

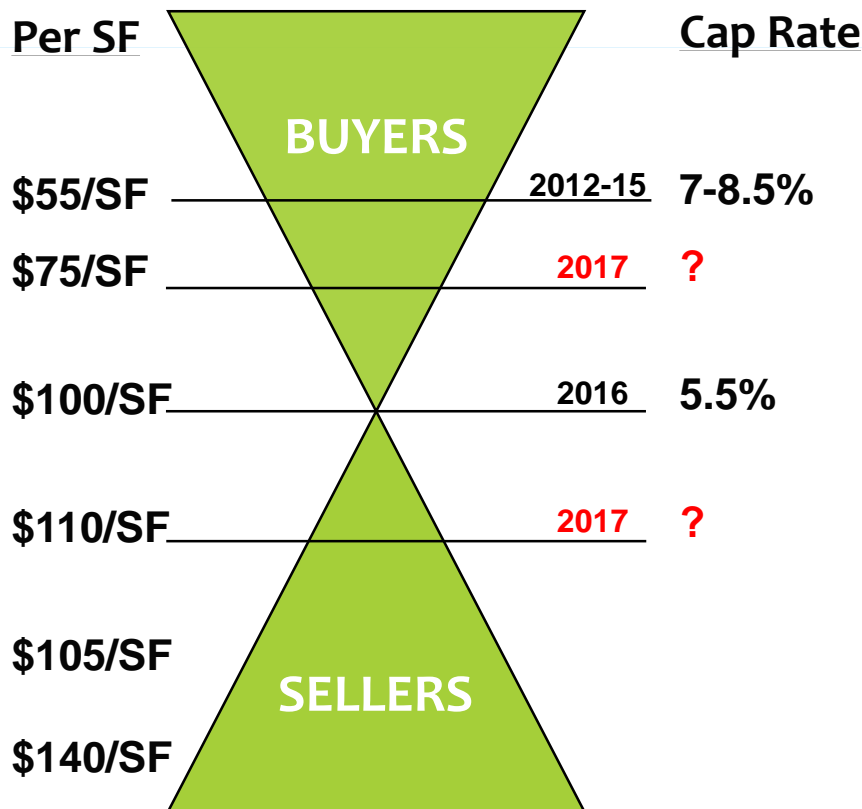
The State of the Colorado Self-Storage Market



Ben Vestal, President
Argus Self Storage Sales Network

Where Is the Market Today and What Does it Look Like?

This is a market:



Impacts on today's self-storage market:

- New Supply is now a concern!
- Lending environment is changing, but still very vibrant
- Rising Real Estate Taxes are a reality
- The second tier buyer pool is very large this cycle
- Immeasurable amount of equity still entering the market
- REITs are slowing down
- 1031 Buyers –Trump???

Industry Update: 6 Largest Players

Company	Number of Facilities				Total SF	% Change 2013-2016
	2013	2014	2015	2016		
Public Storage	2,268	2,390	2,450	2,554	166 M	12.6%
Extra Space Storage	965	1,071	1,313	1,427 1,016 Owned/ 411 Managed	107 M	47.8%
U-Haul International	1,206	1,297	1,592	1,360	47.9 M	12.7%
CubeSmart	519	561	615	791 475 Owned/ 316 Managed	54.8 M	52.4%
Life Storage	471	501	531	659 633 Owned/ 26 Managed	45 M	39.9%
National Storage Affiliates			397	448	24.5 M	

