

SELF STORAGE MARKET OVERVIEW

Fourth Quarter 2011

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

Summary

Fourth Quarter 2011

- Self Storage REITs returned 35.4% in 2011, the strongest gain of any REIT sector for the second consecutive year, outpacing the 8% return of all REITs.
- Public companies all exhibited strong revenue growth for the year of 3.6% to 4.9%, and stronger net operating income growth of 5.7% to 7.6%.
- U.S. home ownership drop from 69% to 64% translates to five million potential new self storage customers, partially offsetting slowest rate of residential moves since 1948 at only 11.6% in 2011.
- “Virtually no new supply bodes well for all self storage owners.” -Spencer Kirk, CEO, Extra Space Storage.
- **Consolidation** through acquisitions and third-party management platforms continues for best assets in the absence of new development. REITs acquired in excess of \$1 billion of properties in 2011 versus approximately \$400 million in previous year.
- **Large private operators** displaying similar impressive operating results and rate increases, e.g. Simply Self Storage with over 100 properties nationwide reports 7.4% occupancy increase, and StorageMart with 128 properties in U.S. and Canada reports 9.5% overall occupancy gain.
- Implied cap rates based on common share prices:

Public Storage (PSA)	4.9%
Extra Space (EXR)	6.2%
CubeSmart (CUBE)	6.8%
Sovran (SSS)	6.8%

PUBLIC SELF STORAGE COMPANIES

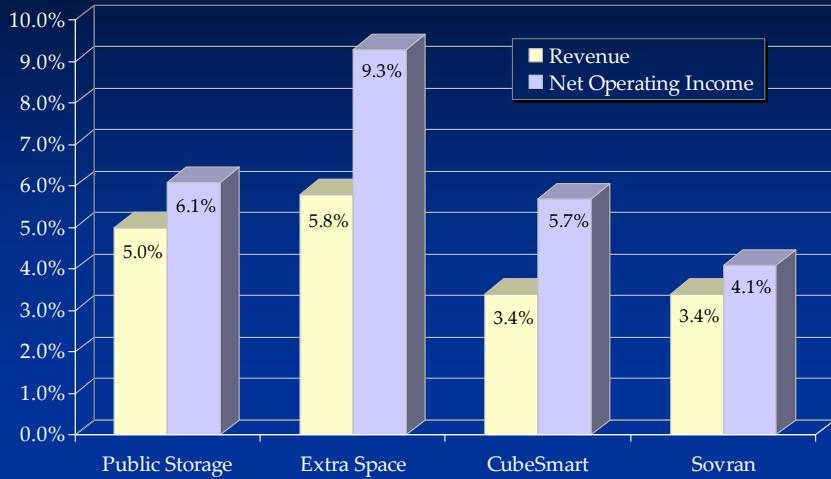
Earnings Results

Fourth Quarter 2011

	<u>Public Storage</u>	<u>Extra Space</u>	<u>CubeSmart</u>	<u>Sovran</u>
Number of Properties:	2,058 U.S. 189 Europe	882	473	445
Third Party Management/Joint Ventures:		185 plus 341 joint ventures	103	9 plus 64 joint ventures
Same-Store Revenue vs. 4 th Quarter 2011:	+5.0%	+5.8%	+3.4%	+3.4%
full year change:	+4.6%	+4.9%	+3.6%	+4.2%
Same-Store Net Operating Income vs. 4 th Quarter 2011:	+6.1%	+9.3%	+5.7%	+4.1%
full year change:	+6.6%	+7.6%	+5.7%	+6.2%
Same-Store Occupancy:				
4 th Quarter 2011	90.2%	87.8%	79.3%	81.7%
4 th Quarter 2010	89.0%	84.7%	76.9%	80.2%
Average Rent Per Occupied Square Foot:	\$13.22	\$13.69	\$11.24	\$10.54

