



NationWide
Self Storage

VANCOUVER

1223 EAST PENDER STREET



20 | Semi-Annual
23 | Update

NATIONWIDE SELF STORAGE

We have good news all around and are pleased to provide you with this semi-annual summary update and review of events and operational progress for NationWide I Self Storage Trust Pender, for the period ending June 30, 2023.

NationWide Self Storage Trust Pender (“Pender” or the “Property”) is a AAA, Institutional Grade 58,500 sq. ft., highly visible four-story state-of-the-art self-storage facility. It features modern architecture and design, enterprise-level built-in security, and a keyless smart access system controlled via an app on your phone.

When it comes to storage in Vancouver, location, access and convenience are key. This Property is strategically situated a mere 5 minutes from central downtown Vancouver. Its location also provides easy access from main traffic arteries such as East Hastings Street, Clark Drive, Pender Street and the Trans-Canada Highway.

The initial development permit allowed for 560+ lockers of various sizes with the intention of installing an additional 250+ second level sky lockers later as part of phase II development.

Since opening in 2020, we have successfully grown revenues rapidly. Our revenue grew from \$0 in January 2020 to \$334,642 by the end 2020. Our 2021 revenue effectively doubled over the opening year’s result and reached \$696,342. Revenues for 2022 jumped up an impressive 67% over 2021 to \$1,163,089. We estimate 2023 revenue to be in the \$1,500,000 range. Adjusted EBITDA for 2020 was (-\$175,102), for 2021 EBITDA was \$47,270 and for 2022 was \$389,663.

Further evidence of business success is noted with the 200+ Google reviews with an industry leading 4.8-star rating making the Pender property an industry standout in Vancouver.

03/2020

Received Full Occupancy Permit

562

Total Main Level Lockers

+268

Sky Lockers, March 2022

=830

Total Lockers, June 2023

Sky Lockers Installed & Leasing

In March 2022, after a 2-year battle with the City of Vancouver, the additional Sky Lockers were finally permitted and installed. As anticipated, the Sky Lockers have proven to be popular with tenants and occupancy has been steadily increasing. As of June 30, 2023, the occupancy of the sky lockers was 53% with a total number of 142 sky lockers currently rented. This represents an increase of 21% since December 31, 2022.

Sky Locker rentals are Nationwide's affordably priced mini storage lockers. These mini storage lockers are half the size (height) of the average self-storage unit. They are typically 4' high but have the same length and width as a full-size self-storage unit.

While standard lockers are more transactional in nature, in contrast the Sky Lockers are more oriented towards seasonal lifestyle items like seasonal decorations, camping equipment, sporting equipment like skis and hockey gear and business records storage. They are typically used to store excess household items that are used periodically and therefore have proven to be suited to more long-term tenants. The addition of Sky Lockers provides a further competitive opportunity, increased revenues, and has been marketed to customers extremely effectively.

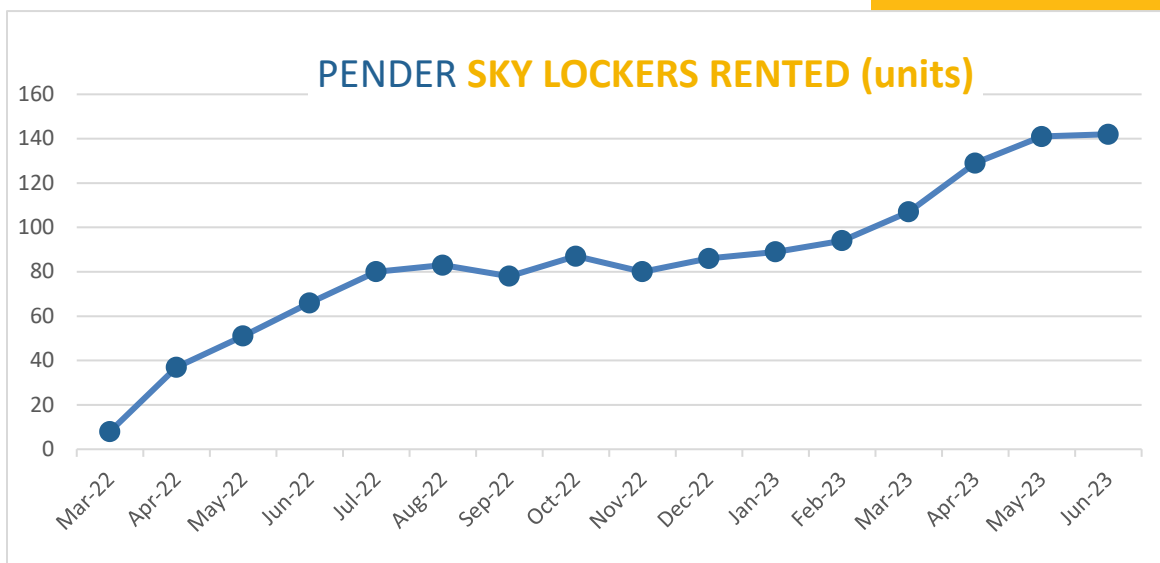
In March 2022 with the addition of Sky Lockers, overall occupancy changed from approximately 65% down to 45%. Since this point the overall occupancy rate for June 30, 2023, has risen to 78%.

