CUSHMAN & WAKEFIELD

MARKET TRENDS & INVESTOR SURVEY

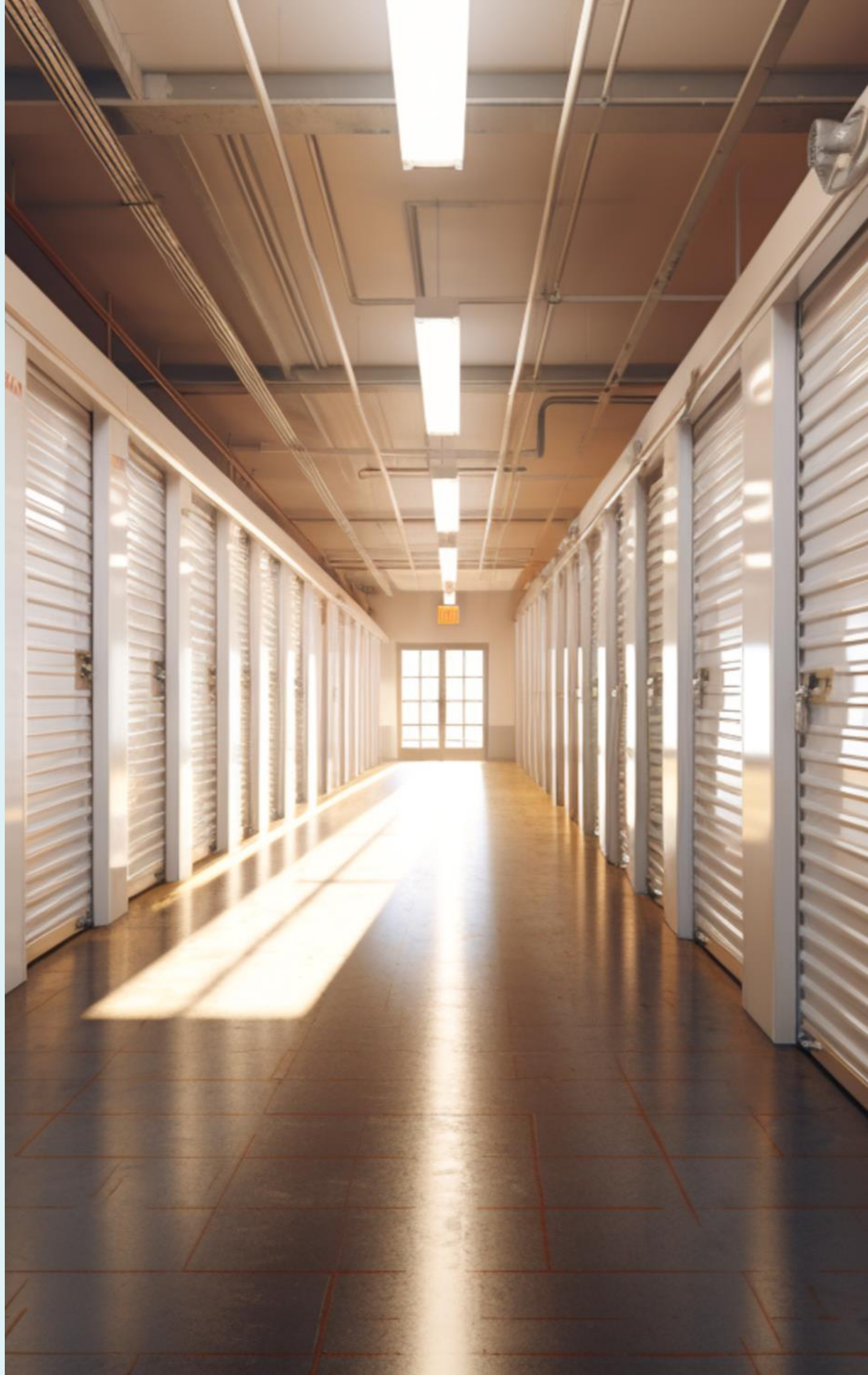
U.S. SELF STORAGE

H1 2024

Better never settles

Photo provided by West Coast Self Storage

IN THIS REPORT



01

SELF STORAGE MARKET HIGHLIGHTS

Photo provided by West Coast Self Storage

SELF STORAGE MARKET HIGHLIGHTS

Transaction volume totaled nearly $3.36 billion in the first half of 2024, which is less than one percent above the total transaction volume reported for the first half of 2023. This level of volume is more in-line with transaction trends prior to the surge in self storage investments realized between 2020 and 2022. During this period (2020 to 2022), nearly $50 billion in transaction volume was realized, far exceeding the $35 billion in transaction volume realized in the seven years prior (2013 – 2020).

After peaking at $172 psf in the second quarter of 2022, self storage valuations have tapered, declining for six consecutive quarters, to an average of $139 psf in Q2 2024, down 19% from peak levels according to Real Capital Analytics.

The rising interest rate environment has pushed capitalization rates up for all commercial real estate, with self storage capitalization rates increasing by 90 basis points, from the Q4 2022 low, to 5.9% in the second quarter of 2024. With spreads between capitalization rates and the 10Y treasury well below historical levels, upward pressure on capitalization rates is expected, notwithstanding downward movement on interest rates.

The Federal Reserve's actions to taper inflation by increasing interest rates, with the resulting decline in home sales combined with an influx of new storage supply, occupancy levels pushed downward and leveled out near 90% in the fourth quarter of 2022. Despite some upward movement, occupancy levels have broadly remained at this level through the first half of 2024.

Asking rents began to taper in the second half of 2023, down 5.2% YoY at $127 psf, as net demand softened, and new supply was introduced. In first quarter 2024, asking rents declined further to $120 psf, down another 4.5% YoY. Like occupancy, asking rents have appeared to stabilize, with upward movement in the second quarter of 2024, to $121 psf. Existing Customer Rate Increases (ECRI) have provided a balance to the softening asking rents. As a result, in-place rental rates have remained stable.

The elevated construction costs and lack of construction debt liquidity have pushed construction levels downward to more normalized levels. According to Dodge Pipeline, there was a significant increase in the number of projects put on hold in the second quarter of 2024, signaling construction may remain at more moderate levels for the foreseeable future.

The H1 2024 Cushman & Wakefield Valuation Index represents an aggregation of property data from approximately 415 properties throughout the U.S. valued by Cushman & Wakefield. The aggregate market value of this proprietary dataset totals approximately $5.14 billion, with key valuation assumptions detailed in this report.

Same store indications from this dataset indicate that self storage valuations softened in first quarter 2024, averaging $190 psf for Class A properties and $124 psf for Class B properties. Valuations declined from the previous quarter by 20% for Class A and 15% for Class B properties, albeit a range in disparity.

Of the 50+ self storage experts who participated in Cushman & Wakefield's investor survey, 56% expect to see little to no change in capitalization rates over the next 12 months, with the interest rate environment being the top concern by 37% of the survey respondents followed by the housing market.

Uncertainty in the broader capital markets environment remains the top concern of market participants. Of the survey participants, 71% plan to hold their properties though the H2 2024, while 29% are net buyers signaling market dislocation between buyers and sellers is still prevalent. BOV activity is up with multiple listings expected to drive increased transaction activity in the second half of 2024 and into 2025.

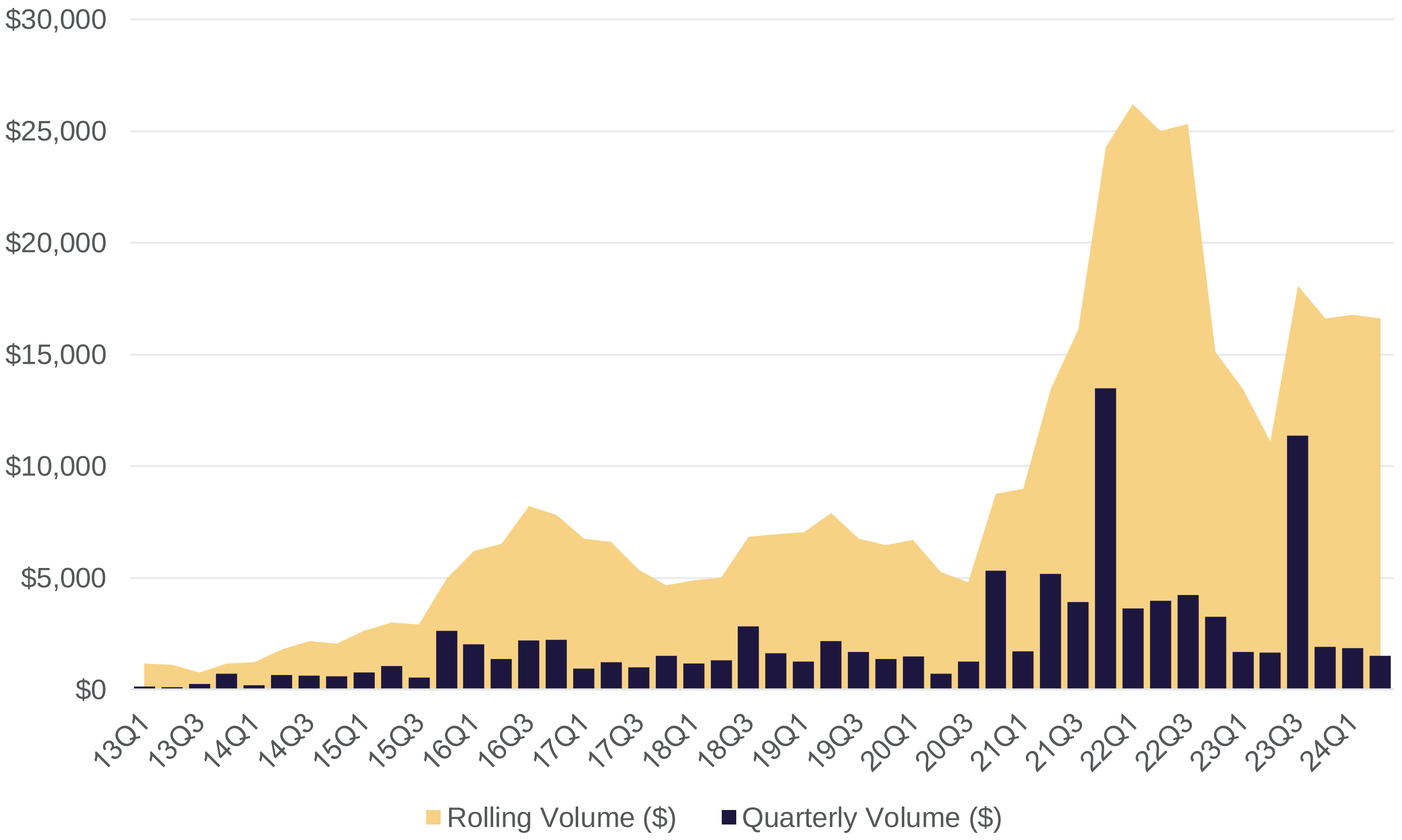
02

CAPITAL MARKETS FUNDAMENTALS

Photo provided by CubeSmart Self Storage

CAPITAL MARKETS

Transaction Volume (Millions)

