

MJ PARTNERS  
SELF STORAGE GROUP

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# SELF STORAGE MARKET OVERVIEW

## Second Quarter 2019 Results

*Analysis of the Public Self Storage Companies*

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## Summary






### Second Quarter 2019 Results

- Self storage fundamentals remains resilient as self storage REITs all reported positive revenue growth in the second quarter. New supply is impacting rental rates in markets with elevated levels of new deliveries.
- The self storage REITs generated same-store revenue growth in second quarter ranging from 1.9% to 4.7%.
- Net operating income for same-store pools range from 0.8% to 5.5%.
- Healthy same-store occupancy levels at quarter end range from 90.9% to 94.1%.

### Asset Rotation

- Stabilized assets drawing intense bidding interest from private equity, local capital and public companies, resulting in compressed cap rates and corresponding portfolio premiums. Several REITs are taking advantage by disposing of select older assets and recycling proceeds into newer assets and markets with higher rates and growth potential.
- CubeSmart and Life Storage capitalized on the asset rotation strategy with two recent portfolio sales. In June, a CubeSmart joint venture sold a 50-property portfolio for \$293.5 million to a private buyer. The portfolio included facilities in Michigan, South Carolina, North Carolina, Georgia, Florida, and Tennessee. In July, a Life Storage joint venture sold a 32-property portfolio for \$212 million to an affiliate of Inland Real Estate Group. The portfolio included facilities in Louisiana, Mississippi, Texas, South Carolina, and North Carolina.

### Implied Cap Rates

	Public Storage (NYSE: PSA)	4.5%
	Extra Space Storage (NYSE: EXR)	4.3%
	CubeSmart (NYSE: CUBE)	5.0%
	Life Storage (NYSE: LSI)	5.6%
	National Storage Affiliates (NYSE: NSA)	5.5%

*-Implied capitalization rates based on common share prices  
BMO Capital Markets*

## Summary

### New Supply Update

Under Construction & Planned  
Percent of Existing Inventory

Metro Area	July-2019
NATIONAL	9.4%
Portland	25.6%
Nashville	21.9%
Seattle	20.7%
Orlando	19.3%
New York	17.0%
Boston	14.8%
Phoenix	14.2%
Miami	13.5%
Twin Cities	13.2%
Charlotte	12.7%
Sacramento	12.4%
San Jose	11.4%
Washington DC	11.0%
Denver	11.0%
Charleston (SC)	10.9%
Philadelphia	10.3%
Pittsburgh	10.3%
Columbus (OH)	10.3%
Atlanta	9.7%
Tampa	9.7%
San Diego	9.2%
Austin	7.8%
Las Vegas	7.6%
Raleigh–Durham	7.4%
Dallas–Ft Worth	6.9%
Los Angeles	5.7%
San Francisco Penin. & East Bay	5.4%
Inland Empire	4.9%
San Antonio	4.9%
Chicago	4.8%
Houston	4.2%

\*Source Yardi Matrix

- Yardi Matrix tracked a total of 2,069 self storage properties in the National pipeline during July 2019. It includes 640 under construction, 1,092 planned and 337 prospective projects.
- The national new supply pipeline as a percent of existing inventory slightly contracted by 0.1% in July from the previous month, as a number of under-construction projects reached completion. The new supply pipeline accounts for 9.4% of the completed inventory.
- 38% of top markets noticed increased development activity in July. Notably, Pittsburgh and Las Vegas.

Earnings  
Results

**Same-Store Comparisons**

	Total Properties Operating	Revenue Growth	Net Operating Income Growth	End of Quarter Occupancy	Rent Per Occupied Square Foot
<b>Public Storage</b>	2,456 U.S. 231 Europe	1.9%	0.8%	94.1%	\$17.48
<b>Extra Space Storage</b>	1,752	3.9%	3.9%	93.6%	\$16.93
<b>CubeSmart</b>	~1,145	2.0%	1.3%	93.7%	\$16.81
<b>Life Storage</b>	809	2.0%	2.4%	91.5%	\$14.52
<b>National Storage Affiliates</b>	729	4.7%	5.5%	90.9%	\$11.81

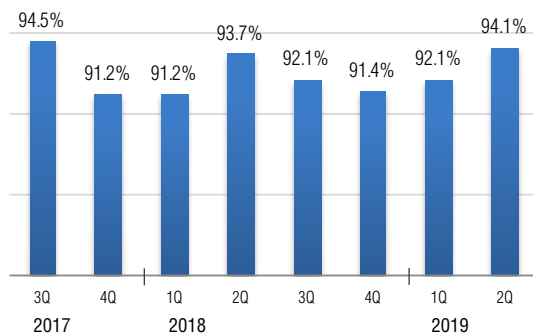
**Capital Markets**

	Market Capitalization	Core Funds From Operations	Annual Dividend Yield	Common Stock Price (8.6.2019)	52-Week High/Low
<b>Public Storage</b>	\$43.66 billion	\$1.76/share (-12.0%)	3.21%	\$250.08	\$251.98 \$193.89
<b>Extra Space Storage</b>	\$14.81 billion	\$1.22/share (+6.1%)	3.14%	\$115.25	\$116.16 \$83.70
<b>CubeSmart</b>	\$6.63 billion	\$0.42/share (+2.4%)	3.71%	\$34.48	\$35.23 \$27.19
<b>Life Storage</b>	\$4.67 billion	\$1.42/share (+2.1%)	4.04%	\$100.34	\$102.91 \$88.92
<b>National Storage Affiliates</b>	\$1.74 billion	\$0.38/share (+11.8%)	4.18%	\$30.60	\$30.88 \$24.44

