2ND QUARTER 2024

SELF-STORAGE REIT UPDATE

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In recent years, the self-storage industry has grown tremendously, offering substantially more than its original basic storage solutions. Today, the market encompasses roughly 52,000 core facilities containing just under 2.1 billion square feet nationwide. The core facilities are typically owned by public real estate investment trusts (“REITs”), large public and private concerns, mid-sized companies who might own ten or so facilities in regional markets, and small “mom and pop” owners who might own one to three properties in a single market. Four of the five largest owners are REITs: Public Storage, Inc. (“PSA), Extra Space Storage, Inc. (“EXR”), CubeSmart (“CUBE”), and National Storage Affiliates Trust (“NSA”). Following the merger of LifeStorage (“LSI”) and EXR, LSI no longer appears in our report.

Following peak performance for the sector throughout the first half of 2023, rising interest rates and slowing demand led to more muted rental growth and decreased occupancy levels. As of 2Q24, rental rates and occupancy continued to register quarter-over-quarter decreases. For the first time since 4Q22, year-over-year average rent growth was negative across the four REITs. Although growth has tempered and the sector is returning to more normalized pre-pandemic trends, fundamental demand drivers remain strong as the self-storage industry continues evolving by incorporating new technological innovations and sustainability practices.

Because of significant deliveries brought to market in recent quarters, supply in the self-storage market is highly saturated, and operators are increasing efforts to enhance customer convenience by implementing new technology at facilities in hopes to attract new customers. Combined with an increased focus on sustainability, including utilizing smart climate control systems, operators are not only appealing to environmentally conscious consumers, but also aiming to save on operating costs. For instance, in August 2024, NSA announced a partnership with community solar developer Solar Landscape to include solar panels across 8.5 million square feet of NSA’s rooftop space, or roughly 1,000 of NSA’s self-storage facilities.

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The Sunbelt continues to garner institutional investor interest due to strong demand bolstered by high migration rates. The bulk of new product being delivered and under construction broke ground prior to increases in interest rates. With the cost of capital remaining high for an extended period and construction costs remaining elevated, new starts have slowed. At the same time, weakened demand has caused occupancy to dip and developers have become wary of oversupply risk in the sector. As the market works through the pipeline of deliveries and competition from new supply decreases, large self-storage operators anticipate growth opportunities in the near- to mid-term.

The sector continues to experience headwinds due to seasonal changes, high interest rates, and depressed home sales. As a result, rents are expected to continue softening throughout 2024. Furthermore, operating expenses are expected to increase significantly, limiting projections in NOI growth. As downward pressure on street rates continues, Existing Customer Renewal Increases (ECRIs) will continue to prove to be a lucrative model for the self-storage industry.

Following record breaking quarters in 2021 and the first half of 2022, a decrease in transaction velocity and the headwinds referenced above have prompted each of the four major REITs to pare back growth projections in their guidance.

