

August 29, 2016

Industry Update

Weekly Self-Storage REIT Comp Sheets 08/26/16

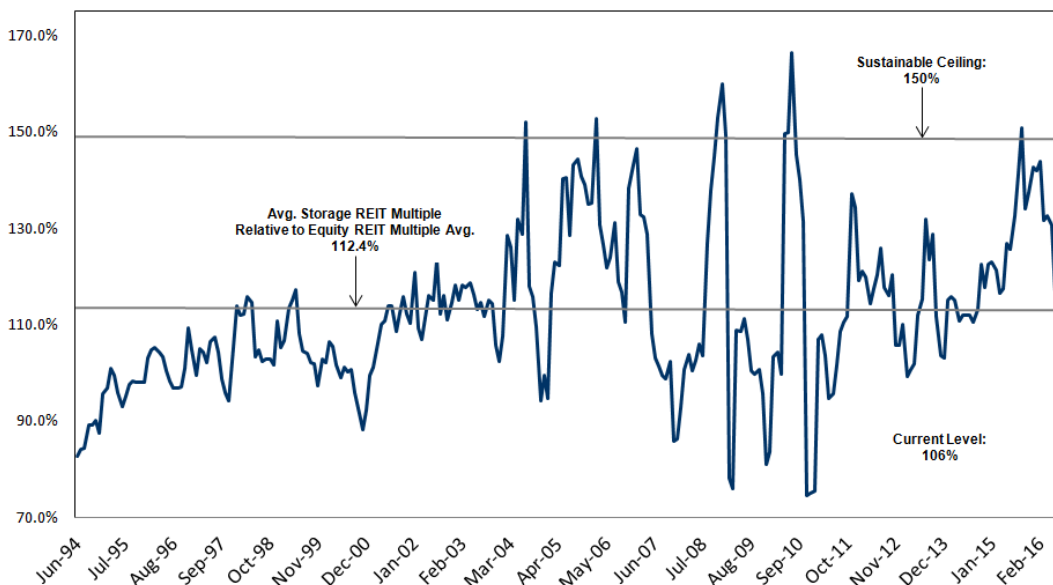
Summary and Recommendation

Storage REITs underperforming year to date. Storage REITs have posted a total return of –8.74% year to date, underperforming the RMS REIT Index by 2,168 bps. Last week, storage REITs were –0.33%, outperforming the RMS REIT Index by 11 bps.

Key Points

- **Storage REITs trade at a 5.3% implied cap rate, at an 8.2% premium to NAV, and at \$191/sq. ft.** Storage REITs trade at a 19.7x forward FFO multiple while REITs trade at an 18.5x multiple, implying a 6.1% premium, below the 10-year historical average premium of 12.4%. The peak premium in the last cycle before the downturn was in February 2006, at 52.7%. At the end of April 2016, that premium stood at 61.6%, the second highest it has ever been. We do not believe investors are willing to pay more than a 50% premium for storage over REITs, especially at this point in the cycle.

Storage REIT Relative FFO Multiple Premium



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Performance & Capital Structure Analysis

							2016			Shs. & Eq.					Net Debt		Net Debt			
							FAD			Units		Mkt.					& Pref/		& Pref/	
														Total			TEV		Forward	
Price				Total Return (%)			Div. Annual. Payout.			Outstnd.		Cap.		Pfd.		Debt				
Company	Ticker	8/26/2016	Rating	3-Mo ¹	TTM ¹	YTD ¹	Yld. (%)	Div.(\$)	Ratio	(\$million)	(\$million)	Equity	(\$million)	Cash	EV	Ratio	EBITDA			
CubeSmart	CUBE	\$27.10	OP	-13.4%	11.2%	-10.3%	3.1%	\$0.84	62.6%	180.5	\$4,891	75	\$1,503	\$3.4	\$6,465	24.4%	4.7			
Extra Space Storage	EXR	\$79.88	-	-13.0%	14.2%	-8.0%	3.9%	\$3.12	87.9%	133.4	\$10,659	0	\$3,940	\$41.1	\$14,557	26.8%	5.6			
National Storage	NSA	\$20.23	MP	-1.4%	67.2%	20.6%	4.3%	\$0.88	86.9%	64.4	\$1,303	324	\$748	\$47.5	\$2,327	44.0%	7.2			
Public Storage	PSA	\$224.00	MP	-11.2%	13.5%	-8.3%	3.2%	\$7.20	76.7%	174.0	\$38,976	4,018	\$437	\$86.2	\$43,344	10.1%	2.3			
Life Storage	LSI	\$88.01	MP	-17.0%	0.4%	-15.9%	4.3%	\$3.80	78.4%	46.6	\$4,098	0	\$1,252	\$0.0	\$5,351	23.4%	3.8			
Storage Total/Avg.				-11.9%	13.7%	-8.3%	3.4%		77.9%	\$59,927						\$72,044	15.9%	3.3		
Jernigan Capital	JCAP	\$16.32	OP	21.4%	3.2%	14.5%	8.6%	\$1.40	NA	5.9	\$97	0	\$5	\$15.0	\$87	NA	NA			

