

SKYVIEW ADVISORS

SELF STORAGE INDUSTRY AND REIT REPORT

Q2 2016



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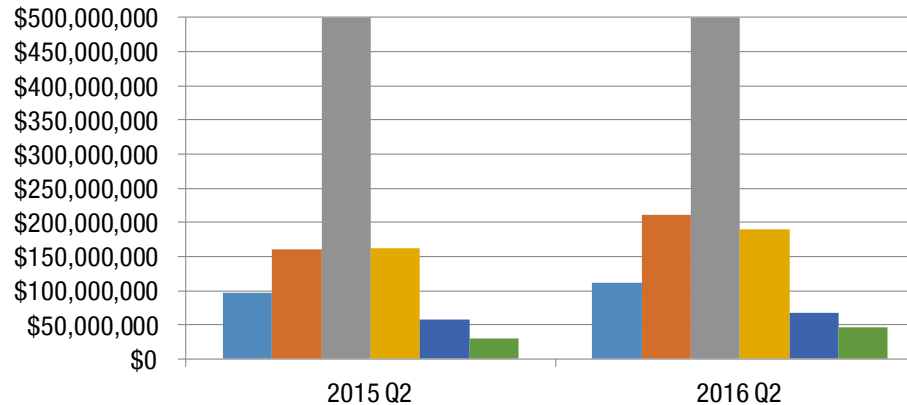
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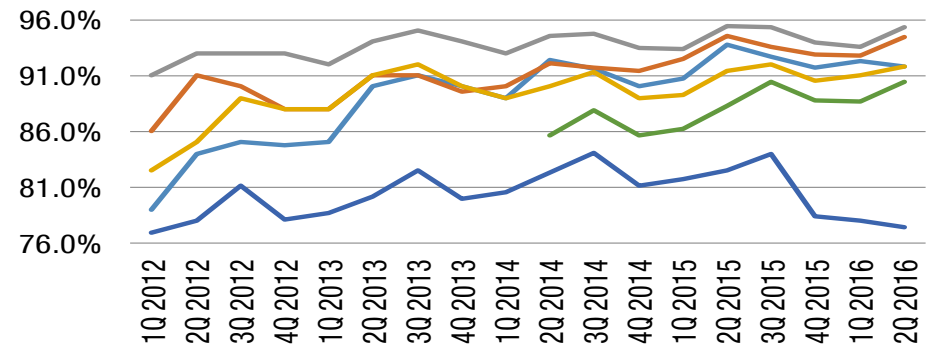


REIT Comparison Highlights

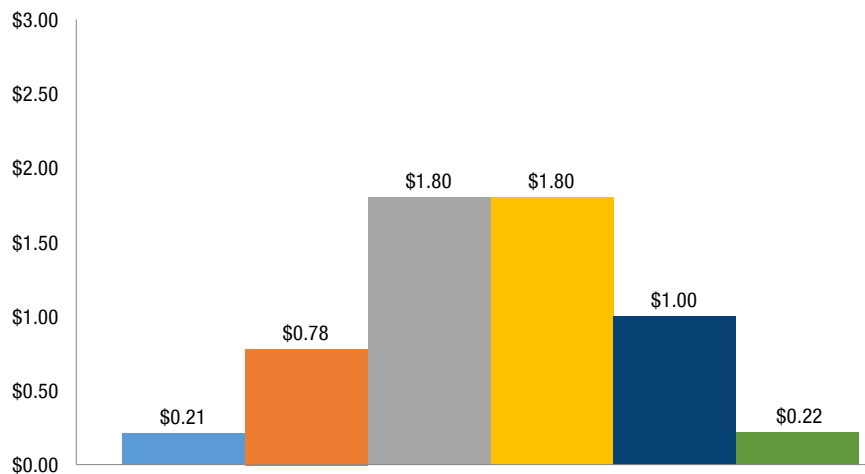
RENTAL REVENUE



HISTORICAL QUARTERLY OCCUPANCY



DIVIDEND PER SHARE



TOP 5 U.S. SELF STORAGE FACILITY OWNERS

Rank	Company Name	# of Facilities	Total SF	Stock Price 6-30-16
1	Public Storage	2,299	151,000,000	\$255.59
2	Extra Space Storage	1,054	106,000,000	\$92.54
3	CubeSmart	464	32,000,000	\$30.88
4	Sovran Self Storage	514	32,594,332	\$104.92
5	National Storage Affiliates	344	20,500,000	\$20.82

