

# SELF STORAGE MARKET OVERVIEW

## Full Year & Fourth Quarter 2014 Results

*Analysis of the Public Self Storage Companies*



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**Self Storage Leader in Total Annual Returns By Property Sector**

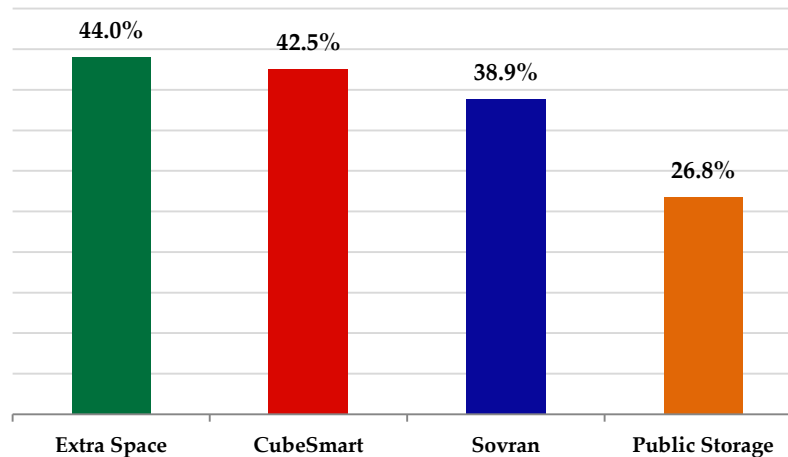
Self storage has been the leading property type measured by average total returns, including dividends, over the past five-years, 10-years, and 15-years as compared to core property sectors.

	<u>Self Storage</u>	<u>Multifamily</u>	<u>Retail</u>	<u>Industrial</u>	<u>Office</u>
5-Year Avg. Return	24.4%	20.6%	20.4%	14.7%	12.7%
10-Year Avg. Return	17.8%	13.7%	10.6%	6.3%	9.7%
15-Year Avg. Return	20.3%	15.7%	17.5%	12.2%	12.6%

In 2014, total average returns for the self storage sector was 31.4%, trailing only multifamily at 39.6%, and ahead of retail 27.6%, office 25.9%, and industrial 21%.

- National Association of Real Estate Investment Trusts (NAREIT)

**2014 Self Storage Total Return Performance**



- Wells Fargo Research

## OVERVIEW

- The self storage business has not materially changed in over 40 years. Physically storing goods remains at its core unchanged. A long runway of continuing prosperity for self storage REITs may be expected. Growing technological sophistication combined with advanced revenue management systems and economies-of-scale portends a bright future.  
*- MJ Partners Self Storage Group*
- Revenues of the public self storage companies same-stores in 2014 increased from 5.4% to 7.5%. Net operating income increased from 6.7% to 9.6%.
- Acquisition market remains very competitive among public companies and private operators with private equity and institutional capital.

## REIT Acquisition Volume

2014	\$2.0 billion
2013	\$2.0 billion
2012	\$1.5 billion
2011	\$1.5 billion

*- Approximate volumes*

- New development increasing, lead by Public Storage's \$411 million in approximately 25 new projects and various expansions. Acquisitions at certificate-of-occupancy more competitive.

## Implied Cap Rates based on common share prices:

Public Storage (PSA)	3.8%
Extra Space Storage (EXR)	4.1%
CubeSmart (CUBE)	4.8%
Sovran Self Storage (SSS)	6.2%

*- BMO Capital Markets*

### **Total New Construction Remains Historically Low**

- Total new construction starts through the third quarter of last year, including renovations and alterations, estimated at only 78 nationwide according to F.W. Dodge. This compares to the peak year of deliveries of approximately 3,665 new facilities opened in 2005.

Spencer Kirk, CEO, Extra Space Storage estimates 300 to 500 new developments may be coming in 2015 - less than the amount to meet natural population increase. REITs involved with approximately 100 of these.

### **Elevating REITs Investment Profile**

- S&P Dow Jones Indices is creating a new real estate category that will include 22 real estate companies, scheduled to begin in 2016. Currently, all the companies in the S&P 500 are classified in one of 10 categories.
- Public Storage is the only self storage REIT part of the S&P 500, and has been grouped with other real estate investment trusts such as Simon Property Group and Equity Residential in the “financials” sector.

*- The Wall Street Journal, Robbie Whelan*

### **Private Self Storage REIT Files For IPO**

- National Storage Affiliates (NSA) filed with the SEC on February 13, 2015 to raise up to \$100 million in an initial public offering. Currently, operates 212 facilities, comprising 11.8 million rentable square feet.

### Macroeconomic And Other Trends Impacting Self Storage

- The US economy added 3.1 million jobs in 2014, the most since 1997. In the past three months alone over one million new jobs were created. January's job gain of 257,000 prompted more job seekers, causing unemployment nationwide right to tick up a tenth of a percentage to 5.7%, still down from 6.6% a year earlier.

*- U.S. Labor Department*

- New York City has created more jobs over the past three years than any similar period in past 50 years. New York added about 425,000 jobs since end of 2009, raising total employment to 4.1 million jobs. The city's unemployment rate is now at 6.3%, with average wage for all jobs \$87,642.

New York has added three times as many jobs as it lost during the recession, as compared to less than twice for the nation. A more diversified job growth than relying on the high-paying securities industry, which contributed less than 1% of all new private sector growth, versus over 10% in boom years of the 1990s.

*- The New York Times*

### Shift to Renting Doesn't Let Up

- Renters made up the majority of the population in cities at the core of nine of the nation's eleven largest metro areas in 2013. Sharp change from 2006 when renters were the majority in only five of these cities.

*- New York University's Furman Center and Capital One Financial*

- Miami 65% renters surpassed New York at 64% as largest percentage of the population.
- Houston rose from 41% renters in 1970 to 51% by 2000, before rising to 54% in 2013.
- Home ownership rate in US has been steady decline from its peak of 69.4% in 2004, to about 64% currently. Baby boomer homeownership peaked in the 80 percentile range.

*- Fannie Mae Chief Economist, Douglas Duncan*

- Homeowners refinancing mortgages last year collectively saved \$5 billion worth of interest costs. During fourth quarter, borrowers who refinanced cut mortgage rate by almost one-fourth, or by an average interest rate of 1.3%, according to Freddie Mac. That translates to interest savings of about \$2,500 in first year on a \$200,000 mortgage.

