“Finding Value & Managing to The Lifecycle”

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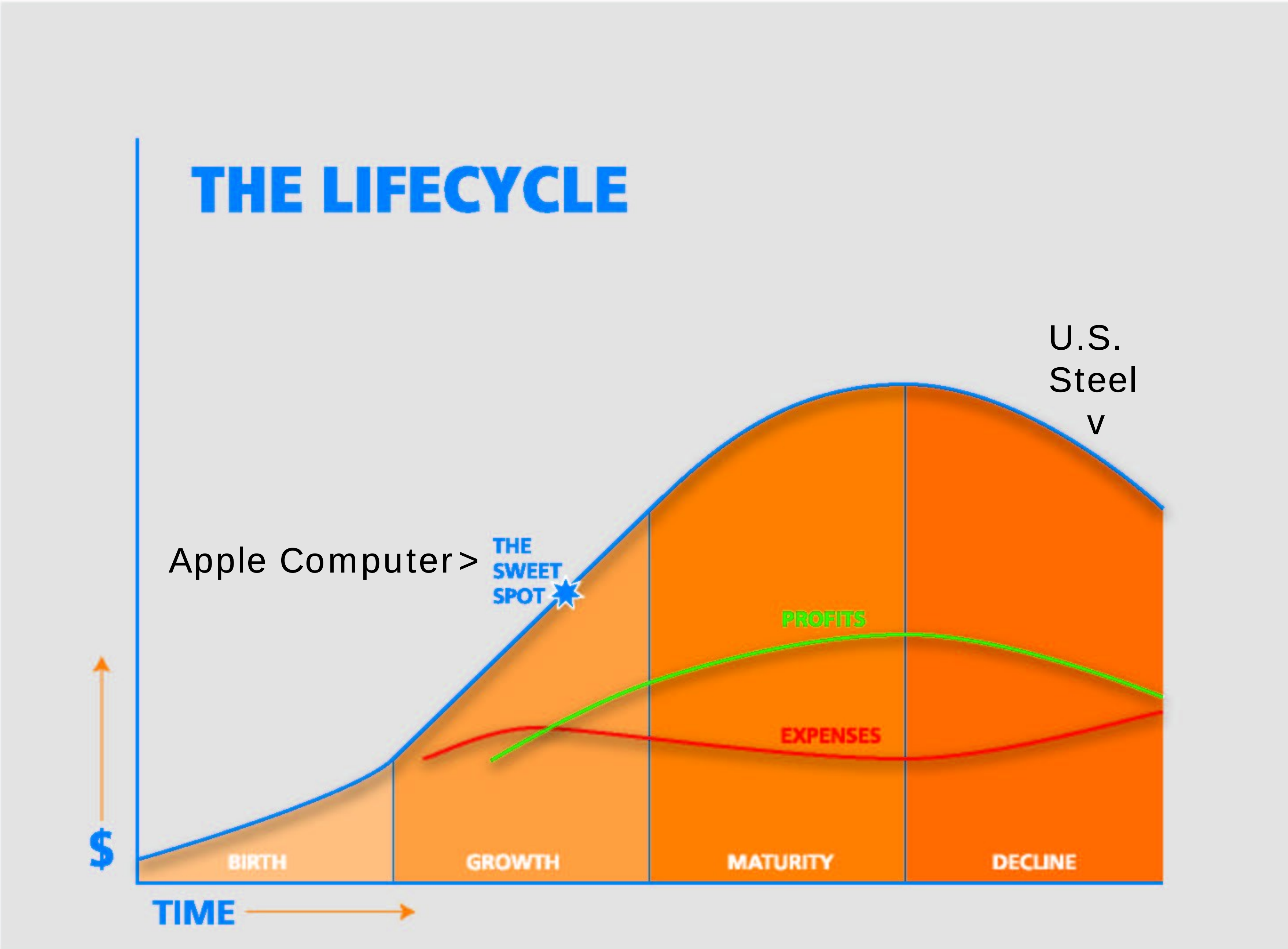
Where is Self Storage in the Business Lifecycle?

- Everything -- including industries like self storage -- go through what economists call “The Lifecycle”
- **“Birth”** - late 60’s to early 70’s
- **“Growth”** - 1975-1992
- **“Maturity”** - 1992-2004
- 2005-2010: **“Decline” or “Re-birth”?**
  - Only time will tell…
- Next Slide:
  - Where is Apple Computer on the Lifecycle?
  - Where is U.S. Steel on the Lifecycle?


THE LIFECYCLE
U.S.
Steel
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Apple Computer>
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The Facility Lifecycle

- **Birth:** Ground-up development
  - Few, if any, competitors
- **Growth:** Rent-up phase
  - New entrants coming into the market
- **Maturity:** Facility age & Occupancy rate
  - New entrants offer climate control & other new features
- **Decline or Re-Birth?**
  - What are you doing to enhance **“value”?**
  - What are you doing to get back to the Sweet Spot?

