

SELF STORAGE MARKET OVERVIEW

First Quarter 2011

An Analysis of the Industry's Public Companies



SELF STORAGE GROUP

Marc A. Boorstein
mboorstein@mjpartners.com

Jeffrey L. Jacobson
jjacobson@mjpartners.com

Dennis Nyren
dnyren@mjpartners.com

David E. Kohn
dkohn@mjpartners.com

Steve Schwartz
sschwartz@mjpartners.com

Benjamin S. Johnson
bjohnson@mjpartners.com

150 South Wacker Drive • Suite 450 • Chicago, Illinois 60606 • (312) 726-5800 • www.mjpartners.com

SELF STORAGE MARKET OVERVIEW

First Quarter 2011 Summary

- **Revenue growth and increased net operating revenue** shown for all four public companies. Guidance increases after posting strong results.
- **Occupancy levels** continue to rise, and move-in incentives reduced.
- **Property acquisitions** very active with over \$500 million in total volume of property purchases announced by public companies.
- **Competition** from public and private operators has pushed cap rates below 7% for best in class properties in major markets.
- **CMBS** market for acquisition financing has returned helping fuel acquisitions.
- **Shopper visits** dropping prior to renting.
- Implied cap rates based on common share prices:

Public Storage	5.17%	Extra Space	6.35%
U-Store-It	7.01%	Sovran	7.45%

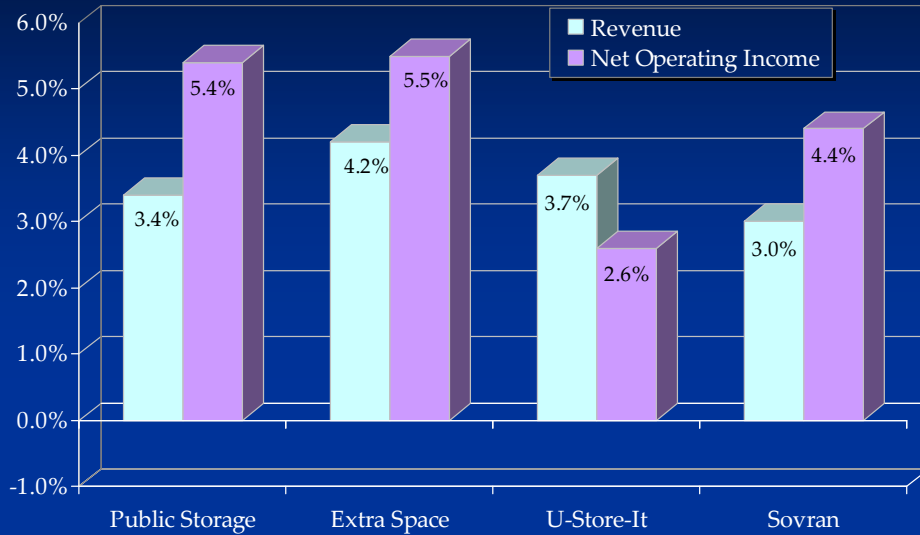
PUBLIC SELF STORAGE COMPANIES

First Quarter 2011 Earnings Results

	<u>Public Storage</u>	<u>Extra Space</u>	<u>U-Store-It</u>	<u>Sovran</u>
Number of Properties:	2,089 U.S. 188 Europe	829 167 3 rd party managed	456 87 3 rd party managed	377
Same-Store Revenue vs. 1 st Quarter 2010:	+3.4%	+4.2%	+3.7%	+3.0%
Same-Store Net Operating Income vs. 1 st Quarter 2010:	+5.4%	+5.5%	+2.6%	+4.4%
Same-Store Occupancy:				
1 st Quarter 2011	90.6%	85.4%	76.9%	79.7%
1 st Quarter 2010	88.9%	82.5%	75.2%	78.9%
Average Rent Per Occupied Square Foot:	\$12.62	\$13.05	\$11.90	\$10.49

