Yardi® Matrix

NATIONAL SELF STORAGE REPORT

SEPTEMBER 2018

MONTHLY SUPPLY AND RENT RECAP

Steady new-supply pipeline

- Historically undersupplied metros and secondary markets with fast-paced population growth continue to drive the most demand for self storage space.
- Street rates further declined in August as new product was absorbed, though southwestern markets still saw positive growth.
- Nationwide, Yardi Matrix tracks more than 2,100 self storage properties in the pipeline, comprising 671 under construction, 976 in the planning stage and 468 prospective projects, along with 210 abandoned stores.
- Yardi Matrix also maintains operational profiles for an additional 24,529 completed properties across the nation, bringing the total data set to more than 26,600 stores.

Oversupplied markets struggle with decelerating rent rates

- Rent rates declined by 4.1% year-over-year in August 2018 for 10x10 non-climate-controlled (NON CC) units and by 2.8% for 10x10 climate-controlled (CC) units.
- Demand for self storage space remains elevated in Las Vegas, where rent growth reached 6.3% for 10x10 NON CC units in August. Meanwhile, strong appetite for modern, climate-controlled units in the metro has pushed asking rates up 9.4% in the 10x10 category.
- Year-over-year, rent growth in the Inland Empire reached 2.8% for 10x10 NON CC units and 5.0% for 10x10 CC units.
- The heavy supply of existing storage locations still hinders rent growth in most Texas markets, such as Austin (down 4.7%) and Dallas (down 6.6%). However, rent rates remained flat in Houston, a largely penetrated market where existing inventory per capita is about 60% higher than the national average of 6 net rentable square feet (NRSF).

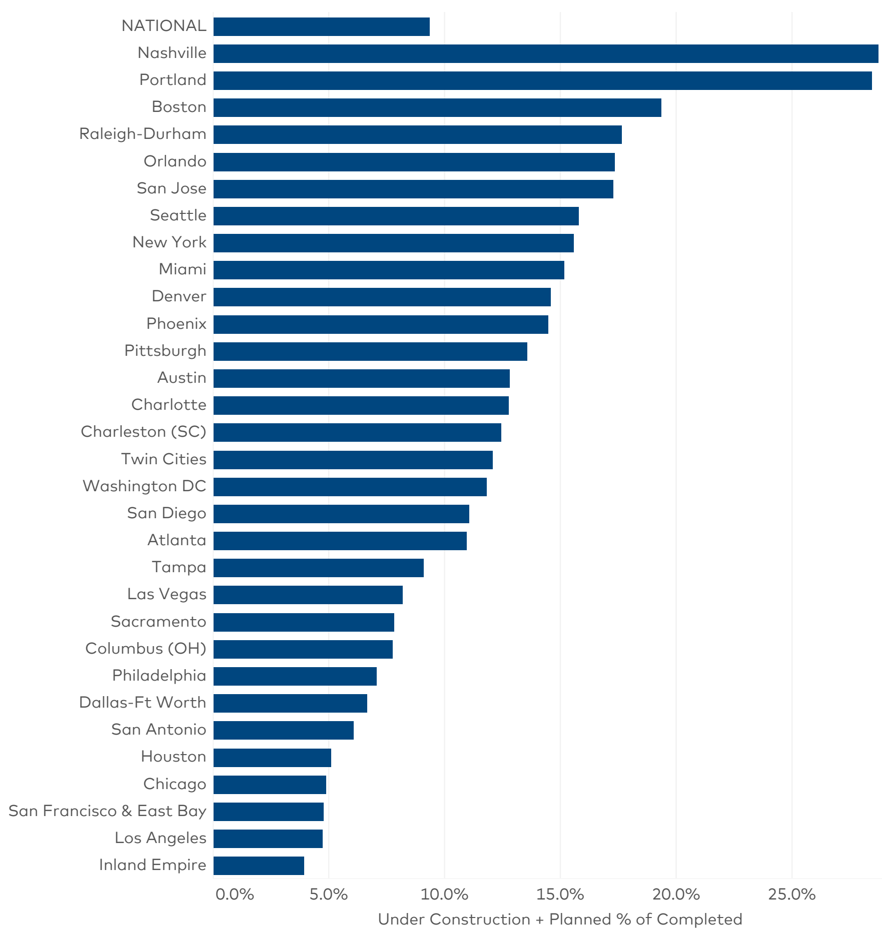
MONTHLY NEW SUPPLY UPDATE

Development activity hits another milestone year-to-date

- Nationally, units under construction and in the planning stages total 9.3% of the existing inventory. That accounts for a 20-basis-point increase over the previous month and a new peak in development year-to-date.
- Development activity was highest in Nashville (28.7%) and Portland (28.4%), spurred by heightened demand driven by strong population growth. In Boston (19.4%), a historically underpenetrated metro, the strong new-supply pipeline is spurred by a diverse job market and higher-paying positions—particularly drawing in migrating Millennials—combined with recurring demand from students moving into the area for college.
- The lowest percentage of self storage projects under construction or in the planning stages was in underpenetrated California markets such as San Francisco (4.8%), Los Angeles (4.7%) and the Inland Empire (3.9%), which face land-use barriers and development limitations.

