

SELF STORAGE MARKET OVERVIEW

First Quarter 2013

Analysis of the Public Self Storage Companies



SELF STORAGE GROUP

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- Robust revenue growth for each REIT, ranging from 5.4% to 8.1%, and net operating income growth of 7.6% to 10.8%.
- Slow first quarter acquisition volume by public companies as established private equity companies deploy more capital. Public companies prefer “off-market” transactions, providing better pricing than through a broker-marketed sales process.

- ***Increased Demand***

U.S. home ownership rate fell during first quarter to 65%, the lowest level since 1995, from peak of 69.2% in 2004, according to the U.S. Census Bureau. The average homeowner moves every 9 years - about the same over past decade. Average renter moves every 2 to 3 years.

“Relative to 2004, 7.2 million more renters and only 400,000 new homeowners.”

-Capital Economics

- **“Our results continue to be the best I have seen in my 25 years in the business.”**

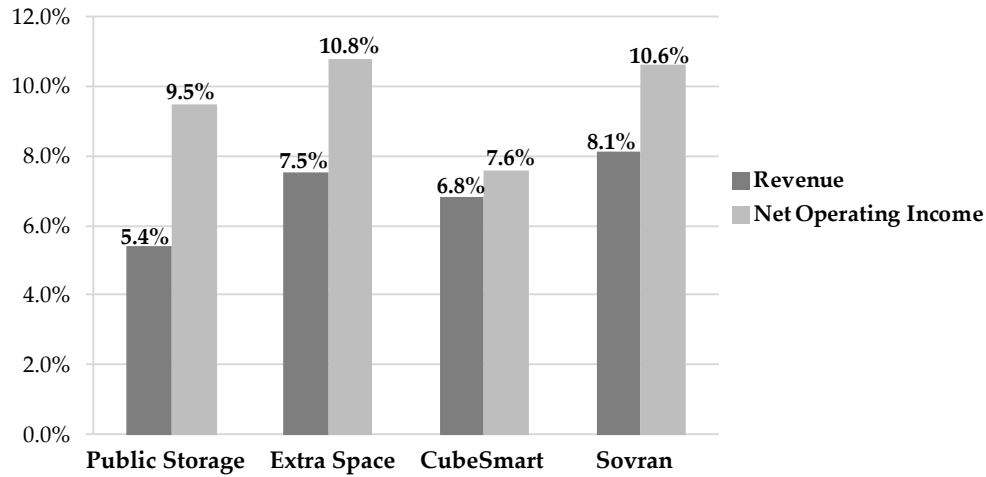
-Karl Haas, Chief Operating Officer, Extra Space Storage

- Public companies cost of capital at record-low levels ranging near 5% for equity and 3% for debt.
- Promotional discounts down over 10% from last year. Public Storage discounts down 18%
- Acquisition cap rates for Class A properties in primary markets in the 5’s and drifting lower. Mid-market properties in secondary markets cap rates in high 6’s to low 7’s.
- **Implied Cap Rates** based on common share prices:

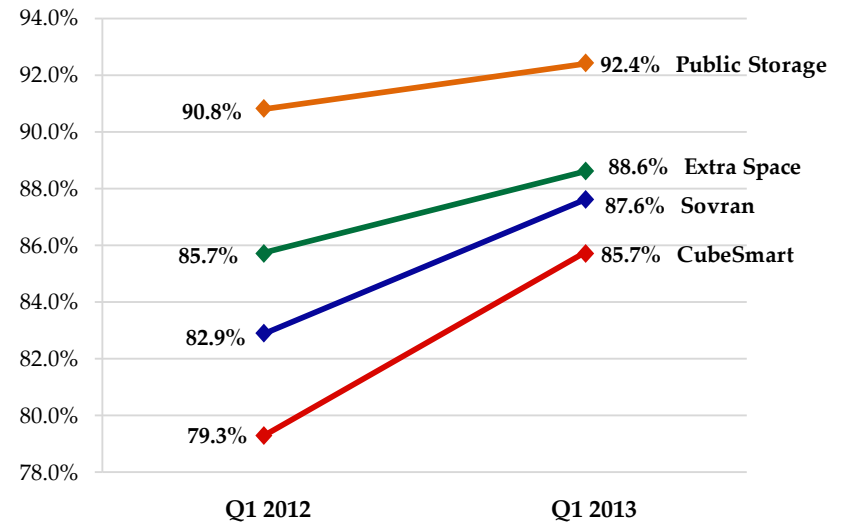
Public Storage (PSA)	4.3%
Extra Space Storage (EXR)	4.7%
CubeSmart (CUBE)	4.8%
Sovran Self Storage (SSS)	6.0%

