Extra Space Storage Inc.
Form 424B5
November 04, 2013

Use these links to rapidly review the document
TABLE OF CONTENTS
TABLE OF CONTENTS

Table of Contents

Filed Pursuant to Rule 424(b)(5)
Commission File No. 333-176276

The information in this preliminary prospectus supplement is not complete and may be changed. This preliminary prospectus supplement and the accompanying prospectus are not an offer to sell these securities and they are not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to Completion, Dated November 4, 2013

PRELIMINARY PROSPECTUS SUPPLEMENT
(To Prospectus dated August 12, 2011)

4,500,000 Shares

Extra Space Storage Inc.

Common Stock

We are selling 4,500,000 shares of our common stock.

Our common stock is listed on the New York Stock Exchange under the symbol "EXR." On November 1, 2013, the last reported sale price of our common stock on the New York Stock Exchange was $46.12 per share.

To assist us in complying with certain federal income tax requirements applicable to real estate investment trusts, our charter contains certain restrictions relating to the ownership and transfer of our stock, including an ownership limit of 7.0% and a designated investment entity ownership limit of 9.8% on our common stock. See "Restrictions on Ownership and Transfer" beginning on page 22 of the accompanying prospectus.

Investing in our common stock involves a high degree of risk. Before buying any of these shares you should carefully read the discussion of material risks of investing in our common stock in "Risk Factors" beginning on page S-4 of this prospectus supplement, page 2 of the accompanying prospectus and page 7 of our Annual Report on Form 10-K for the year ended December 31, 2012.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriter has agreed to purchase the shares of common stock from us at a price of $ per share, which will result in net proceeds to us, before deducting expenses related to this offering, of approximately $ million assuming no exercise of the option granted to the underwriter to purchase additional shares, and $ million, assuming full exercise of the option to purchase additional shares. The underwriter may offer the shares of our common stock in transactions on the New York Stock Exchange, in the over-the-counter market or through negotiated transactions at market prices or at negotiated prices. See "Underwriting."

We have granted the underwriter an option to purchase up to 675,000 additional shares of common stock.

The underwriter expects to deliver the shares to purchasers on or about November , 2013 through the book-entry facilities of The Depository Trust Company.

Citigroup

November , 2013

Table of Contents

You should rely only on the information contained in, or incorporated by reference into, this prospectus supplement and the accompanying prospectus. We have not, and the underwriter has not, authorized anyone to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriter is not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should not assume that the information contained in this prospectus supplement, the accompanying prospectus or the documents incorporated by reference herein and therein is accurate as of any date other than the date on the front of this prospectus supplement or the accompanying prospectus.

TABLE OF CONTENTS

PROSPECTUS SUPPLEMENT

PROSPECTUS

Table of Contents

SUMMARY

This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of this common stock offering. The second part, which is the accompanying prospectus, gives more general information, some of which may not apply to this offering. If the description of this offering varies between the prospectus supplement and the accompanying prospectus, you should rely on the information contained in, or incorporated by reference into, this prospectus supplement.

This summary may not contain all the information that you should consider before investing in our common stock. Before making an investment decision, you should read the entire prospectus supplement and the accompanying prospectus and the documents incorporated by reference herein and therein carefully, including the "Risk Factors" section in our Annual Report on Form 10-K for the year ended December 31, 2012 and our other filings under the Securities Exchange Act of 1934, as amended, or the Exchange Act, that are incorporated herein by reference. Except where we state otherwise, the information we present in this prospectus supplement assumes no exercise of the underwriter's option to purchase additional shares. Unless the context indicates otherwise, references in this prospectus supplement to "Extra Space Storage Inc.," "Extra Space," "we," "our" and "us" refer to Extra Space Storage Inc. and its subsidiaries, including Extra Space Storage LP, our operating partnership. References to "OP units" include common operating partnership units and preferred operating partnership units.

Overview

We are a fully integrated, self-administered and self-managed real estate investment trust, or REIT, focused on owning, operating, managing, acquiring, developing and redeveloping professionally managed self-storage facilities. We were formed as a Maryland corporation in April 2004 to continue the business of Extra Space Storage LLC and its subsidiaries, which had engaged in the self-storage business since 1977.

As of September 30, 2013, we held ownership interests in 754 operating properties. Of these operating properties, 475 were wholly owned and 279 were owned in joint venture partnerships. An additional 253 operating properties were owned by franchisees or third parties and operated by us in exchange for a management fee, bringing the total number of operating properties which we owned and/or managed to 1,007. These 1,007 operating properties are located in 35 states, Washington, D.C. and Puerto Rico and contain approximately 74.0 million square feet of net rentable space in approximately 667,000 units, serving a customer base of over 575,000 tenants as of September 30, 2013.

We operate in three distinct segments: (1) rental operations; (2) tenant reinsurance; and (3) property management, acquisition and development. Our rental operations activities include rental operations of self-storage facilities in which we have an ownership interest. Tenant reinsurance activities include the reinsurance of risks relating to the loss of goods stored by tenants in our self-storage facilities. Property management, acquisition and development activities include managing, acquiring, developing and selling self-storage facilities.

