

SKYVIEW ADVISORS

3Q2020 SELF-STORAGE INDUSTRY REPORT

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QUARTER HIGHLIGHTS

CUBESMART

- Same-store (SS) revenue grew by 10 basis points (bps) year-over-year (y/y), driven by SS rental revenue growth of 30 bps.
- SS NOI fell by 1.6% y/y, as SS expenses rose 4.2% y/y.
- Same-store occupancy averaged 94.4% (+140 bps y/y) and ended the quarter at 94.3% (+30 bps y/y).
- 3Q20 core FFO per share was \$0.44, the same as 3Q19, and \$0.02 ahead of estimates.

EXTRA SPACE

- Same-store (SS) revenue decreased by 1.5% y/y, with SS rental revenue declining 30 bps y/y.
- SS NOI fell by 2.7% y/y, as SS expenses grew 1.5% y/y.
- 3Q20 same-store occupancy averaged 95.8% and ended October at 95.9%. However, October 31st occupancy is inflated by nearly 20 bps due to delayed auctions of delinquent units.
- Achieved core FFO per share of \$1.31 per share (+5.6% y/y), as tenant delinquencies returned to pre-COVID levels.

LIFE STORAGE

- Both SS revenue and SS rental income increased by 1.2% y/y.
- SS NOI grew by 40 bps y/y, despite a 2.7% gain in SS expenses, driven by higher-than-expected real estate taxes (6.4% y/y).
- Average 3Q SS occupancy grew by 230 bps y/y to 93.0% and ended October at 93.2%. However, the October figure is inflated by 40 bps due to delayed auctions of delinquent units.
- Achieved core FFO per share of \$1.52 (+4.1% y/y), four cents above consensus estimates.

NSA

- SS revenue remained flat year-over-year, despite a 40-bps decline in SS rental income.
- SS NOI increased 20 bps y/y, driven by a 40 bps drop in SS operating expenses.
- 3Q20 same-store occupancy averaged 91.1% (+1.0% y/y) and ended September at 91.9% (+2.6% y/y).
- NSA's core FFO (\$0.44/sh) growth of 10.0% y/y led the group.

PUBLIC STORAGE

- 3Q SS revenues decreased by 2.7% y/y, an improvement over 2Q20 SS revenue growth of -3.0% y/y.
- The largest drag on top-line growth was a 32% decrease in late charges & other fees due to local government moratoriums.
- SS NOI fell by 3.7% y/y, while SS expenses declined by 10 bps y/y.
- Core FFO per share was \$2.63 (-3.7% y/y), ahead of consensus estimates of \$2.59.

Sources: CubeSmart, Extra Space Storage, Life Storage, National Storage Affiliates, & Public Storage

THOUGHTS FROM THE CEOS

JOE MARGOLIS EXTRA SPACE STORAGE

CHIEF EXECUTIVE OFFICER

"The storage sector experienced a number of tailwinds in the third quarter that benefited our earnings. Demand was healthy and vacancies remained muted, resulting in strong occupancy and increased rental rates to new customers, offset by lower late fees and higher bad debt. These improved trends resulted in better than expected same-store performance, which together with contributions from our various external growth and balance sheet initiatives, resulted in solid third quarter FFO growth of 5.6%."

JOE SAFFIRE LIFE STORAGE

CHIEF EXECUTIVE OFFICER

"Our stores returned to positive top line revenue and NOI growth. We achieved record third quarter same store occupancy, up 290 basis points year-over-year at quarter end. We acquired 25 stores from two of our strategic joint venture partners and our acquisition pipeline remains robust. We added 30 stores to our third-party management platform as owners are drawn to our technology platforms and peer-leading same store performance. Our B2B platform, Warehouse Anywhere, achieved several positive customer pilot outcomes. And our balance sheet and liquidity position remain strong and support our ability to execute on our strategic initiatives."

CHRISTOPHER P. MARR CUBESMART

PRESIDENT & CHIEF EXECUTIVE OFFICER

"The last few months have showcased the strength and resilience of the entire CubeSmart platform. Performance rebounded across our portfolio, as strong demand trends drove record-high same-store occupancies in September," commented President and Chief Executive Officer Christopher P. Marr. "We also continue to effectively execute on our external growth strategy with a robust pipeline of high-quality acquisitions, including the recently announced Storage Deluxe transaction that represents the culmination of our ten-year New York City portfolio strategy."

TAMARA FISCHER NATIONAL STORAGE AFFILIATES

CHIEF EXECUTIVE OFFICER & CHAIRMAN

"The team did a great job pulling together to execute our COVID management plan, delivering year-over-year growth in Core FFO per share of 10% for the quarter. Our strong results, highlighted by growth in same store NOI and increased occupancy of 260bps year-over-year at the end of the quarter, allowed us to increase our quarterly dividend by \$0.01 per share, or 6.3% on an annualized basis. Because of the resilience demonstrated by the self storage sector, we are reinstating guidance for the remainder of 2020, and now believe that we will end the year with Core FFO per share of \$1.66 to \$1.68, with the midpoint being up 8.4% above 2019."

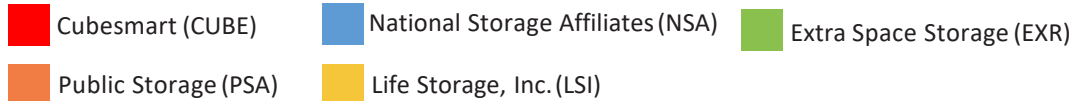
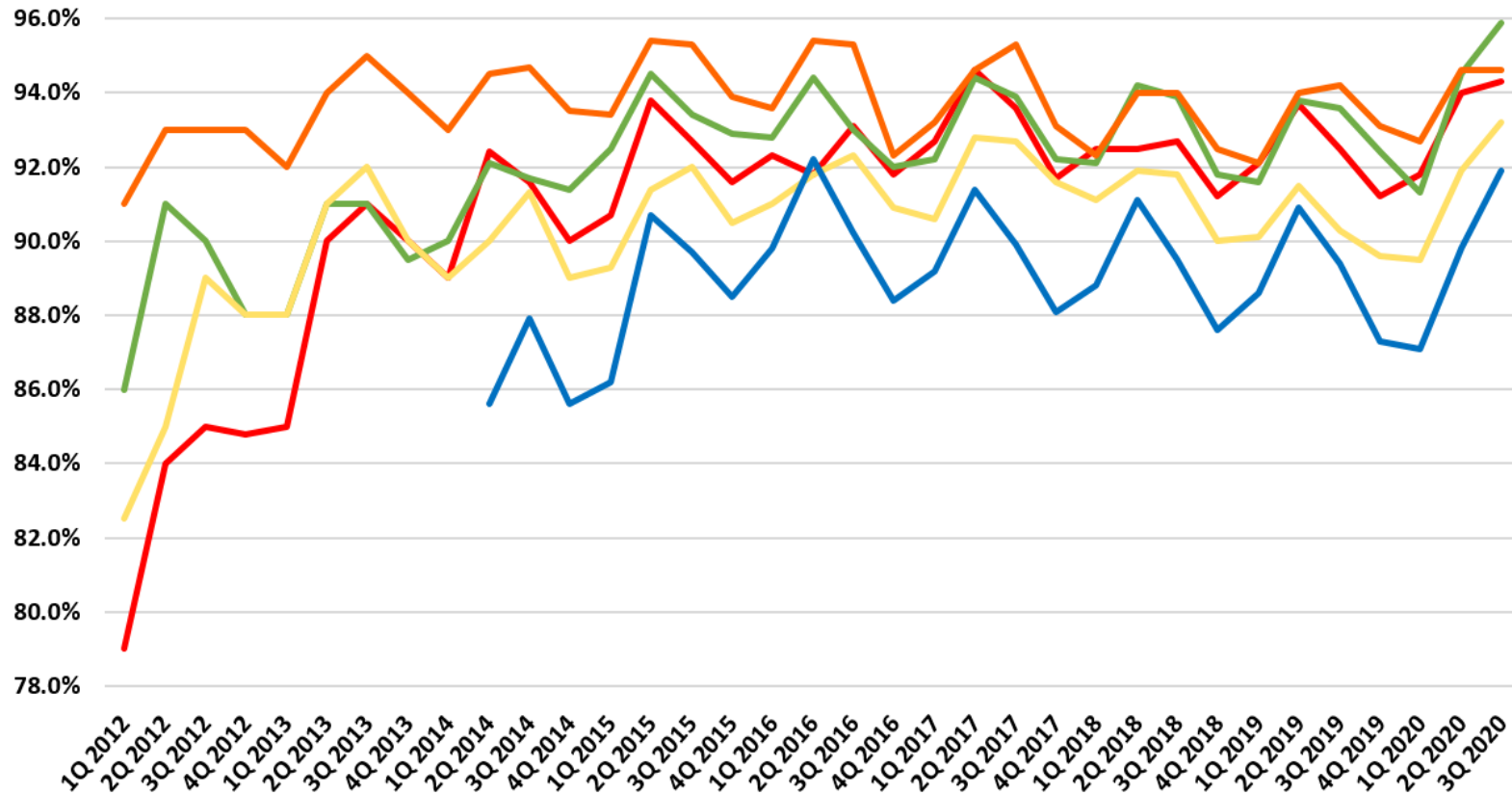
	Same-Store Facilities	Same-Store Square Feet	SS Occupancy (9.30.2020)	SS Occupancy Growth	Same-Store Revenue Growth	Stock Price (11.12.2020)	Same-Store NOI Growth	Market Cap (11.12.2020)	Market Implied Cap Rate
CUBE	477	33,300,000	94.3%	1.8%	0.1%	\$33.55	-1.6%	\$6.527 B	5.3%
EXR	863	66,331,276	95.9%	2.1%	-1.5%	\$115.58	-2.7%	\$15.961 B	4.4%
LSI	515	37,186,000	93.2%	2.9%	1.2%	\$114.15	0.4%	\$5.399 B	5.2%
PSA	2,224	143,900,000	94.6%	1.9%	-2.7%	\$231.81	-3.7%	\$40.480 B	5.5%
NSA	500	30,354,670	91.9%	2.6%	0.0%	\$35.74	0.2%	\$2.462 B	N/M

Note: Due to moratoriums on auctions of delinquent units in some markets, occupancy is inflated by 20 bps and 70 bps for EXR and LSI, respectively. The other REITs did not quantify this figure.

Same-Store Period-End Occupancy

	CUBE	EXR	LSI	PSA	NSA
3Q 2020	94.3%	95.9%	93.2%	94.6%	91.9%
Y/Y Change	1.8%	2.1%	2.9%	1.9%	2.6%

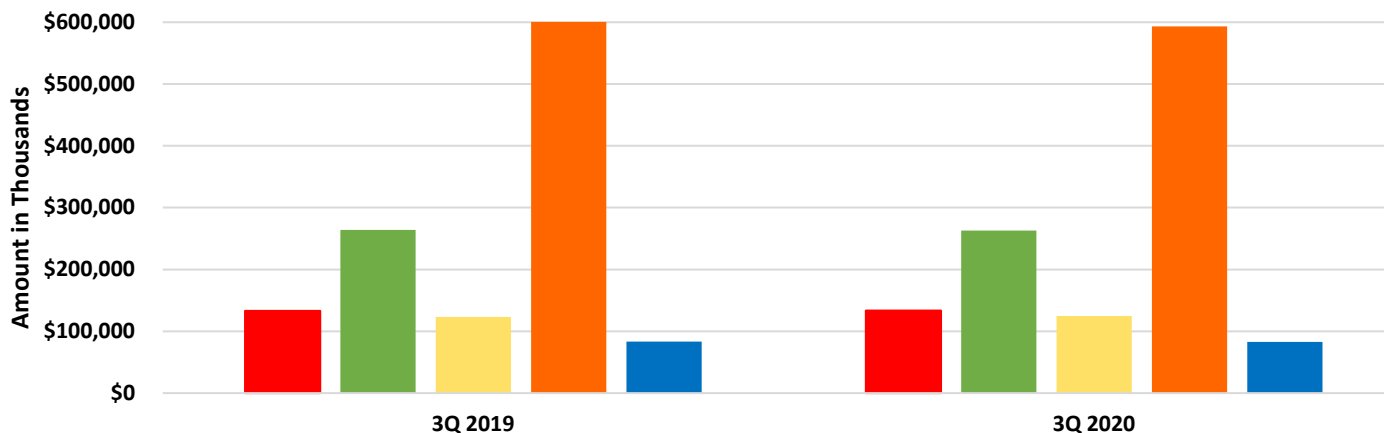
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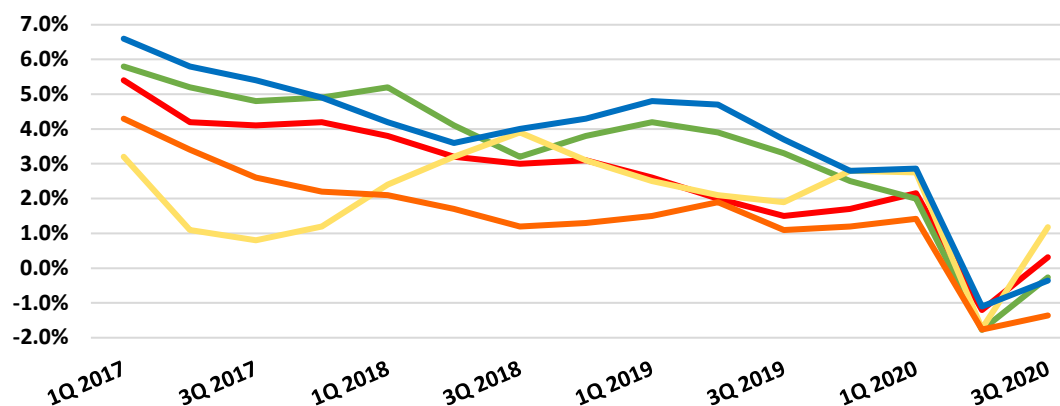
Sources: CubeSmart, Extra Space Storage, Life Storage, National Storage Affiliates, and Public Storage

