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Life Storage, Inc. (LSI)

Q2 2019 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good morning and welcome to the Life Storage Second Quarter 2019 Earnings Conference Call. All participants will be in listen-only mode. [Operator Instructions] After today's presentation, there will be an opportunity to ask questions. [Operator Instructions] Please note this event is being recorded.

I would now like to turn the conference over to Dave Dodman, Vice President of Investor Relations. Please go ahead.

David Dodman
Vice President, Investor Relations and Strategic Planning, Life Storage, Inc.

Good morning and welcome to our second quarter 2019 earnings conference call. Leading today's discussion will be Joe Saffire, Chief Executive Officer of Life Storage and Andy Gregoire, 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 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 please limit yourself to two questions to allow time for everyone who wishes to participate. Please re-queue with any follow-up questions thereafter. At this time, I'll turn the call over to Joe.

Joseph V. Saffire
Chief Executive Officer & Director, Life Storage, Inc.

Thanks, Dave and good morning, everyone and welcome to our second quarter earnings call. We reported solid second quarter results late yesterday of adjusted FFO of $1.42 per share, which is at the high end of our guidance provided in late April. I'm going to begin with an update on our portfolio transactions. As we've already, reported subsequent to quarter end, we completed the sale of 32 mature stores to The Inland Real Estate Group for $212 million. These stores are located in Louisiana, Mississippi, Texas, South and North Carolina.

The sales price was slightly lower than our guidance of $225 million because two properties were removed from the transaction late in the process. Importantly, we will continue to manage all 32 stores subject to the terms of a long-term management agreement. We are excited about our new strategic relationship with Inland. In total, we divested 45 stores for more than $300 million over the past year. We do not anticipate any further meaningful dispositions of wholly-owned assets through at least 2020.

I'm also happy to report that we have been very active on the acquisition front. During the second quarter, we acquired four stores for approximately $43 million in Cleveland and Jacksonville, both markets where we currently operate. And subsequent to quarter end, we acquired 12 stores for $135 million located in markets where we also currently operate, in Virginia, Florida, South and North Carolina, Tennessee and Georgia.

Finally, since the beginning of the second quarter through July, we entered into agreements to acquire 10 stores spread across Seattle, Baltimore, Las Vegas and Austin. Eight of the 10 are located in new strategic markets where we do not currently operate, but where we like the demographics and market rates. Specifically, three stores in Seattle will provide us with a foothold in the Pacific Northwest and five stores in Baltimore will help fill the gap in the Mid-Atlantic region.

The remaining two stores are a property in Las Vegas and a store we have been managing and leasing in Austin for several years. Please keep in mind that these opportunities remain subject to further due diligence and closing conditions and therefore, no assurance can be given that they will be purchased according to the currently contemplated terms.

The execution of all transactions during the past 12 months is consistent with our strategy of increasing exposure to markets with more attractive demographics and newer properties, with higher revenue and better growth prospects. Specifically, we sold 45 stores that are on average 27 years old with asking rates of $11, revenue per store of roughly $720,000 and occupancy of 91%. We have acquired 26 stores that are on average five years old with $16 rates and revenue per store of over $1 million once stabilized and occupancy currently around 60%.

Also, as part of this rotation, we have decreased our exposure in Texas by 13 stores, six of which are in Houston. And as a result, Chicago is now our largest market. All of these transactions we believe will improve our growth rate, our margins and net asset value.

Now, moving on to operations and Andy will provide detail shortly. But the second quarter performed largely as expected, occupancy remains lower than last year due to pressure and move-ins from new supply. However, existing customers remain resilient with lower year-over-year move-outs. Our largest markets, Metro New York City, Buffalo, Las Vegas, and New England continue to perform very well as they have in recent quarters. We are seeing stabilized and improving trends in markets that were impacted early in the supply cycle, particularly in Chicago, where we grew revenue faster than our portfolio average.

