

## REALLY GREAT SELF STORAGE

2620 W Horizon Ridge Pkwy  
Henderson, Nevada 89052

### **Custom Self-Storage Expense Analysis**

Date of Report: February 14, 2017

Order Number #: 0002



PREPARED FOR  
Jeremy Allen  
Really Great Self Storage LLC  
2620 Horizon Road  
Henderson, NV 89052

PREPARED BY  
**COLLIERS INTERNATIONAL**  
VALUATION & ADVISORY SERVICES

# LETTER OF TRANSMITTAL

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February 14, 2017

Jeremy Allen  
**Really Great Self Storage LLC**  
2620 Horizon Road  
Henderson, NV 89052

**RE: Really Great Self Storage**  
2620 W Horizon Ridge Pkwy  
Henderson, Nevada 89052

Order Number #: 0002

Mr. Allen:

Thank you for ordering this tailored Self-Storage Expense Report through the ISS Store. We designed it to inform you on the most recent trends in operating expenses and provide a customized analysis of other properties most similar to your facility.

You have inquired about a facility consisting of 930 units and 115,789 SF located in Las Vegas-Paradise, NV market. Based on the data provided in your order and our research we estimate this property to have a Class B rating. We discuss our rating system later in this report. The expense comparables selected for our analysis will be of a similar rating based on the same criteria.

For this analysis, we have analyzed the operating expenses of self-storage properties in and around Henderson, Nevada. We targeted our search to facilities similar in age and design to your property as much as possible based on the data available to us. We note that expenses can vary greatly depending not just on the type and quality of a facility, but also on the management style. This report will give you context for those differences.

## REPORT SCOPE

In this report, our data and discussion are presented in the following order:

- 1) Categorization and grouping of expenses for comparison purposes
- 2) Classifications of self-storage facilities and the impact on operations
- 3) Classification of ownership types and the impact on operations
- 4) Presentation of real operating expense comparables of relevant facilities

Please note that the information here is provided on an informational basis alone and is intended for your internal use only. As with many industry reports, references to comparable properties should be done with some caution as every property is unique. Our presentation is an aggregation and compilation from various data sources including REIS, CoStar, and Colliers International data collection efforts. We make no representation or warranty as to the accuracy or completeness of any information obtained from any third party data source. The identification of comparable properties is kept strictly confidential in compliance with regulatory practices. The number of units and net rentable area of the comparables in this analysis are intentionally rounded so-as not to be identifying features of the data presented. Nevertheless, the information presented is representative of a real operation and factually represented on a real per SF basis to the best of our knowledge.

### **ADDITIONAL SERVICES**

Analyzing your facility's operating expenses are not part of the scope of this report. However, if you would like us to review your annual profit and loss statements and compare them side by side with the data provided along with an analysis this can easily be provided for a fee of \$199. If interested please email [ssreports@colliers.com](mailto:ssreports@colliers.com). You will need up to three years of profit and loss statements as well as your ISS order number.

In addition, we have a full array of self-storage ownership services that we either provide directly or work with affiliates:

- 1) Advisory services (how to boost income and occupancy and lower expenses)
- 2) Market reports and feasibility
- 3) Site selection
- 4) Appraisals
- 5) Broker opinion of value
- 6) Preparing your facility for sale (capital projects, timeline, etc...)
- 7) Review of any existing offers for purchase (Are they fair?)
- 8) Refinancing or lending advice
- 9) Partnership buyouts, negotiations, valuations, and operating agreements
- 10) Property Management

If you have any interest in the above or are simply looking to be "pointed in the right direction" please don't hesitate to ask and we will put you in touch with one of our top advisors free of charge to assist you.

Again, we thank you for ordering this customized report and choosing ISS and Colliers International. If you have any feedback or further questions please don't hesitate to contact us.

