

Public Storage  
Form 10-K  
February 26, 2014

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10 K

☒ Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended December 31, 2013.

or

☐ Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from                      to                      .

Commission File Number: 001 33519

PUBLIC STORAGE

(Exact name of Registrant as specified in its charter)

|   |   |
|---|---|
| Maryland  | 95 3551121                              |
| ( State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification Number) |

701 Western Avenue, Glendale, California 91201-2349

(Address of principal executive offices) (Zip Code)

(818) 244 8080

(Registrant's telephone number, including area code)

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

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|   |  |
|---|--|
| Depository Shares Each Representing 1/1,000 of a 5.200% Cumulative Preferred Share, Series W<br>\$.01 par value | New York Stock<br>Exchange                         |
| Title of each class   | Name of each<br>exchange<br>on which<br>registered |
| Depository Shares Each Representing 1/1,000 of a 6.875% Cumulative Preferred Share, Series O<br>\$.01 par value | New York Stock<br>Exchange                         |
| Depository Shares Each Representing 1/1,000 of a 6.500% Cumulative Preferred Share, Series P<br>\$.01 par value | New York Stock<br>Exchange                         |
| Depository Shares Each Representing 1/1,000 of a 6.500% Cumulative Preferred Share, Series Q<br>\$.01 par value | New York Stock<br>Exchange                         |
| Depository Shares Each Representing 1/1,000 of a 6.350% Cumulative Preferred Share, Series R<br>\$.01 par value | New York Stock<br>Exchange                         |
| Depository Shares Each Representing 1/1,000 of a 5.900% Cumulative Preferred Share, Series S<br>\$.01 par value | New York Stock<br>Exchange                         |
| Depository Shares Each Representing 1/1,000 of a 5.750% Cumulative Preferred Share, Series T<br>\$.01 par value | New York Stock<br>Exchange                         |
| Depository Shares Each Representing 1/1,000 of a 5.625% Cumulative Preferred Share, Series U<br>\$.01 par value | New York Stock<br>Exchange                         |
| Depository Shares Each Representing 1/1,000 of a 5.375% Cumulative Preferred Share, Series V<br>\$.01 par value | New York Stock<br>Exchange                         |

|  |                |
|--|----------------|
| Depository Shares Each Representing 1/1,000 of a 5.200% Cumulative Preferred Share, Series W | New York Stock |
| \$.01 par value  | Exchange       |
| Depository Shares Each Representing 1/1,000 of a 5.200% Cumulative Preferred Share, Series X | New York Stock |
| \$.01 par value  | Exchange       |
| Common Shares, \$.10 par   | New York Stock |
| value.....   | Exchange       |
| Securities registered pursuant to Section 12(g) of the Act: None (Title of class)            |                |

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act.

Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

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

Large Accelerated Filer ☒ Accelerated Filer ☐ Non-accelerated Filer ☐ Smaller Reporting Company ☐

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

Yes ☐ No ☒

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The aggregate market value of the voting and non-voting common shares held by non-affiliates of the Registrant as of June 30, 2013:

Common Shares, \$0.10 Par Value – \$22,171,992,000 (computed on the basis of \$153.33 per share which was the reported closing sale price of the Company's Common Shares on the New York Stock Exchange on June 30, 2013).

2

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As of February 21, 2014, there were 172,120,701 outstanding Common Shares, \$.10 par value.

#### DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive proxy statement to be filed in connection with the Annual Meeting of Shareholders to be held in 2014 are incorporated by reference into Part III of this Annual Report on Form 10-K to the extent described therein.

## PART I

### ITEM 1. Business

#### Forward Looking Statements

This Annual Report on Form 10-K contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements in this document, other than statements of historical fact, are forward-looking statements which may be identified by the use of the words "expects," "believes," "anticipates," "plans," "would," "should," "may," "estimates" and similar expressions.

These forward-looking statements are based on current expectations and assumptions that are subject to risks and uncertainties, which may cause our actual results and performance to be materially different from those expressed or implied in the forward-looking statements. Factors and risks that may impact our future results and performance include, but are not limited to, those described in Item 1A, "Risk Factors" and in our other filings with the Securities and Exchange Commission ("SEC") including:

- general risks associated with the ownership and operation of real estate, including changes in demand, risks related to development of self-storage facilities, potential liability for environmental contamination, natural disasters and adverse changes in laws and regulations governing property tax, real estate and zoning;
- risks associated with downturns in the national and local economies in the markets in which we operate, including risks related to current economic conditions and the economic health of our customers;
- the impact of competition from new and existing self-storage and commercial facilities and other storage alternatives;
- difficulties in our ability to successfully evaluate, finance, integrate into our existing operations, and manage acquired and developed properties;
- risks associated with international operations including, but not limited to, unfavorable foreign currency rate fluctuations, refinancing risk of affiliate loans from us, and local and global economic uncertainty that could adversely affect our earnings and cash flows;
  - risks related to our participation in joint ventures;
  - the impact of the regulatory environment as well as national, state, and local laws and regulations including, without limitation, those governing environmental, taxes and tenant insurance matters and real estate investment trusts ("REITs"), and risks related to the impact of new laws and regulations;
- risk of increased tax expense associated either with a possible failure by us to qualify as a REIT, or with challenges to intercompany transactions with our taxable REIT subsidiaries;
- changes in federal or state tax laws related to the taxation of REIT's, which could impact our status as a REIT;
- disruptions or shutdowns of our automated processes, systems and the Internet or breaches of our data security;

- risks associated with the self-insurance of certain business risks, including property and casualty insurance, employee health insurance and workers compensation liabilities;
- difficulties in raising capital at a reasonable cost; and
- economic uncertainty due to the impact of terrorism or war.

These forward looking statements speak only as of the date of this report or as of the dates indicated in the statements. All of our forward-looking statements, including those in this report, are qualified in their entirety by this statement. We expressly disclaim any obligation to update publicly or otherwise revise any forward-looking statements, whether as a result of new information, new estimates, or other factors, events or circumstances after the date of these forward looking statements, except as required by law. Given these risks and uncertainties, you should not rely on any forward-looking statements in this report, or which management may make orally or in writing from time to time, as predictions of future events nor guarantees of future performance.

## General

Public Storage was organized in 1980. Effective June 1, 2007, we reorganized Public Storage, Inc. into Public Storage (referred to herein as “the Company”, “the Trust”, “we”, “us”, or “our”), a Maryland real estate investment trust (“REIT”).

At December 31, 2013, our principal business activities are as follows:

- Domestic Self-Storage:** We acquire, develop, own, and operate self-storage facilities which offer storage spaces for lease on a month-to-month basis, for personal and business use. We are the largest owner and operator of self-storage facilities in the United States (“U.S.”). We have direct and indirect equity interests in 2,200 self-storage facilities (141 million net rentable square feet of space) located in 38 states within the U.S. operating under the “Public Storage” brand name.
- European Self-Storage:** We have a 49% equity interest in Shurgard Europe, with an institutional investor owning the remaining 51% interest. Shurgard Europe owns 187 self-storage facilities (10 million net rentable square feet of space) located in seven countries in Western Europe which operate under the “Shurgard” brand name and manages one facility we own in the United Kingdom. We believe Shurgard Europe is the largest owner and operator of self-storage facilities in Western Europe.
- Commercial:** We have a 42% equity interest in PS Business Parks, Inc. (“PSB”), a publicly held REIT which owns and operates 29.7 million net rentable square feet of commercial space. We also wholly-own 1.4 million net rentable square feet of commercial space, substantially all of which is managed by PSB.

In addition, we reinsure policies against losses to goods stored by customers in our self-storage facilities, sell merchandise at our self-storage facilities and manage self-storage facilities owned by third-party owners.

For all periods presented herein, we have elected to be treated as a REIT, as defined in the Internal Revenue Code. As a REIT, we do not incur federal income tax on our REIT taxable income (generally, net rents and gains from real property, dividends, and interest) that is fully distributed each year (for this purpose, certain distributions paid in a subsequent year may be considered), and if we meet certain organizational and operational rules. We believe we met these requirements in all periods presented herein, and we expect to continue to elect and qualify as a REIT.

We report annually to the SEC on Form 10-K, which includes financial statements certified by our independent registered public accountants. We have also reported quarterly to the SEC on Form 10-Q, which includes unaudited financial statements with such filings. We expect to continue such reporting.

On our website, [www.publicstorage.com](http://www.publicstorage.com), we make available, free of charge, our Annual Reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments to those reports as soon as reasonably practicable after the reports and amendments are electronically filed with or furnished to the SEC.

## Competition

We believe that storage customers generally store their goods within a five mile radius of their home or business. Most of our facilities compete with other nearby self-storage facilities that use the same marketing channels and offer the same service as us. Generally, our competitors attract customers using the same marketing channels we use, including Internet advertising, signage, and banners. As a result, competition is significant and affects the occupancy levels, rental rates, rental income and operating expenses of our facilities.

While competition is significant, the self-storage industry remains fragmented in the U.S. We believe that we own approximately 6% of the aggregate self-storage square footage in the U.S., and that collectively the five largest self-storage operators in the U.S. own approximately 12%, with all other self-storage space owned by numerous private regional and local operators. We believe this market fragmentation enhances the advantage of our brand name, as well as the economies of scale we enjoy with approximately 71% of our 2013 same-store revenues in the 20 Metropolitan Statistical Areas ("MSA's", as defined by the U.S. Census Bureau) with the highest population levels.

Such fragmentation also provides opportunities for us to acquire additional facilities; however, we compete with a wide variety of institutions and other investors who also view self-storage facilities as attractive investments. The amount of capital available for real estate investments greatly influences the competition for ownership interests in facilities and, by extension, the yields that we can achieve on newly acquired investments.

## Business Attributes

We believe that we possess several primary business attributes that permit us to compete effectively:

**Centralized information networks:** Our centralized reporting and information network enables us to identify changing market conditions and operating trends as well as analyze customer data and quickly change each of our individual properties' pricing and promotions on an automated basis.

**Convenient shopping experience:** Customers can conveniently shop the space available at our facilities, reviewing attributes such as facility location, size, amenities such as climate-control, as well as pricing, and learn about ancillary businesses through the following marketing channels:

- **Our Website:** The online marketing channel continues to grow in prominence, with approximately 55% of our move-ins in 2013 sourced through our website, as compared to 36% in 2010. In addition, we believe that many of our customers who directly call our call center, or who move-in to a facility on a walk-in basis, have already reviewed our pricing and space availability through our website. We invest extensively in advertising on the Internet to attract potential customers, primarily through the use of search engines, and we regularly update and improve our website to enhance its productivity.
- **Our Call Center:** Our call center is staffed by skilled sales specialists. Customers reach our call center by calling our advertised toll-free telephone referral number, (800) 44-





STORE, or telephone numbers provided on the Internet. We believe giving customers the option to interact with a call center agent, despite the higher marginal cost relative to an internet reservation, enhances our ability to close sales with potential storage customers.

- **Our Properties:** Customers can also shop at any one of our facilities. Property managers access the same information that is available on our website and to our call center agents, and can inform the customer of storage alternatives at that site or our other nearby storage facilities. Property managers are extensively trained to maximize the conversion of such “walk in” shoppers into customers.

**Economies of scale:** We are the largest provider of self-storage space in the U.S. As of December 31, 2013, we operated 2,200 self-storage facilities with over one million self-storage spaces. These facilities are generally located in major markets within 38 states in the U.S. The size and scope of our operations have enabled us to achieve high operating margins and a low level of administrative costs relative to revenues through the centralization of many functions, such as facility maintenance, employee compensation and benefits programs, revenue management, as well as the development and documentation of standardized operating procedures. We also believe that our major market concentration provides managerial efficiencies stemming from having a large number of facilities in close proximity to each other.

We believe our market share and concentration in major metropolitan centers makes various promotional and media programs more cost-beneficial for us than for our competitors. As noted above, approximately 71% of our same-store revenues for 2013 were in the 20 MSA's with the highest population levels. Our large market share and well-recognized brand name increases the likelihood that our facilities will appear prominently in unpaid search results for “self-storage” on major online search engines, and enhances the efficiency of our bidding for paid multiple-keyword advertising. We can use television advertising in many markets, while most of our competitors cannot do so cost-effectively.

**Brand name recognition:** We believe that the “Public Storage” brand name is the most recognized and established name in the self-storage industry in the U.S, due to our national reach in major markets in 38 states, and our highly visible facilities, with their distinct orange colored doors and signage. We believe the “Public Storage” name is one of the most frequently used search terms used by customers using Internet search engines for self-storage. We believe that the “Shurgard” brand, used by Shurgard Europe, is a similarly established and valuable brand in Europe. We believe that the awareness of our brand name results in a high percentage of potential storage customers considering our facilities, relative to other operators.

#### Growth and Investment Strategies

Our growth strategies consist of: (i) improving the operating performance of our existing self-storage facilities, (ii) acquiring more facilities, (iii) developing new self-storage space, (iv) participating in the growth of commercial facilities, primarily through our investment in PSB, and (v) participating in the growth of Shurgard Europe. While our long-term strategy includes each of these elements, in the short run the level of growth in our asset base in any period is dependent upon the cost and availability of capital, as well as the relative attractiveness of investment alternatives.

**Improve the operating performance of existing facilities:** We seek to increase the net cash flow of our existing self-storage facilities by a) regularly analyzing our call volume, reservation activity, Internet activity, move-in/move-out rates and other market supply and demand factors and responding by adjusting our marketing activities and rental rates, b) attempting to maximize revenues through evaluating the appropriate balance between occupancy, rental rates, and promotional discounting and c) controlling operating costs. We believe that our property management personnel, systems, our convenient shopping options for the customer, and our media and Internet advertising programs will continue to enhance our ability to meet these goals.



Acquire properties owned or operated by others in the U.S.: We seek to capitalize on the fragmentation of the self-storage business through acquiring attractively priced, well-located existing self-storage facilities. We believe our presence in and knowledge of substantially all of the major markets in the U.S. enhances our ability to identify attractive acquisition opportunities. Data on the rental rates and occupancy levels of our existing facilities provide us an advantage in evaluating the potential of acquisition opportunities. The level of third-party acquisition opportunities available depends upon many factors, such as the motivation of potential sellers to liquidate their investments, as well as the financing available to self-storage owners. We decide whether to pursue acquisition opportunities based upon many factors including our opinion as to the potential for future growth, the quality of construction and location, the cash flow we expect from the facility when operated on our platform and our yield expectations.

During 2013, we acquired 121 facilities from third parties for approximately \$1.2 billion, primarily through large portfolio acquisitions. This volume was higher than in the preceding six years combined. We will continue to seek to acquire properties in 2014. While there were more sellers of self-storage facilities in 2013 due at least in part, we believe, to higher values and robust cash flows of self-storage facilities, it is uncertain as to the level of third party acquisitions we will complete in 2014.

Develop new self-storage space: The development of new self-storage locations and the expansion of existing self-storage facilities has been an important source of growth. Since the beginning of 2013, we have expanded our development efforts due in part to the significant increase in prices being paid for existing facilities, in many cases well above the cost of developing new facilities. At December 31, 2013, we had a development pipeline of projects to expand existing self-storage facilities and develop new self-storage facilities, which will add approximately 1.8 million net rentable square feet of self-storage space. The aggregate cost of these projects is estimated at \$196 million, of which \$52 million had been incurred at December 31, 2013, and the remaining costs will be incurred principally in 2014. Some of these projects are subject to significant contingencies such as entitlement approval. We expect to continue to seek additional development projects; however, due to the difficulty in finding projects that meet our risk-adjusted yield expectations, as well as the difficulty in obtaining building permits for self-storage activities in certain municipalities, it is uncertain as to how much additional development we will undertake in the future.

Participate in the growth of commercial facilities primarily through our ownership in PS Business Parks, Inc.: Our investment in PSB provides us diversification into another asset type. PSB is a stand-alone public company traded on the New York Stock Exchange. During the year ended December 31, 2013, we increased our investment in PSB by acquiring 1,356,748 shares of PSB common stock in open-market transactions and directly from PSB, for an aggregate cost of \$105.0 million.

Over the past three years, PSB has been able to grow its portfolio through acquisitions. In 2011 and 2012, PSB acquired an aggregate total of 6.8 million net rentable square feet of commercial space for an aggregate purchase price of approximately \$605.0 million. In 2013, PSB acquired 1.5 million net rentable square feet for an aggregate purchase price of \$115.6 million. As of December 31, 2013, PSB owned and operated approximately 29.7 million net rentable square feet of commercial space, and had an enterprise value of approximately \$3.9 billion (based upon the trading price of PSB's common stock combined with the liquidation value of its debt and preferred stock as of December 31, 2013).

Participate in the growth of European self-storage through ownership in Shurgard Europe: We believe Shurgard Europe is the largest self-storage company in Western Europe. It owns and operates 187 facilities with approximately 10 million net rentable square feet in: France (principally Paris), Sweden (principally Stockholm), the United Kingdom (principally London), the Netherlands, Denmark (principally Copenhagen), Belgium and Germany. We own 49% of Shurgard Europe, with the other 51% owned by a large U.S. institutional investor.

Customer awareness and availability of self-storage is significantly lower in Europe than in the U.S. However, with more awareness and product supply, we believe there is potential for increased demand for storage space in Europe. In the long run, we believe Shurgard Europe could capitalize on

potential increased demand through the development of new facilities or, to a lesser extent, acquiring existing facilities.

#### Financing of the Company's Growth Strategies

**Overview of financing strategy:** In order to grow our asset base, access to capital is important. In general, we seek to finance our investment activities with retained cash flow and the issuance of preferred and common securities when market conditions are favorable, using bank debt as bridge financing when market conditions are not favorable.

**Permanent capital:** We have generally been able to raise capital through the issuance of preferred securities at an attractive cost of capital relative to the issuance of our common shares and, as a result, issuances of common shares have been minimal over the past several years. During the years ended December 31, 2013 and 2012, we issued approximately \$725.0 million and \$1.7 billion, respectively, of preferred securities. Currently, market conditions are much less favorable, with market coupon rates for our most recently issued series of preferred securities trading at approximately 6.5% (as compared to 5.2% for the preferred securities we issued in the first quarter of 2013). We believe that market coupon rates for a new issuance of our preferred securities would need to be in the area of 6.5% and the amount of capital we could raise would most likely be much lower than what we raised in the first quarter of 2013.

**Bridge financing:** We have in the past used our \$300 million revolving line of credit as temporary "bridge" financing and repaid such borrowings with permanent capital. At December 31, 2013, we had approximately \$50.1 million outstanding on our line of credit (none as of February 25, 2014). On December 2, 2013, we borrowed \$700 million from Wells Fargo pursuant to a term loan due in one year, in order to fund our acquisitions of self-storage facilities in the fourth quarter of 2013. See Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources" for more information.

**Borrowing through mortgage loans or senior debt:** Even though preferred securities have a higher coupon rate than long-term debt, we have generally not issued conventional debt due to refinancing risk associated with debt and other benefits of preferred securities described in more detail in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources."

We have broad powers to borrow in furtherance of our objectives without a vote of our shareholders. These powers are subject to a limitation on unsecured borrowings in our Bylaws described in "Limitations on Debt" below. Our senior debt has an "A" credit rating by Standard and Poor's. Notwithstanding our desire to continue to meet our capital needs with permanent capital, we believe this high rating, combined with our low level of debt, could allow us to issue a significant amount of unsecured debt at lower interest rates than the coupon on preferred securities if we chose to.

**Assumption of Debt:** Substantially all of our mortgage debt outstanding was assumed in connection with real estate acquisitions. When we have assumed debt in the past, we did so because the nature of the loan terms did not allow prepayment, or a prepayment penalty made it economically disadvantageous to prepay.

**Issuance of securities in exchange for property:** We have issued both our common and preferred securities in exchange for real estate and other investments in the past. Future issuances will be dependent upon our financing needs and capital market conditions at the time, including the market prices of our equity securities.

**Joint Venture financing:** We have used joint ventures with institutional investors and we may form additional joint ventures in the future.



Disposition of properties: Generally, we have disposed of self-storage facilities only when compelled to do so through condemnation proceedings. We do not presently intend to sell any significant number of self-storage facilities in the future, though there can be no assurance that we will not.

#### Investments in Real Estate and Unconsolidated Real Estate Entities

Investment Policies and Practices with respect to our investments: Following are our investment practices and policies which, though we do not anticipate any significant alteration, can be changed by our Board of Trustees without a shareholder vote:

- Our investments primarily consist of direct ownership of self-storage facilities (the nature of our self-storage facilities is described in Item 2, “Properties”), as well as partial interests in entities that own self-storage facilities.
- Our partial ownership interests primarily reflect general and limited partnership interests in entities that own self-storage facilities that are managed by us under the “Public Storage” brand name in the U.S., as well as storage facilities managed in Europe under the “Shurgard” brand name which are owned by Shurgard Europe.
- Additional acquired interests in real estate (other than the acquisition of properties from third parties) will include common equity interests in entities in which we already have an interest.
- To a lesser extent, we have interests in existing commercial properties (described in Item 2, “Properties”), containing commercial and industrial rental space, primarily through our investment in PSB.

#### Facilities Owned by Subsidiaries

In addition to our direct ownership of 2,172 self-storage facilities in the U.S. and one self-storage facility in London, England at December 31, 2013, we have controlling indirect interests in entities that own 14 self-storage facilities in the U.S. Due to our controlling interest in each of these entities, we consolidate the assets, liabilities, and results of operations of these entities in our financial statements.

#### Facilities Owned by Unconsolidated Real Estate Entities

At December 31, 2013, we also had ownership interests in entities that we do not control or consolidate. These entities include PSB, Shurgard Europe (discussed above), and various limited partnerships that own an aggregate of 14 self-storage facilities. These entities are referred to collectively as the “Unconsolidated Real Estate Entities.”

PSB, which files financial statements with the SEC, and Shurgard Europe, have debt and other obligations that we do not consolidate in our financial statements. None of the other Unconsolidated Real Estate Entities have significant amounts of debt or other obligations. See Note 4 to our December 31, 2013 financial statements for further disclosure regarding the assets, liabilities and operating results of the Unconsolidated Real Estate Entities.

#### Limitations on Debt

Without the consent of holders of the various series of Senior Preferred Shares, we may not take any action that would result in our “Debt Ratio” exceeding 50%. “Debt Ratio”, as defined in the related governing documents, represents generally the ratio of debt to total assets before accumulated depreciation and amortization on our balance sheet, in accordance with U.S. generally accepted accounting principles. As of December 31, 2013, the Debt Ratio was approximately 6%.



Our bank and senior unsecured debt agreements contain various customary financial covenants, including limitations on the level of indebtedness and the prohibition of the payment of dividends upon the occurrence of defined events of default. We believe we were in compliance with each of these covenants as of December 31, 2013.

#### Employees

We have approximately 5,200 employees in the U.S. at December 31, 2013 which are engaged primarily in property operations.

#### Seasonality

We experience minor seasonal fluctuations in the demand for self-storage space, with demand and rates generally higher in the summer months than in the winter months. We believe that these fluctuations result in part from increased moving activity during the summer months.

#### Insurance

We have historically carried customary property, earthquake, general liability, employee medical insurance and workers compensation coverage through internationally recognized insurance carriers, subject to customary levels of deductibles. The aggregate limits on these policies of approximately \$75 million for property losses and \$102 million for general liability losses are higher than estimates of maximum probable losses that could occur from individual catastrophic events determined in recent engineering and actuarial studies; however, in case of multiple catastrophic events, these limits could be exhausted.

We reinsure a program that provides insurance to our customers from an independent third-party insurer. This program covers tenant claims for losses to goods stored at our facilities as a result of specific named perils (earthquakes are not covered by this program), up to a maximum limit of \$5,000 per storage unit. We reinsure all risks in this program, but purchase insurance from an independent third party insurance company for aggregate claims between \$5.0 million and \$15.0 million per occurrence. We are subject to licensing requirements and regulations in several states. At December 31, 2013, there were approximately 759,000 certificates held by our self-storage customers, representing aggregate coverage of approximately \$1.7 billion.

## ITEM 1A. Risk Factors

In addition to the other information in our Annual Report on Form 10-K, you should consider the risks described below that we believe may be material to investors in evaluating the Company. This section contains forward-looking statements, and in considering these statements, you should refer to the qualifications and limitations on our forward-looking statements that are described in Forward Looking Statements at the beginning of Item 1.

We have significant exposure to real estate risk.

Since our business consists primarily of acquiring and operating real estate, we are subject to the risks related to the ownership and operation of real estate that can adversely impact our business and financial condition. These risks include the following:

Natural disasters or terrorist attacks could cause damage to our facilities, resulting in increased costs and reduced revenues. Natural disasters, such as earthquakes, hurricanes and floods, or terrorist attacks could cause significant damage and require significant repair costs, and make facilities temporarily uninhabitable, reducing our revenues. Damage and business interruption losses could exceed the aggregate limits of our insurance coverage. In addition, because we self-insure a portion of our risks, losses below a certain level may not be covered by insurance. See Note 13 to our December 31, 2013 financial statements for a description of the risks of losses that are not covered by third-party insurance contracts. We may not have sufficient insurance coverage for losses caused by a terrorist attack, or such insurance may not be maintained, available or cost-effective. In addition, significant natural disasters, terrorist attacks, threats of future terrorist attacks, or resulting wider armed conflicts could have negative impacts on the U.S. economy, reducing storage demand and impairing our operating results.

Operating costs could increase. We could be subject to increases in insurance premiums, increased or new property tax assessments or other taxes, repair and maintenance costs, payroll, utility costs, workers compensation, and other operating expenses due to various factors such as inflation, labor shortages, commodity and energy price increases.

The acquisition of existing properties is subject to risks that may adversely affect our growth and financial results.

We have acquired material amounts of self-storage facilities from third parties in the past, and we expect to continue to do so in the future. We face significant competition for suitable acquisition properties from other real estate investors. As a result, we may be unable to acquire additional properties we desire or the purchase price for desirable properties may be significantly increased. Failures or unexpected circumstances in integrating newly acquired properties into our operations or circumstances we did not detect during due diligence, such as environmental matters, needed repairs or deferred maintenance, or the effects of increased property tax following reassessment of a newly-acquired property, as well as the general risks of real estate investment, could jeopardize realization of the anticipated earnings from an acquisition.

Development of self-storage facilities can subject us to risks. At December 31, 2013, we have a pipeline of development projects totaling \$196 million (subject to contingencies), and we expect to continue to seek additional development projects. There are significant risks involved in developing self-storage facilities, such as delays or cost increases due to changes in or failure to meet government or regulatory requirements, weather issues, unforeseen site conditions, or personnel problems. Self-storage space is generally not pre-leased, and rent-up of newly developed space can be delayed or ongoing cash flow yields can be reduced due to competition, reductions in storage demand, or other factors.

There is significant competition among self-storage facilities and from other storage alternatives. Most of our properties are self-storage facilities, which generated most of our revenue for the year ended December 31, 2013. Competition in the local market areas in which many of our properties are located is significant and has

affected our occupancy levels, rental rates and operating expenses. If development of self-storage facilities by other operators were to increase, due to increases in availability of funds for investment or other reasons, competition with our facilities could intensify.

We may incur significant liabilities from environmental contamination or moisture infiltration. Existing or future laws impose or may impose liability on us to clean up environmental contamination on or around properties that we currently or previously owned or operated, even if we were not responsible for or aware of the environmental contamination or even if such environmental contamination occurred prior to our involvement with the property. We have conducted preliminary environmental assessments on most of our properties, which have not identified material liabilities. These assessments, commonly referred to as “Phase 1 Environmental Assessments,” include an investigation (excluding soil or groundwater sampling or analysis) and a review of publicly available information regarding the site and other nearby properties.

We are also subject to potential liability relating to moisture infiltration, which can result in mold or other damage to our or our customers’ property, as well as potential health concerns. When we receive a complaint or otherwise become aware that an air quality concern exists, we implement corrective measures and seek to work proactively with our customers to resolve issues, subject to our contractual limitations on liability for such claims.

We are not aware of any environmental contamination or moisture infiltration related liabilities that could be material to our overall business, financial condition, or results of operation. However, we may not have detected all material liabilities, we could acquire properties with material undetected liabilities, or new conditions could arise or develop in the future. Settling any such liabilities could negatively impact our earnings and cash available for distribution to shareholders, and could also adversely affect our ability to sell, lease, operate, or encumber affected facilities.

We incur liability from tenant and employment-related claims. From time to time we have to make monetary settlements or defend actions or arbitration (including class actions) to resolve tenant or employment-related claims and disputes.

Economic conditions can adversely affect our business, financial condition, growth and access to capital.

Our revenues and operating cash flow can be negatively impacted by reductions in employment and population levels, household and disposable income, and other general economic factors that lead to a reduction in demand for rental space in each of the markets in which we operate our properties.

Our ability to issue preferred shares or access other sources of capital, such as borrowing, has been in the past, and may in the future be, adversely affected by challenging market conditions. The issuance of perpetual preferred securities historically has been a significant source of capital to grow our business. If we were unable to issue preferred shares or borrow at reasonable rates, prospective earnings growth through expanding our asset base could be limited.

We have exposure to European operations through our ownership in Shurgard Europe.

As a result of our ownership of 49% of the equity in Shurgard Europe’s equity with a book value of \$424.1 million at December 31, 2013, and our loan to Shurgard Europe totaling \$428.1 million at December 31, 2013, we are exposed to additional risks related to the ownership and operation of international businesses that may adversely impact our business and financial results, including the following:

- **Currency risks:** Currency fluctuations can impact the fair value of our equity investment in, and loan to Shurgard Europe, as well as the related income we receive as well as future repatriation of cash.
- **Legislative, tax, and regulatory risks:** We are subject to complex foreign laws and regulations related to permitting and land use, the environment, labor, and other areas, as well as income, property, sales, value added and employment tax laws. These laws can be difficult to apply or



interpret and can vary in each country or locality, and are subject to unexpected changes in their form and application due to regional, national, or local political uncertainty and other factors. Such changes, or Shurgard's failure to comply with these laws, could subject it to penalties or other sanctions, adverse changes in business processes, as well as potentially adverse income tax, property tax, or other tax burdens.

- Impediments to capital repatriation could negatively impact the realization of our investment in Shurgard Europe: Laws in Europe and the U.S. may create, impede or increase our cost to repatriate capital or earnings from Shurgard Europe.
- Risks of collective bargaining and intellectual property: Collective bargaining, which is prevalent in certain areas in Europe, could negatively impact Shurgard Europe's labor costs or operations.
- Potential operating and individual country risks: Economic slowdowns or extraordinary political or social change in the countries in which it operates have posed, and could continue to pose, challenges or result in future reductions of Shurgard Europe's operating cash flows.
- Impediments of Shurgard Europe's joint venture structure: Shurgard Europe's significant decisions, involving activities such as borrowing money, capital contributions, raising capital from third parties, as well as selling or acquiring significant assets, require the consent of our joint venture partner. As a result, Shurgard Europe may be precluded from taking advantage of opportunities that we would find attractive. In addition, we could be unable to separately pursue such opportunities due to certain market exclusivity provisions of the Shurgard Europe joint venture agreement, and our 49% equity investment may not be easily sold or readily accepted as collateral by potential lenders to Public Storage due to the joint venture structure.
- Risks related to Shurgard Europe's Debt: Shurgard Europe has a term loan from a bank (the "Bank Loan") with a balance of approximately €107.5 million (\$148.0 million) at December 31, 2013 maturing in November 2014 and a loan due to us (the "Shareholder Loan") totaling €311.0 million (\$428.1 million) at December 31, 2013. On January 28, 2014, our joint venture partner in Shurgard Europe acquired 51% of the Shareholder Loan at face value, using the proceeds from a bank loan (the "JV Partner Loan"), and the maturity date of the Shareholder Loan was extended to April 2019. The JV Partner Loan matures in two years and is collateralized with our joint venture partner's interests in the Shareholder Loan and their interest in Shurgard Europe. Shurgard Europe will seek to refinance the Bank Loan. If Shurgard Europe is not able to refinance its debt due to a constrained credit market, negative operating trends or other reasons, our equity investment in Shurgard Europe could be negatively impacted.

The Hughes Family could control us and take actions adverse to other shareholders.

At December 31, 2013, B. Wayne Hughes, our former Chairman, and his family, which includes two members of the board of trustees (the "Hughes Family") owned approximately 15.8% of our aggregate outstanding common shares. Our declaration of trust permits the Hughes Family to own up to 35.66% of our outstanding common shares while it generally restricts the ownership by other persons and entities to 3% of our outstanding common shares. Consequently, the Hughes Family may significantly influence matters submitted to a vote of our shareholders, including electing trustees, amending our organizational documents, dissolving and approving other extraordinary transactions, such as a takeover attempt, resulting in an outcome that may not be favorable to other shareholders.

Takeover attempts or changes in control could be thwarted, even if beneficial to shareholders.

In certain circumstances, shareholders might desire a change of control or acquisition of us, in order to realize a premium over the then-prevailing market price of our shares or for other reasons. However, the following could prevent, deter, or delay such a transaction:

- Provisions of Maryland law may impose limitations that may make it more difficult for a third party to negotiate or effect a business combination transaction or control share acquisition with Public Storage. Currently, the Board has opted not to subject the Company to these provisions of Maryland law, but it could choose to do so in the future without shareholder approval.
- To protect against the loss of our REIT status due to concentration of ownership levels, our declaration of trust generally limits the ability of a person, other than the Hughes Family or “designated investment entities” (each as defined in our declaration of trust), to own, actually or constructively, more than 3% of our outstanding common shares or 9.9% of the outstanding shares of any class or series of preferred or equity shares, in either case unless a specific exemption is granted by our board of trustees. These limits could discourage, delay or prevent a transaction involving a change in control of our company not approved by our board of trustees.
- Similarly, current provisions of our declaration of trust and powers of our Board of Trustees could have the same effect, including (1) limitations on removal of trustees in our declaration of trust, (2) restrictions on the acquisition of our shares of beneficial interest, (3) the power to issue additional common shares, preferred shares or equity shares on terms approved by the Board without obtaining shareholder approval, (4) the advance notice provisions of our bylaws and (5) the Board’s ability under Maryland law, without obtaining shareholder approval, to implement takeover defenses that we may not yet have and to take, or refrain from taking, other actions that could have the effect of delaying, deterring or preventing a transaction or a change in control.

If we failed to qualify as a REIT, we would have to pay substantial income taxes.

REITs are subject to a range of complex organizational and operational requirements. A qualifying REIT does not generally incur federal income tax on its net income that is distributed to its shareholders. Our REIT status is also dependent upon the ongoing REIT qualification of our affiliate, PSB, as a REIT, as a result of our substantial ownership interest in that company. We believe that we are organized and have operated as a REIT and we intend to continue to operate to maintain our REIT status.

There can be no assurance that we qualify or will continue to qualify as a REIT. The highly technical nature of the REIT rules, the ongoing importance of factual determinations, the possibility of unidentified issues in prior periods or changes in our circumstances, all could adversely affect our ability to comply. For any taxable year that we fail to qualify as a REIT and statutory relief provisions did not apply, we would be taxed at the regular federal corporate rates on all of our taxable income and we also could be subject to penalties and interest. We would generally not be eligible to seek REIT status again until the fifth taxable year after the first year of our failure to qualify. Any taxes, interest and penalties incurred would reduce the amount of cash available for distribution to our shareholders or for reinvestment and would adversely affect our earnings, which could have a material adverse effect.

We may pay some taxes, reducing cash available for shareholders.

Even if we qualify as a REIT for federal income tax purposes, we may be subject to some federal, foreign, state and local taxes on our income and property. Since January 1, 2001, certain corporate subsidiaries of the Company have elected to be treated as “taxable REIT subsidiaries” for federal income tax purposes, and are taxable as regular corporations and subject to certain limitations on intercompany transactions. If tax authorities determine that amounts paid by our taxable REIT subsidiaries to us are greater than what would be paid under similar arrangements among unrelated parties, we could be subject





to a 100% penalty tax on the excess payments, and ongoing intercompany arrangements could have to change, resulting in higher ongoing tax payments. To the extent the Company is required to pay federal, foreign, state or local taxes or federal penalty taxes due to existing laws or changes thereto, we will have less cash available for distribution to shareholders.

We are heavily dependent on computer systems, telecommunications and the Internet to process transactions, summarize results and manage our business and security breaches or a failure of such networks, systems or technology could adversely impact our business and customer relationships.

We are heavily dependent upon automated information technology and Internet commerce, with approximately half of our new customers coming from the telephone or over the Internet, and the nature of our business involves the receipt and retention of personal information about our customers. We centrally manage significant components of our operations with our computer systems, including our financial information, and we also rely extensively on third-party vendors to retain data, process transactions and provide other systems services. These systems are subject to damage or interruption from power outages, computer and telecommunications failures, computer worms, viruses and other destructive or disruptive security breaches and catastrophic events.

As a result, our operations could be severely impacted by a natural disaster, terrorist attack or other circumstance that resulted in a significant outage at our systems or those of our third party providers, despite our use of back up and redundancy measures. Further, viruses and other related risks could negatively impact our information technology processes. Our or our customers' confidential information could be compromised or misappropriated, due to a breach of our network security. Such data security breaches as well as system disruptions and shutdowns could result in additional costs to repair or replace such networks or information systems and possible legal liability, including government enforcement actions and private litigation. In addition, our customers could lose confidence in our ability to protect their personal information, which could cause them to discontinue leasing our self-storage facilities. Such events could lead to lost future revenues and adversely affect our results of operations.

We have no ownership interest in Canadian self-storage facilities owned or operated by the Hughes Family.

At December 31, 2013, the Hughes Family had ownership interests in, and operated, 54 self-storage facilities in Canada (the "Canadian Self-Storage Facilities"). These facilities are operated under the "Public Storage" tradename, which we license to the Hughes Family for use in Canada on a royalty-free, non-exclusive basis. We have a right of first refusal, subject to limitations, to acquire the stock or assets of the corporation engaged in the operation of the Canadian Self-Storage Facilities if the Hughes Family or the corporation agrees to sell them. However, we do not benefit from profits or potential appreciation in value of the Canadian Self-Storage Facilities because we have no ownership interest in these facilities. We do not operate in the Canadian self-storage market, and have no plans to do so. However, if we choose to do so without acquiring the Hughes Family interests in the Canadian Self-Storage Facilities, we may have to share the use of the "Public Storage" name in Canada with the Hughes Family, unless we are able to terminate the license agreement.

Through our subsidiaries, we reinsure risks relating to loss of goods stored by customers in the Canadian Self-Storage Facilities. During the years ended December 31, 2013, 2012 and 2011, we received \$0.5 million, \$0.6 million and \$0.6 million, respectively, in reinsurance premiums attributable to the Canadian Self-Storage Facilities. Because our right to earn these premiums may be qualified, there is no assurance that these premiums will continue.

We are subject to laws and governmental regulations and actions that require us to incur compliance costs affecting our operating results and financial condition.

Our business is subject to regulation under a wide variety of U.S. federal, state and local laws, regulations and policies including those imposed by the SEC, the Sarbanes-Oxley Act of 2002, the Dodd-Frank Wall Street Reform and Consumer Protection Act and New York Stock Exchange, as well as applicable labor laws. Although we have policies and procedures designed to comply with applicable laws and regulations, failure to comply with the various laws and regulations may result in civil and criminal liability, fines and penalties, increased costs of compliance, restatement of our financial statements and could also affect the marketability of our real estate facilities.

The Patient Protection and Affordable Care Act as well as other healthcare reform legislation recently passed or being considered by Congress and state legislatures (collectively, the “Healthcare Legislation”) are expected to impact our business beginning in 2014. Based on its current form, we believe that the Healthcare Legislation will at least moderately increase our costs; however, there could be a significant further negative impact to our costs and business depending upon how the various governmental agencies design and implement the specific regulations to implement the Patient Protection and Affordable Care Act, the nature of further legislation that may be passed at the national and local level, and other factors.

In response to current economic conditions or the current political environment or otherwise, laws and regulations could be implemented or changed in ways that adversely affect our operating results and financial condition, such as legislation that could facilitate union activity or that would otherwise increase operating costs.

All our properties must comply with the Americans with Disabilities Act and with related regulations and similar state law requirements, as well as various real estate and zoning laws and regulations, which are subject to change and could become more costly to comply with in the future. Compliance with these requirements can require us to incur significant expenditures, which would reduce cash otherwise available for distribution to shareholders. A failure to comply with these laws could lead to fines or possible awards of damages to individuals affected by the non-compliance. Failure to comply with these requirements could also affect the marketability of our real estate facilities.

Our tenant insurance business is subject to governmental regulation which could reduce our profitability or limit our growth.

We hold Limited Lines Self-Service Storage Insurance Agent licenses from a number of individual state Departments of Insurance and are subject to state governmental regulation and supervision. Our continued ability to maintain these Limited Lines Self-Service Storage Insurance Agent licenses in the jurisdictions in which we are licensed depends on our compliance with related rules and regulations. The regulatory authorities in each jurisdiction generally have broad discretion to grant, renew and revoke licenses and approvals, to promulgate, interpret, and implement regulations, and to evaluate compliance with regulations through periodic examinations, audits and investigations of the affairs of insurance agents. As a result of regulatory or private action in any jurisdiction, we may be temporarily or permanently suspended from continuing some or all of our reinsurance activities, or otherwise fined or penalized or suffer an adverse judgment. For the year ended December 31, 2013, we recorded a total of \$67.8 million in net income from our tenant reinsurance activities.

#### ITEM 1B.Unresolved Staff Comments

None.



## ITEM 2. Properties

At December 31, 2013, we had direct and indirect ownership interests in 2,200 self-storage facilities located in 38 states within the U.S. and 188 storage facilities located in seven Western European nations:

|                               | At December 31, 2013<br>Number of Storage Facilities (a) | Net Rentable Square Feet (in<br>thousands) |
|-------------------------------|--|--|
| U.S.:                         |  |  |
| California:                   |  |  |
| Southern.....                 | 244  | 17,192                                     |
| Northern.....                 | 173  | 10,310                                     |
| Texas.....                    | 254  | 16,715                                     |
| Florida.....                  | 247  | 16,344                                     |
| Illinois.....                 | 126  | 7,904                                      |
| Georgia.....                  | 107  | 7,049                                      |
| Washington.....               | 91   | 6,064                                      |
| North Carolina.....           | 77   | 5,272                                      |
| Virginia.....                 | 87   | 5,110                                      |
| New York.....                 | 65   | 4,527                                      |
| Colorado.....                 | 63   | 3,980                                      |
| New Jersey.....               | 56   | 3,549                                      |
| Maryland.....                 | 57   | 3,404                                      |
| Minnesota.....                | 43   | 2,931                                      |
| South Carolina.....           | 52   | 2,867                                      |
| Michigan.....                 | 43   | 2,755                                      |
| Arizona.....                  | 40   | 2,470                                      |
| Missouri.....                 | 37   | 2,136                                      |
| Oregon.....                   | 39   | 2,006                                      |
| Pennsylvania.....             | 29   | 1,993                                      |
| Indiana.....                  | 31   | 1,926                                      |
| Ohio.....                     | 31   | 1,922                                      |
| Nevada.....                   | 27   | 1,818                                      |
| Massachusetts.....            | 25   | 1,691                                      |
| Tennessee.....                | 27   | 1,528                                      |
| Kansas.....                   | 22   | 1,310                                      |
| Wisconsin.....                | 15   | 968  |
| Other states (12 states)..... | 92   | 5,278                                      |
| Total – U.S.....              | 2,200  | 141,019                                    |
| Europe (b):                   |  |  |
| France.....                   | 55   | 2,886                                      |
| Netherlands.....              | 40   | 2,180                                      |
| Sweden.....                   | 30   | 1,623                                      |
| Belgium.....                  | 21   | 1,270                                      |
| United Kingdom.....           | 21   | 1,025                                      |
| Germany.....                  | 11   | 571  |
| Denmark.....                  | 10   | 565  |

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|                     |       |         |
|---------------------|-------|---------|
| Total - Europe..... | 188   | 10,120  |
| Grand Total.....    | 2,388 | 151,139 |

- (a) See Schedule III: Real Estate and Accumulated Depreciation in the Company's 2013 financials, for a complete list of properties consolidated by the Company.
- (b) The facilities located in Europe include one facility in the United Kingdom that we wholly own, as well as the facilities owned by Shurgard Europe.

We seek to maximize our facilities' cash flow through the regular review and adjustment of rents charged and promotions granted to our existing and new incoming customers, and controlling expenses. For the year ended December 31, 2013, the weighted average occupancy level and the average realized rent per occupied square foot for our self-storage facilities were approximately 92.7% and \$14.18, respectively, in the U.S. and 79.6% and \$26.90, respectively, in Europe.

At December 31, 2013, 45 of our U.S. facilities with a net book value of \$224 million were encumbered by an aggregate of \$89 million in secured notes payable.

We have no specific policy as to the maximum size of any one particular self-storage facility. However, none of our facilities involves, or is expected to involve, 1% or more of our total assets, gross revenues or net income.

**Description of Self-Storage Facilities:** Self-storage facilities, which comprise the majority of our investments, offer accessible storage space for personal and business use at a relatively low cost. A user rents a fully enclosed space, securing the space with their lock, which is for the user's exclusive use and to which only the user has access on an unrestricted basis during business hours. On-site operation is the responsibility of property managers who are supervised by district managers. Some self-storage facilities also include rentable uncovered parking areas for vehicle storage. Space is rented on a month-to-month basis and rental rates vary according to the location of the property, the size of the storage space and other characteristics that affect the relative attractiveness of each particular space, such as whether the space has "drive-up" access, its proximity to elevators, or if the space is climate controlled. All of our self-storage facilities in the U.S. are operated under the "Public Storage" brand name, while our facilities in Europe are operated under the "Shurgard" brand name.

Users include individuals from virtually all demographic groups, as well as businesses. Individuals usually store furniture, household appliances, personal belongings, motor vehicles, boats, campers, motorcycles and other household goods. Businesses normally store excess inventory, business records, seasonal goods, equipment and fixtures.

Our self-storage facilities generally consist of between 350 to 750 storage spaces. Most spaces have between 25 and 400 square feet and an interior height of approximately eight to 12 feet.

We experience minor seasonal fluctuations in the occupancy levels of self-storage facilities with occupancies generally higher in the summer months than in the winter months. We believe that these fluctuations result in part from increased moving activity during the summer months and incremental demand from college students.

Our self-storage facilities are geographically diversified and are located primarily in or near major metropolitan markets in 38 states in the U.S. Generally our self-storage facilities are located in heavily populated areas and close to concentrations of apartment complexes, single family residences and commercial developments.

Competition from other self-storage facilities is significant and impacts the occupancy levels and rental rates for many of our properties.

We believe that self-storage facilities, upon achieving stabilized occupancy levels of approximately 90%, have attractive characteristics consisting of high profit margins, a broad tenant base and low levels of capital expenditures to maintain their condition and appearance. Historically, upon



reaching stabilization, our U.S. self-storage facilities have generally shown a high degree of stability in generating cash flows.

**Description of Commercial Properties:** We have an interest in PSB, which, as of December 31, 2013, owns and operates approximately 29.7 million net rentable square feet of commercial space in eight states. At December 31, 2013, the \$424.5 million book value and \$1.1 billion market value, respectively, of our investment in PSB represents approximately 4% and 11%, respectively of our total assets. We also directly own 1.4 million net rentable square feet of commercial space managed primarily by PSB.

