

# SELF STORAGE MARKET OVERVIEW

## Third Quarter 2011

*Analysis of the Industry's Public Companies*



SELF STORAGE GROUP

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# SELF STORAGE MARKET OVERVIEW

## Summary

Third Quarter 2011

- **Public Companies** exhibit strong revenue growth of 4.0% to 5.8%, and stronger net operating income growth of 7.3% to 8.6%.
- **“Public Companies are taking market share from private operators due to technology advantages”** – Spencer Kirk, CEO, Extra Space Storage
- **Consolidation** making acquisition market very competitive amongst public companies, private operators and newly capitalized joint ventures.
- **U-Store-It (YSI) rebranded as CubeSmart (CUBE)**, changes to signage, websites, offices and all related marketing and technology have been initiated.
- **CubeSmart** announces \$560 million acquisition of 22 Storage Deluxe properties located primarily in New York Metro area for \$351 per square foot with estimated cap rate of 5.8%.
- **New third-party management** contracts increasing, serving as pipeline for future “off market” acquisition opportunities.
- Implied cap rates based on common share prices:

Public Storage (PSA)	4.9%
Extra Space (EXR)	6.6%
CubeSmart (CUBE)	7.25%
Sovran (SSS)	7.25%

# PUBLIC SELF STORAGE COMPANIES

## Earnings Results

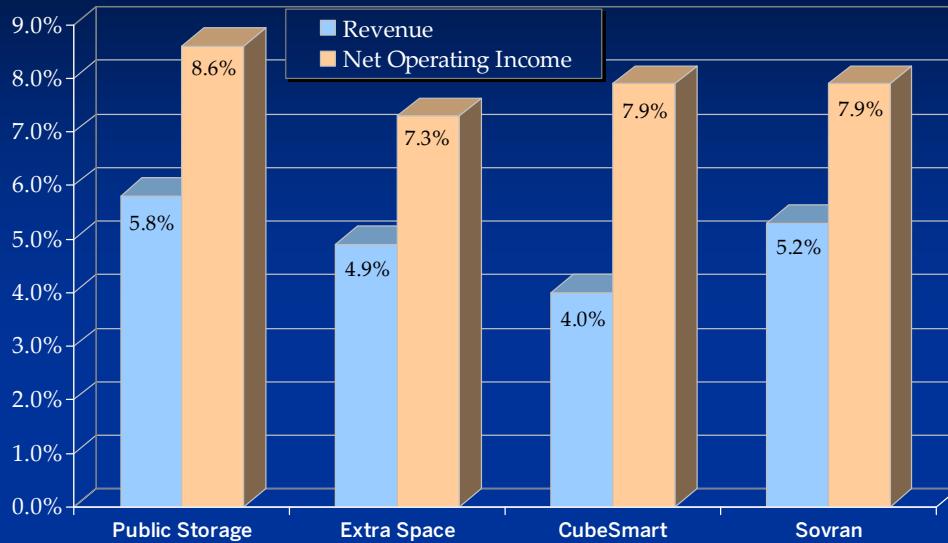
Third Quarter 2011

	<u>Public Storage</u>	<u>Extra Space</u>	<u>CubeSmart</u>	<u>Sovran</u>
Number of Properties:	2,092 U.S. 188 Europe	854 178 3 <sup>rd</sup> party managed	456 103 3 <sup>rd</sup> party managed	434 53 3 <sup>rd</sup> party managed includes 45 joint ventures
Same-Store Revenue vs. 3 <sup>rd</sup> Quarter 2010:	+5.8%	+4.9%	+4.0%	+5.3%
Same-Store Net Operating Income vs. 3 <sup>rd</sup> Quarter 2010:	+8.6%	+7.3%	+7.9%	+7.9%
Same-Store Occupancy:				
3 <sup>rd</sup> Quarter 2011	91.7%	89.1%	80.8%	81.5%
3 <sup>rd</sup> Quarter 2010	90.4%	85.8%	77.7%	82.5%
Average Rent Per Occupied Square Foot:	\$13.15	\$13.38	\$11.09	\$10.71

