FINAL TRANSCRIPT

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PRESENTATION

Operator

Good day, ladies and gentlemen. Welcome to the first quarter 2009 Extra Space Storage Inc. conference call. My name is Jim and I will be your operator today. (Operator Instructions) As a reminder, this conference is being recorded for replay purposes. I would like to turn the presentation over to your host for today's call, Mr. James Overturf of Extra Storage, Inc. Please proceed, sir.

James Overturf - *EXTRA SPACE STORAGE INC*

Thank you, Jim. Welcome to Extra Space Storage's first quarter 2009 conference call. With us today are CEO and Chairman of the Board, Spencer Kirk; CFO, Kent Christensen; and COO, Karl Haas. In addition to our press release, we have also furnished unaudited supplemental financial information on our website.

Please remember that management's prepared remarks and answers to your questions contain forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. Forward-looking statements address matters which are subject to risks and uncertainties that may cause actual results that differ from those discussed today. Examples of forward-looking statements relate to Extra Space Storage's development and acquisition programs, revenues, net operating income, FFO and guidance. We encourage all of our listeners to review a more detailed discussion related to these forward-looking statements contained in the Company's filings of the SEC. These forward-looking statements represent management's estimates as of today, May 5, 2009. Extra Space Storage assumes no obligation to update these forward-looking statements in the future because of changing market conditions or other circumstances. With that, I'd like to turn the call over to Extra Space Storage's CEO and Chairman, Spencer Kirk.

Spencer Kirk - *EXTRA SPACE STORAGE INC - Chairman, CEO*

Hello, everyone. Joining me today are Kent Christensen, our CFO, and Karl Haas, our Chief Operating Officer. I'll give a brief summary of the first quarter, and then hand it over to Kent and Karl for the financial and operational details.

Our first quarter performance was in line with expectations. For the quarter we earned $0.47 per share of FFO including $0.02 of development dilution. Excluding our gain of $0.25 on the repurchase of exchangeable senior notes and adding back $0.01 of noncash interest charges, FFO was $0.23 per diluted share. The business is holding up reasonably well, especially considering the continued weak economic conditions across the country. Same-store revenue, including tenant reinsurance income, was flat compared with Q1 last year. To be more specific, it was down 0.1%. Expense control was again excellent increasing by only 0.7%.

As a result, the flat revenue and slight increases in expenses, our same-store NOI decreased 0.5% compared to last year. We've made good progress on the financing front since the end of the quarter, which Kent will address, and we are also in the process of negotiating a sale of a number of our assets into a joint venture. The structure of the transaction will allow us to retain a minority ownership interest, delever our balance sheet and maintain our national footprint. We will have more details in the near future on this transaction. I would now like to turn the call over to Karl Haas, our Executive Vice President of Operations.

Karl Haas - *EXTRA SPACE STORAGE INC - COO*

Thanks, Spencer. I would like to start off today's call by directing everyone to our supplemental data that's been posted on our website. The tables contain detailed operational data and have been updated this morning to correct some anomalies of what was released last night.

On the last call, I described the operating conditions in the fourth quarter being tough. On the first quarter the market became even tougher. However, our store performance held up given the circumstances, as Spencer said, including tenant reinsurance income, same-store revenue decreased 0.1% and net operating income increased 0.5% for the quarter. Our expense control was outstanding, increasing only 0.7%.

One proactive measure we have taken is freezing all pay rate increases at all levels of the Company. Once again, the team did a super job of capturing the sale and controlling the expenses. This quarter is our slowest quarter of the year for new rental activity. Move-ins that are 252 same-store pull were down 3% or about three rentals per property for the quarter. We were competitive with rates and specials which we believe were effective in buffeting us against even potentially greater drop. In addition, our call center is continuing to dramatically improve in sales conversion performance.

Move outs increased 4.7% compared to last year, or less than five units per property for the quarter. The Delta move out activity year-over-year was down about 0.5% compared to the fourth quarter. Same-store occupancy as of March 31 was 81.3%, down 2.4% from last year. We had a drop in same-store occupancy, it is better than the nearly 6% national drop in occupancy that Self Storage Data Services reported on April 16. That says to me that we have benefited from our scale, our call center, our web strategy, and our high quality portfolio and, of course, our great team. We feel this continues to set us apart.

In April, same-store net rentals were down approximately three units per property. Same-store occupancy as of April 30 was 86.1 -- 81.6%, down 2.9% compared to last year. We are seeing positive seasonality; however, it appears it will not be as strong as we've seen in prior years. We are continually testing different approaches to find the pricing that produces the level of occupancy that yields the maximum revenue. Our overall discounting dollars are lower than last year as a result of lower rentals and rates. On a positive side, as a result of our strong focus and effective management, our receivables continue to run comparable to last year and bad debt expense is actually running below last year.

Our top performing revenue growth markets for the quarter were Boston, Columbus, Houston and San Francisco. Markets performing below our portfolio average in revenue growth included Las Vegas, Indianapolis, Memphis, Phoenix, and Tampa/St. Pete. It's been the case for over the last two years. Overall, Florida remains our most significant negative market.

Operationally, we are doing what is necessary to capture every sales opportunity and provide the best overall value to our customers. The call center, as I mentioned earlier, is positively impacting our business. We continue to make significant strides in our personnel reporting, sales skills and close rates. I was at the call center last week listening to calls with several representatives and I left feeling great about what we are accomplishing. A positive note in regards to the call center and overall operations is that we have had a strong and pronounced increase in sales calls and rental activity in late April and continuing into the first week of May. We hope this trend continues through our rental season.

