Points of Interest

- The REITs remain highly acquisitive, focused on strategic transactions. Large portfolio purchases by the REITs, including PSA’s 3Q acquisition of the $1.5B All Storage portfolio are leading to record transaction volume – likely ~$18B in the industry for 2021.
- Average occupancy levels remain at record highs, up 240bps from 3Q 2020. Some traditional seasonality effects have begun to occur but customer behavior continues to get stickier, and guidance for YE occupancies has been revised upwards from 2Q.
- Development activity for 2021 will fall meaningfully short of 2019 (~$3.5B vs. ~$5.0B), and the REITs do not expect 2022 to bring supply challenges.
- Third party management platforms are continuing to grow, and usage of online rental programs continue to ramp up with PSA, as an example, now doing 50% of leases on eRental.

Extra Space (EXR) - Same Store Statistics on 860 Stores Compared to 3rd Qtr 2020

Points of Interest

- Total acquisitions of $800M expected for 2021YE, mostly smaller lease-up deals or closings with JV partners.
- EXR purchased 30 of their third-party-managed stores YTD through Q3.
- Completed the company’s second public bond offering, issuing $600M 10-yr bond at 2.35% coupon rate.
- Q3 rates to new customers were 43% higher than Q3 2020 and 41% higher than Q3 2019. In-place rates are flat relative to street rates today.
- Very small amount of EXR developments underway – open to doing more developments on the balance sheet, but will continue to focus on working with JV development partners.
- Expect to see new supply moderate in 2022, but given the exceptionally strong performance of the sector, EXR does expect growth in new supply in 2023 going forward.
United States Q3 2021

Self Storage REITs

LifeStorage (LSI) - Same Store Statistics on 531 Stores Compared to 3rd Qtr 2020

Points of Interest

- On pace to close $1.7B of wholly owned acquisitions in 2021, representing 115 stores and 20% growth to their portfolio.
- 33% of these deals are in lease-up – with a blended year one cap rate of ~4.5% and a stabilized cap rate averaging ~5.5%.
- Expect 2022 transaction volume to remain robust -- potentially less than 2021 given some very large portfolio trades.
- In-place rates for Q3 were up 14% year-over-year, showing acceleration relative to 8% year-over-year growth in Q2.
- 60% of customers are still below street rates, allowing for plenty of aggression on in-place customer rent increases.
- Completed issuance of $600M of 10-yr unsecured notes at 2.4% coupon rate.

CubeSmart (CUBE) - Same Store Statistics on 507 Stores Compared to 3rd Qtr 2020

Points of Interest

- In Q3, acquired two stores on balance sheet for $33M and another three stores in JVs for just under $90M. Currently, CUBE has $86M of balance sheet deals and $66M of JV deals under contract.
- In Q3, sold four stores on balance sheet for $38.6M and seven stores from a JV for $85M.
- Added 33 stores in Q3 to third party management platform, ending the quarter at 706 third party managed stores.
- Increased marketing spend as a revenue driver, especially relative to their peers. Nearly all of the incremental expense is in paid search channels, and they are getting 8-10% higher rates based on this incremental spend.
- In October, asking rates were up 29% over 2020 and 55% over 2019. Move-in rates continue to be 6-8% higher than in-place rates.

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United States Q3 2021
Self Storage REITs

Public Storage (PSA) - Same Store Statistics on 2,274 Stores Compared to 3rd Qtr 2020

Points of Interest
- For YE2021, expect approximately $18B of total U.S. self storage transaction volume. Through October YTD, PSA has acquired $5.1B of deals – 233 properties with avg. occupancy of 56%.
- In Q3, PSA acquired the All Storage portfolio – a $1.5bn purchase of 56 properties located primarily in DFW. The portfolio included several recent developments with 75% avg. occupancy at approximately a 2.6% in-place cap rate and a 6% trended stabilized yield.
- Q3 move-in rates were up 24% versus 2020 and 33% versus 2019 for same-stores
- PSA’s development pipeline is currently at $731M up by $70M this quarter. By 2021YE, ~$3.5B in new deliveries in the industry are expected compared to ~$5.0B in 2019. PSA expects to see that number trend down again in 2022.

National Storage Affiliates (NSA) - Same Store Statistics on 560 Stores Compared to 3rd Qtr 2020

Points of Interest
- During Q3, NSA invested $600M in 76 properties. Through October YTD, NSA invested $1.3B in acquisitions surpassing the top-end of their full year guidance, with $1.75B now the year-end target.
- Cap rates on these transactions vary from just below 5% to 6%, with a weighted average cap rate in the mid-5% range.
- Priced $450M of senior unsecured private placement notes – weighted avg. maturity of 11.2 years and weighted avg. coupon of 2.88%.
- Street rates are 27% higher than Q3 2020 and 24% higher than Q3 2019. Move-in rates in Q3 were 7% higher than move-out rates.
- Online rentals are approaching 30% of all rentals done for the portfolio.
- Annual acquisition volume targets will continue to be ~10% of enterprise value.

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