Extra Space Storage Inc.
Form 10-K
February 29, 2016
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2015

OR

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

For the transition period from to .

Commission File Number: 001-32269

EXTRA SPACE STORAGE INC.

(Exact name of registrant as specified in its charter)

Maryland	**20-1076777**
(State or other jurisdiction of incorporation or organization)	**(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	**Name of exchange on which registered**
Common Stock, $0.01 par value	**New York Stock Exchange, Inc.**

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x 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 x

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 x 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 x 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. x

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	x	Accelerated filer	¨
Non-accelerated filer	¨ (Do not check if a smaller reporting company)	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 x.

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

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

Documents Incorporated by Reference

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

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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;*
- *failure to close pending acquisitions on expected terms, or at all;*
- *the effect of competition from new and existing stores or other storage alternatives, which could cause rents and occupancy rates to decline;*
- *difficulties in our ability to evaluate, finance, complete and integrate acquisitions and developments successfully and to lease up those stores, which could adversely affect our profitability;*
- *potential liability for uninsured losses and environmental contamination;*
- *the impact of the regulatory environment as well as national, state, and local laws and regulations including, without limitation, those governing Real Estate Investment Trusts (REITs), tenant reinsurance and other aspects of our business, which could adversely affect our results;*

disruptions in credit and financial markets and resulting difficulties in raising capital or obtaining credit at reasonable rates or at all, which could impede our ability to grow;

increased interest rates and operating costs;

the failure to effectively manage our growth and expansion into new markets or to successfully operate acquired properties and operations;

reductions in asset valuations and related impairment charges;

the failure of our joint venture partners to fulfill their obligations to us or their pursuit of actions that are inconsistent with our objectives;

the failure to maintain our REIT status for federal income tax purposes;

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economic uncertainty due to the impact of war or terrorism, which could adversely affect our business plan; and

difficulties in our ability to attract and retain qualified personnel and management members.

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

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

PART I

Item 1. Business

General

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

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

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

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

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

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.

Acquisition of SmartStop

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

Management

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

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

Industry & Competition

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

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

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

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

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

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

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

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

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

Long-Term Growth and Investment Strategies

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

- ***Maximize the performance of our stores through strategic, efficient and proactive management.*** We pursue revenue-generating and expense-minimizing opportunities in our operations. Our revenue management team seeks to maximize revenue by responding to changing market conditions through our advanced technology system s ability to provide real-time, interactive rental rate and discount management. Our size allows us greater ability than the majority of our competitors to implement more effective online marketing programs, which we believe will attract more customers to our stores at a lower net cost.

- ***Acquire stores.*** Our acquisitions team continues to pursue the acquisition of multi-store portfolios and single stores that we believe can provide stockholder value. We have established a reputation as a reliable, ethical buyer, which we believe enhances our ability to negotiate and close acquisitions. In addition, we believe our status as an UPREIT enables flexibility when structuring deals. We continue to bid on available acquisitions and are seeing increasing prices. However, we remain a disciplined buyer and look for acquisitions that will strengthen our portfolio and increase stockholder value.

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

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Financing of Our Long-Term Growth Strategies

Acquisition and Development Financing

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

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

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

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

Joint Venture Financing

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

Disposition of Stores

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

Regulation

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

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

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

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

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

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

Employees

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

Item 1A. Risk Factors

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

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

Risks Related to Our Stores and Operations

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

Our operating results are dependent upon our ability to maximize occupancy levels and rental rates in our stores. Adverse economic or other conditions in the markets in which we operate may lower our occupancy levels and limit our ability to increase rents or require us to offer rental discounts. If our stores fail to generate revenues sufficient to meet our cash requirements, including operating and other expenses, debt service and capital expenditures, our net

income, funds from operations (FFO), cash flow, financial condition, ability to make cash distributions to stockholders and the trading price of our securities could be adversely affected. The following factors, among others, may adversely affect the operating performance of our stores:

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

periods of economic slowdown or recession, rising interest rates, or declining demand for self-storage or the public perception that any of these events may occur could result in a general decline in rental rates or an increase in tenant defaults;

a decline of the current economic environment;

local or regional real estate market conditions, such as competing stores, the oversupply of self-storage or a reduction in demand for self-storage in a particular area;

perceptions by prospective users of our stores of the safety, convenience and attractiveness of our stores and the neighborhoods in which they are located;

increased operating costs, including the need for capital improvements, insurance premiums, real estate taxes and utilities;

the impact of environmental protection laws;

changes in tax, real estate and zoning laws; and

earthquakes, hurricanes and other natural disasters, terrorist acts, civil disturbances or acts of war which may result in uninsured or underinsured losses.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Under the ADA, places of public accommodation are required to meet certain federal requirements related to access and use by disabled persons. These requirements became effective in 1992. A number of additional U.S. federal, state and local laws may also require modifications to our stores, or restrict certain further renovations of the stores, with respect to access thereto by disabled persons. Noncompliance with the ADA could result in the imposition of fines or an award of damages to private litigants and also could result in an order to correct any non-complying feature, which could result in substantial capital expenditures. We have not conducted an audit or investigation of all of our stores to

determine our compliance and we cannot predict the ultimate cost of compliance with the ADA or other legislation. If one or more of our stores is not in compliance with the ADA or other legislation, then we would be required to incur additional costs to bring the facility into compliance. If

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

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

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

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

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

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

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

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

- competition from local investors and other real estate investors with significant capital, including other publicly-traded REITs and institutional investment funds;

- competition from other potential acquirers may significantly increase the purchase price which could reduce our profitability;

the inability to achieve satisfactory completion of due diligence investigations and other customary closing conditions;

failure to finance an acquisition on favorable terms or at all;

we may spend more than the time and amounts budgeted to make necessary improvements or renovations to acquired stores; and

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Risks Related to Our Organization and Structure

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

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

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

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

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

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

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

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

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

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

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

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

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

received an improper personal benefit in violation or breach of any provision of the partnership agreement, or (3) in the case of a criminal proceeding, the person had reasonable cause to believe the act or omission was unlawful.

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

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

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

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

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

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

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

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

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

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

Risks Related to the Real Estate Industry

Our primary business involves the ownership and operation of stores.

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

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

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

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

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

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

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

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

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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 stores or may adversely affect the price we receive for stores that we do sell, as prospective buyers may experience increased costs of debt financing or difficulties in obtaining debt financing.

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

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

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

- our cash flow may be insufficient to meet our required principal and interest payments;
- we may be unable to borrow additional funds as needed or on favorable terms, including to make acquisitions or to continue to make distributions required to maintain our qualification as a REIT;
- we may be unable to refinance our indebtedness at maturity or the refinancing terms may be less favorable than the terms of our original indebtedness;
- because a portion of our debt bears interest at variable rates, an increase in interest rates could materially increase our interest expense;
- we may be forced to dispose of one or more of our stores, possibly on disadvantageous terms;
- after debt service, the amount available for cash distributions to our stockholders is reduced;

our debt level could place us at a competitive disadvantage compared to our competitors with less debt;

we may experience increased vulnerability to economic and industry downturns, reducing our ability to respond to changing business and economic conditions;

we may default on our obligations and the lenders or mortgagees may foreclose on our stores that secure their loans and receive an assignment of rents and leases;

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

we may violate restrictive covenants in our loan documents, which would entitle the lenders to accelerate our debt obligations; and

our default under any one of our mortgage loans with cross-default or cross-collateralization provisions could result in a default on other indebtedness or result in the foreclosures of other stores.

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

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

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

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

Risks Related to Qualification and Operation as a REIT

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

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

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

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

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

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

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

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

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

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

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

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

- we would not be allowed a deduction for distributions to stockholders in computing our taxable income and would be subject to U.S. federal income tax at regular corporate rates;

- we also could be subject to the U.S. federal alternative minimum tax and possibly increased state and local taxes; and

- unless we are entitled to relief under applicable statutory provisions, we could not elect to be taxed as a REIT for four taxable years following a year during which we were disqualified.

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

Qualification as a REIT involves the application of highly technical and complex Internal Revenue Code provisions for which there are only limited judicial and administrative interpretations. The complexity of these provisions and of the applicable Treasury regulations that have been promulgated under the Internal Revenue Code is greater in the case of a REIT that, like us, holds its assets through a partnership. The determination of various factual matters and circumstances not entirely within our control may affect our ability to qualify as a REIT. In order to qualify as a REIT, we must satisfy a number of requirements, including requirements regarding the composition of our assets, the sources

of our gross income and the owners of our stock. Our ability to satisfy the asset tests depends upon our analysis of the fair market value of our assets, some of which are not susceptible to precise determination, and for which we will not obtain independent appraisals. Also, we must make distributions to stockholders aggregating annually at least 90% of our net taxable income, excluding capital gains, and we will be subject to income tax at regular corporate rates to the extent we distribute less than 100% of our net taxable income including capital gains. In addition, legislation, new regulations, administrative interpretations or court decisions may adversely affect our investors, our ability to qualify as a REIT for U.S.

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

We will pay some taxes.

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

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

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

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

As of December 31, 2015, we owned or had ownership interests in 999 operating stores. Of these stores, 746 are wholly-owned and 253 are held in joint ventures. In addition, we managed an additional 348 stores for third parties bringing the total number of stores which we own and/or manage to 1,347. These stores are located in 36 states, Washington, D.C. and Puerto Rico. We receive a management fee generally equal to approximately 6.0% of cash collected from total revenues to manage the joint venture and third party sites. As of December 31, 2015, we owned and/or managed approximately 101 million square feet of rentable space configured in approximately 896,000 separate storage units. Approximately 70% of our stores are clustered around large population centers, such as Atlanta, Baltimore/Washington, D.C., Boston, Chicago, Dallas, Houston, Las Vegas, Los Angeles, Miami, New York City, Orlando, Philadelphia, Phoenix, St. Petersburg/Tampa and San Francisco/Oakland. These markets contain

above-average population and income demographics for stores. The clustering of assets around these population centers enables us to reduce our operating costs through economies of scale. Our acquisitions have given us an increased scale in many core markets as well as a foothold in many markets where we had no previous presence.

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

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

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

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

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

Stabilized Store Data Based on Location

Location	Number of Stores	Company Number of Units as of December 31, 2015 (1)	Pro forma Number of Units as of December 31, 2014	Company Net Rentable Square Feet as of December 31, 2015 (2)	Pro forma Net Rentable Square Feet as of December 31, 2014	Company Square Foot Occupancy % December 31, 2015	Pro forma Square Foot Occupancy % December 31, 2014
Wholly-Owned Stores							
Alabama	8	4,585	4,511	559,526	559,226	88.3%	83.8%
Arizona	18	10,477	10,347	1,213,977	1,211,460	91.0%	89.8%
California	135	102,569	102,023	10,721,441	10,711,355	94.8%	92.7%
Colorado	12	5,943	5,913	737,569	739,274	89.4%	87.6%
Connecticut	5	3,143	3,132	298,936	299,734	93.1%	90.7%
Florida	75	52,973	52,457	5,719,626	5,692,917	92.9%	91.2%
Georgia	46	27,287	27,174	3,549,077	3,550,802	90.2%	88.7%
Hawaii	5	5,856	5,626	344,400	336,872	94.1%	93.1%
Illinois	22	15,264	15,024	1,673,669	1,666,183	88.6%	89.0%
Indiana	9	4,825	4,754	556,143	555,335	90.3%	89.6%
Kansas	1	532	507	49,991	50,361	91.9%	89.6%
Kentucky	9	5,006	4,997	669,936	669,936	85.6%	85.8%
Louisiana	2	1,406	1,408	150,090	149,990	92.1%	92.4%

Maryland	24	18,129	17,872	1,876,784	1,875,010	91.3%	90.4%
Massachusetts	37	23,172	22,913	2,316,364	2,315,612	91.8%	90.8%
Michigan	3	1,815	1,799	258,001	254,239	90.1%	91.7%
Mississippi	3	1,477	1,477	221,482	221,482	81.9%	81.9%
Missouri	6	3,238	3,224	385,961	386,151	93.2%	90.4%
Nevada	14	8,643	8,667	1,262,065	1,262,025	89.8%	88.8%
New Hampshire	2	1,029	1,013	126,133	125,748	93.0%	94.2%
New Jersey	56	43,537	43,380	4,239,282	4,233,078	91.4%	90.9%
New Mexico	3	1,613	1,575	221,292	217,074	92.5%	85.9%

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

Pennsylvania	9	6,349	6,343	698,214	697,232	90.2%	90.4%
Tennessee	14	7,383	7,381	956,108	957,243	90.5%	91.9%
Texas	13	8,493	8,444	1,131,665	1,128,000	94.1%	94.5%
Virginia	12	8,674	8,634	918,172	917,914	89.4%	90.7%
Washington, DC	1	1,547	1,530	102,488	102,017	89.4%	92.8%
Total Joint-Venture Stabilized	**250**	**173,811**	**172,569**	**18,532,224**	**18,542,366**	**92.8%**	**91.9%**

