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 March 31, 2010

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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes o 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 the 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 April 30, 2010 was 87,203,665.

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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, which could increase our expenses and reduce our cash available for distribution;

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

- delays in the development and construction process, which could adversely affect our profitability;

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

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

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Extra Space Storage Inc.

Condensed Consolidated Balance Sheets

(amounts in thousands, except share data)

	March 31, 2010 (unaudited)	December 31, 2009
Assets:		
Real estate assets:		
Net operating real estate assets	$ 1,842,348	$ 2,015,432
Real estate under development	33,295	34,427
Net real estate assets	1,875,643	2,049,859
Investments in real estate ventures	146,718	130,449
Cash and cash equivalents	108,740	131,950
Restricted cash	32,962	39,208
Receivables from related parties and affiliated real estate joint ventures	23,004	5,114
Other assets, net	50,395	50,976
Total assets	$ 2,237,462	$ 2,407,556
Liabilities, Noncontrolling Interests and Equity:		
Notes payable	$ 936,468	$ 1,099,593
Notes payable to trusts	119,590	119,590
Exchangeable senior notes	87,663	87,663
Discount on exchangeable senior notes	(3,465)	(3,869)
Lines of credit	100,000	100,000
Accounts payable and accrued expenses	33,898	33,386
Other liabilities	23,001	24,974
Total liabilities	1,297,155	1,461,337
Commitments and contingencies		
Equity:		
Extra Space Storage Inc. stockholders equity:		
Preferred stock, $0.01 par value, 50,000,000 shares authorized, no shares issued or outstanding		
Common stock, $0.01 par value, 300,000,000 shares authorized, 87,083,813 and 86,721,841 shares issued and outstanding at March 31, 2010 and December 31, 2009, respectively	871	867
Paid-in capital	1,138,906	1,138,243
Accumulated other comprehensive deficit	(2,242)	(1,056)
Accumulated deficit	(259,014)	(253,875)
Total Extra Space Storage Inc. stockholders equity	878,521	884,179
Noncontrolling interest represented by Preferred Operating Partnership units, net of $100,000 note receivable	29,813	29,886
Noncontrolling interests in Operating Partnership	31,113	31,381
Other noncontrolling interests	860	773
Total noncontrolling interests and equity	940,307	946,219
Total liabilities, noncontrolling interests and equity	$ 2,237,462	$ 2,407,556

See accompanying notes to unaudited condensed consolidated financial statements.

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Extra Space Storage Inc.

Condensed Consolidated Statements of Operations

(amounts in thousands, except share data)

(unaudited)

	Three months ended March 31, 2010	2009
Revenues:		
Property rental	$ 56,143	$ 59,409
Management and franchise fees	5,552	5,219
Tenant reinsurance	5,892	4,619
Total revenues	67,587	69,247
Expenses:		
Property operations	21,956	22,867
Tenant reinsurance	1,223	1,261
Unrecovered development and acquisition costs	70	82
General and administrative	11,056	10,591
Depreciation and amortization	12,419	12,523
Total expenses	46,724	47,324
Income from operations	20,863	21,923
Interest expense	(17,274)	(15,795)
Non-cash interest expense related to amortization of discount on exchangeable senior notes	(404)	(841)
Interest income	325	532
Interest income on note receivable from Preferred Operating Partnership unit holder	1,213	1,213
Gain on repurchase of exchangeable senior notes		22,483
Income before equity in earnings of real estate ventures and income tax expense	4,723	29,515
Equity in earnings of real estate ventures	1,501	1,895
Income tax expense	(1,045)	(648)
Net income	5,179	30,762
Net income allocated to Preferred Operating Partnership noncontrolling interests	(1,479)	(1,806)
Net income allocated to Operating Partnership and other noncontrolling interests	(132)	(1,337)
Net income attributable to common stockholders	$ 3,568	$ 27,619
Net income per common share		
Basic	$ 0.04	$ 0.32
Diluted	$ 0.04	$ 0.32
Weighted average number of shares		
Basic	86,873,472	85,940,389
Diluted	91,666,076	91,222,295
Cash dividends paid per common share	$ 0.10	$ 0.25

See accompanying notes to unaudited condensed consolidated financial statements.

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Extra Space Storage Inc.

Condensed Consolidated Statement of Equity

(amounts in thousands, except share data)

(unaudited)

	Noncontrolling Interests			**Extra Space Storage Inc. Stockholders Equity**					
	Preferred Operating Partnership	**Operating Partnership**	**Other**	**Shares**	**Par Value**	**Paid-in Capital**	**Accumulated Other Comprehensive Deficit**	**Accumulated Deficit**	**Total Equity**
Balances at December 31, 2009	$ 29,886	$ 31,381	$ 773	86,721,841	$ 867	$ 1,138,243	$ (1,056)	$ (253,875)	$ 946,219
Issuance of common stock upon the exercise of options				63,250	1	487			488
Restricted stock grants issued				302,760	3				3
Restricted stock grants cancelled				(4,038)					
Compensation expense related to stock-based awards						919			919
Deconsolidation of noncontrolling interests			104						104
Comprehensive income:									
Net income (loss)	1,479	149	(17)					3,568	5,179
Change in fair value of interest rate swap	(15)	(54)					(1,186)		(1,255)
Total comprehensive income									3,924
Tax effect from vesting of restricted stock grants and stock option exercises						142			142
Tax effect from contribution of property to Taxable REIT Subsidiary						(885)			(885)
Distributions to Operating Partnership units held by noncontrolling interests	(1,537)	(363)							(1,900)
Dividends paid on common stock at $0.10 per share								(8,707)	(8,707)
Balances at March 31, 2010	$ 29,813	$ 31,113	$ 860	87,083,813	$ 871	$ 1,138,906	$ (2,242)	$ (259,014)	$ 940,307

See accompanying notes to unaudited condensed consolidated financial statements.

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

	Three months ended March 31, 2010	2009
Cash flows from operating activities:		
Net income	$ 5,179	$ 30,762
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	12,419	12,523
Amortization of deferred financing costs	1,250	883
Non-cash interest expense related to amortization of discount on exchangeable senior notes	404	841
Gain on repurchase of exchangeable senior notes		(22,483)
Compensation expense related to stock-based awards	919	899
Distributions from real estate ventures in excess of earnings	1,351	1,540
Changes in operating assets and liabilities:		
Receivables from related parties and affiliated real estate joint ventures	352	(3,675)
Other assets	(5,473)	317
Accounts payable and accrued expenses	512	(1,481)
Other liabilities	(898)	(1,508)
Net cash provided by operating activities	16,015	18,618
Cash flows from investing activities:		
Acquisition of real estate assets	(2,962)	(19,612)
Development and construction of real estate assets	(6,019)	(17,521)
Proceeds from sale of properties to joint venture (Note 4)	15,750	
Investments in real estate ventures	(1,057)	(114)
Change in restricted cash	6,246	3,811
Purchase of equipment and fixtures	(137)	(207)
Net cash provided by (used in) investing activities	11,821	(33,643)
Cash flows from financing activities:		
Repurchase of exchangeable senior notes		(44,513)
Proceeds from notes payable and lines of credit	7,442	150,586
Principal payments on notes payable and lines of credit	(48,219)	(75,131)
Deferred financing costs	(149)	(1,133)
Net proceeds from exercise of stock options	487	
Dividends paid on common stock	(8,707)	(21,526)
Distributions to noncontrolling interests in Operating Partnership	(1,900)	(2,752)
Net cash provided by (used in) financing activities	(51,046)	5,531
Net decrease in cash and cash equivalents	(23,210)	(9,494)
Cash and cash equivalents, beginning of the period	131,950	63,972
Cash and cash equivalents, end of the period	$ 108,740	$ 54,478

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

	Three months ended March 31,			
		2010		2009
Supplemental schedule of cash flow information				
Interest paid, net of amounts capitalized	$	15,384	$	14,681
Supplemental schedule of noncash investing and financing activities:				
Deconsolidation of joint ventures due to application of Accounting Standards Codification 810:				
Real estate assets, net	$	(42,739)	$	
Investments in real estate ventures		404		
Receivables from related parties and affiliated real estate joint ventures		21,142		
Other assets and other liabilities		(51)		
Notes payable		21,348		
Other noncontrolling interests		(104)		

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

The Company invests in self-storage facilities by acquiring or developing wholly-owned facilities or by acquiring an equity interest in real estate entities. At March 31, 2010, the Company had direct and indirect equity interests in 643 operating storage facilities located in 33 states and Washington, D.C. In addition, the Company managed 125 properties for franchisees and third parties, bringing the total number of operating properties which it owns and/or manages to 768.

The Company operates in three distinct segments: (1) property management, acquisition and development; (2) rental operations; and (3) tenant reinsurance. The Company s property management, acquisition and development activities include managing, acquiring, developing and selling self-storage facilities. On June 2, 2009, the Company announced the wind-down of its development activities. As of March 31, 2010, there were nine development projects in process that the Company expects to complete in 2010 and 2011. The rental operations activities include rental operations of self-storage facilities. No single tenant accounts for more than 5% of rental income. Tenant reinsurance activities include the reinsurance of risks relating to the loss of goods stored by tenants in the Company s self storage facilities.

2. 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, 2010 are not necessarily indicative of results that may be expected for the year ended December 31, 2010. The Condensed Consolidated Balance Sheet as of December 31, 2009 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, 2009 as filed with the Securities and Exchange Commission (SEC).

Recently Issued Accounting Standards

In June 2009, the Financial Accounting Standards Board (FASB) issued changes to Accounting Standards Codification (ASC) 810, *Consolidation,* which amended guidance for determining whether an entity is a variable interest entity (VIE), and requires the performance of a qualitative rather than a quantitative analysis to determine the primary beneficiary of a VIE. Under this guidance, an entity would be required to consolidate a VIE if it has (i) the power to direct the activities that most significantly impact the entity s economic performance and (ii) the obligation to absorb losses of the VIE or the right to receive benefits from the VIE that could be significant to the VIE. This guidance is effective for the first annual reporting period that begins after November 15, 2009, with early adoption prohibited. The Company adopted this guidance effective January 1, 2010 and reviewed the terms for all joint ventures in relation to the new guidance. As a result of this analysis, the Company determined that five joint ventures that were consolidated under the previous accounting guidance should be deconsolidated as of January 1, 2010. The assets and liabilities associated with these joint ventures were removed from the Company s financial statements and the Company s investments in these joint ventures were recorded under the equity method of accounting during the three months ended March 31, 2010.

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Reclassifications

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

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	**March 31, 2010**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Other liabilities - Swap Agreement 1	$ (992)	$	$ (992)	$
Other liabilities - Swap Agreement 2	(838)		(838)	
Other liabilities - Swap Agreement 3	(379)		(379)	
Other liabilities - Swap Agreement 4	(157)		(157)	
Total	$ (2,366)	$	$ (2,366)	$

The fair value of our derivatives is based on quoted market prices of similar instruments from various banking institutions or an independent third party provider for similar instruments. In determining the fair value, we consider our non-performance risk and that of our counterparties.

