

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, 2023.

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

93-2834996

(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:

Title of Class	Trading Symbol	Name of exchange on which registered
Common Shares, \$0.10 par value	PSA	New York Stock Exchange
Depositary Shares Each Representing 1/1,000 of a 5.150% Cum Pref Share, Series F, \$0.01 par value	PSAPrF	New York Stock Exchange
Depositary Shares Each Representing 1/1,000 of a 5.050% Cum Pref Share, Series G, \$0.01 par value	PSAPrG	New York Stock Exchange
Depositary Shares Each Representing 1/1,000 of a 5.600% Cum Pref Share, Series H, \$0.01 par value	PSAPrH	New York Stock Exchange
Depositary Shares Each Representing 1/1,000 of a 4.875% Cum Pref Share, Series I, \$0.01 par value	PSAPrI	New York Stock Exchange
Depositary Shares Each Representing 1/1,000 of a 4.700% Cum Pref Share, Series J, \$0.01 par value	PSAPrJ	New York Stock Exchange
Depositary Shares Each Representing 1/1,000 of a 4.750% Cum Pref Share, Series K, \$0.01 par value	PSAPrK	New York Stock Exchange
Depositary Shares Each Representing 1/1,000 of a 4.625% Cum Pref Share, Series L, \$0.01 par value	PSAPrL	New York Stock Exchange
Depositary Shares Each Representing 1/1,000 of a 4.125% Cum Pref Share, Series M, \$0.01 par value	PSAPrM	New York Stock Exchange
Depositary Shares Each Representing 1/1,000 of a 3.875% Cum Pref Share, Series N, \$0.01 par value	PSAPrN	New York Stock Exchange
Depositary Shares Each Representing 1/1,000 of a 3.900% Cum Pref Share, Series O, \$0.01 par value	PSAPrO	New York Stock Exchange
Depositary Shares Each Representing 1/1,000 of a 4.000% Cum Pref Share, Series P, \$0.01 par value	PSAPrP	New York Stock Exchange
Depositary Shares Each Representing 1/1,000 of a 3.950% Cum Pref Share, Series Q, \$0.01 par value	PSAPrQ	New York Stock Exchange
Depositary Shares Each Representing 1/1,000 of a 4.000% Cum Pref Share, Series R, \$0.01 par value	PSAPrR	New York Stock Exchange
Depositary Shares Each Representing 1/1,000 of a 4.100% Cum Pref Share, Series S, \$0.01 par value	PSAPrS	New York Stock Exchange
Guarantee of 0.875% Senior Notes due 2032 issued by Public Storage Operating Company	PSA/32	New York Stock Exchange
Guarantee of 0.500% Senior Notes due 2030 issued by Public Storage Operating Company	PSA/30	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes No

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

Large accelerated filer	Accelerated filer	Non-accelerated filer	Smaller reporting company	Emerging growth company
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management’s assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. Relates to an immaterial correction having no impact on our net income within the statements of income, nor any impact to our balance sheet, statements of comprehensive income, statements of equity and redeemable noncontrolling interests, or statements of cash flows as of and for the years ended December 31, 2022 and 2021. Refer to Note 2 of our Consolidated Financial Statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant’s executive officers during the relevant recovery period pursuant to § 240.10D-1(b).

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

Yes No

The aggregate market value of the voting and non-voting common shares held by non-affiliates of the Registrant as of June 30, 2023:

Common Shares, \$0.10 par value per share – \$43,990,689,000 (computed on the basis of \$291.88 per share, which was the reported closing sale price of the Company's Common Shares on the New York Stock Exchange (the “NYSE”) on June 30, 2023).

As of February 13, 2024, there were 175,691,404 outstanding Common Shares, \$0.10 par value per share.

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 2024 are incorporated by reference into Part III of this Annual Report on Form 10-K to the extent described therein.

Public Storage
Form 10-K
For the Fiscal Year Ended December 31, 2023

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PART I

ITEM 1. Business

Cautionary Statement Regarding 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. Forward-looking statements include statements relating to our 2024 outlook and all underlying assumptions; our expected acquisition, disposition, development, and redevelopment activity; supply and demand for our self-storage facilities; information relating to operating trends in our markets; expectations regarding operating expenses, including property tax changes; expectations regarding the impacts from inflation and a potential future recession; our strategic priorities; expectations with respect to financing activities, rental rates, cap rates, and yields; leasing expectations; our credit ratings; and all other statements other than statements of historical fact. Such statements are based on management's beliefs and assumptions made based on information currently available to management and may be identified by the use of the words "expects," "believes," "anticipates," "should," "estimates," and similar expressions.

These forward-looking statements involve known and unknown 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. Risks and uncertainties that may impact future results and performance include, but are not limited to, those described in Part 1, Item 1A, "Risk Factors" of this report and in our other filings with the Securities and Exchange Commission (the "SEC"). These include changes in demand for our facilities; impacts of natural disasters; adverse changes in laws and regulations including governing property tax, evictions, rental rates, minimum wage levels, and insurance; adverse economic effects from public health emergencies, international military conflicts, or similar events impacting public health and/or economic activity; increases in the costs of our primary customer acquisition channels; adverse impacts to us and our customers from high interest rates, inflation, unfavorable foreign currency rate fluctuations, or changes in federal or state tax laws related to the taxation of REITs; security breaches, including ransomware; or a failure of our networks, systems, or technology.

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 cautionary 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 when expressly 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, neither as predictions of future events nor guarantees of future performance.

General Discussion of our Business

Public Storage is a Maryland real estate investment trust ("REIT") engaged in the ownership, development, and operation of self-storage facilities and other related operations including tenant reinsurance and third-party self-storage management. We are the industry leading owner of self-storage properties, with the most recognized brand in the self-storage industry, including our ubiquitous orange color.

On August 14, 2023, we completed a reorganization that resulted in us holding the interests in our facilities through an operating partnership, Public Storage OP, L.P. and its subsidiaries including Public Storage Operating Company, formerly known as Public Storage, which was organized in 1980. This structure is commonly referred to as an umbrella partnership REIT, or UPREIT. Subsequent to the reorganization, the primary assets of the parent entity, Public Storage, are general partner and limited partner interests in Public Storage OP, L.P.

Unless stated otherwise or the context otherwise requires, references to "Public Storage" or the "Company" mean Public Storage, references to "PSA OP" mean Public Storage OP, L.P., and references to "PSOC" mean Public Storage Operating Company. References to "we," "us," and "our" mean collectively Public Storage, PSA OP, PSOC and those entities/subsidiaries owned or controlled by Public Storage, PSA OP, and PSOC.

Self-storage Operations:

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 of self-storage facilities in the United States (“U.S.”), with physical presence in most major markets and 40 states. We believe our scale, brand name, and technology platform afford us competitive advantages. At December 31, 2023, we held interests in and consolidated 3,044 self-storage facilities (an aggregate of 218 million net rentable square feet of space) operating under the Public Storage® name.

Other Operations:

We manage insurance programs whereby customers at our facilities, including those we manage for third parties, have the option of purchasing insurance from a non-affiliated insurance company to cover certain losses to their stored goods. A wholly-owned, consolidated subsidiary of Public Storage fully reinsures these policies and thereby assumes all risk of losses under the policies. This subsidiary receives from the non-affiliated insurance company reinsurance premiums substantially equal to the premiums collected from our tenants. These policies cover claims for losses related to specified events 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 insurer to cover this exposure for a limit of \$15.0 million for losses in excess of \$5.0 million per occurrence. At December 31, 2023, there were approximately 1.3 million certificates of insurance held by our self-storage customers, representing aggregate coverage of approximately \$6.2 billion.

At December 31, 2023, we managed 210 facilities for third parties, and were under contract to manage 114 additional facilities including 105 facilities that are currently under construction. In addition, we sell merchandise, primarily locks and cardboard boxes, at our self-storage facilities.

We hold a 35% interest in Shurgard Self Storage Limited (“Shurgard”). Shurgard is a public company traded on Euronext Brussels under the “SHUR” symbol. At December 31, 2023, Shurgard owned and operated 275 self-storage facilities (15 million net rentable square feet) located in seven countries in Western Europe under the Shurgard® name.

For all periods presented herein, we have elected to be treated as a REIT, as defined in the Internal Revenue Code of 1986, as amended (the “Code”). For each taxable year in which we qualify for taxation as a REIT, we will not be subject to U.S. federal corporate income tax on our “REIT taxable income” (generally, taxable income subject to specified adjustments, including a deduction for dividends paid and excluding our net capital gain) that is distributed to our shareholders. We believe we met these requirements in all periods presented herein and we expect to continue to qualify as a REIT.

We file annually with the SEC annual reports on Form 10-K, which include consolidated financial statements certified by our independent registered public accountants. We also file quarterly with the SEC quarterly reports on Form 10-Q, which include unaudited consolidated financial statements. We expect to continue such reporting.

On our website, 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, definitive proxy statements, and other reports required to be filed with or furnished to the SEC, as well as all supplements and amendments to those filings, as soon as reasonably practicable after the filings, supplements, and amendments are electronically filed with or furnished to the SEC. The information contained on our website is not a part of, or incorporated by reference into, this Annual Report on Form 10-K.

Competition

Ownership and operation of self-storage facilities is highly fragmented. As the largest owner of self-storage facilities, we believe that we own approximately 9% of the self-storage square footage in the U.S. and that collectively the four largest self-storage owners in the U.S. own approximately 20%, with the remaining 80% owned by regional and local operators. We believe our Public Storage® brand awareness, as well as the innovative improvements we have made to the customer experience described below, provide us with a competitive advantage in acquiring and retaining customers relative to other self-storage operators.

The high level of ownership fragmentation in the industry is partially attributable to the relative simplicity of managing a local self-storage facility, such that small-scale owners can operate self-storage facilities at a basic level of profitability without significant managerial or operational infrastructure. Our facilities compete with nearby self-storage facilities owned by other operators, who use marketing channels, including Internet advertising, signage, and banners, and offer services similar to ours. As a result, competition is significant and affects the occupancy levels, rental rates, rental income, and operating expenses of our facilities. However, we believe that the economies of scale inherent in this business result in our being able to operate self-storage facilities at a materially higher level of cash flow per square foot than other operators without our scale.

Technology

We believe technology enables revenue optimization and cost efficiencies. Over the past few years, we have invested in additional technologies that we believe have enabled us to operate and compete more effectively by providing customers with an enhanced digital experience.

Convenient shopping experience: Customers can conveniently shop for available storage space, reviewing attributes such as facility location, size, amenities (such as climate-control), and pricing through the following marketing channels:

- **Our Website:** The online marketing channel is a key source of customers. Approximately 81% of our move-ins in 2023 were sourced through our website, and we believe that many of our other customers who reserved directly through our customer care center or arrived at a facility and moved in without a reservation reviewed our pricing and availability online through our website. We seek to update the structure, layout, and content of our website regularly to enhance our placement in “unpaid” search in Google and related websites, to improve the efficiency of our bids in “paid” search campaigns, and to maximize users’ likelihood of reserving space on our website.
- **Our Customer Care Center:** Our customer care center is staffed by skilled sales specialists and customer service representatives. Customers can reach our customer care center and complete their rental over the phone by calling our advertised toll-free telephone numbers provided on search engines, from our website, the Public Storage App, or from our in-store kiosks. We believe giving customers the option to interact with a live agent, despite the higher marginal cost relative to a reservation made on our website, enhances our ability to close sales with potential customers and results in greater satisfaction. We also have live Internet chat augmented with ChatBot capability as another channel for our customers to engage our agents, cost effectively improving customer responsiveness.
- **Our Properties:** Customers can also shop for available space at any one of our facilities. Property managers access the same information that is available on our website and to our customer care center agents and can inform the customer of available space at that site or at our other nearby storage facilities. Property managers are trained to maximize the conversion of such “walk in” shoppers into customers. We are expanding the use of in-store kiosks to give customers the options of a full self-service experience or a two-way video assisted service via our existing customer care center.

eRental® move-in process: To further enhance the move-in experience, we offer our eRental® process whereby prospective tenants (including those who initially reserved a space) are able to execute their rental agreement from their smartphone or computer and then go directly to their space on the move-in date. Approximately 60% of customers utilized our eRental® and Rent by Phone process during 2023.

Public Storage App: We maintain an industry leading customer smartphone application. The Public Storage App provides our customers with digital access to our properties, as well as payment and other account management functions.

Centralized information network: Our centralized reporting and information network enables us to identify changing market conditions and operating trends and analyze customer data. Our network allows us to quickly change each of our individual property’s pricing and promotions, and drive marketing spending, such as the relative level of bidding for various paid search terms on paid search engines.

Growth and Investment Strategies

Our ongoing growth strategies consist of: (i) improving the operating performance of our existing self-storage facilities, (ii) acquiring and developing facilities, and (iii) growing ancillary business activities including tenant reinsurance and third-party management services. While our long-term strategy includes each of these elements, in the short term 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 available investment alternatives.

Improve the operating performance of existing facilities: We regularly update and enhance our strategies to increase the net cash flow of our existing self-storage facilities through maximizing revenues and controlling operating costs. We maximize revenues through striking the appropriate balance between occupancy and rates to new and existing tenants by regularly adjusting (i) our promotional and other discounts, (ii) the rental rates we charge to new and existing customers, and (iii) our marketing spending and intensity. We adjust these pricing and marketing decisions by observing their impact on web and customer care center traffic, reservations, move-ins, move-outs, tenant length of stay, and other indicators of response. 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, and the development and documentation of standardized operating procedures.

Acquire existing properties: We seek to capitalize on the fragmentation of the self-storage industry 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. enhance 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. Our aggressiveness in bidding for particular marketed facilities depends upon many factors including the potential for future growth, the quality of construction and location, the cash flow we expect from the facility when operated on our platform, how well the facility fits into our current geographic footprint, and our return on capital expectations.

Develop new self-storage facilities and expand existing facilities: The development of new self-storage locations and the expansion of existing facilities have been an important source of our growth. Our operating experience in major markets and experience in stabilizing new properties provide us advantages in developing new facilities. We plan to increase our development activity when we identify attractive risk adjusted return profiles with yields above those of acquisitions. However, our level of development is dependent upon many factors, including the cost and availability of land, the cost and availability of construction materials and labor, zoning and permitting limitations, our cost of capital, the cost of acquiring facilities relative to developing new facilities, and local demand and economic conditions.

Grow ancillary business activities: We pursue growth initiatives aimed at increasing our insurance offering coverage for tenants who choose to protect their stored items against loss and desire to maximize their experience. As we grow our self-storage portfolio through acquisition, development and third-party management, we have the opportunity to increase the growth profile of our tenant reinsurance business.

We recently launched the Savvy Storage Insurance Program (“Savvy”), a program to provide other owner operators of self-storage facilities a tenant insurance offering for their tenants. We believe this offering will provide owners and their tenants simplified onboarding and implementation, experienced and dedicated support, and significantly higher customer adoption rates than the offerings available in the market today.

Our third party management business enables us to generate revenues through management fees, expand our presence, increase our economies of scale, promote our brand, and enhance our ability to acquire additional facilities over the medium and long-term as a result of strategic relationships forged with third-party owners.

Compliance with Government Regulations

We are subject to various laws, ordinances, and regulations, including various federal, state, and local regulations that apply generally to the ownership of real property and the operation of self-storage facilities. These include various laws and regulations concerning environmental matters, labor matters, and employee safety and health matters. Further, our insurance activities are subject to state insurance laws and regulations as determined by the particular insurance commission for each state in accordance with certain federal regulations.

