# FINAL TRANSCRIPT

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# EXR - Q2 2011 Extra Space Storage Inc Earnings Conference Call

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**Karl Haas**
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**Mike Knott**
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## PRESENTATION

**Operator**

Good day, ladies and gentlemen, and welcome to the second-quarter 2011 Extra Space Storage earnings conference call. My name is Keshia and I will be your operator for today. At this time, all participants are in a listen-only mode. Later, we will conduct a question and answer session. (Operator Instructions). I would now like to turn the conference over to your host for today, Clint Halverson, Senior Director of Investor Relations. Please proceed.

**Clint Halverson** - *Extra Space Storage Inc - Senior Director - IR & Corporate Communications*

Thank you, Keshia. Welcome to Extra Space Storage's second-quarter 2011 conference call. In addition to our press release, we've also furnished unaudited supplemental financial information on our website. At periodic times, the Company also provides graphical information related to the Company and/or the self storage industry. These graphics can be seen at www.ExtraSpace.com/IRgraphic. The company will also be sharing updates from the earnings call via Twitter. If you would like to receive these updates, please follow Extra Space at www.twitter.com/ExtraSpaceIR.

Please remember that Management's prepared remarks and answers to your questions may contain forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. Forward-looking statements address matters which are subject to risks and uncertainties that may cause actual results to differ from those discussed today. Examples of forward-looking statements include those related to Extra Space Storage's development and acquisition programs, revenues and operating income, FFO, and guidance.

We encourage all of our listeners to review a more detailed discussion relating to these forward-looking statements contained in the Company's filings with the SEC. Forward-looking statements represent management's estimates as of today, Friday, July 29, 2011. Extra Space Storage assumes no obligation to update these forward-looking statements in the future because of changing market conditions or other circumstances. I would now like to turn the call over to Spencer Kirk, Chairman and Chief Executive Officer.

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**Spencer Kirk** - *Extra Space Storage Inc - CEO*

Welcome, and thank you for joining us today. With me are Kent Christensen, our Chief Financial Officer, and Karl Haas, our Chief Operating Officer. We are pleased to announce another quarter of strong performance. In this anemic economic recovery, we have worked diligently on each component of our business to drive results and growth, and we are seeing the fruits of these labors. We delivered 4.7% in same-store revenue growth, and 7.8% of growth in same-store net operating income.

Our rental activity appears to be mirroring the overall economy, as we have yet to see a dramatic uptick in new rental demand. Rentals are not materially out of line with the normal seasonal trends. However, vacates are at historically low levels. As a result, our Q2 ending occupancy reached a historically high level of 89%.

We saw strong acquisition activity in the second quarter. We acquired 24 properties in 11 states.

When we saw opportunities that would be accretive to our shareholders, we've raised $112 million through the sale of common stock. This was consistent with our philosophy and our previous communications about an equity raise and remaining leverage neutral. We continued to be an active participant in the acquisition market, but remain a selected buyer striving to identify accretive deals. During the quarter, we added a total of 26 properties to our third-party management program. This increased scale adds to our marketing strength in core markets and on the web, grows our base, across which we can allocate expenses, increases tenant insurance revenues, and provides an off-market acquisition pipeline when owners are ready to sell.

Extra Space has posted respectable results with a 22% rise in FFO over the same period in 2010. However, we are facing increasingly more difficult comps as we progress through the year. As you will recall, Extra Space produced strong rebounding results earlier than its peers in 2010. We will continue to innovate to maximize every opportunity to provide solid returns to our shareholders.

I would now like to turn the call over to Karl to discuss operations.

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**Karl Haas** - *Extra Space Storage Inc - EVP, COO*

Thanks, Spence. During the quarter, same-store rentals were down slightly, compared to last year, but vacates were at historically low levels, down over 3% for the quarter, which resulted in an overall improvement in occupancy from 86% to 89%, an improvement of almost 3% over the same quarter last year.

Due to the softness in rental demand, we are closely monitoring street rates. At June 30, street rates were relatively comparable to the same time last year. This is all a big contrast to the recent data released by Self Storage Data Services that reports negative occupancy numbers. We continue to actively pass along rate increases to approximately 40,000 customers per month, at increases averaging 8% to 9%. We haven't seen any statistical difference in the rate of move-out, as we have continued with this program.

With occupancy almost 3% ahead of last year, discounts are down 9% year-over-year, bad debt expense is down 12% compared to 2010, and 29% compared to 2009. Growth in overall tenant insurance penetration has moved faster than anticipated, with overall penetration exceeding 63%. As we continue to add properties, this program will grow. These factors all combine to produce a same-store revenue increase of 4.7% for the quarter.

We were able to effectively manage our expenses with the same-store expenses down 1.3%. This is due in large part to a decrease in yellow page advertising, office expense, utilities, and property taxes. The drop in expenses, when combined with the 4.7% top line growth, resulted in a strong same-store net operating income of 7.8% for the quarter.

We have recently joined the EPA's Energy Star program as an Energy Star partner. We continue our efforts with sustainability initiatives in solar panels. We are on track to have panels on 45 sites by the end of the year. As a reminder, the solar panels should reduce our utility spend by roughly 80% at those properties. We will also benefit from state and federal tax credits and other incentives, making the break-even point for these capital investments less than 2 years per property.

Our recent technological innovation to provide electronic leases with digital signatures has been a success. Feedback suggests that our customers and their staff like the increased efficiencies. This process has also enabled to us capture more than 90% of our new customer's e-mail addresses, giving us a cost-effective and impactful channel to communicate with our customers. Ultimately, we are seeing reductions in office expense as a reduced use of paper and toner as a result of this program, and it's as a result of not printing leases for us or our customers.

The internet remains an important focus area for us. We are working to refine and enhance our search engine optimization and pay-per-click strategies to remain a top competitor in this arena. We are currently bidding on over 3.5 million search terms with Google on a daily basis to ensure that at the moment a potential customer has a need, Extra Space is in front of them.

As we increase the effectiveness of our interactive marketing, and as we become more proficient at converting these rentals, we are seeing that our cost per acquisition come down. We are leveraging our technology, revenue management platform, marketing, and site personnel to capture each rental and maximize revenue from each customer. With that, I would like to turn it over to Kent.

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**Kent Christensen** - *Extra Space Storage Inc - EVP, CFO*

Last night we reported FFO per share of $0.27, including $0.02 of development dilution and $0.015 of acquisition expenses. This was $0.01 above the high end of our range. The $0.01 is mainly attributable to better than anticipated same-store results.

