



Four Industry Need-to-Knows

Made Simple



#1 Consolidation

REITs + Acquisitions

Wholly owned acquisition activity was robust, reaching a volume of \$467 million, across 41 properties in Q3 2020. Can we let you in on a secret? This approaches Q3 2019 levels.

Long story long, self storage REITs are competing with an increasing volume and diversity of capital and investor interest, which is causing some REITs to diversify their income streams. Third-party management platforms are also popular with the REITs for a number of reasons, including supplementing income, providing data for revenue management systems, and access to online leasing technology, all while filling the REIT acquisition pipeline with off-market properties of interest.



Sunny Self Storage Transactions

The average spend per self storage transaction during Q1 '21 was:



\$142.74

Representing a
1.4%
increase YOY

The average spend per self storage transaction for March '21 was:



\$144.35

Representing a
+2.9% YOY and
+4.3%
compared to 2019

— KeyBank

P.S. This marks the highest we've seen these numbers since early 2018.

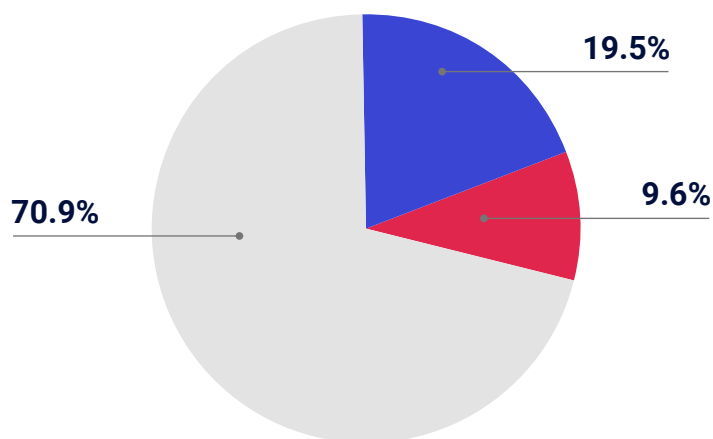
Content Context

Public Companies increased 2% over last year by number of facilities, and increased 3.58% over last year by rentable square footage. Self storage operators that were lumped in the “rest of the industry category” (aka not a top 100 self storage company), increased their market share by 0.72% over the past year by number of facilities, and 0.68% over the past year by rentable square footage. Long story short, big, public, operators with deep pockets are increasing in market share faster than the rest of the industry.

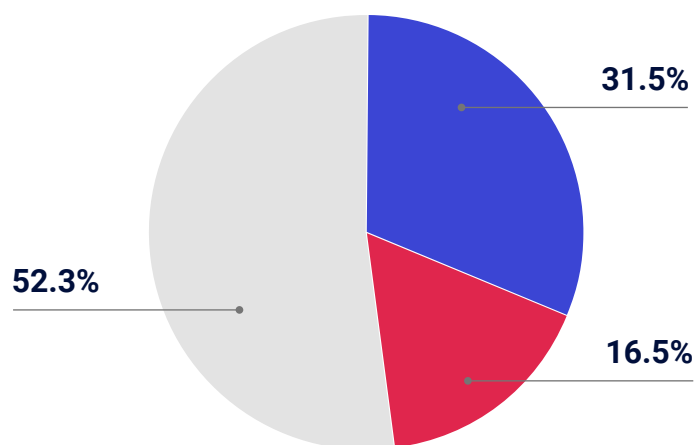
New to the Industry Investors

They’re entering the industry saying things like “So for all you party people who are in a state of shock, We’re the New Kids on the Block!” JK, they aren’t a boy band from the 80s or 90s...anyway, new investors with dollar bills to burn are entering the self storage industry. As such, consolidation is inevitable. And, this consolidation trend could be influenced and encouraged by everything that happened in 2020. The COVID-economic roller coaster reminded many self storage operators that the economies of scale such as REITs and large self storage operators, and those utilizing third-party management platforms, can make tumultuous times feel more stable.

