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

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**FORM 10-K**

(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, 2011

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

**EXTRA SPACE STORAGE INC.**

(Exact name of registrant as specified in its charter)

|   |   |
|---|---|
| <b>Maryland</b>   | <b>20-1076777</b>                       |
| (State or other jurisdiction of<br>incorporation or organization) | (I.R.S. Employer<br>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<br>Exchange, Inc.            |

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

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

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a  
smaller reporting company)

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 \$1,864,609,793 based upon the closing price on the New York Stock Exchange on June 30, 2011, 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 15, 2012 was 94,809,906.**

#### **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 2012 are incorporated by reference into Part III of this Annual Report on Form 10-K.

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**EXTRA SPACE STORAGE INC.**

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## 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;
- the effect of competition from new and existing self-storage facilities 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 properties, 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"), which could increase our expenses and reduce our cash available for distribution;
- 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;
- 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;
- 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

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*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 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 facilities. 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 (the "Predecessor"), 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, 2011, we held ownership interests in 697 operating properties. Of these operating properties, 356 are wholly-owned, and 341 are owned in joint venture partnerships. An additional 185 operating properties are owned by franchisees or third parties and operated by us in exchange for a management fee, bringing the total number of operating properties which we own and/or manage to 882. These operating properties are located in 34 states and Washington, D.C. and contain approximately 64 million square feet of net rentable space in approximately 585,000 units and currently serve a customer base of over 448,000 tenants.

We operate in three distinct segments: (1) property management, acquisition and development; (2) rental operations; and (3) tenant reinsurance. Our property management, acquisition and development activities include managing, acquiring, developing, redeveloping and selling self-storage facilities. In June 2009, we announced the wind-down of our development activities. As of December 31, 2011, there was one development project in process. We expect to complete this project by the end of the first quarter of 2012. Our rental operations activities include rental operations of self-storage facilities. Tenant reinsurance activities include the reinsurance of risks relating to the loss of goods stored by tenants in the Company's self storage facilities.

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 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,

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which are located at 2795 East Cottonwood Parkway, Suite 400, Salt Lake City, Utah 84121, telephone number (801) 365-4600.

## **Management**

Members of our executive management team have significant experience in all aspects of the self-storage industry. The senior management team has collectively acquired and/or developed 595 properties since our IPO. Our executive management team and their years of industry experience are as follows: Spencer F. Kirk, Chairman and Chief Executive Officer, 14 years; P. Scott Stubbs, Executive Vice President and Chief Financial Officer, 11 years; Charles L. Allen, Executive Vice President and Chief Legal Officer, 14 years; and Karl Haas, Executive Vice President and Chief Operating Officer, 24 years.

Members of the executive management team have guided the Company through substantial growth, developing and acquiring over \$4.4 billion in assets since 1996. This growth has been funded through public equity offerings and private equity capital. This private equity capital has come primarily from sophisticated, high net-worth individuals and institutional investors such as affiliates of Prudential Financial, Inc. and Fidelity Investments.

Our executive management and board of directors have a significant ownership position in the Company with executive officers and directors owning approximately 6,480,191 shares or 6.8% of our outstanding common stock as of February 15, 2012.

## **Industry & Competition**

Self-storage facilities refers to properties that offer month-to-month storage space rental for personal or business use. Self-storage offers 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 five feet by five feet to 20 feet by 20 feet, with an interior height of eight to 12 feet. Properties 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 self-storage property is determined by a property'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 properties 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 self-storage property based primarily on the convenience of the site to their home or business, making high-density, high-traffic population centers ideal locations for self-storage properties. A property's perceived security and the general professionalism of the site managers and staff are also contributing factors to a site's ability to successfully secure rentals. Although most self-storage properties are leased to tenants on a month-to-month basis, tenants tend to continue their leases for extended periods of time.

There are seasonal fluctuations in occupancy rates for self-storage properties. Based on our experience, generally, there is increased leasing activity at self-storage properties during the spring and summer months. The highest level of occupancy is typically at the end of July, while the lowest level of occupancy is seen in late February and early March.

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Since inception in the early 1970's, the self-storage industry has experienced significant growth. In the past few years, there has been even greater growth. According to the Self-Storage Almanac (the "Almanac"), in 2001 there were only 33,833 self-storage properties in the United States, with an average occupancy rate of 86.1% of net rentable square feet, compared to 50,048 self-storage properties in 2011 with an average occupancy rate of 79.7% of net rentable square feet.

We have encountered competition when we have sought to acquire properties, 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 11.1% of total U.S. self-storage properties, and the top 50 self-storage companies owned approximately 15.1% of the total U.S. properties as of December 31, 2011. 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 four public self-storage REITs along with Public Storage Inc., Sovran Self-Storage, Inc., and CubeSmart.

### **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 properties 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 technology system's ability to provide real-time, interactive rental rate and discount management. Our size allows us greater ability than most of our competitors to implement national, regional and local marketing programs, which we believe attract more customers to our stores at a lower net cost.
- ***Acquire self-storage properties from strategic partners and third parties.*** Our acquisitions team continues to pursue the acquisition of single properties and multi-property portfolios 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.
- ***Expand our management business.*** Our management business enables us to generate increased revenues through management fees and expand our geographic footprint. 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 that strengthen our acquisition pipeline through agreements which typically give us first right of refusal to purchase the managed property in the event of a potential sale.

**Financing of Our Long-Term Growth Strategies**

- **Acquisition and Development Financing**

The following table sets forth information on our lines of credit (the "Credit Lines") for the periods indicated (amounts in thousands):

| Line of Credit | As of December 31, 2011 |                  | Interest Rate | Origination Date | Maturity   | Basis Rate       | Notes     |
|----------------|-------------------------|------------------|---------------|------------------|------------|------------------|-----------|
|                | Amount Drawn            | Capacity         |               |                  |            |                  |           |
| Credit Line 1  | \$100,000               | \$100,000        | 1.3%          | 10/19/2007       | 10/31/2012 | LIBOR plus 1.00% | (5)       |
| Credit Line 2  | 40,000                  | 74,000           | 2.4%          | 2/13/2009        | 2/13/2014  | LIBOR plus 2.15% | (1)(4)(5) |
| Credit Line 3  | 40,000                  | 72,000           | 2.5%          | 6/4/2010         | 5/31/2013  | LIBOR plus 2.20% | (2)(4)(5) |
| Credit Line 4  | 25,000                  | 40,000           | 2.5%          | 11/16/2010       | 11/16/2013 | LIBOR plus 2.20% | (3)(4)(5) |
| Credit Line 5  | 10,000                  | 50,000           | 2.4%          | 4/29/2011        | 5/1/2014   | LIBOR plus 2.15% | (3)(4)(5) |
|                | <u>\$215,000</u>        | <u>\$336,000</u> |               |                  |            |                  |           |

- (1) One year extension available
- (2) One two-year extension available
- (3) Two one-year extensions available
- (4) Guaranteed by the Company
- (5) Secured by mortgages on certain real estate assets

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

- **Joint Venture Financing**

We own 336 of our stabilized properties and five of our lease-up properties 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 properties and have the right to participate in major decisions relating to sales of properties 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 typically maintain the right to receive between 2.0% and 60.0% 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 50.0% 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 properties by the joint venture.

- **Disposition of Properties**

We will continue to review our portfolio for properties or groups of properties that are not strategically located and determine whether to

dispose of these properties to fund other growth.

## **Regulation**

Generally, self-storage properties 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 properties, or laws affecting development, construction, operation, upkeep, safety and taxation may result in significant unanticipated expenditures, loss of self-storage sites 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 properties, 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 properties 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.

Property 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 15, 2012, we had 2,239 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 properties. There are a number of factors that may adversely affect the income that our properties generate, including the following:

#### **Risks Related to Our Properties 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 self-storage properties. 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

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rental discounts. If our properties 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 properties:

- 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;
- 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 or worsening of the current economic environment;
- local or regional real estate market conditions such as competing properties, the oversupply of self-storage or a reduction in demand for self-storage in a particular area;
- perceptions by prospective users of our self-storage properties of the safety, convenience and attractiveness of our properties 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;
- earthquakes, hurricanes and other natural disasters, terrorist acts, civil disturbances or acts of war which may result in uninsured or underinsured losses; and
- changes in tax, real estate and zoning laws.

Recent U.S. and international market and economic conditions have been challenging, with tighter credit conditions and slower growth. Turbulence in U.S. and international markets may adversely affect our liquidity and financial condition, and the financial condition of our customers. If these market conditions continue, they may result in an adverse effect on our financial condition and results of operations.

***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 properties, and any difficulties we encounter in hiring, training and maintaining skilled field personnel may harm our operating performance.***

We had 1,884 field personnel as of February 15, 2012 in the management and operation of our properties. The general professionalism of our site managers and staff are contributing factors to a site's ability to successfully secure rentals and retain tenants. We also rely upon our field personnel to maintain clean and secure self-storage properties. If we are unable to successfully recruit, train and retain qualified field personnel, the quality of service we strive to provide at our properties could be adversely affected which could lead to decreased occupancy levels and reduced operating performance.

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***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 properties. 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 property. 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 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 properties 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 properties 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 properties 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 properties reveal all environmental liabilities, that any prior owner or operator of our properties did

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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 properties. 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 properties, or restrict certain further renovations of the properties, 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 properties 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 properties 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 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.

***We face competition for the acquisition of self-storage properties 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 self-storage properties and other assets, including national, regional and local operators and developers of self-storage properties. These competitors may drive up the price we pay for self-storage properties or other assets we seek to acquire or may succeed in acquiring those properties 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 properties 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-property acquisitions among tax-motivated individual purchasers, we may pay higher prices if we purchase single properties in comparison with portfolio acquisitions. If we pay higher prices for self-storage properties 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 properties 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.

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Our ability to acquire properties 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 properties; and
- we may acquire properties 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 properties and claims for indemnification by general partners, directors, officers and others indemnified by the former owners of the properties.

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 properties.***

We expect to make future acquisitions of self-storage properties. If we acquire any self-storage properties, we will be required to integrate them into our existing portfolio. The acquired properties 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 properties, and thus the consideration paid for these properties 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 properties and the consideration being paid by us in exchange for those properties may exceed the value determined by third-party appraisals. In such cases, the value of the properties were 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.***

In June 2009, we announced the wind-down of our development activities. 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 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

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- occupancy rates and rents at newly developed or redeveloped properties 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 that property. 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 property 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 properties could be affected, which would limit our growth.

**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. Our executive management team has substantial experience in the self-storage industry. In addition, our ability to acquire or develop properties 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 properties 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

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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, 2011, we held interests in 341 operating properties 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 self-storage properties and acquiring existing properties. 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 properties 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 properties 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.

***Spencer F. Kirk, Chairman and Chief Executive Officer, Charles L. Allen, Executive Vice President and Chief Legal Officer, and other members of our senior management team have outside business interests which could divert their time and attention away from us, which could harm our business.***

Spencer F. Kirk, our Chairman and Chief Executive Officer, as well as certain other members of our senior management team, have outside business interests. These business interests include the ownership of a self-storage property located in Pico Rivera, California. Other than this property, the members of our senior management are not currently engaged in any other self-storage activities outside the Company. These outside business interests could interfere with their ability to devote time to our business and affairs and, as a result, our business could be harmed.

***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

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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.

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.

***We may pursue less vigorous enforcement of terms of contribution and other agreements because of conflicts of interest with certain of our officers.***

Spencer F. Kirk, Chairman and Chief Executive Officer, Charles L. Allen, Executive Vice President and Chief Legal Officer, other members of our senior management team and Kenneth M. Woolley, Director, had direct or indirect ownership interests in certain properties that were contributed to our Operating Partnership in the formation transactions. Following the completion of the formation transactions, we, under the agreements relating to the contribution of such interests, became entitled to indemnification and damages in the event of breaches of representations or warranties made by the contributors. None of these contribution and non-competition agreements was negotiated at an arm's-length basis. We may choose not to enforce, or to enforce less vigorously, our rights under these contribution and non-competition agreements because of our desire to maintain our ongoing relationships with the individuals party to these agreements.

***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

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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 and Spencer F. Kirk, certain of his affiliates, family members and estates and trusts formed for the benefit of the foregoing and 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 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 self-storage properties.***

Our current strategy is to own, operate, manage, acquire, develop and redevelop only self-storage properties. 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 properties.***

Because real estate investments are relatively illiquid, our ability to promptly sell one or more properties 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 property 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 property.

We may be required to expend funds to correct defects or to make improvements before a property 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 property, we may agree to transfer restrictions that materially restrict us from selling that property 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 property. These transfer restrictions would impede our ability to sell a property 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.*

In recent years, the U.S. and international credit markets have experienced significant dislocations and liquidity disruptions. 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 prolonged 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 properties or may adversely affect the price we receive for properties 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 properties 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, 2011, we had approximately \$1.4 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 properties. 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 properties, 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 properties that secure their loans and receive an assignment of rents and leases;

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- 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 properties.

***We could become highly leveraged in the future because our organizational documents contain no limitation on the amount of debt we may incur.***

Our organizational documents contain no limitations on the amount of indebtedness that we or our Operating Partnership may incur. We could alter the balance between our total outstanding indebtedness and the value of our portfolio at any time. If we become more highly leveraged, then the resulting increase in debt service could adversely affect our ability to make payments on our outstanding indebtedness and to pay our anticipated cash distributions and/or to continue to make cash distributions to maintain our REIT qualification, and could harm our financial condition.

***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, 2011, we had approximately \$1.4 billion of debt outstanding, of which approximately \$332.9 million or 24.5% was subject to variable interest rates (excluding debt with interest rate swaps). This variable rate debt had a weighted average interest rate of approximately 2.7% 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 \$2.6 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. For distributions with respect to taxable years ending on or before December 31, 2011, recent Internal Revenue Service guidance allows us to satisfy up to 90% of the

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distribution requirements discussed above through the distribution of shares of our stock, if certain conditions are met. 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 15% (through 2012). 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 properties.

***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 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.

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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. 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 self-storage properties for our joint venture properties and properties 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 properties 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.

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***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, 2011, we owned or had ownership interests in 697 operating self-storage properties. Of these properties, 356 are wholly-owned and 341 are held in joint ventures. In addition, we managed an additional 185 properties for franchisees or third parties bringing the total number of properties which we own and/or manage to 882. These properties are located in 34 states and Washington, D.C. We receive a management fee generally equal to approximately 6% of cash collected from total revenues to manage the joint venture, third party and franchise sites. As of December 31, 2011, we owned and/or managed approximately 64 million square feet of rentable space configured in approximately 585,000 separate storage units. Approximately 77% of our properties 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 new self-storage properties. 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 property 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 property 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.

As of December 31, 2011, over 448,000 tenants were leasing storage units at the 882 operating properties 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. Although leases are short-term in duration, the typical tenant tends to remain at our properties for an extended period of time. For properties that were stabilized as of December 31, 2011, the average length of stay was approximately 13 months. The average annual rent per square foot at these stabilized properties was approximately \$13.67 at December 31, 2011, compared to \$13.49 at December 31, 2010.

Our property 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 sets forth additional information regarding the occupancy of our stabilized properties on a state-by-state basis as of December 31, 2011 and 2010. The information as of December 31, 2010, is on a pro forma basis as though all the properties owned at December 31, 2011, were under our control as of December 31, 2010.

**Stabilized Property Data Based on Location**

| Location                             | Company              |  | Pro forma                               |   | Company  |                         | Pro forma               |  |
|--------------------------------------|----------------------|--|---|---|--|-------------------------|-------------------------|--|
|                                      | Number of Properties | Number of Units as of December 31, 2011(1) | Number of Units as of December 31, 2010 | Net Rentable Square Feet as of December 31, 2011(2) | Net Rentable Square Feet as of December 31, 2010 | Square Foot Occupancy % | Square Foot Occupancy % |  |
| <b>Wholly-owned properties</b>       |                      |  |   |   |  |                         |                         |  |
| Alabama                              | 3                    | 1,395                                      | 1,372                                   | 172,779   | 174,019  | 75.4%                   | 76.4%                   |  |
| Arizona                              | 5                    | 2,789                                      | 2,795                                   | 356,520   | 356,720  | 84.0%                   | 87.9%                   |  |
| California                           | 65                   | 48,642                                     | 48,730                                  | 5,034,552   | 5,041,932  | 83.2%                   | 81.0%                   |  |
| Colorado                             | 10                   | 4,519                                      | 4,497                                   | 569,886   | 569,914  | 86.0%                   | 86.3%                   |  |
| Connecticut                          | 3                    | 1,964                                      | 1,980                                   | 178,050   | 177,985  | 89.5%                   | 86.6%                   |  |
| Florida                              | 30                   | 19,652                                     | 19,831                                  | 2,120,505   | 2,127,182  | 87.2%                   | 82.9%                   |  |
| Georgia                              | 12                   | 6,419                                      | 6,425                                   | 836,418   | 837,248  | 86.8%                   | 84.5%                   |  |
| Hawaii                               | 2                    | 2,796                                      | 2,815                                   | 138,084   | 145,815  | 85.7%                   | 81.8%                   |  |
| Illinois                             | 9                    | 6,004                                      | 6,016                                   | 656,722   | 657,732  | 88.2%                   | 82.4%                   |  |
| Indiana                              | 8                    | 4,334                                      | 4,362                                   | 511,034   | 511,034  | 87.2%                   | 83.0%                   |  |
| Kansas                               | 1                    | 505  | 506                                     | 50,340  | 50,310   | 89.5%                   | 89.0%                   |  |
| Kentucky                             | 4                    | 2,155                                      | 2,159                                   | 254,065   | 254,241  | 89.2%                   | 86.4%                   |  |
| Louisiana                            | 2                    | 1,413                                      | 1,412                                   | 150,165   | 150,035  | 88.5%                   | 84.4%                   |  |
| Maryland                             | 14                   | 10,492                                     | 10,487                                  | 1,141,916   | 1,140,311  | 87.9%                   | 86.5%                   |  |
| Massachusetts                        | 29                   | 17,494                                     | 17,588                                  | 1,792,111   | 1,792,969  | 88.7%                   | 84.3%                   |  |
| Michigan                             | 2                    | 1,022                                      | 1,018                                   | 135,042   | 134,954  | 87.4%                   | 85.6%                   |  |
| Missouri                             | 6                    | 3,156                                      | 3,152                                   | 374,912   | 374,962  | 88.5%                   | 84.6%                   |  |
| Nevada                               | 2                    | 967  | 967                                     | 129,214   | 129,214  | 68.0%                   | 68.7%                   |  |
| New Hampshire                        | 2                    | 1,005                                      | 1,007                                   | 124,873   | 125,473  | 90.3%                   | 87.3%                   |  |
| New Jersey                           | 27                   | 22,305                                     | 22,331                                  | 2,149,112   | 2,150,593  | 89.5%                   | 86.3%                   |  |
| New Mexico                           | 1                    | 536  | 541                                     | 71,555  | 71,575   | 91.6%                   | 86.9%                   |  |
| New York                             | 12                   | 10,783                                     | 10,812                                  | 829,552   | 829,445  | 88.8%                   | 83.7%                   |  |
| Ohio                                 | 14                   | 8,276                                      | 8,275                                   | 994,129   | 993,889  | 81.2%                   | 81.3%                   |  |
| Oregon                               | 1                    | 769  | 770                                     | 103,050   | 103,130  | 92.4%                   | 89.5%                   |  |
| Pennsylvania                         | 9                    | 5,726                                      | 5,789                                   | 655,710   | 655,785  | 90.2%                   | 84.7%                   |  |
| Rhode Island                         | 2                    | 1,181                                      | 1,204                                   | 130,756   | 131,831  | 84.2%                   | 81.9%                   |  |
| South Carolina                       | 4                    | 2,154                                      | 2,173                                   | 253,396   | 253,406  | 87.4%                   | 86.0%                   |  |
| Tennessee                            | 3                    | 1,608                                      | 1,620                                   | 214,260   | 215,260  | 84.7%                   | 82.2%                   |  |
| Texas                                | 18                   | 11,481                                     | 11,484                                  | 1,329,891   | 1,328,570  | 87.2%                   | 85.1%                   |  |
| Utah                                 | 7                    | 3,189                                      | 3,210                                   | 409,223   | 410,513  | 85.7%                   | 83.9%                   |  |
| Virginia                             | 6                    | 4,293                                      | 4,301                                   | 416,227   | 416,552  | 85.4%                   | 86.5%                   |  |
| Washington                           | 4                    | 2,524                                      | 2,543                                   | 308,015   | 308,015  | 83.5%                   | 71.7%                   |  |
| <b>Total Wholly-Owned Stabilized</b> | <b>317</b>           | <b>211,548</b>                             | <b>212,172</b>                          | <b>22,592,064</b>                                   | <b>22,620,614</b>                                | <b>86.3%</b>            | <b>83.5%</b>            |  |

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| Location                               | Number of Properties | Company                                    | Pro forma                               | Company   | Pro forma  | Company                                   | Pro forma                                 |
|--|----------------------|--|---|---|--|---|---|
|  |                      | Number of Units as of December 31, 2011(1) | Number of Units as of December 31, 2010 | Net Rentable Square Feet as of December 31, 2011(2) | Net Rentable Square Feet as of December 31, 2010 | Square Foot Occupancy % December 31, 2011 | Square Foot Occupancy % December 31, 2010 |
| <b>Joint-venture properties</b>        |                      |  |   |   |  |   |   |
| Alabama                                | 3                    | 1,707                                      | 1,705                                   | 205,713   | 205,588  | 83.9%                                     | 86.6%                                     |
| Arizona                                | 10                   | 6,398                                      | 6,402                                   | 728,830   | 728,894  | 89.4%                                     | 86.3%                                     |
| California                             | 81                   | 58,614                                     | 58,680                                  | 6,047,219   | 6,022,553  | 88.1%                                     | 85.2%                                     |
| Colorado                               | 2                    | 1,316                                      | 1,318                                   | 158,513   | 158,523  | 82.3%                                     | 84.8%                                     |
| Connecticut                            | 8                    | 5,985                                      | 5,990                                   | 691,688   | 692,632  | 89.5%                                     | 85.3%                                     |
| Delaware                               | 1                    | 585  | 581                                     | 71,680  | 71,740   | 93.7%                                     | 88.8%                                     |
| Florida                                | 24                   | 19,604                                     | 19,697                                  | 1,964,253   | 1,964,436  | 85.7%                                     | 84.7%                                     |
| Georgia                                | 3                    | 1,852                                      | 1,848                                   | 240,021   | 240,701  | 80.6%                                     | 77.6%                                     |
| Illinois                               | 7                    | 4,944                                      | 4,937                                   | 502,328   | 502,830  | 87.8%                                     | 83.9%                                     |
| Indiana                                | 6                    | 2,416                                      | 2,416                                   | 315,166   | 315,311  | 89.1%                                     | 86.0%                                     |
| Kansas                                 | 2                    | 838  | 837                                     | 108,905   | 108,905  | 82.2%                                     | 80.7%                                     |
| Kentucky                               | 4                    | 2,281                                      | 2,275                                   | 269,845   | 269,545  | 87.1%                                     | 87.6%                                     |
| Maryland                               | 15                   | 11,844                                     | 11,843                                  | 1,159,102   | 1,158,077  | 88.1%                                     | 87.8%                                     |
| Massachusetts                          | 15                   | 7,822                                      | 7,844                                   | 893,653   | 896,711  | 86.6%                                     | 85.0%                                     |
| Michigan                               | 9                    | 5,446                                      | 5,444                                   | 729,413   | 730,498  | 88.7%                                     | 85.8%                                     |
| Missouri                               | 1                    | 530  | 531                                     | 61,275  | 61,075   | 90.8%                                     | 84.8%                                     |
| Nevada                                 | 8                    | 5,329                                      | 5,364                                   | 692,958   | 692,743  | 82.5%                                     | 84.4%                                     |
| <b>New</b>                             |                      |  |   |   |  |   |   |
| Hampshire                              | 3                    | 1,310                                      | 1,305                                   | 137,314   | 136,994  | 87.2%                                     | 87.8%                                     |
| New Jersey                             | 20                   | 14,883                                     | 14,898                                  | 1,559,273   | 1,561,636  | 88.0%                                     | 84.1%                                     |
| New Mexico                             | 9                    | 4,646                                      | 4,657                                   | 542,685   | 539,430  | 85.4%                                     | 83.7%                                     |
| New York                               | 20                   | 20,054                                     | 20,051                                  | 1,617,800   | 1,617,907  | 89.8%                                     | 87.5%                                     |
| Ohio                                   | 12                   | 5,398                                      | 5,451                                   | 786,354   | 798,054  | 88.3%                                     | 80.9%                                     |
| Oregon                                 | 2                    | 1,291                                      | 1,292                                   | 136,590   | 136,920  | 94.4%                                     | 88.1%                                     |
| Pennsylvania                           | 10                   | 7,991                                      | 8,002                                   | 799,911   | 800,361  | 88.9%                                     | 88.2%                                     |
| Tennessee                              | 23                   | 12,519                                     | 12,591                                  | 1,668,533   | 1,668,913  | 84.5%                                     | 84.4%                                     |
| Texas                                  | 19                   | 11,702                                     | 11,761                                  | 1,526,701   | 1,535,674  | 87.9%                                     | 85.0%                                     |
| Virginia                               | 17                   | 12,020                                     | 12,016                                  | 1,268,369   | 1,267,628  | 87.5%                                     | 86.8%                                     |
| Washington                             | 1                    | 548  | 546                                     | 62,730  | 62,730   | 87.6%                                     | 84.4%                                     |
| Washington, DC                         | 1                    | 1,529                                      | 1,533                                   | 101,989   | 102,003  | 89.1%                                     | 91.7%                                     |
| <b>Total Stabilized Joint-Ventures</b> | <b>336</b>           | <b>231,402</b>                             | <b>231,815</b>                          | <b>25,048,811</b>                                   | <b>25,049,012</b>                                | <b>87.5%</b>                              | <b>85.3%</b>                              |
| <b>Managed properties</b>              |                      |  |   |   |  |   |   |
| Arizona                                | 1                    | 578  | 580                                     | 67,300  | 67,350   | 54.8%                                     | 37.1%                                     |
| California                             | 38                   | 25,049                                     | 25,078                                  | 3,103,318   | 3,102,918  | 69.7%                                     | 68.5%                                     |
| Colorado                               | 5                    | 2,049                                      | 2,045                                   | 229,525   | 229,355  | 73.1%                                     | 69.7%                                     |
| Connecticut                            | 1                    | 489  | 489                                     | 61,360  | 61,360   | 72.8%                                     | 72.8%                                     |
| Florida                                | 15                   | 7,150                                      | 7,184                                   | 885,614   | 873,353  | 76.7%                                     | 71.8%                                     |
| Georgia                                | 1                    | 931  | 929                                     | 107,660   | 106,810  | 77.5%                                     | 73.5%                                     |
| Hawaii                                 | 3                    | 3,516                                      | 3,516                                   | 202,429   | 202,429  | 57.1%                                     | 57.1%                                     |
| Illinois                               | 6                    | 3,329                                      | 3,357                                   | 342,093   | 345,004  | 68.6%                                     | 64.9%                                     |
| Indiana                                | 3                    | 1,693                                      | 1,706                                   | 184,754   | 183,289  | 78.4%                                     | 76.6%                                     |
| Kansas                                 | 4                    | 1,975                                      | 1,974                                   | 334,750   | 335,710  | 77.9%                                     | 76.2%                                     |
| Kentucky                               | 1                    | 526  | 525                                     | 66,100  | 66,100   | 91.2%                                     | 84.0%                                     |
| Louisiana                              | 1                    | 1,015                                      | 1,009                                   | 135,315   | 135,970  | 65.7%                                     | 63.4%                                     |
| Maryland                               | 12                   | 7,416                                      | 7,476                                   | 854,717   | 855,543  | 82.4%                                     | 78.4%                                     |
| Massachusetts                          | 2                    | 2,089                                      | 2,109                                   | 189,834   | 189,899  | 83.9%                                     | 76.8%                                     |
| Missouri                               | 5                    | 2,741                                      | 2,751                                   | 455,334   | 455,434  | 75.6%                                     | 77.6%                                     |
| Nevada                                 | 2                    | 1,566                                      | 1,574                                   | 170,375   | 170,375  | 78.4%                                     | 80.2%                                     |
| New Jersey                             | 3                    | 1,657                                      | 1,656                                   | 178,198   | 177,998  | 77.4%                                     | 71.8%                                     |
| New Mexico                             | 2                    | 1,105                                      | 1,106                                   | 132,262   | 132,282  | 87.5%                                     | 85.9%                                     |
| <b>North</b>                           |                      |  |   |   |  |   |   |
| Carolina                               | 5                    | 3,524                                      | 3,599                                   | 376,204   | 378,054  | 78.1%                                     | 69.6%                                     |
| Ohio                                   | 4                    | 1,061                                      | 1,075                                   | 156,360   | 158,160  | 73.0%                                     | 66.6%                                     |
| Pennsylvania                           | 18                   | 7,368                                      | 7,413                                   | 901,985   | 902,890  | 79.7%                                     | 72.1%                                     |
| <b>South</b>                           |                      |  |   |   |  |   |   |
| Carolina                               | 2                    | 1,161                                      | 1,175                                   | 162,212   | 162,337  | 77.9%                                     | 67.5%                                     |
| Tennessee                              | 3                    | 1,491                                      | 1,500                                   | 205,225   | 205,415  | 86.4%                                     | 86.6%                                     |
| Texas                                  | 7                    | 3,541                                      | 3,554                                   | 456,024   | 456,373  | 81.4%                                     | 78.7%                                     |
| Virginia                               | 2                    | 1,303                                      | 1,303                                   | 114,316   | 114,316  | 86.6%                                     | 88.2%                                     |
| Washington                             | 1                    | 464  | 464                                     | 56,590  | 56,590   | 82.9%                                     | 82.9%                                     |
| Washington, DC                         | 2                    | 1,263                                      | 1,263                                   | 112,459   | 112,459  | 89.0%                                     | 86.2%                                     |
| <b>Total</b>                           |                      |  |   |   |  |   |   |

|  |            |                |                |                   |                   |              |              |
|--|------------|----------------|----------------|-------------------|-------------------|--------------|--------------|
| <b>Stabilized<br/>Managed<br/>Properties</b> | <b>149</b> | <b>86,050</b>  | <b>86,410</b>  | <b>10,242,313</b> | <b>10,237,773</b> | <b>75.4%</b> | <b>72.2%</b> |
| <b>Total<br/>Stabilized<br/>Properties</b>   | <b>802</b> | <b>529,000</b> | <b>530,397</b> | <b>57,883,188</b> | <b>57,907,399</b> | <b>84.9%</b> | <b>82.3%</b> |

- (1) Represents unit count as of December 31, 2011, which may differ from December 31, 2010, unit count due to unit conversions or expansions.
- (2) Represents net rentable square feet as of December 31, 2011, which may differ from December 31, 2010, net rentable square feet due to unit conversions or expansions.

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The following table sets forth additional information regarding the occupancy of our lease-up properties on a state-by-state basis as of December 31, 2011 and 2010. The information as of December 31, 2010, is on a pro forma basis as though all the properties owned at December 31, 2011, were under our control as of December 31, 2010.

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

| Location                                 | Number of Properties | Number of Units as of December 31, 2011(1) | Number of Units as of December 31, 2010 | Net Rentable                           | Net Rentable                        | Square Foot                   | Square Foot                   |
|--|----------------------|--|---|--|-------------------------------------|-------------------------------|-------------------------------|
|  |                      |  |   | Square Feet as of December 31, 2011(2) | Square Feet as of December 31, 2010 | Occupancy % December 31, 2011 | Occupancy % December 31, 2010 |
| <b>Wholly-owned properties</b>           |                      |  |   |  |                                     |                               |                               |
| Arizona                                  | 1                    | 636  | —                                       | 71,355                                 | —                                   | 36.0%                         | —                             |
| California                               | 13                   | 9,143                                      | 8,570                                   | 1,018,006                              | 933,627                             | 74.6%                         | 53.8%                         |
| Florida                                  | 8                    | 6,523                                      | 5,002                                   | 645,255                                | 492,325                             | 55.5%                         | 32.9%                         |
| Georgia                                  | 4                    | 1,986                                      | 1,995                                   | 252,766                                | 252,986                             | 75.6%                         | 65.6%                         |
| Illinois                                 | 2                    | 1,372                                      | 1,403                                   | 151,020                                | 151,005                             | 74.0%                         | 59.4%                         |
| Maryland                                 | 3                    | 2,448                                      | 1,629                                   | 241,895                                | 156,870                             | 54.2%                         | 38.3%                         |
| Massachusetts                            | 1                    | 615  | 605                                     | 74,025                                 | 72,225                              | 63.8%                         | 63.1%                         |
| New Jersey                               | 2                    | 1,230                                      | 1,254                                   | 126,355                                | 127,030                             | 78.2%                         | 58.8%                         |
| New York                                 | 1                    | 665  | 674                                     | 42,476                                 | 42,551                              | 82.5%                         | 64.8%                         |
| Oregon                                   | 1                    | 717  | 730                                     | 75,950                                 | 76,120                              | 77.3%                         | 44.9%                         |
| Tennessee                                | 1                    | 505  | 505                                     | 68,750                                 | 69,550                              | 68.9%                         | 67.2%                         |
| Texas                                    | 2                    | 1,054                                      | 1,087                                   | 152,610                                | 156,050                             | 69.8%                         | 60.1%                         |
| <b>Total Wholly-Owned Lease up</b>       | <b>39</b>            | <b>26,894</b>                              | <b>23,454</b>                           | <b>2,920,463</b>                       | <b>2,530,339</b>                    | <b>67.5%</b>                  | <b>51.5%</b>                  |
| <b>Joint-venture properties</b>          |                      |  |   |  |                                     |                               |                               |
| California                               | 3                    | 2,381                                      | 2,337                                   | 216,383                                | 216,618                             | 80.6%                         | 57.7%                         |
| Illinois                                 | 2                    | 1,307                                      | 1,306                                   | 131,418                                | 131,809                             | 68.2%                         | 52.4%                         |
| <b>Total Lease up Joint-Ventures</b>     | <b>5</b>             | <b>3,688</b>                               | <b>3,643</b>                            | <b>347,801</b>                         | <b>348,427</b>                      | <b>75.9%</b>                  | <b>55.7%</b>                  |
| <b>Managed properties</b>                |                      |  |   |  |                                     |                               |                               |
| California                               | 2                    | 1,742                                      | 1,740                                   | 236,369                                | 236,289                             | 71.7%                         | 63.9%                         |
| Colorado                                 | 1                    | 572  | 572                                     | 59,259                                 | 59,259                              | 54.2%                         | 54.2%                         |
| Florida                                  | 9                    | 6,477                                      | 6,611                                   | 621,987                                | 623,978                             | 60.4%                         | 42.9%                         |
| Georgia                                  | 5                    | 2,752                                      | 2,784                                   | 447,408                                | 448,828                             | 62.8%                         | 49.0%                         |
| Illinois                                 | 3                    | 1,928                                      | 1,940                                   | 160,670                                | 161,053                             | 69.6%                         | 51.6%                         |
| Maryland                                 | 1                    | 955  | —                                       | 88,200                                 | —                                   | 12.1%                         | —                             |
| Massachusetts                            | 3                    | 2,202                                      | 1,198                                   | 207,307                                | 123,048                             | 44.7%                         | 47.9%                         |
| New Jersey                               | 1                    | 845  | 850                                     | 78,295                                 | 78,295                              | 82.9%                         | 73.5%                         |
| New York                                 | 1                    | 904  | 906                                     | 46,197                                 | 46,197                              | 58.6%                         | 39.6%                         |
| North Carolina                           | 2                    | 643  | 643                                     | 103,655                                | 103,655                             | 81.8%                         | 81.8%                         |
| Pennsylvania                             | 2                    | 1,984                                      | 1,991                                   | 173,059                                | 173,019                             | 70.3%                         | 58.1%                         |
| Rhode Island                             | 1                    | 969  | 985                                     | 91,075                                 | 90,995                              | 42.4%                         | 29.3%                         |
| South Carolina                           | 1                    | 734  | 755                                     | 76,435                                 | 76,435                              | 65.4%                         | 34.7%                         |
| Texas                                    | 2                    | 1,594                                      | 934                                     | 172,377                                | 103,350                             | 26.8%                         | 18.8%                         |
| Utah                                     | 1                    | 656  | 654                                     | 75,751                                 | 75,601                              | 93.7%                         | 79.3%                         |
| Virginia                                 | 1                    | 457  | 459                                     | 63,644                                 | 63,709                              | 84.8%                         | 64.0%                         |
| <b>Total Lease up Managed Properties</b> | <b>36</b>            | <b>25,414</b>                              | <b>23,022</b>                           | <b>2,701,688</b>                       | <b>2,463,711</b>                    | <b>60.4%</b>                  | <b>50.6%</b>                  |
| <b>Total Lease up Properties</b>         | <b>80</b>            | <b>55,996</b>                              | <b>50,119</b>                           | <b>5,969,952</b>                       | <b>5,342,477</b>                    | <b>64.8%</b>                  | <b>51.4%</b>                  |

(1) Represents unit count as of December 31, 2011, which may differ from December 31, 2010, unit count due to unit conversions or expansions.

(2) Represents net rentable square feet as of December 31, 2011, which may differ from December 31, 2010, net rentable square feet due to unit conversions or expansions.

**Item 3. Legal Proceedings**

We are involved in various litigation and legal proceedings in the ordinary course of business. We are not a party to any material litigation or legal proceedings, or to the best of our knowledge, any threatened litigation or legal proceedings which, in the opinion of management, will have a material adverse effect on our financial condition or results of operations either individually or in the aggregate.

**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 sets forth, 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 |
|------|---------|----------|----------|-----------|
|      |         | High     | Low      | Declared  |
| 2010 | 1st     | \$ 13.35 | \$ 10.78 | \$ 0.10   |
|      | 2nd     | 16.32    | 12.52    | 0.10      |
|      | 3rd     | 17.10    | 12.94    | 0.10      |
|      | 4th     | 17.70    | 15.39    | 0.10      |
| 2011 | 1st     | 20.92    | 17.39    | 0.14      |
|      | 2nd     | 22.22    | 19.27    | 0.14      |
|      | 3rd     | 22.44    | 17.81    | 0.14      |
|      | 4th     | 24.68    | 17.29    | 0.14      |

On February 15, 2012, the closing price of our common stock as reported by the NYSE was \$26.40. At February 15, 2012, we had 266 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

None.

### Item 6. Selected Financial Data

The following table sets forth the selected financial data and should be read in conjunction with the Financial Statements and notes thereto included in Item 8, "Financial Statements and

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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, |                  |                  |                  |                  |
|---|---------------------------------|------------------|------------------|------------------|------------------|
|   | 2011                            | 2010             | 2009             | 2008             | 2007             |
| <b>Revenues:</b>  |                                 |                  |                  |                  |                  |
| Property rental   | \$ 268,725                      | \$ 232,447       | \$ 238,256       | \$ 235,695       | \$ 206,315       |
| Fees, tenant reinsurance and other income   | 61,105                          | 49,050           | 41,890           | 37,036           | 31,647           |
| Total revenues  | 329,830                         | 281,497          | 280,146          | 272,731          | 237,962          |
| <b>Expenses:</b>  |                                 |                  |                  |                  |                  |
| Property operations   | 95,481                          | 86,165           | 88,935           | 84,522           | 73,070           |
| Tenant reinsurance  | 6,143                           | 6,505            | 5,461            | 5,066            | 4,710            |
| Unrecovered development and acquisition costs, loss on sublease and severance               | 5,033                           | 3,235            | 21,236           | 1,727            | 765              |
| General and administrative  | 49,683                          | 44,428           | 40,224           | 39,388           | 35,818           |
| Depreciation and amortization   | 58,014                          | 50,349           | 52,403           | 49,566           | 39,801           |
| Total expenses  | 214,354                         | 190,682          | 208,259          | 180,269          | 154,164          |
| Income from operations  | 115,476                         | 90,815           | 71,887           | 92,462           | 83,798           |
| Interest expense  | (69,062)                        | (65,780)         | (69,818)         | (68,671)         | (64,045)         |
| Interest income   | 5,877                           | 5,748            | 6,432            | 8,249            | 10,417           |
| Gain on repurchase of exchangeable senior notes   | —                               | —                | 27,928           | 6,311            | —                |
| Loss on investments available for sale  | —                               | —                | —                | (1,415)          | (1,233)          |
| Fair value adjustment of obligation associated with Preferred Operating Partnership units   | —                               | —                | —                | —                | 1,054            |
| Income before equity in earnings of real estate ventures and income tax expense             | 52,291                          | 30,783           | 36,429           | 36,936           | 29,991           |
| Equity in earnings of real estate ventures  | 7,287                           | 6,753            | 6,964            | 6,932            | 5,300            |
| Income tax expense  | (1,155)                         | (4,162)          | (4,300)          | (519)            | —                |
| <b>Net income</b>   | <b>58,423</b>                   | <b>33,374</b>    | <b>39,093</b>    | <b>43,349</b>    | <b>35,291</b>    |
| Noncontrolling interests in Operating Partnership and other                                 | (7,974)                         | (7,043)          | (7,116)          | (7,568)          | (3,562)          |
| Fixed distribution paid to Preferred Operating Partnership unit holder                      | —                               | —                | —                | —                | (1,510)          |
| <b>Net income attributable to common stockholders</b>                                       | <b>\$ 50,449</b>                | <b>\$ 26,331</b> | <b>\$ 31,977</b> | <b>\$ 35,781</b> | <b>\$ 30,219</b> |
| <b>Net income per common share</b>  |                                 |                  |                  |                  |                  |
| Basic   | \$ 0.55                         | \$ 0.30          | \$ 0.37          | \$ 0.46          | \$ 0.47          |
| Diluted   | \$ 0.54                         | \$ 0.30          | \$ 0.37          | \$ 0.46          | \$ 0.46          |
| <b>Weighted average number of shares</b>  |                                 |                  |                  |                  |                  |
| Basic   | 92,097,008                      | 87,324,104       | 86,343,029       | 76,966,754       | 64,900,713       |
| Diluted   | 96,683,508                      | 92,050,453       | 91,082,834       | 82,352,988       | 70,715,640       |
| <b>Cash dividends paid per common share</b>   | <b>\$ 0.56</b>                  | <b>\$ 0.40</b>   | <b>\$ 0.38</b>   | <b>\$ 1.00</b>   | <b>\$ 0.93</b>   |
| <b>Balance Sheet Data</b>   |                                 |                  |                  |                  |                  |
| Total assets  | \$ 2,516,250                    | \$ 2,249,820     | \$ 2,407,566     | \$ 2,291,008     | \$ 2,054,075     |
| Total notes payable, notes payable to trusts, exchangeable senior notes and lines of credit | \$ 1,363,656                    | \$ 1,246,918     | \$ 1,402,977     | \$ 1,286,820     | \$ 1,299,997     |
| Noncontrolling interests  | \$ 54,814                       | \$ 57,670        | \$ 62,040        | \$ 68,023        | \$ 66,217        |
| Total stockholders' equity  | \$ 1,018,947                    | \$ 881,401       | \$ 884,179       | \$ 878,770       | \$ 638,461       |
| <b>Other Data</b>   |                                 |                  |                  |                  |                  |
| Net cash provided by operating activities   | \$ 144,164                      | \$ 104,815       | \$ 81,165        | \$ 98,391        | \$ 102,096       |

|   |    |           |    |           |    |           |    |           |    |           |
|---|----|-----------|----|-----------|----|-----------|----|-----------|----|-----------|
| Net cash used in investing activities               | \$ | (251,919) | \$ | (83,706)  | \$ | (104,410) | \$ | (244,481) | \$ | (254,344) |
| Net cash provided by (used in) financing activities | \$ | 87,489    | \$ | (106,309) | \$ | 91,223    | \$ | 172,685   | \$ | 98,824    |

## 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 our predecessor companies to own, operate, manage, acquire, develop and redevelop professionally managed self-storage properties. Since our IPO, our fully integrated development and acquisition teams have completed the development or acquisition of 595 self-storage properties.

At December 31, 2011, we owned, had ownership interests in, or managed 882 operating properties in 34 states and Washington, D.C. Of these 882 operating properties, 356 were wholly-owned, we held joint venture interests in 341 properties, and our taxable REIT subsidiary, Extra Space Management, Inc., operated an additional 185 properties that are owned by franchisees or third parties in exchange for a management fee. These operating properties contain approximately 64 million square feet of rentable space in approximately 585,000 units and currently serve a customer base of over 448,000 tenants.

Our properties 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 property to be in the lease-up stage after it has been issued a certificate of occupancy, but before it has achieved stabilization. A property 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 properties, we employ a state-of-the-art, web-based tracking and yield management technology called STORE. Developed by our management team, STORE enables us to analyze, set and adjust rental rates in real time across our portfolio in order to respond to changing market conditions. In addition, we also have an industry-leading revenue management system. We believe that the combination of STORE's yield management capabilities and the systematic processes developed by our team using our revenue management system allows us to more proactively manage revenues.

