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EXR - Q4 2013 Extra Space Storage Inc. Earnings Conference Call

EVENT DATE/TIME: FEBRUARY 21, 2014 / 5:00PM GMT

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PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the fourth-quarter 2013 Extra Space Storage earnings conference call. My name is Philip, and I will be your operator for today.

(Operator Instructions)

As a reminder, this conference is being recorded for replay purposes. I would now like to turn the conference over to your host for today, Mr. Clint Halverson, President of Investor Relations. Please proceed.

Clint Halverson - *Extra Space Storage Inc - President of IR*

Thanks, Philip. Welcome, everyone, to Extra Space Storage's fourth-quarter 2013 conference call. In addition to our press release, we have also furnished unaudited supplemental financial information that's available on our website.

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. Actual results could differ materially from those stated or implied by our forward-looking statements due to risks and uncertainties associated with the Company's business.

These forward-looking statements are qualified by the cautionary statements contained in the Company's latest filings with the SEC, which we encourage our listeners to review. Forward-looking statements represent management's estimates as of today, Friday, February 21, 2014. The Company assumes no obligation to revise or update any forward-looking statements because of the changing market conditions or other circumstances after the date of this conference call.

With that, I'd like to now turn the call over to Spencer Kirk, Chief Executive Officer.

Spencer Kirk - *Extra Space Storage Inc - CEO*

Good afternoon, everyone. During the fourth quarter, we saw same-store revenue increase 6.6% and NOI increase 8.9%. Occupancy ended the year at 89.2%.

2013 was an outstanding year for Extra Space. We saw record high occupancies, lower discounts, and excellent expense control, which combined to drive a 10% NOI increase for the year. This was our second straight year of 10% NOI growth.

At the end of the fourth quarter, Karl Haas retired as our Chief Operating Officer. Karl will continue to consult with the Company through the end of the first quarter, at which time we expect him to join our Board. We are excited to have Karl's successor, Samrat Sondhi, take over field operations.

Many of you have met Samrat and know that he is the right man for the job. Samrat has been with the Company for almost a decade, and his successes include architecting our revenue management system and leading our field operations in Chicago, New York, and Los Angeles.

Extra Space is positioned to have a strong 2014. We see continued organic growth and a favorable environment for acquisitions. This is evidenced by the $304 million, either purchased or under contract so far this year. Fundamentals remain strong and there continues to be limited new supply.

It has become even more evident that smaller operators are struggling to keep up with more sophisticated operators online, especially when it comes to acquiring customers through mobile devices. We are capitalizing on these market conditions by remaining focused on the fundamentals of our business.

We continue to innovate and to push ourselves. In short, we are striving to be the best at getting better. I would now like to turn the time over to Scott.

Scott Stubbs - *Extra Space Storage Inc - EVP & CFO*

Thanks, Spence. Last night, we reported FFO of $0.52 per share for the fourth quarter, which includes $0.01 of non-cash interest expense, related to our exchangeable notes, and $0.04 of acquisition-related cost. Adjusted for these items, FFO was $0.57 per share for the quarter and $2.12 for the year.

We had a very strong quarter for acquisitions. We purchased 50 assets for $310 million. 19 of these properties came from an existing joint venture, where we purchased all but 1% of our partner's interest, which enabled us to avoid loan assumption fees. Once the debt is repaid, we will acquire the remaining 1% at a pre-negotiated price.

For the year, we purchased 78 assets for $586 million. So far in 2014, we have closed on 18 properties for $214 million. 17 of these properties are from a single portfolio in Virginia, and the other property is in Texas. As of today, we have an additional eight properties under contract for $90 million, which should all close by the end of April.

We continue to have great success in our third-party management program. We ended the year at 250 properties under management, an increase of almost 40% for the year.

We have established our full-year 2014 FFO guidance to be from $2.32 to $2.41 per share. These estimates include non-cash, cash interest expense, and acquisition-related costs. When adjusted for these items, FFO is estimated to be from $2.38 to $2.47 for the full year.

I will now turn the time back to Spencer for some additional comments.

Spencer Kirk - *Extra Space Storage Inc - CEO*

Thanks, Scott. We are coming off two years of superior results, and are heading into what we see to be a great year. Our forecasted double-digit FFO growth is quite remarkable. The fact that a real estate company is able to produce this level of earnings growth is definitely noteworthy. We expect storage to be amongst the best performing sectors in REIT-land in 2014.

Let me reiterate that our focus for 2014 is the operational excellence of this Company. We are making long-term investments that will continue to give Extra Space the technological advantage to produce best-in-class results. I will now turn the time over to Clint to start the Q&A session.

