

Extra Space Storage Inc.
Form 10-K
February 28, 2013

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

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, 2012

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)

Maryland
(State or other jurisdiction of
incorporation or organization)

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

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

(Address of principal executive offices and zip code)

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

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

Title of Each Class
Common Stock, \$0.01 par value

Name of exchange on which registered
New York Stock Exchange, Inc.

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

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

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

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

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

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

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

Large accelerated filer 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 \$2,990,113,517 based upon the closing price on the New York Stock Exchange on June 29, 2012, 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, 2013 was 110,742,088.

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 2013 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;

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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, 2012, we held ownership interests in 729 operating properties. Of these operating properties, 448 are wholly-owned, and 281 are owned in joint venture partnerships. An additional 181 operating properties are owned by 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 910. These operating properties are located in 34 states, Washington, D.C. and Puerto Rico and contain approximately 67.0 million square feet of net rentable space in approximately 610,000 units and currently serve a customer base of over 490,000 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 and redeveloping self-storage facilities. 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. 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, or by contacting our Secretary at our principal offices, which are located at 2795 East Cottonwood Parkway, Suite 400, Salt Lake City, Utah 84121, telephone number (801) 365-4600.

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Management

Members of our executive management team have significant experience in all aspects of the self-storage industry, having acquired and/or developed a significant number of properties since before our IPO. Our executive management team and their years of industry experience are as follows: Spencer F. Kirk, Chief Executive Officer, 15 years; Scott Stubbs, Executive Vice President and Chief Financial Officer, 12 years; Karl Haas, Executive Vice President and Chief Operating Officer, 25 years; Charles L. Allen, Executive Vice President and Chief Legal Officer, 15 years; and Kenneth M. Woolley, Executive Chairman and Chief Investment Officer, 32 years.

Our executive management team and board of directors have a significant ownership position in the Company with executive officers and directors owning approximately 6,119,889 shares or 5.5% of our outstanding common stock as of February 15, 2013.

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 5 feet by 5 feet to 20 feet by 20 feet, with an interior height of 8 feet 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.

Since inception in the early 1970's, the self-storage industry has experienced significant growth. According to the Self-Storage Almanac (the "Almanac"), in 2002 there were only 35,176 self-storage properties in the United States, with an average physical occupancy rate of 85.4% of net rentable square feet, compared to 50,859 self-storage properties in 2012 with an average physical 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.

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The industry is also characterized by fragmented ownership. According to the Almanac, the top ten self-storage companies in the United States owned approximately 11.4% 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, 2012. 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 the majority of our competitors to implement national, regional and local marketing programs, which we believe will 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. We continue to see available acquisitions on which to bid and are seeing increasing prices. However, we remain a disciplined buyer and look for acquisitions that will strengthen our portfolio and increase stockholder value.

Expand our management business. Our management business enables us to generate increased revenues through management fees and expand our geographic footprint. This expanded footprint enables us to reduce our operating costs through economies of scale. In addition, we see our management business as a future acquisition pipeline. We pursue strategic relationships with owners whose properties would enhance our portfolio in the event an opportunity arises to acquire such properties.

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

Line of Credit	As of December 31, 2012		Interest Rate	Origination Date	Maturity	Basis Rate	Notes
	Amount Drawn	Capacity					
Credit Line 1	\$ 35,000	\$ 75,000	2.36%	2/13/2009	2/13/2014	LIBOR plus 2.15%	(1)(4)(5)
Credit Line 2		75,000	2.41%	6/4/2010	5/31/2013	LIBOR plus 2.20%	(2)(4)(5)
Credit Line 3		40,000	2.41%	11/16/2010	11/16/2013	LIBOR plus 2.20%	(3)(4)(5)
Credit Line 4	50,000	50,000	2.36%	4/29/2011	5/1/2014	LIBOR plus 2.15%	(3)(4)(5)
	\$ 85,000	\$ 240,000					

-
- (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 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 280 of our stabilized properties and one 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 maintain the right to receive between 2.0% and 58.3% 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 65.0% 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

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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

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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, 2013, we had 2,283 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 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

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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.

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 1,925 field personnel as of February 15, 2013 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.

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

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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.

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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 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

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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.

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

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

We face competition for the acquisition of 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.

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;

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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 was determined by our senior management team.

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

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

we may be unable to obtain financing for these projects on favorable terms or at all;

we may not complete development or redevelopment projects on schedule or within budgeted amounts;

we may encounter delays or refusals in obtaining all necessary zoning, land use, building, occupancy and other required governmental permits and authorizations; and

occupancy rates and rents at newly developed or redeveloped 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.

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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, who have 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 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, 2012, we held interests in 281 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

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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.

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

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

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

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

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purport to waive or restrict our fiduciary duties that would be in effect under common law were it not for the partnership agreement.

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

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

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

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

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

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

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

Distributions in excess of our current and accumulated earnings and profits and not treated by us as a dividend will not be taxable to a U.S. stockholder under current U.S. federal income tax law to the extent those distributions do not exceed the stockholder's adjusted tax basis in his, her, or its common

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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.

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Risks Related to Our Debt Financings

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

Uncertainty in the credit markets may negatively impact our ability to access additional debt financing or to refinance existing debt maturities on favorable terms (or at all), which may negatively affect our ability to make acquisitions and fund development projects. A downturn in the credit markets may cause us to seek alternative sources of potentially less attractive financing, and may require us to adjust our business plan accordingly. In addition, these factors may make it more difficult for us to sell 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, 2012, we had approximately \$1.6 billion of outstanding indebtedness. We may incur additional debt in connection with future acquisitions and development. We may borrow under our Credit Lines or borrow new funds to finance these future 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;

we may default on our obligations and the lenders or mortgages may enforce our guarantees;

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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, 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, 2012, we had approximately \$1.6 billion of debt outstanding, of which approximately \$298.7 million or 19.0% was subject to variable interest rates (excluding debt with interest rate swaps). This variable rate debt had a weighted average interest rate of approximately 2.3% 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. 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

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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.

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

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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, 2012, we owned or had ownership interests in 729 operating self-storage properties. Of these properties, 448 are wholly-owned and 281 are held in joint ventures. In addition, we managed an additional 181 properties for third parties bringing the total number of properties which we own and/or manage to 910. These properties are located in 34 states, Washington, D.C. and Puerto Rico. We receive a management fee generally equal to approximately 6% of cash collected from total revenues to manage the joint venture and third party sites. As of December 31, 2012, we owned and/or managed approximately 67.0 million square feet of rentable space configured in approximately 610,000 separate storage units. Approximately 81% 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, 2012, over 490,000 tenants were leasing storage units at the 910 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, 2012, the average length of stay was approximately 13 months. The average annual rent per square foot at these stabilized properties was approximately \$13.88 at December 31, 2012, compared to \$13.50 at December 31, 2011.

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.

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The following table presents additional information regarding the occupancy of our stabilized properties by state as of December 31, 2012 and 2011. The information as of December 31, 2011, is on a pro forma basis as though all the properties owned at December 31, 2012, were under our control as of December 31, 2011.

Stabilized Property Data Based on Location

Location	Company Number of Properties	Company Number of Units as of December 31, 2012(1)	Pro forma Number of Units as of December 31, 2011	Company Net Rentable Square Feet as of December 31, 2012(2)	Pro forma Net Rentable Square Feet as of December 31, 2011	Company Square Foot Occupancy % December 31, 2012	Pro forma Square Foot Occupancy % December 31, 2011
Wholly-owned properties							
Alabama	4	1,971	1,957	233,643	233,429	85.4%	77.2%
Arizona	9	5,754	5,745	664,711	664,886	87.4%	86.5%
California	78	58,300	58,107	6,008,132	6,009,544	87.0%	83.6%
Colorado	11	5,290	5,256	660,425	661,320	88.6%	86.5%
Connecticut	4	2,644	2,650	257,813	257,848	88.8%	90.0%
Florida	43	29,213	29,197	3,175,399	3,178,605	86.5%	84.2%
Georgia	17	9,190	9,194	1,176,667	1,177,561	86.9%	84.1%
Hawaii	2	2,788	2,796	137,785	138,084	86.0%	85.7%
Illinois	12	8,070	8,032	872,672	873,699	90.6%	85.8%
Indiana	9	4,600	4,615	542,543	541,609	89.6%	87.2%
Kansas	1	506	505	50,350	50,340	84.9%	89.5%
Kentucky	4	2,151	2,155	254,115	254,065	90.1%	89.2%
Louisiana	2	1,412	1,413	149,865	150,165	89.3%	88.5%
Maryland	20	14,559	14,536	1,572,741	1,570,891	87.3%	87.4%
Massachusetts	32	19,572	19,390	2,000,034	1,988,816	89.2%	88.8%
Michigan	3	1,781	1,772	253,072	252,512	87.1%	87.7%
Missouri	6	3,155	3,156	374,537	374,912	86.9%	88.5%
Nevada	5	3,207	3,214	546,203	495,277	83.4%	79.2%
New Hampshire	2	1,005	1,005	125,773	124,873	90.2%	90.3%
New Jersey	44	35,248	35,328	3,402,478	3,404,398	89.6%	87.7%
New Mexico	3	1,592	1,579	216,064	215,864	86.2%	87.8%
New York	21	17,543	17,552	1,481,265	1,481,570	89.0%	88.6%
Ohio	18	9,670	9,748	1,257,321	1,248,006	88.9%	83.7%
Oregon	2	1,409	1,409	174,660	174,670	92.0%	93.0%
Pennsylvania	9	5,728	5,726	650,755	655,710	88.8%	90.2%
Rhode Island	2	1,180	1,181	130,836	130,756	86.3%	84.2%
South Carolina	5	2,700	2,698	327,725	327,478	85.9%	84.6%
Tennessee	9	4,926	4,889	673,159	668,954	85.3%	84.3%
Texas	25	16,095	16,085	1,894,205	1,891,005	87.4%	85.5%
Utah	8	4,032	3,845	503,750	484,974	87.3%	87.0%
Virginia	11	7,485	7,490	757,546	757,432	86.8%	86.3%
Washington	5	3,054	3,072	370,630	370,745	86.6%	84.2%
Total Wholly-Owned Stabilized	426	285,830	285,297	30,896,874	30,809,998	87.8%	85.8%

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Location	Number of Properties	Company	Pro forma	Company	Pro forma	Company	Pro forma
		Number of Units as of December 31, 2012(1)	Number of Units as of December 31, 2011	Net Rentable Square Feet as of December 31, 2012(2)	Net Rentable Square Feet as of December 31, 2011	Square Foot Occupancy % December 31, 2012	Square Foot Occupancy % December 31, 2011
Joint-venture properties							
Alabama	2	1,147	1,145	145,213	145,063	89.7%	84.6%
Arizona	7	4,211	4,195	493,191	493,422	88.6%	89.2%
California	77	55,510	55,292	5,732,449	5,732,572	90.9%	88.0%
Colorado	2	1,320	1,316	158,553	158,513	88.5%	82.3%
Connecticut	7	5,298	5,299	612,255	611,890	88.9%	89.2%
Delaware	1	589	585	71,680	71,680	92.8%	93.7%
Florida	19	15,274	15,673	1,532,906	1,565,600	87.8%	85.4%
Georgia	2	1,061	1,063	151,684	151,644	86.8%	79.5%
Illinois	6	4,328	4,288	436,411	436,371	89.4%	87.6%
Indiana	5	2,145	2,135	283,611	284,591	91.9%	89.3%
Kansas	2	842	838	108,990	108,905	85.0%	82.2%
Kentucky	4	2,289	2,281	270,013	269,845	89.5%	87.1%
Maryland	13	10,534	10,492	1,023,779	1,019,754	88.8%	87.9%
Massachusetts	13	6,871	6,867	777,077	777,977	90.2%	86.7%
Michigan	8	4,749	4,696	611,558	611,943	91.2%	88.8%
Missouri	1	532	530	61,275	61,275	88.5%	90.8%
Nevada	5	3,062	3,082	325,923	326,895	86.7%	81.7%
New Hampshire	3	1,309	1,310	137,024	137,314	89.7%	87.2%
New Jersey	16	12,869	12,880	1,356,579	1,357,758	90.7%	87.9%
New Mexico	7	3,612	3,603	398,007	398,376	80.8%	85.2%
New York	13	14,119	14,121	1,106,469	1,105,940	92.8%	89.9%
Ohio	8	3,946	3,926	531,937	532,477	87.1%	85.8%
Oregon	1	652	651	64,970	64,970	93.2%	94.9%
Pennsylvania	10	7,944	7,991	799,590	799,911	89.6%	88.9%
Tennessee	17	9,288	9,238	1,214,916	1,213,839	85.8%	84.7%
Texas	17	10,536	10,464	1,388,171	1,381,405	89.3%	88.2%
Virginia	13	9,337	9,343	993,256	993,239	86.7%	87.2%
Washington, DC	1	1,529	1,529	101,989	101,989	90.6%	89.1%
Total Joint-Ventures Stabilized	280	194,903	194,833	20,889,476	20,915,158	89.4%	87.4%

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Location	Number of Properties	Company	Pro forma	Company	Pro forma	Company	Pro forma
		Number of Units as of December 31, 2012(1)	Number of Units as of December 31, 2011	Net Rentable Square Feet as of December 31, 2012(2)	Net Rentable Square Feet as of December 31, 2011	Square Foot Occupancy % December 31, 2012	Square Foot Occupancy % December 31, 2011
Managed properties							
Arizona	1	578	578	67,460	67,300	69.5%	54.8%
California	48	32,763	33,075	4,275,594	4,255,844	73.8%	71.6%
Colorado	4	1,525	1,521	167,393	167,290	91.0%	87.6%
Connecticut	1	481	489	61,480	61,360	78.6%	72.8%
Florida	17	9,016	9,025	1,059,613	1,053,656	81.8%	78.0%
Georgia	2	1,437	1,432	183,800	180,550	80.0%	77.0%
Hawaii	3	3,449	3,516	195,833	202,429	65.5%	57.1%
Illinois	5	2,984	2,952	312,785	312,808	88.4%	74.5%
Indiana	1	498	501	55,225	55,225	81.0%	74.9%
Kentucky	1	535	526	66,868	66,100	89.4%	91.2%
Louisiana	1	1,013	1,015	134,940	135,315	76.5%	65.7%
Maryland	7	4,237	4,216	448,335	448,500	90.3%	87.2%
Massachusetts	4	4,267	4,306	376,423	376,623	61.7%	59.8%
Missouri	2	1,206	1,222	151,716	152,736	84.7%	82.2%
Nevada	2	1,562	1,566	170,575	170,375	75.6%	78.4%
New Jersey	7	4,114	4,127	430,198	427,358	74.4%	70.3%
New Mexico	2	1,109	1,105	132,137	132,262	88.8%	87.5%
North Carolina	8	5,130	5,224	577,589	577,804	80.0%	79.0%
Pennsylvania	15	6,980	7,031	860,662	860,285	82.9%	79.5%
South Carolina	1	606	617	88,430	88,130	88.6%	80.5%
Tennessee	3	1,503	1,491	206,465	205,225	87.3%	86.4%
Texas	8	4,119	4,128	551,599	544,094	87.0%	83.4%
Utah	1	795	795	136,005	136,005	74.8%	74.8%
Virginia	4	2,517	2,516	258,481	258,472	76.0%	74.6%
Washington	1	468	464	56,590	56,590	85.6%	82.9%
Washington, DC	2	1,263	1,263	112,459	112,459	84.7%	89.0%
Puerto Rico	4	2,775	2,775	289,003	289,003	80.2%	80.2%
Total Managed Stabilized	155	96,930	97,476	11,427,658	11,393,798	78.3%	75.3%
Total Stabilized Properties	861	577,663	577,606	63,214,008	63,118,954	86.6%	84.5%

(1) Represents unit count as of December 31, 2012, which may differ from unit count as of December 31, 2011, due to unit conversions or expansions.

(2) Represents net rentable square feet as of December 31, 2012, which may differ from net rentable square feet as of December 31, 2011, due to unit conversions or expansions.

The following table presents additional information regarding the occupancy of our lease-up properties by state as of December 31, 2012 and 2011. The information as of December 31, 2011, is on a pro forma basis as though all the properties owned at December 31, 2012, were under our control as of December 31, 2011.

Table of Contents**Lease-up Property Data Based on Location**

Location	Number of Properties	Company	Pro forma	Company	Pro forma	Company	Pro forma
		Number of Units as of December 31, 2012(1)	Number of Units as of December 31, 2011	Net Rentable Square Feet as of December 31, 2012(2)	Net Rentable Square Feet as of December 31, 2011	Square Foot Occupancy %	Square Foot Occupancy %
Wholly-owned properties							
Arizona	1	633	636	71,355	71,355	57.0%	36.0%
California	8	5,455	4,806	591,953	528,983	78.5%	66.6%
Florida	7	5,522	5,670	576,266	577,001	81.1%	54.4%
Maryland	2	1,675	1,677	172,035	172,035	72.5%	45.3%
Massachusetts	1	684	615	72,770	74,025	64.4%	63.8%
New Jersey	1	614	575	66,267	66,967	90.6%	75.4%
Oregon	1	731	717	75,950	75,950	92.0%	77.3%
Tennessee	1	517	505	70,700	68,750	77.1%	68.9%
Total Wholly-Owned in Lease up	22	15,831	15,201	1,697,296	1,635,066	78.3%	59.5%
Joint-venture properties							
California	1	971	982	88,013	87,853	88.5%	75.2%
Total Joint-Ventures in Lease up	1	971	982	88,013	87,853	88.5%	75.2%
Managed properties							
Colorado	2	1,086	1,100	121,044	121,494	87.9%	44.0%
Florida	6	4,113	4,174	404,548	401,422	66.2%	56.8%
Georgia	4	2,138	2,167	374,470	374,104	72.9%	62.3%
Maryland	2	1,822	955	170,295	88,200	45.5%	12.1%
Massachusetts	2	1,572	1,573	137,337	137,207	43.9%	33.0%
New York	1	908		94,545		22.2%	0.0%
North Carolina	3	1,353	643	175,592	103,655	64.5%	81.8%
Pennsylvania	1	852	866	68,409	68,609	81.3%	74.6%
Rhode Island	1	964	969	91,095	91,075	41.0%	42.4%
South Carolina	1	720	734	76,335	76,435	83.3%	65.4%
Texas	2	1,551	1,594	171,238	172,377	50.7%	26.8%
Utah	1	429		66,750		82.8%	0.0%
Total Managed in Lease up	26	17,508	14,775	1,951,658	1,634,578	62.4%	51.5%
Total Lease up Properties	49	34,310	30,958	3,736,967	3,357,497	70.2%	56.0%

(1) Represents unit count as of December 31, 2012, which may differ from unit count as of December 31, 2011, due to unit conversions or expansions.

(2) Represents net rentable square feet as of December 31, 2012, which may differ from net rentable square feet as of December 31, 2011, due to unit conversions or expansions.

Table of Contents**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 presents, for the periods indicated, the high and low sales price for our common stock as reported by the NYSE and the per share dividends declared:

Year	Quarter	Range		Dividends Declared
		High	Low	
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
2012	1st	28.92	23.80	0.20
	2nd	30.82	27.45	0.20
	3rd	35.17	30.21	0.20
	4th	36.56	32.59	0.25

On February 15, 2013, the closing price of our common stock as reported by the NYSE was \$38.70. At February 15, 2013, we had 275 holders of record of our common stock. Certain shares of the Company are held in "street" name and accordingly, the number of beneficial owners of such shares is not known or included in the foregoing number.

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

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

Unregistered Sales of Equity Securities

On April 26, 2012, we issued 684,685 shares of our common stock and the Operating Partnership paid approximately \$87.7 million in cash to holders of the Operating Partnership's exchangeable senior

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notes in exchange for approximately \$87.7 million in aggregate principal amount of the exchangeable senior notes at the request of holders pursuant to the terms of the indenture governing the notes.

The shares were issued in transactions exempt from registration pursuant to Section 4(2) of the Securities Act of 1933, as amended (the "Securities Act"), and Rule 506 of Regulation D promulgated thereunder. The issuance of the shares did not involve a public offering and was made without general solicitation or advertising.

In December 2012, we issued 304,817 shares of our common stock to limited partners in the Operating Partnership in exchange for an equal number of Operating Partnership units. The shares were issued pursuant to the terms of the partnership agreement of the Operating Partnership in transactions exempt from registration pursuant to Section 4(2) of the Securities Act.

