



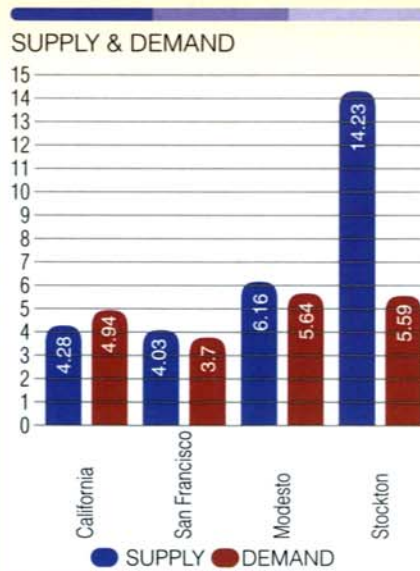
SUPPLY & DEMAND

Photo courtesy of the San Francisco Convention and Visitor's Bureau

In terms of self-storage supply, the San Francisco MSA and state of California are below the national average. Self Storage Economics has completed demand studies by major markets (MSA) as published in the 2005 Self-Storage Almanac. In peer group analyses of the U.S. by state, the Almanac reports that existing supply is 4.24 square feet per person in California compared to existing supply nationwide of 4.94 square feet

per person. Moreover, the San Francisco MSA (San Francisco-Oakland-Fremont) indicates supply of 4.03 square feet per person compared to demand of 3.70 square feet per person indicating a market at equilibrium, but approaching over-supply.

The table demonstrates the conditions of supply and demand of the state and key MSAs (metropolitan statistical area). This data is based on peer group analysis in four key markets of California: San Francisco, Modesto, and Stockton. The variances in the exact data when compared to that presented in the Market Watch article is due to a difference in the MSA definition used in the Almanac compared to a city definition used in the article. Clearly, the market is over-supplied or close to it (in San Francisco). With new supply on the market, vacancy is reasonably forecast to rise as rents stabilize and even decline (after accounting for free rent).



Source: Self Storage Economics

R. Christian Sonne, MAI, is principal of Huntington Beach, California-based Self Storage Economics, a data, research and analysis firm specializing in the self-storage asset class. He is also a member of the Appraisal Institute