Sincerest regards,

### **COLLIERS INTERNATIONAL VALUATION & ADVISORY SERVICES**

#### **SELF STORAGE SPECIALTY PRACTICE GROUP**

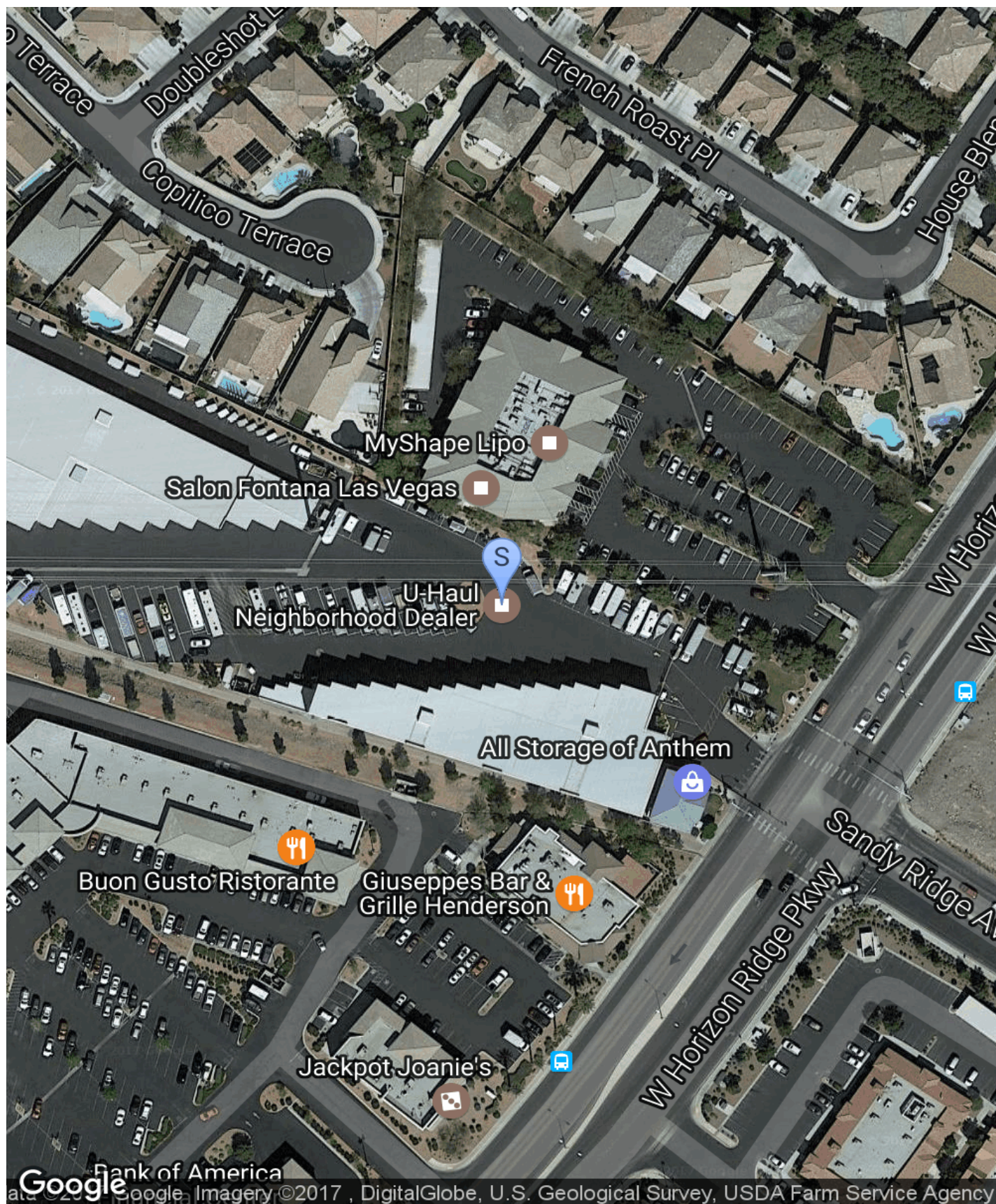
**GENERAL INFORMATION**

<b>Property Name</b>	Really Great Self Storage
<b>Address</b>	2620 W Horizon Ridge Pkwy
<b>City</b>	Henderson
<b>State</b>	Nevada
<b>Zip Code</b>	89052
<b>County</b>	Clark
<b>Core Based Statistical Area (CBSA)</b>	Las Vegas-Paradise, NV
<b>Market</b>	Las Vegas-Henderson-
<b>Submarket</b>	Las Vegas, NV
<b>Longitude</b>	-115.102473
<b>Latitude</b>	36.002458
<b>Census Tract Number</b>	53.49

**IMPROVEMENT INFORMATION**

<b>Number Of Units</b>	930
<b>Average Unit Size</b>	125 SF
<b>Net Rentable Area SF (NRA)</b>	115,789 SF
<b>Number Of Stories</b>	1
<b>Year Built</b>	2003
<b>Year Renovated</b>	-
<b>Class</b>	B







## TYPICAL EXPENSE ITEMS

Expenses for a property will vary based on unique characteristics. For example, real estate taxes could vary greatly depending on local jurisdictions or on whether it is located in an urban or a rural area. Utility expenses in a climate controlled property may vary based on the severity of the climate. Advertising costs will be driven by the amount of competition and the subject's access and exposure.

