

URBIS

STRATEGIC POSITIONING PAPER

PROPOSAL TO REDEVELOP STORAGE FACILITY

October 2024

Prepared for National Storage

INTRODUCTION

Urbis has been commissioned by National Storage to provide a report highlighting the key economic drivers and benefits of redeveloping their Marrickville site. The initial report was completed in January 2023 with this report updating components of the analysis based on the amended development design. In order to facilitate the development, National Storage is lodging a planning proposal to increase the storage floorspace on the site. The increase in storage floorspace will:

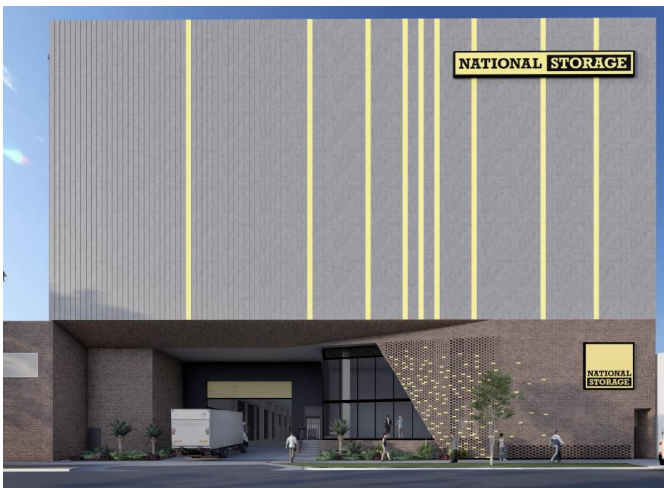
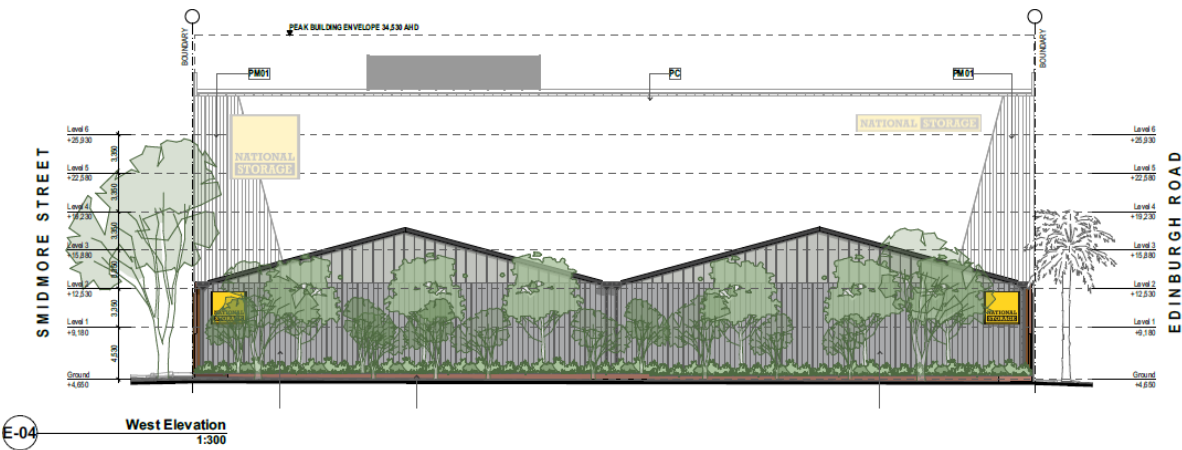
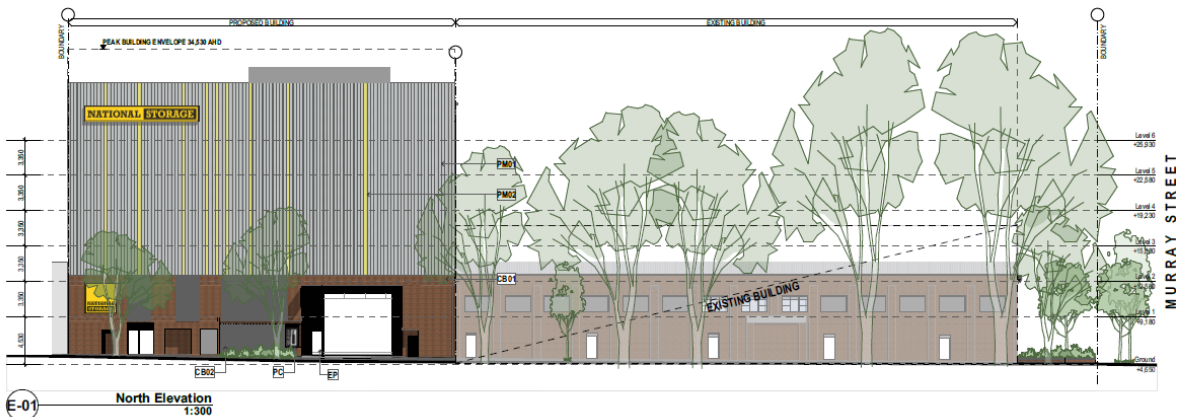
- 1. BE SUPPORTED BY HIGH DEMAND/OCCUPANCY WITHIN THE EXISTING FACILITY**
- 2. HELP TO ADDRESS A SHORTAGE OF SELF STORAGE SPACE IN THE INNER WEST**
- 3. SUPPORT THE GROWING POPULATION WITHIN THE INNER WEST**
- 4. SUPPORT BUSINESS INVESTMENT IN THE REGION AND FACILITATE THE HIGHER DENSITY UTILISATION OF THE SUBJECT SITE FOR INDUSTRIAL USES**
- 5. PROVIDE STORAGE TO SERVICE THE INCREASING NUMBER OF RESIDENTS LIVING IN NEW APARTMENTS**
- 6. ADDRESS DEMOGRAPHIC TRENDS SUCH AS INCREASED DOWNSIZERS, SMALLER HOUSEHOLD SIZES AND GREATER MIGRATION**
- 7. PROVIDE STORAGE TO EXISTING AND FUTURE BUSINESSES IN THE INNER WEST LGA**
- 8. DELIVER CONSTRUCTION AND MORE ONGOING JOBS IN MARRICKVILLE**
- 9. GENERATE SIGNIFICANT EXPENDITURE (DIRECT AND INDIRECT) AND VALUE ADD TO THE ECONOMY**