With regard to markets that remain on our watch list namely Houston, Dallas and Miami, they continue to be impacted by new supply. We are comfortable that we are through the peak deliveries in Houston but that market has also been challenged by difficult year-over-year comps due to elevated hurricane-driven demand as rates remained elevated well into the third quarter of 2018.

And finally, I would like to just note that we have completed the rollout of Rent Now, our fully digital rental platform for customers who prefer to self-serve and skip the counter. Millennials are expected to take over the baby boomers as the largest adult population this year, and we are seeing a shift towards online channel over the past year. We believe Rent Now is an important platform to effectively meet our customers' needs and to operate more efficiently going forward.

I will now hand it over to Andy.

Andrew J. Gregoire

Chief Financial Officer, Life Storage, Inc.

Thanks, Joe. As Joe mentioned, we reported adjusted quarterly funds from operation of $1.42 per share last night. Our same-store performance was highlighted by NOI growth of 2.4% achieved by a combination of revenue growth and controlled expenses. Specifically, same-store revenue rose 2% over the same period last year driven by realized rates per square foot that increased 3% over the second quarter of 2018.

Rate growth was partially offset by 100-basis point decline in average occupancy. Second quarter same-store expenses outside of property taxes continued to be extremely well controlled, decreasing 50 basis points over the second quarter of 2018. Decreases in payroll and benefits, utility, as well as repairs and maintenance offset the increase in Internet marketing spend. Our investments in technology and our focus on efficiencies are producing great results that are evident in our same-store NOI improvement. As we anticipated, property taxes increased 4.1% in the second quarter.

As discussed on our previous call, we transitioned our Customer Insurance Program from a third-party product to a captive solution as of April 1. We are very pleased with the seamless transition and net operating income associated with the new Tenant Insurance Program increased 16.2% over last year's second quarter.

In addition to the strong performance of our same-store portfolio, we continue to see consistent growth trends at the properties that we purchased as Certificate of Occupancy or very early in the lease-up stage. With quarterly occupancy of 75.7%, these lease-up stores still have significant room to grow. Subsequent to quarter end, as Joe mentioned, we acquired 12 stores that will be added to the lease-up portfolio with our third quarter reporting.

Our overall second quarter revenue increase also reflected a 28% increase in third-party management fees. Our balance sheet remains very solid and we continue to have significant flexibility to capitalize on attractive investment opportunities when they meet our return requirements.

During the quarter, we are opportunistically issued $350 million of 10-year 4% fixed rate senior unsecured notes and used the proceeds to repay $100 million term note due in 2020 as well as $215 million unsecured line of credit balance. As a result, we have no debt maturities until 2021. We extended our average debt maturity to 7.6 years from 6.7 years, and we increased the percentage of our total debt that is fixed rate from 85% at March 31 to 100% at June 30.

At quarter end, we had cash on hand of $46.1 million and $500 million available on our line of credit. Our debt service coverage ratio was a healthy 4.6 times, and our net debt-to-recurring EBITDA ratio was 5.5 times.

Having completed the debt offering earlier in the year than planned, we expect $0.04 per share of additional interest expense in 2019 above previous estimates. Despite this, we believe the opportunity to secure long-term, low-cost, fixed-rate debt will benefit shareholders.

Regarding guidance, we have raised the low-end of our guidance and now expect adjusted FFO per share to be between $5.56 and $5.63 for the year. Due to our strong pipeline of acquisitions and flexible capital position, we have increased the expected midpoint of acquisitions in 2019 to be $375 million rather than $225 million previously disclosed. The midpoint of our guidance regarding divestures has decreased by $5 million to $220 million. We expect the impact of both increased acquisition activity and expense control to offset the $0.04 per share of additional interest expense from the debt offering that was not included in previous guidance.

Finally, we expect third quarter adjusted FFO per share to be between $1.42 and $1.46 per share. And with that, operator, we will now open the call for questions.

QUESTION AND ANSWER SECTION

Operator: We will now begin the question-and-answer session. [Operator Instructions] And our first question comes from Todd Thomas of KeyBanc Capital Markets. Please go ahead.

