

CBRE Self Storage New Construction Report - Q3 2017

The most comprehensive look at new Self Storage supply in the industry's history.

Key Observations

- Five Metros changed market condition. For example, Atlanta, Austin, Denver and Nashville were considered at equilibrium and will be over-supplied after new construction is complete. Sacramento moved from under-supplied to equilibrium after new construction is complete.
- Some Metros were already over-supplied and added new construction: Dallas was 1.57/SF/person over-supplied and went to 2.81 SF/person oversupplied. Oklahoma City metro went from 4.70/SF/person over-supplied to 5.40 SF/person oversupplied.
- The following Metros had the highest ratio of new construction as a ratio of total supply: Miami (20%); Nashville (17.7%); Dallas (16.3%); Austin (13.9%); and, Charlotte (12.3%).
- Dallas has the most new construction estimated at over 9,000,000 SF.
- While Metros are impacted, a specific trade area analysis is always best for self storage. For example, a trade area can be under-supplied in an over-supplied Metro. From zip code studies of thousands of facilities and anecdotes from our Investor Survey (3Q 2017), self storage trade areas are typically a three mile ring with a minimum population of 50,000. Rural trade areas can be larger.
- Many confuse planned projects with actual starts (a start is the actual development of a new facility). Historically, only about one-third of planned facilities are actually constructed over the long run. More recently, we have seen a significant increase in the number of planned facilities and the actual number of starts (start ratio of planned is the highest in ten years).
- Nationwide, CBRE estimates approximately 600 facilities were constructed nationwide in 2016, and about 900 new starts in 2017. Utilizing our Construction Report, there are 480 projects under construction (3Q, 2017) that represent about half the US population. That might suggest twice as many projects or 960 nationwide. However, most new construction is in higher density and population Metros, suggesting slightly less than indicated by the arithmetic. We note that the average facility size is increasing as well; indicating that more square footage will be developed. However, if a natural refresh rate is 1% of total stock, an average year should have approximately 500 new starts. Since that has only recently occurred, and there was limited new construction during the Great Recession, CBRE estimates supply and demand metrics in the sector nationwide are generally at equilibrium in 2017.

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- This analysis may not fully take into account expansions of existing facilities or most importantly redevelopment of existing facilities to a larger facility. The data has been presented in good faith based on our current understanding of the data and resources relating to the self storage sector. The analysis and conclusions presented in this report are subject to significant uncertainties and contingencies, many of which are beyond CBRE's control.

Scope of Research

We assembled a new construction report from a wide variety of research sources as well as actual counts by brokers with Argus Self Storage Sales Network. We would like to give special thanks to Ben Vestal and the Argus Self Storage Sales Network for their collaboration with CBRE on this project and for helping to provide the most comprehensive look at new self storage supply in the industry's history.

Research sources include F.W. Dodge, STR, Big Byte Insights, the US Census, REIS, and the SSPQ in addition to the primary survey research performed by Argus. Not all the sources covered all Metros, and the scope and methods varied. The results vary widely because of the challenges in sorting out actual construction starts to planned projects. In Los Angeles, for example, sources indicate from 5 to 33 projects are either planned, under construction or in absorption phase (complete). In Phoenix, the range varied from 8 to 64.

Part of the challenge for self storage is it is often improperly identified as industrial or by SIC code. Therefore, after reviewing all of the data, we gave 50% weighting to the average of all research sources, and 50% weighting the ARGUS data for our best estimate of new construction. The average indicated 879 projects and the weighted average 947 projects in the 35 Metros analyzed. The result was 947 projects this year in 35 metros (283 Planned / 480 Under-Construction & Pre-Certificate of Occupancy / 190 Completed), as shown below (compiled 3Q, 2017):

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NEW CONSTRUCTION REPORT - 3Q 2017				
Metro	Planned	Construction & Pre-		Lease Up
		Certificate of	Occupancy	
Atlanta	15	24	10	
Austin	13	22	9	
Baltimore	1	2	1	
Boston	8	14	6	
Charlotte	10	17	7	
Chicago	12	21	8	
Cincinnati	2	3	1	
Cleveland	1	2	1	
Columbus	2	3	1	
Dallas	49	82	33	
Denver	14	24	10	
Detroit	3	5	2	
Houston	16	26	10	
Indianapolis	0	1	0	
Kansas City	1	2	1	
Las Vegas	1	2	1	
Los Angeles	6	11	4	
Miami	21	35	14	
Minneapolis	5	8	3	
Nashville	12	20	8	
New York Metro	16	27	11	
Oklahoma City	5	9	4	
Orlando	6	11	4	
Philadelphia	5	8	3	
Phoenix	13	22	9	
Portland	9	16	6	
Sacramento	4	7	3	
San Antonio	6	10	4	
San Bernardino/Riverside	7	11	4	
San Diego	5	8	3	
San Francisco / San Jose	3	5	2	
Seattle	5	9	4	
St. Louis	2	4	1	
Tampa-St. Petersburg	5	9	3	
Total	283	480	190	

Compiled by CBRE & Argus Self Storage Sales Network

Our scope of new supply is based on a accurate facility count compiled by PAC-COMM. We then estimated 52,500 SF rentable area per facility (suggesting average size of new construction was approximately 60,000 gross). Total supply is based on similar methodology. Admittedly, the average new facility may be larger. Since that data is completely anecdotal, we decided to estimate total supply and new construction using the same rentable area.

