MY FELLOW SHAREHOLDERS

We have had a busy and remarkable year at Extra Space Storage in 2023. After two years of unprecedented property level growth and active external expansion in 2021 and 2022, I told our team to expect a more normal year in 2023, as the storage sector returned to historical revenue growth rates and acquisition volume slowed. I encouraged our departments to focus on the fundamentals in each of their respective areas of the business to ensure that we had seamless execution as tailwinds from the pandemic slowed, and as headwinds from interest rates, inflation and moderating demand increased.

This all changed, when one of our publicly traded peers, Life Storage was put in play during the first quarter and we were invited to make a merger bid for the company. Life Storage had a high-quality, broadly diversified, national storage portfolio of more than 1,200 properties totaling approximately 90 million square feet. We were very familiar with the Life Storage assets, and we knew there would be significant synergies created by combining the companies to create an even stronger portfolio and additional long-term value for our shareholders.

Despite my prediction for a calmer 2023, I asked our team to roll up their sleeves again to see if we could make this transformational merger a reality. As always, Team Extra Space responded. In a matter of weeks, we were able to come to an agreement to merge with Life Storage, and we announced the deal publicly on April 3, 2023. After nearly unanimous approval from both companies' shareholders, we completed the merger with Life Storage on July 20th, 2023. All the Life Storage properties were onboarded onto our platform in 19 days, the largest integration of stores and team members in our company's history.

The merger further increases Extra Space's significant scale, with a national portfolio of over 3,700 stores, totaling 283 million rentable square feet. Our larger scale provides us with greater operational efficiencies, as well as access to more and better data in our sector, which will facilitate quicker and better analysis and decisions. The transaction also makes Extra Space a top 10 REIT included in the MSCI U.S. REIT Index by equity market capitalization. In addition to our greater scale, the combined portfolio also has greater diversification, reducing our proportional exposure in California and the Mid-Atlantic and increasing our proportional concentration in Florida, Texas and other sunbelt markets. No MSA contributes more than 10% of our same-store revenue, no single property represents a material contribution to our asset value, and our customer base consists of over two million tenants. The merger provides additional growth opportunities in third party management, joint venture partnerships, bridge lending, redevelopment, solar and more. Most importantly, and the driving rationale for the transaction, I believe all these benefits will drive long-term FFO accretion, additional value and greater stability for our shareholders.

JOSEPH D. MARGOLIS
Chief Executive Officer

2023 HIGHLIGHTS

3.1%
SAME-STORE REVENUE GROWTH

12.5%
ONE-YEAR TOTAL SHAREHOLDER RETURN

BBB+
UPGRADE BY S&P GLOBAL

While I am proud of what we have accomplished in 2023, I am even more excited about our path forward. One of Extra Space Storage's core values is excellence, and I know that our larger and more diverse team, portfolio and balance sheet will move Forward in Excellence in 2024. Through the merger we expect to realize at least $100 million in FFO synergies. The merger was leverage neutral, and created a larger and stronger balance sheet, which we believed would lead to improved long-term cost of capital. Our belief was validated when S&P Global upgraded our credit rating to BBB+ shortly after we closed.

I BELIEVE ALL THE BENEFITS FROM THE MERGER WILL DRIVE LONG-TERM FFO ACCRETION, ADDITIONAL VALUE AND GREATER STABILITY FOR OUR SHAREHOLDERS

Despite the focus on and efforts required by the merger, we did not ignore our core business. We continue to innovate and test customer acquisition, pricing and other tools to optimize store performance in a difficult environment. We grew same-store revenue in 2023 by 3.1%. We increased our third-party management business by 189 stores (net) not including the managed stores that came with the LSI merger, and this business remains the largest, fastest growing and most profitable in the industry. Our bridge loan business continues to thrive with $453 million of new loans approved, and it provides attractive risk-adjusted returns and new management and acquisition opportunities. We also made progress developing a scalable platform for remotely managed stores. All of these efforts will drive increased shareholder value.

While I am very optimistic about the future, I am also aware of current concerns from investors today, including uncertainty around interest rates, cap rates, sector demand, and the possibility of a recession, to name a few. I share those concerns. While we are not exempt from the impacts of these external forces, our need-based sector, geographically diverse portfolio, unique ownership strategy and sophisticated operating platform have allowed us to operate and grow efficiently through different stages of economic cycles during our 46-year history. And I believe we are even better positioned today, than in the past. Our portfolio, platform and team have never been stronger. Our technology and scale advantages, together with financial flexibility and durability position us for long term success.

We will continue to work hard to deliver the results our shareholders have come to expect from Extra Space Storage, as we move Forward in Excellence in 2024 and beyond.

Warmest Regards,

JOE MARGOLIS
Chief Executive Officer