



GOOD BETS IN LOUISVILLE

A LOOK AT THE NUMBERS

Demand In Louisville

By R. Christian Sonne, MAI

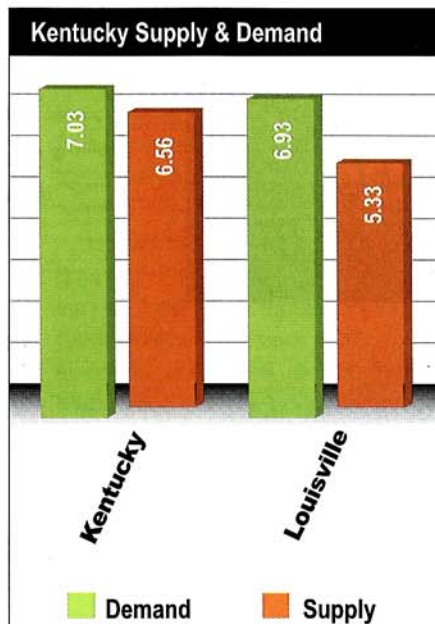
Good horse betting is much more a function of research and analysis than luck. Like betting on the world famous Kentucky Derby, investors will continue to bet on self-storage in the Louisville market (CBSA). Conditions are at equilibrium in the state to under-supplied, based on supply and demand data derived from the *2009 Self-Storage Almanac*; however, the data does not account for projects in the pipeline, proposed or under-construction. Considering the

uncertain macro-economic conditions nationwide, a cautious forecast is best.

Self-storage has been performing well in Kentucky, with total rentable area under the national average. Due to a slow down in new construction, long-term prospects look good for existing self-storage facilities. For example, with occupancy in the 80 to 95 percent range, rents should rise at a rate higher than the national average. Yet, with uncertain economic conditions, a cautious forecast is best. Moreover, remember that self-storage is neighborhood specific, even within a CBSA like Louisville.

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. The model compares all top 100 CBSAs based on four key demographic criteria: total population, percentage of renters, average household size, and average household income.

Self-storage performance in Louisville appears to be a good bet. Market conditions are at equilibrium to under-supplied, with stable occupancy at relatively high rates suggesting strong fundamentals for market rents. Nevertheless, all bets require careful research and analysis at the local level for the self-storage asset class. ■



Source: Cushman & Wakefield's Self Storage Industry Group

R. Christian Sonne is Managing Director of Cushman & Wakefield's Self Storage Industry Group.