Welcome to the NCREIF Fall Conference 2020!

Sector Shakeout: Self-Storage

November 11

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Self-Storage Overview

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Ownership Overview

- Highly fragmented sector, with majority of stores owned by entity that holds one or two stores.
- This even after decades of consolidation

Operating Characteristics

- Small assets with 30-day leases. Vacancies rise during recessions but occupancy rebounds quickly. In tight markets, short leases allow for multiple rent increases in a single year.
- No releasing costs and lowest capital expenditure of all property types
- Once low-tech, sector being transformed by technology

Storage Tenant Demand: Steady, Diverse, and Multi-Dimensional

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Used as supplement to storage space at home

10%+/- of households rent any time

Number of long-term or life-style renters increasing

Seeing while driving primary way of finding self-storage

Nearly 70% of renters don't have a basement

10' by 10' most popular unit

Residential uses are 70%+/- of market and businesses are 20%+/-

College & military make up the rest

Saturation levels vary greatly by region

Existing customer price increases typically small percent of gross monthly earnings (0.3%)

COMMERCIAL	SEASONAL	UNPLANNED	PLANNED
		Return of a Child	Moving Out of a House
		Care of a Parent	Staging a House
		Death	Moving Into a House
		Inheritance	Downsizing a House
Home Office	Car Storage	Legal Proceedings	Home Remodeling
Business Inventory	Recreational Vehicles	Divorce	Changing Apartments
Business Records	Hobby Storage	Foreclosure	Going to College
Equipment	Christmas Presents	Disaster Clean Up	Finishing College
Law Enforcement	Holiday Decorations	Disaster Recovery/ Backup	Family Records
Pharmaceutical	College Summer Break	Military Deployment	Sports Equipment
Donation Connection	Yard Care	Compulsive Hoarding	Wedding
			Birth

Source: EXR, Heitman Research

Storage Isn't Recession-Proof But…

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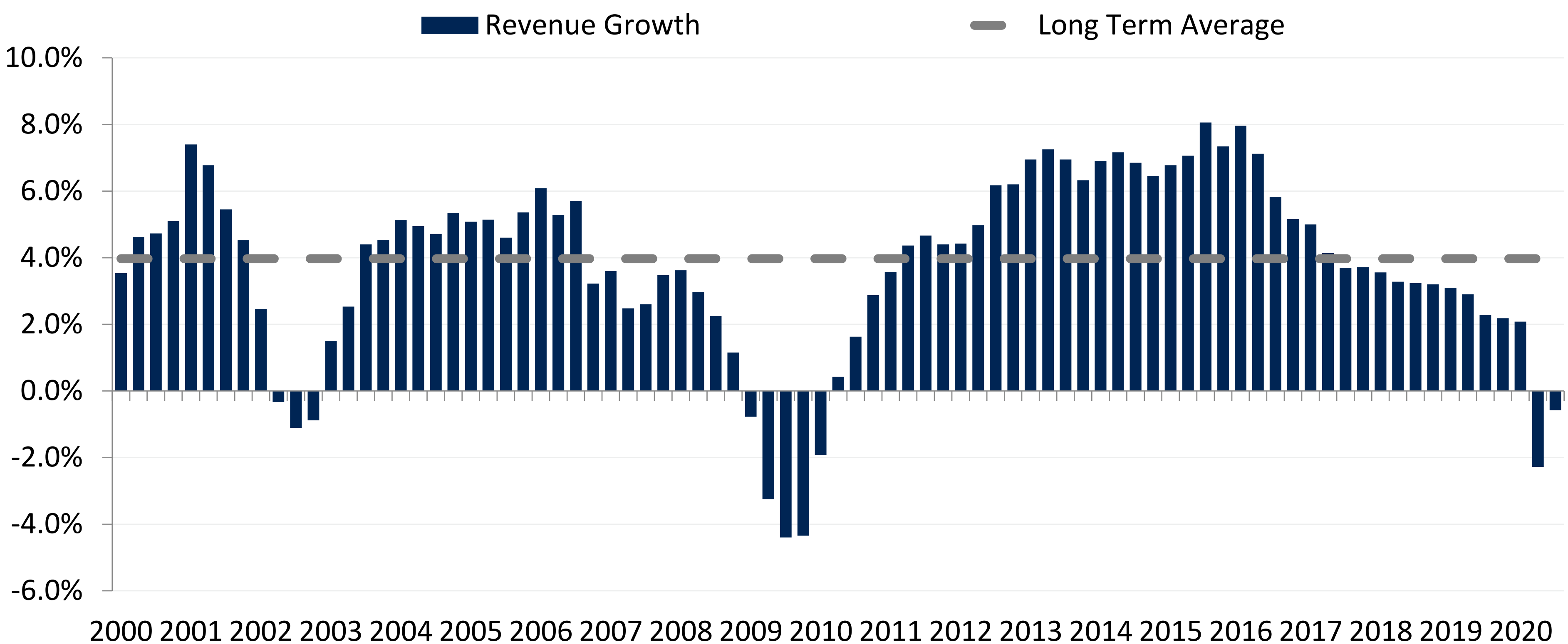
SELF-STORAGE REVENUE GROWTH
REIT SAME-STORE POOLS 2000-2020 (Q2)