We derive substantially all of our revenues from rents received from tenants under existing leases at each of our self-storage properties, from management fees on the properties we manage for joint-venture partners, franchisees and unaffiliated third parties and from our tenant reinsurance program. Our management fee is generally equal to approximately 6% of cash collected from total revenues generated by the managed properties. 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 self-storage properties from which to choose. Competition has impacted, and will continue to impact our property results. We experience seasonal fluctuations in occupancy levels, with occupancy levels generally higher in the

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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 use of STORE, and through the use of our revenue management system.

We continue to evaluate and implement 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 properties 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 technology system's ability to provide real-time, interactive rental rate and discount management. Our size allows us greater ability than most of our competitors to implement national, regional and local marketing programs, which we believe attract more customers to our stores at a lower net cost.
- **Acquire self-storage properties from strategic partners and third parties.** Our acquisitions team continues to pursue the acquisition of single properties and multi-property portfolios 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.
- **Expand our management business.** Our management business enables us to generate increased revenues through management fees and expand our geographic footprint. 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 that strengthen our acquisition pipeline through agreements which typically give us first right of refusal to purchase the managed property in the event of a potential sale.

During 2011, we acquired 55 wholly-owned properties and completed the development of five wholly-owned properties, all in our core markets. We have one wholly-owned development property, which is scheduled for completion by the end of the first quarter of 2012.

## 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

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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 (1) enter into option agreements for the purchase of land or facilities from an entity and pay a non-refundable deposit, or (2) 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 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, 2011, the Company 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 five and 39 years.

In connection with our acquisition of properties, 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, are 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 two properties 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 four properties 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:** We evaluate long lived assets held for use when events or circumstances indicate that there may be impairment. We review each property at least annually to determine if any such events or circumstances have occurred or exist. We focus on properties where occupancy and/or rental income have decreased by a significant amount. For these properties, we determine whether the decrease is temporary or permanent and whether the property will likely recover the lost occupancy and/or revenue in the short term. In addition, we carefully review properties in the lease-up stage and compare actual operating results to original projections.

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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 values, net of selling costs, of the assets that have been identified for sale are less than the net carrying value of the assets, a valuation allowance is established. The operations of assets held for sale or sold during the period are generally presented as discontinued operations for all periods presented.

**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, 2011 and 2010, approximate fair value. The fair values of our notes receivable, our fixed rate notes payable and notes payable to trusts and exchangeable senior notes are as follows:

|  | December 31, 2011 |                | December 31, 2010 |                |
|--|-------------------|----------------|-------------------|----------------|
|  | Fair Value        | Carrying Value | Fair Value        | Carrying Value |
| Note receivable from Preferred Operating Partnership unit holder | \$ 104,049        | \$ 100,000     | \$ 115,696        | \$ 100,000     |
| Fixed rate notes payable and notes payable to trusts             | \$ 1,008,039      | \$ 938,681     | \$ 777,575        | \$ 731,588     |
| Exchangeable senior notes  | \$ 92,265         | \$ 87,663      | \$ 118,975        | \$ 87,663      |

**INVESTMENTS IN 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

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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.

**CONVERSION OF OPERATING PARTNERSHIP UNITS:** Conversions of Operating Partnership units to common stock, when converted 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 our equity. The difference between the fair value of the consideration paid and the adjustment to the carrying amount of the noncontrolling interest is recognized as additional paid in capital of the Company.

**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 and franchise fee revenues are recognized monthly as services are performed and in accordance with the terms of the related management agreements. Tenant reinsurance premiums are recognized as revenues over the period of insurance coverage. 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.

**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.

**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 (except for the operation or management of health care facilities or lodging facilities or the provision to any person, under a franchise, license or otherwise, of rights to any brand name under which any lodging facility or health care facility is operated). A TRS is subject to corporate federal income tax. Deferred tax assets and

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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.

**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 are valued at fair value and recognized on a straight line basis over the service periods of each award.

**RECENT ACCOUNTING PRONOUNCEMENTS**

In June 2011, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") 2011-05, "*Comprehensive Income (Topic 220): Presentation of Comprehensive Income*," which is effective for annual reporting periods beginning after December 15, 2011. This guidance eliminates the option to present the components of other comprehensive income as part of the statement of stockholders' equity. In addition, items of other comprehensive income that are reclassified to profit or loss are required to be presented separately on the face of the financial statements. This guidance is intended to increase the prominence of other comprehensive income in financial statements by requiring that such amounts be presented either in a single continuous statement of income and comprehensive income or separately in consecutive statements of income and comprehensive income. The Company's adoption of ASU 2011-05 is not expected to have a material impact on its financial condition or results of operations.

In May 2011, the FASB issued ASU No. 2011-04, Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs ("ASU No. 2011-04"). ASU No. 2011-04 updates and further clarifies requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. Additionally, ASU No. 2011-04 clarifies the FASB's intent about the application of existing fair value measurements. ASU No. 2011-04 is effective for interim and annual periods beginning after December 15, 2011 and is applied prospectively. The Company does not expect that the adoption of ASU No. 2011-04 will have a material impact to its consolidated financial statements.

**RESULTS OF OPERATIONS**

*Comparison of the Year Ended December 31, 2011 to the Year Ended December 31, 2010*

**Overview**

Results for the year ended December 31, 2011, included the operations of 697 properties (357 of which were consolidated and 340 of which were in joint ventures accounted for using the equity method) compared to the results for the year ended December 31, 2010, which included operations of 660 properties (296 of which were consolidated and 364 of which were in joint ventures accounted for using the equity method).

## Revenues

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

|                               | For the Year Ended |            | \$ Change | % Change |
|-------------------------------|--------------------|------------|-----------|----------|
|                               | December 31,       |            |           |          |
|                               | 2011               | 2010       |           |          |
| <b>Revenues:</b>              |                    |            |           |          |
| Property rental               | \$ 268,725         | \$ 232,447 | \$ 36,278 | 15.6%    |
| Management and franchise fees | 29,924             | 23,122     | 6,802     | 29.4%    |
| Tenant reinsurance            | 31,181             | 25,928     | 5,253     | 20.3%    |
| Total revenues                | \$ 329,830         | \$ 281,497 | \$ 48,333 | 17.2%    |

**Property Rental**—The increase in property rental revenues consists primarily of an increase of \$20,303 associated with acquisitions completed in 2011 and 2010, an increase of \$9,934 resulting from increases in occupancy and rental rates to existing customers at our stabilized properties and an increase of \$6,961 related to increases in occupancy at our lease up properties. This is offset by a decrease of \$920 related to the sale of 19 properties to a joint venture with Harrison Street Real Estate Capital LLC ("Harrison Street") in January 2010.

**Management and Franchise Fees**—Our taxable REIT subsidiary, Extra Space Management, Inc., manages properties owned by our joint ventures, franchisees and third parties. Management fees generally represent 6% of cash collected from properties owned by third parties, franchisees and unconsolidated joint ventures. The Company also earns 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.

During 2011, it was discovered that the asset management fee owed to the Company by the SPI joint venture had not been recorded by either party for the five-year period ended December 31, 2010. The annual asset management fee for this period was \$885. After determining that the amounts were not material either in the prior periods or the current year for restatement purposes, \$4,425 of asset management fees earned during the five-year period ended December 31, 2010, was recorded in the current year. Additionally, asset management fees earned during the year ended December 31, 2011, of \$812 were also recorded. The remainder of the increase in management and franchise fees is related to the increase in third-party properties under management during 2011 compared to the prior year. We managed 185 third-party properties as of December 31, 2011, compared to 160 as of December 31, 2010.

**Tenant Reinsurance**—The increase in tenant reinsurance revenues was partially due to the increase in overall customer participation to 63% at December 31, 2011, compared to approximately 60% at December 31, 2010. In addition, we operated 882 properties at December 31, 2011, compared to 820 at December 31, 2010.

## Expenses

The following table sets forth information on expenses for the years indicated:

|   | For the Year Ended |            |           |          |
|---|--------------------|------------|-----------|----------|
|   | December 31,       |            |           |          |
|   | 2011               | 2010       | \$ Change | % Change |
| <b>Expenses:</b>                              |                    |            |           |          |
| Property operations                           | \$ 95,481          | \$ 86,165  | \$ 9,316  | 10.8%    |
| Tenant reinsurance                            | 6,143              | 6,505      | (362)     | (5.6)%   |
| Unrecovered development and acquisition costs | 2,896              | 1,235      | 1,661     | 134.5%   |
| Loss on sublease                              | —                  | 2,000      | (2,000)   | (100.0)% |
| Severance costs                               | 2,137              | —          | 2,137     | 100.0%   |
| General and administrative                    | 49,683             | 44,428     | 5,255     | 11.8%    |
| Depreciation and amortization                 | 58,014             | 50,349     | 7,665     | 15.2%    |
| Total expenses                                | \$ 214,354         | \$ 190,682 | \$ 23,672 | 12.4%    |

**Property Operations**—The increase in property operations expense consists primarily of increases of \$8,481 related to acquisitions completed in 2011 and 2010, and \$1,781 related to increases in expenses at our lease-up properties. These increases were offset by a decrease of \$946 resulting from lower expenses at our stabilized properties, which relates mainly to decreases in property taxes, advertising and utilities expenses.

**Tenant Reinsurance**—Tenant reinsurance expense represents the costs that are incurred to provide tenant reinsurance.

**Unrecovered Development and Acquisition Costs**—These costs relate to acquisition activities during the periods indicated. The increases were related to increased acquisition activity when compared to the prior year. During 2011, we acquired 55 properties, compared to only 15 during the year ended December 31, 2010.

**Loss on Sublease**—This expense is a result of a \$2,000 charge recorded in the year ended December 31, 2010, relating to the bankruptcy of a tenant subleasing office space from us in Memphis, TN. The Memphis, TN office lease is a liability assumed as part of the Storage, USA acquisition in July 2005. There were no such losses recorded for the year ended December 31, 2011.

**Severance Costs**—The severance costs recorded during the year ended December 31, 2011, relate to severance granted to our former Executive Vice President and Chief Financial Officer, Kent Christensen, who left the Company on December 7, 2011. There were no severance costs incurred during the year ended December 31, 2010.

**General and Administrative**—General and administrative expenses increased primarily as a result of the additional costs related to the management of additional properties. During the year ended December 31, 2011, we purchased 55 properties, 40 of which we did not previously manage. In addition, we managed 185 third-party properties at December 31, 2011, compared to 160 at December 31, 2010. Also included in general and administrative expenses for the year ended December 31, 2011, is an expense of \$1,800 related to litigation matters. There were no such expenses incurred during the year ended December 31, 2010.

**Depreciation and Amortization**—Depreciation and amortization expense increased as a result of the acquisition and development of new properties. We acquired 55 properties and completed the development of five properties during the year ended December 31, 2011.

**Other Income and Expenses**

The following table sets forth information on other income and expenses for the years indicated:

|  | For the Year Ended<br>December 31, |                    | \$ Change     | % Change      |
|--|------------------------------------|--------------------|---------------|---------------|
|  | 2011                               | 2010               |               |               |
| <b>Other income and expenses:</b>  |                                    |                    |               |               |
| Interest expense   | \$ (67,301)                        | \$ (64,116)        | \$ (3,185)    | 5.0%          |
| Non-cash interest expense related to amortization of discount on exchangeable senior notes | (1,761)                            | (1,664)            | (97)          | 5.8%          |
| Interest income  | 1,027                              | 898                | 129           | 14.4%         |
| Interest income on note receivable from Preferred Operating Partnership unit holder        | 4,850                              | 4,850              | —             | —             |
| Equity in earnings of real estate ventures   | 7,287                              | 6,753              | 534           | 7.9%          |
| Income tax expense   | (1,155)                            | (4,162)            | 3,007         | (72.2)%       |
| Total other expense, net   | <u>\$ (57,053)</u>                 | <u>\$ (57,441)</u> | <u>\$ 388</u> | <u>(0.7)%</u> |

**Interest Expense**—The increase in interest expense was primarily the result of costs associated with prepaying certain loans and an increase in the average amount of debt outstanding when compared to the prior year.

**Non-cash Interest Expense Related to Amortization of Discount on Exchangeable Senior Notes**—Represents the amortization of the discount on exchangeable senior notes, which reflects the effective interest rate relative to the carrying amount of the liability.

**Interest Income**—Interest income represents amounts earned on cash and cash equivalents deposited with financial institutions. The increase in interest income is due to slightly higher cash balances during the year ended December 31, 2011, primarily as a result of the cash proceeds received from the stock offering in May 2011.

**Interest Income on Note Receivable from Preferred Operating Partnership Unit Holder**—Represents interest on a \$100,000 loan to the holder of the Series A Participating Redeemable Preferred units of our Operating Partnership (the "Preferred OP units").

**Equity in Earnings of Real Estate Ventures**—The increase in equity in earnings of real estate ventures was due primarily to an increase in revenues at joint ventures resulting from increases in occupancy and rental rates to new and existing customers. This increase was offset by a reduction of approximately \$1,300 from the SPI joint venture as a result of the asset management fee expense recorded by the joint venture.

During 2011, it was discovered that the asset management fee owed to us by the SPI joint venture had not been recorded by either party for the five-year period ended December 31, 2010. The annual asset management fee for this period was \$885, offset by an annual reduction of \$221 of equity in earnings of SPI. The total prior period adjustment for the years 2006 through 2010, increased asset management fee revenues by \$4,425, and decreased equity in earnings by \$1,106 and was recorded in the current year. The remaining reduction to equity in earnings related to the net effect of the current year asset management fee of \$203.

**Income Tax Expense**—The decrease in income tax expense relates primarily to solar tax credits. The decrease related to the credit was partially offset by increased taxes resulting from increased tenant reinsurance income earned by our taxable REIT subsidiary.

**Net Income Allocated to Noncontrolling Interests**

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

|  | For the Year Ended<br>December 31, |                   | \$ Change       | % Change     |
|--|------------------------------------|-------------------|-----------------|--------------|
|  | 2011                               | 2010              |                 |              |
| <b>Net income allocated to noncontrolling interests:</b>                         |                                    |                   |                 |              |
| Net income allocated to Preferred Operating Partnership noncontrolling interests | \$ (6,289)                         | \$ (6,048)        | \$ (241)        | 4.0%         |
| Net income allocated to Operating Partnership and other noncontrolling interests | (1,685)                            | (995)             | (690)           | 69.3%        |
| Total income allocated to noncontrolling interests:                              | <u>\$ (7,974)</u>                  | <u>\$ (7,043)</u> | <u>\$ (931)</u> | <u>13.2%</u> |

**Net Income Allocated to Preferred Operating Partnership Noncontrolling Interests** —Income allocated to the Preferred Operating Partnership equals the fixed distribution paid to the Preferred OP unit holder plus approximately 1.0% and 1.1% of the remaining net income allocated after the adjustment for the fixed distribution paid for the years ended December 31, 2011 and 2010, respectively. The amount allocated to Preferred Operating Partnership noncontrolling interest was higher in 2011 than in 2010 as our net income was higher in 2011 than it was in 2010.

**Net Income Allocated to Operating Partnership and Other Noncontrolling Interests** —Income allocated to the Operating Partnership represents approximately 3.2% and 3.8% of net income after the allocation of the fixed distribution paid to the Preferred OP unit holder for the years ended December 31, 2011 and 2010, respectively. Losses allocated to other noncontrolling interests represents the losses allocated to partners in consolidated joint ventures.

***Comparison of the Year Ended December 31, 2010 to the Year Ended December 31, 2009***

**Overview**

Results for the year ended December 31, 2010, included the operations of 660 properties (296 of which were consolidated and 364 of which were in joint ventures accounted for using the equity method) compared to the results for the year ended December 31, 2009, which included operations of 642 properties (298 of which were consolidated and 344 of which were in joint ventures accounted for using the equity method).

**Revenues**

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

|                               | For the Year Ended<br>December 31, |                   | \$ Change       | % Change    |
|-------------------------------|------------------------------------|-------------------|-----------------|-------------|
|                               | 2010                               | 2009              |                 |             |
| <b>Revenues:</b>              |                                    |                   |                 |             |
| Property rental               | \$ 232,447                         | \$ 238,256        | \$ (5,809)      | (2.4)%      |
| Management and franchise fees | 23,122                             | 20,961            | 2,161           | 10.3%       |
| Tenant reinsurance            | 25,928                             | 20,929            | 4,999           | 23.9%       |
| Total revenues                | <u>\$ 281,497</u>                  | <u>\$ 280,146</u> | <u>\$ 1,351</u> | <u>0.5%</u> |

**Property Rental**—the decrease in property rental revenues relates primarily to a decrease of \$15,669 associated with the sale of 19 properties to an unconsolidated joint venture with Harrison

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Street on January 21, 2010. There was an additional decrease in revenue of \$1,682 relating to the deconsolidation of five properties as a result of our adoption of amended accounting guidance in ASC 810 effective January 1, 2010. These decreases were offset by increases in revenues of \$5,852 relating to increases in occupancy at our lease-up properties, \$3,319 relating to increases in occupancy and rental rates to new and existing customers at our stabilized properties, and \$2,371 associated with acquisitions completed in 2010 and 2009.

**Management and Franchise Fees**—Our taxable REIT subsidiary, Extra Space Management, Inc., manages properties owned by our joint ventures, franchisees and third parties. Management fees generally represent 6% of cash collected from properties owned by third parties, franchisees and unconsolidated joint ventures. The increase in management and franchise fees is related to additional fees earned from the joint venture with Harrison Street and to the increase in third-party properties managed by us compared to the prior year. We managed 160 third-party properties as of December 31, 2010, compared with 124 as of December 31, 2009.

**Tenant Reinsurance**—The increase in tenant reinsurance revenues is due to the fact that during the year ended December 31, 2010, we successfully increased overall customer participation to approximately 60% at December 31, 2010, compared to approximately 54% at December 31, 2009. In addition we operated 820 properties at December 31, 2010, compared to 766 at December 31, 2009.

## Expenses

The following table sets forth information on expenses for the years indicated:

|   | For the Year Ended |                   | \$ Change          | % Change      |
|---|--------------------|-------------------|--------------------|---------------|
|   | December 31,       |                   |                    |               |
|   | 2010               | 2009              |                    |               |
| <b>Expenses:</b>                              |                    |                   |                    |               |
| Property operations                           | \$ 86,165          | \$ 88,935         | \$ (2,770)         | (3.1)%        |
| Tenant reinsurance                            | 6,505              | 5,461             | 1,044              | 19.1%         |
| Unrecovered development and acquisition costs | 1,235              | 19,011            | (17,776)           | (93.5)%       |
| Loss on sublease                              | 2,000              | —                 | 2,000              | 100.0%        |
| Severance costs                               | —                  | 2,225             | (2,225)            | (100.0)%      |
| General and administrative                    | 44,428             | 40,224            | 4,204              | 10.5%         |
| Depreciation and amortization                 | 50,349             | 52,403            | (2,054)            | (3.9)%        |
| Total expenses                                | <u>\$ 190,682</u>  | <u>\$ 208,259</u> | <u>\$ (17,577)</u> | <u>(8.4)%</u> |

**Property Operations**—The decrease in property operations expense was primarily due to decreases of \$5,695 related to the sale of 19 properties to an unconsolidated joint venture with Harrison Street on January 21, 2010, and \$692 related to the deconsolidation of five properties as a result of our adoption of amended accounting guidance in ASC 810 effective January 1, 2010. These decreases were partially offset by increases of \$2,762 related to our stabilized and lease up properties and \$855 associated with acquisitions completed in 2010 and 2009.

**Tenant Reinsurance**—Tenant reinsurance expense represents the costs that are incurred to provide tenant reinsurance. The increase in tenant reinsurance expense is related to the increase in overall customer participation in the tenant reinsurance program to approximately 60% at December 31, 2010, compared to approximately 54% at December 31, 2009. In addition we operated 820 properties at December 31, 2010, compared to 766 at December 31, 2009.

**Unrecovered Development and Acquisition Costs**—These costs relate to unsuccessful development and acquisition activities during the periods indicated. On June 2, 2009, the Company announced that

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it had begun a wind-down of its development program. As a result of this decision, the Company recorded \$18,883 of one-time impairment charges in order to write down the carrying value of undeveloped land, development projects that will be completed and investments in development projects to their estimated fair values less cost to sell.

**Loss on Sublease**—This expense is a result of a \$2,000 charge relating to the bankruptcy of a tenant subleasing office space from us in Memphis, TN. The Memphis, TN office lease is a liability assumed as part of the Storage, USA acquisition in July 2005.

**Severance Costs**—On June 2, 2009, the Company announced that it had begun a wind-down of its development program. As a result of this decision, the Company recorded severance costs of \$1,400. In December 2009, the Company began the closure of its marketing office in Memphis, TN. As a result of this closure, the Company recorded severance costs of \$825. There were no severance costs incurred during the year ended December 31, 2010.

**General and Administrative**—General and administrative expenses increased primarily as a result of the additional costs related to the management of additional third-party properties. We operated 820 properties at December 31, 2010, compared to 766 at December 31, 2009.

**Depreciation and Amortization**—Depreciation and amortization expense decreased primarily as a result of the sale of 19 properties to an unconsolidated joint venture with Harrison Street on January 21, 2010. This decrease was partially offset by the additional depreciation on new properties added through acquisition and development during 2010 and 2009.

### Other Revenue and Expenses

The following table sets forth information on other revenue and expenses for the years indicated:

|  | For the Year Ended |                    | \$ Change          | % Change     |
|--|--------------------|--------------------|--------------------|--------------|
|  | December 31,       |                    |                    |              |
|  | 2010               | 2009               |                    |              |
| <b>Other revenue and expenses:</b>   |                    |                    |                    |              |
| Interest expense   | \$ (64,116)        | \$ (67,579)        | \$ 3,463           | (5.1)%       |
| Non-cash interest expense related to amortization of discount on exchangeable senior notes | (1,664)            | (2,239)            | 575                | (25.7)%      |
| Interest income  | 898                | 1,582              | (684)              | (43.2)%      |
| Interest income on note receivable from Preferred Operating Partnership unit holder        | 4,850              | 4,850              | —                  | —            |
| Gain on repurchase of exchangeable senior notes  | —                  | 27,928             | (27,928)           | (100.0)%     |
| Equity in earnings of real estate ventures   | 6,753              | 6,964              | (211)              | (3.0)%       |
| Income tax expense   | (4,162)            | (4,300)            | 138                | (3.2)%       |
| Total other revenue (expense)  | <u>\$ (57,441)</u> | <u>\$ (32,794)</u> | <u>\$ (24,647)</u> | <u>75.2%</u> |

**Interest Expense**—The decrease in interest expense was primarily the result of a decrease of \$5,120 relating to the deconsolidation of the debt related to the 19 properties sold to an unconsolidated joint venture with Harrison Street on January 21, 2010, and a decrease of \$694 related to the deconsolidation of five properties as a result of our adoption of amended accounting guidance in ASC 810 effective January 1, 2010. These decreases were partially offset as a result of higher interest rates on new loans obtained in 2010 and 2009.

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**Non-cash Interest Expense Related to Amortization of Discount on Exchangeable Senior Notes**—The decrease in non-cash interest expense related to amortization of discount on exchangeable senior notes for the year ended December 31, 2010 when compared to the prior year was due to the repurchase of a total principal amount of \$122,000 of our notes during 2009. The discount associated with the repurchase of the notes was written off as a result of these repurchases, which decreased the ongoing amortization of the discount in 2010 when compared to 2009.

**Interest Income**—The decrease in interest income is primarily due to a decrease in the average interest rate on our invested cash when compared to the same period in the prior year, along with a decrease in the average cash balance.

**Interest Income on Note Receivable from Preferred Operating Partnership Unit Holder**—Represents interest on a \$100,000 loan to the holder of the Series A Participating Redeemable Preferred units of our Operating Partnership (the "Preferred OP units").

**Gain on Repurchase of Exchangeable Senior Notes**—This amount represents the gain on the repurchase of \$122,000 total principal amount of our exchangeable senior notes during 2009. We did not repurchase any of our exchangeable senior notes during the year ended December 31, 2010.

**Equity in Earnings of Real Estate Ventures**—The decrease is related primarily to additional losses allocated to equity in earnings of real estate ventures due to the deconsolidation of five lease-up properties as a result of the adoption of new accounting guidance in ASC 810 effective January 1, 2010.

**Income Tax Expense**—The decrease in income tax expense relates primarily to a \$832 solar tax credit that was partially offset by increased taxes resulting from increased tenant reinsurance income earned by our taxable REIT subsidiary.

**Net Income Allocated to Noncontrolling Interests**

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

|  | For the Year Ended |                   | \$ Change    | % Change      |
|--|--------------------|-------------------|--------------|---------------|
|  | December 31,       |                   |              |               |
|  | 2010               | 2009              |              |               |
| <b>Net income allocated to noncontrolling interests:</b>                         |                    |                   |              |               |
| Net income allocated to Preferred Operating Partnership noncontrolling interests | \$ (6,048)         | \$ (6,186)        | \$ 138       | (2.2)%        |
| Net income allocated to Operating Partnership and other noncontrolling interests | (995)              | (930)             | (65)         | 7.0%          |
| Total income allocated to noncontrolling interests:                              | <u>\$ (7,043)</u>  | <u>\$ (7,116)</u> | <u>\$ 73</u> | <u>(1.0)%</u> |

**Net Income Allocated to Preferred Operating Partnership Noncontrolling Interests**—Income allocated to the Preferred Operating Partnership equals the fixed distribution paid to the Preferred OP unit holder plus approximately 1.1% of the remaining net income allocated after the adjustment for the fixed distribution paid for the years ended December 31, 2010 and 2009. The amount allocated to Preferred Operating Partnership noncontrolling interest was lower in 2010 than in 2009 as our net income was lower in 2010 than it was in 2009.

**Net Income Allocated to Operating Partnership and Other Noncontrolling Interests**—Income allocated to the Operating Partnership represents approximately 3.8% and 4.4% of net income after the allocation of the fixed distribution paid to the Preferred OP unit holder for the years ended December 31, 2010 and 2009, respectively. The loss allocated to the other noncontrolling interests was

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lower than the prior year due mainly to the deconsolidation of five lease-up properties with other noncontrolling interests effective January 1, 2010 as a result of the adoption of new accounting guidance in ASC 810.

## 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 properties 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 sets forth the calculation of FFO for the periods indicated:

|  | For the Year Ended December 31, |                  |                  |
|--|---------------------------------|------------------|------------------|
|  | 2011                            | 2010             | 2009             |
| <b>Net income attributable to common stockholders</b>              | <b>\$ 50,449</b>                | <b>\$ 26,331</b> | <b>\$ 31,977</b> |
| Adjustments:   |                                 |                  |                  |
| Real estate depreciation   | 52,647                          | 47,063           | 48,417           |
| Amortization of intangibles  | 2,375                           | 650              | 1,647            |
| Joint venture real estate depreciation and amortization            | 7,931                           | 8,269            | 5,805            |
| Joint venture loss on sale of properties                           | 185                             | 65               | 175              |
| Distributions paid on Preferred Operating Partnership units        | (5,750)                         | (5,750)          | (5,750)          |
| Income allocated to Operating Partnership noncontrolling interests | 7,978                           | 7,096            | 8,012            |
| <b>Funds from operations</b>                                       | <b>\$ 115,815</b>               | <b>\$ 83,724</b> | <b>\$ 90,283</b> |

## SAME-STORE STABILIZED PROPERTY RESULTS

We consider our same-store stabilized portfolio to consist of only those properties which were wholly-owned at the beginning and at the end of the applicable periods presented and that have achieved stabilization as of the first day of such period. The following table sets forth operating data for our same-store portfolio. We consider the following same-store presentation to be meaningful in

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regards to the properties shown below. These results provide information relating to property level operating changes without the effects of acquisitions and completed developments.

|  | For the Three Months |           |                | For the Year Ended |            |                |
|--|----------------------|-----------|----------------|--------------------|------------|----------------|
|  | Ended December 31,   |           | Percent Change | December 31,       |            | Percent Change |
|  | 2011                 | 2010      |                | 2011               | 2010       |                |
| Same-store rental and tenant reinsurance revenues        | \$ 61,395            | \$ 58,026 | 5.8%           | \$ 241,001         | \$ 229,785 | 4.9%           |
| Same-store operating and tenant reinsurance expenses     | 19,387               | 19,593    | (1.1)%         | 78,892             | 79,098     | (0.3)%         |
| Same-store net operating income                          | \$ 42,008            | \$ 38,433 | 9.3%           | \$ 162,109         | \$ 150,687 | 7.6%           |
| Non same-store rental and tenant reinsurance revenues    | \$ 20,357            | \$ 9,062  | 124.6%         | \$ 58,905          | \$ 28,590  | 106.0%         |
| Non same-store operating and tenant reinsurance expenses | \$ 7,318             | \$ 4,430  | 65.2%          | \$ 22,732          | \$ 13,572  | 67.5%          |
| Total rental and tenant reinsurance revenues             | \$ 81,752            | \$ 67,088 | 21.9%          | \$ 299,906         | \$ 258,375 | 16.1%          |
| Total operating and tenant reinsurance expenses          | \$ 26,705            | \$ 24,023 | 11.2%          | \$ 101,624         | \$ 92,670  | 9.7%           |
| Same-store square foot occupancy as of quarter end       | 87.8%                | 84.7%     |                | 87.8%              | 84.7%      |                |
| Properties included in same-store                        | 253                  | 253       |                | 253                | 253        |                |

|  | For the Three Months |           |                | For the Year Ended |            |                |
|--|----------------------|-----------|----------------|--------------------|------------|----------------|
|  | Ended December 31,   |           | Percent Change | December 31,       |            | Percent Change |
|  | 2010                 | 2009      |                | 2010               | 2009       |                |
| Same-store rental and tenant reinsurance revenues        | \$ 56,720            | \$ 54,897 | 3.3%           | \$ 224,826         | \$ 220,101 | 2.1%           |
| Same-store operating and tenant reinsurance expenses     | 19,114               | 19,181    | (0.3)%         | 77,075             | 77,924     | (1.1)%         |
| Same-store net operating income                          | \$ 37,606            | \$ 35,716 | 5.3%           | \$ 147,751         | \$ 142,177 | 3.9%           |
| Non same-store rental and tenant reinsurance revenues    | \$ 10,368            | \$ 10,548 | (1.7)%         | \$ 33,549          | \$ 39,084  | (14.2)%        |
| Non same-store operating and tenant reinsurance expenses | \$ 4,909             | \$ 3,763  | 30.5%          | \$ 15,595          | \$ 16,472  | (5.3)%         |
| Total rental and tenant reinsurance revenues             | \$ 67,088            | \$ 65,445 | 2.5%           | \$ 258,375         | \$ 259,185 | (0.3)%         |
| Total operating and tenant reinsurance expenses          | \$ 24,023            | \$ 22,944 | 4.7%           | \$ 92,670          | \$ 94,396  | (1.8)%         |
| Same-store square foot occupancy as of quarter end       | 84.8%                | 82.9%     |                | 84.8%              | 82.9%      |                |
| Properties included in                                   |                      |           |                |                    |            |                |

|            |     |     |     |     |
|------------|-----|-----|-----|-----|
| same-store | 246 | 246 | 246 | 246 |
|------------|-----|-----|-----|-----|

***Comparison of the Year Ended December 31, 2011 to the Year Ended December 31, 2010***

The increase in same-store rental revenues was primarily due to increased rental rates to incoming and existing customers and increased occupancy. Occupancy increased 310 basis points over the prior year. The decreases in same-store operating expenses for the year ended December 31, 2011, were primarily due to lower utility costs, a decrease in yellow page advertising and lower than anticipated snow removal costs.

***Comparison of the Year Ended December 31, 2010 to the Year Ended December 31, 2009***

The increase in same-store rental revenues was primarily due to increased rental rates to incoming and existing customers and increased occupancy. The decreases in same-store operating expenses for the year ended December 31, 2010 were primarily due to decreases in utilities, office expenses, property taxes and insurance.

**CASH FLOWS**

***Comparison of the Year Ended December 31, 2011 to the Year Ended December 31, 2010***

Cash flows provided by operating activities were \$144,164 and \$104,815 for the years ended December 31, 2011 and 2010, respectively. The increase when compared to the prior year was primarily due to an increase in net income. There was also a decrease in the amount of cash used to pay accounts payable and accrued expenses. These increases were offset by a decrease in cash received from affiliated joint ventures and related parties during 2011 compared to 2010.

Cash used in investing activities was \$251,919 and \$83,706 for the years ended December 31, 2011 and 2010, respectively. The increase in 2011 was primarily the result of \$125,371 more cash being used to acquire new properties in 2011 compared to 2010. The Company also paid \$51,000 to purchase a note receivable, which was offset by \$860 of principal payments received in 2011, compared to \$0 in 2010. Additionally, the Company received \$15,750 in proceeds from the sale of 19 properties to a joint venture in 2010, compared to \$0 in 2011. These increases were offset by a decrease of \$29,002 in the amount of cash used to fund development activities in 2011 compared to 2010.

Cash provided by financing activities was \$87,489 for the year ended December 31, 2011, compared to cash used in financing activities of \$106,309 for the year ended December 31, 2010. The increase in cash provided was the result of \$112,349 of net cash proceeds generated from the sale of common stock in the current year, compared with \$0 in 2010, along with an increase of \$284,425 in cash proceeds received from notes payable and lines of credit in 2011 when compared to 2010. These increases of cash were offset by the increase of \$199,947 of cash used for principal repayments on notes payable and lines of credit during 2011 when compared to 2010.

***Comparison of the Year Ended December 31, 2010 to the Year Ended December 31, 2009***

Cash flows provided by operating activities were \$104,815 and \$81,165 for the years ended December 31, 2010 and 2009, respectively. The increase when compared to the prior year was due mainly to an increase in cash received from affiliated joint ventures and related parties during 2010 compared to 2009 to repay receivables from related parties and affiliated real estate joint ventures. The decrease in net income in the current year when compared to the prior year was offset by a gain on the repurchase of exchangeable senior notes and a loss relating to the wind-down of our development program in 2009.

Cash used in investing activities was \$83,706 and \$104,410 for the years ended December 31, 2010 and 2009, respectively. The decrease in 2010 was primarily the result of \$31,239 less cash being used to fund development activities in 2010 compared to 2009. Additionally, the Company received \$15,750 in proceeds from the sale of 19 properties to a joint venture in 2010, compared to \$0 in 2009. The decrease in cash used and proceeds from the sales of properties were offset by an increase of \$31,403 in cash used to acquire new properties in 2010 compared to 2009.

Cash used in financing activities was \$106,309 for the year ended December 31, 2010, compared to cash provided by financing activities of \$91,223 for the year ended December 31, 2009. The decrease in cash provided in 2010 when compared to the prior year was primarily the result of a decrease of \$251,498 in the net proceeds from notes payable and lines of credit in 2010 when compared to 2009, and \$39,885 more cash paid for principal payments on notes payable and lines of credit in 2010 when

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compared to 2009. These decreases were partially offset by \$87,734 less cash being used to repurchase exchangeable senior notes in 2010 compared to 2009.

**LIQUIDITY AND CAPITAL RESOURCES**

As of December 31, 2011, we had \$26,484 available in cash and cash equivalents. We intend to use this cash to repay debt scheduled to mature in 2012 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 2011, 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 sets forth information on our lines of credit for the periods indicated:

| Line of Credit | As of December 31, 2011 |                  | Interest Rate | Origination Date | Maturity   | Basis Rate       | Notes     |
|----------------|-------------------------|------------------|---------------|------------------|------------|------------------|-----------|
|                | Amount Drawn            | Capacity         |               |                  |            |                  |           |
| Credit Line 1  | \$100,000               | \$100,000        | 1.3%          | 10/19/2007       | 10/31/2012 | LIBOR plus 1.00% | (5)       |
| Credit Line 2  | 40,000                  | 74,000           | 2.4%          | 2/13/2009        | 2/13/2014  | LIBOR plus 2.15% | (1)(4)(5) |
| Credit Line 3  | 40,000                  | 72,000           | 2.5%          | 6/4/2010         | 5/31/2013  | LIBOR plus 2.20% | (2)(4)(5) |
| Credit Line 4  | 25,000                  | 40,000           | 2.5%          | 11/16/2010       | 11/16/2013 | LIBOR plus 2.20% | (3)(4)(5) |
| Credit Line 5  | 10,000                  | 50,000           | 2.4%          | 4/29/2011        | 5/1/2014   | LIBOR plus 2.15% | (3)(4)(5) |
|                | <u>\$215,000</u>        | <u>\$336,000</u> |               |                  |            |                  |           |

(1) One year extension available

(2) One two-year extension available

(3) Two one-year extensions available

(4) Guaranteed by the Company

(5) Secured by mortgages on certain real estate assets

As of December 31, 2011, we had \$1,359,254 of debt, resulting in a debt to total capitalization ratio of 36.2%. As of December 31, 2011, the ratio of total fixed rate debt and other instruments to total debt was 75.5% (including \$342,427 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, 2011 was 4.7%. 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, 2011.

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 properties.

Our liquidity needs consist primarily of cash distributions to stockholders, property acquisitions, principal payments under our borrowings and non-recurring capital expenditures. We may from time to time seek to repurchase or redeem our outstanding debt, shares of common stock or other securities in open market purchases, privately negotiated transactions or otherwise. Such repurchases or redemptions, if any, will depend on prevailing market conditions, our liquidity requirements, contractual

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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 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.

Our exchangeable senior notes provide for excess exchange value to be paid in shares of our common stock if our stock price exceeds a certain amount. See the notes to our financial statements for a further description of our exchangeable senior notes.

### CONTRACTUAL OBLIGATIONS

The following table sets forth information on future payments due by period as of December 31, 2011:

|   | Payments due by Period: |                     |             |             |                  |
|---|-------------------------|---------------------|-------------|-------------|------------------|
|   | Total                   | Less Than<br>1 Year | 1 - 3 Years | 3 - 5 Years | After<br>5 Years |
| Operating leases  | \$ 62,305               | \$ 7,231            | \$ 12,936   | \$ 6,885    | \$ 35,253        |
| Notes payable, notes payable to trusts,<br>exchangeable senior notes and lines of<br>credit |                         |                     |             |             |                  |
| Interest  | 364,438                 | 59,808              | 99,582      | 60,234      | 144,814          |
| Principal   | 1,359,254               | 225,977             | 413,887     | 370,748     | 348,642          |
| Total contractual obligations   | \$ 1,785,997            | \$ 293,016          | \$ 526,405  | \$ 437,867  | \$ 528,709       |

As of December 31, 2011, the weighted average interest rate for all fixed rate loans was 5.3%, and the weighted average interest rate on all variable rate loans was 2.7%.

### 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

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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 properties;
- prepayment penalties and restrictions on refinancing;
- the purchase price of properties acquired with debt financing;
- long-term objectives with respect to the financing;
- target investment returns;
- the ability of particular properties, and our Company as a whole, to generate cash flow sufficient to cover expected debt service payments;
- 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 properties to which the indebtedness relates. In addition, we may invest in properties subject to existing loans collateralized by mortgages or similar liens on our properties, or may refinance properties 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 properties, 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, repurchase or redeem our additional outstanding debt, including our exchangeable senior notes, as well as shares of common stock or other securities in open market purchases, privately negotiated transactions or otherwise. Such repurchases or redemptions, 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, 2011, we had approximately \$1,400,000 in total debt, of which approximately \$332,900 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 \$2,600 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.

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

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

|   |                  |
|---|------------------|
| <b><u>REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</u></b> | <b><u>48</u></b> |
| <b><u>CONSOLIDATED BALANCE SHEETS</u></b>                             | <b><u>49</u></b> |
| <b><u>CONSOLIDATED STATEMENTS OF OPERATIONS</u></b>                   | <b><u>50</u></b> |
| <b><u>CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY</u></b>         | <b><u>51</u></b> |
| <b><u>CONSOLIDATED STATEMENTS OF CASH FLOWS</u></b>                   | <b><u>52</u></b> |
| <b><u>NOTES TO CONSOLIDATED FINANCIAL STATEMENTS</u></b>              | <b><u>53</u></b> |
| <b><u>SCHEDULE III</u></b>  | <b><u>93</u></b> |

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.

**Report of Independent Registered Public Accounting Firm**

To 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, 2011 and 2010, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2011. 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, 2011 and 2010 and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2011, 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.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2011, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 29, 2012 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Salt Lake City, Utah  
February 29, 2012

**Extra Space Storage Inc.**

**Consolidated Balance Sheets**

(Dollars in thousands, except share data)

|   | <u>December 31, 2011</u> | <u>December 31, 2010</u> |
|---|--------------------------|--------------------------|
| <b>Assets:</b>  |                          |                          |
| Real estate assets:   |                          |                          |
| Net operating real estate assets  | \$ 2,254,429             | \$ 1,935,319             |
| Real estate under development   | 9,366                    | 37,083                   |
| Net real estate assets  | <u>2,263,795</u>         | <u>1,972,402</u>         |
| Investments in real estate ventures   | 130,410                  | 140,560                  |
| Cash and cash equivalents   | 26,484                   | 46,750                   |
| Restricted cash   | 25,768                   | 30,498                   |
| Receivables from related parties and affiliated real estate joint ventures  | 18,517                   | 10,061                   |
| Other assets, net   | 51,276                   | 49,549                   |
| Total assets  | <u>\$ 2,516,250</u>      | <u>\$ 2,249,820</u>      |
| <b>Liabilities, Noncontrolling Interests and Equity:</b>  |                          |                          |
| Notes payable   | \$ 937,001               | \$ 871,403               |
| Notes payable to trusts   | 119,590                  | 119,590                  |
| Exchangeable senior notes   | 87,663                   | 87,663                   |
| Premium (discount) on notes payable   | 4,402                    | (2,205)                  |
| Lines of credit   | 215,000                  | 170,467                  |
| Accounts payable and accrued expenses   | 45,079                   | 35,242                   |
| Other liabilities   | 33,754                   | 28,589                   |
| Total liabilities   | <u>1,442,489</u>         | <u>1,310,749</u>         |
| Commitments and contingencies   |                          |                          |
| <b>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, 300,000,000 shares authorized, 94,783,590 and 87,587,322 shares issued and outstanding at December 31, 2011 and December 31, 2010, respectively | 948                      | 876                      |
| Paid-in capital   | 1,290,021                | 1,148,820                |
| Accumulated other comprehensive deficit   | (7,936)                  | (5,787)                  |
| Accumulated deficit   | (264,086)                | (262,508)                |
| Total Extra Space Storage Inc. stockholders' equity   | <u>1,018,947</u>         | <u>881,401</u>           |
| Noncontrolling interest represented by Preferred Operating Partnership units, net of \$100,000 note receivable  | 29,695                   | 29,733                   |
| Noncontrolling interests in Operating Partnership   | 24,018                   | 26,803                   |
| Other noncontrolling interests  | 1,101                    | 1,134                    |
| Total noncontrolling interests and equity   | <u>1,073,761</u>         | <u>939,071</u>           |
| Total liabilities, noncontrolling interests and equity  | <u>\$ 2,516,250</u>      | <u>\$ 2,249,820</u>      |

See accompanying notes.