Industry Update: REIT Stock Prices

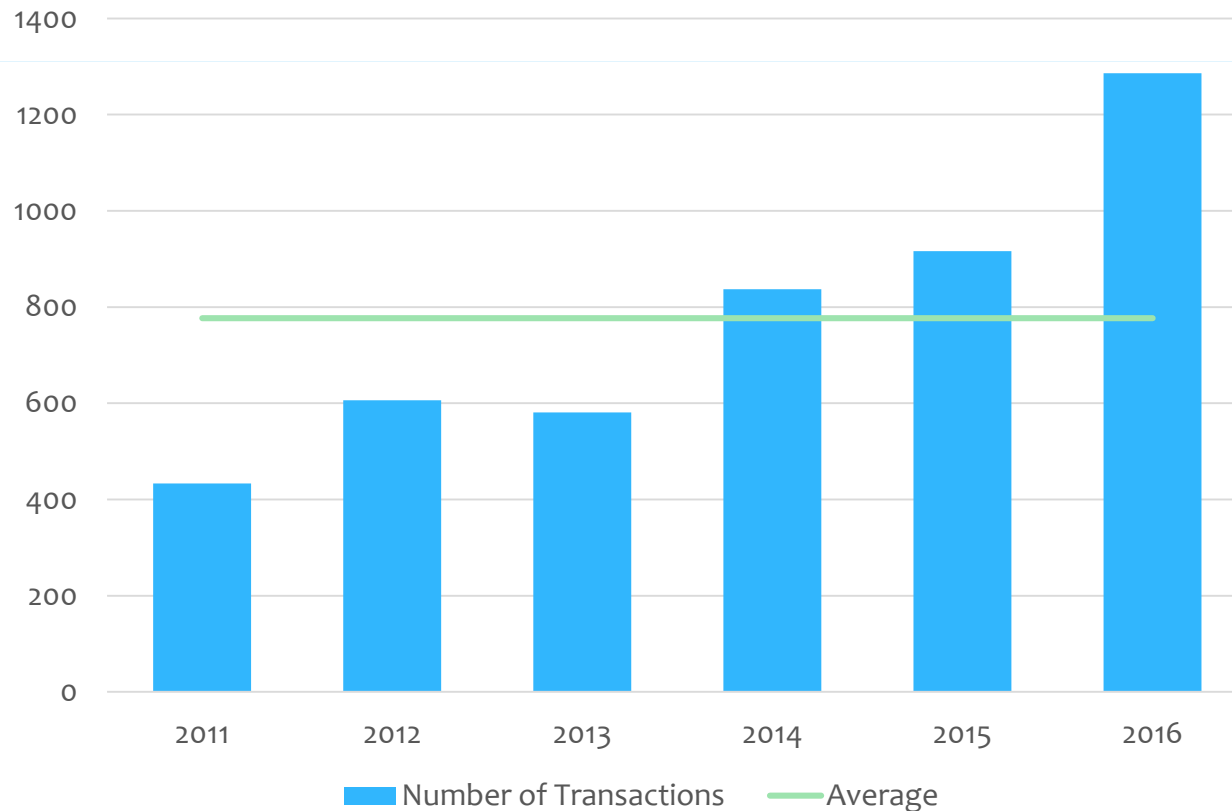
Company	5/11/17 Stock Price	52-week High	% of High
Public Storage	\$208.15	\$265.82	78.30% / -21.7%
Extra Space Storage	\$72.74	\$94.81	76.72% / -23.28%
CubeSmart	\$24.86	\$32.78	75.83% / -24.17%
Life Storage	\$74.18	\$116.22	63.82% / -36.18%
National Storage Affiliates	\$23.33	\$26.15	89.21% / -10.79%

Industry Update: Self-Storage Long-Term Performance

Asset Class	Compounded Annual Total Return (%)			
	1 Year	3 Years	5 Years	10 Years
Self Storage	-8.14%	19.31%	17.40%	12.81%
Industrial	30.72%	17.53%	18.01%	-0.56%
Office	13.17%	12.62%	11.48%	2.73%
Retail	0.95%	10.44%	11.70%	3.71%
Multifamily	2.86%	18.70%	10.90%	7.53%
Healthcare	6.41%	9.58%	8.04%	8.37%
All Equity REITs	8.63%	12.66%	11.98%	5.07%

Numbers have been rounded.
Source: NAREIT, December 30, 2016.