PROPOSED DEVELOPMENT

National Storage is seeking to redevelop 11/11A Edinburgh Road, Marrickville for a larger self storage facility. In order to facilitate the development, National Storage is lodging a planning proposal to obtain approval from the Inner West Council to increase the FSR on the site.

The existing facility consists of 2 levels with a Gross Floor Area (GFA) of 8,336.1 sq.m. The development of a seven-storey building will increase the total GFA to 22,745.2 sq.m and will include a Box Shop / Wine Ark among the traditional storage offerings. The additional space will help to cater for growing demand within the 5km catchment area.



01

SUPPORTED BY HIGH DEMAND AND OCCUPANCY WITHIN THE EXISTING FACILITY

National Storage has advised that the Marrickville facility has maintained a higher than market occupancy rate in recent years, achieving a rate of 95% in September 2022 and exceeding 85% in the last 2 years. This is significantly higher than the Urbis Self Storage Index market occupancy benchmark rate as at 2022 of 85% and average Sydney self storage market occupancy of 83%, indicating the higher than market demand observed in the area.

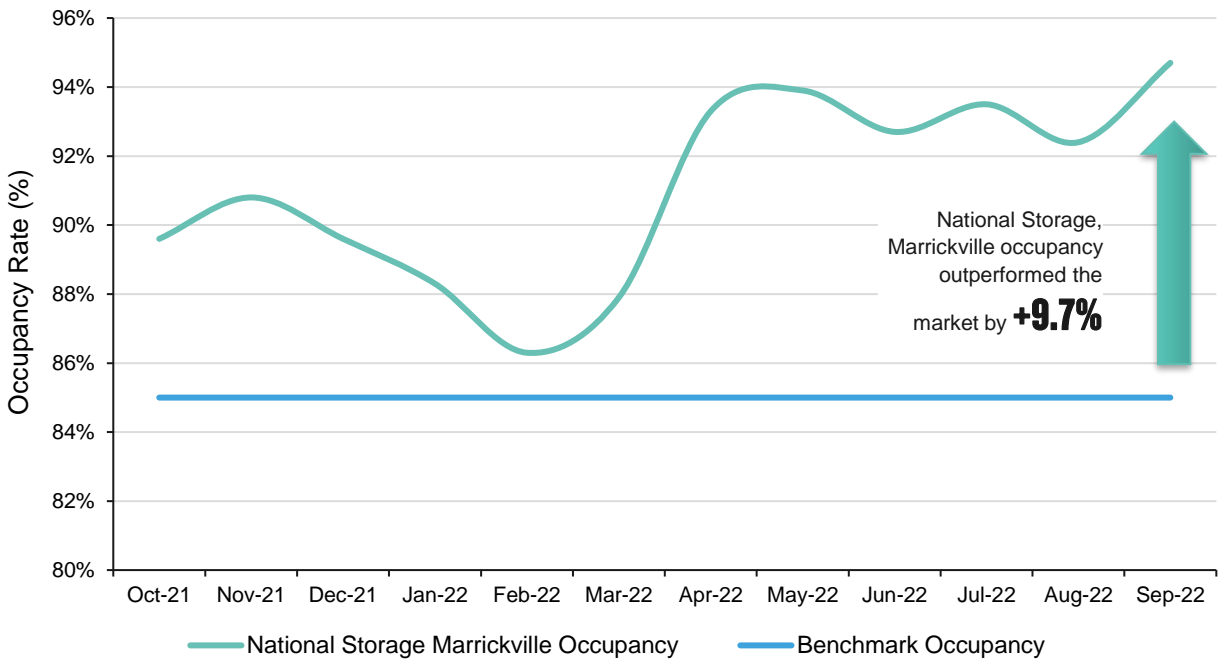
The primary customer catchment for self storage facilities in Metropolitan cities is defined to be generally within a 5km radius.

