Yardi Matrix

NATIONAL SELF STORAGE REPORT

JULY 2019

MONTHLY SUPPLY AND RENT RECAP

Development intensifies in undersupplied secondary markets

- Demand for self storage is fueled by steady economic growth and strong employment gains in most U.S. metros. However, the continually high levels of development indicate the industry will face a rocky road for the foreseeable future. While Millennial-migration cities have some of the strongest demographic trends, development pipelines that make up more than 15-20% of existing stock have led to lease-up pressures, hurting operators.
- On a national level, Yardi Matrix tracks a total of 2,069 self storage properties in various stages of development—comprising 640 under construction, 1,092 planned and 337 prospective projects. Compared to June, the national new-supply pipeline as a percent of existing inventory slightly contracted by 0.1% in July as a number of under-construction projects reached completion.
- Yardi Matrix also maintains operational profiles for 25,141 completed self storage properties across the U.S., bringing the total data set to 27,210 stores. The new-supply pipeline accounts for 9.4% of the completed inventory.

South Florida markets lead the way in rent deceleration

- National street rates dropped 1.7% year-over-year in June for standard 10x10 non-climate-controlled (NON CC) units. Rent declines slowed throughout the first six months of 2019, and some markets have seen year-over-year gains. However, rents are likely to face increased pressure over the summer, especially in pockets of elevated deliveries. Climate-controlled (CC) street rates for units of similar size contracted by 2.9% year-over-year.
- On a year-over-year basis, street rates decreased in about 60% of the top metros tracked by Yardi Matrix, with Houston and Pittsburgh leading the way. Houston, like many Texas markets, is struggling with oversaturation, while deteriorating demographics and increasing development are hurting Pittsburgh's performance.

