

***Transcript of
Life Storage***
**Third Quarter 2017 Earnings Release Conference Call - Edited
November 2, 2017**

Participants

Diane Piegza – VP, Investor Relations
David Rogers – Chief Executive Officer
Andy Gregoire – Chief Financial Officer

Analysts

Shirley Wade – Bank of America
David Corak – B. Riley & Co.
Todd Thomas – KeyBanc Capital Markets
Smedes Rose – Citigroup
Gaurav Mehta – Cantor Fitzgerald
Jeremy Metz – BMO Capital Markets
Gwen Clark – Evercore ISI
George Hogle – Jefferies
Ki Bin Kim – SunTrust Robinson Humphrey
Jonathan Hughes – Raymond James

Presentation

Operator

Greetings, and welcome to the Life Storage Third Quarter 2017 Earnings Release Conference Call. At this time, all participants are in a listen-only mode. A brief question-and-answer session will follow the formal presentation. [Operator instructions.] As a reminder, this conference is being recorded. It is now my pleasure to introduce your host, Diane Piegza, Vice President of Investor Relations. Thank you, Ms. Piegza. You may begin.

Diane Piegza – VP, Investor Relations

Thank you, and welcome to our Third Quarter 2017 Conference call. Leading today's discussion will be David Rogers, Chief Executive Officer, and also on the call is Andy Gregoire, our Chief Financial Officer.

As a reminder, the following discussion and answers to your questions contain forward-looking statements. Our actual results may differ from those projected due to risks and uncertainties with the company's business. Additional information regarding these factors can be found in the company's latest SEC filings. In addition to our press release, we have added a financial supplement, which is available on the Investor Relations page at lifestorage.com.

During today's question-and-answer session, we ask that all of our participants limit themselves to two questions to allow time for everyone who wishes to participate. If you need to ask a follow-on question, please re-queue. At this time, I'll turn the call over to Dave.

David Rogers – Chief Executive Officer

Thanks, Diane, and welcome, everyone, to our call. Last night we reported adjusted FFO of \$1.39 for the third quarter against a pretty tough year-over-year comp.

Some comments on our results: We achieved record-high third quarter occupancy on both a weighted average and quarter end basis of 92.7%. We grew our joint venture portfolio with the acquisition of three high quality properties in Atlanta, and we continue to add stores to our third-party management platform. Perhaps most importantly, we've made great strides, especially in the past couple of weeks, in improving the positioning of the Life Storage brand on the web.

Of course, the big story in Q3 was the one-two punch of Hurricanes Harvey and Irma. Almost 150 of our stores in the Houston and Florida markets were impacted, but most were back in business within days. However, seven—four wholly owned and three joint venture—stores were flooded and had to be taken out of service. We had customer goods removed, and then the buildings had to be repaired, scrubbed and sanitized. We gratefully acknowledge the tremendous effort of our field staff in the affected markets; notwithstanding that many were under great personal duress as their own homes and lives were upended, they and many others from all over the company pitched in to help our customers and safeguard our stores.

As of today, six of the stores taken off-line are back in business and renting to customers; one joint venture store remains closed. Andy will have more on the damages, financial impact and the upcoming changes to the same store pool, but aside from the charges to cover the repairs, there was no effect on operating results in the quarter. We do expect a continued increase in demand for the next several quarters, especially in Houston, and there should be some return of pricing power during that time.

Looking at some of the bigger factors that affect our industry, we see continued high occupancies across our markets, and most of the other storage REITs show demand to be healthy as well. Typically, demand for storage space outpaces population growth by a bit, and we continue to see that with increased household formation. We've been working to stimulate demand via our B2B programs, which have been revitalized by the Life Storage brand.

Regarding market strength, those in which we face our biggest challenges continue to be the four big Texas markets: Houston, Dallas, Austin and San Antonio. In total, the properties in these markets comprise 23% of our same store pool. Houston's received a significant demand boost, but that may be good for only four or five quarters. The Beaumont/Port Arthur stores bounced back a bit even before Harvey hit, as some supply got absorbed quicker than expected, but there's another round of building coming.

To give some context to our exposure, we have 116 wholly-owned properties in Texas. In the past 24 months, 76 stores have opened in those market areas, and we expect up to 36 more in the next 18 months. These are expected to have an adverse effect on as many as 70 of our Texas properties for the next couple of years. But, as we've been saying as we weather this round of development, these are rapidly growing, vibrant markets that are ideal for self-storage. It's a cyclical drag, and it's causing us some pain now, but mid to long term, we see Texas as a very attractive market.

