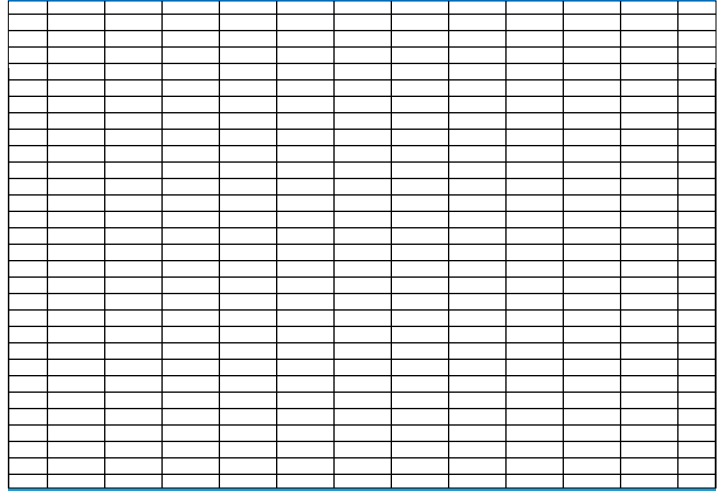


CAPITAL MARKETS

# Self Storage Group

1Q 2023 REIT Report



**NEWMARK**

## Self Storage 1Q23 REIT Report

The self storage sector's 1Q2023 performance remained positive with a continued return to seasonality. Management comments seemed consistent, thematically, that move-in activity reflected pre-pandemic norms. Also consistent was the observation that move-out velocity remained below pre-pandemic norms, resulting in higher average annual occupancy and reinforcing the longer length of stay dynamic. The duration of the higher average annual occupancy also indicates that the elevated demand is likely a structural change in the percentage of the U.S. population that utilizes storage. Absent new supply growth at greater-than-population-growth levels, operators will continue to harvest disproportionate revenue growth from existing occupancy, reducing the reliance upon street rate increases as the primary driver of revenue growth. Non-weighted same store revenue increased an average of 8.06% while non-weighted same store NOI grew 9.12%. This level of performance earned the sector the number 2 spot across the REIT universe for same store NOI growth.

The storage sector ended the quarter at 91.7% non-weighted occupancy; with Extra Space leading at 93.5%. This historically elevated 1Q occupancy continues to provide operators with pricing power going into the leasing season, and a strong base from which their respective revenue management platforms can maximize ECRI efficiency. As occupancy accelerates towards the peak, street rates should also benefit from these tailwinds.

New supply headwinds remain noticeably muted, due to macroeconomic challenges like construction costs and interest rates, as well as a lack of construction debt. As investors continue to try to deploy capital into the sector, those seeking value-add level yields likely only find those return targets via development. Therefore, as the transaction market remains well below recent levels, new supply could reemerge as a troublesome topic at some point. However, it is highly unlikely that new supply deliveries create macro headwinds, as lead times for development deals are in the 24-36 month time horizon before a new facility is actually delivering units to a market.

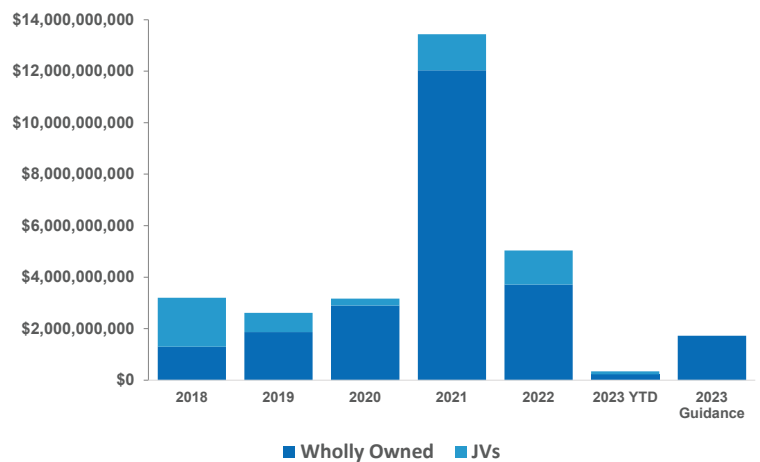
The transaction market remains muted given the disruption in the broader capital markets and the lack of a catalyst like distress within the sector or capital harvesting by owners. The sector continues to perform well on a relative and an absolute basis leaving little motivation for sellers to monetize their better-performing assets. The lack of clarity regarding pricing is also adding to the muted volume but that likely will change as 2023 progresses. Given some certainty to execution by way of some consensus around spot cap rates will prompt more transactions. Aggregate 2023 acquisition guidance from the public companies across the sector totals \$1.5bln to \$1.95bln.