**Industry Market Share
(by Number of Facilities)**



**Industry Market Share
(by Rentable Square Footage)**



Public Companies
Other Top Operators
Rest of the Industry

— 2021 Self Storage Almanac

#2 Oversaturation

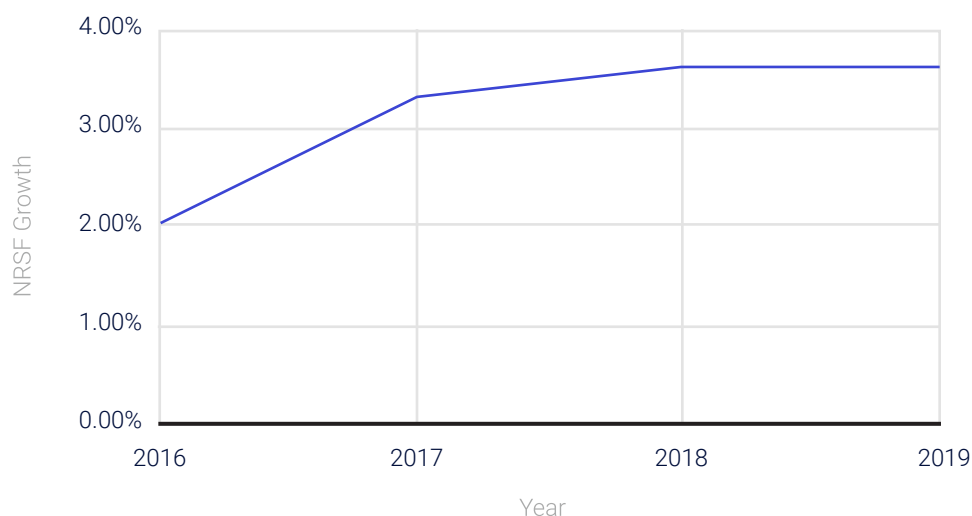
The Dirty

What do a soggy sponge and the self storage industry have in common? Oversaturation. One of the biggest challenges facing the self storage industry is new supply. Many projects were delayed in early 2020 because of you know what. But, not many projects were canceled, so new deliveries continue to come online, and slow self storage rental rate growth. Fortunately, last year renters tended to stay longer, and occupancy rates remained high. Bottom line, new properties coming on line will experience dramatically different lease-up stories depending on geographic area.

Lease-Up Takes Longer

According to the 2021 Self Storage Almanac, new stores in the Extra Space portfolio tended to stabilize to 80% occupancy within two years after opening in 2016 and 2017. Describe this in one word: fast. Now, compare this to Extra Space properties that opened in 2018. Two years after opening, the 2018 stores had 10-15% lower occupancy than their 2016 and 2017 cousins. Describe this in two words: slow and steady. 2020 was, of course, impacted by COVID-19-restrictions, resulting in a slow start to the year, but that was followed by a resurgence mid-2020. Check out the chart showing NRSF (Net Rentable Square Feet) Growth, to understand how the construction pipeline impacted the lease-up time frames listed above.

Self Storage Net Rentable Square Feet Growth vs Year



#3

Cautionary Construction Tale

When a sheet of OSB particle board costs the same as a Gucci purse, and then a brew-pub burger a few months later, it makes sense why investors have whiplash and are willing to wait on the cost of building materials to stabilize, or for lower prices to be reflected as stores sell off their higher priced inventory.



2020 Markets With High Self Storage Construction



New York, New York

9.6% of existing supply



Portland, Oregon

7% of existing supply



Washington D.C.

6.8% of existing supply



Philadelphia, Penn.

6.8% of existing supply



Miami, Florida

6.6% of existing supply

— 2021 Self Storage Almanac

Construction By the Numbers

In 2019:

1,098



New self storage facilities came online.

As of Q3 2020,
there were only:

446



Self storage openings, due to pushing much of the planned construction to 2021.

55%



Of 2019 new builds were in the top 50 metropolitan markets.

