Yardi® Matrix

NATIONAL SELF STORAGE REPORT

JULY 2018

MONTHLY SUPPLY AND RENT RECAP

Heavy new-supply deliveries are impeding growth in street rates

- 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 651 under construction, 921 in planning, 460 at the prospective stage and 200 stores abandoned or deferred.
- In addition to the new-supply pipeline, Yardi Matrix maintains operational profiles for 24,400 completed properties, bringing the total data set to 26,600 stores.

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

- Heavy new-supply deliveries and slowing economic fundamentals are adding headwinds to street rates, which decreased 3% year-over-year in June 2018 for 10x10 units after registering year-over-year decreases of 1% to 2% in April and May.
- Street rates continue to surge in Las Vegas and Phoenix, which reached 11% and 5% year-over-year, respectively, as of June.
- Rents continue to elevate modestly in Southern California because most submarkets of Los Angeles and San Diego have seen limited new development.
- Street rates decreased during the last year in Texas markets, where the existing completed inventory per capita is substantially higher than the U.S. average of six net rentable square feet (NRSF) per person. Completed inventory per capita in Texas averages 8.4 NRSF in San Antonio, 8.9 NRSF in Dallas-Ft. Worth, 9.3 NRSF in Austin and 9.5 NRSF in Houston.

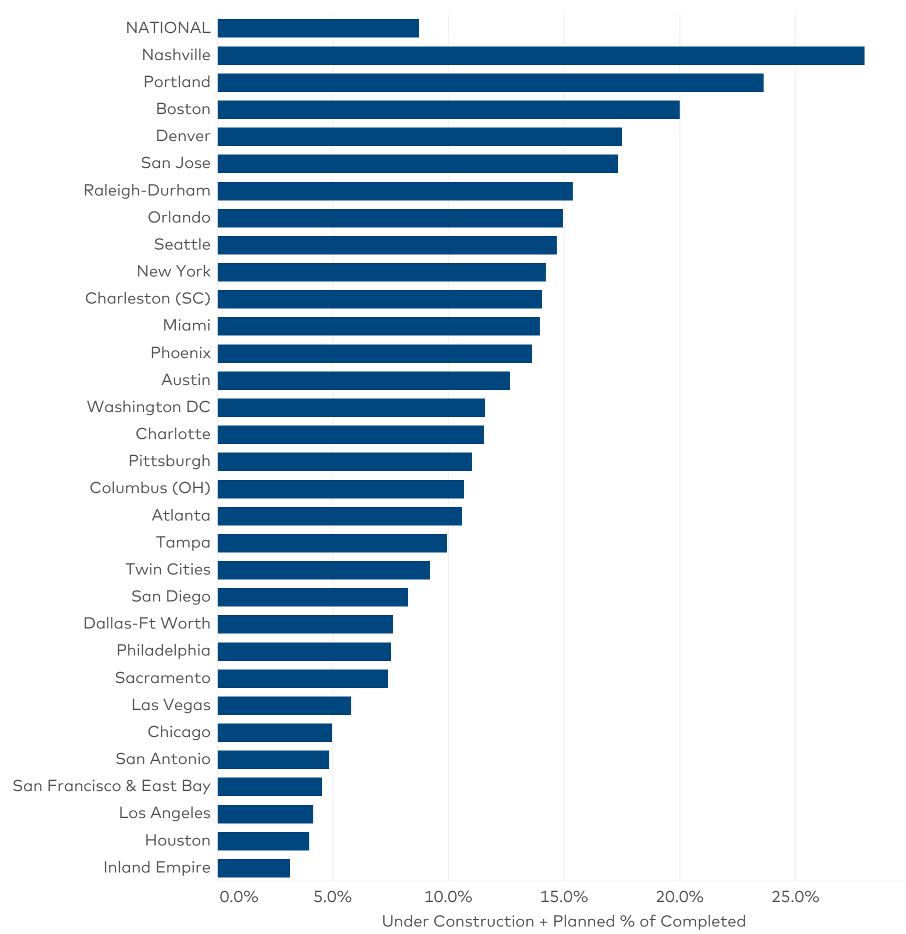
MONTHLY NEW SUPPLY UPDATE

Supply pipeline showing signs of reaching peak deliveries

- Nationally, the near-term new-supply pipeline of units under construction and those in the planning stage totals 9% of existing inventory, which is the same as last month and points toward a peak in new-supply deliveries during 2018. New-supply deliveries are cresting on the heels of reduced construction lending and slower starts in late 2017.
- Historically underpenetrated metros like Boston are adding new projects similar to the urban development wave in New York, and retiree destinations like Tampa continue to support new-supply increases. However, heavy lease-up pressure in Miami and Charlotte is depressing street rates and leading developers to cancel potential projects.
- California metros that face significant barriers to development—such as the Inland Empire (3%), Los Angeles (4%) and San Francisco (5%)—have some of the lowest new-supply levels, but Texas has notably reduced potential projects, such that Houston, San Antonio and even Dallas-Ft. Worth now have some of the thinnest pipelines nationally.