As per the last Urbis Self Storage Index in 2022, Sydney was undersupplied in self storage with 15 sq.m Net Storage Area (NSA) per 100 residents compared to 19 sq.m in Melbourne and 20 sq.m in Perth. We have

chosen similar LGAs including the City of Sydney in NSW (44 sq.m per 100 residents) and Monash in Victoria (34 sq.m per 100 residents) to benchmark potential demand for inner city areas. As such, a benchmark of 40 per 100 residents has been adopted for the Marrickville catchment and will increase by 1.9% per annum based on the CAGR from the previous five years in the Sydney region.

Forecast demand for self storage in the 5km radius surrounding National Storage Marrickville is estimated at 150,000 sq.m for 2022 and increase up to 225,000 sq.m by 2037. This estimate was developed by considering the NSA per 100 people in the comparable LGAs of the City of Sydney and Monash.

NATIONAL STORAGE MARRICKVILLE OCCUPANCY + BENCHMARK, OCT-21 TO SEP-22



Source: Urbis, National Storage

02

HELPING TO ADDRESS A SHORTAGE OF SELF STORAGE SPACE IN THE INNER WEST

The map below shows the existing and proposed self storage facilities surrounding National Storage in Marrickville as at December 2022. There was 117,438 sq.m of existing NSA within a 5km radius, which is mostly to the east of the site, with significant supply gaps in Dulwich Hill, Earlwood and Wolli Creek.

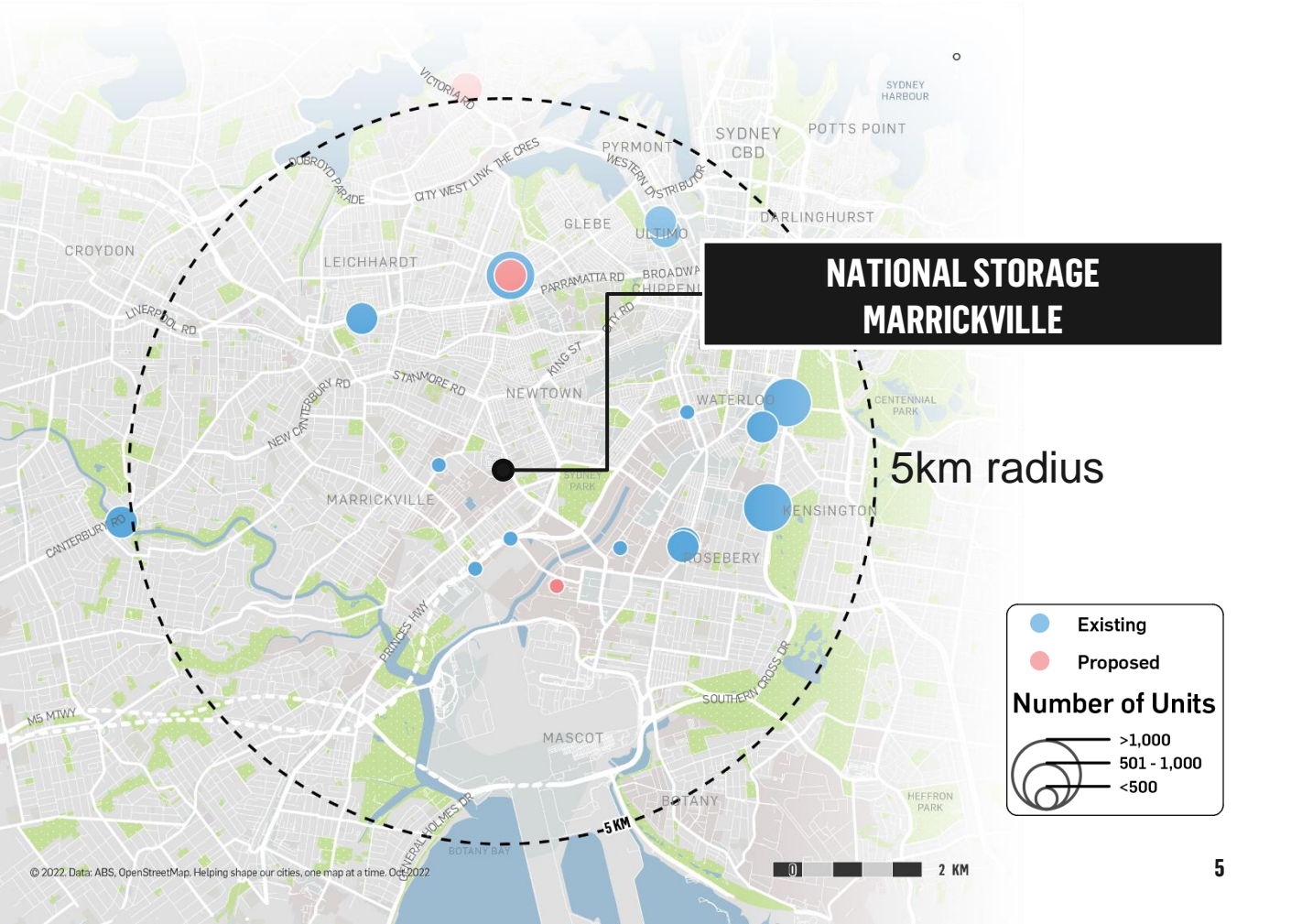
In addition to the existing facilities, there were three proposed self storage developments within the 5km radius, which would add an additional 16,371 sq.m of NSA within the catchment area. All the proposed developments are on the edge of the 5km radius, indicating that there will still be a demand gap for self storage surrounding the subject site.

