

Investing in Self-Storage: What You Need To Know



Featuring: **INVESTA**
GROUP





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Agenda

- 1 Introducing Entrust & Neal
- 2 Self-Storage Overview
- 3 Self-Storage in 2023: Market Insights
- 4 Benefits vs. Risks
- 5 Modern Trends
- 6 Identifying Self-Storage Investments
- 7 Q&A Time

Meet Your Host

Bill Neville

Business Development Manager at The Entrust Group



12

Years at Entrust



Educating investors and professionals on tax-preferred retirement accounts



B.S. in Finance from Penn State University

About Entrust



\$4B

Assets Under
Administration



45k

Investors
Empowered



40+

Years in
Business



1

Point of
Contact

About Entrust



- Self-Directed IRA administrators
- Knowledgeable staff with CISP designations
- Nationwide offices
- In-person events and virtual webinars
- National Continuing Education program for other credentials
- Bi-annual IRA Academy

What is a Self-Directed IRA?



A retirement account in which the individual investor is in charge of making all investment decisions



Greater opportunity for asset diversification outside of traditional stocks, bonds, and mutual funds



All securities and investments are held in a retirement account administered by a regulated custodian or trustee

INVESTING IN SELF STORAGE REAL ESTATE

 **INVESTA**
GROUP

MEET YOUR PRESENTER



James Reid

Chief Executive Officer at InvestaGroup, StorCo Storage & BBI Constructors

- I work with the leaders of all three companies to ensure proper execution and alignment of our mission and strategic goals. I make executive decisions to protect the interests of our investors as well as adding value to the communities that we serve.
- My goal is to build relationships, helping to foster confidence in new and first-time investors. Through education and transparency, I use self-storage investing as a tool for empowerment for members of our vertically integrated community.

My Introduction to Storage



Introduction

Vertically Integrated



In-House Investment Management

- Sourcing of Acquisition, conversion and new build opportunities as well as direct oversight of investor relations.



In-House Construction Company

- Experience, cutting-edge tools, and practices to allow for maximizing profits, and rentable area while saving capital.



In-House Operational Management

- Mitigates risks by directly controlling all facilities, operations, and revenue management in-house.

Our Strategy



Existing

- Integrated Tech & Automation
- Systems & Procedures
- Rebranding (Ex. StorCo)



Conversions

- Faster Build Times
- Lower Cost per sq.ft. To Construct
- Sell/Redevelop Out-Partials



New Development

- Site Selection in High Storage Demand Markets
- Integrate Tech & Automation
- Incentives etc. Lead, Pace, Energy & Warranties

Experienced Team



JAMES REID

OWNER/CEO



JESSICA MYERS

OPERATIONS DIRECTOR



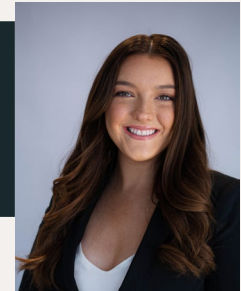
NICK ZACHGO

ACQUISITIONS MANAGER



ANNIE MEYER

MARKETING & COMMUNICATIONS



CATHERINE ZACHGO

MARKETING & COMMUNICATIONS



MYSTLE SCHELLHORN

EXECUTIVE ASSISTANT

Experienced Team



TOREY GOODSON

OFFICE MANAGER



MATT TIDWELL

OFFICE MANAGER



DENNIS BUEHRLE

BBI CONSTRUCTORS



JOHN RAYNER

BBI CONSTRUCTORS

Overview of the Self Storage Industry

STORAGE FACTS

Average National
Occupancy is
93.6%

1 in 10
Americans rent a
storage unit

GROWTH OVER TIME

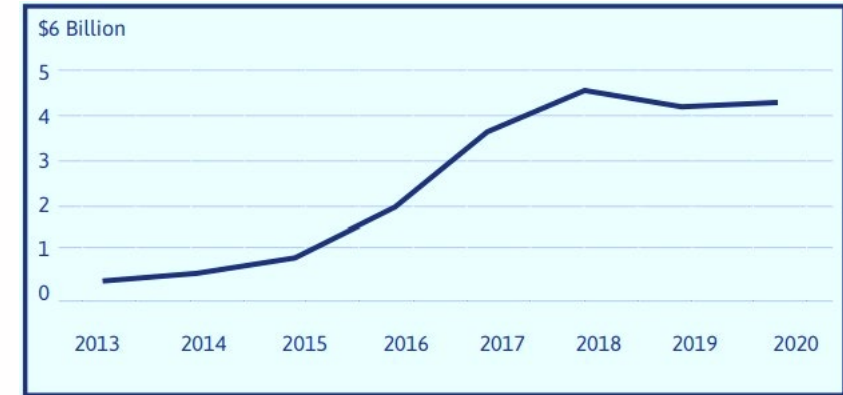
\$39.5

BILLION INDUSTRY

One of the fastest growing segments of the commercial real estate industry for over 40 years