State of the Self Storage Industry

Let's Talk "VALUE"

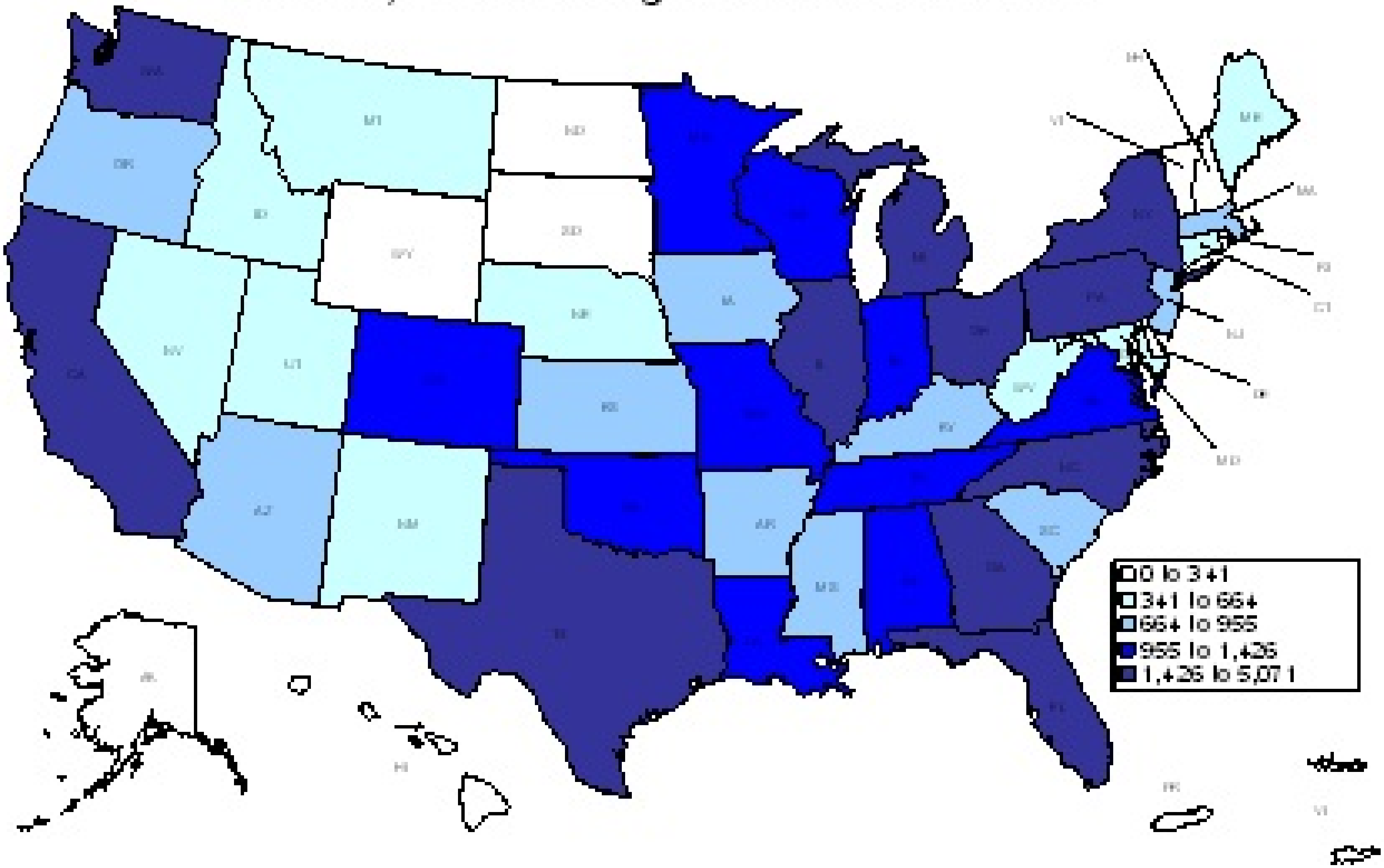
Item 1. As in the Value of your facility / portfolio