We are continuing to implement technology improvements as exemplified by the rollout of salesforce.com, the leading CRM software solution to all of our properties to handle calls and track leads. The customer behavior learning we will gain as well as the communications efficiency should greatly benefit our ongoing operations and marketing efforts. Separately, web traffic today constitutes 25% of our sales, which bodes well for extra space and other large operators that could deploy advance in sophisticated web strategies. Our market outlook for the remainder of 2009 is murky at best. Given what we have seen in the last four months, demand remains soft and will probably remain so until economic conditions strengthen. Operationally, of course, we plan to stay at least one step ahead. The great news is, our field personnel are committed to aggressively executing the programs and aggressively closing sales opportunities presented. With that, I'll turn the call over to our CFO, Kent Christensen.

Kent Christensen - *EXTRA SPACE STORAGE INC - CFO*

Thanks, Karl. Let me first give an update on where we are on our balance sheet, and then I'll get to the earnings and guidance for the remainder of the year. During the quarter we closed on $67 million of loans consisting of a revolving line of credit of $50 million, a term loan of $9 million and a construction loan of $8 million. In addition, we've completely drawn our $100 million line of credit with GE Capital and we swapped a $64.5 million variable rate term loan to a fixed rate of 4.2% for 4.5 years. Since the end of the quarter, we've closed on an additional three loans for $39 million which are secured by eight unincumbered properties. We've closed also closed two development loans for $8 million.

Since the beginning of 2009, we have closed on a total of $108 million of new loans. As of today, we have cash of $119 million, $50 million availability on our $50 million Bank of America revolver for a total capacity of $169 million. If we pay cash -- a mix of 10% cash and 90% stock in our fourth quarter dividend to meet our redistribution requirements, then our capacity for the remainder of the year will increase by $65 million. Assuming that we pay cash for the taxable minimum dividend in 2010, that will allow us to have an additional $40 million to $50 million of capacity. Using these assumptions, we have accounted for all maturities through December 31, 2010. So 2010 is not an issue at this time.

The financing market is still open to us and we continue to make steady progress, we have signed term sheets secured by 20 properties from eight banks totaling $106 million. We are targeting closing these loans in the next 30 to 45 days. In today's environment, the closing loans is taking much longer than it used to. We have unsigned term sheets from 11 banks totaling an additional $165 million. To pay off all of our debts through 2011, we need to close on an additional $130 million for which we have signed and unsigned term sheets totaling $271 million. As can you see, we're well on our way to taking care of our 2011 debts.

We have a very large pool of unincumbered properties that we use as the collateral for these loans. At this time, we are working on placing loans on 48 stabilized properties. These properties generate approximately $27 million of backward looking net operating income. Utilizing a 7.5 cap, 70% loan to value, these properties should generate approximately $254 million of loans. Using the availability we have today and paying off our remaining 2009 and 2010 maturities, it frees up an additional 56 properties which have a backward looking NOI of approximately $32 million. Using the same cap rate and loan to value, these properties could generate an additional $303 million in loans. When you combine the $303 million with the $254 million of properties that we have available today, we have $550 million of borrowing capacity today.

I believe that our balance sheet is in good shape and we continue to look for numerous ways to reduce our overall leverage. With that in mind, during the quarter we purchased approximately 71.5 million principal amount of our exchangeable senior notes on the open market for about $44.5 million. In the quarter we achieved $0.47 per share, including $0.02 per share of development dilution excluding the one-time gain and the non-cash interest expense from APB14-1 of approximately $0.01 our FFO was $0.23.

For the second quarter of 2009 we currently estimate that fully diluted FFO per share will be between $0.21 and $0.23, including $0.02 in dilution from our recently opened development properties and adding back the noncash interest expense on our exchangeable notes. We're now forecasting same-store revenue for the year to be down between negative 3% and negative 4%. Our operational and G & A expenses are being held in check. We currently estimate that fully diluted FFO will be between $0.92 and $0.96 per share, including dilution on our recently opened property of $0.07 and excluding the $0.25 gain on the early extinguishment of debt and adding back the noninterest expense on our exchangeable notes. For further assumptions underlying this outlook, please return to our earnings press release. With that, I'd now like to turn the call back over to Spencer.

Spencer Kirk - *EXTRA SPACE STORAGE INC - Chairman, CEO*

Thanks, Kent. Before we take questions, I'd like to close with a couple of thoughts. Eleven years ago when I joined with Ken Woolley in building Extra Space and invested a significant amount of money into the Company, I was attracted to the business' stability its diversity of tenants and geography and Storage's ability to weather economic downturns better than most investments. Today, in what is likely the worst recession in 80 years, the performance of our properties is validating my decision to become involved in this industry. Revenue was down 0.1% in the quarter, essentially flat. Because of the lack of visibility, our team has taken a conservative outlook for the remainder of the year. Our goal is to be both realistic and credible in our guidance. The economy shrinks 6.3% annualized in Q4 and shrank 6.1% annualized in Q1. In this difficult environment, I believe we turned in solid, respectable performances in those quarters. Compared to other sectors in businesses, our Q1 numbers are very positive.

Life changes that create a need for storage have continued and will continue to occur. Make no mistake, the economy is having an impact on our business. Storage is recession resistant not recession proof. In this contest, we are taking appropriate and prudent steps to insulate ourselves, we have reduced our dividend for the remainder of 2009 to enhance our liquidity and have delevered our balance sheet by buying back exchangeable notes. In addition to making continued progress on obtaining loans, we are also in the final steps of selling a number of our properties into a joint venture which will bring cash into the Company, enable us to take debt off the balance sheet and keep our national footprint.