	<u>Public Storage</u>	<u>Extra Space Storage</u>	<u>CubeSmart</u>	<u>Sovran</u>
Number of Properties:	2,103 U.S. 189 Europe	965	517	471
Third-Party Management: Joint Ventures:	35-40	236 279	140	21 55
Revenue Q1 2013 vs. last year: (same-store)	+5.4%	+7.5%	+6.8%	+8.1%
Net Operating Income Q1 2013 vs. last year: (same-store)	+9.5%	+10.8%	+7.6%	+10.6%
Occupancy: vs. last year:	92.4% 90.8%	88.6% 85.7%	85.7% 79.3%	87.6% 82.9%
Rent Per Occupied Square Foot:	\$13.79	\$13.61	\$12.93	\$10.61

REVENUE & NET OPERATING INCOME
Q1 2013 Versus One-Year Ago



PHYSICAL OCCUPANCY
Q1 2013 Versus One-Year Ago



	<u>Public Storage</u>	<u>Extra Space Storage</u>	<u>CubeSmart</u>	<u>Sovran</u>
Market Capitalization	\$28.24 billion	\$4.84 billion	\$2.27 billion	\$2.11 billion
Funds From Operations (quarter)	\$1.57/share	\$0.46/share (+39.4%)	\$0.20/share (+25%)	\$0.82/share
Dividend Per Common Share (quarter)	\$1.25/share	\$0.25/share	\$0.11/share	\$0.45/share
Dividend Yield	3.00%	2.30%	2.60%	2.80%
Common Stock Price				
May 10, 2013:	\$164.27	\$43.72	\$17.14	\$69.41
52-Week Range:	\$129.77 to \$167.68	\$27.55 to \$44.50	\$10.72 to \$17.70	\$46.93 to \$70.71

PUBLIC STORAGE:

- Acquired two self storage facilities in Arizona and Georgia with 149,000 net rentable square feet in first quarter for total of approximately \$14 million.
- Under contract to acquire one facility in Arizona consisting of 80,000 net rentable square feet for \$8 million in cash.
- About \$170 million of projects under development or redevelopment, and expect to ramp up more in next one to two years.
- Developments on average 150 to 200 basis point yield premium over acquisitions.
- Acquisitions completed in 2010 have generated returns of about 10% cash-on-cash, excluding 10% insurance and merchandise. This represents 100 to 150 point spread above underwriting projections.

EXTRA SPACE STORAGE:

- Acquired partner's interest in two existing joint ventures in the quarter for approximately \$12.9 million, one property in Chicago and one in Baltimore.
- Five additional properties under contract to purchase for approximately \$53.6 million, expected to close by end of second quarter. Properties located in Hawaii, Maryland, North Carolina and Texas.
- Over 9% more space than one year ago.
- During the quarter, added 55 properties to third-party management platform - 29 properties on behalf of Kayne Anderson with locations in Florida, California, Ohio, and Indiana. Additional properties include 10 in Texas and 5 in Chicago.
- Acquisition targets cap rates in mid 6's or low 7's, acknowledging certain high quality properties in primary markets trading at cap rates in 5's and drifting lower.

CUBESMART:

- Acquired one asset in Phoenix market for \$6.9 million.
- In markets very interested in 6% to 7% cap rates for stabilized assets.
- Disposition of five assets for total of \$11.4 million with locations in Houston and Indianapolis markets. Now completes exit from Indianapolis market.
- Awarded 9 new management contracts. Now managing 140 properties totaling 8.5 million square feet.

