



## 2Q20 SELF STORAGE REIT REPORT

### INTRODUCTION

Same store operating performance for the self storage sector dipped negative in the second quarter of 2020, culminating a run of 40 successive quarters of positive non-weighted average NOI growth, as the COVID pandemic impacted all segments of the economy. Non-weighted average same store revenue declined by 2.28% while non-weighted average NOI declined by 3.84%. Despite the impacts to operating performance from restricted customer rate increases and curtailed auction activities in the quarter, several storage REITs reported positive growth in FFO per share. The storage sector was able to rapidly adapt to the new pandemic operating environment while keeping facilities open and through implementing or expanding contactless digital rental systems. Experience gained from past recessions coupled with rapid technology adoption and strong consumer demand continues to prove the resiliency of the sector as compared to other commercial real estate product types. The Self Storage REITs rank among the top four REIT sectors for performance year to date (behind Life Sciences, Industrial, and Data Centers) with returns down 5.18% compared to the MSCI US REIT Index down 15.1% (as of July 31st).

Excluding joint venture acquisitions and mergers, wholly owned acquisition activity for the quarter totaled 12 properties for an aggregate volume of \$169 million. The decline from 2Q19 acquisition volume of \$586.9 million was expected as the onset of the pandemic created significant uncertainty in operating fundamentals resulting in most offerings being removed from the market. A pause was necessary to assess impacts on operations and valuations. Though the REITs have not reinstated guidance for 2020, stabilizing operating fundamentals has led to additional transaction activity subsequent to quarter end with some REITs commenting that acquisitions could reach a healthy volume in 2H2020, barring new challenges from resurgence of outbreaks and/or reinstated “stay-at-home” orders. There remain numerous lease-up and newly developed facilities that have struggled to meet underwritten proforma expectations; however, a wave of distressed assets has not materialized across the sector. The worst of the pandemic recession is now likely behind us and the REITs have solid balance sheets to take advantage of the reviving acquisition market.

Reaching an inflection point sometime around Memorial Day weekend, the sector has seen strong demand and improving operational performance through the back half of 2Q2020 and continuing through July and into August. Earnings calls were widely focused on collections, bad debt expense, and occupancy overhang from auction curtailment. Early concerns at the onset of the pandemic proved to be unwarranted for the sector as collections remained strong, bad debt remained largely in line with historical levels, and occupancy grew to new highs at quarter end, with only 66 bps non-weighted average occupancy attributable to auction curtailments. Rate increases on existing customers, and auctions, resumed late in the quarter and have been implemented through nearly all markets; except for a few where local restrictions remain on lien processes or rental rate increases. Though the level of existing customer rate increases has varied among the REITs, with some opting to test acceptance at reduced levels, customer behavior has shown consistent uptake and increasing lengths of stay supporting a return to normal storage operating practices.



## 2Q20 SELF STORAGE REIT REPORT

### INTRODUCTION - Continued

Rental activity throughout July showed increased move-in activity, reduced move-out activity and, depending upon the market, an increase in the effective rates with August likely extending the uniquely timed leasing season created by the pandemic.

The development and acceptance of contactless online leasing systems, such as CubeSmart's SmartRental and Life Storage's Rent Now, have proven to be a significant driver of leasing activity with utilization rates being accelerated by the pandemic. At the peak of the shutdown contactless rentals accounted for as much as 50% of move-in activity. As we have mentioned for several quarters, these touch-less digital systems will continue to enable expense optimization, evidenced from reduced payroll expense by some operators, and are complimentary to revenue management systems and digital marketing initiatives. These systems also augment the value-add proposition of the third-party management platforms that the REITs provide. During several of the earnings calls the companies commented on seeing continued strong volume of calls from owners looking for third-party management options.

Transaction activity has resumed with several offerings brought to market over the last several weeks. With a diverse and expanded pool of capital pursuing the self storage product type, 2H2020 transaction volume across the sector is expected to be elevated. The abundance of acquisition capital, coupled with the lack of available offerings and a low interest rate environment, has led to continued record pressure on yields and return expectations. Stabilized properties continue to demand the most aggressive pricing due to minimized lease-up risk; in fact, targeted yields for cash-flowing assets have compressed 15-20 bps since March-2020. Self storage has continued to benefit by comparison against other investment real estate sectors, given the extremely low ongoing capital intensity as well as the operating performance throughout the pandemic.