**Extra Space Storage Inc.**

**Consolidated Statements of Operations**

(Dollars in thousands, except share data)

|  | For the Year Ended December 31, |                  |                  |
|--|---------------------------------|------------------|------------------|
|  | 2011                            | 2010             | 2009             |
| <b>Revenues:</b>   |                                 |                  |                  |
| Property rental  | \$ 268,725                      | \$ 232,447       | \$ 238,256       |
| Management and franchise fees  | 29,924                          | 23,122           | 20,961           |
| Tenant reinsurance   | 31,181                          | 25,928           | 20,929           |
| Total revenues   | <u>329,830</u>                  | <u>281,497</u>   | <u>280,146</u>   |
| <b>Expenses:</b>   |                                 |                  |                  |
| Property operations  | 95,481                          | 86,165           | 88,935           |
| Tenant reinsurance   | 6,143                           | 6,505            | 5,461            |
| Unrecovered development and acquisition costs  | 2,896                           | 1,235            | 19,011           |
| Loss on sublease   | —                               | 2,000            | —                |
| Severance costs  | 2,137                           | —                | 2,225            |
| General and administrative   | 49,683                          | 44,428           | 40,224           |
| Depreciation and amortization  | 58,014                          | 50,349           | 52,403           |
| Total expenses   | <u>214,354</u>                  | <u>190,682</u>   | <u>208,259</u>   |
| Income from operations   | 115,476                         | 90,815           | 71,887           |
| Interest expense   | (67,301)                        | (64,116)         | (67,579)         |
| Non-cash interest expense related to amortization of discount on exchangeable senior notes | (1,761)                         | (1,664)          | (2,239)          |
| Interest income  | 1,027                           | 898              | 1,582            |
| Interest income on note receivable from Preferred Operating Partnership unit holder        | 4,850                           | 4,850            | 4,850            |
| Gain on repurchase of exchangeable senior notes  | —                               | —                | 27,928           |
| Income before equity in earnings of real estate ventures and income tax expense            | 52,291                          | 30,783           | 36,429           |
| Equity in earnings of real estate ventures   | 7,287                           | 6,753            | 6,964            |
| Income tax expense   | (1,155)                         | (4,162)          | (4,300)          |
| <b>Net income</b>  | <u>58,423</u>                   | <u>33,374</u>    | <u>39,093</u>    |
| Net income allocated to Preferred Operating Partnership noncontrolling interests           | (6,289)                         | (6,048)          | (6,186)          |
| Net income allocated to Operating Partnership and other noncontrolling interests           | (1,685)                         | (995)            | (930)            |
| <b>Net income attributable to common stockholders</b>                                      | <u>\$ 50,449</u>                | <u>\$ 26,331</u> | <u>\$ 31,977</u> |
| Net income per common share  |                                 |                  |                  |
| Basic  | \$ 0.55                         | \$ 0.30          | \$ 0.37          |
| Diluted  | \$ 0.54                         | \$ 0.30          | \$ 0.37          |
| Weighted average number of shares  |                                 |                  |                  |
| Basic  | 92,097,008                      | 87,324,104       | 86,343,029       |
| Diluted  | 96,683,508                      | 92,050,453       | 91,082,834       |
| <b>Cash dividends paid per common share</b>  | \$ 0.56                         | \$ 0.40          | \$ 0.38          |

See accompanying notes.





| <b>December 31,<br/>2009</b>   | \$ 29,886        | \$ 31,381        | \$ 773,867,721,841          | \$ 867,816,138,243        | \$ (1,056)        | \$ (253,875)        | \$ 946,219        |
|--|------------------|------------------|-----------------------------|---------------------------|-------------------|---------------------|-------------------|
| Issuance of common stock upon the exercise of options                          | —                | —                | —                           | 484,261                   | 5                 | 5,656               | 5,661             |
| Restricted stock grants issued   | —                | —                | —                           | 445,230                   | 4                 | —                   | 4                 |
| Restricted stock grants cancelled  | —                | —                | —                           | (64,010)                  | —                 | —                   | —                 |
| Compensation expense related to stock-based awards                             | —                | —                | —                           | —                         | —                 | 4,580               | 4,580             |
| Deconsolidation of noncontrolling interests                                    | —                | —                | 104                         | —                         | —                 | —                   | 104               |
| Redemption of Operating Partnership units for cash                             | —                | (4,116)          | —                           | —                         | —                 | —                   | (4,116)           |
| Investments from other noncontrolling interests                                | —                | —                | 87                          | —                         | —                 | —                   | 87                |
| Purchase of noncontrolling interest  | —                | —                | 223                         | —                         | —                 | —                   | 223               |
| Comprehensive income:  |                  |                  |                             |                           |                   |                     |                   |
| Net income (loss)  | 6,048            | 1,048            | (53)                        | —                         | —                 | —                   | 33,374            |
| Change in fair value of interest rate swap, net of reclassification adjustment | (55)             | (177)            | —                           | —                         | —                 | (4,731)             | (4,963)           |
| Total comprehensive income   |                  |                  |                             |                           |                   |                     | 28,411            |
| Tax effect from vesting of restricted stock grants and stock option exercises  | —                | —                | —                           | —                         | —                 | 836                 | 836               |
| Tax effect from contribution of property to Taxable REIT Subsidiary            | —                | —                | —                           | —                         | —                 | (495)               | (495)             |
| Distributions to Operating Partnership units held by noncontrolling interests  | (6,146)          | (1,333)          | —                           | —                         | —                 | —                   | (7,479)           |
| Dividends paid on common stock at \$0.40 per share                             | —                | —                | —                           | —                         | —                 | —                   | (34,964)          |
| <b>Balances at December 31, 2010</b>   | <b>\$ 29,733</b> | <b>\$ 26,803</b> | <b>\$ 1,134,875,587,322</b> | <b>\$ 876,816,148,820</b> | <b>\$ (5,787)</b> | <b>\$ (262,508)</b> | <b>\$ 939,071</b> |
| Issuance of common stock upon the exercise of options                          | —                | —                | —                           | 1,388,269                 | 14                | 18,608              | 18,622            |
| Restricted stock grants issued   | —                | —                | —                           | 226,630                   | 2                 | —                   | 2                 |
| Restricted stock grants cancelled  | —                | —                | —                           | (47,695)                  | —                 | —                   | —                 |
| Issuance of common stock, net of offering costs                                | —                | —                | —                           | 5,335,423                 | 53                | 112,296             | 112,349           |
| Compensation expense related to stock-based                                    |                  |                  |                             |                           |                   |                     |                   |

|  |                  |                  |                |                   |               |                    |                   |                     |                    |
|--|------------------|------------------|----------------|-------------------|---------------|--------------------|-------------------|---------------------|--------------------|
| awards   | —                | —                | —              | —                 | —             | 5,757              | —                 | —                   | 5,757              |
| Redemption of Operating Partnership units for common stock                     | —                | (2,344)          | —              | 293,641           | 3             | 2,341              | —                 | —                   | —                  |
| Redemption of Operating Partnership units for cash                             | —                | (271)            | —              | —                 | —             | —                  | —                 | —                   | (271)              |
| Comprehensive income:  |                  |                  |                |                   |               |                    |                   |                     |                    |
| Net income (loss)  | 6,289            | 1,689            | (4)            | —                 | —             | —                  | —                 | 50,449              | 58,423             |
| Change in fair value of interest rate swap, net of reclassification adjustment | (22)             | (66)             | —              | —                 | —             | —                  | (2,149)           | —                   | (2,237)            |
| Total comprehensive income   |                  |                  |                |                   |               |                    |                   |                     | 56,186             |
| Tax effect from vesting of restricted stock grants and stock option exercises  | —                | —                | —              | —                 | —             | 2,199              | —                 | —                   | 2,199              |
| Distributions to Operating Partnership units held by noncontrolling interests  | (6,305)          | (1,793)          | —              | —                 | —             | —                  | —                 | —                   | (8,098)            |
| Distributions to other noncontrolling interests                                | —                | —                | (29)           | —                 | —             | —                  | —                 | —                   | (29)               |
| Dividends paid on common stock at \$0.56 per share                             | —                | —                | —              | —                 | —             | —                  | —                 | (52,027)            | (52,027)           |
| <b>Balances at December 31, 2011</b>   | <b>\$ 29,695</b> | <b>\$ 24,018</b> | <b>\$1,101</b> | <b>94,783,590</b> | <b>\$ 948</b> | <b>\$1,290,021</b> | <b>\$ (7,936)</b> | <b>\$ (264,086)</b> | <b>\$1,073,761</b> |

See accompanying notes.

**Extra Space Storage Inc.**

**Consolidated Statements of Cash Flows**

(Dollars in thousands)

|  | <b>For the Year Ended December 31,</b> |                  |                   |
|--|--|------------------|-------------------|
|  | <b>2011</b>                            | <b>2010</b>      | <b>2009</b>       |
| <b>Cash flows from operating activities:</b>   |  |                  |                   |
| Net income   | \$ 58,423                              | \$ 33,374        | \$ 39,093         |
| Adjustments to reconcile net income to net cash provided by operating activities:              |  |                  |                   |
| Depreciation and amortization  | 58,014                                 | 50,349           | 52,403            |
| Amortization of deferred financing costs   | 5,583                                  | 4,354            | 3,877             |
| Non-cash interest expense related to amortization of discount on exchangeable senior notes     | 1,761                                  | 1,664            | 2,239             |
| Gain on repurchase of exchangeable senior notes  | —                                      | —                | (27,928)          |
| Compensation expense related to stock-based awards   | 5,757                                  | 4,580            | 3,809             |
| Non-cash unrecovered development and acquisition costs   | —                                      | —                | 19,011            |
| Loss on sublease   | —                                      | 2,000            | —                 |
| Distributions from real estate ventures in excess of earnings                                  | 7,008                                  | 6,722            | 5,968             |
| Changes in operating assets and liabilities:   |  |                  |                   |
| Receivables from related parties and affiliated real estate joint ventures                     | (8,634)                                | 3,011            | (12,347)          |
| Other assets   | 7,533                                  | (1,676)          | (6,584)           |
| Accounts payable and accrued expenses  | 9,837                                  | 1,856            | (1,675)           |
| Other liabilities  | (1,119)                                | (1,419)          | 3,299             |
| Net cash provided by operating activities  | <u>144,164</u>                         | <u>104,815</u>   | <u>81,165</u>     |
| <b>Cash flows from investing activities:</b>   |  |                  |                   |
| Acquisition of real estate assets  | (194,959)                              | (69,588)         | (38,185)          |
| Development and construction of real estate assets   | (7,060)                                | (36,062)         | (67,301)          |
| Proceeds from sale of real estate assets   | —                                      | —                | 4,652             |
| Proceeds from sale of properties to joint venture  | —                                      | 15,750           | —                 |
| Investments in real estate ventures  | (4,088)                                | (9,699)          | (3,246)           |
| Return of investment in real estate ventures   | 4,614                                  | 8,802            | 1,315             |
| Change in restricted cash  | 4,730                                  | 9,036            | (497)             |
| Purchase of affiliated joint venture note receivable, net of principal payments received       | (50,140)                               | —                | —                 |
| Purchase of equipment and fixtures   | (5,016)                                | (1,945)          | (1,148)           |
| Net cash used in investing activities  | <u>(251,919)</u>                       | <u>(83,706)</u>  | <u>(104,410)</u>  |
| <b>Cash flows from financing activities:</b>   |  |                  |                   |
| Proceeds from the sale of common stock, net of offering costs                                  | 112,349                                | —                | —                 |
| Repurchase of exchangeable senior notes  | —                                      | —                | (87,734)          |
| Proceeds from notes payable and lines of credit  | 475,487                                | 191,062          | 442,560           |
| Principal payments on notes payable and lines of credit  | (452,347)                              | (252,400)        | (212,515)         |
| Deferred financing costs   | (6,197)                                | (4,160)          | (8,716)           |
| Investments from other noncontrolling interests  | —                                      | 87               | —                 |
| Redemption of Operating Partnership units held by noncontrolling interest                      | (271)                                  | (4,116)          | (1,908)           |
| Net proceeds from exercise of stock options  | 18,622                                 | 5,661            | —                 |
| Dividends paid on common stock   | (52,027)                               | (34,964)         | (32,800)          |
| Distributions to noncontrolling interests  | (8,127)                                | (7,479)          | (7,664)           |
| Net cash provided by (used in) financing activities  | <u>87,489</u>                          | <u>(106,309)</u> | <u>91,223</u>     |
| Net increase (decrease) in cash and cash equivalents   | (20,266)                               | (85,200)         | 67,978            |
| Cash and cash equivalents, beginning of the period   | 46,750                                 | 131,950          | 63,972            |
| Cash and cash equivalents, end of the period   | <u>\$ 26,484</u>                       | <u>\$ 46,750</u> | <u>\$ 131,950</u> |
| <b>Supplemental schedule of cash flow information</b>  |  |                  |                   |
| Interest paid, net of amounts capitalized  | \$ 61,726                              | \$ 60,100        | \$ 64,175         |
| Income taxes paid  | 665                                    | 6,539            | 4,292             |
| <b>Supplemental schedule of noncash investing and financing activities:</b>                    |  |                  |                   |
| Deconsolidation of joint ventures due to application of Accounting Standards Codification 810: |  |                  |                   |
| Real estate assets, net  | \$ —                                   | \$ (42,739)      | \$ —              |
| Investments in real estate ventures  | —                                      | 404              | —                 |
| Receivables from related parties and affiliated real estate joint ventures                     | —                                      | 21,142           | —                 |
| Other assets and other liabilities   | —                                      | (51)             | —                 |
| Notes payable  | —                                      | 21,348           | —                 |
| Other noncontrolling interests   | —                                      | (104)            | —                 |
| Redemption of Operating Partnership units held by noncontrolling interests for common stock:   |  |                  |                   |
| Noncontrolling interests in Operating Partnership  | \$ 2,344                               | \$ —             | \$ 3,583          |
| Common stock and paid-in capital   | (2,344)                                | —                | (3,583)           |
| Tax effect from vesting of restricted stock grants and stock option exercises                  |  |                  |                   |
| Other assets   | \$ 2,199                               | \$ 836           | \$ (414)          |
| Paid-in capital  | (2,199)                                | (836)            | 414               |
| Acquisitions of real estate assets   |  |                  |                   |
| Real estate assets, net  | \$ 137,177                             | \$ 25,963        | \$ —              |
| Notes payable assumed  | (132,327)                              | (25,963)         | —                 |
| Notes payable issued to seller   | (4,850)                                | —                | —                 |

|   |    |   |    |   |    |        |
|---|----|---|----|---|----|--------|
| Change in receivables from related parties and affiliated real estate joint ventures due to consolidation of joint venture properties | \$ | — | \$ | — | \$ | 18,568 |
|---|----|---|----|---|----|--------|

See accompanying notes.

**Extra Space Storage Inc.**

**Notes to Consolidated Financial Statements**

**December 31, 2011**

**(Amounts in thousands, except property and share data)**

**1. DESCRIPTION OF BUSINESS**

Extra Space Storage Inc. (the "Company") is a 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 facilities 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 properties 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 self-storage facilities by acquiring or developing wholly-owned facilities or by acquiring an equity interest in real estate entities. At December 31, 2011, the Company had direct and indirect equity interests in 697 storage facilities. In addition, the Company managed 185 properties for franchisees or third parties bringing the total number of properties which it owns and/or manages to 882, located in 34 states and Washington, D.C.

The Company operates in three distinct segments: (1) property management, acquisition and development; (2) rental operations; and (3) tenant reinsurance. The Company's property management, acquisition and development activities include managing, acquiring, developing, redeveloping and selling self-storage facilities. In June 2009, the Company announced the wind-down of its development activities. As of December 31, 2011, there was one remaining development project in process. The Company expects to complete this project by the end of the first quarter of 2012. The rental operations activities include rental operations of self-storage facilities. No single tenant accounts for more than 5% of rental income. Tenant reinsurance activities include the reinsurance of risks relating to the loss of goods stored by tenants in the Company's self storage facilities.

**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

**Extra Space Storage Inc.**

**Notes to Consolidated Financial Statements (Continued)**

**December 31, 2011**

**(Amounts in thousands, except property and share data)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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.

The Company has concluded that under certain circumstances when the Company (1) enters into option agreements for the purchase of land or facilities from an entity and pays a non-refundable deposit, or (2) 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 U.S. generally accepted accounting principles 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.

**Reclassifications**

Certain amounts in the 2010 and 2009 financial statements and supporting note disclosures have been reclassified to conform to the current year presentation. Such reclassifications did not impact previously reported net income or accumulated deficit.

**Extra Space Storage Inc.**

**Notes to Consolidated Financial Statements (Continued)**

**December 31, 2011**

**(Amounts in thousands, except property and share data)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Fair Value Disclosures**

*Assets and Liabilities Measured at Fair Value on a Recurring Basis*

The following table provides information for each major category of assets and liabilities that are measured at fair value on a recurring basis:

| Description | December 31,<br>2011 | Fair Value Measurements at Reporting Date Using                            |   |  |
|-------------|----------------------|--|---|--|
|             |                      | Quoted Prices in<br>Active<br>Markets for<br>Identical<br>Assets (Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
| Other       |                      |  |   |  |
| liabilities |                      |  |   |  |
| — Cash      |                      |  |   |  |
| Flow        |                      |  |   |  |
| Hedge       |                      |  |   |  |
| Swap        |                      |  |   |  |
| Agreements  | \$ (8,311)           | \$ —   | \$ (8,311)  | \$ —   |

There were no transfers of assets and liabilities between Level 1 and Level 2 during the year ended December 31, 2011. 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, 2011 or 2010.

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

Long-lived assets held for use are evaluated by the Company for impairment when events or circumstances indicate that there may be impairment. The Company reviews each self-storage facility at least annually to determine if any such events or circumstances have occurred or exist. The Company focuses on facilities where occupancy and/or rental income have decreased by a significant amount. For these facilities, the Company determines whether the decrease is temporary or permanent and whether the facility will likely recover the lost occupancy and/or revenue in the short term. In addition, the Company carefully reviews facilities 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 for sale is less than the net carrying value of the assets, then a valuation allowance is established. The operations of assets held for sale or sold during the period are generally presented as discontinued operations for all periods presented.

**Extra Space Storage Inc.****Notes to Consolidated Financial Statements (Continued)****December 31, 2011****(Amounts in thousands, except property and share data)****2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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, 2011 and 2010, the Company did not have any assets or liabilities measured at fair value on a nonrecurring basis.

*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, 2011 and 2010, approximate fair value. The fair values of the Company's notes receivable, fixed rate notes payable and notes payable to trusts and exchangeable senior notes are as follows:

|  | <u>December 31, 2011</u> |                       | <u>December 31, 2010</u> |                       |
|--|--------------------------|-----------------------|--------------------------|-----------------------|
|  | <u>Fair Value</u>        | <u>Carrying Value</u> | <u>Fair Value</u>        | <u>Carrying Value</u> |
| Note receivable from Preferred Operating Partnership unit holder | \$ 104,049               | \$ 100,000            | \$ 115,696               | \$ 100,000            |
| Fixed rate notes payable and notes payable to trusts             | \$ 1,008,039             | \$ 938,681            | \$ 777,575               | \$ 731,588            |
| Exchangeable senior notes  | \$ 92,265                | \$ 87,663             | \$ 118,975               | \$ 87,663             |

**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. Capitalized interest during the years ended December 31, 2011, 2010 and 2009, was \$752, \$2,013, and \$4,148, respectively.

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 self-storage facilities, 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, are 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

**Extra Space Storage Inc.**

**Notes to Consolidated Financial Statements (Continued)**

**December 31, 2011**

**(Amounts in thousands, except property and share data)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 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 represent: (1) purchase price amounts allocated to leases on two properties 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 four properties where the leases were assumed by the Company at rates that were lower 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.

**Investments in 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 of America 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.

**Extra Space Storage Inc.**

**Notes to Consolidated Financial Statements (Continued)**

**December 31, 2011**

**(Amounts in thousands, except property and share data)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Other Assets**

Other assets consist primarily of equipment and fixtures, deferred financing costs, customer accounts receivable, investments in trusts, other intangible assets, income taxes receivable, deferred tax assets and prepaid expenses. Depreciation of equipment and fixtures is computed on a straight-line basis over three to five years. Deferred financing costs are amortized to interest expense using the effective interest method over the terms of the respective debt agreements.

**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 the statements of operations. 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.

**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 properties due to changes in rental rates, interest rates or other market factors affecting the value of properties held by the Company. The Company has entered into interest rate swap agreements to manage a portion of its interest rate risk.

**Conversion of Operating Partnership Units**

Conversions of Operating Partnership units to common stock, when converted 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. The difference between the fair value of the consideration paid and the adjustment to the carrying amount of the noncontrolling interest is recognized as additional paid in capital for the Company.

**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

**Extra Space Storage Inc.**

**Notes to Consolidated Financial Statements (Continued)**

**December 31, 2011**

**(Amounts in thousands, except property and share data)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

over the promotional period. Late charges, administrative fees, merchandise sales and truck rentals are recognized as income when earned. Management and franchise fee revenues are recognized monthly as services are performed and in accordance with the terms of the related management agreements. Tenant reinsurance premiums are recognized as revenue over the period of insurance coverage. 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. 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.

**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 directory, direct mail, internet and other advertising. Direct response advertising costs are deferred and amortized over the expected benefit period determined to be 12 months. As of December 31, 2011 and 2010, the Company had \$860 and \$1,073, respectively, of prepaid advertising included in other assets on the consolidated balance sheets. All other advertising costs are expensed as incurred. The Company recognized \$5,958, \$6,430 and \$5,892 in advertising expense for the years ended December 31, 2011, 2010 and 2009, 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, 2011, 0.0% (unaudited) of all distributions to stockholders qualifies as a return of capital.

**Extra Space Storage Inc.**

**Notes to Consolidated Financial Statements (Continued)**

**December 31, 2011**

**(Amounts in thousands, except property and share data)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 generally may engage in any real estate or non-real estate related business (except for the operation or management of health care facilities or any lodging facilities or the provision to any person, under a franchise, license or otherwise, of rights to any brand name under which lodging facility or health care facility is operated). 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, 2011 and 2010, 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, 2011 and 2010, 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.

**Net Income Per Share**

Basic net income per common share is computed by dividing net income by the weighted average common shares outstanding including unvested share based payment awards that contain a non-forfeitable right to dividends or dividend equivalents. 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 treasury stock or if-converted method. Potential common shares are securities (such as options, convertible debt, exchangeable Series A Participating Redeemable Preferred Operating Partnership units ("Preferred OP units") and exchangeable Operating Partnership units ("OP units")) that do not have a current right to participate in earnings but could do so in the future by virtue of their option 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 share, only potential common shares that are dilutive, those that reduce earnings per share, are included.

The Company's Operating Partnership has \$87,663 of exchangeable senior notes issued and outstanding as of December 31, 2011, that also can potentially have a dilutive effect on its earnings per

**Extra Space Storage Inc.**

**Notes to Consolidated Financial Statements (Continued)**

**December 31, 2011**

**(Amounts in thousands, except property and share data)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

share calculations. The exchangeable senior notes are exchangeable by holders into shares of the Company's common stock under certain circumstances per the terms of the indenture governing the exchangeable senior notes. The exchangeable senior notes are exchangeable if the price of the Company's common stock is greater than or equal to 130% of the applicable exchange price for a specified period during a quarter, and under certain other circumstances. The exchange price was \$23.20 per share at December 31, 2011, and could change over time as described in the indenture. The price of the Company's common stock did not exceed 130% of the exchange price for the specified period of time during the fourth quarter of 2011. The exchangeable senior notes are also exchangeable at any time from March 1, 2012 through April 1, 2012.

The Company has irrevocably agreed to pay only cash for the accreted principal amount of the exchangeable senior notes relative to its exchange obligations, but has retained the right to satisfy the exchange obligations in excess of the accreted principal amount in cash and/or common stock. Though the Company has retained that right, Accounting Standards Codification ("ASC") 260, "*Earnings Per Share*," requires an assumption that shares will be used to pay the exchange obligations 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 using the treasury stock method. No shares were included in the computation at December 31, 2011, as the shares in excess over the accreted principal would have been anti-dilutive. For the years ending December 31, 2010 and 2009, no shares were included in the computation because there was no excess over the accreted principal for these periods.

For the purposes of computing the diluted impact on earnings per share of the potential conversion of Preferred OP units into common shares, 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 Preferred OP 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 years ended December 31, 2011, 2010 and 2009, options to purchase approximately 107,523 shares, 1,788,142 shares, and 4,925,153 shares of common stock, respectively, were excluded from the computation of earnings per share as their effect would have been anti-dilutive. All restricted stock grants have been included in basic and diluted shares outstanding because such shares earn a non-forfeitable dividend and carry voting rights.

**Extra Space Storage Inc.****Notes to Consolidated Financial Statements (Continued)****December 31, 2011****(Amounts in thousands, except property and share data)****2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The computation of net income per share is as follows:

|   | <u>For the Year Ended December 31,</u> |                   |                   |
|---|--|-------------------|-------------------|
|   | <u>2011</u>                            | <u>2010</u>       | <u>2009</u>       |
| Net income attributable to common stockholders  | \$ 50,449                              | \$ 26,331         | \$ 31,977         |
| Add: Income allocated to noncontrolling interest—Preferred<br>Operating Partnership and Operating Partnership | 7,978                                  | 7,096             | 8,012             |
| Subtract: Fixed component of income allocated to noncontrolling<br>interest—Preferred Operating Partnership   | (5,750)                                | (5,750)           | (5,750)           |
| Net income for diluted computations   | <u>\$ 52,677</u>                       | <u>\$ 27,677</u>  | <u>\$ 34,239</u>  |
| Weighted average common shares outstanding:   |  |                   |                   |
| Average number of common shares outstanding—basic   | 92,097,008                             | 87,324,104        | 86,343,029        |
| Operating Partnership units   | 3,049,935                              | 3,356,963         | 3,627,368         |
| Preferred Operating Partnership units   | 989,980                                | 989,980           | 989,980           |
| Dilutive and cancelled stock options  | 546,585                                | 379,406           | 122,457           |
| Average number of common shares outstanding—diluted   | <u>96,683,508</u>                      | <u>92,050,453</u> | <u>91,082,834</u> |
| Net income per common share   |  |                   |                   |
| Basic   | \$ 0.55                                | \$ 0.30           | \$ 0.37           |
| Diluted   | \$ 0.54                                | \$ 0.30           | \$ 0.37           |

**Recently Issued Accounting Standards**

In June 2011, the FASB issued Accounting Standards Update ("ASU") 2011-05, *Comprehensive Income (Topic 220): Presentation of Comprehensive Income*, which is effective for annual reporting periods beginning after December 15, 2011. This guidance eliminates the option to present the components of other comprehensive income as part of the statement of stockholders' equity. In addition, items of other comprehensive income that are reclassified to profit or loss are required to be presented separately on the face of the financial statements. This guidance is intended to increase the prominence of other comprehensive income in financial statements by requiring that such amounts be presented either in a single continuous statement of income and comprehensive income or separately in consecutive statements of income and comprehensive income. The Company's adoption of ASU 2011-05 is not expected to have a material impact on its financial condition or results of operations.

In May 2011, the FASB issued ASU No. 2011-04, Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs ("ASU No. 2011-04"). ASU No. 2011-04 updates and further clarifies requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. Additionally, ASU No. 2011-04 clarifies the FASB's intent about the application of existing fair value measurements. ASU No. 2011-04 is effective for interim and annual periods

**Extra Space Storage Inc.****Notes to Consolidated Financial Statements (Continued)****December 31, 2011****(Amounts in thousands, except property and share data)****2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

beginning after December 15, 2011 and is applied prospectively. The Company does not expect that the adoption of ASU No. 2011-04 will have a material impact to its consolidated financial statements.

**3. REAL ESTATE ASSETS**

The components of real estate assets are summarized as follows:

|   | December 31, 2011   | December 31, 2010   |
|---|---------------------|---------------------|
| Land—operating  | \$ 580,995          | \$ 494,005          |
| Land—development  | 14,600              | 24,284              |
| Buildings and improvements  | 1,934,693           | 1,641,665           |
| Intangible assets—tenant relationships                              | 37,293              | 32,257              |
| Intangible lease rights   | 6,150               | 6,150               |
|   | <u>2,573,731</u>    | <u>2,198,361</u>    |
| Less: accumulated depreciation and amortization                     | <u>(319,302)</u>    | <u>(263,042)</u>    |
| Net operating real estate assets                                    | 2,254,429           | 1,935,319           |
| Real estate under development                                       | 9,366               | 37,083              |
| Net real estate assets  | <u>\$ 2,263,795</u> | <u>\$ 1,972,402</u> |
| Real estate assets held for sale included in net real estate assets | <u>\$ 7,875</u>     | <u>\$ 11,275</u>    |

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 \$2,633, \$907, and \$1,905, for the years ended December 31, 2011, 2010 and 2009, respectively. The remaining balance of the unamortized lease rights will be amortized over the next 6 to 50 years.

In June 2009, the Company announced the wind-down of its development activities. As a result of this change, the Company reviewed its properties under construction, unimproved land and its investment in development joint ventures for potential impairments. This review included the preparation of updated models based on current market conditions, obtaining appraisals and reviewing recent sales and list prices of undeveloped land and mature self storage facilities. Based on this review, the Company identified certain assets as being impaired. The impairments relating to long-lived assets where the Company intends to complete the development and hold the asset are the result of the estimated undiscounted future cash flows being less than the current carrying value of the assets. The Company compared the carrying value of certain undeveloped land and seven vacant condominiums that the Company intended to sell to the fair market value of similar undeveloped land and condominiums. For the assets that the Company intended to sell, where the current estimated fair market value less costs to sell was below the carrying value, the Company reduced the carrying value of the asset to the current fair market value less selling costs and recorded an impairment charge. These assets were classified as held for sale. The impairments relating to investments in development joint

Extra Space Storage Inc.

Notes to Consolidated Financial Statements (Continued)

December 31, 2011

(Amounts in thousands, except property and share data)

3. REAL ESTATE ASSETS (Continued)

ventures were the result of the Company comparing the estimated current fair market value to the carrying value of the investment. For those investments in development joint ventures where the current estimated fair market value was below the carrying value, the Company reduced the investment to the current fair market value through an impairment charge. Losses relating to changes in fair value were included in unrecovered development and acquisition costs on the Company's statements of operations for the year ended December 31, 2009. No impairment losses were recorded during the years ended December 31, 2011 or 2010. During 2011, the Company decided to lease the seven condominiums and as such they are no longer included in real estate assets held for sale. The rental income related to the condominiums is included in property operations and was immaterial for the year ending December 31, 2011. Real estate assets held for sale included in net real estate assets as of December 31, 2011 are recorded at fair value and consisted of undeveloped land.

On April 10, 2009, the Company sold vacant land in Los Angeles, California for cash of \$4,652. A loss of \$343 was recorded as a result of this sale, and is included in unrecovered development and acquisition costs in the consolidated statement of operations.

4. PROPERTY ACQUISITIONS

The following table shows the Company's acquisition of operating properties for the years ended December 31, 2011 and 2010, and does not include purchases of raw land or improvements made to existing assets:

| Property Location  | Number of Properties | Date of Acquisition | Consideration Paid |           |              |                  | Notes   |                 |                       |          | Acquisition Date Fair Value |            |       | Closing costs—expensed |
|--|----------------------|---------------------|--------------------|-----------|--------------|------------------|---------|-----------------|-----------------------|----------|-----------------------------|------------|-------|------------------------|
|  |                      |                     | Total Paid         | Cash Paid | Loan Assumed | Issued to Seller | Payable | Previous equity | Liabilities/ (Assets) | Land     | Building                    | Intangible |       |                        |
| New Jersey   | 1                    | 12/16/2011          | \$ 6,832           | \$ 6,806  | \$ —         | \$ —             | \$ —    | \$ —            | \$ 26                 | \$ 1,093 | \$ 5,492                    | \$ 157     | \$ 90 |                        |
| Florida, Illinois, Massachusetts, New York, Rhode Island | 6                    | 12/1/2011           | 61,797             | 4,941     | 50,140       | 4,850            | 1,817   | 49              | 15,645                | 46,139   | —                           | —          | 13    |                        |
| Florida  | 1                    | 10/25/2011          | 5,853              | 5,615     | —            | —                | —       | 238             | 521                   | 5,198    | —                           | —          | 21    |                        |
| California   | 19                   | 10/19/2011          | 104,029            | 31,464    | 73,527       | —                | —       | (962)           | 32,270                | 69,496   | 2,164                       | —          | 99    |                        |
| New Jersey   | 1                    | 10/6/2011           | 18,372             | 18,334    | —            | —                | —       | 38              | 861                   | 17,127   | —                           | —          | 51    |                        |
| Texas  | 1                    | 8/2/2011            | 2,402              | 2,353     | —            | —                | —       | 49              | 978                   | 1,347    | —                           | —          | 4     |                        |
| Maryland   | 1                    | 8/1/2011            | 7,343              | 7,342     | —            | —                | —       | 1               | 764                   | 6,331    | —                           | —          | 105   |                        |
| Maryland   | 1                    | 7/8/2011            | 5,785              | 5,795     | —            | —                | —       | (10)            | 1,303                 | 4,218    | —                           | —          | 139   |                        |
| Ohio, Indiana, Kentucky                                  | 15                   | 6/27/2011           | 39,773             | 39,387    | —            | —                | —       | 386             | 13,478                | 25,098   | 903                         | —          | 294   |                        |
| Nevada   | 1                    | 6/22/2011           | 3,355              | 3,339     | —            | —                | —       | 16              | 1,441                 | 1,810    | —                           | —          | 6     |                        |
| Colorado   | 1                    | 6/10/2011           | 4,600              | 2,664     | 1,907        | —                | —       | 29              | 296                   | 4,199    | —                           | —          | 7     |                        |
| New Jersey   | 1                    | 6/2/2011            | 4,963              | 4,959     | —            | —                | —       | 4               | 1,644                 | 3,115    | —                           | —          | 69    |                        |
| Virginia   | 1                    | 5/26/2011           | 10,514             | 5,205     | 5,463        | —                | —       | (154)           | 932                   | 9,349    | —                           | —          | 31    |                        |
| Colorado   | 1                    | 5/25/2011           | 3,540              | 2,262     | 1,290        | —                | —       | (12)            | 407                   | 3,077    | —                           | —          | (5)   |                        |
| Tennessee  | 1                    | 4/15/2011           | 2,539              | 2,514     | —            | —                | —       | 25              | 652                   | 1,791    | —                           | —          | 17    |                        |
| California   | 1                    | 4/7/2011            | 8,207              | 8,150     | —            | —                | —       | 57              | 2,211                 | 5,829    | —                           | —          | 4     |                        |
| Utah, Texas  | 2                    | 4/1/2011            | 7,262              | 7,205     | —            | —                | —       | 57              | 1,512                 | 5,548    | —                           | —          | 14    |                        |
| Texas  | 2                    | 12/14/2010          | 6,414              | 6,359     | —            | —                | —       | 55              | 2,010                 | 4,221    | —                           | —          | 37    |                        |
| New York   | 1                    | 11/23/2010          | 9,727              | 4,547     | 5,601        | —                | —       | (421)           | 5,676                 | 3,784    | —                           | —          | 58    |                        |
| Utah   | 2                    | 11/23/2010          | 4,559              | 4,570     | —            | —                | —       | (11)            | 1,306                 | 3,132    | —                           | —          | 15    |                        |
| Maryland, Virginia                                       | 2                    | 10/20/2010          | 16,784             | 16,828    | —            | —                | —       | (44)            | 1,461                 | 14,668   | —                           | —          | 165   |                        |
| Utah   | 1                    | 10/20/2010          | 4,531              | 4,514     | —            | —                | —       | 17              | 986                   | 3,455    | —                           | —          | 10    |                        |
| Alabama  | 2                    | 8/23/2010           | 2,593              | 2,534     | —            | —                | —       | 59              | 416                   | 2,033    | —                           | —          | 4     |                        |
| Florida  | 1                    | 7/15/2010           | 2,787              | 2,759     | —            | —                | —       | 28              | 625                   | 2,133    | —                           | —          | 10    |                        |
| Georgia  | 3                    | 6/17/2010           | 7,661              | 7,551     | —            | —                | —       | 110             | 2,769                 | 4,487    | —                           | —          | 87    |                        |
| New York   | 1                    | 5/21/2010           | 9,629              | 3,231     | 6,475        | —                | —       | (77)            | 2,802                 | 6,536    | —                           | —          | 71    |                        |

**Extra Space Storage Inc.**

**Notes to Consolidated Financial Statements (Continued)**

**December 31, 2011**

**(Amounts in thousands, except property and share data)**

**4. PROPERTY ACQUISITIONS (Continued)**

As part of the acquisition of the 19-property portfolio purchased on October 19, 2011, the Company assumed three different mortgage loans with a total amount due of \$68,681 at the closing date. At the time of purchase, the Company recorded a \$4,846 premium on the debt assumed in order to record the loans at their fair values at the purchase date. This premium is included in premium (discount) on notes payable in the consolidated balance sheets and will be amortized to interest expense over the remaining term of the loans.

**5. INVESTMENTS IN REAL ESTATE VENTURES**

Investments in real estate ventures consist of the following:

|   | Equity<br>Ownership % | Excess Profit<br>Participation % | Investment balance at |                   |
|---|-----------------------|----------------------------------|-----------------------|-------------------|
|   |                       |                                  | December 31, 2011     | December 31, 2010 |
| Extra Space West<br>One LLC ("ESW")   | 5%                    | 40%                              | \$ 689                | \$ 1,077          |
| Extra Space West<br>Two LLC ("ESW II")  | 5%                    | 40%                              | 4,501                 | 4,606             |
| Extra Space Northern<br>Properties Six LLC<br>("ESNPS")                       | 10%                   | 35%                              | 953                   | 1,142             |
| Extra Space of Santa<br>Monica LLC ("ESSM")                                   | 48%                   | 48%                              | 3,015                 | 2,901             |
| Clarendon Storage<br>Associates Limited<br>Partnership<br>("Clarendon")       | 50%                   | 50%                              | 3,171                 | 3,204             |
| HSRE-ESP IA, LLC<br>("HSRE")  | 50%                   | 50%                              | 11,528                | 11,984            |
| PRISA Self Storage LLC<br>("PRISA")   | 2%                    | 17%                              | 11,141                | 11,445            |
| PRISA II Self<br>Storage LLC<br>("PRISA II")                                  | 2%                    | 17%                              | 9,502                 | 9,855             |
| PRISA III Self<br>Storage LLC<br>("PRISA III")                                | 5%                    | 20%                              | 3,410                 | 3,568             |
| VRS Self Storage LLC<br>("VRS")   | 45%                   | 54%                              | 43,974                | 44,641            |
| WCOT Self Storage LLC<br>("WCOT")   | 5%                    | 20%                              | 4,495                 | 4,799             |
| Storage Portfolio I LLC<br>("SP I")   | 25%                   | 25 - 40%                         | 11,853                | 14,873            |
| Storage Portfolio Bravo II<br>("SPB II")                                      | 20%                   | 20 - 45%                         | 14,435                | 14,759            |
| Extra Space Joint<br>Ventures with Everest<br>Real Estate Fund<br>("Everest") | 39 - 58%              | 40 - 50%                         | 3,609                 | 5,514             |
| U-Storage de Mexico S.A.  |                       |                                  |                       |                   |

|                                    |          |          |                   |                   |
|------------------------------------|----------|----------|-------------------|-------------------|
| and related entities ("U-Storage") | 40%      | 40%      | 4,841             | 4,852             |
| Other minority owned properties    | 18 - 50% | 19 - 50% | (707)             | 1,340             |
|                                    |          |          | <u>\$ 130,410</u> | <u>\$ 140,560</u> |

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

**Extra Space Storage Inc.**

**Notes to Consolidated Financial Statements (Continued)**

**December 31, 2011**

**(Amounts in thousands, except property and share data)**

**5. INVESTMENTS IN REAL ESTATE VENTURES (Continued)**

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, 2011, there were no previously unconsolidated entities that were required to be consolidated as a result of this review.

On December 1, 2011, the Company purchased Everest Real Estate Fund LLC's interest in Storage Associates Holdco, LLC, a joint venture in which the Company previously held a 10% equity interest, for \$4,941 in cash and a \$4,850 promissory note. This joint venture owned six properties located in Florida, Illinois, Massachusetts, New York and Rhode Island. These properties became wholly-owned and consolidated as of the date of the purchase. During September 2011, the Company purchased a note payable due from Holdco to the Bank of America for \$51,000. The note payable had a monthly interest rate of LIBOR plus 185 basis points and was due in March 2012. Upon the purchase of the remaining equity interest in Holdco on December 1, 2011, the balance of the note of \$50,140 was assumed by the Company and is subsequently eliminated in consolidation.

On January 1, 2011, the Company paid \$320 in cash to obtain its joint venture partners' equity interests in a joint venture. No gain or loss was recognized on this transaction. The joint venture owned a single stabilized self-storage property located in Pennsylvania and was previously accounted for under the equity method. The property is now wholly-owned and consolidated by the Company.

On June 28, 2010, the Company contributed \$6,660 to ESW as a result of a capital call related to the joint venture's repayment of its \$16,650 loan. On August 25, 2010, ESW closed on a new loan and on August 30, 2010, ESW returned \$6,660 of investment capital to the Company.

On June 15, 2010, the Company paid \$193 to obtain an additional 7.2% percentage interest in ESSM, increasing the Company's interest in the venture from 41.0% to 48.2%.

On January 21, 2010, the Company closed a joint venture transaction with an affiliate of Harrison Street Real Estate Capital LLC ("Harrison Street"). Harrison Street contributed approximately \$15,800 in cash to the joint venture in return for a 50.0% ownership interest. The Company contributed 19 wholly-owned properties and received approximately \$15,800 in cash and a 50.0% ownership interest in the joint venture. The joint venture assumed approximately \$101,000 of existing debt which is secured by the properties. The properties are located in California, Florida, Nevada, Ohio, Pennsylvania, Tennessee, Texas and Virginia. The Company continues to operate the properties and receives a 6.0% management fee. The Company's 50% joint venture interest is accounted for using the equity method of accounting.

**Extra Space Storage Inc.****Notes to Consolidated Financial Statements (Continued)****December 31, 2011****(Amounts in thousands, except property and share data)****5. INVESTMENTS IN REAL ESTATE VENTURES (Continued)**

Equity in earnings (losses) of real estate ventures consists of the following:

|  | For the Year Ended |                 |                 |
|--|--------------------|-----------------|-----------------|
|  | December 31,       |                 |                 |
|  | 2011               | 2010            | 2009            |
| Equity in earnings of ESW                                      | \$ 1,156           | \$ 1,213        | \$ 1,164        |
| Equity in losses of ESW II                                     | (8)                | (31)            | (24)            |
| Equity in earnings of ESNPS                                    | 338                | 239             | 277             |
| Equity in earnings (losses) of ESSM                            | 114                | (142)           | (113)           |
| Equity in earnings of Clarendon                                | 465                | 417             | 375             |
| Equity in earnings (losses) of HSRE                            | 388                | (161)           | —               |
| Equity in earnings of PRISA                                    | 674                | 641             | 483             |
| Equity in earnings of PRISA II                                 | 530                | 481             | 550             |
| Equity in earnings of PRISA III                                | 330                | 262             | 235             |
| Equity in earnings of VRS                                      | 2,279              | 2,221           | 2,116           |
| Equity in earnings of WCOT                                     | 92                 | 251             | 242             |
| Equity in earnings (losses) of SP I                            | (116)              | 934             | 793             |
| Equity in earnings of SPB II                                   | 301                | 184             | 283             |
| Equity in earnings (losses) of Everest                         | 179                | 195             | (6)             |
| Equity in earnings (losses) of U-Storage                       | (11)               | 55              | 70              |
| Equity in earnings (losses) of other minority owned properties | 576                | (6)             | 519             |
|  | <u>\$ 7,287</u>    | <u>\$ 6,753</u> | <u>\$ 6,964</u> |

Equity in earnings (losses) of ESW II, SP I and SPB II includes the amortization of the Company's excess purchase price of \$25,713 of these equity investments over its original basis. The excess basis is amortized over 40 years.

**Extra Space Storage Inc.**

**Notes to Consolidated Financial Statements (Continued)**

**December 31, 2011**

(Amounts in thousands, except property and share data)

**5. INVESTMENTS IN REAL ESTATE VENTURES (Continued)**

Information (unaudited) related to the real estate ventures' debt at December 31, 2011, is set forth below:

|                                 | Loan Amount | Current Interest Rate | Debt Maturity  |
|---------------------------------|-------------|-----------------------|----------------|
| ESW—Fixed                       | \$ 16,700   | 5.00%                 | September 2015 |
| ESW II—Fixed                    | 20,000      | 5.48%                 | March 2012     |
| ESNPS—Fixed                     | 34,500      | 5.27%                 | June 2015      |
| ESSM—Variable                   | 11,125      | 3.01%                 | November 2014  |
| Clarendon—Swapped to fixed      | 8,266       | 5.93%                 | September 2018 |
| HSRE—Fixed                      | 99,203      | 5.29%                 | August 2015    |
| PRISA                           | —           | —                     | Unleveraged    |
| PRISA II                        | —           | —                     | Unleveraged    |
| PRISA III—Fixed                 | 145,000     | 4.97%                 | August 2012    |
| VRS—Fixed                       | 52,100      | 4.76%                 | August 2012    |
| WCOT—Fixed                      | 92,140      | 4.76%                 | August 2012    |
| SP I—Fixed                      | 98,568      | 4.66%                 | April 2018     |
| SPB II—Fixed                    | 57,350      | 8.00%                 | August 2014    |
| U-Storage                       | —           | —                     | Unleveraged    |
| Other minority owned properties | 74,402      | Various               | Various        |

Combined, condensed unaudited financial information of ESW, ESW II, ESNPS, PRISA, PRISA II, PRISA III, VRS, WCOT, SP I and SPB II and HSRE as of December 31, 2011 and 2010, and for the years ended December 31, 2011, 2010, and 2009, follows:

|   | December 31,        |                     |
|---|---------------------|---------------------|
|   | 2011                | 2010                |
| <b>Balance Sheets:</b>                  |                     |                     |
| <b>Assets:</b>                          |                     |                     |
| Net real estate assets                  | \$ 1,971,431        | \$ 2,056,032        |
| Other                                   | 48,728              | 28,866              |
|   | <u>\$ 2,020,159</u> | <u>\$ 2,084,898</u> |
| <b>Liabilities and members' equity:</b> |                     |                     |
| Notes payable                           | \$ 615,561          | \$ 634,778          |
| Other liabilities                       | 37,558              | 27,700              |
| Members' equity                         | 1,367,040           | 1,422,420           |
|   | <u>\$ 2,020,159</u> | <u>\$ 2,084,898</u> |

**Extra Space Storage Inc.****Notes to Consolidated Financial Statements (Continued)****December 31, 2011****(Amounts in thousands, except property and share data)****5. INVESTMENTS IN REAL ESTATE VENTURES (Continued)**

| <u>Statements of Income:</u> | <u>For the Year Ended December 31,</u> |             |             |
|------------------------------|--|-------------|-------------|
|                              | <u>2011</u>                            | <u>2010</u> | <u>2009</u> |
| Rents and other income       | \$ 304,499                             | \$ 297,658  | \$ 282,181  |
| Expenses                     | 217,114                                | 211,283     | 195,330     |
| Net income                   | \$ 87,385                              | \$ 86,375   | \$ 86,851   |

*Variable Interests in Unconsolidated Real Estate Joint Ventures:*

The Company has interests in two unconsolidated joint ventures with unrelated third parties which are variable interest entities ("VIEs" or the "VIE JVs"). The Company holds 18% and 39% of the equity interests in the two VIE JVs, and has 50% of the voting rights in each of the VIE JVs. Qualification as a VIE was based on the determination that the equity investments at risk for each of these joint ventures were not sufficient based on a qualitative and quantitative analysis performed by the Company. The Company performed a qualitative analysis for these joint ventures to determine which party was the primary beneficiary of each VIE. The Company determined that since the powers to direct the activities most significant to the economic performance of these entities are shared equally by the Company and its joint venture partners, there is no primary beneficiary. Accordingly, these interests are recorded using the equity method.