Industry Update: US Transaction Volume



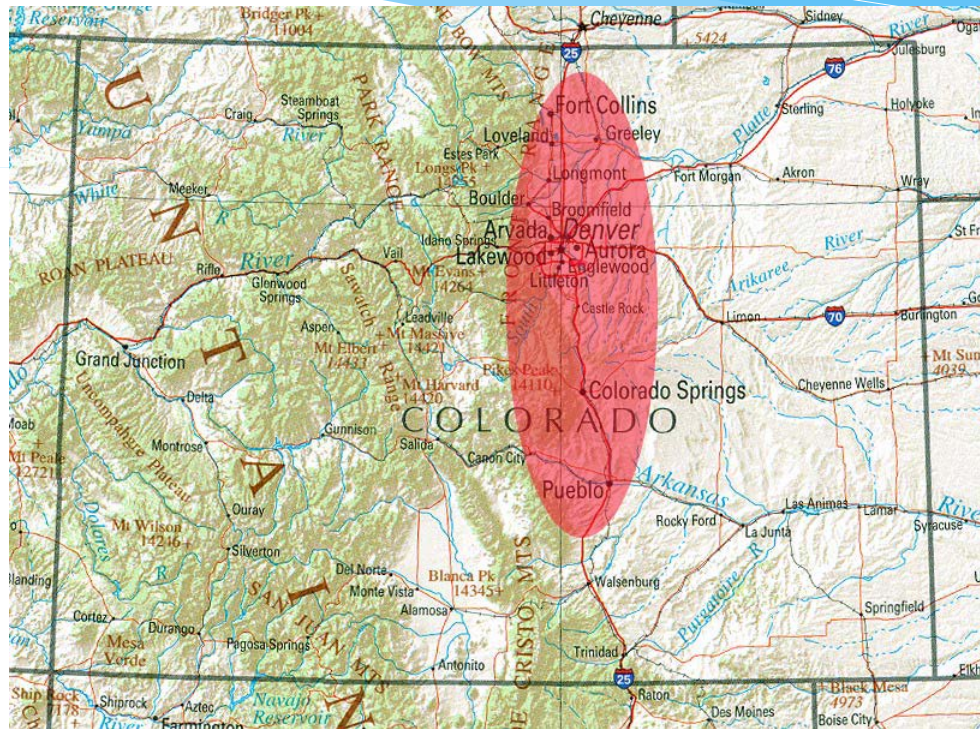
Source: CoStar Group

Industry Update: US Transaction Volume

	\$0-\$5M		\$5M-\$10M		\$10M+		Total
2011	376	86%	33	8%	24	6%	433
2012	529	87%	39	6%	38	6%	606
2013	509	88%	43	7%	29	5%	581
2014	648	77%	103	12%	86	10%	837
2015	718	78%	116	13%	82	9%	916
2016	918	72%	222	17%	146	11%	1,286
Average	616	79%	93	12%	68	9%	777