Self storage remains among the best-performing asset classes within commercial real estate. Based on recent performance and past recession resilience, the self storage sector remains extremely well positioned to continue to deliver strong operating metrics on both a relative basis as well as on an actual basis.

The following pages summarize the information for the second quarter of 2020, reported by the five publicly traded self storage REITs, along with some comparisons between the industry and macro-market benchmarks. Links to the investor relations page of each REIT's website are also included.

In addition to this quarterly REIT summary, a weekly email from NKF Capital Market's Self Storage Group delineates key benchmark rates for the capital markets, near-term expectations for transactions and interpretive opinions of broader market questions.

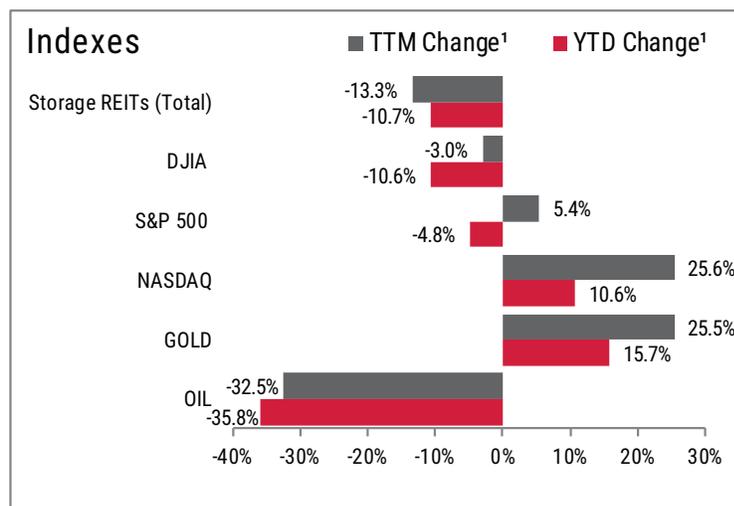
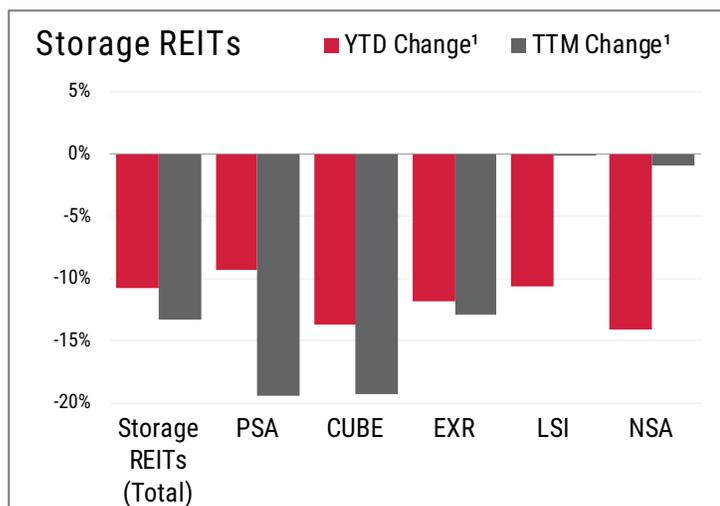
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# Self Storage REIT Highlights



## MARKET INDEX

	6/28/19	1/2/20	6/30/20	YTD Change <sup>1</sup>	TTM Change <sup>1</sup>
Storage REITs (Total)	\$501.73	\$487.06	\$434.86	-10.72%	-13.33%
PSA	238.17	211.42	191.89	-9.24%	-19.43%
CUBE	33.44	31.28	26.99	-13.71%	-19.29%
EXR	106.10	104.73	92.37	-11.80%	-12.94%
LSI	95.08	106.26	94.95	-10.64%	-0.14%
NSA	28.94	33.37	28.66	-14.11%	-0.97%
DJIA	26,599.96	28,868.80	25,812.88	-10.59%	-2.96%
S&P 500	2,941.76	3,257.85	3,100.29	-4.84%	5.39%
NASDAQ	8,006.24	9,092.19	10,058.77	10.63%	25.64%
GOLD	1,409.00	1,528.10	1,768.10	15.71%	25.49%
OIL	58.20	61.18	39.27	-35.81%	-32.53%
U.S. 10 YEAR	2.00%	1.88%	0.66%	-64.89%	-67.00%
10 YEAR SWAP	1.97%	1.85%	0.64%	-65.41%	-67.51%



<sup>1</sup> Excludes dividends

Sources: Yahoo! Finance, U.S. Department of the Treasury, U.S. Energy Information Administration, Barchart (SWAADY10.RT), Bloomberg, World Gold Council

