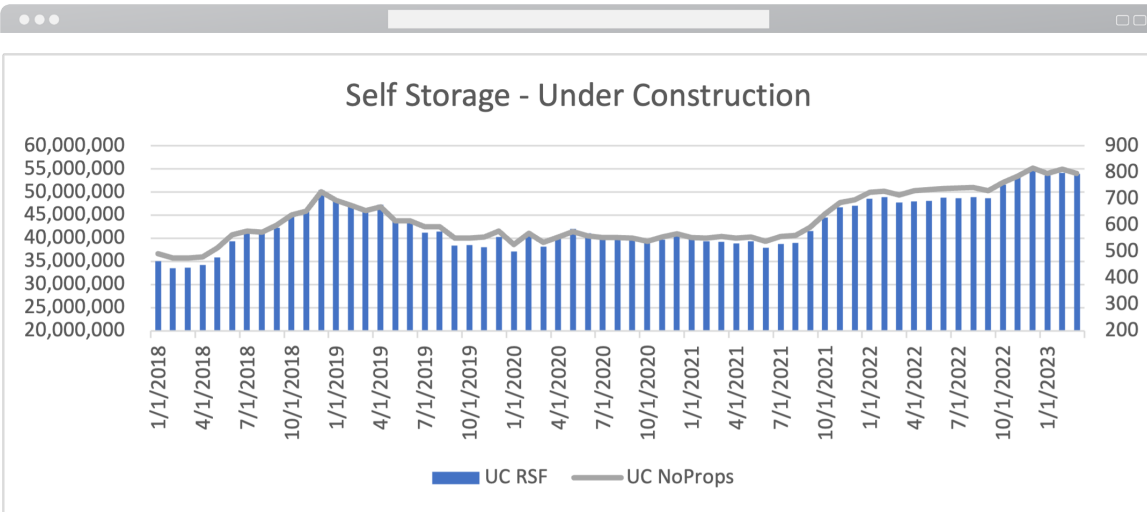
Q2 2023 Self Storage Supply Forecast

The Q2 2023 Self-Storage supply forecast update has reduced completions in 2025, 2026, and 2027. All other years remain unchanged.

Year	2Q 2023	1Q 2023	% Chg
2023	52,542,291	52,582,315	-0.1%
2024	45,518,142	45,588,955	-0.2%
2025	42,592,314	45,098,754	-5.6%
2026	42,504,749	45,593,416	-6.8%
2027	45,031,748	46,095,045	-2.3%
2028	47,088,167	47,042,468	0.1%

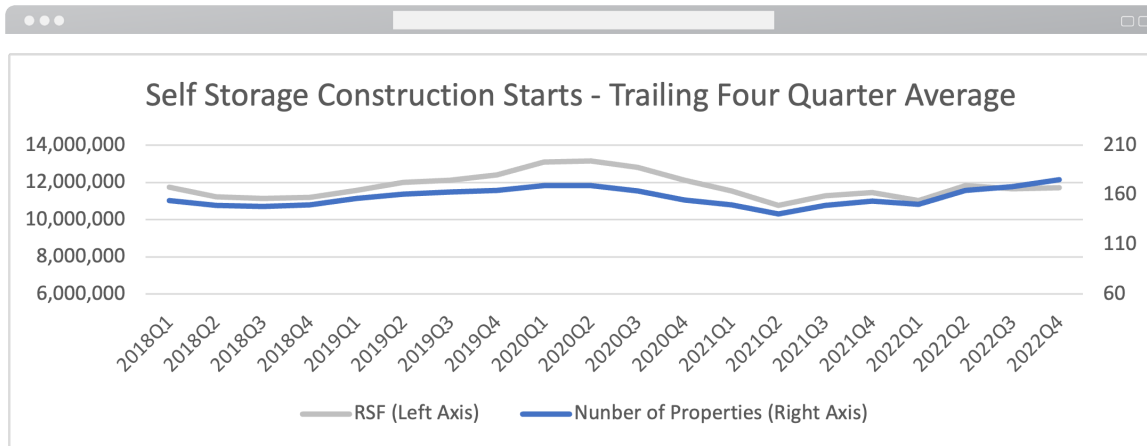
Near Term Forecast: 2023 and 2024

The new supply forecast is substantially unchanged for 2023 and 2024 compared to last quarter's forecast as the under-construction pipeline was flat to slightly declining in Q1 2023. At quarter end, Yardi Matrix had identified 796 properties totaling 54MM rentable square feet (RSF) that were under construction. This represents a 1.6% decline in under construction RSF compared to Q4 2022. Under construction RSF is up 13.0% on a year over year basis and up 38.3% over pre-pandemic levels. Most of the projects currently tracked by the under-construction pipeline should complete later this year or in 2024.



