

Self Storage REITs

Storage card spending basically flat Y/Y in November on easier comps

Industry Overview

Storage spending data updated for November

We updated our storage spending data for November using BAC aggregated credit and debit card data. The data is based on the cardholders' location in 39 major MSAs which public REITs have highest exposure to and overall U.S. spending on the storage category, which includes self storage, farm storage and cold storage. Note, some of the data may come from centralized processing locations, which may skew results in some locations. Self Storage data is the predominant source of spending in the data set and given that storage is a local business with customers normally living within a 3-5mi radius, we find this data to be directionally helpful to think about sector fundamentals. See the latest [BofA on USA](#) report for methodology, disclaimers & limitations regarding BAC card data.

Nov storage spend is down -1.8% M/M (-0.8% Y/Y)

Nov '23 storage spending across the U.S. was down -1.8% M/M, compared with October's -0.8% M/M and the historical Nov average of -3.0% M/M from 2014-2019. It is typical to see storage BAC card spending decline from October to November. On a Y/Y basis, storage spending fell -0.8% in Nov, an improvement from Oct's rate of -2.6% Y/Y, suggesting that we have seen the worst of y/y declines. We view this as the start of easing Y/Y comps as -0.8% compares to an increase of +6.2% in Nov '22 vs. an average of +17.3% Y/Y in the 1st half of 2022. We do not see this as improved visibility.

Nov spending for REITs is down -1.5% M/M (+0.2% Y/Y)

In **Exhibit 1**, we weight the MSA Y/Y changes in spending by Storage REITs' SS NOI exposure to the 39 major markets and divided the rates by total NOI exposure captured to normalize the metric across REITs. Please refer to **Exhibit 20** for REIT market exposures. Nov '23 average spending for REITs was down -1.5% M/M vs. the 2014-19 average of -3.0%. On a Y/Y basis, spending growth turned positive and was up +0.2%, compared with -2.0% Y/Y in Oct '23. We cannot include NSA in our analysis given NSA has less than 25% of its SS NOI exposed to the MSAs tracked in this report.

Storage card data in line with REITs seeing easier comps

The latest November spending data is in line with the REITs' commentary on starting to face easier Y/Y comps in 4Q. The REITs expect this to persist into 2024. The most recent Storage PPI data also shows an improvement in November (up +2.6% Y/Y) vs. +1.8% Y/Y in October. As a reminder, we look at BAC card spending as a directional indicator rather than a direct proxy for REITs' rental rates. Following 3Q earnings and November Nareit, there was still a strong debate around whether we are seeing cracks in storage demand vs. normalization. Positively, the REITs continue to send out strong ECRIs, which is a key component of overall growth. ECRIs may moderate slightly on longer-term customers in 2024 because replacement costs have risen. To that same point, REITs may be able to push harder on newer customers, as they are coming in at lower starting rates.

See inside: REIT & market specific trends; BAC aggregated credit and debit card data disclaimers and methodology

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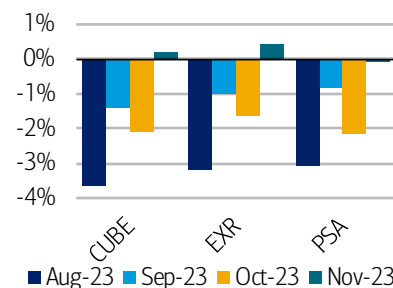
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Exhibit 1: REIT SS NOI weighted average monthly Y/Y % change in card spending, based on BAC aggregated card data

Average card spending across 39 MSAs for Aug-23 to Nov-23



Source: BAC internal data, Company filings
Note: Y/Y rates based on 39 MSA growth rates weighted by NOI exposure to each market as disclosed by REITs

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See end of report for a list of Key Terms defined

ECRI: "existing customer rate increases"

