SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

August 18, 2023
(Date of Report (Date of Earliest Event Reported))

EXTRA SPACE STORAGE INC.
(Exact Name of Registrant as Specified in Its Charter)

Maryland	001-32269	20-1076777
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(IRS Employer Identification Number)

2795 East Cottonwood Parkway, Suite 300
Salt Lake City, Utah 84121
(Address of Principal Executive Offices)

(801) 365-4600
(Registrant's Telephone Number, Including Area Code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Securities Exchange Act of 1934

Title of each class	Trading symbol	Name of each exchange on which registered
Common Stock, $0.01 par value	EXR	New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

ITEM 8.01 Other Events

Life Storage Financial Statements

As previously disclosed, on July 20, 2023, Extra Space Storage Inc., a Maryland corporation (“Extra Space”), completed its merger (the “Merger”) with Life Storage, Inc., a Delaware corporation (“Life Storage”). This Current Report on Form 8-K is being filed to present (i) the unaudited consolidated financial statements of Life Storage as of June 30, 2023 and for the three and six months ended June 30, 2023 and 2022, which are attached hereto as Exhibit 99.1 and incorporated herein by this reference and (ii) the unaudited pro forma condensed combined financial information of Extra Space as of and for the six months ended June 30, 2023 and the year ended December 31, 2022, giving effect to the Merger, which is attached hereto as Exhibit 99.2 and incorporated herein by this reference. This Current Report on Form 8-K will permit us to incorporate the financial information included herein by reference in future filings with the Securities and Exchange Commission.

ITEM 9.01 Financial Statements and Exhibits

(d) Exhibits.

Exhibit No.	Description of Exhibit
99.1	Unaudited consolidated financial statements of Life Storage, Inc. as of June 30, 2023 and for the three and six months ended June 30, 2023 and 2022.
99.2	Unaudited pro forma condensed combined financial information of Extra Space Storage Inc. as of and for the six months ended June 30, 2023 and the year ended December 31, 2022.
104	Cover Page Interactive Data File (embedded within the Inline XBRL document).

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

EXTRA SPACE STORAGE INC.

Date: August 18, 2023	By	/s/ Gwyn McNeal	
		Name:	Gwyn McNeal
		Title:	Executive Vice President and Chief Legal Officer

Exhibit 99.1

LIFE STORAGE, INC.
CONSOLIDATED BALANCE SHEETS

(dollars in thousands, except share data)	June 30, 2023 (unaudited)	December 31, 2022
Assets		
Investment in storage facilities:		
Land	$ 1,312,600	$ 1,307,425
Building, equipment, and construction in progress	6,908,830	6,864,381
	8,221,430	8,171,806
Less: accumulated depreciation	(1,260,961)	(1,170,520)
Investment in storage facilities, net	6,960,469	7,001,286
Cash and cash equivalents	60,006	24,406
Accounts receivable	23,897	24,153
Receivable from unconsolidated joint ventures	1,479	1,562
Investment in unconsolidated joint ventures	289,808	275,190
Prepaid expenses	12,432	10,363
Trade name	16,500	16,500
Other assets	29,949	34,270
Total Assets	$ 7,394,540	$ 7,387,730
Liabilities		
Line of credit	$ 654,000	$ 595,000
Term notes, net	2,753,527	2,751,632
Accounts payable and accrued liabilities	137,807	148,130
Deferred revenue	35,256	33,192
Mortgages payable	32,296	36,258
Total Liabilities	3,612,886	3,564,212
Noncontrolling redeemable Preferred Operating Partnership Units at redemption value	—	89,077
Noncontrolling redeemable Common Operating Partnership Units (see Note 2)	243,561	107,074
Shareholders' Equity		
Common stock $.01 par value, 200,000,000 shares authorized, 85,102,868 shares outstanding at June 30, 2023 (85,019,884 at December 31, 2022)	851	850
Additional paid-in capital	3,886,640	3,886,317
Dividends in excess of net income	(351,562)	(261,510)
Accumulated other comprehensive loss	(2,749)	(3,207)
Total Shareholders' Equity	3,533,180	3,622,450
Noncontrolling interest in consolidated subsidiary	4,913	4,917
Total Equity	3,538,093	3,627,367
Total Liabilities and Equity	$ 7,394,540	$ 7,387,730

See notes to consolidated financial statements.

LIFE STORAGE, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

(dollars in thousands, except per share data)	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
Revenues				
Rental income	$ 243,024	$ 227,239	$ 483,507	$ 432,748
Tenant reinsurance	21,214	18,257	41,505	35,525
Other operating income	13,348	11,550	26,176	22,264
Total operating revenues	277,586	257,046	551,188	490,537
Expenses				
Property operations and maintenance	45,255	42,458	92,561	84,827
Tenant reinsurance	8,690	6,481	17,910	13,328
Real estate taxes	27,437	25,356	54,874	49,879
General and administrative	34,594	18,636	62,412	34,502
Depreciation and amortization	47,157	48,076	94,926	94,476
Total operating expenses	163,133	141,007	322,683	277,012
Gain on sale of non-real estate assets	76	1,925	762	1,965
Income from operations	114,529	117,964	229,267	215,490
Other income (expenses)				
Interest expense	(34,513)	(25,505)	(67,626)	(49,745)
Interest income	10	4	22	18
Equity in income of joint ventures	2,159	1,914	3,788	4,032
Net income	82,185	94,377	165,451	169,795
Net loss (income) attributable to noncontrolling preferred interests in the Operating Partnership	330	(1,007)	—	(2,003)
Net income attributable to noncontrolling common interests in the Operating Partnership	(1,741)	(1,106)	(3,074)	(1,953)
Net (income) loss attributable to noncontrolling interests in consolidated subsidiary	(1)	—	4	—
Net income attributable to common shareholders	$ 80,773	$ 92,264	$ 162,381	$ 165,839
Earnings per common share attributable to common shareholders – basic	$ 0.95	$ 1.09	$ 1.91	$ 1.98
Earnings per common share attributable to common shareholders – diluted	$ 0.94	$ 1.09	$ 1.90	$ 1.97
Common shares used in basic earnings per share calculation	84,977,931	84,270,378	84,956,896	83,957,402
Common shares used in diluted earnings per share calculation	85,165,746	84,428,182	85,272,079	84,132,978
Dividends declared per common share	$ 1.20	$ 1.00	$ 2.40	$ 2.00

See notes to consolidated financial statements.

LIFE STORAGE, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited)

(dollars in thousands)	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
Net income	$ 82,185	$ 94,377	$ 165,451	$ 169,795
Other comprehensive income:				
Effective portion of gain on derivatives net of reclassification to interest expense	229	229	458	458
Total comprehensive income	82,414	94,606	165,909	170,253
Comprehensive income attributable to noncontrolling interests in the Operating Partnership	(1,416)	(2,113)	(3,078)	(3,956)
Comprehensive income attributable to common shareholders	$ 80,998	$ 92,493	$ 162,831	$ 166,297

See notes to consolidated financial statements.

LIFE STORAGE, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

(dollars in thousands)	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
Operating Activities		
Net income	$ 165,451	$ 169,795
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	94,926	94,476
Amortization of debt issuance costs and bond discount	3,072	2,654
Equity in income of joint ventures	(3,788)	(4,032)
Distributions from unconsolidated joint ventures	9,224	8,125
Non-vested stock earned	3,675	3,404
Other	(5,253)	(1,977)
Changes in assets and liabilities (excluding the effects of acquisitions):		
Accounts receivable	1,649	(3,344)
Prepaid expenses	(2,365)	(2,099)
Receipts from (advances to) joint ventures	83	(292)
Accounts payable and other liabilities	(11,159)	(11,229)
Deferred revenue	2,064	3,581
Net cash provided by operating activities	257,579	259,062
Investing Activities		
Acquisition of storage facilities, net of cash acquired	—	(571,618)
Improvements, equipment additions, and construction in progress	(51,227)	(39,529)
Proceeds from sale of non-real estate assets	1,377	2,603
Investment in unconsolidated joint ventures	(19,870)	(23,106)
Property deposits	745	2,587
Net cash used in investing activities	(68,975)	(629,063)
Financing Activities		
Net proceeds from sale of common stock	1,116	100,807
Proceeds from line of credit	205,000	443,000
Repayments of line of credit	(146,000)	(140,000)
Dividends paid - common stock	(204,198)	(168,000)
Distributions to noncontrolling interest holders	(4,495)	(3,935)
Issuance of operating partnership units	88,674	—
Redemption of operating partnership units	(88,078)	(245)
Mortgage principal payments	(3,832)	(255)
Net cash (used in) provided by financing activities	(151,813)	231,372
Net increase (decrease) in cash and restricted cash	36,791	(138,629)
Cash and restricted cash at beginning of period	29,461	176,434
Cash and restricted cash at end of period	$ 66,252	$ 37,805
Supplemental cash flow information		
Cash paid for interest, net of interest capitalized	$ 67,733	$ 48,734
Cash paid for income taxes, net of refunds	$ 2,064	$ 2,014

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. BASIS OF PRESENTATION

The accompanying unaudited financial statements of Life Storage, Inc. (the "Company") have been prepared in accordance with generally accepted accounting principles for interim financial information. Accordingly, they do not include all information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the six-month period ended June 30, 2023 are not necessarily indicative of the results that may be expected for the year ending December 31, 2023.

2. ORGANIZATION

At June 30, 2023, the Company operated as a self-administered and self-managed real estate investment trust (a "REIT") that owned and operated self-storage properties. All of the Company's assets are owned by, and all its operations are conducted through, Life Storage LP (the "Operating Partnership"). At June 30, 2023, Life Storage Holdings, Inc. was a wholly owned subsidiary of the Company ("Holdings") and the sole general partner of the Operating Partnership; the Company was a limited partner of the Operating Partnership and, through its ownership of Holdings and its limited partnership interest, controlled the operations of the Operating Partnership, holding a 97.8% ownership interest therein as of June 30, 2023. The remaining ownership interests in the Operating Partnership (the "Units") were held by certain former owners of assets acquired by the Operating Partnership. Terms such as "we," "us," or "our" used in this report refer to the Company. As discussed further in Note 15, the Company merged with Extra Space Storage Inc. ("Extra Space") in July 2023.

