



THE NORTHEAST


Under-Supply For Self-Storage In Urban Cities

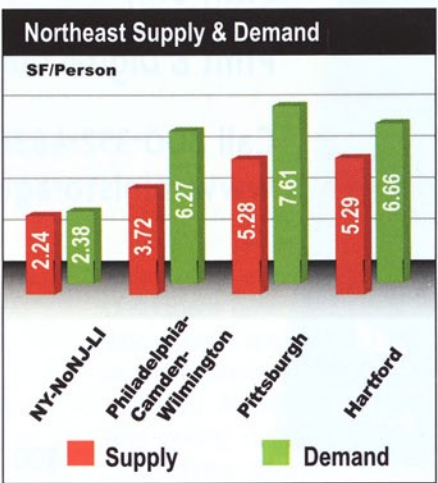
Demand for self-storage is often a function of population and density. Variables that correlate with demand include population, percentage of renters, average household size, and average household income. Consequently, urban cities or CBSAs (core based statistical areas) often have relatively high demand for self-storage. However, many urban areas have limited capacity for expansion other than adaptive reuse or conversion of existing buildings. To illustrate this, four urban CBSAs are analyzed in the table on page 49.

All four urban CBSAs analyzed demonstrate existing supply well below the national average. Moreover, demand analyses utilizing econometrics indicates these markets are undersupplied. The supply and demand data is derived from the 2010 Self Storage Almanac, Market Conditions by CBSA. 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).

Some cities like New York have supply significantly lower than comparable CBSAs and less than half the national average. Such a CBSA is an outlier (at the low end of the range), so forecast demand is also at the low end of the range. This demonstrates judgment factors in concluding market conditions. Considering benchmarks to other CBSAs and state and national averages of demand, New York warrants a conclusion that the market condition is underserved. Data from the table on page 49 is presented graphically in the chart below.

The data demonstrates the value of comparing CBSAs for demand characteristics. In general, higher density (demographically) urban areas have a propensity to be underserved. Understanding market conditions is the first step in self-storage analytics. If a market is underserved with respect to supply and demand, this condition is typically reflected in financial characteristics in the market (higher rents, higher occupancy, and higher values). The next step is to drill down and analyze market conditions in a local trade area. In urban markets, trade areas can be as small as a one-mile ring. As always, local market analysis in the trade area is most important for the self-storage asset class. CBSA analyses are a good way to start in the location process of strong trade areas. 



Source: Cushman & Wakefield's Self Storage Industry Group and 17th Annual Self-Storage Almanac 2009

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