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

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2024

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 300
Salt Lake City, Utah 84121
(Address of principal executive offices)

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

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

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

Indicate by check mark whether the registrant (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 every Interactive Data File required to be submitted 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 such files). Yes x No ☐

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

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

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

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 number of shares outstanding of the registrant’s common stock, par value $0.01 per share, as of April 30, 2024, was 211,725,246.

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EXTRA SPACE STORAGE INC.

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STATEMENT ON 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 II. Item 1A. Risk Factors” below and in “Part I. Item 1A. Risk Factors” included in our most recent Annual Report on Form 10-K. Such factors include, but are not limited to:

- adverse changes in general economic conditions, the real estate industry and the markets in which we operate;
- failure to realize the expected benefits of the recent acquisition of Life Storage, Inc. (“Life Storage”);
- the risk that Life Storage’s business will not be fully integrated successfully or that such integration may be more difficult, time-consuming or costly than expected;
- the uncertainty of expected future financial performance and results of the combined company following completion of the Life Storage merger;
- failure to close pending acquisitions and developments on expected terms, or at all;
- the effect of competition from new and existing stores or other storage alternatives, including increased or unanticipated competition for our properties, which could cause rents and occupancy rates to decline;
- 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;
- our ability to recover losses under our insurance policies;

- 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;
- our reliance on information technologies, which are vulnerable to, among other things, attack from computer viruses and malware, hacking, cyberattacks and other unauthorized access or misuse, any of which could adversely affect our business and results;
- changes in global financial markets and increased interest rates;
- availability of financing and capital, the levels of debt that we maintain and our credit ratings;
- risks associated with acquisitions, dispositions and development of properties, including increased development costs due to additional regulatory requirements related to climate change and other factors;
- reductions in asset valuations and related impairment charges;
- our lack of sole decision-making authority with respect to our joint venture investments;
- the effect of recent or future changes to U.S. tax laws;
- the failure to maintain our REIT status for U.S. federal income tax purposes;
- impacts from any outbreak of highly infectious or contagious diseases, including reduced demand for self-storage space and ancillary products and services such as tenant reinsurance, and potential decreases in occupancy and rental rates and staffing levels, which could adversely affect our results; and
- economic uncertainty due to the impact of natural disasters, war or terrorism, which could adversely affect our business plan.

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 report to reflect new information, future events or otherwise.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	March 31, 2024	December 31, 2023
	(unaudited)	
Assets:		
Real estate assets, net	$ 24,494,676	$ 24,555,873
Real estate assets - operating lease right-of-use assets	222,940	227,241
Investments in unconsolidated real estate entities	1,066,032	1,071,617
Investments in debt securities and notes receivable	1,058,506	904,769
Cash and cash equivalents	50,816	99,062
Other assets, net	587,150	597,700
Total assets	$ 27,480,120	$ 27,456,262
Liabilities, Noncontrolling Interests and Equity:		
Secured notes payable, net	$ 1,269,752	$ 1,273,549
Unsecured term loans, net	2,251,714	2,650,581
Unsecured senior notes, net	7,016,085	6,410,618
Revolving lines of credit	620,000	682,000
Operating lease liabilities	232,682	236,515
Cash distributions in unconsolidated real estate ventures	71,988	71,069
Accounts payable and accrued expenses	338,027	334,518
Other liabilities	390,894	383,463
Total liabilities	12,191,142	12,042,313
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, 211,658,812 and 211,278,803 shares issued and outstanding at March 31, 2024 and December 31, 2023, respectively	2,117	2,113
Additional paid-in capital	14,776,888	14,750,388
Accumulated other comprehensive income	28,191	17,435
Accumulated deficit	(510,150)	(379,015)
Total Extra Space Storage Inc. stockholders' equity	14,297,046	14,390,921
Noncontrolling interest represented by Preferred Operating Partnership units, net	218,824	222,360
Noncontrolling interests in Operating Partnership, net and other noncontrolling interests	773,108	800,668
Total noncontrolling interests and equity	15,288,978	15,413,949
Total liabilities, noncontrolling interests and equity	$ 27,480,120	$ 27,456,262

See accompanying notes to unaudited condensed consolidated financial statements.

Extra Space Storage Inc.
Condensed Consolidated Statements of Operations
(amounts in thousands, except share data)
(unaudited)

	For the Three Months Ended March 31,	
	2024	**2023**
Revenues:		
Property rental	$ 688,044	$ 433,962
Tenant reinsurance	81,347	47,704
Management fees and other income	30,148	21,384
Total revenues	799,539	503,050
Expenses:		
Property operations	204,518	117,166
Tenant reinsurance	18,505	9,089
General and administrative	43,722	34,763
Depreciation and amortization	196,966	78,490
Total expenses	463,711	239,508
Income from operations	335,828	263,542
Interest expense	(132,887)	(80,099)
Non-cash interest expense related to amortization of discount on Life Storage unsecured senior notes	(10,705)	—
Interest income	23,573	19,438
Income before equity in earnings and dividend income from unconsolidated real estate entities and income tax expense	215,809	202,881
Equity in earnings and dividend income from unconsolidated real estate entities	15,007	10,305
Income tax expense	(6,742)	(4,308)
Net income	224,074	208,878
Net income allocated to Preferred Operating Partnership noncontrolling interests	(2,208)	(2,254)
Net income allocated to Operating Partnership and other noncontrolling interests	(8,754)	(10,320)
Net income attributable to common stockholders	$ 213,112	$ 196,304
Earnings per common share		
Basic	$ 1.01	$ 1.46
Diluted	$ 1.01	$ 1.46
Weighted average number of shares		
Basic	211,283,335	134,511,273
Diluted	220,018,777	142,940,384
Cash dividends paid per common share	$ 1.62	$ 1.62

See accompanying notes to unaudited condensed consolidated financial statements.

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

	For the Three Months Ended March 31,	
	2024	**2023**
Net income	$ 224,074	$ 208,878
Other comprehensive income:		
Change in fair value of interest rate swaps	11,202	(14,510)
Total comprehensive income	235,276	194,368
Less: comprehensive income attributable to noncontrolling interests	11,408	11,781
Comprehensive income attributable to common stockholders	$ 223,868	$ 182,587

See accompanying notes to unaudited condensed consolidated financial statements.

Extra Space Storage Inc.
Condensed Consolidated Statement of Noncontrolling Interests and Equity
(amounts in thousands, except share data)
(unaudited)

	Noncontrolling Interest			Extra Space Storage Inc. Stockholders' Equity				
	Preferred Operating Partnership	Operating Partnership	Other	Shares	Par Value	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Accun De
Balances at December 31, 2022	**$ 261,502**	**$ 556,095**	**$1,080**	**133,921,020**	**$1,339**	**$ 3,345,332**	**$ 48,798**	**$ (13**
Issuance of common stock in connection with share based compensation	—	—	—	89,564	1	5,498	—	
Taxes paid upon net settlement of share based compensation	—			(7,087)	—	(7,449)	—	
Restricted stock grants cancelled	—	—	—	(2,222)	—	—	—	
Redemption of Preferred A Units in the Operating Partnership for stock and cash	(16,339)	—	—	851,698	8	11,015	—	
Redemption of Preferred D Units in the Operating Partnership for stock	(22,064)	—	—	154,307	2	22,062	—	
Noncontrolling interest in consolidated joint venture	—	—	1,391	—	—	—	—	
Net income (loss)	2,254	10,378	(58)	—	—	—	—	19
Other comprehensive income	—	(793)	—	—	—	—	(13,717)	
Distributions to Operating Partnership units held by noncontrolling interests	(2,413)	(11,665)	—	—	—	—	—	
Dividends paid on common stock at $1.62 per share	—	—	—	—	—	—	—	(21

See accompanying notes to unaudited condensed consolidated financial statements.

Extra Space Storage Inc.