Some 29% of borrowers took cash out at time of refinancing, compared to 89% in mid-2006 shortly before housing bubble burst.

- Mortgage debt by far the largest category of household debt, rose by 1.5% in 2014 to \$8.17 trillion-representing about 69% of \$11.8 trillion overall debt.

*- New York Federal Reserve*

- Sales of existing homes fell 3.1% to 4.93 million in 2014. Anticipated to rise 8% in 2015. Sales of existing homes represent about 90% of all purchases versus 10% new construction.

*- National Association of Realtors*

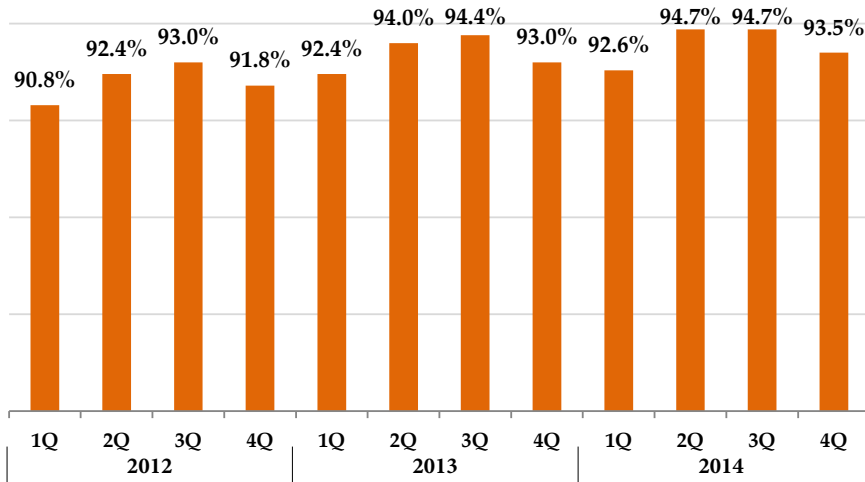
- Total U.S. online sales in 2014 estimated at \$294 billion, representing about 9% of all retail sales. Total online sales expected to hit \$414 billion, or 11% of all US retail sales, by 2018.

*- Forrester Research*

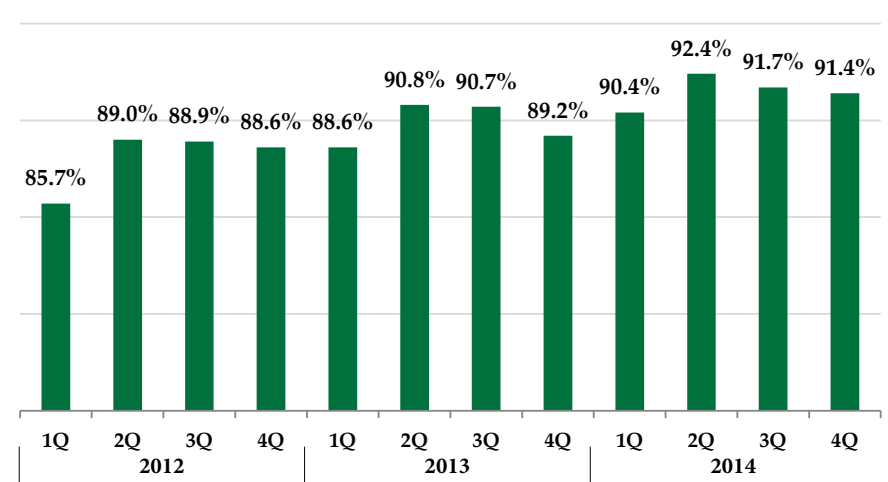
	<u>PUBLIC STORAGE</u>	<u>EXTRA SPACE</u>	<u>CUBESMART</u>	<u>SOVRAN</u>
<b>Number of Properties Operating:</b>	2,250 U.S. 193 Europe	1,088	571 (approx.)	521
<b>Third-Party Management:</b>		260		23
<b>Joint Venture Management:</b>		<u>271</u>		<u>55</u>
<b>Total Managed:</b>	42	531	174	79
<b>Revenue</b>				
<b>Full Year:</b>	+5.4%	+7.5%	+7.2%	+7.5%
<b>Fourth Quarter:</b>	+5.6%	+7.3%	+6.6%	+6.3%
<b>Net Operating Income</b>				
<b>Full Year:</b>	+6.7%	+9.5%	+9.6%	+9.1%
<b>Fourth Quarter:</b>	+6.8%	+9.5%	+8.6%	+8.1%
<b>Occupancy:</b>	93.5%	91.4%	90.7%	89.4%
vs. previous year:	93.0%	89.5%	89.3%	88.8%
	(weighted avg.)			
<b>Rent Per Occupied Square Foot:</b>	\$15.20	\$14.83	\$13.86	\$11.72

