



VALUATION & ADVISORY

# Newmark Self Storage Group UCI Real Estate / Self Storage Market Overview



NEWMARK

# Self Storage Resource Center

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# Newmark V&A Self Storage Resource Center

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The data, links, publications and events contained herein have been purposely chosen by the Newmark V&A Self Storage Practice Leaders, Steve Johnson, MAI and Chris Sonne, MAI, to lend insight into the Self Storage industry. The market trends, which includes occupancy, rental rates, expenses, investment rates of return, and market conditions per MSA, was collected and analyzed by our vastly experienced national Self Storage practice professionals across the country. Visit this Resource Center often for data, current events, and other important industry topics.


03.27.20 THOUGHT LEADERSHIP



Video: Radius+ Podcast with Chris Sonne

VIEW


03.27.20 THOUGHT LEADERSHIP



Mini-Storage Messenger Publications

VIEW

03.27.20 THOUGHT LEADERSHIP



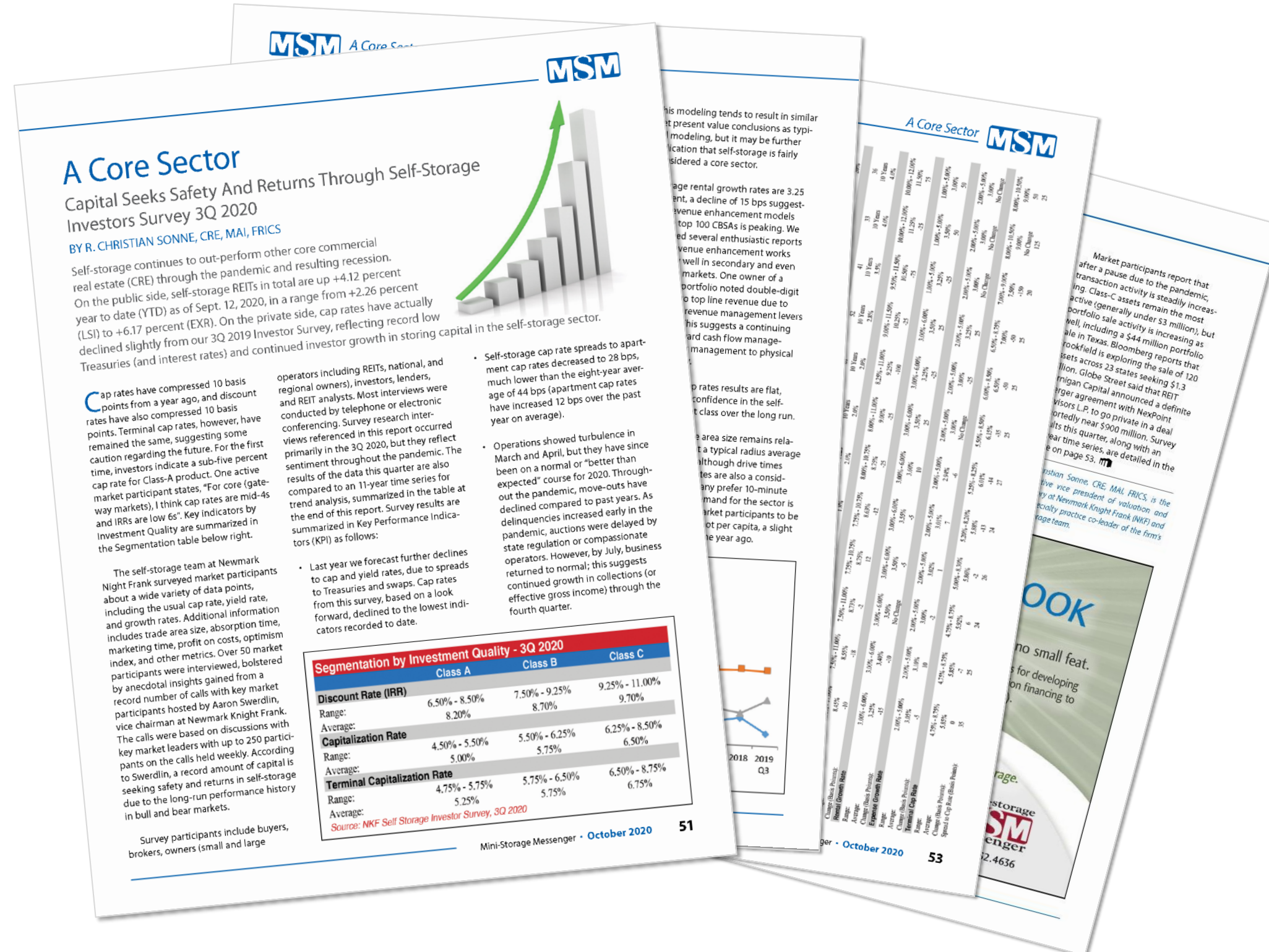
Video: Newmark Self Storage Executive Symposium 2019

VIEW



# Self Storage

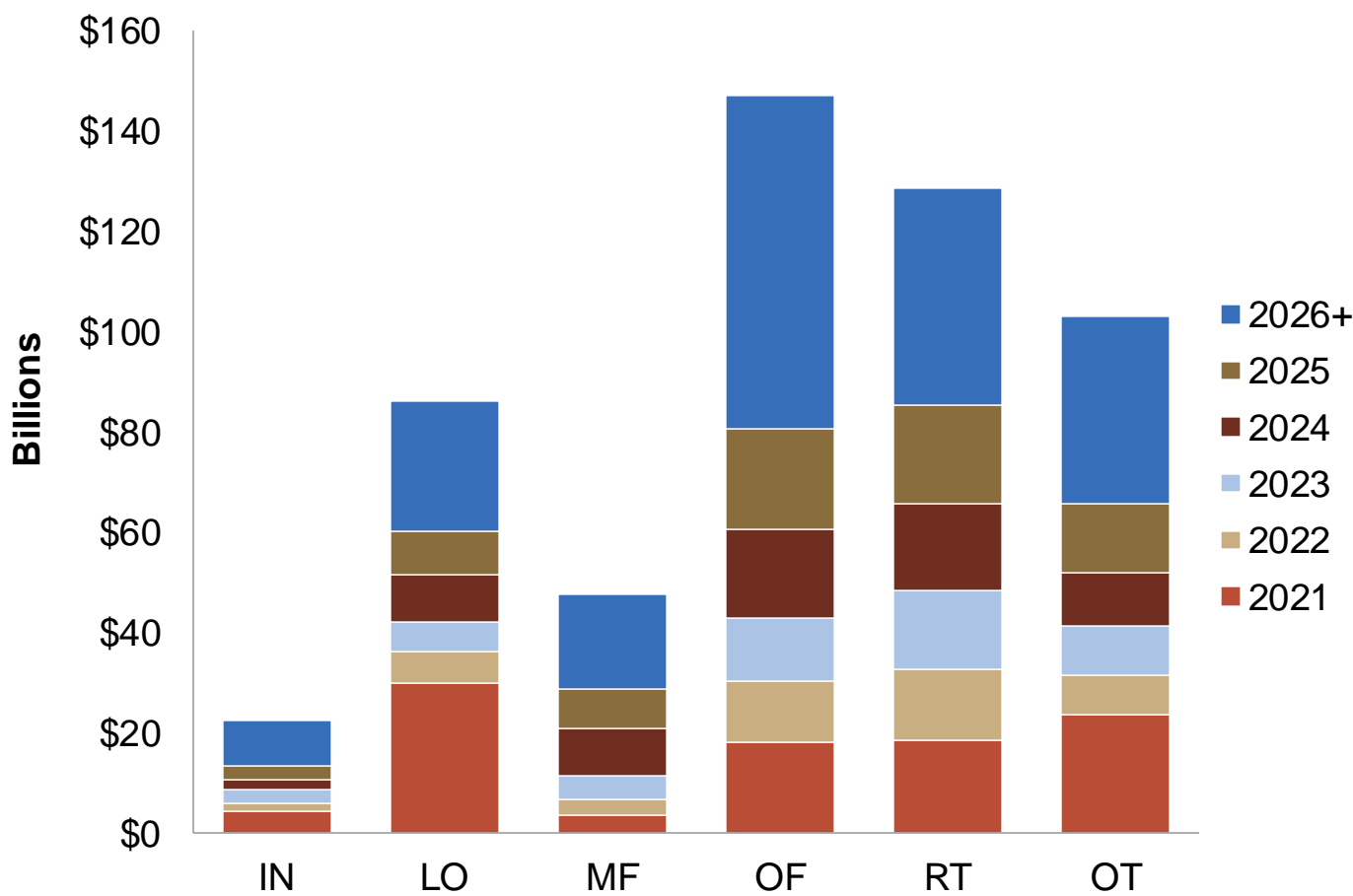
## Investor Survey 3Q 2020



# Total CMBS Outstanding And Delinquency Rates

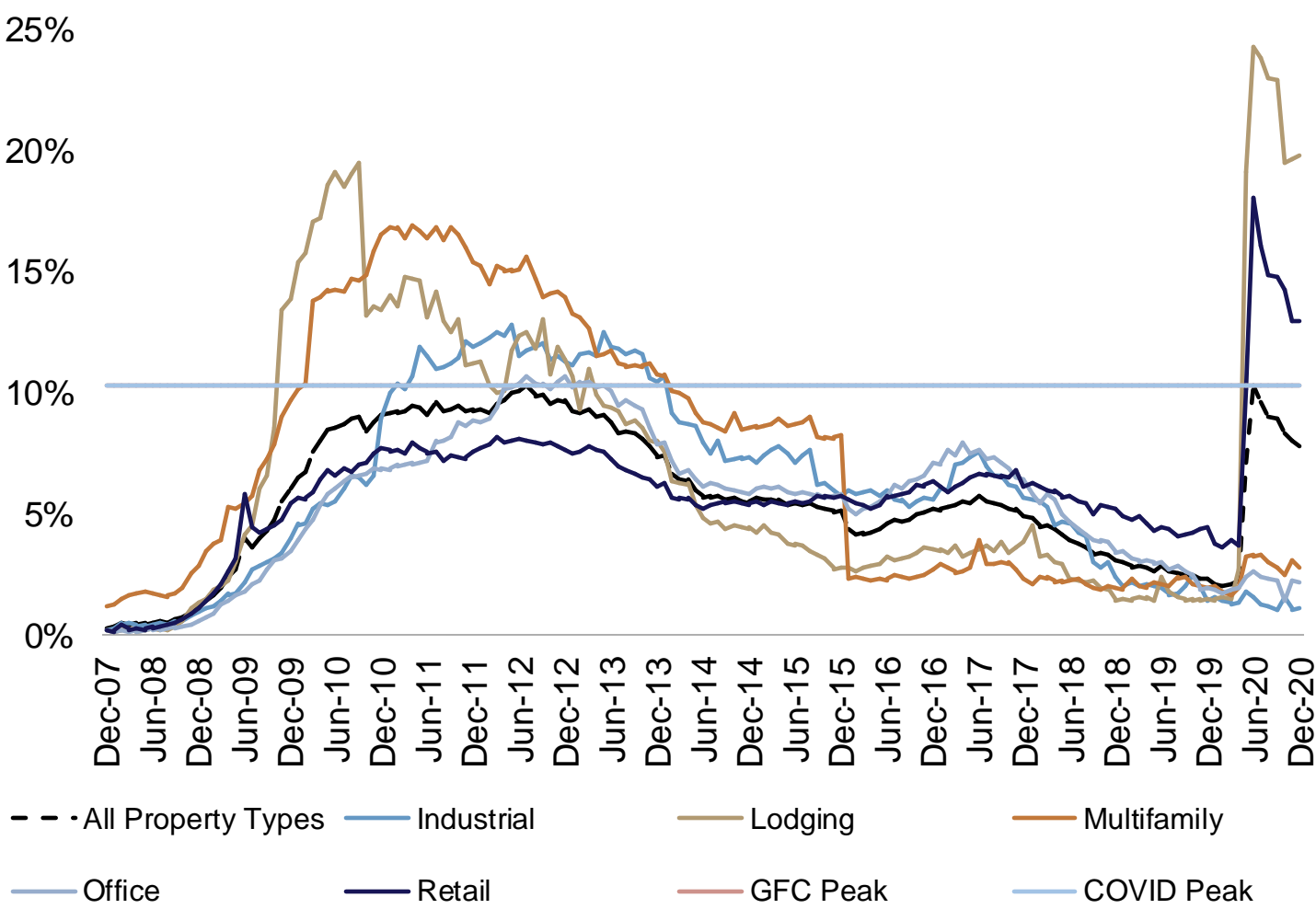
## Key Takeaways

- Lodging has \$30.1 Billion in 2021 maturities (over 1.5 times as much as any other single asset class)
- Retail has \$18.4 Billion in 2021 maturities & \$14.3 Billion in 2022 maturities
- Office has \$18.1 Billion in 2021 maturities & \$12.4 Billion in 2022 maturities



