

Coley Hall Storage
Project overview
December 19, 2017

The Vilcom Campus is just under 20 acres comprising of 3 buildings and one building pad. The final building pad has been approved for an 83,000sf office building, Coley Hall. This final building pad is roughly half an acre and located on the north-east section of the site. We would like to have the option to build a conditioned self-storage building on this remaining building pad.

Dawson Hall and Coley Hall building pads were purchased in 2006. Dawson Hall was built in 2007 and is still in the process of being leased up. Based on the slow absorption of office space in Dawson Hall, Bryan Properties would like to consider another use for Coley Hall and complete the Vilcom Campus plan.

A consulting firm has completed a market study. This study found that there is strong demand for conditioned self-storage in this location. Approval of a storage building has been approved by the members of the Vilcom Condominium Association. It's important for us to complete the Vilcom Campus Plan in a tasteful way. We are proposing this building be designed to replicate the existing office buildings around the central greenspace.

Coley Hall Storage will fill a need in Chapel Hill and will become a utilized service for many residents. We look forward to working with the town to develop a building that will please the general public and will stand for years to come.

Thank you,

Redwing Land, LLC

SELF-STORAGE DESKTOP MARKET STUDY



Site Location:
77 Vilcom Center Drive
Chapel Hill, NC 27514

Client: William Hedgepeth, Bryan Properties Inc.

Desktop Market Analysis performed by: Self Storage 101



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DESK MARKET STUDY SCOPE

- Executive Summary and Conclusions
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 - Location & Access Commentary
- Market review
 - Demographic information
 - Market
 - Growth projections
 - Income levels
 - Commercial base
 - Competitor Information
 - Map market competitors
 - Rate Matrix
 - Determine subject property's potential market
 - Review traffic patterns, likelihood that potential customers will travel to subject site
- Basic Financial Analysis
 - Recommended unit mix
 - Basic Stabilized Income statement
- Operations and Marketing Recommendations

A comprehensive study of the market area is necessary to determine the underlying fundamentals that impact the occupancy rates and rental rates.

The first step is to define the trade area as a radius. Generally, a suburban property will have a trade area radius of two or three miles, and a more rural property may have a trade area radius of four or five miles. Very dense areas such as Manhattan may only require a trade area of one mile or less.

Next, a survey of all the facilities within the trade area must be taken. The most important information to be gathered includes an approximation of the net rentable area and the occupancy rate. While this information can be difficult to obtain due to its proprietary nature, estimates can be obtained from sources such as assessor's offices, phone surveys, and other public sources. This will allow the supply per foot to be calculated.

Demand for self-storage is difficult to quantify; however, the following three demographic variables have been shown to induce demand for self-storage: *population growth, population density and average household income*. Additionally, there may be further demand factors that are difficult to quantify such as a nearby university or highway. An estimate can also be compared to the average supply on the state and national level.

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On a per-person basis, if the supply is less than the demand, the market is deemed to be undersupplied. If the supply is greater than the demand, the market is deemed to be oversupplied. As a test of reasonableness, a comparison of the conclusion to the average occupancy in the trade area can be made. Generally speaking, oversupplied markets have occupancy rates less than 80 percent and undersupplied markets have rates greater than 90 percent. A market with an average occupancy rate between 80 and 90 percent is deemed to be near equilibrium.

Understanding the supply and demand of the trade area is a key component to analyzing and forecasting rental rates.

FORWARD

The client has engaged Self Storage 101 to conduct a Desktop Pre-Development Site and Market Study for a potential self-storage development or conversion location. The purpose of this report is to provide a cursory offsite review of the subject site and subject market as related to the potential for self-storage development. This study researches sub-markets as related to demographic and competitive data, potential site and location viability within the existing self-storage market and a snapshot of the existing self-storage markets and the potential site's position within those markets.

When reviewing the 'marketability' of a potential self-storage location, Self Storage 101 reviews four distinct areas that are critical in determining the site and market viability:

- 1. The Site and its Location.** As self-storage has become ever more a retail-type business, facility location has become more critical than in past times when self-storage facilities were located in industrial parks or behind the local airport.

From a location standpoint, customers typically want their stored goods within a convenient distance. Although few do, nearly all new customers perceive that they will be accessing their unit frequently. Therefore, they will seek a location that is in close proximity to where they live, work, shop, or otherwise frequent. This would include residential areas, grocery stores, banks, restaurants, or recreational areas. The industry is evolving where the trend is to locate self storage away from industrial areas and into retail and residential areas.

When looking at the specific location, we are evaluating the site for its visibility, accessibility, proximity to potential residential and commercial tenants and its geographical relationship to the other self-storage competitors within the subject market. While contemplating a potential site's suitability it is important to review signage and other marketing opportunities necessary to enhance the subject location's 'statement' within the market.

Access: Some self storage facilities are quite visible but have poor access. That is, the customer who wants to visit cannot locate the facility entrance, has difficulty crossing traffic or slowing down, or has a moving truck that cannot make a certain turn required to enter the facility. Prospective customers will visit facilities with easy access more often.

Visibility: The typical storage customer, upon deciding that a storage unit is needed, will remember seeing a storage facility in or around an area that they frequent. They usually will inquire at this facility to determine the price and availability of storage. A visible development, which is clearly a storage facility, will maximize the number of new customer inquiries.

Traffic Count: It is important to know the traffic count of the roadways in which the facility is visible. This represents the number of cars that will pass by the facility during the average day. Annual average daily traffic information can be obtained from the local department of transportation.

Ideally, the majority of the cars passing the site represent local traffic as opposed to commuter traffic; that is, they carry people who are living, working, or shopping in the immediate area. How much local traffic is necessary depends upon the size of the facility. Facilities that are quite large should have traffic counts in excess of 15,000 cars per day, whereas, small facilities may require less than 5,000.

It is also important to note the following as they relate to market position:

1. **Amenities.** Self-storage customers are becoming more discerning about their self-storage choices and those facilities lacking in 'market amenities' are finding themselves at a disadvantage.
 2. **Curb Appeal.** Self-storage customers sometimes make their decisions regarding a specific site based on the initial look of the facility. A dirty, debris-laden parking lot and trashy landscaping is likely indicative of a poorly managed facility and uncaring managers.
 3. **Specials and Discounts.** The more competitive a market, the more likely it is that a facility will be forced to integrate some type of aggressive move-in discounting in its marketing scheme.
 4. **Statistics.** Most self-storage customers 'shopping' for storage end up renting storage. A critical question to ask when reviewing a self-storage facility is 'why or why not would a potential customer rent here?'
-
2. **The Market.** Self-storage demand in any market is determined by the needs of potential customers and thus, simply having self-storage inventory does nothing to increasing that potential demand. A crucial piece of the 'marketability' puzzle is attempting to determine if there is sufficient demand for self-storage supply. New self-storage customers can come from only a small number of demand pools: population growth, commercial growth or pent up demand not being met by the existing competitors. An underlying question we must ask in evaluating a self-storage facility is 'why would potential self-storage customers rent here?' What about the market indicates that the subject site should garner a share of the move-in activity?
 3. **The Competitors.** Determining the rates, occupancy levels and amenities offered by the market competitors is an important factor in determining the quality of the local self-storage market and the propensity for a reasonable occupancy level and revenue growth for a new self-storage development. Our in-person evaluations of the market competitors are designed to compile both anecdotal and quantitative evidence of the 'marketability' of a particular self-storage facility.

The days of 'build it and they will come' are long over within the self-storage industry. More than ever before it does matter what the competitors are offering in order to entice potential customers. There simply may not be enough potential customers looking for storage in a particular sub-market and any new development will have to be positioned within the market to garner an acceptable percentage of the existing self-storage demand.

4. The Manager. There are very few business models that are as 'manager-centric' as self-storage. Oftentimes, customers do not remember the name of the facility but they almost always know the name of the manager. **We believe that an A+ facility with a C- manager is a C- facility.** It is absolutely critical that a self-storage company hire, train and develop on-site managers at the highest level. The view of managers as 'baby sitters' reflects a view of the business model that is outdated and becoming increasingly less viable. A self-storage manager must have excellent sales abilities, know how to use effective collections techniques and effectively utilize time management skills. In an ever increasingly competitive business cycle, self-storage facilities must have a higher level manager than their competitors. Our evidence shows that in any market, the facilities with the most professional managers almost always have the highest occupancy levels and the highest market rates.

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This report was prepared exclusively for our client. While every attempt is made to provide the highest level of accuracy and reliability, it must be recognized that the report relies heavily on written and verbal information provided by others. In some cases, these sources are competitors, who may have a vested interest in skewing data. Every attempt has been made to eliminate possible misrepresentations. Self Storage 101 accepts no responsibility and shall not be liable for misinformation, either intentional or accidental, and cannot be held responsible for any decisions the developer may make based on this report. Reliable sources and redundant checks are employed, but there is always an outside chance that data can be missed. One should be aware of that fact in decision making based on this report.

It should be noted that the assumptions herein are based on the use of seasoned professionals in the development, entitlement, design, construction, marketing and management of the property.

Self Storage 101 states that it has no financial interest in the development of this proposed project. The payment of professional fees agreed upon for this report was in no manner contingent upon the results and opinions stated within this report.

