

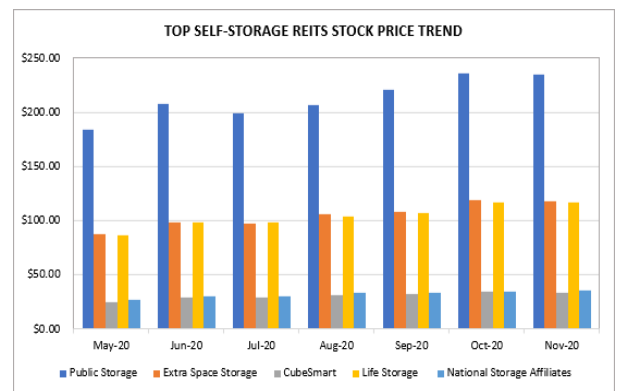
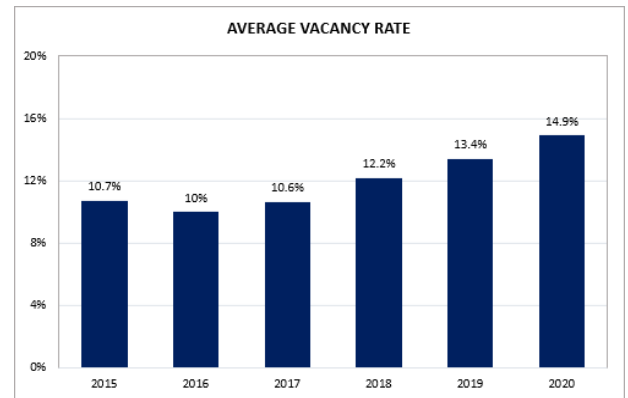
US Self-Storage Sales Volume and Buying Trends – November

The US Self Storage market has been considered a profitable and well performing investment asset class for many years, although statistics for the first eleven months of 2020 suggest investment activity in the self-storage market has slowed, 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 have 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, but experienced slight declines in their stock prices from October 2020 to November 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 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 a 23-month period beginning in January 2019 and ending in November 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 31.6% of the market's dollar volume over the study period.

