

Investing in Self-Storage Real Estate: An Expert Introduction



Featuring:  **RELIANT**
Real Estate Management, LLC





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Agenda

- 1 Self-Directed IRA Basics
- 2 Overview of the Self-Storage Industry
- 3 Why Self-Storage?
- 4 How Storage has Performed During the Pandemic
- 5 Understanding the Risks
- 6 Investment Strategies & Case Study
- 7 Investing in Self-Storage with a Self-Directed IRA
- 8 Q&A

Meet Your Host

Mindy Gayer

Business Development Manager at The Entrust Group



Years in retirement industry administration



Educating investors and professionals on tax-preferred retirement accounts



B.S. in Business Management from Southern Illinois University

About Entrust



\$4B

Assets Under
Administration



22k

Active
Accounts



40

Years of
Service



1

Point of
Contact

About Entrust



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

What is a Self-Directed IRA?



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



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

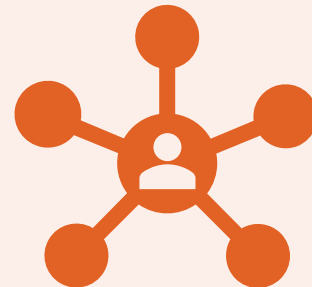


All securities and investments are held in a retirement account administered by a regulated custodian or trustee

Benefits of Self-Direction



Take Control



Diversification



Tax Benefits

Plans for Individuals

Traditional IRA

Roth IRA

**Health Savings
Account (HSA)**

**Education Savings
Account (ESA)**

Plans for Small Business

Individual 401(k)

**Savings Incentive Match Plan
for Employees (SIMPLE) IRA**

**Simplified Employee Pension
(SEP) IRA**

Investment Restrictions



× Collectibles:

- Any work of art
- Any rug or antique
- Any metal* or gem
- Any stamp or coin*
- Any alcoholic beverage

× Life Insurance

× S Corps (S corporation tax laws prohibit IRAs to invest in them)

***Exceptions:** Gold, silver, platinum & palladium bullion of certain purity

Disqualified Persons



- YOU
- Your spouse
- Your parents
- Your grandparents
- Your children
- Your grandchildren
- Spouses of lineal ascendants & descendants
- IRA Fiduciary

Investing in Self-Storage Real Estate: An Expert Introduction





Kris Benson

Chief Investment Officer at Reliant Real Estate Management

- I work with the company's investment committee, which determines what self-storage properties to purchase while growing equity and creating passive income streams for investors.
- My goal is to help people understand that there is no single route to success. I believe School → Job → Security → Retirement → Happiness doesn't have to be the path everyone follows.

Introduction: Reliant Real Estate Management

Reliant Real Estate Portfolio

Number of Properties	50
Number of Units	31,910
Net Rentable Square Feet	4,101,982
Portfolio Valuation Based 5% Exit Cap Rate	\$372,957,213
Number of Employees	130

Portfolio Based on Data Through December, 2020

25th Largest Self Storage Operator in
U.S. According to 2019 Inside Self Storage



Highly-Experienced Team



**Todd
Allen**

*Managing
Principal*



**Lewis
Pollack**

*Managing
Principal*



**Kris
Benson**

*Chief Investment
Officer*



**Paul
Ragaini**

*Chief Financial
Officer*



**Kolin
Van Dyne**

*Director of
Operations*



**Jamie
Brooks**

*Construction
Project Manager*



**John
Cordova**

*Director of
Acquisitions*



**Matthew
Naioti**

*Director of
Analysis*

Our Story

Great performance starts with a great team. Our senior leadership team at Reliant has **over 100 years of combined experience** in the self-storage industry.

From acquisitions to operations, we are focused on driving results. And we believe in partnerships where we all win together.

Overview of The Self-Storage Industry

Overview of the Self-Storage Industry

U.S. self-storage sector snapshot	Data
Annual industry revenue	\$39.5 billion
Number of storage facilities (range)	49,000+
Total rentable self-storage space	1.9 billion square feet
Self-storage space per person	5.9 square feet
Percentage of households that rent a self-storage unit	10.6 percent
Average monthly cost for a self-storage unit	\$89.12

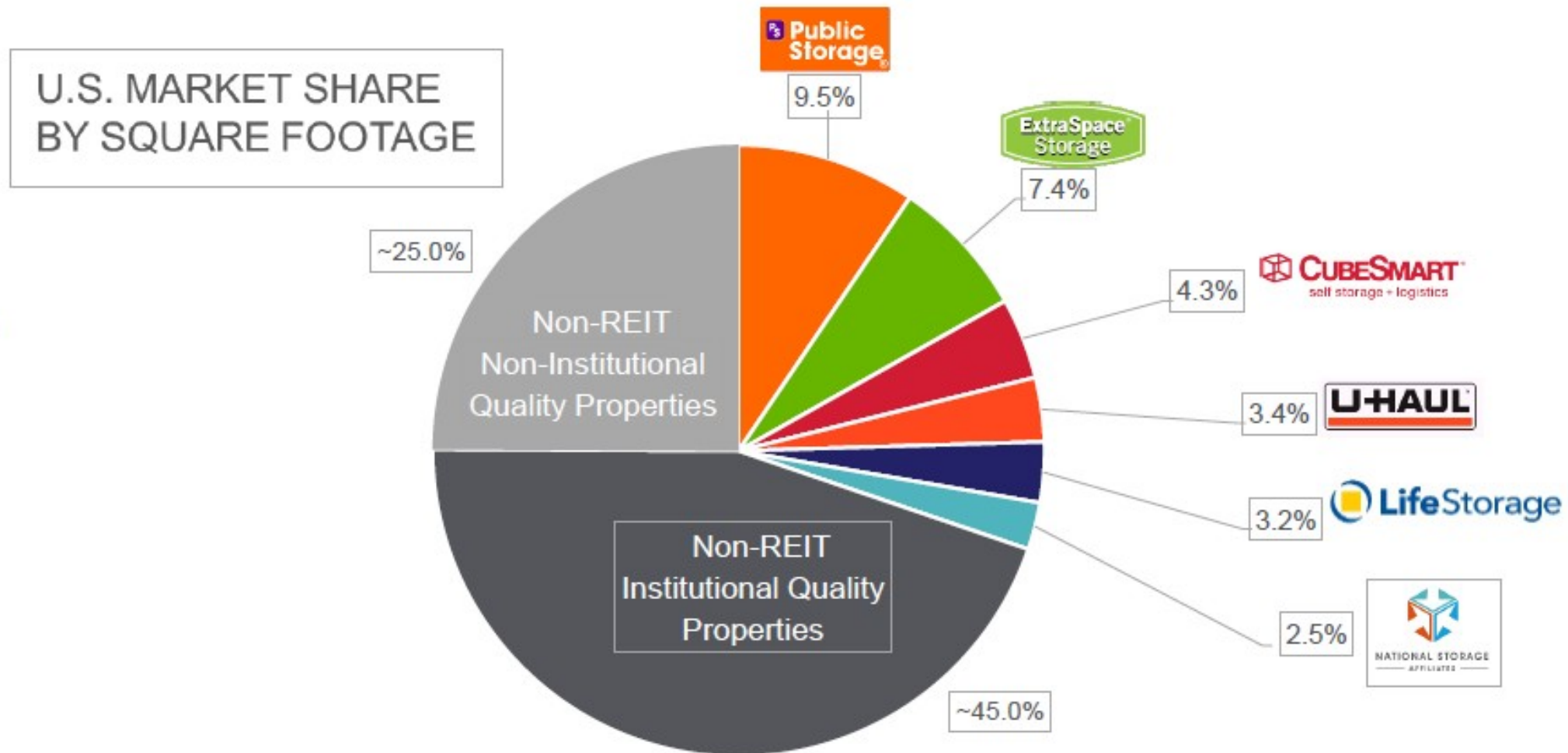
- 52.3% owned by small operators
- 16.5% owned by the next top 94 operators
- 31.2% of self-storage space (by rentable square footage) owned by 6 public companies

