

50
Years of Excellence

Marcus & Millichap

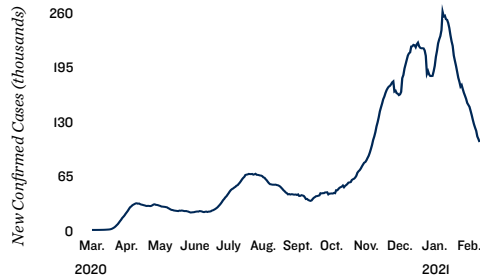
2021

U.S. Commercial Real Estate

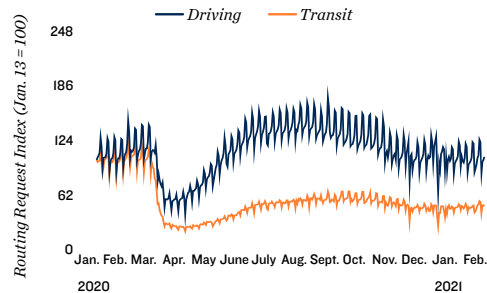
INVESTMENT OUTLOOK

SELF-STORAGE

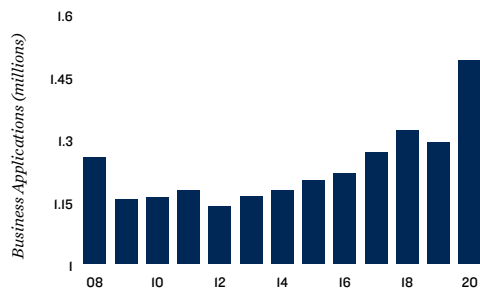
Daily U.S. COVID-19 Cases Ease From Spike



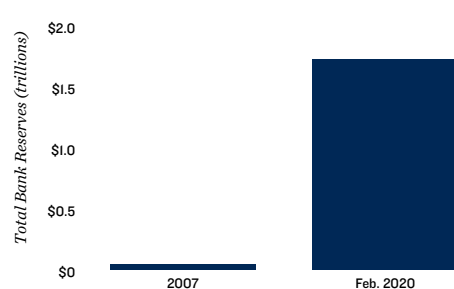
Aversion to Public Transit



New Business Applications Surge



Banks in Stronger Position Than in 2007

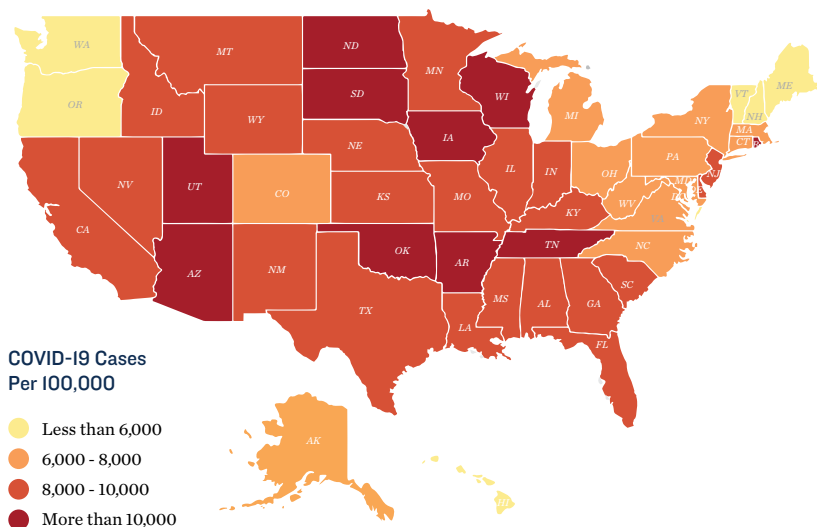


Health Crisis Upends Commercial Real Estate; Uncertainty Will Carry Well Into 2021

Pandemic transforms commercial real estate. COVID-19 changed the world in early 2020 as efforts to curb the spread of the pandemic had a dramatic impact. Stay-at-home orders, the need to physically distance, and having to abide by health and safety protocols had harsh effects on many real estate sectors. Hospitality, seniors housing and brick-and-mortar retail were hit hard while others including necessity-based retailers, medical offices, e-commerce retailers, life science and pharmaceutical firms, and many industrial segments thrived. As of February 2021, more than 486,000 Americans have died from the coronavirus and after reaching a peak in mid-January that strained healthcare systems across a wide swath of the U.S., cases, hospitalizations and deaths have begun to taper.

Health crisis exacerbated demographic shifts. Employers laying off workers and sending staff home to work remotely contributed to an acceleration of demographic changes that were already underway. Economic uncertainty led many households to search for lower-cost housing, while the need to work from home and attend school online generated demand for larger spaces. Commute times became less of a factor in housing decisions, pushing residential and apartment demand away from dense urban cores that are more reliant on mass transit to the benefit of suburbs as well as secondary and tertiary markets. Although driving returned during the summer months, public transit usage remains well below the pre-coronavirus level as fewer people are commuting to offices and physical distancing protocols limit ridership. Higher unemployment is also leading to more people spending time at home, which consequently may have boosted new business applications to the highest rate since the Great Recession. This surge in entrepreneurship could have positive results in the years ahead.

Coronavirus Cases Continue to Spread*



* As of Feb. 11, 2021

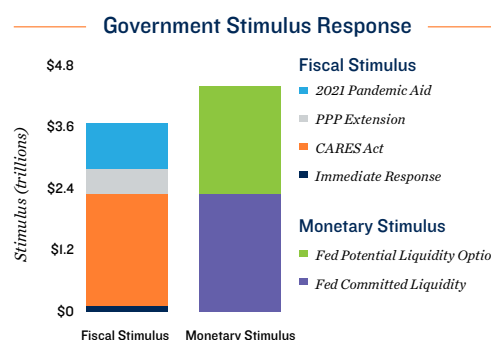
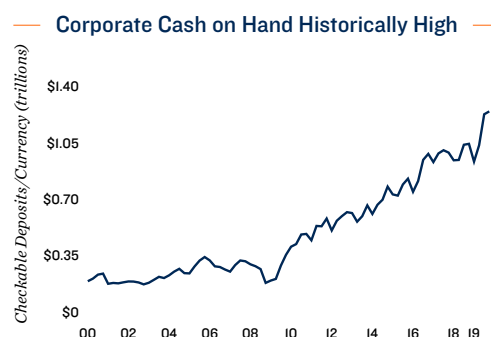
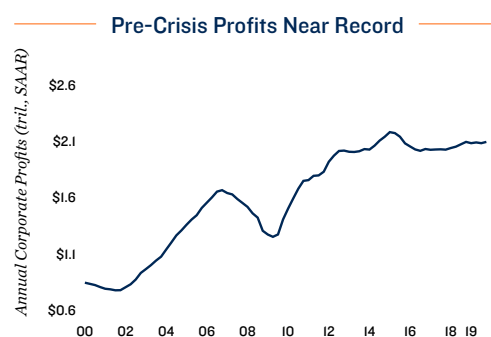
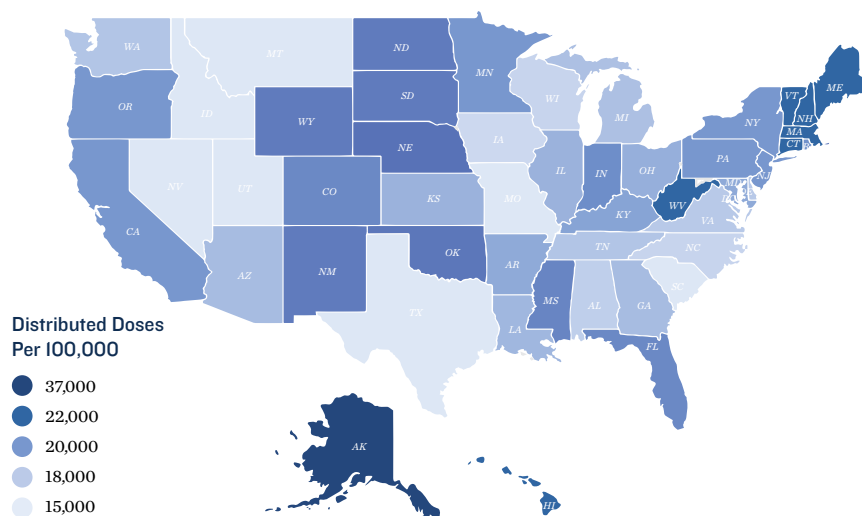
Sources: Apple; Federal Reserve; New York Times; U.S. Census Bureau

Government Response, Market Liquidity, Fast-Track Vaccine Development Provide Optimistic Outlook

Economy jolted as coronavirus spread. The economy was on relatively solid footing heading into the pandemic. Company profits were hovering near the 20-year peak and corporate cash on hand had set a new high, supplying many firms with cushions to weather a downturn. Bank reserves were also significantly above those registered in 2007, providing a much healthier comparison to the start of the Great Recession. Through the health crisis, the money supply has remained liquid as the federal government quickly infused cash into the market and funded stimulus measures via the CARES Act and other legislation. The Paycheck Protection Program (PPP) was one of several systems that assisted in keeping people employed and allowed businesses and households to make rent payments. Additional infusions in 2021 will provide further economic stimulus.

Immunizations provide a path forward. In response to the coronavirus, the government initiative Operation Warp Speed was established to fast track the development and approval of vaccines to combat COVID-19. By the end of 2020, two vaccines had been approved and others were in trial phases. Inoculations were underway by mid-December, providing some hope, especially to real estate segments hit hard by the pandemic. Immunization efforts, however, were slow to ramp up, extending the time needed before enough people are vaccinated to a level that would provide herd immunity and allow a freer movement of people. Although clarity is in sight, these delays will prolong uncertainty for investors well into 2021.