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Item 6. Selected Financial Data

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

	For the Year Ended December 31,				
	2012	2011	2010	2009	2008
Revenues:					
Property rental	\$ 346,874	\$ 268,725	\$ 232,447	\$ 238,256	\$ 235,695
Tenant reinsurance and management fees	62,522	61,105	49,050	41,890	37,036
Total revenues	409,396	329,830	281,497	280,146	272,731
Expenses:					
Property operations	114,028	95,481	86,165	88,935	84,522
Tenant reinsurance	7,869	6,143	6,505	5,461	5,066
Acquisition related costs, loss on sublease and severance	5,351	5,033	3,235	21,236	1,727
General and administrative	50,454	49,683	44,428	40,224	39,388
Depreciation and amortization	74,453	58,014	50,349	52,403	49,566
Total expenses	252,155	214,354	190,682	208,259	180,269
Income from operations	157,241	115,476	90,815	71,887	92,462
Interest expense	(72,294)	(69,062)	(65,780)	(69,818)	(68,671)
Interest income	6,666	5,877	5,748	6,432	8,249
Gain on repurchase of exchangeable senior notes				27,928	6,311
Loss on investments available for sale					(1,415)
Income before equity in earnings of real estate ventures and income tax expense	91,613	52,291	30,783	36,429	36,936
Equity in earnings of real estate ventures	10,859	7,287	6,753	6,964	6,932
Equity in earnings of real estate ventures gain on sale of real estate assets and purchase of joint venture partners' interests	30,630				
Income tax expense	(5,413)	(1,155)	(4,162)	(4,300)	(519)
Net income	127,689	58,423	33,374	39,093	43,349
Noncontrolling interests in Operating Partnership and other	(10,380)	(7,974)	(7,043)	(7,116)	(7,568)
Net income attributable to common stockholders	\$ 117,309	\$ 50,449	\$ 26,331	\$ 31,977	\$ 35,781
Net income per common share					
Basic	\$ 1.15	\$ 0.55	\$ 0.30	\$ 0.37	\$ 0.46
Diluted	\$ 1.14	\$ 0.54	\$ 0.30	\$ 0.37	\$ 0.46
Weighted average number of shares					
Basic	102,290,200	92,097,008	87,324,104	86,343,029	76,966,754
Diluted	106,523,015	96,683,508	92,050,453	91,082,834	82,352,988
Cash dividends paid per common share	\$ 0.85	\$ 0.56	\$ 0.40	\$ 0.38	\$ 1.00
Balance Sheet Data					
Total assets	\$ 3,223,477	\$ 2,517,524	\$ 2,249,820	\$ 2,407,566	\$ 2,291,008
Total notes payable, notes payable to trusts, exchangeable senior notes and lines of credit	\$ 1,577,599	\$ 1,363,656	\$ 1,402,977	\$ 1,402,977	\$ 1,286,820
Noncontrolling interests	\$ 53,524	\$ 54,814	\$ 57,670	\$ 62,040	\$ 68,023
Total stockholders' equity	\$ 1,491,807	\$ 1,018,947	\$ 881,401	\$ 884,179	\$ 878,770
Other Data					

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Net cash provided by operating activities	\$	215,879	\$	144,164	\$	104,815	\$	81,165	\$	98,391
Net cash used in investing activities	\$	(606,938)	\$	(251,919)	\$	(83,706)	\$	(104,410)	\$	(244,481)
Net cash provided by (used in) financing activities	\$	395,360	\$	87,489	\$	(106,309)	\$	91,223	\$	172,685

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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.

At December 31, 2012, we owned, had ownership interests in, or managed 910 operating properties in 34 states, Washington, D.C. and Puerto Rico. Of these 910 operating properties, we owned 448, we held joint venture interests in 281 properties, and our taxable REIT subsidiary, Extra Space Management, Inc., operated an additional 181 properties that are owned by third parties. These operating properties contain approximately 67.0 million square feet of rentable space in approximately 610,000 units and currently serve a customer base of over 490,000 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 state-of-the-art, web-based tracking and yield management technology, and an industry-leading revenue management system. Developed by our management team, these systems enable us to analyze, set and adjust rental rates in real time across our portfolio in order to respond to changing market conditions. We believe our systems and processes allow us to more proactively manage revenues.

We derive substantially all of our revenues from rents received from tenants under existing leases at each of our wholly-owned self-storage properties, from management fees on the properties we manage for joint-venture partners and unaffiliated third parties, and from our tenant reinsurance program. Our management fee is generally equal to approximately 6% 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 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 our systems.

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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 the majority of our competitors to implement national, regional and local marketing programs, which we believe will 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. We continue to see available acquisitions on which to bid and are seeing increasing prices. However, we remain a disciplined buyer and look for acquisitions that will strengthen our portfolio and increase stockholder value.

Expand our management business. Our management business enables us to generate increased revenues through management fees and expand our geographic footprint. This expanded footprint enables us to reduce our operating costs through economies of scale. In addition, we see our management business as a future acquisition pipeline. We pursue strategic relationships with owners whose properties would enhance our portfolio in the event an opportunity arises to acquire the properties.

During 2012, we acquired 91 wholly-owned properties and completed the development of one wholly-owned property.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

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

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

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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, 2012, 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 5 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 three 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 five 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.

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

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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.

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 hedge the exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges.

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

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

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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.

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

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

RECENT ACCOUNTING PRONOUNCEMENTS

In July 2012, the Financial Accounting Standards Board issued ASU No. 2012-02, "*Testing Indefinite-Lived Intangible Assets for Impairment*" ("ASU 2012-02"), which provides companies with the option to first assess qualitative factors in determining whether events and circumstances indicate that it is more likely than not that an indefinite-lived intangible asset is impaired. If, after assessing the totality of events and circumstances, an entity concludes that it is not more likely than not that an indefinite-lived intangible asset is impaired, then the entity is not required to take further action. However, if an entity concludes otherwise, then it is required to determine the fair value of the indefinite-lived intangible asset and perform the quantitative impairment test by comparing the fair value with the carrying value. Previously, companies were required to perform the quantitative impairment test at least annually. As permitted, we adopted these provisions in 2012. The adoption of ASU 2012-02 did not have a material impact on our financial position or results of operations.

RESULTS OF OPERATIONS

Comparison of the Year Ended December 31, 2012 to the Year Ended December 31, 2011

Overview

Results for the year ended December 31, 2012, included the operations of 729 properties (449 of which were consolidated and 280 of which were in joint ventures accounted for using the equity method) compared to the results for the year ended December 31, 2011, which included operations of 697 properties (357 of which were consolidated and 340 of which were in joint ventures accounted for using the equity method).

Table of Contents**Revenues**

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

	For the Year Ended			
	December 31,			
	2012	2011	\$ Change	% Change
Revenues:				
Property rental	\$ 346,874	\$ 268,725	\$ 78,149	29.1%
Tenant reinsurance	36,816	31,181	5,635	18.1%
Management fees	25,706	29,924	(4,218)	(14.1)%
Total revenues	\$ 409,396	\$ 329,830	\$ 79,566	24.1%

Property Rental The increase in property rental revenues consists primarily of an increase of \$56,777 associated with acquisitions completed in 2012 and 2011. We completed the acquisition of 91 properties during 2012 and 55 properties during 2011. In addition, revenues increased by \$15,493 as a result of increases in occupancy and rental rates to existing customers at our stabilized properties. We have seen no significant increase in overall customer renewal rates; our average length of stay is approximately 13 months. For existing customers we seek to increase rental rates approximately 7% to 10% at least annually. Occupancy at our stabilized properties increased to 87.8% at December 31, 2012, as compared to 85.8% at December 31, 2011. Rental rates to new tenants increased by approximately 4.1% over the same period in the prior year. Finally, revenues at our lease-up properties increased by \$5,879 as a result of increased occupancy.

Tenant Reinsurance The increase in tenant reinsurance revenues was partially due to the increase in overall customer participation to 67% at December 31, 2012, compared to approximately 63% at December 31, 2011. In addition, we operated 910 properties at December 31, 2012, compared to 882 at December 31, 2011.

Management Fees Our taxable REIT subsidiary, Extra Space Management, Inc., manages properties owned by our joint ventures and third parties. Management fees generally represent 6% of cash collected from properties owned by third parties 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 year ended December 31, 2011 for restatement purposes, \$4,425 of asset management fees earned during the five-year period ended December 31, 2010, was recorded in the year ended December 31, 2011. There were no such adjustments made during the year ended December 31, 2012.

Table of Contents**Expenses**

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

	For the Year Ended December 31,			
	2012	2011	\$ Change	% Change
Expenses:				
Property operations	\$ 114,028	\$ 95,481	\$ 18,547	19.4%
Tenant reinsurance	7,869	6,143	1,726	28.1%
Acquisition-related costs	5,351	2,896	2,455	84.8%
Severance costs		2,137	(2,137)	(100.0)%
General and administrative	50,454	49,683	771	1.6%
Depreciation and amortization	74,453	58,014	16,439	28.3%
Total expenses	\$ 252,155	\$ 214,354	\$ 37,801	17.6%

Property Operations The increase in property operations expense consists primarily of increases of \$18,375 related to acquisitions completed in 2012 and 2011. We completed the acquisition of 91 properties during the year ended December 31, 2012 and completed the acquisition of 55 properties during the year ended December 31, 2011.

Tenant Reinsurance Tenant reinsurance expense represents the costs that are incurred to provide tenant reinsurance. The increase is due primarily to approximately \$1,000 of claims related to Superstorm Sandy which affected sites in the northeastern United States in October 2012.

Acquisition-Related 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 2012, we acquired 91 properties, compared to 55 properties during 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, 2012.

General and Administrative General and administrative expenses primarily include all expenses not related to our properties, including corporate payroll, travel and professional fees. The expenses are recognized as incurred. General and administrative expense increased over the prior year primarily as a result of the costs related to the management of additional properties. During the year ended December 31, 2012, we purchased 91 properties, 31 of which we did not previously manage. We did not observe any material trends specific to payroll, travel or other expense that contributed significantly to the increase in general and administrative expenses apart from the increase due to the management of additional properties. 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, 2012.

Depreciation and Amortization Depreciation and amortization expense increased as a result of the acquisition and development of new properties. We acquired 91 properties and completed the development of one property during the year ended December 31, 2012.

Table of Contents**Other Income and Expenses**

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

	For the Year Ended December 31,			
	2012	2011	\$ Change	% Change
Other income and expenses:				
Interest expense	\$ (71,850)	\$ (67,301)	\$ (4,549)	6.8%
Non-cash interest expense related to amortization of discount on exchangeable senior notes	(444)	(1,761)	1,317	(74.8)%
Interest income	1,816	1,027	789	76.8%
Interest income on note receivable from Preferred Operating Partnership unit holder	4,850	4,850		
Equity in earnings of real estate ventures	10,859	7,287	3,572	49.0%
Equity in earnings of real estate assets gain on sale of real estate ventures and purchase of joint venture partners' interests	30,630		30,630	100.0%
Income tax expense	(5,413)	(1,155)	(4,258)	100.0%
Total other expense, net	\$ (29,552)	\$ (57,053)	\$ 27,501	(48.2)%

Interest Expense The increase in interest expense was primarily the result of an increase in the total amount of debt outstanding. At December 31, 2012, our total face value of debt was \$1,574,280, compared to total face value of debt of \$1,359,254 at December 31, 2011. The increase was partially offset by lower average interest rates of 4.2% as of December 31, 2012, compared to 4.7% as of December 31, 2011.

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. All of the outstanding notes were surrendered for exchange in April 2012.

Interest Income Interest income represents amounts earned on cash and cash equivalents deposited with financial institutions. The increase in interest income is due to higher average cash balances during the year ended December 31, 2012, primarily as a result of the cash proceeds received from stock offerings completed in April 2012 and November 2012.

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, which resulted from higher occupancy and rental rates to new and existing customers. This increase was partially offset by a slight decrease in equity in earnings due to the acquisition of our joint venture partners' interests in two joint ventures in July 2012 and November 2012.

During 2011, there was an increase of approximately \$1,100 in equity in earnings as a result of the asset management fee expense recorded by the SPI joint venture in the prior year. 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 that was recorded during the year ended

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December 31, 2011, increased asset management fee revenues by \$4,425 and decreased equity in earnings by \$1,106. There were no similar adjustments made during the year ended December 31, 2012.

Equity in Earnings of Real Estate Ventures Gain on Sale of Real Estate Assets and Purchase of Joint Venture Partners' Interests In December 2012, two joint ventures in which we held a 20.0% equity interest, each sold its only self-storage property. As a result of the sales, the joint ventures were dissolved, and we received cash proceeds which resulted in a gain of \$1,409.

On November 30, 2012, we acquired our joint venture partner's 80.0% interest in the Storage Portfolio Bravo II LLC joint venture ("SPB II"). This transaction resulted in a non-cash gain of \$10,171, which represents the increase in fair value of our 20.0% interest in SPB II from the formation of the joint venture to the acquisition date.

On July 2, 2012, we acquired Prudential Real Estate Investors' ("PREI®") 94.9% interest in the ESS PRISA III LLC joint venture ("PRISA III"). This transaction resulted in a non-cash gain of \$13,499, which represents the increase in fair value of our 5.1% interest in PRISA III from the formation of the joint venture to the acquisition date.

In February 2012, a joint venture in which we held a 40% equity interest sold its only self-storage property. As a result of the sale, the joint venture was dissolved, and we received cash proceeds which resulted in a gain of \$5,550.

Income Tax Expense The increase in income tax expense relates primarily to increased tenant reinsurance income earned by our taxable REIT subsidiary.

Net Income Allocated to Noncontrolling Interests

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

	For the Year Ended December 31,			
	2012	2011	\$ Change	% Change
Net income allocated to noncontrolling interests:				
Net income allocated to Preferred Operating Partnership noncontrolling interests	\$ (6,876)	\$ (6,289)	\$ (587)	9.3%
Net income allocated to Operating Partnership and other noncontrolling interests	(3,504)	(1,685)	(1,819)	108.0%
Total income allocated to noncontrolling interests:	\$ (10,380)	\$ (7,974)	\$ (2,406)	30.2%

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 0.9% and 1.0% of the remaining net income allocated after the adjustment for the fixed distribution paid for the years ended December 31, 2012 and 2011, respectively. The amount allocated to Preferred Operating Partnership noncontrolling interest was higher in 2012 when compared to 2011, as a result of an increase in net income.

Net Income Allocated to Operating Partnership and Other Noncontrolling Interests Income allocated to the Operating Partnership represents approximately 2.9% and 3.2% of net income after the allocation of the fixed distribution paid to the Preferred OP unit holder for the years ended December 31, 2012 and 2011, respectively.

Table of Contents*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 December 31,			
	2011	2010	\$ Change	% Change
Revenues:				
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 in January 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.

Management Fees Our taxable REIT subsidiary, Extra Space Management, Inc., manages properties owned by our joint ventures and third parties. Management fees generally represent 6% of cash collected from properties owned by third parties and unconsolidated joint ventures. We also earn an asset management fee from the SPI joint venture, equal to 0.50% of the total asset value, provided certain conditions are met.

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. After determining that the amounts were not material either in the prior periods or the year ended December 31, 2011 for restatement purposes, \$4,425 of asset management fees earned during the five-year period ended December 31, 2010, was recorded in the year ended December 31, 2011. Additionally, asset management fees earned during the year ended December 31, 2011, of \$812 were recorded. The remainder of the increase in management 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.

Table of Contents**Expenses**

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

	For the Year Ended December 31,			
	2011	2010	\$ Change	% Change
Expenses:				
Property operations	\$ 95,481	\$ 86,165	\$ 9,316	10.8%
Tenant reinsurance	6,143	6,505	(362)	(5.6)%
Acquisition-related 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 and advertising and utilities expenses.

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

Acquisition-Related Costs These costs relate to acquisition activities during the periods indicated. The increase was 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 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.

Table of Contents**Other Revenues and Expenses**

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

	For the Year Ended December 31,			
	2011	2010	\$ Change	% Change
Other revenues and expenses:				
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	\$ (57,053)	\$ (57,441)	\$ 388	(0.7)%

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 completed 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 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 that was recorded during the year ended December 31, 2011, increased asset management fee revenues by \$4,425 and decreased equity in earnings by \$1,106. 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.

Table of Contents**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 December 31,			
	2011	2010	\$ Change	% Change
Net income allocated to noncontrolling interests:				
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:	\$ (7,974)	\$ (7,043)	\$ (931)	13.2%

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.

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

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operating activities as a measure of our liquidity, or as an indicator of our ability to make cash distributions. The following table presents the calculation of FFO for the periods indicated:

	For the Year Ended December 31,		
	2012	2011	2010
Net income attributable to common stockholders	\$ 117,309	\$ 50,449	\$ 26,331
Adjustments:			
Real estate depreciation	64,301	52,647	47,063
Amortization of intangibles	6,763	2,375	650
Joint venture real estate depreciation and amortization	7,014	7,931	8,269
Joint venture (gain) / loss on sale of properties and purchase of partner's interest	(30,630)	185	65
Distributions paid on Preferred Operating Partnership units	(5,750)	(5,750)	(5,750)
Income allocated to Operating Partnership noncontrolling interests	10,349	7,978	7,096
Funds from operations	\$ 169,356	\$ 115,815	\$ 83,724

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

	For the Three Months Ended December 31,			For the Year Ended December 31,		
	2012	2011	Percent Change	2012	2011	Percent Change
Same-store rental and tenant reinsurance revenues	\$ 70,751	\$ 66,433	6.5%	\$ 276,811	\$ 259,733	6.6%
Same-store operating and tenant reinsurance expenses	21,698	21,208	2.3%	86,414	86,953	(0.6)%
Same-store net operating income	\$ 49,053	\$ 45,225	8.5%	\$ 190,397	\$ 172,780	10.2%
Non same-store rental and tenant reinsurance revenues	\$ 36,686	\$ 15,319	139.5%	\$ 106,879	\$ 40,173	166.0%
Non same-store operating and tenant reinsurance expenses	\$ 12,825	\$ 5,497	133.3%	\$ 35,483	\$ 14,671	141.9%
Total rental and tenant reinsurance revenues	\$ 107,437	\$ 81,752	31.4%	\$ 383,690	\$ 299,906	27.9%
Total operating and tenant reinsurance expenses	\$ 34,523	\$ 26,705	29.3%	\$ 121,897	\$ 101,624	19.9%
Same-store square foot occupancy as of quarter end	88.6%	86.9%		88.6%	86.9%	
Properties included in same-store	282	282		282	282	

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	For the Three Months Ended December 31,			For the Year Ended December 31,		
	2011	2010	Percent Change	2011	2010	Percent Change
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	

Comparison of the Year Ended December 31, 2012 to the Year Ended December 31, 2011

The increase in same-store rental revenues was primarily due to increases in occupancy and rental rates to both incoming and existing customers, and to decreases in discounts to new customers. The decreases in same-store operating expenses for the year ended December 31, 2012 were primarily due to decreases in utilities and office expenses. These decreases were partially offset by increased expenses as a result of Superstorm Sandy and higher property taxes.

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 both 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.

CASH FLOWS***Comparison of the Year Ended December 31, 2012 to the Year Ended December 31, 2011***

Cash flows provided by operating activities were \$215,879 and \$144,164 for the years ended December 31, 2012 and 2011, respectively. The increase when compared to the prior year was primarily due to a \$69,266 increase in net income. There was also an increase in depreciation and amortization of \$16,439 and an increase of \$16,073 in cash received from affiliated joint ventures and related parties in 2012 when compared to 2011. These increases were offset by a \$23,670 non-cash gain on the purchase of joint venture partners' interests.

Cash used in investing activities was \$606,938 and \$251,919 for the years ended December 31, 2012 and 2011, respectively. The increase in 2012 was primarily the result of \$406,768 more cash being used to acquire new properties in 2012 compared to 2011. This increase was offset by a decrease of \$42,265 in the amount paid to purchase notes receivable.

Cash provided by financing activities was \$395,360 and \$87,489 for the years ended December 31, 2012 and 2011, respectively. The increase in cash provided was the result of an increase of \$317,239 in

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the net cash proceeds generated from the sale of common stock in the current year compared to 2011, along with an increase of \$598,776 in cash proceeds received from notes payable and lines of credit in 2012 when compared to 2011. These increases of cash were offset by the increase of \$469,484 of cash used for principal repayments on notes payable and lines of credit during 2012 when compared to 2011, the use of \$87,663 of cash to repurchase exchangeable senior notes in 2012, compared to \$0 in 2011, and the increase of \$36,260 of dividends paid on common stock in 2012, compared to 2011.

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 due primarily to an increase in net income and a decrease in the amount of cash used to pay accounts payable and accrued expenses, which 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. We 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, we received \$15,750 in proceeds from the sale of 19 properties to a joint venture in 2010, compared to \$0 in 2011. These increases in cash used in investing activities 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 year ended December 31, 2011, 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.

LIQUIDITY AND CAPITAL RESOURCES

As of December 31, 2012, we had \$30,785 available in cash and cash equivalents. We intend to use this cash to repay debt scheduled to mature in 2013 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 2012, 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.

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The following table presents information on our lines of credit:

Line of Credit	As of December 31, 2012		Interest Rate	Origination Date	Maturity	Basis Rate	Notes
	Amount Drawn	Capacity					
Credit Line 1	\$ 35,000	\$ 75,000	2.36%	2/13/2009	2/13/2014	LIBOR plus 2.15%	(1)(4)(5)
Credit Line 2		75,000	2.41%	6/4/2010	5/31/2013	LIBOR plus 2.20%	(2)(4)(5)
Credit Line 3		40,000	2.41%	11/16/2010	11/16/2013	LIBOR plus 2.20%	(3)(4)(5)
Credit Line 4	50,000	50,000	2.36%	4/29/2011	5/1/2014	LIBOR plus 2.15%	(3)(4)(5)
	\$ 85,000	\$ 240,000					

-
- (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, 2012, we had \$1,574,280 of debt, resulting in a debt to total capitalization ratio of 27.5%. As of December 31, 2012, the ratio of total fixed rate debt and other instruments to total debt was 81.0% (including \$776,381 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, 2012 was 4.2%. 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, 2012.