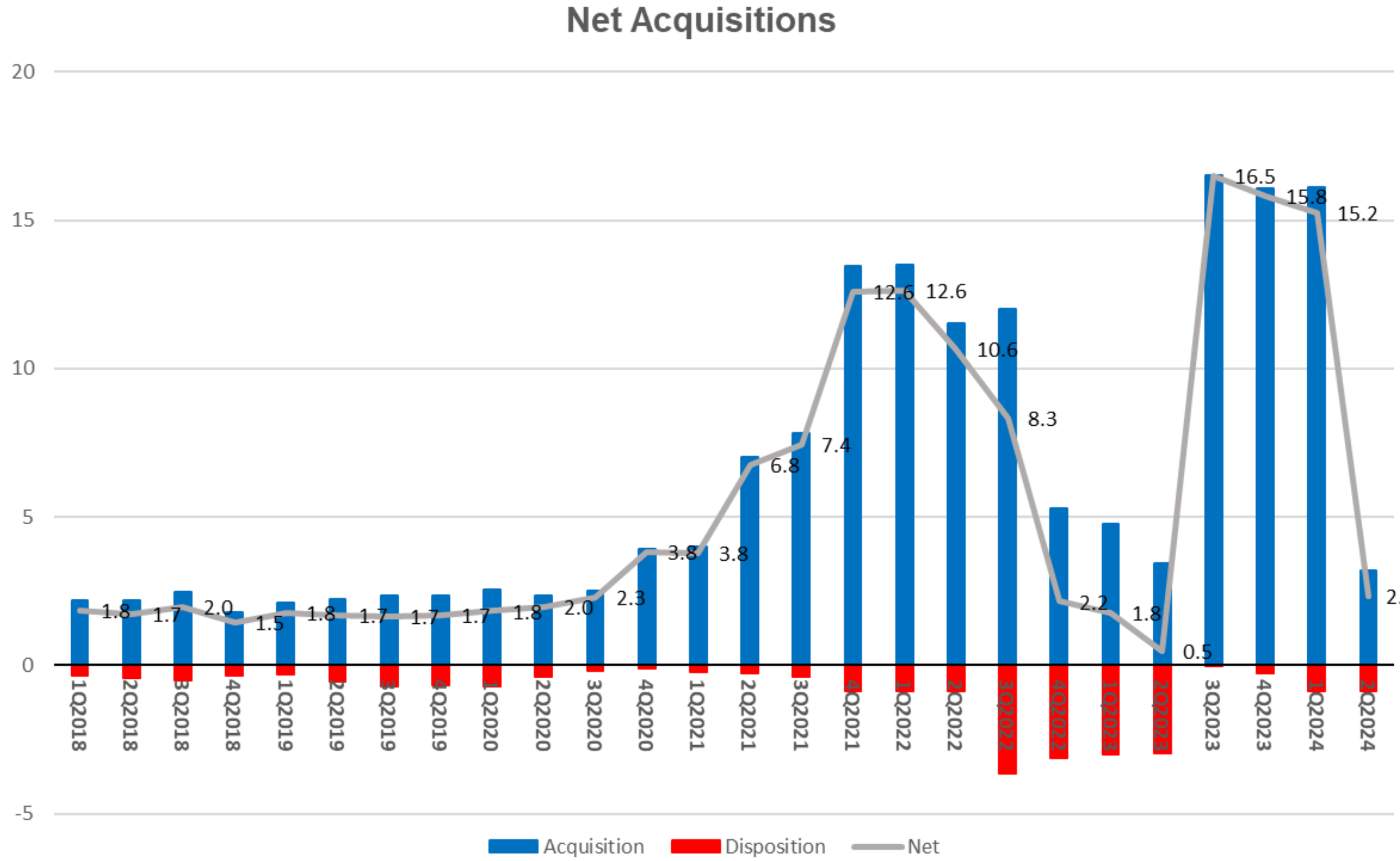
- Occupancies at the end of 2Q24 ranged from 86.4% to 93.5%.
- Same store revenue growth ranged from -2.8% to 0.6%.
- Same store NOI growth ranged from -5.6% to -1.1%.

	Performance				FY 2024 Guidance					
	Revenue	Expenses	NOI	Occupancy	Revenue		Expenses		NOI	
					Low	High	Low	High	Low	High
PSA	-1.0%	2.6%	-2.0%	93.0%	-1.5%	-0.5%	2.0%	3.5%	-3.0%	-1.3%
EXR	0.6%	6.0%	-1.1%	93.5%	-1.0%	0.5%	4.0%	5.0%	-3.0%	-0.5%
CUBE	0.3%	4.2%	-1.2%	91.5%	-0.8%	0.3%	4.5%	6.0%	-3.0%	-1.0%
NSA	-2.8%	4.8%	-5.6%	86.4%	-3.8%	-2.3%	3.5%	5.0%	-6.5%	-4.5%
Avg.	-0.7%	4.4%	-2.5%	91.1%	-1.1%		4.2%		-2.9%	

EXR revised revenue and expense guidance downwards since last quarter, while NOI guidance increased from 1Q24 to 2Q24. Each of the three remaining REITs maintained revenue, expense, and NOI guidance from 1Q24 to 2Q24. Revenue guidance averaged -1.1% across the four major REITs. With high expense projections, averaging 4.2%, this resulted in NOI guidance for fiscal year 2024 at an average of -2.9% for all four major REITs. Moving forward, fiscal year 2024 revenue and NOI forecasts are expected to be significantly below the increases experienced in 2022 and the first half of 2023. With continued pressure on the expense side and limited projected revenue growth, as rent growth has slowed significantly, each of the four REIT's is projecting negative NOI growth in 2024.