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

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

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

Lease-up Store Data Based on Location

Location	Number of Stores	Company Number of Units as of December 31, 2015 (1)	Pro forma Number of Units as of December 31, 2014	Company Net Rentable Square Feet as of December 31, 2015 (2)	Pro forma Net Rentable Square Feet as of December 31, 2014	Company Square Foot Occupancy % December 31, 2015	Pro forma Square Foot Occupancy % December 31, 2014
Wholly-Owned Stores							
Arizona	1	894	894	122,092	122,092	72.9%	46.4%
California (3)	2	591		73,723		4.4%	0.0%
Connecticut	1	1,107	1,121	89,820	90,565	90.0%	51.8%
Florida	1	549	534	77,480	75,591	91.7%	79.0%
Georgia	1	621	598	52,606	52,365	94.9%	91.0%
Illinois	1	862	583	54,917	47,087	61.7%	70.1%
Maryland	1	988	988	103,135	103,171	89.8%	74.5%
North Carolina	2	1,563	394	150,873	37,780	44.3%	91.0%
South Carolina	2	1,219	1,246	131,744	131,902	86.9%	39.3%
Texas	7	4,622	3,286	532,374	367,551	62.1%	49.3%
Virginia	1	502	502	56,405	56,405	89.2%	66.6%
Total Wholly-Owned in Lease-up	**20**	**13,518**	**10,146**	**1,445,169**	**1,084,509**	**68.0%**	**57.7%**
Joint-Venture Stores							
Arizona	1	606		62,200		39.2%	0.0%
California	1	619		59,529		79.0%	0.0%
New Jersey	1	873		74,521		45.3%	0.0%
Total Joint-Venture in Lease-up	**3**	**2,098**		**196,250**		**53.6%**	**0.0%**
Managed Stores							
California	4	1,608	1,082	209,030	229,755	58.4%	73.3%
Colorado	3	2,033		207,376		60.9%	0.0%
Florida	1	595		70,675		30.8%	0.0%
Georgia	1	553		69,367		54.4%	0.0%
Illinois	1	672	673	46,417	46,417	83.6%	55.1%
Maryland	3	2,497	422	218,463	44,790	58.8%	73.4%
Massachusetts	1	902		70,106		56.7%	0.0%

Nevada	1	1,470	1,470	196,486	196,486	66.2%	36.5%
New York	2	1,453	348	100,634	33,764	47.6%	32.9%
North Carolina	3	1,130		103,594		58.1%	0.0%
Oregon	1	285		27,100		31.8%	0.0%
South Carolina	4	2,960	1,002	314,286	97,750	53.3%	22.7%
Texas	2	1,180	551	134,019	60,732	43.7%	81.7%
Utah	1	521	522	67,357	67,037	92.3%	70.7%
Virginia	2	1,054	1,058	105,594	106,126	91.6%	60.3%
Washington	1	692	600	80,680	54,935	76.0%	4.9%
Total Managed in Lease-up	**31**	**19,605**	**7,728**	**2,021,184**	**937,792**	**59.8%**	**52.9%**
Total Lease-up Stores	**54**	**35,221**	**17,874**	**3,662,603**	**2,022,301**	**62.7%**	**55.5%**

(1) Represents unit count as of December 31, 2015, which may differ from unit count as of December 31, 2014, due to unit conversions or expansions.

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

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Item 3. Legal Proceedings

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

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

Item 4. Mine Safety Disclosures

Not Applicable.

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

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

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

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

Unregistered Sales of Equity Securities

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

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

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

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

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

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

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

Item 6. Selected Financial Data

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

	For the Year Ended December 31,				
	2015	**2014**	**2013**	**2012**	**2011**
Revenues:					
Property rental	$ 676,138	$ 559,868	$ 446,682	$ 346,874	$ 268,725
Tenant reinsurance, management fees and other income	106,132	87,287	73,931	62,522	61,105
Total revenues	782,270	647,155	520,613	409,396	329,830
Expenses:					
Property operations	203,965	172,416	140,012	114,028	95,481
Tenant reinsurance	13,033	10,427	9,022	7,869	6,143
Acquisition related costs and severance	69,401	9,826	8,618	5,351	5,033
General and administrative	67,758	60,942	54,246	50,454	49,683
Depreciation and amortization	133,457	115,076	95,232	74,453	58,014
Total expenses	487,614	368,687	307,130	252,155	214,354
Income from operations	294,656	278,468	213,483	157,241	115,476
Interest expense	(98,992)	(84,013)	(73,034)	(72,294)	(69,062)
Interest income	8,311	6,457	5,599	6,666	5,877
	1,501	(12,009)	(8,193)		

Loss on extinguishment of debt related to portfolio acquisition, gain (loss) on sale of real estate, earnout from prior acquisitions and property casualty loss, net					
Income before equity in earnings of real estate ventures and income tax expense	205,476	188,903	137,855	91,613	52,291
Equity in earnings of unconsolidated real estate ventures	12,351	10,541	11,653	10,859	7,287
Equity in earnings of unconsolidated real estate ventures - gain on sale of real estate assets and purchase of joint venture partners interests	2,857	4,022	46,032	30,630	
Income tax expense	(11,148)	(7,570)	(9,984)	(5,413)	(1,155)
Net income	209,536	195,896	185,556	127,689	58,423
Noncontrolling interests in Operating Partnership and other noncontrolling interests	(20,062)	(17,541)	(13,480)	(10,380)	(7,974)
Net income attributable to common stockholders	$ 189,474	$ 178,355	$ 172,076	$ 117,309	$ 50,449

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	For the Year Ended December 31,				
	2015	2014	2013	2012	2011
Earnings per common share					
Basic	$ 1.58	$ 1.54	$ 1.54	$ 1.15	$ 0.55
Diluted	$ 1.56	$ 1.53	$ 1.53	$ 1.14	$ 0.54
Weighted average number of shares					
Basic	119,816,743	115,713,807	111,349,361	101,766,385	92,097,008
Diluted	126,918,869	121,435,267	113,105,094	103,767,365	96,683,508
Cash dividends paid per common share	$ 2.24	$ 1.81	$ 1.45	$ 0.85	$ 0.56

	As of December 31,				
	2015	2014	2013	2012	2011
Balance Sheet Data					
Total assets	$ 6,071,407	$ 4,381,987	$ 3,977,140	$ 3,223,477	$ 2,517,524
Total notes payable, notes payable to trusts, exchangeable senior notes and lines of credit, net	$ 3,535,621	$ 2,349,764	$ 1,946,647	$ 1,577,599	$ 1,363,656
Noncontrolling interests	$ 283,527	$ 174,558	$ 173,425	$ 53,524	$ 54,814
Total stockholders equity	$ 2,089,077	$ 1,737,425	$ 1,758,470	$ 1,491,807	$ 1,018,947
Other Data					
Net cash provided by operating activities	$ 367,329	$ 337,581	$ 271,259	$ 215,879	$ 144,164
Net cash used in investing activities	$ (1,625,664)	$ (564,948)	$ (366,976)	$ (606,938)	$ (251,919)
Net cash provided by financing activities	$ 1,286,471	$ 148,307	$ 191,655	$ 395,360	$ 87,489

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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 Extra Space Storage LLC and its subsidiaries to own, operate, manage, acquire, develop and redevelop professionally managed stores.

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

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

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

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

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

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

Maximize the performance of our stores through strategic, efficient and proactive management. We pursue revenue-generating and expense-minimizing opportunities in our operations. Our revenue management team seeks to maximize revenue by responding to changing market conditions through our advanced technology system s ability to provide real-time, interactive rental rate and discount management. Our size allows us greater ability than the majority of our competitors to implement more effective online marketing programs, which we believe will attract more customers to our stores at a lower net cost.

Acquire stores. Our acquisitions team continues to pursue the acquisition of multi-store portfolios and single stores that we believe can provide stockholder value. We have established a reputation as a reliable, ethical buyer, which we believe enhances our ability to negotiate and close acquisitions. In addition, we believe our status as an UPREIT enables flexibility when structuring deals. We continue to see available acquisitions on which to bid and are seeing increasing prices. However, we remain a disciplined buyer and look for acquisitions that will strengthen our portfolio and increase stockholder value.

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

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

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

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

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

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

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

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

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

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

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

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

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

of normal operations for all periods presented.

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

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

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

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

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

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

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

Tenant reinsurance premiums are recognized as revenue over the period of insurance coverage. We record an unpaid claims liability at the end of each period based on existing unpaid claims and historical claims payment history. The unpaid claims liability represents an estimate of the ultimate cost to settle all unpaid claims as of each period end, including both reported but unpaid claims and claims that may have been incurred but have not been reported. We use

a third party claims administrator to adjust all tenant reinsurance claims received. The administrator evaluates each claim to determine the ultimate claim loss and includes an estimate for claims that may have been incurred but not reported. Annually, a third party actuary evaluates the adequacy of the unpaid

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

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

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

RECENT ACCOUNTING PRONOUNCEMENTS

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

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

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

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

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

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

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

RESULTS OF OPERATIONS

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

Overview

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

Revenues

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

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

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

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

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

Expenses

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

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

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

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

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

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

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

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

Other Income and Expenses

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

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

Gain (Loss) on Sale of Real Estate and Earnout from Prior Acquisition During 2011, we acquired a store located in Florida. As part of this acquisition, we agreed to make an additional cash payment to the sellers if the acquired store

exceeded a specified amount of net rental income for any twelve-month period prior to June 30, 2015. At the acquisition date, $133 was recorded as the estimated amount that would be due, and we believed that it was unlikely that any significant additional payment would be made as a result of this earnout provision. Because the rental growth of the stores trended significantly higher than expected, we recorded additional liability of $2,500. This amount is included in gain (loss) on sale of real estate and earnout from prior acquisitions on our consolidated statements of operations for the year ended December 31, 2014. The $400 gain recorded during the year ended December 31, 2015 represents the adjustment needed to true up the existing liability to the amount owed to the sellers as of June 30, 2015.

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

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

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

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

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

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

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

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

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

three months ended March 31, 2015 as a result of re-measuring the fair value of our equity interest in this joint venture held before the acquisition.

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

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

Net Income Allocated to Noncontrolling Interests

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

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

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

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

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

Income allocated to the Preferred Operating Partnership noncontrolling interests for the year ended December 31, 2015 and 2014 represents the fixed distributions paid to the holders of the Series A Units, Series B Units, Series C

Units and Series D Units, plus approximately 0.7% of the remaining net income allocated to the holders of the Series A Units.

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

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

Overview

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

Revenues

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

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

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

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

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

Expenses

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

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

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

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

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

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

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

Other Income and Expenses

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

	For the Year Ended December 31,			
	2014	**2013**	**$ Change**	**% Change**
Other income and expenses:				
Gain (loss) on sale of real estate and earnout from prior acquisitions	$ (10,285)	$ 960	$ (11,245)	(1,171.4%)
Property casualty loss, net	(1,724)		(1,724)	100.0%
Loss on extinguishment of debt related to portfolio acquisition		(9,153)	9,153	(100.0%)
Interest expense	(81,330)	(71,630)	(9,700)	13.5%
Non-cash interest expense related to amortization of discount on equity component of exchangeable senior notes	(2,683)	(1,404)	(1,279)	91.1%

Interest income	1,607	749	858	114.6%
Interest income on note receivable from Preferred Operating Partnership unit holder	4,850	4,850		
Equity in earnings of unconsolidated real estate ventures	10,541	11,653	(1,112)	(9.5%)
Equity in earnings of unconsolidated real estate ventures gain on sale of real estate assets and purchase of joint venture partners interests	4,022	46,032	(42,010)	(91.3%)
Income tax expense	(7,570)	(9,984)	2,414	(24.2%)
Total other expense, net	$ (82,572)	$ (27,927)	$ (54,645)	195.7%

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

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

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

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

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

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

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

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

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

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

December 31, 2013, and 280 as of December 31, 2012.

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

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

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

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

Net Income Allocated to Noncontrolling Interests

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

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

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

In December 2013 and May 2014, as part of a portfolio acquisition, our Operating Partnership issued 704,016 Series C Convertible Redeemable Preferred Units (Series C Units). The Series C Units have a liquidation value of $42.10 per

unit. From issuance until the fifth anniversary of issuance, the Series C Units receive distributions at an annual rate of $0.18 plus the then-payable quarterly distribution per common OP Unit.