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

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OFF-BALANCE SHEET ARRANGEMENTS

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

CONTRACTUAL OBLIGATIONS

The following table sets forth information on future payments due by period as of December 31, 2012:

	Total	Payments due by Period:			
		Less Than 1 Year	1 - 3 Years	3 - 5 Years	After 5 Years
Operating leases	\$ 69,396	\$ 7,463	\$ 12,536	\$ 6,855	\$ 42,542
Notes payable, notes payable to trusts and lines of credit					
Interest	364,774	63,727	103,948	62,007	135,092
Principal	1,574,280	110,483	430,922	517,568	515,307
Total contractual obligations	\$ 2,008,450	\$ 181,673	\$ 547,406	\$ 586,430	\$ 692,941

As of December 31, 2012, the weighted average interest rate for all fixed rate loans was 4.6%, and the weighted average interest rate on all variable rate loans was 2.3%.

FINANCING STRATEGY

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

the interest rate of the proposed financing;

the extent to which the financing impacts flexibility in managing our 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;

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

SEASONALITY

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

Item 7a. Quantitative and Qualitative Disclosures About Market Risk

Market Risk

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

Interest Rate Risk

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

As of December 31, 2012, we had approximately \$1,574,280 in total debt, of which approximately \$298,675 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.

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Item 8. Financial Statements and Supplementary Data

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

<u>REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</u>	<u>48</u>
<u>CONSOLIDATED BALANCE SHEETS</u>	<u>49</u>
<u>CONSOLIDATED STATEMENTS OF OPERATIONS</u>	<u>50</u>
<u>CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME</u>	<u>51</u>
<u>CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY</u>	<u>52</u>
<u>CONSOLIDATED STATEMENTS OF CASH FLOWS</u>	<u>54</u>
<u>NOTES TO CONSOLIDATED FINANCIAL STATEMENTS</u>	<u>56</u>
<u>SCHEDULE III</u>	<u>95</u>

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

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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, 2012 and 2011, and the related consolidated statements of operations, comprehensive income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2012. 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, 2012 and 2011 and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2012, 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, 2012, 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 28, 2013 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Salt Lake City, Utah
February 28, 2013

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

	December 31, 2012	December 31, 2011
Assets:		
Real estate assets, net	\$ 2,991,722	\$ 2,263,795
Investments in real estate ventures	106,313	130,410
Cash and cash equivalents	30,785	26,484
Restricted cash	16,976	25,768
Receivables from related parties and affiliated real estate joint ventures	11,078	18,517
Other assets, net	66,603	52,550
Total assets	\$ 3,223,477	\$ 2,517,524
Liabilities, Noncontrolling Interests and Equity:		
Notes payable	\$ 1,369,690	\$ 937,001
Premium on notes payable	3,319	4,402
Notes payable to trusts	119,590	119,590
Exchangeable senior notes		87,663
Lines of credit	85,000	215,000
Accounts payable and accrued expenses	52,299	46,353
Other liabilities	48,248	33,754
Total liabilities	1,678,146	1,443,763
Commitments and contingencies		
Noncontrolling Interests and Equity:		
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, 110,737,205 and 94,783,590 shares issued and outstanding at December 31, 2012, and December 31, 2011, respectively		
	1,107	948
Paid-in capital	1,740,037	1,290,021
Accumulated other comprehensive deficit	(14,273)	(7,936)
Accumulated deficit	(235,064)	(264,086)
Total Extra Space Storage Inc. stockholders' equity	1,491,807	1,018,947
Noncontrolling interest represented by Preferred Operating Partnership units, net of \$100,000 note receivable	29,918	29,695
Noncontrolling interests in Operating Partnership	22,492	24,018
Other noncontrolling interests	1,114	1,101
Total noncontrolling interests and equity	1,545,331	1,073,761
Total liabilities, noncontrolling interests and equity	\$ 3,223,477	\$ 2,517,524

See accompanying notes.

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

	For the Year Ended December 31,		
	2012	2011	2010
Revenues:			
Property rental	\$ 346,874	\$ 268,725	\$ 232,447
Tenant reinsurance	36,816	31,181	25,928
Management fees	25,706	29,924	23,122
Total revenues	409,396	329,830	281,497
Expenses:			
Property operations	114,028	95,481	86,165
Tenant reinsurance	7,869	6,143	6,505
Acquisition related costs	5,351	2,896	1,235
Loss on sublease			2,000
Severance costs		2,137	
General and administrative	50,454	49,683	44,428
Depreciation and amortization	74,453	58,014	50,349
Total expenses	252,155	214,354	190,682
Income from operations	157,241	115,476	90,815
Interest expense	(71,850)	(67,301)	(64,116)
Non-cash interest expense related to amortization of discount on exchangeable senior notes	(444)	(1,761)	(1,664)
Interest income	1,816	1,027	898
Interest income on note receivable from Preferred Operating Partnership unit holder	4,850	4,850	4,850
Income before equity in earnings of real estate ventures and income tax expense	91,613	52,291	30,783
Equity in earnings of real estate ventures	10,859	7,287	6,753
Equity in earnings of real estate ventures gain on sale of real estate assets and purchase of joint venture partners' interests	30,630		
Income tax expense	(5,413)	(1,155)	(4,162)
Net income	127,689	58,423	33,374
Net income allocated to Preferred Operating Partnership noncontrolling interests	(6,876)	(6,289)	(6,048)
Net income allocated to Operating Partnership and other noncontrolling interests	(3,504)	(1,685)	(995)
Net income attributable to common stockholders	\$ 117,309	\$ 50,449	\$ 26,331
Net income per common share			
Basic	\$ 1.15	\$ 0.55	\$ 0.30
Diluted	\$ 1.14	\$ 0.54	\$ 0.30
Weighted average number of shares			
Basic	102,290,200	92,097,008	87,324,104
Diluted	106,523,015	96,683,508	92,050,453

See accompanying notes.

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Extra Space Storage Inc.

Consolidated Statements of Comprehensive Income

(dollars in thousands)

	For the Year Ended December 31,		
	2012	2011	2010
Net income	\$ 127,689	\$ 58,423	\$ 33,374
Other comprehensive income:			
Change in fair value of interest rate swaps	(6,587)	(2,237)	(4,963)
Total comprehensive income	121,102	56,186	28,411
Less: comprehensive income attributable to noncontrolling interests	10,130	7,886	6,811
Comprehensive income attributable to common stockholders	\$ 110,972	\$ 48,300	\$ 21,600

See accompanying notes

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

	Noncontrolling Interests			Extra Space Storage Inc. Stockholders' Equity					
	Preferred Operating Partnership	Operating Partnership	Other	Shares	Par Value	Paid-in Capital	Accumulated Other Comprehensive Deficit	Accumulated Deficit	Total Equity
Balances at December 31, 2009	\$ 29,886	\$ 31,381	\$ 773	86,721,841	\$ 867	\$ 1,138,243	\$ (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
Net income (loss)	6,048	1,048	(53)					26,331	33,374
Other comprehensive loss	(55)	(177)					(4,731)		(4,963)
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)	(34,964)

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Balances at December 31, 2010	\$ 29,733	\$ 26,803	\$ 1,134	87,587,322	\$ 876	\$ 1,148,820	\$ (5,787)	\$ (262,508)	\$ 939,071
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)
Net income (loss)	6,289	1,689	(4)				50,449		58,423
Other comprehensive loss	(22)	(66)					(2,149)		(2,237)
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)
Balances at December 31, 2011	\$ 29,695	\$ 24,018	\$ 1,101	94,783,590	\$ 948	\$ 1,290,021	\$ (7,936)	\$ (264,086)	\$ 1,073,761

See accompanying notes.

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Extra Space Storage Inc.

Consolidated Statements of Stockholders' Equity (Continued)

(dollars in thousands, except share data)

	Noncontrolling Interests			Extra Space Storage Inc. Stockholders' Equity					Total Equity
	Preferred Operating Partnership	Operating Partnership	Other	Shares	Par Value	Paid-in Capital	Accumulated Other Comprehensive Deficit	Accumulated Deficit	
Issuance of common stock upon the exercise of options				768,853	7	10,260			10,267
Restricted stock grants issued				182,052	2				2
Restricted stock grants cancelled				(16,792)					
Issuance of common stock, net of offering costs				14,030,000	140	429,448			429,588
Issuance of common stock related to settlement of exchangeable senior notes				684,685	7				7
Compensation expense related to stock-based awards						4,356			4,356
New issuance of Operating Partnership units		429							429
Redemption of Operating Partnership units for common stock		(2,479)		304,817	3	2,476			
Redemption of Operating Partnership units for cash		(155)							(155)
Net income	6,876	3,473	31					117,309	127,689
Other comprehensive loss	(61)	(189)					(6,337)		(6,587)
Tax effect from vesting of restricted stock grants and stock option exercises						3,476			3,476
Distributions to Operating Partnership units held by noncontrolling interests	(6,592)	(2,605)							(9,197)
Distributions to other noncontrolling interests			(18)						(18)

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Dividends paid on common stock at \$0.85 per share										(88,287)	(88,287)
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Balances at December 31, 2012

\$	29,918	\$	22,492	\$	1,114	110,737,205	\$	1,107	\$	1,740,037	\$	(14,273)	\$	(235,064)	\$	1,545,331
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See accompanying notes.

Table of Contents**Extra Space Storage Inc.****Consolidated Statements of Cash Flows**

(dollars in thousands)

	For the Year Ended December 31,		
	2012	2011	2010
Cash flows from operating activities:			
Net income	\$ 127,689	\$ 58,423	\$ 33,374
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	74,453	58,014	50,349
Amortization of deferred financing costs	5,889	5,583	4,354
Non-cash interest expense related to amortization of discount on exchangeable senior notes	444	1,761	1,664
Non-cash interest expense related to amortization of premium on notes payable	(1,270)		
Compensation expense related to stock-based awards	4,356	5,757	4,580
Gain on purchase of joint venture partners' interests	(23,670)		
Loss on sublease			2,000
Distributions from real estate ventures in excess of earnings	2,581	7,008	6,722
Changes in operating assets and liabilities:			
Receivables from related parties and affiliated real estate joint ventures	7,439	(8,634)	3,011
Other assets	8,746	7,533	(1,676)
Accounts payable and accrued expenses	7,220	9,837	1,856
Other liabilities	2,002	(1,118)	(1,419)
Net cash provided by operating activities	215,879	144,164	104,815
Cash flows from investing activities:			
Acquisition of real estate assets	(601,727)	(194,959)	(69,588)
Development and construction of real estate assets	(3,759)	(7,060)	(36,062)
Proceeds from sale of properties to joint venture			15,750
Investments in real estate ventures	(1,423)	(4,088)	(9,699)
Return of investment in real estate ventures	2,421	4,614	8,802
Change in restricted cash	8,792	4,730	9,036
Purchase of notes receivable	(7,875)	(50,140)	
Purchase of equipment and fixtures	(3,367)	(5,016)	(1,945)
Net cash used in investing activities	(606,938)	(251,919)	(83,706)
Cash flows from financing activities:			
Proceeds from the sale of common stock, net of offering costs	429,588	112,349	
Proceeds from notes payable and lines of credit	1,074,263	475,487	191,062
Principal payments on notes payable and lines of credit	(921,831)	(452,347)	(252,400)
Deferred financing costs	(11,607)	(6,197)	(4,160)
Repurchase of exchangeable senior notes	(87,663)		
Investments from other noncontrolling interests			87
Redemption of Operating Partnership units held by noncontrolling interest	(155)	(271)	(4,116)
Net proceeds from exercise of stock options	10,267	18,622	5,661
Dividends paid on common stock	(88,287)	(52,027)	(34,964)
Distributions to noncontrolling interests	(9,215)	(8,127)	(7,479)
Net cash provided by (used in) financing activities	395,360	87,489	(106,309)
Net increase (decrease) in cash and cash equivalents	4,301	(20,266)	(85,200)
Cash and cash equivalents, beginning of the period	26,484	46,750	131,950
Cash and cash equivalents, end of the period	\$ 30,785	\$ 26,484	\$ 46,750

See accompanying notes.

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Extra Space Storage Inc.

Consolidated Statements of Cash Flows (Continued)

(dollars in thousands)

	For the Year Ended December 31,		
	2012	2011	2010
Supplemental schedule of cash flow information			
Interest paid, net of amounts capitalized	\$ 65,687	\$ 61,726	\$ 60,100
Income taxes paid	831	665	6,539
Supplemental schedule of noncash investing and financing activities:			
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	\$ 2,479	\$ 2,344	\$
Common stock and paid-in capital	(2,479)	(2,344)	
Tax effect from vesting of restricted stock grants and stock option exercises			
Other assets	\$ 3,476	\$ 2,199	\$ 836
Paid-in capital	(3,476)	(2,199)	(836)
Acquisitions of real estate assets			
Real estate assets, net	\$ 159,297	\$ 137,177	\$ 25,963
Notes payable assumed	(150,284)	(132,327)	(25,963)
Notes payable issued to seller	(8,584)	(4,850)	
OP Units Issued	(429)		

See accompanying notes.

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Extra Space Storage Inc.

Notes to Consolidated Financial Statements

December 31, 2012

(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 wholly-owned facilities or by acquiring an equity interest in real estate entities. At December 31, 2012, the Company had direct and indirect equity interests in 729 storage facilities. In addition, the Company managed 181 properties third parties bringing the total number of properties which it owns and/or manages to 910, located in 34 states, Washington, D.C. and Puerto Rico.

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 and redeveloping self-storage facilities. 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 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

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Extra Space Storage Inc.

Notes to Consolidated Financial Statements (Continued)

December 31, 2012

(amounts in thousands, except property and share data)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2011 and 2010 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.

Fair Value Disclosures

Derivative financial instruments

Currently, the Company uses interest rate swaps to manage its interest rate risk. The valuation of these instruments is determined using widely accepted valuation techniques including discounted cash flow analysis on the expected cash flows of each derivative. This analysis reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market-based inputs, including

Table of Contents**Extra Space Storage Inc.****Notes to Consolidated Financial Statements (Continued)****December 31, 2012****(amounts in thousands, except property and share data)****2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

interest rate curves. The fair values of interest rate swaps are determined using the market standard methodology of netting the discounted future fixed cash payments and the discounted expected variable cash receipts. The variable cash receipts are based on an expectation of future interest rates (forward curves) derived from observable market interest rate forward curves.

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

Although the Company has determined that the majority of the inputs used to value its derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with its derivatives utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by itself and its counterparties. However, as of December 31, 2012, the Company has assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative positions and has determined that the credit valuation adjustments are not significant to the overall valuation of its derivatives. As a result, the Company has determined that its derivative valuations in their entirety are classified in Level 2 of the fair value hierarchy.

The table below presents the Company's assets and liabilities measured at fair value on a recurring basis as of December 31, 2012, aggregated by the level in the fair value hierarchy within which those measurements fall.

Description	December 31, 2012	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Other liabilities Cash Flow Hedge Swap Agreements	\$ (15,228)	\$	\$ (15,228)	\$

There were no transfers of assets and liabilities between Level 1 and Level 2 during the year ended December 31, 2012. 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, 2012 or 2011.

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

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Extra Space Storage Inc.

Notes to Consolidated Financial Statements (Continued)

December 31, 2012

(amounts in thousands, except property and share data)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 2012 and 2011, 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, 2012 and 2011, approximate fair value. The fair values of the Company's note receivable

Table of Contents**Extra Space Storage Inc.****Notes to Consolidated Financial Statements (Continued)****December 31, 2012****(amounts in thousands, except property and share data)****2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

from Preferred Operating Partnership unit holder, fixed rate notes payable and notes payable to trusts, and exchangeable senior notes at December 31, 2012 and 2011 were as follows:

	December 31, 2012		December 31, 2011	
	Fair Value	Carrying Value	Fair Value	Carrying Value
Note receivable from Preferred Operating Partnership unit holder	\$ 108,138	\$ 100,000	\$ 104,049	\$ 100,000
Fixed rate notes payable and notes payable to trusts	\$ 1,342,957	\$ 1,275,605	\$ 1,008,039	\$ 938,681
Exchangeable senior notes	\$	\$	\$ 92,265	\$ 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. The construction period begins when expenditures for the real estate assets have been made and activities that are necessary to prepare the asset for its intended use are in progress. The construction period ends when the asset is substantially complete and ready for its intended use. Capitalized interest during the years ended December 31, 2012, 2011 and 2010, was \$0, \$752 and \$2,013, 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 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 three 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 five properties where the leases were assumed by the Company at rates that were lower than the current market rates for similar leases. The values associated with these assumed leases were recorded as intangibles, which will be amortized over the lease terms.

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Extra Space Storage Inc.

Notes to Consolidated Financial Statements (Continued)

December 31, 2012

(amounts in thousands, except property and share data)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 Company records all derivatives on the balance sheet at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative, whether the Company has elected to designate a derivative in a hedging relationship and apply hedge accounting and whether the hedging relationship has satisfied the criteria necessary to apply hedge accounting. Derivatives designated and qualifying as a hedge of the exposure to changes in the fair value of an asset, liability or firm commitment attributable to a particular risk, such as interest rate risk, are

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Extra Space Storage Inc.

Notes to Consolidated Financial Statements (Continued)

December 31, 2012

(amounts in thousands, except property and share data)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

considered fair value hedges. Derivatives designated and qualifying as a hedge of the exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges. Hedge accounting generally provides for the matching of the timing of gain or loss recognition on the hedging instrument with the recognition of the changes in the fair value of the hedged asset or liability that are attributable to the hedged risk in a fair value hedge or the earnings effect of the hedged forecasted transactions in a cash flow hedge. The Company may enter into derivative contracts that are intended to economically hedge certain of its risk, even though hedge accounting does not apply or the Company elects not to apply hedge accounting.

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

Risk Management and Use of Financial Instruments

In the normal course of its ongoing business operations, the Company encounters economic risk. There are three main components of economic risk: interest rate risk, credit risk and market risk. The Company is subject to interest rate risk on its interest-bearing liabilities. Credit risk is the risk of inability or unwillingness of tenants to make contractually required payments. Market risk is the risk of declines in the value of 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 over the promotional period. Late charges, administrative fees, merchandise sales and truck rentals are recognized as income when earned. Management fee revenues are recognized monthly as services are performed and in accordance with the terms of the related management agreements. 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

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Extra Space Storage Inc.

Notes to Consolidated Financial Statements (Continued)

December 31, 2012

(amounts in thousands, except property and share data)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2012 and 2011, the Company had \$0 and \$860, respectively, of prepaid advertising included in other assets on the consolidated balance sheets. All other advertising costs are expensed as incurred. The Company recognized \$6,026, \$5,958, and \$6,430 in advertising expense for the years ended December 31, 2012, 2011 and 2010, 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, 2012, 0% (unaudited) of all distributions to stockholders qualified as a return of capital.

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

Deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities. At December 31, 2012 and 2011, 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, 2012 and 2011, the Company had no interest or penalties related to uncertain tax provisions.

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Extra Space Storage Inc.

Notes to Consolidated Financial Statements (Continued)

December 31, 2012

(amounts in thousands, except property and share data)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 as 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 had \$87,663 of exchangeable senior notes (the "Notes") that were surrendered for exchange in April 2012. Prior to their exchange, the Notes could potentially have had a dilutive effect on the Company's earnings per share calculations. The Notes were exchangeable by holders into cash and shares of the Company's common stock under certain circumstances per the terms of the indenture governing the Notes and at the time prior to surrender had an exchange price of \$23.20 per share. The Company had irrevocably agreed to pay only cash for the accreted principal amount of the Notes relative to its exchange obligations, but retained the right to satisfy the exchange obligations in excess of the accreted principal amount in cash and/or common stock. Though the Company retained that right, Accounting Standards Codification ("ASC") 260, "Earnings Per Share," required an assumption that shares would be used to pay the exchange obligations in excess of the accreted principal amount, and required that those shares be included in the Company's calculation of weighted average common shares outstanding for the diluted earnings per share computation. No shares were included in the diluted share calculation for the years ended December 31, 2011 or 2010 as the stock price during this time did not exceed the exchange price. No shares were included for the year ended December 31, 2012 as the Notes were no longer outstanding.

Table of Contents**Extra Space Storage Inc.****Notes to Consolidated Financial Statements (Continued)****December 31, 2012****(amounts in thousands, except property and share data)****2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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, 2012, 2011 and 2010, options to purchase approximately 57,335 shares, 107,523 shares and 1,788,142 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.

The computation of net income per share is as follows:

	For the Year Ended December 31,		
	2012	2011	2010
Net income attributable to common stockholders	\$ 117,309	\$ 50,449	\$ 26,331
Add: Income allocated to noncontrolling interest Preferred Operating Partnership and Operating Partnership	10,349	7,978	7,096
Subtract: Fixed component of income allocated to noncontrolling interest Preferred Operating Partnership	(5,750)	(5,750)	(5,750)
Net income for diluted computations	\$ 121,908	\$ 52,677	\$ 27,677
Weighted average common shares outstanding:			
Average number of common shares outstanding basic	102,290,200	92,097,008	87,324,104
Operating Partnership units	2,755,650	3,049,935	3,356,963
Preferred Operating Partnership units	989,980	989,980	989,980
Dilutive and cancelled stock options	487,185	546,585	379,406
Average number of common shares outstanding diluted	106,523,015	96,683,508	92,050,453
Net income per common share			
Basic	\$ 1.15	\$ 0.55	\$ 0.30
Diluted	\$ 1.14	\$ 0.54	\$ 0.30

Recently Issued Accounting Standards

In July 2012, the Financial Accounting Standards Board issued ASU No. 2012-02, "*Testing Indefinite-Lived Intangible Assets for Impairment*" ("ASU 2012-02"), which provides companies with the option to first assess qualitative factors in determining whether events and circumstances indicates that it is more likely than not that an indefinite-lived intangible asset is impaired. If, after assessing the

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Extra Space Storage Inc.

