Yardi® Matrix

NATIONAL SELF STORAGE REPORT

OCTOBER 2018

MONTHLY SUPPLY AND RENT RECAP

High net migration rate and strong employment growth fuel development

- Development activity continues to be highest in underpenetrated markets with strong employment growth, which attracts a large influx of new residents. Demand is also on the rise in fast-growing cities that are seeing a surge in multifamily construction.
- New deliveries continue to push down rent rates on a national level, but rent growth remains positive in Southwestern markets.
- Nationwide, Yardi Matrix tracks more than 2,000 self storage properties in the pipeline—692 under construction, 966 planned and 408 prospective projects—along with 280 abandoned stores.
- Yardi Matrix also maintains operational profiles for an additional 24,588 completed properties across the nation, bringing the total data set to more than 26,600 stores.

Recent deliveries continue to push down street rates in most Texas markets

- Rent rates declined by 4.8% year-over-year in September 2018 for 10x10 non-climate-controlled (NON CC) units and by 3.5% for 10x10 climate-controlled (CC) units.
- Demand continues to be highest in Las Vegas, where rents increased by 6.3% for 10x10 NON CC units, and by 9.4% in the 10X10 CC category.
- In the Inland Empire, street rates remained positive—up 1.9% for 10x10 NON CC units year-over-year—but slightly decelerated from the previous month.
- Due to high levels of existing inventory in Texas coupled with heavy new supply, rent decreases are significant in Texas markets such as Austin (down 6.5%) and Dallas (down 6.6%), where existing inventory per capita is about 50% higher than the national average of 6 square feet (NRSF).

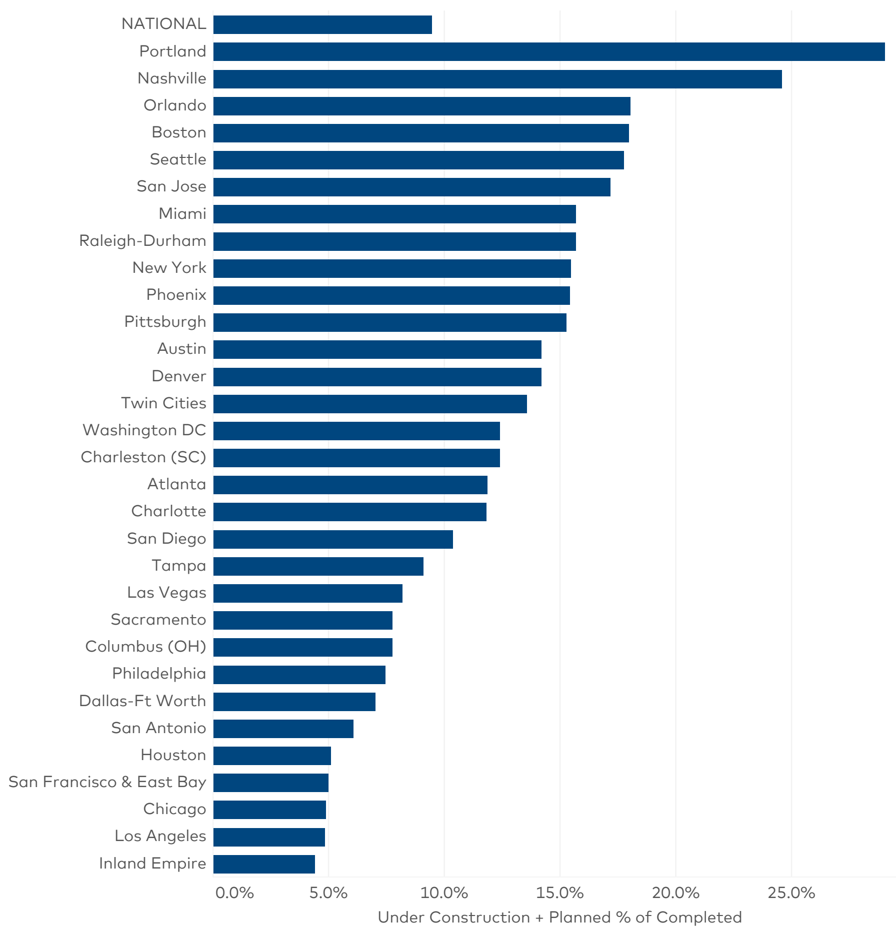
MONTHLY NEW SUPPLY UPDATE

New self storage completions reach cyclical peak in early summer 2018

- On a national level, units under construction and in the planning stages total 9.5% of the existing inventory, accounting for a slight 20-basis-point increase over the previous month with the final wave of late-summer starts breaking ground in September.
- Demand for self storage remains elevated in cities with strong population growth such as Portland (29.1%) and Nashville (24.6%), where development activity is highest. A solid influx of Millennials attracted by higher-paying positions and students enrolled in local colleges and universities has also been fueling new construction in Boston (18.0%), a historically undersupplied market.
- Still facing land-use and development limitations, major California markets such as San Francisco, Los Angeles and the Inland Empire remain largely underpenetrated. The share of self storage projects under construction or in the planning stages in these markets is below 5.0%.