Self Storage Under Construction

Under Construction

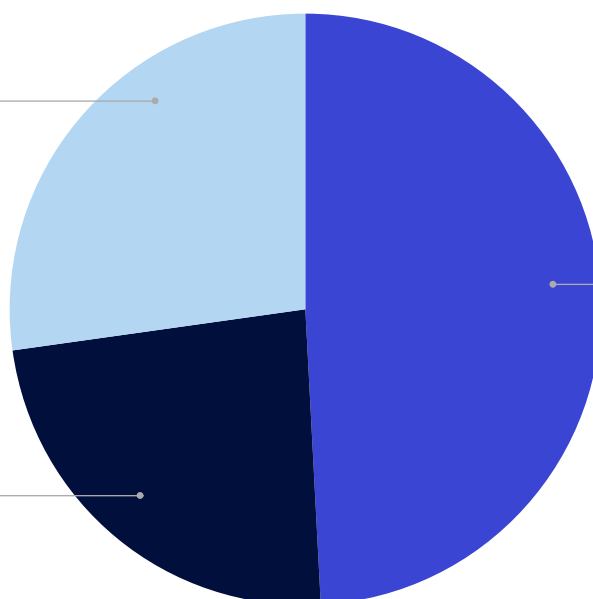
27.2%

Permitted

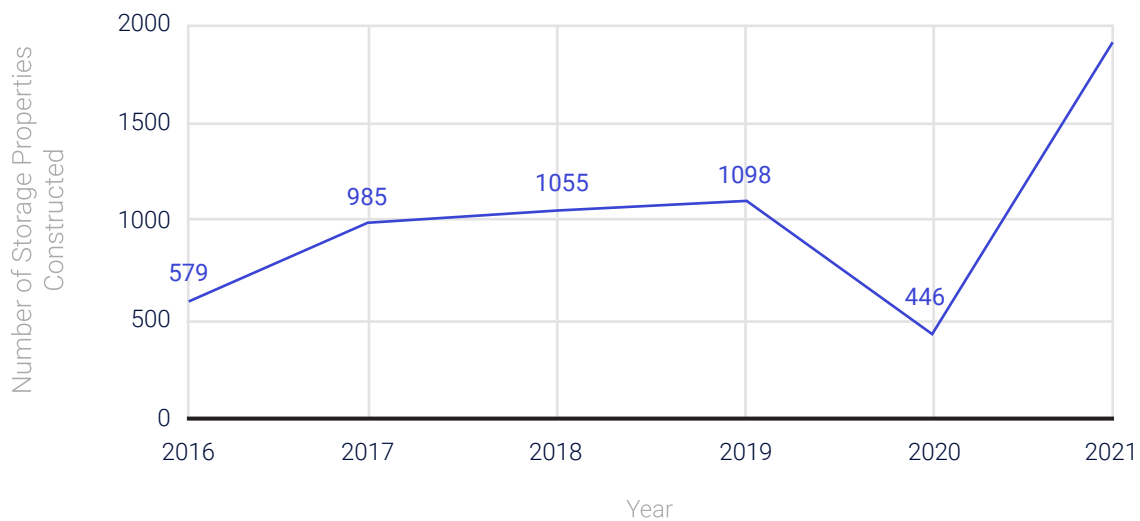
23.7%

Planning Stage

49.0%



Self Storage Net Rentable Square Feet Growth vs Year



G5 DID YOU KNOW

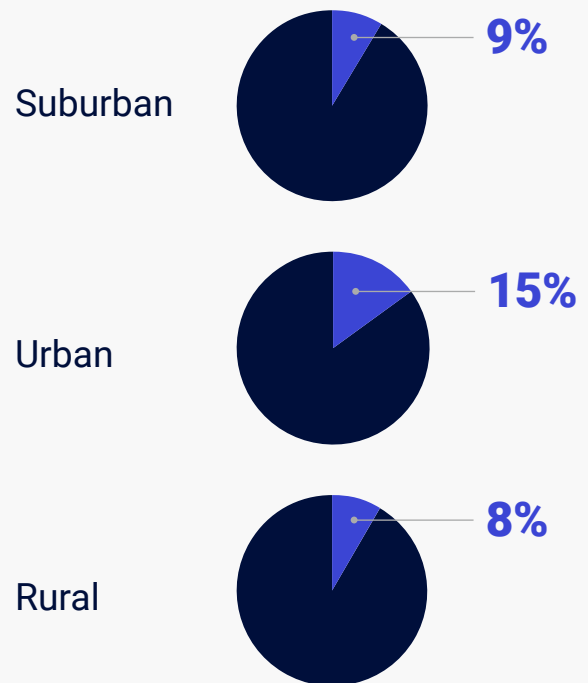
In 2021, there are **1,900** self storage facilities planned and permitted in the United States, and **56%** of those represent a top 50 metropolitan market.

