

## Life Storage to be Acquired by Extra Space, Shaking up Industry Landscape

**Storage industry greets its new largest operator.** On April 3, Extra Space Storage announced an all-stock acquisition of Life Storage valued at approximately \$12.4 billion. The latter REIT previously made headlines in February, after rejecting an unsolicited \$11 billion offer from Public Storage. This bid prompted Life Storage to privately court other opportunities during the following months. The transaction is expected to close in the second half of 2023, at which point Extra Space will surpass Public Storage as the nation’s largest self-storage operator by both number of facilities and net rentable square footage.

**Acquisition aiming for marketshare, offers some regional growth.** With nearly 3,500 locations between the two brands, Extra Space and Life Storage each cover a broad swath of the U.S. and are heavily concentrated in rapidly-growing Sun Belt metros. The acquisition will grow the REIT’s rentable square footage by more than 50 percent, though it largely reinforces Extra Space’s current presence across most regions. Life Storage nevertheless maintains operations in tertiary markets not yet covered by the former brand, such as Buffalo, New York and Biloxi, Mississippi. There may also be the potential for some operational improvements to be applied from Extra Space to the Life Storage portfolio. Extra Space recorded a lower average vacancy rate in 2022 among its wholly-owned locations than Life Storage. The two companies also proclaim that combining operations will lead to an estimated \$100 million in annual general administrative expense savings.

**More firms may look to solidify presence.** The self-storage sector continues to transition from a robust growth period during the pandemic. From the end of 2019 to the start of 2022, the average asking rent in the country grew by 13 percent, more than reversing a 5 percent decline recorded from 2017 to 2019. Since late last year, however, rents have been stable, with vacancy on an upward trajectory. In this environment, larger, well-capitalized entities may look to make strategic acquisitions in areas with long-term growth potential. While the acquisition of Life Storage by Extra Space is a major shift within the landscape of public self-storage operators, 59 percent of the rentable square feet in the country are owned by small businesses. As companies of various scopes look for opportunities, they may target tertiary metros. Many of these locations avoided the ample development that took place in 2018 and 2019, yet feature favorable population projections, fostering an environment for potential self-storage renter demand growth.

## ACQUISITION HIGHLIGHTS

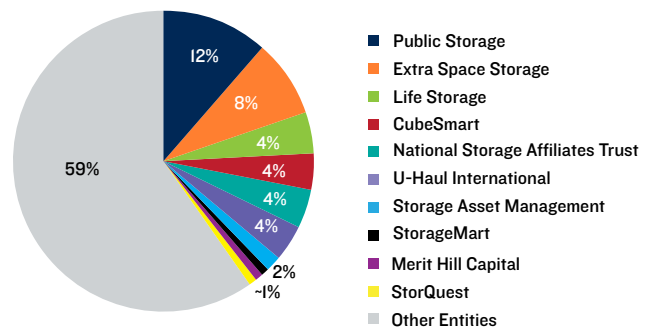
- Extra Space Storage operates roughly 2,180 facilities comprising a total of almost 168 million net rentable square feet, placing the organization second nationwide among self-storage operators prior to the merger.
- Life Storage covers almost 1,200 properties totaling near 85 million square feet, constituting the fourth-largest self-storage entity in the U.S. as of early 2023.
- Both companies hope to finalize the acquisition in the latter half of the year, which would result in Extra Space overseeing roughly 12 percent of all rentable square footage nationwide.
- The transaction’s underwriting assumes the cost of re-branding existing Life Storage assets, although Extra Space CEO Joe Margolis suggested that the REIT may test both brands in overlapping markets. No indication was given on whether any facilities in such locales were slated for closure.