The commercial properties owned by PSB consist primarily of flex, multi-tenant office and industrial space. Flex space is defined as buildings that are configured with a combination of office and warehouse space and can be designed to fit a wide variety of uses (including office, assembly, showroom, laboratory, light manufacturing and warehouse space).

**Environmental Matters:** We accrue environmental assessments and estimated remediation cost when it is probable that such efforts will be required and the related costs can be reasonably estimated. Our current practice is to conduct environmental investigations in connection with property acquisitions. Although there can be no assurance, we are not aware of any environmental contamination of any of our facilities, which individually or in the aggregate would be material to our overall business, financial condition, or results of operations.

#### ITEM 3. Legal Proceedings

We are a party to various legal proceedings and subject to various claims and complaints; however, 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 4. Mine Safety Disclosures

Not applicable.



## PART II

## ITEM 5. Market for Registrant's Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities

## a. Market Information of the Registrant's Common Equity:

Our Common Shares (NYSE: PSA) have been listed on the New York Stock Exchange since October 19, 1984. The following table sets forth the high and low sales prices of our Common Shares on the New York Stock Exchange composite tapes for the applicable periods.

| Year | Quarter | Range     |           |
|------|---------|-----------|-----------|
|      |         | High      | Low       |
| 2012 | 1st     | \$ 141.48 | \$ 129.04 |
|      | 2nd     | 146.49    | 129.77    |
|      | 3rd     | 152.68    | 137.86    |
|      | 4th     | 148.17    | 135.07    |
| 2013 | 1st     | 157.95    | 144.35    |
|      | 2nd     | 168.66    | 145.04    |
|      | 3rd     | 168.30    | 149.46    |
|      | 4th     | 176.68    | 147.14    |

As of February 15, 2014, there were approximately 16,043 holders of record of our Common Shares. Because many of our shares of common stock are held by brokers and other institutions on behalf of stockholders, we are unable to estimate the total number of stockholders represented by these record holders.

## b. Dividends

We have paid quarterly distributions to our shareholders since 1981, our first full year of operations. During 2013 we paid distributions to our common shareholders of \$1.25 per common share for each of the quarters ended March 31, June 30, September 30 and \$1.40 per common share for the quarter ended December 31, representing an aggregate of \$884.2 million or \$5.15 per share. During 2012 we paid distributions to our common shareholders of \$1.10 per common share for each of the quarters ended March 31, June 30, September 30 and December 31, representing an aggregate of \$751.2 million or \$4.40 per share.

Holders of common shares are entitled to receive distributions when and if declared by our Board of Trustees out of any funds legally available for that purpose. As a REIT, we do not incur federal income tax on our REIT taxable income (generally, net rents and gains from real property, dividends, and interest) that is fully distributed each year (for this purpose, certain distributions paid in a subsequent year may be considered), and if we meet certain organizational and operational rules. We believe we have met these requirements in all periods presented herein, and we expect to continue to elect and qualify as a REIT.

For Federal income tax purposes, distributions to shareholders are treated as ordinary income, capital gains, return of capital or a combination thereof. For 2013, the dividends paid on common shares and preferred shares were classified as follows:



|                             | 1st Quarter | 2nd Quarter | 3rd Quarter | 4th Quarter |
|-----------------------------|-------------|-------------|-------------|-------------|
| Ordinary Income.....        | 100.0000%   | 100.0000%   | 99.8273%    | 99.9543%    |
| Long-term Capital Gain..... | 0.0000%     | 0.0000%     | 0.1727%     | 0.0457%     |
| Total.....                  | 100.0000%   | 100.0000%   | 100.0000%   | 100.0000%   |

For 2012, the dividends paid on common shares (\$4.40 per share) and on all the various classes of preferred shares were classified as ordinary income.

c. Equity Shares

We are authorized to issue 100,000,000 equity shares from time to time in one or more series and our Board of Trustees has broad authority to fix the dividend and distribution rights, conversion and voting rights, redemption provisions and liquidation rights of each series of equity shares. We had no equity shares outstanding for any period in the years ended December 31, 2013 and 2012.

d. Common Share Repurchases

Our Board of Trustees has authorized management to repurchase up to 35,000,000 of our common shares on the open market or in privately negotiated transactions. From the inception of the repurchase program through February 25, 2014, we have repurchased a total of 23,721,916 common shares (all purchased prior to 2010) at an aggregate cost of approximately \$679.1 million. Our common share repurchase program does not have an expiration date and there are 11,278,084 common shares that may yet be repurchased under our repurchase program as of December 31, 2013. We have no current plans to repurchase shares; however, future levels of common share repurchases will be dependent upon our available capital, investment alternatives, and the trading price of our common shares.

e. Preferred Share Redemptions

We had no preferred redemptions during the year ended December 31, 2013.

## ITEM 6. Selected Financial Data

|  | For the year ended December 31, |              |              |              |              |
|--|---------------------------------|--------------|--------------|--------------|--------------|
|  | 2013                            | 2012         | 2011         | 2010         | 2009         |
| Revenues   | \$ 1,981,746                    | \$ 1,842,504 | \$ 1,735,888 | \$ 1,631,294 | \$ 1,607,395 |
| Expenses:  |                                 |              |              |              |              |
| Cost of operations   | 565,161                         | 555,904      | 560,509      | 545,921      | 536,555      |
| Depreciation and amortization                                  | 387,402                         | 357,781      | 357,969      | 353,245      | 339,003      |
| General and administrative                                     | 66,679                          | 56,837       | 52,410       | 38,487       | 35,735       |
| Asset impairment charges                                       | -                               | -            | 2,186        | 994          | -            |
|  | 1,019,242                       | 970,522      | 973,074      | 938,647      | 911,293      |
| Operating income   | 962,504                         | 871,982      | 762,814      | 692,647      | 696,102      |
| Interest and other income                                      | 22,577                          | 22,074       | 32,333       | 29,017       | 29,813       |
| Interest expense   | (6,444)                         | (19,813)     | (24,222)     | (30,225)     | (29,916)     |
| Equity in earnings of unconsolidated real estate entities      | 57,579                          | 45,586       | 58,704       | 38,352       | 53,244       |
| Foreign currency exchange gain (loss)                          | 17,082                          | 8,876        | (7,287)      | (42,264)     | 9,662        |
| Gain on real estate sales and debt retirement                  | 4,233                           | 1,456        | 10,801       | 827          | 37,540       |
| Income from continuing operations                              | 1,057,531                       | 930,161      | 833,143      | 688,354      | 796,445      |
| Discontinued operations  | -                               | 12,874       | 3,316        | 7,760        | (5,989)      |
| Net income   | 1,057,531                       | 943,035      | 836,459      | 696,114      | 790,456      |
| Net income allocated (to) from noncontrolling equity interests | (5,078)                         | (3,777)      | (12,617)     | (24,076)     | 44,165       |
| Net income allocable to Public Storage shareholders            | \$ 1,052,453                    | \$ 939,258   | \$ 823,842   | \$ 672,038   | \$ 834,621   |
| Per Common Share:  |                                 |              |              |              |              |
|  | \$                              | \$           | \$           | \$           | \$           |
| Distributions  | 5.15                            | 4.40         | 3.65         | 3.05         | 2.20         |
|  | \$                              | \$           | \$           | \$           | \$           |
| Net income – Basic   | 4.92                            | 3.93         | 3.31         | 2.36         | 3.48         |
|  | \$                              | \$           | \$           | \$           | \$           |
| Net income – Diluted   | 4.89                            | 3.90         | 3.29         | 2.35         | 3.47         |
| Weighted average common shares – Basic                         | 171,640                         | 170,562      | 169,657      | 168,877      | 168,358      |

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|  |         |         |         |         |         |
|--|---------|---------|---------|---------|---------|
| Weighted average common shares – Diluted | 172,688 | 171,664 | 170,750 | 169,772 | 168,768 |
|--|---------|---------|---------|---------|---------|

Balance Sheet Data:

|  |              |              |              |              |              |
|--|--------------|--------------|--------------|--------------|--------------|
| Total assets                               | \$ 9,876,266 | \$ 8,793,403 | \$ 8,932,562 | \$ 9,495,333 | \$ 9,805,645 |
| Total debt                                 | \$ 839,053   | \$ 468,828   | \$ 398,314   | \$ 568,417   | \$ 518,889   |
| Total preferred equity                     | \$ 3,562,500 | \$ 2,837,500 | \$ 3,111,271 | \$ 3,396,027 | \$ 3,399,777 |
| Public Storage shareholders' equity        | \$ 8,791,730 | \$ 8,093,756 | \$ 8,288,209 | \$ 8,676,598 | \$ 8,928,407 |
| Permanent noncontrolling interests' equity | \$ 27,125    | \$ 29,108    | \$ 22,718    | \$ 32,336    | \$ 132,974   |

Net cash flow:

|                                  |                |                |                |                |              |
|----------------------------------|----------------|----------------|----------------|----------------|--------------|
| Provided by operating activities | \$ 1,430,339   | \$ 1,285,659   | \$ 1,203,452   | \$ 1,093,221   | \$ 1,112,857 |
| Used in investing activities     | \$ (1,412,393) | \$ (290,465)   | \$ (81,355)    | \$ (266,605)   | \$ (91,409)  |
| Used in financing activities     | \$ (16,160)    | \$ (1,117,305) | \$ (1,438,546) | \$ (1,132,709) | \$ (938,401) |

## ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") should be read in conjunction with our financial statements and notes thereto.

### Critical Accounting Policies

Our MD&A discusses our financial statements, which have been prepared in accordance with United States ("U.S.") generally accepted accounting principles ("GAAP"). Our financial statements are affected by our judgments, assumptions and estimates. The notes to our December 31, 2013 financial statements, primarily Note 2, summarize our significant accounting policies.

We believe the following are our critical accounting policies, because they have a material impact on the portrayal of our financial condition and results, and they require us to make judgments and estimates about matters that are inherently uncertain.

**Income Tax Expense:** We have elected to be treated as a real estate investment trust ("REIT"), as defined in the Internal Revenue Code. As a REIT, we do not incur federal income tax on our REIT taxable income (generally, net rents and gains from real property, dividends, and interest) that is fully distributed each year (for this purpose, certain distributions paid in a subsequent year may be considered), and if we meet certain organizational and operational rules. We believe we have met these REIT requirements for all periods presented herein. Accordingly, we have recorded no federal income tax expense related to our REIT taxable income.

Our evaluation that we have met the REIT requirements could be incorrect, because compliance with the tax rules requires factual determinations, and circumstances we have not identified could result in noncompliance with the tax requirements in current or prior years. For any taxable year that we fail to qualify as a REIT and for which applicable statutory relief provisions did not apply, we would be taxed at the regular corporate rates on all of our taxable income for at least that year and the ensuing four years, we could be subject to penalties and interest, and our net income would be materially different from the amounts estimated in our financial statements.

In addition, our taxable REIT subsidiaries are taxable as regular corporations. To the extent that amounts paid to us by our taxable REIT subsidiaries are determined by the taxing authorities to be in excess of amounts that would be paid under similar arrangements among unrelated parties, we could be subject to a 100% penalty tax on the excess payments. Such a penalty tax could have a material adverse impact on our net income.

**Impairment of Long-Lived Assets:** The analysis of impairment of our long-lived assets involves identification of indicators of impairment, projections of future operating cash flows, and estimates of fair values, all of which require significant judgment and subjectivity. Others could come to materially different conclusions. In addition, we may not have identified all current facts and circumstances that may affect impairment. Any unidentified impairment loss, or change in conclusions, could have a material adverse impact on our net income.

**Accrual for Uncertain and Contingent Liabilities:** We accrue for certain contingent and other liabilities that have significant uncertain elements, such as property taxes, workers compensation claims, tenant reinsurance claims, as well as other legal claims and disputes involving customers, employees, governmental agencies and other third parties. Such liabilities we are aware of are estimated based upon many factors such as assumptions of past and future trends and our evaluation of likely outcomes. However, the estimates of known liabilities could be incorrect or we may not be aware of all such liabilities, in which case our accrued liabilities and net income could be misstated.



Recording the fair value of acquired real estate facilities: In accounting for facilities acquired from third parties, we estimate the fair values of the land, buildings and intangible assets acquired. Such estimates are based upon many assumptions and judgments, including i) expected rates of return and capitalization rates on real estate assets, ii) estimated costs to replace acquired buildings and equipment in their current state, iii) comparisons of the acquired underlying land parcels to recent land transactions, and iv) future cash flows from the real estate and the existing tenant base. Others could come to materially different conclusions as to the estimated fair values, which would result in different depreciation and amortization expense, gains and losses on sale of real estate assets, and real estate and intangible assets.

#### MD&A Overview

Our domestic self-storage facilities generated 93% of our revenues for the year ended December 31, 2013, and also generated most of our net income and cash flow from operations. A significant portion of management time is devoted to maximizing cash flows from our existing self-storage facilities, as well as seeking additional investments in self-storage facilities.

Most of our facilities compete with other well-managed and well-located competitors and we are subject to general economic conditions, particularly those that affect the spending habits of consumers and moving trends. We believe that our centralized information networks, national telephone and online reservation system, the brand name “Public Storage,” and our economies of scale enable us to meet such challenges effectively.

During 2013, we acquired 121 self-storage facilities for approximately \$1.2 billion, substantially more than we had acquired in total in 2010, 2011 and 2012 (an aggregate of 77 facilities for \$546 million). In 2013, we took advantage of a significant increase in properties being marketed for sale, which we believe was primarily driven by easier access to capital in the current low interest rate environment and improved property valuations. We expect to continue to seek to acquire additional self-storage facilities from third parties. There is significant competition to acquire existing facilities and there can be no assurance that we will be able to acquire additional facilities at prices we will find attractive.

As of December 31 2013, we had development and expansion projects which will add approximately 1.8 million net rentable square feet of storage space at \$196 million. We expect to continue to seek additional development projects; however, the level of future development may be limited due to various constraints such as difficulty in finding available sites that meet our risk-adjusted yield expectations, as well as challenges in obtaining building permits for self-storage activities in certain municipalities.

We also have equity investments in Shurgard Europe and PS Business Parks, Inc. (“PSB”). During the year ended December 31, 2013, we increased our ownership interest in PSB by acquiring 1,356,748 shares of PSB common stock in open-market transactions and directly from PSB, for an aggregate cost of \$105.0 million. We may invest further in these entities in the future.

As of December 31, 2013, our capital commitments for 2014 exceed our expected capital resources. As of December 31, 2013, our capital resources consist of (i) approximately \$250 million of available borrowing capacity on our revolving line of credit, (ii) \$216.2 million of cash proceeds from the sale of 51% of a loan we have provided to Shurgard Europe which we received in January 2014, and (iii) \$250 million of expected 2014 retained operating cash flow. Retained operating cash flow represents our expected 2014 cash flow provided by operating activities, after deducting estimated 2014 distributions to our common and preferred shareholders, and estimated 2014 capital expenditure requirements.



At December 31, 2013, we had estimated 2014 capital commitments of \$726.2 million of debt maturities, and approximately \$145 million of remaining spend on our development pipeline. In addition, we expect that our capital commitments will continue to grow during 2014 as we continue to seek additional development and acquisition opportunities.

We believe we have a variety of possibilities to bridge the gap between our capital resources and commitments which may include raising capital through the issuance of common or preferred securities, issuing debt, expanding the borrowing capacity of our credit facility, or entering into joint venture arrangements to acquire or develop facilities. See Liquidity and Capital Resources for further information regarding our 2014 capital requirements.

## Results of Operations

### Operating results for 2013 as compared to 2012

For the year ended December 31, 2013, net income allocable to our common shareholders was \$844.7 million or \$4.89 per diluted common share, compared to \$669.7 million or \$3.90 per diluted common share for the same period in 2012, representing an increase of \$175.0 million or \$0.99 per diluted common share. This increase is due primarily to (i) a \$124.6 million increase in self-storage net operating income, (ii) a \$68.9 million reduction in income allocated to preferred shareholders due to redemptions, including our equity share of PSB, (iii) an \$8.2 million increase from foreign currency exchange gains, offset partially by (iv) a \$29.6 million increase in depreciation and amortization associated with acquired real estate facilities.

### Operating results for 2012 as compared to 2011

For the year ended December 31, 2012, net income allocable to our common shareholders was \$669.7 million or \$3.90 per diluted common share, compared to \$561.7 million or \$3.29 per diluted common share for the same period in 2011, representing an increase of \$108.0 million or \$0.61 per diluted common share. This increase is due to (i) a \$102.5 million increase in self-storage net operating income, (ii) a \$19.6 million reduction in distributions to preferred shareholders due primarily to lower average coupon rates, and (iii) a \$16.2 million increase resulting from foreign currency exchange gains and losses in translating our Euro-denominated loan receivable from Shurgard Europe into U.S. Dollars, offset partially by (iv) a \$36.3 million decrease due to the application of EITF D-42 to our, and our equity share of PSB's, redemptions of preferred securities.

### Funds from Operations and Core Funds from Operations

Funds from Operations ("FFO") is a non-GAAP term defined by the National Association of Real Estate Investment Trusts, and generally represents net income before depreciation, gains and losses, and impairment charges with respect to real estate assets. We present FFO and FFO per share because we consider FFO to be an important measure of the performance of real estate companies, as do many analysts in evaluating our Company. We believe that FFO is a helpful measure of a REIT's performance since FFO excludes depreciation, which is included in computing net income and assumes the value of real estate diminishes predictably over time. We believe that real estate values fluctuate due to market conditions and in response to inflation. FFO computations do not consider scheduled principal payments on debt, capital improvements, distributions and other obligations of the Company. FFO and FFO per share is not a substitute for our cash flow or net income per share as a measure of our liquidity or operating performance or our ability to pay dividends. Because other REITs may not compute FFO in the same manner, FFO may not be comparable among REITs.

For the year ended December 31, 2013, FFO was \$7.53 per diluted common share, as compared to \$6.31 for the same period in 2012, representing an increase of \$1.22 per diluted common share.

For the year ended December 31, 2012, FFO was \$6.31 per diluted common share, as compared to \$5.67 for the same period in 2011, representing an increase of \$0.64 per diluted common share.

The following table reconciles net income to FFO and FFO per diluted common share:



|  | Year Ended December 31,                       |              |            |
|--|---|--------------|------------|
|  | 2013  | 2012         | 2011       |
|  | (Amounts in thousands, except per share data) |              |            |
| Net income   | \$ 1,057,531                                  | \$ 943,035   | \$ 836,459 |
| Adjust for amounts not included in FFO:                              |   |              |            |
| Depreciation and amortization, including discontinued operations     | 387,402                                       | 358,103      | 358,525    |
| Depreciation from unconsolidated real estate investments             | 75,458  | 75,648       | 64,677     |
| Gains on sale of real estate investments, including our equity share | (4,120)                                       | (14,778)     | (12,797)   |
| FFO allocable to equity holders                                      | 1,516,271                                     | 1,362,008    | 1,246,864  |
| Less allocation of FFO to:   |   |              |            |
| Noncontrolling equity interests                                      | (7,275)                                       | (6,828)      | (15,539)   |
| Preferred shareholders - distributions                               | (204,312)                                     | (205,241)    | (224,877)  |
| Preferred shareholders - redemptions                                 | -   | (61,696)     | (35,585)   |
| Restricted share unitholders   | (5,173)                                       | (4,247)      | (2,817)    |
| FFO allocable to common shares                                       | \$ 1,299,511                                  | \$ 1,083,996 | \$ 968,046 |
| Diluted weighted average common shares                               | 172,688                                       | 171,664      | 170,750    |
| FFO per share  | \$ 7.53                                       | \$ 6.31      | \$ 5.67    |

In addition to FFO, we often discuss “Core FFO” per share which is also a non-GAAP measure that represents FFO per share, adjusted to exclude the impact of (i) foreign currency exchange gains and losses, representing gains of \$17.1 million and \$8.9 million in 2013 and 2012, respectively, and a loss of \$7.3 million for 2011, (ii) the impact of EITF D-42, including our equity share from PSB, representing charges totaling \$68.9 million and \$32.6 million for 2012 and 2011, respectively, (none for 2013) and (iii) other items. We believe Core FFO is a helpful measure in understanding our ongoing earnings and cash flow. We also believe that the analyst community, likewise, reviews our Core FFO and Core FFO per share (or similar measures using different terminology). Core FFO is not a substitute for net income, earnings per share or cash flow from operations. Because other REITs may not compute Core FFO in the same manner as we do, may not use the same terminology, or may not present such a measure, Core FFO may not be comparable among REITs.

The following table reconciles FFO per share to Core FFO per share:

|                         | Year Ended December 31, |         |                   | Year Ended December 31, |         |                   |
|-------------------------|-------------------------|---------|-------------------|-------------------------|---------|-------------------|
|                         | 2013                    | 2012    | Percentage Change | 2012                    | 2011    | Percentage Change |
| FFO per share           | \$ 7.53                 | \$ 6.31 | 19.3%             | \$ 6.31                 | \$ 5.67 | 11.3%             |
| Eliminate the per share |                         |         |                   |                         |         |                   |

impact of  
items  
excluded  
from Core  
FFO:

Foreign  
currency  
exchange

|             |        |        |  |        |      |
|-------------|--------|--------|--|--------|------|
| (gain) loss | (0.10) | (0.05) |  | (0.05) | 0.04 |
|-------------|--------|--------|--|--------|------|

Application  
of EITF

|      |   |      |  |      |      |
|------|---|------|--|------|------|
| D-42 | - | 0.40 |  | 0.40 | 0.19 |
|------|---|------|--|------|------|

|             |      |      |  |      |      |
|-------------|------|------|--|------|------|
| Other items | 0.01 | 0.02 |  | 0.02 | 0.03 |
|-------------|------|------|--|------|------|

Core FFO

|           |         |         |       |         |         |       |
|-----------|---------|---------|-------|---------|---------|-------|
| per share | \$ 7.44 | \$ 6.68 | 11.4% | \$ 6.68 | \$ 5.93 | 12.6% |
|-----------|---------|---------|-------|---------|---------|-------|

## Real Estate Operations

Self-Storage Operations: Our self-storage operations represent 93% of our revenues for the year ended December 31, 2013. Our self-storage operations are analyzed in two groups: (i) the Same Store Facilities, representing the facilities that we have owned and operated on a stabilized basis since January 1, 2011, and (ii) all other facilities, which are newly acquired, newly developed, or recently expanded facilities (the “Non Same Store Facilities”).

Self-Storage Operations  
Summary

|  | Year Ended December 31, |      |                   | Year Ended December 31, |      |                   |
|--|-------------------------|------|-------------------|-------------------------|------|-------------------|
|  | 2013                    | 2012 | Percentage Change | 2012                    | 2011 | Percentage Change |

(Dollar amounts in thousands)

## Revenues:

|                           |              |              |       |              |              |       |
|---------------------------|--------------|--------------|-------|--------------|--------------|-------|
| Same Store Facilities     | \$ 1,703,294 | \$ 1,616,798 | 5.3%  | \$ 1,616,798 | \$ 1,544,543 | 4.7%  |
| Non Same Store Facilities | 146,589      | 102,067      | 43.6% | 102,067      | 77,256       | 32.1% |
| Total rental income       | 1,849,883    | 1,718,865    | 7.6%  | 1,718,865    | 1,621,799    | 6.0%  |

## Cost of operations:

|                           |         |         |        |         |         |        |
|---------------------------|---------|---------|--------|---------|---------|--------|
| Same Store Facilities     | 478,978 | 485,460 | (1.3)% | 485,460 | 496,569 | (2.2)% |
| Non Same Store Facilities | 45,108  | 32,181  | 40.2%  | 32,181  | 26,544  | 21.2%  |
| Total cost of operations  | 524,086 | 517,641 | 1.2%   | 517,641 | 523,113 | (1.0)% |

## Net operating income (a):

|                            |           |           |       |           |           |       |
|----------------------------|-----------|-----------|-------|-----------|-----------|-------|
| Same Store Facilities      | 1,224,316 | 1,131,338 | 8.2%  | 1,131,338 | 1,047,974 | 8.0%  |
| Non Same Store Facilities  | 101,481   | 69,886    | 45.2% | 69,886    | 50,712    | 37.8% |
| Total net operating income | 1,325,797 | 1,201,224 | 10.4% | 1,201,224 | 1,098,686 | 9.3%  |

Depreciation and amortization  
expense:

|                           |           |           |        |           |           |        |
|---------------------------|-----------|-----------|--------|-----------|-----------|--------|
| Same Store Facilities     | (305,270) | (314,428) | (2.9)% | (314,428) | (322,467) | (2.5)% |
| Non Same Store Facilities | (79,353)  | (40,543)  | 95.7%  | (40,543)  | (32,848)  | 23.4%  |

Total depreciation and  
amortization expense

|  |           |           |      |           |           |        |
|--|-----------|-----------|------|-----------|-----------|--------|
|  | (384,623) | (354,971) | 8.4% | (354,971) | (355,315) | (0.1)% |
|--|-----------|-----------|------|-----------|-----------|--------|

|                  |            |            |       |            |            |       |
|------------------|------------|------------|-------|------------|------------|-------|
| Total net income | \$ 941,174 | \$ 846,253 | 11.2% | \$ 846,253 | \$ 743,371 | 13.8% |
|------------------|------------|------------|-------|------------|------------|-------|

## Number of facilities at period end:

|                           |       |       |        |       |       |       |
|---------------------------|-------|-------|--------|-------|-------|-------|
| Same Store Facilities     | 1,949 | 1,949 | -      | 1,949 | 1,949 | -     |
| Non Same Store Facilities | 238   | 116   | 105.2% | 116   | 89    | 30.3% |

Net rentable square footage at  
period end (in thousands):

|                           |         |         |       |         |         |       |
|---------------------------|---------|---------|-------|---------|---------|-------|
| Same Store Facilities     | 122,823 | 122,823 | -     | 122,823 | 122,823 | -     |
| Non Same Store Facilities | 17,464  | 8,814   | 98.2% | 8,814   | 6,638   | 32.8% |

(a) See “Net Operating Income” below for further information regarding this non-GAAP measure.

Net income from our Self-Storage operations has increased 11.2% in 2013 as compared to 2012 and 13.8% in 2012 as compared to 2011. These increases are due to improvements in our Same Store Facilities, as well as the acquisitions of new facilities and the fill-up of unstabilized facilities.



## Same Store Facilities

The Same Store Facilities represent those facilities that have been owned and operated on a stabilized basis since January 1, 2011 and therefore provide meaningful comparisons for 2011, 2012 and 2013. The following table summarizes the historical operating results of these 1,949 facilities (122.8 million net rentable square feet) that represent approximately 88% of the aggregate net rentable square feet of our U.S. consolidated self-storage portfolio at December 31, 2013.

Selected Operating Data for the  
Same Store Facilities (1,949  
facilities)

|  | Year Ended December 31, |              |                      | Year Ended December 31, |              |                      |
|--|-------------------------|--------------|----------------------|-------------------------|--------------|----------------------|
|  | 2013                    | 2012         | Percentage<br>Change | 2012                    | 2011         | Percentage<br>Change |
| (Dollar amounts in thousands, except weighted average amounts) |                         |              |                      |                         |              |                      |
| Revenues:  |                         |              |                      |                         |              |                      |
| Rental income  | \$ 1,619,533            | \$ 1,536,517 | 5.4%                 | \$ 1,536,517            | \$ 1,465,038 | 4.9%                 |
| Late charges and administrative fees                           | 83,761                  | 80,281       | 4.3%                 | 80,281                  | 79,505       | 1.0%                 |
| Total revenues (a)   | 1,703,294               | 1,616,798    | 5.3%                 | 1,616,798               | 1,544,543    | 4.7%                 |
| Cost of operations:  |                         |              |                      |                         |              |                      |
| Property taxes   | 160,027                 | 152,191      | 5.1%                 | 152,191                 | 147,806      | 3.0%                 |
| On-site property manager payroll                               | 97,563                  | 98,326       | (0.8)%               | 98,326                  | 101,445      | (3.1)%               |
| Supervisory payroll  | 33,766                  | 33,306       | 1.4%                 | 33,306                  | 32,187       | 3.5%                 |
| Repairs and maintenance  | 39,401                  | 40,079       | (1.7)%               | 40,079                  | 45,406       | (11.7)%              |
| Utilities  | 36,387                  | 36,370       | 0.0%                 | 36,370                  | 37,873       | (4.0)%               |
| Advertising and selling expense                                | 27,083                  | 38,871       | (30.3)%              | 38,871                  | 42,846       | (9.3)%               |
| Other direct property costs                                    | 49,340                  | 50,361       | (2.0)%               | 50,361                  | 53,725       | (6.3)%               |
| Allocated overhead   | 35,411                  | 35,956       | (1.5)%               | 35,956                  | 35,281       | 1.9%                 |
| Total cost of operations (a)                                   | 478,978                 | 485,460      | (1.3)%               | 485,460                 | 496,569      | (2.2)%               |
| Net operating income (b)                                       | 1,224,316               | 1,131,338    | 8.2%                 | 1,131,338               | 1,047,974    | 8.0%                 |
| Depreciation and amortization expense                          | (305,270)               | (314,428)    | (2.9)%               | (314,428)               | (322,467)    | (2.5)%               |
| Net income   | \$ 919,046              | \$ 816,910   | 12.5%                | \$ 816,910              | \$ 725,507   | 12.6%                |
| Gross margin (before depreciation and amortization)            | 71.9%                   | 70.0%        | 2.7%                 | 70.0%                   | 67.9%        | 3.1%                 |

Weighted average for the period:



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|   |          |          |      |          |          |      |
|---|----------|----------|------|----------|----------|------|
| Square foot occupancy (c)                         | 93.3%    | 91.9%    | 1.5% | 91.9%    | 91.3%    | 0.7% |
| Realized annual rental income per:                |          |          |      |          |          |      |
| Occupied square foot (d)                          | \$ 14.13 | \$ 13.61 | 3.8% | \$ 13.61 | \$ 13.06 | 4.2% |
| Available square foot (“REVPAF”) (d)              | \$ 13.19 | \$ 12.51 | 5.4% | \$ 12.51 | \$ 11.93 | 4.9% |
| Weighted average at December 31:                  |          |          |      |          |          |      |
| Square foot occupancy                             | 91.8%    | 91.4%    | 0.4% | 91.4%    | 89.6%    | 2.0% |
| Annual contract rent per occupied square foot (e) | \$ 15.02 | \$ 14.43 | 4.1% | \$ 14.43 | \$ 14.02 | 2.9% |

(a) Revenues and cost of operations do not include ancillary revenues and expenses generated at the facilities with respect to tenant reinsurance and retail sales.

(b) See “Net Operating Income” below for a reconciliation of this non-GAAP measure to our operating income in our income statements for the years ended December 31, 2013, 2012 and 2011.

(c) Square foot occupancies represent weighted average occupancy levels over the entire period.

- (d) Realized annual rent per occupied square foot is computed by dividing annualized rental income, before late charges and administrative fees, by the weighted average occupied square feet for the period. Realized annual rent per available square foot (“REVPAF”) is computed by dividing annualized rental income, before late charges and administrative fees, by the total available net rentable square feet for the period. These measures exclude late charges and administrative fees in order to provide a better measure of our ongoing level of revenue. Late charges are dependent upon the level of delinquency, and administrative fees are dependent upon the level of move-ins. In addition, the rates charged for late charges and administrative fees can vary independently from rental rates. These measures take into consideration promotional discounts, which reduce rental income.
- (e) Contract rent represents the applicable contractual monthly rent charged to our customers, excluding the impact of promotional discounts, late charges, and administrative fees.

#### Analysis of Same Store Revenue

Revenues generated by our Same Store Facilities increased by 5.3% in 2013 as compared to 2012 due to a 1.5% increase in average occupancy and a 3.8% increase in realized rent per occupied square foot. Revenues generated by our Same Store Facilities increased by 4.7% in 2012 as compared to 2011 due to a 0.7% increase in average occupancy and a 4.2% increase in realized rent per occupied square foot. The increase in realized rent per occupied square foot in both periods was due primarily to annual rent increases given to customers that have been renting with us longer than one year, and to a lesser extent, reduced promotional discounts given to new customers.

Same Store average occupancy increased from 91.3% in 2011, to 91.9% in 2012, and to 93.3% in 2013, representing increases of 0.7% in 2012 and 1.5% in 2013. The year over year increases began primarily late in the fourth quarter of 2012, as we implemented more aggressive pricing strategies in the seasonally slow first and fourth quarters. The occupancy spread narrowed in the fourth quarter of 2013 and is expected to continue to narrow in 2014, due to more difficult comparisons.

Our future rental growth will be dependent upon many factors for each market that we operate in, including demand for self-storage space, the level of competitor supply of self-storage space, our ability to increase rental rates to new and existing customers, the level of promotional activities required, and the average length of stay of our customers.

Increasing rental rates to existing customers, generally on an annual basis, is a key component of our revenue growth. We determine the level of rental increases based upon our expectations regarding the impact of existing tenant rate increases on incremental move-outs. We expect to pass similar rent increases to long-term customers in 2014, as we did in 2013.

We believe that high occupancies help maximize our rental revenue. We seek to maintain an average occupancy level of at least 90%, by regularly adjusting the rental rates and promotions offered to attract new customers as well as adjusting our marketing efforts on both television and the Internet in order to generate sufficient move-in volume to replace customers that vacate. Demand fluctuates due to various local and regional factors, including the overall economy. Demand is higher in the summer months than in the winter months and, as a result, rental rates charged to new customers are typically higher in the summer months than in the winter months.

During 2013, 2012 and 2011, the average annualized contractual rates per occupied square foot for customers that moved in were \$12.97, \$12.76 and \$12.89, respectively, and for customers that vacated were \$13.76, \$13.54 and \$13.24, respectively. Promotional discounts, generally representing a one-month reduction in contractual rents, given in the first month of tenancy, were \$79.3 million, \$87.9 million and \$96.6 million in 2013, 2012 and 2011, respectively. Promotional discounts have declined due to higher occupancies.

We believe that the current trends in move-in, move-out, in place contractual rents and occupancy levels are consistent with our expectation of continued revenue growth in 2014. However, such trends, when viewed in the short-run, are

volatile and not necessarily predictive of our revenues going forward because they are subject to many short-term factors. Such factors include initial move-in rates, seasonal

factors, the unit size and geographical mix of the specific customers moving in or moving out, the length of stay of the customers moving in or moving out, changes in our pricing strategies, and the degree and timing of rate increases previously passed to existing customers.

#### Analysis of Same Store Cost of Operations

Cost of operations (excluding depreciation and amortization) decreased 1.3% in 2013 as compared to 2012 and decreased 2.2% in 2012 as compared to 2011. The decrease in 2013 was due primarily to reduced advertising and selling expense, offset partially by increased property taxes. The decrease in 2012 was due to reduced repairs and maintenance, advertising and selling expense, and on-site property manager payroll, offset partially by increased property taxes.

Property tax expense increased 5.1% in 2013 as compared to 2012 and increased 3.0% in 2012 as compared to 2011. The increase in 2013 was due primarily to higher assessed values and tax rates, while the increase in 2012 was due primarily to higher assessed values. We expect property tax growth of approximately 4.5% to 5% in 2014.

On-site property manager payroll expense decreased 0.8% in 2013 as compared to 2012 and 3.1% in 2012 as compared to 2011. These decreases were due to reductions in incentive compensation, offset partially in 2013 by higher claims expense with respect to employee health benefits. We expect on-site property manager payroll expense to increase modestly in 2014 due to higher health care costs.

Supervisory payroll expense, which represents compensation paid to the management personnel who directly and indirectly supervise the on-site property managers, increased 1.4% in 2013 as compared to 2012 and increased 3.5% in 2012 as compared to 2011. The increase in 2013 was due primarily to increases in compensation rates, while the increase in 2012 was due primarily to increased headcount. We expect inflationary increases in compensation rates and flat headcount in 2014.

Repairs and maintenance expense decreased 1.7% in 2013 as compared to 2012 and decreased 11.7% in 2012 as compared to 2011. Repair and maintenance costs include snow removal expense totaling \$5.3 million, \$2.7 million and \$4.3 million in 2013, 2012 and 2011, respectively. Excluding snow removal costs, repairs and maintenance decreased 8.7% in 2013 as compared to 2012 and 9.0% in 2012 as compared to 2011.

Repairs and maintenance expense levels are dependent upon many factors such as weather conditions, which can impact repair and maintenance needs, inflation in material and labor costs, and random events. We expect inflationary increases in repairs and maintenance expense in 2014 excluding snow removal expense. Snow removal expense is expected to be higher in the three months ending March 31, 2014 as compared to the same period in 2013 due to high levels of snowfall.

Our utility expenses are comprised primarily of electricity costs, which are dependent upon energy prices and usage levels. Changes in usage levels are driven primarily by weather and temperature. Utility expense was flat in 2013 as compared to 2012 and down 4.0% in 2012 as compared to 2011. The decrease in 2012 was due to reduced usage caused by milder weather. It is difficult to estimate future utility cost levels, because weather, temperature, and energy prices are volatile and not predictable. We do, however, expect utility expense to be higher in the first three months of 2014 as compared to the same period in 2013 due to severe winter weather in many of the markets we operate in.

Advertising and selling expense is comprised principally of Internet advertising, media advertising and the operating costs of our telephone reservation center. Advertising and selling expense varies based upon demand, occupancy levels, and other factors; media and Internet advertising, in particular, can increase or decrease significantly in the

short run in response to these factors. These costs declined 30.3% in 2013 as compared to 2012 and declined 9.3% in 2012 as compared to 2011. The decrease in 2013 is due to the phase-out of our yellow page advertising program as of December 31, 2012, as well as reduced television advertising and Internet search costs as a result of high occupancies. The decrease in 2012 is

due primarily to reduced media advertising. Based upon current trends in move-ins, move-outs, and occupancies, we expect advertising and selling expense to be approximately flat in 2014.

Other direct property costs include administrative expenses incurred at the self-storage facilities, such as property insurance, business license costs, bank charges related to processing the properties' cash receipts, credit card fees, and the cost of operating each property's rental office including supplies and telephone data communication lines. These costs decreased 2.0% in 2013 as compared to 2012 and 6.3% in 2012 as compared to 2011. The decrease in 2013 is due to lower property insurance costs and certain administrative cost-saving efforts, offset partially by an increase in credit card fees due primarily to an increase in credit card collections. The decrease in 2012 is due principally to lower credit card fee rates. We expect moderate increases in other direct property costs in 2014.

Allocated overhead represents administrative expenses for shared general corporate functions, which are allocated to self-storage property operations to the extent their efforts are devoted to self-storage operations. Such functions include data processing, human resources, operational accounting and finance, marketing, and costs of senior executives (other than the Chief Executive Officer and Chief Financial Officer, which are included in general and administrative expense). Allocated overhead decreased 1.5% in 2013 as compared to 2012, and increased 1.9% in 2012 as compared to 2011. We expect inflationary growth in allocated overhead in 2014 as compared to the 2013.

The following table summarizes selected quarterly financial data with respect to the Same Store Facilities:

## For the Quarter Ended

|  | March 31 | June 30 | September 30 | December 31 | Entire Year |
|--|----------|---------|--------------|-------------|-------------|
|--|----------|---------|--------------|-------------|-------------|

(Amounts in thousands, except for per square foot amount)

## Total revenues:

|      |            |            |            |            |              |
|------|------------|------------|------------|------------|--------------|
| 2013 | \$ 409,604 | \$ 420,146 | \$ 441,011 | \$ 432,533 | \$ 1,703,294 |
| 2012 | \$ 388,499 | \$ 399,725 | \$ 418,085 | \$ 410,489 | \$ 1,616,798 |
| 2011 | \$ 372,073 | \$ 381,301 | \$ 399,864 | \$ 391,305 | \$ 1,544,543 |

## Total cost of operations:

|      |            |            |            |            |            |
|------|------------|------------|------------|------------|------------|
| 2013 | \$ 131,358 | \$ 122,587 | \$ 124,798 | \$ 100,235 | \$ 478,978 |
| 2012 | \$ 134,411 | \$ 125,126 | \$ 122,987 | \$ 102,936 | \$ 485,460 |
| 2011 | \$ 133,232 | \$ 127,781 | \$ 126,615 | \$ 108,941 | \$ 496,569 |

## Property taxes:

|      |           |           |           |           |            |
|------|-----------|-----------|-----------|-----------|------------|
| 2013 | \$ 44,758 | \$ 44,031 | \$ 43,652 | \$ 27,586 | \$ 160,027 |
| 2012 | \$ 43,142 | \$ 42,051 | \$ 40,703 | \$ 26,295 | \$ 152,191 |
| 2011 | \$ 41,472 | \$ 40,383 | \$ 39,713 | \$ 26,238 | \$ 147,806 |

## Repairs and maintenance:

|      |           |           |           |           |           |
|------|-----------|-----------|-----------|-----------|-----------|
| 2013 | \$ 10,824 | \$ 9,086  | \$ 9,689  | \$ 9,802  | \$ 39,401 |
| 2012 | \$ 12,235 | \$ 10,443 | \$ 8,500  | \$ 8,901  | \$ 40,079 |
| 2011 | \$ 10,792 | \$ 11,029 | \$ 11,008 | \$ 12,577 | \$ 45,406 |

Advertising and selling  
expense:

|      |           |           |           |          |           |
|------|-----------|-----------|-----------|----------|-----------|
| 2013 | \$ 7,453  | \$ 6,412  | \$ 8,385  | \$ 4,833 | \$ 27,083 |
| 2012 | \$ 10,531 | \$ 10,586 | \$ 10,216 | \$ 7,538 | \$ 38,871 |
| 2011 | \$ 11,908 | \$ 12,357 | \$ 10,011 | \$ 8,570 | \$ 42,846 |

## REVPAF:

|      |          |          |          |          |          |
|------|----------|----------|----------|----------|----------|
| 2013 | \$ 12.67 | \$ 13.02 | \$ 13.65 | \$ 13.40 | \$ 13.19 |
| 2012 | \$ 12.01 | \$ 12.37 | \$ 12.93 | \$ 12.73 | \$ 12.51 |
| 2011 | \$ 11.51 | \$ 11.79 | \$ 12.32 | \$ 12.09 | \$ 11.93 |

## Weighted average realized annual rent per occupied square foot:

|      |          |          |          |          |          |
|------|----------|----------|----------|----------|----------|
| 2013 | \$ 13.79 | \$ 13.85 | \$ 14.46 | \$ 14.41 | \$ 14.13 |
| 2012 | \$ 13.30 | \$ 13.39 | \$ 13.90 | \$ 13.83 | \$ 13.61 |
| 2011 | \$ 12.84 | \$ 12.80 | \$ 13.29 | \$ 13.32 | \$ 13.06 |

Weighted average occupancy levels for  
the period:

|      |       |       |       |       |       |
|------|-------|-------|-------|-------|-------|
| 2013 | 91.9% | 94.0% | 94.4% | 93.0% | 93.3% |
|------|-------|-------|-------|-------|-------|

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|      |       |       |       |       |       |
|------|-------|-------|-------|-------|-------|
| 2012 | 90.3% | 92.4% | 93.0% | 92.1% | 91.9% |
| 2011 | 89.6% | 92.1% | 92.7% | 90.8% | 91.3% |

33

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## Analysis of Market Trends

The following table sets forth selected market trends in our Same Store Facilities:

Same Store Facilities Operating Trends  
by Market

|  | Year Ended December 31, |              |        | Year Ended December 31, |              |        |
|--|-------------------------|--------------|--------|-------------------------|--------------|--------|
|  | 2013                    | 2012         | Change | 2012                    | 2011         | Change |
| (Amounts in thousands)                 |                         |              |        |                         |              |        |
| Revenues:                              |                         |              |        |                         |              |        |
| Los Angeles (177 facilities)           | \$ 232,877              | \$ 221,310   | 5.2%   | \$ 221,310              | \$ 212,288   | 4.2%   |
| San Francisco (126 facilities)         | 145,029                 | 136,821      | 6.0%   | 136,821                 | 129,608      | 5.6%   |
| New York (78 facilities)               | 111,695                 | 104,290      | 7.1%   | 104,290                 | 99,361       | 5.0%   |
| Chicago (125 facilities)               | 106,284                 | 101,340      | 4.9%   | 101,340                 | 97,156       | 4.3%   |
| Washington DC (72 facilities)          | 81,815                  | 79,348       | 3.1%   | 79,348                  | 76,793       | 3.3%   |
| Seattle-Tacoma (85 facilities)         | 82,111                  | 77,251       | 6.3%   | 77,251                  | 74,109       | 4.2%   |
| Miami (59 facilities)                  | 70,408                  | 66,955       | 5.2%   | 66,955                  | 63,268       | 5.8%   |
| Dallas-Ft. Worth (99 facilities)       | 68,177                  | 64,127       | 6.3%   | 64,127                  | 60,851       | 5.4%   |
| Houston (80 facilities)                | 62,205                  | 57,637       | 7.9%   | 57,637                  | 54,592       | 5.6%   |
| Atlanta (89 facilities)                | 59,573                  | 57,382       | 3.8%   | 57,382                  | 55,045       | 4.2%   |
| Philadelphia (55 facilities)           | 44,783                  | 43,532       | 2.9%   | 43,532                  | 42,206       | 3.1%   |
| Denver (47 facilities)                 | 39,808                  | 36,921       | 7.8%   | 36,921                  | 34,107       | 8.3%   |
| Minneapolis-St Paul<br>(41 facilities) | 33,863                  | 31,369       | 8.0%   | 31,369                  | 29,797       | 5.3%   |
| Portland (41 facilities)               | 30,077                  | 28,625       | 5.1%   | 28,625                  | 27,321       | 4.8%   |
| Orlando-Daytona (45 facilities)        | 29,259                  | 28,083       | 4.2%   | 28,083                  | 27,049       | 3.8%   |
| All other markets (730 facilities)     | 505,330                 | 481,807      | 4.9%   | 481,807                 | 460,992      | 4.5%   |
| Total revenues                         | \$ 1,703,294            | \$ 1,616,798 | 5.3%   | \$ 1,616,798            | \$ 1,544,543 | 4.7%   |
| Net operating income:                  |                         |              |        |                         |              |        |
| Los Angeles                            | \$ 185,930              | \$ 172,382   | 7.9%   | \$ 172,382              | \$ 161,816   | 6.5%   |
| San Francisco                          | 113,509                 | 104,514      | 8.6%   | 104,514                 | 97,076       | 7.7%   |
| New York                               | 78,269                  | 70,005       | 11.8%  | 70,005                  | 65,917       | 6.2%   |
| Chicago                                | 62,378                  | 59,892       | 4.2%   | 59,892                  | 52,830       | 13.4%  |
| Washington DC                          | 62,444                  | 59,901       | 4.2%   | 59,901                  | 56,862       | 5.3%   |
| Seattle-Tacoma                         | 62,354                  | 57,092       | 9.2%   | 57,092                  | 54,244       | 5.3%   |
| Miami                                  | 52,649                  | 48,685       | 8.1%   | 48,685                  | 44,977       | 8.2%   |
| Dallas-Ft. Worth                       | 46,498                  | 41,924       | 10.9%  | 41,924                  | 37,621       | 11.4%  |
| Houston                                | 40,853                  | 37,367       | 9.3%   | 37,367                  | 34,734       | 7.6%   |
| Atlanta                                | 42,171                  | 39,055       | 8.0%   | 39,055                  | 36,009       | 8.5%   |
| Philadelphia                           | 30,154                  | 28,775       | 4.8%   | 28,775                  | 26,732       | 7.6%   |
| Denver                                 | 28,707                  | 25,769       | 11.4%  | 25,769                  | 22,521       | 14.4%  |

