SELF STORAGE MARKET OVERVIEW

Third Quarter 2014 Results

Analysis of the Public Self Storage Companies

MJPARTNERS
REAL ESTATE SERVICES

SELF STORAGE GROUP

Marc A. Boorstein
mboorstein@mjpartners.com

Jeffrey L. Jacobson
jjacobson@mjpartners.com

David E. Kohn
dkohn@mjpartners.com

Dennis Nyren
dnyren@mjpartners.com

Steven Schwartz
sschwartz@mjpartners.com

Greg Owens
gowens@mjpartners.com

Benjamin Johnson
bjohnson@mjpartners.com

150 South Wacker Drive • Suite 2100 • Chicago, Illinois 60606 • (312) 726-5800 • www.mjpartners.com

Overview

- Common share prices for all four U.S. public self storage companies recently reached all-time record highs:

Public Storage (PSA)	**$206.16/share**
Extra Space Storage (EXR)	**$67.45/share**
CubeSmart (CUBE)	**$25.78/share**
Sovran (SSS)	**$96.21/share**

- Revenues increased from 5.5% to 7.7%, Net Operating Income increases from 7.3% to 10.8%.
- New development, led by Public Storage's $342 million pipeline, and property acquisitions at certificate-of-occupancy ramping up.

Competitive Acquisition Market

- Heightened competition for properties amongst the public companies and private operators with institutional capital. Going-in cap rates trending downward for portfolios and single assets.
- Improved management platforms instilling confidence in their abilities to drive traffic and revenue through internet marketing and revenue management initiatives, encouraging aggressive new property acquisitions.

Implied Cap Rates based on common share prices:

Public Storage (PSA)	**3.7%**
Extra Space Storage (EXR)	**4.0%**
CubeSmart (CUBE)	**4.6%**
Sovran Self Storage (SSS)	**6.1%**

- *BMO Capital Markets*

New Development Pales in Comparison to Historic Levels

- The high water mark for new facilities opened in the U.S. peaked at 3,665 in 2005 followed by 3,297 in 2004, according to the Self Storage Association.

- Only 24 new facility starts in the third quarter nationwide with 88 in various planning stages, according to F.W. Dodge. Anecdotal evidence of additional development under consideration in major metro markets.

Total Shareholder Returns

- Total returns for all three self storage REITs with a 10-year track record (Public Storage, Extra Space, and Sovran) rank in the top 15 of the 106 publicly traded REITs with a 10-year benchmark.

- Extra Space celebrated its 10-year anniversary as a public company on August 12, 2014 and its 10-year total return to shareholders of nearly 600% is second highest of any REIT on the New York Stock Exchange.

- Private self storage companies considering joining the ranks of publicly traded companies through new Initial Public Offerings as early as 2015, subject to capital market conditions. Private operators expanding through company consolidations and property acquisitions. Growth fueled by new private equity investment and lines of credit. Operating Partnership Units (OP Units) offered in exchange for contribution of interests in properties.

Google - Friend or Foe?

- Google's share of U.S. search market holding steady at about 67% for past four years.
  - comScore

- Google controls one-third of the global digital ad market and more than 40% of the U.S. market.
  - eMarketer, Inc.

- Buyer searching for products in the rapidly-changing world of mobile computing complete purchases about one-third as often as those on PCs.
  - Scott Wingo, CEO, ChannelAdvisor Corp.

- Google's revenue from search ads on PCs fell last year for the first time.
  - eMarketer, Inc.

- Google would be a threat to pricing power if it formed a self storage aggregator, but that threat may be a long way off. If it materializes, likely impact Public Storage less than other operators without similar organic household brand-name.

Macroeconomic Trends Impacting Self Storage

- A decade ago, buildings with more than five units represented less than 20% of housing starts. September, the figure was 36%, showing increasing demand for apartments and other multifamily dwellings. Baby boomers and millennial's look to higher-density housing.

  - Joel Naroff, President, Naroff Economic Advisors

- U.S. housing construction starts of properties with five or more units, mainly apartment buildings, have increased 22.7% this year compared with first three quarters last year. Smaller average size of multifamily starts versus single-family.

  - Morgan Stanley economist, Ted Wieseman

- Existing home sales rose by 2.4% in September, to highest annual pace of the year, according to the National Association of Realtors. Annual rate of 5.17 million homes, 1.7% less than last year.

  - U.S. Commerce Department

- Sales of new U.S. single-family homes rose to a six-year high in September to seasonally adjusted 467,000 homes.

  - U.S. Commerce Department

- Single-family starts remain down 9% from the post-recession peak established in November, 2013. The underlying pace of housing starts continues to grind higher. Housing starts rose 6.3% in September from a month earlier, to a seasonally adjusted annual rate of 1.017 million units.

  - U.S. Commerce Department

- The labor market has added more than 222,000 jobs on average each month this year and unemployment rate fell to 5.8%, the lowest since 2008. Economy added more than 200,000 jobs for nine straight months.

- Number of people applying for unemployment benefits dropped to the lowest level in 14 years, to a seasonally-adjusted 264,000.