Transactions during the first quarter totaled just over \$363.1 million across 22 properties. 1Q23 volume was comprised of \$220.4 million of wholly owned acquisitions and \$123.6 million in joint venture acquisitions.

The sector’s ability to adapt to contractions as well as quickly harvest inflation continues to aid its acceptance across the entire investor spectrum and 2023 guidance suggests that will continue to be the case. Self storage remains attractive to a vast array of capital that is anxious to deploy more into the sector as the broader transaction environment becomes more conducive to volume.

#### REIT ACQUISITION VOLUME



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.

The following pages summarize the information for the first quarter of 2023, 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.

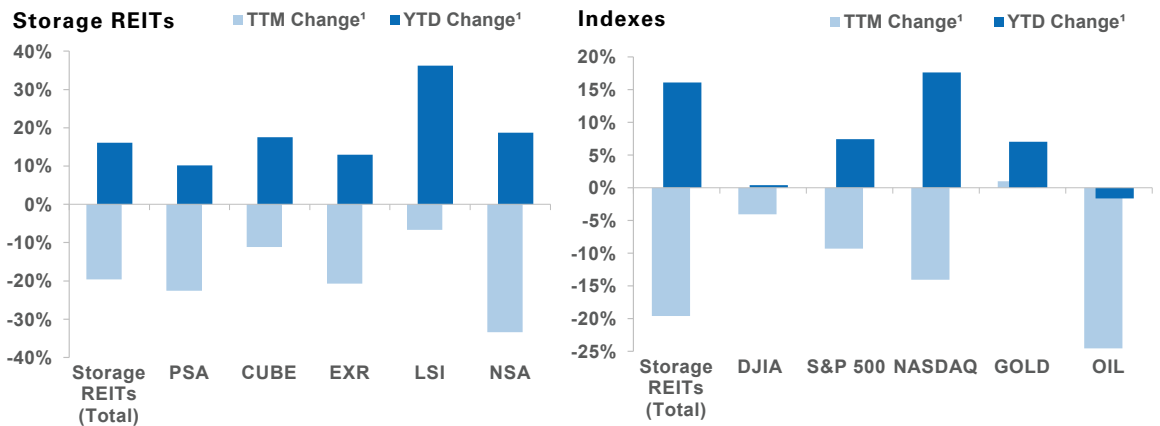
Thank you for taking the time to review the Quarterly REIT Report. We trust you will find it valuable.

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

## SELF STORAGE 1Q23 REIT REPORT HIGHLIGHTS

### Market Index

	03/31/22	01/03/23	03/31/23	YTD Change <sup>1</sup>	TTM Change <sup>1</sup>
Storage REITs (Total)	\$851.10	\$589.22	\$684.16	16.11%	-19.61%
PSA	390.28	274.18	302.14	10.20%	-22.58%
CUBE	52.03	39.34	46.22	17.49%	-11.17%
EXR	205.60	144.29	162.93	12.92%	-20.75%
LSI	140.43	96.22	131.09	36.24%	-6.65%
NSA	62.76	35.19	41.78	18.73%	-33.43%
DJIA	34,678.35	33,136.37	33,274.15	0.42%	-4.05%
S&P 500	4,530.41	3,824.14	4,109.31	7.46%	-9.29%
NASDAQ	14,220.52	10,386.98	12,221.91	17.67%	-14.05%
GOLD	1,949.20	1,839.70	1,969.00	7.03%	1.02%
OIL	100.28	76.93	75.67	-1.64%	-24.54%
U.S. 10 YEAR	2.32%	3.79%	3.48%	-8.18%	50.00%
10 YEAR SWAP	2.38%	3.70%	3.50%	-5.41%	47.06%
SOFR (30-DAY AVG)	0.16%	4.13%	4.63%	12.20%	2,805.76%



