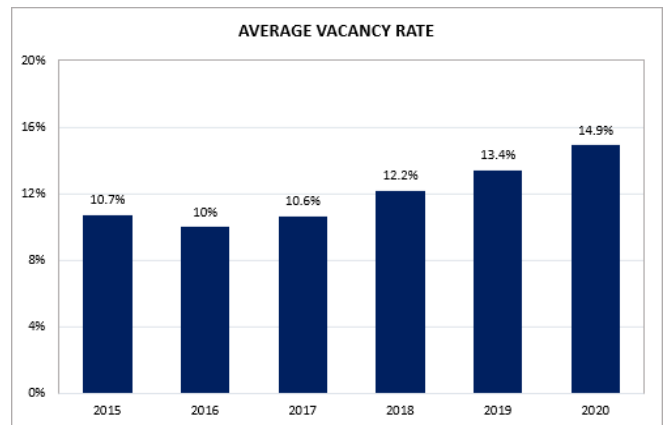


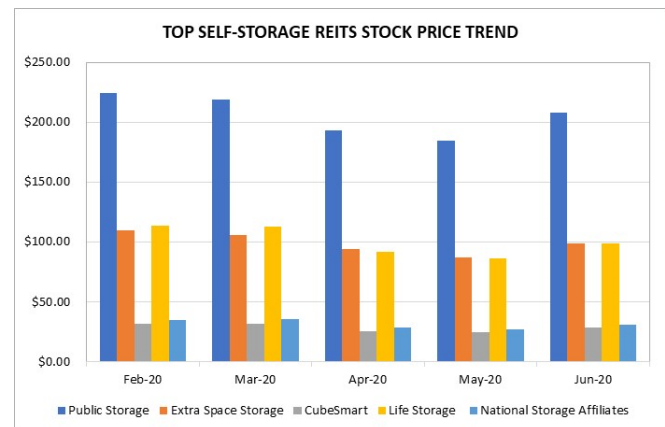
# US Self-Storage Sales Volume and Buying Trends – June 2020

The US Self Storage market has been considered a profitable and well performing investment asset class for several years. However, statistics for the first five months of 2020 suggest investors have slightly pulled back from making investments in self-storage properties, primarily due to the impact of COVID-19 and general slowdown in investment activity. However, as college campuses, restaurants, hotels, and offices close across the US, the demand for storage by individuals and businesses have grown rapidly making this sector more attractive to investors. Self-storage 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 tally 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 June 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. According to figure on the right, each REITs' stock price declined slightly between the months of March 2020 and May 2020 but are now showing signs of positive momentum in the markets.



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 and revenue statistics.

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 an 18-month period beginning in January 2019 and ending in June 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 30.9% of the market's dollar volume over the study period.