# PUBLIC SELF STORAGE COMPANIES

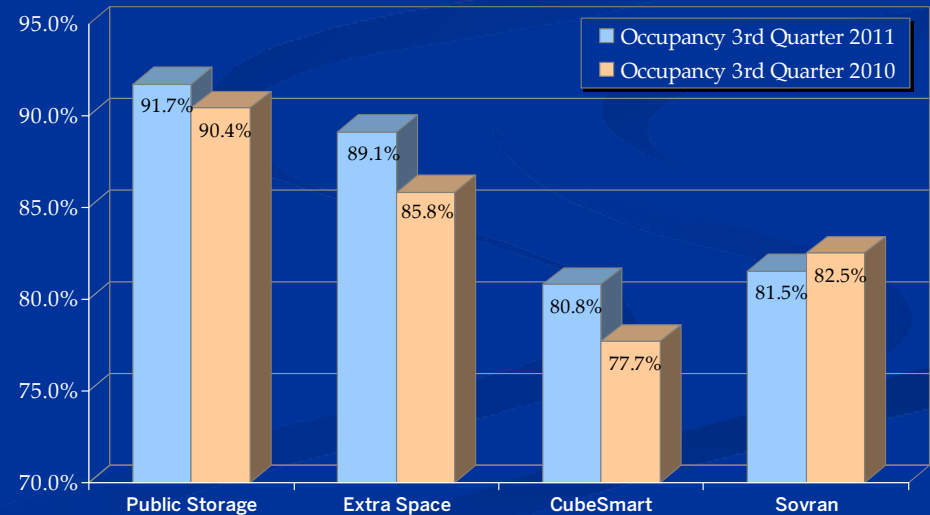
## Revenue and Net Operating Income

3<sup>rd</sup> Quarter 2011 vs. 3<sup>rd</sup> Quarter 2010



## Same-Store Occupancy

3<sup>rd</sup> Quarter 2011 vs. 3<sup>rd</sup> Quarter 2010



# PUBLIC SELF STORAGE COMPANIES

## Earnings Results

Third Quarter 2011

	<u>Public Storage (PSA)</u>	<u>Extra Space (EXR)</u>	<u>CubeSmart (CUBE)</u>	<u>Sovran (SSS)</u>
Market Capitalization:	\$23.12 billion	\$2.36 billion	\$1.34 billion	\$1.24 billion
Quarterly Funds From Operations:	\$1.29/share	\$0.32/share	\$0.18/share	\$0.41/share
Quarterly Dividend:	\$0.95/share	\$0.14/share	\$0.07/share	\$0.45/share
Common Stock Price:				
January 19, 2012	\$135.66	\$24.94	\$10.90	\$44.72
January 19, 2011	\$103.62	\$18.22	\$9.22	\$36.82
Percentage Change	+30.9%	+36.9%	+18.2%	+21.5%

# PUBLIC SELF STORAGE COMPANIES

## Recent Investment Activity

Third Quarter 2011

### Public Storage:

- **Acquired** three properties consisting of 217,000 rentable square feet in the quarter totaling \$27 million with locations in California, Florida and Maryland. After quarter ended, acquired additional property for about \$10.5 million (\$120 per sq. ft.) with 87,000 rentable square feet. These acquisition properties not stabilized yet, showing initial yields of only 1% to 3%.
- Completed acquisition of remaining interests not already owned in five partnerships for \$155.4 million. Paid \$98.3 million in cash and about 478,000 common shares valued at \$57.1 million. In October acquired remaining interests in two previously consolidated partnerships for \$6.3 million cash.
- **Approximately** 5% to 10% occupancy gap difference from Public Storage versus private operators considered for acquisitions.

### Extra Space:

- **Acquired** 48 properties totaling \$223 million year to date. Blended cap rate of 7.25%.
- **Acquired** three properties this quarter, two in Maryland and one in Texas, for \$15.5 million.
- Subsequent to end of quarter, **acquired** 21 properties, 19 in California (Storage Solutions), 1 in Florida and 1 in New Jersey, for \$123.2 million, stabilized occupancy in mid-80's, about 7.25% cap rate.
- Three additional properties **under contract** to purchase for \$22.9 million.
- 9 of remaining 14 property **acquisitions** from third-party management, excluding portfolios.

# PUBLIC SELF STORAGE COMPANIES

## Recent Investment Activity

Third Quarter 2011

### CubeSmart:

- Announced agreement to **acquire** 22 storage properties containing 1.6 million square feet from Storage Deluxe for \$560 million, representing a sale price of \$351 per square foot, estimated cap rate of 5.8%.

Majority of properties located in **New York City Metro** area, including five in Brooklyn consisting of 274,402 sq. ft., two in Queens consisting of 123,100 sq. ft., nine in Bronx consisting of 793,030 sq. ft., three in Westchester consisting of 196,235 sq. ft. Other assets include two in Connecticut consisting of 163,340 sq. ft., and one in Pennsylvania of 45,145 sq. ft.

**Overall occupancy of 84%** for 21 properties (excluding newly opened facility in the Bronx). Average rent per square foot of \$26.07, highest average rent in Brooklyn at \$30.18.

**Acquisition** will be closed in two stages, first tranche of \$357.3 million in fourth quarter 2011, and second tranche of \$202.7 million in first quarter 2012.