Under Construction & Planned Percent of Existing Inventory

Metro	Sept-18	Oct-18	Change
NATIONAL	9.3%	9.5%	↑
Portland	28.4%	29.1%	↑
Nashville	28.7%	24.6%	↓
Orlando	17.4%	18.0%	↑
Boston	19.4%	18.0%	↓
Seattle	15.8%	17.8%	↑
San Jose	17.3%	17.2%	↓
Miami	15.2%	15.7%	↑
Raleigh-Durham	17.7%	15.7%	↓
New York	15.6%	15.5%	↓
Phoenix	14.5%	15.4%	↑
Pittsburgh	13.6%	15.3%	↑
Austin	12.8%	14.2%	↑
Denver	14.6%	14.2%	↓
Minneapolis	12.1%	13.6%	↑
Washington DC	11.8%	12.4%	↑
Charleston (SC)	12.5%	12.4%	↓
Atlanta	10.9%	11.8%	↑
Charlotte	12.8%	11.8%	↓
San Diego	11.1%	10.4%	↓
Tampa	9.1%	9.1%	—
Las Vegas	8.2%	8.2%	—
Columbus (OH)	7.8%	7.8%	—
Sacramento	7.8%	7.8%	—
Philadelphia	7.1%	7.4%	↑
Dallas-Ft Worth	6.7%	7.0%	↑
San Antonio	6.1%	6.0%	↓
Houston	5.1%	5.1%	—
San Francisco Penin. & East Bay	4.8%	5.0%	↑
Chicago	4.9%	4.9%	—
Los Angeles	4.7%	4.9%	↑
Inland Empire	3.9%	4.4%	↑



* 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. 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.

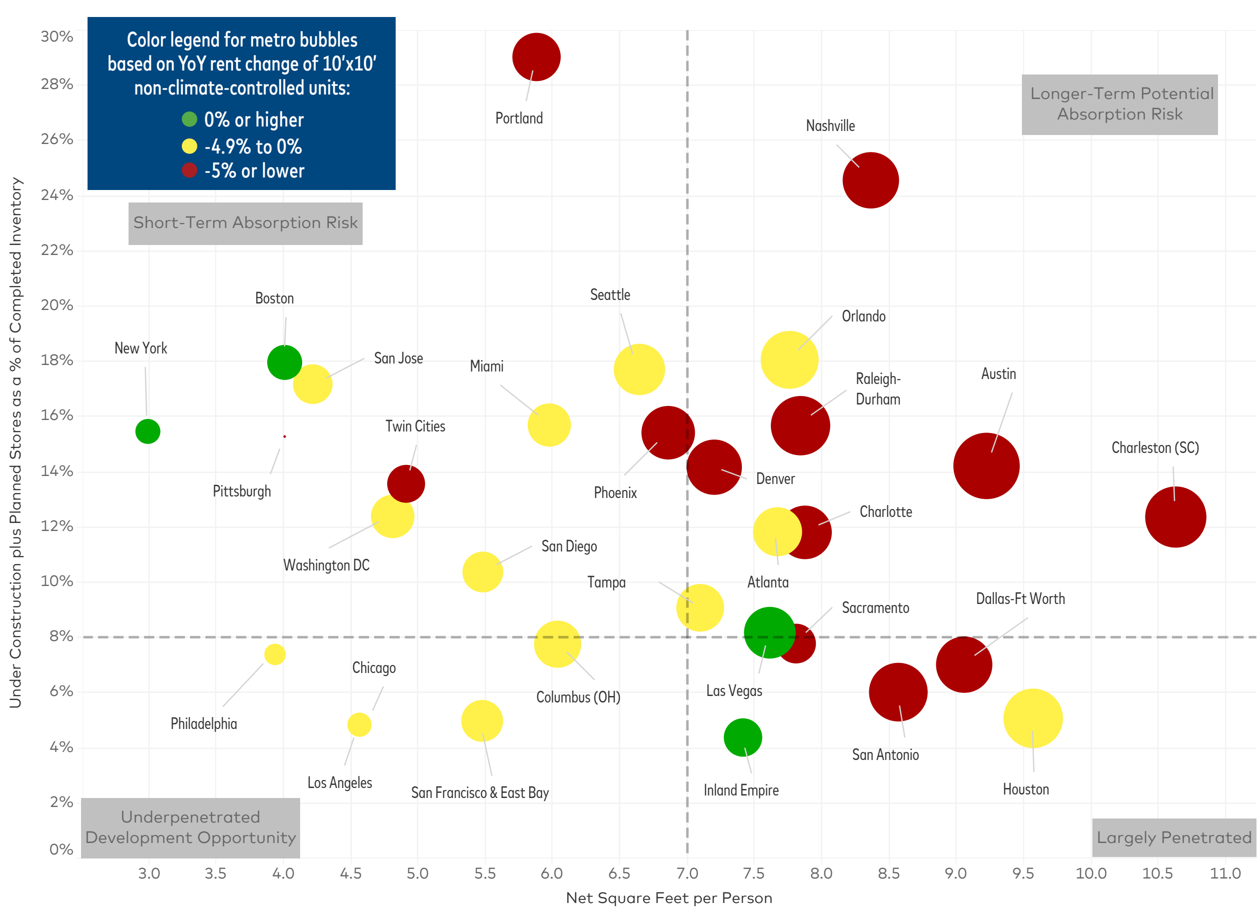
Source: Yardi Matrix. Supply data as of Oct. 10, 2018.