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

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

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

FUNDS FROM OPERATIONS

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

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

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

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

Funds from operations attributable to common stockholders	$ 331,343	$ 310,006	$ 228,847

SAME-STORE RESULTS

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

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

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

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

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

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

	For the Three Months Ended December 31,		Percent	For the Year Ended December 31,		Percent
	2014	2013	Change	2014	2013	Change
Same-store rental and tenant reinsurance revenues	$ 121,819	$ 113,546	7.3%	$ 477,884	$ 444,353	7.5%
Same-store operating and tenant reinsurance expenses	34,669	33,942	2.1%	139,835	135,547	3.2%
Same-store net operating income	$ 87,150	$ 79,604	9.5%	$ 338,049	$ 308,806	9.5%
	$ 38,317	$ 21,684	76.7%	$ 141,056	$ 49,646	184.1%

Non same-store rental and tenant reinsurance revenues						
Non same-store operating and tenant reinsurance expenses	$ 10,971	$ 5,832	88.1%	$ 43,008	$ 13,487	218.9%
Total rental and tenant reinsurance revenues	$ 160,136	$ 135,230	18.4%	$ 618,940	$ 493,999	25.3%
Total operating and tenant reinsurance expenses	$ 45,640	$ 39,774	14.7%	$ 182,843	$ 149,034	22.7%
Same-store square foot occupancy as of quarter end	91.4%	89.5%		91.4%	89.5%	
Properties included in same-store	442	442		442	442	

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

CASH FLOWS

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

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

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

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

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

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

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

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

payments on notes payable and lines of credit.

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LIQUIDITY AND CAPITAL RESOURCES

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

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

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

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

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

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

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

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

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

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

OFF-BALANCE SHEET ARRANGEMENTS

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

CONTRACTUAL OBLIGATIONS

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

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

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

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

FINANCING STRATEGY

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

the interest rate of the proposed financing;

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

prepayment penalties and restrictions on refinancing;

the purchase price of stores acquired with debt financing;

long-term objectives with respect to the financing;

target investment returns;

the ability of particular stores, and our Company as a whole, to generate cash flow sufficient to cover expected debt service payments;

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

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

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

SEASONALITY

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

Item 7a. Quantitative and Qualitative Disclosures About Market Risk

Market Risk

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

Interest Rate Risk

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

As of December 31, 2015, we had approximately $3.6 billion in total face value debt, of which approximately $1.1 billion was subject to variable interest rates (excluding debt with interest rate swaps). If LIBOR were to increase or

decrease by 100 basis points, the increase or decrease in interest expense on the variable rate debt (excluding variable rate debt with interest rate floors) would increase or decrease future earnings and cash flows by approximately $7.3 million annually.

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

Item 8. Financial Statements and Supplementary Data

EXTRA SPACE STORAGE INC.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

AND SCHEDULES

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Consolidated Balance Sheets as of December 31, 2015 and 2014	**51**
Consolidated Statements of Operations for the years ended December 31, 2015, 2014 and 2013	**52**
Consolidated Statements of Comprehensive Income for the years ended December 31, 2015, 2014 and 2013	**53**
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Consolidated Statements of Cash Flows for the years ended December 31, 2015, 2014 and 2013	**57**
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All other schedules have been omitted since the required information is not present or not present in amounts sufficient to require submission of the schedule, or because the information required is included in the consolidated financial statements or notes thereto.

Report of Independent Registered Public Accounting Firm

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

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

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

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

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

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

/s/ Ernst & Young LLP

Salt Lake City, Utah

February 29, 2016

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Extra Space Storage Inc.

Consolidated Balance Sheets

(dollars in thousands, except share data)

	December 31, 2015	December 31, 2014
Assets:		
Real estate assets, net	$ 5,689,309	$ 4,135,696
Investments in unconsolidated real estate ventures	103,007	85,711
Cash and cash equivalents	75,799	47,663
Restricted cash	30,738	25,245
Receivables from related parties and affiliated real estate joint ventures	2,205	11,778
Other assets, net	170,349	75,894
Total assets	$ 6,071,407	$ 4,381,987
Liabilities, Noncontrolling Interests and Equity:		
Notes payable, net	$ 2,758,567	$ 1,858,981
Exchangeable senior notes, net	623,863	235,724
Notes payable to trusts, net	117,191	117,059
Lines of credit	36,000	138,000
Accounts payable and accrued expenses	82,693	65,521
Other liabilities	80,489	54,719
Total liabilities	3,698,803	2,470,004
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, 500,000,000 shares authorized, 124,119,531 and 116,360,239 shares issued and outstanding at December 31, 2015 and December 31, 2014, respectively	1,241	1,163
Additional paid-in capital	2,431,754	1,995,484
Accumulated other comprehensive loss	(6,352)	(1,484)
Accumulated deficit	(337,566)	(257,738)
Total Extra Space Storage Inc. stockholders equity	2,089,077	1,737,425
Noncontrolling interest represented by Preferred Operating Partnership units, net of $120,230 notes receivable	80,531	81,152
Noncontrolling interests in Operating Partnership	202,834	92,422
Other noncontrolling interests	162	984

Total noncontrolling interests and equity		2,372,604		1,911,983
Total liabilities, noncontrolling interests and equity	$	6,071,407	$	4,381,987

See accompanying notes.

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Extra Space Storage Inc.

Consolidated Statements of Operations

(dollars in thousands, except share data)

	For the Year Ended December 31,		
	2015	**2014**	**2013**
Revenues:			
Property rental	$ 676,138	$ 559,868	$ 446,682
Tenant reinsurance	71,971	59,072	47,317
Management fees and other income	34,161	28,215	26,614
Total revenues	782,270	647,155	520,613
Expenses:			
Property operations	203,965	172,416	140,012
Tenant reinsurance	13,033	10,427	9,022
Acquisition related costs	69,401	9,826	8,618
General and administrative	67,758	60,942	54,246
Depreciation and amortization	133,457	115,076	95,232
Total expenses	487,614	368,687	307,130
Income from operations	294,656	278,468	213,483
Gain (loss) on real estate transactions and earnout from prior acquisitions	1,501	(10,285)	960
Property casualty loss, net		(1,724)	
Loss on extinguishment of debt related to portfolio acquisition			(9,153)
Interest expense	(95,682)	(81,330)	(71,630)
Non-cash interest expense related to amortization of discount on equity component of exchangeable senior notes	(3,310)	(2,683)	(1,404)
Interest income	3,461	1,607	749
Interest income on note receivable from Preferred Operating Partnership unit holder	4,850	4,850	4,850
Income before equity in earnings of unconsolidated real estate ventures and income tax expense	205,476	188,903	137,855
Equity in earnings of unconsolidated real estate ventures	12,351	10,541	11,653
Equity in earnings of unconsolidated real estate ventures gain on sale of real estate assets and purchase of joint venture partners interests	2,857	4,022	46,032
Income tax expense	(11,148)	(7,570)	(9,984)

Net income	209,536	195,896	185,556
Net income allocated to Preferred Operating Partnership noncontrolling interests	(11,718)	(10,991)	(8,006)
Net income allocated to Operating Partnership and other noncontrolling interests	(8,344)	(6,550)	(5,474)
Net income attributable to common stockholders	$ 189,474	$ 178,355	$ 172,076
Earnings per common share			
Basic	$ 1.58	$ 1.54	$ 1.54
Diluted	$ 1.56	$ 1.53	$ 1.53
Weighted average number of shares			
Basic	119,816,743	115,713,807	111,349,361
Diluted	126,918,869	121,435,267	113,105,094

See accompanying notes.

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Extra Space Storage Inc.

Consolidated Statements of Comprehensive Income

(amounts in thousands)

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

See accompanying notes

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Extra Space Storage Inc.

Consolidated Statements of Stockholders Equity

(amounts in thousands, except share data)

	Noncontrolling Interests						**Extra Space Storage Inc. Stockholders Equity**				
	Preferred Operating Partnership										
	Series A	**Series B**	**Series C**	**Series D**	**Operating Partnership**	**Other**	**Shares**	**Par Value**	**Additional Paid-in Captial**	**Accumulated Other Comprehensive Loss**	**Accumu Defic**
nber 31, 2012	$ 29,918	$	$	$	$ 22,492	$ 1,114	110,737,205	$ 1,107	$ 1,740,037	$ (14,273)	$ (235,
n stock upon ons							391,543	4	5,892		
nts issued							137,602	1			
nts cancelled							(23,323)				
n stock, net							4,500,000	45	205,943		
ense related to									4,819		
nal equity consolidated						(1,008)			(1,481)		
rest related t venture						870					
geable senior onent									14,496		
ng conjunction ons		33,568	17,177		68,471						
rating r common					(260)		12,500		260		
rating r cash					(41)						
	7,255	673	78		5,425	49					172,
ve income	214				692					24,429	
ting of nts and stock									3,193		
erating eld by rests	(7,185)	(673)	(78)		(5,326)						
er rests											

common hare											(163,
ber 31, 2013	$ 30,202	$ 33,568	$ 17,177	$	$ 91,453	$ 1,025	115,755,527	$ 1,157	$ 1,973,159	$ 10,156	$ (226,

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	Noncontrolling Interests						Extra Space Storage Inc. Stockholders Equity					
	Preferred Operating Partnership											
	Series A	Series B	Series C	Series D	Operating Partnership	Other	Shares	Par Value	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	No
ck							211,747	2	3,093			
							117,370	1				
							(23,595)					
on ted ed									4,984			
		8,334	13,783	13,710	2,982							
of ck	(10,240)				(398)		299,190	3	10,635			
of n	(4,794)											
ble nit			(20,230)									
	7,036	2,387	1,551	17	6,538	12					178,355	
ve	(74)				(347)					(11,640)		
om									3,613			
ck												

to ng	(7,321)	(2,386)	(1,551)	(17)	(7,806)							
to ng						(53)						
id 1											(210,091)	
1,	$ 14,809	$ 41,903	$ 10,730	$ 13,710	$ 92,422	$ 984	116,360,239	$ 1,163	$ 1,995,484	$ (1,484)	$ (257,738)	$

See accompanying notes.

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Extra Space Storage Inc.

Consolidated Statements of Stockholders Equity

(amounts in thousands, except share data)

	Noncontrolling Interests						Extra Space Storage Inc. Stockholders Equity					
	Preferred Operating Partnership											
	Series A	Series B	Series C	Series D	Operating Partnership	Other	Shares	Par Value	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	No
ck							79,974	1	1,541			
							174,558	2				
							(18,090)					
ck, ng							6,735,000	67	446,810			
on ted ed									6,055			
st						(822)			(446)			
					142,399							
of					(28,106)		787,850	8	28,098			

ck												
of on e									(70,112)			
e y									22,597			
	6,445	2,514	2,074	685	8,344						189,474	
ve	(15)				(46)					(4,868)		
om ck									1,727			
s to y ng	(7,050)	(2,515)	(2,074)	(685)	(12,179)							
aid 4											(269,302)	
1,	$ 14,189	$ 41,902	$ 10,730	$ 13,710	$ 202,834	$ 162	124,119,531	$ 1,241	$ 2,431,754	$ (6,352)	$ (337,566)	$

See accompanying notes.

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Extra Space Storage Inc.

Consolidated Statements of Cash Flows

(amounts in thousands)

	For the Year Ended December 31,		
	2015	2014	2013
Cash flows from operating activities:			
Net income	$ 209,536	$ 195,896	$ 185,556
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	133,457	115,076	95,232
Amortization of deferred financing costs	7,779	6,592	5,997
Loss (gain) on real estate transactions and earnout from prior acquisitions	(1,501)	2,500	
Property casualty loss		1,724	
Loss on extinguishment of debt related to portfolio acquisition			9,153
Gain on sale of real estate assets			(960)
Non-cash interest expense related to amortization of discount on equity component of exchangeable senior notes	3,310	2,683	1,404
Non-cash interest expense related to amortization of premium on notes payable	(2,409)	(3,079)	(1,194)
Compensation expense related to stock-based awards	6,055	4,984	4,819
Gain on sale of real estate assets and purchase of joint venture partners interests	(2,857)	(3,438)	(46,032)
Distributions from unconsolidated real estate ventures in excess of earnings	4,531	4,510	4,838
Changes in operating assets and liabilities:			
Receivables from related parties and affiliated real estate joint ventures	(1,436)	71	1,277
Other assets	(1,172)	(1,498)	8,725
Accounts payable and accrued expenses	108	4,920	8,302
Other liabilities	11,928	6,640	(5,858)
Net cash provided by operating activities	367,329	337,581	271,259
Cash flows from investing activities:			
Acquisition of SmartStop, net of cash acquired	(1,200,853)		
Acquisition of real estate assets	(349,897)	(503,538)	(349,959)
Development and redevelopment of real estate assets	(26,931)	(23,528)	(6,466)
Proceeds from sale of real estate assets	800		6,964
Change in restricted cash	1,282	(3,794)	(4,475)
Investment in unconsolidated real estate ventures	(3,434)		(1,516)
Return of investment in unconsolidated real estate ventures	45,080		
Purchase/issuance of notes receivable	(84,331)	(29,258)	(5,000)
Purchase of equipment and fixtures	(7,380)	(4,830)	(6,524)