SOVRAN:

- Acquired three self storage properties in first quarter for \$22 million, featuring locations in San Antonio (14th property in this market), Boston (4th in market), and Long Island (6th in the market), totaling approximately 131,000 square feet. Funded with proceeds of “at the market” (ATM) common stock offering.
- In place cap rates of 6.5% for San Antonio acquisition (occupancy in low 80’s), and 5.1% in place cap rate for Long Island (occupancy in low 80’s). Greater opportunity for Boston acquisition, a newer conversion about 3.5 years old with occupancy of 68% and low in place market rents only \$13 to \$14 when acquired.
- Added seven stores to Uncle Bob’s Management platform in the quarter.
- Sold \$4.4 million equity interest and mortgage note in joint venture consisting of one facility.
- Marketing for sale six properties for about \$30 million.

PUBLIC STORAGE:

- Issued 5.2% Preferred Shares for gross proceeds of \$225 million.
- Plans to issue additional Preferred Shares in near future to fund new development and acquisitions - hopefully below 5% barrier.
- Approximately \$400 million cash on hand.

EXTRA SPACE STORAGE:

- Percentage of fixed-rate debt to total debt is 80.2% as of March 31st.
- Weighted average interest rate on fixed rate debt is 4.6%, and on variable rate debt is 2.3% with combined average interest rate of 4.1%.
- Average weighted maturity of approximately 5.6 years.

CUBESMART:

- Sold 100,000 common shares through its “at-the-market” equity program at average sales price of \$15.30 per share, resulting in net proceeds of \$1.5 million. 3.8 million shares available for sale under existing Sales Agreement.
- Down to \$24 million of debt maturities remaining in 2013.
- Approximately \$270 million available under revolving credit facility.
- Declared dividend for 7.75% Series A Preferred Shares of \$0.484375.

SOVRAN:

- Issued 822,000 shares of commons stock via ATM program. Sold at average price of \$62.04, generating net proceeds of \$50.2 million used to fund acquisitions and pay down line of credit balance.
- All except \$76 million of total company debt is either fixed or covered by rate swap contracts that essentially fix the rate.
- Line of credit agreement at floating rate of LIBOR plus 2%.
- \$6.9 million cash on hand, \$99 million available on line of credit, plus \$75 million available under expansion feature.
- Interest rates currently about 200 basis points lower than loans at current rates for September maturities.
- Key Financial Ratios:

Debt to Enterprise Value (@\$64.49/share)	24.3%
Debt to Book Cost of Facilities	36.9%
Debt to EBITDA	4.7x
Debt to Service Coverage (DSC)	3.1x

PUBLIC STORAGE:

- Net customer acquisition cost, consisting of marketing and promotional discounts, declined to \$29 per new customer versus \$31 last year.
- Promotional discounts down 18%. Last year alone gave away almost \$90 million of rental discounts.
- Occupancy at end of April 93% versus 91.4% previous year in April.
- Expect lower media and Yellow Pages spend due to record-high occupancies.
- Percentage of tenants staying over one year is 55.4%, about 2,100 total more than one year ago.
- Price increases expected on 70% to 75% of existing tenant base.
- Best Performing Revenue Growth Markets:
 - Over 8% growth:
 - Charlotte
 - Denver
 - New York
 - Los Angeles (largest market) +5.5%
 - San Francisco (second largest) +6.0%
- Markets Performing Below Revenue Expectations:
 - Washington D.C./Northern Virginia +2% to 3%
 - Philadelphia +1.5%

PUBLIC STORAGE:

- Western Europe has total of 1,400 to 1,500 facilities, with about 800 in Great Britain.
- European Public Storage properties in seven countries, occupancy down to 80% from 83.7% one year ago.
- U.K. market continues to be negatively impacted by the VAT introduced last October, resulting in Net Operating Income decline of 8%. Holland slowest market with 30 store occupancy dropping to 70%.
- Moratorium developing new self storage properties in certain Southern California markets including Pasadena and Long Beach for over 8 years.

EXTRA SPACE STORAGE:

- Pricing gap for rentals about 15% lower from internet reservations and quotes, as compared to walk-ins and callers.
- Street Rates increased 3% to 4% year-over-year, discounts down more than 10%.
- Rate increases about 8% to 9% on approximately 50,000 customers per month. Income tax increases had little effect on increasing rents.