The Company did not have any significant assets or liabilities that are re-measured on a recurring basis using significant unobservable inputs (Level 3) for the three months ended March 31, 2010.

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 self-storage facility at least annually to determine if any such events or circumstances have occurred or exist. The Company focuses on facilities where occupancy and/or rental income have decreased by a significant amount. For these facilities, the Company determines whether the decrease is temporary or permanent and whether the facility will likely recover the lost occupancy and/or revenue in the short term. In addition, the Company carefully reviews facilities in the lease-up stage and compares actual operating results to original projections.

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

When real estate assets are identified by management as held for sale, the Company discontinues depreciating the assets and estimates the fair value of the assets, net of selling costs. If the estimated fair value, net of selling costs, of the assets that have been identified 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 generally presented as discontinued operations for all periods presented.

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

In connection with the Company s acquisition of properties, the assets are valued as tangible and intangible assets and liabilities acquired based on their fair values using significant unobservable inputs. The value of the tangible assets, consisting of land and buildings, are determined as if vacant, that is, at replacement cost. Intangible assets, which represent the value of existing tenant relationships, are recorded at their fair values based on the avoided cost to replace the current leases. The Company measures the

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value of tenant relationships based on the Company s historical experience with turnover in its facilities. Debt assumed as part of an acquisition is recorded at fair value based on current interest rates compared to contractual rates.

On June 2, 2009, the Company announced the wind-down of its development activities. As a result of this change, the Company reviewed its properties under construction, unimproved land and its investments in development joint ventures for potential impairments. This review included the preparation of updated models based on current market conditions, obtaining appraisals and reviewing recent sales and list prices of undeveloped land and mature self storage facilities. Based on this review, the Company identified certain assets as being impaired. The impairments relating to long lived assets where the Company intends to complete the development and hold the asset are the result of the estimated future undiscounted cash flows being less than the current carrying value of the assets. The Company compared the carrying value of certain undeveloped land and seven vacant condominiums that the Company intends to sell to the fair market value of similar undeveloped land and condominiums. For the assets that the Company intends to sell, where the current estimated fair market value less costs to sell was below the carrying value, the Company reduced the carrying value of the assets to the current fair market value less selling costs and recorded an impairment charge. These assets are classified as held for sale. The impairments relating to investments in development joint ventures are the result of the Company comparing the estimated current fair market value to the carrying value of the investment. For those investments in development joint ventures where the current estimated fair market value was below the carrying value, the Company reduced the investment to the current fair market value through an impairment charge. Losses relating to changes in fair value have been included in unrecovered development and acquisition costs on the Company s condensed consolidated statements of operations.

Fair Value of Financial Instruments

The carrying values of cash and cash equivalents, receivables, other financial instruments included in other assets, accounts payable and accrued expenses, variable rate notes payable, lines of credit and other liabilities reflected in the condensed consolidated balance sheets at March 31, 2010 and December 31, 2009 approximate fair value. The fair values of the Company s notes receivable and fixed rate notes payable are as follows:

	March 31, 2010		December 31, 2009	
	Fair Value	Carrying Value	Fair Value	Carrying Value
Note receivable from Preferred OP unit holder	$ 113,373	$ 100,000	$ 112,740	$ 100,000
Fixed rate notes payable and notes payable to trusts	$ 917,869	$ 866,414	$ 1,067,653	$ 1,015,063
Exchangeable senior notes	$ 112,209	$ 87,663	$ 110,122	$ 87,663

3. NET INCOME PER SHARE

Basic earnings per common share is computed by dividing net income by the weighted average common shares outstanding including unvested share based payment awards that contain a non-forfeitable right to dividends or dividend equivalents. Diluted earnings per common share measures the performance of the Company over the reporting period while giving effect to all potential common shares that were dilutive and outstanding during the period. The denominator includes the weighted average number of basic shares and the number of additional common shares that would have been outstanding if the potential common shares that were dilutive had been issued and is calculated using either the treasury stock or if-converted method. Potential common shares are securities (such as options, warrants, convertible debt, exchangeable

Series A Participating Redeemable Preferred Operating Partnership units (Preferred OP units) and exchangeable Operating Partnership units (OP units)) that do not have a current right to participate in earnings but could do so in the future by virtue of their option or conversion right. In computing the dilutive effect of convertible securities, net income is adjusted to add back any changes in earnings in the period associated with the convertible security. The numerator also is adjusted for the effects of any other non-discretionary changes in income or loss that would result from the assumed conversion of those potential common shares. In computing diluted earnings per share, only potential common shares that are dilutive, those which reduce earnings per share, are included.

The Company s Operating Partnership has $87,663 of exchangeable senior notes issued and outstanding as of March 31, 2010 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 $23.45 per share at March 31, 2010, 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 first quarter of 2010; therefore holders of the exchangeable senior notes may not elect to convert them during the second quarter of 2010.

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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, ASC 260, *Earnings per Share,* requires an assumption that shares will be used to pay the exchange obligations in excess of the accreted principal amount, and requires that those shares be included in the Company s calculation of weighted average common shares outstanding for the diluted earnings per share computation. No shares were included in the computation at March 31, 2010 or 2009 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 and where the Company has stated the positive intent and ability to settle at least $115,000 of the instrument in cash (or net settle a portion of the Preferred OP units against the related outstanding note receivable), only the amount of the instrument in excess of $115,000 is considered in the calculation of shares contingently issuable for the purposes of computing diluted earnings per share as allowed by ASC 260-10-45-46.

For the three months ended March 31, 2010 and 2009, options to purchase 3,613,268 and 2,832,891 shares of common stock, respectively, were excluded from the computation of earnings per share as their effect would have been anti-dilutive. All restricted stock grants have been included in basic and diluted shares outstanding because such shares earn a non-forfeitable dividend and carry voting rights.

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

	Three months ended March 31,	
	2010	**2009**
Net income attributable to common stockholders	$ 3,568	$ 27,619
Add: Income allocated to noncontrolling interest - Preferred Operating Partnership and Operating Partnership	1,628	3,392
Subtract: Fixed component of income allocated to noncontrolling interest - Preferred Operating Partnership	(1,438)	(1,438)
Net income for diluted computations	$ 3,758	$ 29,573
Weighted average common shares outstanding:		
Average number of common shares outstanding - basic	86,873,472	85,940,389
Operating Partnership units	3,627,368	4,264,968
Preferred Operating Partnership units	989,980	989,980
Dilutive and cancelled stock options	175,256	26,958
Average number of common shares outstanding - diluted	91,666,076	91,222,295
Net income per common share		
Basic	$ 0.04	$ 0.32
Diluted	$ 0.04	$ 0.32

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4. **REAL ESTATE ASSETS**

The components of real estate assets are summarized as follows:

	March 31, 2010	December 31, 2009
Land - operating	$ 463,142	$ 501,674
Land - development	30,885	32,635
Buildings and improvements	1,538,061	1,675,340
Intangible assets - tenant relationships	30,516	33,463
Intangible lease rights	6,150	6,150
	2,068,754	2,249,262
Less: accumulated depreciation and amortization	(226,406)	(233,830)
Net operating real estate assets	1,842,348	2,015,432
Real estate under development	33,295	34,427
Net real estate assets	$ 1,875,643	$ 2,049,859
Real estate assets held for sale included in net real estate assets	$ 11,275	$ 11,275

Real estate assets held for sale include five parcels of vacant land and seven vacant condominiums.

On January 21, 2010, the Company entered into a joint venture with Harrison Street Real Estate Capital, LLC (Harrison Street). Harrison Street contributed $15,750 in cash to the joint venture in return for a 50.0% ownership interest. The Company contributed 19 wholly-owned properties at a fair market value of approximately $132,000 and received $15,750 in cash and a 50.0% ownership interest in the joint venture. There was no step up in basis for the 50% ownership retained by the Company. The joint venture assumed $101,000 of existing debt which is secured by the properties. The properties are located in California, Florida, Nevada, Ohio, Pennsylvania, Tennessee, Texas and Virginia. The Company has deconsolidated the 19 properties and will continue to manage the properties in exchange for a management fee.

The Company has applied the guidance under ASC 360-40 *Real Estate Sales,* and has concluded that no gain should be recognized related to the transaction. While the transaction qualifies as a sale under GAAP, certain provisions within the joint venture agreement (i.e. preferences on cash distributions) preclude full gain recognition. Accordingly, the gain on the sale has been deferred. The Company has recorded the deferred gain of $3,951 as a reduction of its investment in the joint venture with Harrison Street. Applying the guidance found in ASC 810, the joint venture with Harrison Street will be accounted for under the equity method of accounting.

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5. INVESTMENTS IN REAL ESTATE VENTURES

Investments in real estate ventures consisted of the following:

	Equity Ownership %	Excess Profit Participation %	Investment balance at March 31, 2010	Investment balance at December 31, 2009
Extra Space West One LLC (ESW)	5%	40%	$ 1,100	$ 1,175
Extra Space West Two LLC (ESW II)	5%	40%	4,707	4,749
Extra Space Northern Properties Six LLC (ESNPS)	10%	35%	1,385	1,388
Extra Space of Santa Monica LLC (ESSM)	48%	41%	2,362	2,419
Clarendon Storage Associates Limited Partnership (Clarendon)	50%	50%	3,239	3,245
HSRE-ESP IA, LLC (HSRE)	50%	50%	13,321	
PRISA Self Storage LLC (PRISA)	2%	17%	11,665	11,907
PRISA II Self Storage LLC (PRISA II)	2%	17%	10,176	10,239
PRISA III Self Storage LLC (PRISA III)	5%	20%	3,746	3,793
VRS Self Storage LLC (VRS)	45%	9%	45,387	45,579
WCOT Self Storage LLC (WCOT)	5%	20%	4,925	4,983
Storage Portfolio I LLC (SP I)	25%	25-40%	15,740	16,049
Storage Portfolio Bravo II (SPB II)	20%	20-45%	15,006	15,104
Extra Space Joint Ventures with Everest Real Estate Fund (Everest)	10-58%	35-50%	5,571	1,558
U-Storage de Mexico S.A. and related entities (U-Storage)	40%	40%	6,176	6,166
Other minority owned properties	10-70%	10-50%	2,212	2,095
			$ 146,718	$ 130,449

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

The components of equity in earnings of real estate ventures consist of the following:

	Three months ended March 31, 2010	Three months ended March 31, 2009
Equity in earnings of ESW	$ 290	$ 309
Equity in losses of ESW II	(10)	(3)
Equity in earnings of ESNPS	49	46
Equity in losses of ESSM	(57)	
Equity in earnings of Clarendon	91	95
Equity in earnings of HSRE	62	
Equity in earnings of PRISA	152	168

Equity in earnings of PRISA II		128		137
Equity in earnings of PRISA III		57		57
Equity in earnings of VRS		522		525
Equity in earnings of WCOT		58		68
Equity in earnings of SP I		176		235
Equity in earnings of SPB II		21		126
Equity in earnings (losses) of Everest		55		(22)
Equity in earnings of U-Storage		10		11
Equity in earnings (losses) of other minority owned properties		(103)		143
	$	1,501	$	1,895

Equity in earnings (losses) of ESW II, HSRE, SP I and SPB II and a minority owned property in Annapolis, Maryland includes the amortization of the Company s excess purchase price of $26,075 of these equity investments over its original basis. The excess basis is amortized over 40 years.