Our primary business objectives are to maximize cash flow available for distribution to our stockholders and to achieve sustainable long-term growth in cash flow per share in order to maximize long-term stockholder value. We seek to maximize revenue by responding to changing market conditions through our advanced technology system's ability to provide real-time, interactive rental rate and discount management. Our size allows us greater ability than many of our competitors to implement national, regional and local marketing programs, which we believe attracts more customers to our stores at a lower net cost. In addition, our management business enables us to generate increased revenues through management fees and to expand our geographic footprint. We believe this expanded footprint enables us to reduce our operating costs through economies of scale. We also continue to pursue the acquisition of single properties and multi-property portfolios that we believe can provide stockholder value.

Table of Contents

Extra Space Storage LP and its subsidiaries conduct substantially all of our operations and hold all of our real estate assets. We believe our status as an umbrella partnership real estate investment trust enables flexibility when structuring transactions.

Our principal corporate offices are located at 2795 East Cottonwood Parkway, Suite 400, Salt Lake City, Utah 84121, and our telephone number is (801) 365-4600. We maintain a website that contains information about us at *www.extraspace.com*. The information included on our website is not, and should not be considered, a part of this prospectus supplement or the accompanying prospectus.

Recent Developments

Pending Acquisitions

On October 30, 2013, we entered into a definitive purchase agreement to acquire a portfolio of 17 self-storage properties located in Virginia for an aggregate purchase price of approximately $200.0 million in cash. This portfolio consists of approximately 1.5 million square feet of net rentable space in approximately 14,000 units. As of September 30, 2013, approximately 90% of the net rentable space at these properties was occupied.

In addition, as previously announced, we have entered into definitive purchase agreements to acquire five additional properties located in Florida, Hawaii and Texas. These five properties contain an aggregate of approximately 402,000 square feet of net rentable space in approximately 4,160 units. In total, we have agreed to acquire these properties for an aggregate purchase price of approximately $50.4 million.

These acquisitions are subject to the completion of due diligence and the satisfaction of other closing conditions. We intend to close each of these acquisitions before the end of the first quarter of 2014; however, there can be no assurances that these conditions will be satisfied or that the acquisitions will close on the terms described herein, or at all.

Completed Acquisitions

As of November 4, 2013, we have consummated the acquisition of 35 of the 40 properties previously announced in our third quarter 2013 earnings release as being under contract, for a total purchase price of approximately $190.4 million. Of the 35 properties, we acquired 19 from the purchase of a joint-venture partner's interest in an existing joint venture. These 35 properties are located in 12 states and contain an aggregate of approximately 2.6 million square feet of net rentable space in approximately 23,600 units.

Table of Contents

THE OFFERING

Common stock offered by us	4,500,000(1) shares
Common stock and OP units outstanding prior to completion of the offering	117,306,373(2)(3) shares and units
Common stock and OP units to be outstanding after the offering	121,806,373(2)(3) shares and units
Use of proceeds	We expect that the net proceeds of this offering will be approximately $ million after deducting the underwriting discount and estimated offering expenses (and approximately $ million if the underwriter exercises in full its option to purchase additional shares). We will contribute the net proceeds of this offering to our operating partnership. Our operating partnership intends to subsequently use the net proceeds of the offering to partially fund certain acquisitions described above under the caption "Summary Recent Developments Pending Acquisitions," to repay the outstanding indebtedness under our secured lines of credit and for other general corporate and working capital purposes. The acquisitions described above are subject to the completion of due diligence and the satisfaction of other closing conditions, and there can be no assurances that these conditions will be satisfied or that the acquisitions will close on the terms described herein, or at all. Pending use of the remaining net proceeds of this offering, we intend to invest these net proceeds in short-term interest-bearing investment grade instruments. See "Use of Proceeds."
Risk factors	You should carefully read the information contained under the caption "Risk Factors" in this prospectus supplement, our Annual Report on Form 10-K for the year ended December 31, 2012 and our other filings under the Exchange Act that are incorporated by reference in this prospectus supplement and the accompanying prospectus before deciding to invest in shares of our common stock.
NYSE symbol	EXR

(1) 5,175,000 shares of common stock if the underwriter exercises in full its option to purchase additional shares.

(2) Based on 111,236,044 shares of common stock, 989,980 Series A preferred operating partnership units, 733,731 Series B preferred operating partnership units (assuming full conversion to common stock) and 4,346,618 common operating partnership units outstanding as of September 30, 2013, and excluding (a) stock reserved for issuance upon the exercise of outstanding options, (b) stock available for future issuance under our stock incentive plans and (c) stock issuable upon exchange of our exchangeable senior notes.

(3) This number excludes the underwriter's option to purchase additional shares.

Table of Contents

RISK FACTORS

Investment in the shares offered pursuant to this prospectus supplement and the accompanying prospectus involves risks. In addition to the information presented in this prospectus supplement and the accompanying prospectus and the risk factors in our most recent Annual Report on Form 10-K and our other filings under the Exchange Act that are incorporated by reference in this prospectus supplement and the accompanying prospectus, you should consider carefully the following risk factors before deciding to purchase these shares.