Effective management of our debt maturities and capital capacity continues to be a focus. During the quarter, we finalized an additional line of credit for $50 million with TD Bank. With this new line of credit, we now have 5 lines of credit. We also increased our line of credit with Wells Fargo from $45 million to $75 million. Across these 5 lines, we now have the capacity of up to $315 million.

As of June 30, we have drawn $129 million from these lines, leaving $186 million of available capacity. In addition, we have 64 properties that are unencumbered with a potential capacity of $228 million. Subsequent to the end of the quarter, we have taken advantage of the positive interest rate environment and locked the interest rate on $83 million of our trust preferred securities, at 4.99% for 7 years. We are analyzing our current variable rate debt and short-term maturities, and where it makes sense, locking the interest rate or refinancing the loan.

As Spencer mentioned, during the quarter, we closed on the acquisition of 24 properties for approximately $84 million, located in 11 states. Subsequent to the end of the quarter, we closed on an additional property for $5.7 million in Maryland. We have 24 properties under contract for approximately $144 million. 19 of the 24 properties are from the earlier-announced portfolio acquisition. It is anticipated that these acquisitions will close by the end of the year.

Of the $144 million purchase price, we will be assuming approximately $70 million of existing debt. The total properties closed and under contract is 49. If you exclude the portfolio acquisitions of 34, 9 of the remaining 15, or 60% have come from our managed, or JV properties.

Our third-party management business continues to grow. We added 26 properties to our program during the quarter, all branded Extra Space Storage. We purchased 2 properties from this pipeline, and had 1 partner liquidate 11 of their properties. Overall, this program increased by 13 properties to a total of 180 properties under management. In addition, we have signed agreements to bring 14 more properties into the program.

Based on the results in the second quarter, we are increasing our annual FFO outlook for the year to between $1.10 and $1.13. For the third quarter of 2011, we estimate our FFO to be between $0.29 to $0.30. For further assumptions on our guidance, please refer to our earnings press release. With that, I'll turn the call back to Spencer.

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**Spencer Kirk** - *Extra Space Storage Inc - CEO*

Thanks, Kent. At Extra Space, we are committed to and focused on long-term sustainable growth. In closing, I would like to reiterate our unique position to deliver double-digit FFO growth in 2011 and beyond. The 5 specific areas propelling this growth are; number 1, core property performance. Extra Space has provided proven performance to its shareholders by outpacing its peers for over 5 years on average, in revenue growth, expense control, and NOI growth. This is a direct result of our properties, our platform, and our people.

Number 2, acquisitions. Extra Space has acquired or has under contract almost $240 million worth of properties. As of the end of the quarter, we have increased the wholly-owned portfolio through acquisitions by 24 properties, or 8%. Number 3, development pipeline, with only 1 development property remaining to be completed, Extra Space is beginning to reap the rewards of seeds planted and paid for long ago. We are anticipating an additional gain of $0.12 in FFO by 2014.

Number 4, our third-party management business, we continue to be recognized as the preferred provider to produce best in class performance and results for our partners. Number 5, our captive tenant and insurance, with new customer penetration rates in excess of 90%, and overall penetration above 63%, this continues to be a strong driver of our FFO growth. Each time we add properties through development, acquisition, or third-party management, we grow the customer base. As an example, if we add 50 additional properties into our system, that equates to more than 20,000 potential new customers for our captive tenant insurance program. This customer growth has meaningful impact on our increase of this revenue stream. This diversified growth platform will continue to allow us to respond to the economic and political uncertainties that lie ahead with strength, stability, and positive momentum.

We're now ready to take your questions.

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## QUESTIONS AND ANSWERS

**Operator**

(Operator Instructions)

Our first question comes from the line of Gaurav Mehta from FBR. Please proceed.

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**Gaurav Mehta** - *FBR Capital Markets - Analyst*

Good afternoon. I have a couple of questions regarding your guidance change. Could you go over your same store expense guidance, what's kind of driving the decline in the guidance that you're expecting?

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**Kent Christensen** - *Extra Space Storage Inc - EVP, CFO*

You mean the decline from what we announced a quarter ago to the number today?

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**Gaurav Mehta** - *FBR Capital Markets - Analyst*

That's correct.

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**Kent Christensen** - *Extra Space Storage Inc - EVP, CFO*

The best -- the reason is that we've been able to control our expenses this calendar year better than we expected, first. And second, one of the line items, which is property taxes, we've had a couple of very favorable rulings, I guess, in that we've been able to appeal our property taxes and seeing the benefit of that's bringing the cost of our property taxes this calendar year down. Those were not anticipated in the guidance that we did at the beginning of the year.

Plus, we've seen favorable outcomes on our utilities and our office expenses more than we had expected. All of those added up lead us to the reduction in our guidance that we gave.

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**Gaurav Mehta** - *FBR Capital Markets - Analyst*

Do you provide a break-up on tenant insurance expense at all?

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**Kent Christensen** - *Extra Space Storage Inc - EVP, CFO*

We do not. We just give the total of what those expenses are.

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**Gaurav Mehta** - *FBR Capital Markets - Analyst*

Secondly, regarding your G&A guidance, seems like it went down as well as compared to the previous guidance. What's driving that?

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**Kent Christensen** - *Extra Space Storage Inc - EVP, CFO*

Just a reduction in the number of -- in the dollars that we had expected to spend in G&A this calendar year. We've been able to do things slightly better than we had anticipated.

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**Gaurav Mehta** - *FBR Capital Markets - Analyst*

Helpful. And lastly, regarding your solar tax credit, it looks like you're expecting higher income tax expense compared to your last guidance. And given that you are still working on your solar tax panel program. Why is that going up?

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**Kent Christensen** - *Extra Space Storage Inc - EVP, CFO*

The solar tax credit is a reflection of the number of solar panels that we expect to be installed on our properties in a given calendar year. Many of these solar panels, we have to work through banks and the communities where we're installing these. So we're guessing as to whether or not the solar panels that we hope to be able to install this calendar year will be done.

Between the first and second quarter, the number of installation that we think are going to happen changed slightly from what we had in the first quarter. And that will be ongoing through the rest of the calendar year, based on what we're actually able to get done. So that will be modified and changed slightly as we go along. But the reason for the change is just through our ability to be able to get these panels installed on the buildings.

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**Gaurav Mehta** - *FBR Capital Markets - Analyst*

That's helpful. Thanks for the additional color.

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**Kent Christensen** - *Extra Space Storage Inc - EVP, CFO*

Yes.

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**Operator**

And our next question comes from the line of Christy McElroy from UBS. Please proceed.