Source: 2021 Self-Storage Almanac

Top 6 Operators By Number of Facilities Owned

1. Public Storage: **2,844**
2. Extra Space Storage: **1,878**
3. U-Haul: **1,778**
4. CubeSmart: **1,261**
5. National Storage Affiliates Trust: **948**
6. Life Storage: **905**

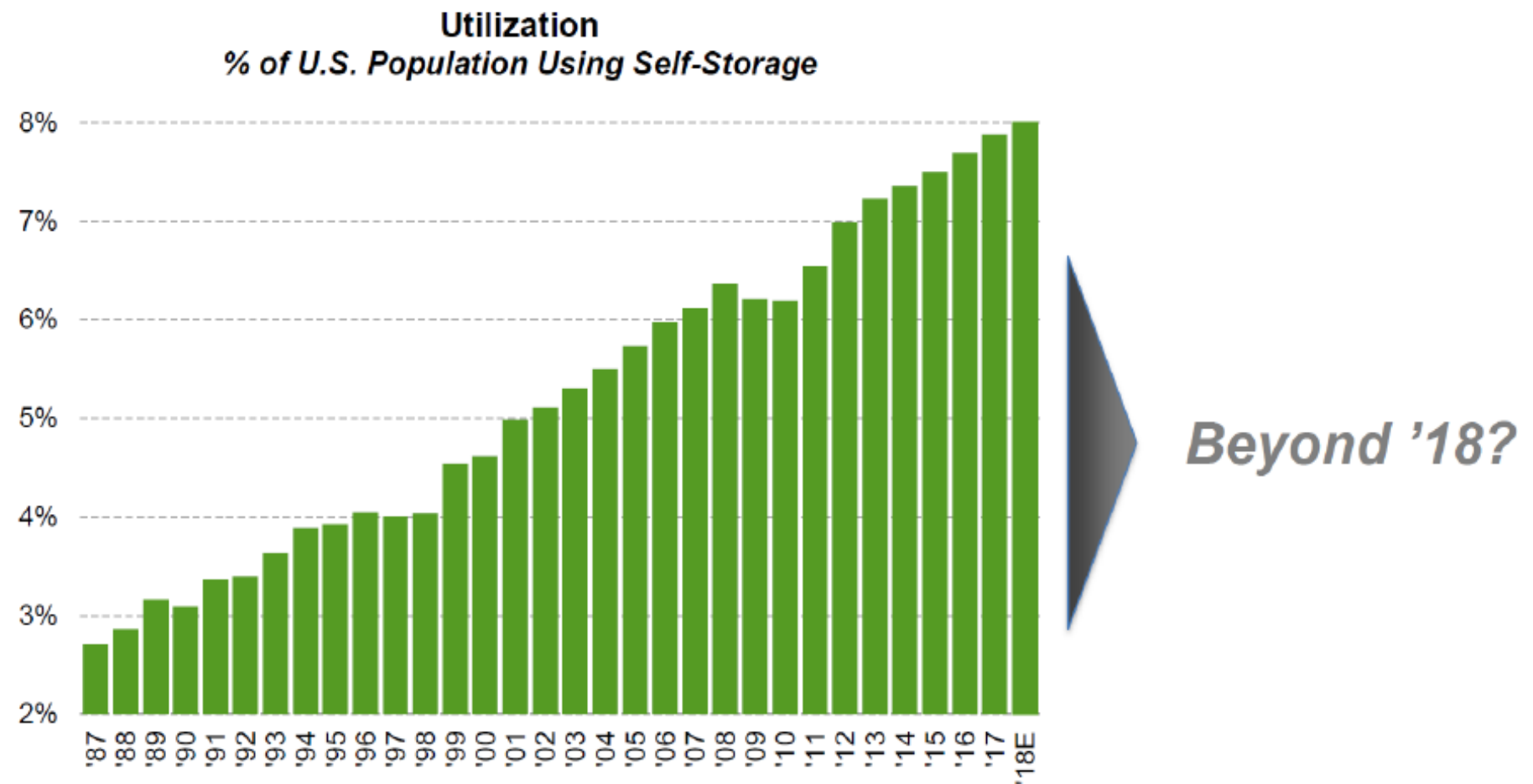
OPPORTUNITY FOR CONSOLIDATION



*REIT data from public filings as of March 31, 2019. U-Haul and total U.S. storage square footage per the 2019 Self-Storage Almanac. Percentage of Institutional and Non-Institutional Quality Properties estimated by Reliant Real Estate

