2020 SELF-STORAGE

U.S. INVESTMENT FORECAST

Marcus & Millichap

To Our Valued Clients:

The maturation of the self-storage sector over the last decade has transformed the industry into a mainstream real estate investment category, attracting significantly more capital from a broader array of investors. The pace of construction and the caliber of facilities have risen dramatically over this term, but the wave of new additions appears to have crested, with forecast self-storage completions continuing to recede from the peak set in 2018.

Demand for self-storage space has been remarkably strong, nearly keeping pace with the wave of completions on a macro level. The millennial generation has played a key role in expanding self-storage utilization, integrating offsite storage into their lifestyle choices. Millennials' preference for renting smaller apartments with a more flexible, mobile and active lifestyle has aligned well with self-storage services, driving space demand and active usage to new levels. For millennials, self-storage has become more than just a place to store infrequently used belongings, it has become an extension of their closet space. Young adults access their units far more frequently than older generations, sparking industry innovation such as automated 24-hour access, online rental services and the increased adoption of climate-controlled space.

Rampant new construction over the course of this expansion cycle has raised caution among self-storage operators, but after peaking in 2018, new additions have begun to recede. Supply additions in 2020 are forecast to taper from last year's level to 85 percent of what was delivered in 2018. Though still elevated by historical standards, development will likely be further curtailed as lenders tighten construction capital, costs rise and lease-up periods extend. That said, most of the markets currently facing oversupply risk will eventually absorb the overhang as economic growth fuels household formation and other demand drivers.

The sales climate remains highly active with last year's transaction activity doubling the levels set at the 2007 pre-recession peak. Cap rates nudged higher last year as investors contended with oversupply risk and higher interest rates, but the stabilization of these factors should flatten the cap rate trend. Undoubtedly, new challenges will emerge in the coming year, but most forward-looking metrics still point to additional runway for self-storage investments. As you recalibrate your investment strategies in this dynamic climate, our investment professionals stand ready to help you evaluate your options and implement your strategies.

Sincerely,

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Vice President, Director | National Self-Storage Division

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Senior Vice President, Director | Research Services

National Perspective

Market Overviews

Client Services

Developed by Marcus & Millichap Research Services. The Capital Markets section was co-authored by David Shillington, President, Marcus & Millichap Capital Corporation. Additional contributions were made by Marcus & Millichap investment brokerage professionals nationwide.

National Economy

- The U.S. economy is expected to extend its decade-plus trend of growth in 2020 as the longest expansion period on record. Steady job creation and healthy household formation have defined this cycle; however, a shortage of labor will slow the pace of both this year. Wage growth should continue to advance as companies compete for qualified staff. Firms grappling with recruiting challenges have become more flexible with employee locations, often opening satellite offices in smaller cities to tap new workers. The has aligned with a population shift toward warmer latitudes, drawing new interest to small and midsize metros across the Southern states.
- Despite positive momentum, some economic headwinds could still be on the horizon. International trade relations appear to have stabilized but could be disrupted with short notice. Other geopolitical risks could also interfere with the expansion, although the baseline forecast remains positive.

National Self-Storage Overview

- Demand for self-storage units is benefiting from a decade of steady job creation and wage growth that has bolstered household formation and consumer spending. The contemporary lifestyle trends of both younger and older generations also underscore the future need for self-storage space.
- Construction will ease further from a historical high number of deliveries in 2018. Pipelines are contracting in most major markets, but multiple years of elevated development are weighing on property fundamentals. The competition for customers is contributing to declining asking rates in many metros, but the shift in priorities from maintaining rental rates to filling units has helped keep vacancy levels relatively stable nationally despite the influx of new supply.
- The conversion of vacant big-box retail space into self-storage remains a prominent trend. Conversions offer a less costly option compared with ground-up construction but at the risk that atypical layouts will not strongly engage customers.

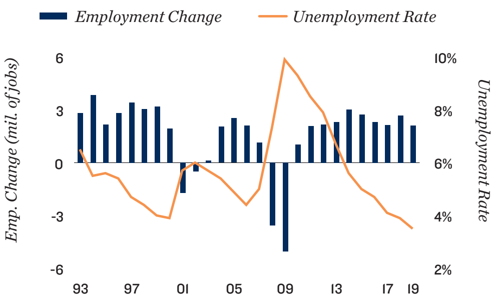
Investment Outlook

- The expanding pool of investors targeting self-storage assets has bolstered property values and tightened cap rates, particularly in primary markets. This has led more buyers to seek yields in smaller metros where there is less competition but also softer demand drivers. Many longtime private owners, now in retirement, are capitalizing on heightened prices to reposition portfolios into lower management options. Among larger investors, sales of well-located newly developed properties in lease-up or with certificate of occupancy have become more common, emphasizing long-term investment strategies.
- Many investors are seeking diversification options, with self-storage properties on their short list. In the event of an economic downturn, countercyclical demand drivers such as household consolidation could partially offset a smaller traditional customer base.

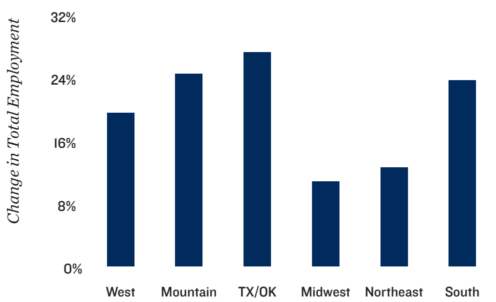
Capital Markets

- Following the trio of interest rate cuts in 2019, the Federal Reserve began 2020 with a wait-and-see approach regarding future policy. With inflation remaining below the Fed's target despite tight unemployment, the Federal Reserve has indicated that the overnight lending rate could remain stable for some time. The committee will nevertheless continue to monitor conditions as they develop.
- Capital is readily available for most self-storage trades, although concerns centered on overdevelopment risk and asset fundamentals are prompting lenders to tighten their lending criteria. Caution is more apparent regarding construction loans due to the impact of elevated deliveries on market rents. New lenders are emerging to meet refinancing needs for recent developments, including a bridge loan program initiated by Extra Space Storage, Inc., a prominent self-storage REIT.

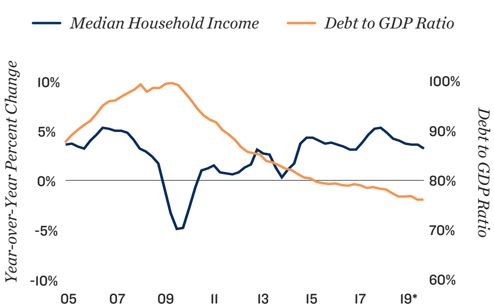
Employment vs. Unemployment



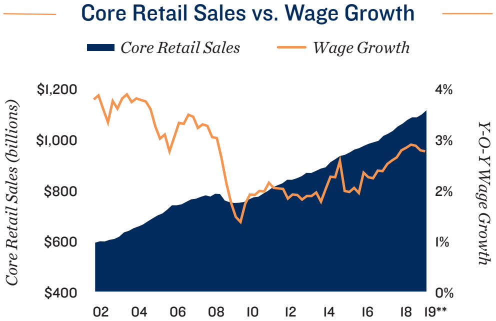
U.S. Job Growth: 2010-2019❖



U.S. Household Income and Debt



Core Retail Sales vs. Wage Growth



❖ *Estimate for year-end 2019*

* *Through 2Q*

** *Through 3Q*

Sturdy Economic Cycle Sustains Momentum in 2020; Self-Storage Drivers Remain Sound

Advancing economy supported by new household formation. The U.S. economy is expected to extend its decade-plus trend of growth in 2020, marking the longest U.S. expansionary period on record. Two characteristics that have defined this business cycle have been steady job creation and healthy household formation. The exceptionally low unemployment rate has empowered many individuals to move out on their own, leading to nearly 11 million more households in the country today than at the end of the last recession. Markets in the Sun Belt and Southwest have added households the fastest, a trend reflective of a general migration favoring metros in warmer latitudes. Household formation should remain elevated at a nearly 20-year high, but it is beginning to subside as the tight labor market slows the pace of job creation.

Positive outlook could face potential headwinds. The economy remains on solid footing in 2020 and is expected to grow at a modestly slower pace than last year. Labor shortages and an unemployment rate near historical lows will restrain hiring, but wage growth should continue to advance as companies compete for qualified staff. This will further strengthen household balance sheets, with the commonly tracked ratio of household debt to GDP at its lowest level in more than 15 years. Despite the positive momentum, some headwinds could still cloud the horizon. International trade relations appear to have stabilized, at least over the short term, but could be disrupted with little notice. In addition, the new tariffs put in place in 2018-19 could still hinder consumption as they come into effect. Any resulting moderation in spending would reinforce slowing expansionary trends, weighing on the economy. Other geopolitical risks could also disrupt the expansion, but the baseline forecast remains positive.

2020 National Economic Outlook

- **Job creation to taper as availability of labor tightens.** More than 22 million positions have been created since the beginning of 2010, roughly three times the number added during the previous expansionary period between 2001 and 2007. Greater staffing needs have dropped the unemployment rate from a recession-era high of 10 percent to 3.5 percent in 2019. Job creation is a key element supporting household formation and self-storage demand.
- **Rising incomes underpin increased consumption.** The tight labor market has delivered a 31 percent boost in the median household income over the past decade, pushing disposable income to a record high. This in turn has supported discretionary spending, advancing core retail sales upward by 50 percent in that span. Consumption is expected to rise by an additional 3 to 5 percent this year, enhancing the need for housing and storage space.
- **Growth favoring smaller markets.** Companies grappling with recruiting challenges have become more flexible with employee locations, often opening satellite locations in smaller cities to hire new workers. This has aligned with a general migration trend to warmer climates with lower living costs to bolster small and midsize metros across the Southern states. Demand drivers in primary metros across the north remain sound, but their pace of growth has tapered.

Demographics Favor Self-Storage Demand Outlook; Heightened Deliveries Leave Imprint on Rent Growth

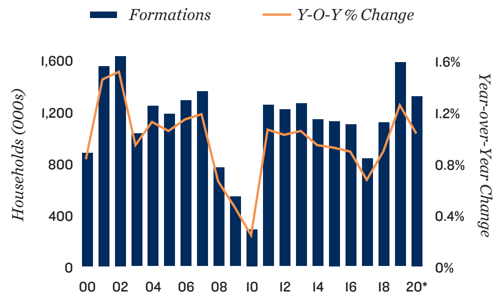
Positive economic momentum and demographics fuel self-storage demand. A decade of steady job creation and wage growth have bolstered household formations and lifted consumer spending, two key dimensions of self-storage demand. These drivers will support rising financial flexibility that lifts consumer spending and demand for storage units. Contemporary lifestyles have enhanced this need. The rising cost of homeownership paired with millennials' still-present preference for urban living has reinforced a rental lifestyle where space is at a premium. Just because these young adults lack garages and basements does not mean they are placing their lives on hold. Many members of this generation are living experience-oriented and health-conscious lifestyles, pursuing outdoor activities like kayaking and skiing even when they do not have the space at home to store the related equipment. This drives demand for space to store these types of lifestyle gear. Looking beyond 2020, self-storage demand will be augmented by a greater number of people passing retirement age. As aging baby boomers downsize, storage space will become more necessary for heirlooms and belongings they hope to pass on to younger generations.

Construction eases from historical high, but still placing pressure on rents. Following the delivery of a record 67 million square feet of self-storage space in 2018, development tapered in 2019 and is anticipated to decline further in 2020. Pipelines are contracting in most major markets, but multiple years of elevated construction are weighing on property fundamentals. The competition for customers is contributing to declining asking rent in many metros. Tenants entering leases at these lower rates are anticipated to rent longer, however, with monthly payments appreciating by as much as 10 percent at renewal. The shift in priorities by operators from maintaining asking rates to filling units has helped keep vacancy levels relatively stable at a national level despite the influx of new supply. The national vacancy rate will inch up 10 basis points to 10 percent in 2020, a relatively tight level from a historical perspective. When the market exited its last period of substantial development in 2004, availability was above 13 percent.

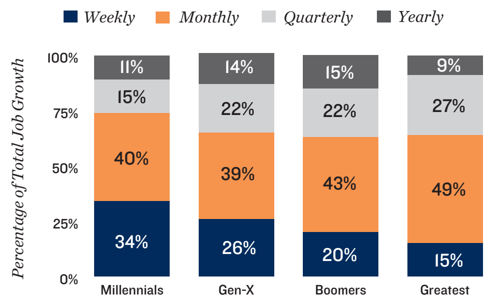
2020 National Self-Storage Outlook

- **Migrating population favors demand in South.** The U.S. population continues to move to the warmer states, delivering an expanding potential customer base, but construction activity has grown in lockstep. While accelerated population growth in these areas supports long-term demand prospects, the magnitude of development is weighing on vacancy and asking rents in the short term.
- **Vacant space finds new life in self-storage.** The conversion of vacant big-box retail space into self-storage remains a prominent trend. More than 8 million square feet of space is expected to be converted to self-storage this year across roughly 50 markets. Conversions offer a less costly option compared with ground-up construction, but with that comes the risk of atypical layouts that may not strongly engage customers.
- **Rising warehouse rent may drive space needs to self-storage.** The number of commercial renters, already one-fifth of the tenant base, may grow as small businesses consider alternatives to traditional warehouse space. The smaller space options, more affordable costs and shorter lease terms often favorably align for smaller companies. With warehouse rents rising by an average of more than 6 percent annually over the past five years, more companies may shift their needs to self-storage units.

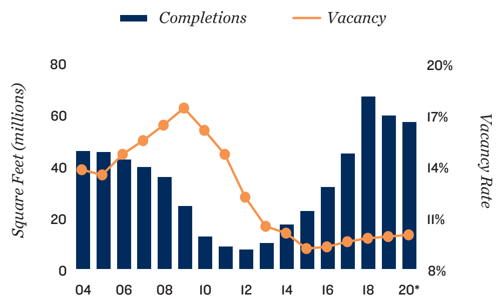
Household Formation



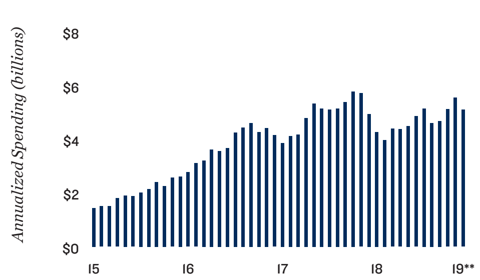
Self-Storage Visitation by Generation



Self-Storage Supply and Demand



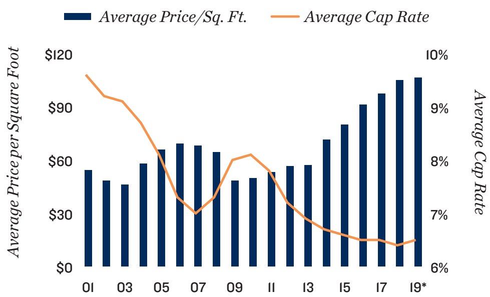
Self-Storage Construction Spending



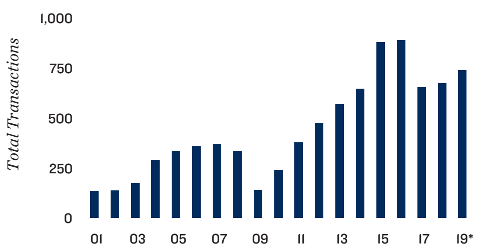
* Forecast

** Through November

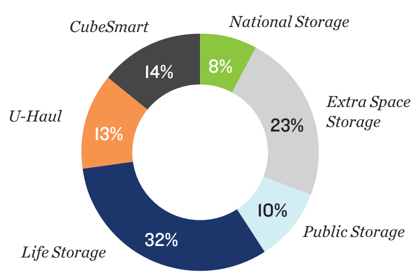
Price and Cap Rate Trends



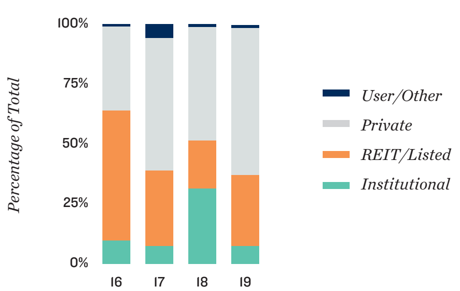
U.S. Self-Storage Investment Transactions



Self-Storage Public Company Market Share by Total Units



Self-Storage Buyer Composition❖



Sales figures for $1 million and greater unless otherwise noted.

** Estimate*

❖ Sales $2.5 million and greater

Investors Expand Acquisition Strategies; Increasingly Target Assets in Smaller Cities

Self-storage attracts new capital as seasoned investors broaden search. The expanding pool of investors targeting self-storage assets has bolstered property values and tightened cap rates, particularly in primary markets. This has led more buyers to seek higher yields in smaller metros where there is less competition but the demand drivers also tend to be less robust. Several midsize investors have begun to focus on properties in small cities that are often bypassed by the large public institutions. Investment activity is particularly focused on stabilized assets in submarkets with favorable demographics and lower new supply risk, but non-stabilized assets are also being traded. Sales activity on well-located newly developed properties still in lease-up or even on certificate of occupancy have become more commonplace among larger investors, emphasizing the long-term investment strategies in play. Buyers entering the self-storage industry from other property types, including multifamily, are more often willing to pursue these transactions as the overall operating costs and yields offered by self-storage are comparatively favorable.

Pricing and demographics align to prompt sales velocity. As an industry, self-storage ownership has long been dominated by private individuals who hold one or two properties. Many of these longtime investors, now in retirement, are capitalizing on heightened prices to reposition their portfolios into lower management options. Adding to these marketed assets are recent developments that are still in lease-up. Longer than anticipated stabilization periods and subdued rent growth have spurred some investors and smaller developers to sell properties earlier than planned in an effort to avoid an extended ramp-up. While lenders are carefully scrutinizing these transactions, there is still ample capital pursuing real estate, particularly with the low cost of debt facilitating investor underwriting. Transaction velocity last year was the highest in two years, but below the record high set in 2016. Ongoing competition among buyers prompted appreciation last year, with the average national cap rate in the mid-6 percent zone, down 160 basis points from 2010.

2020 Investment Outlook

- **Countercyclical demand drivers restrain downside risk.** Many investors have prospective economic headwinds on the top of their minds and are seeking diversification options, with self-storage properties on their short list. In the event of a slowdown, household consolidation could aid operations. During the last recession, people moving back in with friends and family partially offset a smaller traditional customer base.
- **Rising operating costs an important investor consideration.** Elevated construction is adding to operating expenses as owners have to more aggressively compete for tenants. In addition, digital promotions and increased use of technology such as kiosks are placing upward pressure on operating costs. Self-storage property owners are also citing rising real estate taxes as a growing challenge. Appraised values have risen along with sale prices and many local governments have begun to target self-storage properties as a significant revenue source.
- **New storage services searching for their place in the market.** More companies are entering the valet storage industry, including established firms like UPS as well as startups such as Clutter, Doorage and Bluebox. These organizations compete with traditional self-storage operators by providing pickup/delivery services to customers and store items in private warehouses. While appealing in dense urban environments with high land costs, these services have yet to make an impact elsewhere, as traditional self-storage is generally more moderately priced.

Capital Market Liquidity Robust; Disciplined Lender Underwriting Restrains Overdevelopment Risk

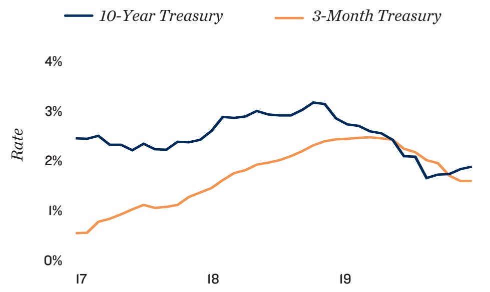
Federal Reserve maintains vigilance, pausing rate reductions. Following the trio of interest rate cuts in 2019, the Federal Reserve began 2020 with a wait-and-see approach regarding future policy. Last year's actions were partially prompted by the yield curve inversion, which pushed short term treasury yields above the long-term, a commonly recognized signal of an impending recession. With the yield curve now normalized, the current economic outlook points to moderate growth in 2020, supporting a more optimistic outlook by Fed Chair Jerome Powell. With inflation remaining below the Fed target of 2 percent despite tight unemployment, the Federal Reserve has indicated that the overnight lending rate could remain stable for some time. The Committee will nevertheless continue to monitor conditions as they develop. Dynamic factors at play, including the country's trade relationships and the upcoming presidential election, could push the Fed into a more proactive stance on short notice.

Self-storage lenders cautious amid heightened construction. Capital availability remains positive for most self-storage trades as local banks, credit unions, CMBS lenders, and some government agencies such as the Small Business Administration actively lend to the sector. Concerns centered around overdevelopment risk and asset fundamentals are prompting lenders to tighten their lending criteria. Loan-to-value (LTV) ratios do not generally surpass 60-65 percent, although specific terms vary by borrower, asset, and location. Caution is more apparent regarding construction loans, due to the impact of elevated deliveries on market rents. Some properties built within the past few years that have yet to stabilize and are not meeting rent growth expectations may need to tap alternative lending sources. New lenders are emerging to meet these needs, including a bridge loan program initiated by Extra Space Storage Inc., a prominent self-storage REIT.

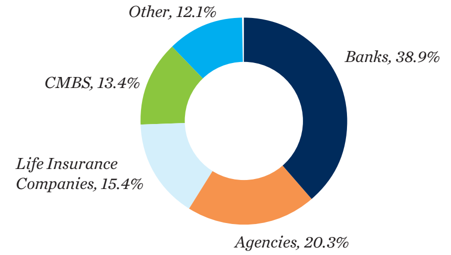
2020 Capital Markets Outlook

- **Trade tensions altering investment.** Changes to the trade relationship between the United States and China could sway the Federal Reserve's current stance. A quick resolution may require the Fed to raise interest rates in the face of rising inflation, while a breakdown in talks could push the central bank to lower rates in an effort to stimulate growth. For its part, China is reducing its economic exposure to the U.S. by exchanging dollar-denominated instruments for gold and other assets, while Chinese investors have also notably slowed their acquisition of American real estate.
- **Self-storage yields offer strong alternative to bond markets.** Even with substantial asset appreciation in recent years, cap rates remain above comparable financial instruments by a considerable margin. First-year returns on recent self-storage trades have ranged from 5 percent for Class A assets in primary markets to over 8 percent for Class C properties in tertiary locations, 300-600 basis points above the yield on a 10-year Treasury note.
- **Yield curve inversion still merits caution.** Although the yield curve has normalized, a recession could still manifest within the next two years. Historically, it is not uncommon for a recession to come after normalization. The greatest risks stem from the geopolitical arena, both domestic and international. However, baseline forecasts point to steady momentum in 2020 with interest rates remaining range-bound near 2 percent.