Source: CoStar Group

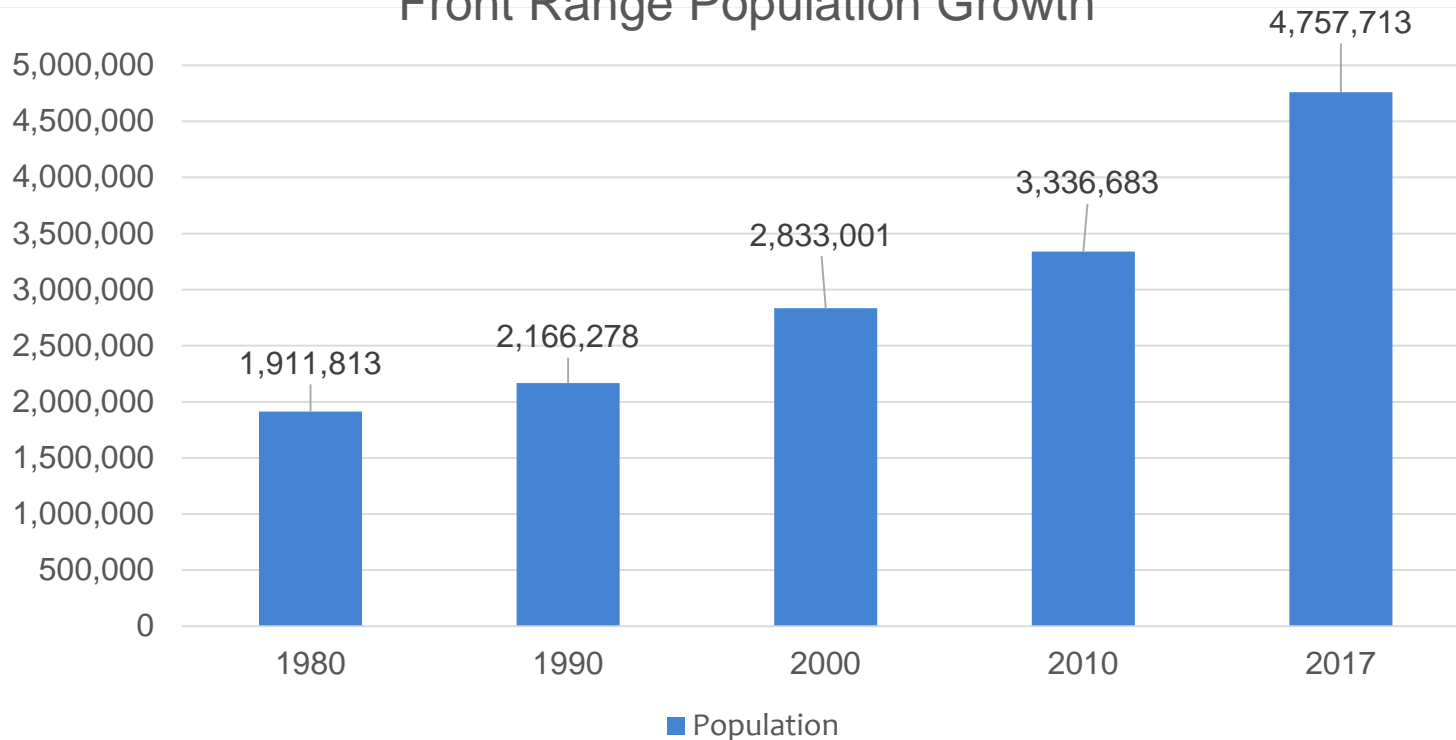
Colorado's Front Range



- * Approximately 4.7 Million People in 1.6 Million Households
- * 9.78% increase from the 2010 Census