At June 30, 2023, we had an ownership interest in and/or managed 1,227 self-storage properties in 37 states and the District of Columbia. Among our 1,227 self-storage properties are 146 properties that we manage for unconsolidated joint ventures (see Note 10) and 323 properties that we manage and in which we have no ownership interest.

We consolidate all wholly owned subsidiaries. Partially owned entities, including joint ventures, are consolidated when we control the entity. Our consolidated financial statements include the accounts of the Company, the Operating Partnership, Life Storage Solutions, LLC (one of the Company's taxable REIT subsidiaries), Warehouse Anywhere LLC, and all other wholly owned subsidiaries. Also included in our consolidated financial statements is one joint venture of which we owned 83% of the equity and were the primary beneficiary of the joint venture. All intercompany transactions and balances have been eliminated. Investments in joint ventures that we do not control but over which we have significant influence are accounted for using the equity method.

Included in the Company's consolidated balance sheets are noncontrolling redeemable Operating Partnership Units at redemption value. These interests are presented in the "mezzanine" section of the consolidated balance sheets because they do not meet the functional definition of a liability or equity under current accounting literature. These represent the outside ownership interests of the limited partners in the Operating Partnership. During the six months ended June 30, 2023, 3,523,113 preferred Operating Partnership Units were converted to 829,943 common Operating Partnership Units. After these conversions, no preferred Operating Partnership Units remained outstanding at June 30, 2023. There were 1,871,203 and 1,041,260 common noncontrolling redeemable Operating Partnership Units outstanding at June 30, 2023 and December 31, 2022, respectively, and 3,523,113 preferred noncontrolling redeemable Operating Partnership Units outstanding at December 31, 2022. The preferred noncontrolling redeemable Operating Partnership Units ranked senior to all other partnership interests with respect to distributions and liquidation.

As of June 30, 2023, the common unitholders were entitled to receive distributions per unit equivalent to the dividends declared per share on the Company's common stock. The preferred unitholders were entitled to receive a fixed priority return of 4.5% and the preferred noncontrolling redeemable Operating Partnership Units were convertible at the option of the unitholders into common noncontrolling redeemable Operating Partnership Units. Upon any such conversion, each preferred noncontrolling redeemable Operating Partnership Unit being converted was convertible into a number of common Operating Partnership Units equal to the quotient of (i) the stated value of the preferred noncontrolling redeemable Operating Partnership Units being converted (such stated value being $25.00 per preferred noncontrolling redeemable Operating Partnership Unit) plus any accrued and unpaid distributions, divided by (ii) the average closing price of the Company's common stock over the 90 consecutive trading days ending the trading day preceding the date of conversion. The Operating Partnership was obligated to redeem each of the common noncontrolling redeemable Operating Partnership Units at the request of the holder thereof for cash equal to the fair market value of a share of the Company's common stock based on a 10-day average of the daily market price, at the time of such redemption, provided that the Company, at its option, could elect to acquire any such Unit presented for redemption for one common share or cash.

The Company accounts for the noncontrolling redeemable Operating Partnership Units under the provisions of Accounting Standards Codification (ASC) Topic 480-10-S99. The application of the ASC Topic 480-10-S99 accounting model requires the noncontrolling interest to follow normal noncontrolling interest accounting and then be marked to redemption value at the end of each reporting period if higher (but never adjusted below that normal noncontrolling interest accounting amount) for the common noncontrolling redeemable Operating Partnership Units. The offset to the adjustment to the carrying amount of the common noncontrolling redeemable Operating Partnership Units is reflected in the Company's dividends in excess of net income. The value of common noncontrolling redeemable Operating Partnership Units at June 30, 2023 is equal to the number of common noncontrolling interest units outstanding multiplied by the fair market value of the Company's common stock at that date. Redemption value exceeded the value determined under the Company's historical basis of accounting at June 30, 2023. The redemption value of the common noncontrolling redeemable Operating Partnership Units was less than the normal noncontrolling interest amount at December 31,

2022. Accordingly, in the accompanying consolidated balance sheets, common noncontrolling redeemable Operating Partnership Units are reflected at the normal noncontrolling interest accounting amount at December 31, 2022 and at redemption value at June 30, 2023. ASC Topic 480-10-S99 requires the preferred noncontrolling redeemable Operating Partnership Units to be valued at fair value as of the date of issuance and to continue to be recorded at the value determined at initial measurement plus any accrued distributions.

The following is a reconciliation of the Company's common noncontrolling redeemable Operating Partnership Units for the period:

(dollars in thousands)	Six Months Ended June 30, 2023
Beginning balance	$ 107,074
Net income attributable to noncontrolling common interests in the Operating Partnership	3,074
Issuance of units	88,674
Distributions	(3,495)
Adjustment to redemption value	48,234
Ending balance	$ 243,561

The following is a reconciliation of the Company's preferred noncontrolling redeemable Operating Partnership Units for the period:

(dollars in thousands)	Six Months Ended June 30, 2023
Beginning balance	$ 89,077
Redemption of units	(88,078)
Distributions	(999)
Ending balance	$ —

The disaggregated revenues of the Company presented in accordance with ASC Topic 606 "*Revenue from Contracts with Customers*" are as follows:

(dollars in thousands)	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
Rental income	$ 243,024	$ 227,239	$ 483,507	$ 432,748
Tenant reinsurance	21,214	18,257	41,505	35,525
Management and acquisition fee income	7,730	6,340	14,664	12,196
Other	5,618	5,210	11,512	10,068
Total operating revenues	$ 277,586	$ 257,046	$ 551,188	$ 490,537

Management and acquisition fee income is included in other operating income in the consolidated statements of operations.

During the six months ended June 30, 2023, approximately 15% of the Company's revenue was derived from self-storage facilities in each of the states of Texas and Florida.

3. STOCK BASED COMPENSATION

The Company accounts for stock-based compensation under the provisions of ASC Topic 718, "*Compensation - Stock Compensation.*" The Company recognizes compensation cost in its financial statements for all share-based payments granted, modified, or settled during the period.

For awards with graded vesting, compensation cost is recognized on a straight-line basis over the related vesting period.

For the three months ended June 30, 2023 and 2022, the Company recorded compensation expense of $1,911,000 and $1,744,000, respectively, related to amortization of non-vested stock grants and performance-based awards. For the six months ended June 30, 2023 and 2022, the Company recorded compensation expense of $3,675,000 and $3,404,000, respectively, related to amortization of non-vested stock grants and performance-based awards.

During the three and six months ended June 30, 2023, 19,500 options were exercised by directors of the Company at a weighted average price of $57.24 per share. During the six months ended June 30, 2022, 5,250 options were exercised by directors of the Company at a weighted average exercise price of $32.95 per share. No stock options were exercised by employees or directors during the three months ended June 30, 2022.

During the six months ended June 30, 2023, the Company issued 35,344 shares of non-vested stock to employees and directors which vest over a period of one to five years from the respective grant dates. The per-share fair market value on the date of grant of the non-vested stock issued during the six months ended June 30, 2023 was $97.32 to $134.52, resulting in an aggregate fair value of $4.5 million. During the three months ended June 30, 2023 and 2022, 19,499 and 21,517 shares of non-vested stock, respectively, vested. During the six months ended June 30, 2023 and 2022, 37,161 and 30,596 shares of non-vested stock, respectively, vested.

During the six months ended June 30, 2023, the Company granted performance-based awards that entitle recipients to earn up to 10,000 shares of Company stock if certain performance criteria are achieved over a three-year period. The Company estimated the aggregate fair value of the awards on the grant date to be $0.6 million.

4. CASH AND RESTRICTED CASH

Restricted cash represents those amounts required to be placed in escrow by banks with whom the Company has mortgages and amounts required to be placed into escrow related to the Company's tenant reinsurance program. Restricted cash is included in other assets in the consolidated balance sheets. The following table provides a reconciliation of cash and restricted cash reported within the consolidated statement of cash flows:

(dollars in thousands)	June 30, 2023	December 31, 2022	June 30, 2022
Cash	$ 60,006	$ 24,406	$ 32,639
Restricted cash	6,246	5,055	5,166
Total cash and restricted cash	$ 66,252	$ 29,461	$ 37,805

5. INVESTMENT IN STORAGE FACILITIES AND INTANGIBLE ASSETS

The following summarizes our activity in storage facilities during the six months ended June 30, 2023:

(dollars in thousands)	
Cost:	
Beginning balance	$ 8,171,806
Improvements and equipment additions	40,329
Net increase in construction in progress	10,999
Dispositions	(1,704)
Ending balance	$ 8,221,430
Accumulated Depreciation:	
Beginning balance	$ 1,170,520
Additions during the period	91,530
Dispositions	(1,089)
Ending balance	$ 1,260,961

The Company measures the fair value of in-place customer lease intangible assets based on the Company's experience with customer turnover and the cost to replace the in-place leases. The Company amortizes in-place customer leases on a straight-line basis over 12 months (the estimated future benefit period). The Company measures the value of trade names, which have an indefinite life and are not amortized, by calculating discounted cash flows utilizing the relief from royalty method.

In-place customer leases are included in other assets on the Company's consolidated balance sheets as follows:

(dollars in thousands)	June 30, 2023	December 31, 2022
In-place customer leases	$ 118,216	$ 118,216
Accumulated amortization	(117,411)	(114,005)
Net carrying value at the end of period	$ 805	$ 4,211

Amortization expense related to in-place customer leases was $1.4 million and $5.4 million for the three months ended June 30, 2023 and 2022, respectively, and $3.4 million and $11.1 million for the six months ended June 30, 2023 and 2022, respectively, and is included in depreciation and amortization expense in the consolidated statements of operations.

