Yardi® Matrix

NATIONAL SELF STORAGE REPORT

AUGUST 2018

MONTHLY SUPPLY AND RENT RECAP

Development activity continues momentum

- Demand for self storage space is strongest in emerging secondary markets and historically undersupplied metros with large urban clusters, which remain a hotbed for new development.
- Street rates continue to surge in Desert Southwest markets with lower new-supply levels such as Las Vegas (11%) and Phoenix (5%), where demand for climate-controlled units remains strong.
- Nationwide, Yardi Matrix tracks nearly 2,100 self storage properties in the pipeline, comprising 635 under construction, 974 in the planning stage and 487 prospective projects, along with 210 abandoned stores.
- Yardi Matrix also maintains operational profiles for an additional 24,481 completed properties across the nation, bringing the total data set to almost 26,600 stores.

Slow absorption further reduces rent growth in high-supply markets

- Nationwide, street rates declined by 3.3% year-over-year in July 2018 for 10x10 non-climate-controlled (NON CC) units and by 2.1% for 10x10 climate-controlled units (CC).
- Heightened demand for new product in the Inland Empire has pushed rent rates up 3.8% for 10x10 NON CC units and 5.8% for 10x10 CC units.
- In Los Angeles, which continues to be one of the most undersupplied markets nationally, rent rates remained relatively flat. In addition, the metro has one of the lowest new-supply pipelines, caused by the high cost of land and development restrictions such as height limitations.
- High-supply markets—especially in Texas, where completed inventory per capita is higher than the national average of 6 net rentable square feet (NRSF)—are faced with declining rent rates.

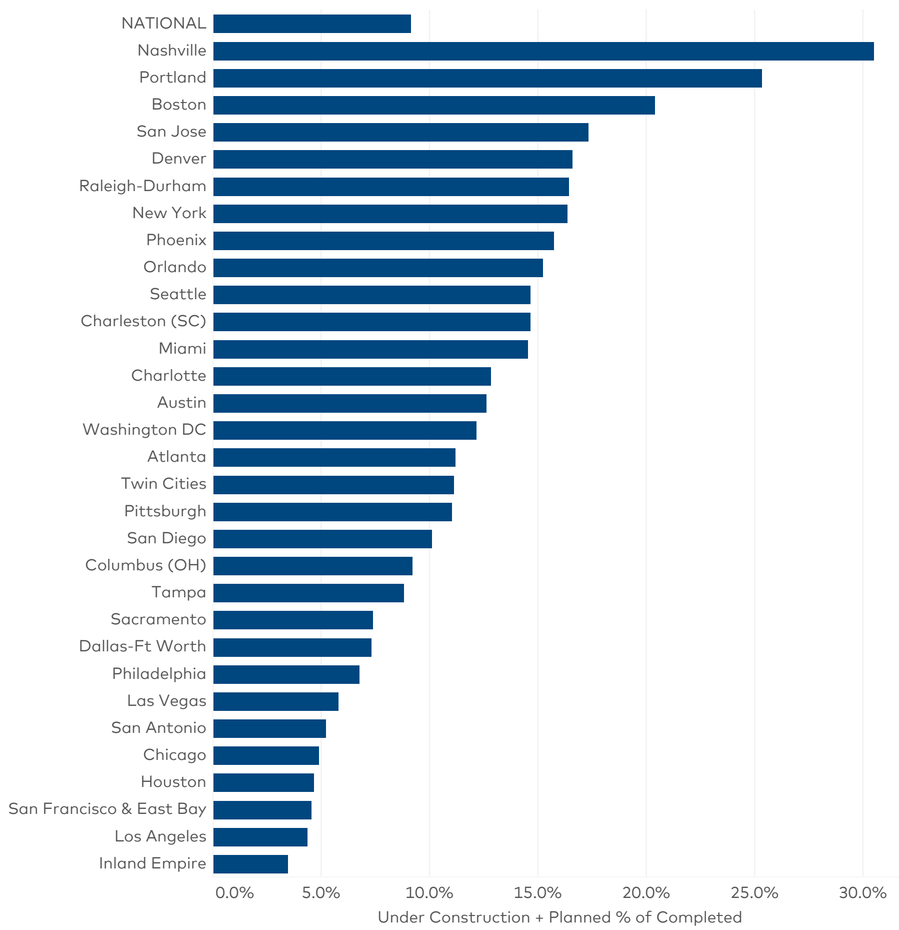
MONTHLY NEW SUPPLY UPDATE

Solid new-supply pipeline reaches new high point

- Nationally, units under construction and in the planning stage account for 9.1% of the existing inventory. That's a 40-basis-point increase since June and a new high point in development since the beginning of the year.
- Strong population growth continues to support increases in new self storage stores in Nashville (30.5%) and Portland (25.3%), which remain the most active metros for development. In Boston (20.4%), a historically undersupplied storage market, development is driven by a strong recurring demand from students moving into the area for college.
- Texas metros such as Houston and San Antonio are largely penetrated, with self storage inventory above 8 square feet per capita, and the heavy supply of existing storage locations puts a brake on rent growth. As a result, the new-supply pipeline of under-construction and planned units has been limited to below 5% in these markets. Dallas-Fort Worth and Austin are likely to follow a similar deceleration trend in new supply in the near future.

