

# Briefly...

## ■ Online SSA

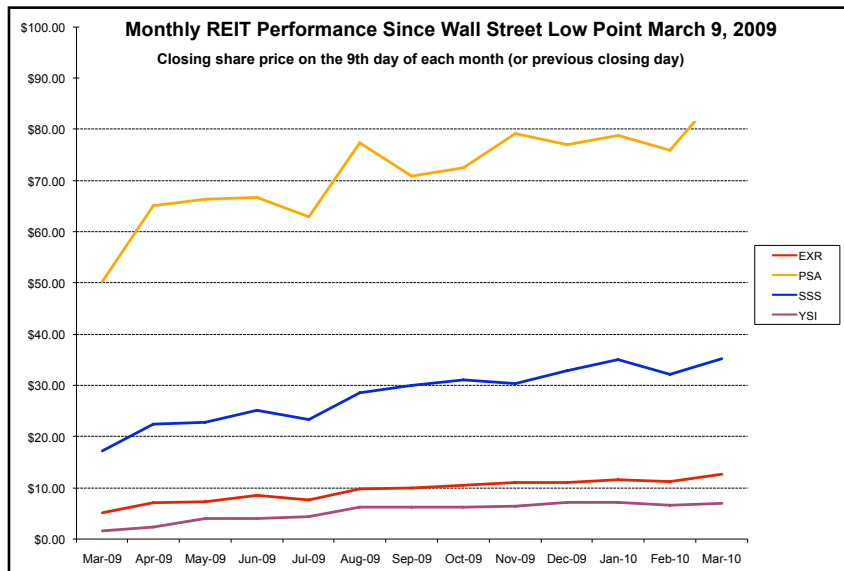
Make sure to keep up with the SSA via our online presence. In addition to the SSA website ([www.selfstorage.org](http://www.selfstorage.org)), follow us on Twitter at SelfStorageAssn and become a fan of the Self Storage Association on Facebook. You can also check out past issues of this magazine at [www.ssaglobe.org](http://www.ssaglobe.org).

## ■ V for Victor

The SSA will celebrate its 35th Anniversary this month in Colorado, where the idea for the organization was first hatched. Buzz Victor, who is featured in this edition of the *SSA Globe*, and others gathered in 1975 to consider common goals and best practices. Now more than 5,500 direct and indirect members benefit from the SSA. Victor remains active in the industry and still lives in the state.

## ■ Billionaire Club

*Forbes* listed Public Storage founder Bradley Wayne Hughes as number 232 on its annual list of the world's billionaires. Hughes opened his first self storage facility in 1972; today Public Storage has more than 2,100 facilities with 135 million rentable square feet.



# Self Storage REITs Enjoy Wall Street Recovery

## *Poised for Growth, but Limited Opportunities*

By Tim Dietz, VP – Communications & Government Relations

Publicly-traded self storage companies have been through a roller coaster in recent years, as has been the entire equities community. “Relief” may be the word that best summarizes the feelings of corporate brass and investors after a solid year of recovery.

On March 9, Wall Street marked the one-year anniversary of hitting rock bottom, its lowest level in 12 years. On that date in 2009 the Dow closed at 6,547, having been pummeled by months of recession gloom and uncertainty. Although stocks are far from the hey-day of their 2007 peaks, when the Dow reached 14,164, the recent recovery is certainly encouraging.

Traded on the public stock market, real estate investment trusts (REITs) are susceptible to Wall Street trends, but obviously track closely with what is happening in the real estate market. Thus, what you see happening in the Dow or Nasdaq may not always parallel the dynamics that govern REIT securities.

“REITs are still highly correlated to real estate despite the fact that they trade and react like equity,” says Michael Hudgins, VP and global REIT strategist at JPMorgan Asset Management. “In short, they still have the best of both worlds. With a long-term recovery in real estate valuations ahead, there are good prospects for total returns for REITs. At the same time, they can react to short-term events such as a lower interest rate,” Hudgins notes.

In the year between March 9, 2009, and March 9, 2010, each of the self storage REITs has shown remarkable growth in its stock value: Public Storage (PSA) from \$50.30 to \$87.69 (74%); Extra Space Storage (EXR) from \$5.13 to \$12.66 (146%); U-Store-It (YSI) from \$1.60 to \$6.96 (335%); and Sovran Self Storage (SSS) from \$17.22 to \$35.23 (104%).

According to a recently published Standards & Poor’s report, demand for self storage “has held up relatively well given the still weak state of the economy.

*See Self Storage REITs, page 18*



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## Self Storage REITs, from page 4

Many self storage providers have used discounting more aggressively to maintain occupancy," said S&P analyst Robert McMillan.

Public Storage, during its earnings call, noted that it was able to make-up its occupancy gap. "We started 2009 at 87.1 percent occupancy, 0.8 percent behind the prior year," said Public Storage president and CEO Ron Havner. "Through aggressive pricing, promotion, and marketing activities and solid execution by field operations, we eliminated this occupancy gap by year-end."

### Growth Opportunities Limited

Self storage REIT executives hinted during their year-end disclosure period that efforts to shore-up balance sheets in recent months will enable them to take advantage of growth prospects during 2010.

Spencer Kirk, president and CEO of Extra Space Storage, said his company is in a position to grow, despite the challenging fiscal environment: "We are encouraged about the options available for Extra Space to grow in an intelligent manner through our third-party management program and potential acquisition opportunities," said Kirk.

Wayne, Pennsylvania-based U-Store-It also expressed a positive outlook for the months ahead. "Our 2009 capital raising efforts demonstrated our ability to access capital from multiple sources in a very difficult market and have significantly transformed our balance sheet and improved our debt maturity profile," said Christopher Marr, the company's president and chief investment officer. "We are well-positioned to evaluate acquisition opportunities and will do so with a keen focus on our cost of capital, leverage levels and long-term potential to create value for our shareholders."

During last month's earnings call, Havner noted that their phones are ringing from potential sellers, but that the current atmosphere for growth is limited. One macro trend, said the Public Storage chief, is "if you're an owner and you have substantial equity in your property, you're probably not thinking that this is the all time great environment to sell. Many buyers have limited to no financial capacity. Operating trends have been down and so you're waiting for probably more favorable operating trends and a more robust competitive environment in terms of potential buyers for the assets," he said.

Havner continued, "Macro trend two is, if you don't have equity in your property, you overpaid and the loan is substantively worth more than the value whether you use an 8 or a 10 or a 7 cap rate; the bank essentially owns the property and as has been widely reported banks are not exactly moving aggressively to foreclose on assets, especially if they're paying interest," he said. ❖