Condensed Consolidated Statements of Cash Flows

(amounts in thousands)

(unaudited)

	For the Three Months Ended March 31,	
	2024	2023
Cash flows from operating activities:		
Net income	$ 224,074	$ 208,878
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	196,966	78,490
Amortization of deferred financing costs	4,008	2,604
Non-cash interest expense related to amortization of discount on Life Storage unsecured senior notes	10,705	—
Compensation expense related to share-based awards	5,912	5,499
Accrual of interest income added to principal of debt securities and notes receivable	(7,555)	(8,574)
Distributions from unconsolidated real estate ventures	8,300	3,789
Changes in operating assets and liabilities:		
Other assets	19,663	(2,188)
Accounts payable and accrued expenses	1,112	4,724
Other liabilities	2,371	(11,573)
Net cash provided by operating activities	465,556	281,649
Cash flows from investing activities:		
Acquisition of real estate assets and improvements	(91,050)	(47,296)
Development and redevelopment of real estate assets	(35,825)	(16,762)
Investment in unconsolidated real estate entities	(2,412)	(21,062)
Issuance and purchase of notes receivable	(158,005)	(58,378)
Principal payments received from notes receivable	11,823	21,828
Proceeds from sale of notes receivable	—	39,261
Purchase of equipment and fixtures	(6,602)	(3,930)
Net cash used in investing activities	(282,071)	(86,339)
Cash flows from financing activities:		
Proceeds from unsecured term loans and senior notes and revolving lines of credit	1,679,470	1,381,592
Principal payments on unsecured term loans and senior notes and revolving lines of credit	(2,147,191)	(1,879,049)
Proceeds from issuance of public bonds, net	600,000	500,000
Deferred financing costs	(5,614)	(6,080)
Proceeds from share issuances and redemption of stock options for cash, net	592	—
Redemption of Preferred OP units for cash	—	(5,000)
Dividends paid on common stock	(344,208)	(219,988)
Distributions to noncontrolling interests	(16,231)	(14,078)
Net cash used in financing activities	(233,182)	(242,603)
Net decrease in cash, cash equivalents, and restricted cash	(49,697)	(47,293)
Cash, cash equivalents, and restricted cash, beginning of the period	105,083	97,735
Cash, cash equivalents, and restricted cash, end of the period	$ 55,386	$ 50,442
Cash and equivalents, including restricted cash at the beginning of the		

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

	For the Three Months Ended March 31,	
	2024	**2023**
Supplemental schedule of cash flow information		
Interest paid	$ 107,758	$ 78,656
Income taxes paid	1,539	1,910
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	$ 26,527	$ 116,336
Common stock and paid-in capital	(26,527)	(11,336)
Noncontrolling interests in Operating Partnership Note Receivable Payoff	—	(100,000)
OP Unit Redemption - Cash Proceeds	—	(5,000)
Redemption of Preferred Operating Partnership units for common stock		
Preferred Operating Partnership units	$ (3,536)	$ (33,403)
Additional paid-in capital	3,536	$ 33,403

See accompanying notes to unaudited condensed consolidated financial statements.

1. ORGANIZATION

Extra Space Storage Inc. (the "Company") is a fully integrated, self-administered and self-managed REIT, formed as a Maryland corporation on April 30, 2004, to own, operate, manage, acquire, develop and redevelop professionally managed self-storage properties ("stores") located throughout the United States. The Company was formed to continue 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, which meets the definition of a variable interest entity and is consolidated. This structure is commonly referred to as an umbrella partnership REIT, or UPREIT.

The Company invests in stores by acquiring wholly-owned stores or by acquiring an equity interest in real estate entities. At March 31, 2024, the Company had direct and indirect equity interests in 2,384 stores. In addition, the Company managed 1,409 stores for third parties, bringing the total number of stores which it owns and/or manages to 3,793. These stores are located in 42 states and Washington, D.C. The Company also offers tenant reinsurance at its owned and managed stores that insures the value of goods in the storage units.

2. BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements of the Company are presented on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial information, and in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they may not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (including normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three months ended March 31, 2024 are not necessarily indicative of results that may be expected for the year ending December 31, 2024. The condensed consolidated balance sheet as of December 31, 2023 has been derived from the Company's audited financial statements as of that date, but does not include all of the information and footnotes required by GAAP for complete financial statements. For further information refer to the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2023, as filed with the Securities and Exchange Commission.

Recently Issued Accounting Standards

In March 2020, the Financial Accounting Standards Board ("FASB") issued ASU 2020-04, "Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting" ("ASU 2020-04"). ASU 2020-04 provides temporary optional guidance that provides transition relief for reference rate reform, including optional expedients and exceptions for applying GAAP to contract modifications, hedging relationships and other transactions that reference LIBOR or a reference rate that is expected to be discontinued as a result of reference rate reform if certain criteria are met. ASU 2020-04 is effective upon issuance, and the provisions generally can be applied prospectively as of January 1, 2020 through December 31, 2024. As of September 30, 2023, the Company had converted all of its LIBOR-indexed debt and derivatives to SOFR-based indexes (effective with the respective instrument’s next reset date for certain instruments). For all derivatives in hedge accounting relationships, the elective relief in Topic 848 that allows for the continuation of hedge accounting throughout the transition process was utilized.

3. 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.

Amounts in thousands, except store and share data, unless otherwise stated

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 FASB'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 March 31, 2024, 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 were not significant to the overall valuation of its derivatives. As a result, the Company has determined that its derivative valuations in their entirety were classified in Level 2 of the fair value hierarchy.

The table below presents the Company's assets and liabilities measured at fair value on a recurring basis as of March 31, 2024, aggregated by the level in the fair value hierarchy within which those measurements fall.

	Fair Value Measurements at Reporting Date Using		
Description	**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	$ —	$ 33,645	$ —
Other liabilities - Cash flow hedge swap agreements	$ —	$ 1,154	$ —

The Company did not have any significant assets or liabilities that are re-measured on a recurring basis using significant unobservable inputs as of March 31, 2024 or December 31, 2023.

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. The Company compares the carrying value of the related long-lived assets to the discounted future net operating cash flows attributable to the assets (categorized within Level 3 of the fair value hierarchy). 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 assets held for sale. The operations of assets held for sale or sold during the period would be presented as part of normal operations. As of March 31, 2024, and December 31, 2023, no assets were held for sale.

The Company assesses annually whether there are any indicators that the value of the Company’s investments in unconsolidated real estate entities may be impaired and when events or circumstances indicate that there may be impairment.

Amounts in thousands, except store and share data, unless otherwise stated

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.

The Company evaluates goodwill for impairment at least annually and whenever events, circumstances, and other related factors indicate that the fair value of the related reporting unit may be less than the carrying value. If the fair value of the reporting unit is determined to exceed the aggregate carrying amount, no impairment charge is recorded. Otherwise, an impairment charge is recorded for the amount in which the fair value of the reporting unit exceeds the carrying value. No impairments of goodwill were recorded for any period presented herein.

As of March 31, 2024 and December 31, 2023, the Company did not have any assets or liabilities measured at fair value on a nonrecurring basis.

Fair Value of Financial Instruments

The carrying values of cash and cash equivalents, restricted cash, receivables, other financial instruments included in other assets, accounts payable and accrued expenses, variable-rate notes payable, investments in debt securities and notes receivable, lines of credit and other liabilities reflected in the condensed consolidated balance sheets at March 31, 2024 and December 31, 2023 approximate fair value. Restricted cash is comprised of funds deposited with financial institutions located throughout the United States primarily relating to earnest money deposits on potential acquisitions.

The fair values of the Company’s notes receivable and notes receivable from Preferred and Common Operating Partnership unit holders were 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 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 values of the Company’s fixed-rate assets and liabilities were as follows for the periods indicated:

	March 31, 2024		**December 31, 2023**	
	Fair Value	**Carrying Value**	**Fair Value**	**Carrying Value**
Fixed rate debt	$8,046,080	$8,594,608	$7,482,054	$8,048,605

4. ACQUISITIONS AND DISPOSITIONS

The Life Storage Merger

On July 20, 2023, the Company closed its merger with Life Storage (the "Life Storage Merger" or "Merger"), which included 757 wholly-owned stores and one consolidated joint venture store. Under the terms of the Life Storage Merger, Life Storage stockholders and holders of units of the Life Storage operating partnership received 0.895 of a share of common stock (or OP Unit, as applicable) of the Company for each issued and outstanding share (or operating partnership unit) of Life Storage they owned for total equity consideration of $11,602,808, based on the Company's closing share price on July 19, 2023. At closing, the Company retired $1,160,000 in balances on Life Storage's line of credit which included $375,000 that Life Storage used to pay off its private placement notes in connection with the closing of the Life Storage Merger. The Company also paid off $32,000 in secured loans. On July 25, 2023, the Company completed obligor exchange offers and consent solicitations (together the "Exchange Offers") related to Life Storage's various senior notes. Upon the closing of the Exchange Offers, a total of $2,351,100 of Life Storage's senior notes were exchanged for senior notes of the same tenor of Extra Space Storage L.P. The remaining Life Storage senior note balances which were not exchanged total $48,900 and no longer have any financial reporting requirements or covenants.

Amounts in thousands, except store and share data, unless otherwise stated

Consideration and Purchase Price Allocation

The Merger was accounted for as an asset acquisition in accordance with ASC Topic 805 which requires that the cost of an acquisition be allocated on a relative fair value basis to the assets acquired and the liabilities assumed. The following table summarizes the fair value of total consideration transferred in the Life Storage Merger:

Consideration Type		**July 20, 2023**
Common stock	$	11,353,338
OP units		249,470
Cash for payoff of Life Storage credit facility and debt		1,192,000
Transaction Costs		55,318
Total consideration	$	12,850,127

The following table summarizes the estimated fair values assigned to the assets acquired and liabilities assumed:

		July 20, 2023
Real estate assets	$	14,587,735
Equity investment in joint venture partnerships		325,250
Cash and other assets		107,423
Intangible assets - other		82,000
Trade name		50,000
Unsecured senior notes		(2,106,866)
Accounts payable, accrued expenses and other liabilities		(191,077)
Noncontrolling interests		(4,338)
Fair value of net assets acquired	$	12,850,127

Fair Value Measurement

The estimated fair values of assets acquired and liabilities assumed were primarily based on information that was available as of the closing date of the Life Storage Merger. The methodology used to estimate the fair values to apply purchase accounting and the ongoing financial statement impact, if any, are summarized below.