2016 SELF STORAGE INDUSTRY FACT SHEET^{1 2}

- The self storage industry has been one of the fastest-growing sectors of the United States commercial real estate industry over the period of the last 40 years
- There are now over 48,500 “primary” self storage facilities in the United States as of year-end 2014; another 4,000 are “secondary” facilities (“primary” means that self storage is the “primary” source of business revenue – US Census Bureau)
- There are approximately 60,000 self storage facilities worldwide as of Q2 – 2015; there are more than 3,000 in Canada and more than 1,000 in Australia.
- Total self storage rentable space in the US is roughly 2.5 billion square feet [more than 210 million square meters]. That figure represents more than 78 square miles of rentable self storage space, under roof – or an area well more than 3 times the size of Manhattan Island (NY)
- U.S. self storage facilities pay a total of more than \$3.25 billion in property taxes to local government jurisdictions.
- The distribution of U.S. self storage facilities (Q2-2015) is as follows: 32% urban, 52% suburban and 16% rural.
- The average revenue per square foot varies from facility to facility; however, here are the data for Q2 2015: \$1.25 PSF for a non-climate controlled 10 x 10 unit and \$1.60 PSF for a climate controlled 10 x 10 unit.
- Occupancy rates for self storage facilities as of Q2-2015 were 90% (percentage of units rented per facility) up from 86.8% at year-end 2013.
- In fact, about 9.5% of all American households currently rent a self storage unit (10.85 million of the 113.3 million US HHs in 2013; that has increased from 1 in 17 US HHs (6%) in 1995 (18 years ago).
- U.S. self storage facilities employed more than 170,000 persons, or an average of 3.5 employees per facility.
- The average (mean) size of a “primary” self storage facility in the US is approximately 56,900 square feet.
- Of over 10,000 facilities surveyed, approximately 6,000 are single-story facilities and approximately 4,000 are multi-story facilities.
- Of over 10,000 facilities surveyed, the mean facility size is 546 units and the median facility size is 517 units.
- Of over 10,000 facilities surveyed, 18.7% offer Boat / RV parking and/or storage.
- Of over 10,000 facilities surveyed, 31% offer truck rental.
- The top-6 self storage companies, including 5 real estate investment trusts (Public Storage, Extra Space, National Storage Affiliates Trust, LifeStorage and CubeSmart) plus U-Haul (a public company / non-REIT), own, operate and/or manage some 5,800 self storage facilities, or about 12% of all US facilities. Several public companies are now offering third-party management of facilities owned by other investors.

¹ Compiled from the SSA Website

² as of 7/1/15

Hundreds of facilities are now being managed by the three public companies that have moved into this service area.

- In addition to the public companies in the industry (above), there are more than 150 privately held firms that own and operate 10 or more self storage facilities. In addition, there are some 4,000 firms that own and operate from 2-9 self storage facilities. Lastly, there are more than 26,000 firms that own and operate just one facility.
- There is a total U.S. self storage space capacity of about 21 sq. ft. per American household.
- There is 7.3 sq. ft. of self storage space for every man, woman and child in the nation; thus, it is physically possible that every American could stand – all at the same time – under the total canopy of self storage roofing.
- About 13% of all self storage renters say they will rent for less than 3 months; 18% for 3-6 months; 18% for 7-12 months; 22% for 1-2 years; and 30% for more than 2 years.
- Some 68% of all self storage renters live in a single-family household; 27% live in an apartment or condo.
- Some 65% of all self storage renters have a garage but still rent a unit; 47% have an attic in their home; and 33% have a basement.
- Some 47% of all self storage renters have an annual household income of less than \$50,000 per year; 63% have an annual household income of less than \$75,000 per year.
- More than 1.5 million self storage units nationwide are rented to military personnel (6% of all units); however, in communities adjacent to domestic US military bases, military occupancy can be from 20% to 95% of all rented units.
- Self Storage operators value military personnel as self storage customers and traditionally extend special incentives and discounts to those with a valid military ID card, such as: 10%-30% discounts off rental rates, free months of rent, gift certificates, free use of moving truck, "one-dollar move-ins," no rent increases while deployed overseas, waiver of security deposits, administration fees, etc.
- It took the self storage industry more than 25 years to build its first billion square feet of space; it added the second billion square feet in just 8 years (1998-2005).
- 83.9% of all US counties (or 2,634 out of 3,141) have at least one "primary" self storage facility.

EXECUTIVE SUMMARY & OPINIONS

On or about April 15, 2017, the Team at Self Storage 101 conducted a Self Storage Desk Market Study for a specific potential development or conversion site in the Chapel Hill, NC market. The study included an offsite examination of the subject property, a review of the self-storage competitors in the market and the demographic profile of the subject market.

It is my opinion that the market is favorable for the development of a sufficiently profitable amount of self-storage space and in particular climate controlled space. We do believe it is likely that acceptable financial assumptions and returns can be met, assuming the land and development costs are not overly burdensome, and that these return calculations would be impacted by what we would calculate to be an acceptable lease-up period and moderately high to high rental rates.

We should note that as the Desktop Study level of reporting we recommend NOT moving forward on a particular project approximately 50% of the time and for those reports we do recommend moving forward, we generally rank those recommendations from between 'marginally favorable' to 'highly favorable' and those recommendations are, generally, about one third 'marginally. Favorable. one third 'favorable, and one third 'highly' favorable.

Our opinion is based on the following:

- The square foot demand calculations would appear to indicate that the subject market up to the three-mile demographic profile is under-developed by a substantial amount of storage space and there is a more than sufficient amount of unmet self storage space demand for the contemplated development and in particular for climate controlled storage space.
- The subject site's financial viability is impacted by the moderately high to high rental rates for climate controlled storage space in place at the market competitors and for this reason we have created a recommended unit mix with 100% climate controlled space.

We believe this particular potential development is represented as a 'B+' market and the site is a 'B' site.

We consider this a 'B+' market due to what appears to be moderately high to high occupancy levels, the calculation of a substantial amount of potential unmet demand for additional self storage space in the market, the moderately high to high rental rates for storage space, the moderately high to high per capita and household income levels, the low to moderately low population density and projected population growth. (We would consider this an 'A' market if there was a higher calculated demand for storage in the market and if the population density was higher).

We would consider this a 'B' site due to the location with some level of visibility from a moderately high traffic count roadway, the lack of close proximity to more substantial numbers of residential customers, the 'owned' market of the site (due to the lack of competitors in closer proximity) and the potential for population drive by opportunities in close proximity. (We would consider this an 'A' site if the traffic count was higher, if the visibility from the higher traffic count roadway was better and if the population density in closer proximity was higher).

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The very limited amount of storage space owned and operated by sophisticated, institutional operators in the market does indicate that substantial rental rate increases should likely not be expected in the near future as occupancy levels increase. Any proforma increases in the rental rates would be minimally influenced by the presence of properties owned and managed by institutions.

In markets where institutional investments have been made, once projects meet stabilized occupancy, rental rates tend to be aggressively managed, thus creating opportunities for increased rents. Where institutionally-owned projects are not prevalent, owner-managed properties tend to have lower rents and a greatly reduced propensity for annual and/or aggressive yield and revenue management. This first paradigm does exist in the Chapel Hill market, albeit in a very limited presence, and so therefore we would not necessarily expect the rental rates to increase significantly as the occupancy levels increase.

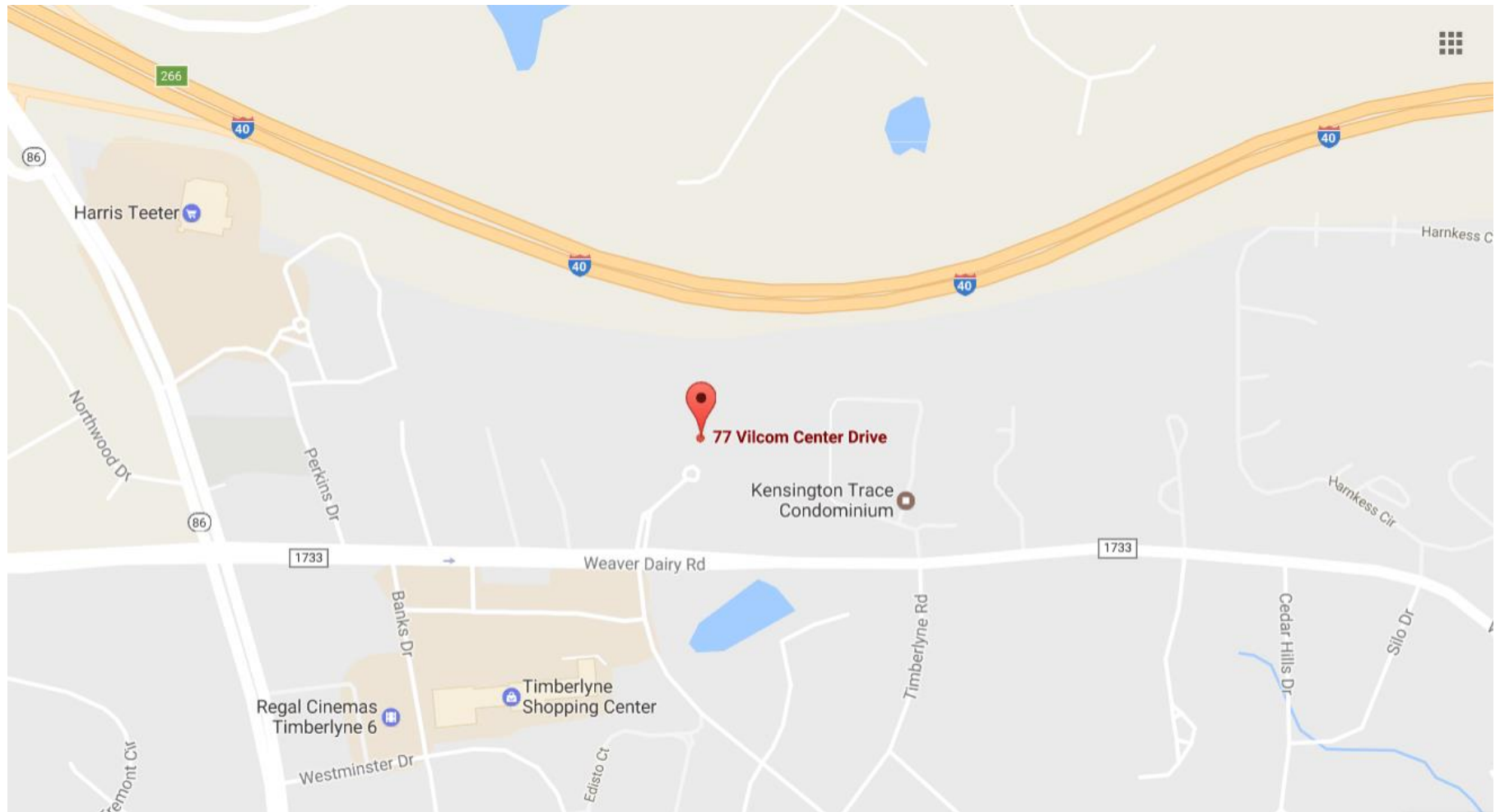
Our Opinions and Recommendations are based on the information contained herein the following report.

