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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2020
or

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

For the transition period from __________ to __________.
Commission File Number: 001-32269

EXTRA SPACE STORAGE INC.
(Exact name of registrant as specified in its charter)

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

2795 East Cottonwood Parkway, Suite 300
Salt Lake City, Utah 84121
(Address of principal executive offices)

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

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes x No ☐

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

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

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

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

The number of shares outstanding of the registrant's common stock, par value $0.01 per share, as of October 30, 2020, was 129,235,329.

EXTRA SPACE STORAGE INC.

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STATEMENT ON FORWARD-LOOKING INFORMATION

Certain information presented in this report contains “forward-looking statements” within the meaning of the federal securities laws. Forward-looking statements include statements concerning our plans, objectives, goals, strategies, future events, future revenues or performance, capital expenditures, financing needs, plans or intentions relating to acquisitions and other information that is not historical information. In some cases, forward-looking statements can be identified by terminology such as “believes,” “expects,” “estimates,” “may,” “will,” “should,” “anticipates” or “intends” or the negative of such terms or other comparable terminology, or by discussions of strategy. We may also make additional forward-looking statements from time to time. All such subsequent forward-looking statements, whether written or oral, by us or on our behalf, are also expressly qualified by these cautionary statements.

All forward-looking statements, including without limitation, management’s examination of historical operating trends and estimates of future earnings, are based upon our current expectations and various assumptions. Our expectations, beliefs and projections are expressed in good faith and we believe there is a reasonable basis for them, but there can be no assurance that management’s expectations, beliefs and projections will result or be achieved. All forward-looking statements apply only as of the date made. We undertake no obligation to publicly update or revise forward-looking statements which may be made to reflect events or circumstances after the date made or to reflect the occurrence of unanticipated events.

There are a number of risks and uncertainties that could cause our actual results to differ materially from the forward-looking statements contained in or contemplated by this report. Any forward-looking statements should be considered in light of the risks referenced in “Part II. Item 1A. Risk Factors” below and in “Part I. Item 1A. Risk Factors” included in our most recent Annual Report on Form 10-K. Such factors include, but are not limited to:

- adverse changes in general economic conditions, the real estate industry and the markets in which we operate;
- failure to close pending acquisitions and developments on expected terms, or at all;
- the effect of competition from new and existing stores or other storage alternatives, which could cause rents and occupancy rates to decline;
- potential liability for uninsured losses and environmental contamination;
- the impact of the regulatory environment as well as national, state, and local laws and regulations including, without limitation, those governing real estate investment trusts (“REITs”), tenant reinsurance and other aspects of our business, which could adversely affect our results;
- disruptions in credit and financial markets and resulting difficulties in raising capital or obtaining credit at reasonable rates or at all, which could impede our ability to grow;
- impacts from the COVID-19 pandemic or the future outbreak of other highly infectious or contagious diseases, including reduced demand for self-storage space and ancillary products and services such as tenant reinsurance, and potential decreases in occupancy and rental rates and staffing levels, which could adversely affect our results;
- increased interest rates;
- reductions in asset valuations and related impairment charges;
- our lack of sole decision-making authority with respect to our joint venture investments;
- the effect of recent or future changes to U.S. tax laws;
- the failure to maintain our REIT status for U.S. federal income tax purposes; and
- economic uncertainty due to the impact of natural disasters, war or terrorism, which could adversely affect our business plan.

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

We disclaim any duty or obligation to update or revise any forward-looking statements set forth in this report to reflect new information, future events or otherwise.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	September 30, 2020 (unaudited)	December 31, 2019
Assets:		
Real estate assets, net	$ 7,755,947	$ 7,696,864
Real estate assets - operating lease right-of-use assets	256,154	264,643
Investments in unconsolidated real estate entities	347,786	338,054
Cash and cash equivalents	74,803	65,746
Restricted cash	5,771	4,987
Other assets, net	320,643	162,083
Total assets	$ 8,761,104	$ 8,532,377
Liabilities, Noncontrolling Interests and Equity:		
Notes payable, net	$ 4,611,222	$ 4,318,973
Exchangeable senior notes, net	575,000	569,513
Revolving lines of credit	94,000	158,000
Operating lease liabilities	267,093	274,783
Cash distributions in unconsolidated real estate ventures	46,527	45,264
Accounts payable and accrued expenses	153,838	111,382
Other liabilities	245,602	132,768
Total liabilities	5,993,282	5,610,683
Commitments and contingencies		
Noncontrolling Interests and Equity:		
Extra Space Storage Inc. stockholders' equity:		
Preferred stock, $0.01 par value, 50,000,000 shares authorized, no shares issued or outstanding	—	—
Common stock, $0.01 par value, 500,000,000 shares authorized, 129,094,900 and 129,534,407 shares issued and outstanding at September 30, 2020 and December 31, 2019, respectively	1,291	1,295
Additional paid-in capital	2,889,592	2,868,681
Accumulated other comprehensive loss	(108,708)	(28,966)
Accumulated deficit	(392,891)	(301,049)
Total Extra Space Storage Inc. stockholders' equity	2,389,284	2,539,961
Noncontrolling interest represented by Preferred Operating Partnership units, net	171,738	175,948
Noncontrolling interests in Operating Partnership, net and other noncontrolling interests	206,800	205,785
Total noncontrolling interests and equity	2,767,822	2,921,694
Total liabilities, noncontrolling interests and equity	$ 8,761,104	$ 8,532,377

See accompanying notes to unaudited condensed consolidated financial statements.

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2020	2019	2020	2019
Revenues:				
Property rental	$ 290,423	$ 290,917	$ 856,438	$ 841,504
Tenant reinsurance	39,294	33,588	107,985	95,086
Management fees and other income	13,307	13,000	38,299	36,063
Total revenues	343,024	337,505	1,002,722	972,653
Expenses:				
Property operations	92,322	88,653	271,659	248,288
Tenant reinsurance	7,189	7,644	20,725	21,593
General and administrative	23,894	22,519	72,242	68,548
Depreciation and amortization	56,412	56,051	167,705	165,116
Total expenses	179,817	174,867	532,331	503,545
Gain on real estate transactions	—	—	—	1,205
Income from operations	163,207	162,638	470,391	470,313
Interest expense	(42,213)	(46,908)	(127,610)	(141,716)
Non-cash interest expense related to amortization of discount on equity component of exchangeable senior notes	(1,233)	(1,186)	(3,675)	(3,533)
Interest income	3,145	2,799	6,488	5,905
Income before equity in earnings of unconsolidated real estate ventures and income tax expense	122,906	117,343	345,594	330,969
Equity in earnings and dividend income from unconsolidated real estate entities	5,605	2,704	15,692	8,455
Income tax expense	(4,657)	(4,052)	(10,013)	(8,580)
Net income	123,854	115,995	351,273	330,844
Net income allocated to Preferred Operating Partnership noncontrolling interests	(3,248)	(3,088)	(9,498)	(9,379)
Net income allocated to Operating Partnership and other noncontrolling interests	(5,973)	(4,820)	(16,052)	(13,780)
Net income attributable to common stockholders	$ 114,633	$ 108,087	$ 325,723	$ 307,685
Earnings per common share				
Basic	$ 0.89	$ 0.84	$ 2.52	$ 2.40
Diluted	$ 0.88	$ 0.83	$ 2.50	$ 2.37
Weighted average number of shares				
Basic	128,862,341	128,776,549	129,044,954	127,830,272
Diluted	129,871,096	137,318,475	130,066,121	136,164,299
Cash dividends paid per common share	$ 0.90	$ 0.90	$ 2.70	$ 2.66

See accompanying notes to unaudited condensed consolidated financial statements.

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2020	2019	2020	2019
Net income	$ 123,854	$ 115,995	$ 351,273	$ 330,844
Other comprehensive income (loss):				
Change in fair value of interest rate swaps	11,181	(16,762)	(83,791)	(82,057)
Total comprehensive income	135,035	99,233	267,482	248,787
Less: comprehensive income attributable to noncontrolling interests	9,854	7,109	21,501	19,191
Comprehensive income attributable to common stockholders	$ 125,181	$ 92,124	$ 245,981	$ 229,596

See accompanying notes to unaudited condensed consolidated financial statements.

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

	Noncontrolling Interests			Extra Space Storage Inc. Stockholders' Equity					
	Preferred Operating Partnership	Operating Partnership	Other	Shares	Par Value	Additional Paid-in Capital	Accumulated Other Comprehensive Income	Accumulated Deficit	Total Noncontrolling Interests and Equity
Balances at December 31, 2018	$ 153,096	$ 218,362	$ 240	127,103,750	$1,271	$2,640,705	$ 34,650	$ (262,902)	$ 2,785,422
Issuance of common stock upon the exercise of options	—	—	—	169,021	3	1,754	—	—	1,757
Restricted stock grants issued	—	—	—	35,022	—	—	—	—	—
Restricted stock grants cancelled	—	—	—	(1,244)	—	—	—	—	—
Compensation expense related to stock-based awards	—	—	—	—	—	2,954	—	—	2,954
Redemption of Operating Partnership units for stock	—	(3,310)	—	85,501	—	3,310	—	—	—
Issuance of Preferred D Units in the Operating Partnership in conjunction with acquisitions	23,447	—	—	—	—	—	—	—	23,447
Net income (loss)	3,164	4,235	(9)	—	—	—	—	94,770	102,160
Other comprehensive loss	(147)	(1,003)	—	—	—	—	(22,843)	—	(23,993)
Distributions to Operating Partnership units held by noncontrolling interests	(3,296)	(5,116)	—	—	—	—	—	—	(8,412)
Dividends paid on common stock at $0.86 per share	—	—	—	—	—	—	—	(109,523)	(109,523)
Balances at March 31, 2019	**$ 176,264**	**$ 213,168**	**$ 231**	**127,392,050**	**$1,274**	**$2,648,723**	**$ 11,807**	**$ (277,655)**	**$ 2,773,812**