- Real estate assets – Real estate assets acquired were recorded at fair value using standard valuation methodologies, including the cost and market approaches. The remaining useful lives for real estate assets, excluding land, were reset to 39 years. Tenant relationships for storage leases were recorded at fair value based on estimated costs the Company avoided to replace them. Tenant relationships are amortized to expense over 18 months, which is based on the Company's historical experience with turnover in its stores.

- Equity investment in joint venture partnerships - Equity investment in joint venture partnerships were recorded at fair value based on a direct capitalization of net operating income.
- Intangible assets - other – Customer relationships relating to tenant reinsurance contracts were recorded at fair value based on the income approach which estimates the potential revenue loss the Company avoided to replace them. These assets are amortized to expense over 36 months, which is based on the Company's historical experience with average length of stay for tenants.
- Trade name – Trade names were recorded at fair value based on royalty payments avoided had the trade name been owned by a third party. This is determined using market royalty rates and a discounted cash flow analysis under the relief-from-royalty method. This method incorporates various assumptions, including projected revenue growth rates, the terminal growth rate, the royalty rate to be applied, and the discount rate utilized. The trade name is an indefinite lived asset and as such is not amortized.

Amounts in thousands, except store and share data, unless otherwise stated

- Unsecured senior notes – Unsecured senior notes were recorded at fair value using readily available market data. The below-market value of debt is recorded as a debt discount and reported as a reduction of the unsecured senior notes balance on the condensed consolidated balance sheets. The discount is amortized using effective interest method as an increase to interest expense over the remaining terms of the unsecured senior notes.
- Other assets and liabilities – the carrying values of cash, accounts receivable, prepaids and other assets, accounts payable, accrued expenses and other liabilities represented the fair values.

Store Acquisitions

The following table shows the Company’s acquisitions of stores for the three months ended March 31, 2024 and 2023. The table excludes purchases of raw land and improvements made to existing assets. All store acquisitions are considered asset acquisitions under ASU 2017-01, "Business Combinations (Topic 805): Clarifying the Definition of a Business."

		Total					
Period	**Number of Stores**	**Cash Paid**	**Finance Lease Liability**	**Investments in Real Estate Ventures**	**Net Liabilities/ (Assets) Assumed**	**Value of Equity Issued**	**Real estate assets**
Q1 2024	6	$ 35,084	$ —	$ —	$ 171	$ —	$ 35,255
Q1 2023	1	13,111	—	—	6	—	13,117

5. REAL ESTATE ASSETS

The components of real estate assets are summarized as follows:

	March 31, 2024	**December 31, 2023**
Land	$ 4,911,431	$ 4,904,705
Buildings, improvements and other intangibles	21,769,745	21,664,224
Right of use asset - finance lease	140,871	143,842
Intangible assets - tenant relationships	321,215	321,019
Intangible lease rights	27,743	27,743
	27,171,005	27,061,533
Less: accumulated depreciation and amortization	(2,802,341)	(2,624,405)
Net operating real estate assets	24,368,664	24,437,128
Real estate under development/redevelopment	126,012	118,745
Real estate assets, net	$ 24,494,676	$ 24,555,873

6. OTHER ASSETS

The components of other assets are summarized as follows:

Amounts in thousands, except store and share data, unless otherwise stated

	March 31, 2024	December 31, 2023
Goodwill	$ 170,811	$ 170,811
Receivables, net	137,170	134,716
Prepaid expenses and deposits	75,610	85,153
Other intangible assets, net	56,915	66,332
Trade name	50,000	50,000
Fair value of interest rate swaps	33,645	26,183
Equipment and fixtures, net	49,202	48,697
Deferred line of credit financing costs, net	9,227	9,787
Restricted cash	4,570	6,021
	$ 587,150	$ 597,700

7. 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 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, Series A Participating Redeemable Preferred Units (“Series A Units”), Series B Redeemable Preferred Units (“Series B Units”), Series D Redeemable Preferred Units (“Series D Units” and, together with the Series A Units and Series B Units, the “Preferred OP 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 (i.e. those that reduce earnings per common share) are included.

For the purposes of computing the diluted impact of the potential exchange of the Preferred Operating Partnership 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 Preferred Operating Partnership units by the average share price for the period presented. The average share price for the three months ended March 31, 2024 and 2023 was $145.80 and $157.15, respectively.

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

	For the Three Months Ended March 31,	
	2024	**2023**
	Equivalent Shares (if converted)	**Equivalent Shares (if converted)**
Series B Units	230,234	213,606
Series D Units	1,272,862	—
	1,503,096	213,606

Amounts in thousands, except store and share data, unless otherwise stated

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

	For the Three Months Ended March 31,	
	2024	**2023**
Net income attributable to common stockholders	$ 213,112	$ 196,304
Earnings and dividends allocated to participating securities	(354)	(304)
Earnings for basic computations	212,758	196,000
Earnings and dividends allocated to participating securities	—	—
Income allocated to noncontrolling interest - Preferred Operating Partnership Units and Operating Partnership Units	8,764	12,128
Fixed component of income allocated to noncontrolling interest - Preferred Operating Partnership (Series A Units)	—	—
Net income for diluted computations	$ 221,522	$ 208,128
Weighted average common shares outstanding:		
Average number of common shares outstanding - basic	211,283,335	134,511,273
OP Units	8,731,738	7,214,649
Series B Units	—	—
Series D Units	—	1,210,056
Unvested restricted stock awards included for treasury stock method	—	—
Shares related to dilutive stock options	3,704	4,406
Average number of common shares outstanding - diluted	220,018,777	142,940,384
Earnings per common share		
Basic	$ 1.01	$ 1.46
Diluted	$ 1.01	$ 1.46

8. INVESTMENTS IN UNCONSOLIDATED REAL ESTATE ENTITIES

Investments in unconsolidated real estate entities and cash distributions in unconsolidated real estate ventures represent the Company's interest in preferred stock of SmartStop Self Storage REIT, Inc. ("SmartStop") and Strategic Storage Trust VI, Inc. ("Strategic Storage"), an affiliate of SmartStop, and the Company's noncontrolling interest in real estate joint ventures. The Company accounts for its investments in SmartStop and Strategic Storage preferred stock, which do not have a readily determinable fair value, at the transaction price less impairment, if any. The Company accounts for its investments in joint ventures using the equity method of accounting. The Company initially records these investments at cost and subsequently adjusts for cash contributions, distributions and net equity in income or loss, which is allocated in accordance with the provisions of the applicable partnership or joint venture agreement.

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 or 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 or profits, as applicable, than its equity interest.

The Company separately reports investments with net equity less than zero in cash distributions in unconsolidated real estate ventures in the condensed consolidated balance sheets. The net equity of certain joint ventures is less than zero because distributions have exceeded the Company's investment in and share of income from these joint ventures. This is generally the result of financing distributions, capital events or operating distributions that are usually greater than net income, as net income includes non-cash charges for depreciation and amortization while distributions do not.

Amounts in thousands, except store and share data, unless otherwise stated

Net investments in unconsolidated real estate entities and cash distributions in unconsolidated real estate ventures consist of the following:

	Number of Stores	Equity Ownership %	Excess Profit % (1)	March 31, 2024	December 31, 2023
PRISA Self Storage LLC	85	4%	4%	$ 9,365	$ 9,435
HF1 Sovran HHF Storage Holdings LLC	37	20%	20%	104,679	105,339
Storage Portfolio II JV LLC	36	10%	30%	(8,528)	(8,314)
Storage Portfolio IV JV LLC	32	10%	30%	48,006	48,184
Storage Portfolio I LLC	24	34%	49%	(42,661)	(42,487)
PR II EXR JV LLC	23	25%	25%	107,530	108,160
HF2 Sovran HHF Storage Holdings II LLC	22	15%	15%	41,411	41,613
HF5 Life Storage-HIERS Storage LLC	17	20%	20%	25,988	26,051
HF6 191 V Life Storage Holdings LLC	17	20%	20%	11,474	12,702
ESS-CA TIVS JV LP	16	55%	55%-65%	28,720	29,128
VRS Self Storage, LLC	16	45%	54%	(16,756)	(16,386)
HF10 Life Storage HHF Wasatch Holdings LLC	16	20%	20%	20,033	20,019
Other unconsolidated real estate ventures	131	10%-50%	10%-50%	314,784	317,104
SmartStop Self Storage REIT, Inc. Preferred Stock (2)	n/a	n/a	n/a	200,000	200,000
Strategic Storage Trust VI, Inc. Preferred Stock (3)	n/a	n/a	n/a	150,000	150,000
Net Investments in and Cash distributions in unconsolidated real estate entities	472			$ 994,044	$1,000,548

(1) Includes pro-rata equity ownership share and promoted interest.