We would recommend that the developer consider further examination of this potential site for self storage development.

Chapel Hill, NC
SITE REVIEW
AERIAL VIEW



MAP VIEW



SITE EVALUATION

VISIBILITY: The subject site should be developed in such a manner as to have some level of visibility from Weaver Dairy Road, what appears to be a moderately high traffic count roadway in the subject market, and a high level of visibility from Vilcom Center Drive, a lower traffic count tertiary roadway. When asked “Why did you rent from a particular self-storage facility?” for a Self Storage Market Study conducted by the SSA, customers overwhelmingly responded ‘because I saw it.’ There are few market conditions that can more positively affect a potential site’s viability than high visibility from a high traffic primary arterial. Tenants tend to store close to home and at a facility that ‘fits’ into their normal commute patterns. The subject site should rank at least good on the ‘visibility’ scale from Weaver Dairy and very good from Vilcom Center.

Potential view of subject site from Weaver Dairy.



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View of subject site from Vilcom Center.



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ACCESS: Depending on where access to the subject site is granted, the site could have very good access for both directions of travelers on Weaver Dairy Road and Vilcom Center Drive as there are no road dividers in this section of either roadway.

Potential access from Weaver Dairy.



Potential access from Vilcom Center.



TRAFFIC COUNT: The subject site is located with very good visibility and good access from what appears to be a moderate traffic count roadway in the subject market. Since a large percentage of potential self storage customers tend to gravitate to a particular facility because of an initial drive-by, we encourage the developer to take advantage of the lack of internet presence and sophistication on the part of some the market competitors and to take advantage of the visibility from the moderately high traffic count roadway by maximizing the amount of signage allowed at the site.

We would also encourage the developer to create and implement and robust, effective internet marketing plan, including a professional website with online rates and reservations, as well as concerted SEO efforts, in order to take further marketing advantage over some of the competitors.

LOCATION RELATIVE TO COMPETITORS: The subject site does appear to enjoy some level of location advantage as it is located with some level of visibility from a higher traffic count roadway than some of the competitors. It also appears to 'own' a sub-section of the market as there are no self storage competitors located in close proximity within two miles of the subject site and in particular to the north, west and south.

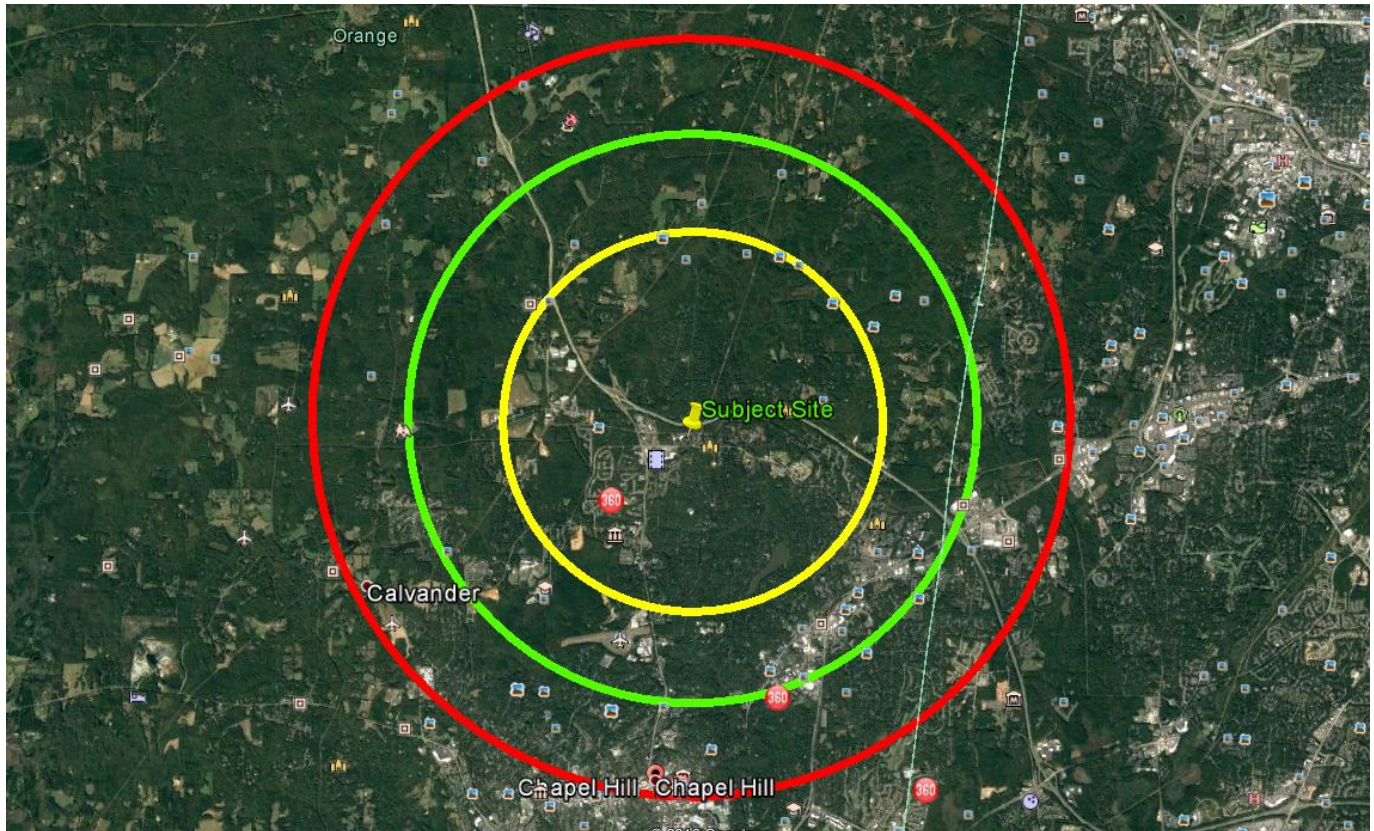
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It is important to note that the subject property should have a distinct management advantage over all of the competitors. Self-storage is a highly 'manager-centric' business model and the level of management expertise in the Chapel Hill sub-market is, at best, mediocre to poor. Our opinion is based on making phone call to some of the competitors, some knowledge of this particular sub-market and an overall knowledge base of the level of management expertise at all, if not most, of the larger self-storage operators. (For example, Uhaul generally has some of the most consistently 'C' level managers and Public Storage generally has 'B' to 'B-' managers, while Cubesmart, Extra Space and Life Storage generally have much more highly rated onsite managers).

A strong sales-oriented manager will garner his or her fair share of the self-storage market in this sub-market of Chapel Hill.

MARKET REVIEW

The following demographic profile is based on the concentric map: 2-, 3- and 4 mile radii from the subject site. It is our belief that the primary customer base for the subject site resides within four miles of the subject site.



Understanding the customer demographics of the surrounding market area is essential for storage developers, owners, and operators. Accurately identifying the types of customers, as well as their wants and needs, is critical in order to form the necessary operational and marketing decisions for a facility.

In a market area comprised of a high percentage of commercial or business tenants, add-ons such as on-site conference rooms, free Wi-Fi, central workspaces, climate control, or other amenities that carry special appeal for business customers can be profitable. In areas with older renters or senior citizens, convenience-oriented services such as professional packing and moving assistance could prove valuable.

The largest proportion of tenants is typically residential customers. While approximately 70 percent of all storage tenants tend to fall in this category, it is important to understand that these numbers can change from market area to market area. In those areas with a predominantly residential customer base, operators need to keep in mind that life changes often drive the decision to need storage. This can range from a divorce or death in the family to remodeling or selling a home.