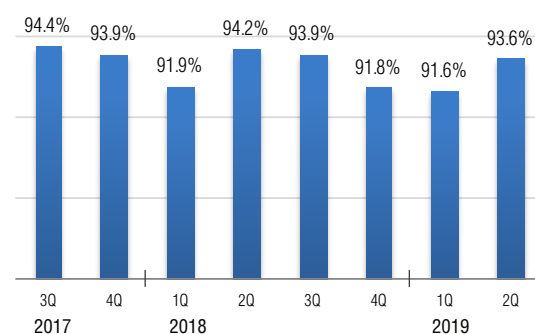
## Portfolio Occupancies

Same-Store  
Year-Over-Year Change

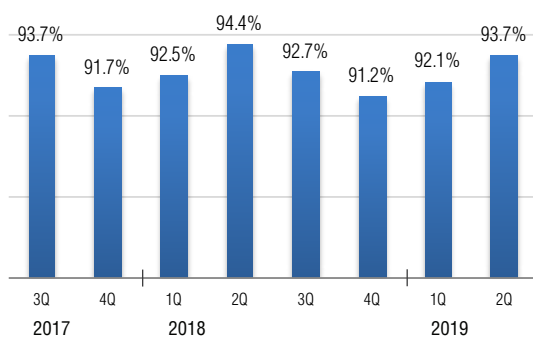
### Public Storage



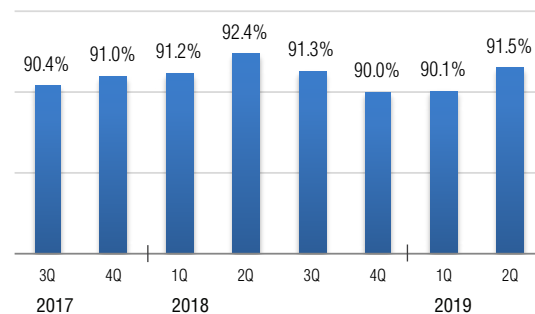
### Extra Space Storage



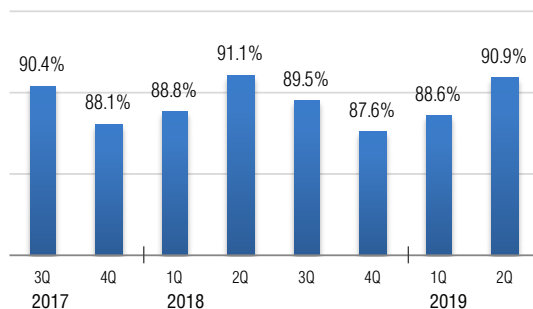
### CubeSmart



### Life Storage



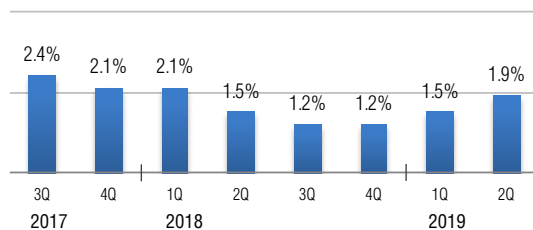
### National Storage Affiliates



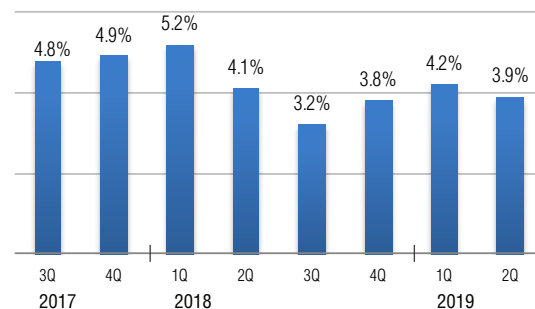
## Portfolio Revenues

Same-Store  
Year-Over-Year Change

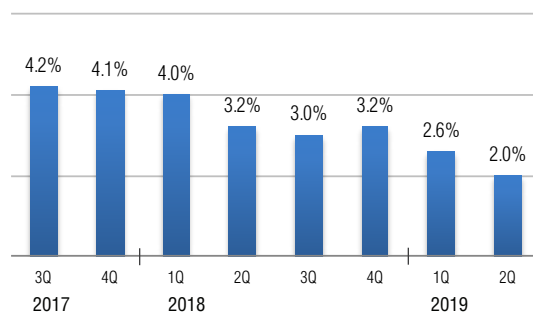
### Public Storage



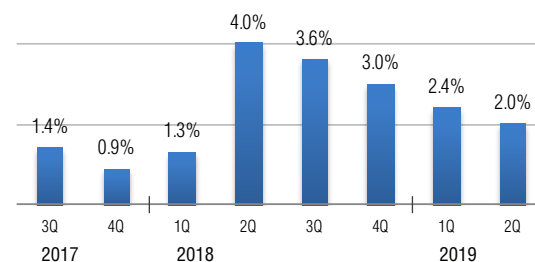
### Extra Space Storage



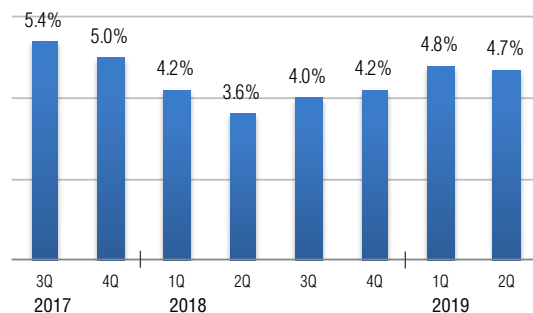
### CubeSmart



### Life Storage



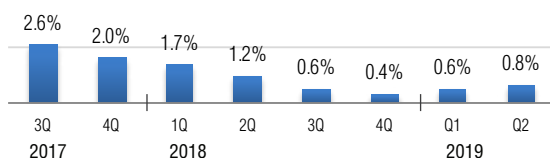
### National Storage Affiliates



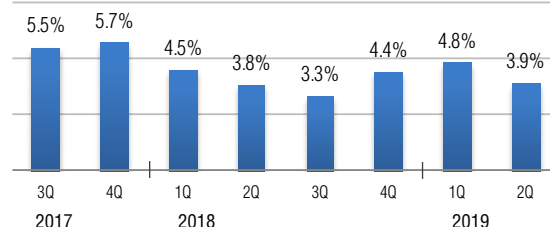
## Portfolio Net Operating Income

Same-Store  
Year-Over-Year Change

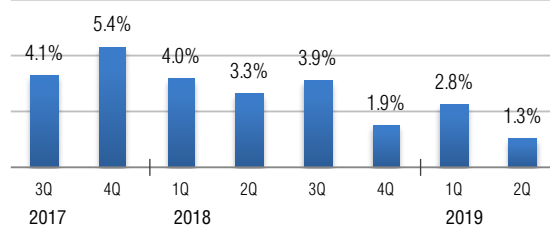
### Public Storage



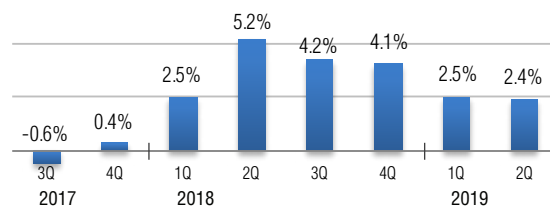
### Extra Space Storage



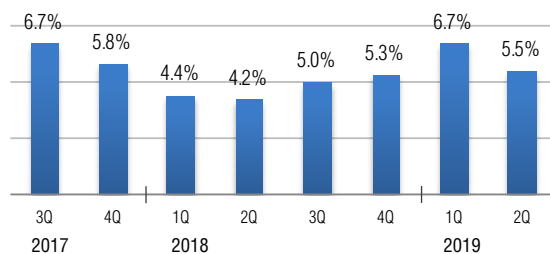
### CubeSmart



### Life Storage



### National Storage Affiliates



## Investment Activity

### Public Storage (NYSE: PSA)

*Public Storage has acquired more properties in the first six months of 2019 than all of 2018. The company acquired 22 self storage facilities for \$198 million. Locations include eleven in Virginia, five in Florida, and one each in Arizona, Colorado, Georgia, Kentucky, Michigan and Texas.*

#### Investment Activity

- During the second quarter, the company purchased 10 self storage facilities for \$116.7 million. Locations include four in Florida, two in Virginia and one each in Arizona, Colorado, Michigan and Texas.
- Subsequent to quarter end, Public Storage acquired or is under contract to acquire an additional 10 self storage facilities for \$86.5million. Locations include two in Georgia, two in Texas, and one each in Florida, Indiana, Minnesota, North Carolina, Tennessee and Virginia.
- Public Storage witnessing better acquisition opportunities recently as private developers becoming more rational in pricing of properties in lease-up.

#### Development and Expansion Pipeline

- At As of June 30, 2019, Public Storage has several facilities in development totaling 1.1 million net rentable square feet with an estimated cost of \$189 million. Additionally, its current expansion projects total 2.7 million net rentable square feet with a worth of about \$332 million. Public Storage estimates to incur the remaining development costs related to these projects mainly over the next 18 months.
- Currently, about 64% of Public Storage development is tied to redevelopment of its existing facilities.

#### Development Trends

- Developing larger facilities without the skill, knowledge and capability of running a facility of that size may disappoint developers entering markets with large new developments. There are examples of projects stalling at 50% to 60% occupancy due to miscalculation of size.
- Design, configuration, competition activity, and day-to-day metrics are considered when deciding the size of a new development in specific markets. Public Storage opened its largest new development in its entire portfolio two years ago. The 4,200 unit facility is nearly 90% occupied. The facility generates 40 to 50 move-ins in a weekend.

#### New Supply

- Overall new self storage supply deliveries estimated to total approximately \$5 billion in 2019. Estimated new deliveries in 2020 only 10% to 15% drop from 2019. These new developments may take from two years up to four years to reach stabilization.



## Investment Activity

Extra Space  
Storage  
(NYSE: EXR)

*During the second quarter, Extra Space acquired 11 operating stores in conjunction with joint venture partners, for a total cost of approximately \$228.5 million, of which Extra Space invested \$36.6 million.*

### Investment Activity

- In the second quarter, acquired a wholly-owned store at completion of construction (“certificate of occupancy”) and completed one development for a total investment of about \$20.2 million. Locations include Plantation, Florida and Brooklyn Center, Minnesota.
- In the first six months of 2019, acquired three certificate-of-occupancy stores, completed one new development and purchased a joint venture partner’s interest in 12 stores for a total investment of about \$242.5 million.
- In the first six months of 2019, in conjunction with joint venture partners, acquired 12 operating stores and six certificate of occupancy stores for a total cost of about \$439.1 million; of which Extra Space invested \$84.2 million.
- Currently have eight properties under contract for about \$41 million.
- Extra Space continues to focus on value-added acquisitions. The four stores approved for wholly-owned acquisitions this year are in lease-up ranging between 54% and 79% occupied with initial going yields between 3.5% and 5%. These value-add acquisitions expected to stabilize in the low 6%-range yield.

### Dispositions

- Extra Space sold a single store on April 11, 2019 in Ballston Spa, New York for \$11.8 million and recognized a gain of \$1.2 million.

### Triple Net Lease Transactions with W.P. Carey

- On June 1, 2019, Extra Space closed a transaction to commence net leasing on triple net basis 22 stores from W.P. Carey, Inc. This is the first of three groups of leases that will be closed between Extra Space and W.P. Carey totaling 36 stores, 31 of which were previously managed by Extra Space. Five of the stores not previously managed by Extra Space are located in New York City.
- The return on investment in the triple net lease properties has three components: differential between net operating income and rent payment, management fee-type income, and tenant insurance income.

### Bridge Loan Program

- Extra Space expects to close about \$100 million worth of bridge loans by the end of 2019. Extra Space will sell pieces to a debt partner in current structure.
- Extra Space underwrites each loan as if planning to purchase the property, and then will lend 75% to 80% of its internal valuation.