PPI: Producer Price Index

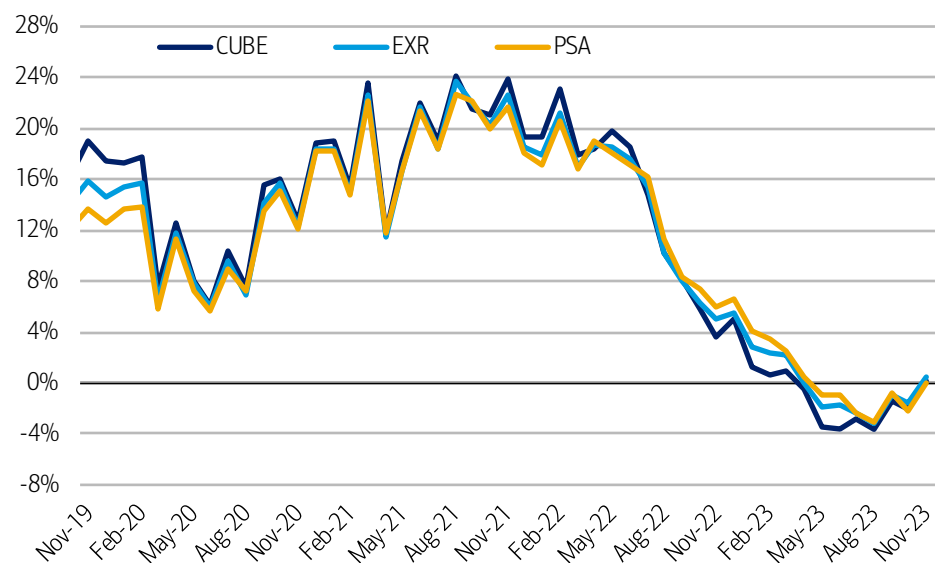
Spending growth across REITs converged

Looking at the REITs, we weighted the MSA Y/Y changes in spending by the Storage REITs' same store net operating income (SS NOI) exposure to the 39 major markets and divided the rates by total NOI exposure captured to normalize the metric across the REITs. Please refer to **Exhibit 2** for the REIT geographic exposure by SS NOI. According to BAC card data, REITs saw Y/Y monthly growth rates converge heading into 2019, with CUBE leading once peak leasing began. Once the pandemic began, the REIT growth rates converged again. On average, spending increased +0.2% on a Y/Y basis for the REITs in November (includes CUBE, EXR and PSA).

Interestingly, when street rates plummeted in April of 2020 as stay at home orders were enforced, the BAC card data still showed Y/Y growth, although not as strong as prior months or the months following the re-openings. We attribute the stability to credit card auto-pay features for storage payments, as well as the use of credit and debit cards could have increased. Spending has been strong since the summer lows of 2020 with August 2021 the strongest month so far, partially attributed to the easier comps as well as strong demand in the market. This growth began to decelerate in 2022 after lapping tougher comps.

Exhibit 2: REIT SS NOI weighted average monthly Y/Y % change in card spending, based on BAC aggregated card data and methodology

Average card spending across 39 MSAs since Nov-19 through Nov-23



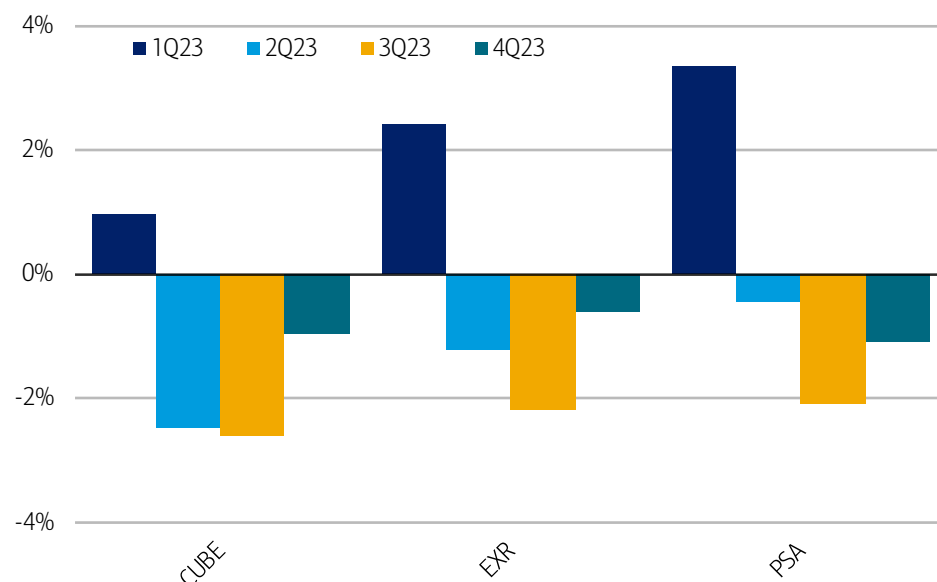
Source: BAC internal data, Company filings, BofA Global Research

