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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

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**FORM 10-K**

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(Mark One)

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

For the fiscal year ended December 31, 2015

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 001-32269

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**EXTRA SPACE STORAGE INC.**

(Exact name of registrant as specified in its charter)

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Maryland  
(State or other jurisdiction of  
incorporation or organization)

20-1076777  
(I.R.S. Employer  
Identification No.)

2795 East Cottonwood Parkway, Suite 400  
Salt Lake City, Utah 84121

(Address of principal executive offices and zip code)

Registrant's telephone number, including area code: (801) 365-4600

Securities Registered Pursuant to Section 12(b) of the Act:

| <u>Title of Each Class</u>     | <u>Name of exchange on which registered</u> |
|--------------------------------|---|
| Common Stock, \$0.01 par value | New York Stock Exchange, Inc.               |

Securities registered pursuant to Section 12(g) of the Act: None

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Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment of this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

|                         |  |                           |                          |
|-------------------------|--|---------------------------|--------------------------|
| Large accelerated filer | <input checked="" type="checkbox"/>                                    | Accelerated filer         | <input type="checkbox"/> |
| Non-accelerated filer   | <input type="checkbox"/> (Do not check if a smaller reporting company) | Smaller reporting company | <input type="checkbox"/> |

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

The aggregate market value of the common stock held by non-affiliates of the registrant was \$7,668,549,404 based upon the closing price on the New York Stock Exchange on June 30, 2015, the last business day of the registrant's most recently completed second fiscal quarter. This calculation does not reflect a determination that persons whose shares are excluded from the computation are affiliates for any other purpose.

**The number of shares outstanding of the registrant's common stock, \$0.01 par value per share, as of February 18, 2016 was 125,054,328.**

**Documents Incorporated by Reference**

Portions of the registrant's definitive proxy statement to be issued in connection with the registrant's annual stockholders' meeting to be held in 2016 are incorporated by reference into Part III of this Annual Report on Form 10-K.

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[Table of Contents](#)

EXTRA SPACE STORAGE INC.

Table of Contents

|                            |  |     |
|----------------------------|--|-----|
| <a href="#">PART I</a>     |  | 4   |
| Item 1.                    | <a href="#">Business</a>   | 4   |
| Item 1A.                   | <a href="#">Risk Factors</a>   | 8   |
| Item 1B.                   | <a href="#">Unresolved Staff Comments</a>  | 20  |
| Item 2.                    | <a href="#">Properties</a>   | 20  |
| Item 3.                    | <a href="#">Legal Proceedings</a>  | 25  |
| Item 4.                    | <a href="#">Mine Safety Disclosures</a>  | 25  |
| <a href="#">PART II</a>    |  | 26  |
| Item 5.                    | <a href="#">Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</a> | 26  |
| Item 6.                    | <a href="#">Selected Financial Data</a>  | 27  |
| Item 7.                    | <a href="#">Management's Discussion and Analysis of Financial Condition and Results of Operations</a>                        | 29  |
| Item 7A.                   | <a href="#">Quantitative and Qualitative Disclosures About Market Risk</a>   | 48  |
| Item 8.                    | <a href="#">Financial Statements and Supplementary Data</a>  | 49  |
| Item 9.                    | <a href="#">Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</a>                         | 120 |
| Item 9A.                   | <a href="#">Controls and Procedures</a>  | 120 |
| Item 9B.                   | <a href="#">Other Information</a>  | 122 |
| <a href="#">PART III</a>   |  | 123 |
| Item 10.                   | <a href="#">Directors, Executive Officers and Corporate Governance</a>   | 123 |
| Item 11.                   | <a href="#">Executive Compensation</a>   | 123 |
| Item 12.                   | <a href="#">Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</a>               | 123 |
| Item 13.                   | <a href="#">Certain Relationships and Related Transactions, and Director Independence</a>                                    | 123 |
| Item 14.                   | <a href="#">Principal Accounting Fees and Services</a>   | 123 |
| <a href="#">PART IV</a>    |  | 124 |
| Item 15.                   | <a href="#">Exhibits and Financial Statement Schedules</a>   | 124 |
| <a href="#">SIGNATURES</a> |  | 128 |

---

## [Table of Contents](#)

### Statements Regarding Forward-Looking Information

Certain information set forth in this report contains “forward-looking statements” within the meaning of the federal securities laws. Forward-looking statements include statements concerning our plans, objectives, goals, strategies, future events, future revenues or performance, capital expenditures, financing needs, plans or intentions relating to acquisitions and other information that is not historical information. In some cases, forward-looking statements can be identified by terminology such as “believes,” “expects,” “estimates,” “may,” “will,” “should,” “anticipates,” or “intends” or the negative of such terms or other comparable terminology, or by discussions of strategy. We may also make additional forward-looking statements from time to time. All such subsequent forward-looking statements, whether written or oral, by us or on our behalf, are also expressly qualified by these cautionary statements.

All forward-looking statements, including without limitation, management’s examination of historical operating trends and estimates of future earnings, are based upon our current expectations and various assumptions. Our expectations, beliefs and projections are expressed in good faith and we believe there is a reasonable basis for them, but there can be no assurance that management’s expectations, beliefs and projections will result or be achieved. All forward-looking statements apply only as of the date made. We undertake no obligation to publicly update or revise forward-looking statements which may be made to reflect events or circumstances after the date made or to reflect the occurrence of unanticipated events.

There are a number of risks and uncertainties that could cause our actual results to differ materially from the forward-looking statements contained in or contemplated by this report. Any forward-looking statements should be considered in light of the risks referenced in “Part I. Item 1A. Risk Factors” below. Such factors include, but are not limited to:

- adverse changes in general economic conditions, the real estate industry and in the markets in which we operate;
- failure to close pending acquisitions on expected terms, or at all;
- the effect of competition from new and existing stores or other storage alternatives, which could cause rents and occupancy rates to decline;
- difficulties in our ability to evaluate, finance, complete and integrate acquisitions and developments successfully and to lease up those stores, which could adversely affect our profitability;
- potential liability for uninsured losses and environmental contamination;
- the impact of the regulatory environment as well as national, state, and local laws and regulations including, without limitation, those governing Real Estate Investment Trusts (“REITs”), tenant reinsurance and other aspects of our business, which could adversely affect our results;
- disruptions in credit and financial markets and resulting difficulties in raising capital or obtaining credit at reasonable rates or at all, which could impede our ability to grow;
- increased interest rates and operating costs;
- the failure to effectively manage our growth and expansion into new markets or to successfully operate acquired properties and operations;
- reductions in asset valuations and related impairment charges;
- the failure of our joint venture partners to fulfill their obligations to us or their pursuit of actions that are inconsistent with our objectives;
- the failure to maintain our REIT status for federal income tax purposes;

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## [Table of Contents](#)

- *economic uncertainty due to the impact of war or terrorism, which could adversely affect our business plan; and*
- *difficulties in our ability to attract and retain qualified personnel and management members.*

*The forward-looking statements are based on our beliefs, assumptions and expectations of our future performance, taking into account all information currently available to us. These beliefs, assumptions and expectations are subject to risks and uncertainties and can change as a result of many possible events or factors, not all of which are known to us. If a change occurs, our business, financial condition, liquidity and results of operations may vary materially from those expressed in our forward-looking statements. You should carefully consider these risks before you make an investment decision with respect to our securities.*

*We disclaim any duty or obligation to update or revise any forward-looking statements set forth in this Annual Report on Form 10-K to reflect new information, future events or otherwise.*

## PART I

### Item 1. Business

#### General

Extra Space Storage Inc. (“we,” “our,” “us” or the “Company”) is a fully integrated, self-administered and self-managed real estate investment trust (“REIT”) formed as a Maryland corporation on April 30, 2004, to own, operate, manage, acquire, develop and redevelop professionally managed self-storage properties (“stores”). We closed our initial public offering (“IPO”) on August 17, 2004. Our common stock is traded on the New York Stock Exchange under the symbol “EXR.”

We were formed to continue the business of Extra Space Storage LLC and its subsidiaries, which had engaged in the self-storage business since 1977. These companies were reorganized after the consummation of our IPO and various formation transactions. As of December 31, 2015, we held ownership interests in 999 operating stores. Of these operating stores, 746 are wholly-owned and 253 are owned in joint venture partnerships. An additional 348 operating stores are owned by third parties and operated by us in exchange for a management fee, bringing the total number of operating stores which we own and/or manage to 1,347. These operating stores are located in 36 states, Washington, D.C. and Puerto Rico and contain approximately 101 million square feet of net rentable space in approximately 896,000 units and currently serve a customer base of approximately 800,000 tenants.

We operate in three distinct segments: (1) rental operations; (2) tenant reinsurance; and (3) property management, acquisition and development. Our rental operations activities include rental operations of stores in which we have an ownership interest. Tenant reinsurance activities include the reinsurance of risks relating to the loss of goods stored by tenants in the Company’s stores. Our property management, acquisition and development activities include managing, acquiring, developing and selling stores.

Substantially all of our business is conducted through Extra Space Storage LP (the “Operating Partnership”). Our primary assets are general partner and limited partner interests in the Operating Partnership. This structure is commonly referred to as an umbrella partnership REIT, or UPREIT. We have elected to be taxed as a REIT under the Internal Revenue Code of 1986, as amended (the “Internal Revenue Code”). To the extent we continue to qualify as a REIT we will not be subject to tax, with certain exceptions, on our net taxable income that is distributed to our stockholders.

We file our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments to those reports with the Securities and Exchange Commission (the “SEC”). You may obtain

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## [Table of Contents](#)

copies of these documents by visiting the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549, by calling the SEC at 1-800-SEC-0330 or by accessing the SEC's website at [www.sec.gov](http://www.sec.gov). In addition, as soon as reasonably practicable after such materials are furnished to the SEC, we make copies of these documents available to the public free of charge through our website at [www.extraspace.com](http://www.extraspace.com), or by contacting our Secretary at our principal offices, which are located at 2795 East Cottonwood Parkway, Suite 400, Salt Lake City, Utah 84121, telephone number (801) 365-4600.

### *Acquisition of SmartStop*

On October 1, 2015, we completed the previously announced acquisition of SmartStop Self Storage, Inc. ("SmartStop"), a public non-traded REIT. SmartStop stockholders received \$13.75 per share in cash, which represents a total purchase price of approximately \$1.4 billion. We paid approximately \$1.3 billion and the remaining consideration came from the sale of certain assets by SmartStop immediately prior to the closing. As a result of the acquisition, we acquired 122 stores and assumed the management of 43 stores previously managed by SmartStop.

### **Management**

Members of our executive management team have significant experience in all aspects of the self-storage industry, having acquired and/or developed a significant number of stores since before our IPO. Our executive management team and their years of industry experience are as follows: Spencer F. Kirk, Chief Executive Officer, 18 years; Scott Stubbs, Executive Vice President and Chief Financial Officer, 15 years; Samrat Sondhi, Executive Vice President and Chief Operating Officer, 12 years; Gwyn McNeal, Executive Vice President and Chief Legal Officer, 10 years; James Overturf, Executive Vice President and Chief Marketing Officer, 17 years; Joseph D. Margolis, Executive Vice President and Chief Investment Officer, 10 years; and Kenneth M. Woolley, Executive Chairman, 35 years.

Our executive management team and board of directors have a significant ownership position in the Company with executive officers and directors owning approximately 4,923,970 shares or 3.9% of our outstanding common stock as of February 18, 2016.

### **Industry & Competition**

Stores offer month-to-month storage space rental for personal or business use and are a cost-effective and flexible storage alternative. Tenants rent fully enclosed spaces that can vary in size according to their specific needs and to which they have unlimited, exclusive access. Tenants have responsibility for moving their items into and out of their units. Self-storage unit sizes typically range from 5 feet by 5 feet to 20 feet by 20 feet, with an interior height of 8 feet to 12 feet. Stores generally have on-site managers who supervise and run the day-to-day operations, providing tenants with assistance as needed.

Self-storage provides a convenient way for individuals and businesses to store their possessions due to life changes, or simply because of a need for storage space. The mix of residential tenants using a store is determined by a store's local demographics and often includes people who are looking to downsize their living space or others who are not yet settled into a permanent residence. Items that residential tenants place in self-storage range from cars, boats and recreational vehicles, to furniture, household items and appliances. Commercial tenants tend to include small business owners who require easy and frequent access to their goods, records, inventory or storage for seasonal goods.

Our research has shown that tenants choose a store based primarily on the convenience of the site to their home or business, making high-density, high-traffic population centers ideal locations for stores. A store's perceived security and the general professionalism of the site managers and staff are also contributing factors to a

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## [Table of Contents](#)

site's ability to successfully secure rentals. Although most stores are leased to tenants on a month-to-month basis, tenants tend to continue their leases for extended periods of time.

The self-storage business is subject to seasonal fluctuations. A greater portion of revenues and profits are realized from May through September. Historically, our highest level of occupancy has been at the end of July, while our lowest level of occupancy has been in late February and early March.

Since inception in the early 1970's, the self-storage industry has experienced significant growth. The self-storage industry has also seen increases in occupancy over the past several years. According to the Self-Storage Almanac (the "Almanac"), in 2008, the national average physical occupancy rate was 80.3% of net rentable square feet, compared to an average physical occupancy rate of 90.2% in 2015.

We have encountered competition when we have sought to acquire stores, especially for brokered portfolios. Aggressive bidding practices have been commonplace between both public and private entities, and this competition will likely continue.

The industry is also characterized by fragmented ownership. According to the Almanac, the top ten self-storage companies in the United States owned approximately 17.4% of the total U.S. stores, and the top 50 self-storage companies owned approximately 21.9% of the total U.S. stores as of December 31, 2015. We believe this fragmentation will contribute to continued consolidation at some level in the future. We also believe that we are well positioned to compete for acquisitions given our historical reputation for closing deals.

We are the second largest self-storage operator in the United States. We are one of five public self-storage REITs along with CubeSmart, National Storage Affiliates, Sovran Self-Storage, Inc. and Public Storage Inc.

### **Long-Term Growth and Investment Strategies**

Our primary business objectives are to maximize cash flow available for distribution to our stockholders and to achieve sustainable long-term growth in cash flow per share in order to maximize long-term stockholder value. We continue to evaluate a range of growth initiatives and opportunities, including the following:

- **Maximize the performance of our stores through strategic, efficient and proactive management.** We pursue revenue-generating and expense-minimizing opportunities in our operations. Our revenue management team seeks to maximize revenue by responding to changing market conditions through our advanced technology system's ability to provide real-time, interactive rental rate and discount management. Our size allows us greater ability than the majority of our competitors to implement more effective online marketing programs, which we believe will attract more customers to our stores at a lower net cost.
- **Acquire stores.** Our acquisitions team continues to pursue the acquisition of multi-store portfolios and single stores that we believe can provide stockholder value. We have established a reputation as a reliable, ethical buyer, which we believe enhances our ability to negotiate and close acquisitions. In addition, we believe our status as an UPREIT enables flexibility when structuring deals. We continue to bid on available acquisitions and are seeing increasing prices. However, we remain a disciplined buyer and look for acquisitions that will strengthen our portfolio and increase stockholder value.
- **Expand our management business.** Our management business enables us to generate increased revenues through management fees and expand our geographic footprint. We believe this expanded footprint enables us to reduce our operating costs through economies of scale. In addition, we see our management business as a future acquisition pipeline. We pursue strategic relationships with owners whose stores would enhance our portfolio in the event an opportunity arises to acquire such stores.

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## [Table of Contents](#)

### Financing of Our Long-Term Growth Strategies

#### *Acquisition and Development Financing*

The following table presents information on our lines of credit (the "Credit Lines") for the periods indicated. All of our Credit Lines are guaranteed by us and secured by mortgages on certain real estate assets (amounts in thousands).

| <u>Line of Credit</u> | <u>As of December 31, 2015</u> |                  |                      | <u>Origination Date</u> | <u>Maturity</u> | <u>Basis Rate (1)</u> | <u>Notes</u> |
|-----------------------|--------------------------------|------------------|----------------------|-------------------------|-----------------|-----------------------|--------------|
|                       | <u>Amount Drawn</u>            | <u>Capacity</u>  | <u>Interest Rate</u> |                         |                 |                       |              |
| Credit Line 1         | \$36,000                       | \$180,000        | 2.1%                 | 6/4/2010                | 6/30/2018       | LIBOR plus 1.7%       | (2)          |
| Credit Line 2         | —                              | 50,000           | 2.2%                 | 11/16/2010              | 2/13/2017       | LIBOR plus 1.8%       | (3)          |
| Credit Line 3         | —                              | 80,000           | 2.1%                 | 4/29/2011               | 11/18/2016      | LIBOR plus 1.7%       | (3)          |
| Credit Line 4         | —                              | 50,000           | 2.1%                 | 9/29/2014               | 9/29/2017       | LIBOR plus 1.7%       | (3)          |
|                       | <u>\$36,000</u>                | <u>\$360,000</u> |                      |                         |                 |                       |              |

- (1) 30-day USD LIBOR
- (2) One two-year extension available
- (3) Two one-year extensions available

We expect to maintain a flexible approach in financing new store acquisitions. We plan to finance future acquisitions through a combination of cash, borrowings under the Credit Lines, traditional secured and unsecured mortgage financing, joint ventures and additional debt or equity offerings.

#### *Joint Venture Financing*

We own 253 of our stores through joint ventures with third parties, including affiliates of Prudential Financial, Inc. In each joint venture, we generally manage the day-to-day operations of the underlying stores and have the right to participate in major decisions relating to sales of stores or financings by the applicable joint venture. Our joint venture partners typically provide most of the equity capital required for the operation of the respective business. Under the operating agreements for the joint ventures, we maintain the right to receive between 2.0% and 96.7% of the available cash flow from operations after our joint venture partners and the Company have received a predetermined return, and between 17.0% and 96.7% of the available cash flow from capital transactions after our joint venture partners and the Company have received a return of their capital plus such predetermined return. Most joint venture agreements include buy-sell rights, as well as rights of first refusal in connection with the sale of stores by the joint venture.

#### *Disposition of Stores*

We will continue to review our portfolio for stores or groups of stores that are underperforming or are not strategically located, and determine whether to dispose of these stores to fund other growth. As of December 31, 2015, we had seven stores that were categorized as held for sale.

#### **Regulation**

Generally, stores are subject to various laws, ordinances and regulations, including regulations relating to lien sale rights and procedures. Changes in any of these laws or regulations, as well as changes in laws, such as the Comprehensive Environmental Response and Compensation Liability Act, which increase the potential liability for environmental conditions or circumstances existing or created by tenants or others on stores, or laws affecting development, construction, operation, upkeep, safety and taxation may result in significant

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## [Table of Contents](#)

unanticipated expenditures, loss of stores or other impairments to operations, which would adversely affect our financial position, results of operations or cash flows.

Under the Americans with Disabilities Act of 1990 (the “ADA”), places of public accommodation are required to meet certain federal requirements related to access and use by disabled persons. These requirements became effective in 1992. A number of additional U.S. federal, state and local laws also exist that may require modifications to the stores, or restrict further renovations thereof, with respect to access thereto by disabled persons. Noncompliance with the ADA could result in the imposition of fines or an award of damages to private litigants and also could result in an order to correct any non-complying feature, thereby requiring substantial capital expenditures. To the extent our stores are not in compliance, we are likely to incur additional costs to comply with the ADA.

Insurance activities are subject to state insurance laws and regulations as determined by the particular insurance commissioner for each state in accordance with the McCarran-Ferguson Act, and are subject to the Gramm-Leach-Bliley Act and the privacy regulations promulgated by the Federal Trade Commission pursuant thereto.

Store management activities are often subject to state real estate brokerage laws and regulations as determined by the particular real estate commission for each state.

Changes in any of the laws governing our conduct could have an adverse impact on our ability to conduct our business or could materially affect our financial position, results of operations or cash flows.

### **Employees**

As of February 18, 2016, we had 3,209 employees and believe our relationship with our employees is good. Our employees are not represented by a collective bargaining agreement.

### **Item 1A. Risk Factors**

An investment in our securities involves various risks. All investors should carefully consider the following risk factors in conjunction with the other information contained in this Annual Report before trading in our securities. If any of the events set forth in the following risks actually occur, our business, operating results, prospects and financial condition could be harmed.

Our performance is subject to risks associated with real estate investments. We are a real estate company that derives our income from operation of our stores. There are a number of factors that may adversely affect the income that our stores generate, including the following:

#### **Risks Related to Our Stores and Operations**

*Adverse economic or other conditions in the markets in which we do business could negatively affect our occupancy levels and rental rates and therefore our operating results.*

Our operating results are dependent upon our ability to maximize occupancy levels and rental rates in our stores. Adverse economic or other conditions in the markets in which we operate may lower our occupancy levels and limit our ability to increase rents or require us to offer rental discounts. If our stores fail to generate revenues sufficient to meet our cash requirements, including operating and other expenses, debt service and capital expenditures, our net income, funds from operations (“FFO”), cash flow, financial condition, ability to make cash distributions to stockholders and the trading price of our securities could be adversely affected. The following factors, among others, may adversely affect the operating performance of our stores:

- the national economic climate and the local or regional economic climate in the markets in which we operate, which may be adversely impacted by, among other factors, industry slowdowns, relocation of businesses and changing demographics;

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## Table of Contents

- periods of economic slowdown or recession, rising interest rates, or declining demand for self-storage or the public perception that any of these events may occur could result in a general decline in rental rates or an increase in tenant defaults;
- a decline of the current economic environment;
- local or regional real estate market conditions, such as competing stores, the oversupply of self-storage or a reduction in demand for self-storage in a particular area;
- perceptions by prospective users of our stores of the safety, convenience and attractiveness of our stores and the neighborhoods in which they are located;
- increased operating costs, including the need for capital improvements, insurance premiums, real estate taxes and utilities;
- the impact of environmental protection laws;
- changes in tax, real estate and zoning laws; and
- earthquakes, hurricanes and other natural disasters, terrorist acts, civil disturbances or acts of war which may result in uninsured or underinsured losses.

***If we are unable to promptly re-let our units or if the rates upon such re-letting are significantly lower than expected, our business and results of operations would be adversely affected.***

Virtually all of our leases are on a month-to-month basis. Any delay in re-letting units as vacancies arise would reduce our revenues and harm our operating results. In addition, lower than expected rental rates upon re-letting could adversely affect our revenues and impede our growth.

***We depend upon our on-site personnel to maximize tenant satisfaction at each of our stores, and any difficulties we encounter in hiring, training and maintaining skilled field personnel may harm our operating performance.***

We had 2,716 field personnel as of February 18, 2016 in the management and operation of our stores. The general professionalism of our store managers and staff are contributing factors to a store's ability to successfully secure rentals and retain tenants. We also rely upon our field personnel to maintain clean and secure stores. If we are unable to successfully recruit, train and retain qualified field personnel, the quality of service we strive to provide at our stores could be adversely affected which could lead to decreased occupancy levels and reduced operating performance.

***Uninsured losses or losses in excess of our insurance coverage could adversely affect our financial condition and our cash flow.***

We maintain comprehensive liability, fire, flood, earthquake, wind (as deemed necessary or as required by our lenders), extended coverage and rental loss insurance with respect to our stores. Certain types of losses, however, may be either uninsurable or not economically insurable, such as losses due to earthquakes, hurricanes, tornadoes, riots, acts of war or terrorism. Should an uninsured loss occur, we could lose both our investment in and anticipated profits and cash flow from a store. In addition, if any such loss is insured, we may be required to pay significant amounts on any claim for recovery of such a loss prior to our insurer being obligated to reimburse us for the loss, or the amount of the loss may exceed our coverage for the loss. As a result, our operating results may be adversely affected.

***Increases in taxes and regulatory compliance costs may reduce our income.***

Costs resulting from changes in real estate tax laws generally are not passed through to tenants directly and will affect us. Increases in income, property or other taxes generally are not passed through to tenants under

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## [Table of Contents](#)

leases and may reduce our net income, FFO, cash flow, financial condition, ability to pay or refinance our debt obligations, ability to make cash distributions to stockholders, and the trading price of our securities. Similarly, changes in laws increasing the potential liability for environmental conditions existing on stores or increasing the restrictions on discharges or other conditions may result in significant unanticipated expenditures, which could similarly adversely affect our business and results of operations.

### ***Environmental compliance costs and liabilities associated with operating our stores may affect our results of operations.***

Under various U.S. federal, state and local laws, ordinances and regulations, owners and operators of real estate may be liable for the costs of investigating and remediating certain hazardous substances or other regulated materials on or in such property. Such laws often impose such liability without regard to whether the owner or operator knew of, or was responsible for, the presence of such substances or materials. The presence of such substances or materials, or the failure to properly remediate such substances, may adversely affect the owner's or operator's ability to lease, sell or rent such property or to borrow using such property as collateral. Persons who arrange for the disposal or treatment of hazardous substances or other regulated materials may be liable for the costs of removal or remediation of such substances at a disposal or treatment facility, whether or not such facility is owned or operated by such person. Certain environmental laws impose liability for release of asbestos-containing materials into the air and third parties may seek recovery from owners or operators of real stores for personal injury associated with asbestos-containing materials.

Certain environmental laws also impose liability, without regard to knowledge or fault, for removal or remediation of hazardous substances or other regulated materials upon owners and operators of contaminated property even after they no longer own or operate the property. Moreover, the past or present owner or operator from which a release emanates could be liable for any personal injuries or property damages that may result from such releases, as well as any damages to natural resources that may arise from such releases.

Certain environmental laws impose compliance obligations on owners and operators of real property with respect to the management of hazardous materials and other regulated substances. For example, environmental laws govern the management of asbestos-containing materials and lead-based paint. Failure to comply with these laws can result in penalties or other sanctions.

No assurances can be given that existing environmental studies with respect to any of our stores reveal all environmental liabilities, that any prior owner or operator of our stores did not create any material environmental condition not known to us, or that a material environmental condition does not otherwise exist as to any one or more of our stores. There also exists the risk that material environmental conditions, liabilities or compliance concerns may have arisen after the review was completed or may arise in the future. Finally, future laws, ordinances or regulations and future interpretations of existing laws, ordinances or regulations may impose additional material environmental liability.

### ***Costs associated with complying with the Americans with Disabilities Act of 1990 may result in unanticipated expenses.***

Under the ADA, places of public accommodation are required to meet certain federal requirements related to access and use by disabled persons. These requirements became effective in 1992. A number of additional U.S. federal, state and local laws may also require modifications to our stores, or restrict certain further renovations of the stores, with respect to access thereto by disabled persons. Noncompliance with the ADA could result in the imposition of fines or an award of damages to private litigants and also could result in an order to correct any non-complying feature, which could result in substantial capital expenditures. We have not conducted an audit or investigation of all of our stores to determine our compliance and we cannot predict the ultimate cost of compliance with the ADA or other legislation. If one or more of our stores is not in compliance with the ADA or other legislation, then we would be required to incur additional costs to bring the facility into compliance. If

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## [Table of Contents](#)

we incur substantial costs to comply with the ADA or other legislation, our financial condition, results of operations, cash flow, per share trading price of our securities and our ability to satisfy our debt service obligations and to make cash distributions to our stockholders could be adversely affected.

***Our tenant reinsurance business is subject to significant governmental regulation, which may adversely affect our results.***

Our tenant reinsurance business is subject to significant governmental regulation. The regulatory authorities generally have broad discretion to grant, renew and revoke licenses and approvals, to promulgate, interpret and implement regulations, and to evaluate compliance with regulations through periodic examinations, audits and investigations of the affairs of insurance providers. As a result of regulatory or private action in any jurisdiction, we may be temporarily or permanently suspended from continuing some or all of our reinsurance activities, or otherwise fined or penalized or suffer an adverse judgment, which could adversely affect our business and results of operations.

***We face competition for the acquisition of stores and other assets, which may impede our ability to make future acquisitions or may increase the cost of these acquisitions.***

We compete with many other entities engaged in real estate investment activities for acquisitions of stores and other assets, including national, regional and local operators and developers of stores. These competitors may drive up the price we pay for stores or other assets we seek to acquire or may succeed in acquiring those stores or assets themselves. In addition, our potential acquisition targets may find our competitors to be more attractive suitors because they may have greater resources, may be willing to pay more or may have a more compatible operating philosophy. In addition, the number of entities and the amount of funds competing for suitable investment in stores may increase. This competition would result in increased demand for these assets and therefore increased prices paid for them. Because of an increased interest in single-store acquisitions among tax-motivated individual purchasers, we may pay higher prices if we purchase single stores in comparison with portfolio acquisitions. If we pay higher prices for stores or other assets, our profitability will be reduced.

***We may not be successful in identifying and consummating suitable acquisitions that meet our criteria, which may impede our growth.***

Our ability to expand through acquisitions is integral to our business strategy and requires us to identify suitable acquisition candidates or investment opportunities that meet our criteria and are compatible with our growth strategy. We may not be successful in identifying suitable stores or other assets that meet our acquisition criteria or in consummating acquisitions or investments on satisfactory terms or at all. Failure to identify or consummate acquisitions will slow our growth, which could in turn adversely affect our stock price.

Our ability to acquire stores on favorable terms and successfully integrate and operate them may be constrained by the following significant risks:

- competition from local investors and other real estate investors with significant capital, including other publicly-traded REITs and institutional investment funds;
- competition from other potential acquirers may significantly increase the purchase price which could reduce our profitability;
- the inability to achieve satisfactory completion of due diligence investigations and other customary closing conditions;
- failure to finance an acquisition on favorable terms or at all;
- we may spend more than the time and amounts budgeted to make necessary improvements or renovations to acquired stores; and

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## [Table of Contents](#)

- we may acquire stores subject to liabilities without any recourse, or with only limited recourse, with respect to unknown liabilities such as liabilities for clean-up of undisclosed environmental contamination, claims by persons dealing with the former owners of the stores and claims for indemnification by general partners, directors, officers and others indemnified by the former owners of the stores.

In addition, strategic decisions by us, such as acquisitions, may adversely affect the price of our securities.

### ***We may not be successful in integrating and operating acquired stores.***

We have acquired many stores in the past, and we expect to continue acquiring stores in the future. If we acquire any stores, we will be required to integrate them into our existing portfolio. The acquired stores may turn out to be less compatible with our growth strategy than originally anticipated, may cause disruptions in our operations or may divert management's attention away from day-to-day operations, which could impair our operating results as a whole.

### ***We do not always obtain independent appraisals of our stores, and thus the consideration paid for these stores may exceed the value that may be indicated by third-party appraisals.***

We do not always obtain third-party appraisals in connection with our acquisition of stores and the consideration being paid by us in exchange for those stores may exceed the value determined by third-party appraisals. In such cases, the value of the stores was determined by our senior management team.

### ***Our investments in development and redevelopment projects may not yield anticipated returns, which would harm our operating results and reduce the amount of funds available for distributions.***

To the extent that we engage in development and redevelopment activities, we will be subject to the following risks normally associated with these projects:

- we may be unable to obtain financing for these projects on favorable terms or at all;
- we may not complete development or redevelopment projects on schedule or within budgeted amounts;
- we may encounter delays or refusals in obtaining all necessary zoning, land use, building, occupancy and other required governmental permits and authorizations; and
- occupancy rates and rents at newly developed or redeveloped stores may fluctuate depending on a number of factors, including market and economic conditions, and may result in our investment not being profitable.

In deciding whether to develop or redevelop a particular property, we make certain assumptions regarding the expected future performance of the store. We may underestimate the costs necessary to bring the property up to the standards established for its intended market position or may be unable to increase occupancy at a newly developed store as quickly as expected or at all. Any substantial unanticipated delays or expenses could adversely affect the investment returns from these development or redevelopment projects and harm our operating results, liquidity and financial condition, which could result in a decline in the value of our securities.

We may rely on the investments of our joint venture partners for funding certain of our development and redevelopment projects. If our reputation in the self-storage industry changes or the number of investors considering us an attractive strategic partner is otherwise reduced, our ability to develop or redevelop stores could be affected, which would limit our growth.

### ***We rely on information technology in our operations, and any material failure, inadequacy, interruption or security failure of that technology could harm our business.***

We rely on information technology networks and systems, including the Internet, to process, transmit and store electronic information, and to manage or support a variety of business processes, including financial

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## [Table of Contents](#)

transactions and records, personally identifiable information, and tenant and lease data. We purchase some of our information technology from vendors, on whom our systems depend. We rely on commercially available systems, software, tools and monitoring to provide security for processing, transmission and storage of confidential tenant and other sensitive information. Although we have taken steps to protect the security of our information systems and the data maintained in those systems, it is possible that our safety and security measures will not be able to prevent the systems' improper functioning or damage, or the improper access or disclosure of personally identifiable information such as in the event of cyber-attacks. Security breaches, including physical or electronic break-ins, computer viruses, attacks by hackers and similar breaches, can create system disruptions, shutdowns or unauthorized disclosure of confidential information. While, to date, we have not experienced a security breach, this risk has generally increased as the number, intensity and sophistication of such breaches and attempted breaches from around the world have increased. Any failure to maintain proper function, security and availability of our information systems could interrupt our operations, damage our reputation, divert significant management attention and resources to remedy any damages that result, subject us to liability claims or regulatory penalties and have a material adverse effect on our business and results of operations.

### **Risks Related to Our Organization and Structure**

***Our business could be harmed if key personnel with long-standing business relationships in the self-storage industry terminate their employment with us.***

Our success depends on the continued services of members of our executive management team, who have substantial experience in the self-storage industry. In addition, our ability to acquire or develop stores in the future depends on the significant relationships our executive management team has developed with our institutional joint venture partners, such as affiliates of Prudential Financial, Inc. There is no guarantee that any of them will remain employed by us. We do not maintain key person life insurance on any of our officers. The loss of services of one or more members of our executive management team could harm our business and our prospects.

***We may change our investment and financing strategies and enter into new lines of business without stockholder consent, which may subject us to different risks.***

We may change our investment and financing strategies and enter into new lines of business at any time without the consent of our stockholders, which could result in our making investments and engaging in business activities that are different from, and possibly riskier than, the investments and businesses described in this document. A change in our investment strategy or our entry into new lines of business may increase our exposure to other risks or real estate market fluctuations.

***If other self-storage companies convert to an UPREIT structure or if tax laws change, we may no longer have an advantage in competing for potential acquisitions.***

Because we are structured as an UPREIT, we are a more attractive acquirer of stores to tax-motivated sellers than our competitors that are not structured as UPREITs. However, if other self-storage companies restructure their holdings to become UPREITs, this competitive advantage will disappear. In addition, new legislation may be enacted or new interpretations of existing legislation may be issued by the Internal Revenue Service ("IRS"), or the U.S. Treasury Department that could affect the attractiveness of our UPREIT structure so that it may no longer assist us in competing for acquisitions.

***Tax indemnification obligations may require the Operating Partnership to maintain certain debt levels.***

We have provided certain tax protections to various third parties in connection with their property contributions to the Operating Partnership upon acquisition by the Company, including making available the opportunity to (1) guarantee debt or (2) enter into a special loss allocation and deficit restoration obligation. We have agreed to these provisions in order to assist these contributors in preserving their tax position after their contributions. These obligations may require us to maintain certain indebtedness levels that we would not otherwise require for our business.

***Our joint venture investments could be adversely affected by our lack of sole decision-making authority.***

As of December 31, 2015, we held interests in 253 operating stores through joint ventures. Some of these arrangements could be adversely affected by our lack of sole decision-making authority, our reliance on co-venturers financial conditions and disputes between us and our co-venturers. We expect to continue our joint venture strategy by entering into more joint ventures for the purpose of developing new stores and acquiring existing stores. In such event, we would not be in a position to exercise sole decision-making authority regarding the property, partnership, joint venture or other entity. The decision-making authority regarding the stores we currently hold through joint ventures is either vested exclusively with our joint venture partners, is subject to a majority vote of the joint venture partners or equally shared by us and the joint venture partners. In addition, investments in partnerships, joint ventures or other entities may, under certain circumstances, involve risks not present were a third party not involved, including the possibility that partners or co-venturers might become bankrupt or fail to fund their share of required capital contributions. Partners or co-venturers may have economic or other business interests or goals which are inconsistent with our business interests or goals, and may be in a position to take actions contrary to our policies or objectives. Such investments may also have the potential risk of impasses on decisions, such as a sale, because neither we nor the partner or co-venturer would have full control over the partnership or joint venture. Disputes between us and partners or co-venturers may result in litigation or arbitration that would increase our expenses and prevent our officers and/or directors from focusing their time and efforts on our business. Consequently, actions by or disputes with partners or co-venturers might result in subjecting stores owned by the partnership or joint venture to additional risk. In addition, we may in certain circumstances be liable for the actions of our third-party partners or co-venturers, which could harm our financial condition.

***Conflicts of interest could arise as a result of our relationship with our Operating Partnership.***

Conflicts of interest could arise in the future as a result of the relationships between us and our affiliates, and our Operating Partnership or any partner thereof. Our directors and officers have duties to our Company under applicable Maryland law in connection with their management of our Company. At the same time, we, through our wholly-owned subsidiary, have fiduciary duties, as a general partner, to our Operating Partnership and to the limited partners under Delaware law in connection with the management of our Operating Partnership. Our duties, through our wholly-owned subsidiary, as a general partner to our Operating Partnership and its partners may come into conflict with the duties of our directors and officers to our Company. The partnership agreement of our Operating Partnership does not require us to resolve such conflicts in favor of either our Company or the limited partners in our Operating Partnership. Unless otherwise provided for in the relevant partnership agreement, Delaware law generally requires a general partner of a Delaware limited partnership to adhere to fiduciary duty standards under which it owes its limited partners the highest duties of good faith, fairness, and loyalty and which generally prohibit such general partner from taking any action or engaging in any transaction as to which it has a conflict of interest.

Additionally, the partnership agreement expressly limits our liability by providing that neither we, our direct wholly-owned Massachusetts business trust subsidiary, as the general partner of the Operating Partnership, nor any of our or their trustees, directors or officers, will be liable or accountable in damages to our Operating Partnership, the limited partners or assignees for errors in judgment, mistakes of fact or law or for any act or omission if we, or such trustee, director or officer, acted in good faith. In addition, our Operating Partnership is required to indemnify us, our affiliates and each of our respective trustees, officers, directors, employees and agents to the fullest extent permitted by applicable law against any and all losses, claims, damages, liabilities (whether joint or several), expenses (including, without limitation, attorneys' fees and other legal fees and expenses), judgments, fines, settlements and other amounts arising from any and all claims, demands, actions, suits or proceedings, civil, criminal, administrative or investigative, that relate to the operations of the Operating Partnership, provided that our Operating Partnership will not indemnify for (1) willful misconduct or a knowing violation of the law, (2) any transaction for which such person received an improper personal benefit in violation or breach of any provision of the partnership agreement, or (3) in the case of a criminal proceeding, the person had reasonable cause to believe the act or omission was unlawful.

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## [Table of Contents](#)

The provisions of Delaware law that allow the common law fiduciary duties of a general partner to be modified by a partnership agreement have not been resolved in a court of law, and we have not obtained an opinion of counsel covering the provisions set forth in the partnership agreement that purport to waive or restrict our fiduciary duties that would be in effect under common law were it not for the partnership agreement.

***Certain provisions of Maryland law and our organizational documents, including the stock ownership limit imposed by our charter, may inhibit market activity in our stock and could prevent or delay a change in control transaction.***

Our charter, subject to certain exceptions, authorizes our directors to take such actions as are necessary and desirable to preserve our qualification as a REIT and to limit any person to actual or constructive ownership of no more than 7.0% (by value or by number of shares, whichever is more restrictive) of our outstanding common stock or 7.0% (by value or by number of shares, whichever is more restrictive) of our outstanding capital stock. Our board of directors, in its sole discretion, may exempt a proposed transferee from the ownership limit. However, our board of directors may not grant an exemption from the ownership limit to any proposed transferee whose ownership could jeopardize our qualification as a REIT. These restrictions on ownership will not apply if our board of directors determines that it is no longer in our best interests to attempt to qualify, or to continue to qualify, as a REIT. The ownership limit may delay or impede a transaction or a change of control that might involve a premium price for our securities or otherwise be in the best interests of our stockholders. Different ownership limits apply to the family of Kenneth M. Woolley, certain of his affiliates, family members and estates and trusts formed for the benefit of the foregoing; to Spencer F. Kirk, certain of his affiliates, family members and estates and trusts formed for the benefit of the foregoing; and to certain designated investment entities as defined in our charter.

***Our board of directors has the power to issue additional shares of our stock in a manner that may not be in the best interest of our stockholders.***

Our charter authorizes our board of directors to issue additional authorized but unissued shares of common stock or preferred stock and to increase the aggregate number of authorized shares or the number of shares of any class or series without stockholder approval. In addition, our board of directors may classify or reclassify any unissued shares of common stock or preferred stock and set the preferences, rights and other terms of the classified or reclassified shares. Our board of directors could issue additional shares of our common stock or establish a series of preferred stock that could have the effect of delaying, deferring or preventing a change in control or other transaction that might involve a premium price for our securities or otherwise not be in the best interests of our stockholders.

***Our rights and the rights of our stockholders to take action against our directors and officers are limited.***

Maryland law provides that a director or officer has no liability in that capacity if he or she performs his or her duties in good faith, in a manner he or she reasonably believes to be in our best interests and with the care that an ordinarily prudent person in a like position would use under similar circumstances. In addition, our charter eliminates our directors' and officers' liability to us and our stockholders for money damages except for liability resulting from actual receipt of an improper benefit in money, property or services or active and deliberate dishonesty established by a final judgment and which is material to the cause of action. Our bylaws require us to indemnify our directors and officers for liability resulting from actions taken by them in those capacities to the maximum extent permitted by Maryland law. As a result, we and our stockholders may have more limited rights against our directors and officers than might otherwise exist under common law. In addition, we may be obligated to fund the defense costs incurred by our directors and officers.

***To the extent our distributions represent a return of capital for U.S. federal income tax purposes, our stockholders could recognize an increased capital gain upon a subsequent sale of common stock.***

Distributions in excess of our current and accumulated earnings and profits and not treated by us as a dividend will not be taxable to a U.S. stockholder under current U.S. federal income tax law to the extent those

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## [Table of Contents](#)

distributions do not exceed the stockholder's adjusted tax basis in his, her, or its common stock, but instead will constitute a return of capital and will reduce such adjusted basis. If distributions result in a reduction of a stockholder's adjusted basis in such holder's common stock, subsequent sales of such holder's common stock will result in recognition of an increased capital gain or decreased capital loss due to the reduction in such adjusted basis.

### **Risks Related to the Real Estate Industry**

#### ***Our primary business involves the ownership and operation of stores.***

Our current strategy is to own, operate, manage, acquire, develop and redevelop only stores. Consequently, we are subject to risks inherent in investments in a single industry. Because investments in real estate are inherently illiquid, this strategy makes it difficult for us to diversify our investment portfolio and to limit our risk when economic conditions change. Decreases in market rents, negative tax, real estate and zoning law changes and changes in environmental protection laws may also increase our costs, lower the value of our investments and decrease our income, which would adversely affect our business, financial condition and operating results.

#### ***Illiquidity of real estate investments could significantly impede our ability to respond to adverse changes in the performance of our stores.***

Because real estate investments are relatively illiquid, our ability to promptly sell one or more stores in our portfolio in response to changing economic, financial and investment conditions is limited. The real estate market is affected by many factors, such as general economic conditions, availability of financing, interest rates and other factors, including supply and demand, that are beyond our control. We cannot predict whether we will be able to sell any store for the price or on the terms set by us or whether any price or other terms offered by a prospective purchaser would be acceptable to us. We also cannot predict the length of time needed to find a willing purchaser and to close the sale of a store.

We may be required to expend funds to correct defects or to make improvements before a store can be sold. We cannot assure you that we will have funds available to correct those defects or to make those improvements. In acquiring a store, we may agree to transfer restrictions that materially restrict us from selling that store for a period of time or impose other restrictions, such as a limitation on the amount of debt that can be placed or repaid on that store. These transfer restrictions would impede our ability to sell a store even if we deem it necessary or appropriate.

#### ***Any investments in unimproved real property may take significantly longer to yield income-producing returns, if at all, and may result in additional costs to us to comply with re-zoning restrictions or environmental regulations.***

We have invested in the past, and may invest in the future, in unimproved real property. Unimproved properties generally take longer to yield income-producing returns based on the typical time required for development. Any development of unimproved property may also expose us to the risks and uncertainties associated with re-zoning the land for a higher use or development and environmental concerns of governmental entities and/or community groups. Any unsuccessful investments or delays in realizing an income-producing return or increased costs to develop unimproved real estate could restrict our ability to earn our targeted rate of return on an investment or adversely affect our ability to pay operating expenses which would harm our financial condition and operating results.

#### ***Any negative perceptions of the self-storage industry generally may result in a decline in our stock price.***

To the extent that the investing public has a negative perception of the self-storage industry, the value of our securities may be negatively impacted, which could result in our securities trading below the inherent value of our assets.

## **Risks Related to Our Debt Financings**

*Disruptions in the financial markets could affect our ability to obtain debt financing on reasonable terms and have other adverse effects on us.*

Uncertainty in the credit markets may negatively impact our ability to access additional debt financing or to refinance existing debt maturities on favorable terms (or at all), which may negatively affect our ability to make acquisitions and fund development projects. A downturn in the credit markets may cause us to seek alternative sources of potentially less attractive financing, and may require us to adjust our business plan accordingly. In addition, these factors may make it more difficult for us to sell stores or may adversely affect the price we receive for stores that we do sell, as prospective buyers may experience increased costs of debt financing or difficulties in obtaining debt financing.

*Required payments of principal and interest on borrowings may leave us with insufficient cash to operate our stores or to pay the distributions currently contemplated or necessary to maintain our qualification as a REIT and may expose us to the risk of default under our debt obligations.*

As of December 31, 2015, we had approximately \$3.6 billion of outstanding indebtedness. We may incur additional debt in connection with future acquisitions and development. We may borrow under our Credit Lines or borrow new funds to finance these future stores. Additionally, we do not anticipate that our internally generated cash flow will be adequate to repay our existing indebtedness upon maturity and, therefore, we expect to repay our indebtedness through refinancings and equity and/or debt offerings. Further, we may need to borrow funds in order to make cash distributions to maintain our qualification as a REIT or to make our expected distributions.

If we are required to utilize our Credit Lines for purposes other than acquisition activity, this will reduce the amount available for acquisitions and could slow our growth. Therefore, our level of debt and the limitations imposed on us by our debt agreements could have significant adverse consequences, including the following:

- our cash flow may be insufficient to meet our required principal and interest payments;
- we may be unable to borrow additional funds as needed or on favorable terms, including to make acquisitions or to continue to make distributions required to maintain our qualification as a REIT;
- we may be unable to refinance our indebtedness at maturity or the refinancing terms may be less favorable than the terms of our original indebtedness;
- because a portion of our debt bears interest at variable rates, an increase in interest rates could materially increase our interest expense;
- we may be forced to dispose of one or more of our stores, possibly on disadvantageous terms;
- after debt service, the amount available for cash distributions to our stockholders is reduced;
- our debt level could place us at a competitive disadvantage compared to our competitors with less debt;
- we may experience increased vulnerability to economic and industry downturns, reducing our ability to respond to changing business and economic conditions;
- we may default on our obligations and the lenders or mortgagees may foreclose on our stores that secure their loans and receive an assignment of rents and leases;
- we may default on our obligations and the lenders or mortgages may enforce our guarantees;
- we may violate restrictive covenants in our loan documents, which would entitle the lenders to accelerate our debt obligations; and
- our default under any one of our mortgage loans with cross-default or cross-collateralization provisions could result in a default on other indebtedness or result in the foreclosures of other stores.

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[Table of Contents](#)

***Increases in interest rates may increase our interest expense and adversely affect our cash flow and our ability to service our indebtedness and make cash distributions to our stockholders.***

As of December 31, 2015, we had approximately \$3.6 billion of debt outstanding, of which approximately \$1.1 billion, or 31.4% was subject to variable interest rates (excluding debt with interest rate swaps). This variable rate debt had a weighted average interest rate of approximately 2.1% per annum. Increases in interest rates on this variable rate debt would increase our interest expense, which could harm our cash flow and our ability to pay cash distributions. For example, if market rates of interest on this variable rate debt increased by 100 basis points (excluding variable rate debt with interest rate floors), the increase in interest expense would decrease future earnings and cash flows by approximately \$7.3 million annually.

***Failure to hedge effectively against interest rate changes may adversely affect our results of operations.***

In certain cases we may seek to manage our exposure to interest rate volatility by using interest rate hedging arrangements. Hedging involves risks, such as the risk that the counterparty may fail to honor its obligations under an arrangement. Failure to hedge effectively against interest rate changes may adversely affect our financial condition, results of operations and ability to make cash distributions to our stockholders.

**Risks Related to Qualification and Operation as a REIT**

***To maintain our qualification as a REIT, we may be forced to borrow funds on a short-term basis during unfavorable market conditions.***

To qualify as a REIT, we generally must distribute to our stockholders at least 90% of our net taxable income each year, excluding net capital gains, and we are subject to regular corporate income taxes to the extent that we distribute less than 100% of our net taxable income each year. In addition, we are subject to a 4% nondeductible excise tax on the amount, if any, by which distributions made by us in any calendar year are less than the sum of 85% of our ordinary income, 95% of our capital gain net income and 100% of our undistributed income from prior years. While historically we have satisfied these distribution requirements by making cash distributions to our stockholders, a REIT is permitted to satisfy these requirements by making distributions of cash or other property, including, in limited circumstances, its own stock. Assuming we continue to satisfy these distributions requirements with cash, we may need to borrow funds on a short-term basis, or possibly long-term, to meet the REIT distribution requirements even if the then prevailing market conditions are not favorable for these borrowings. These borrowing needs could result from a difference in timing between the actual receipt of cash and inclusion of income for U.S. federal income tax purposes, or the effect of non-deductible capital expenditures, the creation of reserves or required debt amortization payments.

***Dividends payable by REITs generally do not qualify for reduced tax rates.***

The maximum U.S. federal income tax rate for dividends paid by domestic corporations to individual U.S. stockholders is 20%. Dividends paid by REITs, however, are generally not eligible for the reduced rates. The more favorable rates applicable to regular corporate dividends could cause stockholders who are individuals to perceive investments in REITs to be relatively less attractive than investments in the stocks of non-REIT corporations that pay dividends, which could adversely affect the value of the stock of REITs, including our securities.

In addition, the relative attractiveness of real estate in general may be adversely affected by the favorable tax treatment given to corporate dividends, which could negatively affect the value of our stores.

***Possible legislative or other actions affecting REITs could adversely affect our stockholders.***

The rules dealing with U.S. federal income taxation are constantly under review by persons involved in the legislative process and by the IRS and the U.S. Treasury Department. Changes to tax laws (which changes may

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## [Table of Contents](#)

have retroactive application) could adversely affect our stockholders. It cannot be predicted whether, when, in what forms, or with what effective dates, the tax laws applicable to us or our stockholders will be changed.

### ***The power of our board of directors to revoke our REIT election without stockholder approval may cause adverse consequences to our stockholders.***

Our charter provides that our board of directors may revoke or otherwise terminate our REIT election, without the approval of our stockholders, if it determines that it is no longer in our best interest to continue to qualify as a REIT. If we cease to qualify as a REIT, we would become subject to U.S. federal income tax on our taxable income and would no longer be required to distribute most of our net taxable income to our stockholders, which may have adverse consequences on the total return to our stockholders.

### ***Our failure to qualify as a REIT would have significant adverse consequences to us and the value of our stock.***

We believe we operate in a manner that allows us to qualify as a REIT for U.S. federal income tax purposes under the Internal Revenue Code. If we fail to qualify as a REIT or lose our qualification as a REIT at any time, we will face serious tax consequences that would substantially reduce the funds available for distribution for each of the years involved because:

- we would not be allowed a deduction for distributions to stockholders in computing our taxable income and would be subject to U.S. federal income tax at regular corporate rates;
- we also could be subject to the U.S. federal alternative minimum tax and possibly increased state and local taxes; and
- unless we are entitled to relief under applicable statutory provisions, we could not elect to be taxed as a REIT for four taxable years following a year during which we were disqualified.

In addition, if we fail to qualify as a REIT, we will not be required to make distributions to stockholders, and all distributions to stockholders will be subject to tax as regular corporate dividends to the extent of our current and accumulated earnings and profits. This means that our U.S. individual stockholders would be taxed on our dividends at capital gains rates, and our U.S. corporate stockholders would be entitled to the dividends received deduction with respect to such dividends, subject, in each case, to applicable limitations under the Internal Revenue Code. If we fail to qualify as a REIT for federal income tax purposes and are able to avail ourselves of one or more of the relief provisions under the Internal Revenue Code in order to maintain our REIT status, we may nevertheless be required to pay penalty taxes of \$50,000 or more for each such failure. As a result of all these factors, our failure to qualify as a REIT also could impair our ability to expand our business and raise capital, and could adversely affect the value of our securities.

Qualification as a REIT involves the application of highly technical and complex Internal Revenue Code provisions for which there are only limited judicial and administrative interpretations. The complexity of these provisions and of the applicable Treasury regulations that have been promulgated under the Internal Revenue Code is greater in the case of a REIT that, like us, holds its assets through a partnership. The determination of various factual matters and circumstances not entirely within our control may affect our ability to qualify as a REIT. In order to qualify as a REIT, we must satisfy a number of requirements, including requirements regarding the composition of our assets, the sources of our gross income and the owners of our stock. Our ability to satisfy the asset tests depends upon our analysis of the fair market value of our assets, some of which are not susceptible to precise determination, and for which we will not obtain independent appraisals. Also, we must make distributions to stockholders aggregating annually at least 90% of our net taxable income, excluding capital gains, and we will be subject to income tax at regular corporate rates to the extent we distribute less than 100% of our net taxable income including capital gains. In addition, legislation, new regulations, administrative interpretations or court decisions may adversely affect our investors, our ability to qualify as a REIT for U.S.

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## [Table of Contents](#)

federal income tax purposes or the desirability of an investment in a REIT relative to other investments. Although we believe that we have been organized and have operated in a manner that is intended to allow us to qualify for taxation as a REIT, we can give no assurance that we have qualified or will continue to qualify as a REIT for tax purposes. We have not requested and do not plan to request a ruling from the Internal Revenue Service regarding our qualification as a REIT.

### ***We will pay some taxes.***

Even though we qualify as a REIT for U.S. federal income tax purposes, we will be required to pay some U.S. federal, state and local taxes on our income and property. Extra Space Management, Inc. manages stores for our joint ventures and stores owned by third parties. We, jointly with Extra Space Management, Inc., elected to treat Extra Space Management, Inc. as a taxable REIT subsidiary (“TRS”) of our Company for U.S. federal income tax purposes. A taxable REIT subsidiary is a fully taxable corporation, and may be limited in its ability to deduct interest payments made to us. ESM Reinsurance Limited, a wholly-owned subsidiary of Extra Space Management, Inc., generates income from insurance premiums that are subject to federal income tax and state insurance premiums tax. In addition, we will be subject to a 100% penalty tax on certain amounts if the economic arrangements among our tenants, our taxable REIT subsidiary and us are not comparable to similar arrangements among unrelated parties or if we receive payments for inventory or property held for sale to customers in the ordinary course of business. Also, if we sell property as a dealer (i.e., to customers in the ordinary course of our trade or business), we will be subject to a 100% penalty tax on any gain arising from such sales. While we don’t intend to sell stores as a dealer, the IRS could take a contrary position. To the extent that we are, or our taxable REIT subsidiary is, required to pay U.S. federal, state or local taxes, we will have less cash available for distribution to stockholders.

### ***Complying with REIT requirements may cause us to forego otherwise attractive opportunities.***

To qualify as a REIT for U.S. federal income tax purposes, we must continually satisfy tests concerning, among other things, the sources of our income, the nature and diversification of our assets, the amounts we distribute to our stockholders and the ownership of our stock. In order to meet these tests, we may be required to forego attractive business or investment opportunities. Thus, compliance with the REIT requirements may adversely affect our ability to operate solely to maximize profits.

### **Item 1B. Unresolved Staff Comments**

None.

### **Item 2. Properties**

As of December 31, 2015, we owned or had ownership interests in 999 operating stores. Of these stores, 746 are wholly-owned and 253 are held in joint ventures. In addition, we managed an additional 348 stores for third parties bringing the total number of stores which we own and/or manage to 1,347. These stores are located in 36 states, Washington, D.C. and Puerto Rico. We receive a management fee generally equal to approximately 6.0% of cash collected from total revenues to manage the joint venture and third party sites. As of December 31, 2015, we owned and/or managed approximately 101 million square feet of rentable space configured in approximately 896,000 separate storage units. Approximately 70% of our stores are clustered around large population centers, such as Atlanta, Baltimore/Washington, D.C., Boston, Chicago, Dallas, Houston, Las Vegas, Los Angeles, Miami, New York City, Orlando, Philadelphia, Phoenix, St. Petersburg/Tampa and San Francisco/Oakland. These markets contain above-average population and income demographics for stores. The clustering of assets around these population centers enables us to reduce our operating costs through economies of scale. Our acquisitions have given us an increased scale in many core markets as well as a foothold in many markets where we had no previous presence.

We consider a store to be in the lease-up stage after it has been issued a certificate of occupancy, but before it has achieved stabilization. We consider a store to be stabilized once it has achieved either an 80% occupancy rate for a full year measured as of January 1, or has been open for three years.

## Table of Contents

As of December 31, 2015, approximately 800,000 tenants were leasing storage units at the 1,347 operating stores that we own and/or manage, primarily on a month-to-month basis, providing the flexibility to increase rental rates over time as market conditions permit. Existing tenants generally receive rate increases at least annually, for which no direct correlation has been drawn to our vacancy trends. Although leases are short-term in duration, the typical tenant tends to remain at our stores for an extended period of time. For stores that were stabilized as of December 31, 2015, the average length of stay was approximately 13.7 months.

The average annual rent per square foot for our existing customers at stabilized stores, net of discounts and bad debt, was \$14.83 for the year ended December 31, 2015, compared to \$14.02 for the year ended December 31, 2014. Average annual rent per square foot for new leases was \$15.41 for the year ended December 31, 2015, compared to \$14.35 for the year ended December 31, 2014. The average discounts, as a percentage of rental revenues, during these periods were 3.3% and 3.8%, respectively.

Our store portfolio is made up of different types of construction and building configurations depending on the site and the municipality where it is located. Most often sites are what we consider “hybrid” facilities, a mix of both drive-up buildings and multi-floor buildings. We have a number of multi-floor buildings with elevator access only, and a number of facilities featuring ground-floor access only.

The following table presents additional information regarding the occupancy of our stabilized stores by state as of December 31, 2015 and 2014. The information as of December 31, 2014, is on a pro forma basis as though all the stores owned at December 31, 2015, were under our control as of December 31, 2014.

