Yardi® Matrix

NATIONAL SELF STORAGE REPORT

AUGUST 2019

MONTHLY SUPPLY AND RENT RECAP

Self storage struggling amid high supply levels

- The self storage sector continues to reap the benefits of sustained economic growth and favorable demographic dynamics in many markets. But while developers continue to break ground on new projects, ongoing heightened completion levels provide headwinds to street rates. As a result, both REITs and private storage operators are strategically pricing units in order to remain competitive in most heavy-supply metros.
- On a national level, Yardi Matrix tracks a total of 2,118 self storage properties in various stages of development—comprising 647 under construction, 1,106 planned and 365 prospective projects. In August, the national new-supply pipeline as a percent of existing inventory increased by a slight 0.1% compared to the previous month, as several projects advanced from planned to under construction.
- Yardi Matrix also maintains operational profiles for 25,247 completed self storage facilities across the U.S. This brings the total data set to 27,365 stores. The share of projects in various stages of development accounts for 9.5% of the completed inventory.

Street rate declines accelerate as more properties reach completion

- Despite improving street rate performance during the first half of 2019, street rates took a dive in July, dropping by 2.5% year-over-year for standard 10x10 non-climate-controlled (NON CC) units. Continued supply has further weakened rate growth. Recently, storage operators have chosen to cut rates more heavily and pull back on concessions, a change in operating strategy from previous years. Climate-controlled (CC) units took the hardest hit, with rents falling by 4.3% year-over-year.
- Annual street rate performance was negative in 89% of the top metros tracked by Yardi Matrix, with heavily developed markets such as Charleston and Raleigh-Durham seeing major declines. Compared to July 2018, street rates have deteriorated even in markets with strong demand and limited new supply, such as large metros on the West Coast.