<sup>1</sup> Excludes dividends

Sources: Yahoo! Finance, U.S. Dept of the Treasury, Barchart (SWAADY10.RT), Federal Reserve Bank of NY

## PUBLIC STORAGE (NYSE: PSA)

- Reported net income allocable to common shareholders of \$2.65 per diluted share.
- Reported core FFO allocable to common shareholders (Core FFO) of \$4.08 per diluted share, an increase of 11.8% relative to the same period in 2022. Core FFO per diluted share increased 16.2% compared to the same period in 2022, excluding the contribution from the equity investment in PS Business Parks, Inc., which we sold in July 2022.
- Increased Same Store direct net operating income by 10.2%, resulting from a 9.8% increase in Same Store revenues.
- Achieved 78.9% Same Store direct net operating income margin, an increase of 0.4% relative to the same period in 2022.
- Acquired five self-storage facilities with 0.3 million net rentable square feet for \$46.8 million. Subsequent to March 31, 2023, we acquired or were under contract to acquire 12 self-storage facilities with 0.9 million net rentable square feet, for \$139.0 million.
- Opened three newly developed facilities and completed various expansion projects with 0.4 million net rentable square feet costing \$65.3 million. At March 31, 2023, we had various facilities in development and expansion with 4.8 million net rentable square feet estimated to cost \$1.0 billion.

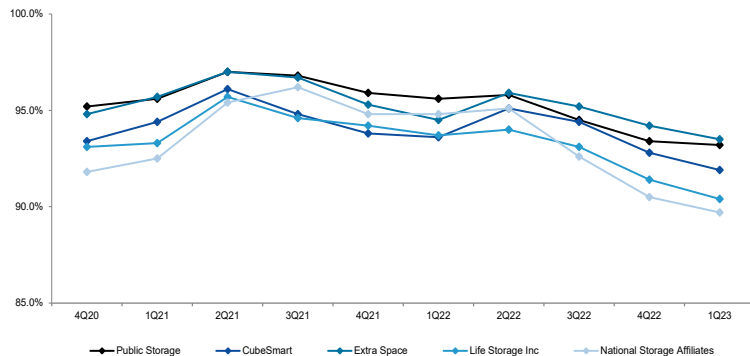
[CLICK HERE TO VIEW PUBLIC STORAGE INVESTOR RELATIONS](#)

## 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 of \$0.65.
- Increased same-store (593 stores) net operating income (NOI) 9.1% year over year, driven by 6.9% revenue growth and a 1.0% increase in property operating expenses.
- Averaged same-store occupancy of 91.5% during the quarter and ended the quarter at 91.9%.
- Added 25 stores to the third-party management platform during the quarter, bringing the total third-party managed store count to 676.

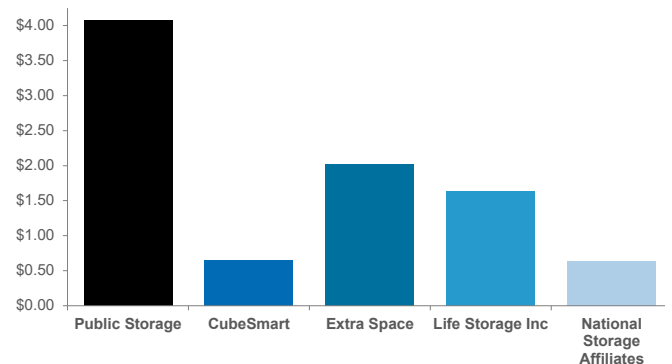
[CLICK HERE TO VIEW CUBESMART INVESTOR RELATIONS](#)