Public Awareness & Demand

Front Range Population Growth

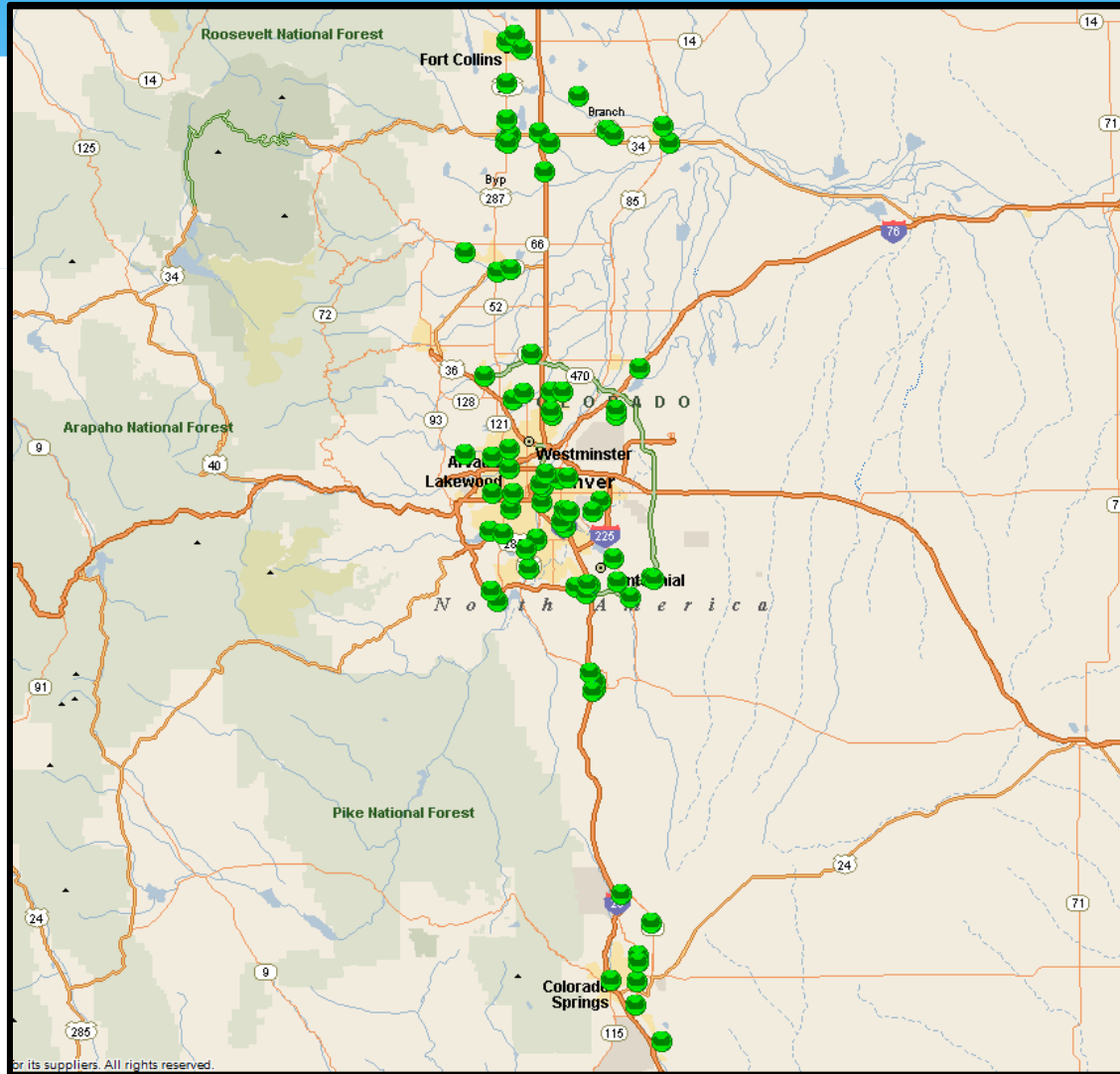


New Supply

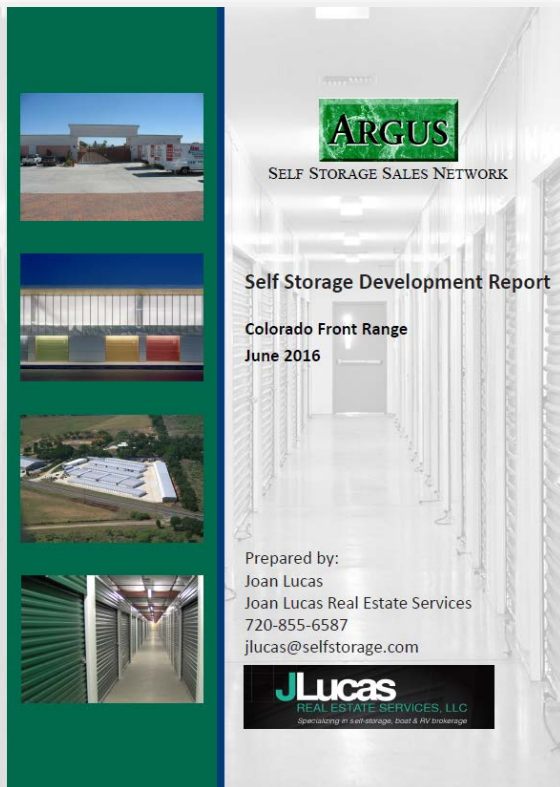
Projects Under Construction/Newly Opened/Proposed

