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

FORM 10-Q

(Mark One)

x	**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
	For the quarterly period ended September 30, 2008
	Or
o	**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
	For the transition period from to .

Commission File Number: 001-32269

EXTRA SPACE STORAGE INC.

(Exact name of registrant as specified in its charter)

Maryland	**20-1076777**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

2795 East Cottonwood Parkway, Suite 400

Salt Lake City, Utah 84121

(Address of principal executive offices)

Registrant s telephone number, including area code: **(801) 562-5556**

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 o

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

Large accelerated filer x	Accelerated filer o
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

The number of shares outstanding of the registrant s common stock, par value $0.01 per share, as of October 31, 2008 was 85,500,139.

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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 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 estimate 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:

- changes in general economic conditions and in the markets in which we operate;
- the effect of competition from new self-storage facilities or other storage alternatives, which could cause rents and occupancy rates to decline;
- potential liability for uninsured losses and environmental contamination;
- difficulties in our ability to evaluate, finance and integrate acquired and developed properties into our existing operations and to lease up those properties, which could adversely affect our profitability;
- 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, or REITs, which could increase our expenses and reduce our cash available for distribution;
- recent disruptions in credit and financial markets and resulting difficulties in raising capital at reasonable rates, which could impede our ability to grow;
- delays in the development and construction process, which could adversely affect our profitability; and
- economic uncertainty due to the impact of war or terrorism, which could adversely affect our business plan.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Extra Space Storage Inc.
Condensed Consolidated Balance Sheets

(in thousands, except share data)

	September 30, 2008 (unaudited)	December 31, 2007
Assets:		
Real estate assets:		
Net operating real estate assets	$ 1,856,809	$ 1,791,377
Real estate under development	48,447	49,945
Net real estate assets	1,905,256	1,841,322
Investments in real estate ventures	139,345	95,169
Cash and cash equivalents	112,076	17,377
Investments available for sale		21,812
Restricted cash	38,265	34,449
Receivables from related parties and affiliated real estate joint ventures	11,591	7,386
Other assets, net	37,153	36,560
Total assets	$ 2,243,686	$ 2,054,075
Liabilities, Minority Interests, and Stockholders Equity:		
Notes payable	$ 930,088	$ 950,181
Notes payable to trusts	119,590	119,590
Exchangeable senior notes	250,000	250,000
Line of credit		
Accounts payable and accrued expenses	36,484	31,346
Other liabilities	18,857	18,055
Total liabilities	1,355,019	1,369,172
Minority interest represented by Preferred Operating Partnership units, net of $100,000 note receivable	28,828	30,041
Minority interest in Operating Partnership and other minority interests	30,696	34,941
Commitments and contingencies		
Stockholders equity:		
Preferred stock, $0.01 par value, 50,000,000 shares authorized, no shares issued or outstanding		
Common stock, $0.01 par value, 300,000,000 shares authorized, 82,370,640 and 65,784,274 shares issued and outstanding at September 30, 2008 and December 31, 2007, respectively	824	658
Paid-in capital	1,063,411	826,026
Other comprehensive deficit		(1,415)
Accumulated deficit	(235,092)	(205,348)

Total stockholders equity		829,143		619,921
Total liabilities, minority interests, and stockholders equity	$	2,243,686	$	2,054,075

See accompanying notes to unaudited condensed consolidated financial statements.