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|                            |              |              |       |              |              |      |
|----------------------------|--------------|--------------|-------|--------------|--------------|------|
| Minneapolis-St. Paul       | 21,979       | 19,920       | 10.3% | 19,920       | 18,309       | 8.8% |
| Portland                   | 22,457       | 20,750       | 8.2%  | 20,750       | 19,054       | 8.9% |
| Orlando-Daytona            | 20,155       | 18,980       | 6.2%  | 18,980       | 17,455       | 8.7% |
| All other markets          | 353,809      | 326,327      | 8.4%  | 326,327      | 301,817      | 8.1% |
| Total net operating income | \$ 1,224,316 | \$ 1,131,338 | 8.2%  | \$ 1,131,338 | \$ 1,047,974 | 8.0% |

34

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Same Store Facilities Operating Trends by Market  
(Continued)

|  | Year Ended December 31, |          |        | Year Ended December 31, |          |        |
|--|-------------------------|----------|--------|-------------------------|----------|--------|
|  | 2013                    | 2012     | Change | 2012                    | 2011     | Change |
| Weighted average square foot occupancy:        |                         |          |        |                         |          |        |
| Los Angeles                                    | 93.7%                   | 92.6%    | 1.2%   | 92.6%                   | 92.1%    | 0.5%   |
| San Francisco                                  | 94.5%                   | 93.2%    | 1.4%   | 93.2%                   | 92.9%    | 0.3%   |
| New York                                       | 94.7%                   | 92.9%    | 1.9%   | 92.9%                   | 92.7%    | 0.2%   |
| Chicago  | 93.5%                   | 92.3%    | 1.3%   | 92.3%                   | 91.2%    | 1.2%   |
| Washington DC                                  | 93.0%                   | 91.9%    | 1.2%   | 91.9%                   | 92.6%    | (0.8)% |
| Seattle-Tacoma                                 | 93.0%                   | 91.1%    | 2.1%   | 91.1%                   | 91.0%    | 0.1%   |
| Miami  | 93.9%                   | 92.5%    | 1.5%   | 92.5%                   | 91.8%    | 0.8%   |
| Dallas-Ft. Worth                               | 93.4%                   | 91.7%    | 1.9%   | 91.7%                   | 91.5%    | 0.2%   |
| Houston  | 93.8%                   | 91.8%    | 2.2%   | 91.8%                   | 89.8%    | 2.2%   |
| Atlanta  | 91.9%                   | 90.6%    | 1.4%   | 90.6%                   | 90.4%    | 0.2%   |
| Philadelphia                                   | 93.1%                   | 91.6%    | 1.6%   | 91.6%                   | 91.9%    | (0.3)% |
| Denver   | 94.8%                   | 94.1%    | 0.7%   | 94.1%                   | 91.9%    | 2.4%   |
| Minneapolis-St. Paul                           | 93.2%                   | 91.8%    | 1.5%   | 91.8%                   | 90.9%    | 1.0%   |
| Portland                                       | 94.1%                   | 92.8%    | 1.4%   | 92.8%                   | 91.8%    | 1.1%   |
| Orlando-Daytona                                | 93.1%                   | 91.8%    | 1.4%   | 91.8%                   | 90.3%    | 1.7%   |
| All other markets                              | 92.9%                   | 91.5%    | 1.5%   | 91.5%                   | 90.7%    | 0.9%   |
| Total weighted average occupancy               | 93.3%                   | 91.9%    | 1.5%   | 91.9%                   | 91.3%    | 0.7%   |
| Realized annual rent per occupied square foot: |                         |          |        |                         |          |        |
| Los Angeles                                    | \$ 20.09                | \$ 19.35 | 3.8%   | \$ 19.35                | \$ 18.63 | 3.9%   |
| San Francisco                                  | 20.01                   | 19.14    | 4.5%   | 19.14                   | 18.15    | 5.5%   |
| New York                                       | 21.85                   | 20.80    | 5.0%   | 20.80                   | 19.78    | 5.2%   |
| Chicago  | 13.76                   | 13.25    | 3.8%   | 13.25                   | 12.84    | 3.2%   |
| Washington DC                                  | 20.36                   | 19.94    | 2.1%   | 19.94                   | 19.13    | 4.2%   |
| Seattle-Tacoma                                 | 15.12                   | 14.52    | 4.1%   | 14.52                   | 13.89    | 4.5%   |
| Miami  | 16.84                   | 16.20    | 4.0%   | 16.20                   | 15.37    | 5.4%   |
| Dallas-Ft. Worth                               | 11.01                   | 10.55    | 4.4%   | 10.55                   | 10.00    | 5.5%   |
| Houston  | 11.37                   | 10.79    | 5.4%   | 10.79                   | 10.42    | 3.6%   |
| Atlanta  | 10.37                   | 10.09    | 2.8%   | 10.09                   | 9.66     | 4.5%   |
| Philadelphia                                   | 13.38                   | 13.20    | 1.4%   | 13.20                   | 12.73    | 3.7%   |
| Denver   | 13.22                   | 12.35    | 7.0%   | 12.35                   | 11.65    | 6.0%   |
| Minneapolis-St. Paul                           | 12.26                   | 11.50    | 6.6%   | 11.50                   | 11.01    | 4.5%   |
| Portland                                       | 14.20                   | 13.69    | 3.7%   | 13.69                   | 13.21    | 3.6%   |
| Orlando-Daytona                                | 10.96                   | 10.65    | 2.9%   | 10.65                   | 10.42    | 2.2%   |
| All other markets                              | 11.43                   | 11.06    | 3.3%   | 11.06                   | 10.65    | 3.8%   |
| Total realized rent per square foot            | \$ 14.13                | \$ 13.61 | 3.8%   | \$ 13.61                | \$ 13.06 | 4.2%   |



Same Store Facilities Operating Trends by Market  
(Continued)

|                      | Year Ended December 31,<br>2013 |          |        | Year Ended December 31,<br>2012 |          |        |
|----------------------|---------------------------------|----------|--------|---------------------------------|----------|--------|
|                      | 2013                            | 2012     | Change | 2012                            | 2011     | Change |
| REVPAF:              |                                 |          |        |                                 |          |        |
| Los Angeles          | \$ 18.82                        | \$ 17.92 | 5.0%   | \$ 17.92                        | \$ 17.15 | 4.5%   |
| San Francisco        | 18.91                           | 17.84    | 6.0%   | 17.84                           | 16.87    | 5.7%   |
| New York             | 20.68                           | 19.33    | 7.0%   | 19.33                           | 18.34    | 5.4%   |
| Chicago              | 12.87                           | 12.23    | 5.2%   | 12.23                           | 11.71    | 4.4%   |
| Washington DC        | 18.92                           | 18.33    | 3.2%   | 18.33                           | 17.71    | 3.5%   |
| Seattle-Tacoma       | 14.06                           | 13.23    | 6.3%   | 13.23                           | 12.64    | 4.7%   |
| Miami                | 15.81                           | 14.99    | 5.5%   | 14.99                           | 14.11    | 6.2%   |
| Dallas-Ft. Worth     | 10.28                           | 9.67     | 6.3%   | 9.67                            | 9.15     | 5.7%   |
| Houston              | 10.66                           | 9.90     | 7.7%   | 9.90                            | 9.36     | 5.8%   |
| Atlanta              | 9.53                            | 9.14     | 4.3%   | 9.14                            | 8.73     | 4.7%   |
| Philadelphia         | 12.45                           | 12.09    | 3.0%   | 12.09                           | 11.69    | 3.4%   |
| Denver               | 12.54                           | 11.61    | 8.0%   | 11.61                           | 10.70    | 8.5%   |
| Minneapolis-St. Paul | 11.43                           | 10.56    | 8.2%   | 10.56                           | 10.01    | 5.5%   |
| Portland             | 13.36                           | 12.71    | 5.1%   | 12.71                           | 12.13    | 4.8%   |
| Orlando-Daytona      | 10.21                           | 9.78     | 4.4%   | 9.78                            | 9.40     | 4.0%   |
| All other markets    | 10.62                           | 10.12    | 4.9%   | 10.12                           | 9.67     | 4.7%   |
| Total REVPAF         | \$ 13.19                        | \$ 12.51 | 5.4%   | \$ 12.51                        | \$ 11.93 | 4.9%   |

We believe that our geographic diversification and scale provide some insulation from localized economic effects and add to the stability of our cash flows. It is difficult to predict localized trends in short-term self-storage demand and operating results. Over the long run, we believe that markets that experience population growth, high employment, and otherwise exhibit economic strength and consistency will outperform markets that do not exhibit these characteristics.

Non Same Store Facilities

The Non Same Store Facilities at December 31, 2013 represent 238 facilities that were not stabilized with respect to occupancies or rental rates since January 1, 2011, or that we did not own as of January 1, 2011. As a result of the stabilization process and timing of when the facilities were acquired, year-over-year changes can be significant. In the following table, "Other facilities" includes all facilities that we have owned, but were not yet stabilized as of January 1, 2011, three facilities that we obtained control of and began consolidating in 2012 and a newly developed facility opened in 2013.

The following table summarizes operating data with respect to the Non Same Store Facilities:

| NON SAME STORE FACILITIES  | Year Ended December 31, |           |            | Year Ended December 31, |           |           |
|--|-------------------------|-----------|------------|-------------------------|-----------|-----------|
|  | 2013                    | 2012      | Change     | 2012                    | 2011      | Change    |
| (Dollar amounts in thousands, except square foot amounts)        |                         |           |            |                         |           |           |
| Rental income:   |                         |           |            |                         |           |           |
| 2013 third party acquisitions                                    | \$ 19,309               | \$ -      | \$ 19,309  | \$ -                    | \$ -      | \$ -      |
| 2012 third party acquisitions                                    | 22,452                  | 7,791     | 14,661     | 7,791                   | -         | 7,791     |
| Other facilities   | 104,828                 | 94,276    | 10,552     | 94,276                  | 77,256    | 17,020    |
| Total rental income  | 146,589                 | 102,067   | 44,522     | 102,067                 | 77,256    | 24,811    |
| Cost of operations before depreciation and amortization expense: |                         |           |            |                         |           |           |
| 2013 third party acquisitions                                    | \$ 7,574                | \$ -      | \$ 7,574   | \$ -                    | \$ -      | \$ -      |
| 2012 third party acquisitions                                    | 8,562                   | 3,206     | 5,356      | 3,206                   | -         | 3,206     |
| Other facilities   | 28,972                  | 28,975    | (3)        | 28,975                  | 26,544    | 2,431     |
| Total cost of operations   | 45,108                  | 32,181    | 12,927     | 32,181                  | 26,544    | 5,637     |
| Net operating income and net income:                             |                         |           |            |                         |           |           |
| 2013 third party acquisitions                                    | \$ 11,735               | \$ -      | \$ 11,735  | \$ -                    | \$ -      | \$ -      |
| 2012 third party acquisitions                                    | 13,890                  | 4,585     | 9,305      | 4,585                   | -         | 4,585     |
| Other facilities   | 75,856                  | 65,301    | 10,555     | 65,301                  | 50,712    | 14,589    |
| Total net operating income (a)                                   | 101,481                 | 69,886    | 31,595     | 69,886                  | 50,712    | 19,174    |
| Depreciation and amortization expense                            | (79,353)                | (40,543)  | (38,810)   | (40,543)                | (32,848)  | (7,695)   |
| Net income   | \$ 22,128               | \$ 29,343 | \$ (7,215) | \$ 29,343               | \$ 17,864 | \$ 11,479 |
| At December 31:  |                         |           |            |                         |           |           |
| Square foot occupancy:   |                         |           |            |                         |           |           |
| 2013 third party acquisitions                                    | 82.6%                   | -         | -          | -                       | -         | -         |
| 2012 third party acquisitions                                    | 86.5%                   | 75.2%     | 15.0%      | 75.2%                   | -         | -         |
| Other facilities   | 88.3%                   | 89.1%     | (0.9)%     | 89.1%                   | 84.2%     | 5.8%      |
|  | 85.4%                   | 86.0%     | (0.7)%     | 86.0%                   | 84.2%     | 2.1%      |
| Annual contract rent per occupied square foot:                   |                         |           |            |                         |           |           |
| 2013 third party acquisitions                                    | \$ 13.56                | \$ -      | -          | \$ -                    | \$ -      | -         |
| 2012 third party acquisitions                                    | 13.76                   | 13.66     | 0.7%       | 13.66                   | -         | -         |
| Other facilities   | 16.37                   | 15.89     | 3.0%       | 15.89                   | 15.37     | 3.4%      |
|  | 14.78                   | 15.47     | (4.5)%     | 15.47                   | 15.37     | 0.7%      |
| Number of facilities:  |                         |           |            |                         |           |           |
| 2013 third party acquisitions                                    | 121                     | -         | 121        | -                       | -         | -         |
| 2012 third party acquisitions                                    | 24                      | 24        | -          | 24                      | -         | 24        |
| Other facilities   | 93                      | 92        | 1          | 92                      | 89        | 3         |
|  | 238                     | 116       | 122        | 116                     | 89        | 27        |

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Net rentable square feet (in thousands):

|                               |        |       |       |       |       |       |
|-------------------------------|--------|-------|-------|-------|-------|-------|
| 2013 third party acquisitions | 8,036  | -     | 8,036 | -     | -     | -     |
| 2012 third party acquisitions | 2,117  | 1,908 | 209   | 1,908 | -     | 1,908 |
| Other facilities              | 7,311  | 6,906 | 405   | 6,906 | 6,638 | 268   |
|                               | 17,464 | 8,814 | 8,650 | 8,814 | 6,638 | 2,176 |

37

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(a) See “Net Operating Income” below for a reconciliation of this non-GAAP measure to our net income in our statements of income for the years ended December 31, 2013, 2012 and 2011.

During 2013, we acquired 121 operating self-storage facilities from third parties (8,036,000 net rentable square feet of storage space) for approximately \$1.16 billion. During 2012, we acquired 24 operating self-storage facilities from third parties (1,908,000 net rentable square feet of storage space and unfinished space that was converted to 209,000 net rentable square feet of self-storage space in 2013 for \$20.3 million in additional development cost) for \$225.5 million in cash. During 2011, we acquired eleven operating self-storage facilities from third parties (896,000 net rentable square feet) for an aggregate cost of \$80.4 million.

For 2013, the weighted average annualized yield for the facilities acquired in 2011 and 2012 (excluding the facility that was acquired in 2012 and expanded in 2013) was 10.5% and 6.8%, respectively. The weighted average annualized yield with respect to the 2013 acquisitions is not meaningful due to our limited ownership period.

During 2013, we completed expansions to the Other Facilities, adding 300,000 net rentable square feet of self-storage space, for an aggregate cost of \$19.9 million and we opened a newly developed facility for an aggregate cost of \$16.6 million with 105,000 net rentable square feet of storage space.

We expect to increase the number of Non Same Storage Facilities over at least the next twelve months through development of additional self-storage space and acquisitions of existing facilities from third parties. As of December 31, 2013, we had development and expansion projects which will add approximately 1.8 million net rentable square feet of storage space at a total cost of approximately \$196 million. A total of \$52 million in costs were incurred through December 31, 2013, with the remaining costs expected to be incurred in 2014. Some of these projects are subject to significant contingencies such as entitlement approval. We expect to continue to seek additional development projects; however, the level of future development may be limited due to various constraints such as difficulty in finding projects that meet our risk-adjusted yield expectations and challenges in obtaining building permits for self-storage activities in certain municipalities. There is significant competition to acquire existing facilities and there can be no assurance that we will be able to acquire additional facilities at prices we will find attractive.

We believe that our management and operating infrastructure will result in newly acquired facilities stabilizing at a higher level of net operating income than was achieved by the previous owners. However, it can take 24 or more months for these newly acquired facilities to reach stabilization, and the ultimate levels of net operating income to be achieved can be affected by changes in general economic conditions. As a result, there can be no assurance that our expectations with respect to these facilities will be achieved. However, we expect the Non Same Store Facilities to continue to provide earnings growth during 2014 as these facilities approach stabilized occupancy levels and the earnings of the 2013 acquisitions are reflected in our operations for a longer period in 2014 as compared to 2013.

#### Equity in earnings of unconsolidated real estate entities

At December 31, 2013, we have equity investments in PSB, Shurgard Europe and various limited partnerships. We account for such investments using the equity method.



Equity in earnings of unconsolidated real estate entities for 2013, 2012 and 2011 consists of our pro-rata share of the net income of these unconsolidated real estate entities for each period. The following table sets forth the significant components of equity in earnings of unconsolidated real estate entities.

38

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| Historical summary: | Year Ended December 31, |      |        | Year Ended December 31, |      |        |
|---------------------|-------------------------|------|--------|-------------------------|------|--------|
|                     | 2013                    | 2012 | Change | 2012                    | 2011 | Change |

(Amounts in thousands)

Equity in earnings:

|                          |           |           |           |           |           |             |
|--------------------------|-----------|-----------|-----------|-----------|-----------|-------------|
| PSB                      | \$ 23,199 | \$ 10,638 | \$ 12,561 | \$ 10,638 | \$ 27,781 | \$ (17,143) |
| Shurgard Europe          | 32,694    | 33,223    | (529)     | 33,223    | 29,152    | 4,071       |
| Other Investments        | 1,686     | 1,725     | (39)      | 1,725     | 1,771     | (46)        |
| Total equity in earnings | \$ 57,579 | \$ 45,586 | \$ 11,993 | \$ 45,586 | \$ 58,704 | \$ (13,118) |

**Investment in PSB:** At December 31, 2013, we have an approximate 42% common equity interest in PSB, comprised of our ownership of 7,158,354 shares of PSB's common stock and 7,305,355 limited partnership units in an operating partnership controlled by PSB (41% as of December 31, 2012, comprised of our ownership of 5,801,606 shares of PSB's common stock and 7,305,355 limited partnership units at December 31, 2012). The limited partnership units are convertible at our option, subject to certain conditions, on a one-for-one basis into PSB common stock.

During 2013, we purchased 406,748 shares of PSB common stock in open-market transactions at an average cost of \$73.15 per share.

On November 7, 2013, we purchased 950,000 shares of PSB common stock from PSB at \$79.25 per share, concurrent with PSB's sale of 1,495,000 additional shares to the public at the same price per share.

At December 31, 2013, PSB owned and operated 29.7 million rentable square feet of commercial space located in eight states. PSB also manages commercial space that we own pursuant to property management agreements.

Equity in earnings from PSB increased to \$23.2 million in 2013 from \$10.6 million in 2012. This increase was due primarily to EITF D-42 charges from PSB's redemptions of preferred securities recorded in 2012, combined with increases in operating income for its newly acquired and same-park facilities. See Note 4 to our December 31, 2013 financial statements for selected financial information on PSB, as well as PSB's filings and selected financial information that can be accessed through the SEC, and on PSB's website, [www.psbusinessparks.com](http://www.psbusinessparks.com).

Equity in earnings from PSB decreased to \$10.6 million in 2012, as compared to \$27.8 million in 2011. This decrease was principally due to (i) the impact of PSB's redemptions of preferred securities in 2011 and 2012, which reduced income allocated to the common equity holders in 2012, and increased income allocable to the common equity holders in 2011, (ii) increased depreciation and interest expense as a result of the properties PSB acquired in 2011 and 2012, partially offset by (iii) incremental income generated by the properties PSB acquired in 2011 and 2012.

Our investment in PSB provides us with some diversification.

**Investment in Shurgard Europe:** Equity in earnings of Shurgard Europe represents our 49% equity share of Shurgard Europe's net income. At December 31, 2013, Shurgard Europe's operations are comprised of 187 wholly-owned

facilities with 10 million net rentable square feet. Selected financial data for Shurgard Europe for 2013, 2012 and 2011 is included in Note 4 to our December 31, 2013 financial statements. As described in more detail in Note 4, we receive interest income and trademark license fees from Shurgard Europe.

Equity in earnings from Shurgard Europe decreased to \$32.7 million for the year ended December 31, 2013 from \$33.2 million for the same period in 2012.

Equity in earnings from Shurgard Europe increased to \$33.2 million for the year ended December 31, 2012 from \$29.2 million for the same period in 2011. The increase is due to our equity share of (i) improved property operations, (ii) reduced interest expense due to a reduction in interest rates and repayment of principal on third-party debt (iii) the impact of Shurgard Europe's March 2, 2011 acquisition of the remaining 80% interest it did not own in two joint ventures that owned 72 self-storage facilities, partially offset by (iv) a reduction in foreign currency exchange rates when converting Euros into U.S. Dollars for reporting purposes.

Shurgard Europe has no development pipeline and no expectations in the short-term of acquiring any facilities from third parties. Accordingly, at least in the short-term, our future earnings from Shurgard Europe will be affected primarily by the operating results of its existing facilities, as well as the exchange rate between the U.S. Dollar and currencies in the countries Shurgard Europe conducts its business, principally the Euro.

European Same Store Facilities: The Shurgard Europe Same Store Pool represents the 163 facilities (8.7 million net rentable square feet, representing 86% of the aggregate net rentable square feet of Shurgard Europe's self-storage portfolio) that have been consolidated and operated by Shurgard Europe on a stabilized basis since January 1, 2011 and therefore provide meaningful comparisons for 2011, 2012 and 2013. We evaluate the performance of these facilities because Shurgard Europe's ability to effectively manage stabilized facilities represents an important measure of its ability to grow its earnings over the long-term.

The following table reflects 100% of the operating results of those 163 facilities. We restate the exchange rates used in prior year's presentation to the actual exchange rates for 2013. However, only our pro rata share of the operating results for these facilities, based upon the actual exchange rates for each period, is included in "equity in earnings of unconsolidated real estate entities" on our statements of income.

In Note 4 to our December 31, 2013 financial statements, we disclose Shurgard Europe's consolidated operating results for the years ended December 31, 2013, 2012 and 2011. Shurgard Europe's consolidated operating results include 24 additional facilities that are not Same Store Facilities, and are based upon historical exchange rates rather than constant exchange rates for each of the respective periods.

## Selected Operating Data for the Shurgard

| Europe Same Store Pool (163 facilities): | Year Ended December 31, |      |                   | Year Ended December 31, |      |                   |
|--|-------------------------|------|-------------------|-------------------------|------|-------------------|
|  | 2013                    | 2012 | Percentage Change | 2012                    | 2011 | Percentage Change |

(Dollar amounts in thousands, except weighted average data, utilizing constant exchange rates) (a)

|   |            |            |        |            |            |        |
|---|------------|------------|--------|------------|------------|--------|
| Revenues (including late charges and administrative fees)                   | \$ 190,673 | \$ 194,275 | (1.9)% | \$ 194,275 | \$ 196,163 | (1.0)% |
| Less: Cost of operations (excluding depreciation and amortization expenses) | 80,295     | 79,994     | 0.4%   | 79,994     | 83,641     | (4.4)% |
| Net operating income (b)  | \$ 110,378 | \$ 114,281 | (3.4)% | \$ 114,281 | \$ 112,522 | 1.6%   |
| Gross margin  | 57.9%      | 58.8%      | (1.5)% | 58.8%      | 57.4%      | 2.4%   |
| Weighted average for the period:  |            |            |        |            |            |        |
| Square foot occupancy (c)   | 81.2%      | 83.1%      | (2.3)% | 83.1%      | 85.0%      | (2.2)% |
| Realized annual rent, prior to late charges and administrative fees, per:   |            |            |        |            |            |        |
| Occupied square foot (d)  | \$ 26.65   | \$ 26.56   | 0.3%   | \$ 26.56   | \$ 26.18   | 1.5%   |
| Available square foot ("REVPAF") (d)  | \$ 21.64   | \$ 22.07   | (1.9)% | \$ 22.07   | \$ 22.25   | (0.8)% |
| Average Euro to the U.S. Dollar for the period (a):                         |            |            |        |            |            |        |
| Constant exchange rates used herein   | 1.328      | 1.328      | -      | 1.328      | 1.328      | -      |
| Actual historical exchange rates  | 1.328      | 1.285      | 3.3%   | 1.285      | 1.392      | (7.7)% |

(a) In order to isolate changes in the underlying operations from the impact of exchange rates, the amounts in this table are presented on a constant exchange rate basis. The amounts for years ended December 31, 2012 and 2011 have been restated using the actual exchange rates for the year ended December 31, 2013.

(b) We present Shurgard Europe's same-store net operating income or "NOI," which is a non-GAAP (generally accepted accounting principles) financial measure that excludes the impact of depreciation and amortization expense. We believe that NOI is a meaningful measure of operating performance, because we utilize NOI in making decisions with respect to capital allocations, in determining current property values, in evaluating property performance and in comparing period-to-period and market-to-market property operating results. In addition, we believe the investment community utilizes NOI in determining operating performance and real estate values, and does not consider depreciation expense because it is based upon historical cost. NOI is not a substitute for net income, net operating cash flow, or other related GAAP financial measures, in evaluating Shurgard Europe's operating results.

(c) Square foot occupancies represent weighted average occupancy levels over the entire period.

(d)Realized annual rent per occupied square foot is computed by dividing annualized rental income, before late charges and administrative fees, by the weighted average occupied square feet for the period. Realized annual rent per available square foot ("REVPAF") is computed by dividing annualized rental income, before late charges and administrative fees, by the total available net rentable square feet for the period. These measures exclude late charges and administrative fees in order to provide a better measure of our ongoing level of revenue. Late charges are dependent upon the level of delinquency, and administrative fees are dependent upon the level of move-ins. In addition, the rates charged for late charges and administrative fees can vary independently from rental rates. These measures take into consideration promotional discounts, which reduce rental income.

Net operating income decreased 3.4% in 2013 as compared to 2012, principally due to a reduction in revenue of 1.9% and relatively flat cost of operations. Net operating income increased 1.6% in 2012 as compared to 2011, due to decreases in expenses offset by lower revenues. While revenue declined in 2013, the most recent trends in the fourth quarter of 2013 have improved. Due to the limited number of facilities in this portfolio and lack of geographic diversification, as well as recent volatile economic conditions in

Western Europe, it is difficult to estimate revenue growth. However, based upon current trends, it appears that revenue should increase modestly in at least the first quarter of 2014.

See “Liquidity and Capital Resources – Shurgard Europe” for additional information on Shurgard Europe’s liquidity.

**Other Investments:** The “Other Investments” at December 31, 2013 are comprised primarily of our equity in earnings from various limited partnerships that own an aggregate of 14 self-storage facilities (792,000 net rentable square feet). Our future earnings with respect to the Other Investments will be dependent upon the operating results of the facilities these entities own. See Note 4 to our December 31, 2013 financial statements under the “Other Investments” for certain condensed combined financial information of these entities.

#### Ancillary Operations

Ancillary revenues and expenses include amounts associated with (i) the reinsurance of policies against losses to goods stored by customers in our self-storage facilities in the U.S., (ii) merchandise sales, (iii) commercial property operations and (iv) management of 42 facilities owned by third parties and the Unconsolidated Real Estate Entities.

Commercial property operations are included in our commercial segment and all other ancillary revenues and costs of operations are not allocated to any segment. See Note 11 to our December 31, 2013 financial statements for further information regarding our segments and for a reconciliation of these ancillary revenues and cost of operations to our net income.

The following table sets forth our ancillary operations as presented on our income statements:

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|                               | Year Ended December 31, |           |          | Year Ended December 31, |           |          |
|-------------------------------|-------------------------|-----------|----------|-------------------------|-----------|----------|
|                               | 2013                    | 2012      | Change   | 2012                    | 2011      | Change   |
| (Amounts in thousands)        |                         |           |          |                         |           |          |
| Ancillary Revenues:           |                         |           |          |                         |           |          |
| Tenant reinsurance premiums   | \$ 84,904               | \$ 77,977 | \$ 6,927 | \$ 77,977               | \$ 71,348 | \$ 6,629 |
| Commercial                    | 14,510                  | 14,071    | 439      | 14,071                  | 14,592    | (521)    |
| Merchandise and other         | 32,449                  | 31,591    | 858      | 31,591                  | 28,149    | 3,442    |
| Total revenues                | 131,863                 | 123,639   | 8,224    | 123,639                 | 114,089   | 9,550    |
| Ancillary Cost of Operations: |                         |           |          |                         |           |          |
| Tenant reinsurance            | 17,067                  | 14,429    | 2,638    | 14,429                  | 13,407    | 1,022    |
| Commercial                    | 5,228                   | 4,908     | 320      | 4,908                   | 5,505     | (597)    |
| Merchandise and other         | 18,780                  | 18,926    | (146)    | 18,926                  | 18,484    | 442      |
| Total cost of operations      | 41,075                  | 38,263    | 2,812    | 38,263                  | 37,396    | 867      |
| Commercial depreciation       | 2,779                   | 2,810     | (31)     | 2,810                   | 2,654     | 156      |
| Ancillary net income:         |                         |           |          |                         |           |          |
| Tenant reinsurance            | 67,837                  | 63,548    | 4,289    | 63,548                  | 57,941    | 5,607    |
| Commercial                    | 6,503                   | 6,353     | 150      | 6,353                   | 6,433     | (80)     |
| Merchandise and other         | 13,669                  | 12,665    | 1,004    | 12,665                  | 9,665     | 3,000    |
| Total ancillary net income    | \$ 88,009               | \$ 82,566 | \$ 5,443 | \$ 82,566               | \$ 74,039 | \$ 8,527 |

Tenant reinsurance operations: We reinsure policies offered through a non-affiliated insurance company against losses to goods stored by customers in the domestic self-storage facilities we operate. The level of tenant reinsurance revenues is largely dependent upon the level of premiums charged for such insurance and the number of customers that participate in the insurance program. Cost of operations primarily includes claims paid that are not covered by our outside third-party insurers, as well as claims adjustment expenses. These costs are dependent primarily upon the level of losses incurred, including the level of catastrophic events that occur and affect our properties thereby increasing tenant insurance claims.

The increase in tenant insurance revenues in 2013 and 2012 as compared to the respective prior years is due to (i) an increased number of customers due to higher occupancy levels, including the fill-up of non-Same Store facilities, (ii) an increase in the percentage of such customers having policies from 61% in 2011, to 63% in 2012 and 65% in 2013, (iii) an increase in average premium rates and (iv) the impact of the acquisition of 145 self-storage facilities from third parties in 2012 and 2013. Tenant insurance revenues with respect to customers in our Same Store Facilities totaled \$76.5 million, \$71.4 million and \$66.0 million in 2013, 2012 and 2011, respectively.

We expect continued increases in tenant insurance revenues in 2014 as the tenant insurance revenues with respect to the facilities we acquired in 2013 are reflected for a full year and Non-Same Store facilities continue to add customers. We expect stable participation rates and flat premium rates in 2014.



Commercial operations: We also own and operate commercial facilities, primarily the leasing of small retail storefronts and office space located on or near our existing self-storage facilities. We do not expect any significant changes in revenues or profitability from our commercial operations.

Merchandise sales and other: We sell locks, boxes, and packing supplies at our self-storage facilities, and the level of sales of these items is primarily impacted by the level of move-ins and other customer traffic at our self-storage facilities. These amounts include, to a much lesser extent, the results of our management of 42 self-storage facilities in the U.S. for third party owners and other partnerships that we account for on the equity method. In 2012 our merchandise sales and margins improved primarily as a

result of higher retail prices for our locks. We do not expect any significant changes in revenues or profitability from our merchandise sales and other in 2014.

#### Other Income and Expense Items

Interest and other income: Interest and other income was \$22.6 million in 2013, \$22.1 million in 2012 and \$32.3 million in 2011, respectively. Interest and other income primarily includes interest income on loans receivable from Shurgard Europe, as well as trademark license fees received from Shurgard Europe for the use of the “Shurgard” trade name. We record 51% of the aggregate interest income and trademark license fees as interest and other income, while the remaining 49% is presented as additional equity in earnings on our income statement.

Aggregate interest income and trademark license fees received from Shurgard Europe was \$20.6 million, \$20.0 million and \$26.7 million for 2013, 2012 and 2011, respectively.

The loan receivable from Shurgard Europe (the “Shareholder Loan”) is denominated in Euros and has a balance of €311.0 million (\$428.1 million) as of December 31, 2013. On January 28, 2014, our joint venture partner in Shurgard Europe acquired 51% of the Shareholder Loan at face value for €158.6 million (\$216.2 million) in cash and the maturity date of the Shareholder Loan was extended to April 2019. As a result, the 51% of the interest received on the Shareholder Loan that we previously recorded as interest income will cease as of January 28, 2014. We will continue to record interest received with respect to our remaining 49% ownership of the Shareholder Loan as additional equity in earnings on our income statement.

The terms of a loan payable by Shurgard Europe to a bank (the “Bank Loan”), with a principal amount of €107.5 million at December 31, 2013, requires significant principal repayments through the maturity date in November 2014. As a result, in 2013 and 2012 there were no principal repayments on the Shareholder Loan. All interest on the Shareholder Loan has been paid currently when due and we expect the interest to continue to be paid when due with Shurgard Europe’s operating cash flow.

The remainder of our interest and other income is comprised primarily of interest earned on cash balances as well as sundry other income items that are received from time to time in varying amounts. Interest income on cash balances has been minimal, because rates have been at historic lows of 0.1% or less, and we expect this trend to continue in the foreseeable future. Future earnings from sundry other income items are not predictable.

Depreciation and amortization: Depreciation and amortization increased to \$387.4 million for 2013 as compared to \$357.8 million for 2012 and \$358.0 million for 2011, due principally to newly acquired facilities. Included in depreciation and amortization is amortization expense of tenant intangibles for facilities acquired from third parties, which is being amortized relative to the expected future benefit of the customers in place for each period. Such amortization expense totaled \$24.1 million, \$10.5 million and \$11.9 million in 2013, 2012 and 2011, respectively. Based upon the facilities we own at December 31, 2013, amortization expense with respect to such intangibles is estimated at \$36.6 million in 2014. The level of future depreciation and amortization will primarily depend upon the level of acquisitions of facilities and the level of capital expenditures we incur on our facilities.

General and administrative expense: The following table sets forth our general and administrative expense:

|  | Year Ended December 31, |      |        | Year Ended December 31, |      |        |
|--|-------------------------|------|--------|-------------------------|------|--------|
|  | 2013                    | 2012 | Change | 2012                    | 2011 | Change |

(Amounts in thousands)

|                                     |           |           |          |           |           |          |
|-------------------------------------|-----------|-----------|----------|-----------|-----------|----------|
| Share-based compensation expense    | \$ 28,413 | \$ 24,312 | \$ 4,101 | \$ 24,312 | \$ 23,709 | \$ 603   |
| Costs of senior executives          | 5,309     | 4,736     | 573      | 4,736     | 3,332     | 1,404    |
| Development and acquisition costs   | 10,475    | 6,355     | 4,120    | 6,355     | 4,129     | 2,226    |
| Tax compliance costs and taxes paid | 4,704     | 4,775     | (71)     | 4,775     | 5,546     | (771)    |
| Legal costs                         | 3,550     | 3,653     | (103)    | 3,653     | 3,601     | 52       |
| Public company costs                | 3,069     | 2,937     | 132      | 2,937     | 2,919     | 18       |
| Other costs                         | 11,159    | 10,069    | 1,090    | 10,069    | 9,174     | 895      |
| Total                               | \$ 66,679 | \$ 56,837 | \$ 9,842 | \$ 56,837 | \$ 52,410 | \$ 4,427 |

Share-based compensation expense includes the amortization of restricted share units (“RSUs”) and stock options granted to employees, as well as employer taxes incurred upon vesting of RSUs and upon exercise of employee stock options. The level of share-based compensation expense varies based upon the level of grants and forfeitures. The increase in share-based compensation costs in 2013 as compared to 2012 is due primarily to additional share-based grants. The increase in share-based compensation costs in 2012 as compared to 2011 is due primarily to additional share-based grants, offset partially by a reduction of \$5.5 million with respect to certain RSUs granted in 2011 under a performance-based plan. We expect share-based compensation expense to remain flat in 2014 as compared to 2013. See Note 10 to our December 31, 2013 financial statements for further information on our share-based compensation.

Costs of senior executives represent the cash compensation paid to our chief executive officer and chief financial officer. The increases in 2013 as compared to 2012 and in 2012 as compared to 2011 are due to increases in incentive compensation.

Development and acquisition costs represent internal and external expenses related to our acquisition and development activities and varies primarily based upon the level of development and acquisition activities undertaken. Incremental legal, transfer tax, and other related costs of approximately \$5.0 million, \$1.8 million and \$0.8 million were incurred in connection with the acquisition of real estate facilities in 2013, 2012 and 2011, respectively. The level of such costs to be incurred in 2014 will depend upon the level of acquisition activities, which is not determinable.

Tax compliance costs and taxes paid include taxes paid to various state and local authorities, the internal and external costs of filing tax returns, costs associated with complying with federal and state tax laws, and maintaining our compliance with Internal Revenue Service REIT rules. Such costs vary primarily based upon the tax rates of the various states in which we do business.

Legal costs include internal personnel as well as fees paid to legal firms and other third parties with respect to general corporate legal matters and risk management, and varies based upon the level of litigation.

Public company costs represent the incremental costs of operating as a publicly-traded company, such as internal and external investor relations expenses, stock listing and transfer agent fees, board of directors’ costs, and costs associated with maintaining compliance with applicable laws and regulations, including the Dodd-Frank Act and Sarbanes-Oxley Act.

Our future general and administrative expenses are difficult to estimate, due to their dependence upon many factors, including those noted above.

Interest expense: Interest expense was \$6.4 million, \$19.8 million and \$24.2 million for 2013, 2012 and 2011, respectively.

The decreases in 2013 as compared to 2012, and 2012 as compared to 2011, are due primarily to repayments on our unsecured senior notes in 2013 and 2011, along with principal repayments on our secured mortgage debt. During 2013, 2012 and 2011, we capitalized interest of \$2.9 million, \$0.4 million and \$0.4 million, respectively, associated with our development activities. See Note 6 to our December 31, 2013 financial statements for a schedule of our notes payable balances, principal repayment requirements and average interest rates. The level of interest expense that we incur in 2014 will be dependent upon the source of funds used to refinance our term loan that matures on December 2, 2014, and when such refinance is expected to occur.

**Foreign Exchange Gain (Loss):** We recorded foreign currency translation gains of \$17.1 million and \$8.9 million in 2013 and 2012, respectively, and a loss \$7.3 million in 2011, representing primarily the change in the U.S. Dollar equivalent of our Euro-based Shareholder Loan due to fluctuations in exchange rates. We have not entered into any agreements to mitigate the impact of currency exchange fluctuations between the U.S. Dollar and the Euro, therefore the amount of U.S. Dollars we will receive on repayment will depend upon the currency exchange rates at that time. We record the exchange gains or losses into net income each period because of our continued expectation of repayment of the Shareholder Loan in the foreseeable future. The U.S. Dollar exchange rate relative to the Euro was approximately 1.377, 1.322 and 1.295 at December 31, 2013, December 31, 2012 and December 31, 2011, respectively.

Future foreign exchange gains or losses will be dependent primarily upon the movement of the Euro relative to the U.S. Dollar, the amount of the Shareholder Loan and our continued expectation of collecting the principal on the loan in the foreseeable future. As noted above, On January 28, 2014, our joint venture partner in Shurgard Europe acquired 51% of the Shareholder Loan at face value for €158.6 million (\$216.2 million) in cash and the maturity date of the Shareholder Loan was extended to April 2019.

**Net Income Allocable to Preferred Shareholders:** Allocations of net income to our preferred shareholders generally consists of allocations (i) based on distributions and (ii) in applying EITF D-42 when we redeem preferred shares. During 2012 and 2011, we redeemed certain existing series of preferred shares and issued additional preferred shares at lower coupon rates. Net income allocable to preferred shareholders in applying EITF D-42 totaled \$61.7 million and \$35.6 million in 2012 and 2011, respectively, (there were no redemptions of preferred securities and as a result, no EITF D-42 allocations in 2013). Net income allocable to preferred shareholders associated with distributions decreased during 2013 as compared to 2012, and 2012 as compared to 2011, due primarily to lower average dividend rates and lower average outstanding preferred shares. Based upon our preferred shares outstanding at December 31, 2013, our quarterly distribution to our preferred shareholders is expected to be approximately \$51.9 million.

## Net Operating Income

In our discussions above, we refer to net operating income or “NOI,” which is a non-GAAP (generally accepted accounting principles) financial measure that excludes the impact of depreciation and amortization expense. We believe that NOI is a meaningful measure of operating performance, because we utilize NOI in making decisions with respect to capital allocations, in determining current property values, in evaluating property performance and in comparing period-to-period and market-to-market property operating results. In addition, we believe the investment community utilizes NOI in determining operating performance and real estate values, and does not consider depreciation expense because it is based upon historical cost. NOI is not a substitute for net income, net operating cash flow, or other related GAAP financial measures, in evaluating our operating results. The following table reconciles NOI generated by our self-storage facilities to our operating income:



Year Ended December 31,  
2013                      2012                      2011

(Amounts in thousands)

Self-storage net operating income:

|                           |              |              |              |
|---------------------------|--------------|--------------|--------------|
| Same Store Facilities     | \$ 1,224,316 | \$ 1,131,338 | \$ 1,047,974 |
| Non Same Store Facilities | 101,481      | 69,886       | 50,712       |
|                           | 1,325,797    | 1,201,224    | 1,098,686    |

Self-storage depreciation expense:

|                           |           |           |           |
|---------------------------|-----------|-----------|-----------|
| Same Store Facilities     | (305,270) | (314,428) | (322,467) |
| Non Same Store Facilities | (79,353)  | (40,543)  | (32,848)  |
|                           | (384,623) | (354,971) | (355,315) |

Self-storage net income:

|                                    |         |         |         |
|------------------------------------|---------|---------|---------|
| Same Store Facilities              | 919,046 | 816,910 | 725,507 |
| Non Same Store Facilities          | 22,128  | 29,343  | 17,864  |
| Total net income from self-storage | 941,174 | 846,253 | 743,371 |

|  |            |            |            |
|--|------------|------------|------------|
| Ancillary operating revenue              | 131,863    | 123,639    | 114,089    |
| Ancillary cost of operations             | (41,075)   | (38,263)   | (37,396)   |
| Commercial depreciation and amortization | (2,779)    | (2,810)    | (2,654)    |
| General and administrative expenses      | (66,679)   | (56,837)   | (52,410)   |
| Asset impairment charges                 | -          | -          | (2,186)    |
| Operating income                         | \$ 962,504 | \$ 871,982 | \$ 762,814 |

## Liquidity and Capital Resources

**Financial Strategy:** Our financial profile is characterized by a low level of debt-to-total-capitalization. In general, we seek to finance our investment activities and debt obligations with retained operating cash flow, and when not sufficient, capital raised through the issuance of preferred and common securities. When market conditions are not favorable to issue either preferred or common securities, we will use bank debt as bridge financing.

Unlike most REITs, we have elected to use predominantly preferred securities in our capital structure as a form of leverage despite the fact that the dividend rates of our preferred securities exceed the prevailing market interest rates on conventional debt. We have chosen this method of financing for the following reasons: (i) under the REIT structure, a significant amount of operating cash flow needs to be distributed to our shareholders, making it difficult, relative to a traditional taxable corporation, to repay debt with operating cash flow alone, (ii) our perpetual preferred shares have no sinking fund requirement or maturity date and do not require redemption, all of which eliminate future refinancing risks, (iii) after the end of a non-call period, we have the option to redeem the preferred shares at any time, which enables us to refinance higher coupon preferred shares with new preferred shares at lower rates if appropriate, (iv) preferred shares do not contain covenants, thus allowing us to maintain significant financial flexibility, and (v) dividends on the preferred shares can be applied to satisfy our REIT distribution requirements.

We have generally been able to raise preferred capital at an attractive cost relative to the issuance of our common shares, and as a result, our issuances of common shares for cash have been minimal over the past several years. During the years ended December 31, 2013 and 2012, we issued approximately \$725.0 million and \$1.7 billion, respectively, of preferred securities. Currently, market conditions are much less favorable, with market coupon rates for our most recently issued series of preferred securities trading at approximately 6.5% (as compared to 5.2% for the preferred securities we issued in the first quarter of 2013). We believe that market coupon rates for a new issuance of our preferred securities would need to be in the area of 6.5% and the amount of capital we could raise would most likely be much lower than what we raised in the first quarter of 2013. The market coupon rate on our preferred securities is influenced by long-term interest rates.

Due to poor capital market conditions for the issuance of either preferred or common securities, during the last three months of 2013, we borrowed approximately \$750.1 million from banks to bridge finance our acquisition activities during that timeframe. See discussion on this debt below.

Our credit ratings on each of our series of preferred shares are “A3” by Moody’s, “BBB+” by Standard & Poor’s and “A” by Fitch Ratings. In recent years, we have been one of the largest and most frequent issuers of preferred equity in the U.S.

**Liquidity and Capital Resource Analysis:** We believe that our net cash provided by our operating activities will continue to be sufficient to enable us to meet our ongoing requirements for operating expenses, capital improvements and distributions to our shareholders for the foreseeable future.

As of December 31, 2013, our capital commitments for 2014 exceed our expected capital resources. As of December 31, 2013, our capital resources consist of (i) approximately \$250 million of available borrowing capacity on our revolving line of credit, (ii) \$216.2 million of cash proceeds from the sale of 51% of a loan we have provided to Shurgard Europe which we received in January 2014, and (iii) \$250 million of expected 2014 retained operating cash flow. Retained operating cash flow represents our expected 2014 cash flow provided by operating activities, after deducting estimated 2014 distributions to our common and preferred shareholders, and estimated 2014 capital expenditure requirements.



At December 31, 2013, we had estimated 2014 capital commitments of \$726.2 million of debt maturities, and approximately \$145 million of remaining spend on our development pipeline. In addition, we expect that our capital commitments will continue to grow during 2014 as we continue to seek additional development and acquisition opportunities.

We believe we have a variety of possibilities to bridge the gap between our capital resources and commitments which may include raising capital through the issuance of common or preferred securities, issuing debt, expanding the borrowing capacity of our credit facility, or entering into joint venture arrangements to acquire or develop facilities.

At February 25, 2014, we have no outstanding borrowings on our line of credit and outstanding borrowings of \$600 million on our term loan.

Debt Service Requirements: As of December 31, 2013, our outstanding debt totaled approximately \$839.1 million. Approximate principal maturities of our outstanding debt are as follows (amounts in thousands):

|            | Term Loan<br>and<br>Line of<br>Credit | Secured<br>Debt | Total      |
|------------|---------------------------------------|-----------------|------------|
| 2014       | \$ 700,000                            | \$ 26,206       | \$ 726,206 |
| 2015       | -                                     | 30,842          | 30,842     |
| 2016       | -                                     | 15,920          | 15,920     |
| 2017       | 50,100                                | 1,343           | 51,443     |
| 2018       | -                                     | 11,077          | 11,077     |
| Thereafter | -                                     | 3,565           | 3,565      |
|            | \$ 750,100                            | \$ 88,953       | \$ 839,053 |

The remaining maturities on our secured debt are nominal compared to our annual cash from operations. We intend to repay the secure debt at maturity and not seek to refinance it with additional debt.