(2) In October 2019, the Company invested $200,000 in shares of convertible preferred stock of SmartStop with a dividend rate of 6.25% per annum, subject to increase after five years. The preferred shares are generally not redeemable for five years, except in the case of a change of control or initial listing of SmartStop. Dividend income from this investment is included on the equity in earnings and dividend income from unconsolidated real estate entities line on the Company's condensed consolidated statements of operations.

(3) In May 2023, the Company invested $150,000 in shares of convertible preferred stock of Strategic Storage with a dividend rate of 8.35% per annum, subject to increase after five years. The preferred shares are generally not redeemable for three years, except in the case of a change of control or initial listing of Strategic Storage. Dividend income from this investment is included on the equity in earnings and dividend income from unconsolidated real estate entities line on the Company's condensed consolidated statements of operations.

9. INVESTMENTS IN DEBT SECURITIES AND NOTES RECEIVABLE

Investments in debt securities and notes receivable consists of the Company's investment in mandatorily redeemable preferred stock of Jernigan Capital, Inc. ("JCAP") in connection with JCAP's acquisition by affiliates of NexPoint Advisors, L.P. ("NexPoint") and receivables due to the Company under its bridge loan program. Information about these balances is as follows:

	March 31, 2024	December 31, 2023
Debt securities - Preferred Stock	$ 300,000	$ 300,000
Notes Receivable - Bridge Loans	752,336	594,727
Dividends and Interest Receivable	6,170	10,042
	$ 1,058,506	$ 904,769

In November 2020, the Company invested $300,000 in the preferred stock of JCAP in connection with the acquisition of JCAP by NexPoint. This investment consisted of 200,000 Series A Preferred Shares valued at a total of $200,000, and 100,000

Amounts in thousands, except store and share data, unless otherwise stated

Series B Preferred Shares valued at a total of $100,000. In December 2022, the Company completed a modification with NexPoint Storage Partners (as successor in interest to JCAP) that exchanged the Series A and Series B Preferred Shares for 300,000 Series D Preferred Shares, valued at a total of $300,000. The Series D Preferred Shares are mandatorily redeemable after six years from the modification in December 2022, with two one-year extension options. NexPoint may redeem the Series D Preferred Shares at any time, subject to certain prepayment penalties. The Company accounts for the Series D Preferred Shares as a held to maturity debt security at amortized cost. The Series D Preferred Shares have an initial dividend rate of 8.5%. If the investment is not retired after six years, the preferred dividends increase annually.

The Company provides bridge loan financing to third-party self-storage operators. These notes receivable consist of mortgage loans receivable, which are collateralized by self-storage properties, and unsecured mezzanine loans receivable. As of March 31, 2024, 73% of the notes held are mortgage receivables. The Company intends to sell a portion of the mortgage receivables. These notes receivable typically have a term of three years with two one-year extensions, and have variable interest rates. During the three months ended March 31, 2024 the Company closed on $150,240 in initial loan draws and recorded $8,388 of draws for interest payments.

The bridge loans typically have a loan to value ratio between 70% and 80% at closing. None of the debt securities or notes receivable are in past-due or nonaccrual status and the allowance for potential credit losses is immaterial.

10. DEBT

The components of term debt are summarized as follows:

Term Debt	March 31, 2024	December 31, 2023
Secured notes payable [1]	$ 1,274,914	$ 1,279,105
Unsecured term loans	2,260,000	2,660,000
Unsecured senior notes	7,325,001	6,725,000
Total	10,859,915	10,664,105
Less: Discount on unsecured senior notes [2]	(263,644)	(274,350)
Less: Unamortized debt issuance costs	(58,720)	(55,007)
Total	$ 10,537,551	$ 10,334,748

(1) The loans are collateralized by mortgages on real estate assets and the assignment of rents.

(2) Unsecured senior notes from the Life Storage Merger were recorded at fair value, resulting in a discount to be amortized over the term of the debt.

Amounts in thousands, except store and share data, unless otherwise stated

The following table summarizes the scheduled maturities of term debt, excluding available extensions, at March 31, 2024:

Year	Amount
2024	$ 248,250
2025	1,121,321
2026	1,409,581
2027	1,315,511
2028	1,028,700
2029	1,542,439
2030	1,344,113
2031	1,650,000
2032	600,000
Thereafter	600,000
	$10,859,915

Pursuant to the terms of the Credit Agreement, the Company may request an extension of the term of the revolving credit facility for up to two additional periods of six months each, after satisfying certain conditions.

As of March 31, 2024, amounts outstanding under the revolving credit facility bore interest at floating rates, at the Company's option, equal to either (i) Adjusted Term or Daily Simple SOFR plus the applicable margin or (ii) the applicable base rate which is the applicable margin plus the highest of (a) 0.0%, (b) the federal funds rate plus 0.50%, (c) U.S. Bank's prime rate or (d) the SOFR rate plus 1.00%. Per the Credit Agreement, the applicable SOFR rate margin and applicable base rate margin are based on the Company's achieved debt rating, with the SOFR rate margin ranging from 0.7% to 2.2% per annum and the applicable base rate margin ranging from 0.00% to 1.20% per annum.

The Credit Agreement is guaranteed by the Company and is not secured by any assets of the Company. The Company's unsecured debt is subject to certain financial covenants. As of March 31, 2024, the Company was in compliance with all of its financial covenants.

All of the Company's lines of credit are guaranteed by the Company. 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 March 31, 2024				
Revolving Lines of Credit	**Amount Drawn**	**Capacity**	**Interest Rate**	**Maturity**	**Basis Rate [(1)]**
Credit Line 1 [(2)]	$ 34,000	$ 140,000	6.69%	7/1/2026	SOFR plus 1.35%
Credit Line 2 [(3)(4)]	586,000	2,000,000	6.22%	6/22/2027	SOFR plus 0.875%
	$ 620,000	$2,140,000			

(1) Daily Simple SOFR

(2) Secured by mortgages on certain real estate assets. On January 13, 2023, the maturity date was extended to July 1, 2026 with one extension of one year available.

(3) Unsecured. On June 22, 2023, the maturity date was extended to June 22, 2027 with two six-month extensions available. On August 11, 2023, the capacity was increased by $60.0 million.

(4) Basis Rate as of March 31, 2024. Rate is subject to change based on the Company's investment grade rating.

As of March 31, 2024, the Company’s percentage of fixed-rate debt to total debt was 77.2%. The weighted average interest rates of the Company’s fixed and variable-rate debt were 4.0% and 6.5%, respectively. The combined weighted average interest rate was 4.5%.

11. 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 payments principally related to the Company's 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 these objectives, 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 three months ended March 31, 2024 and 2023, such derivatives were used to hedge the variable cash flows associated with existing variable-rate debt. In the coming 12 months, the Company estimates that $21,656 will be reclassified as an increase to interest income.

The Company held 14 active derivative financial instruments, which had a total current notional amount of $1,384,038, as of March 31, 2024 and two forward-starting derivative financial instruments with effective dates of October 31, 2024 and July 14, 2025.

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 condensed consolidated balance sheets:

	Asset / Liability Derivatives	
Derivatives designated as hedging instruments:	**March 31, 2024**	**December 31, 2023**
Other assets	$ 33,645	$ 26,183
Other liabilities	$ 1,154	$ 5,030

Effect of Derivative Instruments

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

	Gain (loss) recognized in OCI for the Three Months Ended March 31,			Gain (loss) reclassified from OCI for the Three Months Ended March 31,	
Type	**2024**	**2023**	**Location of amounts reclassified from OCI into income**	**2024**	**2023**
Swap Agreements	$ 19,249	$ (5,562)	Interest expense	$ 8,017	$ 8,950

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 March 31, 2024, 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 $1,170. As of March 31, 2024, the Company had not posted any collateral related to these agreements. If the Company had breached any of these provisions as of March 31, 2024, it could have been required to cash settle its obligations under these agreements at their termination value of $1,170.

12. STOCKHOLDERS' EQUITY

On July 20, 2023, the Company issued 76,217,359 shares of its common stock at $148.96 for a total value of $11,353,338 as part of the Life Storage Merger. See Acquisition and Disposition note above.

On April 15, 2024, the Company filed its $800,000 "at the market" equity program with the Securities and Exchange Commission using a shelf registration statement on Form S-3, and entered into separate equity distribution agreements with nine sales agents. No shares have been sold under the current "at the market" equity program, and no shares were sold under the previous "at the market" equity program, which spanned from August 9, 2021 through April 14, 2024.

On November 13, 2023, the Company's board of directors authorized a share repurchase program allowing for the repurchase of shares with an aggregate value up to $500,000. During the year ended December 31, 2023 and the three months ended March 31, 2024, no shares were repurchased. As of March 31, 2024, the Company had remaining authorization to repurchase shares with an aggregate value up to $500,000.