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

	Three months ended September 30, 2008	Three months ended September 30, 2007	Nine months ended September 30, 2008	Nine months ended September 30, 2007
Revenues:				
Property rental	$ 59,997	$ 55,209	$ 174,906	$ 149,832
Management and franchise fees	5,417	5,169	15,837	15,520
Tenant reinsurance	4,265	3,027	11,723	7,858
Other income	169	421	425	942
Total revenues	69,848	63,826	202,891	174,152
Expenses:				
Property operations	21,367	19,607	62,871	53,855
Tenant reinsurance	1,426	1,397	3,958	3,587
Unrecovered development and acquisition costs	39	184	1,631	593
General and administrative	10,319	9,326	30,568	27,534
Depreciation and amortization	12,355	10,598	35,633	28,517
Total expenses	45,506	41,112	134,661	114,086
Income before interest, equity in earnings of real estate ventures, loss on sale of investments available for sale, Preferred Operating Partnership units and minority interests	24,342	22,714	68,230	60,066
Interest expense	(15,904)	(16,079)	(48,220)	(44,912)
Interest income	1,280	1,821	2,575	6,937
Interest income on note receivable from Preferred Operating Partnership unit holder	1,213	1,280	3,638	1,280
Equity in earnings of real estate ventures	2,015	1,304	4,610	3,693
Loss on sale of investments available for sale			(1,415)	
Fair value adjustment of obligation associated with Preferred Operating Partnership units		1,054		1,054
Minority interest - Operating Partnership	(766)	(869)	(1,893)	(1,768)
Minority interests - other	147	113	403	153
Net income	$ 12,327	$ 11,338	$ 27,928	$ 26,503
Fixed distribution paid to Preferred Operating Partnership unit holder		(1,510)		(1,510)
Net income attributable to common stockholders	$ 12,327	$ 9,828	$ 27,928	$ 24,993
Net income per common share				
Basic	$ 0.15	$ 0.15	$ 0.38	$ 0.39
Diluted	$ 0.15	$ 0.15	$ 0.38	$ 0.38
Weighted average number of shares				
Basic	81,736,986	64,901,249	73,668,700	64,461,353
Diluted	87,263,018	70,567,078	79,226,236	69,702,837
Cash dividends paid per common share	$ 0.25	$ 0.23	$ 0.75	$ 0.68

See accompanying notes to unaudited condensed consolidated financial statements.

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Extra Space Storage Inc.
Condensed Consolidated Statement of Stockholders Equity
(in thousands, except share data)
(unaudited)

	Common Stock Shares	Common Stock Par Value	Paid-in Capital	Accumulated Other Comprehensive Deficit	Accumulated Deficit	Total Stockholders Equity
Balances at December 31, 2007	65,784,274	$ 658	$ 826,026	$ (1,415)	$ (205,348)	$ 619,921
Issuance of common stock upon the exercise of options	146,795	1	1,916			1,917
Restricted stock grants issued	358,139	4				4
Restricted stock grants cancelled	(4,760)					
Compensation expense related to stock-based awards			2,804			2,804
Conversion of Contingent Conversion Shares to common stock	1,136,192	11				11
Issuance of common stock, net of offering costs	14,950,000	150	232,568			232,718
Comprehensive income:						
Net income					27,928	27,928
Loss on sale of investments available for sale				1,415		1,415
Total comprehensive income						29,343
Tax benefit from exercise of common stock options			97			97
Dividends paid on common stock at $0.75 per share					(57,672)	(57,672)
Balances at September 30, 2008	82,370,640	$ 824	$ 1,063,411	$	$ (235,092)	$ 829,143

See accompanying notes to unaudited condensed consolidated financial statements.