Historical Utilization

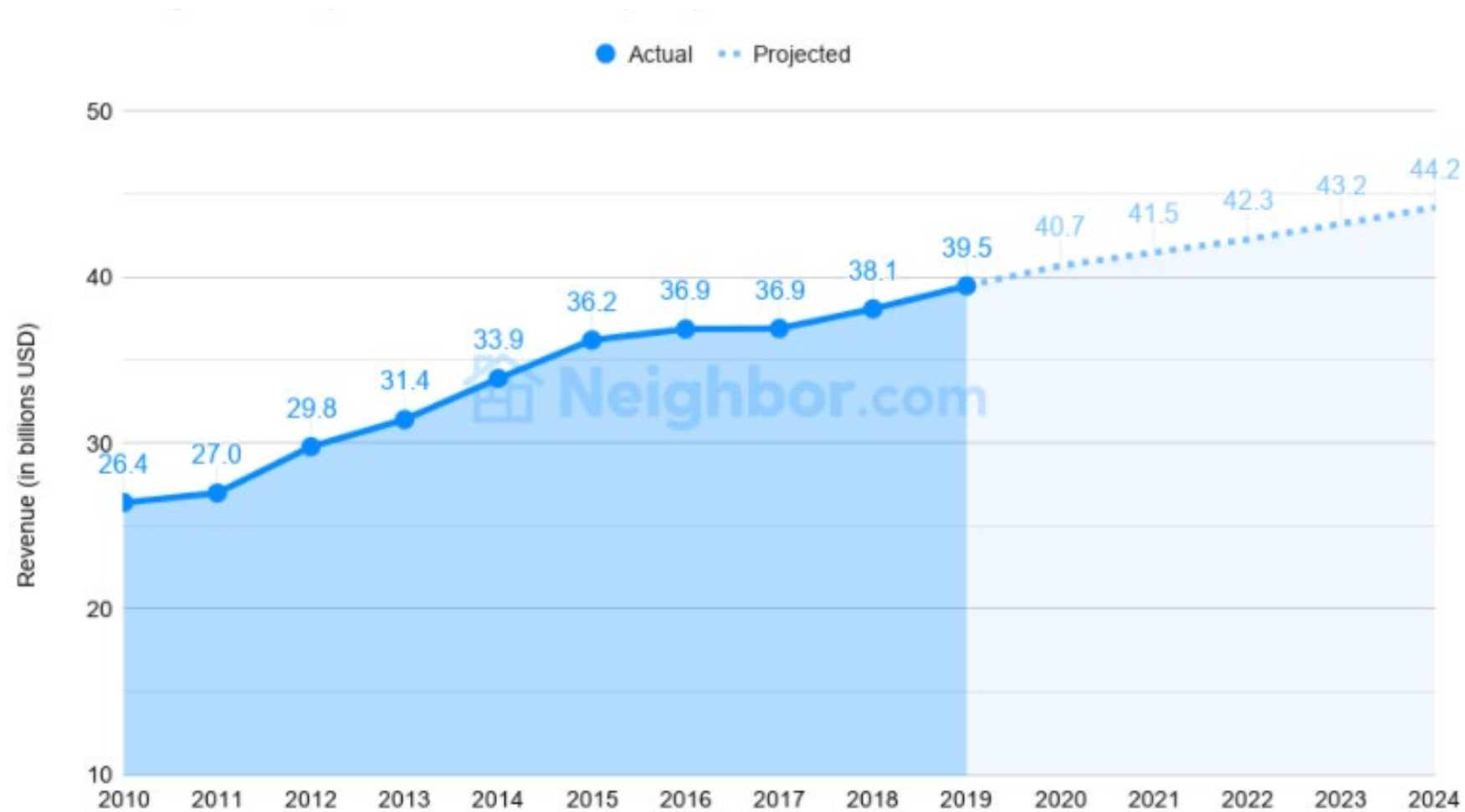
- An estimated 13.5 million households currently rent a self-storage facility (10.6%)



*Source: Mini-Storage Messenger – Self-Storage Almanac, Census and Green Street Advisors

Tracking Industry Revenue Growth

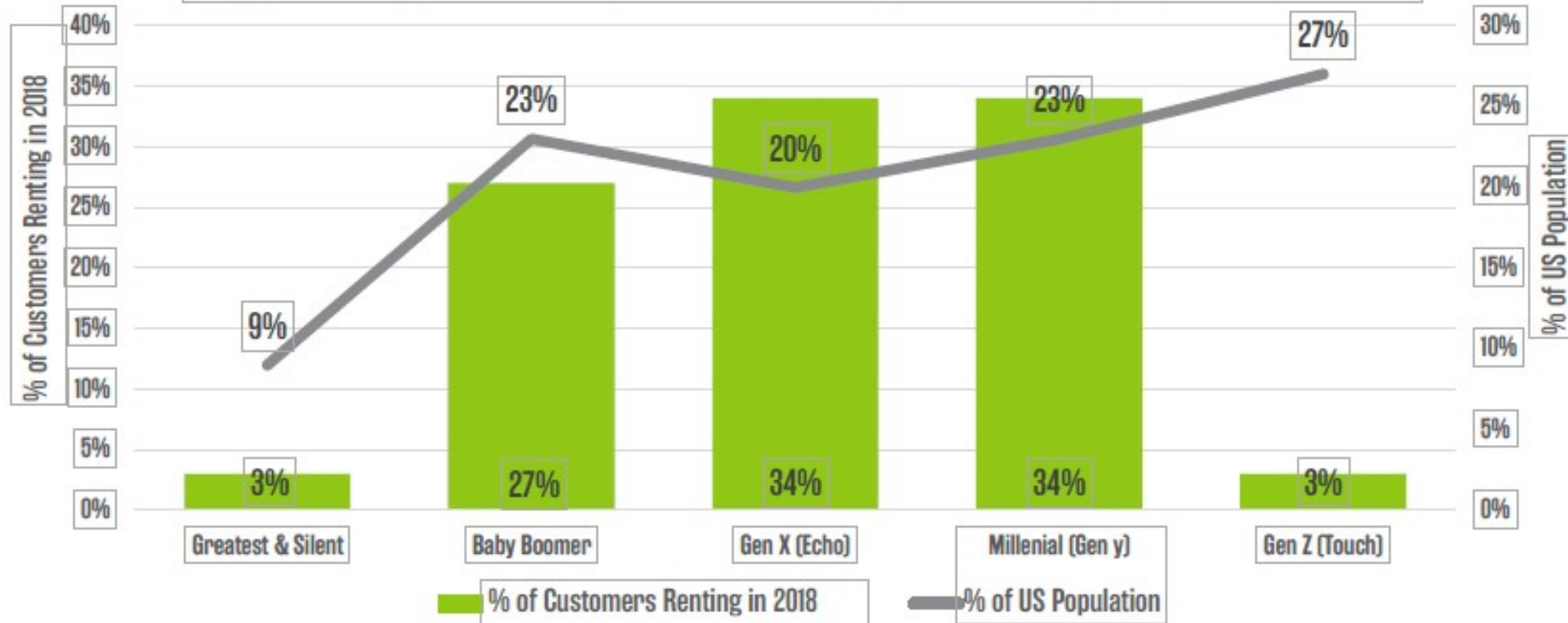
- Self-Storage industry annual revenue growth from 2010–2019: 49%



Future Population Trends

CHANGES TO CONSUMER - DEMOGRAPHICS

Typical Generational Customer Mix Vs. US Generational Mix



Source: Statista, US Census Bureau, Pew Research

Why Self-Storage?