6. UNSECURED LINE OF CREDIT AND TERM NOTES

Borrowings outstanding on our unsecured line of credit and term notes are as follows:

(dollars in thousands)	June 30, 2023	December 31, 2022
Revolving line of credit borrowings	$ 654,000	$ 595,000
Term note due April 8, 2024	$ 175,000	$ 175,000
Senior term note due July 1, 2026	600,000	600,000
Senior term note due December 15, 2027	450,000	450,000
Term note due July 21, 2028	200,000	200,000
Senior term note due June 15, 2029	350,000	350,000
Senior term note due October 15, 2030	400,000	400,000
Senior term note due October 15, 2031	600,000	600,000
Total term note principal balance outstanding	2,775,000	2,775,000
Less: unamortized debt issuance costs	(12,525)	(13,685)
Less: unamortized senior term note discount	(8,948)	(9,683)
Term notes payable	$ 2,753,527	$ 2,751,632

The Company's unsecured amended and restated credit facility includes a revolving credit facility with a limit of $1.25 billion and a maturity date of January 13, 2027. The revolving credit facility bears interest at a variable annual rate equal to Term SOFR plus a 0.10% SOFR adjustment plus a margin based on the Company's credit rating (at June 30, 2023, the margin is 0.775%) and requires an annual facility fee which varies based on the Company's credit rating (at June 30, 2023, the facility fee is 0.15%). The interest rate on the Company’s revolving credit facility at June 30, 2023 was approximately 5.97% (5.20% at December 31, 2022). At June 30, 2023, there was $595.9 million available on the unsecured line of credit. The Company has the option under the credit facility to increase the total aggregate borrowing capacity to $2.0 billion. All outstanding balances on the Company's unsecured amended and restated credit facility were repaid on July 20, 2023 and such facility was terminated at that time.

On October 7, 2021, the Operating Partnership issued $600 million in aggregate principal amount of 2.400% unsecured senior notes due October 15, 2031 (the "2031 Senior Notes"). The 2031 Senior Notes were issued at 0.917% discount to par value. Interest on the 2031 Senior Notes is payable semi-annually in arrears on each April 15 and October 15. Proceeds received upon issuance, net of discount to par of $5.5 million, and underwriting discount and other offering expenses of $5.1 million, totaled $589.4 million.

On September 23, 2020, the Operating Partnership issued $400 million in aggregate principal amount of 2.200% unsecured senior notes due October 15, 2030 (the “2030 Senior Notes”). The 2030 Senior Notes were issued at 0.476% discount to par value. Interest on the 2030 Senior Notes is payable semi-annually in arrears on each April 15 and October 15. Proceeds received upon issuance, net of discount to par of $1.9 million and underwriting and other offering expenses of $3.5 million, totaled $394.6 million.

On June 3, 2019, the Operating Partnership issued $350 million in aggregate principal amount of 4.000% unsecured senior notes due June 15, 2029 (the “2029 Senior Notes”). The 2029 Senior Notes were issued at a 0.524% discount to par value. Interest on the 2029 Senior Notes is payable semi-annually in arrears on each June 15 and December 15. Proceeds received upon issuance, net of discount to par of $1.8 million and underwriting discount and other offering expenses of $3.1 million, totaled $345.1 million.

On December 7, 2017, the Operating Partnership issued $450 million in aggregate principal amount of 3.875% unsecured senior notes due December 15, 2027 (the “2027 Senior Notes”). The 2027 Senior Notes were issued at a 0.477% discount to par value. Interest on the 2027 Senior Notes is payable semi-annually in arrears on each June 15 and December 15. Proceeds received upon issuance, net of discount to par of $2.1 million and underwriting discount and other offering expenses of $4.0 million, totaled $443.9 million.

On June 20, 2016, the Operating Partnership issued $600 million in aggregate principal amount of 3.50% unsecured senior notes due July 1, 2026 (the “2026 Senior Notes”). The 2026 Senior Notes were issued at a 0.553% discount to par value. Interest on the 2026 Senior Notes is payable semi-annually in arrears on each January 1 and July 1. Proceeds received upon issuance, net of discount to par of $3.3 million and underwriting discount and other offering expenses of $5.5 million, totaled $591.2 million.

The 2031 Senior Notes, the 2030 Senior Notes, the 2029 Senior Notes, the 2027 Senior Notes and the 2026 Senior Notes (collectively the "Senior Notes") are all fully and unconditionally guaranteed by the Company. The indenture under which the Senior Notes were issued restricts the ability of the Company and its subsidiaries to incur debt unless the Company and its consolidated subsidiaries comply with a leverage ratio not to exceed 60% and an interest coverage ratio of more than 1.5:1 on all outstanding debt, after giving effect to the incurrence of the debt. The indenture also restricts the ability of the Company and its subsidiaries to incur secured debt unless the Company and its consolidated subsidiaries comply with a secured debt leverage ratio not to exceed 40% after giving effect to the incurrence of the debt. The indenture also contains other financial and customary covenants, including a covenant not to own unencumbered assets with a value less than 150% of the unsecured indebtedness of the Company and its consolidated subsidiaries. At June 30, 2023, the Company was in compliance with such covenants. In July 2023, subsequent to the merger with Extra Space Storage, the Senior Notes were subject to an exchange offer whereby noteholders who elected to participate in the exchange received senior notes of Extra Space Storage with the same interest and maturity terms as the Life Storage Senior Notes. In conjunction with this exchange, the Company entered into a Sixth Supplemental Indenture to eliminate substantially all of the restricted covenants applicable to the Senior Notes and any of the Company's reporting obligations under the Senior Notes, other than those required by applicable law.

On July 21, 2016, the Company entered into a $200 million term note maturing July 21, 2028 bearing interest at a fixed rate of 3.67%. On July 20, 2023, this $200 million term note was redeemed and repaid.

On April 8, 2014, the Company entered into a $175 million term note maturing April 8, 2024 bearing interest at a fixed rate of 4.533%. The interest rate on the term note increases to 6.283% if the Company is not rated by at least one rating agency or if the Company’s credit rating is downgraded. On July 20, 2023, this $175 million term note was redeemed and repaid.

The line of credit and term notes require the Company to meet certain financial covenants, measured on a quarterly basis, including prescribed leverage, fixed charge coverage, minimum net worth, limitations on additional indebtedness and limitations on dividend payouts. As a result of the termination of the unsecured amended and restated credit facility and the repayment of the Term Notes subsequent to June 30, 2023, the Company is no longer subject to these covenants.

We believe that if operating results remain consistent with historical levels and levels of other debt and liabilities remain consistent with amounts outstanding at June 30, 2023, the entire availability on the line of credit could be drawn without violating our debt covenants.

The Company’s fixed rate term notes contain a provision that allows for the noteholders to call the debt upon a change of control of the Company at an amount that includes a make whole premium based on rates in effect on the date of the change of control. Such make whole premium totaled $0 for the fixed term notes at the time of redemption and repayment in July 2023.

Deferred debt issuance costs and the discount on the outstanding term notes are both presented as reductions of term notes in the accompanying consolidated balance sheets at June 30, 2023 and December 31, 2022. Amortization expense related to deferred debt issuance costs was $0.9 million and $0.7 million for the three months ended June 30, 2023 and 2022, respectively, and $1.9 million and $1.5 million for the six months ended June 30, 2023 and 2022, respectively, and is included in interest expense in the consolidated statements of operations.

7. MORTGAGES PAYABLE AND DEBT MATURITIES

Mortgages payable at June 30, 2023 and December 31, 2022 consist of the following:

(dollars in thousands)	June 30, 2023	December 31, 2022
4.065% mortgage note due April 1, 2023, secured by one self-storage facility	$ —	$ 3,620
5.26% mortgage note due November 1, 2023, secured by one self-storage facility with an aggregate net book value of $7.8 million, principal and interest paid monthly (effective interest rate 5.58%)	3,523	3,566
4.4625% mortgage notes due December 6, 2024, secured by three self-storage facilities with an aggregate net book value of $53.0 million, principal and interest paid monthly (effective interest rate 3.26%)	22,040	22,169
4.44% mortgage note due July 6, 2025, secured by one self-storage facility with an aggregate net book value of $13.0 million, principal and interest paid monthly (effective interest rate 4.50%)	6,045	6,108
5.99% mortgage note due May 1, 2026, secured by one self-storage facility with an aggregate net book value of $6.1 million, principal and interest paid monthly (effective interest rate 6.68%)	688	795
Total mortgages payable	$ 32,296	$ 36,258

On March 31, 2023, the Company paid the remaining outstanding principal balance on the 4.065% mortgage note due April 1, 2023. In July 2023, subsequent to the merger with Extra Space Storage, all remaining mortgages were paid off or defeased.

The table below summarizes the Company's debt obligations at June 30, 2023. The estimated fair value of financial instruments is subjective in nature and is dependent on a number of important assumptions, including discount rates and relevant comparable market information associated with each financial instrument. The fair value of the fixed rate term notes and mortgage notes were estimated by discounting the future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities. These assumptions are considered Level 2 inputs within the fair value hierarchy as described in Note 9. The carrying values of our variable rate debt instruments approximate their fair values as these debt instruments bear interest at current market rates that approximate market participant rates. This is considered a Level 2 input within the fair value hierarchy. The use of different market assumptions and estimation methodologies may have a material effect on the reported estimated fair value amounts. Accordingly, the estimates presented below are not necessarily indicative of the amounts the Company would realize in a current market exchange.