### Stabilized Store Data Based on Location

| Location                   | Number of Stores | Company                                     | Pro forma                               | Company  | Pro forma  | Company                                   | Pro forma                                 |
|----------------------------|------------------|---|---|--|--|---|---|
|                            |                  | Number of Units as of December 31, 2015 (1) | Number of Units as of December 31, 2014 | Net Rentable Square Feet as of December 31, 2015 (2) | Net Rentable Square Feet as of December 31, 2014 | Square Foot Occupancy % December 31, 2015 | Square Foot Occupancy % December 31, 2014 |
| <b>Wholly-Owned Stores</b> |                  |   |   |  |  |   |   |
| Alabama                    | 8                | 4,585                                       | 4,511                                   | 559,526  | 559,226  | 88.3%                                     | 83.8%                                     |
| Arizona                    | 18               | 10,477                                      | 10,347                                  | 1,213,977  | 1,211,460  | 91.0%                                     | 89.8%                                     |
| California                 | 135              | 102,569                                     | 102,023                                 | 10,721,441   | 10,711,355                                       | 94.8%                                     | 92.7%                                     |
| Colorado                   | 12               | 5,943                                       | 5,913                                   | 737,569  | 739,274  | 89.4%                                     | 87.6%                                     |
| Connecticut                | 5                | 3,143                                       | 3,132                                   | 298,936  | 299,734  | 93.1%                                     | 90.7%                                     |
| Florida                    | 75               | 52,973                                      | 52,457                                  | 5,719,626  | 5,692,917  | 92.9%                                     | 91.2%                                     |
| Georgia                    | 46               | 27,287                                      | 27,174                                  | 3,549,077  | 3,550,802  | 90.2%                                     | 88.7%                                     |
| Hawaii                     | 5                | 5,856                                       | 5,626                                   | 344,400  | 336,872  | 94.1%                                     | 93.1%                                     |
| Illinois                   | 22               | 15,264                                      | 15,024                                  | 1,673,669  | 1,666,183  | 88.6%                                     | 89.0%                                     |
| Indiana                    | 9                | 4,825                                       | 4,754                                   | 556,143  | 555,335  | 90.3%                                     | 89.6%                                     |
| Kansas                     | 1                | 532   | 507                                     | 49,991   | 50,361   | 91.9%                                     | 89.6%                                     |
| Kentucky                   | 9                | 5,006                                       | 4,997                                   | 669,936  | 669,936  | 85.6%                                     | 85.8%                                     |
| Louisiana                  | 2                | 1,406                                       | 1,408                                   | 150,090  | 149,990  | 92.1%                                     | 92.4%                                     |
| Maryland                   | 24               | 18,129                                      | 17,872                                  | 1,876,784  | 1,875,010  | 91.3%                                     | 90.4%                                     |
| Massachusetts              | 37               | 23,172                                      | 22,913                                  | 2,316,364  | 2,315,612  | 91.8%                                     | 90.8%                                     |
| Michigan                   | 3                | 1,815                                       | 1,799                                   | 258,001  | 254,239  | 90.1%                                     | 91.7%                                     |
| Mississippi                | 3                | 1,477                                       | 1,477                                   | 221,482  | 221,482  | 81.9%                                     | 81.9%                                     |
| Missouri                   | 6                | 3,238                                       | 3,224                                   | 385,961  | 386,151  | 93.2%                                     | 90.4%                                     |
| Nevada                     | 14               | 8,643                                       | 8,667                                   | 1,262,065  | 1,262,025  | 89.8%                                     | 88.8%                                     |
| New Hampshire              | 2                | 1,029                                       | 1,013                                   | 126,133  | 125,748  | 93.0%                                     | 94.2%                                     |
| New Jersey                 | 56               | 43,537                                      | 43,380                                  | 4,239,282  | 4,233,078  | 91.4%                                     | 90.9%                                     |
| New Mexico                 | 3                | 1,613                                       | 1,575                                   | 221,292  | 217,074  | 92.5%                                     | 85.9%                                     |

[Table of Contents](#)

| Location                              | Number of Stores | Company                                     | Pro forma                               | Company  | Pro forma  | Company                                   | Pro forma                                 |
|---------------------------------------|------------------|---|---|--|--|---|---|
|                                       |                  | Number of Units as of December 31, 2015 (1) | Number of Units as of December 31, 2014 | Net Rentable Square Feet as of December 31, 2015 (2) | Net Rentable Square Feet as of December 31, 2014 | Square Foot Occupancy % December 31, 2015 | Square Foot Occupancy % December 31, 2014 |
| New York                              | 21               | 18,431                                      | 18,336                                  | 1,546,216  | 1,544,963  | 91.6%                                     | 90.5%                                     |
| North Carolina                        | 11               | 6,806                                       | 6,736                                   | 761,323  | 760,151  | 92.0%                                     | 89.8%                                     |
| Ohio                                  | 21               | 11,372                                      | 11,282                                  | 1,485,653  | 1,481,342  | 91.2%                                     | 89.9%                                     |
| Oregon                                | 4                | 2,753                                       | 2,749                                   | 326,477  | 326,797  | 86.9%                                     | 87.5%                                     |
| Pennsylvania                          | 14               | 9,651                                       | 9,623                                   | 1,044,720  | 1,040,898  | 87.3%                                     | 86.6%                                     |
| Rhode Island                          | 2                | 1,235                                       | 1,198                                   | 131,356  | 131,291  | 91.4%                                     | 94.7%                                     |
| South Carolina                        | 19               | 10,658                                      | 10,552                                  | 1,442,690  | 1,440,561  | 87.5%                                     | 87.8%                                     |
| Tennessee                             | 17               | 10,330                                      | 10,320                                  | 1,458,806  | 1,457,297  | 88.8%                                     | 89.6%                                     |
| Texas                                 | 72               | 45,967                                      | 45,926                                  | 5,866,304  | 5,868,530  | 89.7%                                     | 88.6%                                     |
| Utah                                  | 8                | 4,231                                       | 4,242                                   | 523,056  | 523,056  | 94.1%                                     | 88.9%                                     |
| Virginia                              | 36               | 27,091                                      | 26,656                                  | 2,894,720  | 2,876,843  | 89.4%                                     | 86.1%                                     |
| Washington                            | 6                | 3,593                                       | 3,576                                   | 428,678  | 427,783  | 93.9%                                     | 88.8%                                     |
| <b>Total Wholly-Owned Stabilized</b>  | <b>726</b>       | <b>494,637</b>                              | <b>490,989</b>                          | <b>55,061,744</b>                                    | <b>54,963,376</b>                                | <b>91.4%</b>                              | <b>90.0%</b>                              |
| <b>Joint-Venture Stores</b>           |                  |   |   |  |  |   |   |
| Alabama                               | 2                | 1,177                                       | 1,153                                   | 145,056  | 145,146  | 95.5%                                     | 88.2%                                     |
| Arizona                               | 7                | 4,301                                       | 4,253                                   | 491,813  | 492,578  | 93.9%                                     | 92.4%                                     |
| California                            | 66               | 47,532                                      | 47,203                                  | 4,826,714  | 4,828,196  | 95.3%                                     | 93.5%                                     |
| Colorado                              | 2                | 1,308                                       | 1,318                                   | 158,375  | 159,220  | 93.9%                                     | 94.1%                                     |
| Connecticut                           | 7                | 5,320                                       | 5,307                                   | 611,680  | 611,625  | 92.6%                                     | 92.2%                                     |
| Delaware                              | 1                | 597   | 591                                     | 71,610   | 71,705   | 81.2%                                     | 93.2%                                     |
| Florida                               | 16               | 13,295                                      | 13,095                                  | 1,295,165  | 1,295,967  | 93.3%                                     | 92.1%                                     |
| Georgia                               | 2                | 1,084                                       | 1,069                                   | 151,134  | 152,794  | 90.0%                                     | 91.6%                                     |
| Illinois                              | 5                | 3,493                                       | 3,471                                   | 366,155  | 365,183  | 90.2%                                     | 92.0%                                     |
| Indiana                               | 5                | 2,257                                       | 2,206                                   | 288,415  | 288,028  | 92.0%                                     | 90.3%                                     |
| Kansas                                | 2                | 846   | 844                                     | 109,165  | 109,375  | 90.5%                                     | 92.0%                                     |
| Kentucky                              | 4                | 2,283                                       | 2,274                                   | 257,199  | 257,439  | 87.2%                                     | 87.0%                                     |
| Maryland                              | 12               | 9,915                                       | 9,776                                   | 957,805  | 955,190  | 91.4%                                     | 90.6%                                     |
| Massachusetts                         | 13               | 7,012                                       | 6,946                                   | 774,897  | 784,024  | 92.3%                                     | 90.6%                                     |
| Michigan                              | 8                | 4,860                                       | 4,816                                   | 615,013  | 613,403  | 92.8%                                     | 92.1%                                     |
| Missouri                              | 1                | 538   | 534                                     | 61,075   | 61,075   | 91.7%                                     | 91.3%                                     |
| Nevada                                | 4                | 2,309                                       | 2,294                                   | 252,862  | 253,013  | 92.8%                                     | 91.8%                                     |
| New Hampshire                         | 2                | 801   | 792                                     | 85,111   | 84,391   | 94.8%                                     | 90.4%                                     |
| New Jersey                            | 16               | 13,041                                      | 12,976                                  | 1,358,645  | 1,356,864  | 92.5%                                     | 89.9%                                     |
| New Mexico                            | 7                | 3,649                                       | 3,602                                   | 396,575  | 397,494  | 92.1%                                     | 89.5%                                     |
| New York                              | 12               | 11,938                                      | 11,936                                  | 971,181  | 977,351  | 92.8%                                     | 92.0%                                     |
| Ohio                                  | 6                | 3,154                                       | 3,128                                   | 414,962  | 414,929  | 90.0%                                     | 87.6%                                     |
| Oregon                                | 1                | 655   | 653                                     | 64,970   | 64,970   | 94.0%                                     | 91.8%                                     |
| Pennsylvania                          | 9                | 6,349                                       | 6,343                                   | 698,214  | 697,232  | 90.2%                                     | 90.4%                                     |
| Tennessee                             | 14               | 7,383                                       | 7,381                                   | 956,108  | 957,243  | 90.5%                                     | 91.9%                                     |
| Texas                                 | 13               | 8,493                                       | 8,444                                   | 1,131,665  | 1,128,000  | 94.1%                                     | 94.5%                                     |
| Virginia                              | 12               | 8,674                                       | 8,634                                   | 918,172  | 917,914  | 89.4%                                     | 90.7%                                     |
| Washington, DC                        | 1                | 1,547                                       | 1,530                                   | 102,488  | 102,017  | 89.4%                                     | 92.8%                                     |
| <b>Total Joint-Venture Stabilized</b> | <b>250</b>       | <b>173,811</b>                              | <b>172,569</b>                          | <b>18,532,224</b>                                    | <b>18,542,366</b>                                | <b>92.8%</b>                              | <b>91.9%</b>                              |

[Table of Contents](#)

| Location                        | Number of Stores | Company                                     | Pro forma                               | Company  | Pro forma  | Company                                   | Pro forma                                 |
|---------------------------------|------------------|---|---|--|--|---|---|
|                                 |                  | Number of Units as of December 31, 2015 (1) | Number of Units as of December 31, 2014 | Net Rentable Square Feet as of December 31, 2015 (2) | Net Rentable Square Feet as of December 31, 2014 | Square Foot Occupancy % December 31, 2015 | Square Foot Occupancy % December 31, 2014 |
| <b>Managed Stores</b>           |                  |   |   |  |  |   |   |
| Alabama                         | 10               | 5,020                                       | 4,993                                   | 668,563  | 677,723  | 86.9%                                     | 85.1%                                     |
| Arizona                         | 3                | 1,230                                       | 1,216                                   | 230,703  | 228,131  | 93.8%                                     | 91.6%                                     |
| California                      | 82               | 53,335                                      | 54,014                                  | 6,699,268  | 6,776,534  | 91.9%                                     | 87.1%                                     |
| Colorado                        | 20               | 10,874                                      | 10,791                                  | 1,297,336  | 1,291,699  | 86.4%                                     | 87.7%                                     |
| Connecticut                     | 1                | 459   | 465                                     | 61,360   | 61,865   | 93.9%                                     | 91.6%                                     |
| Florida                         | 39               | 25,174                                      | 25,106                                  | 3,043,359  | 3,050,208  | 91.7%                                     | 89.8%                                     |
| Georgia                         | 8                | 3,921                                       | 3,946                                   | 580,042  | 593,356  | 92.5%                                     | 90.0%                                     |
| Hawaii                          | 6                | 4,817                                       | 5,043                                   | 349,952  | 350,155  | 92.5%                                     | 87.0%                                     |
| Illinois                        | 10               | 5,720                                       | 5,706                                   | 619,492  | 618,767  | 82.7%                                     | 83.8%                                     |
| Indiana                         | 14               | 7,717                                       | 7,748                                   | 940,116  | 959,031  | 89.3%                                     | 88.6%                                     |
| Kentucky                        | 2                | 1,333                                       | 1,327                                   | 219,777  | 219,777  | 90.8%                                     | 90.9%                                     |
| Louisiana                       | 1                | 985   | 999                                     | 131,865  | 133,490  | 90.9%                                     | 85.2%                                     |
| Maryland                        | 17               | 11,931                                      | 11,691                                  | 1,135,555  | 1,138,279  | 86.4%                                     | 87.8%                                     |
| Michigan                        | 4                | 2,185                                       | 2,185                                   | 261,706  | 261,706  | 81.8%                                     | 81.8%                                     |
| Mississippi                     | 1                | 679   | 686                                     | 115,688  | 115,918  | 97.6%                                     | 91.1%                                     |
| Missouri                        | 4                | 2,215                                       | 2,035                                   | 251,792  | 230,334  | 80.5%                                     | 83.6%                                     |
| Nevada                          | 6                | 5,168                                       | 5,211                                   | 578,375  | 579,825  | 85.4%                                     | 79.2%                                     |
| New Jersey                      | 4                | 2,099                                       | 2,094                                   | 235,112  | 235,387  | 87.9%                                     | 86.5%                                     |
| New Mexico                      | 3                | 1,964                                       | 1,927                                   | 233,727  | 234,647  | 90.2%                                     | 88.4%                                     |
| New York                        | 1                | 2,048                                       | 2,048                                   | 88,017   | 88,017   | 92.2%                                     | 92.2%                                     |
| North Carolina                  | 6                | 3,184                                       | 3,182                                   | 461,986  | 461,884  | 80.8%                                     | 81.2%                                     |
| Ohio                            | 8                | 3,091                                       | 2,956                                   | 408,066  | 429,161  | 85.2%                                     | 87.0%                                     |
| Oklahoma                        | 3                | 1,922                                       | 1,922                                   | 337,096  | 337,096  | 82.9%                                     | 82.9%                                     |
| Oregon                          | 1                | 455   | 455                                     | 39,419   | 39,419   | 97.7%                                     | 97.7%                                     |
| Pennsylvania                    | 13               | 6,980                                       | 6,945                                   | 857,217  | 861,472  | 89.8%                                     | 88.0%                                     |
| South Carolina                  | 4                | 2,609                                       | 2,607                                   | 348,771  | 351,870  | 89.2%                                     | 85.6%                                     |
| Tennessee                       | 2                | 909   | 909                                     | 131,360  | 131,360  | 93.6%                                     | 90.5%                                     |
| Texas                           | 29               | 15,366                                      | 15,083                                  | 2,089,942  | 2,059,838  | 85.9%                                     | 84.5%                                     |
| Utah                            | 4                | 2,011                                       | 2,026                                   | 312,690  | 314,270  | 92.2%                                     | 84.3%                                     |
| Virginia                        | 4                | 2,436                                       | 2,403                                   | 248,574  | 249,264  | 90.2%                                     | 87.2%                                     |
| Washington                      | 1                | 493   | 493                                     | 48,810   | 48,810   | 74.0%                                     | 74.0%                                     |
| Washington, DC                  | 2                | 1,267                                       | 1,267                                   | 112,334  | 112,334  | 91.2%                                     | 92.8%                                     |
| Puerto Rico                     | 4                | 2,676                                       | 2,666                                   | 286,772  | 287,133  | 87.4%                                     | 87.5%                                     |
| <b>Total Managed Stabilized</b> | <b>317</b>       | <b>192,273</b>                              | <b>192,145</b>                          | <b>23,424,842</b>                                    | <b>23,528,760</b>                                | <b>89.2%</b>                              | <b>87.0%</b>                              |
| <b>Total Stabilized Stores</b>  | <b>1,293</b>     | <b>860,721</b>                              | <b>855,703</b>                          | <b>97,018,810</b>                                    | <b>97,034,502</b>                                | <b>91.1%</b>                              | <b>89.6%</b>                              |

- (1) Represents unit count as of December 31, 2015, which may differ from unit count as of December 31, 2014, due to unit conversions or expansions.
- (2) Represents net rentable square feet as of December 31, 2015, which may differ from net rentable square feet as of December 31, 2014, due to unit conversions or expansions.

[Table of Contents](#)

The following table presents additional information regarding the occupancy of our lease-up stores by state as of December 31, 2015 and 2014. The information as of December 31, 2014, is on a pro forma basis as though all the stores owned at December 31, 2015, were under our control as of December 31, 2014.

**Lease-up Store Data Based on Location**

| Location                               | Number of Stores | Company                                     |   | Pro forma  |  | Company                                   |   | Pro forma |  |
|--|------------------|---|---|--|--|---|---|-----------|--|
|  |                  | Number of Units as of December 31, 2015 (1) | Number of Units as of December 31, 2014 | Net Rentable Square Feet as of December 31, 2015 (2) | Net Rentable Square Feet as of December 31, 2014 | Square Foot Occupancy % December 31, 2015 | Square Foot Occupancy % December 31, 2014 |           |  |
| <b>Wholly-Owned Stores</b>             |                  |   |   |  |  |   |   |           |  |
| Arizona                                | 1                | 894   | 894                                     | 122,092  | 122,092  | 72.9%                                     | 46.4%                                     |           |  |
| California (3)                         | 2                | 591   | —                                       | 73,723   | —  | 4.4%                                      | 0.0%                                      |           |  |
| Connecticut                            | 1                | 1,107                                       | 1,121                                   | 89,820   | 90,565   | 90.0%                                     | 51.8%                                     |           |  |
| Florida                                | 1                | 549   | 534                                     | 77,480   | 75,591   | 91.7%                                     | 79.0%                                     |           |  |
| Georgia                                | 1                | 621   | 598                                     | 52,606   | 52,365   | 94.9%                                     | 91.0%                                     |           |  |
| Illinois                               | 1                | 862   | 583                                     | 54,917   | 47,087   | 61.7%                                     | 70.1%                                     |           |  |
| Maryland                               | 1                | 988   | 988                                     | 103,135  | 103,171  | 89.8%                                     | 74.5%                                     |           |  |
| North Carolina                         | 2                | 1,563                                       | 394                                     | 150,873  | 37,780   | 44.3%                                     | 91.0%                                     |           |  |
| South Carolina                         | 2                | 1,219                                       | 1,246                                   | 131,744  | 131,902  | 86.9%                                     | 39.3%                                     |           |  |
| Texas                                  | 7                | 4,622                                       | 3,286                                   | 532,374  | 367,551  | 62.1%                                     | 49.3%                                     |           |  |
| Virginia                               | 1                | 502   | 502                                     | 56,405   | 56,405   | 89.2%                                     | 66.6%                                     |           |  |
| <b>Total Wholly-Owned in Lease-up</b>  | <b>20</b>        | <b>13,518</b>                               | <b>10,146</b>                           | <b>1,445,169</b>                                     | <b>1,084,509</b>                                 | <b>68.0%</b>                              | <b>57.7%</b>                              |           |  |
| <b>Joint-Venture Stores</b>            |                  |   |   |  |  |   |   |           |  |
| Arizona                                | 1                | 606   | —                                       | 62,200   | —  | 39.2%                                     | 0.0%                                      |           |  |
| California                             | 1                | 619   | —                                       | 59,529   | —  | 79.0%                                     | 0.0%                                      |           |  |
| New Jersey                             | 1                | 873   | —                                       | 74,521   | —  | 45.3%                                     | 0.0%                                      |           |  |
| <b>Total Joint-Venture in Lease-up</b> | <b>3</b>         | <b>2,098</b>                                | <b>—</b>                                | <b>196,250</b>                                       | <b>—</b>   | <b>53.6%</b>                              | <b>0.0%</b>                               |           |  |
| <b>Managed Stores</b>                  |                  |   |   |  |  |   |   |           |  |
| California                             | 4                | 1,608                                       | 1,082                                   | 209,030  | 229,755  | 58.4%                                     | 73.3%                                     |           |  |
| Colorado                               | 3                | 2,033                                       | —                                       | 207,376  | —  | 60.9%                                     | 0.0%                                      |           |  |
| Florida                                | 1                | 595   | —                                       | 70,675   | —  | 30.8%                                     | 0.0%                                      |           |  |
| Georgia                                | 1                | 553   | —                                       | 69,367   | —  | 54.4%                                     | 0.0%                                      |           |  |
| Illinois                               | 1                | 672   | 673                                     | 46,417   | 46,417   | 83.6%                                     | 55.1%                                     |           |  |
| Maryland                               | 3                | 2,497                                       | 422                                     | 218,463  | 44,790   | 58.8%                                     | 73.4%                                     |           |  |
| Massachusetts                          | 1                | 902   | —                                       | 70,106   | —  | 56.7%                                     | 0.0%                                      |           |  |
| Nevada                                 | 1                | 1,470                                       | 1,470                                   | 196,486  | 196,486  | 66.2%                                     | 36.5%                                     |           |  |
| New York                               | 2                | 1,453                                       | 348                                     | 100,634  | 33,764   | 47.6%                                     | 32.9%                                     |           |  |
| North Carolina                         | 3                | 1,130                                       | —                                       | 103,594  | —  | 58.1%                                     | 0.0%                                      |           |  |
| Oregon                                 | 1                | 285   | —                                       | 27,100   | —  | 31.8%                                     | 0.0%                                      |           |  |
| South Carolina                         | 4                | 2,960                                       | 1,002                                   | 314,286  | 97,750   | 53.3%                                     | 22.7%                                     |           |  |
| Texas                                  | 2                | 1,180                                       | 551                                     | 134,019  | 60,732   | 43.7%                                     | 81.7%                                     |           |  |
| Utah                                   | 1                | 521   | 522                                     | 67,357   | 67,037   | 92.3%                                     | 70.7%                                     |           |  |
| Virginia                               | 2                | 1,054                                       | 1,058                                   | 105,594  | 106,126  | 91.6%                                     | 60.3%                                     |           |  |
| Washington                             | 1                | 692   | 600                                     | 80,680   | 54,935   | 76.0%                                     | 4.9%                                      |           |  |
| <b>Total Managed in Lease-up</b>       | <b>31</b>        | <b>19,605</b>                               | <b>7,728</b>                            | <b>2,021,184</b>                                     | <b>937,792</b>                                   | <b>59.8%</b>                              | <b>52.9%</b>                              |           |  |
| <b>Total Lease-up Stores</b>           | <b>54</b>        | <b>35,221</b>                               | <b>17,874</b>                           | <b>3,662,603</b>                                     | <b>2,022,301</b>                                 | <b>62.7%</b>                              | <b>55.5%</b>                              |           |  |

- (1) Represents unit count as of December 31, 2015, which may differ from unit count as of December 31, 2014, due to unit conversions or expansions.  
(2) Represents net rentable square feet as of December 31, 2015, which may differ from net rentable square feet as of December 31, 2014, due to unit conversions or expansions.

**Item 3. Legal Proceedings**

We are involved in various legal proceedings and are subject to various claims and complaints arising in the ordinary course of business. Because litigation is inherently unpredictable, the outcome of these matters cannot presently be determined with any degree of certainty. In accordance with applicable accounting guidance, management establishes an accrued liability for litigation when those matters present loss contingencies that are both probable and reasonably estimable. In such cases, there may be an exposure to loss in excess of any amounts accrued. The estimated loss, if any, is based upon currently available information and is subject to significant judgment, a variety of assumptions, and known and unknown uncertainties. Therefore, any estimate(s) of loss disclosed below represents what management believes to be an estimate of loss only for certain matters meeting these criteria and does not represent our maximum loss exposure. We could in the future incur judgments or enter into settlements of claims that could have a material adverse effect on our results of operations in any particular period, notwithstanding the fact that we are currently vigorously defending any legal proceedings against us.

We currently have several legal proceedings pending against us that include causes of action alleging wrongful foreclosure, violations of various state specific self-storage statutes, and violations of various consumer fraud acts. As a result of these litigation matters, we recorded a liability of \$850,000 during the year ended December 31, 2014, which is included in other liabilities on the consolidated balance sheets.

**Item 4. Mine Safety Disclosures**

Not Applicable.

**PART II****Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities****Market Information**

Our common stock has been traded on the New York Stock Exchange (“NYSE”) under the symbol “EXR” since our IPO on August 17, 2004. Prior to that time there was no public market for our common stock.

The following table presents, for the periods indicated, the high and low sales price for our common stock as reported by the NYSE and the per share dividends declared:

| Year | Quarter | Range   |         | Dividends Declared |
|------|---------|---------|---------|--------------------|
|      |         | High    | Low     |                    |
| 2014 | 1st     | \$50.10 | \$41.48 | \$ 0.40            |
|      | 2nd     | 54.44   | 47.57   | 0.47               |
|      | 3rd     | 54.87   | 50.11   | 0.47               |
|      | 4th     | 60.56   | 51.10   | 0.47               |
| 2015 | 1st     | 67.65   | 57.11   | 0.47               |
|      | 2nd     | 70.50   | 63.54   | 0.59               |
|      | 3rd     | 77.51   | 65.82   | 0.59               |
|      | 4th     | 90.22   | 75.55   | 0.59               |

On February 18, 2016, the closing price of our common stock as reported by the NYSE was \$84.55. At February 18, 2016, we had 335 holders of record of our common stock. Certain shares of the Company are held in “street” name and accordingly, the number of beneficial owners of such shares is not known or included in the foregoing number.

Holders of shares of common stock are entitled to receive distributions when declared by our board of directors out of any assets legally available for that purpose. As a REIT, we are required to distribute at least 90% of our “REIT taxable income,” which is generally equivalent to our net taxable ordinary income, determined without regard to the deduction for dividends paid to our stockholders annually in order to maintain our REIT qualification for U.S. federal income tax purposes.

Information about our equity compensation plans is incorporated by reference in Item 12 of Part III of this Annual Report on Form 10-K.

**Unregistered Sales of Equity Securities**

On April 15, 2015, we entered into a contribution agreement to acquire 22 stores located in Arizona and Texas (the “Properties”). The Properties include approximately 1.7 million square feet of net rentable space in approximately 13,500 self-storage units, which were approximately 81.7% occupied as of June 30, 2015. The aggregate consideration paid to acquire the Properties is valued at approximately \$177.7 million, excluding transaction costs, including the issuance by the Operating Partnership to the contributors of 1,504,277 common Operating Partnership units (“OP Units”), with a total value of \$101.7 million.

On June 18, 2015, our Operating Partnership issued 71,054 OP Units in connection with the acquisition of a store located in Florida. The store was acquired in exchange for the OP Units, valued at \$4.8 million, and approximately \$12.7 million of cash.

On October 1, 2015, the Company completed its previously announced acquisition of SmartStop, a public non-traded REIT pursuant to an Agreement and Plan of Merger, dated June 15, 2015. Under the terms of the

## Table of Contents

Merger Agreement, SmartStop shareholders received \$13.75 per share in cash. Certain unit holders elected to exchange their SmartStop OP units for 376,848 of the Company's OP units for a total value of approximately \$25.5 million.

On November 13, 2015, our Operating Partnership issued 91,434 OP Units in connection with the acquisition of a store located in Texas. The store was acquired in exchange for the OP Units, valued at \$7.2 million, and approximately \$7.1 million of cash.

The terms of the OP Units are governed by the Operating Partnership's Fourth Amended and Restated Agreement of Limited Partnership. The OP Units will be redeemable, at the option of the holders following the expiration of a lock-up period commencing on the date of issuance and ending on August 15, 2016, which redemption obligation may be satisfied, at our option, in cash or shares of our common stock.

The OP Units were issued in private placements in reliance on Section 4(a)(2) of the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

### Item 6. Selected Financial Data

The following table presents selected financial data and should be read in conjunction with the financial statements and notes thereto included in Item 8, "Financial Statements and Supplementary Data" and Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Form 10-K (amounts in thousands, except share and per share data).

|   | For the Year Ended December 31, |                  |                  |                  |                  |
|---|---------------------------------|------------------|------------------|------------------|------------------|
|   | 2015                            | 2014             | 2013             | 2012             | 2011             |
| <b>Revenues:</b>  |                                 |                  |                  |                  |                  |
| Property rental   | \$676,138                       | \$559,868        | \$446,682        | \$346,874        | \$268,725        |
| Tenant reinsurance, management fees and other income  | 106,132                         | 87,287           | 73,931           | 62,522           | 61,105           |
| Total revenues  | 782,270                         | 647,155          | 520,613          | 409,396          | 329,830          |
| <b>Expenses:</b>  |                                 |                  |                  |                  |                  |
| Property operations   | 203,965                         | 172,416          | 140,012          | 114,028          | 95,481           |
| Tenant reinsurance  | 13,033                          | 10,427           | 9,022            | 7,869            | 6,143            |
| Acquisition related costs and severance   | 69,401                          | 9,826            | 8,618            | 5,351            | 5,033            |
| General and administrative  | 67,758                          | 60,942           | 54,246           | 50,454           | 49,683           |
| Depreciation and amortization   | 133,457                         | 115,076          | 95,232           | 74,453           | 58,014           |
| Total expenses  | 487,614                         | 368,687          | 307,130          | 252,155          | 214,354          |
| Income from operations  | 294,656                         | 278,468          | 213,483          | 157,241          | 115,476          |
| Interest expense  | (98,992)                        | (84,013)         | (73,034)         | (72,294)         | (69,062)         |
| Interest income   | 8,311                           | 6,457            | 5,599            | 6,666            | 5,877            |
| Loss on extinguishment of debt related to portfolio acquisition, gain (loss) on sale of real estate, earned from prior acquisitions and property casualty loss, net | 1,501                           | (12,009)         | (8,193)          | —                | —                |
| Income before equity in earnings of real estate ventures and income tax expense   | 205,476                         | 188,903          | 137,855          | 91,613           | 52,291           |
| Equity in earnings of unconsolidated real estate ventures   | 12,351                          | 10,541           | 11,653           | 10,859           | 7,287            |
| Equity in earnings of unconsolidated real estate ventures - gain on sale of real estate assets and purchase of joint venture partners' interests                    | 2,857                           | 4,022            | 46,032           | 30,630           | —                |
| Income tax expense  | (11,148)                        | (7,570)          | (9,984)          | (5,413)          | (1,155)          |
| <b>Net income</b>   | 209,536                         | 195,896          | 185,556          | 127,689          | 58,423           |
| Noncontrolling interests in Operating Partnership and other noncontrolling interests  | (20,062)                        | (17,541)         | (13,480)         | (10,380)         | (7,974)          |
| <b>Net income attributable to common stockholders</b>   | <u>\$189,474</u>                | <u>\$178,355</u> | <u>\$172,076</u> | <u>\$117,309</u> | <u>\$ 50,449</u> |

[Table of Contents](#)

|  | For the Year Ended December 31, |              |              |              |              |
|--|---------------------------------|--------------|--------------|--------------|--------------|
|  | 2015                            | 2014         | 2013         | 2012         | 2011         |
| <b>Earnings per common share</b>   |                                 |              |              |              |              |
| Basic  | \$ 1.58                         | \$ 1.54      | \$ 1.54      | \$ 1.15      | \$ 0.55      |
| Diluted  | \$ 1.56                         | \$ 1.53      | \$ 1.53      | \$ 1.14      | \$ 0.54      |
| <b>Weighted average number of shares</b>   |                                 |              |              |              |              |
| Basic  | 119,816,743                     | 115,713,807  | 111,349,361  | 101,766,385  | 92,097,008   |
| Diluted  | 126,918,869                     | 121,435,267  | 113,105,094  | 103,767,365  | 96,683,508   |
| <b>Cash dividends paid per common share</b>  | \$ 2.24                         | \$ 1.81      | \$ 1.45      | \$ 0.85      | \$ 0.56      |
|  | As of December 31,              |              |              |              |              |
|  | 2015                            | 2014         | 2013         | 2012         | 2011         |
| <b>Balance Sheet Data</b>  |                                 |              |              |              |              |
| Total assets   | \$ 6,071,407                    | \$ 4,381,987 | \$ 3,977,140 | \$ 3,223,477 | \$ 2,517,524 |
| Total notes payable, notes payable to trusts, exchangeable senior notes and lines of credit, net | \$ 3,535,621                    | \$ 2,349,764 | \$ 1,946,647 | \$ 1,577,599 | \$ 1,363,656 |
| Noncontrolling interests   | \$ 283,527                      | \$ 174,558   | \$ 173,425   | \$ 53,524    | \$ 54,814    |
| Total stockholders' equity   | \$ 2,089,077                    | \$ 1,737,425 | \$ 1,758,470 | \$ 1,491,807 | \$ 1,018,947 |
| <b>Other Data</b>  |                                 |              |              |              |              |
| Net cash provided by operating activities  | \$ 367,329                      | \$ 337,581   | \$ 271,259   | \$ 215,879   | \$ 144,164   |
| Net cash used in investing activities  | \$ (1,625,664)                  | \$ (564,948) | \$ (366,976) | \$ (606,938) | \$ (251,919) |
| Net cash provided by financing activities  | \$ 1,286,471                    | \$ 148,307   | \$ 191,655   | \$ 395,360   | \$ 87,489    |

**Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations**

*The following discussion should be read in conjunction with the financial statements and notes thereto appearing elsewhere in this report. We make statements in this section that are forward-looking statements within the meaning of the federal securities laws. For a complete discussion of forward-looking statements, see the section in this Form 10-K entitled "Statements Regarding Forward-Looking Information." Certain risk factors may cause actual results, performance or achievements to differ materially from those expressed or implied by the following discussion. For a discussion of such risk factors, see the section in this Form 10-K entitled "Risk Factors." Amounts in thousands, except share and per share data.*

**Overview**

We are a fully integrated, self-administered and self-managed real estate investment trust, or REIT, formed to continue the business commenced in 1977 by Extra Space Storage LLC and its subsidiaries to own, operate, manage, acquire, develop and redevelop professionally managed stores.

At December 31, 2015, we owned, had ownership interests in, or managed 1,347 operating stores in 36 states, Washington, D.C. and Puerto Rico. Of these 1,347 operating stores, we owned 746, we held joint venture interests in 253 stores, and our taxable REIT subsidiary, Extra Space Management, Inc., operated an additional 348 stores that are owned by third parties. These operating stores contain approximately 101 million square feet of rentable space in approximately 896,000 units and currently serve a customer base of approximately 800,000 tenants.

Our stores are generally situated in convenient, highly visible locations clustered around large population centers such as Atlanta, Baltimore/Washington, D.C., Boston, Chicago, Dallas, Houston, Las Vegas, Los Angeles, Miami, New York City, Orlando, Philadelphia, Phoenix, St. Petersburg/Tampa and San Francisco/Oakland. These areas all enjoy above average population growth and income levels. The clustering of our assets around these population centers enables us to reduce our operating costs through economies of scale. We consider a store to be in the lease-up stage after it has been issued a certificate of occupancy, but before it has achieved stabilization. A store is considered to be stabilized once it has achieved an 80% occupancy rate for a full year measured as of January 1, or has been open for three years.

To maximize the performance of our stores, we employ industry-leading revenue management systems. Developed by our management team, these systems enable us to analyze, set and adjust rental rates in real time across our portfolio in order to respond to changing market conditions. We believe our systems and processes allow us to more proactively manage revenues.

We derive substantially all of our revenues from rents received from tenants under leases at each of our wholly-owned stores, from management fees on the stores we manage for joint-venture partners and unaffiliated third parties, and from our tenant reinsurance program. Our management fee is generally equal to approximately 6.0% of cash collected from total revenues generated by the managed stores. We also receive an asset management fee of 0.5% of the total asset value from one of our joint ventures.

We operate in competitive markets, often where consumers have multiple stores from which to choose. Competition has impacted, and will continue to impact, our store results. We experience seasonal fluctuations in occupancy levels, with occupancy levels generally higher in the summer months due to increased moving activity. Our operating results depend materially on our ability to lease available self-storage units, to actively manage unit rental rates, and on the ability of our tenants to make required rental payments. We believe that we are able to respond quickly and effectively to changes in local, regional and national economic conditions by adjusting rental rates through the combination of our revenue management team and our industry-leading technology systems.

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## [Table of Contents](#)

We continue to evaluate a range of new initiatives and opportunities in order to enable us to maximize stockholder value. Our strategies to maximize stockholder value include the following:

- **Maximize the performance of our stores through strategic, efficient and proactive management.** We pursue revenue-generating and expense-minimizing opportunities in our operations. Our revenue management team seeks to maximize revenue by responding to changing market conditions through our advanced technology system's ability to provide real-time, interactive rental rate and discount management. Our size allows us greater ability than the majority of our competitors to implement more effective online marketing programs, which we believe will attract more customers to our stores at a lower net cost.
- **Acquire stores.** Our acquisitions team continues to pursue the acquisition of multi-store portfolios and single stores that we believe can provide stockholder value. We have established a reputation as a reliable, ethical buyer, which we believe enhances our ability to negotiate and close acquisitions. In addition, we believe our status as an UPREIT enables flexibility when structuring deals. We continue to see available acquisitions on which to bid and are seeing increasing prices. However, we remain a disciplined buyer and look for acquisitions that will strengthen our portfolio and increase stockholder value.
- **Expand our management business.** Our management business enables us to generate increased revenues through management fees and expand our geographic footprint. We believe this expanded footprint enables us to reduce our operating costs through economies of scale. In addition, we see our management business as a future acquisition pipeline. We pursue strategic relationships with owners whose stores would enhance our portfolio in the event an opportunity arises to acquire such stores.

## CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our financial statements have been prepared in accordance with U.S. generally accepted accounting principles. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. On an ongoing basis, we evaluate our estimates and assumptions, including those that impact our most critical accounting policies. We base our estimates and assumptions on historical experience and on various other factors that we believe are reasonable under the circumstances. Actual results may differ from these estimates. We believe the following are our most critical accounting policies:

**CONSOLIDATION:** Arrangements that are not controlled through voting or similar rights are accounted for as variable interest entities ("VIEs"). An enterprise is required to consolidate a VIE if it is the primary beneficiary of the VIE.

A VIE is created when (i) the equity investment at risk is not sufficient to permit the entity to finance its activities without additional subordinated financial support from other parties, or (ii) the entity's equity holders as a group either: (a) lack the power, through voting or similar rights, to direct the activities of the entity that most significantly impact the entity's economic performance, (b) are not obligated to absorb expected losses of the entity if they occur, or (c) do not have the right to receive expected residual returns of the entity if they occur. If an entity is deemed to be a VIE, the enterprise that is deemed to have a variable interest, or combination of variable interests, that provides the enterprise with a controlling financial interest in the VIE is considered the primary beneficiary and must consolidate the VIE.

We have concluded that under certain circumstances when we enter into arrangements for the formation of joint ventures, a VIE may be created under condition (i), (ii) (b) or (c) of the previous paragraph. For each VIE created, we have performed a qualitative analysis, including considering which party, if any, has the power to direct the activities most significant to the economic performance of each VIE and whether that party has the

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## [Table of Contents](#)

obligation to absorb losses of the VIE or the right to receive benefits from the VIE that could be significant to the VIE. If we are determined to be the primary beneficiary of the VIE, the assets, liabilities and operations of the VIE are consolidated with our financial statements. As of December 31, 2015, we had no consolidated VIEs. Additionally, our Operating Partnership has notes payable to three trusts that are VIEs under condition (ii)(a) above. Since the Operating Partnership is not the primary beneficiary of the trusts, these VIEs are not consolidated.

**REAL ESTATE ASSETS:** Real estate assets are stated at cost, less accumulated depreciation. Direct and allowable internal costs associated with the development, construction, renovation, and improvement of real estate assets are capitalized. Interest, property taxes, and other costs associated with development incurred during the construction period are capitalized.

Expenditures for maintenance and repairs are charged to expense as incurred. Major replacements and betterments that improve or extend the life of the asset are capitalized and depreciated over their estimated useful lives. Depreciation is computed using the straight-line method over the estimated useful lives of the buildings and improvements, which are generally between 5 and 39 years.

In connection with our acquisition of stores, the purchase price is allocated to the tangible and intangible assets and liabilities acquired based on their fair values, which are estimated using significant unobservable inputs. The value of the tangible assets, consisting of land and buildings, is determined as if vacant. Intangible assets, which represent the value of existing tenant relationships, are recorded at their fair values based on the avoided cost to replace the current leases. We measure the value of tenant relationships based on the rent lost due to the amount of time required to replace existing customers, which is based on our historical experience with turnover in our facilities. Debt assumed as part of an acquisition is recorded at fair value based on current interest rates compared to contractual rates. Acquisition-related transaction costs are expensed as incurred.

Intangible lease rights include: (1) purchase price amounts allocated to leases on three stores that cannot be classified as ground or building leases; these rights are amortized to expense over the term of the leases; and (2) intangibles related to ground leases on six stores where the ground leases were assumed by the Company at rates that were different than the current market rates for similar leases. The value associated with these assumed leases were recorded as intangibles, which will be amortized over the lease terms.

**EVALUATION OF ASSET IMPAIRMENT:** Long lived assets held for use are evaluated for impairment when events or circumstances indicate that there may be impairment. We review each store at least annually to determine if any such events or circumstances have occurred or exist. We focus on stores where occupancy and/or rental income have decreased by a significant amount. For these stores, we determine whether the decrease is temporary or permanent and whether the store will likely recover the lost occupancy and/or revenue in the short term. In addition, we review stores in the lease-up stage and compare actual operating results to original projections.

When we determine that an event that may indicate impairment has occurred, we compare the carrying value of the related long-lived assets to the undiscounted future net operating cash flows attributable to the assets. An impairment loss is recorded if the net carrying value of the assets exceeds the undiscounted future net operating cash flows attributable to the assets. The impairment loss recognized equals the excess of net carrying value over the related fair value of the assets.

When real estate assets are identified as held for sale, we discontinue depreciating the assets and estimate the fair value of the assets, net of selling costs. If the estimated fair value, net of selling costs, of the assets that have been identified as held for sale is less than the net carrying value of the assets, we would recognize a loss on the disposal group classified as held for sale. The operations of assets held for sale or sold during the period are presented as part of normal operations for all periods presented.

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## [Table of Contents](#)

**INVESTMENTS IN UNCONSOLIDATED REAL ESTATE VENTURES:** Our investments in real estate joint ventures where we have significant influence but not control, and joint ventures which are VIEs in which we are not the primary beneficiary, are recorded under the equity method of accounting on the accompanying consolidated financial statements.

Under the equity method, our investment in real estate ventures is stated at cost and adjusted for our share of net earnings or losses and reduced by distributions. Equity in earnings of real estate ventures is generally recognized based on our ownership interest in the earnings of each of the unconsolidated real estate ventures. For the purposes of presentation in the statement of cash flows, we follow the “look through” approach for classification of distributions from joint ventures. Under this approach, distributions are reported under operating cash flow unless the facts and circumstances of a specific distribution clearly indicate that it is a return of capital (e.g., a liquidating dividend or distribution of the proceeds from the joint venture’s sale of assets) in which case it is reported as an investing activity.

Our management assesses annually whether there are any indicators that the value of our investments in unconsolidated real estate ventures may be impaired and when events or circumstances indicate that there may be impairment. An investment is impaired if management’s estimate of the fair value of the investment, using significant unobservable inputs, is less than its carrying value. To the extent impairment has occurred and is considered to be other than temporary, the loss is measured as the excess of the carrying amount of the investment over the fair value of the investment.

**DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES:** The accounting for changes in the fair value of derivatives depends on the intended use of the derivative and the resulting designation. Derivatives used to hedge the exposure to changes in the fair value of an asset, liability or firm commitment attributable to a particular risk, are considered fair value hedges. Derivatives used to hedge the exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges.

For derivatives designated as fair value hedges, changes in the fair value of the derivative and the hedged item related to the hedged risk are recognized in earnings. For derivatives designated as cash flow hedges, the effective portion of changes in the fair value of the derivative is initially reported in other comprehensive income, outside of earnings and subsequently reclassified to earnings when the hedged transaction affects earnings.

**REVENUE AND EXPENSE RECOGNITION:** Rental revenues are recognized as earned based upon amounts that are currently due from tenants. Leases are generally on month-to-month terms. Prepaid rents are recognized on a straight-line basis over the term of the leases. Promotional discounts are recognized as a reduction to rental income over the promotional period. Late charges, administrative fees, merchandise sales and truck rentals are recognized in income when earned. Management fee revenues are recognized monthly as services are performed and in accordance with the terms of the related management agreements. Equity in earnings of real estate entities is recognized based on our ownership interest in the earnings of each of the unconsolidated real estate entities. Interest income is recognized as earned.

Property expenses, including utilities, property taxes, repairs and maintenance and other costs to manage the facilities are recognized as incurred. We accrue for property tax expense based upon invoice amounts, estimates and historical trends. If these estimates are incorrect, the timing of expense recognition could be affected.

Tenant reinsurance premiums are recognized as revenue over the period of insurance coverage. We record an unpaid claims liability at the end of each period based on existing unpaid claims and historical claims payment history. The unpaid claims liability represents an estimate of the ultimate cost to settle all unpaid claims as of each period end, including both reported but unpaid claims and claims that may have been incurred but have not been reported. We use a third party claims administrator to adjust all tenant reinsurance claims received. The administrator evaluates each claim to determine the ultimate claim loss and includes an estimate for claims that may have been incurred but not reported. Annually, a third party actuary evaluates the adequacy of the unpaid

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## [Table of Contents](#)

claims liability. Prior year claim reserves are adjusted as experience develops or new information becomes known. The impact of such adjustments is included in the current period operations. The unpaid claims liability is not discounted to its present value. Each tenant chooses the amount of insurance coverage they want through the tenant reinsurance program. Tenants can purchase policies in amounts of two thousand dollars to ten thousand dollars of insurance coverage in exchange for a monthly fee. Our exposure per claim is limited by the maximum amount of coverage chosen by each tenant. We purchase reinsurance for losses exceeding a set amount on any one event. We do not currently have any amounts recoverable under the reinsurance arrangements.

**INCOME TAXES:** We have elected to be treated as a REIT under Sections 856 through 860 of the Internal Revenue Code. In order to maintain our qualification as a REIT, among other things, we are required to distribute at least 90% of our REIT taxable income to our stockholders and meet certain tests regarding the nature of our income and assets. As a REIT, we are not subject to federal income tax with respect to that portion of our income which meets certain criteria and is distributed annually to our stockholders. We plan to continue to operate so that we meet the requirements for taxation as a REIT. Many of these requirements, however, are highly technical and complex. If we were to fail to meet these requirements, we would be subject to federal income tax. We are subject to certain state and local taxes. Provision for such taxes has been included in income tax expense in our consolidated statements of operations.

We have elected to treat one of our corporate subsidiaries, Extra Space Management, Inc., as a taxable REIT subsidiary (“TRS”). In general, our TRS may perform additional services for tenants and generally may engage in any real estate or non-real estate related business. A TRS is subject to corporate federal income tax. Deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities. Interest and penalties relating to uncertain tax positions will be recognized in income tax expense when incurred.

## **RECENT ACCOUNTING PRONOUNCEMENTS**

In April 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-08, “*Presentation of Financial Statements (Topic 205) and Property, Plant and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity.*” Under this guidance, only disposals representing a strategic shift in operations should be presented as discontinued operations. The guidance also requires new disclosures of both discontinued operations and certain other disposals that do not meet the definition of a discontinued operation. The Company adopted this guidance effective January 1, 2015. We have not previously had discontinued operations and as such, this guidance did not have a significant impact on our consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, “*Revenue from Contracts with Customers,*” which amends the guidance for revenue recognition to replace numerous, industry-specific requirements and converges areas under this topic with those of the International Financial Reporting Standards. ASU 2014-09 outlines a five-step process for customer contract revenue recognition that focuses on transfer of control, as opposed to transfer of risk and rewards. The amendment also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenues and cash flows from contracts with customers. ASU 2014-09 was originally effective for reporting periods beginning after December 15, 2016. Entities can transition to the standard either retrospectively or as a cumulative-effect adjustment as of the date of adoption. In July 2015, the FASB approved a one-year deferral of the effective date of the standard. The new standard will now become effective for annual and interim periods beginning after December 15, 2017 with early adoption on the original effective date permitted. The Company has not yet selected a transition method. Management is currently assessing the impact of the adoption of ASU 2014-09 on our consolidated financial statements.

In February 2015, the FASB issued ASU 2015-02, “*Consolidation (Topic 810): Amendments to the Consolidation Analysis.*” This guidance is effective for annual reporting periods beginning after December 15, 2015, including interim periods within that reporting period. ASU 2015-02 amends the criteria for determining if

## Table of Contents

a service provider possesses a variable interest in a variable interest entity (“VIE”), and eliminates the presumption that a general partner should consolidate a limited partnership. We do not expect the adoption of this standard to materially impact its consolidated financial statements.

In April 2015, the FASB issued ASU 2015-03, “*Interest—Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs*,” which requires debt issuance costs related to a recognized debt liability to be presented as a direct deduction from the carrying amount of that debt liability. The new guidance only impacts financial statement presentation. The guidance is effective in the first quarter of 2016 and allows for early adoption. We adopted this guidance October 1, 2015 on a retrospective basis. As a result \$20,120 of unamortized debt issuance costs that had been included in the Other assets line on the consolidated balance sheets as of December 31, 2014 are now presented as direct deductions from the carrying amounts of the related debt liabilities.

In April 2015, the FASB issued ASU 2015-05, “*Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40)—Customers Accounting for Fees Paid in a Cloud Computing Arrangement*,” which provides guidance regarding the accounting for fees paid by a customer in cloud computing arrangements. If a cloud computing arrangement includes a software license, the payment of fees should be accounted for in the same manner as the acquisition of other software licenses. If there is no software license, the fees should be accounted for as a service contract. The guidance is effective in fiscal years beginning after December 15, 2015 and early adoption is permitted. An entity can elect to adopt the amendments either (1) prospectively to all arrangements entered into or materially modified after the effective date or (2) retrospectively. We do not expect the adoption of this standard to materially impact our consolidated financial statements.

In August 2015, the FASB issued ASU 2015-15, “*Interest—Imputation of Interest (Subtopic 835-30) Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements*,” which provides guidance regarding the classification of debt issuance costs associated with lines of credit. Specifically, deferring and presenting debt issuance costs as an asset and subsequently amortizing the deferred debt issuance costs ratably over the term of the line-of-credit arrangement, regardless of whether there are any outstanding borrowings on the line-of-credit arrangement is allowed. We adopted this guidance effective October 1, 2015. We continued to present the debt issuance costs and related accumulated amortization relating to our lines of credit as assets.

## RESULTS OF OPERATIONS

### *Comparison of the Year Ended December 31, 2015 to the Year Ended December 31, 2014*

#### Overview

Results for the year ended December 31, 2015, included the operations of 999 stores (747 of which were consolidated and 252 of which were in joint ventures accounted for using the equity method) compared to the results for the year ended December 31, 2014, which included the operations of 828 stores (576 of which were consolidated and 252 of which were in joint ventures accounted for using the equity method).

#### Revenues

The following table presents information on revenues earned for the years indicated:

|                                  | For the Year Ended |                   | \$ Change        | % Change     |
|----------------------------------|--------------------|-------------------|------------------|--------------|
|                                  | December 31,       |                   |                  |              |
|                                  | 2015               | 2014              |                  |              |
| <b>Revenues:</b>                 |                    |                   |                  |              |
| Property rental                  | \$ 676,138         | \$ 559,868        | \$116,270        | 20.8%        |
| Tenant reinsurance               | 71,971             | 59,072            | 12,899           | 21.8%        |
| Management fees and other income | 34,161             | 28,215            | 5,946            | 21.1%        |
| Total revenues                   | <u>\$ 782,270</u>  | <u>\$ 647,155</u> | <u>\$135,115</u> | <u>20.9%</u> |

## Table of Contents

**Property Rental**—The change in property rental revenues consists primarily of an increase of \$69,622 associated with acquisitions completed in 2015 and 2014. We acquired 171 operating stores during 2015 and 51 stores during 2014. In addition, revenues increased by \$47,560 as a result of increases in occupancy and rental rates to new and existing customers at our stabilized stores. We have seen no significant increase in overall customer renewal rates and our average length of stay is approximately 13.7 months. For existing customers we generally seek to increase rental rates approximately 7% to 10% at least annually. Rental rates to new tenants increased by approximately 8.9% over the prior year. Occupancy at our stabilized stores increased to 91.1% at December 31, 2015, as compared to 89.6% at December 31, 2014.

**Tenant Reinsurance**—The increase in tenant reinsurance revenues was partially due to the increase in overall customer participation to approximately 72.8% at December 31, 2015, compared to approximately 70.7% at December 31, 2014. In addition, we operated 1,347 stores at December 31, 2015, compared to 1,088 stores at December 31, 2014.

**Management Fees and Other Income**—Our taxable REIT subsidiary, Extra Space Management, Inc., manages stores owned by our joint ventures and third parties. Management fees generally represent 6.0% of cash collected from stores owned by third parties and unconsolidated joint ventures. We also earn an asset management fee from the Storage Portfolio I (“SPI”) joint venture, equal to 0.50% multiplied by the total asset value, provided certain conditions are met. The increase in management fees is due to an increase in the number of properties managed. At December 31, 2015, we managed 348 stores, compared to 260 stores at December 31, 2014.

## Expenses

The following table presents information on expenses for the years indicated:

|                               | For the Year Ended |                   | \$ Change         | % Change     |
|-------------------------------|--------------------|-------------------|-------------------|--------------|
|                               | December 31,       |                   |                   |              |
|                               | 2015               | 2014              |                   |              |
| <b>Expenses:</b>              |                    |                   |                   |              |
| Property operations           | \$ 203,965         | \$ 172,416        | \$ 31,549         | 18.3%        |
| Tenant reinsurance            | 13,033             | 10,427            | 2,606             | 25.0%        |
| Acquisition related costs     | 69,401             | 9,826             | 59,575            | 606.3%       |
| General and administrative    | 67,758             | 60,942            | 6,816             | 11.2%        |
| Depreciation and amortization | 133,457            | 115,076           | 18,381            | 16.0%        |
| Total expenses                | <u>\$ 487,614</u>  | <u>\$ 368,687</u> | <u>\$ 118,927</u> | <u>32.3%</u> |

**Property Operations**—The increase in property operations expense consists primarily of an increase of \$26,236 related to acquisitions completed in 2015 and 2014. We acquired 171 operating stores during the year ended December 31, 2015 and 51 stores during the year ended December 31, 2014.

**Tenant Reinsurance**—Tenant reinsurance expense represents the costs that are incurred to provide tenant reinsurance. The change is due primarily to the increase in the number of stores we owned and/or managed. At December 31, 2015, we owned and/or managed 1,347 stores compared to 1,088 stores at December 31, 2014. In addition, there was an increase in overall customer participation to approximately 72.8% at December 31, 2015 from approximately 70.7% at December 31, 2014.

**Acquisition Related Costs**—These costs relate to acquisition activities during the periods indicated. The increase for the year ended December 31, 2015 when compared to the prior year was related primarily to the acquisition of SmartStop Self Storage Inc. (“SmartStop”) on October 1, 2015. As part of this acquisition, we recorded an expense of \$38,360 related to defeasance costs and prepayment penalties incurred related to the repayment of SmartStop’s existing debt as of the acquisition date. We incurred \$8,053 of professional fees/closing costs, \$6,338 of severance-related costs, \$1,327 of other payroll-related costs and \$9,043 of other

## Table of Contents

acquisition related costs as a result of the acquisition of SmartStop for a total of \$63,121. Additionally, we acquired 49 other properties during the year ended December 31, 2015.

**General and Administrative**—General and administrative expenses primarily include all expenses not related to our stores, including corporate payroll, travel and professional fees. The expenses are recognized as incurred. General and administrative expense increased over the prior year primarily as a result of the costs related to the management of additional stores. During the year ended December 31, 2015, we acquired 171 stores, 161 of which we did not previously manage. During the year ended December 31, 2014, we acquired 51 stores, 30 of which we did not previously manage. We did not observe any material trends specific to payroll, travel or other expense that contributed significantly to the increase in general and administrative expenses apart from the increase due to the management of additional stores.

**Depreciation and Amortization**—Depreciation and amortization expense increased as a result of the acquisition of new stores. We acquired 171 operating stores during the year ended December 31, 2015, and 51 operating stores during the year ended December 31, 2014.

### Other Income and Expenses

The following table presents information on other revenues and expenses for the years indicated:

|  | For the Year Ended<br>December 31, |                    | \$ Change         | % Change    |
|--|------------------------------------|--------------------|-------------------|-------------|
|  | 2015                               | 2014               |                   |             |
| <b>Other income and expenses:</b>  |                                    |                    |                   |             |
| Gain (loss) on sale of real estate and earnout from prior acquisitions   | \$ 1,501                           | \$ (10,285)        | \$ 11,786         | (114.6%)    |
| Property casualty loss, net  | —                                  | (1,724)            | 1,724             | —           |
| Interest expense   | (95,682)                           | (81,330)           | (14,352)          | 17.6%       |
| Non-cash interest expense related to amortization of discount on equity component of exchangeable senior notes                                 | (3,310)                            | (2,683)            | (627)             | 23.4%       |
| Interest income  | 3,461                              | 1,607              | 1,854             | 115.4%      |
| Interest income on note receivable from Preferred Operating Partnership unit holder  | 4,850                              | 4,850              | —                 | —           |
| Equity in earnings of unconsolidated real estate ventures  | 12,351                             | 10,541             | 1,810             | 17.2%       |
| Equity in earnings of unconsolidated real estate ventures—gain on sale of real estate assets and purchase of joint venture partners' interests | 2,857                              | 4,022              | (1,165)           | (29.0%)     |
| Income tax expense   | (11,148)                           | (7,570)            | (3,578)           | 47.3%       |
| Total other expense, net   | <u>\$ (85,120)</u>                 | <u>\$ (82,572)</u> | <u>\$ (2,548)</u> | <u>3.1%</u> |

**Gain (Loss) on Sale of Real Estate and Earnout from Prior Acquisition**—During 2011, we acquired a store located in Florida. As part of this acquisition, we agreed to make an additional cash payment to the sellers if the acquired store exceeded a specified amount of net rental income for any twelve-month period prior to June 30, 2015. At the acquisition date, \$133 was recorded as the estimated amount that would be due, and we believed that it was unlikely that any significant additional payment would be made as a result of this earnout provision. Because the rental growth of the stores trended significantly higher than expected, we recorded additional liability of \$2,500. This amount is included in gain (loss) on sale of real estate and earnout from prior acquisitions on our consolidated statements of operations for the year ended December 31, 2014. The \$400 gain recorded during the year ended December 31, 2015 represents the adjustment needed to true up the existing liability to the amount owed to the sellers as of June 30, 2015.

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## [Table of Contents](#)

During the year ended December 31, 2015, we determined that one of our acquisitions was purchased at below its market value, and we therefore recorded a \$1,101 gain, which represents the excess of the fair value of the store acquired over the consideration paid.

During 2012, we acquired a portfolio of ten stores. As part of this acquisition, we agreed to make an additional cash payment to the sellers if the acquired stores exceeded a specified amount of net rental income two years after the acquisition date. At the acquisition date, we believed that it was unlikely that any significant payment would be made as a result of this earnout provision. The rental growth of the stores was significantly higher than expected, resulting in a payment to the sellers of \$7,785. This amount is included in gain (loss) on sale of real estate and earnout from prior acquisitions on our consolidated statements of operations for the year ended December 31, 2014.

**Property Casualty Loss, Net**—In October 2014, a store located in Venice, California, was damaged by a fire. As a result, we recorded a loss, net of insurance recoveries, of \$1,724.

**Interest Expense**—Interest expense increased due to the increase in total amount of debt outstanding. This increase was partially offset by a decrease in the average interest rate. At December 31, 2015, our total face value of debt was \$3,598,254, compared to a total face value of debt of \$2,379,657 at December 31, 2014. The average interest rate was 3.1% as of December 31, 2015, compared to 3.4% as of December 31, 2014.

**Non-cash Interest Expense Related to Amortization of Discount on Equity Component of Exchangeable Senior Notes**—Represents the amortization of the discount related to the equity component of the exchangeable senior notes issued by our Operating Partnership. In June 2013, our Operating Partnership issued \$250,000 of its 2.375% Exchangeable Senior Notes due 2033 (the “2013 Notes”). In September 2015, our Operating Partnership issued \$575,000 of its 3.125% Exchangeable Senior Notes due 2035 (the “2015 Notes”), and repurchased \$164,636 principal amount of the 2013 Notes. Both the 2013 Notes and the 2015 Notes have effective interest rates of 4.0%.

**Interest Income**—Interest income represents amounts earned on cash and cash equivalents deposited with financial institutions and interest earned on notes receivable. The increase relates primarily to the increase in the average balance of notes receivable when compared to the prior year and an increase in our average cash balance. As part of the SmartStop acquisition on October 1, 2015, we issued an \$84,331 note receivable that accrues interest at 7.0% annually. We recorded approximately \$1,476 of interest income related to this note receivable during the year ended December 31, 2015.

**Interest Income on Note Receivable from Preferred Operating Partnership Unit Holder**—Represents interest on a \$100,000 loan to the holder of the Operating Partnership’s Series A Participating Redeemable Preferred Units (the “Series A Units”).

**Equity in Earnings of Unconsolidated Real Estate Ventures**—Equity in earnings of unconsolidated real estate ventures represents the income earned through our ownership interests in unconsolidated joint ventures. The increase in equity in earnings for the year ended December 31, 2015 was due primarily to increases in revenue at the stores owned by the joint ventures.

**Equity in Earnings of Unconsolidated Real Estate Ventures—Gain on Sale of Real Estate Assets and Purchase of Joint Venture Partners’ Interests**—During March 2015, one of our joint ventures sold a store located in New York to a third party and recognized a gain of \$60,495. We recognized our 2.0% share of this gain, or \$1,228. Additionally, in March 2015 we acquired a joint venture partner’s 82.4% equity interest in an existing joint venture. We previously held the remaining 17.6% equity interest in this joint venture. Prior to the acquisition, we accounted for our equity interest in this joint venture as an equity-method investment. We recognized a non-cash gain of \$1,629 during the three months ended March 31, 2015 as a result of re-measuring the fair value of our equity interest in this joint venture held before the acquisition.

## Table of Contents

In December 2013 and May 2014, as part of a larger acquisition, we acquired our joint venture partners' 60% to 65% equity interests in six stores located in California. We previously held the remaining 35% to 40% interests in these stores through six separate joint ventures with affiliates of Grupe Properties Co. Inc. ("Grupe"). Prior to the acquisition, we accounted for our interests in these joint ventures as equity-method investments. We recognized a non-cash gain of \$3,438 during the year ended December 31, 2014, as a result of re-measuring the fair value of our equity interest in one of these joint ventures held before the acquisition. During the year ended December 31, 2014, we recorded an additional gain of \$584 as a result of the final cash distributions received from the other five joint ventures associated with the acquisitions that were completed during 2013.

**Income Tax Expense**—The increase in income tax expense relates primarily to an increase in income earned by our Taxable REIT Subsidiary ("TRS") when compared to the same periods in the prior year. Additionally, during the year ended December 31, 2014, we recorded the initial tax benefit related to a royalty fee that we charge quarterly to our captive insurance subsidiary, which reduced the tax expense for that period.

### Net Income Allocated to Noncontrolling Interests

The following table presents information on net income allocated to noncontrolling interests for the years indicated:

|  | For the Year Ended<br>December 31, |                    | \$ Change         | % Change     |
|--|------------------------------------|--------------------|-------------------|--------------|
|  | 2015                               | 2014               |                   |              |
| <b>Net income allocated to noncontrolling interests:</b>                         |                                    |                    |                   |              |
| Net income allocated to Preferred Operating Partnership noncontrolling interests | \$ (11,718)                        | \$ (10,991)        | \$ (727)          | 6.6%         |
| Net income allocated to Operating Partnership and other noncontrolling interests | (8,344)                            | (6,550)            | (1,794)           | 27.4%        |
| Total income allocated to noncontrolling interests:                              | <u>\$ (20,062)</u>                 | <u>\$ (17,541)</u> | <u>\$ (2,521)</u> | <u>14.4%</u> |

**Net Income Allocated to Preferred Operating Partnership Noncontrolling Interests**—In December 2014, as part of the acquisition of a single store, our Operating Partnership issued 548,390 Series D Redeemable Preferred Units ("Series D Units"). The Series D Units have a liquidation value of \$25.00 per unit, and receive distributions at an annual rate of 5.0%.

In December 2013 and May 2014, as part of a portfolio acquisition, our Operating Partnership issued 704,016 Series C Convertible Redeemable Preferred Units ("Series C Units"). The Series C Units have a liquidation value of \$42.10 per unit. From issuance until the fifth anniversary of issuance, the Series C Units receive distributions at an annual rate of \$0.18 plus the then-payable quarterly distribution per OP Unit.

In April 2014, as part of a single store acquisition, our Operating Partnership issued 333,360 Series B Redeemable Preferred Units ("Series B Units"). During August and September 2013, as part of a portfolio acquisition, our Operating Partnership issued 1,342,727 Series B Units. The Series B Units have a liquidation value of \$25.00 per unit and receive distributions at an annual rate of 6.0%.

Income allocated to the Preferred Operating Partnership noncontrolling interests for the year ended December 31, 2015 and 2014 represents the fixed distributions paid to the holders of the Series A Units, Series B Units, Series C Units and Series D Units, plus approximately 0.7% of the remaining net income allocated to the holders of the Series A Units.

**Net Income Allocated to Operating Partnership and Other Noncontrolling Interests**—Income allocated to the Operating Partnership represents approximately 4.2% and 3.5% of net income after the allocation of the fixed distribution paid to the Preferred Operating Partnership unit holders for the years ended December 31, 2015 and 2014, respectively. The percentage of net income allocated to the Operating Partnership noncontrolling interest increased due to OP Units issued in conjunction with acquisitions during 2015.