Under Construction & Planned Percent of Existing Inventory

Metro	Jul-18	Aug-18	Change
NATIONAL	8.7%	9.1%	↑
Nashville	28.0%	30.5%	↑
Portland	23.6%	25.3%	↑
Boston	20.0%	20.4%	↑
San Jose	17.4%	17.4%	–
Denver	17.5%	16.6%	↓
Raleigh-Durham	15.4%	16.5%	↑
New York	14.2%	16.3%	↑
Phoenix	13.6%	15.7%	↑
Orlando	15.0%	15.2%	↑
Seattle	14.7%	14.7%	–
Charleston (SC)	14.0%	14.6%	↑
Miami	13.9%	14.6%	↑
Charlotte	11.5%	12.9%	↑
Austin	12.7%	12.6%	↓
Washington DC	11.6%	12.1%	↑
Atlanta	10.6%	11.2%	↑
Minneapolis	9.2%	11.2%	↑
Pittsburgh	11.0%	11.0%	–
San Diego	8.3%	10.1%	↑
Columbus (OH)	10.7%	9.2%	↓
Tampa	10.0%	8.8%	↓
Sacramento	7.4%	7.4%	–
Dallas-Ft Worth	7.6%	7.4%	↓
Philadelphia	7.5%	6.8%	↓
Las Vegas	5.8%	5.8%	–
San Antonio	4.8%	5.3%	↑
Chicago	4.9%	4.9%	–
Houston	4.0%	4.7%	↑
San Francisco Penin. & East Bay	4.5%	4.5%	–
Los Angeles	4.2%	4.4%	↑
Inland Empire	3.2%	3.4%	↑



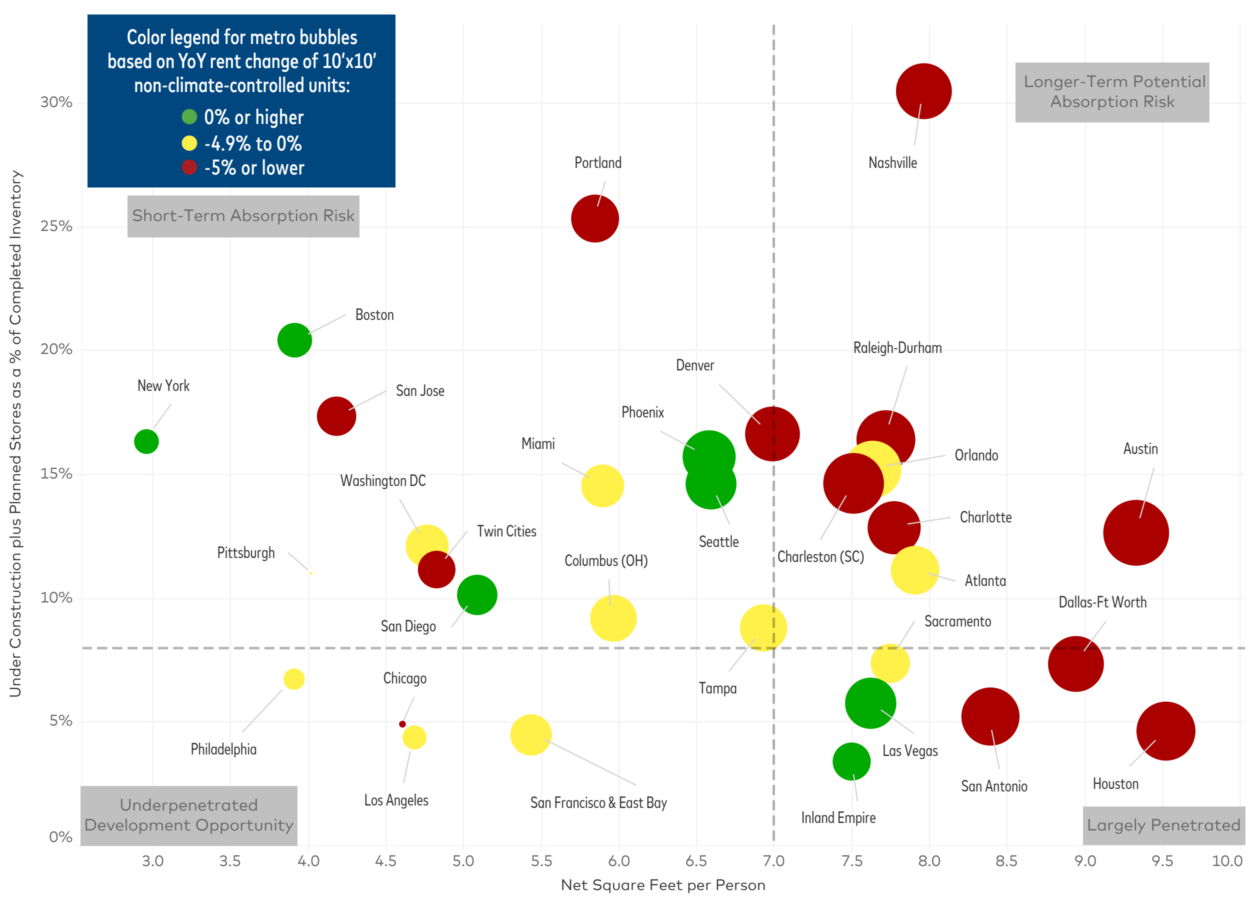
* Drawn from our national database of 26,600 stores, including 2,100 projects in the new-supply pipeline as well as 24,500 completed stores.