25 Year Average Annual Returns of 16.85%

- Self-Storage outperformed Apartments (12.93%), Retail (12.04%), Office (12.15%), and the S&P 500 (7.06%)

Downside Protection

- In 2007-2009 Self Storage was down -3.86% versus Apartments (-6.72%), Retail (-12.32%), Office (-8.16%), and the S&P 500 (-21.10%)
- During the last recession even when downsizing Americans do not seem to lose their appetite for storage

Market Consolidation Opportunity

- Publicly traded companies own less than 20% of the self-storage market

How Self-Storage Performed During The Pandemic

Self-Storage COVID Trends

- 4 D's of self-storage demand during COVID-19:

- Death
- Dislocation
- Downsizing
- Divorce

- Occupancy & revenue increased YoY

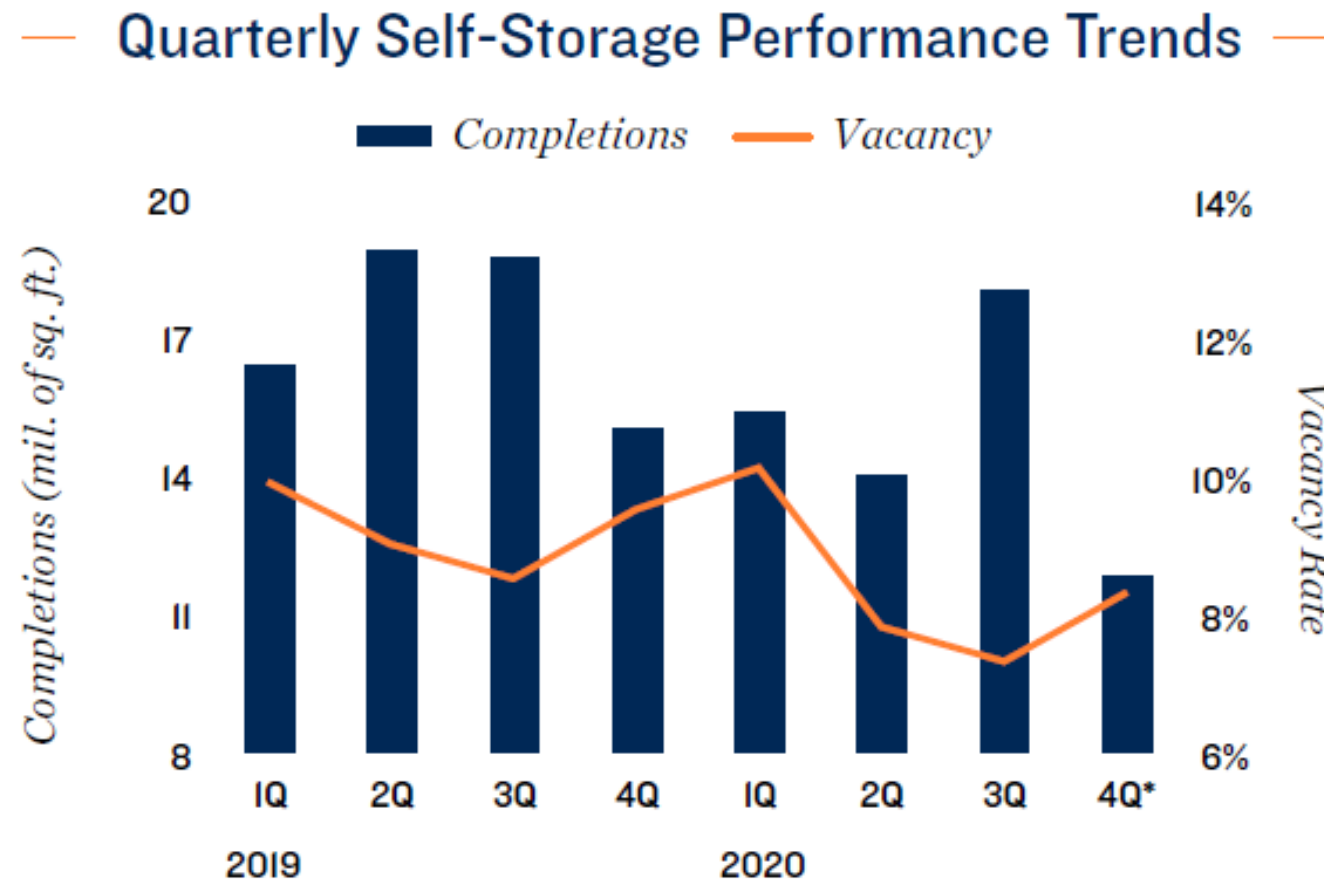
Investment Performance by Property Sector and Subsector

Sector	Number of Constituents	March 31, 2021			Dividend Yield (%)	Market Capitalization (\$1)	
		2020	Total Return (%) March	2021: YTD		Equity	Implied
FTSE Nareit All Equity REITs	157	-5.12	5.53	8.32	3.31	1,268,662,653	1,302,715,720
FTSE Nareit Equity REITs	149	-8.00	4.57	8.87	3.57	1,019,891,089	1,053,898,230
Industrial	13	12.17	7.30	6.33	2.51	141,887,746	145,765,759
Office	19	-18.44	3.79	5.19	3.73	87,774,962	92,979,597
Retail	32	-25.18	2.23	18.08	4.38	148,472,582	155,863,693
Shopping Centers	18	-27.64	3.00	26.09	3.99	52,501,762	53,505,908
Regional Malls	4	-37.15	0.08	31.57	4.87	39,870,218	45,392,035
Free Standing	10	-10.46	3.02	3.77	4.37	56,100,602	56,965,749
Residential	20	-10.69	6.67	11.88	2.95	185,321,597	191,809,950
Apartments	15	-15.34	7.41	15.22	3.34	128,336,968	132,049,759
Manufactured Homes	3	-1.69	1.36	0.60	2.28	28,530,136	29,303,335
Single Family Homes	2	6.04	8.97	9.44	1.81	28,454,494	30,456,857
Diversified	15	-21.76	2.79	8.48	5.04	50,144,804	53,236,574
Lodging/Resorts	13	-23.60	0.38	17.96	3.98	39,786,318	40,016,892
Health Care	17	-9.86	3.90	6.58	4.31	116,600,313	117,445,350
Self Storage	5	12.91	5.57	10.31	3.25	76,999,668	79,838,613
Timber	4	10.33	4.72	7.22	2.25	35,006,723	35,006,723
Infrastructure	4	7.25	10.47	6.00	2.25	213,764,840	213,810,767
Data Centers	5	21.00	4.59	-2.35	2.47	117,253,291	120,388,878
Specialty	10	-8.24	3.27	14.24	5.61	55,649,808	56,552,923
FTSE Nareit Mortgage REITs	33	-18.77	5.86	11.87	8.27	71,008,501	71,556,959
Home Financing	20	-22.59	6.14	10.66	8.98	43,110,734	43,135,924
Commercial Financing	13	-10.73	5.40	13.91	7.11	27,897,766	28,421,036

Source: FTSE™, Nareit®.