Todd M. Thomas
Analyst, KeyBanc Capital Markets, Inc.
Q

Hi, thanks. Good morning. First question, just curious regarding the portfolio sale in the quarter, if you can share what the impact to the same-store metrics were from that sale. And also, did the same-store forecast assume the sale of those assets for the full year?

Andrew J. Gregoire
Chief Financial Officer, Life Storage, Inc.
A

Hi, Todd, it's Andy. Yes, the forecast did assume the sale of those stores and we did expect it to happen mid-year as it did. The impact on the quarter was 10 basis points of NOI growth, if they had been included in the same-store.

Todd M. Thomas
Analyst, KeyBanc Capital Markets, Inc.
Q

Okay. So you benefited this quarter from removing them by 10 basis points?

Andrew J. Gregoire
Chief Financial Officer, Life Storage, Inc.
A

Correct.

Todd M. Thomas
Analyst, KeyBanc Capital Markets, Inc.
Q

Okay, got it. And then the change in your existing customer rent increase strategy over the last several quarters or so, the benefit that you've discussed previously, I think about 100 basis points to 200 basis points, did that materialize and are you able to see the contribution that existing customer rent increases had to revenue growth in the quarter? And can you just comment on your rent increase strategy more broadly and provide an update there?

Andrew J. Gregoire
Chief Financial Officer, Life Storage, Inc.
A

Yes. The strategy more broadly has been consistent from year-to-year. What we did 2Q of 2019, very similar what we did in Q2 2018, both from a quantity, number of customers receiving it – over 40% of our customers received the rent increase letter, average increase was over 8%. The impact on revenue, it is driving most of the revenue growth. So, of that 2% growth you're seeing, most of it is driven from the in-place strategy.

Todd M. Thomas
Analyst, KeyBanc Capital Markets, Inc.
Q

Okay. And then if I could just sneak one more in here real quick. Just in terms of dispositions, Joe, I think you mentioned that you don't expect any additional wholly-owned asset sales. What about joint venture sales? We've seen some funds monetizing investments. I'm just curious if there could be some potential dispositions from existing JVs in the portfolio.

Joseph V. Saffire
Chief Executive Officer & Director, Life Storage, Inc.
A

Hi, Todd. Yes, that can happen. In fact, we have a small portfolio with a JV partner that's up for sale right now. It's, I think, eight or nine stores. It really is the driver by the majority owner but anything larger, I don't see anything anytime soon.

Todd M. Thomas
Analyst, KeyBanc Capital Markets, Inc.
Q

Okay. And in terms of the value or maybe if you could just book in the range of proceeds to LSI that we should expect?

Joseph V. Saffire
Chief Executive Officer & Director, Life Storage, Inc.
A

From that eight stores JV, Todd?

Todd M. Thomas
Analyst, KeyBanc Capital Markets, Inc.
Q

Yes.

Joseph V. Saffire
Chief Executive Officer & Director, Life Storage, Inc.
A

It's too early to say to be honest, but we own 20% of it.

Todd M. Thomas
Analyst, KeyBanc Capital Markets, Inc.
Q

Okay, got it. Thank you.

Operator: Our next question comes from Shirley Wu of Bank of America. Please go ahead.

Shirley Wu
Analyst, Bank of America Merrill Lynch

Q

Hey, good morning, guys, and thanks for taking the question. So this quarter, it seems as if you're planning to enter two new markets, Seattle and Baltimore. So could you talk a little bit about how you decided to enter those markets and what are your plans to grow scale there?

Joseph V. Saffire
Chief Executive Officer & Director, Life Storage, Inc.

A

Yes. Hi, Shirley, thanks. We've been talking about some markets that we've wanted to enter and just haven't found the right opportunity. Seattle was right there on the top of the list given the demographics, the growth of the city, certain pockets of that city is actually quite hard to build. And we've been looking for quite some time and we found three stores off-market from a private owner that we believe we are going to get nice lift once they're on our platform.