Acquisition Activity

Given the slowdown in benchmark rate increases, REITs increased acquisitions in 3Q23 and sustained these growth trends through 1Q24. Acquisitions activity has since leveled off with net acquisitions totaling approximately $2.3B on a trailing 12-month basis. It is important to note that the significant drop from 1Q24 is due to the exclusion of Public Storage's acquisition of Simply Self Storage and ExtraSpace's acquisition of Life Storage, which skewed the acquisition total upwards significantly in the prior three quarters. As of 2Q24, total acquisitions decreased significantly and are now registering near pre-pandemic norms.



Source: NAREIT T-Tracker

PSA maintained their 2024 guidance at $500M in transaction volume expected for the year. While unchanged from earlier in 2024, this represents a significant decrease from 2023 activity which was skewed upwards due to the $2.2B acquisition of Simply Self Storage that was completed in July 2023. PSA indicates that as of 2Q24, two self-storage facilities with 0.1M net rentable square feet were acquired for $22.0M. PSA notes that acquisition volume is likely to continue to be impacted by higher cost of capital requirements and overall macro-economic uncertainties.

PSA indicated they expect industry-wide demand from new customers to stabilize during the latter half of 2024 and anticipate fewer completions of new self-storage facilities nationally, reducing the competitive impact of new supply on customer acquisition. PSA will continue focus on development through 2024 with approximately $419.5M in the current pipeline totaling 2.2 million square feet of net rentable area across 22 facilities that are expected to open over the next 18 to 24 months. These new deliveries are expected to generate stronger yields compared to where available properties are currently trading.

EXR decreased acquisitions in 2Q24, acquiring two wholly owned operating stores and one store at a Certificate of Occupancy for a total cost of approximately $27.6M. In conjunction with joint venture partners, EXR completed two developments for a total cost of approximately $28.7M, of which EXR invested $27.7M. Since the prior quarter, EXR increased its acquisition guidance for 2024 to $400M from $250M in 1Q24.

CUBE maintained acquisition guidance in 2Q24 at $100MM to $200MM for 2024. In 2Q24, CUBE did not acquire any new facilities. However, CUBE had two joint venture development properties under construction in 2Q24 and anticipates investing a total of $36.9M related to these projects with current investments standing at $7.5M of that total. Both stores are in New York and are expected to open during the third quarter of 2025. CUBE indicated there is still around a 10% bid-ask spread which is limiting transaction activity. From a cost of capital perspective, they are looking to transact in the 6% cap rate range or better.

In 2Q24, NSA acquired three wholly owned self-storage properties, consisting of approximately 200,000 rentable square feet configured in approximately 1,300 storage units, under a 1031 exchange. Total consideration for these acquisitions included approximately $25.1M of net cash and the assumption of approximately $0.1M of other liabilities. NSA sold one self-storage property, consisting of approximately 155,000 rentable square feet configured in approximately 1,000 storage units for approximately $8.0M. NSA guidance remains unchanged at $100M from $300M in acquisition activity for 2024.

Institutional Portfolio Sales

Although overall transaction activity has slowed in recent quarters, select transactions and portfolio trades are still occurring in the market given the amount of capital available to deploy in the burgeoning industry. The top self-storage portfolio sales for the past two years are listed below.

2022-2024 SELF-STORAGE PORTFOLIO SALE HIGHLIGHTS

No.	Portfolio	Sale Date	Number of Properties	Total Leasable Area (SF)	Sale Price	Price/SF
1	Harrison Street Southeast Storage Portfolio	8/24	19	1,400,000	$200,000,000	$142.86
2	Heitman/NSA JV Portfolio	2/24	22	1,051,388	$346,500,000	$329.56
3	U-Haul Net-Lease Self Storage Portfolio	2/24	78	3,127,612	$465,000,000	$148.68
4	Clarion/Clark Family Portfolio	10/23	30	1,574,859	$330,000,000	$209.54
5	Public/Simply Portfolio	8/23	127	9,400,000	$2,200,000,000	$234.04
6	CBRE/Storquest Portfolio	3/23	14	851,541	$335,000,000	$393.40
7	Related/Wentworth Portfolio	1/23	18	1,286,000	$266,229,000	$207.02
8	Public Storage Ocala Portfolio	12/22	28	1,200,000	$192,400,000	$160.33
9	Levine/Life Storage	10/22	7	657,320	$142,000,000	$216.03
10	ExtraSpace / Storage Express	9/22	107	3,900,000	$590,000,000	$151.28
11	Cubesmart/NSA Portfolio	8/22	14	1,064,000	$235,000,000	$220.86
12	Pegasus Portfolio	8/22	11	650,000	$277,000,000	$426.15