Same-Store Rental Revenue

	CUBE	EXR	LSI	PSA	NSA
3Q 2019	\$133,277,000	\$263,890,000	\$123,162,000	\$601,167,000	\$83,320,000
3Q 2020	\$133,700,000	\$263,186,000	\$124,614,000	\$592,980,000	\$83,020,000
Y/Y Change	0.3%	-0.3%	1.2%	-1.4%	-0.4%



Same-Store Rental Revenue Growth

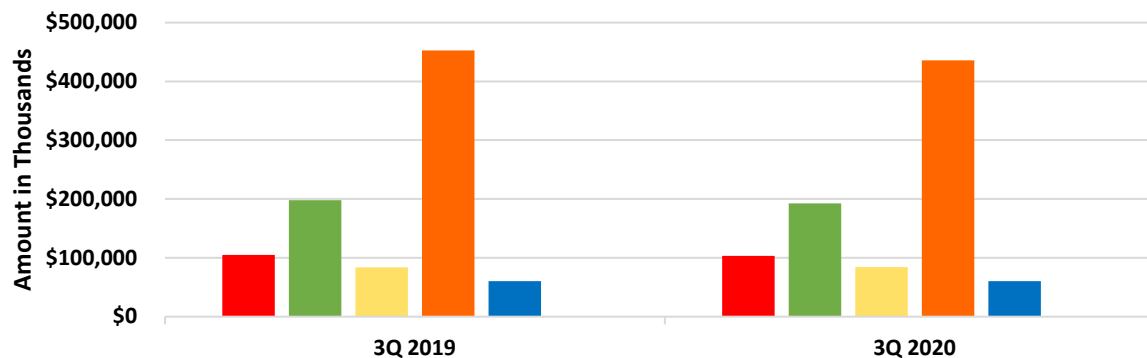


- Cubesmart (CUBE)
- National Storage Affiliates (NSA)
- Extra Space Storage (EXR)
- Public Storage (PSA)
- Life Storage, Inc. (LSI)

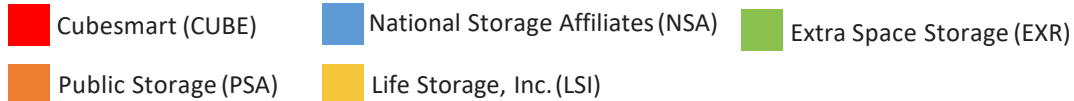
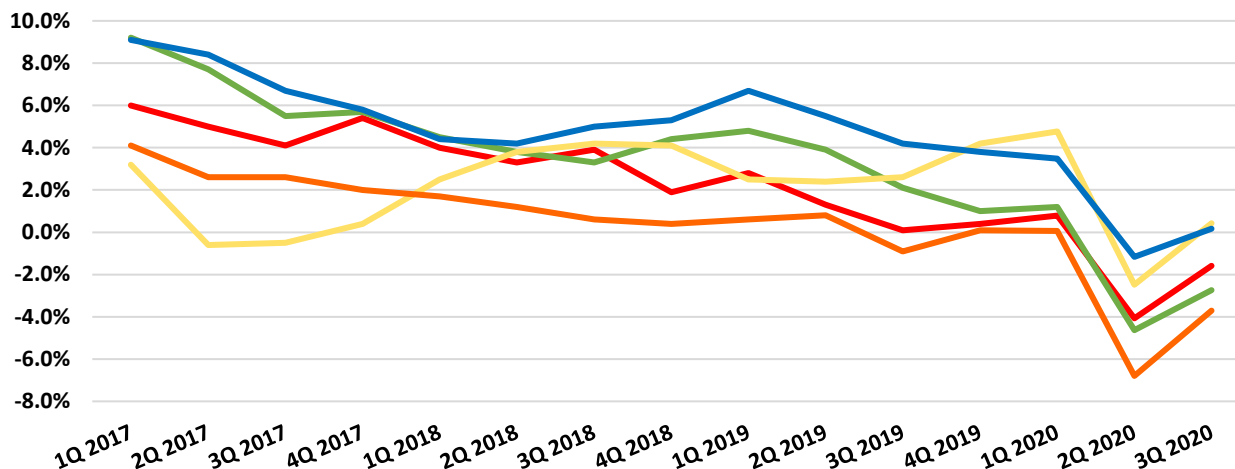
Sources: CubeSmart, Extra Space Storage, Life Storage, National Storage Affiliates, and Public Storage

Same-Store Net Operating Income

	CUBE	EXR	LSI	PSA	NSA
3Q 2019	\$104,762,000	\$197,872,000	\$83,949,000	\$452,590,000	\$60,422,000
3Q 2020	\$103,095,000	\$192,451,000	\$84,303,000	\$435,820,000	\$60,526,000
Y/Y Change	-1.6%	-2.7%	0.4%	-3.7%	0.2%



Same-Store Net Operating Income Growth



Sources: CubeSmart, Extra Space Storage, Life Storage, National Storage Affiliates, and Public Storage

REIT ACQUISITIONS & DEVELOPMENTS

CUBESMART

- No properties were acquired during the third quarter.
- Following quarter-end, CUBE entered contracts to purchase 17 properties for a total of \$644 million.
- Year-to-date, the company has fully acquired three stores for \$74.7 million.
- Through its JVs, CUBE has five properties under development for a total estimated cost of \$126.8 million at share.
- On a net basis, CUBE added 14 additional stores to its third-party management platform, bringing the total to 733 stores.

EXTRA SPACE

- During the third quarter, eight operating stores were acquired by Extra Space Storage for \$87.4 million.
- In conjunction with JV partners, EXR acquired two C of O properties for \$9.8 million at share.
- 42 stores were added to the company's third-party management platform during the third quarter.
- As of September 30, EXR managed 253 stores in JVs and 718 stores for third parties, bringing the total managed store count to 971.

LIFE STORAGE

- During the third quarter, LSI bought out its JV partner in two separate funds for \$295 million and entered into agreements to acquire three additional properties for \$38 million.
- Post-quarter, LSI also agreed to buy five more assets for \$60 million, bringing forth quarter activity to already \$100 million.
- LSI added 30 self-storage facilities to its third-party management platform during the third quarter.
- As of quarter-end, LSI had 317 stores within its third-party management platform.

NATIONAL STORAGE AFFILIATES

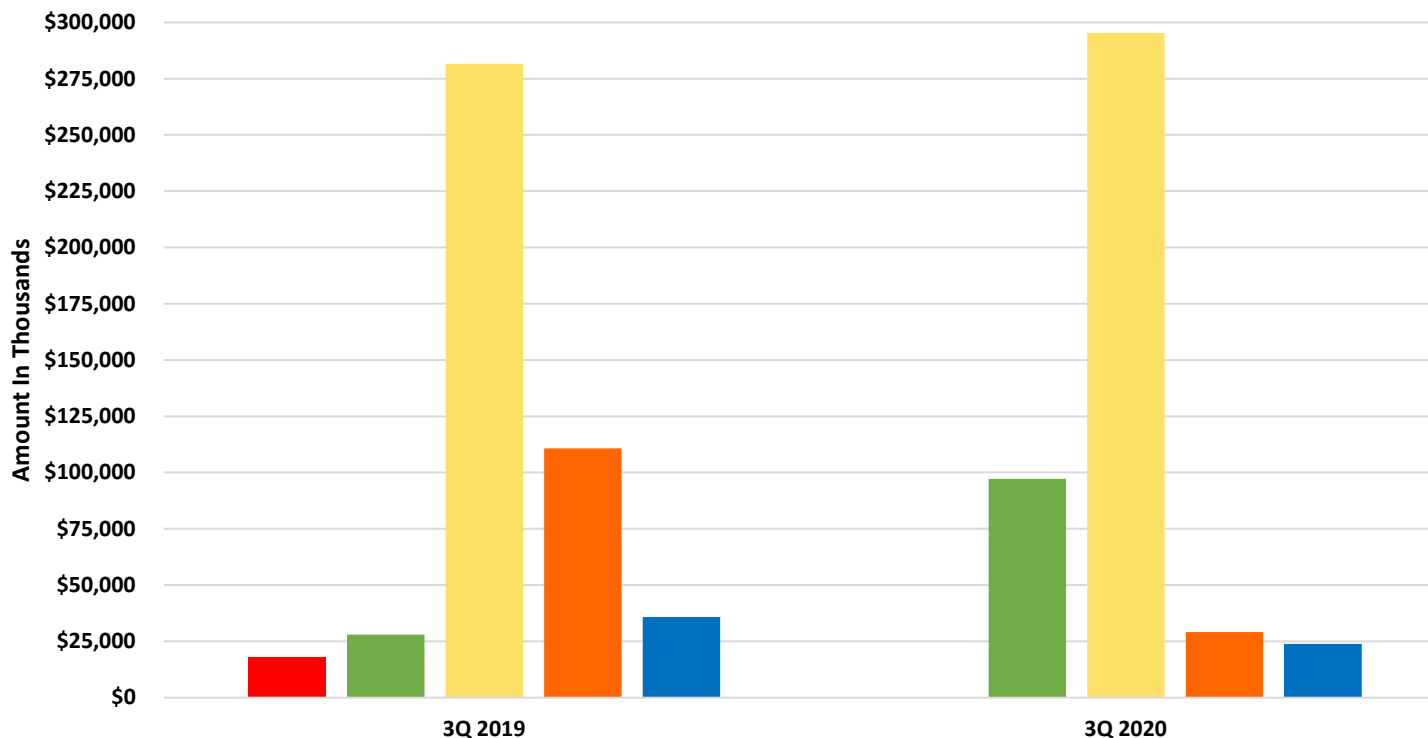
- Four wholly-owned properties were acquired for \$23.8 million.
- Two of those properties were in Colorado and the other two in Pennsylvania.
- Collectively, the four new properties equate to 251,300 net rentable square feet and ~2,100 storage units.
- Total consideration included roughly \$20.2 million in cash, \$2.6 million of subordinated performance units, the issuance of roughly \$0.8 million of OP units, and the assumption of \$0.2 million of working capital liabilities.

PUBLIC STORAGE

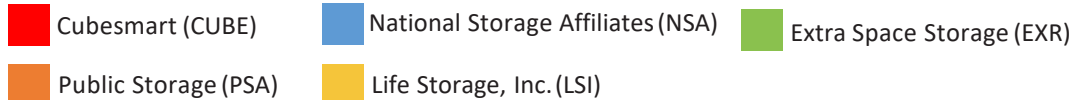
- Four properties were acquired during the third quarter for \$29.1 million.
- After September 30, PSA also bought or was under contract to buy 54 facilities for \$687 million.
- 12 of 54 of those facilities are under construction and won't be delivered until 2021.
- The remaining 42 stabilized properties will close before the year-end.
- 1.2msf of developments (\$217 million) are under-construction, and 2.5msf of expansion projects (\$347 million) are underway.

Sources: CubeSmart, Extra Space Storage, Life Storage, National Storage Affiliates, and Public Storage

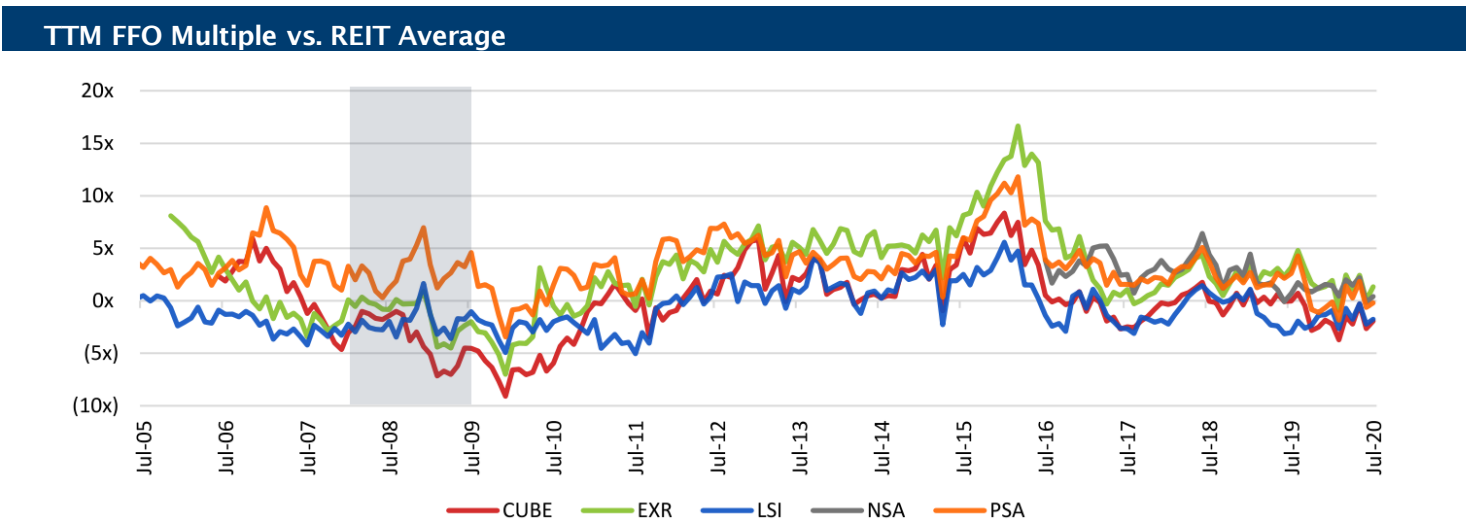
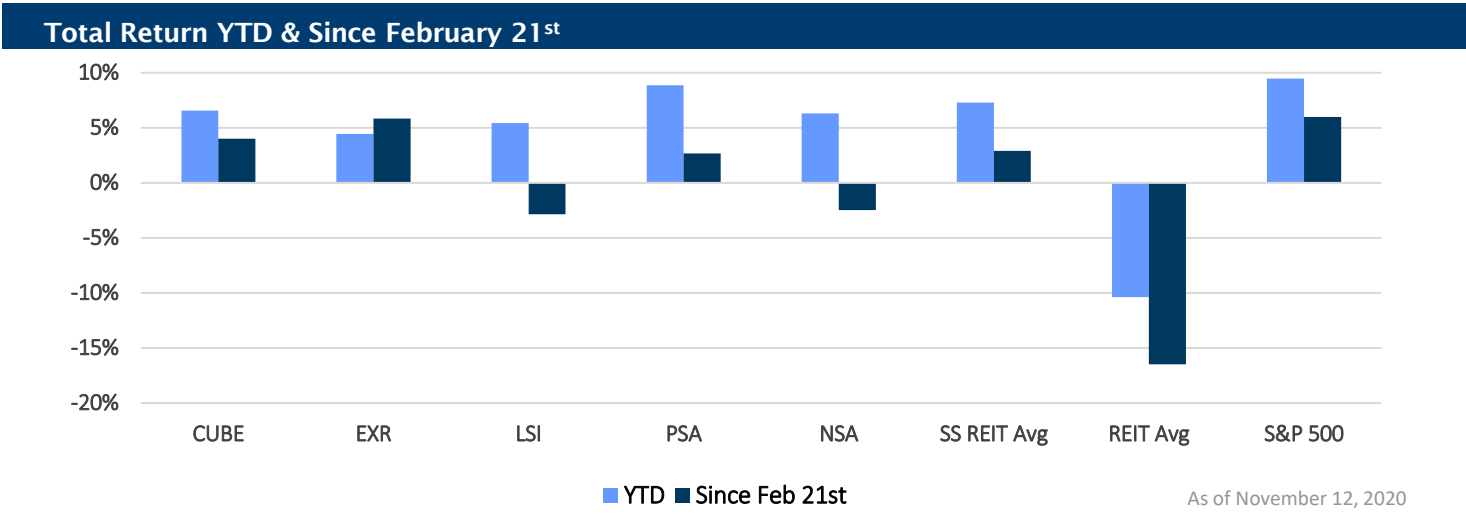
Acquisition Volume					
	CUBE	EXR	LSI	PSA	NSA
3Q 2019	\$17,900,000	\$27,903,000	\$281,700,000	\$110,700,000	\$35,771,000
3Q 2020	\$0	\$97,192,000	\$295,300,000	\$29,100,000	\$23,804,000
Y/Y Change	-100%	248%	5%	-74%	-33%



- During 3Q, total acquisition volume fell 6% y/y to \$445 million, but more than doubled from the second quarter.
- Year-to-date (YTD), acquisition volume has totaled \$1.3 billion – a 15% reduction from the same period a year before.