  - U.S. Labor Department

Lenders Ease Mortgage Lending Requirements

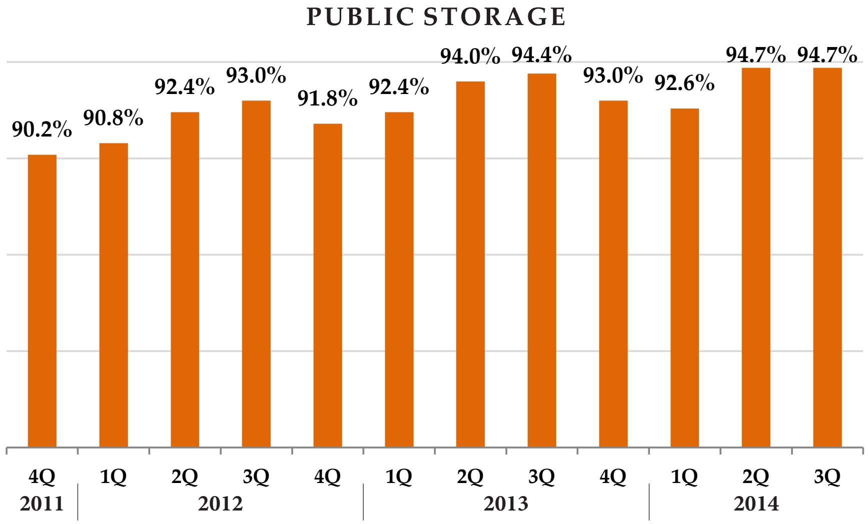
- Fannie Mae and Freddie Mac guarantee 90% of all mortgages, and 60% of all mortgages originated in the private market.
  - Federal Housing Finance Agency director, Mel Watt

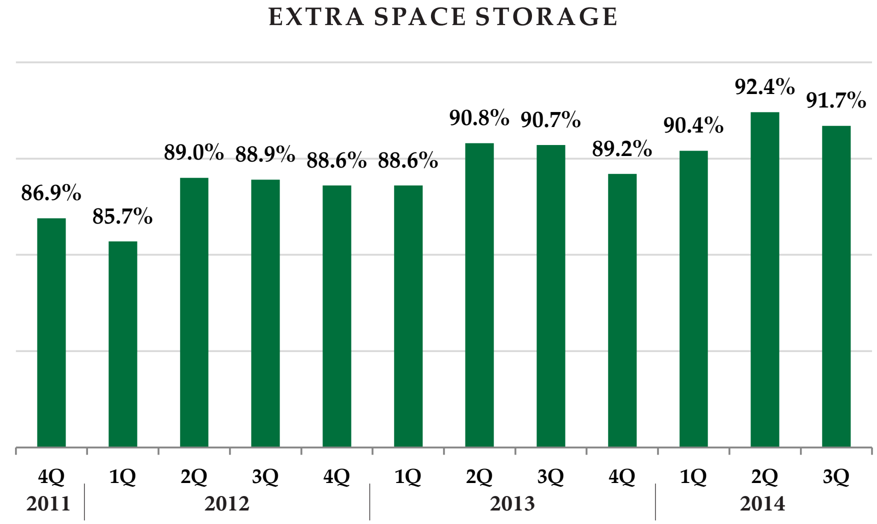
- Fannie Mae and Freddie Mac are planning to guarantee some home loans with down payments as low as 3%, down from 5%.

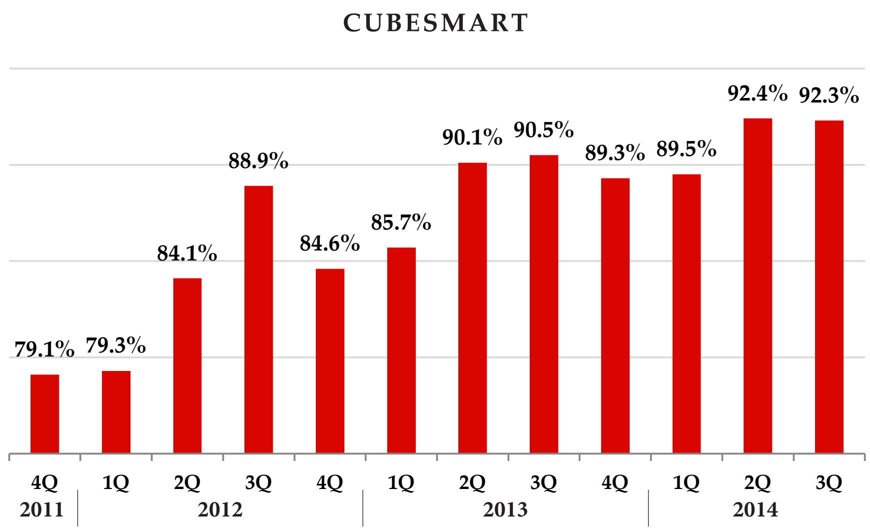
- Federal agencies approved a loosened set of mortgage-lending rules, removing requirement for a 20% down payment for higher-quality loans, known as "qualified residential mortgages."

