

BAYVIEW ADVISORS

SELF STORAGE INDUSTRY AND REIT REPORT

Q3 2015



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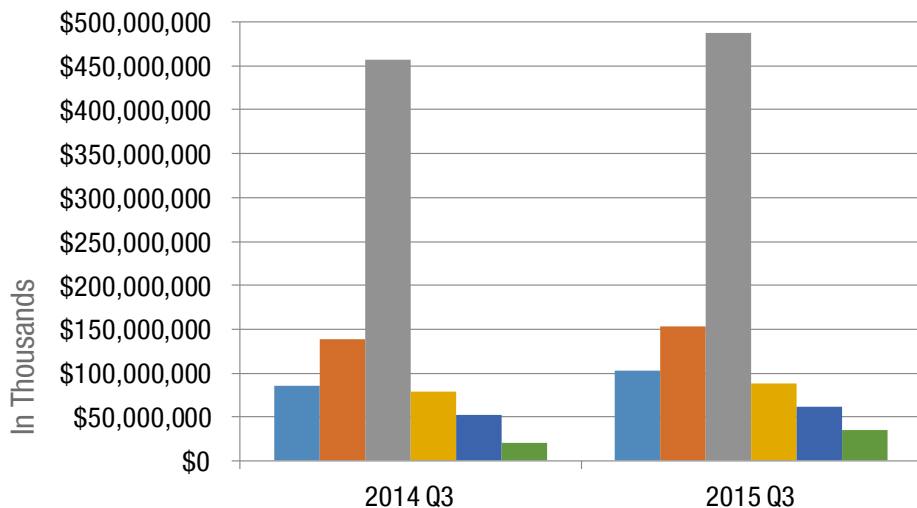
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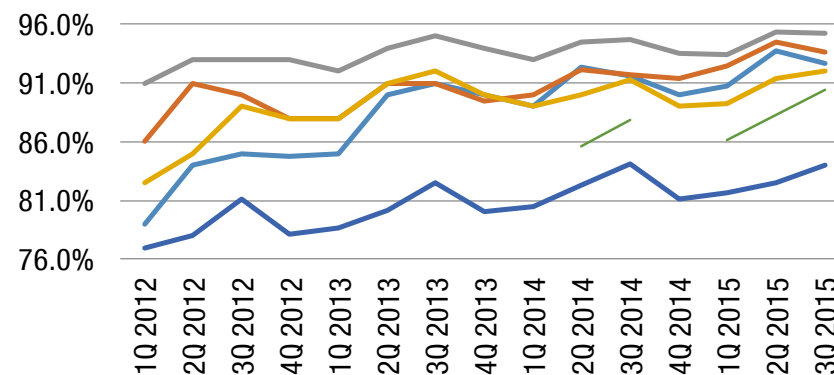
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REIT Comparison Highlights