Risks Related to this Offering

We may fail to consummate our pending acquisitions, which could have a material adverse impact on our results of operations, earnings and cash flow.

We intend to use a significant portion of the net proceeds of this offering to partially fund certain acquisitions described above under the caption "Summary Recent Developments Pending Acquisitions." These acquisitions are subject to the completion of due diligence and the satisfaction of other closing conditions, and there can be no assurances that these conditions will be satisfied or that the acquisitions will close on the terms described herein, or at all.

In the event that we fail to consummate any of these acquisitions, we will have issued a significant number of additional shares of our common stock without realizing a corresponding increase in earnings and cash flow from acquiring the properties involved in such acquisitions. In addition, we will have broad authority to use the net proceeds of this offering for other purposes, including the repayment of indebtedness, the acquisition of other properties that we may identify in the future or for other investments, which may not be initially accretive to our results of operations. As a result, failure to consummate one or more of the pending acquisitions could have a material adverse impact on our financial condition, results of operations and the market price of our common stock.

Future sales of shares of our common stock may depress the price of our shares.

We cannot predict whether future issuances of shares of our common stock or the availability of shares of our common stock for resale in the open market will decrease the market price of our common stock. Any sales of a substantial number of shares of our common stock in the public market, including upon the exchange of our exchangeable senior notes or the redemption of OP units, or the perception that such sales might occur, may cause the market price of our common stock to decline. Upon completion of this offering, the shares of our common stock sold in this offering will be freely tradable without restriction (other than any restrictions set forth in our charter relating to our qualification as a REIT).

The exercise of the underwriter's option to purchase additional shares, the issuance of common stock upon exchange of our exchangeable senior notes, the redemption of OP units in exchange for common stock, the exercise of any options or the vesting of any restricted stock granted to directors, executive officers and other employees under our stock incentive plans, the issuance of common stock or OP units in connection with property, portfolio or business acquisitions and other issuances of our common stock (including by means of our currently effective shelf registration statement) could have an adverse effect on the market price of our common stock. Furthermore, the existence of OP units, options and shares of our common stock reserved for issuance as restricted stock or upon redemption of OP units or exercise of options may adversely affect the terms upon which we may be able to obtain additional capital through the sale of equity securities. In addition, future sales of shares of our common stock may be dilutive to our existing stockholders.

In connection with this offering, we and certain of our officers have entered into lock-up agreements with the underwriter restricting the sale of our common stock or securities convertible into, or exchangeable or exercisable for, shares of common stock for no less than 45 days following the date

Table of Contents

of this prospectus supplement, subject to certain exceptions. The underwriter, in its sole discretion, may permit early release of shares of our common stock, subject to certain restrictions, prior to the expiration of the 45-day lock-up period and without public notice. If the restrictions under such agreements are waived, the affected common stock may be available for sale into the market, which could reduce the market price of our common stock. See "Underwriting" for a more detailed description of the lock-up agreements entered into with the underwriter.

From time to time, we also may issue shares of our common stock or OP units in connection with property, portfolio or business acquisitions. We may grant demand or piggyback registration rights in connection with these issuances. Sales of substantial amounts of our common stock, or the perception that these sales could occur, may adversely affect the prevailing market price of our common stock or may adversely affect the terms upon which we may be able to obtain additional capital through the sale of equity securities.

Our share price could be volatile and could decline, resulting in a substantial or complete loss on our stockholders' investment.

The stock markets (including the New York Stock Exchange, on which we list our common stock) have experienced significant price and volume fluctuations. As a result, the market price of our common stock could be similarly volatile, and investors in our common stock may experience a decrease in the value of their shares, including decreases unrelated to our operating performance or prospects. The price of our common stock could be subject to wide fluctuations in response to a number of factors, including:

- our operating performance and the performance of similar companies;
- actual or anticipated differences in our operating results;
- failure to close one or more of our pending acquisitions;
- changes in our revenue or earnings estimates or recommendations by securities analysts, or our failure to meet such estimates;
- publication of research reports about us or our industry by securities analysts;
- changes in market valuations of similar companies;
- adverse market reaction to any debt or equity securities we may issue or additional debt we may incur in the future;
- additions and departures of key personnel;
- strategic decisions by us or our competitors, such as acquisitions, divestments, spin-offs, joint ventures, strategic investments or changes in business strategy;
- the passage of legislation or other regulatory developments that adversely affect us or our industry;
- speculation in the press or investment community;
- the realization of any of the other risk factors presented or incorporated by reference in this prospectus supplement;

actions by institutional stockholders;

changes in accounting principles;

terrorist acts; and

general market conditions, including factors unrelated to our performance.

Table of Contents

In the past, securities class action litigation has often been instituted against companies following periods of volatility in their stock price. This type of litigation could result in substantial costs and divert our management's attention and resources.