	Expected Maturity Date Including Discount							
(dollars in thousands)	**2023**	**2024**	**2025**	**2026**	**2027**	**Thereafter**	**Total**	**Fair Value**
Line of credit - variable rate SOFR + 0.775% (5.97% at June 30, 2023)	$ —	$ —	$ —	$ —	$ 654,000	$ —	$ 654,000	$ 654,000
Notes Payable:								
Term note - fixed rate 4.533%	—	175,000	—	—	—	—	175,000	170,899
Term note - fixed rate 3.50%	—	—	—	600,000	—	—	600,000	555,236
Term note - fixed rate 3.875%	—	—	—	—	450,000	—	450,000	416,455
Term note - fixed rate 3.67%	—	—	—	—	—	200,000	200,000	178,615
Term note - fixed rate 4.00%	—	—	—	—	—	350,000	350,000	318,789
Term note - fixed rate 2.20%	—	—	—	—	—	400,000	400,000	311,962
Term note - fixed rate 2.40%	—	—	—	—	—	600,000	600,000	462,221
Mortgage note - fixed rate 5.26%	3,523	—	—	—	—	—	3,523	3,485
Mortgage notes - fixed rate 4.4625%	—	22,040	—	—	—	—	22,040	20,639
Mortgage note - fixed rate 4.44%	63	131	5,851	—	—	—	6,045	5,700
Mortgage note - fixed rate 5.99%	110	229	243	106	—	—	688	681
Total	$ 3,696	$ 197,400	$ 6,094	$ 600,106	$ 1,104,000	$ 1,550,000	$ 3,461,296	

8. DERIVATIVE FINANCIAL INSTRUMENTS

In 2015 and 2016, the Company entered into forward starting interest rate swap agreements to hedge the risk of changes in the interest-related cash flows associated with the potential issuance of fixed rate long-term debt. In conjunction with the issuance of the 2026 Senior Notes (see Note 6), the Company terminated these hedges and settled the forward starting swap agreements for approximately $9.2 million. The $9.2 million has been deferred in Accumulated Other Comprehensive Loss ("AOCL") and is being amortized as additional interest expense over the ten-year term of the 2026 Senior Notes or until such time as interest payments on the 2026 Senior Notes are no longer probable. Such amortization is included in amortization of debt issuance costs and bond discount in the consolidated statements of cash flows.

The changes in AOCL for the three and six months ended June 30, 2023 and 2022 are summarized as follows:

(dollars in thousands)	**Three Months Ended June 30, 2023**	**Three Months Ended June 30, 2022**	**Six Months Ended June 30, 2023**	**Six Months Ended June 30, 2022**
Accumulated other comprehensive loss beginning of period	$ (2,978)	$ (3,895)	$ (3,207)	(4,124)
Realized loss reclassified from accumulated other comprehensive loss to interest expense	229	229	458	458
Accumulated other comprehensive loss end of period	$ (2,749)	$ (3,666)	$ (2,749)	$ (3,666)

9. FAIR VALUE MEASUREMENTS

The Company applies the provisions of ASC Topic 820 "*Fair Value Measurements and Disclosures*" in determining the fair value of its financial and nonfinancial assets and liabilities. ASC Topic 820 establishes a valuation hierarchy for disclosure of the inputs to valuation used to measure fair value. This hierarchy prioritizes the inputs into three broad levels as follows. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration. Level 3 inputs are unobservable inputs based on our own assumptions used to measure assets and liabilities at fair value. A financial asset or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

Refer to Note 7 for presentation of the fair values of debt obligations which are disclosed at fair value on a recurring basis.

There are no assets or liabilities carried at fair value measured on a recurring basis on the consolidated balance sheets as of June 30, 2023 and December 31, 2022.

10. INVESTMENT IN JOINT VENTURES

A summary of the Company's unconsolidated joint ventures is as follows:

Venture	Number of Properties at June 30, 2023	Company common ownership interest at June 30, 2023	Carrying value of investment at June 30, 2023	Carrying value of investment at December 31, 2022
Sovran HHF Storage Holdings LLC ("Sovran HHF")[1]	37	20%	$62.7 million	$63.6 million
Sovran HHF Storage Holdings II LLC ("Sovran HHF II")	22	15%	($2.6 million)	($2.4 million)
Life Storage-HIERS Storage LLC ("HIERS")	17	20%	$14.0 million	$13.7 million
191 V Life Storage Holdings LLC ("191 V")	17	20%	$26.6 million	$27.5 million
GII Life Storage Holdings LLC ("GII")	13	35%	$47.7 million	$48.6 million
LS HF8 ComRef LLC ("HF8")[2]	3	20%	$11.7 million	$11.9 million
LS HF9 ComRef Texas LLC ("HF9")[3]	4	20%	$13.5 million	$13.7 million
Life Storage HHF Wasatch Holdings LLC ("Wasatch")[4]	16	20%	$56.0 million	$52.8 million
Iskalo Office Holdings, LLC ("Iskalo")[5]	N/A	49%	($2.3 million)	($2.3 million)
Life Storage Spacemax, LLC ("Spacemax")	6	40%	$13.3 million	$13.7 million
IRE LSI Clutter JV, LLC ("Clutter")[6]	4	10%	$15.0 million	—
Life Storage ArrowMark Venture LLC ("ArrowMark Venture")[7]	N/A	50%	$6.0 million	$5.9 million
Joint ventures with properties in development stage[8]	5	Various	$16.1 million	$16.1 million
Other unconsolidated joint ventures	6	Various	$7.2 million	$7.6 million

1 As of June 30, 2023, the carrying value of the Company's investment in Sovran HHF exceeds its share of the underlying equity in net assets of Sovran HHF by approximately $1.7 million as a result of the capitalization of certain acquisition-related costs in 2008. This difference is included in the carrying value of the investment. In June 2022, Sovran HHF acquired one additional self-storage facility for cash consideration of $33.4 million. The Company made an additional contribution of $6.7 million as the Company's share of this transaction.

2 In August 2022, the Company executed a joint venture agreement, LS HF8 ComRef LLC, with an unrelated third-party with the purpose of acquiring and operating self-storage facilities. In October 2022, HF8 acquired three self-storage facilities for a total contractual purchase price of $59.0 million. During 2022, the Company contributed $12.0 million to HF8 as the Company's share of the initial capital investment in the joint venture.

3 In October 2022, the Company executed a joint venture agreement, LS HF9 ComRef Texas LLC, with an unrelated third-party with the purpose of acquiring and operating self-storage facilities. In October 2022, HF9 acquired four self-storage facilities for a total contractual purchase price of $67.5 million. During 2022, the Company contributed $13.8 million to HF9 as the Company's share of the initial capital investment in the joint venture.

4 In July 2022, the Company executed a joint venture agreement, Life Storage HHF Wasatch Holdings LLC, with an unrelated third-party with the purpose of acquiring and operating self-storage facilities. In September 2022, Wasatch acquired 15 self-storage facilities for a total contractual purchase price of $262.0 million. During 2022, the Company contributed $53.4 million to Wasatch as the Company's share of the initial capital investment in the joint venture. In February 2023, Wasatch acquired one additional self-storage facility for a total contractual purchase price of $22.4 million. During 2023, the Company made an additional contribution of $4.1 million as the Company's share of the cash required to fund this acquisition.

5 Iskalo owns the building that houses the Company's headquarters. The Company paid rent to Iskalo of $0.8 million during each of the six months ended June 30, 2023 and June 30, 2022.

6 In April 2023, the Company executed a joint venture agreement, IRE LSI Clutter JV, LLC, with an unrelated third-party with the purpose of acquiring and operating self-storage facilities. In April 2023, Clutter acquired four self-storage facilities for a total contractual purchase price of $150.0 million. During 2023, the Company contributed $15.1 million as the Company's share of the initial capital investment in the joint venture.

[7] In October 2021, the Company executed a joint venture agreement, Life Storage ArrowMark Venture LLC, with the purpose of arranging and originating mortgage loans to owners of self-storage facilities throughout the United States. During 2022, the Company contributed $4.2 million to ArrowMark Venture as the Company's share of the funding of mortgage loans to third-parties. No contributions were made during 2023.

[8] The Company has entered into five separate joint ventures, four of which are developing self-storage facilities in the New York City market and one of which is developing a self-storage facility in the Tampa, FL, market. The Company has not made any contributions to these joint ventures during 2023.

Based on the facts and circumstances of each of the Company's joint ventures, the Company has determined that one of the joint ventures at June 30, 2023 is a variable interest entity ("VIE") in accordance with ASC 810, "*Consolidation*." The Company has consolidated that joint venture as it was determined that the Company has the power to direct the activities of the joint venture and is the primary beneficiary of the joint venture. The Company used the voting model under ASC 810 to determine whether or not to consolidate the remaining joint ventures. Based upon each member's substantive participation rights over the activities as stipulated in the joint venture agreements, none of the joint ventures evaluated under the voting model are consolidated by the Company. Due to the Company's significant influence over the operations of each of these joint ventures, all above joint ventures are accounted for under the equity method of accounting.

The carrying values of the Company's investments in joint ventures are assessed for other-than-temporary impairment on a periodic basis and no such impairments have been recorded on any of the Company's investments in joint ventures.

As property manager of the self-storage facilities owned by each of the operational joint ventures, the Company earns management and/or call center fees based on a percentage of joint venture gross revenues. These fees earned from joint ventures, which are included in other operating income in the consolidated statements of operations, totaled $3.1 million and $2.6 million for the three months ended June 30, 2023 and 2022, respectively, and $6.3 million and $5.1 million for the six months ended June 30, 2023 and 2022, respectively.

The Company's share of the unconsolidated joint ventures' income is as follows:

(dollars in thousands) Venture	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
Sovran HHF	$ 1,033	$ 1,044	$ 2,048	$ 2,004
Sovran HHF II	561	537	1,100	1,012
Other unconsolidated joint ventures	565	333	640	1,016
	$ 2,159	$ 1,914	$ 3,788	$ 4,032

The Company does not guarantee the debt of any of its equity method investees.

We do not expect to have material future cash outlays relating to these joint ventures outside our share of capital required for future acquisitions of self-storage facilities, our share of capital for the origination of nonrecourse loans by ArrowMark Venture, our share of capital required for the development of properties under construction, and our share of the payoff of secured debt held by these joint ventures.

11. INCOME TAXES

The Company qualifies as a REIT under the Internal Revenue Code of 1986, as amended, and will generally not be subject to corporate income taxes to the extent it distributes its taxable income to its shareholders and complies with certain other requirements.

The Company has elected to treat certain of its subsidiaries as taxable REIT subsidiaries. In general, the Company's taxable REIT subsidiaries may perform additional services for tenants and generally may engage in certain real estate or non-real estate related business. A taxable REIT subsidiary is subject to corporate federal and state income taxes. Deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities.