Source: REIT Reports; Heitman Research

Storage Led in REIT Universe in Revenue Growth

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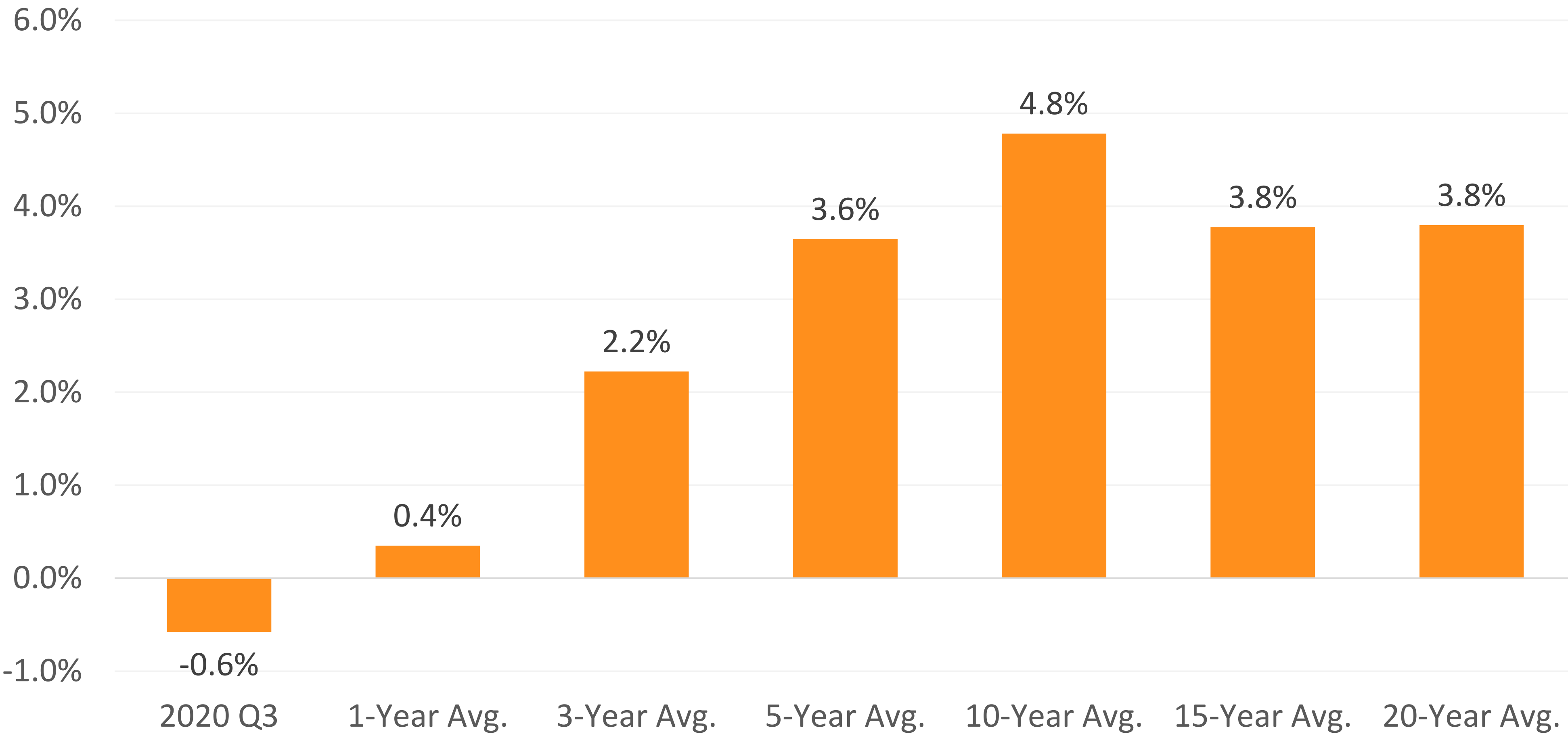
SELF-STORAGE REIT SAME-STORE REVENUE GROWTH