Future offerings of debt, which would be senior to our common stock upon liquidation, and/or preferred equity securities which may be senior to our common stock for purposes of dividend distributions or upon liquidation, may adversely affect the market price of our common stock.

In the future, we may increase our capital resources by making additional offerings of debt or preferred equity securities, including trust preferred securities, senior or subordinated notes and preferred stock. Upon liquidation, holders of our debt securities and shares of preferred stock and lenders with respect to other borrowings will receive distributions of our available assets prior to the holders of our common stock. Additional equity offerings may dilute the holdings of our existing stockholders or reduce the market price of our common stock, or both. Holders of our common stock are not entitled to preemptive rights or other protections against dilution. Because our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings. Thus, our stockholders bear the risk of our future offerings reducing the market price of our common stock and diluting their stock holdings in us.

Our business operations may not generate the cash needed to make distributions on our capital stock or to service our indebtedness, and we may adjust our common stock dividend policy.

Our ability to make distributions on our common stock and payments on our indebtedness and to fund planned capital expenditures will depend on our ability to generate cash in the future. We cannot assure you that our business will generate sufficient cash flow from operations or that future borrowings will be available to us in an amount sufficient to enable us to make distributions on our common stock, to pay our indebtedness or to fund our other liquidity needs.

The decision to declare and pay dividends on shares of our common stock in the future, as well as the timing, amount and composition of any such future dividends, will be at the sole discretion of our board of directors in light of conditions then existing, including our earnings, financial condition, capital requirements, debt maturities, the availability of debt and equity capital, applicable REIT and legal restrictions, general overall economic conditions and other factors. Any change in our dividend policy could have a material adverse effect on the market price of our common stock.

Table of Contents

FORWARD-LOOKING STATEMENTS

This prospectus supplement, the accompanying prospectus and the documents that we incorporate by reference in each contain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 (set forth in Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Exchange Act). Also, documents we subsequently file with the Securities and Exchange Commission and incorporate by reference will contain forward-looking statements. In particular, statements pertaining to our capital resources, portfolio performance and results of operations contain forward-looking statements. Likewise, our statements regarding pending future acquisitions, anticipated growth in our funds from operations and anticipated market conditions, demographics and results of operations are forward-looking statements. Forward-looking statements involve numerous risks and uncertainties and you should not rely on them as predictions of future events. Forward-looking statements depend on assumptions, data or methods that may be incorrect or imprecise, and we may not be able to realize them. We do not guarantee that the transactions and events described will happen as described (or that they will happen at all). You can identify forward-looking statements by the use of forward-looking terminology such as "believes," "expects," "may," "will," "should," "seeks," "approximately," "intends," "plans," "estimates" or "anticipates" or the negative of these words and phrases or similar words or phrases. You can also identify forward-looking statements by discussions of strategy, plans or intentions. The following factors, among others, could cause actual results and future events to differ materially from those set forth or contemplated in the forward-looking statements:

- adverse changes in general economic conditions, the real estate industry and the markets in which we operate;
- failure to close pending acquisitions on expected terms, or at all;
- the effect of competition from new and existing self-storage facilities or other storage alternatives, which could cause rents and occupancy rates to decline;
- difficulties in our ability to evaluate, finance, complete and integrate acquisitions and developments successfully and to lease up those properties, which could adversely affect our profitability;
- potential liability for uninsured losses and environmental contamination;
- the impact of the regulatory environment as well as national, state, and local laws and regulations including, without limitation, those governing REITs, tenant reinsurance and other aspects of our business, which could adversely affect our results;
- disruptions in credit and financial markets and resulting difficulties in raising capital or obtaining credit at reasonable rates or at all, which could impede our ability to grow;
- increased interest rates and operating costs;
- reductions in asset valuations and related impairment charges;
- the failure of our joint venture partners to fulfill their obligations to us or their pursuit of actions that are inconsistent with our objectives;
- the failure to maintain our REIT status for federal income tax purposes;

economic uncertainty due to the impact of war or terrorism, which could adversely affect our business plan; and

difficulties in our ability to attract and retain qualified personnel and management members.

While forward-looking statements reflect our good faith beliefs, they are not guarantees of future performance. We disclaim any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. For a further discussion of these and other factors that could impact our future results, performance or transactions, see the section above entitled "Risk Factors," including the risks incorporated therein from our most recent Annual Report on Form 10-K, as updated by our subsequent filings under the Exchange Act.

Table of Contents

USE OF PROCEEDS

We estimate that the net proceeds of this offering, after deducting the underwriting discount and estimated offering expenses payable by us, will be approximately $ million. If the underwriter exercises in full its option to purchase additional shares, our net proceeds will be approximately $ million.

We will contribute the net proceeds of this offering to our operating partnership. Our operating partnership intends to subsequently use the net proceeds of the offering to partially fund certain acquisitions described above under the caption "Summary Recent Developments Pending Acquisitions," to repay the outstanding indebtedness under our secured lines of credit and for other general corporate and working capital purposes. The acquisitions described above are subject to the completion of due diligence and the satisfaction of other closing conditions, and there can be no assurances that these conditions will be satisfied or that the acquisitions will close on the terms described herein, or at all.