Under Construction & Planned Percent of Existing Inventory

Metro	Aug-18	Sept-18	Change
NATIONAL	9.1%	9.3%	↑
Nashville	30.5%	28.7%	↓
Portland	25.3%	28.4%	↑
Boston	20.4%	19.4%	↓
Raleigh-Durham	16.5%	17.7%	↑
Orlando	15.2%	17.4%	↑
San Jose	17.4%	17.3%	↓
Seattle	14.7%	15.8%	↑
New York	16.3%	15.6%	↓
Miami	14.6%	15.2%	↑
Denver	16.6%	14.6%	↓
Phoenix	15.7%	14.5%	↓
Pittsburgh	11.0%	13.6%	↑
Austin	12.6%	12.8%	↑
Charlotte	12.9%	12.8%	↓
Charleston (SC)	14.6%	12.5%	↓
Minneapolis	11.2%	12.1%	↑
Washington DC	12.1%	11.8%	↓
San Diego	10.1%	11.1%	↑
Atlanta	11.2%	10.9%	↓
Tampa	8.8%	9.1%	↑
Las Vegas	5.8%	8.2%	↑
Sacramento	7.4%	7.8%	↑
Columbus (OH)	9.2%	7.8%	↓
Philadelphia	6.8%	7.1%	↑
Dallas-Ft Worth	7.4%	6.7%	↓
San Antonio	5.3%	6.1%	↑
Houston	4.7%	5.1%	↑
Chicago	4.9%	4.9%	—
San Francisco Penin. & East Bay	4.5%	4.8%	↑
Los Angeles	4.4%	4.7%	↑
Inland Empire	3.4%	3.9%	↑



* 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. New supply percentages are based on the number of properties currently under construction and in planning, and an average new property size of 75,000 net rentable square feet.

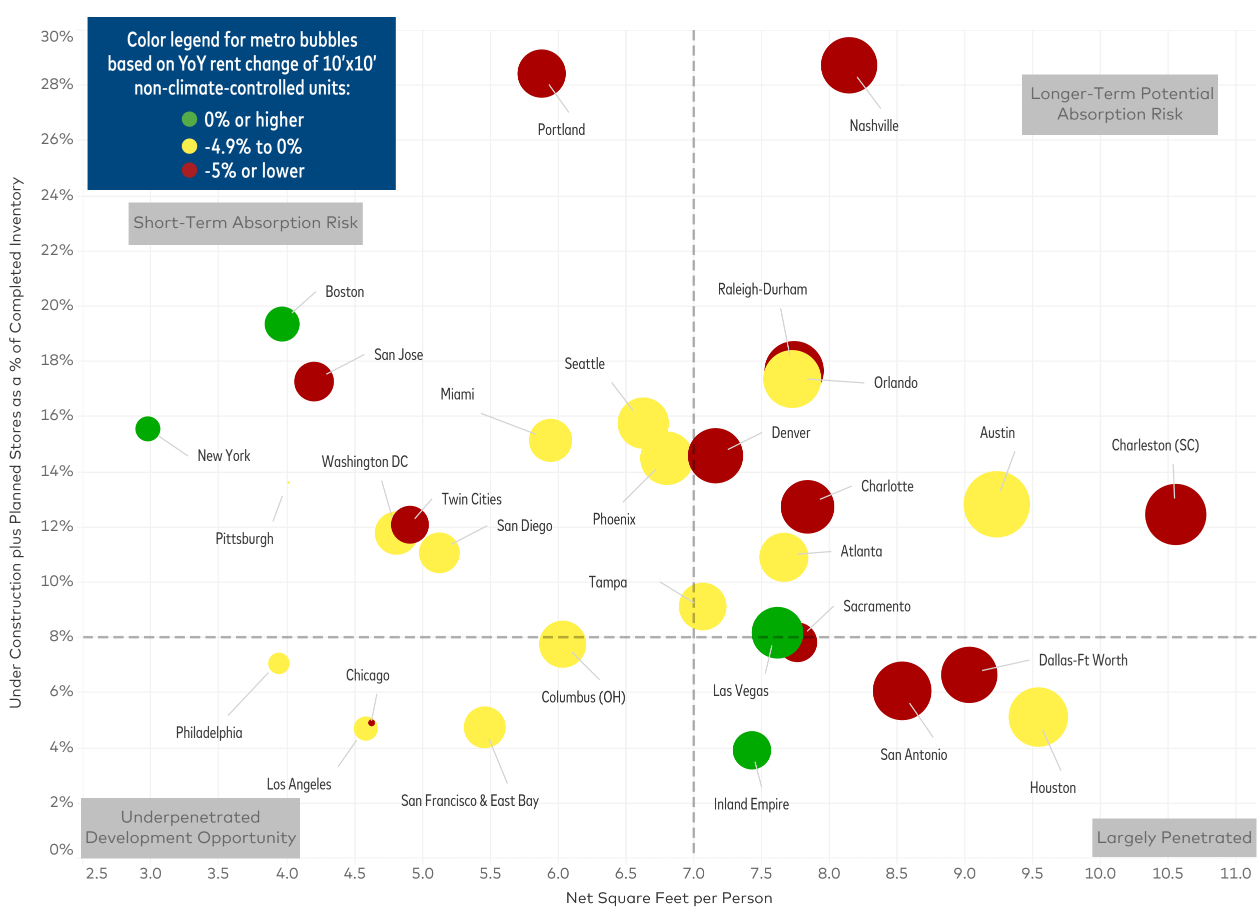
Source: Yardi Matrix. Supply data as of September 18, 2018.