Item 2. As in the "*Value Proposition" for* being an SSA Direct Member

46,584 Primary Self Storage facilities in the US as of 5-3-10

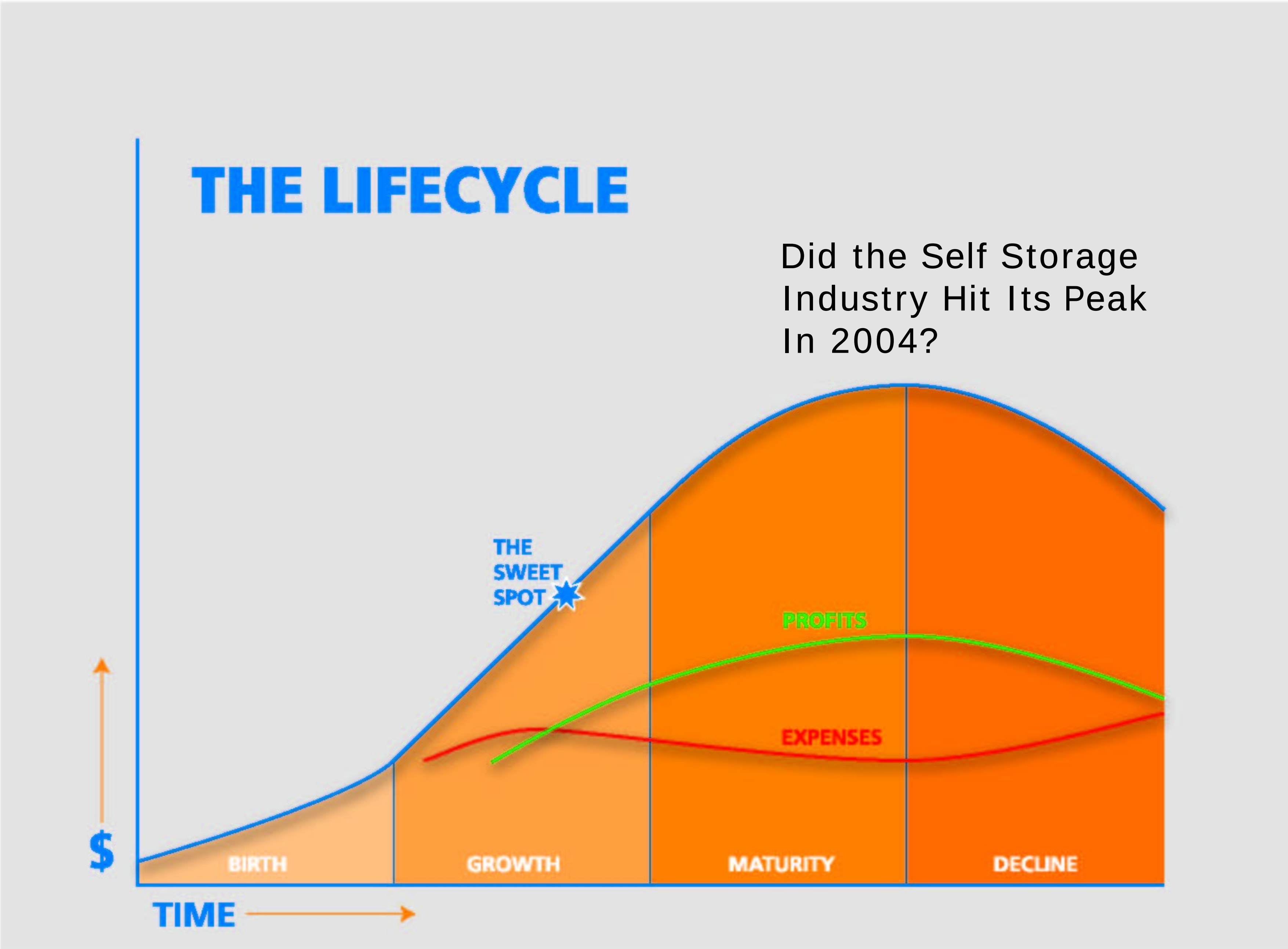
Ten states: CA, FL, GA, IL, MI, NC, NY, OH, PA, and TX account for 51% of all self-storage facilities in the country

Where 46,584 Self Storage Facilities Are Located



State of the Industry Today

- The national economy has “reset” values over the last 18 months
- Business has been flat and/or down
- Actually: “Flat” may be the new “Up”
- Aggressive competitors & cut rate move-ins
- Move outs/downsizing/discounting
- Occupancy? Revenues? Profits?
- “Value” today has a different meaning than 18 months ago