- Number of Properties:

Wholly Owned	450
Joint Venture	279
Third-Party Managed	<u>236</u>
Total	965

- Increased occupancy to 88.2% and rapid revenue growth of 17.66% for 15 Cincinnati - Northern Kentucky assets from portfolio acquisition of American Self Storage in 2011.
- Chicago area 12 stores occupancy 90.9%, revenue growth 9.41%.

EXTRA SPACE STORAGE:

- CapEx Budget approximately \$0.35/sq. ft., and about the same for Repairs and Maintenance Expense budget.
- Solar panel investments help reduce electricity expenses about 10%.
- Almost half of 7.5% rental growth from occupancy gains.
- Guidance For Full Year:
 - Tenant Insurance Income: \$34 million to \$35 million
 - Acquisitions: \$150 million
- Projecting to increase street rates 4% to 5%
- Tenant reinsurance revenue growth of 18% year-over-year.
- Tenant reinsurance penetration on new tenants is above 90%, and overall penetration in the high 60's. It was in mid-60's one year ago.
- Company on third-generation of revenue management. Today, tracking 56 different inputs and variables and metrics to help define pricing.
- Solar tax credits projected at \$5 million to \$6 million in 2013.

CUBESMART:

- 59% growth in web reservations versus same time last year.
- Sales center experienced over 25% increase in call volume over comparable quarter previous year.
- 13.2% year-over-year increase in same-store move-ins, vacates up 2%.
- Discounts declined 10.9% from first quarter of last year.
- Recently won 3 gold awards for sales and customer service--Contact Center of the Year, Innovation in Customer Service, and Customer Service Department of the Year. Matches Delta Airlines with three first-place awards.
- Scheduled annual walk-in rent per square foot of \$13.05, and increase of 1.2% over benchmark June 30, 2012. New York City asking rents up about 11%.
- Storage Deluxe yield a bit above 6%, and targeting stabilized 6.5% with more clarity next quarter since stabilized assets near 87% occupancy and non-stabilized in lower 80% range.
- Rate increases on existing customers of 6% to 8%.
- Considering adding square footage and climate control space for a number of assets.

CUBESMART:

- Best Performing Markets:
 - Denver and Salt Lake City markets of 12 stores, 770 basis point increase in occupancy to 89.3%, 11.6% revenue gain.
 - Atlanta market of 10 stores, 610 basis point increase in occupancy to 84.6%, 8.7% gain in revenue.
 - Florida's 51 stores posted 860 basis point increase in occupancy to about 86%, 8.2% gain in revenue.
 - Phoenix stores 560 basis point occupancy gain, 6.3% revenue growth. Third consecutive quarter of strong revenue growth.
 - Tucson 370 basis gain in occupancy, 2.2% revenue growth.
 - Chicago 27 stores 5.4% revenue growth; Texas Major Markets 30 stores 6.9% revenue growth, Indiana/Ohio 15 stores 6.5% revenue growth.
 - Inland Empire 20 assets occupancy up from 72.4% to 83.4% and revenue up 8.8%.

SOVRAN:

- Third consecutive quarter revenue growth of over 8%, and net operating income over 10% growth.
- Projected \$25 million expansion and enhancement program. Also budgeted \$13 million for recurring capital expenditures including roofing, paving, and office renovations.
- Mobile traffic unique visits up 138% versus overall traffic.
- Tenant Insurance penetration rate overall 52%, and capturing 79.6% of new customers.
- Yellow Pages advertising down to \$600,000 to \$650,000 annually, from \$4.5 million four years ago. Mostly line listings except certain areas with low internet use, including Gulf Coast regions.
- Margins of 15% to 20% on managed stores, and 65% on wholly-owned stores.
- Occupancy at end of April 88.2%, 430 basis points above same time last year.
- Third party management fees added almost \$170,000 this quarter.
- Asking rates up 5.9% in first quarter.
- Incentives offered down significantly from 82% to 73%, with incentive value down to about \$65 per month.
- Average length of customer stay over one year, an increase of 2%. Of all customers, 55.3% stay more than one year.
- Same store operating expenses increased 3.3% in first quarter primarily due to increased snow removal costs, property taxes, and credit card fees.