


ARIZONA: DYNAMIC DEMOGRAPHICS

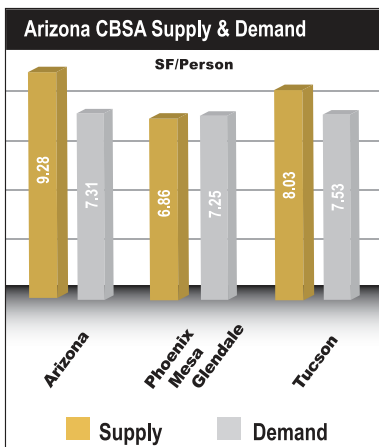
The dynamic demographics of Arizona underscores changing market conditions for self-storage statewide. While the state was booming in population growth, new self-storage projects emerged to meet expected demand. When population slowed and new housing construction stopped, the market was generally in an over-supplied condition.

Data is analyzed in the state and compared to two CBSA (core based statistical areas). Quantitatively, the data suggests the Phoenix-Mesa-Glendale CBSA is near equilibrium, however, demographic forecasts based on historical data over-state population growth. Therefore, based on qualitative factors such as occupancy, the market remains over-supplied. Fortunately, new construction for self-storage has ceased and over time population will increase to meet demand of existing self-storage product.

Ultimately, selecting the right location for self-storage is a function of the local trade area. Demand is a function of local demographics, generally within a three mile radius. Key metrics are population, percentage of renters, average household income and average household size. These metrics suggest that density of population and higher household incomes correspond with strong demand for self-storage property. As demographics vary and are unique to each trade area, demand characteristics vary and are unique to each trade area.

Arizona experienced a building boom, but population did not follow. After two difficult years, market conditions in Arizona are stabilizing. National and regional investors are again purchasing self-storage facilities in the state, indicating confidence in the Arizona market over the long run.

This data underscores the importance of drilling down market research to understand the dynamics of demand within the local trade area. Simple benchmarking, to state or national averages, is not as meaningful because it does not account for demographic characteristics that vary by state, CBSA and the local trade area. In an uncertain economic environment, such analysis is critical to the success of a self-storage project. 



Source: Cushman & Wakefield's Self Storage Industry Group and 18th Annual Self-Storage Almanac 2010

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