Accounting for both existing and proposed facilities, there will continue to be a shortage of self storage space within the 5km catchment area. From 2022 to 2037, the demand gap for storage area will remain around 33,000 sq.m to 91,000 sq.m unless additional supply (over and above the proposed facilities) is developed.

The proposed development will help to reduce the shortage of self storage facilities by adding ~12,400 sq.m within the catchment area.

Self storage Demand Gap (sq.m)

	2022	2027	2032	2037
Demand	150,000	170,000	195,000	225,000
Supply	117,438	133,809	133,809	133,809
Demand Gap	32,563	36,192	61,192	91,192



03

SUPPORT THE GROWING POPULATION WITHIN THE CATCHMENT AREA

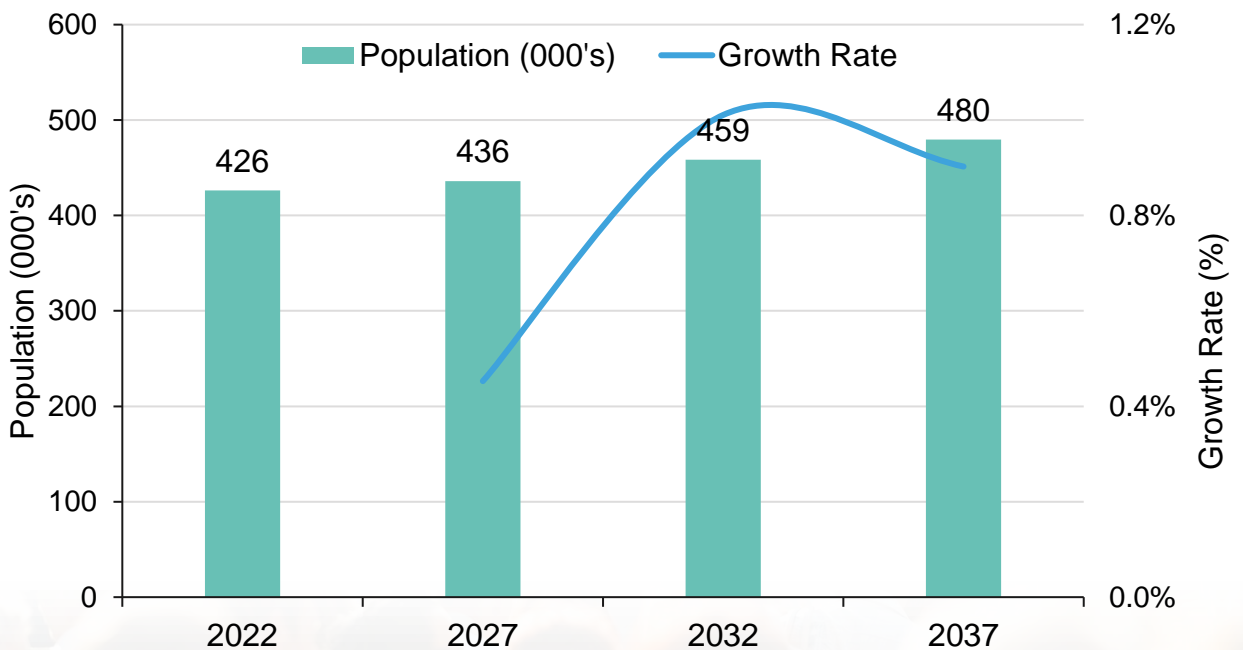
There is a large current and projected population within the 5km radius surrounding the site, with an estimated residential population of approximately 426,000 people in 2022.

