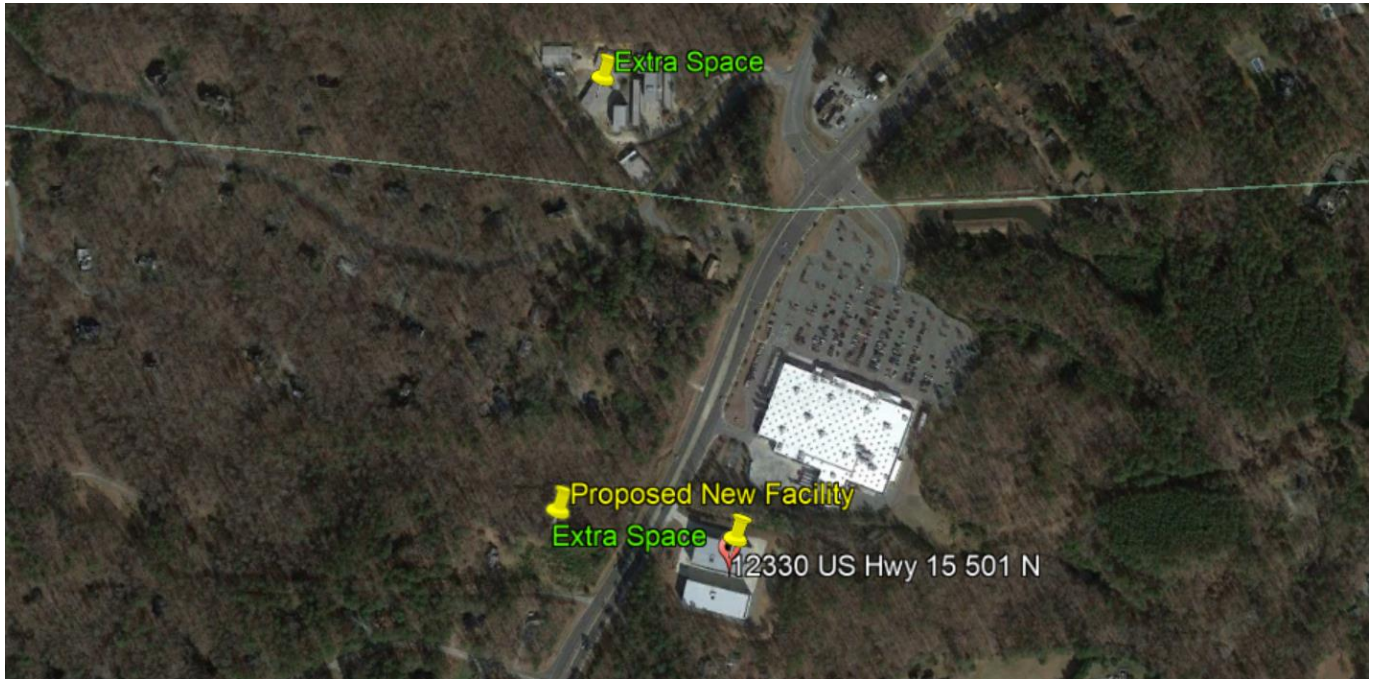# SELF-STORAGE DESKTOP DEMAND STUDY

Site Location:
US 15 501
Chapel Hill NC

Client: Extra Space
Chapel Hill NC

Desktop Market Analysis performed by: Self Storage 101

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FORWARD

The client has engaged Self Storage 101 to conduct a Desktop Demand Analysis Study for a specific subject market. The purpose of this report is to determine whether or not there is sufficient unmet demand for a additional self storage development within the subject market.

This report was prepared exclusively for our client. While every attempt is made to provide the highest level of accuracy and reliability, it must be recognized that the report relies heavily on written and verbal information provided by others. In some cases, these sources are competitors, who may have a vested interest in skewing data. Every attempt has been made to eliminate possible misrepresentations. Self Storage 101 accepts no responsibility and shall not be liable for misinformation, either intentional or accidental, and cannot be held responsible for any decisions the developer may make based on this report. Reliable sources and redundant checks are employed, but there is always an outside chance that data can be missed. One should be aware of that fact in decision making based on this report.