Extra Space Storage Inc.
Condensed Consolidated Statement of Noncontrolling Interests and 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	Additional Paid-in Capital	Accumulated Other Comprehensive Income	Accumulated Deficit	Total Noncontrolling Interests and Equity
Balances at March 31, 2019	$ 176,264	$ 213,168	$ 231	127,392,050	$1,274	$2,648,723	$ 11,807	$ (277,655)	$ 2,773,812
Issuance of common stock upon the exercise of options	—	—	—	17,042	—	468	—	—	468
Restricted stock grants issued	—	—	—	53,789	2	—	—	—	2
Restricted stock grants cancelled	—	—	—	(4,786)	—	—	—	—	—
Issuance of common stock, net of offering costs	—	—	—	930,000	9	98,787	—	—	98,796
Compensation expense related to stock-based awards	—	—	—	—	—	3,998	—	—	3,998
Redemption of Operating Partnership units for stock	—	(4,823)	—	125,000	—	4,823	—	—	—
Issuance of Preferred D Units in the Operating Partnership in conjunction with acquisitions	4,575	—	—	—	—	—	—	—	4,575
Noncontrolling interest in consolidated joint venture	—	—	50	—	—	—	—	—	50
Conversion of Preferred C Units in the Operating Partnership for Common Operating Partnership Units	(4,374)	4,374	—	—	—	—	—	—	—
Net income (loss)	3,129	4,754	(22)	—	—	—	—	104,828	112,689
Other comprehensive loss	(254)	(1,765)	—	—	—	—	(39,283)		(41,302)
Distributions to Operating Partnership units held by noncontrolling interests	(3,232)	(5,473)	—	—	—	—	—	—	(8,705)
Dividends paid on common stock at $0.90 per share	—	—	—	—	—	—	—	(115,572)	(115,572)
Balances at June 30, 2019	**$ 176,108**	**$ 210,235**	**$ 259**	**128,513,095**	**$1,285**	**$2,756,799**	**$ (27,476)**	**$ (288,399)**	**$ 2,828,811**
Issuance of common stock upon the exercise of options	—	—	—	14,850	—	605	—	—	605
Restricted stock grants issued	—	—	—	5,099	—	—	—	—	—
Restricted stock grants cancelled	—	—	—	(1,269)	—	—	—	—	—
Issuance of common stock, net of offering costs	—	—	—	849,200	9	100,047	—	—	100,056
Compensation expense related to stock-based awards	—	—	—	—	—	3,035	—	—	3,035
Repayment of receivable for preferred operating units pledged as collateral on loan	—	1,211	—	—	—	—	—	—	1,211
Redemption of Operating Partnership units for stock	—	(1,125)	—	29,118	—	1,125	—	—	—
Noncontrolling interest in consolidated joint venture	—	—	96	—	—	—	—	—	96
Net income (loss)	3,089	4,828	(9)	—	—	—	—	108,087	115,995
Other comprehensive loss	(101)	(698)	—	—	—	—	(15,963)	—	(16,762)
Distributions to Operating Partnership units held by noncontrolling interests	(3,178)	(5,440)	—	—	—	—	—	—	(8,618)
Dividends paid on common stock at $0.90 per share	—	—	—	—	—	—	—	(116,440)	(116,440)
Balances at September 30, 2019	**$ 175,918**	**$ 209,011**	**$ 346**	**129,410,093**	**$1,294**	**$2,861,611**	**$ (43,439)**	**$ (296,752)**	**$ 2,907,989**

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

	Noncontrolling Interest			Extra Space Storage Inc. Stockholders' Equity					
	Preferred Operating Partnership	Operating Partnership	Other	Shares	Par Value	Additional Paid-in Capital	Accumulated Other Comprehensive Income	Accumulated Deficit	Total Noncontrolling Interests and Equity
Balances at December 31, 2019	$ 175,948	$ 205,419	$ 366	129,534,407	$1,295	$2,868,681	$ (28,966)	$ (301,049)	$ 2,921,694
Issuance of common stock upon the exercise of options	—	—	—	77,400	1	943	—	—	944
Issuance of common stock in connection with share based compensation	—	—	—	73,602	1	2,979	—	—	2,980
Restricted stock grants cancelled	—	—	—	(1,767)	—	—	—	—	—
Buyback of common stock, net of offering costs	—	—	—	(653,597)	(7)	—	—	(52,197)	(52,204)
Redemption of Operating Partnership units for stock	—	(330)	—	8,862	—	330	—	—	—
Net income (loss)	3,112	4,877	(6)	—	—	—	—	108,179	116,162
Other comprehensive loss	(563)	(3,807)	—	—	—	—	(84,874)	—	(89,244)
Distributions to Operating Partnership units held by noncontrolling interests	(3,178)	(5,327)	—	—	—	—	—	—	(8,505)
Dividends paid on common stock at $0.90 per share	—	—	—	—	—	—	—	(117,197)	(117,197)
Balances at March 31, 2020	**$ 175,319**	**$ 200,832**	**$ 360**	**129,038,907**	**$1,290**	**$2,872,933**	**$ (113,840)**	**$ (362,264)**	**$ 2,774,630**
Issuance of common stock upon the exercise of options	—	—	—	13,610	—	726	—	—	726
Issuance of common stock in connection with share based compensation	—	—	—	60,032	1	4,883	—	—	4,884
Restricted stock grants cancelled	—	—	—	(889)	—	—	—	—	—
Buyback of common stock, net of offering costs	—	—	—	(172,600)	(1)	—	—	(15,614)	(15,615)
Redemption of Operating Partnership units for stock	—	(3,675)	—	100,000	1	3,674	—	—	—
Redemption of Preferred D Units in the Operating Partnership for Stock	(2,724)	—	—	30,495	—	2,724	—	—	—
Noncontrolling interest in consolidated joint venture	—	—	68	—	—	—	—	—	68
Net income (loss)	3,138	5,216	(9)	—	—	—	—	102,911	111,256
Other comprehensive loss	(40)	(271)	—	—	—	—	(5,416)	—	(5,727)
Distributions to Operating Partnership units held by noncontrolling interests	(3,151)	(5,235)	—	—	—	—	—	—	(8,386)
Dividends paid on common stock at $0.90 per share	—	—	—	—	—	—	—	(116,318)	(116,318)
Balances at June 30, 2020	**$ 172,542**	**$ 196,867**	**$ 419**	**129,069,555**	**$1,291**	**$2,884,940**	**$ (119,256)**	**$ (391,285)**	**$ 2,745,518**

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

	Noncontrolling Interest			Extra Space Storage Inc. Stockholders' Equity					
	Preferred Operating Partnership	Operating Partnership	Other	Shares	Par Value	Additional Paid-in Capital	Accumulated Other Comprehensive Income	Accumulated Deficit	Total Noncontrolling Interests and Equity
Balances at June 30, 2020	**$ 172,542**	**$ 196,867**	**$ 419**	**129,069,555**	**$1,291**	**$2,884,940**	**$ (119,256)**	**$ (391,285)**	**$ 2,745,518**
Issuance of common stock upon the exercise of options	—	—	—	18,605	—	1,200	—	—	1,200
Issuance of common stock in connection with share based compensation	—	—	—	8,289	—	3,452	—	—	3,452
Restricted stock grants cancelled	—	—	—	(949)	—	—	—	—	—
Buyback of common stock, net of offering costs	—	—	—	(600)	—	—	—	(54)	(54)
Repayment of receivable with Preferred operating units pledged as collateral on loan	—	8,226	—	—	—	—	—	—	8,226
Redemption of Preferred B Units in the Operating Partnership for cash	(1,000)	—	—	—	—	—	—	—	(1,000)
Net income (loss)	3,248	5,986	(13)	—	—	—	—	114,633	123,854
Other comprehensive loss	83	550	—	—	—	—	10,548	—	11,181
Distributions to Operating Partnership units held by noncontrolling interests	(3,135)	(5,235)	—	—	—	—	—	—	(8,370)
Dividends paid on common stock at $0.90 per share	—	—	—	—	—	—	—	(116,185)	(116,185)
Balances at September 30, 2020	**$ 171,738**	**$ 206,394**	**$ 406**	**129,094,900**	**$1,291**	**$2,889,592**	**$ (108,708)**	**$ (392,891)**	**$ 2,767,822**

See accompanying notes to unaudited condensed consolidated financial statements.

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

	For the Nine Months Ended September 30,	
	2020	2019
Cash flows from operating activities:		
Net income	$ 351,273	$ 330,844
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	167,705	165,116
Amortization of deferred financing costs	7,356	8,912
Non-cash interest expense related to amortization of discount on equity component of exchangeable senior notes	3,675	3,533
Non-cash lease expense	799	—
Compensation expense related to stock-based awards	11,316	9,987
Gain on real estate transactions	—	(1,205)
Distributions from unconsolidated real estate ventures in excess of earnings	5,097	4,752
Changes in operating assets and liabilities:		
Other assets	(17,977)	(11,153)
Accounts payable and accrued expenses	41,780	29,310
Other liabilities	12,243	4,370
Net cash provided by operating activities	583,267	544,466
Cash flows from investing activities:		
Acquisition of real estate assets	(151,244)	(287,114)
Development and redevelopment of real estate assets	(46,112)	(34,413)
Proceeds from sale of real estate assets	234	11,254
Investment in unconsolidated real estate entities	(13,937)	(33,661)
Return of investment in unconsolidated real estate ventures	371	3,982
Issuance and purchase of notes receivable	(149,750)	(162,677)
Principal payments received from notes receivable	—	151,211
Purchase of equipment and fixtures	(3,407)	(4,959)
Net cash used in investing activities	(363,845)	(356,377)
Cash flows from financing activities:		
Proceeds from the sale of common stock, net of offering costs	—	198,852
Proceeds from notes payable and revolving lines of credit	1,419,000	1,508,000
Principal payments on notes payable and revolving lines of credit	(1,192,750)	(1,503,686)
Principal payments on notes payable to trusts	—	(30,928)
Deferred financing costs	(3,161)	(2,008)
Net proceeds from exercise of stock options	2,870	2,830
Repurchase of common stock	(67,873)	—
Redemption of Operating Partnership units held by noncontrolling interests	(1,000)	—
Proceeds from principal payments on note receivable collateralized by Preferred OP Units	8,226	—
Contributions from noncontrolling interests	68	146
Dividends paid on common stock	(349,700)	(341,535)
Distributions to noncontrolling interests	(25,261)	(25,735)
Net cash used in financing activities	(209,581)	(194,064)
Net increase (decrease) in cash, cash equivalents, and restricted cash	9,841	(5,975)
Cash, cash equivalents, and restricted cash, beginning of the period	70,733	72,690
Cash, cash equivalents, and restricted cash, end of the period	$ 80,574	$ 66,715

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

	For the Nine Months Ended September 30,	
	2020	2019
Supplemental schedule of cash flow information		
Interest paid	$ 119,977	$ 136,563
Income taxes paid	5,181	6,197
Supplemental schedule of noncash investing and financing activities:		
Redemption of Operating Partnership units held by noncontrolling interests for common stock		
Noncontrolling interests in Operating Partnership	$ (4,005)	$ (9,258)
Common stock and paid-in capital	4,005	9,258
Establishment of operating lease right of use assets and lease liabilities		
Real estate assets - operating lease right-of-use assets	$ 6,799	$ 277,430
Operating lease liabilities	(6,799)	(286,787)
Accounts payable and accrued expenses	—	9,357
Acquisitions of real estate assets		
Real estate assets, net	$ (13,833)	$ 19,937
Notes payable assumed	—	(17,157)
Investment in unconsolidated real estate ventures	—	(2,780)
Finance lease liability	13,833	—
Accrued construction costs and capital expenditures		
Acquisition of real estate assets	$ 676	$ 1,292
Accounts payable and accrued expenses	(676)	(1,292)
Contribution of Preferred OP Units to unconsolidated real estate venture		
Investments in unconsolidated real estate ventures	$ —	$ (28,022)
Value of Preferred Operating Partnership units issued	—	28,022
Redemption of Preferred Operating Partnership units for common stock		
Preferred Operating Partnership units	$ (2,724)	$ —
Additional paid-in capital	2,724	—
Establishment of finance lease assets and lease liabilities		
Real estate assets, net	$ 8,605	$ —
Other liabilities	(8,605)	—
Conversion of Preferred OP Units to Common OP Units		
Preferred OP Units	$ —	$ (4,374)
Common OP Units	—	(4,374)

See accompanying notes to unaudited condensed consolidated financial statements.