## CMBS Delinquency Rates

- GFC Peak: 10.34%
- COVID Market Crisis: 10.32%



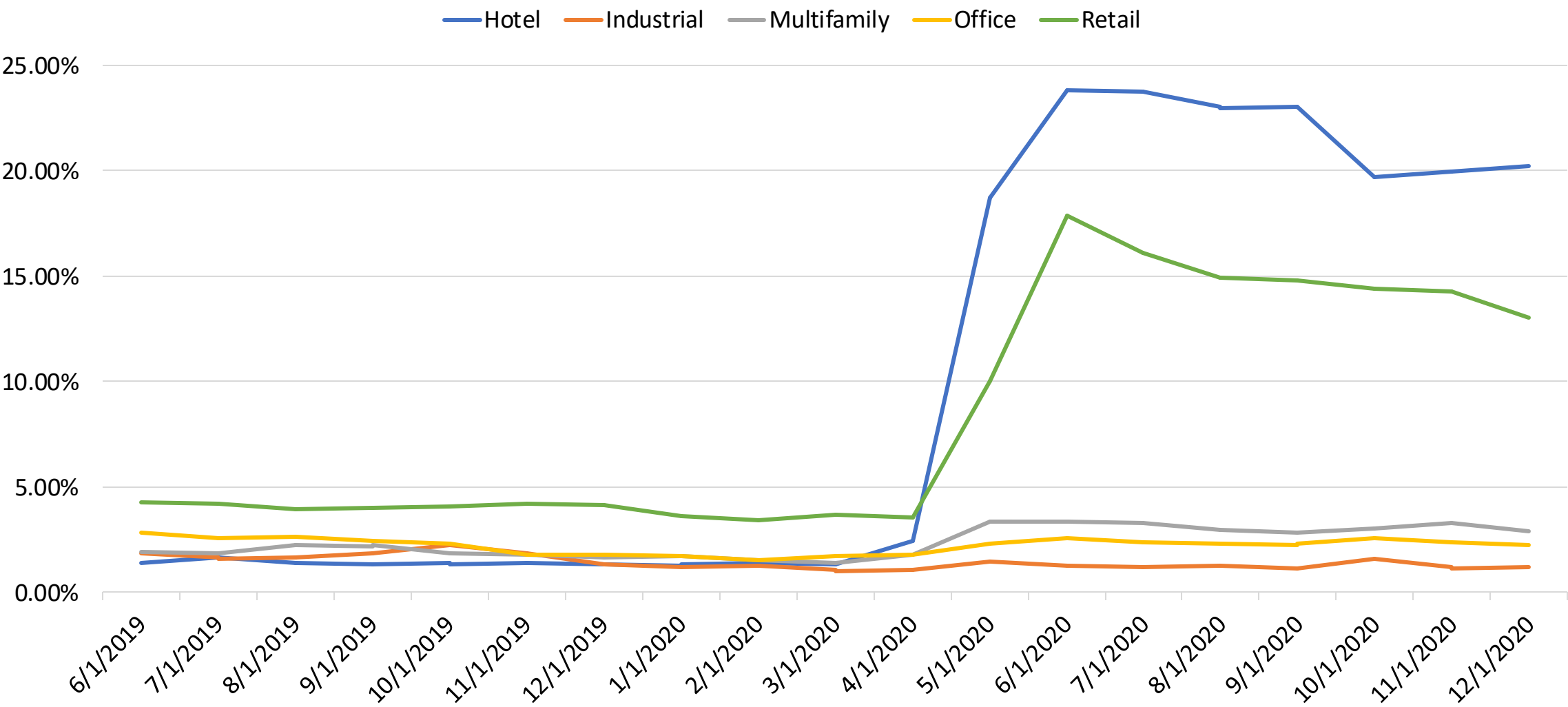
# Delinquency by Property Type

## January 2020

- Hotel 1.38%
- Industrial 1.21%
- Multifamily 1.69%
- Office 1.71%
- Retail

## December 2020

- Hotel 20.21%
- Industrial 1.20%
- Multifamily 2.92%
- Office 2.26%
- Retail 13.04%



Source: Trepp LLC

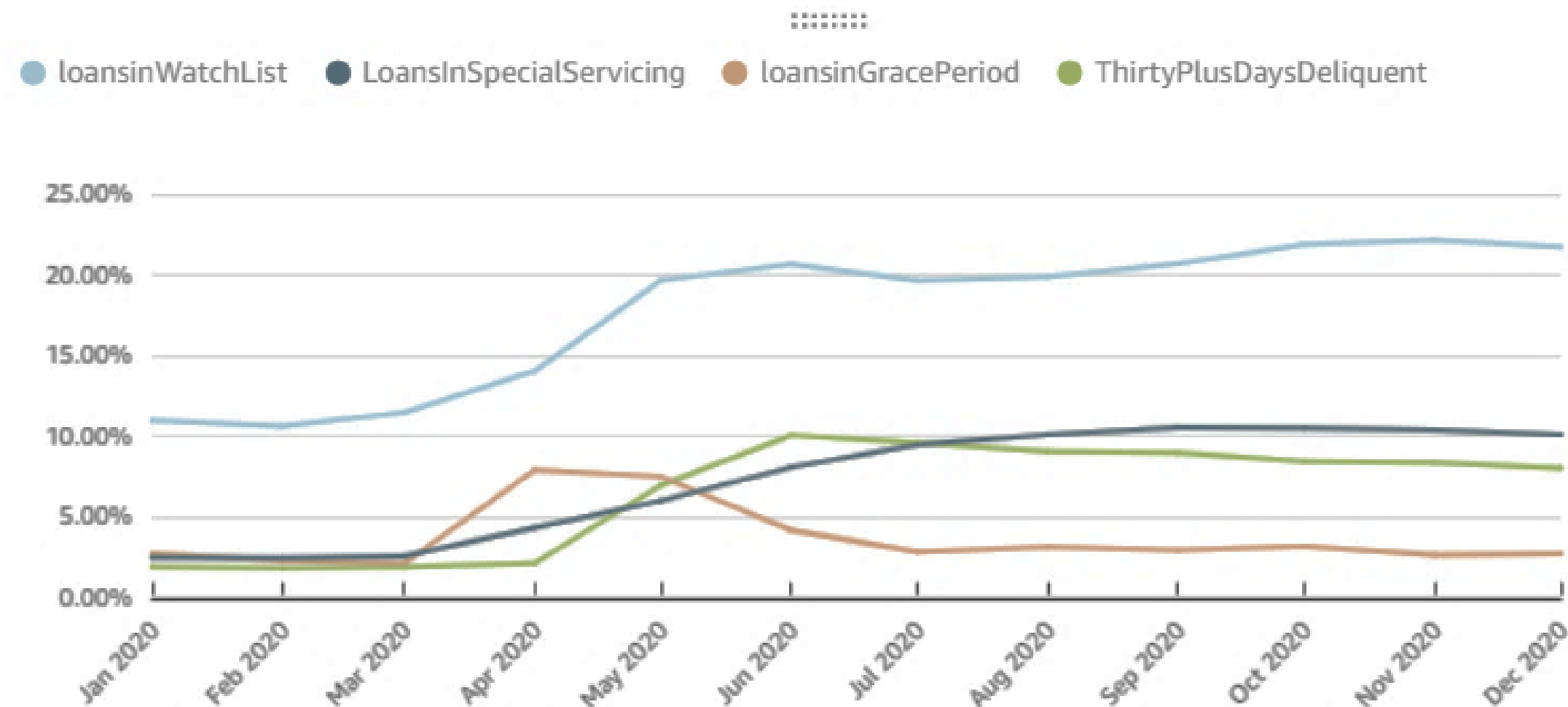
# CRE Loan Performance & COVID-19

## January 2020

- Watchlist 10.97%
- Grace Period 2.71%
- Thirty Days+ Del. 1.92%
- Special Servicing 2.50%

## December 2020

- Watchlist 21.74%
- Grace Period 2.72%
- Thirty Days+ Del. 8.03%
- Special Servicing 10.10%

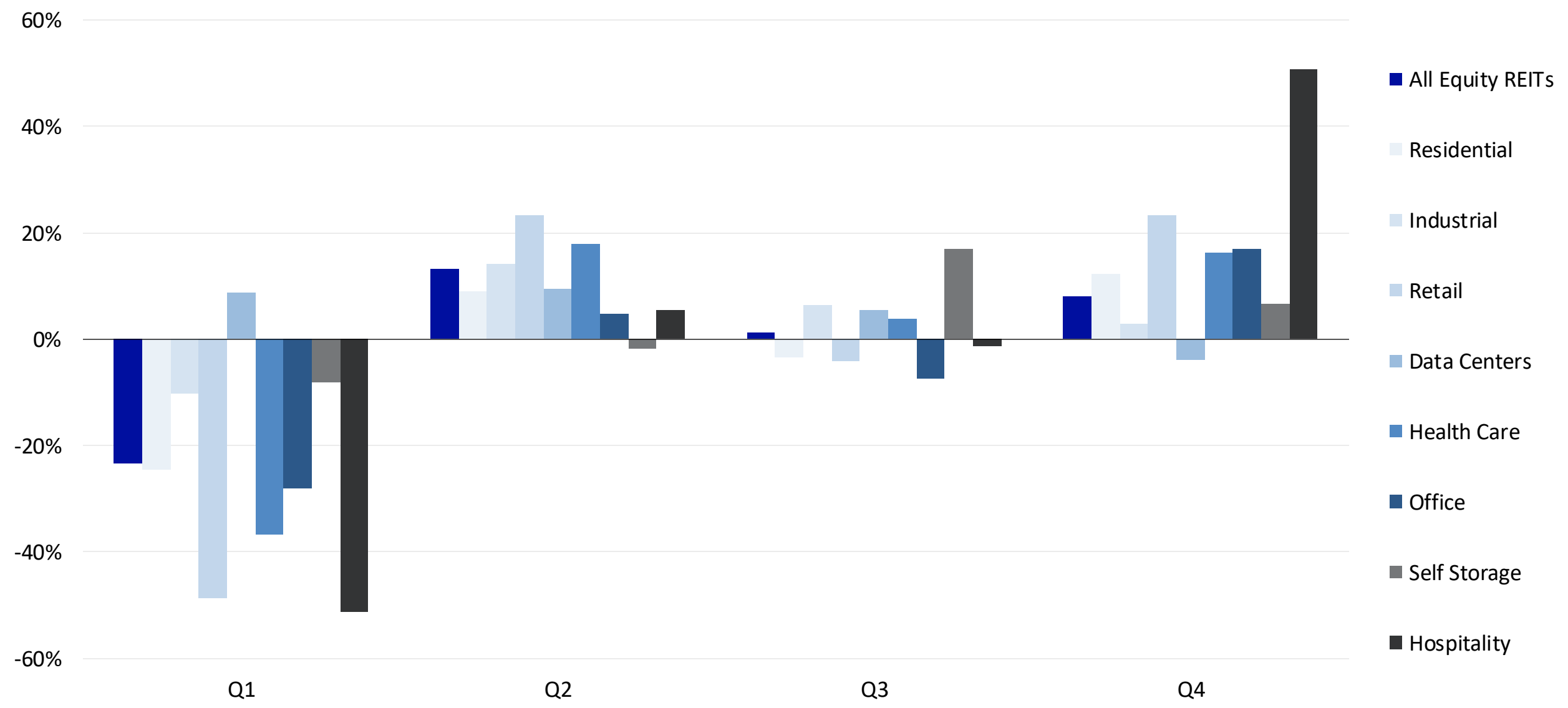


Source: Trepp LLC

# REIT Performance by Property Type

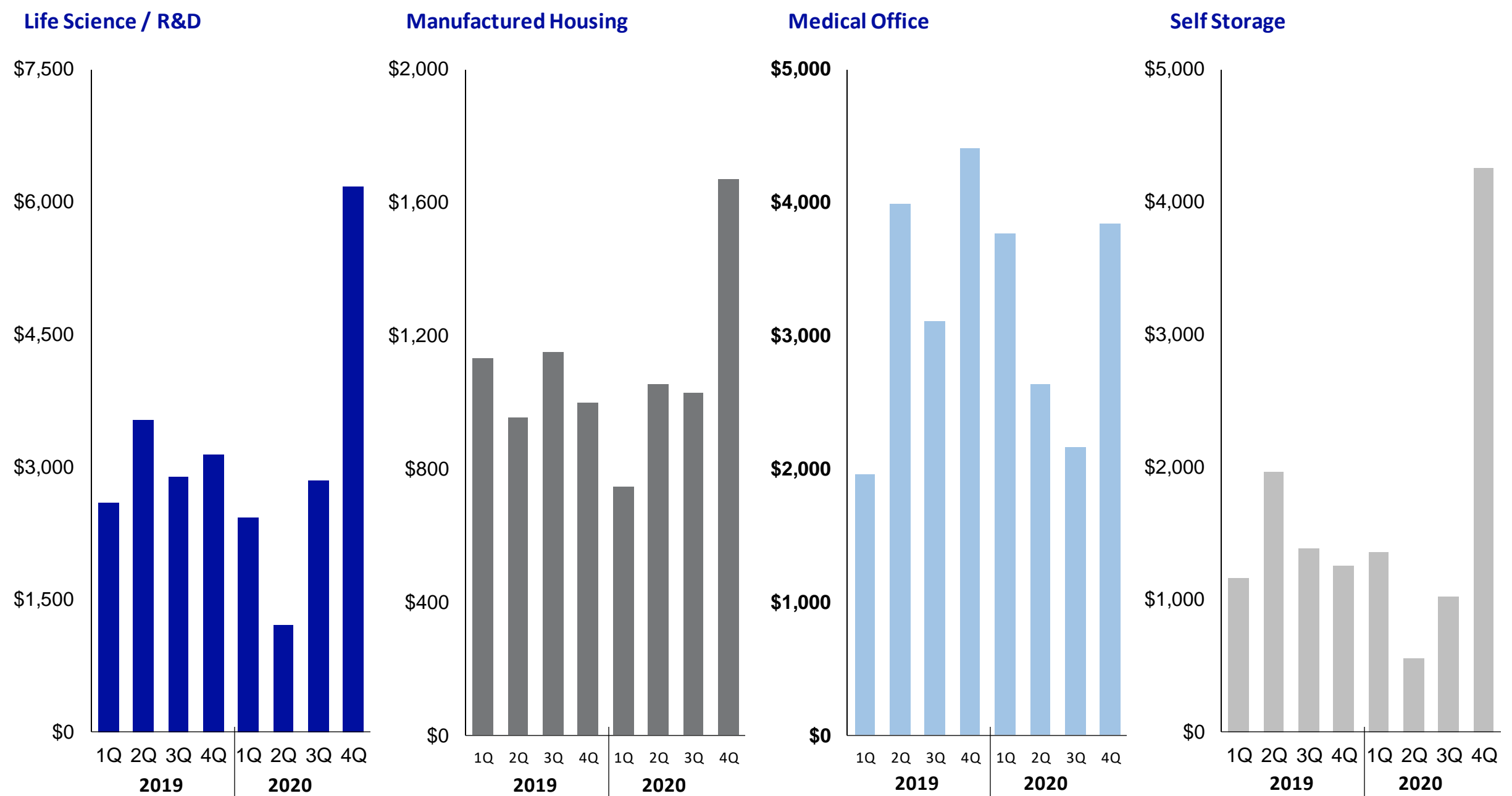
Data center, life science, self storage and industrial REITs achieved double digit positive total returns in 2020, reflecting investor preferences for assets perceived to be less vulnerable to COVID-19. Although the hospitality REIT sector finished the year down 23.6%, it recorded the largest recovery in the fourth quarter at 50.9%. While the short-term prospects of hotels are still uncertain, investors have priced in a recovery in vacation and leisure spending as the COVID-19 vaccine rollout continues.