Self Storage 101 states that it has no financial interest in the development of this proposed project. The payment of professional fees agreed upon for this report was in no manner contingent upon the results and opinions stated within this report.

EXECUTIVE SUMMARY & OPINIONS

On or about August 11, 2020, the Team at Self Storage 101 conducted a Self Storage Desktop Demand Study for a specific self storage sub-market in Chapel Hill, NC. The study included a calculated demand analysis, rental rate review and the demographic profile of the subject market.

It is our opinion that the market is at current over-supplied and will become even more so if any new self storage facilities are developed in the near future. We believe this over-supply is documented both in the empirical evidence of the noted demand analysis as well in the more anecdotal analysis of the rental rates current in place at the market competitors.

We should note that as the Desktop Study level of reporting we recommend NOT moving forward on a particular project approximately 70% of the time and for those reports we do recommend moving forward, we generally rank those recommendations from between 'marginally favorable' to 'highly favorable' and those recommendations are, generally, about one third 'marginally favorable', one third 'favorable', and one third 'highly favorable'.

Our opinion is based on the following:

- **The square foot demand calculations would appear to indicate that the subject market up to the three-mile demographic profile is over-developed by a substantial amount of storage space and there is not a sufficient amount of unmet self storage space demand for any additional contemplated development.**
    - o At present with the existing self storage supply in the market, assuming an equilibrium of 7.5 square feet per person, the market is substantially over-supplied by over 177,000 square feet within the one-mile demographic profile, 120,000, or 25.47 sf per person in the two-mile profile, and 122,000, or 14.42 sf per person within the three-mile profile.
        - ▪ Assuming both of the listed new developments (listed in the 'new developments section') do come to fruition, the over-supply becomes over 275,000 square feet within the one-mile profile, 340,000 square feet, or 56.99 sf per person, in the two-mile profile, and over 342,000 square feet, or 25.52 sf per person, in the three-mile profile.
- The current pricing data would also suggest a market that is already over-supplied.
    - o The noted pricing charts indicate that for the most part rental rates have steadily declined over the last 24 months although some have at least slightly rebounded in the last couple of months.
    - o The sophisticated dynamic pricing systems and algorithms employed on websites by some of the listed competitors indicate aggressive web discounting which would also indicate a market that is over-supplied.
- The modest projected population growth will not cause the current over-supply calculations to become under-supplied or even near equilibrium at any time in the current projections.