Sources: SVA Research, CubeSmart, Extra Space Storage, Life Storage, National Storage Affiliates, & Public Storage

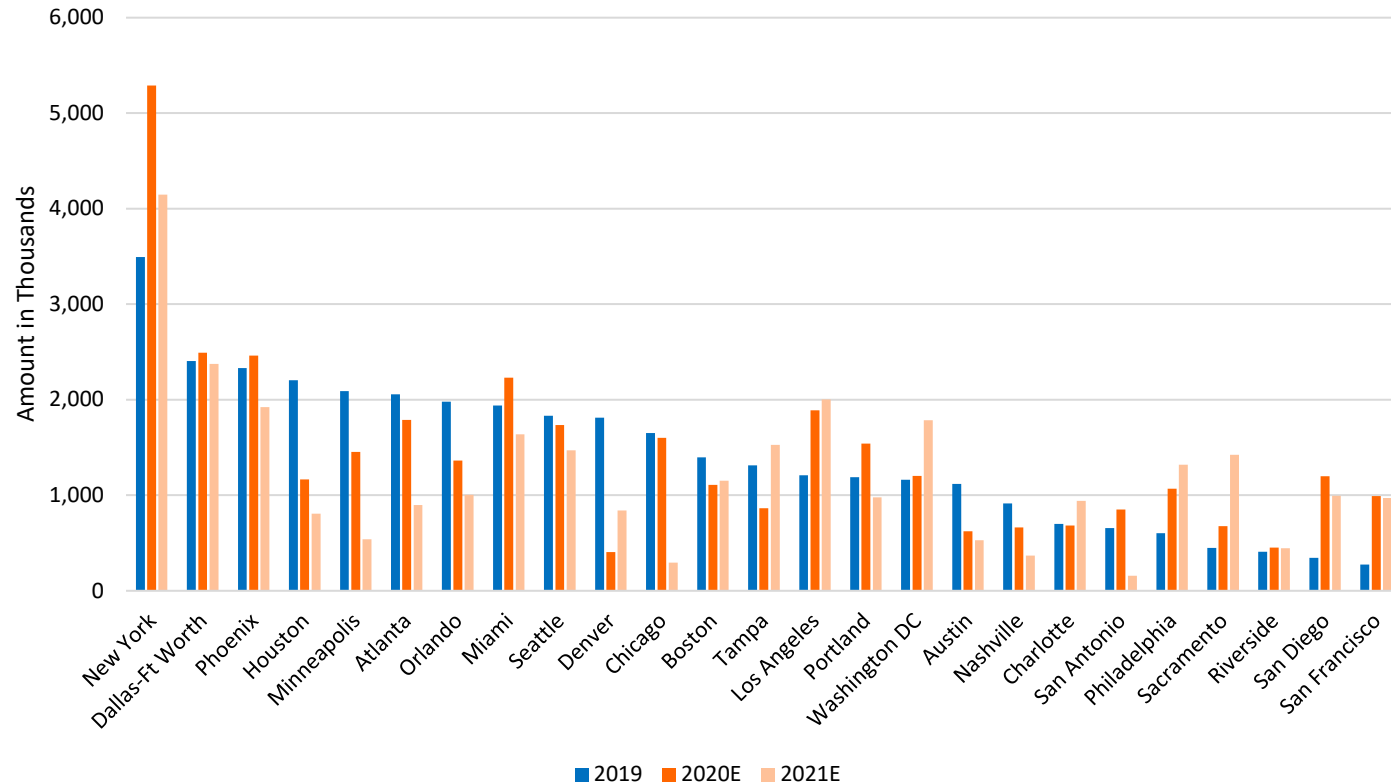


- On February 21, the S&P 500 began its COVID-induced free fall, hitting a low of ~\$2,200.
- Since February 21, the S&P 500 has rallied back up into positive territory and made new highs. REITs are still down by 16%, but Self-Storage REITs have gained 3% as a group.
- **Underperforming:** Year-to-date, EXR, and LSI are only up 4% and 5%, respectively.
- **Outperforming:** Year-to-date, PSA is up 9% in price and leads the group.

Sources: SVA Research, CubeSmart, Extra Space Storage, Life Storage, National Storage Affiliates, Public Storage, and Raymond James

PROJECTED DELIVERIES IN TOP MSAS

Historical & Estimated Annual Deliveries for Top 25 MSAs (NRSF)



- **In the top 25 MSAs**, net rentable square footage (NRSF) of new supply is on track to increase by 1% this year to 35.8 million square feet (msf) and decrease 15% in 2021 to 30.5 msf.
- **San Francisco (+263%) and San Diego (+249%)** are projected to see the largest increase in new supply for 2020.
- **Denver (-78%) and Houston (-47%)** are projected to see the largest new supply decrease this year.

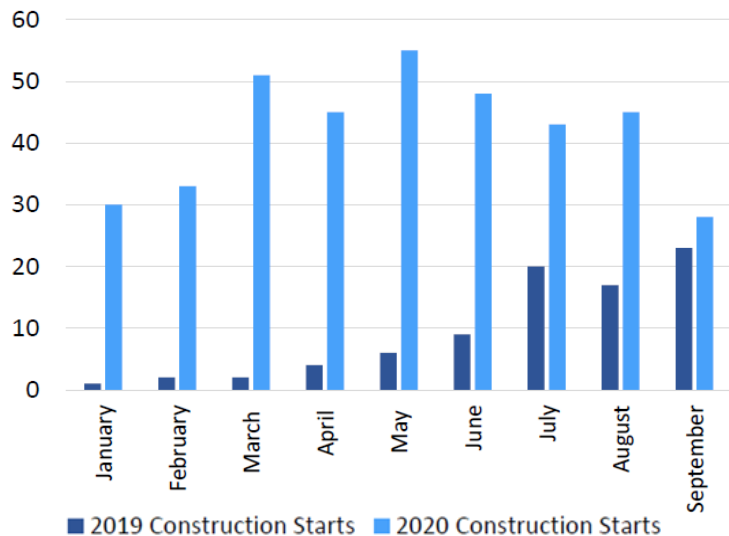
Top 15 Self-Storage Markets by Number of Facilities



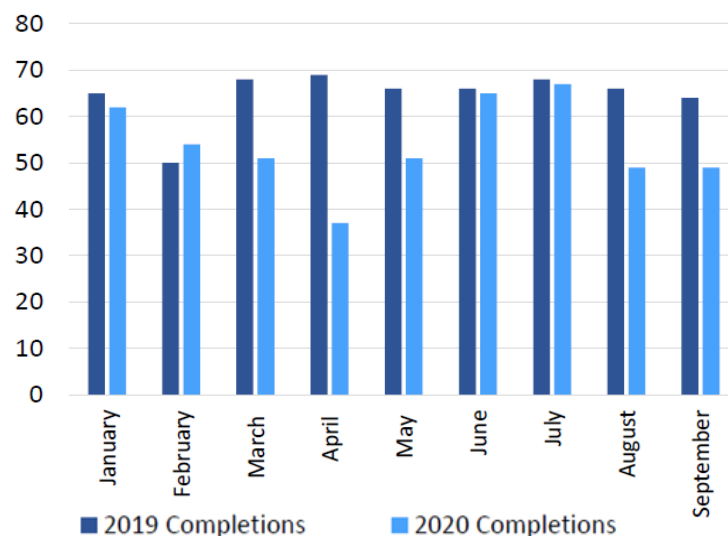
- **Top 5 self-storage markets:** 1) Dallas, 2) Houston, 3) New York City, 4) Chicago, and 5) Los Angeles
- Approximately 20% of the market is owned by the five public self-storage REITs.
- Over 75% of the tenant base comes from residential users, following population growth patterns.
- **Total number of self-storage facilities:** 55,000 to 60,000
- **Total net rentable square feet:** 1.7 billion sq ft
- **Portion of households that rent an SS-unit:** 9.4%

CONSTRUCTION STARTS & COMPLETIONS

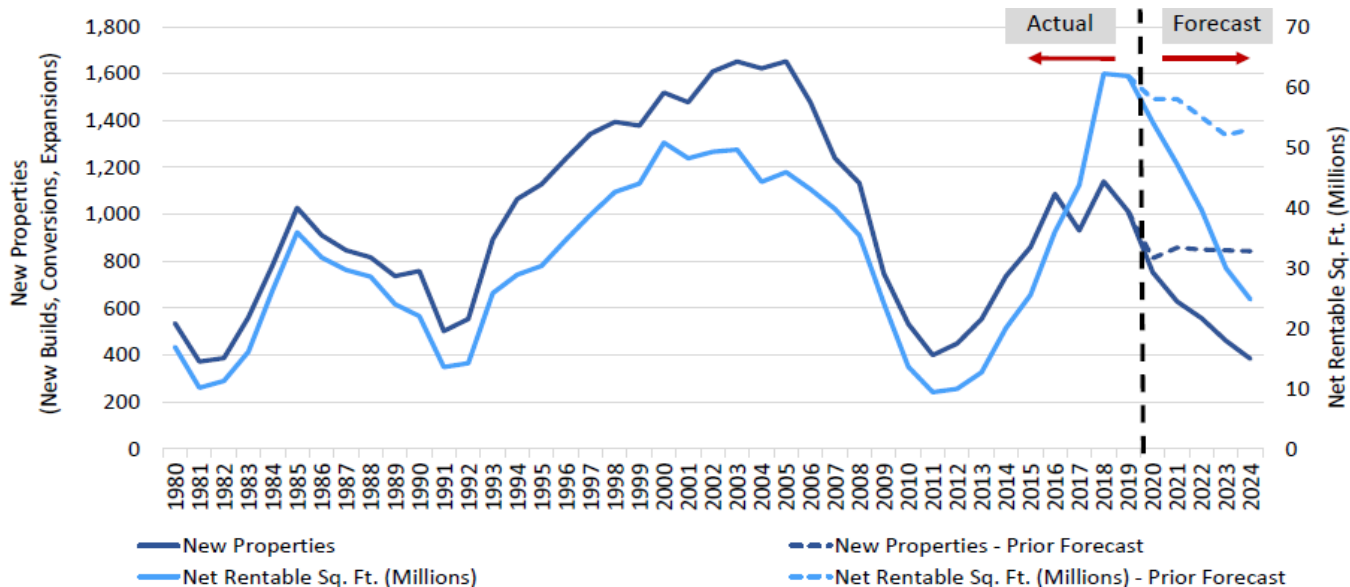
Storage Constructions Starts (January - September)



Storage Completions (January - September)