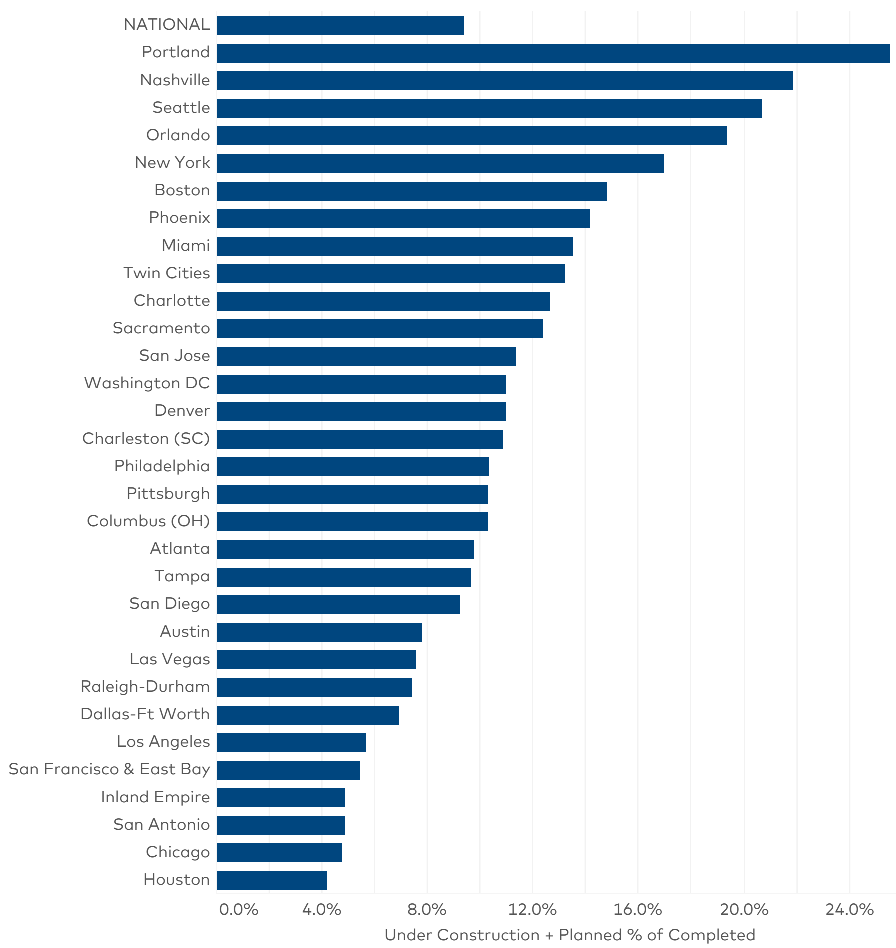
MONTHLY NEW SUPPLY UPDATE

Emerging tech cities pave the way for new construction

- Nationwide, self storage projects under construction or in the planning stages account for 9.4% of total inventory, a 10-basis-point decline from June.
- 38% of the top 30 markets tracked by Yardi Matrix saw increased development activity in July, with Pittsburgh leading the way (up 1.5% since June). The metro's emerging tech scene—backed by Apple's expansion in the area and public-private partnerships that aim to accelerate Pittsburgh's status as a global innovation city—continues to draw young professionals to the urban core. However, domestic out-migration is hurting outlying counties of the Steel City. Despite market penetration of only 4.5 net rentable square feet (NRSF) per capita, developers should be cautious not to overbuild in Pittsburgh in light of mixed demand.
- Las Vegas' friendly business environment and affordable cost of living compared to coastal Californian metros continue to attract both skilled professionals and new retirees, fueling the multifamily market and driving demand for storage space. Coupled with a modest new-supply pipeline, Las Vegas' rate growth remains positive, though it has decelerated from 2018.

Under Construction & Planned Percent of Existing Inventory

Metro	Jun-19	Jul-19	Change
NATIONAL	9.5%	9.4%	↓
Portland	25.7%	25.6%	↓
Nashville	22.7%	21.9%	↓
Seattle	21.0%	20.7%	↓
Orlando	18.3%	19.3%	↑
New York	16.6%	17.0%	↑
Boston	14.7%	14.8%	↑
Phoenix	14.9%	14.2%	↓
Miami	13.8%	13.5%	↓
Twin Cities	12.8%	13.2%	↑
Charlotte	11.8%	12.7%	↑
Sacramento	11.9%	12.4%	↑
San Jose	12.3%	11.4%	↓
Washington DC	11.6%	11.0%	↓
Denver	11.9%	11.0%	↓
Charleston (SC)	9.7%	10.9%	↑
Philadelphia	10.3%	10.3%	–
Pittsburgh	8.8%	10.3%	↑
Columbus (OH)	9.7%	10.3%	↑
Atlanta	9.8%	9.7%	↓
Tampa	10.3%	9.7%	↓
San Diego	9.2%	9.2%	–
Austin	8.7%	7.8%	↓
Las Vegas	6.7%	7.6%	↑
Raleigh-Durham	8.5%	7.4%	↓
Dallas-Ft Worth	6.4%	6.9%	↑
Los Angeles	5.4%	5.7%	↑
San Francisco Penin. & East Bay	5.6%	5.4%	↓
Inland Empire	4.9%	4.9%	–
San Antonio	6.1%	4.9%	↓
Chicago	4.8%	4.8%	–
Houston	4.4%	4.2%	↓