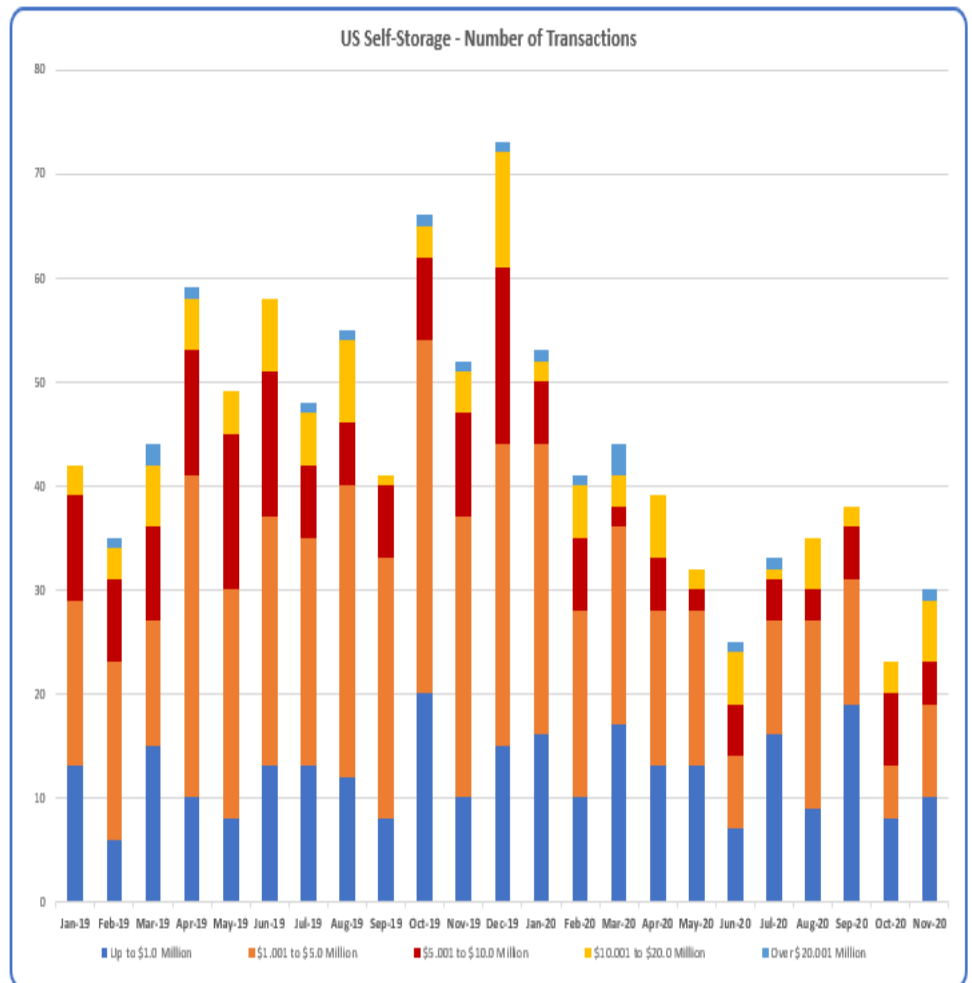
Number of Sales Transactions

The number of monthly sales for all self-storage sales recorded in the US are segmented into tranches as seen below. Over the 23-month period, there have been a total of 1,015 self-storage transactions. Over 88 percent of these transactions were below \$10 million; roughly 9.9 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	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	281	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	444	43.7%
\$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	173	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	100	9.9%
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	17	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	1,015	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%	-17.9%	-21.9%	32.0%	6.1%	8.6%	-39.5%	30.4%	-	-

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 August and September 2020 were significantly lower, at 35 and 38, respectively. June through September experienced an upward trend in number of transactions, while October 2020 experienced the lowest number of transactions over the given period. November increased from the prior month, reflecting an increase of 30.4 percent.

Most activity in the last three months occurred in the below \$5.0 million tranche. In November 2020, 19 of the 30 transactions that occurred were below \$5.0 Million.