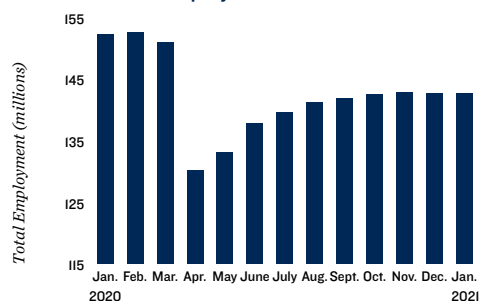
Immunizations Ramping Up Across the Nation*



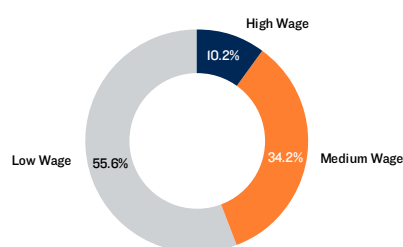
* As of Feb. 11, 2021

Sources: BEA; Federal Reserve; U.S. Census Bureau

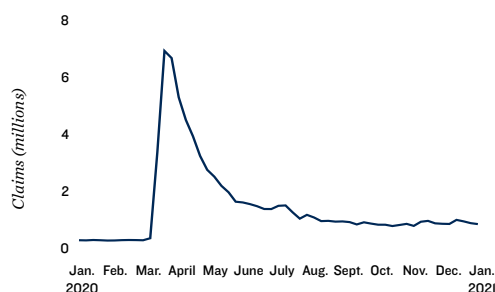
Employment Trends



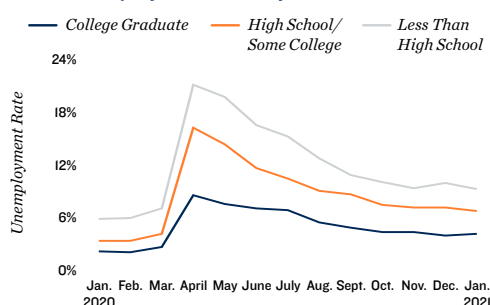
Share of Job Losses*



Unemployment Claims



Unemployment Rate by Education Level



Possibilities for Second Growth Surge or Double Dip in 2021 Hinge on Vaccine Rollout and Labor Recovery

Vaccine distribution to play a critical role in economic outlook. The nation's economic situation has regained much of the momentum lost last spring as it continues along an upward path in 2021. Ongoing health challenges and other potential hurdles may suspend or abate that progress, however. If the current set of COVID-19 vaccines are distributed as efficiently as predicted, then enough people may be inoculated by midyear to safely allow most businesses to fully reopen. Employed consumers with idle cash on hand from months in sequestration will be able to more freely travel and patronize bars, restaurants, entertainment venues, and brick-and-mortar retailers, potentially boosting the economy. If, however, the pace of the vaccine rollout is slowed or the nature of the virus changes, these exogenous encumbrances to the economy will remain in place longer. Employers who are challenged by physical distancing requirements and areas of the country where infection risk is higher will fall further behind other segments of the economy. This disparity, if severe enough, could lead to another quarterly economic contraction. The fortitude displayed during the second half of 2020 makes this scenario improbable, however, especially with continued government support.

Economy has been resilient so far, aided by robust federal aid. The forced closure of many businesses last year led to the sharpest decline in Gross Domestic Product in the post-World War II era. After sliding 5 percent in the first quarter, U.S. GDP fell an annualized 31.4 percent in the April-to-June period as 22 million jobs were shed and the unemployment rate soared to 14.8 percent. This unprecedented shock was met with an equally unprecedented government response. Applying lessons learned during the last downturn, the Federal Reserve and Congress collectively delivered roughly \$5 trillion in aid within a matter of weeks, divided between direct fiscal stimulus and added financial market liquidity. These actions, followed by the implementation of other lending programs and federal legislation in subsequent months, helped GDP leap 33.4 percent in the third quarter and a more modest 4 percent in the fourth quarter. The strong gains made in the second half of the year mostly offset the earlier losses, translating to an overall economic contraction of 3.5 percent in 2020.

Labor market recovering but some sectors are falling behind. Over half of the jobs lost in March and April last year were restored or replaced by December, but as 2021 progresses certain industries face a longer road to total recovery than others. Physical distancing requirements and travel restrictions had a disproportionate impact on the leisure and hospitality sector, which encompasses hotels, bars, restaurants and other entertainment venues. While the overall employment base remained 6.5 percent below its pre-pandemic level at the start of 2021, the leisure and hospitality sector was still down 23.2 percent. Conversely, staff working in essential services or in positions more easily shifted to a remote setting were better protected. The number of jobs in financial activities, construction and in the trade, transportation and warehousing sector were all at or within 3 percent of their February 2020 mark by the start of the new year. How the labor market improves going forward will depend on how well vaccines are administered. If infection rates drop enough to permit widespread reopening and social patterns normalize, many of the jobs most impaired by the health crisis could quickly return, although not all roles are likely to be restored this year as some employers have permanently closed.

* February to December 2020

Sources: BLS; ETA

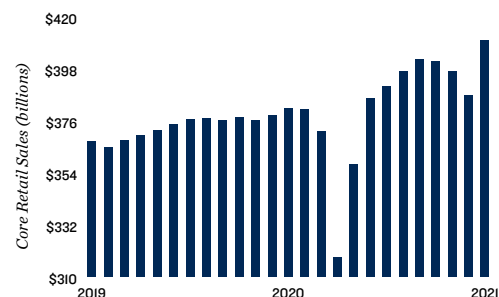
Administration Weighs Policy Goals Against Stimulus Needs While the Federal Reserve Guides Inflation

Biden administration must balance policy objectives and health crisis management. President Biden campaigned on a platform of widespread legislative reform, including taxation, healthcare and public spending on infrastructure. Achieving these goals must be managed in relation to the immediate needs of the health crisis. Some intended policy reforms, such as increasing taxes on businesses and investors, could weigh on economic growth in the short term. Even if political division in Congress does not preclude the passage of wide-sweeping changes, the focus of the legislative and executive branches will likely to be dominated by the health crisis through at least the middle of the year. Making more substantial alterations to laws and regulations could create uncertainty among consumers and investors, dampening the intended effects of stimulus measures that the Biden administration is currently pursuing.

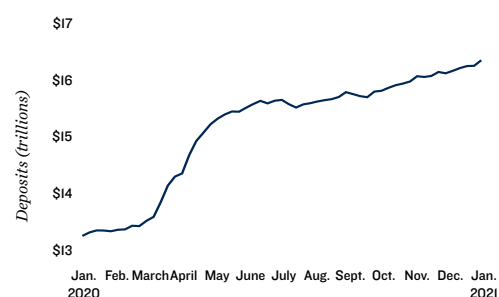
Additional federal aid likely incoming; holds significant implications on growth. The \$900 billion stimulus package passed at the end of last year is serving as a vital economic stopgap as the country deals with the difficult health challenges. Many of the legislation's key benefits, such as renewed federal unemployment insurance, will nevertheless fade by the spring. The Biden administration is therefore pursuing a \$1.9 trillion stimulus package to further buttress the economy. The legislation would include a third round of larger direct payments to taxpayers as well as expanded unemployment benefits, rental assistance, and funding for state and local governments. While the final stipulations of the bill are almost certain to change, the incoming aid will uplift the economy in the near term, but at the cost of introducing some potential longer-term risks. The extensive deficit spending necessitated by the health crisis will likely result in an overall higher tax burden down the line, whether at the local or federal level or both. The ample amount of liquidity injected into the market also raises inflation risk.

The Federal Reserve continues to carefully monitor inflation. As this year progresses, the Fed will have to walk a tightrope balancing economic growth and the potential for accelerated inflation. The Federal Open Market Committee has already signaled that it is willing to allow inflation to rise above a 2 percent annual growth rate following multiple years of below-target increases. To what extent above that threshold the FOMC will permit is as of yet unclear. Even so, the Fed may still be forced to raise interest rates and tighten monetary policy later this year if the risk of spiraling inflation becomes likely. This shift in policy could elicit an unintended reaction from the market, derailing economic growth in unexpected ways. If the central bank acts too early it could also prematurely temper economic growth. Even if the FOMC executes its strategy flawlessly, high inflation could still occur. Recent government actions have injected ample liquidity into the market. At the same time, many consumers have added to their savings while staying at home, expanding their potential spending power. The financial standings of many households have also improved via rising home equity values, a byproduct of a competitive single-family housing market fueled by low interest rates and recent lifestyle changes. All of these factors together create a scenario in which, once the health crisis is mitigated, consumer spending substantially jumps ahead of the available supply of goods and services, raising prices. Depending on the timing, however, this wave of spending could also act as its own form of stimulus.

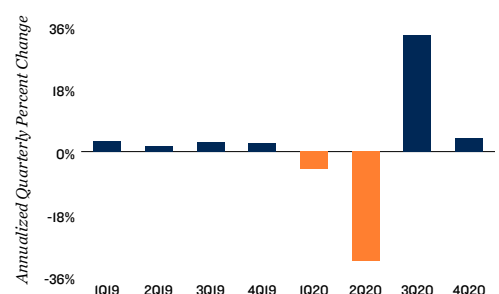
Core Retail Sales Bounce Back



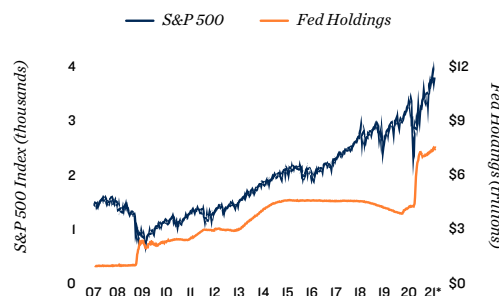
Savings Deposits Steadily Climbing



GDP Growth Trends



Fed-Injected Liquidity Lifting Equity Prices

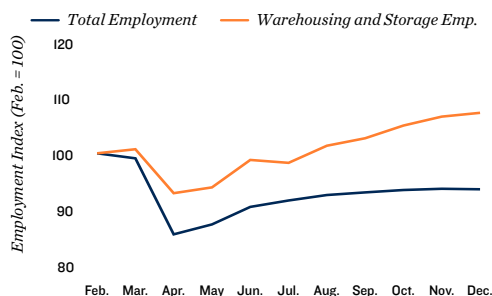


* Through January

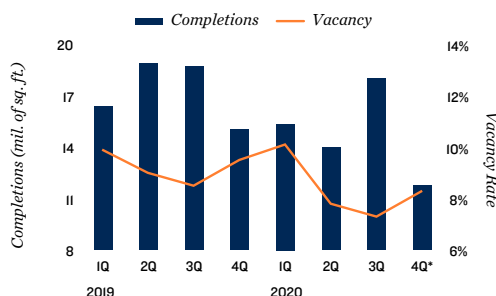
Sources: BEA; Federal Reserve; Standard & Poor's; U.S. Census Bureau

SELF-STORAGE

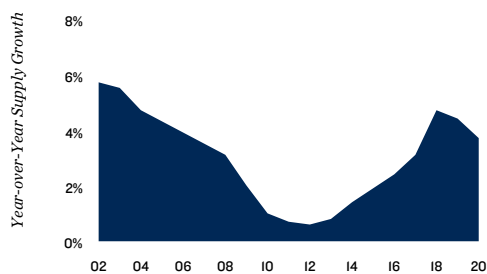
Storage Employment Less Impacted in 2020



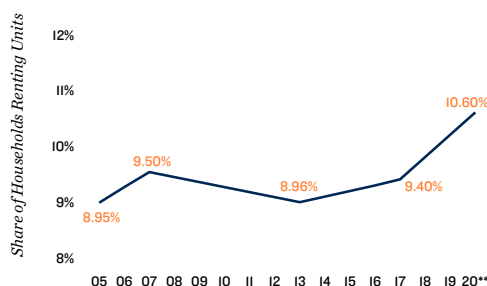
Quarterly Self-Storage Performance Trends



Supply Growth Recedes From 2018 High



Market Penetration Rising Before Pandemic*



* Vacancy estimate

** Pre-pandemic analysis

* Time series estimated based on observations from 2005, 2007, 2013, 2017 and 2020.