As of November 1, 2013, we had approximately $100.0 million outstanding under two of our secured lines of credit. The indebtedness under these secured lines of credit, which we intend to repay with the net proceeds of this offering, consisted of the following as of November 1, 2013:

- Approximately $25.0 million outstanding under a secured line of credit, which bears interest at LIBOR plus 190 basis points (2.07% at November 1, 2013) and matures on June 3, 2016, subject to a two-year extension at our option; and

- Approximately $75.0 million outstanding under a secured line of credit, which bears interest at LIBOR plus 190 basis points (2.07% at November 1, 2013) and matures on February 13, 2014, subject to a one-year extension at our option.

The outstanding indebtedness under our secured lines of credit was incurred primarily to fund the acquisitions described above under the caption "Summary Recent Developments Completed Acquisitions" and for other general corporate purposes.

Pending use of the remaining net proceeds of this offering, we intend to invest these net proceeds in short-term interest-bearing investment grade instruments.

Table of Contents

CAPITALIZATION

The following table sets forth our capitalization as of September 30, 2013:

- on an actual basis;
- on an as adjusted basis to give effect to (1) the assumption of debt in connection with certain acquisitions subsequent to September 30, 2013 described above under the caption "Summary Recent Developments Completed Acquisitions" and (2) the incurrence of approximately $100.0 million of debt under two of our secured lines of credit subsequent to September 30, 2013 as described above under the caption "Use of Proceeds"; and
- on a pro forma as adjusted basis to give effect to the application of the estimated net proceeds of this offering as described above under the caption "Use of Proceeds," after deducting the underwriting discount and estimated offering expenses payable by us.

The information set forth below should be read in conjunction with our consolidated financial statements and related notes included in our Annual Report on Form 10-K for the year ended December 31, 2012, as updated by our subsequent filings under the Exchange Act, including our Quarterly Report on Form 10-Q for the quarter ended September 30, 2013, which are incorporated by reference into this prospectus supplement and the accompanying prospectus.

	As of September 30, 2013		
	Actual	As Adjusted(2)	Pro Forma As Adjusted(3)
	(dollars in thousands)		
Cash and cash equivalents	$ 81,699		$
Debt:			
Notes payable	1,402,432	1,498,951	
Notes payable to trusts	119,590		
Exchangeable senior notes	250,000		
Lines of credit		100,000	
Noncontrolling interest represented by Series B Preferred Operating Partnership units	33,713		
Extra Space Storage Inc. stockholders' equity:			
Preferred stock, $0.01 par value per share, 50,000,000 shares authorized, no shares issued and outstanding at September 30, 2013			
Common stock, $0.01 par value per share, 300,000,000 shares authorized, 111,236,044 shares issued and outstanding at September 30, 2013, actual, and 115,736,044 shares issued and outstanding at September 30, 2013, as adjusted(1)	1,112		
Paid-in capital	1,766,691		
Accumulated other comprehensive deficit	3,146		
Accumulated deficit	(256,640)		
Total Extra Space Storage Inc. stockholders' equity	1,514,309		
Noncontrolling interest represented by Series A Preferred Operating Partnership units, net of $100,000 note receivable	29,880		
Noncontrolling interests in Operating Partnership	90,504		
Other noncontrolling interests	474		
Total noncontrolling interests and equity	1,635,167		
Total capitalization	$ 3,440,902		$

(1)

Excludes (a) stock issuable upon redemption of OP units, (b) stock reserved for issuance upon the exercise of outstanding options, (c) stock available for future issuance under our stock incentive plans, (d) stock issuable upon exchange of our exchangeable senior notes and (e) the underwriter's option to purchase additional shares.

(2)

The change to notes payable relates to the assumption of $96,519 of debt in connection with the 19 properties acquired from the purchase of a joint-venture partner's interest in an existing joint venture, of which $47,294 relates to our joint-venture partner's 49% interest, as described above under the caption "Summary Recent Developments Completed Acquisitions."

(3)

Amount does not reflect adjustments for the acquisitions described above under the caption "Summary Recent Developments Pending Acquisitions."

Table of Contents

SUPPLEMENTAL U.S. FEDERAL INCOME TAX CONSEQUENCES

This discussion is a supplement to, and is intended to be read together with, the discussion under the heading "U.S. Federal Income Tax Consequences" included in the accompanying prospectus. This summary is for general information only and is not tax advice.

The following discussion supersedes the ninth bullet point in the fourth paragraph in the discussion under the heading "U.S. Federal Income Tax Consequences Taxation of Our Company General" in the accompanying prospectus.