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We consider this a 'B' market due to what appears to be mostly moderate occupancy levels (based on the dynamic pricing models), the calculation of no amount of potential unmet demand for additional self storage space in the market, the moderate to moderately high rental rates for storage space, the moderately high to high per capita and household income levels, the very low to low population density and modest projected population growth. (We would consider this an 'A' market if there was a higher calculated demand for storage in the market, if the rental rates and occupancy levels were higher and if the population density and projected growth were higher).
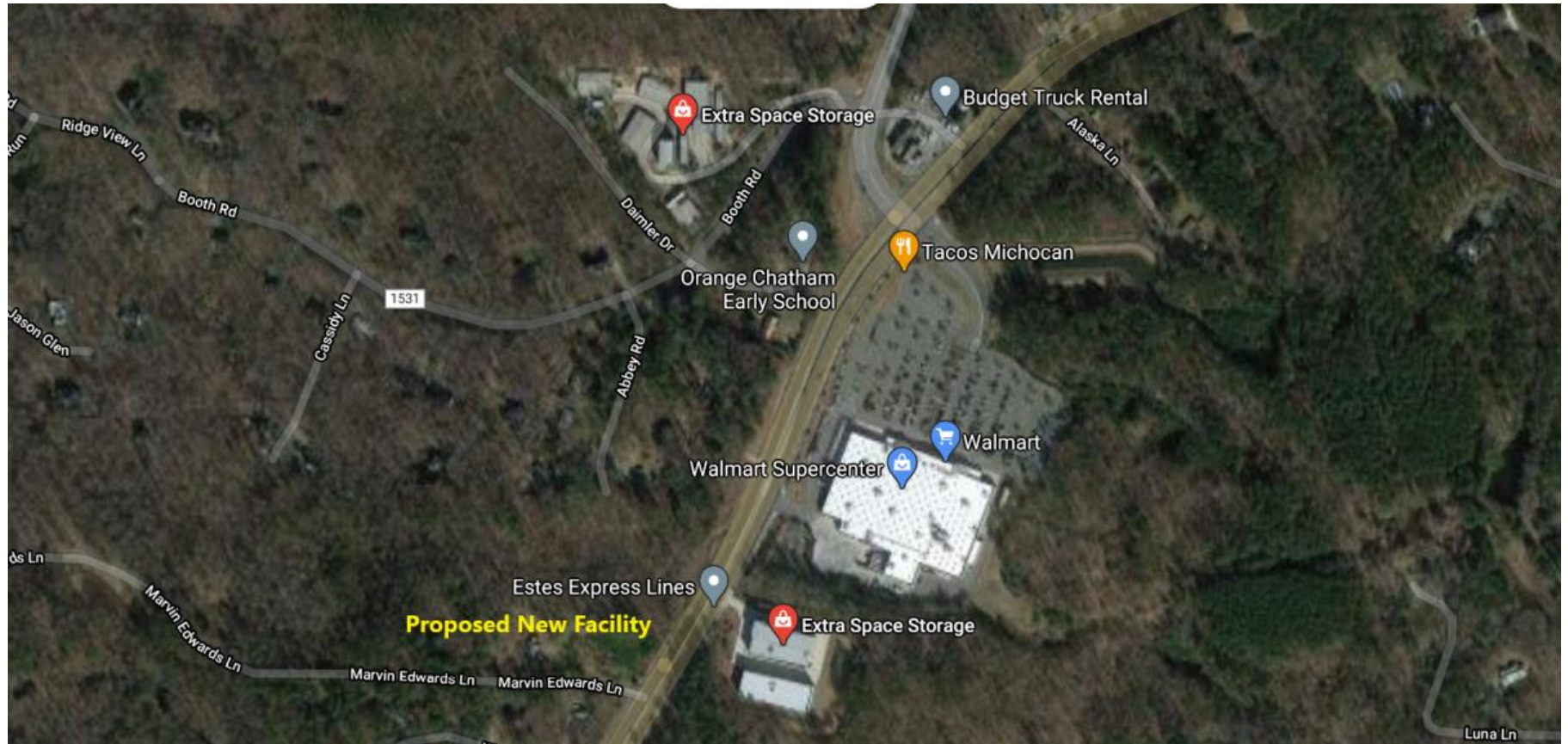
Our Opinions and Recommendations are based on the information contained herein the following report.