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**Christy McElroy** - *UBS - Analyst*

Hi, good morning, guys. Karl, just wanted to follow up on a couple comments you made earlier. Just looking at the net rent for occupied square foot numbers on page 15 of the supplemental, and then comparing those to the same numbers in your Q2 supplemental a year ago, for both your same-store pool, as well as your stabilized pool. I know it's not directly a same-space comparison, but it seems like the trends for that in-place rent per square foot are sort of flattish year-over-year. How should we be thinking about the trends overall in rent growth by foot, when looking at sort of the different drivers, like rent hikes on existing customers, which have been positive turn in the portfolio, which is potentially negative, and then changes in street rents, which I think you mentioned were flat? Are those factors sort of offsetting each other to get to that sort of flattish result?

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**Karl Haas** - *Extra Space Storage Inc - EVP, COO*

Yes.

**Christy McElroy** - *UBS - Analyst*

Okay. I guess--

**Karl Haas** - *Extra Space Storage Inc - EVP, COO*

Not to be smart, but really, we haven't been able to get the traction that we would have easily -- would have expected, should have been easily attainable with occupancy where we are. And as we've said many times, what drives -- what's driving everything is getting our occupancy, staying at our occupancy goal.

Now the side benefit is, we are with more customers, we are getting more increases to existing customers, and the other benefit that we're seeing is that with the higher levels of occupancy, we're having to give away less new renter concessions. And as I mentioned, our discounts are down 9%. Our hope and expectation is that we're pretty much there as far as occupancy, and that we should have the opportunity to push street rates. But we're only going to do that if at the same time as we do it, we're able to hold occupancy.

**Christy McElroy** - *UBS - Analyst*

So if I look at your revenue growth in the context of sort of rent growth versus occupancy and I look at the 4.7% revenue growth in Q2, was that primarily driven by occupancy upsize?

**Karl Haas** - *Extra Space Storage Inc - EVP, COO*

Yes.

**Christy McElroy** - *UBS - Analyst*

Okay. And then how much of your internet marketing expense over the last 12 months was in the G&A line? And is there anything else in that line that would be attributable to the property level?

**Karl Haas** - *Extra Space Storage Inc - EVP, COO*

No.

**Christy McElroy** - *UBS - Analyst*

So is there any internet marketing expense in G&A?

**Karl Haas** - *Extra Space Storage Inc - EVP, COO*

No, it's all allocated to the stores.

**Christy McElroy** - *UBS - Analyst*

Okay, and then just lastly, Kent, you talked about locking in variable rate debt. Is that something that you're doing only if the debt is refi'd, or are you swapping any existing variable rate debt and how much of this fixing do you expect to do in 2011?

**Kent Christensen** - *Extra Space Storage Inc - EVP, CFO*

The trust preferreds that we just swapped -- were existing variable rate debt that we swapped. We're looking at the other -- the only other -- the only other material variable rate debt that we have are our lines of credit, and we won't be swapping those. But we're looking at short-term, loans that are coming due in the near term or loans that have higher interest rates, and we'll be looking at trying to refinance or lock those, the interest rates -- the lower interest rate environment that we're seeing today, trying to take advantage of that.

**Christy McElroy** - *UBS - Analyst*

Okay, so beyond the trust preferred, it's sort of minimal this year?

**Kent Christensen** - *Extra Space Storage Inc - EVP, CFO*

It is. There are a few construction loans here and there, but nothing that's a substantial amount.

**Christy McElroy** - *UBS - Analyst*

Okay, thank you.

**Spencer Kirk** - *Extra Space Storage Inc - CEO*

Thank you.

**Operator**

And our next question comes from the line of Mike Knott, representing Green Street Advisors. Please proceed.

**Mike Knott** - *Green Street Advisors - Analyst*

Hi, guys. Question on the rentals being down year-over-year. Is that something you worry about? Or do you think it's something spurious, or -- I'm just curious how you think about that. Obviously, you've had a lot of success kind of moving at the margin towards the higher occupancy approach towards maximizing revenue. Just curious on that.

**Spencer Kirk** - *Extra Space Storage Inc - CEO*

Michael, it's Spencer. As I said in my opening remarks, our rentals are not materially out of line with historical or seasonal trends.

Furthermore, I want to underscore that our business mirrors the overall economy. The economic recovery has been anemic. Rental activity has not been robust, but it's not an area that I say -- I'm going to bed and not getting sleep at night.

I would like them to be better, and we're doing everything to maximize those rentals. But they are not out of line with historical or seasonal trends. And we're going to just have to see some overall improvement in the general economy before I see or would proclaim we've had a significant or dramatic uptick.

**Mike Knott** - *Green Street Advisors - Analyst*

And then with regards to some of the recent acquisition activity, can you help us understand your thinking with regard to buying in some middle of the country locations as opposed to maybe focusing only on higher barrier to entry type markets?

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**Spencer Kirk** - *Extra Space Storage Inc - CEO*

Yes, let's, let's take one of the portfolio acquisitions we did in the greater Cincinnati area. 15 assets, well built, well maintained assets that were decently located in each of the markets where they compete, and certainly we're as good as any of the competition within any of those markets. And they are accretive in terms of adding value to the shareholders.

So we've said we can deploy capital on a leverage-neutral basis. It's a market that we have a significant footprint, enough to establish its own independent district, with its own district manager. And we think that operationally and economically, it makes sense for this company.

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**Mike Knott** - *Green Street Advisors - Analyst*

Just to follow up on that, do you think that higher barrier markets have kind of longer term, better rent growth potential? Or do you kind of view them as not being that dissimilar and maybe you kind of get a cap rate spread in your back pocket and maybe there's not a lot of big difference in long-term rental growth?

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**Spencer Kirk** - *Extra Space Storage Inc - CEO*

I would say the difference is minimal. And I think that over the long haul, a high barrier to entry market may initially have some better results, but as we've taken the five-year look back, Michael, it's very interesting. Some of the best markets over the last five years in terms of being A markets, during the downturn, lost a little bit of their luster. And some of the mid-markets that were lower rents actually performed reasonably well. So we see that the growth rates actually can move somewhat almost in lock step.

The difference in the best of times and the worst of times says to us we want a balanced portfolio geographically and economically. Obviously we don't want to be in low density, low income markets, and this greater Cincinnati portfolio is right in the heartland of America, and it gives us operating efficiencies. And as I said previously, it's accretive to the shareholders. We think it makes good sense.

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**Mike Knott** - *Green Street Advisors - Analyst*

My last question and I'll yield the floor, is obviously the Storage USA acquisition has been quite a few number of years ago now. How should we think about your perspective of Prudential's long-term interest in the business? Are they going to be in it forever? Do you feel like at some point, this is something that is maybe an acquisition opportunity for you?