Depending on the housing specifics in the market area, residential customers may also consist of apartment or condo dwellers who do not have enough storage space where they live. On a national basis while 68 percent of residential customers tend to live in a single-family home, nearly 30 percent reside in multi-family housing.

Another important demographic for self-storage is to know what percentage of your customers are male and female. It is noted that 85 percent of all purchases are made by women and 80 percent of all purchasing decisions are made by women. This means that although men may do the heavy lifting in terms of moving in or out of a unit, the actual rental or decision to rent was likely made by a woman. It should be noted that 57.7 percent of storage renters in 2014 were men and 42.3 percent were women. However, if 85 percent of the decisions on where to rent are actually made by women, the scales are tipped even farther in favor of women as likely storage customers.

Customer age is another demographic that should be considered, especially in terms of the amenities and services offered at a facility. The largest percentage of renters are between the ages of 46 and 55. Falling right behind that are the 36 to 45 and 56 to 65 age groups at 22 percent and 21 percent, respectively. On average, 13 percent tend to be customers over age 65. Understandably, the smallest percentage of storage customers—3 percent—is represented by millennials under age 25.

DEMOGRAPHICS³

Description	2 Miles	3 Miles	4 Miles
POPULATION BY YEAR			
Population (4/1/1990)	8,805	22,203	40,185
Population (4/1/2000)	12,214	28,901	53,549
Population (4/1/2010)	15,662	34,541	60,374
Population (1/1/2016)	16,774	36,879	64,634
Population (1/1/2021)	17,501	38,457	67,297
Percent Growth (2016/2010)	7.10	6.77	7.06
Percent Forecast (2021/2016)	4.33	4.28	4.12
HOUSEHOLDS BY YEAR			
Households (4/1/1990)	3,695	9,513	15,364
Households (4/1/2000)	4,900	11,748	20,442
Households (4/1/2010)	6,262	13,849	23,648
Households (1/1/2016)	6,612	14,584	25,164
Households (1/1/2021)	6,864	15,136	26,175
Percent Growth (2016/2010)	5.59	5.31	6.41
Percent Forecast (2021/2016)	3.81	3.78	4.02
GENERAL POPULATION CHARACTERISTICS			
Median Age	36.9	37.3	32.2
Male	7,852	17,415	30,527
Female	8,922	19,464	34,107
Density	1,336.8	873.7	1,208.7
Urban	15,849	32,728	60,468
Rural	925	4,151	4,166
GENERAL HOUSEHOLD CHARACTERISTICS			
Households (1/1/2016)	6,612	14,584	25,164
Families	4,103	8,983	13,541
Non-Family Households	2,509	5,601	11,623
Average Size of Household	2.52	2.49	2.39
Median Age of Householder	49.4	49.3	47.3
Median Value Owner Occupied (\$)	406,831	356,841	344,291
Median Rent (\$)	883	836	862
Median Vehicles Per Household	2.2	2.3	2.2
GENERAL HOUSING CHARACTERISTICS			
Housing, Units	6,943	15,619	27,323
Housing, Owner Occupied	3,866	8,921	13,571
Housing, Renter Occupied	2,746	5,663	11,593
Housing, Vacant	331	1,035	2,159
POPULATION BY RACE			
White Alone	11,029	25,391	46,814
Black Alone	1,157	3,107	5,995
Asian Alone	3,365	5,639	7,536
American Indian and Alaska Native Alone	42	103	189
Other Race Alone	610	1,341	2,078

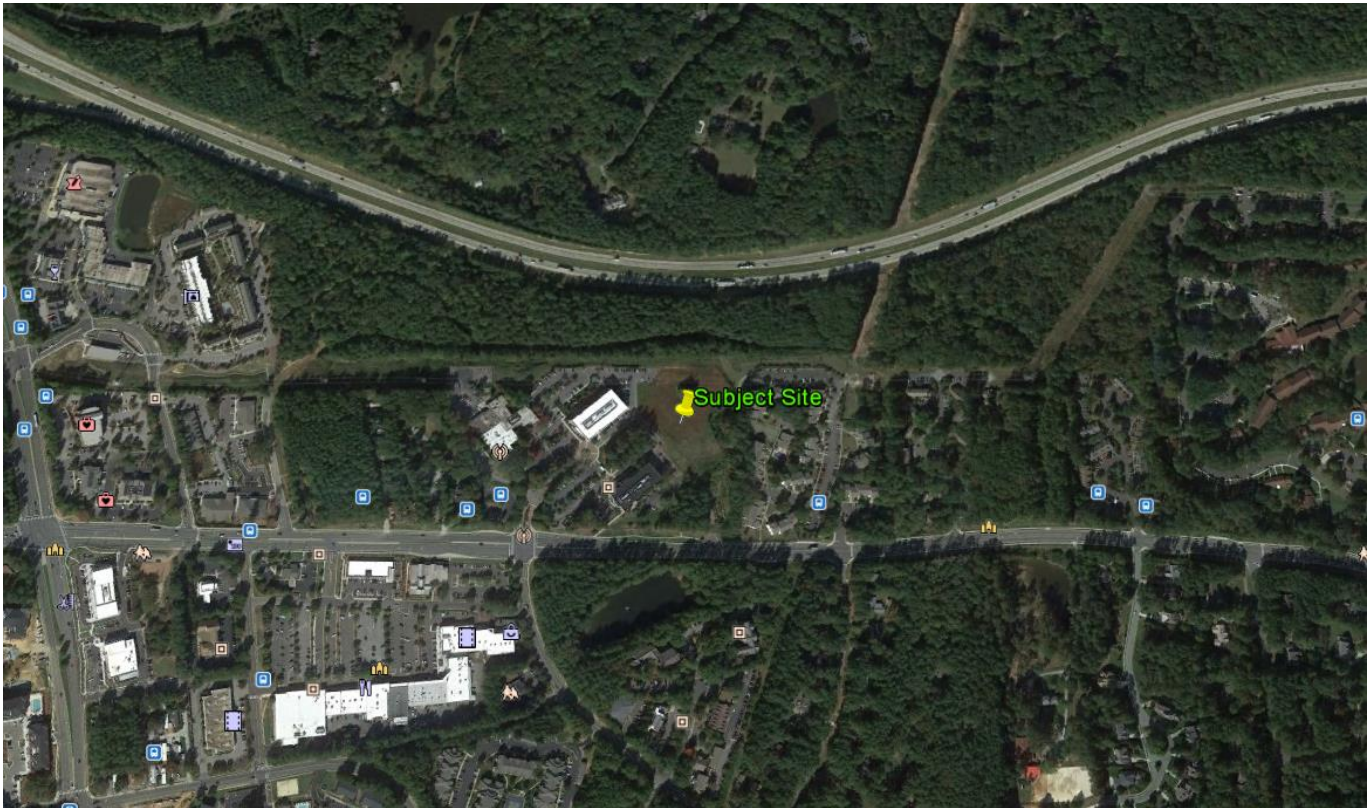
1 The demographic profile is compiled through a subscription service.

POPULATION BY ETHNICITY			
Hispanic	1,291	3,046	4,856
White Non-Hispanic	10,399	23,879	44,297
GENERAL INCOME CHARACTERISTICS			
Total Household Income (\$)	986,529,310	2,017,075,069	3,047,890,177
Median Household Income (\$)	99,551	91,358	75,154
Average Household Income (\$)	149,203	138,307	121,121
Per Capita Income (\$)	59,175	55,370	47,909
RETAIL SALES			
Total Retail Sales (including Food Services) (\$)	57,747	127,756	318,608
CONSUMER EXPENDITURES			
Total Annual Expenditures (\$000)	470,782.8	1,006,865.4	1,626,148.5
EMPLOYMENT BY PLACE OF BUSINESS			
Employees, Total (by Place of Work)	2,212	4,627	8,559
Establishments, Total (by Place of Work)	239	524	933

