

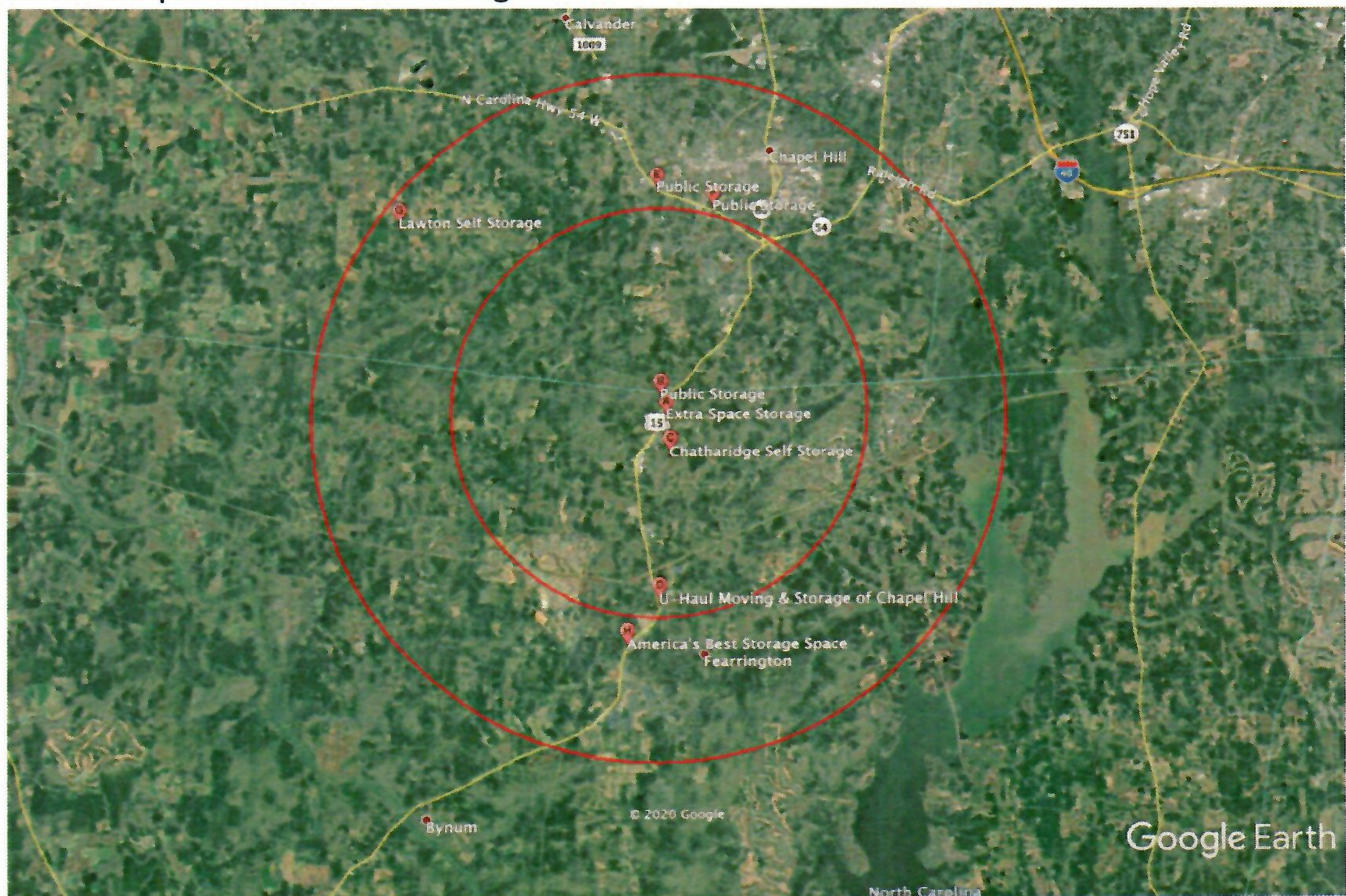
**Audit of Self Storage 101 Desktop Demand Study**