Population density in the 5km radius around the subject site was 48.9 people per hectare in 2022, far higher than Greater Sydney at 4.2 people per hectare. This indicates the potential for increased demand for self storage in Marrickville and the Inner West, as more people live in apartments and equating to a higher propensity to demand storage space.

The population is expected to grow substantially over the next 15 years, to approximately 480,000 people, representing an average annual growth rate of 0.8% over the period, and an additional 54,000 residents.

A jump in population is expected to occur between 2027 and 2032 from 436,000 people to 459,000 people, representing a growth rate of 1.0%. As the surrounding area is already substantially developed, additional developments will primarily be apartments, resulting in the potential increase in demand for additional self-storage space.

POPULATION PROJECTION AND GROWTH, 2022-37



04

SUPPORT BUSINESS INVESTMENT IN THE REGION AND HIGHER UTILISATION OF THE SUBJECT SITE

Urbis has identified population growth, apartment completions, unemployment and average household income as having the strongest impact on the self storage market.

Evidence across the East Coast Australia which includes Sydney, Melbourne and Brisbane has shown a strong level of correlation between population and new apartment growth leading to an increase in storage revenue. This is shown in the graphs below as storage revenue peaked in 2018, due to new apartments rapidly increasing.

The catchment is set to experience a strong increase in apartment completions over the next five years which will lead to a greater increase in population and density. These key factors will create strong demand for self storage in the catchment and ensure occupancy rates continue to remain high. In the past, high occupancy rates have led to an increase in storage fees across all markets in Australia and New Zealand

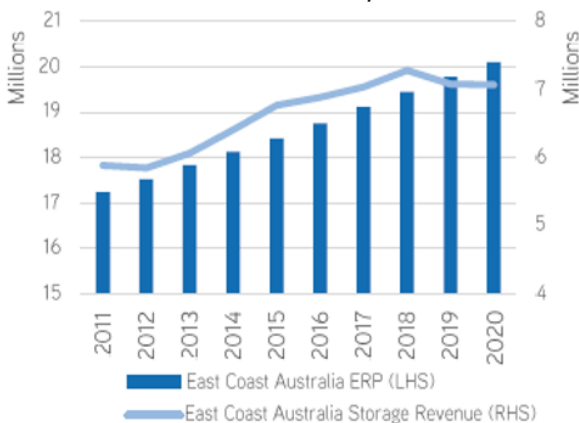
without being detrimental to future demand and occupancy rates.

Furthermore, the catchment population possesses a strong average household income of \$151,500 in 2021, which increases the propensity of residents to spend more on self storage.

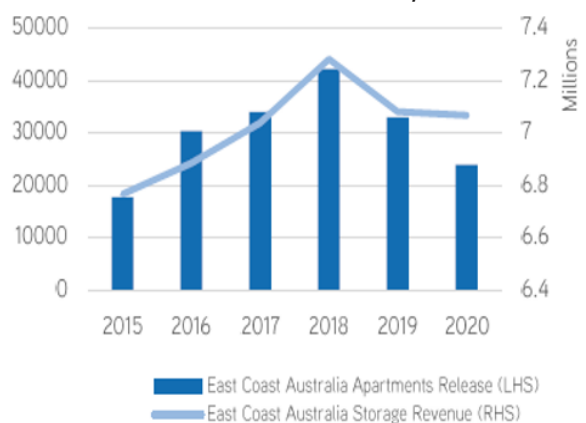
The graphs below demonstrate the strong correlation revenue possesses with population and new apartments. The highest amount revenue was recorded in 2018 due to record new apartment completions across the East Coast of Australia.

These strong demand drivers in the Marrickville catchment indicate the need for additional storage space. The proposed project will address this through business investment which will also improve the utilisation of the subject site. With limited industrial land in in Marrickville, the development will increase the density of industrial land.

EAST COAST AUSTRALIA – POPULATION GROWTH V REVENUE, 2011-20



EAST COAST AUSTRALIA – NEW APARTMENTS V REVENUE, 2015-20



*Graphs have been sourced from SSAA State of the Self Storage Industry Report

05

PROVIDE STORAGE TO SERVICE THE INCREASING NUMBER OF RESIDENTS LIVING IN NEW APARTMENTS

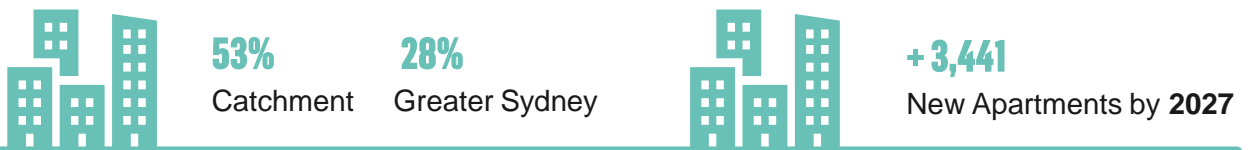
The Inner West LGA possesses a total of 31,418 apartments in 2022. As at December 2022, an additional 3,441 apartments were proposed to be built by 2027, which is an average increase of around 690 units per year. Out of the 3,441 apartments, 1,037 are under construction and were due to be completed by 2024.

