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

# FORM 10-Q

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

**For the quarterly period ended March 31, 2022**

**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:**
**1-13820 (Life Storage, Inc.)**
**0-24071 (Life Storage LP)**

# LIFE STORAGE, INC.
# LIFE STORAGE LP
**(Exact name of Registrant as specified in its charter)**

| | |
|---|---|
| **Maryland (Life Storage, Inc.)**<br>**Delaware (Life Storage LP)**<br>**(State or other jurisdiction of incorporation or organization)** | **16-1194043 (Life Storage, Inc.)**<br>**16-1481551 (Life Storage LP)**<br>**(I.R.S. Employer Identification No.)** |

**6467 Main Street**
**Williamsville, NY 14221**
**(Address of principal executive offices) (Zip code)**

**(716) 633-1850**
**(Registrant's telephone number including area code)**

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.

| | | |
|---|---|---|
| Life Storage, Inc. | Yes ☒ | No ☐ |
| Life Storage LP | Yes ☒ | 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).

| | | |
|---|---|---|
| Life Storage, Inc. | Yes ☒ | No ☐ |
| Life Storage LP | Yes ☒ | 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.
Life Storage, Inc.:

| | | | |
|---|---|---|---|
| Large Accelerated Filer | ☒ | Accelerated Filer | ☐ |
| Non-accelerated Filer | ☐ | Smaller Reporting Company | ☐ |
| Emerging Growth Company | ☐ | | |

Life Storage LP:

| | | | |
|---|---|---|---|
| Large Accelerated Filer | ☐ | 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.

| | |
|---|---|
| Life Storage, Inc. | ☐ |
| Life Storage LP | ☐ |

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

| | | |
|---|---|---|
| Life Storage, Inc. | Yes ☐ | No ☒ |
| Life Storage LP | Yes ☐ | No ☒ |

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

Life Storage, Inc.:

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---|---|---|
| Common Stock, $.01 par value | LSI | New York Stock Exchange |

Life Storage LP:

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---|---|---|

As of April 29, 2022, 84,364,912 shares of Common Stock, $.01 par value per share, were outstanding.

**EXPLANATORY NOTE**

This report combines the quarterly reports on Form 10-Q for the period ended March 31, 2022 of Life Storage, Inc. (the “Parent Company”) and Life Storage LP (the “Operating Partnership”). The Parent Company is a real estate investment trust, or REIT, that owns its assets and conducts its operations through the Operating Partnership, a Delaware limited partnership, and subsidiaries of the Operating Partnership. The Parent Company, the Operating Partnership and their consolidated subsidiaries are collectively referred to in this report as the “Company.” In addition, terms such as “we,” “us,” or “our” used in this report may refer to the Company, the Parent Company and/or the Operating Partnership.

Life Storage Holdings, Inc., a wholly-owned subsidiary of the Parent Company (“Holdings”), is the sole general partner of the Operating Partnership; the Parent Company is a limited partner of the Operating Partnership, and through its ownership of Holdings and its limited partnership interest, controls the operations of the Operating Partnership, holding a 98.1% ownership interest therein as of March 31, 2022, assuming the conversion of all preferred operating partnership units at that date. The remaining ownership interests in the Operating Partnership are held by certain former owners of assets acquired by the Operating Partnership. As the owner of the sole general partner of the Operating Partnership, the Parent Company has full and complete authority over the Operating Partnership’s day-to-day operations and management.

Management operates the Parent Company and the Operating Partnership as one enterprise. The management teams of the Parent Company and the Operating Partnership are identical.

There are few differences between the Parent Company and the Operating Partnership, which are reflected in the note disclosures in this report. The Company believes it is important to understand the differences between the Parent Company and the Operating Partnership in the context of how these entities operate as a consolidated enterprise. The Parent Company is a REIT, whose only material asset is its ownership of the partnership interests of the Operating Partnership. As a result, the Parent Company does not conduct business itself, other than acting as the owner of the sole general partner of the Operating Partnership, issuing public equity from time to time and guaranteeing the debt obligations of the Operating Partnership. The Operating Partnership holds substantially all the assets of the Company and, directly or indirectly, holds the ownership interests in the Company’s real estate ventures. The Operating Partnership conducts the operations of the Company’s business and is structured as a partnership with no publicly traded equity. Except for net proceeds from equity issuances by the Parent Company, which are contributed to the Operating Partnership in exchange for partnership units, the Operating Partnership generates the capital required by the Company’s business through the Operating Partnership’s operations, by the Operating Partnership’s direct or indirect incurrence of indebtedness or through the issuance of partnership units of the Operating Partnership.

The substantive difference between the Parent Company’s filings and the Operating Partnership’s filings is the fact that the Parent Company is a REIT with public equity, while the Operating Partnership is a partnership with no publicly traded equity. In the financial statements, this difference is primarily reflected in the equity (or capital for the Operating Partnership) section of the consolidated balance sheets and in the Shareholders’ Equity and Partners’ Capital notes to the financial statements. Apart from the different equity treatment, the consolidated financial statements of the Parent Company and the Operating Partnership are nearly identical.

The Company believes that combining the quarterly reports on Form 10-Q of the Parent Company and the Operating Partnership into a single report will:

- facilitate a better understanding by the investors of the Parent Company and the Operating Partnership by enabling them to view the business as a whole in the same manner as management views and operates the business;
- remove duplicative disclosures and provide a more straightforward presentation in light of the fact that a substantial portion of the disclosure applies to both the Parent Company and the Operating Partnership; and
- create time and cost efficiencies through the preparation of one combined report instead of two separate reports.

In order to highlight the differences between the Parent Company and the Operating Partnership, the separate sections in this report for the Parent Company and the Operating Partnership specifically refer to the Parent Company and the Operating Partnership. In the sections that combine disclosures of the Parent Company and the Operating Partnership, this report refers to such disclosures as those of the Company. Although the Operating Partnership is generally the entity that directly or indirectly enters into contracts and real estate ventures and holds assets and debt, reference to the Company is appropriate because the business is one enterprise and the Parent Company operates the business through the Operating Partnership.

As the owner of the general partner with control of the Operating Partnership, the Parent Company consolidates the Operating Partnership for financial reporting purposes, and the Parent Company does not have significant assets other than its investment in the Operating Partnership. Therefore, the assets and liabilities of the Parent Company and the Operating Partnership are the same on their respective financial statements. The separate discussions of the Parent Company and the Operating Partnership in this report should be read in conjunction with each other to understand the results of the Company’s operations on a consolidated basis and how management operates the Company.

This report also includes separate Item 4 - Controls and Procedures sections, signature pages and Exhibit 31 and 32 certifications for each of the Parent Company and the Operating Partnership in order to establish that the Chief Executive Officer and the Chief Financial Officer of the Parent Company and the Chief Executive Officer and the Chief Financial Officer of the Operating Partnership have made the requisite certifications and that the Parent Company and the Operating Partnership are compliant with Rule 13a-15 or Rule 15d-15 of the Securities Exchange Act of 1934, as amended and 18 U.S.C. §1350.

**Part I. Financial Information**

**Item 1. Financial Statements**

**LIFE STORAGE, INC.**
**CONSOLIDATED BALANCE SHEETS**

| (dollars in thousands, except share data) | March 31, 2022 (unaudited) | December 31, 2021 |
|---|---|---|
| **Assets** | | |
| Investment in storage facilities: | | |
| Land | $ 1,224,576 | $ 1,185,976 |
| Building, equipment, and construction in progress | 6,229,832 | 5,904,481 |
| | 7,454,408 | 7,090,457 |
| Less: accumulated depreciation | (1,048,299 ) | (1,007,650 ) |
| Investment in storage facilities, net | 6,406,109 | 6,082,807 |
| Cash and cash equivalents | 50,206 | 171,865 |
| Accounts receivable | 18,209 | 17,784 |
| Receivable from unconsolidated joint ventures | 804 | 333 |
| Investment in unconsolidated joint ventures | 214,641 | 213,003 |
| Prepaid expenses | 12,462 | 9,918 |
| Trade name | 16,500 | 16,500 |
| Other assets | 40,560 | 44,387 |
| Total Assets | $ 6,759,491 | $ 6,556,597 |
| **Liabilities** | | |
| Line of credit | $ 135,000 | $ — |
| Term notes, net | 2,748,787 | 2,747,838 |
| Accounts payable and accrued liabilities | 112,136 | 131,778 |
| Deferred revenue | 29,495 | 27,277 |
| Mortgages payable | 36,837 | 37,030 |
| Total Liabilities | 3,062,255 | 2,943,923 |
| Noncontrolling redeemable Preferred Operating Partnership Units at redemption value | 90,761 | 90,783 |
| Noncontrolling redeemable Common Operating Partnership Units at redemption value | 131,780 | 142,892 |
| **Shareholders' Equity** | | |
| Common stock $.01 par value, 200,000,000 shares authorized, 84,307,259 shares outstanding at March 31, 2022 (83,565,710 at December 31, 2021) | 843 | 836 |
| Additional paid-in capital | 3,791,598 | 3,697,000 |
| Dividends in excess of net income | (313,851 ) | (314,713 ) |
| Accumulated other comprehensive loss | (3,895 ) | (4,124 ) |
| Total Shareholders' Equity | 3,474,695 | 3,378,999 |
| Total Liabilities and Shareholders' Equity | $ 6,759,491 | $ 6,556,597 |

See notes to consolidated financial statements.

**LIFE STORAGE, INC.**
**CONSOLIDATED STATEMENTS OF OPERATIONS**
**(unaudited)**

| (dollars in thousands, except per share data) | Three Months Ended March 31, 2022 | 2021 |
|---|---|---|
| **Revenues** | | |
| Rental income | $ 205,509 | $ 150,283 |
| Tenant reinsurance | 17,267 | 12,619 |
| Other operating income | 10,714 | 8,985 |
| Total operating revenues | 233,490 | 171,887 |
| **Expenses** | | |
| Property operations and maintenance | 42,368 | 33,740 |
| Tenant reinsurance | 6,847 | 4,780 |
| Real estate taxes | 24,523 | 19,887 |
| General and administrative | 15,826 | 14,183 |
| Depreciation and amortization | 46,401 | 33,359 |
| Total operating expenses | 135,965 | 105,949 |
| Income from operations | 97,525 | 65,938 |
| **Other income (expenses)** | | |
| Interest expense | (24,240 ) | (20,346 ) |
| Interest and dividend income | 15 | 779 |
| Equity in income of joint ventures | 2,118 | 1,221 |
| **Net income** | 75,418 | 47,592 |
| Net income attributable to noncontrolling preferred interests in the Operating Partnership | (996 ) | — |
| Net income attributable to noncontrolling common interests in the Operating Partnership | (847 ) | (209 ) |
| Net income attributable to common shareholders | $ 73,575 | $ 47,383 |
| **Earnings per common share attributable to common shareholders – basic** | $ 0.88 | $ 0.63 |
| **Earnings per common share attributable to common shareholders – diluted** | $ 0.88 | $ 0.63 |
| Common shares used in basic earnings per share calculation | 83,644,426 | 75,387,332 |
| Common shares used in diluted earnings per share calculation | 83,837,773 | 75,510,201 |
| Dividends declared per common share | $ 1.00 | $ 0.74 |

See notes to consolidated financial statements.

**LIFE STORAGE, INC.**
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**
**(unaudited)**

| | Three Months Ended March 31, | |
|---|---|---|
| **(dollars in thousands)** | **2022** | **2021** |
| Net income | $ 75,418 | $ 47,592 |
| Other comprehensive income: | | |
| Effective portion of gain on derivatives net of reclassification to interest expense | 229 | 229 |
| Total comprehensive income | 75,647 | 47,821 |
| Comprehensive income attributable to noncontrolling interests in the Operating Partnership | (1,846 ) | (210 ) |
| Comprehensive income attributable to common shareholders | $ 73,801 | $ 47,611 |

See notes to consolidated financial statements.