## 2020 Total Returns by Quarter



# Specialty Assets and Subtypes

Investment volume increased across various specialty assets in 4Q20, as investors pivoted toward assets with counter-cyclical and secular growth characteristics, in the wake of COVID-19 related disruption across various traditional property types. Self storage recorded an increase of 315% quarter-over-quarter, bolstered by BREIT’s (Blackstone’s private REIT) \$1.2 billion acquisition of Brookfield’s Simply Self Storage platform, citing stable cash flows and portfolio diversification.

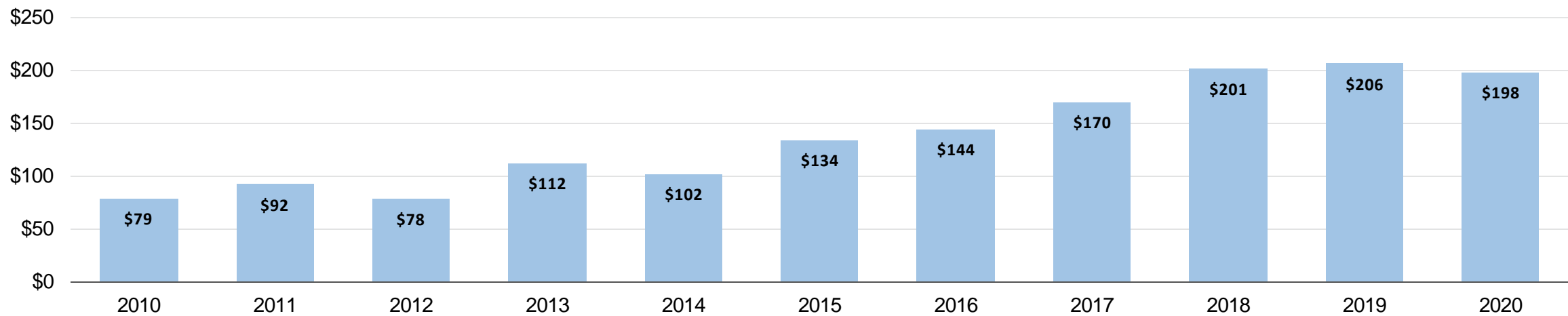




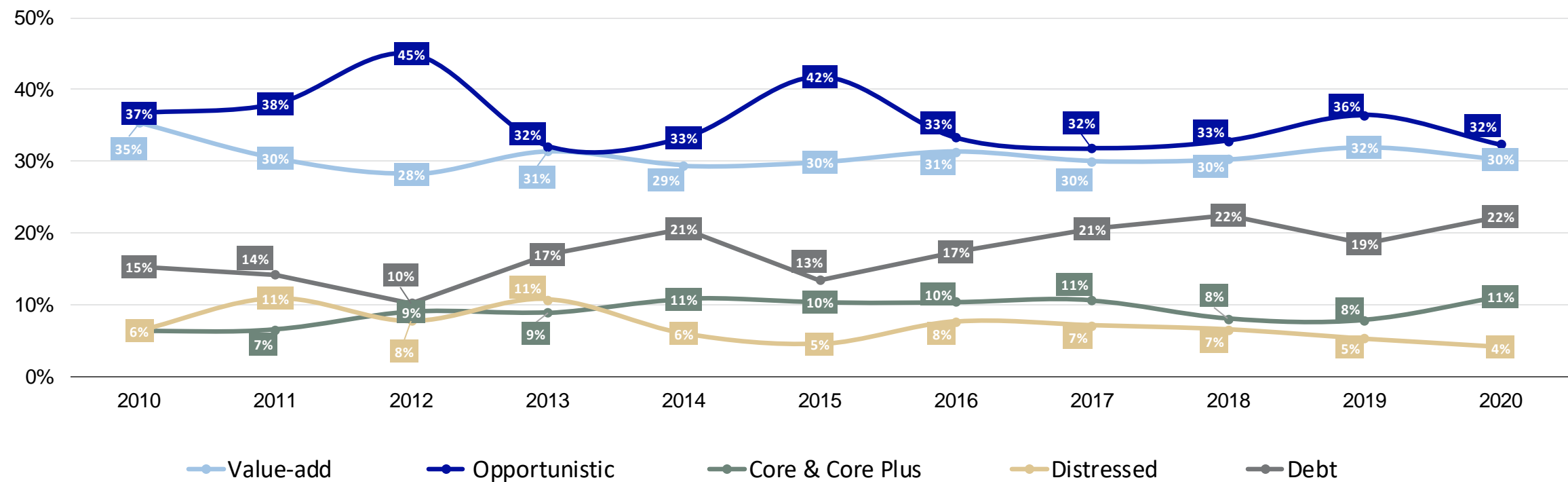
# Dry Powder

Uninvested capital (dry powder) accumulated by North American focused funds remains near pre-pandemic levels, at \$198 billion in 2020. Dry powder allocated to core and core plus strategies increased to 11.1% of the total, as some investors flock to high-quality assets with stable cash flows.

