SELF STORAGE MARKET OVERVIEW Second Quarter 2011

Analysis of the Industry's Public Companies



SELF STORAGE GROUP

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SELF STORAGE MARKET OVERVIEW

Second Quarter 2011 Summary

- All four public companies show strong revenue growth versus second quarter 2010 of between 3.5% and 5.2%, and near record net operating growth of 6.2% to 8.5%.
- Full year guidance raised for revenue growth.
- **Property acquisitions** continue at a rapid pace. Top markets going in cap rate compression, fueled by capital availability and spreads from low interest rates.
- "People don't enjoy renting self storage they need to do it. Discretionary customers are gone."
 Dean Jernigan, CEO CubeSmart
- Implied cap rates based on common share prices:

Public Storage (PSA)5.47%Extra Space (EXR)6.97%CubeSmart (CUBE)7.82%Sovran (SSS)8.08%



PUBLIC SELF STORAGE COMPANIES

Second Quarter 2011 Earnings Results

	<u>Public Storage (PSA)</u>	<u>Extra Space (EXR)</u>	<u>CubeSmart (CUBE)</u>	<u>Sovran (SSS)</u>
Number of Properties:	2,089 U.S. 188 Europe	860 180 3 rd party managed	454 85 3 rd party managed	380 47 3 rd party managed
Same-Store Revenue				
vs. 2 nd Quarter 2010:	+4.0%	+4.7%	+3.5%	+5.2%
Same-Store Net Operating Income				
vs. 2 nd Quarter 2010:	+6.2%	+7.8%	+7.4%	+8.5%
Same-Store Occupancy:				
2 nd Quarter 2011	92.3%	89.0%	79.8%	80.5%
2 nd Quarter 2010	91.0%	86.1%	77.8%	80.7%
Average Rent Per Occupied Square Foot:	\$12.58	\$12.95	\$10.99	\$10.56



Revenue and Net Operating Income 2nd Quarter 2011 vs. 2nd Quarter 2010





PUBLIC SELF STORAGE COMPANIES Second Quarter 2011 Earnings Results

	<u>Public Storage (PSA)</u>	<u>Extra Space (EXR)</u>	<u>CubeSmart (CUBE)</u>	<u>Sovran (SSS)</u>
Market Capitalization:	\$20.54 billion	\$2.00 billion	\$957.67 million	\$1.14 billion
Quarterly Funds from Operations:	\$1.39/share	\$0.27/share	\$0.15/share	\$0.67/share
Quarterly Dividend:	\$0.95/share	\$0.14/share	\$0.07/share	\$0.45/share
Common Stock Price:				
October 21 st , 2011	\$119.66	\$20.98	\$9.58	\$40.76
October 21 st , 2010	\$102.86	\$16.11	\$8.60	\$38.67



Public Storage (PSA):

• Acquired facility in New York for \$18 million consisting of 133,000 net rentable square feet (\$135.34 per sq. ft.). Assumed \$10 million of debt.

• In July, **acquired** two facilities, one in California and one in Florida, in aggregate about \$23 million, consisting of 145,000 square feet rentable space.

• Merger Agreements to acquire remaining partnership interests in five public partnerships for \$154.3 million. These partnerships owned 47 properties with 2.7 million square feet. Payouts were \$54.6 million for Hughes Family interests, and \$99.7 million in third-party interests.

• Acquired Hughes Family interests in 18 limited partnerships for \$13.3 million.

 In early March, acquired remaining 8% interest in 2 European joint ventures that owned 72 properties for \$238 million.



Extra Space (EXR):

• **Purchased** 24 properties in for \$84.8 million, and now have purchased or are under contract for \$240 million in acquisitions this year.

• **Purchased** a 15-property portfolio, American Self Storage, with locations throughout greater Cincinnati, including northern Kentucky and Indiana. Other 9 properties purchased located in Nevada, New Jersey, Tennessee, Texas, Utah, and Virginia.

- Subsequent to end of quarter, **purchased** one property in Maryland for \$5.7 million.

 24 additional properties under contract for \$143.6 million with locations in California, Colorado, Maryland, Massachusetts, New Jersey, and Texas. Cap rates in mid-7's.

• 60% of acquisitions from third-party managed or joint venture programs.



CubeSmart (CUBE): Year-to-date acquisitions, including properties under contract, total \$113.6 million, 86% of total stabilized properties, 14% in lease-up.
In second quarter acquired four facilities for \$45.6 million in White Plains, New York, Miami, Houston, and Phoenix, containing 257,000 rentable square feet.
In third quarter thus far, acquired four facilities in suburban Atlanta and Jacksonville containing 227,000 rentable square feet for about \$11 million.

- **Dispositions** in 2011 expected to be near \$50 million.
- Going-in acquisition rates about 7.3%, and dispositions at 8.3% due to smaller markets and older properties.
- Properties in lease-up 3% cap rate, but expected above 10% upon stabilization.