On the expense side we have instituted wage freezes throughout the organization and we are being extremely cognizant of all expenses. With that said, we remain extremely focused on the business, putting a premium on each rental by maximizing our sales in customer service. We've seen encouraging signs in the last few weeks. Seasonality is kicking in and we are having a positive rental season though at a slower pace and in recent years. Extra Space Storage, due to our best in class people, properties and technology, is well positioned to weather these tough market conditions. We appreciate your interest, we'd now like to take your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from the line of Mr. David Toti of Citi.

David Toti - *Citi - Analyst*

Hey, guys, Michael is here with me as well. A couple questions for you just to start. Change in guidance was pretty dramatic given that we didn't speak that long ago. What exactly changed between the last time we spoke and guidance was established relative to now and are you seeing that as a sort of downward trajectory? If we extrapolate the pace and change then the year-end numbers are pretty bad.

Spencer Kirk - *EXTRA SPACE STORAGE INC - Chairman, CEO*

Here's the answer on that, David. As you look back to January and the first three weeks of February, when we reported, things seemed to be relatively stable. As we progressed into March, things deteriorated. And as we got into April, there was a further continuation of that deterioration. Interestingly enough, around the last seven to ten days of April and into the first 4-1/2 days into May, we've seen an upturn. The rate which vacates were occurring has slowed and we just simply, as a team, said we do not have the visibility for where things are going the rest of the year. We are going to be conservative and we're going to assume we don't know exactly what the rest of the year is going to look like. So all we have done is simply said we saw the trend in March and April. We've seen an uptick suggesting strong seasonality, although somewhat muted compared to prior years, and given the uncertainty, we are going to be conservative hence the revised numbers.

David Toti - *Citi - Analyst*

Can you describe a little more what's the make-up of this deterioration that you saw in March and early April? Is it accelerated move outs from customers? Is it weakness on the incoming perspective tenants? What exactly was that made up that deceleration?

Karl Haas - *EXTRA SPACE STORAGE INC - COO*

This is Karl. We lowered rates, we got aggressive on rates, more aggressive on rates in the middle of February, and we expected to see more impact from that and we really didn't. And, if anything, we saw rentals were down at about the same rate they were before we lowered the rates and in April they were actually down slightly more. Vacates had continued to run 4% to 5% above the prior year. The good news is in April we actually saw a decrease in vacates. And while we saw, as we previously mentioned, an increase in -- or a bigger decrease in rentals, we did see a decrease in vacates which is the first time in a long time we saw the vacates decrease.

David Toti - *Citi - Analyst*

Okay, and then relative to customer patterns now, how would you describe the tenor of incoming customers? Are they increasingly price sensitive? Are they shopping around to a wider array of facilities? Is there a little bit more price power with incoming customers today than there was a few months ago?

Karl Haas - *EXTRA SPACE STORAGE INC - COO*

If I told you anything, it would be more ad-hoc. I don't think we've really seen, I think the general, whether it's existing customers or new customers come, I think everyone out there feels like everything in the economy is for sale, and so I think the expectation is that there are better deals available now than there probably were six months ago, and that is the case. But I can't say that we see that we see or sense that people are shopping any more than they have in the past.

David Toti - *Citi - Analyst*

Okay. And then, Spencer, is it possible to give us a little bit of detail on the potential scope of the JV? Are we talking $300 million, $100 million. Are we talking very small minority interest similar to the structures have you now? Any detail would be helpful.

Spencer Kirk - *EXTRA SPACE STORAGE INC - Chairman, CEO*

Let's have Kent take that question, because he has been the prime negotiator on it.

Kent Christensen - *EXTRA SPACE STORAGE INC - CFO*

David, we -- we're not at liberty right now to disclose much more about it, but what we can say is it will not be small. It's a pretty good joint venture relationship that we're establishing. It is new. It's not a relationship we currently have, but it will be a pretty good transaction for Extra Space.

David Toti - *Citi - Analyst*

And then one last question for me, and I'll get back in the queue. You're unencumbering assets, you are selling assets, you are potentially putting assets in to a joint venture. How do you decide on which assets go where?

Kent Christensen - *EXTRA SPACE STORAGE INC - CFO*

The Extra Space historically has been in a difficult spot in looking at selling assets in that historically almost all of our assets have been encumbered. And so as we looked at assets that were maybe underperforming, we were unable to do anything with those assets because they were in CMBS loans. With the state of the market and many of our CMBS loans are coming up, we're going back and relooking at those assets and determining whether or not they're assets and markets that we want to be in. First of all, it's going back and now as these loans are coming due, and we're paying them off the assets that are becoming unencumbered, they're assets that we've owned for five to ten years and we're looking at those assets now and saying are these assets we still want? Looking at joint venture relationships, those would be relationships whereby we would sell a portfolio of assets with the debt that's already in place on those assets to a joint venture partner. So it would be taking our currently encumbered assets and moving them. So those would be based on what kind of loans are in place and taking that whole portfolio of properties to a joint venture partner.

Michael Bilerman - *Citi - Analyst*

Maybe just on the joint venture, Michael Bilerman speaking. Give a sense of, are we talking 20 assets, 40 assets or maybe just the NOI contribution. I know you don't want to pin yourself to valuation as you're still negotiating. But just to give us some sense of size, maybe even the depth associated with the assets so we can really start to understand how meaningful this would be for the Company.