**LIFE STORAGE, INC.**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**(unaudited)**

| (dollars in thousands) | Three Months Ended March 31, 2022 | Three Months Ended March 31, 2021 |
|---|---|---|
| **Operating Activities** | | |
| Net income | $ 75,418 | $ 47,592 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 46,401 | 33,359 |
| Amortization of debt issuance costs and bond discount | 1,328 | 1,062 |
| Equity in income of joint ventures | (2,118) | (1,221) |
| Distributions from unconsolidated joint ventures | 4,024 | 2,547 |
| Non-vested stock earned | 1,661 | 1,453 |
| Deferred income taxes | 10 | 64 |
| Other | (159) | (67) |
| Changes in assets and liabilities (excluding the effects of acquisitions): | | |
| Accounts receivable | (406) | 705 |
| Prepaid expenses | (2,396) | (3,862) |
| (Advances to) receipts from joint ventures | (471) | 544 |
| Accounts payable and other liabilities | (19,233) | (16,949) |
| Deferred revenue | 1,284 | 1,865 |
| Net cash provided by operating activities | 105,343 | 67,092 |
| **Investing Activities** | | |
| Acquisition of storage facilities, net of cash acquired | (350,662) | (265,197) |
| Improvements, equipment additions, and construction in progress | (15,985) | (10,228) |
| Return of investment in unconsolidated joint ventures | — | 2,573 |
| Investment in unconsolidated joint ventures | (3,450) | (1,330) |
| Property deposits | 1,260 | (519) |
| Net cash used in investing activities | (368,837) | (274,701) |
| **Financing Activities** | | |
| Net proceeds from sale of common stock | 92,943 | 180,529 |
| Proceeds from line of credit | 170,000 | 76,000 |
| Repayments of line of credit | (35,000) | (33,000) |
| Dividends paid - common stock | (83,637) | (55,840) |
| Distributions to noncontrolling interest holders | (1,978) | (247) |
| Redemption of operating partnership units | (75) | (63) |
| Mortgage principal payments | (129) | (117) |
| Net cash provided by financing activities | 142,124 | 167,262 |
| Net decrease in cash and restricted cash | (121,370) | (40,347) |
| Cash and restricted cash at beginning of period | 176,434 | 58,771 |
| Cash and restricted cash at end of period | $ 55,064 | $ 18,424 |
| **Supplemental cash flow information** | | |
| Cash paid for interest, net of interest capitalized | $ 15,319 | $ 15,118 |
| Cash (received) paid for income taxes, net of refunds | $ (172) | $ (312) |

See notes to consolidated financial statements.

**LIFE STORAGE LP**
**CONSOLIDATED BALANCE SHEETS**

| (dollars in thousands) | March 31, 2022 (unaudited) | December 31, 2021 |
|---|---|---|
| **Assets** | | |
| Investment in storage facilities: | | |
| Land | $ 1,224,576 | $ 1,185,976 |
| Building, equipment, and construction in progress | 6,229,832 | 5,904,481 |
| | 7,454,408 | 7,090,457 |
| Less: accumulated depreciation | (1,048,299 ) | (1,007,650 ) |
| Investment in storage facilities, net | 6,406,109 | 6,082,807 |
| Cash and cash equivalents | 50,206 | 171,865 |
| Accounts receivable | 18,209 | 17,784 |
| Receivable from unconsolidated joint ventures | 804 | 333 |
| Investment in unconsolidated joint ventures | 214,641 | 213,003 |
| Prepaid expenses | 12,462 | 9,918 |
| Trade name | 16,500 | 16,500 |
| Other assets | 40,560 | 44,387 |
| Total Assets | $ 6,759,491 | $ 6,556,597 |
| **Liabilities** | | |
| Line of credit | $ 135,000 | $ — |
| Term notes, net | 2,748,787 | 2,747,838 |
| Accounts payable and accrued liabilities | 112,136 | 131,778 |
| Deferred revenue | 29,495 | 27,277 |
| Mortgages payable | 36,837 | 37,030 |
| Total Liabilities | 3,062,255 | 2,943,923 |
| Limited partners' preferred redeemable capital interest at redemption value (3,590,603 units outstanding at March 31, 2022 and December 31, 2021) | 90,761 | 90,783 |
| Limited partners' common redeemable capital interest at redemption value (960,208 and 960,708 units outstanding at March 31, 2022 and December 31, 2021, respectively) | 131,780 | 142,892 |
| **Partners' Capital** | | |
| General partner (888,493 and 881,030 units outstanding at March 31, 2022 and December 31, 2021, respectively) | 36,986 | 36,131 |
| Limited partners (83,418,766 and 82,684,680 units outstanding at March 31, 2022 and December 31, 2021, respectively) | 3,441,604 | 3,346,992 |
| Accumulated other comprehensive loss | (3,895 ) | (4,124 ) |
| Total Partners' Capital | 3,474,695 | 3,378,999 |
| Total Liabilities and Partners' Capital | $ 6,759,491 | $ 6,556,597 |

See notes to consolidated financial statements.

**LIFE STORAGE LP**
**CONSOLIDATED STATEMENTS OF OPERATIONS**
**(unaudited)**

| (dollars in thousands, except per unit data) | Three Months Ended March 31, 2022 | 2021 |
|---|---|---|
| **Revenues** | | |
| Rental income | $ 205,509 | $ 150,283 |
| Tenant reinsurance | 17,267 | 12,619 |
| Other operating income | 10,714 | 8,985 |
| Total operating revenues | 233,490 | 171,887 |
| **Expenses** | | |
| Property operations and maintenance | 42,368 | 33,740 |
| Tenant reinsurance | 6,847 | 4,780 |
| Real estate taxes | 24,523 | 19,887 |
| General and administrative | 15,826 | 14,183 |
| Depreciation and amortization | 46,401 | 33,359 |
| Total operating expenses | 135,965 | 105,949 |
| Income from operations | 97,525 | 65,938 |
| **Other income (expenses)** | | |
| Interest expense | (24,240 ) | (20,346 ) |
| Interest and dividend income | 15 | 779 |
| Equity in income of joint ventures | 2,118 | 1,221 |
| **Net income** | 75,418 | 47,592 |
| Net income attributable to noncontrolling preferred interests in the Operating Partnership | (996 ) | — |
| Net income attributable to noncontrolling common interests in the Operating Partnership | (847 ) | (209 ) |
| Net income attributable to common unitholders | $ 73,575 | $ 47,383 |
| **Earnings per common unit attributable to common unitholders – basic** | $ 0.88 | $ 0.63 |
| **Earnings per common unit attributable to common unitholders – diluted** | $ 0.88 | $ 0.63 |
| Common units used in basic earnings per unit calculation | 83,644,426 | 75,387,332 |
| Common units used in diluted earnings per unit calculation | 83,837,773 | 75,510,201 |
| Distributions declared per common unit | $ 1.00 | $ 0.74 |
| Net income attributable to general partner | $ 754 | $ 476 |
| Net income attributable to limited partners | $ 72,821 | $ 46,907 |

See notes to consolidated financial statements.

**LIFE STORAGE LP**
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**
**(unaudited)**

| **(dollars in thousands)** | **Three Months Ended March 31, 2022** | **2021** |
|---|---|---|
| Net income | $ 75,418 | $ 47,592 |
| Other comprehensive income: | | |
| Effective portion of gain on derivatives net of reclassification to interest expense | 229 | 229 |
| Total comprehensive income | 75,647 | 47,821 |
| Comprehensive income attributable to noncontrolling interests in the Operating Partnership | (1,846 ) | (210 ) |
| Comprehensive income attributable to common unitholders | $ 73,801 | $ 47,611 |

See notes to consolidated financial statements.

**LIFE STORAGE LP**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**(unaudited)**

| (dollars in thousands) | Three Months Ended March 31, 2022 | Three Months Ended March 31, 2021 |
|---|---|---|
| **Operating Activities** | | |
| Net income | $ 75,418 | $ 47,592 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 46,401 | 33,359 |
| Amortization of debt issuance costs and bond discount | 1,328 | 1,062 |
| Equity in income of joint ventures | (2,118 ) | (1,221 ) |
| Distributions from unconsolidated joint ventures | 4,024 | 2,547 |
| Non-vested stock earned | 1,661 | 1,453 |
| Deferred income taxes | 10 | 64 |
| Other | (159 ) | (67 ) |
| Changes in assets and liabilities (excluding the effects of acquisitions): | | |
| Accounts receivable | (406 ) | 705 |
| Prepaid expenses | (2,396 ) | (3,862 ) |
| (Advances to) receipts from joint ventures | (471 ) | 544 |
| Accounts payable and other liabilities | (19,233 ) | (16,949 ) |
| Deferred revenue | 1,284 | 1,865 |
| Net cash provided by operating activities | 105,343 | 67,092 |
| **Investing Activities** | | |
| Acquisition of storage facilities, net of cash acquired | (350,662 ) | (265,197 ) |
| Improvements, equipment additions, and construction in progress | (15,985 ) | (10,228 ) |
| Return of investment in unconsolidated joint ventures | — | 2,573 |
| Investment in unconsolidated joint ventures | (3,450 ) | (1,330 ) |
| Property deposits | 1,260 | (519 ) |
| Net cash used in investing activities | (368,837 ) | (274,701 ) |
| **Financing Activities** | | |
| Net proceeds from sale of partnership units | 92,943 | 180,529 |
| Proceeds from line of credit | 170,000 | 76,000 |
| Repayments of line of credit | (35,000 ) | (33,000 ) |
| Distributions to unitholders | (83,637 ) | (55,840 ) |
| Distributions to noncontrolling interest holders | (1,978 ) | (247 ) |
| Redemption of operating partnership units | (75 ) | (63 ) |
| Mortgage principal payments | (129 ) | (117 ) |
| Net cash provided by financing activities | 142,124 | 167,262 |
| Net decrease in cash and restricted cash | (121,370 ) | (40,347 ) |
| Cash and restricted cash at beginning of period | 176,434 | 58,771 |
| Cash and restricted cash at end of period | $ 55,064 | $ 18,424 |
| **Supplemental cash flow information** | | |
| Cash paid for interest, net of interest capitalized | $ 15,319 | $ 15,118 |
| Cash (received) paid for income taxes, net of refunds | $ (172 ) | $ (312 ) |

See notes to consolidated financial statements.

## 1. BASIS OF PRESENTATION

The accompanying unaudited financial statements of Life Storage, Inc. (the “Parent Company”) and Life Storage LP (the “Operating Partnership”) have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three-month period ended March 31, 2022 are not necessarily indicative of the results that may be expected for the year ending December 31, 2022. Share and per share amounts and unit and per unit amounts as of and for all periods presented have been adjusted to reflect the impact of the three-for-two distribution of common stock announced by the Company on January 4, 2021 and distributed on January 27, 2021 to shareholders and unitholders of record on January 15, 2021.

## 2. ORGANIZATION

The Parent Company operates as a self-administered and self-managed real estate investment trust (a “REIT”) that owns and operates self-storage properties. All of the Parent Company’s assets are owned by, and all its operations are conducted through, the Operating Partnership. Life Storage Holdings, Inc., a wholly-owned subsidiary of the Parent Company (“Holdings”), is the sole general partner of the Operating Partnership; the Parent Company is a limited partner of the Operating Partnership and, through its ownership of Holdings and its limited partnership interest, controls the operations of the Operating Partnership, holding a 98.1% ownership interest therein as of March 31, 2022, assuming the conversion of all preferred operating partnership units at that date. The remaining ownership interests in the Operating Partnership (the “Units”) are held by certain former owners of assets acquired by the Operating Partnership. The Parent Company, the Operating Partnership and their consolidated subsidiaries are collectively referred to in this report as the “Company.” In addition, terms such as “we,” “us,” or “our” used in this report may refer to the Company, the Parent Company and/or the Operating Partnership.

At March 31, 2022, we had an ownership interest in and/or managed 1,105 self-storage properties in 36 states. Among our 1,105 self-storage properties are 117 properties that we manage for unconsolidated joint ventures (see Note 10) and 261 properties that we manage and in which we have no ownership interest.

We consolidate all wholly owned subsidiaries. Partially owned entities, including joint ventures, are consolidated when we control the entity. Our consolidated financial statements include the accounts of the Parent Company, the Operating Partnership, Life Storage Solutions, LLC (one of the Parent Company’s taxable REIT subsidiaries), Warehouse Anywhere LLC, and all other wholly owned subsidiaries. All intercompany transactions and balances have been eliminated. Investments in joint ventures that we do not control but over which we have significant influence are accounted for using the equity method.

Included in the Parent Company’s consolidated balance sheets are noncontrolling redeemable Operating Partnership Units and included in the Operating Partnership’s consolidated balance sheets are limited partners’ redeemable capital interests at redemption value. These interests are presented in the “mezzanine” section of the consolidated balance sheets because they do not meet the functional definition of a liability or equity under current accounting literature. These represent the outside ownership interests of the limited partners in the Operating Partnership. There were 960,208 and 960,708 common noncontrolling redeemable Operating Partnership Units outstanding at March 31, 2022 and December 31, 2021, respectively, and 3,590,603 preferred noncontrolling redeemable Operating Partnership Units outstanding at both March 31, 2022 and December 31, 2021. The preferred noncontrolling redeemable Operating Partnership Units rank senior to all other partnership interests with respect to distributions and liquidation.