And from there, once we have three to four stores, it becomes so much easier to start gaining more scale. We've had opportunities in Seattle for third-party management, but it's quite difficult to do one store. So we think that we're going to be able to grow that presence over the next couple of years. We like Seattle and we're very excited about finally being there.

And as for Baltimore, I mean that's another market where it's got great rates. We like it. And it's just kind of, if you look at our map as to where we are in the Mid-Atlantic, it was a clear gap there. And again, that deal was off-market with a larger operator there and we think we have a very good relationship with that seller and they have other properties down the road that maybe we can do somebody with.

So again, those are going to be markets that we're going to be markets that we are going to look to add through JV, through wholly owned and of course through third-party management.

Shirley Wu
Analyst, Bank of America Merrill Lynch

Q

Great. Thanks for the color.

Joseph V. Saffire
Chief Executive Officer & Director, Life Storage, Inc.

A

Thanks.

Shirley Wu
Analyst, Bank of America Merrill Lynch

Q

And it does seem as if you are acquiring more than the positions earlier anticipated. So how are you thinking about capital funding for 2019 and maybe even 2020 as well, as you think about future acquisitions and dispositions?

Andrew J. Gregoire
Chief Financial Officer, Life Storage, Inc.

A

Hi, Shirley. Obviously, we have the proceeds from the sale, so the $200 million-plus, we spent some of that in July with $135 million acquisition of the 12 stores. Obviously, we want to use the rest of those proceeds. We have great capacity on our line of credit. We have owners interested in operating partnership units. We have other JV opportunities. So, that's what we would see funding what's in the pipeline now.

As for 2020, we'll have to see where we're comfortable. Acquisition-wise, based on where our stock price is and see how we would fund those in 2020. But we're not there yet. We don't see the pipeline in 2020 building at this time.

Shirley Wu
Analyst, Bank of America Merrill Lynch
Q

Awesome, thanks for the color.

Andrew J. Gregoire
Chief Financial Officer, Life Storage, Inc.
A

You're welcome.

Joseph V. Saffire
Chief Executive Officer & Director, Life Storage, Inc.
A

Thanks.

Operator: Our next question comes from Jeremy Metz of BMO Capital Markets. Please go ahead.

R. Jeremy Metz
Analyst, BMO Capital Markets (United States)
Q

Hey. Good morning. Just one cleanup item here to start, just going back you mentioned the 10 basis points benefits NOI growth in 2Q from the asset sale. What is that on a full year basis in terms of now that these are – now that the same-store pool has changed? What did that mean in terms of the full year guide? How much of a benefit is it?

Andrew J. Gregoire
Chief Financial Officer, Life Storage, Inc.
A

It has been – like I said, it was 10 basis points for the quarter. For the full year guided was about 20 basis points when you take into account all our dispositions.

R. Jeremy Metz
Analyst, BMO Capital Markets (United States)
Q

All right. And then just sticking here with dispositions, you've commented, Joe, earlier on some thoughts about not selling anything through 2020. I know there was another question earlier. You sort of adjust this a little bit.

But just given the pricing that's in the market, the demand for assets, the success you had with these, I know you mentioned there's one other little portfolio, but you also on the flip side having success finding acquisitions. I guess why not look to recycle more as you continue to reposition the portfolio towards some of these better markets you've been owning?

Joseph V. Saffire
Chief Executive Officer & Director, Life Storage, Inc.
A

Yes. Thanks, Jeremy. I mean part of the goal was to exit some of the markets that we're in that were really just holding us back when we look back over 10 years. And we accomplished that through dispositions in the fourth quarter and then more recently the larger deal.

And then, we also wanted to kind of derisk a little bit of Texas, and we did. We did about 13 stores there, about 10% of our portfolio. So we kind of got to [ph] two ticks (18:58) of what we wanted to accomplish. I don't really foresee any real lift if we sell more. It's quite hard to find accretive deals, especially if we're selling mature properties.