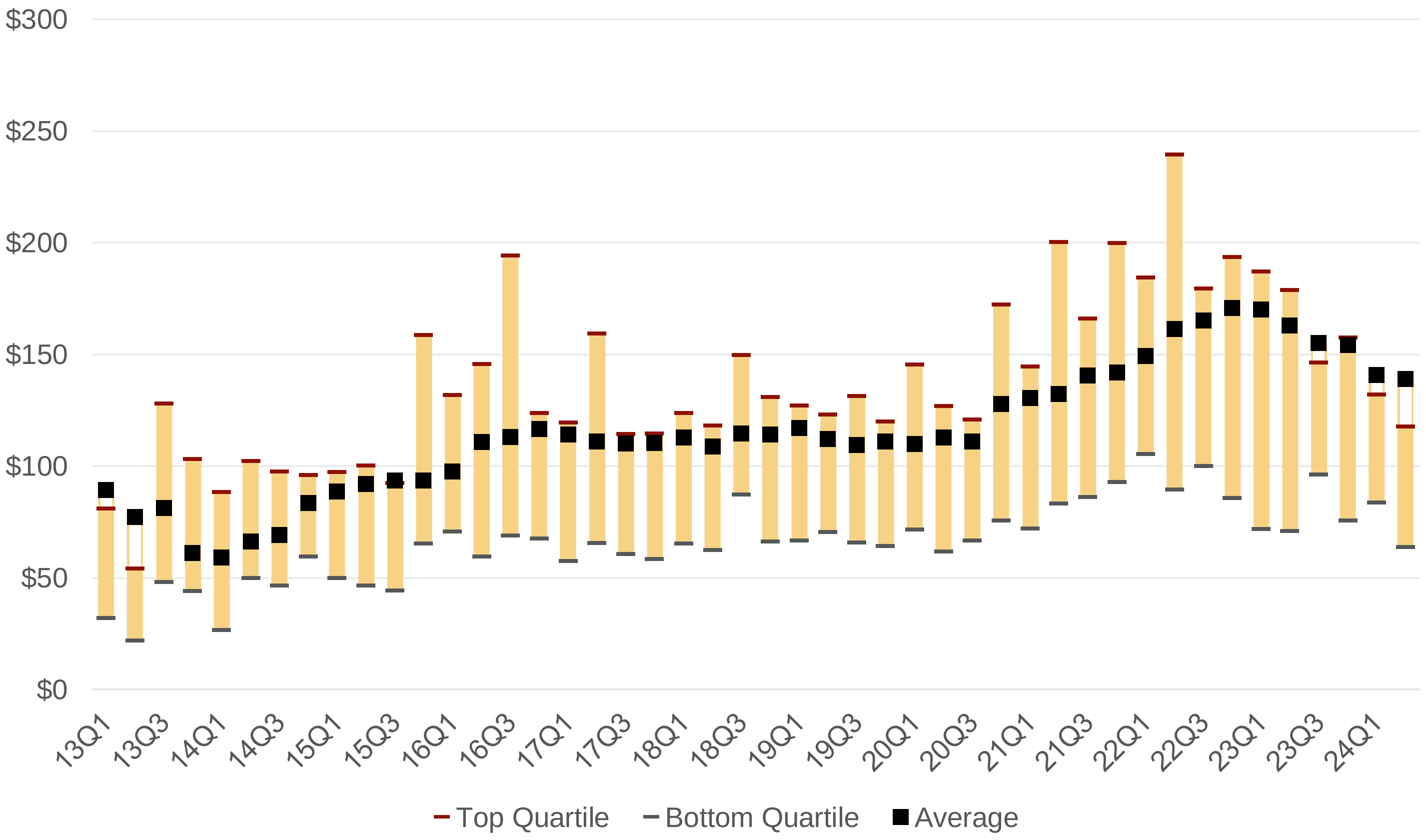


Source: Real Capital Analytics; Cushman & Wakefield

- Self storage investment volume surged coming out of the COVID-19 pandemic, reaching an all-time quarterly high of $13.5 billion in the fourth quarter of 2021. This activity was mostly comprised of large portfolio investments by institutional capital.
- Transaction volume did subside yet remained well above pre-pandemic levels through 2022.
- Except for a handful of portfolio transactions realized in the third quarter of 2023, investment volume has normalized, both from interest rate pressure and a softening in property markets fundamentals.
- Despite a near-term softening of self storage property markets, investor interest remains high, with a significant amount of dry-powder diligently seeking investment opportunities.

CAPITAL MARKETS

Price Per Square Foot

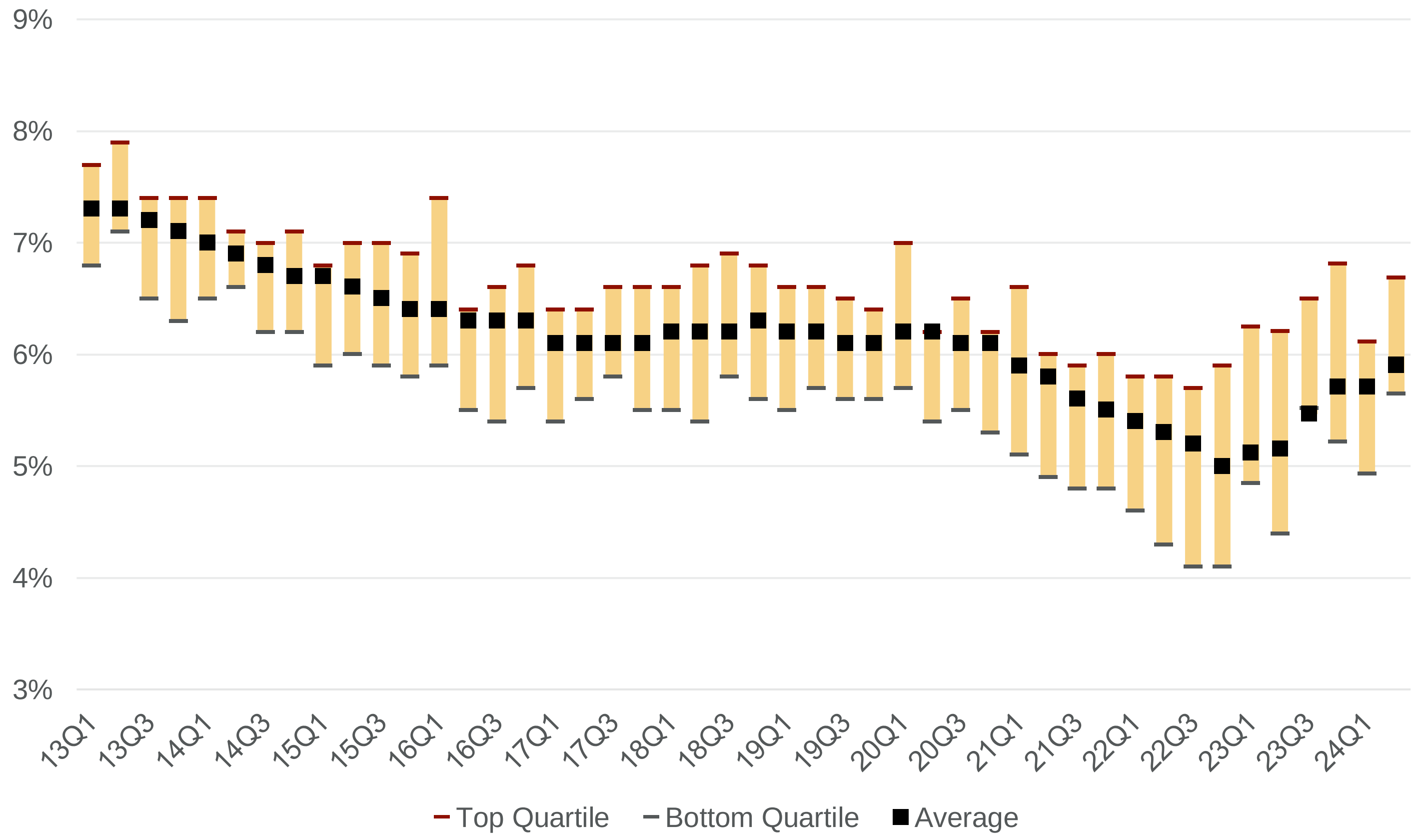


Source: Real Capital Analytics; Cushman & Wakefield

- After peaking at $172 psf in the second quarter of 2022, self storage valuations have tapered, declining for six consecutive quarters, to an average of $139 psf in Q2 2024, down 19% from peak levels.
- Pricing disparity has tightened; the difference in purchase price between the top quartile and bottom quartile averaged $59 psf for the prior four quarters, compared to $112 psf in the prior four-quarter period (Q2 2022 – Q2 2023).
- The average price psf has remained above the upper quartile for the prior four quarters, indicating that pricing may compress further in H2 2024.
- This could indicate investor appetite is shifting to investment Class B and C assets as heightened interest rates increase the cost of debt, making higher-priced Class A properties less desirable, or well-positioned owners and operators are opting to hold in the current capital markets climate.