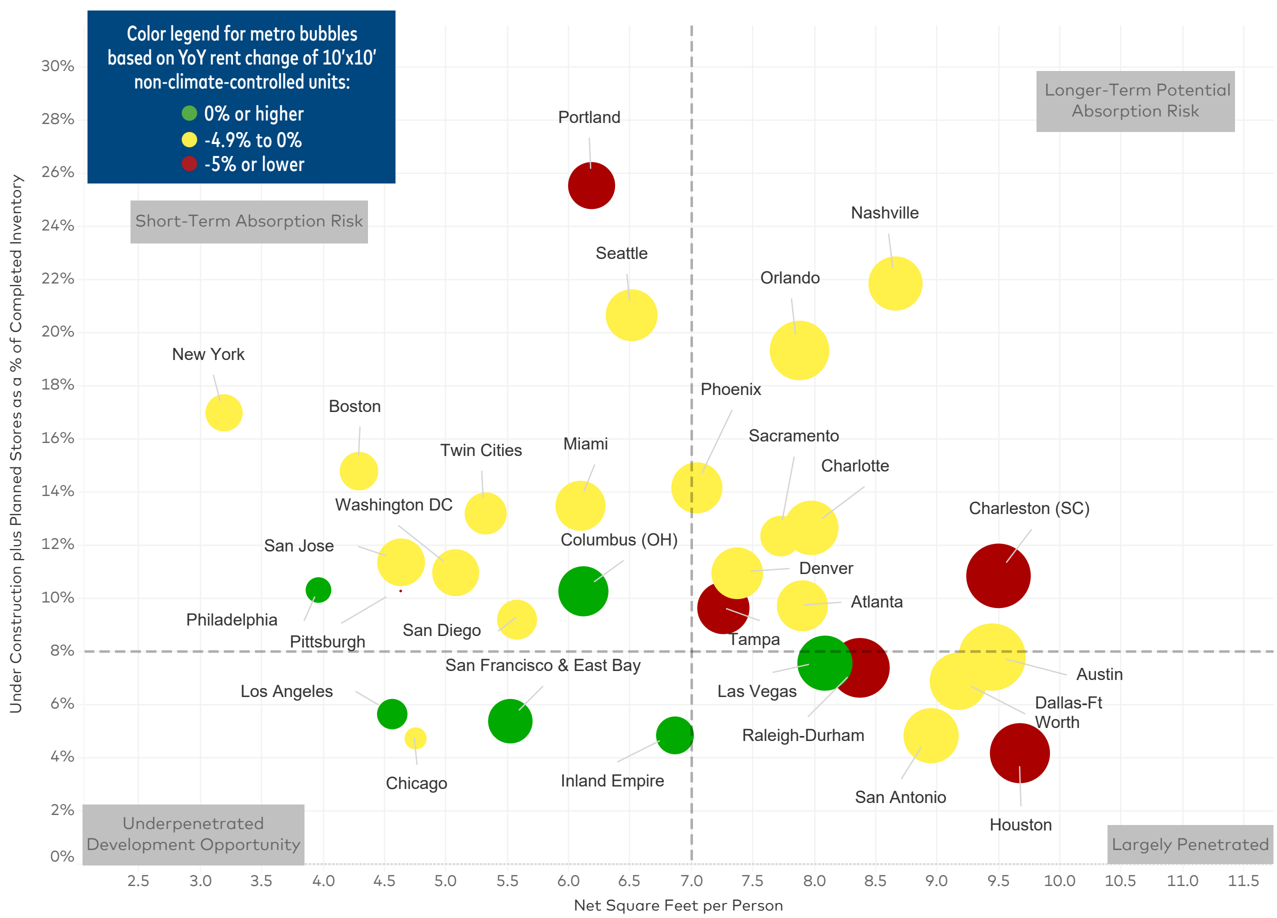
* Drawn from our national database of 27,210 stores, including some 2,069 projects in the new-supply pipeline as well as 25,151 completed stores.

Source: Yardi Matrix. Supply data as of July 9, 2019.

Overbuilding is a looming concern in markets with recent demographic booms

- Due to elevated completion levels over the past several years, the four major Texas markets have limited new-supply pipelines. Only four projects are under construction in San Antonio as of July and the metro's development pipeline accounts for 4.9% of total inventory (down 130 basis points since June).
- Colorado's low unemployment rate and rapidly expanding economy have boosted population growth, prompting developers to break ground on new projects. However, the market quickly became overbuilt, and construction has declined rapidly. With existing stock equal to 7.8 NRSF per capita, the new-supply pipeline has decreased to 11% of total inventory, down 1% since June and down 8% from last July.