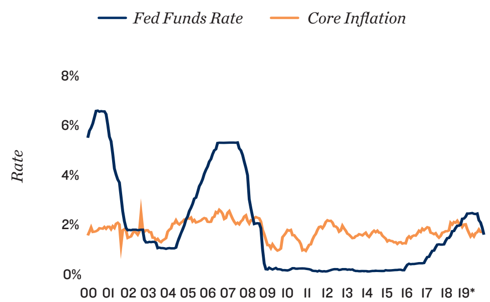
10-Year Treasury vs. 3-Month Treasury



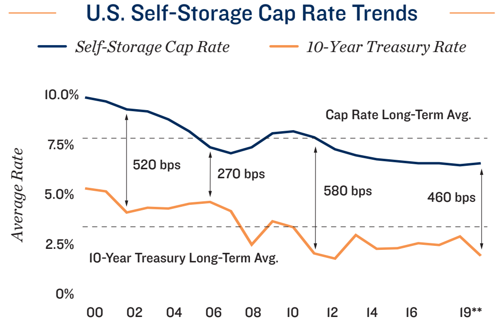
Commercial Debt Outstanding 3Q 2019❖



Fed Funds Rate vs. Core Inflation



U.S. Self-Storage Cap Rate Trends



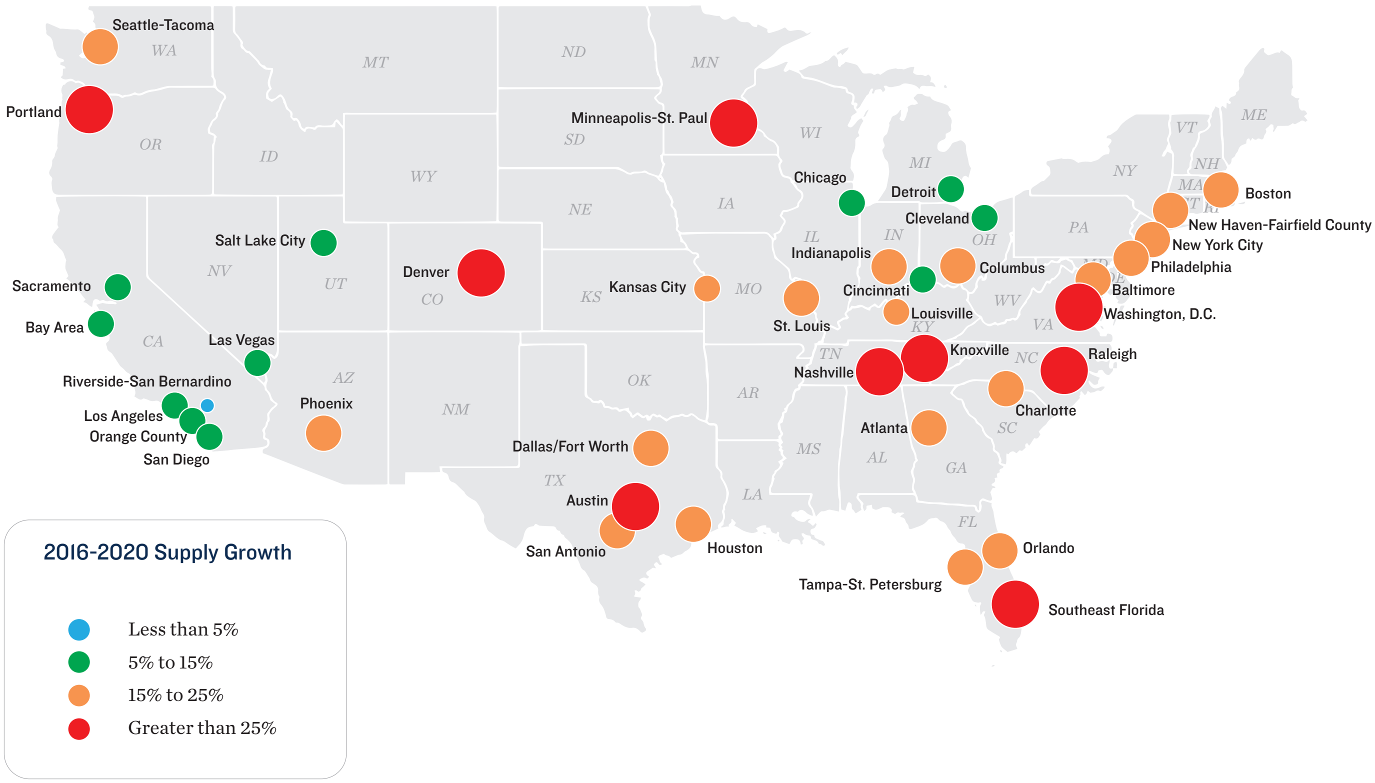
* Through November

** Trailing 12 months through 3Q

❖ Commercial/Multifamily Quarterly Databook

Supply Wave Transforms Self-Storage Landscape

Total Self-Storage Construction 2016-2020*



Development and Demographic Trends Intersect

Record construction redefines sector. The self-storage industry has undergone a substantial shift in recent years as millions of square feet have been delivered across the country. Following the last recession, self-storage construction slowed to a trickle, but development began ramping up in 2014 and peaked in 2018 with the opening of about 67 million square feet. While these completions helped to compensate for years of subdued building, the rapid pace of arrivals has placed short-term pressure on vacancy and asking rent in many markets. Metros that are performing the best are often those that have experienced robust population growth in conjunction with self-storage inventory gains. Much of the self-storage development activity was focused in the southern portion of the country, where residents have also been migrating in greater numbers. More potential self-storage customers have in turn helped offset the impact of elevated supply growth. Several such metros have reported steep declines in vacancy since 2014, despite the escalation in construction.

Top 10 Markets by Population Growth 2016-2020*

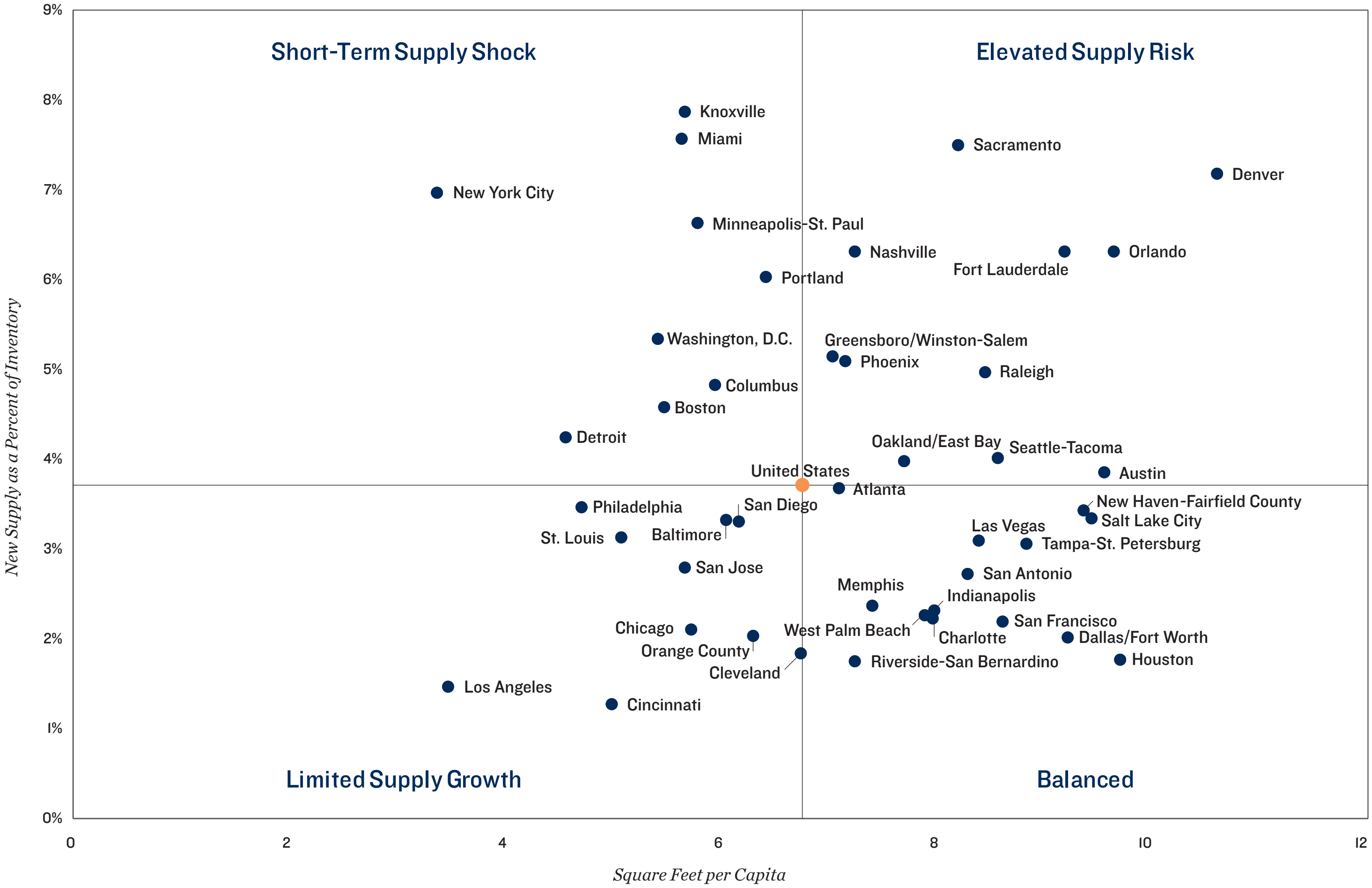
Market	Five-Year Population Growth*	Five-Year Inventory Growth*
Austin	10.2%	30.4%
Las Vegas	10.1%	8.3%
Orlando	9.6%	23.5%
Phoenix	8.4%	24.3%
Raleigh	8.0%	30.6%
Nashville	7.2%	34.2%
Salt Lake City	7.2%	14.9%
Dallas/Fort Worth	7.2%	18.6%
Charlotte	6.8%	24.7%
West Palm Beach	6.8%	17.9%
U.S.	**2.5%**	**15.9%**

** Forecast*

Sources: Marcus & Millichap Research Services; U.S. Census Bureau; Yardi Matrix

Several Markets Continue to See Short- and Long-Term Supply Risk

2020 Inventory Growth vs. 2020 Supply per Capita



Top 10 Markets by Inventory Change in 2020*

Most Growth	2020 Inventory Growth*	Square Feet Per Capita*
Knoxville	7.9%	5.7
Miami-Dade	7.6%	5.6
Sacramento	7.5%	8.2
Denver	7.2%	10.6
New York City	7.0%	3.4
Minneapolis-St. Paul	6.6%	5.8
Fort Lauderdale	6.3%	9.2
Orlando	6.3%	9.7
Nashville	6.3%	7.2
Portland	6.0%	6.4
U.S.	**3.7%**	**6.8**

Least Growth	2020 Inventory Growth*	Square Feet Per Capita*
Cincinnati	1.3%	5.0
Los Angeles	1.5%	3.5
Riverside-San Bernardino	1.7%	7.3
Houston	1.8%	9.7
Cleveland	1.8%	6.7
Dallas/Fort Worth	2.0%	9.2
Orange County	2.0%	6.3
Chicago	2.1%	5.7
San Francisco	2.2%	8.6
Charlotte	2.2%	8.0
U.S.	**3.7%**	**6.8**

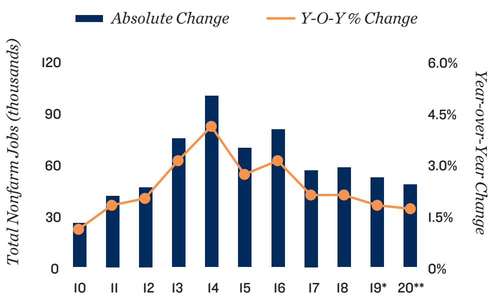
** Forecast*

U.S. figures here represent aggregate values for all markets covered in above graph.

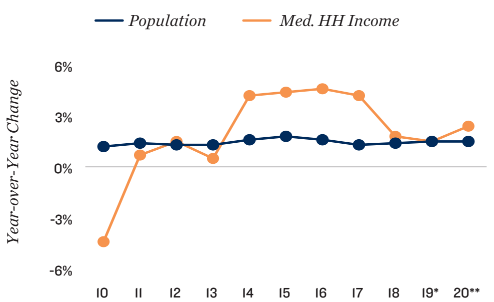
Sources: Marcus & Millichap Research Services; U.S. Census Bureau; Yardi Matrix

Urban Development Eases, Allowing Vacancy to Drop

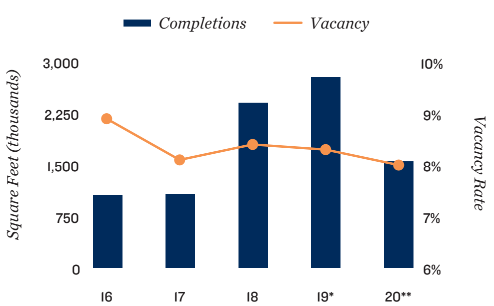
Employment Trends



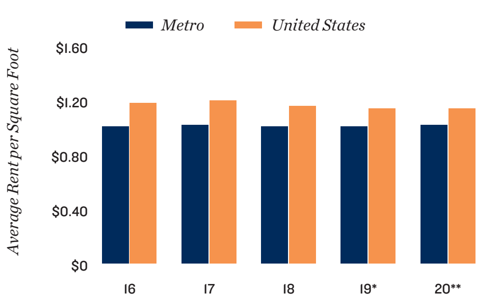
Demographic Trends



Supply and Demand Trends



Rent Trends



** Estimate; ** Forecast*

Sources: BLS; U.S. Census Bureau; Yardi Matrix; Union Realtime, LLC

Economic Overview

After a cycle-high 99,000-job wave in 2014, Atlanta's employment growth has moderated due to a stretched labor pool. The metro nevertheless continues to add new positions at a rate above the national level, with 48,000 new jobs expected to be created in 2020 compared with the 52,000 workers added last year.

Demographic Overview

Atlanta's lower cost of living, large corporate presence, and cultural draws have expanded the population by 800,000 people over the past decade. This increase has bolstered household formation and retail sales growth above the national rate. With a high number of residents living in space-constrained rentals, the need to store personal possessions presents an optimal scenario for self-storage use.

Construction Overview

Self-storage development will tone down in 2020, with 1.2 million fewer square feet being delivered this year compared with 2019. Suburban areas will receive the bulk of builds in 2020, while inner core completions will be sparse. Development is focused toward the northwestern portion of the metro in the Cumberland area near the I-75/I-275 interchange. Decatur will also welcome several new arrivals.

Vacancy/Rent Overview

Demand has continually outpaced supply during a period of heightened construction, driving vacancy down 90 basis points over the past four years to 8.0 percent in 2020. Average asking rent varies by locale, with suburban areas asking 23 cents less per square foot than urban self storage facilities, which have an average rental cost of 95 cents per square foot.

2020 Market Forecast

Inventory	43.8 million square feet and 7.1 square feet per capita
Employment up 1.7%	The pace of hiring will slow down from last year as metro employers add 48,000 new jobs in 2020.
Population up 1.5%	Atlanta will grow by 91,000 people this year. In 2019, the metro grew by 89,000 residents. The population has expanded by 15 percent over the past decade.
Construction 1.5 million sq. ft.	Deliveries will taper in 2020. The metro will add 44 percent less square feet than in 2019. Atlanta has averaged 1.5 million new square feet annually over the past five years.
Vacancy down 30 bps	Vacant space in the metro will shrink to 8.0 percent in 2020 following a 10-basis-point drop in 2019.
Rent no change	The average asking rent will hold at $1.02 per square foot. Suburban rates have trended downward, while urban rates ticked up.

Influx of New Residents Support Rental Gains

Economic Overview

Job growth in Austin was above the national average in 2019, and the metro will continue to grow in 2020, adding 21,250 jobs this year. Amid these gains, the unemployment rate has dropped to a cyclical low of 2.7 percent. Hiring over the past three years was focused in professional and business services, and the trade, transportation and utilities sectors.

Demographic Overview

Austin's population has expanded 32 percent over the past decade, with little sign of slowing. Another 53,500 people will call the metro home in 2020, as a large startup presence, low cost of business, and vibrant culture attract young professionals from other regions of the U.S. Residents of Austin also have a propensity to spend; retail sales will rise faster than the national rate in 2020. Amid changing tastes toward apartment living, where extra space is limited, self-storage prospects in Austin are formidable.

Construction Overview

Development in the metro hit a cyclical high of 1.6 million square feet of deliveries in 2019, following a trend of elevated construction over the prior three years. Fewer units will arrive in 2020, diffused around the southern outskirts of the city center and in Round Rock, where two projects will open along Interstate 35.

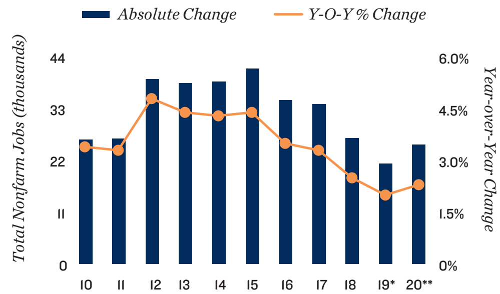
Vacancy/Rent Overview

Over the past six years, vacancy in the Austin metro dropped 680 basis points to 8.0 percent in 2019. Availability will continue to trend downward in 2020, falling to 7.5 percent. Rental prices have decreased 7.7 percent over the past three years to 98 cents per square foot, as the influx of new supply shifts the equilibrium.

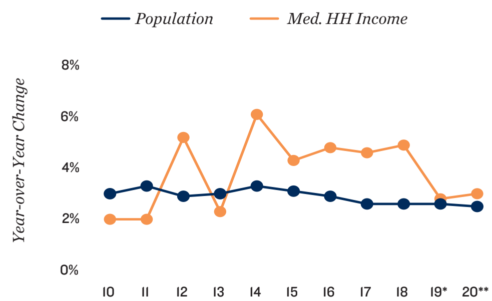
2020 Market Forecast

Inventory	21.9 million square feet and 9.6 square feet per capita
Employment up 2.3%	Amid near-record low unemployment, the metro will add an additional 25,300 personnel to payrolls in 2020.
Population up 2.4%	Austin will grow by 53,500 new people this year, at a rate substantially higher than the national pace of 0.6 percent. Last year, Austin expanded by 2.5 percent, or 54,000 residents.
Construction 813,700 sq. ft.	Construction in the metro has averaged 1.3 million square feet since 2016, but in 2020 new deliveries will total about half of 2019's completions.
Vacancy down 50 bps	Availability in the metro will drop to 7.5 percent in 2020, following a series of successive yearly drops since 2014.
Rent up 1.0%	As new construction diminishes, rents will stabilize to 99 cents per square foot in 2020.

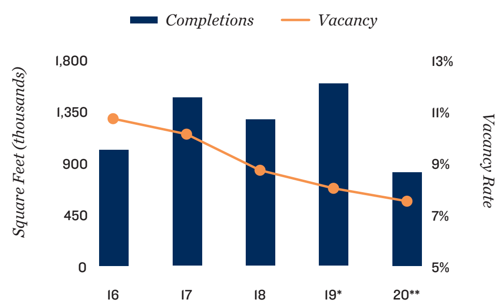
Employment Trends



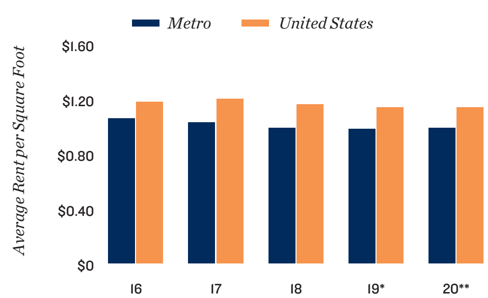
Demographic Trends



Supply and Demand Trends



Rent Trends

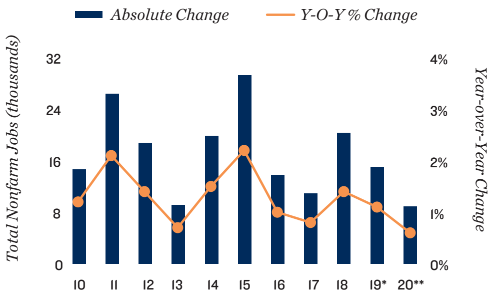


** Estimate; ** Forecast*

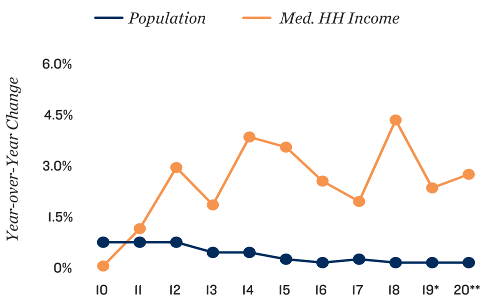
Sources: BLS; U.S. Census Bureau; Yardi Matrix; Union Realtime, LLC

High-Income Earners Bolstering Storage Needs

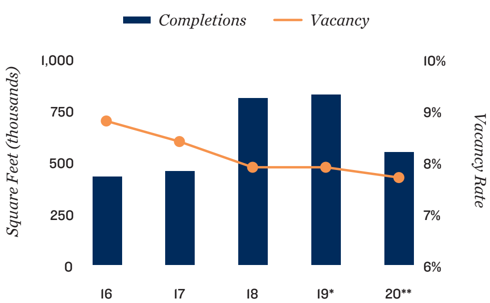
Employment Trends



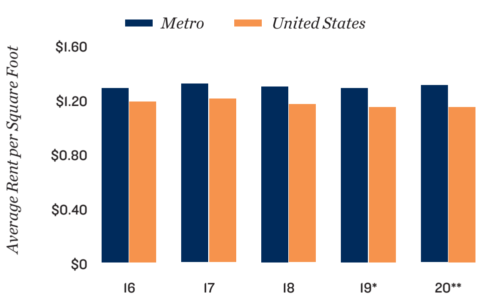
Demographic Trends



Supply and Demand Trends



Rent Trends



** Estimate; ** Forecast*

Sources: BLS; U.S. Census Bureau; Yardi Matrix; Union Realtime, LLC

Economic Overview

The employment base will grow by 0.6 percent in 2020, a decline from last year's 1.1 percent increase. Baltimore's growth has been lackluster in comparison to other major East Coast markets. Over the past decade, the metro's job creation has averaged 1.3 percent yearly, compared with 1.6 percent for the U.S. The area is known for its healthcare services, with John Hopkins University and MedStar Health as major outposts. The healthcare industry's presence has also helped forge a sizable group of biotech companies.

Demographic Overview

Local economic drivers like the Port of Baltimore, healthcare providers, and government agencies have helped drive the unemployment rate to a near-cyclical low of 3.7 percent. The creation of high-skill jobs are pushing median household income well above the national median.

Construction Overview

Self-storage development activity has increased substantially over the past four years but is starting to taper. Construction this year is scattered around the outer ring of Baltimore, in suburban areas near major roadways like Towson, Woodlawn, and Middle River.

Vacancy/Rent Overview

The average asking rent in the metro rose 2.3 percent from 2016 to 2017 but has declined since, returning to 2016's year-end value of $1.28 per square foot. As development cools, less competition for tenants will help rents tick up, advancing marginally in 2020 to $1.30 per square foot. More affordable rates have helped tighten availability considerably over the past five years, down 70 basis points since 2015.

2020 Market Forecast

Inventory — 17 million square feet and 6.1 square feet per capita

Employment up 0.6% — The metro will add 8,900 new jobs in 2020, roughly half of the amount created in 2019.

Population up 0.1% — Baltimore will gain 2,200 residents in 2020, slightly lower than the 2,600 people added last year. Baltimore's population has grown by 3.8 percent over the past decade.

Construction 545,800 sq. ft. — Following a cyclical record bout of completions in 2019, two-thirds of that volume will be delivered in 2020.

Vacancy down 20 bps — Vacancy in the metro will decline to 7.7 percent in 2020, following a period of no movement last year.

Rent up 1.6% — The average asking rent will rise to $1.30 per square foot in 2020, up from $1.28 the prior year.

Wave of Construction Puts Strain on Tight Market

Economic Overview

Hiring has slowed over the past few years, as sub-3 percent unemployment has tightened the labor market considerably. Amid this labor shortage, the employment base will grow by 1.8 percent in 2020, a tick down from the 2.6 percent increase posted in 2019. The city of San Francisco will lead the region in job creation, adding 30,000 workers in 2020.

Demographic Overview

Roughly 318,000 people have migrated to the Bay Area over the past decade, elevating the demand for housing and ultimately causing apartment rental costs to skyrocket. As residents are priced into smaller spaces, the use-case for self-storage may evolve into functioning more as a spare room and less as a rarely visited depository for seasonal items.

Construction Overview

Development in the region dramatically increased in 2019 as completions almost equaled the previous two years combined. In 2020, deliveries will tick up again, posting the highest amount of square footage added to the metro since 2002. Projects are located throughout the region, with a large cluster in Southeast San Jose and the East Bay.

Vacancy/Rent Overview

The Bay Area's vacancy rate moved up 220 basis points over the past six years, ending 2019 at 7.5 percent amid heightened deliveries. Metrowide, the average asking rent has held relatively steady over the past four years, near $1.88 per square foot. The fastest growing and highest rental costs are in the city of San Francisco, jumping 4.2 percent over the past four years, and expected to reach $2.22 per square foot on average in 2020.

2020 Market Forecast

Inventory — 48 million square feet and 7.3 square feet per capita

Employment up 1.8% — The region will gain 63,300 jobs in 2020, a decline from the 89,000 workers added in 2019.

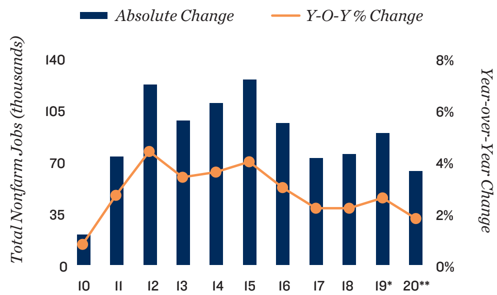
Population up 0.6% — The three metros combined will grow by 40,000 people this year, a slight increase from 37,000 in 2019. Oakland will expand the most, with 16,700 residents gained.