Note: Y/Y rates based on 39 MSA growth rates weighted by NOI exposure to each market as disclosed by REITs

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Exhibit 3: REIT SS NOI weighted average quarterly Y/Y % change in card spending across 39 MSAs, based on BAC aggregated card data and methodology

On a Y/Y basis, REITs' spending moved slightly upward in November. However, average spending is still trending down -0.9% in 4Q23 vs. -2.3% in 3Q23 and moderating from 4Q22's +5.7%



Source: BAC internal credit and debit card data, Company filings, BofA Global Research

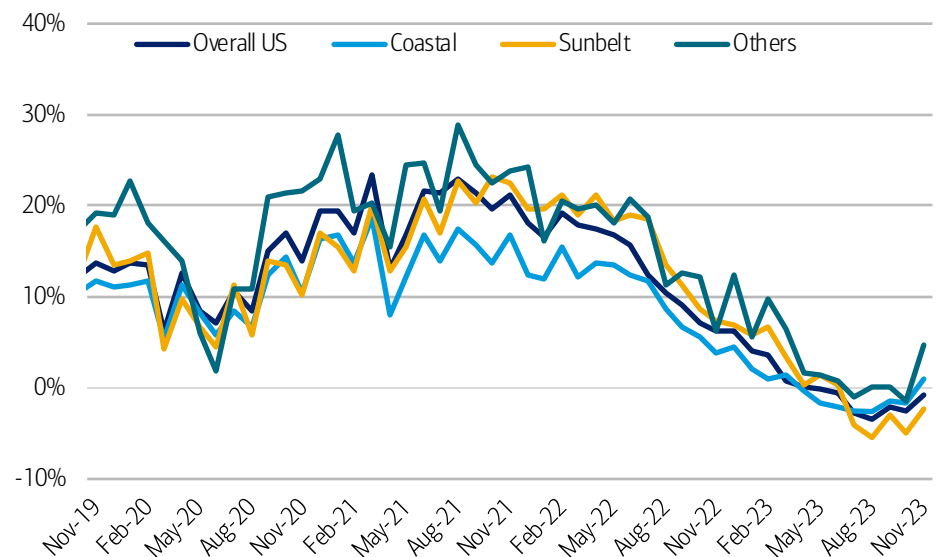
Note: Y/Y rates based on 39 MSA growth rates weighted by NOI exposure to each market as disclosed by REITs

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Storage spending by market and region

Exhibit 4: Monthly spending on storage, based on BAC aggregated card data (% Y/Y)

In Nov-23 monthly storage spending across the U.S. was down -0.8% Y/Y. Spending in Coastal markets was up +0.9% Y/Y, Sunbelt markets were down -2.3% Y/Y. On a M/M basis, spending was down -1.8%.