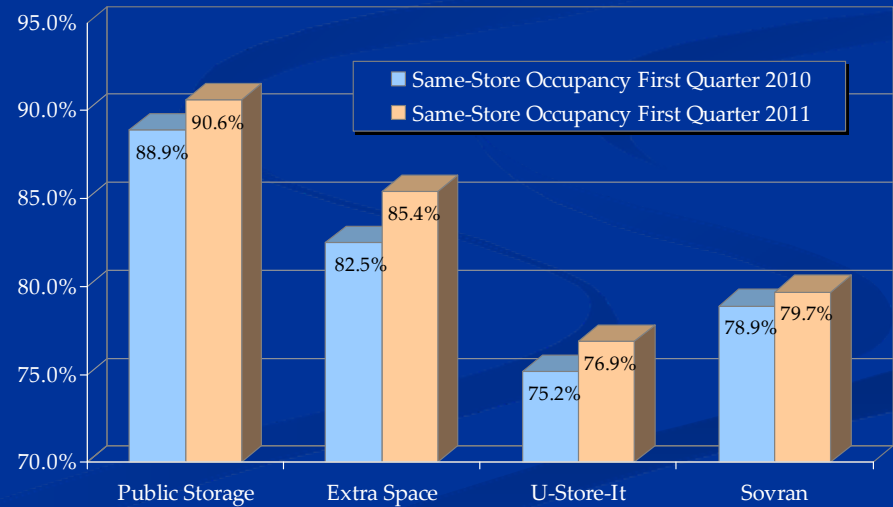
Revenue and Net Operating Income

1st Quarter 2011 vs. 1st Quarter 2010



Occupancy

1st Quarter 2011 vs. 1st Quarter 2010



PUBLIC SELF STORAGE COMPANIES

First Quarter 2011 Earnings Results

	<u>Public Storage</u>	<u>Extra Space</u>	<u>U-Store-It</u>	<u>Sovran</u>
Market Capitalization:	\$19.09 billion	\$1.86 billion	\$1.04 billion	\$1.11 billion
Quarterly Funds from Operations:	\$1.48/share	\$0.25/share	\$0.14/share	\$0.62/share
Quarterly Dividend:	\$0.95/share	\$0.14/share	\$0.07/share	\$0.45/share
Common Stock Price:				
June 28 th , 2011	\$111.85	\$21.00	\$10.41	\$40.42
June 28 th , 2010	\$91.71	\$14.45	\$7.78	\$36.56

PUBLIC SELF STORAGE COMPANIES

Recent Investment Activity

Public Storage:

- **Acquired** five facilities in Nevada for about \$19.6 million, totaling 386,000 net rentable square feet (50.77/sq. ft.).
- **Acquired** the leasehold interest in land of existing facility for \$6.6 million.
- **Under Contract** to acquire two facilities, one in New York and one in Los Angeles, aggregate total \$28 million for 227,000 net rentable square feet.
- **Acquired** Shurgard Europe JV partner's 80% interest in two joint ventures for €172 million (\$238 million) for 72 properties. Company provided \$238 million loan to finance this transaction.

Extra Space:

- **\$198.2 Million in Acquisitions** purchased or under contract, average initial yield in mid 7's.
- **Purchased** four properties subsequent to the end of the quarter for \$18 million. Properties in California, Tennessee, Texas and Utah.
- **Placed** 26 properties under contract for \$153.4 million in California, Colorado, Maryland, New Jersey, and Virginia, expected to close by end of third quarter. Assuming approximately \$80 million in debt with interest rate in the mid-5%.
- **Placed 15 Properties Under Contract** in Ohio, Kentucky, Indiana for \$39.5 million.

PUBLIC SELF STORAGE COMPANIES

Recent Investment Activity

U-Store-It:

- **Closed** on \$51.1 million in acquisitions of three properties in 2011 to date.

One is a 91,000 rentable square foot facility in northern Virginia (Washington D.C.) for \$14 million (\$153.85/sq. ft.) assumed loan of about \$7.5 million with 6.36% interest rate maturing in October, 2016. The other two facilities closed subsequent to end of quarter in Miami and White Plains, New York, with a combined 165,000 rentable square feet.

Total for the three comes to \$199.61/sq. ft. at Cap Rate about 7%.

- **Additional** \$44.5 million under contract or letter of intent.
- **Acquisition pipeline** includes properties in later stages of lease-up with occupancies in high 60% to low 70%.

Sovran:

- **\$200 million** of property under contract and/or in negotiations to acquire, with an average occupancy of about 80%.
- **\$160 million** of this total on behalf of a joint venture for an East Coast portfolio; will assume CMBS mortgages for about 55% of price, 85% equity from partner and 15% equity from Sovran (approximately \$14 million). Closing late July, Cap Rate 6.75%. Hoping to increase 100 to 150 basis points in 18-24 months.
- **Acquiring** single assets in Atlanta, St. Louis, Newport News.