Kent Christensen - *EXTRA SPACE STORAGE INC - CFO*

Mike, as we said a minute ago, we're just in the final stages of finishing the negotiations of that, and I would rather we wait to disclose that until we finish those negotiations. We're close, but we're not at a point today where we can absolutely say here's where it's at. I understanding your wanting to know, but we'd rather wait to disclose that until a few weeks from now.

Michael Bilerman - *Citi - Analyst*

I don't want to pinpoint you to one number and say, oh, you got retrade at 10%. I don't mind you putting some goal posts. It's hard for us to know whether this is a $100 million JV, a $500 million JV. Just some reasonable range in terms of size and debt, that way we can understand what sort of impact this could have to you and your cash needs.

Kent Christensen - *EXTRA SPACE STORAGE INC - CFO*

Since you're asking for a number, it's somewhere between $100 million and $500 million.

Michael Bilerman - *Citi - Analyst*

I'll let our brethren try to get it out. Thanks.

Operator

Our next question comes from the line of Jordan Sadler of Keybanc Capital Markets. Please proceed.

Todd Thomas - *KeyBanc Capital Markets - Analyst*

Hi. This is [Todd Thomas] along with Jordan. On the operational side, could you talk about street rates and maybe quantify where they are both sequentially and year over year?

Kent Christensen - *EXTRA SPACE STORAGE INC - CFO*

They're down about in the range of about 10% to last year, and actually, about 9%. We had gone as low in February as down about 13%. We actually recovered some and hope to make a little bit more recovery as we see, especially with some of the activity we're seeing here in may.

Todd Thomas - *KeyBanc Capital Markets - Analyst*

Okay. So it's up a little bit in the last two or three months?

Kent Christensen - *EXTRA SPACE STORAGE INC - CFO*

Yes.

Todd Thomas - *KeyBanc Capital Markets - Analyst*

Okay. And then also on in place rents for existing customers, are you still increasing rents in that 6% to 7% range or have you dialed that back a little bit given the environment?

Kent Christensen - *EXTRA SPACE STORAGE INC - CFO*

We've dialed it back slightly, but it's still -- we're still going at it about -- pretty close to the same level as previously. We continue to monitor that. It certainly is a concern that street rates are down and we're continuing to push existing customers; however, while we see some fallout from existing tenant rate increases, by far, the benefit is exceeding the fallout.

Jordan Sadler - *KeyBanc Capital Markets - Analyst*

It's Jordan Sadler here with Todd. Can you just give a little more color on what happened in the northeast specifically regionally? It looked like one of your weaker regions -- just anything in particular that was different from the pricing. I know that it seemed to whip around and that was one of your stronger regions last quarter.

Kent Christensen - *EXTRA SPACE STORAGE INC - CFO*

That's probably a little bit of what's going on is the fact that it was so strong last year and so if you go back to the March and April and February of last year, it was at 5% or 6%. And so I think that's a little bit of what's going on, is that it's gotten -- also, if you're looking at, hopefully you're looking at the most updated -- I think somebody just pointed out to me that I guess some of the information we put out last night that's been corrected reflects a little bit different numbers than --

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Jordan Sadler - *KeyBanc Capital Markets - Analyst*

I'll double check. Thanks for that. And then on the JV, is pricing or cap rate -- should we expect something consistent with what you've talked about in terms of lending values?

Spencer Kirk - *EXTRA SPACE STORAGE INC - Chairman, CEO*

Yes.

Jordan Sadler - *KeyBanc Capital Markets - Analyst*

Okay. And the type of partners that are looking to get involved in self-storage today, are they institutions or strategic or what?

Spencer Kirk - *EXTRA SPACE STORAGE INC - Chairman, CEO*

Institutional.

Jordan Sadler - *KeyBanc Capital Markets - Analyst*

And then any commentary, lastly, on the development in plans for new starts there?

Spencer Kirk - *EXTRA SPACE STORAGE INC - Chairman, CEO*

We continue to evaluate the development program. We can say that we have not started any new development projects in the last quarter, and that's something we continue to look at and evaluate the -- how we're -- what we're going to do with development.

Jordan Sadler - *KeyBanc Capital Markets - Analyst*

What was the amount of capitalized overhead related to development in the quarter?

Kent Christensen - *EXTRA SPACE STORAGE INC - CFO*

It was about $750,000.

Jordan Sadler - *KeyBanc Capital Markets - Analyst*

Okay. Thank you.

Operator

Your next question is from the line of Jeff Donnelly of Wachovia. Please proceed.

Jeff Donnelly - *Wachovia - Analyst*

Hey, guys. I guess if I could maybe pick up the baton from my friend, Michael Bilerman, earlier. I appreciate you making good headway on asset sales and refinancing. This may not inevitably lower your overall level of leverage your (inaudible) defers at maturity. You've seen a substantial number of real estate companies move to re-equitize their platform. Where does equity capital fall in your source of funds and I guess what do you foresee as your long-term leverage objectives?

Kent Christensen - *EXTRA SPACE STORAGE INC - CFO*

This is Kent. We're in the same boat as moved of the REITs others, which is we're looking for ways of finding -- of ways of deleveraging. The way that our company can deleverage can come from a number of different sources of which raising equity would be one of those. On the table today are all different alternatives and we're exploring those to find ways of reducing our overall debt level. We're, as I said, we're in the same camp as all the other REITs, finding ways of deleveraging.

Jeff Donnelly - *Wachovia - Analyst*

And when -- maybe this is putting a finer point about how you're allocating assets, but as it relates specifically to the joint venture, I guess how are assets being allocated or chosen for that? Is this a situation where your institutional partner is being given the pick of the litter so to speak? Or is there a regional preference? How is that being determined?