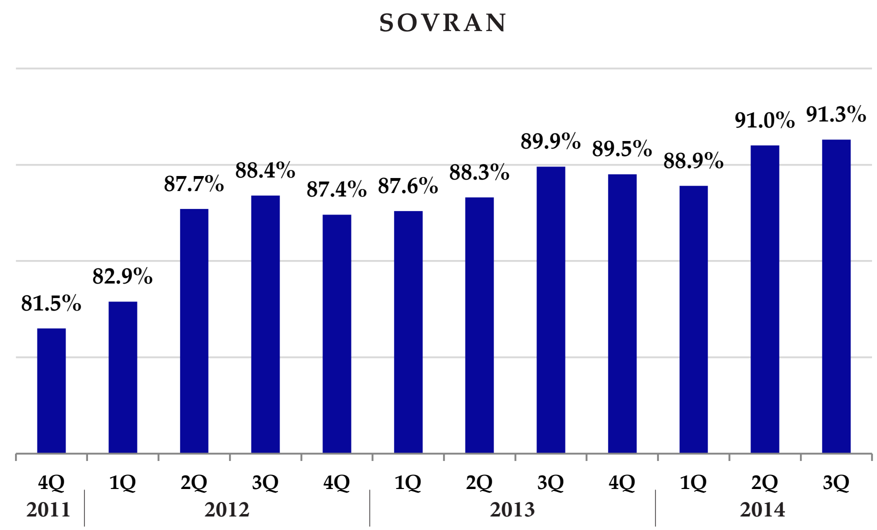
	Public Storage	Extra Space	CubeSmart	Sovran
Number of Properties: (approximate)	**2,234** U.S. **188** Europe	**1,083**	**562**	**506**
Third-Party Management:		**271**		**23**
Joint Venture Management:		**272**		**55**
Total Managed:	**42**	**543**	**172**	**79**
Revenue:	**+5.5%**	**+7.2%**	**+7.7%**	**+7.0%**
Net Operating Income:	**+7.3%**	**+9.3%**	**+10.8%**	**+9.2%**
Occupancy:	**94.7%**	**91.7%**	**92.3%**	**91.3%**
vs. previous year:	**94.4%**	**90.7%**	**90.5%**	**89.9%**
Rent Per Occupied Square Foot:	**$15.25**	**$14.92**	**$14.05**	**$11.71**