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CubeSmart and Extra Space Highlights



CUBESMART (NYSE: CUBE)

- Reported funds from operations (“FFO”) per share, as adjusted, of \$0.36, representing a year-over-year increase of 16.1%.
- Increased same-store (407 facilities) net operating income (“NOI”) 11.0% year over year, driven by 7.8% revenue growth and a 0.5% increase in property operating expenses.
- Same-store occupancy averaged 93.6% during the quarter, an increase of 80 basis points year over year, ending the quarter with same-store occupancy of 94.3%.
- The Company acquired five properties for \$65.6 million during the three months ended June 30, 2016. These acquisitions are located in Colorado (1), Illinois (2), Massachusetts (1), and Texas (1). Subsequent to June 30, 2016, the Company acquired two facilities located in Nevada for \$23.2 million. The Company has four additional properties under contract for \$51.7 million.
- The Company has agreements with developers for the construction of Class A self-storage facilities in high-barrier-to-entry locations. During the second quarter of 2016, the Company acquired two properties located in Fort Worth and Grapevine, Texas at C/O for a total investment of \$20.9 million and opened for operation a joint venture development property in Bronx, New York for a total investment of \$32.2 million. As of June 30, 2016, the Company had three facilities under contract to purchase at C/O for a total acquisition price of \$43.3 million. The properties are located in Florida (1) and Illinois (2). 5 joint-venture projects are located in Florida (1), New York (3), and Washington, D.C. (1) anticipates investing a total of \$218.2 million related to these projects and had invested \$93.0 million of that total as of June 30, 2016.

EXTRA SPACE (NYSE: EXR)

- Achieved funds from operations attributable to common stockholders (“FFO”) of \$0.91 per diluted share. Excluding costs associated with acquisitions and non-cash interest, FFO as adjusted was \$0.94 per diluted share, representing a 25.3% increase compared to the same period in 2015.
- Achieved net income attributable to common stockholders of \$0.66 per diluted share, representing a 40.4% increase compared to the same period in 2015.
- Increased same-store revenue by 7.6% and same-store net operating income (“NOI”) by 9.4% compared to the same period in 2015. Same-store revenues for the three ended June 30, 2016 increased due to higher rental rates for both new and existing customers. Expenses were higher for the three months ended June 30, 2016 due to increases in repairs and maintenance, property taxes and insurance expense. Increases in expenses were partially offset by decreases in utility expenses.
- Major markets with revenue growth included Atlanta, Los Angeles, San Francisco and Tampa/St. Petersburg. Major markets performing below the Company’s portfolio average included Chicago, Denver, Memphis and Washington D.C./Baltimore.
- Reached same-store occupancy of 94.4% as of June 30, 2016.
- Acquired 20 wholly-owned operating stores and two stores at completion of construction for a total purchase price of approximately \$244.3 million. Also acquired two stores at completion of construction with joint venture partners for a total purchase price of approximately \$60.0 million.
- The Company sold eight stores for a total of \$25.7 million during the three months ended June 30, 2016.