Transaction to be **financed** with a blend of permanent equity capital, assumed debt, and newly issued unsecured debt, thus:

- **Common Equity:** Public offering of 23 million common shares issued at \$9.20 per share, \$202.4 million in net proceeds
- **Preferred Equity:** Issued 2.8 million of 7.75% preferred shares at \$25 per share, \$67.5 million in net proceeds
- **Assumed Debt:** \$88.2 million with approximately 5.4% average coupon, 8-year average remaining maturity
- **Unsecured Debt:** \$200 million bank loan and interest rate swaps with effective fixed rate of 3.5% to 4.0%. Balance drawn on line of credit

# PUBLIC SELF STORAGE COMPANIES

## Recent Investment Activity

Third Quarter 2011

- CubeSmart (cont'd):**
- **Acquired** 50% interest for \$14.875 million in cash in joint venture with Harrison Street Real Estate Capital. Nine facilities in New York, Pennsylvania, Virginia and Florida with total value approximately \$90 million. The venture has approximately \$60.25 million of debt.
  - **Acquired** four properties in third quarter for \$20.6 million.
  - **Under contract** for three properties for \$36 million with locations in Washington D.C. and Houston.
  - **Sold** 18 properties for \$43.5 million in Cleveland and Canton, Ohio and Indianapolis consisting of 976,000 rentable square feet with occupancy overall of 78%, cap rate reported in the high 7's.
  - Nearly 60% of recent acquisitions came from **third-party managed** properties.



# PUBLIC SELF STORAGE COMPANIES

## Recent Investment Activity

Third Quarter 2011

### Sovran:

- **Acquired** \$310 million of properties in third quarter.
- **Acquired** 27 stores for its own portfolio at total cost of \$146 million. 22 properties (Stor-A-Way Storage Centers) consisting of 1.3 million square feet for \$111 million with 18 locations in Houston, three in Austin, one in Dallas.
- **Acquired** one 73,400 sq. ft. facility in High Ridge (St. Louis) Missouri for \$2.4 million.
- **Acquired** one facility in Decatur (Atlanta), Georgia for \$9.5 million consisting of 70,000 sq. ft.
- **Acquired** two facilities in Newark, New Jersey for \$14.5 million consisting of 121,000 sq. ft.
- **Acquired** one facilities in Newport News, Virginia for \$8.9 million.
- Sovran completed second **joint venture** with Heitman, LLC, acquiring 19 properties from Lackland Self Storage with locations in New Jersey and eastern Pennsylvania totaling 1.4 million rentable square feet. The venture paid \$164 million, of which \$89 million financed by PNC Bank, \$64 million equity contributed by Heitman, \$11 million contributed by Sovran. All properties have been rebranded "Uncle Bob's Self Storage." Cap rate approximately 6.8%.
- Plans to **sell** 15 existing stores, including 9 in Houston and 4 in Michigan.

# PUBLIC SELF STORAGE COMPANIES

## Balance Sheets

Third Quarter 2011

### Public Storage:

- Issued 19.5 million of 6.35% Preferred Shares priced at \$25/share resulting in proceeds of about \$488 million.
- Redeemed 7.25% Preferred Shares for \$424.8 million.
- Redeemed 7.00% Preferred Shares for \$100 million.
- Redeemed 6.95% Preferred Shares for \$105 million.
- \$466.3 million loan to Shurguard Europe matures March 31, 2013. Received principal payment of \$42.7 million.
- Shurguard Europe obtaining new three-year loan of €215 million and will use proceeds to repay two existing joint venture loans totaling about €188 million and pay down additional principal on the Public Storage loan.

### Extra Space:

- Renegotiated three loans totaling \$58.3 million, reducing interest rates by 2.7%.
- Subsequent to end of quarter, renegotiated four additional loans totaling \$77.3 million.
- Fixed-rate debt to total debt of 77.3%, fixed interest rate weighted average 5.3%, and 2.8% for variable-rate debt.
- 63 unencumbered properties.
- Executed \$50 million secured loan with BBVA Compass Bank with swapped fixed rate of 3.7%.
- Total capacity of lines of credit currently \$340 million.

# PUBLIC SELF STORAGE COMPANIES

## Balance Sheets

Third Quarter 2011

### CubeSmart:

- Three unsecured loans outstanding, each for \$100 million and maturing in 2013, 2016, and 2018.
- \$250 million revolving credit facility, no amounts drawn.
- Repaid \$2.7 million of secured loans with maturity dates in 2011, and \$30.7 million secured loans that had maturity dates in 2014.
- Assigned a Baa3 investment grade rating announced July 13<sup>th</sup> by Moody's Investor Service with a stable outlook.
- In connection with Storage Deluxe acquisition, completed the following public offering of common shares and preferred shares:
  - October 28<sup>th</sup> public offering of 23 million common shares at public offering price of \$9.20, receiving about \$202.4 million in net proceeds.
  - Issued 2.8 million of 7.75% Preferred Shares as \$25/share for net proceeds of about \$67.5 million

