




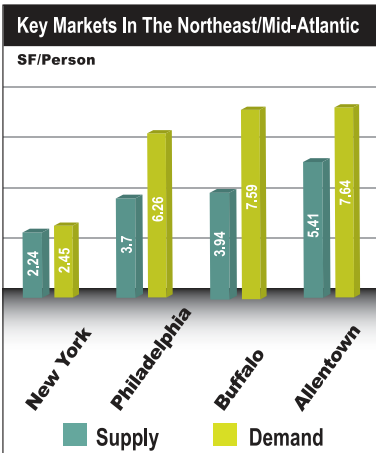
STRONG FUNDAMENTALS IN THE NORTHEAST/MID-ATLANTIC

Market conditions for self-storage are very strong in key cities in the Northeast/Mid-Atlantic regions of the U.S. In fact, all cities analyzed are under-supplied. This demonstrates why demand by investors is strong for urban, in-fill locations with barriers to entry for new competition. In fact, the largest portfolio acquisition (over half a billion dollars) in the past several years was in New York.

For under-supplied markets, increases in occupancy and income are common characteristics. These large markets, such as New York, can be skewed because there are few comparable markets of this size. Consequently, demand tends to be under-stated in the New York, Northern N.J., Long Island CBSA.

The supply/demand metrics of these cities demonstrates how benchmarking can be a valuable analytical tool. These markets are under-supplied suggesting upside to cash flow operations. Considering 2011 had less than 100 new facilities built nationwide, compared to a peak of nearly 2,000 during the boom cycle, the supply/demand metrics are not likely to change significantly in these key cities. It is important to note that benchmarking is the first step of analysis. Drilling down to the individual trade areas is the key to determining winners and losers in the self storage asset class.

Urban, in-fill locations like these key cities analyzed often have demographic characteristics that are positive for self storage demand including large population with a high percentage of renters resulting in high density trade areas. In general, this means cash flow operations, such as occupancy and income, will increase faster in boom markets and recover faster during bust markets compared to other CBSAs. These strong fundamentals indicate a bullish outlook for self storage in these key cities. 



Source: Cushman & Wakefield's Self Storage Industry Group and 19th Annual Self-Storage Almanac 2011

R. Christian Sonne is Managing Director of Cushman & Wakefield's Self Storage Industry Group, a nationwide team of appraisal, research, and analysis professionals specializing in the self-storage asset class.