Portfolio Occupancies

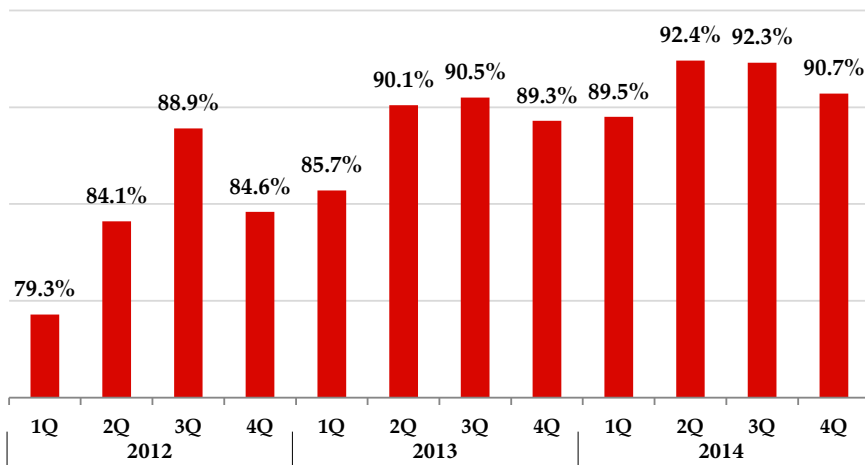
PUBLIC STORAGE



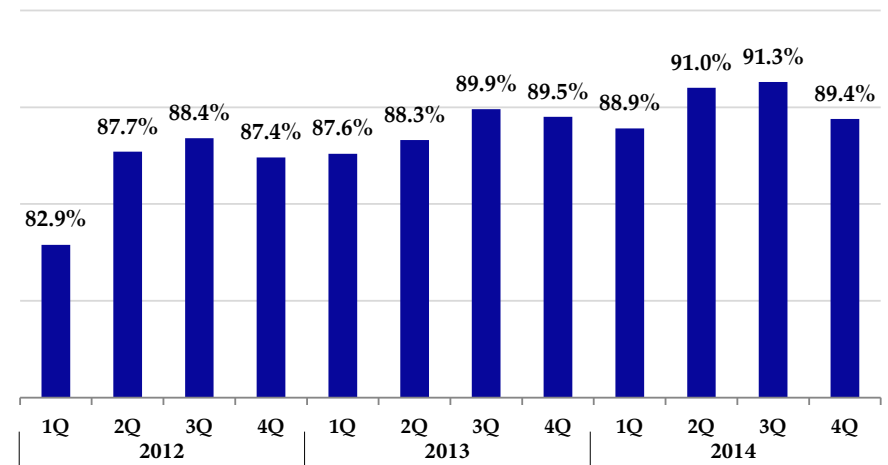
EXTRA SPACE STORAGE



CUBESMART



SOVRAN

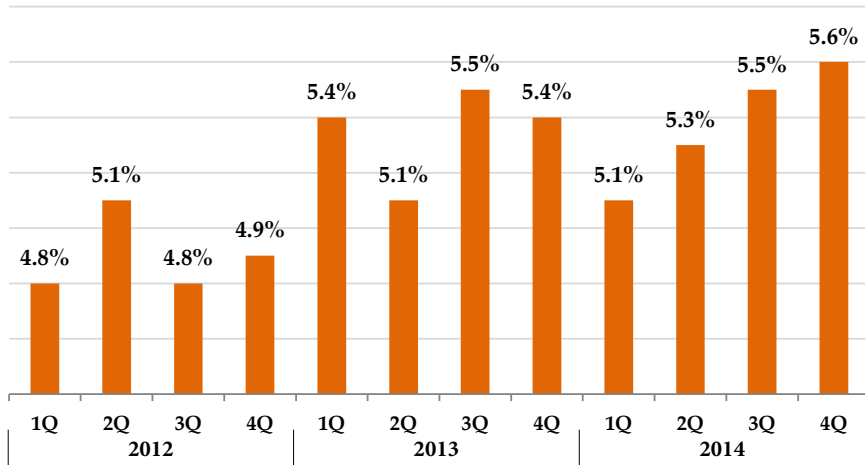




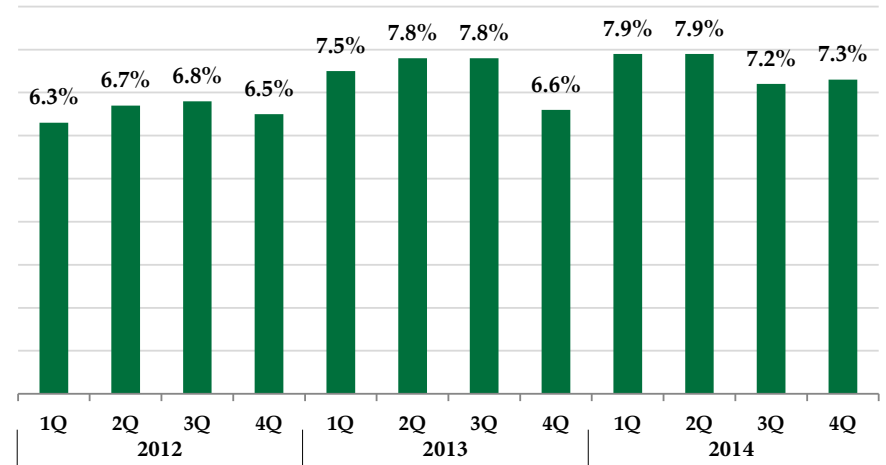
**Revenues**

Changes from same quarter a year earlier

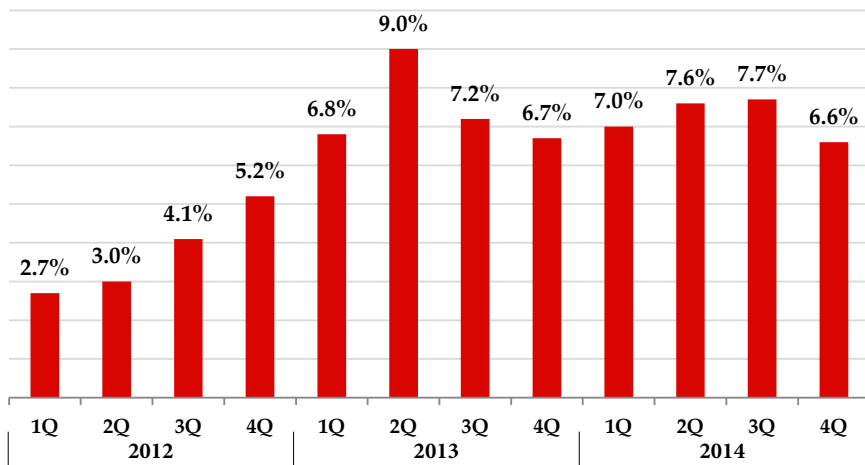
**PUBLIC STORAGE**



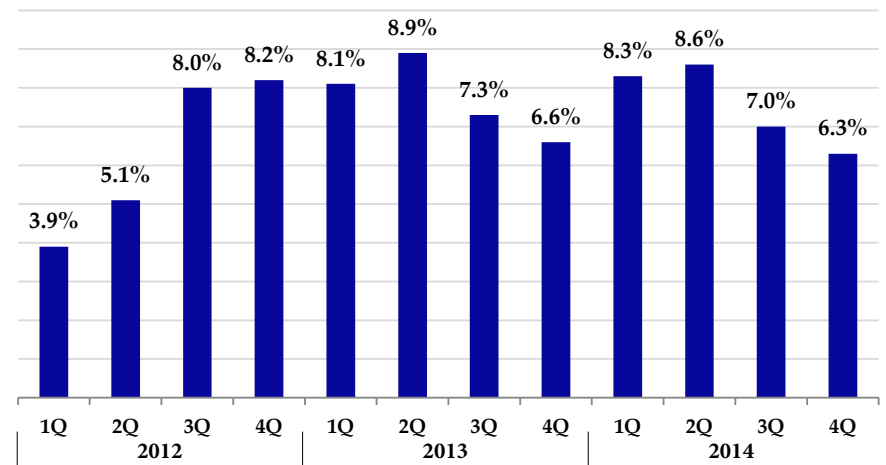
**EXTRA SPACE STORAGE**



**CUBESMART**

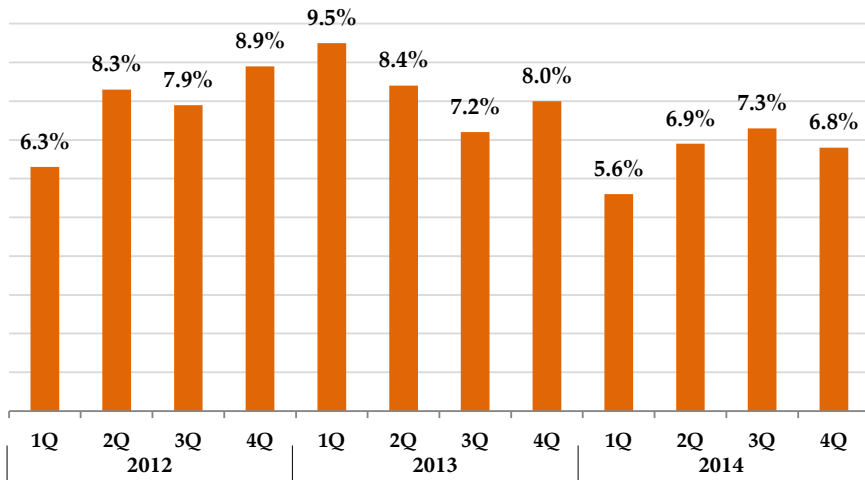


**SOVRAN**

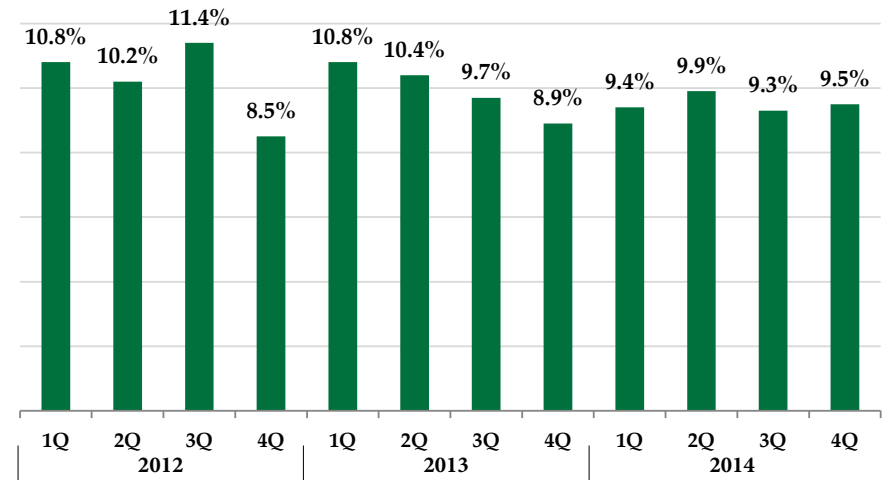


**Net Operating Income**  
Changes from same quarter a year earlier

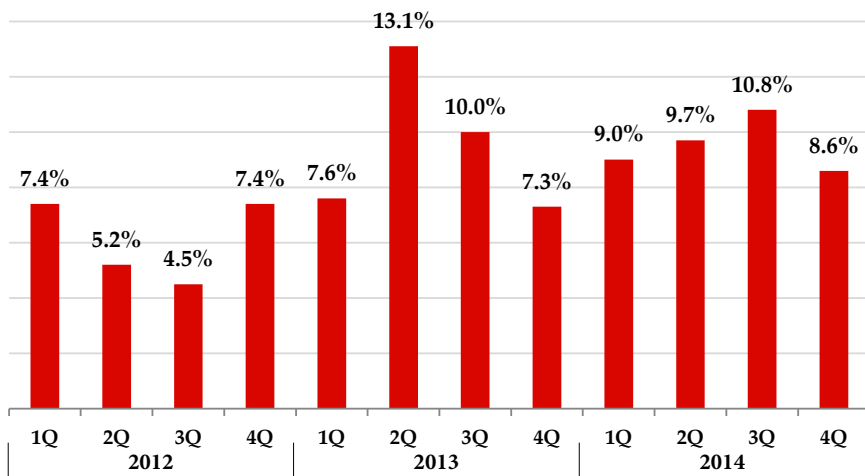
**PUBLIC STORAGE**



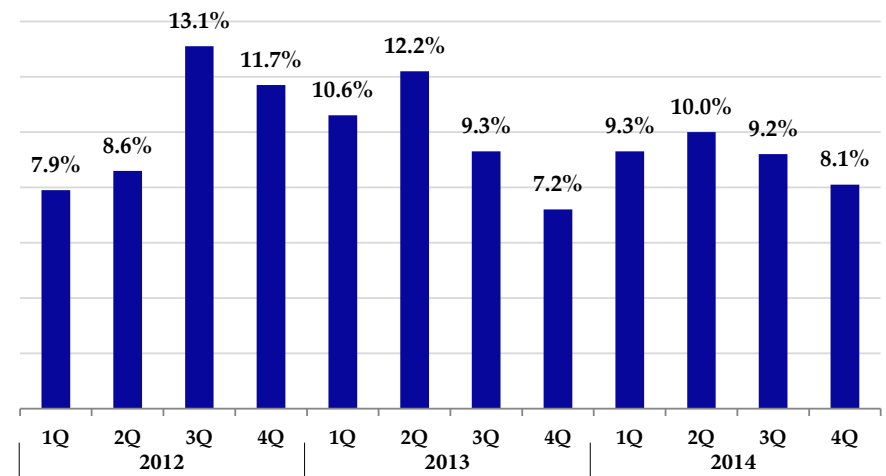
**EXTRA SPACE STORAGE**



**CUBESMART**



**SOVRAN**



	<u>PUBLIC STORAGE</u>	<u>EXTRA SPACE</u>	<u>CUBESMART</u>	<u>SOVRAN</u>
<b>Market Capitalization</b>	\$34.03 billion	\$7.71 billion	\$3.82 billion	\$3.12 billion
<b>Funds From Operations</b>				
quarter adj.	\$2.17/share	\$0.62/share (+19.3%)	\$0.28/share (+21.7%)	\$1.13/share (+8.7%)
full year adj.	\$7.98/share (+6%)	\$2.61/share (+23.7%)	\$1.08/share (+18.7%)	\$4.09/share (+9.9%)
<b>Dividend Per Common Share</b> (quarter)	\$1.40/share	\$0.47/share	\$0.13/share	\$0.68/share
<b>Dividend Yield Annual</b>	2.80%	2.90%	2.80%	3.30%
<b>Common Stock Price</b>				
February 27, 2015:	\$197.22	\$65.78	\$23.20	\$92.02
52-Week Range:	\$162.34 to \$206.92	\$47.12 to \$68.08	\$16.61 to \$25.78	\$71.98 to \$97.53

**PUBLIC STORAGE:**

- In 2014, acquired approximately \$431 million of self storage facilities. Consists of 44 properties containing an aggregate of 3.4 million net rentable square feet.
- In fourth-quarter, acquired 13 facilities for \$154 million with an aggregate of 1.2 million net rentable square feet. Locations include four in Minneapolis, two in Virginia, two in Texas, and one each in North Carolina, South Carolina, Florida, California, and Arizona.
- Paying above replacement cost for acquisitions.
- Subsequent to year end, acquired four facilities for \$32 million with aggregate 265,000 rentable square feet. Locations include one each in Florida, North Carolina, Washington, and Texas.