## PUBLIC STORAGE (NYSE:PSA)

- ◆ For the three months ended June 30, 2020, net income allocable to our common shareholders was \$246.1 million or \$1.41 per diluted common share, compared to \$306.4 million or \$1.76 per diluted common share in 2019 representing a decrease of \$60.3 million or \$0.35 per diluted common share.
- ◆ Revenues for the same store facilities decreased 3.0% or \$18.7 million in the three months ended June 30, 2020 as compared to 2019, due primarily to lower realized annual rent per occupied square foot, reduced late charges and administrative fees.
- ◆ For the three months ended June 30, 2020, funds from operations (FFO) was \$2.28 per diluted common share.
- ◆ Acquired 6 self-storage facilities (four in Ohio and one in California and Florida) with 0.4 million net rentable square feet for \$67.1 million.
- ◆ Declared a regular common quarterly dividend of \$2.00 per common share.

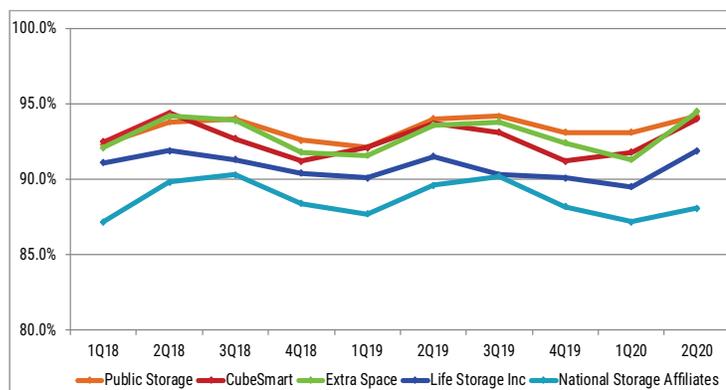
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## EXTRA SPACE (NYSE:EXR)

- ◆ Achieved net income attributable to common stockholders of \$0.80 per diluted share, representing a 1.2% decrease compared to the same period in 2019.
- ◆ Achieved funds from operations attributable to common stockholders and unit holders (FFO) of \$1.21 per diluted share. FFO, excluding acceleration of share-based compensation expense due to retirement of an executive officer and adjustments for non-cash interest (Core FFO), was \$1.23 per diluted share, representing a 0.8% increase compared to the same period in 2019.
- ◆ Experienced decreases in same-store revenue of 3.1% and same-store net operating income (NOI) of 4.6% compared to the same period in 2019.
- ◆ Reported same-store occupancy of 94.5% as of June 30, 2020, compared to 93.5% as of June 30, 2019.
- ◆ In conjunction with joint venture partners, acquired one store at completion of construction (a Certificate of Occupancy store or C of O store) and completed one development for a total cost of approximately \$25.4 million, of which the company invested \$14.4 million.
- ◆ Added 31 stores (gross) to the company's third-party management platform. As of June 30, 2020, the company managed 700 stores for third parties and 251 stores in joint ventures, for a total of 951 managed stores.
- ◆ Paid a quarterly dividend of \$0.90 per share.

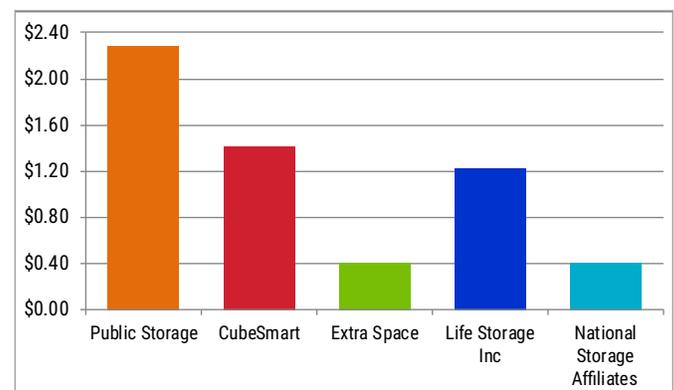
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### HISTORICAL QUARTERLY OCCUPANCY



Note: PSA, Cube, LSI and NSA are based on period-average occupancy. EXR is based on period end.  
Note: Historical occupancy is based on original occupancy reported each quarter.  
Source: PSA, LSI, Cube, EXR and NSA Investor Relations