Construction 1.5 million sq. ft. — About 8 percent more square feet will be delivered this year than in 2019. The majority of construction is focused in the eastern portion of the Bay Area.

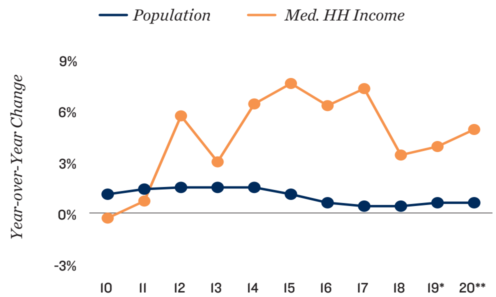
Vacancy up 70 bps — Availability in the metro will jump up to 8.2 percent in 2020, building upon the 60-basis-point increase recorded a year earlier.

Rent no change — Elevated deliveries over the past three years have pushed the average asking rent down 1.5 percent since 2017 to $1.88 in 2019, which will hold firm in 2020.

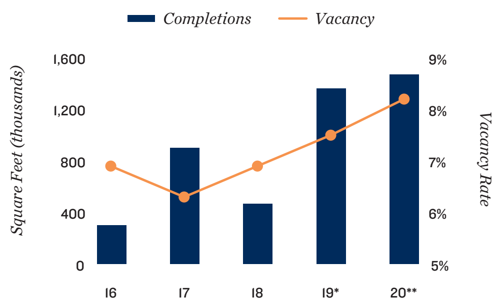
Employment Trends



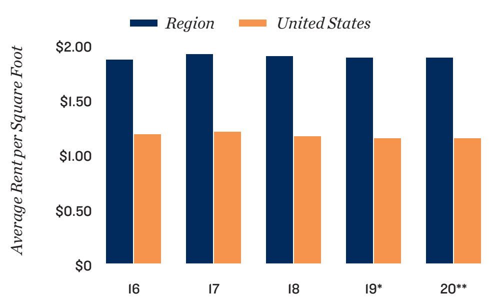
Demographic Trends



Supply and Demand Trends



Rent Trends



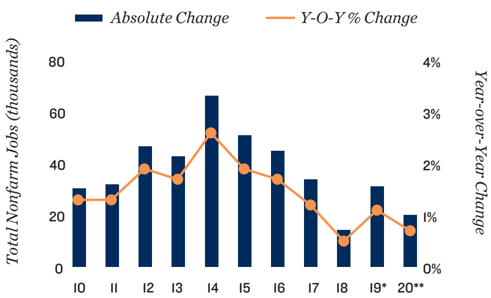
** Estimate; ** Forecast*

Sources: BLS; U.S. Census Bureau; Yardi Matrix; Union Realtime, LLC

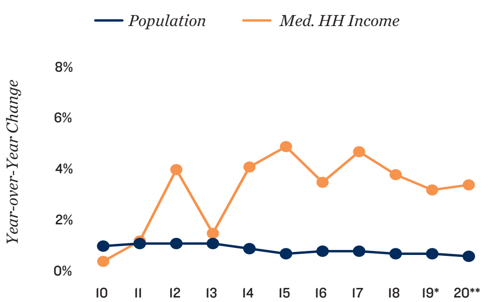
The Bay Area region encompasses San Francisco, San Jose, and Oakland.

Small Floor Plans Lead Many to Use Self-Storage

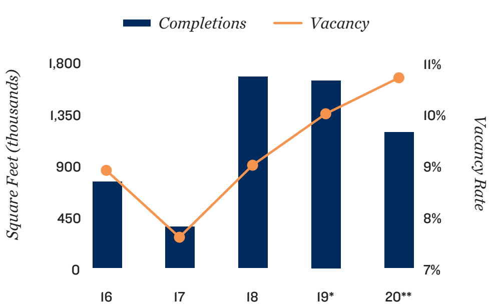
Employment Trends



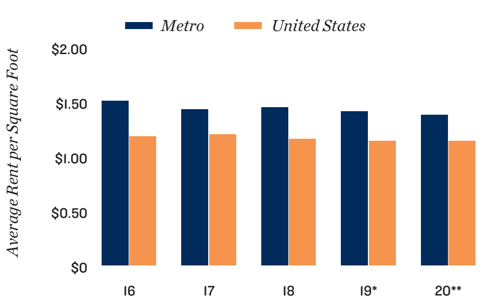
Demographic Trends



Supply and Demand Trends



Rent Trends



** Estimate; ** Forecast*

Sources: BLS; U.S. Census Bureau; Yardi Matrix; Union Realtime, LLC

Economic Overview

Boston employers will add 20,000 new jobs in 2020 amid a tight unemployment rate of 2.6 percent. The area's high-paying jobs typically reflect the myriad of prestigious universities in the metro, as well as numerous biotech and engineering companies. Healthcare is also a staple as a handful of teaching hospitals are in the region.

Demographic Overview

In-migration to Boston has been substantial since the Great Recession, driving the population up 8 percent over the past decade. Amid a low supply of housing, many residents opt to rent, while also having a high propensity to spend, boosting retail sales. Smaller living spaces, larger discretionary incomes, and the changing tastes of millennial renters will bolster self-storage demand in the metro.

Construction Overview

Development activity took off in 2018, when 1.7 million square feet was completed, nearly five times as much as the previous year. This trend continued in 2019, although in 2020 deliveries will ease slightly. Construction this year will be scattered across the metro, with many projects along major highways such as Route 128 near Waltham, and U.S. 1 in Revere.

Vacancy/Rent Overview

Availability in Boston has increased significantly over the past two years, rising nearly 310 basis points from 2017 through 2019. As more construction comes online, vacancies will climb. This supply pressure has also weighed on rents, as the average asking rate dropped 2.8 percent since 2018.

2020 Market Forecast

Inventory — 27 million square feet and 5.5 square feet per capita

Employment up 0.7% — The metro's payrolls will be bolstered by an additional 20,000 workers in 2020. In the prior year, 31,200 jobs were created.

Population up 0.5% — Boston will grow by 27,000 residents in 2020, a small decline from the 29,000 people added in 2019.

Construction 1.2 million sq. ft. — Fewer completions will occur in 2020, with roughly one-third less square footage being delivered than in 2019.

Vacancy up 70 bps — Vacancy will climb to 10.7 percent in 2020, amid record construction this cycle. Availability jumped 100 basis points to 10.0 percent in 2019.

Rent down 2.1% — The average asking rent will decline to $1.38 per square foot in 2020, continuing the nearly 3 percent drop observed in 2019.

Older Population a Tailwind for Self-Storage

Economic Overview

The employment base in the region has grown 13 percent over the past decade, primarily driven by hiring within the professional and business services, and the trade, transportation and utilities sectors. Chicago employers have added an average of 62,000 jobs yearly over the past nine years; however, in 2020 this pace of growth will not be maintained.

Demographic Overview

While negative population growth has been occurring, it is primarily driven by people under the age of 35 moving out. Older generations are remaining in the metro and increasing in size at a faster rate than the population as a whole. With more retirees in the metro, the need to store heirlooms and other items acquired over lifetimes will accelerate. Students attending the numerous universities in the region may also impact self-storage on a seasonal basis.

Construction Overview

Chicago's development pipeline has averaged 1.7 million square feet of completions over the past five years, with a cycle high 2.4 million square feet in 2016. In 2020, supply growth will slow as the market moves toward equilibrium. New builds are scattered across the metro, with deliveries near Crystal Lake, the West Side, North Chicago and Valparaiso.

Vacancy/Rent Overview

Extensive construction has placed downward pressure on vacancies over the past four years, with the metrowide rate down 130 basis points since 2016. In order to fill units, operators are softening pricing, with the average asking rent dropping 6 percent in that span. Urban areas commanded a premium of 18 cents over suburban submarkets in 2019.

2020 Market Forecast

Inventory
54 million square feet and 5.7 square feet per capita

Employment up 0.6%
Employment in the metro will grow by 30,500 jobs in 2020, a slight decline from the 33,000 added in 2019.

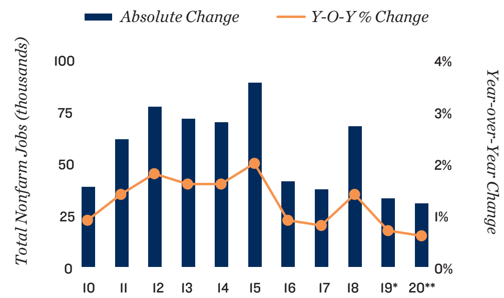
Population down 0.2%
Chicago's population in 2020 follows the previous years' trend of negative growth, losing 19,500 people.

Construction 1.1 million sq. ft.
Delivery volume notably drops this year following the completion of more than 1.7 million square feet in 2019, with more than half of the new inventory going to suburban Chicago.

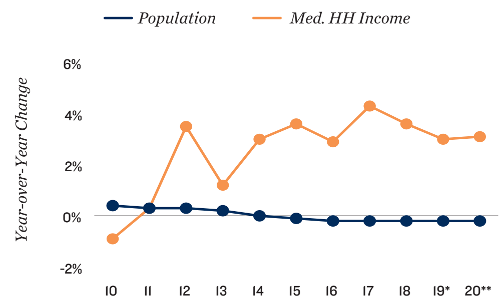
Vacancy down 40 bps
Availability in the Chicago metro will continue to decline, trending down to 7.0 percent in 2020.

Rent down 0.4%
The average asking rent continues to tick down due to occupancy challenges created from new supply, ending 2020 at 99 cents per square foot.

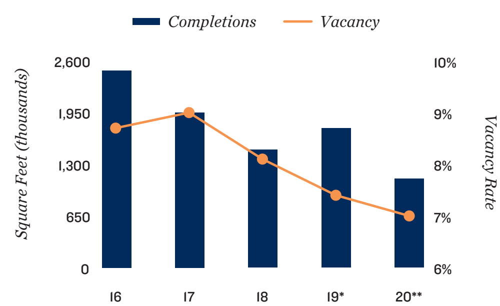
Employment Trends



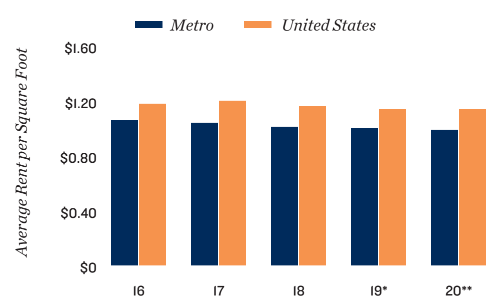
Demographic Trends



Supply and Demand Trends



Rent Trends

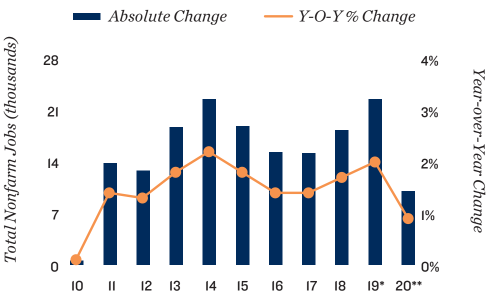


*Estimate; **Forecast

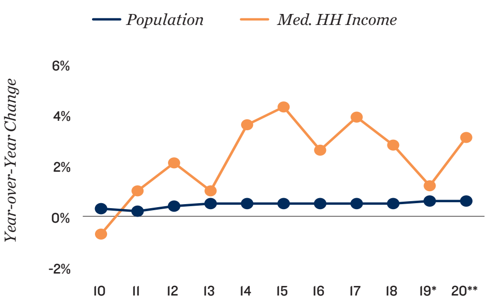
Sources: BLS; U.S. Census Bureau; Yardi Matrix; Union Realtime, LLC

Vacancy Tightening as Older Population Downsizes

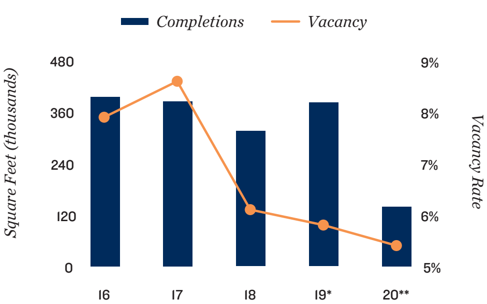
Employment Trends



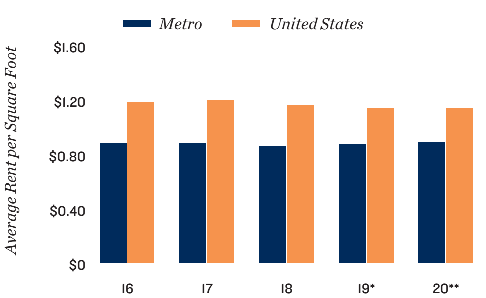
Demographic Trends



Supply and Demand Trends



Rent Trends



*Estimate; ** Forecast

Sources: BLS; U.S. Census Bureau; Yardi Matrix; Union Realtime, LLC

Economic Overview

The employment base will grow at a 0.9 percent clip in 2020, led by hiring within the healthcare sector. An unemployment rate that has been driven down to a near-cyclical low of 3.7 percent is placing downward pressure on hiring activity. Major employers likely to still expand payrolls include regional and national banks, hospitals and a variety of chemical and advanced manufacturing companies.

Demographic Overview

Household formation will be positive in 2020 as 7,700 households will be created, a slight increase over the 7,400 added last year. Household income is nearly at the national median and will grow faster than the national median in 2020. Self-storage use in Cincinnati may be bolstered by the growing 55 and older demographic, who will likely need more storage space as they downsize their living situations.

Construction Overview

Substantially less square footage is set to be completed in 2020 compared with the past four years when an average of 360,000 square feet was constructed annually. Prior to this development wave, construction was sparse, with long pauses between builds. One of the largest developments in the pipeline is in Springdale, near the I-275 and SR 747 interchange.

Vacancy/Rent Overview

Availability in the metro has been on a downward trend over the past six years, dropping 360 basis points to 5.8 percent in 2019. The average asking rent has fluctuated in the metro, dipping only 1.1 percent over the past three years. Despite recent supply influxes, stout demand will drive rents up 2.3 percent in 2020.

2020 Market Forecast

Inventory	11.1 million square feet and 5 square feet per capita
Employment up 0.9%	Cincinnati employers will hire 10,000 workers in 2020, half the amount of positions created in 2019.
Population up 0.6%	The metro will grow by 12,400 people in 2020, near the 12,500 residents added in 2019.
Construction 138,500 sq. ft.	Development will cool down as roughly 36 percent of the amount of space added in 2019 will be built in 2020.
Vacancy down 40 bps	Availability will decline to 5.4 percent in 2020 following a 30-basis-point drop the year prior.
Rent up 2.3%	The average asking rent in the metro will grow to 87 cents per square foot in 2020, trending upward from last year's 1.2 percent increase.

Growing Incomes and Older Users Driving Demand

Economic Overview

One-third of the jobs created in 2019 will be added this year, as hiring will be significantly compressed from the annual average for the past decade. Over the past seven years, steady hiring by healthcare, professional and business services, and manufacturing has driven the unemployment rate down 150 basis points to 4.3 percent. However, this has also pushed up the median household income closer toward the national median.

Demographic Overview

New households are forming at a positive rate, despite significant outmigration. Retail sales growth lags behind the national rate but still indicates a propensity to spend in the metro. Similar to other cities in the region, the 65-plus age demographic is growing the fastest. This may bolster the metro's self-storage prospects as these older individuals store heirlooms or other lifelong possessions when moving into smaller homes, retirement communities, or assisted living facilities.

Construction Overview

Development activity in this cycle has been varied, with a low of 51,000 square feet built in 2016 and a high of 310,000 square feet delivered in 2018. Construction will curtail in 2020 as more developers become cautious of potential supply headwinds; approximately 7 percent of the metro's total inventory has been added over the past five years.

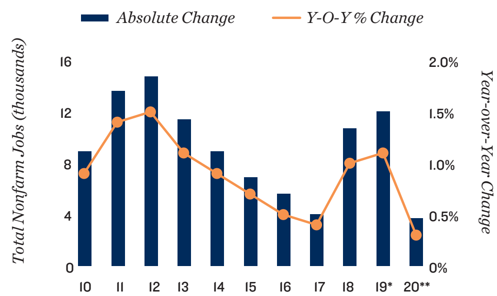
Vacancy/Rent Overview

The average asking rent in the metro declined 4 percent from 2016 to 2019 but will move up in 2020. Vacancy dropped 390 basis points from 2015 to 2017 but ticked back up 200 basis points from an influx of supply. Availability will rise to 9.5 percent in 2020.

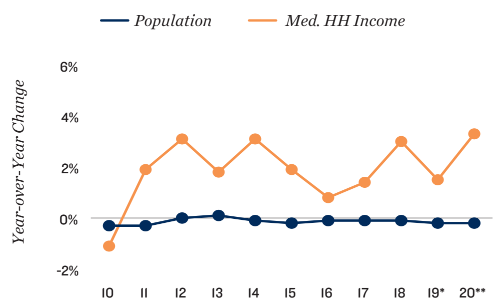
2020 Market Forecast

Inventory	13.8 million square feet and 6.8 square feet per capita
Employment up 0.3%	Organizations will add 3,700 jobs in 2020, notably fewer than the 12,000 added in 2019.
Population down 0.2%	The metro will see a 4,300-person decline in population in 2020, following 2019's loss of 4,100 people.
Construction 248,000 sq. ft.	Delivery volume in 2020 will decline about 13 percent from 2019, following a period of increasing construction. Completions have averaged 218,000 square feet annually over the past five years.
Vacancy up 20 bps	Self-storage availability in the metro will increase 20 basis points in 2020, following a 70-basis-point rise the year prior.
Rent up 1.1%	The average asking rent in Cleveland will increase to 94 cents per square foot in 2020. Last year, rent declined 1.1 percent.

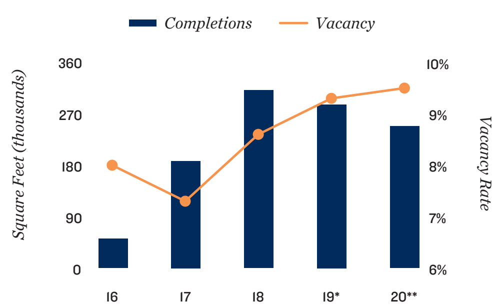
Employment Trends



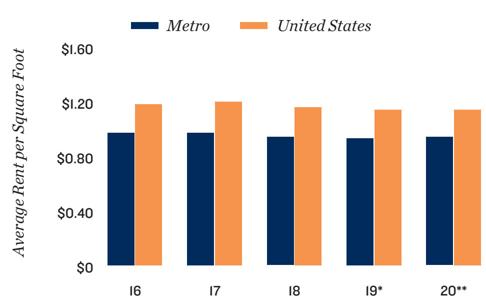
Demographic Trends



Supply and Demand Trends



Rent Trends

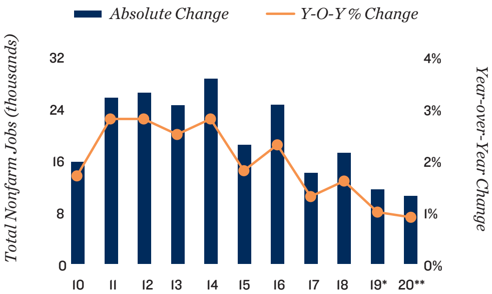


*Estimate; **Forecast

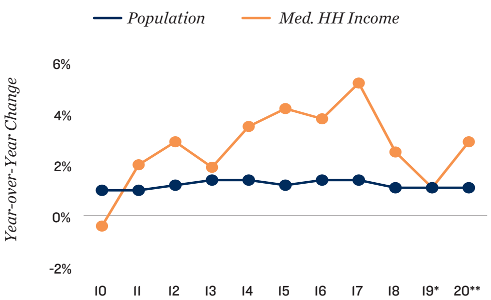
Sources: BLS; U.S. Census Bureau; Yardi Matrix; Union Realtime, LLC

Strong Demographics Benefiting Demand for Space

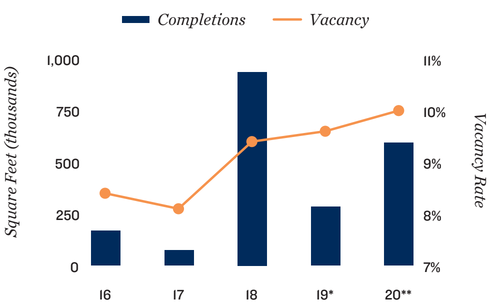
Employment Trends



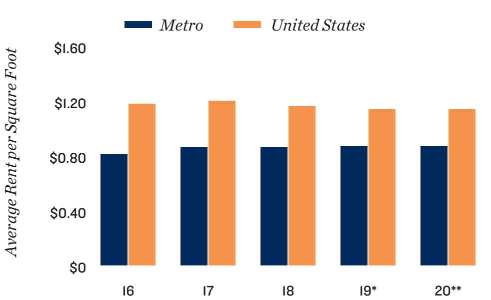
Demographic Trends



Supply and Demand Trends



Rent Trends



** Estimate; ** Forecast*

Sources: BLS; U.S. Census Bureau; Yardi Matrix; Union Realtime, LLC

Economic Overview

A diverse economy has helped add an average of 17,000 workers per year over the past five years, driving the unemployment rate down to 3.6 percent in the third quarter of 2019. Columbus is home to Ohio State University and several large teaching hospitals, spurring growth in education, healthcare, and government hiring. Large railway systems also contribute to a sizable transportation-based workforce.

Demographic Overview

Columbus' population growth leads other metros in Ohio, growing 13 percent over the past decade. The median household income will also grow faster in Columbus than the national rate in 2020. Self-storage demand may be bolstered by a variety of factors: a large student population at Ohio State University needing to store goods over the summer, a growing older demographic looking to downsize, and younger professionals renting small apartments are using storage as a second room for belongings.

Construction Overview

Development activity in the metro hit a cyclical high of 934,000 square feet in 2018. Over the past five years, completions averaged just 179,000 square feet annually. In 2019, development curtailed but will tick back up in 2020 with several new projects planned, including three along the I-270 Outerbelt.

Vacancy/Rent Overview

Metrowide vacancy continues to increase, climbing 120 basis points over the past five years to 9.6 percent in 2019. The average asking rent has also advanced, moving up 7.4 percent over the past four years, to 87 cents per square foot.

2020 Market Forecast

Inventory	12.9 million square feet and 6.0 square feet per capita
Employment up 0.9%	Metro employers will hire 10,500 workers in 2020, slightly below the previous year's 11,500 new positions.
Population up 1.1%	Columbus' population will increase by the same rate as last year, up 24,200 residents.
Construction 592,400 sq. ft.	Developers will deliver nearly double the amount of square footage in 2020 as was added last year.
Vacancy up 40 bps	Availability will increase slightly in 2020 to 10.0 percent as a result of large supply infusions. Last year the vacancy rate rose 20 basis points.
Rent no change	The average asking rent in the metro will stay the same in 2020, remaining at 87 cents per square foot. Rent advanced 1.2 percent in 2019, up from 86 cents per square foot in 2018.

Stout Employment Growth Buoys Storage Leasing

Economic Overview

Metroplex employers will continue their steady hiring efforts in 2020, creating slightly fewer positions than the 110,000 employees added in 2019. The Dallas/Fort Worth economy is highly diverse, with companies engaged in transportation, manufacturing, education and healthcare steadily hiring workers. Over the past decade, the metro has created nearly 1 million jobs, producing a 32 percent increase to the employment base.

Demographic Overview

A strong corporate presence supports high-wage job creation. This is driving the median household income well above the national level and fostering sizable gains to metro retail sales. Self-storage opportunities may be realized with younger professionals earning and spending, while the fastest-growing demographic, those over age 65, are also seeking to store possessions as they downsize homes or move.

Construction Overview

Dallas/Fort Worth development will cool off in 2020 after five years of heightened construction, in which an average 2.5 million square feet was added per year. Deliveries are weighted toward northern Dallas along the President George Bush Turnpike, with some development in the southern portion near U.S. 175.