The other markets in which we play and have oversupply concerns, include Denver, parts of Phoenix, Raleigh and Miami. The impact to Life Storage resulting from new builds in these cities is nowhere near as strong as it is in Texas, but there will be some pressure on our top line, primarily due to the short-term disruption caused by move-in incentives.

The markets we are optimistic about include most of Florida, St. Louis and much of the Northeast. While we have seen some new supply in those markets, it's not always near us, and for the most part, the construction is

warranted. The markets we moved into last year and not yet in our same store pool—Los Angeles, Las Vegas, Northern California—they're all performing well.

With the exception of property taxes and internet spending, operating expenses remain pretty well controlled, and we expect that to continue for the coming quarters. But from all we can see, and despite a rigorous program of protesting and litigating our assessments, property tax increases are going to remain significant.

Looking at the transaction market, we see little movement in bid/ask prices over the past few quarters. Few data points exist, although a few midsized reduced quality portfolios have come to market.

Talking more specifically about our company matters, I mentioned earlier that we feel most encouraged by the recent improvement in the Life Storage brand's organic search results. To quantify what I mean by this a little bit, when measuring our position for the top seven search queries in our industry in July, we typically came up in 13th or worse position in three-quarters of our top markets. As of last week, we are positioned, on average at least number six and on page one in those same markets. And we're seeing improvement each week, week over week. This should put us in a good place as we head into 2018.

In addition to our earnings results, we made two other announcements last night. Our board of directors appointed Ms. Carol Hansell to the company's board. Carol has served on boards of organizations across a variety of sectors and brings more than 25 years of governance, government relations, legal and communications experience to the Life Storage board.

We also announced the upcoming retirement of Paul Powell and the appointment of Joe Saffire to his position of Chief Investment Officer. Paul has been with our company for 20 years, and has played an integral role in our past 500 acquisitions. He'll continue to work with us in an advisory role through a transition period. Joe comes from a global commercial banking background, with a lot of experience in real estate and in deal making. We thank Paul for his many years of hard work, and we welcome Joe to our team.

It's been over a year since our acquisition of the Life Storage portfolio and our rebranding initiative. The 80-plus properties we brought on via the Life deal, as well as the other 40 stores we acquired in 2016 are fully integrated and absorbed into our systems and onto our platforms. Now, as our organic search results recover, and our SEO effort shows strong improvement, we can begin to fully leverage the strength of our new name. We're even more confident that the Life Storage brand is a major benefit to our marketing and sales efforts.

We're aware of the challenges in our sector, with some markets needing time to absorb the recently built facilities, and others just about to see the start of new construction. But demand is strong, and we have the potential to grow our customer base. And we feel we've positioned Life Storage to perform well even in a tough part of the cycle.

I gave the reasons why on our last call, and they bear repeating again now. We have 700 high quality stores in growing markets. We have over 100 recently acquired stores that are now reaping the benefits of our sophisticated operating and marketing platforms. An additional two dozen stores are still in lease-up and growing fast. Our expansion and enhancement program continues to deliver \$30 million to \$35 million of additional high quality space to our portfolio. Life Storage Solutions, our third party management division, is ramping up significantly. We have a rock solid balance sheet and \$75 million of annual free cash flow after dividends, and our new brand is attractive to both residential customers and to our corporate storage clients.

We remain extremely confident that our increased scale, financial strength, ongoing initiatives, and the Life Storage brand will enable us to create significant value for our shareholders going forward.

I'll now turn the call over to Andy.

Andy Gregoire – Chief Financial Officer

Thanks, Dave. Last night, we reported adjusted funds from operations of \$1.39 per share compared to adjusted FFO of \$1.34 per share for the same period in 2016. These results were above the high end of our forecast as a result of same store performance exceeding our expectations.

We have excluded from adjusted FFO the uninsured damages caused by Hurricanes Harvey and Irma, which have been estimated at approximately \$2.8 million. Four of our wholly owned stores that were flooded have been repaired and are reopened. Three of these stores were previously in our same store pool and have been removed from that pool. Also excluded from adjusted FFO is a \$117,000 acquisition fee paid by our joint venture partners to us.

Overall, total revenues grew approximately 6.1% as we benefited from the Life Storage acquisition being included for a full quarter this year, as compared to only two and a half months in last year's third quarter. With respect to the Life Storage acquisition stores, we continue to grow occupancy, and as of September 30th, the occupancy at the 71 stable stores was at 91.3%, up from 89.4% at September 30, 2016. The 11 non-stabilized Life Storage stores continued to increase occupancy ahead of expectation and were at 86.7% at September 30th, leaving more room to grow.