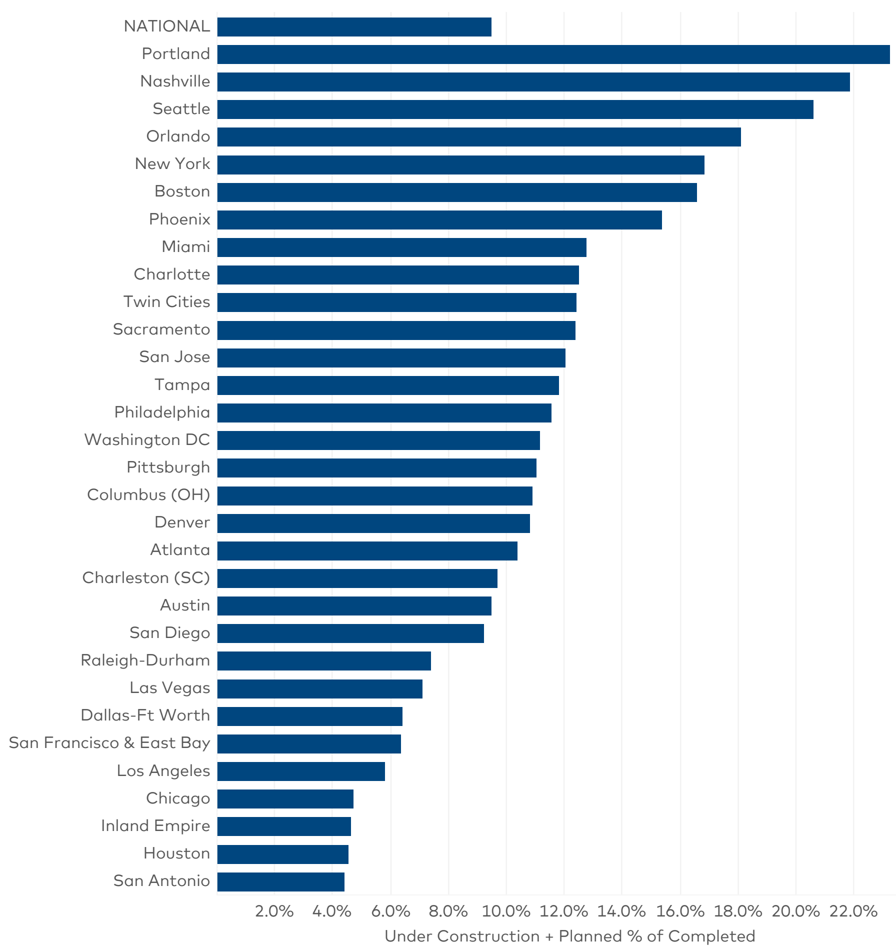
MONTHLY NEW SUPPLY UPDATE

Solid employment gains support new development

- Nationwide, self storage projects under construction or in the planning stages account for 9.5% of total inventory, up 10 basis points from July.
- Compared to July, development activity intensified in about 40% of the top markets tracked by Yardi Matrix, with Boston construction levels accelerating the most (up 1.8% month-over-month). With its thriving tech scene and pro-growth business environment, the metro added more than 60,000 jobs in 2018, underpinning strong demand for storage space. Aided by a $31.4 million tax break awarded by the Massachusetts Economic Assistance Coordinating Council, online retail giant Wayfair is set to create 3,300 jobs at various locations across the state—including its upcoming physical store at the Natick Mall and its expanding offices in the Back Bay. Boston continues to be one of the most undersupplied metros, with a market penetration of only 4.5 net rentable square feet (NRSF) per capita. Expect some unsteady performance in the short term, but strong population growth as well as the large student population will continue to drive storage demand in the long run.

Under Construction & Planned Percent of Existing Inventory

Metro	Jul-19	Aug-19	Change
NATIONAL	9.4%	9.5%	↑
Portland	25.6%	23.3%	↓
Nashville	21.9%	21.8%	↓
Seattle	20.7%	20.6%	↓
Orlando	19.3%	18.1%	↓
New York	17.0%	16.9%	↓
Boston	14.8%	16.6%	↑
Phoenix	14.2%	15.4%	↑
Miami	13.5%	12.8%	↓
Charlotte	12.7%	12.5%	↓
Twin Cities	13.2%	12.4%	↓
Sacramento	12.4%	12.4%	–
San Jose	11.4%	12.1%	↑
Tampa	9.7%	11.8%	↑
Philadelphia	10.3%	11.6%	↑
Washington DC	11.0%	11.2%	↑
Pittsburgh	10.3%	11.0%	↑
Columbus (OH)	10.3%	10.9%	↑
Denver	11.0%	10.8%	↓
Atlanta	9.7%	10.4%	↑
Charleston (SC)	10.9%	9.7%	↓
Austin	7.8%	9.5%	↑
San Diego	9.2%	9.2%	–
Raleigh-Durham	7.4%	7.4%	–
Las Vegas	7.6%	7.1%	↓
Dallas-Ft Worth	6.9%	6.4%	↓
San Francisco Penin. & East Bay	5.4%	6.4%	↑
Los Angeles	5.7%	5.8%	↑
Chicago	4.8%	4.7%	↓
Inland Empire	4.9%	4.6%	↓
Houston	4.2%	4.5%	↑
San Antonio	4.9%	4.4%	↓



