




RAIN IN SOUTHERN CALIFORNIA?

It does rain in sunny Southern California, just not much. For the self-storage asset class, market conditions vary significantly. Coastal cities and urban in-fill markets are generally at equilibrium or better while Inland Empire cities such as Riverside are experiencing over-supply.

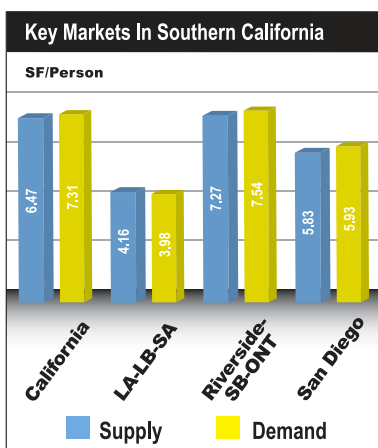
During the boom construction years, suburban and rural markets experienced a building boom with inexpensive land and a relatively easy permitting process. Some inland projects were developed in development paths that due to the recession were never constructed. Therefore, the Southern California market is a good example

of the significant variances in market conditions within a region.

The supply and demand data is derived from the 2011 Self-Storage Almanac Market Conditions by CBSA (core based statistical area). The demand forecast by the Self Storage Industry Group of Cushman & Wakefield is based on a proprietary, econometric model that uses a mathematical regression of demand variables to existing supply in order to forecast stabilized demand in a CBSA or trade area. In general, trade area forecasting is more accurate because of data consistency (wider range in CBSA data). The econometric model compares all top 100 CBSAs based on four key demographic criteria: total population, percentage of renters, average household size and average household income.

Understanding market conditions is critical to a successful self-storage facility, because in over-supplied markets it takes time and population growth to correct, a process that can take years. Of course, as self storage is a local business, local analysis in a neighborhood or trade area is best. 

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Source: Cushman & Wakefield's Self Storage Industry Group and 19th Annual Self-Storage Almanac 2011