The Company recorded federal and state income tax expense of $1.1 million and $2.2 million for the three and six months ended June 30, 2023, respectively. The amount for the three months ended June 30, 2023 is included in general and administrative expenses in the consolidated statements of operations. Of the amount for the six months ended June 30, 2023, $0.3 million is included in gain on sale of non-real estate assets while the remainder is included in general and administrative expenses in the consolidated statements of operations. The Company recorded federal and state income tax expense of $1.5 million and $1.9 million for the three and six months ended June 30, 2022, respectively. Of these amounts, $0.7 million is included in gain on sale of non-real estate assets while the remainder is included in general and administrative expenses in the consolidated statements of operations. At June 30, 2023 and 2022, there were no material unrecognized tax benefits, and the Company had no interest or penalties relating to uncertain tax positions during the periods then ended. Interest and penalties relating to uncertain tax positions will be recognized in income tax expense when incurred. Income taxes payable by the Company and the net deferred tax liabilities of our taxable REIT subsidiaries are classified within accounts payable and accrued liabilities in the consolidated balance sheets, while prepaid income taxes are classified within prepaid expenses. As of June 30, 2023, the Company's taxable REIT subsidiaries have deferred tax assets totaling $0.6 million and a deferred tax liability of $2.2 million. As of December 31, 2022, the Company's taxable REIT subsidiaries had deferred tax assets of $0.5 million and a deferred tax liability of $2.0 million. The tax years 2019-2022 remain open to examination by the major taxing jurisdictions to which the Company is subject.

The Tax Cuts and Jobs Act (the "TCJA") was enacted on December 20, 2017. The TCJA significantly changed the U.S. federal income tax laws applicable to businesses and their owners, including REITs and their shareholders. Under the TCJA, the corporate income tax rate is reduced from a maximum rate of 35% to a flat 21% rate. The reduced corporate income tax rate, which is effective for taxable years beginning after December 31, 2017, applies to income earned by our taxable REIT subsidiaries.

12. EARNINGS PER SHARE

The Company reports earnings per share data in accordance ASC Topic 260, "*Earnings Per Share*." Under ASC Topic 260-10, unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents, whether paid or unpaid, are participating securities and shall be included in the computation of earnings-per-share pursuant to the two-class method. The Company has calculated its basic and diluted earnings per share/unit using the two-class method.

The following table sets forth the computation of the Company's basic and diluted earnings per common share utilizing the two-class method.

(in thousands except per share data)	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
Numerator:				
Net income attributable to common shareholders	$ 80,773	$ 92,264	$ 162,381	$ 165,839
Net income attributable to Preferred OP Unit distribution	(330)	—	—	—
Net income attributable to outstanding common shares	$ 80,443	$ 92,264	$ 162,381	$ 165,839
Denominator:				
Denominator for basic earnings per share – weighted average shares	84,978	84,270	84,957	83,957
Effect of Dilutive Securities:				
Stock options and non-vested stock	188	158	315	176
Denominator for diluted earnings per share – adjusted weighted average shares and assumed conversion	85,166	84,428	85,272	84,133
Basic earnings per common share attributable to common shareholders	$ 0.95	$ 1.09	$ 1.91	$ 1.98
Diluted earnings per common share attributable to common shareholders	$ 0.94	$ 1.09	$ 1.90	$ 1.97

Not included in the effect of dilutive securities above are 142,312 unvested restricted shares for the three months ended June 30, 2023, and 140,541 unvested restricted shares for the three months ended June 30, 2022, because their effect would be antidilutive. Not included in the effect of dilutive securities above are 143,652 unvested restricted shares for the six months ended June 30, 2023, and 131,989 unvested restricted shares for the six months ended June 30, 2022, because their effect would be antidilutive. Additionally, the effect of 3,590,603 preferred noncontrolling redeemable Operating Partnership Units is not included in the effect of dilutive securities above for the three and six months ended June 30, 2022 as such Units were not redeemable at June 30, 2022.

13. SHAREHOLDERS' EQUITY

The following is a reconciliation of the changes in the Company's total shareholders' equity for the six months ended June 30, 2023:

(dollars in thousands)	Common Stock	Additional Paid-in Capital	Dividends in Excess of Net Income	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
Balance December 31, 2022	$ 850	$ 3,886,317	$ (261,510)	$ (3,207)	$ 3,622,450
Net impact of restricted stock issued and surrendered for taxes	1	(3,221)	—	—	(3,220)
Deferred compensation of Directors	—	30	—	—	30
Earned portion of non-vested stock	—	1,764	—	—	1,764
Adjustment to redemption value on noncontrolling redeemable Operating Partnership Units	—	—	(35,640)	—	(35,640)
Net income attributable to common shareholders	—	—	81,608	—	81,608
Amortization of terminated hedge included in AOCL	—	—	—	229	229
Dividends	—	—	(102,028)	—	(102,028)
Balance March 31, 2023	851	3,884,890	(317,570)	(2,978)	$ 3,565,193
Net impact of restricted stock issued and surrendered for taxes	—	(830)	—	—	(830)
Deferred compensation of Directors	—	30	—	—	30
Earned portion of non-vested stock	—	1,911	—	—	1,911
Exercise of stock options	—	1,116	—	—	1,116
Net impact of options exercised and surrendered for taxes	—	(477)	—	—	(477)
Adjustment to redemption value on noncontrolling redeemable Operating Partnership units	—	—	(12,594)	—	(12,594)
Net income attributable to common shareholders	—	—	80,773	—	80,773
Amortization of terminated hedge included in AOCL	—	—	—	229	229
Dividends	—	—	(102,171)	—	(102,171)
Balance June 30, 2023	$ 851	$ 3,886,640	$ (351,562)	$ (2,749)	$ 3,533,180

The following is a reconciliation of the changes in the Company's total shareholders' equity for the six months ended June 30, 2022:

(dollars in thousands)	Common Stock	Additional Paid-in Capital	Dividends in Excess of Net Income	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
Balance December 31, 2021	$ 836	$ 3,697,000	$ (314,713)	$ (4,124)	$ 3,378,999
Net proceeds from issuance of common stock	7	92,764	—	—	92,771
Exercise of stock options	—	173	—	—	173
Earned portion of non-vested stock	—	1,661	—	—	1,661
Adjustment to redemption value on noncontrolling redeemable Operating Partnership units	—	—	10,924	—	10,924
Net income attributable to common shareholders	—	—	73,575	—	73,575
Amortization of terminated hedge included in AOCL	—	—	—	229	229
Dividends	—	—	(83,637)	—	(83,637)
Balance March 31, 2022	843	3,791,598	(313,851)	(3,895)	3,474,695
Net proceeds from issuance of common stock	1	7,864	—	—	7,865
Earned portion of non-vested stock	—	1,743	—	—	1,743
Carrying value less than redemption value on redeemed noncontrolling interest	—	(2)	—	—	(2)
Adjustment to redemption value on noncontrolling redeemable Operating Partnership units	—	—	27,930	—	27,930
Net income attributable to common shareholders	—	—	92,264	—	92,264
Amortization of terminated hedge included in AOCL	—	—	—	229	229
Dividends	—	—	(84,363)	—	(84,363)
Balance June 30, 2022	$ 844	$ 3,801,203	$ (278,020)	$ (3,666)	$ 3,520,361

On June 15, 2021, the Company entered into a continuous equity offering program ("2021 Equity Program") with multiple sales agents pursuant to which the Company was permitted to sell up to $500 million in aggregate offering price of shares of the Company's common stock. The 2021 Equity Program was replaced on August 11, 2022 when the Company entered into a new continuous equity offering program ("2022 Equity Program") with multiple sales agents pursuant to which the Company is permitted to sell up to $1 billion in aggregate offering price of shares of the Company's common stock. Actual sales under this continuous equity offering program will depend on a variety of factors and conditions, including, but not limited to, market conditions, the trading price of the Company's common stock, and determinations of the appropriate sources of funding for the Company. The Company expects to offer, sell and issue shares of common stock under this equity program from time to time based on various factors and conditions, although the Company is under no obligation to sell any shares under this equity program. The 2021 Equity Program and the 2022 Equity Program are referred to collectively as the "Equity Programs."

During the six months ended June 30, 2023, the Company did not issue any shares of common stock under the Equity Programs.

During the six months ended June 30, 2022, the Company issued 742,448 shares of common stock under the Equity Programs at a weighted average issue price of $136.96 per share, generating net proceeds of $100.7 million after deducting $1.0 million of sales commissions paid to the sales agents (all other related expenses were minor during the period). The Company used such proceeds to fund a portion of the 31 storage facilities acquired during the six months ended June 30, 2022.

On August 2, 2017, the Company's Board of Directors authorized the repurchase of up to $200 million of the Company's outstanding common shares ("Buyback Program"). The Buyback Program allows the Company to purchase shares of its common stock in accordance with applicable securities laws on the open market, through privately negotiated transactions, or through other methods of acquiring shares. The Buyback Program may be suspended or discontinued at any time. The Company did not repurchase any outstanding common shares under the Buyback Program during the six months ended June 30, 2023 or during the six months ended June 30, 2022.

In 2013, the Company implemented a Dividend Reinvestment Plan which was suspended by the Company's Board of Directors in 2017. As a result, the Company did not issue any shares under the Dividend Reinvestment Plan during the six months ended June 30, 2023 and 2022.

14. COMMITMENT AND CONTINGENCIES

The Company’s lease population is comprised of leases for land and/or buildings in which certain of the Company’s self-storage facilities operate, as well as leases of warehousing and corporate office space. All leases where the Company is the lessee qualify as operating leases and the Company does not have any financing leases as of June 30, 2023. At June 30, 2023 and December 31, 2022, the Company’s aggregate right-of-use assets total $16.7 million and $17.4 million, respectively, and are included in other assets on the consolidated balance sheets. The related lease liabilities at June 30, 2023 and December 31, 2022 total $16.1 million and $17.1 million, respectively, and are included in accounts payable and accrued liabilities on the consolidated balance sheets.