¹ Period as of close 08/26/2016**Cash Flow Analysis**

Company	Ticker	Price ¹		FFO			Price/FFO			2016E FFO	2017E FFO	FAD			Price/ FAD			2016E FAD	2016E FAD	Sq. Ft. (000s)
		8/26/2016		2015A	2016E	2017E	2015A	2016E	2017E	Growth	Growth	2015A	2016E	2017E	2015A	2016E	2017E	Payout	Yield	
CubeSmart	CUBE	\$27.10		\$1.25	\$1.44	\$1.61	21.7	18.8	16.8	15.2%	11.8%	\$1.14	\$1.34	\$1.50	23.7	20.2	18.0	62.6%	5.0%	33,479
Extra Space Storage	EXR	\$79.88		\$2.58	\$3.69	\$4.14	31.0	21.7	19.3	43.0%	12.3%	\$2.95	\$3.55	\$4.03	27.1	22.5	19.8	87.9%	4.4%	61,488
National Storage	NSA	\$20.23		\$0.92	\$1.08	\$1.25	22.0	18.7	16.2	17.4%	15.7%	\$0.78	\$1.01	\$1.19	25.9	20.0	17.1	86.9%	5.0%	20,845
Public Storage	PSA	\$224.00		\$8.90	\$9.86	\$10.77	25.2	22.7	20.8	10.8%	9.2%	\$8.66	\$9.38	\$9.82	25.9	23.9	22.8	76.7%	4.2%	156,880
Life Storage	LSI	\$88.01		\$4.94	\$5.33	\$5.94	17.8	16.5	14.8	7.9%	11.4%	\$4.44	\$4.85	\$5.48	19.8	18.2	16.1	78.4%	5.5%	40,004
Storage Total/Avg.							23.5	19.7	17.6	18.8%	12.1%				24.5	20.9	18.8	79%	4.8%	
Weighted Average							25.3	21.7	19.7	16.8%	10.2%				25.5	22.9	21.3	78%	4.4%	

Company	Ticker	Price ¹		Adjusted NI			Price/Adj NI			2016E Adj NI	2017E Adj NI	Adjusted Cash NI			Price/ ACNI			2016E ACNI	2016E ACNI	Sq. Ft. (000s)
		8/26/2016		2015A	2016E	2017E	2015A	2016E	2017E	Growth	Growth	2015A	2016E	2017E	2015A	2016E	2017E	Payout	Yield	
Jernigan Capital	JCAP	\$16.32		-\$0.50	\$2.74	\$2.23	NA	6.0	7.3	NA	-18.4%	-\$0.54	\$0.09	\$0.23	NA	NA	71.0	NA	0.6%	NA

¹ Period as of close 08/26/2016

FRB estimates for CUBE, PSA, NSA, SSS and JCAP, EXR is consensus estimates from Factset

Valuation Analysis

Company	Ticker	Price ¹ 8/26/2016	Implied Cap Rate	2Q16 NAV	Premium (Discount) Cap Rate	NAV Cap Rate	Down 25 BPS	Up 25 BPS	Sq. Ft. (000s)	NAV per Sq. Ft.	Implied EV per Sq. Ft.	2015 RevPOF	Implied EV/ RevPOF
CubeSmart	CUBE	\$27.10	5.0%	\$27	-0.1%	5.3%	\$29	\$26	33,479	\$146.2	\$193.1	\$14.8	13.1
Extra Space Storage	EXR	\$79.88	NA	\$73	10.2%	4.9%	\$76	\$69	61,488	\$157.3	\$236.8	\$15.4	15.3
National Storage	NSA	\$20.23	5.6%	\$18	12.1%	6.0%	\$19	\$16	20,845	\$55.8	\$111.6	\$10.6	10.5
Public Storage	PSA	\$224.00	4.5%	\$202	11.0%	5.0%	\$212	\$191	156,880	\$223.9	\$276.3	\$16.8	16.5
Life Storage	LSI	\$88.01	6.1%	\$104	-15.2%	5.6%	\$111	\$98	40,004	\$120.8	\$133.7	\$12.3	10.8
Average			5.3%		8.2%	5.1%				\$140.80	\$190.31	\$13.98	13.26

Company	Ticker	Price ¹ 8/26/2016	2Q16			Premium / (Discount) %			Forward		
			Book Value	Fair Value	Potential FV	Book Value	Fair Value	Potential FV	Book Value	Fair Value	Potential FV
Jernigan Capital	JCAP	\$16.32	\$15.8	\$17.1	\$20.8	3.3%	-4.5%	-21.7%	\$17.6	\$19.3	\$20.8

Development and C/O Deals

Company	Ticker	Price ¹ 8/26/2016	Enterprise Value	Gross Book Value	C/O and Development		C/O and Development		C/O and Development		Potential Value Creation	PCV as a % of NAV
					Under Construction	as a % of EV	as a % of EV	as a % of GBV	Stabilized Yields	Market Cap Rates		
CubeSmart	CUBE	\$27.10	\$ 6,465	\$ 3,861	\$ 262	4.0%		6.8%	7.0%	5.0%	\$ 104.6	2.3%
Extra Space Storage	EXR	\$79.88	\$ 14,557	\$ 6,479	\$ 252	1.7%		3.9%	7.0%	5.0%	\$ 100.7	1.0%
National Storage	NSA	\$20.23	\$ 2,327	\$ 1,345	\$ -	0.0%		0.0%	NA	NA	\$ -	0.0%
Public Storage	PSA	\$224.00	\$ 43,344	\$ 13,571	\$ 510	1.2%		3.8%	7.0%	5.0%	\$ 204.0	0.6%
Life Storage	LSI	\$88.01	\$ 5,351	\$ 2,922	\$ 40	0.7%		1.4%	7.5%	5.5%	\$ 14.4	0.3%
Average			\$ 14,409	\$ 5,636	\$ 401	1.5%		3.2%				

¹ Period as of close 08/26/2016

Source: Estimates, Company Reports

FRB estimates for CUBE, PSA, NSA, SSS and JCAP, EXR is consensus estimates from Factset

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