Kent Christensen - *EXTRA SPACE STORAGE INC - CFO*

The people that we have been talking with are looking for assets that are currently encumbered and so it goes back to the debt that we have in place today and looking at those portfolios of properties with the loans that are already in place and having discussions with partners about that. So the allocations are how it's being -- they're not getting the cherry pick, but they -- but we are having discussions about specific loan portfolios and what properties are in those loan portfolios.

Jeff Donnelly - *Wachovia - Analyst*

That's their preference, meaning they want encumbered assets?

Kent Christensen - *EXTRA SPACE STORAGE INC - CFO*

Yes, that is correct. The people we're talking with are still wanting leveraged portfolios of properties.

Jeff Donnelly - *Wachovia - Analyst*

That's helpful. And I'm curious, just to switch gears for a moment. Do you have the ability to share with us that you think your 2009 same-store NOI outlook would look like if you're able to exclude the tenant insurance income?

Kent Christensen - *EXTRA SPACE STORAGE INC - CFO*

It has about 0.5%, it's been running 0.6%. It would change at about 0.6%.

Jeff Donnelly - *Wachovia - Analyst*

Okay. And I guess step back. How have you found tenant reinsurances valued. When you purchase self-storage properties, I know -- I don't think Ken is on the call but I know he's familiar with multi family properties. Is tenant reinsurance income to stay like cable TV income, for example, at an apartment property where it might not be treated as the same as rent, if you will, in the process evaluation?

Kent Christensen - *EXTRA SPACE STORAGE INC - CFO*

This is Kent. There's kind of two ways of looking at our tenant insurance income. The first is that the tenant insurance income that's part of our wholly owned properties, we would cap that at the same cap rate as the revenues of the property because as we buy properties, we include tenant insurance income as income from the property. The income that's associated with our non-owned, wholly owned properties or the income that we're getting, we would cap that as some kind of a multiple like you just described. I don't know what the numbers are for cable television, but it would be at some kind of a multiple based on the net profit from that activity.

Spencer Kirk - *EXTRA SPACE STORAGE INC - Chairman, CEO*

You would think it would be comparable.

Jeff Donnelly - *Wachovia - Analyst*

Okay. Thank you, guys.

Operator

The next question from the line of Michael Salinsky of RBC Capital Markets. Please proceed, sir.

Michael Salinsky - *RBC Capital Markets - Analyst*

Good afternoon. Kent, first question for you. With the financings during the quarter, can you give us a sense of what the LTV's in terms were on those? And also, with the terms you're looking at right now, where it's pricing at on those maybe on an LTV interest rate basis and term basis?

Kent Christensen - *EXTRA SPACE STORAGE INC - CFO*

As we talked about on our last call, Mike, I don't want to get into too much specifics because we're negotiating with a lot of different banks right now, and so what I can tell you is that the ones that we've closed on have been LIBOR plus 300, on average between 275 and 325. The term sheets that we've received most recently have tended towards moving towards floors where the term sheets we got earlier in the year did not have floors, so we're now seeing more floors, and those would be somewhere between 5.5% and 6.75%, somewhere in that range. Loan to values are still coming in at the the 65% to 70% loan-to-value. The struggle is, what is the cap rates that are being used by appraisals? The appraisals that we're seeing coming in are backward looking, obviously, and they're still showing 7-- 6s and 7s. The banks are then adjusting those number to come up with what they think the cap rates are, so our discussions with the banks on loan to value have to do with a cap rate discussion with the banks but not with the appraisals, because the appraisers are still looking at backward looking transactions.

Michael Salinsky - *RBC Capital Markets - Analyst*

Okay. Secondly, with the development yields here it looks like you're expected dilution from development leaseup was trimmed about a penny, yet same-store numbers have come down here. Are you actually seeing a pickup greater than expected at the leasing properties or what was the driver behind that?

Kent Christensen - *EXTRA SPACE STORAGE INC - CFO*

The driver behind that is is the properties that are opening are opening slightly later than we anticipated, so the drag is later in the calendar year as opposed to the first of the year. That being said, the lease-up properties we have, we have about 22 of them. I'd have to say 12 of them are on schedule. Seven of them are behind schedule, and four of them are ahead of schedule. So, in total, we're kind of on schedule for the lease-up of our development properties.

Michael Salinsky - *RBC Capital Markets - Analyst*

Okay. That's helpful. You talked a little bit about trends through the first quarter as well as April and May. Has there been any noticeable shift in demand from the residential or commercial components or has it been generally pretty much across the board?

Karl Haas - *EXTRA SPACE STORAGE INC - COO*

This is Karl. We've seen it across the board. We haven't been in any one category.

Michael Salinsky - *RBC Capital Markets - Analyst*

Okay. That's helpful. With regard to the joint venture, is that included in guidance? Have you allocated for that joint venture in guidance at this point?

Kent Christensen - *EXTRA SPACE STORAGE INC - CFO*

No, we have not.

Michael Salinsky - *RBC Capital Markets - Analyst*

Okay. Any guesses as to what the impact could be to earnings? Is it expected to be a net neutral, accretive or diluted transaction?

Kent Christensen - *EXTRA SPACE STORAGE INC - CFO*

We guess it will be slightly dilutive but we will, like I said, we'll be announcing all of that when we've been able to finish the transaction.

Michael Salinsky - *RBC Capital Markets - Analyst*

Okay. And, finally, just on the transaction front overall. I realize you guys are focusing more on debt maturities right now and joint ventures and asset sales, but have you seen any noticeable change in pricing in the last couple months? Also, are you seeing any increase in maybe distressed opportunities that are out there?

