

Extra Space Storage - How Local Should Pricing Be?

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Decision scope: A hypothetical review of how to sequence revenue-management attention across store groups

Case convention: The role and decision are hypothetical. Historical facts and management statements are sourced; no private deliberations or undisclosed targets are represented.

The assignment

Imagine joining Extra Space Storage's portfolio strategy team on March 1, 2024. The company has completed its Life Storage merger and issued separate 2024 same-store outlooks for legacy Extra Space (EXR) and Legacy Life Storage (LSI) pools. You are asked to recommend how the company should organize the next phase of pricing review across the two groups.

Should the team apply a common pricing playbook, prioritize local testing, or stage changes as it learns more about the merged portfolio? The decision concerns rates offered to new tenants and rent changes for existing tenants. A useful recommendation must address occupancy, revenue and customer turnover together and explain what evidence would change the choice. This is a classroom assignment, not a disclosed management mandate. [P1] [P2]

A scaled self-storage operator

Extra Space Storage owns and operates self-storage properties and also manages stores, provides lending, acquires, develops and redevelops properties. Stores rent space month to month for personal or business use. At December 31, 2023, the company owned and/or operated 3,714 stores in 42 states and Washington, D.C., with about 2.6 million units and 283 million rentable square feet. Its brands included Extra Space, Life Storage and Storage Express. [P1, Item 1, ¶¶189-198] [P2, ¶¶274-276]

Extra Space describes its business as dependent on leasing available units and actively managing rental rates. Its 10-K says it uses revenue-management systems and adjusts rents in response to local, regional and national conditions. It also says stores clustered around population centers allow operating-cost economies. These are company descriptions of its capabilities and operating model; public disclosures do not explain how the system sets individual prices or allocates local decision authority. [P1, Item 7, printed pp. 20-21, ¶¶662-668]

The Life Storage merger closed on July 20, 2023. The acquisition brought 757 wholly owned stores and one consolidated joint-venture store into Extra Space's portfolio. By year-end, the company said much of the business was integrated but listed continuing risks involving people, systems, separate brands, costs and timing. The merger itself is complete; the question here is

how to manage the resulting operating portfolio. [P1, Note 5, ¶¶1690-1717; Risk Factors, ¶¶313-323]

What the operating results show

Extra Space's reported revenue grew in 2023, but the year included the Life Storage acquisition and other store additions. The company attributed \$507.1 million of additional rental revenue primarily to the merger and other 2023 acquisitions. It separately attributed \$46.7 million to operating results at stabilized stores and \$7.5 million to occupancy increases at lease-up stores. The annual total therefore combines different sources and does not isolate merger benefits or the effect of pricing. [P1, Item 7, printed pp. 22-23, ¶¶718-725]

The historical same-store figures cover a narrower group. Extra Space's FY2023 same-store pool consisted of 913 stabilized, wholly owned and operated stores. It did not include Life Storage assets. In that pool, FY2023 rental revenue increased 3.1%, operating expenses increased 4.0%, and net operating income increased 2.8%. Year-end square-foot occupancy was 93.0%, compared with 94.1% in 2022. The company attributed revenue growth to higher average rates for existing customers and other income, partly offset by lower occupancy; it attributed expense growth to several operating-cost categories and a negative expense-growth comparison in 2022. [P1, Item 7, printed pp. 27-28, ¶¶819-836; P2, ¶¶270-273]

Exhibit 1. Historical same-store performance and 2024 guidance

Measure	FY2023 historical same-store pool	EXR 2024 estimate	Legacy LSI 2024 estimate
Pool size	913 stores	1,078 stores	664 stores
Revenue growth	+3.1%	−2.00% to +0.50%	+2.00% to +4.50%
Operating expense growth	+4.0%	+4.00% to +5.50%	+6.25% to +7.75%
NOI growth	+2.8%	−4.25% to −0.50%	−0.25% to +4.00%
Year-end square-foot occupancy	93.0% vs. 94.1% in 2022	-	-

Historical same-store figures are Extra Space's reported results. Its 913-store pool excludes all Life Storage assets. 2024 figures are management estimates for two separately defined pools, not realized results. Pool sizes and definitions differ, so the columns are not a controlled comparison and do not show that pricing caused the forecast differences. Source: [P1, Item 7, pp. 27-28] [P2, ¶¶177-183, ¶¶270-273].