Expenses related to operating leases totaled $0.7 million for both the three months ended June 30, 2023 and 2022 and $1.3 million for both the six months ended June 30, 2023 and 2022. At June 30, 2023, the weighted average remaining lease term and weighted average discount rate for the Company’s operating leases were 9.1 years and 4.66%, respectively.

At June 30, 2023, the Company had approximately $20.2 million of operating lease commitments, excluding variable consideration. The undiscounted future minimum lease payments are summarized by year in the table below:

(in thousands)		
2023	$	1,037
2024		2,584
2025		2,402
2026		2,483
2027		2,524
Thereafter		9,173
Total	$	20,203

The difference between the amounts included in the table above and the aggregate lease liability recorded in the accompanying consolidated balance sheet at June 30, 2023 is the result of the impact of the discount rate on future minimum lease payments.

At June 30, 2023, the Company was under contract to acquire three self-storage facilities for an aggregate purchase price of $60.0 million. The purchase of these self-storage facilities is subject to customary conditions to closing, and there is no assurance that these facilities will be acquired. Such contracts were transferred to Extra Space upon completion of the Mergers.

At June 30, 2023, the Company had signed contracts in place with third-party contractors for expansion and enhancements at its existing facilities. The Company expected to pay $48.8 million under these contracts in 2023 and 2024. Such contracts were transferred to Extra Space upon completion of the Mergers.

15. SUBSEQUENT EVENTS

On April 2, 2023, the Company entered into an agreement and plan of merger, as amended May 18, 2023, (the "Merger Agreement") by and among the Company, the Operating Partnership, Extra Space Storage Inc. ("Extra Space"), Extra Space Storage LP ("Extra Space OP"), Eros Merger Sub, LLC ("Eros Merger Sub") and Eros OP Merger Sub, LLC ("Eros OP Merger Sub"), pursuant to which Eros Merger Sub would merge with and into the Company (the "Company Merger"), with the Company surviving the Company Merger and remaining a wholly owned subsidiary of Extra Space and following certain conversion and contribution transactions, Eros OP Merger Sub would merge with and into the Operating Partnership (the "Partnership Merger" and together with the Company Merger, the "Mergers"), with the Operating Partnership surviving the Partnership Merger and becoming a wholly-owned subsidiary of Extra Space OP. At the effective time of the Company Merger on July 20, 2023 (the "Company Merger Effective Time"), each share of common stock of the Company outstanding immediately prior to the Company Merger Effective Time was automatically converted into the right to receive 0.895 shares of Extra Space common stock. Additionally, each share of restricted Company common stock that was issued and outstanding immediately prior to the Company Merger Effective Time, as of immediately prior to the Company Merger Effective Time, fully vested. Each performance stock unit with respect to shares of Company common stock that was outstanding as of immediately prior to the Company Merger Effective Time, as of immediately prior to the Company Merger Effective Time, accelerated and vested with respect to the Company performance stock units that would have vested based on the actual achievement of the applicable performance conditions over the truncated performance period ending on the closing date of the Company Merger, determined in accordance with the terms of the applicable award agreement.

The respective boards of directors of the Company and Extra Space approved the Merger Agreement and the Mergers closed on July 20, 2023, subsequent to (a) the approval of the Company Merger and other transactions contemplated by the Merger Agreement by the holders of at least two-thirds of the Company's common stock, (b) the approval of the issuance of Extra Space common stock in the Company Merger by a majority of the votes cast by the holders of Extra Space common stock on such matter, (c) the shares of Extra Space common stock to be issued in the Company Merger being approved for listing on the New York Stock Exchange, (d) the Form S-4 to be filed by Extra Space to register the offer and sale of shares of Extra Space common stock to be issued in the Company Merger becoming effective, (e) the absence of any temporary restraining order, injunction or other legal order, and no law being enacted, which would have had the effect of making illegal or otherwise prohibiting the consummation of the Mergers, (f) the receipt of certain legal opinions by each of the Company and Extra Space and (g) other customary conditions specified in the Merger Agreement.

In connection with the Mergers, the Company incurred approximately $187 million of related advisory fees, legal fees, other professional fees, and other costs which were paid during 2023, of which approximately $21 million was included in administrative expenses through June 30, 2023.

As discussed in Notes 6 and 7, subsequent to the Extra Space Mergers in July 2023, all outstanding balances on the Company's unsecured amended and restated credit facility were repaid and such facility was terminated at that time, all mortgages were either paid off or defeased, both term notes were redeemed and repaid, and the outstanding Senior Notes were subject to an exchange offer whereby noteholders would receive senior notes of Extra Space Storage with the same interest and maturity terms as the Life Storage Senior Notes.

On July 3, 2023, the Company declared a quarterly dividend of $0.90 per common share. The dividend was paid on July 19, 2023 to shareholders of record on July 13, 2023. The total dividend paid amounted to $76.6 million.

Exhibit 99.2

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

Introduction

On April 2, 2023, Extra Space Storage Inc., a Maryland corporation ("EXR Parent"), Extra Space Storage LP, a Delaware limited partnership ("EXR OP"), Eros Merger Sub, LLC, a Delaware limited liability company and a wholly owned subsidiary of Extra Space ("EXR Merger Sub"), Eros OP Merger Sub, LLC, a Delaware limited liability company and a wholly owned subsidiary of EXR OP ("EXR OP Merger Sub" and, together with Extra Space, EXR OP and EXR Merger Sub, the "Extra Space Parties"), Life Storage, Inc., a Maryland corporation ("LSI"), and Life Storage LP, a Delaware limited partnership ("LSI OP") entered into a Merger Agreement, as amended on May 18, 2023 (the "Merger Agreement"), pursuant to which, (a) EXR Merger Sub merged with and into Life Storage (the "Company Merger"), with LSI surviving the Company Merger and becoming a wholly owned subsidiary of EXR Parent (the "Surviving Entity"), (b) immediately after the effective time of the Company Merger (the "Company Merger Effective Time"), (i) the Surviving Entity was converted into a Maryland limited liability company and (ii) Life Storage Holdings, Inc., a Delaware corporation and the general partner of Life Storage OP ("LSI OP GP"), was converted into a Delaware limited liability company (such conversions, collectively, the "LLC Conversions"), (c) immediately after the LLC Conversions, EXR Parent contributed to EXR OP all of the outstanding equity interests of the Surviving Entity in exchange for the issuance by EXR OP to EXR Parent or its applicable subsidiaries of a number of newly issued partnership units in EXR OP equal to the number of shares of EXR Parent common stock (as defined below) issued in the Company Merger and (d) thereafter, EXR OP Merger Sub merged with and into LSI OP (the "Partnership Merger" and, together with the Company Merger, the "Mergers"), with Life Storage OP surviving the Partnership Merger and becoming a wholly owned indirect subsidiary of EXR OP.

Pursuant to the terms of the Merger Agreement, on July 20, 2023, at the Company Merger Effective Time, each share of common stock, par value $0.01 per share, of Life Storage ("LSI common stock") issued and outstanding as of immediately prior to the Company Merger Effective Time (other than shares of Life Storage Common Stock owned by any of the Life Storage Parties, the Extra Space Parties or any of their respective wholly owned subsidiaries, which were canceled) was automatically converted into the right to receive 0.895 (the "Exchange Ratio") of a validly issued, fully paid and non-assessable share of common stock, par value $0.01 per share, of EXR Parent ("EXR Parent common stock") (the "Merger Consideration"), together with cash in lieu of fractional shares, without interest, but subject to any withholding required under applicable law, upon the terms and subject to the conditions set forth in the Merger Agreement.

Upon the consummation of the Mergers, former LSI stockholders owned approximately 35% and pre-closing EXR Parent stockholders owned approximately 65% of the issued and outstanding combined company common stock.

Pro Forma Information

The following Unaudited Pro Forma Condensed Combined Financial Statements combine the historical consolidated financial statements of EXR Parent and LSI, including a Pro Forma Balance Sheet and Pro Forma Statements of Income, which we refer to as the "Pro Forma Financial Statements."

The accompanying Pro Forma Balance Sheet as of June 30, 2023 has been prepared as if the Mergers had occurred as of June 30, 2023. The accompanying Pro Forma Statements of Income for the six months ended June 30, 2023 and the year ended December 31, 2022 have been prepared as if the Mergers had occurred as of January 1, 2022, the beginning of the earliest period presented.

During the period from January 1, 2022, to June 30, 2023, EXR Parent and LSI acquired and disposed of various real estate assets. None of the assets acquired and disposed of by the respective companies during this period, individually or in the aggregate, or acquisitions and dispositions considered probable of closing as of the date of this Prospectus, exceeded the significance level that requires the presentation of pro forma financial information pursuant to Regulation S-X, Article 11. As such, the following Pro Forma Statements of Income for the six months ended June 30, 2023 and the year ended December 31, 2022 do not include pro forma adjustments to present the impact of these insignificant acquisitions and dispositions as if they occurred on January 1, 2022.

Pro forma adjustments, and the assumptions on which they are based, are described in the accompanying Notes to Pro Forma Financial Statements, which are referred to in this section as the accompanying notes.

The pro forma adjustments and the purchase price allocation as presented are based on estimates and certain information that is currently available. The Pro Forma Financial Statements have been prepared based upon the preliminary conclusion that the Mergers are accounted for as an asset acquisition under ASC 805-50 as substantially all of the fair value of the gross assets acquired was concentrated in a group of similar identifiable assets, and therefore, the Mergers were not considered a business combination. Under the asset acquisition method of accounting, the assets of LSI as of the effective date of the Mergers were measured by EXR Parent following a cost accumulation and allocation model under which the cost of the acquisition was allocated on a relative fair value basis to the net assets acquired. The process of valuing the net assets of Life Storage, as well as evaluating accounting policies for conformity, is preliminary in nature and subject to change. The assignment of fair values to LSI's assets and liabilities have not been finalized, are subject to change and could vary materially from the Pro Forma Financial Statements.