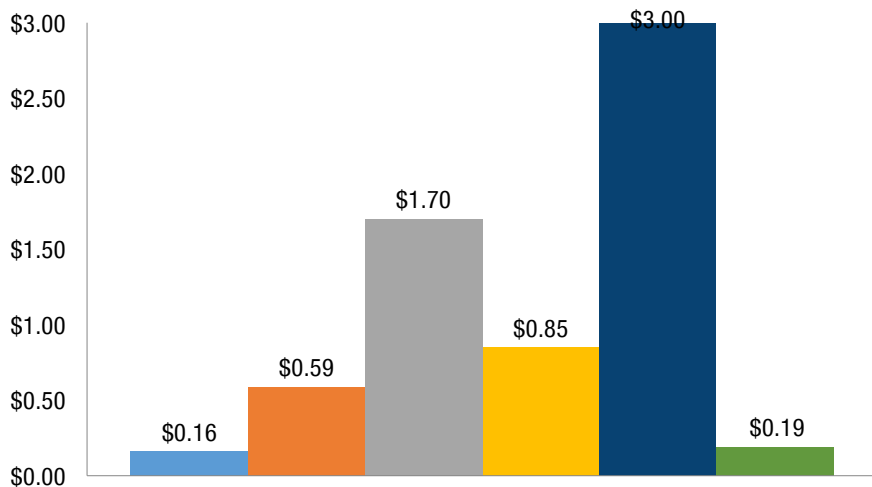
RENTAL REVENUE



HISTORICAL QUARTERLY OCCUPANCY



DIVIDEND PER SHARE



TOP 5 U.S. SELF STORAGE FACILITY OWNERS

	Company Name	# of Facilities ¹	Total SF ¹	Stock Price 9-30-15	Market Cap 10-30-15
1	Public Storage	2,266	147,000,000	\$211.63	\$39.66 B
2	Extra Space Storage	981	72,851,752	\$77.16	\$9.773 B
3	U-Haul International	-	22,023,000	\$393.47	\$7.967 B
4	CubeSmart	438	29,900,000	\$27.21	\$4.707 B
5	Sovran Self Storage	435	36,929,700	\$94.30	\$3.58 B
6	National Storage Affiliates	276	15,700,000	\$13.55	\$355.61 M

1. Approximate based on data provided by the REITs

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CubeSmart and Extra Space Highlights



CUBESMART (NYSE: CUBE)

- Reported funds from operations (“FFO”) per share, as adjusted, of \$0.34, representing a year-over-year increase of 21.4%
- Increased same-store (361 facilities) net operating income (“NOI”) 9.3% year over year, driven by 7.4% revenue growth and a 3.2% increase in property operating expenses
- Same-store occupancy averaged 93.4% during the quarter, up 120 basis points year over year; ending the quarter with same-store occupancy of 92.7%
- Closed on five facility acquisitions totaling \$75.2 million. These acquisitions included two facilities in Maryland and one facility each in Texas, New York and New Jersey
- FFO, as adjusted, was \$58.5 million for the third quarter of 2015, compared with \$42.8 million for the third quarter of 2014
- Subsequent to September 30, 2015, the Company sold all seven of its owned assets in the El Paso, Texas area, one asset in Jacksonville, Florida, and its remaining asset in London, England for an aggregate sales price of \$47.1 million
- At September 30, 2015, the Company had five joint venture development properties under development or construction. The Company anticipates investing a total of \$122.9 million related to these projects and has invested \$60.1 million of that total as of quarter-end. Four of these facilities are located in New York and one is located in Washington, D.C.

EXTRA SPACE (NYSE: EXR)

- Achieved funds from operations (“FFO”) of \$0.81 per diluted share. Excluding costs associated with acquisitions and non-cash interest, FFO as adjusted was \$0.81 per diluted share, representing a 12.6% increase compared to the same period in 2014
- Increased same-store revenue by 9.9% and same-store net operating income (“NOI”) by 12.6% compared to the same period in 2014
- Increased same-store occupancy by 200 basis points to 93.6% as of September 30, 2015, compared to 91.6% as of September 30, 2014
- During the quarter, the Company acquired 1 operating store for \$6.1 Million
- Paid a quarterly dividend of \$0.59 per share
- Closed the merger with SmartStop Self Storage, Inc. on October 1, 2015 for approximately \$1.3 billion adding 122 wholly-owned stores. Assumed the management of 43 SmartStop stores concurrently with the closing of the SmartStop merger
- The Company has 9 operating stores under contract for a total purchase price of approximately \$82.1 million
- The Company has 15 other stores under contract for a total estimated purchase price of \$148.833 million. These stores will be purchased upon completion of construction, and are scheduled to be built and opened in 2015 to 2018
- Major markets with revenue growth above the average included Denver, Houston, Los Angeles, Sacramento, San Francisco and Tampa/St. Petersburg. Major markets performing below the average included Chicago, Philadelphia and Washington D.C./Baltimore

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Public Storage Highlights



PUBLIC STORAGE (NYSE: PSA)