Dry Powder – Closed End Funds



Dry Powder by Strategy

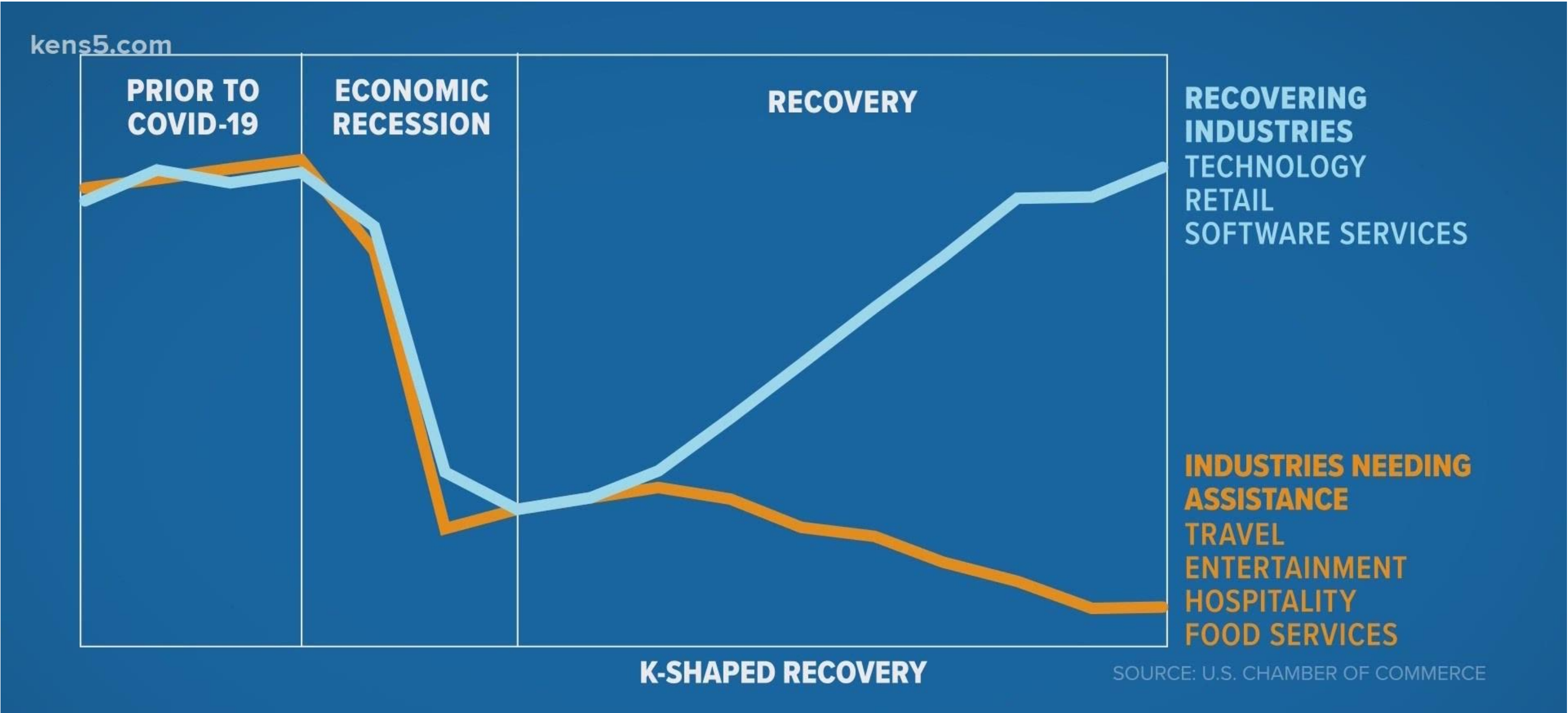


Source: Newmark Research, Preqin

## Self Storage



# K Shaped Recovery

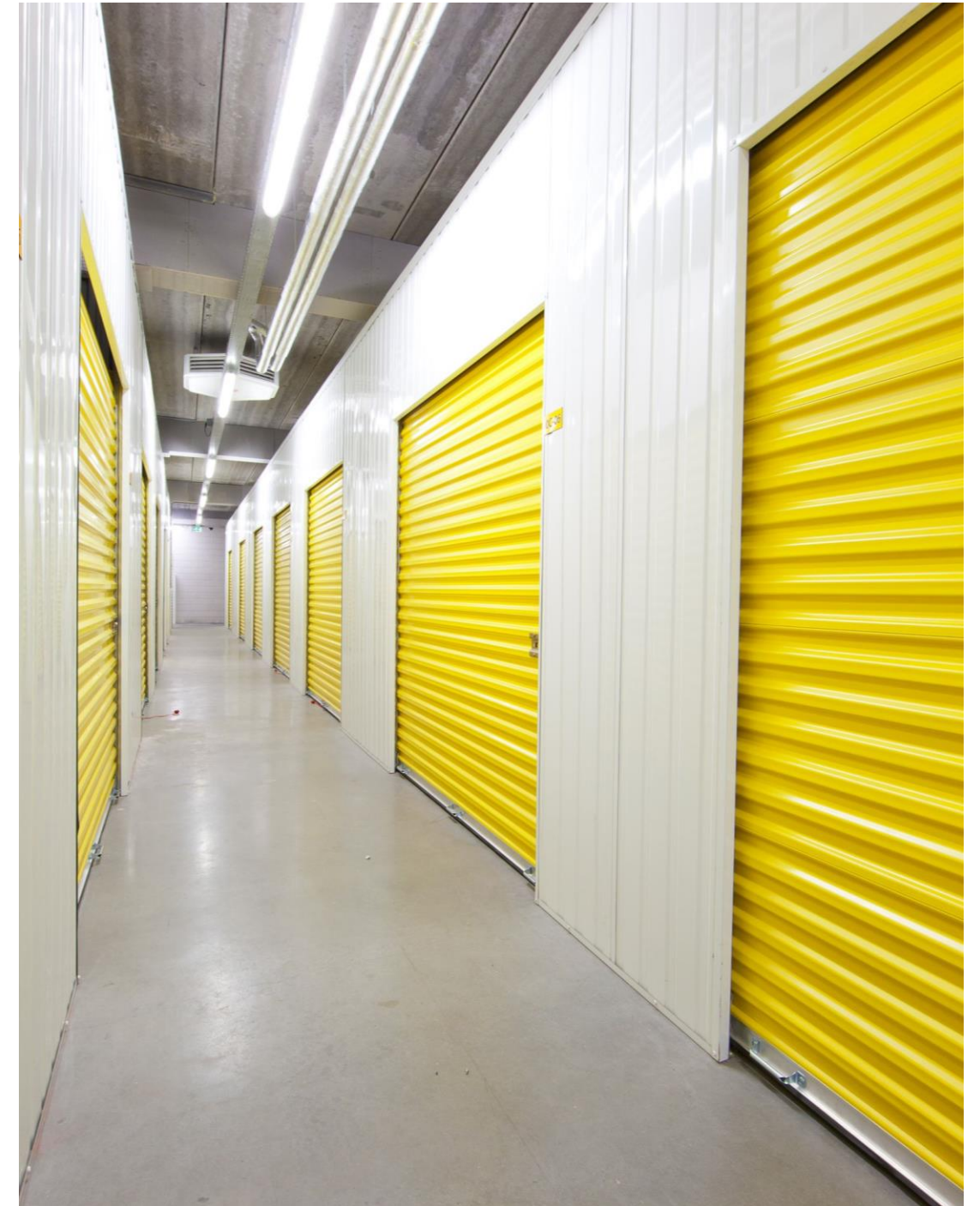




# Self Storage

## 2020 Takeaways

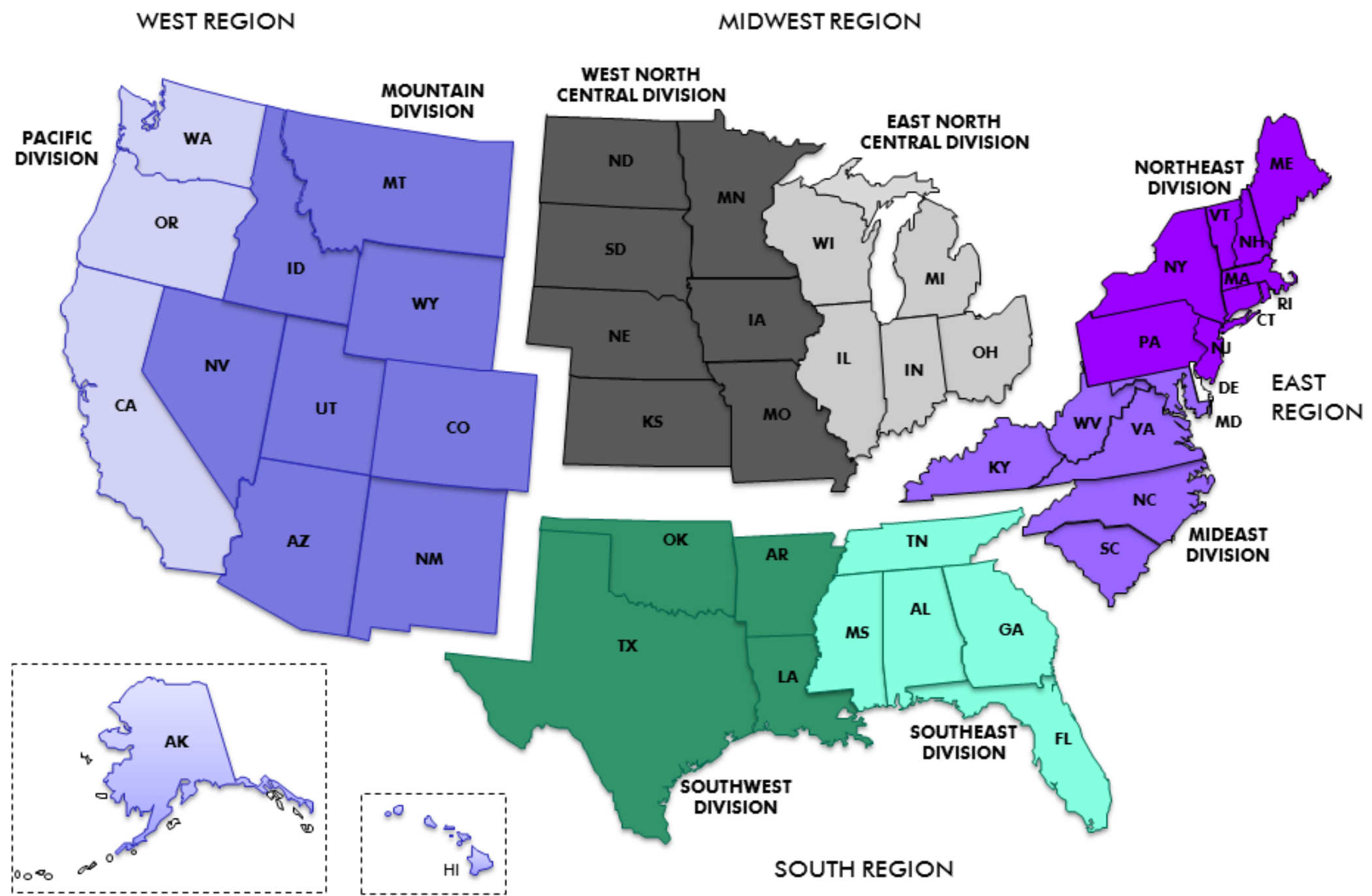
- As of December 31, 2020, Storage REITs increased 10.01% for the year, compared to the DJIA increase for the year of 6.02%.
- Trepp September 2020 report shows that of 1,700 CMBS loans, 3 are in default.
- Single asset sales activity down -35% in 2020, but portfolio volume the highest since 2016.
- A 20-year time series of self storage single asset pricing can be compared to public pricing. The average stock price for the sector from 2000 through 2019 increased an average of 6.49%. Comparatively, the average single asset increased 4.83% during the same time frame.
- Jcap REIT going private with a \$900 million acquisition by Nexpoint 4Q 2020. The transaction reportedly is a cap rate well below 5% (Stabilized NOI future), and represents all newer, high density product in absorption.
- Brookfield Simply announced in 4Q 2020 the sale of 123 assets \$(8 million SF) to Blackstone for \$1.2billion suggests pricing near \$150/SF and a cap rate in the “mid 4% range” (City Research Equities). Brookfield invested in Simply in 2018, according to City Research Equities, that suggests pricing appreciation of “over 20%”.
- 4Q 2020 Bill Gates Investment firm Cascade invests in StorageMart with the self storage entity valued at \$2.7 billion for 15 million SF (suggesting \$180/SF). Market sentiment is cap rate is below 5%, and wondering is Warren Buffet next to self storage?





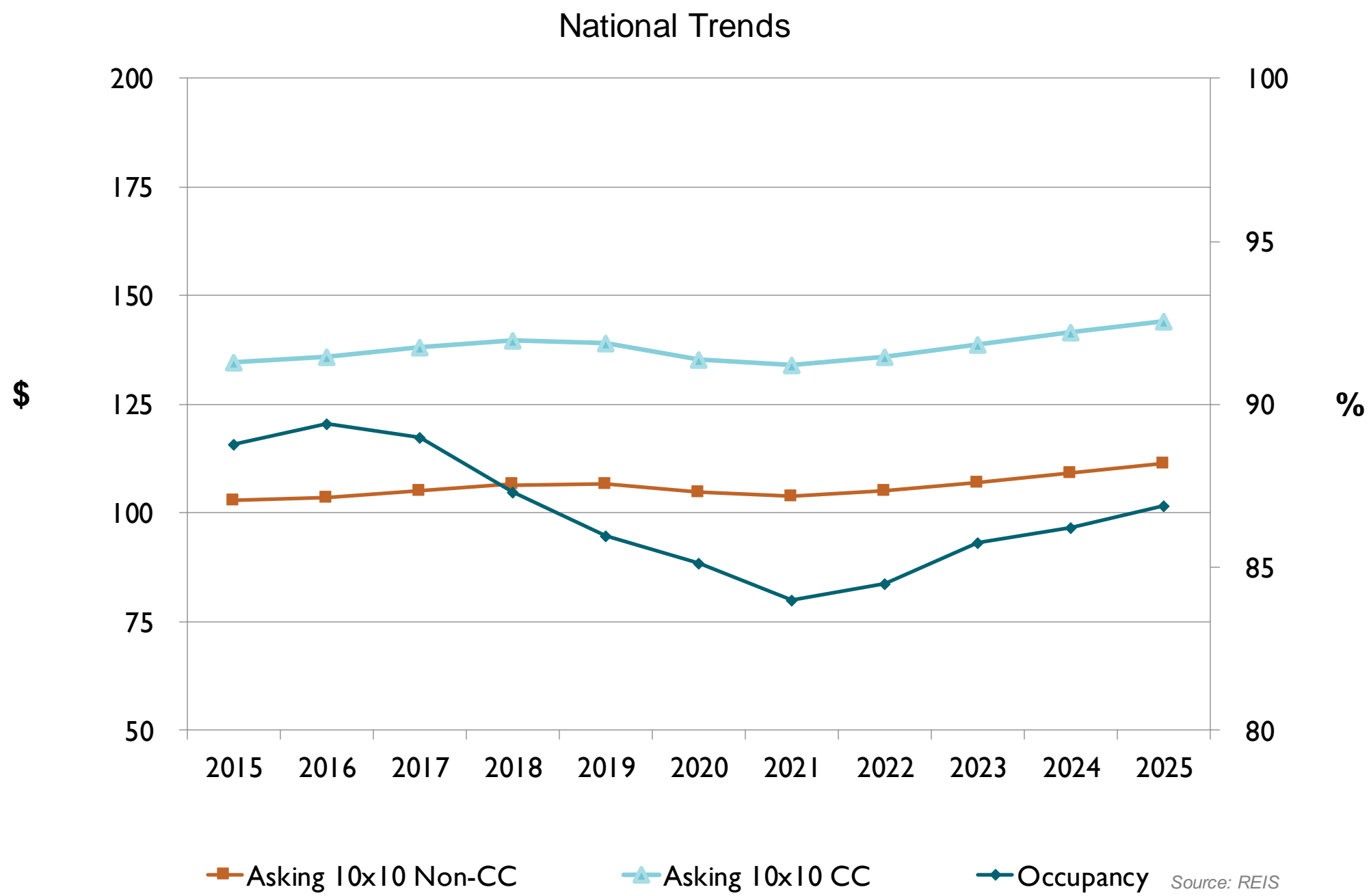
# Self Storage

## NCREIF Regions & Divisions



# Self Storage

Trends in the USA



# Self Storage

## Annual Returns by Property Sector

Total Annual returns By Property Sector (Returns in Percent)					
	Office	Industrial	Retail	Apartments	Self Storage
1994	2.86	18.67	2.98	2.19	8.90
1995	38.80	16.21	5.10	12.26	34.40
1996	51.80	37.22	34.60	28.93	42.84
1997	29.01	19.02	16.95	16.04	3.41
1998	-17.35	-11.74	-4.94	-8.77	-7.20
1999	4.25	3.90	-11.77	10.73	-8.04
2000	35.46	28.62	17.97	35.53	14.69
2001	6.65	7.42	30.42	8.66	43.24
2002	-6.82	17.32	21.07	-6.15	0.56
2003	34.01	33.14	46.77	25.49	38.14
2004	23.28	34.09	40.23	34.71	29.70
2005	13.11	15.42	11.80	14.65	26.55
2006	45.22	28.92	29.01	39.95	40.95
2007	-18.96	0.38	-15.77	-25.43	-24.82
2008	-41.07	-67.47	-48.36	-25.13	5.05
2009	35.55	12.17	27.17	30.40	8.37
2010	18.41	18.89	33.41	47.04	29.29
2011	-0.76	-5.16	12.20	15.37	31.62
2012	14.15	31.28	26.74	6.93	19.94
2013	5.57	7.40	1.86	-6.20	9.49
2014	25.86	21.00	27.62	39.62	31.44
2015	0.29	2.64	4.56	16.45	40.65
2016	13.17	30.72	0.95	2.86	-8.14
2017	5.25	20.58	-4.77	3.72	3.74
2018	-14.50	-2.51	-4.96	3.70	2.94
2019	31.42	48.71	10.65	30.89	13.70
2020	-18.44	12.17	-25.18	-10.69	12.91