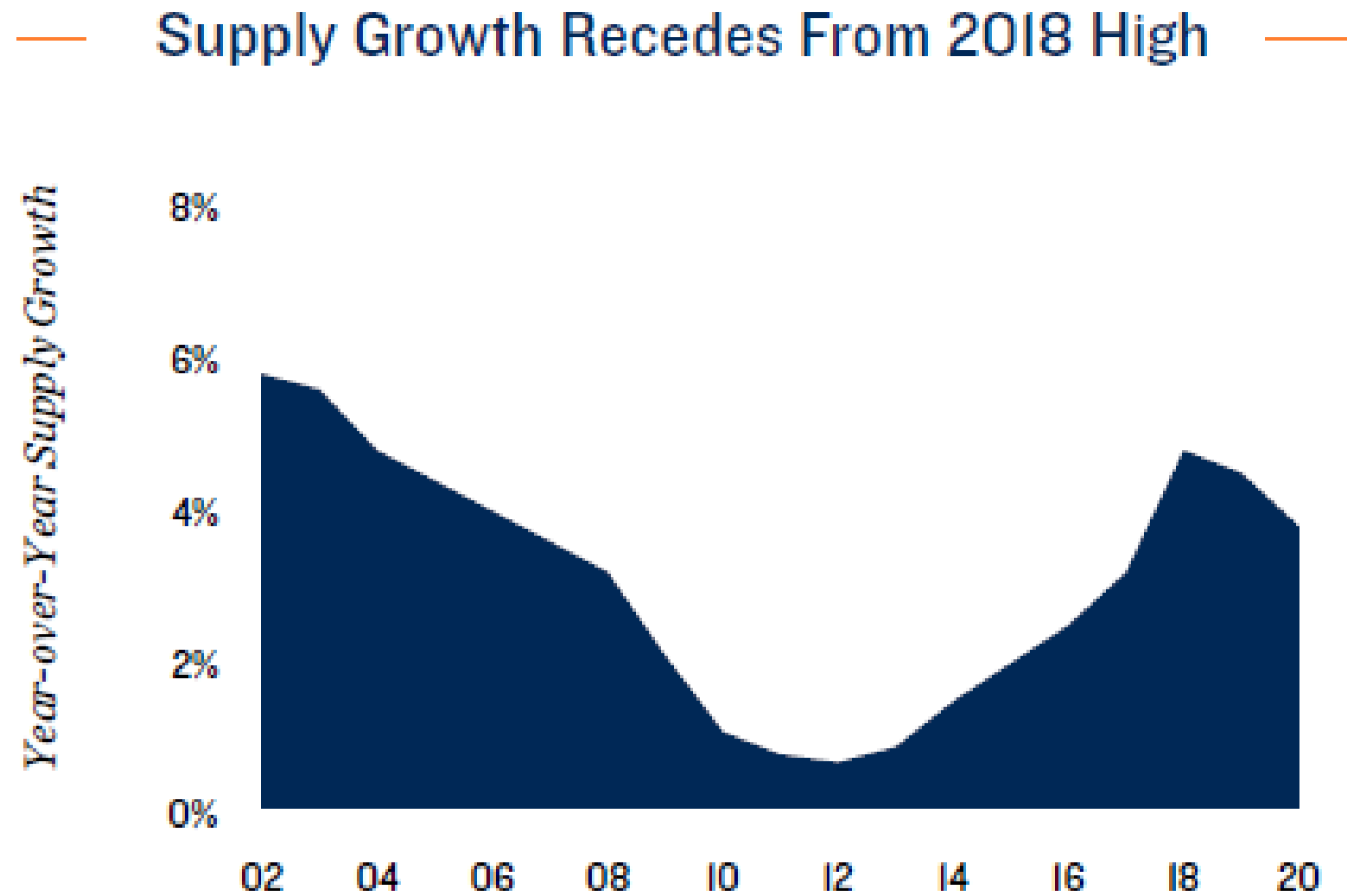
Self-Storage COVID Trends

- New leasing improved as stay-at-home orders were relaxed
- Increase in self-storage demand, driving vacancy to a record low in Q3 2020
- Slowed deliveries of new facilities creates delays in construction and approvals



Self-Storage COVID Trends

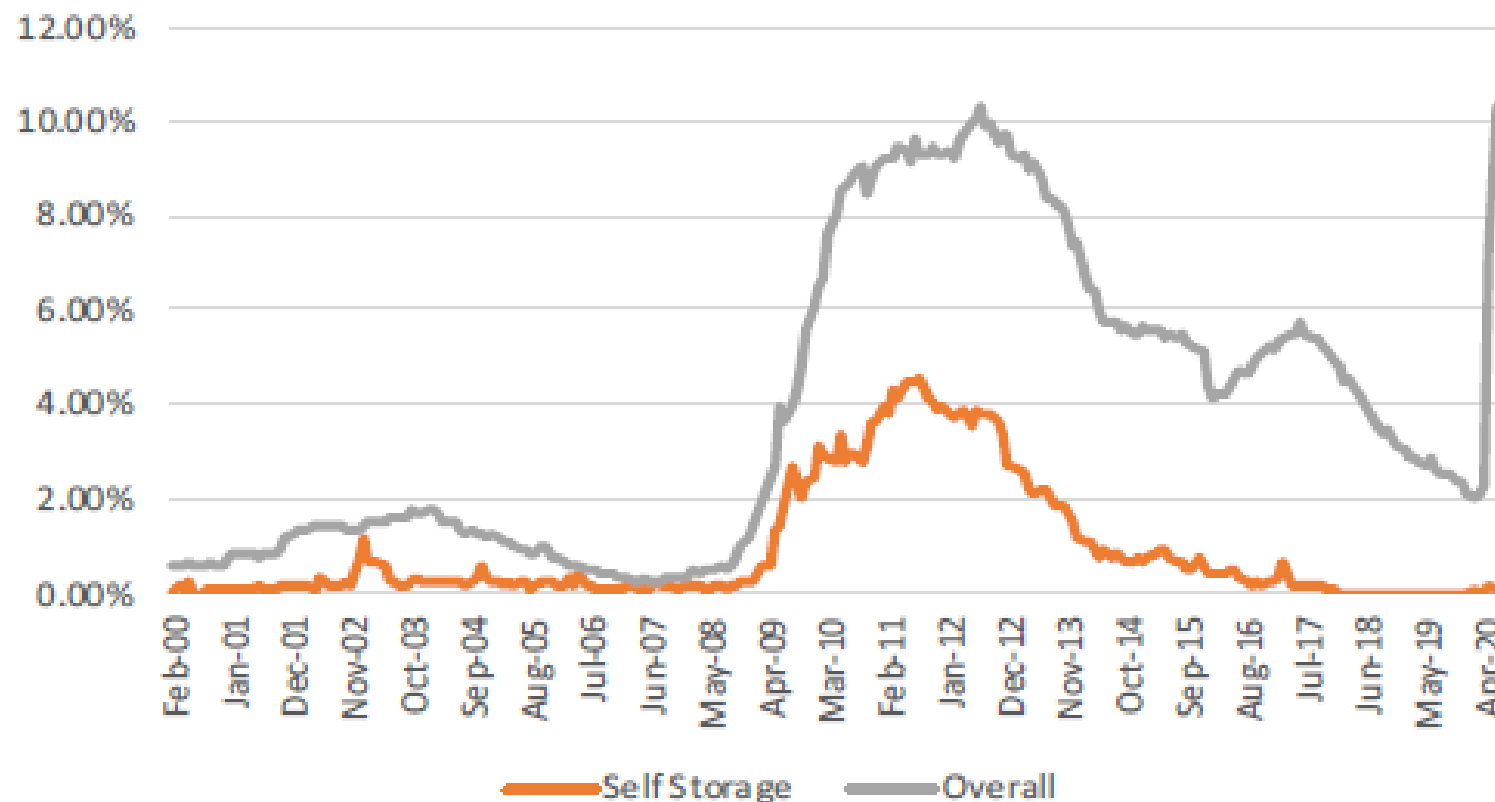
- Delays in additional supply caused increased nationwide rate