142

Occupied Sky Lockers
June 30, 2023

648

Total Occupied Lockers,
June 30, 2023



Rental Activity

Since the last update on December 31, 2022, the occupancy at the facility has increased by 14% to 78%. This is a significant step towards achieving stabilized occupancy at the facility.

Marketing efforts have paid off in leaps and bounds in terms of new tenants. There has been a total of 332 move-ins and 222 move outs during this period.

As previously stated, the Sky Lockers have a lower move out rate than the medium to large size lockers.

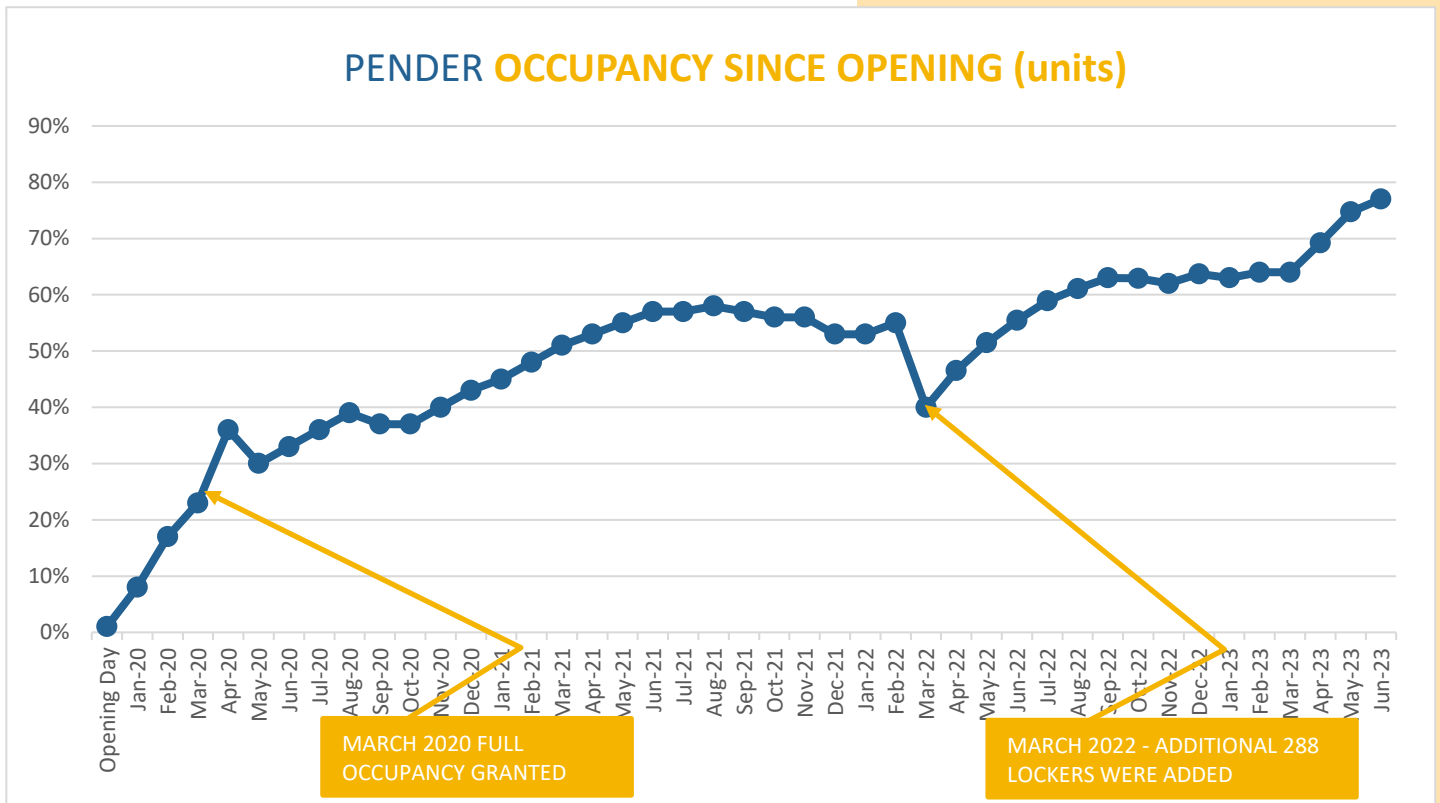
Rent rate increases of 5% - 7% to existing customers were completed in January, Q1 2023. Furthermore, with a dynamic pricing strategy, rates are expected to increase on vacant units, as occupancy rates tighten. Looking ahead to 2024, we anticipate another rent increase at the beginning of the new year.