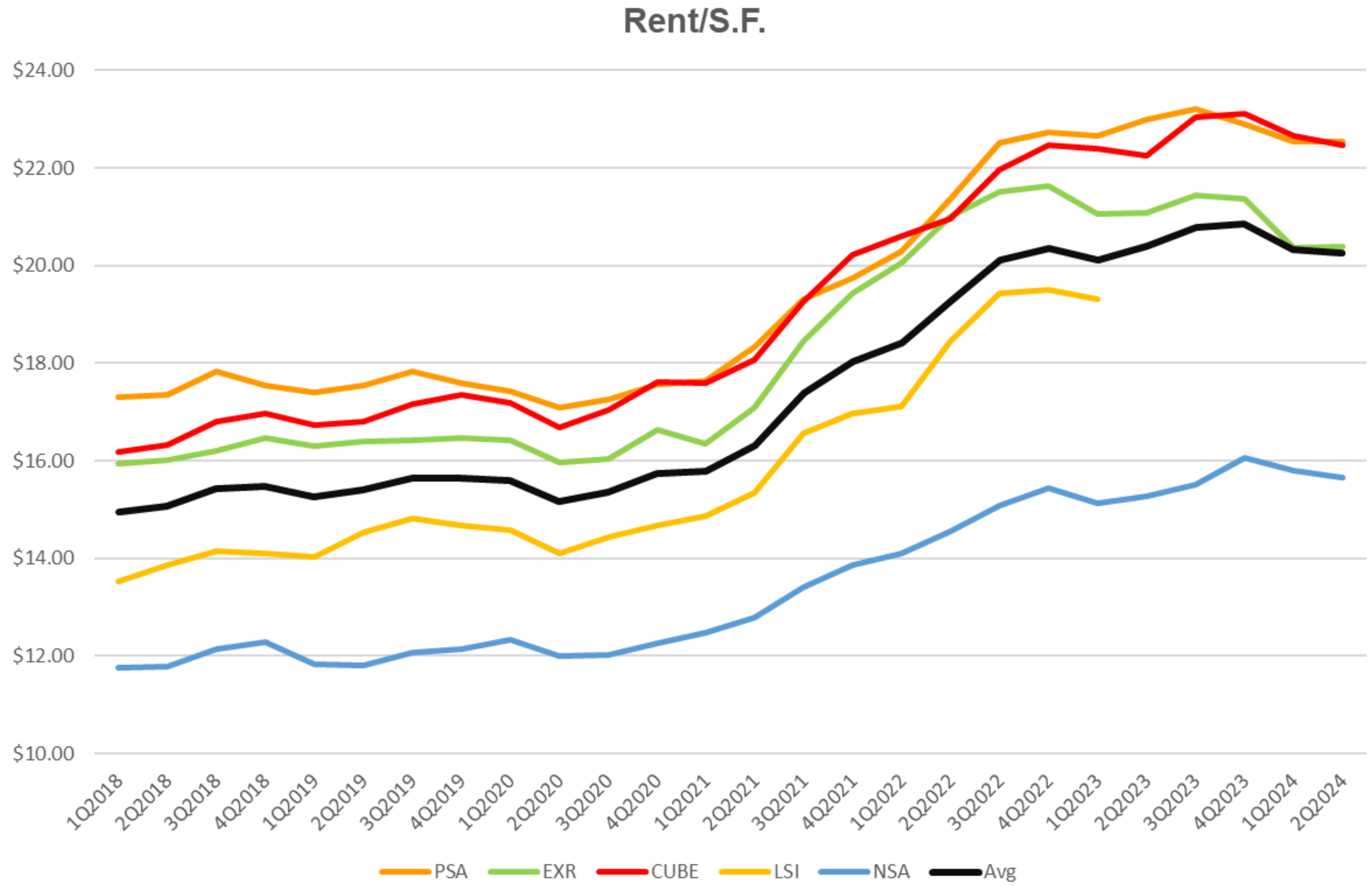
Over the past 18 to 24 months, portfolio activity has been limited given the increased interest rate environment and slowing tenant demand. Outside of the Extra Space and LifeStorage merger, the most significant transaction over the past 24 months was the Public Storage acquisition of Simply Self Storage from Blackstone Real Estate Income Trust (BREIT) for $2.2 billion. The portfolio comprised 127 wholly-owned properties and 25 third-party managed properties. The wholly-owned properties totaled 9.4 million square feet with 1.8 million square feet of third-party managed space. The occupancy of the wholly owned portfolio was 91 percent with a 69 percent NOI margin. More recently in 2Q24, Harrison Street acquired 19 self-storage facilities across Florida, Georgia, Alabama and North Carolina totaling 1.4 million square feet. The acquisition includes more than 12,000 self-storage units with an average 90% occupancy across the facilities. The purchase price for the entire portfolio was $200M.