[Table of Contents](#)**Comparison of the Year Ended December 31, 2014 to the Year Ended December 31, 2013****Overview**

Results for the year ended December 31, 2014, included the operations of 828 stores (576 of which were consolidated and 252 of which were in joint ventures accounted for using the equity method) compared to the results for the year ended December 31, 2013, which included the operations of 779 stores (525 of which were consolidated and 254 of which were in joint ventures accounted for using the equity method).

**Revenues**

The following table presents information on revenues earned for the years indicated:

|                                  | For the Year Ended December 31, |                   | \$ Change        | % Change     |
|----------------------------------|---------------------------------|-------------------|------------------|--------------|
|                                  | 2014                            | 2013              |                  |              |
| <b>Revenues:</b>                 |                                 |                   |                  |              |
| Property rental                  | \$ 559,868                      | \$ 446,682        | \$113,186        | 25.3%        |
| Tenant reinsurance               | 59,072                          | 47,317            | 11,755           | 24.8%        |
| Management fees and other income | 28,215                          | 26,614            | 1,601            | 6.0%         |
| Total revenues                   | <u>\$ 647,155</u>               | <u>\$ 520,613</u> | <u>\$126,542</u> | <u>24.3%</u> |

**Property Rental**—The change in property rental revenues consists primarily of an increase of \$83,651 associated with acquisitions completed in 2014 and 2013. We acquired 51 operating stores during 2014 and 78 operating stores during 2013. In addition, revenues increased by \$29,531 as a result of increases in occupancy and rental rates to existing customers at our stabilized stores. We have seen no significant increase in overall customer renewal rates and our average length of stay is approximately 12.9 months. For existing customers we generally seek to increase rental rates approximately 7% to 10% at least annually. Occupancy at our stabilized stores increased to 91.0% at December 31, 2014, as compared to 88.4% at December 31, 2013. Rental rates to new tenants increased by approximately 3.9% over the same period in the prior year.

**Tenant Reinsurance**—The increase in tenant reinsurance revenues was partially due to the increase in overall customer participation to approximately 70.7% at December 31, 2014, compared to approximately 68.7% at December 31, 2013. In addition, we operated 1,088 stores at December 31, 2014, compared to 1,029 stores at December 31, 2013.

**Management Fees and Other Income**—Our taxable REIT subsidiary, Extra Space Management, Inc., manages stores owned by our joint ventures and third parties. Management fees generally represent 6.0% of cash collected from stores owned by third parties and unconsolidated joint ventures. We also earn an asset management fee from the Storage Portfolio I (“SPI”) joint venture, equal to 0.50% multiplied by the total asset value, provided certain conditions are met. The increase in management fees is due to increased revenues at the managed stores.

**Expenses**

The following table presents information on expenses for the years indicated:

|                               | For the Year Ended<br>December 31, |                   | \$<br>Change    | % Change     |
|-------------------------------|------------------------------------|-------------------|-----------------|--------------|
|                               | 2014                               | 2013              |                 |              |
| <b>Expenses:</b>              |                                    |                   |                 |              |
| Property operations           | \$ 172,416                         | \$ 140,012        | \$32,404        | 23.1%        |
| Tenant reinsurance            | 10,427                             | 9,022             | 1,405           | 15.6%        |
| Acquisition related costs     | 9,826                              | 8,618             | 1,208           | 14.0%        |
| General and administrative    | 60,942                             | 54,246            | 6,696           | 12.3%        |
| Depreciation and amortization | 115,076                            | 95,232            | 19,844          | 20.8%        |
| Total expenses                | <u>\$ 368,687</u>                  | <u>\$ 307,130</u> | <u>\$61,557</u> | <u>20.0%</u> |

## Table of Contents

**Property Operations**—The increase in property operations expense consists primarily of an increase of \$30,036 related to acquisitions completed in 2014 and 2013. We acquired 51 operating stores during the year ended December 31, 2014 and 78 operating stores during the year ended December 31, 2013.

**Tenant Reinsurance**—Tenant reinsurance expense represents the costs that are incurred to provide tenant reinsurance. The change is due primarily to the increase in the number of stores we owned and/or managed. At December 31, 2014, we owned and/or managed 1,088 stores compared to 1,029 stores at December 31, 2013. In addition, there was an increase in overall customer participation to approximately 70.7% at December 31, 2014 from approximately 68.7% at December 31, 2013.

**Acquisition Related Costs**—These costs relate to acquisition activities during the periods indicated. The increase for the year ended December 31, 2014 when compared to the prior year was related primarily to the expense of \$3,550 of defeasance costs paid in an acquisition in December 2014. This increase was offset by a decrease in the number of stores acquired. We acquired 51 operating stores during 2014, compared to 78 operating stores acquired during 2013.

**General and Administrative**—General and administrative expenses primarily include all expenses not related to our stores, including corporate payroll, travel and professional fees. The expenses are recognized as incurred. General and administrative expense increased over the prior year primarily as a result of the costs related to the management of additional stores. During the year ended December 31, 2014, we acquired 52 stores, 30 of which we did not previously manage. During the year ended December 31, 2013, we acquired 78 stores, 47 of which we did not previously manage. We did not observe any material trends specific to payroll, travel or other expense that contributed significantly to the increase in general and administrative expenses apart from the increase due to the management of additional stores.

**Depreciation and Amortization**—Depreciation and amortization expense increased as a result of the acquisition of new stores. We acquired 51 operating stores during the year ended December 31, 2014, and 78 stores during the year ended December 31, 2013.

### Other Income and Expenses

The following table presents information on other revenues and expenses for the years indicated:

|  | For the Year Ended |                    | \$ Change         | % Change      |
|--|--------------------|--------------------|-------------------|---------------|
|  | December 31,       |                    |                   |               |
|  | 2014               | 2013               |                   |               |
| <b>Other income and expenses:</b>  |                    |                    |                   |               |
| Gain (loss) on sale of real estate and earnout from prior acquisitions   | \$ (10,285)        | \$ 960             | \$(11,245)        | (1,171.4%)    |
| Property casualty loss, net  | (1,724)            | —                  | (1,724)           | 100.0%        |
| Loss on extinguishment of debt related to portfolio acquisition  | —                  | (9,153)            | 9,153             | (100.0%)      |
| Interest expense   | (81,330)           | (71,630)           | (9,700)           | 13.5%         |
| Non-cash interest expense related to amortization of discount on equity component of exchangeable senior notes                                 | (2,683)            | (1,404)            | (1,279)           | 91.1%         |
| Interest income  | 1,607              | 749                | 858               | 114.6%        |
| Interest income on note receivable from Preferred Operating Partnership unit holder  | 4,850              | 4,850              | —                 | —             |
| Equity in earnings of unconsolidated real estate ventures  | 10,541             | 11,653             | (1,112)           | (9.5%)        |
| Equity in earnings of unconsolidated real estate ventures—gain on sale of real estate assets and purchase of joint venture partners' interests | 4,022              | 46,032             | (42,010)          | (91.3%)       |
| Income tax expense   | (7,570)            | (9,984)            | 2,414             | (24.2%)       |
| Total other expense, net   | <u>\$ (82,572)</u> | <u>\$ (27,927)</u> | <u>\$(54,645)</u> | <u>195.7%</u> |

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## [Table of Contents](#)

**Gain (Loss) on Sale of Real Estate and Earnout from Prior Acquisitions**—During 2011, we acquired a store located in Florida. As part of this acquisition, we agreed to make an additional cash payment to the sellers if the acquired store exceeded a specified amount of net rental income for any twelve-month period prior to June 30, 2015. At the acquisition date, \$133 was recorded as the estimated amount that would be due, and we believed that it was unlikely that any significant additional payment would be made as a result of this earnout provision. Because the rental growth of the store was trending significantly higher than expected, we estimated that an additional earnout payment of \$2,500 would be due to the seller. This amount is included in gain (loss) on sale of real estate and earnout from prior acquisitions on our consolidated statements of operations for the year ended December 31, 2014.

During 2012, we acquired a portfolio of ten stores. As part of this acquisition, we agreed to make an additional cash payment to the sellers if the acquired stores exceeded a specified amount of net rental income two years after the acquisition date. At the acquisition date, we believed that it was unlikely that any significant payment would be made as a result of this earnout provision. The rental growth of the stores was significantly higher than expected, resulting in a payment to the sellers of \$7,785. This amount is included in gain (loss) on sale of real estate and earnout from prior acquisitions on our consolidated statements of operations for the year ended December 31, 2014.

The gain on sale of real estate assets recorded for the year ended December 31, 2013 was related to two transactions: (1) we recorded a gain of \$800 as a result of the condemnation of a portion of land in California that resulted from eminent domain, and (2) we recorded a gain of \$160 as a result of the sale of one store in Florida for \$3,250 in cash.

**Property Casualty Loss, Net**—In October 2014, a store located in Venice, California, was damaged by a fire. As a result, we recorded a loss, net of insurance recoveries, of \$1,724.

**Loss on Extinguishment of Debt Related to Portfolio Acquisition**—The loss on extinguishment of debt occurred as part of a loan assumption and immediate defeasance upon closing of a portfolio acquisition during the year ended December 31, 2013.

**Interest Expense**—Interest expense increased due to the increase in total amount of debt outstanding. This increase was partially offset by a decrease in the average interest rate. At December 31, 2014, our total face value of debt was \$2,379,657 compared to total face value of debt of \$1,958,586 at December 31, 2013. The average interest rate was 3.4% as of December 31, 2014, compared to 3.8% as of December 31, 2013.

**Non-cash Interest Expense Related to Amortization of Discount on Equity Component of Exchangeable Senior Notes**—Represents the amortization of the discount related to the equity component of the exchangeable senior notes issued by our Operating Partnership, which reflects the 4.0% effective interest rate relative to the carrying amount of the liability. In June 2013, our Operating Partnership issued \$250,000 of its 2013 Notes.

**Interest Income**—Interest income represents amounts earned on cash and cash equivalents deposited with financial institutions and interest earned on notes receivable. The increase relates primarily to the increase in the average balance of notes receivable when compared to the prior year.

**Interest Income on Note Receivable from Preferred Operating Partnership Unit Holder**—Represents interest on a \$100,000 loan to the holder of the Operating Partnership's Series A Units.

**Equity in Earnings of Unconsolidated Real Estate Ventures**—Equity in earnings of unconsolidated real estate ventures represents the income earned through our ownership interests in unconsolidated joint ventures. The decrease was due to the acquisition of our joint venture partners' interests in several joint ventures during 2013. There were 252 operating stores owned by unconsolidated real estate ventures as of December 31, 2014, compared to 254 stores as of December 31, 2013, and 280 as of December 31, 2012.

## [Table of Contents](#)

### **Equity in Earnings of Unconsolidated Real Estate Ventures—Gain on Sale of Real Estate Assets and Purchase of Joint Venture Partners’**

**Interests**—In December 2013 and May 2014, as part of a larger acquisition, we acquired our joint venture partners’ 60% to 65% equity interests in six stores located in California. We previously held the remaining 35% to 40% interests in these stores through six separate joint ventures with affiliates of Grupe. Prior to the acquisition, we accounted for our interests in these joint ventures as equity-method investments. We recognized a non-cash gain of \$3,438 during the year ended December 31, 2014, as a result of re-measuring the fair value of our equity interest in one of these joint ventures held before the acquisition. During the year ended December 31, 2014, we recorded an additional gain of \$584 as a result of the final cash distributions received from the other five joint ventures associated with the acquisitions that were completed during 2013. We recognized non-cash gains of \$9,339 during the year ended December 31, 2013, which represented the increase in the fair values of our prior interests in the Grupe joint ventures from their formations to the acquisition dates.

On November 1, 2013, we acquired an additional 49% equity interest from our joint venture partners, which retained a 1% interest in the HSRE-ESP IA, LLC joint venture (“HSRE”) that owns 19 stores. This transaction resulted in a non-cash gain of \$34,136, which represents the increase in the fair value of our 50% interest in HSRE from the formation of the joint venture to the acquisition date.

In February 2013, we acquired our partners’ equity interests in two joint ventures that each held one store. As a result of the acquisitions, we recognized non-cash gains of \$2,556, which represents the increase in the fair values of our prior interests in the joint ventures from their formations to the acquisition dates.

**Income Tax Expense**—The decrease in income tax expense relates primarily to a royalty charged to the insurance captive by the Operating Partnership for access to and use of customer lists and intellectual property. The effect of this change lowered the taxable income of the TRS.

### **Net Income Allocated to Noncontrolling Interests**

The following table presents information on net income allocated to noncontrolling interests for the years indicated:

|  | For the Year Ended<br>December 31, |                    | \$ Change         | % Change     |
|--|------------------------------------|--------------------|-------------------|--------------|
|  | 2014                               | 2013               |                   |              |
| <b>Net income allocated to noncontrolling interests:</b>                         |                                    |                    |                   |              |
| Net income allocated to Preferred Operating Partnership noncontrolling interests | \$ (10,991)                        | \$ (8,006)         | \$ (2,985)        | 37.3%        |
| Net income allocated to Operating Partnership and other noncontrolling interests | (6,550)                            | (5,474)            | (1,076)           | 19.7%        |
| Total income allocated to noncontrolling interests:                              | <u>\$ (17,541)</u>                 | <u>\$ (13,480)</u> | <u>\$ (4,061)</u> | <u>30.1%</u> |

**Net Income Allocated to Preferred Operating Partnership Noncontrolling Interests**—In December 2014, as part of the acquisition of a single store, our Operating Partnership issued 548,390 Series D Units. The Series D Units have a liquidation value of \$25.00 per unit, and receive distributions at an annual rate of 5.0%.

In December 2013 and May 2014, as part of a portfolio acquisition, our Operating Partnership issued 704,016 Series C Convertible Redeemable Preferred Units (“Series C Units”). The Series C Units have a liquidation value of \$42.10 per unit. From issuance until the fifth anniversary of issuance, the Series C Units receive distributions at an annual rate of \$0.18 plus the then-payable quarterly distribution per common OP Unit.

In April 2014, as part of a single store acquisition, our Operating Partnership issued 333,360 Series B Units. During August and September 2013, as part of a portfolio acquisition, our Operating Partnership issued 1,342,727 Series B Units. The Series B Units have a liquidation value of \$25.00 per unit and receive distributions at an annual rate of 6.0%.

## [Table of Contents](#)

Income allocated to the Preferred Operating Partnership noncontrolling interests for the year ended December 31, 2014 represents the fixed distributions paid to the holders of the Series A Units, Series B Units, Series C Units and Series D Units, plus approximately 0.7% of the remaining net income allocated to the holders of the Series A Units.

**Net Income Allocated to Operating Partnership and Other Noncontrolling Interests**—Income allocated to the Operating Partnership represents approximately 3.5% and 3.6% of net income after the allocation of the fixed distribution paid to the Preferred Operating Partnership unit holders for the years ended December 31, 2014 and 2013, respectively.

## FUNDS FROM OPERATIONS

FFO provides relevant and meaningful information about our operating performance that is necessary, along with net income and cash flows, for an understanding of our operating results. We believe FFO is a meaningful disclosure as a supplement to net earnings. Net earnings assume that the values of real estate assets diminish predictably over time as reflected through depreciation and amortization expenses. The values of real estate assets fluctuate due to market conditions and we believe FFO more accurately reflects the value of our real estate assets. FFO is defined by the National Association of Real Estate Investment Trusts, Inc. (“NAREIT”) as net income computed in accordance with U.S. generally accepted accounting principles (“GAAP”), excluding gains or losses on sales of operating stores and impairment write-downs of depreciable real estate assets, plus depreciation and amortization and after adjustments to record unconsolidated partnerships and joint ventures on the same basis. We believe that to further understand our performance, FFO should be considered along with the reported net income and cash flows in accordance with GAAP, as presented in the consolidated financial statements.

The computation of FFO may not be comparable to FFO reported by other REITs or real estate companies that do not define the term in accordance with the current NAREIT definition or that interpret the current NAREIT definition differently. FFO does not represent cash generated from operating activities determined in accordance with GAAP, and should not be considered as an alternative to net income as an indication of our performance, as an alternative to net cash flow from operating activities as a measure of our liquidity, or as an indicator of our ability to make cash distributions.

The following table presents the calculation of FFO for the periods indicated:

|  | For the Year Ended<br>December 31, |                  |                  |
|--|------------------------------------|------------------|------------------|
|  | 2015                               | 2014             | 2013             |
| <b>Net income attributable to common stockholders</b>  | \$189,474                          | \$178,355        | \$172,076        |
| Adjustments:   |                                    |                  |                  |
| Real estate depreciation   | 115,924                            | 96,819           | 78,943           |
| Amortization of intangibles  | 11,094                             | 12,394           | 11,463           |
| (Gain) loss on sale of real estate and earnout from prior acquisitions                       | (1,501)                            | 10,285           | (960)            |
| Unconsolidated joint venture real estate depreciation and amortization                       | 4,233                              | 4,395            | 5,676            |
| Unconsolidated joint venture gain on sale of real estate and purchase of partners' interests | (2,857)                            | (4,022)          | (46,032)         |
| Distributions paid on Series A Preferred Operating Partnership units                         | (5,088)                            | (5,750)          | (5,750)          |
| Income allocated to Operating Partnership noncontrolling interests                           | 20,064                             | 17,530           | 13,431           |
| <b>Funds from operations attributable to common stockholders</b>                             | <u>\$331,343</u>                   | <u>\$310,006</u> | <u>\$228,847</u> |

## SAME-STORE RESULTS

We consider our same-store portfolio to consist of only those stores which were wholly-owned at the beginning and at the end of the applicable periods presented that had achieved stabilization as of the first day of

[Table of Contents](#)

such period. The following tables present operating data for our same-store portfolio. We consider the following same-store presentation to be meaningful in regards to the stores shown below because these results provide information relating to store level operating changes without the effects of acquisitions or completed developments.

*Comparison of the Year Ended December 31, 2015 to the Year Ended December 31, 2014*

|  | For the Three Months<br>Ended December 31, |           | Percent<br>Change | For the Year Ended<br>December 31, |           | Percent<br>Change |
|--|--|-----------|-------------------|------------------------------------|-----------|-------------------|
|  | 2015                                       | 2014      |                   | 2015                               | 2014      |                   |
| Same-store rental and tenant reinsurance revenues        | \$151,761                                  | \$138,471 | 9.6%              | \$590,979                          | \$540,664 | 9.3%              |
| Same-store operating and tenant reinsurance expenses     | 41,702                                     | 39,802    | 4.8%              | 166,166                            | 161,135   | 3.1%              |
| Same-store net operating income                          | \$110,059                                  | \$ 98,669 | 11.5%             | \$424,813                          | \$379,529 | 11.9%             |
| Non same-store rental and tenant reinsurance revenues    | \$ 63,806                                  | \$ 21,665 | 194.5%            | \$157,130                          | \$ 78,276 | 100.7%            |
| Non same-store operating and tenant reinsurance expenses | \$ 21,146                                  | \$ 5,838  | 262.2%            | \$ 50,832                          | \$ 21,708 | 134.2%            |
| Total rental and tenant reinsurance revenues             | \$215,567                                  | \$160,136 | 34.6%             | \$748,109                          | \$618,940 | 20.9%             |
| Total operating and tenant reinsurance expenses          | \$ 62,848                                  | \$ 45,640 | 37.7%             | \$216,998                          | \$182,843 | 18.7%             |
| Same-store square foot occupancy as of quarter end       | 92.9%                                      | 91.4%     |                   | 92.9%                              | 91.4%     |                   |
| Properties included in same-store                        | 503  | 503       |                   | 503                                | 503       |                   |

The increases in same-store rental and tenant reinsurance revenues for the three months and year ended December 31, 2015, as compared to the same periods ended December 31, 2014, were due primarily to an increase in occupancy, an increase in rental rates to new and existing customers, and reduced customer discounts. Expenses were higher for the year ended December 31, 2015 due to increases in tenant reinsurance expense, credit card merchant fees and property taxes. Increases were offset by decreases in utility expenses and property insurance expense.

*Comparison of the Year Ended December 31, 2014 to the Year Ended December 31, 2013*

|  | For the Three Months<br>Ended December 31, |           | Percent<br>Change | For the Year Ended<br>December 31, |           | Percent<br>Change |
|--|--|-----------|-------------------|------------------------------------|-----------|-------------------|
|  | 2014                                       | 2013      |                   | 2014                               | 2013      |                   |
| Same-store rental and tenant reinsurance revenues        | \$121,819                                  | \$113,546 | 7.3%              | \$477,884                          | \$444,353 | 7.5%              |
| Same-store operating and tenant reinsurance expenses     | 34,669                                     | 33,942    | 2.1%              | 139,835                            | 135,547   | 3.2%              |
| Same-store net operating income                          | \$ 87,150                                  | \$ 79,604 | 9.5%              | \$338,049                          | \$308,806 | 9.5%              |
| Non same-store rental and tenant reinsurance revenues    | \$ 38,317                                  | \$ 21,684 | 76.7%             | \$141,056                          | \$ 49,646 | 184.1%            |
| Non same-store operating and tenant reinsurance expenses | \$ 10,971                                  | \$ 5,832  | 88.1%             | \$ 43,008                          | \$ 13,487 | 218.9%            |
| Total rental and tenant reinsurance revenues             | \$160,136                                  | \$135,230 | 18.4%             | \$618,940                          | \$493,999 | 25.3%             |
| Total operating and tenant reinsurance expenses          | \$ 45,640                                  | \$ 39,774 | 14.7%             | \$182,843                          | \$149,034 | 22.7%             |
| Same-store square foot occupancy as of quarter end       | 91.4%                                      | 89.5%     |                   | 91.4%                              | 89.5%     |                   |
| Properties included in same-store                        | 442  | 442       |                   | 442                                | 442       |                   |

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## [Table of Contents](#)

The increases in same-store rental and tenant reinsurance revenues for the three months and year ended December 31, 2014, as compared to the same periods ended December 31, 2013, were due primarily to an increase in occupancy, a decrease in discounts to new customers, and an average increase of 4.0% to 5.0% in incoming rates to new tenants. Expenses were higher for the year ended December 31, 2014 due to increases in office expense, property taxes and repairs and maintenance. These expenses were partially offset by a decrease in property insurance in the three months and year ended December 31, 2014.

### **CASH FLOWS**

#### ***Comparison of the Year Ended December 31, 2015 to the Year Ended December 31, 2014***

Cash provided by operating activities was \$367,329 and \$337,581 for the years ended December 31, 2015 and 2014, respectively. The change when compared to the prior year was primarily due to a \$13,640 increase in net income and an increase in depreciation and amortization expense of \$18,381. These increases were partially offset by a decrease in the change in accounts payable and accrued liabilities of \$4,812.

Cash used in investing activities was \$1,625,664 and \$564,948 for the years ended December 31, 2015 and 2014, respectively. The change was primarily the result of an increase of \$1,200,853 paid for the acquisition of SmartStop in October 2015. There was also an increase of \$55,073 in cash used to purchase/issue notes receivable. These increases in cash outflows were partially offset by an increase of \$45,080 in cash received as returns of investments in unconsolidated real estate ventures.

Cash provided by financing activities was \$1,286,471 and \$148,307 for the years ended December 31, 2015 and 2014, respectively. The net increase was due to a number of factors, including an increase of \$1,204,138 in the cash proceeds received from the issuance of notes payable and lines of credit, an increase of \$446,877 in the cash proceeds received from the sale of common stock, and an increase of \$563,500 in the net proceeds from the issuance of exchangeable senior notes. These increases in cash inflows were offset by an increase of \$780,442 of cash paid for principal payments on notes payable and lines of credit, an increase of \$227,212 in cash paid to repurchase existing exchangeable senior notes, and an increase of \$59,211 in cash paid as dividends on our common stock.

#### ***Comparison of the Year Ended December 31, 2014 to the Year Ended December 31, 2013***

Cash provided by operating activities was \$337,581 and \$271,259 for the years ended December 31, 2014 and 2013, respectively. The change when compared to the prior year was primarily due to a decrease of \$42,594 in non-cash gains related to purchases of joint venture partners' interests. There was also a \$10,340 increase in net income and an increase in depreciation and amortization of \$19,844. These increases were partially offset by a decrease in the loss on extinguishment of debt related to portfolio acquisition of \$9,153.

Cash used in investing activities was \$564,948 and \$366,976 for the years ended December 31, 2014 and 2013, respectively. The change was primarily the result of an increase of \$153,579 in the amount of cash used to acquire new stores in 2014 when compared to 2013. There was also an increase of \$24,258 in cash used to purchase/issue notes receivable, and an increase of \$17,062 in cash used in the development and redevelopment of real estate assets.

Cash provided by financing activities was \$148,307 and \$191,655 for the years ended December 31, 2014 and 2013, respectively. The net decrease was due to a number of factors, including a decrease of \$205,988 in the cash proceeds received from the sale of common stock, a decrease of \$246,250 in the proceeds from issuance of exchangeable senior notes, and an increase of \$47,077 in cash paid as dividends on common stock. These decreases were offset by an increase of \$335,479 in the proceeds from notes payable and lines of credit, and a decrease of \$131,244 in principal payments on notes payable and lines of credit.

[Table of Contents](#)

## LIQUIDITY AND CAPITAL RESOURCES

As of December 31, 2015, we had \$75,799 available in cash and cash equivalents. We intend to use this cash for acquisitions, to repay debt scheduled to mature in 2015 and for general corporate purposes. We are required to distribute at least 90% of our net taxable income, excluding net capital gains, to our stockholders on an annual basis to maintain our qualification as a REIT.

Our cash and cash equivalents are held in accounts managed by third party financial institutions and consist of invested cash and cash in our operating accounts. During 2015, we experienced no loss or lack of access to our cash or cash equivalents; however, there can be no assurance that access to our cash and cash equivalents will not be impacted by adverse conditions in the financial markets.

The following table presents information on our lines of credit for the period presented. All of our lines of credit are guaranteed by us and secured by mortgages on certain real estate assets.

| Line of Credit | As of December 31, 2015 |                  | Interest Rate | Origination Date | Maturity   | Basis Rate (1)  | Notes |
|----------------|-------------------------|------------------|---------------|------------------|------------|-----------------|-------|
|                | Amount Drawn            | Capacity         |               |                  |            |                 |       |
| Credit Line 1  | \$36,000                | \$180,000        | 2.1%          | 6/4/2010         | 6/30/2018  | LIBOR plus 1.7% | (2)   |
| Credit Line 2  | —                       | 50,000           | 2.2%          | 11/16/2010       | 2/13/2017  | LIBOR plus 1.8% | (3)   |
| Credit Line 3  | —                       | 80,000           | 2.1%          | 4/29/2011        | 11/18/2016 | LIBOR plus 1.7% | (3)   |
| Credit Line 4  | —                       | 50,000           | 2.1%          | 9/29/2014        | 9/29/2017  | LIBOR plus 1.7% | (3)   |
|                | <u>\$36,000</u>         | <u>\$360,000</u> |               |                  |            |                 |       |

- (1) 30-day USD LIBOR
- (2) One two-year extension available
- (3) Two one-year extensions available

As of December 31, 2015, we had \$3,598,254 face value of debt, resulting in a debt to total capitalization ratio of 23.2%. As of December 31, 2015, the ratio of total fixed rate debt and other instruments to total debt was 68.6% (including \$1,527,386 on which we have interest rate swaps that have been included as fixed-rate debt). The weighted average interest rate of the total of fixed and variable rate debt at December 31, 2015 was 3.1%. Certain of our real estate assets are pledged as collateral for our debt. We are subject to certain restrictive covenants relating to our outstanding debt. We were in compliance with all financial covenants at December 31, 2015.

We expect to fund our short-term liquidity requirements, including operating expenses, recurring capital expenditures, dividends to stockholders, distributions to holders of OP Units and interest on our outstanding indebtedness out of our operating cash flow, cash on hand and borrowings under our Credit Lines. In addition, we are pursuing additional term loans secured by unencumbered stores.

Our liquidity needs consist primarily of cash distributions to stockholders, store acquisitions, principal payments under our borrowings and non-recurring capital expenditures. We may from time to time seek to repurchase our outstanding debt, shares of common stock or other securities in open market purchases, privately negotiated transactions or otherwise. Such repurchases, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. In addition, we evaluate, on an ongoing basis, the merits of strategic acquisitions and other relationships, which may require us to raise additional funds. We do not expect that our operating cash flow will be sufficient to fund our liquidity needs and instead expect to fund such needs out of additional borrowings of secured or unsecured indebtedness, joint ventures with third parties, and from the proceeds of public and private offerings of equity and debt. Additional capital may not be available on terms favorable to us or at all. Any additional issuance of equity or equity-linked securities may result in dilution to our stockholders. In addition, any new securities we issue could have rights, preferences and

## [Table of Contents](#)

privileges senior to holders of our common stock. We may also use OP Units as currency to fund acquisitions from self-storage owners who desire tax-deferral in their exiting transactions.

### OFF-BALANCE SHEET ARRANGEMENTS

Except as disclosed in the notes to our financial statements, we do not currently have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purposes entities, which typically are established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. Further, except as disclosed in the notes to our financial statements, we have not guaranteed any obligations of unconsolidated entities nor do we have any commitments or intent to provide funding to any such entities. Accordingly, we are not materially exposed to any financing, liquidity, market or credit risk that could arise if we had engaged in these relationships.

### CONTRACTUAL OBLIGATIONS

The following table presents information on future payments due by period as of December 31, 2015:

|  | Payments due by Period: |                     |                    |                    |                  |
|--|-------------------------|---------------------|--------------------|--------------------|------------------|
|  | Total                   | Less Than<br>1 Year | 1-3 Years          | 3-5 Years          | After<br>5 Years |
| Operating leases   | \$ 79,926               | \$ 5,655            | \$ 7,805           | \$ 5,669           | \$ 60,797        |
| Notes payable, notes payable to trusts and lines of credit |                         |                     |                    |                    |                  |
| Interest   | 512,602                 | 108,366             | 180,022            | 120,023            | 104,191          |
| Principal  | 3,598,254               | 167,477             | 956,056            | 1,885,685          | 589,036          |
| Total contractual obligations                              | <u>\$4,190,782</u>      | <u>\$281,498</u>    | <u>\$1,143,883</u> | <u>\$2,011,377</u> | <u>\$754,024</u> |

The operating leases above include minimum future lease payments on leases for 19 of our operating stores as well as leases of our corporate offices. Two ground leases include additional contingent rental payments based on the level of revenue achieved at the store.

As of December 31, 2015, the weighted average interest rate for all fixed rate loans was 3.6%, and the weighted average interest rate on all variable rate loans was 2.1%.

### FINANCING STRATEGY

We will continue to employ leverage in our capital structure in amounts reviewed from time to time by our board of directors. Although our board of directors has not adopted a policy which limits the total amount of indebtedness that we may incur, we will consider a number of factors in evaluating our level of indebtedness from time to time, as well as the amount of such indebtedness that will be either fixed or variable rate. In making financing decisions, we will consider factors including but not limited to:

- the interest rate of the proposed financing;
- the extent to which the financing impacts flexibility in managing our stores;
- prepayment penalties and restrictions on refinancing;
- the purchase price of stores acquired with debt financing;
- long-term objectives with respect to the financing;
- target investment returns;
- the ability of particular stores, and our Company as a whole, to generate cash flow sufficient to cover expected debt service payments;

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## [Table of Contents](#)

- overall level of consolidated indebtedness;
- timing of debt and lease maturities;
- provisions that require recourse and cross-collateralization;
- corporate credit ratios including debt service coverage, debt to total capitalization and debt to undepreciated assets; and
- the overall ratio of fixed and variable rate debt.

Our indebtedness may be recourse, non-recourse or cross-collateralized. If the indebtedness is non-recourse, the collateral will be limited to the particular stores to which the indebtedness relates. In addition, we may invest in stores subject to existing loans collateralized by mortgages or similar liens on our stores, or may refinance stores acquired on a leveraged basis. We may use the proceeds from any borrowings to refinance existing indebtedness, to refinance investments, including the redevelopment of existing stores, for general working capital or to purchase additional interests in partnerships or joint ventures or for other purposes when we believe it is advisable.

We may from time to time seek to retire or repurchase our outstanding debt, as well as shares of common stock or other securities in open market purchases, privately negotiated transactions or otherwise. Such repurchases, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. The amounts involved may be material.

### **SEASONALITY**

The self-storage business is subject to seasonal fluctuations. A greater portion of revenues and profits are realized from May through September. Historically, our highest level of occupancy has been at the end of July, while our lowest level of occupancy has been in late February and early March. Results for any quarter may not be indicative of the results that may be achieved for the full fiscal year.

### **Item 7a. Quantitative and Qualitative Disclosures About Market Risk**

#### **Market Risk**

Market risk refers to the risk of loss from adverse changes in market prices and interest rates. Our future income, cash flows and fair values of financial instruments are dependent upon prevailing market interest rates.

#### **Interest Rate Risk**

Interest rate risk is highly sensitive to many factors, including governmental monetary and tax policies, domestic and international economic and political considerations and other factors beyond our control.

As of December 31, 2015, we had approximately \$3.6 billion in total face value debt, of which approximately \$1.1 billion was subject to variable interest rates (excluding debt with interest rate swaps). If LIBOR were to increase or decrease by 100 basis points, the increase or decrease in interest expense on the variable rate debt (excluding variable rate debt with interest rate floors) would increase or decrease future earnings and cash flows by approximately \$7.3 million annually.

Interest rate risk amounts were determined by considering the impact of hypothetical interest rates on our financial instruments. These analyses do not consider the effect of any change in overall economic activity that could occur. Further, in the event of a change of that magnitude, we may take actions to further mitigate our exposure to the change. However, due to the uncertainty of the specific actions that would be taken and their possible effects, these analyses assume no changes in our financial structure.

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[Table of Contents](#)

**Item 8. Financial Statements and Supplementary Data**

**EXTRA SPACE STORAGE INC.  
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS  
AND SCHEDULES**

|  |    |
|--|----|
| <a href="#">Report of Independent Registered Public Accounting Firm</a>  | 50 |
| <a href="#">Consolidated Balance Sheets as of December 31, 2015 and 2014</a>   | 51 |
| <a href="#">Consolidated Statements of Operations for the years ended December 31, 2015, 2014 and 2013</a>           | 52 |
| <a href="#">Consolidated Statements of Comprehensive Income for the years ended December 31, 2015, 2014 and 2013</a> | 53 |
| <a href="#">Consolidated Statements of Stockholders' Equity for the years ended December 31, 2015, 2014 and 2013</a> | 54 |
| <a href="#">Consolidated Statements of Cash Flows for the years ended December 31, 2015, 2014 and 2013</a>           | 57 |
| <a href="#">Notes to Consolidated Financial Statements</a>   | 58 |
| <a href="#">Schedule III</a>   | 99 |

All other schedules have been omitted since the required information is not present or not present in amounts sufficient to require submission of the schedule, or because the information required is included in the consolidated financial statements or notes thereto.

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[Table of Contents](#)

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of Extra Space Storage Inc.

We have audited the accompanying consolidated balance sheets of Extra Space Storage Inc. (“the Company”) as of December 31, 2015 and 2014, and the related consolidated statements of operations, comprehensive income, stockholders’ equity and cash flows for each of the three years in the period ended December 31, 2015. Our audits also included the financial statement schedule listed in the index at Item 8. These financial statements and schedule are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company at December 31, 2015 and 2014, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2015, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

As discussed in Note 2 to the consolidated financial statements, the Company changed its reporting of debt issuance costs as a result of the adoption of the amendments to the FASB Accounting Standards Codification resulting from Accounting Standards Update No. 2015-03, “Interest – Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs.”

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Extra Space Storage Inc.’s internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework”) and our report dated February 26, 2016 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Salt Lake City, Utah  
February 29, 2016

**Extra Space Storage Inc.**  
**Consolidated Balance Sheets**  
(dollars in thousands, except share data)

|   | <u>December 31, 2015</u> | <u>December 31, 2014</u> |
|---|--------------------------|--------------------------|
| <b>Assets:</b>  |                          |                          |
| Real estate assets, net   | \$ 5,689,309             | \$ 4,135,696             |
| Investments in unconsolidated real estate ventures  | 103,007                  | 85,711                   |
| Cash and cash equivalents   | 75,799                   | 47,663                   |
| Restricted cash   | 30,738                   | 25,245                   |
| Receivables from related parties and affiliated real estate joint ventures  | 2,205                    | 11,778                   |
| Other assets, net   | <u>170,349</u>           | <u>75,894</u>            |
| Total assets  | <u>\$ 6,071,407</u>      | <u>\$ 4,381,987</u>      |
| <b>Liabilities, Noncontrolling Interests and Equity:</b>  |                          |                          |
| Notes payable, net  | \$ 2,758,567             | \$ 1,858,981             |
| Exchangeable senior notes, net  | 623,863                  | 235,724                  |
| Notes payable to trusts, net  | 117,191                  | 117,059                  |
| Lines of credit   | 36,000                   | 138,000                  |
| Accounts payable and accrued expenses   | 82,693                   | 65,521                   |
| Other liabilities   | <u>80,489</u>            | <u>54,719</u>            |
| Total liabilities   | <u>3,698,803</u>         | <u>2,470,004</u>         |
| Commitments and contingencies   |                          |                          |
| <b>Noncontrolling Interests and Equity:</b>   |                          |                          |
| Extra Space Storage Inc. stockholders' equity:  |                          |                          |
| Preferred stock, \$0.01 par value, 50,000,000 shares authorized, no shares issued or outstanding  | —                        | —                        |
| Common stock, \$0.01 par value, 500,000,000 shares authorized, 124,119,531 and 116,360,239 shares issued and outstanding at December 31, 2015 and December 31, 2014, respectively | 1,241                    | 1,163                    |
| Additional paid-in capital  | 2,431,754                | 1,995,484                |
| Accumulated other comprehensive loss  | (6,352)                  | (1,484)                  |
| Accumulated deficit   | <u>(337,566)</u>         | <u>(257,738)</u>         |
| Total Extra Space Storage Inc. stockholders' equity   | 2,089,077                | 1,737,425                |
| Noncontrolling interest represented by Preferred Operating Partnership units, net of \$120,230 notes receivable   | 80,531                   | 81,152                   |
| Noncontrolling interests in Operating Partnership   | 202,834                  | 92,422                   |
| Other noncontrolling interests  | <u>162</u>               | <u>984</u>               |
| Total noncontrolling interests and equity   | <u>2,372,604</u>         | <u>1,911,983</u>         |
| Total liabilities, noncontrolling interests and equity  | <u>\$ 6,071,407</u>      | <u>\$ 4,381,987</u>      |

See accompanying notes.

**Extra Space Storage Inc.**  
**Consolidated Statements of Operations**  
(dollars in thousands, except share data)

|  | For the Year Ended December 31, |                   |                   |
|--|---------------------------------|-------------------|-------------------|
|  | 2015                            | 2014              | 2013              |
| <b>Revenues:</b>   |                                 |                   |                   |
| Property rental  | \$ 676,138                      | \$ 559,868        | \$ 446,682        |
| Tenant reinsurance   | 71,971                          | 59,072            | 47,317            |
| Management fees and other income   | 34,161                          | 28,215            | 26,614            |
| Total revenues   | <u>782,270</u>                  | <u>647,155</u>    | <u>520,613</u>    |
| <b>Expenses:</b>   |                                 |                   |                   |
| Property operations  | 203,965                         | 172,416           | 140,012           |
| Tenant reinsurance   | 13,033                          | 10,427            | 9,022             |
| Acquisition related costs  | 69,401                          | 9,826             | 8,618             |
| General and administrative   | 67,758                          | 60,942            | 54,246            |
| Depreciation and amortization  | 133,457                         | 115,076           | 95,232            |
| Total expenses   | <u>487,614</u>                  | <u>368,687</u>    | <u>307,130</u>    |
| Income from operations   | 294,656                         | 278,468           | 213,483           |
| Gain (loss) on real estate transactions and earnout from prior acquisitions  | 1,501                           | (10,285)          | 960               |
| Property casualty loss, net  | —                               | (1,724)           | —                 |
| Loss on extinguishment of debt related to portfolio acquisition  | —                               | —                 | (9,153)           |
| Interest expense   | (95,682)                        | (81,330)          | (71,630)          |
| Non-cash interest expense related to amortization of discount on equity component of exchangeable senior notes                                 | (3,310)                         | (2,683)           | (1,404)           |
| Interest income  | 3,461                           | 1,607             | 749               |
| Interest income on note receivable from Preferred Operating Partnership unit holder  | 4,850                           | 4,850             | 4,850             |
| Income before equity in earnings of unconsolidated real estate ventures and income tax expense   | 205,476                         | 188,903           | 137,855           |
| Equity in earnings of unconsolidated real estate ventures  | 12,351                          | 10,541            | 11,653            |
| Equity in earnings of unconsolidated real estate ventures—gain on sale of real estate assets and purchase of joint venture partners' interests | 2,857                           | 4,022             | 46,032            |
| Income tax expense   | (11,148)                        | (7,570)           | (9,984)           |
| <b>Net income</b>  | <u>209,536</u>                  | <u>195,896</u>    | <u>185,556</u>    |
| Net income allocated to Preferred Operating Partnership noncontrolling interests   | (11,718)                        | (10,991)          | (8,006)           |
| Net income allocated to Operating Partnership and other noncontrolling interests   | (8,344)                         | (6,550)           | (5,474)           |
| <b>Net income attributable to common stockholders</b>  | <u>\$ 189,474</u>               | <u>\$ 178,355</u> | <u>\$ 172,076</u> |
| <b>Earnings per common share</b>   |                                 |                   |                   |
| Basic  | <u>\$ 1.58</u>                  | <u>\$ 1.54</u>    | <u>\$ 1.54</u>    |
| Diluted  | <u>\$ 1.56</u>                  | <u>\$ 1.53</u>    | <u>\$ 1.53</u>    |
| <b>Weighted average number of shares</b>   |                                 |                   |                   |
| Basic  | 119,816,743                     | 115,713,807       | 111,349,361       |
| Diluted  | 126,918,869                     | 121,435,267       | 113,105,094       |

See accompanying notes.

**Extra Space Storage Inc.**  
**Consolidated Statements of Comprehensive Income**  
**(amounts in thousands)**

|   | <u>For the Year Ended December 31,</u> |                  |                  |
|---|--|------------------|------------------|
|   | <u>2015</u>                            | <u>2014</u>      | <u>2013</u>      |
| <b>Net income</b>   | \$209,536                              | \$195,896        | \$185,556        |
| <b>Other comprehensive income (loss):</b>                           |  |                  |                  |
| Change in fair value of interest rate swaps                         | (4,929)                                | (12,061)         | 25,335           |
| Total comprehensive income  | 204,607                                | 183,835          | 210,891          |
| Less: comprehensive income attributable to noncontrolling interests | 20,001                                 | 17,120           | 14,386           |
| <b>Comprehensive income attributable to common stockholders</b>     | <u>\$184,606</u>                       | <u>\$166,715</u> | <u>\$196,505</u> |

See accompanying notes

[Table of Contents](#)

**Extra Space Storage Inc.**  
**Consolidated Statements of Stockholders' Equity**  
**(amounts in thousands, except share data)**

|   | Noncontrolling Interests        |                  |                  |             | Extra Space Storage Inc. Stockholders' Equity |                 |                    |                 |                                  |   |                        | Total<br>Noncontrolling<br>Interests and<br>Equity |
|---|---------------------------------|------------------|------------------|-------------|---|-----------------|--------------------|-----------------|----------------------------------|---|------------------------|--|
|   | Preferred Operating Partnership |                  |                  |             | Operating<br>Partnership                      | Other           | Shares             | Par Value       | Additional<br>Paid-in<br>Capital | Accumulated<br>Other<br>Comprehensive<br>Loss | Accumulated<br>Deficit |  |
|   | Series A                        | Series B         | Series C         | Series D    |   |                 |                    |                 |                                  |   |                        |  |
| <b>Balances at December 31, 2012</b>  | \$ 29,918                       | \$ —             | \$ —             | \$ —        | \$ 22,492                                     | \$ 1,114        | 110,737,205        | \$ 1,107        | \$ 1,740,037                     | \$ (14,273)                                   | \$ (235,064)           | \$ 1,545,331                                       |
| Issuance of common stock upon the exercise of options                           | —                               | —                | —                | —           | —   | —               | 391,543            | 4               | 5,892                            | —   | —                      | 5,896  |
| Restricted stock grants issued  | —                               | —                | —                | —           | —   | —               | 137,602            | 1               | —                                | —   | —                      | 1  |
| Restricted stock grants cancelled   | —                               | —                | —                | —           | —   | —               | (23,323)           | —               | —                                | —   | —                      | —  |
| Issuance of common stock, net of offering costs                                 | —                               | —                | —                | —           | —   | —               | 4,500,000          | 45              | 205,943                          | —   | —                      | 205,988  |
| Compensation expense related to stock-based awards                              | —                               | —                | —                | —           | —   | —               | —                  | —               | 4,819                            | —   | —                      | 4,819  |
| Purchase of additional equity interests in existing consolidated joint ventures | —                               | —                | —                | —           | —   | (1,008)         | —                  | —               | (1,481)                          | —   | —                      | (2,489)  |
| Noncontrolling interest related to consolidated joint venture                   | —                               | —                | —                | —           | —   | 870             | —                  | —               | —                                | —   | —                      | 870  |
| Issuance of exchangeable senior notes—equity component                          | —                               | —                | —                | —           | —   | —               | —                  | —               | 14,496                           | —   | —                      | 14,496   |
| Issuance of Operating Partnership units in conjunction with store acquisitions  | —                               | 33,568           | 17,177           | —           | 68,471  | —               | —                  | —               | —                                | —   | —                      | 119,216  |
| Redemption of Operating Partnership units for common stock                      | —                               | —                | —                | —           | (260)   | —               | 12,500             | —               | 260                              | —   | —                      | —  |
| Redemption of Operating Partnership units for cash                              | —                               | —                | —                | —           | (41)  | —               | —                  | —               | —                                | —   | —                      | (41)   |
| Net income  | 7,255                           | 673              | 78               | —           | 5,425   | 49              | —                  | —               | —                                | —   | 172,076                | 185,556  |
| Other comprehensive income  | 214                             | —                | —                | —           | 692   | —               | —                  | —               | —                                | 24,429  | —                      | 25,335   |
| Tax effect from vesting of restricted stock grants and stock option exercises   | —                               | —                | —                | —           | —   | —               | —                  | —               | 3,193                            | —   | —                      | 3,193  |
| Distributions to Operating Partnership units held by noncontrolling interests   | (7,185)                         | (673)            | (78)             | —           | (5,326)                                       | —               | —                  | —               | —                                | —   | —                      | (13,262)   |
| Distributions to other noncontrolling interests                                 | —                               | —                | —                | —           | —   | —               | —                  | —               | —                                | —   | —                      | —  |
| Dividends paid on common stock at \$1.45 per share                              | —                               | —                | —                | —           | —   | —               | —                  | —               | —                                | —   | (163,014)              | (163,014)  |
| <b>Balances at December 31, 2013</b>  | <u>\$ 30,202</u>                | <u>\$ 33,568</u> | <u>\$ 17,177</u> | <u>\$ —</u> | <u>\$ 91,453</u>                              | <u>\$ 1,025</u> | <u>115,755,527</u> | <u>\$ 1,157</u> | <u>\$ 1,973,159</u>              | <u>\$ 10,156</u>                              | <u>\$ (226,002)</u>    | <u>\$ 1,931,895</u>                                |

[Table of Contents](#)

|  | Noncontrolling Interests        |                 |                  |                 |                       |               | Extra Space Storage Inc. Stockholders' Equity |                 |                            |                                      |                     | Total Noncontrolling Interests and Equity |
|--|---------------------------------|-----------------|------------------|-----------------|-----------------------|---------------|---|-----------------|----------------------------|--------------------------------------|---------------------|---|
|  | Preferred Operating Partnership |                 |                  |                 | Operating Partnership | Other         | Shares  | Par Value       | Additional Paid-in Capital | Accumulated Other Comprehensive Loss | Accumulated Deficit |   |
|  | Series A                        | Series B        | Series C         | Series D        |                       |               |   |                 |                            |                                      |                     |   |
| Issuance of common stock upon the exercise of options                          | —                               | —               | —                | —               | —                     | —             | 211,747                                       | 2               | 3,093                      | —                                    | —                   | 3,095                                     |
| Restricted stock grants issued   | —                               | —               | —                | —               | —                     | —             | 117,370                                       | 1               | —                          | —                                    | —                   | 1   |
| Restricted stock grants cancelled  | —                               | —               | —                | —               | —                     | —             | (23,595)                                      | —               | —                          | —                                    | —                   | —   |
| Compensation expense related to stock-based awards                             | —                               | —               | —                | —               | —                     | —             | —   | —               | 4,984                      | —                                    | —                   | 4,984                                     |
| Issuance of Operating Partnership units in conjunction with store acquisitions | —                               | 8,334           | 13,783           | 13,710          | 2,982                 | —             | —   | —               | —                          | —                                    | —                   | 38,809                                    |
| Redemption of Operating Partnership units for common stock                     | (10,240)                        | —               | —                | —               | (398)                 | —             | 299,190                                       | 3               | 10,635                     | —                                    | —                   | —   |
| Redemption of Operating Partnership units for cash                             | (4,794)                         | —               | —                | —               | —                     | —             | —   | —               | —                          | —                                    | —                   | (4,794)                                   |
| Issuance of note receivable to Series C unit holders                           | —                               | —               | (20,230)         | —               | —                     | —             | —   | —               | —                          | —                                    | —                   | (20,230)                                  |
| Net income   | 7,036                           | 2,387           | 1,551            | 17              | 6,538                 | 12            | —   | —               | —                          | —                                    | 178,355             | 195,896                                   |
| Other comprehensive loss   | (74)                            | —               | —                | —               | (347)                 | —             | —   | —               | —                          | (11,640)                             | —                   | (12,061)                                  |
| Tax effect from vesting of restricted stock grants and stock option exercises  | —                               | —               | —                | —               | —                     | —             | —   | —               | 3,613                      | —                                    | —                   | 3,613                                     |
| Distributions to Operating Partnership units held by noncontrolling interests  | (7,321)                         | (2,386)         | (1,551)          | (17)            | (7,806)               | —             | —   | —               | —                          | —                                    | —                   | (19,081)                                  |
| Distributions to other noncontrolling interests                                | —                               | —               | —                | —               | —                     | (53)          | —   | —               | —                          | —                                    | —                   | (53)                                      |
| Dividends paid on common stock at \$1.81 per share                             | —                               | —               | —                | —               | —                     | —             | —   | —               | —                          | —                                    | (210,091)           | (210,091)                                 |
| <b>Balances at December 31, 2014</b>   | <b>\$ 14,809</b>                | <b>\$41,903</b> | <b>\$ 10,730</b> | <b>\$13,710</b> | <b>\$ 92,422</b>      | <b>\$ 984</b> | <b>116,360,239</b>                            | <b>\$ 1,163</b> | <b>\$ 1,995,484</b>        | <b>\$ (1,484)</b>                    | <b>\$ (257,738)</b> | <b>\$ 1,911,983</b>                       |

See accompanying notes.

[Table of Contents](#)

**Extra Space Storage Inc.**  
**Consolidated Statements of Stockholders' Equity**  
(amounts in thousands, except share data)

|   | Noncontrolling Interests        |                 |                 |                 | Extra Space Storage Inc. Stockholders' Equity |               |                    |                 |                               |   |                        | Total<br>Noncontrolling<br>Interests and<br>Equity |
|---|---------------------------------|-----------------|-----------------|-----------------|---|---------------|--------------------|-----------------|-------------------------------|---|------------------------|--|
|   | Preferred Operating Partnership |                 |                 |                 | Operating<br>Partnership                      | Other         | Shares             | Par Value       | Additional<br>Paid-in Capital | Accumulated<br>Other<br>Comprehensive<br>Loss | Accumulated<br>Deficit |  |
|   | Series A                        | Series B        | Series C        | Series D        |   |               |                    |                 |                               |   |                        |  |
| Issuance of common stock upon the exercise of options                         | —                               | —               | —               | —               | —   | —             | 79,974             | 1               | 1,541                         | —   | —                      | 1,542  |
| Restricted stock grants issued  | —                               | —               | —               | —               | —   | —             | 174,558            | 2               | —                             | —   | —                      | 2  |
| Restricted stock grants cancelled   | —                               | —               | —               | —               | —   | —             | (18,090)           | —               | —                             | —   | —                      | —  |
| Issuance of common stock, net of offering costs                               | —                               | —               | —               | —               | —   | —             | 6,735,000          | 67              | 446,810                       | —   | —                      | 446,877  |
| Compensation expense related to stock-based awards                            | —                               | —               | —               | —               | —   | —             | —                  | —               | 6,055                         | —   | —                      | 6,055  |
| Purchase of remaining equity interest in existing consolidated joint venture  | —                               | —               | —               | —               | —   | (822)         | —                  | —               | (446)                         | —   | —                      | (1,268)  |
| Issuance of Operating Partnership units in conjunction with acquisitions      | —                               | —               | —               | —               | 142,399                                       | —             | —                  | —               | —                             | —   | —                      | 142,399  |
| Redemption of Operating Partnership units for common stock                    | —                               | —               | —               | —               | (28,106)                                      | —             | 787,850            | 8               | 28,098                        | —   | —                      | —  |
| Repurchase of equity portion of 2013 exchangeable senior notes                | —                               | —               | —               | —               | —   | —             | —                  | —               | (70,112)                      | —   | —                      | (70,112)   |
| Issuance of 2015 exchangeable senior notes—equity component                   | —                               | —               | —               | —               | —   | —             | —                  | —               | 22,597                        | —   | —                      | 22,597   |
| Net income  | 6,445                           | 2,514           | 2,074           | 685             | 8,344   | —             | —                  | —               | —                             | —   | 189,474                | 209,536  |
| Other comprehensive loss  | (15)                            | —               | —               | —               | (46)  | —             | —                  | —               | —                             | (4,868)                                       | —                      | (4,929)  |
| Tax effect from vesting of restricted stock grants and stock option exercises | —                               | —               | —               | —               | —   | —             | —                  | —               | 1,727                         | —   | —                      | 1,727  |
| Distributions to Operating Partnership units held by noncontrolling interests | (7,050)                         | (2,515)         | (2,074)         | (685)           | (12,179)                                      | —             | —                  | —               | —                             | —   | —                      | (24,503)   |
| Dividends paid on common stock at \$2.24 per share                            | —                               | —               | —               | —               | —   | —             | —                  | —               | —                             | —   | (269,302)              | (269,302)  |
| <b>Balances at December 31, 2015</b>  | <u>\$14,189</u>                 | <u>\$41,902</u> | <u>\$10,730</u> | <u>\$13,710</u> | <u>\$ 202,834</u>                             | <u>\$ 162</u> | <u>124,119,531</u> | <u>\$ 1,241</u> | <u>\$ 2,431,754</u>           | <u>\$ (6,352)</u>                             | <u>\$ (337,566)</u>    | <u>\$ 2,372,604</u>                                |

See accompanying notes.

**Extra Space Storage Inc.**  
**Consolidated Statements of Cash Flows**  
(amounts in thousands)

|  | <b>For the Year Ended December 31,</b> |                  |                   |
|--|--|------------------|-------------------|
|  | <b>2015</b>                            | <b>2014</b>      | <b>2013</b>       |
| <b>Cash flows from operating activities:</b>   |  |                  |                   |
| Net income   | \$ 209,536                             | \$ 195,896       | \$ 185,556        |
| Adjustments to reconcile net income to net cash provided by operating activities:                              |  |                  |                   |
| Depreciation and amortization  | 133,457                                | 115,076          | 95,232            |
| Amortization of deferred financing costs   | 7,779                                  | 6,592            | 5,997             |
| Loss (gain) on real estate transactions and earnout from prior acquisitions                                    | (1,501)                                | 2,500            | —                 |
| Property casualty loss   | —                                      | 1,724            | —                 |
| Loss on extinguishment of debt related to portfolio acquisition  | —                                      | —                | 9,153             |
| Gain on sale of real estate assets   | —                                      | —                | (960)             |
| Non-cash interest expense related to amortization of discount on equity component of exchangeable senior notes | 3,310                                  | 2,683            | 1,404             |
| Non-cash interest expense related to amortization of premium on notes payable                                  | (2,409)                                | (3,079)          | (1,194)           |
| Compensation expense related to stock-based awards   | 6,055                                  | 4,984            | 4,819             |
| Gain on sale of real estate assets and purchase of joint venture partners' interests                           | (2,857)                                | (3,438)          | (46,032)          |
| Distributions from unconsolidated real estate ventures in excess of earnings                                   | 4,531                                  | 4,510            | 4,838             |
| Changes in operating assets and liabilities:   |  |                  |                   |
| Receivables from related parties and affiliated real estate joint ventures                                     | (1,436)                                | 71               | 1,277             |
| Other assets   | (1,172)                                | (1,498)          | 8,725             |
| Accounts payable and accrued expenses  | 108                                    | 4,920            | 8,302             |
| Other liabilities  | 11,928                                 | 6,640            | (5,858)           |
| Net cash provided by operating activities  | <u>367,329</u>                         | <u>337,581</u>   | <u>271,259</u>    |
| <b>Cash flows from investing activities:</b>   |  |                  |                   |
| Acquisition of SmartStop, net of cash acquired   | (1,200,853)                            | —                | —                 |
| Acquisition of real estate assets  | (349,897)                              | (503,538)        | (349,959)         |
| Development and redevelopment of real estate assets  | (26,931)                               | (23,528)         | (6,466)           |
| Proceeds from sale of real estate assets   | 800                                    | —                | 6,964             |
| Change in restricted cash  | 1,282                                  | (3,794)          | (4,475)           |
| Investment in unconsolidated real estate ventures  | (3,434)                                | —                | (1,516)           |
| Return of investment in unconsolidated real estate ventures  | 45,080                                 | —                | —                 |
| Purchase/issuance of notes receivable  | (84,331)                               | (29,258)         | (5,000)           |
| Purchase of equipment and fixtures   | (7,380)                                | (4,830)          | (6,524)           |
| Net cash used in investing activities  | <u>(1,625,664)</u>                     | <u>(564,948)</u> | <u>(366,976)</u>  |
| <b>Cash flows from financing activities:</b>   |  |                  |                   |
| Proceeds from the sale of common stock, net of offering costs  | 446,877                                | —                | 205,988           |
| Net proceeds from the issuance of exchangeable senior notes  | 563,500                                | —                | 246,250           |
| Repurchase of exchangeable senior notes  | (227,212)                              | —                | —                 |
| Proceeds from notes payable and lines of credit  | 2,121,802                              | 917,664          | 582,185           |
| Principal payments on notes payable and lines of credit  | (1,313,570)                            | (533,128)        | (664,372)         |
| Deferred financing costs   | (9,779)                                | (5,305)          | (7,975)           |
| Net proceeds from exercise of stock options  | 1,542                                  | 3,095            | 5,896             |
| Purchase of interest rate cap  | (2,884)                                | —                | —                 |
| Redemption of Operating Partnership units held by noncontrolling interests                                     | —                                      | (4,794)          | (41)              |
| Dividends paid on common stock   | (269,302)                              | (210,091)        | (163,014)         |
| Distributions to noncontrolling interests  | (24,503)                               | (19,134)         | (13,262)          |
| Net cash provided by financing activities  | <u>1,286,471</u>                       | <u>148,307</u>   | <u>191,655</u>    |
| Net increase (decrease) in cash and cash equivalents   | 28,136                                 | (79,060)         | 95,938            |
| Cash and cash equivalents, beginning of the period   | 47,663                                 | 126,723          | 30,785            |
| Cash and cash equivalents, end of the period   | <u>\$ 75,799</u>                       | <u>\$ 47,663</u> | <u>\$ 126,723</u> |
| <b>Supplemental schedule of cash flow information</b>  |  |                  |                   |
| Interest paid  | \$ 89,507                              | \$ 75,218        | \$ 66,705         |
| Income taxes paid  | 1,782                                  | 3,418            | 1,916             |
| <b>Supplemental schedule of noncash investing and financing activities:</b>                                    |  |                  |                   |
| Redemption of Operating Partnership units held by noncontrolling interests for common stock:                   |  |                  |                   |
| Noncontrolling interests in Operating Partnership  | \$ (28,106)                            | \$ 10,638        | \$ 260            |
| Common stock and paid-in capital   | 28,106                                 | (10,638)         | (260)             |
| Tax effect from vesting of restricted stock grants and option exercises  |  |                  |                   |
| Other assets   | \$ 1,727                               | \$ 3,613         | \$ 3,193          |
| Paid-in capital  | (1,727)                                | (3,613)          | (3,193)           |
| Acquisitions of real estate assets   |  |                  |                   |
| Real estate assets, net  | \$ 158,009                             | \$ 77,158        | \$ 331,230        |
| Notes payable assumed  | —                                      | (38,347)         | (110,803)         |
| Notes payable assumed and immediately defeased   | —                                      | —                | (98,960)          |
| Value of Operating Partnership units issued  | (142,399)                              | (38,811)         | (119,216)         |
| Receivables from related parties and affiliated real estate joint ventures                                     | (15,610)                               | —                | (2,251)           |

See accompanying notes.

**Extra Space Storage Inc.**  
**Notes to Consolidated Financial Statements**  
**December 31, 2015**  
**(amounts in thousands, except store and share data)**

**1. DESCRIPTION OF BUSINESS**

Extra Space Storage Inc. (the “Company”) is a fully integrated, self-administered and self-managed real estate investment trust (“REIT”), formed as a Maryland Corporation on April 30, 2004, to own, operate, manage, acquire, develop and redevelop professionally managed self-storage properties located throughout the United States. The Company continues the business of Extra Space Storage LLC and its subsidiaries, which had engaged in the self-storage business since 1977. The Company’s interest in its stores is held through its operating partnership, Extra Space Storage LP (the “Operating Partnership”), which was formed on May 5, 2004. The Company’s primary assets are general partner and limited partner interests in the Operating Partnership. This structure is commonly referred to as an umbrella partnership REIT, or UPREIT. The Company has elected to be taxed as a REIT under the Internal Revenue Code of 1986, as amended (the “Internal Revenue Code”). To the extent the Company continues to qualify as a REIT, it will not be subject to tax, with certain limited exceptions, on the taxable income that is distributed to its stockholders.