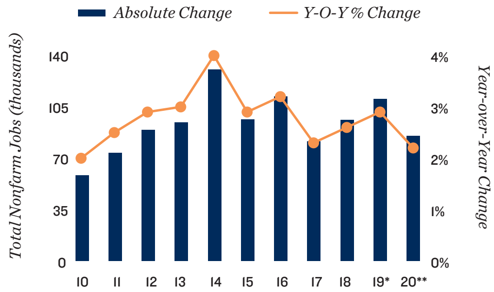
Vacancy/Rent Overview

Despite heightened development over the past four years, availability has decreased, and robust demand will tighten vacancy an additional 80 basis points this year. Vacancies have also benefited from lower rents. The average asking rate has trended down 11 percent over that same period to 92 cents per square foot in 2019 and it will dip again in 2020.

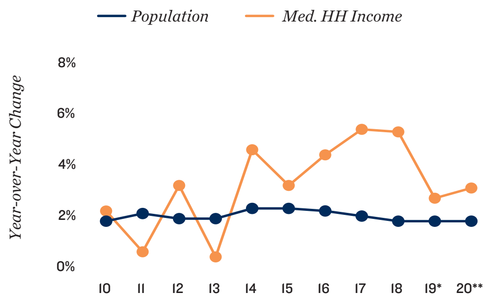
2020 Market Forecast

Inventory	72.5 million square feet and 9.2 square feet per capita
Employment up 2.2%	Dallas/Fort Worth payrolls will grow by 85,000 individuals this year, 23 percent less than in 2019.
Population up 1.7 %	In 2020 the metro will expand by 128,400 people, a slight decrease from the 130,000 people added in 2019.
Construction 1.4 million sq. ft.	Deliveries will be lower in 2020, equating to roughly half of the 2.8 million square feet constructed in 2019.
Vacancy down 80 bps	Availability will decline by a wider margin in 2020 than 2019, down to 7.4 percent.
Rent down 1.5%	The average asking rent will decrease to 91 cents per square foot in 2020, continuing the previous four-year downward trend. Last year, rent declined 3.7 percent.

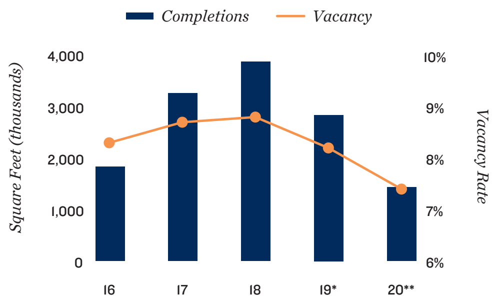
Employment Trends



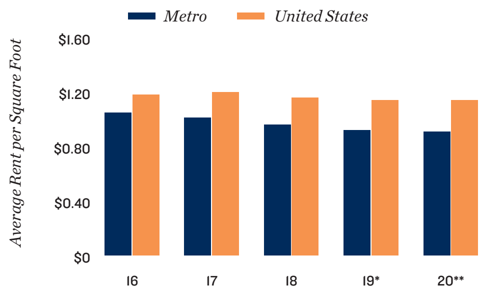
Demographic Trends



Supply and Demand Trends



Rent Trends

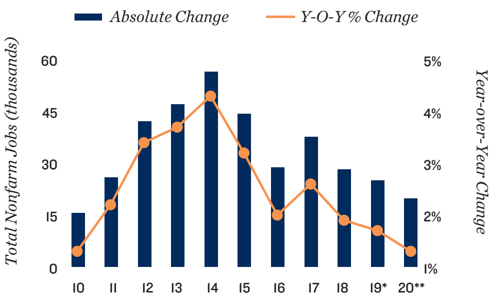


* Estimate; ** Forecast

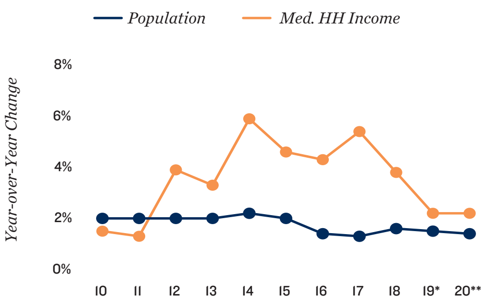
Sources: BLS; U.S. Census Bureau; Yardi Matrix; Union Realtime, LLC

In-Migration and Retail Sales Boosting Self-Storage

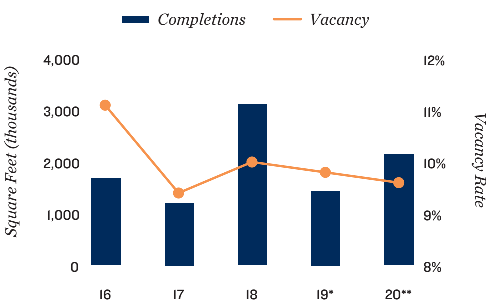
Employment Trends



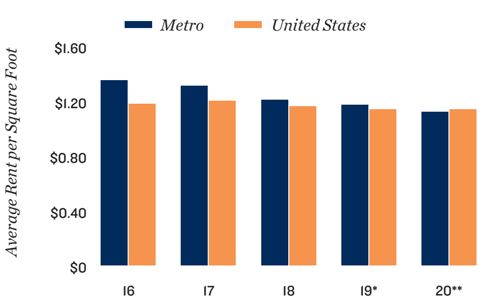
Demographic Trends



Supply and Demand Trends



Rent Trends



** Estimate; ** Forecast*

Sources: BLS; U.S. Census Bureau; Yardi Matrix; Union Realtime, LLC

Economic Overview

In 2019, active hiring helped lower the unemployment rate below 3 percent. Due to the tight labor pool, employment growth will curtail slightly going forward. Denver's rapid job creation over the course of this decade has increased the number of households in the region at a rate faster than the national pace. Additionally, the annual median household income has advanced by more than $24,000 over the same period.

Demographic Overview

In-migration to Denver has remained high since a cycle-high 40,500 residents moved in during 2015. An additional 22,260 people will move in during 2020. Demand for self-storage will be bolstered by elevated net in-migration and above-average retail sales growth. The prominent outdoors culture in the region will also assist self-storage prospects; large items like kayaks, bikes, and other equipment may be put into storage.

Construction Overview

Self-storage construction in the metro will bring nearly double the amount of square feet in 2020 as was delivered last year. Development hit a cycle high of 3.1 million square feet in 2018, a sizable difference from the average 926,000 square feet delivered yearly from 2013 to 2017. Two major projects in progress are to the north of Denver, near Brighton.

Vacancy/Rent Overview

Amid near-record supply increases, availability decreased 130 basis points from 2016 through 2019, and that trend will be continued with a 20-basis-point vacancy decline in 2020. The average asking rent in Denver has also trended down. Over the past four years, rent has declined 15 percent to $1.17 per square foot in 2019.

2020 Market Forecast

Inventory	32.1 million square feet and 10.6 square feet per capita
Employment up 1.3%	Denver will add 19,800 workers in 2020, about 20 percent less than 2019's total amount of new payrolls.
Population up 1.3%	The metro will add 38,750 people in 2020, a slight decline from last year's 40,000 person gain. Denver's population has grown by 18 percent over the past decade.
Construction 2.1 million sq. ft.	Deliveries in 2020 will rise this year by 720,000 square feet compared with last year's total.
Vacancy down 20 bps	A slight decline in availability will be posted in 2020, dropping the rate to 9.6 percent, following a 20-basis-point drop in 2019.
Rent down 4.3%	The average asking rent will decline to $1.12 per square foot in 2020, following three years of successive average rent pricing drops.

Record-Level Supply Set to Come Online

Economic Overview

Detroit's economy is strongly tied to the automotive and manufacturing sectors, supporting overall job creation during the past five years. Recent high-profile strikes have dominated headlines and disrupted hiring in the area, pushing the unemployment rate up 60 basis points since a cycle low of 3.8 percent in the third quarter of 2017. While union relations have begun to stabilize, job growth will continue to be subdued in 2020.

Demographic Overview

The median household income in the metro remains just under the national level, yet it will grow faster than the national rate in 2020. New household formation, retail sales gains, and population growth are all positive, indicating potential future demand drivers for self-storage. Elevated construction may create short-term headwinds, however.

Construction Overview

Development activity in the metro will ramp up in 2020, posting the largest delivery in the metro since 2004. Construction was relatively sporadic in the first half of the cycle but has picked up in recent years. Two notable clusters of construction are occurring in the southwestern area of Detroit, near Trenton and Livonia.

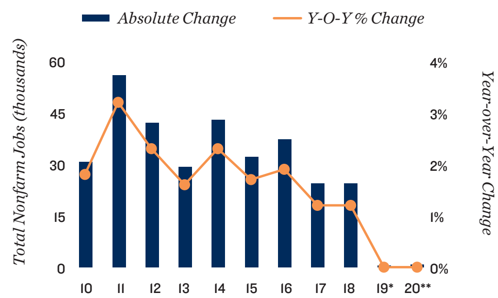
Rent Overview

The average asking rent in the metro has grown at a constrained pace over the past two years, following a 5.9 percent jump to $1.07 from 2016 to 2017. Since then, rental costs have been moving up less than 1 percent each year from 2018 to 2019. This trend will continue into 2020, even as massive supply influxes come available in the metro.

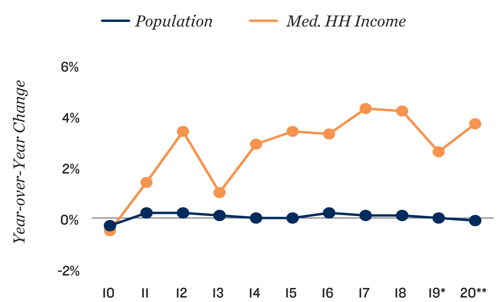
2020 Market Forecast

Inventory	19.8 million square feet and 4.6 square feet per capita
Employment up 0.03%	Detroit employers will create approximately 750 jobs in 2020, slightly more than the 500 new workers added in 2019.
Population down 0.1%	The population will decline following last year's pause, dropping 3,900 residents in 2020.
Construction 805,600 sq. ft	Deliveries in the metro will be 34 percent larger in 2020 than the 600,000 square feet opened in 2019.
Rent up 0.9%	Average asking rent will increase to $1.10 per square foot in 2020, up from $1.09 in 2019. This follows a series of successive gains in the metro over the past three years.

Employment Trends

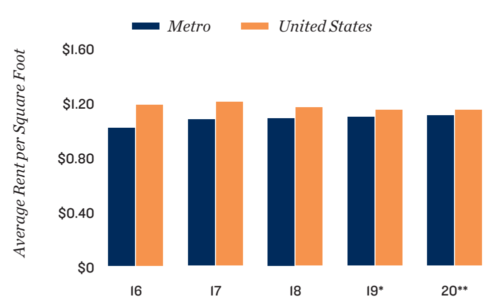


Demographic Trends



Supply Trends

Rent Trends

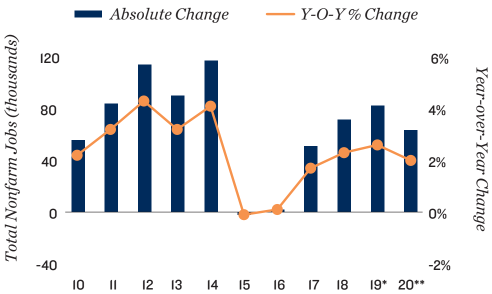


*Estimate; **Forecast

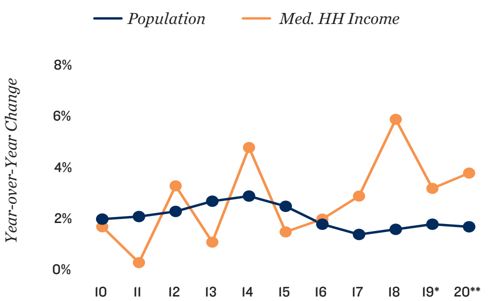
Sources: BLS; U.S. Census Bureau; Yardi Matrix; Union Realtime, LLC

Energy Presence a Boost to Self-Storage Prospects

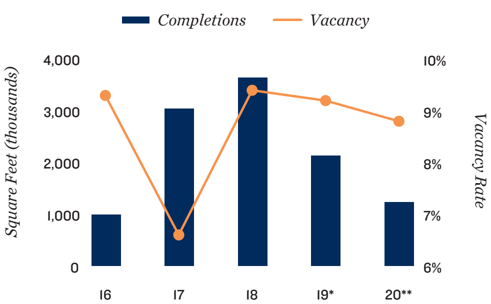
Employment Trends



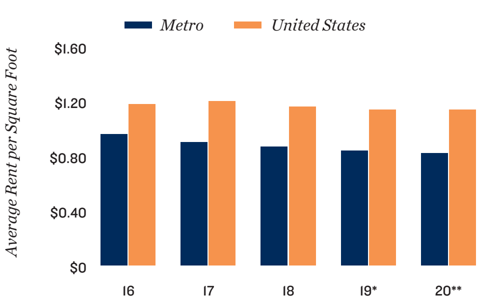
Demographic Trends



Supply and Demand Trends



Rent Trends



** Estimate; ** Forecast*

Sources: BLS; U.S. Census Bureau; Yardi Matrix; Union Realtime, LLC

Economic Overview

Houston has long been a major energy trade hub due in part to the Port of Houston and the proximity to major oil fields in the region. While the industry remains volatile, the metro has quickly rebounded from turmoil of 2014 to 2016 and has created on average 68,000 jobs annually over the past three years. The trend will continue in 2020, albeit at a slower pace due to a stretched labor pool.

Demographic Overview

Due to the large trade, corporate, and natural resource presence in the region, the metro has a higher-than-average median household income, which will drive retail sales growth in 2020 above the national rate. However, these industries are cyclical and could impact self-storage if a downturn is serious enough to trigger layoffs. Environmental factors like hurricanes may also impact prospects if large enough to reach Gulf states.

Construction Overview

Development will slow down in Houston as the market becomes saturated following three years of elevated construction. West Houston has received the majority of deliveries over this timespan, totaling 6.5 million square feet. In 2020, about 830,000 square feet will be completed in this portion of the metro.

Vacancy/Rent Overview

Metrowide vacancy will drop to a three-year low in 2020. While vacancy has been volatile, with 150-plus basis-point swings common, recent changes have been less dramatic, showing signs of a more stabilized market. Rental costs have dropped steadily over the past four years, yet East Houston has maintained the highest rental rates on average.

2020 Market Forecast

Inventory	70.7 million square feet and 9.7 square feet per capita
Employment up 2.0%	Payrolls in the Houston metro will grow by 63,200 workers in 2020, roughly 22 percent fewer positions than added in 2019.
Population up 1.6%	Houston's population will grow by 115,000 people in 2020, less than the 117,000 added in the previous year.
Construction 1.2 million sq. ft.	Development in the metro will decline by about 900,000 square feet from 2019, with the majority going to West Houston. This follows a cyclical high of 3.6 million square feet delivered in 2018.
Vacancy down 40 bps	Availability in the metro will dip slightly to 8.8 percent as construction cools down after record-level completions.
Rent down 2.0%	The average asking rent will tick down again for a fifth consecutive year to 82 cents per square foot, following 2019's 3.8 percent decrease.

Rental Costs Rise as Development Slows

Economic Overview

The unemployment rate stood at 3.0 percent in the third quarter of 2019, the lowest it's been since 2000. Indianapolis has had stout job growth due to a burgeoning tech scene and a variety of corporations relocating into the metro. While office-using jobs retracted in 2018 and 2019, Indianapolis continues to add workers at a pace only a tick below the national rate. The metro has added 173,000 jobs to payrolls over the past decade.

Demographic Overview

Indianapolis is characterized by a diverse economy and a relatively low cost of living. The median household income lies just under the national median and households are being created faster than the national rate. In-migration hit a six-year high in 2019 and will remain elevated in 2020. This inflow of new residents, combined with amplified retail sales growth, will bolster storage demand heading into the next decade.

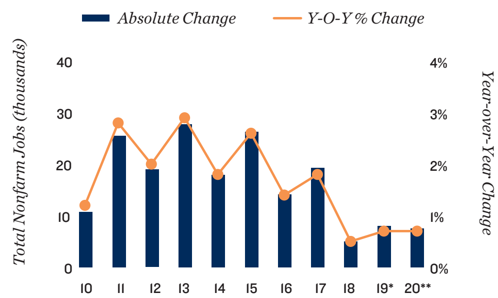
Construction Overview

The metro received cyclical-high deliveries amounting to 1.2 million square feet, or 7 percent of the total inventory, in 2018. Over the prior five years, new completions had only averaged approximately 548,000 square feet per year and the pace of development slowed recently as well. Deliveries in 2019 were half of 2018's total and will decline further in 2020.

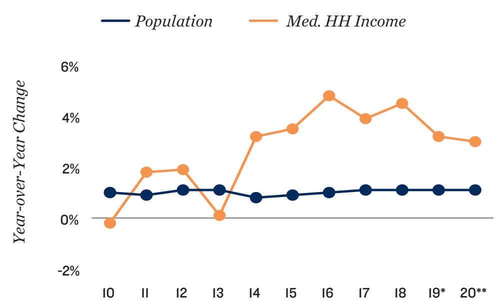
Vacancy/Rent Overview

Availability in the metro declined from 9.1 percent in 2014 to a bottom trough of 7.6 percent in 2017, but it has ticked up amid supply influxes to 8.0 percent in 2019. Rent growth has hit resistance but trends upward, advancing 2.5 percent over the past four years.

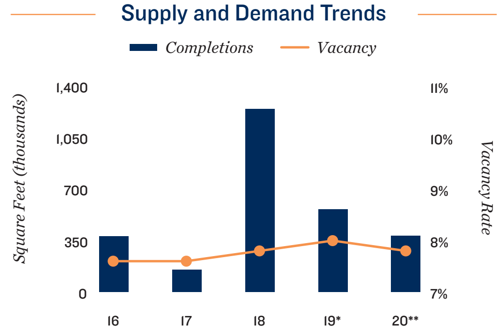
Employment Trends



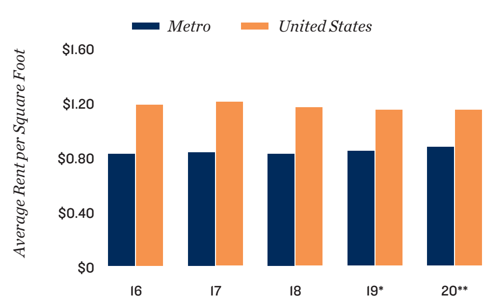
Demographic Trends



Supply and Demand Trends



Rent Trends



** Estimate; ** Forecast*

Sources: BLS; U.S. Census Bureau; Yardi Matrix; Union Realtime, LLC

2020 Market Forecast

Inventory — 16.8 million square feet and 8.0 square feet per capita

Employment up 0.7% — Indianapolis employers will hire 7,500 new workers this year, slightly fewer than the 8,000 added in 2019. Recent office-using job losses will rebound by 500 employees in 2020.

Population up 1.1% — The metro will grow by 22,500 residents this year, continuing the above 1 percent annual increases posted since 2016.

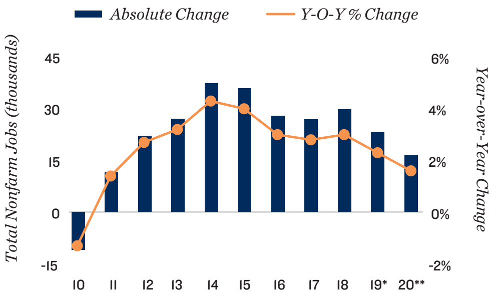
Construction 380,000 sq. ft. — Development in the metro will curtail in 2020 with one-third fewer total deliveries than in 2019.

Vacancy down 20 bps — Metrowide vacancy in 2020 will decline to 7.8 percent, offsetting the 20-basis-point rise posted last year.

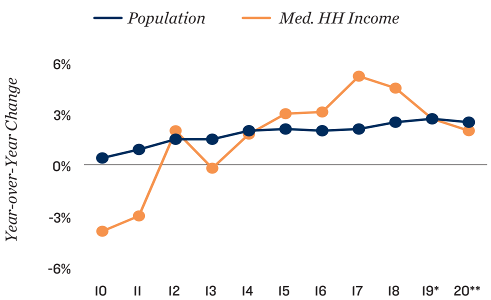
Rent up 3.6% — The average asking rent in Indianapolis will grow to 87 cents per square foot in 2020, from 84 cents in 2019.

Storage Demand Aided by Rapid Population Growth

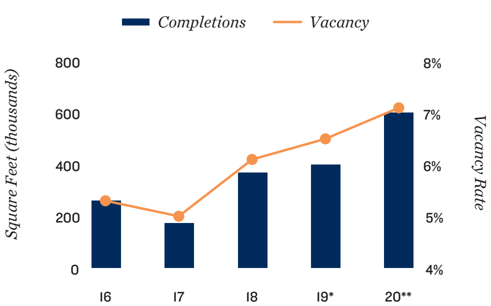
Employment Trends



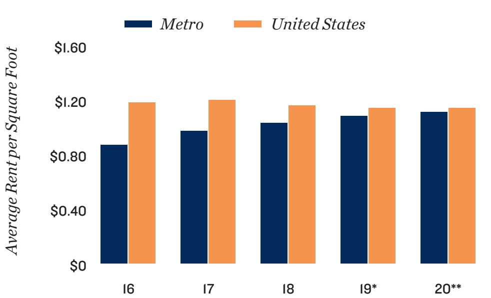
Demographic Trends



Supply and Demand Trends



Rent Trends



** Estimate; ** Forecast*

Sources: BLS; U.S. Census Bureau; Yardi Matrix; Union Realtime, LLC

Economic Overview

Las Vegas' hospitality and leisure sector remains a cornerstone of the economy, while other industries have made inroads into the region. Healthcare, technology and logistics corporations have fostered stout job creation in the region, helping to increase the employment base by 28 percent over the past decade. The professional and business services sector has grown the most, doubling in size over the same period.

Demographic Overview

Large in-migration underscores the growth of Las Vegas, as 243,000 residents have moved into the metro over the past decade, roughly 10 percent of the total population as of 2019. Household incomes in the region are rising moderately but still fall under the national level. However, retail sales growth will outpace the national rate in 2020, and the consistent inflow of new residents will bode well for self-storage into the future.

Construction Overview

Construction activity in the metro for 2020 will nearly double last year's total and bring significantly more space to market than the annual average over the past four years. Projects in the pipeline are concentrated in the southern portion of the metro, near Enterprise, with one notable development also by Henderson.

Vacancy/Rent Overview

The average asking rent has increased dramatically over the past four years, moving up 27 percent to $1.11 per square foot. In more recent years that growth has slowed, moving up 4.9 percent last year. At the same time availability is rising, driven up by new supply.

2020 Market Forecast

Inventory	20 million square feet and 8.4 square feet per capita
Employment up 1.6%	Las Vegas employers will hire an additional 16,500 workers this year, down from the 23,000 jobs created in 2019.
Population up 2.5%	The metro will grow by 58,500 people in 2020, slightly fewer than the 59,000 added last year.
Construction 600,000 sq. ft.	Completions will nearly double the output of the previous year in 2020, adding roughly 200,000 more square feet than in 2019.
Vacancy up 60 bps	The metrowide vacancy rate will rise to 7.1 percent in 2020, following a 40-basis-point increase the year prior.
Rent up 2.8%	Robust demand and tight vacancy will push average asking rent to $1.11 per square foot in 2020. The average rental cost has been trending upward for four consecutive years.

Housing Shortage Leads Renters to Seek Storage Space

Economic Overview

The service industry continues to add workers to meet demand, yet the lack of affordability and overcrowding has persuaded many to move out of Los Angeles over the past few years. The unemployment rate began 2020 at a cyclical low, with the stretched labor pool causing a slower pace of hiring in recent years. The leisure, hospitality, education and health services sectors have grown the most over the past decade.

Demographic Overview

The metro's tight labor market, fueled by a diverse and distinguished economy, has helped bolster household incomes well above the national average, and they are expected to grow an additional 4.2 percent in 2020. Nevertheless, the region's housing shortage continues to maintain high costs of living, which may prompt residents to rent smaller apartments, driving demand for self-storage as retail sales keep pace with the national rate.

Construction Overview

Self-storage development had a notable jump in 2019, with 1 million square feet being completed, equivalent to the previous five years combined. In 2020, deliveries will temper to about half of last year's total but remain above the annual average this decade. A cluster of projects are near Los Angeles International Airport along the I-405.

Vacancy/Rent Overview

Elevated construction has placed upward pressure on vacancy as the rate has ticked up 350 basis points over the past four years. In 2020, vacancy will decline 20 basis points with the influx of new supply gradually being leased up. Rental rates will have a 44 cents per square foot premium in the city center compared to the overall metrowide rate.