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

	Nine months ended September 30, 2008	2007
Cash flows from operating activities:		
Net income	$ 27,928	$ 26,503
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	35,633	28,517
Amortization of deferred financing costs	2,640	2,457
Fair value adjustment of obligation associated with Preferred Operating Partnership units		(1,054)
Loss on sale of investments available for sale	1,415	
Stock compensation expense	2,804	1,611
Income allocated to minority interests	1,490	1,615
Distributions from real estate ventures in excess of earnings	4,001	3,454
Changes in operating assets and liabilities:		
Receivables from related parties	(4,475)	4,835
Other assets	(3,062)	5,045
Accounts payable and accrued expenses	5,138	8,247
Other liabilities	883	(2,378)
Net cash provided by operating activities	74,395	78,852
Cash flows from investing activities:		
Acquisition of real estate assets	(55,602)	(144,347)
Development and construction of real estate assets	(42,126)	(31,495)
Proceeds from sale of real estate assets	340	1,999
Investments in real estate ventures	(48,941)	(4,769)
Return of investment in real estate ventures	764	
Net proceeds from sale of (purchases of) investments available for sale	21,812	(49,200)
Change in restricted cash	(3,816)	7,640
Purchase of equipment and fixtures	(1,368)	(835)
Net cash used in investing activities	(128,937)	(221,007)
Cash flows from financing activities:		
Proceeds from exchangeable senior notes		250,000
Proceeds from notes payable, notes payable to trusts and line of credit	4,063	50,102
Principal payments on notes payable and line of credit	(24,097)	(31,135)
Deferred financing costs	(740)	(7,740)
Loan to Preferred Operating Partnership unit holder		(100,000)
Minority interest investments	1,174	
Redemption of Operating Partnership units held by minority interest		(775)
Proceeds from issuance of common shares, net	232,718	
Net proceeds from exercise of stock options	1,917	1,339
Dividends paid on common stock	(57,672)	(44,218)
Distributions to Operating Partnership units held by minority interest	(8,122)	(4,389)
Net cash provided by financing activities	149,241	113,184
Net increase (decrease) in cash and cash equivalents	94,699	(28,971)
Cash and cash equivalents, beginning of the period	17,377	70,801
Cash and cash equivalents, end of the period	$ 112,076	$ 41,830

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	Nine months ended September 30, 2008		2007	
Supplemental schedule of cash flow information				
Interest paid, net of amounts capitalized	$	44,988	$	37,756
Supplemental schedule of noncash investing and financing activities:				
Acquisitions:				
Real estate assets	$		$	190,185
Notes payable acquired				(54,350)
Preferred Operating Partnership units issued as consideration				(131,499)
Investment in real estate ventures				(502)
Minority interest in Operating Partnership				(3,834)

See accompanying notes to unaudited condensed consolidated financial statements.

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Extra Space Storage Inc.
Notes to Condensed Consolidated Financial Statements (unaudited)

Amounts in thousands, except property and share data

1. ORGANIZATION

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

The Company invests in self-storage facilities by acquiring or developing wholly-owned facilities or by acquiring an equity interest in real estate entities. At September 30, 2008, the Company had direct and indirect equity interests in 617 storage facilities located in 33 states and Washington, D.C. In addition, the Company managed 67 properties for franchisees and third parties, bringing the total number of properties which it owns and/or manages to 684.

The Company operates in two distinct segments: (1) property management, acquisition and development; and (2) rental operations. The Company s property management, acquisition and development activities include managing, acquiring, developing and selling self-storage facilities. The rental operations activities include rental operations of self-storage facilities. No single tenant accounts for more than 5% of rental income.

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 and nine months ended September 30, 2008 are not necessarily indicative of results that may be expected for the year ended December 31, 2008. The Condensed Consolidated Balance Sheet as of December 31, 2007 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, 2007 as filed with the Securities and Exchange Commission (SEC).

Reclassifications

Certain amounts in the 2007 financial statements and supporting note disclosures have been reclassified to conform to the current year presentation. Such reclassification did not impact previously reported net income or accumulated deficit.

Recently Issued Accounting Standards

In September 2006, the Financial Accounting Standards Board (FASB) issued Statement No. 157, *Fair Value Measurements* (FAS 157). FAS 157 defines fair value, establishes guidelines for measuring fair value and expands disclosures regarding fair value measurements. FAS 157 applies under other accounting pronouncements that require or permit fair value measurements, and does not require any new fair value measurements. FAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. In February 2008, the FASB issued FASB Statement of Position No. 157-2, *Effective Date of FASB Statement No. 157* (the FSP). The FSP amends FAS 157 to delay the effective date for FAS 157 for nonfinancial assets and nonfinancial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis. For items within that scope, the FSP defers the effective date of FAS 157 to fiscal years beginning after November 15, 2008 and interim periods within those fiscal years. The Company adopted FAS 157 effective January 1, 2008, except as it relates to nonfinancial assets and liabilities that are not recognized or disclosed at fair value in the financial statements on a recurring basis as allowed under the FSP.