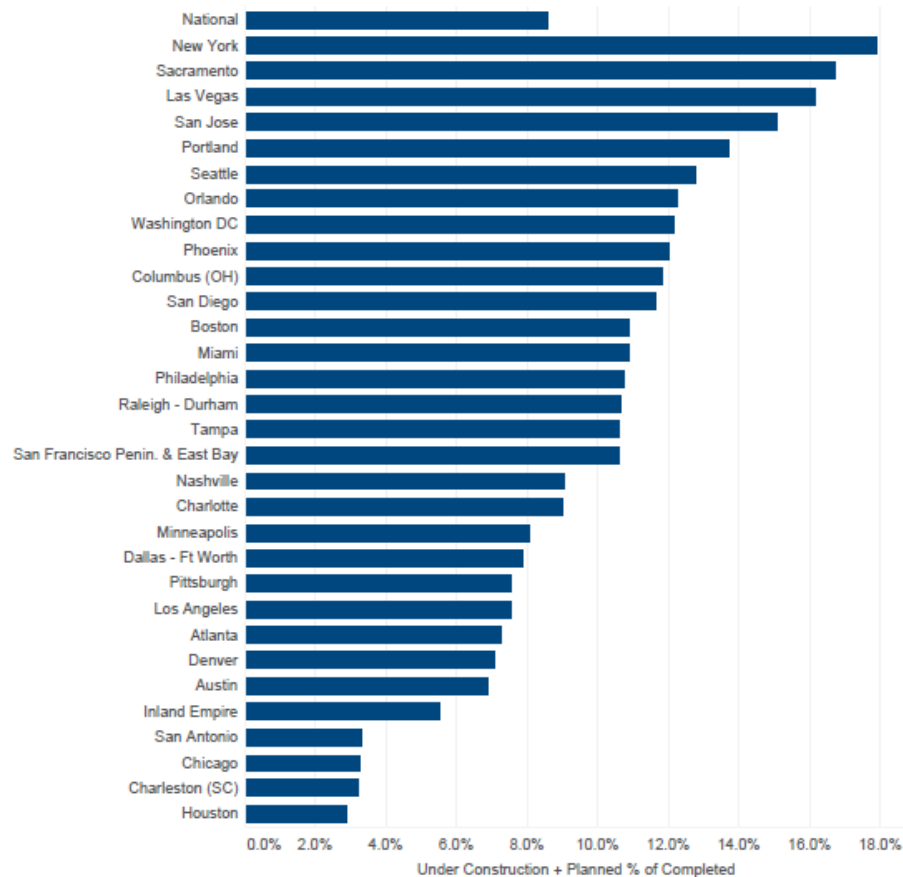


Yardi's Supply Forecast for 2020-2024



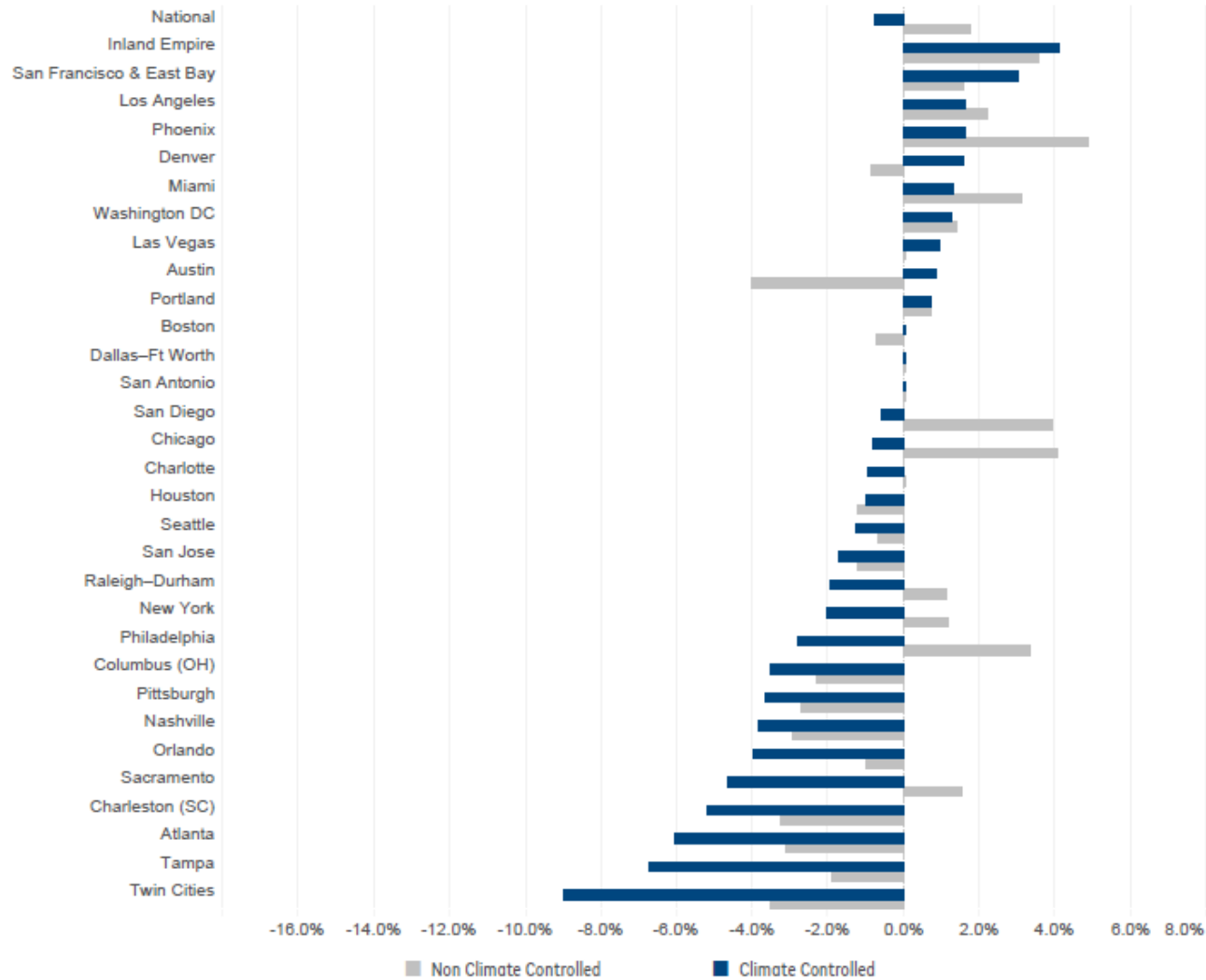
Under Construction & Planned Percent of Existing Inventory

Metro	Aug-20	Sep-20	Change
NATIONAL	8.5%	8.6%	↑
New York	18.0%	17.9%	↓
Sacramento	16.7%	16.7%	■
Las Vegas	16.0%	16.1%	↑
San Jose	15.2%	15.1%	↓
Portland	13.9%	13.7%	↓
Seattle	12.8%	12.8%	■
Orlando	12.1%	12.2%	↑
Washington DC	12.0%	12.2%	↑
Phoenix	11.9%	12.0%	↑
Columbus (OH)	11.8%	11.8%	■
San Diego	11.7%	11.6%	↓
Boston	10.9%	10.9%	■
Miami	10.9%	10.9%	■
Philadelphia	10.5%	10.7%	↑
Raleigh - Durham	10.7%	10.6%	↓
Tampa	10.6%	10.6%	■
San Francisco Penin. & East Bay	10.4%	10.6%	↑
Nashville	9.1%	9.1%	■
Charlotte	9.0%	9.0%	■
Minneapolis	8.1%	8.1%	■
Dallas - Ft Worth	7.7%	7.9%	↑
Pittsburgh	7.6%	7.6%	■
Los Angeles	7.5%	7.5%	■
Atlanta	7.2%	7.3%	↑
Denver	7.1%	7.1%	■
Austin	6.9%	6.9%	■
Inland Empire	5.3%	5.5%	↑
San Antonio	3.3%	3.3%	■
Chicago	3.3%	3.3%	■
Charleston (SC)	3.2%	3.2%	■
Houston	2.7%	2.9%	↑



- **15th consecutive month of rising supply:** Self-storage properties being planned or under construction accounted for 8.6% of existing inventory in September, rising 10 bps from August.
- **16% of the top 31 MSAs** tracked by Yardi saw a decline in new deliveries month-over-month.

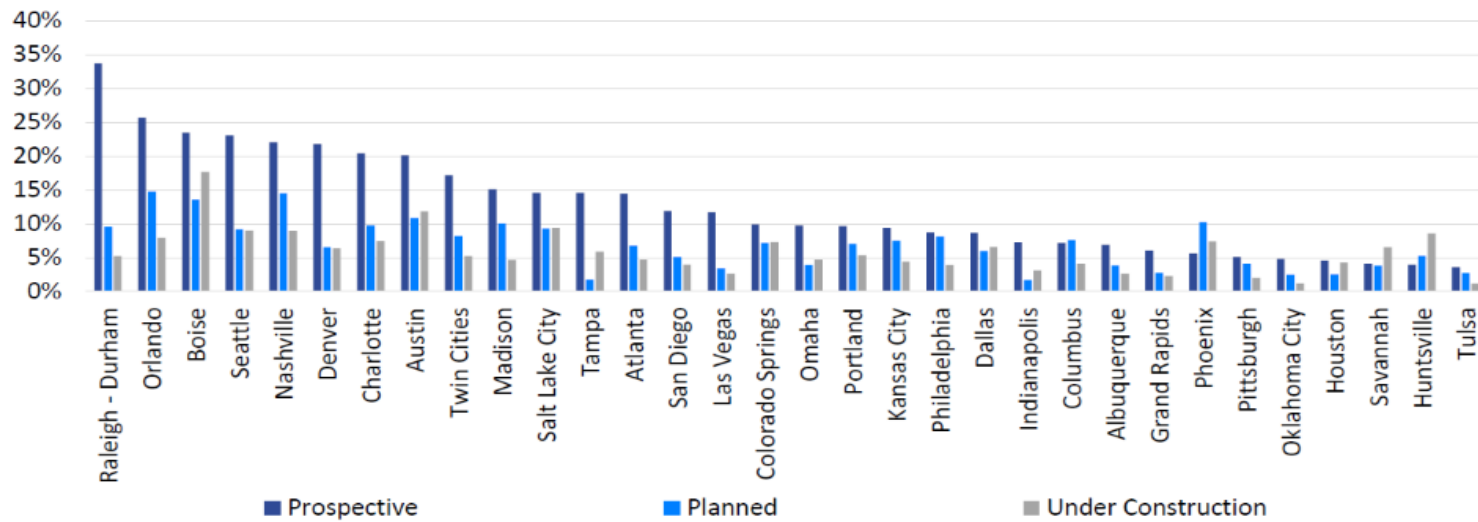
Year-over-Year Rent Change for 10' x 10' units



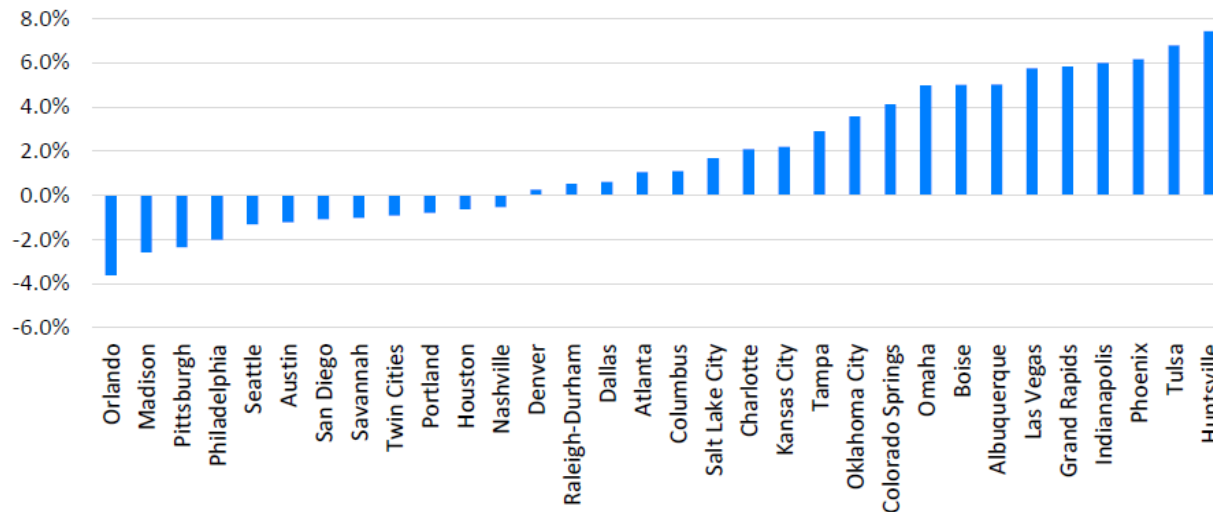
- **Street rates for 10x10 non-CC units increased 1.8% y/y** in September, while 10x10 non-climate controlled units fell 80 basis points (bps) y/y.
- The downward slide in street rates has slowed considerably since the beginning of 2020.

APARTMENT SUPPLY & RENT GROWTH

Under Construction, Planned, and Prospective Developments as a Percentage of Existing Stock

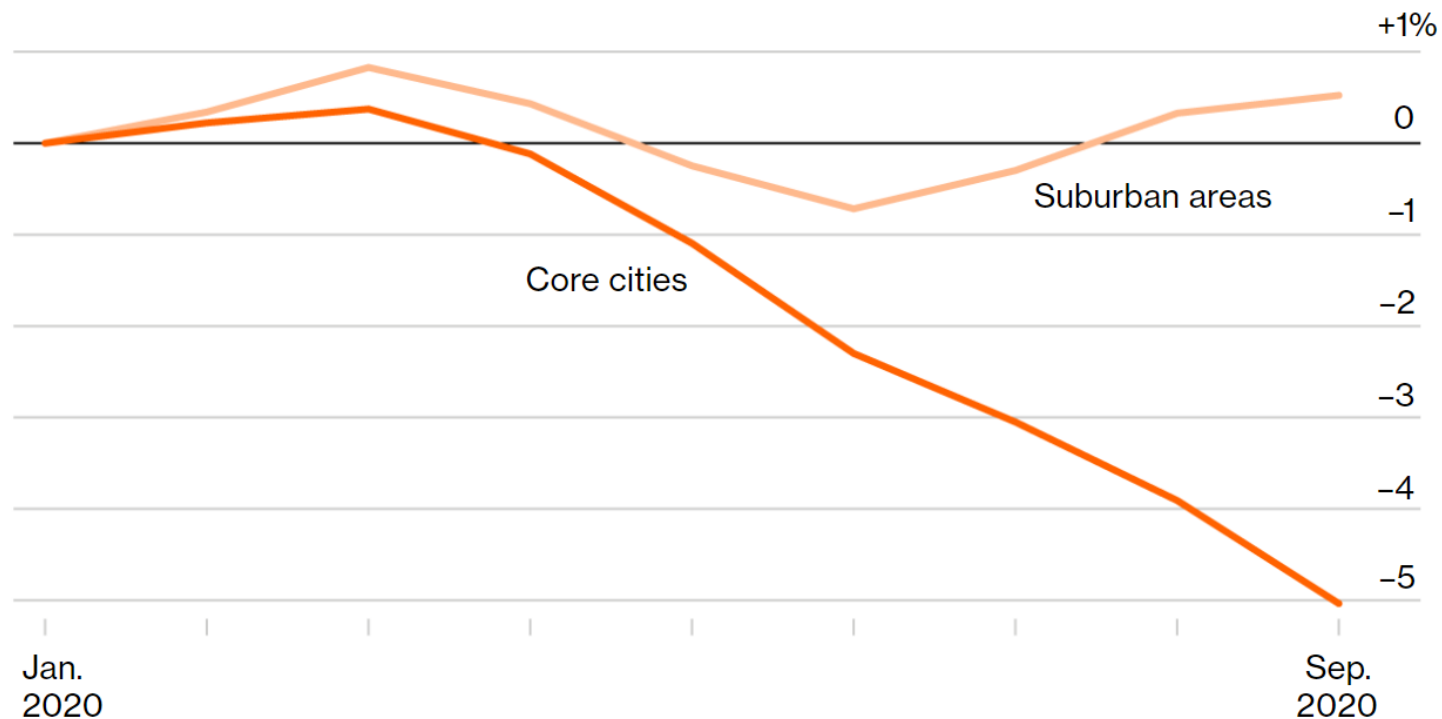


Rent Growth (September 2019 to September 2020)



