Yardi® Matrix

NATIONAL SELF STORAGE REPORT

JUNE 2018

MONTHLY SUPPLY AND RENT RECAP

New-supply impacts felt across the country as deliveries continue

- Development activity has been pronounced in fast-growing cities as well as historically underdeveloped urban markets, where supply is catching up to demand.
- New-supply levels are more balanced against demand in the Desert Southwest and Southern California, where rent growth continues to be positive.
- Nationwide, Yardi Matrix tracks 2,200 properties in the new-supply pipeline, comprising of 656 under construction, 868 in planning, 470 at the prospective stage and 200 stores abandoned or deferred.
- In addition to the new-supply pipeline, Yardi Matrix maintains operational profiles for 24,300 completed properties, bringing the total dataset to 26,500 stores.

Rent growth falls as new supply is absorbed; western markets remain strongest

- Heavy new-supply deliveries and slowing economic fundamentals are adding headwinds to street-rate rents, which decreased 2% year-over-year in May 2018 for 10x10 units after growing as quickly as 5% in the early fall of 2017.
- Street-rate rent growth in Las Vegas and Phoenix reached 7% to 10% year-over-year.
- Rents continue to elevate modestly in Southern California because most submarkets of Los Angeles and San Diego are seeing very limited new development.
- Rents were down during the last year in Texas markets, where the existing completed inventory per capita is substantially higher than the U.S. average of 5.5 net rentable square feet (NRSF) per person. Completed inventory per capita in Texas averages 8.0 NRSF in San Antonio, 8.6 NRSF in Dallas-Ft. Worth, 8.7 NRSF in Austin and 9.1 NRSF in Houston.