Source: Company Reports

Storage Has Regularly Led NPI in Total Returns

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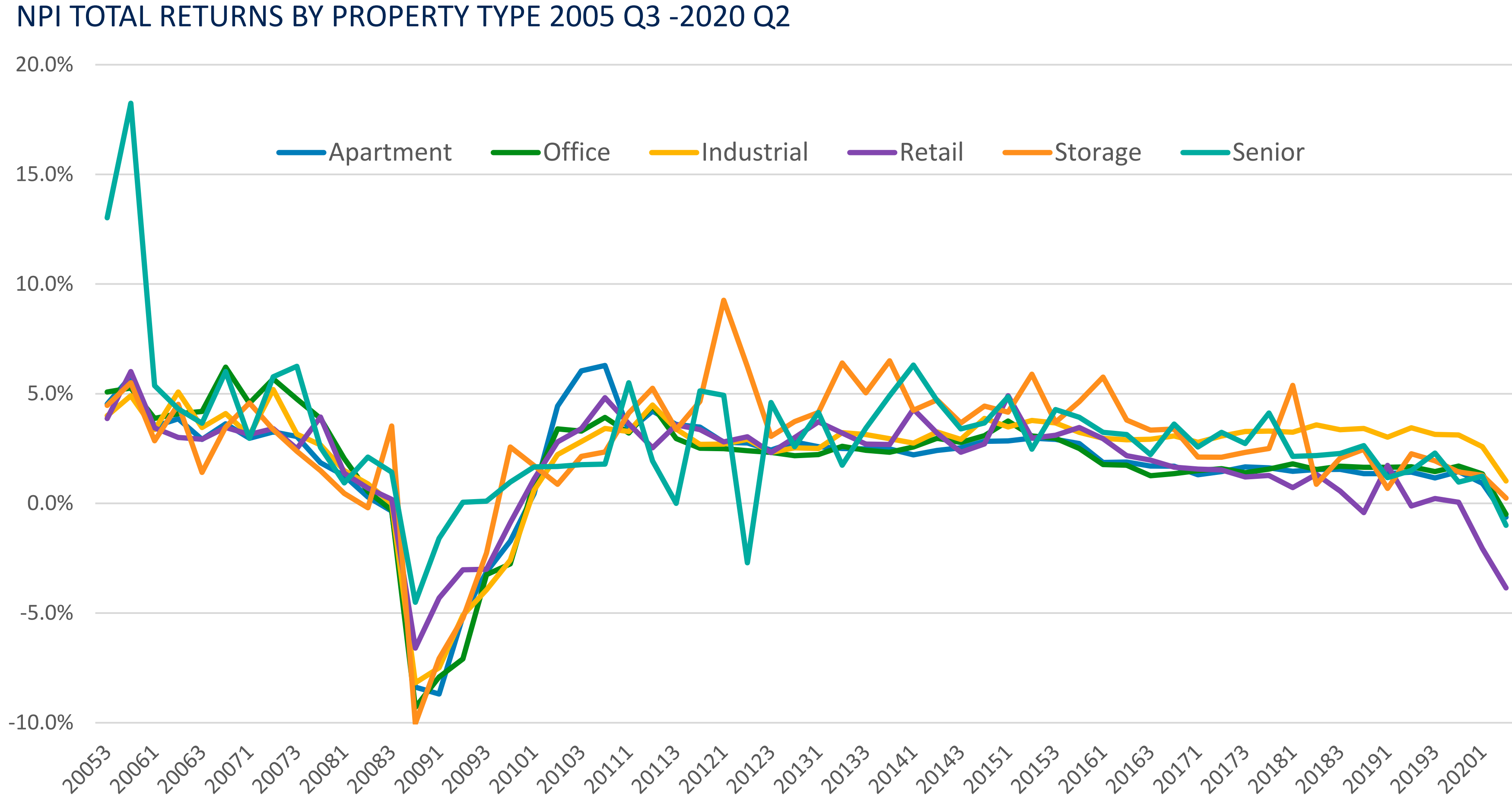