## Investment Activity

Extra Space Storage  
(NYSE: EXR)

### Certificate of Occupancy and Development Stores - Under Contract

Location	Estimated Opening	Estimated Net Rentable Square Feet	Purchase Price/Cost	Price/Cost Per Square Foot	Ownership
<b>2019 Projected Openings</b>					
Broomfield, CO <sup>(1)</sup>	3Q 2019	65,475	\$9,083,000	\$138.72	100%
Brooklyn, NY	3Q 2019	45,725	\$20,750,000	\$453.80	10%
Wakefield, MA	3Q 2019	84,075	\$16,800,000	\$199.82	100%
Brooklyn, NY	4Q 2019	62,385	\$32,980,000	\$528.65	25%
Miramar, FL	4Q 2019	78,750	\$14,800,000	\$187.94	10%
West Palm Beach, FL	4Q 2019	79,075	\$14,500,000	\$183.37	10%
Total	6	415,485	\$108,913,000		
<b>2020 Projected Openings</b>					
New Hyde Park, NY <sup>(2)</sup>	1Q 2020	70,000	\$6,400,000	\$91.43	100%
Belleville, NJ <sup>(1)(2)</sup>	2Q 2020	75,000	\$10,944,000	\$145.92	95%
El Cajon, CA <sup>(1)(2)</sup>	2Q 2020	55,345	\$2,834,000	\$51.21	100%
San Jose, CA	2Q 2020	76,000	\$13,500,000	\$177.63	100%
Vista, CA	2Q 2020	104,400	\$16,000,000	\$153.26	10%
Aurora, CO	3Q 2020	79,900	\$10,528,000	\$131.76	100%
Neptune City, NJ	3Q 2020	65,875	\$11,400,000	\$173.06	100%
Total	7	526,520	\$71,606,000		

(1) Development

(2) Property is subject to a ground lease.

Investment  
Activity

Extra Space  
Storage  
(NYSE: EXR)

**Certificate of Occupancy and Development Stores - Operating**

Location	Date Opened	Rentable Square Feet	Purchase Price/Cost	Price/Cost Per Square Foot	Occupancy 6/30/2019	Ownership
Lake Worth, FL	1Q 2017	78,665	\$8,455,000	\$107.48	92.2%	10%
Clearwater, FL	1Q 2017	60,206	\$7,750,000	\$128.72	88.4%	20%
Philadelphia, PA	2Q 2017	77,386	\$17,800,000	\$230.02	77.5%	100%
Warrington, PA	2Q 2017	65,762	\$12,000,000	\$182.48	84.7%	100%
Orlando, FL	2Q 2017	66,288	\$7,343,000	\$110.77	94.4%	100%
Ft Myers, FL	3Q 2017	77,519	\$8,970,000	\$115.71	73.2%	100%
Cohasset, MA	3Q 2017	50,330	\$8,800,000	\$174.85	92.1%	10%
Venice, FL	4Q 2017	58,254	\$7,830,000	\$134.41	87.6%	20%
Portland, OR	4Q 2017	73,280	\$12,800,000	\$174.67	82.8%	25%
Suwanee, GA	4Q 2017	78,447	\$9,600,000	\$122.38	63.1%	100%
Buford, GA	4Q 2017	78,585	\$7,500,000	\$95.44	67.3%	100%
Philadelphia, PA	4Q 2017	67,708	\$17,700,000	\$261.42	91.5%	100%
Westwood, NJ	4Q 2017	70,838	\$21,000,000	\$296.45	63.9%	100%
Brooklyn, NY	4Q 2017	52,462	\$25,924,000	\$494.15	75.9%	25%
Charlotte, NC	4Q 2017	70,925	\$10,900,000	\$153.68	75.9%	100%
Bradenton, FL	4Q 2017	86,730	\$10,400,000	\$119.91	74.4%	100%
Milwaukee, WI	4Q 2017	83,196	\$13,040,000	\$156.74	60.9%	10%
Franklin, WI	4Q 2017	92,621	\$12,520,000	\$135.17	75.7%	10%
Raleigh, NC	1Q 2018	74,995	\$8,800,000	\$117.34	58.4%	10%
Cherry Creek, CO	1Q 2018	88,333	\$14,000,000	\$158.49	63.8%	100%
Totowa, NJ	1Q 2018	86,515	\$19,541,000	\$225.87	62.2%	100%
Elmhurst, IL	2Q 2018	82,763	\$9,960,000	\$120.34	78.3%	25%
St. Petersburg, FL	2Q 2018	99,113	\$9,750,000	\$98.37	60.0%	20%
Vancouver, WA	2Q 2018	57,340	\$8,250,000	\$143.88	88.6%	25%
Houston, TX	2Q 2018	79,637	\$9,000,000	\$113.01	68.4%	100%
Hollywood, FL	2Q 2018	58,380	\$11,800,000	\$202.12	47.0%	10%



Investment  
Activity

Extra Space  
Storage  
(NYSE: EXR)

**Certificate of Occupancy and Development Stores - Operating (continued)**

Location	Date Opened	Rentable Square Feet	Purchase Price/Cost	Price/Cost Per Square Foot	Occupancy 6/30/2019	Ownership
Portland, OR	2Q 2018	78,526	\$22,500,000	\$286.53	60.6%	25%
Largo, FL	3Q 2018	86,720	\$11,500,000	\$132.61	45.1%	25%
Minnetonka, MN	3Q 2018	86,461	\$12,025,000	\$139.08	49.6%	100%
Milwaukie, OR	3Q 2018	64,282	\$11,700,000	\$182.01	74.6%	25%
Riverview, FL	3Q 2018	88,220	\$10,400,000	\$117.89	60.7%	10%
Crum Lynne, PA	3Q 2018	83,910	\$13,180,000	\$157.07	47.2%	95%
Lawrenceville, GA	4Q 2018	77,679	\$7,500,000	\$96.55	45.6%	100%
Jamaica Plain, MA	4Q 2018	94,152	\$21,333,000	\$226.58	22.0%	100%
Brooklyn Park, MN	4Q 2018	77,017	\$8,100,000	\$105.17	45.3%	100%
Decatur, GA	4Q 2018	78,977	\$14,250,000	\$180.43	47.7%	10%
St. Petersburg, FL	4Q 2018	70,290	\$12,200,000	\$173.57	27.4%	10%
Atlanta, GA	4Q 2018	76,775	\$13,500,000	\$175.84	28.4%	10%
Tampa, FL	4Q 2018	77,660	\$10,000,000	\$128.77	46.9%	10%
Charlotte, NC	1Q 2019	75,482	\$9,250,000	\$122.55	35.8%	10%
Chicago, IL	1Q 2019	99,402	\$14,840,000	\$149.29	14.3%	10%
Chicago, IL	1Q 2019	98,737	\$14,500,000	\$146.85	39.4%	10%
Brooklyn, NY	1Q 2019	144,352	\$79,901,000	\$553.52	13.1%	25%
Manayunk, PA	1Q 2019	62,650	\$17,100,000	\$272.94	55.3%	100%
Auburndale, MA	1Q 2019	79,772	\$20,000,000	\$250.71	16.3%	10%
Queens, NY	1Q 2019	117,400	\$52,321,000	\$445.66	17.2%	25%
Louisville, KY	1Q 2019	158,676	\$12,680,000	\$79.91	45.0%	100%
Plantation, FL	2Q 2019	71,158	\$11,800,000	\$165.83	10.2%	100%
Brooklyn Center, MN	2Q 2019	80,768	\$8,400,000	\$104.00	4.9%	100%
Total	49	3,945,344	\$ 720,413,000			

## Investment Activity

### CubeSmart (NYSE: CUBE)

*A CubeSmart joint venture with Heitman, HVP III, sold 50 of its 68 stores for \$293.5 million to a private operator, Storage Rentals of America. Locations include Michigan, North Carolina, South Carolina, Georgia, Florida and Tennessee. The joint venture sale resulted a gain of \$106.7 million.*

#### Investment Activity

- Subsequent to the 50-property sale, CubeSmart acquired its partners 90% ownership interest in the joint ventures remaining 18 core assets for \$128.3 million. Locations include seven in Massachusetts, seven in South Carolina, two in Tennessee, and one each in Georgia and North Carolina.
- The acquisition was comprised of a cash consideration of \$120 million plus \$8.3 million of escrowed proceeds from the sale of the 50-property portfolio. The sale allowed CubeSmart to unlock the promoted interest used to reduce the amount of consideration needed to buy out the joint venture partner.
- The cap rate for the sale of the 50 properties in the high 5%-range. The effective cap rate of the 18 properties acquired from the joint venture in the high 6%-range, including the use of the promoted interest.
- CubeSmart's original investment in the original joint venture of just over \$10 million, generated value creation of \$30 million. The value created consists of \$13 million on pari passu return with JV partner, and an additional \$17 million reflected in the promoted interest earned through the structure.
- In addition to the 18 properties acquired from its joint venture in the second quarter, CubeSmart also acquired three-wholly owned properties for \$20.6 million. Locations include two in Florida and one in Arizona.
- Year-to-date, CubeSmart has acquired 22 wholly-owned properties for \$170.8 million, and currently has three additional properties under contract for \$66.4 million that are expected to close by the first quarter of 2020.
- A separate joint venture with Heitman HVP IV, acquired four properties for \$42.2 million. CubeSmart holds a 20% partnership interest. Locations include two properties in Texas, and one each in Pennsylvania and Florida. Additionally, the HVP IV joint venture has three properties under contract for \$71 million expected to close in 2019.
- Over the past three to six months, CubeSmart seeing more non-stabilized assets offered for sale. When stabilized assets do come to market, bidding competition tends to be very aggressive. CubeSmart and its joint venture partner took advantage of the current market for stabilized assets, which also included a portfolio premium, on the recent 50-property transaction.

