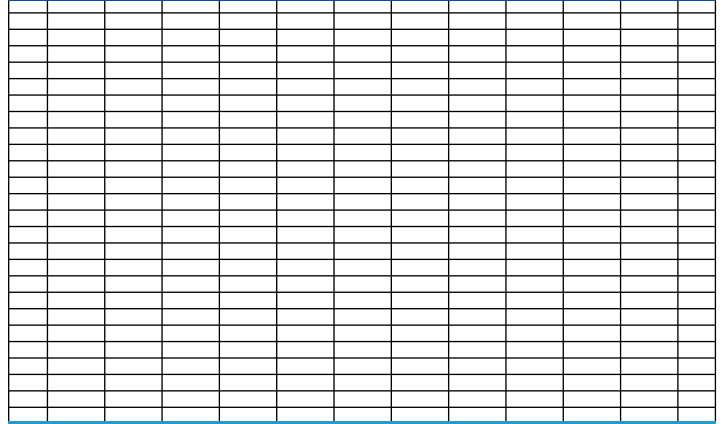




CAPITAL MARKETS

# Self Storage Group

3Q 2021 REIT Report



NEWMARK

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## Self Storage 3Q21 REIT Report

Carrying the momentum of the exceedingly strong leasing season into 3Q21, the self storage sector delivered outstanding same store operating performance with non-weighted same store revenue increasing an average 16.76% while non-weighted same store NOI grew 23.66%. This marked the fourth consecutive quarter of above trendline, year-over-year growth, resulting from the continued strength of the sector. 3Q21 exceeded the performance of the first and second quarters of the year, further bolstering the sector's resilience. Entering the fourth quarter at 96% occupancy creates a tailwind for the industry through the balance of the year that will, again, deliver an optimum operating environment going into the New Year. Given the sustained record levels of customer demand, the REITs, as well as most major private operators, remain optimistic about the sector's prospects for continued leading performance. Year to date 2021, the self storage sector has posted a total return of 39.4% (FTSE, YTD as of September 30, 2021) making it the best performing sector across the entire REIT universe.

Excluding joint venture acquisitions and mergers, wholly owned acquisition activity for the quarter totaled 148 properties across the REITs for an aggregate volume of nearly \$1.5 billion. The volume is notably elevated compared to the historical norm for the sector, but below the \$3+ billion from last quarter 2Q21. Notable acquisition activity continued subsequent to quarter's end with an additional 219 properties reported closed or under contract to close. Year to date 2021, wholly owned acquisitions and mergers totaled \$5.319 billion across 348 properties.

Customer demand shows little signs of abating, as move-outs remain below historical trend; although there were comments that there was a slight increase in move-outs towards the end of the quarter. However, despite this small increase, the move-out rate remained nearly 20% below historical norms. Non-weighted average occupancy across the five REITs was 95.9% as of September 30th. This compares to 94.1% in 3Q20. Comments from management indicated that the reduced move-out rate continues to show signs of some permanence, supporting the notion that there could be a new normal to the percentage of monthly customer turnover. These sustained elevated operating metrics suggest a measurable increase in the overall rate of use for the product. The extremely tight housing market, strong employment numbers and broad-based consumer spending increase the underlying strength of the demand base.



New supply, which was the most talked about sector risk prior to COVID, remains subdued, due in part to elevated construction costs, elevated land prices, competition for sites by multi-housing developers and the long lead-time for entitlements and permits. It is expected that supply/demand equilibrium will continue to favor operators through 2022. In fact, from discussions with multiple operators across the country, new supply is not expected to be a major headwind to revenue growth until 2024 at the earliest.