Source: BAC internal data

Coastal markets include Boston, Los Angeles, New York, Philadelphia, San Diego, San Francisco, Seattle and Washington DC

Sunbelt markets include Atlanta, Austin, Beaumont, Charleston, Charlotte, Chattanooga, Dallas, Fort Meyers, Houston, Jacksonville, Las Vegas, Memphis, Miami, Montgomery, Naples, Nashville, Orlando, Pensacola, Phoenix, Raleigh, San Antonio, Tampa and Virginia Beach

Other markets (remaining of the 39 markets) include Chicago, Cincinnati, Cleveland, Columbus, Denver, Hartford and Stamford

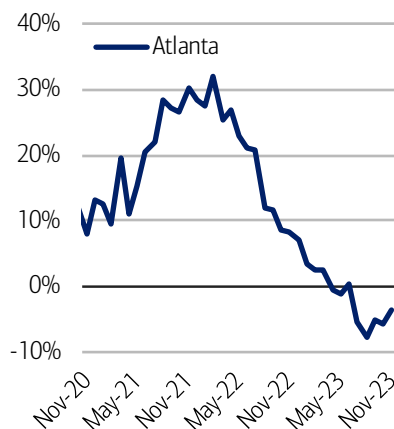
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Spending across 15 largest REIT MSA

Market Y/Y spending using BAC aggregated card data across the top 15 REIT MSAs based on 3Q23 SS NOI.

Exhibit 5: Atlanta monthly spending on storage, based on BAC aggregated card data (% Y/Y)

November spending decreased -3.5% Y/Y

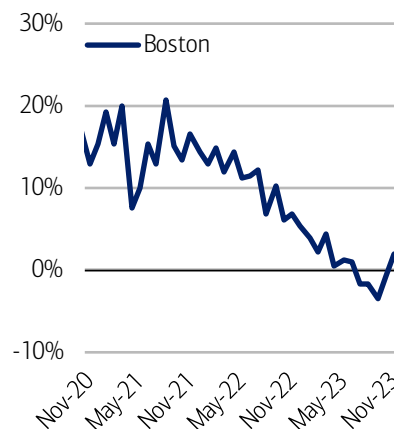


Source: BAC internal data

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Exhibit 6: Boston monthly spending on storage, based on BAC aggregated card data (% Y/Y)

November spending increased +2.1% Y/Y

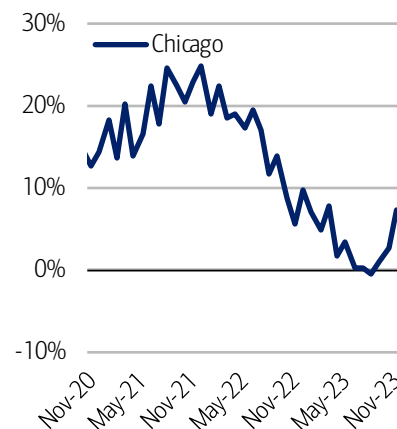


Source: BAC internal data

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Exhibit 7: Chicago monthly spending on storage, based on BAC aggregated card data (% Y/Y)

November spending increased +7.4% Y/Y

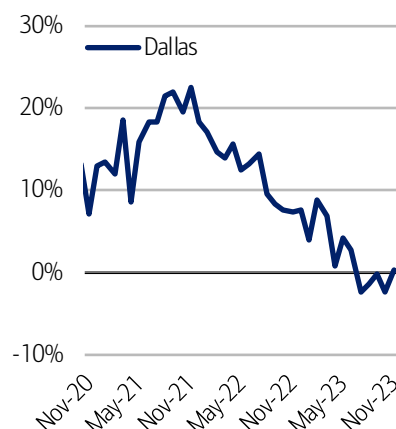


Source: BAC internal data

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Exhibit 8: Dallas monthly spending on storage, based on BAC aggregated card data (% Y/Y)

November spending increased +0.3% Y/Y

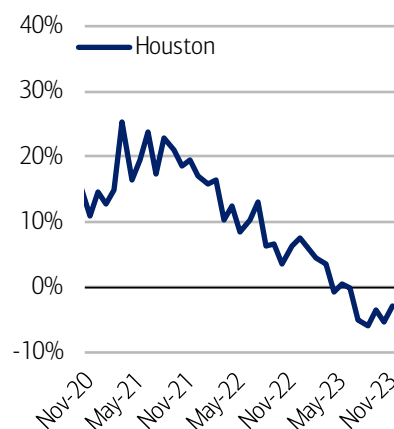


Source: BAC internal data

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Exhibit 9: Houston monthly spending on storage, based on BAC aggregated card data (% Y/Y)