The Company invests in stores by acquiring wholly-owned stores or by acquiring an equity interest in real estate entities. At December 31, 2015, the Company had direct and indirect equity interests in 999 storage facilities. In addition, the Company managed 348 stores for third parties bringing the total number of stores which it owns and/or manages to 1,347. These stores are located in 36 states, Washington, D.C. and Puerto Rico.

The Company operates in three distinct segments: (1) rental operations; (2) tenant reinsurance; and (3) property management, acquisition and development. The rental operations activities include rental operations of stores in which we have an ownership interest. No single tenant accounts for more than 5.0% of rental income. Tenant reinsurance activities include the reinsurance of risks relating to the loss of goods stored by tenants in the Company’s stores. The Company’s property management, acquisition and development activities include managing, acquiring, developing and selling stores.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

The consolidated financial statements are presented on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (“GAAP”) and include the accounts of the Company and its wholly- or majority-owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

**Variable Interest Entities**

The Company accounts for arrangements that are not controlled through voting or similar rights as variable interest entities (“VIEs”). An enterprise is required to consolidate a VIE if it is the primary beneficiary of the VIE. A VIE is created when (i) the equity investment at risk is not sufficient to permit the entity to finance its activities without additional subordinated financial support from other parties, or (ii) the entity’s equity holders as a group either: (a) lack the power, through voting or similar rights, to direct the activities of the entity that most significantly impact the entity’s economic performance, (b) are not obligated to absorb expected losses of the entity if they occur, or (c) do not have the right to receive expected residual returns of the entity if they occur. If an entity is deemed to be a VIE, the enterprise that is deemed to have a variable interest, or combination of variable interests, that provides the enterprise with a controlling financial interest in the VIE, is considered the primary beneficiary and must consolidate the VIE.

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## [Table of Contents](#)

The Company has concluded that under certain circumstances when the Company enters into arrangements for the formation of joint ventures, a VIE may be created under condition (i), (ii) (b) or (c) of the previous paragraph. For each VIE created, the Company has performed a qualitative analysis, including considering which party, if any, has the power to direct the activities most significant to the economic performance of each VIE and whether that party has the obligation to absorb losses of the VIE or the right to receive benefits from the VIE that could be significant to the VIE. If the Company is determined to be the primary beneficiary of the VIE, the assets, liabilities and operations of the VIE are consolidated with the Company's financial statements. Additionally, the Operating Partnership has notes payable to three trusts that are VIEs under condition (ii)(a) above. Since the Operating Partnership is not the primary beneficiary of the trusts, these VIEs are not consolidated.

The Company's investments in real estate joint ventures, where the Company has significant influence, but not control, and joint ventures which are VIEs in which the Company is not the primary beneficiary, are recorded under the equity method of accounting on the accompanying consolidated financial statements.

### **Use of Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### **Fair Value Disclosures**

#### *Derivative financial instruments*

Currently, the Company uses interest rate swaps to manage its interest rate risk. The valuation of these instruments is determined using widely accepted valuation techniques including discounted cash flow analysis on the expected cash flows of each derivative. This analysis reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market-based inputs, including interest rate curves. The fair values of interest rate swaps are determined using the market standard methodology of netting the discounted future fixed cash payments and the discounted expected variable cash receipts. The variable cash receipts are based on an expectation of future interest rates (forward curves) derived from observable market interest rate forward curves.

The Company incorporates credit valuation adjustments to appropriately reflect both its own nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements. In adjusting the fair value of its derivative contracts for the effect of nonperformance risk, the Company has considered the impact of netting and any applicable credit enhancements, such as collateral postings, thresholds, mutual puts, and guarantees. In conjunction with the Financial Accounting Standard Board's fair value measurement guidance, the Company made an accounting policy election to measure the credit risk of its derivative financial instruments that are subject to master netting agreements on a net basis by counterparty portfolio.

Although the Company has determined that the majority of the inputs used to value its derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with its derivatives utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by itself and its counterparties. However, as of December 31, 2015, the Company has assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative positions and has determined that the credit valuation adjustments are not significant to the overall valuation of its derivatives. As a result, the Company has determined that its derivative valuations in their entirety are classified in Level 2 of the fair value hierarchy.

## Table of Contents

The table below presents the Company's assets and liabilities measured at fair value on a recurring basis as of December 31, 2015, aggregated by the level in the fair value hierarchy within which those measurements fall.

| Description                                       | December 31, 2015 | Fair Value Measurements at Reporting Date Using                |   |   |
|---|-------------------|--|---|---|
|   |                   | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Other assets—Cash Flow Hedge Swap Agreements      | \$ 4,996          | \$ —   | \$ 4,996                                      | \$ —                                      |
| Other liabilities—Cash Flow Hedge Swap Agreements | \$ (6,991)        | \$ —   | \$ (6,991)                                    | \$ —                                      |

There were no transfers of assets and liabilities between Level 1 and Level 2 during the year ended December 31, 2015. The Company did not have any significant assets or liabilities that are re-measured on a recurring basis using significant unobservable inputs as of December 31, 2015 or 2014.

### Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

Long-lived assets held for use are evaluated for impairment when events or circumstances indicate there may be impairment. The Company reviews each store at least annually to determine if any such events or circumstances have occurred or exist. The Company focuses on stores where occupancy and/or rental income have decreased by a significant amount. For these stores, the Company determines whether the decrease is temporary or permanent, and whether the store will likely recover the lost occupancy and/or revenue in the short term. In addition, the Company reviews stores in the lease-up stage and compares actual operating results to original projections.

When the Company determines that an event that may indicate impairment has occurred, the Company compares the carrying value of the related long-lived assets to the undiscounted future net operating cash flows attributable to the assets. An impairment loss is recorded if the net carrying value of the assets exceeds the undiscounted future net operating cash flows attributable to the assets. The impairment loss recognized equals the excess of net carrying value over the related fair value of the assets.

When real estate assets are identified by management as held for sale, the Company discontinues depreciating the assets and estimates the fair value of the assets, net of selling costs. If the estimated fair value, net of selling costs, of the assets that have been identified as held for sale is less than the net carrying value of the assets, the Company would recognize a loss on the disposal group classified as held for sale. The operations of assets held for sale or sold during the period are presented as part of normal operations for all periods presented. As of December 31, 2015, the Company had seven stores classified as held for sale. The estimated fair value less selling costs of each of these assets is greater than the carrying value of the assets, and therefore no loss has been recorded.

The Company assesses whether there are any indicators that the value of the Company's investments in unconsolidated real estate ventures may be impaired annually and when events or circumstances indicate that there may be impairment. An investment is impaired if management's estimate of the fair value of the investment is less than its carrying value. To the extent impairment has occurred, and is considered to be other than temporary, the loss is measured as the excess of the carrying amount of the investment over the fair value of the investment.

As of December 31, 2015 and 2014, the Company did not have any assets or liabilities measured at fair value on a nonrecurring basis.

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## [Table of Contents](#)

### *Fair Value of Financial Instruments*

The carrying values of cash and cash equivalents, restricted cash, receivables, other financial instruments included in other assets, accounts payable and accrued expenses, variable-rate notes payable, lines of credit and other liabilities reflected in the consolidated balance sheets at December 31, 2015 and 2014, approximate fair value.

The fair values of the Company's notes receivable from Preferred Operating Partnership unit holders and other fixed rate notes receivable was based on the discounted estimated future cash flow of the notes (categorized within Level 3 of the fair value hierarchy); the discount rate used approximated the current market rate for loans with similar maturities and credit quality. The fair values of the Company's fixed rate notes payable and notes payable to trusts were estimated using the discounted estimated future cash payments to be made on such debt (categorized within Level 3 of the fair value hierarchy); the discount rates used approximated current market rates for loans, or groups of loans, with similar maturities and credit quality. The fair value of the Company's exchangeable senior notes was estimated using an average market price for similar securities obtained from a third party.

The fair values of the Company's fixed-rate assets and liabilities were as follows for the periods indicated:

|  | <b>December 31, 2015</b> |                       | <b>December 31, 2014</b> |                       |
|--|--------------------------|-----------------------|--------------------------|-----------------------|
|  | <u>Fair Value</u>        | <u>Carrying Value</u> | <u>Fair Value</u>        | <u>Carrying Value</u> |
| Notes receivable from Preferred Operating Partnership unit holders | \$ 128,216               | \$ 120,230            | \$ 126,380               | \$ 120,230            |
| Fixed rate notes receivable  | \$ 86,814                | \$ 84,331             | \$ —                     | \$ —                  |
| Fixed rate notes payable and notes payable to trusts               | \$1,828,486              | \$1,806,904           | \$1,320,370              | \$1,283,893           |
| Exchangeable senior notes  | \$ 770,523               | \$ 660,364            | \$ 276,095               | \$ 250,000            |

### **Real Estate Assets**

Real estate assets are stated at cost, less accumulated depreciation. Direct and allowable internal costs associated with the development, construction, renovation, and improvement of real estate assets are capitalized. Interest, property taxes, and other costs associated with development incurred during the construction period are capitalized. The construction period begins when expenditures for the real estate assets have been made and activities that are necessary to prepare the asset for its intended use are in progress. The construction period ends when the asset is substantially complete and ready for its intended use.

Expenditures for maintenance and repairs are charged to expense as incurred. Major replacements and betterments that improve or extend the life of the asset are capitalized and depreciated over their estimated useful lives. Depreciation is computed using the straight-line method over the estimated useful lives of the buildings and improvements, which are generally between five and 39 years.

In connection with the Company's acquisition of stores, the purchase price is allocated to the tangible and intangible assets and liabilities acquired based on their fair values, which are estimated using significant unobservable inputs. The value of the tangible assets, consisting of land and buildings, is determined as if vacant. Intangible assets, which represent the value of existing tenant relationships, are recorded at their fair values based on the avoided cost to replace the current leases. The Company measures the value of tenant relationships based on the rent lost due to the amount of time required to replace existing customers, which is based on the Company's historical experience with turnover in its stores. Debt assumed as part of an acquisition is recorded at fair value based on current interest rates compared to contractual rates. Acquisition-related transaction costs are expensed as incurred.

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## [Table of Contents](#)

Intangible lease rights represent: (1) purchase price amounts allocated to leases on three stores that cannot be classified as ground or building leases; these rights are amortized to expense over the life of the leases and (2) intangibles related to ground leases on six stores where the leases were assumed by the Company at rates that were lower than the current market rates for similar leases. The values associated with these assumed leases were recorded as intangibles, which will be amortized over the lease terms.

### **Investments in Unconsolidated Real Estate Ventures**

The Company's investments in real estate joint ventures, where the Company has significant influence, but not control and joint ventures which are VIEs in which the Company is not the primary beneficiary, are recorded under the equity method of accounting in the accompanying consolidated financial statements.

Under the equity method, the Company's investment in real estate ventures is stated at cost and adjusted for the Company's share of net earnings or losses and reduced by distributions. Equity in earnings of real estate ventures is generally recognized based on the Company's ownership interest in the earnings of each of the unconsolidated real estate ventures. For the purposes of presentation in the statement of cash flows, the Company follows the "look through" approach for classification of distributions from joint ventures. Under this approach, distributions are reported under operating cash flow unless the facts and circumstances of a specific distribution clearly indicate that it is a return of capital (e.g., a liquidating dividend or distribution of the proceeds from the joint venture's sale of assets), in which case it is reported as an investing activity.

### **Cash and Cash Equivalents**

The Company's cash is deposited with financial institutions located throughout the United States and at times may exceed federally insured limits. The Company considers all highly liquid debt instruments with a maturity date of three months or less to be cash equivalents.

### **Restricted Cash**

Restricted cash is comprised of letters of credit and escrowed funds deposited with financial institutions located throughout the United States relating to earnest money deposits on potential acquisitions, real estate taxes, insurance and capital expenditures.

### **Other Assets**

Other assets consist primarily of equipment and fixtures, customer accounts receivable, investments in trusts, notes receivable, other intangible assets, income taxes receivable, deferred tax assets, prepaid expenses and the fair value of interest rate swaps. Depreciation of equipment and fixtures is computed on a straight-line basis over three to five years.

### **Derivative Instruments and Hedging Activities**

The Company records all derivatives on the balance sheet at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative, whether the Company has elected to designate a derivative in a hedging relationship and apply hedge accounting and whether the hedging relationship has satisfied the criteria necessary to apply hedge accounting. Derivatives designated and qualifying as a hedge of the exposure to changes in the fair value of an asset, liability or firm commitment attributable to a particular risk, such as interest rate risk, are considered fair value hedges. Derivatives designated and qualifying as a hedge of the exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges. Hedge accounting generally provides for the matching of the timing of gain or loss recognition on the hedging instrument with the recognition of the changes in the fair value of the hedged asset or liability that are attributable to the hedged risk in a fair value hedge or the earnings effect of the hedged

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## [Table of Contents](#)

forecasted transactions in a cash flow hedge. The Company may enter into derivative contracts that are intended to economically hedge certain of its risk, even though hedge accounting does not apply or the Company elects not to apply hedge accounting.

The Company made an accounting policy election to measure the credit risk of its derivative financial instruments that are subject to master netting agreements on a net basis by counterparty portfolio.

### **Risk Management and Use of Financial Instruments**

In the normal course of its ongoing business operations, the Company encounters economic risk. There are three main components of economic risk: interest rate risk, credit risk and market risk. The Company is subject to interest rate risk on its interest-bearing liabilities. Credit risk is the risk of inability or unwillingness of tenants to make contractually required payments. Market risk is the risk of declines in the value of stores due to changes in rental rates, interest rates or other market factors affecting the value of stores held by the Company. The Company has entered into interest rate swap agreements to manage a portion of its interest rate risk.

### **Exchange of Common Operating Partnership Units**

Redemption of common Operating Partnership units for shares of common stock, when redeemed under the original provisions of the Operating Partnership agreement, are accounted for by reclassifying the underlying net book value of the units from noncontrolling interest to the Company's equity.

### **Revenue and Expense Recognition**

Rental revenues are recognized as earned based upon amounts that are currently due from tenants. Leases are generally on month-to-month terms. Prepaid rents are recognized on a straight-line basis over the term of the leases. Promotional discounts are recognized as a reduction to rental income over the promotional period. Late charges, administrative fees, merchandise sales and truck rentals are recognized as income when earned. Management fee revenues are recognized monthly as services are performed and in accordance with the terms of the related management agreements. Equity in earnings of unconsolidated real estate entities is recognized based on our ownership interest in the earnings of each of the unconsolidated real estate entities. Interest income is recognized as earned.

Property expenses, including utilities, property taxes, repairs and maintenance and other costs to manage the facilities are recognized as incurred. The Company accrues for property tax expense based upon invoice amounts, estimates and historical trends. If these estimates are incorrect, the timing of expense recognition could be affected.

Tenant reinsurance premiums are recognized as revenue over the period of insurance coverage. The Company records an unpaid claims liability at the end of each period based on existing unpaid claims and historical claims payment history. The unpaid claims liability represents an estimate of the ultimate cost to settle all unpaid claims as of each period end, including both reported but unpaid claims and claims that may have been incurred but have not been reported. The Company uses a third party claims administrator to adjust all tenant reinsurance claims received. The administrator evaluates each claim to determine the ultimate claim loss and includes an estimate for claims that may have been incurred but not reported. Annually, a third party actuary evaluates the adequacy of the unpaid claims liability. Prior year claim reserves are adjusted as experience develops or new information becomes known. The impact of such adjustments is included in the current period operations. The unpaid claims liability is not discounted to its present value. Each tenant chooses the amount of insurance coverage they want through the tenant reinsurance program. Tenants can purchase policies in amounts of two thousand dollars to ten thousand dollars of insurance coverage in exchange for a monthly fee. As of December 31, 2015, the average insurance coverage for tenants was approximately two thousand six hundred dollars. The Company's exposure per claim is limited by the maximum amount of coverage chosen by each

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## [Table of Contents](#)

tenant. The Company purchases reinsurance for losses exceeding a set amount for any one event. The Company does not currently have any amounts recoverable under the reinsurance arrangements.

### **Real Estate Sales**

In general, sales of real estate and related profits/losses are recognized when all consideration has changed hands and risks and rewards of ownership have been transferred. Certain types of continuing involvement preclude sale treatment and related profit recognition; other forms of continuing involvement allow for sale recognition but require deferral of profit recognition.

### **Advertising Costs**

The Company incurs advertising costs primarily attributable to internet, directory and other advertising. These costs are expensed as incurred. The Company recognized \$8,539, \$8,370, and \$6,482 in advertising expense for the years ended December 31, 2015, 2014 and 2013, respectively.

### **Income Taxes**

The Company has elected to be treated as a REIT under Sections 856 through 860 of the Internal Revenue Code. In order to maintain its qualification as a REIT, among other things, the Company is required to distribute at least 90% of its REIT taxable income to its stockholders and meet certain tests regarding the nature of its income and assets. As a REIT, the Company is not subject to federal income tax with respect to that portion of its income which meets certain criteria and is distributed annually to stockholders. The Company plans to continue to operate so that it meets the requirements for taxation as a REIT. Many of these requirements, however, are highly technical and complex. If the Company were to fail to meet these requirements, it would be subject to federal income tax. The Company is subject to certain state and local taxes. Provision for such taxes has been included in income tax expense on the Company's consolidated statements of operations. For the year ended December 31, 2015, 0.0% (unaudited) of all distributions to stockholders qualified as a return of capital.

The Company has elected to treat its corporate subsidiary, Extra Space Management, Inc. ("ESMI"), as a taxable REIT subsidiary ("TRS"). In general, the Company's TRS may perform additional services for tenants and may engage in any real estate or non-real estate related business. A TRS is subject to corporate federal income tax. ESM Reinsurance Limited, a wholly-owned subsidiary of ESMI, generates income from insurance premiums that are subject to corporate federal income tax and state insurance premiums tax.

Deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities. At December 31, 2015 and 2014, there were no material unrecognized tax benefits. Interest and penalties relating to uncertain tax positions will be recognized in income tax expense when incurred. As of December 31, 2015 and 2014, the Company had no interest or penalties related to uncertain tax provisions.

### **Stock-Based Compensation**

The measurement and recognition of compensation expense for all share-based payment awards to employees and directors are based on estimated fair values. Awards granted are valued at fair value and any compensation element is recognized on a straight line basis over the service periods of each award.

### **Earnings Per Common Share**

Basic earnings per common share is computed using the two-class method by dividing net income attributable to common stockholders by the weighted average number of common shares outstanding during the period. All outstanding unvested restricted stock awards contain rights to non-forfeitable dividends and participate in undistributed earnings with common stockholders; accordingly, they are considered participating

## Table of Contents

securities that are included in the two-class method. Diluted earnings per common share measures the performance of the Company over the reporting period while giving effect to all potential common shares that were dilutive and outstanding during the period. The denominator includes the weighted average number of basic shares and the number of additional common shares that would have been outstanding if the potential common shares that were dilutive had been issued, and is calculated using either the two-class, treasury stock or as if-converted method, whichever is most dilutive. Potential common shares are securities (such as options, convertible debt, Series A Participating Redeemable Preferred Units (“Series A Units”), Series B Redeemable Preferred Units (“Series B Units”), Series C Convertible Redeemable Preferred Units (“Series C Units”), Series D Redeemable Preferred Units (“Series D Units”) and common Operating Partnership units (“OP Units”)) that do not have a current right to participate in earnings of the Company but could do so in the future by virtue of their option, redemption or conversion right.

In computing the dilutive effect of convertible securities, net income is adjusted to add back any changes in earnings in the period associated with the convertible security. The numerator also is adjusted for the effects of any other non-discretionary changes in income or loss that would result from the assumed conversion of those potential common shares. In computing diluted earnings per common share, only potential common shares that are dilutive (those that reduce earnings per common share) are included. For the years ended December 31, 2015, 2014 and 2013, options to purchase approximately 62,254, 27,374, and 44,958 shares of common stock, respectively, were excluded from the computation of earnings per share as their effect would have been anti-dilutive.

The following table presents the number of Preferred Operating Partnership units, and the potential common shares, that were excluded from the computation of earnings per share as their effect would have been anti-dilutive:

|                | For the Year Ended December 31, |                                     |                  |                                     |                    |                                     |
|----------------|---------------------------------|-------------------------------------|------------------|-------------------------------------|--------------------|-------------------------------------|
|                | 2015                            |                                     | 2014             |                                     | 2013               |                                     |
|                | Number of Units                 | Equivalent Shares<br>(if converted) | Number of Units  | Equivalent Shares<br>(if converted) | Number of<br>Units | Equivalent Shares<br>(if converted) |
| Series B Units | 1,676,087                       | 579,640                             | 1,592,062        | 764,385                             | 453,302            | 257,266                             |
| Series C Units | 704,016                         | 410,002                             | 605,256          | 489,366                             | 33,226             | 33,302                              |
| Series D Units | 548,390                         | 189,649                             | 13,522           | 6,492                               | —                  | —                                   |
|                | <u>2,928,493</u>                | <u>1,179,291</u>                    | <u>2,210,840</u> | <u>1,260,243</u>                    | <u>486,528</u>     | <u>290,568</u>                      |

The Operating Partnership had \$85,364 of its 2.375% Exchangeable Senior Notes due 2033 (the “2013 Notes”) issued and outstanding as of December 31, 2015. The 2013 Notes could potentially have a dilutive impact on the Company’s earnings per share calculations. The 2013 Notes are exchangeable by holders into shares of the Company’s common stock under certain circumstances per the terms of the indenture governing the 2013 Notes. The exchange price of the 2013 Notes was \$54.99 per share as of December 31, 2015, and could change over time as described in the indenture. The Company has irrevocably agreed to pay only cash for the accreted principal amount of the 2013 Notes relative to its exchange obligations, but retained the right to satisfy the exchange obligation in excess of the accreted principal amount in cash and/or common stock.

The Operating Partnership had \$575,000 of its 3.125% Exchangeable Senior Notes due 2035 (the “2015 Notes”) issued and outstanding as of December 31, 2015. The 2015 Notes could potentially have a dilutive impact on the Company’s earnings per share calculations. The 2015 Notes are exchangeable by holders into shares of the Company’s common stock under certain circumstances per the terms of the indenture governing the 2015 Notes. The exchange price of the 2015 Notes was \$95.40 per share as of December 31, 2015, and could change over time as described in the indenture. The Company has irrevocably agreed to pay only cash for the accreted principal amount of the 2015 Notes relative to its exchange obligations, but retained the right to satisfy the exchange obligation in excess of the accreted principal amount in cash and/or common stock.

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## [Table of Contents](#)

Though the Company has retained that right, Accounting Standards Codification (“ASC”) 260, “*Earnings per Share*,” requires an assumption that shares would be used to pay the exchange obligation in excess of the accreted principal amount, and requires that those shares be included in the Company’s calculation of weighted average common shares outstanding for the diluted earnings per share computation. For the years ended December 31, 2015, 2014 and 2013, 513,040 shares, 130,883 shares, and no shares, respectively, related to the 2013 Notes were included in the computation for diluted earnings per share. For the year ended December 31, 2015, no shares related to the 2015 Notes were included in the computation for diluted earnings per share as the exchange price exceeded the per share price of the Company’s common stock during this period. For the years ended December 31, 2014 and 2013, no shares related to the 2015 Notes were included in the computation for diluted earnings per share as the 2015 Notes were not outstanding.

For the purposes of computing the diluted impact on earnings per share of the potential exchange of Series A Units for common shares upon redemption, where the Company has the option to redeem in cash or shares and where the Company has stated the positive intent and ability to settle at least \$115,000 of the instrument in cash (or net settle a portion of the Series A Units against the related outstanding note receivable), only the amount of the instrument in excess of \$115,000 is considered in the calculation of shares contingently issuable for the purposes of computing diluted earnings per share as allowed by ASC 260-10-45-46.

For the purposes of computing the diluted impact on earnings per share of the potential exchange of Series B Units for common shares upon redemption, where the Company has the option to redeem in cash or shares and where the Company has stated the intent and ability to settle the redemption in shares, the Company divided the total value of the Series B Units outstanding as of December 31, 2015 of \$41,902 by the closing price of the Company’s common stock as of December 31, 2015 of \$88.21 per share. Assuming full exchange for common shares as of December 31, 2015, 475,027 shares would have been issued to the holders of the Series B Units.

For the purposes of computing the diluted impact on earnings per share of the potential exchange of Series C Units into common shares upon redemption, where the Company has the option to redeem in cash or shares and where the Company has stated the intent and ability to settle the redemption in shares, the Company divided the total value of the Series C Units outstanding as of December 31, 2015 of \$29,639 by the closing price of the Company’s common stock as of December 31, 2015 of \$88.21 per share. Assuming full exchange for common shares as of December 31, 2015, 336,006 shares would have been issued to the holders of the Series C Units.

For the purposes of computing the diluted impact on earnings per share of the potential exchange of Series D Units into common shares upon redemption, where the Company has the option to redeem in cash or shares and where the Company has stated the intent and ability to settle the redemption in shares, the Company divided the total value of the Series D Units outstanding as of December 31, 2015 of \$13,710 by the closing price of the Company’s common stock as of December 31, 2015 of \$88.21 per share. Assuming full exchange for common shares as of December 31, 2015, 155,422 shares would have been issued to the holders of Series D Units.

## Table of Contents

The computation of earnings per share is as follows for the periods presented:

|  | For the Year Ended December 31, |             |             |
|--|---------------------------------|-------------|-------------|
|  | 2015                            | 2014        | 2013        |
| Net income attributable to common stockholders   | \$ 189,474                      | \$ 178,355  | \$ 172,076  |
| Earnings and dividends allocated to participating securities   | (601)                           | (490)       | (567)       |
| Earnings for basic computations  | 188,873                         | 177,865     | 171,509     |
| Earnings and dividends allocated to participating securities   | —                               | —           | 567         |
| Income allocated to noncontrolling interest—Preferred Operating Partnership (Series A Units) and Operating Partnership | 14,790                          | 13,575      | 7,255       |
| Fixed component of income allocated to noncontrolling interest—Preferred Operating Partnership (Series A Units)        | (5,088)                         | (5,586)     | (5,750)     |
| Net income for diluted computations  | \$ 198,575                      | \$ 185,854  | \$ 173,581  |
| Weighted average common shares outstanding:  |                                 |             |             |
| Average number of common shares outstanding—basic  | 119,816,743                     | 115,713,807 | 111,349,361 |
| Series A Units   | 875,480                         | 961,747     | 989,980     |
| OP Units   | 5,451,357                       | 4,335,837   | —           |
| Unvested restricted stock awards included for treasury stock method  | —                               | —           | 425,705     |
| Shares related to exchangeable senior notes and dilutive stock options   | 775,289                         | 423,876     | 340,048     |
| Average number of common shares outstanding—diluted  | 126,918,869                     | 121,435,267 | 113,105,094 |
| Earnings per common share  |                                 |             |             |
| Basic  | \$ 1.58                         | \$ 1.54     | \$ 1.54     |
| Diluted  | \$ 1.56                         | \$ 1.53     | \$ 1.53     |

## Recently Issued Accounting Standards

In April 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-08, “*Presentation of Financial Statements (Topic 205) and Property, Plant and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity.*” Under this guidance, only disposals representing a strategic shift in operations should be presented as discontinued operations. The guidance also requires new disclosures of both discontinued operations and certain other disposals that do not meet the definition of a discontinued operation. The Company adopted this guidance effective January 1, 2015. The Company has not previously had discontinued operations and as such, this guidance did not have a significant impact on its consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, “*Revenue from Contracts with Customers.*” which amends the guidance for revenue recognition to replace numerous, industry-specific requirements and converges areas under this topic with those of the International Financial Reporting Standards. ASU 2014-09 outlines a five-step process for customer contract revenue recognition that focuses on transfer of control, as opposed to transfer of risk and rewards. The amendment also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenues and cash flows from contracts with customers. ASU 2014-09 was originally effective for reporting periods beginning after December 15, 2016. Entities can transition to the standard either retrospectively or as a cumulative-effect adjustment as of the date of adoption. In July 2015, the FASB approved a one-year deferral of the effective date of the standard. The new standard will now become effective for annual and interim periods beginning after December 15, 2017 with early adoption on the original effective date permitted. The Company has not yet selected a transition method. The Company is currently assessing the impact of the adoption of ASU 2014-09 on the Company’s consolidated financial statements.

## Table of Contents

In February 2015, the FASB issued ASU 2015-02, “*Consolidation (Topic 810): Amendments to the Consolidation Analysis.*” This guidance is effective for annual reporting periods beginning after December 15, 2015, including interim periods within that reporting period. ASU 2015-02 amends the criteria for determining if a service provider possesses a variable interest in a variable interest entity (“VIE”), and eliminates the presumption that a general partner should consolidate a limited partnership. The Company does not expect the adoption of this standard to materially impact its consolidated financial statements.

In April 2015, the FASB issued ASU 2015-03, “*Interest—Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs,*” which requires debt issuance costs related to a recognized debt liability to be presented as a direct deduction from the carrying amount of that debt liability. The new guidance only impacts financial statement presentation. The guidance is effective in the first quarter of 2016 and allows for early adoption. The Company adopted this guidance October 1, 2015. The Company adopted ASU 2015-03 on a retrospective basis. As a result \$20,120 of unamortized debt issuance costs that had been included in the Other assets line on the consolidated balance sheets as of December 31, 2014 are now presented as direct deductions from the carrying amounts of the related debt liabilities.

In April 2015, the FASB issued ASU 2015-05, “*Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40)—Customers Accounting for Fees Paid in a Cloud Computing Arrangement,*” which provides guidance regarding the accounting for fees paid by a customer in cloud computing arrangements. If a cloud computing arrangement includes a software license, the payment of fees should be accounted for in the same manner as the acquisition of other software licenses. If there is no software license, the fees should be accounted for as a service contract. The guidance is effective in fiscal years beginning after December 15, 2015 and early adoption is permitted. An entity can elect to adopt the amendments either (1) prospectively to all arrangements entered into or materially modified after the effective date or (2) retrospectively. The Company does not expect the adoption of this guidance to have a material impact on its consolidated financial statements.

In August 2015, the FASB issued ASU 2015-15, “*Interest—Imputation of Interest (Subtopic 835-30) Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements,*” which provides guidance regarding the classification of debt issuance costs associated with lines of credit. Specifically, deferring and presenting debt issuance costs as an asset and subsequently amortizing the deferred debt issuance costs ratably over the term of the line-of-credit arrangement, regardless of whether there are any outstanding borrowings on the line-of-credit arrangement is allowed. The Company adopted this guidance effective October 1, 2015. The Company continued to present the debt issuance costs and related accumulated amortization relating to its lines of credit as assets.

### 3. REAL ESTATE ASSETS

The components of real estate assets are summarized as follows:

|   | December 31, 2015 | December 31, 2014 |
|---|-------------------|-------------------|
| Land—operating  | \$ 1,384,009      | \$ 1,132,175      |
| Land—development  | 17,313            | 21,062            |
| Buildings and improvements  | 4,886,397         | 3,487,935         |
| Intangible assets—tenant relationships                              | 95,891            | 72,293            |
| Intangible lease rights   | 8,877             | 8,697             |
|   | 6,392,487         | 4,722,162         |
| Less: accumulated depreciation and amortization                     | (728,087)         | (604,336)         |
| Net operating real estate assets                                    | 5,664,400         | 4,117,826         |
| Real estate under development/redevelopment                         | 24,909            | 17,870            |
| Net real estate assets  | \$ 5,689,309      | \$ 4,135,696      |
| Real estate assets held for sale included in net real estate assets | \$ 10,774         | \$ —              |

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[Table of Contents](#)

The real estate assets held for sale consist of a portfolio of six stores located in Ohio and Indiana, a single store located in Indiana, and a portion of land at an operating store in New Jersey. The estimated fair value less selling costs of each of these assets is greater than the carrying value of the assets, and therefore no loss has been recorded. The six-store portfolio is under contract, and the sale is expected to close by the second quarter of 2016. The single store located in Indiana is currently listed for sale but is not yet under contract. The Company expects that this property will be sold by the end of 2016. The land in New Jersey is also under contract and the sale is expected to close by the end of 2016. These assets held for sale are included in the rental operations segment of the Company's segment information.

The Company amortizes to expense intangible assets—tenant relationships on a straight-line basis over the average period that a tenant is expected to utilize the facility (currently estimated at 18 months). The Company amortizes to expense the intangible lease rights over the terms of the related leases. Amortization related to the tenant relationships and lease rights was \$11,695, \$12,996, and \$12,065 for the years ended December 31, 2015, 2014 and 2013, respectively. The remaining balance of the unamortized lease rights will be amortized over the next 3 to 46 years.

[Table of Contents](#)

**4. PROPERTY ACQUISITIONS AND DISPOSITIONS**

The following table shows the Company's acquisition of operating stores for the years ended December 31, 2015 and 2014, and does not include purchases of raw land or improvements made to existing assets:

| Property Location                         | Number of Stores | Date of Acquisition | Consideration Paid |                    |                |              |                             |                          |                                   | Acquisition Date Fair Value |                           |                  |                    | Closing costs - expensed (1) |                  |
|---|------------------|---------------------|--------------------|--------------------|----------------|--------------|-----------------------------|--------------------------|-----------------------------------|-----------------------------|---------------------------|------------------|--------------------|------------------------------|------------------|
|   |                  |                     | Total              | Cash Paid          | Non-cash gain  | Loan Assumed | Notes Issued to/from Seller | Previous equity interest | Net Liabilities/ (Assets) Assumed | Value of OP Units Issued    | Number of OP Units Issued | Land             | Building           |                              | Intangible       |
| California                                | 1                | 12/11/2015          | \$ 9,712           | \$ 9,716           | \$ —           | \$ —         | \$ —                        | \$ —                     | \$ (4)                            | \$ —                        | —                         | \$ 2,679         | \$ 7,029           | \$ —                         | \$ 4             |
| North Carolina                            | 1                | 12/8/2015           | 5,307              | 5,333              | —              | —            | —                           | —                        | (26)                              | —                           | —                         | 1,372            | 3,925              | 4                            | 6                |
| Oregon                                    | 1                | 11/24/2015          | 10,011             | 10,013             | —              | —            | —                           | —                        | (2)                               | —                           | —                         | 732              | 9,157              | 103                          | 19               |
| Florida                                   | 3                | 11/19/2015          | 20,017             | 19,965             | —              | —            | —                           | —                        | 52                                | —                           | —                         | 2,012            | 17,662             | 329                          | 14               |
| Texas                                     | 1                | 11/13/2015          | 14,397             | 7,116              | —              | —            | —                           | —                        | 60                                | 7,221                       | 91,434                    | 6,643            | 7,551              | 202                          | 1                |
| Texas                                     | 1                | 10/23/2015          | 8,707              | 8,685              | —              | —            | —                           | —                        | 22                                | —                           | —                         | 1,140            | 7,560              | —                            | 7                |
| New Jersey                                | 1                | 10/7/2015           | 7,430              | 7,394              | —              | —            | —                           | —                        | 36                                | —                           | —                         | 1,057            | 6,037              | 146                          | 190              |
| Various (2)                               | 122              | 10/1/2015           | 1,230,976          | 1,272,256          | —              | —            | —                           | —                        | (69,936)                          | 28,656                      | 376,848                   | 179,700          | 978,368            | 18,830                       | 54,083           |
| Maryland                                  | 1                | 9/10/2015           | 6,165              | 6,183              | —              | —            | —                           | —                        | (18)                              | —                           | —                         | 794              | 5,178              | 119                          | 74               |
| North Carolina                            | 1                | 6/19/2015           | 6,987              | 6,926              | —              | —            | —                           | —                        | 61                                | —                           | —                         | 1,408            | 5,461              | 107                          | 11               |
| Florida                                   | 1                | 6/18/2015           | 17,657             | 12,677             | —              | —            | —                           | —                        | 207                               | 4,773                       | 71,054                    | —                | 17,220             | 327                          | 110              |
| Florida (3)                               | 1                | 6/17/2015           | 6,076              | 412                | 1,100          | —            | 4,601                       | —                        | (37)                              | —                           | —                         | 534              | 5,364              | 125                          | 53               |
| Illinois                                  | 1                | 6/8/2015            | 10,046             | 9,970              | —              | —            | —                           | —                        | 76                                | —                           | —                         | 964              | 9,085              | —                            | (3)              |
| Massachusetts                             | 1                | 5/13/2015           | 12,512             | 12,515             | —              | —            | —                           | —                        | (3)                               | —                           | —                         | 1,625            | 10,875             | —                            | 12               |
| Georgia                                   | 1                | 5/7/2015            | 6,498              | 6,458              | —              | —            | —                           | —                        | 40                                | —                           | —                         | 2,087            | 4,295              | 114                          | 2                |
| North Carolina                            | 1                | 5/5/2015            | 11,007             | 10,976             | —              | —            | —                           | —                        | 31                                | —                           | —                         | 4,050            | 6,867              | 77                           | 13               |
| Georgia                                   | 1                | 4/24/2015           | 6,500              | 6,451              | —              | —            | —                           | —                        | 49                                | —                           | —                         | 370              | 6,014              | 114                          | 2                |
| Arizona, Texas                            | 22               | 4/15/2015           | 178,252            | 75,681             | —              | —            | —                           | —                        | 822                               | 101,749                     | 1,504,277                 | 24,087           | 151,465            | 2,121                        | 579              |
| Texas                                     | 1                | 4/14/2015           | 8,650              | 8,580              | —              | —            | —                           | —                        | 70                                | —                           | —                         | 619              | 7,861              | 160                          | 10               |
| California (4)                            | 1                | 3/30/2015           | 12,699             | 1,700              | 1,629          | —            | 11,009                      | (1,264)                  | (375)                             | —                           | —                         | 1,025            | 11,479             | 195                          | —                |
| South Carolina                            | 2                | 3/30/2015           | 13,165             | 13,143             | —              | —            | —                           | —                        | 22                                | —                           | —                         | 1,763            | 11,229             | 144                          | 29               |
| Virginia                                  | 1                | 3/17/2015           | 5,073              | 5,065              | —              | —            | —                           | —                        | 8                                 | —                           | —                         | 118              | 4,797              | 81                           | 77               |
| Texas                                     | 1                | 2/24/2015           | 13,570             | 13,519             | —              | —            | —                           | —                        | 51                                | —                           | —                         | 1,511            | 11,861             | 182                          | 16               |
| Texas                                     | 3                | 1/13/2015           | 41,904             | 41,806             | —              | —            | —                           | —                        | 98                                | —                           | —                         | 12,080           | 29,489             | 300                          | 35               |
| <b>2015 Totals</b>                        | <b>171</b>       |                     | <b>\$1,663,318</b> | <b>\$1,572,540</b> | <b>\$2,729</b> | <b>\$ —</b>  | <b>\$15,610</b>             | <b>\$ (1,264)</b>        | <b>\$ (68,696)</b>                | <b>\$142,399</b>            | <b>2,043,613</b>          | <b>\$248,370</b> | <b>\$1,335,829</b> | <b>\$ 23,780</b>             | <b>\$ 55,344</b> |
| Florida                                   | 4                | 12/23/2014          | \$ 32,954          | \$ 19,122          | \$ —           | \$ —         | \$ —                        | \$ —                     | \$ 122                            | \$ 13,710                   | 548,390                   | \$ 12,502        | \$ 19,640          | \$ 482                       | \$ 330           |
| New Jersey, Virginia (5)                  | 5                | 12/18/2014          | 47,747             | 42,167             | —              | —            | —                           | —                        | 5,580                             | —                           | —                         | 4,259            | 42,440             | 688                          | 360              |
| New York (6)                              | 1                | 12/11/2014          | 20,115             | 20,125             | —              | —            | —                           | —                        | (10)                              | —                           | —                         | 12,085           | 7,665              | —                            | 365              |
| North Carolina, South Carolina, Texas (7) | 7                | 12/11/2014          | 60,279             | 60,086             | —              | —            | —                           | —                        | 193                               | —                           | —                         | 19,661           | 36,339             | 876                          | 3,403            |
| California                                | 1                | 12/9/2014           | 9,298              | 6,300              | —              | —            | —                           | —                        | 15                                | 2,983                       | 50,620                    | 4,508            | 4,599              | 178                          | 13               |
| Colorado                                  | 1                | 10/24/2014          | 6,253              | 6,202              | —              | —            | —                           | —                        | 51                                | —                           | —                         | 2,077            | 4,087              | 82                           | 7                |
| Georgia                                   | 1                | 10/22/2014          | 11,030             | 11,010             | —              | —            | —                           | —                        | 20                                | —                           | —                         | 588              | 10,295             | 121                          | 26               |
| Florida                                   | 1                | 9/3/2014            | 4,259              | 4,225              | —              | —            | —                           | —                        | 34                                | —                           | —                         | 529              | 3,604              | 81                           | 45               |
| Texas                                     | 1                | 8/8/2014            | 11,246             | 6,134              | —              | 5,157        | —                           | —                        | (45)                              | —                           | —                         | 1,047            | 9,969              | 181                          | 49               |
| Georgia                                   | 1                | 8/6/2014            | 11,337             | 11,290             | —              | —            | —                           | —                        | 47                                | —                           | —                         | 1,132            | 10,080             | 111                          | 14               |
| North Carolina                            | 1                | 6/18/2014           | 7,310              | 7,307              | —              | —            | —                           | —                        | 3                                 | —                           | —                         | 2,940            | 4,265              | 93                           | 12               |

[Table of Contents](#)

| Property Location  | Number of Stores | Date of Acquisition | Consideration Paid |                  |                |                  |                             |                          | Acquisition Date Fair Value      |                          |                           |                  |                  |                 |                              |
|--------------------|------------------|---------------------|--------------------|------------------|----------------|------------------|-----------------------------|--------------------------|----------------------------------|--------------------------|---------------------------|------------------|------------------|-----------------|------------------------------|
|                    |                  |                     | Total              | Cash Paid        | Non-cash gain  | Loan Assumed     | Notes Issued to/from Seller | Previous equity interest | Net Liabilities/(Assets) Assumed | Value of OP Units Issued | Number of OP Units Issued | Land             | Building         | Intangible      | Closing costs - expensed (1) |
| California         | 1                | 5/28/2014           | 17,614             | 294              | —              | 14,079           | —                           | —                        | (92)                             | 3,333                    | 69,735                    | 4,707            | 12,604           | 265             | 38                           |
| Washington         | 1                | 4/30/2014           | 4,388              | 4,388            | —              | —                | —                           | —                        | —                                | —                        | —                         | 437              | 3,808            | 102             | 41                           |
| California (8)     | 3                | 4/25/2014           | 35,275             | 2,726            | 3,438          | 19,111           | —                           | 129                      | (580)                            | 10,451                   | 226,285                   | 6,853            | 27,666           | 579             | 177                          |
| Florida            | 1                | 4/15/2014           | 10,186             | 10,077           | —              | —                | —                           | —                        | 109                              | —                        | —                         | 1,640            | 8,358            | 149             | 39                           |
| Georgia            | 1                | 4/3/2014            | 23,649             | 15,158           | —              | —                | —                           | —                        | 157                              | 8,334                    | 333,360                   | 2,961            | 19,819           | 242             | 627                          |
| Alabama            | 1                | 3/20/2014           | 13,813             | 13,752           | —              | —                | —                           | —                        | 61                               | —                        | —                         | 2,381            | 11,224           | 200             | 8                            |
| Connecticut        | 1                | 3/17/2014           | 15,138             | 15,169           | —              | —                | —                           | —                        | (31)                             | —                        | —                         | 1,072            | 14,028           | —               | 38                           |
| California (9)     | 1                | 3/4/2014            | 7,000              | 6,974            | —              | —                | —                           | —                        | 26                               | —                        | —                         | 2,150            | 4,734            | 113             | 3                            |
| Texas              | 1                | 2/5/2014            | 14,191             | 14,152           | —              | —                | —                           | —                        | 39                               | —                        | —                         | 1,767            | 12,368           | 38              | 18                           |
| Virginia           | 17               | 1/7/2014            | 200,588            | 200,525          | —              | —                | —                           | —                        | 63                               | —                        | —                         | 53,878           | 142,840          | 2,973           | 897                          |
| <b>2014 Totals</b> | <b>52</b>        |                     | <b>\$563,670</b>   | <b>\$477,183</b> | <b>\$3,438</b> | <b>\$ 38,347</b> | <b>\$ —</b>                 | <b>\$ 129</b>            | <b>\$ 5,762</b>                  | <b>\$38,811</b>          | <b>1,228,390</b>          | <b>\$139,174</b> | <b>\$410,432</b> | <b>\$ 7,554</b> | <b>\$ 6,510</b>              |

- (1) This column represents costs paid at closing. The amounts shown exclude other acquisition costs paid before or after the closing date.
- (2) This represents the acquisition of SmartStop Self Storage, Inc. ("SmartStop"). See below for more detailed information about this acquisition.
- (3) The Company determined the consideration paid for this store was below its market value, and recognized a \$1,100 gain, representing the difference between the fair value of the store and the consideration paid.
- (4) This represents the acquisition of a joint venture partners' interest in Extra Space of Sacramento One LLC ("Sacramento One"), an existing joint venture, for \$1,700 in cash. The result of the acquisition is that the Company owns 100% of Sacramento One, which owned one store located in California. Prior to the acquisition date, the Company accounted for its interest in Sacramento One as an equity-method investment, and the Company also held mortgage notes receivable from Sacramento One totalling \$11,009, including related interest. The total acquisition date fair value of the Company's previous equity interest was approximately \$365 and is included in consideration transferred. The Company recognized a non-cash gain of \$1,629 as a result of remeasuring the fair value of its equity interest held prior to the acquisition. The store is consolidated subsequent to the acquisition as the Company owns 100% of the store.
- (5) Included in net liabilities/(assets) assumed is a \$5,400 liability related to an earnout provision.
- (6) This represents the acquisition of a non-operating property that the Company plans to convert to a self-storage store.
- (7) Included in closing costs is approximately \$3,271 of defeasance costs.
- (8) The Company previously held no equity interest in two of the three properties acquired. The Company acquired its joint venture partner's 60% interest in an existing joint venture which held one property in California, resulting in full ownership by the Company. Prior to the acquisition date, the Company accounted for its 40% interest in this joint venture as an equity method investment. The total acquisition date fair value of the previous equity interest was approximately \$3,567 and is included as consideration transferred. The Company recognized a non-cash gain of \$3,438 as a result of remeasuring its prior equity interest in this joint venture held before the acquisition. The three properties were acquired in exchange for approximately \$2,726 of cash and 226,285 Series C Units valued at \$10,451.
- (9) This property was owned by Spencer F. Kirk, the Company's Chief Executive Officer, and Kenneth M. Woolley, the Company's Executive Chairman. The Company acquired the building on March 4, 2014. In a separate transaction on March 5, 2014, the Company acquired the land for \$2,150 from a third party unrelated to the Company's executives and terminated the existing ground lease.

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[Table of Contents](#)

**Acquisition of SmartStop**

On October 1, 2015, the Company completed its previously announced acquisition of SmartStop, a public non-traded REIT (the “Transaction”), pursuant to an Agreement and Plan of Merger, dated June 15, 2015 (the “Merger Agreement”). The Company completed the Transaction as part of its strategy to acquire stores and portfolios of stores that can increase stockholder value. Under the terms of the Merger Agreement, SmartStop shareholders received \$13.75 per share in cash, which represented a total purchase price of approximately \$1,391,272.

In connection with the Transaction, it was agreed that certain assets would be excluded from the Company’s acquisition of SmartStop (the “Excluded Assets”). The Company had determined that the Excluded Assets were not complementary to the Company’s business or otherwise not of primary interest to the Company. These Excluded Assets were instead sold by SmartStop to Strategic 1031, LLC, a Delaware limited liability company (“Strategic 1031”), prior to the Transaction. The Excluded Assets included five SmartStop stores located in Canada, one parcel of land located in California that is under development, and SmartStop’s non-traded REIT platform. Strategic 1031 is owned by and controlled by SmartStop’s former Chief Executive Officer, President and Chairman of the Board of Directors.

The following table reconciles the purchase price to cash paid by the Company and total consideration transferred to acquire SmartStop:

|   |                    |
|---|--------------------|
| Total purchase price  | \$1,391,272        |
| Less: amount paid for Excluded Assets by Strategic 1031             | <u>(90,360)</u>    |
| Total purchase price attributable to the Company                    | <u>\$1,300,912</u> |
| Total cash paid by the Company                                      | \$1,272,256        |
| Fair value of OP Units issued to certain SmartStop unit holders     | <u>28,656</u>      |
|   | 1,300,912          |
| Less: Cash paid for transaction costs                               | 8,053              |
| Less: Cash paid for defeasance and prepayment fees                  | 38,360             |
| Less: Severance and share-based compensation to SmartStop employees | <u>7,665</u>       |
| Total consideration transferred                                     | <u>\$1,246,834</u> |

As part of this acquisition, we recorded an expense of \$38,360 related to defeasance costs and prepayment penalties incurred related to the repayment of SmartStop’s existing debt as of the acquisition date. We incurred \$8,053 of professional fees/closing costs, \$6,338 of severance-related costs, and \$1,327 of other payroll-related costs for a total of \$54,078 that was paid at closing. Another \$9,043 of other acquisition related costs were incurred that were not paid in connection with the closing for a total of \$63,121.

## Table of Contents

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the acquisition date. The company is in the process of finalizing a third party valuation. As such the allocation of fair value between land, buildings and intangibles is subject to change. The Company's allocation of consideration transferred for SmartStop is as follows:

|  |                    |
|--|--------------------|
| Land   | \$ 179,700         |
| Buildings  | 978,368            |
| Intangibles  | 18,830             |
| Investments in unconsolidated real estate ventures | 60,981             |
| Other assets                                       | <u>34,500</u>      |
| Total assets acquired                              | 1,272,379          |
| Accounts payable and accrued liabilities assumed   | 17,064             |
| Other liabilities assumed                          | 8,481              |
| Total net assets acquired                          | <u>\$1,246,834</u> |

The Company agreed to loan Strategic 1031 \$84,331 to finance the purchase of the Excluded Assets. The loans are secured by an interest in the Excluded Assets and accrue interest at 7.0% per annum. The loans have a term of 365 days after the closing of the Transaction, due on September 30, 2016. These loans receivable are included in Other assets on the Company's consolidated balance sheets.

## Pro Forma Information

As noted above, during the year ended December 31, 2015, the Company acquired 171 operating stores, including the 122 stores acquired in conjunction with the acquisition of SmartStop. The following pro forma financial information includes 137 of the 171 operating stores acquired. 34 stores were excluded as it was impractical to obtain the historical information from the previous owners and in total they represent an immaterial amount of total revenues. The following pro forma financial information is based on the combined historical financial statements of the Company and 137 of the stores acquired, and presents the Company's results as if the acquisitions had occurred as of January 1, 2014 (unaudited):

|  | For the Year Ended |                  |
|--|--------------------|------------------|
|  | December 31,       |                  |
|  | 2015               | 2014             |
|  | <u>Pro Forma</u>   | <u>Pro Forma</u> |
| Total revenues                                 | \$ 860,550         | \$ 746,601       |
| Net income attributable to common stockholders | \$ 253,476         | \$ 163,898       |

The Total revenues for SmartStop in the table above represent the revenues of SmartStop for the period prior to acquisition, less revenues attributed to the Excluded Assets. The Net income attributable to common stockholders for SmartStop in the table above represents primarily the expenses of SmartStop for the period prior to acquisition (less expenses related to the Excluded Assets), plus estimated additional depreciation, amortization, interest expenses and the elimination of non-recurring acquisition costs recorded by SmartStop and the Company.

The unaudited pro forma results do not reflect any operating efficiency or potential cost savings which may result from the acquisition of SmartStop. Accordingly, these unaudited pro forma results are presented for informational purposes only and are not necessarily indicative of what the actual results of operation of the combined company would have been if the acquisition had occurred at the beginning of the period presented nor are they indicative of future results of operations and are not necessarily indicative of either future results of operations or results that might have been achieved had the acquisition been consummated as of January 1, 2014.

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## [Table of Contents](#)

The following table summarizes the revenues and earnings related to the 171 stores acquired during 2015 since their acquisition dates, which are included in the Company's consolidated income statement for the year ended December 31, 2015:

|  | <b>For the<br/>Year Ended<br/>December 31, 2015</b> |
|--|---|
| Total revenues                                 | \$ 46,490   |
| Net income attributable to common stockholders | \$ 8,393  |

### **Other Acquisitions and Disposals**

On December 11, 2013, the Company sold 50% of its ownership in a parcel of undeveloped land held for sale located in California for \$2,025. The buyer holds their 50% interest as a tenant in common. No gain or loss was recorded as a result of the sale. As the Company's interest is now held as a tenant in common, the value of the land was reclassified from land to investment in unconsolidated real estate ventures on the Company's consolidated balance sheets.

On December 6, 2013, the Company sold a store located in Florida for \$3,250 in cash. As a result of this transaction, a gain of \$160 was recorded.

In June 2013, the Company recorded a gain of \$800 due to the condemnation of a portion of land at one store in California that resulted from eminent domain.

On May 16, 2013, the Company sold a store located in New York for \$950. No gain or loss was recorded as a result of the sale.

### **Losses on Earnouts from Prior Acquisitions**

During 2012, the Company acquired a portfolio of ten stores located in New Jersey and New York. As part of this acquisition, the Company agreed to make an additional cash payment to the sellers if the acquired stores exceeded a specified amount of net rental income two years after the acquisition date. At the acquisition date, the Company believed that it was unlikely that any significant payment would be made as a result of this earnout provision. The rental growth of the stores was significantly higher than expected, resulting in a payment to the sellers of \$7,785. This amount is included in gain (loss) on real estate transactions and earnout from prior acquisitions on the Company's consolidated statements of operations for the year ended December 31, 2014.

During 2011, the Company acquired a store located in Florida. As part of this acquisition, the Company agreed to make an additional cash payment to the sellers if the acquired store exceeded a specified amount of net rental income for any twelve-month period prior to June 30, 2015. At the acquisition date, \$133 was recorded as the estimated amount that would be due, and the Company believed that it was unlikely that any significant additional payment would be made as a result of this earnout provision. Because the rental growth of the stores was trending significantly higher than expected, the Company estimated that an additional earnout payment of \$2,500 would be due to the seller as of December 31, 2014. This amount is included in gain (loss) on real estate transactions and earnout from prior acquisitions on the Company's consolidated statements of operations for the year ended December 31, 2014. During the year ended December 31, 2015, the Company recorded a gain of \$400 to adjust the existing liability to the actual amount owed to the sellers as of June 30, 2015. This gain is included in gain (loss) on real estate transactions and earnout from prior acquisitions on the Company's consolidated statements of operations for the year ended December 31, 2015.

[Table of Contents](#)

**5. INVESTMENTS IN UNCONSOLIDATED REAL ESTATE VENTURES**

Investments in unconsolidated real estate ventures consist of the following:

|   | Equity<br>Ownership % | Excess Profit<br>Participation % | Investment Balance at December 31, |           |
|---|-----------------------|----------------------------------|------------------------------------|-----------|
|   |                       |                                  | 2015                               | 2014      |
| VRS Self Storage LLC (“VRS”)                                      | 45%                   | 54%                              | \$ 39,091                          | \$ 40,363 |
| Storage Portfolio I LLC (“SP I”)                                  | 25%                   | 25-40%                           | 11,813                             | 12,042    |
| PRISA Self Storage LLC (“PRISA”)                                  | 2%                    | 17%                              | 10,309                             | 10,520    |
| PRISA II Self Storage LLC (“PRISA II”)                            | 2%                    | 17%                              | 8,323                              | 9,008     |
| Extra Space West Two LLC (“ESW II”)                               | 5%                    | 40%                              | 4,122                              | 4,197     |
| WCOT Self Storage LLC (“WCOT”)                                    | 5%                    | 20%                              | 3,783                              | 3,972     |
| Clarendon Storage Associates Limited Partnership<br>(“Clarendon”) | 50%                   | 50%                              | 3,131                              | 3,148     |
| Extra Space of Santa Monica LLC (“ESSM”)                          | 48%                   | 48%                              | 1,200                              | 1,153     |
| Extra Space West One LLC (“ESW”)                                  | 5%                    | 40%                              | (405)                              | (95)      |
| Extra Space Northern Properties Six LLC (“ESNPS”)                 | 10%                   | 35%                              | (470)                              | (87)      |
| Other minority owned properties                                   | 18-50%                | 19-50%                           | 6,148                              | 1,490     |
|   |                       |                                  | 87,045                             | 85,711    |
| Investments in Strategic Storage Growth Trust                     |                       |                                  | 15,962                             | —         |
| Total   |                       |                                  | \$ 103,007                         | \$ 85,711 |

In these joint ventures, the Company and the joint venture partner generally receive a preferred return on their invested capital. To the extent that cash/profits in excess of these preferred returns are generated through operations or capital transactions, the Company would receive a higher percentage of the excess cash/profits than its equity interest.

In accordance with ASC 810, the Company reviews all of its joint venture relationships quarterly to ensure that there are no entities that require consolidation. As of December 31, 2015, there were no previously unconsolidated entities that were required to be consolidated as a result of this review.

On December 30, 2015, the Company entered into a new joint venture, ESS-H Bloomfield Investment LLC (“Bloomfield”). Bloomfield owns a single store in New Jersey. The Company contributed \$2,885 for a 50% interest in Bloomfield. The Company’s investment in Bloomfield is included in Other minority owned properties in the table above.

In December 2013 and May 2014, the Company acquired twelve stores located in California from entities associated with Grupe Properties Co. Inc. (“Grupe.”) As part of the Grupe acquisition, the Company acquired its joint venture partners’ 60% to 65% equity interests in six stores. The Company previously held the remaining 35% to 40% interests in these stores through six separate joint ventures with Grupe. Prior to the acquisition, the Company accounted for its interests in these joint ventures as equity-method investments. The Company recognized a non-cash gain of \$3,438 during the year ended December 31, 2014 as a result of re-measuring the fair value of its equity interest in one of these joint ventures held before the acquisition. During the year ended December 31, 2014, the Company recorded a gain of \$584 as a result of the final cash distributions received from the other five joint ventures associated with the acquisitions that were completed during 2013. The Company recognized non-cash gains of \$9,339 during the year ended December 31, 2013 as a result of re-measuring its prior equity interests in five joint ventures held before the acquisition.

On November 1, 2013, the Company acquired its joint venture partner’s 49% interest in HSRE-ESP IA, LLC (“HSRE”), an existing joint venture, for \$43,475 in cash and the assumption of a \$96,516 loan. The

## Table of Contents

result of this acquisition is that the Company owns a 99% interest in HSRE. The joint venture partner retained a 1% interest, valued at \$870, which was recorded at fair value based on the fair value of the assets in the joint venture and is included in other noncontrolling interests on the Company's consolidated balance sheets. HSRE

owns 19 stores in various states. The stores are now consolidated as the Company owns the majority interest in the joint venture. Prior to the acquisition date, the Company accounted for its 50% interest in the joint venture as an equity-method investment. The acquisition date fair value of the previous equity interest was approximately \$43,500, and is included as consideration transferred. The Company recognized a non-cash gain of \$34,137 during the year ended December 31, 2013 as a result of re-measuring its prior equity interest in HSRE held before the acquisition. On June 11, 2015, the Company acquired its joint venture partners' remaining 1% interest in HSRE for \$1,267. Since the Company retained its controlling interest, this transaction was accounted for as an equity transaction. The carrying amount of the noncontrolling interest was reduced to zero to reflect this purchase, and the difference between the price paid by the Company and the carrying amount of the noncontrolling interest was recorded as an adjustment to equity attributable to the Company.

On February 13, 2013, the Company acquired its joint venture partner's 48% equity interest in Extra Space of Eastern Avenue LLC ("Eastern Avenue"), which owned one store located in Maryland, for approximately \$5,979. Prior to the acquisition, the remaining 52% interest was owned by the Company, which accounted for its investment in Eastern Avenue using the equity method. The Company recorded a non-cash gain of \$2,215 related to this transaction, which represents the increase in fair value of the Company's interest in Eastern Avenue from its formation to the acquisition date.

On February 13, 2013, the Company acquired its joint venture partner's 61% equity interest in Extra Space of Montrose Avenue LLC ("Montrose"), which owned one store located in Illinois, for approximately \$6,878. Prior to the acquisition, the remaining 39% interest was owned by the Company, which accounted for its investment in Montrose using the equity method. The Company recorded a non-cash gain of \$341 related to this transaction, which represents the increase in fair value of the Company's interest in the joint venture from its formation to the acquisition date.

Equity in earnings of unconsolidated real estate ventures consists of the following:

|   | For the Year Ended December 31, |                 |                 |
|---|---------------------------------|-----------------|-----------------|
|   | 2015                            | 2014            | 2013            |
| Equity in earnings of VRS                             | \$ 4,041                        | \$ 3,510        | \$ 3,464        |
| Equity in earnings of SP I                            | 1,951                           | 1,541           | 1,243           |
| Equity in earnings of PRISA                           | 1,013                           | 929             | 890             |
| Equity in earnings of PRISA II                        | 793                             | 764             | 703             |
| Equity in earnings of ESW II                          | 145                             | 102             | 50              |
| Equity in earnings of WCOT                            | 569                             | 498             | 448             |
| Equity in earnings of Clarendon                       | 581                             | 551             | 516             |
| Equity in earnings of ESSM                            | 493                             | 424             | 369             |
| Equity in earnings of ESW                             | 1,875                           | 1,571           | 1,406           |
| Equity in earnings of ESNPS                           | 633                             | 513             | 461             |
| Equity in earnings of HSRE                            | —                               | —               | 1,428           |
| Equity in earnings of other minority owned properties | 257                             | 138             | 675             |
|   | <u>\$12,351</u>                 | <u>\$10,541</u> | <u>\$11,653</u> |

Equity in earnings of ESW II, SP I and VRS includes the amortization of the Company's excess purchase price of \$26,806 of these equity investments over its original basis. The excess basis is amortized over 40 years.