THE LIFECYCLE
Did the Self Storage
Industry Hit Its Peak
In 2004?
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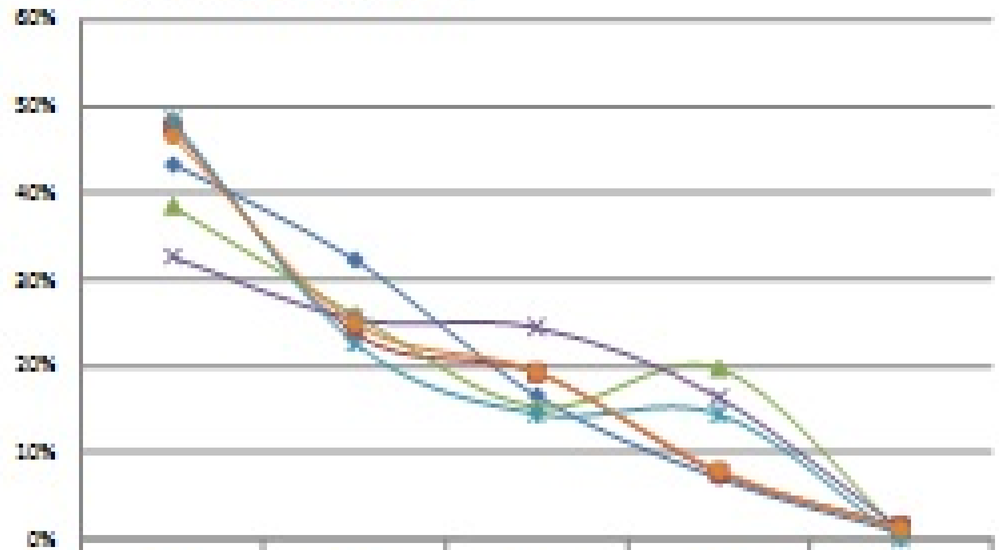
Major Market Meltdown: Drop-off in New Facilities 2005 to 2009

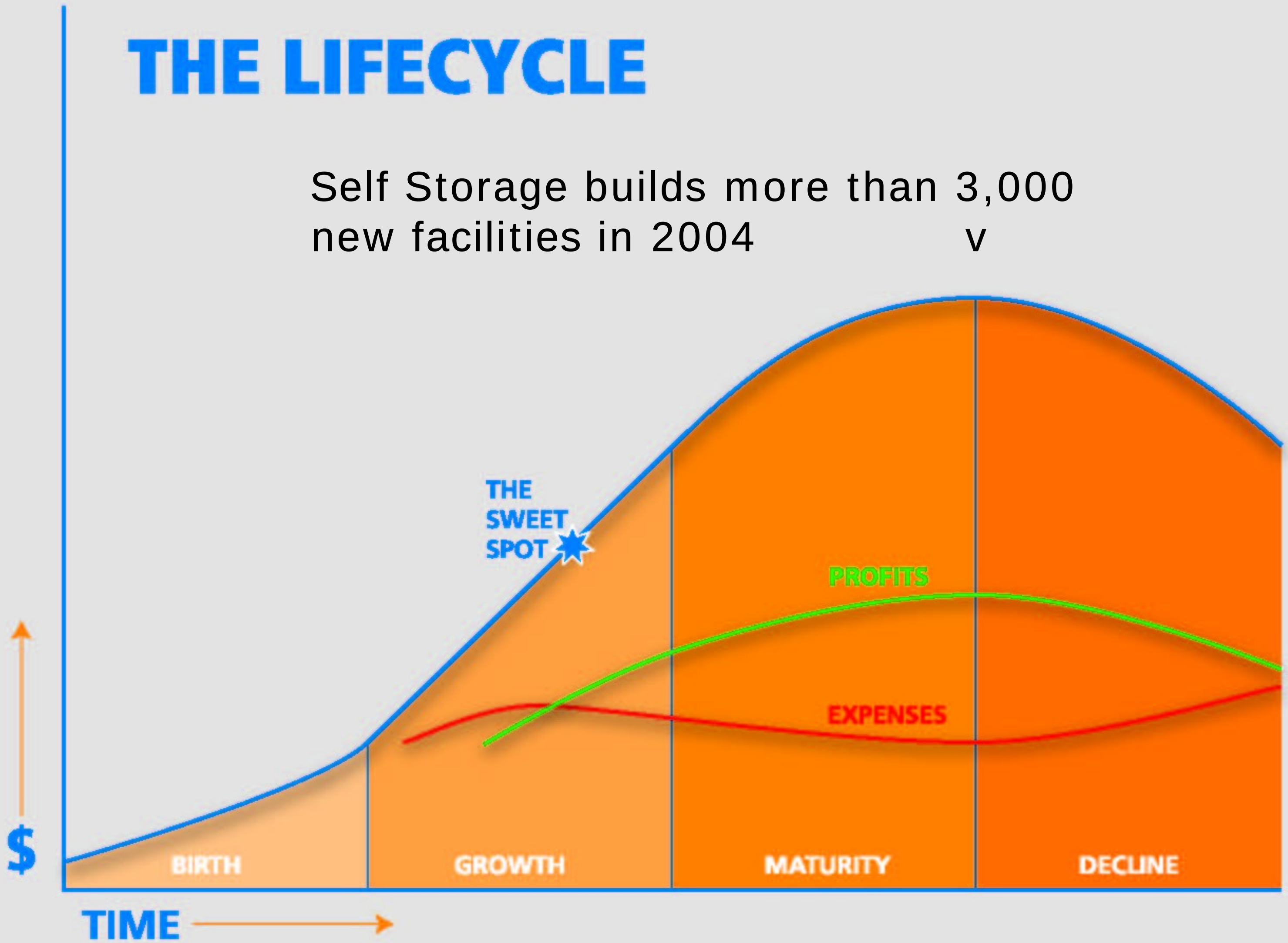
Major US markets fared no better than the industry at large in reporting even greater reductions in new facilities – the largest US markets added less than 1% of total new 2005 to 2008 facilities in 2009 while adding close to half in 2005.