In addition, we continue to see nice growth trends at the 13 lease-up properties that we previously purchased at certificate of occupancy or very early in the lease-up stage. Average occupancy for these 13 stores increased by 770 basis points on a sequential quarter basis from 67.1% at June 30th to 74.8% at September 30th.

The overall revenue increase also reflected a 49% increase in management fee income to \$2.4 million, and a \$117,000 acquisition fee earned from one of our joint ventures.

Same store revenue grew just under 1%, as a result of occupancy gains. Occupancy at September 30th was a third quarter record high of 92.7%, an 80 basis point increase over 2016's September 30th occupancy. The balance of the revenue increase came from growth in tenant insurance.

Same store expenses outside of property taxes and internet marketing were well controlled by our teams, decreasing 1.3%. Property taxes increased 7.6% as expected, and our internet spend was up almost \$800,000 as a result of our brand transition. We were able to reduce our same store internet spend from Q2 to Q3, and we would expect to further reduce this spend as we continue to see positive trends with our online presence.

G&A costs were flat year over year.

Our balance sheet remains very strong. At quarter end, we had cash on hand of \$6 million, and \$171 million available on our line of credit. We have no debt maturities until December 2019. Our debt service coverage ratio was a healthy 5.1 times, and our net debt to recurring EBITDA ratio improved to 5.4 times.

We did not acquire any assets for our own account during the quarter, but we did acquire three assets in Atlanta through a joint venture in which we are a 20% owner. We have one property in Charlotte, North Carolina under purchase contract upon completion of construction, which we expect in the fourth quarter of 2017.

As previously announced, our board authorized a \$200 million share repurchase program. During the quarter we repurchased \$8.2 million of our shares at an average price of \$73.16. These purchases were funded by free cash flow.

With regard to guidance, although we have seen an increase in occupancy in Houston and parts of Florida as a result of the hurricanes, we continue to see softness in other markets due to new supply. We also expect our marketing spend to remain elevated. That being said, we have tightened our annual adjusted FFO guidance range based on our better than expected third quarter results.

Pressure on the same store net operating income will be partially offset by increased third party management fees and an increase in of FFO from joint ventures. Our guidance does not include any capital markets activity or additional acquisitions.

With that, operator, we can open the call for questions.

Operator

Thank you. We will now begin conducting a question-and-answer session. [Operator instructions.] One moment, please, while we poll for questions. Our first question comes from the line of Shirley Wade [ph] with Bank of America. Please proceed with your question.

Q: Hi, thanks for taking the call. So, two questions. First one is when do you anticipate the Life Storage portfolio acquisition to be included in your same store pool? Second question is what's your current occupancy, year-to-date and kind of like your rate growth for your portfolio versus your same store portfolio?

Andy Gregoire – Chief Financial Officer

Hi, Shirley. It's Andy. Regarding occupancy, today, it is at 92.2% at the end of October. That's 80 basis points over last October. So, we held that 80 basis points that you had at the end of September. Regarding the Life Storage, the stable stores in the pool, which are now 71, will be included in the same store results January 1, 2018.

Q: Thank you.

Andy Gregoire – Chief Financial Officer

You're welcome.

Operator

Thank you. Our next question comes from the line of David Corak with B. Riley. Please proceed with your question.

Q: Hi, Good morning, guys. Dave, I just want to get some thoughts on Houston. You mentioned your concerns about the outlook for the market at a recent conference, specifically, that seven-eighths of the population was not properly insured and could be losing the equity in their homes which I guess would be the biggest portion of the net worth. It would just seem like that would point to a rather strained consumer outlook there, but I just want to get your take on more the immediate term—intermediate term outlook for Houston and how you see that market playing out.

David Rogers – Chief Executive Officer

Yes, I guess that was me playing role as amateur economist. I still don't understand it. I do get that there's a lot of people who were hurt and hurt badly. As it pertains to our business, we're pretty bullish on Houston all of a sudden. It's really ramped up our occupancy. You don't see much, if any, in the third quarter results because a lot of the customers who moved in, we extended our typical free rent to, but we have a full bunch of stores right now. At least for the next four quarters, maybe a little more, that should stay that way. We'll be achieving some pretty significant pricing power starting now, if not a few weeks ago.

So, as it pertains to our business, we don't see—it's a boon to our business. I don't get the longer picture. I haven't seen much written about it. I've said that at a couple conferences, and I still believe it. I don't know how those folks who have been—where their homes, damages so extensive, not insured—I don't know how you recover from that. I don't know how I would do it, but as it pertains to our business, I think we're good.

