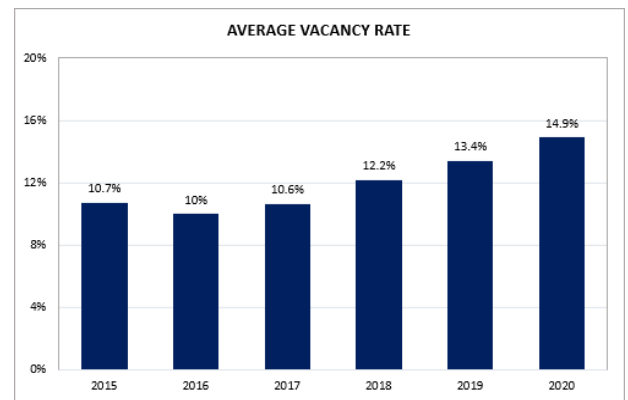


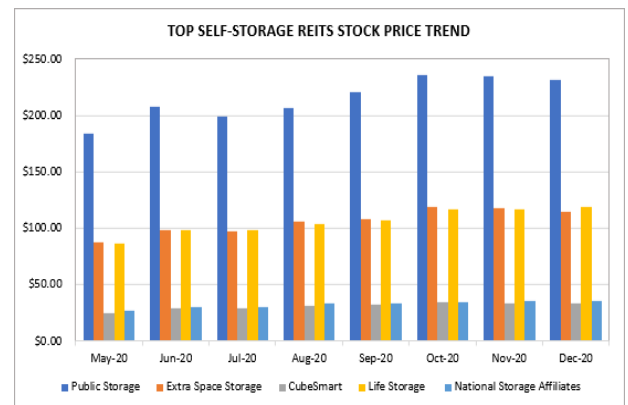
US Self-Storage Sales Volume & Buying Trends – December 2020

The US Self Storage market has been considered a profitable and well performing investment asset class for many years, although statistics for 2020 suggest investment activity in the self-storage market experienced a down year, primarily due to the impact of COVID-19. However, as college campuses, restaurants, hotels, and offices remain subject to lockdowns across the US, the demand for storage by individuals and businesses has grown making this sector more attractive to investors. Self-storage also achieves some of the highest NOI margins for any real estate asset type. Currently in the US, there are approximately 55,000 to 60,000 storage facilities, which total approximately 1.7 billion square feet.

Although the Pandemic is driving increased short-term demand for storage units, vacancy rates have been experiencing an upward trend beginning in 2017. As of September 2020, the average vacancy rate is 14.9%, which is the highest it has been over the past five years.



There are five self-storage REITs which are Public Storage, Extra Space Storage, CubeSmart, Life Storage, and National Storage Affiliates. As exhibited in the figure to the right, the REITs' have experienced a steady upward trend throughout 2020 but experienced slight declines in their stock prices from October 2020 to December 2020. As these are benchmark indicators, market participants will continue to watch these trends carefully.



Public Storage is the largest self-storage operator with a market capitalization of \$33.9 billion, along with owning approximately 2,538 facilities. These facilities make up 177 million square feet of space. The figure to the right shows the top five REITs and their respective inventory

Top 5 Self-Storage REITs	Market Capitalization (Billions)	No. of Facilities	Annual Revenue 2019	SF Owned (Millions)
Public Storage	\$33.9	2,538	\$2,680,000,000	177
Extra Space Storage	\$12.4	1,817	\$1,300,000,000	85.4
CubeSmart	\$4.8	1,172	\$643,900,000	35.8
Life Storage	\$4.2	854	\$574,700,000	39.9
National Storage Affiliates	\$1.7	742	\$367,900,000	45.5

Overview

We tracked investment sales for self-storage properties throughout all 50 states over a 2-year period beginning in January 2019 and ending in December 2020. In order to find the primary drivers, we broke the market into multiple tranches. The following tranches include: "Under \$1.0 Million", "\$1.0 Million to \$5.0 Million", "\$5.0 Million to \$10.0 Million", "10.0 Million to \$20.0 Million", and "Over \$20.0 Million". While performing this study, we uncovered that one tranche (\$10.0 Million to \$20.0 Million) has been a major driving force accounting for 33% of the market's dollar volume over the study period.