Sources: BLS; Self Storage Association; Radius+; Yardi Matrix

Resilient Self-Storage Sector Emerges From 2020 on Upward Path, Aided by Historically Strong Fundamentals

Initial uncertainty briefly weighed on self-storage performance. When a wave of stay-at-home orders came into effect in March 2020 in response to the health threats of COVID-19, many commercial real estate demand factors were substantially disrupted. Self-storage properties were not immune to this trend. While storage was classified as essential business and permitted to stay open during lockdown, general uncertainty about the health situation kept many renters away from their units. Although more people sequestering at home means that fewer tenants were ending existing leases, fewer new rental agreements were also being signed. The precipitous drop in move-ins prompted operators at many facilities to cut marketed rates in anticipation of a prolonged slowdown in demand, decreasing the average asking rent nationally in the second quarter to its lowest level in at least four years. This dynamic, however, proved to be short lived.

Sector recovers in the second half of 2020, achieving new vacancy low. As spring moved into summer and the impact of the pandemic became more clear, the self-storage sector began to demonstrate its resilience. New leasing improved as stay-at-home orders were relaxed and customers felt more comfortable visiting units. At the same time more existing tenants were holding onto their units for longer, even after many eviction moratoriums ended. This combination resulted in a net increase in self-storage demand, driving vacancy to a record low of 7.3 percent in the third quarter of 2020. As vacancy fell, asking rents improved, erasing the earlier decline to achieve a two-year high at year end.

Transaction environment improves from early disruption. The investment landscape for self-storage properties mirrored the operational changes of the sector in many respects. During the initial period of uncertainty, sales velocity slowed, both due to logistical limitations in closing trades as well as ambiguity over cash flows. As property performance stabilized and then improved, transaction activity similarly rebounded, with buyer competition adding upward pressure to the average sales price. Trading volume and pricing are well above previous economic cycles, even with current challenges, and the tight competition for assets is anticipated to continue.

Outlook for 2021 points to continued growth. As a new year progresses, the self-storage sector is poised to ride several demand tailwinds. Remote learning and working are taking away storage space in the home, while businesses also must put aside excess items amid physical distancing. A relocation trend to less dense areas may also drive new storage use. However, elevated COVID-19 infections, renewed lockdowns and high unemployment may come to weigh on consumer demand. New and prospective future fiscal stimulus and the ongoing vaccine rollout nevertheless improve the general economic outlook for the second half of 2021.

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Outperforming

Riverside-San Bernardino

Las Vegas

Los Angeles

Phoenix

Sacramento

Salt Lake City

San Diego

Southeast Florida

- Markets with robust in-migration and household formation are demonstrating resilience during the health crisis. This is even the case in metros with significant square footage constructed there, like Phoenix and Las Vegas.
- Several California metros are also in this category. While some of these cities are reporting net out-migration, high land costs and numerous regulations continue to constrain construction, producing minimal new supply pressure.

Sustained Momentum

Chicago

Cincinnati

Dallas/Fort Worth

Houston

Indianapolis

Orange County

Raleigh

Seattle-Tacoma

St. Louis

- Metros in this category are performing broadly in line with the national trend, posting modest improvements or only mild losses in vacancies and rents in 2020 that limit how much ground must be recovered this year.
- Strong local demographic demand drivers play the main role in differentiating performance of markets within this group, with Texas cities slightly outdistancing coastal metros.

Underperforming

Atlanta

Charlotte

Cleveland

Columbus

New Haven-Fairfield County

Philadelphia

San Antonio

Washington, D.C.

- Despite generally strong economies, self-storage fundamentals for markets in this group trailed countrywide averages. Minimal population growth, new supply pressure, and complications from COVID-19 all contribute to performance constraints in 2021.
- Metros in this category had to prioritize higher occupancy over facilitating rent growth, and they face ongoing pressure from new construction and infection rates.

Short-Term Setback

Austin

Boston

Nashville

New York City

Orlando

San Francisco-Oakland

San Jose

Tampa-St. Petersburg

- Markets in this cohort are generally large gateway cities whose economies were substantially impaired by the health crisis last year. Recovery will first require infection rates to notably subside, likely through the widespread adoption of vaccines.
- Other metros in this group are those where elevated construction has weighed on fundamentals, including Austin and Nashville, despite favorable self-storage demand drivers.

Supply Overhang

Baltimore

Denver

Detroit

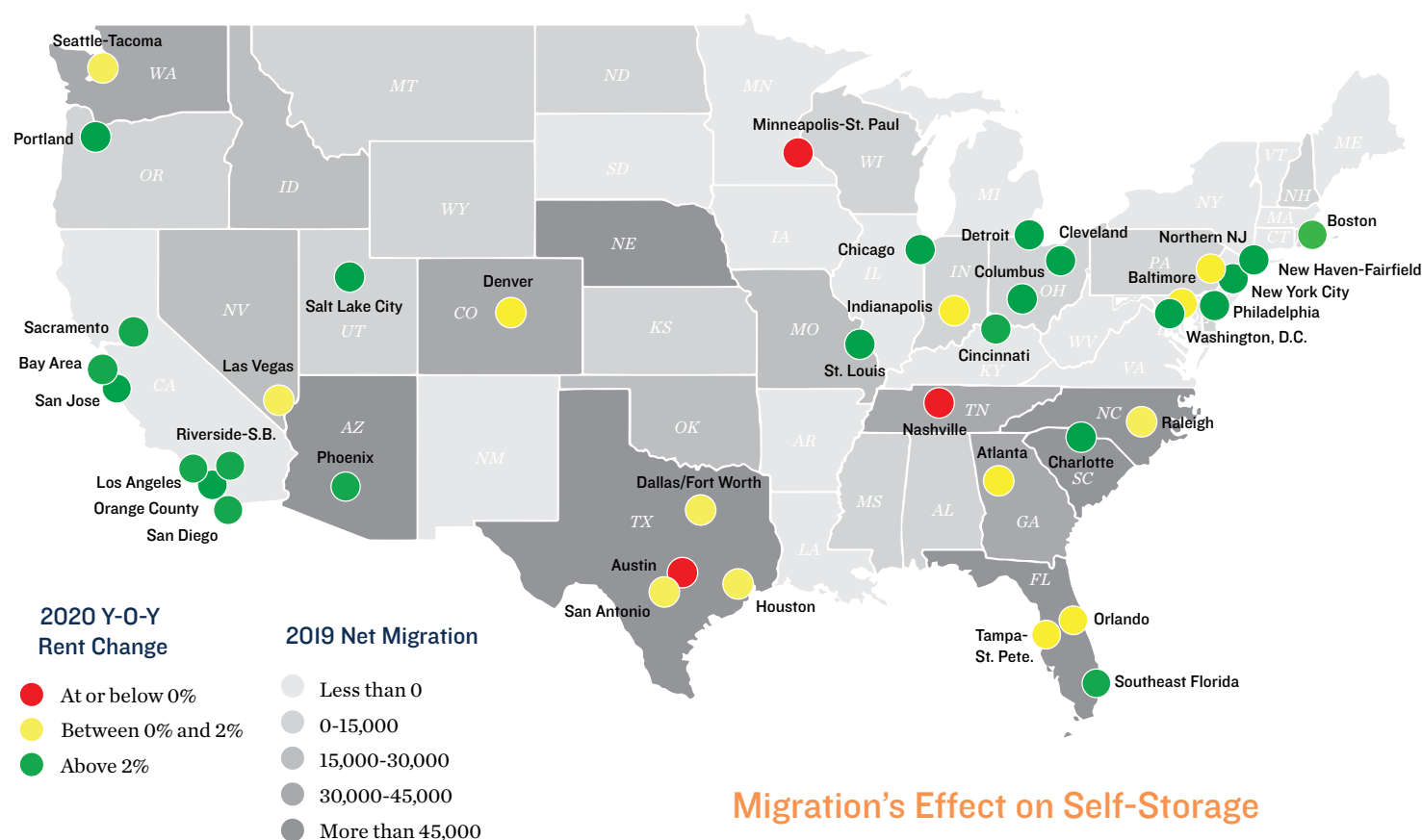
Minneapolis-St. Paul

Northern New Jersey

- A select number of markets have yet to overcome critical hurdles. Minimal to negative population growth dampens the self-storage demand outlook in Baltimore, Detroit and Northern New Jersey.
- Minneapolis-St. Paul and Denver have more favorable demographics to support long-term storage renting, but recent waves of construction pose headwinds for the immediate future.

Migration Patterns Favor South and Southwest, Aiding Rent Growth

Rent Growth & Net Migration



Top 10 Markets by Net Migration

Market	2019 Net Migration	2020 Average Asking Rent Growth
Phoenix	77,664	4.9%
Dallas/Fort Worth	68,366	1.0%
Austin	46,616	0.0%
Atlanta	43,602	1.0%
Tampa-St. Petersburg	41,796	1.0%
Houston	37,902	1.0%
Charlotte	33,283	2.4%
Las Vegas	31,280	1.9%
Raleigh	26,147	1.1%
Seattle-Tacoma	25,048	2.0%