Self-Storage COVID Trends

- Minimal delinquency during 2020 for CMBS loans in self-storage
 - Only 3 of 1,700 loans were marked delinquent (0.14%)
 - Relatively, the bill for a self-storage facility is a very small portion of monthly expenses

CHART 5: SELF STORAGE VS OVERALL CMBS DELINQUENCY RATES



Source: Trepp

**Why has Storage Outperformed
During COVID and is it Sustainable?**

Self-Storage COVID Demographic Trends

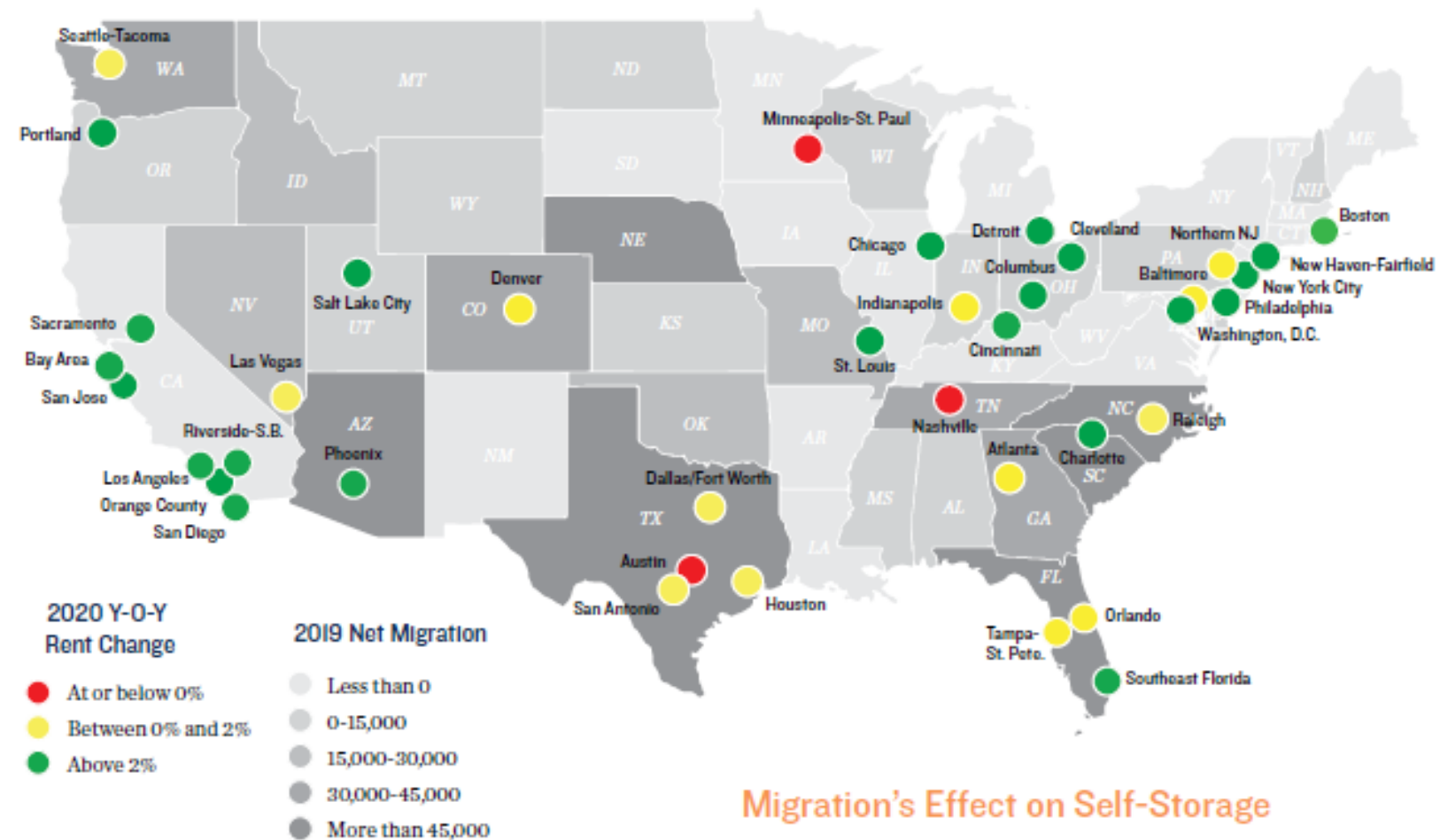
- Household consolidation, campus closures and remote work bolster storage operations
- Many households are consolidating and changing how living space is used, increasing the need for additional storage
- Capacity restrictions and changes in consumer behavior are causing businesses to reevaluate their space needs

Self-Storage COVID Demographic Trends

- Migration to less costly, warmer climates driving rental rate growth
 - Relocating from the West Coast & Northeast → the Sunbelt & Southwest
 - Creates demand during the moving process and in the future from increased population

