

**Transcript of
Life Storage
Second Quarter 2018 Earnings Release Conference Call
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Participants

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David Rogers – Chief Executive Officer
Andy Gregoire – Chief Financial Officer

Analysts

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Shirley Wu – Bank of America Merrill Lynch
Todd Thomas – KeyBanc Capital Markets
George Hogle – Jefferies
Eric Frankel – Green Street Advisors
Ki Bin Kim – SunTrust Robinson Humphrey

Presentation

Operator

Greetings and welcome to the Life Storage Second Quarter 2018 Earnings Conference Call. At this time, all participants are in a listen-only mode. A 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, Investor Relations. Thank you, you may begin.

Diane Piegza – Vice President, Investor Relations

Good morning, and welcome to our Second Quarter 2018 Conference Call. Leading today's discussion will be David Rogers, Chief Executive Officer of Life Storage, along with Andy Gregoire, Chief Financial Officer.

As a reminder, the following discussion and answers to your questions contain forward-looking statements. Our actual results may be different 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 SEC filings. A copy of our press release and quarterly supplement may be found on the Investor Relations page at lifestorage.com.

As a reminder, during today's question and answer session, we ask that you limit yourself to two questions to allow time for everyone who wishes to participate. Please re-queue with any follow-up questions.

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 FFO of \$1.39 for the second quarter, driven by strong same store top line and NOI growth. While we admittedly benefitted from a relatively easy comp over last year's 2Q, we're very pleased with these results.

We're taking advantage of the higher busy season call volume to grow street rates and push increases through to existing customers. We're seeing steady residential customer demand in almost all of our markets, so we've been able to retain high occupancy levels in tandem with the rate boosts. We've also augmented that residential demand with additional penetration into the business sector.

The brand transition that was completed last summer is behind us. Our web presence is where it should be, and we're experiencing good success, with some great advertising programs themed around the Life Storage brand.

With regard to same-store performance, several of our markets posted double-digit NOI growth, including Las Vegas, Sacramento and Orlando. This is the second quarter that the legacy LifeStorage portfolio has been included in our same-store results, and the impact of their contribution on our performance reflects the successful implementation of our business model. Most of Florida, Beaumont, TX, Los Angeles, upstate New York and much of the Northeast are performing well. Houston had a nice print, but we're anticipating some slippage there later in the year as 2Q 2017 was the last pre-Harvey quarter.

Regarding our watch markets, those where we forecast less than portfolio average growth, San Antonio, Dallas and Austin, continue to fight their way through the supply issues we've talked about over the past few quarters. While Chicago and Miami are holding their own, we're keeping them on the list, again, due to supply issues. We don't expect these two to take nearly the punch that Texas has though, at least relating to our specific properties in those markets.

Looking at the transaction market, we see little movement in bid/ask prices over the past few quarters. As witnessed by the recent Simply Self Storage sale, there is continued strong interest from both the public and private sector for storage properties of all denominations. Taking advantage of this interest, and the attractive pricing for assets in secondary markets, we're working through a process whereby a group of our non-core assets are being offered for sale or maybe perhaps as a contribution to a joint venture in which we would consider holding a minority stake. We're in the early phase of these endeavors, and there is no assurance that we'll achieve either the pricing or the opportunity we'd need to pull the trigger.

Since quarter end, we've entered into contracts to acquire three stores totaling \$28 million in target markets: Boston, New York and Atlanta. We're still in the due diligence process and can't guarantee that we'll be able to finalize the purchases, but we would like to add these attractive properties to our portfolio.

On Tuesday, we put out a press release announcing our Rent Now initiative; a concept we're really excited about. We found that a growing segment of our customers prefer to self-serve and complete their rental process completely online. One of our top priorities is to make it easy for our customers to engage with us, and the Rent Now app makes this possible.