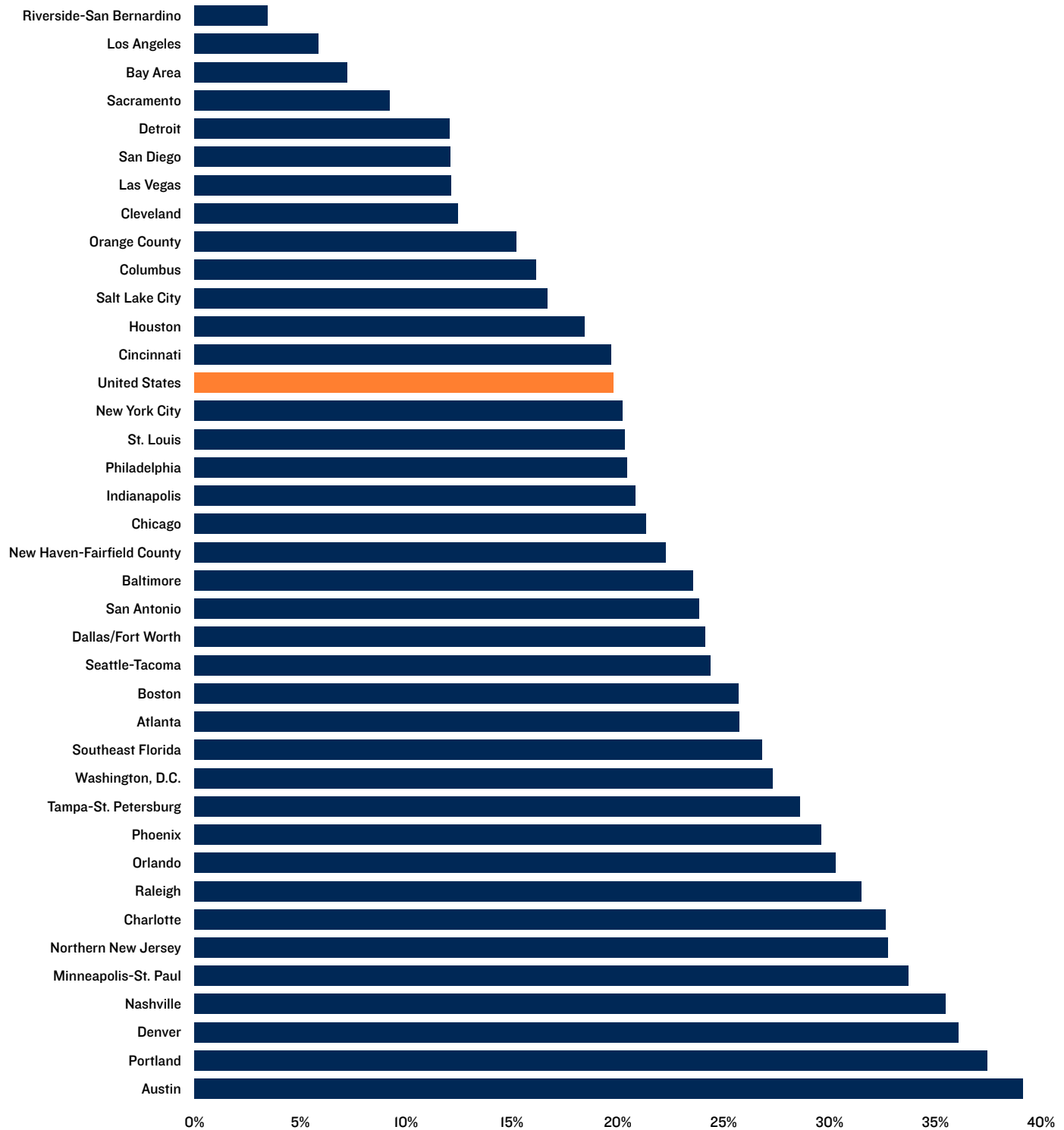
Migration's Effect on Self-Storage

- The events of the past year have reinforced demographic trends that were already underway, chiefly the relocation of households from major gateway markets to more affordable destinations, often in the Sunbelt. Before 2020 this trend often required a transfer to a secondary office or a change of position. The current remote work environment has, at least temporarily, removed that hurdle.
- As new residents arrive in states such as Arizona, Texas, the Carolinas and Florida, demand for self-storage increases. Moving is a common driver of self-storage renting in the short term, and a general rise in population will also improve storage needs over time. However, much of this demographic shift has coincided with historically high self-storage construction activity.
- While the long-term demographic outlook warrants the overall increase in self-storage inventory, the rapid pace of deliveries had depressed asking rents until recently as operators of new facilities prioritized achieving high occupancy. Conversely, markets with low to negative net in-migration may record stronger rent performance because of minimal construction, as is the case in many California cities.

Sources: U.S. Census Bureau; Yardi Matrix

Legacy of Elevated Supply Growth Still Weighs on Many Markets

2015-2020 Self-Storage Inventory Growth



Supply Growth, 2015-2020

Source: Yardi Matrix

Self-Storage Data Summary

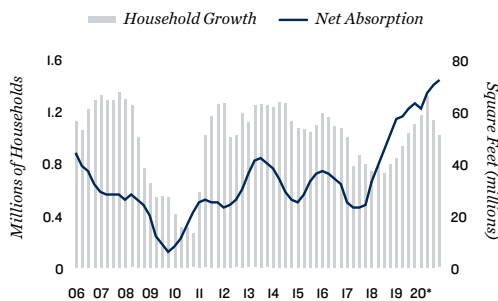
Market Name	Employment Growth				Population Growth				Completions	
	2017	2018	2019	2020	2017	2018	2019	2020	2017	2018
Atlanta	2.2%	1.9%	2.5%	-2.6%	1.3%	1.2%	1.4%	1.3%	1,070	2,400
Austin	3.3%	4.2%	3.6%	-1.0%	2.4%	2.5%	2.7%	2.1%	1,470	1,320
Baltimore	1.1%	0.8%	1.2%	-5.1%	0.1%	0.0%	0.0%	0.2%	460	810
Bay Area	2.1%	2.3%	1.5%	-8.8%	0.3%	0.1%	0.2%	0.6%	620	470
Boston	1.3%	1.3%	0.9%	-9.2%	0.5%	0.3%	0.3%	0.5%	370	1,730
Charlotte	2.2%	2.5%	2.3%	-4.9%	1.9%	1.6%	1.7%	1.2%	1,300	1,740
Chicago	0.7%	0.7%	0.4%	-7.4%	-0.3%	-0.3%	-0.3%	0.1%	2,110	1,390
Cincinnati	1.3%	1.1%	0.8%	-4.6%	0.5%	0.4%	0.5%	0.6%	410	380
Cleveland	0.4%	1.4%	0.5%	-8.6%	-0.2%	-0.2%	-0.3%	-0.2%	190	430
Columbus	1.3%	1.3%	1.2%	-6.2%	1.3%	0.9%	1.0%	1.2%	170	930
Dallas/Fort Worth	2.2%	2.5%	3.2%	-2.1%	1.8%	1.6%	1.6%	1.4%	3,320	3,980
Denver	2.6%	2.0%	2.8%	-4.4%	1.3%	1.4%	1.2%	1.1%	1,220	3,310
Houston	1.6%	2.7%	2.0%	-4.3%	1.2%	1.1%	1.5%	1.4%	2,850	4,120
Indianapolis	1.8%	0.9%	0.9%	-0.8%	1.1%	1.2%	1.0%	1.1%	80	1,260
Las Vegas	2.9%	3.1%	1.9%	-9.5%	2.0%	2.0%	2.1%	1.6%	170	370
Los Angeles	1.6%	1.4%	1.1%	-9.1%	-0.2%	-0.4%	-0.2%	0.2%	90	560
Minneapolis-St. Paul	1.5%	1.2%	0.3%	-8.0%	1.0%	0.9%	0.8%	0.9%	410	1,240
Nashville	3.1%	3.3%	3.0%	-4.2%	1.7%	1.6%	1.8%	1.5%	620	1,350
New Haven-Fairfield County	-0.1%	0.4%	0.0%	-8.0%	0.0%	0.0%	-0.2%	0.1%	650	990
New York City	2.0%	2.1%	1.8%	-12.2%	-0.5%	-0.6%	-0.5%	-0.1%	790	950
Orange County	2.0%	1.2%	1.2%	-8.5%	0.2%	0.0%	-0.1%	0.1%	430	290
Orlando	3.4%	2.7%	2.5%	-9.7%	2.4%	1.9%	1.3%	1.4%	780	1,210
Philadelphia	1.3%	1.0%	0.9%	-7.2%	0.2%	0.2%	0.2%	0.3%	1,210	1,150
Phoenix	3.4%	3.4%	3.6%	-2.3%	1.8%	2.0%	2.2%	1.5%	1,510	1,370
Portland	2.5%	2.0%	1.4%	-8.5%	0.9%	0.7%	1.1%	1.0%	410	930
Raleigh	2.5%	2.1%	2.0%	-4.5%	2.0%	2.0%	1.9%	1.5%	990	1,540
Riverside-San Bernardino	4.0%	3.0%	1.5%	-7.2%	1.1%	0.9%	0.7%	1.2%	90	290
Sacramento	2.7%	2.6%	1.5%	-6.9%	1.1%	0.9%	0.7%	0.8%	270	380
Salt Lake City	3.2%	2.7%	3.3%	0.4%	1.7%	1.5%	1.7%	1.5%	140	1,220
San Antonio	1.6%	2.1%	2.3%	-3.4%	1.8%	1.5%	1.5%	1.2%	720	1,040
San Diego	2.1%	1.7%	1.5%	-6.9%	0.4%	0.3%	0.1%	0.6%	180	770
Seattle-Tacoma	2.4%	2.1%	2.5%	-7.2%	1.5%	1.1%	1.3%	1.1%	650	1,100
Southeast Florida	1.6%	1.8%	1.0%	-6.2%	0.7%	0.3%	0.7%	0.8%	1,680	3,000
St. Louis	1.0%	0.3%	0.5%	-4.6%	0.0%	-0.1%	0.0%	0.1%	650	330
Tampa-St. Petersburg	1.9%	2.2%	2.7%	-3.6%	1.7%	1.4%	1.1%	0.8%	1,010	2,600
Washington, D.C.	1.0%	1.3%	1.7%	-5.2%	0.8%	0.5%	0.6%	0.8%	1,520	1,590
United States	1.5%	1.6%	1.4%	-6.1%	0.6%	0.5%	0.4%	0.5%	45,310	69,860