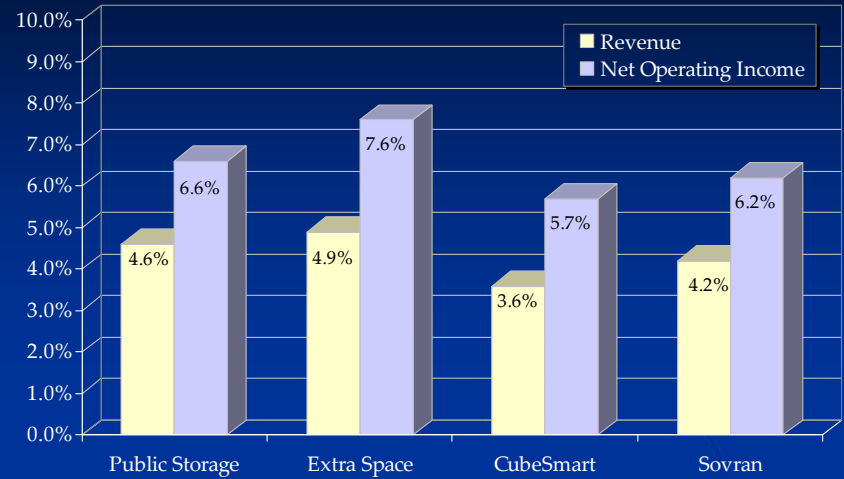
Revenue and Net Operating Income

4th Quarter 2011 vs. 4th Quarter 2010



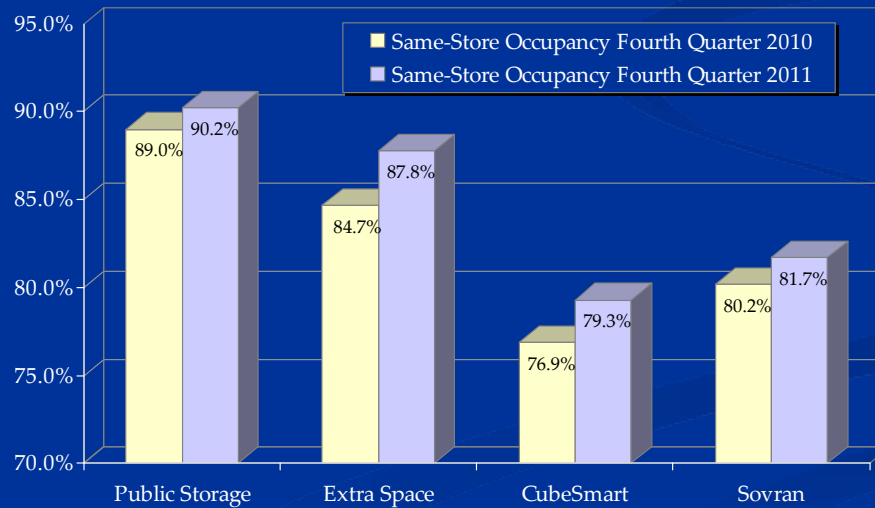
Revenue and Net Operating Income

Full Year 2011 vs. Full Year 2010



Occupancy

4th Quarter 2011 vs. 4th Quarter 2010



PUBLIC SELF STORAGE COMPANIES

Earnings Results

Fourth Quarter 2011

	<u>Public Storage (PSA)</u>	<u>Extra Space (EXR)</u>	<u>CubeSmart (CUBE)</u>	<u>Sovran (SSS)</u>
Market Capitalization:	\$23.09 billion	\$2.61 billion	\$1.19 billion	\$1.38 billion
Quarterly Funds From Operations:	\$1.50/share (+12.8%)	\$0.35/share (+34.6%)	\$0.09/share	\$0.73/share (+17.7%)
Full Year Funds From Operations:	\$5.67/share (+20.1%)	\$1.20/share (+31.9%)	\$0.56/share	\$2.43/share
Quarterly Dividend:	\$1.10/share (+16%)	\$0.20/share (+42.9%)	\$0.08/share	\$0.45/share
Common Stock Price:				
February 27, 2012	\$135.63	\$26.89	\$11.48	\$49.10
52-Week Range	\$101.77 to \$141.48	\$17.29 to \$27.63	\$7.64 to \$11.92	\$33.37 to \$49.50

PUBLIC SELF STORAGE COMPANIES

Recent Investment Activity

Fourth Quarter 2011

Public Storage:

- **Acquired** about \$500 million worth of properties in 2011.
- **Acquired** two properties in fourth quarter, one in California and one in Texas, consisting of a total of 155,000 net rentable square feet for \$16 million.
- **Under contract** for \$42 million to acquire portfolio of six self-storage properties, with locations in New Jersey, Massachusetts, California, Pennsylvania, and two in Florida. (MJ Partners is self storage broker for this transaction)
- **London** one bright market in Europe with occupancy now 87%, up from 83.4% last year.

Extra Space:

- For the full year, **acquired** 55 properties in 17 states for approximately \$289.6 million.
- **Acquired** 28 properties in the fourth quarter for purchase price of \$189.9 million. Properties located in California, Florida, Illinois, New York, New Jersey, Massachusetts and Rhode Island. 19 of 28 came from previously announced Storage Solutions California portfolio.
- Six properties **added** as Extra Space purchased joint venture partner's 90% equity interest. Approx. 7.0% cap rate.
- **Added** seven properties to third-party management program, now managing 185 third-party contracts; with 341 owned in joint ventures, total properties under management with joint ventures now 526.
- 75% of non-portfolio **acquisitions** from third-party management.
- Currently about \$50 million **under contract** or letter-of-intent; projecting \$100 million of acquisitions in 2012.