[Table of Contents](#)

Information (unaudited) related to the real estate ventures' debt at December 31, 2015, is presented below:

|                                 | <b>Loan Amount</b> | <b>Current Interest Rate</b> | <b>Debt Maturity</b> |
|---------------------------------|--------------------|------------------------------|----------------------|
| VRS—Swapped to fixed            | \$ 52,100          | 3.19%                        | June 2020            |
| SP I—Fixed                      | 88,975             | 4.66%                        | April 2018           |
| PRISA                           | —                  | —                            | Unleveraged          |
| PRISA II                        | —                  | —                            | Unleveraged          |
| ESW II—Swapped to fixed         | 18,505             | 3.57%                        | February 2019        |
| WCOT—Swapped to fixed           | 87,500             | 3.34%                        | August 2019          |
| Clarendon—Swapped to fixed      | 7,746              | 5.93%                        | September 2018       |
| ESSM—Variable                   | 13,629             | 4.88%                        | May 2021             |
| ESW—Variable                    | 17,150             | 1.67%                        | August 2020          |
| ESNPS—Variable                  | 34,500             | 2.44%                        | July 2025            |
| Other minority owned properties | 20,614             | Various                      | Various              |

Combined, condensed unaudited financial information of VRS, SP I, PRISA, PRISA II, ESW II, WCOT, ESW and ESNPS as of December 31, 2015 and 2014, and for the years ended December 31, 2015, 2014 and 2013, follows:

|  | <b>December 31,</b> |                     |
|--|---------------------|---------------------|
|  | <b>2015</b>         | <b>2014</b>         |
| <b>Balance Sheets:</b>                 |                     |                     |
| Assets:                                |                     |                     |
| Net real estate assets                 | \$ 1,389,974        | \$ 1,442,755        |
| Other                                  | 33,703              | 34,636              |
|  | <u>\$ 1,423,677</u> | <u>\$ 1,477,391</u> |
| Liabilities and members' equity:       |                     |                     |
| Notes payable                          | \$ 299,730          | \$ 301,267          |
| Other liabilities                      | 25,715              | 23,490              |
| Members' equity                        | 1,098,232           | 1,152,634           |
|  | <u>\$ 1,423,677</u> | <u>\$ 1,477,391</u> |
| <b>For the Year Ended December 31,</b> |                     |                     |
|  | <b>2015</b>         | <b>2014</b>         |
| <b>Statements of Income:</b>           |                     |                     |
| Rents and other income                 | \$ 286,857          | \$ 273,231          |
| Expenses                               | (155,851)           | (153,973)           |
| Gain on sale of real estate            | 60,495              | —                   |
| Net income                             | <u>\$ 191,501</u>   | <u>\$ 119,258</u>   |

In March 2015, PRISA II sold a single store located in New York and recorded a gain of \$60,495.

The Company had no consolidated VIEs for the years ended December 31, 2015 or 2014.

[Table of Contents](#)

**6. OTHER ASSETS**

The components of other assets are summarized as follows:

|   | <u>December 31, 2015</u> | <u>December 31, 2014</u> |
|---|--------------------------|--------------------------|
| Equipment and fixtures                        | \$ 30,547                | \$ 24,913                |
| Less: accumulated depreciation                | (19,609)                 | (15,183)                 |
| Other intangible assets                       | 2,172                    | 7,130                    |
| Deferred financing costs, net-lines of Credit | 1,735                    | 1,363                    |
| Prepaid expenses and deposits                 | 11,463                   | 8,891                    |
| Receivables, net                              | 46,774                   | 31,946                   |
| Notes receivable from Strategic 1031          | 84,331                   | —                        |
| Other notes receivable                        | 4,350                    | 9,661                    |
| Investments in Trusts                         | 3,590                    | 3,590                    |
| Fair value of interest rate swaps             | 4,996                    | 3,583                    |
|   | <u>\$ 170,349</u>        | <u>\$ 75,894</u>         |

The notes receivable from Strategic 1031 represents the \$84,331 principal amount loaned to Strategic 1031 to finance Strategic 1031's acquisition of the Excluded Assets in conjunction with the Company's acquisition of SmartStop.

**7. NOTES PAYABLE**

The components of notes payable are summarized as follows:

|  | <u>December 31, 2015</u> | <u>December 31, 2014</u> |
|--|--------------------------|--------------------------|
| <b><u>Fixed Rate</u></b>   |                          |                          |
| Mortgage loans with banks (including loans subject to interest rate swaps) bearing interest at fixed rates between 2.8% and 6.7%. The loans are collateralized by mortgages on real estate assets and the assignment of rents. Principal and interest payments are made monthly with all outstanding principal and interest due between March 2016 and February 2023.  | \$ 1,613,490             | \$ 1,164,303             |
| Unsecured loan with bank (loan subject to an interest rate swap) bearing interest at a fixed rate of 3.1%. Principal and interest payments are made monthly with outstanding principal and interest due March 2020.  | 73,825                   | —                        |
| <b><u>Variable Rate</u></b>  |                          |                          |
| Mortgage loans with banks bearing floating interest rates based on 1 month LIBOR. Interest rates based on LIBOR are between LIBOR plus 1.6% (2.0% at December 31, 2015 and 1.8% at December 31, 2014) and LIBOR plus 2.0% (2.4% at December 31, 2015 and 2.2% at December 31, 2014). The loans are collateralized by mortgages on real estate assets and the assignment of rents. Principal and interest payments are made monthly with all outstanding principal and interest due between July 2016 and March 2021. | 1,094,985                | 707,764                  |
| Total  | 2,782,300                | 1,872,067                |
| Plus: Premium on notes payable   | 872                      | 3,281                    |
| Less: unamortized debt issuance costs  | (24,605)                 | (16,367)                 |
| Total  | <u>\$ 2,758,567</u>      | <u>\$ 1,858,981</u>      |

## Table of Contents

The following table summarizes the scheduled maturities of notes payable at December 31, 2015:

|            |                    |
|------------|--------------------|
| 2016       | \$ 167,477         |
| 2017       | 418,179            |
| 2018       | 416,512            |
| 2019       | 438,244            |
| 2020       | 872,441            |
| Thereafter | 469,447            |
|            | <u>\$2,782,300</u> |

Certain mortgage and construction loans with variable interest rates are subject to interest rate floors starting at 1.90%. Real estate assets are pledged as collateral for the notes payable. Of the Company's \$2,782,300 principal amount in notes payable outstanding at December 31, 2015, \$2,430,623 were recourse due to guarantees or other security provisions. The Company is subject to certain restrictive covenants relating to the outstanding notes payable. The Company was in compliance with all financial covenants at December 31, 2015.

## 8. DERIVATIVES

The Company is exposed to certain risk arising from both its business operations and economic conditions. The Company principally manages its exposures to a wide variety of business and operational risks through management of its core business activities. The Company manages economic risks, including interest rate, liquidity, and credit risk primarily by managing the amount, sources and duration of its debt funding and the use of derivative financial instruments. Specifically, the Company enters into derivative financial instruments to manage exposures that arise from business activities that result in the receipt or payment of future known and uncertain cash amounts, the value of which are determined by interest rates. The Company's derivative financial instruments are used to manage differences in the amount, timing and duration of the Company's known or expected cash receipts and its known or expected cash payments principally related to the Company's investments and borrowings.

### Cash Flow Hedges of Interest Rate Risk

The Company's objectives in using interest rate derivatives are to add stability to interest expense and to manage its exposure to interest rate movements. To accomplish this objective, the Company primarily uses interest rate swaps as part of its interest rate risk management strategy. Interest rate swaps designated as cash flow hedges involve the receipt of variable amounts from a counterparty in exchange for the Company making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount.

The effective portion of changes in the fair value of derivatives designated and that qualify as cash flow hedges is recorded in accumulated other comprehensive income ("OCI") and is subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. A portion of these changes is excluded from accumulated other comprehensive income as it is allocated to noncontrolling interests. During the years ended December 31, 2015, 2014 and 2013, such derivatives were used to hedge the variable cash flows associated with existing variable-rate debt. During 2016, the Company estimates that an additional \$12,440 will be reclassified as an increase to interest expense.

The following table summarizes the terms of the Company's 29 derivative financial instruments, which have a total combined notional amount of \$1,743,790 as of December 31, 2015:

| Hedge Product   | Range of Notional Amounts | Strike      | Effective Dates       | Maturity Dates       |
|-----------------|---------------------------|-------------|-----------------------|----------------------|
| Swap Agreements | \$5,058 – \$126,000       | 0.8% – 3.9% | 10/3/2011 – 11/1/2015 | 9/20/2018 – 2/1/2023 |

[Table of Contents](#)

**Fair Values of Derivative Instruments**

The table below presents the fair value of the Company's derivative financial instruments as well as their classification on the consolidated balance sheets:

|  | Asset (Liability) Derivatives |                   |
|--|-------------------------------|-------------------|
|  | December 31, 2015             | December 31, 2014 |
| Derivatives designated as hedging instruments: | Fair Value                    |                   |
| Other assets                                   | \$ 4,996                      | \$ 3,583          |
| Other liabilities                              | \$ (6,991)                    | \$ (3,533)        |

**Effect of Derivative Instruments**

The tables below present the effect of the Company's derivative financial instruments on the consolidated statements of operations for the periods presented. No tax effect has been presented as the derivative instruments are held by the Company:

| Type            | Classification of<br>Income (Expense) | For the Year Ended December 31, |                   |                   |
|-----------------|---------------------------------------|---------------------------------|-------------------|-------------------|
|                 |                                       | 2015                            | 2014              | 2013              |
| Swap Agreements | Interest expense                      | <u>\$ (12,487)</u>              | <u>\$ (8,780)</u> | <u>\$ (8,917)</u> |

| Type            | Gain (loss)<br>recognized in OCI |                   | Location of amounts<br>reclassified from OCI<br>into income | Gain (loss)<br>reclassified from OCI |                   |
|-----------------|----------------------------------|-------------------|---|--------------------------------------|-------------------|
|                 | For the Year Ended               |                   |   | For the Year Ended                   |                   |
|                 | December 31,                     |                   |   | December 31,                         |                   |
|                 | 2015                             | 2014              |   | 2015                                 | 2014              |
| Swap Agreements | <u>\$(17,669)</u>                | <u>\$(18,557)</u> | Interest expense  | <u>\$ (12,487)</u>                   | <u>\$ (8,780)</u> |

**Credit-Risk-Related Contingent Features**

The Company has agreements with some of its derivative counterparties that contain provisions pursuant to which, the Company could be declared in default of its derivative obligations if the Company defaults on any of its indebtedness, including default where repayment of the indebtedness has not been accelerated by the lender.

The Company also has an agreement with some of its derivative counterparties that incorporates the loan covenant provisions of the Company's indebtedness with a lender affiliate of the derivative counterparty. Failure to comply with the loan covenant provisions would result in the Company being in default on any derivative instrument obligations covered by the agreement.

As of December 31, 2015, the fair value of derivatives in a net liability position, which includes accrued interest but excludes any adjustment for nonperformance risk, related to these agreements was \$6,991. As of December 31, 2015, the Company had not posted any collateral related to these agreements. If the Company had breached any of these provisions as of December 31, 2015, it could have been required to settle its obligations under the agreements at their termination value of \$2,995, including accrued interest.

**9. NOTES PAYABLE TO TRUSTS**

During July 2005, ESS Statutory Trust III (the "Trust III"), a newly formed Delaware statutory trust and a wholly-owned, unconsolidated subsidiary of the Operating Partnership, issued an aggregate of \$40,000 of preferred securities which mature on July 31, 2035. In addition, the Trust III issued 1,238 of Trust common securities to the Operating Partnership for a purchase price of \$1,238. On July 27, 2005, the proceeds from the sale of the preferred and common securities of \$41,238 were loaned in the form of a note to the Operating

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## [Table of Contents](#)

Partnership (“Note 3”). Note 3 had a fixed rate of 6.91% through July 31, 2010, and then was payable at a variable rate equal to the three-month LIBOR plus 2.40% per annum. Effective July 11, 2011, the Trust III entered into an interest rate swap that fixes the interest rate to be paid at 4.99% per annum and matures July 11, 2018. The interest on Note 3, payable quarterly, will be used by the Trust III to pay dividends on the trust preferred securities. The trust preferred securities became redeemable by the Trust III with no prepayment premium on July 27, 2010.

During May 2005, ESS Statutory Trust II (the “Trust II”), a newly formed Delaware statutory trust and a wholly-owned, unconsolidated subsidiary of the Operating Partnership of the Company, issued an aggregate of \$41,000 of preferred securities which mature on June 30, 2035. In addition, the Trust II issued 1,269 of Trust common securities to the Operating Partnership for a purchase price of \$1,269. On May 24, 2005, the proceeds from the sale of the preferred and common securities of \$42,269 were loaned in the form of a note to the Operating Partnership (“Note 2”). Note 2 had a fixed rate of 6.67% through June 30, 2010, and then was payable at a variable rate equal to the three-month LIBOR plus 2.40% per annum. Effective July 11, 2011, the Trust II entered into an interest rate swap that fixes the interest rate to be paid at 4.99% per annum and matures July 11, 2018. The interest on Note 2, payable quarterly, will be used by the Trust II to pay dividends on the trust preferred securities. The trust preferred securities became redeemable by the Trust II with no prepayment premium on June 30, 2010.

During April 2005, ESS Statutory Trust I (the “Trust”), a newly formed Delaware statutory trust and a wholly-owned, unconsolidated subsidiary of the Operating Partnership of the Company issued an aggregate of \$35,000 of trust preferred securities which mature on June 30, 2035. In addition, the Trust issued 1,083 of Trust common securities to the Operating Partnership for a purchase price of \$1,083. On April 8, 2005, the proceeds from the sale of the trust preferred and common securities of \$36,083 were loaned in the form of a note to the Operating Partnership (the “Note”). The Note has a variable rate equal to the three-month LIBOR plus 2.25% per annum. Effective June 30, 2010, the Trust entered into an interest rate swap that fixes the interest rate to be paid at 5.14% per annum and matures on June 30, 2018. The interest on the Note, payable quarterly, will be used by the Trust to pay dividends on the trust preferred securities. The trust preferred securities are redeemable by the Trust with no prepayment premium.

Trust, Trust II and Trust III (together, the “Trusts”) are VIEs because the holders of the equity investment at risk (the trust preferred securities) do not have the power to direct the activities of the entities that most significantly affect the entities’ economic performance because of their lack of voting or similar rights. Because the Operating Partnership’s investment in the Trusts’ common securities was financed directly by the Trusts as a result of its loan of the proceeds to the Operating Partnership, that investment is not considered to be an equity investment at risk. The Operating Partnership’s investment in the Trusts is not a variable interest because equity interests are variable interests only to the extent that the investment is considered to be at risk, and therefore the Operating Partnership cannot be the primary beneficiary of the Trusts. Since the Company is not the primary beneficiary of the Trusts, they have not been consolidated. A debt obligation has been recorded in the form of notes as discussed above for the proceeds, which are owed to the Trusts by the Company. The Company has also recorded its investment in the Trusts’ common securities as other assets.

The Company has not provided financing or other support during the periods presented to the Trusts that it was not previously contractually obligated to provide. The Company’s maximum exposure to loss as a result of its involvement with the Trusts is equal to the total amount of the notes discussed above less the amounts of the Company’s investments in the Trusts’ common securities. The net amount is the notes payable that the Trusts owe to third parties for their investments in the Trusts’ preferred securities.

The notes payable to trusts are presented net of unamortized deferred financing costs of \$2,399 and \$2,531 as of December 31, 2015 and 2014, respectively.

## Table of Contents

Following is a tabular comparison of the liabilities the Company has recorded as a result of its involvements with the Trusts to the maximum exposure to loss the Company is subject to related to the Trusts as of December 31, 2015:

|                                 | <u>Notes payable<br/>to Trusts</u> | <u>Investment<br/>Balance</u> | <u>Maximum<br/>exposure to loss</u> | <u>Difference</u> |
|---------------------------------|------------------------------------|-------------------------------|-------------------------------------|-------------------|
| Trust                           | \$ 36,083                          | \$ 1,083                      | \$ 35,000                           | \$ —              |
| Trust II                        | 42,269                             | 1,269                         | 41,000                              | —                 |
| Trust III                       | 41,238                             | 1,238                         | 40,000                              | —                 |
|                                 | 119,590                            | 3,590                         | 116,000                             |                   |
| Unamortized debt issuance costs | (2,399)                            |                               |                                     |                   |
|                                 | <u>\$ 117,191</u>                  | <u>\$ 3,590</u>               | <u>\$ 116,000</u>                   | <u>\$ —</u>       |

### 10. EXCHANGEABLE SENIOR NOTES

In September 2015, the Operating Partnership issued \$575,000 of its 3.125% Exchangeable Senior Notes due 2035. Costs incurred to issue the 2015 Notes were approximately \$11,992, consisting primarily of a 2% underwriting fee. These costs are being amortized as an adjustment to interest expense over five years, which represents the estimated term based on the first available redemption date, and are included in other assets in the condensed consolidated balance sheets. The 2015 Notes are general unsecured senior obligations of the Operating Partnership and are fully guaranteed by the Company. Interest is payable on April 1 and October 1 of each year beginning April 1, 2016, until the maturity date of October 1, 2035. The Notes bear interest at 3.125% per annum and contain an exchange settlement feature, which provides that the 2015 Notes may, under certain circumstances, be exchangeable for cash (for the principal amount of the 2015 Notes) and, with respect to any excess exchange value, for cash, shares of the Company's common stock, or a combination of cash and shares of the Company's common stock, at the Company's option. The exchange rate of the 2015 Notes as of December 31, 2015 was approximately 10.48 shares of the Company's common stock per \$1,000 principal amount of the 2015 Notes.

The Operating Partnership may redeem the 2015 Notes at any time to preserve the Company's status as a REIT. In addition, on or after October 5, 2020, the Operating Partnership may redeem the 2015 Notes for cash, in whole or in part, at 100% of the principal amount plus accrued and unpaid interest, upon at least 30 days but not more than 60 days prior written notice to the holders of the 2015 Notes. The holders of the 2015 Notes have the right to require the Operating Partnership to repurchase the 2015 Notes for cash, in whole or in part, on October 1 of the years 2020, 2025 and 2030, (unless the Operating Partnership has called the 2015 Notes for redemption), and upon the occurrence of certain designated events, in each case for a repurchase price equal to 100% of the principal amount of the 2015 Notes plus accrued and unpaid interest. Certain events are considered "Events of Default," as defined in the indenture governing the 2015 Notes, which may result in the accelerated maturity of the 2015 Notes.

On June 21, 2013, the Operating Partnership issued \$250,000 of its 2.375% Exchangeable Senior Notes due 2033 at a 1.5% discount, or \$3,750. Costs incurred to issue the 2013 Notes were approximately \$1,672. These costs are being amortized as an adjustment to interest expense over five years, which represents the estimated term based on the first available redemption date, and are included in other assets in the condensed consolidated balance sheets. The 2013 Notes are general unsecured senior obligations of the Operating Partnership and are fully guaranteed by the Company. Interest is payable on January 1 and July 1 of each year beginning January 1, 2014, until the maturity date of July 1, 2033. The 2013 Notes bear interest at 2.375% per annum and contain an exchange settlement feature, which provides that the 2013 Notes may, under certain circumstances, be exchangeable for cash (for the principal amount of the 2013 Notes) and, with respect to any excess exchange value, for cash, shares of the Company's common stock, or a combination of cash and shares of the Company's common stock, at the Company's option. The exchange rate of the 2013 Notes as of December 31, 2015 was approximately 18.18 shares of the Company's common stock per \$1,000 principal amount of the 2013 Notes.

## Table of Contents

Additionally, the 2013 Notes and the 2015 Notes can be exchanged during any calendar quarter, if the last reported sale price of the common stock of the Company is greater than or equal to 130% of the exchange price for at least 20 trading days during a period of 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter. The price of the Company's common stock exceeded 130% of the exchange price for the required time period for the 2013 Notes during the quarter ended December 31, 2015. Therefore, holders of the 2013 Notes may elect to exchange such notes during the quarter ending March 31, 2016. The price of the Company's common stock did not exceed 130% of the exchange price for the required time period for the 2015 Notes during the quarter ended December 31, 2015.

The Operating Partnership may redeem the 2013 Notes at any time to preserve the Company's status as a REIT. In addition, on or after July 5, 2018, the Operating Partnership may redeem the 2013 Notes for cash, in whole or in part, at 100% of the principal amount plus accrued and unpaid interest, upon at least 30 days but not more than 60 days prior written notice to the holders of the 2013 Notes. The holders of the 2013 Notes have the right to require the Operating Partnership to repurchase the 2013 Notes for cash, in whole or in part, on July 1 of the years 2018, 2023 and 2028, and upon the occurrence of certain designated events, in each case for a repurchase price equal to 100% of the principal amount of the 2013 Notes plus accrued and unpaid interest. Certain events are considered "Events of Default," as defined in the indenture governing the 2013 Notes, which may result in the accelerated maturity of the 2013 Notes.

GAAP requires entities with convertible debt instruments that may be settled entirely or partially in cash upon conversion to separately account for the liability and equity components of the instrument in a manner that reflects the issuer's economic interest cost. The Company therefore accounts for the liability and equity components of the 2013 Notes and 2015 Notes separately. The equity components are included in paid-in capital in stockholders' equity in the condensed consolidated balance sheets, and the value of the equity components are treated as original issue discount for purposes of accounting for the debt components. The discounts are being amortized as interest expense over the remaining period of the debt through its first redemption date, July 1, 2018 for the 2013 Notes and October 1, 2020 for the 2015 Notes. The effective interest rate on the liability components of both the 2013 Notes and the 2015 Notes is 4.0%, which approximates the market rate of interest of similar debt without exchange features (i.e. nonconvertible debt) at the time of issuance.

Information about the carrying amount of the equity component, the principal amount of the liability component, its unamortized discount and its net carrying amount were as follows for the periods indicated:

|  | December 31, 2015 | December 31, 2014 |
|--|-------------------|-------------------|
| Carrying amount of equity component—2013 Notes     | \$ —              | \$ 14,496         |
| Carrying amount of equity component—2015 Notes     | 22,597            | —                 |
| Carrying amount of equity components               | <u>\$ 22,597</u>  | <u>\$ 14,496</u>  |
| Principal amount of liability component 2013 Notes | \$ 85,364         | \$ 250,000        |
| Principal amount of liability component 2015 Notes | 575,000           | —                 |
| Unamortized discount—equity component—2013 Notes   | (2,605)           | (10,448)          |
| Unamortized discount—equity component—2015 Notes   | (21,565)          | —                 |
| Unamortized cash discount—2013 Notes               | (633)             | (2,606)           |
| Unamortized debt issuance costs                    | (11,698)          | (1,222)           |
| Net carrying amount of liability components        | <u>\$ 623,863</u> | <u>\$ 235,724</u> |

## Table of Contents

The amount of interest cost recognized relating to the contractual interest rate and the amortization of the discount on the liability component for the 2013 and 2015 senior notes was as follows for the periods indicated:

|                                   | For the Year Ended December 31, |                 |                 |
|-----------------------------------|---------------------------------|-----------------|-----------------|
|                                   | 2015                            | 2014            | 2013            |
| Contractual interest              | \$ 9,939                        | \$ 5,936        | \$ 3,134        |
| Amortization of discount          | 3,310                           | 2,683           | 1,404           |
| Total interest expense recognized | <u>\$ 13,249</u>                | <u>\$ 8,619</u> | <u>\$ 4,538</u> |

### Repurchase of 2013 Notes

As part of the 2015 Notes offering, the Company repurchased \$164,636 of the 2013 Notes for \$227,212 on September 15, 2015. The Company allocated the value of the consideration paid to repurchase the 2013 Notes (1) to the extinguishment of the liability component and (2) to the reacquisition of the equity component. The amount allocated to the extinguishment of the liability component is equal to the fair value of that component immediately prior to extinguishment. The difference between the consideration attributed to the extinguishment of the liability component and the sum of (a) the net carrying amount of the repurchased liability component, and (b) the related unamortized debt issuance costs, is recognized as a gain on debt extinguishment. The remaining settlement consideration is allocated to the reacquisition of the equity component of the repurchased 2013 Notes and recognized as a reduction of stockholders' equity.

Information about the repurchase is as follows:

|                                       | September 15, 2015 |
|---------------------------------------|--------------------|
| Principal amount repurchased          | <u>\$ 164,636</u>  |
| Amount allocated to:                  |                    |
| Extinguishment of liability component | \$ 157,100         |
| Reacquisition of equity component     | 70,112             |
| Total cash paid for repurchase        | <u>\$ 227,212</u>  |
| Exchangeable senior notes repurchased | \$ 164,636         |
| Extinguishment of liability component | (157,100)          |
| Discount on exchangeable senior notes | (6,931)            |
| Related debt issuance costs           | (605)              |
| Gain/(Loss) on repurchase             | <u>\$ —</u>        |

## 11. LINES OF CREDIT

All of the Company's lines of credit are guaranteed by the Company and secured by mortgages on certain real estate assets. The following table presents information on the Company's lines of credit, the proceeds of which are used to repay debt and for general corporate purposes, for the periods indicated:

| Line of Credit | As of December 31, 2015 |                  |               | Origination Date | Maturity   | Basis Rate (1)  | Notes |
|----------------|-------------------------|------------------|---------------|------------------|------------|-----------------|-------|
|                | Amount Drawn            | Capacity         | Interest Rate |                  |            |                 |       |
| Credit Line 1  | \$36,000                | \$180,000        | 2.1%          | 6/4/2010         | 6/30/2018  | LIBOR plus 1.7% | (2)   |
| Credit Line 2  | —                       | 50,000           | 2.2%          | 11/16/2010       | 2/13/2017  | LIBOR plus 1.8% | (3)   |
| Credit Line 3  | —                       | 80,000           | 2.1%          | 4/29/2011        | 11/18/2016 | LIBOR plus 1.7% | (3)   |
| Credit Line 4  | —                       | 50,000           | 2.1%          | 9/29/2014        | 9/29/2017  | LIBOR plus 1.7% | (3)   |
|                | <u>\$36,000</u>         | <u>\$360,000</u> |               |                  |            |                 |       |

- (1) 30-day USD LIBOR
- (2) One two-year extension available
- (3) Two one-year extensions available

[Table of Contents](#)

**12. OTHER LIABILITIES**

The components of other liabilities are summarized as follows:

|                                    | <b>December 31, 2015</b> | <b>December 31, 2014</b> |
|------------------------------------|--------------------------|--------------------------|
| Deferred rental income             | \$ 35,904                | \$ 28,485                |
| Lease obligation liability         | —                        | 713                      |
| Fair value of interest rate swaps  | 6,991                    | 3,533                    |
| Income taxes payable               | 2,223                    | 672                      |
| Deferred tax liability             | 10,728                   | 5,367                    |
| Earnout provisions on acquisitions | 5,510                    | 8,033                    |
| Unpaid claims liability            | 11,313                   | 1,832                    |
| Other miscellaneous liabilities    | 7,820                    | 6,084                    |
|                                    | <u>\$ 80,489</u>         | <u>\$ 54,719</u>         |

Included in the unpaid claims liability are claims related to the Company's tenant reinsurance program. For the years ended December 31, 2015, 2014 and 2013, the number of claims made were 3,959, 2,942 and 2,316, respectively. The following table presents information on the portion of the Company's unpaid claims liability that relates to tenant insurance for the periods indicated:

|   | <b>For the Year Ended</b> |                 |                 |
|---|---------------------------|-----------------|-----------------|
|   | <b>December 31,</b>       |                 |                 |
| <b>Tenant Reinsurance Claims:</b>   | <b>2015</b>               | <b>2014</b>     | <b>2013</b>     |
| Unpaid claims liability at beginning of year                                | \$ 3,121                  | \$ 2,112        | \$ 1,414        |
| Claims and claim adjustment expense for claims incurred in the current year | 6,421                     | 5,126           | 3,817           |
| Claims and claim adjustment expense for claims incurred in the prior years  | —                         | (345)           | (116)           |
| Payments for current year claims  | (4,283)                   | (2,954)         | (1,751)         |
| Payments for prior year claims  | (1,351)                   | (818)           | (1,252)         |
| Unpaid claims liability at the end of the year                              | <u>\$ 3,908</u>           | <u>\$ 3,121</u> | <u>\$ 2,112</u> |

**13. RELATED PARTY AND AFFILIATED REAL ESTATE JOINT VENTURE TRANSACTIONS**

The Company provides management services to certain joint ventures, third parties and other related party stores. Management agreements provide generally for management fees of 6.0% of cash collected from total revenues for the management of operations at the stores. In addition, the Company receives an asset management fee equal to 50 basis points multiplied by the total asset value of the stores owned by the SPI joint venture, provided certain requirements are met.

Management fee revenues for related party and affiliated real estate joint ventures and other income are summarized as follows:

| <b>Entity</b> | <b>Type</b>                           | <b>For the Year Ended December 31,</b> |                  |                  |
|---------------|---------------------------------------|--|------------------|------------------|
|               |                                       | <b>2015</b>                            | <b>2014</b>      | <b>2013</b>      |
| ESW           | Affiliated real estate joint ventures | \$ 515                                 | \$ 480           | \$ 450           |
| ESW II        | Affiliated real estate joint ventures | 452                                    | 410              | 382              |
| ESNPS         | Affiliated real estate joint ventures | 584                                    | 550              | 528              |
| ESSM          | Affiliated real estate joint ventures | 152                                    | 132              | 117              |
| HSRE          | Affiliated real estate joint ventures | —                                      | 1,201            | 1,146            |
| PRISA         | Affiliated real estate joint ventures | 5,809                                  | 5,466            | 5,215            |
| PRISA II      | Affiliated real estate joint ventures | 4,703                                  | 4,635            | 4,397            |
| VRS           | Affiliated real estate joint ventures | 1,398                                  | 1,326            | 1,286            |
| WCOT          | Affiliated real estate joint ventures | 1,799                                  | 1,680            | 1,601            |
| SP I          | Affiliated real estate joint ventures | 2,075                                  | 1,999            | 1,953            |
| Other         | Franchisees, third parties and other  | 16,674                                 | 10,336           | 9,539            |
|               |                                       | <u>\$ 34,161</u>                       | <u>\$ 28,215</u> | <u>\$ 26,614</u> |

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[Table of Contents](#)

Receivables from related parties and affiliated real estate joint ventures balances are summarized as follows:

|                               | <u>December 31, 2015</u> | <u>December 31, 2014</u> |
|-------------------------------|--------------------------|--------------------------|
| Mortgage notes receivable     | \$ —                     | \$ 10,590                |
| Other receivables from stores | 2,205                    | 1,188                    |
|                               | <u>\$ 2,205</u>          | <u>\$ 11,778</u>         |

Other receivables from stores consist of amounts due for management fees, asset management fees and expenses paid on behalf of the stores that the Company manages. The Company believes that all of these related party and affiliated real estate joint venture receivables are fully collectible. The Company does not have any payables to related parties at December 31, 2015 or 2014.

The Company has entered into an annual aircraft dry lease and service and management agreement with SpenAero, L.C. (“SpenAero”), an affiliate of Spencer F. Kirk, the Company’s Chief Executive Officer. Under the terms of the agreement, the Company pays a defined hourly rate for use of the aircraft. During the years ended December 31, 2015, 2014 and 2013, the Company paid SpenAero \$1,163, \$1,059 and \$803, respectively. The services that the Company receives from SpenAero are similar in nature and comparable in price to those that are provided to other outside third parties.

#### 14. STOCKHOLDERS’ EQUITY

The Company’s charter provides that it can issue up to 500,000,000 shares of common stock, \$0.01 par value per share and 50,000,000 shares of preferred stock, \$0.01 par value per share. As of December 31, 2015, 124,119,531 shares of common stock were issued and outstanding, and no shares of preferred stock were issued or outstanding.

All holders of the Company’s common stock are entitled to receive dividends and to one vote on all matters submitted to a vote of stockholders. The transfer agent and registrar for the Company’s common stock is American Stock Transfer & Trust Company.

On June 22, 2015, the Company issued and sold 6,325,000 shares of its common stock in a public offering at a price of \$68.15 per share. The Company received gross proceeds of \$431,049. The underwriting discount and transaction costs were \$14,438, resulting in net proceeds of \$416,611.

On August 28, 2015, the Company filed a \$400,000 “at the market” equity program with the Securities and Exchange Commission, and entered into separate equity distribution agreements with five sales agents. Under the terms of the equity distribution agreements, the Company may from time to time offer and sell shares of common stock, up to the aggregate offering price of \$400,000, through its sales agents. During the year ended December 31, 2015, the Company sold 410,000 shares of common stock at an average sales price of \$75.17 per share, resulting in net proceeds of \$30,266.

On November 8, 2013, the Company issued and sold 4,500,000 shares of its common stock in a public offering at a price to the underwriter of \$45.81 per share. The Company received gross proceeds of \$206,145. Transaction costs were \$157, resulting in net proceeds of \$205,988.

## 15. NONCONTROLLING INTEREST REPRESENTED BY PREFERRED OPERATING PARTNERSHIP UNITS

### *Classification of Noncontrolling Interests*

GAAP requires a company to present ownership interests in subsidiaries held by parties other than the company in the consolidated financial statements within the equity section, but separate from the company's equity. It also requires the amount of consolidated net income attributable to the parent and to the noncontrolling interest to be clearly identified and presented on the face of the consolidated statement of operations and requires changes in ownership interest to be accounted for similarly as equity transactions. If noncontrolling interests are determined to be redeemable, they are to be carried at their redemption value as of the balance sheet date and reported as temporary equity.

The Company has evaluated the terms of the Operating Partnership's preferred units and classifies the noncontrolling interest represented by such preferred units as stockholders' equity in the accompanying consolidated balance sheets. The Company will periodically evaluate individual noncontrolling interests for the ability to continue to recognize the noncontrolling amount as permanent equity in the consolidated balance sheets. Any noncontrolling interests that fail to qualify as permanent equity will be reclassified as temporary equity and adjusted to the greater of (1) the carrying amount, or (2) its redemption value as of the end of the period in which the determination is made.

### *Series A Participating Redeemable Preferred Units*

On June 15, 2007, the Operating Partnership entered into a Contribution Agreement with various limited partnerships affiliated with AAAAA Rent-A-Space to acquire ten stores in exchange for 989,980 Series A Units. The stores are located in California and Hawaii.

The partnership agreement of the Operating Partnership (as amended, the "Partnership Agreement") provides for the designation and issuance of the Series A Units. The Series A Units have priority over all other partnership interests of the Operating Partnership with respect to distributions and liquidation.

Under the Partnership Agreement, Series A Units in the amount of \$115,000 bear a fixed priority return of 5.0% and have a fixed liquidation value of \$115,000. The remaining balance participates in distributions with, and has a liquidation value equal to, that of the common OP Units. The Series A Units became redeemable at the option of the holder on September 1, 2008, which redemption obligation may be satisfied, at the Company's option, in cash or shares of its common stock.

On June 25, 2007, the Operating Partnership loaned the holders of the Series A Units \$100,000. The note receivable bears interest at 4.85%. During 2013, a loan amendment was signed extending the maturity date to September 1, 2020. The loan is secured by the borrower's Series A Units. The holders of the Series A Units could redeem up to 114,500 Series A Units prior to the maturity date of the loan. If any redemption in excess of 114,500 Series A Units occurs prior to the maturity date, the holder of the Series A Units is required to repay the loan as of the date of that redemption. On October 3, 2014, the holders of the Series A Units redeemed 114,500 Series A Units for \$4,794 in cash and 280,331 shares of common stock. No additional redemption of Series A Units can be made without repayment of the loan. The Series A Units are shown on the balance sheet net of the \$100,000 loan because the borrower under the loan receivable is also the holder of the Series A Units.

### *Series B Redeemable Preferred Units*

On April 3, 2014, the Operating Partnership completed the purchase of a store located in Georgia. This store was acquired in exchange for \$15,158 of cash and 333,360 Series B Units valued at \$8,334.

On August 29, 2013, the Operating Partnership completed the purchase of 19 out of 20 stores affiliated with All Aboard Mini Storage, all of which are located in California. On September 26, 2013, the Operating

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## [Table of Contents](#)

Partnership completed the purchase of the remaining facility. These stores were acquired in exchange for \$100,876 in cash (including \$98,960 of debt assumed and immediately defeased at closing), 1,342,727 Series B Units valued at \$33,569, and 1,448,108 common OP Units valued at \$62,341.

The Partnership Agreement provides for the designation and issuance of the Series B Units. The Series B Units rank junior to the Series A Units, on parity with the Series C Units and Series D Units, and senior to all other partnership interests of the Operating Partnership with respect to distributions and liquidation.

The Series B Units have a liquidation value of \$25.00 per unit for a fixed liquidation value of \$41,903. Holders of the Series B Units receive distributions at an annual rate of 6.0%. These distributions are cumulative. The Series B Units are redeemable at the option of the holder on the first anniversary of the date of issuance, which redemption obligations may be satisfied at the Company's option in cash or shares of its common stock.

### *Series C Convertible Redeemable Preferred Units*

On November 19, 2013, the Operating Partnership entered into Contribution Agreements with various entities affiliated with Grupe, under which the Company agreed to acquire twelve stores, all of which are located in California. The Company completed the purchase of these stores between December 2013 and May 2014. The Company previously held a 35% interest in five of these stores and a 40% interest in one store through six separate joint ventures with Grupe. These stores were acquired in exchange for a total of approximately \$45,722 of cash, the assumption of \$37,532 in existing debt, and the issuance of 704,016 Series C Units valued at \$30,960.

The Partnership Agreement provides for the designation and issuance of the Series C Units. The Series C Units rank junior to the Series A Units, on parity with the Series B Units and Series D Units, and senior to all other partnership interests of the Operating Partnership with respect to distributions and liquidation.

The Series C Units have a liquidation value of \$42.10 per unit for a fixed liquidation value of \$29,639. From issuance to the fifth anniversary of issuance, each Series C Unit holder will receive quarterly distributions equal to the quarterly distribution for common OP Unit plus \$0.18. Beginning on the fifth anniversary of issuance, each Series C Unit holder will receive a fixed quarterly distribution equal to the aggregate quarterly distribution payable in respect of such Series C Unit during the four quarters immediately preceding the fifth anniversary of issuance divided by four. These distributions are cumulative. The Series C Units will become redeemable at the option of the holder one year from the date of issuance, which redemption obligation may be satisfied at the Company's option in cash or shares of its common stock. The Series C Units will also become convertible into common OP Units at the option of the holder one year from the date of issuance, at a rate of 0.9145 common OP Units per Series C Unit converted. This conversion option expires upon the fifth anniversary of the date of issuance.

In December 2014, the Operating Partnership loaned holders of the Series C Units \$20,230. The notes receivable, which are collateralized by the Series C Units, bear interest at 5.0% and mature on December 15, 2024. The Series C Units are shown on the balance sheet net of the \$20,230 loan because the borrower under the loan receivable is also the holder of the Series C Units.

### *Series D Redeemable Preferred Units*

In December 2014, the Operating Partnership completed the acquisition of a store located in Florida. This store was acquired in exchange for \$5,621 in cash and 548,390 Series D Units valued at \$13,710.

The Partnership Agreement provides for the designation and issuance of the Series D Units. The Series D Units rank junior to the Series A Units, on parity with the Series B Units and Series C Units, and senior to all other partnership interest of the Operating Partnership with respect to distributions and liquidation.

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## [Table of Contents](#)

The Series D Units have a liquidation value of \$25.00 per unit, for a fixed liquidation value of \$13,710. Holders of the Series D Units receive distributions at an annual rate of 5.0%. These distributions are cumulative. The Series D Units will become redeemable at the option of the holder on the first anniversary of the date of issuance, which redemption obligation may be satisfied at the Company's option in cash or shares of its common stock.

### **16. NONCONTROLLING INTEREST IN OPERATING PARTNERSHIP**

The Company's interest in its stores is held through the Operating Partnership. ESS Holding Business Trust I, a wholly-owned subsidiary of the Company, is the sole general partner of the Operating Partnership. ESS Business Trust II, also a wholly-owned subsidiary of the Company, is a limited partner of the Operating Partnership. Between its general partner and limited partner interests, the Company held a 92.9% majority ownership interest therein as of December 31, 2015. The remaining ownership interests in the Operating Partnership (including Preferred Operating Partnership units) of 7.1% are held by certain former owners of assets acquired by the Operating Partnership. As of December 31, 2015, the Operating Partnership had 5,621,642 OP Units outstanding.

The noncontrolling interest in the Operating Partnership represents OP Units that are not owned by the Company. In conjunction with the formation of the Company and as a result of subsequent acquisitions, certain persons and entities contributing interests in stores to the Operating Partnership received limited partnership units in the form of OP Units. Limited partners who received OP Units in the formation transactions or in exchange for contributions for interests in stores have the right to require the Operating Partnership to redeem part or all of their OP Units for cash based upon the fair market value of an equivalent number of shares of the Company's common stock (10 day average) at the time of the redemption. Alternatively, the Company may, at its sole discretion, elect to acquire those OP Units in exchange for shares of its common stock on a one-for-one basis, subject to anti-dilution adjustments provided in the Operating Partnership agreement. The ten day average closing stock price at December 31, 2015, was \$88.75 and there were 5,621,642 OP Units outstanding. Assuming that all of the unit holders exercised their right to redeem all of their OP Units on December 31, 2015 and the Company elected to pay the non-controlling members cash, the Company would have paid \$498,921 in cash consideration to redeem the units.

During the year ended December 31, 2015, a total of 787,850 OP Units were redeemed in exchange for the Company's common stock.

On November 13, 2015, the Company purchased one store located in Texas. As part of the consideration for this acquisition, 91,434 OP Units were issued with a total value of \$7,221.

On October 1, 2015, the Company acquired SmartStop. As part of the consideration for this acquisition, 376,848 OP Units were issued with a total value of \$28,656.

On June 18, 2015, the Company purchased one store located in Florida. As part of the consideration for this acquisition, 71,054 OP Units were issued with a total value of \$4,773.

On April 15, 2015, the Company purchased 22 stores located in Arizona and Texas. As part of the consideration for this acquisition, 1,504,277 OP Units were issued with a total value of \$101,749.

In December 2014, the Company purchased a single store in California. As part of the consideration, 50,620 OP Units were issued for a value of \$2,983.

During the year ended December 31, 2014, a total of 18,859 OP Units were redeemed in exchange for the Company's common stock.

In October 2013, 12,500 OP Units were redeemed in exchange for the Company's common stock. In March and April 2013, 1,000 OP Units were redeemed in exchange for \$41 in cash.

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## [Table of Contents](#)

On August 29, 2013 and September 26, 2013, the Company purchased 20 stores in California. As part of the consideration, 1,448,108 OP Units were issued for a value of \$62,341.

GAAP requires a company to present ownership interests in subsidiaries held by parties other than the company in the consolidated financial statements within the equity section but separate from the company's equity. It also requires the amount of consolidated net income attributable to the parent and to the noncontrolling interest to be clearly identified and presented on the face of the consolidated statement of operations and requires changes in ownership interest to be accounted for similarly as equity transactions. If noncontrolling interests are determined to be redeemable, they are to be carried at their redemption value as of the balance sheet date and reported as temporary equity.

The Company has evaluated the terms of the common OP Units and classifies the noncontrolling interest represented by the common OP Units as stockholders' equity in the accompanying consolidated balance sheets. The Company will periodically evaluate individual noncontrolling interests for the ability to continue to recognize the noncontrolling amount as permanent equity in the consolidated balance sheets. Any noncontrolling interests that fail to qualify as permanent equity will be reclassified as temporary equity and adjusted to the greater of (1) the carrying amount, or (2) its redemption value as of the end of the period in which the determination is made.

### **17. OTHER NONCONTROLLING INTERESTS**

Other noncontrolling interests represent the ownership interest of third parties in two consolidated joint ventures as of December 31, 2015. One of these consolidated joint ventures owns a single operating store in California, and the other owns a store under development in Texas. The voting interests of the third-party owners range from 17.5% to 20.0%. Other noncontrolling interests are included in the stockholders' equity section of the Company's condensed consolidated balance sheets. The income or losses attributable to this third-party owner based on its ownership percentage are reflected in net income allocated to Operating Partnership and other noncontrolling interests in the condensed consolidated statements of operations

On June 11, 2015, the Company purchased its joint venture partner's remaining 1% interest in HSRE for \$1,267. HSRE owned 19 properties in California, Florida, Nevada, Ohio, Pennsylvania, Tennessee, Texas and Virginia, and as a result of this purchase, these properties became wholly-owned by the Company. Prior to this acquisition, the partner's interest was reported in other noncontrolling interests. Since the Company retained its controlling interest in the subsidiary, this transaction was accounted for as an equity transaction. The carrying amount of the noncontrolling interest was reduced to zero to reflect the purchase, and the difference between the price paid by the Company and the carrying value of the noncontrolling interest was recorded as an adjustment to equity attributable to the Company.

In November 2013, the Company purchased its joint venture partner's 10% membership interest in an existing joint venture for \$1,292. The joint venture owned a single store located in California, and as a result of the acquisition, the store became wholly-owned by the Company. Since the Company retained its controlling financial interest in the subsidiary, this transaction was accounted for as an equity transaction. The carrying amount of the noncontrolling interest was reduced to zero to reflect the purchase, and the difference between the price paid by the Company and the adjustment to the carrying value of the noncontrolling interest was recorded as an adjustment to equity attributable to the parent.

In May 2013, the Company purchased one of its joint venture partner's 27.6% capital interest and 35% profit interest in a previously unconsolidated joint venture for \$950. The partner's interest was reported in other noncontrolling interests prior to the purchase. As a result of the acquisition, the store became wholly-owned by the Company. Since the Company retained its controlling financial interest in the subsidiary, this transaction was accounted for as an equity transaction. The carrying amount of the noncontrolling interest was reduced to zero to reflect the purchase and the difference between the price paid by the Company and the carrying value of the noncontrolling interest was recorded as an adjustment to equity attributable to the parent.

## [Table of Contents](#)

In February 2013, the Company purchased one of its joint venture partner's 1.7% capital interest and 17% profit interest in a consolidated store for \$200. As a result, the Company's capital interest percentage in this joint venture increased from 95% to 96.7%. Since the Company retained its controlling financial interest in the subsidiary, this transaction was accounted for as an equity transaction. The carrying amount of the noncontrolling interest was reduced to reflect the purchase and the difference between the price paid by the Company and the adjustment to the carrying value of the noncontrolling interest was recorded as an adjustment to equity attributable to the parent.

### 18. STOCK-BASED COMPENSATION

As of December 31, 2015, 4,658,171 shares were available for issuance under the Company's 2015 Incentive Award Plan (the "Plan").

Option grants are issued with an exercise price equal to the closing price of stock on the date of grant. Unless otherwise determined by the Compensation, Nominating and Governance Committee ("CNG Committee") at the time of grant, options shall vest ratably over a four-year period beginning on the date of grant. Each option will be exercisable once it has vested. Options are exercisable at such times and subject to such terms as determined by the CNG Committee, but under no circumstances may be exercised if such exercise would cause a violation of the ownership limit in the Company's charter. Options expire 10 years from the date of grant.

Also as defined under the terms of the Plan, restricted stock grants may be awarded. The stock grants are subject to a vesting period over which the restrictions are released and the stock certificates are given to the grantee. During the performance or vesting period, the grantee is not permitted to sell, transfer, pledge, encumber or assign shares of restricted stock granted under the Plan; however, the grantee has the ability to vote the shares and receive nonforfeitable dividends paid on shares. Unless otherwise determined by the CNG Committee at the time of grant, the forfeiture and transfer restrictions on the shares lapse over a four-year period beginning on the date of grant.

#### Option Grants

A summary of stock option activity is as follows:

| Options                          | Number of Shares | Weighted Average Exercise Price | Weighted Average Remaining Contractual Life (Years) | Aggregate Intrinsic Value as of December 31, 2015 |
|----------------------------------|------------------|---------------------------------|---|---|
| Outstanding at December 31, 2012 | 1,097,092        | \$ 13.89                        |   |   |
| Granted                          | 49,075           | 38.40                           |   |   |
| Exercised                        | (391,543)        | 14.81                           |   |   |
| Forfeited                        | —                | —                               |   |   |
| Outstanding at December 31, 2013 | 754,624          | \$ 15.01                        |   |   |
| Granted                          | 31,000           | 47.50                           |   |   |
| Exercised                        | (211,747)        | 14.85                           |   |   |
| Forfeited                        | (5,150)          | 28.28                           |   |   |
| Outstanding at December 31, 2014 | 568,727          | \$ 16.62                        |   |   |
| Granted                          | 89,575           | 69.93                           |   |   |
| Exercised                        | (79,974)         | 18.79                           |   |   |
| Forfeited                        | (5,699)          | 39.83                           |   |   |
| Outstanding at December 31, 2015 | 572,629          | \$ 24.42                        | 4.87  | \$ 36,525   |
| Vested and Expected to Vest      | 562,672          | \$ 23.70                        | 4.79  | \$ 36,297   |
| Ending Exercisable               | 429,348          | \$ 13.16                        | 3.63  | \$ 32,222   |

## Table of Contents

The aggregate intrinsic value in the table above represents the total value (the difference between the Company's closing stock price on the last trading day of 2015 and the exercise price, multiplied by the number of in-the-money options) that would have been received by the option holders had all option holders exercised their options on December 31, 2015. The amount of aggregate intrinsic value will change based on the fair market value of the Company's stock.

The weighted average fair value of stock options granted in 2015, 2014 and 2013, was \$16.89, \$12.03 and \$9.74, respectively. The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions:

|                               | For the Year Ended December 31, |      |      |
|-------------------------------|---------------------------------|------|------|
|                               | 2015                            | 2014 | 2013 |
| Expected volatility           | 38%                             | 40%  | 42%  |
| Dividend yield                | 4%                              | 4%   | 4%   |
| Risk-free interest rate       | 1.5%                            | 1.5% | 0.9% |
| Average expected term (years) | 5                               | 5    | 5    |

The Black-Scholes model incorporates assumptions to value stock-based awards. The risk-free rate is based on the U.S. Treasury yield curve in effect at the time of the grant for the estimated life of the option. The Company uses actual historical data to calculate the expected price volatility, dividend yield and average expected term. The forfeiture rate, which is estimated at a weighted-average of 5.0% of unvested options outstanding as of December 31, 2015, is adjusted periodically based on the extent to which actual forfeitures differ, or are expected to differ, from the previous estimates.

A summary of stock options outstanding and exercisable as of December 31, 2015, is as follows:

| Exercise Price  | Options Outstanding |   |                                 | Options Exercisable |                                 |
|-----------------|---------------------|---|---------------------------------|---------------------|---------------------------------|
|                 | Shares              | Weighted Average Remaining Contractual Life | Weighted Average Exercise Price | Shares              | Weighted Average Exercise Price |
| \$6.22          | 167,000             | 3.13  | \$ 6.22                         | 167,000             | \$ 6.22                         |
| \$11.59—\$15.07 | 182,410             | 3.14  | 13.28                           | 182,410             | 13.28                           |
| \$15.30—\$47.50 | 133,644             | 6.37  | 31.87                           | 79,938              | 27.38                           |
| \$65.36—\$65.45 | 39,575              | 9.14  | 65.40                           | —                   | —                               |
| \$73.52         | 50,000              | 9.58  | 73.52                           | —                   | —                               |
| \$6.22—\$73.52  | <u>572,629</u>      | <u>4.87</u>                                 | <u>\$ 24.42</u>                 | <u>429,348</u>      | <u>\$ 13.16</u>                 |

The Company recorded compensation expense relating to outstanding options of \$510, \$456 and \$536 in general and administrative expense for the years ended December 31, 2015, 2014 and 2013, respectively. Total cash received for the years ended December 31, 2015, 2014 and 2013, related to option exercises was \$1,542, \$3,095 and \$5,896, respectively. At December 31, 2015, there was \$1,427 of total unrecognized compensation expense related to non-vested stock options under the Company's 2004 Long-Term Incentive Compensation Plan. That cost is expected to be recognized over a weighted-average period of 2.58 years. The valuation model applied in this calculation utilizes subjective assumptions that could potentially change over time, including the expected forfeiture rate. Therefore, the amount of unrecognized compensation expense at December 31, 2015, noted above does not necessarily represent the expense that will ultimately be realized by the Company in the statement of operations.

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[Table of Contents](#)**Common Stock Granted to Employees and Directors**

The Company recorded \$5,545, \$4,528 and \$4,283 of expense in general and administrative expense in its statement of operations related to outstanding shares of common stock granted to employees and directors for the years ended December 31, 2015, 2014 and 2013, respectively. The forfeiture rate, which is estimated at a weighted-average of 10.2% of unvested awards outstanding as of December 31, 2015, is adjusted periodically based on the extent to which actual forfeitures differ, or are expected to differ, from the previous estimates. At December 31, 2015 there was \$11,868 of total unrecognized compensation expense related to non-vested restricted stock awards under the Company's 2004 Long-Term Incentive Compensation Plan. That cost is expected to be recognized over a weighted-average period of 2.45 years.

The fair value of common stock awards is determined based on the closing trading price of the Company's common stock on the grant date.

A summary of the Company's employee and director share grant activity is as follows:

| <b>Restricted Stock Grants</b>  | <b>Shares</b>  | <b>Weighted-Average Grant-Date Fair Value</b> |
|---------------------------------|----------------|---|
| Unreleased at December 31, 2012 | 540,272        | \$ 17.93                                      |
| Granted                         | 137,602        | 39.51   |
| Released                        | (259,191)      | 15.11   |
| Cancelled                       | (23,323)       | 23.62   |
| Unreleased at December 31, 2013 | 395,360        | \$ 26.96                                      |
| Granted                         | 117,370        | 49.25   |
| Released                        | (197,386)      | 23.07   |
| Cancelled                       | (23,595)       | 37.19   |
| Unreleased at December 31, 2014 | 291,749        | \$ 37.73                                      |
| Granted                         | 174,558        | 69.18   |
| Released                        | (129,808)      | 34.86   |
| Cancelled                       | (18,090)       | 44.54   |
| Unreleased at December 31, 2015 | <u>318,409</u> | <u>\$ 55.75</u>                               |

**19. EMPLOYEE BENEFIT PLAN**

The Company has a retirement savings plan under Section 401(k) of the Internal Revenue Code under which eligible employees can contribute up to 15% of their annual salary, subject to a statutory prescribed annual limit. For the years ended December 31, 2015, 2014 and 2013, the Company made matching contributions to the plan of \$1,680, \$1,529 and \$1,013, respectively, based on 100% of the first 3% and up to 50% of the next 2% of an employee's compensation.

**20. INCOME TAXES**

As a REIT, the Company is generally not subject to federal income tax with respect to that portion of its income which is distributed annually to its stockholders. However, the Company has elected to treat one of its corporate subsidiaries, Extra Space Management, Inc., as a taxable REIT subsidiary. In general, the Company's TRS may perform additional services for tenants and generally may engage in any real estate or non-real estate related business. A TRS is subject to corporate federal income tax. The Company accounts for income taxes in accordance with the provisions of ASC 740, "Income Taxes." Deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities. The Company has elected to use the Tax-Law-Ordering approach to determine when excess tax benefits will be realized.

[Table of Contents](#)

The income tax provision for the years ended December 31, 2015, 2014 and 2013, is comprised of the following components:

|                            | For the Year Ended December 31, 2015 |               |                  |
|----------------------------|--------------------------------------|---------------|------------------|
|                            | Federal                              | State         | Total            |
| Current expense            | \$ 3,736                             | \$ 1,640      | \$ 5,376         |
| Tax credits/True-up        | 274                                  | —             | 274              |
| Change in deferred benefit | 7,016                                | (1,518)       | 5,498            |
| Total tax expense          | <u>\$ 11,026</u>                     | <u>\$ 122</u> | <u>\$ 11,148</u> |

|                            | For the Year Ended December 31, 2014 |                 |                 |
|----------------------------|--------------------------------------|-----------------|-----------------|
|                            | Federal                              | State           | Total           |
| Current expense            | \$ 6,020                             | \$ 1,374        | \$ 7,394        |
| Tax credits/True-up        | (2,176)                              | —               | (2,176)         |
| Change in deferred benefit | 803                                  | 1,549           | 2,352           |
| Total tax expense          | <u>\$ 4,647</u>                      | <u>\$ 2,923</u> | <u>\$ 7,570</u> |

|                            | For the Year Ended December 31, 2013 |               |                 |
|----------------------------|--------------------------------------|---------------|-----------------|
|                            | Federal                              | State         | Total           |
| Current expense            | \$ 9,572                             | \$ 615        | \$ 10,187       |
| Tax credits/True-up        | (4,556)                              | —             | (4,556)         |
| Change in deferred benefit | 4,353                                | —             | 4,353           |
| Total tax expense          | <u>\$ 9,369</u>                      | <u>\$ 615</u> | <u>\$ 9,984</u> |

A reconciliation of the statutory income tax provisions to the effective income tax provisions for the periods indicated is as follows:

|  | For the Year Ended December 31, |             |                 |             |
|--|---------------------------------|-------------|-----------------|-------------|
|  | 2015                            |             | 2014            |             |
| Expected tax at statutory rate                     | \$ 77,151                       | 35.0%       | \$ 71,215       | 35.0%       |
| Non-taxable REIT income                            | (67,084)                        | (30.4%)     | (64,402)        | (31.7%)     |
| State and local tax expense—net of federal benefit | 1,249                           | 0.6%        | 1,109           | 0.6%        |
| Change in valuation allowance                      | (624)                           | (0.3%)      | 1,663           | 0.8%        |
| Tax Credits/True-up (WOTC & Solar)                 | 274                             | 0.1%        | (2,176)         | (1.1%)      |
| Miscellaneous                                      | 182                             | 0.1%        | 161             | 0.1%        |
| Total provision                                    | <u>\$ 11,148</u>                | <u>5.1%</u> | <u>\$ 7,570</u> | <u>3.7%</u> |

[Table of Contents](#)

The major sources of temporary differences stated at their deferred tax effects are as follows:

|  | December 31,<br>2015 | December 31,<br>2014 |
|--|----------------------|----------------------|
| <b>Deferred Tax Liabilities:</b>           |                      |                      |
| Fixed Assets                               | \$ (17,360)          | \$ (16,586)          |
| Other                                      | (221)                | (269)                |
| State Deferred Taxes                       | (1,523)              | (1,576)              |
| <b>Total Deferred Tax Liabilities</b>      | <b>(19,104)</b>      | <b>(18,431)</b>      |
| <b>Deferred Tax Assets:</b>                |                      |                      |
| Capitive Insurance Subsidiary              | 429                  | 447                  |
| Accrued liabilities                        | 2,633                | 1,232                |
| Stock compensation                         | 1,346                | 1,176                |
| Solar Credit                               | 2,167                | 9,342                |
| Other                                      | 309                  | 840                  |
| SmartStop TRS                              | 1,085                | —                    |
| State Deferred Taxes                       | 6,016                | 6,260                |
| <b>Total Deferred Tax Assets</b>           | <b>13,985</b>        | <b>19,297</b>        |
| <b>Valuation Allowance</b>                 | <b>(5,609)</b>       | <b>(6,233)</b>       |
| <b>Net deferred income tax liabilities</b> | <b>\$ (10,728)</b>   | <b>\$ (5,367)</b>    |

The state income tax net operating losses expire between 2016 and 2033. The valuation allowance is associated with the state income tax net operating losses. The solar tax credit carryforwards expire between 2030 and 2034. The tax years 2011 through 2014 remain open related to the state returns, and 2012 through 2014 for the federal returns.

**21. SEGMENT INFORMATION**

The Company operates in three distinct segments: (1) rental operations; (2) tenant reinsurance; and (3) property management, acquisition and development. Management fees collected for wholly-owned stores are eliminated in consolidation. Financial information for the Company's business segments is set forth below:

|   | December 31,<br>2015 | December 31,<br>2014 |
|---|----------------------|----------------------|
| <b>Balance Sheet</b>                              |                      |                      |
| Investment in unconsolidated real estate ventures |                      |                      |
| Rental operations                                 | <u>\$ 103,007</u>    | <u>\$ 85,711</u>     |
| Total assets                                      |                      |                      |
| Rental operations                                 | \$ 5,674,030         | \$ 4,089,553         |
| Tenant reinsurance                                | 37,696               | 39,383               |
| Property management, acquisition and development  | 359,681              | 253,051              |
|   | <u>\$ 6,071,407</u>  | <u>\$ 4,381,987</u>  |

[Table of Contents](#)

|  | <b>For the Year Ended December 31,</b> |                     |                     |
|--|--|---------------------|---------------------|
|  | <b>2015</b>                            | <b>2014</b>         | <b>2013</b>         |
| <b>Statement of Operations</b>   |  |                     |                     |
| Total revenues   |  |                     |                     |
| Rental operations  | \$ 676,138                             | \$ 559,868          | \$ 446,682          |
| Tenant reinsurance   | 71,971                                 | 59,072              | 47,317              |
| Property management, acquisition and development   | 34,161                                 | 28,215              | 26,614              |
|  | <u>782,270</u>                         | <u>647,155</u>      | <u>520,613</u>      |
| Operating expenses, including depreciation and amortization  |  |                     |                     |
| Rental operations  | 328,380                                | 279,497             | 229,229             |
| Tenant reinsurance   | 13,033                                 | 10,427              | 9,022               |
| Property management, acquisition and development   | 146,201                                | 78,763              | 68,879              |
|  | <u>487,614</u>                         | <u>368,687</u>      | <u>307,130</u>      |
| Income (loss) from operations  |  |                     |                     |
| Rental operations  | 347,758                                | 280,371             | 217,453             |
| Tenant reinsurance   | 58,938                                 | 48,645              | 38,295              |
| Property management, acquisition and development   | (112,040)                              | (50,548)            | (42,265)            |
|  | <u>294,656</u>                         | <u>278,468</u>      | <u>213,483</u>      |
| Gain (loss) on real estate transactions and earnout from prior acquisitions  |  |                     |                     |
| Property management, acquisition and development   | 1,501                                  | (10,285)            | 960                 |
| Property casualty loss, net  |  |                     |                     |
| Rental operations  | —                                      | (1,724)             | —                   |
| Loss on extinguishment of debt related to portfolio acquisition  |  |                     |                     |
| Property management, acquisition and development   | —                                      | —                   | (9,153)             |
| Interest expense   |  |                     |                     |
| Rental operations  | (93,711)                               | (80,160)            | (69,702)            |
| Property management, acquisition and development   | (1,971)                                | (1,170)             | (1,928)             |
|  | <u>(95,682)</u>                        | <u>(81,330)</u>     | <u>(71,630)</u>     |
| Non-cash interest expense related to the amortization of discount on equity component of exchangeable senior notes               |  |                     |                     |
| Property management, acquisition and development   | (3,310)                                | (2,683)             | (1,404)             |
| Interest income  |  |                     |                     |
| Tenant reinsurance   | 15                                     | 17                  | 17                  |
| Property management, acquisition and development   | 3,446                                  | 1,590               | 732                 |
|  | <u>3,461</u>                           | <u>1,607</u>        | <u>749</u>          |
| Interest income on note receivable from Preferred Operating Partnership unit holder  |  |                     |                     |
| Property management, acquisition and development   | 4,850                                  | 4,850               | 4,850               |
| Equity in earnings of unconsolidated real estate ventures  |  |                     |                     |
| Rental operations  | 12,351                                 | 10,541              | 11,653              |
| Equity in earnings of unconsolidated real estate ventures—gain on sale of real estate assets and purchase of partners' interests |  |                     |                     |
| Rental operations  | 2,857                                  | 4,022               | 46,032              |
| Income tax (expense) benefit   |  |                     |                     |
| Rental operations  | (1,729)                                | (1,157)             | (149)               |
| Tenant reinsurance   | (9,780)                                | (8,662)             | (13,409)            |
| Property management, acquisition and development   | 361                                    | 2,249               | 3,574               |
|  | <u>(11,148)</u>                        | <u>(7,570)</u>      | <u>(9,984)</u>      |
| Net income (loss)  |  |                     |                     |
| Rental operations  | 267,526                                | 213,617             | 205,287             |
| Tenant reinsurance   | 49,173                                 | 40,000              | 24,903              |
| Property management, acquisition and development   | (107,163)                              | (57,721)            | (44,634)            |
|  | <u>\$ 209,536</u>                      | <u>\$ 195,896</u>   | <u>\$ 185,556</u>   |
| <b>Depreciation and amortization expense</b>   |  |                     |                     |
| Rental operations  | \$ 124,415                             | \$ 107,081          | \$ 89,217           |
| Property management, acquisition and development   | 9,042                                  | 7,995               | 6,015               |
|  | <u>\$ 133,457</u>                      | <u>\$ 115,076</u>   | <u>\$ 95,232</u>    |
| <b>Statement of Cash Flows</b>   |  |                     |                     |
| Acquisition of real estate assets  |  |                     |                     |
| Property management, acquisition and development   | <u>\$ (1,550,750)</u>                  | <u>\$ (503,538)</u> | <u>\$ (349,959)</u> |
| Development and redevelopment of real estate assets  |  |                     |                     |
| Property management, acquisition and development   | <u>\$ (26,931)</u>                     | <u>\$ (23,528)</u>  | <u>\$ (6,466)</u>   |

## 22. COMMITMENTS AND CONTINGENCIES

The Company has operating leases on its corporate offices and owns 19 stores that are subject to leases. At December 31, 2015, future minimum rental payments under these non-cancelable operating leases were as follows (unaudited):

|                  |                 |
|------------------|-----------------|
| Less than 1 year | \$ 5,655        |
| Year 2           | 4,326           |
| Year 3           | 3,479           |
| Year 4           | 2,861           |
| Year 5           | 2,808           |
| Thereafter       | 60,797          |
|                  | <u>\$79,926</u> |

The monthly rental amounts for two of the ground leases include contingent rental payments based on the level of revenue achieved at the stores. The Company recorded expense of \$3,858, \$3,406 and \$3,032 related to these ground leases in the years ended December 31, 2015, 2014 and 2013, respectively.