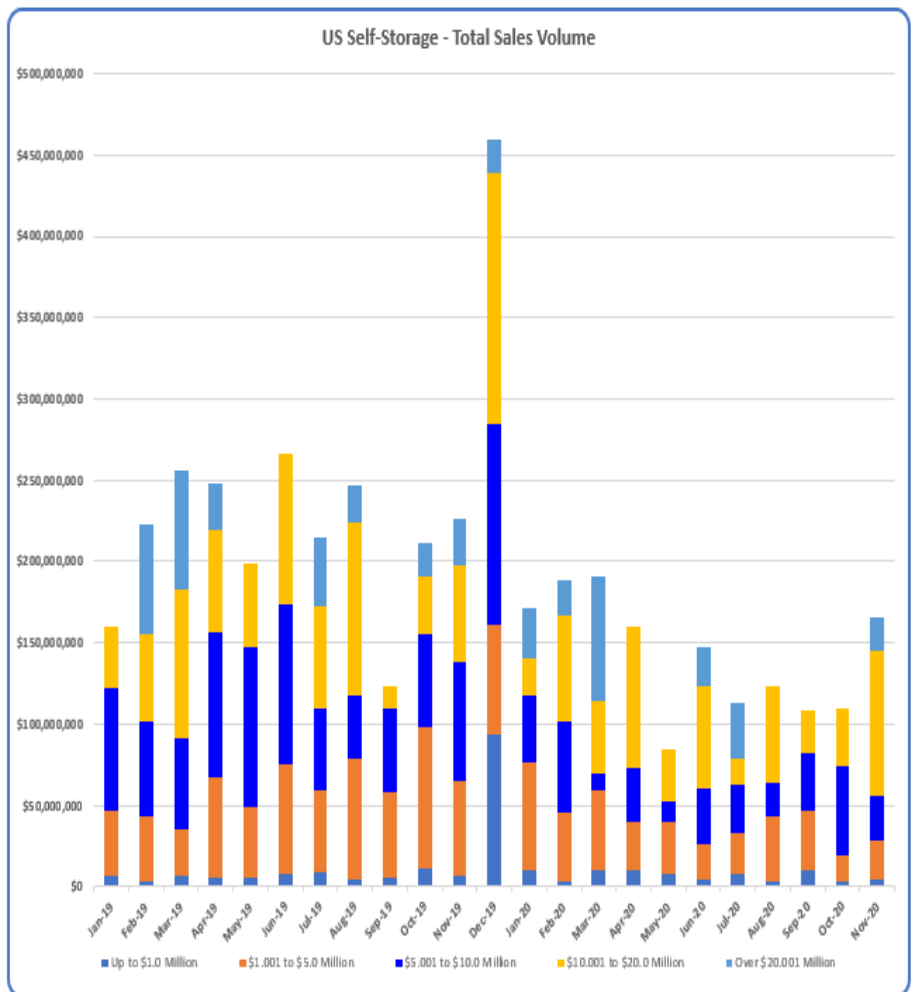
Dollar Volume of Sales Transactions

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 \$142 Million, reflecting a decrease of approximately 40 percent. As seen below, we have tracked the dollar volume of monthly self-storage sales by tranches.

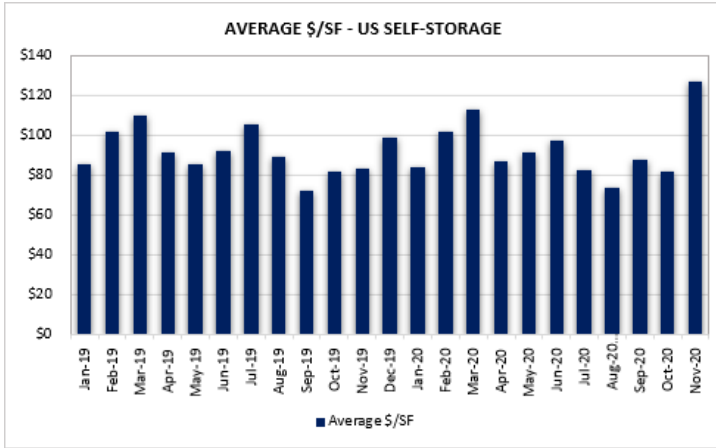
Historical Transaction Volume - US Self-Storage (in Millions)																									
Dollar Volume	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Total	% of Total
Up to \$10 Million	\$7.1	\$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	\$2414	5.6%
\$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	\$1055.5	24.4%
\$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	\$95.1	\$11.3	\$33.8	\$12.4	\$34.2	\$29.6	\$20.5	\$35.8	\$54.8	\$26.9	\$1223.9	28.3%
\$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	\$1364.3	31.6%
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	\$436.0	10.1%
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	\$147.9	\$112.6	\$123.7	\$108.8	\$110.1	\$166.1	\$4,321.1	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%	74.8%	-23.9%	9.9%	-12.0%	12%	50.9%	-	-

Over the analysis period, the category with the highest transaction volume is in the “\$10 Million to \$20 Million” tranche, which comprises 31.6 percent of the total dollar volume over the study period. Despite the emergence of COVID-19 in Mid-March, dollar volume in March and April remained relatively strong. The market declined in May totaling \$84.6 million, then increased in June at \$147.9 million. In July, volume dropped 23.9% to \$112.6 million. However, August 2020 experienced a slight increase of 9.9% to \$123.7 million. Similar to July, September declined by 12% to \$108.8 million from the prior month, while October saw a slight increase in dollar volume. November continued increasing, reflecting a 50.9% increase from the prior month. Comparing monthly averages from 2019 to 2020, monthly dollar volume is down roughly 40% 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
Min	\$84,600,000
Max	\$459,000,000
2019 Ave	\$236,083,333
2020 Ave	\$142,245,455