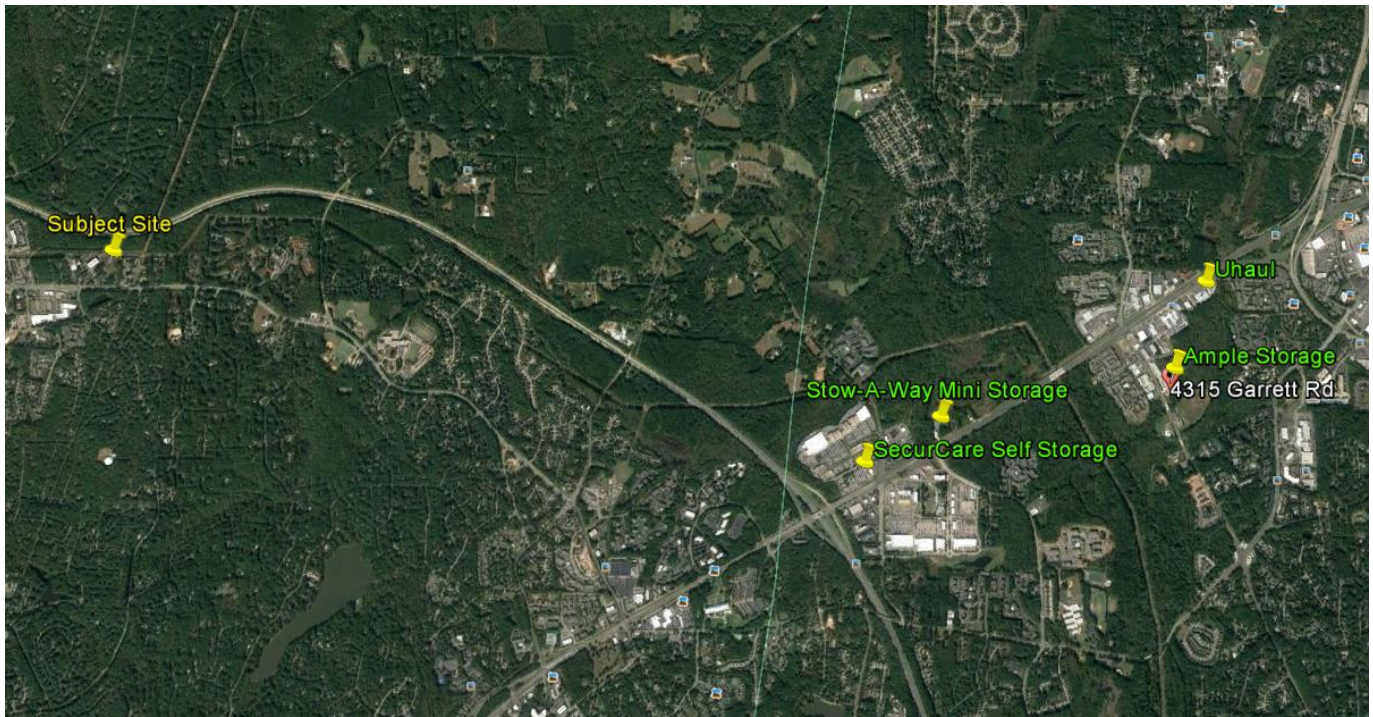
The demographic profile indicates that the population and household numbers are projected to increase over the next five years. It also indicates that the household and per capita income levels are at moderately high to high levels and the population density is at low to moderately low numbers.

NEIGHBORHOOD

The neighborhood in close proximity to the subject site is primarily comprised of vacant land parcels, single family and multi-family residential neighborhoods and a number of commercial enterprises of various types and sizes located near the site.



COMPETITORS BY LOCATION



In most subject markets there are additional self storage competitors we may not have included in the map and profiles. If we have not included any competitors within the subject market it is due to those facilities being very small or small (as related to rentable square footage or numbers of units) and/or their being so limited in quality and amenities as to not warrant consideration as a competitor of the subject site.

An important step in determining the feasibility of building a self storage facility at a particular location is the level and quality of competition within the target market area as well as the potential for future competition. The examination of the existing competition must be done using both market demand calculations and a review of the quality of the market competitors.

The 'quality' issues include the examination of the competitive stores' curb appeal, ingress and egress, over-all visibility, the professionalism of the management staff, security features, the facility's Unit Mix between standard and climate controlled spaces and the competitors' locations relative to the subject site within the target market area.

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We should point out that there is a clear delineation between 'primary' and 'secondary' competitors. 'Primary' competitors consist of those self-storage facilities that are the most likely to compete for the same tenant base as the subject site. These competitors are determined by proximity to the primary market, amenity level, marketing prowess and management expertise. A self-storage facility that is close in proximity may not necessarily qualify as a primary competitor if the level of amenities is low, they have no marketing in place or the management is of a very low quality.

When deciding on the primary competitors, we ask ourselves 'if a prospective tenant does not rent from the subject site, where would they rent?'

COMPETITOR PROFILES⁴

1. SecurCare Self Storage 5502 Durham-Chapel Hill Blvd, Durham, NC 27707 (919)-489-1300

Distance from Subject	Year Built	Occupancy	Net Square Feet	Number of Units	Single or Multi Story	Generation
2.2 miles	1980s	Very limited			Single	2 nd
Climate Control	Controlled Access Gate	24 Hour Access	Convenient Parking	Door Alarms	Cameras	Fire Sprinklers
No	Yes	Yes	No	No	Yes	No
Boat/RV Parking	Covered Parking	Truck Rental	Retail Ready Office	Resident Manager	Elevator	Drive Surface
Yes	No	No	No	No	No	Asphalt
Property Ratings	Visibility	Location	Traffic Count	Access	Condition	Curb Appeal
	B+	A	A	B-	B	B-
Drive Width	Manager	Office Quality	Overall Rating	Office Hours	Office Hours	Access Hours
B	N/A	N/A	B	M-F: 10-6pm Sat: 10-5pm	Sun: Closed	24/7

	5x5	5x10	10x10	10x15	10x20	Parking
Climate Down						
Climate Up						
Non Climate		\$86	\$123			

Comments:

Property Photo



⁴ The Competitor Profiles are completely filled in during onsite visits as part of the scope of work in a full Feasibility Study.

2. Stow-A-Way Mini Storage 5200 Durham-Chapel Hill Blvd, Durham, NC 27707 (919)-489-8972

Distance from Subject	Year Built	Occupancy	Net Square Feet	Number of Units	Single or Multi Story	Generation
2.4 miles	1990s				Single	2 nd
Climate Control	Controlled Access Gate	24 Hour Access	Convenient Parking	Door Alarms	Cameras	Fire Sprinklers
Boat/RV Parking	Covered Parking	Truck Rental	Retail Ready Office	Resident Manager	Elevator	Drive Surface
Property Ratings	Visibility	Location	Traffic Count	Access	Condition	Curb Appeal
	B	A	A	C	B	B
Drive Width	Manager	Office Quality	Overall Rating	Office Hours	Office Hours	Access Hours
n/a						

	5x5	5x10	10x10	10x15	10x20	Parking
Climate Down						
Climate Up						
Non Climate						

Comments: no answer at this site after several attempts

Property Photo



3. Ample Storage Center 4315 Garrett Rd, Durham, NC 27707 (919)-489-5999

Distance from Subject	Year Built	Occupancy	Net Square Feet	Number of Units	Single or Multi Story	Generation
3.2 miles	2000s	Limited avail			Multi	2 nd
Climate Control	Controlled Access Gate	24 Hour Access	Convenient Parking	Door Alarms	Cameras	Fire Sprinklers
Yes	Yes	No	Yes	No	Yes	No
Boat/RV Parking	Covered Parking	Truck Rental	Retail Ready Office	Resident Manager	Elevator	Drive Surface
Yes	No	No	Yes	Yes	Yes	Concrete
Property Ratings	Visibility	Location	Traffic Count	Access	Condition	Curb Appeal
	A	B+	A-	B+	A-	A
Drive Width	Manager	Office Quality	Overall Rating	Office Hours	Office Hours	Access Hours
B+				M-F: 9-6pm Sat: 9-4pm	Sun: 1-5pm	7am-9pm

	5x5	5x10	10x10	10x15	10x20	Parking
Climate Down			\$185			
Climate Up			\$160			
Non Climate			\$145	\$180		

Comments:

Property Photo



4. U-Haul Moving & Storage 4411 Durham-Chapel Hill Blvd, Durham, NC 27707 (919)-682-9302

Distance from Subject	Year Built	Occupancy	Net Square Feet	Number of Units	Single or Multi Story	Generation
3.4 miles	1990s	Very limited			Multi	2 nd
Climate Control	Controlled Access Gate	24 Hour Access	Convenient Parking	Door Alarms	Cameras	Fire Sprinklers
Yes	No	Yes	Yes	Yes	Yes	Yes
Boat/RV Parking	Covered Parking	Truck Rental	Retail Ready Office	Resident Manager	Elevator	Drive Surface
No	No	Yes	Yes	No	No	Asphalt
Property Ratings	Visibility	Location	Traffic Count	Access	Condition	Curb Appeal
	A	A-	A-	C+	B	B
Drive Width	Manager	Office Quality	Overall Rating	Office Hours	Office Hours	Access Hours
B	C	B-	B	M-Thu: 7-7pm Fri: 7-8pm	Sat: 7-7pm Sun: 9-7pm	24/7

	5x5	5x10	10x10	10x15	10x20	Parking
Climate Down		\$104.95	\$154.95			
Climate Up		\$89.95				
Non Climate	\$69.95	\$89.95	\$144.95	\$189.95		

Comments:

Property Photo



DEMAND ANALYSIS

A widely accepted methodology for calculating demand in a market is to examine the amount of storage square footage in the market per capita. The reader is cautioned that the square-foot-per-capita analysis lacks credibility. A benchmark that reflects saturation or demand levels has not been established for any U.S. market. Sufficient data is not available to determine what the threshold for demand may be. Furthermore, making use of the Self-Storage Almanac metro guides and top markets is problematic because of their methodology in determining the supply. What the Almanac has done is to apply an average size facility of 51,150 square feet and multiply the number of facilities in a market (presumably from the phone book) times 51,150. That is how they calculated the number of square feet in a market. The analysis is only as good as the analyst's confidence that the average size of stores (facilities) is the same in every market in the U.S., and that the average size is 51,150.

What one will find in making use of data from the Almanac is that it is difficult to draw any conclusion as to what the "right" or maximum square-foot-per-capita number is. For example, the highest level is in Wichita Kansas at 10.88 square feet per capita. The lowest is in the Honolulu metropolitan area at 2.36 square feet per capita. In both markets, occupancies can be found to be similar. You cannot, therefore, conclude that the supply threshold for Honolulu is over 10 times the current supply.

The only way to properly assess and analyze square-foot-per-capita demand analysis is to first get an accurate count of square footage. Second, the supply needs to be juxtaposed with occupancies. There are only too many square feet per capita when there are too many available square feet, as measured by vacancy. That is to say that the number of square feet per capita has to be quantified by occupancy, and when occupancy drops, then supply has exceeded demand.