1. ORGANIZATION

Extra Space Storage Inc. (the “Company”) is a fully integrated, self-administered and self-managed real estate investment trust (“REIT”), formed as a Maryland corporation on April 30, 2004, to own, operate, manage, acquire, develop and redevelop professionally managed self-storage properties ("stores") located throughout the United States. The Company was formed to continue the business of Extra Space Storage LLC and its subsidiaries, which had engaged in the self-storage business since 1977. The Company’s interest in its stores is held through its operating partnership, Extra Space Storage LP (the “Operating Partnership”), which was formed on May 5, 2004. The Company’s primary assets are general partner and limited partner interests in the Operating Partnership. This structure is commonly referred to as an umbrella partnership REIT, or UPREIT.

The Company invests in stores by acquiring wholly-owned stores or by acquiring an equity interest in real estate entities. At September 30, 2020, the Company had direct and indirect equity interests in 1,188 stores. In addition, the Company managed 718 stores for third parties, bringing the total number of stores which it owns and/or manages to 1,906. These stores are located in 40 states, Washington, D.C. and Puerto Rico. The Company also offers tenant reinsurance at its owned and managed stores that insures the value of goods in the storage units.

2. BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements of the Company are presented on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (“GAAP”) for interim financial information, and in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they may not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (including normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and nine months ended September 30, 2020 are not necessarily indicative of results that may be expected for the year ending December 31, 2020. The condensed consolidated balance sheet as of December 31, 2019 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, 2019, as filed with the Securities and Exchange Commission.

Recently Issued Accounting Standards

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-13, *"Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments."* ASU 2016-13 changes how entities measure credit losses for most financial assets. This standard requires an entity to estimate its lifetime "expected credit loss" and record an allowance that, when deducted from the amortized cost basis of the financial asset, presents the net amount expected to be collected on the financial asset. In November 2018, the FASB issued ASU 2018-19, *"Codification Improvements to Topic 326, Financial Instruments - Credit Losses,"* which clarified that receivables arising from operating leases are within the scope of the leasing standard (ASU 2016-02), and not within the scope of ASU 2016-13. This new standard became effective for the Company on January 1, 2020. The adoption of this standard by the Company did not have a material impact on the Company's consolidated financial statements.

In March 2020, the FASB issued ASU 2020-04, "*Reference Rate Reform (Topic 848)*." ASU 2020-04 contains practical expedients for reference rate reform related activities that impact debt, leases, derivatives and other contracts. The guidance in ASU 2020-04 is optional and may be elected over time as reference rate reform activities occur. The Company continues to evaluate the impact of the guidance and may apply other elections as applicable as additional changes in the market occur.

In August 2020, the FASB issued ASU 2020-06, "*Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity’s Own Equity (Subtopic 815-40)*." ASU 2020-06 simplifies the accounting for convertible instruments and contracts in an entity's own equity, and amended related earnings per share guidance. The guidance in ASU 2020-06 becomes effective for fiscal years beginning after December 15, 2021. Early adoption is permitted no earlier than the fiscal years beginning after December 15, 2020. The guidance may be adopted on a modified or fully retrospective basis. The Company is currently assessing the impact of the adoption of ASU 2020-06 on its consolidated financial statements.

3. FAIR VALUE DISCLOSURES

Derivative Financial Instruments

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

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

Although the Company has determined that the majority of the inputs used to value its derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with its derivatives utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by the Company and its counterparties. However, as of September 30, 2020, the Company assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative positions and determined that the credit valuation adjustments were not significant to the overall valuation of its derivatives. As a result, the Company has determined that its derivative valuations in their entirety were classified in Level 2 of the fair value hierarchy.

The table below presents the Company's assets and liabilities measured at fair value on a recurring basis as of September 30, 2020, aggregated by the level in the fair value hierarchy within which those measurements fall.

	Fair Value Measurements at Reporting Date Using		
Description	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Other assets - Cash flow hedge swap agreements	$ —	$ —	$ —
Other liabilities - Cash flow hedge swap agreements	$ —	$ 108,503	$ —

The Company did not have any significant assets or liabilities that are re-measured on a recurring basis using significant unobservable inputs as of September 30, 2020 or December 31, 2019.

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

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

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

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

When real estate assets are identified by management as held for sale, the Company discontinues depreciating the assets and estimates the fair value of the assets, net of selling costs. If the estimated fair value, net of selling costs, of the assets that have been identified as held for sale is less than the net carrying value of the assets, the Company would recognize an impairment loss on the assets held for sale. The operations of assets held for sale or sold during the period is presented as part of normal operations for all periods presented. As of September 30, 2020, the Company had 16 operating stores classified as held for sale which are included in real estate assets, net. Subsequent to the end of the quarter, an additional 14 operating stores were classified as held for sale. The estimated fair values less selling costs for these assets is greater than the carrying values of the assets, and therefore no loss has been recorded. The sales of these 30 stores are expected to close between late 2020 and early 2021.

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

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

Fair Value of Financial Instruments

The carrying values of cash and cash equivalents, restricted cash, receivables, other financial instruments included in other assets, accounts payable and accrued expenses, variable-rate notes payable, lines of credit and other liabilities reflected in the condensed consolidated balance sheets at September 30, 2020 and December 31, 2019 approximate fair value. Restricted cash is comprised of funds deposited with financial institutions located throughout the United States relating to earnest money deposits on potential acquisitions, real estate taxes, loan collateral, operating reserves, insurance and capital expenditures.

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

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

	September 30, 2020		December 31, 2019	
	Fair Value	Carrying Value	Fair Value	Carrying Value
Notes receivable from Preferred and Common Operating Partnership unit holders	$ 110,782	$ 110,297	$ 116,184	$ 118,524
Fixed rate notes receivable	$ 111,957	$ 101,940	$ —	$ —
Fixed rate notes payable	$ 3,717,916	$ 3,545,610	$ 3,511,151	$ 3,417,928
Exchangeable senior notes	$ 675,625	$ 575,000	$ 673,831	$ 575,000

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

4. EARNINGS PER COMMON SHARE

Basic earnings per common share is computed using the two-class method by dividing net income attributable to common stockholders by the weighted average number of common shares outstanding during the period. All outstanding unvested restricted stock awards contain rights to non-forfeitable dividends and participate in undistributed earnings with common stockholders; accordingly, they are considered participating securities that are included in the two-class method. Diluted earnings per common share measures the performance of the Company over the reporting period while giving effect to all potential common shares that were dilutive and outstanding during the period. The denominator includes the weighted average number of basic shares and the number of additional common shares that would have been outstanding if the potential common shares that were dilutive had been issued, and is calculated using either the two-class, treasury stock or as if-converted method, whichever is most dilutive. Potential common shares are securities (such as options, convertible debt, Series A Participating Redeemable Preferred Units ("Series A Units"), Series B Redeemable Preferred Units ("Series B Units"), Series D Redeemable Preferred Units ("Series D Units" and, together with the Series A Units and Series B Units, the "Preferred OP Units") and common Operating Partnership units ("OP Units")) that do not have a current right to participate in earnings of the Company but could do so in the future by virtue of their option, redemption or conversion right.

In computing the dilutive effect of convertible securities, net income is adjusted to add back any changes in earnings in the period associated with the convertible security. The numerator also is adjusted for the effects of any other non-discretionary changes in income or loss that would result from the assumed conversion of those potential common shares. In computing diluted earnings per common share, only potential common shares that are dilutive (i.e. those that reduce earnings per common share) are included. For the three and nine months ended September 30, 2020, and 2019, there were no anti-dilutive options.

For the purposes of computing the diluted impact of the potential exchange of the Preferred Operating Partnership units for common shares upon redemption, where the Company has the option to redeem in cash or shares and where the Company has stated the intent and ability to settle the redemption in shares, the Company divided the total value of the Preferred Operating Partnership units by the average share price for the period presented. The average share price for the three months ended September 30, 2020 and 2019 was $103.36 and $115.63, respectively. The average share price for the nine months ended September 30, 2020 and 2019 was $100.14 and $105.74, respectively.

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2020	2019	2020	2019
	Equivalent Shares (if converted)	Equivalent Shares (if converted)	Equivalent Shares (if converted)	Equivalent Shares (if converted)
Common OP Units	5,815,916	—	5,870,459	—
Series A Units (Variable Only)	875,480	—	875,480	—
Series B Units	400,668	362,382	416,796	396,276
Series D Units	1,135,469	1,038,538	1,187,083	1,074,417
	8,227,533	1,400,920	8,349,818	1,470,693

The Operating Partnership had $575,000 of its 3.125% Exchangeable Senior Notes due 2035 (the "2015 Notes") issued and outstanding as of September 30, 2020. The 2015 Notes could potentially have a dilutive impact on the Company's earnings per share calculations. The 2015 Notes are exchangeable by holders into shares of the Company's common stock under certain circumstances per the terms of the indenture governing the 2015 Notes. The exchange price of the 2015 Notes was $90.91 per share as of September 30, 2020, and could change over time as described in the indenture. The Company has irrevocably agreed to pay only cash for the accreted principal amount of the 2015 Notes relative to its exchange obligations, but retained the right to satisfy the exchange obligation in excess of the accreted principal amount in cash and/or common stock.

Although the Company has retained the right to satisfy the exchange obligation in excess of the accreted principal amount of the 2015 Notes in cash and/or common stock, Accounting Standards Codification ("ASC") 260, *"Earnings per Share,"* requires an assumption that shares would be used to pay the exchange obligation in excess of the accreted principal amount, and requires that those shares be included in the Company's calculation of weighted average common shares outstanding for the diluted earnings per share computation. For the three and nine months ended September 30, 2020 and 2019, 761,975 and 1,274,675 shares, respectively, related to the 2015 Notes were included in the computation for diluted earnings per share.

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

For the purposes of computing the diluted impact on earnings per share of the potential exchange of Series A Units for common shares upon redemption, where the Company has the option to redeem in cash or shares and where the Company has stated the positive intent and ability to settle at least $101,700 of the instrument in cash (or net settle a portion of the Series A Units against the related outstanding note receivable), only the amount of the instrument in excess of $101,700 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. Accordingly, the number of shares included in the computation for diluted earnings per share related to the Series A Units is equal to the number of Series A Units outstanding, with no additional shares included related to the fixed $101,700 amount.