Notes to Consolidated Financial Statements (Continued)

December 31, 2012

(amounts in thousands, except property and share data)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

totality of events and circumstances, an entity concludes that it is not more likely than not that an indefinite-lived intangible asset is impaired, then the entity is not required to take further action. However, if an entity concludes otherwise, then it is required to determine the fair value of the indefinite-lived intangible asset and perform the quantitative impairment test by comparing the fair value with the carrying value. Previously, companies were required to perform the quantitative impairment test at least annually. As permitted the Company adopted these provisions in 2012. The adoption of ASU 2012-02 did not have a material impact on the Company's financial position or results of operations.

3. REAL ESTATE ASSETS

The components of real estate assets are summarized as follows:

	December 31, 2012	December 31, 2011
Land operating	\$ 755,565	\$ 580,995
Land development	12,050	14,600
Buildings and improvements	2,551,886	1,934,693
Intangible assets tenant relationships	51,355	37,293
Intangible lease rights	8,656	6,150
	3,379,512	2,573,731
Less: accumulated depreciation and amortization	(391,928)	(319,302)
Net operating real estate assets	2,987,584	2,254,429
Real estate under development/redevelopment	4,138	9,366
Net real estate assets	\$ 2,991,722	\$ 2,263,795
Real estate assets held for sale included in net real estate assets	\$ 8,600	\$ 7,875

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 \$7,068, \$2,633, and \$907, for the years ended December 31, 2012, 2011 and 2010, respectively. The remaining balance of the unamortized lease rights will be amortized over the next 5 to 49 years.

Real estate assets held for sale included in net real estate assets as of December 31, 2012 are recorded at fair value and consisted of undeveloped land and one self-storage property.

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Extra Space Storage Inc.

Notes to Consolidated Financial Statements (Continued)

December 31, 2012

(amounts in thousands, except property and share data)

4. PROPERTY ACQUISITIONS

The following table shows the Company's acquisition of operating properties for the years ended December 31, 2012 and 2011, 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 Issued to/from Seller	Net Value of Issued Equity (Assets) Interest	Number of OP Units Issued	Acquisition Date Fair Value				Source of Acquisition	
			Total	Cash Paid	Loan Assumed	Non-cash gain				Land	Building	Intangible	Closing expensed costs		
Idaho	1	12/28/2012	\$ 4,270	\$ 4,258	\$	\$	\$	\$	\$ 805	\$ 3,345	\$ 95	\$ 25	Unrelated third party		
Idaho	1	12/27/2012	13,107	10,596	2,692			(181)	4,314	8,412	206	175	Unrelated third party		
Idaho	1	12/27/2012	8,667	8,608				59	2,973	5,545	141	8	Unrelated third party		
Idaho	2	12/27/2012	8,766	142			8,584	40	1,597	6,862	215	92	Unrelated third party		
Idaho	1	12/3/2012	4,273	4,254				19	1,133	3,017	99	24	Unrelated third party		
Missouri	21	11/30/2012	164,566	140,513		10,171	14,184	(302)	41,988	119,681	2,881	16	Affiliated joint venture		
New Jersey	4	11/30/2012	39,336	39,283				53	10,920	26,712	825	879	Unrelated third party		
Massachusetts	1	11/9/2012	9,011	8,994				17	3,115	5,684	190	22	Unrelated third party		
Massachusetts	1	9/28/2012	7,410	7,322				88	2,063	5,202	132	13	Related party		
Minnesota	1	9/20/2012	6,884	6,850				34	1,172	5,562	119	31	Unrelated third party		
New Jersey	1	8/28/2012	13,678	13,678					1,511	11,732	241	194	Unrelated third party		
New Jersey	1	8/23/2012	9,091	9,099				(8)	2,144	6,660	158	129	Unrelated third party		
New Jersey	1	8/23/2012	15,475	15,431				44	1,890	13,112	269	204	Unrelated third party		
New York	1	8/10/2012	15,300	15,377				(77)	2,800	12,173	269	58	Unrelated third party		
Ohio	2	8/10/2012	9,948	9,775				173	4,869	4,826	241	12	Unrelated third party		
Ohio	1	7/26/2012	4,860	2,376	2,592			(108)	2,428	2,317	93	22	Unrelated third party		
North Carolina	1	7/19/2012	4,651	4,621				30	1,784	2,755	107	5	Unrelated third party		
New Jersey, New York	6	7/18/2012	55,622	55,748				(126)	8,584	45,359	1,227	452	Unrelated third party		
Colorado	1	7/18/2012	7,085	7,038				47		6,945	137	3	Unrelated third party		
Missouri	36	7/2/2012	322,516	162,705	145,000	13,499	3,355	(2,043)	67,550	246,133	8,142	691	Affiliated joint venture		
Idaho	1	5/31/2012	6,501	6,438				11	52	1,814	1,185	5,051	147	118	Unrelated third party
Idaho	3	5/2/2012	14,942	14,792				150	1,933	12,682	321	6	Unrelated third party		
Idaho	1	3/7/2012	6,284	5,886				21	377	14,193	465	5,600	128	91	Unrelated third party
Ohio	1	2/29/2012	9,405	9,323				82	1,036	8,133	187	49	Unrelated third party		
Totals	91		\$ 761,648	\$ 563,107	\$ 150,284	\$ 23,670	\$ 8,584	\$ 17,539	\$ (1,965)	\$ 429	16,007	\$ 168,259	\$ 573,500	\$ 16,570	\$ 3,319
New Jersey	1	12/16/2011	\$ 6,832	\$ 6,806	\$	\$	\$	\$ 26	\$	\$ 1,093	\$ 5,492	\$ 157	\$ 90	Unrelated third party	
Missouri	6	12/1/2011	61,797	4,941	50,140		4,850	1,817	49	15,645	46,139		13	Affiliated joint venture	
Idaho	1	10/25/2011	5,853	5,615				238	521	5,198	113	21	Unrelated third party		
California	19	10/19/2011	104,029	31,464	73,527			(962)	32,270	69,496	2,164	99	Unrelated third party		
New Jersey	1	10/6/2011	18,372	18,334				38	861	17,127	333	51	Unrelated third party		
Ohio	1	8/2/2011	2,402	2,353				49	978	1,347	73	4	Unrelated third party		
Idaho	1	8/1/2011	7,343	7,342				1	764	6,331	143	105	Unrelated third party		
Idaho	1	7/8/2011	5,785	5,795				(10)	1,303	4,218	125	139	Unrelated third party		
Indiana, Kentucky	15	6/27/2011	39,773	39,387				386	13,478	25,098	903	294	Unrelated third party		
Idaho	1	6/22/2011	3,355	3,339				16	1,441	1,810	98	6	Unrelated third party		
Colorado	1	6/10/2011	4,600	2,664	1,907			29	296	4,199	98	7	Unrelated third party		
New Jersey	1	6/2/2011	4,963	4,959				4	1,644	3,115	135	69	Affiliated joint venture		

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nia	1	5/26/2011	10,514	5,205	5,463	(154)	932	9,349	202	31	Unrelated third party			
rado	1	5/25/2011	3,540	2,262	1,290	(12)	407	3,077	61	(5)	Unrelated third party			
essee	1	4/15/2011	2,539	2,514		25	652	1,791	79	17	Unrelated third party			
ornia	1	4/7/2011	8,207	8,150		57	2,211	5,829	163	4	Unrelated third party			
Texas	2	4/1/2011	7,262	7,205		57	1,512	5,548	188	14	Affiliated joint venture			
Totals	55		\$ 297,166	\$ 158,335	\$ 132,327	\$	\$ 4,850	\$ 1,817	\$ (163)	\$	\$ 76,008	\$ 215,164	\$ 5,035	\$ 959

- (1) This represents the acquisition of Prudential Real Estate Investors' ("PREI®") 94.9% interest in the ESS PRISA III LLC joint venture ("PRISA III") that was formed in 2005, resulting in full ownership by the Company. The joint venture owned 36 properties located in 18 states. Prior to the acquisition date, the Company accounted for its 5.1% interest in PRISA III as an equity-method investment. The acquisition date fair value of the previous equity interest was approximately \$16,300 and is included as consideration transferred. The Company recognized a non-cash gain of \$13,499 as a result of re-measuring its prior equity interest in PRISA III held before the acquisition.
- (2) This property was purchased from Sandy Self Storage, LLC, which was partially owned by Kenneth T. Woolley, the son of Kenneth M. Woolley, Executive Chairman and Chief Investment Officer.
- (3) This represents the acquisition of the Company's joint venture partner's 80% interest in the Storage Portfolio Bravo II LLC ("SPB II") joint venture, resulting in full ownership by the Company. The joint venture owned 21 properties in eleven states. Prior to the acquisition date, the Company accounted for its 20% interest in the joint venture as an equity-method investment. The acquisition date fair value of the previous equity interest was approximately \$31,500 and is included as consideration transferred. The Company recognized a non-cash gain of \$10,171 as a result of re-measuring its prior equity interest in SPB II held before the acquisition.
- (4) On May 1, 2012, the Company purchased two notes receivable from Capmark Bank for a total of \$7,875. These receivables were due from Spacebox Land O'Lakes, LLC and Spacebox North Fort Myers, LLC (collectively, "Spacebox"), a third party. The notes bore interest at 15% per annum. Spacebox owned two self-storage facilities located in Florida that served as collateral for the notes. On December 27, 2012, the Company acquired the two properties owned by Spacebox in exchange for \$142 of cash and forgiveness of the notes, which had an outstanding balance at the time of purchase of \$8,584, including accrued interest.

Table of Contents**Extra Space Storage Inc.****Notes to Consolidated Financial Statements (Continued)****December 31, 2012****(amounts in thousands, except property and share data)****4. PROPERTY ACQUISITIONS (Continued)**

On July 31, 2012, the Company acquired the land it had previously been leasing associated with a property in Bethesda, Maryland for a cash payment of \$3,671.

As noted above, during the year ended December 31, 2012, the Company acquired 91 properties. The following pro forma financial information includes 77 of the 91 properties acquired. Fourteen properties were excluded as it was impractical to obtain the historical information from the previous owners, and in total they represent an immaterial amount of total revenues. The pro forma information is based on the combined historical financial statements of the Company and 77 of the properties acquired, and presents the Company's results as if the acquisitions had occurred as of January 1, 2011:

	For the Year Ended December 31,	
	2012	2011
Total revenues	\$ 450,787	\$ 392,932
Net income attributable to common stockholders	\$ 124,248	\$ 56,454
Net income per common share		
Basic	\$ 1.21	\$ 0.61
Diluted	\$ 1.20	\$ 0.60

The following table summarizes the revenues and earnings related to the 91 acquisitions since the acquisition dates, included in the consolidated statements of operations for the year ended December 31, 2012:

	For the Year Ended December 31, 2012
Total revenues	\$ 29,381
Net income	\$ 9,225

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 on notes payable in the consolidated balance sheets and will be amortized to interest expense over the remaining term of the loans.

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Extra Space Storage Inc.

Notes to Consolidated Financial Statements (Continued)

December 31, 2012

(amounts in thousands, except property and share data)

5. INVESTMENTS IN REAL ESTATE VENTURES

Investments in real estate ventures consist of the following:

	Equity Ownership %	Excess Profit Participation %	Investment balance at December 31,	
			2012	2011
Extra Space West One LLC ("ESW")	5%	40%	\$ 413	\$ 689
Extra Space West Two LLC ("ESW II")	5%	40%	4,404	4,501
Extra Space Northern Properties Six LLC ("ESNPS")	10%	35%	626	953
Extra Space of Santa Monica LLC ("ESSM")	48%	48%	2,655	3,015
Clarendon Storage Associates Limited Partnership ("Clarendon")	50%	50%	3,160	3,171
HSRE-ESP IA, LLC ("HSRE")	50%	50%	12,506	11,528
PRISA Self Storage LLC ("PRISA")	2%	17%	10,972	11,141
PRISA II Self Storage LLC ("PRISA II")	2%	17%	9,331	9,502
PRISA III Self Storage LLC ("PRISA III")	5%	20%		3,410
VRS Self Storage LLC ("VRS")	45%	54%	43,107	43,974
WCOT Self Storage LLC ("WCOT")	5%	20%	4,315	4,495
Storage Portfolio I LLC ("SP I")	25%	25 - 40%	12,587	11,853
Storage Portfolio Bravo II ("SPB II")	20%	20 - 45%		14,435
Extra Space Joint Ventures with Everest Real Estate Fund ("Everest")	39 - 58%	40 - 50%	3,478	3,609
U-Storage de Mexico S.A. and related entities ("U-Storage")	40%	40%		4,841
Other minority owned properties	18 - 50%	19 - 50%	(1,241)	(707)
			\$ 106,313	\$ 130,410

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

In accordance with ASC 810, the Company reviews all of its joint venture relationships quarterly to ensure that there are no entities that require consolidation. As of December 31, 2012, there were no previously unconsolidated entities that were required to be consolidated as a result of this review.

On December 20, 2012 two joint ventures in which the Company held 20% interests each sold their only self storage properties. Both properties were located in Illinois. As a result of the sale, the joint ventures were dissolved, and the Company received cash proceeds which resulted in a gain of \$1,409.

On November 30, 2012, the Company completed the acquisition of its joint venture partner's 80% interest in SPB II, which owned 21 properties located in eleven states. Prior to the acquisition, the remaining 20% interest was owned by the Company, which accounted for its investment in SPB II using

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Extra Space Storage Inc.

Notes to Consolidated Financial Statements (Continued)

December 31, 2012

(amounts in thousands, except property and share data)

5. INVESTMENTS IN REAL ESTATE VENTURES (Continued)

the equity method. Subsequent to the acquisition, the Company had full ownership. GAAP requires an entity that completes a business combination in stages to re-measure its previously held equity interest in the acquiree at its acquisition date fair value and recognize the resulting gain or loss, if any, in earnings. The Company recorded a gain of \$10,171 related to this transaction, which represents the increase in fair value of the Company's 20% interest in SPB II from the time the Company purchased its interest in the joint venture to the acquisition date.

On July 2, 2012, the Company completed the acquisition of PREI®'s 94.9% interest in PRISA III, which was formed in 2005 and owned 36 properties located in 18 states. Prior to the acquisition, the remaining 5.1% interest was owned by the Company, which accounted for its investment in PRISA III using the equity method. Subsequent to the acquisition, the Company had full ownership. GAAP requires an entity that completes a business combination in stages to re-measure its previously held equity interest in the acquiree at its acquisition date fair value and recognize the resulting gain or loss, if any, in earnings. The Company recorded a gain of \$13,499 related to this transaction, which represents the increase in fair value of the Company's 5.1% interest in PRISA III from the formation of the joint venture to the acquisition date.

On February 17, 2012, a joint venture in which the Company held a 40% equity interest sold its only self-storage property. The property was located in New York. As a result of the sale, the joint venture was dissolved, and the Company received cash proceeds which resulted in a gain of \$5,550.

On January 15, 2012, the Company sold its 40% equity interest in U-Storage de Mexico S.A. and related entities to its joint venture partners for \$4,841. The Company received cash of \$1,492 and a note receivable of \$3,349. No gain or loss was recorded on the sale. At December 31, 2012, the balance of the note receivable was \$1,853. The note receivable is due December 15, 2014.

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 was 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.

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

	For the Year Ended December 31,		
	2012	2011	2010
Equity in earnings of ESW	\$ 1,263	\$ 1,156	\$ 1,213
Equity in earnings (losses) of ESW II	26	(8)	(31)
Equity in earnings of ESNPS	382	338	239
Equity in earnings (losses) of ESSM	314	114	(142)
Equity in earnings of Clarendon	471	465	417
Equity in earnings (losses) of HSRE	1,298	388	(161)
Equity in earnings of PRISA	821	674	641
Equity in earnings of PRISA II	643	530	481
Equity in earnings of PRISA III	187	330	262
Equity in earnings of VRS	2,849	2,279	2,221
Equity in earnings of WCOT	370	92	251
Equity in earnings (losses) of SP I	1,103	(116)	934
Equity in earnings of SPB II	430	301	184
Equity in earnings of Everest	137	179	195
Equity in earnings (losses) of U-Storage		(11)	55
Equity in earnings (losses) of other minority owned properties	565	576	(6)
	\$ 10,859	\$ 7,287	\$ 6,753

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.

Information (unaudited) related to the real estate ventures' debt at December 31, 2012, is presented below:

	Loan	Current	Debt Maturity
	Amount	Interest Rate	
ESW Fixed	\$ 16,700	5.00%	September 2015
ESW II Swapped to fixed	19,717	3.57%	February 2019
ESNPS Fixed	34,500	5.27%	June 2015
ESSM Variable	11,125	3.01%	November 2014
Clarendon Swapped to fixed	8,151	5.93%	September 2018
HSRE Fixed	97,779	5.29%	August 2015
VRS Swapped to fixed	52,100	3.34%	July 2019
WCOT Swapped to fixed	87,500	3.34%	August 2019
SPI Fixed	96,334	4.66%	April 2018
Other minority owned properties	62,458	Various	Various

Table of Contents**Extra Space Storage Inc.****Notes to Consolidated Financial Statements (Continued)****December 31, 2012****(amounts in thousands, except property and share data)****5. INVESTMENTS IN REAL ESTATE VENTURES (Continued)**

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, 2012 and 2011, and for the years ended December 31, 2012, 2011, and 2010, follows:

Balance Sheets:	December 31,	
	2012(a)	2011
Assets:		
Net real estate assets	\$ 1,629,402	\$ 1,971,431
Other	33,103	48,728
	\$ 1,662,505	\$ 2,020,159
Liabilities and members' equity:		
Notes payable	\$ 404,630	\$ 615,561
Other liabilities	27,383	37,558
Members' equity	1,234,492	1,367,040
	\$ 1,666,505	\$ 2,020,159

Statements of Operations:	For the Year Ended December 31,		
	2012	2011	2010
Rents and other income	\$ 266,222	\$ 304,499	\$ 297,658
Expenses	164,285	217,114	211,283
Net income	\$ 101,937	\$ 87,385	\$ 86,375

- (a) The balance sheet information as of December 31, 2012 does not include PRISA III or SPB II, which were acquired by the Company during 2012.

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

Table of Contents**Extra Space Storage Inc.****Notes to Consolidated Financial Statements (Continued)****December 31, 2012****(amounts in thousands, except property and share data)****5. INVESTMENTS IN REAL ESTATE VENTURES (Continued)**

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, 2012, 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.

The following table compares the liability balance and the maximum exposure to loss related to the VIE JVs as of December 31, 2012:

	Liability Balance	Investment Balance	Balance of Guaranteed Loan	Payables to Company	Maximum Exposure to Loss	Difference
Extra Space of Montrose Avenue LLC	\$	\$ 1,173	\$ 5,120	\$ 2,216	\$ 8,509	\$ (8,509)
Extra Space of Sacramento One LLC		(1,015)	4,307	6,083	9,375	(9,375)
	\$	\$ 158	\$ 9,427	\$ 8,299	\$ 17,884	\$ (17,884)

The Company had no consolidated VIEs for the year ended December 31, 2012.

6. OTHER ASSETS

The components of other assets are summarized as follows:

	December 31, 2012	December 31, 2011
Equipment and fixtures	\$ 15,090	\$ 12,146
Less: accumulated depreciation	(10,223)	(8,847)
Other intangible assets	3,434	3,424
Deferred financing costs, net	19,783	15,386
Prepaid expenses and deposits	7,934	5,265
Receivables, net	19,881	15,536
Investments in Trusts	3,590	3,590
Income taxes receivable	3,609	2,447
Deferred tax asset	3,505	3,603
	\$ 66,603	\$ 52,550

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Extra Space Storage Inc.

Notes to Consolidated Financial Statements (Continued)

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(amounts in thousands, except property and share data)

7. NOTES PAYABLE

The components of notes payable are summarized as follows:

	December 31, 2012	December 31, 2011
Fixed Rate		
Mortgage loans with banks (including loans subject to interest rate swaps) bearing interest at fixed rates between 2.8% 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 April 2013 and February 2021.	\$ 1,156,015	\$ 819,091
Variable Rate		
Mortgage and construction loans with banks bearing floating interest rates based on LIBOR. Interest rates based on LIBOR are between LIBOR plus 2.0% (2.21% at December 31, 2012 and 2.30% December 31, 2011) and LIBOR plus 3.0% (3.21% at December 31, 2012 and 3.30% December 31, 2011). 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 December 2013 and November 2019.	213,675	117,910
	\$ 1,369,690	\$ 937,001

The following table summarizes the scheduled maturities of notes payable at December 31, 2012:

2013	\$ 110,483
2014	144,822
2015	201,100
2016	167,604
2017	349,964
Thereafter	395,717
	\$ 1,369,690

Certain mortgage and construction loans with variable interest rates are subject to interest rate floors starting at 2.15%. Real estate assets are pledged as collateral for the notes payable. Of the Company's \$1,369,690 in notes payable outstanding at December 31, 2012, \$845,317 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, 2012.