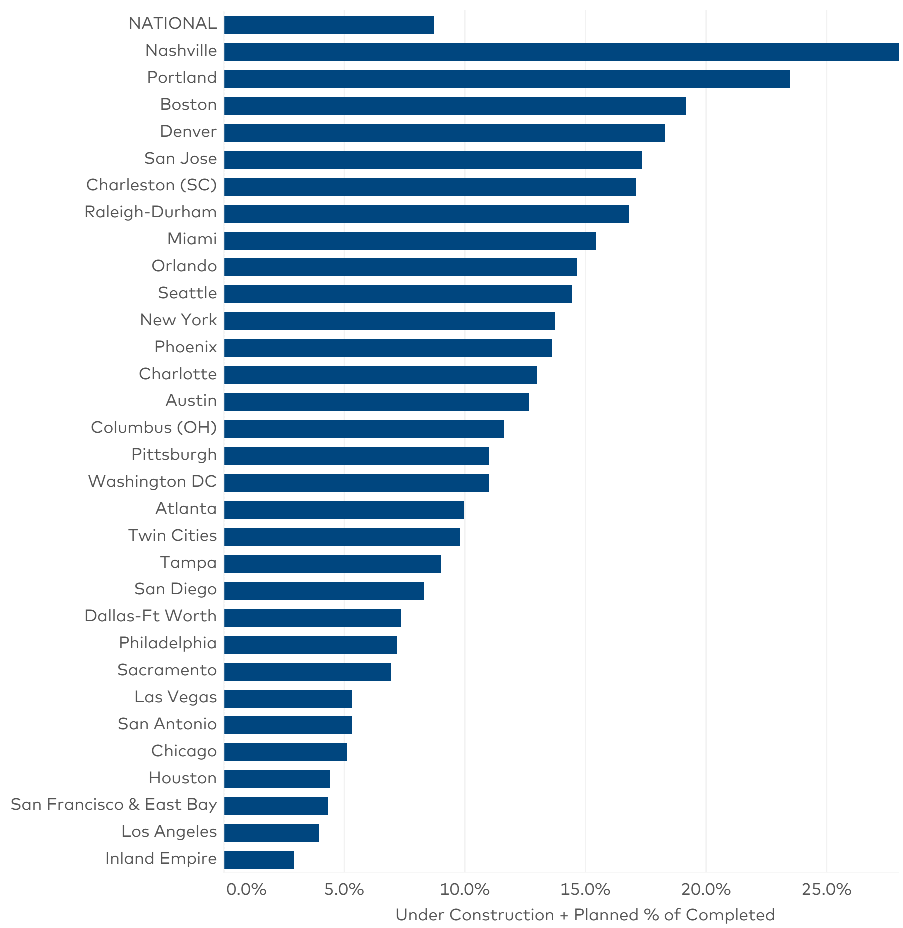
MONTHLY NEW SUPPLY UPDATE

Supply surge in southern and western metros fueled by strong population gains

- Nashville (28%), Portland (24%), Denver (18%) and Raleigh-Durham (17%) have some of the strongest new-supply pipelines, as these markets have Millennial populations that are growing twice as fast as other U.S. metros—and cities such as New York and Chicago are now losing Millennial residents. However, absorption in popular Millennial destinations might be slow as job growth decelerates and these metros move above 7 rentable square feet per person, at which point marginal demand tends to diminish.
- Nationally, units under construction and those in the planning stage total 9% of existing inventory. Yardi Matrix estimates a balanced market maintains an under-construction and planned pipeline of roughly 8% of existing inventory.
- California metros that face significant barriers to development—such as the Inland Empire (3%), Los Angeles and San Francisco (both 4%)—have the lowest percentage of existing stock under construction or in the planning phase.