\$87.65 BILLION MARKET VALUATION IN 2019

Self Storage Construction Spending by Year

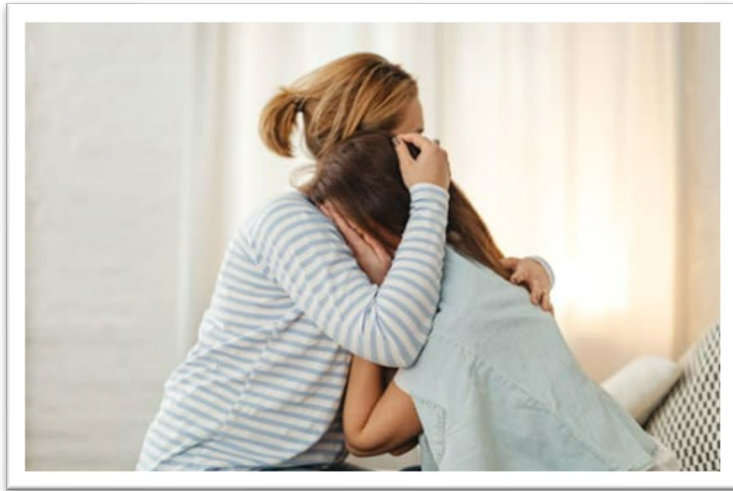


LOW MAINTENANCE

- Little infrastructure to maintain
- Low utility utilization leading to lower overhead
- Little infrastructure for exiting tenants to destroy or wear down

4 D's of Self-Storage Demand

- Death • Dislocation • Downsizing • Divorce



Private Ownership Lead Asset Sales in 2022

Top 10 Sellers 2022	Type	Count of Stores Sold	Total Sq Ft Sold	Total Sales Volume (MM)
World Class Capital Group	Private Owner	61	4,121,263	\$0.00
Wentworth Property Company	Private Owner	19	1,486,055	\$39.00
Wasatch Storage Partners	Private Owner	14	1,196,156	\$142.92
Neighborhood Storage Center	Private Owner	26	1,158,064	\$185.70
Five Star Store It	Private Owner	28	1,119,664	\$10.99
Columbia Pacific Advisors	Private Owner	10	1,114,091	\$240.26
Amber, Samuel	Private Owner	7	933,517	NULL
CubeSmart	Real Estate Investment Trust	11	837,715	\$143.88
10 Federal	Private Owner	25	807,406	\$31.43
Red Dot Storage	Private Owner	17	773,226	\$45.92

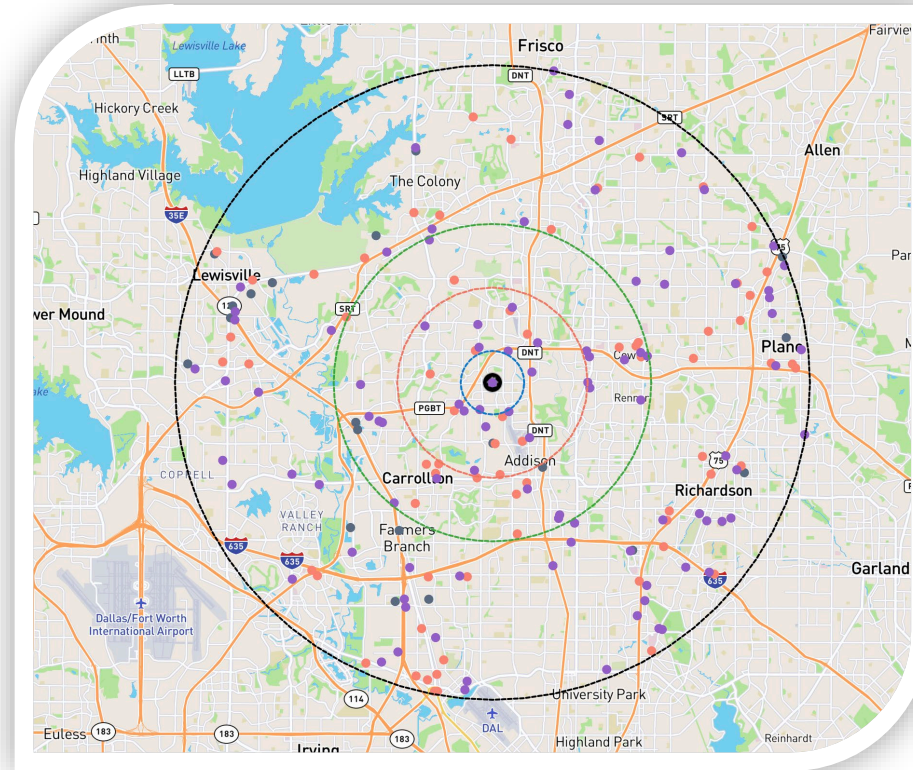


*Undisclosed sale prices not included in total sales volume. Top sellers based on total square feet | Source: Yardi Matrix