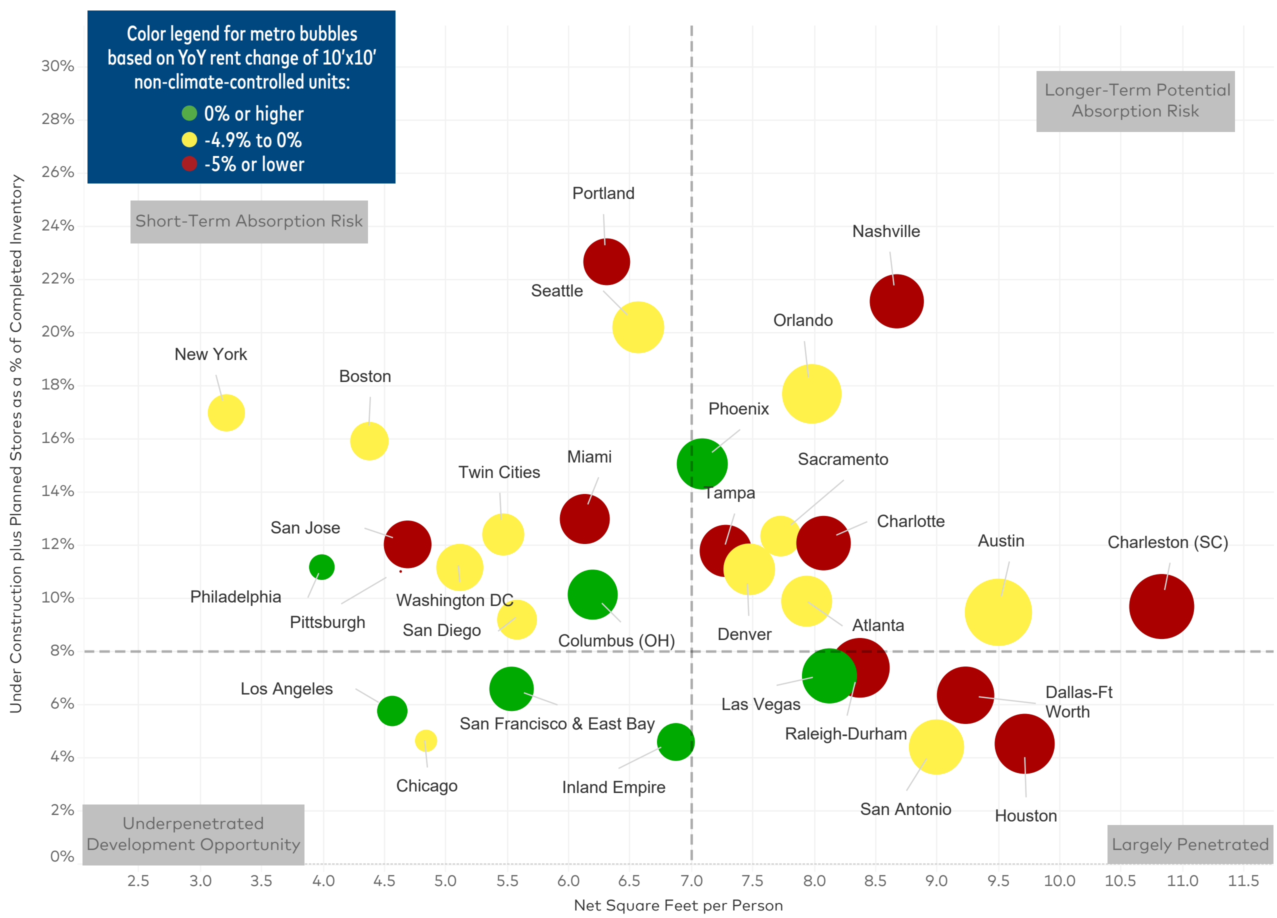
* Drawn from our national database of 27,300 stores, including some 2,100 projects in the new-supply pipeline as well as 25,200 completed stores.

Source: Yardi Matrix. Supply data as of August 6, 2019.

Developers remain cautious in saturated metros, while overbuilding risks emerge

- In Austin, another established tech market, construction activity expanded by 1.7% since July, echoing the metro's stellar economic growth spearheaded by Amazon's and Apple's growing operations in the area. Despite strong demand, developers remain cautious, given the ample supply added over the past five years. The metro's new-supply pipeline remains in line with the national average, accounting for 9.5% of the existing stock.
- Despite existing stock equal to 6.2 NRSF per capita, Portland is showing significant signs of oversupply. Planned and under construction properties account for nearly a quarter of existing inventory, and street rates for both climate and non-climate units are suffering as a result. With many projects yet to complete, Portland appears poised for a long slog ahead.