13. 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 condensed consolidated balance sheets. The Company will periodically evaluate individual noncontrolling interests for the ability to continue to recognize the noncontrolling interest as permanent equity in the condensed 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 and (2) the redemption value as of the end of the period in which the determination is made.

At March 31, 2024 and December 31, 2023, the noncontrolling interests represented by the Preferred OP Units qualified for classification as permanent equity on the Company's condensed consolidated balance sheets. The partnership agreement of the Operating Partnership (as amended, the "Partnership Agreement") provides for the designation and issuance of the OP Units. The balances for each of the specific Preferred OP Units as presented in the Statement of Noncontrolling Interests and Equity as of the periods indicated is as follows:

Amounts in thousands, except store and share data, unless otherwise stated

	March 31, 2024	December 31, 2023
Series B Units	$ 33,567	$ 33,567
Series D Units	185,257	188,793
	$ 218,824	$ 222,360

Series A Participating Redeemable Preferred Units

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.

As of March 31, 2024 and December 31, 2023, there were no outstanding Series A Units.

Series B Redeemable Preferred Units

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 were issued in 2013 and 2014. The Series B Units have a liquidation value of $25.00 per unit for a fixed liquidation value of $33,567 which represents 1,342,727 Series B Units. Holders of the Series B Units receive distributions at an annual rate of 6.0%. These distributions are cumulative. The Series B Units became 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.

Series C Redeemable Preferred Units

The Partnership Agreement provides for the designation and issuance of the Series C Units. The Series C Units ranked 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.

As of March 31, 2024 and December 31, 2023, there were no outstanding Series C Units.

Series D Redeemable Preferred Units

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 interests 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 $185,257, which represents 7,410,300 Series D Units. Holders of the Series D Units receive distributions at an annual rate between 3.0% and 5.0%. These distributions are cumulative. The Series D Units 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. In addition, certain of the Series D Units are exchangeable for OP Units at the option of the holder until the tenth anniversary of the date of issuance, with the number of OP Units to be issued equal to $25.00 per Series D Unit, divided by the value of a share of common stock as of the exchange date.

During January 2024, 141,435 Series D Units were redeemed for 21,627 shares of common stock.

Amounts in thousands, except store and share data, unless otherwise stated

14. NONCONTROLLING INTEREST IN OPERATING PARTNERSHIP AND OTHER NONCONTROLLING INTERESTS

Noncontrolling Interest in Operating Partnership

The Company’s interest in its stores is held through the Operating Partnership. Between its general partner and limited partner interests, the Company held a 95.4% ownership interest in the Operating Partnership as of March 31, 2024. The remaining ownership interests in the Operating Partnership (including Preferred OP Units) of 4.6% are held by certain former owners of assets acquired by the Operating Partnership. As of March 31, 2024 and December 31, 2023, the noncontrolling interests in the Operating Partnership are shown on the balance sheet net of a note receivable of $1,900 because a borrower under the note receivable is also a holder of OP Units. This note receivable originated in December 2014, bears interest at 5.0% per annum and matures on December 15, 2024.

The noncontrolling interest in the Operating Partnership represents OP Units that are not owned by the Company. OP Units are redeemable at the option of the holder, which redemption may be satisfied at the Company's option in cash, based upon the fair market value of an equivalent number of shares of the Company’s common stock (based on the ten-day average trading price) at the time of the redemption, or shares of the Company's common stock on a one-for-one basis, subject to anti-dilution adjustments provided in the Partnership Agreement. As of March 31, 2024, the ten-day average closing price of the Company's common stock was $141.47 and there were 8,626,449 OP Units outstanding. Assuming that all of the OP Unit holders exercised their right to redeem all of their OP Units on March 31, 2024 and the Company elected to pay the OP Unit holders cash, the Company would have paid $1,220,384 in cash consideration to redeem the units.

OP Unit activity is summarized as follows for the periods presented:

	For the Three Months Ended March 31,	
	2024	**2023**
OP Units redeemed for common stock	259,145	—

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 OP Units and classifies the noncontrolling interest represented by the OP Units as stockholders’ equity in the accompanying condensed 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 condensed 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.

Other Noncontrolling Interests

Other noncontrolling interests represent the ownership interest of partners in nine consolidated joint ventures as of March 31, 2024. Three joint ventures each own one operating store and the other six joint ventures each have a property under development. The voting interest of each partner is between 2.0% and 17.0%.

Based on the facts and circumstances of each of the Company’s joint ventures, the Company has determined that one of the joint ventures at March 31, 2024 was a variable interest entity (“VIE”) in accordance with ASC 810, “Consolidation.” The Company has consolidated that joint venture as it was determined that the Company has the power to direct the activities of the joint venture and is the primary beneficiary of the joint venture.

15. SEGMENT INFORMATION

The Company’s segment disclosures present the measure used by the chief operating decision makers ("CODMs") for purposes of assessing each segment’s performance. The Company’s CODMs are comprised of several members of its executive management team who use net operating income ("NOI") to assess the performance of the business for the Company’s reportable operating segments. The Company’s segments are comprised of two reportable segments: (1) self-storage operations and (2) tenant reinsurance. NOI for the Company's self-storage operations represents total property revenue less direct property operating expenses. NOI for the Company's tenant reinsurance segment represents tenant reinsurance revenues less tenant reinsurance expense.

The self-storage operations activities include rental operations of wholly-owned stores and self-storage units acquired in the Bargold transaction. The Company's consolidated revenues equal total segment revenues plus property management fees and other income. Tenant reinsurance activities include the reinsurance of risks relating to the loss of goods stored by tenants in the stores operated by the Company. Excluded from segment revenues and net operating income is property management fees and other income.

For all periods presented, substantially all of the Company's real estate assets, intangible assets, other assets, and accrued and other liabilities are associated with the self-storage operations segment. Financial information for the Company’s business segments is set forth below:

	For the Three Months Ended March 31,	
	2024	2023
Revenues:		
Self-Storage Operations	$ 688,044	$ 433,962
Tenant Reinsurance	81,347	47,704
Total segment revenues	$ 769,391	$ 481,666
Operating expenses:		
Self-Storage Operations	$ 204,518	$ 117,166
Tenant Reinsurance	18,505	9,089
Total segment operating expenses	$ 223,023	$ 126,255
Net operating income:		
Self-Storage Operations	$ 483,526	$ 316,796
Tenant Reinsurance	62,842	38,615
Total segment net operating income:	$ 546,368	$ 355,411
Other components of net income:		
Management fees and other income	$ 30,148	$ 21,384
General and administrative expense	(43,722)	(34,763)
Depreciation and amortization expense	(196,966)	(78,490)
Interest expense	(132,887)	(80,099)
Non-cash interest expense related to amortization of discount on Life Storage unsecured senior notes	(10,705)	—
Interest income	23,573	19,438
Equity in earnings and dividend income from unconsolidated real estate entities	15,007	10,305
Income tax expense	(6,742)	(4,308)
Net income	$ 224,074	$ 208,878

16. COMMITMENTS AND CONTINGENCIES

As of March 31, 2024, the Company was under agreement to acquire four stores at a total purchase price of $46,114. All four stores are scheduled to close in 2024. Additionally, the Company is under agreement to acquire one store with joint venture partners, for a total investment of $1,600 which is scheduled to close in 2024.

As of March 31, 2024, the Company was involved in various legal proceedings and was 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. 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.

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 stores, the activities of its tenants and other environmental conditions of which the Company is unaware with respect to its stores could result in future material environmental liabilities.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CAUTIONARY LANGUAGE

The following discussion and analysis should be read in conjunction with our unaudited "Condensed Consolidated Financial Statements" and the "Notes to Condensed Consolidated Financial Statements (unaudited)" appearing elsewhere in this report and the "Consolidated Financial Statements," "Notes to Consolidated Financial Statements" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained in our Form 10-K for the year ended December 31, 2023. 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-Q entitled "Statement on Forward-Looking Information."

CRITICAL ACCOUNTING POLICIES

Our discussion and analysis of our financial condition and results of operations are based on our unaudited condensed consolidated financial statements contained elsewhere in this report, which have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP"). Our notes to the unaudited condensed consolidated financial statements contained elsewhere in this report and the audited financial statements contained in our Form 10-K for the year ended December 31, 2023 describe the significant accounting policies essential to our unaudited condensed consolidated financial statements. Preparation of our financial statements requires estimates, judgments and assumptions. We believe that the estimates, judgments and assumptions that we have used are appropriate and correct based on information available at the time they were made. These estimates, judgments and assumptions can affect our reported assets and liabilities as of the date of the financial statements, as well as the reported revenues and expenses during the period presented. If there are material differences between these estimates, judgments and assumptions and actual facts, our financial statements may be affected.