I think we accomplished what we wanted to do over the last year. It's been a real success. We've been able to deploy proceeds into both the mix and lease up and to stabilize stores, and there's other ways to do purchases, Andy just talked about. We have a couple of new JV partners now that we combine together. We can use OP units and obviously we're in a better position than we were 18 months ago in our equity capital.

So, yes, I don't think we're going to need to do anything like that over the next year or year plus.

R. Jeremy Metz
Analyst, BMO Capital Markets (United States)

Q

And can you just say what drove the decision to sell the whole thing on this recent sale versus staying for small piece? Was that driven by your partner or you guys or mutual decision?

Joseph V. Saffire
Chief Executive Officer & Director, Life Storage, Inc.

A

Yes, it was a combination. We initially thought we would keep 20% or so. That deal was – we wanted to have a long-term management contract and it made more sense for both of us to do 100%, and we got a five-year contract out of it. So we kind of accomplished what we both were trying to do.

R. Jeremy Metz
Analyst, BMO Capital Markets (United States)

Q

Thanks.

Operator: Our next question comes from Smedes Rose of Citi. Please go ahead.

Smedes Rose
Analyst, Citigroup Global Markets, Inc.

Q

Hi, thanks. I'm just wondering, on the JV assets that you mentioned that are for sale now, will you keep those properties on your management platform?

Joseph V. Saffire
Chief Executive Officer & Director, Life Storage, Inc.

A

Yes. Hi, Smedes. Just depends on who buys them, it's really out of our control.

Smedes Rose
Analyst, Citigroup Global Markets, Inc.

Q

Okay, okay. And then just sort of on the stepped up acquisition activity, I mean you talked about this a fair amount and it sounds like some of the opportunities came from – you said off market deals and existing relationships. But

I mean has there anything changed on the pricing front that makes them more attractive from your perspective or just more sellers coming to market? We've heard sort of mixed views I guess on where pricing is on stabilized versus leasing up assets, and be interesting to hear what you're seeing on that front.

Joseph V. Saffire
Chief Executive Officer & Director, Life Storage, Inc.
A

Yes. I mean it really depends, I think there's more that's come to market over the last – if you look back 12, 18 months ago to now, there has been a lot of opportunity.

The cap rates I think have stayed where they are probably a year ago but it will depend on the markets that you're looking at. And for us, we're able to pencil out with our model acquisition or expansion opportunities, [ph] lists or put them (21:48) on our platform. So, we look at a ton of deals and we're fortunate to find some really nice deals that are going to add to our portfolio and provide long-term growth, both that are in the lease up phase and also some stabilized that have expansion opportunities. So, it really depends, Smedes, on the markets, but there's definitely more to look at these days than I would say a year ago.

Smedes Rose
Analyst, Citigroup Global Markets, Inc.
Q

Okay. And then, could you just maybe give a little commentary on Houston specifically about how – I mean obviously it's still weak in the second quarter, which I think you had mentioned on your last call that was expected. But how are you seeing things there over the next couple of quarters?

Joseph V. Saffire
Chief Executive Officer & Director, Life Storage, Inc.
A

Yes, I mean we're – we did get a nice little bump in occupancy which was nice to see. We're still dealing with the comps from the rates last year after the hurricane. But when we look at supply and we're tracking what's kind of being planned and what's being constructed, over the last six months, we've actually seen the planning and the construction kind of go down, so that's somewhat encouraging.

And Houston was one of the markets that was first in the cycle of this build up and we're feeling pretty good about Houston over the next 12 to 18 months. We definitely have seen the new construction kind of peak and I hope it stays that way.

Smedes Rose
Analyst, Citigroup Global Markets, Inc.
Q

Okay. Thank you.

Operator: [Operator Instructions] And our next question comes from Jonathan Hughes of Raymond James. Please go ahead.

Jonathan Hughes
Analyst, Raymond James & Associates, Inc.
Q

Hey, good morning.

Joseph V. Saffire
Chief Executive Officer & Director, Life Storage, Inc.
A

Good morning, Jonathan.