Kent Christensen - *EXTRA SPACE STORAGE INC - CFO*

There have not been a lot of transactions that have closed. The ones that have closed are from what we can tell are in the 7.5% to 8.5% cap rate range and we still are not aware of any dramatic or substantial number of distress properties. There are ones here and there, but they're very minimal. We're not seeing a lot of opportunities on the distress sale side.

Michael Salinsky - *RBC Capital Markets - Analyst*

Okay. That's helpful. Thank you.

Operator

The next question from the line of Paul Adornato BMO Capital Markets. Please proceed.

Paul Adornato - *BMO Capital Markets - Analyst*

Thanks. I was wondering if you could tell us if the offering of promotions and discounts is still an effective lever in managing the business or if the decision to rent a storage unit is more binary these days, that is either a yes or a no, in the eyes of the consumer?

Karl Haas - *EXTRA SPACE STORAGE INC - COO*

We're finding that that part of the business hasn't changed dramatically, we're still -- and I think all of our competitors are still aggressively offering the one month free on most unit types, we're not offering it on all unit types, it changes based on occupancy. So we'll have more units that are more highly occupied going into May and June, and so we'll have slightly less unit that is we will be offering the one month free, but that's normal. We are being aggressive on price and, as I said before, I think the consumer is looking for deals. There hasn't been a dramatic drop in demand. We're still seeing plenty of business coming in, we just -- overall, the pie is be probably a little smaller and we're aggressively trying to get a little bit bigger portion of the pie.

Paul Adornato - *BMO Capital Markets - Analyst*

Okay. And can you give us an update on the call center and how it's performing?

Karl Haas - *EXTRA SPACE STORAGE INC - COO*

It's one of the really most positive things that we have going on right now. I mean, I think December and January, I think we might have possibly even into February, we might have been somewhat negatively impacted by the start-up of it. We had a lot of technical issues, getting all the phones to work and when you start something like that and you're 97% effective, 97% sounds pretty good, but if you have 3% of your stores where the phones aren't working exactly right, that's very significant. However, our conversion rates have continued to improve and we're actually -- I guess our reservations percentage on sales opportunities is actually increased from -- in February, it was about 17% and in April we were actually at 26%. A little bit of that in April you have to be careful. April is a time when you have students coming and calling and parents. I double jacked a week ago and there were actually -- I don't know probably 25% of the calls were parents calling -- mothers calling and reserving space for their sons and daughters. So that 25%, 26% may be a little higher than the norm, but we're seeing very good progress there, and the other thing that it's helping us do, and will on an ongoing basis is much better being able to measure demand and where things are going. We're able to look at the calls per day, look at the sales opportunities, look at the reservations made, and it's giving us in the big picture a very quick daily measure of where things are going.

Paul Adornato - *BMO Capital Markets - Analyst*

Okay. And were you able to hire experienced telephone operators? And what is is the typical ramp up to peak productivity of an operator?

Karl Haas - *EXTRA SPACE STORAGE INC - COO*

Yes. I mean, one, the woman that we -- that is running our call center has 15 years of call center experience, is very, very experienced. The actual agents handling the calls are -- I've been surprised. I've been there and I probably double jacked with probably half the sales agents and I don't think I've run into one that hasn't come from a call center environment of some type. And it seems that the market here in Salt Lake is -- there's a lot of people available with call center experience. And they come in very, very good on the phone. Where the ramp up is is them understanding our product and then getting better at being able to understand our technology and how to read the screens and how to put the information in.

But I guess week before last when I -- actually, they had me double jack with three agents that had only been on the phones I guess -- they had been with us for about a month and a half but they had only been on the phones going solo for about three weeks. I can tell you they probably performed better than any -- well, not any, but certainly the majority of our store managers when they were answering the phones. It makes you feel very good about their ability to close sales.

Paul Adornato - *BMO Capital Markets - Analyst*

Okay. And, finally, how would you characterize your performance in the first quarter compared to the rest of the industry? Do you think you were substantially better than the industry or in line with the industry?

Spencer Kirk - *EXTRA SPACE STORAGE INC - Chairman, CEO*

I think we'll find out in a couple days.

Paul Adornato - *BMO Capital Markets - Analyst*

Okay. Thank you.

Operator

The next question from the line of Michael Knott of Green Street Advisors. Please proceed, sir.

Michael Knott - *Green Street Advisors - Analyst*

Hi, guys. Can you clarify on the JV the $100 million to $500 million that you quoted as the range. Was that the gross value, and then also is the contemplated transaction along the lines of 50/50, 80/20 or more like 90/10 or 95/5?

Spencer Kirk - *EXTRA SPACE STORAGE INC - Chairman, CEO*

This is Spencer. If I could just say politely but firmly, we have disclosed about as much as we are comfortable and this potential joint venture partner is comfortable. And rather than cross the line, I would just simply say we probably need to cut it off. I'm sorry, Michael, but that's -- we've told you as much as we possibly could. I think you will see when we report it, that it is favorable and compelling to do it.

Michael Knott - *Green Street Advisors - Analyst*

Okay. You guys said earlier I think you said the term retain a minority stake, right?

Kent Christensen - *EXTRA SPACE STORAGE INC - CFO*

That's correct.

Michael Knott - *Green Street Advisors - Analyst*

Okay. And then in terms of the guidance, it sounds like given your emphasis on being conservative, is it fair to interpret your revised operating assumptions for the full year as closer to the end of the spectrum that would be more along the lines of a poor case or rather than sort of an over/under betting line?