In many cases, the accounting treatment of a particular transaction is specifically dictated by GAAP and does not require our judgment in its application. There are areas in which our judgment in selecting among available alternatives would not produce a materially different result, but there are some areas in which our judgment in selecting among available alternatives would produce a materially different result. See the notes to the unaudited condensed consolidated financial statements that contain additional information regarding our accounting policies and other disclosures.

OVERVIEW

We are a fully integrated, self-administered and self-managed real estate investment trust ("REIT"), formed to own, operate, manage, acquire, develop and redevelop self-storage properties ("stores"). We derive substantially all of our revenues from our two segments: storage operations and tenant reinsurance. Primary sources of revenue for our storage operations segment include rents received from tenants under leases at each of our wholly-owned stores. 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. Consequently, management spends a significant portion of their time maximizing cash flows from our diverse portfolio of stores. Revenue from our tenant reinsurance segment consists of insurance revenues from the reinsurance of risks relating to the loss of goods stored by tenants in our stores.

Our stores are generally situated in highly visible locations clustered around large population centers. The clustering of our assets around these population centers enables us to reduce our operating costs through economies of scale. 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 pro-actively manage revenues.

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. 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. 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 of the current year, or has been open for three years prior to January 1 of the current year.

PROPERTIES

As of March 31, 2024, we owned or had ownership interests in 2,384 operating stores. Of these stores, 1,909 are wholly-owned, three in consolidated joint ventures and 472 are in unconsolidated joint ventures. In addition, we managed an additional 1,409 stores for third parties bringing the total number of stores which we own and/or manage to 3,793. These stores are located in 42 states and Washington, D.C. The majority of our stores are clustered around large population centers. 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.

As of March 31, 2024, approximately 2,155,000 tenants were leasing storage units at the 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 March 31, 2024, the average length of stay was approximately 17.4 months.

The average annual rent per square foot for our existing customers at stabilized stores, net of discounts and bad debt, was $20.36 for the three months ended March 31, 2024, compared to $20.41 for the three months ended March 31, 2023. Average annual rent per square foot for new leases was $13.60 for the three months ended March 31, 2024, compared to $16.00 for the three months ended March 31, 2023. The average discounts, as a percentage of rental revenues, at all stabilized properties during these periods were 2.2% and 2.5%, respectively.

Our store portfolio is made up of different types of construction and building configurations. Most often sites are what we consider “hybrid” stores, a mix of drive-up and multi-floor buildings. We have a number of multi-floor buildings with elevator access only, and a number of stores featuring ground-floor access only.

The following table presents additional information regarding net rentable square feet and the number of stores by state.

	March 31, 2024							
	REIT Owned		Joint Venture Owned		Managed		Total	
Location	Property Count[(1)]	Net Rentable Square Feet	Property Count	Net Rentable Square Feet	Property Count	Net Rentable Square Feet	Property Count	Net Rentable Square Feet
Alabama	38	2,947,166	2	150,859	13	808,111	53	3,906,136
Arizona	47	3,513,908	26	2,092,735	45	3,617,066	118	9,223,709
California	218	17,841,007	50	3,715,765	128	12,013,135	396	33,569,907
Colorado	27	1,891,044	13	938,440	32	2,410,876	72	5,240,360
Connecticut	23	1,755,094	8	713,977	12	821,289	43	3,290,360
Delaware	—	—	2	143,640	4	307,281	6	450,921
Florida	246	18,491,634	56	4,651,374	175	13,501,590	477	36,644,598
Georgia	119	9,126,390	23	1,926,107	53	4,036,519	195	15,089,016
Hawaii	14	941,707	—	—	4	259,012	18	1,200,719
Idaho	2	131,569	—	—	3	290,407	5	421,976
Illinois	106	7,698,254	12	940,002	48	3,653,165	166	12,291,421
Indiana	92	4,053,979	1	57,765	27	1,994,992	120	6,106,736
Iowa	—	—	—	—	1	86,949	1	86,949
Kansas	1	50,224	2	108,921	4	289,704	7	448,849
Kentucky	15	1,065,353	1	51,801	15	1,180,063	31	2,297,217
Louisiana	10	772,138	—	—	26	1,861,092	36	2,633,230
Maine	5	353,687	—	—	12	750,771	17	1,104,458
Maryland	44	3,473,237	11	899,763	47	3,382,656	102	7,755,656
Massachusetts	64	4,059,406	16	984,794	36	2,390,598	116	7,434,798
Michigan	8	675,039	4	309,052	12	910,629	24	1,894,720
Minnesota	8	709,814	8	646,689	15	1,113,028	31	2,469,531
Mississippi	7	561,154	—	—	14	1,128,583	21	1,689,737
Missouri	28	2,240,093	7	508,850	20	1,573,103	55	4,322,046
Nebraska	—	—	—	—	4	372,210	4	372,210
Nevada	32	2,844,476	9	839,617	11	1,059,690	52	4,743,783
New Hampshire	17	1,276,768	2	84,165	20	867,695	39	2,228,628
New Jersey	88	7,035,203	33	2,611,839	57	4,455,314	178	14,102,356
New Mexico	12	762,225	10	681,770	15	1,084,075	37	2,528,070
New York	79	5,691,946	28	2,316,289	88	6,187,255	195	14,195,490
North Carolina	52	3,734,453	8	620,667	37	2,793,720	97	7,148,840
Ohio	50	3,424,784	5	325,467	19	1,444,508	74	5,194,759
Oklahoma	4	268,388	—	—	22	1,435,578	26	1,703,966
Oregon	8	550,140	2	166,608	7	467,224	17	1,183,972
Pennsylvania	31	2,369,176	12	941,276	53	3,940,276	96	7,250,728
Rhode Island	6	351,421	1	95,844	6	473,149	13	920,414
South Carolina	40	2,974,322	11	709,302	41	3,363,581	92	7,047,205
Tennessee	29	2,410,994	16	1,091,876	26	1,831,891	71	5,334,761
Texas	243	20,052,750	71	5,496,514	150	12,371,140	464	37,920,404
Utah	10	734,036	—	—	34	2,629,878	44	3,363,914

(1) Includes three consolidated joint ventures and excludes approximately 18,000 units related to Bargold.

RESULTS OF OPERATIONS

Amounts in thousands, except store and share data

Comparison of the three months ended March 31, 2024 and 2023

Overview

Results for the three months ended March 31, 2024 included the operations of 2,384 stores (1,909 wholly-owned, three in consolidated joint ventures, and 472 in joint ventures accounted for using the equity method) compared to the results for the three months ended March 31, 2023, which included the operations of 1,457 stores (1,133 wholly-owned, one in a consolidated joint venture, and 323 in joint ventures accounted for using the equity method).

Revenues

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

	For the Three Months Ended March 31,			
	2024	2023	$ Change	% Change
Revenues:				
Property rental	$688,044	$433,962	$254,082	58.5 %
Tenant reinsurance	81,347	47,704	33,643	70.5 %
Management fees and other income	30,148	21,384	8,764	41.0 %
Total revenues	$799,539	$503,050	$296,489	58.9 %

Property Rental—The increase in property rental revenues for the three months ended March 31, 2024 was primarily the result of an increase of $248,455 associated with the merger of Life Storage, other acquisitions completed in 2023, and acquisitions completed in the first quarter of 2024. We acquired 771 wholly-owned stores in 2023 and an additional six wholly-owned stores during the three months ended March 31, 2024.

Tenant Reinsurance—The increase in tenant reinsurance revenues was due primarily to an increase in the number of stores operated. We operated 3,793 stores at March 31, 2024 compared to 2,388 stores at March 31, 2023.

Management Fees and Other Income—Management fees and other income primarily represent the fees collected for our management of stores owned by third parties and unconsolidated joint ventures and other transaction fee income. The increase for the three months ended March 31, 2024 was due to both an increase in the number of stores managed and an increase in the overall revenue of stores under management when compared to the same period last year. As of March 31, 2024, we managed 1,884 stores for joint ventures and third parties, compared to 1,255 stores as of March 31, 2023.

Expenses

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

	For the Three Months Ended March 31,			
	2024	2023	$ Change	% Change
Expenses:				
Property operations	$204,518	$117,166	$ 87,352	74.6 %
Tenant reinsurance	18,505	9,089	9,416	103.6 %
General and administrative	43,722	34,763	8,959	25.8 %
Depreciation and amortization	196,966	78,490	118,476	150.9 %
Total expenses	$463,711	$239,508	$224,203	93.6 %

Property Operations—The increase in property operations expense during the three months ended March 31, 2024 consists primarily of an increase of $79,051 related to the Life Storage Merger, other acquisitions completed in 2023, and acquisitions completed in the first quarter of 2024. We acquired 771 wholly-owned stores in 2023 and an additional six wholly-owned stores during the three months ended March 31, 2024. Additionally, for the three months ended March 31, 2024 there was an increase of $8,451 at our stabilized stores primarily due to payroll, marketing and insurance, partially offset by utilities.