- For the three months ended September 30, 2015, net income allocable to our common shareholders was \$273.5 million or \$1.58 per diluted common share, compared to \$231.8 million or \$1.34 per diluted common share for the same period in 2014 representing an increase of \$41.7 million or \$0.24 per diluted common share
- The increase is primarily due to a \$41.6 million increase in self-storage net operating income as a result of a \$29.5 million increase in our Same Store Facilities and a \$12.1 million increase in our Non Same Store Facilities. Revenues for the Same Store Facilities increased 6.7% or \$31.9 million in the three months ended September 30, 2015 as compared to the same period in 2014, due primarily to higher realized annual rent per occupied square foot
- The increase in net operating income for the Non Same Store Facilities is due primarily to the impact of the development and acquisition of 191 self-storage facilities since January 2013
- During the three months ended September 30, 2015, we acquired 2 self-storage facilities in Colorado, with 0.2 million net rentable square feet, for \$26 million. Subsequent to September 30, 2015, we acquired or were under contract to acquire 11 self-storage facilities (one in California, eight in Florida and two in Texas), with 0.8 million net rentable square feet, for \$108 million
- During the three months ended September 30, 2015, we completed three newly developed facilities and various expansion projects (0.3 million net rentable square feet) costing \$31 million. At September 30, 2015, we had various facilities in development (3.4 million net rentable square feet) estimated to cost \$417 million and various expansion projects (0.6 million net rentable square feet) estimated to cost \$90 million. The remaining \$332 million development cost for these projects is expected to be incurred primarily in the remainder of 2015 and 2016
- Cost of operations for the Same Store Facilities increased by 1.9% or \$2.4 million in the three months ended September 30, 2015 as compared to the same period in 2014, due primarily to increases in property taxes

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Sovran Storage Highlights



SOVRAN SELF STORAGE (NYSE: SSS)

- Achieved adjusted funds from operations (“FFO”) per fully diluted common share of \$1.32, representing a 12.8% increase over the same period last year
- Net income available to common shareholders for the third quarter of 2015 was \$31.5 million or \$0.88 per fully diluted common share. For the same period in 2014, net income available to common shareholders was \$25.6 million or \$0.77 per fully diluted common share
- Total revenues increased 11.9% over last year’s third quarter while operating costs increased 9.6%, resulting in an NOI (4) increase of 13.1%. Overall occupancy averaged 91.5% for the period, and rental rates averaged \$12.79 per sq. ft.
- Revenues for the 399 stores wholly owned by the Company since January 1, 2014 increased 6.5% from those of the third quarter of 2014, the result of an 80 basis point increase in average occupancy, a 5.1% increase in rental rates, increases in tenant insurance administrative fees, and other income
- During the quarter, the Company acquired eleven storage facilities at a cost of approximately \$66 million. Seven of the stores are in established Company markets in North and South Carolina. The other four are in Syracuse, NY where the Company now operates a total of eight stores
- At September 30, 2015, the Company was in contract to acquire an additional nine stores for total consideration of \$67 million. These pending acquisitions are subject to further due diligence and closing conditions; therefore no assurance can be given that these properties will be purchased according to the terms described
- Subsequent to quarter-end, the Company’s Board of Directors approved a quarterly dividend of \$0.85 per share or \$3.40 annualized
- During the third quarter of 2015, the Company experienced same store revenue growth in 23 of the 24 states in the same store pool. Overall, the stores with the strongest revenue impact include those in Texas, Florida, New York and Georgia.
- Same store operating expenses increased 2.6% for the third quarter of 2015 compared to the prior year period, primarily the result of increased personnel costs, real estate taxes and internet marketing expenses

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AMERCO and National Storage Affiliates Highlights



AMERCO (NYSE: UHAL)

- Net earnings available to shareholders for its second quarter ended September 30, 2015, of \$183.4 million, or \$9.36 per share, compared with net earnings of \$156.2 million, or \$7.98 per share, for the same period last year
- Self-storage revenues increased \$9.1 million during the second quarter of fiscal 2016, compared with the second quarter of fiscal 2015. We are increasing both the number of rooms rented through acquisitions and by improving occupancy at existing locations
- Over the last twelve months we have added approximately 2.7 million net rentable square feet to our owned self-storage portfolio with over 1.3 million of that coming on during the second quarter
- As of September 30, 2015, Amerco owns 22,023,000 square feet of storage with an occupancy rate of 84.0%

NATIONAL STORAGE AFFILIATES (NYSE: NAS)

- Core funds from operations (“Core FFO”) was \$11.3 million, or \$0.24 per share for the third quarter of 2015, an increase of 14% per share compared to Core FFO of \$3.2 million, or \$0.21 per share, for the third quarter of 2014
- Net operating income (“NOI”) was \$23.7 million for the third quarter of 2015, an increase of 80.0% compared to NOI of \$13.2 million for the third quarter of 2014
- Acquired 15 self storage properties during the third quarter of 2015 for approximately \$106 million composed of approximately 1.1 million rentable square feet configured in approximately 8,200 storage units
- Net income attributable to the Company was \$2.1 million for the third quarter of 2015, compared to a net loss of \$5.0 million for the third quarter of 2014. The increase was primarily due to an increase in NOI resulting from an additional 88 self storage properties acquired from July 1, 2014 to September 30, 2015, and reductions in interest expense and organizational and offering expenses, partially offset by increases in depreciation and amortization and general and administrative expenses
- Total revenues were \$35.7 million for the third quarter of 2015, an increase of 71.0% compared to total revenues of \$20.9 million for the third quarter of 2014. Total revenue increases were driven by a 250 basis point increase in average occupancy for the third quarter of 2015 compared to the third quarter of 2014, combined with a 10.4% increase in average annualized rental revenue per occupied square foot compared to the third quarter of 2014 and continued, solid progress in acquisition activity