November spending decreased -2.8% Y/Y

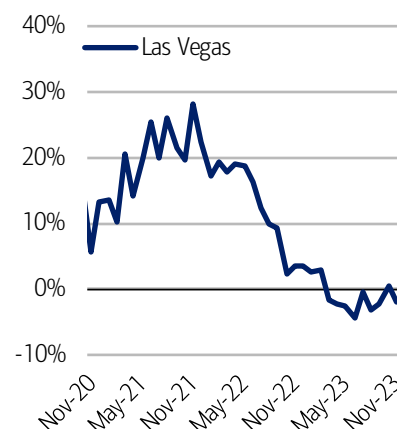


Source: BAC internal data

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Exhibit 10: Las Vegas monthly spending on storage, based on BAC aggregated card data (% Y/Y)

November spending decreased -2.1% Y/Y

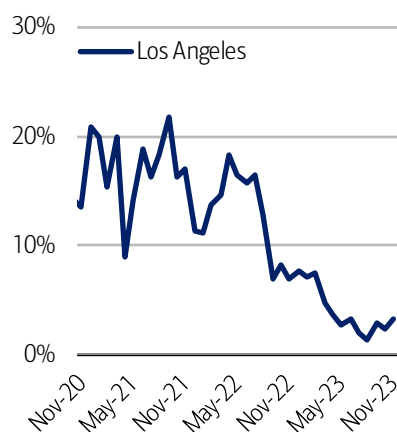


Source: BAC internal data

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Exhibit 11: Los Angeles monthly spending on storage, based on BAC aggregated card data (% Y/Y)

November spending increased +3.3% Y/Y

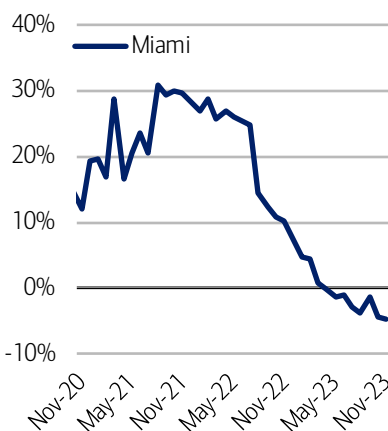


Source: BAC internal data

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Exhibit 12: Miami monthly spending on storage, based on BAC aggregated card data (% Y/Y)

November spending decreased -4.8% Y/Y

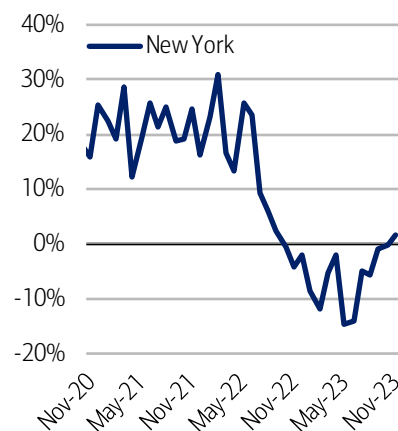


Source: BAC internal data

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Exhibit 13: New York monthly spending on storage, based on BAC aggregated card data (% Y/Y)

November spending increased +1.8% Y/Y

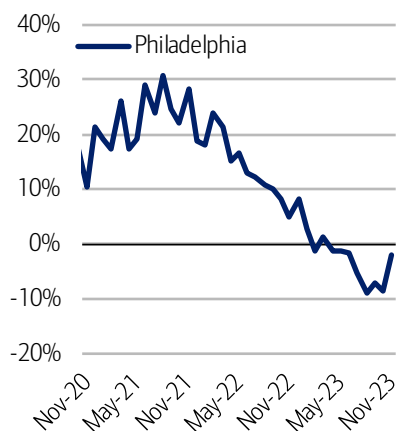


Source: BAC internal data

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Exhibit 14: Philadelphia monthly spending on storage, based on BAC aggregated card data (% Y/Y)

