

SELF STORAGE VALUATION

Special Purpose Property Valuation – Appraisal Institute

April 7, 2011

Downey, CA



ABOUT CUSHMAN & WAKEFIELD'S SELF STORAGE INDUSTRY GROUP

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ABOUT CUSHMAN & WAKEFIELD'S SELF STORAGE INDUSTRY GROUP

The **Self Storage Industry Group** is a nationwide team of professionals specializing in:

- Valuation
- Financial Feasibility
- Data
- Research
- Analysis
- Market Reports
- Brokerage
- Consultation

SELF STORAGE SPECIALTY WEBSITE WWW.SELFSTORAGEECONOMICS.COM

The screenshot shows a Microsoft Internet Explorer browser window displaying the website for the Cushman & Wakefield Self Storage Industry Group. The browser's address bar shows the URL <http://www.selfstorageeconomics.com>. The website features a navigation menu on the left with links to SSIG Home, User Registration, Self Storage Snapshot™, City Focus, Investor Survey, Seminars & Events, Article Reprints, SSIG In Print, Links, About the SSIG, and Cushman & Wakefield Home. The main content area includes a large banner image of a self-storage facility with the text "CUSHMAN & WAKEFIELD'S Self Storage Industry Group". Below the banner is the tagline "Cushman & Wakefield's Self Storage Industry Group From data to decisions™". The text describes the SSIG as the trusted source for real estate information and research regarding self-storage property. Three key service areas are highlighted: VALUATION, FINANCIAL FEASIBILITY, and DATA. Two promotional boxes on the left announce the availability of the 2008 Self-Storage Expense GuideBook and the 4Q 2008 Korpacz Real Estate Investor Survey.

Cushman & Wakefield's Self Storage Industry Group
From data to decisions™

The Self Storage Industry Group (SSIG) is the trusted source for real estate information and research regarding self storage property. From data to decisions, the Group is dedicated to the Economics of Self Storage:

VALUATION
With an appraisal background, the Self Storage Industry Group can provide complete appraisal services in self-contained and summary report formats. Business arrangements vary to scope of services. Furthermore, it is the intent of the appraisal services to comply with the Uniform Standards of Professional Appraisal Practice as outlined by the Appraisal Standards Board of the Appraisal Foundation; federal regulatory agencies' guidelines; and, state Real Estate Appraiser Regulations.

FINANCIAL FEASIBILITY
The SSIG can provide financial feasibility reports that forecast cash flow and determine the economic viability of proposed development. Such analyses are useful for equity investors, debt providers and developers. Site specific analysis determines the project competitive position in relation to the competition.

DATA
The Self Storage Industry Group collects and analyzes data regarding market trends and sub-market specific profiles to understand conditions of supply, demand and equilibrium. For example, the Orange County, California database provides project specific data or a snapshot of the entire county. The SSIG has analyzed and forecast market conditions in all 50 states and in the top 100 metropolitan markets. Additional analyses have been completed on local trade areas; the best indicators of market conditions; to analyze the competitive position of a specific project. As competition increases, the ability to quantify winners and losers within the asset class becomes increasingly important.

HOT OFF THE PRESS!
The 2008 Self-Storage Expense GuideBook is now available — [Click here for info!](#)

NEW!
The 4Q 2008 Korpacz Real Estate Investor Survey® is also available — [Click Here!](#)

THE ECONOMIST



“Over the centuries inflation has moved up and down, but rising inflation has always been caused by excessive monetary expansion, often associated with wars or other strains on government finances. It is alarming, therefore, that monetary and fiscal policies are currently so lax. In the G7 economies the average budget deficit as a share of GDP is almost as big as at any time in the past 50 years, while global monetary policy is, by some measures, at its loosest since the 1970s — when inflation last took off.”

The Economist

17 June 2004

THE ECONOMIST



“After 13 increases in interest rates, the tide of easy money is now flowing out, and many American households are going to be shockingly exposed. In the words of Warren Buffett, ‘It’s only when the tide goes out that you can see who’s swimming naked.’”

The Economist
14 January 2006

MOODY'S INVESTORS SERVICE

“The negative credit implications of the ongoing erosion of conduit loan underwriting, particularly the increase in leverage, now exceed the benefits of generally positive property market fundamentals.”

Moody's Investors Service

New York, NY

10 April 2007

**HOW BAD
WAS IT ?**

NATIONAL TRENDS – HOW BAD WAS IT?



NATIONAL TRENDS – HOW BAD WAS IT?

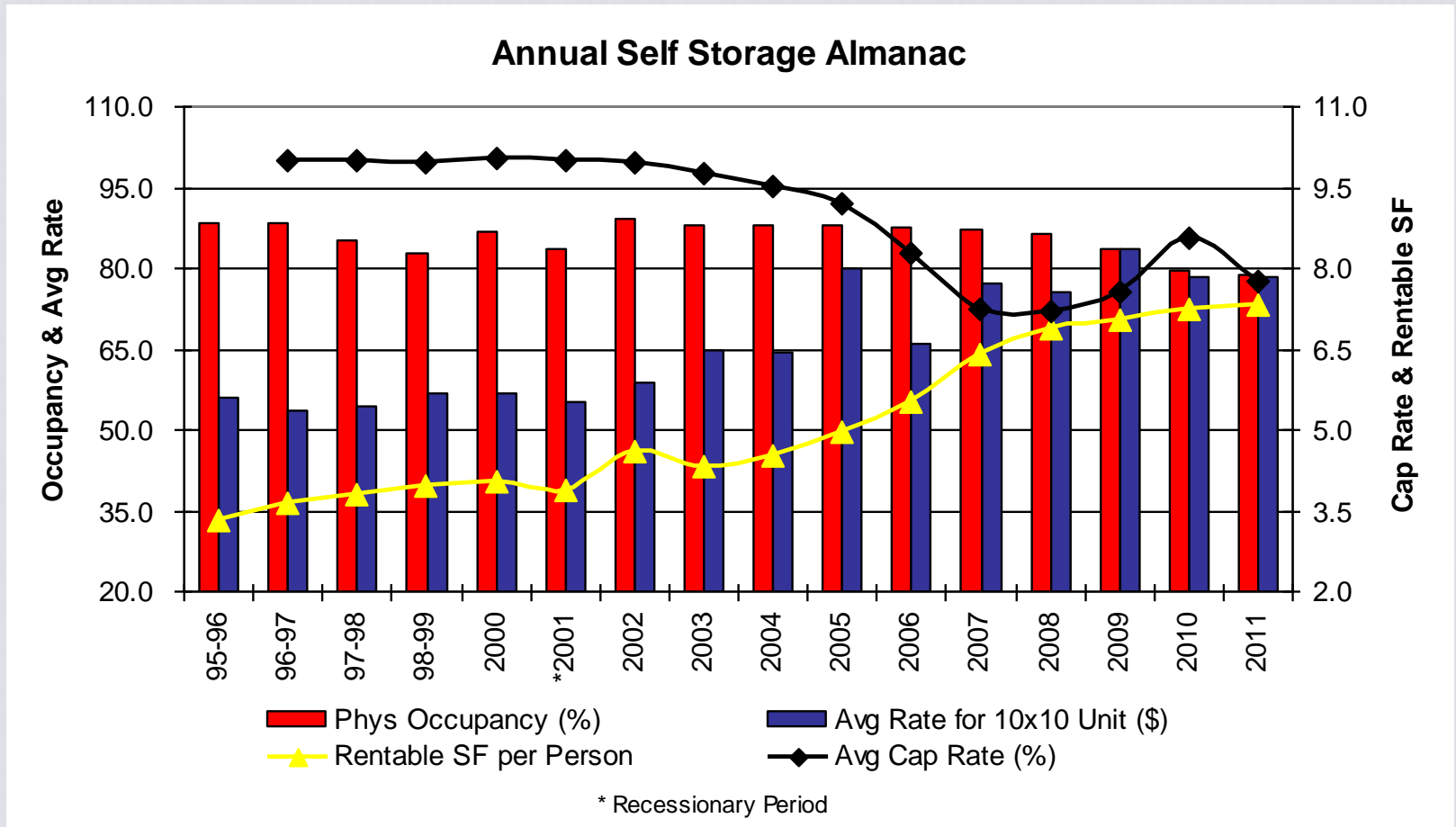


NATIONAL TRENDS – HOW BAD WAS IT?