**Development**

- At end of 2014, projects for 25 newly developed facilities at aggregate cost of \$351 million, consisting of three million rentable square feet of storage space. Also various expansion projects at total cost of \$60 million which will add 400,000 rentable square feet.
- Underwriting to achieve stabilization has not changed, generally between three and four years depending on property size. Impute a cost to carry until achieved stabilized net operating income.
- Targeting stabilized returns for new developments from 8% to 11%.
- Most new developments ahead of schedule in terms of pro forma occupancies and cash flow. Not ahead in terms of achieving targeted rents-by design during lease up.
- Gerard property in Bronx, New York leased up 4,000 units to 92% in only 18 months, unheard of within Public Storage.
- Development pipeline of about \$411 million, almost double amount from end of 2013. Will try to accelerate development expansion vis-à-vis acquisitions.

**PUBLIC STORAGE:**

**Development (cont'd)**

- In 2014, completed six newly developed facilities at an aggregate cost of \$50 million consisting of about 500,000 rentable square feet. Also completed various expansion projects with total cost of \$48 million which added about 600,000 rentable square feet.
- During fourth quarter, completed three newly developed facilities at total cost of \$17 million consisting of about 200,000 rentable square feet. Also completed various expansion projects totaling \$21 million adding an additional 200,000 rentable square feet.
- Texas easier market to build. Fair amount new development competition coming online in Dallas, Houston, and Carolinas. Public Storage building in Austin for about \$100 per square foot, and stabilized properties selling at nearly \$200 per square foot

**European Activity**

- First European investment in a long time, Public Storage's Shurgard Europe acquired five facilities on December 31, 2014 in Germany for \$82 million (€66 million) with an aggregate of 327,000 rentable square feet. Purchase price payable in first-quarter 2015. Portfolio about 69% to 70% occupied. Cap rate on trailing NOI about 4% to 5%.