The new supply is consistent with residential demand in the catchment as 53% of total residents live in apartments. This is significantly larger than Greater Sydney's 28%, as residents prefer to live in separate houses. According to the 2022 SSAA State of the Self Storage Industry Report,

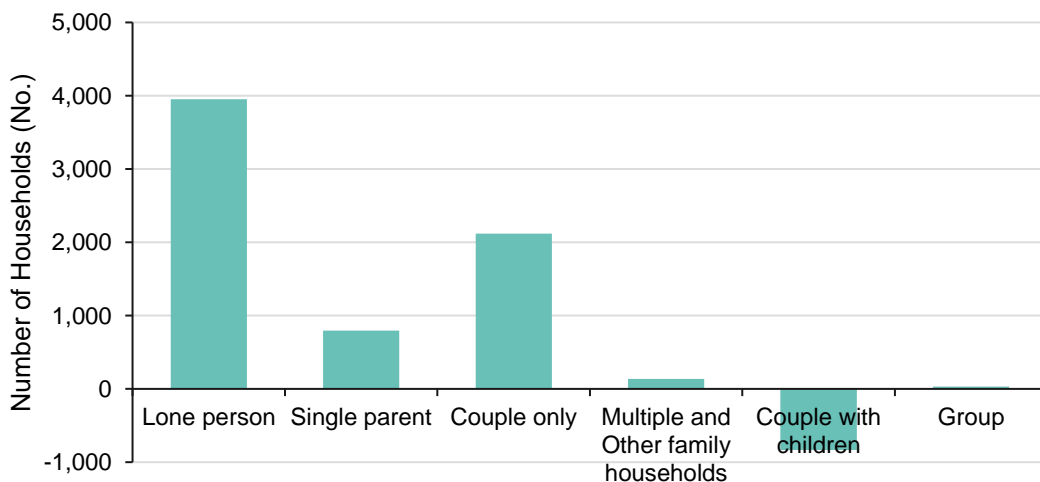
approximately 57% of people living in apartments needed storage in the last five years in Australasia.

The household composition of the LGA is projected to change substantially over 2021 – 2036. According to Department of Planning and Environment (DPE), the number of lone person and couple only households is projected to increase by 3,953 and 2,117, respectively. The growth in these two household types will lead to substantial growth in demand for 1- and 2-bedroom apartment/ studios. As noted previously, smaller dwellings and an increase in apartments creates more demand for self storage.

APARTMENT LIVING:



INNER WEST LGA GROWTH IN HOUSEHOLD TYPE, 2021-2036



Source: NSW DPE, Cordell, Census 2021, SSAA State of the Self Storage Industry Report

06

ADDRESS DEMOGRAPHIC TRENDS SUCH AS INCREASED DOWNSIZERS, SMALLER HOUSEHOLD SIZES AND MIGRATION

In 2021, the catchment has a high proportion of renters at 55%, which is 18% higher than Greater Sydney. This is a 2% increase from 2016 indicating that the proportion of renters are increasing. The high proportion of renters drives demand for greater storage space as renters have a higher frequency of movement and often require temporary storage space.

Average household size in the catchment has decreased from previous levels of 2.4 in 2016 to 2.2 in 2021, which is 0.6 lower than Greater Sydney. This is consistent with the downsizing trend in the catchment as 42% of residents live in a two-bedroom dwelling and the most popular choice of dwelling structure is apartments. A larger proportion of residents living in smaller dwellings and apartments increases the use of self storage as they have insufficient space.

The 2021 Census provides average household income figures of \$151,500 in the catchment, which is 7.8% higher than Greater Sydney's \$140,400.

Analysis undertaken by Urbis show greater levels of self storage use is associated with higher incomes and impacts the price sensitivity of customers. Demand will be stronger for the proposed wine cellar as it is highly sought after in more affluent areas.

Approximately 35% of residents in the catchment are between the ages of 19 and 34. Younger people under the age of 35 are more likely to use storage within the next five years. The catchment attracts young professionals due to its proximity to the Sydney CBD.

The divorce rate in the Inner West LGA is 8.2% which is 0.4% higher than Greater Sydney's. Couples going through divorce need a place to store their belongings as they put their shared homes on the market which makes it a strong demand driver for self storage.