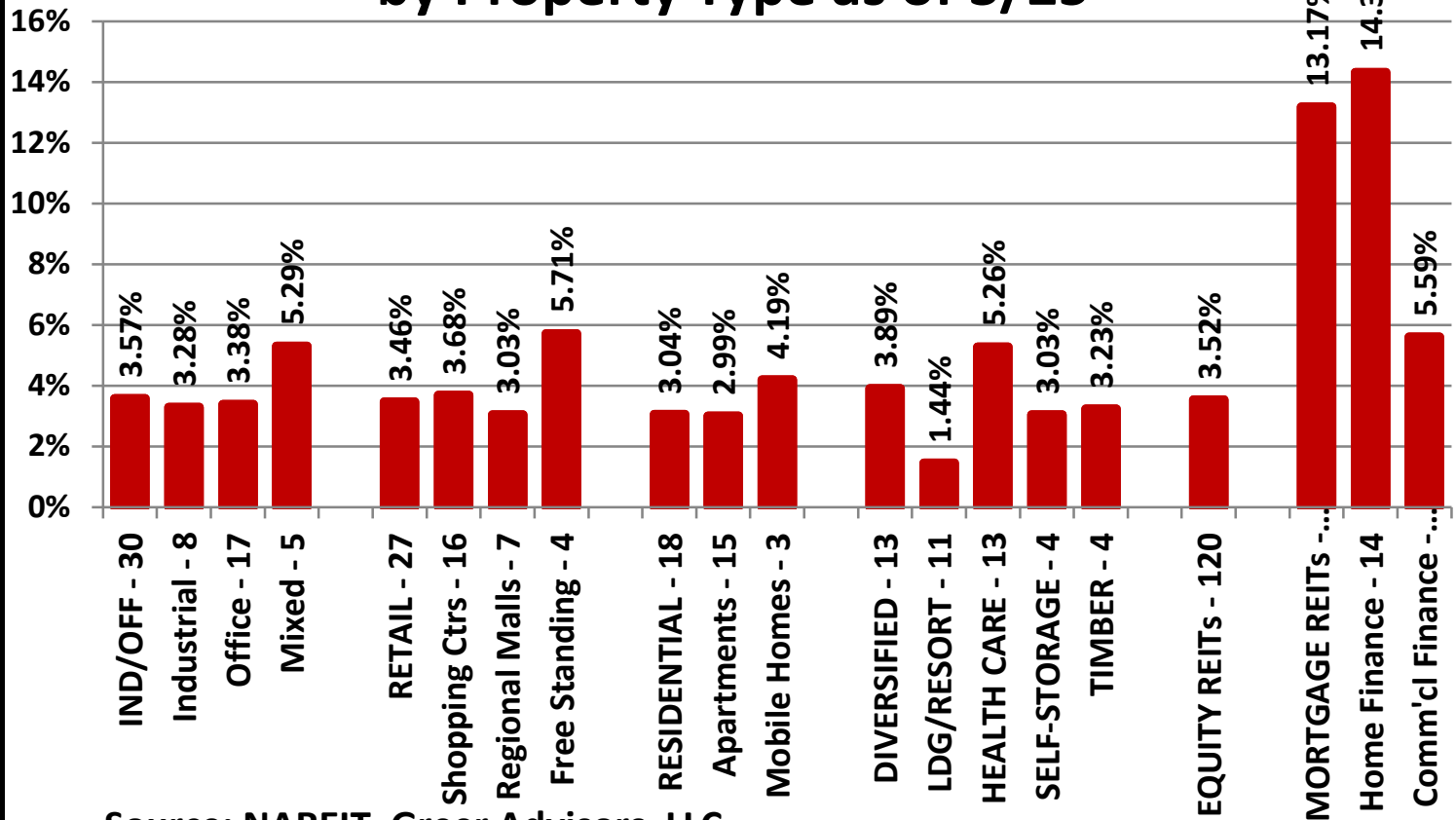
**WAS SELF STORAGE
RECESSION-PROOF ?**

NATIONAL TRENDS



REIT PROPERTY TYPE RETURNS OLD vs NEW

REIT Dividend Yield Rates by Property Type as of 3/25



Source: NAREIT, Greer Advisors, LLC

CAPITAL MARKETS UPDATE

Type	Number of Loans Orig	Number of Loans Current	Delinquency % Total
Co-op Housing	1,333	1,186	0.39
Health Care	659	143	4.25
Industrial	6,861	4,604	2.97
Lodging	5,281	3,530	6.72
Mixed Use	2,541	1,852	3.74
Mobile Home	2,741	1,761	2.88
Multi-Family	22,627	13,021	7.06
Office	15,114	10,904	2.71
Retail	27,556	21,172	4.4
Self Storage	3,544	2,644	2.39
Warehouse	138	15	0
Unknown	3	-	-

CMBS WATCHLIST AND SPECIAL SERVICERS

Self Storage Properties

Watch List California: 100

Special Servicers California: 5

Watch List Nationally: 505

Special Servicers Nationally: 52

THE LEAF-CHRONICLE



“Rental storage units, once the provenance of furniture packed up between moves, are increasingly used as remote additions to a house. Instead of the home away from home, rental storage units are the garage away from the garage.”

The Leaf-Chronicle

Clarksville, TN

30 March 2006

SELF STORAGE: AN EXPORT INDUSTRY



好使好用 24小時迷你倉

家中有不少珍藏品或一些甚具紀念價值的收藏品？那就一定要找個最安全、可靠兼實際的方法妥善儲存，這才可將美麗的回憶完整保留，直至永遠。但是，要在寸金尺土的香港收藏珍藏品談何容易？筆者認為近期深受用家歡迎的廿四小時迷你倉庫就最適合不過。



• 迷你倉引入香港 •

其實，迷你倉在外國已經流行了很多年，時昌在2001年時正式將迷你倉引入香港，在油塘設立首間迷你倉，配合其24小時保安控制中心，網上CCTV、智能出入系統等嚴密的

保安系統，令迷你倉廣受歡迎，吸引不少客人存放如證書、傢俱、雜物等。例如一般500呎住宅的所有傢具雜物，足夠儲存在100呎的倉庫內。而且，時昌設有抽濕器、冷氣、風扇等，更有助保護物品存放的廣泛性。

• 專業文件櫃 •

一般公司需要儲備大量的文件及帳目，以便翻查過往的資料，但由於資料繁多，發放不便。有見及此，時昌的專業文件櫃便大派用場，可為客戶提供辨識技術、電腦管理系統及為客人收送文件時昌運輸車隊，均可幫助用戶有效節省時間和租金。

• 時昌迷你倉 •

始創於2001年，多年來建立了一個穩定的經營環境，迷你倉遍佈港九，並鄰近交通樞紐，十分方便。而且，獨立倉面積由30平方呎至400平方呎，適合不同人士的需要，為大家提供一個安全、清潔的獨立儲存空間。

時昌迷你倉 TEL: 8204 4916 / FAX: 3005 8505



每個迷你倉外均可裝置門鎖，加強保安。

油塘總行 (油塘廣輝道15號匯年大廈6樓)

SIZE	1-3個月	4-17個月	18個月以上
60呎	\$400	\$380	\$360
80呎	\$550	\$520	\$500
100呎	\$650	\$630	\$600
120呎	\$780	\$760	\$720
150呎	\$1,000	\$970	\$940
180呎	\$1,150	\$1,120	\$1,100
200呎	\$1,250	\$1,200	\$1,150
300呎	\$1,800	\$1,700	\$1,600
500呎	\$2,500	\$2,400	\$2,200

荃灣總行 (荃灣荃寧街14-16號匯豐大廈3-4樓)

SIZE	1-3個月	4-17個月	18個月以上
40呎	\$440	\$420	\$400
50呎	\$550	\$530	\$500
75呎	\$830	\$800	\$760
100呎	\$1,100	\$1,050	\$1,000
150呎	\$1,500	\$1,450	\$1,400

太古總行 (太古山街8號匯豐工商大廈3樓A)

SIZE	1-3個月	4-17個月	18個月以上
30呎	\$480	\$460	\$430
40呎	\$640	\$620	\$600
50呎	\$800	\$770	\$740
75呎	\$1,200	\$1,160	\$1,120
100呎	\$1,500	\$1,550	\$1,500
150呎	\$2,300	\$2,250	\$2,200

海大總行 (九龍彌敦道與海濱7號海大工業村1樓)

SIZE	1-3個月	4-17個月	18個月以上
50呎	\$550	\$525	\$500
75呎	\$830	\$800	\$760
100呎	\$1,100	\$1,050	\$1,000
150呎	\$1,600	\$1,550	\$1,500
200呎	\$2,000	\$1,900	\$1,800