We are committed to a long-term environmental stewardship program that reduces emissions of hazardous materials into the environment and the remediation of identified existing environmental concerns, including environmentally-friendly capital initiatives and building and operating properties with high structural resilience and low obsolescence. We accrue environmental assessments and estimated remediation costs 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 that individually or in the aggregate would be material to our overall business, financial condition, or results of operations.

Refer to Item 1A, “Risk Factors” below for a discussion of certain risks related to government regulations, including risks related to environmental regulations, emergency regulations adopted in response to wildfires, flooding, or public health crises that restrict access to our facilities or the rents we can charge our customers, wage regulations, income tax regulations including relating to REIT qualification, and property tax regulations.

Aside from the regulations discussed therein, we are not aware of any government regulations that have resulted or that we expect will result in compliance costs that had or will have a material effect on our capital expenditures, earnings, or competitive position.

Human Capital Resources

Our employees are the foundation of our business and fundamental to our ability to execute our corporate strategies and create long-term value for our stakeholders. Our human capital management strategy focuses on attracting, developing, and retaining the highest quality talent. We achieve these objectives by committing to our employees to provide a diverse and welcoming working environment, regular and transparent communication, competitive compensation, comprehensive benefits, and opportunities for career growth and development. We believe that this approach, together with the core principles of our corporate culture, doing the right thing and upholding integrity in all that we do, promotes employee engagement and a commitment to Public Storage.

We have approximately 6,200 employees, including 5,380 customer facing roles (such as property level and customer care center personnel), 390 field management employees, and 430 employees in our corporate operations.

The following is an overview of our key programs and initiatives focused on attracting, developing, and retaining the highest quality talent. For detailed information regarding such programs and initiatives, including our sustainability efforts, strategies, commitments, and progress, please refer to our 2023 Sustainability Report, which is available on our website at publicstorage.com. The information contained on our website is not a part of, or incorporated by reference into, this Annual Report on Form 10-K.

Diversity and Inclusion

We are committed to creating a workplace that values diversity and inclusion, where every employee feels valued, included, and able to be their authentic self as part of our best-in-class team. Public Storage hires based on skills, personality, and experience, without regard to age, gender, race, ethnicity, religion, sexual orientation, or other protected characteristic. We maintain policies regarding diversity, equal opportunity, pay-for-performance, discrimination, harassment, and labor (including opposition to child and compulsory labor). We also maintain a policy of requiring that diverse candidates be considered for all director-level positions and above.

Our commitments to excellence and hiring “the best” have fostered an inclusive team that reflects the diversity of the customers we serve. Our diversity is evident at all levels of the organization. The data in the table below reflects our employee diversity as of December 31, 2023.

	Executive Team	All Employees
People of Color	50%	53%
Female	25%	65%

All Employees People of Color	
Black or African American	25%
Hispanic or Latino	18%
Asian	4%
Other	6%

We publicly disclose our annual Consolidated EEO-1 report, which reflects the race, ethnicity, and gender composition of our workforce, on the Investor Relations section of our website.

Communication and Engagement

Given the geographically dispersed nature of our business, regular and clear communication is critical to ensuring that our employees feel informed, included, valued, and engaged. We use various communication channels, including emails, newsletters, videos, virtual and in-person meetings, and town halls, to provide updates on company strategy, performance, employee recognition, and other information, as well as the opportunity to ask questions of our leadership. To better understand the effectiveness of our engagement strategies, we conduct various surveys to evaluate employee commitment, motivation, and engagement, and to seek employee feedback. We use this feedback to refine and enhance our policies and programs for our employees. This includes the creation of additional career advancement opportunities and development programs.

We believe that the success of our engagement strategies can also be seen through third party surveys and recognition. Among other recognitions, we are proud again to be named a Great Place to Work® in 2023. We have also been recognized by Comparably, Inc. as a “Choice Employer” with an “A+” Culture Score based on employee responses across 18 culture metrics, among other recognitions.

Compensation, Health, Wellness, and Safety

Public Storage maintains compensation and benefits programs designed to incentivize, reward, and support our employees. We believe that employee compensation should align with our short- and long-term performance goals and provide the competitive compensation and incentives needed to attract, motivate, and retain employees who are crucial to our success. We tailor our compensation programs to each employee group to ensure market competitiveness and enhance overall employee engagement.

We offer affordable health plans and programs to virtually all of our employees. Full-time employees are eligible to participate in our comprehensive employee benefit offerings, which include medical, dental, vision, flexible and health savings accounts, discount programs, income protection plans, and our 401(k) plan. Additionally, we maintain various employee support programs, including access to counseling, life planning tools, and discount programs for fitness, legal services, and home, auto, and pet insurance. Finally, we offer educational resources and tools, including a dedicated health and wellness website, to encourage employees to maintain a healthy and balanced lifestyle. We periodically consider employee feedback received through our engagement processes in the composition and design of our compensation and benefits programs.

We are committed to providing safe self-storage facilities for our customers and employees. We conduct monthly safety trainings at all of our properties and an annual safety training at our headquarters. We publicly disclose our employee health and safety data in our annual Sustainability Report.

Training and Development

At Public Storage, we offer comprehensive training and development programs at every level of the organization. These programs are intended to provide our employees with the skills, tools, and knowledge they need to be successful in their roles and to contribute to the value of the organization. They are also intended to foster individual growth and strong employee engagement.

The majority of our new hires join Public Storage as property managers without prior experience in the self-storage industry. We provide a hands-on new employee training program that includes coaching and development. For those new hires in leadership roles, we provide property-level training that exposes our leaders to daily property operations and is intended to provide them with an understanding of the fundamentals of our business and operations. We also offer numerous career development opportunities for existing employees across Public Storage, including management training programs. Many of our training and career development programs use our online learning platform of training courses and reference materials. In addition to formal training programs, we also offer one-on-one coaching, job shadowing, and mentoring opportunities. In 2023, we introduced a leadership accelerator program specifically for high potential women and diverse employees. This program includes individual mentorship and practical experiences designed to further enhance our bench of high potential leaders, thereby supporting management succession planning.

Performance Management and Succession Planning

Our performance management processes are designed to encourage collaboration between employees and their managers. Employees and managers work together to plan, monitor, and review the employee’s objectives and career aspirations and to establish and hold employees accountable to short- and long-term goals aligned with the Company’s strategy. This is a continuous process intended to provide regular opportunities for employees and their managers to share and receive feedback.

Succession planning is a priority for management and our Board, and is viewed as critical to ensuring business continuity and providing for the Company’s long-term growth and success. Periodically throughout each year, the executive team meets to review and assess the Company’s succession bench strength, evaluate talent, and provide recommendations for developing and preparing future leaders within the organization. This collaborative approach to talent management works to ensure that employees are given opportunities to grow beyond their current roles and responsibilities.

Climate Change and Environmental Stewardship

We are committed to managing climate-related risks and opportunities. This commitment is a key component of our recognition that we must operate in a responsible and sustainable manner that aligns with our long-term corporate strategy and promotes our best interests along with those of our stakeholders, including our customers, investors, employees, and the communities in which we do business.

Our management Environmental, Social, and Governance Steering Committee (our “Sustainability Committee”) guides our commitment to sustainability and has primary responsibility for climate-related activities. The Sustainability Committee reports to our Board and its committees, which oversee all of our sustainability initiatives.

We consider potential environmental impacts—both positive and negative—in our decision making across the business.

We measure and monitor our environmental impact and leverage sustainability measures to reduce this impact while achieving cost efficiencies in our operations by implementing a range of energy, water, and waste management initiatives. Many of these initiatives are integrated into our ongoing Property of Tomorrow capital investment program.

Regarding climate, we assess risks and opportunities in conjunction with ongoing operating and risk management processes across the company. We give primary consideration to physical, regulatory, legal, market, and reputational risks. Examples of these risks include heat/water stress, natural disasters, pandemics, temperature change, and regulatory compliance. We are addressing potential heat stress risks (e.g., higher energy costs, more frequent power outages, and impacts on our customers and workforce) through initiatives such as converting to LED lighting, solar power generation installation, and analyzing battery storage and microgrids. We are addressing potential water stress risks (e.g., increased costs and decreased availability) through initiatives such as efficient plumbing systems, low-water use irrigation systems, drought tolerant and native landscaping, water run-off controls, and storm water retention. We address the remaining risks primarily through natural disaster resilient development, redevelopment, and capital expenditures.

We will continue to utilize our unique competitive advantages in furthering our environmental stewardship efforts and addressing the effects of climate change. Please refer to our Sustainability Report for further information.

Seasonality

We experience minor seasonal fluctuations in the demand for self-storage space, with demand and rental 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.

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 Item 1, “Business.”

Risks Related to Our Properties and Our Business

Natural disasters, terrorist attacks, civil unrest, or other events that could damage or otherwise disrupt our ability to operate our facilities could adversely impact our business and financial results.

Natural disasters, such as earthquakes, fires, hurricanes, and floods, terrorist attacks, civil unrest, and other events that damage our facilities or our customers’ property, or that make our facilities temporarily unavailable, have in the past and may in the future adversely impact our business and financial results. 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 15 to our December 31, 2023 consolidated financial statements for a description of the risks of losses that are not covered by third-party insurance contracts. Our exposure to these types of events is increased by potential tenant claims associated with our tenant reinsurance business. In addition, customer perceptions about the risk of property loss from these events could negatively impact self-storage demand.

We are subject to risks from the consequences of climate change, including severe weather events, as well as the transition to a low-carbon economy and other steps taken to prevent or mitigate climate change.

Our self-storage facilities are located in areas that may be subject to the direct impacts of climate change, such as increased destructive weather events like floods, fires, drought, and prolonged periods of extreme temperature or other extreme weather, which could result in significant damage to our facilities, increased capital expenditures, increased expenses, reduced revenues, or reduced demand for our facilities. Indirect impacts of climate change could also adversely impact our business, including through increased costs, such as insurance costs or regulatory compliance costs. In addition, the ongoing transition to a low-carbon economy presents certain risks for us and our customers, including stranded assets, increased costs, lower profitability, lower property values, lower household wealth, and macroeconomic risks related to high energy costs and energy shortages, among other things. Governmental, political, and societal pressures, including expectations of institutional and activist investors and other interest groups, could require us to accelerate our initiatives and, with it, the costs of their implementation. These same potential governmental, political, and social pressures could in the future result in (i) costly changes to newly developed facilities or retrofits of our existing facilities to reduce carbon emissions through multiple avenues, including changes to insulation, space configuration, lighting, heating, and air conditioning, (ii) increased energy costs as a result of transitioning to less carbon-intensive, but more expensive, sources of energy to operate our facilities, and (iii) consumers reducing their individual carbon footprints by owning fewer durable material consumer goods and other such items requiring storage, resulting in a reduced demand for our self-storage space. For example, beginning in 2026, we expect to be required to disclose our Scope 1, 2, and 3 emissions data and certain climate-related risk matters under California SB 253 and SB 261, which we expect to result in increased compliance costs. In addition, our reputation and investor relationships could be damaged as a result of our involvement with activities perceived to be causing or exacerbating climate change, as well as any decisions we make to continue to conduct or change our activities in response to considerations relating to climate change.

Operating costs, including property taxes, could increase.

We could be subject to increases in property or other taxes, repair and maintenance costs, payroll, utility costs, insurance premiums, workers compensation, and other operating expenses due to various factors such as inflation, labor shortages, commodity and energy price increases, weather, increases to minimum wage rates, supply chain disruptions, and changes to governmental safety and real estate use limitations and other governmental actions. Our property tax expense, which totaled approximately \$413.2 million during the year ended December 31, 2023, generally depends upon the assessed value of our real estate facilities as determined by assessors and government agencies and, accordingly, could be subject to substantial increases if such agencies change their valuation approaches or opinions or if new laws are enacted, especially if new approaches are adopted or laws are enacted that result in increased property tax assessments in states or geographies where we have a high concentration of facilities. See also “We have exposure to increased property tax in California” below.

The acquisition of existing properties or self-storage operating companies is subject to risks that may adversely affect our growth and financial results.

We have acquired self-storage facilities and self-storage operating companies in the past, and we expect to continue to do so in the future. We face significant competition for suitable acquisition properties and companies from other real estate investors, including operating companies and private equity funds. As a result, we may be unable to acquire the companies or additional properties we desire or the purchase price for desirable companies or properties may be significantly increased. Failures or unexpected circumstances in integrating facilities or companies that we acquire, or circumstances we did not detect or anticipate during due diligence, such as environmental matters, needed repairs or deferred maintenance, customer collection issues, assumed liabilities, turnover of critical personnel involved in acquired operating companies, or the effects of increased property tax following reassessment of a newly-acquired property, as well as the general risks of real estate investment and mergers and acquisitions, could jeopardize realization of the anticipated earnings from an acquisition.

Our development program subjects us to risks.

At December 31, 2023, we had a pipeline of development projects totaling \$766.2 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, cost increases, or inability to complete development projects due to changes in or failure to meet government or regulatory requirements, failure of revenue to meet our underwriting estimates, delays caused by 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 operators and from other storage alternatives.

Our self-storage facilities generate most of our revenue and earnings. Significant competition from self-storage operators, property developers, and other storage alternatives may adversely impact our ability to attract and retain customers and may negatively impact our ability to generate revenue. Competition in the local market areas in which many of our properties are located is significant and affects our occupancy levels, rental rates, and operating expenses. There is also an increasing influx of capital from outside financing sources driving more money, development, and supply into the industry. Development of self-storage facilities may increase, which may intensify competition as newly developed facilities are opened. Development of self-storage facilities by other operators could increase, due to increases in availability of funds for investment or other reasons, and further intensify competition.

Demand for self-storage facilities may be affected by customer perceptions and factors outside of our control.

Significantly lower logistics costs could introduce new competitors, such as valet-style storage services, which may reduce the demand for traditional self-storage. Customer preferences and/or needs for self-storage could change, decline, or shift to other product types, thereby impacting our business model and ability to grow and/or generate revenues. Shifts in population and demographics could cause the geographical distribution of our portfolio to be suboptimal and affect our ability to maintain occupancy and attract new customers. Security incidents could result in the perception that our properties are not safe. If our customers do not feel our properties are safe, they may select competitors for their self-storage needs, or if there is an industry perception of inadequate security generally, customer use of self-storage could be negatively impacted.

Our newly developed and expanded facilities, and facilities that we manage for third party owners, may negatively impact the revenues of our legacy facilities.

We continue to develop new self-storage facilities and expand our existing self-storage facilities. In addition, we are seeking to increase the number of self-storage facilities that we manage for third party owners in exchange for a fee, many of which are in the process of stabilization and are near our existing stabilized self-storage facilities. In order to hasten the fill-up of these new facilities, we aggressively price such space during the fill-up period. While we believe that this aggressive pricing allows us to increase our market share relative to our competitors and increase the cash flows of these properties, such pricing and the added capacity may also negatively impact our existing stabilized self-storage facilities that are near these unstabilized facilities.

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 any 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 at any of our properties 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 at our properties, any of which could result in a cash settlement or adversely affect our ability to sell, lease, operate, or encumber affected facilities.

Recent significant increases in interest rates could adversely impact us and our tenants.

In response to high inflation, the Federal Reserve has significantly increased the benchmark federal funds rate since early 2022. These actions have significantly increased interest rates. As a result, if we issued new debt or preferred shares or refinanced our indebtedness, our debt service costs or preferred share dividend yields would be, based on current interest rates, significantly higher than current financing costs. These interest rate increases have also adversely impacted the relative attractiveness of the dividend yield on our common shares. Increases in our cost of capital impact our assessment of the yields we consider appropriate to support pursuing property acquisition and development opportunities and thus can impact our external growth prospects. The degree and pace of these changes have had and may continue to have adverse macroeconomic effects that have and may continue to have adverse impacts on our tenants, including as a result of economic recession, increased unemployment, and increased financing costs. For more information on interest rate risk, see Part II, “Item 7A. Quantitative and Qualitative Disclosures About Market Risk”.