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2020	2019	2020	2019
Net income attributable to common stockholders	$ 114,633	$ 108,087	$ 325,723	$ 307,685
Earnings and dividends allocated to participating securities	(177)	(165)	(513)	(508)
Earnings for basic computations	114,456	107,922	325,210	307,177
Earnings and dividends allocated to participating securities	177	165	513	—
Income allocated to noncontrolling interest - Preferred Operating Partnership Units and Operating Partnership Units	—	6,100	—	17,539
Fixed component of income allocated to noncontrolling interest - Preferred Operating Partnership (Series A Units)	—	(572)	—	(1,716)
Net income for diluted computations	$ 114,633	$ 113,615	$ 325,723	$ 323,000
Weighted average common shares outstanding:				
Average number of common shares outstanding - basic	128,862,341	128,776,549	129,044,954	127,830,272
OP Units	—	6,050,028	—	6,032,656
Series A Units	—	875,480	—	875,480
Unvested restricted stock awards included for treasury stock method	214,909	209,963	212,311	—
Shares related to exchangeable senior notes and dilutive stock options	793,846	1,406,455	808,856	1,425,891
Average number of common shares outstanding - diluted	129,871,096	137,318,475	130,066,121	136,164,299
Earnings per common share				
Basic	$ 0.89	$ 0.84	$ 2.52	$ 2.40
Diluted	$ 0.88	$ 0.83	$ 2.50	$ 2.37

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

5. STORE ACQUISITIONS

The following table shows the Company's acquisitions of stores for the three and nine months ended September 30, 2020 and 2019. The table excludes purchases of raw land and improvements made to existing assets. All acquisitions are considered asset acquisitions under ASU 2017-01, "*Business Combinations (Topic 805): Clarifying the Definition of a Business*."

		Consideration Paid						Total
Quarter	**Number of Stores**	**Total**	**Cash Paid**	**Loan Assumed**	**Finance Lease Liability**	**Investments in Real Estate Ventures**	**Net Liabilities/ (Assets) Assumed**	**Real estate assets**
Q3 2020 [1]	8	$ 101,731	$ 86,996	$ —	$ 13,833	$ —	$ 902	$ 101,731
Q2 2020	—	—	—	—	—	—	—	—
Q1 2020	2	19,399	19,354	—	—	—	45	19,399
	10	**$ 121,130**	**$ 106,350**	**$ —**	**$ 13,833**	**$ —**	**$ 947**	**$ 121,130**
Q3 2019	1	$ 16,937	$ 16,941	$ —	$ —	$ —	$ (4)	$ 16,937
Q2 2019	1	8,424	8,424	—	—	—	—	8,424
Q1 2019 [2]	14	223,740	202,890	17,157	—	2,780	913	223,740
	16	**$ 249,101**	**$ 228,255**	**$ 17,157**	**$ —**	**$ 2,780**	**$ 909**	**$ 249,101**

(1) Store acquisitions during the three months ended September 30, 2020 include the acquisition of two stores that were subject to finance land leases. The right-of-use assets associated with these leases are included in real estate assets above.

(2) Store acquisitions during the first quarter of 2019 include the acquisition of 12 stores previously held in joint ventures where the Company held a noncontrolling interest. The Company purchased its partners' remaining equity interests in the joint ventures, and the properties owned by the joint ventures became wholly owned by the Company. No gain or loss was recognized as a result of these acquisitions.

6. INVESTMENTS IN UNCONSOLIDATED REAL ESTATE ENTITIES

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

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

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

During the nine months ended September 30, 2020, the Company contributed a total of $13,937 to its joint ventures including the purchase of one operating store, five stores acquired at the issuance of certificate of occupancy, and other capital contributions related to cash flow requirements for lease up stores.

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

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

	Number of Stores	Equity Ownership %	Excess Profit % (1)	September 30, 2020	December 31, 2019
PR EXR Self Storage, LLC	5	25%	40%	$ 60,343	$ 59,391
WICNN JV LLC	10	10%	35%	36,161	36,552
VRS Self Storage, LLC	16	45%	54%	17,303	17,639
ESS-NYFL JV LP	11	16%	26%	12,341	13,320
GFN JV, LLC	7	10%	30%	18,473	12,168
PRISA Self Storage LLC	85	4%	4%	8,908	9,133
Alan Jathoo JV LLC	9	10%	10%	7,824	7,977
Storage Portfolio III JV LLC	5	10%	30%	5,761	3,995
ESS Bristol Investments LLC	8	10%	30%	2,807	3,046
Extra Space Northern Properties Six LLC	10	10%	35%	(2,422)	(2,091)
Storage Portfolio II JV LLC	36	10%	30%	(5,244)	(4,827)
Storage Portfolio I LLC	24	34%	49%	(38,860)	(38,345)
Other minority owned stores	21	10-50%	19-50%	27,864	24,832
SmartStop Self Storage REIT, Inc. Preferred Stock (2)	n/a	n/a	n/a	150,000	150,000
Net Investments in and Cash distributions in unconsolidated real estate entities	247			$ 301,259	$ 292,790

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

(2) In October 2019, the Company invested $150,000 in shares of newly issued convertible preferred stock of SmartStop, with an additional commitment to purchase up to $50,000 of the preferred shares over the 12 months after the original purchase. The dividend rate for the preferred shares is 6.25% per annum, subject to increase after five years. The preferred shares are generally not redeemable for five years, except in the case of a change of control or initial listing of SmartStop. Dividend income from this investment is included on the equity in earnings and dividend income from unconsolidated real estate entities line on the Company's condensed consolidated statements of operations. On October 26, 2020, the Company invested the additional $50,000 in SmartStop convertible preferred stock that was previously committed.

7. VARIABLE INTERESTS

The Operating Partnership had three wholly-owned unconsolidated subsidiaries (“Trust,” “Trust II” and “Trust III,” together, the “Trusts”) that had issued trust preferred securities to third parties and common securities to the Operating Partnership during 2005. The proceeds from the sale of the preferred and common securities were loaned in the form of notes to the Operating Partnership. The Trusts were variable interest entities ("VIEs") because the holders of the equity investment at risk (the trust preferred securities) did 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 was not considered an equity investment at risk. The Operating Partnership’s investment in the Trusts was 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 was not the primary beneficiary of the Trusts, they were not consolidated. A debt obligation was recorded in the form of notes for the proceeds as discussed above, which were owed to the Trusts. The Company had also included its investment in the Trusts’ common securities in other assets on the condensed consolidated balance sheets.

During the year ended December 31, 2018, the Company repaid a total principal amount of $88,662, representing all of the notes payable to Trust III, all of the notes payable to Trust II, and all but $30,928 of the notes payable to Trust. The Trusts used the proceeds from these repayments to redeem their preferred and common securities. In January 2019, the Company repaid the remaining balance of $30,928 of notes payable to Trust.

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

During the time they were outstanding, the Company did not provide 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 was 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 was equal to the notes payable that the Trusts owed to third parties for their investments in the Trusts' preferred securities.

The Company had no consolidated VIEs during the three and nine months ended September 30, 2020.

8. DERIVATIVES

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

Cash Flow Hedges of Interest Rate Risk

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

The effective portion of changes in the fair value of derivatives designated and that qualify as cash flow hedges is recorded in accumulated other comprehensive income ("OCI") and is subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. A portion of these changes is excluded from accumulated other comprehensive income as it is allocated to noncontrolling interests. During the three and nine months ended September 30, 2020 and 2019, such derivatives were used to hedge the variable cash flows associated with existing variable-rate debt. In the coming 12 months, the Company estimates that $34,541 will be reclassified and increase interest expense.

The Company held 23 derivative financial instruments which had a total combined notional amount of $2,157,733 as of September 30, 2020.

Fair Values of Derivative Instruments

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

	Asset / Liability Derivatives	
	September 30, 2020	**December 31, 2019**
Derivatives designated as hedging instruments:	**Fair Value**	
Other assets	$ —	$ 6,214
Other liabilities	$ 108,503	$ 31,400

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

Effect of Derivative Instruments

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

Type	Gain (loss) recognized in OCI For the Three Months Ended September 30, 2020	Gain (loss) recognized in OCI For the Three Months Ended September 30, 2019	Location of amounts reclassified from OCI into income	Gain (loss) reclassified from OCI For the Three Months Ended September 30, 2020	Gain (loss) reclassified from OCI For the Three Months Ended September 30, 2019
Swap Agreements	$ 1,525	$ (14,517)	Interest expense	$ (9,666)	$ 2,992

Type	Gain (loss) recognized in OCI For the Nine Months Ended September 30, 2020	Gain (loss) recognized in OCI For the Nine Months Ended September 30, 2019	Location of amounts reclassified from OCI into income	Gain (loss) reclassified from OCI For the Nine Months Ended September 30, 2020	Gain (loss) reclassified from OCI For the Nine Months Ended September 30, 2019
Swap Agreements	$ (101,535)	$ (70,387)	Interest expense	$ (17,868)	$ 11,792

Credit-risk-related Contingent Features

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

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

As of September 30, 2020, the fair value of derivatives in a net liability position, which includes accrued interest but excludes any adjustment for nonperformance risk, related to these agreements was $113,320. As of September 30, 2020, the Company had not posted any collateral related to these agreements. If the Company had breached any of these provisions as of September 30, 2020, it could have been required to cash settle its obligations under the agreements at their termination value of $113,320, including accrued interest.

9. EXCHANGEABLE SENIOR NOTES

In September 2015, the Operating Partnership issued $575,000 of its 3.125% Exchangeable Senior Notes due 2035. Costs incurred to issue the 2015 Notes were approximately $11,992, consisting primarily of a 2.0% underwriting fee. These costs were amortized as an adjustment to interest expense over five years, which represents the estimated term based on the first available redemption date, and are included in exchangeable senior notes, net, in the condensed consolidated balance sheets. Prior to the full redemption of the 2015 Notes in November 2020 as described below, the 2015 Notes were general unsecured senior obligations of the Operating Partnership and were fully guaranteed by the Company. Interest was payable on April 1 and October 1 of each year beginning April 1, 2016, until the maturity date of October 1, 2035. The 2015 Notes bore interest at 3.125% per annum and contained an exchange settlement feature, which provided that the 2015 Notes could have been, under certain circumstances, exchangeable for cash (for the principal amount of the 2015 Notes) and, with respect to any excess exchange value, for cash, shares of the Company's common stock, or a combination of cash and shares of the Company's common stock, at the Company's option. The exchange rate of the 2015 Notes as of September 30, 2020 was approximately 11.00 shares of the Company's common stock per $1,000 principal amount of the 2015 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 accounted for the liability and equity components of the 2015 Notes separately. The equity components are included in paid-in capital in stockholders' equity in the condensed consolidated balance sheets, and the value of the equity components are treated as original issue discount for purposes of accounting for the debt components. The discounts were amortized as interest expense over the remaining period of the debt through its first redemption date of October 1, 2020. The effective interest rate on the liability components of the 2015 Notes was 4.0%, which approximated the market rate of interest of similar debt without exchange features (i.e. nonconvertible debt) at the time of issuance.