Clint Halverson - *Extra Space Storage Inc - President of IR*

Thanks, Spencer. As in the past, in order to ensure we have adequate time to address everyone's questions, I would ask that everyone keep your initial questions brief, and if possible, limited to two. If time allows, we will address follow-on questions once everyone's had an opportunity to ask their initial questions. With that, we'll turn it over to Philip to start our Q&A session.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

And your first question comes from the line of Christy McElroy from Citigroup. Please proceed.

Christy McElroy - *Citigroup - Analyst*

Hi, good morning to you guys.

Spencer Kirk - *Extra Space Storage Inc - CEO*

Hi, Christy.

Christy McElroy - *Citigroup - Analyst*

I just wanted to talk about your acquisitions forecast for 2014 and sort of how it relates to guidance. It looks like much of that is expected to be funded with debt, given the rise in interest cost that you expect and no change to shares outstanding.

Is it your plan to sort of revisit permanent refinancing at the time you do the deals or later in the year? Or, do you feel like you have some room for leverage to move higher here? I'm just wondering if you'd do the full $500 million, where does that put your leverage at year end?

Scott Stubbs - *Extra Space Storage Inc - EVP & CFO*

Couple of things, Christy, a couple things to consider here. One is, we had a considerable amount of cash at the end of the year, obviously, that went towards buying the Virginia portfolio, and that was raised by issuing equity in November. So, part of that share count is already included in our year-end number.

In addition to that, our annual share count for 2014 assumes a slight increase of, call it, $50 million that could be potentially some OP or some additional equity. So, the remainder should be funded with debt, and it shouldn't increase our leverage significantly, because if you think about our properties increasing, obviously, that naturally delevers us. So, we feel like we should be able to do it on a fairly leverage-neutral basis.

Christy McElroy - *Citigroup - Analyst*

Okay. And, sort of given your progress so far this year and your confidence in the doing another $200 million, I'm wondering if you could comment on the opportunities that exist for acquisitions today? What kind of pricing you're seeing out there?

And, why do you think there's a greater willingness for private storage owners to sell versus, say, a year ago? Do you think it's pricing, or do you think it's ability to compete, or both?

Scott Stubbs - *Extra Space Storage Inc - EVP & CFO*

I think from a seller's perspective, they're seeing fairly attractive cap rates. From a buyer's perspective, in theory, our cost of capital ticked up over the last 60 or 90 days with interest rates going up. So, it will be interesting to see what happens this year while buyers' expectations are going to be such that they expect to pay less, and sellers are still thinking about last year's cap rates.

Christy McElroy - *Citigroup - Analyst*

Do you think it's more pricing related than sort of a change in their expectations as far as running their business?

Scott Stubbs - *Extra Space Storage Inc - EVP & CFO*

It's probably a combination of both, but it's really difficult to pinpoint one or the other.

Christy McElroy - *Citigroup - Analyst*

And then, lastly on the addition of the 99 properties to the same-store pool in 2014, what impact do you expect that would have on your projected same-store metrics? It's kind of hard to tell from the numbers, but I know the last couple of years, it's had a modestly positive impact. I'm not sure what this mix of assets will do.

Scott Stubbs - *Extra Space Storage Inc - EVP & CFO*

The 99 properties effectively consist of 90 assets that were purchased in 2012, and then all but one of our development assets, so they actually add about 50 basis points if you look at the change in same-store pool for the year.

Christy McElroy - *Citigroup - Analyst*

For both revenue and NOI?

Scott Stubbs - *Extra Space Storage Inc - EVP & CFO*

It's top-line revenue is what I'm talking about.

Christy McElroy - *Citigroup - Analyst*

Okay. Thank you.

Operator

Your next question comes from the line of Todd Thomas from KeyBanc Capital Markets. Please proceed.

Todd Thomas - *KeyBanc Capital Markets - Analyst*

Hi. Thanks. Good morning out there.

Just first question, just following up on Christy's question with investments, I'm just curious how you would describe the Company's appetite here? So you set $500 million for the year, with roughly another $200 million remaining, assuming you close on everything that's under contract.

How aggressive is the Company? Are you seeing good product available by third parties out there? How's the quality of what you're seeing relative to what you were seeing maybe a year ago?

Spencer Kirk - *Extra Space Storage Inc - CEO*

Todd, it's Spencer. The quality is decent. To maybe add a little more color, pricing is a factor driving this. I think there is a growing awareness that it's becoming more difficult to compete in the world of acquiring customers online, particularly as more and more customers migrate to mobile devices.