Major Market Drop-Off 2005 to 2009
Percent of Total Facilites Added 2005 to 2009 by Specific Year
(Six Largest US Markets)



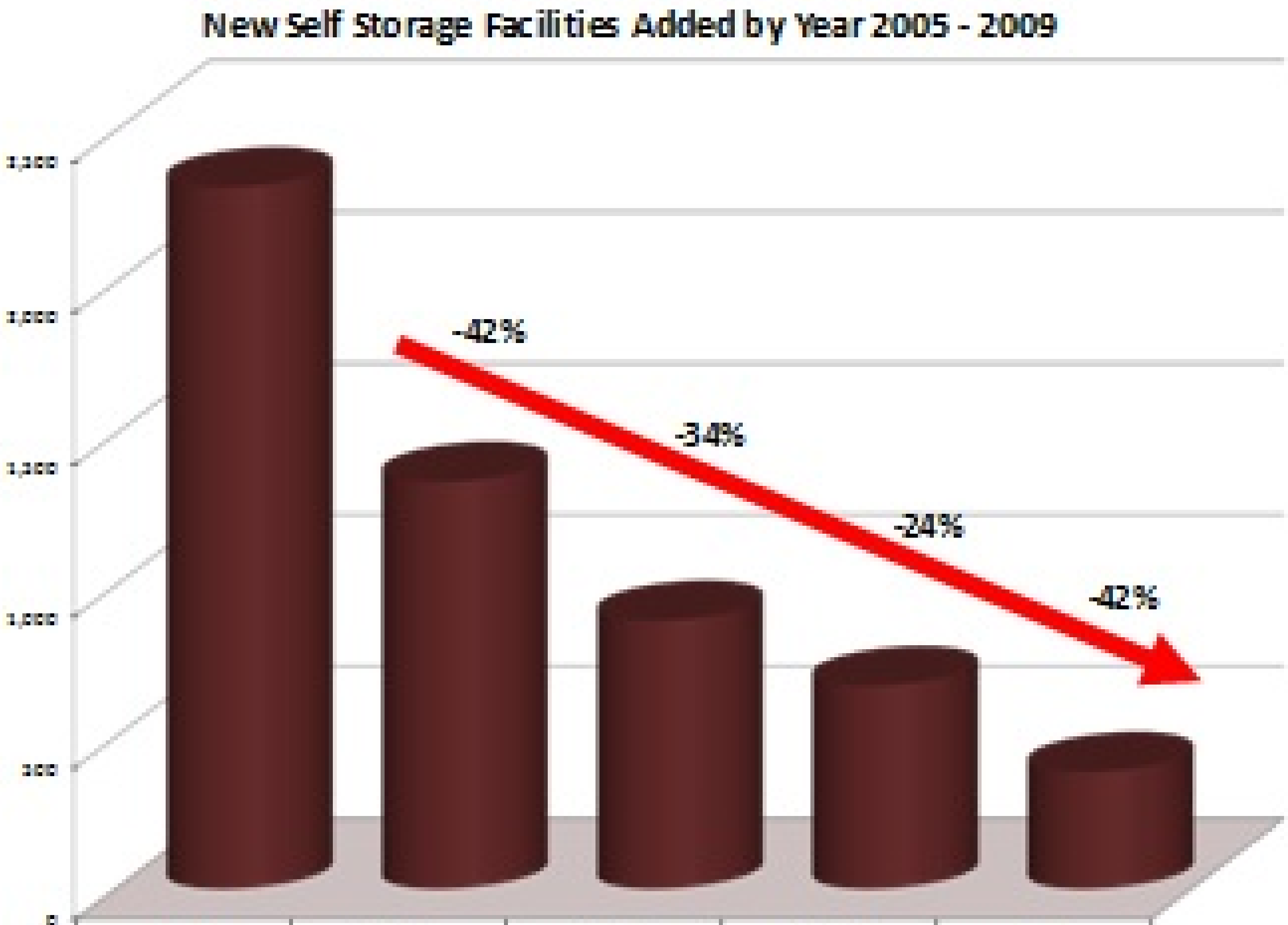
	2005	2006	2007	2008	2009
NEW YORK-NORTHERN NEW JERSEY-LONG ISLAND, NY-NJ-PA	43.31%	32.28%	16.54%	7.09%	0.79%
DALLAS-FORT WORTH-ARLINGTON, TX	47.69%	23.85%	19.23%	7.69%	1.54%
CHICAGO-NAPERVILLE-JOLIET, IL-IN-WI	38.39%	25.89%	15.18%	19.64%	0.89%
LOS ANGELES-LONG BEACH-SANTA ANA, CA	32.65%	25.51%	24.49%	16.33%	1.02%
HOUSTON-SUGAR LAND-BAYTOWN, TX	48.45%	22.68%	14.43%	14.43%	0.00%
ATLANTA-SANDY SPRINGS-MARIETTA, GA	46.59%	25.00%	19.32%	7.95%	1.14%