Jonathan Hughes
Analyst, Raymond James & Associates, Inc.

Q

Following up on the 32 property sales and the same-store pool benefit, if I do the math in the sub and add back, those properties that were removed from same store, it looks like revenue growth and NOI growth benefited by about 180 basis points in the quarter, not 10 basis points. Maybe I'm missing something, but I was hoping you could clear that up and walk us through the math behind that 10 basis point benefit you saw?

Andrew J. Gregoire
Chief Financial Officer, Life Storage, Inc.

A

Yes, Jonathan, if you look at the supplement, I do believe it's page 18 in dispositions but you can only look at the 2019, because the 2018 numbers you see there also include the 12 stores we sold in December, so be careful there. Yes, there was no 180 basis point benefit from that change. It was really relatively minimal.

These stores have underperformed for years, but obviously as the whole marketplace nowadays is at the lower end of where we've been performing, those stores still perform, but they're still below -- slightly below where the rest of the portfolio is.

Jonathan Hughes
Analyst, Raymond James & Associates, Inc.

Q

Okay. Yes, that makes sense and maybe I'll follow-up online for some more detail there.

Joseph V. Saffire
Chief Executive Officer & Director, Life Storage, Inc.

A

Yes. Please do.

Jonathan Hughes
Analyst, Raymond James & Associates, Inc.

Q

And then turning to Internet marketing costs, those were up 15% in the quarter. Some of your peers saw those costs up nearly 50%. Those also -- those peers also posted some stronger than expected top line growth and maybe revenues were bought a bit there via the elevated marketing spend. Was just hoping you could talk about the returns you're seeing on Internet marketing spend and plans to increase the amount you allocate there.

Andrew J. Gregoire
Chief Financial Officer, Life Storage, Inc.

A

Yes, I think we do expect to see the spend increase over last year, probably to a larger extent than we saw in Q2 that 14% or wherever we were there. So I would expect that to bump up more, but it's really – you have to monitor that spend and look at the returns, and I think you can overspend and buy occupancy, but at the end of the day, we worry about NOI as well.

So, the revenue growth, we want to make sure we're being very precise on where we're spending those extra dollars and making sure the return is adequate. No question, the returns are getting tougher and tougher as [indiscernible] (25:33) higher and higher in Google.

Joseph V. Saffire
Chief Executive Officer & Director, Life Storage, Inc.

A

Yes. And Jonathan, it's just the paid searches is – every year gets more and more important. I think organic search, you might have to slide three or four times now in your phone to find an organic search listing. So obviously paid is getting more important.

And you have nontraditional players also bidding up on the auction, the valet guys are spending as well. So we're dealing with that. But you definitely get a benefit from doing it, and some of us I think smaller players are probably challenged with that. But, I don't see it getting any better anytime soon.

Jonathan Hughes
Analyst, Raymond James & Associates, Inc.

Q

Okay. Guys, just one more for me. Looking at move-ins, they were down, so were move-outs though. I guess has there been any change in customer trends like traffic and conversion rate? And then I don't think I heard where street rates and occupancy are today versus a year ago, if you wouldn't mind disclosing that. Thanks.

Andrew J. Gregoire
Chief Financial Officer, Life Storage, Inc.

A

Sure. Regarding the trends, I think fighting new supply, that's what's holding back the ins. We continue to be supplied – or surprised by the outs being down, again with our in-place strategy being aggressive in the last two years. That has been the big surprise.

Ins, as we go through this part of the building cycle, are going to be tough and we'll continue to fight for those. Rates in the quarter, street rates were up – or I'm sorry, street rates were down 3.5%. It's about – it's very similar in July, net effective was down I think 10 basis points more than that 3.6%, very similar in July.

Jonathan Hughes
Analyst, Raymond James & Associates, Inc.

Q

Got it. Thanks. Thanks for the time, guys.

Joseph V. Saffire
Chief Executive Officer & Director, Life Storage, Inc.

A

Okay.

