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Extra Space Storage, Inc. Q4 2007 Earnings Call Transcript

Question-and-Answer Session

Operator

Ladies and gentlemen, if you wish to ask a question, please press star one on your touchtone telephone. If your question has been answered or you wish to withdraw your question, please press star two. Questions will be taken in the order received so please press star one to begin. And your first question comes from the line of Christine Mcelroy with Banc of America.

Christine Mcelroy – Banc of America

Hi, good morning, regarding your same store revenue growth forecast of 2.5-4%, you mentioned occupancy but can you quantify the expected upside there and what do you expect rent growth could look like? So essentially how much of the revenue growth are you expecting to come from rent growth and how much from occupancy upside? And are you forecasting any change in concession activity in 08?

Karl Hass

We are, our goal for 2008 is to improve our delta on square footage by about 1.3% from October 07 through December 08. So, about a percent we hope to get from occupancy gains. We do not see any dramatic change in our discounting. I will say though the reason that our discounting has kind of flattened out here in the latter part of 2007, really two things. One, we had experimented and were doing some three months half off promotions in late 2006 and part of 2007 and we stopped doing that. We determined that it just didn't get us a better answer, but it did result in higher discounts.

And the other thing that we've done is we really have tightened up the discounts, kind of the discretionary discounting that our managers can do. We have found that you know that wasn't always used in a way that really got us to the best answer. So while we actually have done some, changed some parameters that could increase discounting, we've been able to offset that by reducing the discretionary discounting and reducing the three months out half off.

Christine Mcelroy – Banc of America

Okay and Ken, can you expand on your thoughts on the tighter credit environment and as it plays out, what impact do you expect to see both on kind of the demand and supply of self storage? Do you see the potential for larger well capitalized storage companies to take advantage of an environment like this and if so, how?

Kenneth Woolley

Well let's talk about the supply side first. The credit crunch, we believe and have been talking with people in the local communities and people in the self storage association, it appears that less capitalize developers are having a more difficult time getting loans from banks just because of the more conservative nature of the banking environment and the lending environment. That works well for us because it's going to I believe decrease the new supply of properties. Now there's always a lag time in this business because the supply that's coming on this year is mostly properties which were all the way under way last year. So it's really going to affect supply probably in late 2008 and 2009, we'll see a decrease in new supply. That will help us.

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