Net cash used in investing activities	(1,625,664)	(564,948)	(366,976)
Cash flows from financing activities:			
Proceeds from the sale of common stock, net of offering costs	446,877		205,988
Net proceeds from the issuance of exchangeable senior notes	563,500		246,250
Repurchase of exchangeable senior notes	(227,212)		
Proceeds from notes payable and lines of credit	2,121,802	917,664	582,185
Principal payments on notes payable and lines of credit	(1,313,570)	(533,128)	(664,372)
Deferred financing costs	(9,779)	(5,305)	(7,975)
Net proceeds from exercise of stock options	1,542	3,095	5,896
Purchase of interest rate cap	(2,884)		
Redemption of Operating Partnership units held by noncontrolling interests		(4,794)	(41)
Dividends paid on common stock	(269,302)	(210,091)	(163,014)
Distributions to noncontrolling interests	(24,503)	(19,134)	(13,262)
Net cash provided by financing activities	1,286,471	148,307	191,655
Net increase (decrease) in cash and cash equivalents	28,136	(79,060)	95,938
Cash and cash equivalents, beginning of the period	47,663	126,723	30,785
Cash and cash equivalents, end of the period	$ 75,799	$ 47,663	$ 126,723
Supplemental schedule of cash flow information			
Interest paid	$ 89,507	$ 75,218	$ 66,705
Income taxes paid	1,782	3,418	1,916
Supplemental schedule of noncash investing and financing activities:			
Redemption of Operating Partnership units held by noncontrolling interests for common stock:			
Noncontrolling interests in Operating Partnership	$ (28,106)	$ 10,638	$ 260
Common stock and paid-in capital	28,106	(10,638)	(260)
Tax effect from vesting of restricted stock grants and option exercises			
Other assets	$ 1,727	$ 3,613	$ 3,193
Paid-in capital	(1,727)	(3,613)	(3,193)
Acquisitions of real estate assets			
Real estate assets, net	$ 158,009	$ 77,158	$ 331,230
Notes payable assumed		(38,347)	(110,803)
Notes payable assumed and immediately defeased			(98,960)
Value of Operating Partnership units issued	(142,399)	(38,811)	(119,216)
Receivables from related parties and affiliated real estate joint ventures	(15,610)		(2,251)

See accompanying notes.

Extra Space Storage Inc.

Notes to Consolidated Financial Statements

December 31, 2015

(amounts in thousands, except store and share data)

1. DESCRIPTION OF BUSINESS

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

Variable Interest Entities

The Company accounts for arrangements that are not controlled through voting or similar rights as variable interest entities (VIEs). An enterprise is required to consolidate a VIE if it is the primary beneficiary of the VIE. A VIE is created when (i) the equity investment at risk is not sufficient to permit the entity to finance its activities without

additional subordinated financial support from other parties, or (ii) the entity s equity holders as a group either: (a) lack the power, through voting or similar rights, to direct the activities of the entity that most significantly impact the entity s economic performance, (b) are not obligated to absorb expected losses of the entity if they occur, or (c) do not have the right to receive expected residual returns of the entity if they occur. If an entity is deemed to be a VIE, the enterprise that is deemed to have a variable interest, or combination of variable interests, that provides the enterprise with a controlling financial interest in the VIE, is considered the primary beneficiary and must consolidate the VIE.

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

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

Use of Estimates

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

Fair Value Disclosures

Derivative financial instruments

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

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

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

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

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

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

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

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

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

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

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

measured as the excess of the carrying amount of the investment over the fair value of the investment.

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

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Fair Value of Financial Instruments

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

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

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

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

Real Estate Assets

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

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

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

compared to contractual rates. Acquisition-related transaction costs are expensed as incurred.

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

Investments in Unconsolidated Real Estate Ventures

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

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

Cash and Cash Equivalents

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

Restricted Cash

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

Other Assets

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

Derivative Instruments and Hedging Activities

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

expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges. Hedge accounting generally provides for the matching of the timing of gain or loss recognition on the hedging instrument with the recognition of the changes in the fair value of the hedged asset or liability that are attributable to the hedged risk in a fair value hedge or the earnings effect of the hedged

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

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

Risk Management and Use of Financial Instruments

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

Exchange of Common Operating Partnership Units

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

Revenue and Expense Recognition

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

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

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

coverage in exchange for a monthly fee. As of December 31, 2015, the average insurance coverage for tenants was approximately two thousand six hundred dollars. The Company s exposure per claim is limited by the maximum amount of coverage chosen by each

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

Real Estate Sales

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

Advertising Costs

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

Income Taxes

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

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

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

Stock-Based Compensation

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

Earnings Per Common Share

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

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

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

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

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

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

The Operating Partnership had $575,000 of its 3.125% Exchangeable Senior Notes due 2035 (the 2015 Notes) issued and outstanding as of December 31, 2015. The 2015 Notes could potentially have a dilutive impact on the Company s earnings per share calculations. The 2015 Notes are exchangeable by holders into shares of the Company s common stock under certain circumstances per the terms of the indenture governing the 2015 Notes. The exchange price of the

2015 Notes was $95.40 per share as of December 31, 2015, and could change over time as described in the indenture. The Company has irrevocably agreed to pay only cash for the accreted principal amount of the 2015 Notes relative to its exchange obligations, but retained the right to satisfy the exchange obligation in excess of the accreted principal amount in cash and/or common stock.

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

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

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

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

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

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

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

Recently Issued Accounting Standards

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

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers,* which amends the guidance for revenue recognition to replace numerous, industry-specific requirements and converges areas under this topic with

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

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

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

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

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

3. REAL ESTATE ASSETS

The components of real estate assets are summarized as follows:

	December 31, 2015	December 31, 2014
Land operating	$ 1,384,009	$ 1,132,175
Land development	17,313	21,062
Buildings and improvements	4,886,397	3,487,935
Intangible assets tenant relationships	95,891	72,293
Intangible lease rights	8,877	8,697

		6,392,487		4,722,162
Less: accumulated depreciation and amortization		(728,087)		(604,336)
Net operating real estate assets		5,664,400		4,117,826
Real estate under development/redevelopment		24,909		17,870
Net real estate assets	$	5,689,309	$	4,135,696
Real estate assets held for sale included in net real estate assets	$	10,774	$	

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

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

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4. PROPERTY ACQUISITIONS AND DISPOSITIONS

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

		Consideration Paid									Acquisit
Date of Acquisition	Total	Cash Paid	Non-cash gain	Loan Assumed	Notes Issued to/ from Seller	Previous equity interest	Net Liabilities/ (Assets) Assumed	Value of OP Units Issued	Number of OP Units Issued	Land	Bui
2/11/2015	$ 9,712	$ 9,716	$	$	$	$	$ (4)	$		$ 2,679	$
12/8/2015	5,307	5,333					(26)			1,372	
1/24/2015	10,011	10,013					(2)			732	
1/19/2015	20,017	19,965					52			2,012	
1/13/2015	14,397	7,116					60	7,221	91,434	6,643	
0/23/2015	8,707	8,685					22			1,140	
10/7/2015	7,430	7,394					36			1,057	
10/1/2015	1,230,976	1,272,256					(69,936)	28,656	376,848	179,700	97
9/10/2015	6,165	6,183					(18)			794	
6/19/2015	6,987	6,926					61			1,408	
6/18/2015	17,657	12,677					207	4,773	71,054		
6/17/2015	6,076	412	1,100		4,601		(37)			534	
6/8/2015	10,046	9,970					76			964	
5/13/2015	12,512	12,515					(3)			1,625	
5/7/2015	6,498	6,458					40			2,087	
5/5/2015	11,007	10,976					31			4,050	
4/24/2015	6,500	6,451					49			370	
4/15/2015	178,252	75,681					822	101,749	1,504,277	24,087	1:
4/14/2015	8,650	8,580					70			619	
3/30/2015	12,699	1,700	1,629		11,009	(1,264)	(375)			1,025	
3/30/2015	13,165	13,143					22			1,763	
3/17/2015	5,073	5,065					8			118	
2/24/2015	13,570	13,519					51			1,511	
1/13/2015	41,904	41,806					98			12,080	
	$ 1,663,318	**$ 1,572,540**	**$ 2,729**	**$**	**$ 15,610**	**$ (1,264)**	**$ (68,696)**	**$ 142,399**	**2,043,613**	**$ 248,370**	**$ 1,3:**
2/23/2014	$ 32,954	$ 19,122	$	$	$	$	$ 122	$ 13,710	548,390	$ 12,502	$
2/18/2014	47,747	42,167					5,580			4,259	
2/11/2014	20,115	20,125					(10)			12,085	
2/11/2014	60,279	60,086					193			19,661	
12/9/2014	9,298	6,300					15	2,983	50,620	4,508	
0/24/2014	6,253	6,202					51			2,077	

0/22/2014	11,030	11,010		20	588
9/3/2014	4,259	4,225		34	529
8/8/2014	11,246	6,134	5,157	(45)	1,047
8/6/2014	11,337	11,290		47	1,132
6/18/2014	7,310	7,307		3	2,940

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			Consideration Paid								Acquisition Dat	
umber of Stores	Date of Acquisition	Total	Cash Paid	Non-cash gain	Loan Assumed	Notes Issued to/ from Seller	Previous equity interest	Net Liabilities/ (Assets) Assumed	Value of OP Units Issued	Number of OP Units Issued	Land	Building
1	5/28/2014	17,614	294		14,079			(92)	3,333	69,735	4,707	12,604
1	4/30/2014	4,388	4,388								437	3,808
3	4/25/2014	35,275	2,726	3,438	19,111		129	(580)	10,451	226,285	6,853	27,666
1	4/15/2014	10,186	10,077					109			1,640	8,358
1	4/3/2014	23,649	15,158					157	8,334	333,360	2,961	19,819
1	3/20/2014	13,813	13,752					61			2,381	11,224
1	3/17/2014	15,138	15,169					(31)			1,072	14,028
1	3/4/2014	7,000	6,974					26			2,150	4,734
1	2/5/2014	14,191	14,152					39			1,767	12,368
17	1/7/2014	200,588	200,525					63			53,878	142,840
52		**$ 563,670**	**$ 477,183**	**$ 3,438**	**$ 38,347**	**$**	**$ 129**	**$ 5,762**	**$ 38,811**	**1,228,390**	**$ 139,174**	**$ 410,432**

(1) This column represents costs paid at closing. The amounts shown exclude other acquisition costs paid before or after the closing date.

(2) This represents the acquisition of SmartStop Self Storage, Inc. (SmartStop). See below for more detailed information about this acquisition.

(3) The Company determined the consideration paid for this store was below its market value, and recognized a $1,100 gain, representing the difference between the fair value of the store and the consideration paid.

(4) This represents the acquisition of a joint venture partners interest in Extra Space of Sacramento One LLC (Sacramento One), an existing joint venture, for $1,700 in cash. The result of the acquisition is that the Company owns 100% of Sacramento One, which owned one store located in California. Prior to the acquisition date, the Company accounted for its interest in Sacramento One as an equity-method investment, and the Company also held mortgage notes receivable from Sacramento One totalling $11,009, including related interest. The total acquisition date fair value of the Company s previous equity interest was approximately $365 and is included in consideration transfered. The Company recognized a non-cash gain of $1,629 as a result of remeasuring the fair value of its equity interest held prior to the acquisition. The store is consolidated subsequent to the acquisition as the Company owns 100% of the store.

(5) Included in net liabilities/(assets) assumed is a $5,400 liability related to an earnout provision.

(6) This represents the acquisition of a non-operating property that the Company plans to convert to a self-storage store.

(7) Included in closing costs is approximately $3,271 of defeasance costs.

(8) The Company previously held no equity interest in two of the three properties acquired. The Company acquired its joint venture partner s 60% interest in an existing joint venture which held one property in California, resulting in full ownership by the Company. Prior to the acquisition date, the Company accounted for its 40% interest in this joint venture as an equity method investment. The total acquisition date fair value of the previous equity interest was approximately $3,567 and is included as consideration transferred. The Company recognized a non-cash gain of $3,438 as a result of remeasuring its prior equity interest in this joint venture held before the acquisition. The three properties were acquired in exchange for approximately $2,726 of cash and 226,285 Series C Units valued at $10,451.

(9) This property was owned by Spencer F. Kirk, the Company s Chief Executive Officer, and Kenneth M. Woolley, the Company s Executive Chairman. The Company acquired the building on March 4, 2014. In a separate transaction on March 5, 2014, the Company acquired the land for $2,150 from a third party unrelated to the Company s executives and terminated the existing ground lease.

Acquisition of SmartStop

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

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

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

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

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

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

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

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

Pro Forma Information

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

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

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

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

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

	For the Year Ended December 31, 2015
Total revenues	$ 46,490
Net income attributable to common stockholders	$ 8,393

Other Acquisitions and Disposals

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

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

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

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

Losses on Earnouts from Prior Acquisitions

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

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

31, 2015.