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Capital Markets Update



Welcome to the first of our quarterly BayView Advisors Capital Market Updates. With this brief update we hope to keep you in know with new trends in debt and equity financing and highlight unique transactions that you as a borrower can leverage in your own business.

As this is the first update of the year, let's look back at 2015 which has been a fortunate time for self storage owners. Debt Capital in general continued to be widely available for storage owners with many new entrants into the market. This has been the result of the continued positive performance of our sector as it relates to other commercial real estate types. Self-storage is now being widely accepted as a preferred property type, which is drawing eyes from lenders who are looking for additional opportunities to lend.

What does this mean for you as a property owner? First, while interest rates have slowly risen in 2015 and I expect that trend to continue into 2016, competition for self-storage loans will also grow which should offset any significant increase in interest rates. However, we are facing the continued reality that interest rates are increasing which means that now is the time to evaluate your future business plans and lock-in your debt while competition and rates are on your side.

THIRD QUARTER INTEREST RATE INDEX REPORT

Third Quarter was a fairly turbulent period for long-term interest rates. The 10-year Swap Rate started the quarter at 2.49% with a high water mark of 2.51% and a closing the month near the low point of 2.04%. The third quarter variance was 47 basis points (0.47%) and is somewhat representative of the year, which has fairly wide range of long term rates varying almost 75 basis points (0.75%).



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Industry News

- NOVEMBER 10, 2015 **[Fed Rate Outlook Brings Call for 'Regime Shift' to Value Stocks](#)**: *The Federal Reserve may set the stage for a "regime shift" in U.S. stocks by starting to raise interest rates. (Bloomberg Business)*
- NOVEMBER 10, 2015 **[Oil Glut to Swamp Demand until 2020](#)**: *The oil market will remain oversupplied until the end of the decade as an unstoppable push for cleaner fuels and greater efficiency offsets the effect of lower prices, the world's leading energy forecaster said. (Financial Times)*
- NOVEMBER 9, 2015 **['Too big to fail' banks need \\$1.2 trillion](#)**: *Big banks better start looking under the couch cushions. They need to come up with \$1.2 trillion to fortify themselves from the next financial meltdown. (CNN Money)*
- NOVEMBER 9, 2015 **[CubeSmart CEO: "More challenging to find deals"](#)**: *As developers pursue self-storage projects across the country, many are getting bogged down by red tape, according to CubeSmart CEO Christopher Marr. (Sparefoot)*
- NOVEMBER 3, 2015 **[A Dark Narrative about the Stock Market is Starting to Take Hold on Wall Street](#)**: *Here's how the story goes: Today's merger mania, which investors say looks a lot like what happened in the '60s, has been fueled by low interest rates and a "bigger is better" philosophy among CEOs. (Business Insider)*
- NOVEMBER 2, 2015 **[5 Ways 2015 Looks a Lot Like 2007](#)**: *Many Commercial Real Estate pros are surely feeling like they've entered a time-warp this month. Asset prices are reaching new peaks. REITs are merging at breakneck speed. The Blackstone Group is buying everything it sets its eyes on. Haven't we been here before? (National Real Estate Investor)*
- NOVEMBER 2, 2015 **[Public Storage Absorbing Demand Faster than Expected](#)**: *Public Storage CEO Ron Havner said that new supply in the industry is on the way, but it won't impact their financial performance anytime soon. (Sparefoot)*
- OCTOBER 29, 2015 **[Top 18 Cities for Building Wealth](#)**: *People in New York and San Francisco may already have wealth, and likely a financial advisor. But as a financial advisor just starting out, consider other cities that have, according to this survey at least, an environment primed for wealth creation. (National Real Estate Investor)*



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