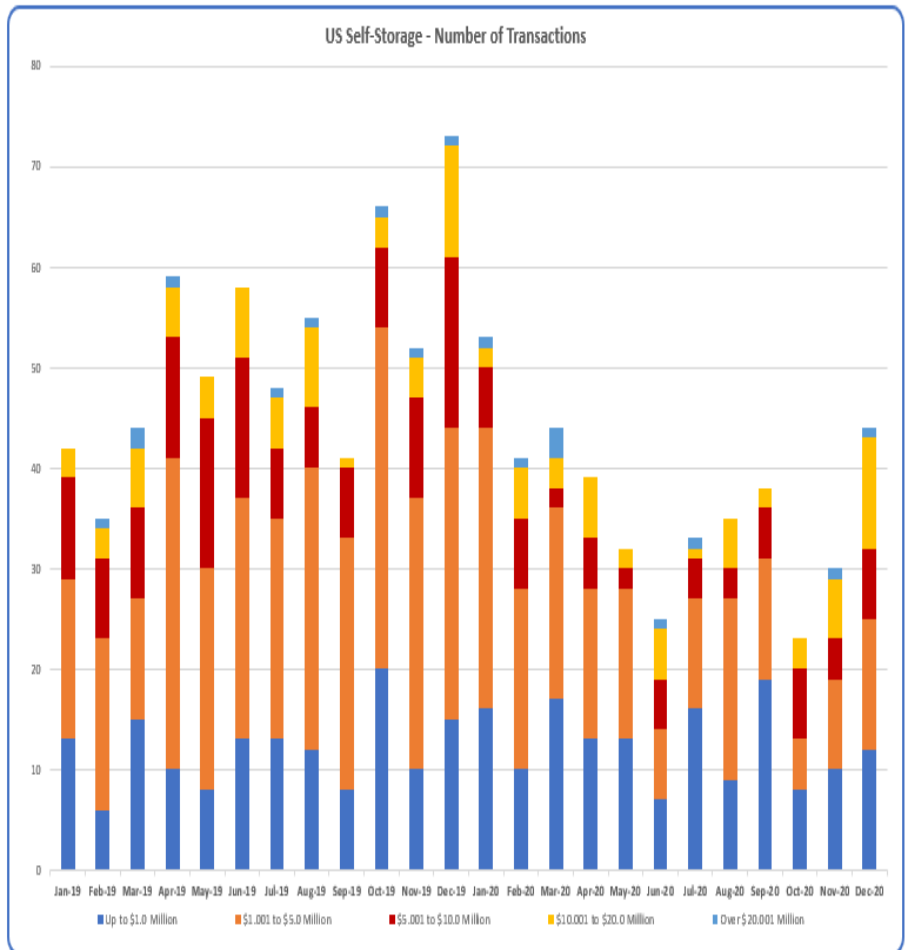
Number of Sales Transactions

The number of monthly sales for all self-storage sales recorded in the US are segmented into tranches as seen below. Over the 2-year period, there have been a total of 1,059 self-storage transactions. Over 88 percent of these transactions were below \$10 million; roughly 10.5 percent were between \$10 million and \$20 million; and 1.7 percent were above \$20 million.

Historical Transaction Volume - US Self-Storage																										
Number of Transactions	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Total	% of Total
Up to \$1.0 Million	13	6	15	10	8	13	13	12	8	20	10	15	16	10	17	13	13	7	16	9	19	8	10	12	293	27.7%
\$1.001 to \$5.0 Million	16	17	12	31	22	24	22	28	25	34	27	29	28	18	19	15	15	7	11	18	12	5	9	13	457	43.2%
\$5.001 to \$10.0 Million	10	8	9	12	15	14	7	6	7	8	10	17	6	7	2	5	2	5	4	3	5	7	4	7	180	17.0%
\$10.001 to \$20.0 Million	3	3	6	5	4	7	5	8	1	3	4	11	2	5	3	6	2	5	1	5	2	3	6	11	111	10.5%
Over \$20.001 Million	0	1	2	1	0	0	1	1	0	1	1	1	1	1	3	0	0	1	1	0	0	0	1	1	18	1.7%
Total # Transactions	42	35	44	59	49	58	48	55	41	66	52	73	53	41	44	39	32	25	33	35	38	23	30	44	1,059	100.0%
% Change from Prior Month	-	-16.7%	25.7%	34.1%	-16.9%	18.4%	-17.2%	14.6%	-25.5%	61.0%	-21.2%	40.4%	-27.4%	-22.6%	7.3%	-11.4%	-17.3%	-21.3%	32.0%	6.1%	8.6%	-33.5%	30.4%	46.7%	-	-

In terms of number of transactions, the highest number of monthly transactions occurred in December 2019, which also experienced one of the most significant percent increases from the prior month, at 40.4%. Compared to December 2019, the results for December 2020 were similar in terms of percent increases, experiencing the highest percent increase over the given period, at 46.7% reflecting 44 transactions. December 2020 experienced the largest number of transactions since March 2020.