The common unitholders are entitled to receive distributions per unit equivalent to the dividends declared per share on the Parent Company’s common stock. The preferred unitholders are entitled to receive a fixed priority return of 4.5% and the preferred noncontrolling redeemable Operating Partnership Units are convertible at the option of the unitholders after the earlier of (i) the first anniversary of the date of issuance, (ii) the date of death of an initial holder who is a natural person or (iii) the sale, lease or conveyance of all or substantially all of the assets of the Operating Partnership, into common noncontrolling redeemable Operating Partnership Units. Upon any such conversion, each preferred noncontrolling redeemable Operating Partnership Unit being converted shall be convertible into a number of common Operating Partnership Units equal to the quotient of (i) the stated value of the preferred noncontrolling redeemable Operating Partnership Units being converted (such stated value being $25.00 per preferred noncontrolling redeemable Operating Partnership Unit) plus any accrued and unpaid distributions, divided by (ii) the average closing price of the Parent Company's common stock over the 90 consecutive trading days ending the trading day preceding the date of conversion. The Operating Partnership is obligated to redeem each of the common noncontrolling redeemable Operating Partnership Units at the request of the holder thereof for cash equal to the fair market value of a share of the Parent Company’s common stock based on a

10-day average of the daily market price, at the time of such redemption, provided that the Company, at its option, may elect to acquire any such Unit presented for redemption for one common share or cash.

The Company accounts for the noncontrolling redeemable Operating Partnership Units under the provisions of Accounting Standards Codification (ASC) Topic 480-10-S99. The application of the ASC Topic 480-10-S99 accounting model requires the noncontrolling interest to follow normal noncontrolling interest accounting and then be marked to redemption value at the end of each reporting period if higher (but never adjusted below that normal noncontrolling interest accounting amount) for the common noncontrolling redeemable Operating Partnership Units. The offset to the adjustment to the carrying amount of the common noncontrolling redeemable Operating Partnership Units is reflected in the Company's dividends in excess of net income and in the Operating Partnership's general partner and limited partners capital balances. Accordingly, in the accompanying consolidated balance sheets, common noncontrolling redeemable Operating Partnership Units are reflected at redemption value at March 31, 2022 and December 31, 2021, equal to the number of common noncontrolling interest units outstanding multiplied by the fair market value of the Parent Company's common stock at that date. Redemption value exceeded the value determined under the Company's historical basis of accounting at those dates. ASC Topic 480-10-S99 requires the preferred noncontrolling redeemable Operating Partnership Units to be valued at fair value as of the date of issuance and to continue to be recorded at the value determined at initial measurement plus any accrued distributions.

The following is a reconciliation of the Parent Company's common noncontrolling redeemable Operating Partnership Units and the Operating Partnership's limited partners' redeemable common capital interest for the period:

| **(dollars in thousands)** | **Three Months Ended March 31, 2022** |
|---|---|
| Beginning balance | $ 142,892 |
| Net income attributable to noncontrolling common interests in the Operating Partnership | 847 |
| Redemption of units | (75 ) |
| Distributions | (960 ) |
| Adjustment to redemption value | (10,924 ) |
| Ending balance | $ 131,780 |

The following is a reconciliation of the Parent Company's preferred noncontrolling redeemable Operating Partnership Units and the Operating Partnership's limited partners' redeemable preferred capital interest for the period:

| **(dollars in thousands)** | **Three Months Ended March 31, 2022** |
|---|---|
| Beginning balance | $ 90,783 |
| Net income attributable to noncontrolling preferred interests in the Operating Partnership | 996 |
| Distributions | (1,018 ) |
| Ending balance | $ 90,761 |

Subsequent to March 31, 2021, due to growth in the Company's tenant reinsurance program, tenant reinsurance revenues and expenses are presented separately on the consolidated statements of operations. The March 31, 2021 consolidated statements of operations have been revised accordingly to comply with this presentation. Prior to this change in presentation, such tenant reinsurance revenues and expenses were included in other income and expenses were included in other income and property operations and maintenance expense, respectively, in the Company's consolidated statements of operations. The disaggregated revenues of the Company presented in accordance with ASC Topic 606 "*Revenue from Contracts with Customers"* are as follows:

| **(dollars in thousands)** | **Three Months Ended March 31, 2022** | **Three Months Ended March 31, 2021** |
|---|---|---|
| Rental income | $ 205,509 | $ 150,283 |
| Revenues related to tenant reinsurance | 17,267 | 12,619 |
| Management and acquisition fee income | 5,856 | 4,590 |
| Other | 4,858 | 4,395 |
| Total operating revenues | $ 233,490 | $ 171,887 |

Management and acquisition fee income is included in other operating income in the consolidated statements of operations.

During the three months ended March 31, 2022, approximately 16% and 15% of the Company's revenue was derived from self-storage facilities in the states of Texas and Florida, respectively.

**3. STOCK BASED COMPENSATION**

The Company accounts for stock-based compensation under the provisions of ASC Topic 718, "*Compensation - Stock Compensation.*" The Company recognizes compensation cost in its financial statements for all share-based payments granted, modified, or settled during the period.

For awards with graded vesting, compensation cost is recognized on a straight-line basis over the related vesting period.

For the three months ended March 31, 2022 and 2021, the Company recorded compensation expense of $1,661,000 and $1,453,000, respectively, related to amortization of non-vested stock grants and performance-based awards.

During the three months ended March 31, 2022, 5,250 options were exercised by directors of the Company at a weighted average exercise price of $32.95 per share. No stock options were exercised by employees or directors during the three months ended March 31, 2021.

During the three months ended March 31, 2022, the Company issued 9,574 shares of non-vested stock to employees which vest over five year periods from the respective grant dates. The per-share fair market value on the date of grant of the non-vested stock issued during the three months ended March 31, 2022 ranged from $134.69 to $149.73, resulting in an aggregate fair value of $1.4 million. During the three months ended March 31, 2022 and 2021, 9,079 and 9,307 shares of non-vested stock, respectively, vested.

During the three months ended March 31, 2022, the Company granted performance-based awards that entitle recipients to earn up to 10,148 shares of Company stock if certain performance criteria are achieved over a three-year period. The Company estimated the aggregate fair value of the awards on the grant date to be $0.8 million.

**4. CASH AND RESTRICTED CASH**

Restricted cash represents those amounts required to be placed in escrow by banks with whom the Company has mortgages and amounts required to be placed into escrow related to the Company's tenant reinsurance program. Restricted cash is included in other assets in the consolidated balance sheets. The following table provides a reconciliation of cash and restricted cash reported within the consolidated statement of cash flows:

| (Dollars in thousands) | March 31, 2022 | December 31, 2021 | March 31, 2021 |
|---|---|---|---|
| Cash | $ 50,206 | $ 171,865 | $ 13,914 |
| Restricted cash | 4,858 | 4,569 | 4,510 |
| Total cash and restricted cash | $ 55,064 | $ 176,434 | $ 18,424 |

## 5. INVESTMENT IN STORAGE FACILITIES AND INTANGIBLE ASSETS

The following summarizes our activity in storage facilities during the three months ended March 31, 2022:

| (dollars in thousands) | | |
|---|---|---|
| Cost: | | |
| Beginning balance | $ | 7,090,457 |
| Acquisition of storage facilities | | 348,017 |
| Improvements and equipment additions | | 10,693 |
| Net increase in construction in progress | | 5,430 |
| Dispositions | | (189 ) |
| Ending balance | $ | 7,454,408 |
| Accumulated Depreciation: | | |
| Beginning balance | $ | 1,007,650 |
| Additions during the period | | 40,800 |
| Dispositions | | (151 ) |
| Ending balance | $ | 1,048,299 |

The Company acquired 18 self-storage facilities during the three months ended March 31, 2022. The acquisitions of these facilities were accounted for as asset acquisitions. The costs of the facilities, including closing costs, were allocated to land, building, equipment and improvements, and in-place customer leases based upon their relative fair values. The operating results of the facilities acquired have been included in the Company's operations since the respective acquisition dates.

The purchase prices of the facilities acquired in 2022 have been assigned as follows:

| (dollars in thousands) | | | | Consideration paid | | Acquisition Date Fair Value | | |
|---|---|---|---|---|---|---|---|---|
| States | Number of Properties | Date of Acquisition | Purchase Price | Cash Paid | Net Other Liabilities (Assets) Assumed | Land | Building, Equipment, and Improvements | In-Place Customer Leases |
| CA | 6 | 1/4/2022 | $ 165,225 | $ 165,160 | $ 65 | $ 20,321 | $ 143,243 | $ 1,661 |
| GA, NC, SC | 3 | 3/11/2022 | 48,586 | 48,446 | 140 | 3,926 | 44,300 | 360 |
| IL, NC, TX | 8 | 3/15/2022 | 116,048 | 115,410 | 638 | 12,292 | 102,439 | 1,317 |
| MD | 1 | 3/28/2022 | 21,651 | 21,646 | 5 | 1,640 | 19,856 | 155 |
| Total acquired in 2022 | 18 | | $ 351,510 | $ 350,662 | $ 848 | $ 38,179 | $ 309,838 | $ 3,493 |

Non-cash investing activities during the three months ended March 31, 2022 include the assumption of net other liabilities totaling $0.8 million.

The Company measures the fair value of in-place customer lease intangible assets based on the Company’s experience with customer turnover and the cost to replace the in-place leases. The Company amortizes in-place customer leases on a straight-line basis over 12 months (the estimated future benefit period). The Company measures the value of trade names, which have an indefinite life and are not amortized, by calculating discounted cash flows utilizing the relief from royalty method.

In-place customer leases are included in other assets on the Company’s consolidated balance sheets as follows:

| (Dollars in thousands) | March 31, 2022 | December 31, 2021 |
|---|---|---|
| In-place customer leases | $ 111,279 | $ 107,786 |
| Accumulated amortization | (99,425 ) | (93,820 ) |
| Net carrying value at the end of period | $ 11,854 | $ 13,966 |

Amortization expense related to in-place customer leases was $5.6 million and $2.1 million for the three months ended March 31, 2022 and 2021, respectively, and is included in depreciation and amortization expense on the consolidated statements of operations.

**Change in Useful Life Estimates**

As part of the Company’s capital improvement efforts, buildings at certain self-storage facilities were identified for replacement during 2020, 2021, and 2022. As a result of the decision to replace these buildings, the Company reassessed the estimated useful lives of the then existing buildings. This useful life reassessment resulted in an increase in depreciation expense of approximately $0.1 million during the three months ended March 31, 2022 and approximately $1.4 million during the three months ended March 31, 2021. The Company estimates that due to buildings recently identified for replacement, the change in estimated useful lives of buildings identified for replacement as of March 31, 2022 will have a minimal impact on depreciation expense during the remainder of 2022.

The accelerated depreciation resulting from the events discussed above had minimal impact on earnings per share/unit for the three months ended March 31, 2022 and reduced both basic and diluted earnings per share/unit by $0.02 for the three months ended March 31, 2021.

## 6. UNSECURED LINE OF CREDIT AND TERM NOTES

Borrowings outstanding on our unsecured line of credit and term notes are as follows:

| (Dollars in thousands) | | March 31, 2022 | | December 31, 2021 |
|---|---|---|---|---|
| Revolving line of credit borrowings | $ | 135,000 | $ | — |
| | | | | |
| Term note due April 8, 2024 | $ | 175,000 | $ | 175,000 |
| Senior term note due July 1, 2026 | | 600,000 | | 600,000 |
| Senior term note due December 15, 2027 | | 450,000 | | 450,000 |
| Term note due July 21, 2028 | | 200,000 | | 200,000 |
| Senior term note due June 15, 2029 | | 350,000 | | 350,000 |
| Senior term note due October 15, 2030 | | 400,000 | | 400,000 |
| Senior term note due October 15, 2031 | | 600,000 | | 600,000 |
| Total term note principal balance outstanding | | 2,775,000 | | 2,775,000 |
| Less: unamortized debt issuance costs | | (15,427 ) | | (16,008 ) |
| Less: unamortized senior term note discount | | (10,786 ) | | (11,154 ) |
| Term notes payable | $ | 2,748,787 | $ | 2,747,838 |

The Company’s unsecured amended credit agreement includes a revolving credit facility with a limit of $500 million with a maturity date of March 10, 2023, and initially included a term note in the principal amount of $100 million with a maturity date of June 4, 2020. Such credit agreement provides for interest on the revolving credit facility at a variable annual rate equal to LIBOR plus a margin based on the Company’s credit rating (at March 31, 2022 the margin is 0.95%), interest on any term notes at a variable annual rate equal to LIBOR plus a margin based on the Company’s credit rating (at March 31, 2022 the margin is 1.00%), and requires an annual facility fee on the revolving credit facility which varies based upon the Company’s credit rating (at March 31, 2022 the facility fee is 0.15%). The interest rate on the Company’s revolving credit facility at March 31, 2022 was approximately 1.40% (1.05% at December 31, 2021) and the interest rate on any term notes at March 31, 2022 was approximately 1.45% (1.10% at December 31, 2021). At March 31, 2022 there was $364.9 million available on the unsecured line of credit. The Company has the option under this credit facility to increase the total aggregate borrowing capacity of the facilities to $900 million.