Self-Storage Data Summary

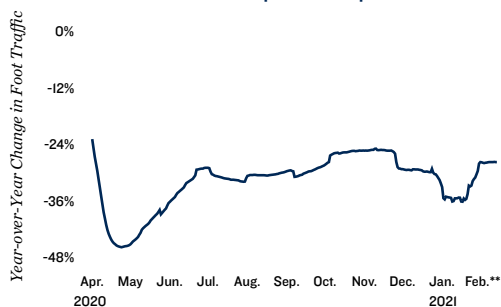
(000s of Sq. Ft.)		Vacancy Rate				Asking Rent per Sq. Ft.				Market Name
2019	2020	2017	2018	2019	2020*	2017	2018	2019	2020	
2,550	1,730	8.1%	8.4%	8.9%	7.7%	\$1.02	\$1.01	\$0.96	\$0.97	Atlanta
1,500	920	10.1%	8.7%	8.0%	7.2%	\$1.03	\$0.99	\$0.97	\$0.97	Austin
780	820	8.4%	7.9%	9.1%	8.2%	\$1.31	\$1.29	\$1.27	\$1.29	Baltimore
850	860	6.3%	6.9%	6.9%	4.9%	\$1.90	\$1.89	\$1.87	\$1.96	Bay Area
1,630	1,070	7.6%	9.0%	9.8%	7.5%	\$1.44	\$1.45	\$1.40	\$1.47	Boston
550	860	7.6%	8.9%	11.0%	7.8%	\$0.92	\$0.87	\$0.83	\$0.85	Charlotte
2,060	1,600	9.0%	8.1%	7.6%	6.0%	\$1.04	\$1.02	\$1.01	\$1.05	Chicago
340	370	8.6%	6.1%	5.3%	5.1%	\$0.88	\$0.87	\$0.88	\$0.92	Cincinnati
530	370	7.3%	8.6%	8.4%	6.6%	\$0.97	\$0.95	\$0.94	\$0.97	Cleveland
150	340	8.1%	9.4%	8.2%	7.7%	\$0.86	\$0.86	\$0.85	\$0.87	Columbus
3,070	2,310	8.7%	8.8%	7.0%	6.5%	\$1.01	\$0.96	\$0.93	\$0.94	Dallas/Fort Worth
1,820	160	9.4%	10.0%	7.1%	4.8%	\$1.32	\$1.21	\$1.18	\$1.19	Denver
2,080	1,100	6.6%	9.4%	9.0%	7.7%	\$0.90	\$0.87	\$0.84	\$0.85	Houston
560	670	7.6%	7.8%	5.9%	5.9%	\$0.84	\$0.83	\$0.82	\$0.83	Indianapolis
510	890	5.0%	6.1%	6.5%	6.8%	\$0.97	\$1.03	\$1.07	\$1.09	Las Vegas
810	400	6.0%	8.2%	7.5%	5.5%	\$1.89	\$1.90	\$1.91	\$2.00	Los Angeles
2,110	1,510	8.5%	-	-	-	\$1.17	\$1.15	\$1.13	\$1.10	Minneapolis-St. Paul
1,070	700	8.3%	8.7%	10.2%	9.7%	\$1.17	\$1.08	\$1.00	\$1.00	Nashville
670	500	7.9%	9.4%	10.6%	6.6%	\$1.19	\$1.21	\$1.16	\$1.21	New Haven-Fairfield County
1,160	860	7.4%	7.7%	9.0%	6.6%	\$2.48	\$2.59	\$2.58	\$2.65	New York City
510	400	6.0%	8.2%	7.5%	5.5%	\$1.63	\$1.72	\$1.75	\$1.79	Orange County
2,540	1,120	7.7%	8.1%	9.6%	8.1%	\$1.06	\$1.03	\$1.01	\$1.03	Orlando
590	1,270	6.7%	6.5%	8.3%	7.8%	\$1.21	\$1.24	\$1.22	\$1.29	Philadelphia
2,750	2,330	8.3%	7.6%	6.2%	6.9%	\$1.04	\$1.03	\$1.03	\$1.08	Phoenix
1,610	1,550	8.2%	9.1%	6.1%	-	\$1.53	\$1.43	\$1.38	\$1.41	Portland
870	340	10.7%	9.8%	10.7%	8.7%	\$0.97	\$0.90	\$0.88	\$0.89	Raleigh
340	270	5.8%	6.9%	6.4%	4.8%	\$1.08	\$1.11	\$1.13	\$1.19	Riverside-San Bernardino
480	490	7.4%	8.9%	8.5%	6.0%	\$1.37	\$1.33	\$1.31	\$1.36	Sacramento
1,500	580	7.9%	9.7%	7.5%	7.0%	\$0.99	\$0.97	\$0.95	\$0.97	Salt Lake City
900	990	8.9%	9.2%	7.5%	7.0%	\$1.01	\$0.99	\$0.95	\$0.96	San Antonio
430	720	6.9%	6.3%	7.3%	6.1%	\$1.54	\$1.56	\$1.54	\$1.62	San Diego
2,120	1,990	6.5%	10.2%	8.4%	7.5%	\$1.50	\$1.50	\$1.49	\$1.52	Seattle-Tacoma
2,220	1,900	7.3%	8.8%	7.1%	5.6%	\$1.41	\$1.36	\$1.33	\$1.39	Southeast Florida
750	760	9.5%	11.5%	11.0%	7.5%	\$1.02	\$0.93	\$0.89	\$0.92	St. Louis
1,620	1,300	7.2%	7.9%	8.8%	7.6%	\$1.17	\$1.11	\$1.05	\$1.06	Tampa-St. Petersburg
1,540	1,560	8.2%	8.0%	8.7%	7.8%	\$1.47	\$1.46	\$1.42	\$1.48	Washington, D.C.
69,560	59,930	9.6%	9.8%	9.5%	8.3%	\$1.20	\$1.16	\$1.14	\$1.18	United States

Sources: BLS; Moody's Analytics; Radius+; Yardi Matrix

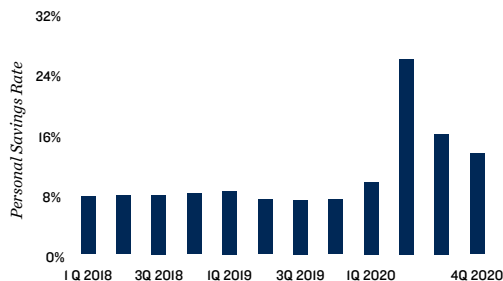
Will Absorption Follow Household Growth Down?



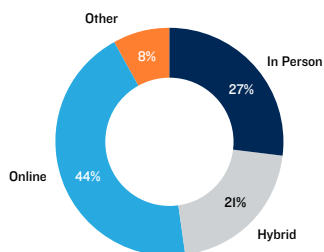
Foot Traffic in Workplaces Depressed



Savings Rate Spikes as People Stay Home



Breakdown of College Reopening Models*



Household Consolidation, Campus Closures and Remote Work Leave Little Room for Home Storage

Following early disruptions, health crisis bolsters self-storage demand in key ways.

After the initial months of the pandemic when less population movement and historically high unemployment tempered self-storage move-ins, leasing activity improved. Easing restrictions and fiscal stimulus helped assuage consumers' concerns, but storage facilities also recorded demand from households and businesses contending with new challenges posed by the health crisis. Whether out of economic hardship or choice, many households are consolidating and changing how living space is used, adding to the need for separate storage. Businesses are also contending with capacity restrictions and other changes in consumer behavior that require them to reevaluate their space needs. Together, these new factors have the potential to offset the normal winter slowdown in storage use and propel the sector to new levels of occupancy and rent growth this year.

Household consolidation driving some self-storage leasing activity. Population growth and the corresponding formation of new households is generally associated with new self-storage demand. The health crisis may be disrupting this relationship. Since the onset of the pandemic, the rate of household formation has decreased. Yet, self-storage vacancy has continued to decline, even amid new supply. Self-storage leasing velocity may yet feel the impact of slower household formation, or the process itself could be adding to demand in a different way. Children moving back in with their parents and combining previously single households may be prompting residents to lease a storage unit due to the loss of available space. Current sequestration behavior prompted by the pandemic may be accentuating this dynamic. Households that must now facilitate remote learning and working, and that have been able to save money otherwise spent on unavailable leisure activities, may direct those funds to renting a storage unit.

Students returning home due to campus closures bolster storage operations. Self-storage demand received a boost in the spring of 2020 from college and university campus closures. The widespread shift to remote learning brought many students, as well as their belongings, home early. Self-storage properties normally see an increase in demand from student renters in the summer months, but the premature closures pushed those needs forward to the spring. The fact that many parents were also working from home only added to the need to store ancillary items. When fall semesters began, less than a third of college campuses were holding in-person classes as normal. A majority of schools were either continuing to focus on online instruction or practicing a hybrid model with only some students in residence. As the year advanced, more colleges shifted back to a remote focus given a resurgence of cases during the winter holidays. In 2021, remote learning will continue to be a prominent pillar of colleges' instruction practices in the near term, likely maintaining college students' elevated need for storage, which contrasts with past school years. Self-storage use from this cohort is unlikely to normalize until vaccines are widely available and the health risks posed by in-person instruction are substantially mitigated, both for the students themselves as well as for associated faculty and staff. Even when students return to campus housing, parents working from home may continue to leverage self-storage to keep excess clutter to a minimum.

* Net absorption based on vacancy estimate

** Through February 12

* As of September 2020

Sources: BEA; Google; Moody's Analytics; College Crisis Initiative; Radius+; Yardi Matrix

Changing Business Practices Raise Storage Needs; Pandemic Behavior May Sway Demand Patterns

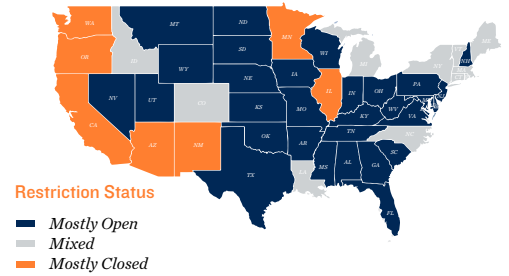
Capacity restrictions push restaurants, stores and offices to consider self-storage. As with the consumer tenant base, the needs of commercial self-storage renters have also changed because of the coronavirus. Pre-health crisis, a wide range of businesses rented units, most often to keep paper records, excess inventory, and unneeded equipment and furniture. The widespread restrictions enforced at many places of business, especially bars, restaurants and other retailers, have accentuated some of these needs. In order to accommodate physical distancing, many eating and drinking places have had to remove furniture, or in some cases, completely reinvent their retail space. A surge in COVID-19 infections entering 2021 prompted a renewed commitment to these limitations that may drive such storage demand until vaccines are widely available. Many offices will also remain closed until vaccines are more common. When facilities do reopen, an expectation of greater physical spacing may require some firms to place excess furniture or equipment into off-site storage. Any on-site storage space in the office may be re-tasked to accommodate workstations given these new physical distancing standards.

Shift with inventory management, shopping patterns to influence storage needs.

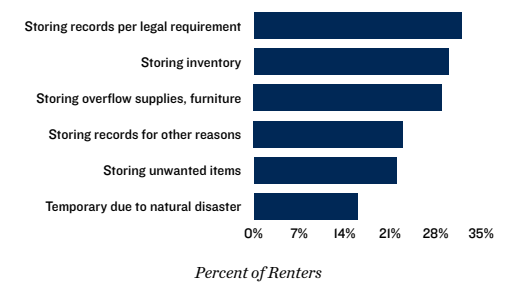
The widespread sequestration that took place in 2020 changed retail shopping patterns in ways that also impacted self-storage demand. First, inventory management practices changed. An initial wave of preparedness buying led to shortages of key necessities that pushed many retailers and distributors to shift from “just-in-time” inventory management to “just-in-case,” resulting in expanded inventories. Stores seeking an affordable alternative to expanding their retail footprint turned in some cases to self-storage facilities to keep the added stock. The second retail trend with implications for self-storage use is the acceleration of online shopping. E-commerce sales volumes have essentially leaped multiple years forward in time and in order to meet this demand, some logistics firms are leveraging storage units as a hyper local extension of their delivery networks. This trend may reflect a temporary, niche use, or could foretell a broader change.