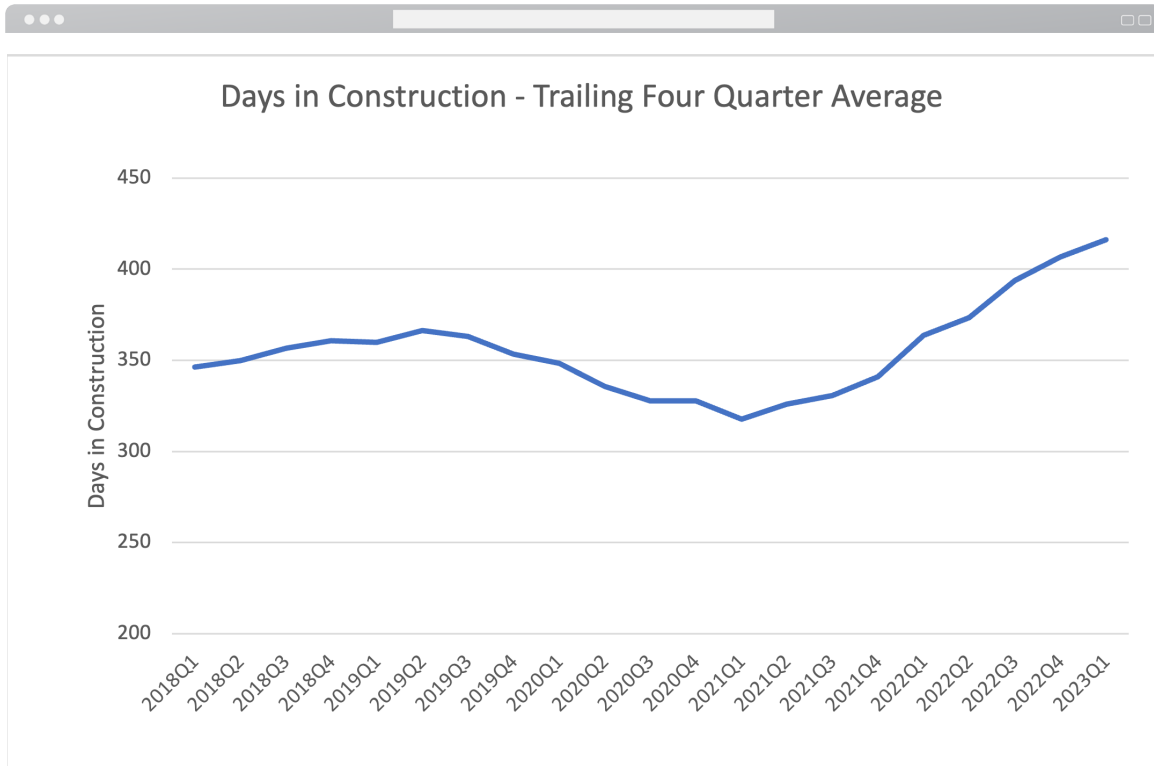
Source: Yardi Matrix

Since Q2 2021, quarterly self-storage construction starts have fluctuated between 11MM RSF and 12MM RSF. For Q4 2022, Yardi Matrix has identified 11.8MM RSF in new construction starts. For full year 2022, 46.9MM RSF in new construction starts have so far been identified. A pace consistent with the 45.9MM RSF recorded in 2021, and modestly below the 48.5MM RSF started in 2020.



Source: Yardi Matrix

Days in construction remains elevated. Yardi Matrix has currently identified 79 self-storage completions in Q1 2023. These properties on an average spent 430 days in construction, above the trailing four quarter average of 416 days in construction. The relatively stable level of construction starts suggests elevated construction completion times were a primary driver in the expansion of the under-construction pipeline in 2022.