- Also acquired a building in ground lease on a managed property in the United Kingdom containing 83,000 square feet for \$11 million. Three or four properties in pipeline to develop in London.
- New €40 million revolving credit facility from Wells Fargo combined with cash on hand used to finance the acquisitions.

**EXTRA SPACE STORAGE:**

- \$531 million of acquisitions in 2014.
- In fourth-quarter, acquired 19 facilities for \$163.5 million. 15 of these acquired from third-party manage stores. Locations in California, Colorado, Florida, Georgia, New Jersey, South Carolina, Texas, and Virginia.
- Subsequent to quarter end, acquired three additional stores in Texas for approximately \$41.9 million.
- Targeting stabilized cap rates for acquisitions of 6% to 6.5% in year one. If not stabilized acquisitions, cap rate may be 3% to 5% with occupancies ranging from 30% to 70%.
- Currently under contract 28 operating properties for total purchase price of about \$228.9 million. Locations in Arizona, North Carolina, South Carolina, Texas, and Virginia. All expected to close by end of second-quarter 2015.
- To reach target expansion up to 2,000 properties, may need to expand outside of top 25 MSA's, up to top 50 MSA's.

**EXTRA SPACE STORAGE:**

**Certificate-of-Occupancy Transactions**

- 13 stores under development in contract for total estimated purchase price of \$138.2 million. \$56 million in certificate of occupancy stores will be completed and purchased in 2015. The stores will be purchased upon completion of construction, and are scheduled to be built and opened in 2015, 2016, and 2017.
- Three of the stores, totaling \$33.2 million will be purchased by a joint venture of which Extra Space will own a 10% equity interest.
- Range of unleveraged IRR's in high single digits.
- Looking at 10 to 15 C of O deals for every one they actually proceed with. Some are existing projects that are shovel ready, and more are concepts controlled through letter-of-intent with land not yet under contract.