Table of Contents**Extra Space Storage Inc.****Notes to Consolidated Financial Statements (Continued)****December 31, 2012****(amounts in thousands, except property and share data)****8. DERIVATIVES**

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

Cash Flow Hedges of Interest Rate Risk

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

The effective portion of changes in the fair value of derivatives designated and that qualify as cash flow hedges is recorded in accumulated other comprehensive deficit and is subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. During the years ended December 31, 2012, 2011 and 2010, such derivatives were used to hedge the variable cash flows associated with existing variable-rate debt. During 2013, the Company estimates that an additional \$7,600 will be reclassified as an increase to interest expense.

The following table summarizes the terms of the Company's derivative financial instruments as of December 31, 2012:

Hedge Product	Current Notional Amounts	Strike	Effective Dates	Maturity Dates
Swap Agreements	\$7,983 - \$97,579	2.79% - 6.98%	2/1/2009 - 12/14/2012	6/30/2013 - 5/1/2020

Fair Values of Derivative Instruments

The table below presents the fair value of the Company's derivative financial instruments as well as their classification on the consolidated balance sheets as of December 31, 2012 and 2011.

Derivatives designated as hedging instruments:	Asset (Liability) Derivatives			
	December 31, 2012		December 31, 2011	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Swap Agreements	Other liabilities	\$ (15,228)	Other liabilities	\$ (8,311)

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Extra Space Storage Inc.

Notes to Consolidated Financial Statements (Continued)

December 31, 2012

(amounts in thousands, except property and share data)

8. DERIVATIVES (Continued)**Effect of Derivative Instruments**

The tables below present the effect of the Company's derivative financial instruments on the consolidated statements of operations for the years ended December 31, 2012, 2011 and 2010.

Type	Classification of Income (Expense)	For the Year Ended December 31,		
		2012	2011	2010
Swap Agreements	Interest expense	\$ (6,758)	\$ (3,771)	\$ (3,078)

Type	Gain (loss) recognized in OCI December 31, 2012	Location of amounts reclassified from OCI into income	Gain (loss) reclassified from OCI
			For the Year Ended December 31, 2012
Swap Agreements	\$ (6,917)	Interest expense	\$ (6,758)

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

Credit-risk-related Contingent Features

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

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

As of December 31, 2012, the fair value of derivatives in a net liability position, which includes accrued interest but excludes any adjustment for nonperformance risk, related to these agreements was \$15,569. As of December 31, 2012, the Company had not posted any collateral related to these agreements. If the Company had breached any of these provisions as of December 31, 2012, it could have been required to settle its obligations under the agreements at their termination value of \$15,569.

9. NOTES PAYABLE TO TRUSTS

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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

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Extra Space Storage Inc.

Notes to Consolidated Financial Statements (Continued)

December 31, 2012

(amounts in thousands, except property and share data)

9. NOTES PAYABLE TO TRUSTS (Continued)

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 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

Table of Contents**Extra Space Storage Inc.****Notes to Consolidated Financial Statements (Continued)****December 31, 2012****(amounts in thousands, except property and share data)****9. NOTES PAYABLE TO TRUSTS (Continued)**

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, 2012:

	Notes payable to Trusts	Investment Balance	Maximum exposure to loss	Difference
Trust	\$ 36,083	\$ 1,083	\$ 35,000	\$
Trust II	42,269	1,269	41,000	
Trust III	41,238	1,238	40,000	
	\$ 119,590	\$ 3,590	\$ 116,000	\$

10. EXCHANGEABLE SENIOR NOTES

On March 27, 2007, the Company's Operating Partnership issued \$250,000 of 3.625% Exchangeable Senior Notes ("the Notes"). The Notes bore interest at 3.625% per annum and contained an exchange settlement feature, which provided that the Notes, under certain circumstances, could have been exchanged 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 the option of the Operating Partnership.

On March 1, 2012, the Company announced that the holders of the Operating Partnership's then-outstanding \$87,663 principal amount of the Notes had the right to surrender their Notes for repurchase by the Operating Partnership on April 1, 2012 for 100% of the principal amount of the Notes, pursuant to the holders' rights under the indenture governing the Notes.

As of April 3, 2012, the Company received notice that the holders of the entire \$87,663 principal amount of the Notes had surrendered their Notes for exchange. On April 26, 2012, the Company settled the exchange by paying cash for the principal amount of the Notes, as required by the indenture, and issuing 684,685 shares of common stock for the value in excess of the principal amount. The issuance of shares was reflected as an increase in paid-in-capital with a corresponding decrease in paid-in-capital attributable to the reacquisition of the equity component of the convertible debt, as discussed below.

Table of Contents**Extra Space Storage Inc.****Notes to Consolidated Financial Statements (Continued)****December 31, 2012****(amounts in thousands, except property and share data)****10. EXCHANGEABLE SENIOR NOTES (Continued)**

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, accounted for the liability and equity components of the Notes separately. The equity component was included in paid-in-capital in stockholders' equity in the condensed consolidated balance sheet, and the value of the equity component was treated as original issue discount for purposes of accounting for the debt component. The discount was amortized over the period of the debt as additional interest expense. The effective interest rate on the liability component was 5.75%.

The carrying amounts of the equity component, the principal amount of the liability component, its unamortized discount, and its net carrying amount for the years ended December 31, 2012 and 2011 were as follows:

	December 31, 2012	December 31, 2011
Carrying amount of equity component	\$	\$ 19,545
Principal amount of liability component	\$	\$ 87,663
Unamortized discount		(444)
Net carrying amount of liability component	\$	\$ 87,219

The amount of interest cost recognized relating to the contractual interest rate and the amortization of the discount on the liability component for the years ended December 31, 2012 and 2011 were as follows:

	For the Year Ended December 31,		
	2012	2011	2010
Contractual interest	\$ 790	\$ 3,178	\$ 3,178
Amortization of discount	444	1,761	1,664
Total interest expense recognized	\$ 1,234	\$ 4,939	\$ 4,842

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Extra Space Storage Inc.

Notes to Consolidated Financial Statements (Continued)

December 31, 2012

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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, 2012		Interest Rate	Origination Date	Maturity	Basis Rate	Notes
	Amount Drawn	Capacity					
Credit Line 1	\$ 35,000	\$ 75,000	2.36%	2/13/2009	2/13/2014	LIBOR plus 2.15%	(1)(4)(5)
Credit Line 2		75,000	2.41%	6/4/2010	5/31/2013	LIBOR plus 2.20%	(2)(4)(5)
Credit Line 3		40,000	2.41%	11/16/2010	11/16/2013	LIBOR plus 2.20%	(3)(4)(5)
Credit Line 4	50,000	50,000	2.36%	4/29/2011	5/1/2014	LIBOR plus 2.15%	(3)(4)(5)
	\$ 85,000	\$ 240,000					

-
- (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, 2012	December 31, 2011
Deferred rental income	\$ 20,752	\$ 14,907
Lease obligation liability	3,826	5,828
Fair value of interest rate swaps	15,228	8,311
Other miscellaneous liabilities	8,442	4,708
	\$ 48,248	\$ 33,754

Included in the lease obligation liability is approximately \$3,826 and \$1,747 for the years ended December 31, 2012 and 2011, respectively, related to minimum rentals to be received in the future under non cancelable subleases.

13. RELATED PARTY AND AFFILIATED REAL ESTATE JOINT VENTURE TRANSACTIONS

The Company provides management services to certain joint ventures, third parties and other related party 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

Table of Contents**Extra Space Storage Inc.****Notes to Consolidated Financial Statements (Continued)****December 31, 2012****(amounts in thousands, except property and share data)****13. RELATED PARTY AND AFFILIATED REAL ESTATE JOINT VENTURE TRANSACTIONS (Continued)**

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,		
		2012	2011	2010
ESW	Affiliated real estate joint ventures	\$ 430	\$ 410	\$ 403
ESW II	Affiliated real estate joint ventures	354	335	318
ESNPS	Affiliated real estate joint ventures	498	479	458
ESSM	Affiliated real estate joint ventures	107	85	44
HSRE	Affiliated real estate joint ventures	1,094	1,045	961
PRISA	Affiliated real estate joint ventures	5,174	4,961	4,917
PRISA II	Affiliated real estate joint ventures	4,138	4,016	3,964
PRISA III	Affiliated real estate joint ventures	920	1,796	1,722
VRS	Affiliated real estate joint ventures	1,207	1,156	1,136
WCOT	Affiliated real estate joint ventures	1,520	1,497	1,468
SPI	Affiliated real estate joint ventures	1,885	6,392	1,256
SPB II	Affiliated real estate joint ventures	923	969	943
Everest	Affiliated real estate joint ventures	133	528	491
Other	Franchisees, third parties and other	7,323	6,255	5,041
		\$ 25,706	\$ 29,924	\$ 23,122

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 year ended December 31, 2011 for restatement purposes, the Company recorded the asset management fee adjustments for the years 2006 through 2010 in 2011. 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. This receivable was paid in full by December 31, 2012.

Table of Contents**Extra Space Storage Inc.****Notes to Consolidated Financial Statements (Continued)****December 31, 2012****(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:

	December 31, 2012	December 31, 2011
Mortgage notes receivable	\$ 7,670	\$ 7,253
Other receivables from properties	3,408	11,264
	\$ 11,078	\$ 18,517

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, 2012 and 2011.

Centershift, a related party service provider, is partially owned by 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, 2012, 2011 and 2010, the Company paid Centershift \$1,235, \$1,087, and \$778, respectively, relating to the purchase of software and license agreements.

The Company has entered into an annual aircraft dry lease and service and management agreement with SpenAero, L.C. ("SpenAero"), an affiliate of Spencer F. Kirk, the Company's Chief Executive Officer. Under the terms of the agreement, the Company pays a defined hourly rate for use of the aircraft. During the years ended December 31, 2012, 2011 and 2010, the Company paid SpenAero \$649, \$608, and \$668, 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, 2012, 110,737,205 shares of common stock were issued and outstanding, and no shares of preferred stock were issued or outstanding.

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

On November 9, 2012, the Company issued and sold 5,980,000 shares of its common stock in a public offering at a price to the underwriter of \$33.98 per share. The Company received gross proceeds of \$203,200. Transaction costs were \$300, resulting in net proceeds of \$202,900.

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Notes to Consolidated Financial Statements (Continued)

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14. STOCKHOLDERS' EQUITY (Continued)

On April 16, 2012, the Company issued and sold 8,050,000 shares of its common stock in a public offering at a price to the underwriter of \$28.22 per share. The Company received gross proceeds of \$227,171. Transaction costs were \$483, resulting in net proceeds of \$226,688.

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.

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.

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Notes to Consolidated Financial Statements (Continued)

December 31, 2012

(amounts in thousands, except property and share data)

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

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 96.7% majority ownership interest therein as of December 31, 2012. The remaining ownership interests in the Operating Partnership (including Preferred OP units) of 3.3% are held by certain former owners of assets acquired by the Operating Partnership. As of December 31, 2012, the Operating Partnership had 2,755,650 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 anti-dilution adjustments provided in the Operating Partnership agreement. The ten day average closing stock price at December 31, 2012, was \$36.03 and there were 2,755,650 OP units outstanding. Assuming that all of the unit holders exercised their right to redeem all of their OP units on December 31, 2012 and the Company elected to pay the non-controlling members cash, the Company would have paid \$99,272 in cash consideration to redeem the units.

In December 2012, 304,817 OP units were redeemed in exchange for the Company's common stock. In April 2012, 5,475 OP units were redeemed for \$155 in cash.

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.

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

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Extra Space Storage Inc.

Notes to Consolidated Financial Statements (Continued)

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16. NONCONTROLLING INTEREST IN OPERATING PARTNERSHIP (Continued)

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, 2012. Two of these consolidated properties were undeveloped, and one was in the lease-up stage as of December 31, 2012. The ownership interests of the third party owners range from 5.0% to 27.6%. Other noncontrolling interests are included in the stockholders' equity section of the Company's consolidated balance sheet. The income or losses 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.

18. STOCK-BASED COMPENSATION

The Company has the following plans under which shares were available for grant at December 31, 2012:

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

Table of Contents**Extra Space Storage Inc.****Notes to Consolidated Financial Statements (Continued)****December 31, 2012****(amounts in thousands, except property and share data)****18. STOCK-BASED COMPENSATION (Continued)**

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, 2012, 2,553,769 shares were available for issuance under the Plans.

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, 2012
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		
Granted	67,084	27.18		
Exercised	(768,853)	13.55		
Outstanding at December 31, 2012	1,097,092	\$ 13.89	5.50	\$ 24,687
Vested and Expected to Vest Ending Exercisable	1,067,103	\$ 13.67	5.41	\$ 24,248
	724,368	\$ 13.87	4.56	\$ 16,313

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 2012 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, 2012. The amount of aggregate intrinsic value will change based on the fair market value of the Company's stock.

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Extra Space Storage Inc.

Notes to Consolidated Financial Statements (Continued)

December 31, 2012

(amounts in thousands, except property and share data)

18. STOCK-BASED COMPENSATION (Continued)

The weighted average fair value of stock options granted in 2012, 2011 and 2010, was \$6.64, \$5.39 and \$3.27, 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,		
	2012	2011	2010
Expected volatility	44%	45%	47%
Dividend yield	4.5%	4.9%	5.3%
Risk-free interest rate	0.9%	2.4%	2.3%
Average expected term (years)	5	5	5

The Black-Scholes model incorporates assumptions to value stock-based awards. The risk-free rate is based on the U.S. Treasury yield curve in effect at the time of the grant for the estimated life of the option. The Company uses actual historical data to calculate the expected price volatility, dividend yield and average expected term. The forfeiture rate, which is estimated at a weighted-average of 17.7% of unvested options outstanding as of December 31, 2012, 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, 2012, is as follows:

Exercise Price	Shares	Options Outstanding		Options Exercisable	
		Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
\$6.22 - \$11.50	273,715	6.13	\$ 6.22	145,965	\$ 6.22
\$11.51 - \$12.50	239,026	5.75	12.02	121,736	12.24
\$12.51 - \$15.50	204,000	3.91	14.73	204,000	14.73
\$15.51 - \$19.60	188,267	5.56	17.76	127,667	16.88
\$19.61 - \$28.79	192,084	5.90	22.45	125,000	19.91
\$6.22 - \$28.79	1,097,092	5.50	\$ 13.89	724,368	\$ 14.37

The Company recorded compensation expense relating to outstanding options of \$585, \$942 and \$801 in general and administrative expense for the years ended December 31, 2012, 2011 and 2010, respectively. Total cash received for the years ended December 31, 2012, 2011 and 2010, related to option exercises was \$10,267, \$18,622, and \$5,661, respectively. At December 31, 2012, there was \$742 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 1.32 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, 2012, noted above does not necessarily represent the expense that will ultimately be realized by the Company in the statement of operations.

Table of Contents**Extra Space Storage Inc.****Notes to Consolidated Financial Statements (Continued)****December 31, 2012****(amounts in thousands, except property and share data)****18. STOCK-BASED COMPENSATION (Continued)****Common Stock Granted to Employees and Directors**

The Company recorded \$3,771, \$4,815 and \$3,779 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, 2012, 2011 and 2010, respectively. The forfeiture rate, which is estimated at a weighted-average of 9.3% of unvested awards outstanding as of December 31, 2012, is adjusted periodically based on the extent to which actual forfeitures differ, or are expected to differ, from the previous estimates. At December 31, 2012, there was \$6,117 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 1.89 years.

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

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

Restricted Stock Grants	Shares	Weighted-Average Grant-Date Fair Value
Unreleased at December 31, 2009	766,854	\$ 9.94
Granted	445,230	12.24
Released	(256,950)	11.50
Cancelled	(64,010)	10.11
Unreleased at December 31, 2010	891,124	\$ 10.62
Granted	226,630	20.09
Released	(407,293)	11.91
Cancelled	(47,695)	14.31
Unreleased at December 31, 2011	662,766	\$ 12.81
Granted	182,052	28.39
Released	(287,754)	12.98
Cancelled	(16,792)	14.03
Unreleased at December 31, 2012	540,272	\$ 17.93

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, 2012, 2011 and 2010, the Company made matching contributions to the plan of \$884, \$832 and \$805, respectively, based on 100% of the first 3% and up to 50% of the next 2% of an employee's compensation.

Table of Contents**Extra Space Storage Inc.****Notes to Consolidated Financial Statements (Continued)****December 31, 2012****(amounts in thousands, except property and share data)****20. INCOME TAXES**

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

The income tax provision for the years ended December 31, 2012, 2011 and 2010, is comprised of the following components:

	For the Year Ended December 31, 2012		
	Federal	State	Total
Current expense	\$ 8,240	\$ 612	\$ 8,852
Tax credits	(5,528)		(5,528)
Change in deferred benefit	2,089		2,089
Total tax expense	\$ 4,801	\$ 612	\$ 5,413

	For the Year Ended 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	\$ 549	\$ 606	\$ 1,155

	For the Year Ended 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	\$ 4,038	\$ 124	\$ 4,162

Table of Contents**Extra Space Storage Inc.****Notes to Consolidated Financial Statements (Continued)****December 31, 2012****(amounts in thousands, except property and share data)****20. INCOME TAXES (Continued)**

A reconciliation of the statutory income tax provisions to the effective income tax provisions for the years ended December 31, 2012 and 2011 is as follows:

	December 31, 2012		December 31, 2011	
Expected tax at statutory rate	\$ 46,586	35.0%	\$ 20,854	35.0%
Non-taxable REIT income	(37,729)	(28.3)%	(14,957)	(25.1)%
State and local tax expense net of federal benefit	612	0.5%	617	1.0%
Change in valuation allowance	1,641	1.2%	1,298	2.2%
Tax credits	(5,528)	(4.2)%	(6,849)	(11.5)%
Miscellaneous	(169)	(0.1)%	192	0.3%
Total provision	\$ 5,413	4.1%	\$ 1,155	1.9%

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

	December 31, 2012	December 31, 2011
Captive insurance subsidiary	\$ 385	\$ 232
Fixed assets	(10,791)	(6,455)
Various liabilities	1,721	1,542
Solar credit	10,313	6,849
Stock compensation	1,610	1,955
State net operating losses	4,402	2,691
	7,640	6,814
Valuation allowance	(4,135)	(3,211)
Net deferred tax asset	\$ 3,505	\$ 3,603

The state income tax net operating losses expire between 2013 and 2031. The deferred tax benefits associated with the state income tax net operating losses have been fully reserved through the valuation allowance. The solar tax credit carryforwards expire in 2016. The tax years 2007 through 2011 remain open related to the state returns and 2010 for the federal return, and the federal return for 2010 remains open for the Operating Partnership.

21. SEGMENT INFORMATION

The Company operates in three distinct segments; (1) property management, acquisition and development; (2) rental operations; and (3) tenant reinsurance. Management fees collected for

Table of Contents**Extra Space Storage Inc.****Notes to Consolidated Financial Statements (Continued)****December 31, 2012****(amounts in thousands, except property and share data)****21. SEGMENT INFORMATION (Continued)**

wholly-owned properties are eliminated in consolidation. Financial information for the Company's business segments is set forth below:

	December 31, 2012	December 31, 2011	
Balance Sheet			
Investment in real estate ventures			
Rental operations	\$ 106,313	\$	130,410
Total assets			
Property management, acquisition and development	\$ 199,379	\$	250,953
Rental operations	2,996,453		2,244,715
Tenant reinsurance	27,645		21,856
	\$ 3,223,477	\$	2,517,524
	For the Year Ended December 31,		
	2012	2011	2010
Statement of Operations			
Total revenues			
Property management, acquisition and development	\$ 36,816	\$ 29,924	\$ 23,122
Rental operations	346,874	268,725	232,447
Tenant reinsurance	25,706	31,181	25,928
	\$ 409,396	\$ 329,830	\$ 281,497
Operating expenses, including depreciation and amortization			
Property management, acquisition and development	\$ 59,746	\$ 58,012	\$ 49,762
Rental operations	184,540	150,199	134,415
Tenant reinsurance	7,869	6,143	6,505
	\$ 252,155	\$ 214,354	\$ 190,682
Income (loss) from operations			
Property management, acquisition and development	\$ (22,930)	\$ (28,088)	\$ (26,640)
Rental operations	162,334	118,526	98,032
Tenant reinsurance	17,837	25,038	19,423
	\$ 157,241	\$ 115,476	\$ 90,815
Interest expense			
Property management, acquisition and development	\$ (1,822)	\$ (2,464)	\$ (3,126)
Rental operations	(70,472)	(66,598)	(62,654)
	\$ (72,294)	\$ (69,062)	\$ (65,780)

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Extra Space Storage Inc.

