Self Storage – A New Class “A” Asset in Canada

Presented by:
Oliver Tighe, Managing Director – Ottawa
Ashton Rowles, Executive Managing Director – Latin America
SELF STORAGE MARKET OVERVIEW
What is Self Storage?
The Evolution of Design

BEFORE

A row of blue self-storage units with simple design.

AFTER

A modern building with glass walls and signage for CubeSmart self-storage.
<table>
<thead>
<tr>
<th>Characteristics</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Location</strong></td>
<td>Major MSA</td>
<td>Secondary Market</td>
<td>Tertiary Market</td>
<td>Rural Location</td>
</tr>
<tr>
<td><strong>Access &amp; Exposure</strong></td>
<td>Freeway Exposure with Good Access or Major Thoroughfare with Good Access and Exposure</td>
<td>Major Thoroughfare with Above Average Access and Exposure</td>
<td>Secondary Thoroughfare with Average Access and Limited Exposure</td>
<td>Thoroughfare with Limited Traffic Flow and/or Poor Access</td>
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<tr>
<td><strong>Quality</strong></td>
<td>Brick, Block, or Tilt-Up, with Paved Asphalt or Concrete (Office Style/Multi-level)</td>
<td>Brick, Block, Tilt-Up, Steel or Wood Frame with Metal Siding and Paved Asphalt</td>
<td>Steel or Wood Frame with Metal Siding and Paved Asphalt (Can include portable units or swing out doors)</td>
<td>Steel or Wood Frame with Metal Siding and Gravel (Can include portable units or swing out doors)</td>
</tr>
<tr>
<td><strong>Physical Condition</strong></td>
<td>Newer Construction, Well Maintained, No Deferred Maintenance, Clean and Appealing</td>
<td>Aging Improvements, Well Maintained, Recurring Maintenance, Clean</td>
<td>Older Construction, Fair Maintenance, Potential for Costly Repairs, Appeal Reflects Age</td>
<td>Old or Outdated Construction, Minimal Maintenance, High Risk Repair, Neglected or Poor Appeal</td>
</tr>
<tr>
<td><strong>Occupancy/Saturation</strong></td>
<td>Proven Over 90% Occupancy, Strong Fundamentals, High Barriers to Entry</td>
<td>Inconsistent Occupancy / Average Fundamentals / Vulnerable to New Development</td>
<td>Inconsistent Occupancy, Weak Fundamentals, New Development Risk</td>
<td>Operations Below 70% Occupancy, Poor Fundamentals, Saturated Market - Below 75%</td>
</tr>
</tbody>
</table>
Who Owns Self Storage?
Storage Vault Buys Sentinel Storage

Details of Sale:
Publicly Traded Storage Companies
Mom & Pop Owners

Account for 80% of all Facilities in Canada
Who Uses Self Storage?
Self Storage Demand Factors  3 D’s and an R

Death

Divorce

Relocation

Debt
Demographic Shift & Increased Apartment Living

Insert Table showing average age of Canadians (baby boom)
Why is Demand Increasing

The decade of downsizing?
Tangible Value vs. Emotional Value of Goods
USA vs. Canada Storage Supply

+/- 46,000 Facilities
Population: 318.9 Million
1 Facility Per 6,900 People

+/- 3,200 Facilities
Population: 35.16 Million
1 Facility Per 11,000 People
New Development Canada

Dymon storage

Smart Reit / Smart Stop
Where are Facilities Located?
Ideal Locations – Retail vs. Industrial
Why is Self Storage emerging as a Class A Asset?
Why is self storage and attractive investment?

1. Ability to control income / Expense
2. Reduced risk of vacancy
3. Recession resistant
4. Ability to self manage smaller facilities
5. If people don’t pay, you lock unit and sell content
6. Better returns
Storage Returns

Storage Cap Rates: 4.50% to 8.50%

Cap Rate Table
Storage Valuation

Similar to Hotel and Multi-Family Valuations
Income Approach

• How much income can it generate today and in the future?

• Importance of stabilizing expenses

• What influences the cap rate?
Cap Rates

1. Location
2. Income Upside (Reduced Expenses / Increased Income)
3. Condition
4. Expansion Opportunities
5. Potential of new competitors
Things to Watch Out For

- Highly paid owner / managers.
- Modular units.
- Historical occupancy
- Rental rate growth.
- Misc. Income
- Solar Panels
Forecast – 2017 & Beyond
Questions?