

Florida Self Storage | Mid-Year 2016

Supply and Saturation Levels

Florida has 132 million rentable square feet (RSF) of self-storage inventory in 2,538 facilities, according to the Self-Storage Almanac¹. The current national saturation level for self-storage is 6.77 square feet (SF) per capita, with Florida below the average at 6.73 SF 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 four-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 68 new facilities in Florida over the next four years, with the most new facilities needed in the Miami, Tampa, Orlando and Jacksonville MSAs. Four of Florida's MSAs have become oversupplied, with the Lakeland-Winter Haven MSA teetering with a similar status.

Top 5 U.S. Growth States (2015)

Rank	State	Population Growth
1	Texas	490,036
2	Florida	365,703
3	California	352,527
4	Georgia	117,728
5	Washington	107,185

Source: U.S. Census

The 2015 Census Bureau Population Report ranked Florida as second only to Texas for numerical population growth. For the first time in nearly a decade Florida gained more residents than California, pushing the state's total population past 20 million. This growth provides a strong demand base for residential storage customers.

¹ The 2016 Self-Storage Almanac changed supply identification requirements as assets that are primarily operated as self-storage facilities, affecting supply numbers.

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 11 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 Robert Tyson, Analyst, at 813.254.2885 x210 or rytson@beshears.net.

The primary sources of information for this newsletter were derived from CoStar Realty Information, the 2016 Self-Storage Almanac, 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	Existing RSF Per Capita	Additional Supply Required	Facilities Required by 2020
Miami-Ft Lauderdale-WPB	560	29,317,120	5.08	1,586,918	26
Tampa-St Pete-Clearwater	341	17,852,032	6.17	824,706	14
Orlando-Kissimmee-Sanford	266	13,925,632	6.09	1,149,036	19
Jacksonville	178	9,318,656	6.63	492,683	8
North Port-Sarasota-Bradenton	103	5,392,256	7.31	Over Supplied	
Cape Coral-Ft Myers	90	4,711,680	7.07	Slightly Oversupplied	
Lakeland-Winter Haven	82	4,292,864	6.85	Equilibrium	
Deltona-Daytona-Ormond	84	4,397,568	7.21	Over Supplied	
Palm Bay-Melbourne-Titusville	106	5,549,312	10.02	Over Supplied	
Florida	3,578	131,976,000	6.73	4,053,343	68

Source: Self Storage Almanac & Site To Do Business

New Construction

South Florida is a major target for developers. There are currently 7 developments, totaling 601,140 SF under construction with delivery expected at year end. The majority of these are in the Miami-Ft Lauderdale-WPB Market. There are an additional 14 projects, totaling 1,365,515 SF being proposed, 11 are in South Florida and 3 in Tampa. Retail and apartment developer competition is continuing to make it difficult to acquire good sites.

Florida Self-Storage Development Pipeline

Building Address	City	RBA	Delivery
812 NW 1st St	Miami	117,174	2017
77 SE 2nd Ave	Deerfield Beach	158,000	2018
3521 NW 5th Ave	Miami	100,000	2017
4250 SW 8th St	Coral Gables	73,224	2017
51 NE 10th St	Pompano Beach	96,954	2017
270 SW 11th St	Miami	111,600	2016
3725 NW 27th Ave	Miami	88,000	2017
2434 SW 28th Ln	Miami	80,000	2016
1100 NE 79th St	Miami	100,000	2017
SW 137th Ave	Sweetwater	100,000	2018
16951 N Cleveland Ave	North Fort Myers	80,000	2016
5185 Coconut Creek Pky	Margate	92,983	2016
6800 N Federal Hwy	Boca Raton	99,000	2017
1705 W Kennedy Ave	Tampa	75,000	2017
1301 Mercer Ave	West Palm Beach	110,900	2017
4960 S Military Trl	Lake Worth	90,000	2016
547 Northlake Blvd	North Palm Beach	80,557	2016
18436 Panama City Beach Pky	Panama City Beach	66,000	2016
1781 S Park Rd	Pembroke Park	85,000	2016
808 N Rome Ave	Tampa	67,263	2017
11493 US Highway 301	Riverview	95,000	2018