PUBLIC SELF STORAGE COMPANIES

Recent Investment Activity

Fourth Quarter 2011

CubeSmart:

- **Acquired** 27 self storage facilities during the year for total cost of approximately \$469.1 million. Acquisitions in company's core markets wholly owned in the following locations: Northern Virginia (Fairfax and Leesburg); Miami; White Plains, New York; District Heights, Maryland; and Washington, DC. Through joint venture with Harrison Street Capital, acquired 50% interest in properties located in Northern New Jersey; Long Island, New York; and suburbs of Philadelphia and Washington, DC.
- Largest **acquisition** includes previously announced \$560 million Storage Deluxe transaction including 22 Class A self storage facilities located primarily in greater New York City area. Closed on first tranche for \$357.3 million. Second tranche of \$202.7 million to close in first quarter 2012. Estimated cap rate of 5.8% and \$351 per square foot.
- Fourth quarter **acquired** two properties in greater Washington, DC for total cost of \$31.3 million. In total during fourth quarter, closed on acquisition of 18 facilities for \$388.6 million.
- 19 property **dispositions** for the year for total proceeds of \$45.2 million including Cleveland and Canton, Ohio, Indianapolis, and suburban Detroit. Selling cap rates in the low to mid 8's, versus higher quality asset acquisitions with cap rates in the low and sub 7's.
- **Sold** one asset in fourth quarter in Portage, Michigan for \$1.7 million.
- Targeting **acquisitions** of \$75 million to \$125 million in 2012, and \$35 to \$50 million in dispositions.
- 9% of **acquisitions** through broker-directed process, 81% direct with sellers.
- 60% of all **acquisitions** (excluding Storage Deluxe transaction) through third-party management program.

PUBLIC SELF STORAGE COMPANIES

Recent Investment Activity

Fourth Quarter 2011

Sovran:

- Past year **acquired** 29 properties comprising 2 million square feet of rentable space at a cost of \$155.1 million.
- Twenty properties comprising 1.6 million square feet were **acquired** from Lackland Self Storage in a **joint venture** with an affiliate of Heitman, LLC, announced in August, Sovran's second joint venture with Heitman. Facilities are located in New Jersey, with two in Pennsylvania. Heitman affiliate contributed 85% equity and Sovran 15%. Mortgage financing provided by PNC Bank.
- Nine stores **added** to third-party management program, 68 stores added to Uncle Bob's platform since January 2011.
- During fourth quarter, Sovran **acquired** a stabilized store in Pensacola, Florida for \$6.4 million, and one store near Philadelphia on behalf of the Heitman joint venture for \$5.7 million.
- Subsequent to end of last year, the joint venture also **acquired** ten properties in February in the Dallas/Fort Worth market for a little over \$30 million.
- The largest **acquisition** last year for Stor-A-Way Self Storage in September included 22 properties comprising 1.3 million square feet in Texas for a total cost of \$111 million. The properties (acquired from Wedge Group) included 18 in Houston, three in Austin, and one in Dallas/Fort Worth. The portfolio occupancy is about 79%, cap rate of 7.1%. Sovran anticipates increasing occupancy 125 basis points in 15-18 months, partly through improved revenue management and greater internet presence.
- **Disposition** plans include selling nine facilities in Houston in the \$30 million range, and four in Michigan in the \$10 million range.
- Competition for quality properties driving cap rates below 7%; **negotiating** for \$60 million to \$70 million of properties currently, but may not succeed.

PUBLIC SELF STORAGE COMPANIES

Balance Sheets

Fourth Quarter 2011

Public Storage:

- Redeemed 6.95% Preferred Shares for \$105 million.
- Issued 18.4 million of 5.90% Preferred Shares for \$460 million, at record low coupon rate.
- In February, redeemed 6.75% Preferred Shares for \$347.98 million, and called for redemption 6.85% Preferred Shares for \$8.8 million.
- Outstanding Preferred Shares that are callable total approximately \$1 billion.
- Shurgard Europe used proceeds from a new €215 million term loan with Wells Fargo to repay two existing loans totaling €183 million, and portion of €32 million on company's 9.0% loan to Shurgard Europe, which has a balance of €311 million.
- Dividend has doubled since 2010
- For year, FFO impacted by foreign currency exchange loss of \$7.3 million (compared to \$42.3 million loss in 2010). In fourth quarter alone, foreign exchange loss of \$20.8 million.