We have standardized operating expenses into nine categories as listed below. The titles are self-explanatory. Next to each title is a description as well as special considerations that need to be given to individual properties. Whether it is an appraisal, BOV, or underwriting for a loan, interested parties will want to assure that all of the categories are taken into account when projecting future cash flow performance of a facility.

TYPICAL EXPENSE ITEMS	
EXPENSE ITEM	DESCRIPTION AND ANALYSIS
Real Estate Taxes	This expense includes property taxes as well as special assessments. In some states, special assessments can be broken out separately. Every state has its own method for calculating property taxes. Some localities reassess facilities based on sales price while others may use the cost approach or the income approach. Since the definition of "Market Value" assumes a sale, appraisers are forced to use an amount calculating the value of the property multiplied by the tax rate. Each local jurisdiction must be reviewed and understood. An incomplete understanding can often cause headaches for refinances and construction loans.
Insurance	This category is for general liability insurance. Special consideration should be given to flood, earthquake, hurricane, or other natural disaster areas. It is common for lower rates to be achieved through blanket policies. In some cases owners prefer umbrella policies for additional protection. A buyer may not choose to pay for non-required policies.
Utilities	In this category we include all water, sewer, electric, gas, and trash removal. If there is cable or internet, we also include it here. Maintenance costs on septic systems is usually excluded from this category and grouped with building repairs and maintenance. If sewer costs are handled through a special tax assessment, it is usually included with taxes. Both location and climate play a role in this category. Densely populated areas typically see higher energy costs. The number of climate controlled units at a facility should also be considered.
Building Repairs and Maintenance	This category includes cleaning out the units, replacing doors, landscaping and any maintenance associated with the facility. Areas that require a snow removal expense and/or elevator servicing typically command higher expenses. Long term expenditures are also affected by climate; however, these expenses are typically covered in the reserves category. Age and physical characteristics play a part in budgeting for this category.
Off-Site Management	This category is for professional management of the facility. This is typically done on a percentage basis of the Effective Gross Income (EGI) and typically ranges between 4% and 6% of EGI. Therefore, areas with higher rents result in higher management costs. However, when a property is stabilized and generating strong rental rates, it is common to see downward pressure on the overall percentage. The size of the facility and location also play a major role with higher percentages for facilities under 200 units. Often times, buyers of these facilities opt to self manage. However, during a purchase, a buyer would expect some budget for this expense.
On-Site Management	This category is for all payroll costs for employees. It also includes payroll taxes and any benefits. It is greatly impacted by location and average living expenses. Unless zoning restricts, it is common for resident managers to live on-site. Expenses are often higher for facilities not offering living accommodations for managers. Depending on the size of the facility, this category also includes part time personnel.

Advertising	While once focused on yellow page adds, this expense now represents phonebook adds as well as internet marketing, search engine optimization (SEO), as well as other forms of advertising such as flyers and mailers. Various strategies exist. The amount of competing facilities and the property's access and exposure are primary considerations for this category. This category has consistently declined over the last couple of years as facilities have taken advantage of technology.
General and Administrative	This is your "catch all" category. This expense includes accounting, legal fees, other professional fees, and general administrative costs. If a customer service call center is used, it is included here. This category can often include expenses associated with U-Haul rentals and credit card fees.
Reserves	Reserves is an expense not usually reflected on a typical operating statement. Nevertheless lenders and buyers expect to set aside some money on a yearly basis for future capital improvements over a long-term holding period. It does not include items of on-going maintenance that are included in the Building Repairs and Maintenance category discussed above. It also does not reflect any immediate capital expenditures needed at the facility, as the costs for those are usually deducted below the net operating income line. Estimates for this category range from \$0.10/SF to \$0.25/SF per year and are heavily dependent on the age of the property and site improvements.