Urban vs. 'Burbs

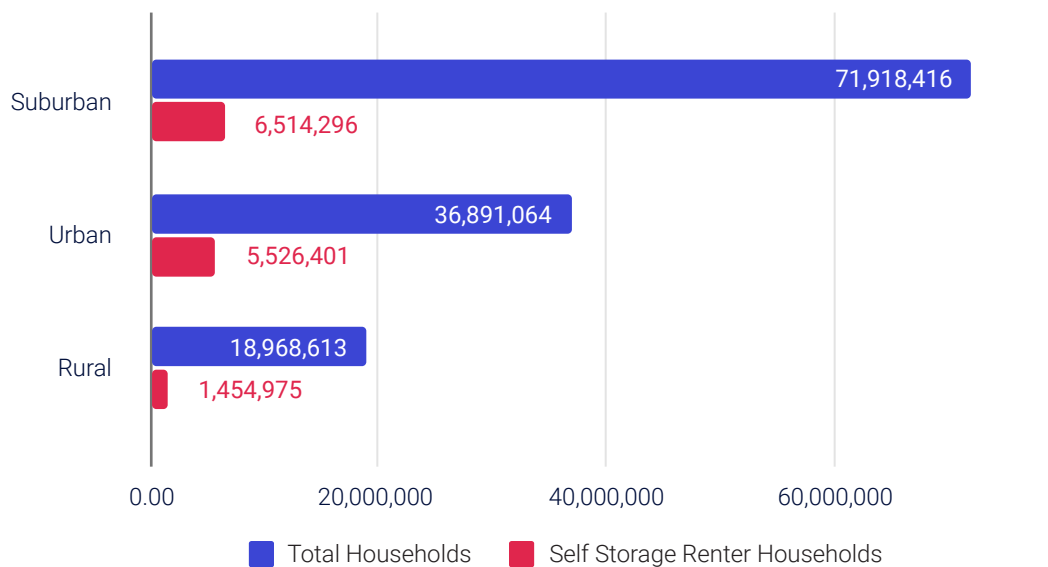
One thing we know about 2020: People. Moved. To. The. 'Burbs. So, urban properties in the construction pipeline may prove even slower to lease-up and stabilize. But, that doesn't mean urban self storage properties are a bad idea.

In total, there are more suburban self storage renters than urban renters, but there's a higher percentage of households who rent self storage in cities and urban centers than the 'burbs.

Percent of Households Renting Self Storage



Total Households vs. Self Storage Renter Households



- Self Storage Demand Study, 2020

All Together, NOW!

Many 2020 construction projects were pushed to 2021. So, it's like trying to get into Target at 5:00 AM on Black Friday. Unlike a super sale shopping day though, financing is trickier now. Many banks curtailed lending, not because self storage was a risky or problematic industry, but because many lenders have exposure to assets that

are impacted financially by a variety of COVID effects (i.e. hotels, multifamily housing, student, and senior housing assets). Because of this, banks are reserving some capital against losses, which reduces their willingness to keep lending to a "risky category" like construction, even if it's a more stable kind, like self storage construction.



#4 Prop Tech + Online Leasing

Self storage properties turned toward tech to weather all things COVID. They doubled down on selecting tech options, including online leasing tools like G5 Uber Leasing ® 3.0, and security-focused access control systems. Consumers expected contactless options, a desire that isn't diminishing. Think about it, when you learned you could order groceries online in twenty minutes including the pick-up, versus a trip that used to take you the better part of a Sunday afternoon, did you think "I can't wait to waste my time in the produce section again?" Nope, didn't think so.

Mo' Tech, Mo' Money

Adding smart entry, online leasing, and other tech solutions translates into differentiation from local competitors and higher rent rates. If you're bringing new properties online and are concerned about lease-up times, accelerate this by adding tech up front to increase revenue.

LEARN MORE



Want metro-specific data? We've got it. Dive into our city-specific, [Digital State of the Industry](#).