Sovran (SSS):

- Announced \$164 million acquisition of 19 properties for second joint venture with Heitman, LLC. 17 class A stores in New Jersey and two in eastern Pennsylvania, totaling 1.4 million rentable square feet. Heitman contributed 85% of equity, and Sovran contributed 15% (\$64 million/\$11 million). PNC bank financed \$89 million at a cap rate of 6.8%, all to be re-branded "Uncle Bob's Storage."
- Under contract to acquire \$129 million of properties in Georgia, Texas and Virginia. Occupancy just under 80% with two in high-60%s. Will be funded by new line of credit.
- Acquired one store in West Deptford, New Jersey (Philadelphia) for \$4.2 million.
- Acquired two stores in Newark, New Jersey for \$14.6 million, and one in High Ridge, Missouri (St. Louis) for \$2.4 million, low 7 cap rates with 100 to 125 basis point increase expected as properties lease up.
- Average cap rate 7.15%. Financing with 10-year debt rates in mid 5's, 7-year in the high 4's.
- Buying in Texas 7.4% to 7.5% cap rates, projecting 120 to 150 basis point increase in 18 months.
- **Invested** \$17 million in Locke Sovran II for 27 stores (Michigan, New England, Texas) and now owns 100% of that entity.
- End of 2010 **acquired** 7 properties in North Carolina at 5.5% cap rate, 24 months later projected to be an 8.0% cap rate.
- More acquisitions considered in Texas, Midwest, New Jersey, some in lease up stages. Will sell some older properties and smaller markets.



PUBLIC SELF STORAGE COMPANIES Balance Sheets

• Issued 15 million of 6.5% Preferred Shares priced at \$25/share resulting in net proceeds **Public Storage (PSA):** of about \$364 million. • Redeemed 7.25% Preferred Shares for \$517.5 million. • Issued 19.5 million 6.35% Preferred Shares at \$25/share, resulting in net proceeds of \$473 million. • Redeemed 7.35% Preferred Shares for \$424.8 million. • Raised \$112.5 million through issuance of 5,335,423 shares of common stock. Extra Space (EXR): • New \$50 million secured line of credit with TD Bank and increased Wells Fargo line of credit to \$75 million. Now have five lines of credit with total capacity of \$315 million. • 64 unencumbered properties with capacity of \$228 million. • Fixed-rate debt to total debt was 71%, now 78%. Weighted average interest rate 5.6% fixed-rate and 3.1% variable-rate debt. • After quarter end, locked interest rate on \$83.5 million preferred debt at 4.99% for seven years.



PUBLIC SELF STORAGE COMPANIES Balance Sheets

CubeSmart (C	CUBE):
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- Moody's assigned CubeSmart, L.P. an investment-grade rating of Baa3 with a stable outlook.
- Closed on a \$200 million unsecured term loan facility and entered into interest rate swaps to fix the interest rate through loan maturity.
 - \$100 million 5-year unsecured term loan with effective fixed rate of 3.7%.
 - \$100 million 7-year unsecured term loan with effective fixed rate of 4.52%.

Sovran (SSS):

- \$400 million of unsecured term note debt.
 - \$77.8 million mortgage debt.
 - \$35 million drawn on line of credit.
 - \$90 million available on lines of credit.
 - Negotiating to refinance \$225 million of 2011 and 2012 obligations.
 - \$7.7 million cash on hand.
 - Key Financial Ratios:
 Debt to Enterprise Value
 Debt to Book Cost of Facilities
 Debt to EBITDA
 Debt Service Coverage
 3.4x



Public Storage (PSA):

- Public Storage common stock trading near 50% premium to NAV, "Premium due to acquisition discipline."
- Confident will have opportunities due to upcoming maturities of CMBS and bank loans.
- Europe Occupancy 86.5% in July.
- Debt and preferred at only 16% of capitalization and in excess of 4.5x fixed charge coverage.

+6.3%

+6.2%

+5.9%

+5.7% +5.4% +5.3%

Revenue growth:

Detroit	
Dallas	
New York	
Northern Virginia / D.C.	
Philadelphia	
Minneapolis	

- L.A (largest market)+1.5%San Francisco (2nd largest)+3.6%Sacramento+2.4%
- Growth decelerating in the Northeast and picking up Southeast and West Coast.
- Media spending (television) down since occupancy levels high.



Extra Space (EXR): • Currently 180 third-party managed properties.

- 26 properties added to third-party management, 19 from California and Hawaii. Lost 11 properties from sale. Just signed 14 new management properties.
- Discounting down 9%, and bad debts down 12% from last year.
- Vacates at historical lows.
- Rent increases of 8% to 9% on 40,000 customers per month.
- Tenant insurance continues to grow and currently 63% overall, over 90% of new tenants.
- Installing solar panels on 45 sites by year's end, reducing utility cost 80% including state and federal credits, less than two year payback.
- Technology replacing paper leases.
- Debt to EBITDA 7.4x



CubeSmart (CUBE):

• Managing 85 third-party properties totaling 5.6 million square feet.

- Awarded new management for 9 facilities in 2011, with 8 additional facilities pending.
- Physical occupancy 80.8% at end of July.
- Raising revenue guidance from 3.5% to 3.8%, previously 2.5% to 3.5%.
- Tenant insurance penetration is 92% of new customers, 58% overall.
- 25 new Super Store concepts with average cost about \$25,000 per facility.
- 460 basis point occupancy gain this year alone.
- Offered discounts of first month free on 64% of rentals (compared with Public Storage's 81% -- down from 99%).
- Average length of customer stay is 14 months, median 7 months.



Sovran (SSS):

- Management agreement entered with Storage Bin Self Storage Centers for 3
 properties in New Jersey totaling 298,000 net rentable square feet. Now managing
 47 properties through joint venture and third party contracts.
- Expanding and enhancing existing properties of 530,00 square feet.
- Long-term target occupancy of 85% to 87% in good times, occupancy as of July about 82%.
- Second quarter move-outs down about 5%, move-ins down about 9%.
- Move-in incentives down \$2 million, 61% versus 89% last year.
- Florida and Texas markets improved.
- Rent increases of about 6% on about 15% of portfolio.