## SELF-STORAGE RATING

Self-storage facilities can typically be broken down into four specific categories that depend largely on their location. We use the following rating system used to classify all self-storage facilities. The four major categories are: Class A – Good/Excellent, Class B – Average/Good, and Class C – Fair/Average. Each property is classified according to its location, size, access & exposure, quality, physical condition, occupancy/saturation, and amenities. Generally, a property that meets 3 or 4 characteristics in a category should be classified as such. Using this rating system creates a simple, but comprehensive view of the property.

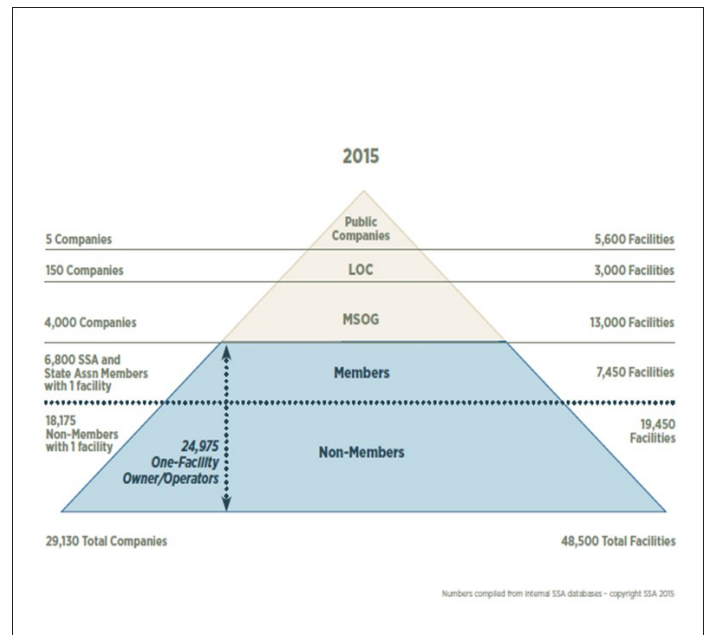
CIVAS FACILITY RATING GUIDE			
CATEGORY	A *****	B ****	C ***
	GOOD/EXCELLENT	AVERAGE/GOOD	FAIR/AVERAGE
Location	Major MSA	Major MSA/ Secondary	Secondary / Rural
Size	40,000 SF +	20,000 - 80,000 SF +	5,000 - 30,000 SF
Access/Exposure	Freeway Exposure with Good Access or Major Thoroughfare with Good Access and Exposure	Major Thoroughfare with Above Average Access and Exposure	Secondary Thoroughfare with Average Access and Limited Exposure
Quality	Brick, Block, or Tilt-Up, with Paved Asphalt or Concrete (Office Style/Multi-level)	Brick, Block, Tilt-Up, Steel or Wood Frame with Metal Siding and Paved Asphalt	Steel or Wood Frame with Metal Siding and Paved Asphalt (Can include portable units or swing out doors)
Condition	Newer Construction, Well Maintained, No Deferred Maintenance, Clean and Appealing	Aging Improvements, Well-Maintained, Recurring Maintenance, Clean	Older Construction, Fair Maintenance, Potential for Costly Repairs, Appeal Reflects Age
Occupancy	Proven Over 90% Occupancy Strong Fundamentals	Inconsistent Occupancy Average Fundamentals	Inconsistent Occupancy, Weak Fundamentals
Saturation	Low to Moderate / High Barriers to Entry	Low to Moderate / Vulnerable to New Development	Saturated Market / New Development Risk
Amenities	On-Site Managers, Video Surveillance, Individual Unit Alarms, Electronic Gate, Exterior Lighting	On-Site Managers, Video Surveillance, Electronic Gate, Exterior Lighting	On-Site Managers, Perimeter Fencing, Exterior Lighting / Minimal

The self-storage ratings are important in our selection of similar comparables. For example, older properties will typically have higher repairs and maintenance costs. Climate controlled properties will typically have higher utility bills. An owner with a single property in a rural area may choose to not have a full-time staff person on the property lowering on-site maintenance costs. If a property has inferior access and exposure it will typically drive up advertising costs. A final example is a property with significant amounts of other income such as rentable parking spaces or truck rentals may have a higher off-site management expense since this is driven by a percentage of the effective gross income. All of these factors are taken into consideration as we select our comparables.