And for us, we're going to remain disciplined; we're going to do accretive deals. It's interesting to note that of the acquisitions that we did last year, the majority were kind of off-market deals, where we maximized our relationships and tried to do deals that were in the best interest of this Company.

So the strategy for 2014, Todd, is the same as last year. We're going to participate in the open market. We're going to participate in the off market, and I think we're going to have a good year that produces a decent result for our shareholders.

Todd Thomas - *KeyBanc Capital Markets - Analyst*

Okay. And then, second question was regarding your development properties -- most of the properties that you developed during the last cycle that were delivered, I guess between 2008 and 2011, are doing well. There's maybe a few more still to stabilize here.

But if we look back at, say, the $128 million of new property that was completed in 2009, the $83 million in 2008, do you have aggregate yields for each year's sort of completions? Are you able to share that data with us?

Scott Stubbs - *Extra Space Storage Inc - EVP & CFO*

The best information that we have, right now, that's out there is in our supplementals. So, I would point you to those.

It breaks it down by year, and so you can see the most recent 3 months' NOI and annualize that, and take a yield on cost or take the last 12 months' NOI, and then take a look at the growth rate. I mean, clearly they're continuing to finalize the lease up and stabilize.

Todd Thomas - *KeyBanc Capital Markets - Analyst*

Right. Well, I guess so.

I'm wondering though, the last data that you have in the supplement this quarter's for 2010 completions, and so on a trailing basis, that yield comes out to just under 7%, and that doesn't include tenant-reinsurance income. And, the yield on the 2011 deliveries, in just two years into lease ups, over 5%. In say, three years, you get to say 7%. I'm guessing there's another 100 basis points of upside there in the fourth year.

I guess I'm just wondering how you think about those yields, today, with acquisition yields where they're at? And, why that wouldn't be compelling? Why we're not seeing a lot of new development start -- not just from EXR, but from others?

Scott Stubbs - *Extra Space Storage Inc - EVP & CFO*

I think development is coming, Todd. I think that there's still somewhat of a scarcity of land. I think land is still pretty expensive, so it's difficult to see things pencil.

We have developments brought to us all the time by potential joint-venture partners, so we see a lot of that, and it's still pretty difficult. As we look at developments, when we used to develop and were active developers, we wanted to get 300 basis points over what things are trading for. So, if it trades for 6.5%, we would want to develop to a 9.5%. Now, we're not in the development business right now, so it's difficult to speak to what we would do today.

Todd Thomas - *KeyBanc Capital Markets - Analyst*

When you say a 300-basis-point spread, what's the lease-up time frame that you would typically underwrite to?

Scott Stubbs - *Extra Space Storage Inc - EVP & CFO*

36 to 48 months is pretty typical. What we're seeing today, with the lack of new supply, is things are leasing up at the low end of that. We're seeing things lease up in 24 months.

We had one that opened in California that leased up very quickly, within a couple of years. But obviously, things are cyclical, and things are really good, right now. Two years from now, when things are coming out of the ground, you could see a lot of new supply, which obviously is going to affect the lease up of those properties.

Todd Thomas - *KeyBanc Capital Markets - Analyst*

Okay. Great. Thank you.

Spencer Kirk - *Extra Space Storage Inc - CEO*

Thanks, Todd.

Operator

Your next question comes from the line of Dave Bragg from Green Street Advisors. Please proceed.

Dave Bragg - *Green Street Advisors - Analyst*

Thank you. Good morning. Just following up on Christy's question, what is impact of the 99 additional properties to same-store pool on expense growth in 2014?

Scott Stubbs - *Extra Space Storage Inc - EVP & CFO*

It's very similar to the old pool.

Dave Bragg - *Green Street Advisors - Analyst*

Okay. Really no impact?

Scott Stubbs - *Extra Space Storage Inc - EVP & CFO*

Flat, correct.

Dave Bragg - *Green Street Advisors - Analyst*

And, second question is on the disparity between the tenant-reinsurance income and expense during the quarter, can you explain that?

Scott Stubbs - *Extra Space Storage Inc - EVP & CFO*

Yes, you had Sandy hit in the fall of 2012, so you had elevated expenses in that time period. Tenant insurance has been great for the Company, but when you have an event such as that, obviously there's a cost to having that insurance business.

Dave Bragg - *Green Street Advisors - Analyst*

Got it. Thank you.

Scott Stubbs - *Extra Space Storage Inc - EVP & CFO*

Thank you.

Operator

Your next question comes from the line of Ki Bin Kim from SunTrust. Please proceed.