Source data: NAREIT / Compiled by Newmark

# Self Storage

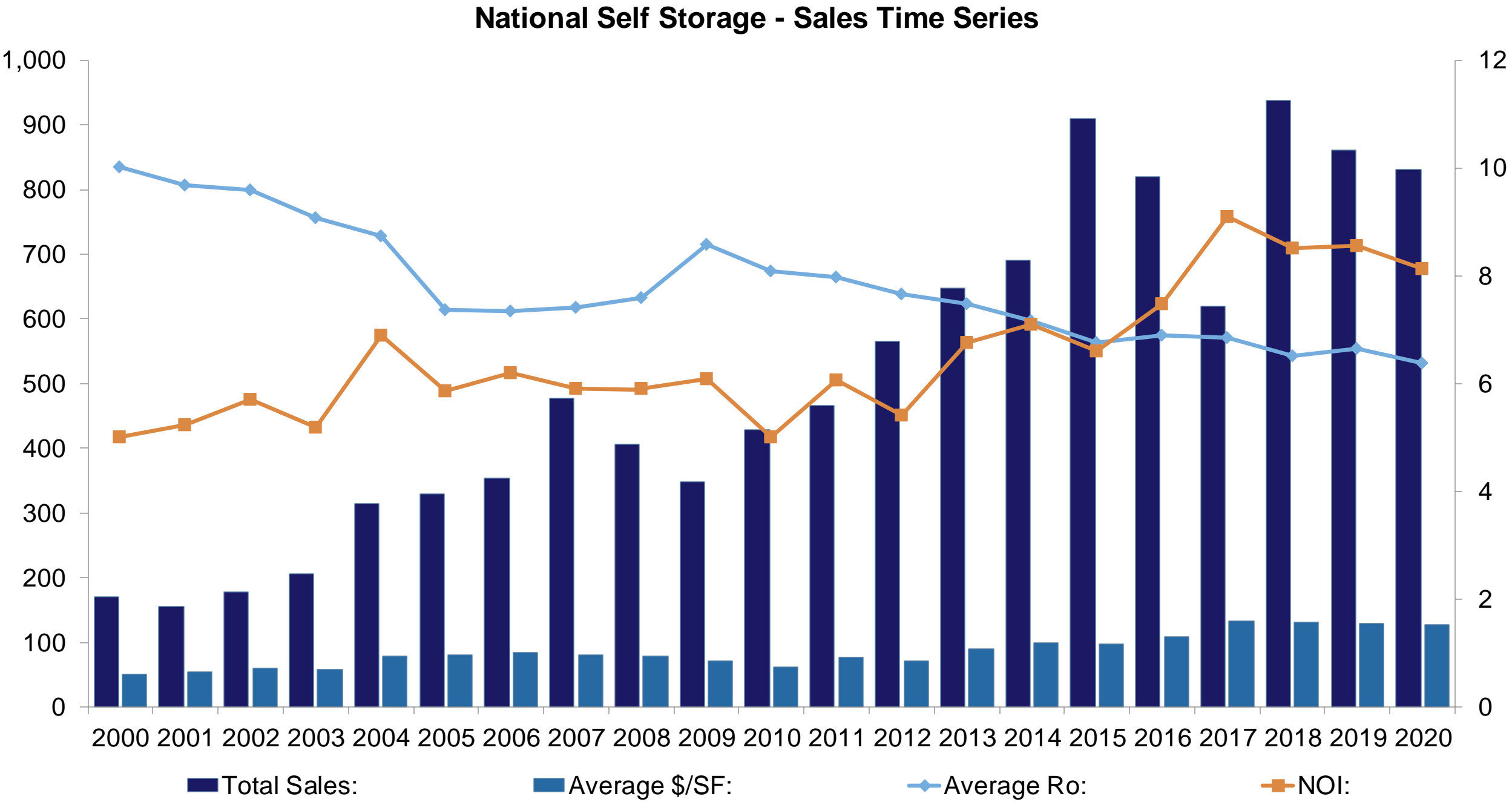
Annual Returns by Property Sector

Analysis - Calculated Based on NAREIT Data					
5 yr Avg. Return 2016 - 2020	3.38	21.93	-4.66	6.10	5.03
5 yr Standard Deviation	18.34	17.26	11.72	13.55	7.96
10 yr Avg. Return 2011 - 2020	6.20	16.68	4.97	10.27	15.83
10 yr Standard Deviation	15.02	16.18	14.83	14.88	14.37
15 yr Avg. Return 2006 - 2020	6.74	10.65	5.01	11.30	14.48
15 yr Standard Deviation	22.58	25.29	22.14	22.16	17.65
20 yr Avg. Return 2001 - 2020	8.57	13.36	11.27	12.34	17.77
20 yr Standard Deviation	21.01	23.00	22.92	20.51	17.91
25 yr Avg. Return 1996 - 2020	10.98	13.77	11.13	13.17	16.04
25 yr Standard Deviation	22.25	22.03	21.83	19.67	18.41



# Self Storage

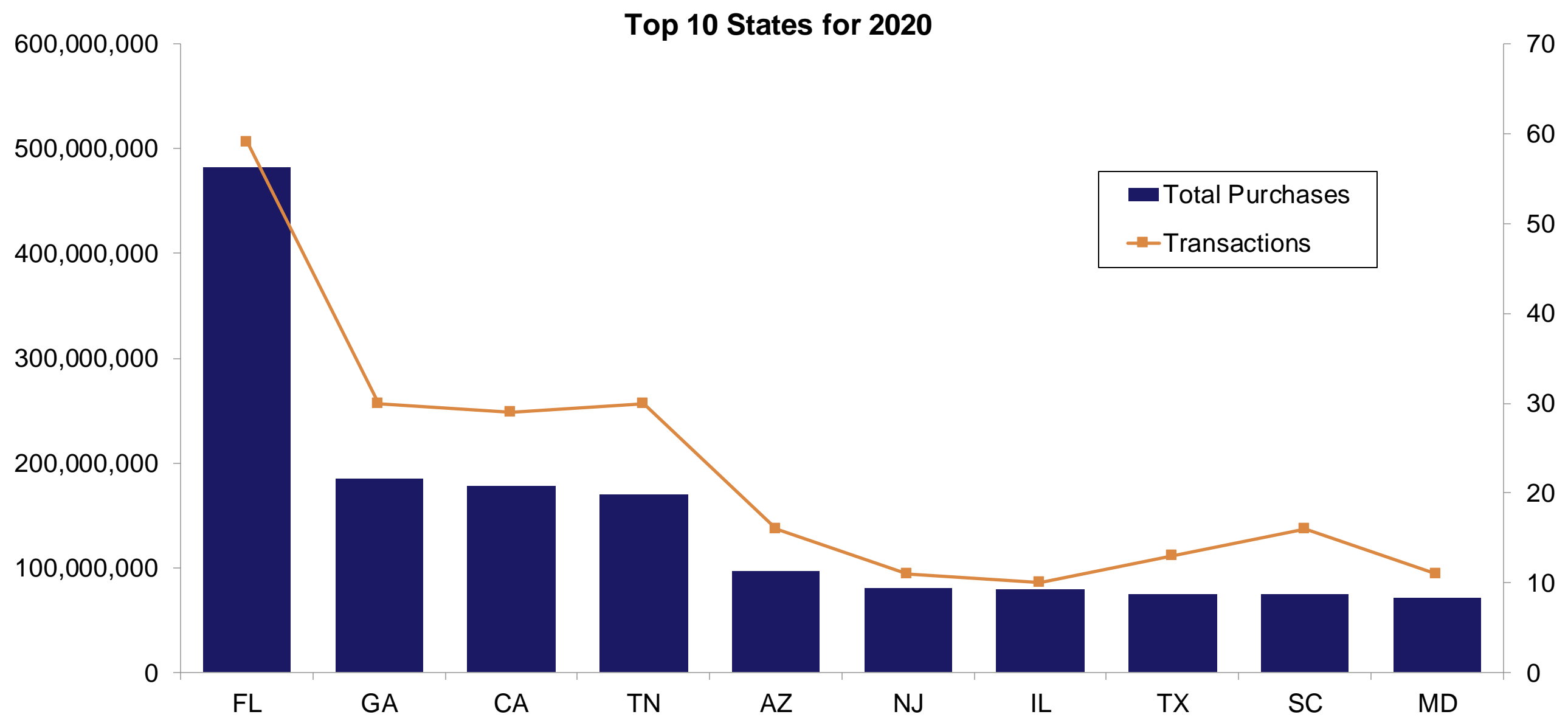
## Sales Time Series



Compiled by Newmark

# Self Storage

## Transaction Activity



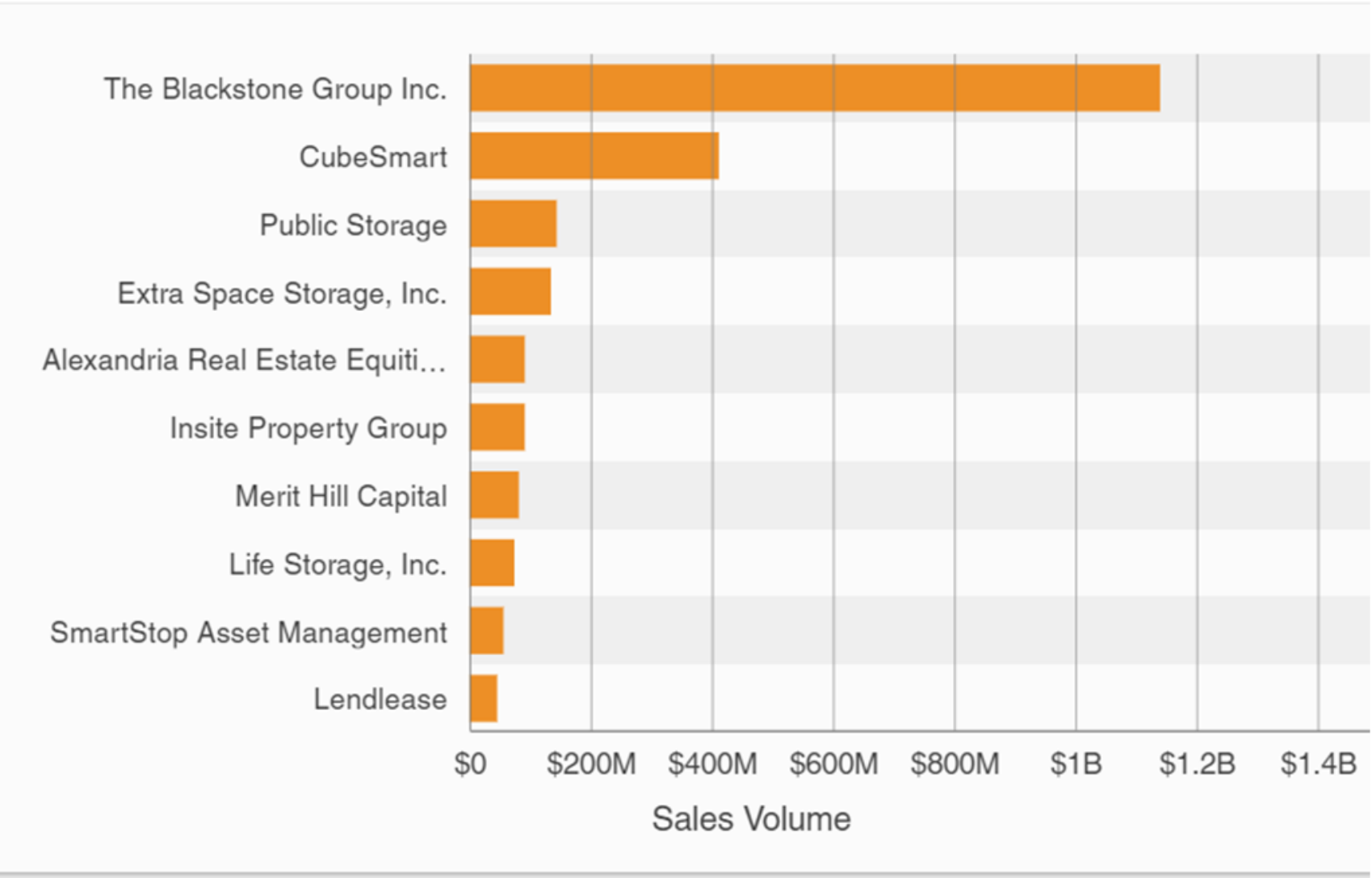
Compiled by Newmark

# Self Storage

## CoStar Top Buyers

SALE PRICE/SF	AVERAGE SALE PRICE	SALES VOLUME	SALE VS ASKING PRICE	AVERAGE SF	MONTHS TO SALE
\$129	\$10M	\$3.4B	-9.7%	75.5K	8.0