## SELF-STORAGE OPERATOR TRENDS

The type of operator also plays a major role when judging the comparability of other facility's operating expenses.

The figure shows a breakdown of the types of self-storage facility operators. Public Companies (PC) which includes: Public Storage, U-Haul, Extra Space, Sovran, and Cubesmart. Large Operators Council (LOC) consists of firms with ten or more stores and/or 1million+ SF of rentable storage. Mid-Sized Operator Group (MSOG) consists of firms that own and operate 2-9 self-storage facilities. Members are one-store owner-operators that are members of either a state or national association. Non-members are one-store owner-operators that are not members of any state or national association. Non-members own and operate 41.9% of all primary facilities in the nation.



The ten largest self-storage operators control approximately 11% of facilities nationwide and 12% of rentable square feet. The top 50 companies have a combined market share of approximately 32% of the overall number of facilities. This is due to regional chains building facilities twice as large as industry standards with approximately 70,000 rentable square feet. Small local owners usually own one or two facilities and are typically below the industry average in terms of size and amenities. Ownership is increasingly changing from local partnerships into professionally run multi-state corporations. It is noted that the combined share of the total market is small for the top operators, even when including the largest 100 businesses. This highlights the fact that, although the industry has become significantly more sophisticated over the past two decades, the self-storage market remains heavily compressed of small, private operators.

Operating expenses will vary depending on the size and scope of the owner's operations. It can also vary based on the owner's operating style. The list below discusses some of variables.

- 1) REITS tend to have more standard operations consistent across all properties owned and managed. In addition:
  - a. Marketing and pricing strategies combined with rent optimization software has generally lead to stronger and more consistent year-over-year income growth.
  - b. They often have higher advertising or G/A due to centralized marketing platforms and larger overheads charged back to the individual properties.
  - c. Off-site management fees are standard at usually 4% or 5% with some exceptions.



- d. Strategies for controlling maintenance schedules, lighting, and other operations usually result in more consistent expenses amongst facilities owned by the same REIT.
- 2) LOC – These owners tend to operate similar to REITS. Though it is noted that higher degree of customization can occur in profit and loss categorization.
- 3) MSOG – These owners demonstrate a much greater variance and inconsistency in operating costs between facilities as each owner generally has a different approaches to management, advertising, and G/A. Operating expenses from these facilities should be used with care and every effort should be used to compare similar facilities in terms of size, quality, and location.
- 4) One Facility Owners – Due to the smaller operation size owners of these facilities can have much lower real operating expense ratios. That said, they can also report many expenses that might not typically be associated with the self-storage operation. Record keeping varies greatly. Operating expenses from these facilities sometimes exclude any type of off-site or on-site management as it is unnecessary due to the facility size. Expenses can include non-real estate items that may not be included by typical owners such as expenses from other associated businesses, personal expenses such as automobiles or personal utilizes, etc...

In all of the comparables presented below, we have carefully analyzed every expense category included items only deemed appropriate and necessary for the operation of the facility. We have also excluded all “below-the-line” expenses such as capital repairs, mortgage payments, partnership allocations, and building depreciation.

## OPERATING EXPENSE COMPARABLES OF RELEVANT FACILITIES

You have inquired about a property totaling 930 units and 115,789 SF of Net Rentable Area located in Henderson, Nevada. Based on the data provided in your order and our research on Google Maps, CoStar, and REIS we estimate this property to have a Class B rating.

We researched our self-storage database to find comparables relevant to your property. Our initial search is for properties located in the Las Vegas-Paradise, NV CBSA where your property is located. However, if necessary we have expended our search regionally to find facilities of a similar class and operating style.

The selected comparables represent the actual data from the most similar properties available in the market area. As stated above we have evaluated the subject and the comparables based on the same standards and the comparables represent properties with a similar class rating, similar size, and represent the most recent expense data available. To preserve the anonymity of the comparables the number of units and Net Rentable Area has been rounded. However, the data is based on the actual size of the property.