On October 7, 2021, the Operating Partnership issued $600 million in aggregate principal amount of 2.400% unsecured senior notes due October 15, 2031 (the "2031 Senior Notes"). The 2031 Senior Notes were issued at 0.917% discount to par value. Interest on the 2031 Senior Notes is payable semi-annually in arrears on each April 15 and October 15, commencing with April 15, 2022. Proceeds received upon issuance, net of discount to par of $5.5 million, and underwriting discount and other offering expenses of $5.1 million, totaled $589.4 million.

On September 23, 2020, the Operating Partnership issued $400 million in aggregate principal amount of 2.200% unsecured senior notes due October 15, 2030 (the “2030 Senior Notes”). The 2030 Senior Notes were issued at 0.476% discount to par value. Interest on the 2030 Senior Notes is payable semi-annually in arrears on each April 15 and October 15. Proceeds received upon issuance, net of discount to par of $1.9 million and underwriting and other offering expenses of $3.5 million, totaled $394.6 million.

On June 3, 2019, the Operating Partnership issued $350 million in aggregate principal amount of 4.000% unsecured senior notes due June 15, 2029 (the “2029 Senior Notes”). The 2029 Senior Notes were issued at a 0.524% discount to par value. Interest on the 2029 Senior Notes is payable semi-annually in arrears on each June 15 and December 15. Proceeds received upon issuance, net of discount to par of $1.8 million and underwriting discount and other offering expenses of $3.1 million, totaled $345.1 million.

On December 7, 2017, the Operating Partnership issued $450 million in aggregate principal amount of 3.875% unsecured senior notes due December 15, 2027 (the "2027 Senior Notes"). The 2027 Senior Notes were issued at a 0.477% discount to par value. Interest on the 2027 Senior Notes is payable semi-annually in arrears on each June 15 and December 15. Proceeds received upon issuance, net of discount to par of $2.1 million and underwriting discount and other offering expenses of $4.0 million, totaled $443.9 million.

On June 20, 2016, the Operating Partnership issued $600 million in aggregate principal amount of 3.50% unsecured senior notes due July 1, 2026 (the "2026 Senior Notes"). The 2026 Senior Notes were issued at a 0.553% discount to par value. Interest on the 2026 Senior Notes is payable semi-annually in arrears on each January 1 and July 1. Proceeds received upon issuance, net of discount to par of $3.3 million and underwriting discount and other offering expenses of $5.5 million, totaled $591.2 million.

The 2031 Senior Notes, the 2030 Senior Notes, the 2029 Senior Notes, the 2027 Senior Notes and the 2026 Senior Notes are all fully and unconditionally guaranteed by the Parent Company. The indenture under which the 2031 Senior Notes, the 2030 Senior Notes, the 2029 Senior Notes, the 2027 Senior Notes and the 2026 Senior Notes were issued restricts the ability of the Company and its subsidiaries to incur debt unless the Company and its consolidated subsidiaries comply with a leverage ratio not to exceed 60% and an interest coverage ratio of more than 1.5:1 on all outstanding debt, after giving effect to the incurrence of the debt. The indenture also restricts the ability of the Company and its subsidiaries to incur secured debt unless the Company and its consolidated subsidiaries comply with a secured debt leverage ratio not to exceed 40% after giving effect to the incurrence of the debt. The indenture also contains other financial and customary covenants, including a covenant not to own unencumbered assets with a value less than 150% of the unsecured indebtedness of the Company and its consolidated subsidiaries. At March 31, 2022, the Company was in compliance with such covenants.

On July 21, 2016, the Company entered into a $200 million term note maturing July 21, 2028 bearing interest at a fixed rate of 3.67%.

On April 8, 2014, the Company entered into a $175 million term note maturing April 8, 2024 bearing interest at a fixed rate of 4.533%. The interest rate on the term note increases to 6.283% if the Company is not rated by at least one rating agency or if the Company's credit rating is downgraded.

The line of credit and term notes require the Company to meet certain financial covenants, measured on a quarterly basis, including prescribed leverage, fixed charge coverage, minimum net worth, limitations on additional indebtedness and limitations on dividend payouts. At March 31, 2022, the Company was in compliance with such covenants.

We believe that if operating results remain consistent with historical levels and levels of other debt and liabilities remain consistent with amounts outstanding at March 31, 2022, the entire availability on the line of credit could be drawn without violating our debt covenants.

The Company's fixed rate term notes contain a provision that allows for the noteholders to call the debt upon a change of control of the Company at an amount that includes a make whole premium based on rates in effect on the date of the change of control.

Deferred debt issuance costs and the discount on the outstanding term notes are both presented as reductions of term notes in the accompanying consolidated balance sheets at March 31, 2022 and December 31, 2021. Amortization expense related to deferred debt issuance costs was $0.7 million and $0.6 million for the three months ended March 31, 2022 and 2021, respectively, and is included in interest expense in the consolidated statements of operations.

## 7. MORTGAGES PAYABLE AND DEBT MATURITIES

Mortgages payable at March 31, 2022 and December 31, 2021 consist of the following:

| (dollars in thousands) | March 31, 2022 | December 31, 2021 |
|---|---|---|
| 4.065% mortgage note due April 1, 2023, secured by one self-storage facility with an aggregate net book value of $7.0 million, principal and interest paid monthly (effective interest rate 4.27%) | $ 3,701 | $ 3,728 |
| 5.26% mortgage note due November 1, 2023, secured by one self-storage facility with an aggregate net book value of $7.6 million, principal and interest paid monthly (effective interest rate 5.52%) | 3,628 | 3,650 |
| 4.4625% mortgage notes due December 6, 2024, secured by three self-storage facilities with an aggregate net book value of $54.1 million, principal and interest paid monthly (effective interest rate 3.16%) | 22,362 | 22,427 |
| 4.44% mortgage note due July 6, 2025, secured by one self-storage facility with an aggregate net book value of $13.3 million, principal and interest paid monthly (effective interest rate 4.44%) | 6,198 | 6,228 |
| 5.99% mortgage note due May 1, 2026, secured by one self-storage facility with an aggregate net book value of $6.3 million, principal and interest paid monthly (effective interest rate 6.51%) | 948 | 997 |
| Total mortgages payable | $ 36,837 | $ 37,030 |

The table below summarizes the Company's debt obligations at March 31, 2022. The estimated fair value of financial instruments is subjective in nature and is dependent on a number of important assumptions, including discount rates and relevant comparable market information associated with each financial instrument. The fair value of the fixed rate term notes and mortgage notes were estimated by discounting the future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities. These assumptions are considered Level 2 inputs within the fair value hierarchy as described in Note 9. The carrying values of our variable rate debt instruments approximate their fair values as these debt instruments bear interest at current market rates that approximate market participant rates. This is considered a Level 2 input within the fair value hierarchy. The use of different market assumptions and estimation methodologies may have a material effect on the reported estimated fair value amounts. Accordingly, the estimates presented below are not necessarily indicative of the amounts the Company would realize in a current market exchange.

| | Expected Maturity Date Including Discount | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| (dollars in thousands) | 2022 | 2023 | 2024 | 2025 | 2026 | Thereafter | Total | Fair Value |
| Line of credit - variable rate LIBOR + 0.95% (1.40% at March 31, 2022) | $ — | $ 135,000 | $ — | $ — | $ — | $ — | $ 135,000 | $ 135,000 |
| Notes Payable: | | | | | | | | |
| Term note - fixed rate 4.533% | — | — | 175,000 | — | — | — | 175,000 | 179,798 |
| Term note - fixed rate 3.50% | — | — | — | — | 600,000 | — | 600,000 | 598,268 |
| Term note - fixed rate 3.875% | — | — | — | — | — | 450,000 | 450,000 | 457,354 |
| Term note - fixed rate 3.67% | — | — | — | — | — | 200,000 | 200,000 | 196,255 |
| Term note - fixed rate 4.00% | — | — | — | — | — | 350,000 | 350,000 | 354,531 |
| Term note - fixed rate 2.20% | — | — | — | — | — | 400,000 | 400,000 | 348,246 |
| Term note - fixed rate 2.40% | — | — | — | — | — | 600,000 | 600,000 | 525,011 |
| Mortgage note - fixed rate 4.065% | 81 | 3,620 | — | — | — | — | 3,701 | 3,701 |
| Mortgage note - fixed rate 5.26% | 62 | 3,566 | — | — | — | — | 3,628 | 3,659 |
| Mortgage notes - fixed rate 4.4625% | — | — | 22,362 | — | — | — | 22,362 | 21,542 |
| Mortgage note - fixed rate 4.44% | 90 | 126 | 131 | 5,851 | — | — | 6,198 | 6,148 |
| Mortgage note - fixed rate 5.99% | 154 | 216 | 229 | 243 | 106 | — | 948 | 978 |
| Total | $ 387 | $ 142,528 | $ 197,722 | $ 6,094 | $ 600,106 | $ 2,000,000 | $ 2,946,837 | |

**8. DERIVATIVE FINANCIAL INSTRUMENTS**

In 2015 and 2016, the Company entered into forward starting interest rate swap agreements to hedge the risk of changes in the interest-related cash flows associated with the potential issuance of fixed rate long-term debt. In conjunction with the issuance of the 2026 Senior Notes (see Note 6), the Company terminated these hedges and settled the forward starting swap agreements for approximately $9.2 million. The $9.2 million has been deferred in Accumulated Other Comprehensive Loss ("AOCL") and is being amortized as additional interest expense over the ten-year term of the 2026 Senior Notes or until such time as interest payments on the 2026 Senior Notes are no longer probable. Such amortization is included in amortization of debt issuance costs and bond discount in the consolidated statements of cash flows.

The changes in AOCL for the three months ended March 31, 2022 and 2021 are summarized as follows:

| (dollars in thousands) | Three Months Ended March 31, 2022 | Three Months Ended March 31, 2021 |
|---|---|---|
| Accumulated other comprehensive loss beginning of period | $ (4,124 ) | $ (5,041 ) |
| Realized loss reclassified from accumulated other comprehensive loss to interest expense | 229 | 229 |
| Accumulated other comprehensive loss end of period | $ (3,895 ) | $ (4,812 ) |

**9. FAIR VALUE MEASUREMENTS**

The Company applies the provisions of ASC Topic 820 "*Fair Value Measurements and Disclosures*" in determining the fair value of its financial and nonfinancial assets and liabilities. ASC Topic 820 establishes a valuation hierarchy for disclosure of the inputs to valuation used to measure fair value. This hierarchy prioritizes the inputs into three broad levels as follows. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration. Level 3 inputs are unobservable inputs based on our own assumptions used to measure assets and liabilities at fair value. A financial asset or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

Refer to Note 7 for presentation of the fair values of debt obligations which are disclosed at fair value on a recurring basis.

There are no assets or liabilities carried at fair value measured on a recurring basis on the consolidated balance sheets as of March 31, 2022 and December 31, 2021.