DIVORCE RATE

8.2% **7.8%**

Inner West LGA Greater Sydney



AVERAGE HOUSEHOLD INCOME

\$151,500 **\$140,400**

Inner West LGA Greater Sydney



AVERAGE HOUSEHOLD SIZE

2.2 **2.8**

Inner West LGA Greater Sydney



PORTION OF RENTERS

53% **37%**

Inner West LGA Greater Sydney



2 BEDROOM DWELLINGS

42% **26%**

Inner West LGA Greater Sydney



AVERAGE AGE

37.5 **38.4**

Inner West LGA Greater Sydney

07

PROVIDE STORAGE TO EXISTING AND FUTURE BUSINESSES IN THE INNER WEST LGA

The Inner West LGA has experienced steady growth in the number of registered businesses over the past seven years. This contributes to the growth of the local economy and employment levels.

As of February 2022, the Inner West LGA had 24,333 total registered businesses, which is an increase of 5,390 since February 2015. This is an average increase of 770 new registered business per year.

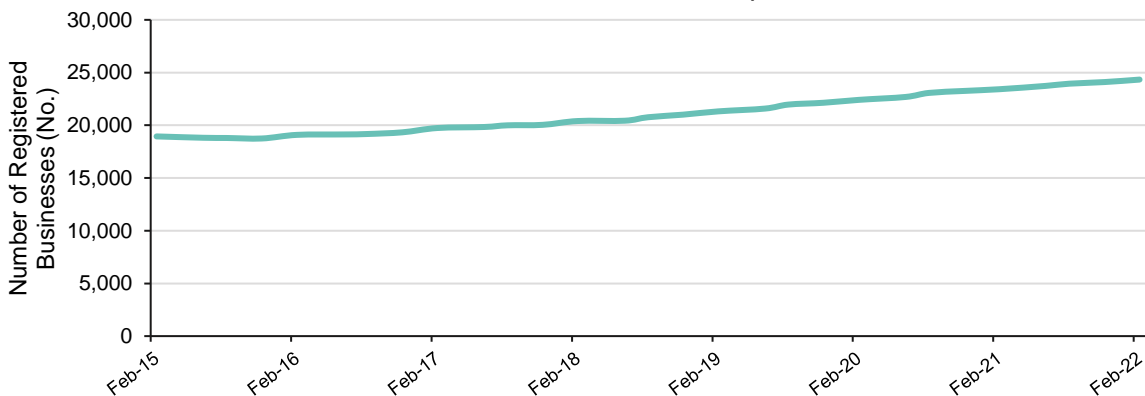
The Inner West LGA also had 11,483 non employing businesses. This includes sole proprietors which experienced a large increase during COVID-19, as home-based businesses rapidly expanded around Australia. These businesses often need storage space to support their operations with self storage helping to facilitate investment and growth in these small businesses. The Inner West Council has strategically

projected the need for an additional 300,000 sq.m of gross floor area to accommodate industry and business growth in the employment lands by 2036. This will contribute to the future growth of businesses in the LGA.

The Inner West currently possesses a strong small business community. As businesses continue to expand, more business will require storage for equipment and to declutter office spaces to increase safety and productivity. Self storage provides advantages for small businesses compared with traditional warehouses such as smaller spaces and greater flexibility.

“While self storage is overwhelmingly used for personal reasons, there is clearly greater appeal in using alternative forms of storage for business purposes.” - SSAA State of the Self Storage Industry 2020.

NO. OF REGISTERED BUSINESSES, 2015-22



08

THE EXPANDED FLOORSPACE WILL DELIVER CONSTRUCTION JOBS AND MORE ONGOING EMPLOYMENT IN MARRICKVILLE

The development cost of the proposed project is estimated at \$47.5 million over an 18-month construction period. To estimate the economic effect of the proposed development Urbis conducted Input-Output modelling using REMPLAN software. REMPLAN is a widely respected, industry standard software used to assess economic impacts across a range all industries in an economy.

The modelling suggests the proposed development will generate 94 total jobs over the construction period which includes 39 direct jobs and 55 indirect jobs.

Upon completion of the development, the additional storage space provided will also support ongoing jobs in the local economy.

The proposed expansion will target 11,500 sq.m of additional NLA and will support 26 total ongoing jobs which includes 14 direct jobs and 12 indirect jobs. This represents an increase on the existing employment and includes general storage staff, wine storage staff, administration and management.



CONSTRUCTION PHASE



+ 39
Direct Jobs



+ 55
Indirect Jobs



ONGOING PHASE



+ 14
Direct Jobs



+ 12
Indirect Jobs



09

WILL GENERATE SIGNIFICANT EXPENDITURE (DIRECT AND INDIRECT) AND VALUE ADD TO THE ECONOMY

The development will not only add employment to the catchment but will generate addition Gross Added Value (GVA) to the local economy over the construction period. This includes flow-on benefits to local tradespeople and supplier.

During the construction phase, the cost of development of \$47.5 million will generate a total GVA of \$31.64 million.

This includes a direct effect GVA of \$13.02 million and an indirect effect GVA of \$18.62 million.

Once the development is complete, the operational expenditure and employment generated by the self storage expansion will contribute a total GVA of \$4.84 million per annum.