Notes to Consolidated Financial Statements (Continued)

December 31, 2012

(amounts in thousands, except property and share data)

21. SEGMENT INFORMATION (Continued)

	For the Year Ended December 31,		
	2012	2011	2010
Interest income			
Property management, acquisition and development	\$ 1,804	\$ 1,016	\$ 889
Tenant reinsurance	12	11	9
	\$ 1,816	\$ 1,027	\$ 898
Interest income on note receivable from Preferred Operating Partnership unit holder			
Property management, acquisition and development	\$ 4,850	\$ 4,850	\$ 4,850
Equity in earnings of real estate ventures			
Rental operations	\$ 10,859	\$ 7,287	\$ 6,753
Equity in earnings of real estate ventures-gain on sale of real estate assets and purchase of partners interests			
Rental operations	\$ 30,630	\$	\$
Income tax expense			
Property management, acquisition and development	\$ 4,986	\$ 7,612	\$ 2,639
Tenant reinsurance	(10,399)	(8,767)	(6,801)
	\$ (5,413)	\$ (1,155)	\$ (4,162)
Net income (loss)			
Property management, acquisition and development	\$ (13,112)	\$ (17,074)	\$ (21,388)
Rental operations	133,351	59,215	42,131
Tenant reinsurance	7,450	16,282	12,631
	\$ 127,689	\$ 58,423	\$ 33,374
Depreciation and amortization expense			
Property management, acquisition and development	\$ 3,941	\$ 3,296	\$ 2,099
Rental operations	70,512	54,718	48,250
	\$ 74,453	\$ 58,014	\$ 50,349
Statement of Cash Flows			
Acquisition of real estate assets			
Property management, acquisition and development	\$ (601,727)	\$ (194,959)	\$ (69,588)
Development and construction of real estate assets			
Property management, acquisition and development	\$ (3,759)	\$ (7,060)	\$ (36,062)

Table of Contents**Extra Space Storage Inc.****Notes to Consolidated Financial Statements (Continued)****December 31, 2012****(amounts in thousands, except property and share data)****22. COMMITMENTS AND CONTINGENCIES**

The Company has operating leases on its corporate offices and owns 18 self-storage facilities that are subject to ground leases. At December 31, 2012, future minimum rental payments under these non-cancelable operating leases were as follows (unaudited):

Less than 1 year	\$	7,463
Year 2		7,330
Year 3		5,206
Year 4		4,072
Year 5		2,783
Thereafter		42,542
	\$	69,396

The monthly rental amounts for two of the ground leases include contingent rental payments based on the level of revenue achieved at the properties. The Company recorded expense of \$2,830, \$2,799 and \$2,416 related to these leases in the years ended December 31, 2012, 2011 and 2010, respectively.

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

	Date of Guaranty	Loan Maturity Date	Guaranteed Loan Amount	Estimated Fair Market Value of Assets
Extra Space of Montrose Avenue LLC	Dec-10	Dec-13	\$ 5,120	\$ 8,432
Extra Space of Sacramento One LLC	Apr-09	Apr-14	\$ 4,307	\$ 9,507
ESS Baltimore LLC	Nov-04	Feb-13	\$ 3,950	\$ 6,465

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, 2012, 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 recorded a liability of \$1,800 during the year ended December 31, 2011, 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, 2012, 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.

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Extra Space Storage Inc.

Notes to Consolidated Financial Statements (Continued)

December 31, 2012

(amounts in thousands, except property and share data)

23. SUPPLEMENTARY QUARTERLY FINANCIAL DATA (UNAUDITED)

	For the Three Months Ended			
	March 31, 2012	June 30, 2012	September 30, 2012	December 31, 2012
Revenues	\$ 90,987	\$ 94,951	\$ 109,791	\$ 113,667
Cost of operations	58,217	57,076	66,307	70,555
Revenues less cost of operations	\$ 32,770	\$ 37,875	\$ 43,484	\$ 43,112
Net income	\$ 22,518	\$ 24,745	\$ 41,553	\$ 38,873
Net income attributable to common stockholders	\$ 20,214	\$ 22,413	\$ 38,606	\$ 36,076
Net income basic	\$ 0.21	\$ 0.22	\$ 0.37	\$ 0.33
Net income diluted	\$ 0.21	\$ 0.22	\$ 0.37	\$ 0.33

	For the Three Months Ended			
	March 31, 2011	June 30, 2011	September 30, 2011	December 31, 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

- (1) Included in revenues is \$4,425 of asset management fees related to the years 2006 through 2010. For further discussion on the complete impact to the financial statements, refer to Note 13.

24. SUBSEQUENT EVENTS

On February 12, 2013, the Company acquired two properties located in Illinois and Maryland for approximately \$12,900 in cash by purchasing a partner's interest in an existing joint venture.

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

Property Number	Property Name	State	Debt	Building and Land costs				Land	Building	Notes	Gross carrying amount at December 31, 2012			Date acquired or completed
				Land improvements initial cost	Building improvements initial cost	Subsequent acquisitions	Adjustments				Building and Land improvements	Total	Accumulated depreciation	
0654	Hoover	AL	\$ 2,754	\$ 1,313	\$ 2,858	\$ 608	\$	\$		\$ 1,313	\$ 3,466	\$ 4,779	\$ 821	Aug-07
8115	Auburn	AL	2,538	324	1,895	106				324	2,001	2,325	130	Aug-10
0751	Birmingham	AL	4,706	790	9,369					790	9,369	10,159	110	Jul-12
8116	Auburn	AL		92	138	144				92	282	374	32	Aug-10
0338	Phoenix	AZ	7,164	1,441	7,982	545				1,441	8,527	9,968	1,813	Jul-05
0659	Phoenix	AZ		669	4,135	169				669	4,304	4,973	720	Jan-07
1211	Peoria	AZ	2,248	652	4,105	100				652	4,205	4,857	717	Apr-06
1356	Phoenix	AZ	3,405	552	3,530	211				552	3,741	4,293	708	Jun-06
8066	Mesa	AZ	1,275	849	2,547	145				849	2,692	3,541	605	Aug-04
1431	Peoria	AZ		1,060	4,731	97				1,060	4,828	5,888	222	Jan-11
0239	Mesa	AZ	3,395	1,129	4,402	8				1,129	4,410	5,539	52	Jul-12
0814	Tucson	AZ		1,090	7,845	2				1,090	7,847	8,937	25	Nov-12
0822	Phoenix	AZ		2,257	7,820					2,257	7,820	10,077	25	Nov-12
1499	Mesa	AZ		2,973	5,545	4				2,973	5,549	8,522	6	Dec-12
1373	Colma	CA	15,718	3,947	22,002	2,136				3,947	24,138	28,085	3,833	Jun-07
1371	Berkeley	CA	15,336	1,716	19,602	1,806				1,716	21,408	23,124	3,234	Jun-07
8008	Sherman Oaks	CA	16,938	4,051	12,152	297				4,051	12,449	16,500	2,716	Aug-04
0645	Oceanside	CA	9,391	3,241	11,361	664				3,241	12,025	15,266	2,548	Jul-05
1370	Alameda	CA		2,919	12,984	1,851				2,919	14,835	17,754	2,540	Jun-07
1071	Burbank	CA	8,473	3,199	5,082	594	419 (a)	672 (a)		3,618	6,348	9,966	2,068	Aug-00
1377	San Leandro	CA	9,664	4,601	9,777	1,929				4,601	11,706	16,307	2,050	Aug-07
1368	San Francisco	CA	12,776	8,457	9,928	1,668				8,457	11,596	20,053	1,980	Jun-07
8011	Venice	CA	6,260	2,803	8,410	180				2,803	8,590	11,393	1,870	Aug-04
1374	Hayward	CA	8,702	3,149	8,006	2,337				3,149	10,343	13,492	1,802	Jun-07
1053	Oakland	CA	2,874		3,777	490		494 (a)		4,761	4,761	1,620	Apr-00	
1122	North Hollywood	CA	7,265	3,125	9,257	92				3,125	9,349	12,474	1,613	May-06
1009	Torrance	CA		3,710	6,271	530	400 (d)			4,110	6,801	10,911	1,586	Jun-04
1111	Palmdale	CA	5,021	1,225	5,379	2,156				1,225	7,535	8,760	1,510	Jan-05
1031	Glendale	CA			6,084	240					6,324	6,324	1,464	Jun-04
1070	Inglewood	CA	4,927	1,379	3,343	418	150 (a)	377 (a)		1,529	4,138	5,667	1,430	Aug-00
0177	Hemet	CA	5,131	1,146	6,369	246				1,146	6,615	7,761	1,355	Jul-05
1160	Los Angeles	CA		3,991	9,774	44				3,991	9,818	13,809	1,272	Dec-07
1029	Richmond	CA	5,011	953	4,635	581				953	5,216	6,169	1,235	Jun-04
1157	Fontana	CA	3,367	961	3,846	175	39 (a)	186 (a) (c)		1,000	4,207	5,207	1,173	Sep-02
1057	Los Angeles	CA	5,109	1,431	2,976	175	180 (a)	374 (a)		1,611	3,525	5,136	1,163	Mar-00
0328	Sacramento	CA	4,066	852	4,720	428				852	5,148	6,000	1,121	Jul-05
1358	Lancaster	CA	5,781	1,347	5,827	218				1,347	6,045	7,392	1,116	Jul-06
1384	Santa Fe Springs	CA	6,707	3,617	7,022	276				3,617	7,298	10,915	1,092	Oct-07
8016	Riverside	CA	2,260	1,075	4,042	471				1,075	4,513	5,588	1,092	Aug-04
1013	Livermore	CA		1,134	4,615	210				1,134	4,825	5,959	1,087	Jun-04
1020	Pico Rivera	CA	4,222	1,150	3,450	146				1,150	3,596	4,746	1,054	Aug-00

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 Schedule III
 Real Estate and Accumulated Depreciation (Continued)
 (Dollars in thousands)

Property Number	Property Name	State	Debt	Building and Land costs				Gross carrying amount at December 31, 2012				Date acquired or development completed		
				Land initial cost	Building improvements initial cost	Subsequent acquisitions	Land adjustments	Land	Building and improvements	Total	Accumulated depreciation			
1222	Belmont	CA		3,500	7,280	51				3,500	7,331	10,831	1,015	May-07
1372	Castro Valley	CA			6,346	349					6,695	6,695	972	Jun-07
1030	Hawthorne	CA	3,911	1,532	3,871	208				1,532	4,079	5,611	969	Jun-04
1095	Stockton	CA	2,572	649	3,272	172				649	3,444	4,093	967	May-02
1378	El Sobrante	CA		1,209	4,018	1,213				1,209	5,231	6,440	953	Jun-07
1121	Fontana	CA	1,816	1,246	3,356	165	54 (a)	179 (a) (c)		1,300	3,700	5,000	927	Oct-03
1232	Antelope	CA	3,902	1,525	8,345	(17)	(340) (b)			1,185	8,328	9,513	920	Jul-08
1235	Los Angeles	CA	4,938	2,200	8,108	20				2,200	8,128	10,328	901	Sep-08
1083	Whittier	CA			2,985	132		20 (c)			3,137	3,137	878	Jun-02
1382	Pleasanton	CA	2,894	1,208	4,283	403				1,208	4,686	5,894	861	May-07
1255	Compton	CA	4,060	1,426	7,582	38				1,426	7,620	9,046	842	Sep-08
1112	Tracy	CA	2,771	778	2,638	173	133 (a)	481 (a) (c)		911	3,292	4,203	839	Jul-03
1194	San Bernardino	CA		750	5,135	55				750	5,190	5,940	829	Jun-06
1007	San Bernardino	CA		1,213	3,061	148				1,213	3,209	4,422	753	Jun-04
1267	Oakland	CA		3,024	11,321	150				3,024	11,471	14,495	753	May-10
0144	Watsonville	CA	3,292	1,699	3,056	195				1,699	3,251	4,950	699	Jul-05
1261	Santa Clara	CA	8,414	4,750	8,218	31				4,750	8,249	12,999	699	Jul-09
1425	Sylmar	CA	4,209	3,058	4,671	247				3,058	4,918	7,976	687	May-08
1254	Pacoima	CA	2,302	3,050	7,597	80				3,050	7,677	10,727	649	Aug-09
8055	Manteca	CA	3,719	848	2,543	119				848	2,662	3,510	639	Jan-04
1433	Sacramento	CA		2,400	7,425	53				2,400	7,478	9,878	633	Sep-09
1379	Vallejo	CA	3,098	1,177	2,157	932				1,177	3,089	4,266	631	Jun-07
1174	Tracy	CA		946	1,937	216		10 (c)		946	2,163	3,109	592	Apr-04
8145	San Jose	CA	8,713	5,340	6,821	195				5,340	7,016	12,356	565	Sep-09
1383	Modesto	CA	1,468	909	3,043	269				909	3,312	4,221	554	Jun-07
1004	Claremont	CA		1,472	2,012	228				1,472	2,240	3,712	544	Jun-04
1404	El Cajon	CA		1,100	6,380	44				1,100	6,424	7,524	519	Sep-09
1474	Cerritos	CA	17,385	8,728	15,895	172				8,728	16,067	24,795	503	Oct-11
1278	Lancaster	CA		1,425	5,855	46				1,425	5,901	7,326	464	Oct-09
1256	Carson	CA			9,709	74					9,783	9,783	449	Mar-11
1166	Elk Grove	CA	2,962	952	6,936	54	123 (a)	234 (a)		1,075	7,224	8,299	419	Dec-07
1257	San Leandro	CA	4,299	3,343	6,630	51	(52) (a)	(237) (a)		3,291	6,444	9,735	378	Oct-10
1273	Sacramento	CA	3,130	1,738	5,522	60	106 (a)	(81) (a) (c)		1,844	5,501	7,345	322	Oct-10
1461	Burlingame	CA	5,555	2,211	5,829	95				2,211	5,924	8,135	260	Apr-11
1486	San Dimas	CA	5,533	1,867	6,354	44				1,867	6,398	8,265	201	Oct-11
1296	Los Gatos	CA		2,550	8,257	36				2,550	8,293	10,843	187	Jul-12
1485	Placentia	CA	6,917	4,798	5,483	65				4,798	5,548	10,346	176	Oct-11
1477	Fontana	CA	4,792	778	4,723	90				778	4,813	5,591	155	Oct-11
0305	Hawaiian Gardens	CA	9,613	2,964	12,478	95				2,964	12,573	15,537	148	Jul-12

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				Land improvements initial cost	Building initial cost	Building subsequent adjustments					Land	Improvements			Total
1476	Fontana	CA	4,324	768	4,208	59					768	4,267	5,035	135	Oct-11
1481	Lake Elsinore	CA		587	4,219	34					587	4,253	4,840	134	Oct-11
0721	Santa Cruz	CA		1,588	11,160	5					1,588	11,165	12,753	131	Jul-12
1478	Fontana	CA	4,076	684	3,951	63					684	4,014	4,698	129	Oct-11
1480	Irvine	CA	5,118	3,821	3,999	48					3,821	4,047	7,868	129	Oct-11
0352	Los Angeles	CA		4,555	10,590	9					4,555	10,599	15,154	125	Jul-12
1488	Santa Maria	CA	3,268	1,310	3,526	38					1,310	3,564	4,874	112	Oct-11
1487	Santa Maria	CA	3,015	1,556	2,740	89					1,556	2,829	4,385	94	Oct-11
1483	Long Beach	CA	2,767	1,772	2,539	75					1,772	2,614	4,386	85	Oct-11
1484	Paramount	CA	2,663	1,404	2,549	105					1,404	2,654	4,058	85	Oct-11
1472	Bloomington	CA	2,496	934	1,937	129					934	2,066	3,000	75	Oct-11
1482	Lake Elsinore	CA	2,095	294	2,105	55					294	2,160	2,454	68	Oct-11
0353	Los Angeles	CA		3,099	4,889	29					3,099	4,918	8,017	58	Jul-12
1475	Claremont	CA	2,362	1,375	1,434	34					1,375	1,468	2,843	48	Oct-11
1473	Bloomington	CA	1,515	647	1,303	50					647	1,353	2,000	47	Oct-11
1471	Bellflower	CA	1,280	640	1,350	29					640	1,379	2,019	44	Oct-11
0231	Moreno Valley	CA	2,139	482	3,484	3					482	3,487	3,969	41	Jul-12
0825	Orange	CA		4,847	12,341	3					4,847	12,344	17,191	40	Nov-12
1489	Victorville	CA	713	151	751	85					151	836	987	28	Oct-11
1491	San Jose	CA	2,570	2,428	2,323	45					2,428	2,368	4,796	28	Jul-12
1479	Hesperia	CA	446	156	430	86					156	516	672	22	Oct-11
1253	Thousand Oaks	CA		4,500			(1,000) (e)				3,500		3,500		
1275	Simi Valley	CA		5,533			(1,285) (e)				4,248		4,248		
1075	Thornton	CO	2,966	212	2,044	651	36 (a)	389 (a)			248	3,084	3,332	1,084	Sep-00
1074	Denver	CO	2,708	602	2,052	598	143 (a)	512 (a)			745	3,162	3,907	1,060	Sep-00
1076	Westminster	CO	2,238	291	1,586	950	8 (a)	48 (a)			299	2,584	2,883	1,005	Sep-00
1359	Parker	CO	2,604	800	4,549	599					800	5,148	5,948	974	Sep-06
1073	Arvada	CO	1,913	286	1,521	647					286	2,168	2,454	824	Sep-00
0665	Colorado Springs	CO	4,024	781	3,400	207					781	3,607	4,388	566	Aug-07
0744	Colorado Springs	CO	3,314	1,525	4,310	212					1,525	4,522	6,047	524	Nov-08
0679	Denver	CO	2,678	368	1,574	202					368	1,776	2,144	406	Jul-05
1459	Colorado Springs	CO	1,833	296	4,199	192					296	4,391	4,687	181	Jun-11
1458	Castle Rock	CO	1,208	407	3,077	106					407	3,183	3,590	137	May-11
1460	Colorado Springs	CO			6,945	10						6,955	6,955	82	Jul-12
1097	Wethersfield	CT	4,197	709	4,205	187		16 (c)			709	4,408	5,117	1,203	Aug-02
1079	Groton	CT	2,309	1,277	3,992	383		46 (c)			1,277	4,421	5,698	1,166	Jan-04

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				initial cost	improvements to cost	subsequent acquisitions					Land	Improvements			Total
1192	Middletown	CT	2,914	932	2,810	170					932	2,980	3,912	397	Dec-07
0568	Brookfield	CT	5,233	991	7,891	39					991	7,930	8,921	94	Jul-12
1333	Orlando	FL	4,237	2,233	9,223	330		21 (c)		2,233	9,574	11,807	2,046	Mar-05	
1066	Miami	FL	3,230	1,325	4,395	421	114 (a)	388 (a)		1,439	5,204	6,643	1,728	Aug-00	
1060	North Miami	FL		1,256	6,535	484				1,256	7,019	8,275	1,673	Jun-04	
1067	Miami	FL	8,219	5,315	4,305	284	544 (a)	447 (a)		5,859	5,036	10,895	1,635	Aug-00	
1064	North Lauderdale	FL	4,270	428	3,516	663	31 (a)	260 (a)		459	4,439	4,898	1,572	Aug-00	
1334	Orlando	FL		1,474	6,101	233		21 (c)		1,474	6,355	7,829	1,340	Mar-05	
1068	Margate	FL	3,508	430	3,139	356	39 (a)	287 (a)		469	3,782	4,251	1,246	Aug-00	
0763	Hollywood	FL	6,968	3,214	8,689	259				3,214	8,948	12,162	1,242	Nov-07	
1317	Orlando	FL	4,407	1,216	5,008	290		39 (c)		1,216	5,337	6,553	1,228	Aug-04	
1385	Miami	FL	4,678	1,238	7,597	259				1,238	7,856	9,094	1,226	May-07	
1314	Madeira Beach	FL		1,686	5,163	161		29 (c)		1,686	5,353	7,039	1,213	Aug-04	
1336	Orlando	FL		1,166	4,816	1,168		15 (c)		1,166	5,999	7,165	1,205	Mar-05	
0976	West Palm Beach	FL	3,872	1,752	4,909	387				1,752	5,296	7,048	1,199	Jul-05	
0692	Venice	FL	6,986	1,969	5,903	311				1,969	6,214	8,183	1,190	Jan-06	
0101	Fort Myers	FL	4,260	1,985	4,983	387				1,985	5,370	7,355	1,187	Jul-05	
1308	Fort Myers	FL	2,919	1,691	4,711	203		29 (c)		1,691	4,943	6,634	1,154	Aug-04	
1069	West Palm Beach	FL	1,765	1,312	2,511	513	104 (a)	204 (a)		1,416	3,228	4,644	1,128	Aug-00	
1318	Port Charlotte	FL		1,389	4,632	176		20 (c)		1,389	4,828	6,217	1,087	Aug-04	
1310	Ft Lauderdale	FL	2,627	1,587	4,205	271		32 (c)		1,587	4,508	6,095	1,064	Aug-04	
1324	Valrico	FL	3,013	1,197	4,411	185		34 (c)		1,197	4,630	5,827	1,060	Aug-04	
1065	West Palm Beach	FL	1,533	1,164	2,511	390	82 (a)	180 (a)		1,246	3,081	4,327	1,032	Aug-00	
1392	Coral Springs	FL	6,627	3,638	6,590	207				3,638	6,797	10,435	871	Jun-08	
0545	Tampa	FL		1,425	4,766	289				1,425	5,055	6,480	863	Mar-07	
1335	Ocoee	FL		872	3,642	187		17 (c)		872	3,846	4,718	861	Mar-05	
1266	Hiialeah	FL		2,800	7,588	80				2,800	7,668	10,468	860	Aug-08	
0752	Deland	FL	2,866	1,318	3,971	245				1,318	4,216	5,534	783	Jan-06	
1319	Riverview	FL	2,475	654	2,953	155		29 (c)		654	3,137	3,791	745	Aug-04	
1429	Miami	FL	6,950	4,798	9,475	26				4,798	9,501	14,299	745	Nov-09	
1337	Greenacres	FL	2,655	1,463	3,244	90		14 (c)		1,463	3,348	4,811	716	Mar-05	
1402	Estero	FL		2,198	8,215	20				2,198	8,235	10,433	696	Jul-09	
1366	Tampa	FL	3,390	883	3,533	146				883	3,679	4,562	620	Nov-06	
1409	Hiialeah	FL	1,103	1,750	7,150	36				1,750	7,186	8,936	547	Jan-10	