#### Development Activity

- In the second quarter, CubeSmart opened for operation two development properties, one in Queens, New York at a cost of \$47.5 million, and one in Bayonne, New Jersey for \$25.1 million.
- As of June 30, 2019, CubeSmart has five properties currently under construction, with anticipated investment of \$126 million. Locations include two in New York (Brooklyn and East Meadow), two in Massachusetts (Newton and Waltham), and one in Arlington, Virginia. These stores are expected to open at various times between the third quarter 2019 and first quarter of 2021.

## Investment Activity

CubeSmart  
(NYSE: CUBE)

### New Development

- Chicago witnessed a big ramp up in deliveries in 2015 and 2016, and then leveled off with consistent deliveries in 2017 and 2018, and expected in 2019. A sharp drop to little new development activity anticipated in 2020.
- Miami overall deliveries in 2018 and 2019 were very significant, and also expecting the same in 2019. Operations performance has been quite challenging, and starting to see developers pull back on new project.
- There are no signs that the construction financing environment is changing materially. But, starting to see other properties that are 18-30 months into lease-up receive bids below development costs.
- About 50% of CubeSmart's same-stores being impacted by new supply. The operators of many of these new developments are being very aggressive with rates and discounting. Same-stores impacted by new supply experiencing revenue growth 200 to 300 basis points lower than the same-stores not impacted by new supply. This delta between stores impacted by new development and stores that are not is almost entirely attributed to rental rate as occupancy growth is roughly the same in both pools.
- CubeSmart's newly developed stores continue to generate healthy lease-ups, but not at same pace as in 2015 and 2016.

## Investment Activity

CubeSmart  
(NYSE: CUBE)

### New Development Properties

Location	Expected Opening	CUBE's Anticipated Investment
Waltham, MA	Q3 2019	\$16,000,000
Brooklyn, NY	Q3 2019	\$43,000,000
Newton, MA	Q2 2020	\$18,800,000
East Meadow, NY	Q4 2020	\$24,900,000
Arlington, VA	Q1 2021	\$23,800,000
Total		\$126,000,000

### Acquisitions at Certificate of Occupancy - Operating

Location	Date Completed	Rentable Square Feet	Purchase Price	Price Per Square Foot	Occupancy 6/30/2019
Riverwoods, IL	Q2 2017	73,915	\$11,200,000	\$151.53	79.9%
Chicago, IL	Q4 2017	90,947	\$11,300,000	\$124.25	73.4%
Delray Beach, FL	Q4 2017	97,258	\$17,750,000	\$182.50	58.6%
San Diego, CA	Q4 2018	87,483	\$19,118,000	\$218.53	36.4%
Total		349,603	\$59,368,000		

### New Development Properties - Operating

Location	Date Completed	Rentable Square Feet	Total Cost	Cost Per Square Foot	Occupancy 6/30/2019
North Palm Beach, FL	Q1 2017	45,825	\$9,700,000	\$211.67	84.5%
New York, NY	Q3 2017	94,912	\$81,200,000	\$855.53	56.9%
Washington, D.C.	Q3 2017	72,298	\$27,800,000	\$384.52	81.8%
Brooklyn, NY	Q4 2017	131,913	\$49,300,000	\$373.73	36.9%
Bronx, NY	Q3 2018	201,195	\$92,100,000	\$457.76	23.1%
Queens, NY*	Q2 2019	81,103	\$47,500,000	\$585.68	14.7%
Bayonne, NJ	Q2 2019	96,868	\$25,100,000	\$259.12	19.3%
Total		724,114	\$332,700,000		

\*The company owns a 51% interest in this property.

## Investment Activity

Life Storage  
(NYSE: LSI)

*Subsequent to quarter end, Life Storage completed the sale of 32 mature stores for approximately \$212 million to an affiliate of the Inland Real Estate Group. Locations include nine in Louisiana, eight, in Mississippi, six in Texas, five in South Carolina, and four in North Carolina. Life Storage will continue to manage all the properties for at least five years.*

### Investment Activity

- During the second quarter, the company acquired four properties for its wholly owned portfolio, including three in Cleveland, Ohio for \$33.2 million and one property in lease-up in Jacksonville, Florida for \$9.95 million.
- During the second quarter, Life Storage entered into agreements to acquire three facilities in Seattle and one in Las Vegas.
- Subsequent to quarter end, the company entered into an agreement to acquire five facilities in Baltimore, Maryland, and one store in Austin, Texas that it currently leases and manages.
- Seattle and Baltimore represent new markets to Life Storage. Seattle is a strategic target given the demographic growth and barriers to build in certain areas. Its entrance into the market provides an opportunity for scale and expansion of its third-party management platform. Baltimore helps fill a gap in the Mid-Atlantic states.
- Subsequent to quarter end, Life Storage acquired 12 stores in lease-up for its wholly-owned portfolio for a total consideration of approximately \$134.8 million. Locations include five in Virginia, two in Florida, two in South Carolina, and one each in North Carolina, Tennessee, and Georgia.

### Disposition and Recycling Assets

- The company divested 45 wholly-owned stores for more than \$300 million over the past year, including 32 this year and 13 in 2018. Life Storage does not anticipate any further meaningful dispositions of wholly-owned assets through at least 2020.
- The asset rotation strategy continues to focus on increasing exposure to markets with more attractive demographics and newer properties with higher revenue and better growth prospects. Specifically, the 45 properties recently disposed of average 27 years old with asking rates of \$11 per square foot with revenue per store of about \$720,000 and 91% occupancy.
- Conversely, Life Storage has acquired 26 stores that are on average only five years old with \$16 per square foot average rents and average revenue per store of over \$1 million upon stabilization, and occupancy currently about 60%. The transactions are expected to improve revenue growth, NOI margins and net asset value.
- As part of the asset rotation, the company decreased exposure in Texas by 13 stores – six in Houston. Chicago now overtakes Texas as Life Storage's largest market as a result of its divestment in Houston.



## Investment Activity

Life Storage  
(NYSE: LSI)

### Certificate of Occupancy Operating Properties

Market	Date Acquired	Net Rentable Square Feet	Price	Price Per Square Foot	Occupancy 6/30/2019
Charleston, SC	Jul-2016	70,165	\$8,620,000	\$122.85	70.2%
Dallas, TX	Jul-2016	56,342	\$12,239,000	\$217.23	90.1%
Boulder, CO	Jul-2016	44,936	\$8,373,000	\$186.33	92.2%
San Marco, TX	Jul-2016	59,066	\$8,353,000	\$141.42	96.9%
Chicago, IL	Nov-2016	68,235	\$8,884,000	\$130.20	97.3%
Chicago, IL	Feb-2017	78,023	\$10,089,000	\$129.31	76.7%
Austin, TX	Apr-2017	58,599	LEASE	-	91.7%
Charlotte, NC	Dec-2017	70,118	\$12,549,000	\$178.97	68.2%
Sacramento, CA	Sep-2018	70,170	\$13,846,000	\$197.32	84.8%
Atlanta, GA	Nov-2018	79,959	\$14,234,000	\$178.02	54.8%
Sacramento, CA	Dec-2018	57,095	\$9,547,000	\$167.21	83.1%
St. Louis, MO	Dec-2018	77,340	\$9,301,000	\$120.26	52.8%
New York, NY	Jan-2019	115,095	\$57,169,000	\$496.71	64.7%
Tampa, FL	Mar-2019	60,647	\$9,302,000	\$153.38	66.4%
Jacksonville, FL	Jun-2019	73,219	\$9,955,000	\$135.96	44.9%
Total	15	1,039,009	\$192,461,000		

## Investment Activity

### National Storage Affiliates (NYSE: NSA)

*National Storage Affiliates acquired 24 wholly-owned properties located across eight states for \$185.3 million during the second quarter. Year-to-date acquisitions total approximately \$400 million.*

#### Investment Activity

- Total consideration for the 24 property acquisitions in the second quarter included approximately \$168.4 million of cash, the issuance of about \$4.7 million of operation partnership units (“OP Units”), \$6.2 million of subordinated performance units (“SP Units”), \$4.6 million of Series A-1 preferred units, and the assumption of \$1.4 million of other working capital liabilities.
- Cap rates in the second quarter for one-off property acquisitions ranging in year one of 6% to 6.5%, with an average of 6.25%. Occupancy levels in the mid-to-high 80’s% for these acquisitions.
- Total acquisitions from the captive pipeline from its Participating Regional Operators (“PROs”) consists of six in the second quarter. Future pipeline for acquisitions from its PROs of over 100 properties valued over \$1 billion.
- National Storage Affiliates Board of Directors recently approved up to 3% of existing asset base for acquisition of non-stabilized assets.
- The company disposed of one property in the second quarter for \$6.5 million.