# PUBLIC SELF STORAGE COMPANIES

## Balance Sheets

Third Quarter 2011

### Sovran:

- Completed financing totaling \$500 million of senior, unsecured debt.
- Repaid \$150 million loan maturing in June 2012 and \$71 million outstanding line of credit with the following:
  - \$100 million, ten-year notes bearing interest at 5.54%.
  - \$125 million, seven-year, unsecured syndicated bank loan, 4.37% fixed rate after interest rate swap.
- Negotiated five-year, \$175 million unsecured line of credit.
- \$100 million for delayed draw note for acquisitions and repayment of debt maturing in 2011 and 2012, 3.61% fixed rate after rate swap.
- Issued 130,837 shares of common stock at average price of \$39.25 per share through “at the market” equity insurance program.
- \$6.6 million cash on hand.
- \$61 million line of credit, with \$75 million available under expansion feature.

- Key Financial Ratios:

Debt to Enterprise Value (\$40/share)	37.0%
Debt to Book Cost of Facilities	41.9%
Debt Service Coverage	3.6x
Debt to EBITDA	5.9x (will drop to about 5.0x after recent acquisitions)

# PUBLIC SELF STORAGE COMPANIES

## Additional Notes

Third Quarter 2011

### Public Storage:

- All top 20 markets with revenue growth versus last year, best markets:

Dallas	+8.5%	Los Angeles (largest market)	+3.1%
Minneapolis	+8.5%	San Francisco (2nd largest)	+5.8%
Northeast	+7.1%		
- Media spending plans to increase about \$1 million in fourth quarter versus last year.
- Higher street rates (4% to 6%), rents for new customers (4% to 6%), and average length of stay.
- Move-Ins increased 2.0%, move-outs increased 3.0% in third quarter.
- Only about 300 basis point difference in occupancy from strongest markets to weakest markets
- End of October occupancy 90.9% versus 89.6% last October
- Shurguard Europe interest in 188 facilities with occupancy about 86%

# PUBLIC SELF STORAGE COMPANIES

## Additional Notes

Third Quarter 2011

### Extra Space:

- Funds From Operations (FFO) increased 33% to 32¢ per share.
- Street rates up 3.0%, discounts down 9.0%.
- Highest occupancy ever at end of September: 89.1%.
- 7% to 9% rate increases on existing customers.
- Only one new development property remaining, no new developments planned.
- Electronic leases reducing office/paper expenses.
- New technology targets deals at customers most likely to use them.
- Average new customer total rent \$1,601.
- Above Portfolio Average Revenue Growth:
  - Boston
  - Memphis
  - Philadelphia
  - Washington D.C.
  - San Francisco
- Below Portfolio Average Revenue Growth:
  - Houston
  - Las Vegas
  - San Diego

# PUBLIC SELF STORAGE COMPANIES

## Additional Notes

Third Quarter 2011

### CubeSmart:

- Markets Revenue Growth:
  - Northeast best growth markets
  - Ohio macro seems negative, but properties performing well
  - Only market concern remains Las Vegas
- Nearly all third-party managed properties will be re-branded CubeSmart.
- Over 60% of all properties net income from core markets of Greater New York, Miami, Dallas, Chicago, Washington D.C.
- Percentage of commercial tenants about 20%, and renting about 30% of total space.
- Projected increase of commercial tenants from new Superstore concept designed to remove seasonal fluctuation from space rental.
- Added 19 new management contracts in quarter, now third-party manages 103 properties totaling 6.5 million square feet, total of 824 properties in CubeSmart network.

# PUBLIC SELF STORAGE COMPANIES

## Additional Notes

Third Quarter 2011

### Sovran:

- Added six properties to management platform, now has 53 properties under management through joint venture and third-party management contracts. New third-party management growth from smaller private operators.
- Expansion and enhancement program of over 500,000 sq. ft. of additions and renovations at exiting stores, in 2011/2012 \$12 million budgeted for recurring capitalized expenditures including roofing, painting, paving, and office renovations. Expects to spend up to \$30 million on this program.
- October, 2011 first time since 2005 more total move-ins in October than move-outs.
- 6% to 6.5% rate increases on existing customers representing 9% of all customers.
- Length of stay average up about 1 month, now 13.1 months from 12.2 months.
- New customers from following sources:

Walk-ins	40% to 45%
Internet	40% to 45%
Mobile/Phone	10% to 12%
- Revenue management group in partnership with Veritec Solutions, and their application of advanced pricing analytics.
- Strong Revenue Growth:

New England
New York
Ohio
Tennessee
- Net Operating Income Growth:

Florida (largest market): +7.5%
Texas (second largest): +6.2%