We believe that the market is currently over-supplied and that any new self storage development would only further erode occupancy levels and rental rates and thus incomes and asset values.
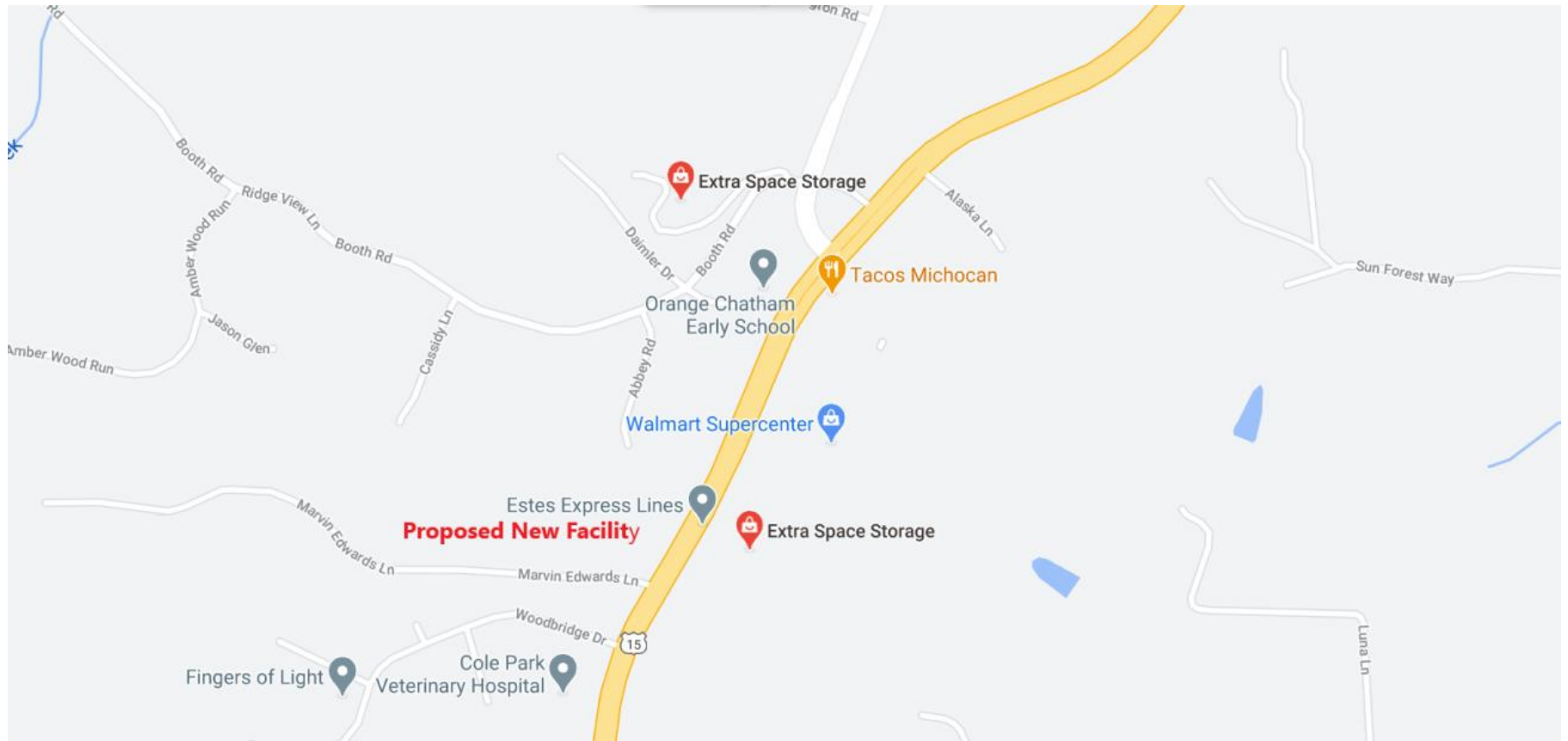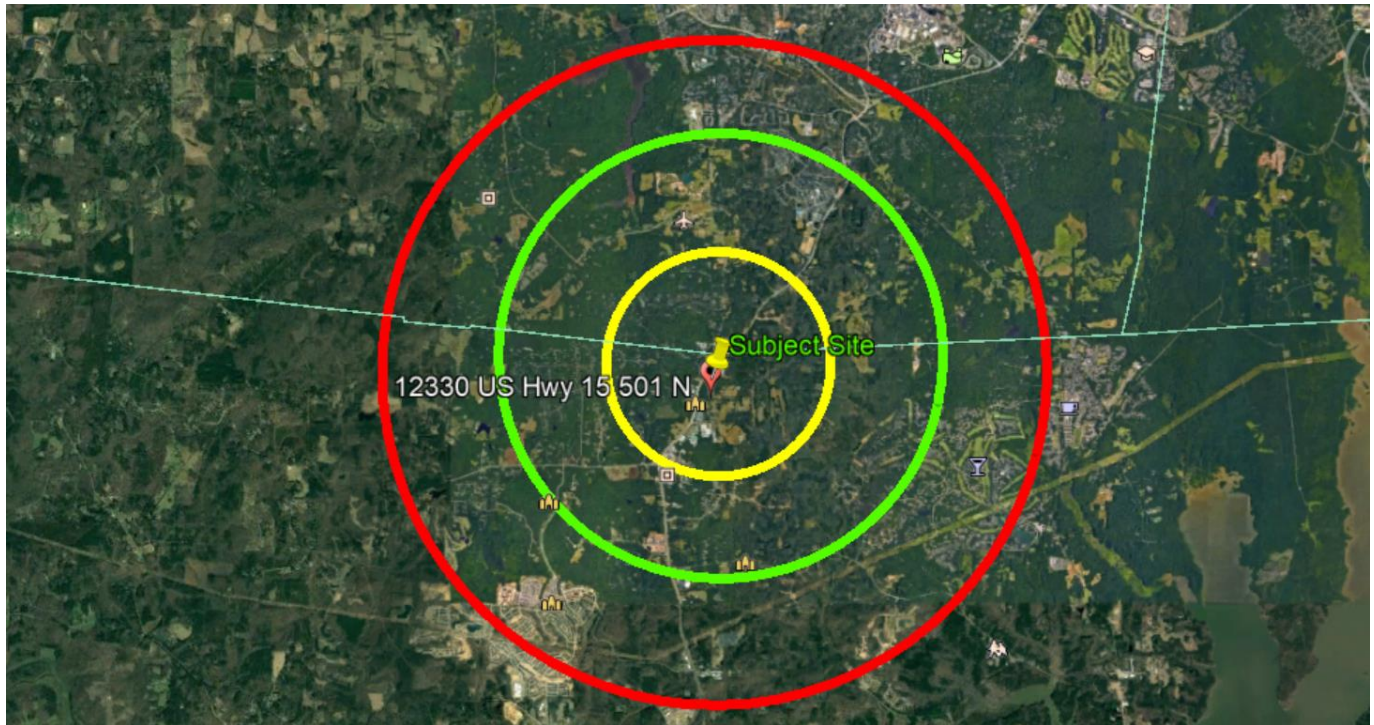
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SITE REVIEW
AERIAL VIEW