Virtually all of the book value of our real estate facilities are unencumbered at December 31, 2013.

Capital Expenditure Requirements: Capital expenditures include major repairs or replacements to elements of our facilities, which keep the facilities in good operating condition and maintain their visual appeal to the customer, which totaled \$71.3 million in 2013. Capital expenditures do not include costs relating to the development of new facilities or the expansion of net rentable square footage of existing facilities. During 2014, we expect to incur approximately \$70 million for capital expenditures and fund such amounts with cash provided by operating activities. For the last four years, such capital expenditures have ranged between approximately \$0.55 and \$0.60 per net rentable square foot per year.

Requirement to Pay Distributions: For all periods presented herein, we have elected to be treated as a REIT, as defined in the Internal Revenue Code. As a REIT, we do not incur federal income tax on our REIT taxable income (generally, net rents and gains from real property, dividends, and interest) that is fully distributed each year (for this purpose, certain distributions paid in a subsequent year may be considered), and if we meet certain organizational and operational rules. We believe we have met these requirements in all periods presented herein, and we expect to continue to elect and qualify as a REIT.

Distributions paid during 2013 totaled \$1.1 billion, consisting of \$204.3 million to preferred shareholders and \$887.1 million to common shareholders and restricted share unitholders. All of these distributions were REIT qualifying

distributions.

We estimate the annual distribution requirements with respect to our Preferred Shares outstanding at December 31, 2013 to be approximately \$207.6 million per year.

On February 20, 2014, our Board of Trustees declared a regular common quarterly dividend of \$1.40 per common share. Our consistent, long-term dividend policy has been to distribute only our taxable income. Future quarterly distributions with respect to the common shares will continue to be determined based upon our REIT distribution requirements after taking into consideration distributions to the preferred shareholders and will be funded with cash provided by operating activities.

We are obligated to pay distributions to noncontrolling interests in our consolidated subsidiaries based upon the cash provided by operating activities of the respective subsidiary. Such distributions are estimated at approximately \$6.4 million in 2014, with respect to such noncontrolling interests outstanding at December 31, 2013.

**Real Estate Investment Activities:** As of February 25, 2014, we were under contract to acquire a self-storage facility for approximately \$10.8 million in cash. During 2014, we will continue to seek to acquire self-storage facilities from third parties; however, it is difficult to estimate the amount of third party acquisitions we will undertake.

As of December 31, 2013, we had development and expansion projects which will add approximately 1.8 million net rentable square feet of storage space at a total cost of approximately \$196 million. A total of \$52 million in costs were incurred through December 31, 2013, with the remaining costs expected to be incurred primarily in 2014. Some of these projects are subject to significant contingencies such as entitlement approval. We expect to continue to seek additional development projects; however, the level of future development may be limited due to various constraints such as difficulty in finding available sites for building that meet our risk-adjusted yield expectations, as well as the challenges in obtaining building permits for self-storage activities in certain municipalities.

**Shurgard Europe:** Shurgard Europe has a term loan from a bank (the “Bank Loan”) with a balance of approximately €107.5 million (\$148.0 million) at December 31, 2013 maturing in November 2014 and the Shareholder Loan totaling €311.0 million (\$428.1 million) at December 31, 2013. On January 28, 2014, our joint venture partner in Shurgard Europe acquired 51% of the Shareholder Loan at face value for €158.6 million (\$216.2 million) in cash, and the maturity date of the Shareholder Loan was extended to April 2019. Shurgard Europe is exploring various financing alternatives.

**Redemption of Preferred Securities:** We have no series of preferred shares that are redeemable before April 2015 and none of our preferred securities are redeemable at the option of the holders.

**Repurchases of Company’s Common Shares:** Our Board of Trustees has authorized management to repurchase up to 35,000,000 of our common shares on the open market or in privately negotiated transactions. During 2013, we did not repurchase any of our common shares. From the inception of the repurchase program through February 25, 2014, we have repurchased a total of 23,721,916 common shares at an aggregate cost of approximately \$679.1 million. We have no current plans to repurchase shares; however, future levels of common share repurchases will be dependent upon our available capital, investment alternatives and the trading price of our common shares.

## Contractual Obligations

Our significant contractual obligations at December 31, 2013 and their impact on our cash flows and liquidity are summarized below for the years ending December 31 (amounts in thousands):

|                              | Total      | 2014       | 2015      | 2016      | 2017     | 2018      | Thereafter |
|------------------------------|------------|------------|-----------|-----------|----------|-----------|------------|
| Long-term debt (1)           | \$ 98,034  | \$ 30,320  | \$ 32,861 | \$ 17,191 | \$ 1,965 | \$ 11,610 | \$ 4,087   |
| Term loan (2)                | 700,000    | 700,000    | -         | -         | -        | -         | -          |
| Line of credit (3)           | 50,100     | 50,100     | -         | -         | -        | -         | -          |
| Operating leases (4)         | 72,426     | 4,357      | 3,369     | 3,298     | 2,295    | 1,969     | 57,138     |
| Construction commitments (5) | 43,450     | 34,760     | 8,690     | -         | -        | -         | -          |
| Total                        | \$ 964,010 | \$ 819,537 | \$ 44,920 | \$ 20,489 | \$ 4,260 | \$ 13,579 | \$ 61,225  |

(1) Amounts include principal and interest payments (all of which are fixed-rate) on our notes payable based on their contractual terms. See Note 6 to our December 31, 2013 financial statements for additional information on our notes payable.

(2) Amounts represent borrowings under our \$700 million term loan, of which \$100 million was repaid on January 30, 2014. See Note 6 to our December 31, 2013 financial statements for additional information on our term loan.

(3) Amounts represent borrowings under our \$300 million revolving line of credit, which were repaid on January 8, 2014. See Note 6 to our December 31, 2013 financial statements for additional information on our line of credit.

(4) We lease land, equipment and office space under various operating leases. Certain leases are cancelable; however, significant penalties would be incurred upon cancellation. Amounts reflected above consider continuance of the lease without cancellation.

(5) Amounts exclude an additional \$100.6 million in future expected development spending that was not under contract at December 31, 2013.

We estimate the annual distribution requirements with respect to our Preferred Shares outstanding at December 31, 2013, to be approximately \$207.6 million per year. Dividends are paid when and if declared by our Board of Trustees and accumulate if not paid. We have no series of preferred shares that are redeemable before April 2015 and none of our preferred securities are redeemable at the option of the holders.

Off-Balance Sheet Arrangements: At December 31, 2013, we had no material off-balance sheet arrangements as defined under Regulation S-K 303(a)(4) and the instructions thereto.



## ITEM 7A. Quantitative and Qualitative Disclosures about Market Risk

To limit our exposure to market risk, we are capitalized primarily with preferred and common equity. Our preferred shares are redeemable at our option generally five years after issuance, but the holder has no redemption option. Our debt is our only market-risk sensitive portion of our capital structure, which totals \$839.1 million and represents 9.5% of the book value of our equity at December 31, 2013.

We have foreign currency exposures related to our investment in Shurgard Europe, which has a book value of \$424.1 million at December 31, 2013. We also have a loan receivable from Shurgard Europe “the Shareholder Loan”), which is denominated in Euros, totaling €311.0 million (\$428.1 million) at December 31, 2013. On January 28, 2014, our joint venture partner in Shurgard Europe acquired 51% of the Shareholder Loan at face value for €158.6 million (\$216.2 million) in cash, and the maturity date of the Shareholder Loan was extended to April 2019.

At December 31, 2013, we had \$700 million payable under a term loan which matures on December 2, 2014 and \$50.1 million outstanding on our line of credit, which expires in March 2017. As of December 31, 2013, these balances bear interest at a variable rate of Libor plus 0.90%.

The fair value of our fixed rate debt at December 31, 2013 is \$90.5 million. The table below summarizes the annual maturities of our fixed rate debt which had a weighted average fixed rate of 4.8% at December 31, 2013. See Note 6 to our December 31, 2013 financial statements for further information regarding our fixed rate debt (dollar amounts in thousands).

|                 | 2014      | 2015      | 2016      | 2017     | 2018      | Thereafter | Total     |
|-----------------|-----------|-----------|-----------|----------|-----------|------------|-----------|
| Fixed rate debt | \$ 26,206 | \$ 30,842 | \$ 15,920 | \$ 1,343 | \$ 11,077 | \$ 3,565   | \$ 88,953 |

## ITEM 9A. Controls and Procedures

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

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in reports we file and submit under the Securities Exchange Act of 1934, as amended, ("Exchange Act") is recorded, processed, summarized and reported within the time periods specified in accordance with SEC guidelines and that such information is communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure based on the definition of "disclosure controls and procedures" in Rules 13a-15(e) and 15d-15(e) of the Exchange Act. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures in reaching that level of reasonable assurance. We also have investments in certain unconsolidated real estate entities and because we do not control these entities, our disclosure controls and procedures with respect to such entities are substantially more limited than those we maintain with respect to our consolidated subsidiaries.

As of December 31, 2013, we carried out an evaluation, under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act). Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of December 31, 2013, at a reasonable assurance level.

### Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act. Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control-Integrated Framework issued by the Committee on Sponsoring Organizations of the Treadway Commission (1992 Framework). Based on our evaluation under the framework in Internal Control-Integrated Framework, our management concluded that our internal control over financial reporting was effective as of December 31, 2013.

The effectiveness of internal control over financial reporting as of December 31, 2013, has been audited by Ernst & Young LLP, independent registered public accounting firm. Ernst & Young LLP's report on our internal control over financial reporting appears below.

### Changes in Internal Control Over Financial Reporting

There have not been any changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fourth quarter of 2013 to which this report relates that have materially affected, or are reasonable likely to materially affect, our internal control over financial reporting.

## ITEM 9B. Other Information

None.





Report of Independent Registered Public Accounting Firm

The Board of Trustees and Shareholders of

Public Storage

We have audited Public Storage's internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) (the COSO criteria). Public Storage's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and trustees of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

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In our opinion, Public Storage maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Public Storage as of December 31, 2013 and 2012, and the related consolidated statements of income, comprehensive income, equity and cash flows for each of the three years in the period ended December 31, 2013 and our report dated February 25, 2014 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Los Angeles, California

February 25, 2014

54

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## PART III

### ITEM 10. Trustees, Executive Officers and Corporate Governance

The information required by this item with respect to trustees will be included under the captions titled “Election of Trustees” in the Company’s definitive proxy statement for the 2014 Annual Meeting to be filed with the SEC within 120 days of the fiscal year ended December 31, 2013 (the “2014 Proxy Statement”) and is incorporated herein by reference.

The information required by this item with respect to the nominating process, the audit committee and the audit committee financial expert will be included under the captions “Corporate Governance and Board Matters—Audit Committee”, “Corporate Governance and Board Matters—Consideration of Candidates for Trustee” in the 2014 Proxy Statement and is incorporated herein by reference.

The information required by this item with respect to Section 16(a) compliance will be included under the caption “Section 16(a) Beneficial Ownership Reporting Compliance” in the 2014 Proxy Statement and is incorporated herein by reference.

The information required by this item with respect to a code of ethics will be included under the caption “Corporate Governance and Board Matters” in the 2014 Proxy Statement and is incorporated herein by reference. Any amendments to or waivers of the code of ethics granted to the Company’s executive officers or the controller will be published promptly on our website or by other appropriate means in accordance with SEC rules and regulations.

The following is a biographical summary of the current executive officers of the Company:

Ronald L. Havner, Jr., age 56, is Chairman of the Board, President and Chief Executive Officer. He was named Chairman in 2011 and has served as the company’s Chief Executive Officer and a member of the Board of Public Storage since November 2002. Mr. Havner has been Chairman of the Board of Public Storage’s affiliate, PS Business Parks, Inc. (PSB), since March 1998. Within the last five years, Mr. Havner served on the boards of Union BanCal Corporation and its subsidiary, Union Bank of California and General Finance Corporation.

John Reyes, age 53, has served as Senior Vice President and Chief Financial Officer of Public Storage since 1996.

Shawn Weidmann, 50, joined Public Storage as Senior Vice President and Chief Operating Officer in August 2011. Prior to joining Public Storage, Mr. Weidmann was employed at Teleflora LLC, the world’s leading floral wire service, where he served as President since 2006.

David F. Doll, age 55, became Senior Vice President and President, Real Estate Group, in February 2005, with responsibility for the real estate activities of Public Storage, including property acquisitions, developments, redevelopments and capital improvements.

Steven M. Glick, age 57, became Senior Vice President and Chief Legal Officer of Public Storage in February 2010. From April 2005 until joining Public Storage, Mr. Glick was Senior Vice President and General Counsel, Americas for Technicolor (NYSE:TCH), a services, systems and technology company. Mr. Glick is leaving the employment of the Company by March 2015.

Candace N. Krol, age 52, has served as Senior Vice President of Human Resources since September 2005.



## ITEM 11.Executive Compensation

The information required by this item will be included under the captions titled “Corporate Governance and Board Matters,” “Executive Compensation,” “Corporate Governance and Board Matters--Compensation Committee Interlocks and Insider Participation,” and “Report of the Compensation Committee” in the 2014 Proxy Statement and is incorporated herein by reference.

## ITEM 12.Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters

The information required by this item is hereby incorporated by reference to the material appearing in the Proxy Statement under the captions “Stock Ownership of Certain Beneficial Owners and Management.”

The following table sets forth information as of December 31, 2013 on the Company’s equity compensation plans:

|  | Number of securities to be<br>issued upon exercise of<br>outstanding options, warrants<br>and rights | Weighted average exercise<br>price of outstanding<br>options, warrants and<br>rights | Number of securities remaining<br>available for future issuance<br>under equity compensation plans |
|--|--|--|--|
| Equity compensation<br>plans approved by<br>security holders (a)     | 2,810,540 (b)  | \$<br>66.13  | 1,135,581  |
| Equity compensation<br>plans not approved by<br>security holders (c) | -  | -  | -  |

a) The Company’s stock option and stock incentive plans are described more fully in Note 10 to the December 31, 2013 financial statements. All plans were approved by the Company’s shareholders.

b) Includes 636,329 restricted share units that, if and when vested, will be settled in common shares of the Company on a one for one basis.

c) There are no securities available for future issuance or currently outstanding under plans not approved by the Company’s shareholders as of December 31, 2013.

## ITEM 13.Certain Relationships and Related Transactions and Trustee Independence

The information required by this item will be included under the captions titled “Corporate Governance and Board Matters—Trustee Independence” and “Certain Relationships and Related Transactions and Legal Proceedings” in the 2014 Proxy Statement and is incorporated herein by reference.

## ITEM 14.Principal Accountant Fees and Services

The information required by this item will be included under the caption titled “Ratification of Auditors—Fees Billed to the Company by Ernst & Young LLP for 2013 and 2012” in the 2014 Proxy Statement and is incorporated herein by reference.

## PART IV

### ITEM 15. Exhibits and Financial Statement Schedules

#### a. 1. Financial Statements

The financial statements listed in the accompanying Index to Financial Statements and Schedules hereof are filed as part of this report.

#### 2. Financial Statement Schedules

The financial statements schedules listed in the accompanying Index to Financial Statements and Schedules are filed as part of this report.

#### 3. Exhibits

See Index to Exhibits contained herein.

#### b. Exhibits:

See Index to Exhibits contained herein.

#### c. Financial Statement Schedules

Not applicable.

## PUBLIC STORAGE

### INDEX TO EXHIBITS (1)

(Items 15(a)(3) and 15(c))

- 3.1 Articles of Amendment and Restatement of Declaration of Trust of Public Storage, a Maryland real estate investment trust. Filed with the Registrant's Annual Report on Form 10-K for the year ended December 31, 2009 and incorporated by reference herein.
- 3.2 Bylaws of Public Storage, a Maryland real estate investment trust. Filed with the Registrant's Current Report on Form 8-K dated May 11, 2010 and incorporated by reference herein.
- 3.3 Articles Supplementary for Public Storage 6.875% Cumulative Preferred Shares, Series O. Filed with the Registrant's Current Report on Form 8-K dated April 8, 2010 and incorporated by reference herein.
- 3.4 Articles Supplementary for Public Storage 6.500% Cumulative Preferred Shares, Series P. Filed with the Registrant's Current Report on Form 8-K dated October 6, 2010 and incorporated by reference herein.
- 3.5 Articles Supplementary for Public Storage 6.5% Cumulative Preferred Shares, Series Q. Filed with the Registrant's Current Report on Form 8-K dated May 2, 2011 and incorporated by reference herein.
- 3.6 Articles Supplementary for Public Storage 6.35% Cumulative Preferred Shares, Series R. Filed with the Registrant's Current Report on Form 8-K dated July 20, 2011 and incorporated by reference herein.
- 3.7 Articles Supplementary for Public Storage 5.900% Cumulative Preferred Shares, Series S. Filed with the Registrant's Current Report on Form 8-K dated January 9, 2012 and incorporated by reference herein.
- 3.8 Articles Supplementary for Public Storage 5.750% Cumulative Preferred Shares, Series T. Filed with the Registrant's Current Report on Form 8-K dated March 7, 2012 and incorporated by reference herein.
- 3.9 Articles Supplementary for Public Storage 5.625% Cumulative Preferred Shares, Series U. Filed with the Registrant's Current Report on Form 8-K dated June 6, 2012 and incorporated by reference herein.
- 3.10 Articles Supplementary for Public Storage 5.375% Cumulative Preferred Shares, Series V. Filed with the Registrant's Current Report on Form 8-K dated September 11, 2012 and incorporated by reference herein.
- 3.11 Articles Supplementary for Public Storage 5.20% Cumulative Preferred Shares, Series W. Filed with the Registrant's Current Report on Form 8-K dated January 8, 2013 and incorporated by reference herein.
- 3.12 Articles Supplementary for Public Storage 5.20% Cumulative Preferred Shares, Series X. Filed with the Registrant's Current Report on Form 8-K dated March 5, 2013 and incorporated by reference herein.
- 4.1 Master Deposit Agreement, dated as of May 31, 2007. Filed with the Registrant's Current Report on Form 8-K dated June 6, 2007 and incorporated by reference herein.



- 10.1 Amended Management Agreement between Registrant and Public Storage Commercial Properties Group, Inc. dated as of February 21, 1995. Filed with Public Storage Inc.'s ("PSI") Annual Report on Form 10-K for the year ended December 31, 1994 (SEC File No. 001-0839) and incorporated herein by reference.

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- 10.2 Second Amended and Restated Management Agreement by and among Registrant and the entities listed therein dated as of November 16, 1995. Filed with PS Partners, Ltd.'s Annual Report on Form 10-K for the year ended December 31, 1996 (SEC File No. 001-11186) and incorporated herein by reference.
- 10.3 Agreement of Limited Partnership of PS Business Parks, L.P. Filed with PS Business Parks, Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended June 30, 1998 (SEC File No. 001-10709) and incorporated herein by reference.
- 10.4 Amended and Restated Agreement of Limited Partnership of Storage Trust Properties, L.P. (March 12, 1999). Filed with PSI's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 1999 (SEC File No. 001-0839) and incorporated herein by reference.
- 10.5 Amended and Restated Credit Agreement by and among Registrant, Wells Fargo Securities, LLC and Merrill Lynch, Pierce Fenner & Smith Incorporated as joint lead arrangers, Wells Fargo Bank, National Association, as administrative agent, and the other financial institutions party thereto, dated as of March 21, 2012. Filed with PSI's Current Report on Form 8-K on March 27, 2012 (SEC File No. 001-0839) and incorporated herein by reference.
- 10.5.1 Second Amendment to Amended and Restated Credit Agreement, dated as of July 17, 2013, by and among Public Storage, the Lenders party thereto and Wells Fargo Bank, National Association. Filed with the Registrant's Current Report on Form 8-K on July 18, 2013 and incorporated herein by reference.
- 10.6\* Shurgard Storage Centers, Inc. 2004 Long Term Incentive Compensation Plan. Filed as Appendix A of Definitive Proxy Statement dated June 7, 2004 filed by Shurgard (SEC File No. 001-11455) and incorporated herein by reference.
- 10.7\* Public Storage, Inc. 2001 Stock Option and Incentive Plan ("2001 Plan"). Filed with PSI's Registration Statement on Form S-8 (SEC File No. 333-59218) and incorporated herein by reference.
- 10.8\* Form of 2001 Plan Non-qualified Stock Option Agreement. Filed with PSI's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2004 (SEC File No. 001-0839) and incorporated herein by reference.
- 10.9\* Form of 2001 Plan Restricted Share Unit Agreement. Filed with PSI's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2004 (SEC File No. 001-0839) and incorporated herein by reference.
- 10.10\* Form of 2001 Plan Non-Qualified Outside Director Stock Option Agreement. Filed with PSI's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2004 (SEC File No. 001-0839) and incorporated herein by reference.
- 10.11\* Public Storage 2007 Equity and Performance-Based Incentive Compensation Plan. Filed as Exhibit 4.1 to Registrant's Registration Statement on Form S-8 (SEC File No. 333-144907) and incorporated herein by reference.
- 10.12\* Form of 2007 Plan Restricted Stock Unit Agreement. Filed with Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2007 and incorporated herein by reference.
- 10.13\* Form of 2007 Plan Stock Option Agreement. Filed with Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2007 and incorporated herein by reference.

10.14\* Form of Indemnity Agreement. Filed with Registrant's Amendment No. 1 to Registration Statement on Form S-4 (SEC File No. 333-141448) and incorporated herein by reference.

- 10.15\* Amendment to Form of Trustee Stock Option Agreement. Filed as Exhibit 10.30 to Registrant's Annual Report on Form 10-K for the year ended December 31, 2010 and incorporated herein by reference.
- 10.16\* Revised Form of Trustee Stock Option Agreement. Filed as Exhibit 10.31 to Registrant's Annual Report on Form 10-K for the year ended December 31, 2010 and incorporated herein by reference.
- 10.17 Term Loan Agreement, by and among Public Storage, Wells Fargo Securities, LLC as Lead Arranger and Wells Fargo National Bank N.A. as Administrative Agent, dated as of December 2, 2013. Filed as Exhibit 10.1 to Registrant's Current Report on Form 8-K and incorporated herein by reference.
- 12 Statement Re: Computation of Ratio of Earnings to Fixed Charges and Preferred Stock Dividends. Filed herewith.
- 21 Subsidiaries of the Registrant. Filed herewith.
- 23 Consent of Ernst & Young LLP. Filed herewith.
- 31.1 Rule 13a – 14(a) Certification. Filed herewith.
- 31.2 Rule 13a – 14(a) Certification. Filed herewith.
- 32 Section 1350 Certifications. Filed herewith.
- 101 .INS XBRL Instance Document. Filed herewith.
- 101 .SCH XBRL Taxonomy Extension Schema. Filed herewith.
- 101 .CAL XBRL Taxonomy Extension Calculation Linkbase. Filed herewith.
- 101 .DEF XBRL Taxonomy Extension Definition Linkbase. Filed herewith.
- 101 .LAB XBRL Taxonomy Extension Label Linkbase. Filed herewith.
- 101 .PRE XBRL Taxonomy Extension Presentation Link. Filed herewith.
- (1) SEC File No. 001-33519 unless otherwise indicated.

\* Denotes management compensatory plan agreement or arrangement.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

4

## PUBLIC STORAGE

Date: February 25, 2014 By: /s/ Ronald L. Havner, Jr.  
 Ronald L. Havner, Jr., Chairman,  
 Chief Executive Officer and President

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

| Signature  | Title   | Date              |
|--|---|-------------------|
| /s/ Ronald L. Havner, Jr.<br>Ronald L. Havner, Jr.     | Chairman, Chief Executive Officer, President and Trustee<br>(principal executive officer)                           | February 25, 2014 |
| /s/ John Reyes<br>John Reyes                           | Senior Vice President and Chief Financial Officer<br>(principal financial officer and principal accounting officer) | February 25, 2014 |
| /s/ Tamara Hughes Gustavson<br>Tamara Hughes Gustavson | Trustee   | February 25, 2014 |
| /s/ Uri P. Harkham<br>Uri P. Harkham                   | Trustee   | February 25, 2014 |
| /s/ B. Wayne Hughes, Jr.<br>B. Wayne Hughes, Jr.       | Trustee   | February 25, 2014 |
| /s/ Avedick B. Poladian<br>Avedick B. Poladian         | Trustee   | February 25, 2014 |
| /s/ Gary E. Pruitt<br>Gary E. Pruitt                   | Trustee   | February 25, 2014 |
| /s/ Ronald P. Spogli<br>Ronald P. Spogli               | Trustee   | February 25, 2014 |
| /s/ Daniel C. Staton<br>Daniel C. Staton               | Trustee   | February 25, 2014 |

PUBLIC STORAGE

INDEX TO FINANCIAL STATEMENTS

AND SCHEDULES

(Item 15 (a))

|  | Page<br>References |
|--|--------------------|
| Report of Independent Registered Public Accounting Firm..... | F-1                |
| Balance sheets as of December 31, 2013 and 2012.....         | F-2                |
| For the years ended December 31, 2013, 2012 and 2011:        |                    |
| Statements of income.....                                    | F-3                |
| Statements of comprehensive income.....                      | F-4                |
| Statements of equity .....                                   | F-5 – F-6          |
| Statements of cash flows.....                                | F-7 – F-8          |
| Notes to financial statements.....                           | F-9 – F-35         |
| Schedule:  |                    |
| III – Real estate and accumulated depreciation.....          | F-36 – F-109       |

All other schedules have been omitted since the required information is not present or not present in amounts sufficient to require submission of the schedule, or because the information required is included in the financial statements or notes thereto.



REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Trustees and Shareholders of Public Storage

We have audited the accompanying consolidated balance sheets of Public Storage as of December 31, 2013 and 2012, and the related consolidated statements of income, comprehensive income, equity, and cash flows for each of the three years in the period ended December 31, 2013. Our audits also included the financial statement schedule listed in the Index at Item 15(a). These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Public Storage at December 31, 2013 and 2012, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2013, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Public Storage's internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 Framework) and our report dated February 25, 2014 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

Los Angeles, California

February 25, 2014





## PUBLIC STORAGE

## BALANCE SHEETS

(Amounts in thousands, except share data)

|  | December 31,<br>2013 | December 31,<br>2012 |
|--|----------------------|----------------------|
| <b>ASSETS</b>  |                      |                      |
| Cash and cash equivalents                              | \$ 19,169            | \$ 17,239            |
| Real estate facilities, at cost:                       |                      |                      |
| Land   | 3,321,236            | 2,863,464            |
| Buildings  | 8,965,020            | 8,170,355            |
|  | 12,286,256           | 11,033,819           |
| Accumulated depreciation                               | (4,098,814)          | (3,738,130)          |
|  | 8,187,442            | 7,295,689            |
| Construction in process                                | 52,336               | 36,243               |
|  | 8,239,778            | 7,331,932            |
| Investments in unconsolidated real estate entities     | 856,182              | 735,323              |
| Goodwill and other intangible assets, net              | 246,854              | 209,374              |
| Loan receivable from unconsolidated real estate entity | 428,139              | 410,995              |
| Other assets   | 86,144               | 88,540               |
| Total assets   | \$ 9,876,266         | \$ 8,793,403         |

## LIABILITIES AND EQUITY

|                                    |           |            |
|------------------------------------|-----------|------------|
| Borrowings on bank credit facility | \$ 50,100 | \$ 133,000 |
| Term loan                          | 700,000   | -          |
| Notes payable                      | 88,953    | 335,828    |
| Accrued and other liabilities      | 218,358   | 201,711    |
| Total liabilities                  | 1,057,411 | 670,539    |

Commitments and contingencies (Note 13)

Equity:

Public Storage shareholders' equity:

Preferred Shares, \$0.01 par value, 100,000,000 shares authorized, 142,500

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|   |              |              |
|---|--------------|--------------|
| shares issued (in series) and outstanding, (113,500 at December 31, 2012),<br>at liquidation preference   | 3,562,500    | 2,837,500    |
| Common Shares, \$0.10 par value, 650,000,000 shares authorized,<br>171,776,291 shares issued and outstanding (171,388,286 shares at<br>December 31, 2012) | 17,178       | 17,139       |
| Paid-in capital   | 5,531,034    | 5,519,596    |
| Accumulated deficit   | (318,482)    | (279,474)    |
| Accumulated other comprehensive loss  | (500)        | (1,005)      |
| Total Public Storage shareholders' equity   | 8,791,730    | 8,093,756    |
| Noncontrolling interests  | 27,125       | 29,108       |
| Total equity  | 8,818,855    | 8,122,864    |
| Total liabilities and equity  | \$ 9,876,266 | \$ 8,793,403 |

## PUBLIC STORAGE

## STATEMENTS OF INCOME

(Amounts in thousands, except per share amounts)

|   | For the Years Ended December 31, |              |              |
|---|----------------------------------|--------------|--------------|
|   | 2013                             | 2012         | 2011         |
| Revenues:   |                                  |              |              |
| Self-storage facilities                                   | \$ 1,849,883                     | \$ 1,718,865 | \$ 1,621,799 |
| Ancillary operations                                      | 131,863                          | 123,639      | 114,089      |
|   | 1,981,746                        | 1,842,504    | 1,735,888    |
| Expenses:   |                                  |              |              |
| Self-storage cost of operations                           | 524,086                          | 517,641      | 523,113      |
| Ancillary cost of operations                              | 41,075                           | 38,263       | 37,396       |
| Depreciation and amortization                             | 387,402                          | 357,781      | 357,969      |
| General and administrative                                | 66,679                           | 56,837       | 52,410       |
| Asset impairment charges                                  | -                                | -            | 2,186        |
|   | 1,019,242                        | 970,522      | 973,074      |
| Operating income  | 962,504                          | 871,982      | 762,814      |
| Interest and other income                                 | 22,577                           | 22,074       | 32,333       |
| Interest expense  | (6,444)                          | (19,813)     | (24,222)     |
| Equity in earnings of unconsolidated real estate entities | 57,579                           | 45,586       | 58,704       |
| Foreign currency exchange gain (loss)                     | 17,082                           | 8,876        | (7,287)      |
| Gain on real estate sales and debt retirement             | 4,233                            | 1,456        | 10,801       |
| Income from continuing operations                         | 1,057,531                        | 930,161      | 833,143      |
| Discontinued operations                                   | -                                | 12,874       | 3,316        |
| Net income  | 1,057,531                        | 943,035      | 836,459      |
| Allocation to noncontrolling interests                    | (5,078)                          | (3,777)      | (12,617)     |
| Net income allocable to Public Storage shareholders       | 1,052,453                        | 939,258      | 823,842      |
| Allocation of net income to:                              |                                  |              |              |
| Preferred shareholders - distributions                    | (204,312)                        | (205,241)    | (224,877)    |
| Preferred shareholders - redemptions                      | -                                | (61,696)     | (35,585)     |
| Restricted share units                                    | (3,410)                          | (2,627)      | (1,633)      |
| Net income allocable to common shareholders               | \$ 844,731                       | \$ 669,694   | \$ 561,747   |
| Net income per common share – basic                       |                                  |              |              |
| Continuing operations                                     | \$ 4.92                          | \$ 3.85      | \$ 3.29      |

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|  |         |         |         |
|--|---------|---------|---------|
| Discontinued operations                            | -       | 0.08    | 0.02    |
|  | \$ 4.92 | \$ 3.93 | \$ 3.31 |
| Net income per common share – diluted              |         |         |         |
| Continuing operations                              | \$ 4.89 | \$ 3.83 | \$ 3.27 |
| Discontinued operations                            | -       | 0.07    | 0.02    |
|  | \$ 4.89 | \$ 3.90 | \$ 3.29 |
| Basic weighted average common shares outstanding   | 171,640 | 170,562 | 169,657 |
| Diluted weighted average common shares outstanding | 172,688 | 171,664 | 170,750 |

## PUBLIC STORAGE

## STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in thousands)

|   | For the Years Ended December 31, |            |            |
|---|----------------------------------|------------|------------|
|   | 2013                             | 2012       | 2011       |
| Net income  | \$ 1,057,531                     | \$ 943,035 | \$ 836,459 |
| Other comprehensive income (loss):                                      |                                  |            |            |
| Aggregate foreign currency exchange gain                                | 17,587                           | 30,885     | (14,528)   |
| Adjust for foreign currency exchange (gain) loss included in net income | (17,082)                         | (8,876)    | 7,287      |
| Other comprehensive income (loss)                                       | 505                              | 22,009     | (7,241)    |
| Total comprehensive income  | 1,058,036                        | 965,044    | 829,218    |
| Allocation to noncontrolling interests                                  | (5,078)                          | (3,777)    | (12,617)   |
| Comprehensive income allocable to Public Storage shareholders           | \$ 1,052,958                     | \$ 961,267 | \$ 816,601 |

## PUBLIC STORAGE

## STATEMENTS OF EQUITY

(Amounts in thousands, except share and per share amounts)

| Cumulative Preferred Shares  | Common Shares | Paid-in Capital | Accumulated Deficit | Accumulated Other Comprehensive Loss | Total Public Storage Shareholders' Equity | Noncontrolling Interests | Total Equity |              |
|--|---------------|-----------------|---------------------|--------------------------------------|---|--------------------------|--------------|--------------|
| Balances at December 31, 2010  | \$ 3,396,027  | \$ 16,927       | \$ 5,515,827        | \$ (236,410)                         | \$ (15,773)                               | \$ 8,676,598             | \$ 32,336    | \$ 8,708,934 |
| Redemption of 45,890,000 preferred shares (Note 8)   | (1,147,256)   | -               | -                   | -                                    | -   | (1,147,256)              | -            | (1,147,256)  |
| Issuance of 34,500,000 preferred shares (Note 8)   | 862,500       | -               | (26,873)            | -                                    | -   | 835,627                  | -            | 835,627      |
| Issuance of common shares in connection with share-based compensation (508,058 shares) (Note 10)               | -             | 49              | 26,367              | -                                    | -   | 26,416                   | -            | 26,416       |
| Issuance of common shares in connection with acquisition of noncontrolling interests (477,928 shares) (Note 7) | -             | 48              | 57,060              | -                                    | -   | 57,108                   | -            | 57,108       |
| Share-based compensation expense, net of cash paid in lieu of common   | -             | -               | 19,445              | -                                    | -   | 19,445                   | -            | 19,445       |

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|                   |             |        |           |           |          |             |          |             |
|-------------------|-------------|--------|-----------|-----------|----------|-------------|----------|-------------|
| shares (Note 10)  |             |        |           |           |          |             |          |             |
| Adjustments of    |             |        |           |           |          |             |          |             |
| redeemable        |             |        |           |           |          |             |          |             |
| noncontrolling    |             |        |           |           |          |             |          |             |
| interests to      |             |        |           |           |          |             |          |             |
| liquidation       |             |        |           |           |          |             |          |             |
| value (Note 7)    | -           | -      | -         | (764)     | -        | (764)       | -        | (764)       |
| Increase          |             |        |           |           |          |             |          |             |
| (decrease) in     |             |        |           |           |          |             |          |             |
| permanent         |             |        |           |           |          |             |          |             |
| noncontrolling    |             |        |           |           |          |             |          |             |
| interests in      |             |        |           |           |          |             |          |             |
| connection        |             |        |           |           |          |             |          |             |
| with:             |             |        |           |           |          |             |          |             |
| Consolidation     |             |        |           |           |          |             |          |             |
| of                |             |        |           |           |          |             |          |             |
| partially-owned   |             |        |           |           |          |             |          |             |
| entities (Note 4) | -           | -      | -         | -         | -        | -           | 17,663   | 17,663      |
| Acquisition of    |             |        |           |           |          |             |          |             |
| interests in      |             |        |           |           |          |             |          |             |
| Subsidiaries      |             |        |           |           |          |             |          |             |
| (Note 7)          | -           | -      | (149,320) | -         | -        | (149,320)   | (26,206) | (175,526)   |
| Net income        | -           | -      | -         | 836,459   | -        | 836,459     | -        | 836,459     |
| Net income        |             |        |           |           |          |             |          |             |
| allocated to:     |             |        |           |           |          |             |          |             |
| Redeemable        |             |        |           |           |          |             |          |             |
| noncontrolling    |             |        |           |           |          |             |          |             |
| interests         | -           | -      | -         | (938)     | -        | (938)       | -        | (938)       |
| Permanent         |             |        |           |           |          |             |          |             |
| noncontrolling    |             |        |           |           |          |             |          |             |
| interests         | -           | -      | -         | (11,679)  | -        | (11,679)    | 11,679   | -           |
| Distributions to  |             |        |           |           |          |             |          |             |
| equity holders:   |             |        |           |           |          |             |          |             |
| Preferred shares  |             |        |           |           |          |             |          |             |
| (Note 8)          | -           | -      | -         | (224,877) | -        | (224,877)   | -        | (224,877)   |
| Noncontrolling    |             |        |           |           |          |             |          |             |
| interests         | -           | -      | -         | -         | -        | -           | (12,754) | (12,754)    |
| Common shares     |             |        |           |           |          |             |          |             |
| and restricted    |             |        |           |           |          |             |          |             |
| share units       |             |        |           |           |          |             |          |             |
| (\$3.65 per       |             |        |           |           |          |             |          |             |
| share)            | -           | -      | -         | (621,369) | -        | (621,369)   | -        | (621,369)   |
| Other             |             |        |           |           |          |             |          |             |
| comprehensive     |             |        |           |           |          |             |          |             |
| loss (Note 2)     | -           | -      | -         | -         | (7,241)  | (7,241)     | -        | (7,241)     |
| Balances at       |             |        |           |           |          |             |          |             |
| December 31,      |             |        |           |           |          |             |          |             |
| 2011              | 3,111,271   | 17,024 | 5,442,506 | (259,578) | (23,014) | 8,288,209   | 22,718   | 8,310,927   |
| Redemption of     | (1,978,771) | -      | -         | -         | -        | (1,978,771) | -        | (1,978,771) |
| 79,150,833        |             |        |           |           |          |             |          |             |
| preferred shares  |             |        |           |           |          |             |          |             |



(Note 8)

Issuance of  
68,200,000

preferred shares

(Note 8)

1,705,000

-

(53,544)

-

-

1,651,456

-

1,651,456

Issuance of

common shares

(1,149,481

shares) (Note

10)

-

115

124,332

-

-

124,447

-

124,447

Share-based

compensation

expense, net of

cash paid in lieu

of common

shares (Note 10)

-

-

15,606

-

-

15,606

-

15,606

Acquisition of

redeemable

noncontrolling

interests

-

-

(7,954)

-

-

(7,954)

-

(7,954)

F-5

## PUBLIC STORAGE

## STATEMENTS OF EQUITY

(Amounts in thousands, except share and per share amounts)

| Cumulative Preferred Shares  | Common Shares | Paid-in Capital | Accumulated Deficit | Accumulated Other Comprehensive Loss | Total Public Storage Shareholders' Equity | Noncontrolling Interests | Total Equity |           |
|--|---------------|-----------------|---------------------|--------------------------------------|---|--------------------------|--------------|-----------|
| Increase (decrease) in permanent noncontrolling interests in connection with: Consolidation of partially-owned entities (Note 4) | -             | -               | -                   | -                                    | -   | -                        | 8,224        | 8,224     |
| Acquisition of interests in Subsidiaries (Note 7)  | -             | -               | (1,350)             | -                                    | -   | (1,350)                  | (75)         | (1,425)   |
| Net income   | -             | -               | -                   | 943,035                              | -   | 943,035                  | -            | 943,035   |
| Net income allocated to: Redeemable noncontrolling interests   | -             | -               | -                   | (236)                                | -   | (236)                    | -            | (236)     |
| Permanent noncontrolling interests   | -             | -               | -                   | (3,541)                              | -   | (3,541)                  | 3,541        | -         |
| Distributions to equity holders: Preferred shares (Note 8)   | -             | -               | -                   | (205,241)                            | -   | (205,241)                | -            | (205,241) |
| Noncontrolling interests   | -             | -               | -                   | -                                    | -   | -                        | (5,300)      | (5,300)   |
| Common shares and restricted share units (\$4.40 per share)  | -             | -               | -                   | (753,913)                            | -   | (753,913)                | -            | (753,913) |
| Other comprehensive income (Note 2)  | -             | -               | -                   | -                                    | 22,009                                    | 22,009                   | -            | 22,009    |

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|  |              |           |              |              |          |              |           |              |
|--|--------------|-----------|--------------|--------------|----------|--------------|-----------|--------------|
| Balances at December 31, 2012  | 2,837,500    | 17,139    | 5,519,596    | (279,474)    | (1,005)  | 8,093,756    | 29,108    | 8,122,864    |
| Issuance of 29,000,000 preferred shares (Note 8)   | 725,000      | -         | (23,313)     | -            | -        | 701,687      | -         | 701,687      |
| Issuance of common shares in connection with share-based compensation (388,005 shares) (Note 10) | -            | 39        | 21,072       | -            | -        | 21,111       | -         | 21,111       |
| Share-based compensation expense, net of cash paid in lieu of common shares (Note 10)            | -            | -         | 19,320       | -            | -        | 19,320       | -         | 19,320       |
| Acquisition of noncontrolling interests  | -            | -         | (5,641)      | -            | -        | (5,641)      | (607)     | (6,248)      |
| Net income   | -            | -         | -            | 1,057,531    | -        | 1,057,531    | -         | 1,057,531    |
| Net income allocated to noncontrolling interests   | -            | -         | -            | (5,078)      | -        | (5,078)      | 5,078     | -            |
| Distributions to equity holders: Preferred shares (Note 8)                                       | -            | -         | -            | (204,312)    | -        | (204,312)    | -         | (204,312)    |
| Noncontrolling interests   | -            | -         | -            | -            | -        | -            | (6,454)   | (6,454)      |
| Common shares and restricted share units (\$5.15 per share)                                      | -            | -         | -            | (887,149)    | -        | (887,149)    | -         | (887,149)    |
| Other comprehensive income (Note 2)  | -            | -         | -            | -            | 505      | 505          | -         | 505          |
| Balances at December 31, 2013  | \$ 3,562,500 | \$ 17,178 | \$ 5,531,034 | \$ (318,482) | \$ (500) | \$ 8,791,730 | \$ 27,125 | \$ 8,818,855 |

F-6

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## PUBLIC STORAGE

## STATEMENTS OF CASH FLOWS

(Amounts in thousands)

|  | For the Years Ended December 31, |             |             |
|--|----------------------------------|-------------|-------------|
|  | 2013                             | 2012        | 2011        |
| Cash flows from operating activities:  |                                  |             |             |
| Net income   | \$ 1,057,531                     | \$ 943,035  | \$ 836,459  |
| Adjustments to reconcile net income to net cash provided by operating activities:            |                                  |             |             |
| Gain on real estate sales and debt retirement, including amounts in discontinued operations  | (4,233)                          | (13,591)    | (13,538)    |
| Depreciation and amortization, including amounts in discontinued operations                  | 387,402                          | 358,103     | 358,525     |
| Distributions received from unconsolidated real estate entities less than equity in earnings | (11,709)                         | (904)       | (5,197)     |
| Foreign currency exchange (gain) loss  | (17,082)                         | (8,876)     | 7,287       |
| Asset impairment charges, including amounts in discontinued operations                       | -                                | -           | 2,186       |
| Other  | 18,430                           | 7,892       | 17,730      |
| Total adjustments  | 372,808                          | 342,624     | 366,993     |
| Net cash provided by operating activities  | 1,430,339                        | 1,285,659   | 1,203,452   |
| Cash flows from investing activities:  |                                  |             |             |
| Capital expenditures to maintain real estate facilities                                      | (71,270)                         | (67,737)    | (69,777)    |
| Construction in process  | (101,376)                        | (10,688)    | (19,164)    |
| Acquisition of real estate facilities and intangibles (Note 3)                               | (1,150,943)                      | (225,515)   | (77,228)    |
| Investment in unconsolidated real estate entities  | (105,040)                        | -           | (1,274)     |
| Proceeds from sale of real estate investments  | 257                              | 20,021      | 13,435      |
| Loans to unconsolidated real estate entities   | -                                | -           | (358,877)   |
| Repayments of loans receivable from unconsolidated real estate entities                      | -                                | -           | 206,770     |
| Disposition of loans receivable from unconsolidated real estate entities                     | -                                | -           | 121,317     |
| Maturities of marketable securities  | -                                | -           | 102,279     |
| Other  | 15,979                           | (6,546)     | 1,164       |
| Net cash used in investing activities  | (1,412,393)                      | (290,465)   | (81,355)    |
| Cash flows from financing activities:  |                                  |             |             |
| (Repayments) borrowings on bank credit facility, net   | (82,900)                         | 133,000     | -           |
| Borrowings on term loan  | 700,000                          | -           | -           |
| Repayments on notes payable  | (251,895)                        | (61,013)    | (174,355)   |
| Issuance of common shares  | 21,111                           | 124,447     | 26,416      |
| Issuance of preferred shares   | 701,687                          | 1,651,456   | 835,627     |
| Redemption of preferred shares   | -                                | (1,978,771) | (1,147,256) |

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|   |             |             |             |
|---|-------------|-------------|-------------|
| Acquisition of noncontrolling interests                                 | (6,248)     | (21,325)    | (118,418)   |
| Distributions paid to Public Storage shareholders                       | (1,091,461) | (959,154)   | (846,246)   |
| Distributions paid to noncontrolling interests                          | (6,454)     | (5,945)     | (14,314)    |
| Net cash used in financing activities                                   | (16,160)    | (1,117,305) | (1,438,546) |
| Net decrease in cash and cash equivalents                               | 1,786       | (122,111)   | (316,449)   |
| Net effect of foreign exchange translation on cash and cash equivalents | 144         | 342         | (795)       |
| Cash and cash equivalents at the beginning of the period                | 17,239      | 139,008     | 456,252     |
| Cash and cash equivalents at the end of the period                      | \$ 19,169   | \$ 17,239   | \$ 139,008  |

F-7

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## PUBLIC STORAGE

## STATEMENTS OF CASH FLOWS

(Amounts in thousands)

|   | For the Years Ended December 31, |          |           |
|---|----------------------------------|----------|-----------|
|   | 2013                             | 2012     | 2011      |
| Supplemental schedule of non-cash investing and financing activities:                                     |                                  |          |           |
| Foreign currency translation adjustment:  |                                  |          |           |
| Real estate facilities, net of accumulated depreciation   | \$ (254)                         | \$ (646) | \$ (18)   |
| Investments in unconsolidated real estate entities  | (45)                             | (21,600) | 6,985     |
| Intangible assets   | -                                | 5        | -         |
| Loan receivable from unconsolidated real estate entity  | (17,144)                         | (8,302)  | 6,766     |
| Accumulated other comprehensive income (loss)   | 17,587                           | 30,885   | (14,528)  |
| Real estate acquired in exchange for assumption of note payable   | (6,071)                          | -        | (9,679)   |
| Note payable assumed in connection with acquisition of real estate  | 6,071                            | -        | 9,679     |
| Consolidation of entities previously accounted for under the equity method of accounting:                 |                                  |          |           |
| Real estate facilities  | -                                | (10,403) | (19,427)  |
| Investments in unconsolidated real estate entities  | -                                | 3,072    | 6,126     |
| Intangible assets   | -                                | (949)    | (3,985)   |
| Noncontrolling interests  | -                                | 8,224    | 17,663    |
| Noncontrolling interests in subsidiaries acquired in exchange for the issuance of common shares (Note 7): |                                  |          |           |
| Additional paid in capital (noncontrolling interests acquired)  | -                                | -        | (57,108)  |
| Common shares   | -                                | -        | 48        |
| Additional paid in capital (common shares issued)   | -                                | -        | 57,060    |
| Adjustments of redeemable noncontrolling interests to fair values:  |                                  |          |           |
| Accumulated deficit   | -                                | -        | (764)     |
| Redeemable noncontrolling interests   | -                                | -        | 764       |
| Exchange of loan receivable from Shurgard Europe for investment (Note 4):                                 |                                  |          |           |
| Loans receivable from unconsolidated real estate entities   | -                                | -        | 116,560   |
| Investment in unconsolidated real estate entities   | -                                | -        | (116,560) |
| Real estate acquired in connection with elimination of intangible assets                                  | -                                | -        | (4,738)   |
| Intangible assets eliminated in connection with acquisition of real estate                                | -                                | -        | 4,738     |

F-8

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PUBLIC STORAGE

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

1. Description of the Business

Public Storage (referred to herein as “the Company”, “we”, “us”, or “our”), a Maryland real estate investment trust, was organized in 1980. Our principal business activities include the acquisition, development, ownership and operation of self-storage facilities which offer storage spaces for lease, generally on a month-to-month basis, for personal and business use.