## 10. INVESTMENT IN JOINT VENTURES

A summary of the Company's unconsolidated joint ventures is as follows:

| Venture | Number of Properties at March 31, 2022 | Company common ownership interest at March 31, 2022 | Carrying value of investment at March 31, 2022 | Carrying value of investment at December 31, 2021 |
|---|---|---|---|---|
| Sovran HHF Storage Holdings LLC ("Sovran HHF")[1] | 36 | 20% | $58.1 million | $58.7 million |
| Sovran HHF Storage Holdings II LLC ("Sovran HHF II")[2] | 22 | 15% | ($2.5 million) | ($2.4 million) |
| Life Storage-HIERS Storage LLC ("HIERS") | 17 | 20% | $13.7 million | $13.9 million |
| 191 V Life Storage Holdings LLC ("191 V")[3] | 17 | 20% | $27.6 million | $27.4 million |
| GII Life Storage Holdings LLC ("GII")[4] | 13 | 35% | $50.6 million | $51.5 million |
| Iskalo Office Holdings, LLC ("Iskalo")[5] | N/A | 49% | ($2.3 million) | ($2.4 million) |
| Life Storage Spacemax, LLC ("Spacemax") | 6 | 40% | $14.2 million | $14.5 million |
| Life Storage 898 McDonald, LLC ("McDonald")[6] | 1 | 86% | $30.2 million | $30.0 million |
| Life Storage ArrowMark Venture LLC ("ArrowMark Venture")[7] | N/A | 50% | $1.6 million | $1.5 million |
| Joint ventures with properties in development stage[8] | 4 | Various | $9.4 million | $8.2 million |
| Other unconsolidated joint ventures (9 joint ventures) | 9 | Various | $9.2 million | $7.4 million |

1 As of March 31, 2022, the carrying value of the Company's investment in Sovran HHF exceeds its share of the underlying equity in net assets of Sovran HHF by approximately $1.7 million as a result of the capitalization of certain acquisition related costs in 2008. This difference is included in the carrying value of the investment.

2 In September 2020, the Company acquired eight self-storage facilities and related assets from Sovran HHF II for total consideration of $120.2 million, which is net of the Company's share of Sovran HHF II's gain resulting from the transaction. In connection with this transaction, $35.8 million of non-recourse loans related to these properties were settled in April 2021. Also in connection with this transaction, the Company made a $12.7 million contribution to Sovran HHF II. On April 1, 2021, Sovran HHF II paid off $69.1 million in existing nonrecourse mortgage debt and entered into $110 million of new nonrecourse mortgage debt which matures in 2029. As a result of the net proceeds from these transactions, the Company received a distribution of $31.6 million from Sovran HHF II on April 1, 2021.

3 In May 2021, the Company executed a joint venture agreement, 191 V Life Storage Holdings LLC, with an unrelated third-party with the purpose of acquiring and operating self-storage facilities. In June 2021, 191 V acquired 17 self-storage facilities for a total of $320 million, at which time 191 V entered into $184 million of nonrecourse mortgage debt which matures in 2026. During 2021, the Company contributed $28.7 million to 191 V as the Company's share of the initial capital investment in the joint venture.

4 In November 2021, the Company executed a joint venture agreement, GII Life Storage Holdings LLC, with an unrelated third-party with the purpose of acquiring and operating self-storage facilities. In December 2021, GII acquired 13 self-storage facilities for a total of $290.6 million, at which time GII entered into $145.3 million of nonrecourse mortgage debt which matures in 2029. During 2021, the Company contributed $52.0 million to GII as the Company's share of the initial capital investment in the joint venture.

5 Iskalo owns the building that houses the Company's headquarters. The Company paid rent to Iskalo of $0.4 million during each of the three months ended March 31, 2022 and March 31, 2021.

6 In September 2021, the Company made an additional investment of $27.3 million in McDonald which increased the Company's ownership interest in McDonald from 5% to 86%. In April 2022, the Company purchased the remaining equity interest in McDonald for total consideration of $5.2 million (see Note 17).

7 In October 2021, the Company executed a joint venture agreement, Life Storage ArrowMark Venture LLC, with the purpose of arranging and originating mortgage loans to owners of self-storage facilities throughout the United States. During 2021, the Company contributed $1.6 million to ArrowMark Venture as the Company's share of the funding of two mortgage loans to third-parties in 2021.

8 The Company has entered into four separate joint ventures, one of which is developing a self-storage facility in Ontario, Canada, two of which are developing self-storage facilities in the New York City market, and one of which is developing a self-storage facility in the Tucson, AZ, market. The Company has contributed an aggregate total of $9.4 million as its share of capital to these joint ventures.

In addition to the joint venture activity in the preceding table, Life-Storage-SERS Storage LLC ("SERS") owned three self-storage facilities which the Company acquired in September 2021 for total consideration of $51.7 million which is net of the Company's share of SERS's gain resulting from the transaction. In connection with this transaction, all non-recourse loans held by SERS were settled. As SERS no longer operates any self-storage facilities, the Company received a distribution of $2.8 million in September 2021 as the Company's return of its remaining investment in SERS. SERS is expected to be dissolved in 2022.

Based on the facts and circumstances of each of the Company’s joint ventures, the Company has determined that none of the joint ventures at March 31, 2022 are a variable interest entity (“VIE”) in accordance with ASC 810, “*Consolidation*.” The Company used the voting model under ASC 810 to determine whether or not to consolidate the joint ventures. Based upon each member’s substantive participation rights over the activities as stipulated in the joint venture agreements, none of the joint ventures evaluated under the voting model are consolidated by the Company. Due to the Company’s significant influence over the operations of each of the joint ventures, all above joint ventures are accounted for under the equity method of accounting.

The carrying values of the Company’s investments in joint ventures are assessed for other-than-temporary impairment on a periodic basis and no such impairments have been recorded on any of the Company’s investments in joint ventures.

As property manager of the self-storage facilities owned by each of the operational joint ventures, the Company earns management and/or call center fees based on a percentage of joint venture gross revenues. These fees earned from joint ventures, which are included in other operating income in the consolidated statements of operations, totaled $2.5 million and $1.8 million for the three months ended March 31, 2022 and 2021, respectively.

The Company’s share of the unconsolidated joint ventures’ income is as follows:

| **(dollars in thousands)**<br>**Venture** | **Three Months Ended March 31, 2022** | **Three Months Ended March 31, 2021** |
|---|---|---|
| Sovran HHF | $ 960 | $ 654 |
| Sovran HHF II | 475 | 332 |
| Other unconsolidated joint ventures | 683 | 235 |
| | $ 2,118 | $ 1,221 |

The Company does not guarantee the debt of any of its equity method investees.

We do not expect to have material future cash outlays relating to these joint ventures outside our share of capital required for future acquisitions of properties, our share of capital for the origination of nonrecourse loans by the ArrowMark Venture joint venture, our share of capital required for the development of properties under construction, and our share of the payoff of secured debt held by these joint ventures.

## 11. INCOME TAXES

The Company qualifies as a REIT under the Internal Revenue Code of 1986, as amended, and will generally not be subject to corporate income taxes to the extent it distributes its taxable income to its shareholders and complies with certain other requirements.

The Company has elected to treat certain of its subsidiaries as taxable REIT subsidiaries. In general, the Company’s taxable REIT subsidiaries may perform additional services for tenants and generally may engage in certain real estate or non-real estate related business. A taxable REIT subsidiary is subject to corporate federal and state income taxes. Deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities.

The Company recorded federal and state income tax expense of $0.4 million and $0.6 million for the three months ended March 31, 2022 and 2021, respectively. These amounts are included in general and administrative expenses in the consolidated statements of operations. At March 31, 2022 and 2021, there were no material unrecognized tax benefits, and the Company had no interest or penalties relating to uncertain tax positions during the periods then ended. Interest and penalties relating to uncertain tax positions will be recognized in income tax expense when incurred. Income taxes payable by the Company and the net deferred tax liabilities of our taxable REIT subsidiaries are classified within accounts payable and accrued liabilities in the consolidated balance sheets, while prepaid income taxes are classified within prepaid expenses. As of March 31, 2022, the Company’s taxable REIT subsidiaries have deferred tax assets totaling $0.6 million and a deferred tax liability of $2.0 million. As of December 31, 2021, the Company’s taxable REIT subsidiaries had deferred tax assets of $0.4 million and a deferred tax liability of $1.8 million. The tax years 2018-2021 remain open to examination by the major taxing jurisdictions to which the Company is subject.

The Tax Cuts and Jobs Act (the "TCJA") was enacted on December 20, 2017. The TCJA significantly changed the U.S. federal income tax laws applicable to businesses and their owners, including REITs and their shareholders. Under the TCJA, the corporate income tax rate is reduced from a maximum rate of 35% to a flat 21% rate. The reduced corporate income tax rate, which is effective for taxable years beginning after December 31, 2017, applies to income earned by our taxable REIT subsidiaries.

## 12. EARNINGS PER SHARE AND EARNINGS PER UNIT

The Company reports earnings per share and earnings per unit data in accordance ASC Topic 260, "*Earnings Per Share*." Under ASC Topic 260-10, unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents, whether paid or unpaid, are participating securities and shall be included in the computation of earnings-per-share pursuant to the two-class method. The Parent Company and the Operating Partnership have calculated their basic and diluted earnings per share/unit using the two-class method.

Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per common share utilizing the two-class method.

| (in thousands except per share data) | Three Months Ended March 31, 2022 | Three Months Ended March 31, 2021 |
|---|---|---|
| Numerator: | | |
| Net income attributable to common shareholders | $ 73,575 | $ 47,383 |
| Denominator: | | |
| Denominator for basic earnings per share – weighted average shares | 83,644 | 75,387 |
| Effect of Dilutive Securities: | | |
| Stock options and non-vested stock | 194 | 123 |
| Denominator for diluted earnings per share – adjusted weighted average shares and assumed conversion | 83,838 | 75,510 |
| Basic earnings per common share attributable to common shareholders | $ 0.88 | $ 0.63 |
| Diluted earnings per common share attributable to common shareholders | $ 0.88 | $ 0.63 |

Earnings Per Unit

The following table sets forth the computation of basic and diluted earnings per common unit utilizing the two-class method.

| (in thousands except per unit data) | Three Months Ended March 31, 2022 | Three Months Ended March 31, 2021 |
|---|---|---|
| Numerator: | | |
| Net income attributable to common unitholders | $ 73,575 | $ 47,383 |
| Denominator: | | |
| Denominator for basic earnings per unit – weighted average units | 83,644 | 75,387 |
| Effect of Dilutive Securities: | | |
| Stock options and non-vested stock | 194 | 123 |
| Denominator for diluted earnings per unit – adjusted weighted average units and assumed conversion | 83,838 | 75,510 |
| Basic earnings per common unit attributable to common unitholders | $ 0.88 | $ 0.63 |
| Diluted earnings per common unit attributable to common unitholders | $ 0.88 | $ 0.63 |

Not included in the effect of dilutive securities above for both earnings per share and earnings per unit are 123,436 unvested restricted shares for the three months ended March 31, 2022, and 149,227 unvested restricted shares for the three months ended March 31, 2021, because their effect would be antidilutive. Additionally, not included in the effect of dilutive securities above for both earnings per share and earnings per unit for the three months ended March 31, 2022 is the effect of 3,590,603 preferred noncontrolling redeemable Operating Partnership Units as such Units are not redeemable at March 31, 2022.

## 13. SHAREHOLDERS' EQUITY

The following is a reconciliation of the changes in the Parent Company's total shareholders' equity for the three months ended March 31, 2022:

| (dollars in thousands) | Common Stock | Additional Paid-in Capital | Dividends in Excess of Net Income | Accumulated Other Comprehensive Income (Loss) | Total Shareholders' Equity |
|---|---|---|---|---|---|
| Balance December 31, 2021 | $ 836 | $ 3,697,000 | $ (314,713 ) | $ (4,124 ) | $ 3,378,999 |
| Net proceeds from issuance of common stock | 7 | 92,764 | — | — | 92,771 |
| Exercise of stock options | — | 173 | — | — | 173 |
| Earned portion of non-vested stock | — | 1,661 | — | — | 1,661 |
| Adjustment to redemption value on noncontrolling redeemable Operating Partnership units | — | — | 10,924 | — | 10,924 |
| Net income attributable to common shareholders | — | — | 73,575 | — | 73,575 |
| Amortization of terminated hedge included in AOCL | — | — | — | 229 | 229 |
| Dividends | — | — | (83,637 ) | — | (83,637 ) |
| Balance March 31, 2022 | $ 843 | $ 3,791,598 | $ (313,851 ) | $ (3,895 ) | $ 3,474,695 |

The following is a reconciliation of the changes in the Parent Company's total shareholders' equity for the three months ended March 31, 2021:

| (dollars in thousands) | Common Stock | Additional Paid-in Capital | Dividends in Excess of Net Income | Accumulated Other Comprehensive Income (Loss) | Total Shareholders' Equity |
|---|---|---|---|---|---|
| Balance December 31, 2020 | $ 495 | $ 2,671,311 | $ (288,667 ) | $ (5,041 ) | $ 2,378,098 |
| Net proceeds from issuance of common stock | 18 | 180,511 | — | — | 180,529 |
| Earned portion of non-vested stock | — | 1,453 | — | — | 1,453 |
| Stock dividend | 252 | (252 ) | — | — | — |
| Carrying value less than redemption value on redeemed noncontrolling interest | — | (4 ) | — | — | (4 ) |
| Adjustment to redemption value on noncontrolling redeemable Operating Partnership units | — | — | (2,358 ) | — | (2,358 ) |
| Net income attributable to common shareholders | — | — | 47,383 | — | 47,383 |
| Amortization of terminated hedge included in AOCL | — | — | — | 229 | 229 |
| Dividends | — | — | (55,840 ) | — | (55,840 ) |
| Balance March 31, 2021 | $ 765 | $ 2,853,019 | $ (299,482 ) | $ (4,812 ) | $ 2,549,490 |

On December 29, 2020, the Company entered into a continuous equity offering program ("2020 Equity Program") with multiple sales agents, pursuant to which the Company was permitted to sell up to $500 million in aggregate offering price of shares of the Company's common stock. The 2020 Equity Program was replaced on June 15, 2021 when the Company entered into a new continuous equity offering program ("2021 Equity Program") with multiple sales agents pursuant to which the Company is permitted to sell up to $500 million in aggregate offering price of shares of the Company's stock. Actual sales under this continuous equity offering program will depend on a variety of factors and conditions, including, but not limited to, market conditions, the trading price of the Company's common stock, and determinations of the appropriate sources of funding for the Company. The Company expects to offer, sell and issue shares of common stock under this equity program from time to time based on various factors and conditions, although the Company is under no obligation to sell any shares under this equity program.