Karl Haas - *EXTRA SPACE STORAGE INC - COO*

This is Karl, we struggled with it, we think it's realistic. There's just so much going on in the economy, in trying to predict where things are going to be three months and six months from now, it's so difficult that we decided -- we, as a team, sat in a room and spent a couple hours just trying to peg where we thought we would come out and arrived at a consensus. It's -- we think it's realistic, based on what we know right now.

Michael Knott - *Green Street Advisors - Analyst*

Okay. And then could you talk about maybe street rate pricing versus your currently in place rents?

Karl Haas - *EXTRA SPACE STORAGE INC - COO*

You mean, as far as GAAP?

Michael Knott - *Green Street Advisors - Analyst*

What's the magnitude of the gap and maybe just give us a little bit of context?

Karl Haas - *EXTRA SPACE STORAGE INC - COO*

Our street rates, average street rates average about $110 and our average existing customer is more in the $130 range, so it's a 15% to 20% gap.

Michael Knott - *Green Street Advisors - Analyst*

Okay. And then what do you attribute the recent uptick to, in activity, obviously besides seasonal factors, but you noted stronger pickup in late April and early in May so far, what do you think is driving that?

Karl Haas - *EXTRA SPACE STORAGE INC - COO*

It could be -- I mean, if you look and listen to -- and I hate, I'm no economist but certainly consumer confidence is showing some signs of life and starting to tick up. It's certainly not as good as it was a year ago. But, on the other hand, our rentals and occupancy is not where it was a year ago, but certainly what we see in the last two or three weeks is better than we saw two or three months ago.

Michael Knott - *Green Street Advisors - Analyst*

Okay. Thanks.

Operator

The next question from the line of Omotayo Okusanya of UBS. Please proceed sir.

Omotayo Okusanya - *UBS - Analyst*

Good morning just a couple of questions. Can you talk a little bit about the insurance program, kind of what you -- what the weakness we've seen in fundamentals, what's kind of going on with that, whether penetration rates are starting to slow or tenants are now less willing to take on additional insurance costs?

Karl Haas - *EXTRA SPACE STORAGE INC - COO*

No, we're not seeing -- this is Karl, we're not seeing any kind of slowdown. As a matter of fact, we -- our goal was to reach over 50%, overall penetration this year, and we have already passed, during the month of April we passed over the 50% threshold. We're continuing to make progress every single month. So, no, we aren't seeing a dropoff in demand in that area.

Omotayo Okusanya - *UBS - Analyst*

What was the penetration rate at the end of the quarter?

Karl Haas - *EXTRA SPACE STORAGE INC - COO*

I think it was 49.6%. And I think in April we were like 50.2%.

Omotayo Okusanya - *UBS - Analyst*

Great. Second question, could you talk a little bit about what you're seeing in the military segment of your business?

Karl Haas - *EXTRA SPACE STORAGE INC - COO*

The military properties are an enigma. It almost tied to deployments and so it depends which base the properties are by. We really haven't seen any significant change. I mean a couple -- three or four years ago I guess we saw the uptick from all the surge of people being shipped out. But we -- in recent years, we really haven't seen anything other than on a micro basis, a property that is near a military base either going up or down based on the deployments happening at that particular base.

Omotayo Okusanya - *UBS - Analyst*

Okay. And then the last question, just in regards to 2009 guidance, I know one of your driving inputs is an average LIBOR rate of 1.1%. Any -- when I look at LIBOR forecast looks like in general, it seems to be 40 dips higher. Is there any reason why the 1.1% kind of came about, and is there any risk to your estimate if it does end up being higher?

Kent Christensen - *EXTRA SPACE STORAGE INC - CFO*

Again, the 1.1% is for the whole calendar year, so it's just a conservative estimate of where we think the LIBOR rate could be and where it may go between now and the end of the year, just being conservative.

Omotayo Okusanya - *UBS - Analyst*

Okay. Thank you.

Operator

The next question from Paula Poskon of Robert W. Baird. Please proceed, ma'am.

Paula Poskon - *Robert W. Baird - Analyst*

Thank you. "A" for effort there. Hi, guys. I wanted to talk actually a little bit about your third party business. I know you've been out aggressively marketing that and just looking at the supplemental from last night it looks like you picked up a couple new contracts, maybe lost one. Can you talk about the reception that you're seeing as you're pitching that third party business and in particular what your guidance assumes for that line?

Spencer Kirk - *EXTRA SPACE STORAGE INC - Chairman, CEO*

This is Spencer, Paula. The Three Plus program, as we call it, is gaining momentum and we are seeing increased interest because the message gets out for extra space about a quarter of our customers are coming to us through the web. And then you start talking about revenue management, some of the things that the smaller operators are not able to do because they lack the sophistication. As we travel around the country doing presentations, we have found an acceleration in the interest and the number of people we're talking to. What is interesting to me is the incubation process of what it takes from initial interest to the point of bringing that property into the fold is much longer than what we had originally anticipated. We thought it would take a few months. It's taking just a little less than a year right now to take someone -- I think nine months is the number we're using internally to bring them into the fold.

And so as we look at what the impact on our business is, of course there's the management fees that we will be collecting, we'll also get the insurance income and there will be pass through costs to each of those properties for web services and other things. So we think it's a good positive element of our business, particularly in light of the fact that a district manager might have 12 or 14 properties in his or her district. If we throw one more property into that district manager's territory, the incremental cost to us is very, very low. So this is a business that we're going to continue to invest in, we're going to continue to get the message out that extra space has a process that produces a solid result in good economies as well as bad economies, and as we have things to report, we'll update you.