Ki Bin Kim - *SunTrust Robinson Humphrey - Analyst*

Thanks. So, if I look at your 7% same-store NOI guidance for 2014 and compare it to what you guys came out of the gate with, last year, at 5.5%, and obviously, in 2013, you did 10% -- I wouldn't categorize this year's guidance as really conservative, but given the tough comps and given that we're not in the spring leasing season yet, so you don't really know exactly what you can push rates to, to what level.

What are you seeing, Spencer, on the ground to come up with a, I would say, a little bit more bullish guidance than the market probably expected?

Spencer Kirk - *Extra Space Storage Inc - CEO*

What I can tell you about the guidance, Ki Bin, is we have done our best job to accurately and appropriately forecast what we think we can do in 2014. We have been working to maintain occupancy, even at the low point of seasonality, and we've done a great job of that. And, I think we are well positioned as we come into the busy season to push street rates and drive the optimal result.

But six weeks into the year, it's a little early to prognosticate what the rest of the year's going to look like, and we stand by our guidance. We think it's accurate. We think it's appropriate.

Scott Stubbs - *Extra Space Storage Inc - EVP & CFO*

The other thing I would add to that, Ki Bin, is we did things pretty similar this year to what we've done in the past, and that's bottoms-up budgets. I think we underestimated, the past couple of years, the effect of no new supply, as well as the effect of the Internet, and we're coming up against some tough comps, so clearly, we're not expecting 10%-plus NOI growth.

Ki Bin Kim - *SunTrust Robinson Humphrey - Analyst*

How much occupancy is embedded in the guidance -- how much occupancy gains are embedded?

Spencer Kirk - *Extra Space Storage Inc - CEO*

100 basis points.

Scott Stubbs - *Extra Space Storage Inc - EVP & CFO*

Yes, let's call it 100 to 200 -- early in the year, it's closer to 200; ending the year, closer to an average of 100 basis points.

Ki Bin Kim - *SunTrust Robinson Humphrey - Analyst*

Last question, on the [PSA], they won about $800 million of acquisitions this quarter. I was wondering, were you guys an active participant in that process?

Spencer Kirk - *Extra Space Storage Inc - CEO*

Absolutely. We're out in the open market. I can't say they we bid on everything that they bid on. What we have done, as I mentioned just a few moments ago, is about two-thirds of what we actually closed on, Ki Bin, came out of existing relationships and they were not marketed deals.

I think every REIT, storage REIT, is going to participate in the broadly marketed deals to the best of their ability to underwrite or express an interest. And, I think there will be, for all of us, some relationships that are unique, where we capitalize on something that existed that tilts it in our favor, so we'll have to see how it plays out. But yes, there's a lot of competition for the broadly marketed assets, and we're all trying to maximize our relationships.

Ki Bin Kim - *SunTrust Robinson Humphrey - Analyst*

Did you get close to the final rounds on that deal?

Scott Stubbs - *Extra Space Storage Inc - EVP & CFO*

When you say on that deal, which specific deal are you referring to?

Ki Bin Kim - *SunTrust Robinson Humphrey - Analyst*

I guess I was looking at it in totality, but I guess the biggest chunk of that $800 million?

Spencer Kirk - *Extra Space Storage Inc - CEO*

Sometimes we're the high bidder, sometimes we're in the middle of the pack, sometimes we're low, and I could say the same thing for any of the other three storage REITs. It's really interesting.

I don't think any one of us is consistently getting the deal. It seems to be passed around, and it depends on the operational footprint and the assumptions and the underwriting.

Ki Bin Kim - *SunTrust Robinson Humphrey - Analyst*

Okay. Thank you, guys.

Spencer Kirk - *Extra Space Storage Inc - CEO*

Thank you.

Operator

Your next question comes from the line of Ross Nussbaum from UBS. Please proceed.

Ross Nussbaum - *UBS - Analyst*

Hello, guys. Good morning.

Spencer Kirk - *Extra Space Storage Inc - CEO*

Hello, Ross.

Ross Nussbaum - *UBS - Analyst*

I'm here with Jeremy. Two different questions for you.

The first is, when I look at your realized rent growth, year over year in the fourth quarter, compare that to what it had been running, year over year in both 2Q and 3Q, it ticked down a little bit. And, I'm just curious is that a reflection that you backed off a little bit on REIT growth to preserve occupancy in the fourth quarter? And if so, why was that?

Spencer Kirk - *Extra Space Storage Inc - CEO*

Yes. So, you've hit it exactly right, Ross. We kept things flat, maybe slightly down. We knew we were coming into that slow season. We wanted to preserve occupancy, and I think that positions us very well, coming into the busy season, to be able to push rates.