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

Information about the Company's 2015 Notes, including the total carrying amount of the equity component, the principal amount of the liability component, the unamortized discount and the net carrying amount was as follows for the periods indicated:

	September 30, 2020	December 31, 2019
Carrying amount of equity component	$ 22,597	$ 22,597
Principal amount of liability component	$ 575,000	$ 575,000
Unamortized discount - equity component	—	(3,675)
Unamortized debt issuance costs	—	(1,812)
Net carrying amount of liability component	$ 575,000	$ 569,513

The amount of interest cost recognized relating to the contractual interest rate and the amortization of the discount on the liability component of the Notes were as follows for the periods indicated:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2020	2019	2020	2019
Contractual interest	$ 4,492	$ 4,492	$ 8,984	$ 13,476
Amortization of discount	1,233	1,186	3,675	3,533
Total interest expense recognized	$ 5,725	$ 5,678	$ 12,659	$ 17,009

On October 1, 2020, the holders of $71,513 principal amount of the 2015 Notes exchanged their Notes. The Company paid cash of $71,513 for the principal amount and issued 124,819 shares of common stock with a value of $13,495 for the exchange value in excess of the principal amount. On November 2, 2020, the holders of an additional $503,432 principal amount of the 2015 Notes exchanged their Notes. The Company paid cash of $503,432 for the principal amount and issued 1,198,962 shares of common stock with a value of $138,900 for the exchange value in excess of the principal amount. Also on November 2, 2020, the Company redeemed the remaining $55 of outstanding principal amount of the 2015 Notes for cash.

10. STOCKHOLDERS' EQUITY

On May 15, 2019, the Company filed its $500,000 "at the market" equity program with the Securities and Exchange Commission using a shelf registration statement on Form S-3, and entered into separate equity distribution agreements with nine sales agents.

During the nine months ended September 30, 2020, the Company sold no shares of common stock under its "at the market" equity program and had $298,621 available for issuance under the equity distribution agreements.

On November 8, 2017, the Company's board of directors authorized a three-year share repurchase program to allow for the repurchase of shares with an aggregate value up to $400,000. During the nine months ended September 30, 2020, the Company repurchased 826,797 shares at an average price of $82.09 per share, paying a total of $67,873. As of September 30, 2020, the Company had remaining authorization to repurchase shares with an aggregate value up to $332,127. On October 15, 2020, the Company's board of directors authorized a new share repurchase program allowing for the repurchase of shares with an aggregate value up to $400,000, which replaced the Company's prior share repurchase program that was scheduled to expire on November 8, 2020.

11. NONCONTROLLING INTEREST REPRESENTED BY PREFERRED OPERATING PARTNERSHIP UNITS

Classification of Noncontrolling Interests

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

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

At September 30, 2020 and December 31, 2019, the noncontrolling interests represented by the Preferred OP Units qualified for classification as permanent equity on the Company's condensed consolidated balance sheets. The partnership agreement of the Operating Partnership (as amended, the "Partnership Agreement") provides for the designation and issuance of the OP Units. As of September 30, 2020 and December 31, 2019, noncontrolling interests in Preferred OP Units were presented net of notes receivable from Preferred OP Unit holders of $100,000 as more fully described below.

Series A Participating Redeemable Preferred Units

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

The Series A Units were issued in June 2007. Series A Units in the amount of $101,700 bear a fixed priority return of 2.3% and originally had a fixed liquidation value of $115,000. The remaining balance participates in distributions with, and has a liquidation value equal to that of the OP Units. The Series A Units are redeemable at the option of the holder, which redemption obligation may be satisfied, at the Company’s option, in cash or shares of its common stock. As a result of the redemption of 114,500 Series A Units in October 2014, the remaining fixed liquidation value was reduced to $101,700, which represents 875,480 Series A Units.

On June 25, 2007, the Operating Partnership loaned the holder of the Series A Units $100,000. The loan bears interest at 2.1%. The loan is secured by the borrower’s Series A Units. No future redemption of Series A Units can be made unless the loan secured by the Series A Units is also repaid. The Series A Units are shown on the balance sheet net of the $100,000 loan because the borrower under the loan receivable is also the holder of the Series A Units.

Series B Redeemable Preferred Units

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

The Series B Units were issued in 2013 and 2014 and have a liquidation value of $25.00 per unit for a fixed liquidation value of $40,902, which represents 1,636,087 Series B Units. Holders of the Series B Units receive distributions at an annual rate of 6.0%. These distributions are cumulative. The Series B Units became redeemable at the option of the holder on the first anniversary of the date of issuance, which redemption obligation may be satisfied at the Company’s option in cash or shares of its common stock.

On August 17, 2020, 40,000 Series B Units were redeemed for $1,000 in cash.

Series C Convertible Redeemable Preferred Units

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

The Series C Units were issued in 2013 and 2014 and had a liquidation value of $42.10 per unit. The Series C Units became redeemable at the option of the holder one year from the date of issuance, which redemption obligation could be satisfied at the Company’s option in cash or shares of its common stock. The Series C Units were convertible into OP Units at the option of the holder at a rate of 0.9145 OP Units per Series C Unit converted. This conversion option expired upon the fifth anniversary of the date of issuance.

In December 2014, the Operating Partnership loaned certain holders of the Series C Units $20,230. The loan receivable, which was collateralized by the Series C Units, bears interest at 5.0% per annum and matures on December 15, 2024. The Series C Units were shown on the balance sheet net of the loan balance because the borrower under the loan receivable was also the holder of the Series C Units.

On December 1, 2018, certain holders of the Series C Units converted their Series C Units into OP Units, with a total of 407,996 Series C Units being converted into a total of 373,113 OP Units. On April 25, 2019, the remaining 296,020 Series C Units were converted into 270,709 OP Units. During the three months ended September 30, 2020, $8,226 was repaid on the loan receivable. The remaining outstanding balance of the loan receivable of $10,297 and $18,524 is shown as a reduction of the noncontrolling interests related to the OP Units as of September 30, 2020 and December 31, 2019, respectively. See footnote 12 for further discussion of noncontrolling interests.

Series D Redeemable Preferred Units

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

The Series D Units have been issued at various times from 2014 to 2019. During the six months ended June 30, 2019, the Operating Partnership issued 1,120,924 Series D Units valued at $28,022 in conjunction with joint venture acquisitions.

The Series D Units have a liquidation value of $25.00 per unit, for a fixed liquidation value of $117,362, which represents 4,694,485 Series D Units. Holders of the Series D Units receive distributions at an annual rate between 3.0% and 5.0%. These distributions are cumulative. The Series D Units become redeemable at the option of the holder on the first anniversary of the date of issuance, which redemption obligation may be satisfied at the Company’s option in cash or shares of its common stock. In addition, certain of the Series D Units are exchangeable for OP Units at the option of the holder until the tenth anniversary of the date of issuance, with the number of OP Units to be issued equal to $25.00 per Series D Unit, divided by the value of a share of common stock as of the exchange date.

In May and June 2020, 108,960 Series D Units were redeemed for 30,495 shares of the Company's common stock.

12. NONCONTROLLING INTEREST IN OPERATING PARTNERSHIP AND OTHER NONCONTROLLING INTERESTS

Noncontrolling Interest in Operating Partnership

The Company’s interest in its stores is held through the Operating Partnership. Between its general partner and limited partner interests, the Company held a 94.0% ownership interest in the Operating Partnership as of September 30, 2020. The remaining ownership interests in the Operating Partnership (including Preferred OP Units) of 6.0% are held by certain former owners of assets acquired by the Operating Partnership. As of September 30, 2020 and December 31, 2019, the noncontrolling interests in the Operating Partnership are shown on the balance sheet net of notes receivable of $10,297 and $18,524, respectively, because the borrowers under the loan receivable are also holders of OP Units (Note 11). This loan receivable bears interest at 5.0% per annum and matures on December 15, 2024.

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

The noncontrolling interest in the Operating Partnership represents OP Units that are not owned by the Company. OP Units are redeemable at the option of the holder, which redemption may be satisfied at the Company's option in cash, based upon the fair market value of an equivalent number of shares of the Company's common stock (based on the ten-day average trading price) at the time of the redemption, or shares of the Company's common stock on a one-for-one basis, subject to anti-dilution adjustments provided in the Partnership Agreement. As of September 30, 2020, the ten-day average closing price of the Company's common stock was $107.20 and there were 5,815,916 OP Units outstanding. Assuming that all of the OP Unit holders exercised their right to redeem all of their OP Units on September 30, 2020 and the Company elected to pay the OP Unit holders cash, the Company would have paid $623,466 in cash consideration to redeem the units.

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

	For the Nine Months Ended September 30,	
	2020	**2019**
OP Units redeemed for common stock	108,862	239,619
OP Units issued upon redemption of Series C Units	—	270,709

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

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

Other Noncontrolling Interests

Other noncontrolling interests represent the ownership interests of third parties in two consolidated joint ventures as of September 30, 2020. One joint venture owns four operating stores, and the other joint venture owns two operating stores.

In June 2020, the Company, through a consolidated joint venture, completed the acquisition of a store subject to a lease upon the completion of construction. The Company recorded real estate assets associated with this finance lease of $8,605.

13. SEGMENT INFORMATION

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

The Company has two reportable segments: (1) self-storage operations and (2) tenant reinsurance. The self-storage operations activities include rental operations of wholly-owned stores. The Company's consolidated revenues equal total segment revenues plus property management fees and other income. Tenant reinsurance activities include the reinsurance of risks relating to the loss of goods stored by tenants in the stores operated by the Company. Excluded from segment revenues and net operating income is property management fees and other income.