The VIE JVs each own a single self-storage property. These joint ventures are financed through a combination of (1) equity contributions from the Company and its joint venture partners, (2) mortgage notes payable and (3) payables to the Company. The payables to the Company consist of amounts owed for expenses paid on behalf of the joint ventures by the Company as manager and mortgage notes payable to the Company. The Company performs management services for the VIE JVs in exchange for a management fee of approximately 6% of cash collected by the properties. Except as disclosed, the Company has not provided financial or other support during the periods presented to the VIE JVs that it was not previously contractually obligated to provide.

The Company guarantees the mortgage notes payable of the VIE JVs. The Company's maximum exposure to loss for these joint ventures as of December 31, 2011, is the total of the guaranteed loan balances, the payables due to the Company and the Company's investment balances in the joint ventures. The Company believes that the risk of incurring a material loss as a result of having to perform on the loan guarantees is unlikely and, therefore, no liability has been recorded related to these guarantees. Also, repossessing and/or selling the self-storage facility and land that collateralize the loans could provide funds sufficient to reimburse the Company. Additionally, the Company believes the payables to the Company are collectible.

**Extra Space Storage Inc.**

**Notes to Consolidated Financial Statements (Continued)**

**December 31, 2011**

**(Amounts in thousands, except property and share data)**

**5. INVESTMENTS IN REAL ESTATE VENTURES (Continued)**

The following table compares the liability balance and the maximum exposure to loss related to the VIE JVs as of December 31, 2011:

|  | <u>Liability<br/>Balance</u> | <u>Investment<br/>Balance</u> | <u>Balance of<br/>Guaranteed<br/>Loan</u> | <u>Payables to<br/>Company</u> | <u>Maximum<br/>Exposure<br/>to Loss</u> | <u>Difference</u>  |
|--|------------------------------|-------------------------------|---|--------------------------------|---|--------------------|
| Extra Space of<br>Montrose<br>Avenue LLC | \$ —                         | \$ 1,194                      | \$ 5,120                                  | \$ 2,195                       | \$ 8,509                                | \$ (8,509)         |
| Extra Space of<br>Sacramento<br>One LLC  | —                            | (914)                         | 4,307                                     | 6,111                          | 9,504                                   | (9,504)            |
|  | <u>\$ —</u>                  | <u>\$ 280</u>                 | <u>\$ 9,427</u>                           | <u>\$ 8,306</u>                | <u>\$ 18,013</u>                        | <u>\$ (18,013)</u> |

The Company had no consolidated VIEs for the year ended December 31, 2011.

**6. OTHER ASSETS**

The components of other assets are summarized as follows:

|                                | <u>December 31, 2011</u> | <u>December 31, 2010</u> |
|--------------------------------|--------------------------|--------------------------|
| Equipment and fixtures         | \$ 12,146                | \$ 13,552                |
| Less: accumulated depreciation | (8,847)                  | (10,490)                 |
| Other intangible assets        | 3,424                    | 3,343                    |
| Deferred financing costs, net  | 15,386                   | 14,519                   |
| Prepaid expenses and deposits  | 5,265                    | 6,869                    |
| Accounts receivable, net       | 14,262                   | 12,519                   |
| Investments in Trusts          | 3,590                    | 3,590                    |
| Income taxes receivable        | 2,447                    | 1,353                    |
| Deferred tax assets            | 3,603                    | 4,294                    |
|                                | <u>\$ 51,276</u>         | <u>\$ 49,549</u>         |

**Extra Space Storage Inc.****Notes to Consolidated Financial Statements (Continued)****December 31, 2011****(Amounts in thousands, except property and share data)****7. NOTES PAYABLE**

The components of notes payable are summarized as follows:

|  | <u>December 31, 2011</u> | <u>December 31, 2010</u> |
|--|--------------------------|--------------------------|
| <b>Fixed Rate</b>  |                          |                          |
| Mortgage and construction loans with banks (including loans subject to interest rate swaps) bearing interest at fixed rates between 3.7% and 7.0%. 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 January 2012 and February 2021.   | \$ 819,091               | \$ 695,505               |
| <b>Variable Rate</b>   |                          |                          |
| Mortgage and construction loans with banks bearing floating interest rates based on LIBOR and Prime. Interest rates based on LIBOR are between LIBOR plus 2.0% (2.3% at December 31, 2011 and December 31, 2010) and LIBOR plus 4.0% (4.3% at December 31, 2011 and December 31, 2010). Interest rates based on Prime are between Prime plus 0.5% (3.8% at December 31, 2011 and December 31, 2010), and Prime plus 1.5% (4.8% at December 31, 2011 and December 31, 2010). 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 May 2012 and May 2015. | 117,910                  | 175,898                  |
|  | <u>\$ 937,001</u>        | <u>\$ 871,403</u>        |

The following table summarizes the scheduled maturities of notes payable at December 31, 2011:

|            |                   |
|------------|-------------------|
| 2012       | \$ 38,314         |
| 2013       | 120,680           |
| 2014       | 166,291           |
| 2015       | 200,040           |
| 2016       | 182,624           |
| Thereafter | 229,052           |
|            | <u>\$ 937,001</u> |

Certain mortgage and construction loans with variable interest rates are subject to interest rate floors starting at 3.0%. Real estate assets are pledged as collateral for the notes payable. Also, certain of these notes payable are cross-collateralized with other properties. Of the Company's \$937,001 in notes payable outstanding at December 31, 2011, \$418,348 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, 2011.

**Extra Space Storage Inc.**

**Notes to Consolidated Financial Statements (Continued)**

**December 31, 2011**

**(Amounts in thousands, except property and share data)**

**8. DERIVATIVES**

GAAP requires the recognition of all derivative instruments as either assets or liabilities on the balance sheet at fair value. The accounting for changes in fair value of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship and further, on the type of hedging relationship. A company must designate each qualifying hedging instrument, based upon the exposure being hedged, as a fair value hedge, cash flow hedge, or a hedge of a net investment in foreign operation.

The Company is exposed to certain risks relating to its ongoing business operations. The primary risk managed by using derivative instruments is interest rate risk. Interest rate swaps are entered into to manage interest rate risk associated with the Company's fixed and variable-rate borrowings.

The following table summarizes the terms of the Company's seven derivative financial instruments:

| Hedge Product | Hedge Type | Notional Amounts | Strike  | Effective Dates | Maturity Dates |
|---------------|------------|------------------|---------|-----------------|----------------|
| Swap          | Cash       | \$8,462 -        | 2.24% - | 2/1/2009 -      | 6/30/2013 -    |
| Agreements    | Flow       | \$63,000         | 6.98%   | 10/1/2011       | 9/20/2018      |

Monthly interest payments were recognized as an increase or decrease in interest expense as follows:

| Type            | Classification of Income (Expense) | For the Year Ended December 31, |            |          |
|-----------------|------------------------------------|---------------------------------|------------|----------|
|                 |                                    | 2011                            | 2010       | 2009     |
| Swap Agreements | Interest expense                   | \$ (3,771)                      | \$ (3,078) | \$ (463) |

Information relating to the losses recognized on the swap agreements is as follows:

| Type            | Gain (loss) recognized in OCI | Location of amounts reclassified from OCI into income | Gain (loss) reclassified from OCI    |
|-----------------|-------------------------------|---|--------------------------------------|
|                 | December 31, 2011             |   | For the Year Ended December 31, 2011 |
| Swap Agreements | \$ (2,237)                    | Interest expense                                      | \$ (3,771)                           |

| Type            | Gain (loss) recognized in OCI | Location of amounts reclassified from OCI into income | Gain (loss) reclassified from OCI    |
|-----------------|-------------------------------|---|--------------------------------------|
|                 | December 31, 2010             |   | For the Year Ended December 31, 2010 |
| Swap Agreements | \$ (4,963)                    | Interest expense                                      | \$ (3,078)                           |

The Swap Agreements were highly effective for the year ended December 31, 2011. The gain (loss) reclassified from OCI in the preceding table represents the effective portion of our cash flow hedges reclassified from OCI to interest expense during the year ended December 31, 2011.

**Extra Space Storage Inc.**

**Notes to Consolidated Financial Statements (Continued)**

**December 31, 2011**

**(Amounts in thousands, except property and share data)**

**8. DERIVATIVES (Continued)**

The balance sheet classification and carrying amounts of the interest rate swaps are as follows:

|   | Asset (Liability) Derivatives |            |                        |            |
|---|-------------------------------|------------|------------------------|------------|
|   | December 31, 2011             |            | December 31, 2010      |            |
|   | Balance Sheet Location        | Fair Value | Balance Sheet Location | Fair Value |
| <u>Derivatives designated as hedging instruments:</u> |                               |            |                        |            |
| Swap Agreements                                       | Other liabilities             | \$ (8,311) | Other liabilities      | \$ (6,074) |

**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 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 5.62% per annum and matures on June 30, 2015. The interest on the Note, payable quarterly, will be used by the Trust to pay

**Extra Space Storage Inc.****Notes to Consolidated Financial Statements (Continued)****December 31, 2011****(Amounts in thousands, except property and share data)****9. NOTES PAYABLE TO TRUSTS (Continued)**

dividends on the trust preferred securities. The trust preferred securities became redeemable by the Trust with no prepayment premium on June 30, 2010.

Trust, Trust II and Trust III 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 Trust, Trust II, and Trust III 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.

Following is a tabular comparison of the carrying amounts 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, 2011:

|           | <u>Notes payable<br/>to Trusts as of<br/>December 31, 2011</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                              | —                 |
|           | <u>\$ 119,590</u>  | <u>\$ 3,590</u>               | <u>\$ 116,000</u>                   | <u>\$ —</u>       |

**10. EXCHANGEABLE SENIOR NOTES**

On March 27, 2007, the Company's Operating Partnership issued \$250,000 of its 3.625% Exchangeable Senior Notes due April 1, 2027 (the "Notes"). Costs incurred to issue the Notes were approximately \$5,700. The remaining portion of these costs are being amortized as an adjustment to interest expense over five years, which represents the estimated term of the Notes, and are included in other assets, net in the consolidated balance sheet as of December 31, 2011 and 2010. The 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 until the maturity date of April 1,

**Extra Space Storage Inc.****Notes to Consolidated Financial Statements (Continued)****December 31, 2011****(Amounts in thousands, except property and share data)****10. EXCHANGEABLE SENIOR NOTES (Continued)**

2027. The Notes bear interest at 3.625% per annum and contain an exchange settlement feature, which provides that the Notes may, under certain circumstances, be exchangeable for cash (up to the principal amount of the 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 an exchange rate as of December 31, 2011, of approximately 43.1091 shares per \$1,000 principal amount of Notes at the option of the Operating Partnership.

The Operating Partnership may redeem the Notes at any time to preserve the Company's status as a REIT. In addition, on or after April 5, 2012, the Operating Partnership may redeem the 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 holders of the Notes.

The holders of the Notes have the right to require the Operating Partnership to repurchase the Notes for cash, in whole or in part, on each of April 1, 2012, April 1, 2017 and April 1, 2022, and upon the occurrence of a designated event, in each case for a repurchase price equal to 100% of the principal amount of the Notes plus accrued and unpaid interest. Certain events are considered "Events of Default," as defined in the indenture governing the Notes, which may result in the accelerated maturity of the 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 Notes separately. The equity component is included in paid-in-capital in stockholders' equity in the consolidated balance sheet, and the value of the equity component is treated as original issue discount for purposes of accounting for the debt component. The discount is being amortized over the period of the debt as additional interest expense.

Information about the carrying amounts of the equity component, the principal amount of the liability component, its unamortized discount, and its net carrying amount are as follows:

|  | <u>December 31, 2011</u> | <u>December 31, 2010</u> |
|--|--------------------------|--------------------------|
| Carrying amount of equity component        | \$ 19,545                | \$ 19,545                |
| Principal amount of liability component    | \$ 87,663                | \$ 87,663                |
| Unamortized discount                       | (444)                    | (2,205)                  |
| Net carrying amount of liability component | <u>\$ 87,219</u>         | <u>\$ 85,458</u>         |

The remaining discount will be amortized over the remaining period of the debt through its first repurchase date, April 1, 2012. The effective interest rate on the liability component is 5.75%.

**Extra Space Storage Inc.****Notes to Consolidated Financial Statements (Continued)****December 31, 2011****(Amounts in thousands, except property and share data)****10. EXCHANGEABLE SENIOR NOTES (Continued)**

The amount of interest cost recognized relating to the contractual interest rate and the amortization of the discount on the liability component is as follows:

|                                   | For the Year Ended |                 |                 |
|-----------------------------------|--------------------|-----------------|-----------------|
|                                   | December 31,       |                 |                 |
|                                   | 2011               | 2010            | 2009            |
| Contractual interest              | \$ 3,178           | \$ 3,178        | \$ 4,524        |
| Amortization of discount          | 1,761              | 1,664           | 2,239           |
| Total interest expense recognized | <u>\$ 4,939</u>    | <u>\$ 4,842</u> | <u>\$ 6,763</u> |

*Repurchases of Notes*

The Company has repurchased a portion of its Notes. The Company allocated the value of the consideration paid to repurchase the 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 Notes and recognized as a reduction of stockholders' equity.

Information about the repurchases and the related gains are as follows:

|                                       | October 2009    | May 2009         | March 2009       | October 2008     |
|---------------------------------------|-----------------|------------------|------------------|------------------|
| Principal amount repurchased          | \$ 7,500        | \$ 43,000        | \$ 71,500        | \$ 40,337        |
| Amount allocated to:                  |                 |                  |                  |                  |
| Extinguishment of liability component | \$ 6,700        | \$ 35,000        | \$ 43,800        | \$ 30,696        |
| Reacquisition of equity component     | 181             | 1,340            | 713              | 1,025            |
| Total cash paid for repurchase        | <u>\$ 6,881</u> | <u>\$ 36,340</u> | <u>\$ 44,513</u> | <u>\$ 31,721</u> |
| Exchangeable senior notes repurchased | \$ 7,500        | \$ 43,000        | \$ 71,500        | \$ 40,337        |
| Extinguishment of liability component | (6,700)         | (35,000)         | (43,800)         | (30,696)         |
| Discount on exchangeable senior notes | (366)           | (2,349)          | (4,208)          | (2,683)          |
| Related debt issuance costs           | (82)            | (558)            | (1,009)          | (647)            |
| Gain on repurchase                    | <u>\$ 352</u>   | <u>\$ 5,093</u>  | <u>\$ 22,483</u> | <u>\$ 6,311</u>  |

**Extra Space Storage Inc.**

**Notes to Consolidated Financial Statements (Continued)**

**December 31, 2011**

**(Amounts in thousands, except property and share data)**

**11. LINES OF CREDIT**

Information about the Company's lines of credit, the proceeds of which are used to repay debt and for general corporate purposes, is summarized as follows:

| Line of Credit | As of December 31, 2011 |                  | Interest Rate | Origination Date | Maturity   | Basis Rate       | Notes     |
|----------------|-------------------------|------------------|---------------|------------------|------------|------------------|-----------|
|                | Amount Drawn            | Capacity         |               |                  |            |                  |           |
| Credit Line    |                         |                  |               |                  |            | LIBOR plus 1.00% |           |
| 1              | \$100,000               | \$100,000        | 1.3%          | 10/19/2007       | 10/31/2012 | 2.10%            | (5)       |
| Credit Line    |                         |                  |               |                  |            | LIBOR plus 2.15% | (1)(4)(5) |
| 2              | 40,000                  | 74,000           | 2.4%          | 2/13/2009        | 2/13/2014  | 2.15%            | (1)(4)(5) |
| Credit Line    |                         |                  |               |                  |            | LIBOR plus 2.20% | (2)(4)(5) |
| 3              | 40,000                  | 72,000           | 2.5%          | 6/4/2010         | 5/31/2013  | 2.20%            | (2)(4)(5) |
| Credit Line    |                         |                  |               |                  |            | LIBOR plus 2.20% | (3)(4)(5) |
| 4              | 25,000                  | 40,000           | 2.5%          | 11/16/2010       | 11/16/2013 | 2.20%            | (3)(4)(5) |
| Credit Line    |                         |                  |               |                  |            | LIBOR plus 2.15% | (3)(4)(5) |
| 5              | 10,000                  | 50,000           | 2.4%          | 4/29/2011        | 5/1/2014   | 2.15%            | (3)(4)(5) |
|                | <u>\$215,000</u>        | <u>\$336,000</u> |               |                  |            |                  |           |

- (1) One year extension available
- (2) One two-year extension available
- (3) Two one-year extensions available
- (4) Guaranteed by the Company
- (5) Secured by mortgages on certain real estate assets

**12. OTHER LIABILITIES**

The components of other liabilities are summarized as follows:

|                                   | December 31, 2011 | December 31, 2010 |
|-----------------------------------|-------------------|-------------------|
| Deferred rental income            | \$ 14,907         | \$ 12,194         |
| Lease obligation liability        | 5,828             | 7,016             |
| Fair value of interest rate swaps | 8,311             | 6,074             |
| Other miscellaneous liabilities   | 4,708             | 3,305             |
|                                   | <u>\$ 33,754</u>  | <u>\$ 28,589</u>  |

Included in the lease obligation liability is approximately \$1,747 and \$1,865 for the years ended December 31, 2011 and 2010, respectively, related

to minimum rentals to be received in the future under non cancelable subleases. The lease obligation liability increased by \$2,000 during the year ended December 31, 2010, as a result of the bankruptcy of a tenant subleasing office space from the Company in Memphis, TN. The Memphis, TN office lease is a liability assumed in the Storage USA acquisition in July 2005. The increase in this liability was recognized through a \$2,000 charge which is included as loss on sublease in the consolidated statement of operations for the year ended December 31, 2010.

**Extra Space Storage Inc.****Notes to Consolidated Financial Statements (Continued)****December 31, 2011****(Amounts in thousands, except property and share data)****13. RELATED PARTY AND AFFILIATED REAL ESTATE JOINT VENTURE TRANSACTIONS**

The Company provides management services to certain joint ventures, franchise, third parties and other related party properties. Management agreements provide generally for management fees of 6% of cash collected from total revenues for the management of operations at the self-storage facilities. In addition, the Company receives an asset management fee equal to 50 basis points multiplied by the total asset value of the properties owned by the SPI joint venture, provided certain requirements are met.

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

| Entity    | Type                                  | For the Year Ended December 31, |                  |                  |
|-----------|---------------------------------------|---------------------------------|------------------|------------------|
|           |                                       | 2011                            | 2010             | 2009             |
| ESW       | Affiliated real estate joint ventures | \$ 410                          | \$ 403           | \$ 402           |
| ESW II    | Affiliated real estate joint ventures | 335                             | 318              | 312              |
| ESNPS     | Affiliated real estate joint ventures | 479                             | 458              | 452              |
| ESSM      | Affiliated real estate joint ventures | 85                              | 44               | 11               |
| HSRE      | Affiliated real estate joint ventures | 1,045                           | 961              | —                |
| PRISA     | Affiliated real estate joint ventures | 4,961                           | 4,917            | 4,793            |
| PRISA II  | Affiliated real estate joint ventures | 4,016                           | 3,964            | 3,989            |
| PRISA III | Affiliated real estate joint ventures | 1,796                           | 1,722            | 1,686            |
| VRS       | Affiliated real estate joint ventures | 1,156                           | 1,136            | 1,128            |
| WCOT      | Affiliated real estate joint ventures | 1,497                           | 1,468            | 1,454            |
| SP I      | Affiliated real estate joint ventures | 6,392                           | 1,256            | 1,243            |
| SPB II    | Affiliated real estate joint ventures | 969                             | 943              | 943              |
| Everest   | Affiliated real estate joint ventures | 528                             | 491              | 359              |
| Other     | Franchisees, third parties and other  | 6,255                           | 5,041            | 4,189            |
|           |                                       | <u>\$ 29,924</u>                | <u>\$ 23,122</u> | <u>\$ 20,961</u> |

During 2011, it was discovered that the asset management fee owed to the Company by the SPI joint venture had not been recorded by either party for the five-year period ended December 31, 2010. The annual asset management fee for this period was \$885, offset by an annual reduction of \$221 of equity in earnings of SPI. Therefore, the Company's net income was understated by \$664 for each year in the five-year period ended December 31, 2010. After determining that the amounts were not material either in the prior periods or the current year for restatement purposes, the Company recorded the asset management fee adjustments for the years 2006 through 2010 in the current year. The total prior period adjustment increased asset management fee revenues by \$4,425, and decreased equity in earnings by \$1,106. Additionally, the Company recorded a receivable of \$5,327 which represents the asset management fee owed for 2006 through 2011. The Company expects this receivable to be fully paid by the end of 2012.



**Extra Space Storage Inc.****Notes to Consolidated Financial Statements (Continued)****December 31, 2011****(Amounts in thousands, except property and share data)****13. RELATED PARTY AND AFFILIATED REAL ESTATE JOINT VENTURE TRANSACTIONS (Continued)**

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

|                                   | <u>December 31, 2011</u> | <u>December 31, 2010</u> |
|-----------------------------------|--------------------------|--------------------------|
| Mortgage notes receivable         | \$ 7,253                 | \$ 6,943                 |
| Other receivables from properties | 11,264                   | 3,118                    |
|                                   | <u>\$ 18,517</u>         | <u>\$ 10,061</u>         |

Other receivables from properties consist of amounts due for management fees, asset management fees and expenses paid on behalf of the properties 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, 2011 and 2010.

In January 2009, the Company purchased a lender's interest in a construction loan from a joint venture that owns a single property located in Sacramento, CA. The construction loan was to ESS of Sacramento One, LLC, a joint venture in which the Company owns a 50% interest, and was guaranteed by the Company. In July 2009, the Company purchased a lender's interest in a mortgage note from a joint venture that owns a single property located in Chicago, IL. The note was to Extra Space of Montrose, a joint venture in which the Company holds a 39% interest, and was also guaranteed by the Company. Both ESS of Sacramento One, LLC and Extra Space of Montrose were consolidated as of December 31, 2009, as each joint venture was considered to be a VIE of which the Company was the primary beneficiary. The construction loan and mortgage note receivable were eliminated by the Company in consolidation as of December 31, 2009. On January 1, 2010, the Company adopted changes to the accounting guidance in ASC 810, "Consolidation." As a result of the adoption of this new guidance, the Company determined that these joint ventures should no longer be consolidated as the power to direct the activities that most significantly impact these entities' economic performance is shared equally by the Company and their joint venture partners, and therefore there is no primary beneficiary of either joint venture. The Company therefore deconsolidated these joint ventures as of January 1, 2010, and removed the associated assets and liabilities from its books. The \$2,251 note receivable from Extra Space of Montrose and the \$5,002 loan receivable from ESS of Sacramento One, LLC are no longer eliminated in consolidation as the Company now accounts for its interest in these joint ventures using the equity method of accounting.

Centershift, a related party service provider, is partially owned by a certain director and certain members of management of the Company. Effective January 1, 2004, the Company entered into a license agreement with Centershift which secures a perpetual right for continued use of STORE (the site management software used at all sites operated by the Company) in all aspects of the Company's property acquisition, development, redevelopment and operational activities. During the years ended December 31, 2011, 2010 and 2009, the Company paid Centershift \$1,087, \$778, and \$1,081, respectively, relating to the purchase of software and to license agreements.

**Extra Space Storage Inc.**

**Notes to Consolidated Financial Statements (Continued)**

**December 31, 2011**

**(Amounts in thousands, except property and share data)**

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

The Company has entered into an aircraft dry lease and service and management agreement with SpenAero, L.C. ("SpenAero"), an affiliate of Spencer F. Kirk, the Company's Chairman and 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, 2011, 2010 and 2009, the Company paid SpenAero \$608, \$668, and \$631, respectively. The services that the Company receives from SpenAero are similar in nature and 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 300,000,000 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, 2011, 94,783,590 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.

In May 2011, the Company closed a public stock offering of 5,335,423 shares of its common stock at an offering price of \$21.16 per share. The Company received gross proceeds of \$112,898. Transaction costs were \$549, for net proceeds of \$112,349.

**15. NONCONTROLLING INTEREST REPRESENTED BY PREFERRED OPERATING PARTNERSHIP 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 self-storage facilities (the "Properties") in exchange for 989,980 Preferred OP units of the Operating Partnership. The self-storage facilities are located in California and Hawaii.

On June 25, 2007, the Company loaned the holder of the Preferred OP units \$100,000. The note receivable bears interest at 4.85%, and is due September 1, 2017. The loan is secured by the borrower's Preferred OP units. The holder of the Preferred OP units can convert up to 114,500 Preferred OP units prior to the maturity date of the loan. If any redemption in excess of 114,500 Preferred OP units occurs prior to the maturity date, the holder of the Preferred OP units is required to repay the loan as of the date of that Preferred OP unit redemption. Preferred OP 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 Preferred OP units.

The Operating Partnership entered into a Second Amended and Restated Agreement of Limited Partnership (the "Partnership Agreement") which provides for the designation and issuance of the Preferred OP units. The Preferred OP units will have priority over all other partnership interests of the Operating Partnership with respect to distributions and liquidation.

**Extra Space Storage Inc.**

**Notes to Consolidated Financial Statements (Continued)**

**December 31, 2011**

**(Amounts in thousands, except property and share data)**

**15. NONCONTROLLING INTEREST REPRESENTED BY PREFERRED OPERATING PARTNERSHIP UNITS (Continued)**

Under the Partnership Agreement, Preferred OP units in the amount of \$115,000 bear a fixed priority return of 5% and have a fixed liquidation value of \$115,000. The remaining balance will participate in distributions with and have a liquidation value equal to that of the common Operating Partnership units. The Preferred OP 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 common stock.

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 Preferred OP units and classifies the noncontrolling interest represented by the Preferred 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.

**16. NONCONTROLLING INTEREST IN OPERATING PARTNERSHIP**

The Company's interest in its properties 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 95.9% majority ownership interest therein as of December 31, 2011. The remaining ownership interests in the Operating Partnership (including Preferred OP units) of 4.1% are held by certain former owners of assets acquired by the Operating Partnership. As of December 31, 2011, the Operating Partnership had 3,049,935 common 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 properties 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 properties 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 option, elect to acquire those OP units in exchange for shares of its common stock on a one-for-one basis, subject to

**Extra Space Storage Inc.**

**Notes to Consolidated Financial Statements (Continued)**

**December 31, 2011**

**(Amounts in thousands, except property and share data)**

**16. NONCONTROLLING INTEREST IN OPERATING PARTNERSHIP (Continued)**

anti-dilution adjustments provided in the Operating Partnership agreement. The ten day average closing stock price at December 31, 2011, was \$24.01 and there were 3,049,935 OP units outstanding. Assuming that all of the unit holders exercised their right to redeem all of their OP units on December 31, 2011 and the Company elected to pay the non-controlling members cash, the Company would have paid \$73,229 in cash consideration to redeem the units.

In January 2011, 150,000 OP units were redeemed in exchange for the Company's common stock. During April 2011, 143,641 OP units were redeemed in exchange for the Company's common stock and 13,387 OP units were redeemed for \$271 in cash.

During July 2010, 90,135 OP units were redeemed for \$1,314 in cash. During August 2010, 180,270 OP units were redeemed for \$2,802 in cash.

In December 2009, a member of management redeemed 72,643 OP units in exchange for the Company's common stock. This member of management no longer held any OP units after this redemption.

In November 2009, a director redeemed 217,930 OP units in exchange for the Company's common stock. The director no longer held any OP units after this redemption.

During April 2009, 114,928 OP units were redeemed in exchange for the Company's common stock. During July 2009, 232,099 OP units were redeemed in exchange for \$1,908 in cash.

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 interests of various third parties in three consolidated self-storage properties as of December 31, 2011. Two of these consolidated properties were undeveloped, and one was in the lease-up stage as of December 31, 2011. The ownership interests of the third party owners range from 10.0% to 27.6%. Other noncontrolling interests are included in the stockholders' equity section of the Company's consolidated balance sheet. The income or losses

**Extra Space Storage Inc.**

**Notes to Consolidated Financial Statements (Continued)**

**December 31, 2011**

**(Amounts in thousands, except property and share data)**

**17. OTHER NONCONTROLLING INTERESTS (Continued)**

attributable to these third party owners based on their ownership percentages are reflected in net income allocated to the Operating Partnership and other noncontrolling interests in the consolidated statement of operations.

In October 2010, the Company paid \$500 to obtain its joint venture partners' equity interests in three joint ventures: Extra Space of Franklin Blvd. LLC, Extra Space of Washington Avenue LLC and Extra Space of Elk Grove LLC. Each of these joint ventures owned a single pre-stabilized property. These properties are now wholly-owned by the Company.

On June 25, 2010, the Company acquired all of its minority partners' membership interests in two consolidated self-storage properties located in New Jersey for a total of \$50 in cash. These properties are now wholly-owned by the Company.

In April 2009, the Company requested a capital contribution from its partners in Westport Ewing LLC, a consolidated joint venture, in order to reduce the joint venture's loan with its current lender. The partners were unable to provide their pro rata share of the funds required to satisfy the lender and deeded their interest in Westport Ewing LLC to the Company on June 1, 2009. As a result, the property held by this joint venture became a wholly-owned property of the Company. The Company recorded a loss of \$800 related to the reassessment of the fair value of the property.

**18. STOCK-BASED COMPENSATION**

The Company has the following plans under which shares were available for grant at December 31, 2011:

- The 2004 Long-Term Incentive Compensation Plan as amended and restated, effective March 25, 2008, and
- The 2004 Non-Employee Directors' Share Plan (together, the "Plans").

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 Plans, 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 Plans; 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.

As of December 31, 2011, 2,786,113 shares were available for issuance under the Plans.

Extra Space Storage Inc.

Notes to Consolidated Financial Statements (Continued)

December 31, 2011

(Amounts in thousands, except property and share data)

18. STOCK-BASED COMPENSATION (Continued)

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, 2011 |
|----------------------------------|------------------|---------------------------------|---|---|
| Outstanding at December 31, 2008 | 2,841,923        | \$ 14.76                        |   |   |
| Granted                          | 723,000          | 6.22                            |   |   |
| Forfeited                        | (107,875)        | 13.36                           |   |   |
| Outstanding at December 31, 2009 | 3,457,048        | \$ 13.02                        |   |   |
| Granted                          | 308,680          | 11.75                           |   |   |
| Exercised                        | (484,261)        | 11.69                           |   |   |
| Forfeited                        | (175,562)        | 12.27                           |   |   |
| Outstanding at December 31, 2010 | 3,105,905        | \$ 13.13                        |   |   |
| Granted                          | 110,900          | 19.60                           |   |   |
| Exercised                        | (1,388,269)      | 13.44                           |   |   |
| Forfeited                        | (29,675)         | 15.65                           |   |   |
| Outstanding at December 31, 2011 | 1,798,861        | \$ 13.25                        | 5.30  | \$ 19,759   |
| Vested and Expected to Vest      | 1,744,908        | \$ 13.25                        | 5.21  | \$ 19,162   |
| Ending Exercisable               | 1,215,376        | \$ 14.37                        | 4.20  | \$ 11,982   |

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 2011 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, 2011. 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 2011, 2010 and 2009, was \$5.39, \$3.27, and \$1.31, 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, |      |      |
|-------------------------------|---------------------------------|------|------|
|                               | 2011                            | 2010 | 2009 |
| Expected volatility           | 45%                             | 47%  | 42%  |
| Dividend yield                | 4.9%                            | 5.3% | 6.6% |
| Risk-free interest rate       | 2.4%                            | 2.3% | 1.7% |
| 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

**Extra Space Storage Inc.**

**Notes to Consolidated Financial Statements (Continued)**

**December 31, 2011**

(Amounts in thousands, except property and share data)

**18. STOCK-BASED COMPENSATION (Continued)**

and average expected term. The forfeiture rate, which is estimated at a weighted-average of 17.4% of unvested options outstanding as of December 31, 2011, 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, 2011, 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 -       |                     |   |                                 |                     |                                 |  |
| \$11.59        | 563,955             | 6.27  | \$ 7.76                         | 190,570             | \$ 7.46                         |  |
| \$11.60 -      |                     |   |                                 |                     |                                 |  |
| \$12.50        | 284,950             | 4.12  | 12.42                           | 226,900             | 12.48                           |  |
| \$12.51 -      |                     |   |                                 |                     |                                 |  |
| \$15.53        | 453,350             | 4.43  | 14.90                           | 414,600             | 14.93                           |  |
| \$15.54 -      |                     |   |                                 |                     |                                 |  |
| \$19.00        | 250,756             | 5.22  | 17.11                           | 218,256             | 17.16                           |  |
| \$19.01 -      |                     |   |                                 |                     |                                 |  |
| \$19.91        | 245,850             | 6.15  | 19.79                           | 165,050             | 19.88                           |  |
| \$6.22 -       |                     |   |                                 |                     |                                 |  |
| \$19.91        | 1,798,861           | 5.30  | \$ 13.25                        | 1,215,376           | \$ 14.37                        |  |

The Company recorded compensation expense relating to outstanding options of \$942, \$801, and \$831, in general and administrative expense for the years ended December 31, 2011, 2010 and 2009, respectively. Total cash received for the years ended December 31, 2011, 2010 and 2009, related to option exercises was \$18,622, \$5,661, and \$0, respectively. At December 31, 2011, there was \$722 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 1.59 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, 2011, noted above does not necessarily represent the expense that will ultimately be realized by the Company in the statement of operations.

**Common Stock Granted to Employees and Directors**

The Company recorded \$4,815, \$3,779, and \$2,978 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, 2011, 2010 and 2009, respectively. The forfeiture rate, which is estimated at a weighted-average of 7% of unvested awards outstanding as of December 31, 2011, is adjusted periodically based on the extent to which actual forfeitures differ, or are expected to differ, from the previous estimates. At December 31, 2011, there was \$5,117 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 1.99 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.

**Extra Space Storage Inc.****Notes to Consolidated Financial Statements (Continued)****December 31, 2011****(Amounts in thousands, except property and share data)****18. STOCK-BASED COMPENSATION (Continued)**

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

| <u>Restricted Stock Grants</u>  | <u>Shares</u> | <u>Weighted-Average<br/>Grant-Date Fair Value</u> |
|---------------------------------|---------------|---|
| Unreleased at December 31, 2008 | 441,204       | \$ 16.21  |
| Granted                         | 547,265       | 6.19  |
| Released                        | (198,284)     | 13.51   |
| Cancelled                       | (21,256)      | 9.82  |
| Unreleased at December 31, 2009 | 768,929       | \$ 9.95   |
| Granted                         | 445,230       | 12.22   |
| Released                        | (228,885)     | 11.08   |
| Cancelled                       | (64,010)      | 10.11   |
| Unreleased at December 31, 2010 | 921,264       | \$ 10.75  |
| Granted                         | 226,630       | 20.09   |
| Released                        | (386,113)     | 11.39   |
| Cancelled                       | (47,695)      | 14.31   |
| Unreleased at December 31, 2011 | 714,086       | \$ 13.15  |

**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, 2011, 2010 and 2009, the Company made matching contributions to the plan of \$832, \$805, and \$755, 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 (except for the operation or management of health care facilities or lodging facilities or the provision to any person, under a franchise, license or otherwise, of rights to any brand name under which lodging facility or health care facility is operated). 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.

**Extra Space Storage Inc.**

**Notes to Consolidated Financial Statements (Continued)**

**December 31, 2011**

(Amounts in thousands, except property and share data)

**20. INCOME TAXES (Continued)**

The income tax provision for the years ended December 31, 2011, 2010 and 2009, is comprised of the following components:

|                            | For the Year Ended<br>December 31, 2011 |               |                 |
|----------------------------|---|---------------|-----------------|
|                            | Federal                                 | State         | Total           |
| Current expense            | \$ 1,350                                | \$ 606        | \$ 1,956        |
| Tax credits                | (6,849)                                 | —             | (6,849)         |
| Change in deferred benefit | 6,048                                   | —             | 6,048           |
| Total tax expense          | <u>\$ 549</u>                           | <u>\$ 606</u> | <u>\$ 1,155</u> |

|                            | For the Year Ended<br>December 31, 2010 |               |                 |
|----------------------------|---|---------------|-----------------|
|                            | Federal                                 | State         | Total           |
| Current expense            | \$ 3,588                                | \$ 124        | \$ 3,712        |
| Tax credits                | (832)                                   | —             | (832)           |
| Change in deferred benefit | 1,282                                   | —             | 1,282           |
| Total tax expense          | <u>\$ 4,038</u>                         | <u>\$ 124</u> | <u>\$ 4,162</u> |

|                            | For the Year Ended<br>December 31, 2009 |                 |                 |
|----------------------------|---|-----------------|-----------------|
|                            | Federal                                 | State           | Total           |
| Current expense            | \$ 4,177                                | \$ 1,171        | \$ 5,348        |
| Change in deferred benefit | (1,048)                                 | —               | (1,048)         |
| Total tax expense          | <u>\$ 3,129</u>                         | <u>\$ 1,171</u> | <u>\$ 4,300</u> |

A reconciliation of the statutory income tax provisions to the effective income tax provisions for the years ended December 31, 2011 and 2010, is as follows:

|  | December 31, 2011 |             | December 31, 2010 |              |
|--|-------------------|-------------|-------------------|--------------|
| Expected tax at statutory rate                     | \$ 20,854         | 35.0%       | \$ 13,204         | 35.0%        |
| Non-taxable REIT income                            | (14,957)          | (25.1)%     | (8,303)           | (22.0)%      |
| State and local tax expense—net of federal benefit | 617               | 1.0%        | 124               | 0.3%         |
| Change in valuation allowance                      | 1,298             | 2.2%        | 804               | 2.1%         |
| Tax credits  | (6,849)           | (11.5)%     | (832)             | (2.2)%       |
| Miscellaneous                                      | 192               | 0.3%        | (835)             | (2.3)%       |
| Total provision                                    | <u>\$ 1,155</u>   | <u>1.9%</u> | <u>\$ 4,162</u>   | <u>10.9%</u> |

**Extra Space Storage Inc.****Notes to Consolidated Financial Statements (Continued)****December 31, 2011****(Amounts in thousands, except property and share data)****20. INCOME TAXES (Continued)**

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

|                              | <b>December 31,<br/>2011</b> | <b>December 31,<br/>2010</b> |
|------------------------------|------------------------------|------------------------------|
| Captive insurance subsidiary | \$ 232                       | \$ 236                       |
| Fixed assets                 | (6,455)                      | 1,589                        |
| Various liabilities          | 1,542                        | 1,229                        |
| Solar credit                 | 6,849                        | —                            |
| Stock compensation           | 1,955                        | 2,140                        |
| State net operating losses   | 2,691                        | 1,743                        |
|                              | <u>6,814</u>                 | <u>6,937</u>                 |
| Valuation allowance          | (3,211)                      | (2,643)                      |
| Net deferred tax asset       | <u>\$ 3,603</u>              | <u>\$ 4,294</u>              |

The state income tax net operating losses expire between 2012 and 2031. The deferred tax benefits associated with the state income tax net operating losses have been fully reserved through the valuation allowance.

**21. SEGMENT INFORMATION**

The Company operates in three distinct segments; (1) property management, acquisition and development; (2) rental operations; and (3) tenant reinsurance. Financial information for the Company's business segments are set forth below:

|  | <b>December 31, 2011</b> | <b>December 31, 2010</b> |
|--|--------------------------|--------------------------|
| <b>Balance Sheet</b>                             |                          |                          |
| Investment in real estate ventures               |                          |                          |
| Rental operations                                | \$ 130,410               | \$ 140,560               |
| Total assets                                     |                          |                          |
| Property management, acquisition and development | \$ 634,782               | \$ 302,262               |
| Rental operations                                | 1,837,756                | 1,931,150                |
| Tenant reinsurance                               | 43,712                   | 16,408                   |
|  | <u>\$ 2,516,250</u>      | <u>\$ 2,249,820</u>      |

Extra Space Storage Inc.

Notes to Consolidated Financial Statements (Continued)

December 31, 2011

(Amounts in thousands, except property and share data)

21. SEGMENT INFORMATION (Continued)

|   | <u>For the Year Ended December 31,</u> |                    |                    |
|---|--|--------------------|--------------------|
|   | <u>2011</u>                            | <u>2010</u>        | <u>2009</u>        |
| <b>Statement of Operations</b>  |  |                    |                    |
| Total revenues  |  |                    |                    |
| Property management, acquisition and development                                    | \$ 29,924                              | \$ 23,122          | \$ 20,961          |
| Rental operations   | 268,725                                | 232,447            | 238,256            |
| Tenant reinsurance  | 31,181                                 | 25,928             | 20,929             |
|   | <u>\$ 329,830</u>                      | <u>\$281,497</u>   | <u>\$280,146</u>   |
| Operating expenses, including depreciation and amortization                         |  |                    |                    |
| Property management, acquisition and development                                    | \$ 58,012                              | \$ 49,762          | \$ 64,246          |
| Rental operations   | 150,199                                | 134,415            | 138,552            |
| Tenant reinsurance  | 6,143                                  | 6,505              | 5,461              |
|   | <u>\$ 214,354</u>                      | <u>\$190,682</u>   | <u>\$208,259</u>   |
| Income (loss) from operations   |  |                    |                    |
| Property management, acquisition and development                                    | \$ (28,088)                            | \$ (26,640)        | \$ (43,285)        |
| Rental operations   | 118,526                                | 98,032             | 99,704             |
| Tenant reinsurance  | 25,038                                 | 19,423             | 15,468             |
|   | <u>\$ 115,476</u>                      | <u>\$ 90,815</u>   | <u>\$ 71,887</u>   |
| Interest expense  |  |                    |                    |
| Property management, acquisition and development                                    | \$ (2,464)                             | \$ (3,126)         | \$ (3,463)         |
| Rental operations   | (66,598)                               | (62,654)           | (66,355)           |
|   | <u>\$ (69,062)</u>                     | <u>\$ (65,780)</u> | <u>\$ (69,818)</u> |
| Interest income   |  |                    |                    |
| Property management, acquisition and development                                    | \$ 1,016                               | \$ 889             | \$ 1,563           |
| Tenant reinsurance  | 11                                     | 9                  | 19                 |
|   | <u>\$ 1,027</u>                        | <u>\$ 898</u>      | <u>\$ 1,582</u>    |
| Interest income on note receivable from Preferred Operating Partnership unit holder |  |                    |                    |
| Property management, acquisition and development                                    | \$ 4,850                               | \$ 4,850           | \$ 4,850           |
| Gain on repurchase of exchangeable senior notes                                     |  |                    |                    |
| Property management, acquisition and development                                    | \$ —                                   | \$ —               | \$ 27,928          |
| Equity in earnings of real estate ventures  |  |                    |                    |
| Rental operations   | \$ 7,287                               | \$ 6,753           | \$ 6,964           |
| Income tax expense  |  |                    |                    |
| Property management, acquisition and development                                    | \$ 7,612                               | \$ 2,639           | \$ 1,156           |
| Tenant reinsurance  | (8,767)                                | (6,801)            | (5,456)            |
|   | <u>\$ (1,155)</u>                      | <u>\$ (4,162)</u>  | <u>\$ (4,300)</u>  |
| Net income (loss)   |  |                    |                    |
| Property management, acquisition and development                                    | \$ (17,074)                            | \$ (21,388)        | \$ (11,251)        |
| Rental operations   | 59,215                                 | 42,131             | 40,313             |
| Tenant reinsurance  | 16,282                                 | 12,631             | 10,031             |



**Extra Space Storage Inc.**

**Notes to Consolidated Financial Statements (Continued)**

**December 31, 2011**

(Amounts in thousands, except property and share data)

**21. SEGMENT INFORMATION (Continued)**

|  | <u>For the Year Ended December 31,</u> |                  |                  |
|--|--|------------------|------------------|
|  | <u>2011</u>                            | <u>2010</u>      | <u>2009</u>      |
| <b>Depreciation and amortization expense</b>       |  |                  |                  |
| Property management, acquisition and development   | \$ 3,296                               | \$ 2,099         | \$ 2,786         |
| Rental operations                                  | 54,718                                 | 48,250           | 49,617           |
|  | <u>\$ 58,014</u>                       | <u>\$ 50,349</u> | <u>\$ 52,403</u> |
| <b>Statement of Cash Flows</b>                     |  |                  |                  |
| Acquisition of real estate assets                  |  |                  |                  |
| Property management, acquisition and development   | \$(194,959)                            | \$(69,588)       | \$(38,185)       |
| Development and construction of real estate assets |  |                  |                  |
| Property management, acquisition and development   | \$ (7,060)                             | \$(36,062)       | \$(67,301)       |

**22. COMMITMENTS AND CONTINGENCIES**

The Company has operating leases on its corporate offices and owns 13 self-storage facilities that are subject to ground leases. At December 31, 2011, future minimum rental payments under these non-cancelable operating leases are as follows (unaudited):

|                  |                  |
|------------------|------------------|
| Less than 1 year | \$ 7,231         |
| Year 2           | 6,765            |
| Year 3           | 6,171            |
| Year 4           | 4,020            |
| Year 5           | 2,865            |
| Thereafter       | 35,253           |
|                  | <u>\$ 62,305</u> |

The monthly rental amount for one of the ground leases is the greater of a minimum amount or a percentage of gross monthly receipts. The Company recorded expense of \$2,799, \$2,416, and \$2,289 related to these leases in the years ended December 31, 2011, 2010 and 2009, respectively.