Self storage construction highest in favorite Millennial metros

- Construction levels continue to be heaviest in Millennial migration targets like Nashville and Portland. Millennials also prefer Charlotte, Raleigh-Durham, Austin and Seattle, but those metros have seen cuts to future projects so supply pressures are somewhat less there than in Nashville and Portland.

- New supply levels have remained surprisingly low in retirement destinations that are attracting Baby Boomers who are in their peak years of moving for retirement. Las Vegas continues to be the top-performing storage metro in the U.S., yet new supply levels in Sin City are among the lowest anywhere in the country. In addition, 2017 tax law changes are pushing more people into no-tax states like Nevada, Florida, Texas and Washington.

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)



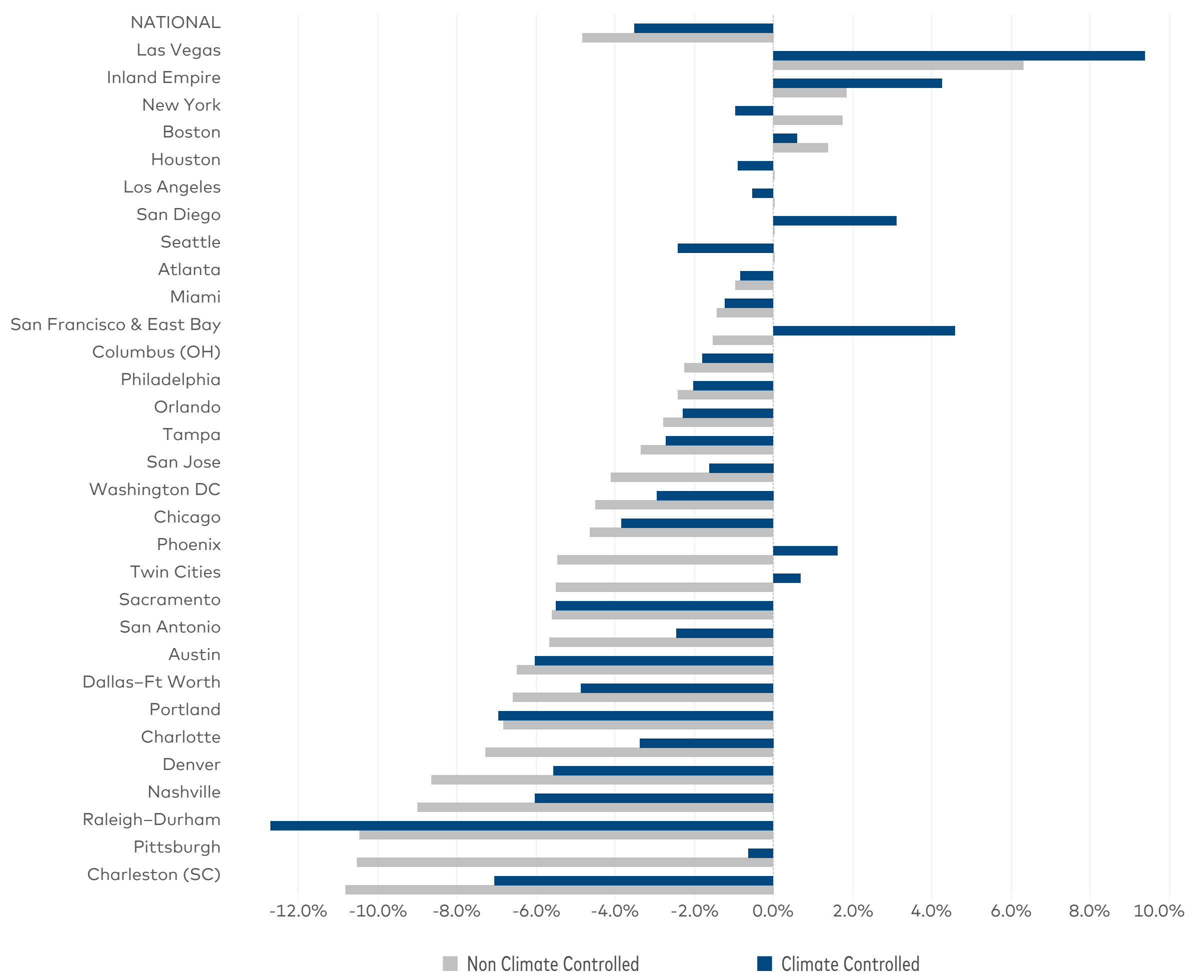
Sources: Yardi Matrix; U.S. Census Bureau. Supply data as of Oct. 10, 2018.