HISTORY OF SELF STORAGE

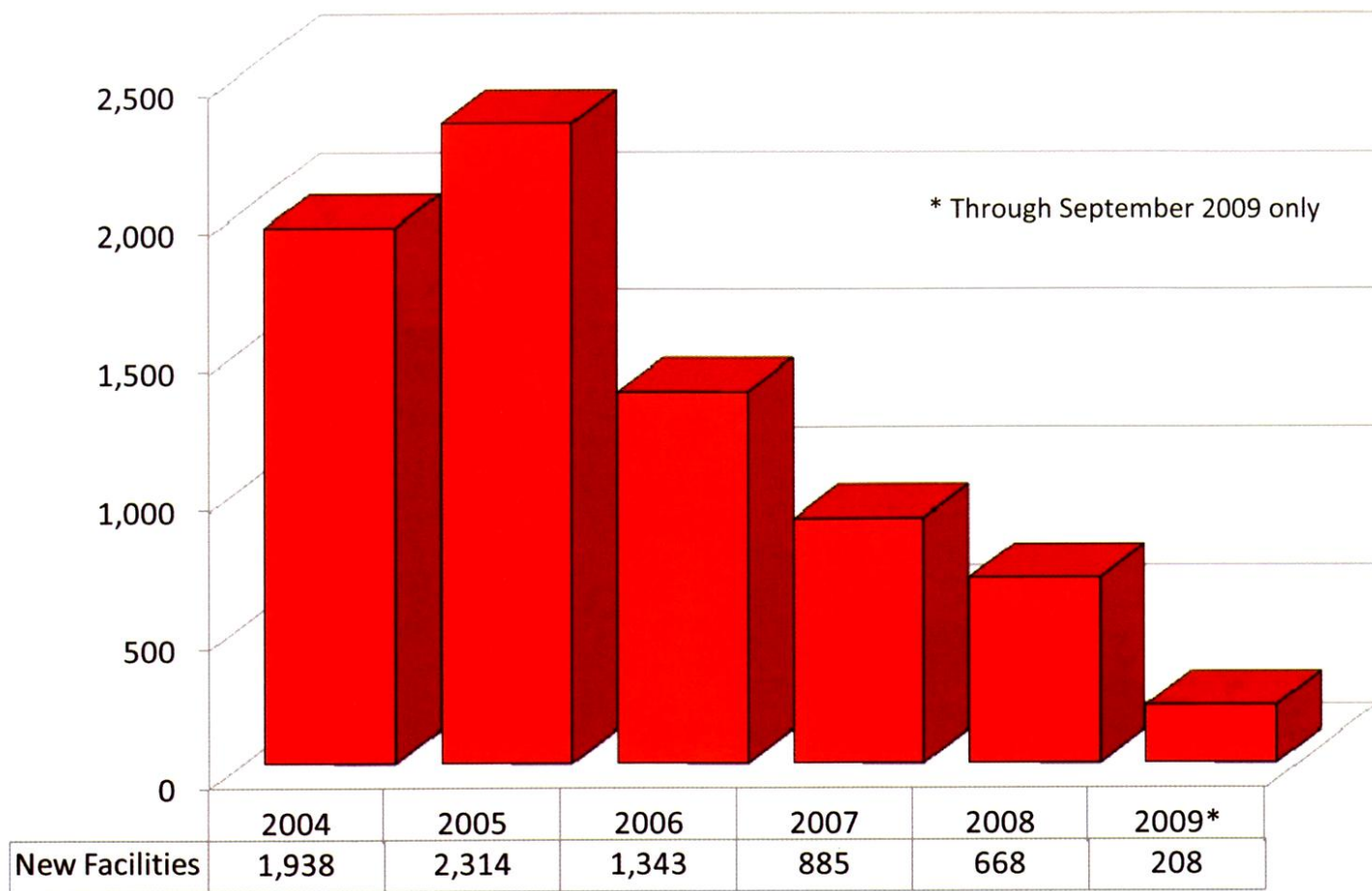
Assuming the industry is fifty years old, and a 2009 figure of 48,721 facilities nationwide (2010 *Self-Storage Almanac*), the industry growth rate has been at an average pace of 974.4 facilities per year. This pace beats McDonalds, with over two new self storage facilities being constructed every day in the United States over the last fifty years.



U.S. POPULATION

1915: 100,000,000
1967: 200,000,000
2006: 300,000,000
2009: 305,000,000
2043: 400,000,000

CONSTRUCTION 'STARTS' DECLINE



INVESTING IN NEW REALITY

REFJ

The Real Estate Finance Journal

A THOMSON REUTERS PUBLICATION

SUMMER 2010

Redefining Core Real Estate: Investing in the New Reality

*H. Michael Schwartz and R. Christian Sonne**

In this article, the authors suggest that investors seeking shelter from the recent economic storms would be wise to add self storage to their core real estate asset mix of essential building blocks for balanced and successful portfolios.

NAREIT RETURNS BY SECTOR

Total Annual Returns by Property Sector
(Returns in Percent)

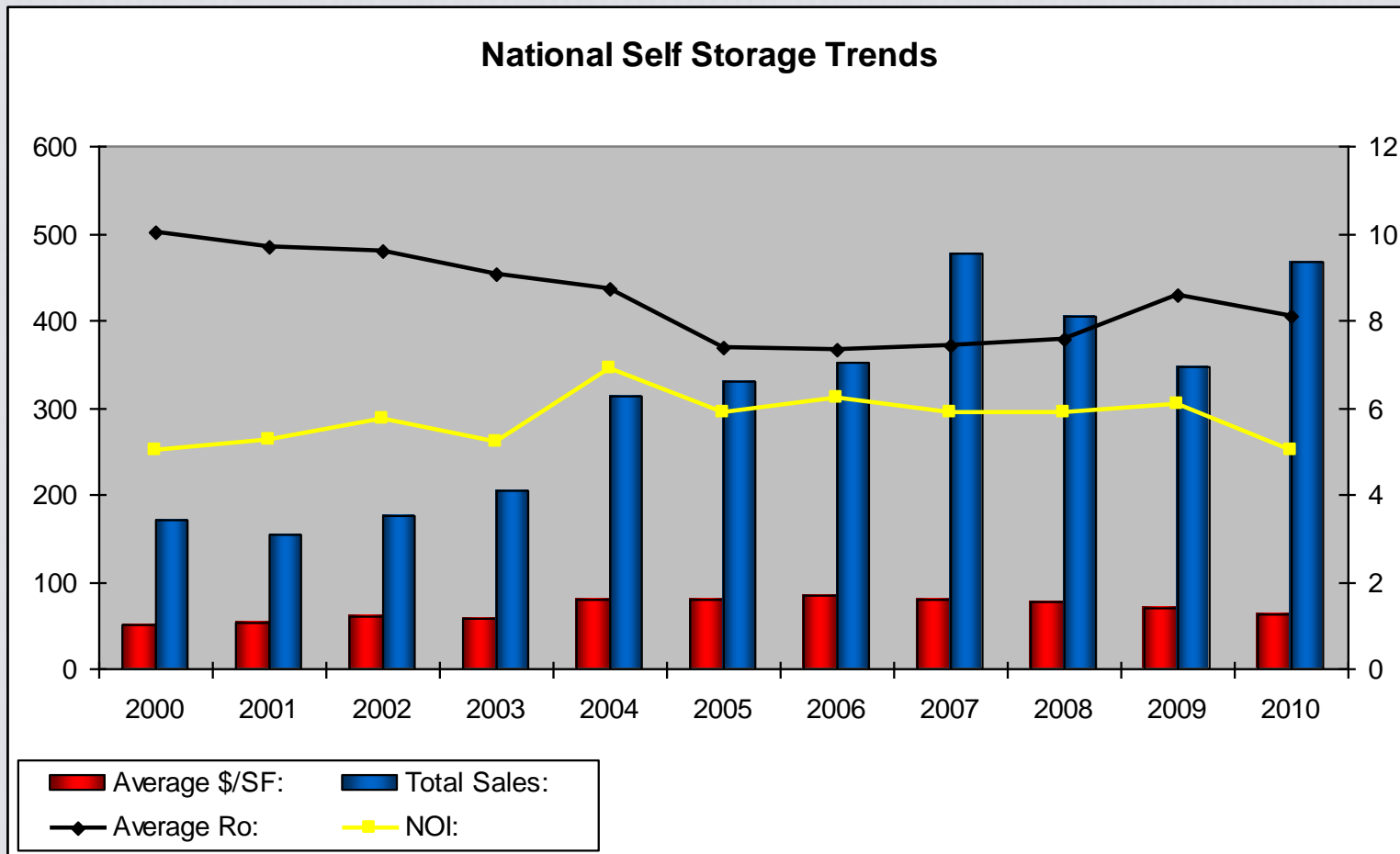
	Office	Industrial	Retail	Apartments	Self Storage
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Analysis - Calculation Based on NAREIT Data

5 yr Avg. Return '05 - '09	11.22
5 yr Standard Deviation	22.20
10 yr Avg. Return '00 - '09	18.24
10 yr Standard Deviation	20.46
15 yr Avg. Return '95 - '09	16.52
15 yr Standard Deviation	20.92

5 yr Standard Deviation	34.55	33.94	29.34	27.40	22.20
10 yr Avg. Return '00 - '09	12.64	11.00	16.03	13.27	18.24
10 yr Standard Deviation	26.41	28.28	26.90	23.41	20.46
15 yr Avg. Return '95 - '09	15.53	11.64	13.35	12.79	16.52
15 yr Standard Deviation	26.21	24.95	24.23	20.37	20.92

SELF STORAGE PRICING AND SALES



SELF STORAGE REITs

SELF STORAGE REIT STATISTICS & PERFORMANCE

Stock:	Ticker:	4Q - 2010		4Q-2009		4Q-2008		4Q -2007	
		Price:	Dividend:	Price:	Dividend:	Price:	Dividend:	Price:	Dividend:
Public Storage, Inc.:	PSA	\$96.60	3.31%	\$ 80.69	2.71%	\$73.41	2.72%	\$ 73.41	2.70%
Sovran Self Storage:	SSS	\$36.03	5.00%	\$ 32.00	5.65%	\$ 40.10	6.28%	\$ 40.10	6.30%
U-Stor-It Trust:	YSI	\$8.27	1.21%	\$ 6.39	1.59%	\$ 9.16	7.86%	\$ 9.16	12.70%
Extra Space Storage, Inc.:	EXR	\$16.02	2.50%	\$ 11.42	8.89%	\$ 14.29	7.00%	\$ 14.29	7.20%
Averages:		\$39.23	3.01%	\$ 32.63	4.71%	\$ 34.24	5.97%	\$ 34.24	7.23%