### 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 \$1.46 per diluted share, representing a 3.3% decrease compared to the same period in the prior year.
- Achieved funds from operations attributable to common stockholders and unit holders (FFO) of \$2.02 per diluted share. FFO, excluding adjustments (Core FFO), was also \$2.02 per diluted share, representing a 0.5% increase compared to the same period in the prior year.
- Increased same-store revenue by 7.4% and same-store net operating income (NOI) by 8.7% compared to the same period in the prior year.
- Reported same-store occupancy of 93.5% as of March 31, 2023, compared to 94.3% as of March 31, 2022.
- Paid a quarterly dividend of \$1.62 per share.
- Acquired one store at completion of construction (a Certificate of Occupancy store or C of O store) for a total cost of approximately \$13.1 million.
- In conjunction with joint venture partners, acquired five operating stores for a total cost of approximately \$101.2 million, of which the Company invested \$20.2 million.
- Originated \$53.0 million in mortgage and mezzanine bridge loans and sold \$34.2 million in mortgage bridge loans.
- Completed a public bond offering issuing \$500.0 million of 5.7% senior unsecured notes due 2028.
- Added 48 stores (44 stores net) to the Company's third-party management platform. As of March 31, 2023, the Company managed 931 stores for third parties and 323 stores in unconsolidated joint ventures, for a total of 1,254 managed stores.

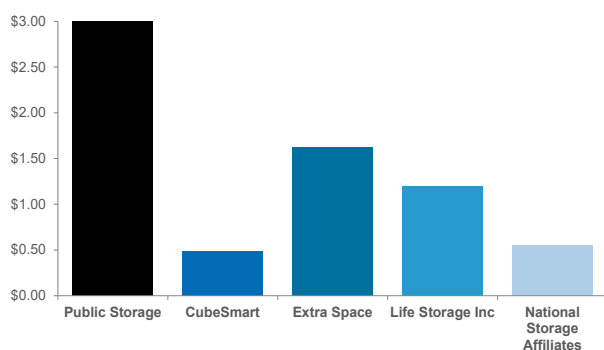
[CLICK HERE TO VIEW EXTRA SPACE INVESTOR RELATIONS](#)

## LIFE STORAGE INC. (NYSE: LSI)

- Generated net income attributable to common shareholders of \$81.6 million, or \$0.96 per fully diluted common share.
- Achieved adjusted funds from operations (FFO) per fully diluted common share of \$1.63, a 13.2% increase over the same period in 2022.
- Increased same store revenue by 10.5% and same store net operating income (NOI) by 12.8%, year-over-year.
- With a joint venture partner, acquired one store for a total cost of \$22.4 million, of which the Company invested \$4.1 million
- Added 16 stores (12 net) to the Company's third-party management platform.

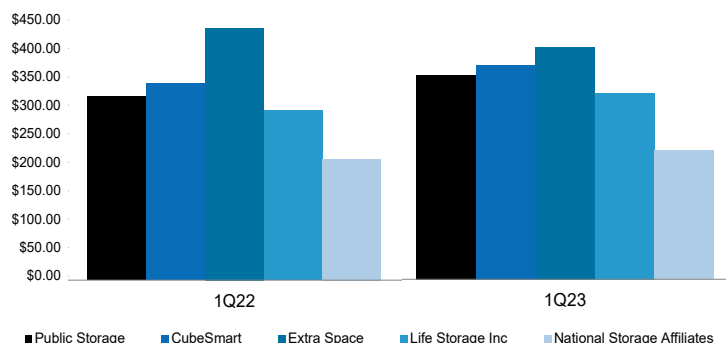
[CLICK HERE TO VIEW LIFE STORAGE INC. INVESTOR RELATIONS](#)