Portfolio Occupancies



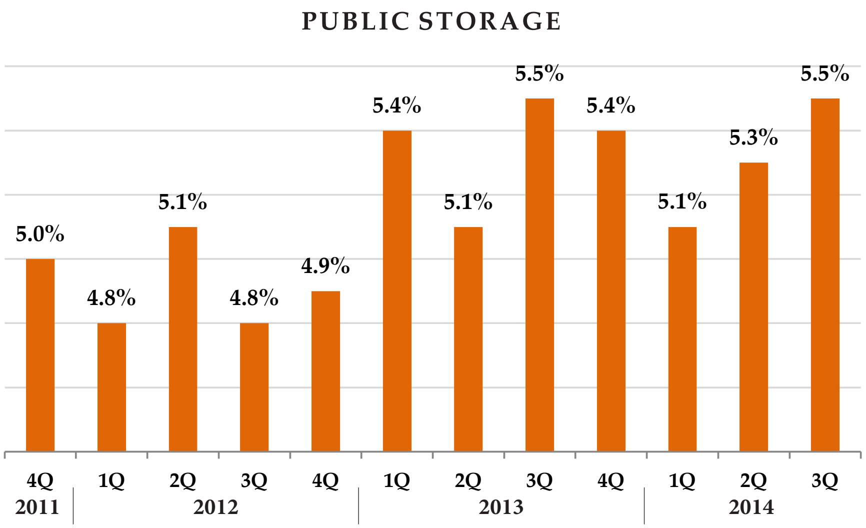


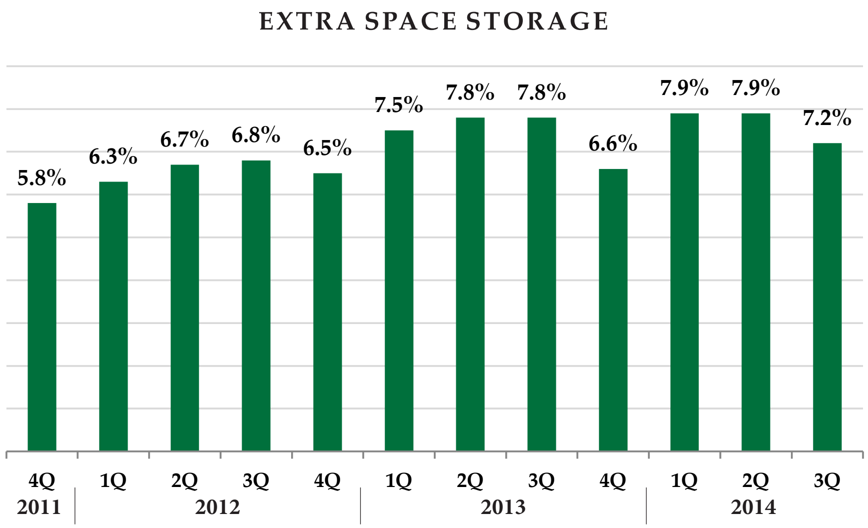


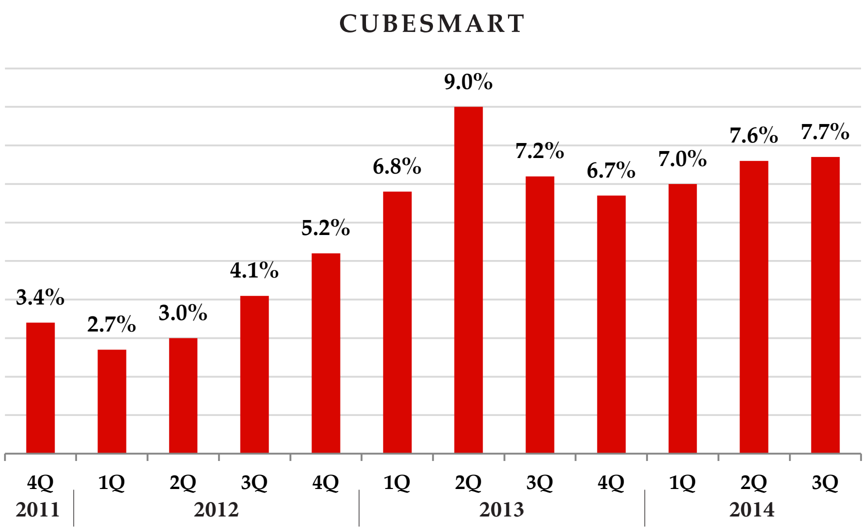


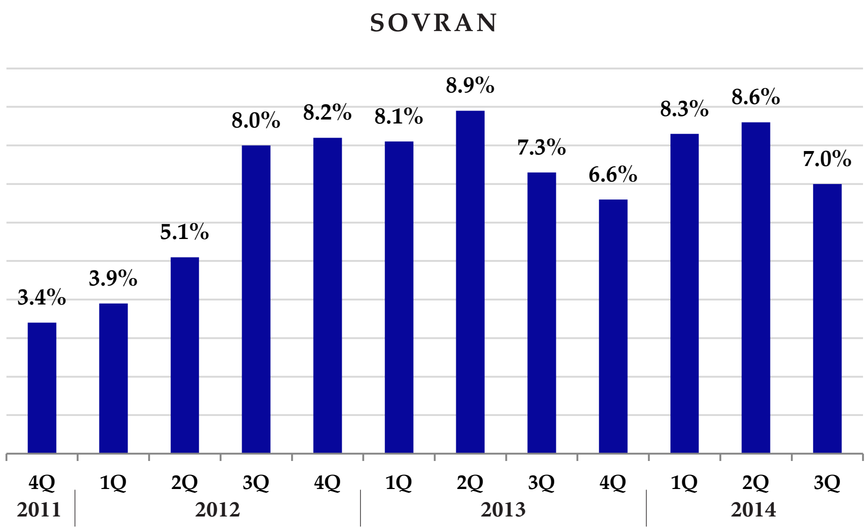
Revenues

Changes from same quarter a year earlier





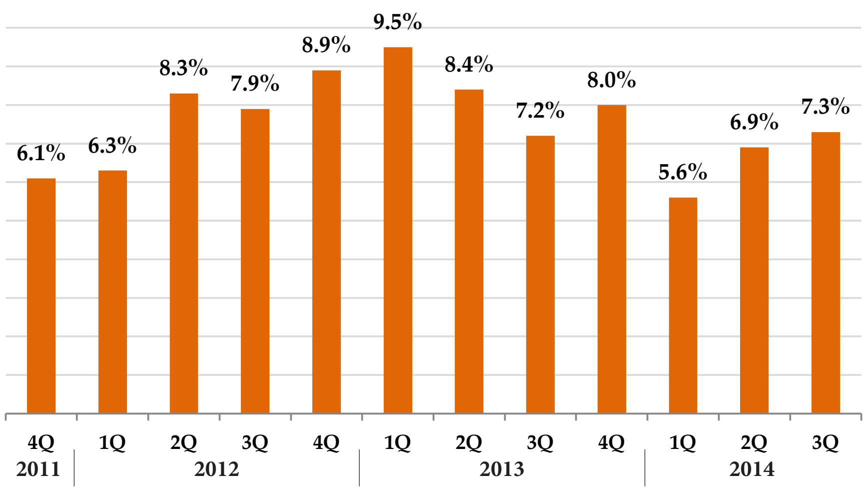




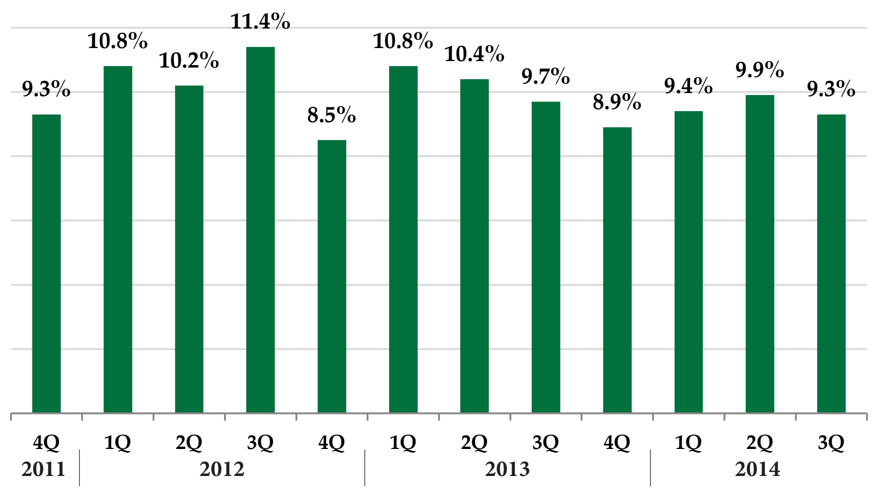
Net Operating Income

Changes from same quarter a year earlier

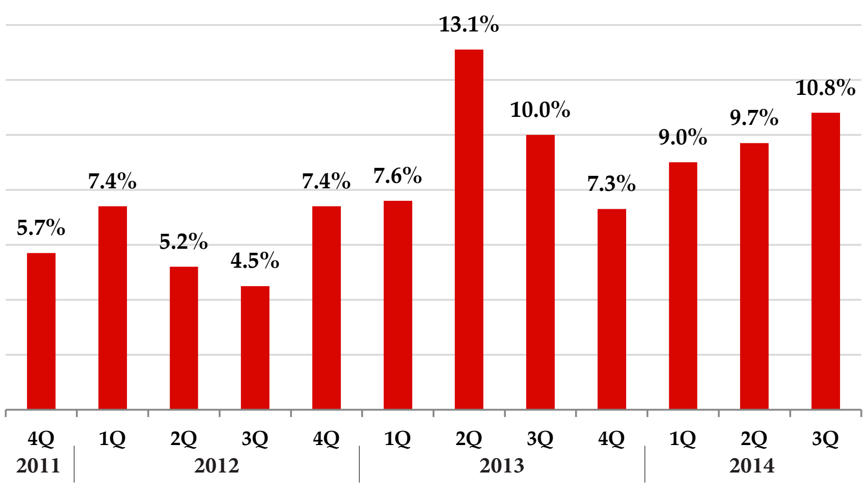
PUBLIC STORAGE



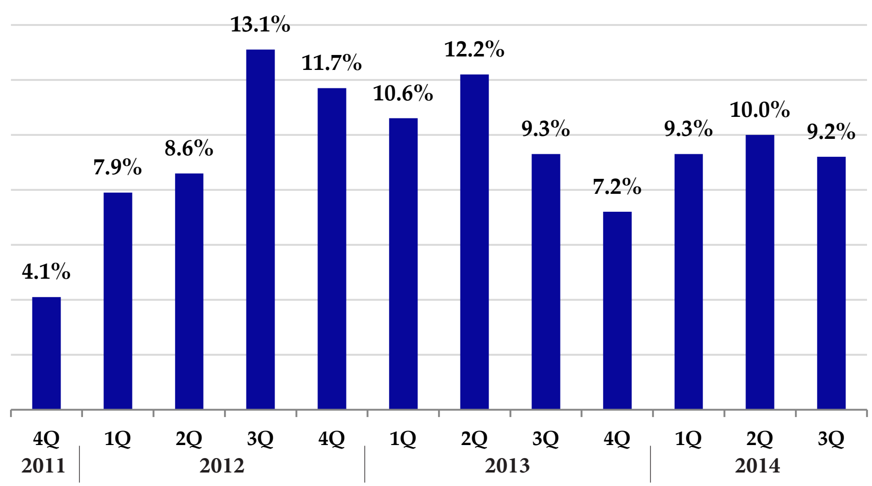
EXTRA SPACE STORAGE



CUBESMART



SOVRAN



	Public Storage	Extra Space	CubeSmart	Sovran
Market Capitalization	**$34.26 billion**	**$7.78 billion**	**$4.12 billion**	**$3.19 billion**
Funds From Operations (Adjusted Quarter)	**$2.08/share** (+4%)	**$0.72/share** (+26.3%)	**$0.28/share** (+12%)	**$1.17/share** (+15.8%)
Dividend Per Common Share	**$1.40/share**	**$0.47/share**	**$0.13/share**	**$0.68/share**
Dividend Yield	**2.80%**	**2.80%**	**2.60%**	**3.20%**
Common Stock Price				
January 27, 2015:	**$204.67**	**$66.86**	**$25.27**	**$95.95**
52-Week Range:	**$153.01 to $206.16**	**$43.82 to $67.45**	**$15.67 to $25.78**	**$64.41 to $96.21**

PUBLIC STORAGE:

- 2014 acquisition volume over $400 million.
- Average acquisition blended occupancy about 85%. Public storage generates 5 to 8 points of occupancy growth on most acquisitions.
- Acquired 25 facilities with an aggregate of 1.8 million rentable square feet in the quarter for total cost of about $239 million. Locations include Florida (19), Maryland (3), and one each in North Carolina, New Jersey, and Virginia.
- Subsequent to end of the quarter, acquired ten facilities with an aggregate of 929,000 net rentable square feet for total cost of about $98 million in cash. Locations include three in Minnesota, two in Virginia, and one each in Arizona, North Carolina, South Carolina, Texas, and Florida.
- Under contract to purchase for additional facilities with 333,000 net rentable square feet for aggregate price of $63 million. Locations include one each in California, Minnesota, Texas, and Washington. Estimated closing date in fourth quarter of 2014.

New Development Pipeline Expanding

- Targeting yields on new development between 8% and 11% versus achieving yields of about 6% on acquisitions.
- Current projects in process will add about 3 million net rentable square feet at a total cost of $342 million, or an average of about $114 per rentable square foot.

Developments going in 13 different states, including:

-California	-North Carolina
-Texas	-Arizona
-Florida	-Maryland

PUBLIC STORAGE:

New Development Pipeline Expanding

- About $35 million-$40 million of new development coming online per quarter.

  Q4 eight new properties coming online consisting of about 450,000 sq. ft.