Stock:	Ticker:	4Q - 2006		4Q - 2005		4Q - 2004		4Q - 2003	
		Price:	Dividend:	Price:	Dividend:	Price:	Dividend:	Price:	Dividend:
Public Storage, Inc.:	PSA	\$ 94.45	2.13%	\$ 70.29	2.85%	\$ 56.57	3.18%	\$ 46.45	5.80%
Sovran Self Storage:	SSS	\$ 55.22	4.47%	\$ 47.68	5.16%	\$ 42.48	5.70%	\$ 36.89	9.30%
U-Stor-It Trust:	YSI	\$ 19.97	5.82%	\$ 20.50	5.66%	\$ 17.00	4.73%	--	--
Extra Space Storage, Inc.:	EXR	\$ 18.82	4.87%	\$ 14.80	6.15%	\$ 13.55	6.72%	--	--
Averages:		\$ 47.12	4.32%	\$ 38.32	4.96%	\$ 32.40	5.08%	\$ 41.67	7.55%

PUBLIC STORAGE

January 31, 2011 - **PSA Reached a New 52 Week High at \$108.88**
February 1, 2011 - **PSA Reached a New 52 Week High at \$109.89**
February 7, 2011 - **PSA Reached a New 52 Week High at \$110.06**
February 8, 2011 - **PSA Reached a New 52 Week High at \$110.94**

Additionally, over the last 12 months, PSA has increased 45.90% while its peers in the Specialized REITs industry increased 36.88%.

As provided by Charles Schwab

EXTRA SPACE

February 1, 2011 - **EXR Reached a New 52 Week High at \$19.55**

February 2, 2011 - **EXR Reached a New 52 Week High at \$19.59**

February 3, 2011 - **EXR Reached a New 52 Week High at \$19.65**

February 7, 2011 - **EXR Reached a New 52 Week High at \$19.69**

February 7, 2011 - Additionally, over the last 12 months, EXR has increased 73.48% while its peers in the Specialized REITs industry increased 37.72%.

As provided by Charles Schwab

KEY INDICATORS

(See 2010 Self Storage Investor Survey for additional data)

Time	2010	2009	2008	2007	2006	2005	2004	2003
Trade Area (radius)								
Range	1 - 5	2 - 5	2 - 5	2 - 5	1 - 5	1 - 5	1 - 5	1.5 - 5
Mode	3	3	3	3	3	3	1.5	1.5
Average	3.15	3.21	3.25	3.33	3.14	3.3	2.8	2.82
Change	-1.87%	-1.2%	-2.4%	6.05%	- 4.85%	17.86%	- 0.71%	-
Demand (sq. ft. per person)								
Range	1 - 8	1 - 8	1 - 10	3 - 10	2 - 10	3 - 12	2 - 12	2 - 8
Mode	7	6.5	6	6	5	5	4	4
Average	6.98	6.73	6.52	6.12	5.7	5.36	5.27	4.87
Change	3.71%	3.22%	6.54%	7.37%	6.34%	1.71%	8.21%	-
Capitalization Rate								
Range	6.5% - 9%	6.5% - 9.5%	6% - 9%	6% - 9%	6% - 9%	7% - 10%	7.5% - 11%	8.25% - 11%
Mode	8.5%	8.5%	7.5%	7.25%	7%	8.5%	9%	9.5%
Average	8.45%	8.55%	7.55%	7.19%	7.26%	8.28%	9.19%	9.52%
Change	-10 Basis Points	+100 Basis Points	+36 Basis Points	-7 Basis Points	-91 Basis Points	-91 Basis Points	-33 Basis Points	-
Absorption Time (months)								
Range	24 - 48	24 - 48	20 - 40	18 - 36	18 - 43	12 - 44	18 - 40	18 - 36
Mode	36	36	36	30	30	24	24	24
Average	35	34	33	32	30	27	24	23
Change	+1	+1	+1	+2	+3	+3	+1	-
Marketing Time (months)								
Range	1 - 12	1 - 12	1 - 12	1 - 12	1 - 6	1 - 12	1 - 6	1 - 12
Mode	6	8	4	4	4	1	1	1
Average	6.15	7.75	4.31	3.66	3.14	3.06	2.89	3.95
Change	-1.65	+3.44	+0.65	+0.52	+0.08	+0.17	-1.06	-
Profit (on cost only)								
Range	10% - 15%	10% - 20%	10% - 20%	10% - 25%	15% - 25%	10% - 30%	8% - 25%	8% - 30%
Mode	12%	15%	15%	18%	20%	20%	20%	20%
Average	12.5%	14.96%	15.86%	17.63%	20.13%	20.14%	17.10%	14.34%
Change	-16.44%	-5.67%	-10.04%	-12.42%	-	17.78%	19.25%	-

Source: Cushman & Wakefield Self Storage Industry Group



KEY INDICATORS

(See 2010 Self Storage Investor Survey for additional data)

Time	2010	2009	2008	2007	2006	2005	2004	2003
Optimism Index (1 - 10)								
Range	3 - 9	1 - 8	3 - 9	3 - 9	3 - 9	3 - 9	5 - 10	5 - 10
Mode	6	5	6	6	7	6.5	7	7
Average	6.15	5.5	6	6.25	6.5	6.65	6.9	6.83
Change	11.82%	-8.33%	-4%	-3.85%	-2.26%	-3.62%	1.02%	-
Market Conditions								
Undersupplied	10%	10%	10%	6%	15%	15%	3%	6%
Oversupplied	60%	65%	63%	52%	50%	50%	54%	47%
Equilibrium	30%	25%	27%	42%	35%	35%	40%	47%
Strategy								
Buy	40%	20%	27%	15%	18%	20%	27%	28%
Sell	45%	60%	55%	60%	50%	60%	46%	26%
Build	15%	20%	18%	25%	32%	20%	27%	30%
Discounted Cash Flow								
Usage	33%	36%	33%					
Discount Rate (IRR)								
Range	10% - 12%	10% - 12%	10% - 12%					
Average	11.25%	11.5%	10.75%					
Change (Basis Points)	25	75	25					
Rental Growth Rate	3%	2%	3%					
Expenses Growth Rate	3% - 4%	3% - 4%	3% - 4%					
Terminal Cap Rage	+50 bp	+50 bp	+50 bp					
Cost of Sales	4%	4%	4%					
Holding Period	10 years	10 years	10 years					

Source: Cushman & Wakefield Self Storage Industry Group

KEY INDICATORS

Table DSS-1

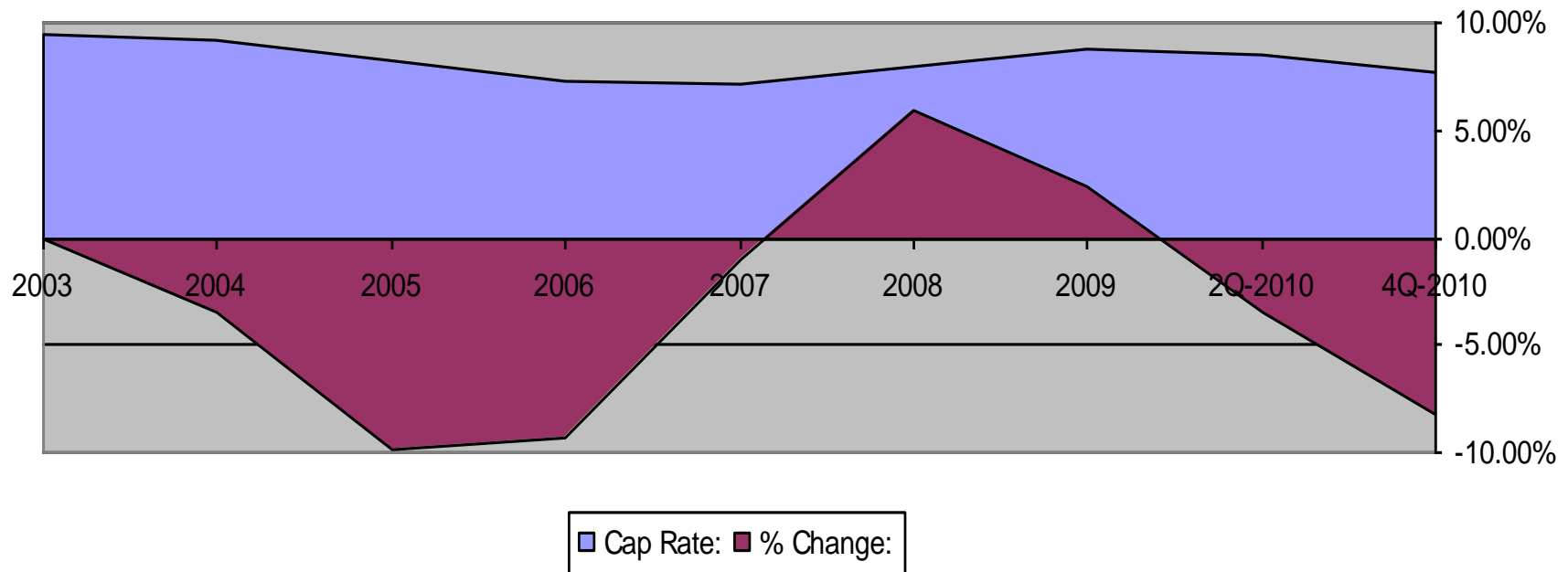
DOMESTIC SELF-STORAGE MARKET

Second Half 2010

	SECOND HALF 2010	FIRST HALF 2010	SECOND HALF 2009
DISCOUNT RATE (IRR)^a			
Range	10.00% – 12.00%	10.00% – 13.00%	10.00% – 13.00%
Average	10.75%	11.50%	11.50%
Change (Basis Points)		- 75	- 75
OVERALL CAP RATE (OAR)^a			
Range	7.00% – 9.50%	7.00% – 10.00%	7.00% – 10.00%
Average	7.75%	8.45%	8.75%
Change (Basis Points)		- 70	- 100
RESIDUAL CAP RATE			
Range	8.00% – 10.50%	8.00% – 10.50%	8.00% – 10.50%
Average	9.00%	8.75%	9.00%
Change (Basis Points)		- 25	0