LOCATION	NUMBER OF PROJECTS	PROPOSED SF	LOCATION	NUMBER OF PROJECTS	PROPOSED SF
ARVADA	3	254,710	GREELEY	5	337,400
AURORA	5	267,575	HIGHLANDS RANCH	1	75,000
BERTHOUD	1	41,000	JOHNSTOWN	1	85,000
BRIGHTON	1	94,500	LAKEWOOD	8	340,175
BROOMFIELD	2	178,000	LONE TREE	1	80,000
CASTLE ROCK	4	279,450	LONGMONT	3	150,000
CENTENNIAL	1	144,000	LOUISVILLE	1	75,000
COLORADO SPRINGS	11	747,000	LOVELAND	5	305,000
COMMERCE CITY	2	185,000	NORTHGLENN	2	175,000
DENVER	12	1,068,095	PARKER	1	80,000
ENGLEWOOD	4	436,407	SHERIDAN	1	48,000
ERIE	1	100,000	THORNTON	3	235,000
FORT COLLINS	5	382,575	WHEAT RIDGE	1	110,000
FOUNTAIN	1	62,000	WINDSOR	1	60,000
			GRAND TOTAL	87	6,395,887

New Front Range Projects

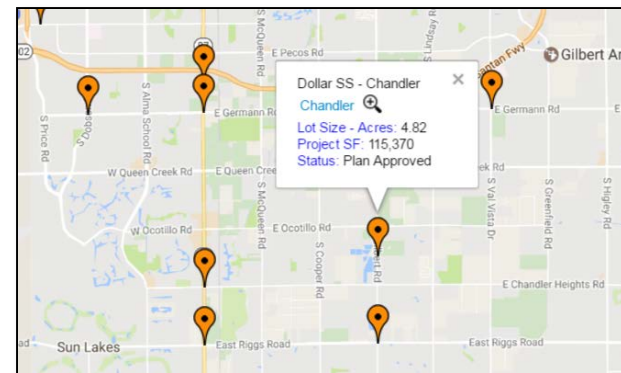


New Supply



Contact **Joan Lucas** for a copy of the

Colorado Front Range Development Report & Interactive Map



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Actual Front Range Self-Storage Performance

Operator	Colorado Store Occupancy			Revenue
	Q1 2016	Q1 2017	Variance	2016-2017
PSA	94%	91%	-3%	-1.1%
EXR	92%	89%	-3%	+1.7%
CUBE	93%	88%	-5%	DNR
Sample of 20 Independent Operators	93% avg.	86% avg.	-7%	?????