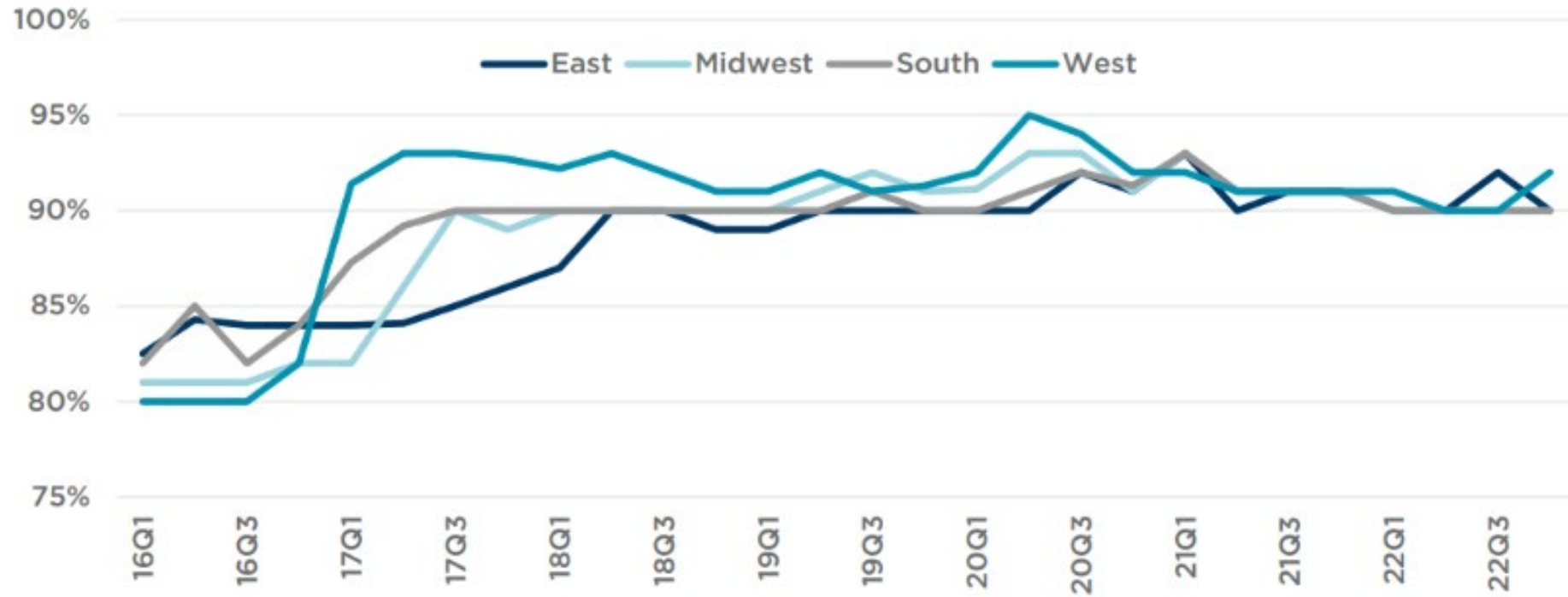
Market

Supply Index

- Development pipeline
- Competitive expansion
- Outsmart competitors
- Grandfathered in
- Population growth