In February 2007, the FASB issued Statement No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* (FAS 159). Under FAS 159, a company may elect to measure eligible financial assets and financial liabilities at fair value.

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Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings at each subsequent reporting date. This statement is effective for fiscal years beginning after November 15, 2007. The Company adopted FAS 159 effective January 1, 2008, but did not elect to measure any additional financial assets or liabilities at fair value.

In December 2007, the FASB issued revised Statement No. 141, *Business Combinations* (FAS 141(R)). FAS 141(R) establishes principles and requirements for how an acquirer in a business combination recognizes and measures in its financial statements the assets acquired and liabilities assumed. Generally, assets acquired and liabilities assumed in a transaction will be recorded at the acquisition-date fair value with limited exceptions. FAS 141(R) will also change the accounting treatment and disclosure for certain specific items in a business combination. FAS 141(R) applies proactively to business combinations for which the acquisition date is on or after the beginning of the first fiscal year beginning on or after December 15, 2008. The Company will assess the impact of FAS 141(R) if and when future acquisitions occur. However, the application of FAS 141(R) will result in a significant change in accounting for acquisitions after the effective date.

In December 2007, the FASB issued Statement No. 160, *Non-controlling Interests in Consolidated Financial Statements An Amendment of ARB No. 51* (FAS 160). FAS 160 establishes new accounting and reporting standards for the non-controlling interest in a subsidiary and for the deconsolidation of a subsidiary. FAS 160 requires a company to clearly identify and 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. FAS 160 also requires the amount of consolidated net income attributable to the parent and to the non controlling 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. FAS 160 requires retroactive adoption of the presentation and disclosure requirements for existing minority interests, with all other requirements applied prospectively. As of September 30, 2008 and 2007, minority interests in the accompanying consolidated balance sheets were $59,524 and $64,982, respectively. These amounts will be recharacterized as non-controlling interests as a component of equity when FAS 160 is adopted. FAS 160 is effective for fiscal years beginning on or after December 15, 2008.

In March 2008, the FASB issued Statement No. 161, *Disclosures about Derivative Instruments and Hedging Activities,* an amendment of FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities* (FAS 161). FAS 161 changes the disclosure requirements for derivative instruments and hedging activities. Entities are required to provide enhanced disclosures stating how and why an entity uses derivative instruments; how derivative instruments and related hedged items are accounted for under SFAS No. 133 and its related interpretations; and how derivative instruments and related hedged items affect an entity s financial position, financial performance and cash flows. FAS 161 requires that objectives for using derivative instruments be disclosed in terms of underlying risk and accounting designation. FAS 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. FAS 161 also encourages but does not require comparative disclosures for earlier periods at initial adoption. The Company is currently evaluating whether the adoption of FAS 161 will have an impact on its financial statements.

In December 2007, the SEC staff issued Staff Accounting Bulletin (SAB) No. 110, which is effective January 1, 2008, and amends and replaces SAB No. 107, *Share-Based Payment.* SAB No. 110 expresses the views of the SEC staff regarding the use of a simplified method in developing an estimate of expected term of plain vanilla share options in accordance with SFAS No. 123(R), *Share-Based Payment.* Under the simplified method, the expected term is calculated as the midpoint between the vesting date and the end of the contractual term of the option. The use of the simplified method, which was first described in SAB No. 107, was scheduled to expire on December 31, 2007. SAB No. 110 extends the use of the simplified method for plain vanilla awards in certain situations. The SEC staff does not expect the simplified method to be used when sufficient information regarding exercise behavior, such as historical exercise data or exercise information from external sources, becomes available. The adoption of SAB No. 110 did not have a significant effect on the Company s financial statements.