This market analysis would indicate that the four-mile subject market is most likely 'under-supplied' as evidenced in part by the anecdotal evidence of high occupancy thru onsite manager comments and the dynamic pricing models utilized by some of the competitors. (On those websites that use dynamic pricing, unit sizes with limited or no availability will either not be listed on the site or not have any promotion discounts or indicated 'call for availability' instead of 'reserve'). We believe that the review of the market and the competitors would indicate that there is demand in the market for the contemplated improvements and the demand calculations and anecdotal evidence of higher occupancy levels appear to substantiate that indication.

While we do not necessarily prescribe to calculating and reviewing the demand numbers in a 'vacuum', we have made those calculations using averages facility sizes and MSA demand and supply numbers from the Self Storage Almanac and a **cursory review of those numbers would support the development of a substantial amount of additional self-storage space as contemplated with the development project.**

Those demand calculations follow.

Using the national average demand calculation number for comparison, as well as the State and National demand calculations the analysis would indicate that there is likely at least a modest amount of unmet demand within the two-mile demographic profile and more substantial amount of unmet demand within the three-mile and four-mile demographic profiles. We should note that it is our belief that the primary demographic that would constitute a large percentage of the potential tenant base resides within four-miles of the subject site.

Notes:

- **'Radius'** refers to the mile radius within the sub-market with the subject site as the central point in that radius.
- **'Subject Property'** is referring to the square foot per person within the subject site within the particular radius.
- The **'MSA SQ/CAP'** is the comparison number used per the 2017 Self Storage Almanac that represents the amount of rentable square feet per person in the subject site MSA (Metropolitan Statistical Area)
- The **'State SQ/CAP'** is the number reported by the 2017 Self Storage Almanac for the state in which the subject site is located.
- The **'US Average'** is the amount of square footage per person across the US as reported in the 2017 Self Storage Almanac. We use this average number for our demand calculation analysis as the subject market would be considered 'under-supplied' given the low average per person number.
- The **'Highest MSA/US'** is the highest average square foot per person noted in the US, the Wichita KS MSA.
- The **'Lowest MSA/US'** is the lowest average square foot per person noted in the US, the Honolulu HI MSA.
- The first section of the calculated demand includes the market competitors.
- The second section of the calculated demand includes subject property and the market competitors.
- There are two columns of calculated demand in each section:
 - The first column calculates the demand including the population as reported in the demographic report plus an additional 10% of demand calculated for commercial users.
 - The amount of commercial users can vary from nearly 0% to a much more substantial percentage, depending on subject site location and the demographic profile of the subject market. We have used 10% for the subject site due to the location in a suburban market within a commercial/retail area.
 - The second column calculates the demand including the population as reported in the demographic report with no amount of demand calculated for commercial users.

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RADIUS	SUBJECT PROPERTY	MSA SQ/ CAP	STATE SQ/ CAP	US AVERAGE	HIGHEST MSA US	LOWEST MSA US
		8.39	8.39	7.82	10.88	2.36
		Variances				
2 MILE	0.00	-8.39	-8.39	-7.82	-10.88	-2.36
3 MILE	2.98	-5.41	-5.41	-4.84	-7.90	0.62
4 MILE	3.40	-4.99	-4.99	-4.42	-7.48	1.04
CALCULATION						
<i>Demand Calculations Including the noted competitors in the subject market</i>						
	2016 POPULATIO	# OF FACILITIES	SQUARE FOOTAGE	SQUARE FEET PER CAPITA	Potential Unmet Demand Comp: MSA SF/Person Plus 10% Commercial	Potential Unmet Demand Comp: MSA SF/Person No Commercial
RADIUS						
2 MILE	16774	0	0	0.00	144290	131173
3 MILE	36879	2	110000	2.98	207233	178394
4 MILE	64634	4	220000	3.40	335982	285438

The **GREEN** highlighted numbers indicate the amount of unmet square footage demand within the various demographic profiles.

Any **RED** highlighted numbers would indicate the amount of over-supply within the various demographic profiles.

We should note that we have used an average square footage size of 55,000 for the market competitors. While it is likely these facility sizes would change with a more thorough onsite market study we do not believe the numbers would change dramatically.

While we acknowledge that consideration of a particular market’s per person square footage demand is an important consideration when contemplating the development of a new self storage facility we also strongly believe that there is a temptation to assign far too much importance to this one aspect of a potential development.

These demand numbers would suggest that there is likely a substantial amount of unmet demand within the four-mile demographic profile of the subject site and that it is more than likely that this subject market is under-supplied.

COMPETITOR RATE MATRIX

NON CLIMATE CONTROL											
PROPERTY	Map #	5 x 5		5 x 10		10 x 10		10x15		10 x 20	
		SecurCare Self Storage	1	\$	0.00	\$	86.00	\$	123.00	\$	0.00
Stow A Way Mini Storage	2	\$	0.00	\$	0.00	\$	0.00	\$	0.00	\$	0.00
Ample Storage Center	3	\$	0.00	\$	0.00	\$	145.00	\$	180.00	\$	0.00
Uhaul	4	\$	69.95	\$	89.95	\$	144.95	\$	189.95	\$	0.00
Average		\$	69.95	\$	87.98	\$	137.65	\$	184.98	\$	0.00

CLIMATE CONTROL											
PROPERTY	Map #	5 x 5		5 x 10		10 x 10		10x15		10 x 20	
		SecurCare Self Storage	1	\$	0.00	\$	0.00	\$	0.00	\$	0.00
Stow A Way Mini Storage	2	\$	0.00	\$	0.00	\$	0.00	\$	0.00	\$	0.00
Ample Storage Center	3	\$	0.00	\$	0.00	\$	185.00	\$	0.00	\$	0.00
Uhaul	4	\$	0.00	\$	104.95	\$	154.95	\$	0.00	\$	0.00
Average		\$	0.00	\$	104.95	\$	169.98	\$	0.00	\$	0.00

RECOMMENDED UNIT MIX

UNIT MIX							
SIZE		UNIT SQ FT	SPACE TYPE	% OF SF TOTAL	TYPE SQ FT	# OF SPACES	% OF UNITS TOTAL
5 x	5	25	Climate Controlled DOWN	2%	1,250	50	9%
5 x	10	50	Climate Controlled DOWN	8%	4,500	90	16%
5 x	15	75	Climate Controlled DOWN	14%	8,250	110	19%
10 x	10	100	Climate Controlled DOWN	22%	13,000	130	23%
10 x	15	150	Climate Controlled DOWN	25%	15,000	100	18%
10 x	20	200	Climate Controlled DOWN	30%	18,000	90	16%
				TOTAL SQ FT	AVERAGE	TOTAL UNITS	% OF SPACE
Climate Controlled DOWN BUILDINGS TOTAL				60,000	105	570	100%
PROJECT TOTALS				60,000		570	

We have recommended a unit mix 100% climate controlled space due to the lower rates in place in the market for non climate space , the higher income levels and what appears to be a higher demand for climate space in the market. We have also assumed a single-story designed facility with approximately 60,000 net rentable square feet.

UNIT MIX							
SIZE		UNIT SQ FT	SPACE TYPE	% OF SF TOTAL	TYPE SQ FT	# OF SPACES	% OF UNITS TOTAL
5 x	5	25	Climate Controlled DOWN	2%	1,250	50	9%
5 x	10	50	Climate Controlled DOWN	8%	4,500	90	16%
5 x	15	75	Climate Controlled DOWN	14%	8,250	110	19%
10 x	10	100	Climate Controlled DOWN	22%	13,000	130	23%
10 x	15	150	Climate Controlled DOWN	25%	15,000	100	18%
10 x	20	200	Climate Controlled DOWN	30%	18,000	90	16%
				TOTAL SQ FT	AVERAGE	TOTAL UNITS	% OF SPACE
Climate Controlled DOWN				60,000	105	570	100%
BUILDINGS TOTAL				60,000		570	100%
PROJECT TOTALS				60,000		570	

We have recommended rental rates that we believe will allow the subject site to be competitive within the sub-market and have derived those rates from the local market competitors. We also recognize that the time lapse between the creation of this report and the opening of this site could result in an actual unit mix with the same rates, higher rates, or lower rates, depending on how the market performs over the ensuing months.

