

2015 Greater New Orleans Self-Storage Market Report

The Stevens Realty Group, Inc. presents its second annual **Greater New Orleans Self-Storage Market Report** as a resource for owners, developers, lenders and anyone else looking for information about the local self-storage market.

For the purposes of this report the Greater New Orleans Region includes the parishes of Orleans, Jefferson, St. Bernard, Plaquemines and St. Tammany. The West Bank of the Mississippi is considered as a submarket area distinct from the east bank portions of Orleans and Jefferson parishes. St. Tammany is divided into East and West submarkets. The data for this survey was gathered during the late summer of 2015.

Since self-storage has only relatively recently come into focus as a real estate asset class we begin with a short discussion of the industry.

An Overview of Self-Storage

Self-storage as we know it today probably started in Texas in the late 1950s or early 1960s. These rental garages, or "mini-warehouses" were an alternative to the storage crates offered by moving and storage companies. One clear advantage was that the customer had easy access to his goods at almost any time. The idea was an immediate success and quickly spread to other states and Canada. As time went on the row of garages in a field or an industrial location was replaced by larger, cleaner, more secure facilities. Over the past 20 years or so the trend has been to multi-story, climate-controlled buildings in retail locations. This is a result of many factors: Competition, rising consumer expectations, rising land and construction costs and the demands of communities where new storage facilities are being built.

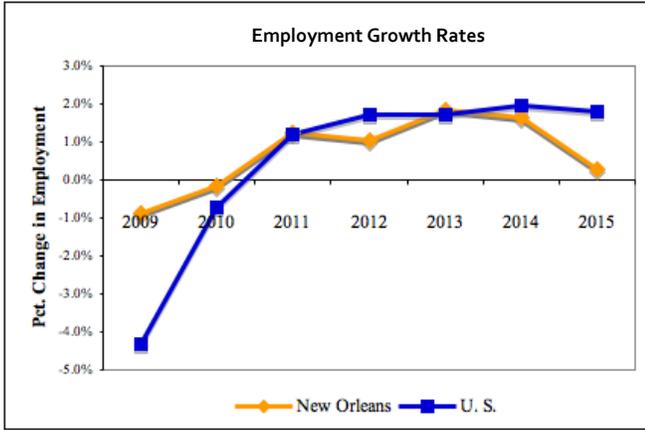
The early developers and owners of mini-warehouses were mom & pop entrepreneurs. There were few barriers to entry and development costs were low. Operating costs were low, too, and the facilities were highly profitable. Today there are still many mom & pop owners and developers, but costs have risen dramatically. Over time professional real estate developers got into the act and today there are many large local chains and national companies that own hundreds, and in a couple of cases thousands, of facilities across the US and the world. Self-storage is an international phenomenon. Today the top 10 companies in the industry own about 14% of the rentable square footage in the country.

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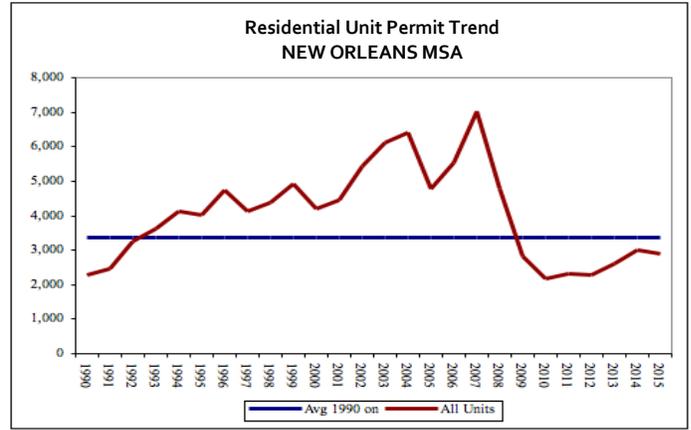