Transaction activity remains as stout as the industry has seen prior to 2021. This year will be the highest volume year ever for the self storage sector. The REITs remain very active in culling third-party managed properties into REIT acquisitions, as well as utilizing JV partners to pursue large, marketed portfolio offerings. Adding to the depth of the transaction market, advised pension capital, private equity and well capitalized private operators have been extraordinarily active on the transaction front; possibly eclipsing the volume of the public REITs. The persistent durability of self storage, not just

throughout the pandemic cycle, but throughout multiple economic contractions, has attracted the most diverse array of capital the industry has ever seen. While the quantity of capital is noteworthy, the most interesting variable is that the yield strategy behind capital is core in nature. This has led to more emphasis on stabilized yields and longer hold durations. This puts significant pressure on yields when compared to historical return targets and will maintain pressure on cap rates

The following pages summarize the information for the third quarter of 2021, 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 Newmark Group, Inc.'s Self Storage Group delineates key benchmark rates for the capital markets, near-term expectations for transactions, and interpretive opinions of broader market questions.

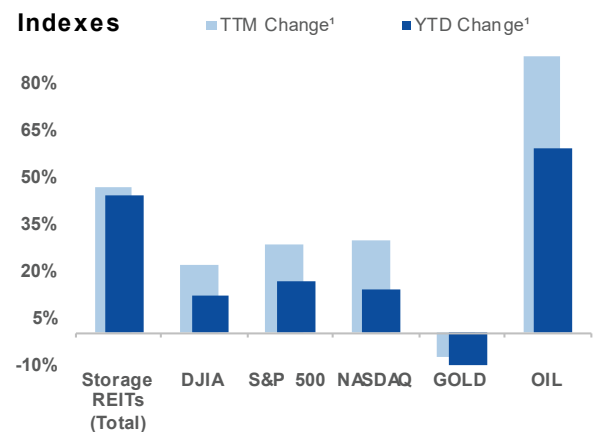
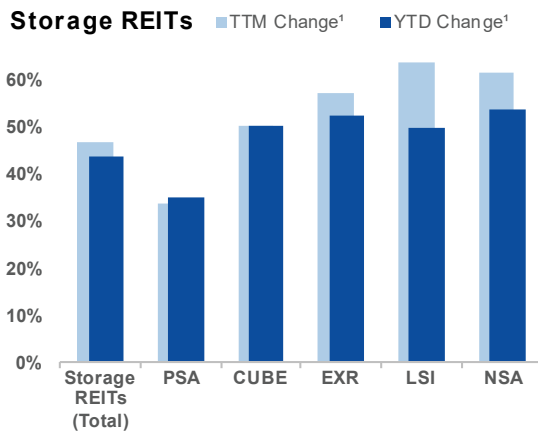
[Thank you for taking the time to review the Quarterly REIT Report. We trust you will find it valuable.](#)

[nmrkstorage.com](http://nmrkstorage.com)

## SELF STORAGE 3Q21 REIT REPORT HIGHLIGHTS

### Market Index

	9/30/20	1/4/21	9/30/21	YTD Change <sup>1</sup>	TTM Change <sup>1</sup>
Storage REITs (Total)	\$464.91	\$474.02	\$681.07	43.68%	46.50%
PSA	222.72	220.20	297.10	34.92%	33.40%
CUBE	32.31	32.33	48.45	49.86%	49.95%
EXR	106.99	110.29	167.99	52.32%	57.01%
LSI	70.18	76.78	114.74	49.44%	63.49%
NSA	32.71	34.42	52.79	53.37%	61.39%
DJIA	27,781.70	30,223.89	33,843.92	11.98%	21.82%
S&P 500	3,363.00	3,700.65	4,307.54	16.40%	28.09%
NASDAQ	11,167.51	12,698.45	14,448.58	13.78%	29.38%
GOLD	1,886.90	1,943.20	1,742.80	-10.31%	-7.64%
OIL	40.05	47.47	75.22	58.46%	87.82%
U.S. 10 YEAR	0.69%	0.93%	1.52%	63.44%	120.29%
10 YEAR SWAP	0.73%	0.92%	1.54%	67.39%	110.96%



<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)

