CUSHMAN & WAKEFIELD

VALUATION & ADVISORY

Q4 2019

Self Storage Investor Survey

The survey data was collected as part of an online questionnaire that was sent to key self storage market participants during a two-week period in December 2019. The market participants were asked to segregate their responses by Investment Class (A, B & C). Furthermore, the data collected is corroborated by the experience and knowledge of the 20 Self Storage Advisory Group team members at Cushman & Wakefield.

Cushman & Wakefield defines the Investment Classes as follows:

Self Storage Investment Classes

Class A

- Located in a Top 50 MSA
- Market has high barriers to entry (through either lack of developable land or a lengthy entitlement process)
- Generally newer facilities in good condition with state of the art amenities including climate controlled units and secured facilities with gated access
- Professional on-site and off-site management
- Minimum size of approximately 50,000 square feet
- Good location with access to attract tenants willing to pay rents in the upper percentile in the market place

Class B

- Located in a Top 100 MSA
- Market has typical barriers to entry
- Generally facilities built since 1980 in average to good condition with amenities typical for its market including secured facilities with gated access
- Full time on-site and off-site management
- Minimum size of approximately 40,000 square feet

Class C

- Either located in a smaller market or in less desirable areas of a Top 50 MSA
- Generally 1970s or 1980s vintage properties in average to below average condition
- Generally managed by the owner and may not have an on-site manager
- May or may not have typical amenities such as gated access, security cameras, and/or climate controlled units
- May have secondary, less desirable locations with generally below average access and/or limited visibility

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	Class A	Class B	Class C
Going-In Capitalization Rate			
Average Low	4.55%	5.54%	6.45%
Average High	5.89%	6.80%	8.06%
Average Overall	5.22%	6.17%	7.26%
Terminal Capitalization Rate			
Average Low	5.64%	5.95%	6.70%
Average High	6.77%	7.00%	7.90%
Average Overall	6.21%	6.48%	7.30%
Discount Rate			
Average Low	7.83%	7.75%	10.00
Average High	9.50%	11.50%	12.67%
Average Overall	8.67%	9.63%	11.34%
Average Marketing Time (Months)	2.25	3.38	4.50
Average Rent Growth	3.00%	3.00%	3.00%
Average Expense Growth	3.63%	3.63%	3.56%

Source: Cushman & Wakefield Valuation & Advisory Self Storage Practice Group

Market Trends

- The cumulative impact of excess supply continues to put downward pressure on occupancy rates and market street rents, as facilities fight for market share in the near term. There is some uncertainty about the how long rates may stay at current levels as the new supply continues to absorb. Certainly more sophisticated operators will work to push these rates upwards as soon as the market allows.
- Buyers and lenders continue to recognize the risk of new supply entering the market and are more conservative in their underwriting where there is a significant potential for new supply. Most market participants report supply-side issues impacting the underlying fundamentals.
- Capitalization rates appeared to have stabilized, however there is still a considerable amount of capital looking to be placed within the sector.

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Self Storage Investor Survey Q4 2018