

SELF STORAGE MARKET OVERVIEW

First Quarter 2012

Analysis of the Industry's Public Companies



SELF STORAGE GROUP

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SELF STORAGE MARKET OVERVIEW

Summary

First Quarter 2012

- Each self storage REIT recently reached 52-week high for common share prices.
- Unusual occupancy gains in first quarter representing near record levels heading into historically stronger spring/summer leasing season.
- **Revenue gains** in first quarter ranging from 2.7% to 6.3% - tenant insurance major component along with rate increases on existing customers. **Net Operating Income increases** from 6.3% to 10.8%, in part due to lower utility and snow removal expenses from mild winter.
- **Industry consolidation** continuing, although strong competition for properties among public companies, well-capitalized private operators, and private-equity. Strong balance sheets and access to inexpensive capital fueling bidding and driving down cap rates for established assets. Separately, **bank short sales and foreclosures** prices based off replacement costs.
- **Third-party management** platforms providing “off market” asset acquisition opportunities. Extra Space Storage announces \$298 million investment in 36 properties in 18 states of remaining 94.9% interest in 2005 joint venture with Prudential Real Estate Investors.
- **Mobile technology** quickly becoming growing source of comparison shopping for customers, and allowing more personalized target marketing by larger operators.
- **Implied Cap Rates** based on common share prices:

Public Storage (PSA)	5.2%
Extra Space Storage (EXR)	6.2%
CubeSmart (CUBE)	6.7%
Sovran Self Storage (SSS)	6.8%

PUBLIC SELF STORAGE COMPANIES

Earnings Results

First Quarter 2012

	<u>Public Storage</u>	<u>Extra Space Storage</u>	<u>CubeSmart</u>	<u>Sovran</u>
Number of Properties:	2,064 U.S. 189 Europe	882	475	446
Third Party Management: Joint Ventures:	30-40	183 plus 340 joint ventures	102	9 plus 64 joint ventures
Same-Store Revenue vs. 1 st Quarter 2011:	+4.8%	+6.3%	+2.7%	+3.9%
Same-Store Net Operating Income vs. 1 st Quarter 2011:	+6.3%	+10.8%	+7.4%	+7.9%
Same-Store Occupancy: 1 st Quarter 2012 vs. 1 st Quarter 2011	90.3% (weighted avg.) 89.8%	87.1% 83.7%	78.7% 76.8%	82.0% 79.3%
Average Rent Per Occupied Square Foot:	\$13.96	\$13.52	\$11.53	\$10.49