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Variable Interests in Unconsolidated Real Estate Joint Ventures:

The Company has interests in four unconsolidated joint ventures with unrelated third parties which are VIEs (the VIE JVs). The Company holds 18-70% equity interests in the VIE JVs, and has 50% of the voting rights in each of the VIE JVs. Qualification as a VIE was based on the determination that the equity investments at risk for each of these joint ventures was not sufficient based on a qualitative and quantitative analysis performed by the Company. The Company performed a qualitative analysis for these joint venture to determine which party was the primary beneficiary of each VIE. The Company determined that since the power to direct the activities most significant to the economic performance of these entities are shared equally by the Company and its joint venture partners, there is no primary beneficiary. Accordingly, these interests are recorded using the equity method.

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

The Company guarantees the mortgage notes payable for the VIE JVs. The Company s maximum exposure to loss for these joint ventures as of March 31, 2010 is the total of the guaranteed loan balances, the payables due to the Company and the Company s investment balances in the joint ventures. The Company believes that the risk of incurring a loss as a result of having to perform on the guarantees is unlikely and therefore no liability has been recorded related to these guarantees. Also, repossessing and/or selling the self-storage facility and land that collateralize the loan could provide funds sufficient to reimburse the Company. Additionally, the Company believes the payables to the Company are collectible. The following table compares the liability balance and the maximum exposure to loss related to the VIE JVs as of March 31, 2010:

	Liability Balance	Investment Balance	Balance of Guaranteed Loan	Payables to Company	Maximum Exposure to Loss	Difference
Extra Space of Elk Grove	$	982	4,749	2,925	$ 8,656	$ (8,656)
ESS of Sacramento One LLC		(420)	5,000	5,326	9,906	(9,906)
ES of Washington Avenue LLC		767	5,975	2,876	9,618	(9,618)
ES of Franklin Blvd LLC		356	5,211	2,245	7,812	(7,812)
	$	$ 1,685	$ 20,935	$ 13,372	$ 35,992	$ (35,992)

The Company had no consolidated VIEs during the three months ended March 31, 2010.

6. OTHER ASSETS

The components of other assets are summarized as follows:

	March 31, 2010	December 31, 2009
Equipment and fixtures	$ 11,744	$ 11,836
Less: accumulated depreciation	(9,261)	(9,046)
Other intangible assets	3,343	3,303
Deferred financing costs, net	13,553	15,458
Prepaid expenses and deposits	9,078	5,173
Accounts receivable, net	13,312	15,086
Investments in Trusts	3,590	3,590
Deferred tax asset	5,036	5,576
	$ 50,395	$ 50,976

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7. NOTES PAYABLE

The components of notes payable are summarized as follows:

		March 31, 2010		December 31, 2009
Fixed Rate				
Mortgage and construction loans with banks (includling loans subject to interest rate swaps) bearing interest at fixed rates between 4.24% and 7.30%. The loans are collateralized by mortgages on real estate assets and the assignment of rents. Principal and interest payments are made monthly with all outstanding principal and interest due between August 2010 and August 2019.	$	746,824	$	895,473
Variable Rate				
Mortgage and construction loans with banks bearing floating interest rates (including loans subject to reverse interest rate swaps) based on LIBOR and Prime. Interest rates based on LIBOR are between LIBOR plus 1.45% (1.70% and 1.68% at March 31, 2010 and December 31, 2009 respectively) and LIBOR plus 4.00% (4.25% and 4.23% at March 31, 2010 and December 31, 2009, respectively). Interest rates based on Prime are at Prime plus 1.50% (4.75% and 4.75% at March 31, 2010 and December 31, 2009, respectively). The loans are collateralized by mortgages on real estate assets and the assignment of rents. Principal and interest payments are made monthly with all outstanding principal and interest due between December 2010 and December 2014.		189,644		204,120
	$	936,468	$	1,099,593

Certain mortgage and construction loans with variable rate debt are subject to interest rate floors ranging from 4.5% to 6.75%.

Real estate assets are pledged as collateral for the notes payable. The Company is subject to certain restrictive covenants relating to the outstanding notes payable. The Company was in compliance with all financial covenants at March 31, 2010.

8. DERIVATIVES

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

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

borrowings. The Company designates certain interest rate swaps as cash flow hedges of variable-rate borrowings and the remainder as fair value hedges of fixed-rate borrowings.

The following table summarizes the terms of the Company s derivative financial instruments at March 31, 2010:

Hedge Product	Hedge Type		Notional Amount	Strike	Effective Date	Maturity
Reverse Swap Agreement	Fair Value	$	61,770	Libor plus 0.65%	10/31/2004	6/1/2009
Swap Agreement 1	Cash Flow	$	63,000	4.24%	2/1/2009	6/30/2013
Swap Agreement 2	Cash Flow	$	26,000	6.32%	7/1/2009	7/1/2014
Swap Agreement 3	Cash Flow	$	8,462	6.98%	7/27/2009	6/27/2016
Swap Agreement 4	Cash Flow	$	10,000	6.12%	11/2/2009	11/1/2014

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

Type	Classification of Income (Expense)	Three months ended March 31, 2010	2009
Reverse Swap Agreement	Interest expense	$	$ 421
Swap Agreement 1	Interest expense	(313)	
Swap Agreement 2	Interest expense	(183)	
Swap Agreement 3	Interest expense	(70)	
Swap Agreement 4	Interest expense	(66)	
		$ (632)	$ 421

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

Type	Gain (loss) recognized in OCI Three months ended March 31, 2010	Location of amounts reclassified from OCI into income	Gain (loss) reclassified from OCI Three months ended March 31, 2010
Swap Agreement 1	$ (992)	Interest expense	$ (313)
Swap Agreement 2	(838)	Interest expense	(183)
Swap Agreement 3	(379)	Interest expense	(70)
Swap Agreement 4	(157)	Interest expense	(66)
	$ (2,366)		$ (632)

The Swap Agreements were highly effective for the three months ended March 31, 2010. The losses reclassified from other comprehensive income (OCI) in the preceding table represents the effective portion of the Company s cash flow hedges reclassified from OCI to interest expense during the three months ended March 31, 2010.

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

	Asset (Liability) Derivatives			
	March 31, 2010		December 31, 2009	
Derivatives designated as hedging instruments:	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Swap Agreement 1	Other liabilities	$ (992)	Other liabilities	$ (340)
Swap Agreement 2	Other liabilities	(838)	Other liabilities	(478)
Swap Agreement 3	Other liabilities	(379)	Other liabilities	(244)
Swap Agreement 4	Other liabilities	(157)	Other liabilities	(49)
		$ (2,366)		$ (1,111)

9. NOTES PAYABLE TO TRUSTS

During July 2005, ESS Statutory Trust III (the Trust III), a newly formed Delaware statutory trust and a wholly-owned, unconsolidated subsidiary of the Operating Partnership, issued an aggregate of $40,000 of preferred securities which mature on July 31, 2035. In addition, the Trust III issued 1,238 of Trust common securities to the Operating Partnership for a purchase price of $1,238. On July 27, 2005, the proceeds from the sale of the preferred and common securities of $41,238 were loaned in the form of a note to the Operating Partnership (Note 3). Note 3 has a fixed rate of 6.91% through July 31, 2010, and then will be payable at a variable rate equal to the three-month LIBOR plus 2.40% per annum. The interest on Note 3, payable quarterly, will be used by the Trust III to pay dividends on the trust preferred securities. The trust preferred securities may be redeemed by the Trust with no prepayment premium after July 27, 2010.

During May 2005, ESS Statutory Trust II (the Trust II), a newly formed Delaware statutory trust and a wholly-owned, unconsolidated subsidiary of the Operating Partnership, issued an aggregate of $41,000 of preferred securities which mature on

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June 30, 2035. In addition, the Trust II issued 1,269 of Trust common securities to the Operating Partnership for a purchase price of $1,269. On May 24, 2005, the proceeds from the sale of the preferred and common securities of $42,269 were loaned in the form of a note to the Operating Partnership (Note 2). Note 2 has a fixed rate of 6.67% through June 30, 2010, and then will be payable at a variable rate equal to the three-month LIBOR plus 2.40% per annum. The interest on Note 2, payable quarterly, will be used by the Trust II to pay dividends on the trust preferred securities. The trust preferred securities may be redeemed by the Trust with no prepayment premium after June 30, 2010.

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

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

The Company has not provided financing or other support during the periods presented to the trusts that it was not previously contractually obligated to provide. The Company s maximum exposure to loss as a result of its involvement with the trusts is equal to the total amount of the notes discussed above less the amounts of the Company s investments in the trusts common securities. The net amount is the notes payable that the trusts owe to third parties for their investments in the trusts preferred securities. Following is a tabular comparison of the liabilities the Company has recorded as a result of its involvements with the trusts to the maximum exposure to loss the Company is subject to related to the trusts as of March 31, 2010:

	Notes payable to Trusts as of March 31, 2010	Maximum exposure to loss	Difference
Trust	$ 36,083	$ 35,000	$ 1,083
Trust II	42,269	41,000	1,269
Trust III	41,238	40,000	1,238
	$ 119,590	$ 116,000	$ 3,590

As noted above, these differences represent the amounts that the trusts would repay the Company for its investment in the trusts common securities.

10. EXCHANGEABLE SENIOR NOTES

On March 27, 2007, our Operating Partnership issued $250,000 of its 3.625% Exchangeable Senior Notes due April 1, 2027 (the Notes). Costs incurred to issue the Notes were approximately $5,700. The remaining portion of these costs are being amortized over five years, which represents the estimated term of the Notes, and are included in other assets in the condensed consolidated balance sheet as of March 31, 2010. The Notes are general unsecured senior obligations of the Operating Partnership and are fully guaranteed by the Company. Interest is payable on April 1 and October 1 of each year until the maturity date of April 1, 2027. The Notes bear interest at 3.625% per annum and contain an exchange settlement feature, which provides that the Notes may, under certain circumstances, be exchangeable for cash (up to the principal amount of the Notes) and, with respect to any excess exchange value, for cash, shares of our common stock or a combination of cash and shares of our common stock at an exchange rate of approximately 42.6491 shares per one thousand dollars principal amount of Notes at the option of the Operating Partnership.

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The Operating Partnership may redeem the Notes at any time to preserve the Company s status as a REIT. In addition, on or after April 5, 2012, the Operating Partnership may redeem the Notes for cash, in whole or in part, at 100% of the principal amount plus accrued and unpaid interest, upon at least 30 days but not more than 60 days prior written notice to holders of the Notes.

The holders of the Notes have the right to require the Operating Partnership to repurchase the Notes for cash, in whole or in part, on each of April 1, 2012, April 1, 2017 and April 1, 2022, and upon the occurrence of a designated event, in each case for a repurchase price equal to 100% of the principal amount of the Notes plus accrued and unpaid interest. Certain events are considered Events of Default, as defined in the indenture governing the Notes, which may result in the accelerated maturity of the Notes.