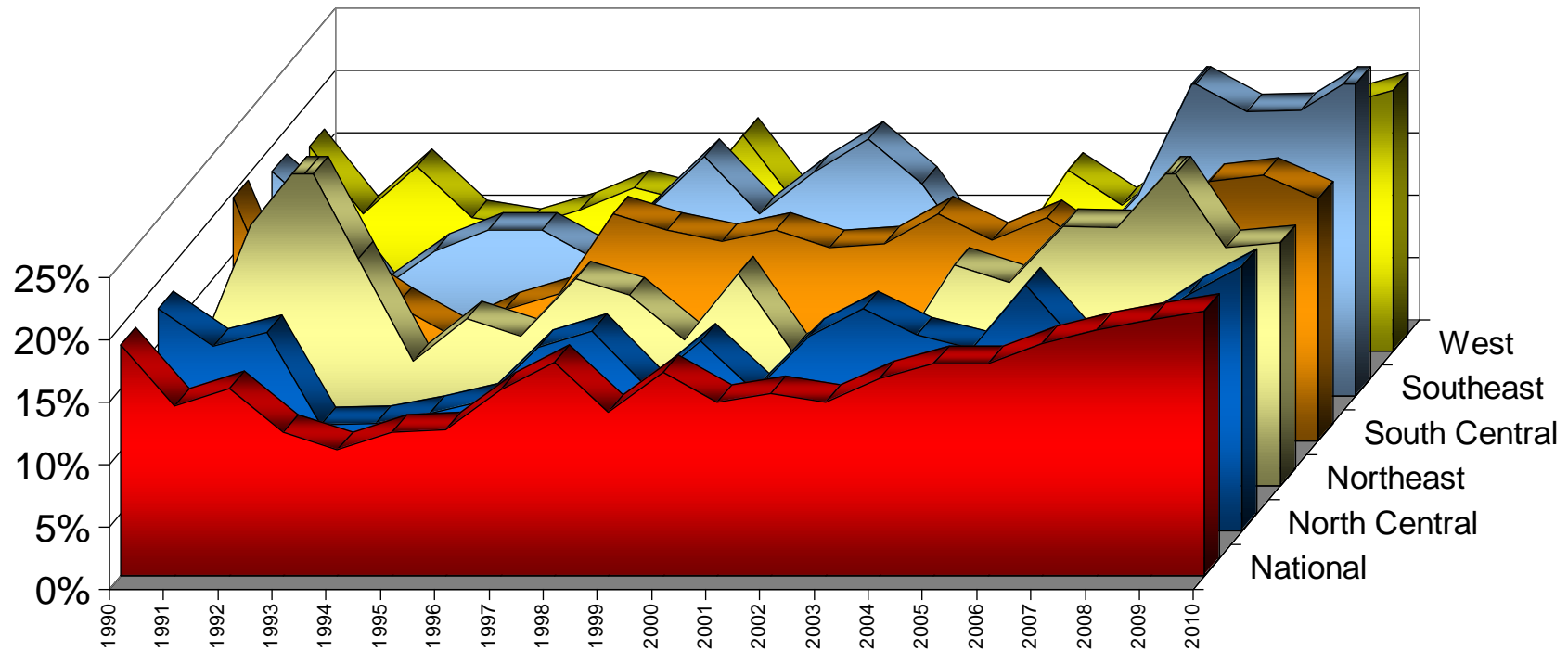
CAP RATE TRENDS

Cap Rate Trends



VACANCY TRENDS

Self Storage Vacancy Trends



DATA IS BETTER THAN GUESSING



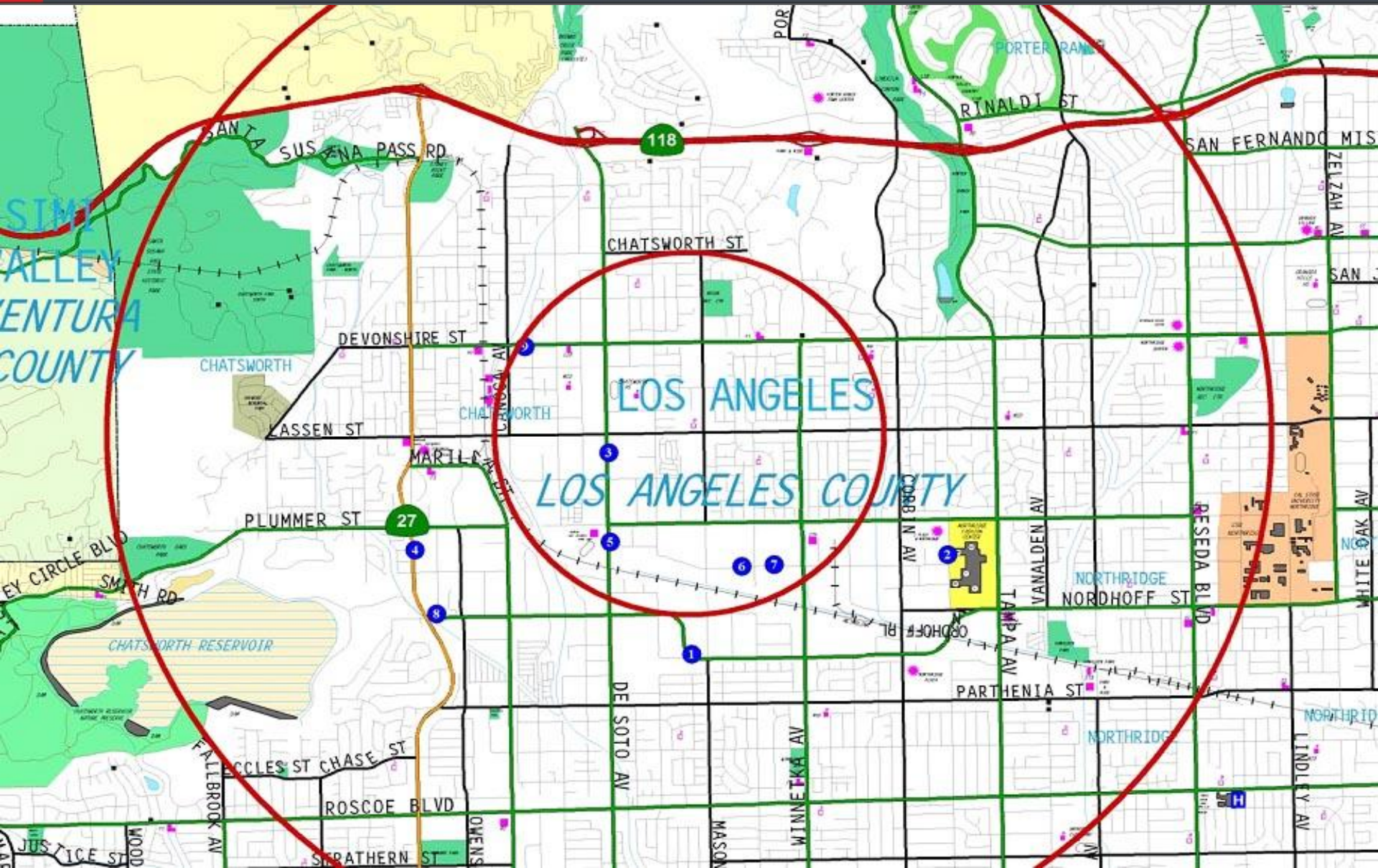
DATA IS NOT ROCKET SCIENCE



MARKET ANALYSIS



MARKET ANALYSIS MAP



MARKET ANALYSIS

#	Name	Location	Age	Levels	Units	Area SF	Occupancy	Occupied SF
1)	West Valley Mini Stg	20525 Nordhoff Street	1975	2	700	53,000	80%	50,400
2)	Public Storage	9341 Shirley Avenue	1975	1	796	59,875	95%	56,881
3)	Public Storage	9818 De Soto Avenue	1974	1	772	92,800	91%	84,355
4)	Public Storage	9350 Topanga Canyon Blvd.	1973	1	270	47,090	91%	42,852
5)	EZ Storage	9420 De Soto Avenue	1986	3	1,000	118,411	90%	106,570
6)	U-Store Self Storage	20351 Prairie Street	1977	1	635	59,850	90%	62,865
7)	Storage USA	20221 Prairie Street	1974	1	1,096	106,290	95%	100,976
8)	AAA Self Storage	9111 Jordan Avenue	1987	1	997	118,107	98%	115,745
9)	U-Haul	21326 Devonshire Street	1986	1	31	2,790	100%	2,790
-	Polygon Total		1979	1	6,297	678,213	92%	623,434