- Reported net income allocable to common shareholders of \$2.52 per diluted share.
- Reported (Core FFO) allocable to common shareholders (Core FFO) of \$3.42 per diluted share, an increase of 30.0% relative to the same period in 2020.
- Acquired 27 self storage facilities with 2.2 million net rentable square feet for \$0.3 billion. Subsequent to September 30, 2021, we acquired or were under contract to acquire 107 self storage facilities across 16 states with 11.8 million net rentable square feet, for \$2.3 billion.
- Achieved 79.1% same store direct net operating income margin, an increase of 4.5% relative to the year ended December 31, 2020.
- Increased same store direct net operating income by 20.8%, resulting from a 14.0% increase in same store revenues and a 6.2% decrease in same store direct cost of operations.
- Opened one newly developed facility and various expansion projects with 0.7 million net rentable square feet costing \$85.5 million. At September 30, 2021, we had various facilities in development and expansion with 4.6 million net rentable square feet estimated to cost \$730.6 million.
- Issued €700.0 million of unsecured senior note bearing an annual rate of 0.500% and \$143.8 million of 3.950%

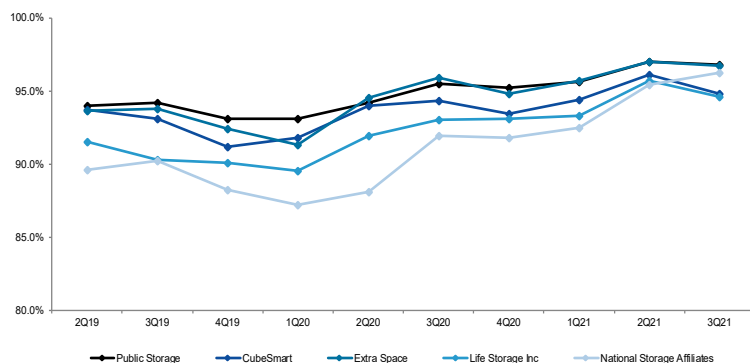
[CLICK HERE TO VIEW PUBLIC STORAGE INVESTOR RELATIONS](#)

## CUBESMART (NYSE: CUBE)

- Reported earnings per share (EPS) attributable to the Company's common shareholders of \$0.43.
- Reported funds from operations (FFO) per share, as adjusted, of \$0.56.
- Increased same store (507 stores) net operating income (NOI) 21.1% year over year, driven by 15.6% revenue growth and a 3.9% increase in property operating expenses.
- Same store occupancy during the quarter averaged 95.6% and ended the quarter at 94.8%.
- Closed on two property acquisitions totaling \$33.0 million and closed on four property dispositions totaling \$38.6 million.
- Added 33 stores to our third-party management platform during the quarter, bringing our total third-party managed store count to 706.
- Subsequent to September 30, 2021, increased the quarterly dividend 26.5% to an annualized rate of \$1.72 per common share from the previous annualized rate of \$1.36 per common share.

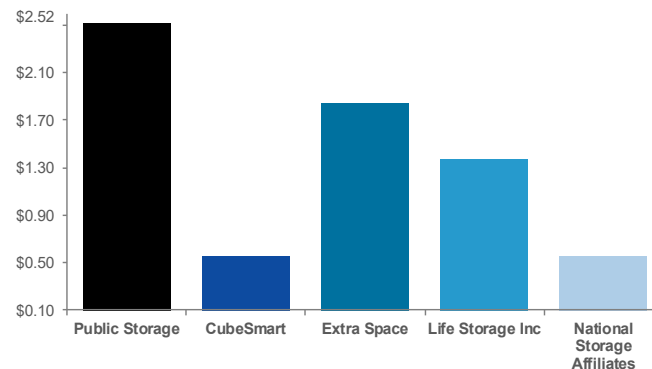
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### HISTORICAL QUARTERLY OCCUPANCY