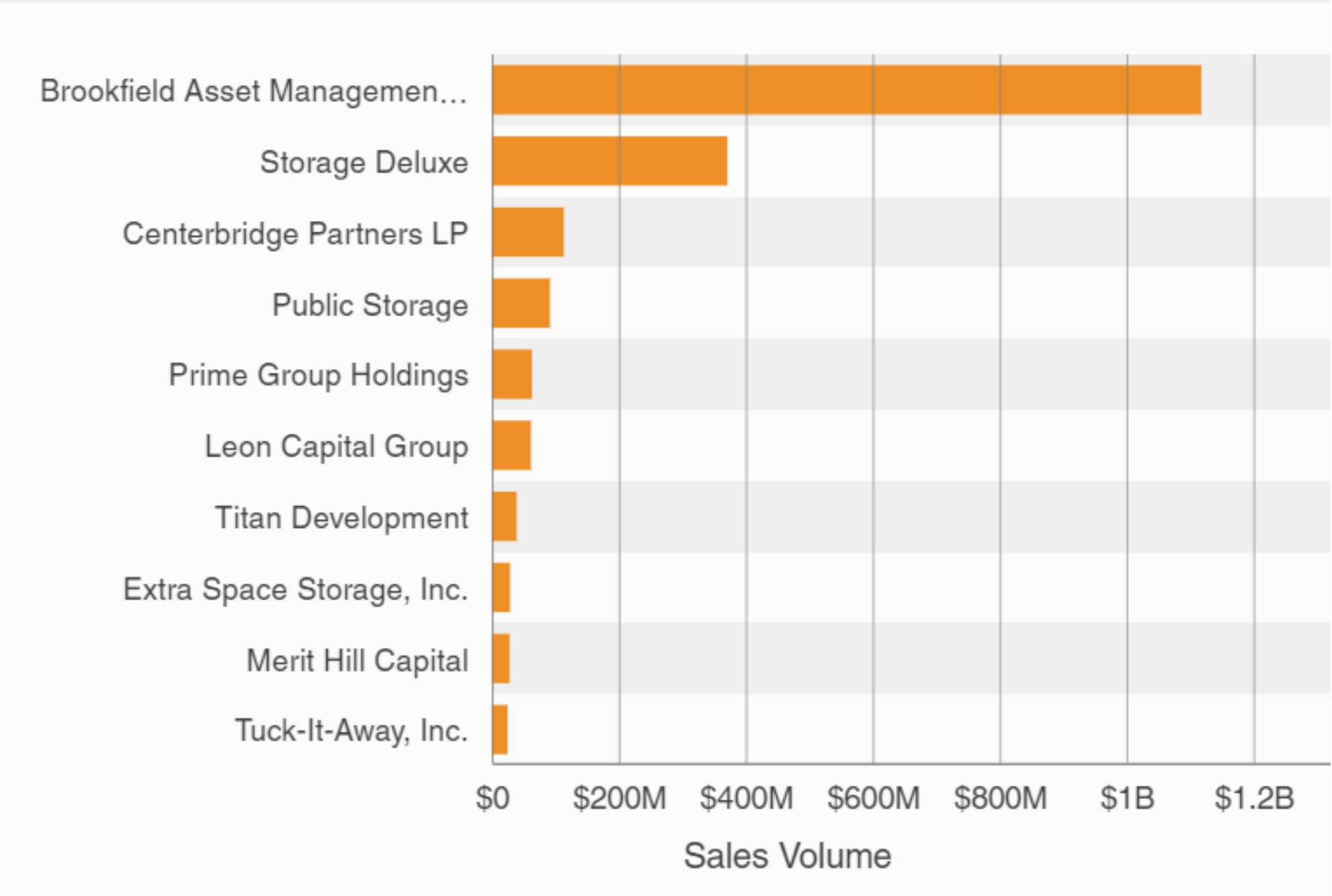
Top Buyers



# Self Storage

CoStar Top Sellers

## Top Sellers





# Self Storage

## Portfolio Sales

Self Storage Portfolio Sales						
	Sales Price	NRA	Price/SF	Pro Forma Cap Rate	TTM Cap Rate	
2020						
Low	\$ 31,000,000	\$ 322,404	\$ 74.54	4.85%	3.98%	
High	\$ 1,200,000,000	\$ 8,000,000	\$ 234.68	6.25%	5.80%	
Average	\$ 299,365,000	\$ 2,027,874	\$ 120.92	5.54%	4.81%	
2019						
Low	\$ 89,620,000	\$ 367,088	\$ 81.46	5.50%	5.54%	
High	\$ 295,000,000	\$ 2,560,290	\$ 244.14	6.50%	5.54%	
Average	\$ 166,504,000	\$ 1,447,378	\$ 138.90	5.85%	5.54%	
2018						
Low	\$ 204,000,000	\$ 1,109,371	\$ 151.37	4.89%	4.55%	
High	\$ 1,325,000,000	\$ 8,700,000	\$ 188.67	5.60%	5.50%	
Average	\$ 765,825,000	\$ 4,964,269	\$ 161.16	5.41%	5.01%	
2017						
Low	\$ 126,000,000	\$ 1,378,726	\$ 75.45	4.75%	4.51%	
High	\$ 330,000,000	\$ 2,300,756	\$ 216.49	6.40%	5.90%	
Average	\$ 248,400,000	\$ 1,718,445	\$ 149.03	5.43%	5.23%	
2016						
Low	\$ 77,788,000	\$ 435,000	\$ 87.34	4.62%	4.00%	
High	\$ 1,229,900,000	\$ 6,851,703	\$ 246.96	6.00%	6.10%	
Average	\$ 340,472,207	\$ 2,277,377	\$ 148.69	5.45%	5.19%	
2015						
Low	\$ 61,300,000	\$ 580,661	\$ 81.79	5.00%	4.85%	
High	\$ 1,400,000,000	\$ 9,027,785	\$ 158.59	6.50%	6.00%	
Average	\$ 351,133,333	\$ 2,402,448	\$ 117.51	5.82%	5.45%	

Compiled by Newmark

# Self Storage

## Key Indicators

Overall Capitalization Rates			
Investment Type	Cap Rate Range	Average	
PwC Real Estate Investor Survey: 1st Qtr. 2018	4.50% - 7.00%	5.65%	
PwC Real Estate Investor Survey: 3rd Qtr. 2018	4.50% - 7.00%	5.66%	
PwC Real Estate Investor Survey: 1st Qtr. 2019	4.50% - 7.00%	5.66%	
PwC Real Estate Investor Survey: 3rd Qtr. 2019	4.50% - 7.00%	5.75%	
NKF Self Storage Investor Survey: 3rd Qtr. 2019	4.50% - 8.50%	5.60%	
PwC Real Estate Investor Survey: 1st Qtr. 2020	4.50% - 7.00%	5.67%	
PwC Real Estate Investor Survey: 3rd Qtr. 2020	4.50% - 7.00%	5.68%	
NKF Self Storage Investor Survey: 3rd Qtr. 2020	4.50% - 8.50%	5.50%	
NKF Self Storage Investor Survey: 1st Qtr. 2021	4.25% - 8.00%	5.37%	

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Terminal Capitalization Rates				
Investor Surveys	Rate Range	Average	Spread To	
			Cap Rate	
			(bps)	
PwC Real Estate Investor Survey: 1st Qtr. 2018	5.00% - 7.50%	6.04%	39	
PwC Real Estate Investor Survey: 3rd Qtr. 2018	5.00% - 7.50%	6.04%	38	
PwC Real Estate Investor Survey: 1st Qtr. 2019	5.00% - 7.50%	6.04%	38	
PwC Real Estate Investor Survey: 3rd Qtr. 2019	5.00% - 8.00%	6.21%	46	
NKF Self Storage Investor Survey: 3rd Qtr. 2019	4.75% - 8.75%	5.85%	25	
PwC Real Estate Investor Survey: 1st Qtr. 2020	5.00% - 8.00%	6.04%	37	
PwC Real Estate Investor Survey: 3rd Qtr. 2020	5.00% - 8.00%	6.04%	36	
NKF Self Storage Investor Survey: 3rd Qtr. 2020	4.75% - 8.75%	5.85%	35	
NKF Self Storage Investor Survey: 1st Qtr. 2021	4.75% - 8.75%	5.63%	26	

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Self Storage  
Key Indicators

Discount Rates			
Investor Surveys	Rate Range		Average
PwC Real Estate Investor Survey: 1st Qtr. 2018	5.00%	9.00%	6.91%
PwC Real Estate Investor Survey: 3rd Qtr. 2018	5.00%	11.00%	7.32%
PwC Real Estate Investor Survey: 1st Qtr. 2019	5.00%	11.00%	7.43%
PwC Real Estate Investor Survey: 3rd Qtr. 2019	5.00%	11.00%	7.70%
NKF Self Storage Investor Survey: 3rd Qtr. 2019	7.50%	11.00%	8.55%
PwC Real Estate Investor Survey: 1st Qtr. 2020	5.50%	11.00%	8.00%
PwC Real Estate Investor Survey: 3rd Qtr. 2020	5.50%	11.00%	8.25%
NKF Self Storage Investor Survey: 3rd Qtr. 2020	6.50%	11.00%	8.45%
NKF Self Storage Investor Survey: 1st Qtr. 2021	6.75%	10.75%	8.39%

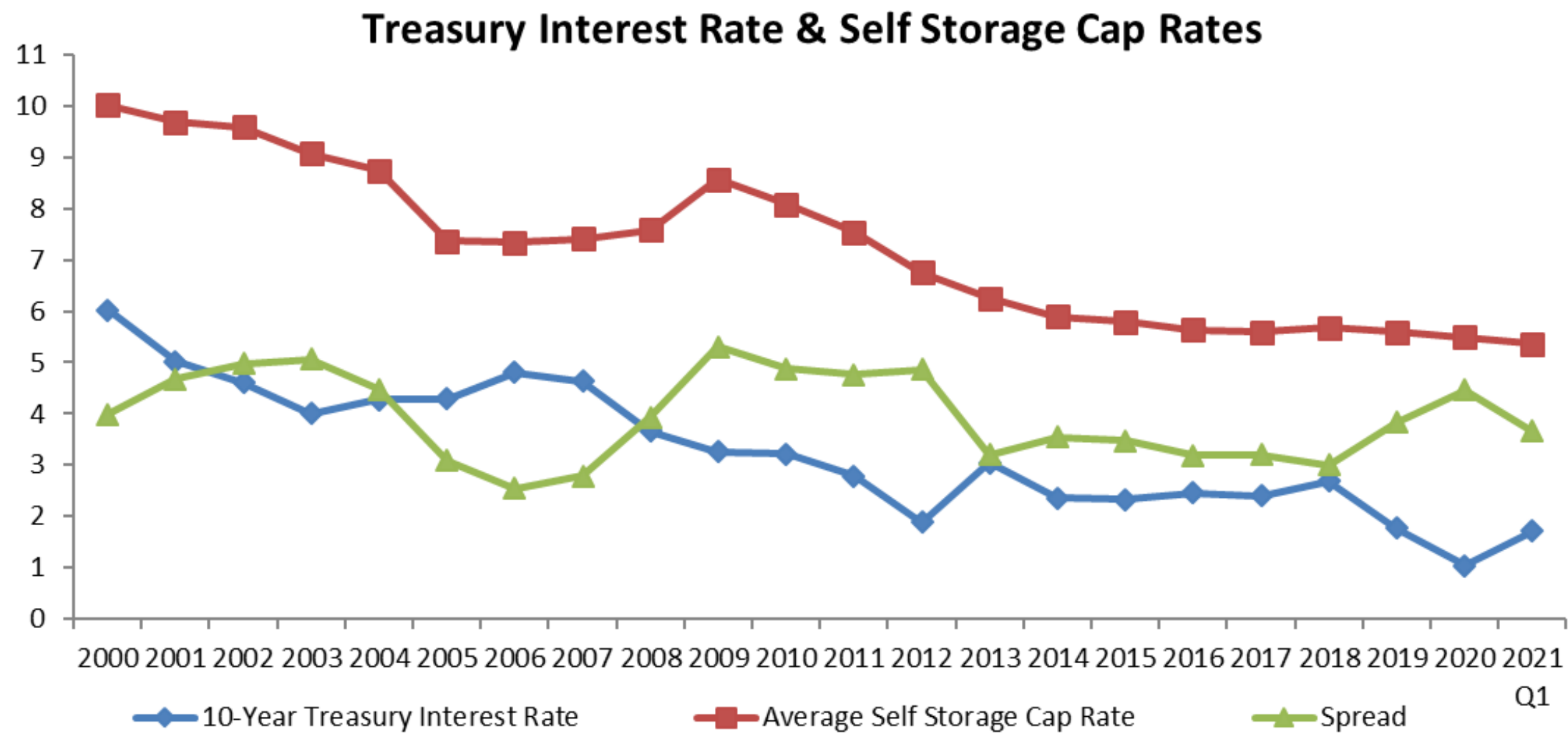
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Summary Of Growth Rates					
Investor Surveys	Rent Growth		Expense Growth		
	Rate Range	Average	Rate Range	Average	
PwC Real Estate Investor Survey: 1st Qtr. 2018	0.00% - 15.00%	4.29%	2.00% - 5.00%	3.00%	
PwC Real Estate Investor Survey: 3rd Qtr. 2018	0.00% - 15.00%	4.29%	2.00% - 5.00%	3.00%	
PwC Real Estate Investor Survey: 1st Qtr. 2019	0.00% - 15.00%	4.29%	2.00% - 5.00%	3.00%	
PwC Real Estate Investor Survey: 3rd Qtr. 2019	0.00% - 7.00%	3.58%	2.00% - 5.00%	3.00%	
NKF Self Storage Investor Survey: 3rd Qtr. 2019	3.00% - 6.00%	3.40%	2.00% - 5.00%	3.10%	
PwC Real Estate Investor Survey: 1st Qtr. 2020	2.00% - 7.00%	3.71%	2.00% - 4.00%	2.83%	
PwC Real Estate Investor Survey: 3rd Qtr. 2020	2.00% - 8.00%	3.75%	2.00% - 5.00%	2.92%	
NKF Self Storage Investor Survey: 3rd Qtr. 2020	3.00% - 6.00%	3.25%	2.00% - 5.00%	3.05%	
NKF Self Storage Investor Survey: 1st Qtr. 2021	3.00% - 6.00%	3.50%	2.00% - 5.00%	3.00%	

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# Self Storage

Treasury Interest Rate & Cap Rates



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Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021 Q1	Average
10-Year Treasury Interest Rate	6.03	5.02	4.61	4.01	4.27	4.29	4.80	4.63	3.66	3.26	3.22	2.78	1.89	3.05	2.35	2.33	2.45	2.40	2.69	1.77	1.04	1.71	3.28
Average Self Storage Cap Rate	10.02	9.69	9.59	9.08	8.74	7.37	7.34	7.41	7.59	8.57	8.09	7.54	6.75	6.25	5.90	5.80	5.64	5.60	5.68	5.60	5.50	5.37	7.23
Spread	3.99	4.67	4.98	5.07	4.47	3.08	2.54	2.78	3.93	5.31	4.87	4.76	4.86	3.20	3.55	3.47	3.19	3.20	2.99	3.83	4.46	3.66	3.95

# Self Storage

Band of Investment

Band of Investment				
Mortgage and Equity Assumptions				
Loan to Value Ratio	65%			
Interest Rate	3.75%			
Amortization (Years)	30			
Mortgage Constant	5.56%			
Equity Ratio	35%			
Equity Dividend Rate	5.00%			
Weighted Average of Mortgage Equity Requirements				
Mortgage Requirement	65%	x	5.56% =	3.61%
Equity Requirement	35%	x	5.00% =	1.75%
Indicated Capitalization Rate (Rounded)				5.36%
Compiled by Newmark				