ECONOMETRIC DEMAND MODEL

Table 2: Self Storage Economics - Econometric Demand Model							
	Occupied:	Population:	% Renters:	Household:	HH Income:	Demand:	Estimate:
El Monte Ring:	316,051	151,266	44.78%	4.08	\$ 60,078	2.09	4.80
Las Vegas Polygon:	369,720	52,816	44.78%	2.47	\$ 66,293	7.00	5.53
Corona:	399,836	111,500	28.20%	3.34	\$ 66,391	3.59	4.23
Santa Clarita:	692,979	147,000	26.26%	3.05	\$ 81,363	4.71	3.90
Van Nuys:	930,850	208,553	64.70%	2.55	\$ 56,187	4.46	4.99
Orange:	638,520	148,753	36.80%	2.95	\$ 78,297	4.29	4.40
Cypress:	185,006	42,427	28.40%	3.00	\$ 67,400	4.36	4.86
Colton:	179,239	44,633	43.07%	2.89	\$ 33,005	4.02	5.23
Hesperia:	314,183	66,152	26.40%	3.06	\$ 30,978	4.75	4.13
Foothill Ranch:	269,886	56,663	30.00%	2.80	\$ 66,383	4.76	4.76
Aliso Viejo:	405,624	111,145	30.10%	2.28	\$ 52,059	3.65	3.99
Pasadena:	555,080	137,100	53.70%	2.60	\$ 47,800	4.05	5.01
Thousand Oaks:	456,678	140,975	23.10%	2.75	\$ 101,095	3.24	3.96
Costa Mesa/Newport:	766,039	171,200	49.60%	2.48	\$ 49,918	4.47	4.46
Santa Ana:	732,181	305,800	49.40%	4.23	\$ 34,204	2.39	3.29
Cerritos:	653,297	243,498	16.00%	3.54	\$ 52,555	2.68	2.19
Simi Valley:	373,975	113,069	23.60%	3.12	\$ 78,523	3.31	4.07
Fountain Valley:	958,674	365,388	24.00%	3.14	\$ 61,984	2.62	1.47
Anaheim:	467,785	56,554	58.70%	3.24	\$ 47,602	8.27	6.17
Average:	508,716	140,763	36.93%	3.03	\$59,585	4.14	4.29

ECONOMETRIC DEMAND MODEL

SUMMARY OUTPUT

<i>Regression Statistics</i>	
Multiple R	0.771226471
R Square	0.59479027
Adjusted R Square	0.470110353
Standard Error	1.058167148
Observations	18

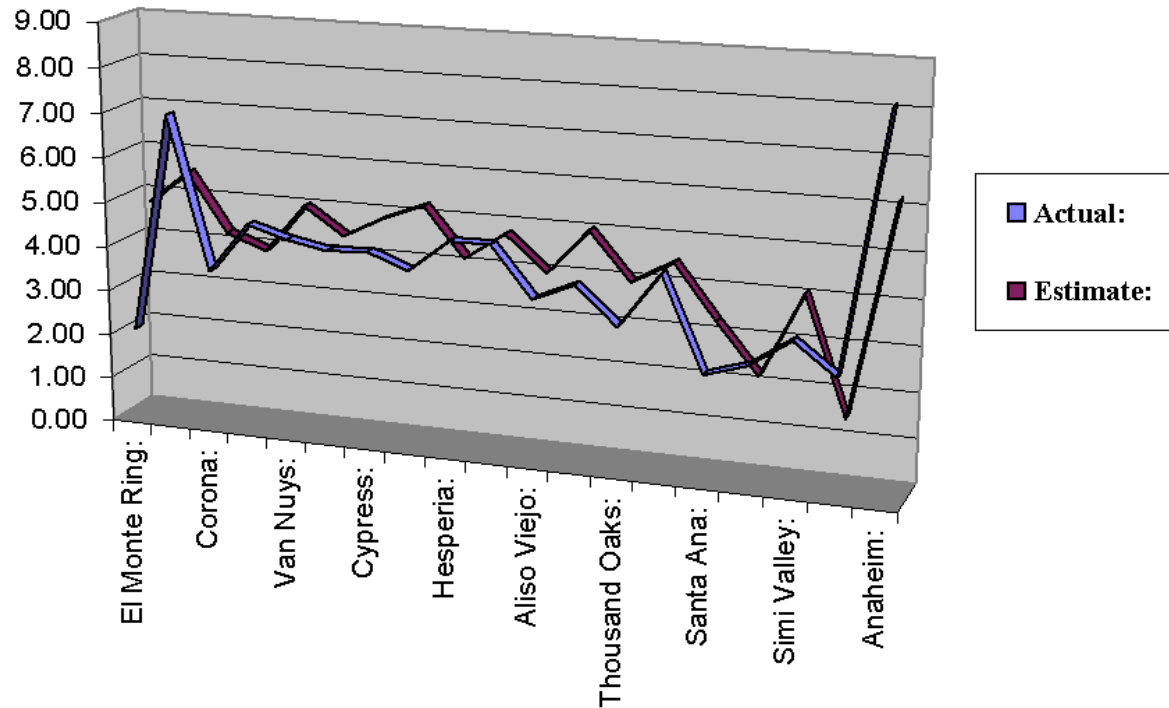
ANOVA

	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>
Regression	4	21.36662316	5.34165579	4.770537903	0.013712083
Residual	14	14.55633027	1.119717713		
Total	18	35.92295343			

	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95%</i>	<i>Upper 95%</i>	<i>Lower 95.0%</i>	<i>Upper 95.0%</i>
Intercept	2.475366889	2.774616533	0.892147387	0.38852945	-3.518826547	8.469560325	-3.518826547	8.469560325
X Variable 1	-9.68493E-06	3.10438E-06	-3.119765618	0.00813142	-1.63915E-05	-2.97833E-06	-1.63915E-05	-2.97833E-06
X Variable 2	5.341204829	2.109667803	2.531775297	0.025040781	0.78354551	9.898864149	0.78354551	9.898864149
X Variable 3	0.178586569	0.664910507	0.268587376	0.792462299	-1.257864974	1.615038111	-1.257864974	1.615038111
X Variable 4	1.10859E-05	1.62641E-05	0.681617753	0.507442649	-2.40505E-05	4.62223E-05	-2.40505E-05	4.62223E-05

ECONOMETRIC DEMAND MODEL

Figure 2: Demand per Capita by Location



POTENTIAL GROSS INCOME

MARKET RENT FORECAST - ALL UNITS

No.	Unit Type	No. Units	(%) Unit Occupancy	Drive-Up	Asking Rent \$/Month/Unit	Actual Rent \$/Month/Unit	C&W Estimated Market Rent \$/Month/Unit	C&W Forecast Rent \$/Year	C&W Forecast Rent \$/SF/Year
1	5 x 4	4	100.00	x	\$30	\$30	\$31	\$1,488	\$18.60
2	5 x 5	7	71.43	x	\$45	\$36	\$38	\$3,192	\$18.24
3	5 x 9	9	100.00	x	\$59	\$53	\$56	\$6,048	\$14.93
4	8 x 6	1	100.00	x	\$64	\$60	\$59	\$708	\$14.75
5	5 x 10	5	100.00	x	\$64	\$58	\$61	\$3,660	\$14.64
6	6 x 9	1	100.00	x	\$69	\$60	\$65	\$780	\$14.44
7	5 x 11	3	100.00	x	\$69	\$69	\$66	\$2,376	\$14.40
8	10 x 9	22	95.45	x	\$99	\$89	\$89	\$23,496	\$11.87
9	10 x 10	4	75.00	x	\$109	\$73	\$90	\$4,320	\$10.80
10	10 x 14	2	50.00	x	\$119	\$119	\$110	\$2,640	\$9.43
11	10 x 15	82	53.66	x	\$129	\$92	\$105	\$103,320	\$8.40
12	12 x 16	3	66.67	x	\$165	\$155	\$150	\$5,400	\$9.38
13	10 x 20	4	100.00	x	\$159	\$150	\$155	\$7,440	\$9.30
14	9 x 30	3	100.00	x	\$199	\$177	\$180	\$6,480	\$8.00
15	10 x 30	29	89.66	x	\$219	\$186	\$195	\$67,860	\$7.80
Total					\$129	\$106	\$111	\$239,208	\$8.85

Source: Cushman & Wakefield Self Storage Industry Group.