  Q1 2015 eight additional properties totaling 300,000 sq. ft.

  Q2 2015 five properties totaling 500,000 sq. ft.

- Stabilized assets trading between 150% to 200% of replacement cost, but varies by market.

Development Pipeline Construction Cost Examples:

  Texas 11 properties blended cost $91 per square foot.

  Austin, Texas developing at cost of $100 to $110 per sq. ft., and some stabilized assets trading above $200 per sq. ft.

  Some properties in California developing at $124 per sq. ft. and usually trades above $200 per sq. ft.

  Arizona developing at $80 per square foot and certain assets trade at $150 per square foot.

  New York redevelopment at $175 per square foot and some trades above $300 per square foot.

- Dallas highest volume development market, and lower barrier-of-entry than other challenging development markets such as Los Angeles, San Francisco, or Seattle.
- Florida tends to get oversupplied faster than others. But, Miami and West Palm Beach areas difficult to find land and to build.

EXTRA SPACE STORAGE:

- Currently have closed or under contract $493 million of properties. In addition, seven other properties totaling $69.5 million that will be acquired upon completion of construction and issuance of certificate of occupancy.

Certificate-of-Occupancy Transactions

- These CO properties will open in 2015 and 2016, with locations in Arizona, California, Massachusetts, North Carolina and Texas. Two properties totaling $21.9 million purchased by a joint venture of which Extra Space will have a 10% equity interest.
- C of O transactions eliminates entitlement and construction risks. Extra Space has confidence in its ability to drive traffic to a property and in its internet marketing prowess.
- C of O transactions target returns between 150 and 250 basis points over the cap rate of what a stabilized property would trade.
- C of O total dilution targeting 2% to 3% of annual FFO.

EXTRA SPACE STORAGE:

- Acquired three properties in third quarter for approximately $26.7 million with locations in Florida, Georgia, and Texas. Subsequent to end of quarter, acquired two additional properties for $17.5 million in Colorado and Georgia.

- Over past 4.5 years acquired $2.06 billion worth of acquisitions. No meaningful trend yet on C of O deals or new acquisitions.

- **New Supply Remains Muted, But Growing**

  - Construction financing constraints
  - Increased land prices
  - Level of interest of others in Texas and Metro New York noticeable

CUBESMART:

- Total acquisition volume in 2014 anticipated near $570 million, plus another $193 million of 2015 commitments, translating to a grand total of $763 million.
- Year-to-date, acquired 25 assets for $293.5 million. Under contract to purchase an additional $266.4 million.
- Average occupancy of all acquisitions mid-to-high 80s%, with a blended cap rate of approximately 5.75%.
- Under contract to acquire 26 facilities for $223 million from two joint ventures managed by Harrison Street Real Estate. The first closing representing 22 facilities expected on November 3, 2014 for a purchase price of $195.5 million. Locations include nine infill Chicago properties; six in Columbus Ohio; four in Rhode Island; three in Orlando; two in Southern California; and one each in Las Vegas and Long Island, New York.

  Second closing of the Harrison Street transaction includes four facilities in Illinois expected to occur by March 15, 2015 for a purchase price of $27.5 million. CubeSmart previously managing 14 of the 26 properties for the HSRE Ventures.
- Acquired three properties in third-quarter $38.9 million. Two properties in Florida, one in Massachusetts.
- Subsequent to quarter end, acquired three facilities in Texas for an aggregate price of $29.9 million.
- Five additional properties under separate contracts totaling $43.4 million expected to close prior to year's end. One asset in Tennessee, one in Texas, and three assets in Florida.

CUBESMART:

Facility Acquisitions at C/O Pipeline:

Location	Contract Price	Expected Opening
Brooklyn, New York	$48.5 million	Q4 2015
Long Island City, New York	$38.0 million	Q4 2014
Dallas, Texas	$15.8 million	Q2 2015
Grapevine, Texas	$10.8 million	Q4 2015
Fort Worth, Texas	$10.1 million	Q4 2015
TOTAL:	$123.2 million	

- Modeling most to stabilize in three leasing seasons. New property at 1425 Bruckner Blvd. in Bronx, New York leased up in less than two years.
- CO development properties to 225 to 275 basis point spread above stabilized cap rate expectation of an acquisition. New development an additional 25 basis points wider.
- CO deals eliminate development risks, limiting to lease-up risk and cost-of-capital risk due to future commitment. Not going out longer than 16-18 months to limit cost-of-capital risk.

New Joint Venture Development Facilities:

Location	Total Investment Anticipated	Expected Opening
Queens, New York	$32.100 million	Q3 2015
Queens, New York	$19.011 million	Q3 2015
Brooklyn, New York	$10.712 million	Q2 2015
Arlington, Virginia	$18.062 million	
TOTAL:	$79.885 million	

CUBESMART:

- CO and new joint venture developments feature trade-off between FFO dilution and NAV value creation from buying and leasing up. Limiting these riskier transactions to 5% to 7% of balance sheet.
- Year-to-date opened two new facilities - one in Bronx, New York at total cost of $42.3 million, and a mixed-use property in Malvern, Pennsylvania that contains CubeSmart's corporate headquarters.

SOVRAN:

- Acquired 31 properties for $278 million through October 28th, and projecting $10 million of additional acquisitions in 2014, exclusive of investments in joint ventures.

- Preparing to complete $120 million Westy portfolio transaction next year.