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Public Storage Highlights



PUBLIC STORAGE (NYSE: PSA)

- For the three months ended June 30, 2016, net income allocable to our common shareholders was \$280.8 million or \$1.61 per diluted common share, compared to \$263.9 million or \$1.52 in 2015 representing an increase of \$16.9 million or \$0.09.
- The increase is primarily due to (i) a \$33.5 million increase in self-storage net operating income (described below) and (ii) an \$8.6 million foreign exchange translation gain associated with our euro denominated debt, partially offset by (iii) a \$15.5 million allocation to our preferred shareholders as a result of redemption activities during the three months ended June 30, 2016 and (iv) \$16.7 million in gains on sale of real estate investments recorded in the three months ended June 30, 2015.
- The \$33.5 million increase in self-storage net operating income is a result of a \$23.9 million increase in our Same Store Facilities (as defined below) and a \$9.6 million increase in our Non Same Store Facilities (as defined below). Revenues for the Same Store Facilities increased 6.0% or \$29.4 million in the three months ended June 30, 2016 as compared to 2015, due primarily to higher realized annual rent per occupied square foot.
- Cost of operations for the Same Store Facilities increased by 4.2% or \$5.5 million in the three months ended June 30, 2016 as compared to 2015, due primarily to increased property taxes, repairs and maintenance and payroll.
- The increase in net operating income for the Non Same Store Facilities is due primarily to the impact of 296 self-storage facilities acquired, developed or expanded since January 2013.
- For the three months ended June 30, 2016, funds from operations (“FFO”) was \$2.34 per diluted common share, as compared to \$2.15 in 2015, representing an increase of 8.8%.
- The Same Store pool decreased from the 2,007 facilities at March 31, 2016 to 2,003 facilities at June 30, 2016 due primarily to flooding at certain properties in our Houston market.
- During the three months ended June 30, 2016, we acquired 12 self-storage facilities (six located in Ohio, two each in South Carolina and Texas, and one each in North Carolina and Indiana), with 0.9 million net rentable square feet, for \$99 million.
- During the three months ended June 30, 2016, we completed seven newly developed facilities and various expansion projects (1.0 million net rentable square feet) costing \$116 million. At June 30, 2016, we had various facilities in development (4.1 million net rentable square feet) estimated to cost \$510 million and various expansion projects (0.9 million net rentable square feet) estimated to cost \$121 million. The remaining \$403 million of development costs for these projects is expected to be incurred in 2016 and 2017.

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Sovran Storage (Life Storage) Highlights



SOVRAN SELF STORAGE (NYSE: SSS)

- Announced that in August, 2016 it will change its name from Sovran Self Storage, Inc. to Life Storage, Inc. and will no longer operate its stores under the Uncle Bob's Self Storage name, but will rebrand its existing portfolio to Life Storage®. The Company expects to incur up to \$22 million in costs pertaining to the rebranding of Uncle Bob's Self Storage to Life Storage
- Increased same store revenue by 5.7% and net operating income ("NOI") by 6.8% as compared to the second quarter of 2015.
- Revenues for the 420 stabilized stores wholly owned by the Company since December 31, 2014 increased 5.7% from those of the second quarter of 2015, the result of a 30 basis point increase in average occupancy, a 5.2% increase in rental rates and increases in tenant insurance administrative fees. Overall, the markets with the strongest revenue impact include Atlanta, GA; all Florida markets, particularly Miami and Tampa; Dallas and San Antonio, TX.
- Same store operating expenses increased 3.3% for the second quarter of 2016 compared to the prior year period. Higher property taxes and internet advertising expenses were offset by reductions in utility costs and insurance expense.
- Achieved adjusted funds from operations ("FFO") per fully diluted common share of \$1.32. This includes approximately \$0.09 of dilution resulting from the early issuance of the above referenced equity and debt for the LifeStorage acquisition. Absent these carry costs adjusted FFO was \$1.41 per diluted share. Increased rental rates were the primary driver of the Company's adjusted FFO growth during the quarter
- Completed its previously announced acquisition of 84 LifeStorage properties for \$1.3 billion on July 15, 2016.
- Acquired nine self storage facilities at a cost of approximately \$106 million. These include two stores each in southern Connecticut; downstate New York; and Buffalo, NY; also, one each in Los Angeles, CA; Dallas, TX; and Port St. Lucie, FL.
- Sold eight non-core properties for net proceeds of approximately \$34 million. The stores sold were in Lynchburg, VA (4); Greenville, MS; Kingsland, GA; Birmingham, AL; and Dallas, TX.
- At June 30, 2016, the Company was in contract to acquire four stores for \$40 million upon issuance of a certificate of occupancy. These properties are located in Charleston, SC; Charlotte, NC; and Chicago, IL (2). The Charleston, SC property was acquired for \$8.4 million in July 2016. At June 30, 2016 the Company was also under contract to acquire one stabilized store in Denver, CO for \$9.5 million.
- Grew same store average occupancy for the quarter by 30 basis points to 92.3% compared to the same period in 2015.
- Issued \$600 million of 10 year notes at an interest rate of 3.5% via an inaugural public debt offering.
- Completed a follow-on equity offering of 6,900,000 shares of the Company's common stock, resulting in net proceeds to the Company of approximately \$665 million.