**Number of Sales Transactions**

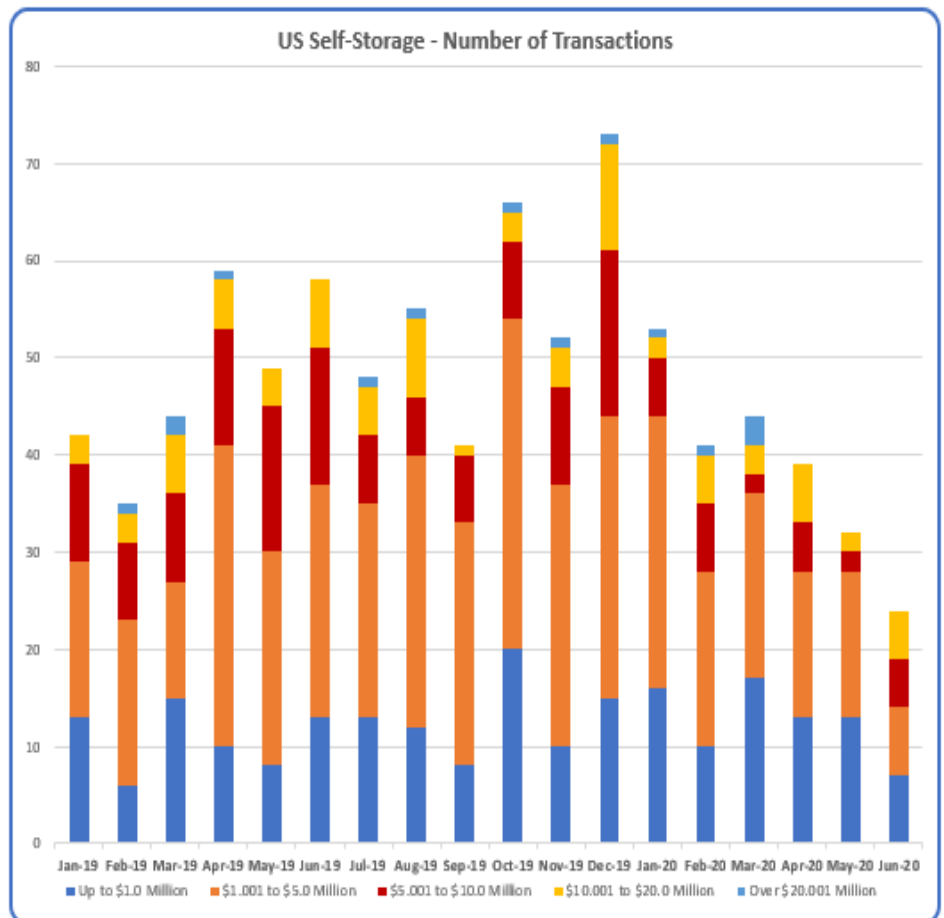
The number of monthly sales for all self-storage sales recorded in the US are segmented into tranches as seen below. Over the 18-month period, there have been a total of 855 self-storage transactions. Over 88 percent of these transactions were below \$10 million; roughly 9.7 percent were between \$10 million and \$20 million; and 1.6 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	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	219	25.6%
\$1.001 to \$5.0 Million	16	17	12	31	22	24	22	28	25	34	27	29	28	18	19	15	15	7	389	45.5%
\$5.001 to \$10.0 Million	10	8	9	12	15	14	7	6	7	8	10	17	6	7	2	5	2	5	150	17.5%
\$10.001 to \$20.0 Million	3	3	6	5	4	7	5	8	1	3	4	11	2	5	3	6	2	5	83	9.7%
Over \$20.001 Million	0	1	2	1	0	0	1	1	0	1	1	1	1	1	3	0	0	0	14	1.6%
Total # Transactions	42	35	44	59	49	58	48	55	41	66	52	73	53	41	44	39	32	24	855	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%	-27.3%	-38.5%	-	-

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 73 sales in December 2019, the results for May and June 2020 were significantly lower, at 32 and 24 respectively. As shown in the graph, the number of sales began to slowly decrease in April 2020, but to a lesser extent when compared to other property types.

Most activity in the last two months appears focused on self-storage sales below \$5.0 million. In fact, 28 of the 32 transactions that occurred in May 2020 were below \$5.0 Million.

With continued uncertainty related to COVID-19 and the resultant economic malaise, market participants are expecting these trends to continue, with hopes that the market will improve in the coming months.