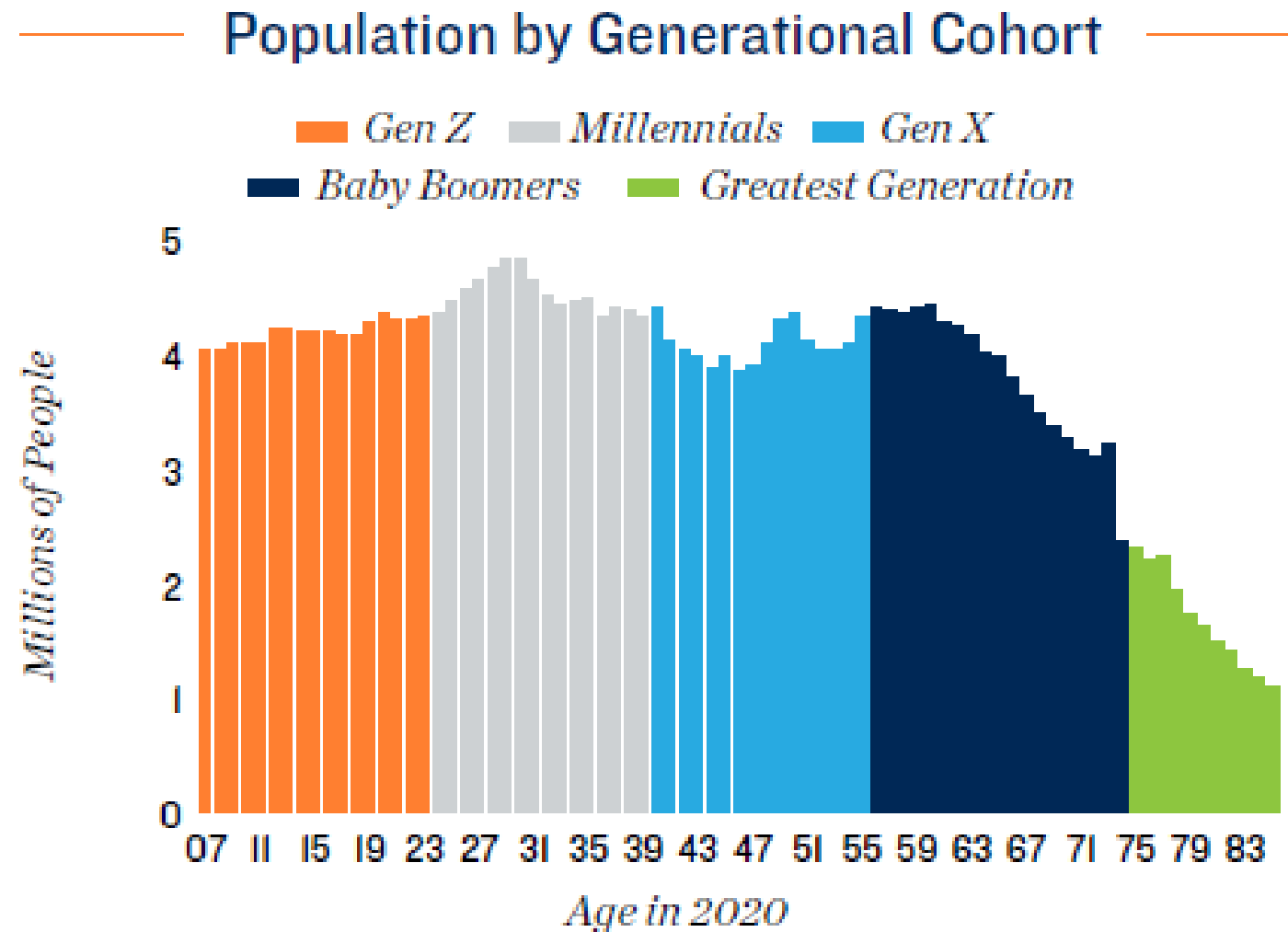
Migration Patterns Favor South and Southwest, Aiding Rent Growth

Rent Growth & Net Migration



Self-Storage COVID Demographic Trends

- Migration patterns are creating favorable long-term outlook for Self-Storage
 - Large millennial renter block

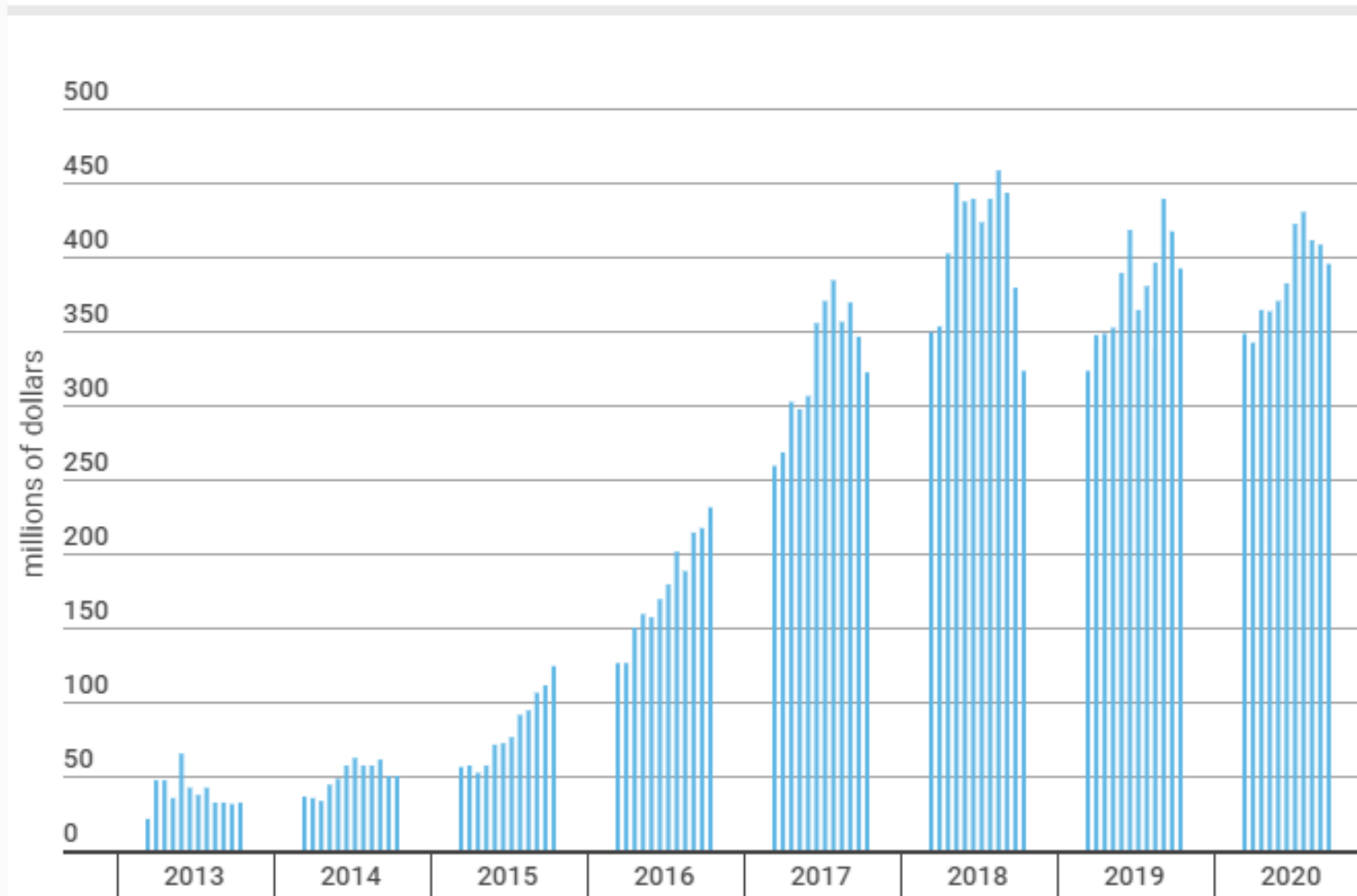


Understanding the Risks

Understand the Risks: Shift in Supply & Demand

- Exponentially increasing supply can create drop in storage demand & service prices