Chapel Hill NC
MAP VIEW

MARKET REVIEW

The following demographic profile is based on the concentric map: 1-, 2- and 3 mile radii from the subject site. It is our belief that the primary customer base for the subject site resides within three miles of the subject site.

Understanding the customer demographics of the surrounding market area is essential for storage developers, owners, and operators. Accurately identifying the types of customers, as well as their wants and needs, is critical in order to form the necessary operational and marketing decisions for a facility.

In a market area comprised of a high percentage of commercial or business tenants, add-ons such as on-site conference rooms, free Wi-Fi, central workspaces, climate control, or other amenities that carry special appeal for business customers can be profitable. In areas with older renters or senior citizens, convenience-oriented services such as professional packing and moving assistance could prove valuable.

The largest proportion of tenants is typically residential customers. While approximately 70 percent of all storage tenants tend to fall in this category, it is important to understand that these numbers can change from market area to market area. In those areas with a predominantly residential customer base, operators need to keep in mind that life changes often drive the decision to need storage. This can range from a divorce or death in the family to remodeling or selling a home.

Depending on the housing specifics in the market area, residential customers may also consist of apartment or condo dwellers who do not have enough storage space where they live. On a national basis while 68 percent of residential customers tend to live in a single-family home, nearly 30 percent reside in multi-family housing.

Another important demographic for self-storage is to know what percentage of your customers are male and female. It is noted that 85 percent of all purchases are made by women and 80 percent of all purchasing decisions are made by women. This means that although men may do the heavy lifting in terms of moving in or out of a unit, the actual rental or decision to rent was likely made by a woman. It should be noted that 57.7 percent of storage renters in 2014 were men and 42.3 percent were women. However, if 85 percent of the decisions on where to rent are actually made by women, the scales are tipped even farther in favor of women as likely storage customers.

Customer age is another demographic that should be considered, especially in terms of the amenities and services offered at a facility. The largest percentage of renters are between the ages of 46 and 55. Falling right behind that are the 36 to 45 and 56 to 65 age groups at 22 percent and 21 percent, respectively. On average, 13 percent tend to be customers over age 65. Understandably, the smallest percentage of storage customers—3 percent—is represented by millennials under age 25.

DEMOGRAPHICS[1]