CAPITAL MARKETS

Capitalization Rates

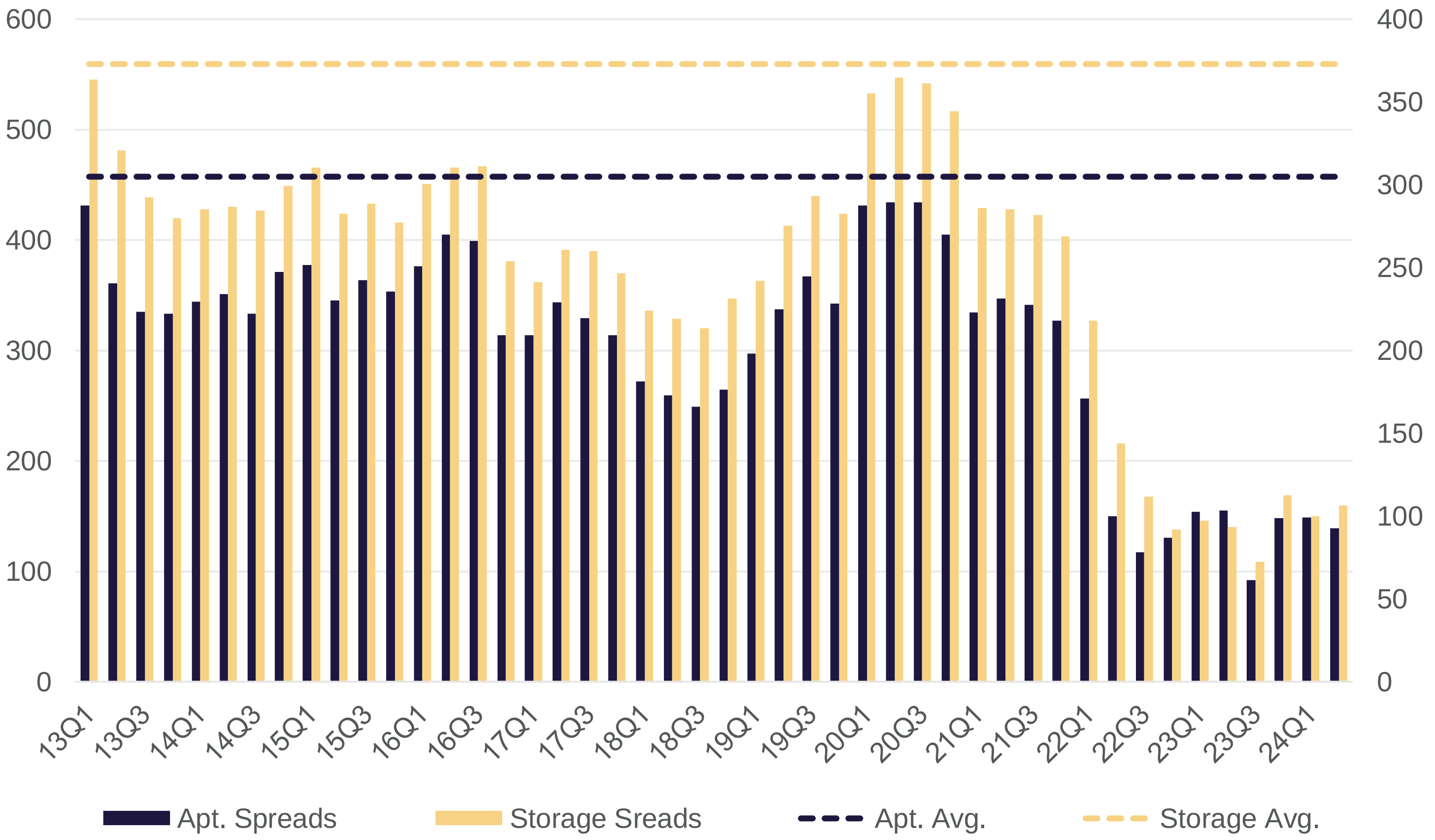


Source: Real Capital Analytics; Cushman & Wakefield

- Investors have historically turned to self storage for higher risk-adjusted returns. Capitalization rates for self storage reached an all-time low of 5.0% the fourth quarter of 2022, falling only seven basis points above the average capitalization rate for apartments.
- The rising interest rate environment has pushed capitalization rates up for all commercial real estate, with self storage capitalization rates increasing by 90 basis points, from the Q4 2022 low, to 5.9% in the second quarter of 2024.
- Relative to other commercial real estate property types, investors view self storage—like most alternative real estate asset types—as a safe haven during economic downturns, buoyed by countercyclical demand drivers. This viewpoint is expected to keep capitalizations relatively stable through the second half of 2024.

CAPITAL MARKETS

Capitalization Rate Spreads (Storage vs. Apartments)



Source: Real Capital Analytics; Cushman & Wakefield

- As the rising cost of capital has slowly pushed capitalization rates upward, the average spread between capitalization rates and the 10-year treasury has compressed significantly, reaching a low of 109 basis points in Q3 2023 for self storage.
- Over the past 10 years, the self storage sector has averaged 362 bp spread between the 10Y and capitalization rates, with apartments averaging 300 bps—a 62 basis point difference.
- With average spreads still well below historical levels, upward pressure on capitalization rates is expected, notwithstanding downward movement on interest rates.