GAAP requires entities with convertible debt instruments that may be settled entirely or partially in cash upon conversion to separately account for the liability and equity components of the instrument in a manner that reflects the issuer s economic interest cost. The Company therefore accounts for the liability and equity components of the Notes separately. The equity component is included in the paid-in-capital section of stockholders equity on the condensed consolidated balance sheet, and the value of the equity component is treated as original issue discount for purposes of accounting for the debt component. The discount is being amortized over the period of the debt as additional interest expense.

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

	March 31, 2010		December 31, 2009	
Carrying amount of equity component	$	19,545	$	19,545
Principal amount of liability component	$	87,663	$	87,663
Unamortized discount		(3,465)		(3,869)
Net carrying amount of liability component	$	84,198	$	83,794

The discount will be amortized over the remaining period of the debt through its first redemption date of April 1, 2012. The effective interest rate on the liability component is 5.75%. The amount of interest cost recognized relating to the contractual interest rate and the amortization of the discount on the liability component is as follows:

	Three months ended March 31,			
	2010		2009	
Contractual interest	$	784	$	1,718
Amortization of discount		404		841
Total interest expense recognized	$	1,188	$	2,559

Repurchases of Notes

The Company has repurchased a portion of its Notes. The Company allocated the value of the consideration paid to repurchase the Notes (1) to the extinguishment of the liability component and (2) the reacquisition of the equity component. The amount allocated to the extinguishment of the liability component is equal to the fair value of that component immediately prior to extinguishment. The difference between the

consideration attributed to the extinguishment of the liability component and the sum of (a) the net carrying amount of the repurchased liability component, and (b) the related unamortized debt issuance costs is recognized as a gain on debt extinguishment. The remaining settlement consideration is allocated to the reacquisition of the equity component of the repurchased Notes, and recognized as a reduction of stockholders equity.

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Information on the repurchases and the related gains is as follows:

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

11. LINES OF CREDIT

On February 13, 2009, the Company entered into a $50,000 revolving secured line of credit (the Secondary Credit Line) that is collateralized by mortgages on certain real estate assets and matures on February 13, 2012. The Company intends to use the proceeds of the Secondary Credit Line to repay debt and for general corporate purposes. The Secondary Credit Line has an interest rate of LIBOR plus 325 basis points (3.50% at March 31, 2010 and 3.48% at December 31, 2009). As of March 31, 2010 and December 31, 2009, there were no amounts drawn on the Secondary Credit Line. The Company is subject to certain covenants relating to the Secondary Credit Line. The Company was in compliance with all financial covenants as of March 31, 2010.

On October 19, 2007, the Operating Partnership entered into a $100,000 revolving line of credit (the Credit Line and together with the Secondary Credit Line, the Credit Lines) that matures on October 31, 2010 with two one-year extensions available. As of March 31, 2010 and December 31, 2009, $100,000 was drawn on the Credit Line. The Company intends to use the proceeds of the Credit Line to repay debt and for general corporate purposes. The Credit Line has an interest rate of between 100 and 205 basis points over LIBOR, depending on certain financial ratios of the Company (1.25% at March 31, 2010 and 1.23% at December 31, 2009). The Credit Line is collateralized by mortgages on certain real estate assets. As of March 31, 2010, the Credit Line had $100,000 of capacity based on the assets collateralizing the Credit Line. The Company is not subject to any financial covenants relating to the Credit Line.

12. OTHER LIABILTIES

The components of other liabilities are summarized as follows:

	March 31, 2010	December 31, 2009

Deferred rental income	$	11,433	$	12,045
Lease obligation liability		5,736		6,260
Fair value of interest rate swaps		2,366		1,111
Income taxes payable		2,211		2,145
Other miscellaneous liabilities		1,255		3,413
	$	23,001	$	24,974

13. RELATED PARTY AND AFFILIATED REAL ESTATE JOINT VENTURE TRANSACTIONS

The Company provides management and development services to certain joint ventures, franchises, third parties and other related party properties. Management agreements provide generally for management fees of 6% of gross rental revenues for the management of operations at the self-storage facilities.

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

Entity	Type	Three months ended March 31, 2010	2009
ESW	Affiliated real estate joint ventures	$ 101	$ 103
ESW II	Affiliated real estate joint ventures	78	77
ESNPS	Affiliated real estate joint ventures	114	117
ESSM	Affiliated real estate joint ventures	7	
HSRE	Affiliated real estate joint ventures	195	
PRISA	Affiliated real estate joint ventures	1,188	1,252
PRISA II	Affiliated real estate joint ventures	989	1,025
PRISA III	Affiliated real estate joint ventures	423	425
VRS	Affiliated real estate joint ventures	283	287
WCOT	Affiliated real estate joint ventures	363	373
SP I	Affiliated real estate joint ventures	311	321
SPB II	Affiliated real estate joint ventures	233	243
Everest	Affiliated real estate joint ventures	118	114
Other	Franchisees, third parties and other	1,149	882
		$ 5,552	$ 5,219

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

	March 31, 2010	December 31, 2009
Development fees receivable	$ 250	$ 250
Mortgage notes receivable	10,964	
Other receivables from properties	11,790	4,864
	$ 23,004	$ 5,114

Development fees receivable consist of amounts due for development services from third parties and unconsolidated affiliated joint ventures. The Company earns development fees of 1% - 6% of budged costs on development projects. Other receivables from properties consist of amounts due for management fees and expenses paid by the Company on behalf of the properties that the Company manages. The Company believes that all of these related party and affiliated joint venture receivables are fully collectible. The Company did not have any payables to related parties at March 31, 2010 or December 31, 2009.

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

liabilities from its books. The $7,295 note receivable from Extra Space of Montrose and the $3,669 construction loan receivable from ESS of Sacramento One, LLC are no longer eliminated in consolidation as the Company now accounts for its interest in these joint ventures on the equity method of accounting.

Centershift, a related party service provider, is partially owned by certain directors and members of management of the Company. Effective January 1, 2004, the Company entered into a license agreement with Centershift to secure a perpetual right for continued use of STORE (the site management software used at all sites operated by the Company) in all aspects of the Company s property acquisition, development, redevelopment and operational activities. The Company paid Centershift $190 and $255 for the three months ended March 31, 2010 and 2009, respectively, relating to the purchase of software and to license agreements.

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The Company has entered into an aircraft dry lease and service and management agreement with SpenAero, L.C. (SpenAero), an affiliate of Spencer F. Kirk, the Company s Chairman and Chief Executive Officer. Under the terms of the agreement, the Company pays a defined hourly rate for use of the aircraft. The Company paid SpenAero and related entities $164 and $150 for the three months ended March 31, 2010 and 2009, respectively. The services that the Company receives from SpenAero are similar in nature and price to those that are provided to other outside third parties.

14. STOCKHOLDERS EQUITY

The Company s charter provides that it can issue up to 300,000,000 shares of common stock, $0.01 par value per share and 50,000,000 shares of preferred stock, $0.01 par value per share. As of March 31, 2010, 87,083,813 shares of common stock were issued and outstanding and no shares of preferred stock were issued and outstanding.

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

15. NONCONTROLLING INTEREST REPRESENTED BY PREFERRED OPERATING PARTNERSHIP UNITS

On June 15, 2007, the Operating Partnership entered into a Contribution Agreement with various limited partnerships affiliated with AAAAA Rent-A-Space to acquire ten self-storage facilities (the Properties) in exchange for the issuance of newly designated Preferred OP units of the Operating Partnership. The self-storage facilities are located in California and Hawaii.

On June 25 and 26, 2007, nine of the ten properties were contributed to the Operating Partnership in exchange for consideration totaling $137,800. Preferred OP units totaling 909,075, with a value of $121,700, were issued along with the assumption of approximately $14,200 of third-party debt, of which $11,400 was paid off at close. The final property was contributed on August 1, 2007 in exchange for consideration totaling $14,700. 80,905 Preferred OP units with a value of $9,800 were issued along with $4,900 of cash.

On June 25, 2007, the Operating Partnership loaned the holders of the Preferred OP units $100,000. The note receivable bears interest at 4.85%, and is due September 1, 2017. The loan is secured by the borrower s Preferred OP units. The holders of the Preferred OP units can convert up to 114,500 Preferred OP units prior to the maturity date of the loan. If any redemption in excess of 114,500 Preferred OP units occurs prior to the maturity date, the holder of the Preferred OP units is required to repay the loan as of the date of that Preferred OP unit redemption. Preferred OP units are shown on the balance sheet net of the $100,000 loan because the borrower under the loan receivable is also the holder of the Preferred OP units.

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

Under the Partnership Agreement, Preferred OP units in the amount of $115,000 bear a fixed priority return of 5% and have a fixed liquidation value of $115,000. The remaining balance will participate in distributions with and have a liquidation value equal to that of the common OP units. The Preferred OP units became redeemable at the option of the holder on September 1, 2008, which redemption obligation may be satisfied, at the Company s option, in cash or shares of its common stock.

On September 18, 2008, the Operating Partnership entered into a First Amendment to the Second Amended and Restated Agreement of Limited Partnership of Extra Space Storage LP to clarify certain tax-related provisions relating to the Preferred OP units.

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

The Company has evaluated the terms of the Preferred OP units and classifies the noncontrolling interest represented by the Preferred OP units as stockholders equity in the accompanying 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 quality as permanent equity will be reclassified as

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temporary equity and adjusted to the greater of (a) the carrying amount, or (b) its redemption value as of the end of the period in which the determination is made.

16. NONCONTROLLING INTEREST IN OPERATING PARTNERSHIP

The Company s interest in its properties is held through the Operating Partnership. ESS Holding Business Trust I, a wholly owned subsidiary of the Company, is the sole general partner of the Operating Partnership. The Company, through ESS Holding Business Trust II, a wholly owned subsidiary of the Company, is also a limited partner of the Operating Partnership. Between its general partner and limited partner interests, the Company held a 94.96% majority ownership interest therein as of March 31, 2010. The remaining ownership interests in the Operating Partnership (including Preferred OP units) of 5.04% are held by certain former owners of assets acquired by the Operating Partnership. As of March 31, 2010, the Operating Partnership had 3,627,368 common OP units outstanding.

The noncontrolling interest in the Operating Partnership represents common OP units that are not owned by the Company. In conjunction with the formation of the Company and as a result of subsequent acquisitions, certain persons and entities contributing interests in properties to the Operating Partnership received limited partnership units in the form of either OP units or Contingent Conversion Units. Limited partners who received OP units in the formation transactions or in exchange for contributions for interests in properties have the right to require the Operating Partnership to redeem part or all of their common OP units for cash based upon the fair market value of an equivalent number of shares of the Company s common stock (10 day average) at the time of the redemption. Alternatively, the Company may, at its option, elect to acquire those OP units in exchange for shares of its common stock on a one-for-one basis, subject to anti-dilution adjustments provided in the Partnership Agreement. The ten day average closing stock price at March 31, 2010 was $12.97 and there were 3,627,368 common OP units outstanding. Assuming that all of the unit holders exercised their right to redeem all of their common OP units on March 31, 2010 and the Company elected to pay the noncontrolling members cash, the Company would have paid $47,047 in cash consideration to redeem the OP units.