Source: CoStar, Beshears & Associates



Florida Self Storage | Mid-Year 2016

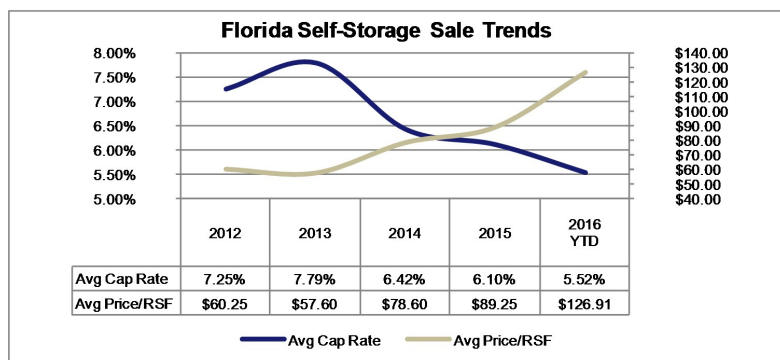
Self-Storage Sale Trends, Florida

	2016 YTD			2015			2014			2013			2012		
	# Sales	Cap Rate	Price/RSF	# Sales	Cap Rate	Price/RSF	# Sales	Cap Rate	Price/RSF	# Sales	Cap Rate	Price/RSF	# Sales	Cap Rate	Price/RSF
All Comparables	7	5.52%	\$126.91	32	6.10%	\$89.25	35	6.42%	\$78.60	34	7.79%	\$57.60	45	7.25%	\$60.25
Based on Total # of Units															
< 500 units	N/A	N/A	N/A	12	6.29%	\$79.42	15	6.36%	\$62.78	22	8.58%	\$51.25	22	7.89%	\$38.61
> 500 units	4	4.40%	\$158.90	20	6.01%	\$91.81	20	6.45%	\$90.48	12	6.53%	\$69.25	23	6.70%	\$81.90
Based on Total RSF															
< 60,000 SF	1	6.00%	\$60.09	18	6.61%	\$78.21	16	6.39%	\$67.05	19	8.71%	\$50.04	25	7.67%	\$44.36
> 60,000 SF	6	5.44%	\$138.00	14	5.57%	\$98.67	19	6.43%	\$88.33	15	6.54%	\$67.18	20	6.72%	\$79.48
Based on Population															
< 50,000 3 mile population	2	5.95%	\$86.02	22	6.40%	\$84.19	20	6.32%	\$78.81	22	8.64%	\$52.20	30	7.50%	\$40.34
> 50,000 3 mile population	3	4.33%	\$165.90	10	5.65%	\$87.88	15	6.48%	\$85.38	12	5.98%	\$74.24	15	6.90%	\$101.36
> 100,000 3 mile population	2	6.87%	\$109.34	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	4	5.18%	\$179.20	20	6.10%	\$81.27	18	6.53%	\$64.67	15	8.68%	\$50.03	26	7.66%	\$54.38
Built on or before 2000	3	5.97%	\$57.19	12	6.13%	\$96.99	17	6.29%	\$93.35	18	7.02%	\$60.98	19	6.58%	\$68.08

Source: Beshears & Associates

Sale Trends Activity

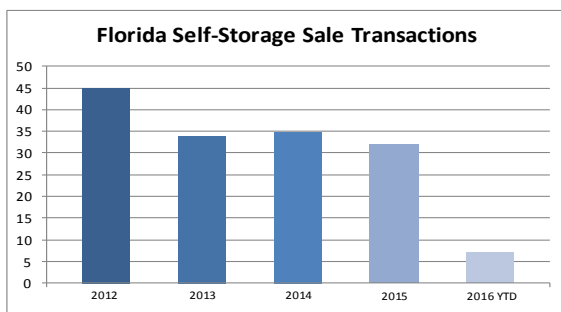
Capitalization rates have continued to compress as the self-storage product has become increasingly popular with investors. In 2012, capitalization rates averaged 7.25% and they have dropped over one hundred-seventy basis points to 5.52% year-to-date in 2016, which is an additional 58 basis points down from last year. Sale volume has been noticeably slower compared to last year, as we have only tracked 7 sales. As capitalization rates have compressed, prices per SF have gone up, increasing from an average of \$60.25 per RSF in 2012 to \$126.91 per RSF in 2016.



Source: Beshears & Associates

Florida sales activity has been noticeably slower compared to last year. In 2012 we tracked 45 properties sold. In 2013 and 2014 there were 34 and 35 properties sold respectively. Last year, 32 properties sold. Year to date in 2016 there are 7 properties sold.

The regression in 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.



Source: Beshears & Associates

Sub-five capitalization rates in dense urban areas are being achieved while more rural locations are in the plus 6.5%+ capitalization rate range.

Self-Storage RE IT Activity

Self-storage REITs have held strong over their counterparts in the REIT market, with high returns and consistent growth. Overall, the self-storage REIT market has posted a 10% return just in Q1 of 2016.

Largest Self-Storage Companies (Nationwide)				
Company	# Facilities	RSF	US Market Share by RSF	2016 Q1 Acquisitions
Public Storage	2,466	157,000,000	7.3%	12
Extra Space	1,312	98,756,000	4.6%	23
U-Haul	1,317	45,989,564	2.1%	N/A
Cube Smart	626	41,800,000	1.9%	11
Sovran	531	36,428,500	1.7%	25

Source: Self Storage Almanac, Beshears & Associates

Sovran Self Storage has been noticeably more aggressive with acquisitions, acquiring over 25 properties in Q1 and an additional 84 facilities through an agreement with LifeStorage. The 84 properties were acquired for \$1.3 Billion.

Outlook

As supply is further consolidated by REITs and national operators, sale transactions will slow down. Active sales will be pursued with aggressive cap rates given the immediate value that can be added by these groups and their national resources. Construction is moving forward, with over 600,000 SF in the state scheduled to come online by the end of the year. The majority of REITs have acquisition agreements for certificate of occupancy and joint-venture projects. The institutional appetite is large. With increasing competition and technological advances, local operators will struggle to obtain a competitive advantage. The self-storage industry is strong with a solid foundation and a positive outlook.