

Florida Self Storage | Mid-Year 2015

Supply and Saturation Levels

Florida has 183 million rentable square feet of self-storage inventory in 3,578 facilities, according to the Self-Storage Almanac. The current national average market equilibrium for self-storage is 8.32 square feet per capita, but the saturation level for Florida is above the average at 9.44 square feet per capita. The above analysis provides a high level view, but market saturation will always be best measured by analyzing the local market by industry professionals

In the above chart we have projected five-year demand for self-storage facilities in Florida's major markets based on population projections and current demand levels. We have estimated the number of new facilities required by 2020 based on 60,000 RSF being the typical size of new facilities being constructed. Our estimates show a need for 101 new facilities in Florida over the next five years, with the most new facilities needed in the Miami, Tampa, Orlando and Jacksonville MSAs. The only market which is over supplied is the Palm Bay-Melbourne-Titusville MSA.

Florida's population growth rate continues to increase. The U-Haul National Migration Trend Report for 2013 ranked Florida as the number one state in the U.S. for growth for families moving at 4.85%. From the same report, Orlando was the number two destination city in the U.S. in 2013 for the fourth year in a row. This growth provides a strong demand base for residential storage customers.

Top 10 U.S. Growth States With More Than 20,000 Families Moving (2013)

Rank	State	Percentage Growth
1	Florida	4.85%
2	Texas	4.40%
3	Washington	3.19%
4	Louisiana	3.16%
5	Arkansas	2.18%
6	Colorado	1.69%
7	Tennessee	1.24%
8	Kentucky	0.61%
9	Indiana	0.52%
10	Ohio	0.46%

Source: U-Haul International

ABOUT OUR FIRM | Beshears and Associates is a commercial appraisal firm with offices in Tampa and Orlando. In addition to covering apartments, office, industrial, land, and retail, we have specialty practices in gas stations, self-storage, hotels and mobile home parks. Our staff of 13 appraisers complete over 650 appraisals annually in Florida and Georgia.

If you have questions about our practice, please contact David Beshears, MAI, MRICS at 813.254.2885 x204 or dbeshears@beshears.net. If you have questions about the newsletter, please contact John Cordova, Self Storage Valuation Director, at 813.901.8680 or jcordova@beshears.net.

The primary sources of information for this newsletter were derived from CoStar Realty Information, the 2015 Self-Storage Almanac, REIS, Beshears & Associates market research, and other published sources. The information contained in this newsletter was derived from sources we believe are reliable. We have not independently verified this information and we make no warranty or representation of its accuracy.

Market Equilibrium

Market	# of Facilities	Existing RSF	RSF Per Capita	Additional Facilities Supply Required by 2020
Miami-Ft Lauderdale-WPB	593	30,331,950	5.25	1,606,278
Tampa-St Pete-Clearwater	398	20,357,700	7.03	831,468
Orlando-Kissimmee-Sanford	300	14,340,000	6.28	2,987,205
Jacksonville	219	11,201,850	7.97	636,870
North Port-Sarasota-Bradenton	119	6,086,850	8.25	<i>Equilibrium</i>
Cape Coral-Ft Myers	104	5,319,600	7.98	<i>Slightly Undersupplied</i>
Lakeland-Winter Haven	96	4,910,400	7.83	<i>Slightly Undersupplied</i>
Deltona-Daytona-Ormond	98	5,012,700	8.22	<i>Equilibrium</i>
Palm Bay-Melbourne-Titusville	120	6,138,000	11.08	<i>Over Supplied</i>
Florida	3,578	183,014,700	9.34	6,061,821
				101

Source: *Self Storage Almanac & Site To Do Business*

New Construction

With record occupancies, increasing rents, and virtually no construction since 2008, pent-up demand is evident in the self storage industry, and new development is on the way. Dean Jernigan, CEO of Jernigan Capital, projects "The top 50 U.S. metropolitan markets need about \$25 billion, an estimated 3,450 new self storage facilities, in new self storage development to meet population growth and expected customer demand during the next five years." According to the SpareFoot Storage Beat, there have been 21 new self-storage developments in Florida in 2015, 12 of which were in the Miami MSA. Competition for sites remain fierce. Permitting and entitlements can be very challenging, and land prices for good sites are being pushed up by retail and apartment developers. While limited now, new construction will rise.

Self-Storage REIT Activity

Self-storage REITs continue to outperform all other property types. Returns for investors have been so high that Bloomberg Markets Magazine ranked self-storage REITs on the top of their list of alternative investments last year.

Revenues at the public companies grew between 5.8% and 9.4% and NOI between 7.8% and 12.1% over same quarter last year. Occupancy across their portfolios averaged between 92.1% and 95.4%.

Extra Space entered into an agreement to acquire SmartStop Self Storage for \$1.4B. All of the REIT's have agreements to buy properties upon completion and all have construction projects in the pipeline. Public Storage seems to be the most aggressive with about 60 properties and 3.9M square feet in the pipeline totaling \$480M. Lease-up periods are very aggressive.