2020 Market Forecast

Inventory — 35.3 million square feet and 3.5 square feet per capita

Employment up 0.9% — Metro employers will add 40,600 jobs to payrolls in 2020, a decline from the 50,000 workers hired in 2019.

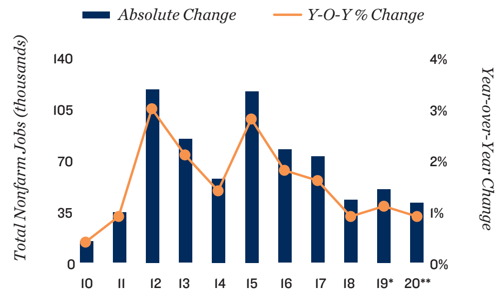
Population up 0.2% — The population of Los Angeles will expand by 19,000 people in 2020, up from the 11,500 residents added in 2019.

Construction 504,000 sq. ft. — Deliveries will be at a slower pace than last year's 1 million square feet. East Los Angeles County will receive essentially all of the new construction in 2020.

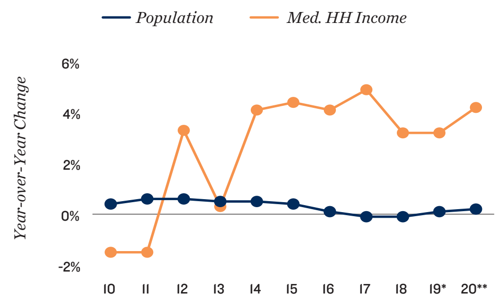
Vacancy down 20 bps — Availability in the Los Angeles-Anaheim area will decrease to 8.3 percent in 2020, ending a three-year period of increases.

Rent up 2.3% — The average asking rent will tick up for a second consecutive year, building upon the 1.6 percent gain posted in 2019.

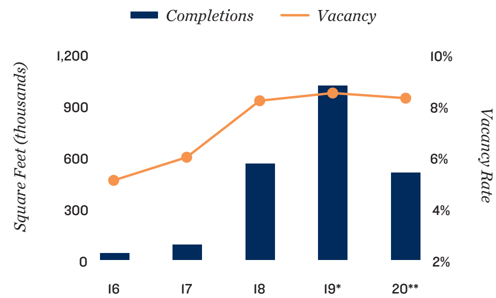
Employment Trends



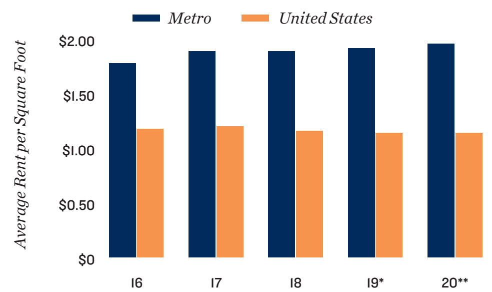
Demographic Trends



Supply and Demand Trends



Rent Trends

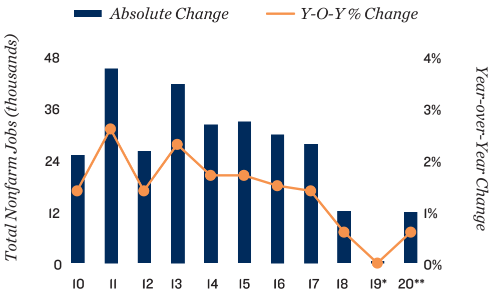


* Estimate; ** Forecast

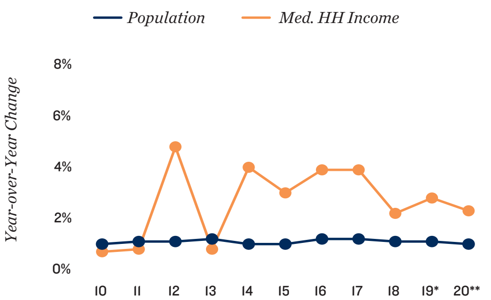
Sources: BLS; U.S. Census Bureau; Yardi Matrix; Union Realtime, LLC

Stable Rents Persisting Through Construction Surge

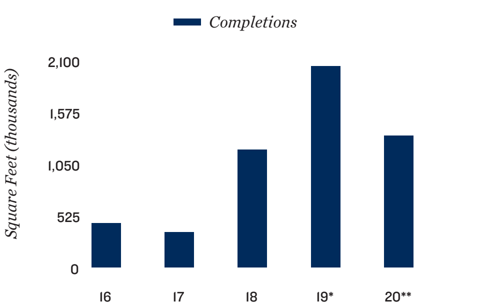
Employment Trends



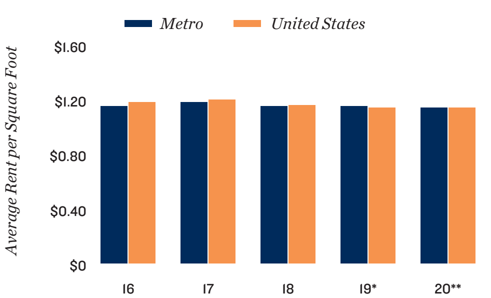
Demographic Trends



Supply Trends



Rent Trends



** Estimate; ** Forecast*

Sources: BLS; U.S. Census Bureau; Yardi Matrix; Union Realtime, LLC

Economic Overview

A labor shortage as shown by sub-3 percent unemployment constrained hiring to a net gain of 500 jobs in 2019. The financial activities sector and the construction sector maintained positive expansionary momentum amid losses in the other areas. Job creation in 2020 will jump to 11,800 workers as slow hiring in 2019 allowed the labor supply-demand imbalance to begin realigning.

Demographic Overview

Annual household creation was at its highest level of the current cycle in 2019, with more than 19,500 households being formed. The in-migration of nearly 15,000 people supported this trend. As nearly one-third of self-storage users attribute moving addresses as their primary need for storage space, this in-flow pattern is boding well for lease-up.

Construction Overview

More than 2.0 million square feet was added to the market last year, nearly doubling the 2018 total. The influx of deliveries last year increased metro inventory by 11.3 percent. Construction will slow down in 2020 as developers become cognizant of potential inventory expansion headwinds. Approximately 1.3 million square feet will be added, with projects scattered between the urban cores and suburbs.

Rent Overview

Self-storage deliveries spanning 2016 through 2019 increased the Twin Cities total inventory by nearly 25 percent. This rapid supply growth has been met with strong lease-up performance, allowing average asking rents to hold steady. In 2019, the average asking rent stuck at $1.15 per square foot and in 2020 it will decline to $1.14 per square foot.

2020 Market Forecast

Inventory — 21.5 million square feet and 5.8 square feet per capita

Employment up 0.6% — Following a dip to 0.03 percent growth in 2019, employment gains will fall back in line with the rate posted in 2018.

Population up 0.9% — The Twin Cities metro population will grow by roughly 32,700 people in 2020. In the previous year a gain of 35,300 was posted.

Construction 1.3 million sq. ft. — Delivery volume will fall 700,000 square feet shy of the 2019 total. Public Storage will be active within the metro, as four projects totaling 475,000 square feet are in the 2020 pipeline.

Rent down 0.8% — The average asking rent will dip to $1.14 per square foot this year, from $1.15 per square foot in 2019.

Declining Population a Factor in Rising Vacancy

Economic Overview

The employment base expanded for the second consecutive year in 2019, recuperating labor force losses logged in the two years prior to 2018. In 2019, New Haven-Fairfield County employers bolstered payrolls by 3,000 personnel, spearheaded by job creation within the education and health services sector. In 2020, employment growth will continue and 2,600 positions will be added.

Demographic Overview

Amid stagnant population growth, roughly 3,500 households were created this year. The ability to form new households is being supported by rising incomes, as the annual median household income edged up 2.7 percent in 2019 to $85,150. Higher incomes are also benefiting retail sales, which advanced by 3.6 percent last year.

Construction Overview

During 2019, roughly 578,000 square feet was finalized, a tick below the trailing-three-year annual average of 638,000 square feet. In the upcoming year, the pace of development will be comparable to 2019. Total inventory will increase by 3.4 percent as 559,500 square feet of storage is brought online.

Vacancy/Rent Overview

As of 2015, the metro was undersupplied in terms of self-storage inventory, with fewer than 14.0 million square feet of total space in the market. Since then, the pace of development has increased, and total inventory has jumped 18.0 percent. This induced some supply headwinds, weighing on availability. In 2019, vacancy moved up 40 basis points to 9.8 percent. Despite the vacancy increase, the average asking rent held firm at $1.21 per square foot.

2020 Market Forecast

Inventory — 16.9 million square feet and 9.3 square feet per capita

Employment up 0.3% — Building upon the 0.4 percent gain logged in 2019, the employment base will grow for the third consecutive year in 2020.

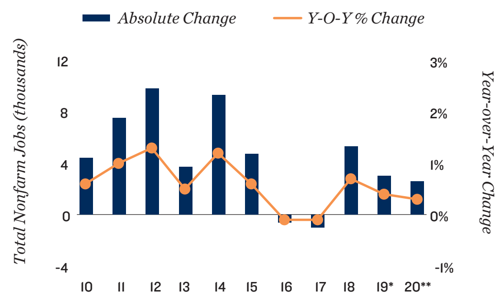
Population down 0.1% — New Haven-Fairfield County's population will recede by 1,400 people this year. In 2019, a 150-person decline was posted.

Construction 559,500 sq. ft. — Deliveries will fall 19,000 square feet shy of the 2019 total. The majority of projects in the pipeline are relatively small-scale, with floor plans below 50,000 rentable square feet.

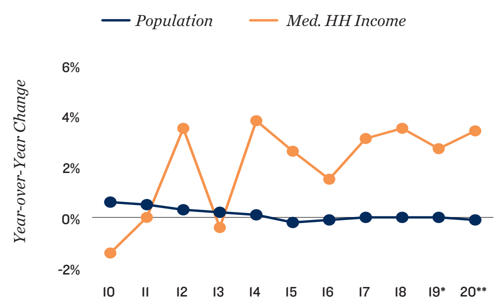
Vacancy up 50 bps — Vacancy will tick up to 10.3 percent in 2020. In the previous year a 40-basis-point jump was recorded.

Rent down 0.8% — The average asking rent inches down to $1.20 per square foot, after holding at $1.21 per square foot in 2019.

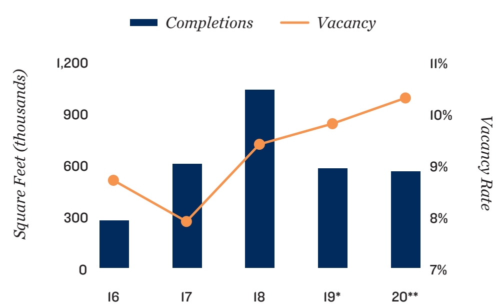
Employment Trends



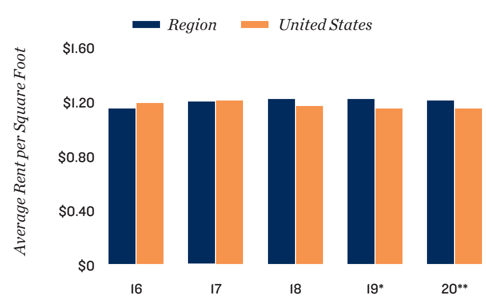
Demographic Trends



Supply and Demand Trends



Rent Trends

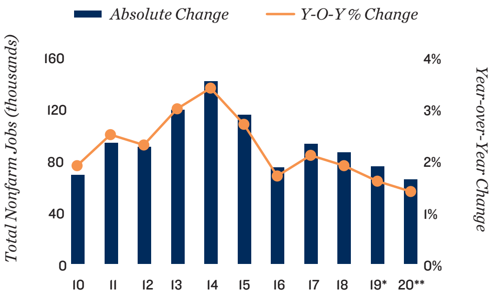


** Estimate; ** Forecast*

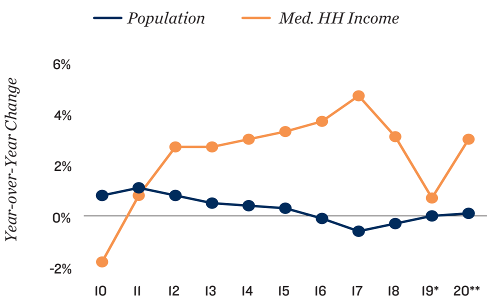
Sources: BLS; U.S. Census Bureau; Yardi Matrix; Union Realtime, LLC

Confined Living Spaces Amplify Self-Storage Need

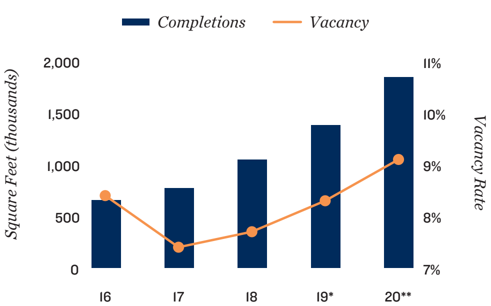
Employment Trends



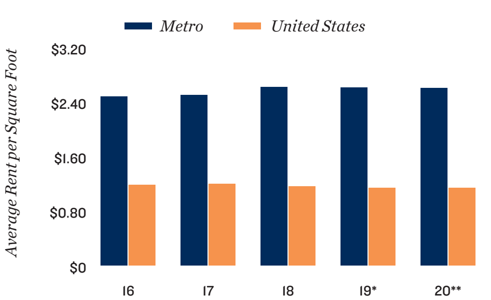
Demographic Trends



Supply and Demand Trends



Rent Trends



** Estimate; ** Forecast*
Sources: BLS; U.S. Census Bureau; Yardi Matrix; Union Realtime, LLC

Economic Overview

New York employers added 75,000 jobs last year. Hiring activity has been diverse, with the greatest contributions coming from the professional and business services, education and health services, and trade, transportation and utilities sectors. Total employment is expected to increase by 65,000 workers in 2020.

Demographic Overview

The median home price in New York is twice as high as the national median, and nearly nine times the metro's median household income level. This makes it difficult for residents to save for a downpayment on a home, and it is a major reason why nearly 80 percent of the young adults rent in the market. The preference toward apartment renting, where extra space is in short supply, creates demand for self-storage.

Construction Overview

Self-storage construction activity has been elevated in New York over the past three years as over 1.3 million square feet of new space was delivered to the market just in 2019. An additional 1.8 million square feet is projected to be built in 2020. Brooklyn is receiving a significant share of the new development as 634,000 square feet opened here in 2019, and 637,500 square feet is scheduled to be completed in the borough this year.

Vacancy/Rent Overview

Heightened development introduced some supply headwinds that are placing upward pressure on self-storage vacancy. More unoccupied space will also mildly weigh on asking rents. After jumping 5 percent in 2018 to $2.62 per square foot, the average rate will correct to $2.60 per square foot in 2020.

2020 Market Forecast

Inventory	28.3 million square feet and 3.4 square feet per capita
Employment up 1.4%	The metro gains 65,000 new workers in 2020. Office-using jobs will increase by 14,000.
Population up 0.1%	The metro's population continues to grow slowly yet steadily, adding 5,300 new residents in 2020.
Construction 1.8 million sq. ft.	After a historically high volume of self-storage completions in 2019, development will further increase in 2020.
Vacancy up 80 bps	Elevated construction will push the metro's vacancy rate up to 9.1 percent in 2020. This follows a 60-basis-point rise from 7.7 percent in 2018 to 8.3 percent in 2019.
Rent down 0.1%	In 2020, the average asking rent is projected to decline to $2.60 per square foot after dropping 0.5 percent last year.

Job and Population Growth Aid Self-Storage Outlook

Economic Overview

Low unemployment will slow job creation this year as employers have a tough time finding qualified workers to fill vacant positions. Charlotte employment growth will moderate the most, dropping to nearly a third of the 29,900 positions created last year. The professional and business services sector continues to be a large proponent of job creation in the metro, contributing to higher wages.

Demographic Overview

An increase in the number of jobs will contribute to in-migration this year. Raleigh will continue to have the fastest-growing population in the country for the 20- to 34-year-old cohort and is one of the top 10 metros in the nation for household growth. Charlotte closely follows with the sixth-fastest-expanding 20 to 34 cohort in the country in 2020.

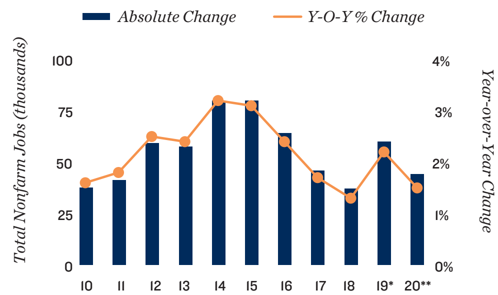
Construction Overview

Construction will contract slightly in 2020 as developers have approximately 1.8 million square feet in the pipeline, down from the 2 million square feet of deliveries in 2019. Raleigh will receive the largest share of arrivals at 814,000 square feet, which includes one of the largest projects, a 145,000-square-foot Roxboro Mini Price Storage.

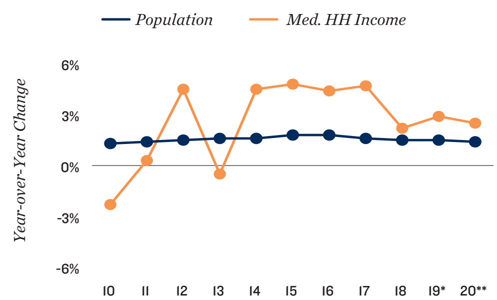
Vacancy/Rent Overview

This will be the fifth consecutive year in which vacancy has expanded as new supply will raise availability 30 basis points to 10.4 percent. As vacancy levels advance slightly, the average asking rent will remain at 84 cents per square foot in 2020.

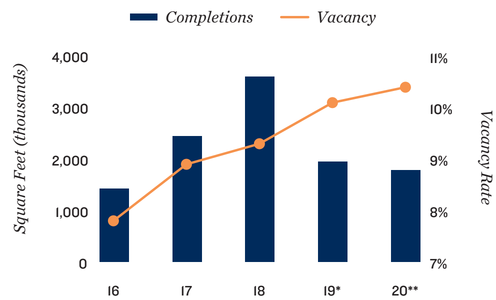
Employment Trends



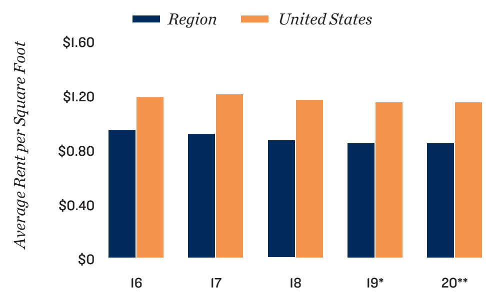
Demographic Trends



Supply and Demand Trends



Rent Trends



2020 Market Forecast

Inventory — 48.8 million square feet and 7.9 square feet per capita

Employment up 1.5% — Metrowide employment will slow in 2020 as employers add approximately a fourth fewer positions than created last year.

Population up 1.4% — Population growth will moderate for the fourth consecutive year as 87,600 more people will reside in the state's three major metros, down from 90,000 new residents in 2019.

Construction 1.8 million sq. ft. — Deliveries will slow slightly this year, down from 1.9 million square feet of completions last year.

Vacancy up 30 bps — An uptick in supply will cause a minimal lift in vacancy to 10.4 percent. Last year vacancy ended at 10.1 percent.

Rent no change — The average asking rent will not change from last year's value of 84 cents per square foot, as demand attempts to stay level with the construction pipeline.

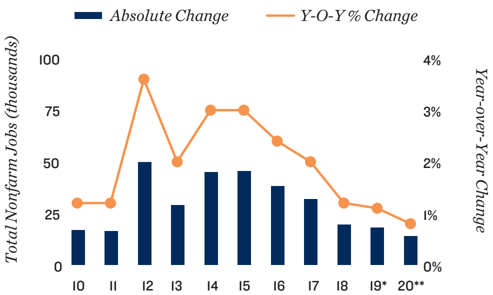
** Estimate; ** Forecast*

Sources: BLS; U.S. Census Bureau; Yardi Matrix; Union Realtime, LLC

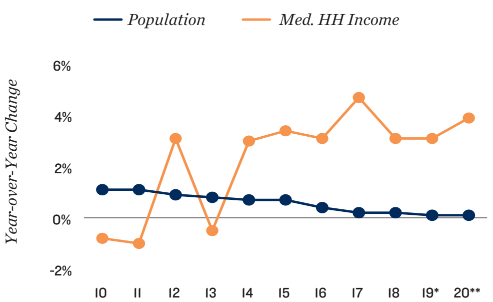
North Carolina encompasses Charlotte, Raleigh-Durham, and Greensboro-Winston Salem.

Job Creation Boosts Self-Storage Leasing

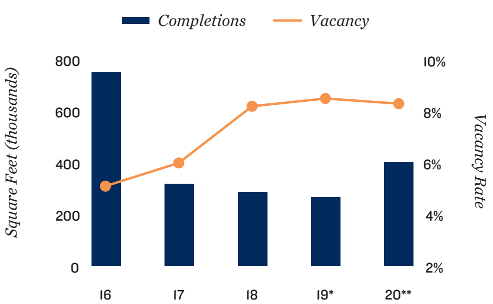
Employment Trends



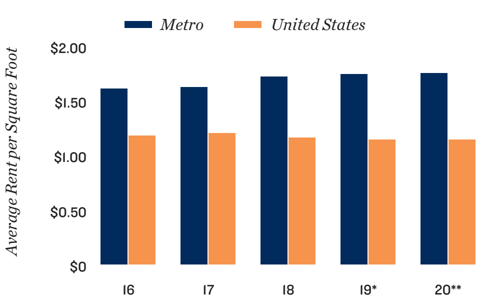
Demographic Trends



Supply and Demand Trends



Rent Trends



** Estimate; ** Forecast*

Sources: BLS; U.S. Census Bureau; Yardi Matrix; Union Realtime, LLC

Economic Overview

Orange County added 18,000 new jobs in 2019, including 8,400 positions in professional and business services, the largest contributing sector. Expanding staffs helped lower the unemployment rate to under 3 percent, continuing the decadelong trend of declining joblessness in the market. The metro will record a 0.8 percent annual lift in employment in 2020, with traditional office jobs making a large contribution.

Demographic Overview

The metro has been averaging over 26,000 new jobs annually since 2016, which led to household formations increasing by 9,600 in 2019. More people earning incomes also contributed to a 3.0 percent gain in retail sales last year with continued projected growth going forward. Dense living quarters and positive spending trends are lending to self-storage demand.

Construction Overview

About 400,000 square feet of self-storage space will be completed in 2020. This is a roughly 51 percent increase from 2019 but overall supply growth has been relatively muted compared with the country. Self-storage inventories have expanded by 9 percent in Orange County since 2014, compared with 16 percent for the nation.

Vacancy/Rent Overview

The vacancy rate for the Greater Los Angeles/Anaheim area rose 30 basis points in 2019 to 8.5 percent and will decline by 20 basis points in 2020 to 8.3 percent. In Orange County, the average asking rent has climbed annually since before 2017. Last year the average rate was $1.74 per square foot and it is projected to climb to $1.75 per square foot in 2020.

2020 Market Forecast

Inventory	20.2 million square feet and 6.3 square feet per capita
Employment up 0.8%	Orange County's employment base will expand by 13,900 workers in 2020. Of these new positions, approximately 4,500 will be traditional office-using roles.
Population up 0.1%	The metro's population will rise by 2,450 residents in 2020, about matching the pace of growth from 2019.
Construction 400,000 sq. ft.	Self-storage deliveries will increase from 265,000 square feet in 2019 to 400,000 square feet in 2020, the highest annual total since 2016 when over 750,000 square feet opened.
Vacancy down 20 bps	Vacancy in the Los Angeles-Anaheim area falls from 8.5 percent in 2019 to 8.3 percent in 2020.
Rent up 0.6%	Positive rent growth over the past few years brings the average asking rate to $1.75 per square foot in 2020.

Robust Spending Bolstering Self-Storage Demand

Economic Overview

In 2020, Orlando employers will add 40,000 new positions. Unemployment has been declining over the past decade and began the year near 3 percent. Two of the largest contributing sectors have been professional and business services, and leisure and hospitality. These two sectors will remain prominent sources of hiring throughout this year.

Demographic Overview

Orlando's 2.9 percent increase in total employment in 2019 contributed to sizable in-migration for the fifth consecutive year. The inflow 49,000 residents in 2019 supported the formation of 30,900 households. Population growth also helped drive retail sales up by 6.4 percent in 2019. A greater number of consumers spending more will positively impact self-storage demand moving forward.