#### Supply Impact

- National Storage Affiliates is experiencing limited impact of new supply on its existing stores. Secondary markets where the company has a majority of its facilities experienced less supply growth during this development cycle. The company estimates 39% of its stores are currently affected by new supply within a five-mile radius of its stores.
- In primary markets such as Riverside, San Bernardino, Atlanta, and Dallas-Ft. Worth, National Storage Affiliates tends to have a higher percentage of single-story drive-up facilities as compared to its peers. New supply in these markets are generally multi-story, climate controlled, high price per square foot units, a significantly different product type.

## Operations

Public Storage  
(NYSE: PSA)

*During the second quarter, Public Storage generated 1.9% increase in same-store revenues and 0.8% growth in net operating income year-over-year. Top performing markets by revenue growth include Philadelphia, Los Angeles, Washington DC, Atlanta, New York, and San Francisco.*

### Same-Store Comparison

- Same-store facilities represent those facilities that have been owned and operated at a stabilized level occupancy, revenue and cost of operations since January 1, 2017. The same-store pool consists of 2,165 facilities (139.8 million net rentable square feet) representing 84% of the aggregate net rentable square feet of Public Storage' U.S. consolidated self storage portfolio.

### Q2 2019 RESULTS

- Same-store revenues increased 1.9% during the second quarter, a 40 basis point increase sequentially. The increase was driven by a 1.7% gain in realized rent per occupied square foot.
- Cost of operations for the same-store pool increased by 5.1% during the second quarter. The increase was impacted primarily by a 5.0% increase in real estate taxes and 49.4% gain in marketing expenses. The surge in marketing expense is due primarily to increases in Internet advertising expense.
- Same-store net operating income grew 0.8% year-over-year during the second quarter, driven by a 1.9% gain in same-store revenue and 5.1% gain in operating expenses.
- Same-store occupancy at the end of the quarter was 94.1%, a 50 basis point increase year-over-year. Same-store weighted average occupancy during the second quarter was 94.0%, a 20 basis point increase from a year earlier.

### Operating Fundamentals

- Street rates were flat during the quarter.
- Public Storage focused on driving move-in volume during the quarter by adjusting move-in rates. The move-in rate, the rate that new customers are paying, decreased 4% year-over-year. While the move-in volume was flat year-over-year, it represents one of the better quarters for move-in trends experienced over the past couple years.
- Discounting, based on move-in contract rates during the promotional period, totaled \$19.6 million during the quarter as compared to \$21.0 million a year earlier.
- Public Storage expects continued increase in advertising expense as cost per click for keyword search terms increase due to more aggressive keyword bidding competition. Advertising expenses rose 49.4% during the quarter following a 28% increase in the previous quarter. The favorable demand generated from internet marketing, combined with lower advertised street rates and \$1 per month discounting, continues to drive traffic to Public Storage stores.
- Annual contract rent per square foot for move-ins was \$13.81 during the second quarter compared to \$16.06 for move-outs. Lower move-in rates were utilized during the quarter as one of the levers utilized to drive customer traffic volume.
- The percentage of business-related customers renting at Public Storage facilities range from 10% to 20% depending on the location.

## Operations

### Public Storage (NYSE: PSA)

#### **Major Markets Revenue Growth**

- Major markets with revenue growth above the portfolio average for the quarter include Philadelphia (5.1%), Los Angeles (3.3%), Washington DC (3.2%), Atlanta (2.9), New York (2.6%), and San Francisco (2.5%). Los Angeles and San Francisco experienced sequential gains in revenue growth of 40 basis points and 70 basis, respectively.
- Major markets performing below the Public Storage portfolio average during the quarter include Houston (-4.4%), Miami (-1.1%), Dallas-Ft. Worth (-0.9%), Chicago (0.6%), Portland (-0.5%), and Tampa (unchanged).

#### **Third-Party Management**

- Public Storage added 23 properties to its third-party management platform this year and now manages a total of 62 properties in the platform. The backlog of third-party management assignments is heavily weighted with development deals that may take a number of quarters to complete.

## Operations

Public Storage  
(NYSE: PSA)

### Top Market Same-Store Performance - End of Second Quarter 2019

Market	Facilities	Rent Per Occupied Square Foot	Weighted Avg. Occupancy	Revenue Growth
Los Angeles	204	\$26.11	95.2%	3.3%
San Francisco	127	\$26.56	94.9%	2.5%
New York	87	\$26.10	94.5%	2.6%
Seattle-Tacoma	85	\$20.18	93.9%	1.7%
Washington DC	88	\$21.25	94.5%	3.2%
Miami	81	\$20.38	93.0%	(1.1%)
Atlanta	99	\$13.56	93.6%	2.9%
Chicago	129	\$15.04	92.6%	0.6%
Dallas-Ft. Worth	98	\$13.58	92.5%	(0.9%)
Houston	78	\$13.73	88.9%	(4.4%)
Orlando-Daytona	69	\$14.09	94.7%	1.7%
Philadelphia	56	\$16.54	96.0%	5.1%
West Palm Beach	37	\$18.46	94.2%	1.4%
Tampa	50	\$14.15	93.1%	0.0%
Portland	43	\$18.48	95.3%	(0.5%)
All other markets	834	\$14.12	93.8%	2.4%
Total	2,165			

## Operations

Extra Space  
Storage  
(NYSE: EXR)

*During the second quarter, Extra Space generated 3.9% increase in same-store revenues and 3.9% growth in net operating income year-over-year. Top performing markets by revenue growth include Las Vegas, Phoenix, Sacramento, Virginia Beach, San Diego, and Philadelphia.*

### Same-Store Comparison

- Same-store facilities represent those facilities that were stabilized by the first day of the earliest calendar year presented. Extra Space considers a facility to be stabilized once it has been open for three years or has sustained average square foot occupancy of 80% or more for one calendar year. The same-store pool includes 821 facilities.

### Q2 2019 RESULTS

- Same-store revenues increased 3.9% during the second quarter, a 30 basis point deceleration sequentially. The increase was driven by a 4.1% increase in net rental income primarily due to higher rental rates for both new and existing customers.
- Cost of operations for the same-store pool increased by 3.8% during the second quarter. The increase was impacted by a 47.8% increase in marketing, 23.4% increase in insurance, and 3.6% increase in real estate taxes. The expenses were partially offset by a 3.5% decrease in payroll during the quarter.
- Same-store net operating income grew 3.9% year-over-year during the second quarter, driven by a 3.9% gain in same-store revenue and 3.8% gain in operating expenses.
- Same-store occupancy at the end of the quarter was 93.6%, a 60 basis point decrease year-over-year. Same-store weighted average occupancy during the first quarter was 92.7%, a 50 basis point decrease as compared to a year earlier.

### Operating Fundamentals

- Year-over-year occupancy declined marginally during the second quarter but the occupancy gap bounced back in July to a 30 basis point spread over a year earlier.
- The 47.8% increase in marketing costs is attributed to a higher cost-per-click due to a competitive bidding environment. Digital marketing generates a great cost-reward benefit to Extra Space. They bid on millions of keywords daily that produce acceptable returns to Extra Space.
- Discounts decreased as a percentage of revenue during the second quarter, partly as a result of lower move-in volume. Extra Space changed its discount policy to limited discounting after reaching certain levels of occupancy. The change in discount strategy coupled with lower move-in volumes contributed to the decrease in discounts during the quarter.
- Achieved street rates increased between 1% and 2% on average during the second quarter. Street rates subsequent to the quarter are slightly lower.
- Achieved move-in rates are below in-place rates creating a rent rolldown. However, there is typical more churn in short-term customers at below average rents that may negate the rolldown impact.

## Operations

Extra Space  
Storage  
(NYSE: EXR)

### Major Markets Revenue Growth

- Major markets with revenue growth above the portfolio average for during the first quarter include Las Vegas (10.7%), Phoenix (7.9%), Sacramento (7.2%), Virginia Beach (6.6%), San Diego (6.5%), Philadelphia (6.4%), Hawaii (6.1%), Cincinnati (5.7%), Los Angeles (5.5%), Austin (5.2%), and Chicago (5.2%). Extra Space's two largest markets, Los Angeles and New York, generated sequential decreases in same-store revenues. Los Angeles (12.5% of revenue) decreased 60 basis points sequentially to 5.5% and New York (12.3% of revenue) decreased 80 basis points sequentially to 4.4%.
- Major markets performing below the Extra Space portfolio average include Richmond (-1.2%), Denver (-0.9%), Miami (-0.5%), Charleston (-0.4%), Houston (-0.4%), Denver (1.1%), Tampa (1.2%) and Dallas (1.5%). Miami and Dallas improved sequentially reporting 40 basis point and 110 basis point gains, respectively.

### Third-Party Management Platform

- Extra Space added 48 stores to its third-party management platform during the second quarter, resulting in 595 stores (838 stores including joint ventures). The new stores represent an 18 store gain on a net basis from Q1 2019.