Q: Okay. That's helpful. Then, just flipping over to supply—I apologize if I missed this flipping around calls, but there's been a lot of talk about exactly when supply deliveries are going to peak with some speculation that it's been pushed back into 2019, but just in terms of your portfolio specifically, if you looked at the weighted average exposure, when would you say supply deliveries are going to peak? Then, in relation to that, when do you think fundamentals would trough?

David Rogers – Chief Executive Officer

We pay a lot of attention to our stores, the market area around our stores. So, the national talk doesn't always jive or reconcile with what we see, but maybe Andy could give a little bit of an update on that.

Andy Gregoire – Chief Financial Officer

We still see significant construction in our markets. We're tracking 131 stores currently under construction. That, compares to the last two years in those same markets, 212 stores had opened. So, again, last two years, we tracked 212 that opened. Right now, we're tracking 131 under construction. So, we don't see it falling off much.

David Rogers – Chief Executive Officer

It'll be more of a wave type effect. Even before Harvey, Houston was showing a pretty significant slowdown in the pace of new supply. We expected that to come back, pre-Harvey. Early to mid-2019, as supply got absorbed, the toughest part is when the new guys are trying to lease up right from zero. Once they get 40%, 50%, 55% occupancy, there's less pressure on certain unit sizes and the free rent on those, but then as Houston abates, Dallas, we fully expect to pick up as their deliveries are just now hitting. So, we expect a pretty tough 2018, deep into '19, in Dallas.

Austin is actually going to be doing okay, starting next year. So, it'll come in waves. Other markets, like Miami and New York and Charlotte, they haven't seen it yet with the real kick. So, it's starting. Houston was the bellwether. The biggest supply came on in '15 and '16, being absorbed handily now. So, it's hard to say, industry-wise, how long it will take. It may extend into the secondary markets in a pretty big way. Perhaps the year after next as the low-hanging fruit in the primary markets is taken, you'll see more in the second. So, it's hard to give an answer, nationally. Market by market is a little bit easier to do.

Q: Right. So along those lines, when you look at your markets and your exposure—I get the wave analogy, but when would you expect the worst of it to be?

David Rogers - Chief Executive Officer

We're going to have pretty significant pressure next year. Given our portfolio and the mix and the weights, we'll start to come out of it, get some pricing power by early '19 in some of our bigger markets which will help our whole mix a lot better.

Q: Thank you, guys.

Operator

Thank you. Our next question comes from the line of Todd Thomas with KeyBanc Capital Markets. Please proceed with your question.

Q: Hi, thanks. Good morning. First question, in terms of—good morning. In terms of the guidance for the remainder of the year here, you came in ahead on revenue and NOI, it looks like about a \$0.03 per share benefit, based on the increase expected in same store NOI growth now. You saw some better growth in the management fee income, yet you only raised the low end by a penny. Can you just provide some additional color there on some of the moving pieces, and what else is factored into the model?

Andy Gregoire – Chief Financial Officer

Sure, Todd. There's a few items to consider for fourth quarter. First, our internet marketing. Although we are thrilled with what's happened with our organic search results, we are in the slow season. We usually spend more in 4Q in marketing. So, you won't see a big benefit from marketing pullback. We just don't think cutting back right now is—we've got the momentum—is the right thing to do. So, marketing spend—that will remain elevated. We're still experiencing supply, what we just talked about. We'll see that pressure from supply. That'll cause more free rent than some people had anticipated.

And 4Q property taxes, there are still Florida, Texas. There are still some open areas there for some of our assessments, and Chicago. So, those—we didn't think it was prudent to change the guidance. We've tightened it a little bit, based on our view.

Q: Okay, but all of those costs, the internet spend, some of the real estate taxes, all of that's in the same store guidance, and that was up 50 basis points at the midpoint, which is about \$0.03. Is there anything outside of the same store that's impacting the guidance?

Andy Gregoire – Chief Financial Officer

Yes, all of what we just talked about. The internet marketing goes same store and outside of same store. We did think earlier in the year that we'd be able to pull back fourth quarter. We thought we'd be able to pull back fourth quarter in free rent. We do not see that now. So, again, we're comfortable where we're at.

Q: Okay. Just curious, one of your competitors commented that they saw roughly half of the move-ins in Florida related to the hurricane vacate rather quickly prior to the end of the quarter. Is that consistent with what you experienced in Florida?

David Rogers – Chief Executive Officer

Yes, the Florida bump is not significant at all. Interestingly, a lot of people anticipated the storm. We had some move-ins. They probably did too, prior to the storm—came by. The winds and damage was certainly significant, but not household threatening. The move-outs happened right away, but I think a lot of people rented, even in anticipation of the storm. So, Florida, I don't think for any of us is going to be much of an impact at all. Even though it was a widespread storm, the damage was not the roof tearing off type. So, Florida was a real quick blip and not sustainable.