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**Spencer Kirk** - *Extra Space Storage Inc - CEO*

A relationship with Prudential is about 12 years old at this point and it's a healthy partnership. And we think that based on the communications with Prudential, and I don't want to speak for them, it's a healthy partnership. They like the asset class. They like the performance we're delivering and the joint venture relationship. And I think extra space is in a position that in the future if Prudential decides that they want to redeploy capital somewhere else, that we would be interested in those assets, because once again, we already have the relationship.

And number two, we have perfect operational knowledge of what those assets are capable of producing, and it would be a low-risk acquisition for us. So we'll let Prudential decide how far they want this to go, but for us, we like the relationship, and 12 years into it, I think Prudential likes it.

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**Mike Knott** - *Green Street Advisors - Analyst*

Okay, thanks.

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**Kent Christensen** - *Extra Space Storage Inc - EVP, CFO*

Mike, this Kent, one more thing about that. The funds that we've -- the money has come from, from Prudential are open-ended funds, so there are no requirements that these funds have to be liquidated any time in the future.

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**Mike Knott** - *Green Street Advisors - Analyst*

Got it, thanks.

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**Operator**

And our next question comes from the line of Mike Salinsky, representing RBC. Please proceed.

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**Mike Salinsky** - *RBC Capital Markets - Analyst*

Good afternoon, guys. First question relates to the occupancy. You said you're getting close to your target. What is the target occupancy right now, and how much more upside do you see in occupancy over the next few months?

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**Spencer Kirk** - *Extra Space Storage Inc - CEO*

Michael, it's Spencer. We think optimal occupancy is mid to high 80s.

For us, it's not about a price point or an occupancy level per se. It's about revenue maximization. And based on our revenue management system and based on our data, we think that we are at or very close to the inflection point of driving maximum revenue for this company.

There are different philosophies, different ways to manage and operate facilities. But the Extra Space philosophy is we want to find the peak point on the curve that gives us the best revenues.

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**Mike Salinsky** - *RBC Capital Markets - Analyst*

When you say inflection points, are you running tests right now in markets where you have made significant occupancy gains? And are you actually being able to get that rent growth without seeing a pullback in occupancy?

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**Spencer Kirk** - *Extra Space Storage Inc - CEO*

What I would say is rentals have not been robust as we approached that higher occupancy level. We are also cognizant of the fact that we right now today are right on top of the maximum occupancy point in the 12-month cycle, with the third week of

February being the trough. And so today, we're comfortable with where the occupancy is system-wide, and market-by-market. We're also comfortable with the fact that we will now give up some of the gains that we've had, just due to seasonality.

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**Mike Salinsky** - *RBC Capital Markets - Analyst*

So we should look for any significant change in pricing aggressiveness here in the second half of the year, at this point -- at this point of the year, the strategy is to maintain occupancy, or to try to limit occupancy all together?

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**Spencer Kirk** - *Extra Space Storage Inc - CEO*

Yes.

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**Mike Salinsky** - *RBC Capital Markets - Analyst*

Okay. Switching gears here, sounds like you're not getting a lot of growth in street rates, but you've been very aggressive on the renewal front. Where is the delta right now between in-place rents versus street rates?

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**Spencer Kirk** - *Extra Space Storage Inc - CEO*

Right on top of each other.

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**Mike Salinsky** - *RBC Capital Markets - Analyst*

Okay. And then finally, just in terms of the 24 acquisitions you have pending, what kind of pricing are we talking about on those?

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**Spencer Kirk** - *Extra Space Storage Inc - CEO*

I'll have Kent answer that.

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**Kent Christensen** - *Extra Space Storage Inc - EVP, CFO*

It's in the mid 7s.

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**Mike Salinsky** - *RBC Capital Markets - Analyst*

Mid 7s, okay. That's all for me, guys. Thanks.

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**Spencer Kirk** - *Extra Space Storage Inc - CEO*

Thanks, Mike.

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**Operator**

And our next question comes from the line of Todd Thomas, representing KeyBanc Capital Markets. Please proceed.

**Todd Thomas** - *KeyBanc Capital Markets - Analyst*

Hi, good afternoon. First, quick follow-up on the last question regarding the rent increases. You said that they are roughly flat to -- your street rents are roughly flat to in-place rents. I was wondering, I know it depends on the facility and the unit size, but I'm trying to think about the sustainability of existing customer rent increases to top line growth. And so if asking rents aren't moving higher by much, do you start hitting the thresholds where you stop sending out rent increase letters more broadly, I guess, or are we not anywhere closely to that yet?

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**Karl Haas** - *Extra Space Storage Inc - EVP, COO*

This is Karl. We're not, we're not pushing that limit yet. Clearly, there needs to be a point at which we can push rates. And part of the reason that we're not over the top with what we're projecting for the rest of the year in looking to even next year is -- there needs to be some ability to move street rates more than we've seen so far, to be able to maximize, to get the kind of post recession growth that we really like to see.

So I know we come across as maybe seeming a little bit too conservative, but we're just looking at it and saying at some point in time we've got to have rate growth, and traction. And we just haven't seen as much as we would like to see.

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**Todd Thomas** - *KeyBanc Capital Markets - Analyst*

And with occupancy at almost 89%, 90% perhaps, what's preventing you from being able to increase rents to new customers?

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**Karl Haas** - *Extra Space Storage Inc - EVP, COO*

Hopefully nothing and hopefully we'll be able to do more of it. Up till now, we've been trying to keep our growth and reach our occupancy goal. We're getting there now and we're certainly working and testing and trying for push rates where we can.

It's just, -- we just haven't seen as much growth in rates as we would like to see. And we don't want to raise rates and then experience a significant drop in occupancy. And the good part is we're getting good growth overall.

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**Todd Thomas** - *KeyBanc Capital Markets - Analyst*

Okay. That's helpful. And then thinking about the acquisitions, so you increased your forecast for the full year again. I was wondering if you could talk about the environment a little more broadly, and sort of what you're seeing behind the properties that you have under contract and what we might want to think about over the next 6 to 12 months.

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**Kent Christensen** - *Extra Space Storage Inc - EVP, CFO*

This is Kent. That's a good question, because after the 240 million that we announced and have talked about, what's on the table from our perspective today is a number of little one-offs. We're not seeing a substantial amount of new properties coming to the market in any substantial level.

So we still have a number of opportunities that we look at on a weekly basis, but it clearly is not at a level, say, that we saw in 2007 and 2008 or even earlier this year. This seems to us that it has slowed down. So it could pick back up.