In May 2008, the FASB issued FASB Statement of Position No. APB 14-1, *Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)* (FSP APB 14-1). Under FSP APB 14-1, entities with convertible debt instruments that may be settled entirely or partially in cash upon conversion should separately account for the liability and equity components of the instrument in a manner that reflects the issuer s economic interest cost. The effect of the adoption of FSP APB 14-1 on the Company s exchangeable senior notes is that the equity component will be included in the paid-in-capital section of stockholders equity on the consolidated balance sheet and the value of the equity component will be treated as original issue discount for purposes of accounting for the debt component. The original issue discount will be amortized over the period of the debt as additional interest expense. FSP APB 14-1 will be effective for fiscal years beginning after December 15, 2008, and for interim periods within those fiscal years, with retrospective application required. The Company is currently evaluating the impact that the adoption of FSP APB 14-1 will have on its financial statements, and expects a significant increase in interest expense as a result.

In May 2008, the FASB issued FASB Statement No. 162 (FAS 162), The Hierarchy of Generally Accepted Accounting Principles. FAS 162 identifies the sources of accounting principles and the framework for selecting the principles used in the

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preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles in the United States. FAS 162 shall be effective 60 days following the SEC s approval of the Public Company Accounting Oversight Board amendments to AU Section 411, The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles. The Company does not believe the adoption will have a material impact on its consolidated financial condition or results of operations.

Fair Value Disclosures

Assets and Liabilities Measured at Fair Value on a Recurring Basis

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

			Fair Value Measurements at Reporting Date Using		
Description	**September 30, 2008**		**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Notes payable associated with Swap Agreement		(61,770)			(61,770)
Other assets (liabilities) - Swap Agreement		87			87
Total	$	(61,683)	$	$	$ (61,683)

Following is a reconciliation of the beginning and ending balances for the Company s investments available for sale, which were the Company s only material assets or liabilities that are remeasured on a recurring basis using significant unobservable inputs (Level 3):

Balance as of December 31, 2007	$	21,812
Total gains or losses (realized/unrealized)		
Included in earnings		(1,415)
Included in other comprehensive income		1,415
Settlements received in cash		(21,812)
Balance as of September 30, 2008	$	
Amount of total gains or losses for the period included in earnings attributable to the change in unrealized gains or losses relating to assets still held at September 30, 2008	$	

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. When such an event occurs, the Company compares the carrying value of these 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 asset. The impairment loss recognized equals the excess of net carrying value over the related fair value of the asset. The Company has determined that no property was impaired and therefore no impairment charges were recorded during the three or nine months ended September 30, 2008 or 2007.

When real estate assets are identified as held for sale, the Company discontinues depreciating the assets and estimates the fair value of the assets, net of selling costs. If the estimated fair value, net of selling costs, of the assets that have been identified as held for sale is less than the net carrying value of the assets, then a valuation allowance is established. The operations of assets held for sale or sold during the period are presented as discontinued operations for all periods presented. The Company did not have any properties classified as held for sale at September 30, 2008.

The Company assesses whether there are any indicators that the value of its investments in unconsolidated real estate ventures may be impaired when events or circumstances indicate there may be an impairment. An investment is impaired if the Company 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 over the fair value of the investment. No impairment charges were recognized for the three or nine months ended September 30, 2008 or 2007.

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There were no impaired properties or investments in unconsolidated real estate ventures or any real estate assets identified as held for sale during the three or nine months ended September 30, 2008. Therefore, the Company did not make any nonrecurring fair value measurements during the period.