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

Economic downturns or adverse economic or industry conditions, including those related to high levels of inflation, could adversely impact our financial results, 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 self-storage space in each of the markets in which we operate.

Our ability to raise capital on attractive terms to fund our activities may be adversely affected by challenging market conditions, including high interest rates resulting from government efforts to manage inflation. In periods when the capital and credit markets experience significant volatility, the amounts, sources, and cost of capital available to us may be adversely affected. If we were unable to raise capital 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.

We own approximately 35% of the common shares of Shurgard, and this investment has a \$390.2 million book value and a \$1.7 billion market value (based upon the closing trading price of Shurgard’s common stock) at December 31, 2023. We recognized \$27.9 million in equity in earnings and received \$39.0 million in dividends in 2023 with respect to Shurgard.

Shurgard, as an owner, operator, and developer of self-storage facilities, is subject to many of the same risks we are with respect to self-storage. However, through our investment in Shurgard, we are exposed to additional risks unique to the various European markets in which Shurgard operates, which may adversely impact our business and financial results, and many of which are referred to in Shurgard's public filings. These risks include the following:

- *Currency risks:* Currency fluctuations can impact the fair value of our investment in Shurgard, our equity earnings, our ongoing dividends, and any other related repatriations of cash.
- *Legislative, tax, and regulatory risks:* Shurgard is subject to a variety of local, national, and pan-European laws and regulations related to permitting and land use, the environment, labor, and other areas, as well as income, property, sales, and value added and employment tax. These laws and regulations can be difficult to apply or interpret, 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, and, potentially, adverse income tax, property tax, or other tax burdens.
- *Impediments to capital repatriation could negatively impact the realization of our investment in Shurgard:* Laws in Europe and the U.S. may create, impede, or increase our cost to repatriate distributions received from Shurgard or proceeds from the sale of Shurgard shares.
- *Risks of collective bargaining:* Collective bargaining, which is prevalent in certain areas in Europe, could negatively impact Shurgard's labor costs or operations. Many of Shurgard's employees participate in various national unions.
- *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's operating cash flows.
- *Liquidity of our ownership stake:* We have no plans to liquidate our interest in Shurgard. However, while Shurgard is a publicly held entity, if we chose to, our ability to liquidate our shares in Shurgard in an efficient manner could be limited by the level of Shurgard's public "float" relative to any ownership stake we sought to sell. Our existing relationship with our legacy joint venture partner may place further contractual limitations on our ability to sell all of the shares we own if we desired to do so.
- *Impediments of Shurgard's public ownership structure:* Shurgard's strategic decisions, involving activities such as borrowing money, capital contributions, raising capital from third parties, and selling or acquiring significant assets, are determined by its board of directors. As a result, Shurgard may be precluded from taking advantage of opportunities that we would find attractive but that we may not be able to pursue separately, or it could take actions that we do not agree with.

Public health and other crises have adversely impacted, and may in the future adversely impact, our business.

Our business is subject to risks from public health and other crises like the COVID-19 pandemic, including, among others:

- risk of illness or death of our employees or customers;
- negative impacts on economic conditions in our markets, which may reduce the demand for self-storage;
- risk that there could be an out-migration of population from major markets where we operate;
- government restrictions that (i) limit or prevent use of our facilities, (ii) limit our ability to increase rent or otherwise limit the rent we can charge, (iii) limit our ability to collect rent or evict delinquent tenants, or (iv) limit our ability to complete development and redevelopment projects;
- risk that we could experience a change in the move-out patterns of our long-term customers due to economic uncertainty and increases in unemployment, which could lead to lower occupancies and rent "roll down" as long-term customers are replaced with new customers at lower rates; and

- risk of negative impacts on the cost and availability of debt and equity capital, which could have a material impact upon our capital and growth plans.

We have been and may in the future be adversely impacted by emergency regulations adopted in response to significant events, such as natural disasters or public health crises, that could adversely impact our operations.

In response to significant events, local, state, and federal governments have and may in the future adopt regulations that could impact our operations. For example, in response to wildfires in 2018 and 2019 and floods in 2023, the State of California and some localities in California adopted temporary regulations that imposed certain limits on the rents we could charge at certain of our facilities and the extent to which we could increase rents to existing tenants. Similarly, in response to the COVID-19 pandemic, certain localities adopted restrictions on the use of certain of our facilities, limited our ability to increase rents, limited our ability to collect rent or evict delinquent tenants, and limited our ability to complete development and redevelopment projects. Similar restrictions could be imposed in the future in response to significant events and these restrictions could adversely impact our operations.

Our marketing and pricing strategies may fail to be effective or may be constrained by factors outside of our control.

Marketing initiatives, including our increasing dependence on Google to source customers, may fail to be effective and could negatively impact financial performance. Approximately 65% of our new storage customers in 2023 were sourced directly or indirectly through “unpaid” search and “paid” search campaigns on Google. We believe that the vast majority of customers searching for self-storage use Google at some stage in their shopping experience. Google is providing tools to allow smaller and less sophisticated operators to bid for search terms, increasing competition for self-storage search terms. The predominance of Google in the shopping experience, as well as Google’s enabling of additional competitors to bid for placements in self-storage search terms, may reduce the number of new customers that we can procure, and/or increase our costs to obtain new customers.

In addition, the inability to utilize our pricing methodology due to regulatory or market constraints could also significantly impact our financial results.

We are exposed to ongoing litigation and other legal and regulatory actions, which may divert management’s time and attention, require us to pay damages and expenses or restrict the operation of our business.

We have approximately 6,200 employees and 1.9 million customers, and we conduct business at facilities in 40 states. As a result, we are subject to the risk of legal claims and proceedings (including class actions) and regulatory enforcement actions across many jurisdictions in the ordinary course of our business and otherwise, and we could incur significant liabilities and substantial legal fees as a result of these actions. Resolution of these claims and actions may divert time and attention by our management and could involve payment of damages or expenses by us, all of which may be significant, and could damage our reputation and our brand. In addition, any such resolution could involve our agreement to terms that restrict the operation of our business. The results of legal proceedings cannot be predicted with certainty. We cannot guarantee that losses incurred in connection with any current or future legal or regulatory proceedings or actions will not exceed any provisions we may have set aside in respect of such proceedings or actions or any available insurance coverage. Any such legal claims, proceedings, and regulatory enforcement actions could negatively impact our operating results, cash flow available for distribution or reinvestment, and/or the price of our common shares.

In addition, through exercising their authority to regulate our activities, governmental agencies can otherwise negatively impact our business by increasing costs or decreasing revenues.

Our use of or failure to adopt advancements in information technology may hinder or prevent us from achieving strategic objectives or otherwise harm our business.

Our use of or inability to adopt and deliver new technological capabilities and enhancements in line with strategic objectives, including artificial intelligence and machine learning, may put us at a competitive disadvantage; cause us to miss opportunities to innovate, achieve efficiencies, or improve the customer experience; or adversely impact our business, reputation, results of operations, and financial condition. Legislative activity in the privacy area may also result in new laws that are applicable to us and that may hinder our business, including by restricting our use of customer data or otherwise regulating the use of algorithms and automated processing in ways that could materially affect our business or lead to significant increases in the cost of compliance. In addition, the use of emerging technologies entails risks including risks relating to the possibility of intellectual property infringement or misappropriation; data privacy; new or enhanced governmental or regulatory scrutiny, requirements, litigation, or other liability; ethical concerns; negative consumer perceptions as to automation and artificial intelligence; or other complications or liabilities that could adversely affect our business, reputation, results of operations, or financial results.

The failure or disruption of our computer and communications systems, on which we are heavily dependent, could significantly harm our business.

We are heavily dependent upon automated information technology and Internet commerce, with more than half of our new customers coming from the telephone or over the Internet. 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, system, network, internet and telecommunications failures, hackers, including through a ransomware attack, computer worms, viruses, and other destructive or disruptive cybersecurity incidents, and catastrophic events. Such incidents could also result in significant costs to repair or replace such networks or information systems, as well as actual monetary losses in case of a cybersecurity incident that resulted in fraudulent payments or other cash transactions. Our operations could be severely impacted by a natural disaster, terrorist attack, attack by hackers, acts of vandalism, data theft, misplaced or lost data, programming or human error, or other circumstance that results in a significant outage of our systems or those of our third party providers, despite our use of back up and redundancy measures. While we may be entitled to damages if our third-party providers fail to satisfy their security-related obligations to us, any award may be insufficient to cover our damages, or we may be unable to recover such award.

If our confidential information is compromised or corrupted, including as a result of a cybersecurity incident, our reputation and business relationships could be damaged and our financial condition and operating results could be adversely affected.

In the ordinary course of our business we acquire and store sensitive data, including personally identifiable information of our prospective and current customers and our employees. The secure processing and maintenance of this information is critical to our operations and business strategy. Although we believe we have taken commercially reasonable steps to protect the security of our confidential information, information security risks have generally increased in recent years due to the rise in new technologies and the increased sophistication and activities of perpetrators of cyberattacks. Despite our security measures, we face cybersecurity threats, including system, network, or Internet failures; cyberattacks, ransomware, and other malware; social engineering; and phishing schemes. In these cases, our information technology and infrastructure could be vulnerable and our or our customers' or employees' confidential information could be compromised or misappropriated. Any such cybersecurity incident, including those impacting personal information, could result in serious and harmful consequences for us or our customers. A cybersecurity incident could also interfere with our ability to comply with financial reporting requirements. Additionally, future or past business transactions (such as acquisitions or integrations) could expose us to additional cybersecurity risks and threats, as our systems could be negatively affected by vulnerabilities present in acquired or integrated entities' systems and technologies. Furthermore, we may discover security issues that were not found during due diligence of such acquired or integrated entities, and it may be difficult to integrate companies into our information technology environment and security program.

Our confidential information may also be compromised due to programming or human error, negligence, or fraud. Although we and our third-party service providers make efforts to maintain the security and integrity of our information, including the implementation of security measures, required employee awareness training, and the existence of a disaster recovery plan, there is no guarantee that they will be adequate to safeguard against all cybersecurity incidents or misuses of data. In addition, as the regulatory environment related to information security, data collection and use, and privacy becomes increasingly rigorous, with new and changing requirements applicable to our business from multiple regulatory agencies at the local, state, federal, or international level, compliance with those requirements could also result in additional costs, or we could fail to comply with those requirements due to various reasons.

Any such access, disclosure, or other loss of information could result in legal claims or proceedings, liability under laws that protect the privacy of personal information, regulatory penalties, disruption to our operations and the services we provide to customers, or damage to our reputation, any of which could adversely affect our results of operations, reputation, and competitive position. 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, or result in remedial and other costs, fines, or lawsuits, which could exceed any available insurance that we have procured.

We have identified and expect to continue to identify cyberattacks and cybersecurity incidents on our systems and those of third parties, but none of the cyberattacks and incidents we have identified to date has had a material impact on our business or operations. While we have purchased cybersecurity insurance, there are no assurances that the coverage would be adequate in relation to any incurred losses. Moreover, as cyberattacks increase in frequency and magnitude, we may be unable to obtain cybersecurity insurance in amounts and on terms we view as adequate for our operations.

Further information relating to cybersecurity risk management is discussed in Item 1C. “Cybersecurity” in this report.

Ineffective succession planning for our CEO and executive management, as well as for our other key employees, may impact the execution of our strategic plan.

We may not effectively or appropriately identify ready-now succession candidates for our CEO and executive management team, which may negatively impact our ability to meet key strategic goals. Failure to implement succession plans for other key employees may leave us vulnerable to retirements and turnover.

We may fail to protect our intellectual property adequately.

We maintain a portfolio of trademarks and trade dress that we believe are fundamental to the success of the Public Storage® brand. While we actively seek to enforce and expand our rights, failure to adequately protect our rights could lead to loss of such trademark and trade dress protection. We also own and seek to protect other intellectual property, such as propriety systems, processes, data, and other trade secrets that we have collected and developed in the course of operating our business and that we believe provides us with various competitive advantages. Our protections could be inadequate or we could lose rights to our other intellectual property and trade secrets. Competitor use of our trademarks and trade names could lead to likelihood of confusion, tarnishment of our brand, and loss of legal protection for our marks.

Risks Related to Our Ownership, Organization and Structure

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

In certain circumstances, shareholders might desire a change in 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, our 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. Our Board may grant, and has previously granted, a specific exemption. These limits could discourage, delay, or prevent a transaction involving a change in control of the Company not approved by our Board.
- Similarly, current provisions of our declaration of trust and powers of our Board could have the same effect, including (1) limitations on removal of trustees, (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 our Board without obtaining shareholder approval, (4) the advance notice provisions of our bylaws, and (5) our 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.

Holders of our preferred shares have dividend, liquidation, and other rights that are senior to the rights of the holders of our common shares.

Holders of our preferred shares are entitled to cumulative dividends before any dividends may be declared or set aside on our common shares. Upon liquidation, holders of our preferred shares will receive a liquidation preference of \$25,000 per share (or \$25.00 per depositary share) plus any accrued and unpaid distributions before any payment is made to the common shareholders. These preferences may limit the amount received by our common shareholders either from ongoing distributions or upon liquidation. In addition, our preferred shareholders have the right to elect two additional directors to our Board whenever dividends are in arrears in an aggregate amount equivalent to six or more quarterly dividends, whether or not consecutive.

Public Storage is a holding company with no direct operations, and it relies on funds received from PSA OP and PSOC to pay its obligations and make distributions to shareholders

Public Storage is a holding company with no direct operations. All of Public Storage’s property ownership, development, and related business operations are conducted through PSOC (which is wholly-owned by PSA OP) and Public Storage has no material assets or liabilities other than its investment in PSA OP. As a result, Public Storage relies on distributions from PSA OP, which in turn relies on distributions from PSOC, to make common and preferred share dividend payments. Although Public Storage currently wholly-owns (directly or indirectly) PSA OP and PSOC, and therefore exercises exclusive control over PSA OP and PSOC, including the authority to cause PSA OP and PSOC to make distributions, in connection with our future acquisition activities or otherwise, PSA OP may issue additional units of limited partnership to third parties, and these limited partners may negotiate for certain rights. In addition, because Public Storage is a holding company, shareholder claims are structurally subordinated to all existing and future liabilities of PSA OP and PSOC and their subsidiaries. Therefore, in the event of a bankruptcy, insolvency, liquidation or reorganization of PSA OP or PSOC, or their subsidiaries, assets of PSA OP or PSOC or the applicable subsidiary will be available to satisfy any claims of our shareholders only after such liabilities and obligations have been satisfied in full.

Holders of our Preferred Shares are subject to certain risks.

Holders of our preferred shares have preference rights over our common shareholders with respect to liquidation and distributions, which give them some assurance of continued payment of their stated dividend rate, and receipt of their principal upon liquidation of the Company or redemption of their securities. However, holders of our Preferred Shares should consider the following risks:

- The Company has in the past, and could in the future, issue or assume additional debt. Preferred shareholders would be subordinated to the interest and principal payments of such debt, which would increase the risk that there would not be sufficient funds to pay distributions or liquidation amounts to the preferred shareholders.
- The Company has in the past, and could in the future, issue additional preferred shares that, while pari passu to the existing preferred shares, increases the risk that there would not be sufficient funds to pay distributions to the preferred shareholders.