Most activity in the last three months occurred in the below \$5.0 million tranche. In December 2020, 25 of the 44 transactions that occurred were below \$5.0 Million. However, 11 transactions occurred in the \$5.0 million to \$10.0 million tranche, which is the highest amount within this tranche since December 2019.



Dollar Volume of Sales Transactions

In 2019, the average monthly sales volume was over \$236 Million, with the peak occurring in December 2019 at over \$459 Million. Comparatively, the average monthly sales volume in 2020 is roughly \$152 Million, reflecting a decrease of approximately 35.4 percent. As seen below, we have tracked the dollar volume of monthly self-storage sales by tranches.

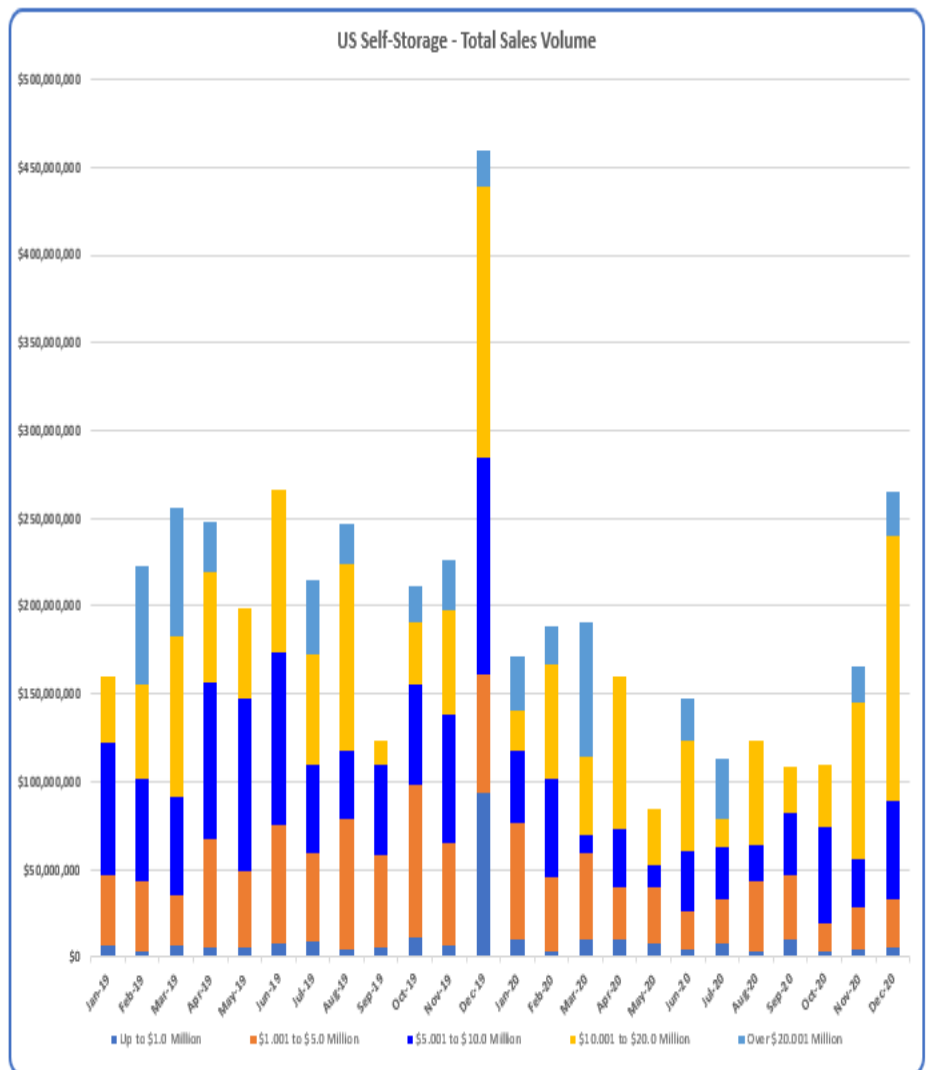
Historical Transaction Volume - US Self-Storage (in Millions)