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

The Company has evaluated the terms of the common OP units and classifies the noncontrolling interest in the Operating Partnership 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 quality as permanent equity will be reclassified as temporary equity and adjusted to the greater of (a) the carrying amount, or (b) its redemption value as of the end of the period in which the determination is made.

17. OTHER NONCONTROLLING INTERESTS

Other noncontrolling interests represent the ownership interests of various third parties in five consolidated self-storage properties as of March 31, 2010. Two of these consolidated properties were under development, and three were in the lease-up stage during the three months

ended March 31, 2010. The ownership interests of the third party owners range from 10% to 35%. Other noncontrolling interests are included in the stockholders equity section of the Company s condensed consolidated balance sheet. The income or losses attributable to these third party owners based on their ownership percentages are reflected in net income allocated to the Operating Partnership and other noncontrolling interests in the condensed consolidated statement of operations.

18. STOCK-BASED COMPENSATION

The Company has the following plans under which shares were available for grant at March 31, 2010:

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

Option grants are issued with an exercise price equal to the closing price of the Company s common stock on the date of grant. Unless otherwise determined by the Compensation, Nominating and Governance Committee at the time of grant, options vest ratably over a four-year period beginning on the date of grant. Each option will be exercisable once it has vested. Options are exercisable at such times and subject to such terms as determined by the Compensation, Nominating and Governance Committee, but under no

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circumstances will be exercised if such exercise would cause a violation of the ownership limit in the Company s charter. Options expire 10 years from the date of grant.

Also, as defined under the terms of the Plans, restricted stock grants may be awarded. The stock grants are subject to a performance or vesting period over which the restrictions are lifted and the stock certificates are given to the grantee. During the performance or vesting period, the grantee is not permitted to sell, transfer, pledge, encumber or assign shares of restricted stock granted under the Plans, however the grantee has the ability to vote the shares and receive non-forfeitable dividends paid on the shares. The forfeiture and transfer restrictions on the shares lapse over a four-year period beginning on the date of grant.

As of March 31, 2010, 2,956,584 shares were available for issuance under the Plans.

A summary of stock option activity is as follows:

Options	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value as of March 31, 2010
Outstanding at December 31, 2009	3,457,048	$ 13.02		
Granted	308,680	11.75		
Exercised	(63,250)	7.71		
Forfeited	(3,375)	16.74		
Outstanding at March 31, 2010	3,699,103	$ 13.00	6.56	$ 4,813
Vested and Expected to Vest	3,394,955	$ 13.27	6.34	$ 3,781
Ending Exercisable	2,461,945	$ 14.07	5.47	$ 1,022

The aggregate intrinsic value in the table above represents the total value (the difference between the Company s closing stock price on the last trading day of the first quarter of 2010 and the exercise price, multiplied by the number of in-the-money options) that would have been received by the option holders had all option holders exercised their options on March 31, 2010. The amount of aggregate intrinsic value will change based on the fair market value of the Company s stock.

The weighted average fair value of stock options granted for the period ended March 31, 2009 and 2008, was $1.53 and $1.42, respectively. The fair value of each option grant is estimated using the Black-Scholes option-pricing model with the following weighted average assumptions:

	Three months ended March 31,	
	2010	2009
Expected volatility	47%	44%
Dividend yield	5.3%	6.8%
Risk-free interest rate	2.3%	1.7%
Average expected term (years)	5	5

The Black-Scholes model incorporates assumptions to value stock-based awards. The risk-free rate is based on the U.S. Treasury yield curve in effect at the time of grant for the estimated life of the option. The Company uses actual historical data to calculate the expected price volatility, dividend yield and average expected term. The forfeiture rate, which is estimated at a weighted-average of 15.74% of unvested options outstanding as of March 31, 2010, is adjusted based on the extent to which actual forfeitures differ, or are expected to differ, from the previous estimates.

The Company recorded compensation expense relating to outstanding options of $196 and $260 for the three months ended March 31, 2010 and 2009, respectively. The Company received cash from the exercise of options of $487 and $0 for the three months ended March 31, 2010 and 2009, respectively. At March 31, 2010, there was $1,616 of total unrecognized compensation expense related to non-vested stock options under the Company s 2004 Long-Term Incentive Compensation Plan. That cost is expected to be recognized over a weighted-average period of 2.73 years. The valuation model applied in this calculation utilizes subjective assumptions that could potentially change over time, including the expected forfeiture rate. Therefore, the amount of unrecognized compensation expense at March 31, 2010, noted above does not necessarily represent the expense that will ultimately be realized by the Company in the statement of operations.

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Common Stock Granted to Employees and Directors

The Company granted 302,760 and 315,037 shares of common stock to certain employees and directors, without monetary consideration under the Plans during the three months ended March 31, 2010 and 2009, respectively. The Company recorded compensation expense related to outstanding shares of common stock granted to employees and directors of $723 and $639 for the three months ended March 31, 2010 and 2009, respectively.

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

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

Restricted Stock Grants	Shares	Weighted-Average Grant-Date Fair Value
Unreleased at December 31, 2009	768,929	$ 9.95
Granted	302,760	11.73
Released	(125,312)	9.66
Cancelled	(4,038)	9.39
Unreleased at March 31, 2010	942,339	$ 10.56

19. INCOME TAXES

As a REIT, the Company is generally not subject to federal income tax with respect to that portion of its income which is distributed annually to its stockholders. However, the Company has elected to treat one of its corporate subsidiaries, Extra Space Management, Inc., as a taxable REIT subsidiary (TRS). In general, the Company s TRS may perform additional services for tenants and generally may engage in any real estate or non-real estate related business (except for the operation or management of health care facilities or lodging facilities or the provision to any person, under a franchise, license or otherwise, of rights to any brand name under which lodging facility or health care facility is operated). A TRS is subject to corporate federal income tax. The Company accounts for income taxes in accordance with the provisions of ASC 740, *Income Taxes.* Deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities.

The income tax provision is comprised of the following components:

	Three months ended March 31, 2010		
	Federal	State	Total
Current	$ 1,067	$ 93	$ 1,160
Deferred benefit	(115)		(115)
Total tax expense	$ 952	$ 93	$ 1,045

	Three months ended March 31, 2009		
	Federal	State	Total
Current	$ 719	$ 70	$ 789
Deferred benefit	(128)	(13)	(141)
Total tax expense	$ 591	$ 57	$ 648

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

	March 31, 2010	December 31, 2009
Captive insurance subsidiary	$ 161	$ 182
Fixed assets	2,540	3,122
Various liabilities	1,684	1,603
Stock compensation	1,878	1,865
State net operating losses	1,047	939
	7,310	7,711
Valuation allowance	(2,274)	(2,135)
Net deferred tax asset	$ 5,036	$ 5,576

The state net operating losses expire between 2012 and 2027 and have been fully reversed through the valuation allowances.

20. SEGMENT INFORMATION

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

	March 31, 2010	December 31, 2009
Balance Sheet		
Investment in real estate ventures		
Rental operations	$ 146,718	$ 130,449
Total assets		
Property management, acquisition and development	$ 479,251	$ 466,399
Rental operations	1,742,997	1,922,643
Tenant reinsurance	15,214	18,514
	$ 2,237,462	$ 2,407,556

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	Three months ended March 31, 2010		2009	
Statement of Operations				
Total revenues				
Property management, acquisition and development	$	5,552	$	5,219
Rental operations		56,143		59,409
Tenant reinsurance		5,892		4,619
	$	67,587	$	69,247
Operating expenses, including depreciation and amortization				
Property management, acquisition and development	$	11,567	$	11,077
Rental operations		33,934		34,986
Tenant reinsurance		1,223		1,261
	$	46,724	$	47,324
Income (loss) from operations				
Property management, acquisition and development	$	(6,015)	$	(5,858)
Rental operations		22,209		24,423
Tenant reinsurance		4,669		3,358
	$	20,863	$	21,923
Interest expense				
Property management, acquisition and development	$	(787)	$	(2,429)
Rental operations		(16,891)		(14,207)
	$	(17,678)	$	(16,636)
Interest income				
Property management, acquisition and development	$	322	$	514
Tenant reinsurance		3		18
	$	325	$	532
Interest income on note receivable from Preferred Operating Partnership unit holder				
Property management, acquisition and development	$	1,213	$	1,213
Gain on repurchase of exchangeable senior notes				
Property management, acquisition and development	$		$	22,483
Equity in earnings of real estate ventures				
Rental operations	$	1,501	$	1,895
Income tax expense				
Tenant reinsurance	$	(1,045)	$	(648)
Net income (loss)				
Property management, acquisition and development	$	(5,267)	$	15,923
Rental operations		6,819		12,111
Tenant reinsurance		3,627		2,728
	$	5,179	$	30,762
Depreciation and amortization expense				
Property management, acquisition and development	$	441	$	404
Rental operations		11,978		12,119
	$	12,419	$	12,523

Statement of Cash Flows				
Acquisition of real estate assets				
Property management, acquisition and development	$	(2,962)	$	(19,612)
Development and construction of real estate assets				
Property management, acquisition and development	$	(6,019)	$	(17,521)

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21. COMMITMENTS AND CONTINGENCIES

The Company has guaranteed loans for unconsolidated joint ventures as follows:

	Date of Guaranty	Loan Maturity Date	Guaranteed Loan Amount at March 31, 2010	Estimated Fair Market Value of Assets
Extra Space of Elk Grove	Nov-08	Nov-10	$ 4,736	$ 7,375
ESS Baltimore LLC	Nov-04	Feb-13	$ 4,181	$ 7,106
Extra Space of Sacramento One LLC	Apr-09	Apr-11	$ 5,000	$ 10,110
Extra Space of Washington Avenue LLC	Mar-09	Mar-12	$ 5,975	$ 9,965
Extra Space of Franklin Boulevard LLC	Aug-08	Aug-10	$ 5,211	$ 6,955

If the joint ventures default on the loans, the Company may be forced to repay the loans. Repossessing and/or selling the self-storage facilities and land that collateralizes the loans could provide funds sufficient to reimburse the Company. The Company has recorded no liability in relation to these guarantees as of March 31, 2010, as the fair value of the guarantees was not material. The Company believes the risk of incurring a loss as a result of having to perform on these guarantees is unlikely.

The Company has been involved in routine litigation arising in the ordinary course of business. As of March 31, 2010, the Company was not involved in any material litigation nor, to its knowledge, was any material litigation threatened against it which, in the opinion of management, is expected to have a material adverse effect on the Company s financial condition or results of operations.

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Extra Space Storage Inc.

Management s Discussion and Analysis

Amounts in thousands, except property and share data

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 Unaudited Condensed Consolidated Financial Statements* 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, 2009. 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*. (Amounts in thousands except property and share data unless otherwise stated).

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 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, 2009, 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 which we have used are appropriate and correct based on information available at the time that 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 REIT, formed to continue the business commenced in 1977 by our predecessor companies to own, operate, manage, acquire, develop and redevelop professionally managed self-storage properties. We derive our revenues from rents received from tenants under existing leases at each of our self-storage properties, from management fees on the properties we manage for joint venture partners, franchisees and unaffiliated third parties and from our tenant reinsurance program. Our management fee is equal to approximately 6% of total revenues generated by the managed properties.