Self Storage Major Metro Summary
New-Supply Pipeline (y-axis) & Completed Inventory Per Capita (x-axis)
(bubble size represents 2017 population growth rate, three-mile radius)

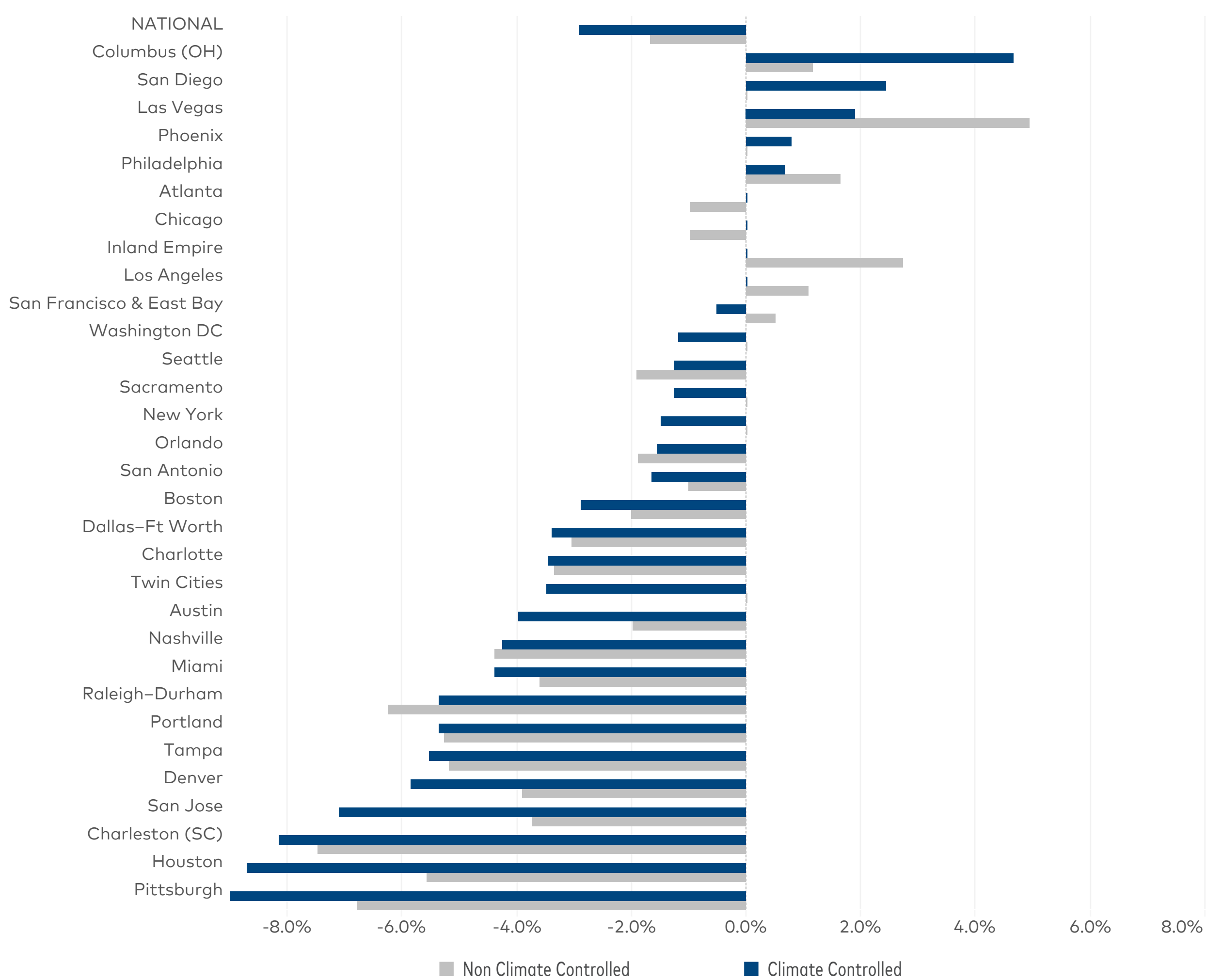


Sources: Yardi Matrix; U.S. Census Bureau. Data as of July 9, 2019.