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)

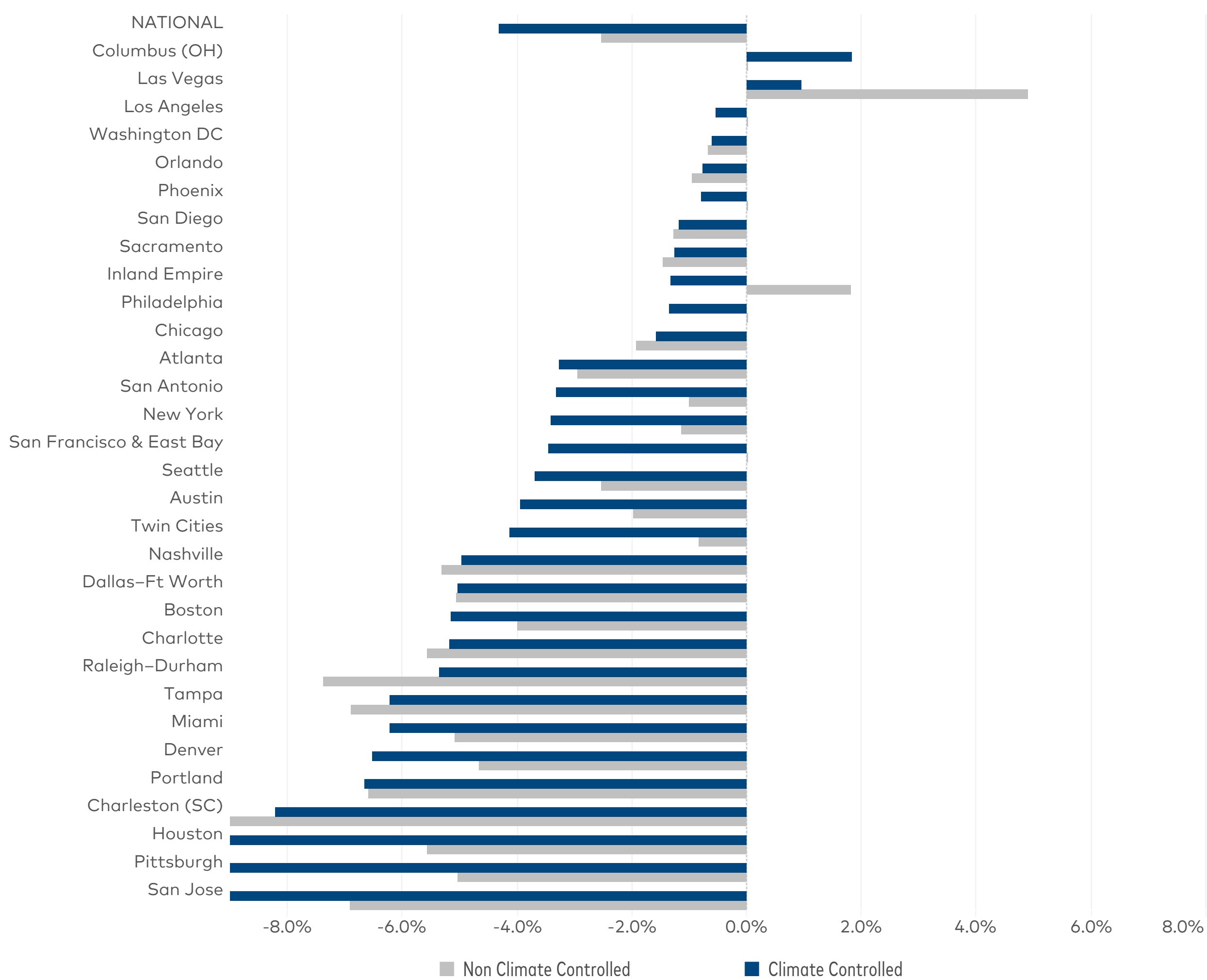


Sources: Yardi Matrix; U.S. Census Bureau. Data as of August 6, 2019.