We tested Rent Now at 15 of our Buffalo stores, and we're very happy with the outcome, especially with the adoption rate. It's fully-integrated with Life Storage's operating, security and revenue management systems, and allows for real-time inventory and sales management. We're expanding this initiative beyond Buffalo this month to 142 stores in the greater New York City area, all the Texas markets, most of our Florida stores, and the Richmond and St. Louis markets. We expect Rent Now to be fully-integrated at all the Life Storage stores by early 2019.

Our third-party management platform, Life Storage Solutions, continues its ramp up, and while only a net of seven stores were added this quarter, we have a pipeline of owners that have entered new contracts with us for starts later in the year. Most of these are development properties, so the exact commencement dates are a bit fluid, but we remain on track to add up to 75 new stores to the program this year.

So, at the halfway point of this busy season, we're pleased with the progress we've made over the last 12 months and we're looking forward to the opportunities we have before us.

Andy?

Andy Gregoire – Chief Financial Officer

Thanks, Dave. As Dave mentioned, last night we reported quarterly funds from operations of \$1.39 per share compared to adjusted FFO of \$1.33 per share for the same period in 2017. These results were above the high end of our forecast driven by better than expected same-store performance, as well as lease-up store growth that continues to exceed our estimates. As a result of this strong performance, we have increased our annual guidance, which I will review shortly.

Our same-store performance is highlighted by NOI growth of 5.2%, achieved by both improved revenue growth and lower expenses excluding real estate taxes. Specifically, revenue rose 4% over the same period last year, driven by both occupancy gains and improvement in rental rates. Same-store average quarterly occupancy was up 20 basis points, and realized rates were up 3.4%.

Second quarter same-store expenses, outside of property taxes, were well controlled, decreasing by eight-tenths of a percent. As we noted in the first quarter, the Life Storage brand has gained significant presence on the web and allowed us to reduce internet marketing spend by approximately 12% versus the second quarter of 2017. In addition, our store teams are doing a phenomenal job in improving efficiencies at the stores we acquired in the last few years.

As we anticipated, property taxes increased 6% in the second quarter, with significant increases expected this year in Houston, Austin, St. Louis and certain Florida markets.

In addition to the improved performance of our same-store portfolio, we continue to see consistent growth trends at the properties that we purchased at Certificate of Occupancy, or very early in the lease-up stage. Average occupancy for these lease-up stores increased by 410 basis points from March 31, 2018 to June 30, 2018. With average quarter occupancy of 84.6%, these lease-up stores have significant room to grow.

Our overall second quarter revenue increase also reflected a 31% increase in management fee income to \$2.5 million, as the strength of the Life Storage brand continues to gain traction with independent owners.

Our balance sheet remains solid, and we continue to have significant flexibility to capitalize on attractive investment opportunities when they meet our return requirements. At quarter end, we had cash on hand of \$7.3 million and \$386 million available on our line of credit. We have no debt maturities until December of 2019. Our debt service coverage ratio was a healthy 4.8 times and our net debt to recurring EBITDA ratio improved to 5.4 times.

During the quarter, we increased our financial flexibility by filing a new \$300 million ATM equity program to replace our previous program that had expired. No shares were issued during the quarter under this program.

Regarding guidance, we are encouraged by the better than expected results in Q2 and have raised our annual same-store revenue guidance ranges and our annual FFO guidance. Specifically, we significantly increased the

midpoint of both our 2018 same-store revenue and NOI growth guidance, and the midpoint of our 2018 FFO per share by \$0.055.

As we discussed last quarter, we do expect tougher comps in the second half of the year as a result of new supply and the normalization of the Houston and certain Florida markets. As you recall, Houston and portions of Florida experienced significant hurricane driven demand starting in late third quarter of 2017. In addition, our fourth quarter internet spend was reduced in 2017 as the Life Storage brand relevancy improved on the web, resulting in a more difficult comparable this year. Same-store revenue growth for Q3 is expected to be in the 2.75% to 3.25% range, and for the year revenue growth is now expected at 2.5% to 3.25%. Our expense guidance was also reduced slightly.

As a result of the changes to our same-store guidance, we are forecasting adjusted funds from operations for the full year 2018 to be between \$5.42 and \$5.48 per share, and between \$1.40 and \$1.44 per share for the third quarter of 2018.