I think that the stuff that's going on in the United States, it's uneasy in many areas and this is another example of the uneasiness. I think we have a lot of people that are just waiting to see what's going on before they decide whether they're going to sell.

**Todd Thomas** - *KeyBanc Capital Markets - Analyst*

Okay, all right, great. Thank you.

**Operator**

And our next question comes from the line of Paula Poskon from Robert W. Baird. Please proceed.

**Paula Poskon** - *Robert W. Baird & Co. - Analyst*

Thank you, good afternoon. Couple of questions for Karl. To what do you attribute the discrepancy between your trends and the SSDS data?

**Karl Haas** - *Extra Space Storage Inc - EVP, COO*

I think we are being much more realistic in rates. Our systems are certainly more sophisticated than the average operator. And while -- so we're seeing the trends. We're aiming, and our goal is, we're going to hit and maintain our occupancy. And so every day, we're adjusting our rates.

When we look at our competitors rates, not the other REITs so much, but when we look at the local operators rates, they are just not changing their rates. They are holding their rates and so they are seeing drops in occupancy, but they are not reacting by being as aggressive with rates as we are.

**Paula Poskon** - *Robert W. Baird & Co. - Analyst*

And looking back, what would you say the peak average rental rate increase was you have ever posted and likewise the peak same-store NOI growth? In any particular quarter year-over-year.

**Karl Haas** - *Extra Space Storage Inc - EVP, COO*

Are you saying existing rental rate customer increases?

**Paula Poskon** - *Robert W. Baird & Co. - Analyst*

Yes.

**Karl Haas** - *Extra Space Storage Inc - EVP, COO*

We're probably right about now as high as we've ever been. We've been aggressive on it and we've -- we continue to test to see how far we think we can push it, and --. And we've quite frankly keep saying that we can push it a little bit more and a little bit more. In the last two years, it's probably been less, less growth and probably earlier years because it was more like 5% and then we, we grew it to 6%, 7% and we're kind of leveling out between 8% and 9%.

**Paula Poskon** - *Robert W. Baird & Co. - Analyst*

And how about on same-store NOI, the best quarter you ever had?

**Karl Haas** - *Extra Space Storage Inc - EVP, COO*

I'm not really good at remembering that. Somewhere 8% or 9% in the peak times at some period.

**Kent Christensen** - *Extra Space Storage Inc - EVP, CFO*

This is Kent. I think we had a 10% in the fourth quarter of one year, three or four years ago. I think that's the highest it's been.

**Paula Poskon** - *Robert W. Baird & Co. - Analyst*

Thanks. I appreciate that. At the NAREIT meetings, one of your peers, public peers said that just based on occupancy, favorable occupancy trends in certain sub-markets, they thought for sure that there would be new development getting under way. Are you seeing any new supply in any of your markets?

**Kent Christensen** - *Extra Space Storage Inc - EVP, CFO*

There are properties here and there that are starting to pop up and that would compete with our properties, and/or be in the markets where we have current properties, so development is starting to come back. That being said, when I say properties starting to pop up, that's still less than 10. There's not any dramatic, substantial amount of new development taking place, first.

And second, there still is some real hesitation from banks to do financing of self storage properties. And so that is continuing to hinder the ability of some operators. We've had a number of operators approach us, wanting us to be a partner with them in doing development. We have said, okay, we would be interested in partnering with you. Go out and get a loan. And they have come back and said we still can't get loans yet.

It still is a tough environment out there. There are those that are able to get a loan, so it's not impossible, but it is still problematic, so we're not seeing anything dramatic yet on the development front.

**Paula Poskon** - *Robert W. Baird & Co. - Analyst*

Thanks, Kent. Finally, question for you, Spencer. Could you just comment on the decision to allow the employment agreements to expire at the end of August?

**Spencer Kirk** - *Extra Space Storage Inc - CEO*

I would be happy to, Paula.

**Paula Poskon** - *Robert W. Baird & Co. - Analyst*

Thank you.

**Spencer Kirk** - *Extra Space Storage Inc - CEO*

I would say that the Board has determined that employment agreements are not in the best interest of the Company. It's interesting to note that we certainly don't want to signal, because we don't see any upcoming changes to the Management team. And I can just simply say, 2.5 years ago, when I became CEO, I was not given an employment agreement. It was signaled that was not the direction we were going.

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**Paula Poskon** - *Robert W. Baird & Co. - Analyst*

Thank you very much. That's all I have today.

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**Operator**

And our next question comes from the line of Swaroop Yalla, representing Morgan Stanley. Please proceed.

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**Swaroop Yalla** - *Morgan Stanley - Analyst*

Hi. Actually I looked up the peak internal revenue growth and it was 7.1% in 2006, third quarter. I know every recovery is different, but given your investments in revenue management systems this time, just wondering how you think revenues will trend over this cycle to the 2006 levels?

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**Spencer Kirk** - *Extra Space Storage Inc - CEO*

Swaroop, this is Spencer. That is the multi-million dollar question. We are in unprecedented economic times. There is a great deal of political uncertainty and the guidance that we have given is our best estimate as to what we can see, given the variables at play. And I would just simply say this recovery seemingly has none of the characteristics of previous recoveries, hence the statement we're in unprecedented times. So we're just having to take this day-by-day, week-by-week and we'll give you the best guidance that we can quarter-by-quarter.

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**Swaroop Yalla** - *Morgan Stanley - Analyst*

Great. And just wanted to find out a little bit more about the tenant reinsurance program. I know you said that penetration was about greater than 63%. Is that what's driving the guidance up for the tenant insurance program, and also how much more you see that penetration going to?

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**Kent Christensen** - *Extra Space Storage Inc - EVP, CFO*

The first part of your question is, our guidance is up because the properties -- we're able to continue to push the penetration overall on those properties, first. Second, we have more properties coming in to the tenant insurance program, which we believe will increase the revenues and the profitability of that program. But the last part of your question is, once again, we're headed into a territory we've never been before, so we don't know where we think this is going to max out. Every quarter, we continue to get a little better.

What we can tell you is that the rate of growth is slowing and our ability to get dramatic increases in this program is slowing. But it is continuing to go up, and we're continuing to push it and we're trying to get the maximum we can out of it, and I don't think it's ever going to be 100%, but it's somewhere between where we are today and continuing to go up is where it's going to plateau. We just don't know exactly where that is yet.

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**Karl Haas** - *Extra Space Storage Inc - EVP, COO*

And this is Karl. The other piece is, as we bring new properties and it's one of the -- it's really where the profit comes from in our third party management. And the good part is, when you bring a new property and it may have no insurance penetration, or 20%, and then we've got that up ramp. So as we add properties in the third party management program, that's where a lot of our growth in tenant insurance revenues will come in the future.