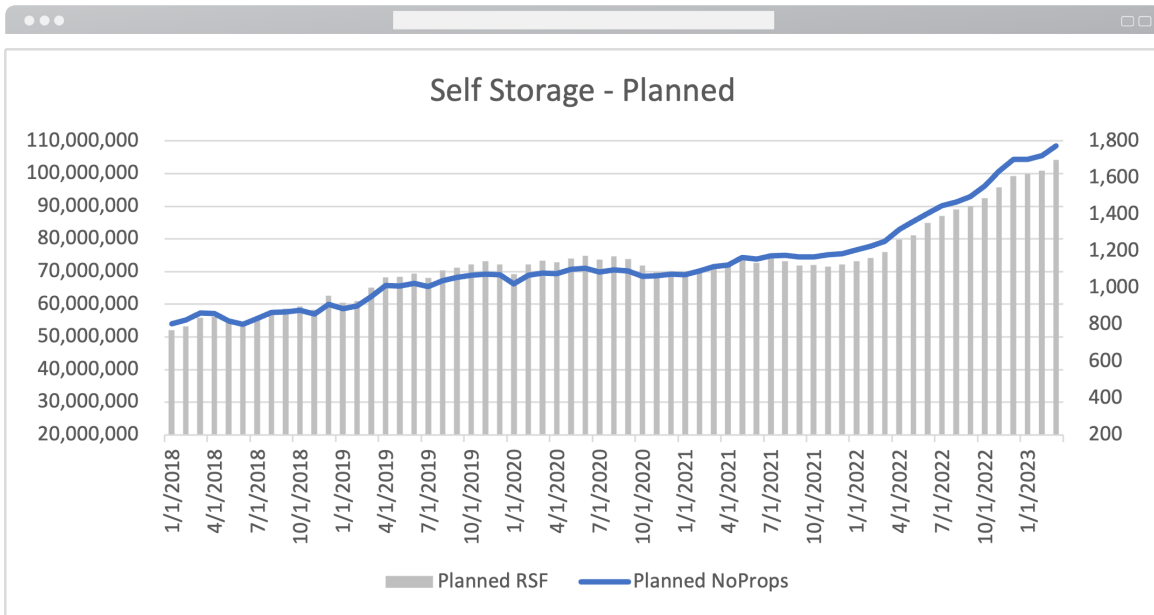


Source: Yardi Matrix

Long Term Forecast: 2025 to 2028

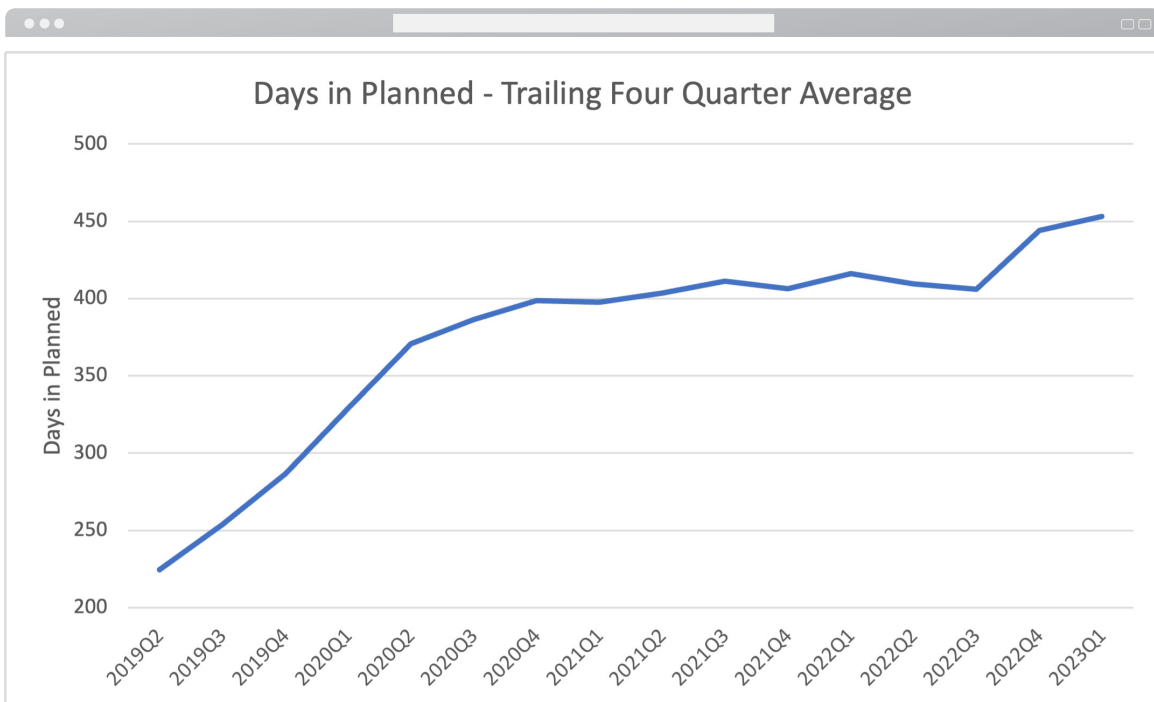
Compared to the Q1 2023 forecast update, the Q2 2023 forecast update has modestly reduced forecast completions in 2025 (-5.6%), 2026 (-6.8%), and 2027 (-2.3%) as we continue to anticipate a recession in late 2023 or early 2024 to negatively affect new construction starts later this year and next.