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5. INVESTMENTS IN UNCONSOLIDATED REAL ESTATE VENTURES

Investments in unconsolidated real estate ventures consist of the following:

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

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

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

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

In December 2013 and May 2014, the Company acquired twelve stores located in California from entities associated with Grupe Properties Co. Inc. (Grupe.) As part of the Grupe acquisition, the Company acquired its joint venture partners 60% to 65% equity interests in six stores. The Company previously held the remaining 35% to 40% interests in these stores through six separate joint ventures with Grupe. Prior to the acquisition, the Company accounted for its interests in these joint ventures as equity-method investments. The Company recognized a non-cash gain of $3,438

during the year ended December 31, 2014 as a result of re-measuring the fair value of its equity interest in one of these joint ventures held before the acquisition. During the year ended December 31, 2014, the Company recorded a gain of $584 as a result of the final cash distributions received from the other five joint ventures associated with the acquisitions that were completed during 2013. The Company recognized non-cash gains of $9,339 during the year ended December 31, 2013 as a result of re-measuring its prior equity interests in five joint ventures held before the acquisition.

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

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

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

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

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

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

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

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

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

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

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

	December 31,	
	2015	2014
Balance Sheets:		
Assets:		
Net real estate assets	$ 1,389,974	$ 1,442,755
Other	33,703	34,636
	$ 1,423,677	$ 1,477,391
Liabilities and members equity:		
Notes payable	$ 299,730	$ 301,267
Other liabilities	25,715	23,490
Members equity	1,098,232	1,152,634
	$ 1,423,677	$ 1,477,391

	For the Year Ended December 31,		
	2015	2014	2013
Statements of Income:			
Rents and other income	$ 286,857	$ 273,231	$ 260,487
Expenses	(155,851)	(153,973)	(149,595)
Gain on sale of real estate	60,495		
Net income	$ 191,501	$ 119,258	$ 110,892

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

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

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6. OTHER ASSETS

The components of other assets are summarized as follows:

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

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

7. NOTES PAYABLE

The components of notes payable are summarized as follows:

	December 31, 2015	December 31, 2014
Fixed Rate		
Mortgage loans with banks (including loans subject to interest rate swaps) bearing interest at fixed rates between 2.8% and 6.7%. The loans are collateralized by mortgages on real estate assets and the assignment of rents. Principal and interest payments are made monthly with all outstanding principal and interest due between March 2016 and February 2023.	$ 1,613,490	$ 1,164,303
Unsecured loan with bank (loan subject to an interest rate swap) bearing interest at a fixed rate of 3.1%. Principal and interest payments are made monthly with outstanding principal and interest due March 2020.	73,825	
Variable Rate		
Mortgage loans with banks bearing floating interest rates based on 1 month LIBOR. Interest rates based on LIBOR are between LIBOR plus 1.6% (2.0% at December 31, 2015 and 1.8% at	1,094,985	707,764

December 31, 2014) and LIBOR plus 2.0% (2.4% at December 31, 2015 and 2.2% at December 31, 2014). The loans are collateralized by mortgages on real estate assets and the assignment of rents. Principal and interest payments are made monthly with all outstanding principal and interest due between July 2016 and March 2021.		
Total	2,782,300	1,872,067
Plus: Premium on notes payable	872	3,281
Less: unamortized debt issuance costs	(24,605)	(16,367)
Total	$ 2,758,567	$ 1,858,981

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

2016	$ 167,477
2017	418,179
2018	416,512
2019	438,244
2020	872,441
Thereafter	469,447
	$ 2,782,300

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

8. DERIVATIVES

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

Cash Flow Hedges of Interest Rate Risk

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

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

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

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

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Fair Values of Derivative Instruments

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

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

Effect of Derivative Instruments

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

Type	Classification of Income (Expense)	For the Year Ended December 31, 2015	2014	2013
Swap Agreements	Interest expense	$ (12,487)	$ (8,780)	$ (8,917)

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

Credit-Risk-Related Contingent Features

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

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

As of December 31, 2015, the fair value of derivatives in a net liability position, which includes accrued interest but excludes any adjustment for nonperformance risk, related to these agreements was $6,991. As of December 31, 2015,

the Company had not posted any collateral related to these agreements. If the Company had breached any of these provisions as of December 31, 2015, it could have been required to settle its obligations under the agreements at their termination value of $2,995, including accrued interest.

9. NOTES PAYABLE TO TRUSTS

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

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

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

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

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

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

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

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

	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	
Unamortized debt issuance costs	(2,399)			
	$ 117,191	$ 3,590	$ 116,000	$

10. EXCHANGEABLE SENIOR NOTES

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

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

On June 21, 2013, the Operating Partnership issued $250,000 of its 2.375% Exchangeable Senior Notes due 2033 at a 1.5% discount, or $3,750. Costs incurred to issue the 2013 Notes were approximately $1,672. These costs are being amortized as an adjustment to interest expense over five years, which represents the estimated term based on the first available redemption date, and are included in other assets in the condensed consolidated balance sheets. The 2013 Notes are general unsecured senior obligations of the Operating Partnership and are fully guaranteed by the Company. Interest is payable on January 1 and July 1 of each year beginning January 1, 2014, until the maturity date of July 1,

2033. The 2013 Notes bear interest at 2.375% per annum and contain an exchange settlement feature, which provides that the 2013 Notes may, under certain circumstances, be exchangeable for cash (for the principal amount of the 2013 Notes) and, with respect to any excess exchange value, for cash, shares of the Company s common stock, or a combination of cash and shares of the Company s common stock, at the Company s option. The exchange rate of the 2013 Notes as of December 31, 2015 was approximately 18.18 shares of the Company s common stock per $1,000 principal amount of the 2013 Notes.

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

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

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

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

	December 31, 2015		December 31, 2014	
Carrying amount of equity component 2013 Notes	$		$	14,496
Carrying amount of equity component 2015 Notes		22,597		
Carrying amount of equity components	$	22,597	$	14,496
Principal amount of liability component 2013 Notes	$	85,364	$	250,000
Principal amount of liability component 2015 Notes		575,000		

Unamortized discount equity component 2013 Notes	(2,605)	(10,448)
Unamortized discount equity component 2015 Notes	(21,565)	
Unamortized cash discount 2013 Notes	(633)	(2,606)
Unamortized debt issuance costs	(11,698)	(1,222)
Net carrying amount of liability components	$ 623,863	$ 235,724

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

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

Repurchase of 2013 Notes

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

Information about the repurchase is as follows:

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

11. LINES OF CREDIT

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

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

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

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12. OTHER LIABILITIES

The components of other liabilities are summarized as follows:

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

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

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

13. RELATED PARTY AND AFFILIATED REAL ESTATE JOINT VENTURE TRANSACTIONS

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

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

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

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

	December 31, 2015	December 31, 2014
Mortgage notes receivable	$	$ 10,590
Other receivables from stores	2,205	1,188
	$ 2,205	$ 11,778

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

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

14. STOCKHOLDERS EQUITY

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

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

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

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

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

15. NONCONTROLLING INTEREST REPRESENTED BY PREFERRED OPERATING PARTNERSHIP UNITS

Classification of Noncontrolling Interests

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

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

Series A Participating Redeemable Preferred Units

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

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

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

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

Series B Redeemable Preferred Units

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

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

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

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

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

Series C Convertible Redeemable Preferred Units

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

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

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

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

Series D Redeemable Preferred Units

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

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

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

16. NONCONTROLLING INTEREST IN OPERATING PARTNERSHIP

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

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

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

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

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

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

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

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

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

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

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

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

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

17. OTHER NONCONTROLLING INTERESTS

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

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

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

In May 2013, the Company purchased one of its joint venture partner s 27.6% capital interest and 35% profit interest in a previously unconsolidated joint venture for $950. The partner s interest was reported in other noncontrolling interests prior to the purchase. As a result of the acquisition, the store became wholly-owned by the Company. Since the Company retained its controlling financial interest in the subsidiary, this transaction was accounted for as an equity

transaction. The carrying amount of the noncontrolling interest was reduced to zero to reflect the purchase and the difference between the price paid by the Company and the carrying value of the noncontrolling interest was recorded as an adjustment to equity attributable to the parent.

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

18. STOCK-BASED COMPENSATION

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

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

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

Option Grants

A summary of stock option activity is as follows:

Options	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value as of December 31, 2015
Outstanding at December 31, 2012	1,097,092	$ 13.89		
Granted	49,075	38.40		
Exercised	(391,543)	14.81		
Forfeited				
Outstanding at December 31, 2013	754,624	$ 15.01		
Granted	31,000	47.50		
Exercised	(211,747)	14.85		
Forfeited	(5,150)	28.28		

Outstanding at December 31, 2014	568,727	$ 16.62		
Granted	89,575	69.93		
Exercised	(79,974)	18.79		
Forfeited	(5,699)	39.83		
Outstanding at December 31, 2015	572,629	$ 24.42	4.87	$ 36,525
Vested and Expected to Vest	562,672	$ 23.70	4.79	$ 36,297
Ending Exercisable	429,348	$ 13.16	3.63	$ 32,222

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

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

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

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

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

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

The Company recorded compensation expense relating to outstanding options of $510, $456 and $536 in general and administrative expense for the years ended December 31, 2015, 2014 and 2013, respectively. Total cash received for the years ended December 31, 2015, 2014 and 2013, related to option exercises was $1,542, $3,095 and $5,896, respectively. At December 31, 2015, there was $1,427 of total unrecognized compensation expense related to non-vested stock options under the Company s 2004 Long-Term Incentive Compensation Plan. That cost is expected to be recognized over a weighted-average period of 2.58 years. The valuation model applied in this calculation utilizes

subjective assumptions that could potentially change over time, including the expected forfeiture rate. Therefore, the amount of unrecognized compensation expense at December 31, 2015, noted above does not necessarily represent the expense that will ultimately be realized by the Company in the statement of operations.

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Common Stock Granted to Employees and Directors

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

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

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

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

19. EMPLOYEE BENEFIT PLAN

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

20. INCOME TAXES

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

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

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

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

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

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

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

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

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

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

21. SEGMENT INFORMATION

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

	December 31, 2015	December 31, 2014
Balance Sheet		
Investment in unconsolidated real estate ventures		
Rental operations	$ 103,007	$ 85,711
Total assets		

Rental operations	$ 5,674,030	$ 4,089,553
Tenant reinsurance	37,696	39,383
Property management, acquisition and development	359,681	253,051
	$ 6,071,407	$ 4,381,987

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	For the Year Ended December 31,		
	2015	2014	2013
Statement of Operations			
Total revenues			
Rental operations	$ 676,138	$ 559,868	$ 446,682
Tenant reinsurance	71,971	59,072	47,317
Property management, acquisition and development	34,161	28,215	26,614
	782,270	647,155	520,613
Operating expenses, including depreciation and amortization			
Rental operations	328,380	279,497	229,229
Tenant reinsurance	13,033	10,427	9,022
Property management, acquisition and development	146,201	78,763	68,879
	487,614	368,687	307,130
Income (loss) from operations			
Rental operations	347,758	280,371	217,453
Tenant reinsurance	58,938	48,645	38,295
Property management, acquisition and development	(112,040)	(50,548)	(42,265)
	294,656	278,468	213,483
Gain (loss) on real estate transactions and earnout from prior acquisitions			
Property management, acquisition and development	1,501	(10,285)	960
Property casualty loss, net			
Rental operations		(1,724)	
Loss on extinguishment of debt related to portfolio acquisition			
Property management, acquisition and development			(9,153)
Interest expense			
Rental operations	(93,711)	(80,160)	(69,702)
Property management, acquisition and development	(1,971)	(1,170)	(1,928)
	(95,682)	(81,330)	(71,630)
Non-cash interest expense related to the amortization of discount on equity component of exchangeable senior notes			
Property management, acquisition and development	(3,310)	(2,683)	(1,404)
Interest income			
Tenant reinsurance	15	17	17
Property management, acquisition and development	3,446	1,590	732
	3,461	1,607	749

Interest income on note receivable from Preferred Operating Partnership unit holder			
Property management, acquisition and development	4,850	4,850	4,850
Equity in earnings of unconsolidated real estate ventures			
Rental operations	12,351	10,541	11,653
Equity in earnings of unconsolidated real estate ventures gain on sale of real estate assets and purchase of partners interests			
Rental operations	2,857	4,022	46,032
Income tax (expense) benefit			
Rental operations	(1,729)	(1,157)	(149)
Tenant reinsurance	(9,780)	(8,662)	(13,409)
Property management, acquisition and development	361	2,249	3,574
	(11,148)	(7,570)	(9,984)
Net income (loss)			
Rental operations	267,526	213,617	205,287
Tenant reinsurance	49,173	40,000	24,903
Property management, acquisition and development	(107,163)	(57,721)	(44,634)
	$ 209,536	$ 195,896	$ 185,556
Depreciation and amortization expense			
Rental operations	$ 124,415	$ 107,081	$ 89,217
Property management, acquisition and development	9,042	7,995	6,015
	$ 133,457	$ 115,076	$ 95,232
Statement of Cash Flows			
Acquisition of real estate assets			
Property management, acquisition and development	$ (1,550,750)	$ (503,538)	$ (349,959)
Development and redevelopment of real estate assets			
Property management, acquisition and development	$ (26,931)	$ (23,528)	$ (6,466)

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22. COMMITMENTS AND CONTINGENCIES

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

Less than 1 year	$ 5,655
Year 2	4,326
Year 3	3,479
Year 4	2,861
Year 5	2,808
Thereafter	60,797
	$ 79,926

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

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

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

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

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23. SUPPLEMENTARY QUARTERLY FINANCIAL DATA (UNAUDITED)

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

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

24. SUBSEQUENT EVENTS

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

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

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

Extra Space Storage Inc.