### Full Year 2019 Guidance

Same-store property revenue growth	2.5% to 3.25%
Same-store expense growth	4.0% to 4.75%
Same-store NOI growth	1.75% to 3.0%
Net tenant reinsurance income	\$96.5 million to \$97.5 million
Acquisitions from wholly-owned operating stores	\$300 million
Acquisitions of development and C of O of wholly-owned stores	\$75 million
Acquisitions of operating joint venture stores	\$50 million (company investment)
Acquisitions of C of O joint venture stores	\$75 million (company investment)
Dilution per share from C of O acquisitions	\$0.16 per share
Dilution per share from value add acquisitions	\$0.07 per share
Core FFO	\$4.79 to \$4.87

## Operations

Extra Space  
Storage  
(NYSE: EXR)

### Select Markets Same-Store Performance

MSA	Number of Stores	Rent Per Occupied Square Foot	Average Occupancy	Revenue Growth
Los Angeles-Riverside-Orange County, CA	77	\$21.27	93.7%	5.5%
New York-Northern New Jersey-Long Island, NY-NJ-PA	68	\$25.13	92.4%	4.4%
Washington-Baltimore, DC-MD-VA-WV	53	\$19.66	92.4%	2.8%
Atlanta, GA	49	\$13.13	92.8%	5.0%
Dallas-Fort Worth, TX	46	\$12.47	92.8%	1.5%
Boston-Worcester-Lawrence, MA-NH-ME-CT	39	\$22.17	90.9%	3.1%
San Francisco-Oakland-San Jose, CA	38	\$27.59	92.4%	4.2%
Chicago-Gary-Kenosha, IL-IN-WI	31	\$14.70	93.5%	5.2%
Miami-Fort Lauderdale, FL	27	\$18.88	92.0%	(0.5%)
Phoenix-Mesa, AZ	20	\$12.68	95.4%	7.9%
Houston-Galveston-Brazoria, TX	19	\$13.00	90.9%	(0.4%)
Norfolk-Virginia Beach-Newport News, VA-NC	16	\$12.69	93.0%	6.6%
Philadelphia-Wilmington-Atlantic City, PA-DE-NJ	15	\$16.25	93.1%	6.4%
Cincinnati-Northern Kentucky	14	\$10.82	93.6%	5.7%
Las Vegas, NV-AZ	14	\$11.70	94.6%	10.7%
Indianapolis, IN	14	\$10.96	93.3%	3.5%
Tampa-St. Petersburg-Clearwater, FL	13	\$17.55	91.7%	1.2%
Sacramento-Yolo, CA	12	\$16.94	93.1%	7.2%
Austin-San Marcos, TX	11	\$13.53	94.0%	5.2%
Memphis, TN-AR-MS	11	\$10.21	92.7%	2.7%
Charleston-North Charleston, SC	11	\$12.82	89.3%	(0.4%)
Orlando, FL	11	\$13.89	92.9%	2.3%
Salt Lake City-Ogden, UT	9	\$12.74	92.3%	0.2%
West Palm Beach-Boca Raton, FL	9	\$13.99	91.1%	1.6%
Hawaii, HI	9	\$34.93	92.7%	6.1%
Richmond-Petersburg, VA	8	\$13.99	90.8%	(1.2%)
San Diego, CA	8	\$19.00	93.0%	6.5%
Portland-Salem, OR-WA	8	\$15.12	92.4%	3.6%
Albuquerque, NM	8	\$12.89	95.2%	5.5%
Denver-Boulder-Greeley, CO	7	\$14.36	90.0%	(0.9%)
Midland-Odessa, TX	6	\$12.68	95.0%	12.0%



## Operations

Extra Space  
Storage  
(NYSE: EXR)

### Select Markets Same-Store Performance (continued)

MSA	Number of Stores	Rent Per Occu- pied Square Foot	Average Occupancy	Revenue Growth
Seattle-Tacoma-Bremerton, WA	6	\$18.09	92.4%	3.7%
Colorado Springs, CO	6	\$14.07	92.8%	6.2%
Columbia, SC	6	\$11.68	92.2%	3.5%
Detroit-Ann Arbor-Flint, MI	5	\$12.71	93.3%	5.8%
El Paso, TX	5	\$8.27	97.1%	11.5%
Hartford, CT	5	\$13.90	93.8%	1.3%
Pittsburgh, PA	5	\$12.58	90.1%	3.7%
San Antonio, TX	5	\$13.36	93.4%	4.7%
Stockton-Lodi, CA	5	\$16.28	90.6%	0.9%
Other MSAs	92	\$13.17	92.8%	2.9%
TOTALS	821	\$16.93	92.7%	3.9%

## Operations

CubeSmart  
(NYSE: CUBE)

*During the second quarter, CubeSmart generated 2.0% increase in same-store revenues and 1.3% growth in net operating income year-over-year. Top performing markets by revenue growth include Las Vegas, Tucson, Boston, San Diego, and Los Angeles.*

### Same-Store Comparison

- CubeSmart considers a facility to be stabilized once it has achieved an occupancy rate that, based on an assessment of specific market data, is representative of similar self storage assets in the applicable market for a full year measured as of the most recent January 1st. As of June 30, 2019, the same-store pool includes 467 stores totaling approximately 32.4 million square feet.

### Q2 2019 RESULTS

- Same-store revenues increased 2.0% during the quarter, a 60 basis point deceleration sequentially. The increase was primarily driven by a 2.1% increase in annual rent per occupied square foot as a result of higher rates for new and existing customers. The average rent per occupied square foot rose to \$16.81 during the quarter.
- Cost of operations for the same-store pool increased by 3.8% during the second quarter. The increase was impacted by a 4.4% growth in real estate taxes, 4.0% increase in personnel costs, 21.9% increase in property insurance and 8% increase in repairs and maintenance.
- Same-store net operating income grew 1.3% as compared to the same quarter in 2018.
- Same-store occupancy at the end of the second quarter was 93.7%, a 40 basis point decrease year-over-year. Same-store average occupancy was 93.1% during the quarter, a 20 basis point decrease as compared to a year earlier.

### Operating Fundamentals

- Value of existing customers increasing as length of stay increased slightly to 14 to 15 months versus 13 to 14 months.
- Rental rate increases to existing customers remains consistent. The consumer is not changing behavior relating to accepting the timing and amount of rental rate increases.
- CubeSmart rented units a 1.3% higher rate during the second quarter as compared to last year.
- The higher rate of units rented during the quarter were offset by higher discounting resulting in a slight drop in net effective rates.
- Discounts as percentage of revenues were 3.6% during the second quarter, a 20 basis points increase over last year.
- Customer acquisition cost is increasing as continued escalation of digital marketing costs pressures marketing spending. Digital marketing seeing an increase in bids across various markets from operators that have been active for a long time, willing to take customers at increasingly thinner margins. And, more entrance into bidding process from regional operators in California and New York, and some non-transactional operators such as Clutter. CubeSmart's pace of digital marketing spending is projected to continue increase at levels above inflation during the third and fourth quarters.
- Insurance renewals initiated in mid-May generated a 21.9% increase in insurance costs within the same-store portfolio.

## Operations

CubeSmart  
(NYSE: CUBE)

### Select Market Same-Store Performance

- Major markets with revenue growth above the portfolio average for the second quarter include Las Vegas (10.4%), Tucson (8.0%), Boston (5.9%), San Diego (5.3%), Los Angeles (5.0%), Inland Empire (4.6%), Washington DC (4.3%), Austin (4.3%), Philadelphia (4.1%), and Phoenix (3.7%).
- Major markets performing below the CubeSmart portfolio average include Houston (-6.5%), Naples (-6.2%), Nashville (-2.0%), Denver (-1.9%), Charlotte (-1.7%), Miami (-1.2%), Baltimore (-1.2%), and Dallas/Ft. Worth (-0.1%).
- The Top 5 markets representing about 50% of CubeSmart's total revenues performed overall above portfolio average during the quarter. Washington DC led the way with 4.3% same-store revenue growth, a 60 basis point improvement sequentially.

### Third-Party Management

- CubeSmart added 59 stores to its third-party management platform during the quarter, and 105 stores during the first six months of 2019. The third-party management platform includes 648 stores totaling 42.8 million square feet.