Description	1 Miles	2 Miles	3 Miles
POPULATION BY YEAR			
Population (4/1/1990)	0	2,523	7,861
Population (4/1/2000)	0	5,699	12,620
Population (4/1/2010)	0	6,229	17,399
Population (1/1/2020)	**0**	**6,979**	**19,825**
Population (1/1/2025)	0	7,305	20,695
Percent Growth (2020/2010)	0.00	12.04	13.94
Percent Forecast (2025/2020)	**0.00**	**4.67**	**4.39**
HOUSEHOLDS BY YEAR			
Households (4/1/1990)	0	1,030	3,486
Households (4/1/2000)	0	2,290	5,393
Households (4/1/2010)	0	2,527	7,171
Households (1/1/2020)	0	2,855	8,256
Households (1/1/2025)	0	2,991	8,643
Percent Growth (2020/2010)	0.00	12.98	15.13
Percent Forecast (2025/2020)	0.00	4.76	4.69
GENERAL POPULATION CHARACTERISTICS			
Median Age	0.0	39.0	37.7
Male	0	3,324	9,570
Female	0	3,655	10,255
Density	**0.0**	**578.5**	**630.0**
Urban	0	4,882	13,421
Rural	0	2,097	6,404
GENERAL HOUSEHOLD CHARACTERISTICS			
Households (1/1/2020)	0	2,855	8,256
Families	0	1,887	5,168
Non-Family Households	0	968	3,088
Average Size of Household	0.00	2.44	2.40
Median Age of Householder	0.0	49.7	49.1
Median Value Owner Occupied ($)	0	367,082	399,643
Median Rent ($)	0	945	800
Median Vehicles Per Household	0.0	2.3	2.4
GENERAL HOUSING CHARACTERISTICS			
Housing, Units	0	3,117	8,912
Housing, Owner Occupied	0	1,954	5,267
Housing, Renter Occupied	0	901	2,989
Housing, Vacant	0	262	656
POPULATION BY RACE			
White Alone	0	5,492	14,718
Black Alone	0	410	1,486
Asian Alone	0	557	1,731
American Indian and Alaska Native Alone	0	29	74
Other Race Alone	0	229	1,083
Two or More Races	0	262	733

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1 The demographic profile is compiled through a subscription service.

POPULATION BY ETHNICITY			
Hispanic	0	495	2,258
White Non-Hispanic	0	5,292	13,702
GENERAL INCOME CHARACTERISTICS			
Total Household Income ($)	0	383,854,869	1,095,687,929
Median Household Income ($)	**0**	**113,197**	**97,314**
Average Household Income ($)	**0**	**134,450**	**132,714**
Per Capita Income ($)	**0**	**55,001**	**55,268**
RETAIL SALES			
Total Retail Sales (including Food Services) ($)	0	76,170	216,454
CONSUMER EXPENDITURES			
Total Annual Expenditures ($000)	0.0	225,919.5	623,544.4
EMPLOYMENT BY PLACE OF BUSINESS			
Employees, Total (by Place of Work)	0	1,248	5,201
Establishments, Total (by Place of Work)	0	114	411

The demographic profile indicates that the population and household numbers are projected to modestly increase over the next five years. It also indicates that the household and per capita income levels are at moderately high to high numbers and the population density is in the very low to low range.

POTENTIAL NEW SELF STORAGE DEVELOPMENT

Our review of a subscription based new construction database indicated the following:

There are at least two new self-storage facility either in planning stages or under construction within the subject market:

- Cubesmart
    - 72 Marvin Edwards Lane
    - Scheduled square footage: 100,000

It is important to note that despite any one group's due diligence efforts in determining whether or not new self storage developments may or may not be coming into a particular sub-market, there is always the possibility that a new development is planned but has not yet progressed sufficiently to have shown up in any new construction websites or databases.

DEMAND ANALYSIS

A widely accepted methodology for calculating demand in a market is to examine the amount of storage square footage in the market per capita. **The reader is cautioned that the square-foot-per-capita analysis lacks some credibility.** A benchmark that reflects saturation or demand levels has not been established for any U.S. market. Sufficient data is not available to determine what the threshold for demand may be. Furthermore, making use of the Self-Storage Almanac metro guides and top markets is problematic because of their methodology in determining the supply. What the Almanac has done is to apply an average size facility of 39,668 square feet and multiply the number of facilities in a market (presumably from the phone book) times 39,668. That is how they calculated the number of square feet in a market. The analysis is only as good as the analyst's confidence that the average size of stores (facilities) is the same in every market in the U.S., and that the average size is 39,668.

It is also important to note that this methodology makes no distinction between demand for climate controlled and non-climate controlled storage space. This distinction is a critical factor in the evaluation of demand for the subject property. Other important demand drivers ignored by this methodology include per capita income levels and market rental rates.