Self Storage

Mortgage Equity

Mortgage Equity Analysis

Loan-to-Value Ratio	65%
Interest Rate	3.75%
Amortization Term	30 Years
Mortgage Constant	5.56%
Equity Yield Rate (Y <sub>E</sub> )	13.50%
Projection Period (n)	10 Years
Compound Annual Appreciation/Depreciation	3.5% per Year
Total Appreciation/Depreciation	41.06%

Compiled by Newmark

Mortgage Equity Analysis - Akerson Format

Loan Ratio x Annual Constant	=	65.00%	x	5.56%	=	3.61%
Equity Ratio x Equity Yield Rate	= +	35.00%	x	13.50%	=	4.73%
<b>Weighted Average</b>						<b>8.34%</b>

Less Credit for Equity Build-up						
Loan Ratio x % Paid off in Projected Period x Sinking Fund Factor	= -	65.00%	x	21.89%	x	5.30% = 0.75%
<b>Basic Rate</b>						<b>7.58%</b>

Less Appreciation / Plus Depreciation						
Appreciation/Depreciation x Sinking Fund Factor	= +/-	41.06%	x	5.30%	=	2.18%
<b>Overall Capitalization Rate</b>						<b>5.41%</b>

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# Self Storage

## Cap Rate Analytics

Cap Rate Comparison			
Time	Apartment	Self Storage	Spread
3Q 2020	5.22%	5.50%	28
3Q 2019	5.20%	5.60%	40
3Q 2018	5.26%	5.68%	42
4Q 2017	5.32%	5.65%	33
3Q 2017	5.35%	5.60%	25
3Q 2016	5.25%	5.64%	39
2Q 2016	5.29%	5.65%	36
4Q 2015	5.35%	5.75%	40
2Q 2015	5.30%	5.80%	50
4Q 2014	5.36%	5.90%	54
2Q 2014	5.59%	6.12%	53
4Q 2013	5.80%	6.25%	35
2Q 2013	5.70%	6.55%	75
2Q 2010	7.85%	8.45%	60
Average	5.56%	6.01%	44

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# Self Storage

## Market Analysis

### Four Methodologies

#### – Quantitative

1. Econometrics
2. Cost of Occupancy

#### – Qualitative

3. Physical Occupancy
4. Benchmarking



# Self Storage

## Market Analysis - Quantitative

### Econometrics

Demand Forecast									
	Total Population	% Renters	Household Size (Avg.)	Average Household Income	Existing Supply (SF)	Existing Supply (SF) / Capita	Calculated Demand (SF) / Capita	Demand - Supply (SF) / Capita	Total Unsatisfied Demand (SF)
2-Miles Radius	63,757	49.3%	2.87	\$94,037	676,158	10.61	9.95	-0.66	(41,800)

Compiled by Newmark

### Cost of Occupancy

As a test of reasonableness we have calculated the cost of occupancy for the subject (average annual unit rent of the subject divided by the average household income of the trade area). In this case the cost of occupancy is 1.73% which is considered reasonable for this trade area. For self storage we note trade areas below 2.5% generally have room to improve rental rates (revenue enhancement). This indicates under-supply in the trade area.

Self Storage Market Equilibrium	
Trade Area	Radius
Existing Supply	676,158
New Construction	0
Total Supply	676,158
Less: Occupied Square Feet	-641,348
Available Supply	34,810
Less: Market Vacancy (10%)	-67,616
Subtotal (Remaining Supply)	32,806
Unsatisfied Demand	-41,800
Demand Less Remaining Supply	-8,994
Equilibrium Forecast	Equilibrium

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# Self Storage

## Market Analysis - Qualitative

### Physical Occupancy

Surveying the entire trade area (2 mile ring), the trade area indicates physical occupancy of 88.90% to 98.50% with an average of 95.07%. Comparatively, the subject physical occupancy is 96.24%. This indicates under-supply in the subject trade area.

### Benchmarking

The table on the right indicates the subject trade area is over-supplied based on inventory per capita.

Local Market Inventory					
Property Name & Address	Distance from Subject (Miles)	Year Built	No. Units	Rentable SF	Physical Occupancy
	0.25	2001	481	55,000	88.90%
	0.28	1978	1,218	160,391	94.30%
	0.39	1981	518	55,640	94.20%
	0.44	1985	730	80,790	95.30%
	0.81	2004	422	51,323	96.70%
	0.95	2008	1,047	104,650	94.20%
	1.14	1971	147	19,765	94.60%
	1.28	1999	454	56,328	97.80%
	1.45	1950	336	44,391	98.50%
Subject		1978	369	47,880	96.24%
Market Inventory Totals / Averages		1986	5,722	676,158	95.07%
Population (2 Miles)				63,757	
Inventory Per Capita (Existing SF)				10.61	
CBSA Inventory Per Capita (SF) - Riverside-San Bernardino-Ontario, CA				7.07	
State Inventory Per Capita (SF)				5.69	

Compiled by Newmark

CBSA, State & National data from the 2020 Self Storage Almanac (Radius+)



Self Storage

Historical Revenue/Expense & Forecast												
	2017 Actuals		2018 Actuals		2019 Actuals		Jan - Sep 2020 Annualized		2021 Budget		Year 1 Forecast	
	Total	\$/SF	Total	\$/SF	Total	\$/SF	Total	\$/SF	Total	\$/SF	Total	\$/SF
Self Storage Income												
Actual Rent (Occupied)	\$814,603	\$12.18	\$845,655	\$12.65	\$878,561	\$13.14	\$883,141	\$13.21	\$895,000	\$13.38	\$899,804	\$13.46
Plus Market Rent (Vacant)											\$26,160	\$0.39
Potential Self Storage Income	\$814,603	▲\$12.18	\$845,655	▲\$12.65	\$878,561	▲\$13.14	\$883,141	▲\$13.21	\$895,000	\$13.38	\$925,964	▲\$13.85
Billboard & Cell Tower Income	\$0	▲	\$0	▲	\$0		0		\$73,000	1.09	73,332	1.10
Parking Income	\$0	▲	\$0	▲	\$0		0	▲	\$0		0	
Other Rental Income	\$0	▲	\$0	▲	\$0		0	▲	\$0		0	
Ancillary Income	\$57,661	0.86	\$64,968	0.97	\$65,391	0.98	66,125	0.99	\$0		37,039	0.55
Total Potential Gross Income	\$872,264	▲\$13.04	\$910,623	▲\$13.62	\$943,952	▲\$14.12	\$949,266	▲\$14.20	\$968,000	\$14.48	\$1,036,335	▲\$15.50
Vacancy											(\$82,907)	▲(\$1.24)
Effective Gross Income	\$872,264	▲\$13.04	\$910,623	▲\$13.62	\$943,952	▲\$14.12	\$949,266	▲\$14.20	\$968,000	\$14.48	\$953,428	▲\$14.26
Operating Expenses												
Real Estate Taxes	\$51,250	\$0.77	\$52,684	\$0.79	\$53,711	\$0.80	\$2,494	\$0.04	\$56,050	\$0.84	\$118,806	\$1.78
Property Insurance	\$7,870	0.12	\$7,022	0.11	\$7,022	0.11	0		\$7,400	0.11	7,500	0.11
Utilities	\$13,225	0.20	\$13,432	0.20	\$13,721	0.21	14,981	0.22	\$13,920	0.21	15,000	0.22
Repairs & Maintenance	\$11,476	0.17	\$8,096	0.12	\$14,703	0.22	40,161	0.60	\$17,225	0.26	15,000	0.22
Administration	\$29,570	0.44	\$44,651	0.67	\$28,016	0.42	37,162	0.56	\$36,750	0.55	36,500	0.55
Off-Site Management (% of EGI)	\$31,780	0.48	\$32,690	0.49	\$36,260	0.54	41,720	0.62	\$40,000	0.60	47,671	▲0.71
On-Site Management	\$56,068	0.84	\$55,603	0.83	\$57,201	0.86	55,669	0.83	\$55,800	0.83	77,000	1.15
Advertising	\$3,213	0.05	\$3,667	0.05	\$3,562	0.05	1,988	0.03	\$2,020	0.03	15,000	0.22
Miscellaneous	\$0		\$0		\$0		0		\$6,000	0.09	500	0.01
Total Operating Expenses	\$204,451	▲\$3.06	\$217,846	▲\$3.26	\$214,195	▲\$3.20	\$194,175	▲\$2.90	\$235,165	\$3.52	\$332,977	▲\$4.98
Expense Ratio	23.44%		23.92%		22.69%		20.46%		24.29%		34.92%	
Net Operating Income	\$667,813	▲\$9.99	\$692,777	▲\$10.36	\$729,756	▲\$10.91	\$755,090	▲\$11.29	\$732,835	\$10.96	\$620,450	▲\$9.28

Compiled by Newmark

# Self Storage

## Expense Guide Book

MiniCo Self Storage Expense Guide Book 2020													
Expense Category	National	East Region			Midwest Region			South Region			West Region		
		East Region	Mideast Division	Northeast Division	Midwest Region	East North Central Division	West North Central Division	South Region	Southeast Division	Southwest Division	West Region	Mountain Division	Pacific Division
Real Estate Taxes	\$1.55	\$2.33	\$1.42	\$2.60	\$1.22	\$1.20	\$1.30	\$1.25	\$1.19	\$1.35	\$1.19	\$0.89	\$1.32
Property Insurance	\$0.18	\$0.15	\$0.09	\$0.16	\$0.11	\$0.11	\$0.15	\$0.20	\$0.24	\$0.14	\$0.23	\$0.12	\$0.27
Utilities	\$0.33	\$0.44	\$0.29	\$0.48	\$0.24	\$0.24	\$0.27	\$0.32	\$0.34	\$0.30	\$0.28	\$0.28	\$0.27
Repairs & Maintenance	\$0.42	\$0.56	\$0.33	\$0.63	\$0.32	\$0.33	\$0.30	\$0.33	\$0.36	\$0.30	\$0.40	\$0.30	\$0.45
Administration	\$0.56	\$0.65	\$0.52	\$0.69	\$0.43	\$0.41	\$0.48	\$0.53	\$0.56	\$0.48	\$0.58	\$0.49	\$0.62
Off-Site Management	\$0.84	\$1.01	\$0.92	\$1.04	\$0.57	\$0.64	\$0.30	\$0.75	\$0.81	\$0.67	\$0.89	\$0.65	\$1.00
On-Site Management	\$1.19	\$1.39	\$1.08	\$1.48	\$0.98	\$0.99	\$0.93	\$1.07	\$1.10	\$1.02	\$1.22	\$1.02	\$1.31
Advertising	\$0.33	\$0.38	\$0.39	\$0.38	\$0.27	\$0.29	\$0.19	\$0.32	\$0.34	\$0.30	\$0.31	\$0.26	\$0.33
Miscellaneous	\$0.01	\$0.02	\$0.01	\$0.02	\$0.03	\$0.03	\$0.02	\$0.01	\$0.02	\$0.01	\$0.00	\$0.01	\$0.00
Total Expenses (SF):	\$5.43	\$6.94	\$5.06	\$7.49	\$4.17	\$4.23	\$3.93	\$4.80	\$4.96	\$4.56	\$5.09	\$4.02	\$5.58
Effective Gross Income (SF):	\$15.43	\$19.65	\$15.59	\$20.83	\$10.35	\$10.53	\$9.64	\$13.23	\$14.54	\$11.27	\$15.78	\$9.99	\$18.38
Operating Expense Ratio:	35.18%	35.32%	32.43%	35.95%	40.31%	40.20%	40.76%	36.28%	34.10%	40.51%	32.27%	40.19%	30.33%
Sample Size	794	235	53	182	128	97	31	208	120	88	223	69	154
Facilities	794	235	53	182	128	97	31	208	120	88	223	69	154
Rentable SF	52,759,386	15,876,192	3,593,253	12,282,940	8,073,873	6,382,296	1,691,577	14,093,141	8,481,228	5,611,913	14,716,180	4,567,382	10,148,798
Units	492,521	171,893	34,117	137,776	60,668	49,325	11,343	118,701	74,908	43,793	141,259	37,674	103,585