Under Construction & Planned Percent of Existing Inventory

Metro	May-18	Jun-18
NATIONAL	9.0%	8.7%
Nashville	26.7%	28.3%
Portland	24.7%	23.5%
Boston	23.1%	19.1%
Denver	20.7%	18.3%
San Jose	17.1%	17.4%
Charleston (SC)	16.7%	17.1%
Raleigh-Durham	16.3%	16.8%
Miami	16.2%	15.4%
Orlando	14.5%	14.7%
Seattle	14.4%	14.4%
New York	14.2%	13.7%
Phoenix	13.7%	13.6%
Charlotte	12.9%	13.0%
Austin	12.9%	12.7%
Columbus (OH)	12.9%	11.6%
Pittsburgh	12.5%	11.0%
Washington DC	10.3%	11.0%
Atlanta	9.2%	10.0%
Minneapolis	9.1%	9.8%
Tampa	9.0%	9.0%
San Diego	8.9%	8.3%
Dallas-Ft Worth	8.4%	7.4%
Philadelphia	8.2%	7.2%
Sacramento	7.0%	6.9%
Las Vegas	6.0%	5.3%
San Antonio	5.4%	5.3%
Chicago	5.1%	5.1%
Houston	4.4%	4.4%
San Francisco Penin. & East Bay	4.3%	4.3%
Los Angeles	3.9%	4.0%
Inland Empire	2.6%	2.9%



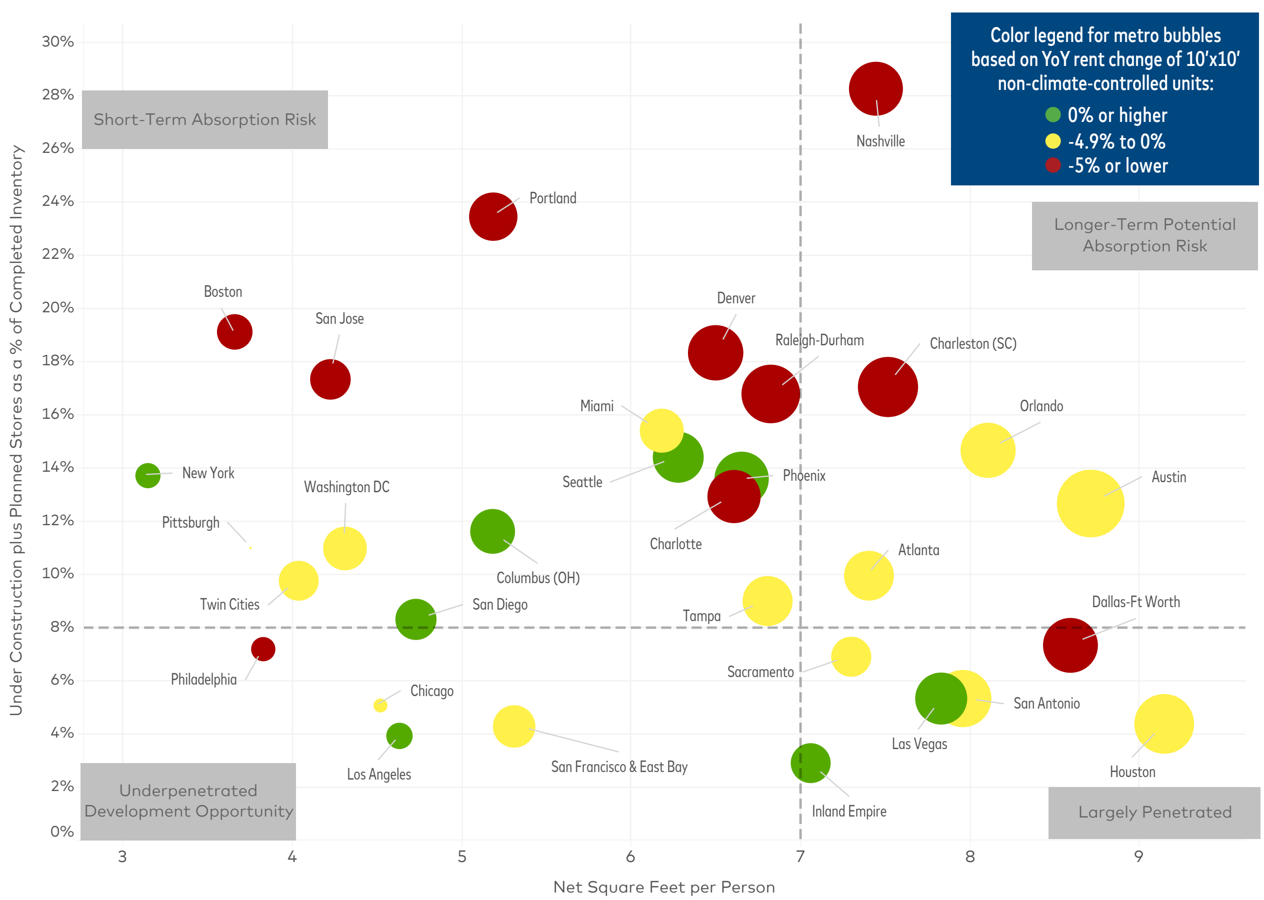
* Drawn from our national database of 26,500 stores, including 2,200 projects in the new-supply pipeline as well as 24,300 completed stores.