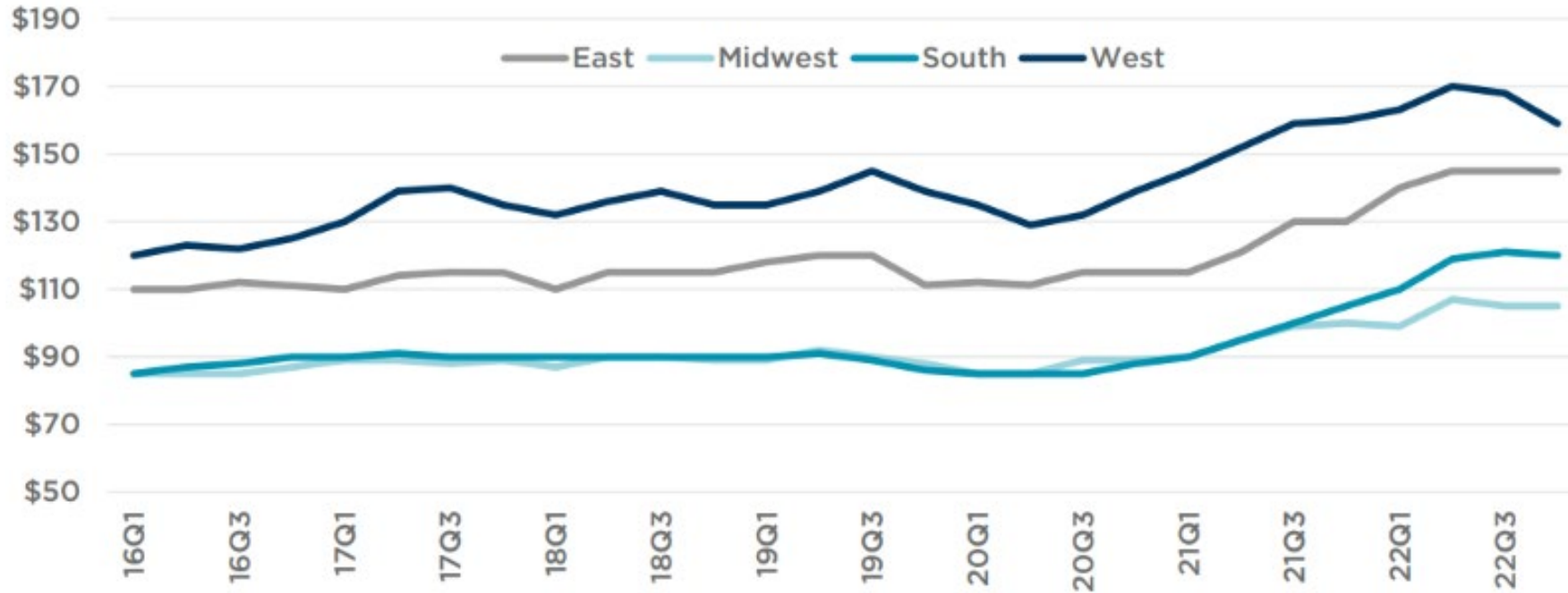


Occupancy Trends



Source: Cushman & Wakefield Self Storage Property Index (SSPI)

Asking Market Rent Per Unit



Source: Cushman & Wakefield Self Storage Property Index (SSPI)

Construction Trends



Source: Cushman & Wakefield Self Storage Property Index (SSPI)