78%

Occupancy as of June 30, 2023

5-7%

Tenant Rent Raises, Q1 2023



Construction Cost & Inflation

As you are aware, both residential and industrial construction costs (particularly the costs of steel, concrete, drywall, labour and locker material) have skyrocketed and remain at record levels today. The initial construction budget for the Pender development was prepared in the fall of 2016. Based on that 2016 construction budget, the equity portion of the financing was completed in the spring of 2017.

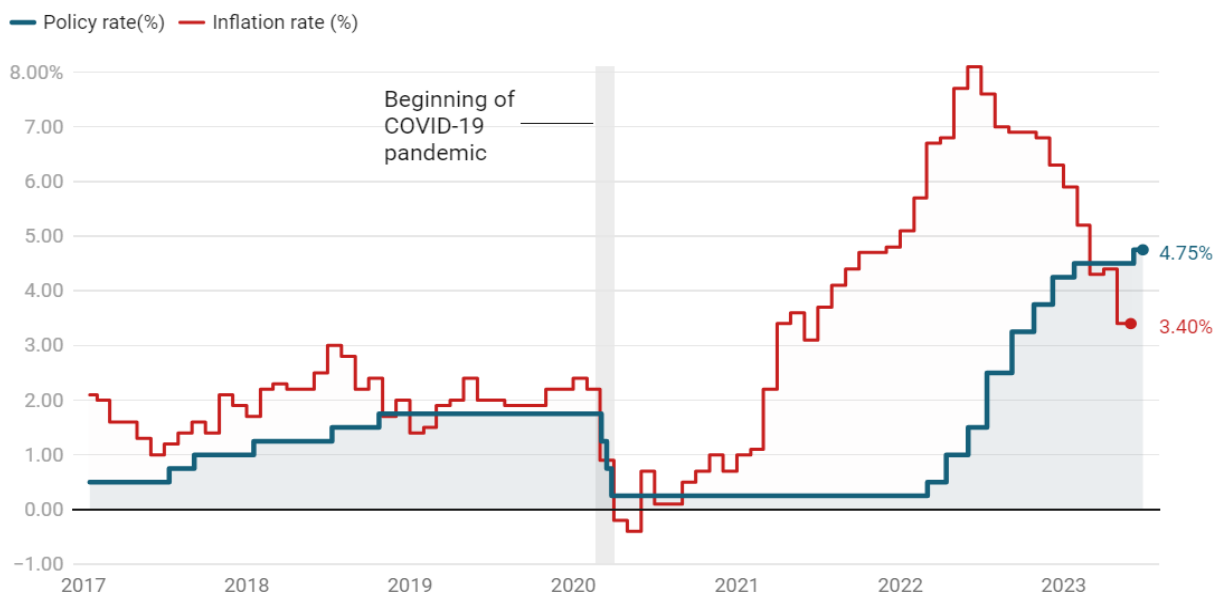
Over the 3.5-year period after preparing the construction budget, obtaining the development permit and building permit and then completing construction, it is estimated that construction costs increased 65% - 80%. Adding to project costs, municipal fees are estimated to have increased 35% over that period. This rapid increase in construction and permitting costs is estimated to have added approx. \$5mm+ to the overall building costs.

Interest Rates & Debt

Like construction cost inflation outlined in the previous section, interest rates have also increased significantly. Bank of Canada Prime interest rates increased from 2.70% on July 13, 2017, all the way to 6.95% on June 8, 2023 (see: [historical-effective-prime-rate.pdf \(gov.bc.ca\)](#)).

Bank of Canada's overnight interest rate vs. inflation rate (%)

Current overnight rate is 4.75% as of June 27, 2023. May 2023 inflation rate is 3.4%



Leading economists believe we will likely see more rate hikes before inflation is tamed. The bond market, being a key indicator of future rates, also appears to have 2 more rate increases already priced in. The current 6.95% Bank of Canada Prime lending rate is up a staggering 157% over the rate of 2.7% that were in place when we did the original budgeting in 2016.