A confluence of pandemic-related factors may disrupt normal seasonal trend. Whether the renter is a private consumer or a business, the health crisis has had a profound impact on self-storage needs. The combined effects of the shift to remote working and learning, in addition to household consolidation and capacity restrictions on businesses, boosted self-storage occupancy to record levels last year. That trend is anticipated to continue in the first half of 2021 even though winter is a typically subdued period for self-storage leasing, with students back in school and fewer people moving. That was not the case this winter. More students were at home and many households may still relocate. The health crisis has shifted lifestyle preferences, with an emphasis on living in larger spaces away from high-density neighborhoods. Advancing into the latter half of 2021, the performance of self-storage properties will depend on the broader economic recovery. The anticipated widespread availability of effective vaccines should pave a path toward normalization. The end to temporary pandemic-related demand drivers such as campus closures and business capacity restrictions will be offset by a more general improvement in the national economy, including falling unemployment and renewed household formations. These factors also underpin self-storage needs and will likely return the sector to more typical seasonal patterns by year end.

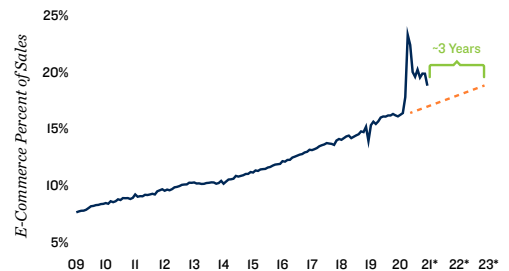
Business Restriction Level at End of 2020



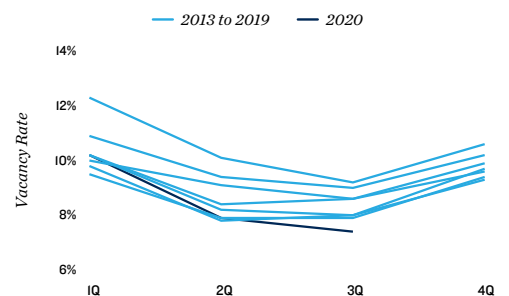
Top Reasons Businesses Rent, Pre-COVID-19



Online Shopping Jumps Ahead Three Years



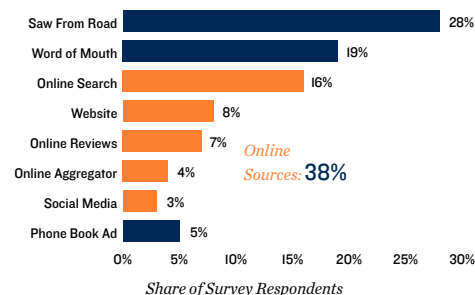
Seasonal Pattern Disrupted in 2020



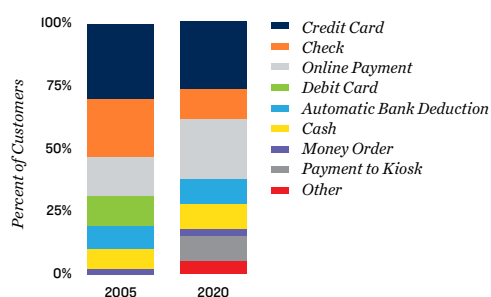
* Forecast

Sources: New York Times; Self Storage Association; Radius+;
U.S. Census Bureau

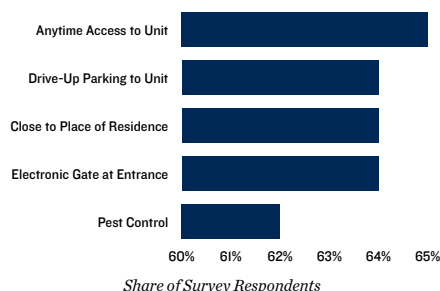
Method of First Contacting Facility Pre-Pandemic



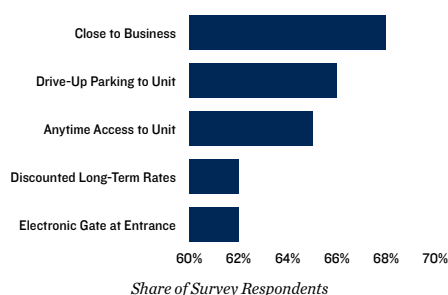
Preferred Payment Option by Customers



Top Features for Private Renters



Top Features for Businesses



Health Crisis Recharacterizes Role of Technology and Automation Among Self-Storage Properties

Online rental platforms gain prominence during lockdowns. The health crisis has shed new light on the prospect of technological innovation within the self-storage sector. When the country first entered lockdowns last spring, the digital tools that most benefited property owners were online rental platforms. Going into 2020, the most common method of finding a self-storage facility was from first-hand encounters while commuting, but online searches were the third most used method. Sequestration immediately made a full service online portal a much more critical part of a facility operator's business plan. Some major self-storage owners and management firms had already activated digital rental platforms before March, while others deployed similar tools in the subsequent months. The ability to not only locate a storage facility, but to rent and pay for a specific unit entirely online has become a structural component of the industry. From an operational standpoint, this software can also allow for clearer price discovery and more varied price differentiation among renters, aiding revenue and occupancy.

On-site automation tools take on new significance in pandemic environment. The sudden need to avoid close personal interaction whenever possible added new value to many of the automation solutions taking hold in the sector. Beyond new safety procedures and cleaning protocols, applicable technologies include electronic locks and key-code accessible security systems that allow consumers 24-hour access to the facility and their unit. Other business-centric tools include remote monitoring systems, for both security and climate-control purposes. Additional devices that help limit face-to-face interaction include kiosks and mobile smartphone apps, which can allow customers to obtain a unit and make a rent payment without physically meeting an employee.

New technologies may foster customer engagement post-pandemic. Mobile smartphone integration is a growing practice in the self-storage sector. In addition to offering the same rental services as a website, these apps can be linked with on-site features such as smart locks to create a contact-less experience for the renter. Beyond the obvious safety benefits during the health crisis, these tools, when implemented well, can help differentiate a property for customers who value that type of user experience. Demand for smart entry may grow further as more customers shift their visits to off hours in an attempt to avoid congestion. Smart locks, when paired with other unit-level monitoring devices, also grant staff greater control over facility security, even from a remote location.

Technological innovation does not preclude success at older facilities. Some of the recent automation tools adopted by self-storage owners are tied to newer facilities, but older properties have not fallen by the wayside during the pandemic either. Drive-up access to a unit is still a top requested feature among both private and commercial renters, and limits the kinds of personal interactions that can occur when sharing a common loading area or elevator. A key automation component for single-level properties with outdoor units would be 24-hour facility access provided by an electronic gate system that would not require an employee to be physically present. An online presence to attract and engage customers is also not dependent on the age or design of a facility.

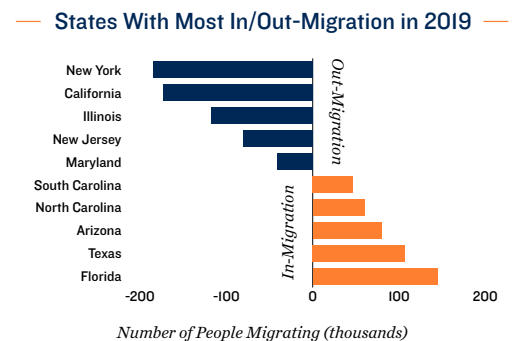
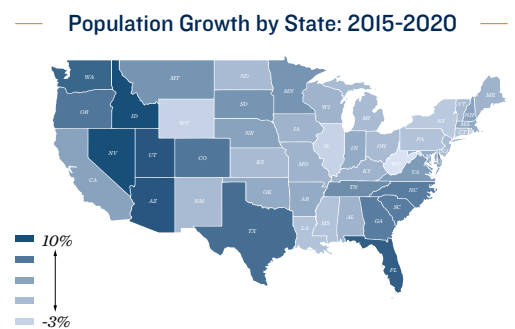
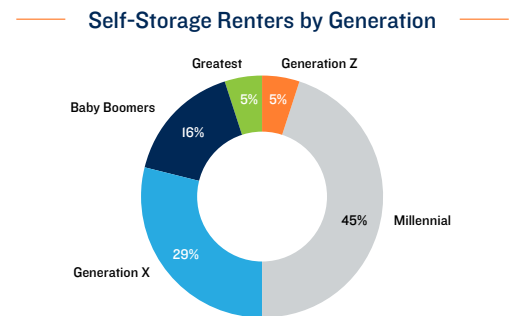
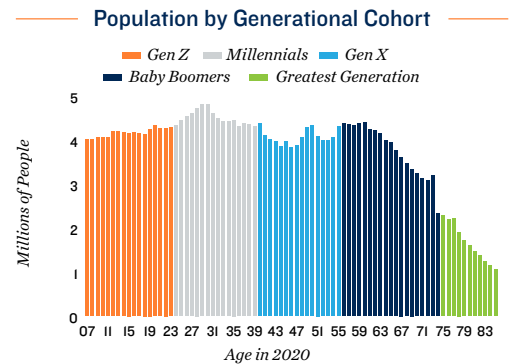
Source: Self Storage Association

Demographic Tailwinds and Migration Patterns Sustain Favorable Long-Term Outlook for Self-Storage

Millennial renter block bolsters long-term outlook of property type. Since the last financial crisis, the millennial generation has emerged as an important pillar of the self-storage renter base, outnumbering every other generation in the self-storage renter pool. A decade ago most millennials were in their early 20s or younger, and the oldest of the cohort were not yet 30. As time advanced, more members of the generation finished school and left home to start new jobs. Many moved to dense urban areas where living space was at a premium, pushing some to rent nearby storage units. The nature of their living situations pushed them to access the units more frequently than past generations. In 2021, the leading edge of the cohort is almost 40. Many members of the generation have started families and moved out of the urban core, and they are now facing many of the same self-storage demand drivers that previous generations experienced. This aging has prompted a migration trend that has only been reinforced by the pandemic, with important long-term implications for the sector.