Operator: Our next question comes from Ryan Lumb of Green Street Advisors. Please go ahead.

Ryan Lumb
Analyst, Green Street Advisors

Q

Hi. Thanks. Good morning. Just a clarification on the sold stores line item on page 18 of the supplement, how many stores are in that bucket?

Andrew J. Gregoire
Chief Financial Officer, Life Storage, Inc.

A

In 2018, there's 32 stores in the numbers, because the 12 were sold – I'm sorry, 13 were sold in 2018. So a total of 45 have been sold for the last 12 months, 13 of them in 2018 before the end of the year, and then 32 this year.

So the 2019 numbers has the 32 stores in it, the 2018 numbers has the 32 plus, the other 13 stores that were sold for the portion they were obviously held in 2018.

Ryan Lumb
Analyst, Green Street Advisors

Q

Okay. And then I guess following up on the discussion around sort of the outlook for acquisitions, I think in the release the phrasing was there's a strong pipeline of acquisition opportunities.

And again, going back to maybe Smedes' question of it's a bit different than what we've been hearing from other large operators. I guess where are you finding opportunities today? Are there specific pockets of maybe [ph] see those (28:32) deals are where the value lies for specific markets or how are you seeing a strong pipeline of opportunities when it seems like others are finding good value hard to come by?

Joseph V. Saffire
Chief Executive Officer & Director, Life Storage, Inc.

A

Well, there's definitely been a lot more on the market even broker deals, you've seen a lot more in the last six to nine months. So I think we've all been pretty busy looking at opportunities from what I've read and what I've seen. I've seen some others doing some deals as well.

We have a great acquisitions team. We have 40 plus years experience. We have deep relationships across owners of a lot of JV part – a lot of private equity and a lot of it is just relationship and even with brokers, even in what may be coming up, and we've just seen a lot more opportunities and we've been taking a look at lot more deals that have come to market, obviously don't win them all or want them all.

But just has been more active in general and we've clearly have found some opportunities in markets that we really desire to be in, Seattle in particular and Baltimore, and they fit nicely in our portfolio. Still the challenge is California, we'd love to have more in California. We were able to get a couple last year, but that's a very hard market to find new opportunities, find a lot of new supply.

But we'll keep looking and what we're seeing coming on the market in the next six months, we'll see if there's other opportunities. But what we have currently in the pipeline that we have under contract or closed the contract, we look to focus on those to get those to the finish line soon.

Ryan Lumb
Analyst, Green Street Advisors

Q

Okay, great. Thanks for the color.

Joseph V. Saffire
Chief Executive Officer & Director, Life Storage, Inc.

A

Sure.

Operator: Our next question is a follow up from Jeremy Metz of BMO Capital Markets. Please go ahead.

R. Jeremy Metz
Analyst, BMO Capital Markets (United States)

Q

Hey, I just had one quick follow up. And I'm sorry to keep digging in on the same-store pool change and the impact, I get it was only 10 basis points here in the NOI side. But can you just kind of break that between revenue and expenses just because I'm trying to think through the impact and what the implications for the full year guide, which had revenue unchanged and obviously the same-store NOI was uplifted from the expense side. So, from that 10 basis points, from the full year impact, how much of that can you say was revenue versus expense?

Andrew J. Gregoire
Chief Financial Officer, Life Storage, Inc.

A

Sure, it's very similar, Jeremy, it's about 10 basis points revenue, 10 basis points NOI. It's not a whole lot different.

R. Jeremy Metz
Analyst, BMO Capital Markets (United States)

Q

Simple and easy, all right, thanks guys.

Operator: This concludes our question-and-answer session. I would like to turn the conference back over to Joe Saffire for any closing remarks.

Joseph V. Saffire
Chief Executive Officer & Director, Life Storage, Inc.

Okay. Well, thank you, everybody. We're excited about our strategy and we're saying that we are able to execute on what we've been saying we both wanted to do. And on that, we'll look forward to speaking to all of you at [ph] NAREIT (31:30).

Operator: The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.