Source data: MiniCo / Compiled by Newmark

# Self Storage

## Discounted Cash Flow

Income Capitalization Approach													
Discounted Cash Flow Summary - As Is													
Year		1	2	3	4	5	6	7	8	9	10	11	CAGR
Self Storage Income													
Actual Rent (Occupied)		\$899,804	\$929,048	\$959,242	\$990,417	\$1,022,606	\$1,055,840	\$1,090,155	\$1,125,585	\$1,162,167	\$1,199,937	\$1,238,935	3.25%
Plus Market Rent (Vacant)		\$26,160	\$26,945	\$27,753	\$28,586	\$29,443	\$30,327	\$31,236	\$32,174	\$33,139	\$34,133	\$35,157	3.00%
Potential Self Storage Income		\$925,964	\$955,992	\$986,995	\$1,019,003	\$1,052,049	\$1,086,167	\$1,121,392	\$1,157,759	\$1,195,305	\$1,234,070	\$1,274,092	3.24%
Billboard & Cell Tower Income		73,332	75,532	77,798	80,132	82,536	85,012	87,562	90,189	92,895	95,682	98,552	3.00%
Parking Income		0	0	0	0	0	0	0	0	0	0	0	
Other Rental Income		0	0	0	0	0	0	0	0	0	0	0	
Ancillary Income		37,039	38,150	39,294	40,473	41,687	42,938	44,226	45,553	46,919	48,327	49,777	3.00%
Total Potential Gross Income		\$1,036,335	\$1,069,674	\$1,104,087	\$1,139,608	\$1,176,272	\$1,214,117	\$1,253,180	\$1,293,501	\$1,335,120	\$1,378,079	\$1,422,421	3.22%
Vacancy		(\$82,907)	(\$85,574)	(\$88,327)	(\$91,169)	(\$94,102)	(\$97,129)	(\$100,254)	(\$103,480)	(\$106,810)	(\$110,246)	(\$113,794)	3.22%
Effective Gross Income		\$953,428	\$984,100	\$1,015,760	\$1,048,439	\$1,082,170	\$1,116,987	\$1,152,925	\$1,190,020	\$1,228,310	\$1,267,832	\$1,308,627	3.22%
Operating Expenses													
Real Estate Taxes	2.00%	\$118,806	\$121,182	\$123,606	\$126,078	\$128,599	\$131,171	\$133,795	\$136,471	\$139,200	\$141,984	\$144,824	2.00%
Property Insurance		7,500	7,725	7,957	8,195	8,441	8,695	8,955	9,224	9,501	9,786	10,079	3.00%
Utilities		15,000	15,450	15,914	16,391	16,883	17,389	17,911	18,448	19,002	19,572	20,159	3.00%
Repairs & Maintenance		15,000	15,450	15,914	16,391	16,883	17,389	17,911	18,448	19,002	19,572	20,159	3.00%
Administration		36,500	37,595	38,723	39,885	41,081	42,314	43,583	44,890	46,237	47,624	49,053	3.00%
Off-Site Management (% of EGI)	5.00%	47,671	49,205	50,788	52,422	54,109	55,849	57,646	59,501	61,415	63,392	65,431	3.22%
On-Site Management		77,000	79,310	81,689	84,140	86,664	89,264	91,942	94,700	97,541	100,468	103,482	3.00%
Advertising		15,000	15,450	15,914	16,391	16,883	17,389	17,911	18,448	19,002	19,572	20,159	3.00%
Miscellaneous		500	515	530	546	563	580	597	615	633	652	672	3.00%
Ground Lease		0	0	0	0	0	0	0	0	0	0	0	
Total Operating Expenses		\$332,977	\$341,882	\$351,034	\$360,439	\$370,105	\$380,040	\$390,251	\$400,746	\$411,533	\$422,621	\$434,017	2.69%
Net Operating Income		\$620,450	\$642,218	\$664,726	\$688,000	\$712,065	\$736,947	\$762,675	\$789,275	\$816,777	\$845,212	\$874,610	3.49%
Capital Expenditure													
Replacement Reserves (% of EGI)	1.00%	\$9,534	\$9,841	\$10,158	\$10,484	\$10,822	\$11,170	\$11,529	\$11,900	\$12,283	\$12,678	\$13,086	3.22%
Near Term Capital Expenditure		\$0											
Total Capital Expenditure		\$9,534	\$9,841	\$10,158	\$10,484	\$10,822	\$11,170	\$11,529	\$11,900	\$12,283	\$12,678	\$13,086	
Cash Flow		\$610,916	\$632,377	\$654,569	\$677,516	\$701,243	\$725,778	\$751,145	\$777,375	\$804,494	\$832,533	\$861,524	3.50%
KPIs													
Rent Growth (Income in place)			3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	
Rent Growth (Market)			3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	
Other Income Growth			3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	
Economic Vacancy	8.00%		8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	
Expense Growth			3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	
Ground Lease			3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	

# Self Storage

Discounted Cash Flow

Valuation Matrix			
Exit Cap.	Internal Rate of Return		
	8.10%	8.35%	8.60%
5.40%	\$11,968,372	\$11,746,822	\$11,530,415
5.65%	\$11,646,057	\$11,431,867	\$11,222,635
5.90%	\$11,351,056	\$11,143,602	\$10,940,938

General Cash Flow Assumptions	
Valuation Scenario:	As Is
Cash Flow Start Date:	12/29/2020
Investment Holding Period:	10 Years
Analysis Projection Period:	Years 1 - 11
Indicated Market Value (Rounded):	\$11,400,000
Cost of Sale	2.00%
Percentage Residual	59.51%
Indicated Market Value (\$/SF)	\$170.49

Compiled by Newmark

Self Storage  
Discounted Cash Flow

All-Cash Matrix											
Purchase Price		Capitalization Rate					Cash-on-Cash Return				IRR
\$ Amount	\$ PSF	Year 1	Year 2	Year 3	Year 4	Year 5	Year 3	Year 5	Year 7	Year 10	Year 10
\$8,700,000	203.45	4.98%	5.14%	5.31%	5.48%	5.66%	5.22%	5.56%	5.92%	6.51%	7.14%
\$8,600,000	201.11	5.04%	5.20%	5.37%	5.55%	5.72%	5.28%	5.62%	5.99%	6.59%	7.30%
\$8,500,000	198.77	5.10%	5.27%	5.44%	5.61%	5.79%	5.34%	5.69%	6.06%	6.67%	7.45%
\$8,400,000	196.43	5.16%	5.33%	5.50%	5.68%	5.86%	5.40%	5.76%	6.13%	6.75%	7.61%
\$8,300,000	194.09	5.22%	5.39%	5.57%	5.75%	5.93%	5.47%	5.83%	6.21%	6.83%	7.77%
\$8,200,000	191.75	5.29%	5.46%	5.63%	5.82%	6.00%	5.53%	5.90%	6.28%	6.91%	7.93%
\$8,100,000	189.42	5.35%	5.53%	5.70%	5.89%	6.08%	5.60%	5.97%	6.36%	6.99%	8.09%
\$8,000,000	187.08	5.42%	5.59%	5.78%	5.96%	6.15%	5.67%	6.04%	6.44%	7.08%	8.26%
\$7,900,000	184.74	5.49%	5.67%	5.85%	6.04%	6.23%	5.74%	6.12%	6.52%	7.17%	8.43%
\$7,800,000	182.40	5.56%	5.74%	5.92%	6.11%	6.31%	5.82%	6.20%	6.61%	7.26%	8.60%
\$7,700,000	180.06	5.63%	5.81%	6.00%	6.19%	6.39%	5.89%	6.28%	6.69%	7.36%	8.78%

\*Year 1 to 10 refer to stable years only.

Leveraged Pricing Matrix										
Acquisition Cost		Cash-on-Cash Return					Loan	Fees &	Equity	IRR (Hold)
\$ Amount	\$ PSF	Year 1	Year 2	Year 3	Year 4	Year 5	Amount	Costs		Year 10
\$8,700,000	203.45	4.18%	4.62%	5.08%	5.55%	6.04%	\$5,655,000	\$56,550	\$3,101,550	11.23%
\$8,600,000	201.11	4.23%	4.68%	5.14%	5.62%	6.11%	\$5,590,000	\$55,900	\$3,065,900	11.54%
\$8,500,000	198.77	4.28%	4.73%	5.20%	5.68%	6.18%	\$5,525,000	\$55,250	\$3,030,250	11.86%
\$8,400,000	196.43	4.33%	4.79%	5.26%	5.75%	6.26%	\$5,460,000	\$54,600	\$2,994,600	12.17%
\$8,300,000	194.09	4.38%	4.84%	5.32%	5.82%	6.33%	\$5,395,000	\$53,950	\$2,958,950	12.49%
\$8,200,000	191.75	4.43%	4.90%	5.39%	5.89%	6.41%	\$5,330,000	\$53,300	\$2,923,300	12.82%
\$8,100,000	189.42	4.49%	4.96%	5.46%	5.96%	6.49%	\$5,265,000	\$52,650	\$2,887,650	13.15%
\$8,000,000	187.08	4.54%	5.03%	5.52%	6.04%	6.57%	\$5,200,000	\$52,000	\$2,852,000	13.48%
\$7,900,000	184.74	4.60%	5.09%	5.59%	6.12%	6.65%	\$5,135,000	\$51,350	\$2,816,350	13.81%
\$7,800,000	182.40	4.66%	5.16%	5.67%	6.19%	6.74%	\$5,070,000	\$50,700	\$2,780,700	14.15%
\$7,700,000	180.06	4.72%	5.22%	5.74%	6.27%	6.82%	\$5,005,000	\$50,050	\$2,745,050	14.49%

\*Year 1 to 10 refer to stable years only.

\*\* Assumes 65% debt financing at an annual interest rate of 3.75% amortized over 30 years with loan fees and points of 1%.

Compiled by Newmark



VALUATION & ADVISORY

Comparable Sales Adjustment Grid							
	Subject	Sale 1	Sale 2	Sale 3	Sale 4	Sale 5	Sale 6
Property Name	Secure Space Self Storage	Morena Storage	SmartStop Self Storage	Ballpark Self Storage	Vault Storage	Vault Storage	Confidential
Address	2268 Firestone Boulevard	908 Sherman Street	852 Metcalf Street	611 Island Ave	6897 Paramount	10711 Brookhurst Street	Confidential
City	Los Angeles, CA	San Diego, CA	Escondido, CA	San Diego, CA	Long Beach, CA	Anaheim, CA	Oceanside, CA
Size (Rentable Area)	114,175 SF	108,700 SF	97,385 SF	54,508 SF	100,785 SF	79,629 SF	74,775 SF
Year Built (Renovated)	2022	1999	2020	2004	2005	2005	N/Av
NOI/SF	\$15.47	\$14.08	\$12.42	\$17.49	\$9.23	\$8.77	\$20.70
Transaction Type	--	Closed	Closed	Closed	Closed	Closed	In-Contract
Transaction Date	--	Jul-20	Jan-20	Feb-19	Aug-20	Aug-20	Apr-21
Actual Sale Price	--	\$34,000,000	\$18,000,000	\$19,250,000	\$14,350,000	\$10,700,000	\$33,500,000
Stabilized Sale Price	--	\$34,000,000	\$21,900,000	\$19,250,000	\$14,350,000	\$10,700,000	\$33,500,000
Price per SF	--	\$312.79	\$224.88	\$353.16	\$142.38	\$134.37	\$448.01
Occupancy	85%	90%	0%	76%	90%	91%	92%
EGIM	--	14.44	11.50	13.96	10.40	10.21	15.08
Cap Rate	--	4.50%	5.52%	4.95%	6.48%	6.53%	4.62%
Transaction Adjustments							
Property Rights		-20%	-20%	-20%	0%	0%	-20%
Financing		0%	0%	0%	0%	0%	0%
Expenditure Made Immediately After Purchase		0%	0%	0%	0%	0%	0%
Conditions of Sale		0%	0%	0%	0%	0%	0%
Market Conditions (Time)	4/27/2025	15%	17%	20%	15%	15%	13%
Subtotal		-8%	-6%	-4%	15%	15%	-10%
Subtotal Price per SF		\$287.76	\$210.49	\$339.03	\$163.74	\$154.53	\$405.00
Property Adjustments							
		Superior	Inferior	Superior	Inferior	Inferior	Superior
Location		-15%	5%	-10%	10%	10%	-10%
		Inferior	Similar	Inferior	Inferior	Inferior	Similar
Physical Characteristics		5%	0%	5%	5%	5%	0%
		Similar	Similar	Smaller	Similar	Smaller	Smaller
Size		0%	0%	-10%	0%	-5%	-5%
		Similar	Similar	Similar	Similar	Similar	Similar
Highest & Best Use		0%	0%	0%	0%	0%	0%
		Similar	Inferior	Superior	Inferior	Inferior	Superior
Economic Characteristics		0%	15%	-10%	20%	25%	-20%
		Similar	Similar	Similar	Similar	Similar	Similar
Non-Realty		0%	0%	0%	0%	0%	0%
		Similar	Similar	Similar	Similar	Similar	Similar
Other		0%	0%	0%	0%	0%	0%
Subtotal		-10%	20%	-25%	35%	35%	-35%
Overall Adjustment		-17%	12%	-28%	55%	55%	-41%
Indicated Price per SF		\$258.99	\$252.59	\$254.27	\$221.05	\$208.61	\$263.25

Compiled by Newmark

Cost Comparables						
Location	Construction Type	Comments	Gross SF	Estimated Cost	Cost / SF	Year of Construction
Aliso Viejo, CA	New Construction		170,493	\$24,722,883	\$145.01	2018
Escondido, CA	New Construction		133,859	\$12,543,184	\$93.70	2017
Los Angeles, CA	New Construction		159,118	\$23,850,000	\$149.89	2018
Los Angeles, CA	New Construction	3 Story	129,514	\$17,562,000	\$136.00	2021
North Hollywood, CA	New Construction		168,479	\$17,692,634	\$105.01	2018
San Diego, CA	New Construction	3 Story	143,909	\$18,997,000	\$132.00	2021
Comparable Low			129,514	\$12,543,184	\$93.70	
Comparable High			170,493	\$24,722,883	\$149.89	
Comparable Average			150,895	\$19,227,950	\$126.94	
Subject - Owner Costs			150,507	\$19,428,000	\$129	
Subject - MVS Costs			150,507	\$22,529,739	\$150	
Compiled by Newmark						

# Self Storage