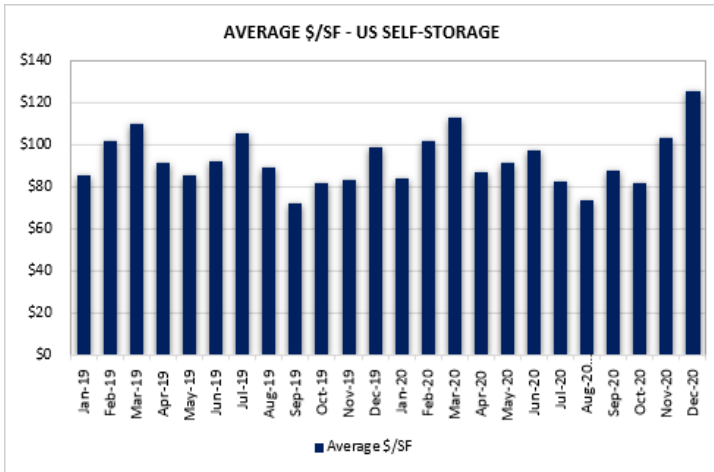
Dollar Volume	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Total	% of Total
Up to \$10 Million	\$7.1	\$3.8	\$6.9	\$5.2	\$5.0	\$7.4	\$9.0	\$4.5	\$5.2	\$10.7	\$6.5	\$94.0	\$10.3	\$3.7	\$10.6	\$9.9	\$8.1	\$3.9	\$7.6	\$3.6	\$10.1	\$3.7	\$4.6	\$6.1	\$247.5	5.4%
\$10.001 to \$5.0 Million	\$40.0	\$39.7	\$28.5	\$62.5	\$44.4	\$67.9	\$50.8	\$73.7	\$53.4	\$87.4	\$59.0	\$66.5	\$66.1	\$42.4	\$48.2	\$29.5	\$31.7	\$22.2	\$25.0	\$40.1	\$36.8	\$15.7	\$24.0	\$27.0	\$1082.5	23.6%
\$5.001 to \$10.0 Million	\$74.8	\$58.3	\$55.9	\$89.1	\$97.8	\$98.3	\$49.7	\$39.4	\$51.4	\$56.7	\$72.9	\$124.0	\$41.2	\$55.1	\$11.3	\$33.8	\$12.4	\$34.2	\$29.6	\$20.5	\$35.8	\$54.8	\$26.9	\$55.8	\$1279.7	27.9%
\$10.001 to \$20.0 Million	\$37.5	\$53.9	\$91.9	\$62.6	\$51.3	\$92.6	\$63.1	\$106.0	\$13.0	\$35.7	\$59.8	\$154.0	\$22.7	\$66.0	\$44.0	\$86.5	\$32.4	\$63.3	\$16.4	\$59.5	\$26.1	\$35.9	\$90.1	\$151.0	\$1515.3	33.0%
Over \$20.001 Million	\$0.0	\$67.5	\$73.3	\$29.1	\$0.0	\$0.0	\$42.0	\$23.5	\$0.0	\$20.8	\$27.5	\$20.5	\$31.3	\$21.7	\$0.0	\$0.0	\$0.0	\$24.3	\$34.0	\$0.0	\$0.0	\$0.0	\$20.5	\$25.1	\$461.1	10.1%
Total Dollar Volume	\$158.4	\$223.2	\$256.5	\$248.5	\$198.5	\$266.2	\$214.6	\$247.1	\$123.0	\$211.3	\$225.7	\$459.0	\$171.6	\$188.9	\$190.7	\$159.7	\$84.6	\$147.9	\$112.6	\$123.7	\$108.8	\$110.1	\$166.1	\$265.0	\$4,586.1	100.0%
% Change from Prior Month	-	40.0%	14.3%	-3.1%	-20.1%	34.1%	-18.4%	15.1%	-50.2%	71.8%	6.8%	103.4%	-62.6%	10.1%	1.0%	-16.3%	-47.0%	74.8%	-23.3%	9.9%	-12.0%	12%	50.9%	59.5%	-	-

Over the analysis period, the category with the highest transaction volume is in the “\$10 Million to \$20 Million” tranche, which comprises 33 percent of the total dollar volume over the study period. With the emergence of COVID-19 in Mid-March, dollar volume for self-storage fluctuated throughout 2020. However, in December 2020 this segment reflected a return to normalcy, experiencing \$265 million in dollar volume, which is the highest monthly dollar volume in 2020. Comparing monthly averages from 2019 to 2020, monthly dollar volume is down roughly 35.4% in 2020.