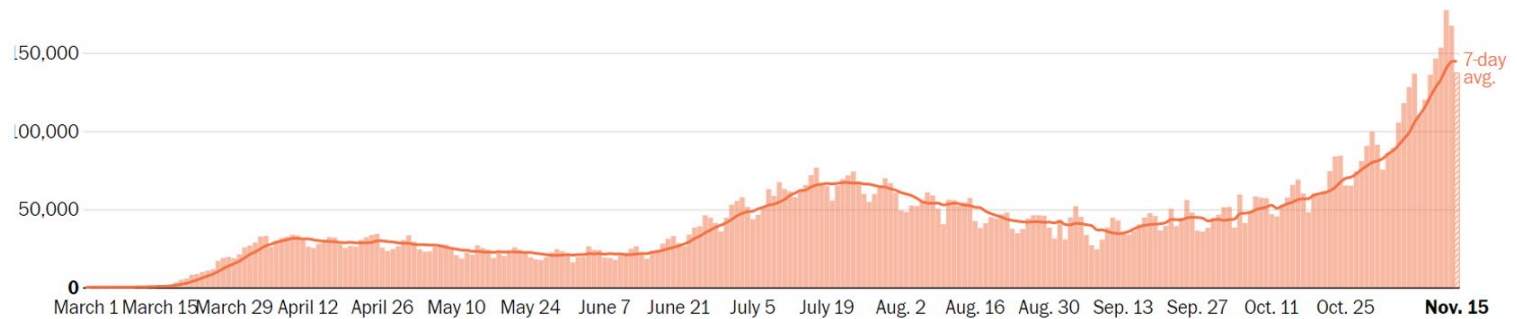
SUBURBAN RENTS OUTPACE CITY RENTS

Cumulative Apartment Rent Changes for 30 Metropolitan Areas

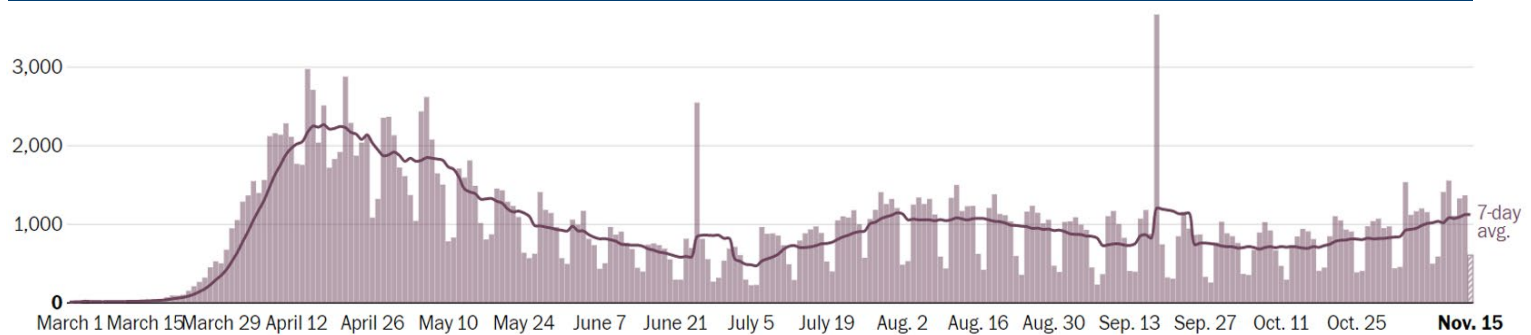


- **In 27 out of 30 major metropolitan areas**, suburban apartment rents has outpaced city rents, YTD.
- Since the start of the pandemic, high-cost neighborhoods in New York City, San Francisco, Boston, Seattle, and other major cities have seen an abrupt drop in rents, even double-digit declines for some.
- In Manhattan, the number of apartment listings have tripled, while rents have fallen to 7-year lows.
- **Mean rents in 30 core cities have declined by over 5%**, while mean rents in the suburbs of those same cities have grown by 50 basis points.

New Reported Cases per Day (As of November 15th)



New Reported Deaths per Day (As of November 15th)



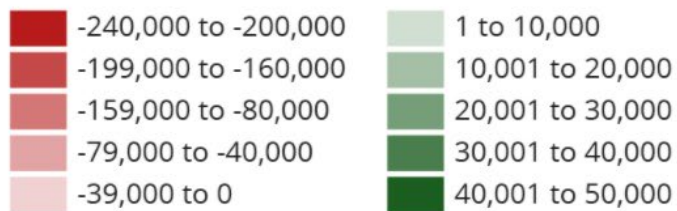
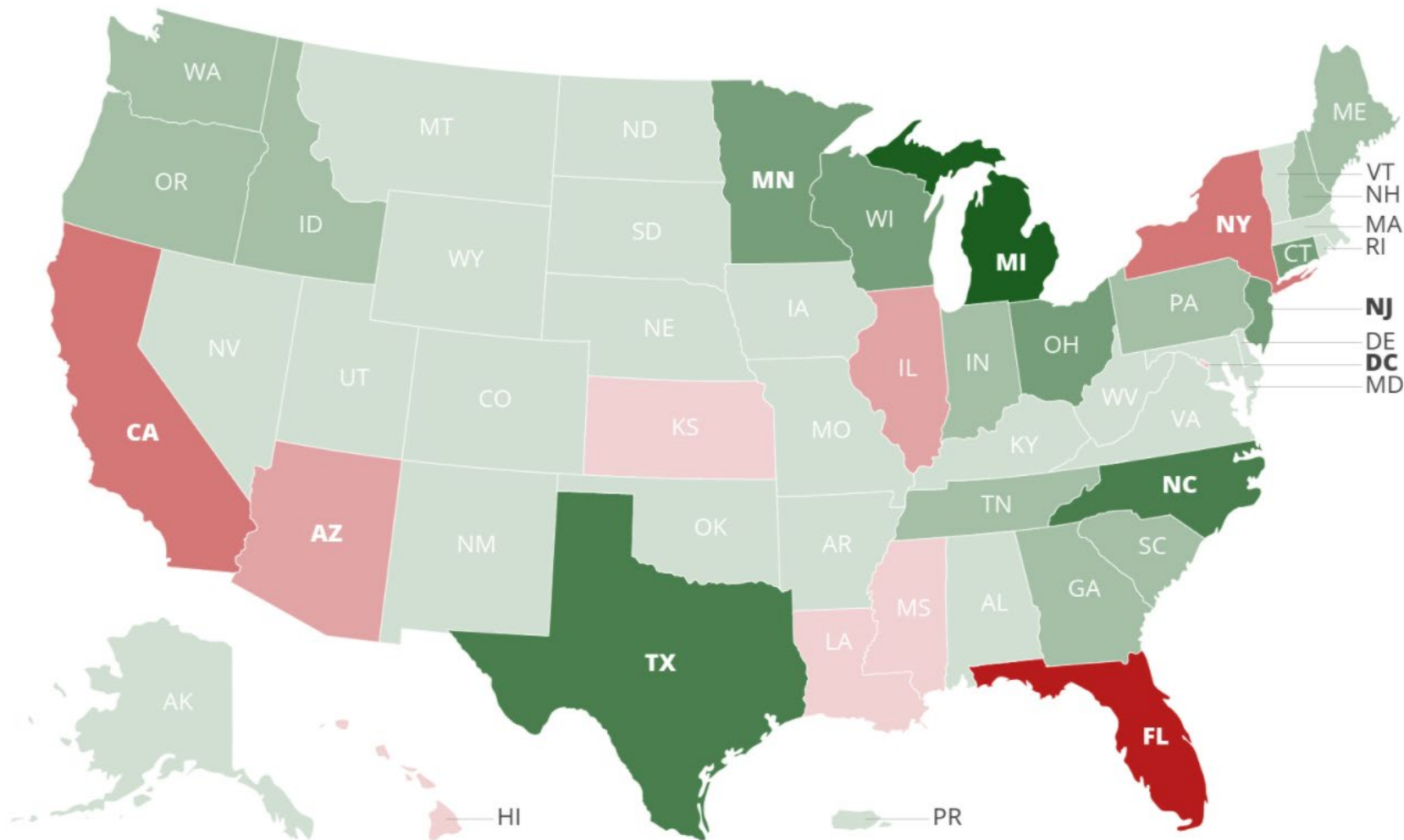
Note: As of Sept. 18, the Post has altered its methodology for reporting deaths in New York State, shifting to the confirmed death counts for Bronx, Kings, New York, Queen's, and Richmond counties as provided by New York City, while continuing to use the state's reporting for deaths in all other counties. This has resulted in a one-day spike of 3,660 deaths.

- During the first half of November, new U.S. COVID cases grew to nearly 1.9 million, a 154% gain from the same period in October.
- During the first half of November, the U.S. death toll increased by over 15,000, a 46% gain from the same period in October.
- **Globally, the U.S. leads in coronavirus cases (11.1 million) and casualties (245,000).**

PANDEMIC

MIGRATION AMID THE PANDEMIC

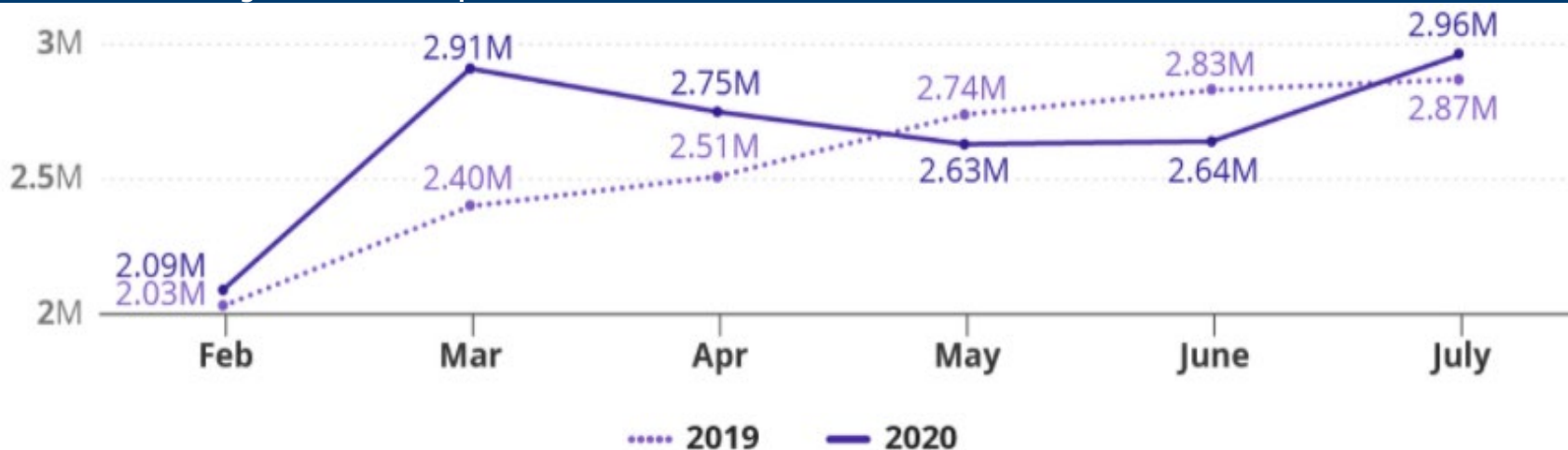
Changes in Residency During the Pandemic (February 1st - July 31st)



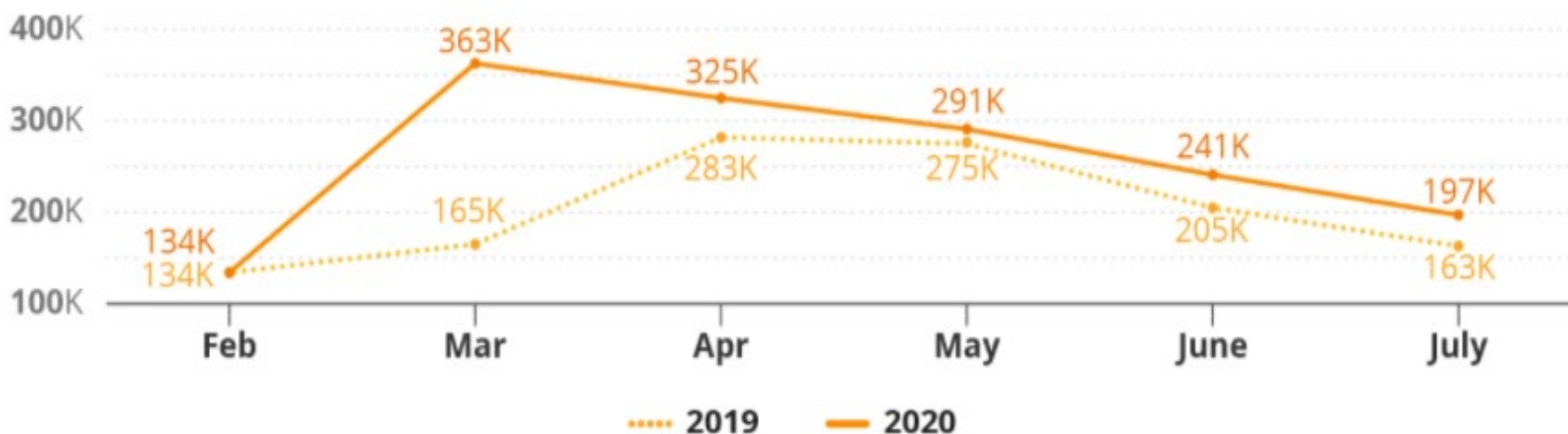
HIGHEST NET LOSS		HIGHEST NET GAIN	
FL	-235,765	MN	25,315
NY	-117,251	NJ	25,738
CA	-87,750	TX	30,603
AZ	-41,923	NC	37,971
DC	-15,638	MI	45,408