Merger Activity

In August 2024, self-storage operators, Go Store It Self-Storage and Snapbox Self-Storage, merged. The combined entity owns 145 facilities across 23 states, totaling approximately 10 million square feet of space. The company will operate under the Go Store It Self-Storage company name. According to a press release, the new entity plans to enhance operational efficiency and growth in acquisitions, development and third-party management.

Rental Rates

Following some decreases in the 1Q23, rental rates quickly rebounded, registering quarter-to-quarter increases throughout the rest of 2023. In 2Q24, rental rates registered a 0.37% decrease quarter-to-quarter. Rental rates currently average $20.26 per square foot nationwide across all four REITs. While rent growth was positive in the last three quarters of 2023, rates began to decline in the first half of 2024, with a year-over-year decrease of 0.67% as of 2Q24. Operators have noticed a slowdown in revenue growth due to depressed street rates caused by current market conditions. Large operators continue to advertise increasingly lower street rates to attract customers before enacting ECRIs to boost rents on existing tenants. For informational purposes, the chart on the next page includes historical data for Life Storage through 1Q23. As of 2Q23, Life Storage merged with ExtraSpace with the combined company now operating under the ExtraSpace name.



Following periods of accelerated growth in 2021 and the first half of 2022, performance has slowed. With the pace of growth moderated, average rental rates decreased by 0.37% in 2Q24 quarter-over-quarter and decreased by 0.67% in 2Q24 over the prior year. This represents significant slowdowns from previous quarters which registered annual growth of 1.15% in 1Q24, 2.46% in 4Q23, and 3.43% in 3Q23.

The table below highlights rental rate trends within the 20 major metropolitan areas for self-storage inventory by each of the four REITs.

RENT BY MSA				
Market	**PSA**	**EXR**	**CUBE**	**NSA**
Los Angeles-Riverside-Orange County, CA	$35.96	$25.16	$27.30	$24.67
New York-Northern New Jersey-Long Island, NY-NJ-PA	$32.19	$26.70	$36.98	--
Atlanta, GA	$17.50	$15.83	$16.82	$13.93
Washington-Baltimore, DC-MD-VA-WV	$26.70	--	$25.95	--
Dallas-Fort Worth, TX	$18.21	$15.63	$17.88	$14.13
Boston-Worcester-Lawrence, MA-NH-ME-CT	--	$19.47	$25.56	--
San Francisco-Oakland-San Jose, CA	$32.58	--	--	--
Chicago-Gary-Kenosha, IL-IN-WI	$20.44	$19.73	$19.07	--
Miami-Fort Lauderdale, FL	$29.98	$25.06	$25.21	--
Phoenix-Mesa, AZ	--	$17.08	$16.76	$16.22
Philadelphia-Wilmington-Atlantic City, PA-DE-NJ	$21.00	--	$20.90	--
Tampa-St. Petersburg-Clearwater, FL	--	$17.69	$20.27	--
Houston-Galveston-Brazoria, TX	$16.88	$15.54	$17.17	$12.77
Las Vegas, NV-AZ	--	$15.51	$18.76	$14.57
Sacramento-Yolo, CA	--	$17.97	$18.05	--
Austin-San Marcos, TX	--	$15.03	$18.14	$16.85
Orlando, FL	$18.81	$15.81	$16.99	--
San Antonio, TX	--	$14.62	$16.66	$15.36
Charlotte, NC	$15.99	$17.30	$18.05	--
Riverside-San Bernardino-Ontario, CA	--	--	$19.40	$16.36
Total	**$22.54**	**$17.34**	**$22.47**	**$15.66**

The San Francisco-Oakland-San Jose market currently commands the highest rents with an average of $32.58 per square foot for PSA. Conversely, the lowest average rents are in the San Antonio market, with an average of $15.55 per square foot across EXR, CUBE, and NSA.