Self storage construction heats up in markets with strongest employment growth

- In Orlando, self storage development is driven by an influx of new residents, supported by exceptional employment gains in the hospitality and professional services sector, which is in tune with a boost in multifamily construction activity. The metro's new-supply pipeline totals 17.4%, a 220-basis-point increase over the previous month.
- Supported by a thriving economy and strong job market, Seattle has one of the highest net migration rates in the country and ranks among the best places to live, fueling demand for storage space. The metro's new-supply pipeline accounts for 15.8% of space, up 110 basis points since July.

Self Storage Major Metro Summary
New-Supply Pipeline (y-axis) & Completed Inventory Per Capita (x-axis)

(bubble size represents 2016 population growth rate, three-mile radius)



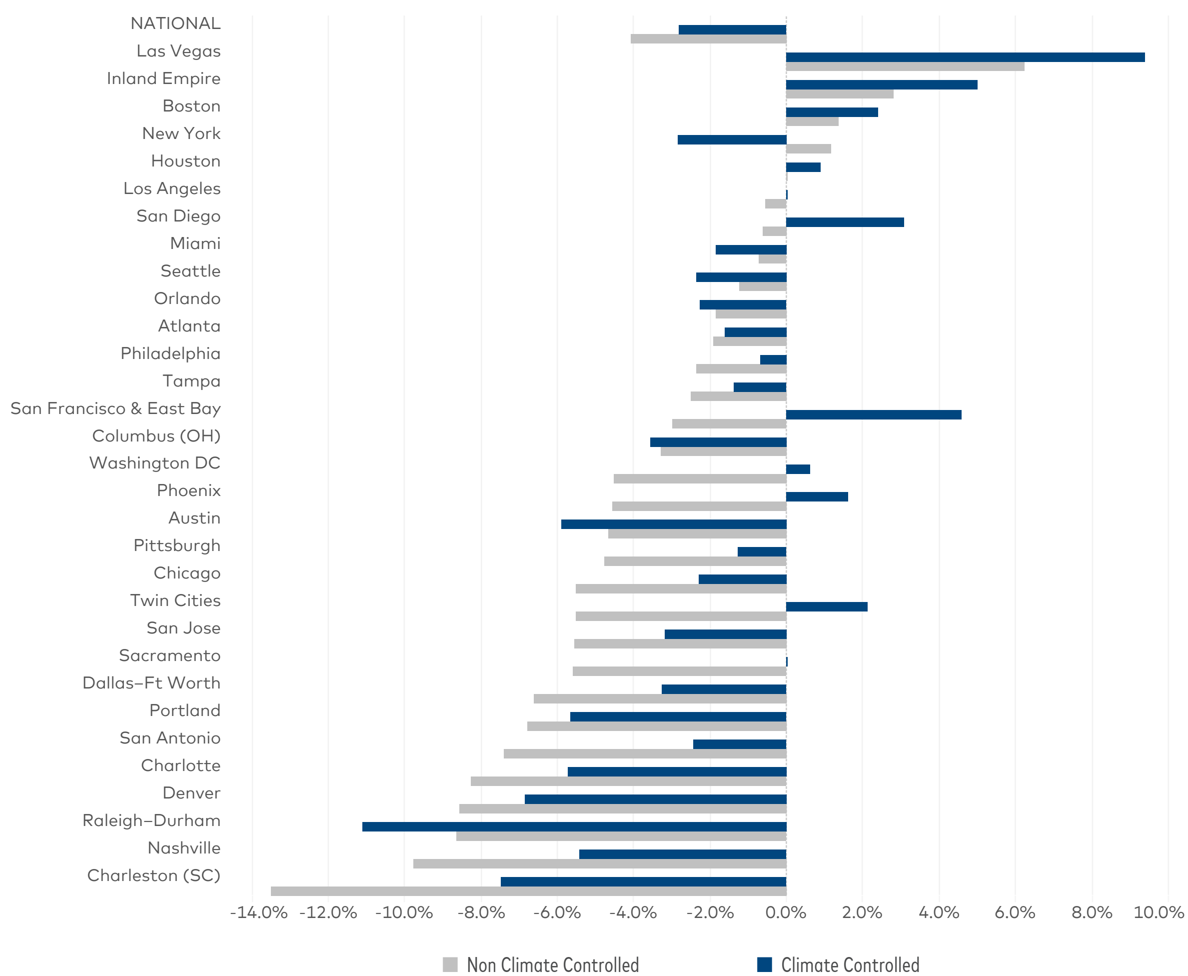
Sources: Yardi Matrix; U.S. Census Bureau. Supply data as of September 18, 2018.