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October 27, 2020

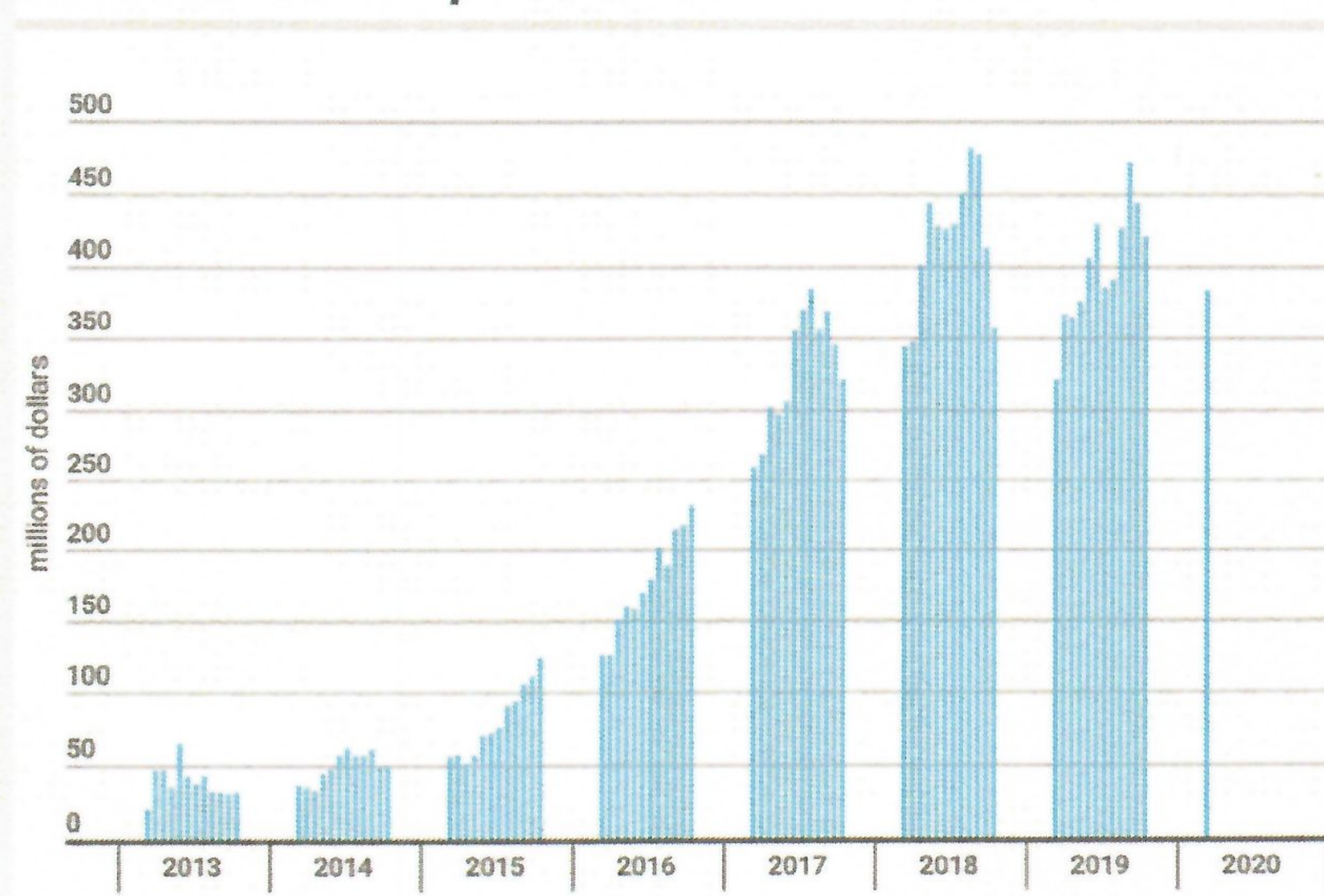
BKB Properties/StorageStudy.com conducted an audit of the “Desktop Demand Analysis” submitted by Self Storage 101, dated August 27, 2020. The following is a summary of findings:

1. This is not a feasibility study. The author did not visit the market. This is a very quick report, hence the term “Desktop Demand Analysis.” The report does not contain analysis suitable for investment decisions.
2. Not site specific, even though the website says it is.
3. This is a Demand Analysis study, by definition, but no demand survey was developed, and certainly, none of the competing stores were interviewed.
4. No review of occupancies. Page 5 states that the entire report is based upon an assumption that there would exist a market “equilibrium at 7.5 square feet per person.” However, the analysis does not state the parameters for how this must be measured. Page 14 contradicts this type of analysis as appropriate: Page 14 **“The reader is cautioned that the square-foot-per-capita analysis lacks some credibility.”**
5. Three-Mile analysis vs. Five Miles. Five miles is more appropriate because of the semi-rural location of the site, South of the Chapel Hill population density. Any analysis of only three miles neglects to take into account the location of actual population density nearest to the site, which is within five miles. Only beyond five miles from the site do other unique sub-markets emerge.



6. **Methodology used by Self Storage 101 is inadequate to measure sub-markets because it uses a faulty assumption.** The Equilibrium Supply threshold used by Self Storage 101 is ONLY an assumption, not a quantified and measured value. The Equilibrium Supply Assumption of 7.5 SF is likely based upon an older average of all markets in America. Much of this information comes from the Self Storage Almanac, published by MiniCo. As recently as 2018, this publication stated that the total number of square feet of storage in the US was above 2.3B SF. The exact same publication published in 2019 that there had been a dramatic reduction in total SF in the country—down by almost 22% to 1.7B SF. How could that be, given the advent of so many new self storage projects around the country. The Point: National average-type data is filled with holes and inconsistencies because they are estimates only. The data is not quantified—it is estimated.
7. As recently as 2016, Total SF/person in the US was estimated at 8.47 SF/person, according to the Self Storage Almanac. See below, Chart from Sparefoot on US Construction Spending on Self Storage. Seeing this, how could total supply contract below 8.47 SF? **The point** is that national averages offer only “fairy-tale” accuracy, and should not be used in measuring a small market.

