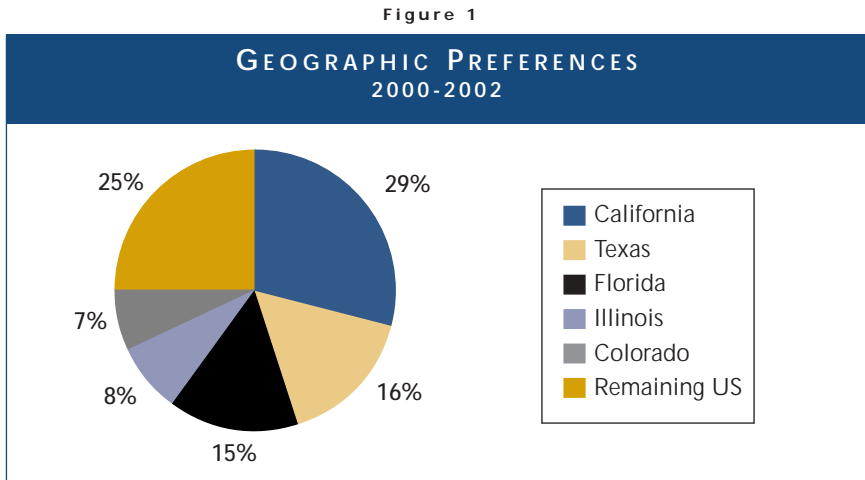


National Self Storage Industry

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BASED ON OUR ANALYSIS OF OVER 500 SELF STORAGE SINGLE-ASSET TRANSACTIONS TOTALING OVER \$1.0 BILLION OVER THE PAST THREE YEARS, AS WELL AS OVER 20 DEALS COMPLETED IN THE FIRST QUARTER OF 2003, PRICES CONTINUE TO RISE AND CAP RATES CONTINUE TO DECLINE NATIONWIDE (SEE FIGURE 1). Specifically, the average price per square foot jumped from \$50.11 per square foot in 2000 to \$58.73 in 2002, an increase of 17.20%. At the same time, the average overall cap rate declined 54 basis points from 2000 to reach 9.61% in 2002. When comparing these trends, it suggests that net operating income in the self storage industry also continues to rise across the country.

While it is too early to estimate whether the total number of transactions for 2003 will be similar to those of the past three years, which ranged from 164 to 183 per year, a strong sellers' market will likely keep them to a minimum. In addition, favorable returns and a lack of alternative investments have



many owners questioning where they would invest their sale proceeds.

As a result, a lack of new offerings, especially in Western states where investment activity has historically been strong, will likely help limit sales activity this year.

Although total sales velocity for 2003 may end up being below that of prior years, geographic preferences appear to be the same as in prior years. As shown in Figure 1, the largest number

of trades have occurred in California in the past three years. This state also leads in pricing with an average over the last three years of \$63.62 per square foot.

On the buy side of this industry, there are plenty of eager investors who are anxious to take advantage of favorable returns and historically low financing rates. "It is possible to obtain a fixed-rate loan at 5.0% for ten years based on an amortization schedule of either 25 or 30 years," boasts one self storage investor, who adds that the demand for CMBS product has led many lenders to have high volume goals when it comes to self storage investments. While such favorable capital terms will keep enthusiastic buyers looking for opportunities, they will also allow existing owners to refinance instead of sell – another trend that could keep sales to a minimum this year.

Self Storage Economics, LLC is a full-service real estate consulting company specializing in the self storage asset class. For more information on its recent survey, as well as other services, please visit their website at selfstorageeconomics.com.

Table 25

NATIONAL SELF STORAGE TRENDS				
	2000	2001	2002	1Q2003
TOTAL NUMBER OF SALES	182	164	183	22
Change	—	-9.89%	11.59%	—
AVERAGE PRICE PER SQUARE FOOT	\$50.11	\$54.58	\$58.73	\$66.89
Change	—	8.92%	7.60%	13.89%
AVERAGE OVERALL CAPITALIZATION RATE	10.15%	9.69%	9.61%	8.89%
Change	—	-4.53%	-0.83%	-7.49%

Source: CoStar Realty Information, Inc; compiled by Self Storage Economics, LLC