Source: NCREIF; Heitman Research

This Leadership Among Factors Sparking Record Construction

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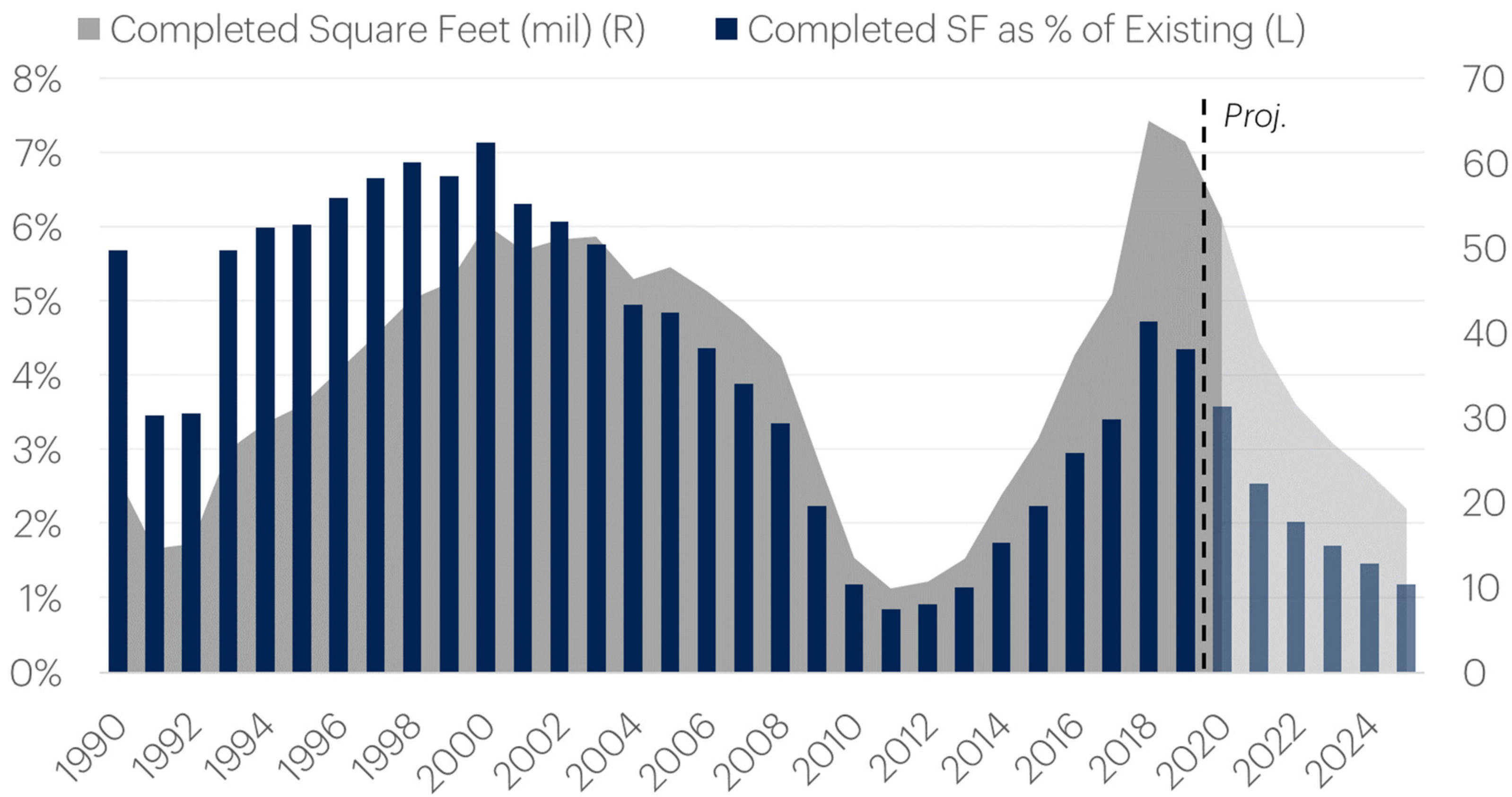
SELF-STORAGE NEW SUPPLY
1990 – 2025 (PROJECTION)