- While the Company has no plans to do so, if the Company were to lose its REIT status or no longer elect REIT status, it would no longer be required to distribute its taxable income to maintain REIT status. If, in such a circumstance, the Company ceased paying dividends, unpaid distributions to the preferred shareholders would continue to accumulate. The preferred shareholders would have the ability to elect two additional members to serve on our Board until the arrearage was cured. The preferred shareholders would not receive any compensation (such as interest) for the delay in the receipt of distributions, and it is possible that the arrearage could accumulate indefinitely.
- Holders of our Preferred Shares have limited rights in the event the Company ceases to pay dividends to shareholders and have no rights with respect to a Company decision to discontinue listing the Preferred Shares on a national securities exchange or file reports with the SEC, including following a change of control transaction.

Risks Related to Government Regulations and Taxation

We would incur adverse tax consequences if we failed to qualify as a REIT, and we would have to pay substantial U.S. federal corporate income taxes.

REITs are subject to a range of complex organizational and operational requirements. A qualifying REIT does not generally incur U.S. federal corporate income tax on its “REIT taxable income” (generally, taxable income subject to specified adjustments, including a deduction for dividends paid and excluding net capital gain) that it distributes to its shareholders. Our REIT status is also dependent upon the REIT qualification of PS Business Parks, Inc. (“PSB”) through the end of its taxable year ended December 31, 2022, as a result of our substantial ownership interest in it prior to the closing of the PSB merger with an unaffiliated third party. We believe we have qualified as a REIT and we intend to continue to maintain our REIT status.

However, there can be no assurance that we qualify or will continue to qualify as a REIT, because of 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, as well as share ownership limits in our declaration of trust that may fail to ensure that our shareholder base is sufficiently diverse for us to qualify as a REIT. For any year we fail to qualify as a REIT, unless certain relief provisions apply (the granting of such relief could nonetheless result in significant excise or penalty taxes), we would not be allowed a deduction for dividends paid, we would be subject to U.S. federal corporate income tax on our taxable income, and generally we would not be allowed to elect REIT status until the fifth year after such a disqualification. In addition, for tax years beginning after December 31, 2022, we could also be subject to certain taxes enacted by the Inflation Reduction Act of 2022 that are applicable to non-REIT corporations, including the corporate alternative minimum tax and nondeductible one percent excise tax on certain stock repurchases. Any taxes, interest, and penalties incurred would reduce our cash available for distributions to shareholders and could negatively affect our stock price. However, for years in which we failed to qualify as a REIT, we would not be subject to REIT rules that require us to distribute substantially all of our taxable income to our shareholders.

Dividends payable by REITs do not qualify for the preferential tax rates available for some dividends.

Dividends payable by REITs may be taxed at higher rates than dividends of non-REIT corporations. The maximum U.S. federal income tax rate for qualified dividends paid by domestic non-REIT corporations to U.S. stockholders that are individuals, trusts, or estates is generally 20%. Dividends paid by REITs to such stockholders are generally not eligible for that rate, but under current tax law, such stockholders may deduct up to 20% of ordinary dividends (i.e., dividends not designated as capital gain dividends or qualified dividend income) received from a REIT for taxable years beginning before January 1, 2026. Although this deduction reduces the effective tax rate applicable to certain dividends paid by REITs, such tax rate may still be higher than the tax rate applicable to regular corporate qualified dividends. This may cause investors to view REIT investments as less attractive than investments in non-REIT corporations, which in turn may adversely affect the value of the stock of REITs, including our stock.

Changes in tax laws could negatively impact us.

The United States Treasury Department and Congress frequently review federal income tax legislation, regulations and other guidance. We cannot predict whether, when, or to what extent new federal tax laws, regulations, interpretations or rulings will be adopted, but these changes might include, in particular, increases in the U.S. federal income tax rates that apply to us or our shareholders in certain circumstances, possibly with retroactive effect.

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

Even if we qualify as a REIT for U.S. federal corporate income tax purposes, we may be subject to some federal, foreign, state, and local taxes on our income and property. Certain consolidated corporate subsidiaries of the Company have elected to be treated as taxable REIT subsidiaries (“TRSs”) for U.S. federal corporate 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 TRSs to us are not reasonable compared to 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.

In addition, certain local and state governments have imposed taxes on self-storage rent. While in most cases those taxes are paid by our customers, they increase the cost of self-storage rental to our customers and can negatively impact our revenues. Other local and state governments may impose self-storage rent taxes in the future.

If PSA OP were to fail to maintain its status as a partnership for U.S. federal income tax purposes, our financial results would be adversely impacted.

We believe PSA OP qualifies as a partnership for U.S. federal income tax purposes. As a partnership, PSA OP is generally not subject to U.S. federal income tax on its income. Instead, each of the partners is allocated its share of PSA OP’s income. There is no assurance, however, that the IRS will not challenge the status of PSA OP as a partnership for U.S. federal income tax purposes. If the IRS were to successfully challenge the status of PSA OP as a partnership, it would be taxable as a corporation. In such event, this would reduce the amount of distributions that PSA OP could make. The treatment of PSA OP as a corporation would also cause us to fail to qualify as a REIT. This would substantially reduce our cash available to pay distributions and the return on a shareholder’s investment.

We have exposure to increased property tax in California.

Approximately \$821.2 million of our 2023 net operating income is from our properties in California, and we incurred approximately \$49.1 million in related property tax expense. Due to the impact of Proposition 13, which generally limits increases in assessed values to 2% per year, the assessed value and resulting property tax we pay is less than it would be if the properties were assessed at current estimated market values. From time to time, proposals have been made to reduce the beneficial impact of Proposition 13, most recently in the November 2020 ballot. While this ballot initiative failed, there can be no assurance that future initiatives or other legislative actions will not eliminate or reduce the benefit of Proposition 13 with respect to our properties. If the beneficial effect of Proposition 13 were ended for our properties, our property tax expense could increase substantially, adversely affecting our cash flow from operations and net income.

We are subject to new and changing legislation and regulations, including the California Privacy Rights Act (CPRA).

We are subject to new and changing legislation and regulations, including the Americans with Disabilities Act of 1990 and legislation regarding property taxes, income taxes, REIT status, labor and employment, privacy, and lien sales at the city, county, state, and federal level, which could materially impact our business and operations. Failure to comply with applicable laws, regulations, and policies may subject us to increased litigation and regulatory actions and negatively affect our business and operations or reputation.

On November 3, 2020, Californians passed a ballot measure that creates the California Privacy Rights Act (“CPRA”). The CPRA amends and expands the California Consumer Privacy Act (CCPA), which went into effect on January 1, 2020. The CPRA, which went into effect on January 1, 2023, provides new rights and amends existing rights found in the CCPA. It also creates a new privacy enforcement authority, the California Privacy Protection Agency (“CalPPA”). The CPRA grants the Attorney General and the CalPPA the authority to issue regulations on a wide range of topics. It therefore remains unclear what, if any, modifications will be made to the CPRA or how it will be interpreted. While we believe we have developed processes to comply with current privacy requirements, a regulatory agency may not agree with certain of our implementation decisions, which could subject us to litigation, regulatory actions, or changes to our business practices that could increase costs or reduce revenues. Other states have also enacted or are considering enacting privacy laws similar to those passed in California. Similar laws may be implemented in other jurisdictions in which we do business and in ways that may be more restrictive than those in California, increasing the cost of compliance, as well as the risk of noncompliance, on our business.

Our tenant reinsurance 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, penalized, or subject to an adverse judgment, which could reduce our net income.

ITEM 1B. Unresolved Staff Comments

None.

ITEM 1C. Cybersecurity

Public Storage devotes significant resources to protecting and continuing to improve the security of its computer systems, software, networks, and other technology assets. Our security efforts are designed to preserve the confidentiality, integrity, and continued availability of information owned by, or in the care of, the Company and protect against, among other things, cybersecurity attacks by unauthorized parties attempting to obtain access to confidential information, destroy data, disrupt or degrade service, sabotage systems, or cause other damage.

Management and Board Oversight

Our risk management processes include a comprehensive enterprise risk management framework focused on (i) evaluating the risks facing the Company and aligning the Company’s efforts to mitigate those risks with its strategy and risk appetite; (ii) communicating and improving the Company’s understanding of its key risks and responsive actions; and (iii) providing the Board with a defined, rated risk inventory and framework against which the Board can direct its responsibilities to oversee the Company’s risk assessment and risk management efforts. Our cybersecurity program is a key component of our overall enterprise risk management framework.

A dedicated team of technology professionals monitors and manages cybersecurity risks. They are led by our Chief Technology Officer (CTO), who has served in senior leadership positions with responsibility for cybersecurity and IT risk management for over 10 years, and our Vice President, Management Information Systems (VPMIS), who has been a Certified Information Systems Security Professional (CISSP) since 2016. Their teams are responsible for leading enterprise-wide cyber resilience strategy, policy, standards, architecture, and processes. Our CTO and VPMIS regularly engage with our Chief Administrative Officer. They also report monthly on cybersecurity matters to our entire executive management team.

In the event of an incident that jeopardizes the confidentiality, integrity, or availability of the information technology systems we use, we utilize a regularly updated information security incident response plan (IRP). The IRP is overseen by our executive Incident Response Committee (IRC), which consists of our Chief Financial and Investment Officer, Chief Administrative Officer, Chief Legal Officer, and CTO. The IRP guides our internal response to cybersecurity incidents.

Pursuant to our IRP and its escalation protocols, designated personnel are responsible for assessing the severity of the incident and associated threat, containing the threat, remediating the threat, including recovery of data and access to systems, analyzing the reporting obligations associated with the incident, and performing post-incident analysis and program improvements. While the particular personnel assigned to an incident response team will depend on the particular facts and circumstances, the response team is generally led by the IRC with support from internal personnel and external counsel or other experts.

Our Board considers cybersecurity risk one of the most significant risks to our business. The Board has delegated to the Audit Committee oversight of cybersecurity, data privacy, and other information technology risks affecting the Company. The Audit Committee periodically evaluates our cybersecurity strategy to ensure its effectiveness. Our CTO and VPMIS provide quarterly reports to the Audit Committee, which also provides quarterly reports on its activities to the Board. Annually, the Board receives a comprehensive update regarding the Company's cybersecurity efforts, which may include a cybersecurity tabletop exercise, presentation by third party cybersecurity experts, or similar events. Several members of our Board and Audit Committee have cybersecurity, data privacy, or related experience from their principal occupation or other professional experience.

Processes for Assessing, Identifying and Managing Material Risks from Cybersecurity Threats

Our cybersecurity program focuses on (i) preventing and preparing for cybersecurity incidents, (ii) detecting and analyzing cybersecurity incidents, and (iii) containing, eradicating, recovering from, and reporting cybersecurity events.

Prevention and Preparation

We identify and address information security risks by employing a defense-in-depth methodology, consisting of both proactive and reactive elements, which provides multiple, redundant defensive measures and prescribes actions to take in case a security control fails or a vulnerability is exploited. We leverage internal resources, along with strategic external partnerships, to mitigate cybersecurity threats to the Company. We have partnerships for security operations center (SOC) services, penetration testing, incident response, and various third-party assessments. We deploy both commercially available solutions and proprietary systems to actively manage threats to our information technology environment.

We assess our cybersecurity program against various frameworks. Our information security program is certified for compliance with the Payment Card Industry Data Security Standard for the safe handling and protection of credit card data. Annually, we are assessed, either internally or by an independent third party, against the National Institute of Standards and Technology (NIST) Cybersecurity Framework. We also utilize reports prepared by our external partners to assess our cyber proficiency on a standalone basis and comparatively against peers and other companies, and we regularly engage external resources regarding emerging threats. We have policies and procedures to oversee and identify the cybersecurity risks associated with our use of third-party service providers, including contractual mechanisms, as well as the regular review of SOC reports, relevant cyber attestations, and other independent cyber ratings.

We employ a robust information security and training program for our employees, including mandatory computer-based training, regular internal communications, and ongoing end-user testing to measure the effectiveness of our information security program. As part of this commitment, we require our employees to complete a Cybersecurity Awareness eCourse and acknowledge our Information Security policy each year. In addition, we have an established schedule and process for regular phishing awareness campaigns that are designed to imitate real-world contemporary threats and provide immediate feedback (and, if necessary, additional training or remedial action) to employees.

As discussed above, we maintain an IRP that guides our response to a cybersecurity incident. Annually, we test the IRP's response procedures, including through disaster response and business continuity plan exercises. These exercises are intended to challenge and validate our information security response and resources through simulated cybersecurity incidents, including engagement of outside cybersecurity legal counsel, other third-party partners, key internal personnel, executive management, and our Board.

Detection and Analysis

Cybersecurity incidents may be detected through a variety of means, which may include, but are not limited to, automated event-detection notifications, employee notifications, notification from external parties (e.g., our third-party information technology provider), and proactive threat hunting in conjunction with our external partners. Once a potential cybersecurity incident is identified, including a third-party cybersecurity event, the incident response team designated pursuant to the IRP follows the procedures set forth in the plan to investigate the potential incident, including determining the nature of the event (e.g. ransomware or personal data breach) and assessing the severity of the event and sensitivity of any compromised data.

Containment, Eradication, Recovery, and Reporting

In the event of a cybersecurity incident, our first priority is to contain the cybersecurity incident as quickly as possible consistent with the procedures in our IRP.

Once a cybersecurity incident is contained, our focus shifts to remediation and recovery. These activities depend on the nature of the cybersecurity incident and may include rebuilding systems and/or hosts, replacing compromised files with clean versions, validation of files or data that may have been affected, increased network monitoring or logging to identify recurring attacks, monitoring dark or deep web forums, reconfiguring administrative account access, hardening network security such as firewall configurations, and employee re-training. We also maintain cybersecurity insurance providing coverage for certain costs related to security failures and specified cybersecurity-related incidents that interrupt our network or networks of our vendors, in all cases up to specified limits and subject to certain exclusions.

Our IRP provides clear communication protocols, including with respect to members of executive management, internal and external counsel, the Audit Committee and our Board. These protocols include a framework for assessing our SEC and other regulatory reporting obligations related to a cybersecurity incident.

Following the conclusion of an incident, the incident response team will generally assess the effectiveness of the cybersecurity program and IRP and make adjustments as appropriate.

Cybersecurity Risks

As of December 31, 2023, we are not aware of any material cybersecurity incidents in the last three years. However, we routinely face risks of potential incidents, whether through cyber-attacks or cyber intrusions over the Internet, ransomware and other forms of malware, computer viruses, attachment to emails, phishing attempts, extortion or other scams that we have been able to prevent or sufficiently mitigate harm from. Although we make efforts to maintain the security and integrity of the third-party networks and systems we use, these systems and the proprietary, confidential and personal information that resides on or is transmitted through them, are subject to the risk of a security incident or disruption, and there can be no assurance that our security efforts and measures, and those of our third-party providers. See “Item 1A–Risk Factors–If our confidential information is compromised or corrupted, including as a result of a cybersecurity incident, our reputation and business relationships could be damaged, which could adversely affect our financial condition and operating results.”

ITEM 2. Properties

At December 31, 2023, we had controlling ownership interests in 3,044 self-storage facilities located in 40 states within the U.S.:

	At December 31, 2023	
	Number of Storage Facilities	Net Rentable Square Feet (in thousands)
Texas	455	38,668
California	444	31,419
Florida	360	25,038
Illinois	137	8,930
Georgia	127	8,555
North Carolina	110	8,110
Virginia	120	7,894
Maryland	105	7,782
Washington	107	7,586
Colorado	87	6,468
Minnesota	68	5,425
New York	73	5,122
South Carolina	81	5,031
New Jersey	67	4,651
Ohio	65	4,415
Michigan	61	4,387
Arizona	60	4,275
Indiana	54	3,585
Oklahoma	48	3,502
Tennessee	52	3,228
Missouri	44	2,919
Pennsylvania	37	2,685
Oregon	45	2,618
Nevada	33	2,305
Massachusetts	29	2,052
Kansas	24	1,538
Other states (14 states)	151	9,883
Total (a)	3,044	218,071

(a) See Schedule III: Real Estate and Accumulated Depreciation in our consolidated financial statements included in this Annual Report on Form 10-K, for a summary of land, building, accumulated depreciation, square footage, and number of properties by market.