Metro	New Supply SF	New Supply/Pers on/SF		Current Supply/Pers on/SF		Ratio of New Supply to Existing	SF Per Person	Forecast Demand	Variance Current	Market Condition		After New Construction	Market Condition After	
		on/SF	on/SF	on/SF	on/SF					Current	After Construction		Current	After Construction
Atlanta	2,681,250	0.46	0.76	6.11	7.6%	6.11	5.76	(0.35) Equilibrium	(0.81) Over-Supplied		(0.81) Over-Supplied			
Austin	2,420,000	1.17	8.39	13.9%	8.39	8.28	(0.11) Equilibrium	(1.28) Over-Supplied		(1.28) Over-Supplied				
Baltimore	165,000	0.06	3.70	1.6%	3.70	7.47	3.77 Under-Supplied		3.77 Under-Supplied					
Boston	1,540,000	0.32	5.67	5.6%	5.67	8.02	2.35 Under-Supplied		2.03 Under-Supplied					
Charlotte	1,815,000	0.73	5.90	12.3%	5.90	6.33	0.43 Equilibrium		(0.29) Equilibrium					
Chicago	2,282,500	0.24	4.68	5.0%	4.68	4.52	(0.16) Equilibrium		(0.40) Equilibrium					
Cincinnati	302,500	0.14	6.14	2.2%	6.14	6.22	0.07 Equilibrium		(0.06) Equilibrium					
Cleveland	220,000	0.11	5.28	2.0%	5.28	5.31	0.03 Equilibrium		(0.08) Equilibrium					
Columbus	275,000	0.13	6.24	2.1%	6.24	6.52	0.28 Equilibrium		0.15 Equilibrium					
Dallas	9,020,000	1.24	7.58	16.3%	7.58	6.01	(1.57) Over-Supplied		(2.81) Over-Supplied					
Denver	2,653,750	0.92	7.89	11.7%	7.89	7.64	(0.25) Equilibrium		(1.18) Over-Supplied					
Detroit	495,000	0.11	6.58	1.7%	6.58	4.72	(1.86) Over-Supplied		(1.97) Over-Supplied					
Houston	2,873,750	0.42	7.74	5.4%	7.74	6.61	(1.13) Over-Supplied		(1.54) Over-Supplied					
Indianapolis	55,000	0.03	8.01	0.3%	8.01	6.25	(1.76) Over-Supplied		(1.79) Over-Supplied					
Kansas City	261,250	0.12	6.35	1.9%	6.35	6.43	0.08 Equilibrium		(0.04) Equilibrium					
Las Vegas	165,000	0.08	8.20	0.9%	8.20	6.92	(1.28) Over-Supplied		(1.35) Over-Supplied					
Los Angeles	1,155,000	0.09	5.73	1.5%	5.73	5.43	(0.30) Equilibrium		(0.39) Equilibrium					
Miami	3,863,750	0.64	3.19	20.1%	3.19	5.06	1.87 Under-Supplied		1.23 Under-Supplied					
Minneapolis	880,000	0.24	4.90	5.0%	4.90	6.64	1.74 Under-Supplied		1.49 Under-Supplied					
Nashville	2,200,000	1.16	6.57	17.7%	6.57	6.51	(0.06) Equilibrium		(1.23) Over-Supplied					
New York Metro	2,915,000	0.14	2.95	4.8%	2.95	1.84	(1.11) Over-Supplied		(1.25) Over-Supplied					
Oklahoma City	990,000	0.70	11.08	6.3%	11.08	6.38	(4.70) Over-Supplied		(5.40) Over-Supplied					
Orlando	1,182,500	0.48	5.87	8.2%	5.87	6.35	0.48 Equilibrium		0.00 Equilibrium					
Philadelphia	825,000	0.13	4.27	3.1%	4.27	5.66	1.39 Under-Supplied		1.26 Under-Supplied					
Phoenix	2,392,500	0.51	5.24	9.6%	5.24	5.63	0.39 Equilibrium		(0.12) Equilibrium					
Portland	1,705,000	0.70	6.97	10.0%	6.97	7.36	0.39 Equilibrium		(0.31) Equilibrium					
Sacramento	742,500	0.32	7.12	4.5%	7.12	7.91	0.79 Under-Supplied		0.47 Equilibrium					
San Antonio	1,141,250	0.47	7.11	6.5%	7.11	7.15	0.05 Equilibrium		(0.42) Equilibrium					
San Bernardino/Riverside	1,210,000	0.27	5.22	5.1%	5.22	7.53	2.32 Under-Supplied		2.05 Under-Supplied					
San Diego	825,000	0.25	4.33	5.7%	4.33	8.90	4.57 Under-Supplied		4.32 Under-Supplied					
San Francisco / San Jose	495,000	0.11	8.10	1.3%	8.10	9.94	1.85 Under-Supplied		1.76 Under-Supplied					
Seattle	1,003,750	0.26	7.62	3.5%	7.62	7.71	0.08 Equilibrium		(0.18) Equilibrium					
St. Louis	385,000	0.14	6.43	2.1%	6.43	5.58	(0.85) Over-Supplied		(0.98) Over-Supplied					
Tampa-St. Petersburg	948,750	0.31	6.47	4.8%	6.47	4.89	(1.58) Over-Supplied		(1.89) Over-Supplied					

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IMPACT OF NEW CONSTRUCTION BY METRO - 3Q 2017