Under Construction & Planned Percent of Existing Inventory

Metro	Jun-18	Jul-18
NATIONAL	8.7%	8.7%
Nashville	28.3%	28.0%
Portland	23.5%	23.6%
Boston	19.1%	20.0%
Denver	18.3%	17.5%
San Jose	17.4%	17.4%
Raleigh-Durham	16.8%	15.4%
Orlando	14.7%	15.0%
Seattle	14.4%	14.7%
New York	13.7%	14.2%
Charleston (SC)	17.1%	14.0%
Miami	15.4%	13.9%
Phoenix	13.6%	13.6%
Austin	12.7%	12.7%
Washington DC	11.0%	11.6%
Charlotte	13.0%	11.5%
Pittsburgh	11.0%	11.0%
Columbus (OH)	11.6%	10.7%
Atlanta	10.0%	10.6%
Tampa	9.0%	10.0%
Minneapolis	9.8%	9.2%
San Diego	8.3%	8.3%
Dallas-Ft Worth	7.4%	7.6%
Philadelphia	7.2%	7.5%
Sacramento	6.9%	7.4%
Las Vegas	5.3%	5.8%
Chicago	5.1%	4.9%
San Antonio	5.3%	4.8%
San Francisco Penin. & East Bay	4.3%	4.5%
Los Angeles	4.0%	4.2%
Houston	4.4%	4.0%
Inland Empire	2.9%	3.2%



* Drawn from our national database of 26,600 stores, including 2,200 projects in the new-supply pipeline as well as 24,400 completed stores.

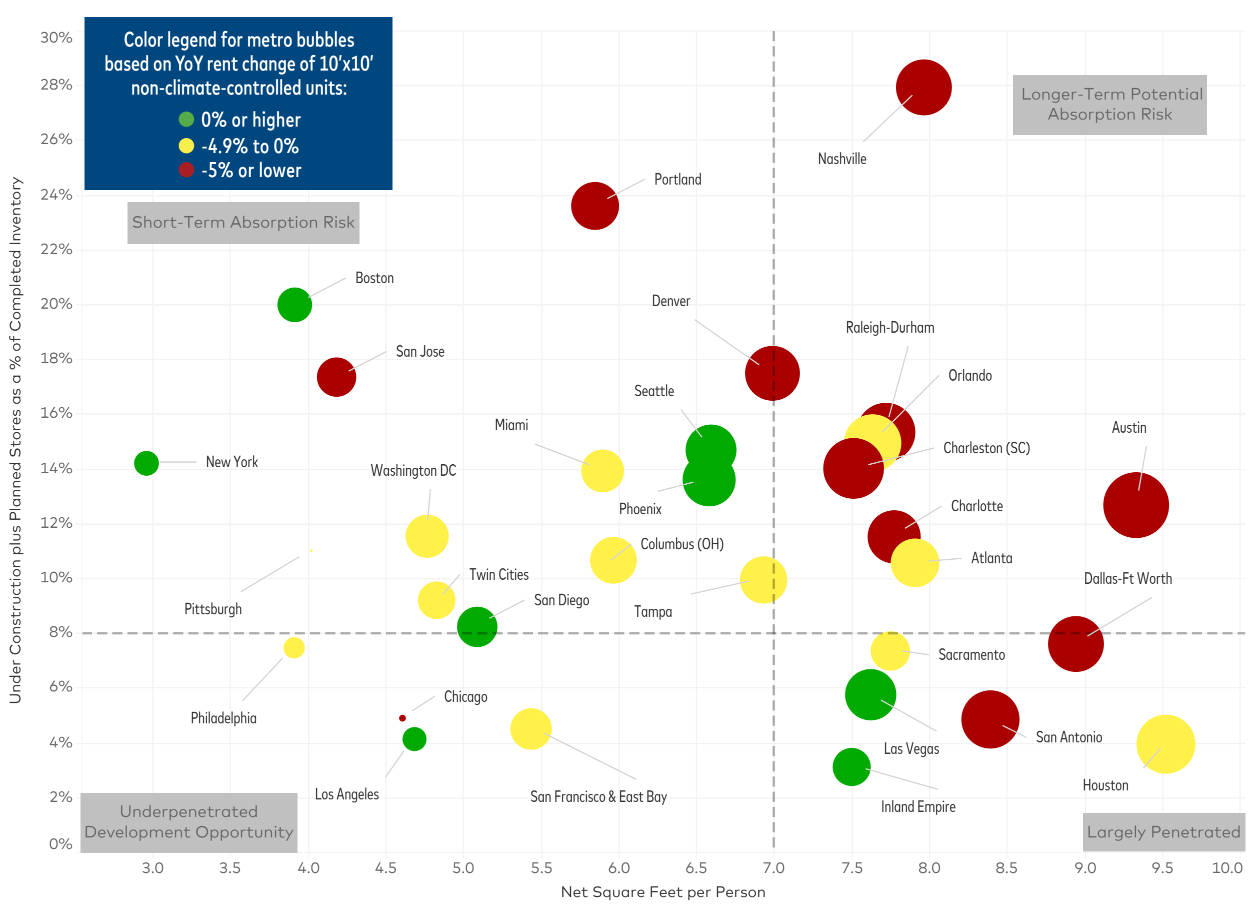
Source: Yardi Matrix. Data as of Juy 11, 2018.