Store operators cutting rates, pulling back on concessions

- Street rate growth decelerated nationwide in July, due to elevated construction levels and a high rate of completions over the past few months. Street rates fell by 2.5% year-over-year in July for the average 10x10 NON CC unit, with average rates decreasing by $1 to $116 per unit month-over-month. REITs and large operators are dropping prices significantly rather than offering concessions, a shift in strategy from earlier in this cycle.
- The decline was even more dramatic for the standard 10x10 CC unit, falling 4.3% year-over-year in July. Operators continue to cut asking prices to draw tenants and keep facilities occupied as new, nearby properties continue to deliver.
- Asking rates remain highest in major California markets faced with development restrictions amid elevated demand, such as San Francisco ($194) and Los Angeles ($184). In San Jose ($175), rent rates contracted by 6.9% year-over-year.

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



Source: Yardi Matrix. Street rate data as of July 2019

MONTHLY RENT RECAP

Market	Avg Metro Rent 10'x10' (non cc)	July 2019 YoY Rent Performance				
		5'x5' (non cc)	5'x10' (non cc)	10'x10' (non cc)	10'x10' (cc)	10'x20' (non cc)
NATIONAL	116	-2%	-3%	**-3%**	**-4%**	-2%
Columbus (OH)	88	0%	2%	**0%**	**2%**	-1%
Las Vegas	107	10%	10%	**5%**	**1%**	3%
Los Angeles	184	0%	0%	**0%**	**-1%**	0%
Washington DC	148	-5%	-3%	**-1%**	**-1%**	-2%
Orlando	105	0%	-3%	**-1%**	**-1%**	-1%
Phoenix	105	0%	-2%	**0%**	**-1%**	-2%
San Diego	156	0%	0%	**-1%**	**-1%**	0%
Sacramento	134	0%	-1%	**-1%**	**-1%**	-1%
Inland Empire	113	2%	3%	**2%**	**-1%**	2%
Philadelphia	123	0%	0%	**0%**	**-1%**	-1%
Chicago	102	0%	0%	**-2%**	**-2%**	-3%
Atlanta	99	0%	-2%	**-3%**	**-3%**	-2%
San Antonio	99	0%	0%	**-1%**	**-3%**	-2%
New York	174	-4%	-1%	**-1%**	**-3%**	-1%
San Francisco Penin. & East Bay	194	1%	0%	**0%**	**-3%**	-2%
Seattle	154	-3%	-3%	**-3%**	**-4%**	-1%
Austin	100	-9%	-3%	**-2%**	**-4%**	-2%
Twin Cities	118	-4%	-1%	**-1%**	**-4%**	-2%
Nashville	107	-7%	-7%	**-5%**	**-5%**	-5%
Dallas–Ft Worth	94	-7%	-5%	**-5%**	**-5%**	-4%
Boston	144	0%	-3%	**-4%**	**-5%**	0%
Charlotte	85	0%	0%	**-6%**	**-5%**	-4%
Raleigh–Durham	88	-9%	-5%	**-7%**	**-5%**	-3%
Tampa	108	0%	-6%	**-7%**	**-6%**	-3%
Miami	131	-6%	-5%	**-5%**	**-6%**	-4%
Denver	123	-7%	-6%	**-5%**	**-7%**	-3%
Portland	142	-8%	-7%	**-7%**	**-7%**	-6%
Charleston (SC)	95	-11%	-10%	**-10%**	**-8%**	-9%
Houston	85	-8%	-7%	**-6%**	**-10%**	-3%
Pittsburgh	113	-12%	-8%	**-5%**	**-10%**	-5%
San Jose	175	-5%	-6%	**-7%**	**-11%**	-5%

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

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