### 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

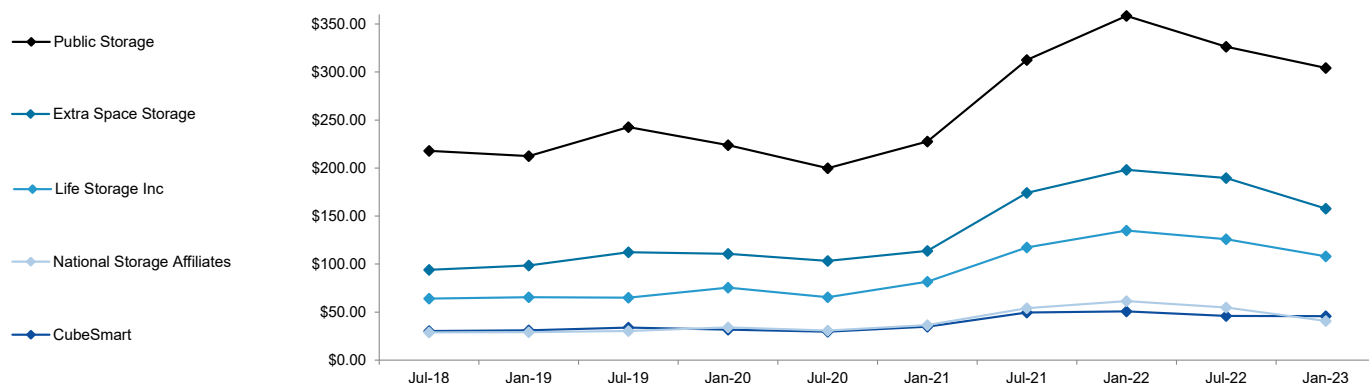
## NATIONAL STORAGE AFFILIATES (NYSE: NSA)

- Reported net income of \$40.4 million for the first quarter of 2023, a decrease of 9.8% compared to the first quarter of 2022. Reported diluted earnings per share of \$0.24 for the first quarter of 2023 compared to \$0.24 for the first quarter of 2022.
- Reported core funds from operations (Core FFO) of \$85.9 million, or \$0.66 per share for the first quarter of 2023, a decrease of 2.9% per share compared to the first quarter of 2022, driven by same store growth and net operating income (NOI) contribution from non-same store properties, which was more than offset by elevated interest expense due primarily to higher interest rates.
- Reported an increase in same store NOI of 4.8% for the first quarter of 2023 compared to the same period in 2022, driven by a 5.7% increase in same store total revenues partially offset by an increase of 8.3% in same store property operating expenses.
- Reported same store period-end occupancy of 89.8% as of March 31, 2023, a decrease of 380 basis points compared to March 31, 2022.
- Acquired 16 wholly-owned self storage properties for approximately \$160.5 million during the first quarter of 2023. 15 of the properties were acquired in a portfolio from affiliates of Personal Mini, one of the Company's PROs, for approximately \$144.8 million. Consideration for these acquisitions included the issuance of \$150.5 million of equity, with a new class of preferred shares representing the majority of equity issued.
- Repurchased 1,622,874 of the Company's common shares for approximately \$69.3 million under the previously announced share repurchase program.
- As previously announced, one of the Company's participating regional operators (PROs), Move It Self Storage and its controlled affiliates (Move It), retired effective January 1, 2023. As a result of the retirement, on January 1, 2023, management of the Company's 72 properties in the Move It managed portfolio was transferred to NSA and the Move It brand name and related intellectual property were internalized by the Company. In addition, NSA no longer pays supervisory and administrative fees or reimbursements to Move It and all subordinated performance units related to Move It's managed portfolio converted into OP units.
- As previously announced, the Company increased the total borrowing capacity under the Company's credit facility by \$405.0 million to \$1.955 billion and used incremental borrowings under the credit facility to retire \$300.0 million of its \$375.0 million of debt maturing in 2023.

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

## SELF STORAGE REIT HISTORICAL STOCK PRICE

	Jul 18	Jan 19	Jul 19	Jan 20	Jul 20	Jan 21	Jul 21	Jan 22	Jul 22	Jan 23
Public Storage	\$217.83	\$212.52	\$242.76	\$223.76	\$199.88	\$227.62	\$312.48	\$358.53	\$326.41	\$304.34
CubeSmart	\$30.36	\$30.95	\$33.95	\$31.67	\$29.67	\$34.84	\$49.66	\$50.74	\$45.87	\$45.79
Extra Space Storage	\$93.97	\$98.61	\$112.39	\$110.68	\$103.34	\$113.79	\$174.14	\$198.19	\$189.52	\$157.83
Life Storage Inc	\$63.97	\$65.51	\$64.99	\$75.45	\$65.42	\$81.58	\$117.36	\$134.95	\$125.89	\$108.04
National Storage Affiliates	\$28.83	\$29.10	\$30.29	\$34.15	\$30.82	\$36.54	\$54.17	\$61.56	\$54.84	\$40.80



Source: Yahoo! Finance

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