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Self-Storage Sale Trends, Florida

	2015 YTD			2014			2013			2012		
	# Sales	Cap Rate	Price/RSF	# Sales	Cap Rate	Price/RSF	# Sales	Cap Rate	Price/RSF	# Sales	Cap Rate	Price/RSF
All Comparables	21	6.19%	\$93.02	35	6.42%	\$78.60	34	7.79%	\$57.60	45	7.25%	\$60.25
Based on Total # of Units												
< 500 units	4	6.66%	\$79.39	15	6.36%	\$62.78	22	8.58%	\$51.25	22	7.89%	\$38.61
> 500 units	17	6.10%	\$96.23	20	6.45%	\$90.48	12	6.53%	\$69.25	23	6.70%	\$81.90
Based on Total RSF												
< 60,000 SF	10	6.78%	\$91.97	16	6.39%	\$67.05	19	8.71%	\$50.04	25	7.67%	\$44.36
> 60,000 SF	11	5.76%	\$93.98	19	6.43%	\$88.33	15	6.54%	\$67.18	20	6.72%	\$79.48
Based on Population												
< 50,000 3 mile population	13	6.61%	\$89.06	20	6.32%	\$78.81	22	8.64%	\$52.20	30	7.50%	\$40.34
> 50,000 3 mile population	8	5.58%	\$98.33	15	6.48%	\$85.38	12	5.98%	\$74.24	15	6.90%	\$101.36
> 100,000 3 mile population	1	4.75%	\$146.16	5	6.08%	\$102.92	3	4.92%	\$88.10	3	7.81%	\$92.00
Based on Year Built												
Built after 2000	5	6.59%	\$77.15	18	6.53%	\$64.67	15	8.68%	\$50.03	26	7.66%	\$54.38
Built on or before 2000	3	6.35%	\$101.21	17	6.29%	\$93.35	18	7.02%	\$60.98	19	6.58%	\$68.08

Source: Beshears & Associates

Sales Trends Activity

Capitalization rates have continued to compress as the self-storage product has become increasing popular with investors. In 2012, capitalization rates averaged 7.25% and they have dropped over a hundred basis points to 6.19% in 2015, which is an additional 23 basis points down from last year. As capitalization rates have compressed, prices per square foot have gone up, increasing from an average of \$60.25 per rentable square foot in 2012 to \$93.02 per rentable square foot in 2015. Florida sales activity has been strong. In 2012 we tracked 45 properties sold. In 2013 and 2014 there were 34 and 35 properties sold respectively. Year to date in 2015 there are 21 properties sold. The velocity of sales is inhibited by supply, not lack of demand. The properties that are achieving the lowest capitalization rates are the larger properties in the most urban areas. Sub-five capitalization rates in dense urban areas are being achieved while more rural locations are in the plus 6.5%+ capitalization rate range.

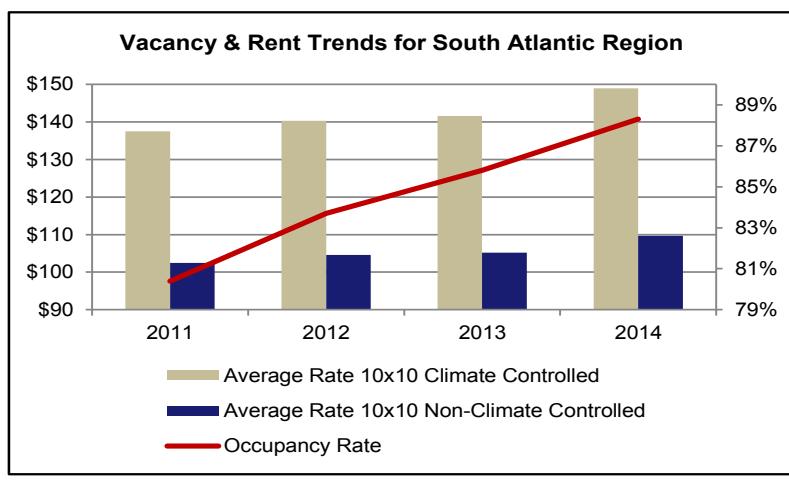
Occupancy and Rent Trends

Vacancy rates have been decreasing for Florida self-storage properties. According to REIS, Ft. Lauderdale will see a 100 basis point (bps) decrease in vacancy over 2014, Tampa and Orlando will decrease 70 bps, and West Palm Beach will decrease 40 bps. With tightening vacancy and little new development, rental rates

are increasing. REIS forecasts the major Florida markets will see rent increases of about 2.5% for Orlando, and between 3.7% and 5.6% for West Palm Beach, Tampa, and Ft Lauderdale. For the South Atlantic region (including Florida, Georgia, South Carolina, North Carolina, Virginia, West Virginia, Delaware, Maryland, and Washington DC) rates have increased over the last few years, only increasing by \$12 for climate controlled space since 2011, and increasing by \$9 for non climate controlled space since 2011. The occupancy rate has increased eight percentage points since 2011.

Outlook

Acquisitions will continue at aggressive cap rates especially with REIT and national operators who can immediately add value with revenue management, additional income streams like tenant insurance, and economies of scale. Construction is underway, especially in the top-50 MSA markets, and acquisitions at certificate of occupancy are back, a trend seen toward the end of the last peak. Rent growth and occupancy levels seemingly will be affected by new supply, but time will tell how much. The industry may see more consolidation. More competition will increase the importance of technology and an internet and mobile presence, making it even harder for the "little guy" to be competitive. The industry is very strong and seems to have staying power for years to come with no signs of slowing fundamentals.



2015 Self-Storage Vacancy and Rents

Market	Vacancy Rate	Asking Rent	
		Climate Controlled	Non-Climate Controlled
Tampa	12.1%	\$1.36	\$1.02
Ft Lauderdale	12.2%	\$1.59	\$1.38
West Palm Beach	11.1%	\$1.50	\$1.23
Orlando	12.9%	\$1.24	\$0.96
United States	12.0%	\$1.51	\$1.23

Source: REIS Forecast (based on 10' x 10' units)