### 2019 Full Year Guidance Update

Same-store revenue growth	1.5% to 2.5%
Same-store expense growth	3.0% to 4.0%
Same-store net operating income growth	1.0% to 2.25%
Acquisition of wholly-owned properties	\$200 million to \$250 million
Acquisition of properties at C/O	\$0
New development openings	\$131.6 million
Dispositions	\$0 to \$50 million
Dilution per share from properties in lease-up	(\$0.09) to (\$0.10)

## Operations

CubeSmart  
(NYSE: CUBE)

### Same-Store Operating Performance by MSA

MSA	Facilities	Rent Per Occupied Square Foot	Average Occupancy	Revenue Growth
New York-Northern New Jersey-Long Island, NY-NJ-PA	56	\$28.57	92.8%	3.2%
Chicago-Naperville-Joliet, IL-IN-WI	40	\$14.18	93.6%	2.0%
Miami-Fort Lauderdale-Pompano Beach, FL	36	\$18.07	92.5%	(1.2%)
Dallas-Fort Worth-Arlington, TX	33	\$13.29	93.5%	(0.1%)
Washington-Arlington-Alexandria, DC-VA-MD-WV	24	\$21.41	94.0%	4.3%
Atlanta-Sandy Springs-Marietta, GA	18	\$13.12	92.9%	1.6%
Riverside-San Bernardino-Ontario, CA	16	\$13.82	92.9%	4.6%
Phoenix-Mesa-Scottsdale, AZ	15	\$12.96	94.5%	3.7%
Tucson, AZ	15	\$11.98	95.8%	8.0%
Philadelphia-Camden-Wilmington, PA-NJ-DE-MD	13	\$17.43	93.4%	4.1%
Houston-Sugar Land-Baytown, TX	13	\$12.42	89.8%	(6.5%)
Hartford-West Hartford-East Hartford, CT	12	\$12.91	93.3%	2.4%
Orlando-Kissimmee, FL	10	\$13.20	93.1%	2.5%
Columbus, OH	10	\$10.75	95.0%	1.5%
Boston-Cambridge-Quincy, MA-NH	10	\$20.95	92.3%	5.9%
Cleveland-Elyria-Mentor, OH	10	\$13.32	94.6%	0.4%
Austin-Round Rock, TX	9	\$13.46	93.0%	4.3%
Denver-Aurora, CO	9	\$14.09	92.8%	(1.9%)
Sacramento-Arden-Arcade-Roseville, CA	9	\$14.47	91.5%	0.7%
Nashville-Davidson-Murfreesboro-Franklin, TN	7	\$12.31	92.7%	(2.0%)
Las Vegas-Paradise, NV	7	\$13.74	94.6%	10.4%
Jacksonville, FL	7	\$16.39	93.1%	1.8%
San Diego-Carlsbad-San Marcos, CA	6	\$17.77	94.7%	5.3%
Los Angeles-Long Beach-Santa Ana, CA	6	\$18.36	92.6%	5.0%
Tampa-St. Petersburg-Clearwater, FL	6	\$15.96	91.6%	0.4%
Bridgeport-Stamford-Norwalk, CT	6	\$22.79	92.3%	0.0%
Cape Coral-Fort Myers, FL	5	\$15.69	92.2%	(0.6%)
Charlotte-Gastonia-Concord, NC-SC	5	\$13.19	92.1%	(1.7%)
Baltimore-Towson, MD	4	\$18.30	93.0%	(1.2%)
San Antonio, TX	4	\$12.68	93.9%	2.6%
Salt Lake City, UT	4	\$12.70	94.0%	2.8%
Providence-New Bedford-Fall River, RI-MA	4	\$15.49	92.8%	0.2%
Naples-Marco Island, FL	4	\$15.78	89.6%	(6.2%)
Other	34	\$14.67	92.9%	2.1%
Total	467	\$ 16.81	93.1%	2.0%

## Operations

LifeStorage  
(NYSE: LSI)

*During the second quarter, Life Storage generated 2.0% increase in same-store revenues and 2.4% growth in net operating income year-over-year. Top performing markets by revenue growth include Las Vegas, Pensacola, Cleveland, Buffalo, Space Coast, Virginia Beach, New York, Sacramento, and Chicago.*

### Same-Store Comparison

- Same-store facilities for Life Storage represent those properties that have been owned by Life Storage and included in the consolidated results since December 31, 2017. The stores purchased through 2018 at certificate of occupancy or that were less than 80% occupied at market rates are not included, regardless of their current performance. Life Storage includes such stores in its same-store pool in the second year after the stores achieve 80% sustained occupancy using market rates and incentives. There are 505 facilities in Life Storage's same-store pool.

### Q2 2019 RESULTS

- Same-store revenues increased 2.0% during the second quarter, a 40 basis point deceleration sequentially. The increase was driven by a 3.0% increase in rental rates, partially offset by a 100 basis point decrease in occupancy.
- Cost of operations for the same-store pool increased by 1.2% during the second quarter, a 110 basis point deceleration sequentially. Operating expenses were impacted by a 4.1% increase in real estate taxes and 15% gain in digital marketing. The increase was partially offset by decreases in payroll, utilities, advertising, and repairs and maintenance.
- Same-store net operating income grew 2.4% year-over-year during the second quarter, driven by a 2.0% gain in same-store revenue and 1.2% gain in operating expenses.
- Same-store occupancy at the end of the quarter was 91.5%, a 100 basis point decrease year-over-year. Same-store weighted average occupancy during the second quarter was 90.9%, a 110 basis point decrease from a year earlier.

### Operating Fundamentals

- Move-ins and move-outs were down during the quarter. New supply impacted move-in activity. Despite aggressive rent increase strategy for existing tenants, move-out volume is surprisingly down during the quarter.
- Life Storage transitioned its Customer Insurance Program on April 1st from a third-party product to a captive solution. The transition generated a 16.2% increase in tenant insurance income as compared to the second quarter of 2018.
- Rent increases to existing customers continues to act as the primary driver of revenue growth. Over 40% of Life Storage customers received rent increase letters requesting an average increase of over 8%.
- As organic search listings require three or four swipes on a phone to locate, the importance of paid search for positioning on the first page is paramount. The costs associate with paid search continues to increase as traditional and non-traditional operators bid for clicks.

## Operations

LifeStorage  
(NYSE: LSI)

### Major Markets Revenue Growth

- Major markets with revenue growth above the portfolio average for the quarter include Las Vegas (8.5%), Pensacola (8.4%), Cleveland (6.1%), Buffalo (4.5%), Space Coast (4.2%), Virginia Beach (4.1%), New York (4.0%), Sacramento (3.6%), and Chicago (3.6%). Chicago overtook Houston as Life Storage's largest market by store count. Life Storage decreased its exposure in Texas by 13 stores, six of which are in Houston. Chicago, 8.6% of Life Storage's same-store revenue, generated a same-store revenue gain of 70 basis points sequentially.
- Major markets with revenue growth below the portfolio average include Beaumont-Port Arthur (-7.4%), Cape Coral-Ft. Myers (-5.9%), Houston (-2.8%), Miami (-1.3%), Orlando (-1.0%), Raleigh-Durham (-0.5%), and Dallas (0.3%), and). Houston, comprising of 7.3% of Life Storage's same-store revenue, experienced a 40 basis point deceleration in same-store revenue sequentially. The decline is partially attributed to tougher second quarter comps from hurricane-related rents a year ago.

### Third-Party Management Platform

- Added 11 stores to the third-party management platform during the second quarter, increasing the total in the platform to 148 on third-party basis (262 including joint ventures).
- Third-party management fees increased 28% during the quarter and contributed to the 2% same-store revenue gain.

### 2019 Full Year Guidance Update

Same-store revenue	1.5% to 2.5%
Same-store operating costs (excluding property taxes)	0.0% to 1.0%
Same-store operating expenses	5.5% to 6.5%
Same-store net operating income	2.0% to 3.0%
Expansion & enhancements	\$45 million to \$55 million
Capital expenditures	\$20 million to \$25 million
Wholly owned acquisitions	\$275 million to \$475 million
Wholly owned dispositions	\$212 million to \$225 million
Joint venture investments	\$15 million to \$25 million
Adjusted funds from operations	\$5.56 to \$5.63

## Operations

Life Storage  
(NYSE: LSI)

### Select Markets Same-Store Performance

Market	Stores	Rent Per Occupied Square Foot	Occupancy 6/30/2019	Revenue Growth
Chicago-Naperville-Elgin, IL	38	\$15.37	92.5%	3.6%
Houston-The Woodlands-Sugar Land, TX	37	\$13.25	92.1%	(2.8%)
New England-Other	26	\$18.11	89.9%	2.8%
New York-Newark-Jersey City, NY-NJ-PA	26	\$23.83	90.0%	4.0%
Buffalo-Upstate, NY	25	\$13.52	89.2%	4.5%
Dallas-Fort Worth-Arlington, TX	24	\$12.88	92.1%	0.3%
Atlanta-Sandy Springs-Roswell, GA	21	\$13.54	90.4%	1.9%
Austin-Round Rock, TX	19	\$12.10	92.0%	2.3%
Las Vegas-Henderson-Paradise, NV	17	\$14.27	92.3%	8.5%
Miami-Fort Lauderdale-West Palm Beach, FL	16	\$18.93	92.1%	(1.3%)
Boston-Cambridge-Newton, MA-NH	15	\$16.97	89.4%	2.6%
San Antonio-New Braunfels, TX	15	\$13.16	91.2%	2.4%
St. Louis, MO	14	\$12.73	91.6%	1.0%
Tampa-St. Petersburg-Clearwater, FL	13	\$15.62	90.5%	0.2%
Orlando-Kissimmee-Sanford, FL	11	\$12.75	89.0%	(1.0%)
Virginia Beach-Norfolk-Newport News, VA	11	\$11.22	90.8%	4.1%
Los Angeles-Long Beach-Anaheim, CA	10	\$22.88	88.5%	2.4%
Phoenix-Mesa-Chandler, AZ	10	\$12.78	91.8%	2.7%
Sacramento--Roseville--Arden-Arcade, CA	10	\$15.75	91.6%	3.6%
Cleveland-Elyria, OH	9	\$12.37	91.0%	6.1%
Cape Coral-Fort Myers, FL	8	\$13.09	88.6%	(5.9%)
Charlotte-Concord-Gastonia, NC	8	\$12.99	90.4%	2.0%
Jacksonville, FL	8	\$14.79	88.1%	3.4%
Pensacola-Ferry Pass-Brent, FL	8	\$10.42	92.0%	8.4%
Space Coast, FL	8	\$15.16	90.2%	4.2%
Beaumont-Port Arthur, TX	7	\$13.52	91.3%	(7.4%)
Montgomery, AL	7	\$10.04	89.0%	2.0%
Raleigh-Durham, NC	7	\$12.14	91.8%	(0.5%)
Chattanooga, TN-GA	6	\$12.81	90.8%	1.8%
Youngstown-Warren-Boardman, OH-PA	5	\$10.25	90.4%	6.8%
Other markets	66	\$13.10	90.2%	1.7%