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Market Fundamentals



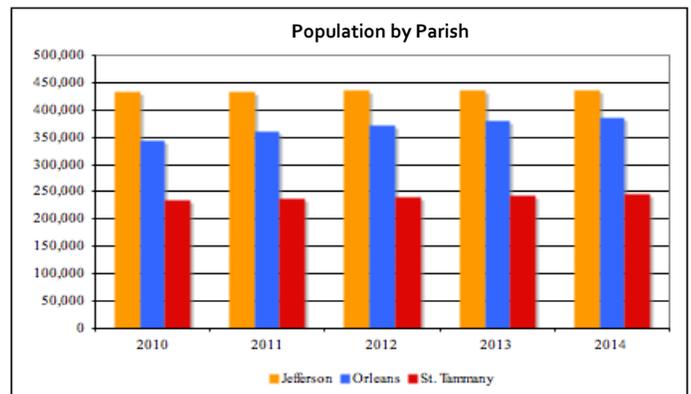
Although employment growth is steady in the US it has slowed this year in New Orleans area as major construction projects wind down.



Residential construction has been slowly gaining strength in the New Orleans area but it is still below the long-term level of activity.

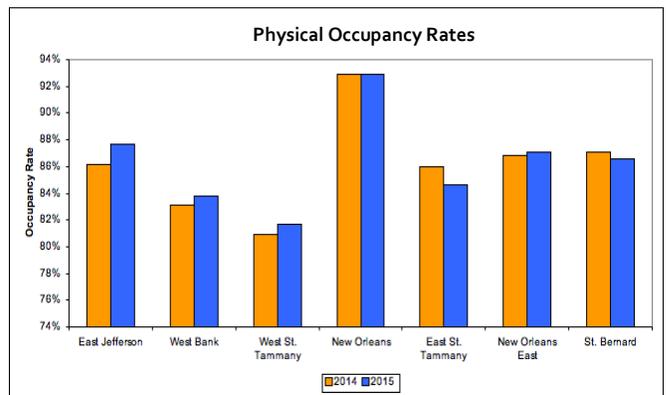
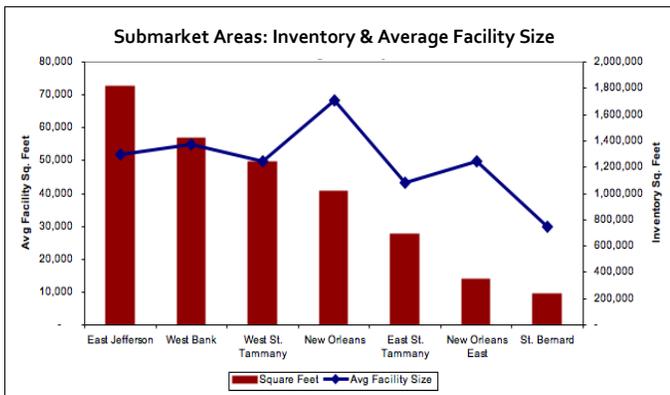


Since 2010 the population of the metro area has grown by an average of 15,500 persons per year.



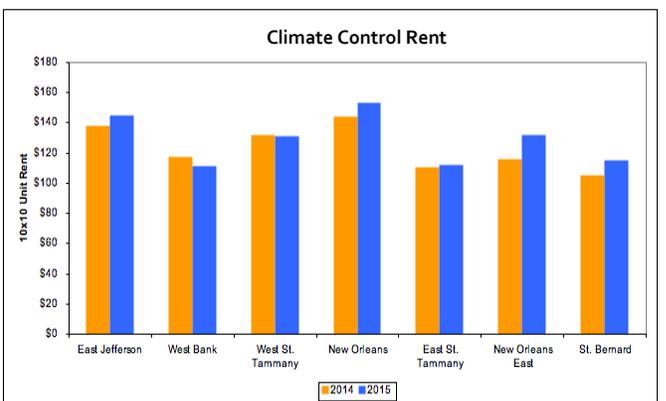
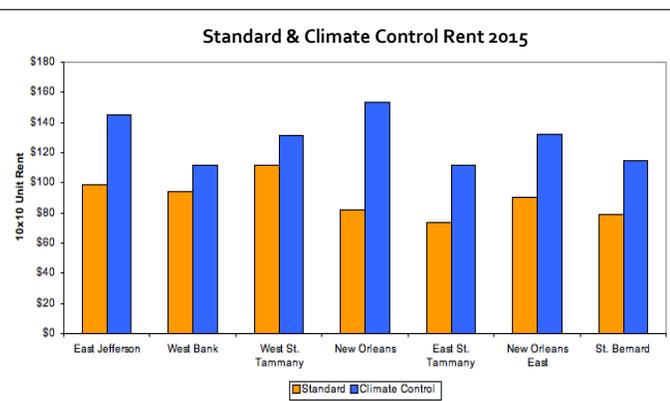
About two-thirds of the growth has been in Orleans Parish. St. Tammany is also growing but Jefferson is in a holding pattern. St. Bernard Parish is also growing.