Tenant Reinsurance—Tenant reinsurance expense represents the costs that are incurred to provide tenant reinsurance. These increases are primarily related to an increase in stores. We operated 3,793 stores at March 31, 2024 compared to 2,388 stores at March 31, 2023.

General and Administrative—General and administrative expenses primarily include all expenses not directly related to our stores, including corporate payroll, office expense, office rent, travel and professional fees. These expenses are recognized as incurred. Our overall expense has increased primarily as a result of our increased size through acquisitions, business combinations and growth through our joint venture partners and managed portfolio.

Depreciation and Amortization—Depreciation and amortization expense increased as a result of the acquisition of new stores. We acquired 771 wholly-owned stores in 2023 and an additional six wholly-owned stores during the three months ended March 31, 2024. Additionally, the increase relates to the amortization of intangibles recorded as part of the Life Storage Merger.

Other Revenues and Expenses

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

	For the Three Months Ended March 31,			
	2024	2023	$ Change	% Change
Interest expense	(132,887)	(80,099)	(52,788)	65.9 %
Non-cash interest expense related to amortization of discount on Life Storage unsecured senior notes	(10,705)	—	(10,705)	100.0 %
Interest income	23,573	19,438	4,135	21.3 %
Equity in earnings and dividend income from unconsolidated real estate entities	15,007	10,305	4,702	45.6 %
Income tax expense	(6,742)	(4,308)	(2,434)	56.5 %
Total other revenues & expenses, net	$(111,754)	$(54,664)	$(57,090)	104.4 %

Interest Expense—The increase in interest expense during the three months ended March 31, 2024 was primarily the result of a higher debt balance and higher weighted average interest rate compared to the same period in the prior year. As of March 31, 2024, we had approximately $11.5 billion in total face value of debt, compared to approximately $7.4 billion at March 31, 2023. The increase in the face value of debt is due to the Life Storage Merger. The weighted average interest rate of the total of fixed- and variable-rate debt was 4.5% at March 31, 2024, compared to 4.3% at March 31, 2023.

Non-cash Interest Expense Related to Amortization of Discount on Life Storage Unsecured Senior Notes—Represents the amortization of the discount assigned in order to present the fair value of the Life Storage unsecured senior notes assumed as part of the Life Storage Merger.

Interest Income—Interest income represents interest earned on variable interest rate bridge loans, debt securities and on notes receivable from Common and Preferred Operating Partnership unit holders. The increase in interest income during the three months ended March 31, 2024 was primarily the result of an increase in amount of bridge loans held combined with an increase in interest rates. The balance of bridge loans was $752,336 as of March 31, 2024, compared to $507,885 as of March 31, 2023.

Equity in Earnings and Dividend Income from Unconsolidated Real Estate Entities—Equity in earnings of unconsolidated real estate entities represents the income earned through our ownership interests in unconsolidated joint ventures. In these joint ventures, we and our joint venture partners generally receive a preferred return on our invested capital. To the extent that cash or profits in excess of these preferred returns are generated, we receive a higher percentage of the excess cash or profits. We added a total of 154 stores to new and existing joint ventures (145 stores from the Life Storage Merger) during 2023. These additional joint ventures have contributed to the increase. Dividend income represents dividends from our investment in preferred stock of SmartStop Self Storage REIT, Inc. and Strategic Storage Trust VI, Inc.

Income Tax Expense—The increase in income tax expense for the three months ended March 31, 2024 was primarily the result of an increase in book income and a decrease in permanent tax deductions related to stock awards.

FUNDS FROM OPERATIONS

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 GAAP, excluding gains or losses on sales of operating stores and impairment write downs of depreciable real estate assets, plus real estate related 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 our condensed consolidated financial statements. FFO should not be considered a replacement of net income computed in accordance with GAAP.

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 Three Months Ended March 31,	
	2024	**2023**
Net income attributable to common stockholders	$213,112	$196,304
Adjustments:		
Real estate depreciation	154,372	71,248
Amortization of intangibles	29,284	4,170
Unconsolidated joint venture real estate depreciation and amortization	7,840	4,939
Distributions paid on Series A Preferred Operating Partnership units	—	(159)
Income allocated to Operating Partnership noncontrolling interests	10,962	12,574
Funds from operations attributable to common stockholders and unit holders	$415,570	$289,076

SAME-STORE RESULTS

Our same-store pool for the periods presented consists of 1,078 stores that are wholly-owned and operated and that were stabilized by the first day of the earliest calendar year presented. We consider a store to be stabilized once it has been open for three years or has sustained average square foot occupancy of 80% or more for one calendar year. We believe that by providing same-store results from a stabilized pool of stores, with accompanying operating metrics including, but not limited to: occupancy, rental revenue growth, operating expense growth, net operating income growth, etc., stockholders and potential investors are able to evaluate operating performance without the effects of non-stabilized occupancy levels, rent levels, expense levels, acquisitions or completed developments. Same-store results should not be used as a basis for future same-store performance or for the performance of our stores as a whole. The following table presents operating data for our same-store portfolio.

	For the Three Months Ended March 31,		Percent
	2024	**2023**	**Change**
Same-store rental revenues			
Net rental income	$398,792	$395,259	0.9 %
Other operating income	15,865	15,320	3.6 %
Total same-store rental revenues	414,657	410,579	1.0 %
Same-store operating expenses			
Payroll and benefits	24,506	22,526	8.8 %
Marketing	8,853	7,173	23.4 %
Office expense	13,415	13,057	2.7 %
Property operating expense	10,287	11,012	(6.6)%
Repairs and maintenance	7,470	7,085	5.4 %
Property taxes	38,057	37,416	1.7 %
Insurance	5,262	3,921	34.2 %
Total same-store operating expenses	107,850	102,190	5.5 %
Same-store net operating income	$306,807	$308,389	(0.5)%
Same-store square foot occupancy as of year end	93.2%	92.7%	
Properties included in same-store	1,078	1,078	

The following table presents a reconciliation of same-store net operating income to net income as presented on our condensed consolidated statements of operations for the periods indicated:

	For the Three Months Ended March 31,	
	2024	2023
Net Income	$224,074	$ 208,878
Adjusted to exclude:		
Equity in earnings and dividend income from unconsolidated real estate entities	(15,007)	(10,305)
Interest expense	132,887	80,099
Non-cash interest expense related to amortization of discount on Life Storage unsecured senior notes	10,705	—
Depreciation and amortization	196,966	78,490
Income tax expense	6,742	4,308
General and administrative	43,722	34,763
Management fees, other income and interest income	(53,721)	(40,822)
Net tenant insurance	(62,842)	(38,615)
Non same-store rental revenue	(273,387)	(23,383)
Non same-store operating expense	96,668	14,976
Total same-store net operating income	$306,807	$ 308,389

Same-store rental revenues	$414,657	$ 410,579
Same-store operating expenses	107,850	102,190
Same-store net operating income	$306,807	$ 308,389

CASH FLOWS

Cash flows from operating activities for the three months ended March 31, 2024 increased when compared to the same period in the prior year. Cash flows used in investing activities relate primarily to our acquisition and development of new stores, sales of stores, investments in unconsolidated real estate entities and notes receivable from bridge loans, and fluctuate depending on our actions in those areas. Cash flows from financing activities depend primarily on our debt and equity financing activities. A summary of cash flows along with significant components are as follows:

	For the Three Months Ended March 31,	
	2024	2023
Net cash provided by operating activities	$ 465,556	$ 281,649
Net cash used in investing activities	(282,071)	(86,339)
Net cash used in financing activities	(233,182)	(242,603)
Significant components of net cash flow included:		
Net income	$ 224,074	$ 208,878
Depreciation and amortization	196,966	78,490
Accounts payable and accrued expenses	1,112	4,724
Acquisition and development of real estate assets	(126,875)	(64,058)
Investment in unconsolidated real estate entities	(2,412)	(21,062)
Issuance and purchase of notes receivable	(158,005)	(58,378)
Proceeds from sale of notes receivable	7	39,261
Principal payments received from notes receivable	11,823	21,828
Proceeds from unsecured term loans and senior notes and revolving lines of credit	1,679,470	1,381,592
Principal payments on unsecured term loans and senior notes and revolving lines of credit	(2,147,191)	(1,879,049)
Proceeds from issuance of public bonds, net	600,000	500,000
Dividends paid on common stock	(344,208)	(219,988)

We believe that cash flows generated by operations, along with our existing cash and cash equivalents, the availability of funds under our existing lines of credit, and our access to capital markets will be sufficient to meet all of our reasonably anticipated cash needs during the next twelve months. These cash needs include operating expenses, monthly debt service payments, recurring capital expenditures, acquisitions, funding for the bridge loan program, building redevelopments and expansions, distributions to unit holders and dividends to stockholders necessary to maintain our REIT qualification.

We expect to generate positive cash flow from operations in 2024, and we consider projected cash flows in our sources and uses of cash. These cash flows are principally derived from rents paid by our tenants. A significant deterioration in projected cash flows from operations could cause us to increase our reliance on available funds under our existing lines of credit, curtail planned capital expenditures, or seek other additional sources of financing.