Q: Okay. Then, the comments about Houston where you could see demand increase there for several quarters, just curious if you expect, or when you might expect to see positive revenue growth in Houston? How long would it take for recovery to materialize there?

Andy Gregoire – Chief Financial Officer

Sure, Todd. I think, 4Q, you'll see a slight positive we would expect in Houston if everything holds. That would bode well for next year, pricing-wise and special-wise. So, it should, like David said, at least four quarters.

Q: Okay, thank you.

Andy Gregoire – Chief Financial Officer

You're welcome.

Operator

Thank you. Our next question comes from the line of Smedes Rose with Citigroup. Please proceed with your question.

Q: Hi, thanks. I just wanted to follow up a little bit on the guidance. It sounds like what you are saying is that if you had not had this short-term, temporary, positive impact in the hurricane-impacted markets that you would have had to reduce your full-year guidance. So, by keeping it flat, you're getting the impact, post-hurricane, that all that other stuff you talked about on marketing and internet sounds like it's kind of new since your last commentary, that [audio disruption] on the margin.

Andy Gregoire – Chief Financial Officer

I wouldn't say that, Smedes. So, if you looked at our revenue growth from quarter to quarter, Q2 to Q3, we had 12 markets where revenue accelerated, or at least it declined—decelerated. So, we're seeing better activity in numerous markets—Buffalo, Virginia, Chicago, and the Alabama market. So, we're seeing some positive trends in different markets, but we do see new supply that does put pressure on things.

Q: So, I guess, going back to my point, you're keeping your guidance relatively unchanged. When you provided your prior guidance, you wouldn't have known about the upcoming impact from the hurricane. So it just seems like you're either being conservative, or things have gotten worse on the margin.

Andy Gregoire – Chief Financial Officer

There's a few things. The free rent, Smedes, remember some of that rolled into Q4 into October. We gave a full month free rent. So, some of that rolls into October. Even in the Florida markets, we had free rent on for those markets even though the impact wasn't as strong. Those move-ins that did come in got free month, some of the Houston market's free rent rolled into 4Q. So, the impact on 4Q isn't that great from the hurricanes.

David Rogers – Chief Executive Officer

I think though, you're right, Smedes, that we are being more conservative, especially given the choppy year we've had. So, we feel much more comfortable with our guidance, probably much more comfortable with the high end of our guidance, but there's still some moving parts, as Andy highlighted.

Q: Okay. Could you just provide a little more color around your selection of the new CIO and the new addition to the board, what you hope that these new figures can bring to the table, if you will, in terms of a new set of eyes or thoughts strategically over the next year or so?

David Rogers – Chief Executive Officer

Sure. With regard to our director, we were searching for candidates, even prior to last year's proxy season. We didn't want to rush it, so we had a pretty extensive search throughout the summer and into early fall. Our board's goal is always look for need. Find out what we need. We felt that we were light in the governance portion of our team. We had some very talented board members, but nobody goes deep in governance. So, that was the prime criteria for searching for a candidate.

So, the board interviewed six or seven candidates that I know of throughout the summer and early fall and settled on Carol, who is essentially a—she's an instructor. She's got her own firm that advises on governance. She's got 25 years of deep experience in governance matters. She teaches. She's great with government relations and so forth. So, she had her first board meeting with us yesterday. She's been appointed to all of the committees. We think she'll be great, a great addition. The team works with her well. We were very light on governance on the board, and she fits the bill perfect. So, we're looking forward to working with Carol as we move forward.

Joe Saffire is stepping in to take Paul Powell's place. Paul came to us during the early summer and said I want to give you guys a heads-up. He gave us about a year's notice on his retirement. He just basically said that he's, after 20-some years working with us and another bunch of years before that in the storage business, he wanted to retire back home to Virginia where he's got two lovely grandchildren. That's always been home to Paul. So, never gotten used to the Buffalo winters. He's a gamer, but—so, anyway, we had a lot of time to work with that.

I've known Joe for a little bit. Joe is a 25 years-plus in the global banking business. He's had a lot of exposure around the world, but most importantly, he knows real estate and deal making. Paul had been a part of our executive team. We expect Joe to be a part of our executive team with regard to all of the matters that we consider in the C-suite, essentially the running of the business. So, Joe has a lot of depth. Real estate, we have a big bench here with Mike and the rest of the team. Paul is going to stay on in a transitional role to get Joe acclimated to the nuances of self-storage. Joe will be heading up a team that already has a lot of experience. So, broad-breadth, a good member to the C-suite, and with both he and Carol adding new eyes and a lot of experience, we're looking forward to it.