- Acquired five properties for total cost of approximately $46 million in the third quarter. Properties total about 345,000 sq. ft., and all located in existing markets, including San Antonio; St. Petersburg; Chattanooga; Chesapeake, Virginia; and Northern New Jersey. Two of the acquired facilities were managed by Uncle Bob's.

    - Cap rates for four properties about 6% to low 6%s
    - Cap rate for one property still in lease-up that opened in May low 3% in first year, and to stabilize about 8.5% in about 3.5 years.

- Subsequent to quarter end, acquired three facilities totaling 292,000 sq. ft. for approximately $41 million. One facility in New Orleans, one near Orlando, and one in Austin, Texas.

- Not concerned about significant new development competition, may be 1.5 to two years away. Recent review with area managers see only 100 within company markets, and only total 70 within immediate trade areas, an uptick from last year.

- In August sold one property in Houston for net proceeds of $4.9 million, resulting in $1.8 million gain.

Certificate of Occupancy Transactions

- Acquisition spreads narrowing for properties purchased at certificate-of-occupancy. Beginning of the year 3% spread over stabilized prices, now spreads down to 1.5% to 2.5%.

- Working on three potential CO transactions. Working with preferred developers in specific markets.

PUBLIC STORAGE:

- Public Storage a member of the S&P 500 and FT Global 500.
- 2,234 facilities in 38 states with approximately 144 million net rentable square feet.
- 188 facilities located in seven Western European nations with approximately 10 million net rentable square feet operated under the "Shurgard" brand name.
- Own 42% interest in PS Business Parks, Inc. (NYSE: PSB) which owns and operates about 30 million sq. ft. of commercial space, primarily flex, multitenant office, and industrial space.
- Positive revenue growth in all Europe markets. United Kingdom same-store revenue growth up 5.8%. European facilities occupancy increased to 90%, from 82.6% our year earlier. But, due to discounting overall average realized rent per occupied square foot dropped 3.7% to $25.78.
- October move-ins up about 3%, rates up about 4%.
- Street rates up about 5.5%. More discounting than usual, up about 5%. Spending to increase on television and internet advertising to expand occupancy in Q4 and next Q1.

Negative Rollover

Move-out rent average	$133/month
Move-in rent average	$131/month

Last year, same quarter:

Move-out rent average	$128/month
Move-in rent average	$126/month

PUBLIC STORAGE:

Operating Expenses

- On site payroll down 2%, and trending downward.
- Third-quarter advertising down almost $1 million year-over-year.
- Biggest variables always advertising and snow removal.

Revenue Growth and Occupancy in Select Markets:

Market	Revenue Growth	Occupancy
Denver (47 facilities)	+8.9%	96.2%
Los Angeles (197)	+5.5%	94.9%
San Francisco (128)	+7.2%	95.8%
Chicago (129)	+4.6%	94.9%
Dallas-Ft. Worth (98)	+6.3%	94.6%
Miami (61)	+6.4%	94.8%
New York (79)	+3.1%	94.7%
Washington, D.C. (74)	+1.8%	93.5%
Portfolio Average	+5.3% *similar past three years*	94.7%

EXTRA SPACE STORAGE:

Third-Party Management

- Third-party management provides bigger footprint in world of digital real estate, with internet searches and dollars allocated to pay-per-click advertising. Scale is of great benefit.

Third-party Managed Properties:	271
Properties Owned and Operated in Joint Ventures:	272
Total Managed:	536

- Third-party management, and tenant insurance specifically, is a profitable business that becomes a proprietary off-market acquisition pipeline.
- FFO increase of 26.3% represents fourth consecutive quarter of double-digit growth. More consecutive quarters of similar growth expected.
- Expect to keep rental rates lower in the fourth quarter. Quite aggressive in summer months when occupancy peaked, and less aggressive in fall and winter to maintain occupancy. Seeing benefit of these customers as average length of stay increased.
- During summer months, street rates up 7% to 8%. Towards end of the quarter closer to 2% to 3% up.
- Discounting down into high single digit decreases.

EXTRA SPACE STORAGE:

Tenant Insurance Participation Rates

- New customers over 90%, and for existing customers over 70%.

Major Markets With Revenue Growth Above Portfolio Average:

Market	# Properties	Occupancy	Revenue Growth
Denver - Boulder - Greeley, CO	13	93.8%	+10.68%
Cincinnati/Northern Kentucky	15	90.9%	+10.38%
Sacramento - Yolo, CA	12	92.7%	+9.67%
Houston - Galveston - Brazoria, TX	16	93.1%	+9.01%
San Francisco - Oakland - San Jose	40	94.7%	+8.82%
Miami - Fort Lauderdale, FL	32	92.0%	+8.25%

- **Major Markets With Revenue Growth Below Portfolio Average:**

Market	# Properties	Occupancy	Revenue Growth
Washington D.C. - Baltimore MD, VA, WV	64	92.2%	+3.69%
Philadelphia - Wilmington - Atlantic City	38	92.6%	+3.68%
Las Vegas, NV, AZ	12	85.9%	+1.79%

CUBESMART:

- Third-party management program includes 172 properties. Company added 17 facilities to management program in third quarter.
- Year-to-date, added 23 additional facilities and acquired six properties from the third-party management platform.
- Pipeline shifting two more private developers with CubeSmart involved at beginning as third-party manager.
- Third-quarter transition to effective rents, replacing occupancy gains as primary contributor to same-store revenue growth.
- Occupancy 160 basis points above last year at same period. Remain focused on holding on to as much of these occupancy gains as possible, by discounting more, if necessary.
- Every submarket in portfolio positive revenue growth. Select Markets:

Market	# Properties	Occupancy	Revenue Growth
Colorado/Utah	13	91.5%	+11.7%
Atlanta	16	93.7%	+10.8%
Florida Markets - Other	39	92.8%	+9.6%
Philadelphia/Southern NJ	13	91.4%	+9.0%
Miami/Ft. Lauderdale	16	93.7%	+8.5%
Chicago	27	92.6%	+8.2%
Texas Markets - Major	36	91.8%	+6.9%
New York/Northern NJ	41	91.3%	+6.8%
Ohio	14	91.7%	+6.8%
Baltimore/D.C.	16	90.8%	+6.5%
TOTAL/AVERAGES	346	91.7%	+7.7%

- Storage Deluxe portfolio primarily in New York City continues to meet or exceed budget and expectations for occupancy, revenue, and net operating income.

SOVRAN:

- Same-store revenue and NOI growth in every state in which company operates.
- Rental rates up 4.4%.
- **Strongest Revenue Impact:**

State	# Properties	Occupancy	Revenue Growth
Georgia	28	92.7%	+13.1%
Illinois	9	87.2%	+10.9%
Florida	60	89.9%	+8.1%
Texas	93	93.1%	+7.3%

- Intends to complete up to $20 million on expansion and enhancement program.
- Budgeted $16 million for recurring capitalized expenditures including roofing, paving, and office renovations.
- **Guidance For Same-Store Portfolio**

	Full Year 2014
Revenue	7.0% to 8.0%
Operating Costs (less property taxes)	3.0% to 4.0%
Property Taxes	8.5% to 9.5%
Total Operating Expenses	4.5% to 5.5%
Net Operating Income	8.0% to 9.0%
Funds From Operations (FFO)	$4.33/share to $4.37/share

- Tenant Insurance penetration rate (58.9% versus 56.9% last year) and capture rate (82.2%) both trending upwards.

PUBLIC STORAGE:

- Balance sheet very low leverage. Currently only $71 million of debt on books. Discussed potentially issue a new debt. Next four to five months plans to be out in capital markets in anticipation of ramping up development expenses.
- Capital raised anticipation of calling redeemable preferred shares and reissuing at lower interest rates.
- Public Storage's founder, Hughes Family, owns 24.7 million common shares, representing about 15.8% of all shares outstanding. Current market value about $4.5 billion.
- Hughes Family has ownership in approximately 54 self storage facilities in Canada using the "Public Storage" brand name.

EXTRA SPACE STORAGE:

- Percentage of fixed-rate debt to total debt 70.6%.
- Weighted Average Interest Rates:

Fixed rate debt:	4.1%
Variable rate debt:	2.0%
Combined:	3.5%

Weighted Average maturity: 4.8 years

CUBESMART:

- Year-to-date sold 15.2 million common shares at average price of $18.22 per share and raised $273.4 million net proceeds through ATM program. Currently 9.2 million shares available for future issuance.
- Unencumbered properties acquired using its revolving line of credit. At end of the quarter credit line availability stood at $243 million.
- In third quarter, issued 6 million common shares through “at-the-market” equity program at an average price of $18.69 per share, resulting in $109.9 million net proceeds.
- On October 20th, completed public offering of 7,475,000 of common shares at $19.33, receiving approximately $143 million in net proceeds for acquisitions and general corporate use.
- In August, amended $100 million term loan, reducing borrowing rate to LIBOR +1.5%, from LIBOR +2.0%, and maturity extended to January 31, 2020 from June 18, 2018.
- $10 million cash on hand.

Ratings Upgrades Improves Pricing On Loans And Revolving Credit

- Moody’s Investors Service upgraded CubeSmart senior unsecured bonds to Baa2 from Baa3, with a stable outlook.
- Standard & Poor’s upgraded credit rating from BBB- to BBB.
- 7.75% series a redeemable preferred shares upgraded to Baa3 from Ba1, with a stable outlook.
- To fund a portion of growth, average debt balance increased to $1.15 billion from $1.065 billion. Weighted average interest rate increased to 4.09% from 3.75%.
- Average weighted maturity of six years.

SOVRAN:

- Common shares outstanding 33,708,457
  Operating Partnership Units (OP Units) outstanding 198,913

- Issued 424,403 shares of common stock via previously announced ATM program at an average price of $78.46 per share, resulting in net proceeds of $32.9 million. Proceeds used to fund property acquisitions and pay down the line of credit.

- In July, issued 39,162 shares at average price of $75.81 through Dividend Reinvestment Plan.

- $7 million cash on hand.

- $174 million available on line of credit, which carries an interest rate of LIBOR +1.5% with additional $75 million available under expansion feature.

- **Key Financial Ratios:**

- Debt to Enterprise Value (@ $78.36/share):	23.0%
- Debt to Book Cost of Facilities:	35.6%
- Debt to EBITDA:	4.0x
- Debt Service Coverage (DSC):	5.2x

- **Company Credit Ratings:**

Agency	Rating	Outlook
Fitch	BBB-	Stable
Standard & Poor’s	BBB-	Positive