Demographics

- Population growth
- Average household income
- Home ownership
- Lifestyle



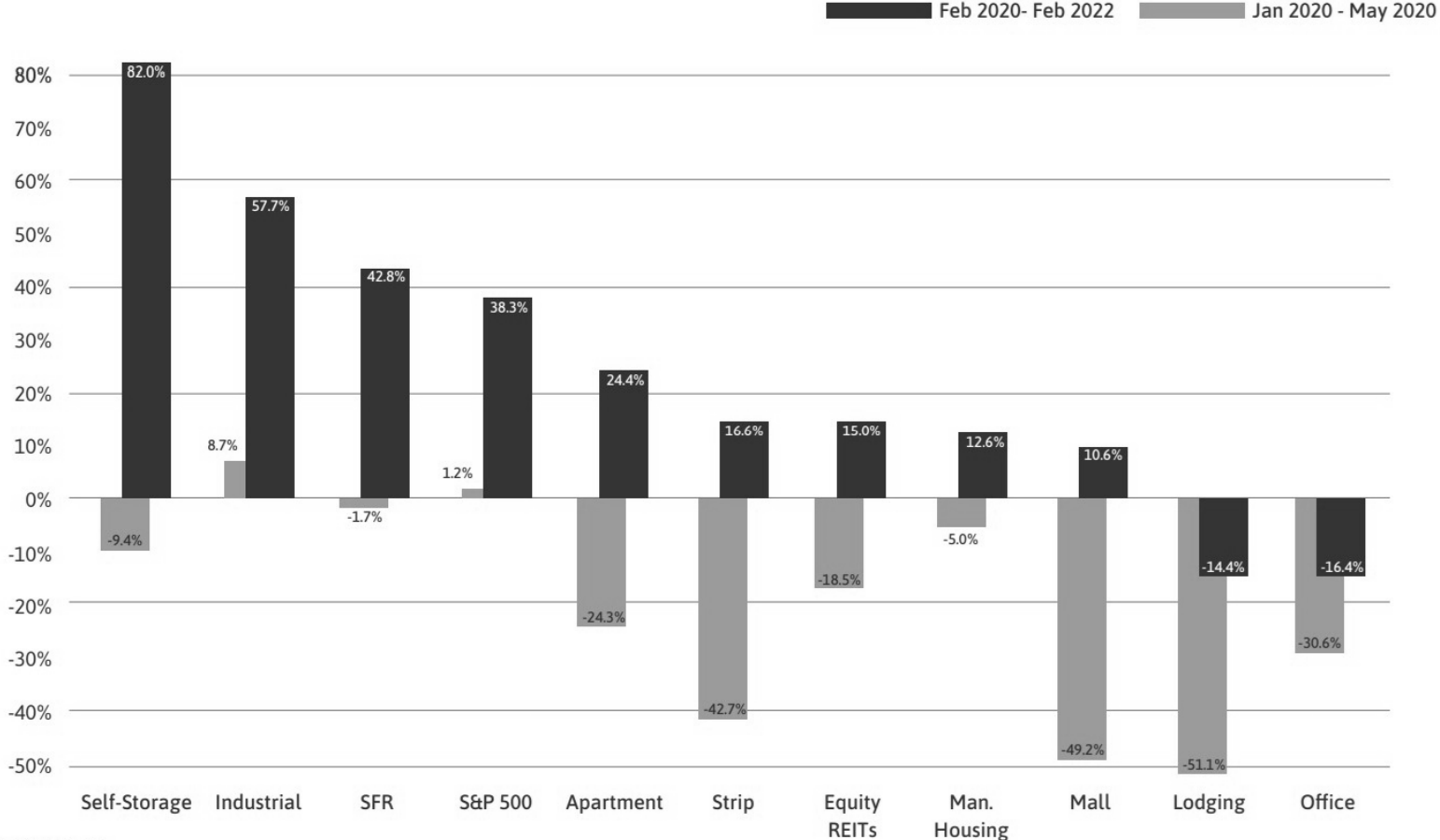
Operations

- Third party management
- Self-manage
- Remote management



Identifying Benefits and Risk

STORAGE PERFORMANCE



REIT Total Returns During COVID-19

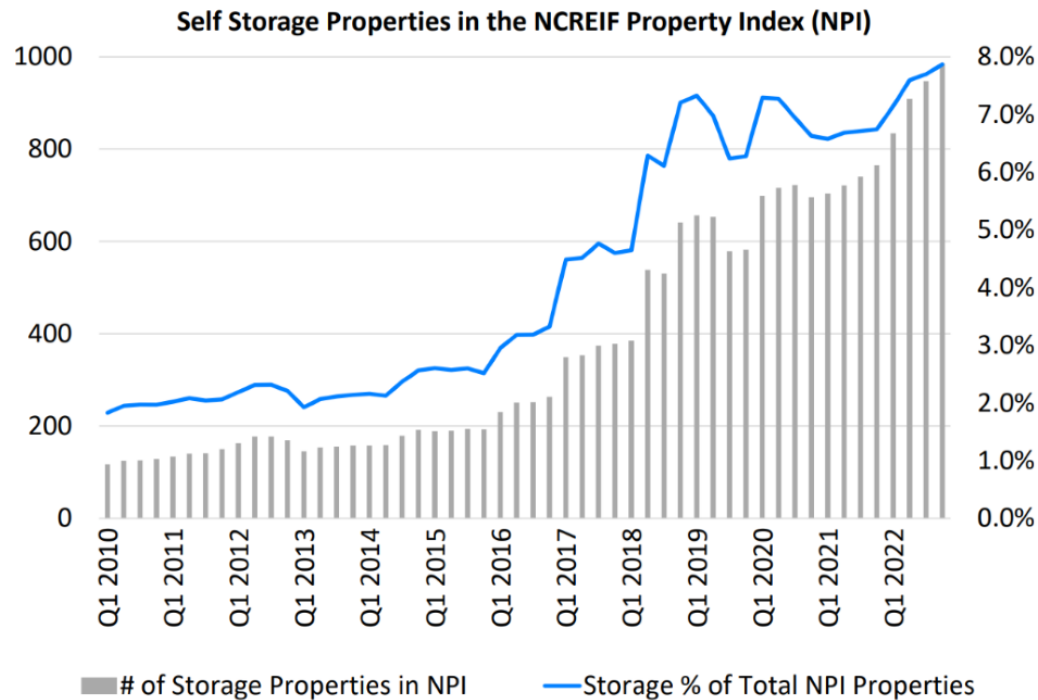
REITs Dominated the List for Storage Acquisitions in 2022

Top 10 Buyers 2022	Type	Count of Stores Acquired	Total Sq Ft Acquired	Total Sales Volume (MM)
Extra Space Storage	Real Estate Investment Trust	80	7,355,345	\$1,195.10
LifeStorage	Real Estate Investment Trust	68	6,113,752	\$757.10
The William Warren Group	Institutional Investor	69	4,808,567	\$87.45
Public Storage	Real Estate Investment Trust	66	4,669,731	\$466.18
National Storage Affiliates	Real Estate Investment Trust	47	3,355,693	\$300.82
Merit Hill Capital	Private Owner	57	2,849,851	\$227.54
SROA Capital	Private Owner	60	2,806,211	\$154.69
Andover Properties	Private Owner	31	2,550,455	\$139.68
Prime Group Holdings	Private Owner	30	2,391,485	\$231.47
InSite	Private Owner	25	1,709,768	\$373.35



*Undisclosed sale prices not included in total sales volume. Top buyers based on total square feet | Source: Yardi Matrix