Schedule III

Real Estate and Accumulated Depreciation

(Dollars in thousands)

Date acquired or development completed	Store Name	State	Debt	Land initial cost	Building and improvements initial cost	Adjustments and costs subsequent to acquisition	Notes	Gross carrying amount at December 31, 2015 Land	Building and improvements	Total	Accumulated depreciation
08/23/2010	Auburn / Dean Rd	AL	$ 4,605	$ 324	$ 1,895	$ 135		$ 325	$ 2,029	$ 2,354	$ 336
08/23/2010	Auburn / Opelika Rd	AL	1,787	92	138	177		92	315	407	101
07/02/2012	Birmingham / Grace Baker Rd	AL	4,506	790	9,369	148		790	9,517	10,307	850
03/20/2014	Birmingham / Lorna Rd	AL	7,382	2,381	11,224	105		2,381	11,329	13,710	523
10/01/2015	Daphne	AL		970	4,182	28		970	4,210	5,180	27
08/31/2007	Hoover	AL	4,055	1,313	2,858	701		1,313	3,559	4,872	1,159
10/01/2015	Montgomery / Carmichael Rd	AL	4,852	540	9,048	2		540	9,050	9,590	58
10/01/2015	Montgomery / Monticello Dr	AL		1,280	4,056	31		1,280	4,087	5,367	26
10/01/2015	Chandler / W Chandler Blvd	AZ		950	3,707	16		950	3,723	4,673	24
07/25/2013	Chandler / W Elliot Rd	AZ	4,169	547	4,213	194		547	4,407	4,954	305
04/15/2015	Glendale	AZ		608	8,461	241		608	8,702	9,310	160
10/01/2015	Mesa / E Guadalupe Rd	AZ		1,350	6,290	105		1,350	6,395	7,745	41
12/27/2012	Mesa / E Southern Ave	AZ	5,435	2,973	5,545	343		2,973	5,888	8,861	482
08/18/2004	Mesa / Madero Ave	AZ	3,153	849	2,547	222		849	2,769	3,618	874
07/02/2012	Mesa / N. Alma School Rd	AZ	3,073	1,129	4,402	99		1,129	4,501	5,630	408

07/25/2013	Mesa / Southern Ave	AZ	4,113	1,453	2,897	166		1,453	3,063	4,516	207
04/01/2006	Peoria / 75th Ave	AZ	4,459	652	4,105	162		652	4,267	4,919	1,099
01/31/2011	Peoria / W Beardsley Rd	AZ		1,060	4,731	34		1,060	4,765	5,825	615
01/02/2007	Phoenix / E Greenway Pkwy	AZ		669	4,135	485		668	4,621	5,289	1,135
07/01/2005	Phoenix / East Bell Rd	AZ		1,441	7,982	699		1,441	8,681	10,122	2,590
10/01/2015	Phoenix / Missouri Ave	AZ		470	1,702	9		470	1,711	2,181	11
11/30/2012	Phoenix / N 32nd St	AZ	6,897	2,257	7,820	198		2,257	8,018	10,275	656
06/30/2006	Phoenix / N Cave Creek Rd	AZ	3,265	552	3,530	273		551	3,804	4,355	1,035
10/01/2015	Phoenix / Washington	AZ	2,995	1,200	3,767	58		1,200	3,825	5,025	24
10/01/2015	Tempe / S Priest Dr	AZ		850	3,283	21		850	3,304	4,154	21
10/01/2015	Tempe / W Broadway Rd	AZ	2,566	1,040	3,562	94		1,040	3,656	4,696	24
11/30/2012	Tucson	AZ		1,090	7,845	115		1,090	7,960	9,050	648
06/25/2007	Alameda	CA		2,919	12,984	2,123		2,919	15,107	18,026	4,103
08/29/2013	Alhambra	CA		10,109	6,065	351		10,109	6,416	16,525	400
04/25/2014	Anaheim / Old Canal Rd	CA	10,216	2,765	12,680	158		2,765	12,838	15,603	572
08/29/2013	Anaheim / S Adams St	CA	7,156	3,593	3,330	224		3,593	3,554	7,147	238
08/29/2013	Anaheim / S State College Blvd	CA	6,538	2,519	2,886	215		2,519	3,101	5,620	209
07/01/2008	Antelope	CA	4,000	1,525	8,345	(267)	(a)	1,185	8,418	9,603	1,589
10/19/2011	Bellflower	CA	1,230	640	1,350	98		639	1,449	2,088	167
05/15/2007	Belmont	CA		3,500	7,280	81		3,500	7,361	10,861	1,602
06/25/2007	Berkeley	CA	20,811	1,716	19,602	1,998		1,715	21,601	23,316	5,142
10/19/2011	Bloomington / Bloomington Ave	CA	2,765	934	1,937	171		934	2,108	3,042	304
10/19/2011	Bloomington / Linden Ave	CA		647	1,303	186		647	1,489	2,136	205
08/29/2013	Burbank / Thornton Ave	CA		4,061	5,318	289		4,061	5,607	9,668	360
08/10/2000	Burbank / W Verdugo Ave	CA	13,003	3,199	5,082	2,027		3,619	6,689	10,308	2,676

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Extra Space Storage Inc.

Schedule III

Real Estate and Accumulated Depreciation (Continued)

(Dollars in thousands)

Date acquired or development completed	Store Name	State	Debt	Land initial cost	Building and improvements initial cost	Adjustments and costs subsequent to acquisition	Notes	Gross carrying amount at December 31, 2015 Land	Building and improvements	Total	Accumulated depreciation
04/08/2011	Burlingame	CA	5,213	2,211	5,829	142		2,211	5,971	8,182	753
03/14/2011	Carson	CA			9,709	102			9,811	9,811	1,215
06/25/2007	Castro Valley	CA			6,346	455			6,801	6,801	1,504
10/19/2011	Cerritos	CA	16,707	8,728	15,895	2,685		8,728	18,580	27,308	1,951
11/01/2013	Chatsworth	CA		9,922	7,599	408		9,922	8,007	17,929	1,317
06/01/2004	Claremont / South Mills Ave	CA	2,949	1,472	2,012	273		1,472	2,285	3,757	762
10/19/2011	Claremont / W Arrow Hwy	CA	3,415	1,375	1,434	212		1,375	1,646	3,021	206
06/25/2007	Colma	CA	23,788	3,947	22,002	2,340		3,947	24,342	28,289	6,005
09/01/2008	Compton	CA	4,572	1,426	7,582	57		1,426	7,639	9,065	1,442
08/29/2013	Concord	CA	5,226	3,082	2,822	249		3,082	3,071	6,153	194
09/21/2009	El Cajon	CA		1,100	6,380	108		1,100	6,488	7,588	1,050
06/25/2007	El Sobrante	CA		1,209	4,018	1,562		1,209	5,580	6,789	1,565
12/02/2013	Elk Grove / Power Inn Rd	CA	5,657	894	6,949	83		894	7,032	7,926	371
12/02/2013	Elk Grove / Stockton Blvd	CA	6,675	640	8,640	57		640	8,697	9,337	458
05/01/2010	Emeryville	CA		3,024	11,321	171		3,024	11,492	14,516	1,669
12/02/2013	Fair Oaks	CA	4,209	644	11,287	63		644	11,350	11,994	592
10/19/2011	Fontana / Baseline Ave	CA	4,774	778	4,723	134		777	4,858	5,635	569
10/19/2011	Fontana / Foothill Blvd 1	CA		768	4,208	226		768	4,434	5,202	513
10/19/2011	Fontana / Foothill	CA		684	3,951	241		684	4,192	4,876	486

	Blvd 2									
09/15/2002	Fontana / Valley Blvd 1	CA	3,095	961	3,846	456	1,000	4,263	5,263	1,514
10/15/2003	Fontana / Valley Blvd 2	CA	5,524	1,246	3,356	515	1,300	3,817	5,117	1,240
06/01/2004	Gardena	CA		3,710	6,271	2,263	4,110	8,134	12,244	2,363
10/01/2015	Gilroy	CA	8,207	1,140	14,265	126	1,140	14,391	15,531	92
06/01/2004	Glendale	CA			6,084	253		6,337	6,337	1,984
07/02/2012	Hawaiian Gardens	CA	9,178	2,964	12,478	209	2,964	12,687	15,651	1,196
10/01/2015	Hawthorne / La Cienega Blvd	CA	11,981	2,500	18,562	75	2,500	18,637	21,137	120
06/01/2004	Hawthorne / Rosselle Ave	CA	3,743	1,532	3,871	267	1,532	4,138	5,670	1,339
06/26/2007	Hayward	CA	8,329	3,149	8,006	3,148	3,148	11,155	14,303	3,020
07/01/2005	Hemet	CA	3,085	1,146	6,369	350	1,146	6,719	7,865	1,937
10/19/2011	Hesperia	CA		156	430	174	156	604	760	110
07/02/2012	Hollywood	CA	9,793	4,555	10,590	112	4,555	10,702	15,257	962
08/10/2000	Inglewood	CA	5,638	1,379	3,343	974	1,530	4,166	5,696	1,805
10/19/2011	Irvine	CA	4,919	3,821	3,999	142	3,821	4,141	7,962	472
05/28/2014	La Quinta	CA	13,025	4,706	12,604	145	4,706	12,749	17,455	545
10/01/2015	Ladera Ranch	CA		6,440	24,500	15	6,440	24,515	30,955	157
10/19/2011	Lake Elsinore / Central Ave	CA	3,134	587	4,219	229	587	4,448	5,035	513
10/19/2011	Lake Elsinore / Collier Ave	CA		294	2,105	104	294	2,209	2,503	261
10/01/2015	Lake Forest	CA	17,974	15,093	18,895	37	15,093	18,932	34,025	121
10/17/2009	Lancaster / 23rd St W	CA		1,425	5,855	102	1,425	5,957	7,382	944
07/28/2006	Lancaster / West Ave J-8	CA	5,543	1,347	5,827	303	1,348	6,129	7,477	1,605

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Real Estate and Accumulated Depreciation (Continued)

(Dollars in thousands)

Date acquired or development completed	Store Name	State	Debt	Land initial cost	Building and improvements initial cost	Adjustments and costs subsequent to acquisition	Notes	Gross carrying amount at December 31, 2015 Land	Building and improvements	Total	Accumulated depreciation
06/01/2004	Livermore	CA		1,134	4,615	276		1,134	4,891	6,025	1,531
10/19/2011	Long Beach / E Artesia Blvd	CA	2,659	1,772	2,539	300		1,772	2,839	4,611	332
10/01/2015	Long Beach / E Wardlow Rd	CA	13,179	6,340	17,050	23		6,340	17,073	23,413	109
11/01/2013	Long Beach / W Wardlow Rd	CA		5,859	4,992	45		5,859	5,037	10,896	913
03/23/2000	Los Angeles / Casitas Ave	CA	8,661	1,431	2,976	766		1,611	3,562	5,173	1,464
07/02/2012	Los Angeles / Fountain Ave	CA	4,994	3,099	4,889	104		3,099	4,993	8,092	458
12/31/2007	Los Angeles / La Cienega	CA	9,887	3,991	9,774	116		3,992	9,889	13,881	2,049
09/01/2008	Los Angeles / S Central Ave	CA	8,162	2,200	8,108	72		2,200	8,180	10,380	1,548
12/02/2013	Los Angeles / S Western Ave	CA	1,434	287	2,011	367		287	2,378	2,665	151
04/25/2014	Los Angeles /	CA	7,380	2,400	8,605	305		2,401	8,909	11,310	401