Sources: MYMOVE and United States Postal Service

Permanent Change-of-Address Requests

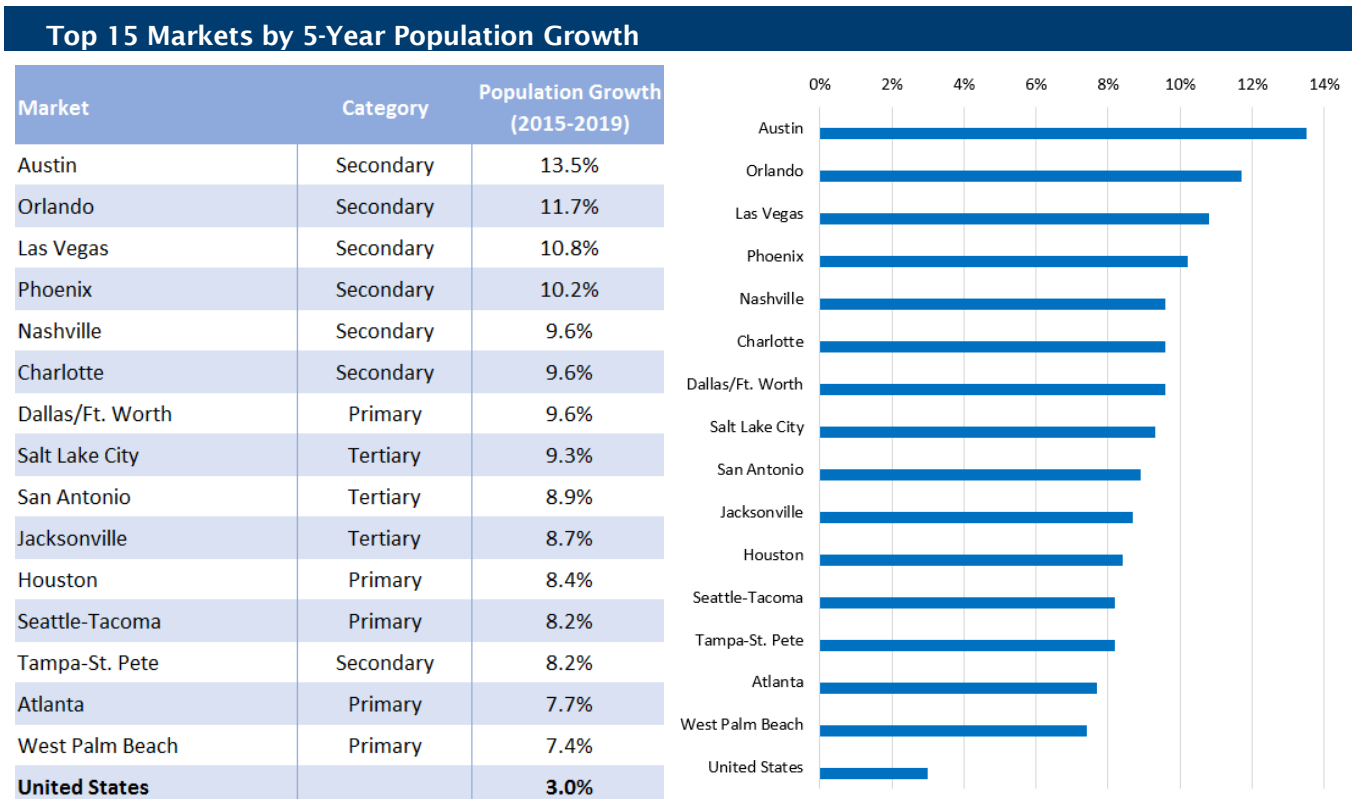


Temporary Change-Of-Address Requests

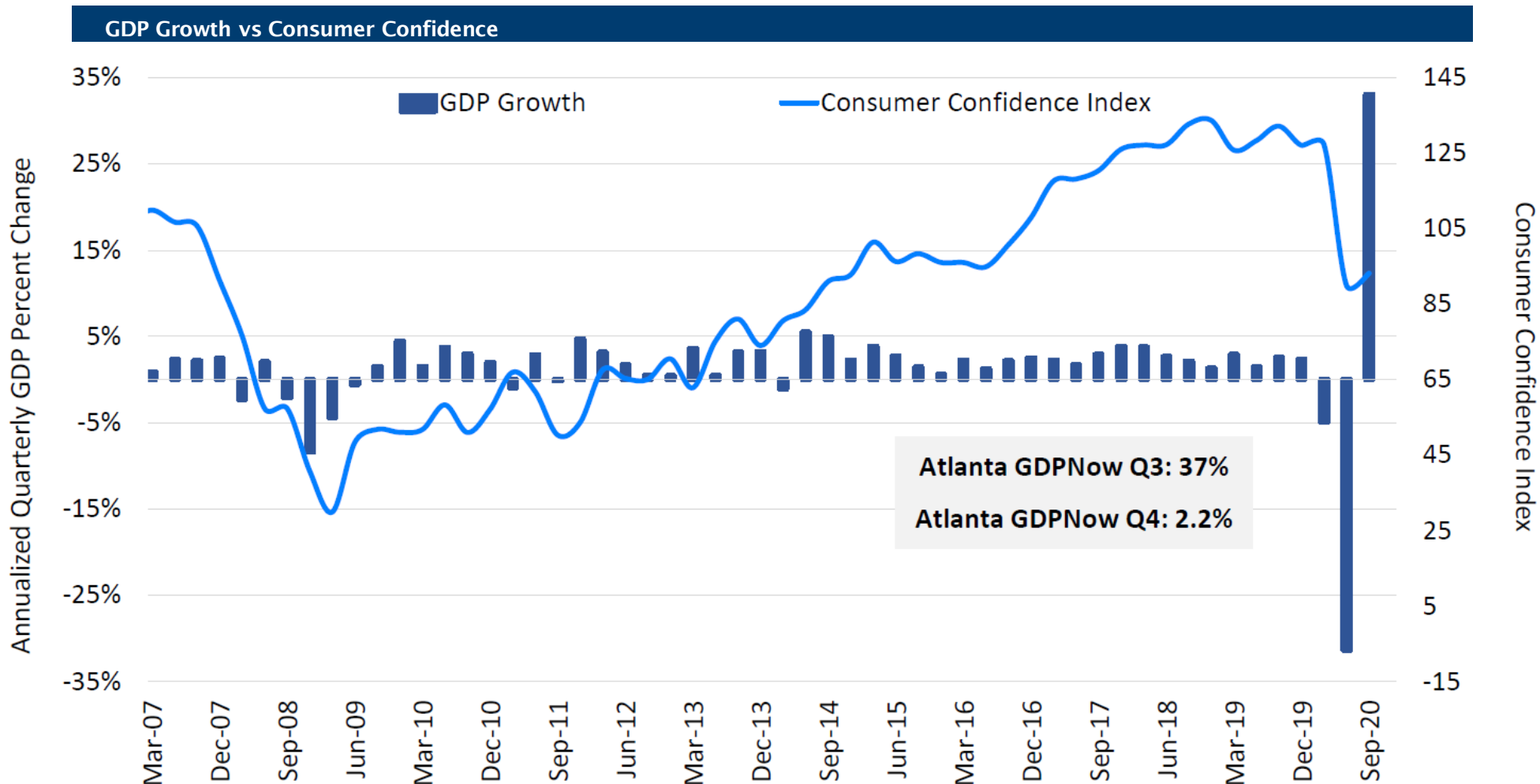


- The total number of monthly moves has been consistent throughout the pandemic, with a slight jump at the onset of COVID-19 and in July.
- Peak moving season is normally during the summer, which may explain the July increase.

POPULATION GROWTH IN TOP MARKETS

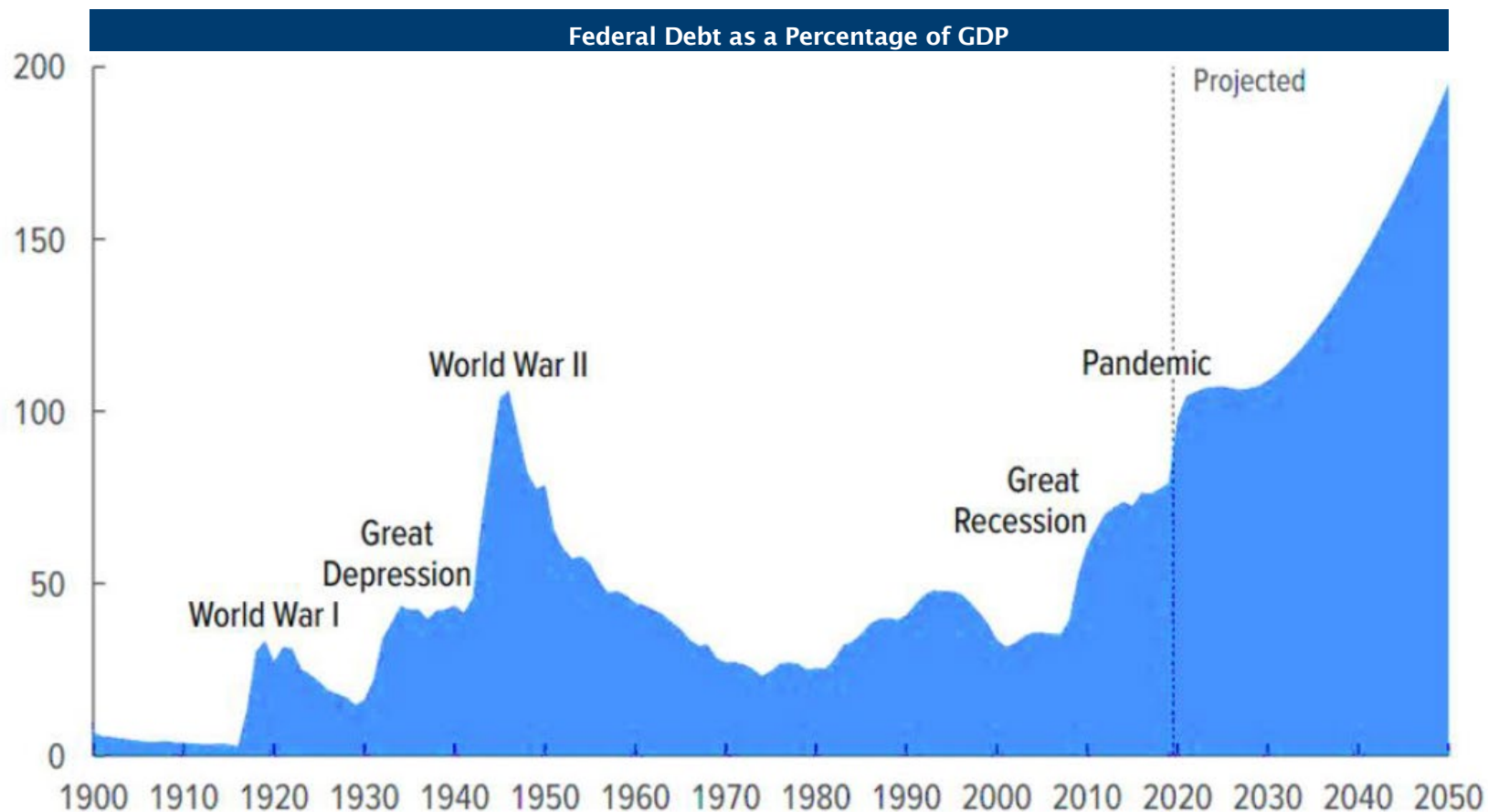


- **Non-primary markets comprise ~65% of transactions.** Since 2000, the amount of properties bought and sold in secondary and tertiary markets has increased from around a third of all trades to about two-thirds.
- **In-migration to non-primary markets has been accelerated by the pandemic,** as residents of densely packed, high-cost cities consider the lifestyle and financial advantages of relocating to smaller urban areas.
- In November, SVA closed on a 289,000+ NRSF portfolio. Here is what Senior Vice President Zack Urow said about the transaction: “Value-add deals, located in secondary and tertiary markets, with strong market fundamentals, continue to boast compressed cap rates. Buyers are targeting deals in these locations and of this profile because there have been fewer new deliveries and, in turn, rate compression in these markets.”