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National Storage Affiliates & Amerco Highlights



NATIONAL STORAGE AFFILIATES TRUST (NYSE: NSA)

- Net income was \$6.0 million for the second quarter of 2016, an increase of \$5.9 million compared to \$0.1 million for the second quarter of 2015.
- Core funds from operations (“Core FFO”) was \$14.7 million, or \$0.28 per share, for the second quarter of 2016, an increase of 27.3% per share compared to \$8.5 million, or \$0.22 per share, for the second quarter of 2015. The increases in FFO and Core FFO were primarily the result of \$8.0 million of incremental NOI from 73 self storage properties acquired between July 1, 2015 and June 30, 2016 and same store NOI growth of \$2.1 million, partially offset by a \$3.0 million increase in distributions to subordinated performance unitholders and a \$1.0 million increase in interest expense.
- Same store revenues were \$31.8 million for the second quarter of 2016, an increase of 8.5% compared to \$29.3 million for the second quarter of 2015.
- Same store NOI was \$21.6 million for the second quarter of 2016, an increase of 10.8% compared to \$19.5 million for the second quarter of 2015.
- Acquired 25 self storage properties during the second quarter of 2016 for approximately \$199 million. These second quarter acquisitions encompass approximately 1.9 million rentable square feet configured in over 19,000 storage units. These acquisitions included a portfolio of 14 self storage properties from parties related to Hide-Away Storage Services, Inc. (“Hide-Away”) of Sarasota, Florida, culminating in the addition of Hide-Away as the Company’s seventh PRO.

AMERCO (NYSE: UHAL)

- Net earnings available to common shareholders for its first quarter ended June 30, 2016, of \$147.2 million, or \$7.51 per share, compared with net earnings of \$171.3 million, or \$8.74 per share, for the same period last year.
- Self-storage revenues increased \$10.5 million, or 18.4% for the first quarter of fiscal 2017 compared with the first quarter of fiscal 2016.
- The average monthly amount of occupied square feet increased by 14.2% during the first quarter of fiscal 2017 compared with the same period last year.
- The growth in revenues and square feet rented comes from a combination of improved occupancy at existing locations as well as the addition of new facilities to the portfolio.
- Over the last twelve months we have added approximately 4.2 million net rentable square feet to the self-storage portfolio with approximately 1.0 million of that coming on during the first quarter ending on June 30, 2016.

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Financing Update



Second Quarter 2016 was bullish for long term interest rates. CMBS bounced back from a slow start to the year as interest rates rallied to the mid 4% range with CMBS lenders aggressively seeking new opportunities. Banks and credit unions followed suit getting more aggressive with structure offering longer terms and non-recourse options for some clients. The CMBS market ended the quarter with stabilized rates a trend that has continued into third quarter. It seems we may be approaching a relative steadying of that lending segment which has been important for storage owners looking for non-recourse, long-term fixed rate loans.

From the equity markets, institutional money continued to flood the self storage market both from established players and new entrants. Developers currently have a number of attractive options for raising equity with some players willing to fund all of the required equity for attractive projects.