The Company has fully guaranteed loans for the following unconsolidated joint ventures (unaudited):

|                                    | <u>Date of</u>  | <u>Loan</u>     | <u>Guaranteed</u>  | <u>Estimated</u>   |
|------------------------------------|-----------------|-----------------|--------------------|--------------------|
|                                    | <u>Guaranty</u> | <u>Maturity</u> | <u>Loan Amount</u> | <u>Fair Market</u> |
|                                    |                 | <u>Date</u>     |                    | <u>Value of</u>    |
|                                    |                 |                 |                    | <u>Assets</u>      |
| Extra Space of Montrose Avenue LLC | Dec-10          | Dec-13          | \$ 5,120           | \$ 8,446           |
| Extra Space of Sacramento One LLC  | Apr-09          | Apr-14          | \$ 4,307           | \$ 9,745           |
| ESS Baltimore LLC                  | Nov-04          | Feb-13          | \$ 4,031           | \$ 6,647           |

**Extra Space Storage Inc.****Notes to Consolidated Financial Statements (Continued)****December 31, 2011****(Amounts in thousands, except property and share data)****22. COMMITMENTS AND CONTINGENCIES (Continued)**

If the joint ventures default on the loans, the Company may be forced to repay the loans. Repossessing and/or selling the self-storage facilities and land that collateralize the loans could provide funds sufficient to reimburse the Company. The Company has recorded no liability in relation to these guarantees as of December 31, 2011, as the fair value of the guarantees is not material. The Company believes the risk of incurring a material loss as a result of having to perform on these guarantees is remote.

The Company has been involved in routine litigation arising in the ordinary course of business. As a result of these litigation matters, the Company has recorded a liability of \$1,800, which is included in other liabilities on the consolidated balance sheets. The Company does not believe it to be reasonably possible that the loss related to these litigation matters will be in excess of the current amount accrued. As of December 31, 2011, the Company was not involved in any material litigation nor, to its knowledge, is any material litigation threatened against it which, in the opinion of management, is expected to have a material adverse effect on the Company's financial condition or results of operations.

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

|  | For the Three Months Ended |                  |                       |                         |
|--|----------------------------|------------------|-----------------------|-------------------------|
|  | March 31,<br>2011          | June 30,<br>2011 | September 30,<br>2011 | December 31,<br>2011(1) |
| Revenues                                       | \$ 74,481                  | \$ 78,040        | \$ 84,097             | \$ 93,212               |
| Cost of operations                             | 50,451                     | 52,188           | 52,882                | 58,833                  |
| Revenues less cost of operations               | \$ 24,030                  | \$ 25,852        | \$ 31,215             | \$ 34,379               |
| Net income                                     | \$ 10,140                  | \$ 12,517        | \$ 17,352             | \$ 18,414               |
| Net income attributable to common stockholders | \$ 8,301                   | \$ 10,609        | \$ 15,261             | \$ 16,278               |
| Net income—basic                               | \$ 0.09                    | \$ 0.12          | \$ 0.16               | \$ 0.17                 |
| Net income—diluted                             | \$ 0.09                    | \$ 0.12          | \$ 0.16               | \$ 0.17                 |

**Extra Space Storage Inc.****Notes to Consolidated Financial Statements (Continued)****December 31, 2011****(Amounts in thousands, except property and share data)****23. SUPPLEMENTARY QUARTERLY FINANCIAL DATA (UNAUDITED) (Continued)**

|  | For the Three Months Ended |                  |                       |                      |
|--|----------------------------|------------------|-----------------------|----------------------|
|  | March 31,<br>2010          | June 30,<br>2010 | September 30,<br>2010 | December 31,<br>2010 |
| Revenues                                       | \$ 67,587                  | \$ 68,777        | \$ 71,979             | \$ 73,154            |
| Cost of operations                             | 46,724                     | 45,971           | 48,418                | 49,569               |
| Revenues less cost of operations               | \$ 20,863                  | \$ 22,806        | \$ 23,561             | \$ 23,585            |
| Net income                                     | \$ 5,179                   | \$ 7,925         | \$ 9,482              | \$ 10,788            |
| Net income attributable to common stockholders | \$ 3,568                   | \$ 6,180         | \$ 7,667              | \$ 8,916             |
| Net income—basic                               | \$ 0.04                    | \$ 0.07          | \$ 0.09               | \$ 0.10              |
| Net income—diluted                             | \$ 0.04                    | \$ 0.07          | \$ 0.09               | \$ 0.10              |

- (1) Included in revenues are the cumulative effects of \$4,425 of asset management fees related to the years 2006 through 2010 and \$203 related to the first three quarters of 2011 offset by a cumulative reduction of \$1,157 to equity in earnings for the same periods. For further discussion, refer to Note 13.

**24. SUBSEQUENT EVENTS**

In February 2012, the Company sold its 40% interest in a joint venture that was not managed by the Company for \$4,945.

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

| Property Number | Property Name | State | Gross carrying amount at |       |                           |                                      |  |       |          |                           |       |                          |                          | Date acquired |        |        |
|-----------------|---------------|-------|--------------------------|-------|---------------------------|--------------------------------------|--|-------|----------|---------------------------|-------|--------------------------|--------------------------|---------------|--------|--------|
|                 |               |       | December 31, 2011        |       |                           |                                      |  |       |          |                           |       |                          |                          |               |        |        |
|                 |               |       | Debt                     | Land  | Building and improvements | Land costs subsequent to acquisition | Building costs subsequent to acquisition | Land  | Building | Building and improvements | Total | Accumulated depreciation | Completed or development |               |        |        |
| 8115            | Auburn        | AL    | —                        | 325   | 1,895                     | —                                    | 36                                       | —     | —        | —                         | 325   | 1,931                    | 2,256                    | 67            | Aug-10 |        |
| 8116            | Auburn        | AL    | —                        | 92    | 138                       | —                                    | 107                                      | —     | —        | —                         | 92    | 245                      | 337                      | 12            | Aug-10 |        |
| 0654            | Hoover        | AL    | —                        | 1,313 | 2,858                     | —                                    | 530                                      | —     | —        | —                         | 1,313 | 3,388                    | 4,701                    | 663           | Aug-07 |        |
| 8066            | Mesa          | AZ    | 1,320                    | 849   | 2,547                     | —                                    | 125                                      | —     | —        | —                         | 849   | 2,672                    | 3,521                    | 522           | Aug-04 |        |
| 1211            | Peoria        | AZ    | 2,286                    | 652   | 4,105                     | —                                    | 71                                       | —     | —        | —                         | 652   | 4,176                    | 4,828                    | 595           | Apr-06 |        |
| 1431            | Peoria        | AZ    | —                        | 1,060 | 4,731                     | —                                    | 52                                       | —     | —        | —                         | 1,060 | 4,783                    | 5,843                    | 97            | Jan-11 |        |
| 0338            | Phoenix       | AZ    | 7,268                    | 1,441 | 7,982                     | —                                    | 468                                      | —     | —        | —                         | 1,441 | 8,450                    | 9,891                    | 1,549         | Jul-05 |        |
| 0659            | Phoenix       | AZ    | —                        | 669   | 4,135                     | —                                    | 144                                      | —     | —        | —                         | 669   | 4,279                    | 4,948                    | 587           | Jan-07 |        |
| 1356            | Phoenix       | AZ    | 3,440                    | 552   | 3,530                     | —                                    | 190                                      | —     | —        | —                         | 552   | 3,720                    | 4,272                    | 594           | Jun-06 |        |
| 1370            | Alameda       | CA    | —                        | 2,919 | 12,984                    | —                                    | 1,673                                    | —     | —        | —                         | 2,919 | 14,657                   | 17,576                   | 2,020         | Jun-07 |        |
| 1232            | Antelope      | CA    | 3,998                    | 1,525 | 8,345                     | —                                    | (19)                                     | (340) | (b)      | —                         | 1,185 | 8,326                    | 9,511                    | 704           | Jul-08 |        |
| 1471            | Bellflower    | CA    | 1,294                    | 640   | 1,350                     | —                                    | 3  | —     | —        | —                         | 640   | 1,353                    | 1,993                    | 7             | Oct-11 |        |
| 1222            | Belmont       | CA    | —                        | 3,500 | 7,280                     | —                                    | 30                                       | —     | —        | —                         | 3,500 | 7,310                    | 10,810                   | 823           | May-07 |        |
| 1371            | Berkeley      | CA    | 15,630                   | 1,716 | 19,602                    | —                                    | 1,724                                    | —     | —        | —                         | 1,716 | 21,326                   | 23,042                   | 2,584         | Jun-07 |        |
| 1472            | Bloomington   | CA    | 2,526                    | 934   | 1,937                     | —                                    | 3  | —     | —        | —                         | 934   | 1,940                    | 2,874                    | 10            | Oct-11 |        |
| 1473            | Bloomington   | CA    | 1,533                    | 647   | 1,303                     | —                                    | 3  | —     | —        | —                         | 647   | 1,306                    | 1,953                    | 7             | Oct-11 |        |
| 1071            | Burbank       | CA    | 8,684                    | 3,199 | 5,082                     | —                                    | 557                                      | 419   | (a)      | 672                       | (a)   | 3,618                    | 6,311                    | 9,929         | 1,863  | Aug-00 |
| 1461            | Burlingame    | CA    | 5,668                    | 2,211 | 5,829                     | —                                    | 51                                       | —     | —        | —                         | 2,211 | 5,880                    | 8,091                    | 107           | Apr-11 |        |
| 1256            | Carson        | CA    | —                        | —     | 9,709                     | —                                    | 55                                       | —     | —        | —                         | —     | 9,764                    | 9,764                    | 198           | Mar-11 |        |
| 1372            | Castro Valley | CA    | —                        | —     | 6,346                     | —                                    | 346                                      | —     | —        | —                         | —     | 6,692                    | 6,692                    | 789           | Jun-07 |        |
| 1474            | Cerritos      | CA    | 17,581                   | 8,728 | 15,895                    | —                                    | 2  | —     | —        | —                         | 8,728 | 15,897                   | 24,625                   | 85            | Oct-11 |        |
| 1004            | Claremont     | CA    | —                        | 1,472 | 2,012                     | —                                    | 216                                      | —     | —        | —                         | 1,472 | 2,228                    | 3,700                    | 468           | Jun-04 |        |
| 1475            | Claremont     | CA    | 2,390                    | 1,375 | 1,434                     | —                                    | 3  | —     | —        | —                         | 1,375 | 1,437                    | 2,812                    | 8             | Oct-11 |        |
| 1373            | Colma         | CA    | 15,986                   | 3,947 | 22,002                    | —                                    | 2,121                                    | —     | —        | —                         | 3,947 | 24,123                   | 28,070                   | 3,088         | Jun-07 |        |
| 1255            | Compton       | CA    | 4,160                    | 1,426 | 7,582                     | —                                    | 33                                       | —     | —        | —                         | 1,426 | 7,615                    | 9,041                    | 642           | Sep-08 |        |
| 1404            | El Cajon      | CA    | —                        | 1,100 | 6,380                     | —                                    | 34                                       | —     | —        | —                         | 1,100 | 6,414                    | 7,514                    | 346           | Sep-09 |        |
| 1378            | El Sobrante   | CA    | —                        | 1,209 | 4,018                     | —                                    | 965                                      | —     | —        | —                         | 1,209 | 4,983                    | 6,192                    | 755           | Jun-07 |        |
| 1166            | Elk Grove     | CA    | 4,290                    | 952   | 6,936                     | —                                    | 32                                       | 123   | (a)      | 234                       | (a)   | 1,075                    | 7,202                    | 8,277         | 231    | Dec-07 |
| 1121            | Fontana       | CA    | 1,866                    | 1,246 | 3,356                     | —                                    | 164                                      | 54    | (a)      | 179                       | (c)   | 1,300                    | 3,699                    | 4,999         | 820    | Oct-03 |
| 1157            | Fontana       | CA    | —                        | 961   | 3,846                     | —                                    | 170                                      | 39    | (a)      | 186                       | (c)   | 1,000                    | 4,202                    | 5,202         | 1,051  | Sep-02 |
| 1476            | Fontana       | CA    | 4,375                    | 768   | 4,208                     | —                                    | 3  | —     | —        | —                         | 768   | 4,211                    | 4,979                    | 23            | Oct-11 |        |
| 1477            | Fontana       | CA    | 4,848                    | 778   | 4,723                     | —                                    | 3  | —     | —        | —                         | 778   | 4,726                    | 5,504                    | 25            | Oct-11 |        |
| 1478            | Fontana       | CA    | 4,150                    | 684   | 3,951                     | —                                    | 3  | —     | —        | —                         | 684   | 3,954                    | 4,638                    | 21            | Oct-11 |        |
| 1031            | Glendale      | CA    | —                        | —     | 6,084                     | —                                    | 224                                      | —     | —        | —                         | —     | 6,308                    | 6,308                    | 1,281         | Jun-04 |        |
| 1030            | Hawthorne     | CA    | 3,960                    | 1,532 | 3,871                     | —                                    | 197                                      | —     | —        | —                         | 1,532 | 4,068                    | 5,600                    | 847           | Jun-04 |        |
| 1374            | Hayward       | CA    | 8,811                    | 3,149 | 8,006                     | —                                    | 2,127                                    | —     | —        | —                         | 3,149 | 10,133                   | 13,282                   | 1,413         | Jun-07 |        |
| 0177            | Hemet         | CA    | 5,206                    | 1,146 | 6,369                     | —                                    | 242                                      | —     | —        | —                         | 1,146 | 6,611                    | 7,757                    | 1,163         | Jul-05 |        |
| 1479            | Hesperia      | CA    | 451                      | 156   | 430                       | —                                    | 4  | —     | —        | —                         | 156   | 434                      | 590                      | 2             | Oct-11 |        |
| 1070            | Inglewood     | CA    | 5,011                    | 1,379 | 3,343                     | —                                    | 391                                      | 150   | (a)      | 377                       | (a)   | 1,529                    | 4,111                    | 5,640         | 1,303  | Aug-00 |
| 1480            | Irvine        | CA    | 5,176                    | 3,821 | 3,999                     | —                                    | 3  | —     | —        | —                         | 3,821 | 4,002                    | 7,823                    | 21            | Oct-11 |        |
| 1481            | Lake Elsinore | CA    | —                        | 587   | 4,219                     | —                                    | 3  | —     | —        | —                         | 587   | 4,222                    | 4,809                    | 23            | Oct-11 |        |

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

| Property Number | Property Name    | State | Gross carrying amount at<br>December 31, 2011 |                   |  |                                      |  |                  |       |                      |       |                   | Date acquired or development completed |        |              |        |        |
|-----------------|------------------|-------|---|-------------------|--|--------------------------------------|--|------------------|-------|----------------------|-------|-------------------|--|--------|--------------|--------|--------|
|                 |                  |       | Debt  | Land initial cost | Building and improvements initial cost | Land costs subsequent to acquisition | Building costs subsequent to acquisition | Land Adjustments | Notes | Building Adjustments | Notes | Land improvements |  | Total  | depreciation |        |        |
| 1482            | Lake Elsinore    | CA    | 2,120   | 294               | 2,105                                  | —                                    | 3  | —                | —     | —                    | 294   | 2,108             | 2,402                                  | 11     | Oct-11       |        |        |
| 1278            | Lancaster        | CA    | —   | 1,425             | 5,855                                  | —                                    | 41                                       | —                | —     | —                    | 1,425 | 5,896             | 7,321                                  | 310    | Oct-09       |        |        |
| 1358            | Lancaster        | CA    | 5,840   | 1,347             | 5,827                                  | —                                    | 198                                      | —                | —     | —                    | 1,347 | 6,025             | 7,372                                  | 949    | Jul-06       |        |        |
| 1013            | Livermore        | CA    | —   | 1,134             | 4,615                                  | —                                    | 128                                      | —                | —     | —                    | 1,134 | 4,743             | 5,877                                  | 951    | Jun-04       |        |        |
| 1483            | Long Beach       | CA    | 2,798   | 1,772             | 2,539                                  | —                                    | 2  | —                | —     | —                    | 1,772 | 2,541             | 4,313                                  | 14     | Oct-11       |        |        |
| 1057            | Los Angeles      | CA    | 5,207   | 1,431             | 2,976                                  | —                                    | 145                                      | 180              | (a)   | 374                  | (a)   | 1,611             | 3,495                                  | 5,106  | 1,061        | Mar-00 |        |
| 1160            | Los Angeles      | CA    | —   | 3,991             | 9,774                                  | —                                    | 36                                       | —                | —     | —                    | —     | 3,991             | 9,810                                  | 13,801 | 1,014        | Dec-07 |        |
| 1235            | Los Angeles      | CA    | —   | 2,200             | 8,108                                  | —                                    | 5  | —                | —     | —                    | —     | 2,200             | 8,113                                  | 10,313 | 689          | Sep-08 |        |
| 1296            | Los Gatos        | CA    | —   | 2,550             | —                                      | —                                    | —  | —                | —     | —                    | —     | 2,550             | —                                      | 2,550  | —            | —      |        |
| 8055            | Manteca          | CA    | 3,761   | 848               | 2,543                                  | —                                    | 102                                      | —                | —     | —                    | —     | 848               | 2,645                                  | 3,493  | 564          | Jan-04 |        |
| 1383            | Modesto          | CA    | 1,494   | 909               | 3,043                                  | —                                    | 261                                      | —                | —     | —                    | —     | 909               | 3,304                                  | 4,213  | 447          | Jun-07 |        |
| 1122            | North Hollywood  | CA    | —   | 3,125             | 9,257                                  | —                                    | 85                                       | —                | —     | —                    | —     | 3,125             | 9,342                                  | 12,467 | 1,364        | May-06 |        |
| 1053            | Oakland          | CA    | 2,929   | —                 | 3,777                                  | —                                    | 463                                      | —                | —     | 494                  | (a)   | —                 | 4,734                                  | 4,734  | 1,472        | Apr-00 |        |
| 1267            | Oakland          | CA    | —   | 3,024             | 11,321                                 | —                                    | 77                                       | —                | —     | —                    | —     | 3,024             | 11,398                                 | 14,422 | 452          | May-10 |        |
| 0645            | Oceanside        | CA    | 9,527   | 3,241             | 11,361                                 | —                                    | 652                                      | —                | —     | —                    | —     | 3,241             | 12,013                                 | 15,254 | 2,200        | Jul-05 |        |
| 1254            | Pacoima          | CA    | 5,760   | 3,050             | 7,597                                  | —                                    | 51                                       | —                | —     | —                    | —     | 3,050             | 7,648                                  | 10,698 | 450          | Aug-09 |        |
| 1111            | Palmdale         | CA    | —   | 1,225             | 5,379                                  | —                                    | 2,148                                    | —                | —     | —                    | —     | 1,225             | 7,527                                  | 8,752  | 1,298        | Jan-05 |        |
| 1484            | Paramount        | CA    | 2,693   | 1,404             | 2,549                                  | —                                    | 4  | —                | —     | —                    | —     | 1,404             | 2,553                                  | 3,957  | 14           | Oct-11 |        |
| 1020            | Pico Rivera      | CA    | 4,290   | 1,150             | 3,450                                  | —                                    | 128                                      | —                | —     | —                    | —     | 1,150             | 3,578                                  | 4,728  | 946          | Aug-00 |        |
| 1485            | Placentia        | CA    | 6,995   | 4,798             | 5,483                                  | —                                    | 2  | —                | —     | —                    | —     | 4,798             | 5,485                                  | 10,283 | 29           | Oct-11 |        |
| 1382            | Pleasanton       | CA    | 2,944   | 1,208             | 4,283                                  | —                                    | 376                                      | —                | —     | —                    | —     | 1,208             | 4,659                                  | 5,867  | 701          | May-07 |        |
| 1029            | Richmond         | CA    | 5,074   | 953               | 4,635                                  | —                                    | 557                                      | —                | —     | —                    | —     | 953               | 5,192                                  | 6,145  | 1,063        | Jun-04 |        |
| 8016            | Riverside        | CA    | 2,341   | 1,075             | 4,042                                  | —                                    | 442                                      | —                | —     | —                    | —     | 1,075             | 4,484                                  | 5,559  | 952          | Aug-04 |        |
| 0328            | Sacramento       | CA    | 4,125   | 852               | 4,720                                  | —                                    | 371                                      | —                | —     | —                    | —     | 852               | 5,091                                  | 5,943  | 965          | Jul-05 |        |
| 1273            | Sacramento       | CA    | 2,867   | 1,738             | 5,522                                  | —                                    | 42                                       | 106              | (a)   | —                    | (a)   | (c)               | 1,844                                  | 5,483  | 7,327        | 177    | Oct-10 |
| 1433            | Sacramento       | CA    | —   | 2,400             | 7,425                                  | —                                    | 31                                       | —                | —     | —                    | —     | 2,400             | 7,456                                  | 9,856  | 439          | Sep-09 |        |
| 1007            | San Bernardino   | CA    | —   | 1,213             | 3,061                                  | —                                    | 126                                      | —                | —     | —                    | —     | 1,213             | 3,187                                  | 4,400  | 662          | Jun-04 |        |
| 1194            | San Bernardino   | CA    | —   | 750               | 5,135                                  | —                                    | 41                                       | —                | —     | —                    | —     | 750               | 5,176                                  | 5,926  | 689          | Jun-06 |        |
| 1486            | San Dimas        | CA    | 5,596   | 1,867             | 6,354                                  | —                                    | 6  | —                | —     | —                    | —     | 1,867             | 6,360                                  | 8,227  | 34           | Oct-11 |        |
| 1368            | San Francisco    | CA    | 13,040  | 8,457             | 9,928                                  | —                                    | 1,182                                    | —                | —     | —                    | —     | 8,457             | 11,110                                 | 19,567 | 1,597        | Jun-07 |        |
| 8145            | San Jose         | CA    | 8,939   | 5,340             | 6,821                                  | —                                    | 169                                      | —                | —     | —                    | —     | 5,340             | 6,990                                  | 12,330 | 377          | Sep-09 |        |
| 1257            | San Leandro      | CA    | 4,328   | 3,343             | 6,630                                  | —                                    | 37                                       | (52)             | (a)   | (237)                | (a)   | 3,291             | 6,430                                  | 9,721  | 209          | Oct-10 |        |
| 1377            | San Leandro      | CA    | 9,829   | 4,601             | 9,777                                  | —                                    | 1,881                                    | —                | —     | —                    | —     | 4,601             | 11,658                                 | 16,259 | 1,631        | Aug-07 |        |
| 1261            | Santa Clara      | CA    | 8,153   | 4,750             | 8,218                                  | —                                    | 23                                       | —                | —     | —                    | —     | 4,750             | 8,241                                  | 12,991 | 485          | Jul-09 |        |
| 1384            | Santa Fe Springs | CA    | 6,814   | 3,617             | 7,022                                  | —                                    | 273                                      | —                | —     | —                    | —     | 3,617             | 7,295                                  | 10,912 | 874          | Oct-07 |        |
| 1487            | Santa Maria      | CA    | —   | 1,556             | 2,740                                  | —                                    | 24                                       | —                | —     | —                    | —     | 1,556             | 2,764                                  | 4,320  | 15           | Oct-11 |        |
| 1488            | Santa Maria      | CA    | 3,305   | 1,310             | 3,526                                  | —                                    | 3  | —                | —     | —                    | —     | 1,310             | 3,529                                  | 4,839  | 19           | Oct-11 |        |
| 8008            | Sherman Oaks     | CA    | 17,129  | 4,051             | 12,152                                 | —                                    | 260                                      | —                | —     | —                    | —     | 4,051             | 12,412                                 | 16,463 | 2,377        | Aug-04 |        |
| 1275            | Simi Valley      | CA    | —   | 5,533             | —                                      | —                                    | —  | (1,285)          | (e)   | —                    | —     | 4,248             | —                                      | 4,248  | —            | —      |        |
| 1095            | Stockton         | CA    | —   | 649               | 3,272                                  | —                                    | 159                                      | —                | —     | —                    | —     | 649               | 3,431                                  | 4,080  | 868          | May-02 |        |
| 1425            | Sylmar           | CA    | 4,240   | 3,058             | 4,671                                  | —                                    | 226                                      | —                | —     | —                    | —     | 3,058             | 4,897                                  | 7,955  | 534          | May-08 |        |
| 1253            | Thousand Oaks    | CA    | —   | 4,500             | —                                      | —                                    | —  | (1,000)          | (e)   | —                    | —     | 3,500             | —                                      | 3,500  | —            | —      |        |

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

| Property Number | Property Name    | State | Gross carrying amount at |                           |                                      |  |                   |          |                   |          |                   |          | Date acquired |          |       |          |                          |                          |
|-----------------|------------------|-------|--------------------------|---------------------------|--------------------------------------|--|-------------------|----------|-------------------|----------|-------------------|----------|---------------|----------|-------|----------|--------------------------|--------------------------|
|                 |                  |       | December 31, 2011        |                           | December 31, 2010                    |  | December 31, 2009 |          | December 31, 2008 |          | December 31, 2007 |          |               |          |       |          |                          |                          |
|                 |                  |       | Land                     | Building and improvements | Land costs subsequent to acquisition | Building costs subsequent to acquisition | Land              | Building | Land              | Building | Land              | Building | Land          | Building | Land  | Building | Accumulated depreciation | or development completed |
| 1009            | Torrance         | CA    | —                        | 3,710                     | 6,271                                | —  | 505               | 400      | (d)               | —        | 4,110             | 6,776    | 10,886        | 1,384    | —     | —        | 1,384                    | Jun-04                   |
| 1112            | Tracy            | CA    | 2,819                    | 778                       | 2,638                                | —  | 137               | 133      | (a)               | 481      | (c)               | 911      | 3,256         | 4,167    | 745   | —        | 745                      | Jul-03                   |
| 1174            | Tracy            | CA    | —                        | 946                       | 1,937                                | —  | 150               | —        | —                 | 10       | (c)               | 946      | 2,097         | 3,043    | 521   | —        | 521                      | Apr-04                   |
| 1379            | Vallejo          | CA    | —                        | 1,177                     | 2,157                                | —  | 815               | —        | —                 | —        | 1,177             | 2,972    | 4,149         | 488      | —     | —        | 488                      | Jun-07                   |
| 8011            | Venice           | CA    | 6,421                    | 2,803                     | 8,410                                | —  | 125               | —        | —                 | —        | 2,803             | 8,535    | 11,338        | 1,637    | —     | —        | 1,637                    | Aug-04                   |
| 1489            | Victorville      | CA    | 722                      | 151                       | 751                                  | —  | 3                 | —        | —                 | —        | 151               | 754      | 905           | 4        | —     | —        | 4                        | Oct-11                   |
| 0144            | Watsonville      | CA    | 3,339                    | 1,699                     | 3,056                                | —  | 182               | —        | —                 | —        | 1,699             | 3,238    | 4,937         | 601      | —     | —        | 601                      | Jul-05                   |
| 1083            | Whittier         | CA    | —                        | —                         | 2,985                                | —  | 83                | —        | —                 | 20       | (c)               | —        | 3,088         | 3,088    | 784   | —        | 784                      | Jun-02                   |
| 1073            | Arvada           | CO    | —                        | 286                       | 1,521                                | —  | 608               | —        | —                 | —        | 286               | 2,129    | 2,415         | 728      | —     | —        | 728                      | Sep-00                   |
| 1458            | Castle Rock      | CO    | 1,261                    | 407                       | 3,077                                | —  | 32                | —        | —                 | —        | 407               | 3,109    | 3,516         | 50       | —     | —        | 50                       | May-11                   |
| 0665            | Colorado Springs | CO    | —                        | 781                       | 3,400                                | —  | 163               | —        | —                 | —        | 781               | 3,563    | 4,344         | 451      | —     | —        | 451                      | Aug-07                   |
| 0744            | Colorado Springs | CO    | 3,401                    | 1,525                     | 4,310                                | —  | 183               | —        | —                 | —        | 1,525             | 4,493    | 6,018         | 386      | —     | —        | 386                      | Nov-08                   |
| 1459            | Colorado Springs | CO    | 1,881                    | 296                       | 4,199                                | —  | 71                | —        | —                 | —        | 296               | 4,270    | 4,566         | 60       | —     | —        | 60                       | Jun-11                   |
| 0679            | Denver           | CO    | 2,742                    | 368                       | 1,574                                | —  | 154               | —        | —                 | —        | 368               | 1,728    | 2,096         | 341      | —     | —        | 341                      | Jul-05                   |
| 1074            | Denver           | CO    | —                        | 602                       | 2,052                                | —  | 555               | 143      | (a)               | 512      | (a)               | 745      | 3,119         | 3,864    | 945   | —        | 945                      | Sep-00                   |
| 1359            | Parker           | CO    | 2,672                    | 800                       | 4,549                                | —  | 562               | —        | —                 | —        | 800               | 5,111    | 5,911         | 796      | —     | —        | 796                      | Sep-06                   |
| 1075            | Thornton         | CO    | —                        | 212                       | 2,044                                | —  | 546               | 36       | (a)               | 389      | (a)               | 248      | 2,979         | 3,227    | 978   | —        | 978                      | Sep-00                   |
| 1076            | Westminster      | CO    | —                        | 291                       | 1,586                                | —  | 874               | 8        | (a)               | 48       | (a)               | 299      | 2,508         | 2,807    | 881   | —        | 881                      | Sep-00                   |
| 1079            | Groton           | CT    | 2,386                    | 1,277                     | 3,992                                | —  | 346               | —        | —                 | 46       | (c)               | 1,277    | 4,384         | 5,661    | 1,028 | —        | 1,028                    | Jan-04                   |
| 1192            | Middletown       | CT    | 2,056                    | 932                       | 2,810                                | —  | 145               | —        | —                 | —        | 932               | 2,955    | 3,887         | 313      | —     | —        | 313                      | Dec-07                   |
| 1097            | Wethersfield     | CT    | —                        | 709                       | 4,205                                | —  | 135               | —        | —                 | 16       | (c)               | 709      | 4,356         | 5,065    | 1,083 | —        | 1,083                    | Aug-02                   |
| 1392            | Coral Springs    | FL    | 3,915                    | 3,638                     | 6,590                                | —  | 189               | —        | —                 | —        | 3,638             | 6,779    | 10,417        | 671      | —     | —        | 671                      | Jun-08                   |
| 0752            | Deland           | FL    | —                        | 1,318                     | 3,971                                | —  | 228               | —        | —                 | —        | 1,318             | 4,199    | 5,517         | 659      | —     | —        | 659                      | Jan-06                   |
| 1402            | Estero           | FL    | —                        | 2,198                     | 8,215                                | —  | 13                | —        | —                 | —        | 2,198             | 8,228    | 10,426        | 483      | —     | —        | 483                      | Jul-09                   |
| 0101            | Fort Myers       | FL    | 4,322                    | 1,985                     | 4,983                                | —  | 372               | —        | —                 | —        | 1,985             | 5,355    | 7,340         | 1,028    | —     | —        | 1,028                    | Jul-05                   |
| 1308            | Fort Myers       | FL    | 3,009                    | 1,691                     | 4,711                                | —  | 164               | —        | —                 | 29       | (c)               | 1,691    | 4,904         | 6,595    | 1,011 | —        | 1,011                    | Aug-04                   |
| 1310            | Ft Lauderdale    | FL    | 2,710                    | 1,587                     | 4,205                                | —  | 253               | —        | —                 | 32       | (c)               | 1,587    | 4,490         | 6,077    | 926   | —        | 926                      | Aug-04                   |
| 1427            | Ft Lauderdale    | FL    | 4,999                    | 2,750                     | 7,002                                | —  | 458               | —        | —                 | —        | 2,750             | 7,460    | 10,210        | 149      | —     | —        | 149                      | May-11                   |
| 1337            | Greenacres       | FL    | —                        | 1,463                     | 3,244                                | —  | 70                | —        | —                 | 14       | (c)               | 1,463    | 3,328         | 4,791    | 620   | —        | 620                      | Mar-05                   |
| 1266            | Hialeah          | FL    | —                        | 2,800                     | 7,588                                | —  | 56                | —        | —                 | —        | 2,800             | 7,644    | 10,444        | 655      | —     | —        | 655                      | Aug-08                   |
| 1403            | Hialeah          | FL    | 3,582                    | 1,678                     | 6,807                                | —  | 15                | —        | —                 | —        | 1,678             | 6,822    | 8,500         | 226      | —     | —        | 226                      | Sep-10                   |
| 1409            | Hialeah          | FL    | 2,858                    | 1,750                     | 7,150                                | —  | 19                | —        | —                 | —        | 1,750             | 7,169    | 8,919         | 361      | —     | —        | 361                      | Jan-10                   |
| 0763            | Hollywood        | FL    | 7,071                    | 3,214                     | 8,689                                | —  | 199               | —        | —                 | —        | 3,214             | 8,888    | 12,102        | 984      | —     | —        | 984                      | Nov-07                   |
| 1424            | Kendall          | FL    | —                        | 2,375                     | 5,543                                | —  | 45                | —        | —                 | —        | 2,375             | 5,588    | 7,963         | 77       | —     | —        | 77                       | Feb-11                   |
| 1314            | Madeira Beach    | FL    | 2,677                    | 1,686                     | 5,163                                | —  | 140               | —        | —                 | 29       | (c)               | 1,686    | 5,332         | 7,018    | 1,060 | —        | 1,060                    | Aug-04                   |
| 1068            | Margate          | FL    | 3,247                    | 430                       | 3,139                                | —  | 320               | 39       | (a)               | 287      | (a)               | 469      | 3,746         | 4,215    | 1,133 | —        | 1,133                    | Aug-00                   |
| 1066            | Miami            | FL    | 3,332                    | 1,325                     | 4,395                                | —  | 370               | 114      | (a)               | 388      | (a)               | 1,439    | 5,153         | 6,592    | 1,577 | —        | 1,577                    | Aug-00                   |
| 1067            | Miami            | FL    | 9,158                    | 5,315                     | 4,305                                | —  | 247               | 544      | (a)               | 447      | (a)               | 5,859    | 4,999         | 10,858   | 1,488 | —        | 1,488                    | Aug-00                   |
| 1385            | Miami            | FL    | 5,414                    | 1,238                     | 7,597                                | —  | 218               | —        | —                 | —        | 1,238             | 7,815    | 9,053         | 996      | —     | —        | 996                      | May-07                   |
| 1466            | Miami            | FL    | —                        | 521                       | 5,198                                | —  | 8                 | —        | —                 | —        | 521               | 5,206    | 5,727         | 28       | —     | —        | 28                       | Oct-11                   |
| 1429            | Miami            | FL    | 5,712                    | 4,798                     | 9,475                                | —  | 25                | —        | —                 | —        | 4,798             | 9,500    | 14,298        | 499      | —     | —        | 499                      | Nov-09                   |
| 1064            | North Lauderdale | FL    | 3,629                    | 428                       | 3,516                                | —  | 621               | 31       | (a)               | 260      | (a)               | 459      | 4,397         | 4,856    | 1,422 | —        | 1,422                    | Aug-00                   |

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

| Property Number | Property Name   | State | Gross carrying amount at |                           |                                      |  |       |             |                           |       |                          |                          | Date acquired |        |
|-----------------|-----------------|-------|--------------------------|---------------------------|--------------------------------------|--|-------|-------------|---------------------------|-------|--------------------------|--------------------------|---------------|--------|
|                 |                 |       | December 31, 2011        |                           |                                      |  |       |             |                           |       |                          |                          |               |        |
|                 |                 |       | Land                     | Building and improvements | Land costs subsequent to acquisition | Building costs subsequent to acquisition | Land  | Building    | Building and improvements | Total | Accumulated depreciation | Completed or development |               |        |
| 1060            | North Miami     | FL    | —                        | 1,256                     | 6,535                                | —  | 440   | —           | 1,256                     | 6,975 | 8,231                    | 1,450                    | Jun-04        |        |
| 1335            | Ocoee           | FL    | 2,202                    | 872                       | 3,642                                | —  | 178   | —           | 17 (c)                    | 872   | 3,837                    | 4,709                    | 743           | Mar-05 |
| 1317            | Orlando         | FL    | —                        | 1,216                     | 5,008                                | —  | 201   | —           | 39 (c)                    | 1,216 | 5,248                    | 6,464                    | 1,069         | Aug-04 |
| 1333            | Orlando         | FL    | 4,368                    | 2,233                     | 9,223                                | —  | 315   | —           | 21 (c)                    | 2,233 | 9,559                    | 11,792                   | 1,755         | Mar-05 |
| 1334            | Orlando         | FL    | 4,027                    | 1,474                     | 6,101                                | —  | 223   | —           | 21 (c)                    | 1,474 | 6,345                    | 7,819                    | 1,149         | Mar-05 |
| 1336            | Orlando         | FL    | 3,337                    | 1,166                     | 4,816                                | —  | 1,144 | —           | 15 (c)                    | 1,166 | 5,975                    | 7,141                    | 1,038         | Mar-05 |
| 8136            | Orlando         | FL    | —                        | 625                       | 2,133                                | —  | 49    | —           | —                         | 625   | 2,182                    | 2,807                    | 87            | Jul-10 |
| 1432            | Plantation      | FL    | —                        | 3,850                     | —                                    | —  | —     | (1,900) (e) | —                         | 1,950 | —                        | 1,950                    | —             |        |
| 1318            | Port Charlotte  | FL    | —                        | 1,389                     | 4,632                                | —  | 132   | —           | 20 (c)                    | 1,389 | 4,784                    | 6,173                    | 950           | Aug-04 |
| 1319            | Riverview       | FL    | 2,552                    | 654                       | 2,953                                | —  | 133   | —           | 29 (c)                    | 654   | 3,115                    | 3,769                    | 650           | Aug-04 |
| 0545            | Tampa           | FL    | 3,994                    | 1,425                     | 4,766                                | —  | 285   | —           | —                         | 1,425 | 5,051                    | 6,476                    | 707           | Mar-07 |
| 1366            | Tampa           | FL    | 3,455                    | 883                       | 3,533                                | —  | 139   | —           | —                         | 883   | 3,672                    | 4,555                    | 513           | Nov-06 |
| 1324            | Valrico         | FL    | 3,080                    | 1,197                     | 4,411                                | —  | 162   | —           | 34 (c)                    | 1,197 | 4,607                    | 5,804                    | 922           | Aug-04 |
| 0692            | Venice          | FL    | 7,065                    | 1,969                     | 5,903                                | —  | 243   | —           | —                         | 1,969 | 6,146                    | 8,115                    | 1,004         | Jan-06 |
| 0976            | West Palm Beach | FL    | 3,929                    | 1,752                     | 4,909                                | —  | 361   | —           | —                         | 1,752 | 5,270                    | 7,022                    | 1,027         | Jul-05 |
| 1065            | West Palm Beach | FL    | 1,581                    | 1,164                     | 2,511                                | —  | 341   | 82 (a)      | 180 (a)                   | 1,246 | 3,032                    | 4,278                    | 933           | Aug-00 |
| 1069            | West Palm Beach | FL    | 1,821                    | 1,312                     | 2,511                                | —  | 445   | 104 (a)     | 204 (a)                   | 1,416 | 3,160                    | 4,576                    | 1,019         | Aug-00 |
| 1186            | West Palm Beach | FL    | —                        | 1,729                     | 4,058                                | —  | —     | —           | —                         | 1,729 | 4,058                    | 5,787                    | 4             | Dec-11 |
| 0693            | Alpharetta      | GA    | 2,703                    | 1,893                     | 3,161                                | —  | 123   | —           | —                         | 1,893 | 3,284                    | 5,177                    | 501           | Aug-06 |
| 1304            | Atlanta         | GA    | —                        | 3,737                     | 8,333                                | —  | 328   | —           | 35 (c)                    | 3,737 | 8,696                    | 12,433                   | 1,722         | Aug-04 |
| 1320            | Atlanta         | GA    | —                        | 1,665                     | 2,028                                | —  | 138   | —           | 21 (c)                    | 1,665 | 2,187                    | 3,852                    | 464           | Aug-04 |
| 1338            | Atlanta         | GA    | 6,844                    | 3,319                     | 8,325                                | —  | 366   | —           | 33 (c)                    | 3,319 | 8,724                    | 12,043                   | 1,643         | Feb-05 |
| 0699            | Dacula          | GA    | 3,862                    | 1,993                     | 3,001                                | —  | 93    | —           | —                         | 1,993 | 3,094                    | 5,087                    | 492           | Jan-06 |
| 8163            | Douglasville    | GA    | —                        | 1,209                     | 719                                  | —  | 20    | —           | —                         | 1,209 | 739                      | 1,948                    | 30            | Jun-10 |
| 0753            | Duluth          | GA    | 3,308                    | 1,454                     | 4,151                                | —  | 81    | —           | —                         | 1,454 | 4,232                    | 5,686                    | 516           | Jun-07 |
| 8162            | Kennesaw        | GA    | —                        | 673                       | 1,151                                | —  | 63    | —           | —                         | 673   | 1,214                    | 1,887                    | 49            | Jun-10 |
| 8134            | Lithonia        | GA    | —                        | 1,958                     | 3,645                                | —  | 27    | —           | —                         | 1,958 | 3,672                    | 5,630                    | 204           | Nov-09 |
| 8161            | Marietta        | GA    | —                        | 887                       | 2,617                                | —  | 66    | —           | —                         | 887   | 2,683                    | 3,570                    | 105           | Jun-10 |
| 1321            | Snellville      | GA    | —                        | 2,691                     | 4,026                                | —  | 198   | —           | 23 (c)                    | 2,691 | 4,247                    | 6,938                    | 859           | Aug-04 |
| 0417            | Stone Mountain  | GA    | 1,826                    | 925                       | 3,505                                | —  | 209   | —           | —                         | 925   | 3,714                    | 4,639                    | 669           | Jul-05 |
| 1322            | Stone Mountain  | GA    | 2,945                    | 1,817                     | 4,382                                | —  | 206   | —           | 24 (c)                    | 1,817 | 4,612                    | 6,429                    | 919           | Aug-04 |
| 0745            | Sugar Hill      | GA    | —                        | 1,368                     | 2,540                                | —  | 148   | —           | —                         | 1,368 | 2,688                    | 4,056                    | 343           | Jun-07 |
| 0754            | Sugar Hill      | GA    | —                        | 1,371                     | 2,547                                | —  | 131   | —           | —                         | 1,371 | 2,678                    | 4,049                    | 347           | Jun-07 |
| 1313            | Alpharetta      | GA    | —                        | 1,973                     | 1,587                                | —  | 136   | —           | 20 (c)                    | 1,973 | 1,743                    | 3,716                    | 375           | Aug-04 |
| 1375            | Kahului         | HI    | —                        | 3,984                     | 15,044                               | —  | 500   | —           | —                         | 3,984 | 15,544                   | 19,528                   | 1,942         | Jun-07 |
| 1376            | Kapolei         | HI    | 14,824                   | —                         | 24,701                               | —  | 328   | —           | —                         | —     | 25,029                   | 25,029                   | 2,986         | Jun-07 |
| 0728            | Chicago         | IL    | 3,143                    | 449                       | 2,471                                | —  | 605   | —           | —                         | 449   | 3,076                    | 3,525                    | 634           | Jul-05 |
| 0729            | Chicago         | IL    | 2,848                    | 472                       | 2,582                                | —  | 594   | —           | —                         | 472   | 3,176                    | 3,648                    | 677           | Jul-05 |
| 0731            | Chicago         | IL    | 4,322                    | 621                       | 3,428                                | —  | 774   | —           | —                         | 621   | 4,202                    | 4,823                    | 901           | Jul-05 |
| 1226            | Chicago         | IL    | —                        | 1,925                     | —                                    | —  | —     | —           | —                         | 1,925 | —                        | 1,925                    | —             |        |
| 1108            | Crest Hill      | IL    | 2,475                    | 847                       | 2,946                                | —  | 87    | 121 (a)     | 472 (c)                   | 968   | 3,505                    | 4,473                    | 806           | Jul-03 |
| 1171            | Gurnee          | IL    | —                        | 1,374                     | 8,296                                | —  | 74    | —           | —                         | 1,374 | 8,370                    | 9,744                    | 911           | Oct-07 |
| 1178            | Highland Park   | IL    | —                        | 5,798                     | 6,016                                | —  | 8     | —           | —                         | 5,798 | 6,024                    | 11,822                   | 6             | Dec-11 |
| 1173            | Naperville      | IL    | —                        | 1,860                     | 5,793                                | —  | 4     | —           | —                         | 1,860 | 5,797                    | 7,657                    | 6             | Dec-11 |
| 1259            | Naperville      | IL    | —                        | 2,800                     | 7,355                                | —  | 79    | (850) (e)   | —                         | 1,950 | 7,434                    | 9,384                    | 584           | Dec-08 |
| 1242            | North Aurora    | IL    | —                        | 600                       | 5,833                                | —  | 86    | —           | —                         | 600   | 5,919                    | 6,519                    | 547           | May-08 |
| 1104            | South Holland   | IL    | 1,577                    | 839                       | 2,879                                | —  | 177   | 26 (a)      | 108 (c)                   | 865   | 3,164                    | 4,029                    | 787           | Oct-02 |
| 1263            | Tinley Park     | IL    | —                        | 1,823                     | 4,794                                | —  | 79    | (275) (e)   | —                         | 1,548 | 4,873                    | 6,421                    | 413           | Aug-08 |
| 1393            | Carmel          | IN    | —                        | 1,169                     | 4,393                                | —  | 199   | —           | —                         | 1,169 | 4,592                    | 5,761                    | 426           | Oct-08 |