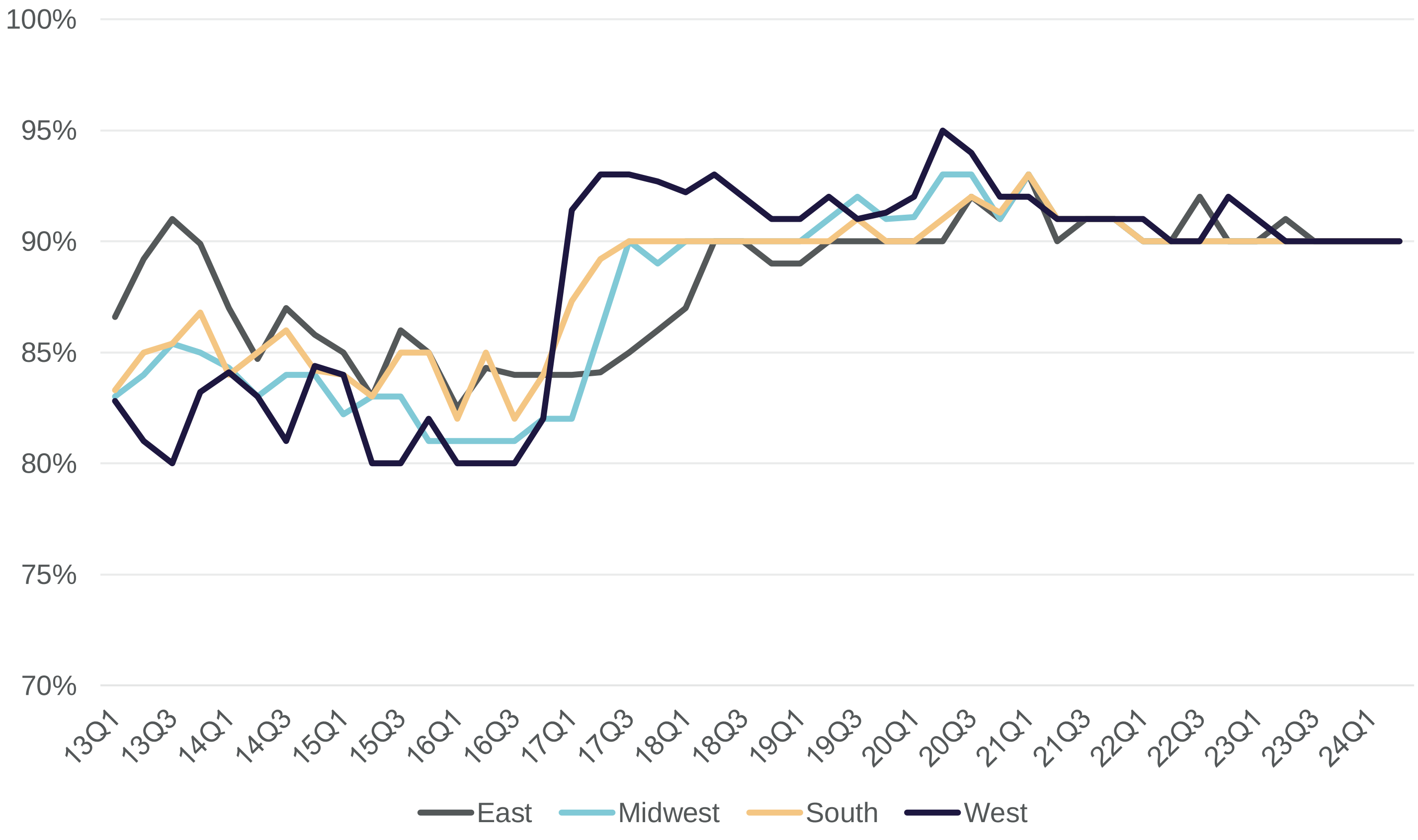
03

PROPERTY MARKETS FUNDAMENTALS

Photo provided by West Coast Storage

PROPERTY MARKETS

Regional Occupancy Trends

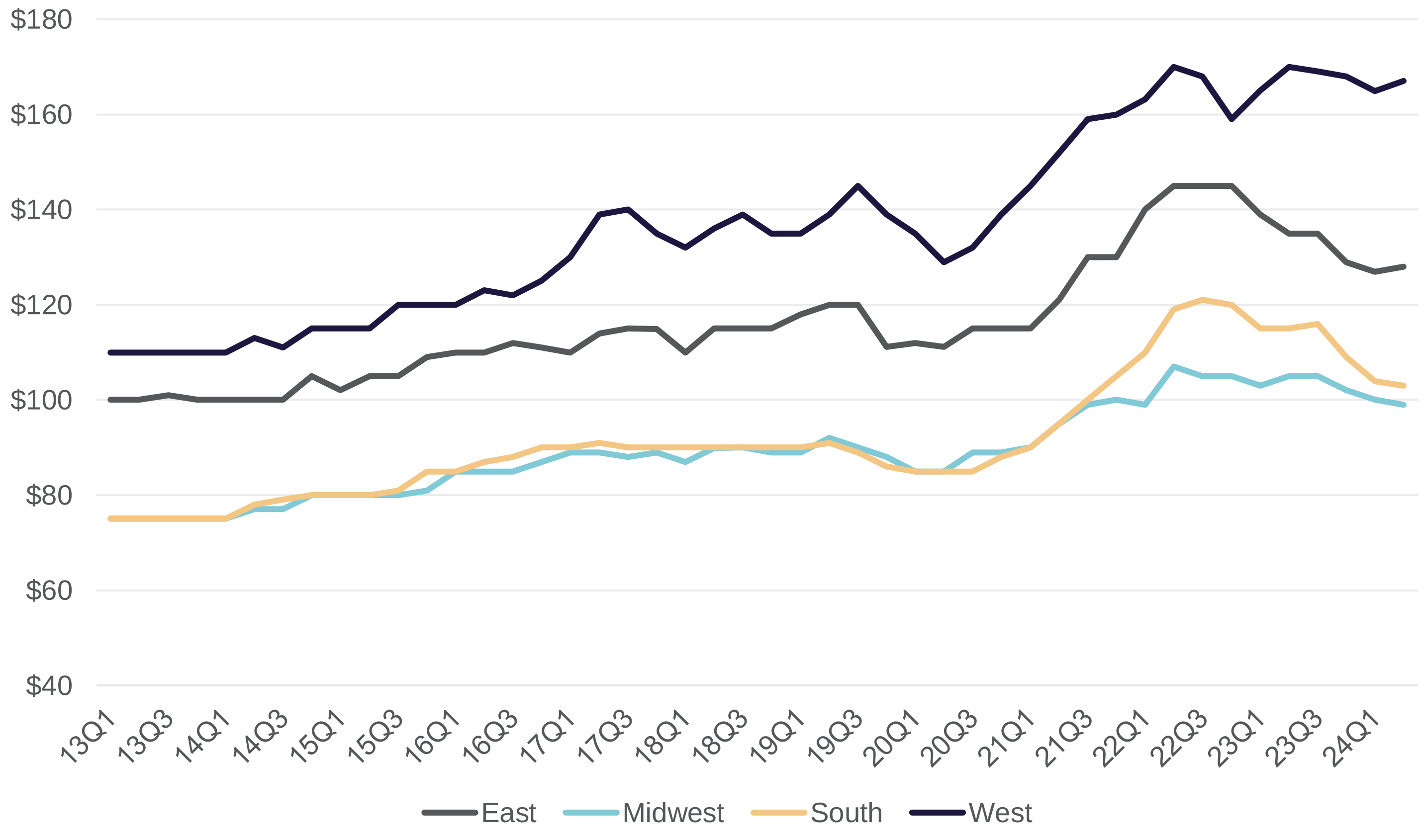


Source: Cushman & Wakefield Self Storage Property Index (Q2 2024)

- Average occupancy for self storage pushed above 90% in 2017, driven by increased migration flows, remote work, and a thriving residential market. The sector continued to realize robust market fundamentals with a peak occupancy of 93% reached in the first quarter of 2021, led by Western and Midwest markets.
- With the Federal Reserve's actions to taper inflation by increasing interest rates, with the resulting decline in home sales combined with an influx of new storage supply, occupancy levels pushed downward and leveled out near 90% in the fourth quarter of 2022.
- Occupancy levels have broadly remained at this level through the first half of 2024.

PROPERTY MARKETS

Asking Rents Per Unit

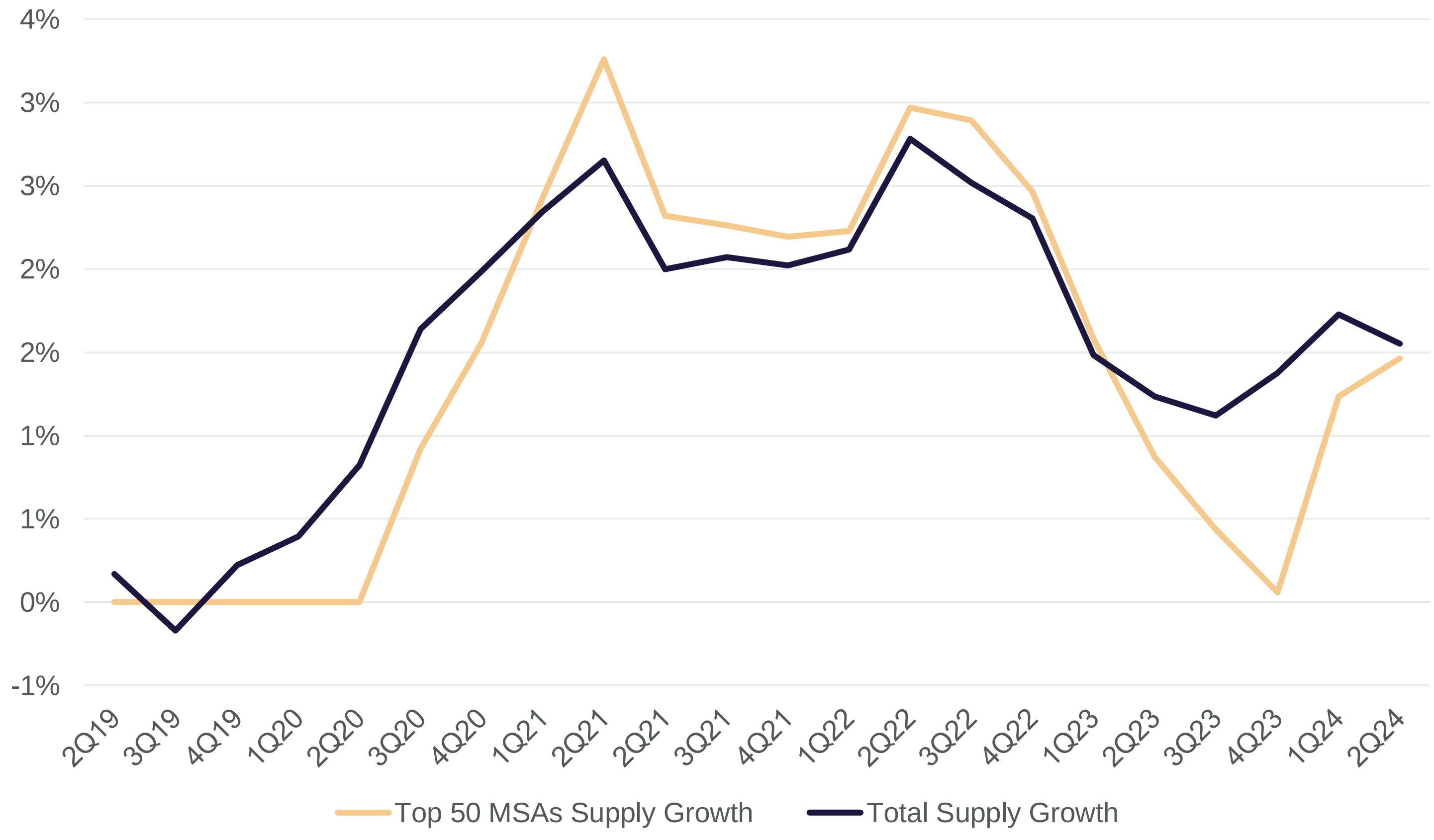


Source: Real Capital Analytics; Cushman & Wakefield

- Self storage rent growth surged in the immediate aftermath of the pandemic, reaching an average all-time high of $134 psf in the third quarter of 2022, marking a compounded annual growth rate of 9.1% from the pre-pandemic average of $100 psf reported for the fourth quarter of 2019.
- Average rents began to taper in the second half of 2023, down 5.2% YoY, as net demand softened, and new supply was introduced, declining another 4.5% YoY in first quarter 2024 to $120 psf.
- Asking rents stabilized in the second quarter of 2024, to $121 psf with upward movement in east and western markets.
- Existing Customer Rate Increases (ECRI) have provided a stable balance to the softening asking rents. As a result, in place rates have remained steady and have moved up in several markets.

PROPERTY MARKETS

YoY % Growth in Supply



Source: Dodge Pipeline; Cushman & Wakefield

- The strong market performance of the broader self storage sector during the pandemic spurred a surge in development.
- YoY deliveries jumped to approximately 3.5% in 2021 and remained at a similar level through the end of 2022.
- The elevated construction costs and lack of construction debt liquidity in recent quarters have pushed construction levels downward to more normalized levels.
- According to Dodge Pipeline, there was a significant increase in the number of projects put on hold in the second quarter of 2024, signaling construction may remain at more moderate levels for the foreseeable future.