The Company is involved in various legal proceedings and is subject to various claims and complaints arising in the ordinary course of business. Because litigation is inherently unpredictable, the outcome of these matters cannot presently be determined with any degree of certainty. In accordance with applicable accounting guidance, management establishes an accrued liability for litigation when those matters present loss contingencies that are both probable and reasonably estimable. In such cases, there may be an exposure to loss in excess of any amounts accrued. The estimated loss, if any, is based upon currently available information and is subject to significant judgment, a variety of assumptions, and known and unknown uncertainties. Therefore, any estimate(s) of loss disclosed below represents what management believes to be an estimate of loss only for certain matters meeting these criteria and does not represent our maximum loss exposure. The Company could in the future incur judgments or enter into settlements of claims that could have a material adverse effect on its results of operations in any particular period, notwithstanding the fact that the Company is currently vigorously defending any legal proceedings against it.

The Company currently has several legal proceedings pending against it that include causes of action alleging wrongful foreclosure, violations of various state specific self-storage statutes, and violations of various consumer fraud acts. As a result of these litigation matters, the Company recorded a liability of \$850 during the year ended December 31, 2014, which is included in other liabilities on the consolidated balance sheets.

Although there can be no assurance, the Company is not aware of any material environmental liability, for which it believes it will be ultimately responsible, that could have a material adverse effect on its financial condition or results of operations. However, changes in applicable environmental laws and regulations, the uses and conditions of properties in the vicinity of the Company's properties, the activities of its tenants and other environmental conditions of which the Company is unaware with respect to its properties could result in future material environmental liabilities.

[Table of Contents](#)

**23. SUPPLEMENTARY QUARTERLY FINANCIAL DATA (UNAUDITED)**

|  | For the Three Months Ended |                  |                       |                      |
|--|----------------------------|------------------|-----------------------|----------------------|
|  | March 31,<br>2015          | June 30,<br>2015 | September 30,<br>2015 | December 31,<br>2015 |
| Revenues                                       | \$173,154                  | \$185,860        | \$ 197,497            | \$ 225,759           |
| Cost of operations                             | 97,718                     | 104,253          | 100,193               | 185,450              |
| Revenues less cost of operations               | \$ 75,436                  | \$ 81,607        | \$ 97,304             | \$ 40,309            |
| Net income                                     | \$ 58,636                  | \$ 60,956        | \$ 78,200             | \$ 11,744            |
| Net income attributable to common stockholders | \$ 53,742                  | \$ 55,339        | \$ 71,718             | \$ 8,675             |
| Earnings per common share—basic                | \$ 0.46                    | \$ 0.47          | \$ 0.58               | \$ 0.07              |
| Earnings per common share—diluted              | \$ 0.46                    | \$ 0.47          | \$ 0.58               | \$ 0.07              |

|  | For the Three Months Ended |                  |                       |                      |
|--|----------------------------|------------------|-----------------------|----------------------|
|  | March 31,<br>2014          | June 30,<br>2014 | September 30,<br>2014 | December 31,<br>2014 |
| Revenues                                       | \$152,587                  | \$160,724        | \$ 169,067            | \$ 164,777           |
| Cost of operations                             | 92,189                     | 90,063           | 91,574                | 94,861               |
| Revenues less cost of operations               | \$ 60,398                  | \$ 70,661        | \$ 77,493             | \$ 69,916            |
| Net income                                     | \$ 41,209                  | \$ 46,008        | \$ 59,193             | \$ 49,486            |
| Net income attributable to common stockholders | \$ 37,340                  | \$ 41,665        | \$ 54,228             | \$ 45,122            |
| Earnings per common share—basic                | \$ 0.32                    | \$ 0.36          | \$ 0.47               | \$ 0.39              |
| Earnings per common share—diluted              | \$ 0.32                    | \$ 0.36          | \$ 0.47               | \$ 0.39              |

**24. SUBSEQUENT EVENTS**

Subsequent to year end the Company has purchased 16 stores for a total of \$144,573. This includes the buyout of a joint venture partner's interest in six stores at the value of the JV partner's interest. These stores are located in Florida, Maryland, New Mexico, New York, Nevada, Tennessee and Texas.

Subsequent to year end, the Company sold 831,300 shares of common stock at an average sale price of \$89.66 per share, resulting in net proceeds of \$73,785.

Subsequent to year end, the Company repurchased \$19,639 principal amount of the 2013 Notes and issued 130,909 shares of common stock for the value in excess of the principal amount.

[Table of Contents](#)

**Extra Space Storage Inc.**  
**Schedule III**  
**Real Estate and Accumulated Depreciation**  
**(Dollars in thousands)**

| Date acquired or development completed | Store Name                     | State | Debt     | Land initial cost | Building and improvements initial cost | Adjustments and costs subsequent to acquisition | Notes | Gross carrying amount at December 31, 2015 |                           |          | Accumulated depreciation |
|--|--------------------------------|-------|----------|-------------------|--|---|-------|--|---------------------------|----------|--------------------------|
|  |                                |       |          |                   |  |   |       | Land                                       | Building and improvements | Total    |                          |
| 08/23/2010                             | Auburn / Dean Rd               | AL    | \$ 4,605 | \$ 324            | \$ 1,895                               | \$ 135  |       | \$ 325                                     | \$ 2,029                  | \$ 2,354 | \$ 336                   |
| 08/23/2010                             | Auburn / Opelika Rd            | AL    | 1,787    | 92                | 138                                    | 177   |       | 92   | 315                       | 407      | 101                      |
| 07/02/2012                             | Birmingham / Grace Baker Rd    | AL    | 4,506    | 790               | 9,369                                  | 148   |       | 790  | 9,517                     | 10,307   | 850                      |
| 03/20/2014                             | Birmingham / Lorna Rd          | AL    | 7,382    | 2,381             | 11,224                                 | 105   |       | 2,381                                      | 11,329                    | 13,710   | 523                      |
| 10/01/2015                             | Daphne                         | AL    | —        | 970               | 4,182                                  | 28  |       | 970  | 4,210                     | 5,180    | 27                       |
| 08/31/2007                             | Hoover                         | AL    | 4,055    | 1,313             | 2,858                                  | 701   |       | 1,313                                      | 3,559                     | 4,872    | 1,159                    |
| 10/01/2015                             | Montgomery / Carmichael Rd     | AL    | 4,852    | 540               | 9,048                                  | 2   |       | 540  | 9,050                     | 9,590    | 58                       |
| 10/01/2015                             | Montgomery / Monticello Dr     | AL    | —        | 1,280             | 4,056                                  | 31  |       | 1,280                                      | 4,087                     | 5,367    | 26                       |
| 10/01/2015                             | Chandler / W Chandler Blvd     | AZ    | —        | 950               | 3,707                                  | 16  |       | 950  | 3,723                     | 4,673    | 24                       |
| 07/25/2013                             | Chandler / W Elliot Rd         | AZ    | 4,169    | 547               | 4,213                                  | 194   |       | 547  | 4,407                     | 4,954    | 305                      |
| 04/15/2015                             | Glendale                       | AZ    | —        | 608               | 8,461                                  | 241   |       | 608  | 8,702                     | 9,310    | 160                      |
| 10/01/2015                             | Mesa / E Guadalupe Rd          | AZ    | —        | 1,350             | 6,290                                  | 105   |       | 1,350                                      | 6,395                     | 7,745    | 41                       |
| 12/27/2012                             | Mesa / E Southern Ave          | AZ    | 5,435    | 2,973             | 5,545                                  | 343   |       | 2,973                                      | 5,888                     | 8,861    | 482                      |
| 08/18/2004                             | Mesa / Madero Ave              | AZ    | 3,153    | 849               | 2,547                                  | 222   |       | 849  | 2,769                     | 3,618    | 874                      |
| 07/02/2012                             | Mesa / N. Alma School Rd       | AZ    | 3,073    | 1,129             | 4,402                                  | 99  |       | 1,129                                      | 4,501                     | 5,630    | 408                      |
| 07/25/2013                             | Mesa / Southern Ave            | AZ    | 4,113    | 1,453             | 2,897                                  | 166   |       | 1,453                                      | 3,063                     | 4,516    | 207                      |
| 04/01/2006                             | Peoria / 75th Ave              | AZ    | 4,459    | 652               | 4,105                                  | 162   |       | 652  | 4,267                     | 4,919    | 1,099                    |
| 01/31/2011                             | Peoria / W Beardsley Rd        | AZ    | —        | 1,060             | 4,731                                  | 34  |       | 1,060                                      | 4,765                     | 5,825    | 615                      |
| 01/02/2007                             | Phoenix / E Greenway Pkwy      | AZ    | —        | 669               | 4,135                                  | 485   |       | 668  | 4,621                     | 5,289    | 1,135                    |
| 07/01/2005                             | Phoenix / East Bell Rd         | AZ    | —        | 1,441             | 7,982                                  | 699   |       | 1,441                                      | 8,681                     | 10,122   | 2,590                    |
| 10/01/2015                             | Phoenix / Missouri Ave         | AZ    | —        | 470               | 1,702                                  | 9   |       | 470  | 1,711                     | 2,181    | 11                       |
| 11/30/2012                             | Phoenix / N 32nd St            | AZ    | 6,897    | 2,257             | 7,820                                  | 198   |       | 2,257                                      | 8,018                     | 10,275   | 656                      |
| 06/30/2006                             | Phoenix / N Cave Creek Rd      | AZ    | 3,265    | 552               | 3,530                                  | 273   |       | 551  | 3,804                     | 4,355    | 1,035                    |
| 10/01/2015                             | Phoenix / Washington           | AZ    | 2,995    | 1,200             | 3,767                                  | 58  |       | 1,200                                      | 3,825                     | 5,025    | 24                       |
| 10/01/2015                             | Tempe / S Priest Dr            | AZ    | —        | 850               | 3,283                                  | 21  |       | 850  | 3,304                     | 4,154    | 21                       |
| 10/01/2015                             | Tempe / W Broadway Rd          | AZ    | 2,566    | 1,040             | 3,562                                  | 94  |       | 1,040                                      | 3,656                     | 4,696    | 24                       |
| 11/30/2012                             | Tucson                         | AZ    | —        | 1,090             | 7,845                                  | 115   |       | 1,090                                      | 7,960                     | 9,050    | 648                      |
| 06/25/2007                             | Alameda                        | CA    | —        | 2,919             | 12,984                                 | 2,123   |       | 2,919                                      | 15,107                    | 18,026   | 4,103                    |
| 08/29/2013                             | Alhambra                       | CA    | —        | 10,109            | 6,065                                  | 351   |       | 10,109                                     | 6,416                     | 16,525   | 400                      |
| 04/25/2014                             | Anaheim / Old Canal Rd         | CA    | 10,216   | 2,765             | 12,680                                 | 158   |       | 2,765                                      | 12,838                    | 15,603   | 572                      |
| 08/29/2013                             | Anaheim / S Adams St           | CA    | 7,156    | 3,593             | 3,330                                  | 224   |       | 3,593                                      | 3,554                     | 7,147    | 238                      |
| 08/29/2013                             | Anaheim / S State College Blvd | CA    | 6,538    | 2,519             | 2,886                                  | 215   |       | 2,519                                      | 3,101                     | 5,620    | 209                      |
| 07/01/2008                             | Antelope                       | CA    | 4,000    | 1,525             | 8,345                                  | (267)   | (a)   | 1,185                                      | 8,418                     | 9,603    | 1,589                    |
| 10/19/2011                             | Bellflower                     | CA    | 1,230    | 640               | 1,350                                  | 98  |       | 639  | 1,449                     | 2,088    | 167                      |
| 05/15/2007                             | Belmont                        | CA    | —        | 3,500             | 7,280                                  | 81  |       | 3,500                                      | 7,361                     | 10,861   | 1,602                    |
| 06/25/2007                             | Berkeley                       | CA    | 20,811   | 1,716             | 19,602                                 | 1,998   |       | 1,715                                      | 21,601                    | 23,316   | 5,142                    |
| 10/19/2011                             | Bloomington / Bloomington Ave  | CA    | 2,765    | 934               | 1,937                                  | 171   |       | 934  | 2,108                     | 3,042    | 304                      |
| 10/19/2011                             | Bloomington / Linden Ave       | CA    | —        | 647               | 1,303                                  | 186   |       | 647  | 1,489                     | 2,136    | 205                      |
| 08/29/2013                             | Burbank / Thornton Ave         | CA    | —        | 4,061             | 5,318                                  | 289   |       | 4,061                                      | 5,607                     | 9,668    | 360                      |
| 08/10/2000                             | Burbank / W Verdugo Ave        | CA    | 13,003   | 3,199             | 5,082                                  | 2,027   |       | 3,619                                      | 6,689                     | 10,308   | 2,676                    |

**Extra Space Storage Inc.**  
**Schedule III**  
**Real Estate and Accumulated Depreciation (Continued)**  
**(Dollars in thousands)**

| Date acquired<br>or development<br>completed | Store<br>Name                  | State | Debt   | Land<br>initial cost | Building and<br>improvements<br>initial cost | Adjustments and<br>costs subsequent<br>to acquisition | Notes | Gross carrying amount at December 31, 2015 |                              |        | Accumulated<br>depreciation |
|--|--------------------------------|-------|--------|----------------------|--|---|-------|--|------------------------------|--------|-----------------------------|
|  |                                |       |        |                      |  |   |       | Land                                       | Building and<br>improvements | Total  |                             |
| 04/08/2011                                   | Burlingame                     | CA    | 5,213  | 2,211                | 5,829  | 142   |       | 2,211                                      | 5,971                        | 8,182  | 753                         |
| 03/14/2011                                   | Carson                         | CA    | —      | —                    | 9,709  | 102   |       | —  | 9,811                        | 9,811  | 1,215                       |
| 06/25/2007                                   | Castro Valley                  | CA    | —      | —                    | 6,346  | 455   |       | —  | 6,801                        | 6,801  | 1,504                       |
| 10/19/2011                                   | Cerritos                       | CA    | 16,707 | 8,728                | 15,895                                       | 2,685   |       | 8,728                                      | 18,580                       | 27,308 | 1,951                       |
| 11/01/2013                                   | Chatsworth                     | CA    | —      | 9,922                | 7,599  | 408   |       | 9,922                                      | 8,007                        | 17,929 | 1,317                       |
| 06/01/2004                                   | Claremont / South<br>Mills Ave | CA    | 2,949  | 1,472                | 2,012  | 273   |       | 1,472                                      | 2,285                        | 3,757  | 762                         |
| 10/19/2011                                   | Claremont / W Arrow<br>Hwy     | CA    | 3,415  | 1,375                | 1,434  | 212   |       | 1,375                                      | 1,646                        | 3,021  | 206                         |
| 06/25/2007                                   | Colma                          | CA    | 23,788 | 3,947                | 22,002                                       | 2,340   |       | 3,947                                      | 24,342                       | 28,289 | 6,005                       |
| 09/01/2008                                   | Compton                        | CA    | 4,572  | 1,426                | 7,582  | 57  |       | 1,426                                      | 7,639                        | 9,065  | 1,442                       |
| 08/29/2013                                   | Concord                        | CA    | 5,226  | 3,082                | 2,822  | 249   |       | 3,082                                      | 3,071                        | 6,153  | 194                         |
| 09/21/2009                                   | El Cajon                       | CA    | —      | 1,100                | 6,380  | 108   |       | 1,100                                      | 6,488                        | 7,588  | 1,050                       |
| 06/25/2007                                   | El Sobrante                    | CA    | —      | 1,209                | 4,018  | 1,562   |       | 1,209                                      | 5,580                        | 6,789  | 1,565                       |
| 12/02/2013                                   | Elk Grove / Power Inn<br>Rd    | CA    | 5,657  | 894                  | 6,949  | 83  |       | 894  | 7,032                        | 7,926  | 371                         |
| 12/02/2013                                   | Elk Grove / Stockton<br>Blvd   | CA    | 6,675  | 640                  | 8,640  | 57  |       | 640  | 8,697                        | 9,337  | 458                         |
| 05/01/2010                                   | Emeryville                     | CA    | —      | 3,024                | 11,321                                       | 171   |       | 3,024                                      | 11,492                       | 14,516 | 1,669                       |
| 12/02/2013                                   | Fair Oaks                      | CA    | 4,209  | 644                  | 11,287                                       | 63  |       | 644  | 11,350                       | 11,994 | 592                         |
| 10/19/2011                                   | Fontana / Baseline Ave         | CA    | 4,774  | 778                  | 4,723  | 134   |       | 777  | 4,858                        | 5,635  | 569                         |
| 10/19/2011                                   | Fontana / Foothill Blvd<br>1   | CA    | —      | 768                  | 4,208  | 226   |       | 768  | 4,434                        | 5,202  | 513                         |
| 10/19/2011                                   | Fontana / Foothill Blvd<br>2   | CA    | —      | 684                  | 3,951  | 241   |       | 684  | 4,192                        | 4,876  | 486                         |
| 09/15/2002                                   | Fontana / Valley Blvd<br>1     | CA    | 3,095  | 961                  | 3,846  | 456   |       | 1,000                                      | 4,263                        | 5,263  | 1,514                       |
| 10/15/2003                                   | Fontana / Valley Blvd<br>2     | CA    | 5,524  | 1,246                | 3,356  | 515   |       | 1,300                                      | 3,817                        | 5,117  | 1,240                       |
| 06/01/2004                                   | Gardena                        | CA    | —      | 3,710                | 6,271  | 2,263   |       | 4,110                                      | 8,134                        | 12,244 | 2,363                       |
| 10/01/2015                                   | Gilroy                         | CA    | 8,207  | 1,140                | 14,265                                       | 126   |       | 1,140                                      | 14,391                       | 15,531 | 92                          |
| 06/01/2004                                   | Glendale                       | CA    | —      | —                    | 6,084  | 253   |       | —  | 6,337                        | 6,337  | 1,984                       |
| 07/02/2012                                   | Hawaiian Gardens               | CA    | 9,178  | 2,964                | 12,478                                       | 209   |       | 2,964                                      | 12,687                       | 15,651 | 1,196                       |
| 10/01/2015                                   | Hawthorne / La<br>Cienega Blvd | CA    | 11,981 | 2,500                | 18,562                                       | 75  |       | 2,500                                      | 18,637                       | 21,137 | 120                         |
| 06/01/2004                                   | Hawthorne / Rosselle<br>Ave    | CA    | 3,743  | 1,532                | 3,871  | 267   |       | 1,532                                      | 4,138                        | 5,670  | 1,339                       |
| 06/26/2007                                   | Hayward                        | CA    | 8,329  | 3,149                | 8,006  | 3,148   |       | 3,148                                      | 11,155                       | 14,303 | 3,020                       |
| 07/01/2005                                   | Hemet                          | CA    | 3,085  | 1,146                | 6,369  | 350   |       | 1,146                                      | 6,719                        | 7,865  | 1,937                       |
| 10/19/2011                                   | Hesperia                       | CA    | —      | 156                  | 430  | 174   |       | 156  | 604                          | 760    | 110                         |
| 07/02/2012                                   | Hollywood                      | CA    | 9,793  | 4,555                | 10,590                                       | 112   |       | 4,555                                      | 10,702                       | 15,257 | 962                         |
| 08/10/2000                                   | Inglewood                      | CA    | 5,638  | 1,379                | 3,343  | 974   |       | 1,530                                      | 4,166                        | 5,696  | 1,805                       |
| 10/19/2011                                   | Irvine                         | CA    | 4,919  | 3,821                | 3,999  | 142   |       | 3,821                                      | 4,141                        | 7,962  | 472                         |
| 05/28/2014                                   | La Quinta                      | CA    | 13,025 | 4,706                | 12,604                                       | 145   |       | 4,706                                      | 12,749                       | 17,455 | 545                         |
| 10/01/2015                                   | Ladera Ranch                   | CA    | —      | 6,440                | 24,500                                       | 15  |       | 6,440                                      | 24,515                       | 30,955 | 157                         |
| 10/19/2011                                   | Lake Elsinore / Central<br>Ave | CA    | 3,134  | 587                  | 4,219  | 229   |       | 587  | 4,448                        | 5,035  | 513                         |
| 10/19/2011                                   | Lake Elsinore / Collier<br>Ave | CA    | —      | 294                  | 2,105  | 104   |       | 294  | 2,209                        | 2,503  | 261                         |
| 10/01/2015                                   | Lake Forest                    | CA    | 17,974 | 15,093               | 18,895                                       | 37  |       | 15,093                                     | 18,932                       | 34,025 | 121                         |
| 10/17/2009                                   | Lancaster / 23rd St W          | CA    | —      | 1,425                | 5,855  | 102   |       | 1,425                                      | 5,957                        | 7,382  | 944                         |
| 07/28/2006                                   | Lancaster / West Ave J-<br>8   | CA    | 5,543  | 1,347                | 5,827  | 303   |       | 1,348                                      | 6,129                        | 7,477  | 1,605                       |

[Table of Contents](#)

**Extra Space Storage Inc.**  
**Schedule III**  
**Real Estate and Accumulated Depreciation (Continued)**  
**(Dollars in thousands)**

| Date acquired or development completed | Store Name                           | State | Debt   | Land initial cost | Building and improvements initial cost | Adjustments and costs subsequent to acquisition | Notes | Gross carrying amount at December 31, 2015 |                           |        | Accumulated depreciation |
|--|--------------------------------------|-------|--------|-------------------|--|---|-------|--|---------------------------|--------|--------------------------|
|  |                                      |       |        |                   |  |   |       | Land                                       | Building and improvements | Total  |                          |
| 06/01/2004                             | Livermore                            | CA    | —      | 1,134             | 4,615                                  | 276   |       | 1,134                                      | 4,891                     | 6,025  | 1,531                    |
| 10/19/2011                             | Long Beach / E Artesia Blvd          | CA    | 2,659  | 1,772             | 2,539                                  | 300   |       | 1,772                                      | 2,839                     | 4,611  | 332                      |
| 10/01/2015                             | Long Beach / E Wardlow Rd            | CA    | 13,179 | 6,340             | 17,050                                 | 23  |       | 6,340                                      | 17,073                    | 23,413 | 109                      |
| 11/01/2013                             | Long Beach / W Wardlow Rd            | CA    | —      | 5,859             | 4,992                                  | 45  |       | 5,859                                      | 5,037                     | 10,896 | 913                      |
| 03/23/2000                             | Los Angeles / Casitas Ave            | CA    | 8,661  | 1,431             | 2,976                                  | 766   |       | 1,611                                      | 3,562                     | 5,173  | 1,464                    |
| 07/02/2012                             | Los Angeles / Fountain Ave           | CA    | 4,994  | 3,099             | 4,889                                  | 104   |       | 3,099                                      | 4,993                     | 8,092  | 458                      |
| 12/31/2007                             | Los Angeles / La Cienega             | CA    | 9,887  | 3,991             | 9,774                                  | 116   |       | 3,992                                      | 9,889                     | 13,881 | 2,049                    |
| 09/01/2008                             | Los Angeles / S Central Ave          | CA    | 8,162  | 2,200             | 8,108                                  | 72  |       | 2,200                                      | 8,180                     | 10,380 | 1,548                    |
| 12/02/2013                             | Los Angeles / S Western Ave          | CA    | 1,434  | 287               | 2,011                                  | 367   |       | 287  | 2,378                     | 2,665  | 151                      |
| 04/25/2014                             | Los Angeles / Slauson Ave            | CA    | 7,380  | 2,400             | 8,605                                  | 305   |       | 2,401                                      | 8,909                     | 11,310 | 401                      |
| 07/17/2012                             | Los Gatos                            | CA    | —      | 2,550             | 8,257                                  | 66  |       | 2,550                                      | 8,323                     | 10,873 | 835                      |
| 01/01/2004                             | Manteca                              | CA    | 3,574  | 848               | 2,543                                  | 196   |       | 848  | 2,739                     | 3,587  | 882                      |
| 11/01/2013                             | Marina Del Rey                       | CA    | —      | 19,928            | 18,742                                 | 246   |       | 19,928                                     | 18,988                    | 38,916 | 2,615                    |
| 08/29/2013                             | Menlo Park                           | CA    | 9,562  | 7,675             | 1,812                                  | 256   |       | 7,675                                      | 2,068                     | 9,743  | 136                      |
| 06/01/2007                             | Modesto / Crows Landing              | CA    | 3,294  | 909               | 3,043                                  | 296   |       | 909  | 3,339                     | 4,248  | 843                      |
| 08/29/2013                             | Modesto / Sylvan Ave                 | CA    | 4,258  | 1,647             | 4,215                                  | 201   |       | 1,647                                      | 4,416                     | 6,063  | 272                      |
| 07/02/2012                             | Moreno Valley                        | CA    | 2,048  | 482               | 3,484                                  | 47  |       | 482  | 3,531                     | 4,013  | 322                      |
| 10/01/2015                             | Morgan Hill                          | CA    | 7,278  | 1,760             | 11,772                                 | 59  |       | 1,760                                      | 11,831                    | 13,591 | 75                       |
| 11/01/2013                             | North Highlands                      | CA    | —      | 799               | 2,801                                  | 97  |       | 799  | 2,898                     | 3,697  | 469                      |
| 08/29/2013                             | North Hollywood / Coldwater Canyon   | CA    | —      | 4,501             | 4,465                                  | 373   |       | 4,501                                      | 4,838                     | 9,339  | 312                      |
| 05/01/2006                             | North Hollywood / Van Owen           | CA    | 6,659  | 3,125             | 9,257                                  | 244   |       | 3,125                                      | 9,501                     | 12,626 | 2,361                    |
| 08/29/2013                             | Northridge                           | CA    | 6,614  | 3,641             | 2,872                                  | 293   |       | 3,641                                      | 3,165                     | 6,806  | 216                      |
| 08/29/2013                             | Oakland / 29th Ave                   | CA    | 10,149 | 6,359             | 5,753                                  | 273   |       | 6,359                                      | 6,026                     | 12,385 | 382                      |
| 04/24/2000                             | Oakland / Fallon St                  | CA    | 4,104  | —                 | 3,777                                  | 1,138   |       | —  | 4,915                     | 4,915  | 2,053                    |
| 12/02/2013                             | Oakland / San Leandro St             | CA    | 7,719  | 1,668             | 7,652                                  | 286   |       | 1,668                                      | 7,938                     | 9,606  | 427                      |
| 07/01/2005                             | Oceanside / Oceanside Blvd 1         | CA    | —      | 3,241             | 11,361                                 | 890   |       | 3,241                                      | 12,251                    | 15,492 | 3,583                    |
| 12/09/2014                             | Oceanside / Oceanside Blvd 2         | CA    | 6,050  | 4,508             | 4,599                                  | 49  |       | 4,508                                      | 4,648                     | 9,156  | 124                      |
| 11/30/2012                             | Orange                               | CA    | 12,124 | 4,847             | 12,341                                 | 312   |       | 4,847                                      | 12,653                    | 17,500 | 1,048                    |
| 12/02/2013                             | Oxnard                               | CA    | 8,571  | 5,421             | 6,761                                  | 331   |       | 5,421                                      | 7,092                     | 12,513 | 380                      |
| 08/01/2009                             | Pacoima                              | CA    | 2,166  | 3,050             | 7,597                                  | 101   |       | 3,050                                      | 7,698                     | 10,748 | 1,262                    |
| 01/01/2005                             | Palmdale                             | CA    | 4,602  | 1,225             | 5,379                                  | 2,233   |       | 1,225                                      | 7,612                     | 8,837  | 2,151                    |
| 10/19/2011                             | Paramount                            | CA    | 2,559  | 1,404             | 2,549                                  | 207   |       | 1,404                                      | 2,756                     | 4,160  | 331                      |
| 08/31/2000                             | Pico Rivera / Beverly Blvd           | CA    | —      | 1,150             | 3,450                                  | 234   |       | 1,150                                      | 3,684                     | 4,834  | 1,373                    |
| 03/04/2014                             | Pico Rivera / San Gabriel River Pkwy | CA    | 4,445  | 2,150             | 4,734                                  | 43  |       | 2,150                                      | 4,777                     | 6,927  | 220                      |
| 10/19/2011                             | Placentia                            | CA    | 6,647  | 4,798             | 5,483                                  | 288   |       | 4,798                                      | 5,771                     | 10,569 | 658                      |
| 05/24/2007                             | Pleasanton                           | CA    | 7,267  | 1,208             | 4,283                                  | 449   |       | 1,208                                      | 4,732                     | 5,940  | 1,265                    |
| 06/01/2004                             | Richmond / Lakeside Dr               | CA    | 4,796  | 953               | 4,635                                  | 629   |       | 953  | 5,264                     | 6,217  | 1,745                    |
| 09/26/2013                             | Richmond / Meeker Ave                | CA    | —      | 3,139             | 7,437                                  | 225   |       | 3,139                                      | 7,662                     | 10,801 | 469                      |
| 08/18/2004                             | Riverside                            | CA    | 4,801  | 1,075             | 4,042                                  | 554   |       | 1,075                                      | 4,596                     | 5,671  | 1,502                    |
| 12/02/2013                             | Rocklin                              | CA    | 6,394  | 1,745             | 8,005                                  | 58  |       | 1,745                                      | 8,063                     | 9,808  | 425                      |

[Table of Contents](#)

**Extra Space Storage Inc.**  
**Schedule III**  
**Real Estate and Accumulated Depreciation (Continued)**  
**(Dollars in thousands)**

| Date acquired<br>or development<br>completed | Store<br>Name                        | State | Debt   | Land<br>initial cost | Building and<br>improvements<br>initial cost | Adjustments and<br>costs subsequent<br>to acquisition | Notes | Gross carrying amount at December 31, 2015 |                              |        | Accumulated<br>depreciation |
|--|--------------------------------------|-------|--------|----------------------|--|---|-------|--|------------------------------|--------|-----------------------------|
|  |                                      |       |        |                      |  |   |       | Land                                       | Building and<br>improvements | Total  |                             |
| 11/04/2013                                   | Rohnert Park                         | CA    | 6,389  | 990                  | 8,094  | 163   |       | 990  | 8,257                        | 9,247  | 449                         |
| 07/01/2005                                   | Sacramento / Auburn<br>Blvd          | CA    | —      | 852                  | 4,720  | 750   |       | 852  | 5,470                        | 6,322  | 1,611                       |
| 03/31/2015                                   | Sacramento / B Street                | CA    | 7,611  | 1,025                | 11,479                                       | 429   |       | 1,025                                      | 11,908                       | 12,933 | 241                         |
| 10/01/2010                                   | Sacramento / Franklin<br>Blvd        | CA    | 2,988  | 1,738                | 5,522  | 118   |       | 1,844                                      | 5,534                        | 7,378  | 767                         |
| 12/31/2007                                   | Sacramento / Stockton<br>Blvd        | CA    | 2,836  | 952                  | 6,936  | 462   |       | 1,075                                      | 7,275                        | 8,350  | 998                         |
| 06/01/2006                                   | San Bernardino /<br>Sterling Ave.    | CA    | —      | 750                  | 5,135  | 160   |       | 750  | 5,295                        | 6,045  | 1,259                       |
| 06/01/2004                                   | San Bernardino / W<br>Club Center Dr | CA    | —      | 1,213                | 3,061  | 138   |       | 1,173                                      | 3,239                        | 4,412  | 1,026                       |
| 08/29/2013                                   | San Diego / Cedar St                 | CA    | 13,188 | 5,919                | 6,729  | 448   |       | 5,919                                      | 7,177                        | 13,096 | 443                         |
| 12/11/2015                                   | San Diego / Del Sol<br>Blvd          | CA    | —      | 2,679                | 7,029  | 5   |       | 2,679                                      | 7,034                        | 9,713  | —                           |
| 10/19/2011                                   | San Dimas                            | CA    | 5,318  | 1,867                | 6,354  | 266   |       | 1,867                                      | 6,620                        | 8,487  | 752                         |
| 08/29/2013                                   | San Francisco / Egbert<br>Ave        | CA    | 10,636 | 5,098                | 4,054  | 261   |       | 5,098                                      | 4,315                        | 9,413  | 275                         |
| 06/14/2007                                   | San Francisco /<br>Folsom            | CA    | 18,102 | 8,457                | 9,928  | 1,837   |       | 8,457                                      | 11,765                       | 20,222 | 3,124                       |
| 10/01/2015                                   | San Francisco / Otis<br>Street       | CA    | —      | 5,460                | 18,741                                       | 101   |       | 5,460                                      | 18,842                       | 24,302 | 121                         |
| 07/26/2012                                   | San Jose / Charter<br>Park Dr        | CA    | 4,652  | 2,428                | 2,323  | 260   |       | 2,428                                      | 2,583                        | 5,011  | 272                         |
| 09/01/2009                                   | San Jose / N 10th St                 | CA    | 10,784 | 5,340                | 6,821  | 287   |       | 5,340                                      | 7,108                        | 12,448 | 1,142                       |
| 08/01/2007                                   | San Leandro /<br>Doolittle Dr        | CA    | 15,102 | 4,601                | 9,777  | 3,422   |       | 4,601                                      | 13,199                       | 17,800 | 3,345                       |
| 10/01/2010                                   | San Leandro /<br>Washington Ave      | CA    | —      | 3,343                | 6,630  | (4)   | (f)   | 3,291                                      | 6,678                        | 9,969  | 913                         |
| 10/01/2015                                   | San Lorenzo                          | CA    | —      | —                    | 8,784  | 108   |       | —  | 8,892                        | 8,892  | 57                          |
| 08/29/2013                                   | San Ramon                            | CA    | —      | 4,819                | 5,819  | 272   |       | 4,819                                      | 6,091                        | 10,910 | 375                         |
| 08/29/2013                                   | Santa Ana                            | CA    | 4,139  | 3,485                | 2,382  | 233   |       | 3,485                                      | 2,615                        | 6,100  | 179                         |
| 07/30/2009                                   | Santa Clara                          | CA    | 7,914  | 4,750                | 8,218  | 34  |       | 4,750                                      | 8,252                        | 13,002 | 1,343                       |
| 07/02/2012                                   | Santa Cruz                           | CA    | 8,357  | 1,588                | 11,160                                       | 123   |       | 1,588                                      | 11,283                       | 12,871 | 1,010                       |
| 10/04/2007                                   | Santa Fe Springs                     | CA    | 6,334  | 3,617                | 7,022  | 368   |       | 3,617                                      | 7,390                        | 11,007 | 1,712                       |
| 10/19/2011                                   | Santa Maria / Farnel<br>Rd           | CA    | 2,908  | 1,556                | 2,740  | 462   |       | 1,556                                      | 3,202                        | 4,758  | 389                         |
| 10/19/2011                                   | Santa Maria / Skyway<br>Dr           | CA    | 3,141  | 1,310                | 3,526  | 109   |       | 1,309                                      | 3,636                        | 4,945  | 412                         |
| 08/31/2004                                   | Sherman Oaks                         | CA    | 16,279 | 4,051                | 12,152                                       | 603   |       | 4,051                                      | 12,755                       | 16,806 | 3,763                       |
| 08/29/2013                                   | Stanton                              | CA    | 6,895  | 5,022                | 2,267  | 220   |       | 5,022                                      | 2,487                        | 7,509  | 179                         |
| 05/19/2002                                   | Stockton / Jamestown                 | CA    | 2,364  | 649                  | 3,272  | 243   |       | 649  | 3,515                        | 4,164  | 1,273                       |
| 12/02/2013                                   | Stockton / Pacific Ave               | CA    | —      | 3,619                | 2,443  | 82  |       | 3,619                                      | 2,525                        | 6,144  | 139                         |
| 04/25/2014                                   | Sunland                              | CA    | 4,968  | 1,688                | 6,381  | 71  |       | 1,688                                      | 6,452                        | 8,140  | 289                         |
| 08/29/2013                                   | Sunnyvale                            | CA    | —      | 10,732               | 5,004  | 243   |       | 10,732                                     | 5,247                        | 15,979 | 327                         |
| 05/02/2008                                   | Sylmar                               | CA    | 6,278  | 3,058                | 4,671  | 277   |       | 3,058                                      | 4,948                        | 8,006  | 1,112                       |
| 02/28/2013                                   | Thousand Oaks                        | CA    | 10,883 | 4,500                | 8,834  | (964)   | (d)   | 3,500                                      | 8,870                        | 12,370 | 123                         |
| 07/15/2003                                   | Tracy / E 11th St 1                  | CA    | 5,260  | 778                  | 2,638  | 789   |       | 911  | 3,294                        | 4,205  | 1,093                       |
| 04/01/2004                                   | Tracy / E 11th St 2                  | CA    | 3,035  | 946                  | 1,937  | 303   |       | 946  | 2,240                        | 3,186  | 815                         |
| 06/25/2007                                   | Vallejo / Sonoma Blvd                | CA    | 2,847  | 1,177                | 2,157  | 1,077   |       | 1,177                                      | 3,234                        | 4,411  | 1,065                       |
| 10/01/2015                                   | Vallejo / Tennessee St               | CA    | 8,596  | 2,640                | 13,870                                       | 123   |       | 2,640                                      | 13,993                       | 16,633 | 89                          |
| 08/29/2013                                   | Van Nuys                             | CA    | —      | 7,939                | 2,576  | 343   |       | 7,939                                      | 2,919                        | 10,858 | 206                         |
| 08/31/2004                                   | Venice                               | CA    | —      | 2,803                | 8,410  | (3,057)   | (b)   | 2,803                                      | 5,353                        | 8,156  | 1,443                       |
| 08/29/2013                                   | Ventura                              | CA    | —      | 3,453                | 2,837  | 223   |       | 3,453                                      | 3,060                        | 6,513  | 209                         |

[Table of Contents](#)

**Extra Space Storage Inc.**  
**Schedule III**  
**Real Estate and Accumulated Depreciation (Continued)**  
**(Dollars in thousands)**

| Date acquired<br>or development<br>completed | Store<br>Name                            | State | Debt  | Land<br>initial cost | Building and<br>improvements<br>initial cost | Adjustments and<br>costs subsequent<br>to acquisition | Notes | Gross carrying amount at December 31, 2015 |                              |        | Accumulated<br>depreciation |
|--|--|-------|-------|----------------------|--|---|-------|--|------------------------------|--------|-----------------------------|
|  |  |       |       |                      |  |   |       | Land                                       | Building and<br>improvements | Total  |                             |
| 10/19/2011                                   | Victorville                              | CA    | —     | 151                  | 751  | 161   |       | 151  | 912                          | 1,063  | 131                         |
| 07/01/2005                                   | Watsonville                              | CA    | —     | 1,699                | 3,056  | 299   |       | 1,699                                      | 3,355                        | 5,054  | 998                         |
| 09/01/2009                                   | West Sacramento                          | CA    | —     | 2,400                | 7,425  | 111   |       | 2,400                                      | 7,536                        | 9,936  | 1,232                       |
| 06/19/2002                                   | Whittier                                 | CA    | 3,257 | —                    | 2,985  | 205   |       | —  | 3,190                        | 3,190  | 1,140                       |
| 08/29/2013                                   | Wilmington                               | CA    | —     | 6,792                | 10,726                                       | 25  |       | 6,792                                      | 10,751                       | 17,543 | 636                         |
| 09/15/2000                                   | Arvada                                   | CO    | 1,753 | 286                  | 1,521  | 703   |       | 286  | 2,224                        | 2,510  | 1,097                       |
| 05/25/2011                                   | Castle Rock / Industrial<br>Way 1        | CO    | 1,027 | 407                  | 3,077  | 260   |       | 407  | 3,337                        | 3,744  | 429                         |
| 07/23/2015                                   | Castle Rock / Industrial<br>Way 2        | CO    | —     | 531                  | —  | —   |       | 531  | —                            | 531    | —                           |
| 06/10/2011                                   | Colorado Springs /<br>Austin Bluffs Pkwy | CO    | 1,667 | 296                  | 4,199  | 270   |       | 296  | 4,469                        | 4,765  | 592                         |
| 08/31/2007                                   | Colorado Springs /<br>Dublin Blvd        | CO    | 3,698 | 781                  | 3,400  | 281   |       | 781  | 3,681                        | 4,462  | 901                         |
| 11/25/2008                                   | Colorado Springs / S 8th<br>St           | CO    | 3,875 | 1,525                | 4,310  | 418   |       | 1,525                                      | 4,728                        | 6,253  | 957                         |
| 10/24/2014                                   | Colorado Springs /<br>Stetson Hills Blvd | CO    | 3,979 | 2,077                | 4,087  | 264   |       | 2,077                                      | 4,351                        | 6,428  | 144                         |
| 09/15/2000                                   | Denver / E 40th Ave                      | CO    | 2,482 | 602                  | 2,052  | 1,527   |       | 745  | 3,436                        | 4,181  | 1,396                       |
| 07/01/2005                                   | Denver / W 96th Ave                      | CO    | 3,537 | 368                  | 1,574  | 287   |       | 368  | 1,861                        | 2,229  | 616                         |
| 07/18/2012                                   | Fort Carson                              | CO    | —     | —                    | 6,945  | 112   |       | —  | 7,057                        | 7,057  | 641                         |
| 09/01/2006                                   | Parker                                   | CO    | 4,531 | 800                  | 4,549  | 816   |       | 800  | 5,365                        | 6,165  | 1,512                       |
| 09/15/2000                                   | Thornton                                 | CO    | 2,718 | 212                  | 2,044  | 1,151   |       | 248  | 3,159                        | 3,407  | 1,414                       |
| 09/15/2000                                   | Westminster                              | CO    | 2,051 | 291                  | 1,586  | 1,201   |       | 299  | 2,779                        | 3,078  | 1,361                       |
| 03/17/2014                                   | Bridgeport                               | CT    | —     | 1,072                | 14,028                                       | 132   |       | 1,072                                      | 14,160                       | 15,232 | 654                         |
| 07/02/2012                                   | Brookfield                               | CT    | 5,010 | 991                  | 7,891  | 126   |       | 991  | 8,017                        | 9,008  | 740                         |
| 01/15/2004                                   | Groton                                   | CT    | 5,112 | 1,277                | 3,992  | 444   |       | 1,276                                      | 4,437                        | 5,713  | 1,550                       |
| 12/31/2007                                   | Middletown                               | CT    | 2,722 | 932                  | 2,810  | 194   |       | 932  | 3,004                        | 3,936  | 665                         |
| 11/04/2013                                   | Newington                                | CT    | 2,328 | 1,363                | 2,978  | 609   |       | 1,363                                      | 3,587                        | 4,950  | 208                         |
| 08/16/2002                                   | Wethersfield                             | CT    | 6,667 | 709                  | 4,205  | 228   |       | 709  | 4,433                        | 5,142  | 1,576                       |
| 11/19/2015                                   | Apopka / Park Ave                        | FL    | —     | 613                  | 5,228  | —   |       | 613  | 5,228                        | 5,841  | —                           |
| 11/19/2015                                   | Apopka / Semoran Blvd                    | FL    | —     | 888                  | 5,737  | 6   |       | 888  | 5,743                        | 6,631  | —                           |
| 05/02/2012                                   | Auburndale                               | FL    | 1,244 | 470                  | 1,076  | 152   |       | 470  | 1,228                        | 1,698  | 139                         |
| 07/15/2009                                   | Bonita Springs                           | FL    | —     | 2,198                | 8,215  | 127   |       | 2,198                                      | 8,342                        | 10,540 | 1,351                       |
| 12/23/2014                                   | Bradenton                                | FL    | —     | 1,333                | 3,677  | 565   |       | 1,333                                      | 4,242                        | 5,575  | 114                         |
| 11/30/2012                                   | Brandon                                  | FL    | 4,537 | 1,327                | 5,656  | 174   |       | 1,327                                      | 5,830                        | 7,157  | 489                         |
| 06/19/2008                                   | Coral Springs                            | FL    | 6,109 | 3,638                | 6,590  | 278   |       | 3,638                                      | 6,868                        | 10,506 | 1,468                       |
| 10/01/2015                                   | Davie                                    | FL    | 7,907 | 4,890                | 11,679                                       | 91  |       | 4,890                                      | 11,770                       | 16,660 | 76                          |
| 01/06/2006                                   | Deland                                   | FL    | 2,736 | 1,318                | 3,971  | 348   |       | 1,318                                      | 4,319                        | 5,637  | 1,172                       |
| 11/30/2012                                   | Fort Lauderdale /<br>Commercial Blvd     | FL    | 5,015 | 1,576                | 5,397  | 329   |       | 1,576                                      | 5,726                        | 7,302  | 483                         |
| 08/26/2004                                   | Fort Lauderdale / NW<br>31st Ave         | FL    | 7,348 | 1,587                | 4,205  | 385   |       | 1,587                                      | 4,590                        | 6,177  | 1,465                       |
| 05/04/2011                                   | Fort Lauderdale / S State<br>Rd 7        | FL    | 6,963 | 2,750                | 7,002  | 561   |       | 2,750                                      | 7,563                        | 10,313 | 955                         |
| 08/26/2004                                   | Fort Myers / Cypress<br>Lake Dr          | FL    | 6,023 | 1,691                | 4,711  | 359   |       | 1,691                                      | 5,070                        | 6,761  | 1,579                       |
| 07/01/2005                                   | Fort Myers / San Carlos<br>Blvd          | FL    | —     | 1,985                | 4,983  | 615   |       | 1,985                                      | 5,598                        | 7,583  | 1,675                       |
| 03/08/2005                                   | Greenacres                               | FL    | 2,535 | 1,463                | 3,244  | 153   |       | 1,463                                      | 3,397                        | 4,860  | 1,019                       |
| 10/01/2015                                   | Gulf Breeze / Gulf<br>Breeze Pkwy        | FL    | 2,900 | 620                  | 2,886  | 14  |       | 620  | 2,900                        | 3,520  | 18                          |

**Extra Space Storage Inc.**  
**Schedule III**  
**Real Estate and Accumulated Depreciation (Continued)**  
**(Dollars in thousands)**

| Date acquired or development completed | Store Name                     | State | Debt  | Land initial cost | Building and improvements initial cost | Adjustments and costs subsequent to acquisition | Notes | Gross carrying amount at December 31, 2015 |                           |        | Accumulated depreciation |
|--|--------------------------------|-------|-------|-------------------|--|---|-------|--|---------------------------|--------|--------------------------|
|  |                                |       |       |                   |  |   |       | Land                                       | Building and improvements | Total  |                          |
| 10/01/2015                             | Gulf Breeze / McClure Dr       | FL    | 6,170 | 660               | 12,590                                 | 14  |       | 660  | 12,604                    | 13,264 | 81                       |
| 01/01/2010                             | Hialeah / E 65th Street        | FL    | 5,838 | 1,750             | 7,150                                  | 111   |       | 1,750                                      | 7,261                     | 9,011  | 1,129                    |
| 08/01/2008                             | Hialeah / Okeechobee Rd        | FL    | —     | 2,800             | 7,588                                  | 126   |       | 2,800                                      | 7,714                     | 10,514 | 1,489                    |
| 09/01/2010                             | Hialeah / W 84th St            | FL    | 5,838 | 1,678             | 6,807                                  | 81  |       | 1,678                                      | 6,888                     | 8,566  | 945                      |
| 11/20/2007                             | Hollywood                      | FL    | 6,616 | 3,214             | 8,689                                  | 366   |       | 3,214                                      | 9,055                     | 12,269 | 2,017                    |
| 10/01/2015                             | Jacksonville / Monument Rd     | FL    | 5,571 | 490               | 10,708                                 | 77  |       | 490  | 10,785                    | 11,275 | 70                       |
| 10/01/2015                             | Jacksonville / Timuquana Rd    | FL    | 4,600 | 1,000             | 3,744                                  | 140   |       | 1,000                                      | 3,884                     | 4,884  | 26                       |
| 12/28/2012                             | Kenneth City                   | FL    | 2,245 | 805               | 3,345                                  | 58  |       | 805  | 3,403                     | 4,208  | 274                      |
| 05/02/2012                             | Lakeland / Harden Blvd         | FL    | 3,767 | 593               | 4,701                                  | 209   |       | 593  | 4,910                     | 5,503  | 518                      |
| 05/02/2012                             | Lakeland / South Florida Ave   | FL    | 5,412 | 871               | 6,905                                  | 248   |       | 871  | 7,153                     | 8,024  | 704                      |
| 09/03/2014                             | Lakeland / US Hwy 98           | FL    | —     | 529               | 3,604                                  | 104   |       | 529  | 3,708                     | 4,237  | 132                      |
| 12/27/2012                             | Land O Lakes                   | FL    | 6,333 | 798               | 4,490                                  | 2   |       | 799  | 4,491                     | 5,290  | 377                      |
| 08/26/2004                             | Madeira Beach                  | FL    | 3,473 | 1,686             | 5,163                                  | 298   |       | 1,686                                      | 5,461                     | 7,147  | 1,669                    |
| 08/10/2000                             | Margate                        | FL    | 3,234 | 430               | 3,139                                  | 1,495   |       | 469  | 4,595                     | 5,064  | 1,579                    |
| 07/02/2012                             | Miami / Coral Way              | FL    | 7,892 | 3,257             | 9,713                                  | 179   |       | 3,257                                      | 9,892                     | 13,149 | 907                      |
| 10/25/2011                             | Miami / Hammocks Blvd          | FL    | 6,324 | 521               | 5,198                                  | 133   |       | 521  | 5,331                     | 5,852  | 631                      |
| 08/10/2000                             | Miami / NW 12th St             | FL    | 7,629 | 1,325             | 4,395                                  | 2,103   |       | 1,419                                      | 6,404                     | 7,823  | 2,194                    |
| 07/02/2012                             | Miami / NW 2nd Ave             | FL    | 5,559 | 1,979             | 6,513                                  | 191   |       | 1,979                                      | 6,704                     | 8,683  | 630                      |
| 02/04/2011                             | Miami / SW 147th Ave           | FL    | —     | 2,375             | 5,543                                  | 111   |       | 2,374                                      | 5,655                     | 8,029  | 666                      |
| 05/31/2007                             | Miami / SW 186th St            | FL    | 4,312 | 1,238             | 7,597                                  | 368   |       | 1,238                                      | 7,965                     | 9,203  | 1,897                    |
| 11/08/2013                             | Miami / SW 68th Ave            | FL    | 9,887 | 3,305             | 11,997                                 | 53  |       | 3,305                                      | 12,050                    | 15,355 | 659                      |
| 08/10/2000                             | Miami / SW 72nd Street         | FL    | 7,730 | 5,315             | 4,305                                  | 2,113   |       | 5,859                                      | 5,874                     | 11,733 | 2,086                    |
| 11/30/2009                             | Miami Gardens                  | FL    | 6,660 | 4,798             | 9,475                                  | 136   |       | 4,798                                      | 9,611                     | 14,409 | 1,515                    |
| 06/18/2015                             | Naples / Goodlette Road        | FL    | —     | —                 | 17,220                                 | 70  |       | —  | 17,290                    | 17,290 | 221                      |
| 11/01/2013                             | Naples / Old US 41             | FL    | —     | 1,990             | 4,887                                  | 419   |       | 1,990                                      | 5,306                     | 7,296  | 652                      |
| 11/08/2013                             | Naranja                        | FL    | 8,429 | 603               | 11,223                                 | 104   |       | 603  | 11,327                    | 11,930 | 620                      |
| 08/10/2000                             | North Lauderdale               | FL    | 4,016 | 428               | 3,516                                  | 1,015   |       | 459  | 4,500                     | 4,959  | 2,010                    |
| 06/01/2004                             | North Miami                    | FL    | 8,429 | 1,256             | 6,535                                  | 634   |       | 1,256                                      | 7,169                     | 8,425  | 2,345                    |
| 10/01/2015                             | Oakland Park                   | FL    | 9,764 | 2,030             | 19,241                                 | 126   |       | 2,030                                      | 19,367                    | 21,397 | 125                      |
| 03/08/2005                             | Ocoee                          | FL    | 2,982 | 872               | 3,642                                  | 328   |       | 872  | 3,970                     | 4,842  | 1,205                    |
| 11/19/2015                             | Orlando / Hoffner Ave          | FL    | —     | 512               | 6,697                                  | —   |       | 512  | 6,697                     | 7,209  | —                        |
| 03/08/2005                             | Orlando / Hunters Creek        | FL    | 9,760 | 2,233             | 9,223                                  | 515   |       | 2,233                                      | 9,738                     | 11,971 | 2,888                    |
| 08/26/2004                             | Orlando / LB McLeod Rd         | FL    | 8,454 | 1,216             | 5,008                                  | 482   |       | 1,216                                      | 5,490                     | 6,706  | 1,724                    |
| 06/17/2015                             | Orlando / Lee Rd               | FL    | —     | 535               | 5,364                                  | 2   |       | 535  | 5,366                     | 5,901  | 64                       |
| 03/08/2005                             | Orlando / Metrowest            | FL    | 5,566 | 1,474             | 6,101                                  | 304   |       | 1,474                                      | 6,405                     | 7,879  | 1,897                    |
| 07/15/2010                             | Orlando / Orange Blossom Trail | FL    | —     | 625               | 2,133                                  | 88  |       | 625  | 2,221                     | 2,846  | 351                      |
| 03/08/2005                             | Orlando / Waterford Lakes      | FL    | 3,603 | 1,166             | 4,816                                  | 1,301   |       | 1,166                                      | 6,117                     | 7,283  | 1,733                    |
| 11/07/2013                             | Palm Springs                   | FL    | —     | 2,108             | 8,028                                  | 159   |       | 2,108                                      | 8,187                     | 10,295 | 468                      |
| 05/31/2013                             | Plantation                     | FL    | —     | 3,850             | —                                      | (1,504)   | (d)   | 2,346                                      | —                         | 2,346  | —                        |
| 08/26/2004                             | Port Charlotte                 | FL    | —     | 1,389             | 4,632                                  | 267   |       | 1,389                                      | 4,899                     | 6,288  | 1,497                    |

**Extra Space Storage Inc.**  
**Schedule III**  
**Real Estate and Accumulated Depreciation (Continued)**  
**(Dollars in thousands)**

| Date acquired<br>or development<br>completed | Store<br>Name                           | State | Debt   | Land<br>initial cost | Building and<br>improvements<br>initial cost | Adjustments and<br>costs subsequent<br>to acquisition | Notes | Gross carrying amount at December 31, 2015 |                              |        | Accumulated<br>depreciation |
|--|---|-------|--------|----------------------|--|---|-------|--|------------------------------|--------|-----------------------------|
|  |   |       |        |                      |  |   |       | Land                                       | Building and<br>improvements | Total  |                             |
| 08/26/2004                                   | Riverview                               | FL    | 4,595  | 654                  | 2,953  | 311   |       | 654  | 3,264                        | 3,918  | 1,030                       |
| 11/30/2012                                   | Sarasota / Clark Rd                     | FL    | 7,803  | 4,666                | 9,016  | 287   |       | 4,666                                      | 9,303                        | 13,969 | 777                         |
| 12/23/2014                                   | Sarasota / Washington<br>Blvd           | FL    | —      | 1,192                | 2,919  | 29  |       | 1,192                                      | 2,948                        | 4,140  | 78                          |
| 12/03/2012                                   | Seminole                                | FL    | 2,324  | 1,133                | 3,017  | 188   |       | 1,133                                      | 3,205                        | 4,338  | 271                         |
| 12/23/2014                                   | South Pasadena                          | FL    | 9,420  | 8,890                | 10,106                                       | 96  |       | 8,890                                      | 10,202                       | 19,092 | 273                         |
| 04/15/2014                                   | Stuart / Gran Park Way                  | FL    | 6,895  | 1,640                | 8,358  | 143   |       | 1,640                                      | 8,501                        | 10,141 | 391                         |
| 10/01/2015                                   | Stuart / Kanner Hwy                     | FL    | —      | 1,250                | 5,007  | 76  |       | 1,250                                      | 5,083                        | 6,333  | 33                          |
| 10/01/2015                                   | Stuart / NW Federal<br>Hwy 1            | FL    | —      | 760                  | 3,125  | 83  |       | 760  | 3,208                        | 3,968  | 21                          |
| 10/01/2015                                   | Tallahassee                             | FL    | 9,225  | 1,460                | 21,471                                       | —   |       | 1,460                                      | 21,471                       | 22,931 | 138                         |
| 11/01/2013                                   | Tamiami                                 | FL    | —      | 5,042                | 7,164  | 329   |       | 5,042                                      | 7,493                        | 12,535 | 1,014                       |
| 11/22/2006                                   | Tampa / Cypress St                      | FL    | 3,523  | 883                  | 3,533  | 160   |       | 881  | 3,695                        | 4,576  | 928                         |
| 03/27/2007                                   | Tampa / W Cleveland St                  | FL    | 3,551  | 1,425                | 4,766  | 316   |       | 1,425                                      | 5,082                        | 6,507  | 1,307                       |
| 12/23/2014                                   | Tampa / W<br>Hillsborough Ave           | FL    | 2,374  | 1,086                | 2,937  | 385   |       | 1,086                                      | 3,322                        | 4,408  | 87                          |
| 08/26/2004                                   | Valrico                                 | FL    | 4,358  | 1,197                | 4,411  | 284   |       | 1,197                                      | 4,695                        | 5,892  | 1,475                       |
| 01/13/2006                                   | Venice                                  | FL    | 6,714  | 1,969                | 5,903  | 320   |       | 1,970                                      | 6,222                        | 8,192  | 1,748                       |
| 08/10/2000                                   | West Palm Beach /<br>Forest Hill Bl     | FL    | —      | 1,164                | 2,511  | 733   |       | 1,246                                      | 3,162                        | 4,408  | 1,340                       |
| 08/10/2000                                   | West Palm Beach / N<br>Military Trail 1 | FL    | 4,415  | 1,312                | 2,511  | 953   |       | 1,416                                      | 3,360                        | 4,776  | 1,436                       |
| 11/01/2013                                   | West Palm Beach / N<br>Military Trail 2 | FL    | —      | 1,595                | 2,833  | 105   |       | 1,595                                      | 2,938                        | 4,533  | 429                         |
| 12/01/2011                                   | West Palm Beach / S<br>Military Trail   | FL    | 3,340  | 1,729                | 4,058  | 102   |       | 1,730                                      | 4,159                        | 5,889  | 463                         |
| 07/01/2005                                   | West Palm Beach /<br>Southern Blvd      | FL    | —      | 1,752                | 4,909  | 450   |       | 1,752                                      | 5,359                        | 7,111  | 1,696                       |
| 10/01/2015                                   | Weston                                  | FL    | 7,009  | 1,680                | 11,342                                       | 89  |       | 1,680                                      | 11,431                       | 13,111 | 74                          |
| 08/26/2004                                   | Alpharetta / Holcomb<br>Bridge Rd       | GA    | —      | 1,973                | 1,587  | 295   |       | 1,973                                      | 1,882                        | 3,855  | 623                         |
| 10/01/2015                                   | Alpharetta / Jones<br>Bridge Rd         | GA    | 5,781  | 1,420                | 8,902  | 28  |       | 1,420                                      | 8,930                        | 10,350 | 57                          |
| 08/08/2006                                   | Alpharetta / North Main<br>St           | GA    | 5,075  | 1,893                | 3,161  | 191   |       | 1,894                                      | 3,351                        | 5,245  | 884                         |
| 08/06/2014                                   | Atlanta / Chattahoochee<br>Ave          | GA    | —      | 1,132                | 10,080                                       | 103   |       | 1,132                                      | 10,183                       | 11,315 | 368                         |
| 08/26/2004                                   | Atlanta / Cheshire<br>Bridge Rd NE      | GA    | 11,791 | 3,737                | 8,333  | 726   |       | 3,738                                      | 9,058                        | 12,796 | 2,763                       |
| 10/22/2014                                   | Atlanta / Edgewood<br>Ave SE            | GA    | 7,699  | 588                  | 10,295                                       | 59  |       | 588  | 10,354                       | 10,942 | 320                         |
| 04/03/2014                                   | Atlanta / Mt Vernon<br>Hwy              | GA    | —      | 2,961                | 19,819                                       | 94  |       | 2,961                                      | 19,913                       | 22,874 | 877                         |
| 08/26/2004                                   | Atlanta / Roswell Rd                    | GA    | —      | 1,665                | 2,028  | 292   |       | 1,665                                      | 2,320                        | 3,985  | 762                         |
| 02/28/2005                                   | Atlanta / Virginia Ave                  | GA    | 6,294  | 3,319                | 8,325  | 729   |       | 3,319                                      | 9,054                        | 12,373 | 2,706                       |
| 11/04/2013                                   | Augusta                                 | GA    | 2,025  | 710                  | 2,299  | 85  |       | 710  | 2,384                        | 3,094  | 133                         |
| 10/01/2015                                   | Austell                                 | GA    | 3,325  | 540                  | 6,550  | 32  |       | 540  | 6,582                        | 7,122  | 42                          |
| 10/01/2015                                   | Buford                                  | GA    | —      | 500                  | 5,484  | 23  |       | 500  | 5,507                        | 6,007  | 35                          |
| 05/07/2015                                   | Dacula / Auburn Rd                      | GA    | 4,468  | 2,087                | 4,295  | 136   |       | 2,087                                      | 4,431                        | 6,518  | 56                          |
| 01/17/2006                                   | Dacula / Braselton Hwy                  | GA    | 3,670  | 1,993                | 3,001  | 180   |       | 1,993                                      | 3,181                        | 5,174  | 863                         |
| 06/17/2010                                   | Douglasville                            | GA    | —      | 1,209                | 719  | 398   |       | 1,209                                      | 1,117                        | 2,326  | 241                         |
| 10/01/2015                                   | Duluth / Berkeley Lake<br>Rd            | GA    | 4,014  | 1,350                | 5,718  | 31  |       | 1,350                                      | 5,749                        | 7,099  | 37                          |
| 10/01/2015                                   | Duluth / Breckinridge<br>Blvd           | GA    | 3,834  | 1,160                | 6,336  | 63  |       | 1,160                                      | 6,399                        | 7,559  | 41                          |
| 10/01/2015                                   | Duluth / Peachtree<br>Industrial Blvd   | GA    | 4,163  | 440                  | 7,516  | 26  |       | 440  | 7,542                        | 7,982  | 48                          |
| 11/30/2012                                   | Eastpoint                               | GA    | 5,497  | 1,718                | 6,388  | 171   |       | 1,718                                      | 6,559                        | 8,277  | 540                         |