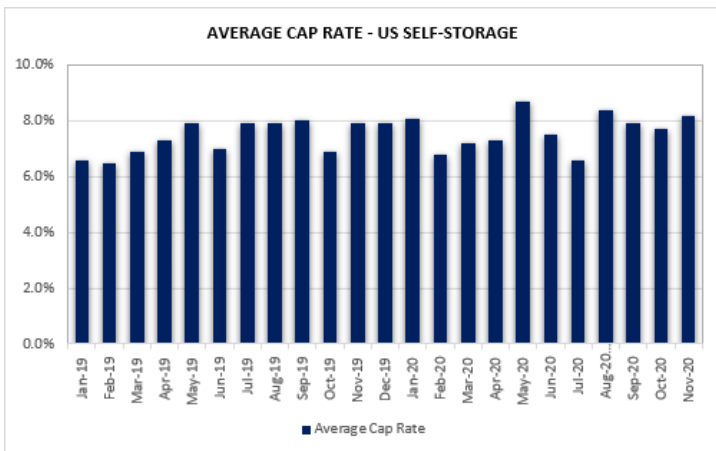


We note that there was an increase in volume and in transactions during November 2020 from the prior month in the \$10-\$20 million tranche. This is noteworthy, as this has been the most active investment tranche over the analysis period. The fluctuations in the market are indicators that investors remain cautious of making investment decisions at this time.



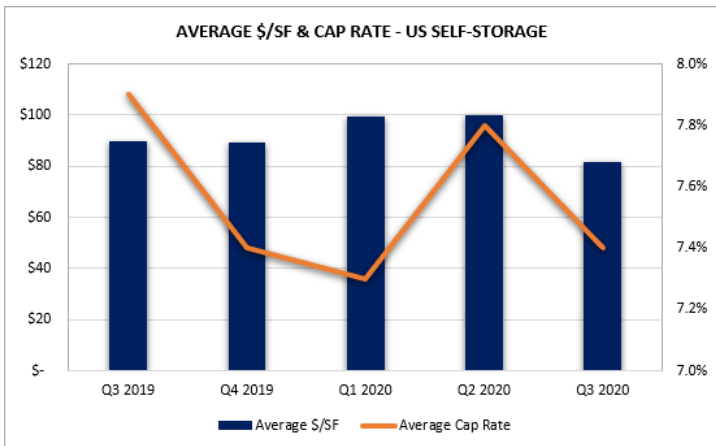
Average \$/SF on Monthly Transaction

According to the graphic on the left, the average price per square foot for self-storage properties has fluctuated from \$72 to \$113 per square foot from January 2019 through October 2020. After experiencing an upward trend in pricing from April 2020 to June 2020, average dollar per square foot experienced a decline in both July and August. However, September increased more than \$10 per square foot, reaching \$88 per square foot, which is the highest it has been since June 2020. Meanwhile, November 2020 experienced a significant increase of \$45 per square foot, reflecting an average sales price of \$127 per square foot.



Average Cap Rate of Monthly Transaction

The average capitalization rate for US self-storage transactions has experienced minor fluctuations over the given period, with the most recent month showing a slight increase. 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, August 2020 increased 180 basis points, reflecting an 8.4% cap rate, before experiencing a decline of 50 basis points in September. The average cap rate continued to decrease 20 basis points in October, although it experienced an increase of 50 basis points in November, reflecting a cap rate of 8.2%



Average \$/SF & Cap Rate: Quarterly Trend

Q1 2020 experienced the highest \$/SF and lowest cap rate over the quarterly study period. Since then, the average \$/SF has declined slightly, while the average cap rate has fluctuated between 7.3% to 7.9%. Overall, the trends in the Self-Storage market indicates that there is investor caution, but pricing and cap rates have remained relatively stable. 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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