3. NET INCOME PER SHARE

Basic earnings per common share is computed by dividing net income by the weighted average number of common shares outstanding, less non-vested restricted stock. 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 number of additional common shares that would have been outstanding if the potential common shares that were dilutive had been issued and is calculated using either the treasury stock or if-converted method. Potential common shares are securities (such as options, warrants, convertible debt, Contingent Conversion Shares (CCSs), Contingent Conversion Units (CCUs), exchangeable Series A Participating Redeemable Preferred Operating Partnership units (Preferred OP units) and exchangeable Operating Partnership units (OP units)) that do not have a current right to participate in earnings but could do so in the future by virtue of their option or conversion right. In computing the dilutive effect of convertible securities, net income is adjusted to add back any changes in earnings in the period associated with the convertible security. The numerator also is adjusted for the effects of any other non-discretionary changes in income or loss that would result from the assumed conversion of those potential common shares. In computing diluted earnings per share, only potential common shares that are dilutive, or reduce earnings per share, are included.

The Company s Operating Partnership has $250,000 of exchangeable senior notes issued and outstanding that also can potentially have a dilutive effect on its earnings per share calculations. The exchangeable senior notes are exchangeable by holders into shares of the Company s common stock under certain circumstances per the terms of the indenture governing the exchangeable senior notes. The exchangeable senior notes are not exchangeable unless the price of the Company s common stock is greater than or equal to 130% of the applicable exchange price for a specified period during a quarter, or unless certain other events occur. The exchange price was $23.48 per share at September 30, 2008, and could change over time as described in the indenture. The price of the Company s common stock did not exceed 130% of the exchange price for the specified period of time during the third quarter of 2008; therefore holders of the exchangeable senior notes may not elect to convert them during the fourth quarter of 2008.

The Company has irrevocably agreed to pay only cash for the accreted principal amount of the exchangeable senior notes relative to its exchange obligations, but has retained the right to satisfy the exchange obligations in excess of the accreted principal amount in cash and/or common stock. Though the Company has retained that right, FASB Statement No. 128 *Earnings per Share*, (FAS 128) requires an assumption that shares will be used to pay the exchange obligations in excess of the accreted principal amount, and requires that those shares be included in the Company s calculation of weighted average common shares outstanding for the diluted earnings per share computation. No shares were included in the computation at September 30, 2008 because there was no excess over the accreted principal for the period.

For the purposes of computing the diluted impact on earnings per share of the potential conversion of Preferred OP units into common shares, where the Company has the option to redeem in cash or shares as discussed in Note 15 and where the Company has stated the positive intent and ability to settle at least $115,000 of the instrument in cash (or net settle a portion of the Preferred OP units against the related outstanding note receivable), only the amount of the instrument in excess of $115,000 is considered in the calculation of shares contingently issuable for the purposes of computing diluted earnings per share as allowed by paragraph 29 of FAS 128.

For the three months ended September 30, 2008 and 2007, options to purchase 1,356,592 and 1,184,978 shares of common stock, and for the nine months ended September 30, 2008 and 2007, options to purchase 903,180 and 256,506 shares of common stock, respectively, were excluded from the computation of earnings per share as their effect would have been anti-dilutive.

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The computation of net income per common share is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Net income attributable to common stockholders	$ 12,327	$ 9,828	$ 27,928	$ 24,993
Add:				
Income allocated to minority interest - Operating Partnership	766	869	1,893	1,768
Net income for diluted computations	$ 13,093	$ 10,697	$ 29,821	$ 26,761
Weighted average common shares oustanding:				
Average number of common shares outstanding - basic	81,736,986	64,901,249	73,668,700	64,461,353
Operating Partnership units	4,109,034	4,025,332	4,109,034	4,025,332
Preferred Operating Partnership units	989,980	961,839	989,980	340,561
Dilutive stock options, restricted stock and CCS/CCU conversions	427,018	678,658	458,522	875,591
Average number of common shares outstanding - diluted	87,263,018	70,567,078	79,226,236	69,702,837
Net income per common share				
Basic	$ 0.15	$ 0.15	$ 0.38	$ 0.39
Diluted	$ 0.15	$		