At December 31, 2013, we have direct and indirect equity interests in 2,200 self-storage facilities (with approximately 141 million net rentable square feet) located in 38 states in the United States (“U.S.”) operating under the “Public Storage” name. In Europe, we own one self-storage facility in London, England and we have a 49% interest in Shurgard Europe, which owns 187 self-storage facilities (with approximately 10 million net rentable square feet) located in seven Western European countries, all operating under the “Shurgard” name. We also have direct and indirect equity interests in approximately 31 million net rentable square feet of commercial space located in 11 states in the U.S. primarily owned and operated by PS Business Parks, Inc. (“PSB”) under the “PS Business Parks” name. At December 31, 2013, we have an approximate 42% common equity interest in PSB.

Disclosures of the number and square footage of properties, as well as the number and coverage of tenant reinsurance policies are unaudited and outside the scope of our independent registered public accounting firm’s review of our financial statements in accordance with the standards of the Public Company Accounting Oversight Board (U.S.).

2. Summary of Significant Accounting Policies

Basis of Presentation

The financial statements are presented on an accrual basis in accordance with U.S. generally accepted accounting principles (“GAAP”) as defined in the Financial Accounting Standards Board Accounting Standards Codification (the “Codification”). Certain amounts previously reported in our December 31, 2012 and 2011 financial statements have been reclassified to conform to the December 31, 2013 presentation, (i) to reflect credit card fees as part of cost of operations rather than as a reduction to revenues and (ii) to reclassify construction in process from buildings.

Consolidation and Equity Method of Accounting

We consider entities to be Variable Interest Entities (“VIEs”) when they have insufficient equity to finance their activities without additional subordinated financial support provided by other parties, or where the equity holders as a group do not have a controlling financial interest. We have no investments or other involvement in any VIEs.

We consolidate all entities that we control (these entities, for the period in which the reference applies, are referred to collectively as the “Subsidiaries”), and we eliminate intercompany transactions and balances. We account for our investments in entities that we have significant influence over, but do not control, using the equity method of accounting (these entities, for the periods in which the reference applies, are referred to collectively as the “Unconsolidated Real Estate Entities”). When we obtain control of an Unconsolidated Real Estate Entity, we commence consolidating the entity and record a gain representing the differential between the book value and fair value of our preexisting equity interest. All changes in consolidation status are reflected prospectively.



## PUBLIC STORAGE

### NOTES TO FINANCIAL STATEMENTS

December 31, 2013

When we are general partner, we control the partnership unless the third-party limited partners can dissolve the partnership or otherwise remove us as general partner without cause, or if the limited partners have the right to participate in substantive decisions of the partnership.

Collectively, at December 31, 2013, the Company and the Subsidiaries own 2,186 self-storage facilities in the U.S., one self-storage facility in London, England and six commercial facilities in the U.S. At December 31, 2013, the Unconsolidated Real Estate Entities are comprised of PSB, Shurgard Europe, as well as limited partnerships that own an aggregate of 14 self-storage facilities in the U.S. (these limited partnerships, for the periods in which the reference applies, are referred to as the "Other Investments").

#### Use of Estimates

The financial statements and accompanying notes reflect our estimates and assumptions. Actual results could differ from those estimates and assumptions.

#### Income Taxes

We have elected to be treated as a real estate investment trust ("REIT"), as defined in the Internal Revenue Code. As a REIT, we do not incur federal income tax if we distribute 100% of our REIT taxable income (generally, net rents and gains from real property, dividends, and interest) each year, and if we meet certain organizational and operational rules. We believe we will meet these REIT requirements in 2013, and that we have met them for all other periods presented herein. Accordingly, we have recorded no federal income tax expense related to our REIT taxable income.

Our merchandise and tenant reinsurance operations are subject to corporate income tax and such taxes are included in ancillary cost of operations. We also incur income and other taxes in certain states, which are included in general and administrative expense.

We recognize tax benefits of uncertain income tax positions that are subject to audit only if we believe it is more likely than not that the position would be sustained (including the impact of appeals, as applicable), assuming the relevant taxing authorities had full knowledge of the relevant facts and circumstances of our positions. As of December 31, 2013, we had no tax benefits that were not recognized.

#### Real Estate Facilities

Real estate facilities are recorded at cost. We capitalize all costs incurred to develop, construct, renovate and improve properties, including interest and property taxes incurred during the construction period. We expense internal and external transaction costs associated with acquisitions or dispositions of real estate, as well as repairs and maintenance costs, as incurred. We depreciate buildings and improvements on a straight-line basis over estimated useful lives ranging generally between 5 to 25 years.

We allocate the net acquisition cost of acquired operating self-storage facilities to the underlying land, buildings, identified intangible assets, and remaining noncontrolling interests based upon their respective individual estimated fair values. Any difference between the net acquisition cost and the estimated fair value of the net tangible and

intangible assets acquired is recorded as goodwill.

F-10

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## PUBLIC STORAGE

### NOTES TO FINANCIAL STATEMENTS

December 31, 2013

#### Other Assets

Other assets primarily consist of prepaid expenses, accounts receivable, land held for sale and restricted cash. In 2011, we recorded impairment charges with respect to other assets totaling \$1.9 million.

#### Accrued and Other Liabilities

Accrued and other liabilities consist primarily of trade payables, property tax accruals, tenant prepayments of rents, accrued interest payable, accrued payroll, accrued tenant reinsurance losses, casualty losses, and contingent loss accruals which are accrued when probable and estimable. We disclose the nature of significant unaccrued losses that are reasonably possible of occurring and, if estimable, a range of exposure.

#### Cash Equivalents and Marketable Securities

Cash equivalents represent highly liquid financial instruments such as money market funds with daily liquidity or short-term commercial paper or treasury securities maturing within three months of acquisition. Cash and cash equivalents which are restricted from general corporate use are included in other assets. Commercial paper not maturing within three months of acquisition, which we intend and have the capacity to hold until maturity, are included in marketable securities and accounted for using the effective interest method.

#### Fair Value Accounting

As used herein, the term “fair value” is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. We prioritize the inputs used in measuring fair value based upon a three-tier hierarchy described in Codification Section 820-10-35.

We believe that, during all periods presented, the carrying values approximate the fair values of our cash and cash equivalents, marketable securities, other assets, and accrued and other liabilities, based upon our evaluation of the underlying characteristics, market data, and short maturity of these financial instruments, which involved considerable judgment. The estimated fair values are not necessarily indicative of the amounts that could be realized in current market exchanges. The characteristics of these financial instruments, market data, and other comparative metrics utilized in determining these fair values are “Level 2” inputs as the term is defined in Codification Section 820-10-35-47.

We use significant judgment to estimate fair values in recording our business combinations, to evaluate real estate, investments in unconsolidated real estate entities, goodwill, and other intangible assets for impairment, and to determine the fair values of notes payable and receivable. In estimating fair values, we consider significant unobservable inputs such as market prices of land, market capitalization rates and earnings multiples for real estate facilities, projected levels of earnings, costs of construction, functional depreciation, and market interest rates for debt securities with a similar time to maturity and credit quality, which are “Level 3” inputs as the term is defined in Codification Section 820-10-35-52.

#### Currency and Credit Risk

Financial assets that are exposed to credit risk consist primarily of cash and cash equivalents, accounts receivable, loans receivable, and restricted cash. Cash equivalents and marketable securities we invest in are either money market funds with a rating of at least AAA by Standard and Poor's, commercial paper that is rated A1 by Standard and Poor's or deposits with highly rated commercial banks.

F-11

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PUBLIC STORAGE

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

At December 31, 2013, due primarily to our investment in and loan receivable from Shurgard Europe, our operating results and financial position are affected by fluctuations in currency exchange rates between the Euro, and to a lesser extent, other European currencies, against the U.S. Dollar.

Goodwill and Other Intangible Assets

Intangible assets are comprised of goodwill, the “Shurgard” trade name, acquired customers in place, and leasehold interests in land.

Goodwill totaled \$174.6 million at December 31, 2013 and 2012. The “Shurgard” trade name, which is used by Shurgard Europe pursuant to a fee-based licensing agreement, has a book value of \$18.8 million at December 31, 2013 and 2012. Goodwill and the “Shurgard” trade name have indefinite lives and are not amortized.

Acquired customers in place and leasehold interests in land are finite-lived and are amortized relative to the benefit of the customers in place or the land lease expense to each period. At December 31, 2013, these intangibles have a net book value of \$53.4 million (\$15.9 million at December 31, 2012). Accumulated amortization totaled \$35.1 million at December 31, 2013 (\$24.8 million at December 31, 2012), and amortization expense of \$24.1 million, \$10.5 million and \$11.9 million was recorded in 2013, 2012 and 2011, respectively. The estimated future amortization expense for our finite-lived intangible assets at December 31, 2013 is \$36.6 million in 2014, \$8.2 million in 2015 and \$8.6 million thereafter. During 2013, 2012 and 2011, intangibles were increased \$61.5 million, \$9.1 million and \$1.0 million, respectively, in connection with the acquisition of self-storage facilities and leasehold interests (Note 3), and in 2012 and 2011, \$0.9 million and \$4.0 million, respectively, in connection with the consolidation of facilities previously accounted for under the equity method (Note 4).

Evaluation of Asset Impairment

We evaluate our real estate, finite-lived intangible assets, investments in unconsolidated real estate entities, and loan receivable from Shurgard Europe for impairment on a quarterly basis. We evaluate indefinite-lived assets (including goodwill) for impairment on an annual basis, or more often if there are indicators of impairment.

In evaluating our real estate assets and finite-lived intangible assets for impairment, if there are indicators of impairment, and we determine that the asset is not recoverable from future undiscounted cash flows, an impairment charge is recorded for any excess of the carrying amount over the asset’s estimated fair value. For long-lived assets that we expect to dispose of prior to the end of their estimated useful lives, we record an impairment charge for any excess of the carrying value of the asset over the expected net proceeds from disposal.

Prior to January 1, 2013, we evaluated the “Shurgard” trade name for impairment through a quantitative analysis, and we would record impairment charges to the extent quantitatively estimated fair value was less than the carrying amount. Beginning January 1, 2013, if we determine, based upon the relevant events and circumstances and other such qualitative factors, that it is more likely than not that the asset is unimpaired, we do not record an impairment charge and no further analysis is performed. Otherwise, we record an impairment charge for any excess of carrying amount over quantitatively assessed fair value.

In evaluating goodwill for impairment, we first evaluate, based upon the relevant events and circumstances and other such qualitative factors, whether the fair value of the reporting unit that the goodwill pertains to is greater than its aggregate carrying amount. If based upon this evaluation it is more likely than not

F-12

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PUBLIC STORAGE

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

that the fair value of the reporting unit is in excess of its aggregate carrying amount, no impairment charge is recorded and no further analysis is performed. Otherwise, we estimate the goodwill's implied fair value based upon what would be allocated to goodwill if the reporting unit were acquired at estimated fair value in a transaction accounted for as a business combination, and record an impairment charge for any excess of book value over the goodwill's implied fair value.

For our investments in unconsolidated real estate entities, if we determine that a decline in the estimated fair value of the investments below carrying amount is other than temporary, we record an impairment charge for any excess of carrying amount over the estimated fair value.

For our loan receivable from Shurgard Europe, if we determine that it is probable we will be unable to collect all amounts due based on the terms of the loan agreement, we record an impairment charge for any excess of book value over the present value of expected future cash flows.

No impairments were recorded in any of our evaluations for any period presented herein.

Revenue and Expense Recognition

Rental income, which is generally earned pursuant to month-to-month leases for storage space, as well as late charges and administrative fees, are recognized as earned. Promotional discounts reduce rental income over the promotional period. Ancillary revenues and interest and other income are recognized when earned. Equity in earnings of unconsolidated real estate entities represents our pro-rata share of the earnings of the Unconsolidated Real Estate Entities.

We accrue for property tax expense based upon actual amounts billed and, in some circumstances, estimates and historical trends when bills or assessments have not been received from the taxing authorities or such bills and assessments are in dispute. If these estimates are incorrect, the timing and amount of expense recognition could be incorrect. Cost of operations, general and administrative expense, interest expense, as well as television and other advertising expenditures are expensed as incurred.

Foreign Currency Exchange Translation

The local currency (primarily the Euro) is the functional currency for our interests in foreign operations. The related balance sheet amounts are translated into U.S. Dollars at the exchange rates at the respective financial statement date, while amounts on our statements of income are translated at the average exchange rates during the respective period. The Euro was translated at exchange rates of approximately 1.377 U.S. Dollars per Euro at December 31, 2013 (1.322 at December 31, 2012), and average exchange rates of 1.328, 1.285 and 1.392 for the years ended December 31, 2013, 2012 and 2011, respectively. Cumulative translation adjustments, to the extent not included in cumulative net income, are included in equity as a component of accumulated other comprehensive income (loss).

Comprehensive Income (Loss)

Total comprehensive income (loss) represents net income, adjusted for changes in other comprehensive income (loss) for the applicable period. The aggregate foreign currency exchange gains and losses reflected on our statements of comprehensive income are comprised primarily of foreign currency exchange gains and losses on our investment in, and loan receivable from, Shurgard Europe.

F-13

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## PUBLIC STORAGE

## NOTES TO FINANCIAL STATEMENTS

December 31, 2013

## Discontinued Operations

Discontinued operations represent the net income of those facilities that have been disposed of as of during the three years ended December 31, 2013, or which we plan to dispose of within a year. In addition, discontinued operations include \$12.1 million and \$2.7 million in gains on disposition of real estate facilities in 2012 and 2011, respectively.

## Net Income per Common Share

Net income is allocated to (i) noncontrolling interests based upon their share of the net income of the Subsidiaries, (ii) preferred shareholders, to the extent redemption cost exceeds the related original net issuance proceeds (an "EITF D-42 allocation."), and (iii) the remaining net income allocated to each of our equity securities based upon the dividends declared or accumulated during the period, combined with participation rights in undistributed earnings.

Basic net income per share, basic net income from discontinued operations per share, and basic net income from continuing operations per share are computed using the weighted average common shares outstanding. Diluted net income per share, diluted net income from discontinued operations per share, and diluted net income from continuing operations per share are computed using the weighted average common shares outstanding, adjusted for the impact, if dilutive, of stock options outstanding (Note 10).

The following table reflects net income allocations and weighted average common shares and equivalents outstanding, as used in our calculations of basic and diluted net income per share, basic and diluted net income from discontinued operations per share, and basic and diluted net income from continuing operations per share:

For the Years Ended December 31,  
2013      2012      2011  
(Amounts in thousands)

Net income allocable to common shareholders from continuing operations and discontinued operations:

|  |            |            |            |
|--|------------|------------|------------|
| Net income allocable to common shareholders                            | \$ 844,731 | \$ 669,694 | \$ 561,747 |
| Eliminate: Discontinued operations allocable to common shareholders    | -          | (12,874)   | (3,316)    |
| Net income from continuing operations allocable to common shareholders | \$ 844,731 | \$ 656,820 | \$ 558,431 |

Weighted average common shares and equivalents outstanding:

|   |         |         |         |
|---|---------|---------|---------|
| Basic weighted average common shares outstanding                      | 171,640 | 170,562 | 169,657 |
| Net effect of dilutive stock options - based on treasury stock method | 1,048   | 1,102   | 1,093   |
| Diluted weighted average common shares outstanding                    | 172,688 | 171,664 | 170,750 |

F-14

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## PUBLIC STORAGE

## NOTES TO FINANCIAL STATEMENTS

December 31, 2013

## 3.Real Estate Facilities

Activity in real estate facilities during 2013, 2012 and 2011 is as follows:

|   | 2013                   | 2012          | 2011          |
|---|------------------------|---------------|---------------|
|   | (Amounts in thousands) |               |               |
| Operating facilities, at cost:                          |                        |               |               |
| Beginning balance                                       | \$ 11,033,819          | \$ 10,773,277 | \$ 10,587,347 |
| Capital expenditures to maintain real estate facilities | 71,270                 | 67,737        | 69,777        |
| Acquisitions  | 1,095,477              | 198,316       | 105,360       |
| Dispositions  | (89)                   | (13,792)      | (10,528)      |
| Impairment  | -                      | -             | (453)         |
| Newly developed facilities opened for operation         | 85,283                 | 7,244         | 21,793        |
| Impact of foreign exchange rate changes                 | 496                    | 1,037         | (19)          |
| Ending balance  | 12,286,256             | 11,033,819    | 10,773,277    |
| Accumulated depreciation:                               |                        |               |               |
| Beginning balance                                       | (3,738,130)            | (3,398,379)   | (3,061,459)   |
| Depreciation expense                                    | (360,442)              | (345,459)     | (342,758)     |
| Dispositions  | -                      | 6,099         | 5,645         |
| Impairment  | -                      | -             | 156           |
| Impact of foreign exchange rate changes                 | (242)                  | (391)         | 37            |
| Ending balance  | (4,098,814)            | (3,738,130)   | (3,398,379)   |
| Construction in process:                                |                        |               |               |
| Beginning balance                                       | 36,243                 | 4,299         | 6,928         |
| Current development                                     | 101,376                | 10,688        | 19,164        |
| Acquisitions  | -                      | 28,500        | -             |
| Newly developed facilities opened for operation         | (85,283)               | (7,244)       | (21,793)      |
| Ending balance  | 52,336                 | 36,243        | 4,299         |
| Total real estate facilities at December 31,            | \$ 8,239,778           | \$ 7,331,932  | \$ 7,379,197  |

During 2013, we acquired 121 operating self-storage facilities from third parties (8,036,000 net rentable square feet of storage space) for \$1.151 billion in cash and assumed mortgage debt with a fair value of \$6 million. We allocated approximately \$1.095 billion to real estate facilities and \$62 million to intangible assets. We completed expansion and development activities during 2013, adding 614,000 net rentable square feet of self-storage space, at an aggregate cost of \$85.3 million. We disposed of real estate for an aggregate of \$0.2 million in cash, recording a gain of approximately \$0.1 million in connection with partial condemnations. Construction in process at December 31, 2013, consists of projects to develop new self-storage facilities and expand existing self-storage facilities, which would add

a total of 1.8 million net rentable square feet of storage space, for an aggregate estimated cost of approximately \$196 million.

The results of operations of the facilities acquired from third parties during 2013 have been included in our consolidated financial statements since their respective acquisitions dates. The unaudited pro forma data presented below assumes that the acquisitions occurred as of January 1, 2012, and includes pro forma adjustments to (i) increase depreciation and amortization expense to the buildings and intangible assets acquired and (ii) increase interest expense to reflect the financing of the acquisitions with borrowings on our line of credit, the term loan and the issuance of preferred shares. The unaudited pro forma results have been prepared for comparative purposes only and do not purport to be indicative of the results of operations that would have occurred had the acquisitions been consummated on January 1, 2012.

F-15

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## PUBLIC STORAGE

## NOTES TO FINANCIAL STATEMENTS

December 31, 2013

For the Year Ended  
December 31,  
2013              2012  
(Amounts in thousands,  
except per share data)  
(Unaudited)

|                   |              |              |
|-------------------|--------------|--------------|
| Revenues          | \$ 2,053,143 | \$ 1,926,195 |
| Net income        | \$ 1,079,066 | \$ 902,108   |
| Income per share: |              |              |
| Basic             | \$ 5.03      | \$ 3.56      |
| Diluted           | \$ 5.00      | \$ 3.54      |

During 2012, we acquired 24 operating self-storage facilities from third parties (1,908,000 net rentable square feet of storage space and unfinished space that we converted to 209,000 net rentable square feet of storage space in 2013 for \$20.3 million in additional development cost) for \$225.5 million in cash, with \$187.9 million allocated to real estate facilities, \$9.1 million allocated to intangible assets and \$28.5 million allocated to construction in process with respect to the unfinished space. In addition, we consolidated a limited partnership that we had previously accounted for using the equity method (see Note 4). The three self-storage facilities (183,000 net rentable square feet) owned by this entity, having an aggregate fair market value of \$10.4 million, have been added to our operating facilities. We also completed various expansion activities to our existing facilities for an aggregate cost of approximately \$7.2 million.

During 2012, we also disposed of four operating self-storage facilities and portions of other facilities in connection with eminent domain proceedings. We received aggregate proceeds totaling \$20.0 million and recorded gains totaling of \$12.3 million, of which \$12.1 million was included in discontinued operations and \$0.2 million was included in gain on real estate sales and debt retirement in our statement of income for the year ended December 31, 2012.

During 2011, we acquired eleven operating self-storage facilities from third parties (896,000 net rentable square feet) and the leasehold interest in the land of one of our existing self-storage facilities for an aggregate cost of \$91.6 million, consisting of \$77.2 million of cash, assumed mortgage debt with a fair value of \$9.7 million and the elimination of the \$4.7 million book value of an intangible asset related to the acquired leasehold interest. The aggregate cost was allocated \$85.9 million to real estate facilities and \$5.7 million to intangible assets. In addition, we consolidated two limited partnerships that we had previously accounted for using the equity method (see Note 4). The two self-storage facilities (143,000 net rentable square feet) owned by these limited partnerships have an aggregate fair market value of \$19.4 million and have been added to our operating facilities. We also completed various expansion activities to our existing facilities for an aggregate cost of approximately \$21.8 million.

During 2011, we disposed of two operating self-storage facilities and portions of other facilities in connection with eminent domain proceedings. We received aggregate proceeds totaling \$13.4 million and recorded an aggregate gain of \$8.5 million, of which \$2.7 million was included in discontinued operations and \$5.8 million was included in gain on real estate sales and debt retirement on our statement of income for the year ended December 31, 2011. Our

facilities incurred hurricane damage in 2011, resulting in a \$0.3 million impairment charge.

At December 31, 2013, the adjusted basis of real estate facilities for federal tax purposes was approximately \$8.5 billion (unaudited).

F-16

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## PUBLIC STORAGE

## NOTES TO FINANCIAL STATEMENTS

December 31, 2013

## 4. Investments in Unconsolidated Real Estate Entities

The following table sets forth our investments in, and equity earnings of, the Unconsolidated Real Estate Entities (amounts in thousands):

|                   | Investments in<br>Unconsolidated<br>Estate Entities at December 31, |            | Equity in Earnings of Unconsolidated<br>Real Estate<br>Entities<br>the Year Ended December 31, |           |           |
|-------------------|---|------------|--|-----------|-----------|
|                   | 2013  | 2012       | 2013   | 2012      | 2011      |
| PSB               | \$ 424,538  | \$ 316,078 | \$ 23,199  | \$ 10,638 | \$ 27,781 |
| Shurgard Europe   | 424,095   | 411,107    | 32,694   | 33,223    | 29,152    |
| Other Investments | 7,549   | 8,138      | 1,686  | 1,725     | 1,771     |
| Total             | \$ 856,182  | \$ 735,323 | \$ 57,579  | \$ 45,586 | \$ 58,704 |

During 2013, 2012 and 2011, we received cash distributions from our investments in the Unconsolidated Real Estate Entities totaling \$45.9 million, \$44.7 million and \$53.5 million, respectively.

## Investment in PSB

PSB is a REIT traded on the New York Stock Exchange. We have an approximate 42% common equity interest in PSB as of December 31, 2013, comprised of our ownership of 7,158,354 shares of PSB's common stock and 7,305,355 limited partnership units in an operating partnership controlled by PSB (41% as of December 31, 2012, comprised of our ownership of 5,801,606 shares of PSB's common stock and 7,305,355 limited partnership units at December 31, 2012). The limited partnership units are convertible at our option, subject to certain conditions, on a one-for-one basis into PSB common stock. Based upon the closing price at December 31, 2013 (\$76.42 per share of PSB common stock), the shares and units we owned had a market value of approximately \$1.1 billion.

During 2013, we purchased 406,748 shares of PSB common stock in open-market transactions at an average cost of \$73.15 per share. Subsequently, on November 7, 2013, PSB completed a public offering of 1,495,000 shares of its common stock for \$79.25 per share. Concurrent with the public offering, we purchased an additional 950,000 shares of PSB common stock from PSB at the same price per share as the public offering for a total cost of \$75.3 million. In connection with PSB's common share issuance, we recognized a gain on sale of real estate totaling \$4.1 million as if we had sold a proportionate share of our investment in PSB.

The following table sets forth selected financial information of PSB. The amounts represent all of PSB's balances and not our pro-rata share.

## PUBLIC STORAGE

## NOTES TO FINANCIAL STATEMENTS

December 31, 2013

|  | 2013 | 2012 | 2011 |
|--|------|------|------|
|--|------|------|------|

(Amounts in thousands)

For the year ended December 31,

|  |            |            |            |
|--|------------|------------|------------|
| Total revenue  | \$ 359,885 | \$ 347,197 | \$ 298,141 |
| Costs of operations  | (114,831)  | (114,108)  | (99,917)   |
| Depreciation and amortization  | (108,917)  | (109,398)  | (84,391)   |
| General and administrative   | (5,312)    | (8,919)    | (9,036)    |
| Other items  | (14,681)   | (19,400)   | (2,157)    |
| Net income   | 116,144    | 95,372     | 102,640    |
| Net income allocated to preferred unitholders, preferred shareholders and restricted stock unitholders (a) | (59,341)   | (69,597)   | (34,935)   |
| Net income allocated to common shareholders and common unitholders   | \$ 56,803  | \$ 25,775  | \$ 67,705  |

(a) Includes EITF D-42 allocations to preferred equity holders of \$17.3 million during 2012 related to PSB's redemption of preferred securities and an allocation from preferred equity holders of \$7.4 million during 2011, related to PSB's redemption of preferred securities.

|  | 2013 | 2012 |
|--|------|------|
|--|------|------|

(Amounts in thousands)

As of December 31,

|                                      |              |              |
|--------------------------------------|--------------|--------------|
| Total assets (primarily real estate) | \$ 2,238,559 | \$ 2,151,817 |
| Debt                                 | 250,000      | 468,102      |
| Other liabilities                    | 73,919       | 69,454       |
| Equity:                              |              |              |
| Preferred stock                      | 995,000      | 885,000      |
| Common equity and units              | 919,640      | 729,261      |
| Investment in Shurgard Europe        |              |              |

For all periods presented, we had a 49% equity investment in Shurgard Europe. On March 2, 2011, Shurgard Europe acquired the 80% interests it did not own in two joint ventures. These joint ventures owned 72 self-storage facilities located in Europe and operated by Shurgard Europe under the "Shurgard" name. We and our joint venture partner provided the funding for this acquisition (see Note 5).

Changes in foreign currency exchange rates increased our investment in Shurgard Europe by approximately \$45 thousand in 2013 and \$21.6 million in 2012, and decreased our investment by approximately \$7.0 million in 2011.

Shurgard Europe pays interest to us on the loan we have provided to them (see Note 5). In addition, Shurgard Europe pays us a license fee for the use of the “Shurgard” trademark. We classify 49% of the interest income and trademark license fees received from Shurgard Europe as equity in earnings of unconsolidated real estate entities and the remaining 51% as interest and other income, as set forth in the following table:

F-18

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## PUBLIC STORAGE

## NOTES TO FINANCIAL STATEMENTS

December 31, 2013

|  | 2013 | 2012 | 2011 |
|--|------|------|------|
|--|------|------|------|

(Amounts in thousands)

For the year ended December 31,

Our 49% equity share of:

Shurgard Europe's net income (net of \$2,834 allocated to noncontrolling interests in 2011)

|           |           |          |
|-----------|-----------|----------|
| \$ 12,944 | \$ 14,040 | \$ 3,473 |
|-----------|-----------|----------|

Interest income and trademark license fee

|        |        |        |
|--------|--------|--------|
| 19,750 | 19,183 | 25,679 |
|--------|--------|--------|

Total equity in earnings of Shurgard Europe

|           |           |           |
|-----------|-----------|-----------|
| \$ 32,694 | \$ 33,223 | \$ 29,152 |
|-----------|-----------|-----------|

The following table sets forth selected consolidated financial information of Shurgard Europe based upon all of Shurgard Europe's balances for all periods (including the consolidated operations of 72 self-storage facilities formerly owned by the two joint ventures), rather than our pro rata share. Such amounts are based upon our historical acquired book basis.

|  | 2013 | 2012 | 2011 |
|--|------|------|------|
|--|------|------|------|

(Amounts in thousands)

For the year ended December 31,

Self-storage and ancillary revenues

|            |            |            |
|------------|------------|------------|
| \$ 246,615 | \$ 243,687 | \$ 259,618 |
|------------|------------|------------|

Self-storage and ancillary cost of operations

|          |          |           |
|----------|----------|-----------|
| (98,222) | (96,341) | (107,056) |
|----------|----------|-----------|

Depreciation and amortization

|          |          |          |
|----------|----------|----------|
| (60,029) | (60,404) | (61,244) |
|----------|----------|----------|

General and administrative

|          |          |          |
|----------|----------|----------|
| (13,651) | (13,327) | (12,458) |
|----------|----------|----------|

Interest expense on third party debt

|         |         |          |
|---------|---------|----------|
| (5,082) | (7,689) | (16,299) |
|---------|---------|----------|

Trademark license fee payable to Public Storage

|         |         |         |
|---------|---------|---------|
| (2,468) | (2,439) | (2,481) |
|---------|---------|---------|

Interest expense on debt due to Public Storage

|          |          |          |
|----------|----------|----------|
| (37,838) | (36,710) | (49,925) |
|----------|----------|----------|

Lease termination charge, gain on sale of real estate and other

|         |       |       |
|---------|-------|-------|
| (2,909) | 1,876 | (234) |
|---------|-------|-------|

Net income (\$2,834 of net income was allocated to noncontrolling interests in 2011)

|           |           |          |
|-----------|-----------|----------|
| \$ 26,416 | \$ 28,653 | \$ 9,921 |
|-----------|-----------|----------|

Average exchange rates Euro to the U.S. Dollar

|       |       |       |
|-------|-------|-------|
| 1.328 | 1.285 | 1.392 |
|-------|-------|-------|

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|  | 2013                   | 2012         |
|--|------------------------|--------------|
|  | (Amounts in thousands) |              |
| As of December 31,                               |                        |              |
| Total assets (primarily self-storage facilities) | \$ 1,468,155           | \$ 1,468,111 |
| Total debt to third parties                      | 154,119                | 216,594      |
| Total debt to Public Storage                     | 428,139                | 410,995      |
| Other liabilities                                | 107,550                | 103,425      |
| Equity   | 778,347                | 737,097      |
| Exchange rate of Euro to U.S. Dollar             | 1.377                  | 1.322        |

F-19

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## PUBLIC STORAGE

## NOTES TO FINANCIAL STATEMENTS

December 31, 2013

## Other Investments

At December 31, 2013, the “Other Investments” include an average common equity ownership of approximately 26% in various limited partnerships that collectively own 14 self-storage facilities.

During 2012 and 2011, we began to consolidate limited partnerships that we gained control of, and recorded gains of \$1.3 million and \$3.1 million, respectively, representing the differences between the aggregate fair values of our existing investments and their book values. The fair values of our existing investments in 2012 and 2011 was allocated to real estate facilities (\$10.4 million and \$19.4 million, respectively), intangible assets (\$0.9 million and \$4.0 million, respectively), noncontrolling interests (\$8.2 million and \$17.7 million, respectively), and cash (\$0.4 million in 2011).

The following table sets forth certain condensed combined financial information (representing 100% of these entities’ balances, rather than our pro-rata share) with respect to the Other Investments:

|                                       | 2013                   | 2012      | 2011      |
|---------------------------------------|------------------------|-----------|-----------|
|                                       | (Amounts in thousands) |           |           |
| For the year ended December 31,       |                        |           |           |
| Total revenue                         | \$ 14,105              | \$ 13,688 | \$ 13,271 |
| Cost of operations and other expenses | (4,686)                | (4,398)   | (5,117)   |
| Depreciation and amortization         | (2,012)                | (2,140)   | (2,252)   |
| Net income                            | \$ 7,407               | \$ 7,150  | \$ 5,902  |

|  | 2013                   | 2012      |
|--|------------------------|-----------|
|  | (Amounts in thousands) |           |
| As of December 31,                               |                        |           |
| Total assets (primarily self-storage facilities) | \$ 26,531              | \$ 27,710 |
| Total accrued and other liabilities              | 1,412                  | 1,291     |
| Total Partners’ equity                           | 25,119                 | 26,419    |

## 5.Loan Receivable from Unconsolidated Real Estate Entity

As of December 31, 2013 and 2012, we had a Euro-denominated loan receivable from Shurgard Europe (the “Shareholder Loan”) with a balance of €311.0 million at both periods (\$428.1 million at December 31, 2013 and \$411.0 million at December 31, 2012), which bears interest at a fixed rate of 9.0% per annum and has no required principal payments until maturity on February 15, 2015, but can be prepaid in part or in full at any time without penalty. Because we expected repayment of the Shareholder Loan in the foreseeable future for all periods presented, foreign exchange rate gains or losses due to changes in exchange rates between the Euro and the U.S. Dollar are recognized on our income statements as “foreign currency exchange gain (loss).” For 2013, 2012 and 2011, we recorded interest income with respect to this loan (representing 51% of the aggregate interest received, see Note 4) of approximately \$19.3 million, \$18.7 million and \$23.0 million, respectively.

We believe that the interest rate on the Shareholder Loan approximates the market rate for loans with similar terms, conditions, subordination features, and tenor, and that the fair value of the loan approximates book value. In our evaluation of market rates and fair value, we considered that Shurgard Europe has sufficient operating cash flow, liquidity and collateral, and we have sufficient creditor rights such that credit risk is

F-20

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PUBLIC STORAGE

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

mitigated. We have received a total of €80.9 million in principal repayments on this loan since its inception on March 31, 2008.

On January 28, 2014, our joint venture partner in Shurgard Europe acquired 51% of the Shareholder Loan at face value for €158.6 million (\$216.2 million) in cash and the maturity date of the Shareholder Loan was extended to April 2019. We continue to believe that the Shareholder Loan will be repaid in the foreseeable future.

On February 9, 2011, we loaned PSB \$121.0 million. The loan had a six-month term and bore interest at a rate of three-month LIBOR plus 0.85% (1.13% per annum for the term of the loan). For 2011, we recorded interest income of approximately \$0.7 million related to the loan. The loan was repaid in 2011.

In March 2011, we provided bridge financing to Shurgard Europe totaling \$237.9 million, bearing interest at a fixed rate of 7.0% per annum and denominated in U.S. Dollars, which it used to acquire its partner's 80% interests in two joint ventures. In June 2011, our joint venture partner in Shurgard Europe effectively purchased 51% of the loan from us for \$121.3 million and the entire loan balance was exchanged for an equity interest in Shurgard Europe. In addition to interest on the bridge financing, during 2011, we received \$1.5 million in other income from our joint venture partner for our interim funding of its 51% pro rata share of Shurgard Europe's cost to acquire the interests.

#### 6.Credit Facility, Term Loan and Notes Payable

We have a \$300 million revolving line of credit (the "Credit Facility") that expires on March 21, 2017. Amounts drawn on the Credit Facility bear annual interest at rates ranging from LIBOR plus 0.900% to LIBOR plus 1.500% depending upon the ratio of our Total Indebtedness to Gross Asset Value (as defined in the Credit Facility) (LIBOR plus 0.900% at December 31, 2013). In addition, we are required to pay a quarterly facility fee ranging from 0.125% per annum to 0.300% per annum depending upon the ratio of our Total Indebtedness to our Gross Asset Value (0.125% per annum at December 31, 2013). At December 31, 2013, outstanding borrowings under this Credit Facility totaled \$50.1 million (\$133.0 million at December 31, 2012) which was repaid in full on January 8, 2014. At February 25, 2014, we had no outstanding borrowings on our Credit Facility. We had undrawn standby letters of credit, which reduce our borrowing capacity, totaling \$15.1 million at December 31, 2013 (\$15.3 million at December 31, 2012). The Credit Facility has various customary restrictive covenants, all of which we were in compliance with at December 31, 2013.

On December 2, 2013, we entered into a one year \$700 million unsecured term loan (the "Term Loan") with Wells Fargo Bank, the lead arranger for our Credit Facility. The Term Loan matures on December 2, 2014 and can be repaid in full or part at any time prior to its maturity without penalty. The interest rate and covenants on the Term Loan are the same as for the Credit Facility. As of December 31, 2013 and February 25, 2014, outstanding borrowings under the Term Loan totaled \$700.0 million and \$600.0 million, respectively, at an interest rate of 1.065%. In connection with the Term Loan, we incurred origination costs of \$1.9 million which are amortized over the one year period of the Term Loan. As of December 31, 2013, we had \$1.8 million of unamortized loan costs.



## PUBLIC STORAGE

## NOTES TO FINANCIAL STATEMENTS

December 31, 2013

On October 1, 2013, we borrowed \$100.0 million from PSB under a term loan which was repaid in full on October 18, 2013. The loan bore interest at 1.388%.

The carrying amounts of our notes payable at December 31, 2013 and 2012 consist of the following (dollar amounts in thousands):

|   | December 31, 2013  |               | December 31, 2012  |            |
|---|--------------------|---------------|--------------------|------------|
|   | Carrying<br>amount | Fair<br>Value | Carrying<br>amount | Fair Value |
| Secured Notes Payable:  |                    |               |                    |            |
| 4.8% average effective rate, secured by 45 real estate facilities with a net book value of approximately \$223.6 million at December 31, 2013 and stated note rates between 2.92% and 7.13%, maturing at varying dates between June 2014 and September 2028 (carrying amount includes \$528 of unamortized premium at December 31, 2013 and \$1,192 at December 31, 2012) | \$ 88,953          | \$ 90,476     | \$ 149,368         | \$ 152,493 |
| Unsecured Note Payable:   |                    |               |                    |            |
| 5.9% effective and stated note rate, interest only and payable semi-annually, matured in March 2013   | -                  | -             | 186,460            | 187,141    |
| Total notes payable   | \$ 88,953          | \$ 90,476     | \$ 335,828         | \$ 339,634 |

Substantially all of our notes payable was assumed in connection with business combinations. An initial premium or discount is established for any difference between the stated note balance and estimated fair value of the debt assumed and amortized over the remaining term of the debt using the effective interest method.

During 2013 and 2011, we assumed mortgage debt of \$5.7 million and \$8.8 million, respectively, in connection with the acquisition of real estate facilities. The debt was recorded at its estimated fair value of approximately \$6.1 million and \$9.7 million in 2013 and 2011, respectively, and we recorded premiums of \$0.4 million and \$0.9 million, respectively. In determining estimated fair values, we used estimated market rates of approximately 3.7% and 2.9%, in 2013 and 2011, respectively, compared to average contractual rates of 6.2% and 5.5%, respectively.

At December 31, 2013, approximate principal maturities of our notes payable are as follows (amounts in thousands):

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|                                 |           |
|---------------------------------|-----------|
| 2014                            | \$ 26,206 |
| 2015                            | 30,842    |
| 2016                            | 15,920    |
| 2017                            | 1,343     |
| 2018                            | 11,077    |
| Thereafter                      | 3,565     |
|                                 | \$ 88,953 |
| Weighted average effective rate | 4.8%      |

F-22

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PUBLIC STORAGE

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

Cash paid for interest totaled \$10.4 million, \$21.7 million and \$27.6 million for 2013, 2012 and 2011, respectively. Interest capitalized as real estate totaled \$2.9 million, \$0.4 million and \$0.4 million in 2013, 2012 and 2011, respectively.

7. Noncontrolling Interests

At December 31, 2013, third parties own i) interests in Subsidiaries that own an aggregate of 14 self-storage facilities, and ii) 231,978 partnership units in a Subsidiary that are convertible on a one-for-one basis (subject to certain limitations) into common shares of the Company at the option of the unitholder. These interests are referred to collectively hereinafter as the “Noncontrolling Interests.” At December 31, 2013, the Noncontrolling Interests cannot require us to redeem their interests, other than pursuant to a liquidation of the Subsidiary.

Redeemable Noncontrolling Interests

At December 31, 2013 and 2012, we had no Redeemable Noncontrolling Interests. At December 31, 2011, the Redeemable Noncontrolling Interests represented ownership interests in Subsidiaries that owned 14 self-storage facilities. During 2012, we acquired all the outstanding Redeemable Noncontrolling Interests for \$19.9 million in cash, of which \$11.9 million was recorded as a reduction to Redeemable Noncontrolling Interests and \$8.0 million was recorded as a reduction to paid-in capital. During 2012 and 2011, we allocated a total of \$0.2 million and \$0.9 million, respectively, of income to these interests and paid distributions to these interests totaling \$0.6 million and \$1.6 million, respectively.

Permanent Noncontrolling Interests

At December 31, 2013, the Permanent Noncontrolling Interests have ownership interests in Subsidiaries that owned 14 self-storage facilities and 231,978 partnership units in a subsidiary that are convertible on a one-for-one basis (subject to certain limitations) into common shares of the Company at the option of the unitholder. During 2013, 2012 and 2011, we allocated a total of \$5.1 million, \$3.5 million and \$11.7 million, respectively, in income to these interests; and we paid \$6.5 million, \$5.3 million and \$12.8 million, respectively, in distributions to these interests.

As described more fully in Note 4, we increased Permanent Noncontrolling Interests during 2012 and 2011 by \$8.2 million and \$17.7 million, respectively, in connection with consolidating partnerships.

During 2013, we acquired Permanent Noncontrolling Interests for \$6.2 million in cash, substantially all of which was allocated to paid-in-capital.

During 2012, we acquired Permanent Noncontrolling Interests for \$1.4 million in cash, of which \$0.1 million was recorded as a reduction to permanent noncontrolling interests and the remainder as a reduction to paid-in capital.

During 2011, we acquired Permanent Noncontrolling Interests for an aggregate of \$175.5 million in cash and our common shares. Permanent Noncontrolling Interests were reduced by \$26.2 million, with the excess cost over the underlying book value (\$149.3 million) recorded as a reduction to paid-in capital.



## PUBLIC STORAGE

## NOTES TO FINANCIAL STATEMENTS

December 31, 2013

## 8.Shareholders' Equity

## Preferred Shares

At December 31, 2013 and 2012, we had the following series of Cumulative Preferred Shares ("Preferred Shares") outstanding:

| Series                        | Earliest Redemption Date | Dividend Rate | At December 31, 2013 |                        | At December 31, 2012 |                        |
|-------------------------------|--------------------------|---------------|----------------------|------------------------|----------------------|------------------------|
|                               |                          |               | Shares Outstanding   | Liquidation Preference | Shares Outstanding   | Liquidation Preference |
| (Dollar amounts in thousands) |                          |               |                      |                        |                      |                        |
| Series O                      | 4/15/2015                | 6.875%        | 5,800                | \$ 145,000             | 5,800                | \$ 145,000             |
| Series P                      | 10/7/2015                | 6.500%        | 5,000                | 125,000                | 5,000                | 125,000                |
| Series Q                      | 4/14/2016                | 6.500%        | 15,000               | 375,000                | 15,000               | 375,000                |
| Series R                      | 7/26/2016                | 6.350%        | 19,500               | 487,500                | 19,500               | 487,500                |
| Series S                      | 1/12/2017                | 5.900%        | 18,400               | 460,000                | 18,400               | 460,000                |
| Series T                      | 3/13/2017                | 5.750%        | 18,500               | 462,500                | 18,500               | 462,500                |
| Series U                      | 6/15/2017                | 5.625%        | 11,500               | 287,500                | 11,500               | 287,500                |
| Series V                      | 9/20/2017                | 5.375%        | 19,800               | 495,000                | 19,800               | 495,000                |
| Series W                      | 1/16/2018                | 5.200%        | 20,000               | 500,000                | -                    | -                      |
| Series X                      | 3/13/2018                | 5.200%        | 9,000                | 225,000                | -                    | -                      |
| Total Preferred Shares        |                          |               | 142,500              | \$ 3,562,500           | 113,500              | \$ 2,837,500           |

The holders of our Preferred Shares have general preference rights with respect to liquidation, quarterly distributions and any accumulated unpaid distributions. Except under certain conditions and as noted below, holders of the Preferred Shares will not be entitled to vote on most matters. In the event of a cumulative arrearage equal to six quarterly dividends, holders of all outstanding series of preferred shares (voting as a single class without regard to series) will have the right to elect two additional members to serve on our Board of Trustees until the arrearage has been cured. At December 31, 2013, there were no dividends in arrears.

Except under certain conditions relating to the Company's qualification as a REIT, the Preferred Shares are not redeemable prior to the dates indicated on the table above. On or after the respective dates, each of the series of Preferred Shares is redeemable at our option, in whole or in part, at \$25.00 per depositary share, plus accrued and unpaid dividends. Holders of the Preferred Shares cannot require us to redeem such shares.

Upon issuance of our Preferred Shares, we classify the liquidation value as preferred equity on our balance sheet with any issuance costs recorded as a reduction to paid-in capital.

During 2013, we issued an aggregate 29.0 million depositary shares, each representing 1/1,000 of a share of our Series W and Series X Preferred Shares, at an issuance price of \$25.00 per depositary share, for a total of \$725.0 million in gross proceeds, and we incurred \$23.3 million in issuance costs.

During 2012, we issued an aggregate 68.2 million depositary shares, each representing 1/1,000 of a share of our Series S, Series T, Series U, and Series V Preferred Shares, at an issuance price of \$25.00 per depositary share, for a total of \$1.7 billion in gross proceeds, and we incurred \$53.5 million in issuance costs.

F-24

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## PUBLIC STORAGE

## NOTES TO FINANCIAL STATEMENTS

December 31, 2013

In 2012, we redeemed our Series A, Series C, Series D, Series E, Series F, Series L, Series M, Series N, Series W, Series X, Series Y and Series Z Preferred Shares, at par. The aggregate redemption amount, before payment of accrued dividends, was \$2.0 billion.