MONTHLY RENT GROWTH UPDATE

Rents continue to decelerate in the 10x10 unit category, albeit at a slower pace in climate-controlled spaces

- Nationwide, new self-storage projects coming online continue to put pressure on rents, which declined by 4.1% for the average 10x10 NON CC unit year-over-year in August.
- Despite robust demand for modern storage spaces, rent rates continued to soften for the standard 10x10 CC storage unit, falling by 2.8% over the past 12 months.
- Street rates continue to be elevated in major West Coast markets, where existing inventory still lags demand. As of August, the highest asking rents for the average 10x10 NON CC unit were recorded in California metros such as San Francisco ($194), Los Angeles ($183) and San Jose ($187). Moving up north, asking rents for the average 10x10 NON CC unit came in at $158 in the fast-growing Seattle and $151 in Portland.

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



Source: Yardi Matrix.

MONTHLY RENT RECAP

Market	Avg Metro Rent 10'x10' (non cc)	August 2018 YoY Rent Performance				
		5'x5' (non cc)	5'x10' (non cc)	10'x10' (non cc)	10'x10' (cc)	10'x20' (non cc)
NATIONAL	$118	-2%	-4%	**-4%**	**-3%**	-5%
Las Vegas	$102	15%	9%	**6%**	**9%**	8%
Inland Empire	$110	2%	2%	**3%**	**5%**	2%
San Francisco Penin. & East Bay	$194	-2%	-3%	**-3%**	**5%**	-3%
San Diego	$157	-3%	-2%	**-1%**	**3%**	0%
Boston	$150	0%	-4%	**1%**	**2%**	4%
Minneapolis	$120	-2%	-1%	**-6%**	**2%**	-9%
Phoenix	$105	-5%	-5%	**-5%**	**2%**	-6%
Houston	$88	-3%	0%	**0%**	**1%**	-1%
Washington DC	$148	-5%	-5%	**-5%**	**1%**	-6%
Los Angeles	$183	-4%	-3%	**-1%**	**0%**	-1%
Sacramento	$135	-2%	-2%	**-6%**	**0%**	-5%
Philadelphia	$123	0%	-3%	**-2%**	**-1%**	-4%
Pittsburgh	$120	-2%	1%	**-5%**	**-1%**	-11%
Tampa	$116	-2%	0%	**-3%**	**-1%**	-1%
Atlanta	$102	-2%	-3%	**-2%**	**-2%**	-2%
Miami	$139	0%	-1%	**-1%**	**-2%**	0%
Orlando	$106	-2%	-3%	**-2%**	**-2%**	-2%
Chicago	$103	-9%	-6%	**-6%**	**-2%**	-8%
Seattle	$158	3%	1%	**-1%**	**-2%**	-3%
San Antonio	$100	0%	-3%	**-7%**	**-2%**	-5%
New York	$175	1%	-1%	**1%**	**-3%**	-2%
San Jose	$187	-7%	-9%	**-6%**	**-3%**	-6%
Dallas–Ft Worth	$99	-6%	-7%	**-7%**	**-3%**	-6%
Columbus (OH)	$88	-3%	-8%	**-3%**	**-4%**	-6%
Nashville	$111	0%	-7%	**-10%**	**-5%**	-10%
Portland	$151	-6%	-8%	**-7%**	**-6%**	-8%
Charlotte	$89	-11%	-8%	**-8%**	**-6%**	-10%
Austin	$102	-2%	-1%	**-5%**	**-6%**	-4%
Denver	$128	-8%	-10%	**-9%**	**-7%**	-10%
Charleston (SC)	$109	-12%	-16%	**-13%**	**-7%**	-11%
Raleigh–Durham	$95	-4%	-12%	**-9%**	**-11%**	-8%

Source: Yardi Matrix. Sorted according to 10x10 CC rent performance.