During the three-month period ended March 31, 2022, the Company issued 686,712 shares of common stock under the 2021 Equity Program at a weighted average issue price of $136.48 per share, generating net proceeds of $92.8 million after deducting $0.9 million of sales commissions paid to the sales agents (all other related expenses were minor during the period). The Company used such proceeds primarily to fund a portion of the 18 storage facilities acquired during the three months ended March 31, 2022.

During the three months ended March 31, 2021, the Company issued 2,220,559 shares of common stock under the 2020 Equity Program at a weighted average issue price of $82.23 per share, generating net proceeds of $180.5 million after deducting $1.8 million of sales commissions paid to the sales agents, as well as other expenses of $0.3 million. The Company used such proceeds to fund a portion of the 16 storage facilities acquired during the three months ended March 31, 2021.

On August 2, 2017, the Company's Board of Directors authorized the repurchase of up to $200 million of the Company's outstanding common shares ("Buyback Program"). The Buyback Program allows the Company to purchase shares of its common stock in accordance with applicable securities laws on the open market, through privately negotiated transactions, or through other methods of acquiring shares. The Buyback Program may be suspended or discontinued at any time. The Company did not repurchase any outstanding common shares under the Buyback Program during the three months ended March 31, 2022 or during the three months ended March 31, 2021.

In 2013, the Company implemented a Dividend Reinvestment Plan which was suspended by the Company's Board of Directors in 2017. As a result, the Company did not issue any shares under the Dividend Reinvestment Plan during the three months ended March 31, 2022 and 2021.

On January 4, 2021, the Company announced a three-for-two stock split of the Company's common stock, to be made in the form of a 50% stock dividend. Shareholders of record at the close of business on January 15, 2021 received one additional share of Company stock for every two shares owned. These additional shares were distributed on January 27, 2021, with cash distributed in lieu of fractional shares based on the closing price on the record date.

**14. PARTNERS' CAPITAL**

The following is a reconciliation of the changes in total partners' capital for the three months ended March 31, 2022:

| (dollars in thousands) | Life Storage Holdings, Inc. General Partner | Life Storage, Inc. Limited Partner | Accumulated Other Comprehensive Income (Loss) | Total Controlling Partners' Capital |
|---|---|---|---|---|
| Balance December 31, 2021 | $ 36,131 | $ 3,346,992 | $ (4,124) | $ 3,378,999 |
| Net proceeds from issuance of Operating Partnership Units | 927 | 91,844 | — | 92,771 |
| Exercise of stock options | 2 | 171 | — | 173 |
| Earned portion of non-vested stock | 17 | 1,644 | — | 1,661 |
| Carrying value less than redemption value on redeemed noncontrolling interest | (1) | 1 | — | — |
| Adjustment to redemption value on noncontrolling redeemable Operating Partnership Units | — | 10,924 | — | 10,924 |
| Net income attributable to common unitholders | 754 | 72,821 | — | 73,575 |
| Amortization of terminated hedge included in AOCL | 2 | (2) | 229 | 229 |
| Distributions | (846) | (82,791) | — | (83,637) |
| Balance March 31, 2022 | $ 36,986 | $ 3,441,604 | $ (3,895) | $ 3,474,695 |

The following is a reconciliation of the changes in total partners' capital for the three months ended March 31, 2021:

| (dollars in thousands) | Life Storage Holdings, Inc. General Partner | Life Storage, Inc. Limited Partner | Accumulated Other Comprehensive Income (Loss) | Total Controlling Partners' Capital |
|---|---|---|---|---|
| Balance December 31, 2020 | $ 24,045 | $ 2,359,094 | $ (5,041 ) | $ 2,378,098 |
| Net proceeds from issuance of Operating Partnership Units | 1,807 | 178,722 | — | 180,529 |
| Earned portion of non-vested stock | 14 | 1,439 | — | 1,453 |
| Carrying value less than redemption value on redeemed noncontrolling interest | (1 ) | (3 ) | — | (4 ) |
| Adjustment to redemption value on noncontrolling redeemable Operating Partnership Units | — | (2,358 ) | — | (2,358 ) |
| Net income attributable to common unitholders | 476 | 46,907 | — | 47,383 |
| Amortization of terminated hedge included in AOCL | 2 | (2 ) | 229 | 229 |
| Distributions | (561 ) | (55,279 ) | — | (55,840 ) |
| Balance March 31, 2021 | $ 25,782 | $ 2,528,520 | $ (4,812 ) | $ 2,549,490 |

## 15. RECENT ACCOUNTING PRONOUNCEMENTS

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: Accounting for Convertible Instruments and Contracts in an Entity's Own Equity*," which reduced the number of accounting models for convertible debt instruments and convertible preferred stock, thus simplifying the accounting for convertible instruments. ASU 2020-06 is effective for annual periods beginning after December 31, 2021, and interim periods within those annual periods, and is therefore effective for the Company as of January 1, 2022. Management has evaluated the impact of the adoption of ASU 2020-06 on the Company, including, but not limited to, the accounting for the Company's noncontrolling redeemable Operating Partnership Units, and has concluded that the adoption of ASU 2020-06 did not have a material impact on the Company.

## 16. COMMITMENT AND CONTINGENCIES

The Company's lease population is comprised of leases for land and/or buildings in which certain of the Company's self-storage facilities operate, as well as leases of warehousing and corporate office space. All leases where the Company is the lessee qualify as operating leases and the Company does not have any financing leases as of March 31, 2022. At March 31, 2022 and December 31, 2021, the Company's aggregate right-of-use assets total $18.9 million and $19.5 million, respectively, and are included in other assets on the consolidated balance sheet. The related lease liabilities at March 31, 2022 and December 31, 2021 total $18.7 million and $19.2 million, respectively, and are included in accounts payable and accrued liabilities on the consolidated balance sheet.

Expenses related to operating leases totaled $0.7 million and $0.6 million for the three months ended March 31, 2022 and 2021, respectively. At March 31, 2022, the weighted average remaining lease term and weighted average discount rate for the Company's operating leases were 10.1 years and 4.59%, respectively.

At March 31, 2022, the Company has approximately $24.0 million of operating lease commitments, excluding variable consideration. The undiscounted future minimum lease payments are summarized by year in the table below:

| (in thousands) | |
|---|---|
| 2022 | $ 2,141 |
| 2023 | 2,663 |
| 2024 | 2,584 |
| 2025 | 2,402 |
| 2026 | 2,484 |
| Thereafter | 11,697 |
| Total | $ 23,971 |

The difference between the amounts included in the table above and the aggregate lease liability recorded in the accompanying consolidated balance sheet at March 31, 2022 is the result of the impact of the discount rate on future minimum lease payments.

At March 31, 2022, the Company was under contract to acquire 15 self-storage facilities for an aggregate purchase price of $279.1 million. During April 2022, the Company completed the acquisition of five of these self-storage facilities for an aggregate purchase price of $88.5 million. The purchases of the remaining 10 self-storage facilities are subject to customary conditions to closing, and there is no assurance that these facilities will be acquired.

At March 31, 2022, the Company has signed contracts in place with third-party contractors for expansion and enhancements at its existing facilities. The Company expects to pay $56.9 million under these contracts in 2022 and 2023.

**17. SUBSEQUENT EVENTS**

On April 1, 2022, the Company declared a quarterly dividend of $1.00 per common share. The dividend was paid on April 26, 2022 to shareholders of record on April 14, 2022. The total dividend paid amounted to $84.4 million.

During April 2022, the Company issued 55,736 shares of common stock under its continuous equity offering program at a weighted average issuance price of $142.83 per share, generating net proceeds of $7.9 million.

As discussed in note 16, subsequent to March 31, 2022, the Company acquired five self-storage facilities for an aggregate purchase price of $88.5 million.

In addition to the self-storage facilities under contract at March 31, 2022, subsequent to March 31, 2022, the Company entered into contracts to acquire three additional self-storage facilities for an aggregate purchase price of $54.8 million. The purchases of these self-storage facilities are subject to customary conditions to closing, and there is no assurance that these facilities will be acquired.

As discussed in Note 10, the Company acquired the remaining ownership interest in the McDonald joint venture on April 4, 2022 for cash consideration of $5.2 million. McDonald had historically been accounted for by the Company using the equity method of accounting. As a result of this transaction, the Company now owns 100% of McDonald and will consolidate McDonald in accordance with ASC 810, "*Consolidation*" from the date of acquisition. The allocated purchase price of McDonald also includes the carrying value of the Company's investment in McDonald at the date of acquisition which totaled $30.2 million.

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

The following discussion and analysis of the Company's consolidated financial condition and results of operations should be read in conjunction with the unaudited financial statements and notes thereto included elsewhere in this report.

**DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS**

When used in this discussion and elsewhere in this document, the words "intends," "believes," "expects," "anticipates," and similar expressions are intended to identify "forward-looking statements" within the meaning of that term in Section 27A of the Securities Act of 1933 and in Section 21E of the Securities Exchange Act of 1934. All forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause our actual results, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking statements. 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 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 this report. Any forward-looking statements should be considered in light of the risks referenced in "Part I. Item 1A. Risk Factors" in our 2021 annual report on form 10-K filed with the Securities and Exchange Commission on February 25, 2021. Such factors include, but are not limited to:

- adverse changes in general economic conditions, the real estate industry and in the markets in which we operate;
- the effect of competition from new self-storage facilities or other storage alternatives, which would cause rents and occupancy rates to decline;
- impacts from the COVID-19 pandemic or the future outbreak of other highly infectious or contagious diseases on the U.S., regional and global economies and our financial condition and results of operations;
- 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;
- loss of key personnel;
- the Company's ability to evaluate, finance and integrate acquired self-storage facilities on expected terms into the Company's existing business and operations;
- the Company's ability to effectively compete in the industry in which it does business;
- 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;
- the Company's existing indebtedness may mature in an unfavorable credit environment, preventing refinancing or forcing refinancing of the indebtedness on terms that are not as favorable as the existing terms;
- interest rates may increase, impacting costs associated with the Company's outstanding floating rate debt, if any, and impacting the Company's ability to comply with debt covenants;
- exposure to litigation or other claims;
- risks associated with breaches of our data security;
- the regional concentration of the Company's business may subject the Company to economic downturns in the states of Florida and Texas;
- the Company's cash flow may be insufficient to meet required payments of operating expenses, principal, interest and dividends; and
- failure to maintain our REIT status for U.S. federal income purposes, including tax law changes that may change the taxability of future income.

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.

