



SVN's National Self Storage Team

ANNUAL REPORT 2021



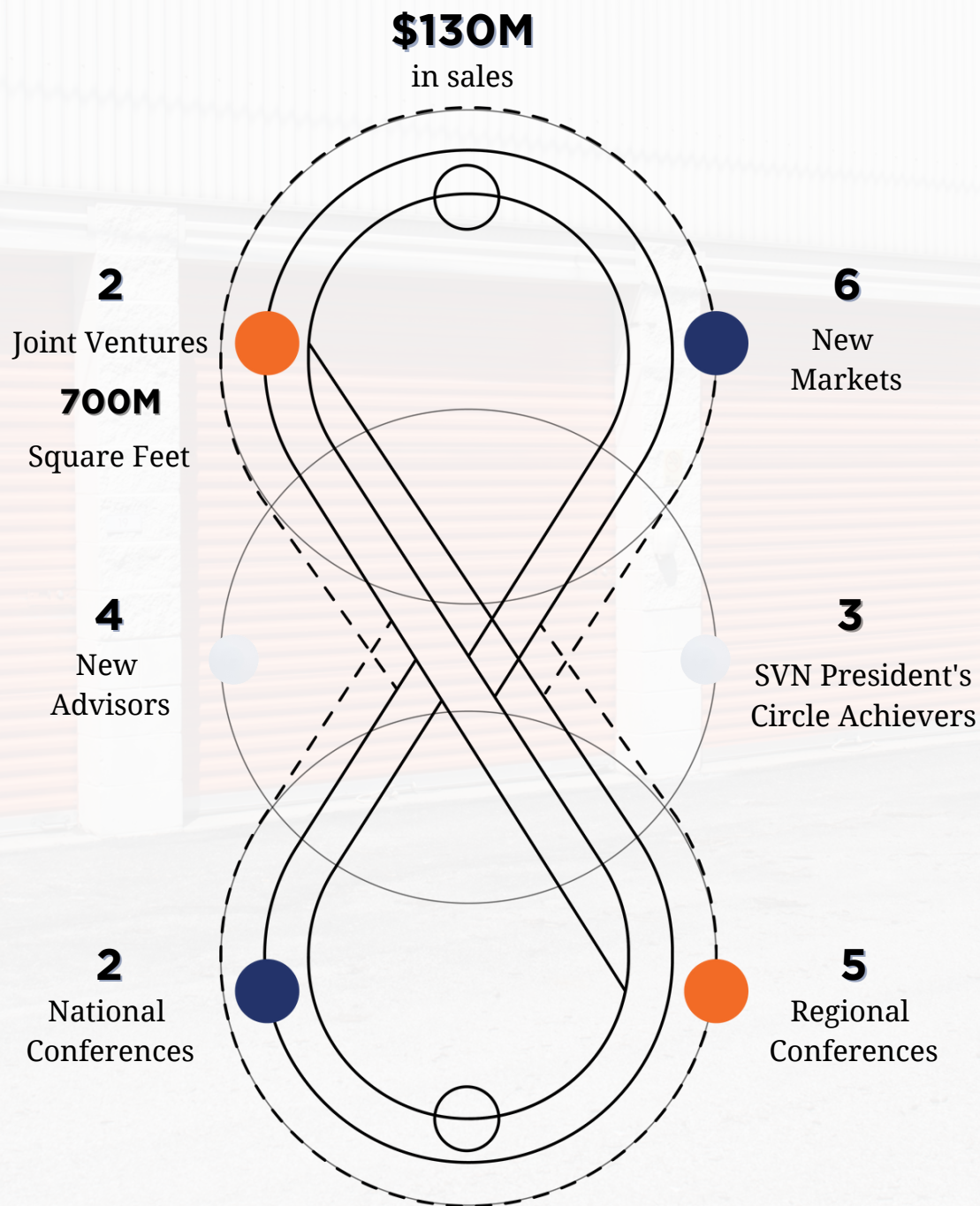
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SVN STORAGE REALTY ADVISORS





A LETTER FROM OUR CHAIR

With the sudden advent of the Covid-19 pandemic upon us in March of 2020, many of us wondered if the pandemic would affect the commercial real estate markets the same way as the Great Recession of 2009-2012. Calendar year 2021 started out very cautiously in our self storage sector as rental move-ins were fairly stagnant and there was no spring college student influx as most of the universities were still operating on “remote” learning rather than in the classroom.