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2020	2019	2020	2019
Revenues:				
Self-Storage Operations	$ 290,423	$ 290,917	$ 856,438	$ 841,504
Tenant Reinsurance	39,294	33,588	107,985	95,086
Total segment revenues	$ 329,717	$ 324,505	$ 964,423	$ 936,590
Operating expenses:				
Self-Storage Operations	$ 92,322	$ 88,653	$ 271,659	$ 248,288
Tenant Reinsurance	7,189	7,644	20,725	21,593
Total segment operating expenses	$ 99,511	$ 96,297	$ 292,384	$ 269,881
Net operating income:				
Self-Storage Operations	$ 198,101	$ 202,264	$ 584,779	$ 593,216
Tenant Reinsurance	32,105	25,944	87,260	73,493
Total segment net operating income:	$ 230,206	$ 228,208	$ 672,039	$ 666,709
Other components of net income (loss):				
Management fees and other income	$ 13,307	$ 13,000	$ 38,299	$ 36,063
General and administrative expense	(23,894)	(22,519)	(72,242)	(68,548)
Depreciation and amortization expense	(56,412)	(56,051)	(167,705)	(165,116)
Gain on real estate transactions	—	—	—	1,205
Interest expense	(42,213)	(46,908)	(127,610)	(141,716)
Non-cash interest expense related to amortization of discount on equity component of exchangeable senior notes	(1,233)	(1,186)	(3,675)	(3,533)
Interest income	3,145	2,799	6,488	5,905
Equity in earnings and dividend income from unconsolidated real estate entities	5,605	2,704	15,692	8,455
Income tax expense	(4,657)	(4,052)	(10,013)	(8,580)
Net income	$ 123,854	$ 115,995	$ 351,273	$ 330,844

14. COMMITMENTS AND CONTINGENCIES

As of September 30, 2020, the Company was involved in various legal proceedings and was subject to various claims and complaints arising in the ordinary course of business. Because litigation is inherently unpredictable, the outcome of these matters cannot presently be determined with any degree of certainty. In accordance with applicable accounting guidance, management establishes an accrued liability for litigation when those matters present loss contingencies that are both probable and reasonably estimable. In such cases, there may be an exposure to loss in excess of any amounts accrued. The estimated loss, if any, is based upon currently available information and is subject to significant judgment, a variety of assumptions, and known and unknown uncertainties. The Company could in the future incur judgments or enter into settlements of claims that could have a material adverse effect on its results of operations in any particular period, notwithstanding the fact that the Company is currently vigorously defending any legal proceedings against it.

As of September 30, 2020, the Company was under agreement to acquire fourteen stores at a total purchase price of $157,875. Thirteen stores are scheduled to close in 2020 and the remaining store is expected to close in 2021. Additionally, the Company is under agreement to acquire one store with a joint venture partner, for a total investment of $1,600. This one store is expected to close in 2021.

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

15. SUBSEQUENT EVENTS

Subsequent to September 30, 2020, the Company purchased four operating stores for a total purchase price of $44,150. The Company also purchased one store that is subject to a lease at completion of construction for a total purchase price of $6,400. These acquisitions are included in the amounts shown in the commitments and contingencies footnote.

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

Amounts in thousands, except store and share data

CAUTIONARY LANGUAGE

The following discussion and analysis should be read in conjunction with our unaudited *"Condensed Consolidated Financial Statements"* and the "*Notes to Condensed Consolidated Financial Statements (unaudited)"* appearing elsewhere in this report and the *"Consolidated Financial Statements," "Notes to Consolidated Financial Statements"* and *"Management's Discussion and Analysis of Financial Condition and Results of Operations"* contained in our Form 10-K for the year ended December 31, 2019. We make statements in this section that are forward-looking statements within the meaning of the federal securities laws. For a complete discussion of forward-looking statements, see the section in this Form 10-Q entitled "*Statement on Forward-Looking Information*."

CRITICAL ACCOUNTING POLICIES

Our discussion and analysis of our financial condition and results of operations are based on our unaudited condensed consolidated financial statements contained elsewhere in this report, which have been prepared in accordance with 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, 2019 describe the significant accounting policies essential to our unaudited condensed consolidated financial statements. Preparation of our financial statements requires estimates, judgments and assumptions. We believe that the estimates, judgments and assumptions that we have used are appropriate and correct based on information available at the time they were made. These estimates, judgments and assumptions can affect our reported assets and liabilities as of the date of the financial statements, as well as the reported revenues and expenses during the period presented. If there are material differences between these estimates, judgments and assumptions and actual facts, our financial statements may be affected.

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

CURRENT MATERIAL DEVELOPMENT – THE COVID-19 PANDEMIC

The United States and other countries around the world are experiencing a major health pandemic related to COVID-19, which has created considerable instability and disruption in the U.S. and world economies. Governmental authorities in impacted regions are taking varied and sometimes dramatic action in an effort to slow the spread of COVID-19. Federal, state and local jurisdictions have issued varying forms of states of emergency orders. We are working to comply within the framework of local, county, state and federal laws as they evolve. In that regard, we have implemented a wide range of practices to protect and support our employees and customers. Such measures include instituting "work from home" measures at our corporate offices and call center, instituting a contactless rental process that allows our on-site employees to continue to rent storage units without physical interaction, and providing personal protective equipment to on-site employees providing essential functions so that hygiene and "social distancing" standards can be effectively managed and applied. We have transitioned many of our interactions between customers and leasing and support staff to on-line and telephonic communications. Due to the COVID-19 pandemic, our customers may be impacted, including through unemployment, which may impact their ability to pay rent or renew their leases.

Our business has been impacted by COVID-19 in several ways, including reductions in new rentals and vacates due to stay-at-home orders and other restrictions, lower achieved rental rates from new customers, fewer existing customer rent increases, reduced late fee collection and impaired ability to hold auctions resulting in higher accounts receivable and bad debt. These impacts from COVID-19 were especially prevalent during the second quarter of 2020. As restrictions began to lessen during the three months ended September 30, 2020, we saw some return toward normalcy, including higher achieved rates in August and September, accounts receivable and collections less than 60 days returning to historical norms, and auctions being held in most locations. As a result of the reductions in vacates, we saw record occupancy levels during the three months ended September 30, 2020.

Although the self-storage industry has historically been resilient to ordinary market downturns, the impact of the COVID-19 pandemic on the U.S. and world economies generally, and on our future results in particular, could be significant and will largely depend on future developments, which are highly uncertain and cannot be predicted. This includes new information which may emerge concerning the severity of COVID-19, the success of actions taken to contain or treat COVID-19 and reactions by consumers, companies, governmental entities and capital markets.

OVERVIEW

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

Our stores are generally situated in highly visible locations clustered around large population centers. These areas enjoy above average population growth and income levels. The clustering of our assets around these population centers enables us to reduce our operating costs through economies of scale. To maximize the performance of our stores, we employ industry-leading revenue management systems. Developed internally, these systems enable us to analyze, set and adjust rental rates in real time across our portfolio in order to respond to changing market conditions. We believe our systems and processes allow us to more pro-actively manage revenues.

We operate in competitive markets, often where consumers have multiple stores from which to choose. Competition has impacted, and will continue to impact, our store results. We experience seasonal fluctuations in occupancy levels, with occupancy levels generally higher in the summer months due to increased moving activity. We believe that we are able to respond quickly and effectively to changes in local, regional and national economic conditions by adjusting rental rates through the combination of our revenue management team and our proprietary pricing systems. We consider a store to be in the lease-up stage after it has been issued a certificate of occupancy, but before it has achieved stabilization. We consider a store to be stabilized once it has achieved either an 80% occupancy rate for a full year measured as of January 1 of the current year, or has been open for three years prior to January 1 of the current year.

PROPERTIES

As of September 30, 2020, we owned or had ownership interests in 1,188 operating stores. Of these stores, 935 are wholly-owned, six are in consolidated joint ventures, and 247 are in unconsolidated joint ventures. In addition, we managed an additional 718 stores for third parties bringing the total number of stores which we own and/or manage to 1,906. These stores are located in 40 states, Washington, D.C. and Puerto Rico. The majority of our stores are clustered around large population centers. The clustering of assets around these population centers enables us to reduce our operating costs through economies of scale. Our acquisitions have given us an increased scale in many core markets as well as a foothold in many markets where we had no previous presence.

As of September 30, 2020, approximately 1,140,000 tenants were leasing storage units at the operating stores that we own and/or manage, primarily on a month-to-month basis, providing the flexibility to increase rental rates over time as market conditions permit. Existing tenants generally receive rate increases at least annually, for which no direct correlation has been drawn to our vacancy trends. Although leases are short-term in duration, the typical tenant tends to remain at our stores for an extended period of time. For stores that were stabilized as of September 30, 2020, the average length of stay was approximately 15.7 months.

The average annual rent per square foot for our existing customers at stabilized stores, net of discounts and bad debt, was $16.03 for the three months ended September 30, 2020, compared to $16.36 for the three months ended September 30, 2019. Average annual rent per square foot for new leases was $15.41 for the three months ended September 30, 2020, compared to $14.29 for the three months ended September 30, 2019. The average discounts, as a percentage of rental revenues, at all stabilized properties during these periods were 3.5% and 3.8%, respectively.

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

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

	September 30, 2020							
	REIT Owned		Joint Venture Owned		Managed		Total	
Location	Property Count(1)	Net Rentable Square Feet	Property Count	Net Rentable Square Feet	Property Count	Net Rentable Square Feet	Property Count	Net Rentable Square Feet
Alabama	8	557,473	1	75,801	15	1,062,225	24	1,695,499
Arizona	23	1,623,730	7	467,733	20	1,638,387	50	3,729,850
California	168	12,874,874	41	3,010,476	68	6,395,959	277	22,281,309
Colorado	17	1,153,951	2	186,273	24	1,821,269	43	3,161,493
Connecticut	7	531,183	7	629,770	5	350,291	19	1,511,244
Delaware	—	—	1	76,645	2	137,913	3	214,558
Florida	93	7,168,634	32	2,659,188	98	7,594,790	223	17,422,612
Georgia	63	4,893,459	6	511,067	24	1,801,362	93	7,205,888
Hawaii	13	847,815	—	—	4	211,629	17	1,059,444
Idaho	—	—	—	—	7	712,402	7	712,402
Illinois	39	2,966,472	7	568,875	25	1,840,392	71	5,375,739
Indiana	15	951,924	1	58,166	15	852,247	31	1,862,337
Kansas	1	83,401	2	108,920	5	371,560	8	563,881
Kentucky	11	931,308	1	51,118	5	406,478	17	1,388,904
Louisiana	2	160,760	—	—	5	469,895	7	630,655
Maryland	31	2,591,388	8	618,478	32	2,334,329	71	5,544,195
Massachusetts	46	2,971,672	10	640,789	13	848,875	69	4,461,336
Michigan	7	563,839	4	313,176	3	249,680	14	1,126,695
Minnesota	5	382,587	4	267,187	10	752,916	19	1,402,690
Mississippi	3	219,822	—	—	—	—	3	219,822
Missouri	5	332,795	2	119,275	8	539,978	15	992,048
Nebraska	—	—	—	—	3	307,038	3	307,038
Nevada	14	1,039,568	4	473,641	5	531,515	23	2,044,724
New Hampshire	2	135,835	2	84,165	2	118,541	6	338,541
New Jersey	60	4,741,052	17	1,246,863	17	1,315,524	94	7,303,439
New Mexico	11	722,233	6	350,900	12	893,285	29	1,966,418
New York	27	1,971,361	18	1,513,971	19	1,119,630	64	4,604,962
North Carolina	19	1,412,323	5	373,829	18	1,367,349	42	3,153,501
Ohio	17	1,314,950	5	325,963	6	493,909	28	2,134,822
Oklahoma	—	—	—	—	21	1,733,548	21	1,733,548
Oregon	6	400,153	4	281,656	14	1,114,842	24	1,796,651
Pennsylvania	19	1,412,346	7	513,219	25	1,851,144	51	3,776,709
Rhode Island	2	133,416	—	—	2	166,571	4	299,987
South Carolina	24	1,844,911	7	498,233	17	1,407,142	48	3,750,286
Tennessee	17	1,455,326	12	803,086	13	913,965	42	3,172,377
Texas	101	8,673,025	10	708,331	79	6,463,858	190	15,845,214
Utah	10	710,487	—	—	21	1,639,000	31	2,349,487
Virginia	46	3,683,246	7	567,443	25	1,919,703	78	6,170,392
Washington	8	589,880	1	57,290	13	1,004,130	22	1,651,300
Washington, DC	1	100,039	1	103,766	5	483,562	7	687,367
Wisconsin	—	—	5	523,579	5	430,293	10	953,872
Puerto Rico	—	—	—	—	8	917,507	8	917,507
Totals	941	72,147,238	247	18,788,872	718	56,584,633	1,906	147,520,743

(1) Includes six consolidated joint venture stores.