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

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

• *Maximize the performance of properties through strategic, efficient and proactive management.* We pursue revenue generating and expense minimizing opportunities in our operations. Our revenue management team seeks to maximize revenue by responding to changing market conditions through our technology system s ability to provide real-time, interactive rental rate and discount management. Our size allows greater ability than the majority of our competitors to

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implement national, regional and local marketing programs, which we believe will attract more customers to our stores at a lower net cost.

- *Expand our management business*. Our management business enables us to generate increased revenues through management fees and expand our geographic footprint. This expanded footprint enables us to reduce our operating costs through economies of scale. In addition, we see our management business as a future acquisition pipeline. We pursue strategic relationships with owners that strengthen our acquisition pipeline through agreements which often gives us first right of refusal to purchase the managed property in the event of a potential sale.

- *Acquire self-storage properties from strategic partners and third parties.* Our acquisitions team continues to selectively pursue the acquisition of single properties and multi-property portfolios that we believe can provide stockholder value. We have established a reputation as a reliable, ethical buyer, which we believe enhances our ability to negotiate and close acquisitions. In addition, we believe our status as an UPREIT enables flexibility when structuring deals.

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

PROPERTIES

As of March 31, 2010, we owned or had ownership interests in 643 operating self-storage properties. Of these properties, 272 are wholly-owned and 371 are held in joint ventures. In addition, we managed an additional 125 properties for franchisees or third parties bringing the total number of operating properties which we own and/or manage to 768. These properties are located in 33 states and Washington, D.C. As of March 31, 2010, we owned and/or managed approximately 55 million square feet of space with more than 350,000 customers.

Our properties are generally situated in convenient, highly visible locations clustered around large population centers such as Atlanta, Baltimore/Washington, D.C., Boston, Chicago, Dallas, Houston, Las Vegas, Los Angeles, Miami, New York City, Orlando, Philadelphia, Phoenix, St. Petersburg/Tampa and San Francisco/Oakland. These areas all enjoy above-average population growth and income levels. The clustering of assets around these population centers enables us to reduce our operating costs through economies of scale.

We consider a property to be in the lease-up stage after it has been issued a certificate of occupancy, but before it has achieved stabilization. We consider a property to be stabilized once it has achieved either an 80% occupancy rate for a full year measured as of January 1, or has been open for three years. Although leases are short-term in duration, the typical tenant tends to remain at our properties for an extended period of time. For properties that were stabilized as of March 31, 2010, the median length of stay was approximately eleven months. The average annual rent per square foot at these stabilized properties was $13.39 at March 31, 2010 compared to $13.90 at March 31, 2009.

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

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The following table sets forth additional information regarding the occupancy of our stabilized properties on a state-by-state basis as of March 31, 2010 and 2009. The information as of March 31, 2009 is on a pro forma basis as though all the properties owned and/or managed at March 31, 2010 were under our control as of March 31, 2009.

Stabilized Property Data Based on Location

Location	Number of Properties	Company Number of Units as of March 31, 2010(1)	Pro forma Number of Units as of March 31, 2009	Company Net Rentable Square Feet as of March 31, 2010(2)	Pro forma Net Rentable Square Feet as of March 31, 2009	Company Square Foot Occupancy % March 31, 2010	Pro forma Square Foot Occupancy % Mar 31, 2009
Wholly-owned properties							
Alabama	1	587	585	78,070	76,740	78.1%	8
Arizona	5	2,808	2,843	346,998	347,138	83.5%	8
California	43	34,267	34,312	3,378,317	3,354,957	80.6%	7
Colorado	8	3,780	3,804	476,484	476,409	85.9%	8
Connecticut	3	2,021	2,028	178,040	178,115	81.1%	7
Florida	28	18,274	18,362	1,944,910	1,945,446	80.4%	7
Georgia	13	7,052	7,068	913,383	913,529	79.0%	7
Hawaii	2	2,856	2,862	145,624	151,445	78.2%	7
Illinois	5	3,320	3,322	342,024	342,092	81.3%	7
Indiana	6	3,478	3,518	412,709	413,896	84.6%	8
Kansas	1	507	506	50,310	49,990	80.6%	8
Kentucky	3	1,576	1,584	194,001	194,101	88.7%	8
Louisiana	2	1,412	1,407	150,035	148,975	81.1%	8
Maryland	10	7,940	7,950	848,947	847,179	85.7%	8
Massachusetts	28	16,764	16,801	1,720,361	1,713,097	81.6%	7
Michigan	2	1,026	1,031	135,026	134,866	86.3%	8
Missouri	6	3,136	3,156	374,342	374,532	83.7%	7
Nevada	1	463	463	56,850	56,850	77.7%	8
New Hampshire	2	1,007	1,006	125,473	125,691	85.7%	8
New Jersey	23	18,784	18,860	1,833,686	1,838,356	84.3%	8
New Mexico	1	541	542	71,555	69,155	82.4%	7
New York	10	8,432	8,707	614,425	613,941	81.2%	7
Ohio	2	1,183	1,186	156,839	156,789	86.3%	8
Oregon	1	767	767	103,150	103,690	86.3%	8
Pennsylvania	8	4,874	4,896	580,690	580,292	87.4%	8
Rhode Island	1	720	730	75,721	75,521	82.4%	8
South Carolina	4	2,173	2,171	253,406	252,606	83.2%	7
Tennessee	2	992	989	148,155	148,275	81.2%	8
Texas	16	10,203	10,264	1,144,201	1,143,335	85.1%	8
Utah	3	1,544	1,540	211,079	210,876	82.7%	8
Virginia	4	2,838	2,856	271,407	271,457	83.2%	8
Washington	4	2,547	2,553	308,015	308,015	88.5%	8
Total Wholly-Owned Stabilized	**248**	**167,872**	**168,669**	**17,644,233**	**17,617,356**	**82.6%**	**8**
Joint-venture properties							
Alabama	3	1,705	1,709	205,638	205,958	85.0%	8
Arizona	11	6,827	6,851	751,979	751,664	82.9%	8
California	82	59,097	59,084	6,077,046	6,082,297	82.6%	8
Colorado	2	1,323	1,334	158,603	158,433	82.0%	8
Connecticut	8	5,980	5,990	691,306	692,150	81.0%	7
Delaware	1	582	587	71,680	71,655	89.4%	8
Florida	27	22,074	22,338	2,286,761	2,292,925	79.8%	7

Georgia	3	1,872	1,877	245,755	245,270	78.4%	7
Illinois	9	6,439	6,479	694,405	694,399	82.6%	7
Indiana	7	2,774	2,769	366,333	365,803	86.0%	7
Kansas	3	1,213	1,214	160,220	160,920	80.8%	7
Kentucky	4	2,272	2,284	269,197	268,334	83.9%	8
Maryland	14	11,031	11,111	1,086,648	1,081,983	84.4%	8
Massachusetts	17	9,242	9,253	1,049,425	1,046,895	81.5%	7
Michigan	10	5,922	5,939	784,683	785,503	81.9%	8
Missouri	2	959	956	118,045	117,695	79.3%	8
Nevada	8	5,390	5,396	694,188	694,698	81.0%	8
New Hampshire	3	1,319	1,315	137,594	137,434	83.6%	8
New Jersey	21	15,658	15,680	1,647,105	1,648,095	83.4%	7
New Mexico	9	4,672	4,688	542,899	538,504	83.9%	7
New York	21	21,634	21,662	1,734,354	1,735,770	85.3%	8
Ohio	13	5,855	5,858	872,260	870,880	80.5%	7
Oregon	2	1,292	1,292	136,610	136,660	85.3%	7
Pennsylvania	11	8,913	8,915	873,336	872,808	85.3%	8
Rhode Island	2	1,088	1,102	129,875	129,845	68.6%	6
Tennessee	25	13,805	13,843	1,821,646	1,820,924	82.8%	8
Texas	22	13,809	13,897	1,808,283	1,809,083	82.9%	8
Utah	1	521	520	58,950	59,000	86.7%	8
Virginia	17	12,002	12,005	1,266,728	1,266,853	86.0%	8
Washington	1	546	546	62,730	62,730	83.2%	8
Washington, DC	1	1,533	1,536	102,003	102,003	93.9%	8
Total Stabilized Joint-Ventures	**360**	**247,349**	**248,030**	**26,906,285**	**26,907,171**	**82.8%**	**8**

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Location	Number of Properties	Company Number of Units as of March 31, 2010(1)	Pro forma Number of Units as of March 31, 2009	Company Net Rentable Square Feet as of March 31, 2010(2)	Pro forma Net Rentable Square Feet as of March 31, 2009	Company Square Foot Occupancy % March 31, 2010	Pro forma Square Foot Occupancy % March 31, 2009
Managed properties							
Alabama	2	781	825	95,683	95,175	83.6%	81.
California	5	3,377	3,394	399,985	400,070	71.2%	71.
Colorado	1	339	339	31,629	31,639	89.9%	83.
Georgia	5	2,703	2,719	400,657	405,485	71.8%	71.
Illinois	4	2,318	2,325	261,269	262,845	72.4%	68.
Indiana	1	502	502	55,425	55,425	71.7%	61.
Kansas	3	1,514	1,533	225,350	225,460	76.8%	69.
Kentucky	1	531	541	66,000	65,900	84.8%	73.
Maryland	13	8,241	8,311	920,615	926,498	73.6%	70.
Massachusetts	2	2,110	2,144	190,019	190,169	73.3%	62.
Missouri	3	1,532	1,556	305,138	308,853	76.2%	81.
Nevada	2	1,576	1,576	170,775	171,555	77.4%	81.
New Jersey	4	3,322	3,352	319,105	319,959	83.0%	71.
New Mexico	2	1,101	1,108	131,782	131,867	85.4%	82.
New York	1	704	703	83,055	77,955	77.2%	78.
Ohio	4	1,087	1,095	161,760	162,200	59.8%	56.
Pennsylvania	20	8,380	8,389	1,017,471	1,020,177	65.5%	59.
South Carolina	1	399	400	54,777	50,297	75.2%	64.
Tennessee	2	883	882	131,140	130,865	84.4%	85.
Texas	4	2,173	2,244	300,150	301,519	84.4%	83.
Utah	1	371	371	46,805	46,855	96.3%	98.
Virginia	4	2,767	2,782	274,483	270,202	83.0%	80.
Washington, DC	2	1,263	1,255	112,459	111,759	85.2%	83.
Total Stabilized Managed Properties	**87**	**47,974**	**48,346**	**5,755,532**	**5,762,729**	**74.7%**	**71.**
Total Stabilized Properties	**695**	**463,195**	**465,045**	**50,306,050**	**50,287,256**	**81.8%**	**79.**

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(1) Represents unit count as of March 31, 2010, which may differ from March 31, 2009 unit count due to unit conversions or expansions.

(2) Represents net rentable square feet as of March 31, 2010, which may differ from March 31, 2009 net rentable square feet due to unit conversions or expansions.