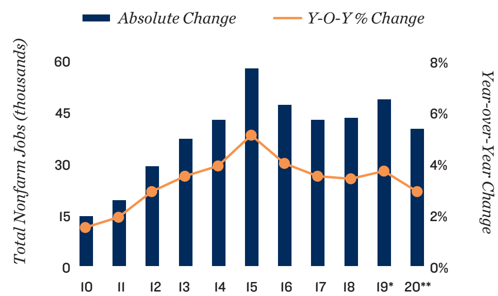
Construction Overview

Self-storage construction activity is well above where it was earlier in this cycle, with completions increasing annually since 2013 and breaking the 1 million-square-foot threshold in 2018. For this year, about 1.6 million square feet will open, compared with 1.5 million square feet in 2019. The acceleration in supply growth will test demand in 2020.

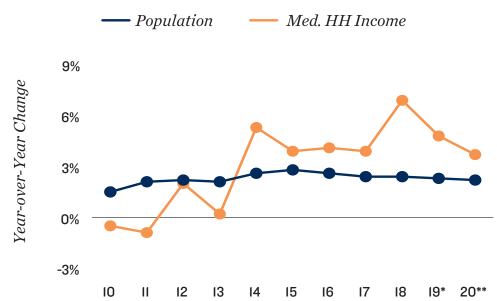
Vacancy/Rent Overview

Elevated development activity will lift Orlando's vacancy rate 90 basis points to 9.8 percent in 2020, while the average asking rent is projected to remain unchanged at $1.02 per square foot. The average monthly rate has not fallen below $1.00 for more than four years.

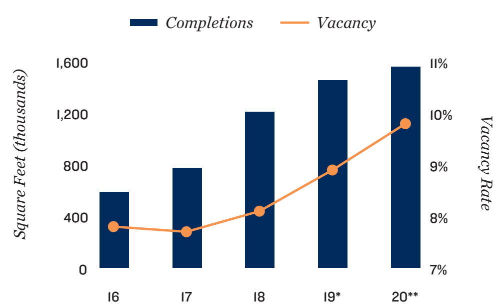
Employment Trends



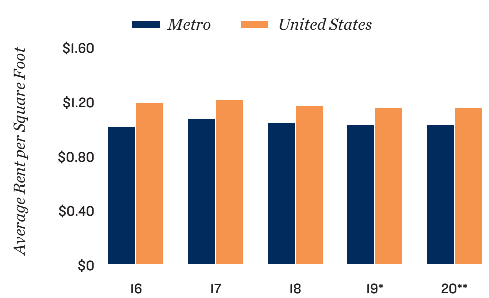
Demographic Trends



Supply and Demand Trends



Rent Trends



*Estimate; **Forecast

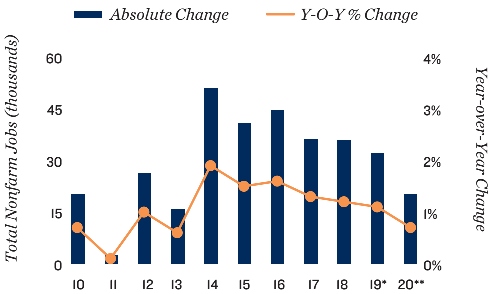
Sources: BLS; U.S. Census Bureau; Yardi Matrix; Union Realtime, LLC

2020 Market Forecast

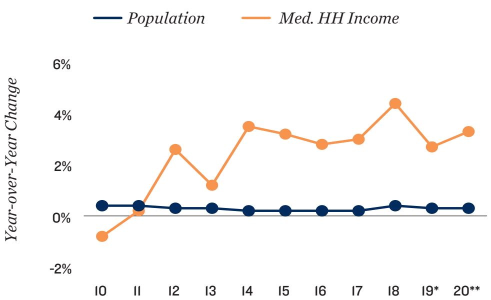
Inventory	26.3 million square feet and 9.7 square feet per capita
Employment up 2.9%	After creating 48,500 jobs in 2019, Orlando employers will add 40,000 new positions this year.
Population up 2.2%	Orlando's population will expand by 58,600 people in 2020, down from 2.3 percent in the previous year.
Construction 1.6 million sq. ft.	Approximately 104,300 more square feet will be added this year compared with 2019. The development pipeline has been expanding since 2013, following a two-year period of no completions.
Vacancy up 90 bps	Vacancy has increased nearly 200 basis points within the past two years to 9.8 percent. Vacancy was at 8.9 percent in 2019.
Rent no change	The average asking rent in Orlando is $1.02 per square foot, unchanged from the previous year.

New Households Make Use of Self-Storage

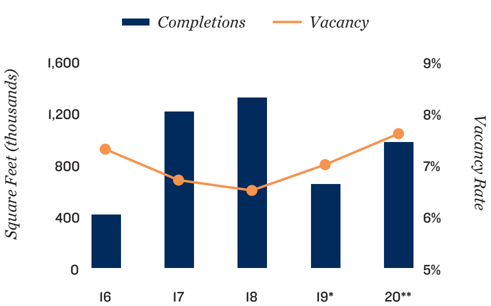
Employment Trends



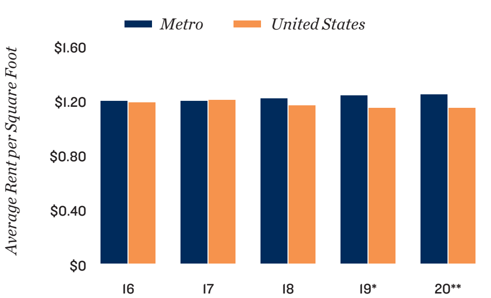
Demographic Trends



Supply and Demand Trends



Rent Trends



** Estimate; ** Forecast*

Sources: BLS; U.S. Census Bureau; Yardi Matrix; Union Realtime, LLC

Economic Overview

Philadelphia employers added 33,000 positions in 2019 with education and health services contributing the most roles followed by the trade, transportation and utilities sector. Job creation has caused the unemployment rate to decline over the past five years, from 6 percent in 2014 to around 4 percent in 2019.

Demographic Overview

New employment opportunities led to the influx of 10,050 residents in 2019. Job growth, in-migration and a lower cost of living compared with other major Northeast metros supported 22,500 household formations in Philadelphia last year, the most since 2002. The added households helped increase retail sales by about 4.6 percent, the highest annual growth rate since 2010. The continued rise in consumer spending in 2020 will have a positive impact on self-storage demand.

Construction Overview

Philadelphia's self-storage inventory grew by 645,800 square feet in 2019. About 549,100 square feet of that space opened in suburban areas. The development pipeline will heighten by 66 percent in 2020, with the bulk of total arrivals, 831,900 square feet, set to deliver outside of the urban core.

Vacancy/Rent Overview

In 2019, vacancy increased by 50 basis points and it will rise again to 7.6 percent this year. Demand remains strong nevertheless as availability in the metro lies approximately 240 basis points below the national rate. The average asking rent will also climb, up from $1.23 per square foot in 2019 to an expected $1.24 in 2020.

2020 Market Forecast

Inventory — 29 million square feet and 4.7 square feet per capita

Employment up 0.7% — Philadelphia employment growth will slow in 2020, dropping from 1.1 percent in 2019. Approximately 20,000 jobs will be added to the market.

Population up 0.3% — The metro's populace will expand by 18,000 people in 2020, the same rate of growth as the previous year.

Construction 971,000 sq. ft. — Deliveries will climb by 325,000 square feet in 2020 from the 646,000 square feet completed in 2019. Annual openings will be among the highest of the past few years.

Vacancy up 60 bps — Vacancy is set to reach 7.6 percent in 2020, marking a five-year-high rate for the metro.

Rent up 1.0% — The average asking rent has been increasing over the past three years. In 2020 the rate will climb to $1.24 per square foot.

Rapid In-Migration Supporting Demand for Self-Storage

Economic Overview

Phoenix added 53,000 new jobs in 2019, increasing the workforce by 2.5 percent. The unemployment rate has been decreasing consistently since 2015 and will start this year in the low-4 percent zone. The trade, transportation and utilities, and professional and business services sectors made the largest contributions to the job market in 2019.

Demographic Overview

Strong employment gains along with the in-migration of 76,500 residents have resulted in the population growing by over 100,000 people annually since 2018. Together, these demographic factors have contributed to 41,400 household formations and a 6.5 percent gain in retail sales in 2019, the largest annual increase in five years. Greater consumer spending is a positive factor for self-storage demand.

Construction Overview

Self-storage deliveries have surpassed 1.3 million square feet annually since 2017 and achieved a decade-high 2.5 million square feet of openings last year. Supply growth will slow in 2020 and be outpaced by demand, as shown in recent vacancy and rent trends.

Vacancy/Rent Overview

Vacancy declined in 2019 amid a 84 percent year-over-year increase in annual completions, as robust job and population growth helped drive up self-storage rental demand. Rents likewise remained unscathed by the robust construction activity in 2019. Moving into 2020, availability is expected to contract further while the average asking rent will climb to $1.04 per square foot.

2020 Market Forecast

Inventory — 36.6 million square feet and 7.2 square feet per capita

Employment up 1.8% — Employers will add 40,000 jobs in 2020. Approximately 8,000 of those positions will be in the professional and business services, financial activities, and information sectors.

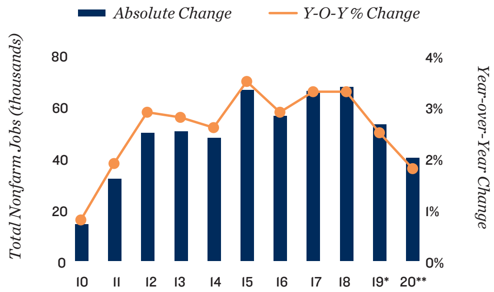
Population up 2.1% — The metro's populace will expand by 102,800 residents this year, growing by a consistent 2.1 percent for the third consecutive year.

Construction 1.8 million sq. ft. — Approximately 1.8 million square feet will be delivered in 2020, after a cycle-high 2.5 million square feet was deposited last year. An average of 1.8 million has opened per year since 2017.

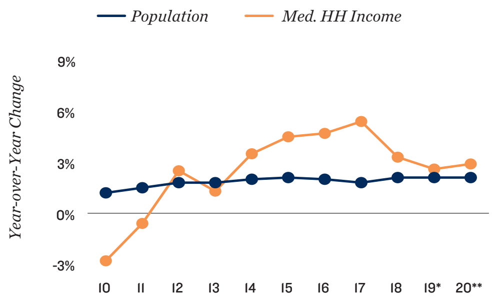
Vacancy down 50 bps — Metro vacancy will fall to 6.7 percent in 2020, down 160 basis points from the end of 2017.

Rent up 1.0% — The metro's average asking rent will rise to $1.04 per square foot following no change last year.

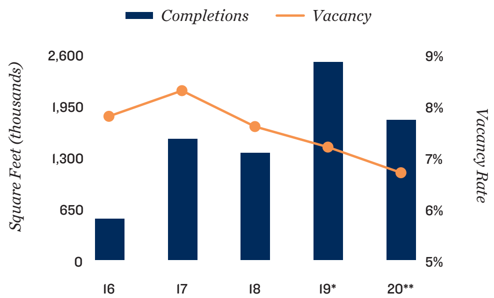
Employment Trends



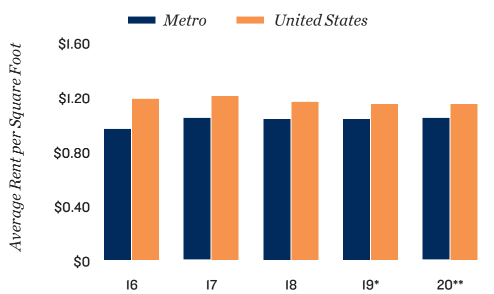
Demographic Trends



Supply and Demand Trends



Rent Trends

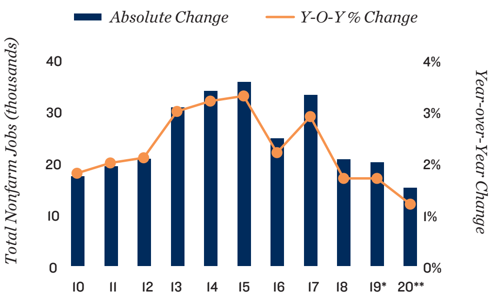


* Estimate; ** Forecast

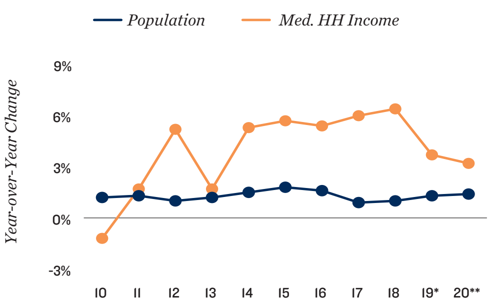
Sources: BLS; U.S. Census Bureau; Yardi Matrix; Union Realtime, LLC

Spike in Retail Spending Aiding Self-Storage Demand

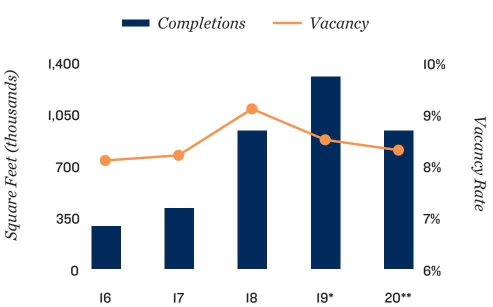
Employment Trends



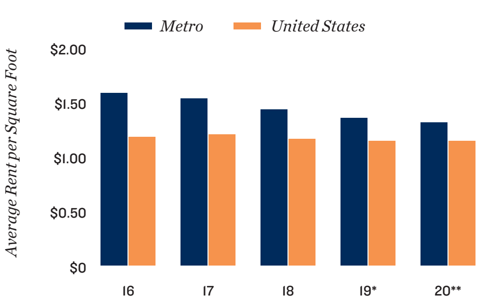
Demographic Trends



Supply and Demand Trends



Rent Trends



** Estimate; ** Forecast*

Sources: BLS; U.S. Census Bureau; Yardi Matrix; Union Realtime, LLC

Economic Overview

Approximately 20,000 new jobs were added to the metro last year. The largest contributions by sector were trade, transportation and utilities, and professional and business services. Employers have added a minimum of 20,000 roles per year since 2012, helping lower the unemployment rate 350 basis points over that span to under 4 percent in 2019.

Demographic Overview

Employers in professional and business services; trade, transportation and utilities; and education and health services brought in talent, helping the population to grow by 33,000 people last year. Net in-migration reached 19,000 new residents, lending to the formation of 18,400 households, the most within a single year since at least 2000. These households will contribute to over $49.7 billion in retail sales this year, a 6.1 percent annual jump, giving strong support for future self-storage use.

Construction Overview

Last year recorded the largest deposit of completions since 2010 at about 1.3 million square feet. Even though the development pipeline has expanded, there has been little fluctuation in rent, illustrating strong demand.

Vacancy/Rent Overview

Despite heightened construction, Portland's vacancy rate has been declining as renter demand has kept pace with additions. To fill vacant units, operators may be cutting street rates. The average asking rent in 2019 was at $1.35 per square foot, 8 cents less than the previous year, when rates fell by 10 cents on average. Monthly payments are expected to decrease in 2020, further benefiting vacancy.

2020 Market Forecast

Inventory	16.5 million square feet and 6.4 square feet per capita
Employment up 1.2%	About 15,100 new jobs will come to Portland in 2020; about 3,800 of those positions will be in the professional and business services, financial activities, and information sectors.
Population up 1.4%	Portland will gain 36,000 new residents in 2020, the largest annual population increase of the past four years.
Construction 935,000 sq. ft.	Completions scheduled for 2020 are among the highest of the past five years, yet they are roughly 365,100 square feet short of the total from 2019, a cycle high.
Vacancy down 20 bps	Metro vacancy will fall to 8.3 percent in 2020, following a 60-basis-point cut last year.
Rent down 3.0%	The average asking rent will decline to $1.31 per square foot in 2020, the lowest it's been in the past four years.

Self-Storage Use Denoted by Vacancy and Rent Trends

Economic Overview

Employers added 37,000 positions to the metro in 2019, supported by robust hiring in the education and health services sector as well as at government agencies and in the professional and business services sector. These employment gains helped drop the unemployment rate to just under 4 percent in 2019, building on annual decreases dating back to 2015.

Demographic Overview

Ongoing job creation contributed to the in-migration of 29,000 residents in 2019, leading to a 1.9 percent increase in the number of households. Since 2015 median household income has risen by an average of $2,100 annually, contributing to consistent annual rises in consumer spending dating back to 2016. Appreciating levels of income and retail spending will heighten the need for self-storage over time.

Construction Overview

The largest deposit of completions so far this decade came in 2019 at 531,000 square feet following two successive years of pipeline expansion. The delivery total for 2020 will surpass that threshold by roughly 60,000 square feet for the most self-storage space opened in the Inland Empire within a year so far this economic cycle.

Vacancy/Rent Overview

Drops in vacancy and rent gains exemplify the strong demand for self-storage in the market. In 2019 vacancy declined by 30 basis points to 6.6 percent while the average asking rent climbed by 3 cents to $1.13 per square foot. Both trends will continue in 2020 despite a modest increase in construction activity.

2020 Market Forecast

Inventory — 34.5 million square feet and 7.3 square feet per capita

Employment up 2.2% — Employers will add 34,300 jobs in 2020, marking the third consecutive year in which more than 33,000 positions were created in the market.

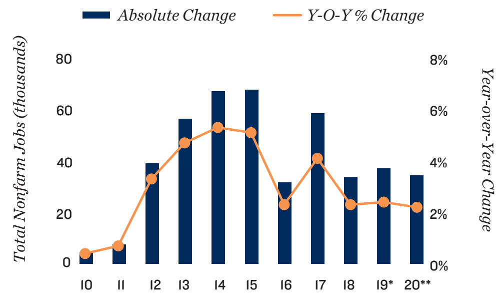
Population up 1.1% — The metro's population will grow by 53,450 residents in 2020. Over the past five years, the population has expanded by an average of 53,441 residents annually.

Construction 592,000 sq. ft. — Deliveries will rise by 11 percent year over year in 2020 for potentially the largest delivery schedule in 11 years.

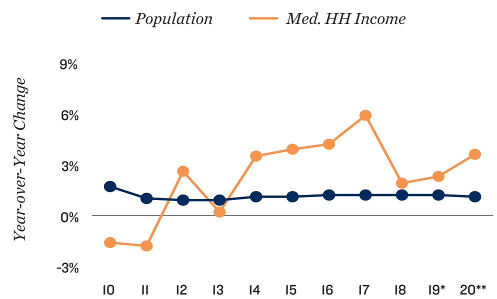
Vacancy down 20 bps — Vacancy will fall to 6.4 percent this year, the lowest it has been since 2016, even as development activity expands.

Rent up 1.8% — The average asking rent will climb 2 cents to $1.15 per square foot in 2020. Consistent annual rent increases date back to 2017.

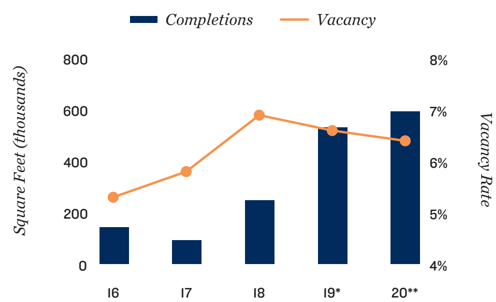
Employment Trends



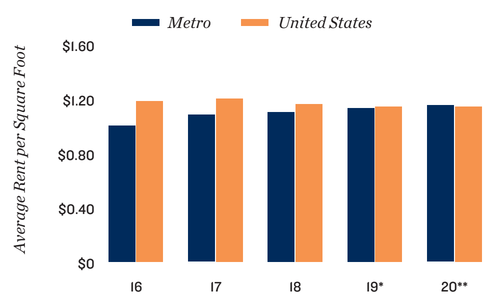
Demographic Trends



Supply and Demand Trends



Rent Trends



** Estimate; ** Forecast*

Sources: BLS; U.S. Census Bureau; Yardi Matrix; Union Realtime, LLC

Consumer Spending Aiding Self-Storage Demand

Economic Overview

Employers added a total of 18,000 new positions to the metro in 2019 with an unemployment rate near 3.3 percent, a five-year low. Substantial hiring came from the government, education and health services, and trade, transportation and utilities sectors. The tight unemployment rate will curb hiring to about 11,000 positions in 2020.

Demographic Overview

Sacramento's 1.8 percent increase in jobs during 2019 contributed to the in-migration of 13,800 people, expanding the overall population to 2.4 million people that year. In-migration also aided in the formation of 13,500 additional households. In the same year, the median household income level grew by 3 percent. A greater number of households with new wealth helped improve retail spending by 4 percent in 2019, bolstering future self-storage demand.

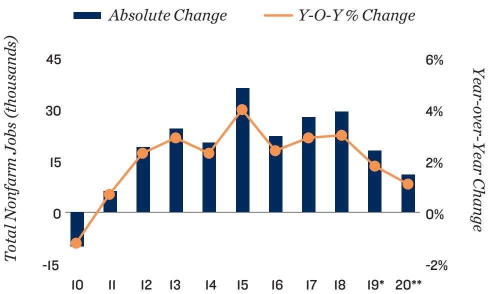
Construction Overview

About 493,100 square feet of self-storage space was completed in the metro in 2019, a 29 percent increase from the previous year when 381,230 square feet was delivered. More than 1 million square feet is set to be finalized in 2020, the largest annual deposit for the metro in nearly 20 years, raising the market's inventory by 8 percent in just 12 months.

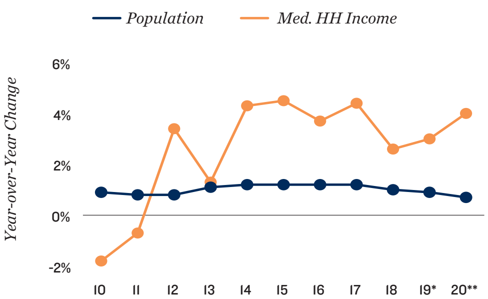
Vacancy/Rent Overview

The wave of new supply is placing pressure on operators to lease units, impacting availability and rents. Vacancy increased to 9.6 percent in 2019 and will rise to 10.7 percent in 2020, the highest rate in at least five years. The average asking rent per square foot rose by 1 cent in 2019 to $1.33 but is anticipated to fall in 2020.

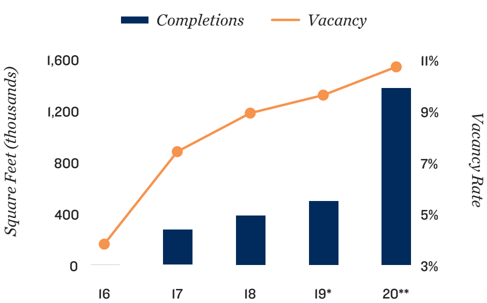
Employment Trends



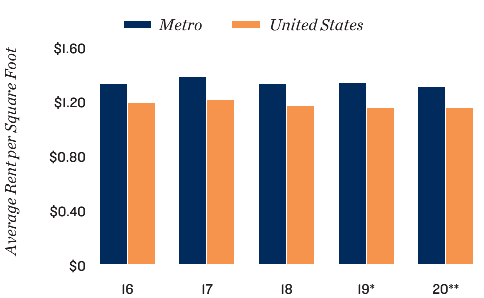
Demographic Trends



Supply and Demand Trends



Rent Trends



** Estimate; ** Forecast*

Sources: BLS; U.S. Census Bureau; Yardi Matrix; Union Realtime, LLC

2020 Market Forecast

Inventory — 19.6 million square feet and 8.2 square feet per capita

Employment up 1.1% — Approximately 11,000 new jobs will be added in 2020. About 1,700 of those roles will be based in offices.

Population up 0.7% — Sacramento's population will grow by 17,208 residents in 2020. The number of residents in the metro has expanded by an average of 23,550 per year dating back to 2016.

Construction 1.4 million sq. ft. — Completions for 2020 will total 1.4 million square feet, nearly 900,000 more square feet than was delivered the previous year. By 2020, inventory will have grown 15 percent in five years.

Vacancy up 110 bps — The vacancy rate will rise by 110 basis points to 10.7 percent in 2020 following a 70-basis-point increase in 2019.

Rent down 2.3% — The average asking rate will drop to $1.30 per square foot from $1.33 in 2019. Rent has not fallen below $1.30 since before 2016.