Self Storage builds more than 3,000
new facilities in 2004 v

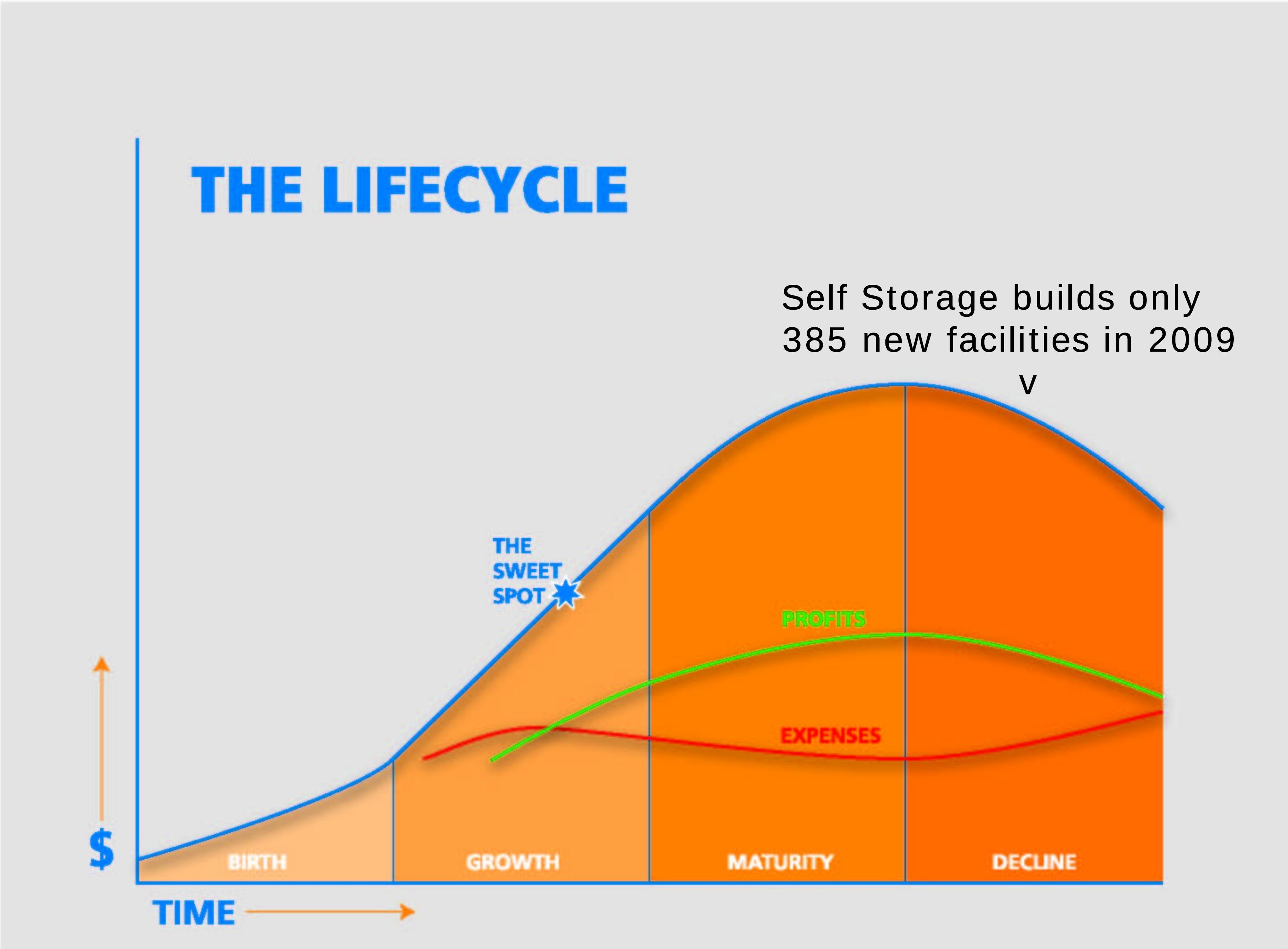


2005 to 2009: New Facility Construction Slows Dramatically

For every two year comparisons from 2005 through 2009 the number and percentage of new facility construction declined dramatically: from 2005 to 2006 -42%; 2006 to 2007 -34%; 2007 to 2008 -24%; 2008 to 2009 -42%



	2005	2006	2007	2008	2009
New Facilities	2,314	1,343	885	669	385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Where is Your Facility / Portfolio on The Lifecycle?