Western Region Operating Expenses

2009 National Operating Expenses

	Range		Average \$/SF	% of Expenses
	Low \$/SF	High \$/SF		
Taxes	\$0.03	\$3.54	\$0.52	14.17%
Insurance	\$0.01	\$2.33	\$0.18	4.75%
Repairs & Maintenance	\$0.01	\$3.14	\$0.24	6.49%
Administration	\$0.01	\$4.76	\$0.44	11.91%
On-Site Management	\$0.01	\$5.58	\$0.86	23.30%
Off-Site Management	\$0.01	\$2.12	\$0.49	13.19%
Utilities	\$0.01	\$5.59	\$0.30	8.16%
Advertising	\$0.01	\$4.80	\$0.25	6.85%
Miscellaneous	\$0.01	\$5.62	\$0.41	11.19%
Total Expenses	\$0.09	\$37.48	\$3.69	100.00%
Expense/Income Ratio *			41.80%	
\$/SF Change from 2008:			-9.73%	
Total Facilities Responding		572		
Total Rentable Area (SF)		29,509,563		
Average Rentable Area (SF)		51,590		
Average Concessions Cost (%)		4.49%		
Average Vacancy Cost(%)		11.27%		

Source: 2010 Expense Guide Book

INCOME SUMMARY / DIRECT CAPITALIZATION

SUMMARY OF REVENUE AND EXPENSES			
Stabilized Year For Direct Capitalization:	Year Three		
POTENTIAL GROSS REVENUE	Annual	\$/SF	% of EGI
Actual Rent (Occupied Storage Units)	\$349,095	\$4.66	
Plus Market Rent (Vacant Storage Units)	\$270,906	\$3.62	
Less Rent Loss (Non-Revenue Units)	\$0	\$0.00	
Base Rental Revenue - Storage Units	\$620,002	\$8.28	
Base Rental Revenue - Other	\$0	\$0.00	
Base Rental Revenue - Total	\$620,002	\$8.28	
Other Revenue	31,072	0.42	
TOTAL POTENTIAL GROSS REVENUE	\$651,074	\$8.70	
Vacancy and Collection Loss	(130,215)	(1.74)	
EFFECTIVE GROSS REVENUE	\$520,859	\$6.96	100.00%
OPERATING EXPENSES			
Taxes	\$43,889	\$0.59	8.43%
Insurance	11,670	0.16	2.24%
Repairs & Maintenance	19,627	0.26	3.77%
Administration	19,627	0.26	3.77%
On-Site Management	58,350	\$0.78	11.20%
Off-Site Management	26,043	0.35	5.00%
Utilities	11,670	0.16	2.24%
Advertising	28,644	0.38	5.50%
Miscellaneous	757	0.01	0.15%
Total Operating Expenses	\$220,276	\$2.94	42.29%
TOTAL EXPENSES	\$220,276	\$2.94	42.29%
NET OPERATING INCOME	\$300,583	\$4.02	57.71%

Compiled by Cushman & Wakefield Western, Inc.

DIRECT CAPITALIZATION METHOD		
Market Value As Is		
NET OPERATING INCOME	\$300,583	\$4.02
Sensitivity Analysis (0.25% OAR Spread)	Value	\$/SF
Based on Low-Range of 8.25%	\$3,643,427	\$48.68
Based on Most Probable Range of 8.50%	\$3,536,268	\$47.24
Based on High-Range of 8.75%	\$3,435,231	\$45.89
Reconciled Value	\$3,536,268	\$47.24
LESS Curable Depreciation	\$0	\$0.00
Adjusted Value	\$3,536,268	\$47.24
Rounded to nearest \$100,000	\$3,500,000	\$46.76

DISCOUNTED CASH FLOW

	Stabilized Year													Annual Growth
	1	2	3	4	5	6	7	8	9	10	11	12	13	Year 3 -
For the Years Beginning	Feb-10	Feb-11	Feb-12	Feb-13	Feb-14	Feb-15	Feb-16	Feb-17	Feb-18	Feb-19	Feb-20	Feb-21	Feb-22	Year 12
For the Years Ending	Feb-11	Feb-12	Feb-13	Feb-14	Feb-15	Feb-16	Feb-17	Feb-18	Feb-19	Feb-20	Feb-21	Feb-22	Feb-23	Year 12
POTENTIAL GROSS REVENUE														
Actual Rent (Occupied Storage Units)	\$322,758	\$335,668	\$349,095	\$363,059	\$377,581	\$392,684	\$408,392	\$424,728	\$441,717	\$459,385	\$477,761	\$496,871	\$516,746	4.00%
Plus Market Rent (Vacant Storage Units)	\$263,016	\$263,016	\$270,906	\$279,034	\$287,405	\$296,027	\$304,908	\$314,055	\$323,477	\$333,181	\$343,176	\$353,472	\$364,076	3.00%
Less Rent Loss (Non-Revenue Units)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Base Rental Revenue - Storage Units	\$585,774	\$598,684	\$620,002	\$642,093	\$664,986	\$688,711	\$713,299	\$738,782	\$765,193	\$792,566	\$820,937	\$850,343	\$880,822	3.57%
Self Storage Rental Rate/SF	\$7.83	\$8.00	\$8.28	\$8.58	\$8.88	\$9.20	\$9.53	\$9.87	\$10.22	\$10.59	\$10.97	\$11.36	\$11.77	3.57%
Base Rental Revenue - Parking	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Base Rental Revenue - Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Base Rental Revenue - Total	\$585,774	\$598,684	\$620,002	\$642,093	\$664,986	\$688,711	\$713,299	\$738,782	\$765,193	\$792,566	\$820,937	\$850,343	\$880,822	3.57%
Expense Reimbursement Revenue	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Miscellaneous Revenue	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Other Revenue	\$29,289	\$30,167	\$31,072	\$32,005	\$32,965	\$33,954	\$34,972	\$36,021	\$37,102	\$38,215	\$39,362	\$40,542	\$41,759	3.00%
TOTAL POTENTIAL GROSS REVENUE	\$615,063	\$628,852	\$651,074	\$674,097	\$697,951	\$722,665	\$748,272	\$774,804	\$802,295	\$830,781	\$860,298	\$890,885	\$922,580	3.55%
Vacancy and Collection Loss	-\$246,025	-\$188,656	-\$130,215	-\$134,819	-\$139,590	-\$144,533	-\$149,654	-\$154,961	-\$160,459	-\$166,156	-\$172,060	-\$178,177	-\$184,516	3.55%
EFFECTIVE GROSS REVENUE	\$369,038	\$440,196	\$520,859	\$539,278	\$558,360	\$578,132	\$598,617	\$619,843	\$641,836	\$664,625	\$688,239	\$712,708	\$738,064	3.55%
OPERATING EXPENSES														
Taxes	\$42,185	\$43,028	\$43,889	\$44,767	\$45,662	\$46,575	\$47,507	\$48,457	\$49,426	\$50,415	\$51,423	\$52,451	\$53,501	2.00%
Insurance	\$11,000	\$11,330	\$11,670	\$12,020	\$12,381	\$12,752	\$13,135	\$13,529	\$13,934	\$14,353	\$14,783	\$15,227	\$15,683	3.00%
Repairs & Maintenance	\$18,500	\$19,055	\$19,627	\$20,215	\$20,822	\$21,447	\$22,090	\$22,753	\$23,435	\$24,138	\$24,862	\$25,608	\$26,377	3.00%
Administration	\$18,500	\$19,055	\$19,627	\$20,215	\$20,822	\$21,447	\$22,090	\$22,753	\$23,435	\$24,138	\$24,862	\$25,608	\$26,377	3.00%
On-Site Management	\$55,000	\$56,650	\$58,350	\$60,100	\$61,903	\$63,760	\$65,673	\$67,643	\$69,672	\$71,763	\$73,915	\$76,133	\$78,417	3.00%
Off-Site Management	\$26,043	\$26,043	\$26,043	\$26,964	\$27,918	\$28,907	\$29,931	\$30,992	\$32,092	\$33,231	\$34,412	\$35,635	\$36,903	3.55%
Utilities	\$11,000	\$11,330	\$11,670	\$12,020	\$12,381	\$12,752	\$13,135	\$13,529	\$13,934	\$14,353	\$14,783	\$15,227	\$15,683	3.00%
Advertising	\$27,000	\$27,810	\$28,644	\$29,504	\$30,389	\$31,300	\$32,239	\$33,207	\$34,203	\$35,229	\$36,286	\$37,374	\$38,496	3.00%
Miscellaneous	\$714	\$735	\$757	\$780	\$804	\$828	\$853	\$878	\$904	\$932	\$960	\$988	\$1,018	3.00%
Total Operating Expenses	\$209,942	\$215,037	\$220,276	\$226,585	\$233,081	\$239,767	\$246,652	\$253,740	\$261,037	\$268,551	\$276,287	\$284,252	\$292,454	2.87%
TOTAL EXPENSES	\$209,942	\$215,037	\$220,276	\$226,585	\$233,081	\$239,767	\$246,652	\$253,740	\$261,037	\$268,551	\$276,287	\$284,252	\$292,454	2.87%
Operating Expense Ratio	56.9%	48.9%	42.3%	42.0%	41.7%	41.5%	41.2%	40.9%	40.7%	40.4%	40.1%	39.9%	39.6%	-0.65%
NET OPERATING INCOME	\$159,096	\$225,159	\$300,583	\$312,692	\$325,280	\$338,365	\$351,966	\$366,103	\$380,799	\$396,074	\$411,952	\$428,456	\$445,610	4.02%
Capital Reserves	\$14,970	\$15,419	\$15,882	\$16,358	\$16,849	\$17,354	\$17,875	\$18,411	\$18,964	\$19,532	\$20,118	\$20,722	\$21,344	3.00%
Capital Deductions	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
CAPITAL RESERVES	\$14,970	\$15,419	\$15,882	\$16,358	\$16,849	\$17,354	\$17,875	\$18,411	\$18,964	\$19,532	\$20,118	\$20,722	\$21,344	3.00%
CASH FLOW BEFORE DEBT SERVICE	\$144,126	\$209,740	\$284,701	\$296,334	\$308,431	\$321,010	\$334,091	\$347,692	\$361,836	\$376,542	\$391,834	\$407,734	\$424,267	4.07%
Implied Overall Rate	5.20%	7.35%	9.82%	10.21%	10.62%	11.05%	11.49%	11.95%	12.43%	12.93%	13.45%	13.99%	14.55%	
Cash on Cash Return	4.71%	6.85%	9.30%	9.68%	10.07%	10.48%	10.91%	11.35%	11.82%	12.30%	12.79%	13.31%	13.85%	