Self-Storage Construction Spending by Month 2013-present



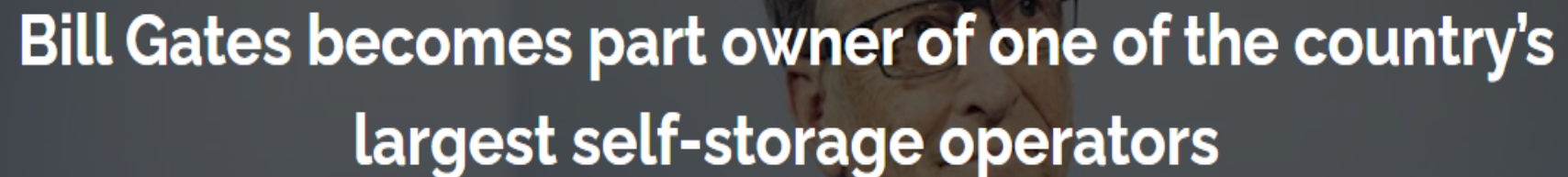
Understand the Risks: Institutional Investment Activity

- New wealthy investors exponentially increase acquisitions prices (Blackstone, Cascade, etc.)

Blackstone Real Estate Income Trust to Acquire Simply Self Storage for Approximately \$1.2 Billion

26 October 2020

Bill Gates becomes part owner of one of the country's largest self-storage operators



Understand the Risks: Breaking IRA Rules

- IRA holders that engage in prohibited transactions are penalized
- Cannot transact with disqualified persons*

What is a Prohibited Transaction?

Any **improper** use of an IRA or Plan by the plan participant or a disqualified person

Who are Disqualified Persons*?

YOU
Your spouse
Your parents
Your grandparents
Your children
Your grandchildren
Spouses of lineal descendants
IRA Fiduciary

Understand the Risks: Due Diligence

- **REMEMBER:** Self-Directed IRA holders are **lawfully responsible** for completing due diligence on all investment and investors.
- Bad due diligence can be costly.

Underwriting & Disposition Considerations

Learning the Underwriting Process



Property Identification

Review public listings, private listings, and off market properties to identify the projects that meet your location and demographic criteria



Market Research

Review the demographic information in a 1-, 3-, & 5-miles radius of the property. Perform a comparable study identifying primary competitors and the self-storage supply and demand in the market.



Pro Forma Modeling

Use historical property reports and appropriate underwriting assumptions. Underwrite the project with a financial modeling tool



Peer Review

Presentation of the property pro forma, market data to peer group to validate your assumptions



Offer Submission

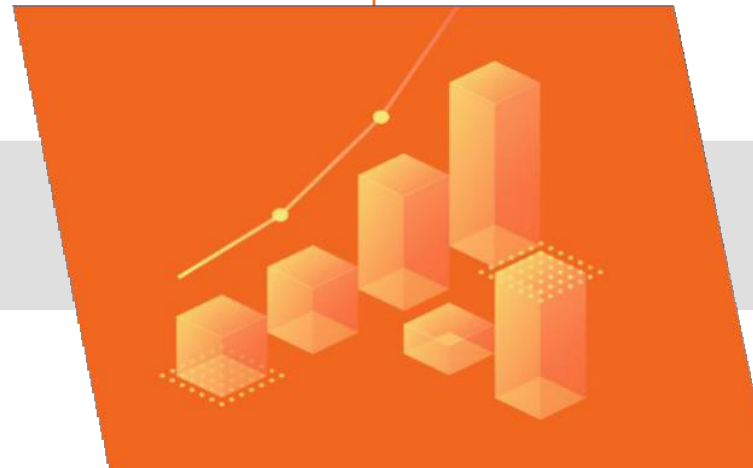
Submit a Letter of Intent (LOI) for a review by the seller

Investing in Self-Storage: Acquiring Property



Business Plan

- Develop a business plan strategy based on the original pro-forma projections
- Develop onsite operations team to work with construction team to ensure an on-time construction



Revenue Enhancements

- Identify ancillary income opportunities like U-Haul truck rentals, tenant insurance, late fees, etc.
- Constantly monitored by internal audits and market studies



Exit Strategy

- Evaluate the market conditions to understand when you can maximize your portfolio's value
- Work with institutional partners, REITS, and broker marketplaces to find a the most suitable buyer

Case Study



Property Description

Budget Storage 7275 Carolina Beach Rd, NC

Number of Properties:	1
Investment Type:	Value
Year Built:	2018
Total Square Footage:	50,650
Current Occupancy:	82%
Loan to Value:	70%



Key Points

- High demand for self-storage in the market
- Expanding the property with a variety of storage units
- Population growth within 5 miles grew 21% from 2010–2019
- Traffic count at the site is over 34,000 cars per day
- Undersupplied market with small competitors
- ~70% of the tenants come from south of the facility where the competition is minimal
- Reliant's 3 additional facilities in the region creates a potential sale option to a REIT or institutional capital upon exit

Alternative Self-Storage Investing Strategy

Alternative Self-Storage Investing Strategy



Research Markets

Complete market research to determine which market matches your criteria



Identify Investment

Review public listings, private listings, and off market properties to identify the projects that meet your location and demographic criteria



Complete Due Diligence

Acquire all available investment information to audit for value & legitimacy. Review with professionals if needed.



Make Investment

Submit a Letter of Intent (LOI) for a review by the seller

Direct vs. Passive

Contact Reliant Investments



We are available to answer any further questions you may have

KRIS BENSON

Chief Investment Officer at Reliant Investments
kbenson@reliant-mgmt.com | 518.409.1685

Investing in Self-Storage with a Self-Directed IRA

- 1** Open SDIRA Research Self-Directed IRA custodians, identify which one meets your criteria, and open an account
- 2** Fund SDIRA Fund your IRA via a transfer, rollover or a contribution
- 3** Identify Investment Review available listings and off market investments to identify opportunities that meet your location and demographic criteria
- 4** Complete Due Diligence Review all available investment information, vet key stakeholders, and audit with professionals if needed
- 5** Make & Maintain Investment Expenses & income must flow in & out of your IRA

What's Next?



Upcoming Webinar: Multifamily Real Estate

➔ Register & join us on May 19!



Want more information regarding today's topic?

➔ Complete our brief webinar survey



Need more information on SDIRAs?

➔ Visit our website and Learning Center



Follow us on social media for updates



Time for Questions



Stay Connected



Mindy Gayer



Business Development Manager



mgayer@theentrustgroup.com



(615) 900-4015



Kris Benson



Chief Investment Officer



kbenson@reliant-mgmt.com



(518) 409-1685

“

Education is the passport to the future, for tomorrow belongs to those who prepare for it today.

- *Malcolm X*