Ninth, if we acquire any asset from a corporation that is, or has been, a C corporation in a transaction in which our basis in the asset is less than its fair market value, in each case determined on the date we acquired the asset, and we subsequently recognize gain on the disposition of the asset during the ten-year period beginning on the date on which we acquired the asset, then we will be required to pay tax at the highest regular corporate tax rate on this gain to the extent of the excess of (1) the fair market value of the asset over (2) our adjusted basis in the asset, in each case determined as of the date on which we acquired the asset. The ten-year period described above has been reduced to five years for property dispositions occurring in 2013 (but not with respect to dispositions in later years). The results described in this paragraph with respect to the recognition of gain assume that the C corporation will refrain from making an election to receive different treatment under existing Treasury Regulations on its tax return for the year in which we acquire the asset from the C corporation. The IRS has recently issued Treasury Regulations which exclude from the application of this built-in gains tax any gain from the sale of property we acquire in an exchange under Section 1031 (a like kind exchange) or Section 1033 (an involuntary conversion) of the Code. These Treasury Regulations apply to such transactions occurring on or after August 2, 2013, but taxpayers may apply these Treasury Regulations to transactions that occurred before this date but after January 2, 2002.

The following discussion supersedes the fifth paragraph in the discussion under the heading "U.S. Federal Income Tax Consequences Taxation of Our Company Income Tests" in the accompanying prospectus.

From time to time we may acquire properties outside of the United States, through a taxable REIT subsidiary or otherwise. These acquisitions could cause us to incur foreign currency gains or losses. Prior to July 30, 2008, the characterization of any such foreign currency gains for purposes of the REIT gross income tests was unclear, though the IRS had indicated that REITs may apply the principles of proposed Treasury Regulations to determine whether such foreign currency gain constitutes qualifying income under the REIT income tests. Any foreign currency gains recognized after July 30, 2008, to the extent attributable to specified items of qualifying income or gain, or specified qualifying assets, however, generally will not constitute gross income for purposes of the 75% and 95% gross income tests, and therefore will be excluded from these tests.

The following discussion supersedes, in its entirety, the discussion under the heading "U.S. Federal Income Tax Consequences Taxation of Our Company Annual Distribution Requirements" in the accompanying prospectus.

To maintain our qualification as a REIT, we are required to distribute dividends, other than capital gain dividends, to our stockholders in an amount at least equal to the sum of:

90% of our "REIT taxable income"; and

90% of our after-tax net income, if any, from foreclosure property; minus

the excess of the sum of certain items of non-cash income over 5% of our "REIT taxable income."

Table of Contents

For these purposes, our "REIT taxable income" is computed without regard to the dividends paid deduction and our net capital gain. In addition, for purposes of this test, non-cash income means income attributable to leveled stepped rents, original issue discount on purchase money debt, cancellation of indebtedness or a like-kind exchange that is later determined to be taxable. Also, our "REIT taxable income" will be reduced by any taxes we are required to pay on any gain we recognize from the disposition of any asset we acquire from a corporation which is or has been a C corporation in a transaction in which our basis in the asset is less than the fair market value of the asset, in each case determined at the time we acquired the asset, within the ten-year period (five-year period in the case of dispositions in 2013) following our acquisition of such asset.

We generally must pay, or be treated as paying, the distributions described above in the taxable year to which they relate. At our election, a distribution will be treated as paid in a taxable year if it is declared before we timely file our tax return for such year and paid on or before the first regular dividend payment after such declaration, provided such payment is made during the 12-month period following the close of such year. These distributions are treated as received by our stockholders in the year in which paid. This is so even though these distributions relate to the prior year for purposes of the 90% distribution requirement. In order to be taken into account for purposes of our distribution requirement, the amount distributed must not be preferential i.e., every stockholder of the class of stock to which a distribution is made must be treated the same as every other stockholder of that class, and no class of stock may be treated other than according to its dividend rights as a class. To the extent that we do not distribute all of our net capital gain, or distribute at least 90%, but less than 100%, of our "REIT taxable income," as adjusted, we will be required to pay tax on the undistributed amount at regular corporate tax rates. We believe that we have made, and we intend to continue to make, timely distributions sufficient to satisfy these annual distribution requirements and to minimize or eliminate our corporate tax obligations. In this regard, the partnership agreement of our operating partnership authorizes ESS Holdings Business Trust I, our wholly owned subsidiary and the general partner of our operating partnership, and us, as the indirect general partner of our operating partnership, to take such steps as may be necessary to cause our operating partnership to distribute to its partners an amount sufficient to permit us to meet these distribution requirements and to minimize our corporate tax obligation.

We expect that our REIT taxable income will typically be less than our cash flow because of depreciation and other non-cash charges included in computing REIT taxable income. Accordingly, we anticipate that we generally will have sufficient cash or liquid assets to enable us to satisfy the distribution requirements described above. However, from time to time, we may not have sufficient cash or other liquid assets to meet these distribution requirements due to timing differences between the actual receipt of income and actual payment of deductible expenses, and the inclusion of income and deduction of expenses in determining our taxable income. In addition, we may decide to retain our cash, rather than distribute it, in order to repay debt or for other reasons. If these timing differences occur, we may borrow funds to pay dividends or pay dividends in the form of taxable stock dividends in order to meet the distribution requirements, while preserving our cash.