Construction Tapers, Raising Vacancy and Rent Growth

Economic Overview

Salt Lake City's employment base expanded by 2.5 percent in 2019 with the addition of approximately 32,000 jobs. Nearly a third of those roles came from the professional and business services sector, while ample hiring also occurred in the education and health services sector. A tightening unemployment rate under 3 percent at the end of 2019 will curb 2020 job growth to about 1.7 percent.

Demographic Overview

Employment gains contributed to the in-migration of 15,900 residents last year. This inflow encouraged the formation of 16,700 households in 2019, with a metrowide median household income of $75,000 per year. Additional households supported a 7.3 percent increase in retail spending, sustaining ongoing demand for self-storage.

Construction Overview

The self-storage development pipeline expanded notably in 2018 when more than 1 million square feet was delivered for the first time since 2008. Construction activity increased an additional 6 percent in 2019 to a total of 1.2 million square feet, the largest deposit of the past decade. That record will not be challenged in 2020, as completions are set to taper to about 806,000 square feet.

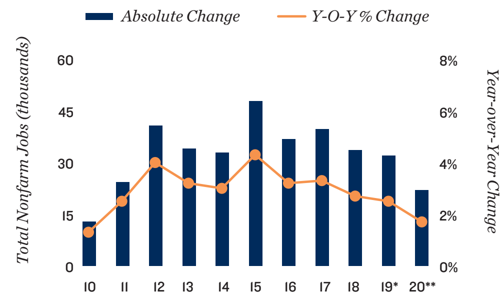
Vacancy/Rent Overview

Vacancy decreased in 2019 to 9.0 percent, a 30-basis-point decline from 2018, and the rate is expected to drop again in 2020 to 8.6 percent, despite numerous recent completions. Strong demand has also encouraged rent growth. The average asking rate for 2019 improved to 98 cents per square foot and is anticipated to advance further this year.

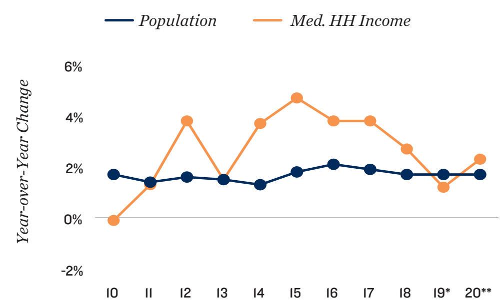
2020 Market Forecast

Inventory	25 million square feet and 9.4 square feet per capita
Employment up 1.7%	About 22,000 jobs will come to the market in 2020, following a 2.5 percent annual job gain from the previous year.
Population up 1.7%	The metro's total population will grow by 43,000 residents in 2020, increasing the total number of residents to 2.6 million.
Construction 806,000 sq. ft.	In 2020, total completions in self-storage will be one of the largest deposits of the past decade yet fall short of 2019's total.
Vacancy down 40 bps	The vacancy rate will drop to 8.6 percent in 2020, extending a consistent decline in availability that began in 2018.
Rent up 2.0%	The average asking rate will increase to $1.00 per square foot this year. Rent has improved each of the past three years.

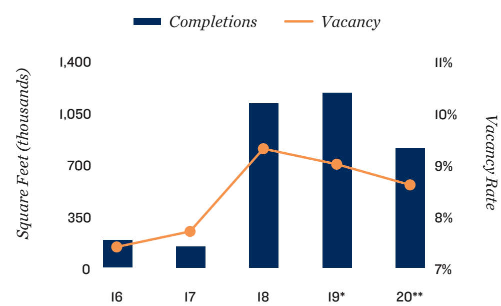
Employment Trends



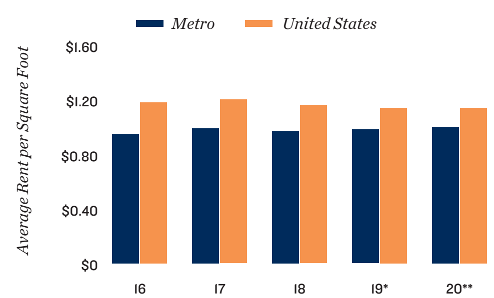
Demographic Trends



Supply and Demand Trends



Rent Trends

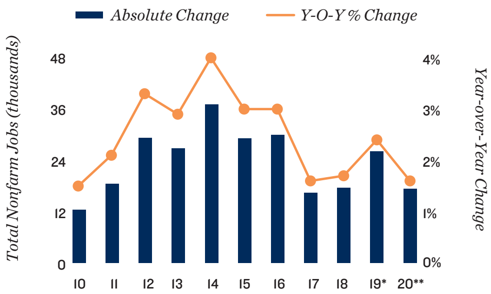


*Estimate; ** Forecast

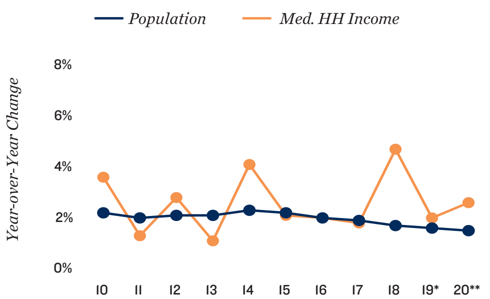
Sources: BLS; U.S. Census Bureau; Yardi Matrix; Union Realtime, LLC

Consumer Spending Underscores Self-Storage Demand

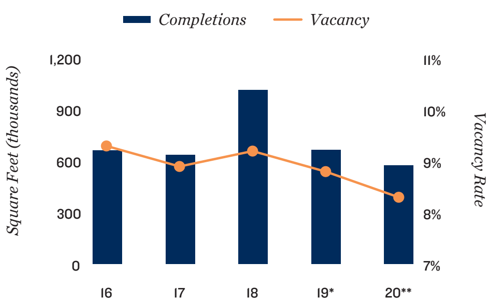
Employment Trends



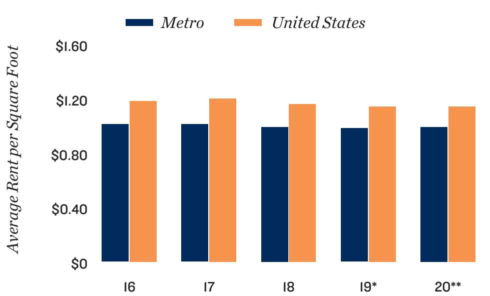
Demographic Trends



Supply and Demand Trends



Rent Trends



** Estimate; ** Forecast*

Sources: BLS; U.S. Census Bureau; Yardi Matrix; Union Realtime, LLC

Economic Overview

Total employment in San Antonio increased 2.4 percent in 2019, adding 28,000 new positions. The sector employing the most new personnel was the professional and business services sector. The unemployment rate fell to under 3 percent in 2019, which will slow the place of hiring to about 1.6 percent in 2020.

Demographic Overview

Job growth and the positive net migration of 19,400 residents contributed to 16,000 additional household formations for 2019. The added households supported a 3.2 percent increase in retail spending that year, bringing the sum to $49.3 billion. This will likely create future demand for self-storage as individuals seek space to store belongings.

Construction Overview

Self-storage construction tapered in 2019 following the a cyclical high of one million square feet opened in 2018. Deliveries for 2020 will fall again to about the annual average for the past decade. Since 2009 an average of 556,000 square feet has been completed per year, expanding supply by 32 percent in that span, the second fastest pace in Texas behind Austin.

Vacancy/Rent Overview

Amid one of the largest self-storage deposits in recent years, 2019 recorded a drop in vacancy, falling from 9.2 percent in 2018 to 8.8 percent in 2019, the lowest vacancy rate since 2015. The average asking rent fluctuated little, dipping 1 cent to 98 cents per square foot. Both metrics are set to improve in 2020 as supply growth moderates.

2020 Market Forecast

Inventory	21.6 million square feet and 8.3 square feet per capita
Employment up 1.6%	Approximately 17,300 jobs will be added in 2020, coming off a 2.4 percent employment growth rate from the prior year.
Population up 1.4%	San Antonio will add an additional 36,000 residents in 2020, bringing the total population to 2.6 million residents.
Construction 573,600 sq. ft.	About 91,000 fewer square feet will be completed in 2020 compared with the previous year, a 3 percent rate of expansion.
Vacancy down 50 bps	Availability will decline for the second consecutive year, bringing the metrowide rate down to 8.3 percent.
Rent up 1.0%	The average asking rent will increase to 99 cents per square foot raising 1 cent from 2019.

More Households Facilitate Elevated Construction

Economic Overview

The pace of job growth will moderate to its lowest level since 2011 this year as 16,700 positions are added. The professional and business services, and government sectors have been key contributors to hiring. Decreasing unemployment has hindered companies from finding qualified workers to fill vacant positions, resulting in a smaller expansion of the labor pool in 2020.

Demographic Overview

Robust household formation continues in San Diego, matching the nation's average rate of growth for the second consecutive year. This year 12,400 new households will be added, building on the addition of 14,700 in 2019. Median household income will also follow on an upward trend, lifting above the nation's average in 2020 to $86,200.

Construction Overview

The construction pipeline will heat up in 2020, as developers expect to finish approximately 668,000 square feet before year end. This is more than double 2019's number of completions and surpasses the average annual deposit for the past five years by roughly 400,000 square feet. A new Pac–It–Away facility will have the largest footprint of 2020 openings, spanning over 100,000 square feet of rentable space north of the city toward Miramar.

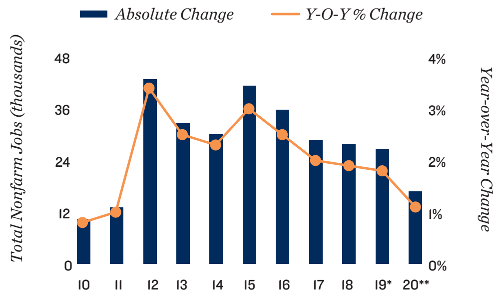
Vacancy/Rent Overview

Demand will keep pace with supply for the third year in row, contracting vacancy 20 basis points to 5.8 percent; it's the lowest rate since 2015. As 2020's year-over-year vacancy contraction will be smaller than 2019's, the average asking rent will lift minimally.

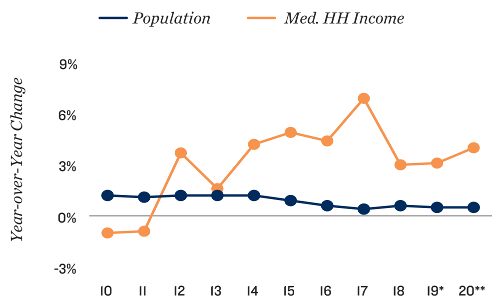
2020 Market Forecast

Inventory	20.9 million square feet and 6.2 square feet per capita
Employment up 1.1%	Following a gain of 26,500 jobs in 2019, hiring will decelerate this year as metro employers add 16,700 new workers.
Population up 0.5%	San Diego's population growth edges up at an equivalent rate to last year, as 17,200 more people call the metro home.
Construction 668,000 sq. ft.	Deliveries will more than double this year, following a 296,300-square-foot completion pipeline in 2019.
Vacancy down 20 bps	After contracting 30 basis points last year, vacancy will drop again in 2020 to 5.8 percent.
Rent up 0.6%	The average asking rent will remain near par with last year's rate, as the average price per square foot rises to $1.58.

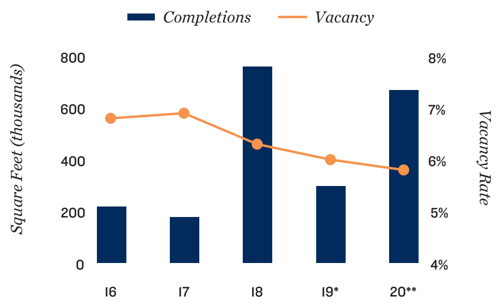
Employment Trends



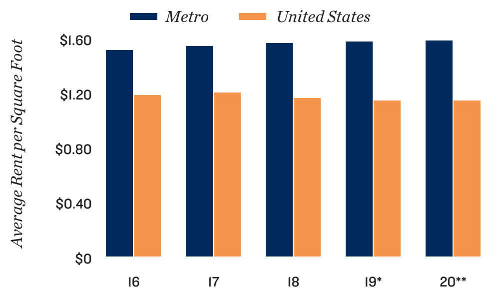
Demographic Trends



Supply and Demand Trends



Rent Trends

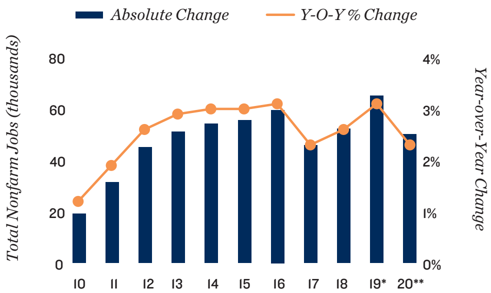


*Estimate; **Forecast

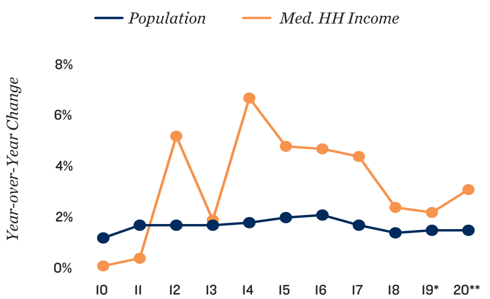
Sources: BLS; U.S. Census Bureau; Yardi Matrix; Union Realtime, LLC

Vacancy Drops Amid Rapid Inventory Expansion

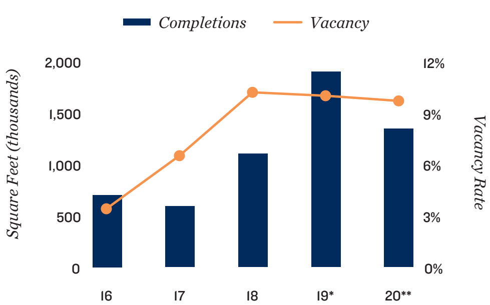
Employment Trends



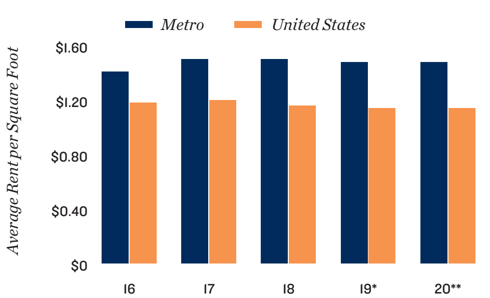
Demographic Trends



Supply and Demand Trends



Rent Trends



** Estimate; ** Forecast*

Sources: BLS; U.S. Census Bureau; Yardi Matrix; Union Realtime, LLC

Economic Overview

The Seattle metro, an economic powerhouse of the Pacific Northwest, held its position among the nation's top-tier metros in job creation, as an array of employment sectors added workers in 2019. In the five years leading into 2019, an average of 53,400 positions were created annually, and 65,000 jobs were created last year. In 2020 hiring will return to the mean, with 50,000 roles being created.

Demographic Overview

Strong employment gains are correlated with a steady inflow of new residents accepting job offers within the metro. In 2019, in-migration totaled nearly 32,000 people, compounding the formation of 26,400 households. With land availability a limiting factor on housing inventory growth and spacial capacity of residences, self-storage is receiving robust lease-up as people seek repositories for their belongings.

Construction Overview

Development activity has intensified every year after 2016 when vacancy fell to a cycle-low 3.4 percent. In 2019, nearly 1.9 million square feet was brought to market, which increased total inventory by 6 percent. The 2020 pipeline of 1.3 million square feet is still strong, but supply-induced vacancy climbs have brought caution to some developers.

Vacancy/Rent Overview

Vacancy retracted 20 basis points to 10.0 percent in 2019 amid a slew of deliveries, showing demand for storage space is almost holding pace with construction. Steady leasing and strategic locality of new development are holding rental costs relatively firm. The average asking rate will remain at $1.48 per square foot for the second consecutive year in 2020.

2020 Market Forecast

Inventory
34.9 million square feet and 8.6 square feet per capita

Employment up 2.3%
The 3.1 percent growth logged in 2019 won't be repeated this year; however, the pace of employment gains will more than double the 1.0 percent national expansion.

Population up 1.4%
Seattle's population will increase by roughly 55,000 in 2020 as growth holds par with the 1.4 percent advance logged last year.

Construction 1.3 million sq. ft.
More than 1 million square feet will be added to the market for the third consecutive year. Multiple projects will be large in scale, with rentable space exceeding 125,000 square feet.

Vacancy down 30 bps
Vacancy will move down to 9.7 percent in 2020, building upon the 20-basis-point contraction registered in 2019.

Rent no change
The average asking rent holds stable at $1.48 per square foot. During the inventory expansion dating back to 2017, average rent hasn't deviated by more than 2 cents per square foot on an annual basis.

In-Migration Fueling Demand for Storage Space

Economic Overview

Job creation continues in light of sub-national-level unemployment rates. Among the three metros, Miami added positions at the fastest pace, growing the total employment base by 2.5 percent. West Palm Beach followed closely behind, posting a 2.3 percent advance. In 2020, labor shortage headwinds will moderate hiring in Miami and West Palm Beach, yet remain strong with employment growth rates just a tick below 2 percent.

Demographic Overview

Employers recruiting from outside the region and the retirement appeal of southeastern Florida is boosting in-migration, which totaled nearly 70,000 in 2019. West Palm Beach buoyed this total, with roughly 30,000 relocations to the metro last year. This inflow of residents supported the formation of 49,000 households within the three metros, and each posted household growth rates above national levels.

Construction Overview

The development of self-storage maintains the rapid pace that it has been on since 2017, as more than 2.5 million square feet will be completed for the third consecutive year in 2020. Nearly half of this total is slated to be delivered in Miami, which will increase the metro's inventory by 7.6 percent.

Vacancy/Rent Overview

Vacancy remains nearly 100 basis points below the national average; however, expeditious development is weighing on rent growth potential. The average asking rent declined in all three metros in 2019. Fewer deliveries in West Palm Beach and strengthening demand in Fort Lauderdale will turn the tides in 2020, with each metro posting positive rent gains.

2020 Market Forecast

Inventory — 46.9 million square feet and 7.3 square feet per capita

Employment up 1.7% — Employers will create roughly 47,000 roles this year, an abatement from the 58,000 positions added in 2019.

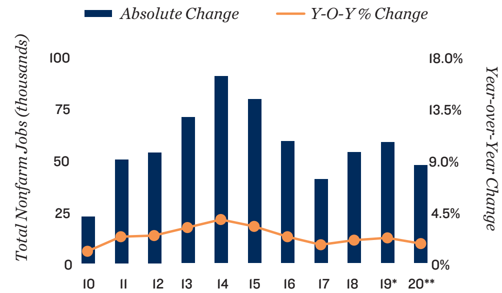
Population up 1.3% — Strong in-migration and steady employment gains result in a population growth totaling 82,400 individuals in 2020.

Construction 2.5 million sq. ft. — Deliveries are comparable to the trailing-three-year average, as Miami and Fort Lauderdale each receive 1 million-plus square feet. West Palm Beach will log its lowest delivery total since 2017.

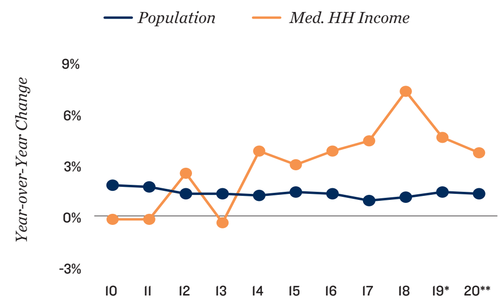
Vacancy up 10 bps — Amid a large volume of arrivals, strengthening demand keeps the rise in vacancy minimal in 2020, inching up to 9.1 percent.

Rent down 2.7% — Average asking rent will grow by 1.6 percent in West Palm Beach and 0.7 percent in Fort Lauderdale. However, Miami will post a 3.8 percent decline, pulling down the aggregate average.

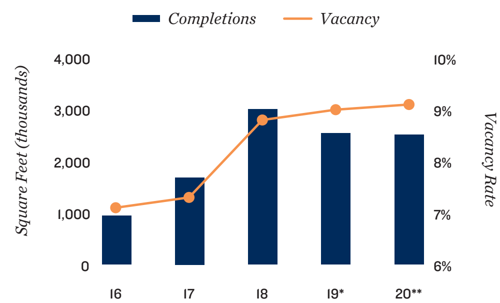
Employment Trends



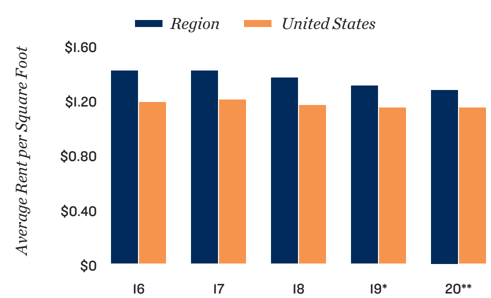
Demographic Trends



Supply and Demand Trends



Rent Trends



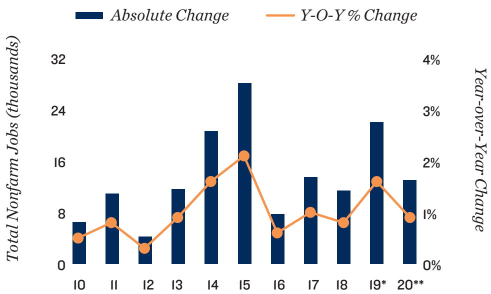
** Estimate; ** Forecast*

Sources: BLS; U.S. Census Bureau; Yardi Matrix; Union Realtime, LLC

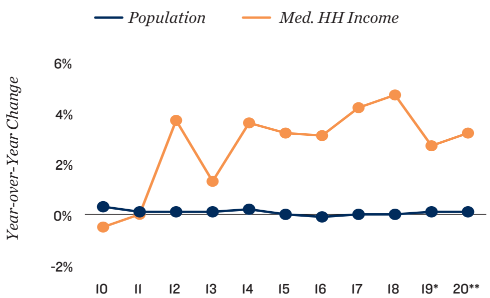
The Southeast Florida region encompasses Fort Lauderdale, Miami-Dade, and West Palm Beach.

Income Growth Triggers New Self-Storage Demand

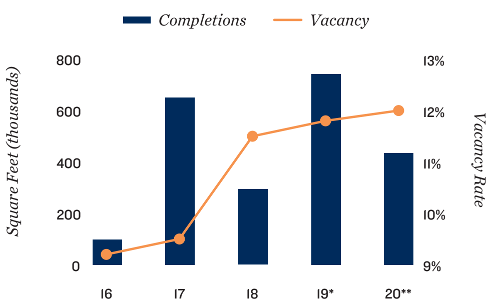
Employment Trends



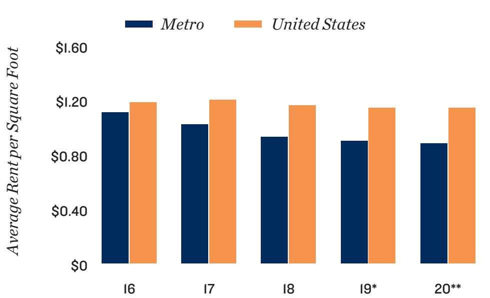
Demographic Trends



Supply and Demand Trends



Rent Trends



** Estimate; ** Forecast*

Sources: BLS; U.S. Census Bureau; Yardi Matrix; Union Realtime, LLC

Economic Overview

As the metro's low unemployment rate makes it difficult for firms to find a qualified workforce, job creation will slow this year, moderating from 22,000 hires in 2019 to 13,000 this year. The leisure and hospitality sector continues to be an employment driver, in addition to St. Louis' boost of hiring in the construction and manufacturing industries.

Demographic Overview

Employment gains promote a notable increase in household income, while the metro's number of households expand at the previous five-year average rate of growth. This year the median household income will increase 3.2 percent, following a 2.7 percent gain in 2019. The median income level for the nation will only climb by 2.8 percent this year.

Construction Overview

Development will ease this year; however, it will remain above the previous 10-year average number of completions. Approximately 433,000 square feet will be delivered, dipping 40 percent from last year's number. An EZ Storage facility will mark one of the largest projects to be completed this year as the storage complex will hold approximately 106,000 rentable square feet.

Vacancy/Rent Overview

Vacancy will rise minimally this year to 12.0 percent, increasing at a slower pace than during any of the past four years. Dating back to 2014, this year's vacancy rate is the highest on record. As a result of elevated availability, rent will decrease nominally, slowing from last year's rate of decline.