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

## EXTRA SPACE (NYSE: EXR)

- Achieved net income attributable to common stockholders of \$1.40 per diluted share, representing a 59.1% increase compared to the same period in 2020.
- Achieved funds from operations attributable to common stockholders and unit holders (FFO) of \$1.85 per diluted share. FFO, excluding adjustments for non-cash interest (Core FFO), was also \$1.85 per diluted share, representing a 41.2% increase compared to the same period in 2020.
- Increased same store revenue by 18.4% and same store net operating income (NOI) by 27.8% compared to the same period in 2020.
- Acquired 10 operating stores and four stores at completion of construction (a Certificate of Occupancy store or C of O store) for a total cost of approximately \$198.0 million.
- Reported same store occupancy of 96.7% as of September 30, 2021, compared to 95.8% as of September 30, 2020.
- In conjunction with joint venture partners, acquired 10 operating stores for a total cost of approximately \$133.6 million, of which the company invested \$13.4 million.
- Closed \$75.5 million in mortgage, mezzanine bridge loans and sold \$30.1 million in mortgage bridge loans.
- Completed a public bond offering issuing \$600.0 million of 2.35% senior unsecured notes due 2032.
- Added 96 stores (gross) to the company's third-party management platform. As of September 30, 2021, the company managed 827 stores for third parties and 261 stores in joint ventures, for a total of 1,088 managed stores.
- Paid a quarterly dividend of \$1.25 per share, a 25% increase over the second quarter 2021 dividend.

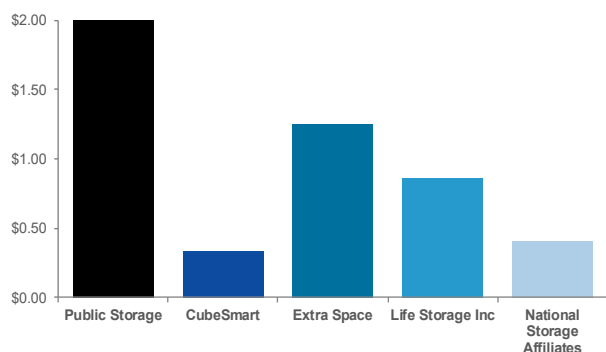
[CLICK HERE TO VIEW EXTRA SPACE INVESTOR RELATIONS](#)

## LIFE STORAGE INC. (NYSE: LSI)

- Generated net income attributable to common shareholders of \$70.3 million, or \$0.89 per fully diluted common share.
- Achieved adjusted funds from operations (FFO) per fully diluted common share of \$1.37, a 35.6% increase over the same period in 2020.
- Increased same store revenue by 17.4% and same store net operating income (NOI) by 24.3%, year-over-year.
- Acquired 29 stores for \$336.0 million, including 10 stores from the company's third-party management platform.
- Added 30 stores (gross) to the company's third-party management platform

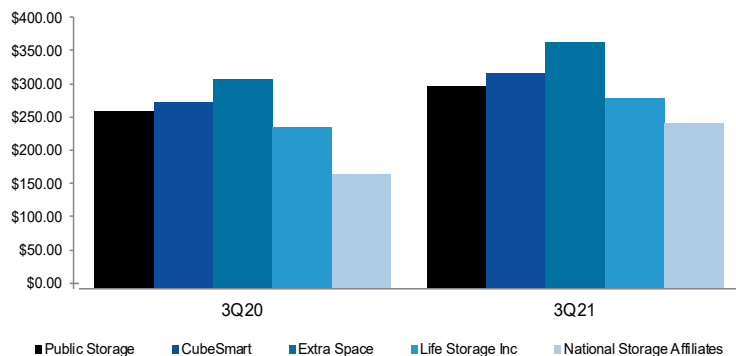
[CLICK HERE TO VIEW LIFE STORAGE INC. INVESTOR RELATIONS](#)