### ADJUSTED FUNDS FROM OPERATIONS PER DILUTED SHARE



Source: PSA, Cube, EXR, LSI and NSA Investor Relations

## CUBESMART (NYSE:CUBE)

- ◆ Reported earnings per share (EPS) attributable to the company's common shareholders of \$0.20.
- ◆ Reported funds from operations (FFO) per share, as adjusted, of \$0.41.
- ◆ Same-store (477 stores) net operating income (NOI) decreased 4.1% year over year, driven by a 2.2% revenue decline and a 2.4% increase in property operating expenses.
- ◆ Same-store occupancy during the quarter averaged 93.0% and ended the quarter at 94.0%.
- ◆ Closed on two property acquisitions totaling \$65.7 million.
- ◆ Opened for operation one development property for a total investment of \$45.9 million.
- ◆ Added 27 stores to our third-party management platform during the quarter, bringing our total third-party managed store count to 719.

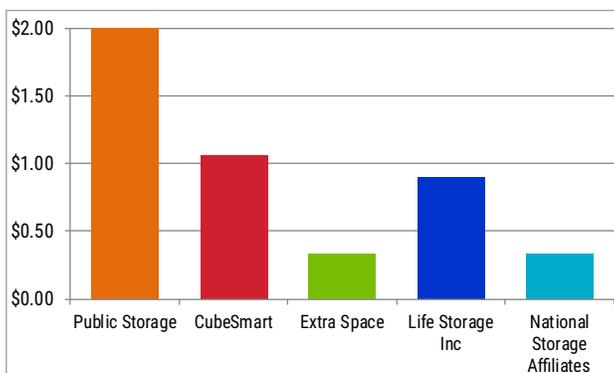
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## NATIONAL STORAGE AFFILIATES (NYSE:NSA)

- ◆ Reported net income of \$17.8 million for the second quarter of 2020, an increase of 0.3% compared with the second quarter of 2019. Reported diluted earnings per share of \$0.10 for the second quarter of 2020, primarily relating to the HLBV method for allocating net income among the various classes of equity.
- ◆ Reported core funds from operations (Core FFO) of \$41.3 million, or \$0.41 per share for the second quarter of 2020, an increase of 7.9% per share compared with the second quarter of 2019.
- ◆ Reported a decline in same store net operating income (NOI) of 1.2% for the second quarter of 2020 compared with the same period in 2019, driven by a 1.1% decrease in same store total revenues partially offset by a 1.1% decrease in same store property operating expenses.
- ◆ Acquired 4 wholly-owned self storage properties for \$36.2 million during the second quarter of 2020. Capital sources for the acquisition activity included the issuance of approximately \$5.8 million of OP equity and \$11.9 million of common equity raised under the company's at the market, or ATM, program at a combined weighted average price of \$30.20 per share/unit, as well as borrowings under the company's revolving line of credit.
- ◆ On April 28, 2020, Kroll Bond Rating Agency affirmed the investment grade issuer rating of BBB for NSA's operating partnership.

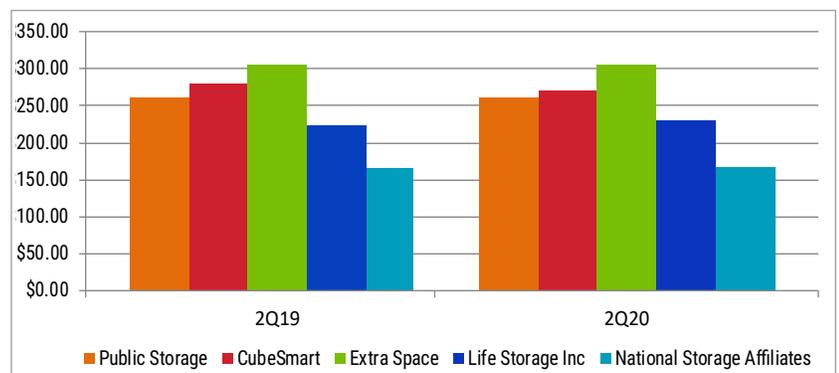
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### DIVIDEND PER SHARE



Source: PSA, Cube, EXR, LSI and NSA Investor Relations

### SAME-STORE REVENUE PER STORE



Note: EXR includes tenant reinsurance revenue.