The Institutionalization of Self Storage Continues

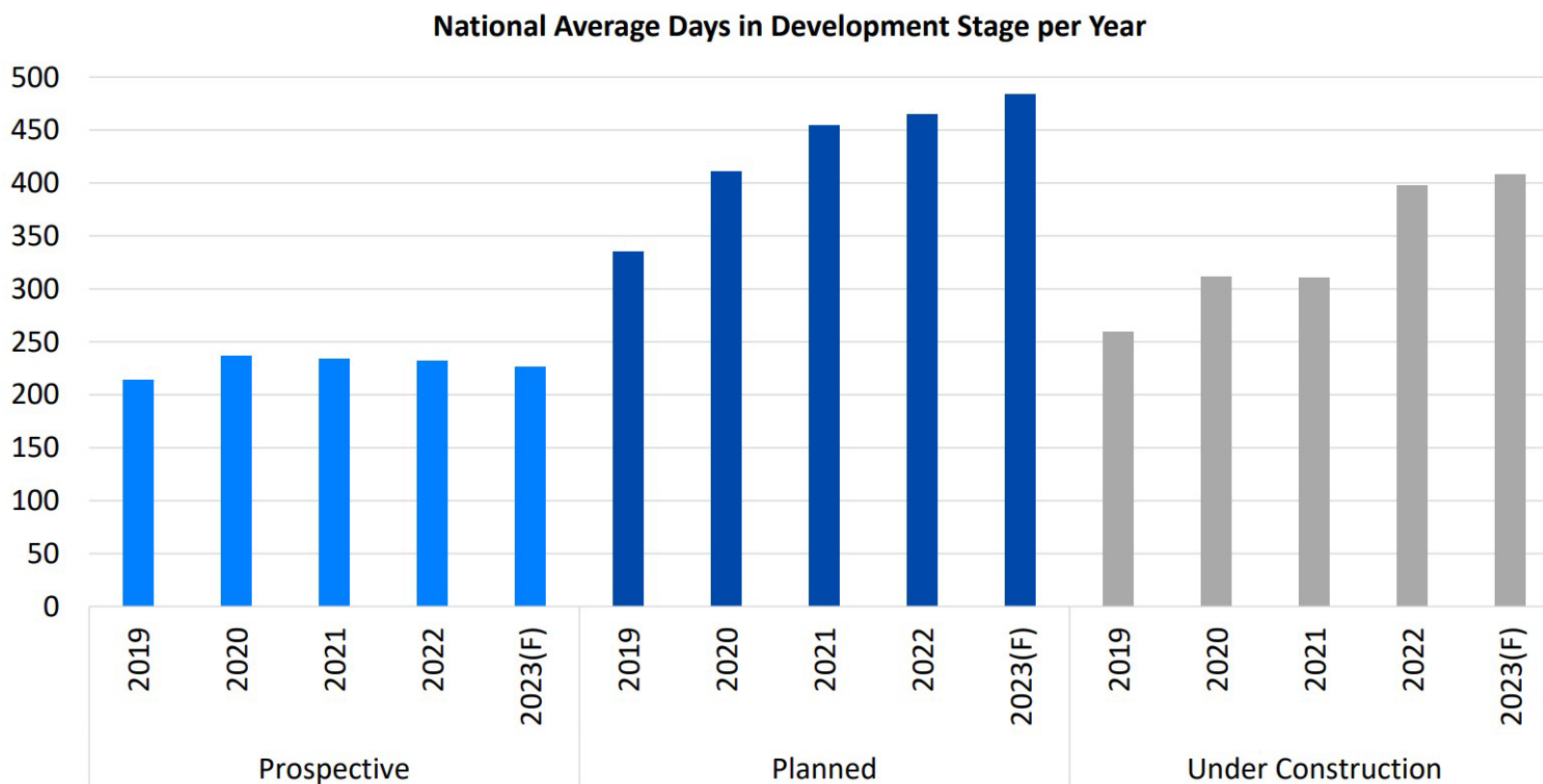


- Institutional investors interest in self storage continues to increase
- Life Storage rejected Public Storage’s recent \$11B acquisition proposal. Despite a 19% premium, Life Storage concluded the offer undervalued its future growth and value creation
- Historically, a fragmented market of “mom-and-pop” owners, institutional investors are seeing the opportunity to control and consolidate self storage

*All properties in the NPI have been acquired, at least in part, by institutional investors and are held in a fiduciary environment
 Source: Yardi Matrix; National Council of Real Estate Investment Fiduciaries (NCREIF); GlobeSt.com



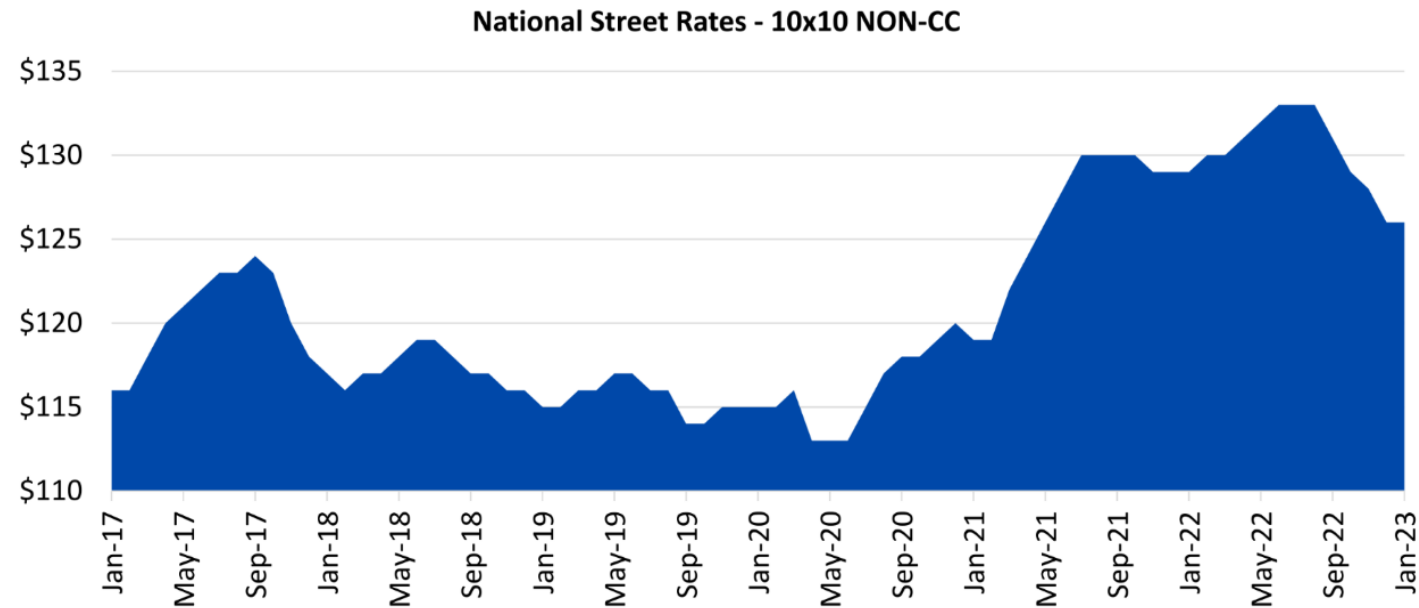
The Average Number of Days Under Construction is Steadily Increasing