**CUBESMART:**

- For full year 2014, acquired 52 properties for \$530.2 million.
- In August 2014, entered into an agreement to acquire 26 properties from funds managed by Harrison Street Real Estate (HSRE) for \$223 million. Closed on first tranche of 22 properties for \$195.5 million in November. Second tranche of four properties located throughout Chicago for \$27.5 million by end of first-quarter 2015. Overall, locations include nine facilities in Illinois, six in Ohio, four in Rhode Island, three in Florida, two in California, one in New York, and one in Nevada.
- During fourth quarter, acquired eight additional properties for \$65.1 million. Locations include five facilities in Texas and three in Florida.
- Subsequent to end of the year, acquired one facility in Texas for \$7.3 million.
- Two additional properties under contract in Arizona and Tennessee for total of \$14.5 million expected to close by end of the first-quarter 2015.

**Development and Certificate-of-Occupancy Activity**

- During fourth quarter purchased one property in Long Island City (Queens), New York consisting of 89,125 rentable square feet for \$38 million (\$426.36 per square foot), after the completion of construction and issuance of the certificate-of-occupancy.
- Want 150 to 200 basis points above cap rate of stabilized acquisitions. Not focused on IRR evaluation since long-term holder.
- For full year 2014, open three new facilities one completed in Bronx New York consisting of 46,902 rentable square feet at total cost of \$17.2 million (\$366.72 per square foot); Long Island City; and a mixed-use property in Malvern, Pennsylvania that contains Cubesmart's corporate headquarters.



**CUBESMART:**

**New Joint Venture Development Facilities:**

<u>Location</u>	<u>Expected Opening</u>	<u>Anticipated Total Investment</u>
Arlington, Virginia	Q1 2015	\$18.1 million
Brooklyn, New York	Q2 2015	\$10.7 million
Queens, New York	Q3 2015	\$32.1 million
Queens, New York	Q1 2016	\$19.0 million
Brooklyn, New York	Q1 2016	<u>\$32.0 million</u>
TOTAL:		\$111.9 million

**Facility Acquisitions at C of O:**

<u>Location</u>	<u>Expected Opening</u>	<u>Contract Price</u>
Dallas, Texas	Q1 2015	\$15.8 million
Fort Worth, Texas	Q4 2015	\$10.1 million
Grapevine, Texas	Q4 2015	\$10.8 million
Brooklyn, New York	Q1 2016	<u>\$48.5 million</u>
TOTAL:		\$85.2 million

**CUBESMART:**

**New Developments Completed:**

<u>Location</u>	<u>Date Completed</u>	<u>Total Rentable Square Feet</u>	<u>Cost</u>	<u>Cost Per Square Foot</u>	<u>Dec. 31st Occupancy</u>
Malvern, Pennsylvania	Q1 2014	86,400 sq. ft.*	\$25.1 million	\$290.51	94.8%
Bronx, New York	Q1 2014	46,902 sq. ft.	\$17.2 million	\$366.72	50.1%

\*67,552 sq. ft. corporate office space

**Facility Acquisitions Completed at C of O:**

<u>Location</u>	<u>Date Completed</u>	<u>Total Rentable Square Feet</u>	<u>Cost</u>	<u>Price Per Square Foot</u>	<u>Dec. 31st Occupancy</u>
Long Island City, NY	Q4 2014	89,125 sq. ft.	\$38 million	\$426.36	6.5%

- Anticipates dilution of approximately \$0.03 per-share related to development and C-of-O activity.
- During fourth quarter, entered into contract under a newly-formed joint venture for the construction of a new self storage facility in New York.

**CUBESMART:**

- Modest amount of dispositions in 2015.
- In CubeSmart's top 10 markets, only about 18 new competitors expected to open in 2015.

**Third-Party Management**

- Acquired 18 properties from the third-party management program.
- At December 31, third-party management program includes 174 facilities totaling 10.7 million square feet.
- For full year, awarded management contracts for 39 facilities - 16 in the fourth quarter.
- Concentrating on management in primary markets.

**SOVRAN:**

- For the full year 2014, acquired 33 properties at cost of \$291.9 million for its own account, and added 14 properties at a cost of \$187.2 million to a previously formed joint venture. Sold two properties in Houston for approximately \$11 million.
- Acquired five self storage facilities for a total cost of approximately \$55 million in fourth-quarter. Properties total nearly 470,000 square feet, and located in existing markets with a presence including Chicago, New Orleans, Austin, Houston, and Orlando.

**Cap Rates**

- Cap rates on recent acquisitions 6.2% to 6.5%, expect over next 12 to 16 months to get this up to 7.0% to 7.5% cap rate. Houston traded a property for another one at agreed-upon lower valuation so cap rate close to 8%.
- Cap rate compression in 2014 of about 25 to 50 basis points. Looking at Class A infill locations that complement existing presence at cap rates of 5.5% to 6%. Time will tell if cap rates will compress further.
- On November 10th, acquired a portfolio of 11 properties in Houston on behalf of previously formed joint venture. Properties contain over 940,000 rentable square feet. Sovran contributed about \$20 million of equity to the joint venture. No existing debt assumed.
- Currently under contract eight properties worth \$63 million. Looking at another six or seven possible deals that could be another \$58 million.
- Looking at some certificate-of-occupancy deals, but will not get carried away unless have accretive acquisitions of operating opportunities as well. Working with developers to hopefully get some C of O deals off ground in some bigger markets.
- Sold 35 older properties past four years, but not looking to reduce exposure in existing markets.

**SOVRAN:**

**Cap Rates (cont'd)**

- About two dozen competitive projects going up in Houston, but within three-miles only couple Uncle Bob's stores would be affected.

**Westy Portfolio Acquisition**

- Subsequent to quarter end, purchased four properties on Long Island and Southern Connecticut (formerly Westy Self Storage) that Sovran had been leasing since late 2013, for a previously negotiated price of \$120 million. Portfolio occupancy upper 80s lower 90s occupancy, rents average \$23-\$24 per square foot.
- Since entering Chicago market in 2012, Sovran has amassed 14 properties including one third-party managed facility. Purchased a facility in Chicago at certificate-of-occupancy in fourth quarter for about \$6.8 million with a reported 96,000 net rentable square feet. Third C of O deal of the year.
- During fourth quarter, sold one Houston property for net proceeds of \$6.1 million, resulting in a gain of \$3.4 million.

**PUBLIC STORAGE:**

- End of January occupancy overall 93% versus 92.3% last year.
- For quarter, 5.2% increase in realized rent per occupied square foot to average of \$15.20 per square foot.