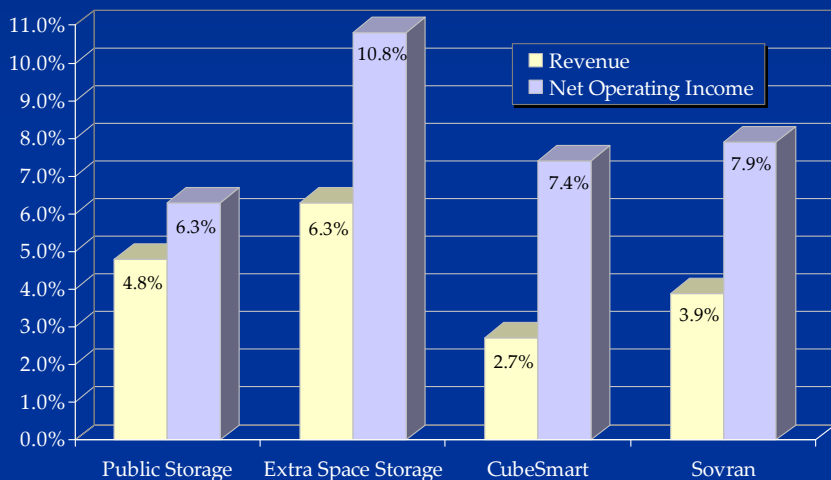
PUBLIC SELF STORAGE COMPANIES

Same-Store Comparisons

First Quarter 2012

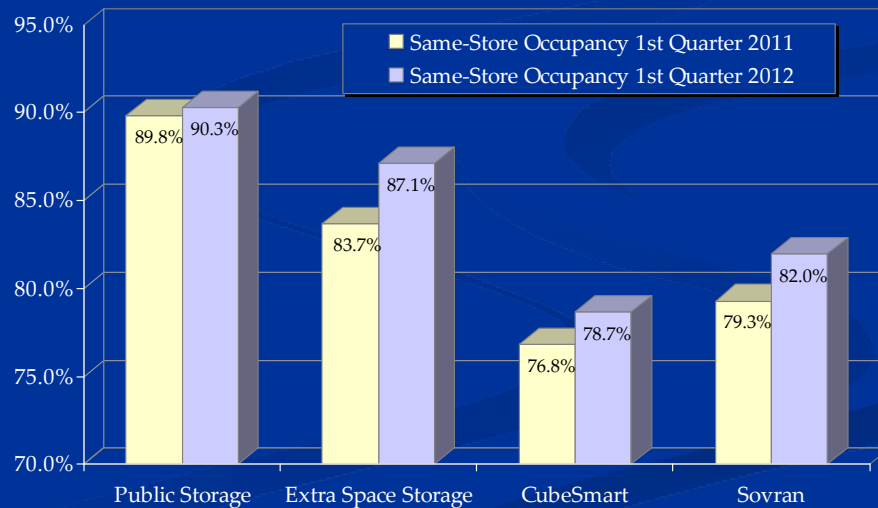
Revenue and Net Operating Income

1st Quarter 2012 vs. 1st Quarter 2011



Physical Occupancy

1st Quarter 2012 vs. 1st Quarter 2011



PUBLIC SELF STORAGE COMPANIES

Earnings Results

First Quarter 2012

	<u>Public Storage (PSA)</u>	<u>Extra Space Storage (EXR)</u>	<u>CubeSmart (CUBE)</u>	<u>Sovran (SSS)</u>
Market Capitalization:	\$22.66 billion	\$2.90 billion	\$1.41 billion	\$1.43 billion
Funds From Operations:	\$1.44/share (+12.5%)	\$0.33/share (+32.0%)	\$0.16/share	\$0.75/share (+21%)
Dividend:	\$1.10/share	\$0.20/share	\$0.08/share	\$0.45/share
Common Stock Price:				
May 23rd, 2012	\$132.11	\$27.89	\$11.48	\$49.85
52-Week Range	\$101.77 to \$146.49	\$17.29 to \$30.82	\$7.64 to \$12.93	\$33.37 to \$53.73

PUBLIC SELF STORAGE COMPANIES

Recent Investment Activity

First Quarter 2012

Public Storage:

- Completed **acquisition** in March of six properties for \$42 million in cash. The properties total 532,000 net rentable square feet and are located in Wayne, New Jersey; Philadelphia; Randolph, Massachusetts; Montclair, California; Hialeah and Pompano Beach, Florida. **MJ Partners Self Storage Group** was self storage broker for the transaction on behalf of four lenders and Babcock & Brown
- **Acquired** remaining interests in three partnerships for \$19.9 million in cash, plus an additional assumption of existing debt totaling \$4.8 million.
- **Under contract** to acquire four additional properties for \$46 million, two in California and one each in New York and Florida, totaling 316,000 net rentable square feet.
- \$40 million to \$45 million under consideration.

Extra Space Storage:

- **Purchased** two properties, one in Maryland and one in Texas, in first quarter for approximately \$15.5 million, and opened final existing development project located in Los Gatos, California.
- Subsequent to end of the quarter, announced \$298 million **acquisition** of the Prudential Real Estate Investors (PREI) 94.9% ownership interest in the joint venture formed in 2005 named ESS PRISA III LLC, currently managed by Extra Space. The joint venture owns 36 properties in 18 states. Company will pay approximately \$160 million in cash and assumption of an existing loan of \$145. Closing anticipated in July 2012. Cap rate estimated at 7.2% based on 2012 Net Operating Income, or about 6.9% on 2011 NOI.
- Including the PREI joint venture, currently have 42 properties **under contract** for aggregate purchase price of approximately \$332.9 million, expected to close in 2012.
- **Acquisitions** previously cap rates in 8%, now cap rates 6.5% to 7%.

PUBLIC SELF STORAGE COMPANIES

Recent Investment Activity

First Quarter 2012

CubeSmart:

- **Acquired** one asset in Houston and one in Atlanta, totaling 94,000 rentable square feet, for a combined \$12 million in first quarter.
- **Closed** on six facilities in first quarter for total investment of \$86.4 million (four of these include previously announced Storage Deluxe transaction – part of the acquisition of 22 facilities located primarily in greater New York City area for total investment of \$560 million).
- **Under contract** to sell 15 for potential proceeds of approximately \$37 million; and under contract to acquire three properties for price of approximately \$30 million. Cap rates range about 100 basis points from selling older properties and acquisition of new ones.
- New acquisitions closed and under contract **higher quality assets** with \$19 average asking rents and 81% occupancy.

Sovran:

- Under contract to **acquire** three properties for a total of \$36.1 million, two in new market and one in existing market.
- **Acquired** ten properties in Dallas/Fort Worth for approximately \$30 million on behalf of its HHF II (Heitman) joint venture in February.
- 12 properties **for sale** for estimated proceeds of \$40 million.
- Currently have 55 properties in **joint venture programs**.
- Looking at **transactions** with cap rates from 6.5% to low 7% for Class A properties. Reviewing about \$500 million of stabilized and non-stabilized assets, may complete \$100 of new transactions.
- Currently looking at seven new **acquisitions**.
- **Selling** older properties near 8% cap rate and buying newer properties closer to 7% cap rate.

PUBLIC SELF STORAGE COMPANIES

Balance Sheets

First Quarter 2012

Public Storage:

- In March, entered into new credit facility, replacing existing facility and providing borrowing up to \$300 million expiring March 2017.
- Issued \$460 million 5.90% Preferred Shares Series S.
- Issued \$462.5 million 5.75% Preferred Shares Series T.
- Net Proceeds used in part to fund redemptions of higher rate preferred securities:
 - Redeemed \$206.7 million 6.75% Preferred Shares Series L
 - Redeemed \$141.3 million 6.75% Preferred Shares Series E
 - Redeemed \$8.8 million 6.85% Preferred Shares Series Y
 - Redeemed \$476.6 million 6.625% Preferred Shares Series M
 - Expect to redeem \$172.5 million 7.0% Preferred Shares Series N in July.