November spending decreased -1.9% Y/Y

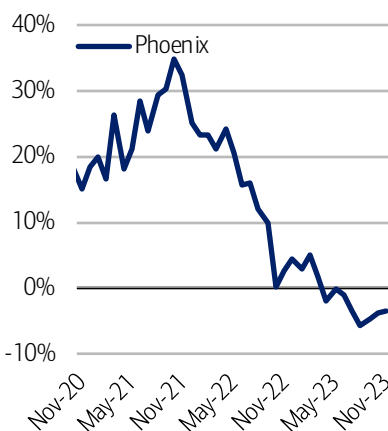


Source: BAC internal data

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Exhibit 15: Phoenix monthly spending on storage, based on BAC aggregated card data (% Y/Y)

November spending decreased -3.4% Y/Y

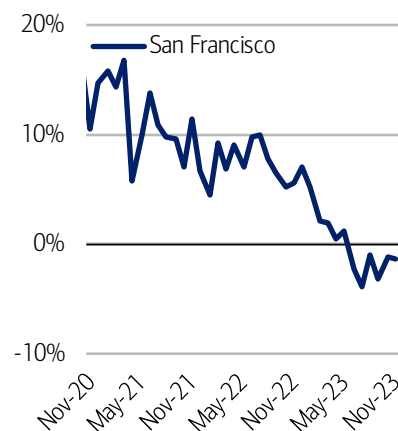


Source: BAC internal data

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Exhibit 16: San Francisco monthly spending on storage, based on BAC aggregated card data (% Y/Y)

November spending decreased -1.3% Y/Y

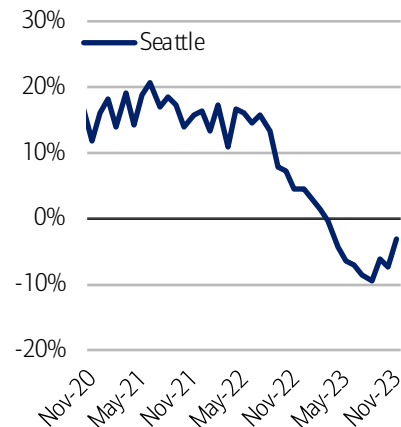


Source: BAC internal data

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Exhibit 17: Seattle monthly spending on storage, based on BAC aggregated card data (% Y/Y)

November spending decreased -3.2% Y/Y

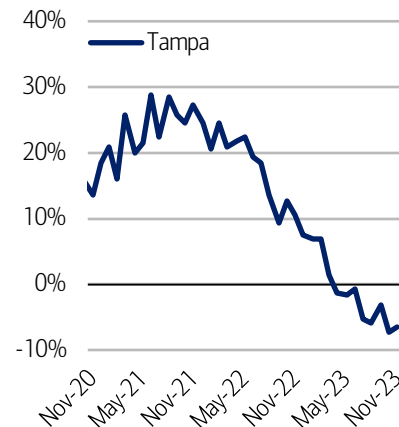


Source: BAC internal data

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Exhibit 18: Tampa monthly spending on storage, based on BAC aggregated card data (% Y/Y)

November spending decreased -6.5% Y/Y

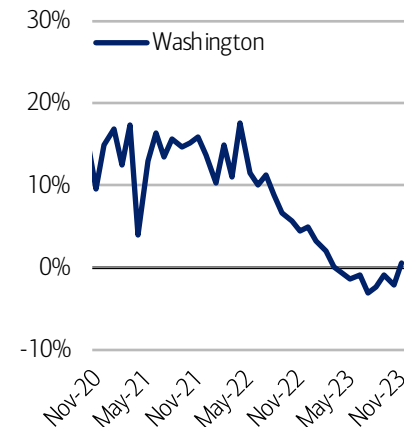


Source: BAC internal data

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Exhibit 19: Washington D.C. monthly spending on storage, based on BAC aggregated card data (% Y/Y)

November spending increased +0.7% Y/Y



Source: BAC internal data

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Appendix

Exhibit 20: Storage REIT geographic exposure by SS NOI as of 3Q23

All REITs have a diverse geographic footprint. CUBE is the most concentrated in primary markets and NSA has the highest exposure to secondary markets.