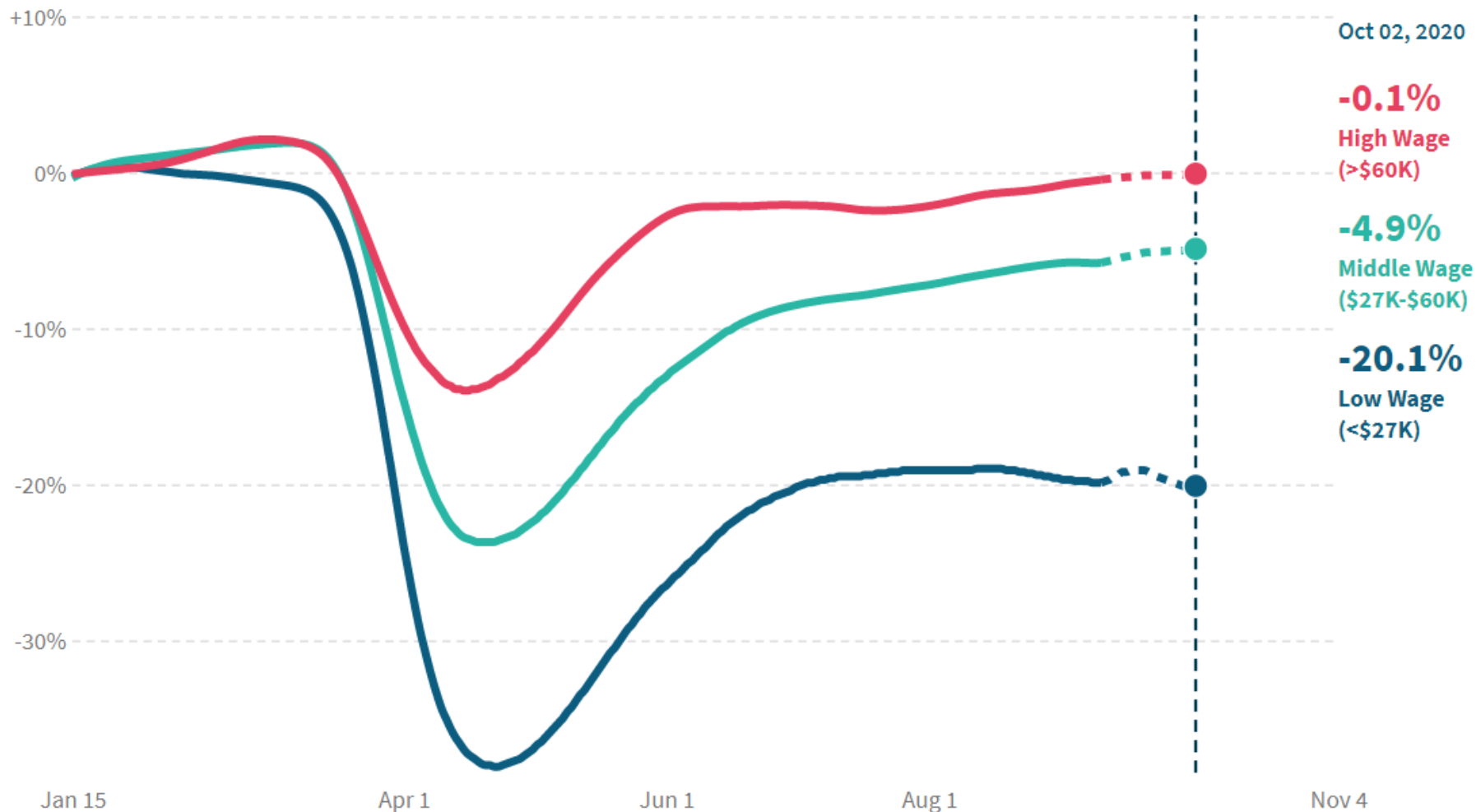
- **3Q20 real GDP increased by an annual rate of 33.1%**, a big jump from 2Q20 real GDP growth of -31.4%.
- Driven by government stimulus and pent-up consumer demand, third-quarter GDP puts the economy at around 3.5% smaller than at the end of 2019.
- With the recent increase in consumer confidence, 3Q consumer spending, which comprises over 67% of US economic output, grew at a 40.7% annual rate.

FEDERAL DEBT TO GDP PROJECTION



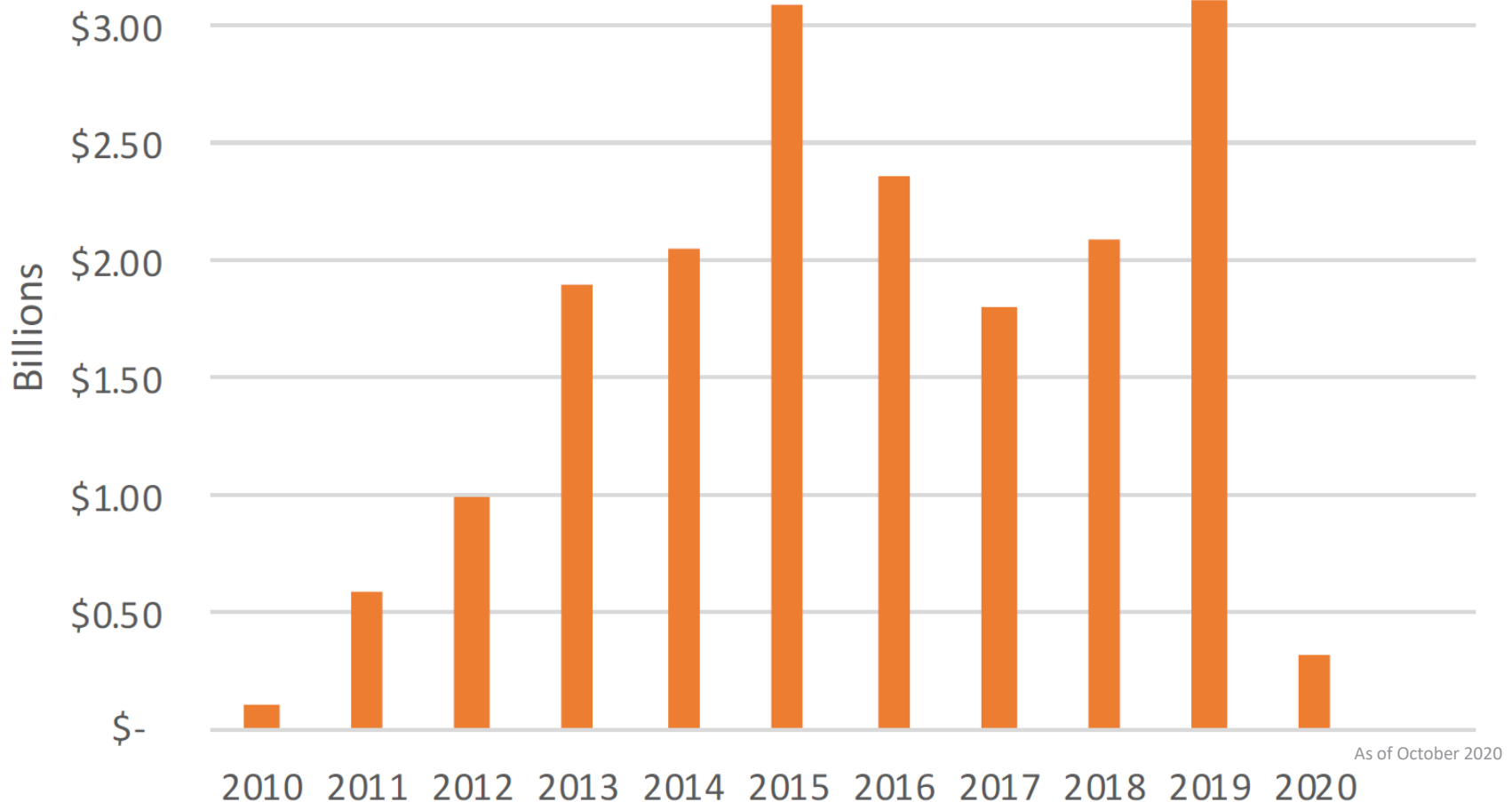
- **98% Federal Debt to GDP ratio:** The Congressional Budget Office forecasts federal debt held by the public to increase to 98% of GDP in 2020 and to 104% of GDP in 2021.
- Federal debt is estimated to rise above its historical high of 106% of GDP by 2024.
- When elevated government spending associated with COVID ceases, the increase in expenditures for Social Security benefits and major health care programs due to an aging population will continue to push the federal debt to GDP ratio higher.

Percent Change in Employment Rates since January 2020



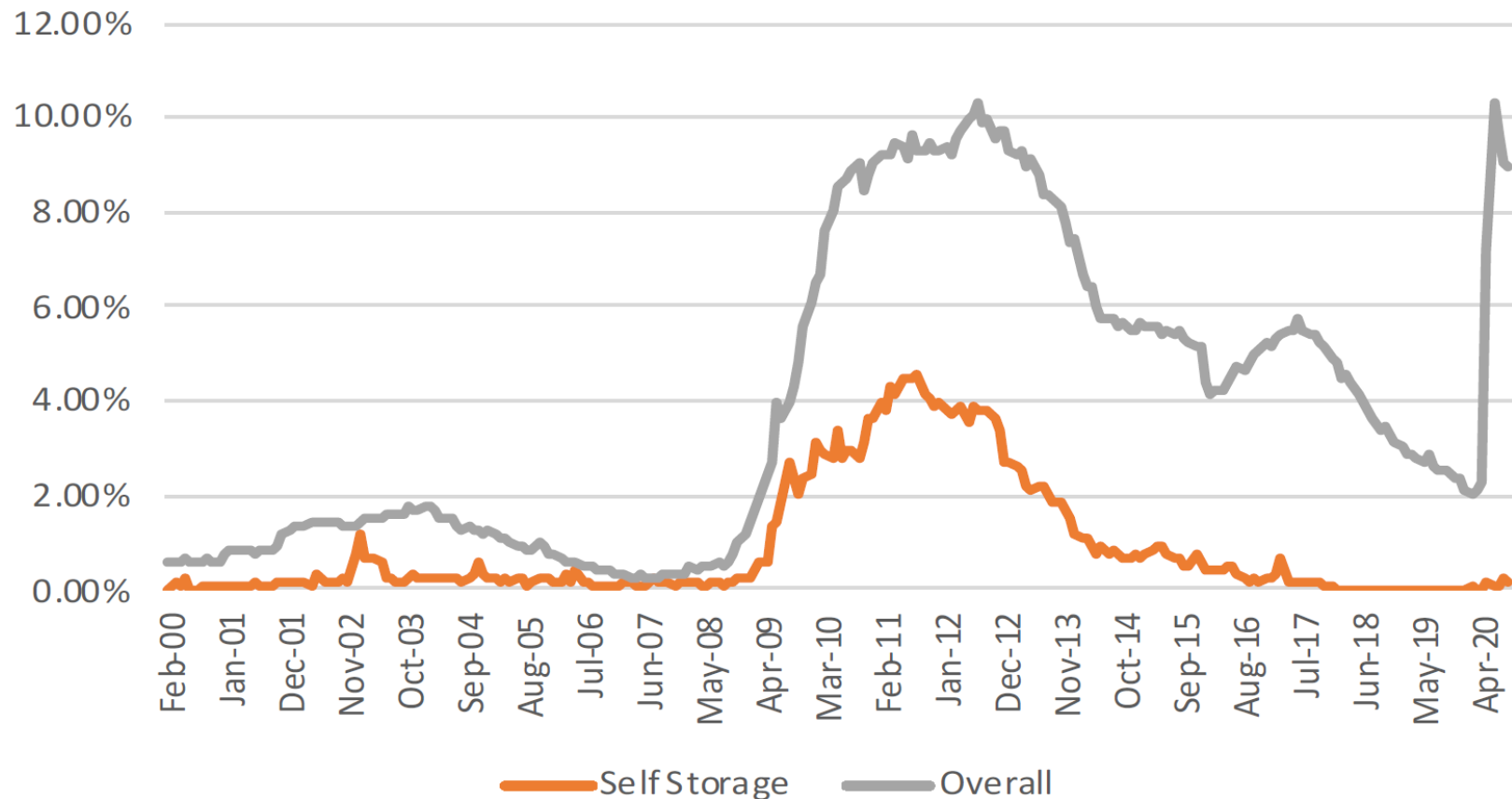
- **6.9% unemployment in October:** The unemployment rate in October was 6.9% (-100 bps improvement from September), the sixth straight monthly gain.
- **55% of the 22 million jobs lost in March and April have been recovered;** however, low-wage workers remain at 20% unemployment as of October.

CMBS Issuance (2010 – 2020 YTD)



- In synchronicity with the uptrend in construction spending, the self-storage CMBS market has seen considerably high issuance in recent years.
- **Self-storage CMBS issuance rose nearly 30-fold in 2019** from just over \$100 million in 2010.
- **In 2020, CMBS issuance dropped off abruptly due to the pandemic**, resulting in only \$322 million in CMBS issuance as of October.

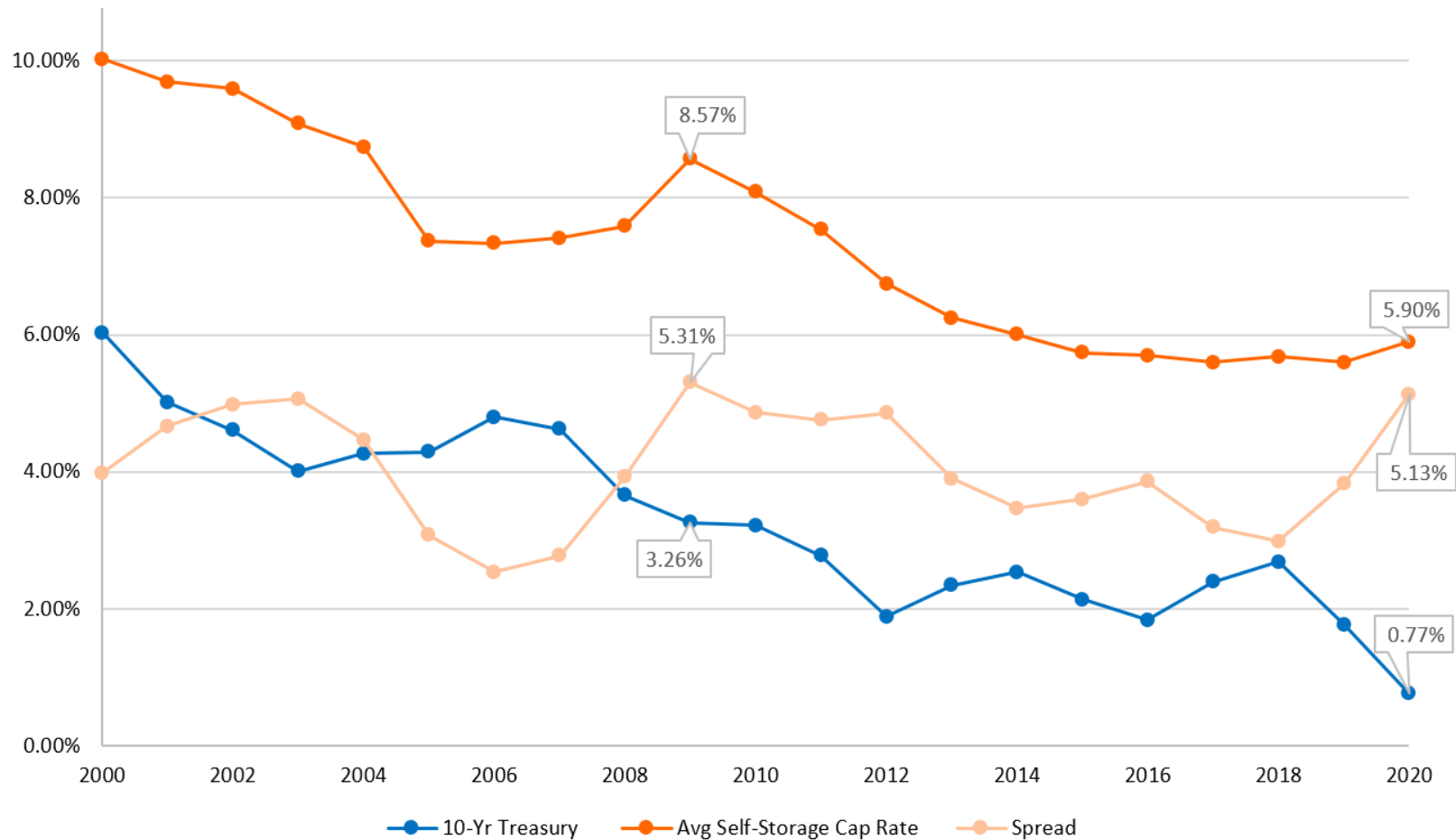
Self Storage Vs Overall CMBS Delinquency Rates