**RESULTS OF OPERATIONS**

FOR THE PERIOD JANUARY 1, 2022 THROUGH MARCH 31, 2022, COMPARED TO THE PERIOD JANUARY 1, 2021 THROUGH MARCH 31, 2021

We recorded rental revenues of $205.5 million for the three months ended March 31, 2022, an increase of $55.2 million or 36.7% when compared to rental revenues of $150.3 million for the same period in 2021. This increase in rental revenue was driven by a $23.0 million, or 15.7%, increase in rental revenues at the 580 core properties considered in same store sales (the Company will include stores in its same store pool in the second year after the stores achieve 80% sustained occupancy using market rates and incentives; therefore the 580 core properties considered in same store sales are those included in the consolidated results of operations since December 31, 2020, excluding stores not yet stabilized, three stores significantly impacted by flooding, and three stores that the Company began to fully replace between 2017 and 2020). The increase in same store rental revenues was a result of a 14.9% increase in rental income per square foot along with a 20 basis point increase in average occupancy. Also affecting the overall increase in rental revenues was an increase of $32.2 million in rental revenues contributed by stores not included in the same store pool, primarily those acquired in 2021 and 2022. We recorded tenant reinsurance revenues of $17.3 million for the three months ended March 31, 2022, an increase of $4.6 million or 36.8% when compared to tenant reinsurance revenues of $12.6 million for the same period in 2021. The increase in tenant reinsurance revenues is primarily due to the increase in stores owned or managed in 2021 and 2022. Other operating income, which includes merchandise sales, truck rentals, management fees and acquisition fees, increased by $1.7 million for the three months ended March 31, 2022 compared to the same period in 2021 primarily as a result of increased management fees due to an increase in managed properties.

Property operations and maintenance expenses increased $8.6 million or 25.6% in the three months ended March 31, 2022 compared to the same period in 2021. Property operations and maintenance expenses related to the 580 core properties considered in the same store pool increased by $1.0 million or 3.3% primarily as the result of increases in utilities costs, repairs and maintenance expenditures, and internet marketing expenditures. The remainder of the increase in property operations and maintenance expenses is primarily the result of the net activity of the stores not included in the same store pool. Tenant reinsurance expenses increased $2.1 million or 43.2% in three months ended March 31, 2022 compared to the same period in 2021 primarily as the result of the increase in stores owned or managed in 2021 and 2022. Real estate tax expense increased $4.6 million during the three months ended March 31, 2022 as compared to the same period in 2021. The 580 core properties considered in the same store pool experienced a 2.2% increase in real estate taxes which is reflective of a net increase in property tax levies on those properties. In addition to the same store real estate tax expense increase, real estate taxes increased $4.2 million from stores not included in the same store pool.

Net operating income increased $46.3 million or 40.8% resulting from a 21.9% increase in our same store net operating income coupled with an increase of $24.6 million related to the Company’s tenant insurance program, increased management fees, and the properties not included in the same store pool.

Net operating income, or “NOI,” is a non-GAAP (generally accepted accounting principles) financial measure that we define as total continuing revenues less continuing property operating expenses. NOI also can be calculated by adding back to net income: interest expense, impairment and casualty losses, operating lease expense, depreciation and amortization expense, any losses on sale of real estate, acquisition related costs, general and administrative expense, and deducting from net income: income from discontinued operations, interest income, any gains on sale of real estate, and equity in income of joint ventures. We believe that NOI is a meaningful measure to investors in evaluating our operating performance because we utilize NOI in making decisions with respect to capital allocations, in determining current property values, and in comparing period-to-period and market-to-market property operating results. Additionally, NOI is widely used in the real estate industry and the self-storage industry to measure the performance and value of real estate assets without regard to various items included in net income that do not relate to or are not indicative of operating performance, such as depreciation and amortization, which can vary depending on accounting methods and the book value of assets. NOI should be considered in addition to, but not as a substitute for, other measures of financial performance reported in accordance with GAAP, such as total revenues, operating income and net income. There are material limitations to using a measure such as NOI, including the difficulty associated with comparing results among more than one company and the inability to analyze certain significant items, including depreciation and interest expense, that directly affect our net income. We compensate for these limitations by considering the economic effect of the excluded expense items independently as well as in connection with our analysis of net income.

The following table reconciles our net income presented in the consolidated financial statements to NOI generated by our self-storage facilities for the three months ended March 31, 2022 and 2021.

| (dollars in thousands) | Three Months ended March 31, 2022 | 2021 |
|---|---|---|
| Net income | $ 75,418 | $ 47,592 |
| General and administrative | 15,826 | 14,183 |
| Depreciation and amortization | 46,401 | 33,359 |
| Interest expense | 24,240 | 20,346 |
| Interest and dividend income | (15 ) | (779 ) |
| Equity in income of joint ventures | (2,118 ) | (1,221 ) |
| Net operating income | $ 159,752 | $ 113,480 |
| Net operating income | | |
| Same store | $ 120,547 | $ 98,868 |
| Other stores, tenant reinsurance related income and management fee income | 39,205 | 14,612 |
| Total net operating income | $ 159,752 | $ 113,480 |

Our 2022 same store results consist of only those properties that have been owned by the Company and included in our consolidated results since December 31, 2020, excluding stores not yet stabilized, three stores significantly impacted by flooding, and three stores that the Company began to fully replace between 2017 and 2020. We believe that same store results are meaningful measures to investors in evaluating our operating performance because, given the acquisitive nature of the industry, same store results provide information about the overall business after removing the results from those properties that were not consistent from year-to-year. Additionally, same store results are widely used in the real estate industry and the self-storage industry to measure performance. Same store results should be considered in addition to, but not as a substitute for, consolidated results in accordance with GAAP. The following table sets forth operating data for our 580 same store properties. These results provide information relating to property operating changes without the effects of acquisitions.

Same Store Summary

| (dollars in thousands) | Three Months ended March 31, 2022 | 2021 | Percentage Change |
|---|---|---|---|
| Same store rental income | $ 169,446 | $ 146,430 | 15.7 % |
| Same store other operating income | 1,924 | 1,845 | 4.3 % |
| Total same store operating income | 171,370 | 148,275 | 15.6 % |
| Payroll and benefits | 10,823 | 11,068 | (2.2 )% |
| Real estate taxes | 19,744 | 19,327 | 2.2 % |
| Utilities | 4,506 | 4,136 | 8.9 % |
| Repairs and maintenance | 5,331 | 5,126 | 4.0 % |
| Office and other operating expenses | 4,704 | 4,422 | 6.4 % |
| Insurance | 1,763 | 1,722 | 2.4 % |
| Advertising | 52 | 52 | — |
| Internet marketing | 3,900 | 3,554 | 9.7 % |
| Total same store operating expenses | 50,823 | 49,407 | 2.9 % |
| Same store net operating income | $ 120,547 | $ 98,868 | 21.9 % |

| | | | Change |
|---|---|---|---|
| Quarterly same store move ins | 50,203 | 51,745 | (1,542 ) |
| Quarterly same store move outs | 49,951 | 46,560 | 3,391 |

We believe the decrease in same store move ins was due to lack of available space at many of our stores as a result of extremely high occupancy rates during the three months ended March 31, 2022. We believe the increase in same store move outs was a result of an increase in the frequency of rate increases to existing customers during the three months ended March 31, 2022 as compared to the three months ended March 31, 2021.

General and administrative expenses for the three months ended March 31, 2022 increased $1.6 million or 11.6% when compared with the three months ended March 31, 2021. This increase was primarily driven by an increase in home office personnel related costs to support the growth in stores.

Depreciation and amortization expense increased to $46.4 million in the three months ended March 31, 2022 from $33.4 million in the same period in 2021 as a result of depreciation and customer list amortization related to those properties acquired in 2022 and 2021.

Total interest expense increased by $3.9 million during the three months ended March 31, 2022 as compared to the same period in 2021 as a result of an increase in the Company's outstanding debt balances for the majority of the quarter.

Total interest and dividend income decreased by $0.8 million during the three months ended March 31, 2022 as compared to the same period in 2021 as a result of a preferred dividend received from one of the Company's unconsolidated joint ventures during the three months ended March 31, 2021 which did not recur in the three months ended March 31, 2022.

## FUNDS FROM OPERATIONS

We believe that Funds from Operations ("FFO") provides relevant and meaningful information about our operating performance that is necessary, along with net earnings and cash flows, for an understanding of our operating results. FFO adds back historical cost depreciation, which assumes the value of real estate assets diminishes predictably in the future. In fact, real estate asset values increase or decrease with market conditions. Consequently, we believe FFO is a useful supplemental measure in evaluating our operating performance by disregarding (or adding back) historical cost depreciation.

FFO is defined by the National Association of Real Estate Investment Trusts, Inc. ("NAREIT") as net income available to common shareholders computed in accordance with GAAP, excluding gains or losses on sales of properties, plus impairment of real estate assets, plus depreciation and amortization and after adjustments to record unconsolidated partnerships and joint ventures on the same basis. We believe that to further understand our performance FFO should be compared with our reported net income and cash flows in accordance with GAAP, as presented in our consolidated financial statements.

Our 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 (determined in accordance with GAAP) as an indication of our performance, as an alternative to net cash flows from operating activities (determined in accordance with GAAP) as a measure of our liquidity, or as an indicator of our ability to make cash distributions.

*Reconciliation of Net Income to Funds From Operations (unaudited)*

| | Three Months ended March 31, | |
|---|---|---|
| **(in thousands)** | **2022** | **2021** |
| Net income attributable to common shareholders | $ 73,575 | $ 47,383 |
| Net income attributable to noncontrolling interests in the Operating Partnership | 847 | 209 |
| Depreciation of real estate and amortization of intangible assets exclusive of debt issuance costs | 45,866 | 32,819 |
| Depreciation and amortization from unconsolidated joint ventures | 1,802 | 1,202 |
| Funds from operations allocable to noncontrolling interest in the Operating Partnership | (1,389 ) | (359 ) |
| Funds from operations available to common shareholders | $ 120,701 | $ 81,254 |

## LIQUIDITY AND CAPITAL RESOURCES

The COVID-19 global health crisis impacted the cost of debt and equity for a period of time and may disrupt markets in the future. We expect to be able to maintain adequate liquidity as we manage through the current environment. While uncertainty exists as to the full impact of the COVID-19 global health crisis on our liquidity and capital resources, as of the date of this report we believe that the combination of our cash on hand, the cash generated by our operations, and our line of credit will be adequate to fund our operations. We will continue to actively monitor the potential impact of the COVID-19 global health crisis on our liquidity and capital resources.

Our line of credit and term notes require us to meet certain financial covenants measured on a quarterly basis, including prescribed leverage, fixed charge coverage, minimum net worth, limitations on additional indebtedness, and limitations on dividend payouts. At March 31, 2022, the Company was in compliance with all debt covenants. In the event that the Company violates its debt covenants in the future, the amounts due under the agreements could be callable by the lenders and could adversely affect our credit rating requiring us to pay higher interest and other debt-related costs. We believe that if operating results remain consistent with historical levels and levels of other debt and liabilities remain consistent with amounts outstanding at March 31, 2022, the entire availability under our line of credit could be drawn without violating our debt covenants.

Our ability to retain cash flow is limited because we operate as a REIT. To maintain our REIT status, a substantial portion of our operating cash flow must be used to pay dividends to our shareholders. We believe that our internally-generated net cash provided by operating activities and the availability on our line of credit will be sufficient to fund ongoing operations, capital improvements, dividends and debt service requirements.

Cash flows from operating activities were $105.3 million and $67.1 million for the three months ended March 31, 2022 and 2021, respectively. The increase in operating cash flows in the 2022 period compared to the 2021 period was primarily due to the increase in net income after adjusting for non-cash items.

Cash used in investing activities was $368.8 million and $274.7 million for the three months ended March 31, 2022 and 2021, respectively. The increase in cash used in investing activities in the 2022 period compared to the 2021 period was primarily due to the increased volume of acquisitions, along with an increase in investments in unconsolidated joint ventures in 2022 as compared to the same period in 2021, partially offset by a reduction in return of the Company's investment in unconsolidated joint ventures

Cash provided by financing activities was $142.1 million and $167.3 million for the three months ended March 31, 2022 and 2021, respectively. The decrease is primarily a result of a reduction in the Company's sales of shares of common stock under the Company’s continuous equity offering programs during the three months ended March 31, 2022 as compared to the three months ended March 31, 2021, along with increased dividends paid, partially offset by an increase in net borrowings on the Company's line of credit in the 2022 period compared to the 2021 period.

Note 6 and Note 7 to the consolidated financial statements include details related to the Company’s unsecured line of credit, term notes, mortgages, and other indebtedness. Note 13 to the consolidated financial statements includes details of our shareholders’ equity and activity related thereto.

Our line of credit facility and term notes have an investment grade rating from Standard and Poor’s (BBB) and Moody’s (Baa2).

We expect to fund operating expenses, future acquisitions, our expansion and enhancement program, and share repurchases, if any, and any other cash requirements with future cash flows from operations, draws on our line of credit, issuance of common and/or preferred stock, the issuance of unsecured term notes, sale of properties, and private placement solicitation of joint venture equity. Should the capital markets deteriorate, we may have to curtail acquisitions, our expansion and enhancement program and/or any share repurchases.