RESULTS OF OPERATIONS

Comparison of the three and nine months ended September 30, 2020 and 2019

Overview

Results for the three and nine months ended September 30, 2020 included the operations of 1,188 stores (935 wholly-owned, six in consolidated joint ventures, and 247 in joint ventures accounted for using the equity method) compared to the results for the three and nine months ended September 30, 2019, which included the operations of 1,167 stores (920 wholly-owned, five in consolidated joint ventures, and 242 in joint ventures accounted for using the equity method).

Revenues

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

	For the Three Months Ended September 30,				For the Nine Months Ended September 30,			
	2020	2019	$ Change	% Change	2020	2019	$ Change	% Change
Revenues:								
Property rental	$ 290,423	$ 290,917	$ (494)	(0.2)%	$ 856,438	$ 841,504	$ 14,934	1.8 %
Tenant reinsurance	39,294	33,588	5,706	17.0 %	107,985	95,086	12,899	13.6 %
Management fees and other income	13,307	13,000	307	2.4 %	38,299	36,063	2,236	6.2 %
Total revenues	$ 343,024	$ 337,505	$ 5,519	1.6 %	$ 1,002,722	$ 972,653	$ 30,069	3.1 %

Property Rental—The decrease in property rental revenues for the three months ended September 30, 2020 was primarily the result of a decrease of $4,279 related to lower rental rates and other fee income at our stabilized stores primarily attributable to the COVID-19 pandemic. This was offset by an increase of $3,159 attributable to store acquisitions completed in 2020 and 2019. We acquired ten wholly-owned stores and completed the development of a consolidated joint venture store during the nine months ended September 30, 2020. We acquired 21 stores and added 27 leased properties (as part of a new net lease agreement) during the year ended December 31, 2019. The increase in property rental revenues for the nine months ended September 30, 2020 was due to increases of $20,309 attributable to store acquisitions completed in 2020 and 2019 and $2,551 attributable to revenue increases at our lease-up stores. These increases were offset by a decrease of $7,665 related to decreases in rental rates and other fee income at our stabilized stores.

Tenant Reinsurance—The increase in our tenant reinsurance revenues was due primarily to an increase in the number of stores operated and the higher occupancy at both our lease up and mature sites. We operated 1,906 stores at September 30, 2020 compared to 1,797 stores at September 30, 2019.

Management Fees and Other Income—Management fees and other income primarily represent the fee collected for our management of stores owned by third parties and unconsolidated joint ventures and other transaction fee income. The increase for the three and nine months ended September 30, 2020 was primarily due to an increase in the number of stores managed. As of September 30, 2020, we managed 971 stores for joint ventures and third parties, compared to 877 stores as of September 30, 2019. As a result, we had a $3,500 increase in management fees for the nine months ended September 30, 2020, partially offset by a reduction of $2,100 from non-recurring transaction fees from 2019.

Expenses

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

	For the Three Months Ended September 30, 2020	For the Three Months Ended September 30, 2019	$ Change	% Change	For the Nine Months Ended September 30, 2020	For the Nine Months Ended September 30, 2019	$ Change	% Change
Expenses:								
Property operations	$ 92,322	$ 88,653	$ 3,669	4.1 %	$ 271,659	$ 248,288	$ 23,371	9.4 %
Tenant reinsurance	7,189	7,644	(455)	(6.0)%	20,725	21,593	(868)	(4.0)%
General and administrative	23,894	22,519	1,375	6.1 %	72,242	68,548	3,694	5.4 %
Depreciation and amortization	56,412	56,051	361	0.6 %	167,705	165,116	2,589	1.6 %
Total expenses	$ 179,817	$ 174,867	$ 4,950	2.8 %	$ 532,331	$ 503,545	$ 28,786	5.7 %

Property Operations—The increase in property operations expense during the three and nine months ended September 30, 2020 was due primarily to increases of $2,475 and $18,254, respectively, attributable to store acquisitions completed in 2020 and 2019. We acquired ten wholly-owned stores and completed the development of a consolidated joint venture store during the nine months ended September 30, 2020. We acquired 21 stores and added 27 leased properties (as part of a new net lease agreement) during the year ended December 31, 2019. Additional increases of $1,054 and $4,638 for the three and nine months ended September 30, 2020, respectively were related to an increase in expenses from property taxes, payroll and benefits, and marketing at our stabilized stores.

Tenant Reinsurance—Tenant reinsurance expense represents the costs that are incurred to provide tenant reinsurance. The decrease in tenant reinsurance expense for the three and nine months ended September 30, 2020 was due primarily to a reduction in the number of claims as well as a decrease in the overall average payout on individual claims when compared to the three and nine months ended September 30, 2019.

General and Administrative—General and administrative expenses primarily include all expenses not directly related to our stores, including corporate payroll, office expense, office rent, travel and professional fees. During the nine months ended September 30, 2020, we recorded an additional $1,823 in compensation expense as a result of modifications to the terms of the stock-based awards related to the retirement of an executive in June 2020. We did not observe any other material trends in specific payroll, travel or other expenses apart from the increase due to the management of additional stores.

Depreciation and Amortization—Depreciation and amortization expense increased as a result of the acquisition of new stores. We acquired ten stores during the nine months ended September 30, 2020. We acquired 21 stores during the year ended December 31, 2019.

Other Revenues and Expenses

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

	For the Three Months Ended September 30, 2020	For the Three Months Ended September 30, 2019	$ Change	% Change	For the Nine Months Ended September 30, 2020	For the Nine Months Ended September 30, 2019	$ Change	% Change
Interest expense	$ (42,213)	$ (46,908)	$ 4,695	(10.0)%	(127,610)	(141,716)	14,106	(10.0)%
Non-cash interest expense related to amortization of discount on equity component of exchangeable senior notes	(1,233)	(1,186)	(47)	4.0 %	(3,675)	(3,533)	(142)	4.0 %
Interest income	3,145	2,799	346	12.4 %	6,488	5,905	583	9.9 %
Equity in earnings and dividend income from unconsolidated real estate entities	5,605	2,704	2,901	107.3 %	15,692	8,455	7,237	85.6 %
Income tax expense	(4,657)	(4,052)	(605)	14.9 %	(10,013)	(8,580)	(1,433)	16.7 %
	$ (39,353)	$ (46,643)	$ 7,290	(15.6)%	$ (119,118)	$ (139,469)	$ 20,351	(14.6)%

Interest Expense—The decrease in interest expense during the three and nine months ended September 30, 2020 was primarily the result of a lower average variable interest rates compared to the same period in the prior year. The average variable interest rate for the three months ended September 30, 2020 was 1.8%, compared to an average variable interest rate of 3.4% for the three months ended September 30, 2019.

Non-cash Interest Expense Related to Amortization of Discount on Equity Component of Exchangeable Senior Notes—Represents the amortization of the discounts related to the equity components of the exchangeable senior notes issued by our Operating Partnership. The 2015 Notes had an effective interest rate of 4.0% relative to the carrying amount of the liability.

Interest Income—Interest income represents amounts earned on cash and cash equivalents deposited with financial institutions, interest earned on bridge loans and income earned on notes receivable from Common and Preferred Operating Partnership unit holders.

Equity in Earnings and Dividend Income from Unconsolidated Real Estate Entities—Equity in earnings of unconsolidated real estate entities represents the income earned through our ownership interests in unconsolidated joint ventures. In these joint ventures, we and our joint venture partners generally receive a preferred return on our invested capital. To the extent that cash or profits in excess of these preferred returns are generated, we receive a higher percentage of the excess cash or profits. Dividend income represents dividends from our investment in preferred stock of SmartStop, which was purchased in October 2019. The increase for the three and nine months ended September 30, 2020 related primarily to the dividend income related to the SmartStop preferred stock.

Income Tax Expense—For the three and nine months ended September 30, 2020, the increase in income tax expense was the result of an increase in income earned by our taxable REIT subsidiary when compared to the same period in the prior year.

FUNDS FROM OPERATIONS

Funds from operations ("FFO") provides relevant and meaningful information about our operating performance that is necessary, along with net income and cash flows, for an understanding of our operating results. We believe FFO is a meaningful disclosure as a supplement to net earnings. Net earnings assume that the values of real estate assets diminish predictably over time as reflected through depreciation and amortization expenses. The values of real estate assets fluctuate due to market conditions and we believe FFO more accurately reflects the value of our real estate assets. FFO is defined by the National Association of Real Estate Investment Trusts, Inc. ("NAREIT") as net income computed in accordance with GAAP, excluding gains or losses on sales of operating stores and impairment write downs of depreciable real estate assets, plus real estate related depreciation and amortization and after adjustments to record unconsolidated partnerships and joint ventures on the same basis. We believe that to further understand our performance, FFO should be considered along with the reported net income and cash flows in accordance with GAAP, as presented in our condensed consolidated financial statements. FFO should not be considered a replacement of net income computed in accordance with GAAP.

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

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2020	2019	2020	2019
Net income attributable to common stockholders	$ 114,633	$ 108,087	$ 325,723	$ 307,685
Adjustments:				
Real estate depreciation	53,909	51,828	160,202	153,745
Amortization of intangibles	247	1,184	1,402	5,281
Gain on real estate transactions	—	—	—	(1,205)
Unconsolidated joint venture real estate depreciation and amortization	2,279	2,160	6,667	5,944
Distributions paid on Series A Preferred Operating Partnership units	(572)	(572)	(1,716)	(1,716)
Income allocated to Operating Partnership noncontrolling interests	9,221	7,908	25,550	23,159
Funds from operations attributable to common stockholders and unit holders	$ 179,717	$ 170,595	$ 517,828	$ 492,893

SAME-STORE RESULTS

Our same-store pool for the periods presented consists of 863 stores that are wholly-owned and operated and that were stabilized by the first day of the earliest calendar year presented. We consider a store to be stabilized once it has been open for three years or has sustained average square foot occupancy of 80% or more for one calendar year. We believe that by providing same-store results from a stabilized pool of stores, with accompanying operating metrics including, but not limited to: occupancy, rental revenue growth, operating expense growth, net operating income growth, etc., stockholders and potential investors are able to evaluate operating performance without the effects of non-stabilized occupancy levels, rent levels, expense levels, acquisitions or completed developments. Same-store results should not be used as a basis for future same-store performance or for the performance of our stores as a whole. The following table presents operating data for our same-store portfolio.