Source: Yardi Matrix. Data as of June 19, 2018.

Historically high-supply metros have slowed development, while up-and-coming southern metros add significant new properties

- Texas metros that have long maintained self storage inventory of more than 7 square feet per person, such as Houston and San Antonio, have limited their new-supply pipelines to around 5% of existing inventory.
- Nashville, Portland, Denver and Raleigh-Durham have emerged as the most active metros for new development, but Boston, San Jose and New York are not far behind.
- Northeast markets have significantly less completed inventory per capita, which should allow for steady absorption of new supply.

Self Storage Major Metro Summary
New Supply Pipeline (y-axis) & Completed Inventory per Capita (x-axis)
(Bubble size represents 2016 population growth rate)

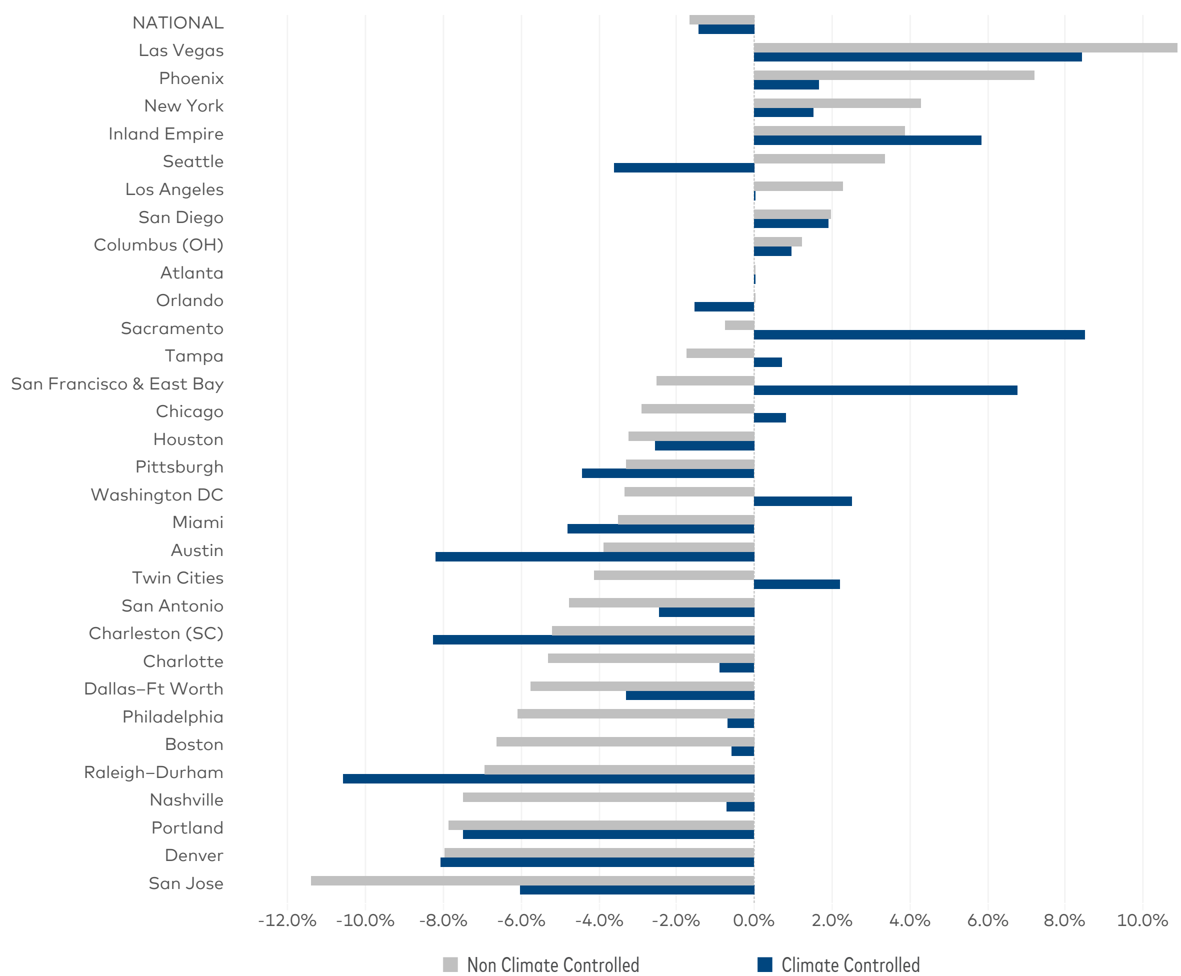


Sources: Yardi Matrix; U.S. Census Bureau. Data as of June 19, 2018.

Rent growth falls for 10x10 units; climate-controlled outperforming in select metros

- Nationwide street-rate rents fell 1.7% for the average 10x10 unit on a year-over-year basis in May, mirroring the overall trend for storage rental-rate declines.
- In most metros, rent growth for climate-controlled units has been similar to that for non-climate-controlled units. However, rent growth for climate-controlled units has underperformed non-climate units in metros with heavy new supply.
- Phoenix rents increased 7% for non-climate units, but climate-controlled rent growth was 2%, as metro development levels are approximately 50% greater than the national average.
- In contrast, rent growth for climate-controlled units in San Francisco reached 7%, while non-climate rents decreased 3% in the past year. Rent growth for climate-controlled units, in low-supply markets is outpacing non-climate units as the total inventory of Generation V stores lags that of older, non-climate-controlled counterparts.

May 2018 Year-over-Year Rent Change for 10′x10′ Units



Source: Yardi Matrix. Data as of June 19, 2018.

MONTHLY RENT RECAP

Market	Avg Metro Rent 10′x10′ (non cc)	May 2018 YoY Rent Performance 5′x5′ (non cc)	5′x10′ (non cc)	10′x10′ (non cc)	10′x10′ (cc)	10′x20′ (non cc)
NATIONAL	$117	0%	-1%	**-2%**	**-1%**	-4%
Las Vegas	$102	18%	11%	**11%**	**8%**	11%
Phoenix	$104	5%	5%	**7%**	**2%**	8%
New York	$171	5%	3%	**4%**	**2%**	0%
Inland Empire	$107	7%	5%	**4%**	**6%**	4%
Seattle	$154	5%	5%	**3%**	**-4%**	2%
Los Angeles	$181	-1%	0%	**2%**	**0%**	0%
San Diego	$155	-1%	-3%	**2%**	**2%**	2%
Columbus (OH)	$84	-3%	-4%	**1%**	**1%**	-4%
Atlanta	$99	-2%	0%	**0%**	**0%**	-2%
Orlando	$104	-5%	-2%	**0%**	**-2%**	-1%
Sacramento	$134	4%	1%	**-1%**	**9%**	-2%
Tampa	$113	-2%	0%	**-2%**	**1%**	-1%
San Francisco Penin. & East Bay	$193	-2%	-1%	**-3%**	**7%**	0%
Chicago	$100	-7%	-6%	**-3%**	**1%**	-7%
Houston	$90	-5%	-5%	**-3%**	**-3%**	-3%
Pittsburgh	$117	0%	1%	**-3%**	**-4%**	-7%
Washington DC	$145	-5%	-1%	**-3%**	**3%**	-4%
Miami	$138	0%	-3%	**-3%**	**-5%**	-2%
Austin	$99	0%	-3%	**-4%**	**-8%**	-2%
Minneapolis	$116	2%	0%	**-4%**	**2%**	-6%
San Antonio	$100	0%	-2%	**-5%**	**-2%**	-5%
Charleston (SC)	$109	-12%	-4%	**-5%**	**-8%**	-8%
Charlotte	$89	-14%	-8%	**-5%**	**-1%**	-7%
Dallas–Ft Worth	$98	-4%	-9%	**-6%**	**-3%**	-5%
Philadelphia	$123	-4%	-6%	**-6%**	**-1%**	-7%
Boston	$155	-5%	-7%	**-7%**	**-1%**	3%
Raleigh–Durham	$94	-12%	-6%	**-7%**	**-11%**	-9%
Nashville	$111	0%	-5%	**-8%**	**-1%**	-9%
Portland	$152	-6%	-8%	**-8%**	**-8%**	-6%
Denver	$127	-5%	-8%	**-8%**	**-8%**	-8%
San Jose	$179	-10%	-6%	**-11%**	**-6%**	-4%

Source: Yardi Matrix. Data as of June 19, 2018.