The following table sets forth additional information regarding the occupancy of our lease-up properties on a state-by-state basis as of March 31, 2010 and 2009. The information as of March 31, 2009 is on a pro forma basis as though all the properties owned and/or managed at March 31, 2010 were under our control as of March 31, 2009.

Lease-up Property Data Based on Location

Location	Number of Properties	Company Number of Units as of March 31, 2010(1)	Pro forma Number of Units as of March 31, 2009	Company Net Rentable Square Feet as of March 31, 2010(2)	Pro forma Net Rentable Square Feet as of March 31, 2009	Company Square Foot Occupancy % March 31, 2010	Pro forma Square Foot Occupancy % Mar 31, 2009
Wholly-owned properties							
California	10	7,345	3,603	788,540	380,593	39.7%	2
Florida	4	3,596	816	348,995	71,545	17.3%	1
Illinois	4	2,652	2,739	276,165	276,285	53.1%	2
Maryland	2	1,372	1,397	149,937	149,937	60.5%	3
Massachusetts	1	593	537	72,125	75,730	54.8%	4
New Jersey	1	636	635	57,140	57,285	61.6%	3
Oregon	1	744		75,995		15.0%	
Tennessee	1	636	429	66,935	52,878	68.4%	7
Total Wholly-Owned Lease up	**24**	**17,574**	**10,156**	**1,835,832**	**1,064,253**	**40.5%**	**3**
Joint-venture properties							
California	6	4,176	2,152	439,428	237,222	46.0%	6
Illinois	2	999	1,026	107,475	107,836	56.4%	5
Maryland	1	854	853	71,349	71,349	75.9%	7
New Jersey	2	1,292	712	127,550	60,098	38.2%	1
Total Lease up Joint-Ventures	**11**	**7,321**	**4,743**	**745,802**	**476,505**	**49.1%**	**5**

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Location	Number of Properties	Company Number of Units as of March 31, 2010(1)	Pro forma Number of Units as of March 31, 2009	Company Net Rentable Square Feet as of March 31, 2010(2)	Pro forma Net Rentable Square Feet as of March 31, 2009	Company Square Foot Occupancy % March 31, 2010	Pro forma Square Foot Occupancy % March 31, 2009
Managed properties							
California	2	1,743	1,594	236,239	189,080	54.8%	49.
Colorado	1	503	536	61,070	60,845	83.8%	54.
Florida	10	7,176	3,219	685,965	333,241	25.5%	15.
Georgia	9	4,967	4,744	712,017	673,468	46.4%	34.
Illinois	4	2,756	2,426	233,224	212,411	51.5%	52.
Massachusetts	2	1,208	645	123,833	70,205	33.2%	18.
New Jersey	1	848	860	77,895	77,905	61.6%	46.
New York	1	910		46,197		29.1%	0.
Pennsylvania	2	1,991	1,995	173,019	173,244	43.0%	27.
Rhode Island	1	985		92,050		4.9%	0.
South Carolina	1	767		76,875		9.0%	0.
Tennessee	1	506	508	69,550	69,550	58.3%	51.
Texas	1	934		103,350		5.7%	0.
Utah	1	654	657	75,601	75,602	65.7%	9.
Virginia	1	476	480	63,709	63,809	45.9%	27.
Total Lease up Managed Properties	**38**	**26,424**	**17,664**	**2,830,594**	**1,999,360**	**39.5%**	**33.**
Total Lease up Properties	**73**	**51,319**	**32,563**	**5,412,228**	**3,540,118**	**41.2%**	**36.**

(1) Represents unit count as of March 31, 2010, which may differ from March 31, 2009 unit count due to unit conversions or expansions.

(2) Represents net rentable square feet as of March 31, 2010, which may differ from March 31, 2009 net rentable square feet due to unit conversions or expansions.

RESULTS OF OPERATIONS

Comparison of the three months ended March 31, 2010 and 2009

Overview

Results for the three months ended March 31, 2010 include the operations of 643 properties (275 of which were consolidated and 368 of which were in joint ventures accounted for using the equity method) compared to the results for the three months ended March 31, 2009, which included the operations of 628 properties (284 of which were consolidated and 344 of which were in joint ventures accounted for using the equity method).

Revenues

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

	Three Months Ended March 31, 2010	2009	$ Change	% Change
Revenues:				
Property rental	$ 56,143	$ 59,409	$ (3,266)	(5.5)%
Management and franchise fees	5,552	5,219	333	6.4%
Tenant reinsurance	5,892	4,619	1,273	27.6%
Total revenues	$ 67,587	$ 69,247	$ (1,660)	(2.4)%

Property Rental The decrease in property rental revenues for the three months ended March 31, 2010 consists primarily of a decrease of $3,292 associated with the sale of 19 properties to an unconsolidated joint venture with Harrison Street on January 21, 2010. There were additional decreases in revenues of $917 at our stabilized properties relating to a decline in incoming rental rates compared with the same period in the prior year and $342 relating to the deconsolidation of five properties as a result of our adoption of amended accounting guidance in ASC 810 effective January 1, 2010. These decreases were offset by increases in revenues of $1,112 relating to increases in occupancy at our lease-up properties and $173 relating to acquisitions completed during 2009.

Management and Franchise Fees Our taxable REIT subsidiary, Extra Space Management, Inc. manages properties owned by our joint ventures, franchisees and third parties. Management and franchise fees generally represent 6% of revenues generated from

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properties owned by third parties, franchisees, and unconsolidated joint ventures. The increase in management and franchise fees is related to the additional fees earned from the new joint venture with Harrison Street and to the increase in third-party managed properties compared to the same period in the prior year. We managed 125 third-party properties as of March 31, 2010 compared to 70 third-party properties as of March 31, 2009.

Tenant Reinsurance The increase in tenant reinsurance revenues is due to the increase of overall customer participation to approximately 57% at March 31, 2010 compared to approximately 50% at March 31, 2009.

Expenses

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

	Three Months Ended March 31,			
	2010	2009	$ Change	% Change
Expenses:				
Property operations	$ 21,956	$ 22,867	$ (911)	(4.0)%
Tenant reinsurance	1,223	1,261	(38)	(3.0)%
Unrecovered development and acquisition costs	70	82	(12)	(14.6)%
General and administrative	11,056	10,591	465	4.4%
Depreciation and amortization	12,419	12,523	(104)	(0.8)%
Total expenses	$ 46,724	$ 47,324	$ (600)	(1.3)%

Property Operations The decrease in property operations expense during the three months ended March 31, 2010 consists primarily of $1,167 related to the sale of 19 properties to an unconsolidated joint venture with Harrison Street on January 21, 2010.

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

Unrecovered Development and Acquisition Costs These costs relate to unsuccessful development and acquisition activities during the periods indicated.

General and Administrative The increase in general and administrative expenses for the three months ended March 31, 2010 was due to the overall cost associated with the management of additional third-party properties. We managed 125 third-party properties as of March 31, 2010 compared to 70 third-party properties as of March 31, 2009.

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

Other Revenues and Expenses

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

	Three Months Ended March 31,			
	2010	**2009**	**$ Change**	**% Change**
Other revenue and expenses:				
Interest expense	$ (17,274)	$ (15,795)	$ (1,479)	9.4%
Non-cash interest expense related to amortization of discount on exchangeable senior notes	(404)	(841)	437	(52.0)%
Interest income	325	532	(207)	(38.9)%
Interest income on note receivable from Preferred Operating Partnership unit holder	1,213	1,213		
Gain on repurchase of exchangeable senior notes		22,483	(22,483)	(100.0)%
Equity in earnings of real estate ventures	1,501	1,895	(394)	(20.8)%
Income tax expense	(1,045)	(648)	(397)	61.3%
Total other revenue (expense)	$ (15,684)	$ 8,839	$ (24,523)	(277.4)%

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Interest Expense The increase in interest expense for the three months ended March 31, 2010 was primarily the result of higher interest rates on new loans obtained in 2009 and 2010. The weighted average interest rate of all fixed and variable rate debt was 5.1% as of March 31, 2010 compared to 4.6% as of March 31, 2009. This increase was offset by a decrease of $1,331 relating to the deconsolidation of the debt related to the 19 properties sold to an unconsolidated joint venture with Harrison Street on January 21, 2010 and the deconsolidation of five properties as a result of our adoption of new accounting guidance effective January 1, 2010.

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

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

Interest Income on Note Receivable from Preferred Operating Partnership Unit Holder Represents interest on a $100,000 loan to the holders of the Preferred OP units.

Gain on Repurchase of Exchangeable Senior Notes The 2009 amount represents the gain recorded on the repurchase of $71,500 principal amount of our exchangeable senior notes in March 2009. There were no repurchases of exchangeable senior notes during the three months ended March 31, 2010.

Equity in Earnings of Real Estate Ventures The decrease in equity in earnings of real estate ventures for the three months ended March 31, 2010 is due primarily to decreased revenues at these joint ventures and the deconsolidation of five lease-up properties effective January 1, 2010.

Income tax expense The increase in income tax expense relates to the increased profitability of Extra Space Management Inc., our TRS.

Net Income Allocated to Noncontrolling Interests

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

	Three Months Ended March 31,			
	2010	**2009**	**$ Change**	**% Change**

Net income allocated to noncontrolling interests:						
Net income allocated to Preferred Operating Partnership	$	(1,479)	$	(1,806)	$ 327	(18.1)%
Net income allocated to Operating Partnership and other non-controlling interests		(132)		(1,337)	1,205	(90.1)%
Total income allocated to noncontrolling interests:	$	(1,611)	$	(3,143)	$ 1,532	(48.7)%

Net income allocated to Preferred Operating Partnership noncontrolling interests Income allocated to the Preferred Operating Partnership equals the fixed distribution paid to the Preferred OP unit holder plus approximately 1.1% and 1.1%, respectively, of the remaining net income allocated after the adjustment for the fixed distribution paid as of March 31, 2010 and 2009.

Net income allocated to Operating Partnership and other noncontrolling interests Income allocated to the Operating Partnership as of March 31, 2010 and 2009 represents approximately 4.0% and 4.7%, respectively, of net income after the allocation of the fixed distribution paid to the Preferred OP unit holder. Loss allocated to other noncontrolling interests represents the losses allocated to partners in consolidated joint ventures.

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

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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 properties, plus depreciation and amortization and after adjustments to record unconsolidated partnerships and joint ventures on the same basis. We believe that to further understand our performance, FFO should be considered along with the reported net income and cash flows in accordance with GAAP, as presented in our consolidated financial statements.

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

	Three months ended March 31,			
	2010		2009	
Net income attributable to common stockholders	$	3,568	$	27,619
Adjustments:				
Real estate depreciation		11,659		11,430
Amortization of intangibles		183		523
Joint venture real estate depreciation and amortization		1,754		1,395
Distributions paid on Preferred Operating Partnership units		(1,438)		(1,438)
Income allocated to Operating Partnership noncontrolling interests		1,628		3,392
Funds from operations	$	17,354	$	42,921

SAME-STORE STABILIZED PROPERTY RESULTS

We consider our same-store stabilized portfolio to consist of only those properties which were wholly-owned at the beginning and at the end of the applicable periods presented that have achieved stabilization as of the first day of such period. The following table sets forth operating data for our same-store portfolio (revenues include tenant reinsurance income). We consider the following same-store presentation to be meaningful in regards to the properties shown below. These results provide information relating to property-level operating changes without the effects of acquisitions or completed developments.