The Pro Forma Financial Statements have been prepared in accordance with the rules and regulations of the SEC. All significant adjustments that can be factually supported, are directly attributable to the Mergers and are expected to have a continuing impact within the SEC regulations covering the preparation of the Pro Forma Financial Statements, have been made. The Pro Forma Financial Statements are presented for illustrative purposes only and are not necessarily indicative of the combined operating results or financial position that would have occurred if such transactions had been consummated on the dates and in accordance with the assumptions described herein, nor are they necessarily indicative of future operating results or financial position. We anticipate significant corporate general and administrative as well as property operating cost savings as a result of the Mergers, but there can be no assurance that we will be successful in achieving these anticipated cost savings. Therefore, the Pro Forma Financial Statements included herein do not give effect to any synergies, potential cost reductions or other operating efficiencies that we expect to result from the Mergers based on management's actions, plans or intent after the Mergers.

You are urged to read the Pro Forma Financial Statements below together with EXR Parent's and LSI's publicly available historical consolidated financial statements and accompanying notes.

Merger Consideration

For purposes of the Pro Forma Financial Statements, EXR Parent estimates that the Mergers were completed for $14.9 billion through the issuance of equity based on the value of EXR Parent common stock and EXR OP common units issued of $11.6 billion, the assumption and/or repayment of debt of $3.1 billion and transaction costs. The aggregate equity consideration consists of shares of EXR Parent common stock and EXR OP common units issued in exchange for shares of LSI common stock and Life Storage OP common units and is calculated as follows (in thousands, except per share amounts):

Number of shares of EXR Parent common stock and EXR OP common units to be issued upon conversion of shares of LSI common stock and Life Storage OP common units at June 30, 2023[(1)]		77,892
Multiplied by price of Extra Space common stock on July 19, 2023	$	148.96
Estimated fair value of shares of Extra Space common stock and EXR OP common units to be issued		11,602,792
Estimated transaction costs[(2)]		161,400
Estimated aggregate consideration	$	11,764,192

(1) LSI stockholders and Life Storage OP unitholders received 0.895 of a newly issued share of EXR Parent common stock or 0.895 of a new EXR OP common unit, respectively, for each share of LSI common stock or Life Storage OP common unit, respectively, that they owned as of immediately prior to consummation of the Mergers. Shares related to the acceleration of unvested LSI equity awards under LSI's equity incentive plans that become fully vested at closing are included in the estimated shares to be issued.

(2) For purposes of the Pro Forma Financial Statements, estimated transaction costs for the Mergers were included in the estimated aggregate consideration. These estimated transaction costs are expected to be approximately $161 million and include the direct costs incurred in acquiring the real estate assets. These costs will be capitalized by Extra Space.

EXTRA SPACE STORAGE INC.
UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET
June 30, 2023
(In thousands)

	Historical (A)		Transaction Accounting Adjustments		Pro Forma Combined
	Extra Space Storage	Life Storage			
Assets:					
Real estate assets, net	$ 10,017,351	$ 6,961,274	$ 7,761,949	(B)	$ 24,740,574
Real estate assets - operating lease right-of-use assets	220,090	16,730	4,083	(C)	240,903
Investments in unconsolidated real estate entities	747,775	289,808	57,433	(D)	1,095,016
Investments in debt securities and notes receivable	891,190	—	—		891,190
Cash and cash equivalents	50,644	60,006	—		110,650
Other assets, net	438,403	66,722	114,413	(E)	619,538
Total assets	$ 12,365,453	$ 7,394,540	$ 7,937,878		$ 27,697,871
Liabilities, Noncontrolling Interests and Equity:					
Debt	$ 7,217,488	$ 2,785,823	$ 360,866	(F)	$ 10,364,177
Revolving lines of credit	275,250	654,000	(654,000)	(F)	275,250
Operating lease liabilities	228,343	16,126	—		244,469
Cash distributions in unconsolidated real estate ventures	69,183	—	—		69,183
Accounts payable and accrued expenses	212,416	121,681	—		334,097
Other liabilities	327,366	35,256	—		362,622
Total liabilities	8,330,046	3,612,886	(293,134)		11,649,798
Commitments and contingencies					
Noncontrolling Interests and Equity:					
Stockholders' equity:					
Common stock	1,351	851	(72)	(G)	2,130
Additional paid-in capital	3,383,303	3,886,640	7,876,773	(G)	15,146,716
Accumulated other comprehensive income (loss)	47,065	(2,749)	2,749	(G)	47,065
Accumulated deficit	(175,941)	(351,562)	351,562	(G)	(175,941)
Total stockholders' equity	3,255,778	3,533,180	8,231,012		15,019,970
Noncontrolling interests	779,629	248,474	—		1,028,103
Total noncontrolling interests and equity	4,035,407	3,781,654	8,231,012		16,048,073
Total liabilities, noncontrolling interests and equity	$ 12,365,453	$ 7,394,540	$ 7,937,878		$ 27,697,871

EXTRA SPACE STORAGE INC.
UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENTS OF INCOME
For the six months ended June 30, 2023
(In thousands, except share and per share data)

	Historical (A)				
	Extra Space Storage	Life Storage	Transaction Accounting Adjustments		Pro Forma Combined
Revenues:					
Property rental	$ 874,709	$ 483,507	$ —		$ 1,358,216
Tenant reinsurance	96,137	41,505	—		137,642
Management fees and other income	43,590	26,176	—		69,766
Total revenues	1,014,436	551,188	—		1,565,624
Expenses:					
Property operations	231,803	147,435	—	(H)	379,238
Tenant reinsurance	18,571	17,910	—	(H)	36,481
General and administrative	69,605	60,432	—	(H)	130,037
Depreciation and amortization	157,576	94,926	135,998	(I)	388,500
Total expenses	477,555	320,703	135,998		934,256
Gain on sale of non-real estate assets	—	1,014	—		1,014
Income from operations	536,881	231,499	(135,998)		632,382
Interest expense	(166,471)	(67,626)	(21,204)	(J)	(255,301)
Interest income	40,515	22	—		40,537
Income before equity in earnings and dividend income from unconsolidated real estate entities and income tax expense	410,925	163,895	(157,202)		417,618
Equity in earnings and dividend income from unconsolidated real estate entities	23,559	3,788	(270)	(K)	27,077
Income tax expense	(10,294)	(2,232)	—		(12,526)
Net income	424,190	165,451	(157,472)		432,169
Net income allocated to noncontrolling interests	(25,476)	(3,070)	2,922	(L)	(25,624)
Net income attributable to common stockholders	$ 398,714	$ 162,381	$ (154,550)		$ 406,545
Earnings per common share					
Basic	$ 2.96	$ 1.91			$ 1.93
Diluted	$ 2.95	$ 1.90			$ 1.92
Weighted average number of shares					
Basic	134,672,672	84,956,896			210,890,337 (M)
Diluted	143,337,522	85,272,079			221,229,914 (M)

EXTRA SPACE STORAGE INC.
UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENTS OF INCOME
For the year ended December 31, 2022
(In thousands, except share and per share data)

	Historical (A)					
	Extra Space Storage	Life Storage	Transaction Accounting Adjustments		Pro Forma Combined	
Revenues:						
Property rental	$ 1,654,735	$ 917,143	$ —		$ 2,571,878	
Tenant reinsurance	185,531	73,805	—		259,336	
Management fees and other income	83,904	47,218	—		131,122	
Total revenues	1,924,170	1,038,166	—		2,962,336	
Expenses:						
Property operations	435,342	279,470	—	(H)	714,812	
Tenant reinsurance	33,560	29,280	—	(H)	62,840	
Transaction related costs	1,548	—	—		1,548	
General and administrative	129,251	75,050	—	(H)	204,301	
Depreciation and amortization	288,316	192,902	268,945	(I)	750,163	
Total expenses	888,017	576,702	268,945		1,733,664	
Gain on real estate transactions	14,249	—	—		14,249	
Gain on sale of non-real estate assets	—	7,385	—		7,385	
Income from operations	1,050,402	468,849	(268,945)		1,250,306	
Interest expense	(219,171)	(109,240)	(42,410)	(J)	(370,821)	
Interest income	69,422	32	—		69,454	
Income before equity in earnings and dividend income from unconsolidated real estate entities and income tax expense	900,653	359,641	(311,355)		948,939	
Equity in earnings and dividend income from unconsolidated real estate entities	41,428	9,235	(1,079)	(K)	49,584	
Equity in earnings of unconsolidated real estate ventures - gain on sale of real estate assets	—	1,572	—		1,572	
Income tax expense	(20,925)	(3,986)	—		(24,911)	
Net income	921,156	366,462	(312,435)		975,183	
Net income allocated to noncontrolling interests	(60,468)	(8,334)	7,105	(L)	(61,697)	
Net income attributable to common stockholders	$ 860,688	$ 358,128	$ (305,329)		$ 913,487	
Earnings per common share					—	
Basic	$ 6.41	$ 4.25			$ 4.34	
Diluted	$ 6.41	$ 4.22			$ 4.33	
Weighted average number of shares					—	
Basic	134,050,815	84,322,043			210,268,480	(M)
Diluted	141,681,388	84,884,168			219,573,780	(M)

Notes to the Pro Forma Financial Statements

(1) Basis of Presentation

As described above, the preliminary conclusion is that the Mergers will be accounted for as an asset acquisition in accordance with GAAP. Under the asset acquisition method of accounting, the assets of LSI as of the effective date of the Mergers will be measured by EXR Parent following a cost accumulation and allocation model under which the cost of the acquisition is allocated on a relative fair value basis to the net assets acquired.

The unaudited pro forma condensed combined balance sheet as of June 30, 2023, assumes that the Mergers occurred on January 1, 2023. The unaudited pro forma condensed combined statements of operations for the six months ended June 30, 2023 and the year ended December 31, 2022 give pro forma effect to the Mergers as if completed on January 1, 2022.