What one will find in making use of data from the Almanac is that it is difficult to draw any conclusion as to what the "right" or maximum square-foot-per-capita number is. For example, the highest level is in Boise ID at 12.64 square feet per capita. The lowest is in the New York metropolitan area at 2.82 square feet per capita. In both markets, occupancies can be found to be similar. You cannot, therefore, conclude that the supply threshold for New York is over 10 times the current supply.

The only way to properly assess and analyze square-foot-per-capita demand analysis is to first get an accurate count of square footage. Second, the supply needs to be juxtaposed with occupancies. There are only too many square feet per capita when there are too many available square feet, as measured by vacancy. That is to say that the number of square feet per capita has to be quantified by occupancy, and when occupancy drops, then supply has exceeded demand.

This market analysis would indicate that the three-mile subject market is most likely 'over-supplied'.

While we do not necessarily prescribe to calculating and reviewing the demand numbers in a 'vacuum', we have made those calculations using averages facility sizes and MSA demand and supply numbers from the Self Storage Almanac and a **review of those numbers would support the development of no amount of additional self-storage space as contemplated with the development project.**

Those demand calculations follow.

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Using the national average demand calculation number for comparison, as well as the State and National demand calculations the analysis would indicate that there is likely a substantial amount of excess supply, both with the existing supply and the anticipated new supply in the development pipeline, within the one-mile, two-mile and three-mile demographic profile. We should note that it is our belief that the primary demographic that would constitute a large percentage of the potential tenant base resides within three-miles of the subject site.

Notes:
- '*Radius*' refers to the mile radius within the sub-market with the subject site as the central point in that radius.
- '*Subject Property'* is referring to the square foot per person within the subject site within the particular radius.
- The '*MSA SQ/CAP'* is the comparison number used per the 2020 Self Storage Almanac that represents the amount of rentable square feet per person in the subject site MSA (Metropolitan Statistical Area)
- The '*State SQ/CAP'* is the number reported by the 2020 Self Storage Almanac for the state in which the subject site is located.
- The '*US Average'* is the amount of square footage per person across the US as reported in the 2020 Self Storage Almanac. We use this average number for our demand calculation analysis as the subject market would be considered 'under-supplied' given the low average per person number.
- The '*Highest MSA/US'* is the highest average square foot per person noted in the US, the Boise ID MSA.
- The '*Lowest MSA/US'* is the lowest average square foot per person noted in the US, the New York MSA.
- The first section of the calculated demand includes the market competitors.
- The second section of the calculated demand includes subject property and the market competitors.
- There are two columns of calculated demand in each section:
  o The first column calculates the demand including the population as reported in the demographic report plus an additional 10% of demand calculated for commercial users.
    ▪ The amount of commercial users can vary from nearly 0% to a much more substantial percentage, depending on subject site location and the demographic profile of the subject market. We have used 10% for the subject site due to the location in a suburban market within a commercial/retail area.
  o The second column calculates the demand including the population as reported in the demographic report with no amount of demand calculated for commercial users.

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EXISTING SUPPLY

RADIUS		SUBJECT PROPERTY		MSA SQ/CAP	STATE SQ/CAP	SF EQUIL	HIGHEST MSA US	LOWEST MSA US	US AVERAGE		
				6.21	6.21	7.5	12.64	2.82	5.71		
			Variances								
1 MILE											
2 MILE		25.47		19.26	19.26	17.97	12.83	22.65			
3 MILE		14.42		8.21	8.21	6.92	1.78	11.60			

CALCULATION

Demand Calculations Including the noted competitors in the subject market

	2020 POPULATION	# OF FACILITIES	SQUARE FOOTAGE	SQUARE FEET PER CAPITA		Potential Unmet Demand Comp: MSA SF/Person Plus 10% Commercial		Potential Unmet Demand Comp: MSA SF/Person No Commercial	
RADIUS									
1 MILE	0	0	177764			**-177764**		**-177764**	
2 MILE	6,979	0	177764	25.47		**-120187**		**-125422**	
3 MILE	19,825	0	285950	14.42		**-122394**		**-137263**	