**Revenue Growth**

- West Coast Market Revenue Acceleration In Fourth Quarter:

<u>Market</u>	<u>Full Year</u>	<u>Fourth Quarter</u>
Portland (43 facilities)	+7.4%	+8.6%
San Diego (21)	+4.9%	+6.6%
Sacramento (26)	+4.7%	+6.6%
Los Angeles (197)	+5.2%	+6.1%

- Florida Markets Accelerating:

<u>Market</u>	<u>Full Year</u>	<u>Fourth Quarter</u>
Orlando-Daytona (43 facilities)	+4.4%	+5.6%

- Fourth-quarter included more discounting to ramp up occupancy, and more television advertising. Continue to evaluate effectiveness of television since occupancies so high already. Will continue to spend heavy advertising on search terms from Google and Yahoo.
- Approximately 76% of all customers received discounts in fourth quarter.
- Level of discounting anticipated to subside. In Q4 gave away approximately \$20 million of discounts, annualized at \$80 million.

**PUBLIC STORAGE:**

**Europe**

- Anticipate more investment activity in 2015 in terms of acquisitions and development. Previously focusing on deleveraging by refinancing debt through a private placement last June.
- Shurgard Europe represents only about 5% of FFO, not significant impact on overall public storage earnings.
- European rental rates on average about double US rates.
- Aggressive discounting rental rates driving Europe average occupancy up 750 basis points to 88.9% year-over-year. Decreased average rent per occupied square foot by 3.3%.
- Currency rate decline of the euro to the US dollar of nearly 15% offsetting income increases.

**PUBLIC STORAGE:**

**Walmart Wage Increase Impact**

- Reduction in hours again in fourth quarter for managers, but anticipate more normal rate of wage increases between 1% and 2% in 2015.
- Need to monitor impact of Walmart's proposed wage increase on recruiting new people, especially for Public Storage relief managers.
- Impressive fourth quarter, able to increase occupancy by 0.8% in normally slow period, while also increasing in place rents from 4.6% to 4.9%. Setting up nicely for higher occupancy and in place rent. Best opportunities to increase occupancy in slower fourth quarter and first quarter leasing seasons.
- Customers staying greater than one year ticked up in fourth quarter to 56.7% versus 55.8% last year, adding about 10,000 more customers staying longer.
- Competition now pushing street rates more aggressively probably due to much higher occupancies.



**EXTRA SPACE STORAGE:**

- “Our most valuable asset is now data.”  
- *Spencer Kirk, CEO*

**Third-Party Management**

Third-party Managed Properties:	260
Properties Owned and Operated in Joint Ventures:	<u>271</u>
Total Managed:	531

- Branding standards for third-party management important, and company rejects more properties than bring in to maintain consistency across wholly owned, partially owned, and non-owned assets.
- 60% to 70% of customers never visited another website before renting.
- Concerns about inflation from Google and Key Word costs.

**EXTRA SPACE STORAGE:**

**Top Markets Same-Store Performance Full Year 2014:**

<u>Market</u>	<u># Properties</u>	<u>Revenue Growth</u>	<u>Occupancy</u>
New York-Northern NJ-Long Island	57	+6.33%	92.4%
Los Angeles-Riverside-Orange County	51	+7.40%	90.2%
Boston-Worcester-Lawrence	34	+6.84%	92.6%
Washington DC-Baltimore	32	+5.49%	89.9%
San Francisco-Oakland-San Jose	22	+9.36%	94.0%
Miami-Fort Lauderdale	19	+9.36%	92.5%
Atlanta	17	+5.62%	90.4%
Cincinnati-N. Kentucky	15	+9.40%	90.4%
Dallas-Fort Worth	14	+6.06%	92.0%
Philadelphia-Wilmington-Atlantic City	14	+3.30%	91.9%
Chicago-Gary-Kenosha	13	+7.14%	91.5%
Tampa-St. Petersburg-Clearwater	12	+4.87%	89.4%
Phoenix-Mesa	8	+4.20%	84.1%
Memphis TN, AR, MS	8	+8.90%	91.9%
Orlando	7	+7.74%	92.0%
Houston-Galveston-Brazoria	7	+11.17%	92.0%
Denver-Boulder-Greeley	6	+10.21%	91.9%

- Over 9% of U.S. population uses self storage. More than 50% of Extra Space customers had never used self storage previously.
- Market move to rentals via mobile device so rapid, smaller operators at disadvantage to integrate quickly.
- Budgeting 5% increases for property taxes.

**EXTRA SPACE STORAGE:**

**Guidance for Full Year 2015**

- Projecting another year of double-digit FFO growth
- Revenue growth same-store 5.75% to 6.75%
- NOI growth same store 6% to 8%
- Net tenant insurance revenue \$54 million-\$55 million
- Acquisition activity of approximately \$500 million - \$450 million of operating stores and \$50 million at C of O.

**CUBESMART:**

- Portfolio occupancy peaked at 93% in August and averaged 91% during 2014.

**Select Top Markets Operating Performance**

<u>Market</u>	<u># Properties</u>	<u>Revenue Growth</u>	<u>Occupancy</u>
New York/Northern New Jersey	41	+5.5%	89.4%
Florida Markets - Other	39	+8.8%	91.4%
Chicago	27	+6.8%	90.9%
Miami/Fort Lauderdale	16	+6.7%	92.6%
Atlanta	16	+9.4%	90.5%
Philadelphia/Southern New Jersey	13	+7.8%	89.6%
Colorado/Utah	13	+12.6%	89.3%
Southern California	12	+7.3%	91.3%

- Growth in revenues anticipated mostly coming from increased effective rents between 3.5% to 4.5%, through a combination of pushing street rents and reducing promotions.
- Same-store real estate tax increased 4.8% in 2014, down from 8.1% in 2013.
- Discounts as a percentage of rents in fourth-quarter were 4.3%, down from 5.1% last year. The trough in the 1990s about 3%.
- Rent increases on customers after six months, and then every 12 months thereafter.
- Added 15 properties to same-store pool in January 2015.