Ross Nussbaum - *UBS - Analyst*

Was it -- should I interpret it to say that the occupancy line wasn't cooperating as much as you had thought, or you just wanted to be conservative to protect as much occupancy as you could?

Scott Stubbs - *Extra Space Storage Inc - EVP & CFO*

The latter, be conservative and preserve the occupancy.

Ross Nussbaum - *UBS - Analyst*

Okay. Second question I had was a geographic one.

When I look at your city MSA splits, New York, New Jersey, and DC-Baltimore regions, in the fourth quarter, looked to be -- I don't want to say weaker because they were still good, right, but not as strong as some of your other major markets. Can you comment a little bit on what was going on in New York and DC that caused those to be underperforming the portfolio?

Scott Stubbs - *Extra Space Storage Inc - EVP & CFO*

Yes, Ross, Washington DC, for instance, has had two to three years of phenomenal growth. We would interpret it somewhat as just taking a breather. Both New York City as well as Washington DC, you've had two to three years of being at the top of the portfolio list, and now, at some point, they need to move down and take a breather.

Ross Nussbaum - *UBS - Analyst*

Is it supply related at all in New York, or you just think it's tough comps?

Scott Stubbs - *Extra Space Storage Inc - EVP & CFO*

I would tell you it's tough comps. We have not seen supply affect us that much, even where we've had sites open right next door.

Spencer Kirk - *Extra Space Storage Inc - CEO*

One other thing, Ross, you're also looking at the impact of Superstorm Sandy in 2012, and that needs to be factored in.

Ross Nussbaum - *UBS - Analyst*

That's a fair point, Spence. Thank you.

Spencer Kirk - *Extra Space Storage Inc - CEO*

Thanks.

Operator

Your next question comes from the line of RJ Milligan from Raymond James & Associates. Please proceed.

R.J. Milligan - *Raymond James & Associates - Analyst*

Good afternoon, good morning. Curious, just to follow up on the acquisition guidance of $500 million, you guys already have done $300 million in the first 1.5 months, here, of the year.

Is there something other than maybe more competitive pricing that leads you to think that there's going to be a slowdown in acquisition activity, or would you say that's being conservative, just given a lack of visibility? Any comments on that?

Spencer Kirk - *Extra Space Storage Inc - CEO*

We would tell you the $500 million is what we feel comfortable we can do. If you look at the time frame it takes to close some of the deals -- for instance, the $200 million that we closed in January, we had under contract for several months before that. It just takes 60 to 90 days to close a portfolio. Right now, we don't have any major portfolios, it's more one-off deals that we're looking at.

R.J. Milligan - *Raymond James & Associates - Analyst*

Okay. And, I'm assuming the -- moving to the expense guidance, or at least included in the same-store NOI guidance, that the snow-removal costs in 1Q have been factored in. Any comments on what you're seeing there?

Spencer Kirk - *Extra Space Storage Inc - CEO*

We are seeing our snow-removal costs come in over budget, obviously, in the Northeast, and then -- they are over our budgets and they are also significantly over last year, but they're all factored into our guidance.

R.J. Milligan - *Raymond James & Associates - Analyst*

All right. Thanks, guys.

Spencer Kirk - *Extra Space Storage Inc - CEO*

Thank you.

Operator

Your next question comes from the line of Michael Salinsky from RBC Capital Markets. Please proceed.

Michael Salinsky - *RBC Capital Markets - Analyst*

Good afternoon, guys. Just going back to same-store guidance for a minute, you gave us, I think, 100 to 200 basis points, you said of occupancy upside. Can you walk us through the other components? How much is discounting, existing customer rate increases, tenant reinsurance?

And then, on the expense side, what's the big drivers there, is it pretty much on real-estate taxes, personnel -- what's driving the expense growth [in 2014]?

Scott Stubbs - *Extra Space Storage Inc - EVP & CFO*

On the revenue side, you've got 100 to 200 basis points in occupancy, you've got maybe 50 basis points in discounts, and then, the reality is, the rest is going to need to come from street rates, primarily. Street rates are going to be your big driver of growth this year.

On the expense side, about two-thirds of our expenses come from either payroll or property taxes. Payroll is growing, it's slightly over 3%, with our healthcare costs going up slightly as we move towards the Affordable Care Act and have more participation on our healthcare plan. And then, in addition, our property taxes are going up over 4%, which account for about a third of it.

Michael Salinsky - *RBC Capital Markets - Analyst*

Okay. That's helpful. Then, just as my follow-up question, Spencer, at NAREIT you talked about ramping up redevelopment in 2014. Can you talk about the planned returns you expect, just give us a little bit more color on that?