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				initial cost	improvements subsequent to acquisition	subsequent adjustments						
1403	Hialeah	FL		1,678	6,807			1,678	6,835	8,513	402	Sep-10
1427	Ft Lauderdale	FL	5,122	2,750	7,002			2,750	7,471	10,221	344	May-11
1424	Kendall	FL		2,375	5,543			2,375	5,598	7,973	221	Feb-11
1466	Miami	FL		521	5,198			521	5,302	5,823	173	Oct-11
8136	Orlando	FL		625	2,133			625	2,182	2,807	151	Jul-10
0254	Miami	FL	8,235	3,257	9,713			3,257	9,753	13,010	115	Jul-12
1494	Lakeland	FL	5,754	871	6,905			871	7,083	7,954	115	May-12
1186	West Palm Beach	FL	3,488	1,729	4,058			1,729	4,070	5,799	109	Dec-11
1493	Lakeland	FL	4,005	593	4,701			593	4,844	5,437	79	May-12
0208	Miami	FL	5,911	1,979	6,513			1,979	6,530	8,509	77	Jul-12
0812	Sarasota	FL		4,665	9,016			4,665	9,016	13,681	29	Nov-12
1492	Auburndale	FL	1,323	470	1,076			470	1,148	1,618	19	May-12
0831	Brandon	FL		1,327	5,656			1,327	5,656	6,983	18	Nov-12
0819	Fort Lauderdale	FL		1,576	5,397		1	1,576	5,398	6,974	17	Nov-12
8298	Land O Lakes	FL		798	4,490			798	4,490	5,288	5	Dec-12
8137	St Petersburg	FL		805	3,345			805	3,345	4,150	4	Dec-12
8187	Seminole	FL	4,742	1,133	3,017			1,133	3,017	4,150	3	Dec-12
8297	North Fort Myers	FL		799	2,372			799	2,372	3,171	3	Dec-12
1432	Plantation	FL		3,850		(1,900) (e)		1,950		1,950		
1304	Atlanta	GA	8,066	3,737	8,333		35 (c)	3,737	8,700	12,437	1,982	Aug-04
1338	Atlanta	GA	6,706	3,319	8,325		33 (c)	3,319	8,790	12,109	1,910	Feb-05
1322	Stone Mountain	GA	2,909	1,817	4,382		24 (c)	1,817	4,640	6,457	1,053	Aug-04
1321	Snellville	GA		2,691	4,026		23 (c)	2,691	4,300	6,991	989	Aug-04
0417	Stone Mountain	GA	1,761	925	3,505			925	3,783	4,708	788	Jul-05
0753	Duluth	GA	3,246	1,454	4,151			1,454	4,260	5,714	635	Jun-07
0693	Alpharetta	GA	2,648	1,893	3,161			1,893	3,299	5,192	598	Aug-06
0699	Dacula	GA	3,819	1,993	3,001			1,993	3,118	5,111	582	Jan-06
1320	Atlanta	GA		1,665	2,028		21 (c)	1,665	2,218	3,883	541	Aug-04
0754	Sugar Hill	GA		1,371	2,547			1,371	2,698	4,069	430	Jun-07
0745	Sugar Hill	GA		1,368	2,540			1,368	2,697	4,065	427	Jun-07
8134	Lithonia	GA		1,958	3,645			1,958	3,723	5,681	306	Nov-09
8161	Marietta	GA		887	2,617			887	2,818	3,705	188	Jun-10

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				initial cost	initial improvements	subsequent acquisitions	subsequent costs				Land	Improvements		
8162	Kennesaw	GA		673	1,151		106			673	1,257	1,930	90	Jun-10
8163	Douglasville	GA	3,360	1,209	719		277			1,209	996	2,205	69	Jun-10
0815	Atlanta	GA		1,718	6,388		2			1,718	6,390	8,108	20	Nov-12
1313	Alpharetta	GA		1,973	1,587		182		20 (c)	1,973	1,789	3,762	432	Aug-04
1376	Kapolei	HI	14,545		24,701		417				25,118	25,118	3,670	Jun-07
1375	Kahului	HI		3,984	15,044		621			3,984	15,665	19,649	2,400	Jun-07
1171	Gurnee	IL		1,374	8,296		86			1,374	8,382	9,756	1,132	Oct-07
0731	Chicago	IL	4,260	621	3,428		851			621	4,279	4,900	1,073	Jul-05
1108	Crest Hill	IL	2,444	847	2,946		177	121 (a)	472 (a) (c)	968	3,595	4,563	907	Jul-03
1104	South Holland	IL	1,540	839	2,879		187	26 (a)	108 (a) (c)	865	3,174	4,039	879	Oct-02
0729	Chicago	IL	2,808	472	2,582		696			472	3,278	3,750	807	Jul-05
1259	Naperville	IL		2,800	7,355		116	(850) (e)		1,950	7,471	9,421	782	Dec-08
0728	Chicago	IL	3,098	449	2,471		698			449	3,169	3,618	754	Jul-05
1242	North Aurora	IL	2,523	600	5,833		101			600	5,934	6,534	710	May-08
1263	Tinley Park	IL		1,823	4,794		82	(275) (e)		1,548	4,876	6,424	540	Aug-08
1178	Highland Park	IL	7,344	5,798	6,016		64			5,798	6,080	11,878	165	Dec-11
1173	Naperville	IL	5,033	1,860	5,793		54			1,860	5,847	7,707	158	Dec-11
0730	Skokie	IL	4,260	1,119	7,502		26			1,119	7,528	8,647	88	Jul-12
1226	Chicago	IL		1,925						1,925		1,925		
1396	Indianapolis	IN		850	4,545		307			850	4,852	5,702	614	Oct-08
0652	Indianapolis	IN		588	3,457		264			588	3,721	4,309	604	Aug-07
1393	Carmel	IN		1,169	4,393		223			1,169	4,616	5,785	569	Oct-08
1394	Fort Wayne	IN		1,899	3,292		258			1,899	3,550	5,449	460	Oct-08
1397	Mishawaka	IN	2,689	630	3,349		217			630	3,566	4,196	458	Oct-08
1395	Indianapolis	IN		426	2,903		248			426	3,151	3,577	422	Oct-08
1513	Richmond	IN		723	482		57			723	539	1,262	27	Jun-11
1514	Connorsville	IN		472	315		56			472	371	843	20	Jun-11
0827	Indianapolis	IN		646	1,294					646	1,294	1,940	4	Nov-12
0586	Wichita	KS	2,132	366	1,897		361			366	2,258	2,624	499	Apr-06
0648	Louisville	KY	2,447	1,217	4,611		156			1,217	4,767	5,984	1,002	Jul-05
0343	Louisville	KY	2,904	586	3,244		355			586	3,599	4,185	785	Jul-05

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Property Number	Property Name	State	Debt	Building and Land				Land	Building	Notes	Building and	Total	Accumulated	Date	
				initial cost	improvements	subsequent costs	subsequent costs								adjustments
0668	Louisville	KY	3,549	892	2,677	170					892	2,847	3,739	553	Dec-05
1515	Covington	KY	2,074	839	2,543	104					839	2,647	3,486	110	Jun-11
1316	New Orleans	LA	5,555	4,058	4,325	576			24 (c)		4,058	4,925	8,983	1,169	Aug-04
1315	Metairie	LA	3,929	2,056	4,216	130			18 (c)		2,056	4,364	6,420	986	Aug-04
1206	Waltham	MA	5,337	3,770	11,310	1,050			17 (c)		3,770	12,377	16,147	2,882	Feb-04
1205	Dedham	MA		2,443	7,328	1,229			16 (c)		2,443	8,573	11,016	2,101	Feb-04
1107	Somerville	MA	6,809	1,728	6,570	559	3 (a)		13 (a)		1,731	7,142	8,873	2,090	Jun-01
1003	Worcester	MA	4,660	896	4,377	3,076					896	7,453	8,349	1,996	May-04
1099	Milton	MA		2,838	3,979	6,499			20 (c)		2,838	10,498	13,336	1,863	Nov-02
1001	Foxboro	MA		759	4,158	507					759	4,665	5,424	1,778	May-04
1094	Saugus	MA	3,680	1,725	5,514	488			104 (c)		1,725	6,106	7,831	1,728	Jun-03
1098	Jamaica Plain	MA	9,894	3,285	11,275	132					3,285	11,407	14,692	1,508	Dec-07
1010	Auburn	MA		918	3,728	233					918	3,961	4,879	1,304	May-04
1002	Hudson	MA	3,409	806	3,122	322					806	3,444	4,250	1,255	May-04
0519	Plainville	MA	5,133	2,223	4,430	382					2,223	4,812	7,035	1,247	Jul-05
1056	Dedham	MA	2,393	2,127	3,041	518			28 (c)		2,127	3,587	5,714	1,190	Mar-02
1019	Norwood	MA	6,832	2,160	2,336	1,521	61 (a)		95 (a)		2,221	3,952	6,173	1,170	Aug-99
7001	Weymouth	MA		2,806	3,129	189					2,806	3,318	6,124	1,138	Sep-00
1022	Northborough	MA	4,654	280	2,715	498					280	3,213	3,493	1,133	Feb-01
1028	Ashland	MA		474	3,324	300			27 (c)		474	3,651	4,125	1,133	Jun-03
7002	Lynn	MA		1,703	3,237	314					1,703	3,551	5,254	1,131	Jun-01
0746	Stoneham	MA	6,087	944	5,241	163					944	5,404	6,348	1,105	Jul-05
1204	Quincy	MA		1,359	4,078	231			18 (c)		1,359	4,327	5,686	1,093	Feb-04
1047	Stoughton	MA		1,754	2,769	258					1,754	3,027	4,781	1,029	May-04
1035	Marshfield	MA	4,728	1,039	4,155	246	(13)				1,026	4,401	5,427	1,024	Mar-04
1023	Raynham	MA		588	2,270	322	82 (a)		323 (a)		670	2,915	3,585	926	May-00
1025	Brockton	MA		647	2,762	148					647	2,910	3,557	878	May-04
1084	Kingston	MA		555	2,491	128			32 (c)		555	2,651	3,206	862	Oct-02
1011	North Oxford	MA		482	1,762	237	46 (a)		168 (a)		528	2,167	2,695	785	Oct-99
1219	Worcester	MA	4,269	1,350	4,433	120					1,350	4,553	5,903	740	Dec-06
0675	Everett	MA		692	2,129	672					692	2,801	3,493	702	Jul-05
1135	Revere	MA	5,230	2,275	6,935	68					2,275	7,003	9,278	190	Dec-11
1207	Woburn	MA				228			17 (c)		245	245	117	Feb-04	

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				initial cost	initial cost	subsequent acquisitions	subsequent costs				Land	Improvements		Total
1208	East Somerville	MA					137		14 (c)		151	151	92	Feb-04
0261	Tyngsboro	MA	3,554	1,843	5,004		26			1,843	5,030	6,873	59	Jul-12
8074	Danvers	MA		3,115	5,736		1			3,115	5,737	8,852	18	Nov-12
0734	Framingham	MA					8				8	8	1	Jul-12
0552	Bethesda	MD	12,392	3,671	18,331		399			3,671	18,730	22,401	4,150	Jul-05
1195	Lanham	MD	12,823	3,346	10,079		1,279	(728) (b)	12 (c)	2,618	11,370	13,988	2,736	Feb-04
0950	Columbia	MD	8,132	1,736	9,632		257			1,736	9,889	11,625	1,988	Jul-05
0919	Arnold	MD	9,197	2,558	9,446		304			2,558	9,750	12,308	1,986	Jul-05
0380	Rockville	MD	12,502	4,596	11,328		253			4,596	11,581	16,177	1,930	Sep-06
0980	Ft. Washington	MD	9,424	4,920	9,174		193			4,920	9,367	14,287	1,488	Jan-07
0152	Annapolis	MD	6,229	1,375	8,896		288			1,375	9,184	10,559	1,388	Aug-07
1381	Annapolis	MD	6,704	5,248	7,247		186			5,248	7,433	12,681	1,145	Apr-07
0507	Towson	MD	3,969	861	4,742		204			861	4,946	5,807	1,041	Jul-05
1292	Laurel Heights	MD	6,232	3,000	5,930		67			3,000	5,997	8,997	809	Dec-07
1233	Baltimore	MD	4,550	800	5,955		105			800	6,060	6,860	655	Nov-08
1453	Capitol Heights	MD	8,617	1,461	9,866		182			1,461	10,048	11,509	586	Oct-10
0918	Pasadena	MD	3,869	1,869	3,056		701			1,869	3,757	5,626	551	Sep-08
1439	Baltimore	MD		1,900	5,277		90			1,900	5,367	7,267	352	Jun-10
1287	Pasadena	MD		3,500	7,407		128			3,500	7,535	11,035	297	Mar-11
8211	Randallstown	MD	1,967	764	6,331		146			764	6,477	7,241	234	Aug-11
8248	Glen Burnie	MD		1,303	4,218		172			1,303	4,390	5,693	179	Jul-11
0757	Cockeysville	MD	4,061	465	5,600		71			465	5,671	6,136	116	Mar-12
0588	Towson	MD	6,286	1,094	9,598		9			1,094	9,607	10,701	113	Jul-12
0258	Gambrills	MD	4,969	1,905	7,104		13			1,905	7,117	9,022	84	Jul-12
0750	Baltimore	MD	4,744	1,185	5,051		20			1,185	5,071	6,256	82	May-12
0512	Lexington Park	MD	2,665	4,314	8,412					4,314	8,412	12,726	9	Dec-12
1262	Edgewood	MD		1,000				(575) (e)		425		425		
0556	Mount Clemens	MI	2,033	798	1,796		350			798	2,146	2,944	493	Jul-05
0309	Grandville	MI	1,646	726	1,298		373			726	1,671	2,397	434	Jul-05
0553	Belleville	MI	4,156	954	4,984		7			954	4,991	5,945	59	Jul-12
1061	St. Louis	MO	2,009	631	2,159		330	59 (a)	205 (a)	690	2,694	3,384	927	Jun-00

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				Land initial cost	Improvements initial cost	Buildings subsequent acquisition costs	Land subsequent adjustments			Land	Improvements	Total	
0664	Florissant	MO	3,603	1,241	4,648	304			1,241	4,952	6,193	841	Aug-07
0656	St. Louis	MO		1,444	4,162	279			1,444	4,441	5,885	742	Aug-07
1062	St. Louis	MO	1,540	156	1,313	409	17 (a)	151 (a)	173	1,873	2,046	684	Jun-00
0663	St. Louis	MO	2,777	676	3,551	284			676	3,835	4,511	650	Aug-07
0985	Grandview	MO	1,065	612	1,770	341			612	2,111	2,723	557	Jul-05
8027	Merrimack	NH	3,933	754	3,299	233	63 (a)	279 (a)	817	3,811	4,628	1,045	Apr-99
0738	Nashua	NH			755	88				843	843	245	Jul-05
1117	Hazlet	NJ	7,920	1,362	10,262	579			1,362	10,841	12,203	3,149	Dec-01
1115	Edison	NJ		2,519	8,547	543			2,519	9,090	11,609	2,690	Dec-01
0809	North Bergen	NJ	10,476	2,299	12,728	402			2,299	13,130	15,429	2,620	Jul-05
0330	Hackensack	NJ		2,283	11,234	727			2,283	11,961	14,244	2,584	Jul-05
1196	Lawrenceville	NJ	5,724	3,402	10,230	440		8 (c)	3,402	10,678	14,080	2,555	Feb-04
1119	Old Bridge	NJ	5,765	2,758	6,450	963			2,758	7,413	10,171	2,213	Dec-01
0655	Toms River	NJ	5,060	1,790	9,935	303			1,790	10,238	12,028	2,189	Jul-05
1197	Morrisville	NJ		2,487	7,494	1,169		11 (c)	2,487	8,674	11,161	2,094	Feb-04
1032	Parlin	NJ			5,273	369				5,642	5,642	1,937	May-04
1089	North Bergen	NJ	6,402	2,100	6,606	248		74 (c)	2,100	6,928	9,028	1,830	Jul-03
1329	Avenel	NJ	7,859	1,518	8,037	279		24 (c)	1,518	8,340	9,858	1,797	Jan-05
1039	Hoboken	NJ	8,079	2,687	6,092	218		3 (c)	2,687	6,313	9,000	1,764	Jul-02
1116	Egg Harbor Twp.	NJ	3,319	1,724	5,001	675			1,724	5,676	7,400	1,764	Dec-01
0739	Linden	NJ	3,838	1,517	8,384	214			1,517	8,598	10,115	1,717	Jul-05
1120	Iselin	NJ	4,900	505	4,524	498			505	5,022	5,527	1,563	Dec-01
1360	Neptune	NJ	7,550	4,204	8,906	272			4,204	9,178	13,382	1,501	Nov-06

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				initial cost	improvements cost					Land	Building			Land
1040	Lyndhurst	NJ		2,679	4,644	276	250 (a)	446 (a) (c)		2,929	5,366	8,295	1,493	Mar-01
1331	Union	NJ	6,788	1,754	6,237	270		78 (c)		1,754	6,585	8,339	1,489	Dec-04
1054	Metuchen	NJ	5,992	1,153	4,462	261				1,153	4,723	5,876	1,377	Dec-01
1330	Bayville	NJ	3,146	1,193	5,312	280		41 (c)		1,193	5,633	6,826	1,257	Dec-04
0810	Parlin	NJ		2,517	4,516	444				2,517	4,960	7,477	1,218	Jul-05
1118	Howell	NJ	3,413	2,440	3,407	388				2,440	3,795	6,235	1,178	Dec-01
1328	Lumberton	NJ	3,576	831	4,060	176		22 (c)		831	4,258	5,089	1,007	Dec-04
1038	Glen Rock	NJ		1,109	2,401	151	113 (a)	249 (a) (c)		1,222	2,801	4,023	795	Mar-01
1258	Ewing	NJ		1,552	4,720	249	11 (c)	(362) (e)		1,563	4,607	6,170	730	Mar-07
0677	North Bergen	NJ		861	17,127	63				861	17,190	18,051	533	Oct-11
1408	Bellmawr	NJ		3,600	4,765	178	75 (c)			3,675	4,943	8,618	478	Sep-08
1428	Monmouth Junction	NJ	3,117	1,700	5,835	85				1,700	5,920	7,620	447	Dec-09
8093	Maple Shade	NJ	4,385	1,093	5,492	70				1,093	5,562	6,655	152	Dec-11
0784	Merchantville	NJ	3,802	1,644	3,115	187				1,644	3,302	4,946	145	Jun-11
8347	Mahwah	NJ	8,335	1,890	13,112	44				1,890	13,156	15,046	127	Aug-12
8348	Montville	NJ		1,511	11,749	9				1,511	11,758	13,269	113	Aug-12
8343	Fairfield	NJ			9,402	70					9,472	9,472	111	Jul-12
8344	Newark	NJ		806	8,340	57				806	8,397	9,203	99	Jul-12
8341	Parsippany	NJ		2,353	7,798	52				2,353	7,850	10,203	93	Jul-12
8342	Berkeley Heights	NJ		1,598	7,553	62				1,598	7,615	9,213	90	Jul-12
0332	Harrison	NJ	3,686	300	6,003	24				300	6,027	6,327	72	Jul-12
8346	Hackettstown	NJ		2,144	6,660	25				2,144	6,685	8,829	64	Aug-12
0381	Mt Laurel	NJ	3,126	329	5,217	39				329	5,256	5,585	62	Jul-12
8345	North Brunswick	NJ		2,789	4,404	82				2,789	4,486	7,275	54	Jul-12
1516	Fort Lee	NJ		4,402	9,831	1				4,402	9,832	14,234	32	Nov-12
1517	Union	NJ		1,133	7,239					1,133	7,239	8,372	23	Nov-12
0821	Lawnside	NJ		1,249	5,613	1				1,249	5,614	6,863	18	Nov-12
1519	Cranbury	NJ		3,543	5,095					3,543	5,095	8,638	16	Nov-12
1518	Watchung	NJ		1,843	4,499					1,843	4,499	6,342	14	Nov-12
0818	Cherry Hill	NJ		2,323	1,549	7				2,323	1,556	3,879	5	Nov-12
0547	Albuquerque	NM	4,902	1,298	4,628	619				1,298	5,247	6,545	842	Aug-07
0485	Santa Fe	NM	5,996	3,066	7,366	20				3,066	7,386	10,452	87	Jul-12
0817	Albuquerque	NM		755	1,797	6				755	1,803	2,558	6	Nov-12
1058	Las Vegas	NV	1,219	251	717	353	27 (a)	87 (a)		278	1,157	1,435	477	Feb-00
1465	Las Vegas	NV	2,491	1,441	1,810	88				1,441	1,898	3,339	80	Jun-11
0830	Henderson	NV		2,934	8,897					2,934	8,897	11,831	29	Nov-12
0820	Las Vegas	NV		773	6,006					773	6,006	6,779	19	Nov-12
0816	Las Vegas	NV		400	4,936					400	4,936	5,336	16	Nov-12
0539	New York	NY	9,867	3,060	16,978	648				3,060	17,626	20,686	3,599	Jul-05
1213	Bronx	NY	9,665	3,995	11,870	614		28 (c)		3,995	12,512	16,507	2,873	Aug-04