Rents remain highest in major California markets

- New self storage projects reaching completion continue to hinder rate growth nationwide. Street rates declined by 1.7% year-over-year in June for the average 10x10 NON CC unit, but remained unchanged at $117 on a month-over-month basis.
- Street rates further decreased for the standard 10x10 CC unit, dipping by 2.9% over the past 12 months as performance of newly delivered supply softens.
- Listed rates are highest in low-development West Coast markets such as San Francisco ($194), Los Angeles ($185), San Jose ($180) and San Diego ($157), while significant new supply is beginning to dampen street rates in New York City ($176) and Boston ($148) despite low penetration.

June 2019 Year-over-Year Rent Change for 10'x10' Units



Source: Yardi Matrix. Street rate data as of June, 2019

MONTHLY RENT RECAP

Market	Avg Metro Rent 10'x10' (non cc)	June 2019 YoY Rent Performance				
		5'x5' (non cc)	5'x10' (non cc)	10'x10' (non cc)	10'x10' (cc)	10'x20' (non cc)
NATIONAL	117	-2%	-1%	**-2%**	**-3%**	-2%
Columbus (OH)	88	0%	2%	**1%**	**5%**	0%
San Diego	157	0%	1%	**0%**	**2%**	1%
Las Vegas	106	10%	12%	**5%**	**2%**	5%
Phoenix	104	0%	0%	**0%**	**1%**	-2%
Philadelphia	124	2%	1%	**2%**	**1%**	-1%
Atlanta	101	0%	2%	**-1%**	**0%**	-1%
Chicago	102	0%	0%	**-1%**	**0%**	-2%
Inland Empire	113	2%	4%	**3%**	**0%**	3%
Los Angeles	185	0%	2%	**1%**	**0%**	0%
San Francisco Penin. & East Bay	194	2%	0%	**1%**	**-1%**	-1%
Washington DC	148	-3%	-2%	**0%**	**-1%**	-1%
Seattle	154	0%	0%	**-2%**	**-1%**	0%
Sacramento	135	2%	1%	**0%**	**-1%**	0%
New York	176	-3%	0%	**0%**	**-1%**	0%
Orlando	104	0%	-3%	**-2%**	**-2%**	1%
San Antonio	100	2%	0%	**-1%**	**-2%**	-1%
Boston	148	-2%	-1%	**-2%**	**-3%**	0%
Dallas–Ft Worth	96	-5%	-3%	**-3%**	**-3%**	-4%
Charlotte	87	0%	-2%	**-3%**	**-3%**	-1%
Twin Cities	118	-4%	-3%	**0%**	**-3%**	-1%
Austin	100	-7%	-3%	**-2%**	**-4%**	-1%
Nashville	109	-5%	-5%	**-4%**	**-4%**	-4%
Miami	134	-2%	-3%	**-4%**	**-4%**	-3%
Raleigh–Durham	90	-9%	-5%	**-6%**	**-5%**	-3%
Portland	144	-9%	-7%	**-5%**	**-5%**	-5%
Tampa	110	0%	-4%	**-5%**	**-6%**	-2%
Denver	123	-7%	-5%	**-4%**	**-6%**	-2%
San Jose	180	-4%	-3%	**-4%**	**-7%**	-4%
Charleston (SC)	99	-7%	-7%	**-7%**	**-8%**	-7%
Houston	85	-5%	-7%	**-6%**	**-9%**	-3%
Pittsburgh	110	-14%	-10%	**-7%**	**-13%**	-8%