### 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

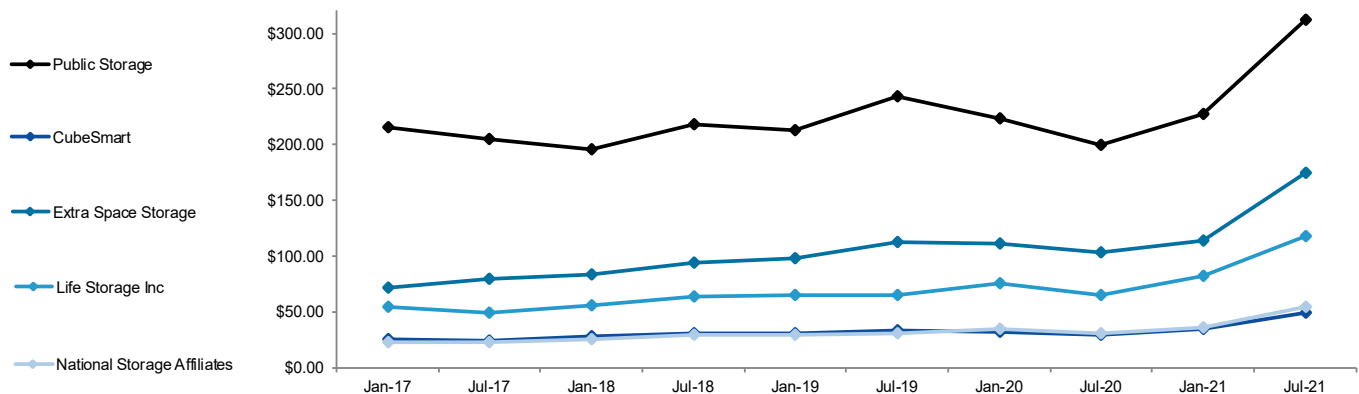
## NATIONAL STORAGE AFFILIATES (NYSE: NSA)

- Reported net income of \$40.7 million for the third quarter of 2021, an increase of 90.2% compared to the third quarter of 2020. Reported diluted earnings per share of \$0.26 for the third quarter of 2021 compared to \$0.15 for the third quarter of 2020.
- Reported core funds from operations (Core FFO) of \$67.5 million, or \$0.57 per share for the third quarter of 2021, an increase of 29.5% per share compared to the third quarter of 2020.
- Reported an increase in same store net operating income (NOI) of 24.3% for the third quarter of 2021 compared to the same period in 2020, driven by an 18.4% increase in same store total revenues partially offset by an increase of 4.6% in same store property operating expenses.
- Reported same store period-end occupancy of 96.2% as of September 30, 2021, an increase of 450 basis points compared to September 30, 2020.
- Completed an underwritten public offering of 10,120,000 common shares resulting in net proceeds of approximately \$497.4 million.
- Acquired 76 wholly-owned self storage properties for \$599.3 million during the third quarter of 2021. Consideration for these acquisitions included the issuance of \$31.1 million of OP equity.
- Increased the total borrowing capacity under the company's credit facility in September 2021 with the addition of a \$125.0 million 5.5-year term loan tranche E.
- Issued the previously announced \$35.0 million of 2.16% senior unsecured notes due May 4, 2026 and \$90.0 million of 3.00% senior unsecured notes due May 4, 2031 on July 26, 2021 in a private placement to certain institutional investors.
- Entered into an agreement on July 9, 2021 with a single lender for an \$88.0 million interest-only secured debt financing that matures in July 2028 and has a fixed interest rate of 2.77%.
- Received approximately \$40.0 million of net proceeds from the sale of 782,000 common shares under the company's at the market (ATM) program.

[CLICK HERE TO VIEW NATIONAL STORAGE AFFILIATES INVESTOR RELATIONS](#)

## SELF STORAGE REIT HISTORICAL STOCK PRICE

	Jan 17	Jul 17	Jan 18	Jul 18	Jan 19	Jul 19	Jan 20	Jul 20	Jan 21	Jul 21
Public Storage	\$215.00	\$205.57	\$195.76	\$217.83	\$212.52	\$242.76	\$223.76	\$199.88	\$227.62	\$312.48
CubeSmart	\$25.13	\$24.66	\$27.53	\$30.36	\$30.95	\$33.95	\$31.67	\$29.67	\$34.84	\$49.66
Extra Space Storage	\$72.05	\$79.50	\$83.48	\$93.97	\$98.61	\$112.39	\$110.68	\$103.34	\$113.79	\$174.14
Life Storage Inc	\$54.30	\$48.69	\$55.40	\$63.97	\$65.51	\$64.99	\$75.45	\$65.42	\$81.58	\$117.36
National Storage Affiliates	\$22.25	\$22.96	\$25.37	\$28.83	\$29.10	\$30.29	\$34.15	\$30.82	\$36.54	\$54.17



Source: Yahoo! Finance

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United States

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Chile  
Colombia  
Costa Rica  
Mexico  
Panama  
Peru  
Puerto Rico

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