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

| Property Number | Property Name   | State | Debt  | Gross carrying amount at |                           |                                      |  | Land   | Building | Building and improvements | Total  | Accumulated depreciation | Date acquired or development completed |                   |
|-----------------|-----------------|-------|-------|--------------------------|---------------------------|--------------------------------------|--|--------|----------|---------------------------|--------|--------------------------|--|-------------------|
|                 |                 |       |       | Land                     | Building and improvements | Land costs subsequent to acquisition | Building costs subsequent to acquisition |        |          |                           |        |                          |  | December 31, 2011 |
| 1514            | Connersville    | IN    | —     | 472                      | 315                       | —                                    | 51                                       | —      | 472      | 366                       | 838    | 5                        | Jun-11                                 |                   |
| 1394            | Fort Wayne      | IN    | —     | 1,899                    | 3,292                     | —                                    | 238                                      | —      | 1,899    | 3,530                     | 5,429  | 344                      | Oct-08                                 |                   |
| 0652            | Indianapolis    | IN    | —     | 588                      | 3,457                     | —                                    | 203                                      | —      | 588      | 3,660                     | 4,248  | 480                      | Aug-07                                 |                   |
| 1395            | Indianapolis    | IN    | —     | 426                      | 2,903                     | —                                    | 216                                      | —      | 426      | 3,119                     | 3,545  | 312                      | Oct-08                                 |                   |
| 1396            | Indianapolis    | IN    | —     | 850                      | 4,545                     | —                                    | 247                                      | —      | 850      | 4,792                     | 5,642  | 457                      | Oct-08                                 |                   |
| 1397            | Mishawaka       | IN    | —     | 630                      | 3,349                     | —                                    | 196                                      | —      | 630      | 3,545                     | 4,175  | 341                      | Oct-08                                 |                   |
| 1513            | Richmond        | IN    | —     | 723                      | 482                       | —                                    | 48                                       | —      | 723      | 530                       | 1,253  | 8                        | Jun-11                                 |                   |
| 0586            | Wichita         | KS    | 2,154 | 366                      | 1,897                     | —                                    | 306                                      | —      | 366      | 2,203                     | 2,569  | 415                      | Apr-06                                 |                   |
| 1515            | Covington       | KY    | —     | 839                      | 2,543                     | —                                    | 53                                       | —      | 839      | 2,596                     | 3,435  | 36                       | Jun-11                                 |                   |
| 0343            | Louisville      | KY    | 2,947 | 586                      | 3,244                     | —                                    | 212                                      | —      | 586      | 3,456                     | 4,042  | 672                      | Jul-05                                 |                   |
| 0648            | Louisville      | KY    | 2,535 | 1,217                    | 4,611                     | —                                    | 138                                      | —      | 1,217    | 4,749                     | 5,966  | 862                      | Jul-05                                 |                   |
| 0668            | Louisville      | KY    | 3,617 | 892                      | 2,677                     | —                                    | 145                                      | —      | 892      | 2,822                     | 3,714  | 469                      | Dec-05                                 |                   |
| 1315            | Metairie        | LA    | 4,009 | 2,056                    | 4,216                     | —                                    | 111                                      | —      | 18 (c)   | 2,056                     | 4,345  | 6,401                    | 864                                    | Aug-04            |
| 1316            | New Orleans     | LA    | 5,668 | 4,058                    | 4,325                     | —                                    | 555                                      | —      | 24 (c)   | 4,058                     | 4,904  | 8,962                    | 1,011                                  | Aug-04            |
| 1028            | Ashland         | MA    | —     | 474                      | 3,324                     | —                                    | 290                                      | —      | 27 (c)   | 474                       | 3,641  | 4,115                    | 1,003                                  | Jun-03            |
| 1010            | Auburn          | MA    | —     | 918                      | 3,728                     | —                                    | 215                                      | —      | 918      | 3,943                     | 4,861  | 1,187                    | May-04                                 |                   |
| 1025            | Brockton        | MA    | —     | 647                      | 2,762                     | —                                    | 121                                      | —      | 647      | 2,883                     | 3,530  | 791                      | May-04                                 |                   |
| 1056            | Dedham          | MA    | 2,473 | 2,127                    | 3,041                     | —                                    | 472                                      | —      | 28 (c)   | 2,127                     | 3,541  | 5,668                    | 1,071                                  | Mar-02            |
| 1205            | Dedham          | MA    | —     | 2,443                    | 7,328                     | —                                    | 995                                      | —      | 16 (c)   | 2,443                     | 8,339  | 10,782                   | 1,826                                  | Feb-04            |
| 1208            | East Somerville | MA    | —     | —                        | —                         | —                                    | 137                                      | —      | 14 (c)   | —                         | 151    | 151                      | 78                                     | Feb-04            |
| 0675            | Everett         | MA    | —     | 692                      | 2,129                     | —                                    | 638                                      | —      | 692      | 2,767                     | 3,459  | 582                      | Jul-05                                 |                   |
| 1001            | Foxboro         | MA    | —     | 759                      | 4,158                     | —                                    | 445                                      | —      | 759      | 4,603                     | 5,362  | 1,641                    | May-04                                 |                   |
| 1002            | Hudson          | MA    | —     | 806                      | 3,122                     | —                                    | 283                                      | —      | 806      | 3,405                     | 4,211  | 1,149                    | May-04                                 |                   |
| 1098            | Jamaica Plain   | MA    | 2,742 | 3,285                    | 11,275                    | —                                    | 112                                      | —      | 3,285    | 11,387                    | 14,672 | 1,194                    | Dec-07                                 |                   |
| 1084            | Kingston        | MA    | —     | 555                      | 2,491                     | —                                    | 118                                      | —      | 32 (c)   | 555                       | 2,641  | 3,196                    | 764                                    | Oct-02            |
| 7002            | Lynn            | MA    | —     | 1,703                    | 3,237                     | —                                    | 263                                      | —      | 1,703    | 3,500                     | 5,203  | 1,016                    | Jun-01                                 |                   |
| 1035            | Marshfield      | MA    | 4,776 | 1,039                    | 4,155                     | —                                    | 202                                      | —      | 1,039    | 4,357                     | 5,396  | 896                      | Mar-04                                 |                   |
| 1099            | Milton          | MA    | —     | 2,838                    | 3,979                     | —                                    | 6,400                                    | —      | 20 (c)   | 2,838                     | 10,399 | 13,237                   | 1,566                                  | Nov-02            |
| 1011            | North Oxford    | MA    | —     | 482                      | 1,762                     | —                                    | 207                                      | 46 (a) | 168 (a)  | 528                       | 2,137  | 2,665                    | 717                                    | Oct-99            |
| 1022            | Northborough    | MA    | —     | 280                      | 2,715                     | —                                    | 498                                      | —      | 280      | 3,213                     | 3,493  | 1,028                    | Feb-01                                 |                   |
| 1019            | Norwood         | MA    | —     | 2,160                    | 2,336                     | —                                    | 1,502                                    | 61 (a) | 95 (a)   | 2,221                     | 3,933  | 6,154                    | 1,036                                  | Aug-99            |
| 0519            | Plainville      | MA    | 5,198 | 2,223                    | 4,430                     | —                                    | 369                                      | —      | 2,223    | 4,799                     | 7,022  | 1,068                    | Jul-05                                 |                   |
| 1204            | Quincy          | MA    | —     | 1,359                    | 4,078                     | —                                    | 225                                      | —      | 18 (c)   | 1,359                     | 4,321  | 5,680                    | 974                                    | Feb-04            |
| 1023            | Raynham         | MA    | —     | 588                      | 2,270                     | —                                    | 261                                      | 82 (a) | 323 (a)  | 670                       | 2,854  | 3,524                    | 835                                    | May-00            |
| 1135            | Revere          | MA    | —     | 2,275                    | 6,935                     | —                                    | —  | —      | 2,275    | 6,935                     | 9,210  | 7                        | Dec-11                                 |                   |
| 1094            | Saugus          | MA    | 3,802 | 1,725                    | 5,514                     | —                                    | 395                                      | —      | 104 (c)  | 1,725                     | 6,013  | 7,738                    | 1,536                                  | Jun-03            |
| 1107            | Somerville      | MA    | 6,939 | 1,728                    | 6,570                     | —                                    | 519                                      | 3 (a)  | 13 (a)   | 1,731                     | 7,102  | 8,833                    | 1,871                                  | Jun-01            |
| 0746            | Stoneham        | MA    | 6,163 | 944                      | 5,241                     | —                                    | 153                                      | —      | 944      | 5,394                     | 6,338  | 950                      | Jul-05                                 |                   |
| 1047            | Stoughton       | MA    | —     | 1,754                    | 2,769                     | —                                    | 236                                      | —      | 1,754    | 3,005                     | 4,759  | 930                      | May-04                                 |                   |
| 1206            | Waltham         | MA    | —     | 3,770                    | 11,310                    | —                                    | 1,005                                    | —      | 17 (c)   | 3,770                     | 12,332 | 16,102                   | 2,514                                  | Feb-04            |
| 7001            | Weymouth        | MA    | —     | 2,806                    | 3,129                     | —                                    | 170                                      | —      | 2,806    | 3,299                     | 6,105  | 1,041                    | Sep-00                                 |                   |

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

| Property Number | Property Name   | State | Gross carrying amount at |       |                           |                                      |  |           |            |                           |        |                          | Date acquired |                          |        |
|-----------------|-----------------|-------|--------------------------|-------|---------------------------|--------------------------------------|--|-----------|------------|---------------------------|--------|--------------------------|---------------|--------------------------|--------|
|                 |                 |       | December 31, 2011        |       |                           |                                      |  |           |            |                           |        |                          |               |                          |        |
|                 |                 |       | Debt                     | Land  | Building and improvements | Land costs subsequent to acquisition | Building costs subsequent to acquisition | Land      | Building   | Building and improvements | Total  | Accumulated depreciation |               | Completed or development |        |
| 1207            | Woburn          | MA    | —                        | —     | —                         | —                                    | 219                                      | —         | —          | 17 (c)                    | —      | 236                      | 236           | 99                       | Feb-04 |
| 1003            | Worcester       | MA    | —                        | 896   | 4,377                     | —                                    | 2,718                                    | —         | —          | —                         | 896    | 7,095                    | 7,991         | 1,764                    | May-04 |
| 1219            | Worcester       | MA    | 3,393                    | 1,350 | 4,433                     | —                                    | 86                                       | —         | —          | —                         | 1,350  | 4,519                    | 5,869         | 613                      | Dec-06 |
| 0152            | Annapolis       | MD    | —                        | 1,375 | 8,896                     | —                                    | 266                                      | —         | —          | —                         | 1,375  | 9,162                    | 10,537        | 1,115                    | Aug-07 |
| 1381            | Annapolis       | MD    | 6,825                    | 5,248 | 7,247                     | —                                    | 152                                      | —         | —          | —                         | 5,248  | 7,399                    | 12,647        | 936                      | Apr-07 |
| 0919            | Arnold          | MD    | 9,331                    | 2,558 | 9,446                     | —                                    | 287                                      | —         | —          | —                         | 2,558  | 9,733                    | 12,291        | 1,700                    | Jul-05 |
| 1233            | Baltimore       | MD    | 3,067                    | 800   | 5,955                     | —                                    | 53                                       | —         | —          | —                         | 800    | 6,008                    | 6,808         | 495                      | Nov-08 |
| 1439            | Baltimore       | MD    | —                        | 1,900 | 5,277                     | —                                    | 53                                       | —         | —          | —                         | 1,900  | 5,330                    | 7,230         | 211                      | Jun-10 |
| 0552            | Bethesda        | MD    | 12,572                   | —     | 18,331                    | —                                    | 321                                      | —         | —          | —                         | —      | 18,652                   | 18,652        | 3,522                    | Jul-05 |
| 1453            | Capitol Heights | MD    | —                        | 1,461 | 9,866                     | —                                    | 104                                      | —         | —          | —                         | 1,461  | 9,970                    | 11,431        | 313                      | Oct-10 |
| 0950            | Columbia        | MD    | 8,251                    | 1,736 | 9,632                     | —                                    | 241                                      | —         | —          | —                         | 1,736  | 9,873                    | 11,609        | 1,708                    | Jul-05 |
| 1262            | Edgewood        | MD    | —                        | 1,000 | —                         | —                                    | —  | (575) (e) | —          | —                         | 425    | —                        | 425           | —                        | —      |
| 0980            | Ft. Washington  | MD    | 11,280                   | 4,920 | 9,174                     | —                                    | 151                                      | —         | —          | —                         | 4,920  | 9,325                    | 14,245        | 1,226                    | Jan-07 |
| 8248            | Glen Burnie     | MD    | —                        | 1,303 | 4,218                     | —                                    | 71                                       | —         | —          | —                         | 1,303  | 4,289                    | 5,592         | 51                       | Jul-11 |
| 1195            | Lanham          | MD    | —                        | 3,346 | 10,079                    | —                                    | 922                                      | (728) (b) | 12 (c)     | 2,618                     | 11,013 | 13,631                   | 2,389         | Feb-04                   |        |
| 1292            | Laurel Heights  | MD    | 6,360                    | 3,000 | 5,930                     | —                                    | 57                                       | —         | —          | —                         | 3,000  | 5,987                    | 8,987         | 641                      | Dec-07 |
| 0918            | Pasadena        | MD    | —                        | 1,869 | 3,056                     | —                                    | 693                                      | —         | —          | —                         | 1,869  | 3,749                    | 5,618         | 403                      | Sep-08 |
| 1287            | Pasadena        | MD    | —                        | 3,500 | 7,407                     | —                                    | 7  | —         | —          | —                         | 3,500  | 7,414                    | 10,914        | 103                      | —      |
| 8211            | Randallstown    | MD    | 4,839                    | 764   | 6,331                     | —                                    | 16                                       | —         | —          | —                         | 764    | 6,347                    | 7,111         | 62                       | Aug-11 |
| 0380            | Rockville       | MD    | 12,645                   | 4,596 | 11,328                    | —                                    | 238                                      | —         | —          | —                         | 4,596  | 11,566                   | 16,162        | 1,612                    | Sep-06 |
| 0507            | Towson          | MD    | 4,027                    | 861   | 4,742                     | —                                    | 185                                      | —         | —          | —                         | 861    | 4,927                    | 5,788         | 892                      | Jul-05 |
| 0309            | Grandville      | MI    | 1,670                    | 726   | 1,298                     | —                                    | 357                                      | —         | —          | —                         | 726    | 1,655                    | 2,381         | 367                      | Jul-05 |
| 0556            | Mount Clemens   | MI    | 2,063                    | 798   | 1,796                     | —                                    | 315                                      | —         | —          | —                         | 798    | 2,111                    | 2,909         | 418                      | Jul-05 |
| 0664            | Florissant      | MO    | —                        | 1,241 | 4,648                     | —                                    | 290                                      | —         | —          | —                         | 1,241  | 4,938                    | 6,179         | 681                      | Aug-07 |
| 0985            | Grandview       | MO    | 1,080                    | 612   | 1,770                     | —                                    | 304                                      | —         | —          | —                         | 612    | 2,074                    | 2,686         | 475                      | Jul-05 |
| 0656            | St. Louis       | MO    | —                        | 1,444 | 4,162                     | —                                    | 240                                      | —         | —          | —                         | 1,444  | 4,402                    | 5,846         | 597                      | Aug-07 |
| 0663            | St. Louis       | MO    | 2,834                    | 676   | 3,551                     | —                                    | 251                                      | —         | —          | —                         | 676    | 3,802                    | 4,478         | 523                      | Aug-07 |
| 1061            | St. Louis       | MO    | 2,057                    | 631   | 2,159                     | —                                    | 305                                      | 59 (a)    | 205 (a)    | 690                       | 2,669  | 3,359                    | 845           | Jun-00                   |        |
| 1062            | St. Louis       | MO    | 1,577                    | 156   | 1,313                     | —                                    | 369                                      | 17 (a)    | 151 (a)    | 173                       | 1,833  | 2,006                    | 604           | Jun-00                   |        |
| 8027            | Merrimack       | NH    | —                        | 754   | 3,299                     | —                                    | 209                                      | 63 (a)    | 279 (a)    | 817                       | 3,787  | 4,604                    | 926           | Apr-99                   |        |
| 0738            | Nashua          | NH    | —                        | —     | 755                       | —                                    | 80                                       | —         | —          | —                         | 835    | 835                      | 204           | Jul-05                   |        |
| 1329            | Avenel          | NJ    | 7,972                    | 1,518 | 8,037                     | —                                    | 218                                      | —         | 24 (c)     | 1,518                     | 8,279  | 9,797                    | 1,553         | Jan-05                   |        |
| 1330            | Bayville        | NJ    | 3,210                    | 1,193 | 5,312                     | —                                    | 222                                      | —         | 41 (c)     | 1,193                     | 5,575  | 6,768                    | 1,102         | Dec-04                   |        |
| 1408            | Bellmawr        | NJ    | —                        | 3,600 | 4,765                     | —                                    | 147                                      | 75 (c)    | —          | 3,675                     | 4,912  | 8,587                    | 342           | Sep-08                   |        |
| 1115            | Edison          | NJ    | 5,690                    | 2,519 | 8,547                     | —                                    | 450                                      | —         | —          | —                         | 2,519  | 8,997                    | 11,516        | 2,421                    | Dec-01 |
| 1116            | Egg Harbor Twp. | NJ    | 7,445                    | 1,724 | 5,001                     | —                                    | 643                                      | —         | —          | 1,724                     | 5,644  | 7,368                    | 1,573         | Dec-01                   |        |
| 1258            | Ewing           | NJ    | —                        | 1,552 | 4,720                     | —                                    | 210                                      | 11 (c)    | (362) (e)  | 1,563                     | 4,568  | 6,131                    | 604           | Mar-07                   |        |
| 1038            | Glen Rock       | NJ    | —                        | 1,109 | 2,401                     | —                                    | 149                                      | 113 (a)   | 249 (a)(c) | 1,222                     | 2,799  | 4,021                    | 713           | Mar-01                   |        |
| 0330            | Hackensack      | NJ    | —                        | 2,283 | 11,234                    | —                                    | 641                                      | —         | —          | —                         | 2,283  | 11,875                   | 14,158        | 2,224                    | Jul-05 |
| 1117            | Hazlet          | NJ    | 8,019                    | 1,362 | 10,262                    | —                                    | 526                                      | —         | —          | —                         | 1,362  | 10,788                   | 12,150        | 2,834                    | Dec-01 |

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

| Property Number | Property Name     | State | Gross carrying amount at December 31, 2011 |                           |                                      |  |       | Date acquired |          |                           |        |                          |                          |       |        |
|-----------------|-------------------|-------|--|---------------------------|--------------------------------------|--|-------|---------------|----------|---------------------------|--------|--------------------------|--------------------------|-------|--------|
|                 |                   |       | Land                                       | Building and improvements | Land costs subsequent to acquisition | Building costs subsequent to acquisition | Land  |               | Building | Building and improvements | Total  | Accumulated depreciation | or development completed |       |        |
| 1039            | Hoboken           | NJ    | 8,170                                      | 2,687                     | 6,092                                | —  | 198   | —             | —        | 3 (c)                     | 2,687  | 6,293                    | 8,980                    | 1,589 | Jul-02 |
| 1118            | Howell            | NJ    | 3,272                                      | 2,440                     | 3,407                                | —  | 367   | —             | —        | —                         | 2,440  | 3,774                    | 6,214                    | 1,050 | Dec-01 |
| 1120            | Iselin            | NJ    | 3,794                                      | 505                       | 4,524                                | —  | 398   | —             | —        | —                         | 505    | 4,922                    | 5,427                    | 1,396 | Dec-01 |
| 1196            | Lawrenceville     | NJ    | —  | 3,402                     | 10,230                               | —  | 408   | —             | —        | 8 (c)                     | 3,402  | 10,646                   | 14,048                   | 2,245 | Feb-04 |
| 0739            | Linden            | NJ    | 3,886                                      | 1,517                     | 8,384                                | —  | 194   | —             | —        | —                         | 1,517  | 8,578                    | 10,095                   | 1,474 | Jul-05 |
| 1328            | Lumberton         | NJ    | 3,649                                      | 831                       | 4,060                                | —  | 146   | —             | —        | 22 (c)                    | 831    | 4,228                    | 5,059                    | 879   | Dec-04 |
| 1040            | Lyndhurst         | NJ    | —  | 2,679                     | 4,644                                | —  | 221   | 250 (a)       | —        | 446 (a)(c)                | 2,929  | 5,311                    | 8,240                    | 1,340 | Mar-01 |
| 8093            | Maple Shade       | NJ    | —  | 1,093                     | 5,492                                | —  | 1     | —             | —        | —                         | 1,093  | 5,493                    | 6,586                    | 6     | Dec-11 |
| 0784            | Merchantville     | NJ    | —  | 1,644                     | 3,115                                | —  | 84    | —             | —        | —                         | 1,644  | 3,199                    | 4,843                    | 45    | Jun-11 |
| 1054            | Metuchen          | NJ    | —  | 1,153                     | 4,462                                | —  | 208   | —             | —        | —                         | 1,153  | 4,670                    | 5,823                    | 1,237 | Dec-01 |
| 1428            | Monmouth Junction | NJ    | —  | 1,700                     | 5,835                                | —  | 22    | —             | —        | —                         | 1,700  | 5,857                    | 7,557                    | 294   | Dec-09 |
| 1197            | Morrisville       | NJ    | —  | 2,487                     | 7,494                                | —  | 1,117 | —             | —        | 11 (c)                    | 2,487  | 8,622                    | 11,109                   | 1,839 | Feb-04 |
| 1360            | Neptune           | NJ    | 5,666                                      | 4,204                     | 8,906                                | —  | 240   | —             | —        | —                         | 4,204  | 9,146                    | 13,350                   | 1,238 | Nov-06 |
| 0677            | North Bergen      | NJ    | —  | 861                       | 17,127                               | —  | —     | —             | —        | —                         | 861    | 17,127                   | 17,988                   | 92    | Oct-11 |
| 0809            | North Bergen      | NJ    | —  | 2,299                     | 12,728                               | —  | 369   | —             | —        | —                         | 2,299  | 13,097                   | 15,396                   | 2,245 | Jul-05 |
| 1089            | North Bergen      | NJ    | 6,545                                      | 2,100                     | 6,606                                | —  | 183   | —             | —        | 74 (c)                    | 2,100  | 6,863                    | 8,963                    | 1,636 | Jul-03 |
| 1119            | Old Bridge        | NJ    | 5,130                                      | 2,758                     | 6,450                                | —  | 909   | —             | —        | —                         | 2,758  | 7,359                    | 10,117                   | 1,972 | Dec-01 |
| 0810            | Parlin            | NJ    | —  | 2,517                     | 4,516                                | —  | 396   | —             | —        | —                         | 2,517  | 4,912                    | 7,429                    | 1,050 | Jul-05 |
| 1032            | Parlin            | NJ    | —  | —                         | 5,273                                | —  | 329   | —             | —        | —                         | —      | 5,602                    | 5,602                    | 1,770 | May-04 |
| 0655            | Toms River        | NJ    | 5,123                                      | 1,790                     | 9,935                                | —  | 277   | —             | —        | —                         | 1,790  | 10,212                   | 12,002                   | 1,891 | Jul-05 |
| 1331            | Union             | NJ    | —  | 1,754                     | 6,237                                | —  | 232   | —             | —        | 78 (c)                    | 1,754  | 6,547                    | 8,301                    | 1,299 | Dec-04 |
| 0547            | Albuquerque       | NM    | —  | 1,298                     | 4,628                                | —  | 599   | —             | —        | —                         | 1,298  | 5,227                    | 6,525                    | 676   | Aug-07 |
| 1058            | Las Vegas         | NV    | 1,244                                      | 251                       | 717                                  | —  | 323   | 27 (a)        | —        | 87 (a)                    | 278    | 1,127                    | 1,405                    | 433   | Feb-00 |
| 1465            | Las Vegas         | NV    | —  | 1,441                     | 1,810                                | —  | 11    | —             | —        | —                         | 1,441  | 1,821                    | 3,262                    | 25    | Jun-11 |
| 1391            | Bohemia           | NY    | 1,580                                      | 1,456                     | 1,398                                | —  | 322   | —             | —        | —                         | 1,456  | 1,720                    | 3,176                    | 215   | Dec-07 |
| 1042            | Bronx             | NY    | —  | 3,450                     | 21,210                               | —  | —     | —             | —        | —                         | 3,450  | 21,210                   | 24,660                   | 23    | Dec-11 |
| 1213            | Bronx             | NY    | 9,774                                      | 3,995                     | 11,870                               | —  | 566   | —             | —        | 28 (c)                    | 3,995  | 12,464                   | 16,459                   | 2,519 | Aug-04 |
| 1399            | Brooklyn          | NY    | 14,069                                     | 12,993                    | 10,405                               | —  | 110   | —             | —        | —                         | 12,993 | 10,515                   | 23,508                   | 893   | Oct-08 |
| 1450            | Brooklyn          | NY    | 6,431                                      | 2,802                     | 6,536                                | —  | 109   | —             | —        | —                         | 2,802  | 6,645                    | 9,447                    | 284   | May-10 |
| 1398            | Centereach        | NY    | 2,135                                      | 2,226                     | 1,657                                | —  | 116   | —             | —        | —                         | 2,226  | 1,773                    | 3,999                    | 165   | Oct-08 |
| 1451            | Freeport          | NY    | 5,485                                      | 5,676                     | 3,784                                | —  | 74    | —             | —        | —                         | 5,676  | 3,858                    | 9,534                    | 113   | Nov-10 |
| 0502            | Mount Vernon      | NY    | 5,100                                      | 1,585                     | 6,025                                | —  | 1,163 | —             | —        | —                         | 1,585  | 7,188                    | 8,773                    | 1,290 | Jul-05 |
| 1087            | Mount Vernon      | NY    | 3,386                                      | 1,926                     | 7,622                                | —  | 606   | —             | —        | 33 (c)                    | 1,926  | 8,261                    | 10,187                   | 1,982 | Nov-02 |

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

| Property Number | Property Name | State | Debt   | Gross carrying amount at December 31, 2011 |                           |                                      |  | Date acquired |         |          |                           |        |                          |                          |
|-----------------|---------------|-------|--------|--|---------------------------|--------------------------------------|--|---------------|---------|----------|---------------------------|--------|--------------------------|--------------------------|
|                 |               |       |        | Land                                       | Building and improvements | Land costs subsequent to acquisition | Building costs subsequent to acquisition |               | Land    | Building | Building and improvements | Total  | Accumulated depreciation | Completed or development |
| 1055            | Nanuet        | NY    | 3,776  | 2,072                                      | 4,644                     | 666                                  | 948                                      | —             | 24 (c)  | 2,738    | 5,616                     | 8,354  | 1,412                    | Feb-02                   |
| 0406            | New Paltz     | NY    | 3,210  | 2,059                                      | 3,715                     | —                                    | 367                                      | —             | —       | 2,059    | 4,082                     | 6,141  | 810                      | Jul-05                   |
| 0539            | New York      | NY    | 10,069 | 3,060                                      | 16,978                    | —                                    | 604                                      | —             | —       | 3,060    | 17,582                    | 20,642 | 3,104                    | Jul-05                   |
| 1050            | Plainview     | NY    | 5,119  | 4,287                                      | 3,710                     | —                                    | 577                                      | —             | —       | 4,287    | 4,287                     | 8,574  | 1,324                    | Dec-00                   |
| 1501            | Cincinnati    | OH    | —      | 2,941                                      | 2,177                     | —                                    | 112                                      | —             | —       | 2,941    | 2,289                     | 5,230  | 32                       | Jun-11                   |
| 1502            | Cincinnati    | OH    | 4,832  | 1,815                                      | 5,733                     | —                                    | 152                                      | —             | —       | 1,815    | 5,885                     | 7,700  | 84                       | Jun-11                   |
| 1503            | Cincinnati    | OH    | —      | 1,445                                      | 3,755                     | —                                    | 80                                       | —             | —       | 1,445    | 3,835                     | 5,280  | 54                       | Jun-11                   |
| 1504            | Cincinnati    | OH    | —      | 1,217                                      | 1,941                     | —                                    | 86                                       | —             | —       | 1,217    | 2,027                     | 3,244  | 29                       | Jun-11                   |
| 0438            | Columbus      | OH    | 2,848  | 483  | 2,654                     | —                                    | 483                                      | —             | —       | 483      | 3,137                     | 3,620  | 715                      | Jul-05                   |
| 1511            | Greenville    | OH    | —      | 189  | 302                       | —                                    | 30                                       | —             | —       | 189      | 332                       | 521    | 5                        | Jun-11                   |
| 1505            | Hamilton      | OH    | —      | 673  | 2,910                     | —                                    | 59                                       | —             | —       | 673      | 2,969                     | 3,642  | 42                       | Jun-11                   |
| 0365            | Kent          | OH    | 1,473  | 220  | 1,206                     | —                                    | 152                                      | —             | —       | 220      | 1,358                     | 1,578  | 319                      | Jul-05                   |
| 1506            | Lebanon       | OH    | —      | 1,657                                      | 1,566                     | —                                    | 62                                       | —             | —       | 1,657    | 1,628                     | 3,285  | 23                       | Jun-11                   |
| 1507            | Middletown    | OH    | —      | 534  | 1,047                     | —                                    | 54                                       | —             | —       | 534      | 1,101                     | 1,635  | 16                       | Jun-11                   |
| 1509            | Sidney        | OH    | —      | 201  | 262                       | —                                    | 51                                       | —             | —       | 201      | 313                       | 514    | 5                        | Jun-11                   |
| 1510            | Troy          | OH    | —      | 273  | 544                       | —                                    | 37                                       | —             | —       | 273      | 581                       | 854    | 9                        | Jun-11                   |
| 1512            | Washington    |       |        |  |                           |                                      |  |               |         |          |                           |        |                          |                          |
|                 | Court House   | OH    | —      | 197  | 499                       | —                                    | 29                                       | —             | —       | 197      | 528                       | 725    | 8                        | Jun-11                   |
| 1508            | Xenia         | OH    | —      | 302  | 1,022                     | —                                    | 45                                       | —             | —       | 302      | 1,067                     | 1,369  | 15                       | Jun-11                   |
| 0288            | Aloha         | OR    | 6,371  | 1,221                                      | 6,262                     | —                                    | 199                                      | —             | —       | 1,221    | 6,461                     | 7,682  | 1,166                    | Jul-05                   |
| 1294            | King City     | OR    | 4,550  | 2,520                                      | 6,845                     | —                                    | 43                                       | —             | —       | 2,520    | 6,888                     | 9,408  | 362                      | Sep-09                   |
| 1332            | Bensalem      | PA    | 3,127  | 1,131                                      | 4,525                     | —                                    | 181                                      | —             | 66 (c)  | 1,131    | 4,772                     | 5,903  | 963                      | Dec-04                   |
| 1354            | Bensalem      | PA    | —      | 750  | 3,015                     | —                                    | 150                                      | —             | —       | 750      | 3,165                     | 3,915  | 518                      | Mar-06                   |
| 1036            | Doylestown    | PA    | —      | 220  | 3,442                     | —                                    | 313                                      | 301 (a)(d)    | 384 (a) | 521      | 4,139                     | 4,660  | 1,053                    | Nov-99                   |
| 1046            | Kennedy       |       |        |  |                           |                                      |  |               |         |          |                           |        |                          |                          |
|                 | Township      | PA    | —      | 736  | 3,173                     | —                                    | 169                                      | —             | —       | 736      | 3,342                     | 4,078  | 1,035                    | May-04                   |
| 1198            | Philadelphia  | PA    | —      | 1,965                                      | 5,925                     | —                                    | 968                                      | —             | 7 (c)   | 1,965    | 6,900                     | 8,865  | 1,483                    | Feb-04                   |
| 1045            | Pittsburgh    | PA    | —      | 889  | 4,117                     | —                                    | 474                                      | —             | —       | 889      | 4,591                     | 5,480  | 1,353                    | May-04                   |
| 1063            | Pittsburgh    | PA    | —      | 991  | 1,990                     | —                                    | 448                                      | 91 (a)        | 199 (a) | 1,082    | 2,637                     | 3,719  | 760                      | Aug-00                   |
| 1048            | Willow Grove  | PA    | —      | 1,297                                      | 4,027                     | —                                    | 164                                      | —             | —       | 1,297    | 4,191                     | 5,488  | 111                      | Jan-11                   |
| 0741            | Johnston      | RI    | 6,974  | 2,658                                      | 4,799                     | —                                    | 365                                      | —             | —       | 2,658    | 5,164                     | 7,822  | 991                      | Jul-05                   |
| 1150            | Johnston      | RI    | —      | 533  | 2,127                     | —                                    | 1  | —             | —       | 533      | 2,128                     | 2,661  | 2                        | Dec-11                   |
| 1303            | Charleston    | SC    | 3,614  | 1,279                                      | 4,171                     | —                                    | 100                                      | —             | 30 (c)  | 1,279    | 4,301                     | 5,580  | 859                      | Aug-04                   |
| 1305            | Columbia      | SC    | 2,896  | 838  | 3,312                     | —                                    | 149                                      | —             | 38 (c)  | 838      | 3,499                     | 4,337  | 734                      | Aug-04                   |
| 1311            | Goose Creek   | SC    | —      | 1,683                                      | 4,372                     | —                                    | 931                                      | —             | 30 (c)  | 1,683    | 5,333                     | 7,016  | 961                      | Aug-04                   |
| 1323            | Summerville   | SC    | —      | 450  | 4,454                     | —                                    | 123                                      | —             | 26 (c)  | 450      | 4,603                     | 5,053  | 923                      | Aug-04                   |
| 0487            | Cordova       | TN    | 2,652  | 852  | 2,720                     | —                                    | 224                                      | —             | —       | 852      | 2,944                     | 3,796  | 578                      | Jul-05                   |
| 0704            | Cordova       | TN    | —      | 894  | 2,680                     | —                                    | 135                                      | —             | —       | 894      | 2,815                     | 3,709  | 383                      | Jan-07                   |
| 8122            | Cordova       | TN    | 2,143  | 652  | 1,791                     | —                                    | 3  | —             | —       | 652      | 1,794                     | 2,446  | 33                       | Apr-11                   |
| 0574            | Nashville     | TN    | 2,960  | 390  | 2,598                     | —                                    | 610                                      | —             | —       | 390      | 3,208                     | 3,598  | 622                      | Apr-06                   |

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

| Property Number | Property Name    | State | Gross carrying amount at December 31, 2011 |                   |  |                                      |  |                  |                      |       |       |                                 | Date acquired |                          |        |
|-----------------|------------------|-------|--|-------------------|--|--------------------------------------|--|------------------|----------------------|-------|-------|---------------------------------|---------------|--------------------------|--------|
|                 |                  |       | Debt                                       | Land initial cost | Building and improvements initial cost | Land costs subsequent to acquisition | Building costs subsequent to acquisition | Land Adjustments | Building Adjustments | Notes | Land  | Building and improvements Total |               | Accumulated depreciation |        |
| 1363            | Allen            | TX    | 4,325                                      | 901               | 5,553                                  | —                                    | 182                                      | —                | —                    | —     | 901   | 5,735                           | 6,636         | 788                      | Nov-06 |
| 1301            | Arlington        | TX    | 2,292                                      | 534               | 2,525                                  | —                                    | 271                                      | —                | 34                   | (c)   | 534   | 2,830                           | 3,364         | 641                      | Aug-04 |
| 1302            | Austin           | TX    | 5,011                                      | 870               | 4,455                                  | —                                    | 250                                      | —                | 35                   | (c)   | 870   | 4,740                           | 5,610         | 972                      | Aug-04 |
| 0514            | Dallas           | TX    | 11,700                                     | 1,980             | 12,501                                 | —                                    | 275                                      | —                | —                    | —     | 1,980 | 12,776                          | 14,756        | 1,914                    | May-06 |
| 0561            | Dallas           | TX    | 2,080                                      | 337               | 2,216                                  | —                                    | 402                                      | —                | —                    | —     | 337   | 2,618                           | 2,955         | 510                      | Apr-06 |
| 1307            | Dallas           | TX    | 11,188                                     | 4,432             | 6,181                                  | —                                    | 417                                      | —                | 36                   | (c)   | 4,432 | 6,634                           | 11,066        | 1,352                    | Aug-04 |
| 0795            | Eules            | TX    | —  | 671               | 3,213                                  | —                                    | 182                                      | —                | —                    | —     | 671   | 3,395                           | 4,066         | 60                       | Apr-11 |
| 1309            | Fort Worth       | TX    | 2,231                                      | 631               | 5,794                                  | —                                    | 178                                      | —                | 31                   | (c)   | 631   | 6,003                           | 6,634         | 1,202                    | Aug-04 |
| 1312            | Grand Prairie    | TX    | 2,317                                      | 551               | 2,330                                  | —                                    | 172                                      | —                | 31                   | (c)   | 551   | 2,533                           | 3,084         | 520                      | Aug-04 |
| 0584            | Houston          | TX    | —  | 2,596             | 8,735                                  | —                                    | 236                                      | —                | —                    | —     | 2,596 | 8,971                           | 11,567        | 1,357                    | Apr-06 |
| 1457            | Houston          | TX    | —  | 402               | 1,870                                  | —                                    | 133                                      | —                | —                    | —     | 402   | 2,003                           | 2,405         | 56                       | Dec-10 |
| 1456            | La Porte         | TX    | —  | 1,608             | 2,351                                  | —                                    | 185                                      | —                | —                    | —     | 1,608 | 2,536                           | 4,144         | 73                       | Dec-10 |
| 1364            | Plano            | TX    | 4,435                                      | 1,010             | 6,203                                  | —                                    | 270                                      | —                | —                    | —     | 1,010 | 6,473                           | 7,483         | 875                      | Nov-06 |
| 1365            | Plano            | TX    | —  | 614               | 3,775                                  | —                                    | 198                                      | —                | —                    | —     | 614   | 3,973                           | 4,587         | 569                      | Nov-06 |
| 1357            | Rowlett          | TX    | 2,052                                      | 1,002             | 2,601                                  | —                                    | 264                                      | —                | —                    | —     | 1,002 | 2,865                           | 3,867         | 441                      | Aug-06 |
| 1306            | San Antonio      | TX    | 993  | 1,269             | 1,816                                  | —                                    | 458                                      | —                | 30                   | (c)   | 1,269 | 2,304                           | 3,573         | 506                      | Aug-04 |
| 1326            | San Antonio      | TX    | 1,150                                      | 253               | 1,496                                  | —                                    | 113                                      | —                | 32                   | (c)   | 253   | 1,641                           | 1,894         | 353                      | Aug-04 |
| 1387            | San Antonio      | TX    | —  | 2,471             | 3,556                                  | —                                    | 186                                      | —                | (408)                | (f)   | 2,471 | 3,334                           | 5,805         | 393                      | Dec-07 |
| 0521            | South Houston    | TX    | 2,413                                      | 478               | 4,069                                  | —                                    | 534                                      | —                | —                    | —     | 478   | 4,603                           | 5,081         | 751                      | Apr-06 |
| 8246            | Spring           | TX    | —  | 978               | 1,347                                  | —                                    | 2  | —                | —                    | —     | 978   | 1,349                           | 2,327         | 13                       | Aug-11 |
| 1006            | Kearns           | UT    | —  | 642               | 2,607                                  | —                                    | 250                                      | —                | —                    | —     | 642   | 2,857                           | 3,499         | 639                      | Jun-04 |
| 1454            | Murray           | UT    | —  | 571               | 986                                    | —                                    | 259                                      | —                | —                    | —     | 571   | 1,245                           | 1,816         | 38                       | Nov-10 |
| 0792            | Orem             | UT    | —  | 841               | 2,335                                  | —                                    | 11                                       | —                | —                    | —     | 841   | 2,346                           | 3,187         | 42                       | Apr-11 |
| 8002            | Salt Lake City   | UT    | 3,180                                      | 986               | 3,455                                  | —                                    | 79                                       | —                | —                    | —     | 986   | 3,534                           | 4,520         | 110                      | Oct-10 |
| 0132            | Sandy            | UT    | 4,045                                      | 1,349             | 4,372                                  | —                                    | 248                                      | —                | —                    | —     | 1,349 | 4,620                           | 5,969         | 849                      | Jul-05 |
| 1455            | West Jordan      | UT    | 2,212                                      | 735               | 2,146                                  | —                                    | 35                                       | —                | —                    | —     | 735   | 2,181                           | 2,916         | 68                       | Nov-10 |
| 0230            | West Valley City | UT    | 1,817                                      | 461               | 1,722                                  | —                                    | 130                                      | —                | —                    | —     | 461   | 1,852                           | 2,313         | 359                      | Jul-05 |
| 1380            | Alexandria       | VA    | 6,094                                      | 1,620             | 13,103                                 | —                                    | 503                                      | —                | —                    | —     | 1,620 | 13,606                          | 15,226        | 1,826                    | Jun-07 |
| 1452            | Arlington        | VA    | —  | —                 | 4,802                                  | —                                    | 45                                       | —                | —                    | —     | —     | 4,847                           | 4,847         | 486                      | Oct-10 |
| 0717            | Dumfries         | VA    | 5,421                                      | 932               | 9,349                                  | —                                    | 38                                       | —                | —                    | —     | 932   | 9,387                           | 10,319        | 151                      | May-11 |
| 0678            | Falls Church     | VA    | 6,090                                      | 1,259             | 6,975                                  | —                                    | 349                                      | —                | —                    | —     | 1,259 | 7,324                           | 8,583         | 1,306                    | Jul-05 |
| 1325            | Richmond         | VA    | 4,703                                      | 2,305             | 5,467                                  | —                                    | 114                                      | —                | 8                    | (c)   | 2,305 | 5,589                           | 7,894         | 1,086                    | Aug-04 |
| 0764            | Stafford         | VA    | 4,554                                      | 2,076             | 5,175                                  | —                                    | 68                                       | —                | —                    | —     | 2,076 | 5,243                           | 7,319         | 403                      | Jan-09 |
| 1341            | Lakewood         | WA    | 4,580                                      | 1,917             | 5,256                                  | —                                    | 158                                      | —                | —                    | —     | 1,917 | 5,414                           | 7,331         | 850                      | Feb-06 |
| 1342            | Lakewood         | WA    | 4,577                                      | 1,389             | 4,780                                  | —                                    | 214                                      | —                | —                    | —     | 1,389 | 4,994                           | 6,383         | 801                      | Feb-06 |
| 0643            | Seattle          | WA    | 7,574                                      | 2,727             | 7,241                                  | —                                    | 203                                      | —                | —                    | —     | 2,727 | 7,444                           | 10,171        | 1,323                    | Jul-05 |

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

| Property | Number   | Property Name | State | Debt      | Building and |              |            | Land        | Building    | Gross carrying amount at |           |              | Accumulated | Date acquired |              |
|----------|--|---------------|-------|-----------|--------------|--------------|------------|-------------|-------------|--------------------------|-----------|--------------|-------------|---------------|--------------|
|          |  |               |       |           | Land         | improvements | Land costs |             |             | Building costs           | Land      | Building     |             |               | Building and |
|          |  |               |       |           | initial cost | subsequent   | subsequent | Adjustments | Adjustments | Notes                    | Land      | improvements | Total       |               |              |
| 1343     | Tacoma   | WA            |       | 3,365     | 1,031        | 3,103        | —          | 135         | —           | —                        | 1,031     | 3,238        | 4,269       | 534           | Feb-06       |
|          | Other corporate assets                           |               |       | 4,850     | 849          | 2,202        | —          | 31,806      | (849)       | (d)                      | —         | 34,008       | 34,008      | 4,377         | Various      |
|          | Construction in progress                         |               |       | —         | —            | —            | —          | 9,366       | —           | —                        | —         | 9,366        | 9,366       | —             |              |
|          | Intangible tenant relationships and lease rights |               |       | —         | —            | 38,407       | —          | 5,035       | —           | —                        | —         | 43,442       | 43,442      | 35,741        | Various      |
|          |  |               |       | \$937,001 | \$598,732    | \$1,827,406  | \$ 666     | \$ 150,618  | \$ (3,803)  | \$ 9,478                 | \$595,595 | \$1,987,502  | \$2,583,097 | \$ 319,302    |              |

- (a) Adjustments relate to the acquisition of joint venture partners interests
- (b) Adjustment relates to partial disposition of land
- (c) Adjustment relates to asset transfers between land, building and/or equipment
- (d) Adjustment relates to asset transfers between entities
- (e) Adjustment relates to impairment charge
- (f) Adjustment relates to a purchase price adjustment

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Activity in real estate facilities during the years ended December 31, 2011, 2010 and 2009 is as follows:

|   | 2011                | 2010                | 2009                |
|---|---------------------|---------------------|---------------------|
| <b>Operating facilities</b>             |                     |                     |                     |
| Balance at beginning of year            | \$ 2,198,361        | \$ 2,249,262        | \$ 2,121,257        |
| Acquisitions                            | 301,531             | 89,750              | 21,764              |
| Improvements                            | 39,352              | 16,563              | 31,652              |
| Transfers from construction in progress | 34,777              | 33,407              | 78,148              |
| Dispositions and other                  | (290)               | (190,621)           | (3,559)             |
| Balance at end of year                  | <u>\$ 2,573,731</u> | <u>\$ 2,198,361</u> | <u>\$ 2,249,262</u> |
| <b>Accumulated depreciation:</b>        |                     |                     |                     |
| Balance at beginning of year            | \$ 263,042          | \$ 233,830          | \$ 182,335          |
| Depreciation expense                    | 56,702              | 48,665              | 50,530              |
| Dispositions and other                  | (442)               | (19,453)            | 965                 |
| Balance at end of year                  | <u>\$ 319,302</u>   | <u>\$ 263,042</u>   | <u>\$ 233,830</u>   |
| <b>Construction in progress</b>         |                     |                     |                     |
| Balance at beginning of year            | \$ 37,083           | \$ 34,427           | \$ 58,734           |
| Current development                     | 7,060               | 36,063              | 67,301              |
| Transfers to operating facilities       | (34,777)            | (33,407)            | (78,148)            |
| Dispositions and other                  | —                   | —                   | (13,460)            |
| Balance at end of year                  | <u>\$ 9,366</u>     | <u>\$ 37,083</u>    | <u>\$ 34,427</u>    |
| Net real estate assets                  | <u>\$ 2,263,795</u> | <u>\$ 1,972,402</u> | <u>\$ 2,049,859</u> |

The aggregate cost of real estate for U.S. federal income tax purposes is \$2,117,151

**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.

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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. Based on our evaluation, our management concluded that our internal control over financial reporting was effective as of December 31, 2011.