**Dollar Volume of Sales Transactions**

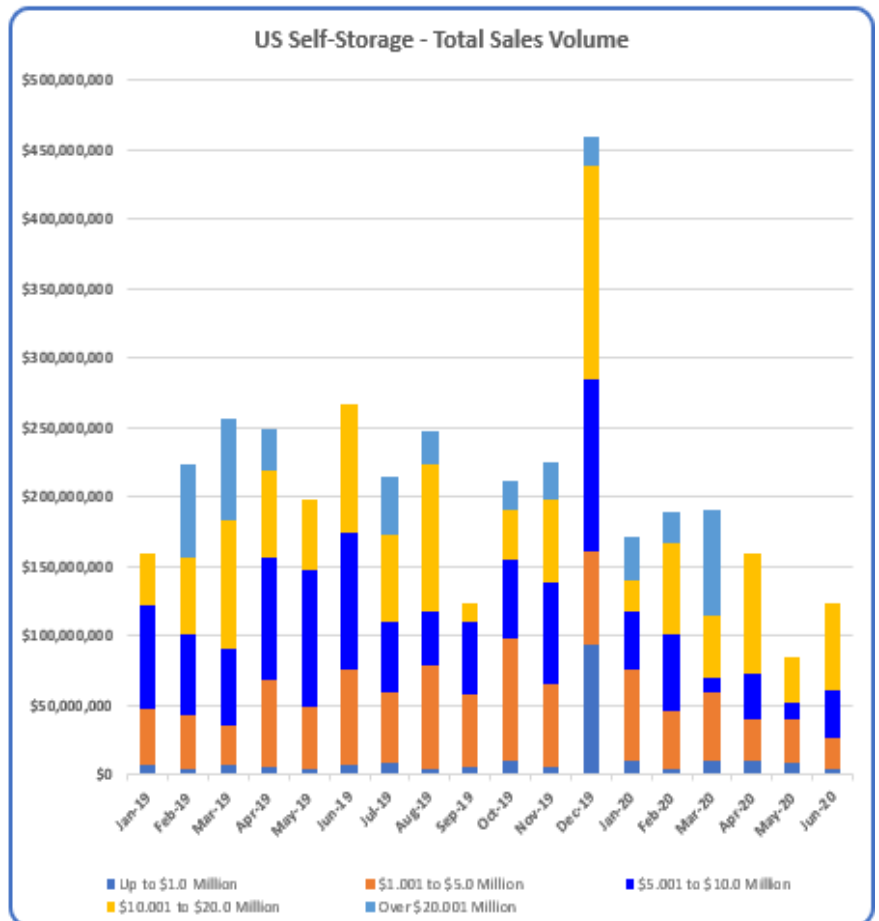
In 2019, the average monthly sales volume was over \$236 Million, with the peak occurring in December 2019 at over \$459 Million. Comparatively, the average monthly sales volume in 2020 is roughly \$159 Million, reflecting a decrease of nearly 33 percent. As seen below, we have tracked the dollar volume of monthly self-storage sales by tranches.

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

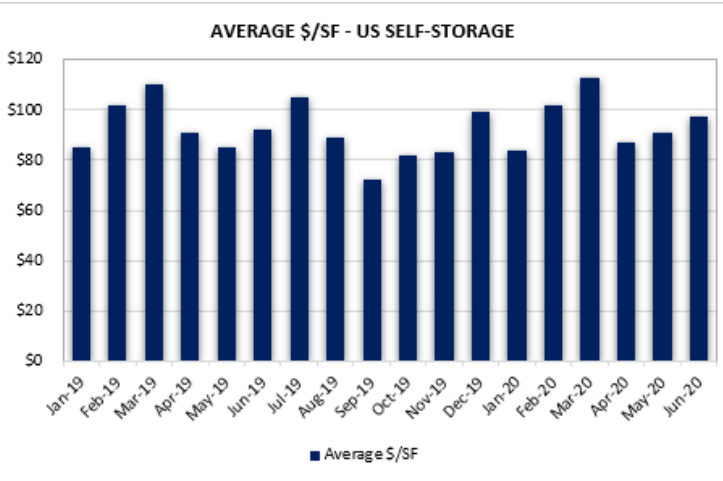
Dollar Volume	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Total	% of Total
Up to \$1.0 Million	\$7.1	\$3.8	\$6.9	\$5.2	\$5.0	\$7.4	\$9.0	\$4.5	\$5.2	\$10.7	\$6.5	\$94.0	\$10.3	\$3.7	\$10.6	\$9.9	\$8.1	\$3.9	\$211.8	5.8%
\$1.001 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	\$23.5	\$31.7	\$22.2	\$913.9	24.9%
\$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	\$1,056.3	28.7%
\$10.001 to \$20.0 Million	\$37.5	\$53.9	\$31.9	\$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	\$1,136.3	30.9%
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	\$0.0	\$357.2	9.7%
Total Dollar Volume	\$159.4	\$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	\$123.6	\$3,675.5	100.0%
% Change from Prior Month	-	40.0%	14.9%	-3.1%	-20.1%	34.1%	-19.4%	15.1%	-50.2%	71.8%	6.8%	103.4%	-62.6%	10.1%	1.0%	-16.3%	-47.0%	146.1%	-	-

Over the analysis period, the category with the highest transaction volume is in the “\$10 Million to \$20 Million” tranche, which comprises 30.9 percent of the total dollar volume over the study period. We note that April 2020 had one of the highest dollar volumes within this tranche. Considering this tranche is the main contributor to the market, consistency in activity indicates potential growth for self-storage properties for the foreseeable future. These past three months represent a stable amount of dollar volume over the last 18 months. There was a total dollar volume of approximately \$63 million in June 2020 for the \$10 Million to \$20 Million tranche, which is roughly the same amount of dollar volume that occurred in June 2019 for the same tranche.