MONTHLY NEW-SUPPLY UPDATE

Historically high-supply metros have slowed development, while fast-growing secondary metros add significant new properties

- Nashville, Portland and Denver are among the most active metros for new development as strong population growth fuels demand. In addition, Boston and San Jose are in the middle of urban development waves to increase local completed inventory per capita levels.
- 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.
- 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, 3-mile radius)



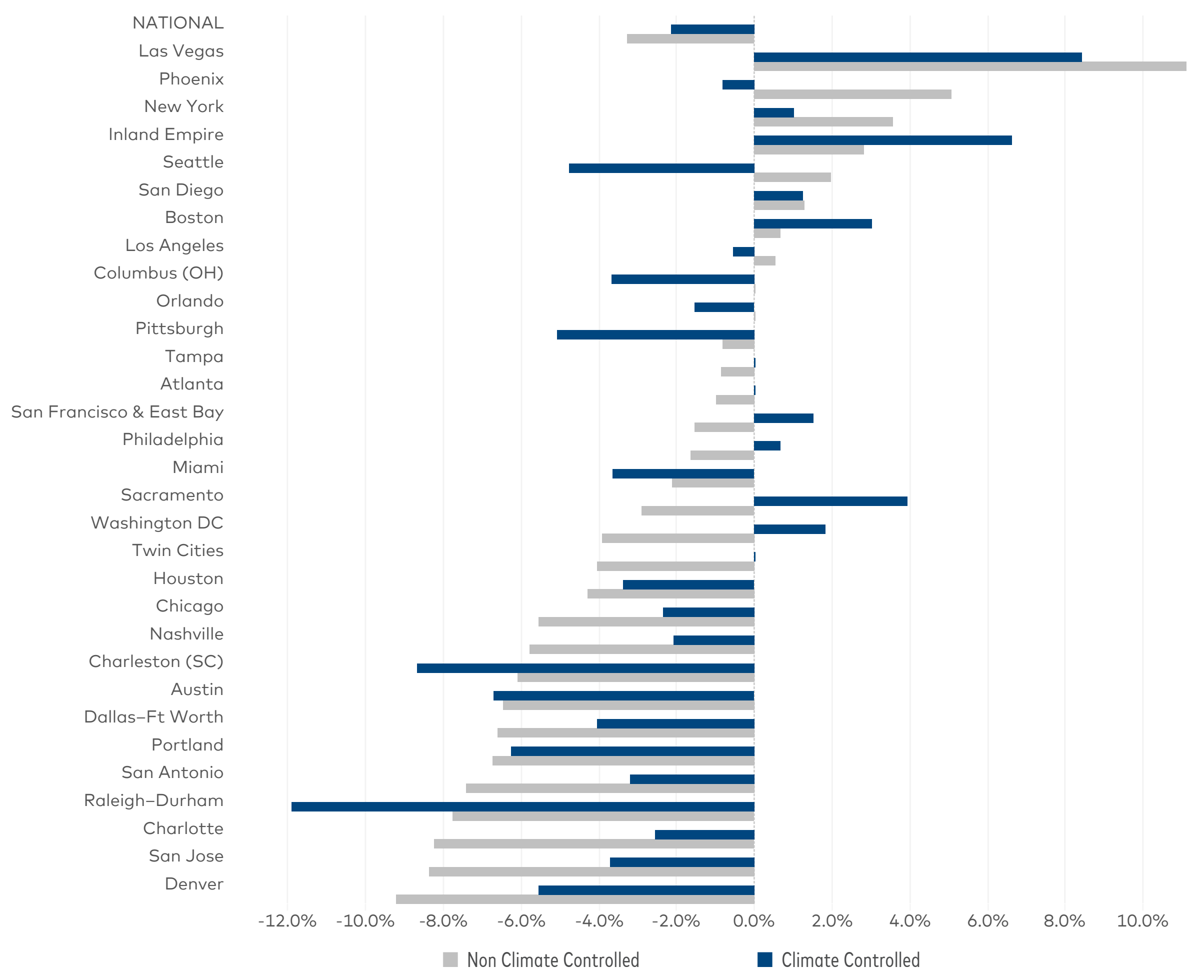
Sources: Yardi Matrix; U.S. Census Bureau. Data as of July 11, 2018.