To date new construction activity has remained relatively stable, however the planned pipeline continues to expand. Currently there is 104.3MM RSF in the planned pipeline. This represents a 5.0% increase over December 2022 levels and a 37.3% increase over year ago levels. In 2021, the planned pipeline averaged 71.9MM RSF.



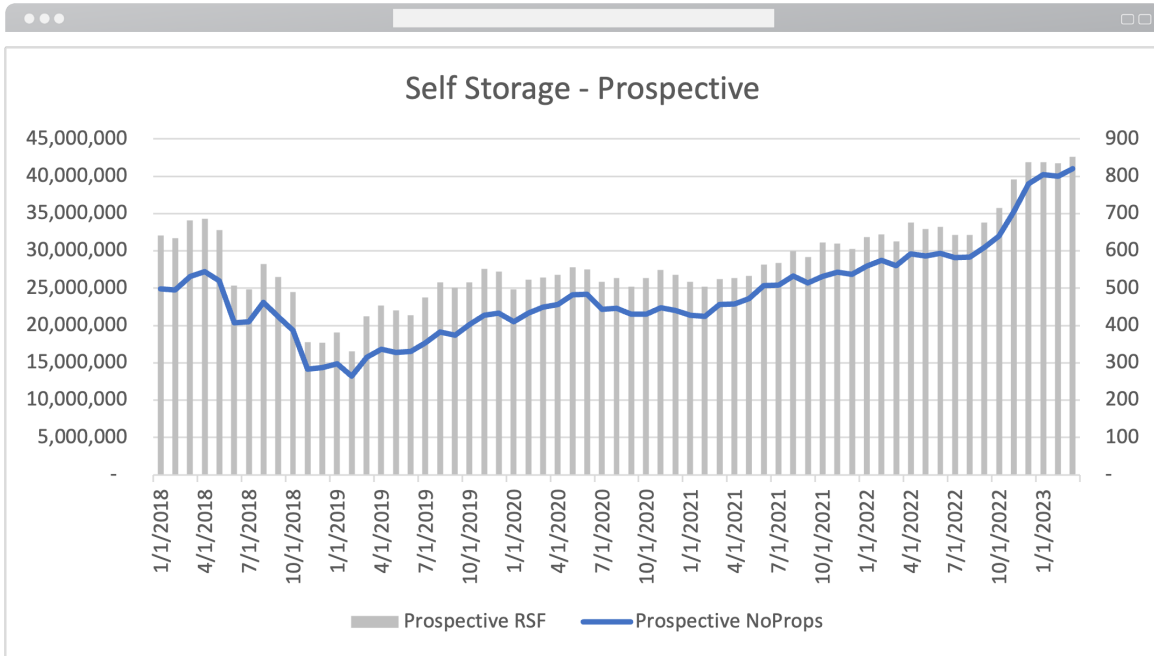
Source: Yardi Matrix

Days in planned increased significantly post pandemic and then plateaued around 400 days through Q2 2022. The initial increase was likely caused by supply constraints that slowed down completions and delayed construction starts. In the last two quarters days in planned has materially increased, suggesting developers are facing increasing headwinds in starting new projects.



Source: Yardi Matrix

Currently there is 42.6MM RSF in the prospective pipeline. A 1.7% increase over December 2022 levels and a 36.2% increase over year ago levels. Q1 2023's modest increase comes on the heels of Q4 2022's sharp increase in prospective inventory. This is another signal that deal sponsors are currently facing increasing difficulty in successfully progressing their projects through the development pipeline.



Source: Yardi Matrix

Bottom Line

Self-storage under construction activity was stable in the first quarter of 2023. The Q2 self-storage supply forecast update is therefore unchanged for 2023 and 2024. Continued growth in the planned and prospective pipeline are perhaps an early signal that developers are facing increasing headwinds in progressing their projects to the under-construction phase. The Q2 forecast update therefore has modestly reduced forecast completions for 2025 through 2027.

Our baseline forecast continues to assume a mild downturn in the national economy will materially depress construction starts in the second half of 2023 through 2024. Yardi Matrix is extremely focused on accurately maintaining our development pipeline data and identifying any changes in self-storage development activity.

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