04

SELF STORAGE VALUATION INDICES

SELF STORAGE VALUATION INDICES

H1 2024

Investment Class A	Lower Decile	Lower Quartile	Average	Mean	Upper Quartile	Upper Decile
Occupancy (%)	74	85	88	92	96	97
Effective Gross Rev. per NRA ($)	10.8	12.9	17.2	16.1	20.7	24.8
NOI per NRA ($)	4.8	6.3	10.7	7.3	11.9	19.9
Cap Rate (%)	5.3	5.6	5.8	5.8	5.9	6.3
Discount Rate (%)	8.5	8.5	8.5	8.5	8.5	8.5
Value per NRA ($)	111.9	151.2	170.7	162.6	208.9	316.5

Investment Class B	Lower Decile	Lower Quartile	Average	Mean	Upper Quartile	Upper Decile
Occupancy (%)	83	85	87	88	90	91
Effective Gross Rev. per NRA ($)	8.6	9.4	10.5	9.9	10.8	12.6
NOI per NRA ($)	0.0	4.1	4.7	5.5	6.6	7.4
Cap Rate (%)	6.0	6.3	6.4	6.5	6.5	6.8
Discount Rate (%)	8.5	8.5	8.5	8.5	8.5	8.5
Value per NRA ($)	94.6	104.3	128.7	121.2	143.2	155.4

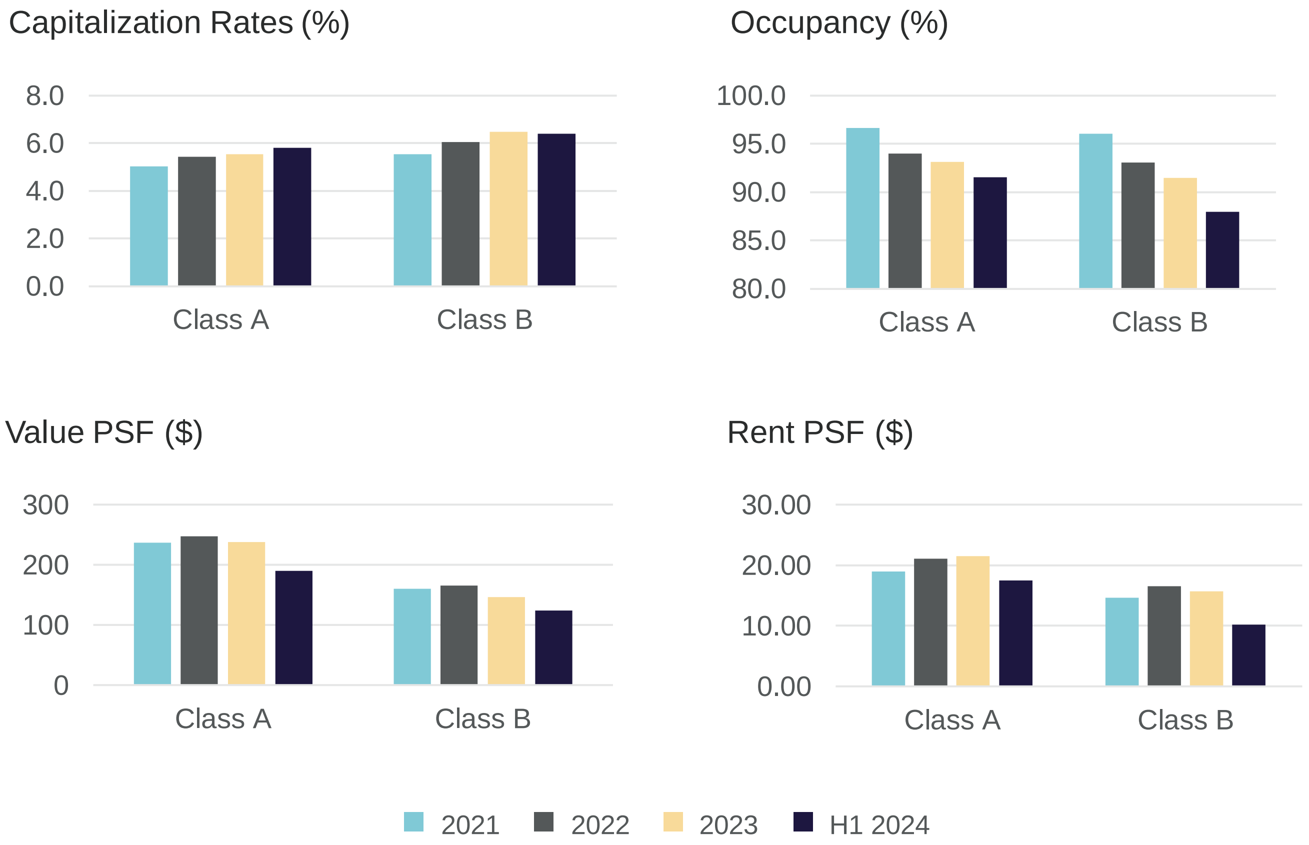
Investment Class C	Lower Decile	Lower Quartile	Average	Mean	Upper Quartile	Upper Decile
Occupancy (%)	75	84	88	91	96	98
Effective Gross Rev. per NRA ($)	4.5	6.1	7.5	7.1	9.1	10.0
NOI per NRA ($)	2.8	3.3	4.7	4.2	6.0	8.4
Cap Rate (%)	6.4	6.8	6.8	6.8	7.6	8.8
Discount Rate (%)	8.3	8.7	9.1	8.9	9.7	10.5
Value per NRA ($)	32.2	47.8	79.2	77.2	101.6	127.3

Source: Cushman & Wakefield Valuation Index (H1 2024)

- The first half 2024 Cushman & Wakefield Valuation Index represents an aggregation of property data from approximately 415 properties throughout the U.S. appraised by Cushman & Wakefield. The aggregate market value of this proprietary dataset totals approximately $5.14 billion.
- This data set represents an aggregation of year 1 stabilized estimates utilized by our self storage appraisers when conducting third-party market valuations.

SELF STORAGE VALUATION INDICES

H1 2024 Same Store Analysis



Source: Cushman & Wakefield Valuation Index (H1 2024)

- Same store operating and valuation data were extracted from properties Cushman & Wakefield values annually. This data provides a unique insight into actual year-over-year changes in market valuation assumptions.
- Capitalization rates have stabilized for investment Class B properties in H1 2024, with investment Class A capitalization rates marking a 20-basis point increase in the first half of 2024.
- Stabilized occupancy and average rents however, experienced the greatest decline for investment Class B properties in the first half of the year, down 360 basis points 549 basis points, respectively from 2023.
- These changes in key valuation assumptions resulted in same store value decline of 20% for investment Class A properties and 15% for investment Class B properties, albeit a range in disparity.

SELF STORAGE VALUATION INDICES

Regional Performance Trends

Regional Market Performance (Median)

Region	Northeast	Mid Atlantic	Midwest (E)	Midwest (W)	Southeast	Southwest	Mountain	Pacific
Physical Occupancy	91.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	91.0%
Rent per Available SF	$1.14	$0.96	$0.81	$0.81	$0.93	$0.82	$1.07	$1.52

Regional Market Performance Index - Q2 2024 vs. Q2 2023 (Median)

Region	Northeast	Mid Atlantic	Midwest (E)	Midwest (W)	Southeast	Southwest	Mountain	Pacific
Physical Occupancy	0.0%	0.0%	0.0%	-1.0%	0.0%	-1.0%	0.0%	0.0%
Rent per Available SF	-3.7%	-8.3%	-6.3%	-11.2%	-9.3%	-10.1%	-3.1%	0.2%
Percent Offering Concessions	60.3%	47.7%	66.4%	73.5%	59.4%	81.6%	82.0%	84.4%
Effective Cost of Concessions	8.1%	9.0%	8.3%	8.9%	8.6%	7.5%	9.0%	8.8%

Physical occupancy remained relatively level on a regional basis as rents per available square foot posted a YoY decline, except for the Pacific region where rents remained relatively flat. Midwest (W) and Southwest regions realized the greatest decline in rent per available square foot at -11.2 percent and -10.1 percent, respectively.

The San Jose-Sunnyvale-Santa Clara, CA showed the strongest occupancy gains, with average economic occupancy increasing by 104 basis points YoY, followed by the Las Vegas and Birmingham, AL MSAs up 60 bps and 27 bps respectively.

The Jacksonville, FL MSA posted the strongest actual rent per square foot growth, up 11 percent YoY, followed by Chicago-Naperville and Phoenix-Mesa-Scottsdale at 8 percent and 6 percent respectively.

Source: Cushman & Wakefield Self Storage Property Index (SSPI)

SELF STORAGE VALUATION INDICES

Top 10 MSAs for Economic Occupancy Growth

Top 10 MSAs YoY Economic Occupancy Growth	Q2 2024			YoY Change			MSA vs. U.S. Average		
	Actual Occupancy	Economic Occupancy	Actual Rent PSF	Occupancy (BPS)	**Eco. Occ. (BPS)**	Actual Rent PSF	Occupancy (BPS)	Eco. Occ. (BPS)	Actual Rent PSF
San Jose-Sunnyvale-Santa Clara, CA	92%	84%	$1.80	90	**104**	5%	20	19	33%
Las Vegas-Paradise, NV	92%	84%	$1.05	50	**60**	-16%	20	23	-15%
Birmingham-Hoover, AL	89%	83%	$0.99	0	**27**	0%	-10	14	-22%
Sacramento-Arden-Arcade-Roseville, CA	90%	82%	$1.37	20	**26**	-6%	0	4	12%
Dallas-Fort Worth-Arlington, TX	92%	86%	$1.05	0	**19**	-11%	20	39	-15%
Charlotte-Gastonia-Concord, NC-SC	88%	79%	$0.98	10	**18**	-15%	-20	-25	-23%
Portland-Vancouver-Beaverton, OR-WA	90%	80%	$1.49	10	**16**	0%	0	-12	19%
Columbus, OH	85%	78%	$0.90	0	**12**	-14%	-50	-38	-34%
Boston-Cambridge-Quincy, MA-NH	92%	83%	$1.38	20	**11**	-8%	20	18	12%
Atlanta-Sandy Springs-Marietta, GA	90%	83%	$1.05	0	**11**	-13%	0	11	-15%

Source: Cushman & Wakefield Self Storage Property Index (SSPI)