12 MONTH STABILIZED INCOME STATEMENT

INCOME														
Gross Potential Income	\$113,804	\$113,804	\$113,804	\$113,804	\$113,804	\$113,804	\$113,804	\$113,804	\$113,804	\$113,804	\$113,804	\$113,804	\$113,804	\$ 1,365,650
Occupancy	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%
Rents	\$102,424	\$102,424	\$102,424	\$102,424	\$102,424	\$102,424	\$102,424	\$102,424	\$102,424	\$102,424	\$102,424	\$102,424	\$102,424	\$ 1,229,085
Other Income	\$ 5,121	\$ 5,121	\$ 5,121	\$ 5,121	\$ 5,121	\$ 5,121	\$ 5,121	\$ 5,121	\$ 5,121	\$ 5,121	\$ 5,121	\$ 5,121	\$ 5,121	\$ 61,454
Discounts/Write Offs	\$ (6,453)	\$ (6,453)	\$ (6,453)	\$ (6,453)	\$ (6,453)	\$ (6,453)	\$ (6,453)	\$ (6,453)	\$ (6,453)	\$ (6,453)	\$ (6,453)	\$ (6,453)	\$ (6,453)	\$ (77,432)
TOTAL INCOME	\$101,092	\$101,092	\$101,092	\$101,092	\$101,092	\$101,092	\$101,092	\$101,092	\$101,092	\$101,092	\$101,092	\$101,092	\$101,092	\$ 1,213,107
EXPENSES														
Advertising & Promotion	\$ 1,560	\$ 1,560	\$ 1,560	\$ 1,560	\$ 1,560	\$ 1,560	\$ 1,560	\$ 1,560	\$ 1,560	\$ 1,560	\$ 1,560	\$ 1,560	\$ 1,560	\$ 18,721
Insurance	\$ 1,119	\$ 1,119	\$ 1,119	\$ 1,119	\$ 1,119	\$ 1,119	\$ 1,119	\$ 1,119	\$ 1,119	\$ 1,119	\$ 1,119	\$ 1,119	\$ 1,119	\$ 13,430
Management	\$ 6,066	\$ 6,066	\$ 6,066	\$ 6,066	\$ 6,066	\$ 6,066	\$ 6,066	\$ 6,066	\$ 6,066	\$ 6,066	\$ 6,066	\$ 6,066	\$ 6,066	\$ 72,786
Miscellaneous & Other	\$ 1,226	\$ 1,226	\$ 1,226	\$ 1,226	\$ 1,226	\$ 1,226	\$ 1,226	\$ 1,226	\$ 1,226	\$ 1,226	\$ 1,226	\$ 1,226	\$ 1,226	\$ 14,709
Office and Administrative	\$ 2,398	\$ 2,398	\$ 2,398	\$ 2,398	\$ 2,398	\$ 2,398	\$ 2,398	\$ 2,398	\$ 2,398	\$ 2,398	\$ 2,398	\$ 2,398	\$ 2,398	\$ 28,779
Payroll & Burden	\$ 8,674	\$ 8,674	\$ 8,674	\$ 8,674	\$ 8,674	\$ 8,674	\$ 8,674	\$ 8,674	\$ 8,674	\$ 8,674	\$ 8,674	\$ 8,674	\$ 8,674	\$ 104,091
Real Estate Taxes	\$ 8,500	\$ 8,500	\$ 8,500	\$ 8,500	\$ 8,500	\$ 8,500	\$ 8,500	\$ 8,500	\$ 8,500	\$ 8,500	\$ 8,500	\$ 8,500	\$ 8,500	\$ 102,000
Repairs & Maintenance	\$ 1,013	\$ 1,013	\$ 1,013	\$ 1,013	\$ 1,013	\$ 1,013	\$ 1,013	\$ 1,013	\$ 1,013	\$ 1,013	\$ 1,013	\$ 1,013	\$ 1,013	\$ 12,151
Utilities	\$ 3,464	\$ 3,464	\$ 3,464	\$ 3,464	\$ 3,464	\$ 3,464	\$ 3,464	\$ 3,464	\$ 3,464	\$ 3,464	\$ 3,464	\$ 3,464	\$ 3,464	\$ 41,570
TOTAL EXPENSES	\$ 34,020	\$ 34,020	\$ 34,020	\$ 34,020	\$ 34,020	\$ 34,020	\$ 34,020	\$ 34,020	\$ 34,020	\$ 34,020	\$ 34,020	\$ 34,020	\$ 34,020	\$ 408,239
NOI	\$ 67,072	\$ 67,072	\$ 67,072	\$ 67,072	\$ 67,072	\$ 67,072	\$ 67,072	\$ 67,072	\$ 67,072	\$ 67,072	\$ 67,072	\$ 67,072	\$ 67,072	\$ 804,868

This income statement is intended to give the reader an overview estimation of the stabilized income and expenses of the subject site. We have used typical, customary expenses based on per square foot averages for the various expense categories with some adjustments for the region and location of the subject site. We have also included a 6% management fee, as is customary, as well as an 90% stabilized economic occupancy and a 5% ancillary income percentage. We should note that these numbers, both on the income and expense side of the statement, can and will likely be adjusted within the scope of a more detailed financial feasibility study.

It should be noted that this income statement is assuming the site at stabilization and as such we assume a 4% increase in the gross potential revenue and 3% increase in expenses and so the gross potential at this point in the ‘life’ of the facility would be an increase over the gross potential contemplated with the recommended unit mix. *Please note that these increase assumptions will account for the differences in the gross potential rent from the recommended unit mix and the income statement.*

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The income portion of the income statement consists of rental income and 'other' income. The other income includes late fees, tenant insurance payments, retail merchandise sales and various other 'ancillary' income sources. This amount would be adjusted up, for example, should the developer add truck rentals to the operation, and would be adjusted down should the developer choose not to offer tenant goods insurance or creates a limited retail sales offering.

It is important to note that the viability of any particular self storage development or conversion project is highly impacted by the acquisition costs of the land or building, site work, hard and soft costs, etc and that the scope of the Desktop Market Study does not contemplate the estimated construction costs, costs of lease-up reserves, cash flows, or financial return calculations.

OPERATIONS/MARKETING RECOMMENDATIONS

- **Signage.** We cannot over-estimate the value of highly visible, colorful signage. Self-storage is primarily a retail business and proper signage is critical. We recommend that the reader consider maximizing the amount of signage allowed:
 - ‘Self Storage’ should be the largest words on the sign
 - Facility phone number in large numerals
 - Manual reader boards are not recommended, but if the budget allows, an electronic reader board can be used to point out specials, community events, time & temperature, etc.
 - We highly recommend that the developer immediately create a ‘Coming Soon!’ sign on the property with an 800# to begin monitoring demand and creating a ‘pre-leasing ‘energy. Such a sign might also work to discourage any potential new self storage developments in the subject market.
 - The developer might consider having a third party call center answer the ‘Coming Soon’ phone number, especially as the opening of the facility becomes imminent and pre-leasing opportunities start to happen.
- **Trucks.** There is a strong relationship between self-storage and truck rentals indicated by the large percentage of customers who rent trucks when moving into and out of self-storage (+/- 25%). We recommend that the developer consider adding Uhaul rental trucks or securing an On the Move truck at the subject site.
 - **On the Move CJ Steen 800-645-9940** www.onthemovetrucks.com
 - **Uhaul 800-528-0361** www.uhaul.com/dealer
- **Call Center.** Already a proven strategy among the big boys in the U.S. marketplace, the call center concept is noted as one of the greatest competitive advantages in all of self-storage. Self-storage operators cannot afford to miss prospective customer inquiries and will not miss those calls by using a third party call center. We are surprised that in 2016 that any existing self-storage facility does not use a call center. The call center provides self-storage owners with a remote level of services that range from answering all facility calls, rollover facility calls that give managers the opportunity to answer first, and after-hour facility calls.

Moreover, call centers can handle all incoming calls with 24/7 options. The strategy allows the manager to focus on operational duties, marketing, and face-to face customer service. The value of every rental is far too high to trust to an answering machine. Too many studies indicate that potential customers simply will not leave a message and continue to call through the Yellow Pages or various web sites (or other marketing sources) until they are able to reach someone. Self storage centers are at a clear marketing disadvantage in their marketing efforts by not using a call center.

- The call center answers the phone when the manager can't (usually after the third or fourth ring as well as before and after the facility office closes)
- The calls transfer seamlessly to the call center and oftentimes the customer doesn't know they have reached a call center.
- The call center agent can take a reservation, take a payment, answer questions about the account, etc.
- The call center will increase rentals and increase customer service.
- Managers have to be trained to effectively utilize the benefits of a call center.

Self Storage Call Centers we highly recommend:

- **XPS** – Mike Roberts 972-865-4312 www.xpsusa.com
- **Opentech** – Mike Connolly 602-749-9370 www.opentechalliance.com
- **State-of-the-Art Security.** The developer should make no compromises in security technology.
 - Individual door alarms are not recommended for this facility.
 - Access controlled facility entry
 - Recorded security surveillance
 - A large number of security cameras
 - Large security camera monitors placed behind the sales counter so that customers can see that the facility is being monitored.
 - We highly recommend contacting PTI Security Systems, 800-523-9504 www.ptisecurity.com
- **Tenant Goods Insurance.** The facility should offer the benefit of pay-with-payment tenant goods insurance to the tenants.
 - Tenant goods insurance is designed to protect tenant goods for various maladies typically including theft and natural disasters.
 - We highly recommend contacting the following tenant insurance companies:
 - **Bader Company** – Tim Parnell 888-223-3726 www.baderco.com
 - **StoreSmart Insurance** – Michael Rhoads 888-545-7627 www.storsmartinsurance.com
- **Manager considerations.** There are few businesses as 'manager-centric' as the self-storage business. Oftentimes customers won't know the name of the facility but will know the name of the manager. While an established, stabilized facility can 'make do' with a sub-par manager, a facility in lease-up or a challenging market cannot. We believe it would be difficult to implement most if not all of the recommendations with a subpar manager. We highly recommend that the developer implement an intensive hiring and training program.
 - Given the increased importance of the Internet and email as a marketing source to attract customers, it has also shifted the dynamics of self-storage managers. No longer can they be merely efficient at renting space in person or on the phone.