PUBLIC SELF STORAGE COMPANIES

Balance Sheets

Public Storage:

- Company issued 15 million of 6.5% Preferred Shares priced at \$25/share for gross proceeds of \$375 million
- \$350 million redemption of 7.25% Preferred Shares
- Repaid \$103 million 7.75% unsecured note that matured
- \$2 billion capacity to offer additional Preferred Shares
- Debt to EBITDA 0.4x

Extra Space:

- Announced issue of 5 million shares of common stock for acquisitions
- Obtained \$82.2 million, ten-year CMBS loan from Bank of America at fixed rate of 5.8%
- 31 unencumbered properties to place debt
- Company to have five separate lines of credit with total capacity of \$285 million, with new \$50 million line secured by 13 unencumbered assets
- Fixed-rate debt to total debt 72.4%
- Weighted average interest rate on debt 5.5% for fixed-rate and 3.2% variable rate
- Debt to EBITDA 8.4x

PUBLIC SELF STORAGE COMPANIES

Balance Sheets

U-Store-It:

- Focus on achieving an investment grade rating on balance sheet by lengthening debt maturities and financing external growth in leverage neutral or better manner
- Total debt of \$623 million
- Debt to EBITDA 5.8x

Sovran:

- \$400 million unsecured note debt and \$78.3 million mortgage debt outstanding
- \$16 million drawn on line of credit
- No significant debt maturities until mid-2012
- \$49 million cash on hand
- Up to \$109 million available on line of credit at floating rate of LIBOR plus 1.375%
- All but \$16 million debt fixed rate or covered by rate swap contracts
- Key Financial Ratios:

Debt to Enterprise Value (at \$39.55/share)	30.8%
Debt to Book Cost of Facilities	34.7%
Debt to EBITDA	4.9x
Debt Service Coverage	3.2x

PUBLIC SELF STORAGE COMPANIES

Additional Notes

Public Storage:

- Top 20 markets all reporting positive revenue growth
- Best markets for revenue growth:
 - Northeast +6.0%
 - L.A. (biggest market) +0.6%
 - Southeast +3.4%
 - Northern Virginia +6.3%
 - Detroit +6.1%
 - New York +6.0%
 - Philadelphia +5.7%
- Lowered media marketing costs by \$2 million in quarter since occupancy high
- 8.5% rate increases on average of existing customers
- Move-Ins +4%, Move-Outs +6%

PUBLIC SELF STORAGE COMPANIES

Additional Notes

Extra Space:

- 167 properties under third-party management all with Extra Space brand name
- Four development projects completed in Arizona, California, and Maryland for a total cost of \$34.4 million
- Two development projects remain in pipeline with \$5.1 million of funding required, one in California, expected in May, and one in Florida in November
- Total move-ins flat but vacates down 3% in quarter vs. last year
- Solar panel installations over 40 stores at cost of \$18 million, expect to reduce utility costs by 80% including credits – break even less than two years.
- Company wide occupancy now same as late 2008
- Project 6% to 9% rate increases on existing customers
- Discounts down 7%
- Tenant reinsurance penetration over 90% for new customers, over 60% for existing
- Florida market vastly improving after significant lows for four years

PUBLIC SELF STORAGE COMPANIES

Additional Notes

U-Store-It:

- Added three properties to third-party management platform this year, now totals 87
- Shopper visits dropped from visiting 3 stores to now visiting 1.2 stores before renting
- Markets:
 - Texas and Chicago decent revenue growth
 - Florida markets: Tampa good, Orlando remains challenged

Sovran:

- 20 of 22 states achieved sales greater than Q1 last year
- Move-outs down 4%, move-ins about flat
- Less discounting now 87%, last year 94%
- 11% new customers from mobile – new Uncle Bob's app
- Rent increases on 15% of existing customers with below street rates, hope 45% by end of August
- Strongest revenue growth markets include New England, New York and Tennessee. Encouraged by Florida's 2.5% revenue growth
- Planning 27 projects up to 700,000 sq. ft. of additional and/or improved space at existing stores totaling \$32 million, 10% to 12% return on improvements
- \$11 million budgeted for capital expenditures