SELF STORAGE VALUATION INDICES

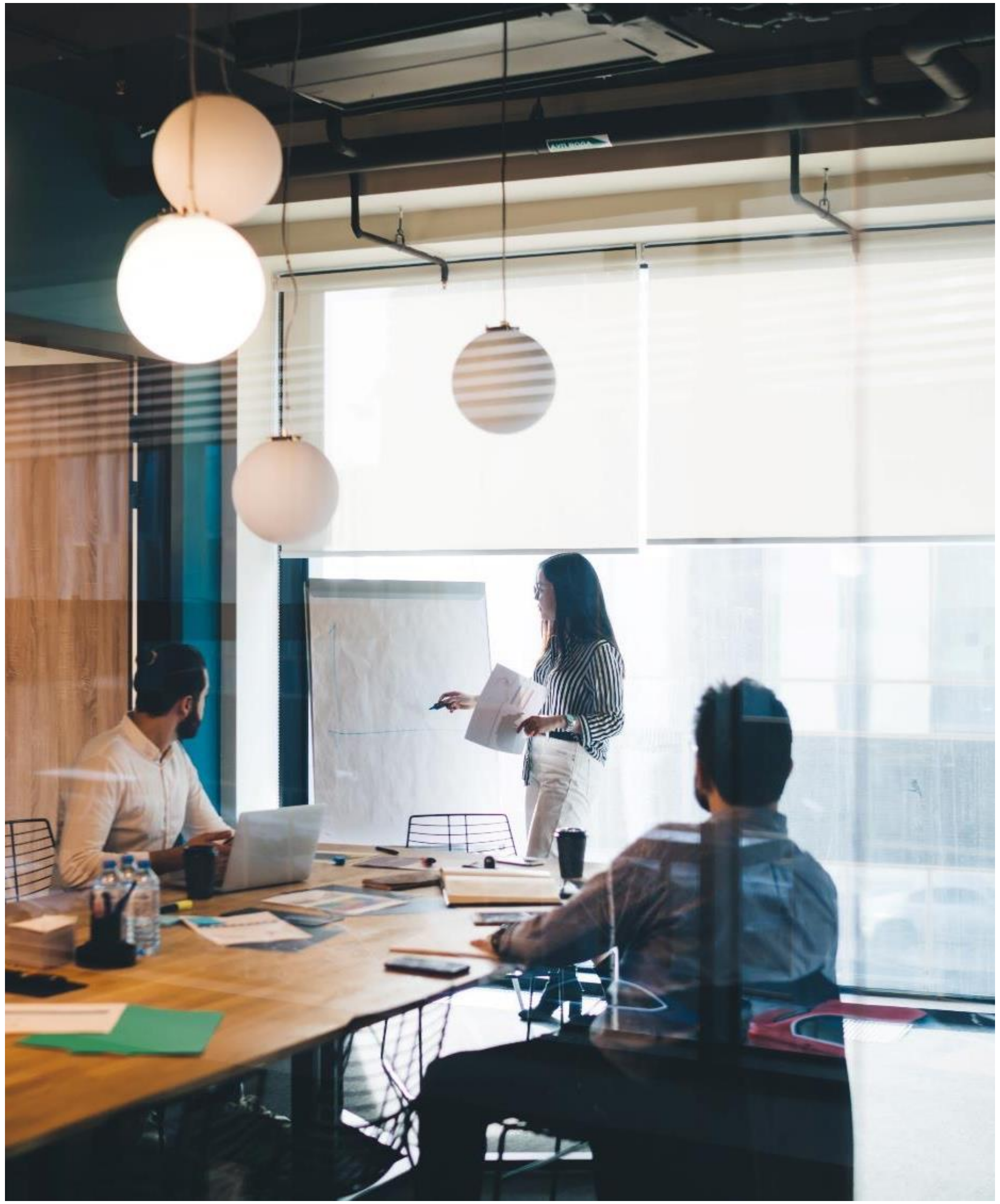
Top 10 MSAs for YoY Actual Rent Growth

Top 10 MSAs YoY Actual Rent Growth	Q2 2024 Actual Occupancy	Q2 2024 Economic Occupancy	Q2 2024 Actual Rent PSF	YoY Change Occupancy (BPS)	YoY Change Eco. Occ. (BPS)	YoY Change **Actual Rent PSF**	MSA vs. U.S. Average Occupancy (BPS)	MSA vs. U.S. Average Eco. Occ. (BPS)	MSA vs. U.S. Average Actual Rent PSF
Jacksonville, FL	84%	72%	$1.34	-40	-65	**11%**	-60	-95	10%
Chicago-Naperville-Joliet, IL-IN-WI	90%	82%	$1.15	-20	-14	**8%**	0	2	-5%
Phoenix-Mesa-Scottsdale, AZ	90%	82%	$1.32	-20	-45	**6%**	0	2	8%
San Jose-Sunnyvale-Santa Clara, CA	92%	84%	$1.80	90	104	**5%**	20	19	33%
Houston-Baytown-Sugar Land, TX	90%	82%	$1.05	0	3	**5%**	0	6	-15%
New York-Newark-Edison, NY-NJ-PA	92%	84%	$2.09	-20	-17	**5%**	20	28	42%
Hartford-West Hartford-East Hartford, CT	88%	77%	$1.34	10	-25	**4%**	-20	-45	10%
Denver-Aurora, CO	89%	78%	$1.52	-10	-57	**2%**	-10	-34	20%
San Francisco-Oakland-Fremont, CA	91%	82%	$2.25	-10	-24	**0%**	10	0	46%
Portland-Vancouver-Beaverton, OR-WA	90%	80%	$1.49	10	16	**0%**	0	-12	19%

Source: Cushman & Wakefield Self Storage Property Index (SSPI)