- **Assessing value… Ask yourself?**
- **“Reset” to the “Sweet Spot”:**
  - When was your facility/portfolio built?
  - Where is it located? What sort of zoning?
  - What was the original competition (when built)?
  - What is the newer competition like today?
  - What new facility features do you compete w/?
  - What is happening in terms of your Occupancy? Income? Profits?
  - What is happening to your customer mix?

Where's Your Facility on The Lifecycle Chart?

- **The older a facility, we find:**
  - Situated in a more industrially zoned area
  - Less visible vs. newer facility competition
  - Maybe less curb appeal that newer competitors
  - Newer entrants closer to homes, freeways
  - Newer entrants may have more valued features, offerings (climate control/safety features)
  - New entrants – getting higher occupancy/rents?
  - Are you losing accounts to surrounding facilities?
  - Is your facility *beyond* mature? In decline?

All these factors affect facility *VALUE*

Objective Look at Facility Value

- Are you looking at "value" from the *epicenter* of that mystical 3-mile radius?
- Or, do you have *tunnel vision* from always looking down a hallway of roll-up doors?
- Are you over-estimating your facility's value?
- The "nest egg" today might not be worth anywhere near what it was 18 months ago…
- We all need to take an objective view:
  - **You**: How to Maintain & Enhance the Value of your facility or portfolio
  - **SSA**: How to Maintain & Enhance the Benefits of Membership – Improve the "Value Proposition"

Finding the “Sweet Spot”

- **Basic advice on how to add value to an older facility:**
  - Find out/Know what your customers “value” (especially newest customers – survey them)
  - Offer improvements: More & better of the features they “value” (Boston hotel story)
  - Ask your manager/employees what really “wastes their time” and effort (things that don’t add value)
  - Eliminate these no-value projects, products, features or offerings – look for ways to innovate
  - Efficiency eliminates baggage = builds value
  - Remember: It’s not always about price!

Old Facilities Can Build Value & Avoid Decline – Find a Re-Birth

- Consider more “niche” marketing
- Focus on specific types of commercial accounts
- Market to you selected “niche”
- As in: “We specialize in ‘------------’ storage”
- Offer unique benefit tie-ins w/specialization
- Refurbish the look & feel toward curb appeal
- Focus on security, unit alarms, lighting, etc. – things customers are willing to pay more for
- Be more “flexible” in current policies/hours/ price guarantees?
- Changing customer base? Find out specifically what the customers you want “value”

Recall the Value Equation

$$\textbf{\textit{VALUE}} = \text{Benefits} - \text{Cost}$$

Remember: True "value" lies in the eyes of the beholder

The SSA is Re-cycling its Value Proposition

- **What we at SSA are doing in 2010:**
  - Re-calculating, re-building and enhancing the SSA membership ***"value proposition"***
  - Focusing our efforts on actions, investments and programs that enhance and maximize our members' facility and/or portfolio value
  - Eliminating or reducing those programs, products and offerings that do not

Creating Member Value Via Government Relations

- **Huge Investment in Gov't. Relations:**
  - Streamlining State Lien Laws
  - Eliminating onerous & costly lien sale notifications, advertising requirements
  - Enhancing Revenue Streams:
    - Tenant Insurance & Reasonable Late Fees
  - Fighting Sales Taxes & their admin. burden
  - New policies for "abandoned records" (legal, medical, credit card, etc.)
  - SSA $ matched by public company contributions
- **SSA invested $32,000 in AZ–last 3 yrs.**
- **SSA invested $50,000 in CA-last 2 yrs.**

Building Value into Law

- Introduced legislation in 20 states
  - Update Lien Laws – notification of sale
  - Tenant insurance licensing
  - Reasonable late fees = $20 or 20%
  - Repealing/fighting sales taxes
- Fifteen victories – 2 setbacks – the rest still in play
- Individual facilities will save $1,000 pre year – that adds up to dues value