At December 31, 2023, two of our facilities with a net book value of \$11.7 million were encumbered by an aggregate of \$1.8 million in mortgage notes payable.

The configuration of self-storage facilities has evolved over time. The oldest facilities are comprised generally of multiple single-story buildings, and have on average approximately 500 primarily “drive up” spaces per facility, and a small rental office. The most prevalent recently constructed facilities have higher density footprints with large, multi-story buildings with climate control and typically 1,000 or more self-storage spaces, a more imposing and visible retail presence, and a prominent and large rental office designed to appeal to customers as an attractive and retail-focused “store.” Our self-storage portfolio includes facilities with characteristics of the oldest facilities, characteristics of the most recently constructed facilities, and those with characteristics of both older and recently constructed facilities. Most spaces have between 25 and 400 square feet and an interior height of approximately eight to 12 feet.

ITEM 3. Legal Proceedings

For a description of the Company’s legal proceedings, see “Note 15. Commitments and Contingencies” to our consolidated financial statements included in this Annual Report on Form 10-K.

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

Our common shares of beneficial interest (NYSE: PSA) have been listed on the NYSE since October 19, 1984. As of February 13, 2024, there were approximately 9,586 holders of record of our common shares.

Our Board 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 20, 2024, 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, 2023. 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.

Refer to Item 12. “Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters” for information about our equity compensation plans.

ITEM 6. [Reserved]

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 consolidated financial statements and notes thereto.

Critical Accounting Estimates

The preparation of consolidated financial statements and related disclosures in conformity with U.S. generally accepted accounting principles (“GAAP”) requires us to make judgments, assumptions, and estimates that affect the amounts reported. On an ongoing basis, we evaluate our estimates and assumptions. These estimates and assumptions are based on current facts, historical experience, and various other factors that we believe are reasonable under the circumstances to determine reported amounts of assets, liabilities, revenues, and expenses that are not readily apparent from other sources.

We believe the following are our critical accounting estimates, because they are reasonably likely to 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 involve a significant level of uncertainty.

Impairment of Long-Lived Assets: The analysis of impairment of our long-lived assets, including our real estate facilities, involves identification of indicators of impairment, including unfavorable operational results and significant cost overruns on construction, projections of future operating cash flows, and estimates of fair values, all of which require significant judgment and subjectivity. In particular, these estimates are sensitive to significant assumptions, such as the projections of future rental rates, stabilized occupancy level, future profit margin, discount rates, and capitalization rates, all of which could be affected by our expectations about future market or economic conditions. Others could come to materially different conclusions.

Allocating Purchase Price for Acquired Real Estate Facilities: We estimate the fair values of the assets and liabilities of acquired real estate facilities, which consist principally of land, buildings and acquired customers in place, for purposes of allocating the aggregate purchase price of acquired real estate facilities. We estimate the fair value of land based upon price per square foot derived from observable transactions involving comparable land in similar locations as adjusted for location quality, parcel size, and date of sale associated with the acquired facilities. The fair value estimate of land is sensitive to the adjustments made to the land market transactions used in the estimate, particularly when there is a lack of recent comparable land market data. For large portfolio acquisitions, we estimate the fair value of buildings primarily using the income approach by estimating the fair value of hypothetical vacant acquired facilities and adjusting for the estimated fair value of land. For individual and small portfolio acquisitions, we estimate the fair value of buildings primarily based upon the estimated current replacement cost, which we calculate by estimating the replacement cost of new purpose-built self-storage facilities in similar geographic regions and adjusting for age, quality, amenities, and configuration associated with the buildings acquired. The fair value estimate of buildings is sensitive to assumptions used in both the income approach, such as lease-up period, future stabilized operating cash flows, capitalization rate and discount rate, and in the replacement cost approach, such as current cost adjustment, soft cost and developer profit estimates. We estimate the fair value of acquired customers in place using the income approach by estimating the foregone rent over the presumed period of time to absorb the occupied spaces as if they were vacant at the time of acquisition. The fair value estimate of the acquired customers in place is sensitive to the assumptions used in the income approach, such as market rent, lease-up period and discount rate. Others could come to materially different conclusions as to the estimated fair values of land, buildings and acquired customers in place, which would result in different depreciation and amortization expense, gains and losses on sale of real estate assets, as well as the level of land and buildings on our consolidated balance sheet.

Overview

Our self-storage operations generate most of our net income, and our earnings growth is impacted by the levels of growth within our Same Store Facilities (as defined below) as well as within our Acquired Facilities and Newly Developed and Expanded Facilities (both as defined below). Accordingly, a significant portion of management's time is devoted to maximizing cash flows from our existing self-storage facility portfolio.

During 2023, revenues generated by our Same Store Facilities increased by 4.7% (\$154.0 million), as compared to 2022, while Same Store cost of operations increased by 4.7% (\$35.9 million). Demand and operating trends softened in the second half of 2022 continuing through 2023 as compared to what we experienced in 2020 and 2021, and we expect this to continue in 2024.

We have grown and plan to continue to grow through the acquisition and development of new facilities and expansion of our existing self-storage facilities. Since the beginning of 2021, we acquired a total of 470 facilities with 38.8 million net rentable square feet for \$8.5 billion. Additionally, within our non-same store portfolio, our developed and expanded facilities include a total of 145 self-storage facilities of 17.1 million net rentable square feet. For development and expansions completed by December 31, 2023, we incurred a total cost of \$1.6 billion. During 2023, combined net operating income generated by our Acquired Facilities and Newly Developed and Expanded Facilities increased 28.7% (\$109.4 million), as compared to 2022.

On September 13, 2023, we acquired BREIT Simply Storage LLC, a self-storage company that owns and operates 127 self-storage facilities (9.4 million square feet) and manages 25 self-storage facilities for third parties, for a purchase price of \$2.2 billion in cash (the "Simply Acquisition"). The 127 wholly-owned facilities are geographically diversified across 18 states and located in submarkets with strong demand drivers and other desirable characteristics.

In connection with the Simply Acquisition, on July 26, 2023, we completed a public offering of \$2.2 billion aggregate principal amount of unsecured senior notes in various tranches and maturities.

We have experienced recent inflationary impacts on our cost of operations including labor, utilities, and repairs and maintenance, and costs of development and expansion activities, and we may continue to experience such impacts in the future. We have implemented various initiatives to manage the adverse impacts, such as enhancements in operational processes and investments in technology to reduce payroll hours, achievement of economies of scale from recent acquisitions with supervisory payroll and centralized management costs allocated over a broader number of self-storage facilities, and investments in solar power and LED lights to lower utility usage.

In order to enhance the competitive position of certain of our facilities relative to local competitors (including newly developed facilities), we have embarked on our multi-year Property of Tomorrow program to (i) rebrand our properties with more pronounced, attractive, and clearly identifiable color schemes and signage, (ii) enhance the energy efficiency of our properties, and (iii) upgrade the configuration and layout of the offices and other customer zones to improve the customer experience. We expect to complete the program in 2024. We spent approximately \$160 million on the program in 2023 and expect to spend approximately \$150 million in 2024 on this effort. We have also embarked on a solar program under which we plan to install solar panels on over 1,000 of our self-storage facilities. We have completed the installations on 534 facilities through 2023. We spent approximately \$51 million on the program in 2023 and expect to spend \$100 million in 2024 on this effort.

Results of Operations

Operating Results for 2023 and 2022

In 2023, net income allocable to our common shareholders was \$1.9 billion or \$11.06 per diluted common share, compared to \$4.1 billion or \$23.50 per diluted common share in 2022, representing a decrease of \$2.2 billion or \$12.44 per diluted common share. The decrease is due primarily to (i) a \$2.1 billion gain on sale of our equity investment in PS Business Parks, Inc. (“PSB”) in July 2022, (ii) a \$149.5 million increase in foreign currency exchange losses primarily associated with our Euro denominated notes payable, (iii) a \$79.1 million decrease in equity in earnings of unconsolidated real estate entities due to our sale of PSB in July 2022, and (iv) a \$64.8 million increase in interest expense, partially offset by (v) a \$231.8 million increase in self-storage net operating income and (vi) a \$45.0 million increase in interest and other income.

The \$231.8 million increase in self-storage net operating income in 2023 as compared to 2022 is a result of a \$118.2 million increase attributable to our Same Store Facilities and a \$113.6 million increase attributable to our non-same store facilities. Revenues for the Same Store Facilities increased 4.7% or \$154.0 million in 2023 as compared to 2022, due primarily to higher realized annual rent per occupied square foot, partially offset by a decline in occupancy. Cost of operations for the Same Store Facilities increased by 4.7% or \$35.9 million in 2023 as compared to 2022, due primarily to increased property tax expense, marketing expense, and other direct property costs. The increase in net operating income of \$113.6 million for the non-same store facilities is due primarily to the impact of facilities acquired in 2021, 2022, and 2023 and the fill-up of recently developed and expanded facilities.

Operating Results for 2022 and 2021

In 2022, net income allocable to our common shareholders was \$4.1 billion or \$23.50 per diluted common share, compared to \$1.7 billion or \$9.87 per diluted common share in 2021, representing an increase of \$2.4 billion or \$13.63 per diluted common share. The increase is due primarily to (i) a \$2.1 billion gain on sale of our equity investment in PSB and (ii) a \$614.3 million increase in self-storage net operating income, partially offset by (iii) a \$174.7 million increase in depreciation and amortization expense, (iv) a \$125.1 million decrease in equity in earnings of unconsolidated real estate entities due to the sale of our equity investment in PSB, and (v) a \$45.5 million increase in interest expense.

The \$614.3 million increase in self-storage net operating income in 2022 as compared to 2021 is a result of a \$390.6 million increase in our Same Store Facilities and a \$223.7 million increase in our non-same store facilities. Revenues for the Same Store Facilities increased 15.2% or \$432.2 million in 2022 as compared to 2021, due primarily to higher realized annual rent per available square foot, partially offset by a decline in occupancy. Cost of operations for the Same Store Facilities increased by 5.7% or \$41.7 million in 2022 as compared to 2021, due primarily to increased property tax expense, marketing expense, other direct property costs, and centralized management costs. The increase in net operating income of \$223.7 million for the non-same store facilities is due primarily to the impact of facilities acquired in 2021 and the fill-up of recently developed and expanded facilities.

Funds from Operations and Core Funds from Operations

Funds from Operations (“FFO”) and FFO per share are non-GAAP measures defined by Nareit. We believe that FFO and FFO per share are useful to REIT investors and analysts in measuring our performance because Nareit’s definition of FFO excludes items included in net income that do not relate to or are not indicative of our operating and financial performance. FFO represents net income before real estate-related depreciation and amortization, which is excluded because it is based upon historical costs and assumes that building values diminish ratably over time, while we believe that real estate values fluctuate due to market conditions. FFO also excludes gains or losses on sale of real estate assets and real estate impairment charges, which are also based upon historical costs and are impacted by historical depreciation. FFO and FFO per share are not a substitute for net income or earnings per share. FFO is not a substitute for net cash flow in evaluating our liquidity or ability to pay dividends, because it excludes investing and financing activities presented on our consolidated statements of cash flows. In addition, other REITs may compute these measures differently, so comparisons among REITs may not be helpful.

For the year ended December 31, 2023, FFO was \$16.60 per diluted common share as compared to \$16.46 and \$13.36 per diluted common share for the years ended December 31, 2022 and 2021, respectively, representing an increase in 2023 of 0.9%, or \$0.14 per diluted common share, as compared to 2022.

We also present “Core FFO” and “Core FFO per share” non-GAAP measures that represent FFO and FFO per share excluding the impact of (i) foreign currency exchange gains and losses, (ii) charges related to the redemption of preferred securities, and (iii) certain other non-cash and/or nonrecurring income or expense items primarily representing, with respect to the periods presented below, the impact of loss contingency accruals and resolutions, casualties, due diligence costs incurred in pursuit of strategic transactions, unrealized gain on private equity investments, UPREIT reorganization costs, Simply integration costs, amortization of acquired non real estate-related intangibles from the Simply Acquisition and our equity share of deferred tax benefits of a change in tax status, merger transaction costs, severance of a senior executive, lease termination income, and casualties from our equity investees. We review Core FFO and Core FFO per share to evaluate our ongoing operating performance and we believe they are used by investors and REIT analysts in a similar manner. However, Core FFO and Core FFO per share are not substitutes for net income and net income per share. Because other REITs may not compute Core FFO or Core FFO per share in the same manner as we do, may not use the same terminology or may not present such measures, Core FFO and Core FFO per share may not be comparable among REITs.

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

	Year Ended December 31,			Year Ended December 31,		
	2023	2022	Percentage Change	2022	2021	Percentage Change
(Amounts in thousands, except per share data)						
Reconciliation of Net Income to FFO and Core FFO:						
Net income allocable to common shareholders	\$ 1,948,741	\$ 4,142,288	(53.0)%	\$ 4,142,288	\$ 1,732,444	139.1 %
Eliminate items excluded from FFO:						
Real estate-related depreciation and amortization	962,703	881,569		881,569	709,349	
Real estate-related depreciation from unconsolidated real estate investments	36,769	54,822		54,822	73,729	
Real estate-related depreciation allocated to noncontrolling interests and restricted share unitholders	(6,635)	(6,622)		(6,622)	(4,415)	
Gains on sale of real estate investments, including our equity share from investments	(17,290)	(54,403)		(54,403)	(165,272)	
Gain on sale of equity investment in PS Business Parks, Inc.	—	(2,116,839)		(2,116,839)	—	
FFO allocable to common shares	\$ 2,924,288	\$ 2,900,815	0.8 %	\$ 2,900,815	\$ 2,345,835	23.7 %
Eliminate the impact of items excluded from Core FFO, including our equity share from investments:						
Foreign currency exchange loss (gain)	51,197	(98,314)		(98,314)	(111,787)	
Preferred share redemption charge	—	—		—	31,604	
Property losses and tenant claims due to casualties	—	4,817		4,817	4,909	
Other items	447	(338)		(338)	(543)	
Core FFO allocable to common shares	\$ 2,975,932	\$ 2,806,980	6.0 %	\$ 2,806,980	\$ 2,270,018	23.7 %
Reconciliation of Diluted Earnings per Share to FFO per Share and Core FFO per Share:						
Diluted earnings per share	\$ 11.06	\$ 23.50	(52.9)%	\$ 23.50	\$ 9.87	138.1 %
Eliminate amounts per share excluded from FFO:						
Real estate-related depreciation and amortization	5.64	5.27		5.27	4.44	
Gains on sale of real estate investments, including our equity share from investments	(0.10)	(0.31)		(0.31)	(0.95)	
Gain on sale of equity investment in PS Business Parks, Inc.	—	(12.00)		(12.00)	—	
FFO per share	\$ 16.60	\$ 16.46	0.9 %	\$ 16.46	\$ 13.36	23.2 %
Eliminate the per share impact of items excluded from Core FFO, including our equity share from investments:						
Foreign currency exchange loss (gain)	0.29	(0.57)		(0.57)	(0.64)	
Preferred share redemption charge	—	—		—	0.18	
Property losses and tenant claims due to casualties	—	0.03		0.03	0.03	
Other items	—	—		—	—	
Core FFO per share	\$ 16.89	\$ 15.92	6.1 %	\$ 15.92	\$ 12.93	23.1 %
Diluted weighted average common shares	176,143	176,280		176,280	175,568	

Analysis of Net Income — Self-Storage Operations

Our self-storage operations are analyzed in four groups: (i) the 2,339 facilities that we have owned and operated on a stabilized basis since January 1, 2021 (the “Same Store Facilities”), (ii) 470 facilities we acquired since January 1, 2021 (the “Acquired Facilities”), (iii) 145 facilities that have been newly developed or expanded, or that had commenced expansion by December 31, 2023 (the “Newly Developed and Expanded Facilities”), and (iv) 90 other facilities, which are otherwise not stabilized with respect to occupancies or rental rates since January 1, 2021 (the “Other Non-same Store Facilities”). See Note 14 to our December 31, 2023 consolidated financial statements “Segment Information,” for a reconciliation of the amounts in the tables below to our total net income.