## ACQUISITION AND DISPOSITION OF PROPERTIES

During the three months ended March 31, 2022, the Company acquired 18 self-storage facilities comprising 1.3 million square feet in California (6), Georgia (1), Illinois (1), Maryland (1), North Carolina (4), South Carolina (1), and Texas (4) for a total purchase price of $351.5 million. Based on the trailing financial information of the entities from which the self-storage facilities were acquired, the weighted average capitalization rate for these acquisitions was 3.1%. Additionally, one of these facilities was managed by the Company for a third party prior to acquisition.

In 2021, the Company acquired 112 self-storage facilities comprising 7.9 million square feet in Alabama (7), Arizona (4), California (1), Colorado (3), Connecticut (6), Florida (31), Georgia (16), Illinois (4), Kentucky (1), Maine (1), New Hampshire (4), New Jersey (5), New York (1), North Carolina (6), Ohio (1), Oklahoma (2), South Carolina (5), Tennessee (1), Texas (10), Virginia (1), and Washington (2) for a total purchase price of $1,696.3 million, which is net of the Company's equity in profit from the acquisitions of the New York store and three Georgia stores purchased from unconsolidated joint ventures. Additionally, 27 of these facilities were managed by the Company for a third party prior to acquisition. Based on the trailing financial information of the entities from which the self-storage facilities were acquired, the weighted average capitalization rate for these acquisitions was 3.6%.

We may acquire additional stabilized or newly constructed properties in 2022, however, there is no assurance that the Company will do so. Additionally, there can be no assurance that if significant additional opportunities were to arise, we would be able to raise capital at a reasonable cost to allow us to take advantage of such opportunities. We are actively pursuing acquisitions in 2022 and at March 31, 2022, the Company was under contract to acquire 15 self-storage facilities for an aggregate purchase price of $279.1 million. Subsequent to March 31, 2022, the Company completed the acquisition of five of these self-storage facilities for an aggregate purchase price of $88.5 million and acquired the remaining ownership interest in the McDonald joint venture for consideration of $5.2 million, which is net of the Company's share of McDonald's gain resulting from the transaction. Also subsequent to March 31, 2022, the Company entered into contracts to acquire three additional self-storage facilities for an aggregate purchase price of $54.8 million. The purchases of the self-storage facilities under contract are subject to customary conditions to closing, and there is no assurance that these facilities will be acquired.

The Company did not sell or otherwise dispose of any properties during the three months ended March 31, 2022 or during 2021.

As part of our ongoing strategy to improve overall operating efficiencies and portfolio quality, we may seek to sell self-storage facilities to third-parties or joint venture partners in 2022.

## FUTURE ACQUISITION AND DEVELOPMENT PLANS

Our external growth strategy is to increase the number of facilities we own by acquiring suitable facilities in markets in which we already have operations or to expand into new markets by acquiring several facilities at once in those new markets. We are actively pursuing acquisitions in 2022, including potential acquisitions by unconsolidated joint ventures.

During the three months ended March 31, 2022, we added 53,000 square feet to existing properties for a total cost of approximately $4.2 million. We plan to complete a total of $60 million to $70 million of additional expansions and enhancements to our existing facilities in 2022, of which $36.3 million was paid as of March 31, 2022.

We also expect to continue investing in capital expenditures on our properties. This includes roofing, paving, and remodeling of store offices. For the three months ended March 31, 2022, we invested approximately $5.6 million in such improvements and we expect to invest approximately $19 million to $24 million for the remainder of 2022.

## REIT QUALIFICATION AND DISTRIBUTION REQUIREMENTS

As a REIT, we are not required to pay federal income tax on income that we distribute to our shareholders, provided that we satisfy certain requirements, including distributing at least 90% of our REIT taxable income for a taxable year. These distributions must be made in the year to which they relate, or in the following year if declared before we file our federal income tax return, and if they are paid not later than the date of the first regular dividend of the following year. As a REIT, we must derive at least 95% of our total gross income from income related to real property, interest and dividends.

Although we currently intend to operate in a manner designed to qualify as a REIT, it is possible that future economic, market, legal, tax or other considerations may cause our Board of Directors to revoke our REIT election.

**UMBRELLA PARTNERSHIP REIT**

We are formed as an Umbrella Partnership Real Estate Investment Trust ("UPREIT") and, as such, have the ability to issue Operating Partnership Units in exchange for properties sold by independent owners. By utilizing such Units as currency in facility acquisitions, we may obtain more favorable pricing or terms due to the seller's ability to partially defer their income tax liability. As of March 31, 2022, 960,208 common Units and 3,590,603 preferred Units are outstanding. These Units had been issued in exchange for self-storage properties at the request of the sellers.

**INTEREST RATE RISK**

The primary market risk to which we believe we are exposed is interest rate risk, which may result from many factors, including government monetary and tax policies, domestic and international economic and political considerations, and other factors that are beyond our control.

Based on our outstanding unsecured floating rate debt of $135.0 million at March 31, 2022, a 100 basis point increase in interest rates would have a $1.4 million effect on our annual interest expense. This amount was determined by considering the impact of the hypothetical interest rates on our borrowing cost on March 31, 2022. This analysis does not consider the effects of the reduced level of overall economic activity that could exist in such an environment. Further, in the event of a change of such magnitude, we would consider taking 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, the sensitivity analysis assumes no changes in our capital structure.

**INFLATION**

We do not believe that inflation has had or will have a direct effect on our operations. Substantially all of the leases at our facilities are on a month-to-month basis which provides us with the opportunity to increase rental rates in a timely manner in response to any potential future inflationary pressures.

**SEASONALITY**

Our revenues typically have been higher in the third and fourth quarters, primarily because self-storage facilities tend to experience greater occupancy during the late spring, summer and early fall months due to the greater incidences of residential moves and college student activity during these periods. However, we believe that our customer mix, diverse geographic locations, rental structure and expense structure provide adequate protection against undue fluctuations in cash flows and net revenues during off-peak seasons. Thus, we do not expect seasonality to materially affect distributions to shareholders.

**RECENT ACCOUNTING PRONOUNCEMENTS**

See Note 15 to the financial statements.

## Item 3. Quantitative and Qualitative Disclosures About Market Risk

The information required is incorporated by reference to the information appearing under the caption “Interest Rate Risk” in “Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations” above.

## Item 4. Controls and Procedures

**Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures**

**Parent Company**

An evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, has been conducted under the supervision of and with the participation of our management, including the Chief Executive Officer and Chief Financial Officer. Based on that evaluation, our management, including the Chief Executive Officer and Chief Financial Officer, concluded that our disclosure controls and procedures were effective at March 31, 2022. There have not been changes in the Company’s internal controls or in other factors that could significantly affect these controls during the quarter ended March 31, 2022.

**Changes in Internal Control over Financial Reporting**

There have not been any changes in the Company’s internal control over financial reporting (as defined in 13a-15(f) and 15d-15(f) promulgated under the Securities Exchange Act of 1934) that occurred during the Company’s most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

**Operating Partnership**

An evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, has been conducted under the supervision of and with the participation of our management, including the Chief Executive Officer and Chief Financial Officer. Based on that evaluation, our management, including the Chief Executive Officer and Chief Financial Officer, concluded that our disclosure controls and procedures were effective at March 31, 2022. There have not been changes in the Operating Partnership’s internal controls or in other factors that could significantly affect these controls during the quarter ended March 31, 2022.

**Changes in Internal Control over Financial Reporting**

There have not been any changes in the Operating Partnership’s internal control over financial reporting (as defined in 13a-15(f) and 15d-15(f) promulgated under the Securities Exchange Act of 1934) that occurred during the Operating Partnership’s most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Operating Partnership’s internal control over financial reporting.

## PART II. Other Information

### Item 1. Legal Proceedings

Although we are party to various legal proceedings, we believe that the likelihood of these contingencies resulting in a material loss to the Company, either individually or in the aggregate, is remote.

### 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, 2021 ("2021 Annual Report"), which could materially affect our business, financial condition or future results. The risks described in our 2021 Annual Report 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 also may materially adversely affect our business, financial condition and operating results.

### Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

(c) On August 2, 2017, the Company's Board of Directors authorized the repurchase of up to $200 million of the Company's common stock. We have not made any repurchases under such program since 2017, and up to approximately $191.8 million of the Company's common stock may yet be purchased under such program. The program does not have an expiration date but may be suspended or discontinued at any time.

### 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 of Life Storage, Inc. pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended. |
| 31.2 | Certification of Chief Financial Officer of Life Storage, Inc. pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended. |
| 31.3 | Certification of Chief Executive Officer of Life Storage LP pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended. |
| 31.4 | Certification of Chief Financial Officer of Life Storage LP pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended. |
| 32 | Certification of Chief Executive Officer and Chief Financial Officer of Life Storage, Inc. Pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 32.1 | Certification of Chief Executive Officer and Chief Financial Officer of Life Storage LP Pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 101 | The following financial statements from the Parent Company's and the Operating Partnership's Quarterly Report on Form 10-Q for the quarter ended March 31, 2022, formatted in inline XBRL, as follows: |
| | (i) Consolidated Balance Sheets at March 31, 2022 and December 31, 2021; |
| | (ii) Consolidated Statements of Operations for the three months ended March 31, 2022 and 2021; |
| | (iii) Consolidated Statements of Cash Flows for the three months ended March 31, 2022 and 2021; |
| | (iv) Consolidated Statements of Comprehensive Income for the three months ended March 31, 2022 and 2021; and |
| | (v) Notes to Consolidated 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, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Life Storage, Inc.

By: /S/ Andrew J. Gregoire
Andrew J. Gregoire
Chief Financial Officer
(Principal Accounting Officer)

May 5, 2022
Date

Life Storage LP

By: /S/ Andrew J. Gregoire
Andrew J. Gregoire
Chief Financial Officer
(Principal Accounting Officer)

May 5, 2022
Date

**Exhibit 31.1**

**Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) and 15d-14(a) of the Securities Exchange Act, as amended**

I, Joseph V. Saffire, certify that:

1.I have reviewed this report on Form 10-Q of Life 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 officers 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 reporting 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 officers 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 controls 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 controls over financial reporting.

Date: May 5, 2022

/S/ Joseph V. Saffire
Joseph V. Saffire
Chief Executive Officer

**Exhibit 31.2**

**Certification of Chief Financial Officer Pursuant to Rule 13a-14(a) and 15d-14(a) of the Securities Exchange Act, as amended**

I, Andrew J. Gregoire, certify that:

1.I have reviewed this report on Form 10-Q of Life 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 officers 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 reporting 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 officers 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 controls 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 controls over financial reporting.

Date: May 5, 2022

/S/ Andrew J. Gregoire
Andrew J. Gregoire
Chief Financial Officer

**Exhibit 31.3**

**Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) and 15d-14(a) of the Securities Exchange Act, as amended**

I, Joseph V. Saffire, certify that:

1.I have reviewed this report on Form 10-Q of Life Storage LP;

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 officers 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 reporting 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 officers 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 controls 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 controls over financial reporting.

Date: May 5, 2022

/S/ Joseph V. Saffire
Joseph V. Saffire
Chief Executive Officer

**Exhibit 31.4**

**Certification of Chief Financial Officer Pursuant to Rule 13a-14(a) and 15d-14(a) of the Securities Exchange Act, as amended**

I, Andrew J. Gregoire, certify that:

1.I have reviewed this report on Form 10-Q of Life Storage LP;

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 officers 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 reporting 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 officers 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 controls 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 controls over financial reporting.

Date: May 5, 2022

/S/ Andrew J. Gregoire
Andrew J. Gregoire
Chief Financial Officer

**Exhibit 32**

**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**

Each of the undersigned of Life Storage, Inc. (the “Company”) does hereby certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

1.The Quarterly Report on Form 10-Q of the Company for the period ended March 31, 2022 (the “Report”) fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78m); and

2.The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 5, 2022

/S/ Joseph V. Saffire
Joseph V. Saffire
Chief Executive Officer

/S/ Andrew J. Gregoire
Andrew J. Gregoire
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**

Each of the undersigned of Life Storage LP (the "Company") does hereby certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

1.The Quarterly Report on Form 10-Q of the Company for the period ended March 31, 2022 (the "Report") fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78m); and

2.The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 5, 2022

/S/ Joseph V. Saffire
Joseph V. Saffire
Chief Executive Officer

/S/ Andrew J. Gregoire
Andrew J. Gregoire
Chief Financial Officer