EXPENSE COMPARABLES											
COMPARABLE	COMP 1	COMP 2	COMP 3	COMP 4	COMP 5	COMP 6	COLLIERS	ALMANAC	LOW	HIGH	AVG
State	Nevada	Nevada	Nevada	Nevada	Nevada	Nevada	Varies	Varies	-	-	-
Expense Year	2014	2015	2015	2014	2014	2014	2014	2014	1905	2015	1987
Actual/Budget	Actual	Actual	Actual	Actual	Actual	Actual	Varies	Varies	-	-	-
Units	440	750	770	580	420	850	Varies	Varies	420	850	635
Net Rentable Area	46,000	90,000	89,000	76,000	46,000	188,000	Varies	Varies	46,000	188,000	89,167
Building Class	B	B	B	B+	B	B	Varies	Varies	-	-	-
Year Built	1995	2002	2000	2004	1980 (Converted in 1990s)	1996 / 2004	Varies	Varies	1995	2004	2000
Rental Income	\$9.00	-	\$9.13	\$13.11	\$15.01	\$7.02	N/Av	N/Av	\$7.02	\$15.01	\$10.65
Miscellaneous Income	\$0.73	-	\$0.77	\$1.74	\$0.86	-	N/Av	N/Av	\$0.73	\$1.74	\$1.03
Miscellaneous Income % EGI	7.5%	-	7.8%	11.7%	5.4%	-	N/Av	N/Av	5.4%	11.7%	8.1%
<b>EGI (\$/SF)</b>	<b>\$9.74</b>	<b>\$9.23</b>	<b>\$9.90</b>	<b>\$14.85</b>	<b>\$15.87</b>	<b>\$7.08</b>	<b>N/AV</b>	<b>N/AV</b>	<b>\$7.08</b>	<b>\$15.87</b>	<b>\$11.11</b>
EXPENSE ITEMS	\$/SF	\$/SF	\$/SF	\$/SF	\$/SF	\$/SF	\$/SF	\$/SF	LOW	HIGH	AVG
Real Estate Taxes	\$0.43	\$0.39	\$0.46	\$0.52	\$0.50	-	\$0.64	\$0.60	\$0.39	\$0.64	\$0.51
Property Insurance	\$0.13	\$0.09	\$0.19	\$0.14	\$0.29	-	\$0.15	\$0.18	\$0.09	\$0.29	\$0.17
Utilities	\$0.57	\$0.29	\$0.46	\$0.51	\$0.27	\$0.13	\$0.25	\$0.30	\$0.13	\$0.57	\$0.35
Building Repairs & Maintenance	\$0.68	\$0.29	\$0.30	\$0.37	\$0.56	\$0.05	\$0.20	\$0.20	\$0.05	\$0.68	\$0.33
Off-Site Management	-	\$0.39	\$0.49	\$0.74	\$0.79	\$0.35	\$0.38	\$0.41	\$0.35	\$0.79	\$0.51
On-Site Management	\$1.15	\$1.03	\$0.96	\$1.20	\$1.63	\$0.49	\$0.80	\$0.84	\$0.49	\$1.63	\$1.01
Advertising	\$0.02	\$0.17	\$0.16	\$0.42	\$0.17	\$0.01	\$0.34	\$0.25	\$0.01	\$0.42	\$0.19
General & Administrative	\$0.50	\$0.54	\$0.46	\$0.41	\$0.77	\$0.29	\$0.39	\$0.65	\$0.29	\$0.77	\$0.50
Reserves	\$0.10	\$0.10	\$0.10	\$0.10	\$0.10	\$0.10	\$0.10	\$0.10	\$0.10	\$0.10	\$0.10
<b>TOTAL EXPENSES (\$/SF)</b>	<b>\$3.59</b>	<b>\$3.28</b>	<b>\$3.59</b>	<b>\$4.41</b>	<b>\$5.06</b>	<b>\$1.41</b>	<b>\$3.25</b>	<b>\$3.53</b>	<b>\$1.41</b>	<b>\$5.06</b>	<b>\$3.52</b>

The above data will serve as a worthwhile guide of where other operators with similar facilities are hitting on their operational expenses. It will also provide a typical range to use when evaluating your own property and how it compares to similar ones in your market area.

When obtaining a loan, or taking your property to market, lenders and buyers will always put the most emphasis on the historical expenses for the past 2-3 years at the property. Anomalies or unusual expenses need to be explained to verify whether they will be expected in the future.

Should you like additional consultation regarding your operating expenses as well as strategies to lower such expenses or if you would like to explore other services, please don't hesitate to contact us at the information below. Our services are fully outlined at the front of this report.

Sincerely,

**COLLIERS INTERNATIONAL  
VALUATION & ADVISORY SERVICES**