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

Operator

Thank you. At this time, we will be conducting a question and answer session. [Operator instructions]. Our first question is coming from the line of Jeremy Metz with BMO Capital Markets. Please proceed with your question.

Q: Hi, good morning. You noted the lower internet spend and the improved organic search results. I'm not sure if you can but is there any way you can dissect your revenue to give us a feeling to how much of that 4% growth this quarter benefited simply from search improvement versus maybe tweaks to your operating system and revenue strategy. And maybe as a follow-on if you can comment on the existing customer rate increases and the increase in letters there, any update on that front.

David Rogers – Chief Executive Officer

Hi, Jeremy. With regard to the first part of your question, it was difficult to know what we lost last year. We tried a bunch of metrics to measure it. We think it was somewhere between 75 and 90 bps of revenue on a same-store basis. I'm sure we got all that back. But that's about as good as we can do. There's so many moving parts. Certainly we've improved a lot of the platforms across the way over the last year. I would say we lost that last year, we got it all back and maybe a little bit more this year.

Andy Gregoire – Chief Financial Officer

And on the rent increase letters that went out, we continue to be aggressive in that. Q2 of '18 on a same-store basis we did about 97,000 and last year Q2 of '17 we did about 41,000. So, we continue to be aggressive, although now as we go through the year, the number of letters reduces significantly because we like to get out ahead of the busy season with those letters so those that do move out we can replace them.

Q: Got it. And then just second one from me, and I asked about this a little bit last quarter but if I look at the same-store revenue results, they seem to imply about a 70 basis points increase in square footage of the same-store pool, or about 250,000 feet, which is the expansions you've been doing. I know these are a bunch of smaller additions, 5,000, 10,000, 20,000 square foot. But, can you talk about the typical occupancy or revenue trajectory for these additions? I mean, they get added to the pool at zero occupancy and revenue and then fill up. So, is it 12 months to stabilization? What's the typical trajectory?

Andy Gregoire – Chief Financial Officer

There's a couple things in the play there, Jeremy. One is yes, we do add space but remember, we're knocking down spaces to add that space. We're constantly knocking down some single-story, non-climate to put up

climate-controlled. So, as we take down spaces, new space come on at a different store. It's usually 12 to 18 months we see the physical occupancy of those additions come up.

So, we do physically fill them up but they are at discounted rates, so it does hold back our rate growth year-over-year on the same-store, and it'll hold it back for occupancy growth because we're putting spaces with zero occupancy. So, there's a double-edged sword there in that it holds back some of our rate growth because it's usually incentives we take to fill them up quickly and then after that 12 to 18 months, then we'll start putting the in-place increases in on those customers and improving the street rate.

David Rogers – Chief Executive Officer

So, we found, Jeremy, that looking at this on the whole, given the fact that we're adding say 35 additions last year, we're tearing down 25 stores this year, let's say, we have 60 stores in play here for the addition of small, very small percentage of our [indiscernible]. We think the impact the last two or three years has been about 30, 35 bps of increase to same-store results, same-store top line growth.

To take out 60 stores to avoid that contribution seems pretty draconian. So, yes, there is a push no question. Where you would see an outsized push is if we did the—is when we would stop. If we go through and this year we add \$50 million worth of expansions, enhancements and get the benefit for that starting next busy season, it's offset a lot by the stuff we're going to do next year.

If we were not to do anything next year, we'd get an outsized pot. And I guess, we don't have any plans for that. We have a lot of stuff in the queue to continue to do our E&Es, I don't see any slowdown. So, I don't think the impact is going to be that great, but when we do stop, if that day ever comes, then we'll raise the flag and say, hey, 100 basis points of our top line same-store growth this year is due to expansions and enhancements, and not offset by anything.

But, otherwise, we just think given the machinations of 60 or 70 stores to bring in and take out at the same-store pool for a 20 to 30 bps benefit just doesn't make sense.

