

# Nontraded REIT Industry Review: Second Quarter 2015

## SmartStop Self Storage, Inc.

The Company was initially formed in 2007 as a public, non-traded REIT with the objective of providing regular income to its investors, with potential for growth from capital appreciation. It invested in self storage facilities and related real estate investments. Self storage refers to properties that offer do-it-yourself, month-to-month storage space rental. It raised approximately \$572 million of equity capital from its investors and paid cash distributions at an annual rate equal to 7% of investment based upon the initial \$10.00 per share offering price.

### Merger with Extra Space Storage Inc.

On June 15, 2015, SmartStop Self Storage announced it had entered into a merger agreement to be acquired by Extra Space Storage Inc. (NYSE: EXR). Under terms of the merger agreement, SmartStop stockholders will receive \$13.75 per share in cash which represents an enterprise value of approximately \$1.4 billion. The \$13.75 represents a premium of approximately 27% over SmartStop's most recently announced net asset value, and assuming reinvestment of all prior dividends, results in an average return on investment in excess of 15.3%.

Extra Space Storage operates as a REIT with three distinct segments: rental operations, tenant reinsurance and property management, acquisition and redevelopment.

Citigroup Global Markets Inc., KeyBanc Capital Markets Inc. and Robert A. Stanger & Co. were engaged as advisors to SmartStop. Stanger delivered a Merger Fairness Opinion on June 15, 2015, indicating that the \$13.75 per share to be received by common stockholders was fair from a financial point of view. Stanger also delivered a Fairness Opinion on June 15, 2015 indicating that the consideration to be received in connection with the excluded assets transactions contemplated in the merger agreement was fair from a financial point of view.

### Pre-Merger Portfolio

The Company owned 127 self storage properties as of June 30, 2015 that were approximately 90% occupied with a total of 80,675 self-storage units. The properties were located in 17 states and Canada, including 22 in Georgia, 15 in Texas and 13 in South Carolina. During the six months ended June 30, 2015, it acquired one property for approximately \$4.4 million.

### Key Highlights

- Fundraising time – 66 months
- Closed period – 24 months (if the merger occurs September 30, 2015)
- Total – Seven years, six months (if the merger occurs September 30, 2015)
- As of June 30, 2015, the REIT had 58,611,848 common shares outstanding and total assets of \$800 million.

### About Sponsor

SmartStop Self Storage, Inc. (SmartStop®) is a fully integrated, self-administered and self-managed self-storage company, which owns/operates 169 self-storage properties in 21 states and Toronto, Canada. SmartStop is a diversified real estate company that focuses on acquisition, advisory, asset management and property management services for self-storage properties.

Other nontraded REIT programs:

SmartStop Asset Management, LLC upon the closing of the merger will acquire certain assets from SmartStop, including SmartStop's entire executive team and certain other employees and will be the sponsor of the two programs noted below that were previously sponsored by SmartStop.

- Strategic Storage Trust II, Inc. (2014), a public non-traded REIT that focuses on stabilized self-storage properties.
- Strategic Storage Growth Trust, Inc. (2015), a public non-traded REIT that focuses on growth-oriented self-storage properties.