**Extra Space Storage Inc.**  
**Schedule III**  
**Real Estate and Accumulated Depreciation (Continued)**  
**(Dollars in thousands)**

| Date acquired or development completed | Store Name                          | State | Debt   | Land initial cost | Building and improvements initial cost | Adjustments and costs subsequent to acquisition | Notes | Gross carrying amount at December 31, 2015 |                           |        | Accumulated depreciation |
|--|-------------------------------------|-------|--------|-------------------|--|---|-------|--|---------------------------|--------|--------------------------|
|  |                                     |       |        |                   |  |   |       | Land                                       | Building and improvements | Total  |                          |
| 10/01/2015                             | Ellenwood                           | GA    | 2,666  | 260               | 3,992                                  | 26  |       | 260  | 4,018                     | 4,278  | 26                       |
| 06/14/2007                             | Johns Creek                         | GA    | 3,373  | 1,454             | 4,151                                  | 177   |       | 1,454                                      | 4,328                     | 5,782  | 1,000                    |
| 10/01/2015                             | Jonesboro                           | GA    | —      | 540               | 6,174                                  | 14  |       | 540  | 6,188                     | 6,728  | 40                       |
| 06/17/2010                             | Kennesaw / Cobb Parkway NW          | GA    | —      | 673               | 1,151                                  | 195   |       | 673  | 1,346                     | 2,019  | 237                      |
| 10/01/2015                             | Kennesaw / George Busbee Pkwy       | GA    | 4,702  | 500               | 9,126                                  | —   |       | 500  | 9,126                     | 9,626  | 59                       |
| 11/04/2013                             | Lawrenceville / Hurricane Shoals Rd | GA    | 3,335  | 2,117             | 2,784                                  | 291   |       | 2,117                                      | 3,075                     | 5,192  | 191                      |
| 10/01/2015                             | Lawrenceville / Lawrenceville Hwy 1 | GA    | —      | 730               | 3,058                                  | 27  |       | 730  | 3,085                     | 3,815  | 20                       |
| 10/01/2015                             | Lawrenceville / Lawrenceville Hwy 2 | GA    | 3,025  | 1,510             | 4,674                                  | 31  |       | 1,510                                      | 4,705                     | 6,215  | 30                       |
| 10/01/2015                             | Lawrenceville / Old Norcross Rd     | GA    | —      | 870               | 3,705                                  | —   |       | 870  | 3,705                     | 4,575  | 24                       |
| 11/12/2009                             | Lithonia                            | GA    | —      | 1,958             | 3,645                                  | 137   |       | 1,958                                      | 3,782                     | 5,740  | 625                      |
| 10/01/2015                             | Marietta / Austell Rd SW            | GA    | —      | 1,070             | 3,560                                  | 11  |       | 1,070                                      | 3,571                     | 4,641  | 23                       |
| 06/17/2010                             | Marietta / Cobb Parkway N           | GA    | —      | 887               | 2,617                                  | 332   |       | 887  | 2,949                     | 3,836  | 488                      |
| 10/01/2015                             | Marietta / Powers Ferry Rd          | GA    | 5,421  | 430               | 9,242                                  | 24  |       | 430  | 9,266                     | 9,696  | 59                       |
| 10/01/2015                             | Marietta / West Oak Pkwy            | GA    | 4,343  | 500               | 6,395                                  | 21  |       | 500  | 6,416                     | 6,916  | 41                       |
| 10/01/2015                             | Peachtree City                      | GA    | —      | 1,080             | 8,628                                  | 12  |       | 1,080                                      | 8,640                     | 9,720  | 55                       |
| 04/24/2015                             | Powder Springs                      | GA    | 4,595  | 370               | 6,014                                  | 61  |       | 370  | 6,075                     | 6,445  | 78                       |
| 10/01/2015                             | Sandy Springs                       | GA    | 6,919  | 1,740             | 11,439                                 | 23  |       | 1,740                                      | 11,462                    | 13,202 | 73                       |
| 10/01/2015                             | Savannah / King George Blvd 1       | GA    | 2,935  | 390               | 4,889                                  | 17  |       | 390  | 4,906                     | 5,296  | 31                       |
| 10/01/2015                             | Savannah / King George Blvd 2       | GA    | —      | 390               | 3,370                                  | 18  |       | 390  | 3,388                     | 3,778  | 22                       |
| 10/01/2015                             | Sharpsburg                          | GA    | 4,852  | 360               | 8,455                                  | 21  |       | 360  | 8,476                     | 8,836  | 54                       |
| 10/01/2015                             | Smyrna                              | GA    | 4,553  | 1,360             | 7,002                                  | 35  |       | 1,360                                      | 7,037                     | 8,397  | 45                       |
| 08/26/2004                             | Snellville                          | GA    | —      | 2,691             | 4,026                                  | 330   |       | 2,691                                      | 4,356                     | 7,047  | 1,384                    |
| 08/26/2004                             | Stone Mountain / Annistown Rd       | GA    | 2,784  | 1,817             | 4,382                                  | 328   |       | 1,817                                      | 4,710                     | 6,527  | 1,464                    |
| 07/01/2005                             | Stone Mountain / S Hairston Rd      | GA    | 2,518  | 925               | 3,505                                  | 407   |       | 925  | 3,912                     | 4,837  | 1,157                    |
| 06/14/2007                             | Sugar Hill / Nelson Brogdon Blvd 1  | GA    | —      | 1,371             | 2,547                                  | 223   |       | 1,371                                      | 2,770                     | 4,141  | 684                      |
| 06/14/2007                             | Sugar Hill / Nelson Brogdon Blvd 2  | GA    | —      | 1,368             | 2,540                                  | 270   |       | 1,367                                      | 2,811                     | 4,178  | 689                      |
| 10/15/2013                             | Tucker                              | GA    | 5,848  | 1,773             | 10,456                                 | 67  |       | 1,773                                      | 10,523                    | 12,296 | 598                      |
| 10/01/2015                             | Wilmington Island                   | GA    | 5,571  | 760               | 9,423                                  | 32  |       | 760  | 9,455                     | 10,215 | 60                       |
| 05/03/2013                             | Honolulu                            | HI    | 17,382 | 4,674             | 18,350                                 | 183   |       | 4,674                                      | 18,533                    | 23,207 | 1,257                    |
| 06/25/2007                             | Kahului                             | HI    | —      | 3,984             | 15,044                                 | 917   |       | 3,984                                      | 15,961                    | 19,945 | 3,724                    |
| 06/25/2007                             | Kapolei / Farrington Hwy 1          | HI    | 9,289  | —                 | 24,701                                 | 564   |       | —  | 25,265                    | 25,265 | 5,686                    |
| 12/06/2013                             | Kapolei / Farrington Hwy 2          | HI    | 7,137  | —                 | 7,776                                  | 63  |       | —  | 7,839                     | 7,839  | 412                      |
| 05/03/2013                             | Wahiawa                             | HI    | 3,553  | 1,317             | 2,626                                  | 120   |       | 1,317                                      | 2,746                     | 4,063  | 194                      |
| 11/04/2013                             | Bedford Park                        | IL    | 2,469  | 922               | 3,289                                  | 351   |       | 922  | 3,640                     | 4,562  | 209                      |
| 06/08/2015                             | Berwyn                              | IL    | —      | 965               | 9,085                                  | 145   |       | 965  | 9,230                     | 10,195 | 119                      |
| 11/04/2013                             | Chicago / 60th St                   | IL    | 4,910  | 1,363             | 5,850                                  | 149   |       | 1,363                                      | 5,999                     | 7,362  | 336                      |
| 11/04/2013                             | Chicago / 87th St                   | IL    | 5,846  | 2,881             | 6,324                                  | 95  |       | 2,881                                      | 6,419                     | 9,300  | 349                      |
| 10/01/2015                             | Chicago / 95th St                   | IL    | —      | 750               | 7,828                                  | 97  |       | 750  | 7,925                     | 8,675  | 51                       |
| 02/13/2013                             | Chicago / Montrose                  | IL    | 8,276  | 1,318             | 9,485                                  | 66  |       | 1,318                                      | 9,551                     | 10,869 | 718                      |
| 11/04/2013                             | Chicago / Pulaski Rd                | IL    | 3,615  | 1,143             | 6,138                                  | 308   |       | 1,143                                      | 6,446                     | 7,589  | 352                      |

[Table of Contents](#)

**Extra Space Storage Inc.**  
**Schedule III**  
**Real Estate and Accumulated Depreciation (Continued)**  
**(Dollars in thousands)**

| Date acquired<br>or development<br>completed | Store<br>Name                                    | State | Debt   | Land<br>initial cost | Building and<br>improvements<br>initial cost | Adjustments and<br>costs subsequent<br>to acquisition | Notes | Gross carrying amount at December 31, 2015 |                              |        | Accumulated<br>depreciation |
|--|--|-------|--------|----------------------|--|---|-------|--|------------------------------|--------|-----------------------------|
|  |  |       |        |                      |  |   |       | Land                                       | Building and<br>improvements | Total  |                             |
| 07/01/2005                                   | Chicago / South<br>Wabash                        | IL    | —      | 621                  | 3,428  | 2,226   |       | 621  | 5,654                        | 6,275  | 1,618                       |
| 11/10/2004                                   | Chicago / Stony Island                           | IL    | —      | 1,925                | —  | —   |       | 1,925                                      | —                            | 1,925  | —                           |
| 07/01/2005                                   | Chicago / West<br>Addison                        | IL    | 5,433  | 449                  | 2,471  | 804   |       | 449  | 3,275                        | 3,724  | 1,122                       |
| 07/01/2005                                   | Chicago / West<br>Harrison                       | IL    | 4,477  | 472                  | 2,582  | 2,820   |       | 472  | 5,402                        | 5,874  | 1,186                       |
| 10/01/2015                                   | Chicago / Western<br>Ave                         | IL    | —      | 670                  | 4,718  | 101   |       | 670  | 4,819                        | 5,489  | 32                          |
| 10/01/2015                                   | Cicero / Ogden Ave                               | IL    | —      | 1,590                | 9,371  | 68  |       | 1,590                                      | 9,439                        | 11,029 | 61                          |
| 10/01/2015                                   | Cicero / Roosevelt Rd                            | IL    | —      | 910                  | 3,224  | 80  |       | 910  | 3,304                        | 4,214  | 21                          |
| 07/15/2003                                   | Crest Hill                                       | IL    | 2,340  | 847                  | 2,946  | 812   |       | 968  | 3,637                        | 4,605  | 1,187                       |
| 10/01/2007                                   | Gurnee   | IL    | —      | 1,374                | 8,296  | 128   |       | 1,374                                      | 8,424                        | 9,798  | 1,803                       |
| 12/01/2011                                   | Highland Park                                    | IL    | 11,852 | 5,798                | 6,016  | 105   |       | 5,798                                      | 6,121                        | 11,919 | 667                         |
| 11/04/2013                                   | Lincolnshire                                     | IL    | 3,585  | 1,438                | 5,128  | 34  |       | 1,438                                      | 5,162                        | 6,600  | 281                         |
| 12/01/2008                                   | Naperville / Ogden<br>Avenue                     | IL    | —      | 2,800                | 7,355  | (711)   | (d)   | 1,950                                      | 7,494                        | 9,444  | 1,385                       |
| 12/01/2011                                   | Naperville / State<br>Route 59                   | IL    | 4,734  | 1,860                | 5,793  | 108   |       | 1,860                                      | 5,901                        | 7,761  | 636                         |
| 05/03/2008                                   | North Aurora                                     | IL    | 2,409  | 600                  | 5,833  | 143   |       | 600  | 5,976                        | 6,576  | 1,210                       |
| 07/02/2012                                   | Skokie   | IL    | 3,857  | 1,119                | 7,502  | 208   |       | 1,119                                      | 7,710                        | 8,829  | 710                         |
| 10/15/2002                                   | South Holland                                    | IL    | 2,382  | 839                  | 2,879  | 374   |       | 865  | 3,227                        | 4,092  | 1,147                       |
| 08/01/2008                                   | Tinley Park                                      | IL    | —      | 1,823                | 4,794  | 993   |       | 1,548                                      | 6,062                        | 7,610  | 985                         |
| 10/10/2008                                   | Carmel   | IN    | 4,929  | 1,169                | 4,393  | 284   |       | 1,169                                      | 4,677                        | 5,846  | 985                         |
| 06/27/2011                                   | Connerville                                      | IN    | 1,097  | 472                  | 315  | 120   |       | 472  | 435                          | 907    | 82                          |
| 10/31/2008                                   | Ft Wayne   | IN    | —      | 1,899                | 3,292  | 293   |       | 1,899                                      | 3,585                        | 5,484  | 789                         |
| 10/10/2008                                   | Indianapolis / Dandy<br>Trail-Windham Lake<br>Dr | IN    | 5,537  | 850                  | 4,545  | 409   |       | 850  | 4,954                        | 5,804  | 1,105                       |
| 08/31/2007                                   | Indianapolis / E 65th<br>St                      | IN    | —      | 588                  | 3,457  | 335   |       | 588  | 3,792                        | 4,380  | 965                         |
| 11/30/2012                                   | Indianapolis / E 86th<br>St                      | IN    | 1,060  | 646                  | 1,294  | 164   |       | 646  | 1,458                        | 2,104  | 144                         |
| 10/10/2008                                   | Indianapolis /<br>Southport Rd-Kildeer<br>Dr     | IN    | —      | 426                  | 2,903  | 389   |       | 426  | 3,292                        | 3,718  | 748                         |
| 10/10/2008                                   | Mishawaka  | IN    | 4,862  | 630                  | 3,349  | 299   |       | 630  | 3,648                        | 4,278  | 798                         |
| 06/27/2011                                   | Richmond   | IN    | —      | 723                  | 482  | 438   |       | 723  | 920                          | 1,643  | 155                         |
| 04/13/2006                                   | Wichita  | KS    | 2,045  | 366                  | 1,897  | 433   |       | 366  | 2,330                        | 2,696  | 745                         |
| 06/27/2011                                   | Covington  | KY    | 1,951  | 839                  | 2,543  | 146   |       | 839  | 2,689                        | 3,528  | 358                         |
| 10/01/2015                                   | Crescent Springs                                 | KY    | —      | 120                  | 5,313  | 5   |       | 120  | 5,318                        | 5,438  | 34                          |
| 10/01/2015                                   | Erlanger   | KY    | 3,731  | 220                  | 7,132  | 10  |       | 220  | 7,142                        | 7,362  | 46                          |
| 10/01/2015                                   | Florence / Centennial<br>Circle                  | KY    | —      | 240                  | 8,234  | 7   |       | 240  | 8,241                        | 8,481  | 53                          |
| 10/01/2015                                   | Florence / Steilen Dr                            | KY    | 6,181  | 540                  | 13,616                                       | 2   |       | 540  | 13,618                       | 14,158 | 87                          |
| 07/01/2005                                   | Louisville / Bardstown<br>Rd                     | KY    | —      | 586                  | 3,244  | 402   |       | 586  | 3,646                        | 4,232  | 1,137                       |
| 07/01/2005                                   | Louisville / Warwick<br>Ave                      | KY    | 4,137  | 1,217                | 4,611  | 214   |       | 1,217                                      | 4,825                        | 6,042  | 1,417                       |
| 12/01/2005                                   | Louisville /<br>Wattbourne Ln                    | KY    | 4,612  | 892                  | 2,677  | 266   |       | 892  | 2,943                        | 3,835  | 823                         |
| 10/01/2015                                   | Walton   | KY    | —      | 290                  | 6,245  | 13  |       | 290  | 6,258                        | 6,548  | 40                          |
| 08/26/2004                                   | Metairie   | LA    | 3,688  | 2,056                | 4,216  | 314   |       | 2,056                                      | 4,530                        | 6,586  | 1,362                       |
| 08/26/2004                                   | New Orleans                                      | LA    | 5,213  | 4,058                | 4,325  | 703   |       | 4,059                                      | 5,027                        | 9,086  | 1,652                       |
| 06/01/2003                                   | Ashland  | MA    | 5,643  | 474                  | 3,324  | 370   |       | 474  | 3,694                        | 4,168  | 1,454                       |

[Table of Contents](#)

**Extra Space Storage Inc.**  
**Schedule III**  
**Real Estate and Accumulated Depreciation (Continued)**  
**(Dollars in thousands)**

| Date acquired<br>or development<br>completed | Store<br>Name                     | State | Debt   | Land<br>initial cost | Building and<br>improvements<br>initial cost | Adjustments and<br>costs subsequent<br>to acquisition | Notes | Gross carrying amount at December 31, 2015 |                              |        | Accumulated<br>depreciation |
|--|-----------------------------------|-------|--------|----------------------|--|---|-------|--|------------------------------|--------|-----------------------------|
|  |                                   |       |        |                      |  |   |       | Land                                       | Building and<br>improvements | Total  |                             |
| 05/01/2004                                   | Auburn                            | MA    | —      | 918                  | 3,728  | 365   |       | 919  | 4,092                        | 5,011  | 1,667                       |
| 11/04/2013                                   | Billerica                         | MA    | 8,008  | 3,023                | 6,697  | 192   |       | 3,023                                      | 6,889                        | 9,912  | 384                         |
| 05/01/2004                                   | Brockton / Centre St /<br>Rte 123 | MA    | —      | 647                  | 2,762  | 193   |       | 647  | 2,955                        | 3,602  | 1,140                       |
| 11/04/2013                                   | Brockton / Oak St                 | MA    | 5,029  | 829                  | 6,195  | 479   |       | 829  | 6,674                        | 7,503  | 384                         |
| 11/09/2012                                   | Danvers                           | MA    | 7,662  | 3,115                | 5,736  | 188   |       | 3,115                                      | 5,924                        | 9,039  | 487                         |
| 02/06/2004                                   | Dedham / Allied Dr                | MA    | —      | 2,443                | 7,328  | 1,411   |       | 2,443                                      | 8,739                        | 11,182 | 2,949                       |
| 03/04/2002                                   | Dedham / Milton St                | MA    | 5,935  | 2,127                | 3,041  | 935   |       | 2,127                                      | 3,976                        | 6,103  | 1,540                       |
| 05/13/2015                                   | Dedham / Providence<br>Highway    | MA    | —      | 1,625                | 10,875                                       | 9   |       | 1,625                                      | 10,884                       | 12,509 | 139                         |
| 02/06/2004                                   | East Somerville                   | MA    | —      | —                    | —  | 159   |       | —  | 159                          | 159    | 120                         |
| 07/01/2005                                   | Everett                           | MA    | —      | 692                  | 2,129  | 1,092   |       | 692  | 3,221                        | 3,913  | 1,069                       |
| 05/01/2004                                   | Foxboro                           | MA    | —      | 759                  | 4,158  | 479   |       | 759  | 4,637                        | 5,396  | 2,031                       |
| 07/02/2012                                   | Framingham                        | MA    | —      | —                    | —  | 47  |       | —  | 47                           | 47     | 14                          |
| 05/01/2004                                   | Hudson                            | MA    | 3,287  | 806                  | 3,122  | 471   |       | 806  | 3,593                        | 4,399  | 1,590                       |
| 12/31/2007                                   | Jamaica Plain                     | MA    | 9,245  | 3,285                | 11,275                                       | 637   |       | 3,285                                      | 11,912                       | 15,197 | 2,526                       |
| 10/18/2002                                   | Kingston                          | MA    | 5,351  | 555                  | 2,491  | 215   |       | 555  | 2,706                        | 3,261  | 1,078                       |
| 06/22/2001                                   | Lynn                              | MA    | —      | 1,703                | 3,237  | 438   |       | 1,703                                      | 3,675                        | 5,378  | 1,490                       |
| 03/31/2004                                   | Marshfield                        | MA    | 4,533  | 1,039                | 4,155  | 270   |       | 1,026                                      | 4,438                        | 5,464  | 1,414                       |
| 11/14/2002                                   | Milton                            | MA    | —      | 2,838                | 3,979  | 6,656   |       | 2,838                                      | 10,635                       | 13,473 | 2,774                       |
| 11/04/2013                                   | North Andover                     | MA    | 3,679  | 773                  | 4,120  | 126   |       | 773  | 4,246                        | 5,019  | 240                         |
| 10/15/1999                                   | North Oxford                      | MA    | 3,780  | 482                  | 1,762  | 515   |       | 527  | 2,232                        | 2,759  | 993                         |
| 02/28/2001                                   | Northborough                      | MA    | 4,489  | 280                  | 2,715  | 571   |       | 280  | 3,286                        | 3,566  | 1,445                       |
| 08/15/1999                                   | Norwood                           | MA    | 6,523  | 2,160                | 2,336  | 1,824   |       | 2,221                                      | 4,099                        | 6,320  | 1,570                       |
| 07/01/2005                                   | Plainville                        | MA    | 4,913  | 2,223                | 4,430  | 461   |       | 2,223                                      | 4,891                        | 7,114  | 1,728                       |
| 02/06/2004                                   | Quincy                            | MA    | 6,910  | 1,359                | 4,078  | 426   |       | 1,360                                      | 4,503                        | 5,863  | 1,451                       |
| 05/15/2000                                   | Raynham                           | MA    | —      | 588                  | 2,270  | 762   |       | 670  | 2,950                        | 3,620  | 1,200                       |
| 12/01/2011                                   | Revere                            | MA    | 4,821  | 2,275                | 6,935  | 183   |       | 2,275                                      | 7,118                        | 9,393  | 774                         |
| 06/01/2003                                   | Saugus                            | MA    | 9,142  | 1,725                | 5,514  | 581   |       | 1,725                                      | 6,095                        | 7,820  | 2,207                       |
| 06/15/2001                                   | Somerville                        | MA    | 11,664 | 1,728                | 6,570  | 939   |       | 1,731                                      | 7,506                        | 9,237  | 2,757                       |
| 07/01/2005                                   | Stoneham                          | MA    | 5,826  | 944                  | 5,241  | 187   |       | 944  | 5,428                        | 6,372  | 1,568                       |
| 05/01/2004                                   | Stoughton                         | MA    | —      | 1,754                | 2,769  | 323   |       | 1,755                                      | 3,091                        | 4,846  | 1,315                       |
| 07/02/2012                                   | Tyngsboro                         | MA    | 3,403  | 1,843                | 5,004  | 71  |       | 1,843                                      | 5,075                        | 6,918  | 463                         |
| 02/06/2004                                   | Waltham                           | MA    | 5,095  | 3,770                | 11,310                                       | 1,120   |       | 3,770                                      | 12,430                       | 16,200 | 3,984                       |
| 09/14/2000                                   | Weymouth                          | MA    | —      | 2,806                | 3,129  | 231   |       | 2,806                                      | 3,360                        | 6,166  | 1,424                       |
| 02/06/2004                                   | Woburn                            | MA    | —      | —                    | —  | 283   |       | —  | 283                          | 283    | 146                         |
| 12/01/2006                                   | Worcester / Ararat St             | MA    | 3,989  | 1,350                | 4,433  | 182   |       | 1,350                                      | 4,615                        | 5,965  | 1,129                       |
| 05/01/2004                                   | Worcester / Millbury St           | MA    | 4,383  | 896                  | 4,377  | 3,206   |       | 896  | 7,583                        | 8,479  | 2,754                       |
| 08/31/2007                                   | Annapolis / Renard Ct /<br>Annex  | MD    | 15,544 | 1,375                | 8,896  | 341   |       | 1,376                                      | 9,236                        | 10,612 | 2,153                       |
| 04/17/2007                                   | Annapolis / Trout Rd              | MD    | 6,291  | 5,248                | 7,247  | 219   |       | 5,247                                      | 7,467                        | 12,714 | 1,755                       |
| 07/01/2005                                   | Arnold                            | MD    | 8,835  | 2,558                | 9,446  | 500   |       | 2,558                                      | 9,946                        | 12,504 | 2,844                       |
| 05/31/2012                                   | Baltimore / Eastern Ave<br>1      | MD    | 4,434  | 1,185                | 5,051  | 166   |       | 1,185                                      | 5,217                        | 6,402  | 502                         |

[Table of Contents](#)

**Extra Space Storage Inc.**  
**Schedule III**  
**Real Estate and Accumulated Depreciation (Continued)**  
**(Dollars in thousands)**

| Date acquired or development completed | Store Name                   | State | Debt   | Land initial cost | Building and improvements initial cost | Adjustments and costs subsequent to acquisition | Notes | Gross carrying amount at December 31, 2015 |                           |        | Accumulated depreciation |
|--|------------------------------|-------|--------|-------------------|--|---|-------|--|---------------------------|--------|--------------------------|
|  |                              |       |        |                   |  |   |       | Land                                       | Building and improvements | Total  |                          |
| 02/13/2013                             | Baltimore / Eastern Ave 2    | MD    | 6,997  | 1,266             | 10,789                                 | 134   |       | 1,266                                      | 10,923                    | 12,189 | 821                      |
| 11/01/2008                             | Baltimore / Moravia Rd       | MD    | 4,360  | 800               | 5,955                                  | 160   |       | 800  | 6,115                     | 6,915  | 1,163                    |
| 06/01/2010                             | Baltimore / N Howard St      | MD    | —      | 1,900             | 5,277                                  | 155   |       | 1,900                                      | 5,432                     | 7,332  | 807                      |
| 07/01/2005                             | Bethesda                     | MD    | 11,900 | 3,671             | 18,331                                 | 1,347   |       | 3,671                                      | 19,678                    | 23,349 | 6,084                    |
| 10/20/2010                             | Capitol Heights              | MD    | 8,105  | 1,461             | 9,866                                  | 244   |       | 1,461                                      | 10,110                    | 11,571 | 1,429                    |
| 03/07/2012                             | Cockeysville                 | MD    | 3,743  | 465               | 5,600                                  | 304   |       | 465  | 5,904                     | 6,369  | 624                      |
| 07/01/2005                             | Columbia                     | MD    | 7,810  | 1,736             | 9,632                                  | 377   |       | 1,736                                      | 10,009                    | 11,745 | 2,819                    |
| 12/02/2005                             | Edgewood / Pulaski Hwy 1     | MD    | —      | 1,000             | —                                      | (575)   | (d)   | 425  | —                         | 425    | —                        |
| 09/10/2015                             | Edgewood / Pulaski Hwy 2     | MD    | —      | 794               | 5,178                                  | 97  |       | 794  | 5,275                     | 6,069  | 45                       |
| 01/11/2007                             | Ft. Washington               | MD    | 8,848  | 4,920             | 9,174                                  | 231   |       | 4,920                                      | 9,405                     | 14,325 | 2,252                    |
| 07/02/2012                             | Gambrills                    | MD    | 4,758  | 1,905             | 7,104                                  | 207   |       | 1,905                                      | 7,311                     | 9,216  | 652                      |
| 07/08/2011                             | Glen Burnie                  | MD    | 11,247 | 1,303             | 4,218                                  | 347   |       | 1,303                                      | 4,565                     | 5,868  | 623                      |
| 06/10/2013                             | Hanover                      | MD    | —      | 2,160             | 11,340                                 | 67  |       | 2,160                                      | 11,407                    | 13,567 | 750                      |
| 02/06/2004                             | Lanham                       | MD    | 11,753 | 3,346             | 10,079                                 | 706   |       | 2,618                                      | 11,513                    | 14,131 | 3,797                    |
| 12/27/2007                             | Laurel                       | MD    | 5,849  | 3,000             | 5,930                                  | 197   |       | 3,000                                      | 6,127                     | 9,127  | 1,325                    |
| 12/27/2012                             | Lexington Park               | MD    | —      | 4,314             | 8,412                                  | 160   |       | 4,314                                      | 8,572                     | 12,886 | 688                      |
| 09/17/2008                             | Pasadena / Fort Smallwood Rd | MD    | 10,025 | 1,869             | 3,056                                  | 706   |       | 1,869                                      | 3,762                     | 5,631  | 966                      |
| 03/24/2011                             | Pasadena / Mountain Rd       | MD    | —      | 3,500             | 7,407                                  | 155   |       | 3,500                                      | 7,562                     | 11,062 | 911                      |
| 08/01/2011                             | Randallstown                 | MD    | 4,450  | 764               | 6,331                                  | 314   |       | 764  | 6,645                     | 7,409  | 809                      |
| 09/01/2006                             | Rockville                    | MD    | 12,011 | 4,596             | 11,328                                 | 392   |       | 4,596                                      | 11,720                    | 16,316 | 2,890                    |
| 07/01/2005                             | Towson / East Joppa Rd 1     | MD    | 3,810  | 861               | 4,742                                  | 249   |       | 861  | 4,991                     | 5,852  | 1,472                    |
| 07/02/2012                             | Towson / East Joppa Rd 2     | MD    | 6,018  | 1,094             | 9,598                                  | 156   |       | 1,094                                      | 9,754                     | 10,848 | 882                      |
| 07/02/2012                             | Belleville                   | MI    | 3,763  | 954               | 4,984                                  | 116   |       | 954  | 5,100                     | 6,054  | 464                      |
| 07/01/2005                             | Grandville                   | MI    | —      | 726               | 1,298                                  | 432   |       | 726  | 1,730                     | 2,456  | 641                      |
| 07/01/2005                             | Mt Clemens                   | MI    | —      | 798               | 1,796                                  | 517   |       | 798  | 2,313                     | 3,111  | 739                      |
| 08/31/2007                             | Florissant                   | MO    | 3,311  | 1,241             | 4,648                                  | 346   |       | 1,241                                      | 4,994                     | 6,235  | 1,254                    |
| 07/01/2005                             | Grandview                    | MO    | —      | 612               | 1,770                                  | 417   |       | 612  | 2,187                     | 2,799  | 784                      |
| 06/01/2000                             | St Louis / Forest Park       | MO    | 2,479  | 156               | 1,313                                  | 634   |       | 173  | 1,930                     | 2,103  | 899                      |
| 08/31/2007                             | St Louis / Gravois Rd        | MO    | 2,607  | 676               | 3,551                                  | 351   |       | 676  | 3,902                     | 4,578  | 994                      |
| 06/01/2000                             | St Louis / Halls Ferry Rd    | MO    | 2,507  | 631               | 2,159                                  | 691   |       | 690  | 2,791                     | 3,481  | 1,178                    |
| 08/31/2007                             | St Louis / Old Tesson Rd     | MO    | 6,397  | 1,444             | 4,162                                  | 366   |       | 1,444                                      | 4,528                     | 5,972  | 1,139                    |
| 10/01/2015                             | Biloxi                       | MS    | —      | 770               | 3,947                                  | 24  |       | 770  | 3,971                     | 4,741  | 25                       |
| 10/01/2015                             | Canton                       | MS    | —      | 1,240             | 7,767                                  | 9   |       | 1,240                                      | 7,776                     | 9,016  | 50                       |
| 10/01/2015                             | Ridgeland                    | MS    | —      | 410               | 9,135                                  | 32  |       | 410  | 9,167                     | 9,577  | 59                       |
| 10/15/2013                             | Cary                         | NC    | 4,229  | 3,614             | 1,788                                  | 13  |       | 3,614                                      | 1,801                     | 5,415  | 102                      |
| 05/05/2015                             | Charlotte / Monroe Rd        | NC    | —      | 4,050             | 6,867                                  | 136   |       | 4,050                                      | 7,003                     | 11,053 | 90                       |
| 12/08/2015                             | Charlotte / S Tryon St       | NC    | —      | 1,372             | 3,931                                  | 1   |       | 1,372                                      | 3,932                     | 5,304  | —                        |
| 06/19/2015                             | Charlotte / Wendover Rd      | NC    | —      | 1,408             | 5,461                                  | 55  |       | 1,408                                      | 5,516                     | 6,924  | 71                       |
| 10/01/2015                             | Concord                      | NC    | —      | 770               | 4,873                                  | 27  |       | 770  | 4,900                     | 5,670  | 31                       |
| 12/11/2014                             | Greensboro / High Point Rd   | NC    | 3,712  | 1,069             | 4,199                                  | 70  |       | 1,069                                      | 4,269                     | 5,338  | 113                      |

[Table of Contents](#)

**Extra Space Storage Inc.**  
**Schedule III**  
**Real Estate and Accumulated Depreciation (Continued)**  
**(Dollars in thousands)**

| Date acquired or development completed | Store Name                        | State | Debt   | Land initial cost | Building and improvements initial cost | Adjustments and costs subsequent to acquisition | Notes  | Gross carrying amount at December 31, 2015 |                           |        | Accumulated depreciation |
|--|-----------------------------------|-------|--------|-------------------|--|---|--------|--|---------------------------|--------|--------------------------|
|  |                                   |       |        |                   |  |   |        | Land                                       | Building and improvements | Total  |                          |
| 12/11/2014                             | Greensboro / Lawndale Drive       | NC    | 6,502  | 3,725             | 7,036                                  | 112   |        | 3,723                                      | 7,150                     | 10,873 | 189                      |
| 10/01/2015                             | Hickory                           | NC    | —      | 400               | 5,844                                  | 18  |        | 400  | 5,862                     | 6,262  | 37                       |
| 12/11/2014                             | Hickory                           | NC    | 3,329  | 875               | 5,418                                  | 60  |        | 875  | 5,478                     | 6,353  | 146                      |
| 10/01/2015                             | Morganton                         | NC    | —      | 600               | 5,724                                  | 22  |        | 600  | 5,746                     | 6,346  | 37                       |
| 06/18/2014                             | Raleigh                           | NC    | —      | 2,940             | 4,265                                  | 72  |        | 2,940                                      | 4,337                     | 7,277  | 174                      |
| 12/11/2014                             | Winston-Salem / Peters Creek Pkwy | NC    | 3,011  | 1,548             | 3,495                                  | 97  |        | 1,548                                      | 3,592                     | 5,140  | 95                       |
| 12/11/2014                             | Winston-Salem / University Pkwy   | NC    | 4,266  | 1,131             | 5,084                                  | 66  |        | 1,131                                      | 5,150                     | 6,281  | 136                      |
| 04/15/1999                             | Merrimack                         | NH    | 3,793  | 754               | 3,299                                  | 612   |        | 817  | 3,848                     | 4,665  | 1,410                    |
| 07/01/2005                             | Nashua                            | NH    | —      | —                 | 755                                    | 116   |        | —  | 871                       | 871    | 366                      |
| 01/01/2005                             | Avenel                            | NJ    | —      | 1,518             | 8,037                                  | 426   |        | 1,518                                      | 8,463                     | 9,981  | 2,536                    |
| 12/28/2004                             | Bayville                          | NJ    | 3,648  | 1,193             | 5,312                                  | 398   |        | 1,193                                      | 5,710                     | 6,903  | 1,767                    |
| 09/01/2008                             | Bellmawr                          | NJ    | 3,296  | 3,600             | 4,765                                  | 390   |        | 3,675                                      | 5,080                     | 8,755  | 908                      |
| 07/18/2012                             | Berkeley Heights                  | NJ    | 6,887  | 1,598             | 7,553                                  | 197   |        | 1,598                                      | 7,750                     | 9,348  | 703                      |
| 12/18/2014                             | Burlington                        | NJ    | 3,846  | 477               | 6,534                                  | 153   |        | 477  | 6,687                     | 7,164  | 182                      |
| 10/07/2015                             | Cherry Hill / Church Rd           | NJ    | —      | 1,057             | 6,037                                  | 7   |        | 1,057                                      | 6,044                     | 7,101  | —                        |
| 11/30/2012                             | Cherry Hill / Marlton Pike        | NJ    | 2,534  | 2,323             | 1,549                                  | 321   |        | 2,323                                      | 1,870                     | 4,193  | 171                      |
| 12/18/2014                             | Cherry Hill / Rockhill Rd         | NJ    | 1,960  | 536               | 3,407                                  | 56  |        | 536  | 3,463                     | 3,999  | 96                       |
| 11/30/2012                             | Cranbury                          | NJ    | 6,910  | 3,543             | 5,095                                  | 771   |        | 3,543                                      | 5,866                     | 9,409  | 480                      |
| 12/18/2014                             | Denville                          | NJ    | 8,926  | 584               | 14,398                                 | 110   |        | 584  | 14,508                    | 15,092 | 386                      |
| 12/31/2001                             | Edison                            | NJ    | 8,591  | 2,519             | 8,547                                  | 1,638   |        | 2,518                                      | 10,186                    | 12,704 | 3,536                    |
| 12/31/2001                             | Egg Harbor Township               | NJ    | 3,980  | 1,724             | 5,001                                  | 723   |        | 1,724                                      | 5,724                     | 7,448  | 2,315                    |
| 03/15/2007                             | Ewing                             | NJ    | —      | 1,552             | 4,720                                  | (44)  | (c, d) | 1,562                                      | 4,666                     | 6,228  | 1,136                    |
| 07/18/2012                             | Fairfield                         | NJ    | 6,001  | —                 | 9,402                                  | 105   |        | —  | 9,507                     | 9,507  | 862                      |
| 11/30/2012                             | Fort Lee / Bergen Blvd            | NJ    | 12,649 | 4,402             | 9,831                                  | 319   |        | 4,402                                      | 10,150                    | 14,552 | 836                      |
| 10/01/2015                             | Fort Lee / Main St                | NJ    | —      | 2,280             | 27,409                                 | 33  |        | 2,280                                      | 27,442                    | 29,722 | 176                      |
| 03/15/2001                             | Glen Rock                         | NJ    | —      | 1,109             | 2,401                                  | 559   |        | 1,222                                      | 2,847                     | 4,069  | 1,048                    |
| 12/18/2014                             | Hackensack / Railroad Ave         | NJ    | 7,630  | 2,053             | 9,882                                  | 95  |        | 2,053                                      | 9,977                     | 12,030 | 268                      |
| 07/01/2005                             | Hackensack / South River St       | NJ    | —      | 2,283             | 11,234                                 | 911   |        | 2,283                                      | 12,145                    | 14,428 | 3,650                    |
| 08/23/2012                             | Hackettstown                      | NJ    | 5,879  | 2,144             | 6,660                                  | 144   |        | 2,144                                      | 6,804                     | 8,948  | 619                      |
| 07/02/2012                             | Harrison                          | NJ    | 3,529  | 300               | 6,003                                  | 260   |        | 300  | 6,263                     | 6,563  | 574                      |
| 12/31/2001                             | Hazlet                            | NJ    | 7,580  | 1,362             | 10,262                                 | 1,781   |        | 1,362                                      | 12,043                    | 13,405 | 4,100                    |
| 07/02/2002                             | Hoboken                           | NJ    | 7,765  | 2,687             | 6,092                                  | 324   |        | 2,687                                      | 6,416                     | 9,103  | 2,302                    |
| 12/31/2001                             | Howell                            | NJ    | 3,259  | 2,440             | 3,407                                  | 450   |        | 2,440                                      | 3,857                     | 6,297  | 1,559                    |
| 12/31/2001                             | Iselin                            | NJ    | 4,696  | 505               | 4,524                                  | 584   |        | 505  | 5,108                     | 5,613  | 2,048                    |
| 10/01/2015                             | Jersey City                       | NJ    | —      | 8,050             | 16,342                                 | 113   |        | 8,050                                      | 16,455                    | 24,505 | 106                      |
| 11/30/2012                             | Lawnside                          | NJ    | 5,000  | 1,249             | 5,613                                  | 284   |        | 1,249                                      | 5,897                     | 7,146  | 497                      |
| 02/06/2004                             | Lawrenceville                     | NJ    | 5,261  | 3,402             | 10,230                                 | 534   |        | 3,402                                      | 10,764                    | 14,166 | 3,466                    |
| 07/01/2005                             | Linden                            | NJ    | 3,673  | 1,517             | 8,384                                  | 291   |        | 1,517                                      | 8,675                     | 10,192 | 2,440                    |
| 12/22/2004                             | Lumberton                         | NJ    | 3,986  | 831               | 4,060                                  | 292   |        | 831  | 4,352                     | 5,183  | 1,395                    |
| 03/15/2001                             | Lyndhurst                         | NJ    | —      | 2,679             | 4,644                                  | 1,032   |        | 2,928                                      | 5,427                     | 8,355  | 1,951                    |

**Extra Space Storage Inc.**  
**Schedule III**  
**Real Estate and Accumulated Depreciation (Continued)**  
**(Dollars in thousands)**

| Date acquired<br>or development<br>completed | Store<br>Name                    | State | Debt   | Land<br>initial cost | Building and<br>improvements<br>initial cost | Adjustments and<br>costs subsequent<br>to acquisition | Notes | Gross carrying amount at December 31, 2015 |                              |        | Accumulated<br>depreciation |
|--|----------------------------------|-------|--------|----------------------|--|---|-------|--|------------------------------|--------|-----------------------------|
|  |                                  |       |        |                      |  |   |       | Land                                       | Building and<br>improvements | Total  |                             |
| 08/23/2012                                   | Mahwah                           | NJ    | 10,934 | 1,890                | 13,112                                       | 275   |       | 1,890                                      | 13,387                       | 15,277 | 1,225                       |
| 12/16/2011                                   | Maple Shade                      | NJ    | 4,043  | 1,093                | 5,492  | 180   |       | 1,093                                      | 5,672                        | 6,765  | 631                         |
| 12/07/2001                                   | Metuchen                         | NJ    | 5,491  | 1,153                | 4,462  | 355   |       | 1,153                                      | 4,817                        | 5,970  | 1,796                       |
| 08/28/2012                                   | Montville                        | NJ    | 7,958  | 1,511                | 11,749                                       | 130   |       | 1,511                                      | 11,879                       | 13,390 | 1,054                       |
| 02/06/2004                                   | Morrisville                      | NJ    | —      | 2,487                | 7,494  | 2,202   |       | 1,688                                      | 10,495                       | 12,183 | 2,855                       |
| 07/02/2012                                   | Mt Laurel                        | NJ    | 2,993  | 329                  | 5,217  | 184   |       | 329  | 5,401                        | 5,730  | 508                         |
| 11/02/2006                                   | Neptune                          | NJ    | 7,235  | 4,204                | 8,906  | 380   |       | 4,204                                      | 9,286                        | 13,490 | 2,297                       |
| 07/18/2012                                   | Newark                           | NJ    | 7,330  | 806                  | 8,340  | 137   |       | 806  | 8,477                        | 9,283  | 775                         |
| 07/01/2005                                   | North Bergen / 83rd St           | NJ    | 10,002 | 2,299                | 12,728                                       | 540   |       | 2,299                                      | 13,268                       | 15,567 | 3,768                       |
| 10/06/2011                                   | North Bergen /<br>Kennedy Blvd   | NJ    | —      | 861                  | 17,127                                       | 242   |       | 861  | 17,369                       | 18,230 | 1,902                       |
| 07/25/2003                                   | North Bergen / River Rd          | NJ    | 8,935  | 2,100                | 6,606  | 330   |       | 2,100                                      | 6,936                        | 9,036  | 2,366                       |
| 07/18/2012                                   | North Brunswick                  | NJ    | 6,128  | 2,789                | 4,404  | 150   |       | 2,789                                      | 4,554                        | 7,343  | 435                         |
| 12/31/2001                                   | Old Bridge                       | NJ    | 5,525  | 2,758                | 6,450  | 1,005   |       | 2,758                                      | 7,455                        | 10,213 | 2,917                       |
| 05/01/2004                                   | Parlin / Cheesequake Rd          | NJ    | —      | —                    | 5,273  | 458   |       | —  | 5,731                        | 5,731  | 2,418                       |
| 07/01/2005                                   | Parlin / Route 9 North           | NJ    | —      | 2,517                | 4,516  | 560   |       | 2,517                                      | 5,076                        | 7,593  | 1,728                       |
| 07/18/2012                                   | Parsippany                       | NJ    | 6,322  | 2,353                | 7,798  | 142   |       | 2,354                                      | 7,939                        | 10,293 | 739                         |
| 06/02/2011                                   | Pennsauken                       | NJ    | 3,667  | 1,644                | 3,115  | 362   |       | 1,644                                      | 3,477                        | 5,121  | 487                         |
| 10/01/2015                                   | Riverdale                        | NJ    | 7,158  | 2,000                | 14,541                                       | 21  |       | 2,000                                      | 14,562                       | 16,562 | 93                          |
| 12/09/2009                                   | South Brunswick                  | NJ    | 2,915  | 1,700                | 5,835  | 161   |       | 1,700                                      | 5,996                        | 7,696  | 944                         |
| 07/01/2005                                   | Toms River / Route 37<br>East 1  | NJ    | 4,843  | 1,790                | 9,935  | 468   |       | 1,790                                      | 10,403                       | 12,193 | 3,058                       |
| 10/01/2015                                   | Toms River / Route 37<br>East 2  | NJ    | —      | 1,800                | 10,765                                       | 14  |       | 1,800                                      | 10,779                       | 12,579 | 69                          |
| 10/01/2015                                   | Toms River / Route 9             | NJ    | —      | 980                  | 4,717  | 25  |       | 980  | 4,742                        | 5,722  | 30                          |
| 10/01/2015                                   | Trenton                          | NJ    | —      | 2,180                | 8,007  | 42  |       | 2,180                                      | 8,049                        | 10,229 | 51                          |
| 12/28/2004                                   | Union / Green Ln                 | NJ    | 6,222  | 1,754                | 6,237  | 424   |       | 1,754                                      | 6,661                        | 8,415  | 2,061                       |
| 11/30/2012                                   | Union / Route 22 West            | NJ    | 6,908  | 1,133                | 7,239  | 200   |       | 1,133                                      | 7,439                        | 8,572  | 612                         |
| 11/30/2012                                   | Watchung                         | NJ    | 6,811  | 1,843                | 4,499  | 242   |       | 1,843                                      | 4,741                        | 6,584  | 405                         |
| 11/30/2012                                   | Albuquerque / Airport<br>Dr NW   | NM    | —      | 755                  | 1,797  | 77  |       | 755  | 1,874                        | 2,629  | 160                         |
| 08/31/2007                                   | Albuquerque / Calle<br>Cuervo NW | NM    | 4,506  | 1,298                | 4,628  | 670   |       | 1,298                                      | 5,298                        | 6,596  | 1,303                       |
| 07/02/2012                                   | Santa Fe                         | NM    | 5,724  | 3,066                | 7,366  | 431   |       | 3,066                                      | 7,797                        | 10,863 | 725                         |
| 10/01/2015                                   | Henderson / Racetrack<br>Rd      | NV    | 4,672  | 1,470                | 6,348  | 66  |       | 1,470                                      | 6,414                        | 7,884  | 41                          |
| 11/30/2012                                   | Henderson / Stephanie<br>Pl      | NV    | 8,048  | 2,934                | 8,897  | 270   |       | 2,934                                      | 9,167                        | 12,101 | 757                         |
| 10/01/2015                                   | Las Vegas / Bonanza Rd           | NV    | 3,984  | 820                  | 6,716  | 62  |       | 820  | 6,778                        | 7,598  | 43                          |
| 10/01/2015                                   | Las Vegas / Durango Dr           | NV    | —      | 1,140                | 4,384  | 50  |       | 1,140                                      | 4,434                        | 5,574  | 28                          |
| 06/22/2011                                   | Las Vegas / Jones Blvd           | NV    | 2,402  | 1,441                | 1,810  | 140   |       | 1,441                                      | 1,950                        | 3,391  | 272                         |
| 10/01/2015                                   | Las Vegas / Las Vegas<br>Blvd    | NV    | —      | 2,830                | 6,834  | 90  |       | 2,830                                      | 6,924                        | 9,754  | 45                          |
| 02/22/2000                                   | Las Vegas / N Lamont<br>St       | NV    | 1,144  | 251                  | 717  | 539   |       | 278  | 1,229                        | 1,507  | 610                         |
| 11/01/2013                                   | Las Vegas / North Lamb<br>Blvd   | NV    | 2,601  | 279                  | 3,900  | 18  |       | 279  | 3,918                        | 4,197  | 652                         |
| 10/01/2015                                   | Las Vegas / Pecos Rd             | NV    | —      | 1,420                | 5,900  | 65  |       | 1,420                                      | 5,965                        | 7,385  | 38                          |
| 10/01/2015                                   | Las Vegas / Rancho Dr            | NV    | —      | 590                  | 5,899  | 53  |       | 590  | 5,952                        | 6,542  | 38                          |
| 10/01/2015                                   | Las Vegas / W<br>Charleston Blvd | NV    | —      | 550                  | 1,319  | 70  |       | 550  | 1,389                        | 1,939  | 8                           |

[Table of Contents](#)

**Extra Space Storage Inc.**  
**Schedule III**  
**Real Estate and Accumulated Depreciation (Continued)**  
**(Dollars in thousands)**

| Date acquired or development completed | Store Name                       | State | Debt   | Land initial cost | Building and improvements initial cost | Adjustments and costs subsequent to acquisition | Notes | Gross carrying amount at December 31, 2015 |                           |        | Accumulated depreciation |
|--|----------------------------------|-------|--------|-------------------|--|---|-------|--|---------------------------|--------|--------------------------|
|  |                                  |       |        |                   |  |   |       | Land                                       | Building and improvements | Total  |                          |
| 11/30/2012                             | Las Vegas / W Sahara Ave         | NV    | 4,321  | 773               | 6,006                                  | 182   |       | 773  | 6,188                     | 6,961  | 514                      |
| 11/30/2012                             | Las Vegas / W Tropicana Ave      | NV    | 4,222  | 400               | 4,936                                  | 86  |       | 400  | 5,022                     | 5,422  | 425                      |
| 10/01/2015                             | North Las Vegas                  | NV    | —      | 1,260             | 4,589                                  | 59  |       | 1,260                                      | 4,648                     | 5,908  | 29                       |
| 10/01/2015                             | Ballston Spa                     | NY    | —      | 890               | 9,941                                  | 22  |       | 890  | 9,963                     | 10,853 | 64                       |
| 12/19/2007                             | Bohemia                          | NY    | —      | 1,456             | 1,398                                  | 394   |       | 1,456                                      | 1,792                     | 3,248  | 439                      |
| 12/01/2011                             | Bronx / Edson Av                 | NY    | 17,369 | 3,450             | 21,210                                 | 422   |       | 3,450                                      | 21,632                    | 25,082 | 2,320                    |
| 08/26/2004                             | Bronx / Fordham Rd               | NY    | 9,289  | 3,995             | 11,870                                 | 798   |       | 3,995                                      | 12,668                    | 16,663 | 3,948                    |
| 10/02/2008                             | Brooklyn / 3rd Ave               | NY    | 19,087 | 12,993            | 10,405                                 | 386   |       | 12,993                                     | 10,791                    | 23,784 | 2,108                    |
| 07/02/2012                             | Brooklyn / 64th St               | NY    | 21,188 | 16,188            | 23,309                                 | 347   |       | 16,257                                     | 23,587                    | 39,844 | 2,146                    |
| 05/21/2010                             | Brooklyn / Atlantic Ave          | NY    | 7,790  | 2,802             | 6,536                                  | 282   |       | 2,802                                      | 6,818                     | 9,620  | 1,063                    |
| 12/11/2014                             | Brooklyn / Avenue M              | NY    | —      | 12,085            | 7,665                                  | —   |       | 12,085                                     | 7,665                     | 19,750 | —                        |
| 10/02/2008                             | Centereach                       | NY    | 4,073  | 2,226             | 1,657                                  | 222   |       | 2,226                                      | 1,879                     | 4,105  | 427                      |
| 08/10/2012                             | Central Valley                   | NY    | —      | 2,800             | 12,173                                 | 475   |       | 2,800                                      | 12,648                    | 15,448 | 1,182                    |
| 11/23/2010                             | Freeport                         | NY    | —      | 5,676             | 3,784                                  | 892   |       | 5,676                                      | 4,676                     | 10,352 | 844                      |
| 07/02/2012                             | Hauppauge                        | NY    | 5,482  | 1,238             | 7,095                                  | 352   |       | 1,238                                      | 7,447                     | 8,685  | 697                      |
| 07/02/2012                             | Hicksville                       | NY    | 8,633  | 2,581             | 10,677                                 | 88  |       | 2,581                                      | 10,765                    | 13,346 | 966                      |
| 07/02/2012                             | Kingston                         | NY    | 4,789  | 837               | 6,199                                  | 131   |       | 837  | 6,330                     | 7,167  | 582                      |
| 11/26/2002                             | Mt Vernon / N Mac Questen Pkwy   | NY    | 7,950  | 1,926             | 7,622                                  | 977   |       | 1,926                                      | 8,599                     | 10,525 | 2,946                    |
| 07/01/2005                             | Mt Vernon / Northwest St         | NY    | —      | 1,585             | 6,025                                  | 2,838   |       | 1,585                                      | 8,863                     | 10,448 | 2,679                    |
| 02/07/2002                             | Nanuet                           | NY    | 3,588  | 2,072             | 4,644                                  | 1,723   |       | 2,738                                      | 5,701                     | 8,439  | 2,094                    |
| 07/01/2005                             | New Paltz                        | NY    | 4,335  | 2,059             | 3,715                                  | 469   |       | 2,059                                      | 4,184                     | 6,243  | 1,367                    |
| 07/01/2005                             | New York                         | NY    | 18,346 | 3,060             | 16,978                                 | 779   |       | 3,060                                      | 17,757                    | 20,817 | 5,088                    |
| 12/04/2000                             | Plainview                        | NY    | 7,475  | 4,287             | 3,710                                  | 734   |       | 4,287                                      | 4,444                     | 8,731  | 1,889                    |
| 07/18/2012                             | Poughkeepsie                     | NY    | 5,879  | 1,038             | 7,862                                  | 135   |       | 1,038                                      | 7,997                     | 9,035  | 736                      |
| 07/02/2012                             | Ridge                            | NY    | 6,050  | 1,762             | 6,934                                  | 59  |       | 1,762                                      | 6,993                     | 8,755  | 626                      |
| 06/27/2011                             | Cincinnati / Glencrossing Way    | OH    | —      | 1,217             | 1,941                                  | 185   |       | 1,217                                      | 2,126                     | 3,343  | 283                      |
| 06/27/2011                             | Cincinnati / Glendale-Milford Rd | OH    | 4,444  | 1,815             | 5,733                                  | 272   |       | 1,815                                      | 6,005                     | 7,820  | 805                      |
| 06/27/2011                             | Cincinnati / Hamilton Ave        | OH    | —      | 2,941             | 2,177                                  | 272   |       | 2,941                                      | 2,449                     | 5,390  | 375                      |
| 06/27/2011                             | Cincinnati / Wooster Pk          | OH    | 5,349  | 1,445             | 3,755                                  | 269   |       | 1,445                                      | 4,024                     | 5,469  | 556                      |
| 07/01/2005                             | Columbus / Innis Rd              | OH    | —      | 483               | 2,654                                  | 703   |       | 483  | 3,357                     | 3,840  | 1,181                    |
| 11/01/2013                             | Columbus / Kenny Rd              | OH    | —      | 1,227             | 5,057                                  | 78  |       | 1,227                                      | 5,135                     | 6,362  | 788                      |
| 11/04/2013                             | Fairfield                        | OH    | 3,769  | 904               | 3,856                                  | 302   |       | 904  | 4,158                     | 5,062  | 250                      |
| 06/27/2011                             | Greenville                       | OH    | —      | 189               | 302                                    | 78  |       | 189  | 380                       | 569    | 66                       |
| 06/27/2011                             | Hamilton                         | OH    | —      | 673               | 2,910                                  | 139   |       | 673  | 3,049                     | 3,722  | 389                      |
| 11/30/2012                             | Hilliard                         | OH    | 2,021  | 1,613             | 2,369                                  | 241   |       | 1,613                                      | 2,610                     | 4,223  | 260                      |
| 07/01/2005                             | Kent                             | OH    | —      | 220               | 1,206                                  | 265   |       | 220  | 1,471                     | 1,691  | 539                      |
| 06/27/2011                             | Lebanon                          | OH    | 4,039  | 1,657             | 1,566                                  | 340   |       | 1,657                                      | 1,906                     | 3,563  | 281                      |
| 11/30/2012                             | Mentor / Heisley Rd              | OH    | 1,226  | 658               | 1,267                                  | 332   |       | 658  | 1,599                     | 2,257  | 157                      |
| 07/02/2012                             | Mentor / Mentor Ave              | OH    | 1,254  | 409               | 1,609                                  | 153   |       | 409  | 1,762                     | 2,171  | 188                      |
| 06/27/2011                             | Middletown                       | OH    | 1,223  | 534               | 1,047                                  | 116   |       | 533  | 1,164                     | 1,697  | 171                      |

**Extra Space Storage Inc.**  
**Schedule III**  
**Real Estate and Accumulated Depreciation (Continued)**  
**(Dollars in thousands)**

| Date acquired<br>or development<br>completed | Store<br>Name                        | State | Debt  | Land<br>initial cost | Building and<br>improvements<br>initial cost | Adjustments and<br>costs subsequent<br>to acquisition | Notes | Gross carrying amount at December 31, 2015 |                              |        | Accumulated<br>depreciation |
|--|--------------------------------------|-------|-------|----------------------|--|---|-------|--|------------------------------|--------|-----------------------------|
|  |                                      |       |       |                      |  |   |       | Land                                       | Building and<br>improvements | Total  |                             |
| 06/27/2011                                   | Sidney                               | OH    | —     | 201                  | 262  | 81  |       | 201  | 343                          | 544    | 63                          |
| 06/27/2011                                   | Troy                                 | OH    | —     | 273                  | 544  | 127   |       | 273  | 671                          | 944    | 118                         |
| 06/27/2011                                   | Washington Court House               | OH    | —     | 197                  | 499  | 71  |       | 197  | 570                          | 767    | 90                          |
| 11/01/2013                                   | Whitehall                            | OH    | —     | 726                  | 1,965  | 115   |       | 726  | 2,080                        | 2,806  | 295                         |
| 07/02/2012                                   | Willoughby                           | OH    | 1,035 | 155                  | 1,811  | 78  |       | 155  | 1,889                        | 2,044  | 172                         |
| 06/27/2011                                   | Xenia                                | OH    | —     | 302                  | 1,022  | 64  |       | 302  | 1,086                        | 1,388  | 153                         |
| 07/01/2005                                   | Aloha / NW 185th Ave                 | OR    | 6,022 | 1,221                | 6,262  | 298   |       | 1,221                                      | 6,560                        | 7,781  | 1,942                       |
| 07/02/2012                                   | Aloha / SW 229th Ave                 | OR    | 4,569 | 2,014                | 5,786  | 165   |       | 2,014                                      | 5,951                        | 7,965  | 542                         |
| 11/24/2015                                   | Hillsboro                            | OR    | —     | 732                  | 9,158  | 16  |       | 732  | 9,174                        | 9,906  | —                           |
| 09/15/2009                                   | King City                            | OR    | 2,957 | 2,520                | 6,845  | 67  |       | 2,520                                      | 6,912                        | 9,432  | 1,081                       |
| 12/28/2004                                   | Bensalem / Bristol Pike              | PA    | 3,188 | 1,131                | 4,525  | 323   |       | 1,131                                      | 4,848                        | 5,979  | 1,509                       |
| 03/30/2006                                   | Bensalem / Knights Rd.               | PA    | —     | 750                  | 3,015  | 197   |       | 750  | 3,212                        | 3,962  | 894                         |
| 10/01/2015                                   | Collegeville                         | PA    | —     | 490                  | 6,947  | 103   |       | 490  | 7,050                        | 7,540  | 46                          |
| 11/15/1999                                   | Doylestown                           | PA    | —     | 220                  | 3,442  | 1,129   |       | 521  | 4,270                        | 4,791  | 1,592                       |
| 05/01/2004                                   | Kennedy Township                     | PA    | 2,529 | 736                  | 3,173  | 285   |       | 736  | 3,458                        | 4,194  | 1,431                       |
| 02/06/2004                                   | Philadelphia / Roosevelt<br>Bl       | PA    | 5,473 | 1,965                | 5,925  | 1,237   |       | 1,965                                      | 7,162                        | 9,127  | 2,372                       |
| 11/01/2013                                   | Philadelphia / Wayne<br>Ave          | PA    | —     | 596                  | 10,368                                       | 44  |       | 596  | 10,412                       | 11,008 | 1,148                       |
| 08/03/2000                                   | Pittsburgh / E Entry Dr              | PA    | 2,529 | 991                  | 1,990  | 924   |       | 1,082                                      | 2,823                        | 3,905  | 1,154                       |
| 10/01/2015                                   | Pittsburgh / Landings Dr             | PA    | —     | 400                  | 3,936  | 31  |       | 400  | 3,967                        | 4,367  | 25                          |
| 05/01/2004                                   | Pittsburgh / Penn Ave                | PA    | 3,730 | 889                  | 4,117  | 636   |       | 889  | 4,753                        | 5,642  | 1,991                       |
| 10/01/2015                                   | Skipppack                            | PA    | —     | 720                  | 4,552  | 80  |       | 720  | 4,632                        | 5,352  | 29                          |
| 10/01/2015                                   | West Mifflin                         | PA    | —     | 840                  | 8,931  | 68  |       | 840  | 8,999                        | 9,839  | 57                          |
| 01/01/2011                                   | Willow Grove                         | PA    | 5,058 | 1,297                | 4,027  | 343   |       | 1,297                                      | 4,370                        | 5,667  | 624                         |
| 07/01/2005                                   | Johnston / Hartford Ave              | RI    | —     | 2,658                | 4,799  | 643   |       | 2,658                                      | 5,442                        | 8,100  | 1,691                       |
| 12/01/2011                                   | Johnston / Plainfield                | RI    | 1,827 | 533                  | 2,127  | 76  |       | 533  | 2,203                        | 2,736  | 243                         |
| 10/01/2015                                   | Bluffton                             | SC    | —     | 1,010                | 8,673  | —   |       | 1,010                                      | 8,673                        | 9,683  | 56                          |
| 10/01/2015                                   | Charleston / Ashley<br>River Rd      | SC    | —     | 500                  | 5,390  | 19  |       | 500  | 5,409                        | 5,909  | 35                          |
| 08/26/2004                                   | Charleston / Glenn<br>McConnell Pkwy | SC    | 3,416 | 1,279                | 4,171  | 272   |       | 1,279                                      | 4,443                        | 5,722  | 1,371                       |
| 10/01/2015                                   | Charleston / Maybank<br>Hwy          | SC    | 5,601 | 600                  | 9,364  | 31  |       | 600  | 9,395                        | 9,995  | 60                          |
| 10/01/2015                                   | Charleston / Savannah<br>Hwy         | SC    | —     | 370                  | 3,794  | 21  |       | 370  | 3,815                        | 4,185  | 24                          |
| 03/30/2015                                   | Columbia / Clemson Rd                | SC    | —     | 1,483                | 5,415  | 61  |       | 1,483                                      | 5,476                        | 6,959  | 111                         |
| 07/19/2012                                   | Columbia / Decker Blvd               | SC    | 3,208 | 1,784                | 2,745  | 136   |       | 1,784                                      | 2,881                        | 4,665  | 262                         |
| 08/26/2004                                   | Columbia / Harban Ct                 | SC    | 2,737 | 838                  | 3,312  | 339   |       | 839  | 3,650                        | 4,489  | 1,153                       |
| 10/01/2015                                   | Columbia / Percival Rd               | SC    | —     | 480                  | 2,115  | —   |       | 480  | 2,115                        | 2,595  | 14                          |
| 08/26/2004                                   | Goose Creek                          | SC    | —     | 1,683                | 4,372  | 1,088   |       | 1,683                                      | 5,460                        | 7,143  | 1,594                       |
| 10/01/2015                                   | Greenville                           | SC    | —     | 620                  | 8,467  | —   |       | 620  | 8,467                        | 9,087  | 54                          |
| 10/01/2015                                   | Lexington / Northpoint<br>Dr         | SC    | —     | 780                  | 5,732  | 3   |       | 780  | 5,735                        | 6,515  | 37                          |
| 10/01/2015                                   | Lexington / St Peters<br>Church Rd   | SC    | —     | 750                  | 1,481  | —   |       | 750  | 1,481                        | 2,231  | 9                           |
| 10/01/2015                                   | Mt Pleasant / Bowman<br>Rd           | SC    | —     | 1,740                | 3,094  | 69  |       | 1,740                                      | 3,163                        | 4,903  | 20                          |
| 10/01/2015                                   | Mt Pleasant / Hwy 17 N               | SC    | 4,702 | 4,600                | 2,342  | 2   |       | 4,600                                      | 2,344                        | 6,944  | 15                          |