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.

**(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, 2011, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (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

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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, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, 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, 2011, and 2010 and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the years in the period ended December 31, 2011 of Extra Space Storage Inc. and our report dated February 29, 2012 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Salt Lake City, Utah  
February 29, 2012

**(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, 2011.

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

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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, 2011.

**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, 2011.

**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, 2011.

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

Information with respect to principal accountant 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, 2011.

**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<br/>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 from Exhibit 2.1 of Form 8-K filed on May 11, 2005).       |
| 3.1                       | Amended and Restated Articles of Incorporation of Extra Space Storage Inc.(1)  |
| 3.2                       | Articles of Amendment dated September 28, 2007 (incorporated by reference from Exhibit 3.1 of Form 8-K filed on October 3, 2007).  |
| 3.3                       | Amended and Restated Bylaws of Extra Space Storage Inc.(incorporated by reference from Exhibit 3.1 of Form 8-K filed on May 26, 2009)  |
| 3.4                       | Second Amended and Restated Agreement of Limited Partnership of Extra Space Storage LP (incorporated by reference from Exhibit 10.1 of Form 8-K filed on June 26, 2007).   |
| 3.5                       | Declaration of Trust of ESS Holdings Business Trust I.(1)  |
| 3.6                       | 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 from 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 from Exhibit 4.2 of Form 8-K filed on August 2, 2005). |
| 4.3                       | Junior Subordinated Note (incorporated by reference from Exhibit 4.3 of Form 10-K filed on February 26, 2010)  |
| 4.4                       | Trust Preferred Security Certificates (incorporated by reference from 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 from Exhibit 4.1 of Form 8-K filed on March 28, 2007).   |
| 10.1                      | Registration Rights Agreement, by and among Extra Space Storage Inc. and the parties listed on Schedule I thereto.(1)  |



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| <u>Exhibit<br/>Number</u> | <u>Description</u>   |
|---------------------------|--|
| 10.3                      | 2004 Long-Term Compensation Incentive Plan as amended and restated effective March 25, 2008 (incorporated by reference from 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 from 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 from 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 from 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 from Exhibit 10.22 of Form 10-K/A filed on March 22, 2007).  |
| 10.10                     | Purchase Agreement, dated June 20, 2005, among Extra Space Storage Inc. and the investors named therein (incorporated by reference from Exhibit 10.1 of Form 8-K filed on June 24, 2005).  |
| 10.11                     | Registration Rights Agreement, dated June 20, 2005, among Extra Space Storage Inc. and the investors named therein (incorporated by reference from Exhibit 10.1 of Form 8-K filed on June 24, 2005).   |
| 10.12                     | 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 from Exhibit 10.1 of Form 8-K filed on August 2, 2005).  |
| 10.13                     | 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 from Exhibit 10.1 of Form 8-K filed on August 2, 2005).  |
| 10.14                     | 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 from Exhibit 10.1 of Form 8-K filed on March 28, 2007). |
| 10.15                     | Contribution Agreement, dated June 15, 2007, among Extra Space Storage LP and various limited partnerships affiliated with AAAAA Rent-A-Space. (incorporated by reference from Exhibit 10.23 of Form 10-K filed on February 26, 2010)  |
| 10.16                     | 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).   |
| 10.17                     | 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).  |

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| <u>Exhibit Number</u> | <u>Description</u>   |
|-----------------------|--|
| 10.18                 | Registration Rights Agreement among Extra Space Storage LP, H. James Knuppe and Barbara Knuppe. (incorporated by reference from Exhibit 10.26 of Form 10-K filed on February 26, 2010)   |
| 10.19                 | 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). |
| 10.20                 | 2004 Long Term Incentive Compensation Plan Restricted Stock Award Agreement (incorporated by reference from Exhibit 10.2 of Form 10-Q filed on November 7, 2007).  |
| 10.21                 | First Amendment to Extra Space Storage Inc. 2004 Non-Employee Directors' Share Plan (incorporated by reference from Exhibit 10.4 of Form 10-Q filed on November 7, 2007).  |
| 10.22                 | Loan Agreement between ESP Seven Subsidiary LLC as Borrower and General Electric Capital Corporation as Lender, dated October 16, 2007. (incorporated by reference from Exhibit 10.30 of Form 10-K filed on February 26, 2010)   |
| 10.23                 | Subscription Agreement, dated December 31, 2007, among Extra Space Storage LLC and Extra Space Development, LLC. (incorporated by reference from Exhibit 10.31 of Form 10-K filed on February 26, 2010)  |
| 10.24                 | First Amendment to Second Amended and Restated Agreement of Limited Partnership of Extra Space Storage LP, dated September 18, 2008. (incorporated by reference from Exhibit 10.32 of Form 10-K filed on February 26, 2010)  |
| 10.25                 | Revolving Promissory Note between Extra Space Properties Thirty LLC and Bank of America as Lender, dated February 13, 2009 (incorporated by reference from Exhibit 10.33 of Form 10-K filed on February 26, 2010)  |
| 10.26                 | Revolving Line of Credit between Extra Space Properties Thirty LLC and Bank of America as Lender, dated February 13, 2009 (incorporated by reference from Exhibit 10.34 of Form 10-K filed on February 26, 2010)   |
| 10.27                 | First Loan and Note Modification Agreement between Extra Space Properties Thirty LLC and Bank of America as lender, dated April 9, 2009(2)   |
| 10.28                 | Second Loan and Note Modification Agreement between Extra Space Properties Thirty LLC and Bank of America as lender, dated May 4, 2009(2)  |
| 10.29                 | Third Loan and Note Modification Agreement between Extra Space Properties Thirty LLC and Bank of America as lender, dated August 27, 2010(2)   |
| 10.30                 | Fourth Loan and Note Modification Agreement between Extra Space Properties Thirty LLC and Bank of America as lender, dated October 19, 2011(2)   |
| 10.31                 | 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).  |
| 10.32                 | Separation and Release Agreement, dated December 7, 2011, among Extra Space Storage Inc., Extra Space Storage LP and Kent W. Christensen (incorporated by reference to Exhibit 10.1 of Form 8-K filed on December 9, 2011).  |
| 10.33                 | Retention Agreement, dated February 21, 2012, between Extra Space Storage Inc. and Karl Haas, incorporated by reference to Exhibit 10.1 of Form 8-K filed on February 21, 2012).   |



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| <u>Exhibit<br/>Number</u> | <u>Description</u>  |
|---------------------------|---|
| 14.0                      | Code of Business Conduct and Ethics adopted May 23, 2007 (incorporated by reference from the Definitive Proxy Statement on Form 14A filed on April 14, 2008.)   |
| 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                        | 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, 2011, filed with the SEC on February 29, 2012, formatted in Extensible Business Reporting Language (XBRL): (i) Consolidated Balance Sheets as of December 31, 2011 and 2010; (ii) Consolidated Statements of Operations for the years ended December 31, 2011, 2010 and 2009; (iii) Consolidated Statements of Stockholders' Equity for the years ended December 31, 2011, 2010 and 2009; (iv) Consolidated Statements of Cash Flows for the years ended December 31, 2011, 2010 and 2009; and (v) Notes to Consolidated Financial Statements. |

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

(2) Filed herewith

(3) Pursuant to Rule 406T of Regulation S-T, these interactive data files are deemed not filed or part of a registration statement or prospectus for purposes of Section 11 or 12 of the Securities Act, are deemed not filed for purposes of Section 18 of the Exchange Act, and otherwise are not subject to liability under these sections.





**FIRST LOAN AND NOTE MODIFICATION AGREEMENT**

(Borrowing Base Revolving Line of Credit)

*Extra Space Properties Thirty LLC*

This **FIRST LOAN AND NOTE MODIFICATION AGREEMENT** (the "*Modification*") is made effective as of April 9, 2009 by and between **EXTRA SPACE PROPERTIES THIRTY LLC**, a Delaware limited liability company (the "*Borrower*"), having its executive offices at c/o Extra Space Storage LLC, 2795 East Cottonwood Parkway, Suite 400, Salt Lake City, Utah 84121, and **BANK OF AMERICA, N.A.**, a national banking association (the "*Lender*"), whose address is Commercial Real Estate Banking, NV1-119-04-08, 300 S. Fourth Street, 4<sup>th</sup> Floor, Las Vegas, Nevada 89101.

***Recitals***

A. Lender has extended to Borrower a borrowing base evolving line of credit (the "*Loan*") in the maximum principal amount of up to **Fifty Million and No/100 Dollars (\$50,000,000.00)** pursuant to a Revolving Line of Credit Agreement (the "*Loan Agreement*") and evidenced by a Promissory Note (the "*Note*"), each dated February 13, 2009. Capitalized terms used herein without definition, shall have the meanings given to such terms in the Loan Agreement and Note.

B. The Loan is secured by, among other things, nine (9) separate Security Instruments executed by Borrower or a Permitted Subsidiary for the benefit of Lender. Each Security Instrument encumbers a separate Property approved by Lender as a Borrowing Base Property. The Loan Agreement, Note, Security Instruments and all other agreements, documents, and instruments securing the Loan and the Note are referred to individually and collectively as the "*Security Documents*".

C. **EXTRA SPACE STORAGE LLC**, a Delaware limited liability company (the "*Guarantor*"), unconditionally guaranteed Borrower's obligations under the Loan and Loan Documents pursuant to that certain Guaranty Agreement dated February 13, 2009 (the "*Guaranty*").

D. The Loan Agreement, the Note, the Security Documents, the Guaranty, any environmental indemnities, guaranties and all other agreements, documents, and instruments evidencing, securing, or otherwise relating to the Loan, as modified in this Modification, are sometimes referred to individually and collectively as the "*Loan Documents*". Hereinafter, "*Loan Agreement*", "*Note*", "*Security Instrument*", "*Security Documents*", "*Guaranty*" and "*Loan Documents*" shall mean such documents as modified in this Modification.

E. Borrower has requested that Lender approve Properties located in Kahului, Maui County, Hawaii (the "*Hawaii Property*") and in North Bergen, Hudson County, New Jersey (the "*New Jersey Property*") as Borrowing Base Properties and, in connection therewith, has also requested that Lender modify the Loan and Loan Documents to (i) waive the requirement that 75% of the Hawaii Property be leased prior to adding the Hawaii Property as a Borrowing Base Property, (ii) adjust the Net Operating Income used to calculate the Initial Debt Service Coverage Ratio Value for the Hawaii Property to reflect a vacancy of 30%, (iii) provide that the Hawaii Property shall cease to be a Borrowing Base Property upon the occurrence of certain events as set forth herein, and (iv) reduce the portion of the Borrowing Base attributable to the New Jersey Property by \$100,000 until Borrower provides Lender with a no further action letter issued by the New Jersey Department of Environmental Protection (the "*NJDEP*") with respect to the New Jersey Property.

F. Lender is willing to so modify the Loan and Loan Documents, and to make other modifications to such documents, subject to the terms and conditions hereof.

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## *Agreement*

For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Borrower and Lender agree as follows:

1. *Recitals.* Borrower hereby acknowledges the accuracy of the Recitals which are incorporated herein by reference.

2. *Modifications to Loan Documents.* The Loan Documents are modified as follows:

2.1 *Borrowing Base Properties.* Subject to the terms and conditions of the Loan Agreement, as modified by this Modification, Lender agrees to include the Hawaii Property and the New Jersey Property as Borrowing Base Properties pursuant to the terms and conditions of the Loan Agreement, as amended hereby.

2.2 *Waiver.*

(a) Borrower acknowledges that the Hawaii Property fails to satisfy the requirement in **Section 4.1(c)(ii)(k)** of the Loan Agreement that not less than 75% of the rentable self storage units and other rentable Improvements on the Hawaii Property (on an overall square footage basis) be leased to third party tenants prior to being added as a Borrowing Base Property (the "*Leasing Requirement*"). Subject to **Section 2.4** below, Lender hereby waives the failure of the Hawaii Property to satisfy the foregoing Leasing Requirement and agrees that the Hawaii Property may notwithstanding such failure, qualify as a Borrowing Base Property if it meets all of the other terms, conditions and requirements of the Loan Documents. This waiver does not apply to the failure of any other Property or Borrowing Base Property to satisfy the Leasing Requirement at any time. This waiver also does not apply to the failure of any Property or Borrowing Base Property, including the Hawaii Property, to satisfy any other term, condition, or covenant of the Loan Agreement, and all other terms and conditions of the Loan Agreement remain unchanged except as modified herein.

(b) Borrower acknowledges that the New Jersey Property fails to satisfy the requirement in **Section 4.1(c)(ii)(e)** of the Loan Agreement that all environmental issues pertaining to the New Jersey Property be fully remediated in accordance with Applicable Law prior to being added as a Borrowing Base Property (the "*Environmental Requirement*"). Subject to **Section 2.6** below, Lender hereby waives the failure of the New Jersey Property to satisfy the foregoing Environmental Requirement and agrees that the New Jersey Property may notwithstanding such failure, qualify as a Borrowing Base Property if it meets all of the other terms, conditions and requirements of the Loan Documents. This waiver does not apply to the failure of any other Property or Borrowing Base Property to satisfy the Environmental Requirement at any time. This waiver also does not apply to the failure of any Property or Borrowing Base Property, including the New Jersey Property, to satisfy any other term, condition, or covenant of the Loan Agreement, and all other terms and conditions of the Loan Agreement remain unchanged except as modified herein.

2.3 *Net Operating Income for Initial Debt Service Coverage Ratio Value.* In the event the vacancy of the Hawaii Property is less than 30%, the Net Operating Income used to calculate the Initial Debt Service Coverage Ratio Value shall be adjusted downward and determined as if such vacancy were 30%. The foregoing adjustment to the Net Operating Income applies only to the calculation of the Initial Debt Service Coverage Ratio Value for the Hawaii Property and shall not apply when calculating the Initial Debt Service Coverage Ratio Value for any other Property or Borrowing Base Property.

2.4 *Leasing and Tenant Matters.* Section 3 of Schedule 3 to the Loan Agreement is hereby amended and restated in its entirety to read as follows:

"3. *Leasing Guidelines.*

Borrower shall not enter into any Lease of self-storage space in the Improvements except in the ordinary course of Borrower's self-storage business and only upon Borrower's standard form of tenant lease. Any material revisions thereto, must have the prior written approval of Lender.

Not less than 70% of the rentable self storage units and other rentable Improvements on the Hawaii Property (on an overall square footage basis) shall be leased to third party tenants upon the permitted terms and conditions set forth herein. In the event Borrower fails to lease the requisite amount of rentable space on the Hawaii Property for two (2) consecutive calendar quarters, the Hawaii Property shall cease to be a Borrowing Base Property at the time of non-compliance. Lender's determination of compliance with the foregoing leasing requirement shall be based on information provided by Borrower to Lender under **Section 7.8** and any additional information requested by Lender pursuant to Section 4 of this *Schedule 3*. If the Hawaii Property ceases to be a Borrowing Base Property, Lender may recalculate the Borrowing Base and Borrower shall remargin the Loan as required by **Section 2.1(b)**."

2.5 *Use Restrictions.* Borrower acknowledges that certain covenants, conditions and restrictions are recorded against the Hawaii Property, including, without limitation, the Declaration of Restriction on Use made by A&B Properties, Inc., a Hawaii corporation ("*A&B*"), dated as of August 7, 1996, and recorded on August 13, 1996 in the Bureau of Conveyances of the State of Hawaii as Document No. 96-116523 (collectively, the "*CCRs*"). In the event any holder, maker or beneficiary of the CCRs (including, without limitation, A&B), its successors or assigns, enforces, or attempts to enforce, the terms and provisions of the CCRs and use of the Hawaii Property for its intended purposes would be actually prohibited or materially limited as determined by Lender in its sole discretion, the Hawaii Property shall immediately cease to be a Borrowing Base Property. If the Hawaii Property ceases to be a Borrowing Base Property, Lender may recalculate the Borrowing Base and Borrower shall remargin the Loan as required by **Section 2.1(b)** of the Loan Agreement.

2.6 *No Further Action Letter.* Notwithstanding anything to the contrary set forth in the Loan Documents, until Borrower provides Lender with a no further action letter issued by the NJDEP with respect to the New Jersey Property, the portion of the Borrowing Base attributable to the New Jersey Property shall be reduced by an amount equal to One Hundred Thousand and No/100 Dollars (\$100,000.00).

2.7 *Conforming Modifications.* Each of the Loan Documents is hereby modified to the extent required to be consistent with the terms hereof. Rights to or interests in any property granted as security in the Loan Documents, including the Security Instrument, shall remain as security for the obligations of the Borrower under the Loan Documents.

2.8 *References.* Each reference in the Loan Documents to any of the Loan Documents shall be a reference to such document as modified herein.

3. *Consent and Agreement of Guarantor.* As a condition precedent to the obligations of Lender hereunder and the effectiveness hereof, Borrower agrees to provide to Lender concurrently with the execution and delivery of this Modification, a fully executed Consent and Agreement of Guarantor in form and substance acceptable to Lender in its sole and absolute discretion.

4. *Fees and Expenses.*

4.1 *Fees and Expenses.* In consideration of Lender's agreements herein, Borrower has agreed to pay to Lender: (i) all legal fees and expenses incurred by Lender in connection herewith, (ii) all title endorsement premium costs incurred by Lender in connection with this Modification;

and (iii) all other costs and expenses incurred by Lender in connection with this Modification and the extension of the Loan. Borrower acknowledges and agrees that such fees are fully earned and nonrefundable as of the date this Modification is executed and delivered by the parties hereto.

4.2 *Method of Payment.* All fees, costs, expenses and other payments due hereunder shall be paid by Borrower to Lender on the date of closing of this Modification or at such later date as such fees, costs, expenses and other payments are incurred by Lender. Lender may in its discretion, disburse such fees, costs, expenses and other payments as an advance under the Loan and Borrower hereby authorizes such disbursement. Borrower acknowledges and agrees that such fees, costs and expenses are earned and nonrefundable as of the date of closing of this Modification or such later date.

5. *Ratification of Loan Documents and Collateral.*

The Loan Documents are ratified and affirmed by Borrower and shall remain in full force and effect as modified herein. Any property or rights to or interests in property granted as security in the Loan Documents shall remain as security for the Loan and the obligations of Borrower in the Loan Documents.

6. *Borrower Representations and Warranties.*

Borrower represents and warrants to Lender:

6.1 No default or event of default under any of the Loan Documents as modified herein, nor any event, that, with the giving of notice or the passage of time or both, would be a default or an event of default under the Loan Documents as modified herein has occurred and is continuing.

6.2 There has been no material adverse change in the financial condition of Borrower or any other person whose financial statement has been delivered to Lender in connection with the Loan from the most recent financial statement received by Lender.

6.3 Each and all representations and warranties of Borrower in the Loan Documents are accurate on the date hereof.

6.4 Borrower has no claims, counterclaims, defenses, or set-offs with respect to the Loan or the Loan Documents as modified herein.

6.5 The Loan Documents as modified herein are the legal, valid, and binding obligation of Borrower, enforceable against Borrower in accordance with their terms.

6.6 Borrower validly exists under the laws of the State of its formation or organization, has not changed its legal name as set forth above, and has the requisite power and authority to execute and deliver this Modification and to perform the Loan Documents as modified herein. The execution and delivery of this Modification and the performance of the Loan Documents as modified herein have been duly authorized by all requisite action by or on behalf of Borrower. This Modification has been duly executed and delivered on behalf of Borrower.

7. *Borrower Covenants.*

Borrower covenants with Lender that:

7.1 Borrower shall execute, deliver, and provide to Lender such additional agreements, documents, and instruments as reasonably required by Lender to effectuate the intent of this Modification.

7.2 Borrower fully, finally, and forever releases and discharges Lender and its successors, assigns, directors, officers, employees, agents, and representatives from any and all actions, causes of action, claims, debts, demands, liabilities, obligations, and suits, of whatever kind or nature, in law or equity of Borrower, whether now known or unknown to Borrower, (i) in respect of the

Loan, the Loan Documents, or the actions or omissions of Lender in respect of the Loan or the Loan Documents and (ii) arising from events occurring prior to the date this Modification is executed and delivered by the parties hereto. Borrower has been advised by its legal counsel, or Borrower has made a reasoned and fully informed decision not to be so represented by counsel, and understands and acknowledges the significance and consequences of this release, and Borrower expressly consents and agrees that the releases contained herein shall be given full force and effect according to each and all of their express terms and provisions including those relating to unknown and unsuspected claims, demands and causes of action, if any, as well as those relating to any other claims, demands and causes of action hereinabove specified.

7.3 If required by Lender, on or prior to the execution and delivery of this Modification, Borrower shall have executed and delivered, or caused to be executed and delivered, to Lender, each in form and substance satisfactory to Lender, such other documents, instruments, resolutions, subordinations, and other agreements as Lender may require in its sole discretion.

7.4 If required by Lender, on or prior to the execution and delivery of this Modification, Borrower shall have provided to Lender a certified resolution authorizing this Modification and designating the person or persons authorized to sign this Modification and any related documents on behalf of Borrower.

8. *Execution and Delivery of Agreement by Lender.*

Lender shall not be bound by this Modification until (i) Lender has executed and delivered this Modification, (ii) Borrower has performed all of the obligations of Borrower under this Modification to be performed contemporaneously with the execution and delivery of this Modification, if any, (iii) Borrower has paid all fees and costs in accordance with **Section 4** hereof, and (iv) Guarantor has executed and delivered to Lender a form of Consent and Agreement of Guarantor acceptable to Lender in all respects.

9. *Integration, Entire Agreement, Change, Discharge, Termination, or Waiver.*

The Loan Documents as modified herein contain the complete understanding and agreement of Borrower and Lender in respect of the Loan and supersede all prior representations, warranties, agreements, arrangements, understandings, and negotiations. No provision of the Loan Documents as modified herein may be changed, discharged, supplemented, terminated, or waived except in a writing signed by the parties thereto.

10. *Binding Effect.*

The Loan Documents, as modified herein, shall be binding upon and shall inure to the benefit of Borrower and Lender and their successors and assigns and the executors, legal administrators, personal representatives, heirs, devisees, and beneficiaries of Borrower; provided, however, Borrower may not assign any of its rights or delegate any of its obligations under the Loan Documents and any purported assignment or delegation shall be void.

11. *Choice of Law.*

This Modification shall be governed by and construed in accordance with the laws of the State of Utah, without giving effect to conflicts of law principles.

12. *Counterpart Execution.*

This Modification may be executed in one or more counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same document. Signature pages may be detached from the counterparts and attached to a single copy of this Modification to physically form one document. Receipt by the Lender of an executed copy of this Modification by facsimile shall constitute conclusive evidence of execution and delivery of this Modification by the signatory thereto.

13. *USA Patriot Act Notice.*

Federal law requires all financial institutions to obtain, verify and record information that identifies each person who opens an account or obtains a loan. Lender will ask for the Borrower's legal name, address, tax ID number or social security number and other identifying information. Lender may also ask for additional information or documentation or take other actions reasonably necessary to verify the identity of the Borrower, guarantors or other related persons

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DATED as of the date first above stated.

**BORROWER:**

**EXTRA SPACE PROPERTIES THIRTY LLC**

a Delaware limited liability company

By: /s/ CHARLES L. ALLEN

Name: Charles L. Allen

Title: Manager

**LENDER:**

**BANK OF AMERICA, N.A.**

a national banking association

By: /s/ ROBERT A. ST. JOHN

Name: Robert A. St. John

Title: Senior Vice President

QuickLinks

[FIRST LOAN AND NOTE MODIFICATION AGREEMENT \(Borrowing Base Revolving Line of Credit\)](#)

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**SECOND LOAN AND NOTE MODIFICATION AGREEMENT**

(Borrowing Base Revolving Line of Credit)

*Extra Space Properties Thirty LLC*

This **SECOND LOAN AND NOTE MODIFICATION AGREEMENT** (the "*Modification*") is made effective as of May 4, 2009 by and between **EXTRA SPACE PROPERTIES THIRTY LLC**, a Delaware limited liability company (the "*Borrower*"), having its executive offices at c/o Extra Space Storage LLC, 2795 East Cottonwood Parkway, Suite 400, Salt Lake City, Utah 84121, and **BANK OF AMERICA, N.A.**, a national banking association (the "*Lender*"), whose address is Commercial Real Estate Banking, NV1-119-04-08, 300 S. Fourth Street, 4<sup>th</sup> Floor, Las Vegas, Nevada 89101.

***Recitals***

A. Lender has extended to Borrower a borrowing base revolving line of credit (the "*Loan*") in the maximum principal amount of up to **Fifty Million and No/100 Dollars (\$50,000,000.00)** pursuant to a Revolving Line of Credit Agreement (the "*Loan Agreement*") and evidenced by a Promissory Note (the "*Note*"), each dated February 13, 2009. Capitalized terms used herein without definition, shall have the meanings given to such terms in the Loan Agreement and Note.

B. The Loan is secured by, among other things, eleven (11) separate Security Instruments executed by Borrower or a Permitted Subsidiary for the benefit of Lender. Each Security Instrument encumbers a separate Property approved by Lender as a Borrowing Base Property. The Loan Agreement, Note, Security Instruments and all other agreements, documents, and instruments securing the Loan and the Note are referred to individually and collectively as the "*Security Documents*".

C. **EXTRA SPACE STORAGE LLC**, a Delaware limited liability company (the "*Guarantor*"), unconditionally guaranteed Borrower's obligations under the Loan and Loan Documents pursuant to that certain Guaranty Agreement dated February 13, 2009 (the "*Guaranty*").

D. The Loan Agreement, the Note, the Security Documents, the Guaranty, any environmental indemnities, guaranties and all other agreements, documents, and instruments evidencing, securing, or otherwise relating to the Loan, as modified in this Modification, are sometimes referred to individually and collectively as the "*Loan Documents*". Hereinafter, "*Loan Agreement*", "*Note*", "*Security Instrument*", "*Security Documents*", "*Guaranty*" and "*Loan Documents*" shall mean such documents as modified in this Modification.

E. Borrower has requested that Lender approve Properties located in San Pablo, Contra Costa County, California (the "*California Property*") and in North Oxford, Worcester County, Massachusetts (the "*Massachusetts Property*") as Borrowing Base Properties. Extra Space of San Pablo LLC, a Delaware limited liability company and a wholly-owned subsidiary of Borrower ("*ES of San Pablo*"), holds a fee simple interest and a leasehold interest in the California Property and, in connection with approving the California Property as a Borrowing Base Property, Borrower has also requested that Lender modify the Loan and Loan Documents to (i) approve ES of San Pablo as a Permitted Subsidiary, (ii) waive the requirement with respect to the California Property that all Borrowing Base Properties (other than the Properties described in *Schedules 6.10* and *6.11* of the Loan Agreement) be owned by Borrower and not by a Permitted Subsidiary, and (iii) waive the requirement with respect to the California Property that Properties be owned in fee by a Permitted Subsidiary.

F. Lender is willing to so modify the Loan and Loan Documents, and to make other modifications to such documents, subject to the terms and conditions hereof.

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## *Agreement*

For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Borrower and Lender agree as follows:

1. *Recitals.* Borrower hereby acknowledges the accuracy of the Recitals which are incorporated herein by reference.

2. *Modifications to Loan Documents.* The Loan Documents are modified as follows:

2.1 *Borrowing Base Properties.* Subject to the terms and conditions of the Loan Agreement, as modified by this Modification, Lender agrees to include the California Property and the Massachusetts Property as Borrowing Base Properties pursuant to the terms and conditions of the Loan Agreement, as modified hereby.

2.2 *Permitted Subsidiary.* Subject to the terms and conditions of the Loan Agreement, as modified by this Modification, Lender agrees to include ES of San Pablo as a Permitted Subsidiary. All references in the Loan Documents to the term "*Permitted Subsidiary*" shall be modified to include ES of San Pablo.

2.3 *Waiver.* Borrower acknowledges that the California Property fails to satisfy (i) the requirement in **Section 4.1(b)** of the Loan Agreement that all Borrowing Base Properties (other than the Properties described in *Schedules 6.10* and *6.11* of the Loan Agreement) be owned by Borrower and not by any Permitted Subsidiary or any other affiliate of Borrower or any third party, and (ii) the requirement that a Property, as defined in *Schedule 1* of the Loan Agreement, be owned in fee by a Permitted Subsidiary (the "*Ownership Requirements*"). Lender hereby waives the failure of the California Property to satisfy the foregoing Ownership Requirements and agrees that the California Property may notwithstanding such failure, qualify as a Borrowing Base Property if it meets all of the other terms, conditions and requirements of the Loan Documents. This waiver does not apply to the failure of any other Property or Borrowing Base Property to satisfy the Ownership Requirements at any time. This waiver also does not apply to the failure of any Property or Borrowing Base Property, including the California Property, to satisfy any other term, condition, or covenant of the Loan Agreement, and all other terms and conditions of the Loan Agreement remain unchanged except as modified herein.

2.4 *Conforming Modifications.* Each of the Loan Documents is hereby modified to the extent required to be consistent with the terms hereof. Rights to or interests in any property granted as security in the Loan Documents, including the Security Instrument, shall remain as security for the obligations of the Borrower under the Loan Documents.

2.5 *References.* Each reference in the Loan Documents to any of the Loan Documents shall be a reference to such document as modified herein.

3. *Consent and Agreement of Guarantor.* As a condition precedent to the obligations of Lender hereunder and the effectiveness hereof, Borrower agrees to provide to Lender concurrently with the execution and delivery of this Modification, a fully executed Consent and Agreement of Guarantor in form and substance acceptable to Lender in its sole and absolute discretion.

4. *Fees and Expenses.*

4.1 *Fees and Expenses.* In consideration of Lender's agreements herein, Borrower has agreed to pay to Lender: (i) all legal fees and expenses incurred by Lender in connection herewith, (ii) all title endorsement premium costs incurred by Lender in connection with this Modification; and (iii) all other costs and expenses incurred by Lender in connection with this Modification and the extension of the Loan. Borrower acknowledges and agrees that such fees are fully earned and nonrefundable as of the date this Modification is executed and delivered by the parties hereto.

4.2 *Method of Payment.* All fees, costs, expenses and other payments due hereunder shall be paid by Borrower to Lender on the date of closing of this Modification or at such later date as such fees, costs, expenses and other payments are incurred by Lender. Lender may in its discretion, disburse such fees, costs, expenses and other payments as an advance under the Loan and Borrower hereby authorizes such disbursement. Borrower acknowledges and agrees that such fees, costs and expenses are earned and nonrefundable as of the date of closing of this Modification or such later date.

5. *Ratification of Loan Documents and Collateral.*

The Loan Documents are ratified and affirmed by Borrower and shall remain in full force and effect as modified herein. Any property or rights to or interests in property granted as security in the Loan Documents shall remain as security for the Loan and the obligations of Borrower in the Loan Documents.

6. *Borrower Representations and Warranties.*

Borrower represents and warrants to Lender:

6.1 No default or event of default under any of the Loan Documents as modified herein, nor any event, that, with the giving of notice or the passage of time or both, would be a default or an event of default under the Loan Documents as modified herein has occurred and is continuing.

6.2 There has been no material adverse change in the financial condition of Borrower or any other person whose financial statement has been delivered to Lender in connection with the Loan from the most recent financial statement received by Lender.

6.3 Each and all representations and warranties of Borrower in the Loan Documents are accurate on the date hereof.

6.4 Borrower has no claims, counterclaims, defenses, or set-offs with respect to the Loan or the Loan Documents as modified herein.

6.5 The Loan Documents as modified herein are the legal, valid, and binding obligation of Borrower, enforceable against Borrower in accordance with their terms.

6.6 Borrower validly exists under the laws of the State of its formation or organization, has not changed its legal name as set forth above, and has the requisite power and authority to execute and deliver this Modification and to perform the Loan Documents as modified herein. The execution and delivery of this Modification and the performance of the Loan Documents as modified herein have been duly authorized by all requisite action by or on behalf of Borrower. This Modification has been duly executed and delivered on behalf of Borrower.

7. *Borrower Covenants.*

Borrower covenants with Lender that:

7.1 Borrower shall execute, deliver, and provide to Lender such additional agreements, documents, and instruments as reasonably required by Lender to effectuate the intent of this Modification.

7.2 Borrower fully, finally, and forever releases and discharges Lender and its successors, assigns, directors, officers, employees, agents, and representatives from any and all actions, causes of action, claims, debts, demands, liabilities, obligations, and suits, of whatever kind or nature, in law or equity of Borrower, whether now known or unknown to Borrower, (i) in respect of the Loan, the Loan Documents, or the actions or omissions of Lender in respect of the Loan or the Loan Documents and (ii) arising from events occurring prior to the date this Modification is executed and delivered by the parties hereto. Borrower has been advised by its legal counsel, or

Borrower has made a reasoned and fully informed decision not to be so represented by counsel, and understands and acknowledges the significance and consequences of this release, and Borrower expressly consents and agrees that the releases contained herein shall be given full force and effect according to each and all of their express terms and provisions including those relating to unknown and unsuspected claims, demands and causes of action, if any, as well as those relating to any other claims, demands and causes of action hereinabove specified.

7.3 If required by Lender, on or prior to the execution and delivery of this Modification, Borrower shall have executed and delivered, or caused to be executed and delivered, to Lender, each in form and substance satisfactory to Lender, such other documents, instruments, resolutions, subordinations, and other agreements as Lender may require in its sole discretion.

7.4 If required by Lender, on or prior to the execution and delivery of this Modification, Borrower shall have provided to Lender a certified resolution authorizing this Modification and designating the person or persons authorized to sign this Modification and any related documents on behalf of Borrower.

8. *Execution and Delivery of Agreement by Lender.*

Lender shall not be bound by this Modification until (i) Lender has executed and delivered this Modification, (ii) Borrower has performed all of the obligations of Borrower under this Modification to be performed contemporaneously with the execution and delivery of this Modification, if any, (iii) Borrower has paid all fees and costs in accordance with **Section 4** hereof, and (iv) Guarantor has executed and delivered to Lender a form of Consent and Agreement of Guarantor acceptable to Lender in all respects.

9. *Integration, Entire Agreement, Change, Discharge, Termination, or Waiver.*

The Loan Documents as modified herein contain the complete understanding and agreement of Borrower and Lender in respect of the Loan and supersede all prior representations, warranties, agreements, arrangements, understandings, and negotiations. No provision of the Loan Documents as modified herein may be changed, discharged, supplemented, terminated, or waived except in a writing signed by the parties thereto.

10. *Binding Effect.*

The Loan Documents, as modified herein, shall be binding upon and shall inure to the benefit of Borrower and Lender and their successors and assigns and the executors, legal administrators, personal representatives, heirs, devisees, and beneficiaries of Borrower; provided, however, Borrower may not assign any of its rights or delegate any of its obligations under the Loan Documents and any purported assignment or delegation shall be void.

11. *Choice of Law.*

This Modification shall be governed by and construed in accordance with the laws of the State of Utah, without giving effect to conflicts of law principles.

12. *Counterpart Execution.*

This Modification may be executed in one or more counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same document. Signature pages may be detached from the counterparts and attached to a single copy of this Modification to physically form one document. Receipt by the Lender of an executed copy of this Modification by facsimile shall constitute conclusive evidence of execution and delivery of this Modification by the signatory thereto.

13. *USA Patriot Act Notice.*

Federal law requires all financial institutions to obtain, verify and record information that identifies each person who opens an account or obtains a loan. Lender will ask for the Borrower's legal name, address, tax ID number or social security number and other identifying information. Lender may also ask for additional information or documentation or take other actions reasonably necessary to verify the identity of the Borrower, guarantors or other related persons

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DATED as of the date first above stated.

**BORROWER:**

**EXTRA SPACE PROPERTIES THIRTY LLC**

a Delaware limited liability company

By: /s/ KENT W. CHRISTENSEN

Name: Kent W. Christensen

Title: Manager

**LENDER:**

**BANK OF AMERICA, N.A.**

a national banking association

By: /s/ RICKY G. MONROE

Name: Ricky G. Monroe

Title: Senior Vice President

QuickLinks

[Exhibit 10.28](#)

[SECOND LOAN AND NOTE MODIFICATION AGREEMENT \(Borrowing Base Revolving Line of Credit\)](#)

[Recitals](#)

[Agreement](#)

**THIRD LOAN AND NOTE MODIFICATION AGREEMENT**

(Borrowing Base Revolving Line of Credit)

*Extra Space Properties Thirty LLC*

This **THIRD LOAN AND NOTE MODIFICATION AGREEMENT** (the "*Modification*") is made as of August 27, 2010 by and between **EXTRA SPACE PROPERTIES THIRTY LLC**, a Delaware limited liability company (the "*Borrower*"), having its executive offices at c/o Extra Space Storage LLC, 2795 East Cottonwood Parkway, Suite 400, Salt Lake City, Utah 84121, and **BANK OF AMERICA, N.A.**, a national banking association (the "*Lender*"), whose address is Commercial Real Estate Banking, NV1-119-04-08, 300 Fourth Street, 4<sup>th</sup> Floor, Las Vegas, Nevada 89101.

***Recitals***

A. Lender has extended to Borrower a borrowing base revolving line of credit (the "*Loan*") in the maximum principal amount of up to **Fifty Million and No/100 Dollars (\$50,000,000.00)** pursuant to a Revolving Line of Credit Agreement (the "*Loan Agreement*") and evidenced by a Promissory Note (the "*Note*"), each dated as of February 13, 2009. Capitalized terms used herein without definition, shall have the meanings given to such terms in the Loan Agreement and Note.

B. As of the date hereof, the Loan is secured by, among other things, fifteen (15) separate Security Instruments executed by Borrower or a Permitted Subsidiary for the benefit of Lender. Each Security Instrument encumbers a separate Property approved by Lender as a Borrowing Base Property.

C. **EXTRA SPACE STORAGE LLC**, a Delaware limited liability company (the "*Original Guarantor*"), unconditionally guaranteed Borrower's obligations under the Loan and Loan Documents pursuant to that certain Guaranty Agreement dated as of February 13, 2009 (the "*Original Guaranty*").

D. The Loan Agreement, the Note, each Security Instrument, the Original Guaranty, any environmental indemnities, guaranties and all other agreements, documents, and instruments evidencing, securing, or otherwise relating to the Loan, as previously modified by that certain First Loan and Note Modification Agreement dated as of April 9, 2009 (the "*First Modification*") and that certain Second Loan and Note Modification Agreement dated as of May 4, 2009 and as further modified in this Modification, are sometimes referred to individually and collectively as the "*Loan Documents*". Hereinafter, "*Loan Agreement*", "*Note*", "*Security Instrument*", "*Original Guaranty*" and "*Loan Documents*" shall mean such documents as modified in this Modification.

E. Borrower has requested that Lender modify the Loan and Loan Documents to, among other things, (i) extend the maturity of the Loan and Note, (ii) increase the interest rate applicable to the Loan and Note, and (iii) add **EXTRA SPACE STORAGE INC.**, a Maryland corporation, as an additional guarantor of Borrower's obligations under the Loan and Loan Documents (the "*Additional Guarantor*," and together with the Original Guarantor, individually and collectively as the context requires, jointly and severally, the "*Guarantor*").

F. Lender is willing to so modify the Loan and Loan Documents, and to make other modifications to such documents, subject to the terms and conditions hereof.

***Agreement***

For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Borrower and Lender agree as follows:

1. *Recitals.* Borrower hereby acknowledges the accuracy of the Recitals which are incorporated herein by reference.
-

2. *Modifications to Loan Documents.* The Loan Documents are modified as follows:

2.1 *Definitions.* The following defined terms are inserted as new terms into **Schedule 1** to the Loan Agreement or, to the extent any of the following terms are set forth in **Schedule 1** to the Loan Agreement, such terms are hereby amended and restated in their entirety as follows:

"*Extra Space Storage Inc.*" means Extra Space Storage Inc., a Maryland corporation.

"*Extra Space Storage LLC*" means Extra Space Storage LLC, a Delaware limited liability company.

"*Floating Rate Margin*" means three hundred fifty (350) basis points per annum.

"*Guarantor*" means, individually and collectively as the context requires, jointly and severally, Extra Space Storage Inc., Extra Space Storage LLC, and their respective successors and assigns.

"*Guaranty*" means the Guaranty Agreement dated as of February 13, 2009 executed by Extra Space Storage LLC for the benefit of Lender and the Guaranty Agreement dated as of August , 2010 executed by Extra Space Storage Inc. for the benefit of Lender, as the same may from time to time be extended, amended, restated, supplemented or otherwise modified.

2.2 *Maturity Date.* The definition of the term "*Maturity Date*" appearing in **Section 1(a)** of the Note is amended to refer to an extended maturity date of February 13, 2013. All other references to the Maturity Date in the Loan Documents are hereby modified to be consistent with February 13, 2013 as the Maturity Date. All principal, interest and other sums due under the Loan Documents shall be due and payable in full on the Maturity Date.

2.3 *Extension Option.* Lender shall grant a request by Borrower to extend the Maturity Date to February 13, 2014 (the "*Extended Maturity Date*"), upon and subject to the following terms and conditions:

(a) *Basic Conditions.* Unless otherwise agreed by Lender in writing:

(i) Borrower shall request the extension, if at all, by written notice to Lender not more than ninety (90) days, and not less than thirty (30) days, prior to the Maturity Date.

(ii) At the time of the request, and at the time of the extension, there shall not exist any Default or Event of Default.

(iii) Borrower shall recalculate the Borrowing Base using the Adjusted (LTV) Appraised Value, Initial Debt Service Coverage Ratio and/or Ongoing Debt Service Coverage Ratio for each Borrowing Base Property as set forth in **Section 2.3(b)** of this Modification and provide Lender with supporting documentation for such calculations, and Borrower shall remargin the Loan if and as required by **Section 2.1(b)** of the Loan Agreement.

(iv) Current financial statements regarding Borrower and each Guarantor (which requirement may be satisfied by providing the most recent quarterly statements required by **Section 2.6** below) and all other financial statements and other information as may be required under the Loan Documents regarding Borrower, Guarantor and the Property, shall have been submitted promptly to Lender, and there shall not have occurred, in the opinion of Lender, any material adverse change in the business or financial condition of Borrower or Guarantor, or in the Property or in any other state of facts submitted to Lender in connection with the Loan Documents, from that which existed on the date of the Note.