The current rate environment has a dramatic impact on operating business cash flows required for debt serving. Newly built and opened self-storage facilities can typically only term out their construction financing once they achieve mature occupancy, which is typically about 85%. Achieving mature occupancy normally takes, on average, 3 years in Canada. With the Pender location opening in Jan. 2020, our 3-year period ended January 2023.

Pender currently has \$9.5mm of bank financing with \$7.1mm fixed at 5.46% and the balance of \$2.4mm floating. The loan to value ratios is a very fiscally responsible .25:1. Revenue from operations is now covering all current debt service costs.

NAV Of Trust Units

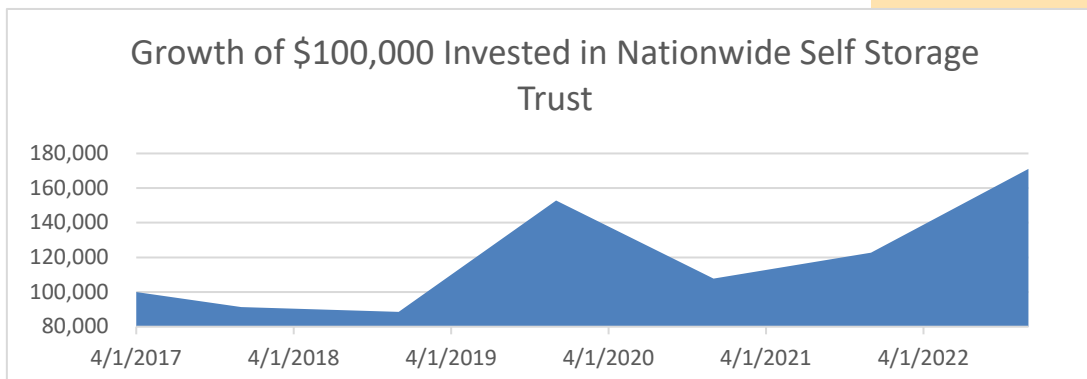
Pender recently received an estimated fair market value of \$38mm (before any brokerage commissions). This estimated property value was provided by Western Canada’s leading self-storage real estate brokerage firm, based on comparable historical sales in the Pender area. Using this value, the current NAV per Trust Unit is \$163.75, which equates to an average annualized rate of return of 7.59%.

\$163.75

Estimated NAV Per Trust Unit, 2023

7.59%

Annualized Avg. Rate of Return



Calendar Returns	2017 ⁽¹⁾	2018	2019	2020	2021	2022
NW SS	-9%	-3%	72%	-29%	14%	39%
⁽¹⁾ For partial year from April 28, 2017 to December 31, 2017						

Conclusion

Management is pleased with the overall progress and the impressive investor value generated by the Pender property to date, especially when considering the economic (construction cost inflation of 80% and a 157% jump in interest rates) conditions and project timing factors.

When the raw land was acquired in 2017, interest rates were historically low (sub 3%) and construction costs were a very reasonable \$135 sq/ft. Construction costs quickly escalated to over \$220 per sq/ft by the time the project was completed in 2020. Further, the City of Vancouver was inundated with a huge volume of residential and commercial building permit (BP) applications. The City became notoriously slow at reviewing and issuing BP's. Nevertheless, we succeeded in getting the project's BP and completing construction, all within a 3-year period. This is an impressive achievement considering many other projects can take and have taken 5+ years to complete.

Additionally, within 1 year of Pender's opening, 3 other brand-new self-storage properties opened, all within 1 km of Pender. This competition created a challenging environment, but with targeted marketing campaigns and focused operational management, the Property leased up quickly over the next 3 years. This is a significant achievement given the dynamic competitive environment.

Looking ahead at the competitive landscape, the City of Vancouver has recently placed a moratorium on self-storage in certain areas which will restrict future competition. Additionally, with current building costs and interest rates being so high, and the moratorium in place, Management is not aware of, any new competition entering the market. This should translate into greater occupancy, lower marketing costs, higher rents and returns for investors.

Over the next few years, we see occupancy growing to more than 90% and rents jumping by 30+%, combining to generate more value for investors. We anticipate commencing dividend distributions as soon as approved by our Bank.

We would like to thank all investors for their patience in waiting for occupancy to reach a stabilized level at the facility, as we work hard to target dividend distribution and more capital appreciation for investors.

“Occupancy rates of self-storage facilities range from 70% to 95%.

With a facility that is newly constructed or that's being repositioned, a new owner often will face a lease-up period of 18 to 36 months before a facility reaches occupancy stabilization.”

**Storable.com
July 26, 2021**