Q: And so it does sound like just based on that 12 to 18-months and you increase the spend this year to \$40 million to \$50 million, \$45 million to \$50 million versus last year that we should see that boost actually go up a little bit next year just because you're going to have more from the higher spend this year coming in. That's the right way to think about it, or even on the margin?

David Rogers – Chief Executive Officer

It is, unless we of course do a lot more next year. If we do \$70 million next year offsetting this \$50 million, but yes, that's a good way to think about it.

Q: Thanks.

Operator

Thank you. The next question is coming from the line of Smedes Rose with Citi. Please proceed with your question.

Q: Hi, thanks. You talked about potentially putting some non-core assets into a JV or selling. I think you talked about that a little bit on your first quarter call as well. As you're further down the road maybe with that, could you maybe quantify how much NOI you're thinking about there and maybe the number of properties? And I assume that this potential sale or JV is not contemplated in current guidance?

David Rogers – Chief Executive Officer

It's not contemplated on current guidance. It probably won't have an impact on 2018. We have not identified a partner. We've talked to a few people; we'll be talking to a few more. It's a fluid process, meaning in the sense that we have anywhere from 30 to 60 stores that we would be willing to contribute or outright sell. We've talked to three parties more or less exclusively over the past two months. If we don't see much progress in the very, very near future, we'll probably open it up.

So, we don't have a fish on the line; we don't have a partner in the queue. But, the process is in place and we fully expect to execute but it probably won't be at such a time that impacts 2018 results.

Q: What's the range of NOI for the 30 to 60 properties you're thinking about?

Andy Gregoire – Chief Financial Officer

Anywhere from \$10 million to \$15 million would be a good range. Again, that's fluid, that could change as we speak through these different potential buyers.

Q: I just wanted to ask you about the guidance, just given the better trajectory that you've reported year-to-date and the implied guidance. The fourth quarter just seems like a pretty steep decline relative to what you're looking at for the third quarter. I was just wondering if you could maybe talk about that a little more. Are you just being conservative? Is that Houston-related?

Andy Gregoire – Chief Financial Officer

There's a few things at play there, Smedes. Obviously we're pleased with the performance of the platforms in the first half of the year, especially legacy Life that were added to the same-store. So, we're very pleased with what we've seen. But Q3 and Q4 last year benefited from the hurricanes in our two biggest markets, Florida and Texas. So, we're going to have difficult comps on the revenue side there.

New supply in the short-term is still the concern. It is affecting the entire sector. We did see some delays in a few properties we thought would come online earlier in the year. But that was months delays. They will still come online this year and we expect them—again, it affects free rent mostly but that hurts in the short-term.

And, our improved organic search happened at the end of the last year, so our internet spend last Q4 was down. That's going to be a tough comp as we compare year-over-year on the expense side.

David Rogers – Chief Executive Officer

I think in summary we have a pretty easy 3Q comp but a pretty tough 4Q comp given where we are right now.

Q: Thank you. I appreciate it.

Operator

Thank you. The next question is coming from the line of Juan Sanabria with Bank of America Merrill Lynch. Please proceed with your question.

Q: Hi. This is actually Shirley Wu calling in with Juan Sanabria. Congrats on a great quarter. I wanted to ask on your Rent Now initiative, can you discuss the impact on your customer capture rates and how they've automated this process? How we should we think about the benefits to offset same-store revenue moving forward?

David Rogers – Chief Executive Officer

First of all, the main focus of this was we're seeing as many people do in many industries a pretty big shift in customer habits. And, everybody wants to do this in a touch-less way, the rental car companies, hotels, Amazon, all of it is skip the counter, skip the personal contact. So we thought we're part of the consumer process, let's do

this. And so, we've been working on it for the last nine to ten months and as far as metrics go, in terms of economic impact, we expect to see a better capture rate certainly. We expect down the line to probably to see a difference in how we're staffing these, shifting from one way to another, maybe call center to more customer service support.