What does all this activity mean for storage owners looking for funding? If you are in need of financing now is a good time to be in the market. CMBS rates remain in the low to mid-4% range with alternative long-term loan products in the following suit. Bank and credit union rates range as low as high 3.0% to the mid-4.0% range for fixed rate 5-year loans. Some recent regulation has started to affect banks cost of capital and we expect bank rates to rise through the end the year while they get more conservative with new relationships.

SECOND QUARTER INTEREST RATE INDEX REPORT

Long-term interest rates fall throughout the first quarter. The 10-year Treasury Rate started the quarter at 1.79% with a high water mark of 1.94% and closed near the low point at 1.49%. The first quarter was relative stable with a variance of 45 basis points (0.45%).



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Managing Partner Letter



As we are continually reviewing the economic climate and self-storage market, we want to provide you with some high level economic indicators to help you make decisions for your business.

When in an election year, there are always a lot of political connotations to the economic news and data that is released. Depending on who you talk to, the economy is either booming or on the cusp of failure. I feel it is key to critically read, listen, or watch each economic report on both sides of the political fence. Because regardless of whom you vote for, you have to continue to make sound economic decisions for your business by understanding all the different factors involved. We have tried to provide for you a variety of economic opinions, along with simply reporting the facts and numbers, which affect our industry in this quarter's self storage REIT report to enable you to make the smartest decisions for your business.

If you would like to discuss the state of the market or how these trends influence your business plans, please contact me directly.

Regards,

A handwritten signature in black ink, appearing to read 'JJC', with a long horizontal stroke extending to the right.

Jay J. Crotty
Managing Partner



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Industry News



- AUGUST 19, 2016 **[Are Dow Transports a dark signal for the economy?](#)**: *The stock market has surged to all-time highs, but many people aren't so excited. The little known transportation index on the Dow has long been considered a leading economic indicator and it is currently retreating rapidly. (USA Today)*
- AUGUST 18, 2016 **[Life Storage makes NYSE debut](#)**: *Sovran Self Storage officially became Life Storage this week, and its executives celebrated by ringing the closing bell of the New York Stock Exchange on Tuesday. The company goes from stock-ticker SSS to LSI. (Sparefoot)*
- AUGUST 15, 2016 **[Barrack Says U.S. Real Estate Market Is Getting 'Bubblicious'](#)**: *Tom Barrack is concerned about the number of amateurs putting money into the real estate market. The one part of the market he is still bullish on though is self storage properties. (Bloomberg)*
- AUGUST 1, 2016 **[Self-Storage Cap Rate Compression Slows, but Sector Popularity Continues](#)**: *Cap rates have gone down 275 basis points in recent years, according to a study, but at the end of the first quarter the cap rate compression slowed down to only a 4 basis point change. (National Real Estate Investor)*
- JULY 29, 2016 **[New supply impacts Public Storage performance in some markets](#)**: *Even Public Storage isn't immune to new facilities coming online near them. This quarter both the Houston and Denver markets saw revenues and occupancy decline which was attributed to the amount of new supply coming online in those areas. (Sparefoot)*
- JULY 2, 2016 **[GOLDMAN: We're entering 'the late stages' of this cycle](#)**: *Several signs point to the end of this credit cycle, possibly within a 12-month timeframe, according to Michael Swell, cohead of global portfolio management at Goldman Sachs. (Business Insider)*
- JUNE 27, 2016 **[After the Brexit Vote: What Lies Ahead for Markets?](#)**: *Markets reeled in the aftermath of the British vote on June 23 to leave the European Union, a development commonly known as the "Brexit." Based on historical market shocks, there are economic indicators that will show that the impact is starting to lift. (Schwab)*
- JUNE 26, 2016 **[Here's the only stat you need to be bullish on the US economy](#)**: *Late last week, the Census Bureau put out its latest population estimates with this data driving home the increasing reality that the US economy is on cusp of a millennial powered-boom. (Business Insider)*



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