SSA: Re-Evaluating All Our Products & Services

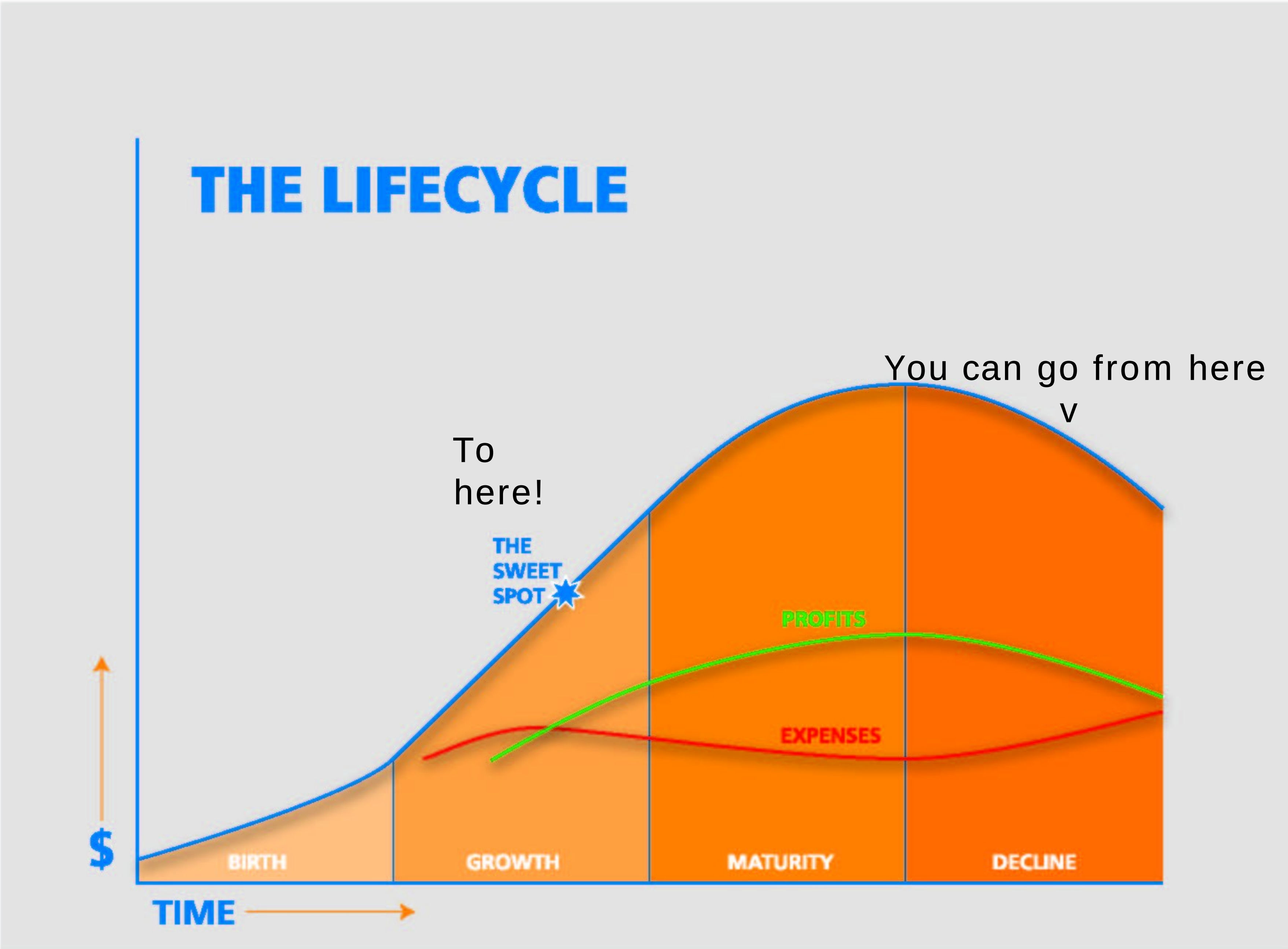
- **Communications** – On-line SSA Globe magazine
- **Web site** – More user friendly – more vendor info
- **Data** - New, fresh “on-line” offerings & reports
- **Publications** - Timely “on-line” reports vs. print
- **Conventions** - More “interactive” programs
- **Education** – More “interactive” executive education & more “on-line” employee training Webinars = more affordable
- **Legal Information** – Continue providing the very best via:
  - Self Storage Legal Review
  - Self Storage Legal Network

SSA: What's Next?

- **Owners-Investors Acquisition & Valuation Course** – June 16-18, 2010 in San Francisco, CA
- **Fall Conference & Trade Show** – Sept. 1-2-3 – Caesars Palace Resort at Las Vegas, NV
- **Winter Executive Ski Workshop** – 25th Anniversary – Jan. 31-Feb. 3 at Steamboat Springs, CO

One Last Thought…

- **“Get back… get back… get back to where you once belonged…”**
  - Paul McCartney, The Beatles, “Get Back”


THE LIFECYCLE
You can go from here
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Priority #1:
Enhance Value.

- Today, all of us should be re-positioning our operations so that when the economy turns, and the customers return, we are in a position to capitalize on that phenomenon.
- Right now, we should strive to enhance value and get our operations back to the “**sweet spot” in The Lifecycle.**

Thank you. Time for questions?