LIQUIDITY AND CAPITAL RESOURCES

As of March 31, 2024, we had $50,816 available in cash and cash equivalents. 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 2024 and 2023, 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.

As of March 31, 2024, we had $11,479,914 face value of debt, resulting in a debt to total enterprise value ratio of 27.0%. As of March 31, 2024, the ratio of total fixed-rate debt and other instruments to total debt was 77.2% ($8,858,252 total fixed-rate debt including $1,384,038 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 March 31, 2024 was 4.5%. 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 March 31, 2024.

We expect to fund our short-term liquidity requirements, including operating expenses, recurring capital expenditures, dividends to stockholders, distributions to holders of Operating Partnership units and interest on our outstanding indebtedness, out of our operating cash flow, cash on hand and borrowings under our revolving lines of credit. In addition, we are pursuing additional sources of financing based on anticipated funding needs and growth assumptions.

We hold a BBB+/Stable rating from S&P, which was upgraded from BBB/Stable in July 2023 in connection with the Life Storage Merger, and a Baa2 rating from Moody's Investors Service. We intend to manage our balance sheet to maintain these ratings. Certain of our real estate assets are pledged as collateral for our debt. As of March 31, 2024, we had a total of 1,677 unencumbered stores as defined by our public bonds. Our unencumbered asset value was calculated as $32,023,434 and our total asset value was calculated as $37,860,700 according to the calculations as defined by our public bonds.

Our liquidity needs consist primarily of operating expenses, monthly debt service payments, recurring capital expenditures, dividends to stockholders and distributions to unit holders necessary to maintain our REIT qualification. 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 may also use Operating Partnership units as currency to fund acquisitions from self-storage owners.

OFF-BALANCE SHEET ARRANGEMENTS

Except as disclosed in the notes to our consolidated financial statements of our most recently filed Annual Report on Form 10-K, 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 condensed consolidated 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.

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 3. 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 March 31, 2024, we had approximately $11.5 billion in total face value of debt, of which approximately $2.6 billion was subject to variable interest rates (excluding debt with interest rate swaps). If SOFR was to increase or decrease by 100 basis points, the increase or decrease in interest expense on the variable-rate debt would increase or decrease future earnings and cash flows by approximately $26.2 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 4. CONTROLS AND PROCEDURES

(1) Disclosure Controls and Procedures

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

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

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

(2) Changes in internal control over financial reporting

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

PART II. OTHER INFORMATION

ITEM 1. 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. 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.

ITEM 1A. RISK FACTORS

In addition to the other information set forth in this report, you should carefully consider the factors discussed in “Part I. Item 1A. Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2023, which could materially affect our business, financial condition and results of operations. There have been no material changes to the risk factors described in the “Risk Factors” section in our Annual Report on Form 10-K for the year ended December 31, 2023. The risks described in our Annual Report on Form 10-K and our Quarterly Reports on Form 10-Q are not the only risks facing our company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially adversely affect our business, financial condition and results of operations.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

ITEM 5. OTHER INFORMATION

During the three months ended March 31, 2024, none of our officers or directors adopted, modified or terminated any contract, instruction or written plan for the purchase or sale of our securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or any “non Rule 10b5-1 trading arrangement.”

ITEM 6. EXHIBITS

Exhibit Number	Exhibit Description	Incorporated by Reference			Filed Herewith
		Form	Date	Number	
2.1	Agreement and Plan of Merger, dated as of April 2, 2023, by and among Extra Space Storage Inc., Extra Space Storage LP, Eros Merger Sub, LLC, Eros OP Merger Sub, LLC, Life Storage, Inc. and Life Storage LP	8-K	April 3, 2023	2.1	
2.2	Amendment to Agreement and Plan of Merger, dated as of May 18, 2023, by and among Extra Space Storage Inc., Extra Space Storage LP, Eros Merger Sub, LLC, Eros OP Merger Sub, LLC, Life Storage, Inc. and Life Storage LP	8-K	July 20, 2023	2.2	
3.1	Amended and Restated Articles of Incorporation of Extra Space Storage Inc.	S-11	August 10, 2004	3.1	
3.2	Articles of Amendment of Extra Space Storage Inc., dated September 28, 2007.	8-K	October 3, 2007	3.1	
3.3	Articles of Amendment of Extra Space Storage Inc., dated August 29, 2013.	8-K	August 29, 2013	3.1	
3.4	Articles of Amendment of Extra Space Storage Inc., dated May 21, 2014.	8-K	May 28, 2014	3.1	
3.5	Second Amended and Restated Bylaws of Extra Space Storage Inc.	8-K	January 17, 2018	3.1	
3.6	Fourth Amended and Restated Agreement of Limited Partnership of Extra Space Storage LP.	8-K	December 6, 2013	10.1	
4.1	Junior Subordinated Note	10-K	February 26, 2010	4.3	
4.2	Description of Securities	10-K	February 25, 2020	4.6	
4.3	Indenture, dated as of May 11, 2021, among Extra Space Storage LP, as issuer, Extra Space Storage Inc., ESS Holdings Business Trust I and ESS Holdings Business Trust II, as guarantors, and Wells Fargo Bank, National Association, as trustee.	8-K	May 11, 2021	4.1	
4.4	First Supplemental Indenture, dated as of May 11, 2021, among Extra Space Storage LP, as issuer, Extra Space Storage Inc., ESS Holdings Business Trust I and ESS Holdings Business Trust II, as guarantors, and Wells Fargo Bank, National Association, as trustee, including the form of the Notes and the Guarantee.	8-K	May 11, 2021	4.2	
4.5	Second Supplemental Indenture, dated as of September 22, 2021, among Extra Space Storage LP, as issuer,	8-K	September 22, 2021	4.2	

4.8	Fifth Supplemental Indenture, dated as of June 16, 2023, among Extra Space Storage LP, as issuer, Extra Space Storage Inc., ESS Holdings Business Trust I and ESS Holdings Business Trust II, as guarantors, and Computershare Trust Company, N.A., as trustee, including the form of the Notes and the Guarantee.	8-K	June 16, 2023	4.2
4.9	Sixth Supplemental Indenture, dated as of July 25, 2023, among Extra Space Storage LP, as issuer, Extra Space Storage Inc., ESS Holdings Business Trust I and ESS Holdings Business Trust II, as guarantors, and Computershare Trust Company, N.A., as trustee, including the form of the Notes and the Guarantee.	8-K	July 25, 2023	4.4
4.10	Seventh Supplemental Indenture, dated as of July 25, 2023, among Extra Space Storage LP, as issuer, Extra Space Storage Inc., ESS Holdings Business Trust I and ESS Holdings Business Trust II, as guarantors, and Computershare Trust Company, N.A., as trustee, including the form of the Notes and the Guarantee.	8-K	July 25, 2023	4.5
4.11	Eighth Supplemental Indenture, dated as of July 25, 2023, among Extra Space Storage LP, as issuer, Extra Space Storage Inc., ESS Holdings Business Trust I and ESS Holdings Business Trust II, as guarantors, and Computershare Trust Company, N.A., as trustee, including the form of the Notes and the Guarantee.	8-K	July 25, 2023	4.6
4.12	Ninth Supplemental Indenture, dated as of July 25, 2023, among Extra Space Storage LP, as issuer, Extra Space Storage Inc., ESS Holdings Business Trust I and ESS Holdings Business Trust II, as guarantors, and Computershare Trust Company, N.A., as trustee, including the form of the Notes and the Guarantee.	8-K	July 25, 2023	4.7
4.13	Tenth Supplemental Indenture, dated as of July 25, 2023, among Extra Space Storage LP, as issuer, Extra Space Storage Inc., ESS Holdings Business Trust I and ESS Holdings Business Trust II, as guarantors, and Computershare Trust Company, N.A., as trustee, including the form of the Notes and the Guarantee.	8-K	July 25, 2023	4.8
4.14	Eleventh Supplemental Indenture, dated	8-K	December 1,	4.2

31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	X
32.1	Certifications of the Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	X
101	The following materials from Extra Space Storage Inc.’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2024, are formatted in XBRL (eXtensible Business Reporting Language): (1) the Condensed Consolidated Balance Sheets, (2) the Condensed Consolidated Statements of Operations, (3) the Condensed Consolidated Statements of Comprehensive Income (4) the Condensed Consolidated Statement of Noncontrolling Interests and Equity, (5) the Condensed Consolidated Statements of Cash Flows and (6) notes to these financial statements.	X
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101).	X

SIGNATURES

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

EXTRA SPACE STORAGE INC.

Registrant

Date: May 3, 2024	/s/ Joseph D. Margolis
	Joseph D. Margolis
	Chief Executive Officer (Principal Executive Officer)
Date: May 3, 2024	/s/ P. Scott Stubbs
	P. Scott Stubbs
	Executive Vice President and Chief Financial Officer
	(Principal Financial Officer)