05

SELF STORAGE INVESTOR SURVEY

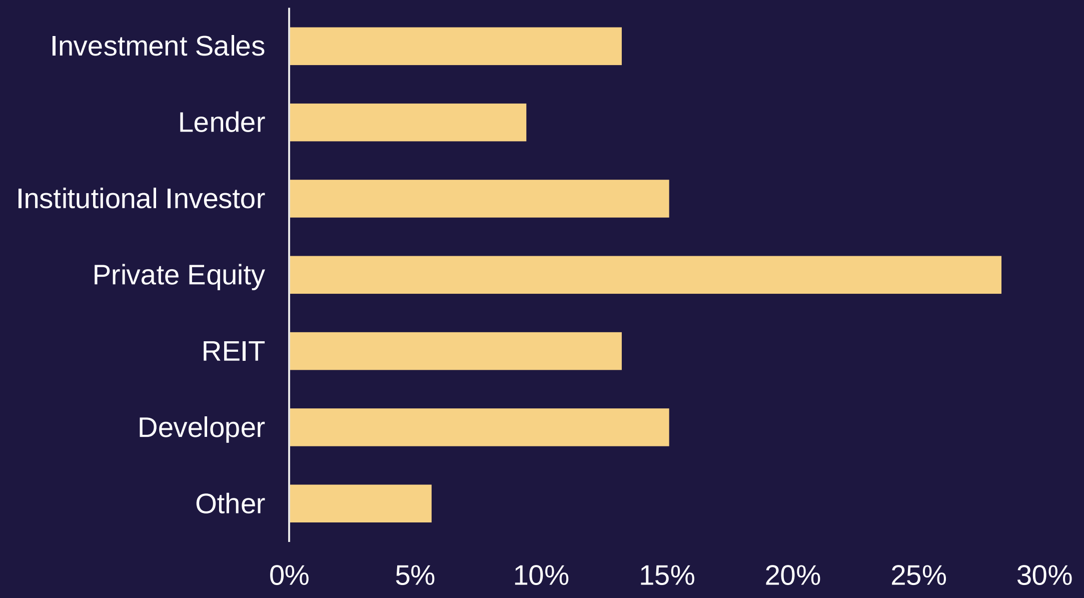


SELF STORAGE INVESTOR SURVEY RESULTS

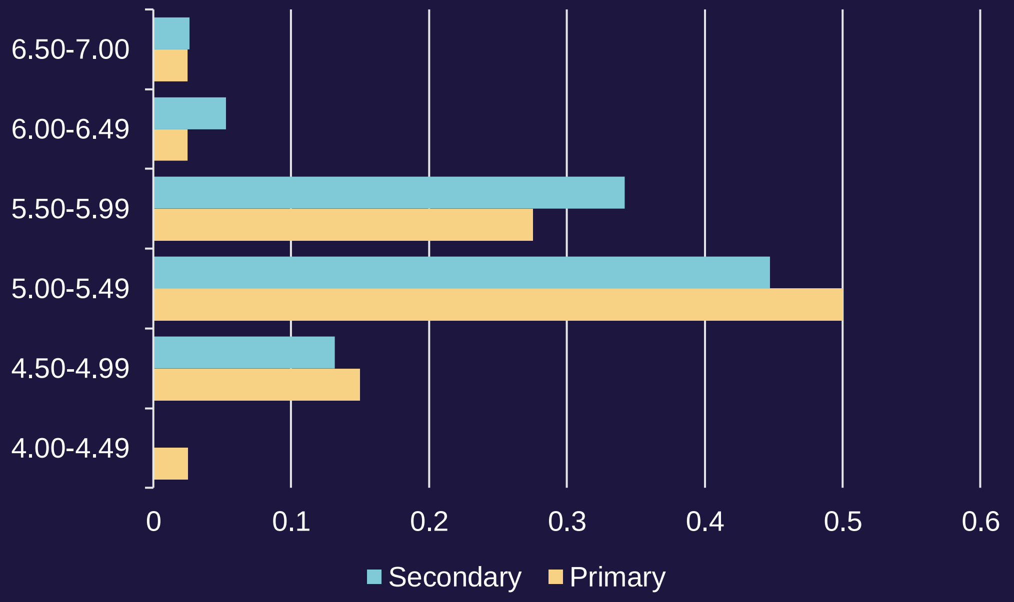
H1 2024

CUSHMAN & WAKEFIELD

Profile of Survey Participants



Investment Class A Capitalization Rates



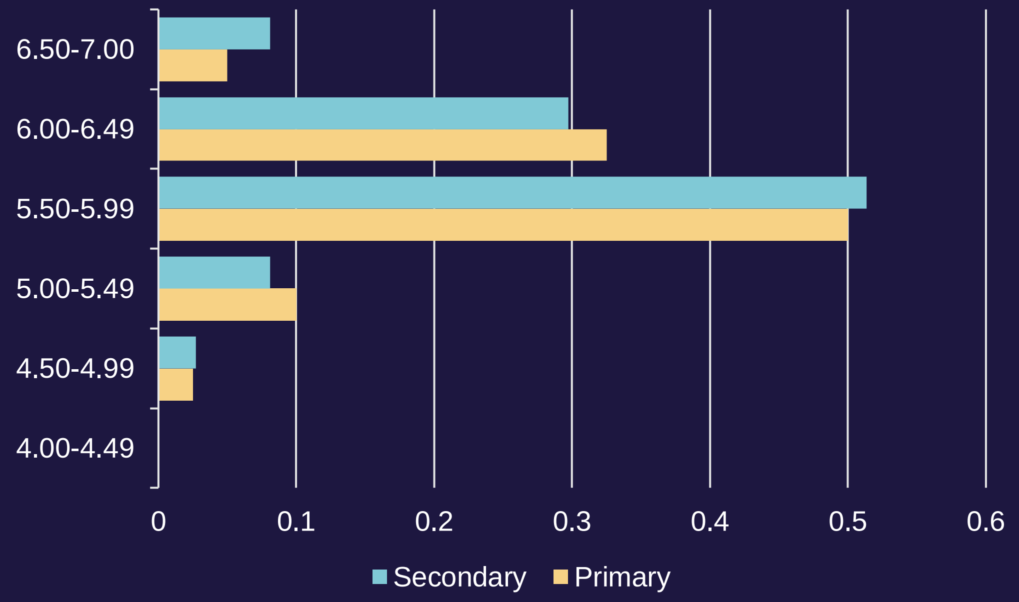
More than 50 of the industry's most influential leaders responded to Cushman & Wakefield's Investor Survey. These participants are transactional and specialize in the self storage sector. The intention of this survey was to garner key insights that provide expectations for the year ahead.

Source: Cushman & Wakefield Investor Survey (H1 2024)

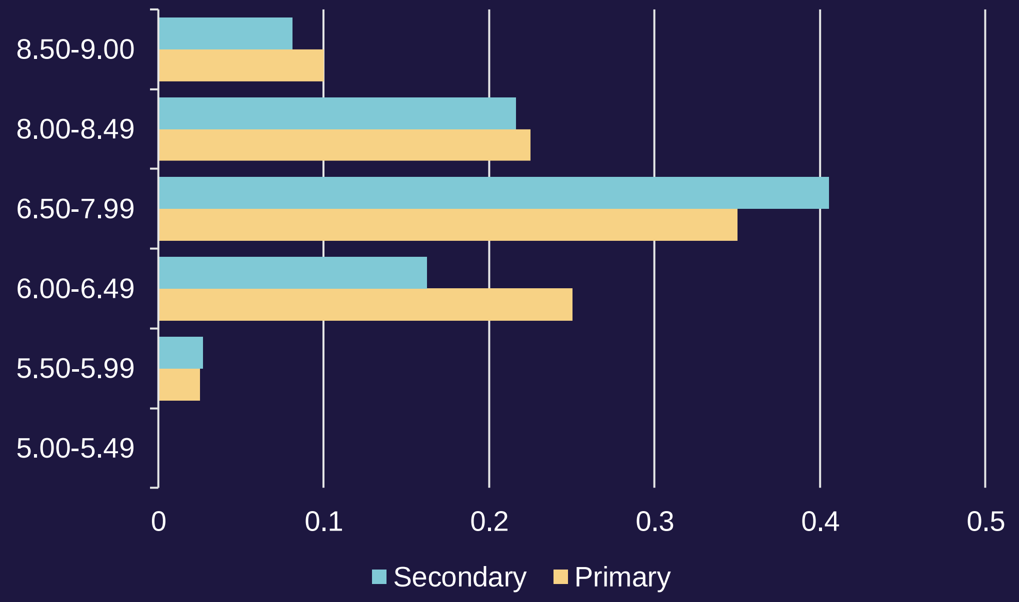
SELF STORAGE INVESTOR SURVEY RESULTS

H1 2024

Investment Class B Capitalization Rates



Investment Class C Capitalization Rates



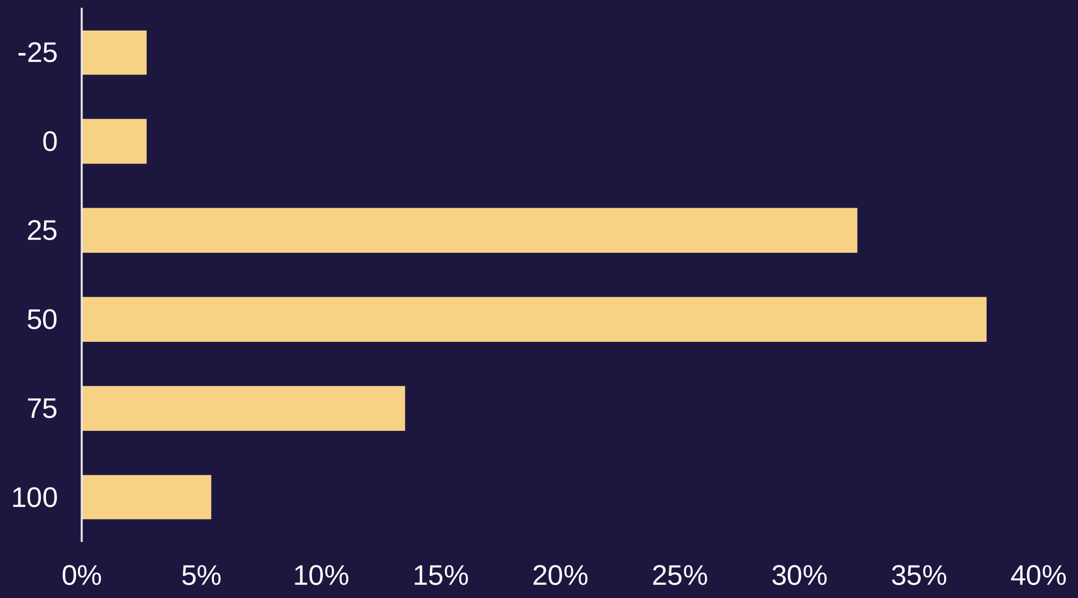
Capitalization rate spreads by investment class were the tightest between investment Class A and investment Class B properties, at 57 and 53 basis points for primary and secondary markets, respectively. These spreads widened significantly between investment Class B and investment Class C properties at 93 and 85 basis points.

Source: Cushman & Wakefield Investor Survey (H1 2024)

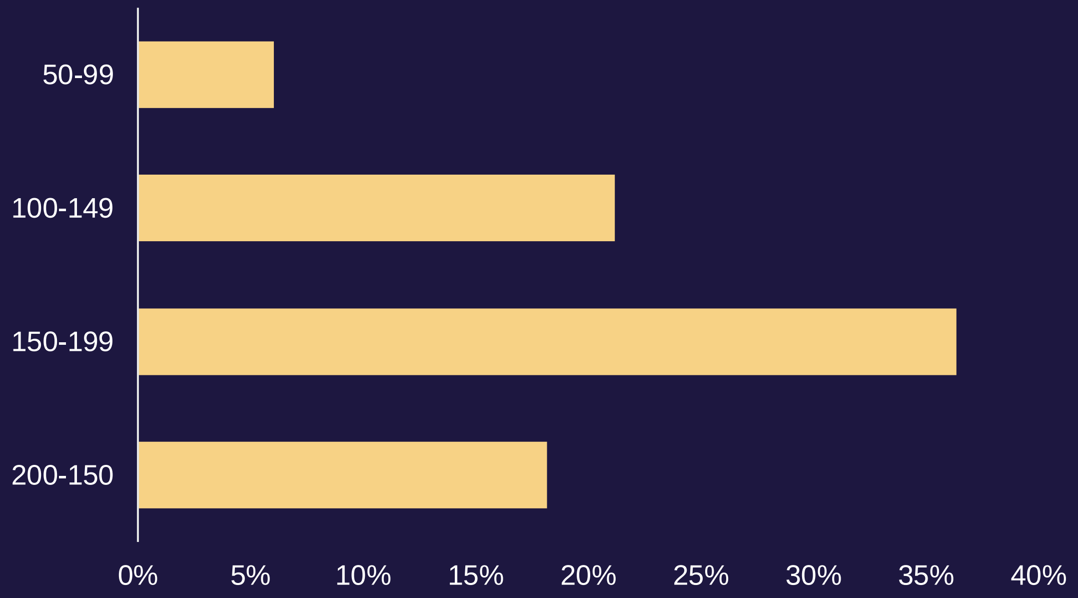
SELF STORAGE INVESTOR SURVEY RESULTS

H1 2024

Terminal Capitalization Rate Spreads on a 5Y Hold (BPS)



Discount Rate Spreads (BPS)



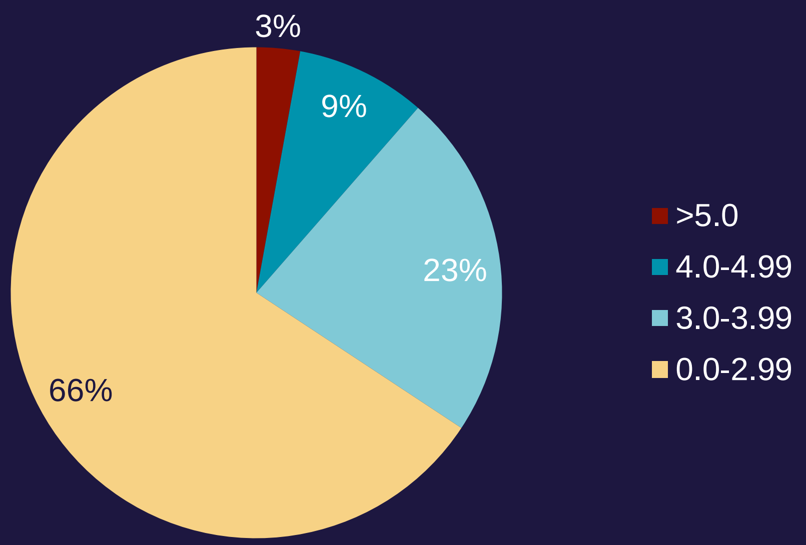
Investors are increasingly relying on the discounted cashflow analysis when determining market valuations, with much more consideration given to the terminal or exit capitalization rate assumptions. This is primarily driven by the choppy climate with little transactional data to extract market capitalization rates.