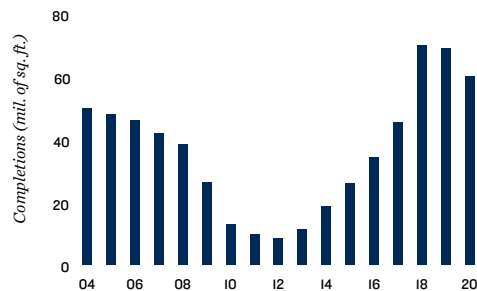
Migration to less costly, warmer climates underscored by lockdown environment. Before the current health crisis, regional migration across the U.S. was already influencing self-storage performance. Households in search of lower costs of living and more temperate climates were relocating from parts of the West Coast and Northeast to the Sunbelt and Southwest. This in turn had increased renter demand and prompted additional construction activity in those settings. Markets that have led the nation in self-storage supply growth over the past five years, such as Austin, Charlotte, Nashville and Phoenix, have also seen their populations expand by multiple times that of the U.S. pace over that same span. The pandemic has only reinforced this trend, highlighting some of the drawbacks of living in a dense urban environment while simultaneously removing many of the benefits, such as being close to places of work or entertainment. Metros such as New York City and San Francisco in particular have been impacted by a migration of some residents to less dense, more affordable areas. Part of this shift may be temporary, aided by the ability of some professionals to work remotely until offices reopen, but other relocations may be permanent. This creates demand for self-storage both now, during the moving process, as well as in the future from the broader increase in population. The age breakdown of the local residents will factor into storage demand moving forward as well.

Anticipated downsizing trend fosters storage needs. Another major demographic tailwind for the self-storage sector is the aging of the baby boomer generation. As the population of people over the age of 75 grows at an accelerated rate in the coming years, a wealth transfer is expected. An estimated 13 million to 14 million individuals are anticipated to leave the homeownership pool between 2026 and 2036, more than 40 percent above the 2009-2019 period. Numerous baby boomer households are likely to downsize, either out of preference or need, requiring them to either store or distribute many of their possessions and family heirlooms. Younger relatives receiving these gifts may still have to store them for a protracted period of time, especially if they have yet to expand their own living situations. Many of the markets with an aging demographic, including some of those discussed above as well as others in the Southeastern U.S., bolsters the long-term demand outlook for self-storage properties in many parts of the country.

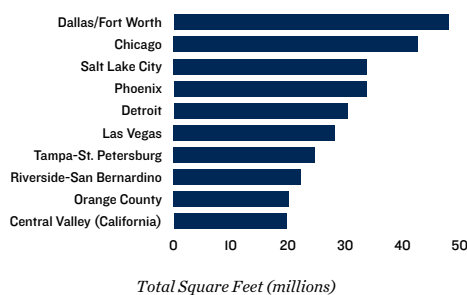


Sources: Moody's Analytics; Self Storage Association; U.S. Census Bureau

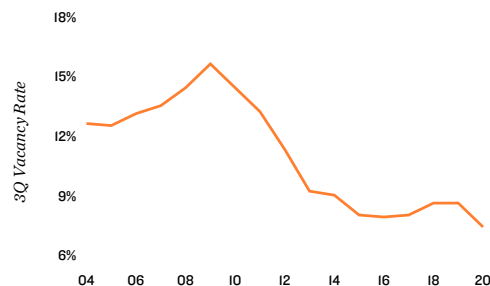
Pandemic Hastens Construction Drop



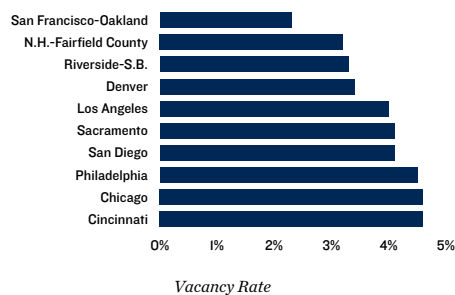
Available Conversion Space by Metro



Vacancy Hits Multidecade Low



Least Vacant Metros - 3Q 2020



Health Crisis Constricts Development Pipeline; Vacancy Hits Multidecade Low

Coronavirus shutdowns temper construction activity. One of the most notable effects of the health crisis on the self-storage sector has been with development. Temporary work stoppages and new safety procedures substantially slowed the pace of self-storage construction last year. Less than 14 million square feet of space was completed in the second quarter of 2020, the lowest quarterly delivery total since mid-2017. Arrivals picked up again in the September-to-October period but dropped to 12 million square feet for the final three months of the year. Total completions for 2020 reached 60 million square feet, down 14 percent from the year before and short of the record 70 million square feet deposited in 2018. Spiking infections in early 2021 and difficulties obtaining some raw materials will continue to trouble the pipeline this year, likely tempering construction activity even further. This process will not happen uniformly across the U.S., as each market contends with its own pandemic challenges and self-storage development schedules.

Certain markets take brunt of recent development wave. Over the past five years, self-storage inventory in the U.S. has grown by nearly 20 percent, but space has not been distributed evenly across all markets. Metros that have experienced the most development since 2015 include Portland, Austin and Denver, where stock has swelled by over 35 percent. Raleigh, Nashville, Minneapolis-St. Paul, and Phoenix also had large pipelines. Much of the construction activity in these and other markets was driven by robust population growth that will facilitate new self-storage rental demand over time, but the brief period in which many of these properties opened challenged short-term leasing. Conversely, metros in California such as Riverside-San Bernardino, Sacramento, Los Angeles and the Bay Area have seen more modest inventory increases of less than 10 percent. High land costs and regulatory hurdles drove this behavior. For some other cities, such as Detroit and Cleveland, smaller pipelines were warranted by less positive demographic trends. Looking forward, Dallas/Fort Worth, Phoenix and Tampa-St. Petersburg lead the nation with the most deliveries anticipated in 2021.

Most metros observed record-low vacancy last year. Despite historically high development in recent years, the disruption to construction in the spring of 2020 paired with increased renter demand from the pandemic translated to falling vacancy in most major markets. Metros with comparatively few recent arrivals, such as Riverside-San Bernardino and the Bay Area, reported some of the tightest availability in the country at under 3.5 percent in the third quarter of 2020. Vacancy was similarly low in heavily developed Denver, as the area's favorable migration trends, likely accelerated by the health crisis, caught up with new supply. Only a handful of major metros reported year-over-year vacancy increases. Las Vegas, which had the highest unemployment rate in the country at the time, reported a 20-basis-point annual vacancy increase in September to 5.8 percent. Availability also rose in Phoenix, where new supply growth remains a hurdle. For newly opened units, drawing in tenants has been made more difficult by the need to physically distance from one another. Despite these exceptions, the national vacancy rate still fell to its lowest level since before 2004 at 7.3 percent last September and is anticipated to stay low this year, reflecting the resiliency of the product type.

Sources: Radius +; Yardi Matrix

Asking Rents Recover From Initial Health Crisis Disruption; Growth to Improve as Supply Pressures Dissipate

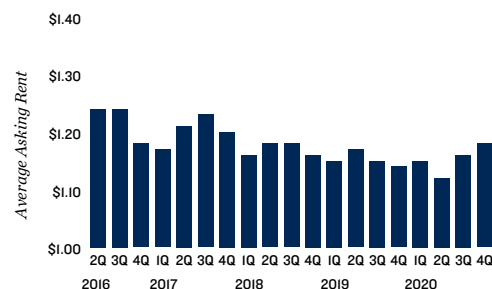
Asking rents recover from spring decline. Entering 2020, multiple years of elevated construction had weighed on rent growth as operators leveraged lower asking rates to support occupancy. That dynamic became even more true in March and April when stay-at-home orders prompted fewer people to visit or lease storage units for a brief window. The average marketed rate for a standard 10-foot by 10-foot unit fell from \$1.15 per square foot in February to \$1.12 in May. However, as tenant turnover began to improve in the summer, asking rates rose, returning to \$1.16 per square foot by the end of the third quarter, slightly up from a year prior. Between then and the end of the year, the average asking rate rose another 1.7 percent to achieve \$1.18 per square foot. Up 3.5 percent from 12 months prior, 2020 became the first year to record an increase in the U.S. average asking rent since 2017.

Rent growth follows similar paths across unit types. The performance of marketed rental rates through 2020 has been largely the same for climate-controlled as well as non-climate-controlled units. Both types of rentals recorded rate drops in April and May, with the higher-cost climate-controlled space declining more steeply. The average asking rate for a climate-controlled 10-foot by 10-foot unit fell from \$1.30 per square foot in March to \$1.25 in May, a 3.8 percent drop. Non-climate-controlled units recorded a 2.6 percent decrease. Since June, climate-controlled marketed rents have climbed past the level observed in March to \$1.33 per square foot at the end of the year. Similar to non-climate-controlled units, the asking rate surpasses the year-end 2019 mark by 2.3 percent.

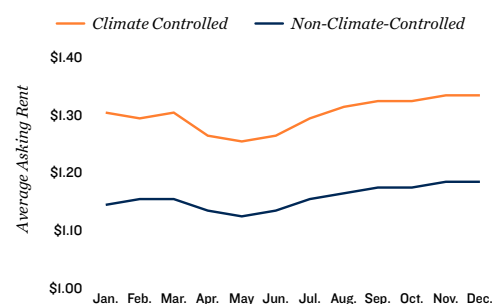
Metros with less supply growth, strong in-migration post rent gains. Following two consecutive years of falling asking rent at the national level, rent growth returned in 2020, led by several outperforming markets. These metros included Philadelphia, Los Angeles, Riverside-San Bernardino and Phoenix, where the average asking rates each improved by about 4.9 percent or more. A supply shortage contributed to the rent growth in Los Angeles while robust in-migration fostered demand in Phoenix, with rate hikes in the Riverside-San Bernardino resulting from a combination of those two factors. Southeast Florida, Sacramento and the San Francisco-Oakland area also recorded positive rent momentum year over year in December 2020. Several other markets reported rent growth more in line with the national average, spanning all regions of the country. The factors that drove strong rent jumps in these metros last year are anticipated to continue into 2021.

Some markets still experiencing downward pressure on rents. While the self-storage sector overall is continuing to benefit from many demand tailwinds spurred on by the health crisis, several markets still reported tepid growth in asking rates last year. These metros included Austin, Nashville, Dallas/Fort Worth and Denver, where averages all improved by 1 percent or less. The average asking rent declined in Minneapolis-St. Paul over the same span, down 3 percent. Although development slated for 2021 across several of these markets is more muted than in it has been in past years, new supply continues to be a lingering issue in those destinations. Falling vacancies suggest operators are lowering street rates in order to fill units amid the broader economic turbulence. As the health crisis abates and leasing velocity improves, the downward pressure on asking rents should dissipate.