- Self-storage is a sales business. Managers must have the skills to professional 'sell' prospects on renting and on paying their rent.
- The professionalism and appearance of the on-site manager should match or be superior to the facility itself ('a nice facility with a poor manager is a poor facility').
- We would recommend not including on-site living quarters and employing a professional manager that does not live on site.
- The manager for this facility needs to be professional, outgoing, have the ability to market and represent the facility in the community.
- ***It's understood industry-wide that today's self-storage managers must be skilled professionals; gone is the caretaker role of the past. This type of manager has gone the way of first-generation facilities that served as a placeholder until the land could be used for some higher purpose. Fittingly, the job benefits enjoyed by self-storage managers have grown in correlation with their required talents and abilities.***

Consideration should be given to employing the services of a professional third party management company. We highly recommend contacting the following companies to discuss their third party management program:

- ***Cubsmart*** Guy Middlebrooks 610-535-5000 www.cubsmart.com
- ***Extra Space*** Noah Springer 801-365-4600 www.extraspace.com
- ***Uncle Bobs*** Dale Payne 877-270-4665 www.unclebobsmanagement.com
- ***Absolute Management*** Michael Haugh 901-737-7336 www.absolutemgmt.com
- ***Marketing Plan:*** The developer should immediately employ a consultant to develop a complete and detailed marketing plan for the store. The marketing plan should include many of the suggestions listed **including a direct mail 'drip' campaign to local businesses and a 'declutter sale ready' service for realtors.** The marketing plan should give specific costs and implementation strategies.
- ***Sales Management:*** A specific plan for monitoring on-site sales effectiveness and retail sales should be a strong component of the management plan.
- ***Extended Access Hours:*** The store should offer extended access hours and, commensurate with the extended access, increased security. The recommended gate hours are 6:00 am to 10:00 pm, seven days a week. Commercial tenants should be offered extended hours as needed.
- ***7 Day-Per-Week Office Hours:*** The office should be open seven days per week. Some of the market competitors are not open on Sundays but the subject property should have some Sunday hours at least during the lease-up process. The recommended office hours are **9:00 a.m. to 6:00 p.m.** Monday through Friday, **8:00 a.m. to 4:00 p.m.** on Saturdays and **10:00 a.m. to 4:00 p.m.** on Sundays. During lease-up late hours on Friday until 7:00 p.m. are suggested.
 - A recent retail organization's study indicated that a large percentage of people shop between 6pm and 8pm.

- **Internet Strategy:** Today, more and more self-storage owners are continuing to incorporate self-service into their website storefronts to compete for added rentals. Consumers are carrying around smartphones—business tools in the palms of their hands. And as a result, storage companies with optimized websites are enjoying great success by renting units on-demand. For new online tenants, it is a welcome reprieve from the task of visiting a store during office hours and dealing with all the paperwork in person.

Should this trend continue, facilities that dismiss the use of a functional website will find themselves unable to serve and engage a broader customer base through Web and mobile channels. In fact, current case studies reveal how online storage shoppers are responding when facilities implement a personalized Web-mobile rental channel.

The Marketing plan should have an E-Commerce component, and should deploy a strong Internet presence. The E-Commerce strategy should include:

- Website
 - Easy to navigate
 - Clear 'call to action'
 - 'clutter-free'
- On-line rental capability
 - Allows potential customers to conduct business with you when you are not open
 - Research clearly indicates this is a highly desirable service for customers.
- Search engine optimization
 - It is important that facility's website ranked consistently high among web searches within the subject market
- On-line payment options
 - Credit cards
 - Debit cards
 - ACH
- Link to call center during business hours
 - Call center can implement 'live chat' for facility
- Real-time inventory management
 - Accurate availability.
- We highly recommend contacting Chris Baird at **Automatit**, 520-293-4608 www.automatit.net

- **Kiosk Payment Center.** We recommend that the developer consider adding a kiosk to the subject facility. The kiosk extends the reach of customer acquisition and customer service. In an industry that typically serves customers in person between the hours of 9 to 5, incremental sales and reduced labor costs represent the top drivers that motivate owners to integrate self-service kiosks. In turn, the reality of losing recurring business to nearby competitors marks the kiosk as one of the most prominent strategic solutions. This is because the kiosk is always onsite to take care of a new renter—keeping a facility open when others in the marketplace are closed.
 - The kiosk has several benefits:
 - Low cost for the initial investment.
 - Extends rental hours when tied to one of the third party call centers.
 - Reduces staff activities and may allow for reduction of operating hours.
 - Creates a unique marketing and sales position for the subject facility.
 - Kiosks give owners and operators the ability to conduct business both during and outside of normal office hours, thereby helping to maximize income for self-storage facilities.
 - Contact **Opentech** about their kiosk – Mike Connolly 602-749-9370 www.opentechalliance.com
- **USP:** The store should have a strong Unique Selling Proposition to set it apart from the competition.
 - Free rental truck with move-in.
 - Climate controlled units.
 - Complete selection of moving and packing supplies.
- **Affiliations to Gain Sales:** The developer should consider Preferred Partner Programs to increase traffic.
 - Apartment managers
 - Home Owner’s Associations
 - Pizza Delivery stores
 - Realtors
- **Guerilla Marketing:** The Marketing Plan should address a direct sales effort to area businesses and multi-family communities.
- **Direct Marketing and Community Involvement:** The store managers should be active in the local Chamber of Commerce. **Self-storage is a local business** that relies on referrals. Chamber members know many people in the community.
- **Direct Mail Campaign:** The Marketing Plan should identify the targets, frequency and nature of a direct mail campaign. The plan may or may not include Val-pak recommendations.
- **Collateral Materials:** Hire a self-storage marketing consultant to create a logo, brochures, collateral, web page, property signs, etc. The developer can contact the Self Storage Association or the North Carolina Self Storage Association for recommendations.
- **Competitor Referral Program:** A program to receive referrals from competitors should be developed.
- **Tenant Retention Program:** A specific program for tenant retention should be developed as part of the management plan.
- **B2B Marketing:** A specific marketing effort to attract commercial customers should be presented.
- **Custodial Management:** Commit to keeping the property “clean and green.” There is longstanding value to keeping the property in exceptional condition. Landscaping doesn’t need to be elaborate, just well-maintained.

- **Management Software:** The subject facility should use a web-based management software system. The newer programs now available to the self-storage industry allow owner-operators to review reports and on-site activities in real time and the array of reports allows for more effective oversight of the facility. Owners can more readily review various rent change scenarios, check for rent allowances and discounts and implement tenant rent increases, all without necessarily engaging the onsite manager. (We are not recommending that all functions, such as rent increases, be implemented without manager 'buy-in.) We highly recommend contacting the following companies about their management software programs:
 - WebSelfStorage Toni Colasso 866-693-6683 www.webselfstorage.com
 - Sitelink Dave McCormack 919-865-0789, ext 1 www.sitelink.com



Self Storage 101
Unlock Your Profits

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Consultant Qualifications:

2003-Present Owner, Partner in Charge, Self Storage 101

Founder of Self Storage 101, the industry's leading consultancy firm specializing in Development and Market Feasibility, Operational Improvement and Marketing Implementation. Bob has worked with 100's of independent owners and operators to assist in making informed and profitable decisions in all aspects of self-storage. He has developed, own and managed his own facilities and so has a unique perspective that easily relates to those operators he has consulted with over the years. Bob and the Team at Self Storage 101 specialize in:

- Market and Feasibility Studies
- Acquisition Due Diligence Projects
- Facility Operational Auditing
- Owner, Operator and Manager Training

Bob has authored a number of highly popular books and training manuals related to self storage and is a regular contributor to most of the industry trade journals. He is a regular speaker at national, regional and local self storage meetings and conventions.

2001-2004 Regional Manager, Metro Storage LLC

Oversaw three district managers in four states for Metro Storage, one of the largest operators of self storage facilities in the US. Had complete P&L responsibility as well as asset management, portfolio growth, marketing and adding value to the assets. Developed training programs and assisted district managers with personnel decisions and financial statement reviews.

1998-2001 District Manager, Public Storage

Successfully managed the largest Public Storage district in the country (17 properties). Took over two under-performing districts and turned them into some of the highest performing districts. Responsible for all personnel management, expense control, manager training, property management and operational reporting. Involved in several acquisitions and new-store openings.

Education: Stetson University, 1979-1983

Professional References gladly provided upon request.

Chapel Hill, NC



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Consultant Qualifications:

2006-Present Consultant, Self Storage 101

Field Auditor and Data Analyst with Self Storage 101, the industry's leading consultancy firm specializing in Development and Market Feasibility, Operational Improvement, and Marketing Implementation. Bill has worked with dozens of independent owners and operators to assist in making informed and profitable decisions in all aspects of self-storage.

Bill has developed and implemented systems for analyzing and collecting relevant data to:

- Improve operational efficiency
- Measure operational effectiveness
- Assist in determining project viability
- Measure Capital Rate of Return on acquisition projects

Bill has worked closely with clients and industry vendors to aid in market research and development viability for a large number of independent-owner and institutional self storage projects:

- Provide comprehensive market data and analysis to determine unmet demand or over-supply in specific markets
- Participated in a number of community neighborhood meetings, municipal presentations and investment group conferences to provide anecdotal and empirical evidence regarding market demand and viability of specific self storage projects
- Prepared a large number of complete bank package or self storage feasibility studies, documenting "develop or not develop" recommendations

Education: Stetson University, 1980-1984

Professional References gladly provided upon request.