The fourth-quarter signal was mixed as well. In Q4 2023, the historical same-store pool's revenue increased 0.8% while NOI decreased 0.1%. Average square-foot occupancy during the quarter was 93.4%, compared with 94.6% a year earlier; quarter-end occupancy was 93.0%, compared with 94.1%. These measures capture a stabilized pool, not the full post-merger company. [P2, ¶¶91-124]

Management said lower rates for new customers were a headwind, while in-place rents and same-store occupancy remained solid. It also said it was working to optimize recent Life Storage assets and expected those stores to benefit from Extra Space's operating platform. The release does not quantify how much each factor contributed to the forecast ranges. [P2, ¶¶45-46]

The choices

The pricing review has at least three plausible starting points:

- **One common playbook:** use the same core rate-setting rules across both store groups to maintain consistency and support platform scale.
- **Local tests first:** allow targeted pricing tests in selected local markets or store cohorts, then compare response before broader use.
- **Stage by pool and evidence:** set a common measurement framework but sequence operating changes separately across legacy EXR and LSI groups while their performance is tracked.

Each path raises practical questions. How should rates for a prospective tenant be compared with increases for a tenant already in place? What should count as a successful result if occupancy rises while average rent falls, or revenue grows while move-outs accelerate? How should the team account for unit-size availability, local supply, seasonality and differences in store maturity? What protections should keep a short-term rate test from weakening longer-term revenue or customer retention?

Exhibit 2. Evidence available and missing

At the cutoff	Not disclosed in the cited public sources
Company uses revenue-management systems and says it adjusts rents for local, regional and national conditions. [P1]	Store-level asking and realized prices, discounts, lead conversion and customer price sensitivity.
Historical same-store revenue, expense, NOI and occupancy; distinct EXR and LSI 2024 guidance pools. [P1] [P2]	Store-level availability by unit size, move-ins, move-outs and tenant tenure paired with price changes.
Management's statements about new-customer rates, in-place rents and integration priorities. [P2]	A quantified bridge from rate changes to occupancy, churn, revenue or NOI.
Company identifies local competition and new facility development as factors that can affect occupancy, rents and expenses. [P1, Risk Factors, ¶¶332-333]	Current competitor prices or supply by local market, and proof that any specific market is over- or underpriced.

Decision prompt

Recommend how Extra Space should sequence its 2024 pricing review across legacy EXR and LSI stores. Choose a common playbook, local tests, or a staged approach-or define a combination with clear boundaries. Specify the data, comparison method and guardrails you would require before changing rates more broadly. State the strongest counterargument to your approach. Separate facts from assumptions, and do not treat the company's guidance pools as evidence of pricing causality.

Sources and conventions

All information is limited to public materials available through February 29, 2024. Company attributions and forecasts are labeled. Dollar values are USD. Same-store measures are company-defined and exclude non-stabilized stores; the historical pool excluded Life Storage assets. No later results or outcomes are included.

[P1]: [Extra Space Storage Inc. 2023 Form 10-K](#), filed Feb. 29, 2024, accession 0001628280-24-008044; Item 1 ¶¶189-198; Risk Factors ¶¶313-333; Item 7 printed pp. 20-28, ¶¶658-668, 703-751, 819-836; Note 5 ¶¶1690-1717. [P2]: [Extra Space Storage Q4/FY2023 results release](#), dated Feb. 27, 2024, Exhibit 99.1 to Form 8-K accession 0001628280-24-007229; same-store results ¶¶91-124; outlook ¶¶166-201; definitions/limitations ¶¶270-276.