Spencer Kirk - *Extra Space Storage Inc - CEO*

The redevelopment of our assets, Mike, is really directed at keeping our product relevant in the market. And, you can have a 30-year-old asset that's very well located on the corner of Main and Main, but if it looks tired and frumpy, it's probably not going to be as competitive in the coming decade as some new supply comes online.

So, we've simply said, we're investing for relevancy. We're going to spruce up properties. We're going to put in new offices, make them more retail oriented, may add some climate control in certain markets, and in general, make sure that our property is geared for what the customer is asking for.

Some of the returns on this are easily quantified, others are more qualitative. And, for us, we think that looking at a dozen or two dozen properties in 2014 for redevelopment and keeping them fresh and appropriate for the market that is coming, as some supply emerges over the next four, five, six years, is the right thing to do. And, it's going to be an ongoing program, it's not a one-time event.

You'll see us continue to look at our portfolio, and in the best markets -- really what I'm saying here is, looking at rent per square foot, we're more likely to invest in those markets first, and then let it trickle down, as the years roll by, into the secondary markets.

Michael Salinsky - *RBC Capital Markets - Analyst*

Okay. Could you give a sense about how much you're expecting to spend in 2014, and how that compares to 2013, so you can kind of just see the trajectory?

Spencer Kirk - *Extra Space Storage Inc - CEO*

Depending a little bit on how quickly we can get things ramped up, we would say $25 million to $40 million.

Michael Salinsky - *RBC Capital Markets - Analyst*

Okay. Thank you.

Spencer Kirk - *Extra Space Storage Inc - CEO*

Thanks, Mike.

Operator

Your next question comes from the line of Todd Stender with Wells Fargo.

Todd Stender - *Wells Fargo Securities, LLC - Analyst*

Hi. Good morning, guys. Scott, you used OP units in the past, most notably with the All Aboard transaction. Just want to get a feel of how much sellers are willing to take OP units in this environment, and just how the original decision to increase the dividend so much, to entice sellers to take OP units, is kind of playing out?

Scott Stubbs - *Extra Space Storage Inc - EVP & CFO*

I think it depends on the individual. The deal we did in January was a non-OP unit deal, so it depends on their tax situation somewhat. Typically, if they have a really low basis, they're much more interested in OP units.

To raise the dividend, we looked at trying to help people potentially maintain their cash-on-cash yield. We've had some success, obviously. We've closed a couple of deals, and we'll continue to use OP units. But at the same time, we're probably more focused on making sure that we pay the right price for the assets.

Spencer Kirk - *Extra Space Storage Inc - CEO*

The only color I'd add to that, Todd, because I've been involved in a number of discussions. When you go meet with a seller, what you want to do is be flexible and be able to offer up something that will cause them to want to sell. It might be cash. It might be cash and stock. It might be a common OP unit. It might be a preferred OP unit.

What we're doing is using a number of arrows out of the quiver to, hopefully, hit the sweet spot, the bullseye, and be able to transact in a fashion that accommodates the seller's need, while making sure that it's an accretive, profitable transaction for Extra Space.

And, it's been a good thing. It certainly has not hurt us. It's not going to solve every equation when it comes to the acquisition environment, but it certainly is something that has proved to be beneficial in getting a few deals done that perhaps might not have gotten done otherwise.

Todd Stender - *Wells Fargo Securities, LLC - Analyst*

That's helpful. Thank you. And what are -- if you could just share some of the metrics that you're doing on current deals -- really, how you're looking at your underwriting, particularly the Virginia portfolio and the other assets that are under contract -- just regarding growth rates, your IRR, and any of the other assumptions that you do in your underwriting?

Scott Stubbs - *Extra Space Storage Inc - EVP & CFO*

Our assumptions have been pretty consistent over the years. We're primarily a cap-rate buyer. When we talk cap rates, we talk a year-one forward-looking cap rate.

We typically will take a look at our properties in the area, if we have properties in the area, and underwrite them similar to how our properties are performing. We try to be fairly conservative on the growth. We would rather be surprised on the positive side than miss our estimates, obviously.

We get tax quotes from a tax consultant and underwrite to a year-one cap rate. We, obviously, will look at an IRR, but the difficult thing with an IRR is it assumes an exit cap, which depending on what exit-cap rate you do, you can really change your IRR.

Todd Stender - *Wells Fargo Securities, LLC - Analyst*

Thank you.

Spencer Kirk - *Extra Space Storage Inc - CEO*

Thanks, Todd.