**CUBESMART:**

**Guidance Outlook for 2015**

Revenue (361 same-stores)	5.0% to 6.0%
Net Operating Income	6.0% to 7.0%
Acquisition Target	\$100 million to \$150 million (not including joint venture development or C of O investments)

**SOVRAN:**

- For full year, same-store revenues increased by 7.5%, and same-store NOI by 9.1%.
- Occupancy for 384 same-store pool at December 31, 2014 increased by 60 basis points to 89% from 2013. Increased street rates by 5.2%.
- Plans to push in place rents much harder than last year's 8% to 10%.
- 4.3% of customer base received rate increases versus 3.3% last year, and much healthier increases, and rent increases over past eight quarters.
- Expect customers to receive no more than one rate increase per year. Don't want customers remembering multiple rate increases.
- Tenant insurance increased 19% same-store pool in Q4.
- Impact of bad weather in East Coast and Midwest affects move-ins, but also good, high paying customers can't move-out easily.

**SOVRAN:**

**Strongest Revenue Impact Store Locations**

- During fourth quarter, experienced same-store revenue growth in 22 of 25 states in which it operates.

<u>State</u>	<u># Properties</u>	<u>Occupancy</u>	<u>Revenue Growth</u>
Texas	92	91.0%	7.9%
Florida	60	89.4%	8.2%
Georgia	28	90.8%	13.5%
Alabama	22	86.0%	6.5%
Illinois	9	87.0%	12.5%

- Metro Houston’s 40 stores increased by 8.5% over same period previous year. Houston market comprises about 11% of 2015 forecasted NOI of Sovran’s 432 wholly owned stores and expected to perform at least as well as overall portfolio.
- A number of successful property tax appeals, combined with increased rental rates and controlled operating costs were primary contributors to FFO growth in the quarter.
- Intends to spend up to \$25 million to \$30 million on expansion and enhancement programs. Budgeted \$19 million for recurring capitalized expenditures, including roofing, paving, and office renovations. Returns on enhancements normally 8%, but in bigger markets will go sub 8% yield.
- Market rent increase of 4% is especially impressive when accounting for the current low inflation environment, compared to similar rent increases which occurred in the 1990s with substantially higher inflation.
- 59% of customers stay at least one year, and 42% at least two years. Expect in 2015 about 20% of the customers staying at least a year to get rate increase.

**SOVRAN:**

**Full Year Guidance**

Revenue	5.0% to 6.0%
Total Operating Expenses	3.5% to 4.5%
Net Operating Income	6.0% to 7.0%
Property Taxes	5.0% to 6.0%
Acquisition Target	\$100 million to \$150 million (not including joint venture, development, or C of O investments)
Funds From Operations (FFO)	\$4.76/share to \$4.82/share



**PUBLIC STORAGE:**

- In December, issued 5.875% Series A Preferred Shares for gross proceeds of \$190 million.
- Currently, approximately \$150 million - \$180 million cash on hand, most from preferred shares issued in December.
- New €40 million revolving credit facility with a term sheet of about 3.5 years from Wells Fargo used for Shurgard Europe German acquisitions in combination with cash on hand.
- Shurgard Europe borrowing capacity of another €100 million - €150 million.

**EXTRA SPACE STORAGE:**

**Weighted Average Interest Rates**

	<u>Total</u>	<u>Rate</u>
Fixed-rate debt	64.5%	4.1%
Variable rate debt	35.5%	<u>2.0%</u>
Combined		3.4%

**CUBESMART:**

- In November, Standard & Poor's Rating Services upgraded Cubesmart's senior unsecured bonds and issuer ratings to investment grade BBB with a stable outlook, from BBB-. Moody's upgraded to BAA 2 investment grade rating.
- 7.75% Series A Preferred shares upgraded to BB+ with a stable outlook.
- For full year, sold 15.2 million common shares at average sales price of \$18.22 per-share, raising net proceeds of \$273 million through its "at-the-market" equity program (ATM).
- During fourth quarter, sold 2 million common shares at average sales price of \$19.40 per-share through its ATM program, resulting in net proceeds of \$37 million.
- In October, completed public offering of 7,475,000 common shares of an offering price of \$19.39, plus option to purchase 975,000 shares. Received \$143 million in net proceeds.
- These proceeds and ATM proceeds used to fund investments and general corporate purposes.
- Raised capital at premiums to NAV, and reduced leverage from 41.3% to 35.8% debt to gross assets.
- Net debt/EBITDA of 5.5x, which compares to the REIT weighted average of 6.2x.
- In October, increased its ATM equity program from 20 million to 30 million shares.
- Expect \$0.03 of FFO per-share dilution from new development and newly opened certificate-of-occupancy projects in 2015.
- Continue to favor longer-term fixed rate borrowings and lower leverage.
- \$3 million cash on hand and \$222 million available under its \$300 million revolving line of credit.

**CUBESMART:**

**Weighted Average Interest Rates**

	<u>Total</u>	<u>Rate</u>	<u>Maturity Avg.</u>
Fixed-rate debt	93.4%	4.2%	5.8 years
Variable rate debt	6.6%	<u>1.47%</u>	<u>2.5 years</u>
Total Debt	\$1.173 billion	4.02%	5.6 years

**SOVRAN:**

- Issued 250,000 shares of common stock in the quarter via ATM program at average price of \$84.69 per share, resulting in net proceeds of \$20.9 million after issuance costs. Used proceeds for acquisitions and to pay down its line of credit. \$151 million available on ATM program.
- In October issued 42,017 shares at average price of \$79.69 through Dividend Reinvestment Plan.
- Company's current investment grade is BBB-. Reduced interest rate on revolving credit facility from 1.5% over LIBOR to 1.3% over LIBOR. Announced increase in revolving credit limit to \$300 million from \$175 million, and maturity date extended to December 10, 2019.
- Reduced interest rate on \$325 million term notes to 1.4% over LIBOR from 1.65% over LIBOR, maturity date remains June 4, 2020.
- Approximately \$8.5 million cash on hand, and \$250 million remaining availability available on its line of credit.
- 155,484 Operating Partnership Units (OP Units) outstanding, and approximately 34.1 million shares of common stock outstanding.

**Key Financial Ratios:**

- Debt to Enterprise Value (@ \$87.22/share):	21.1%
- Debt to Book Cost of Facilities:	36.8%
- Debt to EBITDA:	4.4x
- Debt Service Coverage (DSC):	5.1x