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**Swaroop Yalla** - *Morgan Stanley - Analyst*

All right. And just lastly, I don't know if this was discussed during the call, but one of your peers talked about a super store concept at NAREIT. Just wondering, I mean, services. Just wondering what are your thoughts on that and if you are looking into that as well.

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**Karl Haas** - *Extra Space Storage Inc - EVP, COO*

We do a lot of the stuff that they talk about. Maybe not quite to that extreme. We're always looking at ways to improve the experience for our customers and things that -- but we're also trying to gauge what it is our customers want. And we don't want to spend money on things that aren't going to make a big difference.

So we'll watch that program, and, if there's anything that, that we see that has some big positive impact, we'll copy it. But at this point, we're kind of in a wait and see mode.

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**Swaroop Yalla** - *Morgan Stanley - Analyst*

Great. That's very helpful. Thank you.

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**Operator**

And our next question comes from the line of Ki Bin Kim, representing Macquarie. Please proceed.

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**Ki Bin Kim** - *Macquarie Research Equities - Analyst*

Thanks. I don't want to beat a dead horse, but it seems like a lot of the gains in same-store NOI is really due to less vacates. And given that that's not something that can be recurring, what happens to same-store NOI when that phenomenon goes away? From a year-over-year standpoint?

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**Karl Haas** - *Extra Space Storage Inc - EVP, COO*

Well, I think we talked a lot about that we couldn't continue the level of vacate decreases that we experienced last year -- we've seen the phenomena -- with the reduced rentals, the reduced vacates are happening. And, it's all about net -- it's really about where your occupancy is and quite frankly, where we are is we're gaining occupancy. I mean, we're at a healthy -- we're at the highest occupancy we've been at that I -- probably that I've ever operated at. And, 3% above last year, and last year at this time, I think we were almost 3% above the prior year. So we've gained like 6%.

So, yes, do we -- we don't control vacates, but on the other hand, it seems to be a pretty consistent phenomena right now. And, we're more focused on, where net, the occupancy delta is going and where our overall occupancy is. And then we're going -- and part of the reason, we have a hard time giving you an exact answer on some of this stuff is there's so many moving parts in what we do with our revenue management system, discounting, things like that, that, as Spencer said earlier, our focus is on





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maximizing revenues and making the most of every opportunity that is there. And not necessarily just focusing on what we're going to do about vacates, because vacates, we have the least control over.

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**Kent Christensen** - *Extra Space Storage Inc - EVP, CFO*

And Ki Bin, this is Kent. If I could add -- when we talk about vacates being down, we want to make sure everyone understands that in the information that we put in our supplemental schedule, you can see all of this. But you can see that on our, on our stabilized bid group of properties, which is almost 700 properties, our vacates are down by five per property for the full six months of this calendar year.

So we've only had five less vacates per property in total, not five per month. Five in total over six months. And the rentals have been three per property for the whole six months. So while we're talking about our vacates being down and rentals being down, the numbers we're talking about here are very small.

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**Karl Haas** - *Extra Space Storage Inc - EVP, COO*

And that's all based on units. We really -- most everybody really focuses on square footage.

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**Ki Bin Kim** - *Macquarie Research Equities - Analyst*

And do you think the overall decreased level of rent activity is industry-wide? Or is it more the fact that you guys are kind of maximizing revenue and maybe have higher rates than people down the street?

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**Karl Haas** - *Extra Space Storage Inc - EVP, COO*

I think we're seeing our competitors say that -- they have been saying, at least in recent quarters, the same thing.

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**Ki Bin Kim** - *Macquarie Research Equities - Analyst*

Okay, and can you give some more color on, looks like your dilution from your unstabilized development projects, the dilution went down from last quarter for 2011. In terms of modeling, what is the appropriate way to look at how much NOI is missing from the current run rate, once these assets become stabilized?

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**Kent Christensen** - *Extra Space Storage Inc - EVP, CFO*

The best place to get that, Stephen, is in our supplemental schedule. We've included a chart that shows how the development dilution is going to trend over time and it's on page 23, I think around page 23 or -- schedule, sorry, 27 on this quarter, it's on 27. But it shows by year how we think on a per-share basis the development dilution is impacting our FFO.

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**Ki Bin Kim** - *Macquarie Research Equities - Analyst*

So I guess apply NOI margin to that.

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**Kent Christensen** - *Extra Space Storage Inc - EVP, CFO*

Correct.

**Ki Bin Kim** - *Macquarie Research Equities - Analyst*

And what's the occupancy level that you're looking at when you consider stabilization?

**Kent Christensen** - *Extra Space Storage Inc - EVP, CFO*

I'm sorry. What was your question, Ki Bin?

**Ki Bin Kim** - *Macquarie Research Equities - Analyst*

What level of occupancy are you projecting when you consider an asset stabilized?

**Kent Christensen** - *Extra Space Storage Inc - EVP, CFO*

85%.

**Ki Bin Kim** - *Macquarie Research Equities - Analyst*

Okay. All right. Thank you very much.

**Spencer Kirk** - *Extra Space Storage Inc - CEO*

Thank you.

**Operator**

And our next question comes from the line of Eric Wolfe from Citigroup. Please proceed.

**Eric Wolfe** - *Citigroup - Analyst*

Thanks. Maybe just a follow-up on Ki Bin's question. I'm trying to understand your same-store revenue guidance a little bit better. It implies a slowdown from the mid 4% growth that you were seeing in the first half. So I'm just trying to understand if all that, or the majority of that was driven by occupancy, why isn't that occupancy spread going to continue to persist and continue to drive 4% type-ish same-store revenue growth?

**Kent Christensen** - *Extra Space Storage Inc - EVP, CFO*

This is Kent. You're correct in your analysis of our revenue projection for the remainder of the year, that it implies a little bit of a slowdown. The biggest reason for that is in the second half of last year, we had really good revenue growth compared to the first half of last year. And so we're going against much more difficult numbers in the second half of the year.

So our expectation is our ability to grow our revenues in the second half of the year is going to be a little more difficult because of the really good performance that we had last year. If you look back last year, you'll see that our -- had most everybody else in how we performed and we're now coming against those harder comps.





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**Karl Haas** - *Extra Space Storage Inc - EVP, COO*

And this is Karl. To add a little bit more specifically related, you were asking about the square foot occupancy. Our delta will go down. Our delta year-over-year will go down, just because if you think about the graph, we're already higher. We're going to catch up and at some point in time, we're not going to have a year from now, we're not going to be 4% above in occupancy where we are now. That's why the growth is going -- will hopefully come from rate growth.