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				Land improvements initial cost	Land improvements subsequent acquisition costs	Land improvements subsequent adjustments	Land improvements subsequent adjustments		Land improvements	Buildings	Total		Accumulated depreciation
1087	Mount Vernon	NY	7,297	1,926	7,622		612	33 (c)	1,926	8,267	10,193	2,229	Nov-02
1055	Nanuet	NY	3,733	2,072	4,644	667	992	24 (c)	2,739	5,660	8,399	1,589	Feb-02
0502	Mount Vernon	NY	3,819	1,585	6,025		1,422		1,585	7,447	9,032	1,572	Jul-05
1050	Plainview	NY	7,800	4,287	3,710		612		4,287	4,322	8,609	1,460	Dec-00
1399	Brooklyn	NY	13,788	12,993	10,405		272		12,993	10,677	23,670	1,183	Oct-08
0406	New Paltz	NY	3,146	2,059	3,715		399		2,059	4,114	6,173	958	Jul-05
1042	Bronx	NY	18,841	3,450	21,210		93		3,450	21,303	24,753	571	Dec-11
1450	Brooklyn	NY	8,335	2,802	6,536		157		2,802	6,693	9,495	467	May-10
1391	Bohemia	NY	1,527	1,456	1,398		329		1,456	1,727	3,183	273	Dec-07
0727	Brooklyn	NY		16,188	23,309		61		16,188	23,370	39,558	261	Jul-12
1451	Freeport	NY	5,373	5,676	3,784		429		5,676	4,213	9,889	244	Nov-10
1398	Centereach	NY	4,250	2,226	1,657		120		2,226	1,777	4,003	225	Oct-08
0630	Hicksville	NY	9,017	2,581	10,677		7		2,581	10,684	13,265	126	Jul-12
8349	Central Valley	NY		2,800	12,173		51		2,800	12,224	15,024	118	Aug-12
8350	Poughkeepsie	NY		1,038	7,862		7		1,038	7,869	8,907	93	Jul-12
0674	Hauppauge	NY	5,726	1,238	7,095		77		1,238	7,172	8,410	84	Jul-12
0470	Ridge	NY	6,319	1,762	6,934		4		1,762	6,938	8,700	82	Jul-12
0405	Kingston	NY	5,002	837	6,199		7		837	6,206	7,043	73	Jul-12
0409	Amsterdam	NY	922	715	241		45		715	286	1,001	6	Jul-12
0438	Columbus	OH	2,808	483	2,654		522		483	3,176	3,659	827	Jul-05
0365	Kent	OH	1,452	220	1,206		198		220	1,404	1,624	369	Jul-05
1502	Cincinnati	OH	4,735	1,815	5,733		206		1,815	5,939	7,754	255	Jun-11
1503	Cincinnati	OH		1,445	3,755		160		1,445	3,915	5,360	168	Jun-11
1505	Hamilton	OH		673	2,910		93		673	3,003	3,676	125	Jun-11
1501	Cincinnati	OH		2,941	2,177		185		2,941	2,362	5,303	109	Jun-11
1504	Cincinnati	OH		1,217	1,941		98		1,217	2,039	3,256	89	Jun-11
1506	Lebanon	OH		1,657	1,566		100		1,657	1,666	3,323	73	Jun-11
1507	Middletown	OH	1,351	534	1,047		67		534	1,114	1,648	50	Jun-11
1508	Xenia	OH	1,680	302	1,022		55		302	1,077	1,379	49	Jun-11
1510	Troy	OH		273	544		62		273	606	879	30	Jun-11
1512	Washington Court House	OH		197	499		54		197	553	750	27	Jun-11
0367	Willoughby	OH	1,143	155	1,811				155	1,811	1,966	21	Jul-12
0368	Mentor	OH	1,386	409	1,609		24		409	1,633	2,042	20	Jul-12
1509	Sidney	OH		201	262		62		201	324	525	18	Jun-11
1511	Greenville	OH		189	302		44		189	346	535	17	Jun-11
0829	Hilliard	OH		1,613	2,369				1,613	2,369	3,982	8	Nov-12

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				Land improvements initial cost	Building initial cost	Subsequent acquisitions	Land adjustments	Building adjustments	Land improvements	Building and		Total		
0826	Mentor	OH		658	1,267					658	1,267	1,925	4	Nov-12
0288	Aloha	OR	6,292	1,221	6,262	231				1,221	6,493	7,714	1,364	Jul-05
1294	King City	OR	3,143	2,520	6,845	45				2,520	6,890	9,410	541	Sep-09
0286	Beaverton	OR	4,772	2,014	5,786	23				2,014	5,809	7,823	79	Jul-12
1198	Philadelphia	PA	5,732	1,965	5,925	1,034		7 (c)		1,965	6,966	8,931	1,702	Feb-04
1045	Pittsburgh	PA	3,868	889	4,117	546				889	4,663	5,552	1,516	May-04
1036	Doylestown	PA		220	3,442	347	301 (a) (d)	384 (a)		521	4,173	4,694	1,190	Nov-99
1046	Kennedy Township	PA	2,622	736	3,173	180				736	3,353	4,089	1,135	May-04
1332	Bensalem	PA	3,068	1,131	4,525	190		66 (c)		1,131	4,781	5,912	1,101	Dec-04
1063	Pittsburgh	PA	2,622	991	1,990	589	91 (a)	199 (a)		1,082	2,778	3,860	855	Aug-00
1354	Bensalem	PA		750	3,015	169				750	3,184	3,934	613	Mar-06
1048	Willow Grove	PA	5,244	1,297	4,027	198				1,297	4,225	5,522	234	Jan-11
0741	Johnston	RI	6,874	2,659	4,799	417				2,659	5,216	7,875	1,165	Jul-05
1150	Johnston	RI	1,982	533	2,127	24				533	2,151	2,684	58	Dec-11
1311	Goose Creek	SC		1,683	4,372	963		30 (c)		1,683	5,365	7,048	1,117	Aug-04
1323	Summerville	SC		450	4,454	141		26 (c)		450	4,621	5,071	1,050	Aug-04
1303	Charleston	SC	3,569	1,279	4,171	129		30 (c)		1,279	4,330	5,609	983	Aug-04
1305	Columbia	SC	2,860	838	3,312	159		38 (c)		838	3,509	4,347	841	Aug-04
8174	Columbia	SC		1,784	2,745	2				1,784	2,747	4,531	32	Jul-12
0574	Nashville	TN	2,930	390	2,598	680				390	3,278	3,668	781	Apr-06
0487	Cordova	TN	2,614	852	2,720	229				852	2,949	3,801	682	Jul-05
0704	Cordova	TN		894	2,680	139				894	2,819	3,713	471	Jan-07
8122	Cordova	TN	2,100	652	1,791	67				652	1,858	2,510	82	Apr-11
0578	Bartlett	TN	2,591	632	3,798	4				632	3,802	4,434	45	Jul-12
0680	Memphis	TN	1,766	274	2,623	6				274	2,629	2,903	31	Jul-12
0823	Franklin	TN		3,357	8,984					3,357	8,984	12,341	29	Nov-12
0374	Memphis	TN	1,074	110	1,280	4				110	1,284	1,394	19	Jul-12
0811	Memphis	TN		1,040	3,867					1,040	3,867	4,907	12	Nov-12
0813	Memphis	TN		1,617	2,875					1,617	2,875	4,492	9	Nov-12
0514	Dallas	TX	11,582	1,980	12,501	318				1,980	12,819	14,799	2,278	May-06
0584	Houston	TX	8,981	2,596	8,735	307				2,596	9,042	11,638	1,617	Apr-06
1307	Dallas	TX	10,989	4,432	6,181	481		36 (c)		4,432	6,698	11,130	1,557	Aug-04
1309	Fort Worth	TX		631	5,794	187		31 (c)		631	6,012	6,643	1,375	Aug-04

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Property Number	Property Name	State	Debt	Building and Land				Building Adjustments	Building Notes	Building and		Accumulated	Date acquired or development completed
				Land improvements initial cost	Land improvements subsequent costs	Land improvements subsequent adjustments	Land improvements subsequent adjustments			Land improvements	Total		
1302	Austin	TX	4,927	870	4,455	275		35 (c)	870	4,765	5,635	1,115	Aug-04
1364	Plano	TX		1,010	6,203	316			1,010	6,519	7,529	1,064	Nov-06
1363	Allen	TX	4,244	901	5,553	207			901	5,760	6,661	957	Nov-06
0521	South Houston	TX	2,330	478	4,069	744			478	4,813	5,291	928	Apr-06
1301	Arlington	TX	2,251	534	2,525	304		34 (c)	534	2,863	3,397	743	Aug-04
1365	Plano	TX		614	3,775	224			614	3,999	4,613	690	Nov-06
0561	Dallas	TX	2,059	337	2,216	444			337	2,660	2,997	621	Apr-06
1306	San Antonio	TX		1,269	1,816	558		30 (c)	1,269	2,404	3,673	616	Aug-04
1312	Grand Prairie	TX	2,279	551	2,330	240		31 (c)	551	2,601	3,152	607	Aug-04
1357	Rowlett	TX	2,013	1,002	2,601	284			1,002	2,885	3,887	541	Aug-06
1387	San Antonio	TX		2,471	3,556	198		(408)(f)	2,471	3,346	5,817	494	Dec-07
1326	San Antonio	TX		253	1,496	113		32 (c)	253	1,641	1,894	406	Aug-04
1490	Houston	TX	6,167	1,036	8,133	80			1,036	8,213	9,249	186	Feb-12
0795	Euless	TX	2,950	671	3,213	590			671	3,803	4,474	184	Apr-11
1456	La Porte	TX		1,608	2,351	255			1,608	2,606	4,214	162	Dec-10
1457	Houston	TX		402	1,870	146			402	2,016	2,418	118	Dec-10
0629	Dallas	TX		921	7,656	4			921	7,660	8,581	90	Jul-12
0306	Spring	TX	3,360	506	5,096	56			506	5,152	5,658	61	Jul-12
8246	Spring	TX	4,656	978	1,347	93			978	1,440	2,418	52	Aug-11
1497	Dallas	TX	3,986	2,542	3,274	54			2,542	3,328	5,870	32	Aug-12
1496	Grand Prairie	TX		2,327	1,551	8			2,327	1,559	3,886	15	Aug-12
0132	Sandy	UT	3,950	1,349	4,372	383			1,349	4,755	6,104	1,003	Jul-05
1006	Kearns	UT		642	2,607	283			642	2,890	3,532	723	Jun-04
0230	West Valley City	UT	1,775	461	1,722	144			461	1,866	2,327	419	Jul-05
8002	Salt Lake City	UT	3,116	986	3,455	157			986	3,612	4,598	208	Oct-10
1455	West Jordan	UT	2,168	735	2,146	315			735	2,461	3,196	132	Nov-10
0792	Orem	UT	2,155	841	2,335	91			841	2,426	3,267	105	Apr-11
1454	Murray	UT		571	986	440			571	1,426	1,997	91	Nov-10
8149	Sandy	UT		2,063	5,202				2,063	5,202	7,265	39	Sep-12
1380	Alexandria	VA	5,902	1,620	13,103	517			1,620	13,620	15,240	2,266	Jun-07
0678	Falls Church	VA	6,002	1,259	6,975	381			1,259	7,356	8,615	1,528	Jul-05
1325	Richmond	VA	4,644	2,305	5,467	152		8 (c)	2,305	5,627	7,932	1,244	Aug-04
1452	Arlington	VA			4,802	144				4,946	4,946	911	Oct-10
0764	Stafford	VA	4,498	2,076	5,175	77			2,076	5,252	7,328	545	Jan-09
0717	Dumfries	VA	5,345	932	9,349	131			932	9,480	10,412	406	May-11
0467	Alexandria	VA	13,770	5,029	18,943	15			5,029	18,958	23,987	223	Jul-12

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

Property Number	Property Name	State	Debt	Building and Land costs				Gross carrying amount at December 31, 2012			Accumulated depreciation	Date acquired or development completed		
				Land initial cost	Building improvements	Land costs subsequent acquisition	Building costs subsequent acquisition	Land adjustments	Building adjustments	Land improvements			Building and	Total
0327	Fredericksburg	VA	4,377	2,128	5,398		17			2,128	5,415	7,543	63	Jul-12
0828	Falls Church	VA		5,703	13,307		5			5,703	13,312	19,015	43	Nov-12
1498	Stafford	VA	4,513	1,172	5,562		4			1,172	5,566	6,738	42	Sep-12
0824	Fredericksburg	VA		1,438	2,459					1,438	2,459	3,897	8	Nov-12
0643	Seattle	WA	7,480	2,727	7,241		220			2,727	7,461	10,188	1,530	Jul-05
1341	Lakewood	WA	4,529	1,917	5,256		181			1,917	5,437	7,354	1,004	Feb-06
1342	Lakewood	WA	4,526	1,389	4,780		216			1,389	4,996	6,385	942	Feb-06
1343	Tacoma	WA	3,301	1,031	3,103		141			1,031	3,244	4,275	628	Feb-06
0285	Vancouver	WA	3,159	709	4,280		35			709	4,315	5,024	51	Jul-12
	Other corporate assets		4,850	849	2,202		47,688	(849)(d)			49,890	49,890	5,689	Various
	Construction in progress						4,138				4,138	4,138		
	Intangible tenant relationships and lease rights				60,011						60,011	60,011	44,359	Various
			\$1,369,690	\$770,764	\$2,430,654	\$667	\$175,903	\$(3,816)	\$9,478	\$767,615	\$2,616,035	\$3,383,650	\$391,928	

- (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 charges
- (f) Adjustment relates to a purchase price adjustment

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Activity in real estate facilities during the years ended December 31, 2012, 2011 and 2010 is as follows:

	2012	2011	2010
Operating facilities			
Balance at beginning of year	\$ 2,573,731	\$ 2,198,361	\$ 2,249,262
Acquisitions	761,977	301,531	89,750
Improvements	34,964	39,352	16,563
Transfers from real estate under development/redevelopment	8,957	34,777	33,407
Dispositions and other	(117)	(290)	(190,621)
Balance at end of year	\$ 3,379,512	\$ 2,573,731	\$ 2,198,361
Accumulated depreciation:			
Balance at beginning of year	\$ 319,302	\$ 263,042	\$ 233,830
Depreciation expense	72,626	56,702	48,665
Dispositions and other		(442)	(19,453)
Balance at end of year	\$ 391,928	\$ 319,302	\$ 263,042
Real estate under development/redevelopment:			
Balance at beginning of year	\$ 9,366	\$ 37,083	\$ 34,427
Current development/redevelopment	3,759	7,060	36,063
Transfers to operating facilities	(8,987)	(34,777)	(33,407)
Dispositions and other			
Balance at end of year	\$ 4,138	\$ 9,366	\$ 37,083
Net real estate assets	\$ 2,991,722	\$ 2,263,795	\$ 1,972,402

The aggregate cost of real estate for U.S. federal income tax purposes is \$3,194,952.

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, 2012.

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, 2012, 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, 2012, 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, 2012, and 2011 and the related consolidated statements of operations, comprehensive income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2012 of Extra Space Storage Inc. and our report dated February 28, 2013 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Salt Lake City, Utah
February 28, 2013

(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, 2012.

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. 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, 2012.

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, 2012.

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, 2012.

Item 14. Principal Accounting Fees and Services

Information with respect to principal accounting fees and services is incorporated by reference to the information set forth under the caption "Ratification of Appointment of Independent Registered Public Accounting Firm" in our Proxy Statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A within 120 days after December 31, 2012.

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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:

Exhibit Number	Description
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	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).
3.6	Declaration of Trust of ESS Holdings Business Trust I.(1)
3.7	Declaration of Trust of ESS Holdings Business Trust II.(1)
4.1	Junior Subordinated Indenture dated as of July 27, 2005, between Extra Space Storage LP and JPMorgan Chase Bank, National Association, as trustee (incorporated by reference 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).

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Exhibit Number	Description
10.1	Registration Rights Agreement, by and among Extra Space Storage Inc. and the parties listed on Schedule I thereto.(1)
10.2	License between Centershift Inc. and Extra Space Storage LP.(1)
10.3	2004 Long-Term Compensation Incentive Plan as amended and restated effective March 25, 2008 (incorporated by reference 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	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).
10.11	Purchase Agreement, dated as of July 27, 2005, among Extra Space Storage LP, ESS Statutory Trust III and the Purchaser named therein (incorporated by reference from Exhibit 10.1 of Form 8-K filed on August 2, 2005).
10.12	Registration Rights Agreement, dated March 27, 2007, among Extra Space Storage LP, Extra Space Storage Inc., Citigroup Global Markets Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated (incorporated by reference from Exhibit 10.1 of Form 8-K filed on March 28, 2007).
10.13	Contribution Agreement, dated June 15, 2007, among Extra Space Storage LP and various limited partnerships affiliated with AAAAA Rent-A-Space. (incorporated by reference from Exhibit 10.23 of Form 10-K filed on February 26, 2010)
10.14	Promissory Note, dated June 25, 2007, among Extra Space Storage LP, H. James Knuppe and Barbara Knuppe (incorporated by reference to Exhibit 10.2 of Form 8-K filed on June 26, 2007).
10.15	Pledge Agreement, dated June 25, 2007, among Extra Space Storage LP, H. James Knuppe and Barbara Knuppe (incorporated by reference to Exhibit 10.3 of Form 8-K filed on June 26, 2007).
10.16	Registration Rights Agreement among Extra Space Storage LP, H. James Knuppe and Barbara Knuppe. (incorporated by reference from Exhibit 10.26 of Form 10-K filed on February 26, 2010)

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Exhibit Number	Description
10.17	First Amendment to Contribution Agreement and to Agreement Regarding Transfer of Series A units among Extra Space Storage LP, various limited partnerships affiliated with AAAAA Rent-A-Space, H. James Knuppe and Barbara Knuppe, dated September 28, 2007. (incorporated by reference to Exhibit 10.1 of Form 8-K filed on October 3, 2007).
10.18	Membership Interest Purchase Agreement, dated as of April 13, 2012, between Extra Space Properties Sixty Three LLC and PRISA III Co-Investment LLC (incorporated by reference to Exhibit 10.1 of Form 8-K filed on April 16, 2012).
10.19	2004 Long Term Incentive Compensation Plan Restricted Stock Award Agreement (incorporated by reference from Exhibit 10.2 of Form 10-Q filed on November 7, 2007).
10.20	First Amendment to Extra Space Storage Inc. 2004 Non-Employee Directors' Share Plan (incorporated by reference from Exhibit 10.4 of Form 10-Q filed on November 7, 2007).
10.21	Loan Agreement between ESP Seven Subsidiary LLC as Borrower and General Electric Capital Corporation as Lender, dated October 16, 2007. (incorporated by reference from Exhibit 10.30 of Form 10-K filed on February 26, 2010)
10.22	Subscription Agreement, dated December 31, 2007, among Extra Space Storage LLC and Extra Space Development, LLC. (incorporated by reference from Exhibit 10.31 of Form 10-K filed on February 26, 2010)
10.23	Revolving Promissory Note between Extra Space Properties Thirty LLC and Bank of America as Lender, dated February 13, 2009 (incorporated by reference from Exhibit 10.33 of Form 10-K filed on February 26, 2010)
10.24	Revolving Line of Credit between Extra Space Properties Thirty LLC and Bank of America as Lender, dated February 13, 2009 (incorporated by reference from Exhibit 10.34 of Form 10-K filed on February 26, 2010)
10.25	First Loan and Note Modification Agreement between Extra Space Properties Thirty LLC and Bank of America as lender, dated April 9, 2009 (incorporated by reference from Exhibit 10.27 of Form 10-K filed on February 29, 2012).
10.26	Second Loan and Note Modification Agreement between Extra Space Properties Thirty LLC and Bank of America as lender, dated May 4, 2009 (incorporated by reference from Exhibit 10.28 of Form 10-K filed on February 29, 2012).
10.27	Third Loan and Note Modification Agreement between Extra Space Properties Thirty LLC and Bank of America as lender, dated August 27, 2010 (incorporated by reference from Exhibit 10.29 of Form 10-K filed on February 29, 2012).
10.28	Fourth Loan and Note Modification Agreement between Extra Space Properties Thirty LLC and Bank of America as lender, dated October 19, 2011 (incorporated by reference from Exhibit 10.30 of Form 10-K filed on February 29, 2012).
10.29	Extra Space Storage Inc. Executive Change in Control Plan (incorporated by reference to Exhibit 10.1 of Form 8-K filed on August 31, 2011).
10.30	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).
10.31	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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Exhibit Number	Description
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, 2012, filed with the SEC on February 28, 2013, formatted in Extensible Business Reporting Language (XBRL): (i) Consolidated Balance Sheets as of December 31, 2012 and 2011; (ii) Consolidated Statements of Operations for the years ended December 31, 2012, 2011 and 2010; (iii) Consolidated Statements of Stockholders' Equity for the years ended December 31, 2012, 2011 and 2010; (iv) Consolidated Statements of Cash Flows for the years ended December 31, 2012, 2011 and 2010; and (v) Notes to Consolidated Financial Statements.

- (1) Incorporated by reference from our Registration Statement on Form S-11 (File No. 333-115436 dated August 11, 2004).
- (2) Filed herewith
- (c) See Item 15(a)(2) above.