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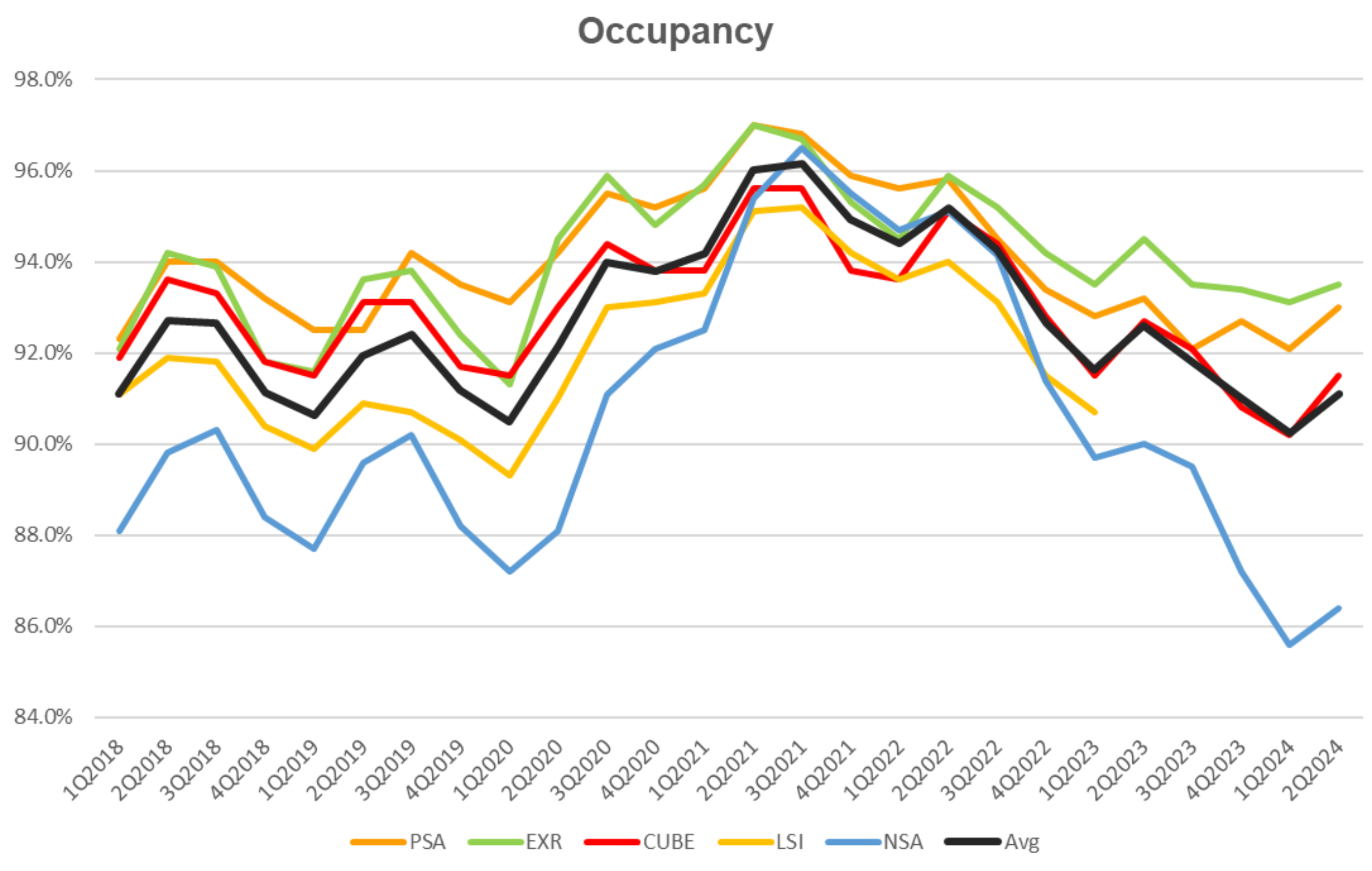
Occupancy Trends