However, with the help of our various state and national self storage associations’ lobbying efforts, self storage was named as an “essential business” and owners/operators were able to keep their facilities open and conduct business to a public that was learning how to work, learn and socialize remotely from home. In particular, this “displacement” of employees from an office to home, along with a robust housing industry, fueled by record low interest rates and the Millennial generation coming of age; and people relocating from center city to suburban, rural and even resort areas, all contributed to a sharp increase in demand for self storage and introduced a new segment of the population that had never used self storage before.

All of these factors then increased self storage occupancies; helped new facilities rent up faster; and increased revenues while interest rates and capitalization (cap) rates remained at historic lows. Low cap rates result in higher values and many long-term owners of self storage began taking advantage of the market and placed their facilities, and even entire portfolios, for sale to the tune of \$19 billion in transactions for 2021.

Our SVN national self storage team grew in 2020 and 2021 and we now have representation in 12 markets across the country with skilled, experienced advisors who bring buyers and sellers the unique combination of SVN’s robust national platform and the local market expertise to provide the latest, most critical information in a rapidly evolving market. Our advisors guide them through the research and analysis leading to the acquisition, development and disposition of land for development or their existing self storage assets. This local market knowledge, backed by the power of our national experience and resources, is key to optimize the transaction process and deliver an equitable deal for all parties.

Our office assisted in transactions valued both at \$93 million on high and \$850,000 on low this past year. Three of our team members achieved President’s Circle status within SVN corporate, the second highest dollar value recognition; and we had Kateleigh Conway, a new advisor from Mobile, AL, join us with a summa cum laude degree in finance; Jacob Cserepes from Salt Lake City, a recently discharged veteran, both with a passion to join our Specialty Practice Group and an eagerness to collaborate and learn the brokerage business.

One of our team members earned their CCIM degree after three years of continuing education at the highest level in our industry, while two more team members started the continuing CCIM educational process. Four of our members are investor/partners in a self storage facility(ies) and bring that in-the-trenches operational expertise to our workday, making us better advisors to our clients.

I’ve sat down with several of our newer team members and made sure that their business plan for 2022 includes the specific technology that is available to us to be more productive with our time. We have also ramped up our marketing efforts to ensure all of our team members benefit from the industry recognition of the SVN brand and reputation of our team’s senior leaders. This includes an updated website, regular newsletters, press releases on closed deals, event sponsorship and participation, advertisements, expanded LinkedIn presence, contributed editorials, co-author of a book, and more. By putting this infrastructure in place, we are positioning ourselves to capture market share as the market conditions in our industry continue to indicate strong growth over the next few years.

As institutional money continues to seek out self-storage investments, family offices and individual investors/operators will need more sophisticated advisors like us to help them successfully navigate this next frontier for self-storage investment. It’s an exciting time to be in the self storage industry and I’m looking forward to another record-breaking year.

-Nick Malagisi, SIOR, Managing Director and National Director of Self Storage at SVN



WHO WE ARE

The SVN National Self Storage Team specializes in the brokerage, valuation analysis, marketing, financing, and development consulting of self-storage assets across the United States. Our seasoned team of commercial real estate investment advisors are focused exclusively on self-storage and specialize in recognizing self-storage investment opportunities for their clients, from locating sites for new build construction to ground up development joint ventures to delivery of Certificate of Occupancy deals to listing & disposition of stabilized assets.

The SVN National Self Storage Team provides commercial real estate knowledge and expertise that transcends typical brokerage services. Our team assists storage owners of all sizes, whether a single asset owner or an institutional investor with a real estate portfolio, with a wide array of professional services, including:



Brokerage– We offer traditional brokerage services with coast-to-coast coverage in local markets. Effective representation of a buyer or seller often requires the broker to call upon the expertise of a network of resources to manage the nuances of the sale.



Valuation Analysis– The evaluation of a single self-storage asset or real estate portfolio requires analytical proficiency, local market knowledge and industry expertise. SVN advises clients during the valuation process to determine the appropriate property values in specific markets.



Financing– As a value-added service, SVN connects clients with reputable self-storage capital funding firms offering a full range of financial solutions including construction financing, mezzanine financing, joint venture partnerships and equity sources.



Development Consulting– Self-storage assets require timely planning and consideration which begins with an in-depth knowledge of the local market dynamics. Site selection and feasibility studies are also available to analyze a property's economic and market feasibility. Competition studies are also available to learn what the market will bear, either on a site-specific area or for an entire market.



Marketing– SVN leverages state-of-the-art technologies to immediately facilitate the marketing process. Each marketing campaign is tailored to meet the client's goals. Marketing programs for a self-storage asset or investment portfolio include customized offering memorandums, property flyers, e-Marketing, public relations, property websites, print and digital advertising, and national, regional, and state tradeshow.