NEW SUPPLY ADDED

RADIUS		SUBJECT PROPERTY		MSA SQ/CAP	STATE SQ/CAP	SF EQUIL	HIGHEST MSA US	LOWEST MSA US	US AVERAGE		
				6.21	6.21	7.5	12.64	2.82	5.71		
			Variances								
1 MILE											
2 MILE		56.99		50.78	50.78	49.49	44.35	54.17			
3 MILE		25.52		19.31	19.31	18.02	12.88	22.70			

CALCULATION

Demand Calculations Including the noted competitors in the subject market

	2020 POPULATION	# OF FACILITIES	SQUARE FOOTAGE	SQUARE FEET PER CAPITA		Potential Unmet Demand Comp: MSA SF/Person Plus 10% Commercial		Potential Unmet Demand Comp: MSA SF/Person No Commercial	
RADIUS									
1 MILE	0	0	277764			**-277764**		**-277764**	
2 MILE	6,979	0	397764	56.99		**-340187**		**-345422**	
3 MILE	19,825	0	505950	25.52		**-342394**		**-357263**	

The GREEN highlighted numbers indicate the amount of unmet square footage demand within the various demographic profiles.

Any RED highlighted numbers would indicate the amount of over-supply within the various demographic profiles.

We should note that we have used estimated square footage sizes for the market competitors based on local assessor or other websites and/or google earth views. While it is likely these facility sizes would change with a more thorough onsite market study we do not believe the numbers would change dramatically.

While we acknowledge that consideration of a particular market's per person square footage demand is an important consideration when contemplating the development of a new self storage facility we also strongly believe that there is a temptation to assign far too much importance to this one aspect of a potential development.

These demand numbers would suggest that there is likely a substantial amount of excess supply within the three-mile demographic profile of the subject site and that it is more than likely that this subject market is over-supplied.

Bob Copper

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Consultant Qualifications:

2003-Present Owner, Partner in Charge, Self Storage 101
Founder of Self Storage 101, the industry's leading consultancy firm specializing in Development and Market Feasibility, Operational Improvement and Marketing Implementation. Bob has worked with 100's of independent owners and operators to assist in making informed and profitable decisions in all aspects of self-storage. He has developed, own and managed his own facilities and so has a unique perspective that easily relates to those operators he has consulted with over the years. Bob and the Team at Self Storage 101 specialize in:

- Market and Feasibility Studies
- Acquisition Due Diligence Projects
- Facility Operational Auditing
- Owner, Operator and Manager Training

Bob has authored a number of highly popular books and training manuals related to self storage and is a regular contributor to most of the industry trade journals. He is a regular speaker at national, regional and local self storage meetings and conventions.

2001-2004   Regional Manager, Metro Storage LLC
Oversaw three district managers in four states for Metro Storage, one of the largest operators of self storage facilities in the US. Had complete P&L responsibility as well as asset management, portfolio growth, marketing and adding value to the assets. Developed training programs and assisted district managers with personnel decisions and financial statement reviews.

1998-2001   District Manager, Public Storage
Successfully managed the largest Public Storage district in the country (17 properties). Took over two under-performing districts and turned them into some of the highest performing districts. Responsible for all personnel management, expense control, manager training, property management and operational reporting. Involved in several acquisitions and new-store openings.

Education: Stetson University, 1979-1983
Professional References gladly provided upon request.

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Consultant Qualifications:

2006-Present Consultant, Self Storage 101
Field Auditor and Data Analyst with Self Storage 101, the industry's leading consultancy firm specializing in Development and Market Feasibility, Operational Improvement, and Marketing Implementation. Bill has worked with dozens of independent owners and operators to assist in making informed and profitable decisions in all aspects of self-storage.

Bill has developed and implemented systems for analyzing and collecting relevant data to:
- Improve operational efficiency
- Measure operational effectiveness
- Assist in determining project viability
- Measure Capital Rate of Return on acquisition projects

Bill has worked closely with clients and industry vendors to aid in market research and development viability for a large number of independent-owner and institutional self storage projects:
- Provide comprehensive market data and analysis to determine unmet demand or over-supply in specific markets
- Participated in a number of community neighborhood meetings, municipal presentations and investment group conferences to provide anecdotal and empirical evidence regarding market demand and viability of specific self storage projects
- Prepared a large number of complete bank package or self storage feasibility studies, documenting "develop or not develop" recommendations

Education: Stetson University, 1980-1984
Professional References gladly provided upon request.