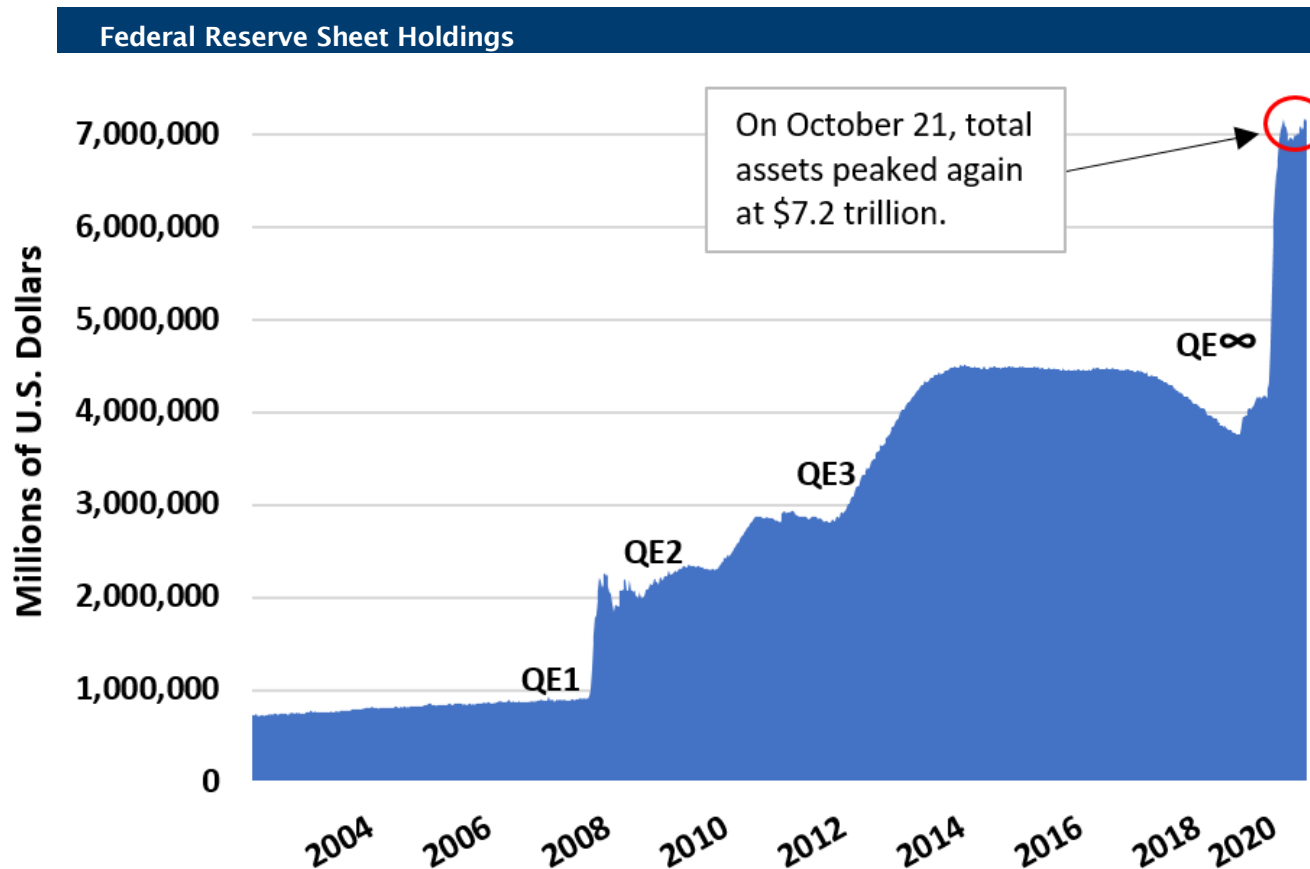
- **\$16 billion in CMBS loans (3% of the total CMBS balance)** are backed by self-storage properties across the United States.
- **The average debt service coverage ratio** across these self-storage loans was 2.11x, and the average loan-to-value was 62.9%, as of early October.
- The number of self-storage CMBS loans in delinquency was a negligible 14 basis points.

SPREAD BETWEEN CAP RATES & TREASURIES

10-Year Treasury Rates Vs Self-Storage Cap Rates

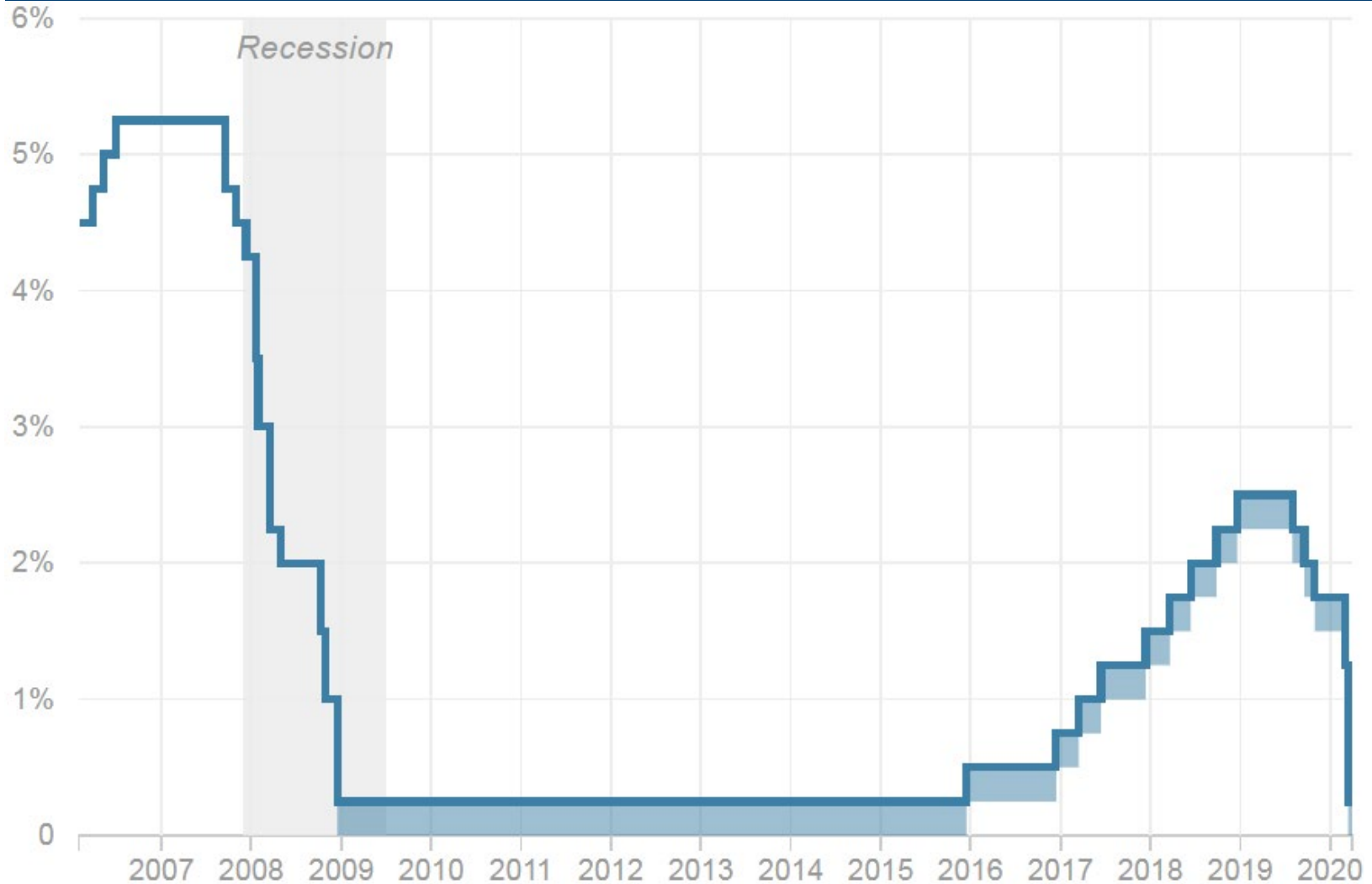


- **The spread between self-storage cap rates and 10-year Treasury rates is the highest it's been since 2009.**
- Due to the asset class's economic resiliency, self-storage cap rates are beginning to decline, particularly for stabilized facilities in secondary and tertiary markets.



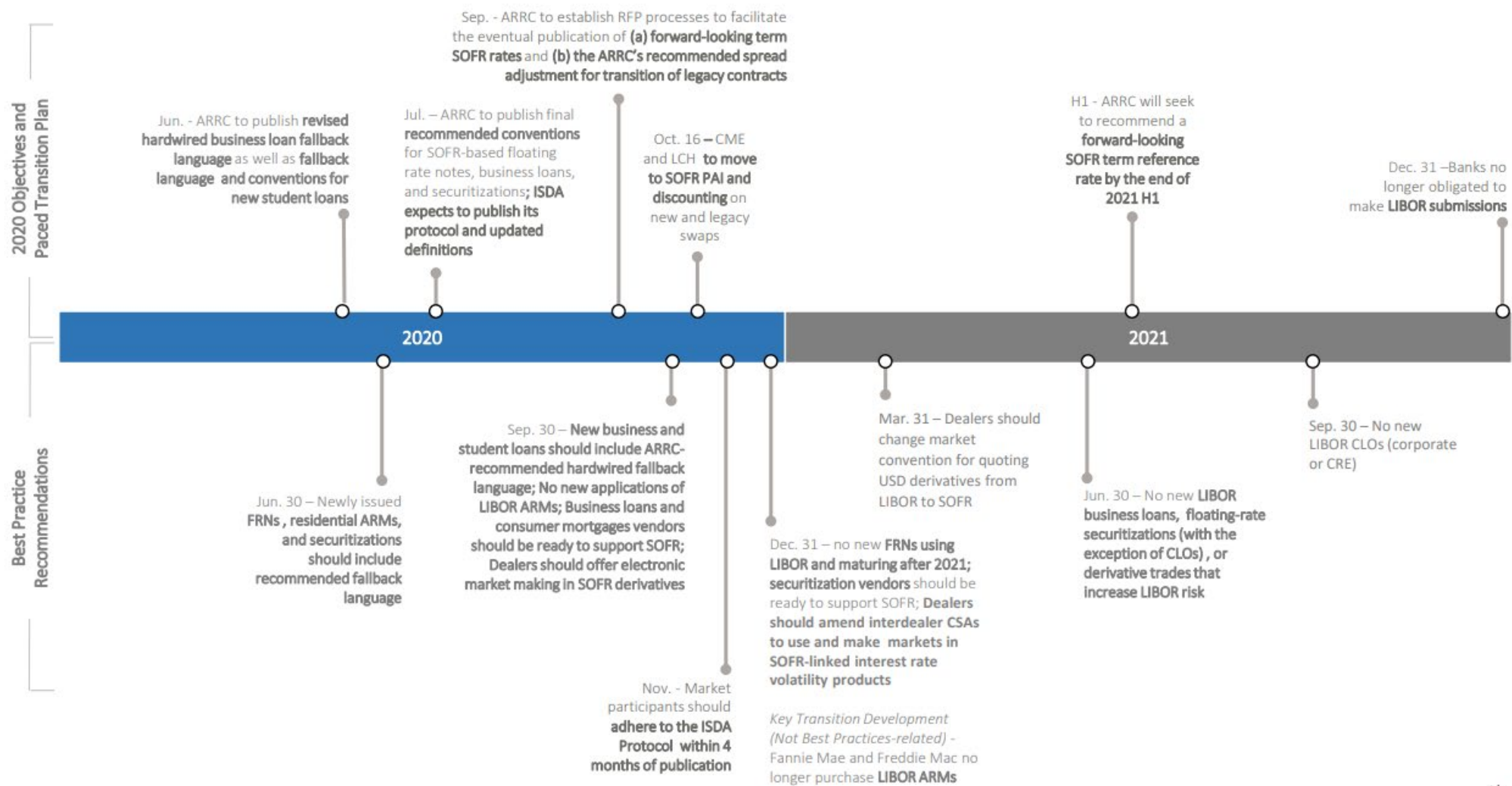
- Between the Federal Reserve and Congress, the government has applied record levels of stimulus to prop-up the economy and capital markets.
- **An additional stimulus of \$1-to-\$3 trillion** is expected to be appropriated to mitigate the pandemic effect on the economy.
- **Congress has been in a deadlock** over the cost and provisions of the next stimulus plan since May. Republicans refuse to spend over a trillion, while the Democrat's latest plan calls for \$2.2 trillion.
- **Tens of millions of US citizens could find themselves homeless** in the months ahead after a \$600 weekly supplement to jobless benefits, and a federal eviction moratorium expired at the end of July.

Federal Funds Rate Drops to a Range of 0- to 25-Basis Points



- In March, the central bank lowered the benchmark interest rate to a range of 0- to 25-basis points, beginning another period of zero-percent interest rate policy (ZIRP).
- **76% of Fed officials** that participated in the FOMC's latest survey project that the federal funds rate will stay near zero through 2023.

Alternative Reference Rates Committee Timeline



- The Alternative Reference Rates Committee (ARRC) originally convened in November 2014. Significant progress has been made transitioning from LIBOR to SOFR since then.
- In 2020, the ARRC has set out objectives for itself and recommended best practices for market participants as the transition continues.



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