MISSION STATEMENT

The SVN National Self Storage team of Advisors are a Best in Class Commercial Real Estate brokers that specialize in recognizing self storage investment opportunities for their clients, from locating sites for new build construction to ground up development joint ventures to delivery of Certificate of Occupancy deals to listing & disposition of stabilized assets.





BROKERAGE PERFORMANCE

- Mt. Kisco, NY 32,500 sq. ft. facility with four, two-story buildings consisting of 350 units – sold for \$10.5 million
- New Jersey portfolio comprised of 7 properties with 3,147 units - sold for \$90.5 million
- Rockland County re-development of a one-story, 52,000 square-foot building into a two-story structure - \$5 million joint venture
- Palm Coast, FL 33,162 sq. ft. facility - sold for \$5.5 million
- Columbus, OH 22,500 sq. ft. facility (with approvals for an additional 40,000 sq.ft.) - sold for \$2.5 million
- Spartanburg, SC 50,400 sq. ft. facility - sold for \$4.5 million





WHY SELF STORAGE?

Self storage has proven to be one of the most recession-resistant real estate sectors in the REIT industry. While the industry is not recession-proof, it has demonstrated itself to be recession-resistant, as very few renters move out and rents are collateralized by the renter's possessions.

The propensity to rent is driven by change in a person's life and/or living conditions. The need for self storage is still stimulated by the four "Ds": Death, Divorce, (Natural) Disaster and Displacement, but the American public has found ways to use self storage that we in the industry never dreamed of 30-35 years ago. The COVID-19 pandemic has helped introduce self storage to many people that never needed the service before.

Occupancies in facilities across America have risen; in fact, the four largest storage companies each reported record occupancy above 95% in the third quarter of 2021. We've also seen a wave of new development being spurred by the changing demographics and lifestyles of employees now working "remote" from home instead of commuting daily to an office, as well as the Millennials coming of age to start a family, buy a home or whatever "displacement" has occurred in their life recently, in part because of the COVID-19 pandemic. While some of these factors will normalize as time goes on, we expect many to remain for the balance of this year.

Additionally, self storage has a very low net operating income (NOI) margin with operating expenses in the 30-35% range against gross annual income (GAI). There may be very little, if any, rental rate growth in the near term, but occupancies are expected to stay stable, and even grow, as economic uncertainty persists amidst inflation concerns. Finally, the barriers to entry for development have gotten stronger with a contraction in the capital markets and new supply growth having already peaked about two years ago. With a net absorption increasing, rental rates have begun to rise.

The resilience and growth of the self storage industry has led to Wall Street investment bankers, like Blackstone, competing for these niche assets in addition to the six publicly traded REITs in our industry. This growing trend of institutional and Wall Street capital flowing into the self storage industry has served the industry well, as it set a new standard of development that evolved the traditional building rows of single-story buildings into three-to-four-story buildings with Orange, Green, Blue or Red "Big Boxes" that look like office buildings. The Planning and Zoning Boards across America are now rewriting their zoning regulations to allow such structures to be permitted to be built in commercial areas on Main St. instead of facilities being buried in an "industrial" zone along with other warehousing users.

As institutional money continues to seek out self storage investments, family offices and individual investors/operators will need more sophisticated advisors to help them successfully navigate this next frontier for self storage investment.



Why SVN's National Self Storage Team?

With brokers in major markets from coast to coast, our clients benefit from the unique combination of SVN's robust national platform and the local market expertise to provide buyers and sellers with the latest, most critical information in a rapidly evolving market. This local market knowledge is key to optimize the transaction process and deliver an equitable deal for all parties.

The SVN National Self Storage Team combines focused self-storage experience and local market expertise, backed by the power of a national platform, which provides distinct value for our clients.

While this is a compelling differentiator, what really sets the SVN National Self Storage Team apart is accountability, responsibility, and transparency. We proactively collaborate with all brokers and agents to address challenges efficiently, effectively, and positively, while always keeping our clients' interests at the forefront of all we do.





MEET OUR TEAM



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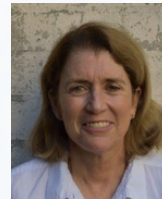
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CONNECT WITH US

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Join our LinkedIn Self Storage Group!



Are you interested in engaging with other self storage industry experts and investors? If so, I invite you to join my LinkedIn group "Self Storage Investors" to share knowledge, industry trends, and investment opportunities. Investors are also able to ask questions and inquire about buying or selling opportunities.