Kent Christensen - *EXTRA SPACE STORAGE INC - CFO*

Paul, this is Kent. The last part of your question, for the calendar year, as Spencer just said, because the incubation period is so long, we haven't included any substantial amount in our guidance for this year?

Paula Poskon - *Robert W. Baird - Analyst*

Great. Thanks. And then I apologize if I missed this in your prepared comments. Can you review what acquisitions and dispositions that you've made year-to-date, if any? I think there was a small property in Virginia that was in the 10-K and subsequent events?

Kent Christensen - *EXTRA SPACE STORAGE INC - CFO*

Correct the -- there was a property in Virginia that had our name, Extra Space -- I'm sorry, that was a different one. This was one property that we had under contract at the end of the year that we closed on in the first part of January, that's the only acquisition we made.

Paula Poskon - *Robert W. Baird - Analyst*

Great. Are you planning on selling any assets? Are you marketing any currently?

Kent Christensen - *EXTRA SPACE STORAGE INC - CFO*

We don't currently have anything out to the broker community but we are going through the process at extra space of identifying the properties that have become unencumbered and whether any of those properties we think we should put up for sale. That is a process we're going through and we believe that will result in some of our assets being put up for sale.

Paula Poskon - *Robert W. Baird - Analyst*

Okay. Great. And then, finally, could you just review again, I'm sorry I missed this, how the financing successes have played out relative to what your expectations had been earlier in the year?

Kent Christensen - *EXTRA SPACE STORAGE INC - CFO*

I guess it's been a little more problematic than I thought, but that's in line with what I would expect would have happened. As we've stated before, we had a lot of properties, we've had a lot of banks that have given us term sheets and a number of those have fallen by the wayside. The main reason that they've fallen by the wayside is the banks have called us as we've been in the process and the banker has said our company has decided to stop lending not to extra space but lending in general, and so they've called up and said we have to pull our term sheet that we've negotiated because we're not lending any more. So we would expect some of that same thing to continue. But, as we've shown, we've still been able to get a lot of loans completed and we still have a lot of interest from banks on getting loan done.

Paula Poskon - *Robert W. Baird - Analyst*

Okay. And then finally, what are you hearing from your existing JV partners?

Kent Christensen - *EXTRA SPACE STORAGE INC - CFO*

This is Kent again. Over all, the sentiment of our JV partners, they are very happy with the self-storage product type and how we are performing. Not only how the product performs, but how Extra Space is performing in managing their assets. A number of our partners have told us that this asset class is the best performing asset class on a cash yield basis of all of our property types. So we're not -- have not been approached by any of our partners for them to want to sell any of the self-storage product because of how well they're performing.

Paula Poskon - *Robert W. Baird - Analyst*

Thanks. I lied I have one more housekeeping question for Kent. On the schedule of the notes payable, the June 2011that were swapped to fixed rate, the schedule says it's extendible for two years. Is that two years beyond the 2011 or does that maturity include the extension?

Kent Christensen - *EXTRA SPACE STORAGE INC - CFO*

It goes two2 years beyond 2011.

Paula Poskon - *Robert W. Baird - Analyst*

That's all I have. Thank you.

Operator

Your next question from the line of [Kim] of [MacQuery], please proceed.

Unidentified Participant - *- Analyst*

Thank you. If you had looked at the operating results in April, looking at same-store NOI performance, how does that compare to your revised guidance? Is it pretty close to the negative 5% to 6%?

Kent Christensen - *EXTRA SPACE STORAGE INC - CFO*

It's not as bad as that.

Unidentified Participant - *- Analyst*

Okay. And second question, if you had to gauge overall bank lending interest for your properties, I guess maybe measured by signed and unsigned term sheets, how has that -- where is it today and how has that compared to maybe three months ago?

Kent Christensen - *EXTRA SPACE STORAGE INC - CFO*

I would say it's very comparable to where it was three months ago. We have to wait until we get pools of unencumbered properties that become available for the loans we're paying off. Once those pools become unencumbered, we take those properties to banks and have discussions with them. It feels to us the environment today on getting loans on stabilized properties is about the same as it was at the beginning of the year. There's a small amount of interest and a large amount of banks that are not lending, but that small amount of interest is all we need to be able to get the loans we need to get done.

Unidentified Participant - *- Analyst*

Okay. And, lastly, as occupancies will probably drop throughout the year and you're trying to get these properties secured, are you getting credit for vacancies? Kind of stabilize vacancy credits from lenders?

Kent Christensen - *EXTRA SPACE STORAGE INC - CFO*

The banks are being a little more pessimistic on what it is that they're underwriting as far as occupancies, so that's playing into the overall loan-to-values that we are getting. It really is a property by property calculation, because while we've reported that our overall occupancy is down 2.4%, there are properties that are flat, some that are slightly up, and then some that are down a little more than that so it is a negotiation with each individual bank regarding the individual property that we're putting the loan on. And some are fine and the banks are okay with where we're at and others are being a little more pessimistic.

Unidentified Participant - *- Analyst*

Okay. Thank you.

Operator

There are no further questions, this concludes the question-and-answer session. I would like to turn the call back over to Mr. James Overturf.

James Overturf - *EXTRA SPACE STORAGE INC*

Actually, it's Spencer Kirk. Thank you, everybody. We appreciate your participation today and we appreciate your interest in Extra Space. Have a good day.

Operator

Thank you for your participation and today's conference. This concludes the presentation, you may disconnect. Good day.