Source: SEC Filings & other public materials

Sample Colorado Sales Comps

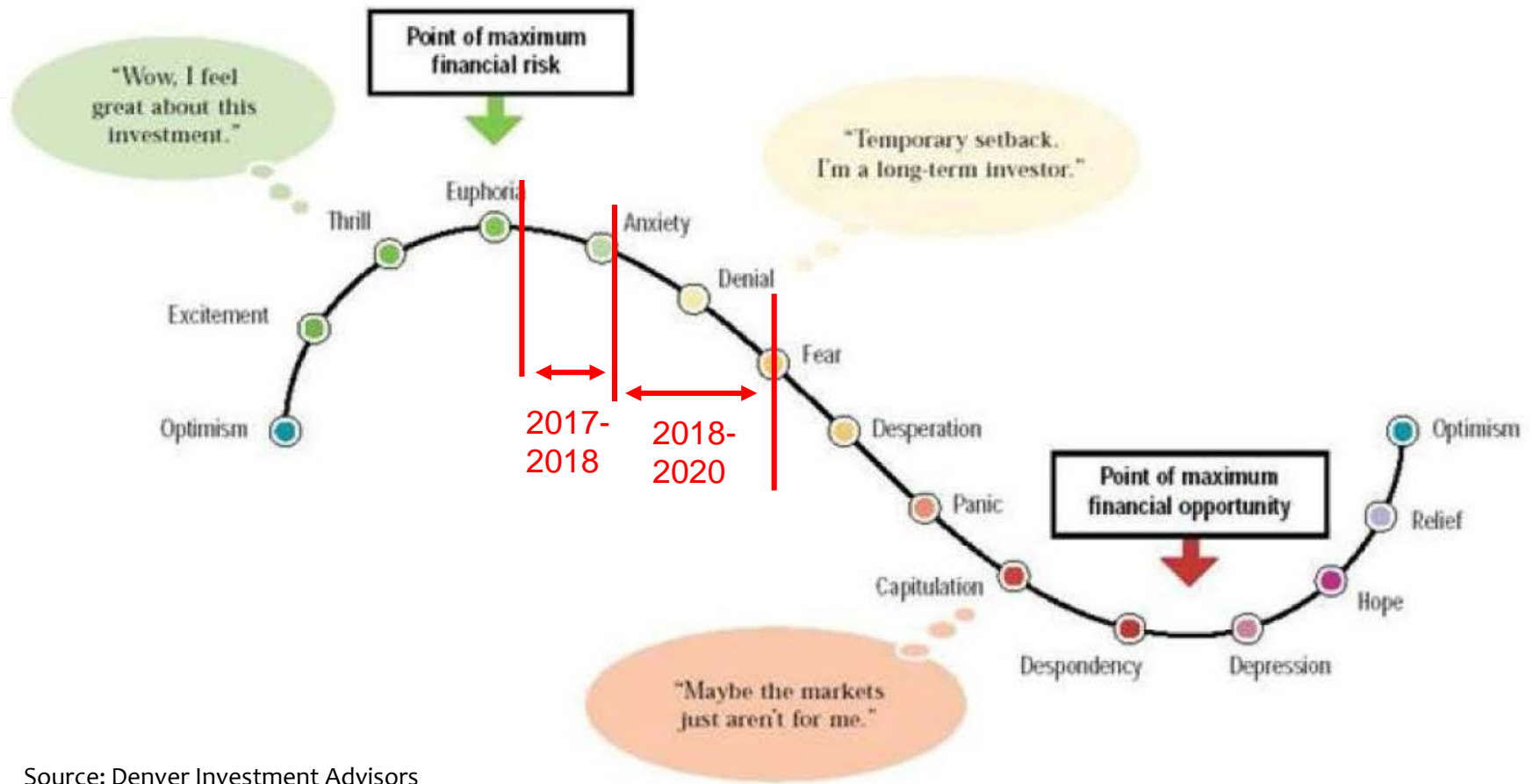
2016 - 2017

Sale Price	NRSF	PSF
Under Contract	103,000	\$96.11
\$7,250,000	79,724	\$90.94
\$15,750,000	115,000	\$136.95
\$15,600,000	76,000	\$205.26
\$10,100,000	53,560	\$188.57

These are extraordinary times.
Real Estate is not a spectator sport!

Times are Changing!