MONTHLY RENT GROWTH UPDATE

Rent growth falls further in June; climate-controlled outperforming in select metros

- Nationwide street rates fell 3% for the average 10x10 unit on a year-over-year basis in June, which reflects active discounting at the start of the summer lease-up season.
- 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 5% for non-climate units, but climate-controlled street rates fell 1% because Phoenix development levels are 50% higher than the national average.
- In contrast, rent growth for climate-controlled units in San Francisco reached 2% while non-climate rates decreased 2% during 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.

June 2018 Year-over-Year Rent Change for 10'x10' Units



Source: Yardi Matrix. Data as of July 11, 2018.

MONTHLY RENT RECAP

	Average Rent	June 2018 YoY Rent Performance				
Market	**10'x10' (non cc)**	**5'x5' (non cc)**	**5'x10' (non cc)**	**10'x10' (non cc)**	**10'x10' (cc)**	**10'x20' (non cc)**
Las Vegas	$100	19%	13%	**11%**	**8%**	10%
Phoenix	$104	5%	5%	**5%**	**-1%**	6%
New York	$174	4%	1%	**4%**	**1%**	0%
Inland Empire	$109	7%	5%	**3%**	**7%**	4%
Seattle	$155	2%	1%	**2%**	**-5%**	-1%
San Diego	$158	-3%	-1%	**1%**	**1%**	2%
Boston	$150	2%	-3%	**1%**	**3%**	3%
Los Angeles	$182	-1%	-2%	**1%**	**-1%**	0%
Columbus (OH)	$86	-3%	2%	**0%**	**-4%**	-6%
Orlando	$105	-5%	-1%	**0%**	**-2%**	-1%
Pittsburgh	$119	3%	4%	**-1%**	**-5%**	-5%
Tampa	$115	-4%	1%	**-1%**	**0%**	-2%
Atlanta	$101	-2%	-2%	**-1%**	**0%**	-2%
San Francisco & East Bay	$193	-1%	-1%	**-2%**	**2%**	-1%
Philadelphia	$121	0%	-3%	**-2%**	**1%**	-4%
Miami	$139	-2%	-4%	**-2%**	**-4%**	-2%
Sacramento	$134	0%	0%	**-3%**	**4%**	-4%
NATIONAL	$118	-2%	-4%	**-3%**	**-2%**	-5%
Washington DC	$147	-5%	-3%	**-4%**	**2%**	-6%
Twin Cities	$118	0%	0%	**-4%**	**0%**	-6%
Houston	$89	-8%	-5%	**-4%**	**-3%**	-4%
Chicago	$102	-5%	-6%	**-6%**	**-2%**	-8%
Nashville	$114	0%	-7%	**-6%**	**-2%**	-9%
Charleston (SC)	$108	-10%	-4%	**-6%**	**-9%**	-8%
Austin	$101	-4%	-3%	**-6%**	**-7%**	-5%
Dallas–Ft Worth	$99	-4%	-9%	**-7%**	**-4%**	-6%
Portland	$152	-6%	-7%	**-7%**	**-6%**	-7%
San Antonio	$100	-2%	-3%	**-7%**	**-3%**	-6%
Raleigh–Durham	$95	-8%	-3%	**-8%**	**-12%**	-8%
Charlotte	$89	-11%	-11%	**-8%**	**-3%**	-7%
San Jose	$186	-13%	-11%	**-8%**	**-4%**	-6%
Denver	$128	-7%	-11%	**-9%**	**-6%**	-10%

Source: Yardi Matrix. Data as of July 11, 2018.