Self-Storage Sector Favorably Positioned

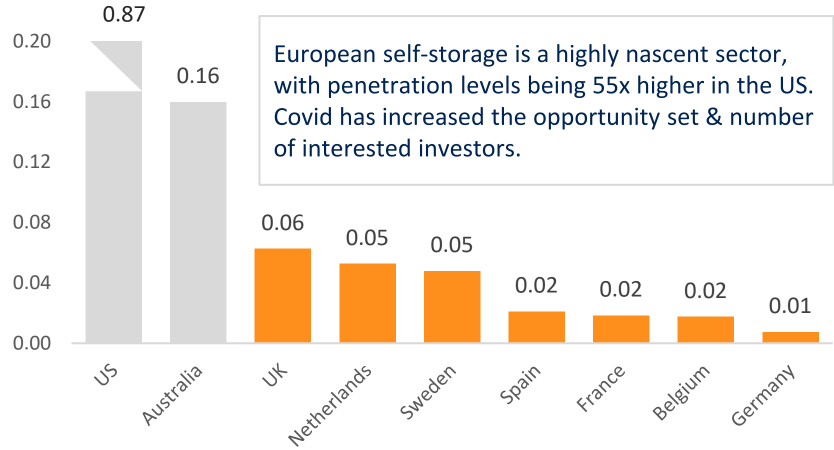
The long-term outlook for self-storage post-COVID is strong in most locations as supply diminishes

Structural drivers (e.g., divorce, moving, death are reasserting themselves)

Covid-19 may accelerate automation of facilities

Resilience of skilled operators, combined with some distress in fragmented parts of the market, will accelerate investment toward the sector

STORAGE PENETRATION BY COUNTRY, GLA (SQM) PER CAPITA, 2019



Source: FEDESSA/JLL

Strong US Self-Storage Recovery in Q3

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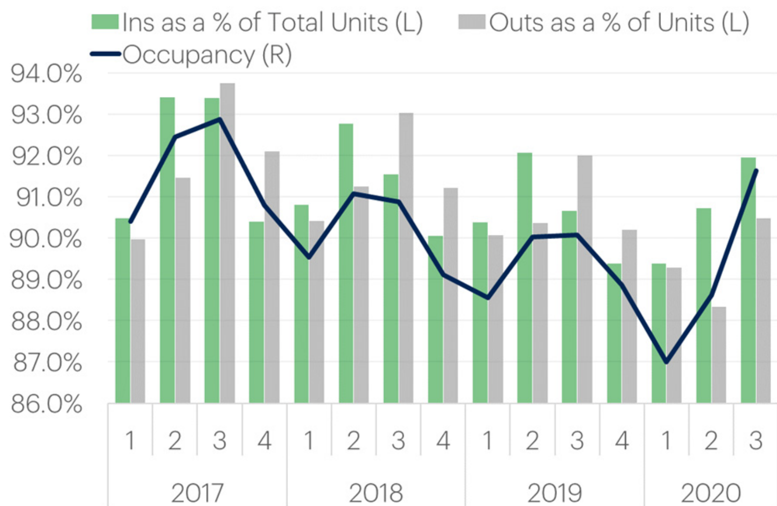
Occupancy dipped in Q2 but recovered to a record high for Q3

- Move ins and outs declined in Q2; **move ins** recovered quickly in Q3, **up 11.3% YOY**, while **move outs** were **down 11.7% YOY** in Q3
- COVID-19 disruption has created a **windfall of demand** for self storage

Market rents were down as much as 11% YOY from April to June but recovered to 2018 levels by September

- A leading indicator for **effective rent growth** since in-place rates follow asking rates

OCCUPANCY AND MOVE INS/OUTS
HEITMAN SAME STORE POOL 2015 - 2020 (Q3)