	For the Three Months Ended September 30,		Percent	For the Nine Months Ended September 30,		Percent
	2020	2019	Change	2020	2019	Change
Same-store rental revenues	$ 271,717	$ 275,963	(1.5)%	$ 804,469	$ 812,048	(0.9)%
Same-store operating expenses	79,266	78,091	1.5 %	234,828	230,225	2.0 %
Same-store net operating income	$ 192,451	$ 197,872	(2.7)%	$ 569,641	$ 581,823	(2.1)%
Same-store square foot occupancy as of quarter end	95.9%	93.8%		95.9%	93.8%	
Properties included in same-store	863	863		863	863	

Same-store revenues for the three and nine months ended September 30, 2020 decreased due to lower net rental rates for existing customers, lower late fees collected and higher bad debt expense related to non-paying tenants, partially offset by higher occupancy. Same-store expenses were higher for the three months ended September 30, 2020 primarily due to increases in marketing expenses and property taxes. Same-store expenses were higher for the nine months ended September 30, 2020 primarily due to increases in payroll, marketing expenses and property taxes. Expenses in both periods were partially offset by reduced utilities expense, auction fees and repairs and maintenance.

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2020	2019	2020	2019
Net Income	$ 123,854	$ 115,995	$ 351,273	$ 330,844
Adjusted to exclude:				
Gain on real estate transactions	—	—	—	(1,205)
Equity in earnings and dividend income from unconsolidated real estate entities	(5,605)	(2,704)	(15,692)	(8,455)
Interest expense	43,446	48,094	131,285	145,249
Depreciation and amortization	56,412	56,051	167,705	165,116
Income tax expense	4,657	4,052	10,013	8,580
General and administrative	23,894	22,519	72,242	68,548
Management fees, other income and interest income	(16,452)	(15,799)	(44,787)	(41,968)
Net tenant insurance	(32,105)	(25,944)	(87,260)	(73,493)
Non-same store rental revenue	(18,706)	(14,954)	(51,969)	(29,456)
Non-same store operating expense	13,056	10,562	36,831	18,063
Total Same-store net operating income	$ 192,451	$ 197,872	$ 569,641	$ 581,823
Same-store rental revenues	$ 271,717	$ 275,963	$ 804,469	$ 812,048
Same-store operating expenses	79,266	78,091	234,828	230,225
Same-store net operating income	$ 192,451	$ 197,872	$ 569,641	$ 581,823

CASH FLOWS

Cash flows from operating activities for the nine months ended September 30, 2020 increased when compared to the same period in the prior year as a result of our continued total revenue growth. This growth was due to an increase in the number of stores we own and operate and higher average occupancy at our stores. Cash flows used in investing activities relates primarily to our acquisition and development of REIT and joint venture assets, as well as activity on our bridge loan program. Cash flows from financing activities depend primarily on our debt and equity financing activities. A summary of cash flows along with significant components are as follows:

	For the Nine Months Ended September 30,	
	2020	2019
Net cash provided by operating activities	$ 583,267	$ 544,466
Net cash used in investing activities	(363,845)	(356,377)
Net cash used in financing activities	(209,581)	(194,064)
Significant components of net cash flow included:		
Net income	$ 351,273	$ 330,844
Depreciation and amortization	167,705	165,116
Acquisition and development of real estate assets	(197,356)	(321,527)
Issuance and purchase of notes receivable	(149,750)	(162,677)
Repurchase of common stock	(67,873)	—
Proceeds from the sale of common stock, net of offering costs	—	198,852
Net proceeds from debt financing	226,250	(26,614)

We believe that cash flows generated by operations, along with our existing cash and cash equivalents, the availability of funds under our existing lines of credit, and our access to capital markets will be sufficient to meet all of our reasonably anticipated cash needs during the next 12 months. These cash needs include operating expenses, monthly debt service payments, recurring capital expenditures, acquisitions, redevelopments and expansions, distributions to unit holders and dividends to stockholders necessary to maintain our REIT qualification.

We expect to generate positive cash flow from operations in 2020, and we consider these projected cash flows in our sources and uses of cash. These cash flows are principally derived from rents paid by our tenants. A significant deterioration in projected cash flows from operations could cause us to increase our reliance on available funds under our existing lines of credit, curtail planned capital expenditures, or seek other additional sources of financing.

LIQUIDITY AND CAPITAL RESOURCES

As of September 30, 2020, we had $74,803 available in cash and cash equivalents. Our cash and cash equivalents are held in accounts managed by third party financial institutions and consist of invested cash and cash in our operating accounts. During 2020 and 2019, we experienced no loss or lack of access to our cash or cash equivalents; however, there can be no assurance that access to our cash and cash equivalents will not be impacted by adverse conditions in the financial markets.

As of September 30, 2020, we had $5,302,752 face value of debt, resulting in a debt to total enterprise value ratio of 26.5%. As of September 30, 2020, the ratio of total fixed-rate debt and other instruments to total debt was 77.7% ($4,120,610 total fixed-rate debt including $2,095,223 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 September 30, 2020 was 3.0%. 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 September 30, 2020.

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

Our liquidity needs consist primarily of operating expenses, monthly debt service payments, recurring capital expenditures, dividends to stockholders and distributions to unit holders necessary to maintain our REIT qualification. We may from time to time seek to repurchase our outstanding debt, shares of common stock or other securities in open market purchases, privately negotiated transactions or otherwise. Such repurchases, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. In addition, we evaluate, on an ongoing basis, the merits of strategic acquisitions and other relationships, which may require us to raise additional funds. We may also use Operating Partnership units as currency to fund acquisitions from self-storage owners.

The COVID-19 pandemic has had negative impacts on capital markets and may continue to do so or such negative impacts could intensify. Based upon the current availability of our credit facility and our credit rating, we do not expect such capital market dislocations to have a material impact upon our ability to satisfy obligations and maturities or our growth plans during the year. However, there can be no assurance of the impact on our future plans if these negative trends were to persist for a long period of time or intensify.

OFF-BALANCE SHEET ARRANGEMENTS

Except as disclosed in the notes to our consolidated financial statements of our most recently filed Annual Report on Form 10-K, we do not currently have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purposes entities, which typically are established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. Further, except as disclosed in the notes to our condensed consolidated financial statements, we have not guaranteed any obligations of unconsolidated entities, nor do we have any commitments or intent to provide funding to any such entities. Accordingly, we are not materially exposed to any financing, liquidity, market or credit risk that could arise if we had engaged in these relationships.

SEASONALITY

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market Risk

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

Interest Rate Risk

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

As of September 30, 2020, we had approximately $5.3 billion in total face value of debt, of which approximately $1.2 billion was subject to variable interest rates (excluding debt with interest rate swaps). If LIBOR were to increase or decrease by 100 basis points, the increase or decrease in interest expense on the variable-rate debt would increase or decrease future earnings and cash flows by approximately $11.8 million annually.

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

ITEM 4. CONTROLS AND PROCEDURES

(1) Disclosure Controls and Procedures

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

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

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

(2) Changes in internal control over financial reporting

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

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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

ITEM 1A. RISK FACTORS

In addition to the other information set forth in this report, you should carefully consider the factors discussed in “Part I. Item 1A. Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2019, which could materially affect our business, financial condition and results of operations. There have been no material changes to the risk factors described in the “Risk Factors” section in our Annual Report on Form 10-K for the year ended December 31, 2019 other than previously disclosed in our Quarterly Report on Form 10-Q for the quarter ended June 30, 2020. The risks described in our Annual Report on Form 10-K and prior Quarterly Report on Form 10-Q are not the only risks facing our company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially adversely affect our business, financial condition and results of operations.

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

During the three months ended September 30, 2020, we repurchased 600 shares of common stock for approximately $0.1 million under our stock repurchase program approved by our board of directors. See Note 10, *Stockholders' Equity*, to the Condensed Consolidated Financial Statements contained in Part I, Item 1 of this report for additional details.

The following table presents information regarding repurchases by us of common stock during the three months ended September 30, 2020 under the stock repurchase program.

ISSUER PURCHASES OF EQUITY SECURITIES

	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Dollar Value of Shares that May Yet Be Purchased Under the Program (in thousands)
July 1 - July 31, 2020	600	$ 90.81	600	$ 331,581
August 1 – August 31, 2020	-	$ -	-	$ 331,581
September 1 – September 30, 2020	-	$ -	-	$ 331,581
Total	600	$ 90.81	600	$ 331,581

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

ITEM 5. OTHER INFORMATION

None.

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.

101 The following materials from Extra Space Storage Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2020, are formatted in XBRL (eXtensible Business Reporting Language): (1) the Condensed Consolidated Balance Sheets, (2) the Condensed Consolidated Statements of Operations, (3) the Condensed Consolidated Statements of Comprehensive Income (4) the Condensed Consolidated Statement of Noncontrolling Interests and Equity, (5) the Condensed Consolidated Statements of Cash Flows and (6) notes to these financial statements.

104 Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)

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: November 6, 2020	/s/ Joseph D. Margolis
	Joseph D. Margolis *Chief Executive Officer* *(Principal Executive Officer)*
Date: November 6, 2020	/s/ P. Scott Stubbs
	P. Scott Stubbs *Executive Vice President and Chief Financial Officer* *(Principal Financial Officer)*

Exhibit 31.1

CERTIFICATION

I, Joseph D. Margolis, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Extra Space Storage Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 6, 2020	By:	/s/ Joseph D. Margolis
	Name:	Joseph D. Margolis
	Title:	Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, P. Scott Stubbs, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Extra Space Storage Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 6, 2020	By:	/s/ P. Scott Stubbs
	Name:	P. Scott Stubbs
	Title:	Executive Vice President and Chief Financial Officer

Exhibit 32.1

Certification of 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

The undersigned, the Chief Executive Officer of Extra Space Storage Inc. (the “Company”), hereby certifies to his knowledge on the date hereof, pursuant to 18 U.S.C. 1350(a), as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q for the quarter ended September 30, 2020 (the “Form 10-Q”), filed concurrently herewith by the Company, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

By:	/s/ Joseph D. Margolis
Name:	Joseph D. Margolis
Title:	Chief Executive Officer
Date:	November 6, 2020

The undersigned, the Chief Financial Officer of Extra Space Storage Inc. (the “Company”), hereby certifies to his knowledge on the date hereof, pursuant to 18 U.S.C. 1350(a), as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q for the quarter ended September 30, 2020 (the “Form 10-Q”), filed concurrently herewith by the Company, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

By:	/s/ P. Scott Stubbs
Name:	P. Scott Stubbs
Title:	Executive Vice President and Chief Financial Officer
Date:	November 6, 2020