SS NOI	CUBE	EXR	PSA	NSA
<u>Northeast</u>				
Boston	2.4%	5.0%		
New York	22.4%	11.2%	5.9%	
DC - Baltimore	6.6%	6.6%	4.2%	
Philadelphia	2.5%	2.3%	2.1%	
<u>Sunbelt</u>				
Atlanta	2.9%	5.7%	3.4%	3.8%
Tampa	1.1%	2.0%	1.9%	
Orlando	2.1%	1.4%	2.4%	2.4%
Miami	8.2%	4.1%	5.4%	
Dallas	4.9%	4.5%	3.8%	2.0%
Houston	2.4%	1.3%	3.2%	4.9%
Austin	1.4%	1.1%		1.8%
Phoenix	4.3%	1.8%		3.2%
Charlotte	0.9%		1.8%	
Las Vegas	3.7%	1.2%		1.5%
Raleigh				
Denver	0.9%	0.7%		
<u>West Coast</u>				
Bay Area		6.8%	7.7%	
LA	3.7%	14.2%	17.5%	3.5%
OC				
SD	4.1%			
Inland Empire	2.6%			8.1%
Seattle			4.6%	
Tacoma				
Other Markets	23.1%	30.2%	36.2%	68.9%
Total	100.0%	100.0%	100.0%	100.0%

Source: Company reports, BofA Global Research

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Key terms:**CRE:** commercial real estate**M/M:** month over month**MSA:** metropolitan statistical area**SS:** same store**NOI:** net operating income**NAV:** Net Asset Value**PPI:** Producers Price Index**Y/Y:** year over year**CUBE:** CubeSmart**EXR:** ExtraSpace Storage**NSA:** National Storage**PSA:** Public Storage

Relative within REITs, we view each REIT sector (i.e., office, apartments, retail, etc.) as either overweight (will outperform the RMZ rate of change in a twelve month period), underweight (will underperform the RMZ rate of change in a twelve month period), or equal weight (will be in line with RMZ rate of change over a twelve month period). The MSCI US REIT Index (RMZ) is a free float market capitalization weighted index that is comprised of Equity REIT securities that belong to the MSCI US Investable Market 2500 Index. The MSCI US REIT Index includes only REIT securities that are of reasonable size in terms of full and free float-adjusted market capitalization. MSCI began calculating the index on June 26, 2005. The AMEX had previously been calculating the index with a base level of 200, as of December 30, 1994.

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Readers should be aware that although the BAC datasets utilized in our analysis represent a significant number of data points, they nevertheless present a degree of selection bias, including but not limited to income levels and geographies. In addition, the data is limited to debit and credit cards and does not include other payment methods such as cash or checks.

Data regarding merchants who receive payments are identified and classified by the Merchant Categorization Code (MCC) defined by financial services companies. The data are mapped using proprietary methods from the MCCs to the North American Industry Classification System (NAICS), which is also used by the Census Bureau, in order to classify spending data by subsector. Spending data may also be classified by other proprietary methods not using MCCs.

BAC data used in this report include spending from active US households only. Spending from corporate cards are excluded.

Our methodology for calculating the growth rates for daily data: we calculate the %yoy growth rate by matching calendar days (e.g., Jan 1 '22 matched to Jan 1 '21). The % change is calculated based on the 7-day moving average of spending levels.

Unless otherwise noted, the monthly subsector data are adjusted to control for seasonality and other factors.



The payroll and tax direct deposit data based on the BAC internal data is derived by anonymizing and aggregating direct deposit data from Bank of America consumer deposit accounts in the US and analyzing that data at a highly aggregated level. Additional information about the methodology used to aggregate the data is available upon request.

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