During 2011, we issued an aggregate 34.5 million depositary shares, each representing 1/1,000 of a share of our Series Q and Series R Preferred Shares, at an issuance price of \$25.00 per depositary share, for a total of \$862.5 million in gross proceeds, and we incurred \$26.9 million in issuance costs.

In 2011, we redeemed our Series G, Series I and Series K Preferred Shares, at par. The aggregate redemption amount, before payment of accrued dividends, was \$1.1 billion.

We recorded \$61.7 million and \$35.6 million in EITF D-42 allocations of income from our common shareholders to the holders of our Preferred Shares in 2012 and 2011, respectively, (none in 2013).

## Common Shares

During 2013, 2012 and 2011, activity with respect to the issuance or repurchase of our common shares was as follows (amounts in thousands):

|   | 2013    |           | 2012      |            | 2011    |           |
|---|---------|-----------|-----------|------------|---------|-----------|
|   | Shares  | Amount    | Shares    | Amount     | Shares  | Amount    |
| Employee stock-based compensation and exercise of stock options (Note 10)                               | 388,005 | \$ 21,111 | 437,081   | \$ 23,185  | 508,058 | \$ 26,416 |
| Issuance of commons shares in connection with acquisition of Permanent Noncontrolling Interest (Note 7) | -       | -         | -         | -          | 477,928 | 57,108    |
| Issuance of commons shares for cash   | -       | -         | 712,400   | 101,262    | -       | -         |
|   | 388,005 | \$ 21,111 | 1,149,481 | \$ 124,447 | 985,986 | \$ 83,524 |

Our Board of Trustees previously authorized the repurchase from time to time of up to 35.0 million of our common shares on the open market or in privately negotiated transactions. Through December 31, 2013, we repurchased approximately 23.7 million shares pursuant to this authorization; none of which were repurchased during the three years ended December 31, 2013.

In December 2012, we sold 712,400 of our common shares for aggregate proceeds of approximately \$101.3 million in cash.

At December 31, 2013 and 2012, we had 2,810,540 and 2,896,157, respectively, of common shares reserved in connection with our share-based incentive plans (see Note 10), and 231,978 shares reserved for the conversion of Convertible Partnership Units.

The unaudited characterization of dividends for Federal income tax purposes is made based upon earnings and profits of the Company, as defined by the Internal Revenue Code. Common share dividends including amounts paid to our restricted share unitholders totaled \$887.1 million (\$5.15 per share), \$753.9 million (\$4.40 per share) and \$621.4 million (\$3.65 per share), for the years ended December 31, 2013, 2012 and 2011, respectively. Preferred share dividends totaled \$204.3 million, \$205.2 million and \$224.9 million for the years ended December 31, 2013, 2012 and 2011, respectively.

F-25

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## PUBLIC STORAGE

## NOTES TO FINANCIAL STATEMENTS

December 31, 2013

For the tax year ended December 31, 2013, distributions for the common shares and all the various series of preferred shares were classified as follows:

|                        | 2013 (unaudited) |   |             |   |             |   |             |   |
|------------------------|------------------|---|-------------|---|-------------|---|-------------|---|
|                        | 1st Quarter      |   | 2nd Quarter |   | 3rd Quarter |   | 4th Quarter |   |
| Ordinary Income        | 100.00           | % | 100.00      | % | 99.83       | % | 99.95       | % |
| Long-Term Capital Gain | 0.00             | % | 0.00        | % | 0.17        | % | 0.05        | % |
| Total                  | 100.00           | % | 100.00      | % | 100.00      | % | 100.00      | % |

The ordinary income dividends distributed for the tax year ended December 31, 2013 do not constitute qualified dividend income.

## 9.Related Party Transactions

The Hughes Family owns approximately 15.8% of our common shares outstanding at December 31, 2013.

The Hughes Family has ownership interests in, and operates, approximately 54 self-storage facilities in Canada (“PS Canada”) using the “Public Storage” brand name pursuant to a non-exclusive, royalty-free trademark license agreement with the Company. We currently do not own any interests in these facilities. We have a right of first refusal to acquire the stock or assets of the corporation that manages the 54 self-storage facilities in Canada, if the Hughes Family or the corporation agrees to sell them. We reinsure risks relating to loss of goods stored by customers in these facilities. During the years ended December 31, 2013, 2012 and 2011, we received \$0.5 million, \$0.6 million and \$0.6 million, respectively, in reinsurance premiums attributed to these facilities. There is no assurance that these premiums will continue, as our rights to reinsure these risks may be qualified.

At December 31, 2012, PS Canada and PSB held approximately a 2.2% and 4.0%, respectively, interest in STOR-Re Mutual Insurance Company, Inc. (“STOR-Re”), a Subsidiary that provided liability and casualty insurance for PS Canada, PSB, the Company, and certain affiliates of the Company for occurrences prior to April 1, 2004. During 2013, we acquired PS Canada’s 2.2% interest and PSB’s 4.0% interest in STOR-Re for \$0.6 million and \$1.1 million, respectively, in cash.

On October 1, 2013, we borrowed \$100.0 million from PSB under a term loan which was repaid in full on October 18, 2013. The loan bore interest at 1.388% per annum and interest paid to PSB totaled \$0.1 million.

## 10.Share-Based Compensation

Under various share-based compensation plans and under terms established by a committee of our Board of Trustees, the Company grants non-qualified options to purchase the Company’s common shares, as well as restricted share units (“RSUs”), to trustees, officers, service providers and key employees.

Stock options and RSUs are considered “granted” and “outstanding” as the terms are used herein, when i) the Company and the recipient reach a mutual understanding of the key terms of the award, ii) the award has been authorized, iii) the recipient is affected by changes in the market price of our stock, and iv) it is probable that any performance and service conditions will be met.

F-26

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## PUBLIC STORAGE

## NOTES TO FINANCIAL STATEMENTS

December 31, 2013

We amortize the grant-date fair value of awards (net of anticipated forfeitures) as compensation expense over the service period. The service period begins on the grant date and ends on the vesting date. For awards that are earned solely upon the passage of time and continued service, the entire cost of the award is amortized on a straight-line basis over the service period. For awards with performance conditions, the individual cost of each vesting is amortized separately over each individual service period (the “accelerated attribution” method).

## Stock Options

Stock options vest over a three to five-year period, expire ten years after the grant date, and the exercise price is equal to the closing trading price of our common shares on the grant date. Employees cannot require the Company to settle their award in cash. We use the Black-Scholes option valuation model to estimate the fair value of our stock options.

Outstanding stock option grants are included on a one-for-one basis in our diluted weighted average shares, to the extent dilutive, after applying the treasury stock method (based upon the average common share price during the period) to assumed exercise proceeds and measured but unrecognized compensation.

The stock options outstanding at December 31, 2013 have an aggregate intrinsic value (the excess, if any, of each option’s market value over the exercise price) of approximately \$142.2 million and remaining average contractual lives of approximately five years. Other than stock options granted in 2012 and 2013, all stock options outstanding at December 31, 2013 have exercise prices of \$123 or less. The aggregate intrinsic value of exercisable stock options at December 31, 2013 amounted to approximately \$117.4 million.

Additional information with respect to stock options during 2013, 2012 and 2011 is as follows:

|                                     | 2013                    |   | 2012                    |   | 2011                    |   |
|-------------------------------------|-------------------------|---|-------------------------|---|-------------------------|---|
|                                     | Number<br>of<br>Options | Weighted<br>Average<br>Exercise<br>Price<br>per Share | Number<br>of<br>Options | Weighted<br>Average<br>Exercise<br>Price<br>per Share | Number<br>of<br>Options | Weighted<br>Average<br>Exercise<br>Price<br>per Share |
| Options outstanding January 1,      | 2,253,510               | \$ 76.14  | 2,591,066               | \$ 74.30  | 2,950,892               | \$ 69.43  |
| Granted                             | 235,000                 | 153.89  | 35,000                  | 144.97  | 135,000                 | 120.77  |
| Exercised                           | (286,299)               | 71.06   | (341,156)               | 68.26   | (448,826)               | 58.86   |
| Cancelled                           | (28,000)                | 55.25   | (31,400)                | 55.54   | (46,000)                | 48.95   |
| Options outstanding December 31,    | 2,174,211               | \$ 85.49  | 2,253,510               | \$ 76.14  | 2,591,066               | \$ 74.30  |
| Options exercisable at December 31, | 1,581,954               | \$ 76.29  | 1,401,883               | \$ 76.23  | 1,200,356               | \$ 76.94  |

F-27

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## PUBLIC STORAGE

## NOTES TO FINANCIAL STATEMENTS

December 31, 2013

|   | 2013      | 2012      | 2011      |
|---|-----------|-----------|-----------|
| Stock option expense for the year<br>(in 000's)   | \$ 3,468  | \$ 3,036  | \$ 3,445  |
| Aggregate exercise date intrinsic value of<br>options exercised during the year<br>(in 000's) | \$ 23,337 | \$ 23,948 | \$ 23,703 |
| Average assumptions used in valuing options with the Black-Scholes<br>method:                 |           |           |           |
| Expected life of options in years, based upon historical experience                           | 5         | 5         | 5         |
| Risk-free interest rate   | 0.8%      | 0.8%      | 1.2%      |
| Expected volatility, based upon historical volatility   | 25.8%     | 24.5%     | 18.8%     |
| Expected dividend yield   | 3.3%      | 3.1%      | 3.3%      |
| Average estimated value of options<br>granted during the year<br>Restricted Share Units       | \$ 23.83  | \$ 20.71  | \$ 13.01  |

RSUs generally vest ratably over a three to eight-year period from the grant date. The grantee receives dividends for each outstanding RSU equal to the per-share dividends received by our common shareholders. We expense any dividends previously paid upon forfeiture of the related RSU. Upon vesting, the grantee receives common shares equal to the number of vested RSUs, less common shares withheld in exchange for tax deposits made by the Company to satisfy the grantee's statutory tax liabilities arising from the vesting.

The fair value of our RSUs is determined based upon the applicable closing trading price of our common shares.

The fair value of our RSUs outstanding at December 31, 2013 was approximately \$95.8 million. Remaining compensation expense related to RSUs outstanding at December 31, 2013 totals approximately \$45.3 million (which is net of expected forfeitures) and is expected to be recognized as compensation expense over the next two years on average. The following tables set forth relevant information with respect to restricted shares (dollar amounts in thousands):

## PUBLIC STORAGE

## NOTES TO FINANCIAL STATEMENTS

December 31, 2013

|  | 2013                                   |                                       | 2012                                   |                                       | 2011                                   |                                       |
|--|--|---------------------------------------|--|---------------------------------------|--|---------------------------------------|
|  | Number of<br>Restricted<br>Share Units | Grant Date<br>Aggregate<br>Fair Value | Number of<br>Restricted<br>Share Units | Grant Date<br>Aggregate<br>Fair Value | Number of<br>Restricted<br>Share Units | Grant Date<br>Aggregate<br>Fair Value |
| Restricted share units<br>outstanding January 1,   | 642,647                                | \$ 67,473                             | 701,499                                | \$ 66,514                             | 484,395                                | \$ 39,896                             |
| Granted  | 197,675                                | 30,774                                | 159,133                                | 21,721                                | 381,025                                | 40,570                                |
| Vested   | (154,535)                              | (15,657)                              | (151,775)                              | (14,507)                              | (92,039)                               | (7,655)                               |
| Forfeited  | (49,458)                               | (5,306)                               | (66,210)                               | (6,255)                               | (71,882)                               | (6,297)                               |
| Restricted share units<br>outstanding December 31, | 636,329                                | \$ 77,284                             | 642,647                                | \$ 67,473                             | 701,499                                | \$ 66,514                             |

|  | 2013      | 2012      | 2011      |
|--|-----------|-----------|-----------|
| Amounts for the year (in 000's,<br>except number of shares:  |           |           |           |
| Fair value of vested shares on vesting date  | \$ 23,551 | \$ 20,783 | \$ 10,224 |
| Cash paid upon vesting lieu of common shares issued  | \$ 8,067  | \$ 7,657  | \$ 3,736  |
| Common shares issued upon vesting  | 101,706   | 95,925    | 59,232    |
| Restricted share unit expense  | \$ 23,919 | \$ 20,227 | \$ 19,736 |
| See also "net income per common share" in Note 2 for further discussion regarding the impact of RSUs and stock options on our net income per common and income allocated to common shareholders. |           |           |           |

## 11. Segment Information

Our reportable segments reflect the significant components of our operations that are evaluated separately by our chief operating decision maker ("CODM") and have discrete financial information available. We organize our segments based primarily upon the nature of the underlying products and services, and whether the operation is located in the U.S. or outside the U.S. In making resource allocation decisions, our CODM considers the net income from continuing operations of each reportable segment included in the tables below, excluding the impact of depreciation and amortization, gains or losses on disposition of real estate facilities, and asset impairment charges. The amounts for each reportable segment included in the tables below are in conformity with GAAP and our significant accounting policies as denoted in Note 2. Ancillary revenues and expenses, interest and other income (other than from Shurgard Europe), interest expense, general and administrative expense and gains and losses on the early repayment of debt are not allocable to any of our reportable segments. Our CODM does not consider the book value of assets in making resource allocation decisions.

Following is the description of and basis for presentation for each of our segments.

Domestic Self-Storage Segment

The Domestic Self-Storage Segment includes the operations of the 2,187 self-storage facilities owned by the Company and the Subsidiaries, as well as our equity share of the Other Investments. For all periods

F-29

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PUBLIC STORAGE

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

presented, substantially all of our real estate facilities, goodwill and other intangible assets, other assets, and accrued and other liabilities are associated with the Domestic Self-Storage Segment.

European Self-Storage Segment

The European Self-Storage segment comprises our interest in Shurgard Europe, which has a separate management team reporting directly to our CODM and our joint venture partner. The European Self-Storage segment includes our equity share of Shurgard Europe's operations, the interest and other income received from Shurgard Europe, and foreign currency exchange gains and losses that are attributable to Shurgard Europe. Our balance sheet includes an investment in Shurgard Europe (Note 4) and a loan receivable from Shurgard Europe (Note 5).

Commercial Segment

The Commercial segment comprises our investment in PSB, a publicly-traded REIT with a separate management team that makes its financing, capital allocation and other significant decisions. The Commercial segment also includes our direct interest in certain commercial facilities, substantially all of which are managed by PSB. The Commercial segment presentation includes our equity earnings and interest income from PSB, as well as the revenues and expenses of our commercial facilities. At December 31, 2013, the assets of the Commercial segment are comprised principally of our investment in PSB (Note 4).

Presentation of Segment Information

The following tables reconcile the performance of each segment, in terms of segment income, to our net income (amounts in thousands):



## PUBLIC STORAGE

## NOTES TO FINANCIAL STATEMENTS

December 31, 2013

Year ended December 31, 2013

|  | Domestic<br>Self-Storage | European<br>Self-Storage | Commercial | Other<br>Items Not<br>Allocated<br>to<br>Segments | Total        |
|--|--------------------------|--------------------------|------------|---|--------------|
| (Amounts in thousands)                                       |                          |                          |            |   |              |
| Revenues:  |                          |                          |            |   |              |
| Self-storage facilities                                      | \$ 1,849,883             | \$ -                     | \$ -       | \$ -  | \$ 1,849,883 |
| Ancillary operations   | -                        | -                        | 14,510     | 117,353   | 131,863      |
|  | 1,849,883                | -                        | 14,510     | 117,353   | 1,981,746    |
| Expenses:  |                          |                          |            |   |              |
| Self-storage cost of operations                              | 524,086                  | -                        | -          | -   | 524,086      |
| Ancillary cost of operations                                 | -                        | -                        | 5,228      | 35,847  | 41,075       |
| Depreciation and amortization                                | 384,623                  | -                        | 2,779      | -   | 387,402      |
| General and administrative                                   | -                        | -                        | -          | 66,679  | 66,679       |
|  | 908,709                  | -                        | 8,007      | 102,526   | 1,019,242    |
| Operating income   | 941,174                  | -                        | 6,503      | 14,827  | 962,504      |
| Interest and other income                                    | -                        | 20,556                   | -          | 2,021   | 22,577       |
| Interest expense   | -                        | -                        | -          | (6,444)   | (6,444)      |
| Equity in earnings of<br>unconsolidated real estate entities | 1,686                    | 32,694                   | 23,199     | -   | 57,579       |
| Foreign currency exchange gain                               | -                        | 17,082                   | -          | -   | 17,082       |
| Gain on real estate sales                                    | 168                      | -                        | 4,065      | -   | 4,233        |
| Net income   | \$ 943,028               | \$ 70,332                | \$ 33,767  | \$ 10,404   | \$ 1,057,531 |



## PUBLIC STORAGE

## NOTES TO FINANCIAL STATEMENTS

December 31, 2013

Year ended December 31, 2012

|  | Domestic<br>Self-Storage | European<br>Self-Storage | Commercial | Other<br>Items Not<br>Allocated<br>to<br>Segments | Total        |
|--|--------------------------|--------------------------|------------|---|--------------|
| (Amounts in thousands)                                       |                          |                          |            |   |              |
| Revenues:  |                          |                          |            |   |              |
| Self-storage facilities                                      | \$ 1,718,865             | \$ -                     | \$ -       | \$ -  | \$ 1,718,865 |
| Ancillary operations   | -                        | -                        | 14,071     | 109,568   | 123,639      |
|  | 1,718,865                | -                        | 14,071     | 109,568   | 1,842,504    |
| Expenses:  |                          |                          |            |   |              |
| Self-storage cost of operations                              | 517,641                  | -                        | -          | -   | 517,641      |
| Ancillary cost of operations                                 | -                        | -                        | 4,908      | 33,355  | 38,263       |
| Depreciation and amortization                                | 354,971                  | -                        | 2,810      | -   | 357,781      |
| General and administrative                                   | -                        | -                        | -          | 56,837  | 56,837       |
|  | 872,612                  | -                        | 7,718      | 90,192  | 970,522      |
| Operating income   | 846,253                  | -                        | 6,353      | 19,376  | 871,982      |
| Interest and other income                                    | -                        | 19,966                   | -          | 2,108   | 22,074       |
| Interest expense   | -                        | -                        | -          | (19,813)  | (19,813)     |
| Equity in earnings of<br>unconsolidated real estate entities | 1,725                    | 33,223                   | 10,638     | -   | 45,586       |
| Foreign currency exchange gain                               | -                        | 8,876                    | -          | -   | 8,876        |
| Gain on real estate sales                                    | 1,456                    | -                        | -          | -   | 1,456        |
| Income (loss) from continuing operations                     | 849,434                  | 62,065                   | 16,991     | 1,671   | 930,161      |
| Discontinued operations                                      | 12,874                   | -                        | -          | -   | 12,874       |
| Net income (loss)  | \$ 862,308               | \$ 62,065                | \$ 16,991  | \$ 1,671  | \$ 943,035   |



## PUBLIC STORAGE

## NOTES TO FINANCIAL STATEMENTS

December 31, 2013

Year ended December 31, 2011

|  | Domestic<br>Self-Storage | European<br>Self-Storage | Commercial | Other<br>Items Not<br>Allocated<br>to<br>Segments | Total        |
|--|--------------------------|--------------------------|------------|---|--------------|
| (Amounts in thousands)                                       |                          |                          |            |   |              |
| Revenues:  |                          |                          |            |   |              |
| Self-storage facilities                                      | \$ 1,621,799             | \$ -                     | \$ -       | \$ -  | \$ 1,621,799 |
| Ancillary operations   | -                        | -                        | 14,592     | 99,497  | 114,089      |
|  | 1,621,799                | -                        | 14,592     | 99,497  | 1,735,888    |
| Expenses:  |                          |                          |            |   |              |
| Self-storage cost of operations                              | 523,113                  | -                        | -          | -   | 523,113      |
| Ancillary cost of operations                                 | -                        | -                        | 5,505      | 31,891  | 37,396       |
| Depreciation and amortization                                | 355,315                  | -                        | 2,654      | -   | 357,969      |
| General and administrative                                   | -                        | -                        | -          | 52,410  | 52,410       |
| Asset impairment charges                                     | 297                      | -                        | -          | 1,889   | 2,186        |
|  | 878,725                  | -                        | 8,159      | 86,190  | 973,074      |
| Operating income   | 743,074                  | -                        | 6,433      | 13,307  | 762,814      |
| Interest and other income                                    | -                        | 28,190                   | 664        | 3,479   | 32,333       |
| Interest expense   | -                        | -                        | -          | (24,222)  | (24,222)     |
| Equity in earnings of<br>unconsolidated real estate entities | 1,771                    | 29,152                   | 27,781     | -   | 58,704       |
| Foreign currency exchange loss                               | -                        | (7,287)                  | -          | -   | (7,287)      |
| Gain on real estate sales and debt retirement, net           | 8,953                    | -                        | -          | 1,848   | 10,801       |
| Income (loss) from continuing operations                     | 753,798                  | 50,055                   | 34,878     | (5,588)   | 833,143      |
| Discontinued operations                                      | 3,696                    | -                        | -          | (380)   | 3,316        |
| Net income (loss)  | \$ 757,494               | \$ 50,055                | \$ 34,878  | \$ (5,968)  | \$ 836,459   |

## 12. Recent Accounting Pronouncements and Guidance

In January 2013, we adopted ASU No. 2013-02, "Reporting Amounts Classified out of Accumulated Other Comprehensive Income," (ASU No. 2013-02") which requires enhanced disclosures, in one place in our notes to financial statements, about items reclassified out of accumulated other comprehensive income. The adoption of ASU No. 2013-02 had no impact on our financial condition or results of operations.

F-33

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## PUBLIC STORAGE

## NOTES TO FINANCIAL STATEMENTS

December 31, 2013

## 13.Commitments and Contingencies

## Contingent Losses

We are a party to various legal proceedings and subject to various claims and complaints; however, we believe that the likelihood of these contingencies resulting in a material loss to the Company, either individually or in the aggregate, is remote.

## Insurance and Loss Exposure

We have historically carried customary property, earthquake, general liability, employee medical insurance and workers compensation coverage through internationally recognized insurance carriers, subject to customary levels of deductibles. The aggregate limits on these policies of approximately \$75 million for property losses and \$102 million for general liability losses are higher than estimates of maximum probable losses that could occur from individual catastrophic events determined in recent engineering and actuarial studies; however, in case of multiple catastrophic events, these limits could be exhausted.

We reinsure a program that provides insurance to our customers from an independent third-party insurer. This program covers tenant claims for losses to goods stored at our facilities as a result of specific named perils (earthquakes are not covered by this program), up to a maximum limit of \$5,000 per storage unit. We reinsure all risks in this program, but purchase insurance from an independent third party insurance company for aggregate claims between \$5.0 million and \$15.0 million per occurrence. We are subject to licensing requirements and regulations in several states. At December 31, 2013, there were approximately 759,000 certificates held by our self-storage customers, representing aggregate coverage of approximately \$1.7 billion.

## 14.Supplementary Quarterly Financial Data (unaudited)

|   | Three Months Ended                            |                  |                       |                      |  |
|---|---|------------------|-----------------------|----------------------|--|
|   | March 31,<br>2013                             | June 30,<br>2013 | September 30,<br>2013 | December 31,<br>2013 |  |
|   | (Amounts in thousands, except per share data) |                  |                       |                      |  |
| Self-storage and ancillary revenues           | \$ 470,900                                    | \$ 485,378       | \$ 511,957            | \$ 513,511           |  |
| Self-storage and ancillary cost of operations | \$ 150,389                                    | \$ 142,571       | \$ 147,803            | \$ 124,398           |  |

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|                                   |    |         |    |         |    |         |    |         |
|-----------------------------------|----|---------|----|---------|----|---------|----|---------|
| Depreciation and amortization     | \$ | 91,001  | \$ | 90,937  | \$ | 96,537  | \$ | 108,927 |
| Income from continuing operations | \$ | 212,247 | \$ | 261,679 | \$ | 285,628 | \$ | 297,977 |
| Net Income                        | \$ | 212,247 | \$ | 261,679 | \$ | 285,628 | \$ | 297,977 |
| Per Common Share                  |    |         |    |         |    |         |    |         |
| Net income - Basic                | \$ | 0.94    | \$ | 1.21    | \$ | 1.35    | \$ | 1.42    |
| Net income - Diluted              | \$ | 0.94    | \$ | 1.20    | \$ | 1.34    | \$ | 1.41    |

F-34

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## PUBLIC STORAGE

## NOTES TO FINANCIAL STATEMENTS

December 31, 2013

|   | Three Months Ended |                  |                       |                      |  |
|---|--------------------|------------------|-----------------------|----------------------|--|
|   | March 31,<br>2012  | June 30,<br>2012 | September 30,<br>2012 | December 31,<br>2012 |  |
| (Amounts in thousands, except per share data) |                    |                  |                       |                      |  |
| Self-storage and ancillary revenues           | \$ 439,835         | \$ 455,793       | \$ 477,182            | \$ 469,694           |  |
| Self-storage and ancillary cost of operations | \$ 151,711         | \$ 142,883       | \$ 141,475            | \$ 119,835           |  |
| Depreciation and amortization                 | \$ 86,824          | \$ 88,474        | \$ 89,897             | \$ 92,586            |  |
| Income from continuing operations             | \$ 206,488         | \$ 198,697       | \$ 252,884            | \$ 272,092           |  |
| Net Income                                    | \$ 206,722         | \$ 198,931       | \$ 264,819            | \$ 272,563           |  |
| Per Common Share                              |                    |                  |                       |                      |  |
| Net income - Basic                            | \$ 0.74            | \$ 0.78          | \$ 1.19               | \$ 1.23              |  |
| Net income - Diluted                          | \$ 0.73            | \$ 0.77          | \$ 1.18               | \$ 1.22              |  |

## 15.Subsequent Events

As of February 25, 2014, we are under contract to acquire (subject to customary closing conditions) one self-storage facility in Austin, Texas), consisting of approximately 86,000 in net rentable square feet, at a total cost of \$10.8 million in cash.

On January 28, 2014, our joint venture partner in Shurgard Europe acquired 51% of our €311.0 loan receivable from Shurgard Europe at face value for €158.6 million (\$216.2 million) in cash, and the maturity date of the loan receivable from Shurgard Europe was extended to April 2019.

At February 25, 2014, we had no outstanding borrowings on our Credit Facility and \$600.0 million of outstanding borrowings on our Term Loan.

F-35

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## PUBLIC STORAGE

## SCHEDULE III - REAL ESTATE AND ACCUMULATED DEPRECIATION

| Date                 | 2013<br>Encum- | Initial Cost<br>Buildings &<br>Improvements | Costs<br>Subsequent<br>Acquisition | Gross Carrying Amount<br>At December 31, 2013 |  |  | Accumulated<br>Depreciation |
|----------------------|----------------|---|------------------------------------|---|--|--|-----------------------------|
| Acquired Description | branches       | Land  | Buildings                          | Total   |  |  |                             |

## Self-storage Facilities - United States

|          |                                  |         |       |        |       |        |        |       |
|----------|----------------------------------|---------|-------|--------|-------|--------|--------|-------|
| 01/01/81 | Newport News / Jefferson Avenue  | - 108   | 1,071 | 809    | 108   | 1,880  | 1,988  | 1,846 |
| 01/01/81 | Virginia Beach / Diamond Springs | - 186   | 1,094 | 1,044  | 186   | 2,138  | 2,324  | 2,033 |
| 08/01/81 | San Jose / Snell                 | - 312   | 1,815 | 538    | 312   | 2,353  | 2,665  | 2,291 |
| 10/01/81 | Tampa / Lazy Lane                | - 282   | 1,899 | 1,031  | 282   | 2,930  | 3,212  | 2,801 |
| 06/01/82 | San Jose / Tully                 | - 645   | 1,579 | 16,380 | 2,972 | 15,632 | 18,604 | 6,560 |
| 06/01/82 | San Carlos / Storage             | - 780   | 1,387 | 870    | 780   | 2,257  | 3,037  | 2,204 |
| 06/01/82 | Mountain View                    | - 1,180 | 1,182 | 2,546  | 1,046 | 3,862  | 4,908  | 2,265 |
| 06/01/82 | Cupertino / Storage              | - 572   | 1,270 | 589    | 572   | 1,859  | 2,431  | 1,793 |
| 10/01/82 | Sorrento Valley                  | - 1,002 | 1,343 | (690)  | 651   | 1,004  | 1,655  | 951   |
| 10/01/82 | Northwood                        | - 1,034 | 1,522 | 6,830  | 1,034 | 8,352  | 9,386  | 2,874 |
| 12/01/82 | Port/Halsey                      | - 357   | 1,150 | 118    | 357   | 1,268  | 1,625  | 992   |
| 12/01/82 | Sacto/Folsom                     | - 396   | 329   | 1,109  | 396   | 1,438  | 1,834  | 1,211 |
| 01/01/83 | Platte                           | - 409   | 953   | 1,211  | 409   | 2,164  | 2,573  | 1,807 |
| 01/01/83 | Semoran                          | - 442   | 1,882 | 9,220  | 442   | 11,102 | 11,544 | 6,042 |
| 01/01/83 | Raleigh/Yonkers                  | - -     | 1,117 | 1,118  | -     | 2,235  | 2,235  | 1,743 |
| 03/01/83 | Blackwood                        | - 213   | 1,559 | 1,214  | 213   | 2,773  | 2,986  | 2,274 |
| 04/01/83 | Vailsgate                        | - 103   | 990   | 1,546  | 103   | 2,536  | 2,639  | 2,146 |
| 05/01/83 | Delta Drive                      | - 67    | 481   | 770    | 68    | 1,250  | 1,318  | 1,058 |
| 06/01/83 | Ventura                          | - 658   | 1,734 | 1,014  | 658   | 2,748  | 3,406  | 2,272 |
| 09/01/83 | Southington                      | - 124   | 1,233 | 838    | 123   | 2,072  | 2,195  | 1,695 |
| 09/01/83 | Southampton                      | - 331   | 1,738 | 1,806  | 331   | 3,544  | 3,875  | 2,902 |
| 09/01/83 | Webster/Keystone                 | - 449   | 1,688 | 2,088  | 434   | 3,791  | 4,225  | 3,092 |
| 09/01/83 | Dover                            | - 107   | 1,462 | 1,579  | 107   | 3,041  | 3,148  | 2,499 |
| 09/01/83 | Newcastle                        | - 227   | 2,163 | 1,571  | 227   | 3,734  | 3,961  | 3,075 |
| 09/01/83 | Newark                           | - 208   | 2,031 | 1,389  | 208   | 3,420  | 3,628  | 2,820 |
| 09/01/83 | Langhorne                        | - 263   | 3,549 | 2,712  | 263   | 6,261  | 6,524  | 5,156 |
| 09/01/83 | Hobart                           | - 215   | 1,491 | 2,412  | 215   | 3,903  | 4,118  | 2,977 |



## PUBLIC STORAGE

## SCHEDULE III - REAL ESTATE AND ACCUMULATED DEPRECIATION

| Date                           | 2013<br>Encum- | Initial Cost<br>Buildings &<br>Improvements | Costs<br>Subsequent<br>Acquisition | Gross Carrying Amount<br>At December 31, 2013 | Accumulated<br>Depreciation |
|--------------------------------|----------------|---|------------------------------------|---|-----------------------------|
| Acquired Description           | branches       | Land  | Buildings                          | Total   |                             |
| 09/01/83 Ft. Wayne/W. Coliseum | - 160          | 1,395                                       | 1,196                              | 160   | 2,591 2,751 2,198           |
| 09/01/83 Ft. Wayne/Bluffton    | - 88           | 675   | 644                                | 88  | 1,319 1,407 1,121           |
| 10/01/83 Orlando J. Y. Parkway | - 383          | 1,512                                       | 1,260                              | 383   | 2,772 3,155 2,315           |
| 11/01/83 Aurora                | - 505          | 758   | 966                                | 505   | 1,724 2,229 1,450           |
| 11/01/83 Campbell              | - 1,379        | 1,849                                       | 223                                | 1,379   | 2,072 3,451 1,790           |
| 11/01/83 Col Springs/Ed        | - 471          | 1,640                                       | 1,187                              | 470   | 2,828 3,298 2,301           |
| 11/01/83 Col Springs/Mv        | - 320          | 1,036                                       | 1,097                              | 320   | 2,133 2,453 1,723           |
| 11/01/83 Thorton               | - 418          | 1,400                                       | 970                                | 418   | 2,370 2,788 1,969           |
| 11/01/83 Oklahoma City         | - 454          | 1,030                                       | 1,902                              | 454   | 2,932 3,386 2,435           |
| 11/01/83 Tucson                | - 343          | 778   | 1,638                              | 343   | 2,416 2,759 1,894           |
| 11/01/83 Webster/Nasa          | - 1,570        | 2,457                                       | 3,665                              | 1,570   | 6,122 7,692 5,105           |
| 12/01/83 Charlotte             | - 165          | 1,274                                       | 1,191                              | 165   | 2,465 2,630 2,044           |
| 12/01/83 Greensboro/Market     | - 214          | 1,653                                       | 2,171                              | 214   | 3,824 4,038 3,194           |
| 12/01/83 Greensboro/Electra    | - 112          | 869   | 919                                | 112   | 1,788 1,900 1,495           |
| 12/01/83 Columbia              | - 171          | 1,318                                       | 1,214                              | 171   | 2,532 2,703 2,057           |
| 12/01/83 Richmond              | - 176          | 1,360                                       | 1,314                              | 176   | 2,674 2,850 2,316           |
| 12/01/83 Augusta               | - 97           | 747   | 950                                | 97  | 1,697 1,794 1,436           |
| 12/01/83 Tacoma                | - 553          | 1,173                                       | 1,099                              | 553   | 2,272 2,825 1,925           |
| 01/01/84 Fremont/Albrae        | - 636          | 1,659                                       | 1,230                              | 636   | 2,889 3,525 2,396           |
| 01/01/84 Belton                | - 175          | 858   | 1,761                              | 175   | 2,619 2,794 2,262           |
| 01/01/84 Gladstone             | - 275          | 1,799                                       | 1,593                              | 274   | 3,393 3,667 2,860           |
| 01/01/84 Hickman/112           | - 257          | 1,848                                       | 370                                | 158   | 2,317 2,475 870             |
| 01/01/84 Holmes                | - 289          | 1,333                                       | 1,166                              | 289   | 2,499 2,788 2,081           |
| 01/01/84 Independence          | - 221          | 1,848                                       | 1,480                              | 221   | 3,328 3,549 2,867           |
| 01/01/84 Merriam               | - 255          | 1,469                                       | 1,416                              | 255   | 2,885 3,140 2,457           |
| 01/01/84 Olathe                | - 107          | 992   | 957                                | 107   | 1,949 2,056 1,643           |
| 01/01/84 Shawnee               | - 205          | 1,420                                       | 1,614                              | 205   | 3,034 3,239 2,636           |
| 01/01/84 Topeka                | - 75           | 1,049                                       | 1,010                              | 75  | 2,059 2,134 1,752           |
| 03/01/84 Marrietta/Cobb        | - 73           | 542   | 919                                | 73  | 1,461 1,534 1,228           |
| 03/01/84 Manassas              | - 320          | 1,556                                       | 1,175                              | 320   | 2,731 3,051 2,268           |

PUBLIC STORAGE  
SCHEDULE III - REAL ESTATE AND ACCUMULATED DEPRECIATION

| Date                          | 2013<br>Encum- | Initial Cost<br>Buildings &<br>Improvements | Costs<br>Subsequent<br>Acquisition | Gross Carrying Amount<br>At December 31, 2013 | Accumulated<br>Depreciation |
|-------------------------------|----------------|---|------------------------------------|---|-----------------------------|
| Acquired Description          | branches       | Land  | Buildings                          | Total   |                             |
| 03/01/84 Pico Rivera          | -              | 743 807                                     | 746 743                            | 1,553 2,296                                   | 1,302                       |
| 04/01/84 Providence           | -              | 92 1,087                                    | 1,089 92                           | 2,176 2,268                                   | 1,840                       |
| 04/01/84 Milwaukie/Oregon     | -              | 289 584                                     | 856 289                            | 1,440 1,729                                   | 1,205                       |
| 05/01/84 Raleigh/Departure    | -              | 302 2,484                                   | 2,127 302                          | 4,611 4,913                                   | 3,905                       |
| 05/01/84 Virginia Beach       | -              | 509 2,121                                   | 2,196 499                          | 4,327 4,826                                   | 3,682                       |
| 05/01/84 Philadelphia/Grant   | -              | 1,041 3,262                                 | 2,247 1,040                        | 5,510 6,550                                   | 4,705                       |
| 05/01/84 Garland              | -              | 356 844                                     | 939 356                            | 1,783 2,139                                   | 1,492                       |
| 06/01/84 Lorton               | -              | 435 2,040                                   | 2,020 435                          | 4,060 4,495                                   | 3,260                       |
| 06/01/84 Baltimore            | -              | 382 1,793                                   | 1,954 382                          | 3,747 4,129                                   | 3,180                       |
| 06/01/84 Laurel               | -              | 501 2,349                                   | 2,242 500                          | 4,592 5,092                                   | 3,810                       |
| 06/01/84 Delran               | -              | 279 1,472                                   | 1,214 279                          | 2,686 2,965                                   | 2,209                       |
| 06/01/84 Orange Blossom       | -              | 226 924                                     | 790 226                            | 1,714 1,940                                   | 1,413                       |
| 06/01/84 Cincinnati           | -              | 402 1,573                                   | 1,952 402                          | 3,525 3,927                                   | 2,934                       |
| 06/01/84 Florence             | -              | 185 740                                     | 1,361 185                          | 2,101 2,286                                   | 1,684                       |
| 07/01/84 Trevoise/Old Lincoln | -              | 421 1,749                                   | 1,467 421                          | 3,216 3,637                                   | 2,686                       |
| 08/01/84 Medley               | -              | 584 1,016                                   | 2,003 520                          | 3,083 3,603                                   | 2,101                       |
| 08/01/84 Oklahoma City        | -              | 340 1,310                                   | 1,738 340                          | 3,048 3,388                                   | 2,422                       |
| 08/01/84 Newport News         | -              | 356 2,395                                   | 2,103 356                          | 4,498 4,854                                   | 3,717                       |
| 08/01/84 Kaplan/Walnut Hill   | -              | 971 2,359                                   | 2,406 971                          | 4,765 5,736                                   | 3,967                       |
| 08/01/84 Kaplan/Irving        | -              | 677 1,592                                   | 5,611 673                          | 7,207 7,880                                   | 4,741                       |
| 09/01/84 Cockrell Hill        | -              | 380 913                                     | 2,222 380                          | 3,135 3,515                                   | 2,536                       |
| 11/01/84 Omaha                | -              | 109 806                                     | 1,167 109                          | 1,973 2,082                                   | 1,597                       |
| 11/01/84 Hialeah              | -              | 886 1,784                                   | 1,533 886                          | 3,317 4,203                                   | 2,764                       |
| 12/01/84 Austin/Lamar         | -              | 643 947                                     | 1,338 642                          | 2,286 2,928                                   | 1,902                       |
| 12/01/84 Pompano              | -              | 399 1,386                                   | 2,067 399                          | 3,453 3,852                                   | 2,851                       |
| 12/01/84 Fort Worth           | -              | 122 928                                     | 501 122                            | 1,429 1,551                                   | 1,150                       |
| 12/01/84 Montgomeryville      | -              | 215 2,085                                   | 1,486 215                          | 3,571 3,786                                   | 2,959                       |
| 01/01/85 Cranston             | -              | 175 722                                     | 793 175                            | 1,515 1,690                                   | 1,282                       |
| 01/01/85 Bossier City         | -              | 184 1,542                                   | 1,623 184                          | 3,165 3,349                                   | 2,663                       |
| 02/01/85 Simi Valley          | -              | 737 1,389                                   | 995 737                            | 2,384 3,121                                   | 1,970                       |

## PUBLIC STORAGE

## SCHEDULE III - REAL ESTATE AND ACCUMULATED DEPRECIATION

| Date     | 2013<br>Encum-            | Initial Cost<br>Buildings &<br>Improvements | Costs<br>Subsequent<br>Acquisition | Gross Carrying Amount<br>At December 31, 2013 | Accumulated |              |       |       |       |
|----------|---------------------------|---|------------------------------------|---|-------------|--------------|-------|-------|-------|
| Acquired | Description               | brances                                     | Land                               | Buildings                                     | Total       | Depreciation |       |       |       |
| 02/01/85 | Hurst                     | -   | 231                                | 1,220   | 932         | 231          | 2,152 | 2,383 | 1,775 |
| 03/01/85 | Chattanooga               | -   | 202                                | 1,573   | 1,861       | 202          | 3,434 | 3,636 | 2,935 |
| 03/01/85 | Portland                  | -   | 285                                | 941   | 984         | 285          | 1,925 | 2,210 | 1,505 |
| 03/01/85 | Fern Park                 | -   | 144                                | 1,107   | 826         | 144          | 1,933 | 2,077 | 1,635 |
| 03/01/85 | Fairfield                 | -   | 338                                | 1,187   | 1,531       | 338          | 2,718 | 3,056 | 2,194 |
| 03/01/85 | Houston / Westheimer      | -   | 850                                | 1,179   | 1,134       | 850          | 2,313 | 3,163 | 2,136 |
| 04/01/85 | Austin/ S. First          | -   | 778                                | 1,282   | 1,356       | 778          | 2,638 | 3,416 | 2,165 |
| 04/01/85 | Cincinnati/ E. Kemper     | -   | 232                                | 1,573   | 1,370       | 232          | 2,943 | 3,175 | 2,411 |
| 04/01/85 | Cincinnati/ Colerain      | -   | 253                                | 1,717   | 1,879       | 253          | 3,596 | 3,849 | 3,004 |
| 04/01/85 | Florence/ Tanner Lane     | -   | 218                                | 1,477   | 1,737       | 218          | 3,214 | 3,432 | 2,633 |
| 04/01/85 | Laguna Hills              | -   | 1,224                              | 3,303   | 1,802       | 1,223        | 5,106 | 6,329 | 4,232 |
| 05/01/85 | Tacoma/ Phillips Rd.      | -   | 396                                | 1,204   | 1,164       | 396          | 2,368 | 2,764 | 1,908 |
| 05/01/85 | Milwaukie/ Mcloughlin     | -   | 458                                | 742   | 1,350       | 458          | 2,092 | 2,550 | 1,611 |
| 05/01/85 | Manchester/ S. Willow     | -   | 371                                | 2,129   | 1,111       | 371          | 3,240 | 3,611 | 2,668 |
| 05/01/85 | Longwood                  | -   | 355                                | 1,645   | 1,362       | 355          | 3,007 | 3,362 | 2,512 |
| 05/01/85 | Columbus/Busch Blvd.      | -   | 202                                | 1,559   | 1,643       | 202          | 3,202 | 3,404 | 2,638 |
| 05/01/85 | Columbus/Kinnear Rd.      | -   | 241                                | 1,865   | 1,773       | 241          | 3,638 | 3,879 | 3,010 |
| 05/01/85 | Worthington               | -   | 221                                | 1,824   | 1,608       | 221          | 3,432 | 3,653 | 2,814 |
| 05/01/85 | Arlington                 | -   | 201                                | 1,497   | 1,599       | 201          | 3,096 | 3,297 | 2,558 |
| 06/01/85 | N. Hollywood/ Raymer      | -   | 967                                | 848   | 6,405       | 968          | 7,252 | 8,220 | 2,867 |
| 06/01/85 | Grove City/ Marlane Drive | -   | 150                                | 1,157   | 1,132       | 150          | 2,289 | 2,439 | 1,904 |
| 06/01/85 | Reynoldsburg              | -   | 204                                | 1,568   | 1,652       | 204          | 3,220 | 3,424 | 2,712 |
| 07/01/85 | San Diego/ Kearny Mesa Rd | -   | 783                                | 1,750   | 1,549       | 783          | 3,299 | 4,082 | 2,725 |
| 07/01/85 | Scottsdale/ 70th St       | -   | 632                                | 1,368   | 1,357       | 632          | 2,725 | 3,357 | 2,211 |
| 07/01/85 | Concord/ Hwy 29           | -   | 150                                | 750   | 1,328       | 150          | 2,078 | 2,228 | 1,731 |
| 07/01/85 | Columbus/Morse Rd.        | -   | 195                                | 1,510   | 1,465       | 195          | 2,975 | 3,170 | 2,389 |
| 07/01/85 | Columbus/Kenney Rd.       | -   | 199                                | 1,531   | 1,480       | 199          | 3,011 | 3,210 | 2,533 |
| 07/01/85 | Westerville               | -   | 199                                | 1,517   | 1,669       | 305          | 3,080 | 3,385 | 2,539 |
| 07/01/85 | Springfield               | -   | 90                                 | 699   | 1,009       | 90           | 1,708 | 1,798 | 1,384 |
| 07/01/85 | Dayton/Needmore Road      | -   | 144                                | 1,108   | 1,213       | 144          | 2,321 | 2,465 | 1,854 |