Self-Storage Operations

Summary

	Year Ended December 31,			Year Ended December 31,		
	2023	2022	Percentage Change	2022	2021	Percentage Change
(Dollar amounts and square footage in thousands)						
Revenues:						
Same Store Facilities	\$ 3,427,867	\$ 3,273,823	4.7 %	\$ 3,273,823	\$ 2,841,598	15.2 %
Acquired Facilities	450,653	327,245	37.7 %	327,245	106,474	207.3 %
Newly Developed and Expanded Facilities	262,450	230,999	13.6 %	230,999	167,119	38.2 %
Other Non-Same Store Facilities	118,643	113,961	4.1 %	113,961	88,375	29.0 %
	<u>4,259,613</u>	<u>3,946,028</u>	<u>7.9 %</u>	<u>3,946,028</u>	<u>3,203,566</u>	<u>23.2 %</u>
Cost of operations:						
Same Store Facilities	802,269	766,405	4.7 %	766,405	724,748	5.7 %
Acquired Facilities	144,498	109,744	31.7 %	109,744	32,705	235.6 %
Newly Developed and Expanded Facilities	78,531	67,805	15.8 %	67,805	58,890	15.1 %
Other Non-Same Store Facilities	36,652	36,255	1.1 %	36,255	35,687	1.6 %
	<u>1,061,950</u>	<u>980,209</u>	<u>8.3 %</u>	<u>980,209</u>	<u>852,030</u>	<u>15.0 %</u>
Net operating income (a):						
Same Store Facilities	2,625,598	2,507,418	4.7 %	2,507,418	2,116,850	18.5 %
Acquired Facilities	306,155	217,501	40.8 %	217,501	73,769	194.8 %
Newly Developed and Expanded Facilities	183,919	163,194	12.7 %	163,194	108,229	50.8 %
Other Non-Same Store Facilities	81,991	77,706	5.5 %	77,706	52,688	47.5 %
Total net operating income	<u>3,197,663</u>	<u>2,965,819</u>	<u>7.8 %</u>	<u>2,965,819</u>	<u>2,351,536</u>	<u>26.1 %</u>
Depreciation and amortization expense:						
Same Store Facilities	528,121	501,139	5.4 %	501,139	483,219	3.7 %
Acquired Facilities	323,796	280,871	15.3 %	280,871	131,998	112.8 %
Newly Developed and Expanded Facilities	61,421	54,115	13.5 %	54,115	47,549	13.8 %
Other Non-Same Store Facilities	56,718	52,021	9.0 %	52,021	50,662	2.7 %
Total depreciation and amortization expense	<u>970,056</u>	<u>888,146</u>	<u>9.2 %</u>	<u>888,146</u>	<u>713,428</u>	<u>24.5 %</u>
Net income (loss):						
Same Store Facilities	2,097,477	2,006,279	4.5 %	2,006,279	1,633,631	22.8 %
Acquired Facilities	(17,641)	(63,370)	(72.2)%	(63,370)	(58,229)	8.8 %
Newly Developed and Expanded Facilities	122,498	109,079	12.3 %	109,079	60,680	79.8 %
Other Non-Same Store Facilities	25,273	25,685	(1.6)%	25,685	2,026	1167.8 %
Total net income	<u>\$ 2,227,607</u>	<u>\$ 2,077,673</u>	<u>7.2 %</u>	<u>\$ 2,077,673</u>	<u>\$ 1,638,108</u>	<u>26.8 %</u>
Number of facilities at period end:						
Same Store Facilities	2,339	2,339	— %	2,339	2,339	— %
Acquired Facilities	470	306	53.6 %	306	232	31.9 %
Newly Developed and Expanded Facilities	145	134	8.2 %	134	126	6.3 %
Other Non-Same Store Facilities	90	90	— %	90	90	— %
	<u>3,044</u>	<u>2,869</u>	<u>6.1 %</u>	<u>2,869</u>	<u>2,787</u>	<u>2.9 %</u>
Net rentable square footage at period end:						
Same Store Facilities	154,874	154,874	— %	154,874	154,874	— %
Acquired Facilities	38,816	26,634	45.7 %	26,634	21,830	22.0 %
Newly Developed and Expanded Facilities	17,101	15,366	11.3 %	15,366	14,273	7.7 %
Other Non-Same Store Facilities	7,280	7,343	(0.9)%	7,343	7,342	— %
	<u>218,071</u>	<u>204,217</u>	<u>6.8 %</u>	<u>204,217</u>	<u>198,319</u>	<u>3.0 %</u>

- (a) Net operating income or “NOI” is a non-GAAP financial measure that excludes the impact of depreciation and amortization expense, which is based upon historical real estate costs and assumes that building values diminish ratably over time, while we believe that real estate values fluctuate due to market conditions. We utilize NOI in determining current property values, evaluating property performance, and evaluating property operating trends. We believe that investors and analysts utilize NOI in a similar manner. NOI is not a substitute for net income, operating cash flow, or other related financial measures, in evaluating our operating results. See Note 14 to our December 31, 2023 consolidated financial statements for a reconciliation of NOI to our total net income for all periods presented.

Same Store Facilities

The Same Store Facilities consist of facilities we have owned and operated on a stabilized level of occupancy, revenues, and cost of operations since January 1, 2021. The composition of our Same Store Facilities allows us more effectively to evaluate the ongoing performance of our self-storage portfolio in 2021, 2022, and 2023 and exclude the impact of fill-up of unstabilized facilities, which can significantly affect operating trends. We believe investors and analysts use Same Store Facilities information in a similar manner. However, because other REITs may not compute Same Store Facilities in the same manner as we do, may not use the same terminology or may not present such a measure, Same Store Facilities may not be comparable among REITs.

The following table summarizes the historical operating results (for all periods presented) of these 2,339 facilities (154.9 million net rentable square feet) that represent approximately 71% of the aggregate net rentable square feet of our U.S. consolidated self-storage portfolio at December 31, 2023. It includes various measures and detail that we do not include in the analysis of the developed, acquired, and other non-same store facilities, due to the relative magnitude and importance of the Same Store Facilities relative to our other self-storage facilities.

Selected Operating Data for the Same Store Facilities (2,339 facilities)

	Year Ended December 31,			Year Ended December 31,		
	2023	2022	Percentage Change	2022	2021	Percentage Change
	(Dollar amounts in thousands, except for per square foot data)					
Revenues (a):						
Rental income	\$ 3,312,597	\$ 3,169,132	4.5%	\$ 3,169,132	\$ 2,756,752	15.0%
Late charges and administrative fees	115,270	104,691	10.1%	104,691	84,846	23.4%
Total revenues	<u>3,427,867</u>	<u>3,273,823</u>	<u>4.7%</u>	<u>3,273,823</u>	<u>2,841,598</u>	<u>15.2%</u>
Direct cost of operations (a):						
Property taxes	300,505	290,605	3.4%	290,605	279,142	4.1%
On-site property manager payroll	126,830	123,372	2.8%	123,372	118,085	4.5%
Repairs and maintenance	64,565	60,317	7.0%	60,317	54,359	11.0%
Utilities	44,775	45,578	(1.8)%	45,578	42,417	7.5%
Marketing	69,158	47,863	44.5%	47,863	41,446	15.5%
Other direct property costs	90,990	83,615	8.8%	83,615	75,959	10.1%
Total direct cost of operations	<u>696,823</u>	<u>651,350</u>	<u>7.0%</u>	<u>651,350</u>	<u>611,408</u>	<u>6.5%</u>
Direct net operating income (b)	<u>2,731,044</u>	<u>2,622,473</u>	<u>4.1%</u>	<u>2,622,473</u>	<u>2,230,190</u>	<u>17.6%</u>
Indirect cost of operations (a):						
Supervisory payroll	(33,846)	(36,327)	(6.8)%	(36,327)	(38,487)	(5.6)%
Centralized management costs	(60,861)	(64,053)	(5.0)%	(64,053)	(57,021)	12.3%
Share-based compensation	(10,739)	(14,675)	(26.8)%	(14,675)	(17,832)	(17.7)%
Net operating income	<u>2,625,598</u>	<u>2,507,418</u>	<u>4.7%</u>	<u>2,507,418</u>	<u>2,116,850</u>	<u>18.5%</u>
Depreciation and amortization expense	<u>(528,121)</u>	<u>(501,139)</u>	<u>5.4%</u>	<u>(501,139)</u>	<u>(483,219)</u>	<u>3.7%</u>
Net income	<u>\$ 2,097,477</u>	<u>\$ 2,006,279</u>	<u>4.5%</u>	<u>\$ 2,006,279</u>	<u>\$ 1,633,631</u>	<u>22.8%</u>
Gross margin (before indirect costs, depreciation and amortization expense)	79.7%	80.1%	(0.5)%	80.1%	78.5%	2.0%
Gross margin (before depreciation and amortization expense)	76.6%	76.6%	—%	76.6%	74.5%	2.8%
Weighted average for the period:						
Square foot occupancy	93.3%	94.8%	(1.6)%	94.8%	96.2%	(1.5)%
Realized annual rental income per (c):						
Occupied square foot	\$ 22.93	\$ 21.58	6.3%	\$ 21.58	\$ 18.49	16.7%
Available square foot	\$ 21.38	\$ 20.45	4.5%	\$ 20.45	\$ 17.79	15.0%
At December 31:						
Square foot occupancy	91.6%	92.3%	(0.8)%	92.3%	94.7%	(2.5)%
Annual contract rent per occupied square foot (d)	\$ 23.04	\$ 22.88	0.7%	\$ 22.88	\$ 19.81	15.5%

- (a) Revenues and cost of operations do not include tenant reinsurance and merchandise sale revenues and expenses generated at the facilities. See “Ancillary Operations” below for more information.
- (b) Direct net operating income (“Direct NOI”), a subtotal within NOI, is a non-GAAP financial measure that excludes the impact of supervisory payroll, centralized management costs, and share-based compensation in addition to depreciation and amortization expense. We utilize direct net operating income in evaluating property performance and in evaluating property operating trends as compared to our competitors.
- (c) Realized annual rent per occupied square foot is computed by dividing 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 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.
- (d) Annual contract rent represents the agreed upon monthly rate that is paid by our tenants in place at the time of measurement. Contract rates are initially set in the lease agreement upon move-in, and we adjust them from time to time with notice. Contract rent excludes other fees that are charged on a per-item basis, such as late charges and administrative fees, does not reflect the impact of promotional discounts, and does not reflect the impact of rents that are written off as uncollectible.

Analysis of Same Store Revenue

We believe a balanced occupancy and rate strategy maximizes our revenues over time. We regularly adjust rental rates and promotional discounts offered (generally, “\$1.00 rent for the first month”), as well as our marketing efforts to maximize revenue from new tenants to replace tenants that vacate.

We typically increase rental rates to our long-term tenants (generally, those who have been with us for at least a year) every six to twelve months. As a result, the number of long-term tenants we have in our facilities is an important factor in our revenue growth. The level of rate increases to long-term tenants is based upon evaluating the additional revenue from the increase against the negative impact of incremental move-outs, by considering customers’ in-place rent and prevailing market rents, among other factors.

Revenues generated by our Same Store Facilities increased 4.7% and 15.2% in 2023 and 2022, respectively, in each case as compared to the previous year. The increase in 2023 is due primarily to (i) a 6.3% increase in realized annual rent per occupied square foot for 2023 as compared to 2022, partially offset by (ii) a 1.6% decrease in average occupancy for 2023 as compared to 2022. The increase in 2022 is due primarily to (i) a 16.7% increase in realized annual rent per occupied square foot for 2022 as compared to 2021, partially offset by (ii) a 1.5% decrease in average occupancy for 2022 as compared to 2021.

The increase in realized annual rent per occupied square foot in 2023 as compared to 2022 was due to cumulative rate increases to existing long-term tenants over the past twelve months, partially offset by a 13.9% decrease in average rates per square foot charged to new tenants moving in who replaced tenants moving out with higher rental rates. The growth rate in realized annual rent per occupied square foot has decelerated since the second half of 2022 from lower move-in rates and increased promotion discounts offered in order to replace tenants that vacate. At December 31, 2023, annual contract rent per occupied square foot was 0.7% higher as compared to December 31, 2022.

Occupancy levels have gradually declined since the second half of 2022 and are returning to 2019 levels as move-out activity increased and customer demand softened. The weighted average square foot occupancy for our Same Store Facilities was 93.3% for 2023, representing a decrease of 1.6%, as compared to 2022. During 2023, we lowered move-in rental rates and increased promotional activity and advertising spending to increase move-in activity at our facilities, which led to a year-over-year 8.8% increase in move-in volumes that more than offset the year-over-year 5.9% increase in move-out volumes. Move-in volumes net of move-out volumes were higher in 2023 as compared to 2022, which reduced the year-over-year decline in occupancy levels between December 31, 2022 and December 31, 2023.

Move-out activities from our tenants were higher in 2023 as compared to 2022, returning to 2019 levels, which were not impacted by the COVID-19 pandemic. Average length of stay of our tenants remained at similar high levels in 2023 as compared to 2022, which supported our revenue growth by contributing to the number of tenants eligible for rental rate increases.

Demand in the summer months of 2023 was impacted by the lower home-moving activities due to limited housing market transaction volumes leading to less seasonality than we typically experience. Typical seasonal demand patterns returned in the second half of 2023 with decreased demand during the fall and winter months. Demand fluctuates due to various local and regional factors, including the overall economy. Demand for our facilities is also impacted by new supply of self-storage space and alternatives to self-storage.

Industry-wide demand from new customers for storage space at the beginning of 2024 is below the level at the beginning of 2023. We will mitigate this lower demand by continuing to support new customer move-ins with increased marketing expense, lower rental rates to new customers, and increased promotional discounting. We expect industry-wide demand from new customers to stabilize during the year due to improving macroeconomic conditions. We also anticipate fewer completions of new self-storage facilities nationally, reducing the competitive impact of new supply on customer acquisition. As a result of stabilizing new customer demand during the year, stable existing customer behavior, and lower impact from new competitive supply, we anticipate same store revenues in 2024 will be similar to those earned in 2023.

Late Charges and Administrative Fees

Late charges and administrative fees increased 10.1% and 23.4% in 2023 and 2022, in each case as compared to the previous year. The increase in 2023 is due to (i) higher late charges collected on delinquent accounts driven by more delinquent accounts and to a lesser extent (ii) higher administrative fees resulting from higher move-in volumes. The increase in 2022 is due to (i) higher late charges collected on delinquent accounts driven by more delinquent accounts compared to 2021 and to a lesser extent (ii) higher administrative fees charged per move-in combined with higher move-in volumes. Delinquency levels at our Same Store Facilities remain below 2019 levels at December 31, 2023.