Source: Yardi Matrix



Street Rate Trends for 10x10's

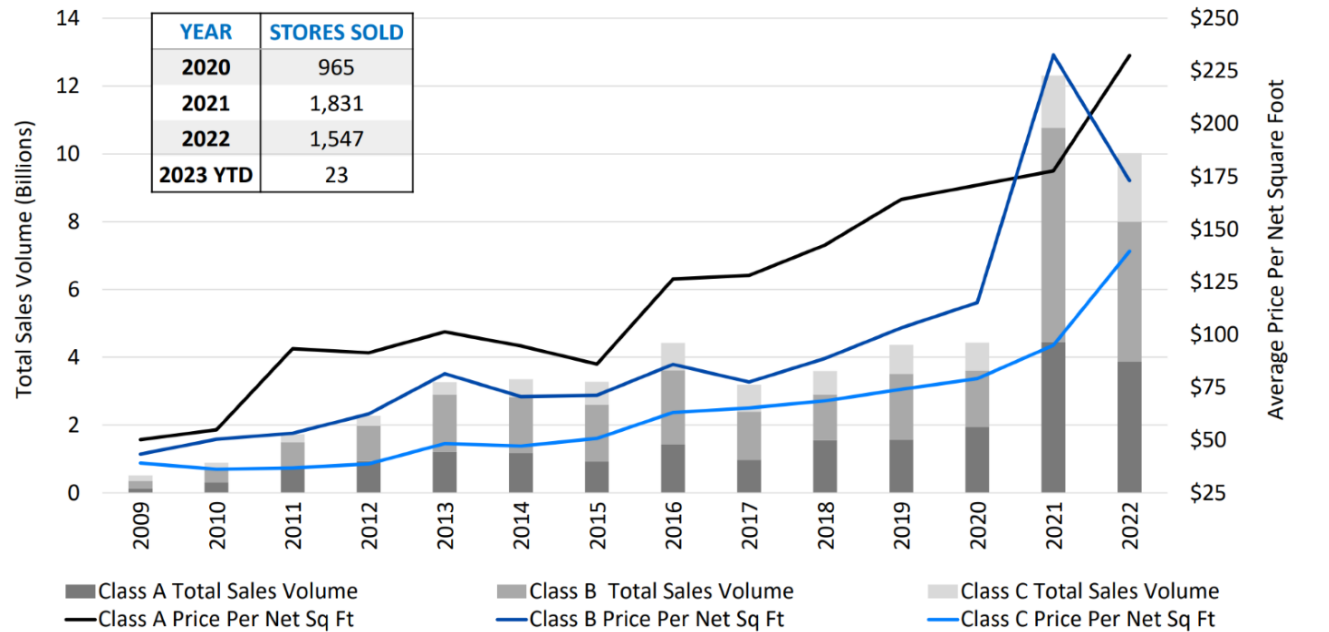


	% Change	\$ Change
Year-over-Year: Jan '22 – Jan '23	(2.3%)	(\$3)
Month-over-Month: Dec '22 – Jan '23	0.0%	\$0
Pre-Pandemic to Current: Feb '20 – Jan '23	9.6%	\$11

Current & Future Trends

Historical

After a Record Year, Transaction Volume Moderated Slightly in 2022



Source: Yardi Matrix



Work Remote



Technology



Remote Management





Identify Potential Self Storage Investments

DIRECT VS PASSIVE



Identifying Potential Investments

REIT	Revenue Growth	NOI Growth	Occupancy
Public Storage	9.8%	11.2%	92.8%
Extra Space Storage	7.4%	8.7%	93.5%
CubeSmart	6.9%	9.1%	91.9%
Life Storage	10.5%	12.8%	90.4%
NSA	5.7%	4.8%	89.8%