Source: Yardi Matrix. Supply data as of August 13, 2018.

Development activity intensifies in growing secondary metros, slightly decelerates in oversupplied markets

- Development activity has picked up in Raleigh-Durham, a popular market for college graduates to start a career. The new-supply pipeline totals 16.5% in this metro, up 110 basis points since last month. Phoenix (15.7%) is seeing solid demand spurred by migration from the Northeast and Midwest, but also from many California metros.
- Denver has seen a wave of new completions over the past few quarters, which should slow down absorption rates in the near future.
- With housing prices still relatively low and a large retirement population, Tampa is one of the healthiest markets for new supply (8.8%).

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)



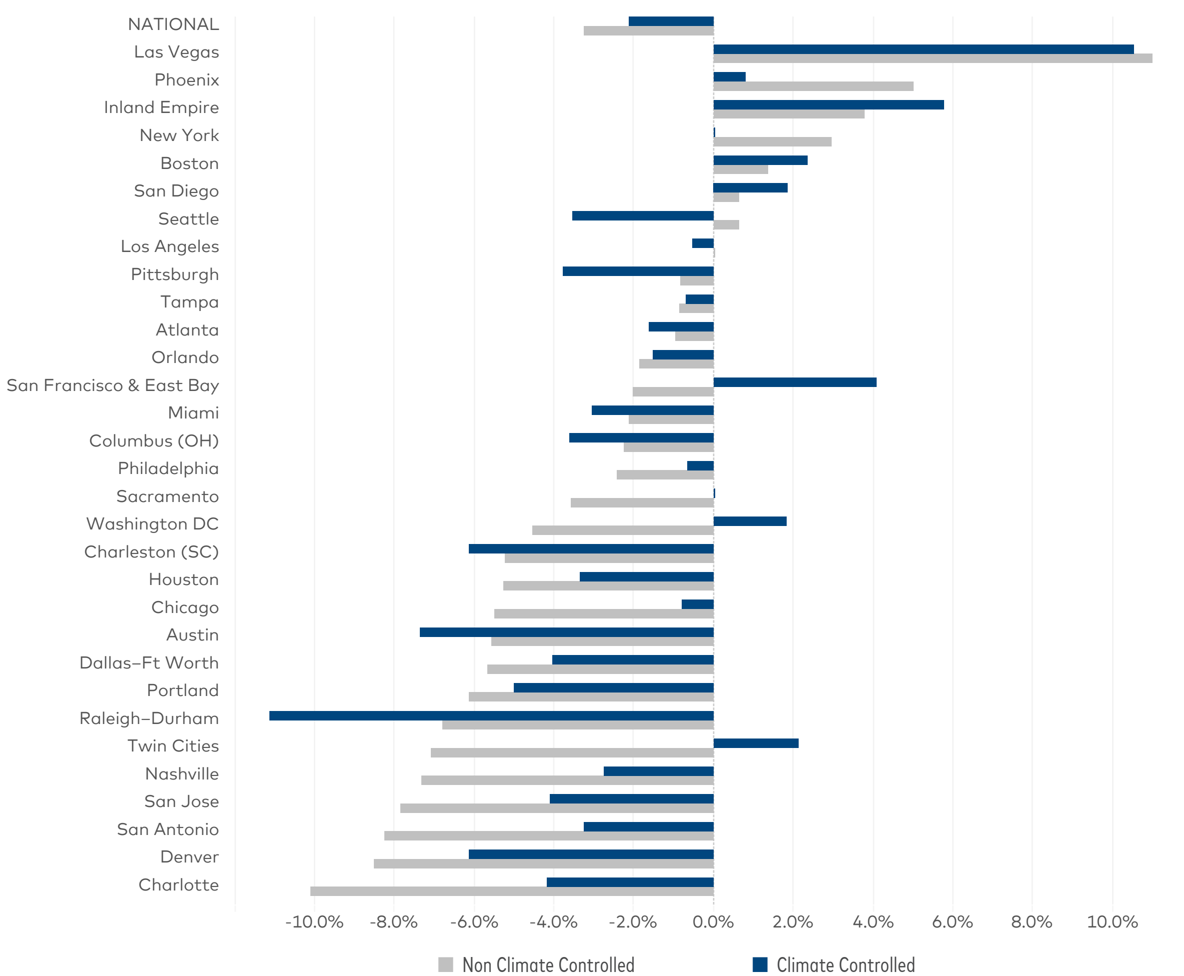
Sources: Yardi Matrix; U.S. Census Bureau. Supply data as of August 13, 2018.