Selected Key Statistical Data

The following table sets forth average annual contract rent per square foot and total square footage for tenants moving in and moving out during the years ended December 31, 2023, 2022, and 2021. It also includes promotional discounts, which vary based upon the move-in contractual rates, move-in volume, and percentage of tenants moving in who receive the discount.

	Year Ended December 31,			Year Ended December 31,		
	2023	2022	Change	2022	2021	Change
	(Amounts in thousands, except for per square foot amounts)					
Tenants moving in during the period:						
Average annual contract rent per square foot	\$ 15.61	\$ 18.12	(13.9)%	\$ 18.12	\$ 17.08	6.1%
Square footage	110,958	101,956	8.8%	101,956	97,487	4.6%
Contract rents gained from move-ins	\$ 1,732,054	\$ 1,847,443	(6.2)%	\$ 1,847,443	\$ 1,665,078	11.0%
Promotional discounts given	\$ 57,778	\$ 52,114	10.9%	\$ 52,114	\$ 43,433	20.0%
Tenants moving out during the period:						
Average annual contract rent per square foot	\$ 21.34	\$ 20.63	3.4%	\$ 20.63	\$ 17.47	18.1%
Square footage	111,882	105,663	5.9%	105,663	96,234	9.8%
Contract rents lost from move-outs	\$ 2,387,562	\$ 2,179,828	9.5%	\$ 2,179,828	\$ 1,681,208	29.7%

Analysis of Same Store Cost of Operations

Cost of operations (excluding depreciation and amortization) increased 4.7% and 5.7% in 2023 and 2022, respectively, in each case as compared to the previous year. The increase in 2023 is due primarily to increased property tax expense, marketing expense, and other direct property costs, while the increase in 2022 is due primarily to increased property tax expense, marketing expense, other direct property costs, and centralized management costs.

Property tax expense increased 3.4% and 4.1% in 2023 and 2022, respectively, in each case as compared to the previous year, as a result of higher assessed values.

Marketing expense includes Internet advertising and the operating costs of our telephone reservation center. Internet advertising expense, comprising keyword search fees assessed on a “per click” basis, varies based upon demand for self-storage space, the quantity of people inquiring about self-storage through online search, occupancy levels, the number and aggressiveness of bidding competitors, and other factors. These factors are volatile; accordingly, Internet advertising can increase or decrease significantly in the short-term. We increased marketing expense by 44.5% and 15.5% in 2023 and 2022, respectively, in each case as compared to the previous year, by utilizing a higher volume of online paid search programs to attract new tenants. We plan to continue to use internet advertising and other advertising channels to support move-in volumes in 2024.

Other direct property costs include administrative expenses specific to each self-storage facility, such as property loss, telephone and data communication lines, business license costs, bank charges related to processing the facilities’ cash receipts, tenant mailings, credit card fees, eviction costs, and the cost of operating each property’s rental office. These costs increased 8.8% in 2023 as compared to 2022 and 10.1% in 2022 as compared to 2021. These increases were due primarily to an increase in credit card fees as a result of year-over-year increases in revenues, combined with a long-term trend of more customers paying with credit cards rather than cash, checks, or other methods of payment with lower transaction costs.

Centralized management costs represents administrative and cash compensation expenses for shared general corporate functions to the extent their efforts are devoted to self-storage operations. Such functions include information technology support, hardware, and software, as well as centralized administration of payroll, benefits, training, repairs and maintenance, customer service, pricing and marketing, operational accounting and finance, legal costs, and costs from field management executives. Centralized management costs decreased 5.0% in 2023 as compared to 2022 and increased 12.3% in 2022 as compared to 2021. The decrease in 2023 was primarily driven by achievement of economies of scale from recent acquisitions with centralized management costs allocated over a broader number of self-storage facilities including non-same store facilities. The increase in 2022 was due primarily to an increase in technology and data team costs that support property operations.

Analysis of Market Trends

The following tables set forth selected market trends in our Same Store Facilities:

Same Store Facilities Operating Trends by Market

	As of December 31, 2023		Year Ended December 31,								
	Number of Facilities	Square Feet (millions)	Realized Rent per Occupied Square Foot			Average Occupancy			Realized Rent per Available Square Foot		
			2023	2022	Change	2023	2022	Change	2023	2022	Change
Los Angeles	214	15.5	\$ 35.92	\$ 32.40	10.9 %	95.4 %	96.9 %	(1.5)%	\$ 34.28	\$ 31.38	9.2 %
San Francisco	129	7.9	32.41	31.28	3.6 %	94.4 %	95.2 %	(0.8)%	30.59	29.78	2.7 %
New York	92	6.8	32.13	30.51	5.3 %	93.3 %	94.3 %	(1.1)%	29.99	28.78	4.2 %
Miami	86	6.2	30.10	28.09	7.2 %	93.6 %	95.6 %	(2.1)%	28.16	26.86	4.8 %
Seattle-Tacoma	89	6.0	26.05	25.06	4.0 %	92.6 %	94.1 %	(1.6)%	24.11	23.57	2.3 %
Washington DC	90	5.5	26.55	25.42	4.4 %	92.7 %	93.4 %	(0.7)%	24.60	23.74	3.6 %
Dallas-Ft. Worth	111	7.6	18.49	17.16	7.8 %	92.2 %	94.4 %	(2.3)%	17.05	16.21	5.2 %
Chicago	130	8.2	20.24	19.27	5.0 %	93.0 %	93.6 %	(0.6)%	18.83	18.04	4.4 %
Atlanta	102	6.7	18.01	17.26	4.3 %	90.9 %	93.7 %	(3.0)%	16.37	16.18	1.2 %
Houston	101	7.5	16.99	15.79	7.6 %	92.0 %	93.5 %	(1.6)%	15.62	14.77	5.8 %
Orlando-Daytona	69	4.4	19.65	17.96	9.4 %	93.3 %	95.9 %	(2.7)%	18.34	17.22	6.5 %
Philadelphia	56	3.5	21.48	20.92	2.7 %	93.0 %	94.4 %	(1.5)%	19.99	19.75	1.2 %
West Palm Beach	39	2.8	26.45	25.01	5.8 %	93.6 %	95.8 %	(2.3)%	24.75	23.96	3.3 %
Tampa	53	3.5	19.97	18.87	5.8 %	91.9 %	95.1 %	(3.4)%	18.35	17.94	2.3 %
Charlotte	52	3.9	16.13	14.99	7.6 %	93.0 %	95.0 %	(2.1)%	15.00	14.24	5.3 %
All other markets	926	58.9	18.68	17.77	5.1 %	93.3 %	94.7 %	(1.5)%	17.43	16.83	3.6 %
Totals	2,339	154.9	\$ 22.93	\$ 21.58	6.3 %	93.3 %	94.8 %	(1.6)%	\$ 21.38	\$ 20.45	4.5 %

Same Store Facilities Operating Trends by Market (Continued)

	Year Ended December 31,											
	Revenues (\$000's)			Direct Expenses (\$000's)			Indirect Expenses (\$000's)			Net Operating Income (\$000's)		
	2023	2022	Change	2023	2022	Change	2023	2022	Change	2023	2022	Change
Los Angeles	\$ 544,762	\$ 498,061	9.4 %	\$ 71,101	\$ 64,052	11.0 %	\$ 10,876	\$ 11,814	(7.9)%	\$ 462,785	\$ 422,195	9.6 %
San Francisco	246,744	240,098	2.8 %	38,245	35,401	8.0 %	5,936	6,680	(11.1)%	202,563	198,017	2.3 %
New York	208,547	199,749	4.4 %	50,183	47,189	6.3 %	4,771	5,566	(14.3)%	153,593	146,994	4.5 %
Miami	179,868	170,961	5.2 %	34,243	30,384	12.7 %	4,023	4,211	(4.5)%	141,602	136,366	3.8 %
Seattle-Tacoma	149,262	145,924	2.3 %	26,996	24,710	9.3 %	3,831	4,097	(6.5)%	118,435	117,117	1.1 %
Washington DC	140,686	135,483	3.8 %	28,923	27,850	3.9 %	4,029	4,140	(2.7)%	107,734	103,493	4.1 %
Dallas-Ft. Worth	135,451	128,468	5.4 %	29,189	28,771	1.5 %	4,563	4,844	(5.8)%	101,699	94,853	7.2 %
Chicago	159,959	152,859	4.6 %	60,448	57,285	5.5 %	5,512	5,956	(7.5)%	93,999	89,618	4.9 %
Atlanta	115,727	113,863	1.6 %	23,410	22,474	4.2 %	4,479	4,795	(6.6)%	87,838	86,594	1.4 %
Houston	121,981	115,142	5.9 %	31,620	31,534	0.3 %	4,262	4,637	(8.1)%	86,099	78,971	9.0 %
Orlando-Daytona	83,774	78,622	6.6 %	16,429	14,883	10.4 %	3,172	3,487	(9.0)%	64,173	60,252	6.5 %
Philadelphia	73,611	72,597	1.4 %	15,874	15,685	1.2 %	2,489	2,717	(8.4)%	55,248	54,195	1.9 %
West Palm Beach	71,441	69,122	3.4 %	15,551	13,847	12.3 %	1,982	2,022	(2.0)%	53,908	53,253	1.2 %
Tampa	66,996	65,397	2.4 %	15,097	13,574	11.2 %	2,352	2,478	(5.1)%	49,547	49,345	0.4 %
Charlotte	61,705	58,424	5.6 %	11,246	9,752	15.3 %	2,073	2,413	(14.1)%	48,386	46,259	4.6 %
All other markets	1,067,353	1,029,053	3.7 %	228,268	213,959	6.7 %	41,096	45,198	(9.1)%	797,989	769,896	3.6 %
Totals	\$ 3,427,867	\$ 3,273,823	4.7 %	\$ 696,823	\$ 651,350	7.0 %	\$ 105,446	\$ 115,055	(8.4)%	\$ 2,625,598	\$ 2,507,418	4.7 %

Same Store Facilities Operating Trends by Market (Continued)

	As of December 31, 2023		Year Ended December 31,								
	Number of Facilities	Square Feet (millions)	Realized Rent per Occupied Square Foot			Average Occupancy			Realized Rent per Available Square Foot		
			2022	2021	Change	2022	2021	Change	2022	2021	Change
Los Angeles	214	15.5 \$	32.40 \$	27.17	19.2 %	96.9 %	98.1 %	(1.2)%	31.38 \$	26.66	17.7 %
San Francisco	129	7.9	31.28	27.93	12.0 %	95.2 %	97.2 %	(2.1)%	29.78	27.13	9.8 %
New York	92	6.8	30.51	27.25	12.0 %	94.3 %	96.1 %	(1.9)%	28.78	26.20	9.8 %
Miami	86	6.2	28.09	22.37	25.6 %	95.6 %	97.0 %	(1.4)%	26.86	21.70	23.8 %
Seattle-Tacoma	89	6.0	25.06	21.84	14.7 %	94.1 %	95.2 %	(1.2)%	23.57	20.79	13.4 %
Washington DC	90	5.5	25.42	22.65	12.2 %	93.4 %	95.3 %	(2.0)%	23.74	21.58	10.0 %
Dallas-Ft. Worth	111	7.6	17.16	14.51	18.3 %	94.4 %	95.6 %	(1.3)%	16.21	13.86	17.0 %
Chicago	130	8.2	19.27	16.61	16.0 %	93.6 %	95.7 %	(2.2)%	18.04	15.90	13.5 %
Atlanta	102	6.7	17.26	14.35	20.3 %	93.7 %	96.0 %	(2.4)%	16.18	13.78	17.4 %
Houston	101	7.5	15.79	13.38	18.0 %	93.5 %	94.2 %	(0.7)%	14.77	12.61	17.1 %
Orlando-Daytona	69	4.4	17.96	14.87	20.8 %	95.9 %	95.7 %	0.2 %	17.22	14.23	21.0 %
Philadelphia	56	3.5	20.92	18.55	12.8 %	94.4 %	97.1 %	(2.8)%	19.75	18.02	9.6 %
West Palm Beach	39	2.8	25.01	20.80	20.2 %	95.8 %	96.9 %	(1.1)%	23.96	20.15	18.9 %
Tampa	53	3.5	18.87	15.49	21.8 %	95.1 %	96.2 %	(1.1)%	17.94	14.90	20.4 %
Charlotte	52	3.9	14.99	12.41	20.8 %	95.0 %	95.9 %	(0.9)%	14.24	11.90	19.7 %
All other markets	926	58.9	17.77	15.34	15.8 %	94.7 %	96.1 %	(1.5)%	16.83	14.74	14.2 %
Totals	2,339	154.9 \$	21.58 \$	18.49	16.7 %	94.8 %	96.2 %	(1.5)%	20.45 \$	17.79	15.0 %

Same Store Facilities Operating Trends by Market (Continued)

	Year Ended December 31,											
	Revenues (\$000's)			Direct Expenses (\$000's)			Indirect Expenses (\$000's)			Net Operating Income (\$000's)		
	2022	2021	Change	2022	2021	Change	2022	2021	Change	2022	2021	Change
Los Angeles	\$ 498,061	\$ 422,050	18.0 %	\$ 64,052	\$ 59,751	7.2 %	\$ 11,814	\$ 11,138	6.1 %	\$ 422,195	\$ 351,161	20.2 %
San Francisco	240,098	218,105	10.1 %	35,401	34,184	3.6 %	6,680	6,847	(2.4)%	198,017	177,074	11.8 %
New York	199,749	181,741	9.9 %	47,189	44,890	5.1 %	5,566	5,705	(2.4)%	146,994	131,146	12.1 %
Miami	170,961	138,184	23.7 %	30,384	27,948	8.7 %	4,211	4,405	(4.4)%	136,366	105,831	28.9 %
Seattle-Tacoma	145,924	128,517	13.5 %	24,710	23,684	4.3 %	4,097	4,271	(4.1)%	117,117	100,562	16.5 %
Washington DC	135,483	122,902	10.2 %	27,850	26,531	5.0 %	4,140	4,079	1.5 %	103,493	92,292	12.1 %
Dallas-Ft. Worth	128,468	109,607	17.2 %	28,771	26,598	8.2 %	4,844	4,972	(2.6)%	94,853	78,037	21.5 %
Chicago	152,859	134,392	13.7 %	57,285	52,415	9.3 %	5,956	5,834	2.1 %	89,618	76,143	17.7 %
Atlanta	113,863	96,698	17.8 %	22,474	19,236	16.8 %	4,795	4,923	(2.6)%	86,594	72,539	19.4 %
Houston	115,142	97,868	17.7 %	31,534	30,179	4.5 %	4,637	4,770	(2.8)%	78,971	62,919	25.5 %
Orlando-Daytona	78,622	64,982	21.0 %	14,883	13,543	9.9 %	3,487	3,284	6.2 %	60,252	48,155	25.1 %
Philadelphia	72,597	66,000	10.0 %	15,685	15,105	3.8 %	2,717	2,730	(0.5)%	54,195	48,165	12.5 %
West Palm Beach	69,122	58,021	19.1 %	13,847	12,218	13.3 %	2,022	2,119	(4.6)%	53,253	43,684	21.9 %
Tampa	65,397	54,289	20.5 %	13,574	12,259	10.7 %	2,478	2,495	(0.7)%	49,345	39,535	24.8 %
Charlotte	58,424	48,735	19.9 %	9,752	9,460	3.1 %	2,413	2,289	5.4 %	46,259	36,986	25.1 %
All other markets	1,029,053	899,507	14.4 %	213,959	203,407	5.2 %	45,198	43,479	4.0 %	769,896	652,621	18.0 %
Totals	\$ 3,273,823	\$ 2,841,598	15.2 %	\$ 651,350	\$ 611,408	6.5 %	\$ 115,055	\$ 113,340	1.5 %	\$ 2,507,418	\$ 2,116,850	18.5 %