Extra Space Storage:

- Issued 8,050,000 shares of commons stock at \$28.22 per share on April 20th, generating \$226.9 million to fund Prudential acquisition, other acquisitions and general corporate and working capital purposes.
- Fixed-rate debt to total debt 79.6%,
- Weighted interest rate on debt 5.2% for fixed-rate and 2.3% for variable-rate debt; combined weighted average interest rate is 4.6%, with a weighted average maturity of 5.5 years.
- Continuing to prepay loans in order to refinance loans at lower interest rates.
- Obtained \$141.9 million in secured financing consisting of four loans with weighted average interest rate of 2.9%
- Five lines of credit with capacity of \$336 million, with \$135 million currently outstanding.

PUBLIC SELF STORAGE COMPANIES

Balance Sheets

First Quarter 2012

CubeSmart:

- In second quarter or third quarter, plans to debut 10-year bond issuance, contemplating \$250 million to \$300 million proceeds with coupon rate of 5.25% to 5.75%.
- Debt assumption for Storage Deluxe transaction taking longer than anticipated.

Sovran:

- All but \$63 million of debt either fixed or covered by rate swaps.
- No significant debt origination or repayment agreements during first quarter.
- \$13.4 million cash on hand, and \$112 million available on line of credit, with an additional \$75 million expansion feature.
- Key Financial Ratios:

Debt to Enterprise Value (\$49.83/share)	30.5%
Debt to Book Cost of Facilities	40.1%
Debt Service Coverage	3.7x
Debt to EBITDA	5.4x

PUBLIC SELF STORAGE COMPANIES

Additional Notes

First Quarter 2012

Public Storage:

- Revenue Growth in every market.

- Top Revenue Growth Markets:

Dallas, Denver, Detroit over	+7.0%
Miami	+6.3%
Los Angeles (largest market)	+3.5%
San Francisco (second largest)	+6.0%

- First Quarter Move-Ins +2.0%
Move-outs +5.0%.

- April Trends:
 - Occupancy 91.4% vs. 91.3% last year
 - Rental rates up \$0.50 to \$0.60
 - Asking rates up to \$1.19 vs. \$1.13 last year
 - Move-Ins down 1.0%

- Currently third-party managing 30 to 40 properties, may consider more.

- Wants to deleverage European properties to eventually obtain investment-grade rating, allowing refinancing.

PUBLIC SELF STORAGE COMPANIES

Additional Notes

First Quarter 2012

Extra Space Storage:

- Ken Woolley returning third quarter 2012 as Chief Investment Officer and Executive Chairman.
- New Development in Los Gatos, California anticipated to stabilize in three years.
- Expenses reduced by 1.7%, primarily due to reduced utility costs and snow removal expenses.
- In-place rents versus street rents virtually the same.
- Expansion opportunities: five properties have land to possibly expand. Evaluating renovating older properties before becoming obsolete.
- Revenue Growth Market Above Portfolio Average:
 - Chicago
 - San Francisco
 - Orlando/Tampa
- Revenue Growth Below Average:
 - Houston
 - Las Vegas
 - Phoenix
 - San Diego

PUBLIC SELF STORAGE COMPANIES

Additional Notes

First Quarter 2012

CubeSmart:

- 64 SuperStores now in operation at average cost of \$47,000 per store.
- Branding of CubeSmart in 88% of owned stores, 15 of 44 managed stores.
- Rentals up 6% in first quarter.
- 60% of 2012 pro forma revenue in core markets, anticipate 62% to 65% in 2013.
- Occupancy as of May 4th 219 basis points above same point last year.
- Occupancy 78.7% December 31, 2011, and same 78.7% March 31, 2011.
- Installed new gas and electrical cycling environmental systems in 10 stores.
- Added two new third-party management contracts in first quarter.
- Rolled out “Expect More” marketing campaign in New York.
- Strongest Markets for Occupancy and Revenue Growth:
 - Washington, DC through Boston corridor
 - Dallas/Austin/San Antonio
 - Inland Empire and Southern California
- Weakest Market:
 - Arizona (Tucson flat, Phoenix declining)

PUBLIC SELF STORAGE COMPANIES

Additional Notes

First Quarter 2012

Sovran:

- Revenue growth in 24 of 25 states.
- Best Revenue Growth Markets:
 - New England
 - New York
 - Louisiana
 - North Carolina
- Only Revenue Decline:
 - Arizona (-0.6%)
- Move-ins increase 13% in first quarter; April move-ins increase 10%, vacates down 1%.
- First time ever occupancy increase in first quarter over previous fourth quarter.
- Easing up on rent increases on existing customers.
- Lackland portfolio acquisition performing well, partly due to call center and management improvement.
- Sold 25 properties over past three years, mainly in smaller markets plus Houston.