Under some circumstances, we may be able to rectify an inadvertent failure to meet the 90% distribution requirement for a year by paying "deficiency dividends" to our stockholders in a later year, which may be included in our deduction for dividends paid for the earlier year. Thus, we may be able to avoid being taxed on amounts distributed as deficiency dividends, subject to the 4% excise tax described below. However, we will be required to pay interest to the IRS based upon the amount of any deduction claimed for deficiency dividends. In addition, while a deficiency dividend applies to an earlier year for purposes of the 90% distribution requirement, the dividend is treated as an additional distribution to our stockholders in the year it is paid.

Furthermore, we will be required to pay a 4% excise tax to the extent we fail to distribute during each calendar year at least the sum of 85% of our ordinary income for such year, 95% of our capital

Table of Contents

gain net income for the year and any undistributed taxable income from prior periods. Any ordinary income and net capital gain on which this excise tax is imposed for any year is treated as an amount distributed during that year for purposes of calculating such tax.

For purposes of the 90% distribution requirement and excise tax described above, dividends declared during the last three months of the taxable year, payable to stockholders of record on a specified date during such period and paid during January of the following year, will be treated as paid by us and received by our stockholders on December 31 of the year in which they are declared.

The following discussion supersedes, in its entirety, the discussion under the heading "U.S. Federal Income Tax Consequences Taxation of Our Company Tax Aspects of Our Operating Partnership, the Subsidiary Partnerships and the Limited Liability Companies Entity Classification" in the accompanying prospectus.

Our interests in our operating partnership and the subsidiary partnerships and limited liability companies involve special tax considerations, including the possibility that the IRS might challenge the status of these entities as partnerships (or disregarded entities). For example, an entity that would otherwise be treated as a partnership for U.S. federal income tax purposes may nonetheless be taxable as a corporation if it is a "publicly traded partnership" and certain other requirements are met. A partnership or limited liability company would be treated as a publicly traded partnership if its interests are traded on an established securities market or are readily tradable on a secondary market or a substantial equivalent thereof, within the meaning of applicable Treasury Regulations. Interests in a partnership are not treated as readily tradable on a secondary market, or the substantial equivalent thereof, if all interests in the partnership were issued in one or more transactions that were not required to be registered under the Securities Act, and the partnership does not have more than 100 partners at any time during the taxable year of the partnership, taking into account certain anti-avoidance rules. We refer to this safe harbor as the "100 Partner Safe Harbor." We believe our operating partnership currently qualifies for the 100 Partner Safe Harbor but could fail to qualify for such safe harbor in the future.

If our operating partnership does not qualify for the 100 Partner Safe Harbor, interests in our operating partnership may nonetheless be viewed as not readily tradable on a secondary market or the substantial equivalent thereof if the sum of the percentage interests in capital or profits of our operating partnership transferred during any taxable year of our operating partnership does not exceed 2% of the total interests in its capital or profits, subject to certain exceptions. This 2% trading restriction does not apply to transfers by a limited partner (and certain related persons) in one or more transactions during any 30-day period representing in the aggregate more than 2% of the total interests in our operating partnership's capital or profits. For purposes of these rules, our interests in our operating partnership are excluded from the determination of the percentage interests in capital or profits of our operating partnership. We, as the indirect general partner of our operating partnership, are required to use our best efforts not to take any action which would result in our operating partnership being a publicly traded partnership and our operating partnership agreement prohibits transfers of interests (including certain redemptions) if they would be effectuated through an established securities market or a secondary market or the substantial equivalent thereof. Pursuant to these provisions, we believe we have the authority to take any steps we determine necessary or appropriate to prevent any trading of interests in our operating partnership that would cause our operating partnership to become a publicly traded partnership, including any steps necessary to ensure compliance with this 2% trading restriction. In the event that the 100 Partner Safe Harbor or certain other safe harbor provisions of applicable Treasury Regulations are not available, our operating partnership could be classified as a publicly traded partnership.

If our operating partnership or any of our other partnerships or limited liability companies were to be treated as a publicly traded partnership, it would be taxable as a corporation unless it qualified for

Table of Contents

the statutory "90% qualifying income exception." Under that exception, a publicly traded partnership is not subject to corporate-level tax if 90% or more of its gross income consists of dividends, interest, "rents from real property" (as that term is defined for purposes of the rules applicable to REITs, with certain modifications), gain from the sale or other disposition of real property, and certain other types of qualifying income. However, if any such entity did not qualify for this exception or was otherwise taxable as a corporation, it would be required to pay an entity-level tax on its income. In this situation, the character of our assets and items of gross income would change and could prevent us from satisfying the REIT asset tests and possibly the REIT income tests. See " Asset Tests" and " Income Tests." This, in turn, could prevent us from qualifying as a REIT. See " Failure to Qualify" for a discussion of the effect of our failure to meet these tests. In addition, a change in the tax status of our operating partnership or a subsidiary partnership or limited liability company might be treated as a taxable event. If so, we might incur a tax liability without any related cash payment.