Source: Cushman & Wakefield Investor Survey (H1 2024)

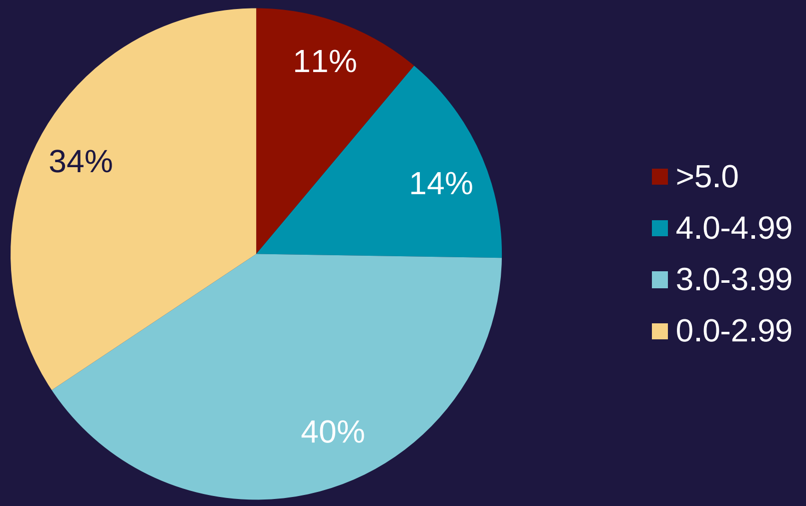
SELF STORAGE INVESTOR SURVEY RESULTS

H1 2024

Rent Growth Assumptions (%)



Expense Growth Assumptions (%)



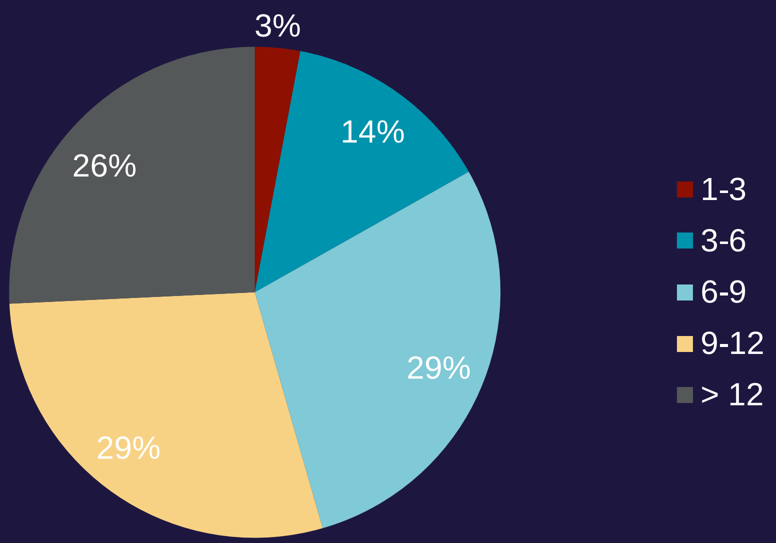
Most survey participants are underwriting rent growth between 0% and 3.0% over the 12 months, at 66% of respondents. Conversely, 44% of respondents are expecting expense growth between 3.0% and 4.0%, with 34% of respondents expecting more moderate expense growth, as expenses are once again becoming more manageable.

Source: Cushman & Wakefield Investor Survey (H1 2024)

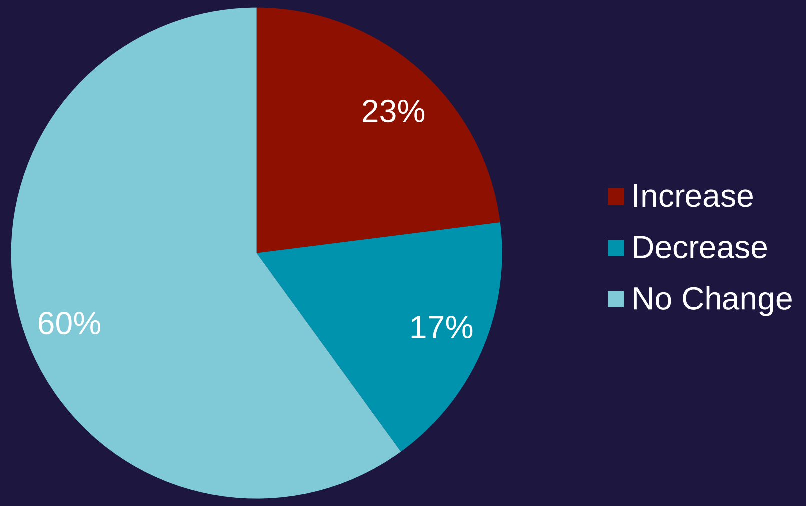
SELF STORAGE INVESTOR SURVEY RESULTS

H1 2024

Average Lease Terms (Months)



H2 2024 Capitalization Rate Outlook



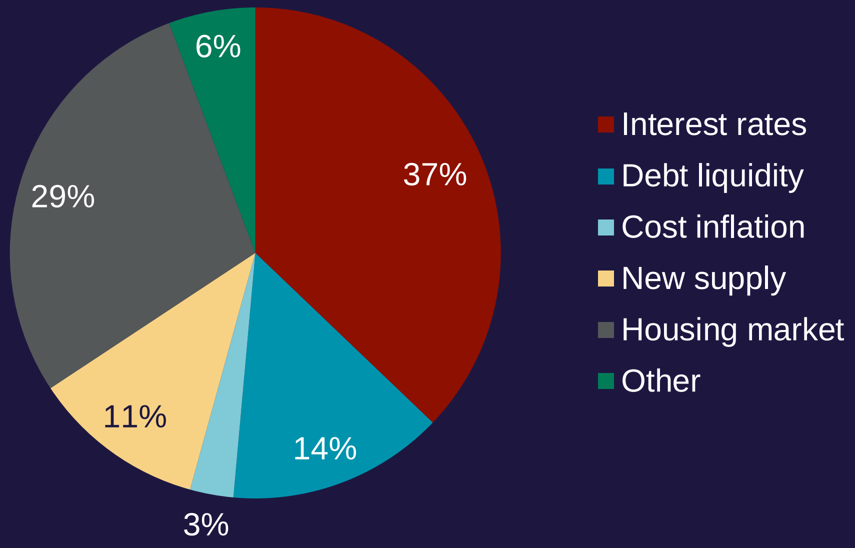
As an increase in the average length of leases is expected by survey participants, capitalization rates are expected to remain stable through the second half of 2024 by 60% of participants. 23% expect further increases, and the remaining 17% expect some cap rate compression in the second half of 2024.

Source: Cushman & Wakefield Investor Survey (H1 2024)

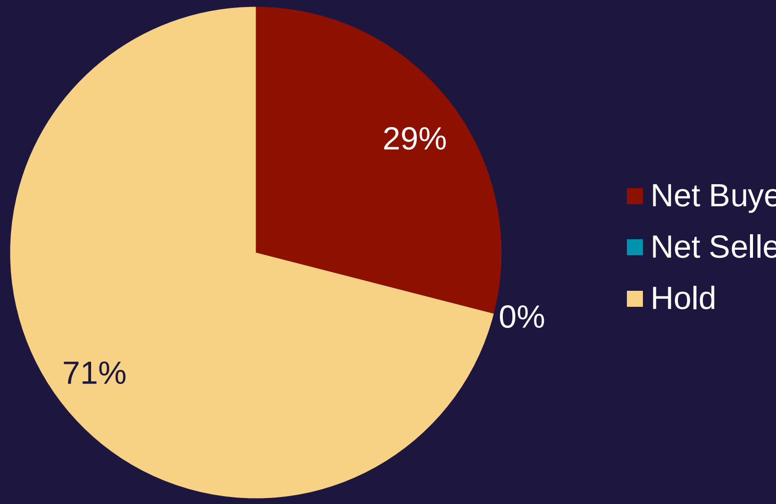
SELF STORAGE INVESTOR SURVEY RESULTS

H1 2024

Valuation Risks for Next 12 Months



Investment Exposure for Next 12 Months



Uncertainty in the broader capital markets environment is top of mind for survey participants; 71% plan to hold their properties through the second half of 2024, while 29% are net buyers. With 0% of participants expecting to divest, market dislocation between buyers and sellers is still prevalent. BOV activity is up with multiple listings expected to drive increased transaction activity in the second half of 2024 and into 2025.

Source: Cushman & Wakefield Investor Survey (H1 2024)

Thank you to the market leaders who participated in this survey. Your support and input remains key to our ability to keep a real-time pulse on the market to best understand what’s ahead.

Access our Self Storage Performance Quarterly Report for detailed operating metrics and analysis by submarket at:

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