Q: Thank you.

David Rogers – Chief Executive Officer

You're welcome.

Operator

Thank you. Our next question comes from the line of Gaurav Mehta with Cantor Fitzgerald. Please proceed with your question.

Q: Yes, hi, thanks. I was wondering if you could provide some more color on your third party management program, as what you're seeing in the market and what kind of growth should we expect.

David Rogers – Chief Executive Officer

Yes, the property management platform, for us, since we've changed the brand to Life Storage has been growing almost logarithmically. We market this year round, but the big times are after the four shows, the national shows as well as some of the state shows. We came back from the September shows with just a queue a mile long to process. There's good and bad to it. A lot of the prospects, a lot of potential clients are new builds, new construction, so in a lot of ways, we call our guys dissuaders in chief for some of these plans that people have. We mix an awful lot of them before they even get past the request for proposal stage.

So, there's a lot of good stuff out there. We have, this year, about a 30/70 mix, 30% existing stores with a track record, 70% new stuff or refurbished stuff. So, it's a mixed bag. We love the idea of adding to our scale, getting our brand deeper in more markets, having the economies that come with it. The fee income doesn't hurt. It's ramped up considerably. You'll see a lot more coming on in the platform in the coming quarters. It's something we're committed to, and we're driving forward with. The new brand has revitalized our able to capture new clients. It's working out great.

Q: Okay. Second question, can you provide some work around renewals and what percent of your customers are below street rates right now?

Andy Gregoire – Chief Financial Officer

Sure, Gaurav. Percentage of our customers below street rate as of the end of the quarter was—let me just look at it here. There was 50% were below the street rate, 42% were above, and 7% were at.

Regarding the in-place renewals, holding very strong. We're not seeing the move-outs. The move-out rate continues to tick down, which it's done each quarter this year. So, they're sticky, which is nice. Our average increase was 9.8%. We did it to about 4,000 more customers this quarter of '17 versus the same quarter of '16.

Q: Okay, thank you.

Andy Gregoire – Chief Financial Officer

You're welcome.

Operator

Thank you. Our next question comes from the line of Jeremy Metz with BMO Capital Markets. Please proceed with your question.

Q: Good morning, guys. Andy, can you talk about your take rates during the quarter, so how the move-in rates trended, relative to last year, and then maybe also if you could comment on street rate trends in 3Q?

Andy Gregoire – Chief Financial Officer

Sure. So, if we look at street rate trends, in the Q, we started the Q, I think at our last call, we talked we were about 5.5% below the prior year street rates for new customers coming in. As of today, that's 2.5%. So, it's nice. It's a mix of markets though. So, we see Houston got much stronger. Dallas got weaker. It does matter by market, but overall, we like the trend that the decrease from the prior year has been reduced. Four out of five last months, the decrease has gone down. So, 2.5% as of today.

Move-in versus move-out rates, during the quarter, our move-ins were paying more than our move-outs, which was nice. It was only a couple bucks more. Average move-in was \$117. The average move-out was \$115. So, that's tightened up, but we're in a good position in that. We'll have roll-down as we normally do in Q4 because rates are down, but otherwise, we like what we see from a move-in, move-out, rate-wise.

Q: Going back, how did those move-ins, how are they relative to where they were last year at this time, just on the move-in side of it?

Andy Gregoire – Chief Financial Officer

On the move-in side, for the quarter the average was paying, versus the move-ins last year it was about 4.5% less than move-ins last year.

Q: Okay, thanks for that. Then, Dave, just one for you. You announced the stock buyback in August. You bought back a little bit here in 3Q. The stock obviously had a nice reaction following the hurricanes on the anticipation of higher demand in Houston, in particular. Can you talk about your appetite to buy back shares at current levels and then, more broadly, just how do you rank your capital allocation options from here between, call it, acquisitions, CO deals, maybe increasing the expansion and enhancement pipeline, and then buybacks?

David Rogers – Chief Executive Officer

Sure. Yes, we said all along we weren't going to change our leverage profile with the share buyback. A component to the share buyback would be the sale of some assets. We have three under contract right now, none of them closed. So, that's in the range of \$30 million to \$40 million we expect from asset sale proceeds. That will greatly fuel our decision as to whether to buy back more shares, once those close, but still, we look at where we are with—we really like the joint venture program. We've got some irons in the fire with that. That provides us a lot of leverage for the dollars we deploy to that. The guys have come up with some more E&Es, and those, when you turn those in, and you can make your overall property's presence a lot better and more

relevant, and still get close to a ten or better yield on it, that's a pretty compelling argument. So, we're putting a few more of those to the front of the queue.