	Slauson Ave									
07/17/2012	Los Gatos	CA		2,550	8,257	66	2,550	8,323	10,873	835
01/01/2004	Manteca	CA	3,574	848	2,543	196	848	2,739	3,587	882
11/01/2013	Marina Del Rey	CA		19,928	18,742	246	19,928	18,988	38,916	2,615
08/29/2013	Menlo Park	CA	9,562	7,675	1,812	256	7,675	2,068	9,743	136
06/01/2007	Modesto / Crows Landing	CA	3,294	909	3,043	296	909	3,339	4,248	843
08/29/2013	Modesto / Sylvan Ave	CA	4,258	1,647	4,215	201	1,647	4,416	6,063	272
07/02/2012	Moreno Valley	CA	2,048	482	3,484	47	482	3,531	4,013	322
10/01/2015	Morgan Hill	CA	7,278	1,760	11,772	59	1,760	11,831	13,591	75
11/01/2013	North Highlands	CA		799	2,801	97	799	2,898	3,697	469
08/29/2013	North Hollywood / Coldwater Canyon	CA		4,501	4,465	373	4,501	4,838	9,339	312
05/01/2006	North Hollywood / Van Owen	CA	6,659	3,125	9,257	244	3,125	9,501	12,626	2,361
08/29/2013	Northridge	CA	6,614	3,641	2,872	293	3,641	3,165	6,806	216
08/29/2013	Oakland / 29th Ave	CA	10,149	6,359	5,753	273	6,359	6,026	12,385	382
04/24/2000	Oakland / Fallon St	CA	4,104		3,777	1,138		4,915	4,915	2,053
12/02/2013	Oakland / San Leandro St	CA	7,719	1,668	7,652	286	1,668	7,938	9,606	427
07/01/2005	Oceanside / Oceanside Blvd 1	CA		3,241	11,361	890	3,241	12,251	15,492	3,583
12/09/2014	Oceanside / Oceanside Blvd 2	CA	6,050	4,508	4,599	49	4,508	4,648	9,156	124
11/30/2012	Orange	CA	12,124	4,847	12,341	312	4,847	12,653	17,500	1,048
12/02/2013	Oxnard	CA	8,571	5,421	6,761	331	5,421	7,092	12,513	380
08/01/2009	Pacoima	CA	2,166	3,050	7,597	101	3,050	7,698	10,748	1,262
01/01/2005	Palmdale	CA	4,602	1,225	5,379	2,233	1,225	7,612	8,837	2,151
10/19/2011	Paramount	CA	2,559	1,404	2,549	207	1,404	2,756	4,160	331
08/31/2000	Pico Rivera / Beverly Blvd	CA		1,150	3,450	234	1,150	3,684	4,834	1,373
03/04/2014	Pico Rivera / San Gabriel River Pkwy	CA	4,445	2,150	4,734	43	2,150	4,777	6,927	220

10/19/2011	Placentia	CA	6,647	4,798	5,483	288		4,798	5,771	10,569	658
05/24/2007	Pleasanton	CA	7,267	1,208	4,283	449		1,208	4,732	5,940	1,265
06/01/2004	Richmond / Lakeside Dr	CA	4,796	953	4,635	629		953	5,264	6,217	1,745
09/26/2013	Richmond / Meeker Ave	CA		3,139	7,437	225		3,139	7,662	10,801	469
08/18/2004	Riverside	CA	4,801	1,075	4,042	554		1,075	4,596	5,671	1,502
12/02/2013	Rocklin	CA	6,394	1,745	8,005	58		1,745	8,063	9,808	425

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(Dollars in thousands)

Date acquired or development completed	Store Name	State	Debt	Land initial cost	Building and improvements initial cost	Adjustments and costs subsequent to acquisition	Notes	Gross carrying amount at December 31, 2015 Land	Building and improvements	Total	Accumulated depreciation
11/04/2013	Rohnert Park	CA	6,389	990	8,094	163		990	8,257	9,247	449
07/01/2005	Sacramento / Auburn Blvd	CA		852	4,720	750		852	5,470	6,322	1,611
03/31/2015	Sacramento / B Street	CA	7,611	1,025	11,479	429		1,025	11,908	12,933	241
10/01/2010	Sacramento / Franklin Blvd	CA	2,988	1,738	5,522	118		1,844	5,534	7,378	767
12/31/2007	Sacramento / Stockton Blvd	CA	2,836	952	6,936	462		1,075	7,275	8,350	998
06/01/2006	San Bernardino / Sterling Ave.	CA		750	5,135	160		750	5,295	6,045	1,259
06/01/2004	San Bernardino / W Club Center Dr	CA		1,213	3,061	138		1,173	3,239	4,412	1,026
08/29/2013	San Diego / Cedar St	CA	13,188	5,919	6,729	448		5,919	7,177	13,096	443
12/11/2015	San Diego / Del Sol Blvd	CA		2,679	7,029	5		2,679	7,034	9,713	
10/19/2011	San Dimas	CA	5,318	1,867	6,354	266		1,867	6,620	8,487	752
08/29/2013	San Francisco / Egbert Ave	CA	10,636	5,098	4,054	261		5,098	4,315	9,413	275
06/14/2007	San Francisco / Folsom	CA	18,102	8,457	9,928	1,837		8,457	11,765	20,222	3,124

10/01/2015	San Francisco / Otis Street	CA		5,460	18,741	101		5,460	18,842	24,302	121
07/26/2012	San Jose / Charter Park Dr	CA	4,652	2,428	2,323	260		2,428	2,583	5,011	272
09/01/2009	San Jose / N 10th St	CA	10,784	5,340	6,821	287		5,340	7,108	12,448	1,142
08/01/2007	San Leandro / Doolittle Dr	CA	15,102	4,601	9,777	3,422		4,601	13,199	17,800	3,345
10/01/2010	San Leandro / Washington Ave	CA		3,343	6,630	(4)	(f)	3,291	6,678	9,969	913
10/01/2015	San Lorenzo	CA			8,784	108			8,892	8,892	57
08/29/2013	San Ramon	CA		4,819	5,819	272		4,819	6,091	10,910	375
08/29/2013	Santa Ana	CA	4,139	3,485	2,382	233		3,485	2,615	6,100	179
07/30/2009	Santa Clara	CA	7,914	4,750	8,218	34		4,750	8,252	13,002	1,343
07/02/2012	Santa Cruz	CA	8,357	1,588	11,160	123		1,588	11,283	12,871	1,010
10/04/2007	Santa Fe Springs	CA	6,334	3,617	7,022	368		3,617	7,390	11,007	1,712
10/19/2011	Santa Maria / Farnel Rd	CA	2,908	1,556	2,740	462		1,556	3,202	4,758	389
10/19/2011	Santa Maria / Skyway Dr	CA	3,141	1,310	3,526	109		1,309	3,636	4,945	412
08/31/2004	Sherman Oaks	CA	16,279	4,051	12,152	603		4,051	12,755	16,806	3,763
08/29/2013	Stanton	CA	6,895	5,022	2,267	220		5,022	2,487	7,509	179
05/19/2002	Stockton / Jamestown	CA	2,364	649	3,272	243		649	3,515	4,164	1,273
12/02/2013	Stockton / Pacific Ave	CA		3,619	2,443	82		3,619	2,525	6,144	139
04/25/2014	Sunland	CA	4,968	1,688	6,381	71		1,688	6,452	8,140	289
08/29/2013	Sunnyvale	CA		10,732	5,004	243		10,732	5,247	15,979	327
05/02/2008	Sylmar	CA	6,278	3,058	4,671	277		3,058	4,948	8,006	1,112
02/28/2013	Thousand Oaks	CA	10,883	4,500	8,834	(964)	(d)	3,500	8,870	12,370	123
07/15/2003	Tracy / E 11th St 1	CA	5,260	778	2,638	789		911	3,294	4,205	1,093
04/01/2004	Tracy / E 11th St 2	CA	3,035	946	1,937	303		946	2,240	3,186	815
06/25/2007	Vallejo / Sonoma Blvd	CA	2,847	1,177	2,157	1,077		1,177	3,234	4,411	1,065
10/01/2015	Vallejo / Tennessee St	CA	8,596	2,640	13,870	123		2,640	13,993	16,633	89
08/29/2013	Van Nuys	CA		7,939	2,576	343		7,939	2,919	10,858	206
08/31/2004	Venice	CA		2,803	8,410	(3,057)	(b)	2,803	5,353	8,156	1,443
08/29/2013	Ventura	CA		3,453	2,837	223		3,453	3,060	6,513	209

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Real Estate and Accumulated Depreciation (Continued)

(Dollars in thousands)

Date acquired or development completed	Store Name	State	Debt	Land initial cost	Building and improvements initial cost	Adjustments and costs subsequent to acquisition	Notes	Gross carrying amount at December 31, 2015 Land	Building and improvements	Total	Accumulated depreciation
10/19/2011	Victorville	CA		151	751	161		151	912	1,063	131
07/01/2005	Watsonville	CA		1,699	3,056	299		1,699	3,355	5,054	998
09/01/2009	West Sacramento	CA		2,400	7,425	111		2,400	7,536	9,936	1,232
06/19/2002	Whittier	CA	3,257		2,985	205			3,190	3,190	1,140
08/29/2013	Wilmington	CA		6,792	10,726	25		6,792	10,751	17,543	636
09/15/2000	Arvada	CO	1,753	286	1,521	703		286	2,224	2,510	1,097
05/25/2011	Castle Rock / Industrial Way 1	CO	1,027	407	3,077	260		407	3,337	3,744	429
07/23/2015	Castle Rock / Industrial Way 2	CO		531				531		531	
06/10/2011	Colorado Springs / Austin Bluffs Pkwy	CO	1,667	296	4,199	270		296	4,469	4,765	592
08/31/2007	Colorado Springs / Dublin Blvd	CO	3,698	781	3,400	281		781	3,681	4,462	901
11/25/2008	Colorado Springs / S 8th St	CO	3,875	1,525	4,310	418		1,525	4,728	6,253	957
10/24/2014	Colorado Springs / Stetson Hills Blvd	CO	3,979	2,077	4,087	264		2,077	4,351	6,428	144
09/15/2000	Denver / E 40th Ave	CO	2,482	602	2,052	1,527		745	3,436	4,181	1,396
07/01/2005	Denver / W 96th Ave	CO	3,537	368	1,574	287		368	1,861	2,229	616
07/18/2012	Fort Carson	CO			6,945	112			7,057	7,057	641
09/01/2006	Parker	CO	4,531	800	4,549	816		800	5,365	6,165	1,512

09/15/2000	Thornton	CO	2,718	212	2,044	1,151		248	3,159	3,407	1,414
09/15/2000	Westminster	CO	2,051	291	1,586	1,201		299	2,779	3,078	1,361
03/17/2014	Bridgeport	CT		1,072	14,028	132		1,072	14,160	15,232	654
07/02/2012	Brookfield	CT	5,010	991	7,891	126		991	8,017	9,008	740
01/15/2004	Groton	CT	5,112	1,277	3,992	444		1,276	4,437	5,713	1,550
12/31/2007	Middletown	CT	2,722	932	2,810	194		932	3,004	3,936	665
11/04/2013	Newington	CT	2,328	1,363	2,978	609		1,363	3,587	4,950	208
08/16/2002	Wethersfield	CT	6,667	709	4,205	228		709	4,433	5,142	1,576
11/19/2015	Apopka / Park Ave	FL		613	5,228			613	5,228	5,841	
11/19/2015	Apopka / Semoran Blvd	FL		888	5,737	6		888	5,743	6,631	
05/02/2012	Auburndale	FL	1,244	470	1,076	152		470	1,228	1,698	139
07/15/2009	Bonita Springs	FL		2,198	8,215	127		2,198	8,342	10,540	1,351
12/23/2014	Bradenton	FL		1,333	3,677	565		1,333	4,242	5,575	114
11/30/2012	Brandon	FL	4,537	1,327	5,656	174		1,327	5,830	7,157	489
06/19/2008	Coral Springs	FL	6,109	3,638	6,590	278		3,638	6,868	10,506	1,468
10/01/2015	Davie	FL	7,907	4,890	11,679	91		4,890	11,770	16,660	76
01/06/2006	Deland	FL	2,736	1,318	3,971	348		1,318	4,319	5,637	1,172
11/30/2012	Fort Lauderdale / Commercial Blvd	FL	5,015	1,576	5,397	329		1,576	5,726	7,302	483
08/26/2004	Fort Lauderdale / NW 31st Ave	FL	7,348	1,587	4,205	385		1,587	4,590	6,177	1,465
05/04/2011	Fort Lauderdale / S State Rd 7	FL	6,963	2,750	7,002	561		2,750	7,563	10,313	955
08/26/2004	Fort Myers / Cypress Lake Dr	FL	6,023	1,691	4,711	359		1,691	5,070	6,761	1,579
07/01/2005	Fort Myers / San Carlos Blvd	FL		1,985	4,983	615		1,985	5,598	7,583	1,675
03/08/2005	Greenacres	FL	2,535	1,463	3,244	153		1,463	3,397	4,860	1,019
10/01/2015	Gulf Breeze / Gulf Breeze Pkwy	FL	2,900	620	2,886	14		620	2,900	3,520	18

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(Dollars in thousands)