**1.55 million**  
Extra Space Storage  
Units Nationwide

**790,000**  
Life Storage  
Units Nationwide

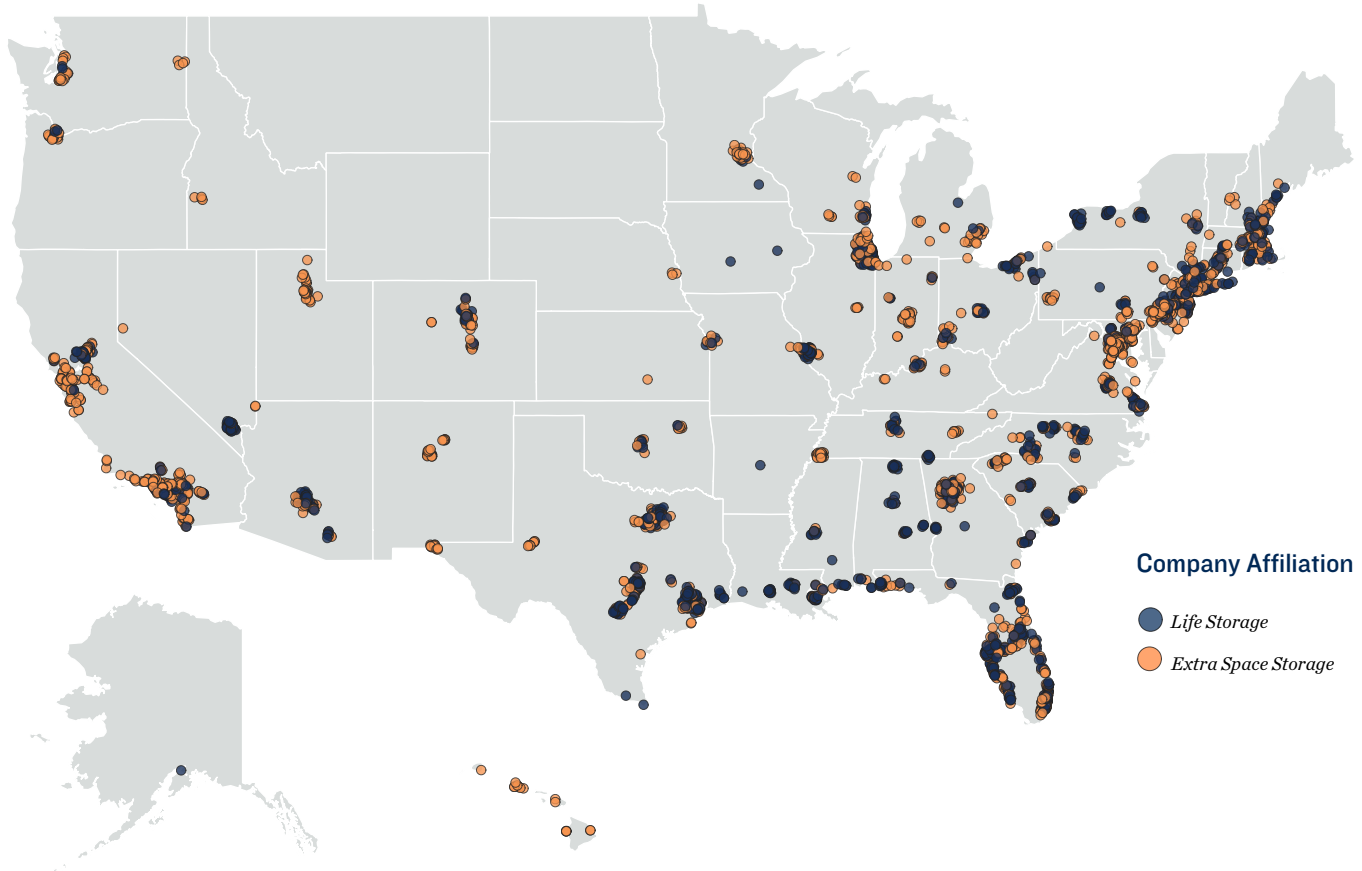
## — Top-10 Operators Take Up Substantial Space —

Percent of Net Rentable Square Footage Owned Nationwide\*



\* As of December 2022, includes locations both owned and managed  
Sources: Marcus & Millichap Research Services; 2023 Self-Storage Almanac

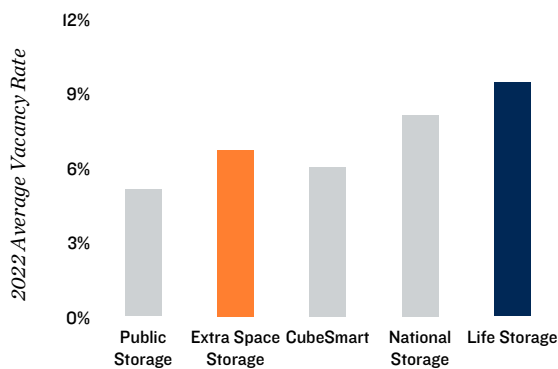
Acquisition Deepens Market Share, Offers Some Regional Expansion



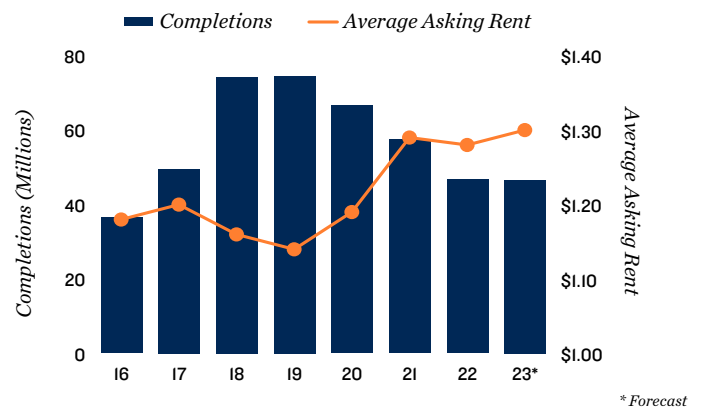
Company Affiliation

- Life Storage
- Extra Space Storage

Self-Storage REIT Vacancy Rates



U.S. Self-Storage Construction and Rent Trends



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Sources: Marcus & Millichap Research Services; 2023 Self-Storage Almanac; Radius+; Yardi Matrix; public filings of both Extra Space Storage and Life Storage

Price: \$1,000  
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