	Three Months Ended March 31,				Percent
	2010		2009		Change
Same-store rental and tenant reinsurance revenues	$	54,735	$	55,272	(1.0)%
Same-store operating and tenant reinsurance expenses		19,760		20,176	(2.1)%
Same-store net operating income	$	34,975	$	35,096	(0.3)%
Non same-store rental and tenant reinsurance revenues	$	7,300	$	8,756	(16.6)%
	$	3,419	$	3,952	(13.5)%

Non same-store operating and tenant reinsurance expenses					
Total rental and tenant reinsurance revenues	$	62,035	$	64,028	(3.1)%
Total operating and tenant reinsurance expenses	$	23,179	$	24,128	(3.9)%
Same-store square foot occupancy as of quarter end		82.7%		80.9%	
Properties included in same-store		246		246	

The decrease in same-store rental revenues for the three months ended March 31, 2010 as compared to the three months ended March 31, 2009 was due to decreased rental rates to incoming customers. The decrease in same-store operating expenses was primarily due to lower utilities, property taxes and insurance expenses.

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CASH FLOWS

Cash flows provided by operating activities were $16,015 and $18,618, respectively, for the three months ended March 31, 2010 and 2009. The decrease compared to the prior year primarily relates to the decrease in net income exclusive of the gain on sale of exchangeable notes in 2009.

Cash provided by investing activities was $11,821 for the three months ended March 31, 2010 and cash used in investing activities was $33,643 for the three months ended March 31, 2009. The increase relates primarily to the $15,750 of cash received as a result of the sale of 19 properties into the joint venture with Harrison Street in January 2010. This increase was also a result of the decrease in cash used for the acquisition of real estate assets of $16,650 when compared to the prior year. Also, there was a decrease in cash used for the development of real estate assets of $11,502 when compared to the same quarter last year.

Cash used in financing activities was $51,046 for the three months ended March 31, 2010 and cash provided by financing activities was $5,531 for the three months ended March 31, 2009. The decrease in cash provided by financing activities is primarily the result of decreased proceeds from notes payable in the current year of $143,144 compared to the prior year. This was offset by a decrease of loan repayments and the repurchasing of exchangeable senior notes of $71,425. In addition, we paid dividends of $8,707 for the three months ended March 31, 2010 compared to dividends paid of $21,526 for the three months ended March 31, 2009.

LIQUIDITY AND CAPITAL RESOURCES

As of March 31, 2010, we had $108,740 available in cash and cash equivalents. We intend to use this cash to repay debt scheduled to mature in 2010 and 2011 and for general corporate purposes. We are required to distribute at least 90% of our net taxable income, excluding net capital gains, to our stockholders on an annual basis to maintain our qualification as a REIT.

Our cash and cash equivalents are held in accounts managed by third party financial institutions and consist of invested cash and cash in our operating accounts. During 2009 and the first three months of 2010 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.

On February 13, 2009, we entered into a $50,000 Secondary Credit Line that is collateralized by mortgages on certain real estate assets and matures on February 13, 2012. We intend to use the proceeds of the Secondary Credit Line to repay debt and for general corporate purposes. The Secondary Credit Line has an interest rate of LIBOR plus 325 basis points (3.5% at March 31, 2010). As of March 31, 2010, there were no amounts drawn on the Secondary Credit Line. We are subject to certain restrictive covenants relating to the Secondary Credit Line. We were in compliance with all financial covenants as of March 31, 2010.

On October 19, 2007, we entered into a $100,000 Credit Line. The outstanding balance on the Credit Line at March 31, 2010 was $100,000. We intend to use the proceeds of the Credit Line to repay debt and for general corporate purposes. The Credit Line has an interest rate of between

100 and 205 basis points over LIBOR, depending on certain of our financial ratios (1.25% at March 31, 2010). The Credit Line is collateralized by mortgages on certain real estate assets and matures on October 31, 2010 with two one-year extensions available. We are not subject to any financial covenants relating to the Credit Line.

As of March 31, 2010, we had $1,243,721 of debt, resulting in a debt to total capitalization ratio of 51.7%. As of March 31, 2010, the ratio of total fixed rate debt and other instruments to total debt was 76.7% (including $107,462 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, 2010 was 5.1%. Certain of our real estate assets are pledged as collateral for our debt. We are subject to certain restrictive covenants relating to our outstanding debt. We were in compliance with all financial covenants at March 31, 2010.

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

Our liquidity needs consist primarily of cash distributions to stockholders, facility development, property acquisitions, principal payments under our borrowings and non-recurring capital expenditures. In addition, we evaluate, on an ongoing basis, the merits of strategic acquisitions and other relationships, which may require us to raise additional funds. We do not expect that our operating cash flow or cash balances will be sufficient to fund our liquidity needs and instead expect to fund such needs out of additional borrowings of secured or unsecured indebtedness, joint ventures with third parties, and from the proceeds of public and private offerings of equity and debt. Additional capital may not be available on terms favorable to us or at all. Any additional issuance of equity or equity-linked

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securities may result in dilution to our stockholders. In addition, any new securities we issue could have rights, preferences and privileges senior to holders of our common stock. We may also use OP units as currency to fund acquisitions from self-storage owners who desire tax-deferral in their exiting transactions.

The U.S. credit markets are experiencing significant dislocations and liquidity disruptions which have caused the spreads on prospective debt financings to widen considerably. These circumstances have materially impacted liquidity in the debt markets, making financing terms for borrowers less attractive, and in certain cases have resulted in the unavailability of certain types of debt financing. Continued uncertainty in the credit markets may negatively impact our ability to make acquisitions and fund current development projects. In addition, the financial condition of the lenders of our credit facilities may worsen to the point that they default on their obligations to make available to us the funds under those facilities. A prolonged downturn in the credit markets may cause us to seek alternative sources of potentially less attractive financing, and may require us to adjust our business plan accordingly. In addition, these factors may make it more difficult for us to sell properties or may adversely affect the price we receive for properties that we do sell, as prospective buyers may experience increased costs of debt financing or difficulties in obtaining debt financing. These events in the credit markets have also had an adverse effect on other financial markets in the United States, which may make it more difficult or costly for us to raise capital through the issuance of common stock, preferred stock or other equity securities. These disruptions in the financial market may have other adverse effects on us or the economy generally, which could cause our stock price to decline.

OFF-BALANCE SHEET ARRANGEMENTS

Except as disclosed in the notes to our condensed consolidated financial statements, we do not currently have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purposes entities, which typically are established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. Further, except as disclosed in the notes to our 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.

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

CONTRACTUAL OBLIGATIONS

The following table sets forth information on payments due by period as of March 31, 2010:

	Payments due by Period:				
	Total	Less Than 1 Year	1-3 Years	3-5 Years	After 5 Years
Operating leases	$ 61,806	$ 6,002	$ 10,324	$ 8,390	$ 37,090
Notes payable, notes payable to trusts, exchangeable senior notes and lines of credit					

Interest	476,891	60,200	106,358	80,985	229,348
Principal	1,243,721	135,568	242,831	290,615	574,707
Total contractual obligations	$ 1,782,418	$ 201,770	$ 359,513	$ 379,990	$ 841,145

At March 31, 2010, the weighted-average interest rate for all fixed rate loans was 5.6%, and the weighted-average interest rate for all variable rate loans was 3.3%.

FINANCING STRATEGY

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

- the interest rate of the proposed financing;

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

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- prepayment penalties and restrictions on refinancing;
- the purchase price of properties acquired with debt financing;
- long-term objectives with respect to the financing;
- target investment returns;
- the ability of particular properties, and our company as a whole, to generate cash flow sufficient to cover expected debt service payments;
- overall level of consolidated indebtedness;
- timing of debt and lease maturities;
- provisions that require recourse and cross-collateralization;
- corporate credit ratios including debt service coverage, debt to total capitalization and debt to undepreciated assets; and
- the overall ratio of fixed and variable rate debt.

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

During 2008 and 2009, we repurchased $162,337 in aggregate principal amount of our exchangeable senior notes for $119,455 in cash. We may from time to time seek to retire, repurchase or redeem our additional outstanding debt including our exchangeable senior notes as well as shares of common stock or other securities in open market purchases, privately negotiated transactions or otherwise. Such repurchases or redemptions, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. The amounts involved may be material.

SEASONALITY

The self-storage business is subject to seasonal fluctuations. A greater portion of revenues and profits are realized from May through September. Historically, our highest level of occupancy has been as of 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, 2010, we had $1.2 billion in total debt, of which $289.6 million was subject to variable interest rates (excluding debt with interest rate swaps). If LIBOR were to increase or decrease by 100 basis points, the increase or decrease in interest expense on the variable rate debt (excluding variable rate debt with interest rate floors) would increase or decrease future earnings and cash flows by $1.7 million annually.

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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.

The fair values of our notes receivable and our fixed rate notes payable are as follows:

	March 31, 2010		December 31, 2009	
	Fair Value	**Carrying Value**	**Fair Value**	**Carrying Value**
Note receivable from Preferred OP unit holder	$ 113,373	$ 100,000	$ 112,740	$ 100,000
Fixed rate notes payable and notes payable to trusts	$ 917,869	$ 866,414	$ 1,067,653	$ 1,015,063
Exchangeable senior notes	$ 112,209	$ 87,663	$ 110,122	$ 87,663

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ITEM 4. CONTROLS AND PROCEDURES

(i) Disclosure Controls and Procedures

We maintain disclosure controls and procedures to ensure that information required to be disclosed in the reports we file pursuant to the Securities Exchange Act of 1934, as amended, 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 to ensure that all disclosures made by the Company to its security holders or to the investment community will be accurate and complete and fairly present the Company s financial condition and results of operations in all material respects, and are made on a timely basis as required by applicable laws, regulations and stock exchange requirements.

We carried out an evaluation, under the supervision and with the participation of management, including the Chief Executive Officer and the 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.

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

ITEM 1A. RISK FACTORS

There have been no material changes in our risk factors from those disclosed in our 2009 Annual Report on Form 10-K.

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

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. REMOVED AND RESERVED

ITEM 5. OTHER INFORMATION

None.

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ITEM 6. EXHIBITS

31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
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.

*These certifications are being furnished solely to accompany this quarterly report pursuant to 18 U.S.C. Section 1350, and are not being filed for purposes of Section 18 of the Securities Exchange Act of 1934 and are not to be incorporated by reference into any filing of Extra Space Storage Inc., whether made before or after the date hereof, regardless of any general incorporation language in such filing.

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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 7, 2010	/s/ Spencer F. Kirk Spencer F. Kirk *Chairman and Chief Executive Officer* *(Principal Executive Officer)*
Date: May 7, 2010	/s/ Kent W. Christensen Kent W. Christensen *Executive Vice President and Chief Financial Officer* *(Principal Financial Officer)*