This contribution includes a direct effect of \$2.65 million and an indirect effect of \$2.19 million per annum.



DEVELOPMENT PHASE



\$31.64 million
Total GVA



\$13.02 million
Direct GVA



\$18.62 million
Indirect GVA



OPERATIONAL PHASE



\$4.84 million
Total GVA per annum



\$2.65 million
Direct GVA per annum



\$2.19 million
Indirect GVA per annum



DISCLAIMER

This report is dated **October 2024** and incorporates information and events up to that date only and excludes any information arising, or event occurring, after that date which may affect the validity of Urbis Pty Ltd's (Urbis) opinion in this report. Urbis prepared this report on the instructions, and for the benefit only, of National Storage (Instructing Party) for the purpose of a **Strategic Positioning Paper and Economic Impact Assessment** (Purpose) and not for any other purpose or use. Urbis expressly disclaims any liability to the Instructing Party who relies or purports to rely on this report for any purpose other than the Purpose and to any party other than the Instructing Party who relies or purports to rely on this report for any purpose whatsoever (including the Purpose).

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All surveys, forecasts, projections and recommendations contained in or made in relation to or associated with this report are made in good faith and on the basis of information supplied to Urbis at the date of this report. Achievement of the projections and budgets set out in this report will depend, among other things, on the actions of others over which Urbis has no control.

Urbis has made all reasonable inquiries that it believes is necessary in preparing this report, but it cannot be certain that all information material to the preparation of this report has been provided to it as there may be information that is not publicly available at the time of its inquiry.

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PLEASE NOTE OUR FURTHER DISCLAIMER IN RELATION TO COVID-19 AND THE POTENTIAL IMPACT ON DATA INFORMATION ON THE FOLLOWING PAGE OF THIS REPORT.

Urbis staff responsible for this report were:

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Project Number	P0042837
Report number	1

COVID-19 AND THE POTENTIAL IMPACT ON DATA INFORMATION

The data and information that informs and supports our opinions, estimates, surveys, forecasts, projections, conclusion, judgments, assumptions and recommendations contained in this report (Report Content) are predominantly generated over long periods, and is reflective of the circumstances applying in the past. Significant economic, health and other local and world events can, however, take a period of time for the market to absorb and to be reflected in such data and information. In many instances a change in market thinking and actual market conditions as at the date of this report may not be reflected in the data and information used to support the Report Content.

The recent international outbreak of the Novel Coronavirus (COVID-19), which the World Health Organisation declared a global health emergency in January 2020 and pandemic on 11 March 2020, is causing a material impact on the Australian and world economies and increased uncertainty in both local and global market conditions.

The effects (both directly and indirectly) of the COVID-19 Outbreak on the Australian real estate market and business operations is currently unknown and it is difficult to predict the quantum of the impact it will have more broadly on the Australian economy and how long that impact will last. As at March 2020, the COVID-19 Outbreak is materially impacting global travel, trade and near-term economic growth expectations. Some business sectors, such as the retail, hotel and tourism sectors, are already reporting material impacts on trading performance now and potentially into the future. For example, Shopping Centre operators are reporting material reductions in foot traffic numbers, particularly in centres that ordinarily experience a high proportion of international visitors.

The Report Content and the data and information that informs and supports it is current as at the date of this report and (unless otherwise specifically stated in the Report) necessarily assumes that, as at the date of this report, the COVID-19 Outbreak has not materially impacted the Australian economy, the asset(s) and any associated business operations to which the report relates and the Report Content. However, it is not possible to ascertain with certainty at this time how the market and the Australian economy more broadly will respond to this unprecedented event. It is possible that the market conditions applying to the asset(s) and any associated business operations to which the report relates and the business sector to which they belong could be (or has been) materially impacted by the COVID-19 Outbreak within a short space of time and that it will have a lasting impact. Clearly, the COVID-19 Outbreak is an important risk factor you must carefully consider when relying on the report and the Report Content.

Any Report Content addressing the impact of the COVID-19 Outbreak on the asset(s) and any associated business operations to which the report relates or the Australian economy more broadly is (unless otherwise specifically stated in the Report) unsupported by specific and reliable data and information and must not be relied on.

To the maximum extent permitted by law, Urbis (its officers, employees and agents) expressly disclaim all liability and responsibility, whether direct or indirect, to any person (including the Instructing Party) in respect of any loss suffered or incurred as a result of the COVID-19 Outbreak materially impacting the Report Content, but only to the extent that such impact is not reflected in the data and information used to support the Report Content.

URBIS

The logo for URBIS features the word "URBIS" in a bold, white, sans-serif font. To the right of the text is a white square outline. The top-left and bottom-left corners of the square are cut off, creating a shape that resembles a stylized 'C' or a square with a missing left side. The text "URBIS" is positioned such that its right edge is partially enclosed by the top and bottom horizontal lines of the square.