MONTHLY RENT GROWTH UPDATE

Rents continue to decline in July, and new climate-controlled product is absorbed less easily in oversupplied markets

- On a national level, rent rates decreased by 3.3% for the average 10x10 NON CC unit year-over-year in July.
- Street rates for the average 10x10 CC unit declined by 2.1% since last summer, when a wave of stores came online, slowing down the lease-up of new locations and leading owners to start discounting rents to meet target occupancy levels.
- Major West Coast markets had the best rent growth performance, largely due to limited new supply and strong population gains. Robust demand for new supply supported year-over-year rent increases of 11% for the average 10x10 NON CC unit in Las Vegas and 5% in Phoenix. CC product is in high demand in the Inland Empire, where average rent rates for 10x10 stores increased by 5.8% year-over-year in July.

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



Source: Yardi Matrix.

MONTHLY RENT RECAP

Market	Avg Metro Rent 10'x10' (non cc)	July 2018 YoY Rent Performance				
		5'x5' (non cc)	5'x10' (non cc)	10'x10' (non cc)	10'x10' (cc)	10'x20' (non cc)
NATIONAL	$119	-2%	-3%	**-3%**	**-2%**	-5%
Las Vegas	$101	22%	15%	**11%**	**11%**	10%
Phoenix	$105	3%	3%	**5%**	**1%**	4%
Inland Empire	$110	2%	2%	**4%**	**6%**	2%
New York	$174	1%	0%	**3%**	**0%**	-1%
Boston	$150	0%	-3%	**1%**	**2%**	3%
San Diego	$158	-4%	0%	**1%**	**2%**	0%
Seattle	$158	2%	1%	**1%**	**-4%**	-3%
Los Angeles	$184	-4%	-3%	**0%**	**-1%**	-1%
Pittsburgh	$120	3%	5%	**-1%**	**-4%**	-6%
Tampa	$117	0%	0%	**-1%**	**-1%**	-2%
Atlanta	$102	-2%	-2%	**-1%**	**-2%**	-3%
Orlando	$106	-2%	-3%	**-2%**	**-2%**	-1%
San Francisco Penin. & East Bay	$194	-1%	-1%	**-2%**	**4%**	-1%
Miami	$139	-2%	-4%	**-2%**	**-3%**	-1%
Columbus (OH)	$87	-5%	0%	**-2%**	**-4%**	-6%
Philadelphia	$122	-2%	-4%	**-2%**	**-1%**	-4%
Sacramento	$135	0%	-2%	**-4%**	**0%**	-5%
Washington DC	$147	-3%	-2%	**-5%**	**2%**	-6%
Charleston (SC)	$109	-14%	-7%	**-5%**	**-6%**	-9%
Houston	$90	-5%	-5%	**-5%**	**-3%**	-4%
Chicago	$103	0%	-5%	**-6%**	**-1%**	-7%
Austin	$102	-2%	-3%	**-6%**	**-7%**	-4%
Dallas–Ft Worth	$100	-6%	-9%	**-6%**	**-4%**	-6%
Portland	$153	-9%	-8%	**-6%**	**-5%**	-7%
Raleigh–Durham	$96	-8%	-4%	**-7%**	**-11%**	-8%
Minneapolis	$118	-2%	-5%	**-7%**	**2%**	-7%
Nashville	$114	0%	-6%	**-7%**	**-3%**	-8%
San Jose	$188	-10%	-12%	**-8%**	**-4%**	-7%
San Antonio	$100	-2%	-5%	**-8%**	**-3%**	-6%
Denver	$129	-8%	-10%	**-9%**	**-6%**	-10%
Charlotte	$89	-15%	-10%	**-10%**	**-4%**	-10%

Source: Yardi Matrix.

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