Right now with a 15-store test market, we've seen very good penetration in just the 60 days we've been doing it. Yesterday was the rollout for the 142 stores. So, I think it's early to talk about the economic impact other than we expect to be a leader in this industry. We expect to be a leader in this process and we can tell when people are on our website, we don't lose them. We have the capture rate.

So, we're not here to talk or we're not ready to talk about economic impact but we certainly are very excited about the idea that we're giving customers what they want. We didn't even advertise it in Buffalo. We just put it on the website. We didn't do a thing and we had three customers in four days who just did it on their own. It was remarkable. So, it's a great asset for us to be a leader in the sector and giving our consumers and tenants what they want.

Q: So shifting to supply, what are your views on 2019 relative to '18, on a year over year basis versus 2016 maybe?

David Rogers – Chief Executive Officer

We haven't seen much of a shift the last couple quarters. Different markets have sped up. Mostly there's been construction delays as is usually the case. Anecdotally we've heard of a few stores falling off due to construction cost increases or finally just especially in the case of say CBD Miami, or even a little bit Dallas, where a couple have fallen off.

But really, the supply outlook I don't think has changed very much. In our particular markets within a 5-mile radius we have 152 stores that are in construction right now. I think that's changed by just a couple stores since last quarter; it's pretty consistent. So, no change from what we've been talking about the last two quarters or so.

I think '19, from all indications, again, we're only halfway through '18, so things can happen in '19. But right now we're not seeing much of an uptick, but not necessarily a slowdown either. So, I think what we've seen the last two years is what we're going to continue to see for the next two years.

Q: Thanks.

Operator

Thank you. The next question is coming from the line of Todd Thomas with KeyBanc Capital Markets. Please proceed with your question.

Q: Hi, thanks. Just first question a quick follow up on the joint venture disposition. So, the language was pulled from the guidance discussion in the earnings release last quarter. Was that previously embedded in guidance?

Andy Gregoire – Chief Financial Officer

No it was not. We never included acquisitions or dispositions in our guidance.

Q: And then, just circling back to the balance of the year, here, so the deceleration that you're anticipating in the second half of the year, I guess, primarily the fourth quarter, just based on the third quarter guidance, the fourth quarter doesn't seem like it will experience that dramatic of a deceleration. But, your commentary maybe suggests a little bit otherwise. And so you talked you about the internet spend but can you provide some

additional detail around some of the other factors that might impact the fourth quarter specifically, whether rental rates or discounts and maybe occupancy?

Andy Gregoire – Chief Financial Officer

Sure. As you would expect because we had the uptick in occupancy in the fourth quarter of '17 from the hurricanes, Todd, we're going to see, especially in Houston, occupancy 400 to 500 bps lower this year than last year. So, that's one heck of a comp we're going to have in 4Q.

A couple other things in play, free rent, with the new supply coming online we do expect free rent to remain high. So, I think in Q2 we were about 3% of rent was our concession level. That might uptick to 3% to 3.5% second half of the year. And some of that new supply we've been tracking, it was delayed. We even saw so far in July quite a bit come on. So, it was delayed just a few months, and we expect that to continue to affect the whole industry.

Q: In Houston specifically, just given it's 8.5% of the same-store, are you expecting with that occupancy comp, are you expecting revenue growth to be negative in the fourth quarter? Can you just provide maybe an update on what's in the model or what you're expecting for that market specifically?

Andy Gregoire – Chief Financial Officer

Yes, based on the fact that occupancy will have that gap, we would expect—we were very pleased with the 3%, 4% we did in—3.4% revenue growth we did in Houston. We would expect that to push towards the negative end.

Q: Just one last question from me, Dave, one of your competitors discussed a view around commercial customers saying that they have a little more negotiating power, they drive harder bargains on some level relative to individual renters. You touched on this in your prepared remarks, and I know you've had a strong effort targeting commercial and business users. Can you just talk about that segment of the portfolio, maybe provide some insight on your thoughts there? And I'm curious, that commercial segment, how they—where they are relative to individual renters in terms of rates and rent increases and whether or not they take insurance and things of that nature.