## PUBLIC STORAGE

## SCHEDULE III - REAL ESTATE AND ACCUMULATED DEPRECIATION

| Date                                 | 2013<br>Encum- | Initial Cost<br>Buildings &<br>Improvements | Costs<br>Subsequent<br>Acquisition | Gross Carrying Amount<br>At December 31, 2013 |           |       | Accumulated<br>to<br>Total<br>Depreciation |
|--------------------------------------|----------------|---|------------------------------------|---|-----------|-------|--|
| Acquired Description                 | branches       | Land  | Buildings                          | Land  | Buildings | Total | Depreciation                               |
| 07/01/85 Dayton/Executive Blvd.      | -              | 160   | 1,207                              | 1,500   | 159       | 2,708 | 2,867                                      |
| 07/01/85 Lilburn                     | -              | 331   | 969                                | 819   | 330       | 1,789 | 2,119                                      |
| 09/01/85 Columbus/ Sinclair          | -              | 307   | 893                                | 1,200   | 307       | 2,093 | 2,400                                      |
| 09/01/85 Philadelphia/ Tacony St     | -              | 118   | 1,782                              | 1,450   | 118       | 3,232 | 3,350                                      |
| 10/01/85 N. Hollywood/ Whitsett      | -              | 1,524                                       | 2,576                              | 1,826   | 1,524     | 4,402 | 5,926                                      |
| 10/01/85 Portland/ SE 82nd St        | -              | 354   | 496                                | 843   | 354       | 1,339 | 1,693                                      |
| 10/01/85 Columbus/ Ambleside         | -              | 124   | 1,526                              | 1,042   | 124       | 2,568 | 2,692                                      |
| 10/01/85 Indianapolis/ Pike Place    | -              | 229   | 1,531                              | 1,550   | 229       | 3,081 | 3,310                                      |
| 10/01/85 Indianapolis/ Beach Grove   | -              | 198   | 1,342                              | 1,343   | 198       | 2,685 | 2,883                                      |
| 10/01/85 Hartford/ Roberts           | -              | 219   | 1,481                              | 6,972   | 409       | 8,263 | 8,672                                      |
| 10/01/85 Wichita/ S. Rock Rd.        | -              | 501   | 1,478                              | 1,339   | 642       | 2,676 | 3,318                                      |
| 10/01/85 Wichita/ E. Harry           | -              | 313   | 1,050                              | 906   | 285       | 1,984 | 2,269                                      |
| 10/01/85 Wichita/ S. Woodlawn        | -              | 263   | 905                                | 960   | 263       | 1,865 | 2,128                                      |
| 10/01/85 Wichita/ E. Kellogg         | -              | 185   | 658                                | 408   | 185       | 1,066 | 1,251                                      |
| 10/01/85 Wichita/ S. Tyler           | -              | 294   | 1,004                              | 845   | 294       | 1,849 | 2,143                                      |
| 10/01/85 Wichita/ W. Maple           | -              | 234   | 805                                | 477   | 234       | 1,282 | 1,516                                      |
| 10/01/85 Wichita/ Carey Lane         | -              | 192   | 674                                | 494   | 192       | 1,168 | 1,360                                      |
| 10/01/85 Wichita/ E. Macarthur       | -              | 220   | 775                                | 373   | 220       | 1,148 | 1,368                                      |
| 10/01/85 Joplin/ S. Range Line       | -              | 264   | 904                                | 769   | 264       | 1,673 | 1,937                                      |
| 10/01/85 San Antonio/ Wetmore Rd.    | -              | 306   | 1,079                              | 1,510   | 306       | 2,589 | 2,895                                      |
| 10/01/85 San Antonio/ Callaghan      | -              | 288   | 1,016                              | 1,226   | 288       | 2,242 | 2,530                                      |
| 10/01/85 San Antonio/ Zarzamora      | -              | 364   | 1,281                              | 1,563   | 364       | 2,844 | 3,208                                      |
| 10/01/85 San Antonio/ Hackberry      | -              | 388   | 1,367                              | 3,857   | 388       | 5,224 | 5,612                                      |
| 10/01/85 San Antonio/ Fredericksburg | -              | 287   | 1,009                              | 1,552   | 287       | 2,561 | 2,848                                      |
| 10/01/85 Dallas/ S. Westmoreland     | -              | 474   | 1,670                              | 1,323   | 474       | 2,993 | 3,467                                      |
| 10/01/85 Dallas/ Alvin St.           | -              | 359   | 1,266                              | 1,317   | 359       | 2,583 | 2,942                                      |
| 10/01/85 Fort Worth/ W. Beach St.    | -              | 356   | 1,252                              | 991   | 356       | 2,243 | 2,599                                      |
| 10/01/85 Fort Worth/ E. Seminary     | -              | 382   | 1,346                              | 1,040   | 382       | 2,386 | 2,768                                      |
| 10/01/85 Fort Worth/ Cockrell St.    | -              | 323   | 1,136                              | 856   | 323       | 1,992 | 2,315                                      |
| 11/01/85 Everett/ Evergreen          | -              | 706   | 2,294                              | 1,902   | 705       | 4,197 | 4,902                                      |



## PUBLIC STORAGE

## SCHEDULE III - REAL ESTATE AND ACCUMULATED DEPRECIATION

| Date                 | 2013<br>Encum-                | Initial Cost<br>Buildings &<br>Improvements | Costs<br>Subsequent<br>Acquisition | Gross Carrying Amount<br>At December 31, 2013 |       |       | Accumulated<br>to<br>Total<br>Depreciation |
|----------------------|-------------------------------|---|------------------------------------|---|-------|-------|--|
| Acquired Description | brances                       | Land  | Buildings                          | Total   |       |       |  |
| 11/01/85             | Seattle/ Empire Way           | -   | 1,652                              | 5,348   | 2,967 | 1,651 | 8,316 9,967 6,982                          |
| 12/01/85             | Milpitas                      | -   | 1,623                              | 1,577   | 1,416 | 1,623 | 2,993 4,616 2,482                          |
| 12/01/85             | Pleasanton/ Santa Rita        | -   | 1,226                              | 2,078   | 1,761 | 1,225 | 3,840 5,065 3,156                          |
| 12/01/85             | Amherst/ Niagra Falls         | -   | 132                                | 701   | 931   | 132   | 1,632 1,764 1,398                          |
| 12/01/85             | West Sams Blvd.               | -   | 164                                | 1,159   | 215   | 164   | 1,374 1,538 1,168                          |
| 12/01/85             | MacArthur Rd.                 | -   | 204                                | 1,628   | 984   | 204   | 2,612 2,816 2,284                          |
| 12/01/85             | Brockton/ Main                | -   | 153                                | 2,020   | 729   | 153   | 2,749 2,902 2,375                          |
| 12/01/85             | Eatontown/ Hwy 35             | -   | 308                                | 4,067   | 3,033 | 308   | 7,100 7,408 6,265                          |
| 12/01/85             | Denver/ Leetsdale             | -   | 603                                | 847   | 812   | 603   | 1,659 2,262 1,457                          |
| 01/01/86             | Mapleshade/ Rudderow          | -   | 362                                | 1,811   | 1,582 | 362   | 3,393 3,755 3,012                          |
| 01/01/86             | Bordentown/ Groveville        | -   | 196                                | 981   | 827   | 196   | 1,808 2,004 1,567                          |
| 01/01/86             | Sun Valley/ Sheldon           | -   | 544                                | 1,836   | 1,319 | 544   | 3,155 3,699 2,748                          |
| 02/01/86             | Costa Mesa/ Pomona            | -   | 1,405                              | 1,520   | 1,454 | 1,404 | 2,975 4,379 2,593                          |
| 02/01/86             | Brea/ Imperial Hwy            | -   | 1,069                              | 2,165   | 1,656 | 1,069 | 3,821 4,890 3,293                          |
| 02/01/86             | Skokie/ McCormick             | -   | 638                                | 1,912   | 1,430 | 638   | 3,342 3,980 2,920                          |
| 02/01/86             | Colorado Springs/ Sinton      | -   | 535                                | 1,115   | 1,403 | 535   | 2,518 3,053 2,256                          |
| 02/01/86             | Oklahoma City/ Penn           | -   | 146                                | 829   | 753   | 146   | 1,582 1,728 1,352                          |
| 02/01/86             | Oklahoma City/ 39th           | -   | 238                                | 812   | 997   | 238   | 1,809 2,047 1,567                          |
| 03/01/86             | Jacksonville/ Wiley           | -   | 140                                | 510   | 745   | 140   | 1,255 1,395 1,061                          |
| 03/01/86             | St. Louis/ Forder             | -   | 517                                | 1,133   | 1,206 | 516   | 2,340 2,856 1,944                          |
| 03/03/86             | Tampa / 56th                  | -   | 450                                | 1,360   | 801   | 450   | 2,161 2,611 2,015                          |
| 04/01/86             | Reno/ Telegraph               | -   | 649                                | 1,051   | 1,750 | 649   | 2,801 3,450 2,459                          |
| 04/01/86             | St. Louis/Kirkham             | -   | 199                                | 1,001   | 879   | 199   | 1,880 2,079 1,680                          |
| 04/01/86             | St. Louis/Reavis              | -   | 192                                | 958   | 710   | 192   | 1,668 1,860 1,475                          |
| 04/01/86             | Fort Worth/East Loop          | -   | 196                                | 804   | 839   | 196   | 1,643 1,839 1,411                          |
| 05/01/86             | Westlake Village              | -   | 1,205                              | 995   | 5,818 | 1,256 | 6,762 8,018 3,099                          |
| 05/01/86             | Sacramento/Franklin Blvd.     | -   | 872                                | 978   | 4,130 | 1,139 | 4,841 5,980 4,674                          |
| 06/01/86             | Richland Hills                | -   | 543                                | 857   | 1,005 | 543   | 1,862 2,405 1,633                          |
| 06/01/86             | West Valley/So. 3600          | -   | 208                                | 1,552   | 1,189 | 208   | 2,741 2,949 2,439                          |
| 07/01/86             | Colorado Springs/ Hollow Tree | -   | 574                                | 726   | 940   | 574   | 1,666 2,240 1,482                          |

## PUBLIC STORAGE

## SCHEDULE III - REAL ESTATE AND ACCUMULATED DEPRECIATION

| Date                                  | 2013<br>Encum- | Initial Cost<br>Buildings &<br>Improvements | Costs<br>Subsequent<br>Acquisition | Gross Carrying Amount<br>At December 31, 2013 |           |       | Accumulated<br>to<br>Total Depreciation |              |
|---------------------------------------|----------------|---|------------------------------------|---|-----------|-------|---|--------------|
| Acquired Description                  | brances        | Land  | Buildings                          | Land  | Buildings | Total | Depreciation                            |              |
| 07/01/86 West LA/Purdue Ave.          |                |   | - 2,415                            | 3,585   | 1,675     | 2,416 | 5,259                                   | 7,675 4,716  |
| 07/01/86 Capital Heights/Central Ave. |                |   | - 649                              | 3,851   | 7,722     | 649   | 11,573                                  | 12,222 6,400 |
| 07/01/86 Pontiac/Dixie Hwy.           |                |   | - 259                              | 2,091   | 1,287     | 259   | 3,378                                   | 3,637 2,900  |
| 08/01/86 Laurel/Ft. Meade Rd.         |                |   | - 475                              | 1,475   | 1,260     | 475   | 2,735                                   | 3,210 2,388  |
| 08/01/86 Hammond / Calumet            |                |   | - 97                               | 751   | 1,297     | 97    | 2,048                                   | 2,145 1,837  |
| 09/01/86 Kansas City/S. 44th.         |                |   | - 509                              | 1,906   | 1,951     | 508   | 3,858                                   | 4,366 3,452  |
| 09/01/86 Lakewood / Wadsworth - 6th   |                |   | - 1,070                            | 3,155   | 1,967     | 1,070 | 5,122                                   | 6,192 4,745  |
| 10/01/86 Peralta/Fremont              |                |   | - 851                              | 1,074   | 835       | 851   | 1,909                                   | 2,760 1,675  |
| 10/01/86 Birmingham/Highland          |                |   | - 89                               | 786   | 812       | 149   | 1,538                                   | 1,687 1,335  |
| 10/01/86 Birmingham/Riverchase        |                |   | - 262                              | 1,338   | 1,359     | 278   | 2,681                                   | 2,959 2,348  |
| 10/01/86 Birmingham/Eastwood          |                |   | - 166                              | 1,184   | 1,349     | 232   | 2,467                                   | 2,699 2,108  |
| 10/01/86 Birmingham/Forestdale        |                |   | - 152                              | 948   | 986       | 190   | 1,896                                   | 2,086 1,660  |
| 10/01/86 Birmingham/Centerpoint       |                |   | - 265                              | 1,305   | 1,198     | 273   | 2,495                                   | 2,768 2,187  |
| 10/01/86 Birmingham/Roebuck Plaza     |                |   | - 101                              | 399   | 963       | 340   | 1,123                                   | 1,463 954    |
| 10/01/86 Birmingham/Greensprings      |                |   | - 347                              | 1,173   | 938       | 16    | 2,442                                   | 2,458 2,065  |
| 10/01/86 Birmingham/Hoover-Lorna      |                |   | - 372                              | 1,128   | 1,006     | 266   | 2,240                                   | 2,506 1,971  |
| 10/01/86 Midfield/Bessemer            |                |   | - 170                              | 355   | 739       | 95    | 1,169                                   | 1,264 999    |
| 10/01/86 Huntsville/Leeman Ferry Rd.  |                |   | - 158                              | 992   | 1,094     | 198   | 2,046                                   | 2,244 1,839  |
| 10/01/86 Huntsville/Drake             |                |   | - 253                              | 1,172   | 1,078     | 248   | 2,255                                   | 2,503 1,993  |
| 10/01/86 Anniston/Whiteside           |                |   | - 59                               | 566   | 594       | 107   | 1,112                                   | 1,219 983    |
| 10/01/86 Houston/Glenvista            |                |   | - 595                              | 1,043   | 1,706     | 594   | 2,750                                   | 3,344 2,451  |
| 10/01/86 Houston/I-45                 |                |   | - 704                              | 1,146   | 2,395     | 703   | 3,542                                   | 4,245 3,144  |
| 10/01/86 Houston/Rogerdale            |                |   | - 1,631                            | 2,792   | 2,620     | 1,631 | 5,412                                   | 7,043 4,808  |
| 10/01/86 Houston/Gessner              |                |   | - 1,032                            | 1,693   | 2,353     | 1,032 | 4,046                                   | 5,078 3,588  |
| 10/01/86 Houston/Richmond-Fairdale    |                |   | - 1,502                            | 2,506   | 3,027     | 1,501 | 5,534                                   | 7,035 4,984  |
| 10/01/86 Houston/Gulfton              |                |   | - 1,732                            | 3,036   | 3,003     | 1,732 | 6,039                                   | 7,771 5,386  |
| 10/01/86 Houston/Westpark             |                |   | - 503                              | 854   | 1,074     | 502   | 1,929                                   | 2,431 1,701  |
| 10/01/86 Jonesboro                    |                |   | - 157                              | 718   | 777       | 156   | 1,496                                   | 1,652 1,322  |
| 10/01/86 Houston / South Loop West    |                |   | - 1,299                            | 3,491   | 3,386     | 1,298 | 6,878                                   | 8,176 6,223  |
| 10/01/86 Houston / Plainfield Road    |                |   | - 904                              | 2,319   | 2,691     | 903   | 5,011                                   | 5,914 4,517  |

## PUBLIC STORAGE

## SCHEDULE III - REAL ESTATE AND ACCUMULATED DEPRECIATION

| Date                                    | 2013<br>Encum- | Initial Cost<br>Buildings &<br>Improvements | Costs<br>Subsequent<br>Acquisition | Gross Carrying Amount<br>At December 31, 2013 |           |       | Accumulated<br>to<br>Total Depreciation |        |
|---|----------------|---|------------------------------------|---|-----------|-------|---|--------|
| Acquired Description                    | brances        | Land  | Buildings                          | Land  | Buildings | Total | Depreciation                            |        |
| 10/01/86 Houston / North Freeway        |                | -   | -                                  | 2,706   | 1,610     | -     | 4,316                                   | 3,364  |
| 10/01/86 Houston / Old Katy Road        |                | -   | 1,365                              | 3,431   | 2,578     | 1,163 | 6,211                                   | 4,543  |
| 10/01/86 Houston / Long Point           |                | -   | 451                                | 1,187   | 1,609     | 451   | 2,796                                   | 2,512  |
| 10/01/86 Austin / Research Blvd.        |                | -   | 1,390                              | 1,710   | 1,623     | 1,390 | 3,333                                   | 3,029  |
| 11/01/86 Arleta / Osborne Street        |                | -   | 987                                | 663   | 796       | 986   | 1,460                                   | 1,262  |
| 12/01/86 Lynnwood / 196th Street        |                | -   | 1,063                              | 1,602   | 8,149     | 1,405 | 9,409                                   | 10,814 |
| 12/01/86 N. Auburn / Auburn Way N.      |                | -   | 606                                | 1,144   | 1,161     | 606   | 2,305                                   | 2,911  |
| 12/01/86 Gresham / Burnside & 202nd     |                | -   | 351                                | 1,056   | 1,167     | 351   | 2,223                                   | 2,574  |
| 12/01/86 Denver / Sheridan Boulevard    |                | -   | 1,033                              | 2,792   | 2,650     | 1,033 | 5,442                                   | 6,475  |
| 12/01/86 Marietta / Cobb Parkway        |                | -   | 536                                | 2,764   | 2,299     | 535   | 5,064                                   | 5,599  |
| 12/01/86 Hillsboro / T.V. Highway       |                | -   | 461                                | 574   | 784       | 461   | 1,358                                   | 1,819  |
| 12/01/86 San Antonio / West Sunset Road |                | -   | 1,206                              | 1,594   | 1,616     | 1,207 | 3,209                                   | 4,416  |
| 12/31/86 Monrovia / Myrtle Avenue       |                | -   | 1,149                              | 2,446   | 309       | 1,149 | 2,755                                   | 3,904  |
| 12/31/86 Chatsworth / Topanga           |                | -   | 1,447                              | 1,243   | 3,883     | 1,448 | 5,125                                   | 6,573  |
| 12/31/86 Houston / Larkwood             |                | -   | 247                                | 602   | 682       | 246   | 1,285                                   | 1,531  |
| 12/31/86 Northridge                     |                | -   | 3,624                              | 1,922   | 7,447     | 3,642 | 9,351                                   | 12,993 |
| 12/31/86 Santa Clara / Duane            |                | -   | 1,950                              | 1,004   | 764       | 1,950 | 1,768                                   | 3,718  |
| 12/31/86 Oyster Point                   |                | -   | 1,569                              | 1,490   | 687       | 1,569 | 2,177                                   | 3,746  |
| 12/31/86 Walnut                         |                | -   | 767                                | 613   | 5,642     | 769   | 6,253                                   | 7,022  |
| 03/01/87 Annandale / Ravensworth        |                | -   | 679                                | 1,621   | 1,276     | 679   | 2,897                                   | 3,576  |
| 04/01/87 City Of Industry / Amar        |                | -   | 748                                | 2,052   | 1,445     | 748   | 3,497                                   | 4,245  |
| 05/01/87 Oklahoma City / W. Hefner      |                | -   | 459                                | 941   | 984       | 459   | 1,925                                   | 2,384  |
| 07/01/87 Oakbrook Terrace               |                | -   | 912                                | 2,688   | 2,257     | 1,580 | 4,277                                   | 5,857  |
| 08/01/87 San Antonio/Austin Hwy.        |                | -   | 400                                | 850   | 324       | 400   | 1,174                                   | 1,574  |
| 10/01/87 Plantation/S. State Rd.        |                | -   | 924                                | 1,801   | 274       | 924   | 2,075                                   | 2,999  |
| 10/01/87 Rockville/Fredrick Rd.         |                | -   | 1,695                              | 3,305   | 9,925     | 1,702 | 13,223                                  | 14,925 |
| 02/01/88 Anaheim/Lakeview               |                | -   | 995                                | 1,505   | 429       | 995   | 1,934                                   | 2,929  |
| 06/07/88 Mesquite / Sorrento Drive      |                | -   | 928                                | 1,011   | 7,334     | 1,045 | 8,228                                   | 9,273  |
| 07/01/88 Fort Wayne                     |                | -   | 101                                | 1,524   | 952       | 101   | 2,476                                   | 2,577  |
| 01/01/92 Costa Mesa                     |                | -   | 533                                | 980   | 867       | 535   | 1,845                                   | 2,380  |

## PUBLIC STORAGE

## SCHEDULE III - REAL ESTATE AND ACCUMULATED DEPRECIATION

| Date                                       | 2013<br>Encum- | Initial Cost<br>Buildings &<br>Improvements | Costs<br>Subsequent<br>Acquisition | Gross Carrying Amount<br>At December 31, 2013 |       |           | Accumulated<br>to<br>Depreciation |       |           |
|--|----------------|---|------------------------------------|---|-------|-----------|-----------------------------------|-------|-----------|
| Acquired Description                       | brances        | Land  | Buildings                          | Total   | Land  | Buildings | Total                             | Land  | Buildings |
| 03/01/92 Dallas / Walnut St.               | -              | 537   | 1,008                              | 505   | 537   | 1,513     | 2,050                             | 1,483 |           |
| 05/01/92 Camp Creek                        | -              | 576   | 1,075                              | 754   | 575   | 1,830     | 2,405                             | 1,557 |           |
| 09/01/92 Orlando/W. Colonial               | -              | 368   | 713                                | 498   | 367   | 1,212     | 1,579                             | 1,024 |           |
| 09/01/92 Jacksonville/Arlington            | -              | 554   | 1,065                              | 591   | 554   | 1,656     | 2,210                             | 1,370 |           |
| 10/01/92 Stockton/Mariners                 | -              | 381   | 730                                | 301   | 380   | 1,032     | 1,412                             | 901   |           |
| 11/18/92 Virginia Beach/General Booth Blvd | -              | 599   | 1,119                              | 938   | 599   | 2,057     | 2,656                             | 1,610 |           |
| 01/01/93 Redwood City/Storage              | -              | 907   | 1,684                              | 406   | 907   | 2,090     | 2,997                             | 1,726 |           |
| 01/01/93 City Of Industry                  | -              | 1,611                                       | 2,991                              | 1,142   | 1,610 | 4,134     | 5,744                             | 3,514 |           |
| 01/01/93 San Jose/Felipe                   | -              | 1,124                                       | 2,088                              | 1,392   | 1,124 | 3,480     | 4,604                             | 3,058 |           |
| 01/01/93 Baldwin Park/Garvey Ave           | -              | 840   | 1,561                              | 1,146   | 771   | 2,776     | 3,547                             | 2,359 |           |
| 03/19/93 Westminster / W. 80th             | -              | 840   | 1,586                              | 581   | 840   | 2,167     | 3,007                             | 1,838 |           |
| 04/26/93 Costa Mesa / Newport              | 699            | 2,141                                       | 3,989                              | 5,795   | 3,732 | 8,193     | 11,925                            | 5,475 |           |
| 05/13/93 Austin /N. Lamar                  | -              | 919   | 1,695                              | 8,821   | 1,421 | 10,014    | 11,435                            | 5,854 |           |
| 05/28/93 Tampa/Nebraska Avenue             | -              | 550   | 1,043                              | 577   | 550   | 1,620     | 2,170                             | 1,416 |           |
| 06/09/93 Calabasas / Ventura Blvd.         | -              | 1,762                                       | 3,269                              | 400   | 1,761 | 3,670     | 5,431                             | 3,107 |           |
| 06/09/93 Carmichael / Fair Oaks            | -              | 573   | 1,052                              | 401   | 573   | 1,453     | 2,026                             | 1,247 |           |
| 06/09/93 Santa Clara / Duane               | -              | 454   | 834                                | 286   | 453   | 1,121     | 1,574                             | 955   |           |
| 06/10/93 Citrus Heights / Sylvan Road      | -              | 438   | 822                                | 453   | 437   | 1,276     | 1,713                             | 1,096 |           |
| 06/25/93 Trenton / Allen Road              | -              | 623   | 1,166                              | 663   | 623   | 1,829     | 2,452                             | 1,506 |           |
| 06/30/93 Los Angeles/W.Jefferson Blvd      | -              | 1,085                                       | 2,017                              | 366   | 1,085 | 2,383     | 3,468                             | 1,977 |           |
| 07/16/93 Austin / So. Congress Ave         | -              | 777   | 1,445                              | 551   | 777   | 1,996     | 2,773                             | 1,682 |           |
| 08/01/93 Gaithersburg / E. Diamond         | -              | 602   | 1,139                              | 341   | 602   | 1,480     | 2,082                             | 1,208 |           |
| 08/11/93 Atlanta / Northside               | -              | 1,150                                       | 2,149                              | 658   | 1,150 | 2,807     | 3,957                             | 2,353 |           |
| 08/11/93 Smyrna/ Rosswill Rd               | -              | 446   | 842                                | 373   | 446   | 1,215     | 1,661                             | 1,030 |           |
| 08/13/93 So. Brunswick/Highway             | -              | 1,076                                       | 2,033                              | 702   | 1,076 | 2,735     | 3,811                             | 2,280 |           |
| 10/01/93 Denver / Federal Blvd             | -              | 875   | 1,633                              | 459   | 875   | 2,092     | 2,967                             | 1,730 |           |
| 10/01/93 Citrus Heights                    | -              | 527   | 987                                | 347   | 527   | 1,334     | 1,861                             | 1,127 |           |
| 10/01/93 Lakewood / 6th Ave                | -              | 798   | 1,489                              | 174   | 685   | 1,776     | 2,461                             | 1,479 |           |
| 10/27/93 Houston / S Shaver St             | -              | 481   | 896                                | 418   | 481   | 1,314     | 1,795                             | 1,048 |           |
| 11/03/93 Upland/S. Euclid Ave.             | -              | 431   | 807                                | 704   | 508   | 1,434     | 1,942                             | 1,185 |           |

## PUBLIC STORAGE

## SCHEDULE III - REAL ESTATE AND ACCUMULATED DEPRECIATION

| Date                                     | 2013<br>Encum- | Initial Cost<br>Buildings &<br>Improvements | Costs<br>Subsequent<br>Acquisition | Gross Carrying Amount<br>At December 31, 2013 |           |       | Accumulated<br>Depreciation |
|--|----------------|---|------------------------------------|---|-----------|-------|-----------------------------|
| Acquired Description                     | branches       | Land  | Buildings                          | Land  | Buildings | Total |                             |
| 11/16/93 Norcross / Jimmy Carter         | -              | 627   | 1,167                              | 378   | 626       | 1,546 | 2,172 1,252                 |
| 11/16/93 Seattle / 13th                  | -              | 1,085                                       | 2,015                              | 913   | 1,085     | 2,928 | 4,013 2,438                 |
| 12/09/93 Salt Lake City                  | -              | 765   | 1,422                              | 113   | 633       | 1,667 | 2,300 1,040                 |
| 12/16/93 West Valley City                | -              | 683   | 1,276                              | 510   | 682       | 1,787 | 2,469 1,482                 |
| 12/21/93 Pinellas Park / 34th St. W      | -              | 607   | 1,134                              | 409   | 607       | 1,543 | 2,150 1,275                 |
| 12/28/93 New Orleans / S. Carrollton Ave | -              | 1,575                                       | 2,941                              | 737   | 1,575     | 3,678 | 5,253 3,155                 |
| 12/29/93 Orange / Main                   | -              | 1,238                                       | 2,317                              | 1,815   | 1,593     | 3,777 | 5,370 3,113                 |
| 12/29/93 Sunnyvale / Wedell              | -              | 554   | 1,037                              | 847   | 725       | 1,713 | 2,438 1,395                 |
| 12/29/93 El Cajon / Magnolia             | -              | 421   | 791                                | 878   | 541       | 1,549 | 2,090 1,226                 |
| 12/29/93 Orlando / S. Semoran Blvd.      | -              | 462   | 872                                | 862   | 601       | 1,595 | 2,196 1,359                 |
| 12/29/93 Tampa / W. Hillsborough Ave     | -              | 352   | 665                                | 667   | 436       | 1,248 | 1,684 1,027                 |
| 12/29/93 Irving / West Loop 12           | -              | 341   | 643                                | 338   | 354       | 968   | 1,322 809                   |
| 12/29/93 Fullerton / W. Commonwealth     | -              | 904   | 1,687                              | 1,579   | 1,159     | 3,011 | 4,170 2,392                 |
| 12/29/93 N. Lauderdale / McNab Rd        | -              | 628   | 1,182                              | 908   | 798       | 1,920 | 2,718 1,547                 |
| 12/29/93 Los Alimitos / Cerritos         | -              | 695   | 1,299                              | 895   | 874       | 2,015 | 2,889 1,581                 |
| 12/29/93 Frederick / Prospect Blvd.      | -              | 573   | 1,082                              | 732   | 692       | 1,695 | 2,387 1,377                 |
| 12/29/93 Indianapolis / E. Washington    | -              | 403   | 775                                | 891   | 505       | 1,564 | 2,069 1,335                 |
| 12/29/93 Gardena / Western Ave.          | -              | 552   | 1,035                              | 824   | 695       | 1,716 | 2,411 1,367                 |
| 12/29/93 Palm Bay / Bobcock Street       | -              | 409   | 775                                | 638   | 525       | 1,297 | 1,822 1,109                 |
| 01/10/94 Hialeah / W. 20Th Ave.          | -              | 1,855                                       | 3,497                              | 221   | 1,590     | 3,983 | 5,573 3,244                 |
| 01/12/94 Sunnyvale / N. Fair Oaks Ave    | -              | 689   | 1,285                              | 413   | 657       | 1,730 | 2,387 1,409                 |
| 01/12/94 Honolulu / Iwaena               | -              | -   | 3,382                              | 1,261   | -         | 4,643 | 4,643 3,739                 |
| 01/12/94 Miami / Golden Glades           | -              | 579   | 1,081                              | 781   | 557       | 1,884 | 2,441 1,554                 |
| 01/21/94 Herndon / Centreville Road      | -              | 1,584                                       | 2,981                              | 675   | 1,358     | 3,882 | 5,240 3,369                 |
| 02/28/94 Arlington/Old Jefferson         | -              | 735   | 1,399                              | 1,668   | 630       | 3,172 | 3,802 2,264                 |
| 03/08/94 Beaverton / Sw Barnes Road      | -              | 942   | 1,810                              | 350   | 807       | 2,295 | 3,102 1,930                 |
| 03/21/94 Austin / Arboretum              | -              | 473   | 897                                | 3,034   | 1,553     | 2,851 | 4,404 2,375                 |
| 03/25/94 Tinton Falls / Shrewsbury Ave   | -              | 1,074                                       | 2,033                              | 574   | 921       | 2,760 | 3,681 2,243                 |
| 03/25/94 East Brunswick / Milltown Road  | -              | 1,282                                       | 2,411                              | 561   | 1,099     | 3,155 | 4,254 2,595                 |
| 03/25/94 Mercerville / Quakerbridge Road | -              | 1,109                                       | 2,111                              | 777   | 950       | 3,047 | 3,997 2,478                 |

## PUBLIC STORAGE

## SCHEDULE III - REAL ESTATE AND ACCUMULATED DEPRECIATION

| Date                                     | 2013<br>Encum- | Initial Cost<br>Buildings &<br>Improvements | Costs<br>Subsequent<br>Acquisition | Gross Carrying Amount<br>At December 31, 2013 |       |           | Accumulated<br>to<br>Depreciation |              |
|--|----------------|---|------------------------------------|---|-------|-----------|-----------------------------------|--------------|
| Acquired Description                     | brances        | Land  | Buildings                          | Total   | Land  | Buildings | Total                             | Depreciation |
| 03/31/94 Hypoluxo                        | -              | 735   | 1,404                              | 3,374   | 630   | 4,883     | 5,513                             | 4,209        |
| 04/26/94 No. Highlands / Roseville Road  | -              | 980   | 1,835                              | 568   | 840   | 2,543     | 3,383                             | 2,128        |
| 05/12/94 Fort Pierce/Okeechobee Road     | -              | 438   | 842                                | 325   | 375   | 1,230     | 1,605                             | 1,170        |
| 05/24/94 Hempstead/Peninsula Blvd.       | -              | 2,053                                       | 3,832                              | 751   | 1,762 | 4,874     | 6,636                             | 3,910        |
| 05/24/94 La/Huntington                   | -              | 483   | 905                                | 404   | 414   | 1,378     | 1,792                             | 1,137        |
| 06/09/94 Chattanooga / Brainerd Road     | -              | 613   | 1,170                              | 573   | 525   | 1,831     | 2,356                             | 1,454        |
| 06/09/94 Chattanooga / Ringgold Road     | -              | 761   | 1,433                              | 929   | 652   | 2,471     | 3,123                             | 2,040        |
| 06/18/94 Las Vegas / S. Valley View Blvd | -              | 837   | 1,571                              | 479   | 718   | 2,169     | 2,887                             | 1,763        |
| 06/23/94 Las Vegas / Tropicana           | -              | 750   | 1,408                              | 729   | 643   | 2,244     | 2,887                             | 1,751        |
| 06/23/94 Henderson / Green Valley Pkwy   | -              | 1,047                                       | 1,960                              | 475   | 897   | 2,585     | 3,482                             | 2,074        |
| 06/24/94 Las Vegas / N. Lamb Blvd.       | -              | 869   | 1,629                              | 331   | 669   | 2,160     | 2,829                             | 1,437        |
| 06/30/94 Birmingham / W. Oxmoor Road     | -              | 532   | 1,004                              | 785   | 456   | 1,865     | 2,321                             | 1,619        |
| 07/20/94 Milpitas / Dempsey Road         | -              | 1,260                                       | 2,358                              | 355   | 1,080 | 2,893     | 3,973                             | 2,315        |
| 08/17/94 Beaverton / S.W. Denny Road     | -              | 663   | 1,245                              | 209   | 568   | 1,549     | 2,117                             | 1,251        |
| 08/17/94 Irwindale / Central Ave.        | -              | 674   | 1,263                              | 285   | 578   | 1,644     | 2,222                             | 1,285        |
| 08/17/94 Suitland / St. Barnabas Rd      | -              | 1,530                                       | 2,913                              | 767   | 1,312 | 3,898     | 5,210                             | 3,136        |
| 08/17/94 North Brunswick / How Lane      | -              | 1,238                                       | 2,323                              | 362   | 1,061 | 2,862     | 3,923                             | 2,265        |
| 08/17/94 Lombard / 64th                  | -              | 847   | 1,583                              | 457   | 726   | 2,161     | 2,887                             | 1,765        |
| 08/17/94 Alsip / 27th                    | -              | 406   | 765                                | 239   | 348   | 1,062     | 1,410                             | 861          |
| 09/15/94 Huntsville / Old Monrovia Rd    | -              | 613   | 1,157                              | 439   | 525   | 1,684     | 2,209                             | 1,362        |
| 09/27/94 West Haven / Bull Hill Lane     | -              | 455   | 873                                | 5,572   | 1,963 | 4,937     | 6,900                             | 3,126        |
| 09/30/94 San Francisco / Marin St.       | -              | 1,227                                       | 2,339                              | 1,483   | 1,371 | 3,678     | 5,049                             | 2,853        |
| 09/30/94 Baltimore / Hillen Street       | -              | 580   | 1,095                              | 827   | 497   | 2,005     | 2,502                             | 1,537        |
| 09/30/94 San Francisco /10th & Howard    | -              | 1,423                                       | 2,668                              | 541   | 1,221 | 3,411     | 4,632                             | 2,722        |
| 09/30/94 Montebello / E. Whittier        | -              | 383   | 732                                | 337   | 329   | 1,123     | 1,452                             | 893          |
| 09/30/94 Arlington / Collins             | -              | 228   | 435                                | 548   | 195   | 1,016     | 1,211                             | 872          |
| 09/30/94 Miami / S.W. 119th Ave          | -              | 656   | 1,221                              | 203   | 562   | 1,518     | 2,080                             | 1,195        |
| 09/30/94 Blackwood / Erial Road          | -              | 774   | 1,437                              | 240   | 663   | 1,788     | 2,451                             | 1,430        |
| 09/30/94 Concord / Monument              | -              | 1,092                                       | 2,027                              | 625   | 936   | 2,808     | 3,744                             | 2,233        |
| 09/30/94 Rochester / Lee Road            | -              | 469   | 871                                | 469   | 402   | 1,407     | 1,809                             | 1,203        |

## PUBLIC STORAGE

## SCHEDULE III - REAL ESTATE AND ACCUMULATED DEPRECIATION

| Date                                      | 2013<br>Encum- | Initial Cost<br>Buildings &<br>Improvements | Costs<br>Subsequent<br>Acquisition | Gross Carrying Amount<br>At December 31, 2013 |       |       | Accumulated<br>to<br>Depreciation |
|---|----------------|---|------------------------------------|---|-------|-------|-----------------------------------|
| Acquired Description                      | brances        | Land  | Buildings                          | Total   |       |       |                                   |
| 09/30/94 Houston / Bellaire               |                | - 623                                       | 1,157                              | 571   | 534   | 1,817 | 2,351 1,457                       |
| 09/30/94 Austin / Lamar Blvd              |                | - 781                                       | 1,452                              | 364   | 669   | 1,928 | 2,597 1,482                       |
| 09/30/94 Milwaukee / Lovers Lane Rd       |                | - 469                                       | 871                                | 388   | 402   | 1,326 | 1,728 1,069                       |
| 09/30/94 Monterey / Del Rey Oaks          |                | - 1,093                                     | 1,897                              | 169   | 903   | 2,256 | 3,159 1,842                       |
| 09/30/94 St. Petersburg / 66Th St.        |                | - 427                                       | 793                                | 450   | 366   | 1,304 | 1,670 1,079                       |
| 09/30/94 Dayton Bch / N. Nova Road        |                | - 396                                       | 735                                | 303   | 339   | 1,095 | 1,434 925                         |
| 09/30/94 Maple Shade / Route 38           |                | - 994                                       | 1,846                              | 496   | 852   | 2,484 | 3,336 1,984                       |
| 09/30/94 Marlton / Route 73 N.            |                | - 938                                       | 1,742                              | (800)   | 557   | 1,323 | 1,880 1,135                       |
| 09/30/94 Naperville / E. Ogden Ave        |                | - 683                                       | 1,268                              | 397   | 585   | 1,763 | 2,348 1,425                       |
| 09/30/94 Long Beach / South Street        |                | - 1,778                                     | 3,307                              | 791   | 1,524 | 4,352 | 5,876 3,425                       |
| 09/30/94 Aloha / S.W. Shaw                |                | - 805                                       | 1,495                              | 249   | 690   | 1,859 | 2,549 1,466                       |
| 09/30/94 Alexandria / S. Pickett          |                | - 1,550                                     | 2,879                              | 421   | 1,329 | 3,521 | 4,850 2,819                       |
| 09/30/94 Houston / Highway 6 North        |                | - 1,120                                     | 2,083                              | 501   | 960   | 2,744 | 3,704 2,207                       |
| 09/30/94 San Antonio/Nacogdoches Rd       |                | - 571                                       | 1,060                              | 456   | 489   | 1,598 | 2,087 1,294                       |
| 09/30/94 San Ramon/San Ramon Valley       |                | - 1,530                                     | 2,840                              | 978   | 1,311 | 4,037 | 5,348 3,240                       |
| 09/30/94 San Rafael / Merrydale Rd        |                | - 1,705                                     | 3,165                              | 336   | 1,461 | 3,745 | 5,206 2,963                       |
| 09/30/94 San Antonio / Austin Hwy         |                | - 592                                       | 1,098                              | 441   | 507   | 1,624 | 2,131 1,301                       |
| 09/30/94 Sharonville / E. Kemper          |                | - 574                                       | 1,070                              | 649   | 492   | 1,801 | 2,293 1,430                       |
| 10/13/94 Davie / State Road 84            |                | - 744                                       | 1,467                              | 1,105   | 637   | 2,679 | 3,316 1,876                       |
| 10/13/94 Carrollton / Marsh Lane          |                | - 770                                       | 1,437                              | 1,676   | 1,022 | 2,861 | 3,883 2,192                       |
| 10/31/94 Sherman Oaks / Van Nuys Blvd     |                | - 1,278                                     | 2,461                              | 1,507   | 1,423 | 3,823 | 5,246 3,019                       |
| 12/19/94 Salt Lake City/West North Temple |                | - 490                                       | 917                                | 54  | 385   | 1,076 | 1,461 663                         |
| 12/28/94 Milpitas / Watson                |                | - 1,575                                     | 2,925                              | 536   | 1,350 | 3,686 | 5,036 2,919                       |
| 12/28/94 Las Vegas / Jones Blvd           |                | - 1,208                                     | 2,243                              | 382   | 1,035 | 2,798 | 3,833 2,172                       |
| 12/28/94 Venice / Guthrie                 |                | - 578                                       | 1,073                              | 276   | 495   | 1,432 | 1,927 1,098                       |
| 12/30/94 Apple Valley / Foliage Ave       |                | - 910                                       | 1,695                              | 644   | 780   | 2,469 | 3,249 1,999                       |
| 01/04/95 Chula Vista / Main Street        |                | - 735                                       | 1,802                              | 559   | 735   | 2,361 | 3,096 1,899                       |
| 01/05/95 Pantego / West Park              |                | - 315                                       | 735                                | 304   | 315   | 1,039 | 1,354 824                         |
| 01/12/95 Roswell / Alpharetta             |                | - 423                                       | 993                                | 456   | 423   | 1,449 | 1,872 1,224                       |
| 01/23/95 San Leandro / Hesperian          |                | - 734                                       | 1,726                              | 226   | 733   | 1,953 | 2,686 1,515                       |

## PUBLIC STORAGE

## SCHEDULE III - REAL ESTATE AND ACCUMULATED DEPRECIATION

| Date                 | 2013<br>Encum-          | Initial Cost<br>Buildings &<br>Improvements | Costs<br>Subsequent<br>Acquisition | Gross Carrying Amount<br>At December 31, 2013 | Land      | Buildings | Total        | Accumulated<br>Depreciation |
|----------------------|-------------------------|---|------------------------------------|---|-----------|-----------|--------------|-----------------------------|
| Acquired Description | brances                 | Improvements                                | Acquisition                        | Land  | Buildings | Total     | Depreciation |                             |
| 01/24/95             | Nashville / Elm Hill    | - 338                                       | 791 615                            | 337   | 1,407     | 1,744     | 1,153        |                             |
| 02/03/95             | Reno / S. Mccarron Blvd | - 1,080                                     | 2,537 482                          | 1,080   | 3,019     | 4,099     | 2,311        |                             |
| 02/15/95             | Schiller Park           | - 1,688                                     | 3,939 2,953                        | 1,688   | 6,892     | 8,580     | 4,940        |                             |
| 02/15/95             | Lansing                 | - 1,514                                     | 3,534 766                          | 1,514   | 4,300     | 5,814     | 3,185        |                             |
| 02/15/95             | Pleasanton              | - 1,257                                     | 2,932 224                          | 1,256   | 3,157     | 4,413     | 2,242        |                             |
| 02/15/95             | LA/Sepulveda            | - 1,453                                     | 3,390 257                          | 1,453   | 3,647     | 5,100     | 2,585        |                             |
| 02/28/95             | Decatur / Flat Shoal    | - 970                                       | 2,288 1,027                        | 970   | 3,315     | 4,285     | 2,627        |                             |
| 02/28/95             | Smyrna / S. Cobb        | - 663                                       | 1,559 818                          | 663   | 2,377     | 3,040     | 1,855        |                             |
| 02/28/95             | Downey / Bellflower     | - 916                                       | 2,158 358                          | 916   | 2,516     | 3,432     | 1,981        |                             |
| 02/28/95             | Vallejo / Lincoln       | - 445                                       | 1,052 479                          | 445   | 1,531     | 1,976     | 1,243        |                             |
| 02/28/95             | Lynnwood / 180th St     | - 516                                       | 1,205 333                          | 516   | 1,538     | 2,054     | 1,246        |                             |
| 02/28/95             | Kent / Pacific Hwy      | - 728                                       | 1,711 224                          | 728   | 1,935     | 2,663     | 1,521        |                             |
| 02/28/95             | Kirkland                | - 1,254                                     | 2,932 566                          | 1,253   | 3,499     | 4,752     | 2,794        |                             |
| 02/28/95             | Federal Way/Pacific     | - 785                                       | 1,832 384                          | 785   | 2,216     | 3,001     | 1,771        |                             |
| 02/28/95             | Tampa / S. Dale         | - 791                                       | 1,852 425                          | 791   | 2,277     | 3,068     | 1,831        |                             |
| 02/28/95             | Burlingame/Adrian Rd    | - 2,280                                     | 5,349 1,082                        | 2,280   | 6,431     | 8,711     | 4,829        |                             |
| 02/28/95             | Miami / Cloverleaf      | - 606                                       | 1,426 456                          | 606   | 1,882     | 2,488     | 1,532        |                             |
| 02/28/95             | Pinole / San Pablo      | - 639                                       | 1,502 488                          | 639   | 1,990     | 2,629     | 1,603        |                             |
| 02/28/95             | South Gate / Firesto    | - 1,442                                     | 3,449 563                          | 1,442   | 4,012     | 5,454     | 3,196        |                             |
| 02/28/95             | San Jose / Mabury       | - 892                                       | 2,088 341                          | 892   | 2,429     | 3,321     | 1,881        |                             |
| 02/28/95             | La Puente / Valley Blvd | - 591                                       | 1,390 316                          | 591   | 1,706     | 2,297     | 1,368        |                             |
| 02/28/95             | San Jose / Capitol E    | - 1,215                                     | 2,852 423                          | 1,215   | 3,275     | 4,490     | 2,510        |                             |
| 02/28/95             | Milwaukie / 40th Street | - 576                                       | 1,388 318                          | 579   | 1,703     | 2,282     | 1,286        |                             |
| 02/28/95             | Portland / N. Lombard   | - 812                                       | 1,900 471                          | 812   | 2,371     | 3,183     | 1,796        |                             |
| 02/28/95             | Miami / Biscayne        | - 1,313                                     | 3,076 635                          | 1,313   | 3,711     | 5,024     | 3,645        |                             |
| 02/28/95             | Chicago / Clark Street  | - 442                                       | 1,031 872                          | 442   | 1,903     | 2,345     | 1,402        |                             |
| 02/28/95             | Palatine / Dundee       | - 698                                       | 1,643 733                          | 698   | 2,376     | 3,074     | 2,013        |                             |
| 02/28/95             | Williamsville/Transit   | - 284                                       | 670 435                            | 284   | 1,105     | 1,389     | 910          |                             |
| 02/28/95             | Amherst / Sheridan      | - 484                                       | 1,151 372                          | 483   | 1,524     | 2,007     | 1,206        |                             |
| 03/02/95             | Everett / Highway 99    | - 859                                       | 2,022 350                          | 858   | 2,373     | 3,231     | 1,853        |                             |

F-48



## PUBLIC STORAGE

## SCHEDULE III - REAL ESTATE AND ACCUMULATED DEPRECIATION

| Date                 | 2013<br>Encum-                 | Initial Cost<br>Buildings &<br>Improvements | Costs<br>Subsequent<br>Acquisition | Gross Carrying Amount<br>At December 31, 2013 |           |       | Accumulated<br>Depreciation |
|----------------------|--------------------------------|---|------------------------------------|---|-----------|-------|-----------------------------|
| Acquired Description | branches                       | Land  | Buildings                          | Land  | Buildings | Total |                             |
| 03/02/95             | Burien / 1St Ave South         | -   | 763                                | 1,783   | 651       | 763   | 2,434 3,197 1,954           |
| 03/02/95             | Kent / South 238th Street      | -   | 763                                | 1,783   | 382       | 763   | 2,165 2,928 1,728           |
| 03/31/95             | Cheverly / Central Ave         | -   | 911                                | 2,164   | 614       | 910   | 2,779 3,689 2,174           |
| 05/01/95             | Sandy / S. State Street        | -   | 1,043                              | 2,442   | 35        | 923   | 2,597 3,520 1,671           |
| 05/03/95             | Largo / Ulmerton Roa           | -   | 263                                | 654   | 272       | 262   | 927 1,189 757               |
| 05/08/95             | Fairfield/Western Street       | -   | 439                                | 1,030   | 190       | 439   | 1,220 1,659 938             |
| 05/08/95             | Dallas / W. Mockingbird        | -   | 1,440                              | 3,371   | 468       | 1,440 | 3,839 5,279 2,935           |
| 05/08/95             | East Point / Lakewood          | -   | 884                                | 2,071   | 639       | 884   | 2,710 3,594 2,088           |
| 05/25/95             | Falls Church / Gallows Rd      | -   | 350                                | 835   | 9,410     | 3,560 | 7,035 10,595 2,768          |
| 06/12/95             | Baltimore / Old Waterloo       | -   | 769                                | 1,850   | 316       | 769   | 2,166 2,935 1,661           |
| 06/12/95             | Pleasant Hill / Hookston       | -   | 766                                | 1,848   | 451       | 742   | 2,323 3,065 1,761           |
| 06/12/95             | Mountain View/Old Middlefield  | -   | 2,095                              | 4,913   | 229       | 2,094 | 5,143 7,237 3,922           |
| 06/30/95             | San Jose / Blossom Hill        | -   | 1,467                              | 3,444   | 537       | 1,467 | 3,981 5,448 3,025           |
| 06/30/95             | Fairfield / Kings Highway      | -   | 1,811                              | 4,273   | 943       | 1,810 | 5,217 7,027 3,975           |
| 06/30/95             | Pacoima / Paxton Street        | -   | 840                                | 1,976   | 366       | 840   | 2,342 3,182 1,781           |
| 06/30/95             | Portland / Prescott            | -   | 647                                | 1,509   | 299       | 647   | 1,808 2,455 1,416           |
| 06/30/95             | St. Petersburg                 | -   | 352                                | 827   | 399       | 352   | 1,226 1,578 997             |
| 06/30/95             | Dallas / Audelia Road          | -   | 1,166                              | 2,725   | 5,099     | 1,166 | 7,824 8,990 3,838           |
| 06/30/95             | Miami Gardens                  | -   | 823                                | 1,929   | 692       | 823   | 2,621 3,444 1,980           |
| 06/30/95             | Grand Prairie / 19th           | -   | 566                                | 1,329   | 363       | 566   | 1,692 2,258 1,289           |
| 06/30/95             | Joliet / Jefferson Street      | -   | 501                                | 1,181   | 352       | 501   | 1,533 2,034 1,202           |
| 06/30/95             | Bridgeton / Pennridge          | -   | 283                                | 661   | 321       | 283   | 982 1,265 776               |
| 06/30/95             | Portland / S.E.92nd            | -   | 638                                | 1,497   | 314       | 638   | 1,811 2,449 1,393           |
| 06/30/95             | Houston / S.W. Freeway         | -   | 537                                | 1,254   | 7,295     | 1,140 | 7,946 9,086 4,286           |
| 06/30/95             | Milwaukee / Brown              | -   | 358                                | 849   | 446       | 358   | 1,295 1,653 1,038           |
| 06/30/95             | Orlando / W. Oak Ridge         | -   | 698                                | 1,642   | 644       | 697   | 2,287 2,984 1,761           |
| 06/30/95             | Lauderhill / State Road        | -   | 644                                | 1,508   | 500       | 644   | 2,008 2,652 1,552           |
| 06/30/95             | Orange Park /Blanding Blvd     | -   | 394                                | 918   | 450       | 394   | 1,368 1,762 1,099           |
| 06/30/95             | St. Petersburg /Joe'S Creek    | -   | 704                                | 1,642   | 461       | 703   | 2,104 2,807 1,665           |
| 06/30/95             | St. Louis / Page Service Drive | -   | 531                                | 1,241   | 336       | 531   | 1,577 2,108 1,224           |