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	\$123,600,000
Min	\$84,600,000
Max	\$459,000,000
2019 Ave	\$236,083,333
2020 Ave	\$159,100,000

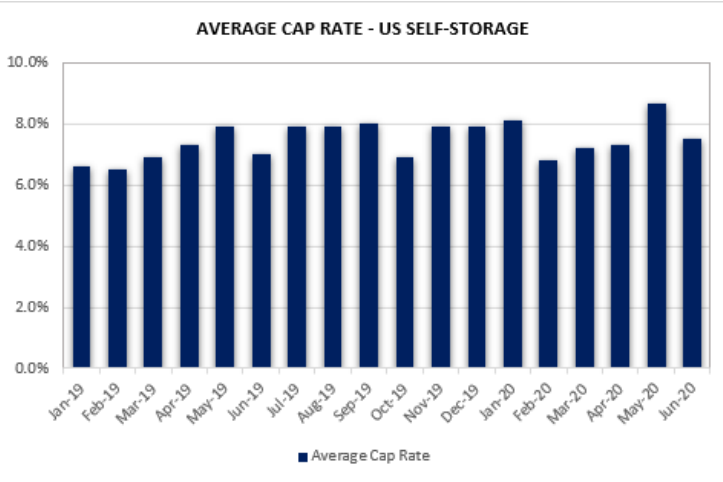


Self-storage properties that sold between \$10-\$20 Million are major contributors in the self-storage investment sales market. Since the Pandemic, participants have remained active within this tranche as the data shows. As shown in the table and graph, May 2020 experienced the largest decline throughout the study period, however the trend improved in June, which is a good sign.



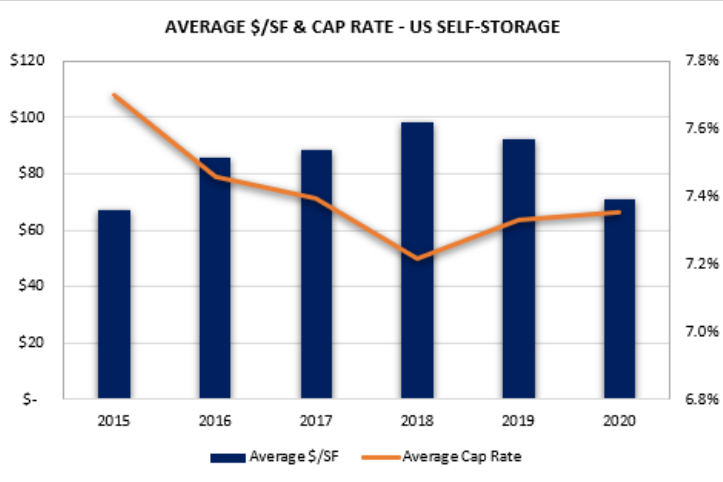
**Average \$/SF on Monthly Transaction**

According to the graphic on the left, the average price per square foot on monthly transactions for self-storage properties has fluctuated from \$72 to \$113 per square foot from January 2019 through June 2020. This figure shows that the self-storage sector has experienced fluctuations over the given study period, although the three most recent months show growth in pricing. In June 2020, the average dollar per square foot was \$97, compared to June 2019 at \$92 dollar per square foot. Under current market conditions, most market participants are hesitant to engage in their normal investment activity, but the self-storage sector holds and looks to increase in pricing.



**Average Cap Rate of Monthly Transaction**

The average capitalization rate for US self-storage transactions has experienced fluctuations over the given period, although the most recent month shows a decline. Month over month, the June average cap rate decreased 120 basis points from the prior month. May 2020 reflected a cap rate of 8.7%, which is the highest rate over the 18-month period. The decrease in cap rates from May 2020 to June 2020 shows signs of higher demand for self-storage investment, particularly as both individuals and businesses have a greater need for storage due to COVID-19.



**Average \$/SF & Cap Rate: 5 Year Trend**

Over a five-year period, the graphic to the left shows an inverse relationship between the average dollar per square foot and average cap rate. Beginning in 2018, the average dollar per square foot has been declining, while cap rates have been increasing. According to the graphic on the left, the month of June 2020 indicates that participants in the market are hesitant to invest in self-storage properties due to uncertainty in the market caused by the COVID-19 pandemic.

SOURCE: CoStar and Marshall & Stevens



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