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**Eric Wolfe** - *Citigroup - Analyst*

And in the second quarter, though, you did face some difficult comps as well. Could you tell us what that 4.7%, how much that exceeded your expectations?

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**Karl Haas** - *Extra Space Storage Inc - EVP, COO*

Well, the good part was we didn't anticipate -- we thought we would lose more of that delta in square foot occupancy this quarter. We knew we were going against tougher numbers and we didn't -- I think if you asked us at the beginning of the quarter whether we would end the quarter at 3% above the prior year, we did not think we would get there. But we've been able to hold it and, as we've said, we're at one of the highest occupancy levels we've ever been.

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**Kent Christensen** - *Extra Space Storage Inc - EVP, CFO*

This is Kent. Another point to what Karl is saying is, I think that's what is a unique thing about Extra Space, is that because of the technology and the systems we have in place, we're constantly monitoring the occupancies and rental rates and discounts at our properties to try and find what we can do to maximize those. As Spencer said earlier, we're headed into an environment that none of us have ever operated in before. But what Extra Space has going for it is the technology and systems to be able to execute in a way that we think is going to maximize the revenues that we can get out of these properties, based on whatever is thrown at us. So we're not doing very good at telling you what we think is going to happen, because we're a little unsure what that's going to be, but we're doing our best job in trying to maximize the revenues on these properties.

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**Karl Haas** - *Extra Space Storage Inc - EVP, COO*

And this is Karl again. An example of that is we did not really anticipate the dramatic drop in discounting that we saw, that has evolved as a result of this higher occupancy.

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**Eric Wolfe** - *Citigroup - Analyst*

That's very helpful. And I guess just maybe -- I know like you said, you can't provide the specifics around it, but in terms of the breakdown and what's driving same-store revenue in the second half. Should we continue to see that the tenant reinsurance is growing at a faster and faster rate versus sort of the rental income? I'm just trying to understand when you report that, if rental income's going to come out like 2.5% growth and tenant reinsurance is going to be 15%, 16%, something in that level?

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**Karl Haas** - *Extra Space Storage Inc - EVP, COO*

Well, what you're seeing in the tenant insurance growth is the ability for us to pick up tenants that are paying us tenant insurance, that are not included in our wholly-owned properties. They are in our joint venture properties, they are in our managed properties, but it's all included in our tenant insurance income. So it's -- if you look at the tenant insurance income on our wholly-owned properties, the increase in tenant insurance is very comparable on a same-store basis. The tenant insurance is increasing proportionally faster than the same-store properties, because we're bringing in other customers in that program from other vehicles, such as our third-party managed business.

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**Eric Wolfe** - *Citigroup - Analyst*

Okay, and just one final question. I guess since you're not seeing too much in the way of moving activity, is there any sort of hesitancy going forward about pushing rate on your existing tenants too much? I know you said there wasn't much of a statistical difference between when you did push and when you didn't. But it would feel like if tenants eventually do start moving out, it's going to be difficult to fill up that occupancy gap. I'm just curious if you think that 8% to 9% is sustainable, or if it's going to have to be adjusted downwards.

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**Karl Haas** - *Extra Space Storage Inc - EVP, COO*

We have seen nothing to indicate that it's not sustainable. We stuck with it in late 2008 and early 2009 and, if there was ever a time when we should have had some doubts that, would have been it. But when we came to the end of both of those quarters, and compared what happened to us to what happened to our competitors, we were both -- even though we were a lot more aggressive, we are finding the same thing.

So we continue to monitor it and there's no guarantee. I will say at some point in time, if -- that's the big caveat for us. If rates -- if you can't get Street rates to decline some, it's going to be very difficult to post the kind of numbers we've been posting.

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**Eric Wolfe** - *Citigroup - Analyst*

Got you. Thank you.

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**Operator**

(Operator Instructions)

And our next question comes from the line of Smedes Rose, representing KBW. Please proceed.

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**Smedes Rose** - *Keefe, Bruyette & Woods - Analyst*

Thank you. Most have been asked and answered, but I did have a follow up on your comments around acquisition activity. You said it's kind of slowing down now. I'm wondering, do you think it's a function of the financing environment is starting to freeze up? Or is it that the folks that might have considered being acquired now feel like business has stabilized enough, and they're comfortable enough with the financing environment that they don't really neat to put themselves on the market. I'm just sort of wondering, why is it slowing down, and what do you think needs to happen for acquisition activity, I guess, to kind of pick back up again?

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**Spencer Kirk** - *Extra Space Storage Inc - CEO*

Financing for stabilized properties is very wide open. If you have a property that's stabilized and producing good NOI, it's pretty easy to get a loan today. When we talk to people who are out there about wanting to sell their assets, to answer your question, it's coming down to a couple of things. First of all, they have come through the hard times, and they are very satisfied with how their assets are performing. Second, they believe their NOIs are down today, and they are trending up, and a year from now, those NOIs are going to be better.

Third, they believe that the cap rates on this portfolio, of this property type are coming down. And so a year from now, the cap rate they could get would be better. So if they are thinking about selling, it would be waiting for the NOI to come up, the cap rates to come down, and putting the properties on the market maybe a year from now.

And lastly, if they were to sell and get -- let's say they sold at a 7.5 cap, they would tell me where do I take my money and put it where I can get another 7.5% return on anything today. Stock market's a little questionable with what's going on -- with what's going on with Washington. So they are very happy just sitting on their properties and waiting to see what's going to happen.

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**Smedes Rose** - *Keefe, Bruyette & Woods - Analyst*

Okay, that's helpful. And then just a minor thing, but you mentioned that 11 properties left your third-party management system due to liquidation. They actually shut down, or that means that the owner just took them out of your system?

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**Spencer Kirk** - *Extra Space Storage Inc - CEO*

No, it was an owner that we were managing the properties for them and they decided to sell the assets. They were 11 properties that we did not to buy, so they sold them to somebody else. They're operating, and operating very well, and they're making somebody else a lot of money.

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**Smedes Rose** - *Keefe, Bruyette & Woods - Analyst*

Okay. Thanks.

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**Operator**

And our next question comes from the line of Tayo Okusanya from Jefferies. Please proceed.

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**Tayo Okusanya** - *Jefferies & Co. - Analyst*

Hi. Just a couple of questions. First of all, just in regard to street rents, can you talk a little bit about what you are seeing from a lot of the private owners in self storage and kind of what their strategy is, and how that may be impacting your ability to raise street rents?