Self-Storage Market Indicators



East Jefferson has the largest inventory, followed by the West Bank (Orleans, Jefferson and Plaquemines) and West St. Tammany. Orleans Parish has the largest storage facilities and St. Bernard, the smallest. The average size across the metro area is 51,500 SF.

The average occupancy rate across the region is virtually unchanged from a year ago, at 87%. New Orleans facilities enjoy the highest occupancy rates, followed by East Jefferson, where the occupancy rate has risen slightly.



The rent for a climate-controlled unit is about 40% more than the rent for the same-sized standard unit. The lowest rent premiums are on the West Bank and in West St. Tammany. The highest premium is in New Orleans.

Climate control rents have risen by an average of 3.0% over the past year. There is some variation by submarket area, though. The highest rents are in New Orleans and East Jefferson and the lowest are on the West Bank, East St. Tammany and St. Bernard.

Self-Storage Market Indicators

Relative Market Size

Metro Area	Square Feet	SF/Person
New Orleans	9,871,950	7.95
Baton Rouge	9,667,350	11.79
Shreveport	3,788,000	8.51
Lafayette	3,772,000	9.09
Lake Charles	2,242,000	11.00
Jackson, MS	6,598,350	11.37
Memphis	10,639,200	7.93

Source: 2015 Self-Storage Almanac and Stratton Research

Monthly Rent, 10 x 10 Unit

Area	Climate Control	Standard
New Orleans area	\$131	\$92
Houston	\$130	\$92
Austin	\$140	\$98
Southwest region	\$137	\$97
U. S. Average	\$160	\$125

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National Trends & Conditions

DEMAND

The demand for self-storage by the end user has been growing for many years as more households and businesses see the benefits of its use. Demand tends to be stable even during recessions. In the U.S. as a whole the self-storage *supply* is now 8.32 square feet per person. In 2010 the ratio was 7.25 square feet per person.

Locally, the supply ratio is 7.95 square feet per person, which is below the national average. This suggests that there may be development opportunities in the New Orleans area.

INVESTMENT TRENDS

The demand for self-storage by investors is also growing. The average sales price per square foot has risen from \$70 in 2014 to \$76 this year. Buyer competition has continued to compress cap rates, which are averaging 6.5% currently. Cap rates vary by quality of the property and geographically. The low average cap reflects the many Class-A properties that have sold in recent years in major markets.

There have been very few self-storage sales locally in recent years. One of the latest was the sale of a Class A facility in Kenner last year, for \$98 per square foot.

CONSTRUCTION TRENDS

The construction of self-storage topped out in 2008 at a little over 15 million square feet nationwide. It declined to less than 3 million SF by 2012 and has climbed a little since then, with about 5.2 million square feet completed in 2014 and probably about that volume this year.

Between 1996 and 2008 the number of facilities serving the eight-parish metropolitan area grew by 5.9% annually—same as the nation. On average, eight new facilities were added each year. But growth has averaged just two new facilities annually since 2008. At least one new facility is under construction in the area this year, near Airline and LaBarre Road in Metairie. At least one more is planned, in Metairie near Lakeview. There is also unconfirmed evidence of a new facility under construction in West St. Tammany.

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