Operator

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

Tayo Okusanya - *Jefferies & Company - Analyst*

Yes. Good afternoon. Good morning over there. Just a couple of quick ones.

Back to the acquisition guidance of the $500 million, the $200 million balance you're kind of left to do, how should we be thinking about how that happens this year? Is it more back weighted, more pro rata? It sounds like, again, it's all one-off deals, at this point, you have baked in now?

Scott Stubbs - *Extra Space Storage Inc - EVP & CFO*

We've basically assumed mid-quarter acquisition for the remaining three quarters of the year. So effectively, we've taken what we have and assumed that it's going to close between now and the middle of April, and then the rest is all mid-quarter assumptions.

Tayo Okusanya - *Jefferies & Company - Analyst*

Okay. That's helpful. And then, 2014, we have the same-store revenue guidance, just kind of curious what your expectations are for street rates in 2014?

Spencer Kirk - *Extra Space Storage Inc - CEO*

Street rates --

Tayo Okusanya - *Jefferies & Company - Analyst*

Yes.

Spencer Kirk - *Extra Space Storage Inc - CEO*

Tayo, 2014, we're in a really good position right now. Our occupancy has held. I might even just comment that January was a strong month for us and a good start to 2014.

And as we come into the busy season, I think we're in a good position to push street rates. And, how far we can push them, only time will tell. But our predictive, third-generation, revenue management system is in a really good position to show us what we can do in the market, given 56 different variables that are feeding into it.

And, I remain optimistic, as I said in my opening remarks, that 2014 will be a great year for Extra Space. It might not be a superior year, but it will be a great year.

Tayo Okusanya - *Jefferies & Company - Analyst*

Could you actually give us a sense of what's baked into guidance in regards to street rates?

Scott Stubbs - *Extra Space Storage Inc - EVP & CFO*

Our guidance for the year assumes rates stay relatively flat the first quarter, and then increasing coming into the summer months and into late summer. And then, hopefully we maintain those rates through the fall, with potentially dropping them moving into the off season again -- very similar to what we've done in the past.

Tayo Okusanya - *Jefferies & Company - Analyst*

In the past. Okay. Thank you.

Operator

(Operator Instructions)

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

Paula Poskon - *Robert W. Baird & Company, Inc. - Analyst*

Thanks. Good afternoon, everyone.

Spencer Kirk - *Extra Space Storage Inc - CEO*

Hi, Paula.

Paula Poskon - *Robert W. Baird & Company, Inc. - Analyst*

Question on the JV acquisition, Scott, what is in your guidance for the impact on management-fee income?

Scott Stubbs - *Extra Space Storage Inc - EVP & CFO*

We have the income and the expense in there. Effectively, you're charging a management fee, but it gets eliminated in consolidation. So, there's really no benefit, on the revenue side, and no expense, on the cost side.

Paula Poskon - *Robert W. Baird & Company, Inc. - Analyst*

Okay, thanks. And then, just -- I'm sorry, go ahead.

Scott Stubbs - *Extra Space Storage Inc - EVP & CFO*

I was going to say, so effectively, we have assumed the management fee has gone away.

Paula Poskon - *Robert W. Baird & Company, Inc. - Analyst*

Okay, but can you quantify what that number is for modeling purposes?

Scott Stubbs - *Extra Space Storage Inc - EVP & CFO*

I don't have that in front of me right now. We'd have to put that out in a later presentation or information to the market.

Paula Poskon - *Robert W. Baird & Company, Inc. - Analyst*

Okay. Thanks. And then, Spencer, just following up on your January comments, where did occupancy end January?

Spencer Kirk - *Extra Space Storage Inc - CEO*

I don't feel comfortable commenting on that quite yet, Paula.

Scott Stubbs - *Extra Space Storage Inc - EVP & CFO*

Part of the problem, remember, Paula, is we have a change in same-store pool, so to give that, it could cause some confusion. We would tell you occupancy held in January.

Spencer Kirk - *Extra Space Storage Inc - CEO*

It was a good month.

Paula Poskon - *Robert W. Baird & Company, Inc. - Analyst*

Okay. Thanks, guys.

Spencer Kirk - *Extra Space Storage Inc - CEO*

Thanks.

Scott Stubbs - *Extra Space Storage Inc - EVP & CFO*

Thanks, Paula.

Operator

Your next question comes from the line of Ki Bin Kim with SunTrust. Please proceed.

Ki Bin Kim - *SunTrust Robinson Humphrey - Analyst*

Thanks. Just a couple quick follow ups here. What were street rates up in the fourth quarter?