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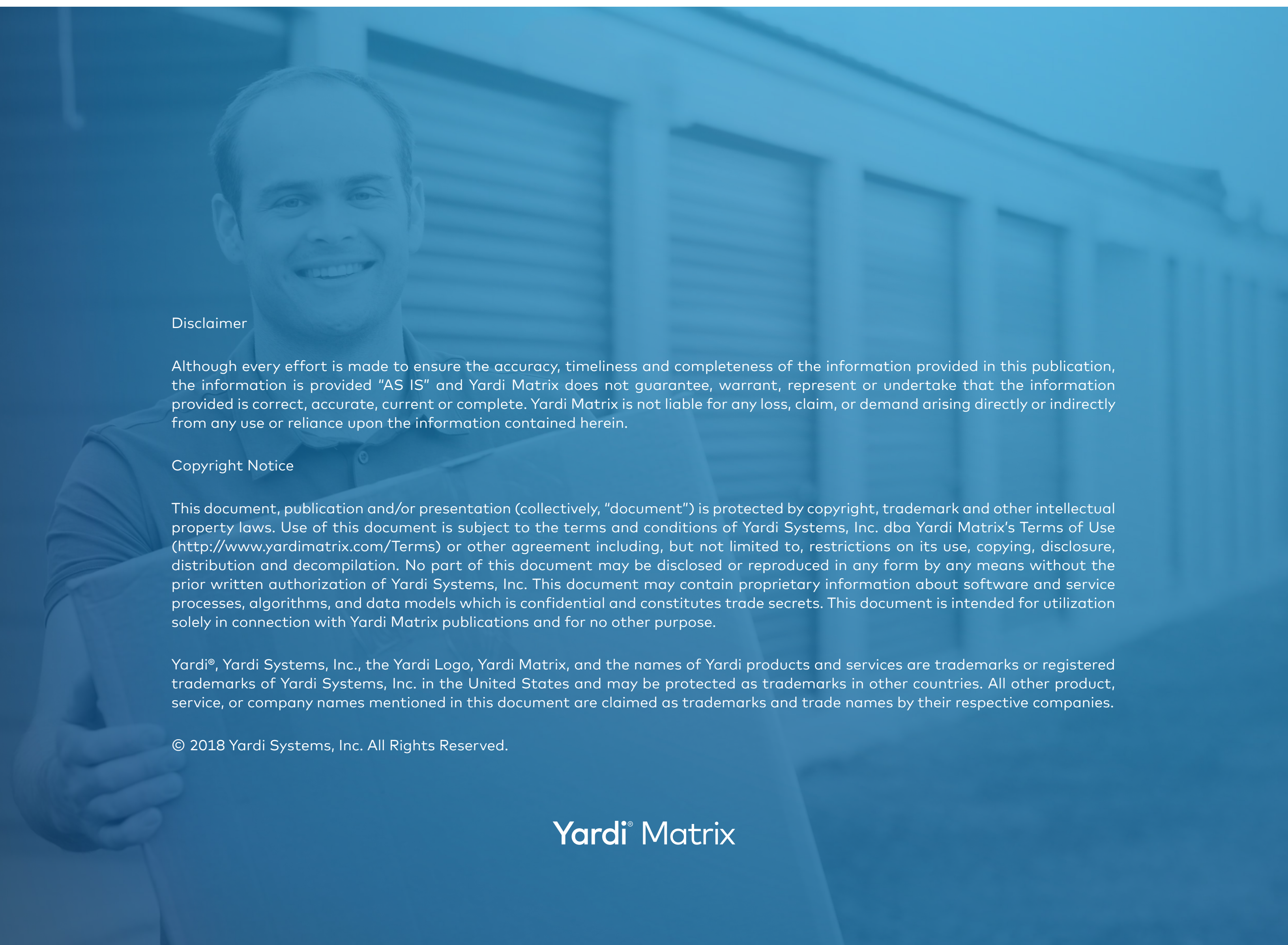

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