The outright acquisitions, not so much. We look at all of them. We haven't found anything compelling, given a bid-ask spread on that. So, I guess if you want me to rank, I would say love the joint ventures, like the E&Es we're seeing. The share buyback, if the funds are there to do it without messing with the leverage, I guess that would be our down-and-dirty priority.

Q: Appreciate the color. Thanks, guys.

Operator

Thank you. Our next question comes from the line of Gwen Clark with Evercore ISI. Please proceed with your question.

Q: Hi, good morning. Can you guys talk about the traffic and demand trends throughout the quarter and specifically also address where discounting sits today versus, perhaps, a year ago?

Andy Gregoire – Chief Financial Officer

Sure, Gwen. It's Andy. Discounting versus a year ago, we'll go over that first. During the quarter, we saw significant discounting because of the move-ins we saw in Houston. So, we had 2.7 million of discounting during the quarter versus last year, about 1.5 million. On a percentage of revenue, about 2.8% this year. Still, one of the best in the industry, we think, at giving away the lease. So, 2.8 during the quarter. We gave away last year about 1.7% of revenue we gave away. October, we tightened that up a little bit back to the 2.6% of revenue. So, we like the trend there. Still higher than last year, but we like the trend.

What was your other question, Gwen? I'm sorry.

Q: Oh, traffic and demand.

Andy Gregoire – Chief Financial Officer

Move-ins were down. During the quarter, we talked about the organic search and how that improved, which was subsequent to quarter end. We saw minimal improvement during the quarter. So, we were still fighting for traffic. So, we did not see an uptick in traffic during the quarter. We're doing a great job closing what we see though.

Q: Okay, so that gets me into my follow-up question. The occupancy trends are obviously encouraging during the quarter. You guys are up year-to-date, which was great to see. Can you talk about how we should think about 2018 with the caveat that I realize that new supply is going to be more of a pressure? Do you think that there is a possibility that occupancy could be up in '18 versus '17 as a result of all the progress you've made?

David Rogers – Chief Executive Officer

I think so, but it's all a function of what the rev man team—we look, as we've said before, to optimize revenue. So, right now, given especially some of the issues we've had with search, we're fighting to capture the calls that come in. So, we're offering discounting and somewhat lower rates. As that improves, as we're very confident it will, we'll have more pricing power. Whether that equates to raising rates or backing off on the waiving of the admin fees or the discounting or occupancy remains to be seen, but it puts us in the right spot.

Everything else being equal, occupancy would rise, but if we see a chance to take price and back off on the incentives, perhaps we may hold occupancy and do better on one of those two levers. So, it gets us in the right spot to have a little more control and do what we want. Occupancy growth could very well be one of those.

Q: Okay, so is it fair to say that we should just continue to focus on the sum of the two parts being occupancy plus rate, and then take into account the impact of discounts?

David Rogers – Chief Executive Officer

I think that's very fair. Yes.

Q: Okay. I just wanted to make sure about that. Thank you so much.

David Rogers – Chief Executive Officer

Sure, Gwen. Thanks.

Operator

Thank you. [Operator instructions.] Our next question comes from the line of George Hoglund with Jefferies. Please proceed with your question.

Q: Hi, good morning, guys. Just one question in terms of internet marketing and improving search results. How does that interplay with the utilization of SpareFoot, and how do you view using SpareFoot, going forward, in terms of does that impact your search results?

Andy Gregoire – Chief Financial Officer

We've used SpareFoot. We've had a great relationship with them. During our transition to the new brand, we did use them heavier as we did pay Google search, but let's back up on what's gone on with the generic search or the organic search.

Remember, it was late last year when we started changing our signs on our stores. We started changing market by market. Went very smooth, we had the old brand, the new brand. Come March, we switched off the old brand, as we thought it was holding back both brands. We switched it off and went to the new brand Life Storage. It did suppress our organic search. We followed all protocols. We made sure we were doing everything by the book. We had consultants looking over our shoulders saying, "You're doing all the right things, but it's holding back your organic search. It's a matter of time."

We've been struggling, seeing very minimal progress through the years, since March. All of a sudden, in October, I was sitting in my office, talking with Kevin Driscoll, our VP of Finance, and Chris Lacey, Head of Marketing, came in and said, "It happened." Overnight, most of our markets, 75% of them, went to Page One. Now, we can play with that spending on Google and with SpareFoot, but they are great partners, so we'll continue to spend with them. They do a great job. They're going to show up in organic.

Q: Thanks.

Andy Gregoire – Chief Financial Officer

You're welcome.