[Table of Contents](#)

**Extra Space Storage Inc.**  
**Schedule III**  
**Real Estate and Accumulated Depreciation (Continued)**  
**(Dollars in thousands)**

| Date acquired or development completed | Store Name                         | State | Debt   | Land initial cost | Building and improvements initial cost | Adjustments and costs subsequent to acquisition | Notes | Gross carrying amount at December 31, 2015 |                           |        | Accumulated depreciation |
|--|------------------------------------|-------|--------|-------------------|--|---|-------|--|---------------------------|--------|--------------------------|
|  |                                    |       |        |                   |  |   |       | Land                                       | Building and improvements | Total  |                          |
| 10/01/2015                             | Mt Pleasant / Stockade Ln          | SC    | 14,347 | 11,680            | 19,626                                 | —   |       | 11,680                                     | 19,626                    | 31,306 | 126                      |
| 10/01/2015                             | Myrtle Beach                       | SC    | —      | 510               | 3,921                                  | —   |       | 510  | 3,921                     | 4,431  | 25                       |
| 10/01/2015                             | North Charleston                   | SC    | 5,809  | 1,250             | 8,753                                  | 19  |       | 1,250                                      | 8,772                     | 10,022 | 57                       |
| 03/30/2015                             | North Charleston / Dorchester Road | SC    | —      | 280               | 5,814                                  | 71  |       | 280  | 5,885                     | 6,165  | 119                      |
| 08/26/2004                             | Summerville / Old Trolley Rd       | SC    | —      | 450               | 4,454                                  | 239   |       | 450  | 4,693                     | 5,143  | 1,442                    |
| 12/11/2014                             | Taylors                            | SC    | 5,398  | 1,433             | 6,071                                  | 77  |       | 1,433                                      | 6,148                     | 7,581  | 166                      |
| 07/02/2012                             | Bartlett                           | TN    | 2,346  | 632               | 3,798                                  | 109   |       | 632  | 3,907                     | 4,539  | 357                      |
| 04/15/2011                             | Cordova / Houston Levee Rd         | TN    | 1,971  | 652               | 1,791                                  | 94  |       | 652  | 1,885                     | 2,537  | 265                      |
| 07/01/2005                             | Cordova / N Germantown Pkwy 1      | TN    | —      | 852               | 2,720                                  | 319   |       | 852  | 3,039                     | 3,891  | 989                      |
| 11/01/2013                             | Cordova / N Germantown Pkwy 2      | TN    | 6,794  | 8,187             | 4,628                                  | 80  |       | 8,187                                      | 4,708                     | 12,895 | 1,077                    |
| 01/05/2007                             | Cordova / Patriot Cove             | TN    | —      | 894               | 2,680                                  | 161   |       | 894  | 2,841                     | 3,735  | 717                      |
| 11/30/2012                             | Franklin                           | TN    | 7,000  | 3,357             | 8,984                                  | 195   |       | 3,357                                      | 9,179                     | 12,536 | 778                      |
| 10/01/2015                             | Knoxville / Ebenezer Rd            | TN    | 7,338  | 470               | 13,299                                 | —   |       | 470  | 13,299                    | 13,769 | 85                       |
| 10/01/2015                             | Knoxville / Lovell Rd              | TN    | 5,152  | 1,360             | 8,475                                  | —   |       | 1,360                                      | 8,475                     | 9,835  | 54                       |
| 10/01/2015                             | Lenoir City                        | TN    | 5,481  | 850               | 10,738                                 | —   |       | 850  | 10,738                    | 11,588 | 69                       |
| 10/01/2015                             | Memphis                            | TN    | —      | 570               | 8,893                                  | 26  |       | 570  | 8,919                     | 9,489  | 57                       |
| 07/02/2012                             | Memphis / Covington Way            | TN    | 1,599  | 274               | 2,623                                  | 39  |       | 274  | 2,662                     | 2,936  | 244                      |
| 11/30/2012                             | Memphis / Mt Moriah                | TN    | 2,518  | 1,617             | 2,875                                  | 164   |       | 1,617                                      | 3,039                     | 4,656  | 260                      |
| 11/01/2013                             | Memphis / Mt Moriah Terrace        | TN    | 7,925  | 1,313             | 2,928                                  | 274   |       | 1,313                                      | 3,202                     | 4,515  | 428                      |
| 07/02/2012                             | Memphis / Raleigh-LaGrange         | TN    | 972    | 110               | 1,280                                  | 68  |       | 110  | 1,348                     | 1,458  | 126                      |
| 11/01/2013                             | Memphis / Riverdale Bend           | TN    | —      | 803               | 4,635                                  | 134   |       | 803  | 4,769                     | 5,572  | 588                      |
| 11/30/2012                             | Memphis / Summer Ave               | TN    | 3,388  | 1,040             | 3,867                                  | 172   |       | 1,040                                      | 4,039                     | 5,079  | 347                      |
| 04/13/2006                             | Nashville                          | TN    | 2,810  | 390               | 2,598                                  | 961   |       | 390  | 3,559                     | 3,949  | 1,211                    |
| 11/22/2006                             | Allen                              | TX    | 4,410  | 901               | 5,553                                  | 292   |       | 901  | 5,845                     | 6,746  | 1,463                    |
| 04/15/2015                             | Arlington / Debbie Lane            | TX    | —      | 742               | 7,072                                  | 38  |       | 742  | 7,110                     | 7,852  | 129                      |
| 08/26/2004                             | Arlington / E Pioneer Pkwy         | TX    | —      | 534               | 2,525                                  | 467   |       | 534  | 2,992                     | 3,526  | 1,054                    |
| 10/01/2015                             | Arlington / Randol Mill Rd         | TX    | —      | 630               | 5,214                                  | 22  |       | 630  | 5,236                     | 5,866  | 33                       |
| 04/15/2015                             | Arlington / US 287 Frontage Rd     | TX    | 2,674  | 567               | 5,340                                  | 192   |       | 567  | 5,532                     | 6,099  | 105                      |
| 04/15/2015                             | Arlington / Watson Rd              | TX    | 2,701  | 698               | 3,862                                  | 247   |       | 698  | 4,109                     | 4,807  | 79                       |
| 01/13/2015                             | Austin / 1st Street                | TX    | —      | 807               | 7,689                                  | 170   |       | 807  | 7,859                     | 8,666  | 197                      |
| 01/13/2015                             | Austin / Brodie Lane               | TX    | 5,717  | 1,155             | 8,552                                  | 185   |       | 1,155                                      | 8,737                     | 9,892  | 222                      |
| 08/26/2004                             | Austin / Burnet Rd                 | TX    | 8,893  | 870               | 4,455                                  | 377   |       | 870  | 4,832                     | 5,702  | 1,542                    |
| 01/13/2015                             | Austin / Capital of Texas Hwy      | TX    | —      | 10,117            | 13,248                                 | 156   |       | 10,117                                     | 13,404                    | 23,521 | 336                      |
| 11/01/2013                             | Austin / McNeil Dr                 | TX    | —      | 3,411             | 4,502                                  | 76  |       | 3,411                                      | 4,578                     | 7,989  | 613                      |
| 08/08/2014                             | Austin / North Lamar Blvd          | TX    | 5,041  | 1,047             | 9,969                                  | 157   |       | 1,047                                      | 10,126                    | 11,173 | 362                      |
| 04/14/2015                             | Baytown                            | TX    | 6,586  | 619               | 7,861                                  | 55  |       | 619  | 7,916                     | 8,535  | 103                      |
| 04/15/2015                             | Coppell / Belt Line Rd             | TX    | 4,295  | 724               | 5,743                                  | 206   |       | 724  | 5,949                     | 6,673  | 108                      |
| 10/01/2015                             | Coppell / Denton Tap Rd            | TX    | —      | 2,270             | 9,333                                  | 16  |       | 2,270                                      | 9,349                     | 11,619 | 60                       |
| 04/15/2015                             | Dallas / Clark Rd                  | TX    | 5,011  | 1,837             | 8,426                                  | 390   |       | 1,837                                      | 8,816                     | 10,653 | 162                      |
| 08/26/2004                             | Dallas / E Northwest Hwy           | TX    | —      | 4,432             | 6,181                                  | 1,199   |       | 4,432                                      | 7,380                     | 11,812 | 2,261                    |

**Extra Space Storage Inc.**  
**Schedule III**  
**Real Estate and Accumulated Depreciation (Continued)**  
**(Dollars in thousands)**

| Date acquired or development completed | Store Name                        | State | Debt   | Land initial cost | Building and improvements initial cost | Adjustments and costs subsequent to acquisition | Notes | Gross carrying amount at December 31, 2015 |                           |        | Accumulated depreciation |
|--|-----------------------------------|-------|--------|-------------------|--|---|-------|--|---------------------------|--------|--------------------------|
|  |                                   |       |        |                   |  |   |       | Land                                       | Building and improvements | Total  |                          |
| 04/13/2006                             | Dallas / Garland Rd               | TX    | 1,974  | 337               | 2,216                                  | 638   |       | 337  | 2,854                     | 3,191  | 947                      |
| 04/15/2015                             | Dallas / Haskell Ave              | TX    | —      | 275               | 11,183                                 | 255   |       | 275  | 11,438                    | 11,713 | 209                      |
| 05/04/2006                             | Dallas / Inwood Rd                | TX    | 11,106 | 1,980             | 12,501                                 | 507   |       | 1,979                                      | 13,009                    | 14,988 | 3,364                    |
| 04/15/2015                             | Dallas / Lyndon B Johnson Freeway | TX    | 4,615  | 1,729             | 7,876                                  | 427   |       | 1,729                                      | 8,303                     | 10,032 | 153                      |
| 11/01/2013                             | Dallas / N Central Expressway     | TX    | 17,137 | 13,392            | 15,019                                 | 56  |       | 13,392                                     | 15,075                    | 28,467 | 1,250                    |
| 07/02/2012                             | Dallas / Preston Rd 1             | TX    | 5,082  | 921               | 7,656                                  | 119   |       | 921  | 7,775                     | 8,696  | 719                      |
| 08/10/2012                             | Dallas / Preston Rd 2             | TX    | 3,806  | 2,542             | 3,274                                  | 269   |       | 2,542                                      | 3,543                     | 6,085  | 365                      |
| 04/15/2015                             | Dallas / Shiloh Rd                | TX    | 3,293  | 781               | 7,104                                  | 287   |       | 781  | 7,391                     | 8,172  | 138                      |
| 10/01/2015                             | Dallas / W Northwest Hwy          | TX    | —      | 1,320             | 6,547                                  | 34  |       | 1,320                                      | 6,581                     | 7,901  | 42                       |
| 04/15/2015                             | Dallas / Walton Walker Blvd       | TX    | 2,904  | 547               | 5,970                                  | 294   |       | 547  | 6,264                     | 6,811  | 116                      |
| 04/15/2015                             | DeSoto                            | TX    | 5,404  | 821               | 8,298                                  | 223   |       | 821  | 8,521                     | 9,342  | 157                      |
| 04/15/2015                             | Duncanville / E Hwy 67            | TX    | 4,053  | 1,328             | 4,997                                  | 234   |       | 1,328                                      | 5,231                     | 6,559  | 97                       |
| 04/15/2015                             | Duncanville / E Wheatland Rd      | TX    | —      | 793               | 7,062                                  | 231   |       | 793  | 7,293                     | 8,086  | 137                      |
| 10/01/2015                             | El Paso / Desert Blvd             | TX    | —      | 890               | 3,207                                  | 24  |       | 890  | 3,231                     | 4,121  | 21                       |
| 10/01/2015                             | El Paso / Dyer St                 | TX    | —      | 1,510             | 5,034                                  | 21  |       | 1,510                                      | 5,055                     | 6,565  | 32                       |
| 10/01/2015                             | El Paso / Joe Battle Blvd 1       | TX    | —      | 1,010             | 5,238                                  | 36  |       | 1,010                                      | 5,274                     | 6,284  | 34                       |
| 10/01/2015                             | El Paso / Joe Battle Blvd 2       | TX    | —      | 850               | 2,775                                  | 28  |       | 850  | 2,803                     | 3,653  | 18                       |
| 10/01/2015                             | El Paso / Woodrow Bean Dr         | TX    | —      | 420               | 1,752                                  | 11  |       | 420  | 1,763                     | 2,183  | 11                       |
| 05/08/2013                             | Eules / Mid-Cities Blvd           | TX    | 4,342  | 1,374             | 5,636                                  | 125   |       | 1,374                                      | 5,761                     | 7,135  | 405                      |
| 04/01/2011                             | Eules / W Eules Blvd              | TX    | 2,845  | 671               | 3,213                                  | 704   |       | 671  | 3,917                     | 4,588  | 642                      |
| 12/09/2013                             | Fort Worth / Mandy Lane           | TX    | 2,093  | 2,033             | 2,495                                  | 143   |       | 2,033                                      | 2,638                     | 4,671  | 156                      |
| 08/26/2004                             | Fort Worth / W Rosedale St        | TX    | 4,236  | 631               | 5,794                                  | 390   |       | 630  | 6,185                     | 6,815  | 1,908                    |
| 11/04/2013                             | Fort Worth / White Settlement Rd  | TX    | 3,663  | 3,158             | 2,512                                  | 81  |       | 3,158                                      | 2,593                     | 5,751  | 153                      |
| 11/04/2013                             | Garland / Beltline Rd             | TX    | 3,319  | 1,424             | 2,209                                  | 199   |       | 1,424                                      | 2,408                     | 3,832  | 145                      |
| 04/15/2015                             | Garland / Texas 66                | TX    | 4,598  | 991               | 6,999                                  | 188   |       | 991  | 7,187                     | 8,178  | 135                      |
| 08/26/2004                             | Grand Prairie / N Hwy 360 1       | TX    | 2,437  | 551               | 2,330                                  | 426   |       | 551  | 2,756                     | 3,307  | 888                      |
| 08/10/2012                             | Grand Prairie / N Hwy 360 2       | TX    | 3,121  | 2,327             | 1,551                                  | 178   |       | 2,327                                      | 1,729                     | 4,056  | 184                      |
| 11/13/2015                             | Houston / 3535 Katy Freeway       | TX    | —      | 6,643             | 7,551                                  | —   |       | 6,643                                      | 7,551                     | 14,194 | 32                       |
| 02/05/2014                             | Houston / Katy Fwy                | TX    | —      | 1,767             | 12,368                                 | 48  |       | 1,767                                      | 12,416                    | 14,183 | 599                      |
| 12/14/2010                             | Houston / Ryewater Dr             | TX    | —      | 402               | 1,870                                  | 219   |       | 402  | 2,089                     | 2,491  | 327                      |
| 10/01/2015                             | Houston / Senate Ave              | TX    | —      | 1,510             | 5,235                                  | 3   |       | 1,510                                      | 5,238                     | 6,748  | 34                       |
| 11/01/2013                             | Houston / South Main              | TX    | —      | 2,017             | 4,181                                  | 125   |       | 2,017                                      | 4,306                     | 6,323  | 636                      |
| 04/13/2006                             | Houston / Southwest Freeway       | TX    | 8,661  | 2,596             | 8,735                                  | 419   |       | 2,596                                      | 9,154                     | 11,750 | 2,394                    |
| 02/29/2012                             | Houston / Space Center Blvd       | TX    | 5,652  | 1,036             | 8,133                                  | 104   |       | 1,036                                      | 8,237                     | 9,273  | 847                      |
| 04/15/2015                             | Irving / N State Hwy 161          | TX    | —      | 951               | 5,842                                  | 195   |       | 951  | 6,037                     | 6,988  | 110                      |
| 04/15/2015                             | Irving / Story Rd                 | TX    | —      | 585               | 5,445                                  | 177   |       | 585  | 5,622                     | 6,207  | 103                      |
| 10/01/2015                             | Kemah                             | TX    | 12,220 | 2,720             | 26,547                                 | 12  |       | 2,720                                      | 26,559                    | 29,279 | 170                      |
| 11/04/2013                             | Killeen                           | TX    | 2,601  | 1,207             | 1,688                                  | 361   |       | 1,207                                      | 2,049                     | 3,256  | 131                      |
| 12/14/2010                             | La Porte                          | TX    | —      | 1,608             | 2,351                                  | 324   |       | 1,608                                      | 2,675                     | 4,283  | 443                      |
| 04/15/2015                             | Lewisville                        | TX    | 5,029  | 2,665             | 6,399                                  | 219   |       | 2,665                                      | 6,618                     | 9,283  | 121                      |

**Extra Space Storage Inc.**  
**Schedule III**  
**Real Estate and Accumulated Depreciation (Continued)**  
**(Dollars in thousands)**

| Date acquired<br>or development<br>completed | Store<br>Name                  | State | Debt   | Land<br>initial cost | Building and<br>improvements<br>initial cost | Adjustments and<br>costs subsequent<br>to acquisition | Notes | Gross carrying amount at December 31, 2015 |                              |        | Accumulated<br>depreciation |
|--|--------------------------------|-------|--------|----------------------|--|---|-------|--|------------------------------|--------|-----------------------------|
|  |                                |       |        |                      |  |   |       | Land                                       | Building and<br>improvements | Total  |                             |
| 04/15/2015                                   | Mansfield                      | TX    | 4,330  | 925                  | 7,411  | 158   |       | 925  | 7,569                        | 8,494  | 142                         |
| 04/15/2015                                   | Mesquite                       | TX    | 5,536  | 1,910                | 6,580  | 125   |       | 1,910                                      | 6,705                        | 8,615  | 123                         |
| 10/01/2015                                   | Midland / Andrews<br>Hwy       | TX    | —      | 1,430                | 8,353  | 23  |       | 1,430                                      | 8,376                        | 9,806  | 54                          |
| 10/01/2015                                   | Midland / Loop 250 N           | TX    | —      | 1,320                | 10,291                                       | —   |       | 1,320                                      | 10,291                       | 11,611 | 66                          |
| 10/01/2015                                   | Pearland                       | TX    | 5,691  | 3,400                | 7,812  | 2   |       | 3,400                                      | 7,814                        | 11,214 | 50                          |
| 04/15/2015                                   | Plano / 14th Street            | TX    | 5,354  | 1,681                | 7,606  | 215   |       | 1,681                                      | 7,821                        | 9,502  | 145                         |
| 04/15/2015                                   | Plano / K Ave 1                | TX    | 5,445  | 1,631                | 8,498  | 425   |       | 1,631                                      | 8,923                        | 10,554 | 168                         |
| 04/15/2015                                   | Plano / K Ave 2                | TX    | 4,124  | 1,298                | 5,293  | 149   |       | 1,298                                      | 5,442                        | 6,740  | 100                         |
| 11/22/2006                                   | Plano / Plano Parkway          | TX    | 5,049  | 1,010                | 6,203  | 502   |       | 1,010                                      | 6,705                        | 7,715  | 1,664                       |
| 11/22/2006                                   | Plano / Spring Creek           | TX    | 4,386  | 614                  | 3,775  | 345   |       | 613  | 4,121                        | 4,734  | 1,053                       |
| 11/01/2013                                   | Plano / Wagner Way             | TX    | —      | 2,753                | 4,353  | 131   |       | 2,753                                      | 4,484                        | 7,237  | 682                         |
| 08/10/2006                                   | Rowlett                        | TX    | 2,092  | 1,002                | 2,601  | 345   |       | 1,003                                      | 2,945                        | 3,948  | 806                         |
| 08/26/2004                                   | San Antonio / Culebra<br>Rd    | TX    | 2,279  | 1,269                | 1,816  | 714   |       | 1,270                                      | 2,529                        | 3,799  | 936                         |
| 12/14/2007                                   | San Antonio /<br>DeZavala Rd   | TX    | 6,194  | 2,471                | 3,556  | (172)   | (e)   | 2,471                                      | 3,384                        | 5,855  | 789                         |
| 10/23/2015                                   | San Antonio / San<br>Pedro Ave | TX    | —      | 1,140                | 7,560  | 7   |       | 1,140                                      | 7,567                        | 8,707  | —                           |
| 08/26/2004                                   | San Antonio /<br>Westchase Dr  | TX    | 2,405  | 253                  | 1,496  | 238   |       | 253  | 1,734                        | 1,987  | 572                         |
| 10/01/2015                                   | Seabrook                       | TX    | —      | 1,910                | 8,564  | 20  |       | 1,910                                      | 8,584                        | 10,494 | 55                          |
| 04/13/2006                                   | South Houston                  | TX    | 2,955  | 478                  | 4,069  | 824   |       | 478  | 4,893                        | 5,371  | 1,449                       |
| 07/02/2012                                   | Spring / I-45 North            | TX    | 3,208  | 506                  | 5,096  | 226   |       | 506  | 5,322                        | 5,828  | 511                         |
| 08/02/2011                                   | Spring / Treaschwig<br>Rd      | TX    | 1,897  | 978                  | 1,347  | 244   |       | 979  | 1,590                        | 2,569  | 210                         |
| 02/24/2015                                   | The Woodlands                  | TX    | 7,744  | 1,511                | 11,861                                       | 202   |       | 1,511                                      | 12,063                       | 13,574 | 275                         |
| 04/08/2015                                   | Trenton                        | TX    | —      | —                    | 2,375  | —   |       | —  | 2,375                        | 2,375  | 20                          |
| 10/01/2015                                   | Weatherford                    | TX    | —      | 630                  | 5,932  | 12  |       | 630  | 5,944                        | 6,574  | 38                          |
| 10/20/2010                                   | East Millcreek                 | UT    | 2,925  | 986                  | 3,455  | 165   |       | 986  | 3,620                        | 4,606  | 527                         |
| 11/23/2010                                   | Murray                         | UT    | 3,709  | 571                  | 986  | 2,139   |       | 571  | 3,125                        | 3,696  | 443                         |
| 04/01/2011                                   | Orem                           | UT    | 1,981  | 841                  | 2,335  | 190   |       | 841  | 2,525                        | 3,366  | 348                         |
| 06/01/2004                                   | Salt Lake City                 | UT    | 3,383  | 642                  | 2,607  | 393   |       | 642  | 3,000                        | 3,642  | 991                         |
| 07/01/2005                                   | Sandy / South 700<br>East 1    | UT    | 5,229  | 1,349                | 4,372  | 552   |       | 1,349                                      | 4,924                        | 6,273  | 1,467                       |
| 09/28/2012                                   | Sandy / South 700<br>East 2    | UT    | 8,867  | 2,063                | 5,202  | 1,498   |       | 2,063                                      | 6,700                        | 8,763  | 505                         |
| 11/23/2010                                   | West Jordan                    | UT    | 2,034  | 735                  | 2,146  | 422   |       | 735  | 2,568                        | 3,303  | 406                         |
| 07/01/2005                                   | West Valley City               | UT    | 2,665  | 461                  | 1,722  | 193   |       | 461  | 1,915                        | 2,376  | 602                         |
| 07/02/2012                                   | Alexandria / N Henry<br>St     | VA    | 14,752 | 5,029                | 18,943                                       | 54  |       | 5,029                                      | 18,997                       | 24,026 | 1,698                       |
| 06/06/2007                                   | Alexandria / S Dove<br>St      | VA    | —      | 1,620                | 13,103                                       | 604   |       | 1,620                                      | 13,707                       | 15,327 | 3,393                       |
| 10/20/2010                                   | Arlington                      | VA    | —      | —                    | 4,802  | 889   |       | —  | 5,691                        | 5,691  | 2,198                       |
| 11/01/2013                                   | Burke                          | VA    | —      | 11,534               | 7,347  | 55  |       | 11,534                                     | 7,402                        | 18,936 | 1,303                       |
| 10/01/2015                                   | Chantilly                      | VA    | 6,230  | 1,100                | 10,606                                       | 64  |       | 1,100                                      | 10,670                       | 11,770 | 68                          |
| 01/07/2014                                   | Chesapeake / Bruce<br>Rd       | VA    | —      | 1,074                | 9,464  | 116   |       | 1,074                                      | 9,580                        | 10,654 | 491                         |
| 01/07/2014                                   | Chesapeake / Military<br>Hwy   | VA    | 2,507  | 332                  | 4,106  | 115   |       | 332  | 4,221                        | 4,553  | 221                         |
| 01/07/2014                                   | Chesapeake / Poplar<br>Hill Rd | VA    | 5,964  | 540                  | 9,977  | 114   |       | 541  | 10,090                       | 10,631 | 513                         |
| 01/07/2014                                   | Chesapeake /<br>Woodlake Dr    | VA    | 8,714  | 4,014                | 14,872                                       | 94  |       | 4,014                                      | 14,966                       | 18,980 | 759                         |

[Table of Contents](#)

**Extra Space Storage Inc.**  
**Schedule III**  
**Real Estate and Accumulated Depreciation (Continued)**  
**(Dollars in thousands)**

| Date acquired or development completed | Store Name                                       | State | Debt               | Land initial cost  | Building and improvements initial cost | Adjustments and costs subsequent to acquisition | Notes | Gross carrying amount at December 31, 2015 |                           |                     | Accumulated depreciation |
|--|--|-------|--------------------|--------------------|--|---|-------|--|---------------------------|---------------------|--------------------------|
|  |  |       |                    |                    |  |   |       | Land                                       | Building and improvements | Total               |                          |
| 05/26/2011                             | Dumfries   | VA    | —                  | 932                | 9,349                                  | 178   |       | 932  | 9,527                     | 10,459              | 1,201                    |
| 11/30/2012                             | Falls Church / Hollywood Rd                      | VA    | 8,780              | 5,703              | 13,307                                 | 302   |       | 5,703                                      | 13,609                    | 19,312              | 1,134                    |
| 07/01/2005                             | Falls Church / Seminary Rd                       | VA    | 9,283              | 1,259              | 6,975                                  | 416   |       | 1,259                                      | 7,391                     | 8,650               | 2,177                    |
| 11/30/2012                             | Fredericksburg / Jefferson Davis Hwy             | VA    | 2,926              | 1,438              | 2,459                                  | 173   |       | 1,438                                      | 2,632                     | 4,070               | 240                      |
| 07/02/2012                             | Fredericksburg / Plank Rd 1                      | VA    | 4,191              | 2,128              | 5,398                                  | 117   |       | 2,128                                      | 5,515                     | 7,643               | 501                      |
| 10/01/2015                             | Fredericksburg / Plank Rd 2                      | VA    | —                  | 3,170              | 6,717                                  | 38  |       | 3,170                                      | 6,755                     | 9,925               | 43                       |
| 12/18/2014                             | Glen Allen                                       | VA    | 5,037              | 609                | 8,220                                  | 48  |       | 609  | 8,268                     | 8,877               | 220                      |
| 10/01/2015                             | Hampton / Big Bethel Rd                          | VA    | 4,043              | 550                | 6,697                                  | 45  |       | 550  | 6,742                     | 7,292               | 43                       |
| 10/01/2015                             | Hampton / LaSalle Ave                            | VA    | —                  | 610                | 8,883                                  | 101   |       | 610  | 8,984                     | 9,594               | 58                       |
| 01/07/2014                             | Hampton / Pembroke Ave                           | VA    | —                  | 7,849              | 7,040                                  | 124   |       | 7,849                                      | 7,164                     | 15,013              | 366                      |
| 10/01/2015                             | Manassas   | VA    | —                  | 750                | 6,242                                  | 38  |       | 750  | 6,280                     | 7,030               | 40                       |
| 01/07/2014                             | Newport News / Denbigh Blvd                      | VA    | 5,614              | 4,619              | 5,870                                  | 126   |       | 4,619                                      | 5,996                     | 10,615              | 312                      |
| 01/07/2014                             | Newport News / J Clyde Morris Blvd               | VA    | 5,347              | 4,838              | 6,124                                  | 138   |       | 4,838                                      | 6,262                     | 11,100              | 327                      |
| 01/07/2014                             | Newport News / Tyler Ave                         | VA    | 4,503              | 2,740              | 4,955                                  | 124   |       | 2,740                                      | 5,079                     | 7,819               | 271                      |
| 01/07/2014                             | Norfolk / Granby St                              | VA    | 4,835              | 1,785              | 8,543                                  | 101   |       | 1,785                                      | 8,644                     | 10,429              | 443                      |
| 01/07/2014                             | Norfolk / Naval Base Rd                          | VA    | 4,314              | 4,078              | 5,975                                  | 137   |       | 4,078                                      | 6,112                     | 10,190              | 322                      |
| 03/17/2015                             | Portsmouth                                       | VA    | 2,687              | 118                | 4,797                                  | 234   |       | 118  | 5,031                     | 5,149               | 108                      |
| 01/07/2014                             | Richmond / Hull St                               | VA    | 6,514              | 2,016              | 9,425                                  | 111   |       | 2,016                                      | 9,536                     | 11,552              | 488                      |
| 01/07/2014                             | Richmond / Laburnum Ave                          | VA    | 8,385              | 5,945              | 7,613                                  | 150   |       | 5,945                                      | 7,763                     | 13,708              | 406                      |
| 01/07/2014                             | Richmond / Midlothian Turnpike                   | VA    | 4,925              | 2,735              | 5,699                                  | 121   |       | 2,735                                      | 5,820                     | 8,555               | 304                      |
| 01/07/2014                             | Richmond / Old Staples Mill Rd                   | VA    | 6,861              | 5,905              | 6,869                                  | 121   |       | 5,905                                      | 6,990                     | 12,895              | 365                      |
| 08/26/2004                             | Richmond / W Broad St                            | VA    | 4,445              | 2,305              | 5,467                                  | 372   |       | 2,305                                      | 5,839                     | 8,144               | 1,759                    |
| 10/01/2015                             | Sandston   | VA    | 6,470              | 570                | 10,525                                 | 65  |       | 570  | 10,590                    | 11,160              | 68                       |
| 09/20/2012                             | Stafford / Jefferson Davis Hwy                   | VA    | 4,309              | 1,172              | 5,562                                  | 138   |       | 1,172                                      | 5,700                     | 6,872               | 511                      |
| 01/23/2009                             | Stafford / SUSA Dr                               | VA    | 4,305              | 2,076              | 5,175                                  | 146   |       | 2,076                                      | 5,321                     | 7,397               | 975                      |
| 01/07/2014                             | Virginia Beach / General Booth Blvd              | VA    | 7,265              | 1,142              | 11,721                                 | 107   |       | 1,142                                      | 11,828                    | 12,970              | 600                      |
| 01/07/2014                             | Virginia Beach / Kempsville Rd                   | VA    | 7,513              | 3,934              | 11,413                                 | 85  |       | 3,934                                      | 11,498                    | 15,432              | 582                      |
| 01/07/2014                             | Virginia Beach / Village Dr                      | VA    | 9,548              | 331                | 13,175                                 | 113   |       | 331  | 13,288                    | 13,619              | 681                      |
| 02/15/2006                             | Lakewood / 80th St                               | WA    | 4,350              | 1,389              | 4,780                                  | 320   |       | 1,390                                      | 5,099                     | 6,489               | 1,393                    |
| 02/15/2006                             | Lakewood / Pacific Hwy                           | WA    | 4,352              | 1,917              | 5,256                                  | 227   |       | 1,918                                      | 5,482                     | 7,400               | 1,467                    |
| 04/30/2014                             | Puyallup   | WA    | —                  | 437                | 3,808                                  | 72  |       | 437  | 3,880                     | 4,317               | 172                      |
| 07/01/2005                             | Seattle  | WA    | 7,159              | 2,727              | 7,241                                  | 360   |       | 2,727                                      | 7,601                     | 10,328              | 2,152                    |
| 02/15/2006                             | Tacoma   | WA    | 3,353              | 1,031              | 3,103                                  | 155   |       | 1,031                                      | 3,258                     | 4,289               | 901                      |
| 07/02/2012                             | Vancouver  | WA    | 3,025              | 709                | 4,280                                  | 154   |       | 709  | 4,434                     | 5,143               | 403                      |
| Various                                | Other corporate assets                           |       | —                  | —                  | 2,202                                  | 78,352  |       | —  | 80,554                    | 80,554              | 17,442                   |
| Various                                | Construction in progress                         |       | —                  | —                  | —                                      | 24,909  |       | —  | 24,909                    | 24,909              | —                        |
| Various                                | Intangible tenant relationships and lease rights |       | —                  | —                  | 83,610                                 | 21,159  |       | —  | 104,769                   | 104,769             | 80,503                   |
|  |  |       | <u>\$2,774,378</u> | <u>\$1,402,731</u> | <u>\$ 4,654,170</u>                    | <u>\$ 360,495</u>                               |       | <u>\$ 1,401,322</u>                        | <u>\$ 5,016,074</u>       | <u>\$ 6,417,396</u> | <u>\$ 728,087</u>        |

**Extra Space Storage Inc.**  
**Schedule III**  
**Real Estate and Accumulated Depreciation (Continued)**  
**(Dollars in thousands)**

- (a) Adjustment relates to partial disposition of land
- (b) Adjustment relates to property casualty loss
- (c) Adjustment relates to asset transfers between land, building and/or equipment
- (d) Adjustment relates to impairment charge
- (e) Adjustment relates to a purchase price adjustment
- (f) Adjustment relates to the acquisition of a joint venture partner's interest

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**Table of Contents**

Activity in real estate facilities during the years ended December 31, 2015, 2014 and 2013 is as follows:

|   | 2015                       | 2014                       | 2013                       |
|---|----------------------------|----------------------------|----------------------------|
| <b>Operating facilities</b>                         |                            |                            |                            |
| Balance at beginning of year                        | \$ 4,722,162               | \$ 4,126,648               | \$ 3,379,512               |
| Acquisitions  | 1,609,608                  | 557,158                    | 711,710                    |
| Improvements  | 46,696                     | 32,861                     | 37,949                     |
| Transfers from construction in progress             | 19,971                     | 12,308                     | 3,643                      |
| Dispositions and other                              | (5,950)                    | (6,813)                    | (6,166)                    |
| Balance at end of year                              | <u>\$ 6,392,487</u>        | <u>\$ 4,722,162</u>        | <u>\$ 4,126,648</u>        |
| <b>Accumulated depreciation:</b>                    |                            |                            |                            |
| Balance at beginning of year                        | \$ 604,336                 | \$ 496,754                 | \$ 391,928                 |
| Depreciation expense                                | 123,751                    | 109,531                    | 104,963                    |
| Dispositions and other                              | —                          | (1,949)                    | (137)                      |
| Balance at end of year                              | <u>\$ 728,087</u>          | <u>\$ 604,336</u>          | <u>\$ 496,754</u>          |
| <b>Real estate under development/redevelopment:</b> |                            |                            |                            |
| Balance at beginning of year                        | \$ 17,870                  | \$ 6,650                   | \$ 4,138                   |
| Current development                                 | 27,010                     | 23,528                     | 6,466                      |
| Transfers to operating facilities                   | (19,971)                   | (12,308)                   | (3,954)                    |
| Dispositions and other                              | —                          | —                          | —                          |
| Balance at end of year                              | <u>\$ 24,909</u>           | <u>\$ 17,870</u>           | <u>\$ 6,650</u>            |
| <b>Net real estate assets</b>                       | <u><u>\$ 5,689,309</u></u> | <u><u>\$ 4,135,696</u></u> | <u><u>\$ 3,636,544</u></u> |

The aggregate cost of real estate for U.S. federal income tax purposes is \$5,758,588.

**Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

None.

**Item 9A. Controls and Procedures**

**(i) Disclosure Controls and Procedures**

We maintain disclosure controls and procedures to ensure that information required to be disclosed in the reports we file pursuant to the Securities Exchange Act of 1934, as amended (the “Exchange Act”), are recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure based on the definition of “disclosure controls and procedures” in Rule 13a-15(e) of the Exchange Act. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can only provide reasonable assurance of achieving the desired control objectives, and in reaching a reasonable level of assurance, management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

We have a disclosure committee that is responsible for considering the materiality of information and determining the disclosure obligations of the Company on a timely basis. The disclosure committee meets quarterly and reports directly to our Chief Executive Officer and Chief Financial Officer.

We carried out an evaluation, under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this Annual Report. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of the end of the period covered by this report.

**(ii) Internal Control over Financial Reporting**

**(a) Management’s Report on Internal Control over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) of the Exchange Act. Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework). Based on our evaluation, our management concluded that our internal control over financial reporting was effective as of December 31, 2015.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our independent registered public accounting firm, Ernst & Young LLP, has issued the following attestation report over our internal control over financial reporting.

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[Table of Contents](#)

**(b) Attestation Report of the Registered Public Accounting Firm**

**Report of Independent Registered Public Accounting Firm**

**The Board of Directors and Stockholders of Extra Space Storage Inc.**

We have audited Extra Space Storage Inc.'s (the "Company") internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). Extra Space Storage Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Extra Space Storage Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets as of December 31, 2015, and 2014 and the related consolidated statements of operations, comprehensive income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2015 of Extra Space Storage Inc. and our report dated February 29, 2016 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Salt Lake City, Utah  
February 29, 2016

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[Table of Contents](#)

**(c) Changes in Internal Control over Financial Reporting**

There was no change in our internal control over financial reporting (as such term is defined in Exchange Act Rule 13a-15(f)) that occurred during our most recent quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

**Item 9B. Other Information**

None.

**PART III**

**Item 10. Directors, Executive Officers and Corporate Governance**

Information required by this item is incorporated by reference to the information set forth under the captions “Executive Officers,” and “Information About the Board of Directors and its Committees” in our definitive Proxy Statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A within 120 days after December 31, 2014.

We have adopted a Code of Business Conduct and Ethics in compliance with rules of the SEC that applies to all of our personnel, including our board of directors, Chief Executive Officer, Chief Financial Officer and principal accounting officer. The Code of Business Conduct and Ethics is available free of charge on the “Investor Relations—Corporate Governance” section of our web site at [www.extraspace.com](http://www.extraspace.com). We intend to satisfy any disclosure requirements under Item 5.05 of Form 8-K regarding amendment to, or waiver from, a provision of this Code of Business Conduct and Ethics by posting such information on our web site at the address and location specified above.

The board of directors has adopted Corporate Governance Guidelines and charters for our Audit Committee and Compensation, Nominating and Governance Committee, each of which is posted on our website at the address and location specified above. Investors may obtain a free copy of the Code of Business Conduct and Ethics, the Corporate Governance Guidelines and the committee charters by contacting the Investor Relations Department at 2795 East Cottonwood Parkway, Suite 400, Salt Lake City, Utah 84121, Attn: Clint Halverson or by telephoning (801) 365-4600.

**Item 11. Executive Compensation**

Information with respect to executive compensation is incorporated by reference to the information set forth under the caption “Executive Compensation” in our definitive Proxy Statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A within 120 days after December 31, 2015.

**Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters**

Information with respect to security ownership of certain beneficial owners and management and related stockholder matters is incorporated by reference to the information set forth under the captions “Executive Compensation” and “Security Ownership of Directors and Officers” in our definitive Proxy Statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A within 120 days after December 31, 2015.

**Item 13. Certain Relationships and Related Transactions, and Director Independence**

Information with respect to certain relationships and related transactions is incorporated by reference to the information set forth under the captions “Information about the Board of Directors and its Committees” and “Certain Relationships and Related Transactions” in our Proxy Statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A within 120 days after December 31, 2015.

**Item 14. Principal Accounting Fees and Services**

Information with respect to principal accounting fees and services is incorporated by reference to the information set forth under the caption “Ratification of Appointment of Independent Registered Public Accounting Firm” in our Proxy Statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A within 120 days after December 31, 2015.

**PART IV**

**Item 15. Exhibits and Financial Statement Schedules**

(a) Documents filed as part of this report:

(1) and (2). All Financial Statements and Financial Statement Schedules filed as part of this Annual Report on 10-K are included in Item 8 —“Financial Statements and Supplementary Data” of this Annual Report on 10-K and reference is made thereto.

(3) The following documents are filed or incorporated by references as exhibits to this report:

| <u>Exhibit Number</u> | <u>Description</u>   |
|-----------------------|--|
| 2.1                   | Purchase and Sale Agreement, dated May 5, 2005 by and among Security Capital Self Storage Incorporated, as seller and Extra Space Storage LLC, PRISA Self Storage LLC, PRISA II Self Storage LLC, PRISA III Self Storage LLC, VRS Self Storage LLC, WCOT Self Storage LLC and Extra Space Storage LP, as purchaser parties and The Prudential Insurance Company of America (incorporated by reference to Exhibit 2.1 of Form 8-K filed on May 11, 2005).       |
| 2.2                   | Agreement and Plan of Merger, dated as of June 15, 2015, among Extra Space Storage Inc., Extra Space Storage LP, Edgewater REIT Acquisition (MD) LLC, Edgewater Partnership Acquisition (DE) LLC, SmartStop Self Storage, Inc. and SmartStop Self Storage Operating Partnership, L.P. (incorporated by reference to Exhibit 2.1 of Form 8-K filed on June 15, 2015).   |
| 2.3                   | Amendment No. 1 to Agreement and Plan of Merger, dated as of July 16, 2015, among Extra Space Storage Inc., Extra Space Storage LP, Edgewater REIT Acquisition (MD) LLC, Edgewater Partnership Acquisition (DE) LLC, SmartStop Self Storage, Inc. and SmartStop Self Storage Operating Partnership, L.P. (incorporated by reference to Exhibit 2.1 of Form 8-K filed on July 16, 2015).  |
| 3.1                   | Amended and Restated Articles of Incorporation of Extra Space Storage Inc.(1)  |
| 3.2                   | Articles of Amendment of Extra Space Storage Inc., dated September 28, 2007 (incorporated by reference to Exhibit 3.1 of Form 8-K filed on October 3, 2007).   |
| 3.3                   | Articles of Amendment of Extra Space Storage Inc., dated August 29, 2013 (incorporated by reference to Exhibit 3.1 of Form 8-K filed on August 29, 2013).  |
| 3.4                   | Amended and Restated Bylaws of Extra Space Storage Inc.(incorporated by reference to Exhibit 3.1 of Form 8-K filed on May 26, 2009)  |
| 3.5                   | Amendment No. 1 to Amended and Restated Bylaws of Extra Space Storage Inc. (incorporated by reference to Exhibit 3.1 of Form 8-K filed December 23, 2014).   |
| 3.6                   | Fourth Amended and Restated Agreement of Limited Partnership of Extra Space Storage LP (incorporated by reference to Exhibit 10.1 of Form 8-K filed on December 6, 2013).  |
| 3.7                   | Declaration of Trust of ESS Holdings Business Trust II.(1)   |
| 4.1                   | Junior Subordinated Indenture dated as of July 27, 2005, between Extra Space Storage LP and JPMorgan Chase Bank, National Association, as trustee (incorporated by reference to Exhibit 4.1 of Form 8-K filed on August 2, 2005).  |
| 4.2                   | Amended and Restated Trust Agreement, dated as of July 27, 2005, among Extra Space Storage LP, as depositor and JPMorgan Chase Bank, National Association, as property trustee, Chase Bank USA, National Association, as Delaware trustee, the Administrative Trustees named therein and the holders of undivided beneficial interest in the assets of ESS Statutory Trust III (incorporated by reference to Exhibit 4.2 of Form 8-K filed on August 2, 2005). |

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## Table of Contents

| <u>Exhibit<br/>Number</u> | <u>Description</u>  |
|---------------------------|---|
| 4.3                       | Junior Subordinated Note (incorporated by reference to Exhibit 4.3 of Form 10-K filed on February 26, 2010)   |
| 4.4                       | Trust Preferred Security Certificates (incorporated by reference to Exhibit 4.4 of Form 10-K filed on February 26, 2010)  |
| 4.5                       | Indenture, dated March 27, 2007, among Extra Space Storage LP, Extra Space Storage Inc. and Wells Fargo Bank, N.A., as trustee, including the form of 3.625% Exchangeable Senior Notes due 2027 and form of guarantee (incorporated by reference to Exhibit 4.1 of Form 8-K filed on March 28, 2007).   |
| 4.6                       | Indenture, dated June 21, 2013, among Extra Space Storage LP, Extra Space Storage Inc. and Wells Fargo Bank, National Association, as trustee, including the form of 2.375% Exchangeable Senior Notes due 2033 and form of guarantee (incorporated by reference to Exhibit 4.1 of Form 8-K filed on June 21, 2013).   |
| 4.7                       | Indenture, dated September 21, 2015, among Extra Space Storage LP, as issuer, Extra Space Storage Inc., as guarantor, and Wells Fargo Bank, National Association, as trustee, including the form of 3.125% Exchangeable Senior Notes due 2035 and the form of guarantee (incorporated by reference to Exhibit 4.1 of Form 8-K filed on September 21, 2015). |
| 10.1                      | Registration Rights Agreement, by and among Extra Space Storage Inc. and the parties listed on Schedule I thereto.(1)   |
| 10.2                      | License between Centershift Inc. and Extra Space Storage LP.(1)   |
| 10.3*                     | 2004 Long-Term Compensation Incentive Plan as amended and restated effective March 25, 2008 (incorporated by reference to the Definitive Proxy Statement on Schedule 14A filed on April 14, 2008)   |
| 10.4*                     | Extra Space Storage Performance Bonus Plan.(1)  |
| 10.5*                     | Form of 2004 Long Term Incentive Compensation Plan Option Award Agreement for Employees with employment agreements. (incorporated by reference to Exhibit 10.11 of Form 10-K filed on February 26, 2010)  |
| 10.6*                     | Form of 2004 Long Term Incentive Compensation Plan Option Award Agreement for employees without employment agreements. (incorporated by reference to Exhibit 10.12 of Form 10-K filed on February 26, 2010)   |
| 10.7*                     | Form of 2004 Non-Employee Directors Share Plan Option Award Agreement for Directors. (incorporated by reference to Exhibit 10.13 of Form 10-K filed on February 26, 2010)   |
| 10.8                      | Joint Venture Agreement, dated June 1, 2004, by and between Extra Space Storage LLC and Prudential Financial, Inc.(1)   |
| 10.9*                     | Extra Space Storage Non-Employee Directors' Share Plan (incorporated by reference to Exhibit 10.22 of Form 10-K/A filed on March 22, 2007).   |
| 10.10                     | Registration Rights Agreement, dated June 20, 2005, among Extra Space Storage Inc. and the investors named therein (incorporated by reference to Exhibit 10.1 of Form 8-K filed on June 24, 2005).  |
| 10.11                     | Purchase Agreement, dated as of July 27, 2005, among Extra Space Storage LP, ESS Statutory Trust III and the Purchaser named therein (incorporated by reference to Exhibit 10.1 of Form 8-K filed on August 2, 2005).   |

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## Table of Contents

| <u>Exhibit<br/>Number</u> | <u>Description</u>   |
|---------------------------|--|
| 10.12                     | Registration Rights Agreement, dated March 27, 2007, among Extra Space Storage LP, Extra Space Storage Inc., Citigroup Global Markets Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated (incorporated by reference to Exhibit 10.1 of Form 8-K filed on March 28, 2007).   |
| 10.13                     | Contribution Agreement, dated June 15, 2007, among Extra Space Storage LP and various limited partnerships affiliated with AAAAA Rent-A-Space. (incorporated by reference to Exhibit 10.23 of Form 10-K filed on February 26, 2010)  |
| 10.14                     | Promissory Note, dated June 25, 2007, among Extra Space Storage LP, H. James Knuppe and Barbara Knuppe (incorporated by reference to Exhibit 10.2 of Form 8-K filed on June 26, 2007).   |
| 10.15                     | Pledge Agreement, dated June 25, 2007, among Extra Space Storage LP, H. James Knuppe and Barbara Knuppe (incorporated by reference to Exhibit 10.3 of Form 8-K filed on June 26, 2007).  |
| 10.16                     | Registration Rights Agreement among Extra Space Storage LP, H. James Knuppe and Barbara Knuppe. (incorporated by reference to Exhibit 10.26 of Form 10-K filed on February 26, 2010)   |
| 10.17                     | First Amendment to Contribution Agreement and to Agreement Regarding Transfer of Series A Units among Extra Space Storage LP, various limited partnerships affiliated with AAAAA Rent-A-Space, H. James Knuppe and Barbara Knuppe, dated September 28, 2007. (incorporated by reference to Exhibit 10.1 of Form 8-K filed on October 3, 2007). |
| 10.18                     | Membership Interest Purchase Agreement, dated as of April 13, 2012, between Extra Space Properties Sixty Three LLC and PRISA III Co-Investment LLC (incorporated by reference to Exhibit 10.1 of Form 8-K filed on April 16, 2012).  |
| 10.19*                    | 2004 Long Term Incentive Compensation Plan Restricted Stock Award Agreement (incorporated by reference to Exhibit 10.2 of Form 10-Q filed on November 7, 2007).  |
| 10.20*                    | First Amendment to Extra Space Storage Inc. 2004 Non-Employee Directors' Share Plan (incorporated by reference to Exhibit 10.4 of Form 10-Q filed on November 7, 2007).  |
| 10.21                     | Loan Agreement between ESP Seven Subsidiary LLC as Borrower and General Electric Capital Corporation as Lender, dated October 16, 2007. (incorporated by reference to Exhibit 10.30 of Form 10-K filed on February 26, 2010)   |
| 10.22                     | Subscription Agreement, dated December 31, 2007, among Extra Space Storage LLC and Extra Space Development, LLC. (incorporated by reference to Exhibit 10.31 of Form 10-K filed on February 26, 2010)  |
| 10.23                     | Revolving Promissory Note between Extra Space Properties Thirty LLC and Bank of America as Lender, dated February 13, 2009 (incorporated by reference to Exhibit 10.33 of Form 10-K filed on February 26, 2010)  |
| 10.24                     | Revolving Line of Credit between Extra Space Properties Thirty LLC and Bank of America as Lender, dated February 13, 2009 (incorporated by reference to Exhibit 10.34 of Form 10-K filed on February 26, 2010)   |
| 10.25                     | First Loan and Note Modification Agreement between Extra Space Properties Thirty LLC and Bank of America as lender, dated April 9, 2009 (incorporated by reference to Exhibit 10.27 of Form 10-K filed on February 29, 2012).  |
| 10.26                     | Second Loan and Note Modification Agreement between Extra Space Properties Thirty LLC and Bank of America as lender, dated May 4, 2009 (incorporated by reference to Exhibit 10.28 of Form 10-K filed on February 29, 2012).   |

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## Table of Contents

| <u>Exhibit Number</u> | <u>Description</u>   |
|-----------------------|--|
| 10.27                 | Third Loan and Note Modification Agreement between Extra Space Properties Thirty LLC and Bank of America as lender, dated August 27, 2010 (incorporated by reference to Exhibit 10.29 of Form 10-K filed on February 29, 2012).  |
| 10.28                 | Fourth Loan and Note Modification Agreement between Extra Space Properties Thirty LLC and Bank of America as lender, dated October 19, 2011 (incorporated by reference to Exhibit 10.30 of Form 10-K filed on February 29, 2012).  |
| 10.29*                | Extra Space Storage Inc. Executive Change in Control Plan (incorporated by reference to Exhibit 10.1 of Form 8-K filed on August 31, 2011).  |
| 10.30                 | Registration Rights Agreement, dated June 21, 2013, among Extra Space Storage LP, Extra Space Storage Inc., Citigroup Global Markets Inc. and Wells Fargo Securities, LLC (incorporated by reference to Exhibit 10.1 of Form 8-K filed on June 21, 2013).  |
| 10.31                 | Letter Agreement, dated as of November 22, 2013, amending the Contribution Agreement, dated June 15, 2007, among Extra Space Storage LP and various limited partnerships affiliated with AAAAA Rent-A-Space, and the Promissory Note, dated June 25, 2007, among Extra Space Storage LP, H. James Knuppe and Barbara Knuppe (incorporated by reference to Exhibit 10.1 of Form 10-Q filed on May 8, 2014).   |
| 10.32                 | Registration Rights Agreement, dated September 21, 2015, among Extra Space Storage LP, Extra Space Storage Inc., Citigroup Global Markets Inc. and Wells Fargo Securities, LLC, as representatives of the initial purchasers (incorporated by reference to Exhibit 10.1 of Form 8-K filed on September 21, 2015).  |
| 21.1                  | Subsidiaries of the Company(2)   |
| 23.1                  | Consent of Ernst & Young LLP(2)  |
| 31.1                  | Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.(2)   |
| 31.2                  | Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.(2)   |
| 32.1                  | Certifications of the Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.(2)   |
| 101                   | The following financial information from Registrant's Annual Report on Form 10-K for the period ended December 31, 2014, formatted in Extensible Business Reporting Language (XBRL): (i) Consolidated Balance Sheets as of December 31, 2014 and 2013; (ii) Consolidated Statements of Operations for the years ended December 31, 2014, 2013 and 2012; (iii) Consolidated Statements of Comprehensive Income for the years ended December 31, 2014, 2013 and 2012; (iv) Consolidated Statements of Stockholders' Equity for the years ended December 31, 2014, 2013 and 2012; (v) Consolidated Statements of Cash Flows for the years ended December 31, 2014, 2013 and 2012; and (vi) Notes to Consolidated Financial Statements(2). |

\* Management compensatory plan or arrangement

(1) Incorporated by reference to Registration Statement on Form S-11 (File No. 333-115436 dated August 11, 2004).

(2) Filed herewith.

(c) See Item 15(a)(2) above.

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: February 29, 2016

EXTRA SPACE STORAGE INC.

By: \_\_\_\_\_  
/S/ SPENCER F. KIRK  
Spencer F. Kirk  
*Chief Executive Officer*

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Date: February 29, 2016

By: \_\_\_\_\_  
/S/ SPENCER F. KIRK  
Spencer F. Kirk  
*Chief Executive Officer*  
*(Principal Executive Officer)*

Date: February 29, 2016

By: \_\_\_\_\_  
/S/ P. SCOTT STUBBS  
P. Scott Stubbs  
*Executive Vice President and Chief Financial Officer (Principal Financial Officer)*

Date: February 29, 2016

By: \_\_\_\_\_  
/S/ GRACE KUNDE  
Grace Kunde  
*Senior Vice President, Accounting and Finance (Principal Accounting Officer)*

Date: February 29, 2016

By: \_\_\_\_\_  
/S/ KENNETH M. WOOLLEY  
Kenneth M. Woolley  
*Executive Chairman*

Date: February 29, 2016

By: \_\_\_\_\_  
/S/ KARL HAAS  
Karl Haas  
*Director*

Date: February 29, 2016

By: \_\_\_\_\_  
/S/ ROGER B. PORTER  
Roger B. Porter  
*Director*

Date: February 29, 2016

By: \_\_\_\_\_  
/S/ K. FRED SKOUSEN  
K. Fred Skousen  
*Director*

Date: February 29, 2016

By: \_\_\_\_\_  
/S/ DIANE OLMSTEAD  
Diane Olmstead  
*Director*

Date: February 29, 2016

By: \_\_\_\_\_  
/S/ GARY B. SABIN  
Gary B. Sabin  
*Director*

| <u>Name</u>            | <u>Jurisdiction of Formation/Incorporation</u> |
|------------------------|--|
| Extra Space Storage LP | Delaware                                       |

The list above excludes consolidated wholly-owned subsidiaries carrying on the same line of business (the ownership and operation of commercial real estate). The list also excludes other subsidiaries which, considered in the aggregate as a single subsidiary, would not constitute a significant subsidiary as of December 31, 2015. A total of 360 subsidiaries have been excluded, each of which operates in the United States [other than one subsidiary which operates in Bermuda].

**Consent of Independent Registered Public Accounting Firm**

We consent to the incorporation by reference in the following Registration Statements:

Registration Statement (Form S-8 No. 333-204010, filed on May 8, 2015) of Extra Space Storage Inc.

Registration Statement (Form S-3 No. 333-198215, filed on August 18, 2014) of Extra Space Storage Inc.,

Registration Statement (Form S-3 No. 333-198194, filed on August 15, 2014) of Extra Space Storage Inc.,

Registration Statement (Form S-3 No. 333-190928, filed on August 30, 2013) of Extra Space Storage Inc.,

Registration Statement (Form S-3 No. 333-176296, filed on August 12, 2011) of Extra Space Storage Inc.,

Registration Statement (Form S-3 No. 333-176277, filed on August 12, 2011) of Extra Space Storage Inc.,

Registration Statement (Form S-3 No. 333-176276, filed on August 12, 2011) of Extra Space Storage Inc.,

Registration Statement (Form S-8 No. 333-157559, filed on February 27, 2009) pertaining to the Extra Space Management, Inc. 401(k) Plan,

Registration Statement (Form S-3 No. 333-133407, filed on April 19, 2006) of Extra Space Storage Inc.,

Registration Statement (Form S-3 No. 333-128988, filed on October 13, 2005) of Extra Space Storage Inc.,

Registration Statement (Form S-3 No. 333-128504, filed on September 22, 2005) of Extra Space Storage Inc., and

Registration Statement (Form S-8 No. 333-126742, filed on July 20, 2005) pertaining to the Extra Space Storage Inc. 2004 Non-Employee Directors' Share Plan and the Extra Space Storage Inc. 2004 Long Term Incentive Compensation Plan,

of our reports dated February 29, 2016, with respect to the consolidated financial statements and schedule of Extra Space Storage Inc., and the effectiveness of internal control over financial reporting of Extra Space Storage Inc., included in this Annual Report (Form 10-K) for the year ended December 31, 2015.

/s/ Ernst & Young LLP

Salt Lake City, Utah  
February 29, 2016

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER  
PURSUANT TO SECTION 302 OF  
THE SARBANES-OXLEY ACT OF 2002**

I, Spencer F. Kirk, certify that:

- 1) I have reviewed this annual report on Form 10-K of Extra Space Storage Inc.;
- 2) Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 29, 2016

By: /s/ SPENCER F. KIRK  
Name: Spencer F. Kirk  
Title: *Chief Executive Officer*

**CERTIFICATION OF CHIEF FINANCIAL OFFICER  
PURSUANT TO SECTION 302 OF  
THE SARBANES-OXLEY ACT OF 2002**

I, P. Scott Stubbs, certify that:

- 1) I have reviewed this annual report on Form 10-K of Extra Space Storage Inc.;
- 2) Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 29, 2016

By: /s/ P. SCOTT STUBBS  
Name: P. Scott Stubbs  
Title: *Executive Vice President and Chief Financial Officer*

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER  
PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Spencer F. Kirk, Chief Executive Officer of Extra Space Storage Inc. (the "Company"), hereby certify as of the date hereof, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Annual Report of the Company on Form 10-K for the year ended December 31, 2015 (the "Form 10-K") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 29, 2016

By: /s/ SPENCER F. KIRK

Name: Spencer F. Kirk

Title: *Chief Executive Officer*

I, P. Scott Stubbs, the Chief Financial Officer of the Company, hereby certify as of the date hereof, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Annual Report of the Company on Form 10-K for the year ended December 31, 2015 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that information contained in the Form 10-K fairly presents in all material respects the financial condition and results of operations of the Company.

Date: February 29, 2016

By: /s/ P. SCOTT STUBBS

Name: P. Scott Stubbs

Title: *Executive Vice President and Chief Financial Officer*