## Operations

National  
Storage Affiliates  
(NYSE: NSA)

*During the second quarter, National Storage Affiliates generated 4.7% increase in same-store revenues and 5.5% growth in net operating income year-over-year. Top performing markets by revenue growth include Atlanta, Indianapolis and Las Vegas.*

### Same-Store Comparison

- Same-store facilities for National Storage Affiliates is defined as those properties owned and operated since the first day of the earliest year presented, excluding any properties sold, expected to be sold or subject to significant changes such as expansions or casualty events which cause the portfolio's year-over-year operating results to no longer be comparable. As of June 30, 2019, the same-store portfolio consisted of 439 self storage properties.

### Q2 2019 RESULTS

- Same-store revenues increased 4.7% during the second quarter, a 10 basis point deceleration sequentially. The increase was driven primarily by a 3.8% increase in average annualized rental revenue per square foot and a 40 basis point increase in average occupancy.
- Cost of operations for the same-store pool increased by 2.8% during the second quarter. The increase was impacted by an 3.8% increase in real estate taxes and 19% increase in repairs and maintenance, partially offset by decreases in insurance costs.
- Same-store net operating income grew 5.5% year-over-year during the second quarter, driven by a 4.7% gain in same-store revenue and 2.8% gain in operating expenses.
- Same-store occupancy at the end of the quarter was 90.9%, a 30 basis point increase year-over-year. Same-store weighted average occupancy during the second quarter was 89.6%, a 40 basis point increase from a year earlier.

### Operating Fundamentals

- New supply is impacting street rate trends. Street rates trended down 3% to 4% during the second quarter.
- Discounts decreased about 5% during the second quarter as compared to a year earlier.
- National Storage Affiliates continues to increase rents on existing customers in the high single-digit range, a key driver of revenue growth. Approximately three-quarters of existing customers will receive rent increases during the course of the year.
- On average, National Storage Affiliates first rate increase to new customers is about 7 to 9 months after the customer starts.

### Major Markets Revenue Growth

- Major markets with revenue growth above the portfolio average for the quarter include Atlanta (12.3%), Las Vegas (10.6%), and Indianapolis (6.2%). All Top 10 markets experienced positive same-store revenue and net operating income growth in the second quarter.
- Major markets performing below the portfolio average include Portland (1.9%), Los Angeles (2.3%), Dallas (2.6%), Phoenix (2.7%), and Tulsa (3.8%). Lagging markets continue to face the most impactful headwinds from elevated new supply.



## Operations

National  
Storage Affiliates  
(NYSE: NSA)

### 2019 Full Year Guidance Update

Same store revenue growth	3.5% to 4.0%
Same store operating expenses growth	2.75% to 3.25%
Same store net operating income growth	3.5% to 4.5%
Wholly-owned acquisitions	\$400 million to \$500 million
Joint venture acquisitions	\$20 million to \$100 million
Core FFO per share	\$1.51 to \$1.54

### Same Store Performance Summary

State	Stores	Rent Per Occupied Square Foot	Occupancy 6/30/2019	Revenue Growth
California	80	\$13.04	92.2%	3.6%
Oregon	58	\$14.86	86.8%	1.7%
Texas	58	\$9.74	91.8%	4.5%
Georgia	33	\$9.79	92.0%	10.9%
Oklahoma	30	\$8.54	90.1%	4.1%
North Carolina	29	\$10.76	96.1%	6.3%
Florida	28	\$14.55	88.8%	3.6%
Arizona	16	\$13.08	89.3%	4.0%
Indiana	16	\$9.54	93.0%	6.2%
Louisiana	14	\$9.92	87.4%	1.9%
Washington	13	\$14.96	86.2%	1.7%
Nevada	11	\$11.21	91.4%	10.6%
Colorado	11	\$12.44	91.8%	4.4%
New Hampshire	10	\$13.14	93.3%	7.8%
Other	32	\$10.41	91.4%	9.4%
Total	439	\$11.81	90.9%	4.7%

\*Other states in NSA's same store portfolio include Alabama, Kentucky, Mississippi, Nevada, New Hampshire, New Mexico, Ohio and South Carolina.

## Capital Activities

### Public Storage (NYSE: PSA)

- On April 12, 2019, completed a public offering of \$500 million of senior notes bearing interest at an annual rate of 3.385% maturing in ten years.
- The company called for redemption the 6.0% Series Z preferred shares. The shares were redeemed for \$287.5 million on June 27, 2019.
- The company amended its \$500 million revolving line of credit, extended the maturity date from March 31, 2020 to April 19, 2024. Also lowered the current effective borrowing spread over LIBOR from 0.85% to 0.70%, and the current effective facility fee from 0.08% to 0.07%.
- Ended the second quarter with about \$360.3 million of cash and cash equivalents, slightly down from \$361.2 million at the end of 2018.

### Extra Space Storage (NYSE: EXR)

- On May 15, 2019, entered into a new “at the market” (“ATM”) equity distribution agreements, resetting the balance available for issuance to \$500 million.
- During the second quarter, Extra Space sold 930,000 shares of common stock using its ATM program at an average sales price of \$107.61 per share resulting in net proceeds of \$99.1 million. As of June 30, 2019, \$399.9 million available for future issuance.
- Company fixed-rate debt to total debt of 75.5%, with a weighted average interest rate of 3.4%. The 24.5% balance of variable-rate debt with a weighted average interest rate of 3.7%. Overall maturity of approximately 4.4 years.
- On July 1, 2019, amended its credit facility, and increased borrowing by \$500 million to an amended total of up to \$1.85 billion in aggregate borrowings. The funds were used to retire \$494.8 million in secured loans to various lenders.
- S&P Global Rating assigned the company a BBB rating with a stable outlook.

### CubeSmart (NYSE: CUBE)

- During the second quarter, sold 3.4 million common shares through its ATM equity program at an average sales price of \$33.30 per share, resulting in net proceeds of \$110.5 million. An additional 6.3 million shares are available for future issuance.
- Increased unsecured revolving credit facility from \$500 million to \$750 million, decreased pricing, and extended the maturity date from April 22, 2020 to June 19, 2024. Used an advance on the facility to repay the outstanding indebtedness under the \$100 million term loan facility that was scheduled to mature in January 2020.

## Capital Activities

### Life Storage (NYSE: LSI)

- On June 3, 2019, the company completed an offering of \$350 million aggregate principal amount of 4.0% Senior Unsecured Notes due in ten years. The proceeds were used to repay a \$100 million term note due June 2020, and an unsecured line of credit balance of \$215 million.

#### Key Financial Ratios

Debt to Enterprise Value @ \$95.08/share	29.7%
Debt to Book Cost of Facilities	41.6%
Debt to Recurring Annualized EBITDA	5.5x
Debt Service Coverage (DSC)	4.6x

- As of June 30, 2019, the company has about \$46.1 million of cash on hand, and \$499.7 million available on its line of credit.

### National Storage Affiliates (NYSE: NSA)

- NSA issued 2.375 million common shares at an average price of \$30.06 per share, and 1,785,680 Series A preferred shares at an average price of \$24.84 per share under the company's ATM program. Total gross proceeds received of approximately \$116 million. NSA used proceeds to repay outstanding amounts under its revolving line of credit.
- Entered into agreement with syndicated group of lenders to amend its credit facility increasing capacity by \$255 million for a total credit facility of \$1.275 billion, which included an additional \$100 million revolving line of credit and \$155 of additional term loan.
- Entered into agreement with a lender for a \$100 million unsecured term loan has an effective interest rate of 4.27%, after taking into account the effect of interest rate swaps, with a maturity in ten years. And entered into an agreement for \$50 million unsecured term loan at 4.08% due in twelve years.
- Kroll Bond Rating Agency assigned a rating of BBB with a stable outlook to NSA's operating partnership, NSA OP, LP. Kroll also assigned a BBB- rating to the company's outstanding Series A preferred shares. Subsequent to quarter end, Kroll assigned a rating of BBB with stable outlook to NSA's Senior Unsecured Notes.



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