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**Spencer Kirk** - *Extra Space Storage Inc - CEO*

There doesn't -- we monitor the -- a number of properties that compete with each one of our properties and we are not seeing any kind of dramatic changes in pricing from the local operators. And when they, these local operators own one or two or three properties, so any one of them individually is not affecting what Extra Space is doing as far as our pricing of our properties.

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**Tayo Okusanya** - *Jefferies & Co. - Analyst*

If that's the situation, I'm still struggling with the notion of why there's so much inability to raise street rents, if the competition is really somewhat of a non-factor.

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**Karl Haas** - *Extra Space Storage Inc - EVP, COO*

This is Karl. I think, one of the things that's going on -- you keep in mind, we've been in a mode of trying to get to our occupancy, to our desired occupancy level. And so we've been aggressive. We're now at our desired occupancy level. So we feel like we probably will have more ability to be, to not have to have our rates as aggressive as they have been.

Time will tell whether as we raise rates, whether, we'll see a drop-off. And we're going to adjust our rates to get, to maximize revenues and keep our occupancy level at desired levels.

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**Tayo Okusanya** - *Jefferies & Co. - Analyst*

Okay. That's helpful. And then the second thing, the acquisitions -- the assets purchased this quarter, and the pipeline going forward. Was hoping that Kent, this one's probably for you, to get a better sense of just some of the operating statistics around these assets, the same way you guys present your operating statistics in your supplemental, specifically kind of average rents per square foot, how much has stabilized versus not stabilized, occupancy rates? High level.

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**Kent Christensen** - *Extra Space Storage Inc - EVP, CFO*

At a very high level, the occupancy rates, the majority of the properties that we are acquiring are stabilized properties, their occupancies would be in the 80s. The rents per square foot are going to be very geographic-specific, meaning that if it's in New Jersey, it will be much higher than the properties that we acquired in Cincinnati. So that will be very geographic specific.

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**Tayo Okusanya** - *Jefferies & Co. - Analyst*

Do you have a portfolio average for everything?

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**Kent Christensen** - *Extra Space Storage Inc - EVP, CFO*

I don't have in front of me what the portfolio -- I have all 49 of those properties, what the average rent per square foot is, I don't have that right in front of me.

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**Tayo Okusanya** - *Jefferies & Co. - Analyst*

Okay. Anything else you can tell us about the portfolio, maybe occupancies you said 80s, is that mid-80s, or high 80s?

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**Kent Christensen** - *Extra Space Storage Inc - EVP, CFO*

It would be the low 80s.

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**Tayo Okusanya** - *Jefferies & Co. - Analyst*

Low 80s. And stabilized that for the whole thing, stabilized and not stabilized?

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**Kent Christensen** - *Extra Space Storage Inc - EVP, CFO*

Correct.

**Tayo Okusanya** - *Jefferies & Co. - Analyst*

Could you break that out by stabilized and not stabilized?

**Kent Christensen** - *Extra Space Storage Inc - EVP, CFO*

I could break it out, I don't have that in front of me, also.

**Tayo Okusanya** - *Jefferies & Co. - Analyst*

I'll follow up with you off line. And the last question, just fixed rate debt as a percentage of total debt, 71%. Just kind of curious, the 30% excluding what the plan would be if rates do indeed start to rise.

**Kent Christensen** - *Extra Space Storage Inc - EVP, CFO*

As we put in our press release, we did swap $80 million of our trust-preferreds, and so that's taking the 71% up to 78%. So we moved already a little bit towards fixing more our variable rate debt.

**Tayo Okusanya** - *Jefferies & Co. - Analyst*

Helpful. Congrats on a great quarter.

**Spencer Kirk** - *Extra Space Storage Inc - CEO*

Thank you.

**Kent Christensen** - *Extra Space Storage Inc - EVP, CFO*

Thank you.

**Operator**

And our next question comes from the line of Diane Wade representing CBRE Clarion. Please proceed.

**Diane Wade** - *CBRE Clarion - Analyst*

Hey, guys.

**Spencer Kirk** - *Extra Space Storage Inc - CEO*

Hi, Diane.

**Diane Wade** - *CBRE Clarion - Analyst*

Question about the managed assets. How many of the properties are in the same-store pool or on a percentage basis, what percentage of the same store pool do they make up?

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**Kent Christensen** - *Extra Space Storage Inc - EVP, CFO*

When we report same-store numbers, that's only on the wholly-owned assets -- 253 wholly-owned properties. In our supplemental schedule, there's a lot of detail where we break out stabilized and lease-up assets, JV, managed, wholly-owned, and you can see the detail there. But as -- when we report what our same-store numbers are, what are headline numbers, it's only coming from those assets that are owned by the REIT.

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**Spencer Kirk** - *Extra Space Storage Inc - CEO*

And acquisition properties would not be added to our same-store pool until a year after we have acquired them.

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**Diane Wade** - *CBRE Clarion - Analyst*

Right, okay. Thanks for that clarification. And then in terms of the tenant insurance contribution to same-store revenues, what do you think that is in terms of, in terms of basis points? Is it 50 basis points?

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**Kent Christensen** - *Extra Space Storage Inc - EVP, CFO*

On the most recent quarter, it was 35 to 40 basis points of the -- of the -- talking about revenue or NOI?

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**Diane Wade** - *CBRE Clarion - Analyst*

Revenue.

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**Kent Christensen** - *Extra Space Storage Inc - EVP, CFO*

Of the revenue, it was about 30 basis points, it was 4.3 to 4.7 I think was the difference.

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**Diane Wade** - *CBRE Clarion - Analyst*

Okay. And then lastly, can you break down your tenant mix in terms of business versus individuals just roughly? And has it changed at all from past recoveries, or is it a pretty typical break-out right now?

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**Spencer Kirk** - *Extra Space Storage Inc - CEO*

Diane, it's Spencer. I would say the mix is still around 80/20, 80% residential personal, and 20% commercial. We have not seen in the best of times and worst of times those numbers change in a material fashion. It seems to be pretty consistent year-in and year-out.

Obviously, we would like to have more business customers. We have our national accounts program, and we're trying to bring those in, but it's not a number that has changed significantly year-in or year-out, either with an accelerating or decelerating economy. And it's a been a stable number for us, a stable ratio.

**Diane Wade** - *CBRE Clarion - Analyst*

Okay. All right, thank you.

**Spencer Kirk** - *Extra Space Storage Inc - CEO*

Thank you, Diane. With that, we would like to bring this conference call to a close. We appreciate your interest in Extra Space and we look forward to next quarter's earnings call. Thank you very much.

**Operator**

Ladies and gentlemen, that concludes today's conference. Thank you for your participation. You may now disconnect and have a great day.