Psychology During Market Cycles

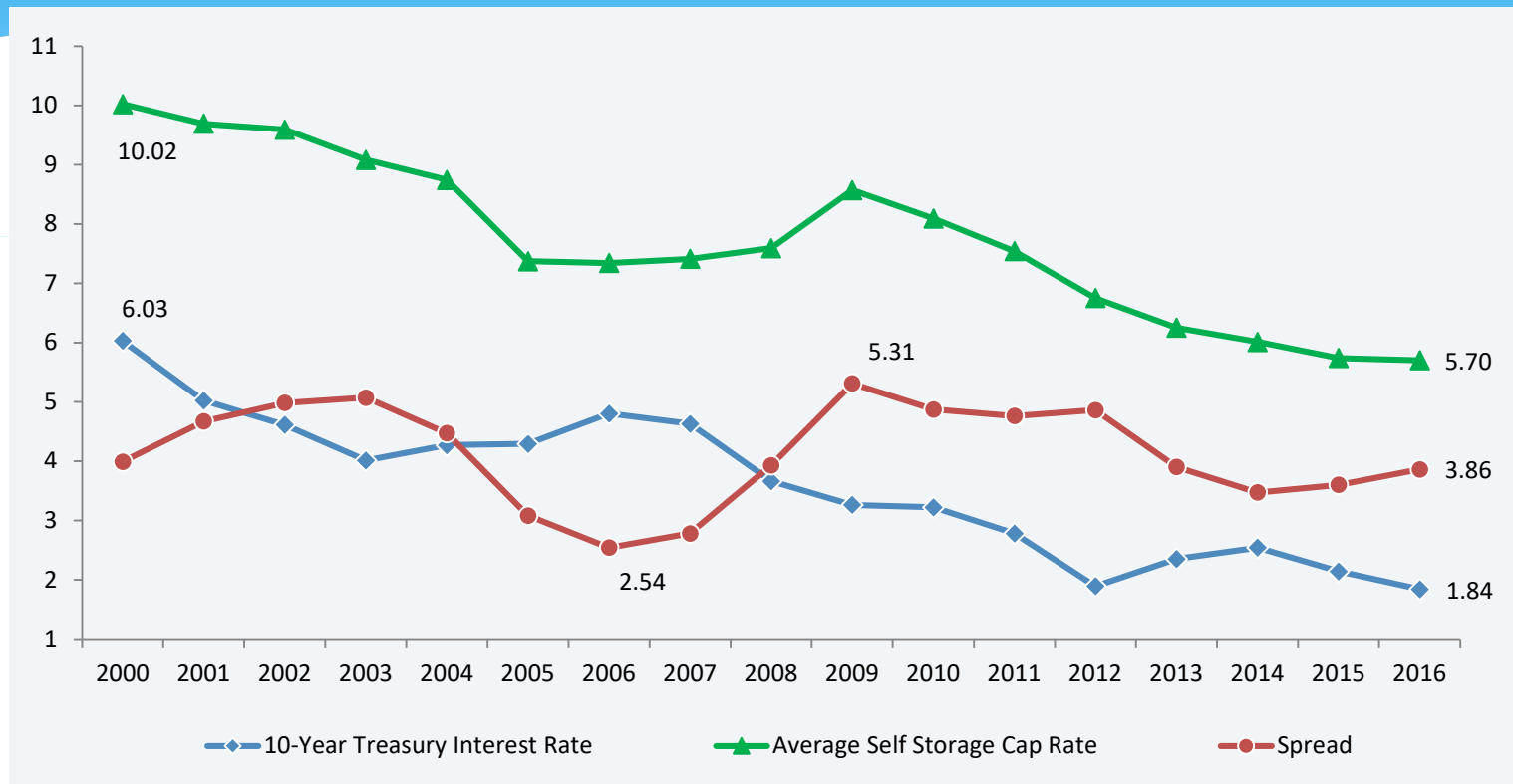


Market Predictions for 2017

- Real Estate Taxes will be the tipping point to a new reality
- Self Storage NOI growth will slow; will be flat or very moderate
- The first meaningful new supply will hit the market ; 650-900 nationwide, 25-35 Colorado
- Interest rates will remain low, but market instability will lead to volatility in the lending market
- Transaction velocity will start to slow by the start of Q3; largely due to concerns about market fundamentals and Real Estate Tax issues
- Self Storage valuation will start to soften by the start of Q2; cap rates will start to rise as NOIs are unchanged
- Physical occupancies will continue to decline or remain flat
- Rental rates will soften and in some markets we will see concessions return
- Secondary markets will outperform the major markets!

One Final Thought

Spread Between 10-Year Treasury and Self-Storage Cap Rate 2000-2016



Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017 guess	Avg.
10-Year Treasury Interest Rate	6.03	5.02	4.61	4.01	4.27	4.29	4.80	4.63	3.66	3.26	3.22	2.78	1.89	2.35	2.54	2.14	1.84	2.5	3.61
Average Self Storage Cap Rate	10.02	9.69	9.59	9.08	8.74	7.37	7.34	7.41	7.59	8.57	8.09	7.54	6.75	6.25	6.01	5.74	5.70	6.0	7.73
Spread	3.99	4.67	4.98	5.07	4.47	3.08	2.54	2.78	3.93	5.31	4.87	4.76	4.86	3.90	3.47	3.60	3.86	3.5	4.13

Questions?

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SELF STORAGE SALES NETWORK