Total Dollar Volume - US	
Jan-19	\$159,400,000
Feb-19	\$223,200,000
Mar-19	\$256,500,000
Apr-19	\$248,500,000
May-19	\$198,500,000
Jun-19	\$266,200,000
Jul-19	\$214,600,000
Aug-19	\$247,100,000
Sep-19	\$123,000,000
Oct-19	\$211,300,000
Nov-19	\$225,700,000
Dec-19	\$459,000,000
Jan-20	\$171,600,000
Feb-20	\$188,900,000
Mar-20	\$190,700,000
Apr-20	\$159,700,000
May-20	\$84,600,000
Jun-20	\$147,900,000
Jul-20	\$112,600,000
Aug-20	\$123,700,000
Sep-20	\$108,800,000
Oct-20	\$110,100,000
Nov-20	\$166,100,000
Dec-20	\$265,000,000
Min	\$84,600,000
Max	\$459,000,000
2019 Ave	\$236,083,333
2020 Ave	\$152,475,000

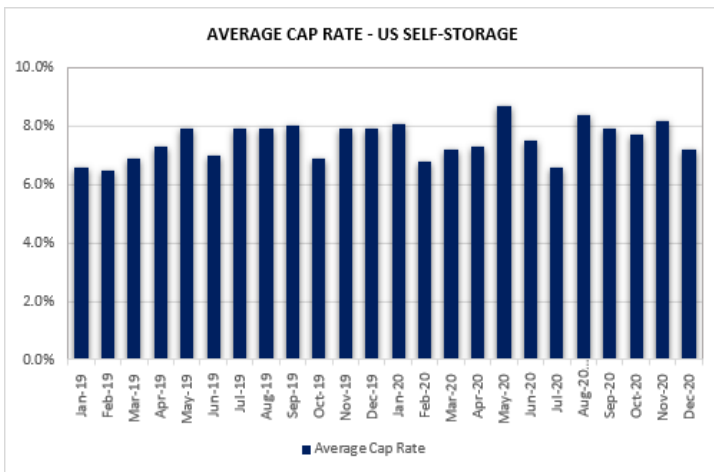
We note that there was an increase in volume and in transactions during December 2020 from the prior month in the \$10-\$20 million tranche. This is noteworthy, as this has been the most active investment tranche over the analysis period. December 2020 showed signs of investment activity returning to normal, reflecting the highest dollar volume since December 2019 and the second highest dollar volume over the given period.





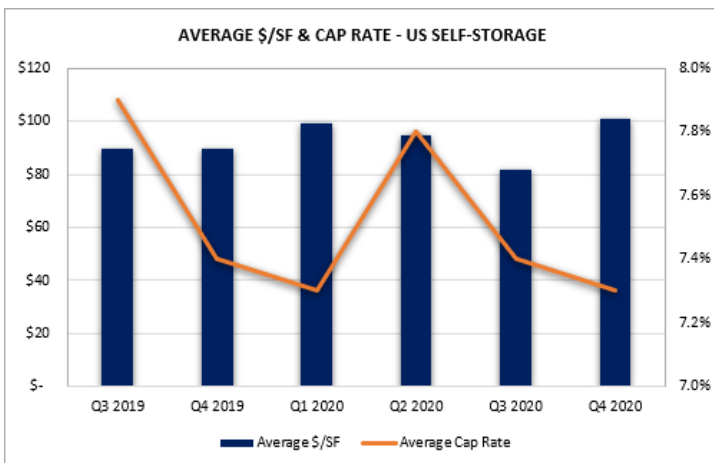
Average \$/SF on Monthly Transaction

According to the graphic on the left, the average price per square foot has fluctuated from \$72 to \$125 per square foot from January 2019 through December 2020. After experiencing an upward trend in pricing from April 2020 to June 2020, the average dollar per square foot experienced a decline in both July 2020 and August 2020. Since then, the average dollar per square foot has experienced an upward trend. December 2020 reflected an average sales price of \$125 per square foot, which is the highest it has been over the given study period.



Average Cap Rate of Monthly Transaction

The average capitalization rate for US self-storage transactions has experienced fluctuations over the given period, with the most recent month showing a slight decline. Month over month, the average cap rate in June decreased 120 basis points from the prior month. July experienced another decline of 90 basis points from the prior month, reflecting an average cap rate of 6.6%. However, cap rates in August 2020 increased 180 basis points, reflecting an 8.4% cap rate, before experiencing a decline of 50 basis points in September 2020. Although the average cap rate experienced an increase of 50 basis points in November 2020, December had a large decline of 100 basis points, reflecting a 7.2% cap rate.



Average \$/SF & Cap Rate: Quarterly Trend

Q4 2020 experienced the highest \$/SF and lowest cap rate over the quarterly study period. This is indicative of investor sentiment, that self-storage is an asset class that is not as prone to market uncertainty caused by COVID-19 as some of the other asset classes in the commercial real estate sector. Overall, the trends in the Self-Storage market indicate that this has been a favored asset class during 2020. The market will be watching this asset class closely, as it appears to be an asset class that is performing well despite the ongoing Coronavirus pandemic.

SOURCE: CoStar and Marshall & Stevens



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