Existing



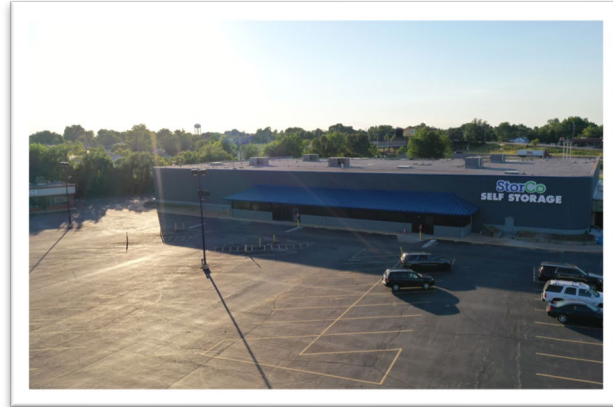
Conversions



New Construction



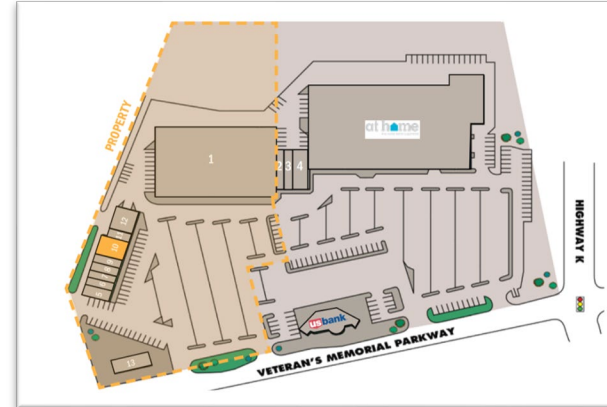
Case Study



Property Description

24 O'Fallon Sq.
O'Fallon, MO 63366

Total Units	717
Number of buildings	2
Stories	2
Year built/Conversion	1979/2020
Rentable Square Feet	67,800
Retail Square Feet	13,000
Lot Size	7 acres



Key Points

- Conversion of trampoline park
- Purchase price well below replacement cost
- Expansion possibilities with over 7 acres
- High unmet demand in a 3.5-mile radius
- Retail Strip Center producing income on day one
- Strong demographics

U.S. Self Storage Sales Summary

	Transaction Activity	Dollar Volume	Average Price/Sqft	Average Cap Rate
2000	146	\$489,503,483	\$48.60	9.6%
2001	148	\$507,795,934	\$59.13	9.7%
2002	149	\$474,284,981	\$55.39	9.2%
2003	188	\$657,214,249	\$54.69	8.9%
2004	285	\$1,223,183,123	\$66.31	8.5%
2005	365	\$1,702,673,216	\$73.57	7.7%
2006	425	\$2,383,991,483	\$79.92	7.1%
2007	516	\$2,781,742,002	\$84.01	7.2%
2008	335	\$1,313,505,574	\$75.16	7.8%
2009	193	\$616,583,151	\$56.40	8.5%
2010	271	\$1,199,416,249	\$55.04	8.6%
2011	367	\$1,593,762,170	\$60.55	8.1%
2012	533	\$2,418,633,541	\$65.77	7.7%
2013	544	\$2,477,700,766	\$75.18	7.4%
2014	794	\$4,122,124,833	\$82.20	7.2%
2015	945	\$4,699,713,622	\$87.12	6.9%
2016	1,066	\$6,480,518,959	\$95.85	6.8%
2017	978	\$5,158,932,039	\$100.14	6.8%
2018	1,059	\$6,221,476,099	\$103.70	6.6%
2019	1,216	\$7,045,054,009	\$106.25	6.4%
2020	1,120	\$6,618,890,176	\$112.44	6.2%
2021	2,012	\$15,992,358,128	\$131.27	5.9%
2022*	2,203	\$20,854,489,263	\$153.07	5.5%

* Preliminary estimate as of 3Q; trailing 12-months through 3Q for transaction activity and dollar volume

Includes sales \$1 million and greater

Source: Marcus & Millichman Research Services, CoStar Group, Inc., Real Capital Analytics

2023 Investment Outlook

- **Developers continue to look at redevelopment.** The large floorplates and proximity to residential neighborhoods found in many big-box retail properties has made these assets an increasingly attractive redevelopment opportunity for self-storage investors. Operators employing this strategy have traditionally targeted spaces in the 100,000-plus-square-foot range, even though ease of access is becoming a greater concern. This is prompting some buyers to seek out comparatively smaller assets in grocery-anchored centers.
- **Investors respond to aging demographics.** Buyers taking advantage of the demand fostered by a growing 65-plus cohort will target not only Sun Belt markets traditionally favorable to seniors, but also satellite metros, such as Tucson and Fayetteville. Renters are not the only group approaching retirement age, as older owners of smaller assets may be eager to sell due to the rapid price appreciation seen in recent years.
- **Cross-sector capital continues to play an important role.** In the wake of the pandemic demand boom, the self-storage sector attracted both institutional and private investors who had traditionally specialized in other asset classes. Though the segment faces near-term hurdles to operations, vacancy that remains below pre-2020 norms should keep buyers new to the sector engaged.

Contact the Presenter



James Reid

CEO **INVESTA**[®]
GROUP



314.250.7000

james@theinvestagroup.com

www.theinvestagroup.com



Virtual Business Card



Contact us for resources &
partnership opportunities

What's Next?



New Webinar – *Real Estate Investing Lessons From Past Recessions*

➔ Register today & join us on July 12!



Have feedback or topic requests?

➔ Let us know in the survey as you leave



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Any More Questions?



Stay Connected



Bill Neville



Business Development Manager
at Entrust



bneville@theentrustgroup.com



(510) 587-0950 x237



James Reid



CEO
at Investa Group



james@theinvestagroup.com

“

Learning gives CREATIVITY
Creativity leads to THINKING
Thinking provides KNOWLEDGE
Knowledge makes you **GREAT**

- *Abdul Kalam*