EFFECTIVE AND MARKET RENTAL RATES
HEITMAN SAME STORE POOL 2017-2020 (SEP)

Lease Up Properties Are Back On Pace

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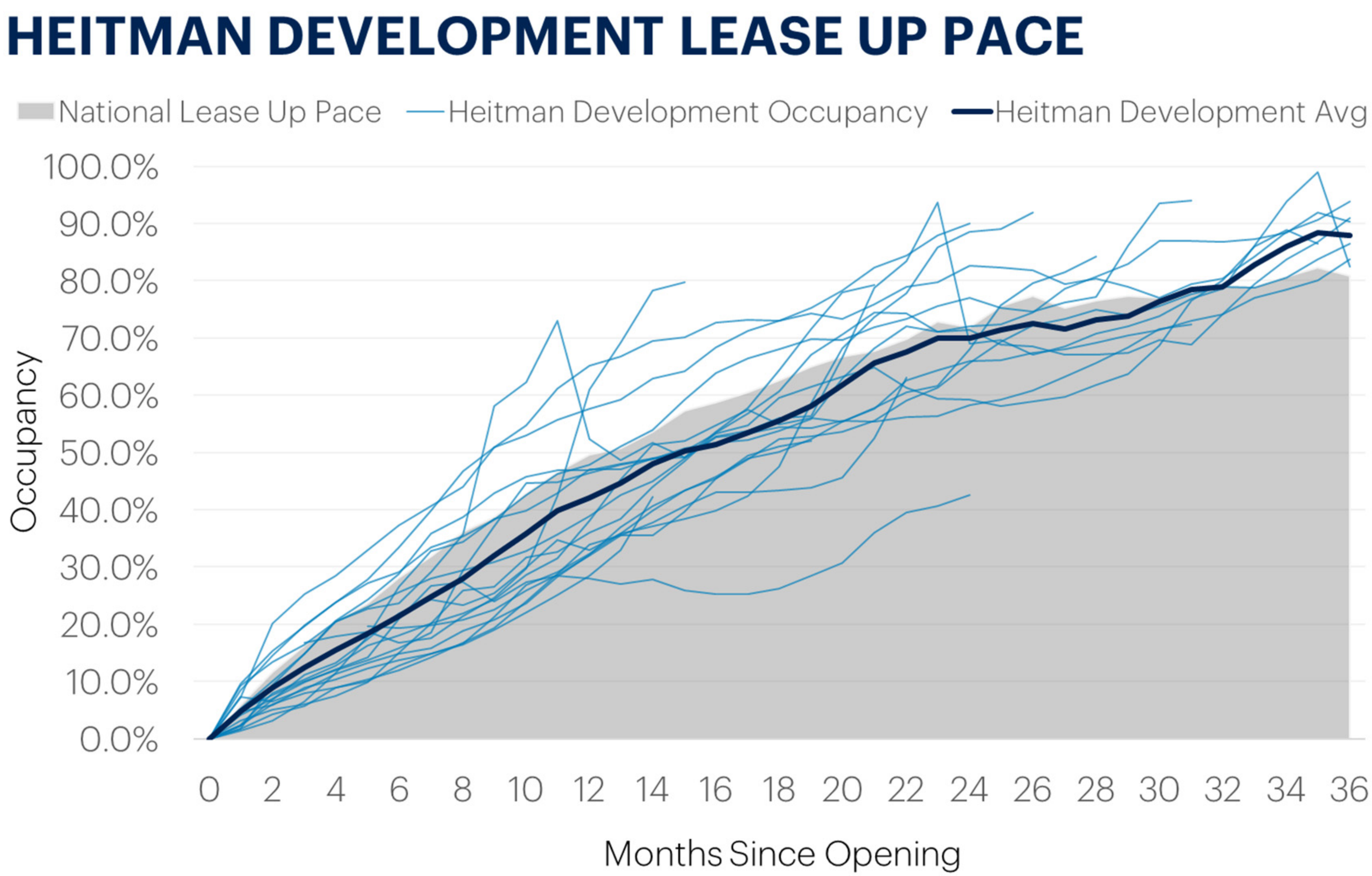
Heitman's lease up properties experienced accelerated leasing since COVID began

– Avg. **340 bps of occupancy gain per month** April to Sep 2020 versus 230 bps/month last year