2020 Market Forecast

Inventory — 14.3 million square feet and 5.1 square feet per capita

Employment up 0.9% — Following the addition of 22,000 jobs in 2019, hiring will slow to 13,000 positions this year.

Population up 0.1% — The metro's population will increase at a moderate level for the second consecutive year, gaining 2,300 new residents.

Construction 432,900 sq. ft. — Completions will ease this year after the delivery of 740,000 square feet in 2019.

Vacancy up 20 bps — Vacancy will continue on an upward trend for the fourth consecutive year, following a 30 basis-point increase in 2019.

Rent down 2.2% — The average asking rent will decline nominally this year to 88 cents per square foot. This follows a 3.2 percent decrease in 2019.

Construction Activity Abates; New Arrivals Still Leasing

Economic Overview

Staunch hiring within the professional and business sector as well as the financial sector bolstered job growth in 2019. The employment base increased by 24,000 personnel; however, this addition fell one-third shy of the trailing-five-year annual average, as employers faced headwinds in finding available labor amid a cycle-low unemployment rate. In 2020, job creation will remain consistent and roughly 23,600 positions will be added.

Demographic Overview

Job creation in high-wage fields including finance, insurance, and engineering are buoying the median household income. Following a 7.6 percent growth in the median household income in 2018, this figure jumped an additional 5.0 percent in 2019. With larger incomes to support increased consumer spending, retail sales are benefiting. This year, total retail sales will rise 6.9 percent, above the national growth rate of 2.4 percent.

Construction Overview

A supply surge that brought nearly 2.5 million square feet to market in 2018 subsided last year, with less than half of that total being completed. In 2020, deliveries will curtail below 1.0 million square feet for the first time since 2016, as market fundamentals soften and developers become cognizant of potential inventory expansion headwinds.

Vacancy/Rent Overview

The 4.7 million square feet delivered between 2017 and 2019 has caused a short-term supply-demand imbalance. Vacancy notched up 80 basis points to 8.7 percent in 2019, inducing a retreat in the average asking rent. These trends will continue in 2020.

2020 Market Forecast

Inventory — 28.7 million square feet and 8.8 square feet per capita

Employment up 1.7% — The employment growth trajectory is maintained as gains are comparable with the 1.8 percent expansion posted in 2019.

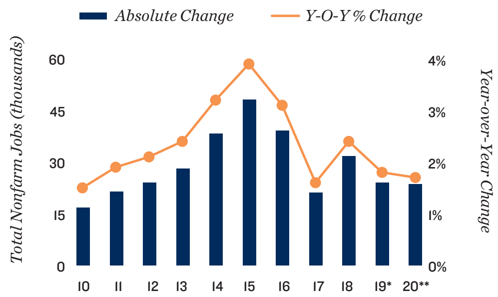
Population up 1.2% — Population growth remains above the national rate of 0.6 percent, yet eases slightly from the 1.3 percent margin posted in 2019.

Construction 850,500 sq. ft. — Development declines by 350,000 square feet from the 2019 delivery total, with projects well dispersed between coastal communities and inland neighborhoods.

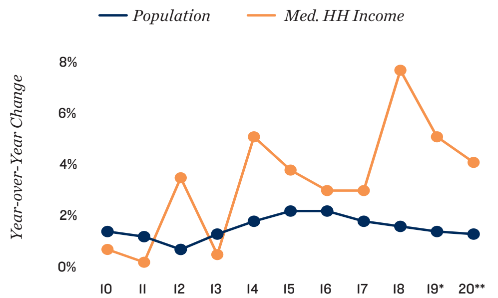
Vacancy up 50 bps — Vacancy ticks up to 9.2 percent this year. However, this is an improvement upon the 80-basis-point jump posted in the previous year, showing positive signs of a recalibration toward equilibrium.

Rent down 1.9% — The average asking rent abates to $1.06 per square foot this year. In 2019 a 2.7 percent decline was recorded.

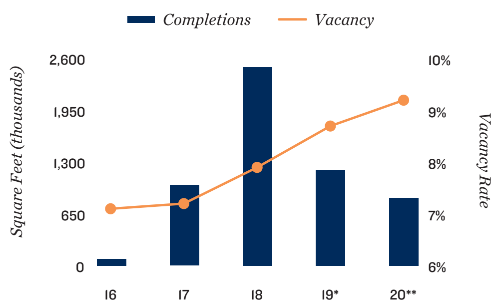
Employment Trends



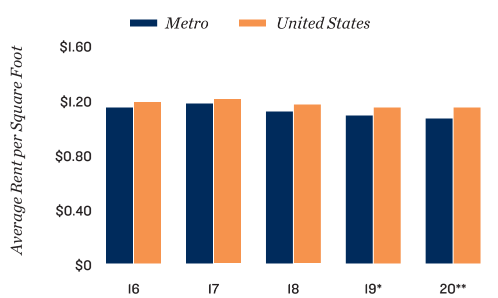
Demographic Trends



Supply and Demand Trends



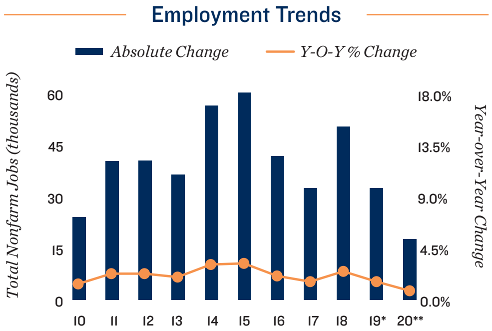
Rent Trends

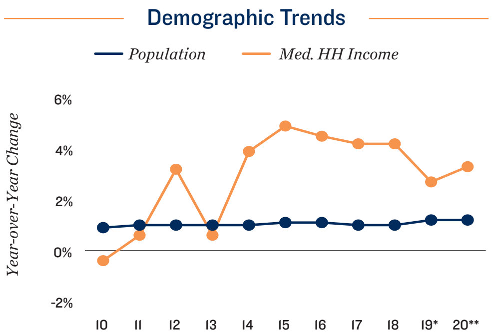


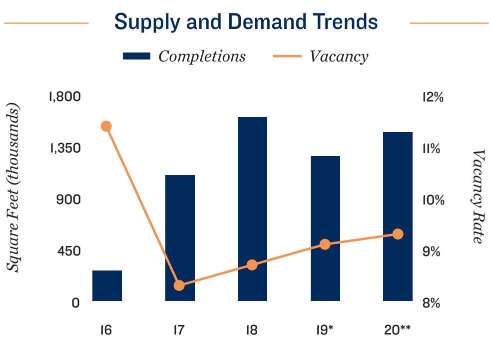
*Estimate; **Forecast

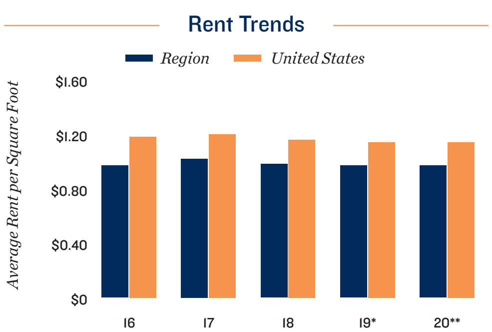
Sources: BLS; U.S. Census Bureau; Yardi Matrix; Union Realtime, LLC

Population Expansion Triggers Increased Construction









** Estimate; ** Forecast*

Sources: BLS; U.S. Census Bureau; Yardi Matrix; Union Realtime, LLC

Tennessee encompasses Knoxville, Memphis, and Nashville.

Economic Overview

In 2020, employers will add nearly half of the 32,500 positions created last year. The pace of job growth will decline the most in Knoxville, as the average growth rate will drop to 0.3 percent. Hiring will also decline in Nashville, although the metro will remain the greatest contributor to overall jobs as employers add 13,600 positions in 2020, down from 16,500 positions generated in 2019.

Demographic Overview

The population continues to rise throughout the region as Nashville and Knoxville exceed the national rate of growth while Memphis matches that pace. Amid a small decline in hiring, Nashville's population will expand by 1.8 percent this year, slightly below 2019's pace but triple the United State's average. Median household income growth is also surpassing the national rate in Nashville and Memphis, while Knoxville advances at the same pace as the rest of the country.

Construction Overview

Developers will be busy this year, as self-storage inventory in the state's three primary markets will rise by 1.5 million square feet. This is nearly double the past five-year average number of completions. Nashville will headline total deliveries, with one of the largest projects of 2020 being a 91,000 rentable-square-foot Go Store It.

Vacancy/Rent Overview

Nashville's heavy supply pipeline will lift vacancy in the metro for the third consecutive year as the rate rises 20 basis points to 9.3 percent. As demand attempts to get level with supply, the average asking rent across the state should stay the same as last year.

2020 Market Forecast

Inventory — 29.9 million square feet and 7 square feet per capita

Employment up 0.9% — Hiring will slow this year as 17,700 workers are added to the region, following the creation of 32,500 positions in 2019.

Population up 1.2% — The population will advance at an equivalent pace to last year's 1.2 percent gain as Nashville, Knoxville,and Memphis welcome over 51,000 new residents.

Construction 1.5 million sq. ft. — The pace of supply growth will increase from last year's 1.3 million square feet of completions. This will be the fourth consecutive year deliveries will surpass 1 million square feet.

Vacancy up 20 bps — Nashville's vacancy rate will lift to 9.3 percent this year, following a 40-basis-point increase in 2019.

Rent no change — For the second consecutive year, the average asking rent will stay at 97 cents per square foot.

Demand Eclipsing Deliveries, Spurring Rent Gains

Economic Overview

Local employers bolstered payrolls by 38,000 people last year, which was the largest annual gain since 2015. Hiring at law, accountant and engineering firms highlighted job growth in 2019. Additionally, the leisure and hospitality sector has been one of the fastest-growing sectors over the past few years. The market's overall unemployment rate sits near 3.1 percent, yet 2020 job growth will hold at 35,000 roles added.

Demographic Overview

The median household income rose 1.5 percent in 2019 and now sits at nearly $105,000 per year, well above the annual national median of $65,700. As more high-wage positions are created, this figure will continue to tick up in 2020. Elevated incomes are supporting retail sales and ultimately buoying storage demand as people seek a place to keep their possessions.

Construction Overview

Consistent with the national trend, self-storage construction remains expeditious in Washington, D.C. The 1.4 million square feet brought online in 2019 was the third consecutive year featuring more than 1.0 million square feet of deliveries. This trend will be continued in 2020 when roughly 1.7 million square feet is finalized, with the majority of projects bringing between 60,000 and 80,000 rentable square feet to market.

Vacancy/Rent Overview

Self-storage lease-up performance is impressive amid heightened deliveries, with vacancy holding near 8 percent, roughly 200 basis points below the national rate. Tight availability produced a 0.8 percent growth in the average asking rent in 2019 to $1.47 per square foot. Strong demographic drivers will continue to support rent growth in 2020.

2020 Market Forecast

Inventory — 34.5 million square feet and 5.4 square feet per capita

Employment up 1.0% — Jobs will be added at a pace comparable to the decade average of 1.2 percent annual growth. Hiring will be dispersed across a variety of employment sectors.

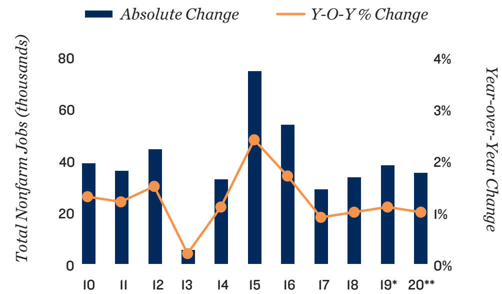
Population up 0.8% — The population will increase by 0.8 percent for the second consecutive year in 2020 as 48,800 new people will reside in the market.

Construction 1.7 million sq. ft. — Developers will add roughly 300,000 more square feet in 2020 than in 2019 and complete the largest annual volume since 2017.

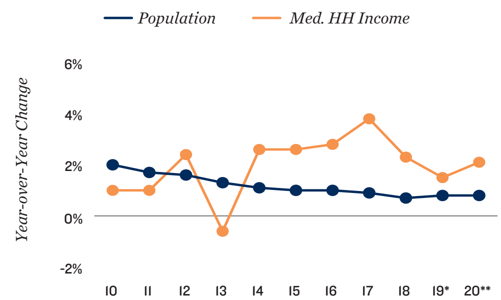
Vacancy down 10 bps — Robust demand will contract vacancy to 7.9 percent this year after holding firm in 2019. This will be the lowest vacancy rate on record dating back to 2014.

Rent up 0.4% — The average asking rent moves up for the second consecutive year, reaching $1.48 per square foot in 2020.

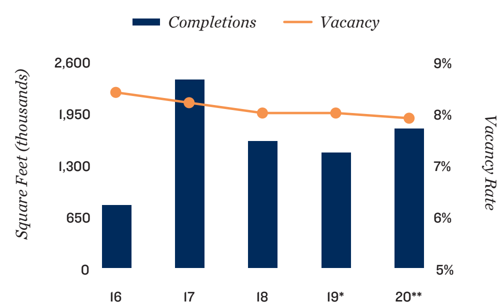
Employment Trends



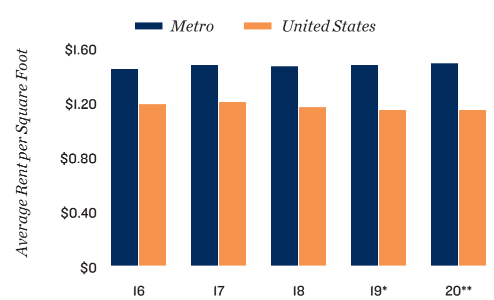
Demographic Trends



Supply and Demand Trends



Rent Trends



* Estimate; ** Forecast

Sources: BLS; U.S. Census Bureau; Yardi Matrix; Union Realtime, LLC
Note: Vacancy metric covers the Washington-Arlington-Alexandria area.

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Sources: Marcus & Millichap Research Services; Blue Chip Economic Indicators; Bureau of Economic Analysis; Capital Economics; CoStar Group, Inc.; Experian; Federal Reserve; Maryland Department of Commerce; Moody's Analytics; Mortgage Bankers Association Commercial/Multifamily Quarterly DataBook; National Federation of Independent Business; Real Capital Analytics; 2020 Self-Storage Almanac; TWR/Dodge Pipeline; U.S. Bureau of Labor Statistics; U.S. Census Bureau; U.S. Securities and Exchange Commission; U.S. Treasury Department; Union Realtime, LLC; Yardi Matrix

2020 U.S. Self-Storage Investment Forecast

Market Name	Employment Growth[2]				Population Growth				Completions (000s of Sq. Ft.)				Vacancy Rate				Asking Rent per Sq. Ft.				Market Name
	2017	2018	2019*	2020**	2017	2018	2019*	2020**	2017	2018	2019*	2020**	2017	2018	2019*	2020**	2017	2018	2019*	2020**	
Atlanta	2.1%	2.1%	1.8%	1.7%	1.3%	1.4%	1.5%	1.5%	1,073	2,401	2,772	1,550	8.1%	8.4%	8.3%	8.0%	$1.02	$1.01	$1.01	$1.02	Atlanta
Austin	3.3%	2.5%	2.0%	2.3%	2.5%	2.5%	2.5%	2.4%	1,461	1,270	1,583	814	10.1%	8.7%	8.0%	7.5%	$1.03	$0.99	$0.98	$0.99	Austin
Baltimore	0.8%	1.4%	1.1%	0.6%	0.2%	0.1%	0.1%	0.1%	455	808	825	546	8.4%	7.9%	7.9%	7.7%	$1.31	$1.29	$1.28	$1.30	Baltimore
Bay Area	2.2%	2.2%	2.6%	1.8%	0.4%	0.4%	0.6%	0.6%	897	467	1,359	1,466	6.3%	6.9%	7.5%	8.2%	$1.91	$1.89	$1.88	$1.88	Bay Area
Boston	1.2%	0.5%	1.1%	0.7%	0.7%	0.6%	0.6%	0.5%	361	1,668	1,636	1,186	7.6%	9.0%	10.0%	10.7%	$1.43	$1.45	$1.41	$1.38	Boston
Chicago	0.8%	1.4%	0.7%	0.6%	-0.2%	-0.2%	-0.2%	-0.2%	1,946	1,479	1,750	1,114	9.0%	8.1%	7.4%	7.0%	$1.04	$1.01	$1.00	$0.99	Chicago
Cincinnati	1.4%	1.7%	2.0%	0.9%	0.5%	0.5%	0.6%	0.6%	384	315	381	139	8.6%	6.1%	5.8%	5.4%	$0.88	$0.86	$0.87	$0.89	Cincinnati
Cleveland	0.4%	1.0%	1.1%	0.3%	-0.1%	-0.1%	-0.2%	-0.2%	187	310	285	248	7.3%	8.6%	9.3%	9.5%	$0.97	$0.94	$0.93	$0.94	Cleveland
Columbus	1.3%	1.6%	1.0%	0.9%	1.4%	1.1%	1.1%	1.1%	75	934	284	592	8.1%	9.4%	9.6%	10.0%	$0.86	$0.86	$0.87	$0.87	Columbus
Dallas/Fort Worth	2.3%	2.6%	2.9%	2.2%	1.9%	1.7%	1.7%	1.7%	3,255	3,866	2,832	1,431	8.7%	8.8%	8.2%	7.4%	$1.01	$0.96	$0.92	$0.91	Dallas/Fort Worth
Denver	2.6%	1.9%	1.7%	1.3%	1.2%	1.5%	1.4%	1.3%	1,206	3,112	1,430	2,150	9.4%	10.0%	9.8%	9.6%	$1.31	$1.21	$1.17	$1.12	Denver
Detroit	1.2%	1.2%	0.0%	0.0%	0.1%	0.1%	0.0%	-0.1%	304	260	600	806	-	-	-	-	$1.07	$1.08	$1.09	$1.10	Detroit
Houston	1.7%	2.3%	2.6%	2.0%	1.3%	1.5%	1.7%	1.6%	3,038	3,638	2,125	1,229	6.6%	9.4%	9.2%	8.8%	$0.90	$0.87	$0.84	$0.82	Houston
Indianapolis	1.8%	0.5%	0.7%	0.7%	1.1%	1.1%	1.1%	1.1%	153	1,243	562	380	7.6%	7.8%	8.0%	7.8%	$0.83	$0.82	$0.84	$0.87	Indianapolis
Las Vegas	2.8%	3.0%	2.3%	1.6%	2.1%	2.5%	2.7%	2.5%	173	367	398	600	5.0%	6.1%	6.5%	7.1%	$0.97	$1.03	$1.08	$1.11	Las Vegas
Los Angeles	1.6%	0.9%	1.1%	0.9%	-0.1%	-0.1%	0.1%	0.2%	88	559	1,015	508	6.0%	8.2%	8.5%	8.3%	$1.89	$1.89	$1.92	$1.96	Los Angeles
Minneapolis-St. Paul	1.4%	0.6%	0.0%	0.6%	1.1%	1.0%	1.0%	0.9%	359	1,196	2,040	1,335	8.5%	-	-	-	$1.18	$1.15	$1.15	$1.14	Minneapolis-St. Paul
New Haven-Fairfield County	-0.1%	0.7%	0.4%	0.3%	0.0%	0.0%	0.0%	-0.1%	604	1,035	578	560	7.9%	9.4%	9.8%	10.3%	$1.19	$1.21	$1.21	$1.20	New Haven-Fairfield County
New York City	2.1%	1.9%	1.6%	1.4%	-0.6%	-0.3%	0.0%	0.1%	773	1,047	1,379	1,845	7.4%	7.7%	8.3%	9.1%	$2.50	$2.62	$2.61	$2.60	New York City
North Carolina	1.7%	1.3%	2.2%	1.5%	1.6%	1.5%	1.5%	1.4%	2,445	3,598	1,947	1,782	8.9%	9.3%	10.1%	10.4%	$0.91	$0.86	$0.84	$0.84	North Carolina
Orange County	2.0%	1.2%	1.1%	0.8%	0.2%	0.2%	0.1%	0.1%	318	286	265	400	6.0%	8.2%	8.5%	8.3%	$1.62	$1.72	$1.74	$1.75	Orange County
Orlando	3.5%	3.4%	3.7%	2.9%	2.4%	2.4%	2.3%	2.2%	772	1,211	1,454	1,559	7.7%	8.1%	8.9%	9.8%	$1.06	$1.03	$1.02	$1.02	Orlando
Philadelphia	1.3%	1.2%	1.1%	0.7%	0.2%	0.4%	0.3%	0.3%	1,206	1,315	646	971	6.7%	6.5%	7.0%	7.6%	$1.19	$1.21	$1.23	$1.24	Philadelphia
Phoenix	3.3%	3.3%	2.5%	1.8%	1.8%	2.1%	2.1%	2.1%	1,528	1,356	2,500	1,769	8.3%	7.6%	7.2%	6.7%	$1.04	$1.03	$1.03	$1.04	Phoenix
Portland	2.9%	1.7%	1.7%	1.2%	0.9%	1.0%	1.3%	1.4%	410	934	1,300	935	8.2%	9.1%	8.5%	8.3%	$1.53	$1.43	$1.35	$1.31	Portland
Riverside-San Bernardino	4.1%	2.3%	2.4%	2.2%	1.2%	1.2%	1.2%	1.1%	92	248	531	592	5.8%	6.9%	6.6%	6.4%	$1.08	$1.10	$1.13	$1.15	Riverside-San Bernardino
Sacramento	2.9%	3.0%	1.8%	1.1%	1.2%	1.0%	0.9%	0.7%	271	381	493	1,372	7.4%	8.9%	9.6%	10.7%	$1.37	$1.32	$1.33	$1.30	Sacramento
Salt Lake City	3.3%	2.7%	2.5%	1.7%	1.9%	1.7%	1.7%	1.7%	143	1,110	1,182	806	7.7%	9.3%	9.0%	8.6%	$0.99	$0.97	$0.98	$1.00	Salt Lake City
San Antonio	1.6%	1.7%	2.4%	1.6%	1.8%	1.6%	1.5%	1.4%	637	1,015	664	574	8.9%	9.2%	8.8%	8.3%	$1.01	$0.99	$0.98	$0.99	San Antonio
San Diego	2.0%	1.9%	1.8%	1.1%	0.4%	0.6%	0.5%	0.5%	177	758	296	668	6.9%	6.3%	6.0%	5.8%	$1.54	$1.56	$1.57	$1.58	San Diego
Seattle-Tacoma	2.3%	2.6%	3.1%	2.3%	1.6%	1.3%	1.4%	1.4%	588	1,098	1,896	1,344	6.5%	10.2%	10.0%	9.7%	$1.50	$1.50	$1.48	$1.48	Seattle-Tacoma
Southeast Florida	1.6%	2.0%	2.2%	1.7%	0.9%	1.1%	1.4%	1.3%	1,681	3,000	2,537	2,507	7.3%	8.8%	9.0%	9.1%	$1.41	$1.36	$1.30	$1.27	Southeast Florida
St. Louis	1.0%	0.8%	1.6%	0.9%	0.0%	0.0%	0.1%	0.1%	648	293	740	433	9.5%	11.5%	11.8%	12.0%	$1.02	$0.93	$0.90	$0.88	St. Louis
Tampa-St. Petersburg	1.6%	2.4%	1.8%	1.7%	1.7%	1.5%	1.3%	1.2%	1,010	2,487	1,200	851	7.2%	7.9%	8.7%	9.2%	$1.17	$1.11	$1.08	$1.06	Tampa-St. Petersburg
Tennessee	1.6%	2.5%	1.6%	0.8%	1.0%	1.0%	1.2%	1.2%	1,097	1,607	1,266	1,475	8.3%	8.7%	9.1%	9.3%	$1.02	$0.98	$0.97	$0.97	Tennessee
Washington, D.C.	0.9%	1.0%	1.1%	1.0%	0.9%	0.7%	0.8%	0.8%	2,365	1,592	1,447	1,749	8.2%	8.0%	8.0%	7.9%	$1.47	$1.46	$1.47	$1.48	Washington, D.C.
United States	1.5%	1.8%	1.3%	1.0%	0.6%	0.6%	0.6%	0.6%	44,700	66,826	59,500	57,000	9.6%	9.8%	9.9%	10.0%	$1.20	$1.16	$1.14	$1.14	United States

** Estimate ** Forecast [2] See Statistical Summary Note on Page 64.*

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