(2) Preliminary Purchase Price Allocation

The following preliminary allocation of the purchase price of LSI is based on the preliminary estimate of the fair value of the tangible and intangible assets and liabilities of LSI at June 30, 2023. During the preparation of these unaudited pro forma condensed combined financial statements, EXR Parent did not become aware of any material differences between accounting policies of EXR Parent and LSI, except for certain reclassifications necessary to conform to EXR Parent's financial presentation, and accordingly, these unaudited pro forma condensed combined financial statements do not assume any material differences in accounting policies between EXR Parent and LSI. The final determination of the allocation of the purchase price will be based on the fair value of such assets and liabilities as of the actual consummation date of the mergers and will be completed after the mergers are consummated. As such, the final determination of the purchase price may be significantly different from the preliminary estimates used in the Pro Forma Financial Statements.

The estimated purchase price of LSI of $11.8 billion (as calculated in the manner described above) is allocated to the tangible and intangible assets acquired and assumed liabilities based on the following preliminary basis at June 30, 2023 (dollar amounts in thousands):

Investments in real estate properties, net	$14,723,223
Investments in real estate – right of use assets	20,813
Investments in and advancements to unconsolidated entities	347,241
Cash and other assets, including intangible assets	241,141
Debt	(3,146,689)
Accounts payable, accrued expenses and other liabilities, including lease intangible liabilities	(173,063)
Noncontrolling interests	(248,474)
Total estimated purchase price, including transaction costs	$11,764,192

(3) Historical Financial Statements

(A) In order to conform to the current EXR Parent presentation, we condensed and reclassified certain amounts presented in the historical financial statements of LSI, as follows:

Balance Sheet

- Real estate assets, net, as presented includes LSI's historical balance of Investment in storage facilities, net. It has been further adjusted to include in-place customer leases, which has been historically classified within Other assets, net in LSI's historical balance sheets. This change is as follows (in thousands):

		June 30, 2023
Investment in storage facilities, net (historical)	$	6,960,469
Add: in-place customer leases		805
Real estate assets, net as presented	**$**	**6,961,274**

- LSI's historical balance of Other assets, net has been adjusted to exclude in-place customer leases, as mentioned above, as well as to exclude lease right of use assets, which have been reported separately on the pro forma financials in line with EXR Parent's presentation. The balance has also been adjusted to include some historically separately presented items, including Accounts receivable, Receivable from unconsolidated joint ventures, Prepaid expenses, and Trade name. These changes are as follows (in thousands):

		June 30, 2023
Other assets, net (historical)	$	29,949
Less: in-place customer leases		(805)
Less: Operating lease right of use assets, as presented		(16,730)
Add: Accounts receivable		23,897
Add: Receivable from unconsolidated joint ventures		1,479
Add: Prepaid expenses		12,432
Add: Trade name		16,500
Other assets, net as presented	**$**	**66,722**

Statements of Operations

- LSI's historical presentation of Property operations and maintenance expenses, presented as Property operations at EXR Parent, has been adjusted to include Real estate tax amounts which are presented separately on LSI's historical financials, as follows (in thousands):

		For the Six Months Ended June 30, 2023		For the Year Ended December 31, 2022
Property operations and maintenance (historical)	$	92,561	$	179,760
Add: Real estate taxes		54,874		99,710
Property operations, as presented	**$**	**147,435**	**$**	**279,470**

- LSI's historical financial statements do not present Income tax expense as a separate line item. Rather, these amounts have been historically grouped into General and administrative expenses and Gain on sale of non-real estate assets. As such, to comply with EXR Parent's presentation of Income tax expenses, the applicable income tax amounts included in both of these expense categories have been allocated to Income tax expense, as follows (in thousands):

		For the Six Months Ended June 30, 2023		For the Year Ended December 31, 2022
General and administrative (historical)	$	62,412	$	77,201
Less: Income tax portion of G&A		(1,980)		(2,151)
General and administrative, as presented	**$**	**60,432**	**$**	**75,050**
Gain on sale of non-real estate assets (historical)	$	762	$	5,550
Add: Income tax portion of Gain on sale of non-real estate assets		252		1,835
Gain on sale of non-real estate assets, as presented	**$**	**1,014**	**$**	**7,385**
Income tax expense historically categorized as G&A	$	1,980	$	2,151
Income tax expense historically categorized as Gain on sale of non-real estate assets:		252		1,835
Income tax expense, as presented	**$**	**2,232**	**$**	**3,986**

(4) LSI Transaction Accounting Adjustments

Adjustments for Pro Forma Condensed Combined Balance Sheet

(B) LSI's real estate assets have been adjusted to their estimated fair value at June 30, 2023. We estimated the fair value of each property generally by applying a capitalization rate to the estimated net operating income and adding a portfolio premium to the property based on the relative fair value of the property in comparison to the total portfolio. We determined the capitalization rates that were appropriate by market, based on recent appraisals, transactions or other market data. The fair value of land is generally based on relevant market data, such as a comparison of the subject site to similar parcels that have recently been sold or are currently being offered on the market for sale. As part of the valuation, LSI's historical accumulated depreciation balance has been eliminated. The remainder of the adjustment can be attributed to capitalized transaction costs expected to be incurred, all of which have been allocated to Real estate assets, net.

(C) Adjustments to LSI's historical balance of Real estate assets – operating lease right-of-use assets are as follows (in thousands):

Elimination of lease right-of-use assets	$	(16,730)
Recognition of value of acquired lease right-of-use assets[(1)]		20,813
Total	**$**	**4,083**

(1) This adjustment includes the fair value of LSI's lease right-of-use assets for ground and office space leases, in which LSI is the lessee, as well as the fair value measurement of all associated below-market ground leases as of June 30, 2023. We estimated the value of each lease by calculating the present value of the future minimum rental payments at June 30, 2023 using EXR Parent's weighted average incremental borrowing rate of 6.4%. The weighted average remaining lease term for these leases was approximately nine years at June 30, 2023.

(D) LSI's Investments in unconsolidated real estate entities have been adjusted to their estimated fair value at June 30, 2023. The fair values for the investments were calculated using similar valuation methods as those used for consolidated real estate assets.

(E) Adjustments to LSI's historical balance of other assets are as follows (in thousands):

Elimination of trade name intangible asset	$	(16,500)
Recognition of value of trade name intangible assets		50,772
Recognition of value of captive insurance intangible assets		59,234
Recognition of value of management contracts intangible assets		6,969
Recognition of value of assembled workforce intangible assets		13,938
Total	**$**	**114,413**

(F) This adjustment reflects the fair value adjustment of the assumed debt balances of LSI as of June 30, 2023 as well as the pay down of certain LSI debt balances. The fair value of the assumed debt was updated based on readily available market data. This fair value adjustment also took into effect the elimination of associated debt issuance costs. The remaining debt was paid off by EXR drawing down on its credit facility.

(G) Adjustments represent the elimination of historical LSI balances and the issuance of EXR Parent common stock and EXR OP common units in exchange for shares of LSI common stock and Life Storage OP common units, respectively, in the Mergers.

Adjustments for Pro Forma Condensed Combined Statements of Income

The pro forma adjustments to the Pro Forma Condensed Combined Statements of Income assume that a purchase price allocation done as of January 1, 2022 was equivalent to amounts assigned based on the estimated purchase price allocation done at June 30, 2023 and reflected in the Pro Forma Condensed Combined Balance Sheet.

(H) We expect that the Mergers will create significant corporate general and administrative as well as property operating cost savings. There can be no assurance that we will be successful in achieving these anticipated cost savings. Therefore, the Pro Forma Financial Statements included herein do not give effect to any synergies, potential cost reductions or other operating efficiencies that we expect to result from the Mergers based on management's plans or intent after the Mergers.

(I) Depreciation and amortization expense is adjusted to remove $94.9 million and $192.9 million of LSI's historical depreciation and amortization expense and recognize $230.9 million and $461.8 million of depreciation and amortization expense for the six months ended June 30, 2023, and the year ended December 31, 2022, respectively. For purposes of this adjustment, we estimated the various components of the real estate acquired and used an estimated average useful life of 39 years for operating properties and an estimated weighted average remaining lease term associated with existing tenant relationships at June 30, 2023 that approximated 18 months.

(J) We adjusted LSI's interest expense based on the fair value of debt. The adjustment to interest expense includes the removal of LSI's historical interest expense, including amortization of deferred financing costs and debt premiums and discounts, and calculation of interest expense based on the estimated fair value of acquired debt, net of amounts capitalized. The weighted average interest rate associated with the debt at fair value was 5.6% at June 30, 2023 (see note F).

(K) We adjusted LSI's investments in unconsolidated entities to fair value. As a result, we adjusted the equity in earnings that LSI recognized from these entities to reflect the impact the amortization of these fair value adjustments would have had on earnings from these unconsolidated entities.

(L) An adjustment was made to reflect the Life Storage OP unitholders' ownership percentage in all of the pro forma adjustments described above.

(5) Combined Pro Forma Adjustments

(M) The unaudited pro forma adjustments to shares or units outstanding used in the calculation of basic earnings per share or unit attributable to common stockholders or unitholders and diluted earnings per share attributable to common stockholders or unitholders, after giving effect to the exchange ratios for the Mergers, were as follows (in thousands):

	Six Months Ended June 30, 2023	Year Ended December 31, 2022
Extra Space, Inc.		
Extra Space weighted average common shares outstanding – Basic	134,672,672	134,050,815
Shares issued to LSI stockholders – pro forma basis[1]	76,217,665	76,217,665
Weighted average common shares outstanding – Basic	**210,890,337**	**210,268,480**
Extra Space weighted average common shares outstanding – Diluted	143,337,522	141,681,388
Shares issued to LSI stockholders – pro forma basis[1]	76,217,665	76,217,665
OP units issued to Life Storage OP unitholders – pro forma basis[1]	1,674,726	1,674,726
Weighted average common shares outstanding – Diluted	**221,229,914**	**219,573,780**

(1) The pro forma weighted average shares or units outstanding assumes the issuance of shares of EXR Parent common stock and EXR OP common units in connection with the Mergers throughout all periods presented.