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

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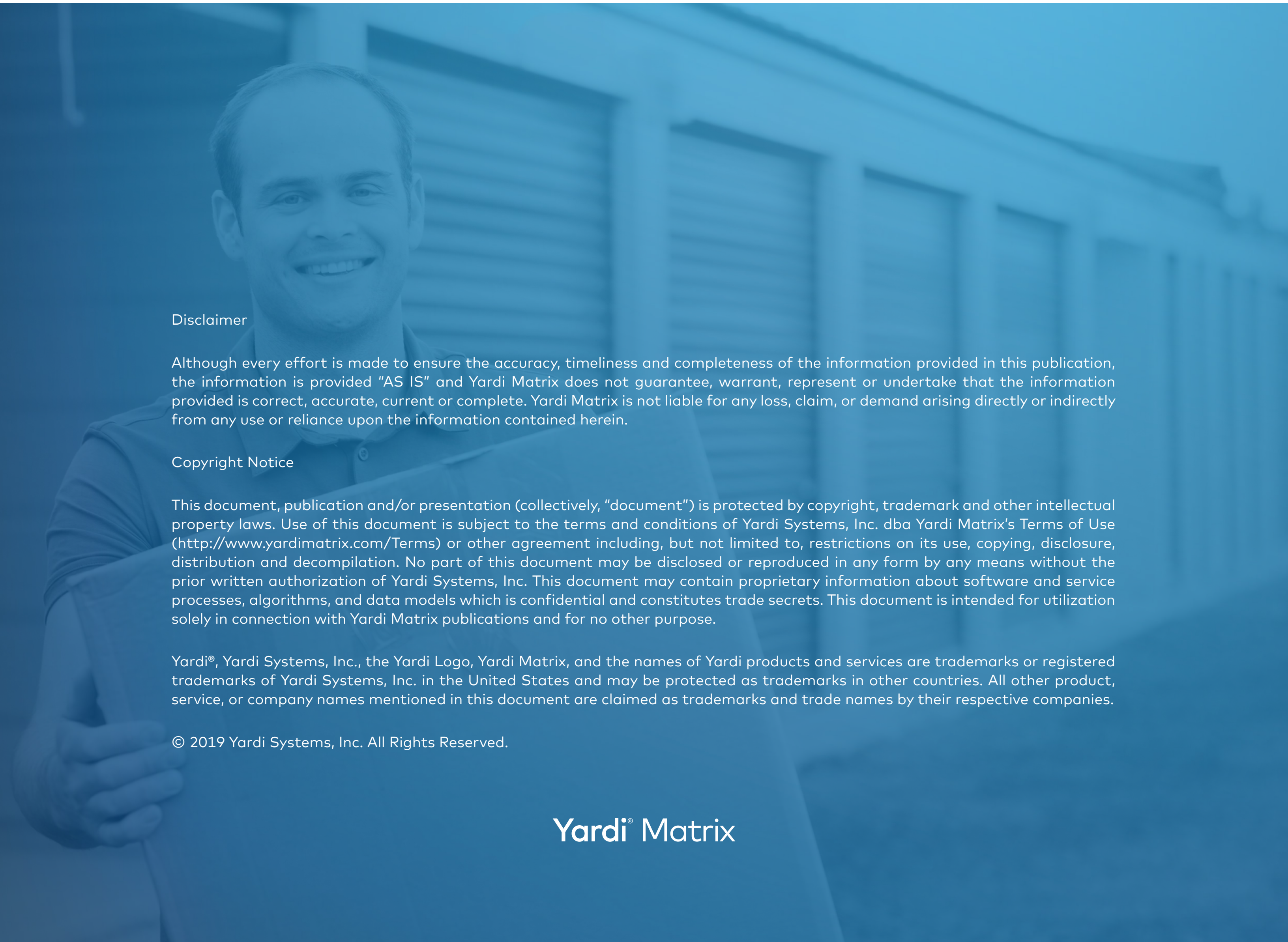

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