Scott Stubbs - *Extra Space Storage Inc - EVP & CFO*

Street rates in the fourth quarter were relatively flat, Ki Bin. We kept our rates relatively flat, as part of our strategy to maintain occupancy, and hopefully push them going into the busy season, this year.

Ki Bin Kim - *SunTrust Robinson Humphrey - Analyst*

I'm sorry, flat you mean quarter over quarter, or flat year over year?

Scott Stubbs - *Extra Space Storage Inc - EVP & CFO*

Year over year, so if you compare October to October, November to November, and December to December.

Ki Bin Kim - *SunTrust Robinson Humphrey - Analyst*

Okay. And last question, you had about -- you booked about $5.1 million of acquisition costs. You only closed about $310 million. That represents about 1.6%.

Is that -- that seems high, could you comment on that? Is that $5.1 million fully dedicated or related to $310 million, or were you looking at other deals that didn't fall through --?

Scott Stubbs - *Extra Space Storage Inc - EVP & CFO*

No, it actually has about 1% relating to the acquisition costs, and then you have about $2.5 million of defeasance in there. Our defeasance is actually in two lines on our income statement, partly because of how we handle the defeasance and how, for accounting purposes, we had to treat that. So, in our acquisition costs, there's about $2.5 million of defeasance.

Ki Bin Kim - *SunTrust Robinson Humphrey - Analyst*

Okay, that clears it up. Thank you.

Scott Stubbs - *Extra Space Storage Inc - EVP & CFO*

Thanks, Ki Bin.

Operator

And your next question comes from the line of Ross Nussbaum with UBS. Please proceed.

Jeremy Metz - *UBS - Analyst*

Hello, this is Jeremy. I just had a quick two follow ups. One, as you look at the existing JVs you have, what sort of opportunity is there to buy out more of those, as you look forward?

Spencer Kirk - *Extra Space Storage Inc - CEO*

Jeremy, it's Spencer. As you know, part of the reason we have done third-party management and JV is because, ultimately, we think they are good acquisition opportunities, and historically, that has proven to be the case, where frequently, we get the first and only call when the owner decides to transact.

Going forward, it is very difficult for us to prognosticate when our partner, our JV partner, may want to sell. And, we are not in a habit of going to our JV partners, and saying, hey, you want to sell? It's kind of going over to your neighbor and knocking on the door and say, hey, I'd like to buy your house. It's going to jack up the price and cause an unnatural transaction to take place.

What we have done is, we have tried to be a good partner. We have maximized the results. We know that we'll be in storage in perpetuity, and we know that most of our JV partners, at some point, will be looking for liquidity. And, when it's the good time and the appropriate time for them, we'll be ready to transact.

So, we don't model anything in, and sometimes we end up with a very nice transaction that we possibly could not have forecast, and that will continue to be the case. The only thing I can tell you is, we have several billion dollars worth of properties held in joint-venture relationships, and we think we are in a really good position to capitalize when our partner decides to sell.

Jeremy Metz - *UBS - Analyst*

Okay, so you wait for them to really come to you on those?

Spencer Kirk - *Extra Space Storage Inc - CEO*

Absolutely.

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Jeremy Metz - *UBS - Analyst*

And then, I know you are in the process of building a portfolio and not selling, but given the strong bid that's out there right now for storage, have you put any thought into selling any of the weaker assets or markets where you just have very limited exposure, only a few assets, and maybe not a stronghold there?

Spencer Kirk - *Extra Space Storage Inc - CEO*

Yes, we do, Jeremy. The short answer is, in the weaker markets or the more thinly populated markets -- and I'm talking where we have just a few assets, we look at it. We consider it.

Two things -- number one, we need to look at the financing that is on those assets. And number two, we have to look at the impact on our operations because we may have third-party management contracts in those markets, and you don't want to diminish your economies of scale.

It sounds simple in rebalancing a portfolio and selling in those secondary and tertiary markets, which we have a few of. But, we take it on a case-by-case basis. And, you hit the nail on the head, we're building a company, and we're trying to expand our footprint and our reach, not contract it.

Jeremy Metz - *UBS - Analyst*

So, it's safe to assume there's none baked in the guidance either then?

Spencer Kirk - *Extra Space Storage Inc - CEO*

That's correct.

Jeremy Metz - *UBS - Analyst*

Great. Thank you.

Spencer Kirk - *Extra Space Storage Inc - CEO*

Thanks, Jeremy.

All right, it's Spencer. We thank you for your interest in Extra Space today. We appreciate your time, and we look forward to next quarter's call. Have a good day.

Operator

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