(v) Whether or not the extension becomes effective, Borrower shall pay all out-of-pocket costs and expenses incurred by Lender in connection with the proposed extension (pre- and post-closing), including appraisal fees, environmental audit and reasonable attorneys' fees actually incurred by Lender; all such costs and expenses incurred up to the time of Lender's written agreement to the extension shall be due and payable prior to Lender's execution of that agreement (or if the proposed extension does not become effective, then upon demand by Lender), and any future failure to pay such amounts (after notice and opportunity to cure as provided for other payment obligations in the Loan Documents) shall constitute a default under the Loan Documents.

(vi) All applicable regulatory requirements, including appraisal requirements, shall have been satisfied with respect to the extension.

(vii) Not later than the Maturity Date, (A) the extension shall have been consented to and documented to Lender's satisfaction by Borrower, Guarantor, Lender, and all other parties deemed necessary by Lender (such as any permitted subordinate lienholders, tenants of the Property and permanent lenders (if any)); (B) Lender shall have been provided with an updated title report and appropriate title insurance endorsements shall have been issued as required by Lender; and (C) Borrower shall have paid to Lender a non-refundable extension fee in an amount equal to thirty-five (35) basis points of the Loan Amount.

If all of the foregoing conditions are not satisfied strictly in accordance with their terms, the extension shall not be or become effective.

(b) *Changes in Loan Terms.* All terms and conditions of the Loan Documents shall continue to apply to the extended term except to the extent changed as indicated below (such changes to be effective on and after the original Maturity Date, if the extension becomes effective as provided herein):

(i) *Definition of Maturity Date.* The Maturity Date shall mean the Extended Maturity Date.

(ii) *Definition of Adjusted (LTV) Appraised Value.* The Adjusted (LTV) Appraised Value shall mean, with respect to any Property or Borrowing Base Property, an amount equal to sixty-five percent (65%) of the Appraised Value of such Property or Borrowing Base Property.

(iii) *Definition of Initial Debt Service Coverage Ratio and Ongoing Debt Service Coverage Ratio.* The Initial Debt Service Coverage Ratio and the Ongoing Debt Service Coverage Ratio shall mean, for any Property or Borrowing Base Property owned in fee simple by Borrower, the value of any such Property or Borrowing Base Property determined as the maximum loan amount which could be outstanding which yields a debt service coverage ratio of not less than 1.45, which ratios shall be calculated and determined as more particularly set forth in the definition of the terms " *Initial Debt Service Coverage Ratio*" and " *Ongoing Debt Service Coverage Ratio*" appearing in **Schedule 1** of the Loan Agreement.

2.4 *Interest Rate.* **Section 3** of the Note is hereby amended and restated in its entirety as follows:

"Section 3. *Interest Rate.*

(a) *BBA LIBOR Daily Floating Rate.* The unpaid principal balance of this Note from day to day outstanding which is not past due, shall bear interest at a fluctuating rate of interest per annum equal to the BBA LIBOR Daily Floating Rate for that day plus the

Floating Rate Margin. The "*BBA LIBOR Daily Floating Rate*" shall mean a fluctuating rate of interest per annum equal to the British Bankers Association LIBOR Rate ("*BBA LIBOR*"), as published by Reuters (or other commercially available source providing quotations of BBA LIBOR as selected by Lender from time to time) as determined for each Business Day at approximately 11:00 a.m. London time two (2) London Banking Days prior to the date in question, for U.S. Dollar deposits (for delivery on the first day of such interest period) with a one month term, as adjusted from time to time in Lender's sole discretion for reserve requirements, deposit insurance assessment rates and other regulatory costs. A "*London Banking Day*" is a day on which banks in London are open for business and dealing in offshore dollars. Interest shall be computed for the actual number of days which have elapsed, on the basis of a 360-day year.

(b) *Alternative Rates.* Lender may notify Borrower if the BBA LIBOR Daily Floating Rate is not available for any reason, or if Lender determines that no adequate basis exists for determining the BBA LIBOR Daily Floating Rate, or that the BBA LIBOR Daily Floating Rate will not adequately and fairly reflect the cost to Lender of funding the Loan, or that any applicable Law or regulation or compliance therewith by Lender prohibits or restricts or makes impossible the charging of interest based on the BBA LIBOR Daily Floating Rate. If Lender so notifies Borrower, then interest shall accrue and be payable on the unpaid principal balance of this Note at a fluctuating rate of interest equal to the Prime Rate of Lender plus one hundred (100) basis points, from the date of such notification by Lender until Lender notifies Borrower that the circumstances giving rise to such suspension no longer exist, or until the Maturity Date of this Note (whether by acceleration, declaration, extension or otherwise), whichever is earlier to occur. The term "*Prime Rate*" means, on any day, the rate of interest per annum then most recently established by Lender as its "prime rate." Any such rate is a general reference rate of interest, may not be related to any other rate, and may not be the lowest or best rate actually charged by Lender to any customer or a favored rate and may not correspond with future increases or decreases in interest rates charged by other lenders or market rates in general, and Lender may make various business or other loans at rates of interest having no relationship to such rate. Any change in the Prime Rate shall take effect at the opening of business on the day specified in the public announcement of a change in Lender's Prime Rate. If Lender (including any subsequent holder of this Note) ceases to exist or to establish or publish a prime rate from which the Prime Rate is then determined, the applicable variable rate from which the Prime Rate is determined thereafter shall be instead the prime rate reported in *The Wall Street Journal* (or the average prime rate if a high and a low prime rate are therein reported), and the Prime Rate shall change without notice with each change in such prime rate as of the date such change is reported.

(c) *Past Due Rate.* If any amount payable by Borrower under any Loan Document is not paid when due (without regard to any applicable grace periods), such amount shall thereafter bear interest at the Past Due Rate (as defined below) to the fullest extent permitted by applicable Law. Accrued and unpaid interest on past due amounts (including interest on past due interest) shall be due and payable on demand at a fluctuating rate per annum (the "*Past Due Rate*") equal to the BBA LIBOR Daily Floating Rate plus seven hundred fifty (750) basis points."

2.5 *Financial Covenants.* Section 4 of the Original Guaranty is hereby deleted in its entirety. In lieu thereof, Borrower shall cause Additional Guarantor to *maintain* at all times, a consolidated tangible net worth determined in accordance with GAAP equal to at SEVEN HUNDRED FIFTY MILLION AND NO/100 DOLLARS (\$750,000,000.00) ("*Net Worth*"). Such covenant shall be

tested by Lender as of June 30 and December 31 of each calendar year and Lender may further test compliance with such covenant at any time or times and in its sole and absolute discretion, based on information available to Lender. Computations required to determine or test compliance with such Net Worth covenant shall be calculated based on a GAAP financial statement basis based on financial statements for Additional Guarantor as submitted to Lender or such other financial statements or information which is available to Lender.

2.6 *Financial Statements.* **Section 7.8** of the Loan Agreement is hereby amended and restated in its entirety as follows:

*"7.8 Books and Records; Financial Statements; Tax Returns.*

Borrower, Guarantor and each Permitted Subsidiary will keep and maintain full and accurate books and records administered in accordance with sound accounting principles, consistently applied, showing in detail the earnings and expenses of each Property and the operation thereof. Borrower, Guarantor and each Permitted Subsidiary will keep and maintain its books and records, including recorded data of any kind and regardless of the medium of recording, at the address of Borrower set forth in **Section 11.6**. Borrower, Guarantor and each Permitted Subsidiary shall permit Lender, or any Person authorized by Lender, to inspect and examine such books and records (regardless of where maintained) and all supporting vouchers and data and to make copies and extracts therefrom at all reasonable times and as often as may be requested by Lender. Borrower will furnish or cause to be furnished to Lender:

(a) Quarterly financial statements, including balance sheets and income statements, for Extra Space Storage LLC within forty-five (45) days of the end of each calendar quarter; (provided that the December 31 quarter end financial statements shall not be due for 120 days following the quarter end. Such financial statements shall be prepared in accordance with GAAP.

(b) Quarterly unaudited financial statements, including balance sheets and income statements, for Extra Space Storage Inc. within forty-five (45) days of the end of each calendar quarter; (provided that the December 31 quarter end financial statements shall not be due for 120 days following the quarter end. Such financial statements shall be prepared in accordance with GAAP and shall contain and unqualified opinion of the auditors thereof.

(c) If requested by Lender, the annual federal income tax return together with all schedules and supporting exhibits of Borrower within thirty (30) of filing but not later than November 1 of the succeeding year.

(d) A quarterly compliance certificate from each of Borrower and Guarantor within forty-five (45) days of the end of each calendar quarter.

(e) A quarterly rent roll and operating statement for each Borrowing Base Property and its tenants and leases within forty-five (45) days of the end of each calendar quarter.

(f) A current Borrowing Base Certificate within forty-five (45) days of the end of each calendar quarter.

All financial statements must be in form and detail acceptable to Lender and must be certified as to accuracy by Borrower and/or Guarantor, as applicable. Borrower shall provide, upon Lender's request, convenient facilities for the audit and verification of any such statement. All certifications and signatures on behalf of corporations, partnerships, limited liability companies and other entities shall be by a representative of the reporting party satisfactory to Lender."

2.7 *Leasing and Tenant Matters.* Pursuant to Section 2.4 of the First Modification, Borrower agreed that not less than 70% of the rentable self storage units and other rentable Improvements

on the Hawaii Property (on an overall square footage basis) shall be leased to third party tenants upon the permitted terms and conditions set forth herein. Lender has now agreed to delete such requirement. Accordingly, Section 3 of **Schedule 3** to the Loan Agreement is hereby amended and restated in its entirety to read as follows:

"3. *Leasing Guidelines.*

Borrower shall not enter into any Lease of self-storage space in the Improvements except in the ordinary course of Borrower's self-storage business and only upon Borrower's standard form of tenant lease. Any material revisions thereto, must have the prior written approval of Lender."

2.8 *Additional Guarantor.* Additional Guarantor shall unconditionally guarantee the obligations of Borrower under the Loan and the Loan Documents, jointly and severally, with the Original Guarantor. Borrower shall cause the Additional Guarantor to execute such joinder agreements and/or guaranty agreements as Lender may require from time to time to effectuate such guarantee. All references in the Loan Documents to the Guarantor are hereby modified to include the Additional Guarantor as a guarantor, jointly and severally, with the Original Guarantor.

2.9 *Conforming Modifications.* Each of the Loan Documents is hereby modified to the extent required to be consistent with the terms hereof. Rights to or interests in any property granted as security in the Loan Documents, including the Security Instruments, shall remain as security for the obligations of the Borrower under the Loan Documents.

2.10 *References.* Each reference in the Loan Documents to any of the Loan Documents shall be a reference to such document as modified herein.

3. *Consent and Agreement of Guarantor.* As a condition precedent to the obligations of Lender hereunder and the effectiveness hereof, Borrower agrees to provide to Lender concurrently with the execution and delivery of this Modification, (i) a Consent and Agreement of Guarantor and Joinder executed by Guarantor, (ii) a Guaranty Agreement executed by Additional Guarantor and (iii) a certified resolution of the board of directors of Additional Guarantor authorizing Additional Guarantor's unconditional guarantee of the obligations of Borrower under the Loan and the Loan Documents and designating the person or persons authorized to sign documents on behalf of Additional Guarantor to effectuate the foregoing, each in form and substance acceptable to Lender in its sole and absolute discretion.

4. *Fees and Expenses.*

4.1 *Fees and Expenses.* In consideration of Lender's agreements herein, Borrower has agreed to pay to Lender: (i) an extension fee in the amount of One Hundred Seventy-Five Thousand and No/100 Dollars (\$175,000.00) in connection with the extension of maturity, (ii) all legal fees and expenses incurred by Lender in connection herewith, (iii) all title endorsement premium costs incurred by Lender in connection with this Modification, and (iv) all other costs and expenses incurred by Lender in connection with this Modification and the extension of the Loan. Borrower acknowledges and agrees that such fees are fully earned and nonrefundable as of the date this Modification is executed and delivered by the parties hereto.

4.2 *Method of Payment.* All fees, costs, expenses and other payments due hereunder shall be paid by Borrower to Lender on the date of closing of this Modification or at such later date as such fees, costs, expenses and other payments are incurred by Lender. Lender may in its discretion, disburse such fees, costs, expenses and other payments as an advance under the Loan and Borrower hereby authorizes such disbursement. Borrower acknowledges and agrees that such

fees, costs and expenses are earned and nonrefundable as of the date of closing of this Modification.

5. *Ratification of Loan Documents and Collateral.* The Loan Documents are ratified and affirmed by Borrower and shall remain in full force and effect as modified herein. Any property or rights to or interests in property granted as security in the Loan Documents shall remain as security for the Loan and the obligations of Borrower in the Loan Documents.

6. *Borrower Representations and Warranties.* Borrower represents and warrants to Lender:

6.1 No default or event of default under any of the Loan Documents, nor any event, that, with the giving of notice or the passage of time or both, would be a default or an Event of Default under the Loan Documents has occurred and is continuing.

6.2 There has been no material adverse change in the financial condition of Borrower or any other person or entity whose financial statement has been delivered to Lender in connection with the Loan from the most recent financial statement received by Lender.

6.3 Each and all representations and warranties of Borrower in the Loan Documents are accurate on the date hereof.

6.4 Borrower has no claims, counterclaims, defenses, or set-offs with respect to the Loan or the Loan Documents.

6.5 The Loan Documents are the legal, valid, and binding obligation of Borrower, enforceable against Borrower in accordance with their terms.

6.6 Borrower validly exists under the laws of the State of its formation or organization, has not changed its legal name as set forth above, and has the requisite power and authority to execute and deliver this Modification and to perform the Loan Documents. The execution and delivery of this Modification and the performance of the Loan Documents have been duly authorized by all requisite action by or on behalf of Borrower. This Modification has been duly executed and delivered on behalf of Borrower.

7. *Borrower Covenants.* Borrower covenants with Lender that:

7.1 Borrower shall execute, deliver, and provide to Lender such additional agreements, documents, and instruments as reasonably required by Lender to effectuate the intent of this Modification.

7.2 Borrower fully, finally, and forever releases and discharges Lender and its successors, assigns, directors, officers, employees, agents, and representatives from any and all actions, causes of action, claims, debts, demands, liabilities, obligations, and suits, of whatever kind or nature, in law or equity of Borrower, whether now known or unknown to Borrower, (i) in respect of the Loan, the Loan Documents, or the actions or omissions of Lender in respect of the Loan or the Loan Documents and (ii) arising from events occurring prior to the date this Modification is executed and delivered by the parties hereto. Borrower has been advised by its legal counsel, or Borrower has made a reasoned and fully informed decision not to be so represented by counsel, and understands and acknowledges the significance and consequences of this release, and Borrower expressly consents and agrees that the releases contained herein shall be given full force and effect according to each and all of their express terms and provisions including those relating to unknown and unsuspected claims, demands and causes of action, if any, as well as those relating to any other claims, demands and causes of action hereinabove specified.

7.3 If required by Lender, on or prior to the execution and delivery of this Modification, Borrower shall have executed and delivered, or caused to be executed and delivered, to

Lender, each in form and substance satisfactory to Lender, such other documents, instruments, resolutions, subordinations, and other agreements as Lender may require in its sole discretion.

7.4 If required by Lender, on or prior to the execution and delivery of this Modification, Borrower shall have provided to Lender a certified resolution authorizing this Modification and designating the person or persons authorized to sign this Modification and any related documents on behalf of Borrower.

8. *Execution and Delivery of Agreement by Lender.* Lender shall not be bound by this Modification until (i) Lender has executed and delivered this Modification, (ii) Borrower has performed all of the obligations of Borrower under this Modification to be performed contemporaneously with the execution and delivery of this Modification, if any, (iii) Borrower has paid all fees and costs in accordance with **Section 4** hereof, and (iv) Guarantor has executed and delivered to Lender the documents set forth in **Section 3** hereof.

9. *Integration, Entire Agreement, Change, Discharge, Termination, or Waiver.* The Loan Documents as modified herein contain the complete understanding and agreement of Borrower and Lender in respect of the Loan and supersede all prior representations, warranties, agreements, arrangements, understandings, and negotiations. No provision of the Loan Documents as modified herein may be changed, discharged, supplemented, terminated, or waived except in a writing signed by the parties thereto.

10. *Binding Effect.* The Loan Documents shall be binding upon and shall inure to the benefit of Borrower and Lender and their successors and assigns and the executors, legal administrators, personal representatives, heirs, devisees, and beneficiaries of Borrower; provided, however, Borrower may not assign any of its rights or delegate any of its obligations under the Loan Documents and any purported assignment or delegation shall be void.

11. *Choice of Law.* This Modification shall be governed by and construed in accordance with the laws of the State of Utah, without giving effect to conflicts of law principles.

12. *Counterpart Execution.* This Modification may be executed in one or more counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same document. Signature pages may be detached from the counterparts and attached to a single copy of this Modification to physically form one document. Receipt by the Lender of an executed copy of this Modification by facsimile shall constitute conclusive evidence of execution and delivery of this Modification by the signatory thereto.

13. *USA Patriot Act Notice.* Federal law requires all financial institutions to obtain, verify and record information that identifies each person who opens an account or obtains a loan. Lender will ask for the Borrower's legal name, address, tax ID number or social security number and other identifying information. Lender may also ask for additional information or documentation or take other actions reasonably necessary to verify the identity of the Borrower, guarantors or other related persons

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DATED as of the date first above stated.

**BORROWER:**

**EXTRA SPACE PROPERTIES THIRTY LLC**

a Delaware limited liability company

By: /s/ KENT W. CHRISTENSEN

Name: Kent W. Christensen

Title: Manager

**LENDER:**

**BANK OF AMERICA, N.A.**

a national banking association

By: /s/ RICKY G. MONROE

Name: Ricky G. Monroe

Title: Senior Vice President

QuickLinks

[Exhibit 10.29](#)

[THIRD LOAN AND NOTE MODIFICATION AGREEMENT \(Borrowing Base Revolving Line of Credit\)](#)

[Recitals](#)

[Agreement](#)

**FOURTH LOAN AND NOTE MODIFICATION AGREEMENT**

(Borrowing Base Revolving Line of Credit)

*Extra Space Properties Thirty LLC*

This **FOURTH LOAN AND NOTE MODIFICATION AGREEMENT** (the "*Modification*") is made as of October 19, 2011 by and between **EXTRA SPACE PROPERTIES THIRTY LLC**, a Delaware limited liability company (the "*Borrower*"), having its executive offices at c/o Extra Space Storage LLC, 2795 East Cottonwood Parkway, Suite 400, Salt Lake City, Utah 84121, and **BANK OF AMERICA, N.A.**, a national banking association (the "*Lender*"), whose address is Real Estate Banking, NV1-119-03-10, 300 S. Fourth Street, 3<sup>rd</sup> Floor, Las Vegas, NV 89101.

***Recitals***

A. Lender has extended to Borrower a borrowing base revolving line of credit (the "*Loan*") in the maximum principal amount of up to **Fifty Million and No/100 Dollars (\$50,000,000.00)** pursuant to a Revolving Line of Credit Agreement (the "*Loan Agreement*") and evidenced by a Promissory Note (the "*Note*"), each dated as of February 13, 2009. Capitalized terms used herein without definition, shall have the meanings given to such terms in the Loan Agreement and Note.

B. As of the date hereof, the Loan is secured by, among other things, fifteen (15) separate Security Instruments executed by Borrower or a Permitted Subsidiary for the benefit of Lender. Each Security Instrument encumbers a separate Property approved by Lender as a Borrowing Base Property.

C. **EXTRA SPACE STORAGE LLC**, a Delaware limited liability company, and **EXTRA SPACE STORAGE INC.**, a Maryland corporation (individually and collectively as the context requires, and jointly and severally, "*Guarantor*"), unconditionally guaranteed Borrower's obligations under the Loan and Loan Documents pursuant to that certain Guaranty Agreement by and between Extra Space Storage LLC and Lender dated as of February 13, 2009 and that certain Guaranty Agreement by and between Extra Space Storage Inc. and Lender dated as of August 27, 2010 (collectively, the "*Guaranty*").

D. The Loan Agreement, the Note, each Security Instrument, the Guaranty, any environmental indemnities, guaranties and all other agreements, documents, and instruments evidencing, securing, or otherwise relating to the Loan, as previously modified by that certain First Loan and Note Modification Agreement dated as of April 9, 2009, that certain Second Loan and Note Modification Agreement dated as of May 4, 2009, that certain Third Loan and Note Modification Agreement dated August 27, 2010, and as further modified in this Modification, are sometimes referred to individually and collectively as the "*Loan Documents*". Hereinafter, "*Loan Agreement*", "*Note*", "*Security Instrument*", "*Guaranty*" and "*Loan Documents*" shall mean such documents as modified in this Modification.

E. Borrower has requested that Lender modify the Loan and Loan Documents to (i) extend the maturity of the Loan and Note, (ii) decrease the interest rate applicable to the Loan and Note, (iii) increase the loan commitment under the Loan Documents, and (iv) make other modifications and amendments, all as set forth herein.

F. Lender is willing to so modify the Loan and Loan Documents, and to make other modifications to such documents, subject to the terms and conditions hereof.

***Agreement***

For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Borrower and Lender agree as follows:

1. *Recitals.* Borrower hereby acknowledges the accuracy of the Recitals which are incorporated herein by reference.
-

2. *Modifications to Loan Documents.* The Loan Documents are modified as follows:

2.1 *Loan Amount.* In connection with Borrower's pledge of additional self-storage facilities as collateral for the Loan, Borrower and Lender desire to increase the loan commitment under the Loan Documents from \$50,000,000.00 to \$75,000,000.00. Accordingly, the Note is hereby amended to state that the principal sum payable thereunder from Borrower to Lender is Seventy-Five Million and No/100 Dollars (\$75,000,000.00). In addition, the definition of "*Loan Amount*" as set forth in **Schedule 1** to the Loan Agreement is hereby amended and restated in its entirety to read as follows:

"*Loan Amount*' means Seventy-Five Million and No/100 Dollars (\$75,000,000.00)."

2.2 *Interest Rate.* The definition of "*Floating Rate Margin*" as set forth in **Schedule 1** to the Loan Agreement is hereby amended and restated in its entirety to read as follows:

"*Floating Rate Margin*' means two hundred fifteen (215) basis points per annum."

2.3 *Maturity Date.* The definition of the term "*Maturity Date*" appearing in **Section 1(a)** of the Note is amended to refer to an extended maturity date of February 13, 2014. All other references to the Maturity Date in the Loan Documents are hereby modified to be consistent with February 13, 2014 as the Maturity Date. All principal, interest and other sums due under the Loan Documents shall be due and payable in full on the Maturity Date.

2.4 *Extension Option.* Lender shall grant a request by Borrower to extend the Maturity Date to February 13, 2015 (the "*Extended Maturity Date*"), upon and subject to the following amended and restated terms and conditions:

(a) *Basic Conditions.* Unless otherwise agreed by Lender in writing:

(i) Borrower shall request the extension, if at all, by written notice to Lender not more than ninety (90) days, and not less than thirty (30) days, prior to the Maturity Date.

(ii) At the time of the request, and at the time of the extension, there shall not exist any Default or Event of Default.

(iii) Borrower shall recalculate the Borrowing Base using the Adjusted (LTV) Appraised Value, Initial Debt Service Coverage Ratio and/or Ongoing Debt Service Coverage Ratio for each Borrowing Base Property and provide Lender with supporting documentation for such calculations, and Borrower shall remargin the Loan if and as required by **Section 2.1(b)** of the Loan Agreement. For these purposes, the Adjusted (LTV) Appraised Value shall mean, with respect to any Property or Borrowing Base Property, an amount equal to **sixty-five percent (65%)** of the Appraised Value of such Property or Borrowing Base Property and Initial Debt Service Coverage Ratio and the Ongoing Debt Service Coverage Ratio shall mean, for any Property or Borrowing Base Property owned in fee simple by Borrower, the value of any such Property or Borrowing Base Property determined as the maximum loan amount which could be outstanding which yields a debt service coverage ratio of not less than **1.45**, which ratios shall be calculated and determined as more particularly set forth in the definition of the terms "*Initial Debt Service Coverage Ratio*" and "*Ongoing Debt Service Coverage Ratio*" appearing in **Schedule 1** of the Loan Agreement. For clarity, such ratios shall remain at **1.75** for Properties or Borrowing Base Properties ground leased by Borrower.

(iv) Current financial statements regarding Borrower and each Guarantor (which requirement may be satisfied by providing the most recent quarterly statements required by **Section 2.6** below) and all other financial statements and other information as may be required under the Loan Documents regarding Borrower, Guarantor and the Property,

shall have been submitted promptly to Lender, and there shall not have occurred, in the opinion of Lender, any material adverse change in the business or financial condition of Borrower or Guarantor, or in the Property or in any other state of facts submitted to Lender in connection with the Loan Documents, from that which existed on the date of the Note.

(v) Whether or not the extension becomes effective, Borrower shall pay all out-of-pocket costs and expenses incurred by Lender in connection with the proposed extension (pre- and post-closing), including appraisal fees and reasonable attorneys' fees actually incurred by Lender; all such costs and expenses incurred up to the time of Lender's written agreement to the extension shall be due and payable prior to Lender's execution of that agreement (or if the proposed extension does not become effective, then upon demand by Lender), and any future failure to pay such amounts (after notice and opportunity to cure as provided for other payment obligations in the Loan Documents) shall constitute a default under the Loan Documents.

(vi) All applicable regulatory requirements, including appraisal requirements, shall have been satisfied with respect to the extension.

(vii) Not later than the Maturity Date, (A) the extension shall have been consented to and documented to Lender's satisfaction by Borrower, Guarantor, Lender, and all other parties reasonably deemed necessary by Lender (such as any permitted subordinate lienholders and permanent lenders (if any)); (B) Lender shall have been provided with an updated title report and appropriate title insurance endorsements shall have been issued as required by Lender; and (C) Borrower shall have paid to Lender a non-refundable extension fee in an amount equal to twenty-five (25) basis points of the Loan Amount.

If all of the foregoing conditions are not satisfied strictly in accordance with their terms, the extension shall not be or become effective.

(b) *Changes in Loan Terms.* All terms and conditions of the Loan Documents shall continue to apply to the extended term except to the extent changed as indicated below (such changes to be effective on and after the original Maturity Date, if the extension becomes effective as provided herein):

(i) *Definition of Maturity Date.* The Maturity Date shall mean the Extended Maturity Date.

(ii) *Definition of Adjusted (LTV) Appraised Value.* The Adjusted (LTV) Appraised Value shall mean, with respect to any Property or Borrowing Base Property, an amount equal to **sixty-five percent (65%)** of the Appraised Value of such Property or Borrowing Base Property.

(iii) *Definition of Initial Debt Service Coverage Ratio and Ongoing Debt Service Coverage Ratio.* The Initial Debt Service Coverage Ratio and the Ongoing Debt Service Coverage Ratio shall mean, for any Property or Borrowing Base Property owned in fee simple by Borrower, the value of any such Property or Borrowing Base Property determined as the maximum loan amount which could be outstanding which yields a debt service coverage ratio of not less than **1.45**, which ratios shall be calculated and determined as more particularly set forth in the definition of the terms "*Initial Debt Service Coverage Ratio*" and "*Ongoing Debt Service Coverage Ratio*" appearing in **Schedule 1** of the Loan Agreement. For clarity, such ratios shall remain at **1.75** for Properties or Borrowing Base Properties ground leased by Borrower.

2.5 *Financial Statements.* **Section 7.8** of the Loan Agreement is hereby amended and restated in its entirety as follows:

"7.8 *Books and Records; Financial Statements; Tax Returns.*

Borrower, Guarantor and each Permitted Subsidiary will keep and maintain full and accurate books and records administered in accordance with sound accounting principles, consistently applied, showing in detail the earnings and expenses of each Property and the operation thereof. Borrower, Guarantor and each Permitted Subsidiary will keep and maintain its books and records, including recorded data of any kind and regardless of the medium of recording, at the address of Borrower set forth in **Section 11.6**. Borrower, Guarantor and each Permitted Subsidiary shall permit Lender, or any Person authorized by Lender, to inspect and examine such books and records (regardless of where maintained) and all supporting vouchers and data and to make copies and extracts therefrom at all reasonable times and as often as may be requested by Lender. Borrower will furnish or cause to be furnished to Lender:

- (a) Annual company prepared financial statements, including balance sheets and income statements, for Borrower within sixty (60) days after each calendar year end. Such financial statements shall be prepared in accordance with GAAP.
- (b) Quarterly company prepared financial statements, including balance sheets and income statements, for Extra Space Storage LLC within forty-five (45) days of the end of each calendar quarter ending on March 31, June 30 or September 30. In addition, annual company prepared financial statements, including balance sheets and income statements, for Extra Space Storage LLC within one hundred (120) days after each calendar year end. Such financial statements shall be prepared in accordance with GAAP
- (c) Quarterly unaudited financial statements, including balance sheets and income statements, for Extra Space Storage Inc. within forty-five (45) days of the end of each calendar quarter. Such financial statements shall be prepared in accordance with GAAP.
- (d) Annual audited financial statements, including balance sheets, income statements and statements of cash flows, for Extra Space Storage Inc. within one hundred twenty (120) days after each calendar year end. Such financial statements shall be prepared in accordance with GAAP and shall contain an unqualified opinion of the auditors thereof.
- (e) If requested by Lender, the annual federal income tax return together with all schedules and supporting exhibits of Borrower and Guarantor within thirty (30) of filing but not later than November 1 of the succeeding year.
- (f) A quarterly compliance certificate from each of Borrower and Guarantor within forty-five (45) days of the end of each calendar quarter.
- (g) A quarterly rent roll and operating statement for each Borrowing Base Property and its tenants and leases within forty-five (45) days of the end of each calendar quarter.
- (h) A current Borrowing Base Certificate within forty-five (45) days of the end of each calendar quarter.

All financial statements must be in form and detail acceptable to Lender and must be certified as to accuracy by Borrower and/or Guarantor, as applicable. Borrower shall provide, upon Lender's request, convenient facilities for the audit and verification of any such statement. All certifications and signatures on behalf of corporations, partnerships, limited liability companies and other entities shall be by a representative of the reporting party satisfactory to Lender."

2.6 *Termination of Commitment.* The Loan Agreement is hereby further modified to include the following provisions:

(a) Notwithstanding anything else to the contrary in the Loan Documents, at its option, Borrower may at any time terminate the commitment of Lender to make further Advances under the Loan Documents. Such termination shall be a complete termination of any and all commitment of Lender to make further Advances or to issue any letter of credit or make other financial accommodations to Borrower under the Loan Documents.

(b) Borrower shall notify Lender in writing of any election to terminate the commitment of Lender hereunder at least ten (10) Banking Days prior to the effective date of such termination (which effective date shall be a Banking Day), specifying such election and the effective date thereof. Any notice delivered by Borrower pursuant to this Section shall be irrevocable. Any termination of Lender's commitment to make Advances under the Loan Documents shall be permanent.

(c) On the effective date of the termination of Lender's commitment, Borrower shall pay to Lender in immediately available funds, the outstanding principal and interest balance of the Note together with all other amounts outstanding or payable to Lender under the Note or other Loan Documents. Borrower shall further pay to Lender any all reasonable costs and expenses relating to the termination of Lender's commitment to make advances. No portion of any commitment or other fee previously paid to Lender by Borrower shall be refunded, prorated or abated in any manner.

(d) On the effective date of the termination of Lender's commitment or upon the occurrence and continuation of an Event of Default, Borrower shall Cash Collateralize the full undrawn portion of the stated amounts of all issued and outstanding letters of credit which were previously issued by Lender pursuant to the Loan Documents. "*Cash Collateralize*" shall mean to pledge and deposit with and deliver to Lender, as collateral for Borrower's reimbursement and other Obligations in respect of letters of credit issued under the Loan Agreement, immediately available unrestricted cash funds in an amount equal to 105% of the full undrawn portion of the stated amounts of all issued and outstanding letters of credit. Such cash collateral shall be held in a bank controlled account established in the name of Borrower but in the sole dominion and control of Lender. Borrower hereby grants to Lender a first priority lien and security interests therein and sole and exclusive control over any such account. With respect to any drawing honored under a letter of credit issued under the Loan Agreement, Lender shall have the right to set off and apply funds from such collateral account to pay for and satisfy Borrower's reimbursement obligations under the Loan Documents in connection with such letter of credit.

(e) Upon the (i) the termination of Lender's commitment to make advances, (ii) the payment in full by Borrower of the outstanding principal and interest balance of the Note together with all other amounts outstanding or payable to Lender under the Note or other Loan Documents and the Cash Collateralization of the full undrawn portion of the stated amounts of all issued and outstanding letters of credit which were previously issued by Lender pursuant to the Loan Documents, and (iii) the expiration of all issued and outstanding letters of credit issued under the Loan Agreement, Lender shall release and reconvey its lien and security interests securing the Obligations of Borrower under the Loan Documents except for any lien or security interest related to Cash Collateralization of the full undrawn portion of the stated amounts of all issued and outstanding letters of credit which were previously issued by Lender pursuant to the Loan Documents, which liens and security interests shall continue in full force and effect.

(f) Upon the latest to occur of (i) the termination of Lender's commitment to make advances, (ii) the payment in full by Borrower of the outstanding principal and interest balance of the Note together with all other amounts outstanding or payable to Lender under

the Note or other Loan Documents and the Cash Collateralization of the full undrawn portion of the stated amounts of all issued and outstanding letters of credit which were previously issued by Lender pursuant to the Loan Documents, and (iii) the expiration of all issued and outstanding letters of credit issued under the Loan Agreement, Lender shall release its liens and security interest related to Cash Collateralization of the full undrawn portion of the stated amounts of all issued and outstanding letters of credit and shall upon final satisfaction of any amounts remaining outstanding and owing under the Loan Documents, refund to Borrower any remaining unapplied cash collateral and thereupon the Loan Documents shall terminate.

*2.7 Permitted Subsidiaries; Borrowing Base Properties.*

(a) *Borrowing Base Properties.* Borrower has requested that Lender approve the properties listed on *Schedule 1* attached hereto as Borrowing Base Properties. Subject to the terms and conditions of the Loan Agreement, as modified by this Modification, Lender agrees to include the properties listed on *Schedule 1* attached hereto as Borrowing Base Properties pursuant to the terms and conditions of the Loan Agreement, as modified hereby.

(b) *Permitted Subsidiaries; Waiver.* ASSB FF LLC, an Ohio limited liability company, and ASSB LB LLC, an Ohio limited liability company (collectively, "ASSB Entities"), are wholly-owned subsidiaries of Borrower and hold fee simple interests in the properties listed on *Schedule 1* as Cincinnati, Ohio (ES Property # 1503) and Lebanon, Ohio (ES Property # 1506), respectively (the "Ohio Properties"). In connection with approving the Ohio Properties as Borrowing Base Properties, Borrower has also requested that Lender modify the Loan and Loan Documents to (i) approve the ASSB Entities as Permitted Subsidiaries, and (ii) waive the requirement with respect to the Ohio Properties that all Borrowing Base Properties (other than the Properties described in *Schedules 6.10* and *6.11* of the Loan Agreement) be owned by Borrower and not by a Permitted Subsidiary. Subject to the terms and conditions of the Loan Agreement, as modified by this Modification, Lender agrees to include the ASSB Entities as Permitted Subsidiaries. All references in the Loan Documents to the term "Permitted Subsidiary" shall be modified to include the ASSB Entities. Notwithstanding the foregoing, Borrower acknowledges that the Ohio Properties fail to satisfy the requirement in **Section 4.1(b)** of the Loan Agreement that all Borrowing Base Properties (other than the Properties described in *Schedules 6.10* and *6.11* of the Loan Agreement) be owned by Borrower and not by any Permitted Subsidiary or any other affiliate of Borrower or any third party (the "Ownership Requirement"). Lender hereby waives the failure of the Ohio Properties to satisfy the foregoing Ownership Requirement and agrees that the Ohio Properties may, notwithstanding such failure, qualify as Borrowing Base Properties. This waiver does not apply to the failure of any other Property or Borrowing Base Property to satisfy the Ownership Requirement at any time. This waiver also does not apply to the failure of any Property or Borrowing Base Property, including the Ohio Properties, to satisfy any other term, condition, or covenant of the Loan Agreement.

*2.8 Conforming Modifications.* Each of the Loan Documents is hereby modified to the extent required to be consistent with the terms hereof. Rights to or interests in any property granted as security in the Loan Documents, including the Security Instruments, shall remain as security for the obligations of the Borrower under the Loan Documents.

*2.9 References.* Each reference in the Loan Documents to any of the Loan Documents shall be a reference to such document as modified herein.

*3. Consent and Agreement of Guarantor.* As a condition precedent to the obligations of Lender hereunder and the effectiveness hereof, Borrower agrees to provide to Lender concurrently with the execution and delivery of this Modification, a fully executed Consent and Agreement of Guarantor in form and substance acceptable to Lender in its sole and absolute discretion.

4. *Fees and Expenses.*

4.1 *Fees and Expenses.* In consideration of Lender's agreements herein, Borrower has agreed to pay to Lender: (i) an extension fee in the amount of One Hundred Eighty-Seven Thousand Five Hundred and No/100 Dollars (\$187,500.00) in connection with the extension of maturity, (ii) all legal fees and expenses incurred by Lender in connection herewith, (iii) all title endorsement premium costs incurred by Lender in connection with this Modification, and (iv) all other costs and expenses incurred by Lender in connection with this Modification and the extension of the Loan. Borrower acknowledges and agrees that such fees are fully earned and nonrefundable as of the date this Modification is executed and delivered by the parties hereto.

4.2 *Method of Payment.* All fees, costs, expenses and other payments due hereunder shall be paid by Borrower to Lender on the date of closing of this Modification or at such later date as such fees, costs, expenses and other payments are incurred by Lender. Lender may in its discretion, disburse such fees, costs, expenses and other payments as an advance under the Loan and Borrower hereby authorizes such disbursement. Borrower acknowledges and agrees that such fees, costs and expenses are earned and nonrefundable as of the date of closing of this Modification.

5. *Ratification of Loan Documents and Collateral.* The Loan Documents are ratified and affirmed by Borrower and shall remain in full force and effect as modified herein. Any property or rights to or interests in property granted as security in the Loan Documents shall remain as security for the Loan and the obligations of Borrower in the Loan Documents.

6. *Borrower Representations and Warranties.* Borrower represents and warrants to Lender:

6.1 No default or Event of Default under any of the Loan Documents, nor any event, that, with the giving of notice or the passage of time or both, would be a default or an Event of Default under the Loan Documents has occurred and is continuing.

6.2 There has been no material adverse change in the financial condition of Borrower or any other person or entity whose financial statement has been delivered to Lender in connection with the Loan from the most recent financial statement received by Lender.

6.3 Each and all representations and warranties of Borrower in the Loan Documents are accurate on the date hereof.

6.4 Borrower has no claims, counterclaims, defenses, or set-offs with respect to the Loan or the Loan Documents.

6.5 The Loan Documents are the legal, valid, and binding obligation of Borrower, enforceable against Borrower in accordance with their terms.

6.6 Borrower validly exists under the laws of the State of its formation or organization, has not changed its legal name as set forth above, and has the requisite power and authority to execute and deliver this Modification and to perform the Loan Documents. The execution and delivery of this Modification and the performance of the Loan Documents have been duly authorized by all requisite action by or on behalf of Borrower. This Modification has been duly executed and delivered on behalf of Borrower.

7. *Borrower Covenants.* Borrower covenants with Lender that:

7.1 Borrower shall execute, deliver, and provide to Lender such additional agreements, documents, and instruments as reasonably required by Lender to effectuate the intent of this Modification.

7.2 Borrower fully, finally, and forever releases and discharges Lender and its successors, assigns, directors, officers, employees, agents, and representatives from any and all actions, causes of action, claims, debts, demands, liabilities, obligations, and suits, of whatever kind or nature, in law or equity of Borrower, whether now known or unknown to Borrower, (i) in respect of the Loan, the Loan Documents, or the actions or omissions of Lender in respect of the Loan or the Loan Documents and (ii) arising from events occurring prior to the date this Modification is executed and delivered by the parties hereto. Borrower has been advised by its legal counsel, or Borrower has made a reasoned and fully informed decision not to be so represented by counsel, and understands and acknowledges the significance and consequences of this release, and Borrower expressly consents and agrees that the releases contained herein shall be given full force and effect according to each and all of their express terms and provisions including those relating to unknown and unsuspected claims, demands and causes of action, if any, as well as those relating to any other claims, demands and causes of action hereinabove specified.

7.3 If required by Lender, on or prior to the execution and delivery of this Modification, Borrower shall have executed and delivered, or caused to be executed and delivered, to Lender, each in form and substance satisfactory to Lender, such other documents, instruments, resolutions, subordinations, and other agreements as Lender may require in its sole discretion.

7.4 If required by Lender, on or prior to the execution and delivery of this Modification, Borrower shall have provided to Lender a certified resolution authorizing this Modification and designating the person or persons authorized to sign this Modification and any related documents on behalf of Borrower.

8. *Execution and Delivery of Agreement by Lender.* Lender shall not be bound by this Modification until (i) Lender has executed and delivered this Modification, (ii) Borrower has performed all of the obligations of Borrower under this Modification to be performed contemporaneously with the execution and delivery of this Modification, if any, (iii) Borrower has paid all fees and costs in accordance with **Section 4** hereof, and (iv) Guarantor has executed and delivered to Lender the documents set forth in **Section 3** hereof.

9. *Integration, Entire Agreement, Change, Discharge, Termination, or Waiver.* The Loan Documents as modified herein contain the complete understanding and agreement of Borrower and Lender in respect of the Loan and supersede all prior representations, warranties, agreements, arrangements, understandings, and negotiations. No provision of the Loan Documents as modified herein may be changed, discharged, supplemented, terminated, or waived except in a writing signed by the parties thereto.

10. *Binding Effect.* The Loan Documents shall be binding upon and shall inure to the benefit of Borrower and Lender and their successors and assigns and the executors, legal administrators, personal representatives, heirs, devisees, and beneficiaries of Borrower; provided, however, Borrower may not assign any of its rights or delegate any of its obligations under the Loan Documents and any purported assignment or delegation shall be void.

11. *Choice of Law.* This Modification shall be governed by and construed in accordance with the laws of the State of Utah, without giving effect to conflicts of law principles.

12. *Counterpart Execution.* This Modification may be executed in one or more counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same document. Signature pages may be detached from the counterparts and attached to a single copy of this Modification to physically form one document. Receipt by the Lender of an executed copy of this Modification by facsimile shall constitute conclusive evidence of execution and delivery of this Modification by the signatory thereto.

13. *USA Patriot Act Notice.* Federal law requires all financial institutions to obtain, verify and record information that identifies each person who opens an account or obtains a loan. Lender will ask for the Borrower's legal name, address, tax ID number or social security number and other identifying information. Lender may also ask for additional information or documentation or take other actions reasonably necessary to verify the identity of the Borrower, guarantors or other related persons.

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DATED as of the date first above stated.

**BORROWER:**

**EXTRA SPACE PROPERTIES THIRTY LLC**

a Delaware limited liability company

By: /s/ KENT W. CHRISTENSEN

Name: Kent W. Christensen

Title: Manager

**LENDER:**

**BANK OF AMERICA, N.A.**

a national banking association

By: /s/ RICKY G. MONROE

Name: Ricky G. Monroe

Title: Senior Vice President

**SCHEDULE 1**

*New Borrowing Base Properties*

Indianapolis, Indiana—ES Property # 0652  
St. Louis, Missouri—ES Property # 0656  
Cincinnati, Ohio—ES Property # 1503  
Lebanon, Ohio—ES Property # 1506  
Doylestown, Pennsylvania—ES Property # 1036  
Cordova, Tennessee—ES Property # 0704

Schedule 1-1

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QuickLinks

[Exhibit 10.30](#)

[FOURTH LOAN AND NOTE MODIFICATION AGREEMENT \(Borrowing Base Revolving Line of Credit\)](#)

[Recitals](#)

[Agreement](#)

[SCHEDULE 1](#)

[New Borrowing Base Properties](#)

[QuickLinks](#) -- Click here to rapidly navigate through this document

**Exhibit 21.1**

| <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, 2011. A total of 220 subsidiaries have been excluded, each of which operates in the United States [other than one subsidiary which operates in Bermuda].

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QuickLinks

[Exhibit 21.1](#)

[QuickLinks](#) -- Click here to rapidly navigate through this document

**Exhibit 23.1**

**Consent of Independent Registered Public Accounting Firm**

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

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, 2012, 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, 2011.

/s/ Ernst & Young LLP

Salt Lake City, Utah  
February 29, 2012

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[Exhibit 23.1](#)

**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, 2012

By: /s/ SPENCER F. KIRK

Name: Spencer F. Kirk

Title: *Chairman of the Board and Chief  
Executive Office*

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[Exhibit 31.1](#)

[CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002](#)

**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, 2012

By: /s/ P. SCOTT STUBBS

Name: P. Scott Stubbs

Title: *Executive Vice President and Chief Financial Officer*

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QuickLinks

[Exhibit 31.2](#)

[CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002](#)



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[Exhibit 32](#)

[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](#)