DISCOUNTED CASH FLOW

Assumptions	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13
Self Storage Rental Rate/SF	\$8.03	\$8.03	\$8.27	\$8.51	\$8.77	\$9.03	\$9.30	\$9.58	\$9.87	\$10.17	\$10.47	\$10.79	\$11.11
Rent Growth (Market)	-	0.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Rent Growth (Income in place)	-	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Other Income Growth	-	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Vacancy & Collection Loss	40.00%	30.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%
Expense Growth	-	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Tax Growth	-	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Management % EGI ⁽¹⁾	N/A	N/A	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Capital Reserves \$/SF	\$0.20	\$0.21	\$0.21	\$0.22	\$0.23	\$0.23	\$0.24	\$0.25	\$0.25	\$0.26	\$0.27	\$0.28	\$0.29

⁽¹⁾ Management fee in unstabilized years is set to equate with management fee of first stabilized year.

PRICING MATRIX - Market Value As Is

Terminal Cap Rates	Discount Rate				
	11.25%	11.50%	11.75%	12.00%	12.25%
8.50%	\$ 3,259,403	\$ 3,197,008	\$ 3,136,175	\$ 3,076,860	\$ 3,019,020
8.75%	\$ 3,219,396	\$ 3,158,064	\$ 3,098,264	\$ 3,039,952	\$ 2,983,086
9.00%	\$ 3,181,611	\$ 3,121,283	\$ 3,062,458	\$ 3,005,094	\$ 2,949,148
9.25%	\$ 3,145,869	\$ 3,086,491	\$ 3,028,589	\$ 2,972,120	\$ 2,917,045
9.50%	\$ 3,112,008	\$ 3,053,530	\$ 2,996,502	\$ 2,940,882	\$ 2,886,632
Cost of Sale at Reversion:	4.00%				
Percent Residual:	45.73%				
Rounded to nearest	\$25,000	\$3,050,000			

PRICING MATRIX - Prospective Value Upon Stabilization

Terminal Cap Rates	Discount Rate				
	11.50%	11.75%	12.00%	12.25%	12.50%
7.50%	\$ 3,830,101	\$ 3,766,612	\$ 3,704,508	\$ 3,643,754	\$ 3,584,317
8.25%	\$ 3,655,510	\$ 3,595,887	\$ 3,537,556	\$ 3,480,483	\$ 3,424,638
9.00%	\$ 3,510,017	\$ 3,453,616	\$ 3,398,429	\$ 3,344,424	\$ 3,291,572
9.75%	\$ 3,386,907	\$ 3,333,233	\$ 3,280,706	\$ 3,229,297	\$ 3,178,978
10.50%	\$ 3,281,384	\$ 3,230,048	\$ 3,179,801	\$ 3,130,617	\$ 3,082,469
Cost of Sale at Reversion:	4.00%				
Percent Residual:	50.44%				
Rounded to nearest	\$100,000	\$3,400,000			

CAP RATE CALAMITY:

IMPACT OF RISING INTEREST RATES ON CAP RATES AND VALUES

For purposes of analysis, the return to equity will be based on 7 percent. The analysis is summarized as follows:

MORTGAGE COMPONENT	
TYPICAL LOAN TERMS	
Mortgage Rate	6.00%
Amortization Term (Years)	30
Num of Payments	360
Loan-to-Value Ratio (M)	65.00%
Equity Ratio (E)	35.00%
Mortgage Constant (R_M)	7.19%

Compiled by Cushman & Wakefield Western, Inc.

EQUITY COMPONENT	
Equity Dividend Rate (R_E)	8.00%

Compiled by Cushman & Wakefield Western, Inc.

R_O BY BAND OF INVESTMENT	
Mortgage Ratio	65.00%
Annual Mortgage Constant	7.19%
Mortgage Component	4.68%
Equity Ratio	35.00%
Equity Dividend Rate	8.00%
Equity Component	2.80%
Indicated Overall Rate (R_O)	7.48%

Compiled by Cushman & Wakefield Western, Inc.

Equity returns often decline as capital declines and in part of the concomitant herd mentality of investors. Additionally, leverage ratios may increase and debt coverage ratios decrease, causing upward pressure on asset pricing.

PRICING ELASTICITY

All-Cash and Leveraged Pricing Matrices

All-Cash

Purchase Price		Capitalization Rate					Cash-on-Cash Return				IRR
\$ Amount	\$ PSF	Year 1	Year 2	Year 3	Year 4	Year 5	Year 3	Year 5	Year 7	Year 10	Year 10
9,600,000	137.61	7.73%	8.88%	9.15%	9.43%	9.71%	8.99%	9.55%	10.13%	11.08%	10.61%
9,500,000	136.18	7.81%	8.97%	9.25%	9.53%	9.81%	9.09%	9.65%	10.24%	11.20%	10.77%
9,400,000	134.75	7.90%	9.07%	9.34%	9.63%	9.92%	9.19%	9.75%	10.35%	11.32%	10.93%
9,300,000	133.31	7.98%	9.17%	9.44%	9.73%	10.02%	9.29%	9.86%	10.46%	11.44%	11.10%
9,200,000	131.88	8.07%	9.27%	9.55%	9.84%	10.13%	9.39%	9.96%	10.58%	11.57%	11.27%
9,100,000	130.45	8.16%	9.37%	9.65%	9.94%	10.25%	9.49%	10.07%	10.69%	11.69%	11.44%
9,000,000	129.01	8.25%	9.47%	9.76%	10.05%	10.36%	9.59%	10.18%	10.81%	11.82%	11.61%
8,900,000	127.58	8.34%	9.58%	9.87%	10.17%	10.48%	9.70%	10.30%	10.93%	11.96%	11.79%
8,800,000	126.15	8.44%	9.69%	9.98%	10.28%	10.59%	9.81%	10.42%	11.06%	12.09%	11.97%
8,700,000	124.71	8.53%	9.80%	10.10%	10.40%	10.72%	9.93%	10.54%	11.18%	12.23%	12.15%
8,600,000	123.28	8.63%	9.91%	10.21%	10.52%	10.84%	10.04%	10.66%	11.31%	12.37%	12.34%

Leveraged (1)

Acquisition Cost		Cash-on-Cash Return					Loan	Fees &	IRR (Hold)	
\$ Amount	\$ PSF	Year 1	Year 2	Year 3	Year 4	Year 5	Amount	Costs	Equity	Year 10
9,600,000	137.61	8.85%	12.05%	12.80%	13.56%	14.35%	6,240,000	62,400	3,422,400	16.62%
9,500,000	136.18	8.94%	12.18%	12.93%	13.70%	14.50%	6,175,000	61,750	3,386,750	16.97%
9,400,000	134.75	9.04%	12.31%	13.07%	13.85%	14.65%	6,110,000	61,100	3,351,100	17.31%
9,300,000	133.31	9.14%	12.44%	13.21%	14.00%	14.81%	6,045,000	60,450	3,315,450	17.66%
9,200,000	131.88	9.23%	12.58%	13.35%	14.15%	14.97%	5,980,000	59,800	3,279,800	18.02%
9,100,000	130.45	9.34%	12.72%	13.50%	14.31%	15.14%	5,915,000	59,150	3,244,150	18.38%
9,000,000	129.01	9.44%	12.86%	13.65%	14.46%	15.30%	5,850,000	58,500	3,208,500	18.74%
8,900,000	127.58	9.55%	13.00%	13.80%	14.63%	15.48%	5,785,000	57,850	3,172,850	19.11%
8,800,000	126.15	9.65%	13.15%	13.96%	14.79%	15.65%	5,720,000	57,200	3,137,200	19.48%
8,700,000	124.71	9.77%	13.30%	14.12%	14.96%	15.83%	5,655,000	56,550	3,101,550	19.86%
8,600,000	123.28	9.88%	13.46%	14.28%	15.14%	16.02%	5,590,000	55,900	3,065,900	20.24%

(1) Assumes 65% debt financing at an annual interest rate of 6.00%, amortized over 30 years with loan fees and points of 1.00%

SPECIAL TOPICS IN CALAMITY PHYSICS & SELF STORAGE

USAGE ISSUES?



Yes....it's a self storage facility with a view.



Yes...another self storage facility...



QUESTIONS

Self Storage Industry...presented by Everett Allen Greer

April 7, 2011

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