Source: PSA, Cube, EXR, LSI and NSA Investor Relations

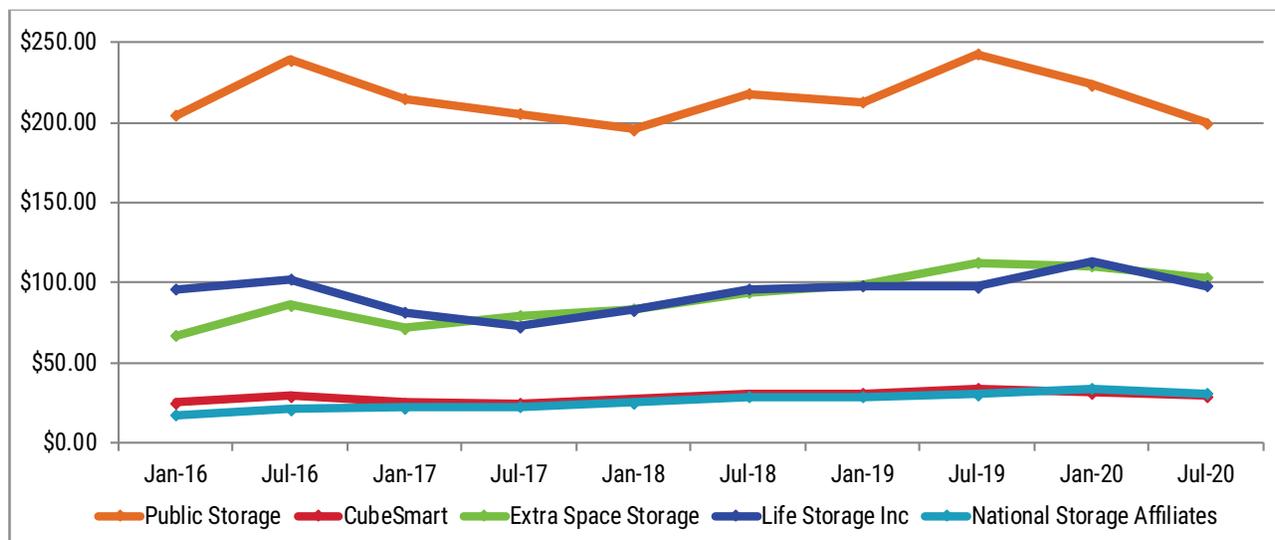
## LIFE STORAGE INC. (NYSE:LSI)

- ◆ Generated net income attributable to common shareholders of \$36.5 million, or \$0.78 per fully diluted common share.
- ◆ Achieved adjusted funds from operations (FFO) per fully diluted common share of \$1.42, matching the same period last year.
- ◆ Limited year-over-year same store revenue decrease to 2.0% and same store net operating income (NOI) decrease to 2.5%, despite COVID-19 pandemic and related economic disruption.
- ◆ Decreased same store operating expenses relative to comparable prior year periods for the third straight quarter
- ◆ Grew management fees by 28.1%; added 13 stores to the company's third-party management platform, bringing total managed stores at the end of the second quarter to 317.
- ◆ Reported \$9.5 million in cash and cash equivalents and \$341.9 million in revolving line of credit availability as of June 30, 2020.
- ◆ Completed the roll-out of Rent Now 2.0, the company's second generation, fully-digital, dynamic pricing and rental platform that allows customers to self-serve and move into their storage unit with no human interaction; the new pricing alternatives allow customers to select a storage unit from one of three convenience and pricing-based tiers according to their individual needs and preferences.

[CLICK HERE TO VIEW LIFE STORAGE INC. INVESTOR RELATIONS](#)

## SELF STORAGE REIT HISTORICAL STOCK PRICE

	Jan 16	Jul 16	Jan 17	Jul 17	Jan 18	Jul 18	Jan 19	Jul 19	Jan 20	Jul 20
Public Storage	\$204.19	\$238.92	\$215.00	\$205.57	\$195.76	\$217.83	\$212.52	\$242.76	\$223.76	\$199.88
CubeSmart	\$25.26	\$29.71	\$25.13	\$24.66	\$27.53	\$30.36	\$30.95	\$33.95	\$31.67	\$29.67
Extra Space Storage	\$67.39	\$86.02	\$72.05	\$79.50	\$83.48	\$93.97	\$98.61	\$112.39	\$110.68	\$103.34
Life Storage Inc	\$96.28	\$102.37	\$81.45	\$73.04	\$83.10	\$95.96	\$98.27	\$97.49	\$113.18	\$98.13
National Storage Affiliates	\$17.39	\$21.37	\$22.25	\$22.96	\$25.37	\$28.83	\$29.10	\$30.29	\$34.15	\$30.82



Source: Yahoo! Finance

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