MONTHLY RENT GROWTH UPDATE

Rents continue to decelerate slightly as new supply pressure peaks

- Nationwide, new self-storage projects coming online continue to put pressure on rents, which declined by 4.8% for the average 10x10 NON CC unit year-over-year as of September.
- Despite robust demand for modern storage spaces, rent rates continued to soften for the standard 10x10 CC storage unit, falling by 3.5% over the past 12 months.
- Street rates continue to be elevated in major West Coast markets, where existing inventory still lags demand. As of September, 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 ($186). Moving up north, asking rents for the average 10x10 NON CC unit came in at $159 in fast-growing Seattle and $150 in Portland.

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



Source: Yardi Matrix.

MONTHLY RENT RECAP

Market	Avg Metro Rent 10'x10' (non cc)	September 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	-4%	-5%	**-5%**	**-4%**	-6%
Las Vegas	$101	15%	13%	**6%**	**9%**	8%
San Francisco Penin. & East Bay	$194	-2%	-2%	**-2%**	**5%**	-2%
Inland Empire	$110	2%	2%	**2%**	**4%**	2%
San Diego	$157	-3%	-1%	**0%**	**3%**	-1%
Phoenix	$104	-5%	-6%	**-5%**	**2%**	-6%
Minneapolis	$120	0%	-3%	**-6%**	**1%**	-8%
Boston	$147	2%	-1%	**1%**	**1%**	0%
Los Angeles	$183	-4%	-2%	**0%**	**-1%**	-2%
Pittsburgh	$119	-5%	-7%	**-11%**	**-1%**	-15%
Atlanta	$102	-2%	-2%	**-1%**	**-1%**	-1%
Houston	$87	0%	-2%	**0%**	**-1%**	-1%
New York	$174	1%	1%	**2%**	**-1%**	-1%
Miami	$138	2%	0%	**-1%**	**-1%**	0%
San Jose	$186	-2%	-6%	**-4%**	**-2%**	-5%
Columbus (OH)	$87	-3%	-7%	**-2%**	**-2%**	-5%
Philadelphia	$121	0%	-1%	**-2%**	**-2%**	-2%
Orlando	$105	0%	-2%	**-3%**	**-2%**	-2%
Seattle	$159	2%	2%	**0%**	**-2%**	-5%
San Antonio	$100	0%	0%	**-6%**	**-2%**	-4%
Tampa	$115	-4%	-1%	**-3%**	**-3%**	-3%
Washington DC	$148	-6%	-5%	**-5%**	**-3%**	-6%
Charlotte	$89	-9%	-7%	**-7%**	**-3%**	-8%
Chicago	$103	-7%	-5%	**-5%**	**-4%**	-8%
Dallas–Ft Worth	$99	-4%	-7%	**-7%**	**-5%**	-7%
Sacramento	$135	-3%	-4%	**-6%**	**-5%**	-6%
Denver	$127	-8%	-9%	**-9%**	**-6%**	-10%
Austin	$101	-4%	-4%	**-6%**	**-6%**	-3%
Nashville	$111	-2%	-8%	**-9%**	**-6%**	-8%
Portland	$150	-5%	-6%	**-7%**	**-7%**	-7%
Charleston (SC)	$107	-10%	-14%	**-11%**	**-7%**	-9%
Raleigh–Durham	$94	-10%	-14%	**-10%**	**-13%**	-7%

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

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