Since 3Q22, occupancy rates have trended downward, except for a slight uptick that was registered in 2Q23. Occupancy currently stands at an average of 91.1%, which is in line with historical averages. In addition, average occupancy increased by 0.9% quarter-over-quarter in 2Q24 across the four tracked REITs. Year-over-year, average occupancy has decreased by 1.5%. Despite these decreases, the major REITS are projecting vacancy levels to remain stable throughout the remainder of 2024. For informational purposes, the chart below includes historical data for Life Storage through 1Q23. As of 2Q23, Life Storage merged with ExtraSpace with the combined company now operating under the ExtraSpace name.



The table below highlights occupancy trends within the 20 major metropolitan areas for self-storage inventory by each of the four REITs.

OCCUPANCY BY MSA				
Market	**PSA**	**EXR**	**CUBE**	**NSA**
Los Angeles-Riverside-Orange County, CA	95.10%	93.60%	92.20%	87.10%
New York-Northern New Jersey-Long Island, NY-NJ-F	93.80%	93.50%	91.40%	--
Atlanta, GA	88.20%	90.60%	89.10%	82.40%
Washington-Baltimore, DC-MD-VA-WV	93.60%	--	92.70%	--
Dallas-Fort Worth, TX	90.20%	94.50%	93.20%	84.20%
Boston-Worcester-Lawrence, MA-NH-ME-CT	--	93.40%	90.50%	--
San Francisco-Oakland-San Jose, CA	94.90%	--	--	--
Chicago-Gary-Kenosha, IL-IN-WI	93.60%	93.20%	92.50%	--
Miami-Fort Lauderdale, FL	93.40%	93.90%	93.00%	--
Phoenix-Mesa, AZ	--	93.70%	90.80%	84.00%
Philadelphia-Wilmington-Atlantic City, PA-DE-NJ	93.50%	--	91.70%	--
Tampa-St. Petersburg-Clearwater, FL	--	92.90%	91.90%	--
Houston-Galveston-Brazoria, TX	91.80%	94.30%	93.10%	88.20%
Las Vegas, NV-AZ	--	94.00%	91.60%	87.10%
Sacramento-Yolo, CA	--	94.70%	91.50%	--
Austin-San Marcos, TX	--	93.60%	89.90%	84.80%
Orlando, FL	91.90%	91.20%	91.70%	--
San Antonio, TX	--	92.40%	89.00%	83.80%
Charlotte, NC	92.10%	96.60%	90.90%	--
Riverside-San Bernardino-Ontario, CA	--	--	90.00%	86.80%
Total	**93.00%**	**93.40%**	**91.50%**	**86.40%**

As illustrated above, the market with the highest average occupancy level as of 2Q24 is San Francisco-Oakland-San Jose at an average of 94.9%, with reported occupancies from PSA. The Atlanta market reported the lowest average occupancy at an average of 87.6% across all four REITs.

Conclusion

Self-storage properties performed remarkably well through the first half of 2023 with properties showing rapid rent gains and maintaining stable occupancy. More recently, demand has slowed with vacancy increasing, rents flattening, and all four major REITs projecting negative revenue and NOI guidance. In the near term, rent growth is expected to stagnate, remaining in line with historical norms. High construction costs and interest rates have resulted in a reduced construction pipeline which should benefit existing operators in combatting continuously lowering street rates and occupancy levels in the second half of 2024 and into 2025. Nevertheless, long-term market fundamentals are expected to remain strong. Overall, the self-storage market has a positive outlook as a promising sector increasingly favored by investors for its resiliency and long run prospects.

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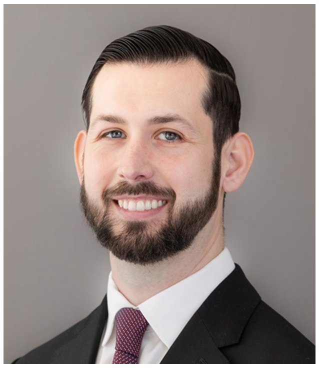
For more information on the self-storage sector, please reach out to:



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