Operator

Thank you. Our next question comes from the lines of Ki Bin Kim with SunTrust Robinson Humphrey. Please proceed with your question.

Q: Good morning. Sorry, I just jumped on the call very late, so you might have answered these questions, but the organic search in your press release, you said you saw a significant increase. How much of that is induced by just more spending versus some of the hiccups you've had in the name transfer fixing itself?

Andy Gregoire – Chief Financial Officer

None of it related to more spending. It was strictly—we did, again, as I was just talking about, the Google protocol, we followed best practices on how to do this. Our team was just telling us it's a matter of time. It got a little frustrating waiting that time period, but Google algorithms caught up. It was October 19th that it all changed for the better for 75% of our markets. Since then, we're seeing those other markets improve. So, it was nothing. There were no hiccups in what we were doing. We followed protocol. We did exactly what we should have been doing. We had the best people working on it. It was just a matter of time.

Q: You guys quoted previously an estimate of how much revenue that might have been impacted by it in the past year. What was that number again? And how much of that do you think actually fixes itself, going forward?

David Rogers – Chief Executive Officer

We had tried to equate it and saw what we had that we were losing to the competition. It's very, very subjective. There's probably a broad range around—but we thought for, at least June, July, August, September, 90 basis points, somewhere in the range of 75 to 100, closer to 90 basis points of revenue we thought we coughed up as a result of not being where we wanted to be on the search pages.

Q: Maybe you answered this question already, but just not asking for guidance, but obviously, the market is highly focused on your same store revenue trends. Given the improvement you've seen in organic search and maybe Houston and just easier comps, all that combined, is there expectation going forward that we've seen the trough or very close to it? What do you think?

David Rogers – Chief Executive Officer

We were talking about this a little bit before. I mentioned the wave, different markets are hit at different times. We think, fortunately, our bigger market, Houston, has probably—even without Harvey, had seen the worst and was rebounding. Some of our smaller markets, including a not-too-small one, of Dallas, has got the worst to come yet, but I think, on balance, looking at our portfolio, we think we're headed north.

Q: Okay, thanks, Dave.

Operator

Thank you. Our next question comes from the line of Jonathan Hughes with Raymond James. Please proceed with your question.

Q: Thanks for taking my question. Congrats to Joe, and best wishes to Paul. Sorry if I missed this earlier, but if you were to include the four removed assets in the same store pool, what would have been the drag on same store revenue in NOI growth?

Andy Gregoire – Chief Financial Officer

If we would have removed them? We did remove them. If we would not have removed them?

Q: Yes.

Andy Gregoire – Chief Financial Officer

The NOI would have been impacted significantly because that's where the R&M expense from the deductible hit. So, it would have affected the NOI, but revenue-wise, we have business interruption insurance. So, their revenue will be fine. Their occupancy will look odd, because they'll have very limited occupancy. Some of them went right to zero, but they will have revenue because we do have revenue from those business interruption insurance plans.

David Rogers – Chief Executive Officer

I think Jonathan wanted to know what the impact would have been had they not been removed, what would have taken those stores out of the pool? Is that what you meant?

Q: Yes.

David Rogers – Chief Executive Officer

Okay. I think it would have been negligible. They're Houston stores, so they wouldn't have helped, but really pretty neutral with only 4 stores out of 450.

Q: Okay. Fair enough. Then, as much as I want to talk about Houston—I'll let them enjoy their World Series title for a bit, but looking at Atlanta, which is your number five market, what drove the deceleration in revenue growth there? Some of your peers posted a bit of a slower rate of deceleration. I'm just curious if that was new supply driven right next to your properties or weaker demand. Just any color there would be great.

Andy Gregoire – Chief Financial Officer

Yes, there was some new supply, but more importantly, Q2 had an easier comp. So, Q2 looked very impressive. We were mid-fours in Q1. It went over six in Q2 to zero now. Really, that four should have gradually declined to that zero. So, 2Q had an easier comp with an unusual item, but otherwise, it is new comps that are close by to us in the Atlanta market. That is one of the markets we're concerned about.

David Rogers – Chief Executive Officer

We're concerned, but I don't think we'll see anywhere near the pace of deceleration that we did from 2Q to Q3. It's less than it was first quarter, but we're stabilizing in Atlanta.

Q: Okay, so a bit of a one-time decel then. All right. That's it for me. Thanks for taking my questions.

Operator

Thank you. There are no further questions at this time. I'd like to turn the floor back over to Mr. Rogers for closing comments.

David Rogers – Chief Executive Officer

Thanks, everyone, for your interest. We expect to see most of you in a couple weeks in Dallas. In the meantime, enjoy the fall. Thank you.