David Rogers – Chief Executive Officer

We love our commercial customer base. We've worked for the last four years, put some serious effort into technology and some platforms, and we've built a network of preferred providers under the umbrella of an entity we call Warehouse Anywhere. So, we reach out to national accounts and service them.

If they need 250 locations, 150 feet per location, we reach out and we say, we got it. And, of those 150, Life Storage might only have 100, but we'll find the other 50 through our preferred provider network that we've vetted. We've gone to the trade shows; we've lassoed in I think it's 5,500 operators, almost 9,000 stores that we can tap into and say hey, Mr. Account Rep at NCR or DeBolt [ph] or Allergen [ph] or Michael Kors or Red Bull, you need all these spaces, we have them for you. We're going to give you one bill, you pay us, and here's your 150 spaces.

And we've worked this such that it's not a loss-leader, which most of us did during the downturn. But coming out of the downturn, we saw the opportunity to help these logistics departments, to help these transportation departments at all of these larger national accounts and not only not be a discounted service but we actually get to charge a premium as well as a handling fee, a service fee.

So, we love the commercial accounts, especially at the national or regional level. We also work pretty deep, and I won't get into it now, on the local level with the typical contractors and retailers and so forth. But mainly when we're talking about national accounts, we see an opportunity to ramp this up pretty good in the next two to three

years and really drive home Warehouse Anywhere at high margins, get good rates. Yes, the insurance we pretty much forfeit given that these are commercial accounts and are insured.

But, aside from that, as far as rates, as far as renewals, as far as the ability to push rates and the ability to get these management fees for handling the process for these guys, we love it. We think it's great.

Andy Gregoire – Chief Financial Officer

And Todd, there is annual escalators built into those national contracts. So, it works very well for us.

Q: Great, thank you.

Operator

Thank you. The next question is coming from the line of George Hoglund with Jefferies. Please proceed with your question.

Q: Good morning. I just wondered if you can—I have two questions. One, can you comment on July performance in terms of occupancy and discounting?

Andy Gregoire – Chief Financial Officer

Sure, George. The occupancy, as it typically does, July higher than June, but it was 30 bps below last year's July. As we go through the year, we would expect our occupancies, especially when you push up against the hurricane demand we had last year that occupancy would go below last year. But, we're very comfortable, rates are holding nicely. Specials are up, the concessions up slightly but overall in pretty good shape.

Q: Then second question, the data partnership with Union Realtime, just on the development data and then also their inputs into your revenue management, can you just comment on how that's working out in terms of what benefits are you seeing from using their data and has there been any kind of noticeable change to revenue management?

Andy Gregoire – Chief Financial Officer

The benefits we see are more data on non-REITs, non-big regional players. So, we have some more data on the mom and pops that Union Realtime helps us pull into our system. So, we're getting more stores than we had been previous, before we started using them.

On the supply data, we're going back and forth. We're giving them data they had not previously had and they're giving us data we had not had, not only in the markets we're in but they're giving us data in markets that we may want to be in, which we didn't have that data before. So that adds to our ability to go and look at some new markets.

Q: Thanks, appreciate the color.

Operator

Thank you. [Operator instructions]. Our next question is coming from the line of Eric Frankel with Green Street Advisors. Please proceed with your question.

Q: Thank you. I just wanted to discuss the Life Storage integration affecting the same-store pool this year. I just wanted to understand the branding efforts better. When you contribute the Life Storage portfolio to same-store portfolios, it looks like it contributed about 120 basis points worth of NOI growth. Can you explain why that is especially if the rebranding efforts would more negatively affect the legacy Uncle Bob properties? Or is that just more market specific of where the Life Storage portfolio is approximated? Thank you.

Andy Gregoire – Chief Financial Officer

Eric, the Life Storage legacy portfolio, which was purchased mid-2016, and we had operated that for some 18 months before we threw it in the same-store pool come this January, it's performing very well with occupancy up significantly. Revenue on that portfolio—the mature portion of that portfolio excluding the C of O or early lease-up properties, the revenue on the matures was up 6.2% and the NOI up 8.4%. So, you can see the power of the platforms on an acquisition and how they play out even some 18 months, 2 years after an acquisition. So, we're happy with that and it's about 70 basis points to our revenue growth and 120 basis points to our NOI.