### Self-Storage Construction Spending by Month 2013-present



StorageStudy uses a more economics-based model, evaluating Supply and Demand when evaluating markets. The correct assumption is not to estimate a blanket volume of supply as an equilibrium. We know this assumption to be false and incorrect because many markets around the country absorb well-above 7.5 SF/person, with increasing rental rates.

8. Current rental rates are, in fact, above national and regional averages. Chart from Sparefoot:

Unit size	Average monthly cost (2019)	\$/sq.ft.	Year-over-year change in monthly cost
5x5	\$45.18	\$1.81	-3.9%
10x10	\$95.00	\$0.95	-2.7%
5x10	\$62.95	\$1.81	-3%
10x20	\$134.58	\$0.67	-2.5%
10x15	\$122.83	\$0.82	-2.6%
10x30	\$199.02	\$0.66	-1.1%

Compare this to actual rental rates offered in this unique sub-market, as measured onsite at each competitor by BKB Properties/StorageStudy.com:

**Competitor Rates**

Name	5x5	5x5 cc	5x10	5x10cc	75 s.f.	75 s.f. cc	10x10	10x10cc	10x15	10x15cc	10x20	10x20cc	10x30
A Extra Space Storage		38		86			130	130	158	149		184	
B Public Storage	29	30	34	61	58		103	108	200		175		301
C Chatharidge Self Storage	50		65	100			100	130	120	175	140	200	190
D U-Haul of Chapel Hill	70	90	90	115			120	160	150	195		230	
E Public Storage	36		34	79	47		87	156	127		191		
F Public Storage	45	62	66	75			137	137	146	264	133	261	
G America's Best Storage Space	40		55				86		107		128		
H Lawton Self Storage	60	70	75	85		125			125	170			
I Farrell Storage			65	110			100	145	125	190	140	205	190
J 10 Federal Self Storage	39		59	99		99	79	119	109	190	140	205	190
<b>AVERAGE</b>	<b>46</b>	<b>58</b>	<b>60</b>	<b>90</b>	<b>53</b>	<b>112</b>	<b>105</b>	<b>136</b>	<b>137</b>	<b>190</b>	<b>150</b>	<b>214</b>	<b>218</b>

9. Page 13—probably a typo. There are not two projects coming. Only one; 919 Storage is the only new competitor planned within five miles of the subject site. This was confirmed independently by BKB Properties/StorageStudy.com.
10. Page 14: “The reader is cautioned that the square-foot-per-capita analysis lacks some credibility.” The author of this report goes on to note that averages used are defined by large MSAs like “Boise, ID” or “New York City”. The subject of the analysis is a micro-market, not a broad MSA (Metropolitan Statistical Area). Nearly all MSAs are comprised of many smaller sub-markets. Self Storage stores compete in these micro markets. For example, stores in the Chapel Hill sub-market DO NOT compete for demand in Durham, or Morrisville, even though these areas are in the same broad MSA.
11. Page 14: The Desktop Study by Self Storage 101 indicates that occupancies of local competitors *is important*. However, it does not define, nor report, or even estimate local self storage occupancies in the local sub-market. BKB Properties/StorageStudy.com visited every store in the market, and after interviewing local managers IN-PERSON,

determined the following occupancies among all competitors within five miles of the subject site:

	Name	Address	Distance to Subject (miles)	Current Occ. %
A	Extra Space Storage	12330 US 15 501 N, Chapel Hill	0.1	98%
B	Public Storage	2000 Ashley Wade Ln, Chapel Hill	0.3	60%
C	Chatharidge Self Storage	446 Old Lystra Rd, Chapel Hill	0.8	82%
D	U-Haul of Chapel Hill	102 Vickers Rd, Chapel Hill	2.7	90%
E	Public Storage	515 S Greensboro St, Carrboro	3.1	85%
F	Public Storage	510 Jones Ferry Rd, Carrboro	3.2	95%
G	America's Best Storage Space	62 Andrews Store Rd, Pittsboro	3.4	80%
H	Lawton Self Storage	2616 Old Greensboro Rd, Chapel Hill	4.6	65%
I	Farrell Storage	163 McGhee Rd, Chapel Hill	4.8	80%
J	10 Federal Self Storage	128 McGhee Rd, Chapel Hill	4.9	78%
<b>AVERAGE</b>				

12. Conclusions. The Self Storage 101 Desktop Demand Study:

- a. uses market supply assumptions and demand estimation methodology that its states are questionable (page 14);
- b. is inadequate as a feasibility tool because it did not visit the market, and misjudged the size of the submarket;
- c. did not adequately explore occupancies and rental rates of local competitors; and
- d. is insufficient for investment evaluation as it did not explore financial feasibility of self storage at the subject site.

Respectfully Submitted,



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