Date acquired or development completed	Store Name	State	Debt	Land initial cost	Building and improvements initial cost	Adjustments and costs subsequent to acquisition	Notes	Gross carrying amount at December 31, 2015 Land	Building and improvements	Total	Accumulated depreciation
10/01/2015	Gulf Breeze / McClure Dr	FL	6,170	660	12,590	14		660	12,604	13,264	81
01/01/2010	Hialeah / E 65th Street	FL	5,838	1,750	7,150	111		1,750	7,261	9,011	1,129
08/01/2008	Hialeah / Okeechobee Rd	FL		2,800	7,588	126		2,800	7,714	10,514	1,489
09/01/2010	Hialeah / W 84th St	FL	5,838	1,678	6,807	81		1,678	6,888	8,566	945
11/20/2007	Hollywood	FL	6,616	3,214	8,689	366		3,214	9,055	12,269	2,017
10/01/2015	Jacksonville / Monument Rd	FL	5,571	490	10,708	77		490	10,785	11,275	70
10/01/2015	Jacksonville / Timuquana Rd	FL	4,600	1,000	3,744	140		1,000	3,884	4,884	26
12/28/2012	Kenneth City	FL	2,245	805	3,345	58		805	3,403	4,208	274
05/02/2012	Lakeland / Harden Blvd	FL	3,767	593	4,701	209		593	4,910	5,503	518
05/02/2012	Lakeland / South Florida Ave	FL	5,412	871	6,905	248		871	7,153	8,024	704
09/03/2014	Lakeland / US Hwy 98	FL		529	3,604	104		529	3,708	4,237	132
12/27/2012	Land O Lakes	FL	6,333	798	4,490	2		799	4,491	5,290	377
08/26/2004	Madeira Beach	FL	3,473	1,686	5,163	298		1,686	5,461	7,147	1,669
08/10/2000	Margate	FL	3,234	430	3,139	1,495		469	4,595	5,064	1,579
07/02/2012	Miami / Coral Way	FL	7,892	3,257	9,713	179		3,257	9,892	13,149	907

10/25/2011	Miami / Hammocks Blvd	FL	6,324	521	5,198	133		521	5,331	5,852	631
08/10/2000	Miami / NW 12th St	FL	7,629	1,325	4,395	2,103		1,419	6,404	7,823	2,194
07/02/2012	Miami / NW 2nd Ave	FL	5,559	1,979	6,513	191		1,979	6,704	8,683	630
02/04/2011	Miami / SW 147th Ave	FL		2,375	5,543	111		2,374	5,655	8,029	666
05/31/2007	Miami / SW 186th St	FL	4,312	1,238	7,597	368		1,238	7,965	9,203	1,897
11/08/2013	Miami / SW 68th Ave	FL	9,887	3,305	11,997	53		3,305	12,050	15,355	659
08/10/2000	Miami / SW 72nd Street	FL	7,730	5,315	4,305	2,113		5,859	5,874	11,733	2,086
11/30/2009	Miami Gardens	FL	6,660	4,798	9,475	136		4,798	9,611	14,409	1,515
06/18/2015	Naples / Goodlette Road	FL			17,220	70			17,290	17,290	221
11/01/2013	Naples / Old US 41	FL		1,990	4,887	419		1,990	5,306	7,296	652
11/08/2013	Naranja	FL	8,429	603	11,223	104		603	11,327	11,930	620
08/10/2000	North Lauderdale	FL	4,016	428	3,516	1,015		459	4,500	4,959	2,010
06/01/2004	North Miami	FL	8,429	1,256	6,535	634		1,256	7,169	8,425	2,345
10/01/2015	Oakland Park	FL	9,764	2,030	19,241	126		2,030	19,367	21,397	125
03/08/2005	Ocoee	FL	2,982	872	3,642	328		872	3,970	4,842	1,205
11/19/2015	Orlando / Hoffner Ave	FL		512	6,697			512	6,697	7,209	
03/08/2005	Orlando / Hunters Creek	FL	9,760	2,233	9,223	515		2,233	9,738	11,971	2,888
08/26/2004	Orlando / LB McLeod Rd	FL	8,454	1,216	5,008	482		1,216	5,490	6,706	1,724
06/17/2015	Orlando / Lee Rd	FL		535	5,364	2		535	5,366	5,901	64
03/08/2005	Orlando / Metrowest	FL	5,566	1,474	6,101	304		1,474	6,405	7,879	1,897
07/15/2010	Orlando / Orange Blossom Trail	FL		625	2,133	88		625	2,221	2,846	351
03/08/2005	Orlando / Waterford Lakes	FL	3,603	1,166	4,816	1,301		1,166	6,117	7,283	1,733
11/07/2013	Palm Springs	FL		2,108	8,028	159		2,108	8,187	10,295	468
05/31/2013	Plantation	FL		3,850		(1,504)	(d)	2,346		2,346	

08/26/2004	Port Charlotte	FL	1,389	4,632	267	1,389	4,899	6,288	1,497

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Date acquired or development completed	Store Name	State	Debt	Land initial cost	Building and improvements initial cost	Adjustments and costs subsequent to acquisition	Notes	Gross carrying amount at December 31, 2015 Land	Building and improvements	Total	Accumulated depreciation
08/26/2004	Riverview	FL	4,595	654	2,953	311		654	3,264	3,918	1,030
11/30/2012	Sarasota / Clark Rd	FL	7,803	4,666	9,016	287		4,666	9,303	13,969	777
12/23/2014	Sarasota / Washington Blvd	FL		1,192	2,919	29		1,192	2,948	4,140	78
12/03/2012	Seminole	FL	2,324	1,133	3,017	188		1,133	3,205	4,338	271
12/23/2014	South Pasadena	FL	9,420	8,890	10,106	96		8,890	10,202	19,092	273
04/15/2014	Stuart / Gran Park Way	FL	6,895	1,640	8,358	143		1,640	8,501	10,141	391
10/01/2015	Stuart / Kanner Hwy	FL		1,250	5,007	76		1,250	5,083	6,333	33
10/01/2015	Stuart / NW Federal Hwy 1	FL		760	3,125	83		760	3,208	3,968	21
10/01/2015	Tallahassee	FL	9,225	1,460	21,471			1,460	21,471	22,931	138
11/01/2013	Tamiami	FL		5,042	7,164	329		5,042	7,493	12,535	1,014
11/22/2006	Tampa / Cypress St	FL	3,523	883	3,533	160		881	3,695	4,576	928
03/27/2007	Tampa / W Cleveland St	FL	3,551	1,425	4,766	316		1,425	5,082	6,507	1,307
12/23/2014	Tampa / W Hillsborough Ave	FL	2,374	1,086	2,937	385		1,086	3,322	4,408	87
08/26/2004	Valrico	FL	4,358	1,197	4,411	284		1,197	4,695	5,892	1,475
01/13/2006	Venice	FL	6,714	1,969	5,903	320		1,970	6,222	8,192	1,748
08/10/2000	West Palm Beach / Forest Hill Bl	FL		1,164	2,511	733		1,246	3,162	4,408	1,340
08/10/2000	West Palm Beach / N Military Trail 1	FL	4,415	1,312	2,511	953		1,416	3,360	4,776	1,436
11/01/2013		FL		1,595	2,833	105		1,595	2,938	4,533	429

	West Palm Beach / N Military Trail 2									
12/01/2011	West Palm Beach / S Military Trail	FL	3,340	1,729	4,058	102	1,730	4,159	5,889	463
07/01/2005	West Palm Beach / Southern Blvd	FL		1,752	4,909	450	1,752	5,359	7,111	1,696
10/01/2015	Weston	FL	7,009	1,680	11,342	89	1,680	11,431	13,111	74
08/26/2004	Alpharetta / Holcomb Bridge Rd	GA		1,973	1,587	295	1,973	1,882	3,855	623
10/01/2015	Alpharetta / Jones Bridge Rd	GA	5,781	1,420	8,902	28	1,420	8,930	10,350	57
08/08/2006	Alpharetta / North Main St	GA	5,075	1,893	3,161	191	1,894	3,351	5,245	884
08/06/2014	Atlanta / Chattahoochee Ave	GA		1,132	10,080	103	1,132	10,183	11,315	368
08/26/2004	Atlanta / Cheshire Bridge Rd NE	GA	11,791	3,737	8,333	726	3,738	9,058	12,796	2,763
10/22/2014	Atlanta / Edgewood Ave SE	GA	7,699	588	10,295	59	588	10,354	10,942	320
04/03/2014	Atlanta / Mt Vernon Hwy	GA		2,961	19,819	94	2,961	19,913	22,874	877
08/26/2004	Atlanta / Roswell Rd	GA		1,665	2,028	292	1,665	2,320	3,985	762
02/28/2005	Atlanta / Virginia Ave	GA	6,294	3,319	8,325	729	3,319	9,054	12,373	2,706
11/04/2013	Augusta	GA	2,025	710	2,299	85	710	2,384	3,094	133
10/01/2015	Austell	GA	3,325	540	6,550	32	540	6,582	7,122	42
10/01/2015	Buford	GA		500	5,484	23	500	5,507	6,007	35
05/07/2015	Dacula / Auburn Rd	GA	4,468	2,087	4,295	136	2,087	4,431	6,518	56
01/17/2006	Dacula / Braselton Hwy	GA	3,670	1,993	3,001	180	1,993	3,181	5,174	863
06/17/2010	Douglasville	GA		1,209	719	398	1,209	1,117	2,326	241
10/01/2015	Duluth / Berkeley Lake Rd	GA	4,014	1,350	5,718	31	1,350	5,749	7,099	37
10/01/2015	Duluth / Breckinridge Blvd	GA	3,834	1,160	6,336	63	1,160	6,399	7,559	41
10/01/2015	Duluth / Peachtree Industrial Blvd	GA	4,163	440	7,516	26	440	7,542	7,982	48
11/30/2012	Eastpoint	GA	5,497	1,718	6,388	171	1,718	6,559	8,277	540

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Extra Space Storage Inc.

Schedule III

Real Estate and Accumulated Depreciation (Continued)

(Dollars in thousands)

Date acquired or development completed	Store Name	State	Debt	Land initial cost	Building and improvements initial cost	Adjustments and costs subsequent to acquisition	Notes	Gross carrying amount at December 31, 2015 Land	Building and improvements	Total	Accumulated depreciation
10/01/2015	Ellenwood	GA	2,666	260	3,992	26		260	4,018	4,278	26
06/14/2007	Johns Creek	GA	3,373	1,454	4,151	177		1,454	4,328	5,782	1,000
10/01/2015	Jonesboro	GA		540	6,174	14		540	6,188	6,728	40
06/17/2010	Kennesaw / Cobb Parkway NW	GA		673	1,151	195		673	1,346	2,019	237
10/01/2015	Kennesaw / George Busbee Pkwy	GA	4,702	500	9,126			500	9,126	9,626	59
11/04/2013	Lawrenceville / Hurricane Shoals Rd	GA	3,335	2,117	2,784	291		2,117	3,075	5,192	191
10/01/2015	Lawrenceville / Lawrenceville Hwy 1	GA		730	3,058	27		730	3,085	3,815	20
10/01/2015	Lawrenceville / Lawrenceville Hwy 2	GA	3,025	1,510	4,674	31		1,510	4,705	6,215	30
10/01/2015	Lawrenceville / Old Norcross Rd	GA		870	3,705			870	3,705	4,575	24
11/12/2009	Lithonia	GA		1,958	3,645	137		1,958	3,782	5,740	625
10/01/2015	Marietta / Austell Rd SW	GA		1,070	3,560	11		1,070	3,571	4,641	23
06/17/2010	Marietta / Cobb Parkway N	GA		887	2,617	332		887	2,949	3,836	488
10/01/2015	Marietta / Powers Ferry Rd	GA	5,421	430	9,242	24		430	9,266	9,696	59
10/01/2015		GA	4,343	500	6,395	21		500	6,416	6,916	41

	Marietta / West Oak Pkwy									
10/01/2015	Peachtree City	GA		1,080	8,628	12	1,080	8,640	9,720	55
04/24/2015	Powder Springs	GA	4,595	370	6,014	61	370	6,075	6,445	78
10/01/2015	Sandy Springs	GA	6,919	1,740	11,439	23	1,740	11,462	13,202	73
10/01/2015	Savannah / King George Blvd 1	GA	2,935	390	4,889	17	390	4,906	5,296	31
10/01/2015	Savannah / King George Blvd 2	GA		390	3,370	18	390	3,388	3,778	22
10/01/2015	Sharpsburg	GA	4,852	360	8,455	21	360	8,476	8,836	54
10/01/2015	Smyrna	GA	4,553	1,360	7,002	35	1,360	7,037	8,397	45
08/26/2004	Snellville	GA		2,691	4,026	330	2,691	4,356	7,047	1,384
08/26/2004	Stone Mountain / Annistown Rd	GA	2,784	1,817	4,382	328	1,817	4,710	6,527	1,464
07/01/2005	Stone Mountain / S Hairston Rd	GA	2,518	925	3,505	407	925	3,912	4,837	1,157
06/14/2007	Sugar Hill / Nelson Brogdon Blvd 1	GA		1,371	2,547	223	1,371	2,770	4,141	684
06/14/2007	Sugar Hill / Nelson Brogdon Blvd 2	GA		1,368	2,540	270				