Q: Do you think the extra growth, was it all market specific or do you think it was just the integration into your revenue management system?

Andy Gregoire – Chief Financial Officer

I think it's pretty widespread, so it's really the platforms doing what we know they can do over time as we put these on our system. It's the revenue management, it's the call center, it's our store operations, it's everybody doing what we do day-to-day.

David Rogers – Chief Executive Officer

Some of the markets certainly have popped—Vegas and Sacramento certainly, but we've also had to carry I think there were 19 Texas stores and a big bunch of Chicago stores, too, which are performing better than our pool. So, yes, platforms have a lot to do with it.

Q: Thanks. Just final question, with this contemplated JV or sale, a pretty large chunk of that, do you have a planned use of proceeds?

David Rogers – Chief Executive Officer

Well, yes, to a degree. We are looking at a lot of properties. There's been a fair amount of properties that have come on the market. We have the opportunity to stay in as a JV partner, at least the way we want to structure this, and we have more E&Es to do. I can't tell you the exact properties we'll be doing. We're probably going to park some of it as a 1031, if it happens very soon.

But, yes, we would mainly do it, I would think, we have more acquisitions behind the 28 that we announced. So, we'll have some firepower there, and then we have some other JV opportunities to go into, not seeded with our properties, and that we'd be pretty excited about as well.

So, we're looking basically to roll out of smaller markets that have basically hindered our growth a little bit. Good properties but aren't at the same rate of growth as our existing bigger market stores, and deploy that capital into the assets similar to which we've been buying for the last four or five years.

Q: Thank you very much.

Operator

Thank you. The next question is coming from the line of Ki Bin Kim with SunTrust Robinson Humphrey. Please proceed with your question.

Q: Good morning, everyone. Dave, did you guys already talk about the spot rate and promotions in the quarter and what you saw in July?

Andy Gregoire – Chief Financial Officer

I don't think we touched on the quarter. I think the street rates were up over 4.2%. Concessions were up, it brings the net effect to about 3% during the quarter. Subsequent to quarter end, we're about 2% net effective.

Q: What was the cause of the net effect to drop a little bit?

David Rogers – Chief Executive Officer

I don't quite follow you there, Ki Bin.

Q: You said net effect was up 4.2% in the quarter and then up 2% in July. Is that what you said?

David Rogers – Chief Executive Officer

Correct. Up 4.2%, but net 3%.

Andy Gregoire – Chief Financial Officer

Yes, net 3%.

Q: Given that your cost of capital has improved pretty significantly over the past few months, how does that make you think about capital deployment and things that maybe perhaps you weren't able to do a few months ago that maybe you can pursue now?

David Rogers – Chief Executive Officer

Well, we're still not there in our minds as to NAV and share price. We're getting there, but we're not there. But we expect to have fairly considerable proceeds from the sale or contribution of 30 to 60 stores so we're talking somewhere in the range of \$150 million to \$300 million there which would be possible but challenging to deploy within the 1031 period of time.

So, you never know what's going to come across. There's all kinds of stuff that can happen, and obviously over the last three or four years, there've been some big deals. But, we're not displeased by what's happened. We have a whole different outlook than we did at the beginning of the year when our share price was around \$70. But nonetheless, I think we're going to be able to generate some capital to turn assets from some of our legacy stores into the larger market, higher margin stores that we've been doing the last few years. And I don't think we're looking at, even though we put the ATM in, that really is just to keep it alive and at this point I don't think we're thinking equity issuance.

Q: Thank you.

Operator

Thank you. We have reached the end of our question and answer session. So I'd like to pass the floor back over to Mr. Rogers for any additional concluding comments.

David Rogers – Chief Executive Officer

We thank everyone for their support and their interest in our company. Enjoy the nice August coming up and we look forward to seeing you at the shows and conferences in September, October, and November. Take care.