We believe our operating partnership and each of our other partnerships and limited liability companies will be classified as partnerships or disregarded entities for U.S. federal income tax purposes, and we do not anticipate that our operating partnership or any subsidiary partnership or limited liability company will be treated as a publicly traded partnership that is taxable as a corporation.

The following discussion supersedes the first paragraph in the discussion under the heading "U.S. Federal Income Tax Consequences Taxation of Our Company Tax Aspects of Our Operating Partnership, the Subsidiary Partnerships and the Limited Liability Companies Allocations of Income, Gain, Loss and Deduction" in the accompanying prospectus.

The operating partnership agreement generally provides that (1) net income generally is allocated first to the general partner of our operating partnership to the extent it has been allocated net loss previously, then to the partners holding preferred OP units (based on the relative priorities of different series of preferred OP units) to the extent they have been allocated net loss previously and until such partners have been allocated net income equal to their preferred return, and finally to partners holding common OP units pro rata in accordance with such partners' percentage interests; and (2) net loss generally is allocated in the reverse order of net income, but only to the extent such allocation of net loss will not cause a partner to have an adjusted capital account deficit or increase any existing adjusted capital account deficit, with any residual net loss being allocated to the general partner of our operating partnership. The operating partnership agreement contains provisions for special allocations intended to comply with certain regulatory requirements, including the requirements of Treasury Regulations Sections 1.704-1(b) and 1.704-2. Certain limited partners may guaranty debt of our operating partnership. As a result of these guaranties, and notwithstanding the foregoing discussion of allocations of income and loss of our operating partnership to holders of units, such limited partners could under limited circumstances be allocated a disproportionate amount of net loss upon a liquidation of our operating partnership, which net loss would have otherwise been allocable to us.

The following discussion supersedes the final paragraph of the discussion under the heading "U.S. Federal Income Tax Consequences U.S. Federal Income Tax Considerations for Holders of Our Capital Stock Taxation of Taxable U.S. Stockholders Distributions Generally" in the accompanying prospectus.

Certain stock dividends, including the stock portion of dividends partially paid in our capital stock and partially paid in cash, generally will be taxable to the recipient U.S. stockholder to the same extent as if paid in cash.

Table of Contents

The following discussion supersedes the final two paragraphs of the discussion under the heading "U.S. Federal Income Tax Consequences U.S. Federal Income Tax Considerations for Holders of Our Capital Stock Taxation of Taxable U.S. Stockholders Redemption or Repurchase by Us" in the accompanying prospectus.

If a redemption or repurchase of shares of our stock is treated as a distribution, the amount of the distribution will be measured by the amount of cash and the fair market value of any property received, and will be treated as described under "U.S. Federal Income Tax Consequences U.S. Federal Income Tax Considerations for Holders of Our Capital Stock Taxation of Taxable U.S. Stockholders Distributions Generally." A U.S. stockholder's adjusted tax basis in the redeemed or repurchased shares of stock will be transferred to the U.S. stockholder's remaining shares of our stock, if any. If the U.S. stockholder owns no other shares of our stock, under certain circumstances, such basis may be transferred to a related person or it may be lost entirely. Proposed Treasury Regulations issued in 2009, if finalized in their current form, would affect the basis recovery rules described above. It is not clear whether these proposed regulations will be finalized in their current form or at all. Prospective investors should consult their tax advisors regarding the U.S. federal income tax consequences associated with a redemption of our stock.

If a redemption or repurchase of shares of our stock is not treated as a distribution taxable as a dividend, it will be treated as a taxable sale or exchange in the manner described above under "U.S. Federal Income Tax Consequences U.S. Federal Income Tax Considerations for Holders of Our Capital Stock Taxation of Taxable U.S. Stockholders Dispositions of Our Capital Stock."

The following discussion supersedes, in its entirety, the discussion under the heading "U.S. Federal Income Tax Consequences U.S. Federal Income Tax Considerations for Holders of Our Capital Stock Taxation of Taxable U.S. Stockholders Tax Rates" in the accompanying prospectus.

The maximum tax rate for non-corporate taxpayers for capital gains, including certain "capital gain dividends," is generally 20% (although depending on the characteristics of the assets which produced these gains and on designations which we may make, certain capital gain dividends may be taxed at a 25% rate). Capital gain dividends will only be eligible for the rates described above to the extent that they are properly designated by the REIT as "capital gain dividends." The maximum tax rate for non-corporate taxpayers for income that the REIT properly designates as "qualified dividend income" is generally 20%. In general, dividends payable by a REIT are not eligible for the tax rate on qualified dividend income, except to the extent that certain holding requirements have been met with respect to the REIT's stock and the REIT's dividends are attributable to dividends received from taxable corporations (such as its taxable REIT subsidiaries) or to income that was subject to tax at the corporate/REIT level (for example, if the REIT distributed taxable income that it retained and paid tax on in the prior taxable year). To the extent the income from dividends paid by us is not qualified dividend income, it will be subject to tax at ordinary income rates. In addition, U.S. stockholders that are corporations may be required to treat up to 20% of some capital gain dividends as ordinary income.

The following discussion supersedes the first paragraph of the discussion und