## PUBLIC STORAGE

## SCHEDULE III - REAL ESTATE AND ACCUMULATED DEPRECIATION

| Date                                 | 2013<br>Encum- | Initial Cost<br>Buildings &<br>Improvements | Costs<br>Subsequent<br>Acquisition | Gross Carrying Amount<br>At December 31, 2013 |        |        | Accumulated<br>to<br>Depreciation |
|--------------------------------------|----------------|---|------------------------------------|---|--------|--------|-----------------------------------|
| Acquired Description                 | brances        | Land  | Buildings                          | Total   |        |        |                                   |
| 06/30/95 Independence /E. 42nd       | -              | 438   | 1,023 382                          | 438   | 1,405  | 1,843  | 1,105                             |
| 06/30/95 Cherry Hill / Dobbs Lane    | -              | 716   | 1,676 441                          | 715   | 2,118  | 2,833  | 1,684                             |
| 06/30/95 Edgewater Park / Route 130  | -              | 683   | 1,593 310                          | 683   | 1,903  | 2,586  | 1,447                             |
| 06/30/95 Beaverton / S.W. 110        | -              | 572   | 1,342 324                          | 572   | 1,666  | 2,238  | 1,302                             |
| 06/30/95 Markham / W. 159Th Place    | -              | 230   | 539 404                            | 229   | 944    | 1,173  | 738                               |
| 06/30/95 Houston / N.W. Freeway      | -              | 447   | 1,066 359                          | 447   | 1,425  | 1,872  | 1,110                             |
| 06/30/95 Portland / Gantenbein       | -              | 537   | 1,262 313                          | 537   | 1,575  | 2,112  | 1,247                             |
| 06/30/95 Upper Chichester/Market St. | -              | 569   | 1,329 341                          | 569   | 1,670  | 2,239  | 1,301                             |
| 06/30/95 Fort Worth / Hwy 80         | -              | 379   | 891 370                            | 379   | 1,261  | 1,640  | 1,019                             |
| 06/30/95 Greenfield/ S. 108th        | -              | 728   | 1,707 646                          | 727   | 2,354  | 3,081  | 1,856                             |
| 06/30/95 Altamonte Springs           | -              | 566   | 1,326 397                          | 566   | 1,723  | 2,289  | 1,364                             |
| 06/30/95 Seattle / Delridge Way      | -              | 760   | 1,779 330                          | 760   | 2,109  | 2,869  | 1,649                             |
| 06/30/95 Elmhurst / Lake Frontage Rd | -              | 748   | 1,758 543                          | 748   | 2,301  | 3,049  | 1,724                             |
| 06/30/95 Los Angeles / Beverly Blvd  | -              | 787   | 1,886 8,485                        | 787   | 10,371 | 11,158 | 3,538                             |
| 06/30/95 Lawrenceville / Brunswick   | -              | 841   | 1,961 283                          | 840   | 2,245  | 3,085  | 1,709                             |
| 06/30/95 Richmond / Carlson          | -              | 865   | 2,025 536                          | 864   | 2,562  | 3,426  | 1,951                             |
| 06/30/95 Liverpool / Oswego Road     | -              | 545   | 1,279 623                          | 545   | 1,902  | 2,447  | 1,439                             |
| 06/30/95 Rochester / East Ave        | -              | 578   | 1,375 754                          | 578   | 2,129  | 2,707  | 1,743                             |
| 06/30/95 Pasadena / E. Beltway       | -              | 757   | 1,767 518                          | 757   | 2,285  | 3,042  | 1,731                             |
| 07/13/95 Tarzana / Burbank Blvd      | -              | 2,895                                       | 6,823 775                          | 2,894   | 7,599  | 10,493 | 5,861                             |
| 07/31/95 Orlando / Lakehurst         | -              | 450   | 1,063 355                          | 450   | 1,418  | 1,868  | 1,100                             |
| 07/31/95 Livermore / Portola         | -              | 921   | 2,157 415                          | 921   | 2,572  | 3,493  | 1,961                             |
| 07/31/95 San Jose / Tully            | -              | 912   | 2,137 591                          | 912   | 2,728  | 3,640  | 2,165                             |
| 07/31/95 Mission Bay                 | -              | 1,617                                       | 3,785 925                          | 1,617   | 4,710  | 6,327  | 3,702                             |
| 07/31/95 Las Vegas / Decatur         | -              | 1,147                                       | 2,697 671                          | 1,147   | 3,368  | 4,515  | 2,586                             |
| 07/31/95 Pleasanton / Stanley        | -              | 1,624                                       | 3,811 552                          | 1,624   | 4,363  | 5,987  | 3,380                             |
| 07/31/95 Castro Valley / Grove       | -              | 757   | 1,772 182                          | 756   | 1,955  | 2,711  | 1,488                             |
| 07/31/95 Honolulu / Kaneohe          | -              | 1,215                                       | 2,846 2,434                        | 2,133   | 4,362  | 6,495  | 3,199                             |
| 07/31/95 Chicago / Wabash Ave        | -              | 645   | 1,535 4,274                        | 645   | 5,809  | 6,454  | 3,134                             |
| 07/31/95 Springfield / Parker        | -              | 765   | 1,834 487                          | 765   | 2,321  | 3,086  | 1,748                             |

F-50

## PUBLIC STORAGE

## SCHEDULE III - REAL ESTATE AND ACCUMULATED DEPRECIATION

| Date                 | 2013<br>Encum-            | Initial Cost<br>Buildings &<br>Improvements | Costs<br>Subsequent<br>Acquisition | Gross Carrying Amount<br>At December 31, 2013 |             |       | Accumulated<br>Depreciation |
|----------------------|---------------------------|---|------------------------------------|---|-------------|-------|-----------------------------|
| Acquired Description | brances                   | Land  | Buildings                          | Total   |             |       |                             |
| 07/31/95             | Huntington Bch/Gotham     | - 765                                       | 1,808 314                          | 765   | 2,122 2,887 | 1,639 |                             |
| 07/31/95             | Tucker / Lawrenceville    | - 630                                       | 1,480 376                          | 630   | 1,856 2,486 | 1,424 |                             |
| 07/31/95             | Marietta / Canton Road    | - 600                                       | 1,423 489                          | 600   | 1,912 2,512 | 1,511 |                             |
| 07/31/95             | Wheeling / Hintz          | - 450                                       | 1,054 293                          | 450   | 1,347 1,797 | 1,044 |                             |
| 08/01/95             | Gresham / Division        | - 607                                       | 1,428 299                          | 607   | 1,727 2,334 | 1,271 |                             |
| 08/01/95             | Tucker / Lawrenceville    | - 600                                       | 1,405 538                          | 600   | 1,943 2,543 | 1,508 |                             |
| 08/01/95             | Decatur / Covington       | - 720                                       | 1,694 576                          | 720   | 2,270 2,990 | 1,726 |                             |
| 08/11/95             | Studio City/Ventura       | - 1,285                                     | 3,015 476                          | 1,285   | 3,491 4,776 | 2,712 |                             |
| 08/12/95             | Smyrna / Hargrove Road    | - 1,020                                     | 3,038 732                          | 1,020   | 3,770 4,790 | 2,833 |                             |
| 09/01/95             | Hayward / Mission Blvd    | - 1,020                                     | 2,383 388                          | 1,020   | 2,771 3,791 | 2,134 |                             |
| 09/01/95             | Park City / Belvider      | - 600                                       | 1,405 249                          | 600   | 1,654 2,254 | 1,257 |                             |
| 09/01/95             | New Castle/Dupont Parkway | - 990                                       | 2,369 2,136                        | 990   | 4,505 5,495 | 2,473 |                             |
| 09/01/95             | Las Vegas / Rainbow       | - 1,050                                     | 2,459 278                          | 1,050   | 2,737 3,787 | 2,038 |                             |
| 09/01/95             | Mountain View / Reng      | - 945                                       | 2,216 229                          | 945   | 2,445 3,390 | 1,857 |                             |
| 09/01/95             | Venice / Cadillac         | - 930                                       | 2,182 585                          | 930   | 2,767 3,697 | 2,108 |                             |
| 09/01/95             | Simi Valley /Los Angeles  | - 1,590                                     | 3,724 645                          | 1,590   | 4,369 5,959 | 3,243 |                             |
| 09/01/95             | Spring Valley/Foreman     | - 1,095                                     | 2,572 615                          | 1,095   | 3,187 4,282 | 2,462 |                             |
| 09/06/95             | Darien / Frontage Road    | - 975                                       | 2,321 381                          | 975   | 2,702 3,677 | 2,047 |                             |
| 09/30/95             | Whittier                  | - 215                                       | 384 1,106                          | 215   | 1,490 1,705 | 1,127 |                             |
| 09/30/95             | Van Nuys/Balboa           | - 295                                       | 657 1,458                          | 295   | 2,115 2,410 | 1,647 |                             |
| 09/30/95             | Huntington Beach          | - 176                                       | 321 1,054                          | 176   | 1,375 1,551 | 1,067 |                             |
| 09/30/95             | Monterey Park             | - 124                                       | 346 1,071                          | 124   | 1,417 1,541 | 1,195 |                             |
| 09/30/95             | Downey                    | - 191                                       | 317 1,150                          | 191   | 1,467 1,658 | 1,099 |                             |
| 09/30/95             | Del Amo                   | - 474                                       | 742 1,646                          | 474   | 2,388 2,862 | 1,831 |                             |
| 09/30/95             | Carson                    | - 375                                       | 735 964                            | 375   | 1,699 2,074 | 1,337 |                             |
| 09/30/95             | Van Nuys/Balboa Blvd      | - 1,920                                     | 4,504 870                          | 1,920   | 5,374 7,294 | 3,755 |                             |
| 10/31/95             | San Lorenzo /Hesperian    | - 1,590                                     | 3,716 599                          | 1,590   | 4,315 5,905 | 3,024 |                             |
| 10/31/95             | Chicago / W. 47th Street  | - 300                                       | 708 692                            | 300   | 1,400 1,700 | 1,026 |                             |
| 10/31/95             | Los Angeles / Eastern     | - 455                                       | 1,070 331                          | 454   | 1,402 1,856 | 983   |                             |
| 11/15/95             | Costa Mesa                | - 522                                       | 1,218 177                          | 522   | 1,395 1,917 | 1,050 |                             |

## PUBLIC STORAGE

## SCHEDULE III - REAL ESTATE AND ACCUMULATED DEPRECIATION

| Date                 | 2013<br>Encum-            | Initial Cost<br>Buildings &<br>Improvements | Costs<br>Subsequent<br>Acquisition | Gross Carrying Amount<br>At December 31, 2013<br>Land | Buildings    | Total | Accumulated<br>Depreciation |
|----------------------|---------------------------|---|------------------------------------|---|--------------|-------|-----------------------------|
| Acquired Description | brances                   | to  |                                    |   |              |       |                             |
| 11/15/95             | Plano / E. 14th           | - 705                                       | 1,646 309                          | 705   | 1,955 2,660  | 1,457 |                             |
| 11/15/95             | Citrus Heights/Sunrise    | - 520                                       | 1,213 328                          | 520   | 1,541 2,061  | 1,181 |                             |
| 11/15/95             | Modesto/Briggsmore Ave    | - 470                                       | 1,097 248                          | 470   | 1,345 1,815  | 999   |                             |
| 11/15/95             | So San Francisco/Spruce   | - 1,905                                     | 4,444 963                          | 1,904   | 5,408 7,312  | 3,956 |                             |
| 11/15/95             | Pacheco/Buchanan Circle   | - 1,681                                     | 3,951 908                          | 1,681   | 4,859 6,540  | 3,655 |                             |
| 11/16/95             | Palm Beach Gardens        | - 657                                       | 1,540 336                          | 657   | 1,876 2,533  | 1,439 |                             |
| 11/16/95             | Delray Beach              | - 600                                       | 1,407 296                          | 600   | 1,703 2,303  | 1,315 |                             |
| 01/01/96             | Bensenville/York Rd       | - 667                                       | 1,602 1,500                        | 667   | 3,102 3,769  | 1,834 |                             |
| 01/01/96             | Louisville/Preston        | - 211                                       | 1,060 887                          | 211   | 1,947 2,158  | 1,139 |                             |
| 01/01/96             | San Jose/Aborn Road       | - 615                                       | 1,342 938                          | 615   | 2,280 2,895  | 1,366 |                             |
| 01/01/96             | Englewood/Federal         | - 481                                       | 1,395 981                          | 481   | 2,376 2,857  | 1,440 |                             |
| 01/01/96             | W. Hollywood/Santa Monica | - 3,415                                     | 4,577 3,194                        | 3,414   | 7,772 11,186 | 4,707 |                             |
| 01/01/96             | Orland Hills/W. 159th     | - 917                                       | 2,392 1,911                        | 917   | 4,303 5,220  | 2,683 |                             |
| 01/01/96             | Merrionette Park          | - 818                                       | 2,020 1,556                        | 818   | 3,576 4,394  | 2,150 |                             |
| 01/01/96             | Denver/S Quebec           | - 1,849                                     | 1,941 1,717                        | 1,849   | 3,658 5,507  | 2,267 |                             |
| 01/01/96             | Tigard/S.W. Pacific       | - 633                                       | 1,206 1,053                        | 633   | 2,259 2,892  | 1,371 |                             |
| 01/01/96             | Coram/Middle Count        | - 507                                       | 1,421 1,061                        | 507   | 2,482 2,989  | 1,495 |                             |
| 01/01/96             | Houston/FM 1960           | - 635                                       | 1,294 1,262                        | 635   | 2,556 3,191  | 1,613 |                             |
| 01/01/96             | Kent/Military Trail       | - 409                                       | 1,670 1,358                        | 409   | 3,028 3,437  | 1,858 |                             |
| 01/01/96             | Turnersville/Black        | - 165                                       | 1,360 1,097                        | 165   | 2,457 2,622  | 1,505 |                             |
| 01/01/96             | Sewell/Rts. 553           | - 323                                       | 1,138 927                          | 323   | 2,065 2,388  | 1,226 |                             |
| 01/01/96             | Maple Shade/Fellowship    | - 331                                       | 1,421 1,062                        | 331   | 2,483 2,814  | 1,475 |                             |
| 01/01/96             | Hyattsville/Kenilworth    | - 509                                       | 1,757 1,332                        | 508   | 3,090 3,598  | 1,877 |                             |
| 01/01/96             | Waterbury/Captain         | - 434                                       | 2,089 1,782                        | 434   | 3,871 4,305  | 2,209 |                             |
| 01/01/96             | Bedford Hts/Miles         | - 835                                       | 1,577 1,549                        | 835   | 3,126 3,961  | 1,956 |                             |
| 01/01/96             | Livonia/Newburgh          | - 635                                       | 1,407 1,077                        | 635   | 2,484 3,119  | 1,480 |                             |
| 01/01/96             | Sunland/Sunland Blvd.     | - 631                                       | 1,965 1,293                        | 631   | 3,258 3,889  | 1,982 |                             |
| 01/01/96             | Des Moines                | - 448                                       | 1,350 938                          | 447   | 2,289 2,736  | 1,332 |                             |
| 01/01/96             | Oxonhill/Indianhead       | - 772                                       | 2,017 1,816                        | 772   | 3,833 4,605  | 2,390 |                             |
| 01/01/96             | Sacramento/N. 16th        | - 582                                       | 2,610 1,889                        | 582   | 4,499 5,081  | 2,281 |                             |

## PUBLIC STORAGE

## SCHEDULE III - REAL ESTATE AND ACCUMULATED DEPRECIATION

| Date                                    | 2013<br>Encum- | Initial Cost<br>Buildings &<br>Improvements | Costs<br>Subsequent<br>Acquisition | Gross Carrying Amount<br>At December 31, 2013 |           |       | Accumulated<br>Depreciation |
|---|----------------|---|------------------------------------|---|-----------|-------|-----------------------------|
| Acquired Description                    | branches       | Land  | Buildings                          | Land  | Buildings | Total |                             |
| 01/01/96 Houston/Westheimer             | -              | 1,508                                       | 2,274                              | 1,946   | 1,508     | 4,220 | 5,728 2,685                 |
| 01/01/96 San Pablo/San Pablo            | -              | 565   | 1,232                              | 1,013   | 565       | 2,245 | 2,810 1,379                 |
| 01/01/96 Bowie/Woodcliff                | -              | 718   | 2,336                              | 1,628   | 718       | 3,964 | 4,682 2,406                 |
| 01/01/96 Milwaukee/S. 84th              | -              | 444   | 1,868                              | 1,566   | 444       | 3,434 | 3,878 2,042                 |
| 01/01/96 Clinton/Malcolm Road           | -              | 593   | 2,123                              | 1,511   | 592       | 3,635 | 4,227 2,189                 |
| 01/03/96 San Gabriel                    | -              | 1,005                                       | 2,345                              | 470   | 1,005     | 2,815 | 3,820 2,160                 |
| 01/05/96 San Francisco, Second St.      | -              | 2,880                                       | 6,814                              | 373   | 2,879     | 7,188 | 10,067 5,237                |
| 01/12/96 San Antonio, TX                | -              | 912   | 2,170                              | 271   | 912       | 2,441 | 3,353 1,787                 |
| 02/29/96 Naples, FL/Old US 41           | -              | 849   | 2,016                              | 401   | 849       | 2,417 | 3,266 1,800                 |
| 02/29/96 Lake Worth, FL/S. Military Tr. | -              | 1,782                                       | 4,723                              | 372   | 1,781     | 5,096 | 6,877 3,725                 |
| 02/29/96 Brandon, FL/W Brandon Blvd.    | -              | 1,928                                       | 4,523                              | 1,139   | 1,928     | 5,662 | 7,590 4,350                 |
| 02/29/96 Coral Springs FL/W Sample Rd.  | -              | 3,480                                       | 8,148                              | 445   | 3,479     | 8,594 | 12,073 6,373                |
| 02/29/96 Delray Beach FL/S Military Tr. | -              | 941   | 2,222                              | 360   | 940       | 2,583 | 3,523 1,927                 |
| 02/29/96 Jupiter FL/Military Trail      | -              | 2,280                                       | 5,347                              | 508   | 2,280     | 5,855 | 8,135 4,314                 |
| 02/29/96 Lakeworth FL/Lake Worth Rd     | -              | 737   | 1,742                              | 341   | 736       | 2,084 | 2,820 1,580                 |
| 02/29/96 New Port Richey/State Rd 54    | -              | 857   | 2,025                              | 512   | 856       | 2,538 | 3,394 1,851                 |
| 02/29/96 Sanford FL/S Orlando Dr        | -              | 734   | 1,749                              | 2,294   | 974       | 3,803 | 4,777 2,790                 |
| 03/08/96 Atlanta/Roswell                | -              | 898   | 3,649                              | 342   | 898       | 3,991 | 4,889 2,842                 |
| 03/31/96 Oakland                        | -              | 1,065                                       | 2,764                              | 704   | 1,065     | 3,468 | 4,533 2,582                 |
| 03/31/96 Saratoga                       | -              | 2,339                                       | 6,081                              | 913   | 2,339     | 6,994 | 9,333 4,889                 |
| 03/31/96 Randallstown                   | -              | 1,359                                       | 3,527                              | 820   | 1,359     | 4,347 | 5,706 3,268                 |
| 03/31/96 Plano                          | -              | 650   | 1,682                              | 228   | 649       | 1,911 | 2,560 1,412                 |
| 03/31/96 Houston                        | -              | 543   | 1,402                              | 355   | 543       | 1,757 | 2,300 1,269                 |
| 03/31/96 Irvine                         | -              | 1,920                                       | 4,975                              | 1,842   | 1,920     | 6,817 | 8,737 5,004                 |
| 03/31/96 Milwaukee                      | -              | 542   | 1,402                              | 294   | 542       | 1,696 | 2,238 1,244                 |
| 03/31/96 Carrollton                     | -              | 578   | 1,495                              | 257   | 578       | 1,752 | 2,330 1,282                 |
| 03/31/96 Torrance                       | -              | 1,415                                       | 3,675                              | 916   | 1,415     | 4,591 | 6,006 2,907                 |
| 03/31/96 Jacksonville                   | -              | 713   | 1,845                              | 425   | 712       | 2,271 | 2,983 1,688                 |
| 03/31/96 Dallas                         | -              | 315   | 810                                | 1,930   | 315       | 2,740 | 3,055 1,666                 |
| 03/31/96 Houston                        | -              | 669   | 1,724                              | 2,531   | 669       | 4,255 | 4,924 2,237                 |

## PUBLIC STORAGE

## SCHEDULE III - REAL ESTATE AND ACCUMULATED DEPRECIATION

| Date                 | 2013<br>Encum-                 | Initial Cost<br>Buildings &<br>Improvements | Costs<br>Subsequent<br>Acquisition | Gross Carrying Amount<br>At December 31, 2013 |           |       | Accumulated<br>to<br>Total<br>Depreciation |
|----------------------|--------------------------------|---|------------------------------------|---|-----------|-------|--|
| Acquired Description | branches                       | Land  | Buildings                          | Land  | Buildings | Total | Depreciation                               |
| 03/31/96             | Baltimore                      | -   | 842                                | 2,180   | 530       | 842   | 2,710 3,552 2,056                          |
| 03/31/96             | New Haven                      | -   | 740                                | 1,907   | 79        | 667   | 2,059 2,726 1,590                          |
| 04/01/96             | Chicago/Pulaski                | -   | 764                                | 1,869   | 628       | 763   | 2,498 3,261 1,752                          |
| 04/01/96             | Las Vegas/Desert Inn           | -   | 1,115                              | 2,729   | 375       | 1,115 | 3,104 4,219 2,151                          |
| 04/01/96             | Torrance/Crenshaw              | -   | 916                                | 2,243   | 308       | 916   | 2,551 3,467 1,774                          |
| 04/01/96             | Weymouth                       | -   | 485                                | 1,187   | 999       | 485   | 2,186 2,671 1,521                          |
| 04/01/96             | St. Louis/Barrett Station Road | -   | 630                                | 1,542   | 698       | 630   | 2,240 2,870 1,460                          |
| 04/01/96             | Rockville/Randolph             | -   | 1,153                              | 2,823   | 370       | 1,153 | 3,193 4,346 2,250                          |
| 04/01/96             | Simi Valley/East Street        | -   | 970                                | 2,374   | 182       | 970   | 2,556 3,526 1,778                          |
| 04/01/96             | Houston/Westheimer             | -   | 1,390                              | 3,402   | 6,557     | 1,390 | 9,959 11,349 6,228                         |
| 04/03/96             | Naples                         | -   | 1,187                              | 2,809   | 650       | 1,186 | 3,460 4,646 2,633                          |
| 06/26/96             | Boca Raton                     | -   | 3,180                              | 7,468   | 1,547     | 3,179 | 9,016 12,195 6,894                         |
| 06/28/96             | Venice                         | -   | 669                                | 1,575   | 283       | 669   | 1,858 2,527 1,375                          |
| 06/30/96             | Las Vegas                      | -   | 921                                | 2,155   | 587       | 921   | 2,742 3,663 2,037                          |
| 06/30/96             | Bedford Park                   | -   | 606                                | 1,419   | 423       | 606   | 1,842 2,448 1,379                          |
| 06/30/96             | Los Angeles                    | -   | 692                                | 1,616   | 250       | 691   | 1,867 2,558 1,359                          |
| 06/30/96             | Silver Spring                  | -   | 1,513                              | 3,535   | 692       | 1,513 | 4,227 5,740 3,109                          |
| 06/30/96             | Newark                         | -   | 1,051                              | 2,458   | 219       | 1,051 | 2,677 3,728 1,926                          |
| 06/30/96             | Brooklyn                       | -   | 783                                | 1,830   | 3,043     | 783   | 4,873 5,656 4,267                          |
| 07/02/96             | Glen Burnie/Furnace Br Rd      | -   | 1,755                              | 4,150   | 842       | 1,755 | 4,992 6,747 3,375                          |
| 07/22/96             | Lakewood/W Hampton             | -   | 717                                | 2,092   | 160       | 716   | 2,253 2,969 1,603                          |
| 08/13/96             | Norcross/Holcomb Bridge Rd     | -   | 955                                | 3,117   | 431       | 954   | 3,549 4,503 2,457                          |
| 09/05/96             | Spring Valley/S Pascack rd     | -   | 1,260                              | 2,966   | 1,170     | 1,260 | 4,136 5,396 3,133                          |
| 09/16/96             | Dallas/Royal Lane              | -   | 1,008                              | 2,426   | 456       | 1,007 | 2,883 3,890 2,054                          |
| 09/16/96             | Colorado Springs/Tomah Drive   | -   | 731                                | 1,759   | 292       | 730   | 2,052 2,782 1,492                          |
| 09/16/96             | Lewisville/S. Stemmons         | -   | 603                                | 1,451   | 272       | 603   | 1,723 2,326 1,235                          |
| 09/16/96             | Las Vegas/Boulder Hwy.         | -   | 947                                | 2,279   | 640       | 946   | 2,920 3,866 2,202                          |
| 09/16/96             | Sarasota/S. Tamiami Trail      | -   | 584                                | 1,407   | 1,538     | 584   | 2,945 3,529 1,766                          |
| 09/16/96             | Willow Grove/Maryland Road     | -   | 673                                | 1,620   | 305       | 673   | 1,925 2,598 1,369                          |
| 09/16/96             | Houston/W. Montgomery Rd.      | -   | 524                                | 1,261   | 421       | 523   | 1,683 2,206 1,249                          |

## PUBLIC STORAGE

## SCHEDULE III - REAL ESTATE AND ACCUMULATED DEPRECIATION

| Date                                  | 2013<br>Encum- | Initial Cost<br>Buildings &<br>Improvements | Costs<br>Subsequent<br>Acquisition | Gross Carrying Amount<br>At December 31, 2013 | Land  | Buildings | Total  | Accumulated<br>Depreciation |
|---------------------------------------|----------------|---|------------------------------------|---|-------|-----------|--------|-----------------------------|
| Acquired Description                  | brances        | to  |                                    |   |       |           |        |                             |
| 09/16/96 Denver/W. Hampden            | -              | 1,084                                       | 2,609                              | 346   | 1,083 | 2,956     | 4,039  | 2,109                       |
| 09/16/96 Littleton/Southpark Way      | -              | 922   | 2,221                              | 589   | 922   | 2,810     | 3,732  | 2,073                       |
| 09/16/96 Petaluma/Baywood Drive       | -              | 861   | 2,074                              | 404   | 861   | 2,478     | 3,339  | 1,747                       |
| 09/16/96 Canoga Park/Sherman Way      | -              | 1,543                                       | 3,716                              | 5,239   | 1,543 | 8,955     | 10,498 | 3,694                       |
| 09/16/96 Jacksonville/South Lane Ave. | -              | 554   | 1,334                              | 411   | 554   | 1,745     | 2,299  | 1,281                       |
| 09/16/96 Newport News/Warwick Blvd.   | -              | 575   | 1,385                              | 290   | 575   | 1,675     | 2,250  | 1,212                       |
| 09/16/96 Greenbrook/Route 22          | -              | 1,227                                       | 2,954                              | 810   | 1,226 | 3,765     | 4,991  | 2,675                       |
| 09/16/96 Monsey/Route 59              | -              | 1,068                                       | 2,572                              | 522   | 1,068 | 3,094     | 4,162  | 2,228                       |
| 09/16/96 Santa Rosa/Santa Rosa Ave.   | -              | 575   | 1,385                              | 231   | 575   | 1,616     | 2,191  | 1,153                       |
| 09/16/96 Fort Worth/Brentwood         | -              | 823   | 2,016                              | 385   | 823   | 2,401     | 3,224  | 1,749                       |
| 09/16/96 Glendale/San Fernando Road   | -              | 2,500                                       | 6,124                              | 466   | 2,500 | 6,590     | 9,090  | 4,640                       |
| 09/16/96 Houston/Harwin               | -              | 549   | 1,344                              | 441   | 549   | 1,785     | 2,334  | 1,325                       |
| 09/16/96 Irvine/Cowan Street          | -              | 1,890                                       | 4,631                              | 677   | 1,890 | 5,308     | 7,198  | 3,805                       |
| 09/16/96 Fairfield/Dixie Highway      | -              | 427   | 1,046                              | 258   | 427   | 1,304     | 1,731  | 927                         |
| 09/16/96 Mesa/Country Club Drive      | -              | 701   | 1,718                              | 715   | 701   | 2,433     | 3,134  | 1,885                       |
| 09/16/96 San Francisco/Geary Blvd.    | -              | 2,957                                       | 7,244                              | 1,799   | 2,957 | 9,043     | 12,000 | 6,333                       |
| 09/16/96 Houston/Gulf Freeway         | -              | 701   | 1,718                              | 5,452   | 701   | 7,170     | 7,871  | 3,890                       |
| 09/16/96 Las Vegas/S. Decatur Blvd.   | -              | 1,037                                       | 2,539                              | 417   | 1,036 | 2,957     | 3,993  | 2,118                       |
| 09/16/96 Tempe/McKellips Road         | -              | 823   | 1,972                              | 523   | 823   | 2,495     | 3,318  | 1,847                       |
| 09/16/96 Richland Hills/Airport Fwy.  | -              | 473   | 1,158                              | 354   | 472   | 1,513     | 1,985  | 1,097                       |
| 10/11/96 Hampton/Pembroke Road        | -              | 1,080                                       | 2,346                              | 57  | 914   | 2,569     | 3,483  | 1,613                       |
| 10/11/96 Norfolk/Widgeon Road         | -              | 1,110                                       | 2,405                              | 14  | 908   | 2,621     | 3,529  | 1,697                       |
| 10/11/96 Richmond/Bloom Lane          | -              | 1,188                                       | 2,512                              | 19  | 994   | 2,725     | 3,719  | 1,754                       |
| 10/11/96 Virginia Beach/Southern Blvd | -              | 282   | 610                                | 343   | 282   | 953       | 1,235  | 747                         |
| 10/11/96 Chesapeake/Military Hwy      | -              | -   | 2,886                              | 729   | -     | 3,615     | 3,615  | 2,009                       |
| 10/11/96 Richmond/Midlothian Park     | -              | 762   | 1,588                              | 743   | 762   | 2,331     | 3,093  | 1,785                       |
| 10/11/96 Roanoke/Peters Creek Road    | -              | 819   | 1,776                              | 483   | 819   | 2,259     | 3,078  | 1,663                       |
| 10/11/96 Orlando/E Oakridge Rd        | -              | 927   | 2,020                              | 734   | 927   | 2,754     | 3,681  | 2,109                       |
| 10/11/96 Orlando/South Hwy 17-92      | -              | 1,170                                       | 2,549                              | 672   | 1,170 | 3,221     | 4,391  | 2,347                       |
| 10/25/96 Austin/Renelli               | -              | 1,710                                       | 3,990                              | 633   | 1,710 | 4,623     | 6,333  | 3,315                       |

## PUBLIC STORAGE

## SCHEDULE III - REAL ESTATE AND ACCUMULATED DEPRECIATION

| Date     | 2013<br>Encum-             | Initial Cost<br>Buildings &<br>Improvements | Costs<br>Subsequent<br>Acquisition | Gross Carrying Amount<br>At December 31, 2013 |       |       | Accumulated<br>to<br>Depreciation |
|----------|----------------------------|---|------------------------------------|---|-------|-------|-----------------------------------|
| Acquired | Description                | branches                                    | Land                               | Buildings                                     | Total |       |                                   |
| 10/25/96 | Austin/Santiago            | -   | 900                                | 2,100   | 527   | 900   | 2,627 3,527 1,863                 |
| 10/25/96 | Dallas/East N.W. Highway   | -   | 698                                | 1,628   | 1,009 | 697   | 2,638 3,335 1,631                 |
| 10/25/96 | Dallas/Denton Drive        | -   | 900                                | 2,100   | 1,023 | 900   | 3,123 4,023 2,248                 |
| 10/25/96 | Houston/Hempstead          | -   | 518                                | 1,207   | 730   | 517   | 1,938 2,455 1,384                 |
| 10/25/96 | Pasadena/So. Shaver        | -   | 420                                | 980   | 713   | 420   | 1,693 2,113 1,321                 |
| 10/31/96 | Houston/Joel Wheaton Rd    | -   | 465                                | 1,085   | 1,445 | 465   | 2,530 2,995 1,093                 |
| 10/31/96 | Mt Holly/541 Bypass        | -   | 360                                | 840   | 634   | 360   | 1,474 1,834 1,150                 |
| 11/13/96 | Town East/Mesquite         | -   | 330                                | 770   | 422   | 330   | 1,192 1,522 893                   |
| 11/14/96 | Bossier City LA            | -   | 633                                | 1,488   | 42    | 557   | 1,606 2,163 1,066                 |
| 12/05/96 | Lake Forest/Bake Parkway   | -   | 971                                | 2,173   | 4,973 | 972   | 7,145 8,117 2,931                 |
| 12/16/96 | Cherry Hill/Old Cuthbert   | -   | 645                                | 1,505   | 1,019 | 645   | 2,524 3,169 2,030                 |
| 12/16/96 | Oklahoma City/SW 74th      | -   | 375                                | 875   | 551   | 375   | 1,426 1,801 1,019                 |
| 12/16/96 | Oklahoma City/S Santa Fe   | -   | 360                                | 840   | 267   | 360   | 1,107 1,467 813                   |
| 12/16/96 | Oklahoma City/S. May       | -   | 360                                | 840   | 267   | 360   | 1,107 1,467 811                   |
| 12/16/96 | Arlington/S. Watson Rd.    | -   | 930                                | 2,170   | 1,100 | 930   | 3,270 4,200 2,388                 |
| 12/16/96 | Richardson/E. Arapaho      | -   | 1,290                              | 3,010   | 815   | 1,290 | 3,825 5,115 2,708                 |
| 12/23/96 | Eagle Rock/Colorado        | -   | 330                                | 813   | 476   | 444   | 1,175 1,619 736                   |
| 12/23/96 | Upper Darby/Lansdowne      | -   | 899                                | 2,272   | 496   | 899   | 2,768 3,667 2,010                 |
| 12/23/96 | Plymouth Meeting /Chemical | -   | 1,109                              | 2,802   | 400   | 1,109 | 3,202 4,311 1,921                 |
| 12/23/96 | Philadelphia/Byberry       | -   | 1,019                              | 2,575   | 781   | 1,019 | 3,356 4,375 2,376                 |
| 12/23/96 | Ft. Lauderdale/State Road  | -   | 1,199                              | 3,030   | 596   | 1,199 | 3,626 4,825 2,585                 |
| 12/23/96 | Englewood/Costilla         | -   | 1,739                              | 4,393   | 491   | 1,738 | 4,885 6,623 3,416                 |
| 12/23/96 | Lilburn/Beaver Ruin Road   | -   | 600                                | 1,515   | 310   | 599   | 1,826 2,425 1,327                 |
| 12/23/96 | Carmichael/Fair Oaks       | -   | 809                                | 2,045   | 447   | 809   | 2,492 3,301 1,794                 |
| 12/23/96 | Portland/Division Street   | -   | 989                                | 2,499   | 400   | 989   | 2,899 3,888 2,010                 |
| 12/23/96 | Napa/Industrial            | -   | 660                                | 1,666   | 252   | 659   | 1,919 2,578 1,373                 |
| 12/23/96 | Las Vegas/Charleston       | -   | 1,049                              | 2,651   | 389   | 1,049 | 3,040 4,089 2,143                 |
| 12/23/96 | Las Vegas/South Arvill     | -   | 929                                | 2,348   | 477   | 929   | 2,825 3,754 2,003                 |
| 12/23/96 | Los Angeles/Santa Monica   | -   | 3,328                              | 8,407   | 749   | 3,327 | 9,157 12,484 6,505                |
| 12/23/96 | Warren/Schoenherr Rd.      | -   | 749                                | 1,894   | 484   | 749   | 2,378 3,127 1,737                 |



## PUBLIC STORAGE

## SCHEDULE III - REAL ESTATE AND ACCUMULATED DEPRECIATION

| Date                                   | 2013<br>Encum- | Initial Cost<br>Buildings &<br>Improvements | Costs<br>Subsequent<br>Acquisition | Gross Carrying Amount<br>At December 31, 2013 |           |       | Accumulated<br>to<br>Total<br>Depreciation |
|--|----------------|---|------------------------------------|---|-----------|-------|--|
| Acquired Description                   | brances        | Land  | Buildings                          | Land  | Buildings | Total | Depreciation                               |
| 12/23/96 Portland/N.E. 71st Avenue     | -              | 869   | 2,196                              | 359   | 869       | 2,555 | 3,424 1,853                                |
| 12/23/96 Broadview/S. 25th Avenue      | -              | 1,289                                       | 3,257                              | 1,303   | 1,289     | 4,560 | 5,849 3,075                                |
| 12/23/96 Winter Springs/W. St. Rte 434 | -              | 689   | 1,742                              | 255   | 689       | 1,997 | 2,686 1,483                                |
| 12/23/96 Tampa/15th Street             | -              | 420   | 1,060                              | 462   | 420       | 1,522 | 1,942 1,139                                |
| 12/23/96 Pompano Beach/S. Dixie Hwy.   | -              | 930   | 2,292                              | 844   | 930       | 3,136 | 4,066 2,285                                |
| 12/23/96 Overland Park/Mastin          | -              | 990   | 2,440                              | 3,420   | 1,306     | 5,544 | 6,850 3,336                                |
| 12/23/96 Auburn/R Street               | -              | 690   | 1,700                              | 408   | 690       | 2,108 | 2,798 1,473                                |
| 12/23/96 Federal Heights/W. 48th Ave.  | -              | 720   | 1,774                              | 382   | 720       | 2,156 | 2,876 1,570                                |
| 12/23/96 Decatur/Covington             | -              | 930   | 2,292                              | 452   | 930       | 2,744 | 3,674 1,951                                |
| 12/23/96 Forest Park/Jonesboro Rd.     | -              | 540   | 1,331                              | 388   | 540       | 1,719 | 2,259 1,266                                |
| 12/23/96 Mangonia Park/Australian Ave. | -              | 840   | 2,070                              | 292   | 840       | 2,362 | 3,202 1,722                                |
| 12/23/96 Whittier/Colima               | -              | 540   | 1,331                              | 202   | 540       | 1,533 | 2,073 1,090                                |
| 12/23/96 Kent/Pacific Hwy South        | -              | 930   | 2,292                              | 262   | 930       | 2,554 | 3,484 1,830                                |
| 12/23/96 Topeka/8th Street             | -              | 150   | 370                                | 556   | 150       | 926   | 1,076 743                                  |
| 12/23/96 Denver East Evans             | -              | 1,740                                       | 4,288                              | 452   | 1,740     | 4,740 | 6,480 3,358                                |
| 12/23/96 Pittsburgh/California Ave.    | -              | 630   | 1,552                              | 187   | 630       | 1,739 | 2,369 1,213                                |
| 12/23/96 Ft. Lauderdale/Powerline      | -              | -   | 2,286                              | 548   | -         | 2,834 | 2,834 1,604                                |
| 12/23/96 Philadelphia/Oxford           | -              | 900   | 2,218                              | 519   | 900       | 2,737 | 3,637 1,935                                |
| 12/23/96 Dallas/Lemmon Ave.            | -              | 1,710                                       | 4,214                              | 447   | 1,710     | 4,661 | 6,371 3,258                                |
| 12/23/96 Alsip/115th Street            | -              | 750   | 1,848                              | 4,816   | 750       | 6,664 | 7,414 3,419                                |
| 12/23/96 Green Acres/Jog Road          | -              | 600   | 1,479                              | 271   | 600       | 1,750 | 2,350 1,272                                |
| 12/23/96 Pompano Beach/Sample Road     | -              | 1,320                                       | 3,253                              | 428   | 1,320     | 3,681 | 5,001 2,565                                |
| 12/23/96 Wyndmoor/Ivy Hill             | -              | 2,160                                       | 5,323                              | 629   | 2,160     | 5,952 | 8,112 4,254                                |
| 12/23/96 W. Palm Beach/Belvedere       | -              | 960   | 2,366                              | 443   | 960       | 2,809 | 3,769 1,993                                |
| 12/23/96 Renton 174th St.              | -              | 960   | 2,366                              | 543   | 960       | 2,909 | 3,869 2,129                                |
| 12/23/96 Sacramento/Northgate          | -              | 1,021                                       | 2,647                              | 281   | 1,021     | 2,928 | 3,949 2,071                                |
| 12/23/96 Phoenix/19th Avenue           | -              | 991   | 2,569                              | 728   | 991       | 3,297 | 4,288 2,393                                |
| 12/23/96 Bedford Park/Cicero           | -              | 1,321                                       | 3,426                              | (1,039)                                       | 777       | 2,931 | 3,708 2,043                                |
| 12/23/96 Lake Worth/Lk Worth           | -              | 1,111                                       | 2,880                              | 542   | 1,111     | 3,422 | 4,533 2,464                                |
| 12/23/96 Arlington/Algonquin           | -              | 991   | 2,569                              | 1,043   | 991       | 3,612 | 4,603 2,751                                |

## PUBLIC STORAGE

## SCHEDULE III - REAL ESTATE AND ACCUMULATED DEPRECIATION

| Date                 | 2013<br>Encum-                  | Initial Cost<br>Buildings &<br>Improvements | Costs<br>Subsequent<br>to<br>Acquisition | Gross Carrying Amount<br>At December 31, 2013 |       |           | Accumulated<br>Depreciation |              |
|----------------------|---------------------------------|---|--|---|-------|-----------|-----------------------------|--------------|
| Acquired Description | branches                        | Land  | Buildings                                | Total   | Land  | Buildings | Total                       | Depreciation |
| 12/23/96             | Seattle/15th Avenue             | -   | 781 2,024 349                            | 781 2,373 3,154                               | 1,724 |           |                             |              |
| 12/23/96             | Southington/Spring              | -   | 811 2,102 620                            | 811 2,722 3,533                               | 1,912 |           |                             |              |
| 12/23/96             | Nashville/Dickerson Pike        | -   | 990 2,440 328                            | 990 2,768 3,758                               | 1,984 |           |                             |              |
| 12/23/96             | Madison/Gallatin Road           | -   | 780 1,922 675                            | 780 2,597 3,377                               | 1,899 |           |                             |              |
| 12/30/96             | Concorde/Treat                  | -   | 1,396 3,258 375                          | 1,396 3,633 5,029                             | 2,622 |           |                             |              |
| 12/30/96             | Virginia Beach                  | -   | 535 1,248 341                            | 535 1,589 2,124                               | 1,139 |           |                             |              |
| 12/30/96             | San Mateo                       | -   | 2,408 5,619 384                          | 2,408 6,003 8,411                             | 4,174 |           |                             |              |
| 01/22/97             | Austin, 1033 E. 41 Street       | -   | 257 3,633 418                            | 257 4,051 4,308                               | 2,746 |           |                             |              |
| 04/12/97             | Annandale / Backlick            | -   | 955 2,229 490                            | 955 2,719 3,674                               | 1,891 |           |                             |              |
| 04/12/97             | Ft. Worth / West Freeway        | -   | 667 1,556 440                            | 667 1,996 2,663                               | 1,404 |           |                             |              |
| 04/12/97             | Campbell / S. Curtner           | -   | 2,550 5,950 935                          | 2,549 6,886 9,435                             | 4,730 |           |                             |              |
| 04/12/97             | Aurora / S. Idalia              | -   | 1,002 2,338 1,026                        | 1,002 3,364 4,366                             | 2,390 |           |                             |              |
| 04/12/97             | Santa Cruz / Capitola           | -   | 1,037 2,420 417                          | 1,037 2,837 3,874                             | 1,948 |           |                             |              |
| 04/12/97             | Indianapolis / Lafayette Road   | -   | 682 1,590 718                            | 681 2,309 2,990                               | 1,718 |           |                             |              |
| 04/12/97             | Indianapolis / Route 31         | -   | 619 1,444 697                            | 619 2,141 2,760                               | 1,579 |           |                             |              |
| 04/12/97             | Farmingdale / Broad Hollow Rd.  | -   | 1,568 3,658 1,248                        | 1,567 4,907 6,474                             | 3,468 |           |                             |              |
| 04/12/97             | Tyson's Corner / Springhill Rd. | -   | 3,861 9,010 1,576                        | 3,781 10,666 14,447                           | 7,384 |           |                             |              |
| 04/12/97             | Fountain Valley / Newhope       | -   | 1,137 2,653 535                          | 1,137 3,188 4,325                             | 2,193 |           |                             |              |
| 04/12/97             | Dallas / Winsted                | -   | 1,375 3,209 724                          | 1,375 3,933 5,308                             | 2,690 |           |                             |              |
| 04/12/97             | Columbia / Broad River Rd.      | -   | 121 282 197                              | 121 479 600                                   | 370   |           |                             |              |
| 04/12/97             | Livermore / S. Front Road       |   |  |   |       |           |                             |              |