

Extra Space Storage Inc.
Form 10-Q
May 06, 2011
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2011

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

(State or other jurisdiction of incorporation or organization)

20-1076777

(I.R.S. Employer Identification No.)

2795 East Cottonwood Parkway, Suite 400

Salt Lake City, Utah 84121

(Address of principal executive offices)

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer
(Do not check if a smaller reporting company)

Smaller reporting company

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

The number of shares outstanding of the registrant's common stock, par value \$0.01 per share, as of April 29, 2011 was 88,791,581.

Table of Contents

EXTRA SPACE STORAGE INC.

TABLE OF CONTENTS

<u>STATEMENT ON FORWARD-LOOKING INFORMATION</u>	3
<u>PART I. FINANCIAL INFORMATION</u>	4
<u>ITEM 1. FINANCIAL STATEMENTS</u>	4
<u>NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)</u>	9
<u>ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	19
<u>ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	30
<u>ITEM 4. CONTROLS AND PROCEDURES</u>	30
<u>PART II. OTHER INFORMATION</u>	31
<u>ITEM 1. LEGAL PROCEEDINGS</u>	31
<u>ITEM 1A. RISK FACTORS</u>	31
<u>ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS</u>	31
<u>ITEM 3. DEFAULTS UPON SENIOR SECURITIES</u>	31
<u>ITEM 4. REMOVED AND RESERVED</u>	31
<u>ITEM 5. OTHER INFORMATION</u>	31
<u>ITEM 6. EXHIBITS</u>	31
<u>SIGNATURES</u>	32

Table of Contents

STATEMENT ON FORWARD-LOOKING INFORMATION

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

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

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

- changes in general economic conditions, the real estate industry and the markets in which we operate;

- the effect of competition from new and existing self-storage facilities or other storage alternatives, which could cause rents and occupancy rates to decline;

- difficulties in our ability to evaluate, finance, complete and integrate acquisitions and developments successfully and to lease up those properties, which could adversely affect our profitability;

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

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- 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;
- increased interest rates and operating costs;
- reductions in asset valuations and related impairment charges;
- delays in the development and construction process, which could adversely affect our profitability;
- the failure to maintain our REIT status for federal income tax purposes;
- economic uncertainty due to the impact of war or terrorism, which could adversely affect our business plan; and
- our ability to attract and retain qualified personnel and management members.

Table of Contents**PART I. FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****Extra Space Storage Inc.****Condensed Consolidated Balance Sheets**

(amounts in thousands, except share data)

	March 31, 2011	December 31, 2010
	(Unaudited)	
Assets:		
Real estate assets:		
Net operating real estate assets	\$ 1,958,245	\$ 1,935,319
Real estate under development	13,168	37,083
Net real estate assets	1,971,413	1,972,402
Investments in real estate ventures	141,525	140,560
Cash and cash equivalents	42,555	46,750
Restricted cash	40,527	30,498
Receivables from related parties and affiliated real estate joint ventures	9,334	10,061
Other assets, net	47,763	48,197
Total assets	\$ 2,253,117	\$ 2,248,468
Liabilities, Noncontrolling Interests and Equity:		
Notes payable	\$ 915,533	\$ 871,403
Notes payable to trusts	119,590	119,590
Exchangeable senior notes	87,663	87,663
Discount on exchangeable senior notes	(1,777)	(2,205)
Lines of credit	125,000	170,467
Accounts payable and accrued expenses	34,333	34,210
Other liabilities	25,632	28,269
Total liabilities	1,305,974	1,309,397
Commitments and contingencies		
Equity:		
Extra Space Storage Inc. stockholders' equity:		
Preferred stock, \$0.01 par value, 50,000,000 shares authorized, no shares issued or outstanding		
Common stock, \$0.01 par value, 300,000,000 shares authorized, 88,546,913 and 87,587,322 shares issued and outstanding at March 31, 2011 and December 31, 2010, respectively	885	876
Paid-in capital	1,161,184	1,148,820
Accumulated other comprehensive deficit	(4,678)	(5,787)
Accumulated deficit	(266,588)	(262,508)
Total Extra Space Storage Inc. stockholders' equity	890,803	881,401
Noncontrolling interest represented by Preferred Operating Partnership units, net of \$100,000 note receivable	29,701	29,733

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Noncontrolling interests in Operating Partnership	25,510	26,803
Other noncontrolling interests	1,129	1,134
Total noncontrolling interests and equity	947,143	939,071
Total liabilities, noncontrolling interests and equity	\$ 2,253,117	\$ 2,248,468

See accompanying notes to unaudited condensed consolidated financial statements.

Table of Contents

Extra Space Storage Inc.

Condensed Consolidated Statements of Operations

(amounts in thousands, except share data)

(unaudited)

	For the Three Months Ended March 31,	
	2011	2010
Revenues:		
Property rental	\$ 61,490	\$ 56,143
Management and franchise fees	5,967	5,552
Tenant reinsurance	7,024	5,892
Total revenues	74,481	67,587
Expenses:		
Property operations	23,344	21,956
Tenant reinsurance	1,615	1,223
Unrecovered development and acquisition costs	249	70
General and administrative	11,658	11,056
Depreciation and amortization	13,585	12,419
Total expenses		