Transaction Volume Recovering, Cap Rates Trend Down

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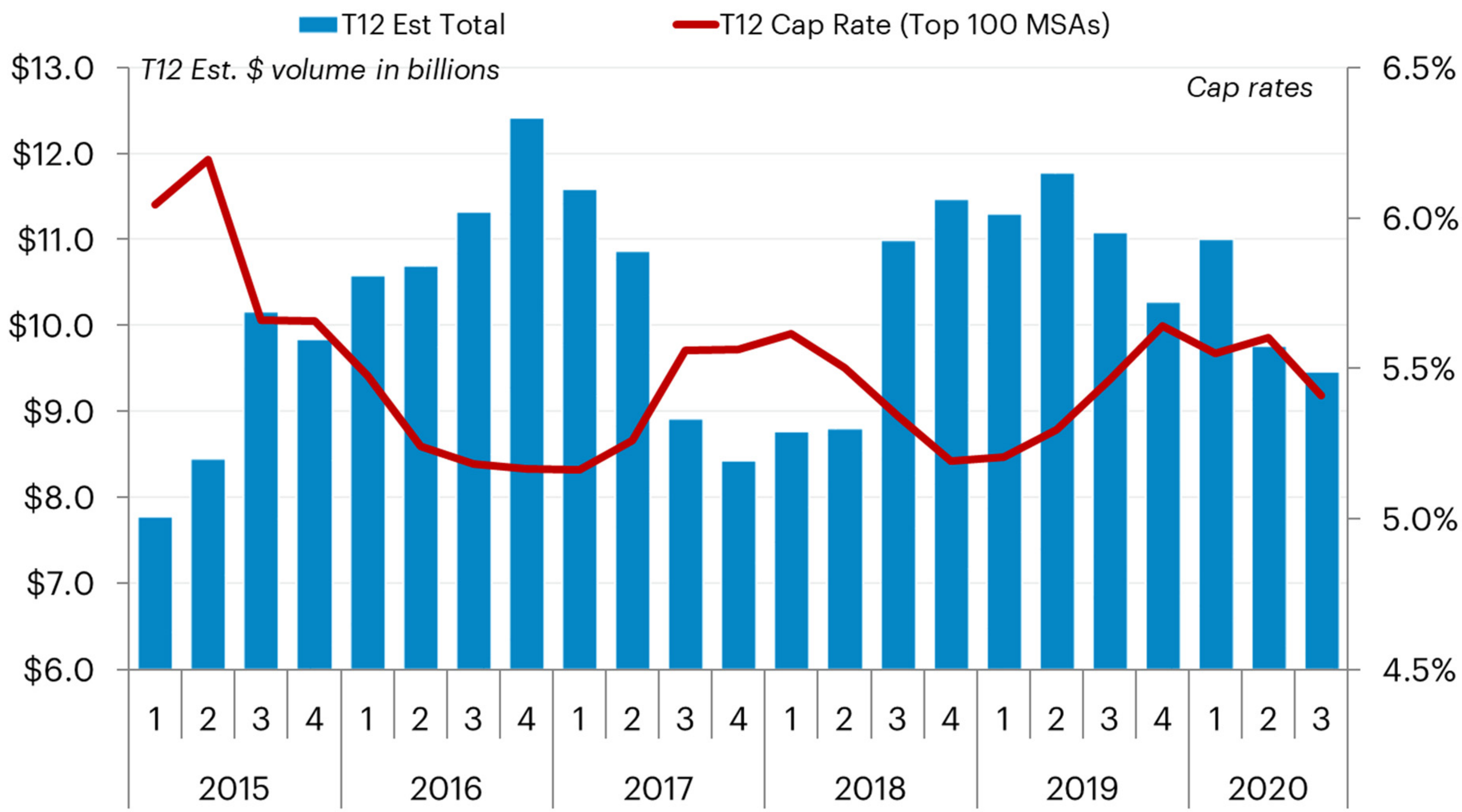
SELF STORAGE TRANSACTION VOLUME (TRAILING 12 MONTH TOTALS) AND CAP RATES US 2015 - 2020 (PRELIMINARY Q3 DATA)



Source: Real Capital Analytics; Yardi Matrix; Heitman Research