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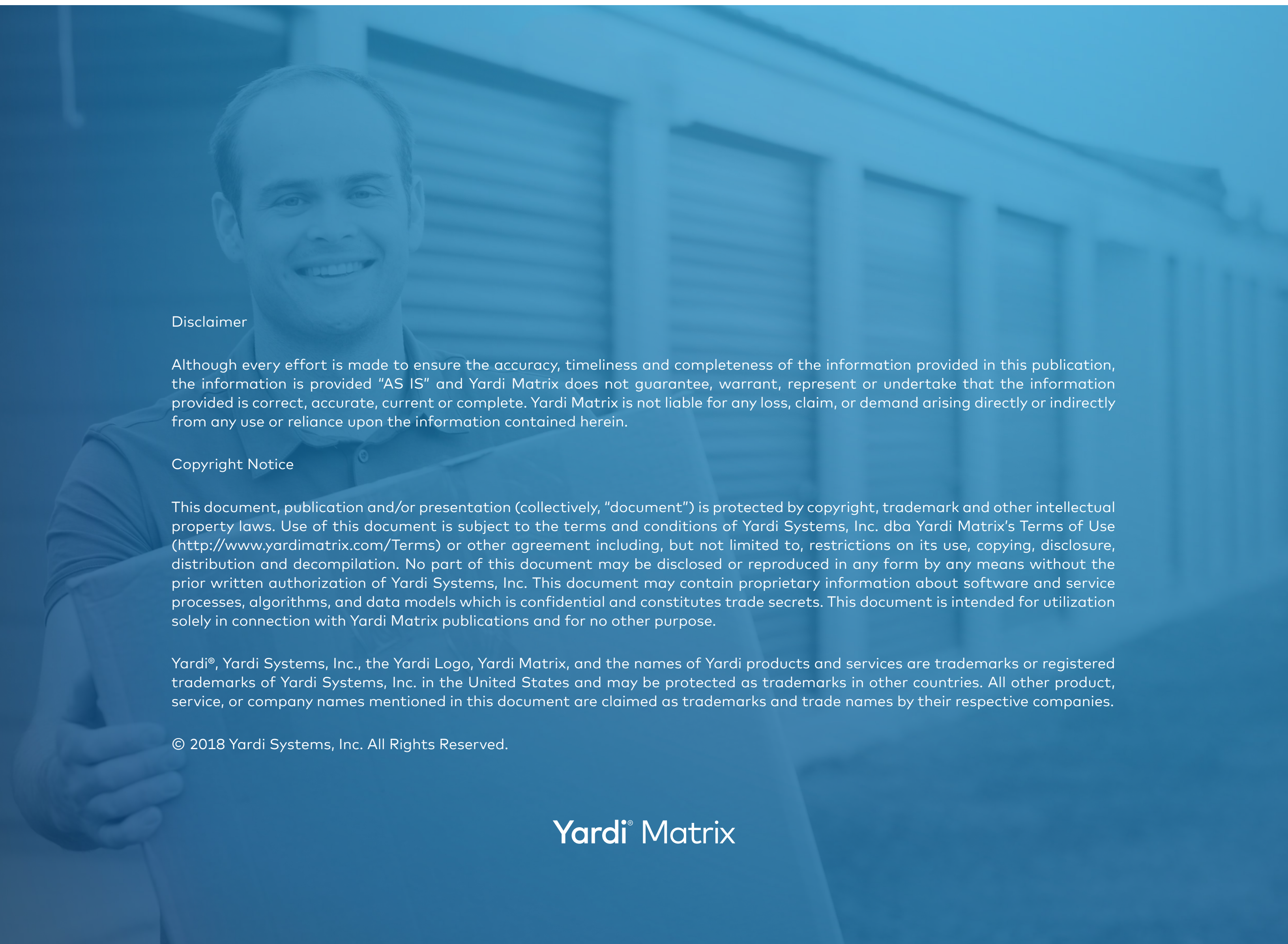

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