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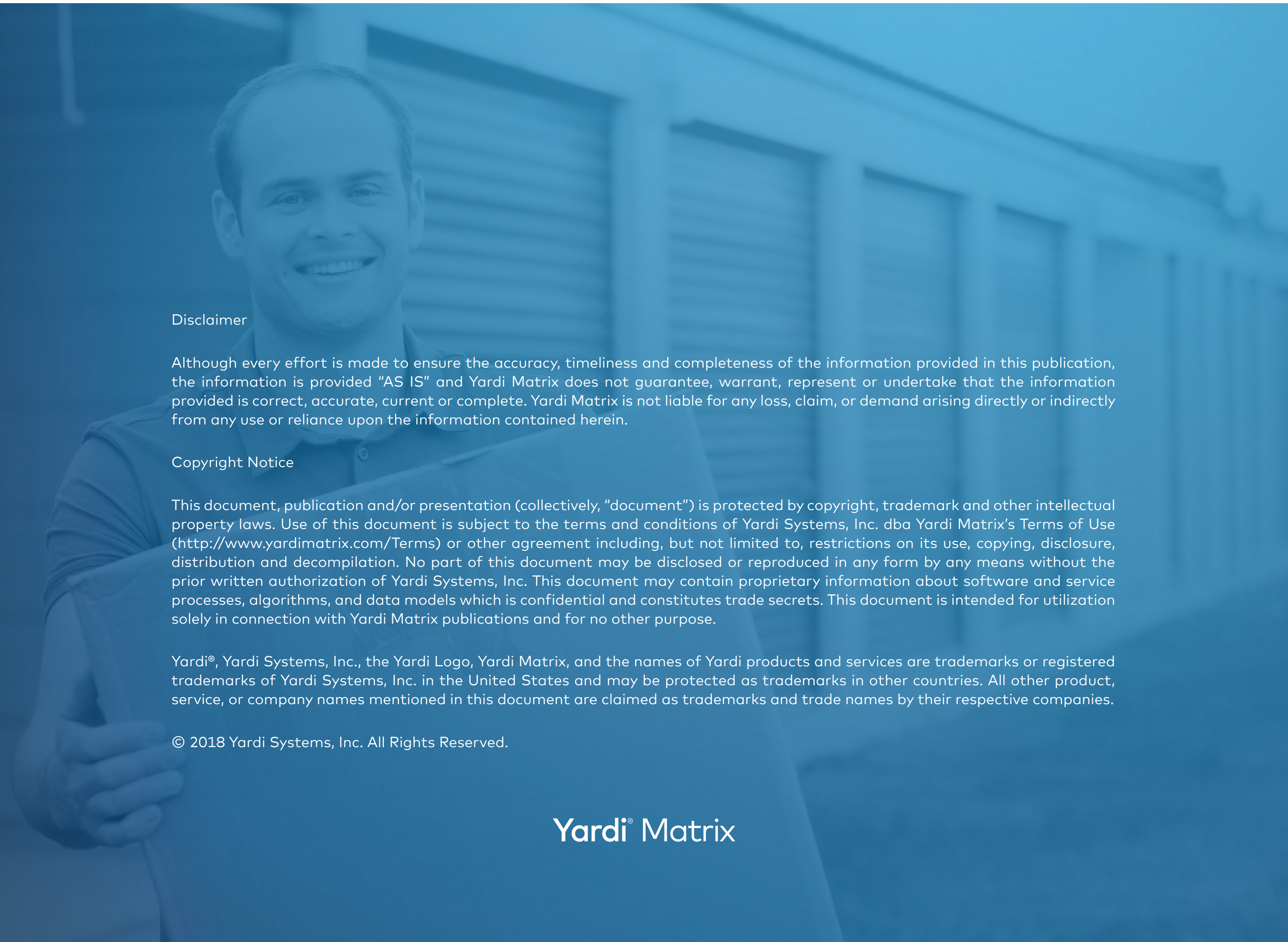

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