

Self-Storage Economic Update

Storage in the Time of Covid-19



Marla Čolić

What We Will Review Today

- Storage Industry Prior to COVID-19
- Storage Industry Since COVID-19
- How does this impact us?



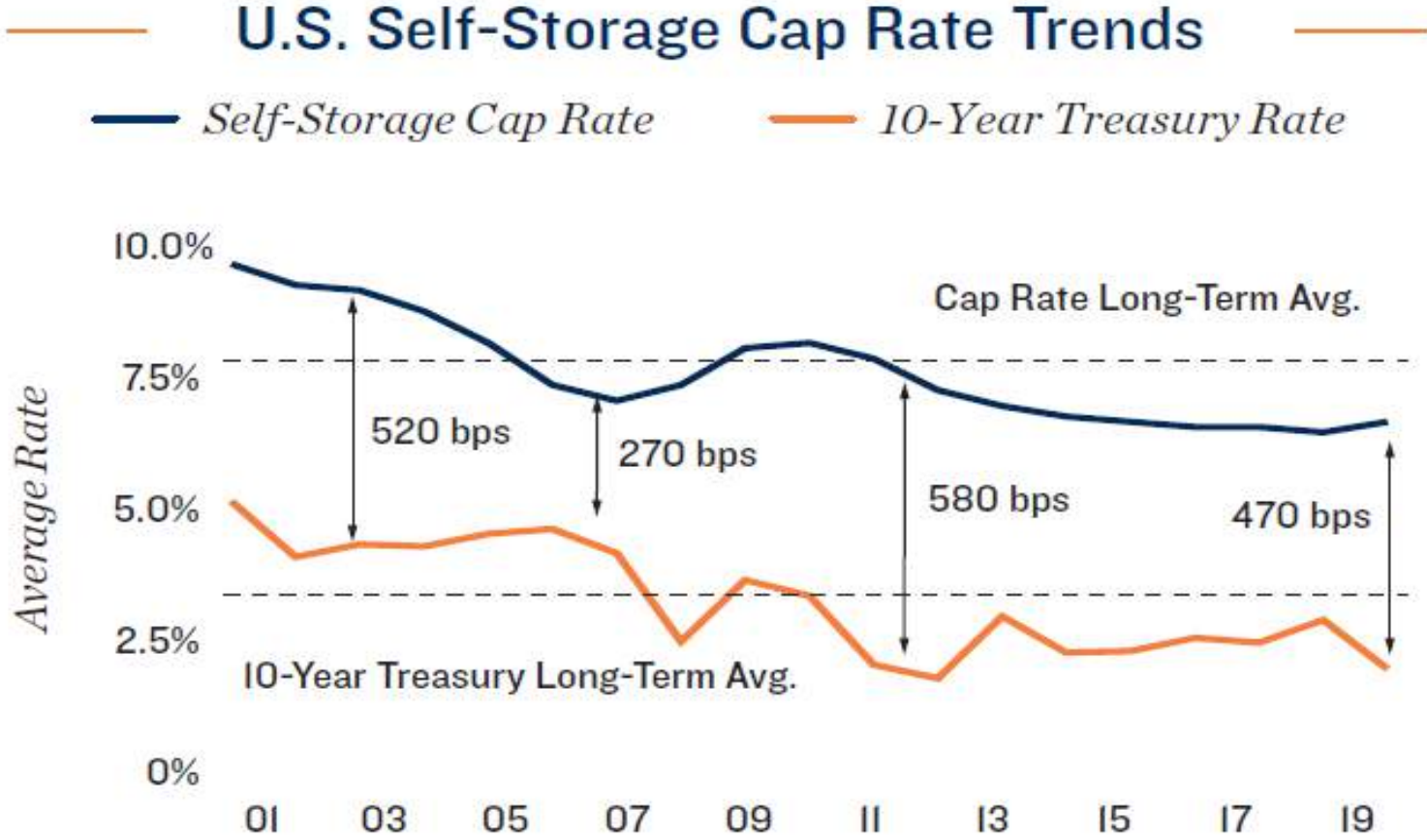
Storage Industry Trends Prior to COVID-19

- Overall change: greater technology, leveling of rent brought on by new construction and the slow of new construction
- Demographics: Baby Boomers and Millennials
- 2019, average cap rates for storage were 470 bp above the 10 year treasury average, making debt options attractive in both the CMBS market and traditional financing.

Storage Industry Trends Prior to COVID-19

Pre-Recession 2007	Pre-Coronavirus 2019
U.S. Employment	
<i>Rose Y-O-Y 0.8% to 138 million jobs Unemployment 5.0%</i>	<i>Rose Y-O-Y 1.4% to 152 million jobs Unemployment 3.5%</i>
U.S. Self-Storage Construction	
40 million sq. ft. <i>3.2% of inventory</i>	65 million sq. ft. <i>4.1% of inventory</i>
U.S. Vacancy U.S. Vacant Space	
15.5% 195 million sq. ft.	9.5% 153 million sq. ft.

Storage Industry Trends Prior to COVID-19



Storage Industry National Trends Since COVID-19

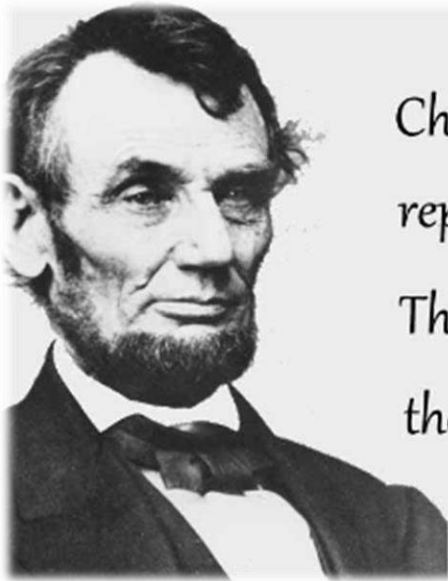
- Approximately 20 Million college students who would have come home in May were suddenly sent home, delivering a boost to storage
- Storage REITs that specialize in self storage only fell 11.11% from the beginning of 2020 through the middle of April compared to Dow Jones over the same period fell 16.96%. By comparison, hotel REITS suffered 53.69% in same period.
- Developers had self-storage properties under construction or in the planning stages had totaled 9.1% of existing stock in the U.S., according to Yardi.
- 70-80% of retail tenants are requesting abatement, 1/3 of apartment rents were late in April versus the typical 15%. Storage holds firm at this time.
- Unemployed workers may also temporarily consolidate households, particularly those in industries facing a long recovery

Storage Trends Going Forward: How does COVID-19 Impact Us?

- Management: essential and social distancing
- NOIs may flatten as rents suppress/\$\$ sensitivity
- Debt: CMSB money is gone for now, SBA is stalled while working on PPP, traditional lending continues though tightening
- Acquisition: IRS 1031 exchange extension and Force Majeure
- Investor Interest: \$ from other asset classes, low rates helps keep cap rates low for now.

Storage Industry Trends Since COVID-19: Closing Thoughts

- Grace and Peace. Success in your storage businesses.
- The fundamentals of storage are the same



*Character is like a tree &
reputation like a shadow.
The shadow is what we think of it;
the tree is the real thing.*

-Abraham Lincoln

- We are living in history-making time. Character is everything. Golden Rule.