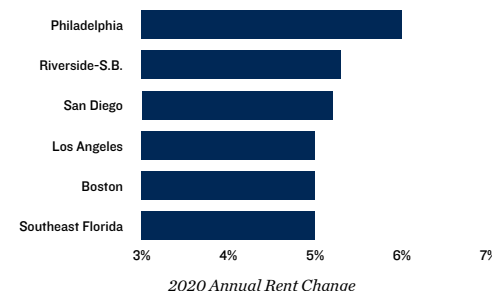
Average Asking Rent Trends



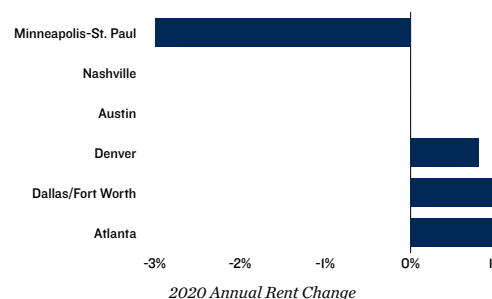
2020 Rent Performance by Unit Type



Top Markets by Rent Growth

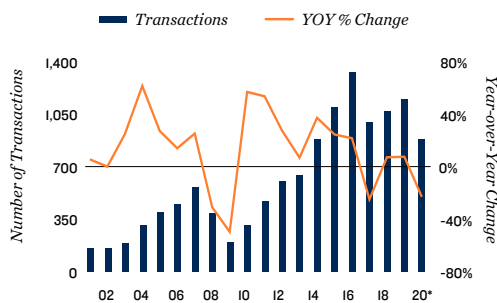


Most Challenged Metros by Rent Growth

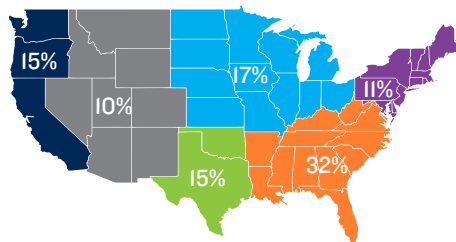


Source: Yardi Matrix

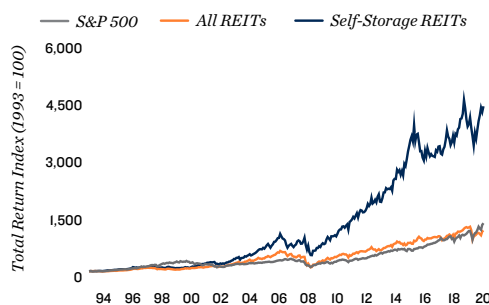
Transaction Trends



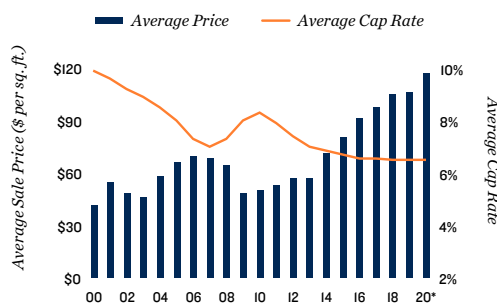
2020 Sales Volume by Region*



Self-Storage REITs Post Strong Returns



Price and Cap Rate Trends



* Includes preliminary fourth quarter data

Sources: Costar Group, Inc.; Nareit; Real Capital Analytics; Standard & Poor's

Sales Velocity Recovering From Early-2020 Shock; Investment Landscape Broader Than in Past Cycles

Transactions continue through the pandemic. While not immune to health crisis disruptions, self-storage sales velocity slowed by a smaller margin compared with other property types. Investment activity contracted by only about 10 percent between the first and second quarters of 2020, when physical distancing requirements and limited lender bandwidth delayed trades. Sales rebounded by more than 15 percent in the third quarter, however, as easing lockdowns led to more assets changing hands in that period than during the first 90 days of 2020. Competition for listings helped sales prices appreciate for the 11th consecutive year, rising to a national average of \$116 per square foot for all of 2020, up 6.0 percent annually. The average cap rate remained unchanged over the same span at 6.5 percent. While severe infection rates have prompted new restrictions in some parts of the country, lessons learned earlier in the health crisis are likely to keep transactions moving forward.

Impact of the health crisis on sales varies by region. The overall positive national sales trend was bolstered by some outperforming regions. During the second quarter, when strict lockdowns were in place in the Northeast and along the West Coast, roughly one in three self-storage transactions involved a facility in the Southeast. The Texas/Oklahoma region also recorded fairly consistent velocity throughout the year. Some other areas experienced greater slowdowns, however. Sales velocity decreased the most between the first and second quarters across the Midwest states. Whereas assets in that region comprised 25 percent of trades in the first quarter, that ratio receded to about 11 percent in the following three months. In the third quarter, however, Midwest sales velocity notably improved, making it the only region to report more trades in the first nine months of 2020 than during the same span the year before.

Current investment environment well above previous downturn. Despite new logistical hurdles, the number of properties traded in 2020 far exceed velocity from before the 2008-2009 financial crisis, reflecting greater investor demand. Buyer competition has contributed to a 57 percent increase in the average sale price since 2006, a phenomenon reflected in the positive returns of the public operators. Between 2009 and 2019, the equity value of the major self-storage REITs collectively improved by a wider margin than that of the S&P 500 or all REITs together. Similarly, the self-storage REITs posted a return of nearly 12 percent in 2020, whereas many other REITs ceded value.

Changing product mix an influence on but not the driver of higher sales prices. Many of the self-storage facilities built over the past decade are fully enclosed, multilevel buildings with more climate-controlled units than older assets. These properties are also often located closer to population centers. These factors bolster the selling price of these buildings, which, as more of them enter the expanding buyer pool, has partly contributed to the substantial rise in sales values recorded over the past several years. Nevertheless, the majority of self-storage trades posted in recent years were still single-story buildings constructed prior to 2010. As such, the historically strong investment trends observed in the market today are still more so a reflection of the underlying growth of the sector, among renters and investors, than a change to the mix of properties that are changing hands.

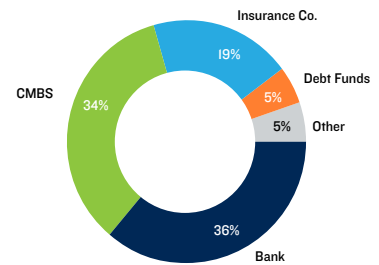
Capital Sources Return to the Market After Interruption; Positive Fundamentals Point to Favorable 2021 Outlook

After pause, lending activity resumes with self-storage facilities holding advantage. During the initial months of the health crisis when uncertainty was high, capital was limited. Many lenders stepped away from the market in the spring or became backlogged with servicing Paycheck Protection Program loans. Since June the capital markets have thawed, however, as more information about the economic damage of the pandemic on commercial real estate granted pricing clarity. This was particularly true of stabilized self-storage properties, which faced fewer disruptions to cash flows due in part to their essential status under lockdowns. Banks and credit unions, already prominent lenders in the property type, have taken on an even greater role in recent transactions as new CMBS issuance has been slow to resume. Interest rates on new debt are generally in the 3 to 4 percent range, with loan-to-value ratios below 70 percent. Life insurance companies are providing more conservative terms, while SBA-guaranteed loans can feature higher LTVs for experienced borrowers. A critical factor for due diligence is the property's location. Some parts of the country experienced more severe stay-at-home orders than others, affecting renter demand. An asset's specific position relative to competing businesses within a 3- to 5-mile radius is also important. Facilities that are reporting pre-crisis income levels earn more favorable lending terms.

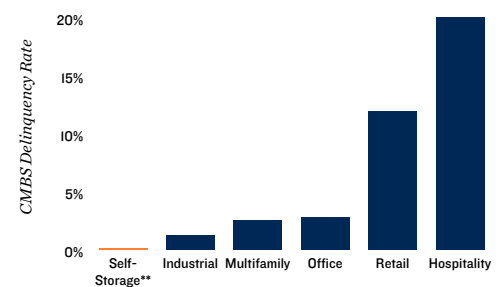
Capital sources become more cautious of recent or new construction. The lending landscape differs notably for non-stabilized self-storage properties and projects under development. Given the historic level of construction that has taken place over the past five years, numerous newer properties are still in the process of achieving full occupancy. Spring and summer stay-at-home orders made that goal even harder to obtain. After a subsequent economic reopening period, spiking COVID-19 case counts in the final weeks of 2020 and early 2021 have led to an economic regression in some areas. Non-stabilized properties in danger of failing to meet loan performance expectations may turn to bridge lenders for short-term gap financing. Competition for these loans as well as the risks posed by the broader economic situation have prompted more stringent terms. Lenders in general are also being more cautious regarding new self-storage construction loans, for largely the same reasons. This will likely contribute to an even greater slowdown in openings in the near future as the ability to finance development lessens.

Investors face many favorable prospects and some hurdles in 2021. Looking forward, the investment climate has significant potential. The Federal Reserve will likely keep the federal funds rate low for an extended period, holding interest rates well below the average first-year return on a self-storage asset. Strong property fundamentals also point to the stability of the asset class, which together with low lending rates reflects a compelling risk-adjusted return profile. At the same time, 2021 will not be without its challenges. The legacy of elevated development will continue to create pockets of concern in the sector. The ample increase in sales price over the past 10 years, while generally a positive for sellers, does raise the asset's tax burden after appraisal. Various operating costs, including online advertising, continue to climb. Finally, the final outcome of the health crisis is still uncertain. While the ongoing disbursement of numerous vaccines improves the outlook, unforeseen challenges could arise that sway the recovery's path.

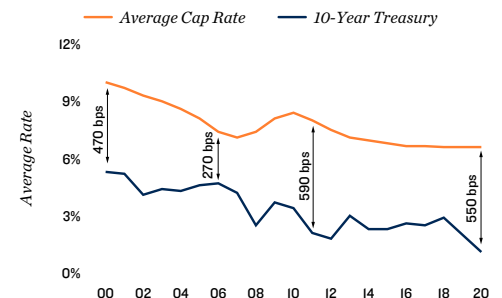
Lender Composition on Outstanding Loans*



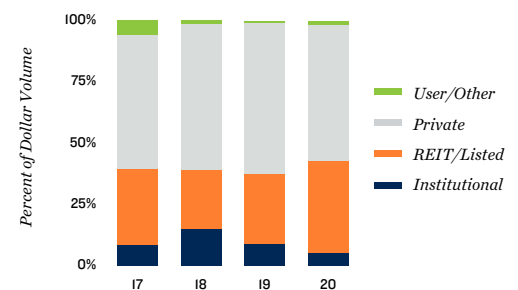
Self-Storage CMBS Delinquency Negligible



Yield Margin Near Widest Level



Self-Storage Buyer Composition*



* As of February 2021

** Self-storage rate as of September 2020 for 30-plus days delinquent; all other rates as of December 2020 for 60-plus days

* Sales \$2.5 million and greater

Sources: Federal Reserve; Moody's Analytics; Trepp; Real Capital Analytics; Yardi Matrix

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