Extra Space:

- Fixed Rate Debt to total debt: 75.5%
- Fixed-rate weighted average interest rate is 5.3%, and variable-rate weighted average interest rate is 2.7%. Combined weighted average interest rate is 4.7%.
- Average debt maturity about 5.5 years.
- Average cash balance projected \$15 million monthly in 2012.
- Dividend increased to \$0.20 per share, an increase of 42.9% over fourth quarter 2011 at \$0.14 per share.

PUBLIC SELF STORAGE COMPANIES

Balance Sheets

Fourth Quarter 2011

CubeSmart:

- Completed public offering of 23 million common shares at a price of \$9.20, raising \$202.5 million net proceeds.
- Raised \$74.8 million through debut public offering of 3.1 million shares of 7.75% Preferred Shares at a price of \$25 per share.
- \$600 million unsecured credit facility comprised of \$300 million revolving credit facility maturing December, 2015, \$200 million 5-year term, and \$100 million 3-year term. For Storage Deluxe acquisition drawing the \$200 million 5-year loan.
- Four \$100 million unsecured term loans outstanding, maturing in 2014, 2016, 2017, and 2018, and no amounts drawn on \$300 million revolving credit facility.
- Assigned a BBB- rating in December by Standard and Poor's with stable outlook. This follows a Baa3 rating by Moody's Investors with stable outlook in July.
- Company's Debt to Total Gross Assets: 34.6%

PUBLIC SELF STORAGE COMPANIES

Balance Sheets

Fourth Quarter 2011

Sovran:

- September 14, 2011 announced “at the market” equity issuance of 1,034,375 common stock at average price of \$40.75 per share.
- Completed in August financing arrangements totaling \$500 million of senior, unsecured debt.
- Delayed draw note of \$100 million committed by bank lending syndicate used to repay \$74 million in mortgage debt and \$26 million outstanding line debt. The delayed draw term loan matures August, 2018, is unsecured, and through an interest rate swap contract fixes the rate of interest of 3.61% through December, 2017.
- \$7.3 million cash on hand at end of year, additional \$75 million available under expansion feature.
- Key Financial Ratios:

Debt to Enterprise Value (\$42.67/share)	33.4%
Debt to Book Cost of Facilities	39.2%
Debt Service Coverage	5.3x
Debt to EBITDA	3.3x

PUBLIC SELF STORAGE COMPANIES

Additional Notes

Fourth Quarter 2011

Public Storage:

- 56% of customers staying longer than one year.
- Best Markets for revenue growth:

Detroit	+8.0%	Los Angeles (largest market)	+3.0%
Dallas	+8.0%	San Francisco (second largest)	+5.4%
Northeast	+6.1%		
- Fourth Quarter move-ins +2.0%, move-outs +3.0%.
- Redevelopment or expansion of \$40 million to \$50 million, double-digit returns.
- Recently acquired A-American portfolio, consisting of 30 properties, yielding about 8.5% return and is still leasing up from present 84% occupancy.
- Canadian properties with Public Storage brand name owned by Hughes family, not by Public Storage.

PUBLIC SELF STORAGE COMPANIES

Additional Notes

Fourth Quarter 2011

Extra Space:

- Increase in Dividend first quarter to \$0.20 per share on common stock, versus \$0.14 per share in fourth quarter 2011.
- Revenue growth markets above average in fourth quarter:

Boston	Philadelphia
New Jersey	San Francisco
New York	Washington, DC
- Revenue growth markets below average:

Houston
Las Vegas
San Diego
- Street rates to new tenants increased by approximately 4.5%, while discounts decreased 1%.
- 34.6% growth in fourth quarter funds from operation (FFO) compared to 2010.

PUBLIC SELF STORAGE COMPANIES

Additional Notes

Fourth Quarter 2011

CubeSmart:

- During the year added 24 third-party management properties. Added one in fourth quarter; company now managing 103 properties totaling 6.5 million square feet on behalf of third parties.
- Only two new competitors added to total supply in all of their markets.
- 41 new Superstore concepts added this year at an average cost of \$44,000 per store. Plans to have 100 Superstores by year's end. Services most used include packing, shipping, shredding and moving. Targets commercial customers that tend to stay longer and rent larger units.
- Tenant insurance penetration now up to 91% of new renters, and 61% overall customers.

- Best revenue markets:

Chicago

Greater New York

Dallas

Miami

Philadelphia

Boston

Atlanta

- Slowest markets:

Houston

West Palm Beach

Orlando

Tampa

Most of Arizona

- CEO Dean Jernigan scheduled to step down at end of 2013.

PUBLIC SELF STORAGE COMPANIES

Additional Notes

Fourth Quarter 2011

Sovran:

- Strongest revenue markets:
 - New England
 - New York
 - Tennessee
- Modestly declining markets:
 - Georgia
 - Virginia (due to military move-outs)
- Target Occupancy goal of 85% to 87% by third quarter of 2012.