Acquired Facilities

The Acquired Facilities represent 470 facilities that we acquired in 2021, 2022, and 2023. As a result of the stabilization process and timing of when these facilities were acquired, year-over-year changes can be significant. The following table summarizes operating data with respect to the Acquired Facilities:

ACQUIRED FACILITIES	Year Ended December 31,			Year Ended December 31,		
	2023	2022	Change (a)	2022	2021	Change (a)
	(\$ amounts in thousands, except for per square foot amounts)					
Revenues (b):						
2021 Acquisitions	\$ 345,061	\$ 312,300	\$ 32,761	\$ 312,300	\$ 106,474	\$ 205,826
2022 Acquisitions	50,105	14,945	35,160	14,945	—	14,945
2023 Acquisitions	55,487	—	55,487	—	—	—
Total revenues	<u>450,653</u>	<u>327,245</u>	<u>123,408</u>	<u>327,245</u>	<u>106,474</u>	<u>220,771</u>
Cost of operations (b):						
2021 Acquisitions	104,665	101,859	2,806	101,859	32,705	69,154
2022 Acquisitions	19,911	7,885	12,026	7,885	—	7,885
2023 Acquisitions	19,922	—	19,922	—	—	—
Total cost of operations	<u>144,498</u>	<u>109,744</u>	<u>34,754</u>	<u>109,744</u>	<u>32,705</u>	<u>77,039</u>
Net operating income:						
2021 Acquisitions	240,396	210,441	29,955	210,441	73,769	136,672
2022 Acquisitions	30,194	7,060	23,134	7,060	—	7,060
2023 Acquisitions	35,565	—	35,565	—	—	—
Net operating income	<u>306,155</u>	<u>217,501</u>	<u>88,654</u>	<u>217,501</u>	<u>73,769</u>	<u>143,732</u>
Depreciation and amortization expense	<u>(323,796)</u>	<u>(280,871)</u>	<u>(42,925)</u>	<u>(280,871)</u>	<u>(131,998)</u>	<u>(148,873)</u>
Net (loss) income	<u>\$ (17,641)</u>	<u>\$ (63,370)</u>	<u>\$ 45,729</u>	<u>\$ (63,370)</u>	<u>\$ (58,229)</u>	<u>\$ (5,141)</u>
At December 31:						
Square foot occupancy:						
2021 Acquisitions	81.5%	83.1%	(1.9)%	83.1%	79.9%	4.0%
2022 Acquisitions	82.2%	79.4%	3.5%	79.4%	—%	—%
2023 Acquisitions	83.1%	—%	—%	—%	—%	—%
	<u>82.1%</u>	<u>82.5%</u>	<u>(0.5)%</u>	<u>82.5%</u>	<u>79.9%</u>	<u>3.3%</u>
Annual contract rent per occupied square foot:						
2021 Acquisitions	\$ 18.72	\$ 17.81	5.1%	\$ 17.81	\$ 15.62	14.0%
2022 Acquisitions	13.06	11.48	13.8%	11.48	—	—%
2023 Acquisitions	16.78	—	—%	—	—	—%
	<u>\$ 17.41</u>	<u>\$ 16.73</u>	<u>4.1%</u>	<u>\$ 16.73</u>	<u>\$ 15.62</u>	<u>7.1%</u>
Number of facilities:						
2021 Acquisitions	232	232	—	232	232	—
2022 Acquisitions	74	74	—	74	—	74
2023 Acquisitions	164	—	164	—	—	—
	<u>470</u>	<u>306</u>	<u>164</u>	<u>306</u>	<u>232</u>	<u>74</u>
Net rentable square feet (in thousands):						
2021 Acquisitions (c)	22,009	21,908	101	21,908	21,830	78
2022 Acquisitions	4,740	4,726	14	4,726	—	4,726
2023 Acquisitions	12,067	—	12,067	—	—	—
	<u>38,816</u>	<u>26,634</u>	<u>12,182</u>	<u>26,634</u>	<u>21,830</u>	<u>4,804</u>

ACQUIRED FACILITIES (Continued)

	As of December 31, 2023
Costs to acquire (in thousands):	
2021 Acquisitions (c)	\$ 5,115,276
2022 Acquisitions	730,957
2023 Acquisitions (d)	2,674,840
	<u>\$ 8,521,073</u>

- (a) Represents the percentage change with respect to square foot occupancy and annual contract rent per occupied square foot, and the absolute nominal change with respect to all other items.
- (b) Revenues and cost of operations do not include tenant reinsurance and merchandise sale revenues and expenses generated at the facilities. See “Ancillary Operations” below for more information.
- (c) We have completed the expansion projects on facilities acquired in 2021 for \$26.9 million, adding 179,000 net rentable square feet of storage space as of December 31, 2023.
- (d) The amount includes the costs allocated to land, buildings and intangible assets associated with the 127 self-storage facilities from the Simply Acquisition.

We have been active in acquiring facilities in recent years. Since the beginning of 2021, we acquired a total of 470 facilities with 38.8 million net rentable square feet for \$8.5 billion. During 2023, these facilities contributed net operating income of \$306.2 million, consistent with our original underwritten expectations.

During 2023, we acquired BREIT Simply Storage LLC, a self-storage company that owns and operates 127 self-storage facilities (9.4 million square feet) and manages 25 self-storage facilities (1.8 million square feet) for third parties, for a purchase price of \$2.2 billion in cash. Included in the 2023 Acquisition results in the table above are the Simply portfolio self-storage revenues of \$44.4 million, NOI of \$29.4 million (including Direct NOI of \$31.2 million), and average square footage occupancy of 87.7% for 2023 since the acquisition on September 13, 2023.

During 2021, we acquired the ezStorage portfolio, consisting of 48 properties (4.1 million net rentable square feet) for acquisition cost of \$1.8 billion. As of December 31, 2023, we have completed the expansion projects on four properties of this portfolio for \$26.5 million, adding 169,000 net rentable square feet of storage space. Included in the 2021 Acquisition results in the table above are ezStorage portfolio revenues of \$105.1 million, NOI of \$82.2 million (including Direct NOI of \$84.5 million), and average square footage occupancy of 86.3% for 2023.

During 2021, we acquired the All Storage portfolio, consisting of 56 properties (7.5 million net rentable square feet) for \$1.5 billion. Included in the 2021 Acquisition results in the table above are All Storage portfolio revenues of \$89.1 million, NOI of \$59.0 million (including Direct NOI of \$61.8 million), and average square footage occupancy of 77.9% for 2023.

We remain active in seeking to acquire additional self-storage facilities. Future acquisition volume is likely to be impacted by increasing cost of capital requirements and overall macro-economic uncertainties.

Developed and Expanded Facilities

The developed and expanded facilities include 57 facilities that were developed on new sites since January 1, 2018, and 88 facilities expanded to increase their net rentable square footage. Of these expansions, 61 were completed before 2022, 22 were completed in 2022 or 2023, and five are currently in process at December 31, 2023. The following table summarizes operating data with respect to the Developed and Expanded Facilities:

DEVELOPED AND EXPANDED FACILITIES

	Year Ended December 31,			Year Ended December 31,		
	2023	2022	Change (a)	2022	2021	Change (a)
	(\$ amounts in thousands, except for per square foot amounts)					
Revenues (b):						
Developed in 2018	\$ 40,206	\$ 36,789	\$ 3,417	\$ 36,789	\$ 28,308	\$ 8,481
Developed in 2019	18,081	16,444	1,637	16,444	11,921	4,523
Developed in 2020	7,621	6,838	783	6,838	3,405	3,433
Developed in 2021	11,134	8,333	2,801	8,333	1,602	6,731
Developed in 2022	6,893	687	6,206	687	—	687
Developed in 2023	1,032	—	1,032	—	—	—
Expansions completed before 2022	138,629	127,290	11,339	127,290	88,168	39,122
Expansions completed in 2022 or 2023	27,698	20,914	6,784	20,914	20,400	514
Expansions in process	11,156	13,704	(2,548)	13,704	13,315	389
Total revenues	<u>262,450</u>	<u>230,999</u>	<u>31,451</u>	<u>230,999</u>	<u>167,119</u>	<u>63,880</u>
Cost of operations (b):						
Developed in 2018	11,662	10,742	920	10,742	9,983	759
Developed in 2019	5,608	5,622	(14)	5,622	5,240	382
Developed in 2020	1,884	1,702	182	1,702	1,679	23
Developed in 2021	3,849	3,539	310	3,539	1,546	1,993
Developed in 2022	3,563	738	2,825	738	—	738
Developed in 2023	1,638	—	1,638	—	—	—
Expansions completed before 2022	38,885	37,502	1,383	37,502	32,945	4,557
Expansions completed in 2022 or 2023	9,644	5,805	3,839	5,805	5,370	435
Expansions in process	1,798	2,155	(357)	2,155	2,127	28
Total cost of operations	<u>78,531</u>	<u>67,805</u>	<u>10,726</u>	<u>67,805</u>	<u>58,890</u>	<u>8,915</u>
Net operating income (loss):						
Developed in 2018	28,544	26,047	2,497	26,047	18,325	7,722
Developed in 2019	12,473	10,822	1,651	10,822	6,681	4,141
Developed in 2020	5,737	5,136	601	5,136	1,726	3,410
Developed in 2021	7,285	4,794	2,491	4,794	56	4,738
Developed in 2022	3,330	(51)	3,381	(51)	—	(51)
Developed in 2023	(606)	—	(606)	—	—	—
Expansions completed before 2022	99,744	89,788	9,956	89,788	55,223	34,565
Expansions completed in 2022 or 2023	18,054	15,109	2,945	15,109	15,030	79
Expansions in process	9,358	11,549	(2,191)	11,549	11,188	361
Net operating income	<u>183,919</u>	<u>163,194</u>	<u>20,725</u>	<u>163,194</u>	<u>108,229</u>	<u>54,965</u>
Depreciation and amortization expense	(61,421)	(54,115)	(7,306)	(54,115)	(47,549)	(6,566)
Net income	<u>\$ 122,498</u>	<u>\$ 109,079</u>	<u>\$ 13,419</u>	<u>\$ 109,079</u>	<u>\$ 60,680</u>	<u>\$ 48,399</u>

DEVELOPED AND EXPANDED FACILITIES
(Continued)

	As of December 31,			As of December 31,		
	2023	2022	Change (a)	2022	2021	Change (a)
	(\$ amounts in thousands, except for per square foot amounts)					
Square foot occupancy:						
Developed in 2018	86.7%	87.5%	(0.9)%	87.5%	88.6%	(1.2)%
Developed in 2019	84.6%	87.3%	(3.1)%	87.3%	87.3%	—%
Developed in 2020	89.4%	94.3%	(5.2)%	94.3%	88.9%	6.1%
Developed in 2021	81.5%	82.4%	(1.1)%	82.4%	48.8%	68.9%
Developed in 2022	77.7%	43.6%	78.2%	43.6%	—%	—%
Developed in 2023	27.9%	—%	—%	—%	—%	—%
Expansions completed before 2022	86.4%	87.0%	(0.7)%	87.0%	85.0%	2.4%
Expansions completed in 2022 or 2023	70.4%	71.4%	(1.4)%	71.4%	84.8%	(15.8)%
Expansions in process	63.4%	86.2%	(26.5)%	86.2%	96.5%	(10.7)%
	<u>79.3%</u>	<u>83.4%</u>	<u>(4.9)%</u>	<u>83.4%</u>	<u>84.4%</u>	<u>(1.2)%</u>
Annual contract rent per occupied square foot:						
Developed in 2018	\$ 21.32	\$ 20.84	2.3%	\$ 20.84	\$ 17.08	22.0%
Developed in 2019	18.83	18.19	3.5%	18.19	14.58	24.8%
Developed in 2020	22.73	21.75	4.5%	21.75	17.67	23.1%
Developed in 2021	19.78	18.04	9.6%	18.04	15.41	17.1%
Developed in 2022	16.20	13.84	17.1%	13.84	—	—%
Developed in 2023	9.61	—	—%	—	—	—%
Expansions completed before 2022	18.36	17.89	2.6%	17.89	14.92	19.9%
Expansions completed in 2022 or 2023	18.88	18.72	0.9%	18.72	18.19	2.9%
Expansions in process	28.66	30.93	(7.3)%	30.93	28.29	9.3%
	<u>\$ 18.67</u>	<u>\$ 18.37</u>	<u>1.6%</u>	<u>\$ 18.37</u>	<u>\$ 15.65</u>	<u>17.4%</u>
Number of facilities:						
Developed in 2018	18	18	—	18	18	—
Developed in 2019	11	11	—	11	11	—
Developed in 2020	3	3	—	3	3	—
Developed in 2021	6	6	—	6	6	—
Developed in 2022	8	8	—	8	—	8
Developed in 2023	11	—	11	—	—	—
Expansions completed before 2022	61	61	—	61	61	—
Expansions completed in 2022 or 2023	22	22	—	22	22	—
Expansions in process	5	5	—	5	5	—
	<u>145</u>	<u>134</u>	<u>11</u>	<u>134</u>	<u>126</u>	<u>8</u>
Net rentable square feet (in thousands):						
Developed in 2018	2,069	2,069	—	2,069	2,069	—
Developed in 2019	1,057	1,057	—	1,057	1,057	—
Developed in 2020	347	347	—	347	347	—
Developed in 2021	681	681	—	681	681	—
Developed in 2022	631	631	—	631	—	631
Developed in 2023	1,098	—	1,098	—	—	—
Expansions completed before 2022	8,390	8,382	8	8,382	8,413	(31)
Expansions completed in 2022 or 2023	2,353	1,771	582	1,771	1,216	555
Expansions in process	475	428	47	428	490	(62)
	<u>17,101</u>	<u>15,366</u>	<u>1,735</u>	<u>15,366</u>	<u>14,273</u>	<u>1,093</u>

	As of December 31, 2023
Costs to develop (in thousands):	
Developed in 2018	\$ 262,187
Developed in 2019	150,387
Developed in 2020	42,063
Developed in 2021	115,632
Developed in 2022	100,089
Developed in 2023	193,766
Expansions completed before 2022 (c)	506,594
Expansions completed in 2022 or 2023 (c)	268,449
	<u>\$ 1,639,167</u>

- (a) Represents the percentage change with respect to square foot occupancy and annual contract rent per occupied square foot, and the absolute nominal change with respect to all other items.
- (b) Revenues and cost of operations do not include tenant reinsurance and merchandise sales generated at the facilities. See “Ancillary Operations” below for more information.
- (c) These amounts only include the direct cost incurred to expand and renovate these facilities, and do not include (i) the original cost to develop or acquire the facility or (ii) the lost revenue on space demolished during the construction and fill-up period.

Our Developed and Expanded Facilities includes a total of 145 self-storage facilities of 17.1 million net rentable square feet. For development and expansions completed by December 31, 2023, we incurred a total cost of \$1.6 billion. During 2023, Developed and Expanded Facilities contributed net operating income of \$183.9 million.

It typically takes at least three to four years for a newly developed or expanded self-storage facility to stabilize with respect to revenues. Physical occupancy can be achieved as early as two to three years following completion of the development or expansion through offering lower rental rates during fill-up. As a result, even after achieving high occupancy, there can still be a period of elevated revenue growth as the tenant base matures and higher rental rates are achieved.

We believe that our development and redevelopment activities generate favorable risk-adjusted returns over the long run. However, in the short run, our earnings are diluted during the construction and stabilization period due to the cost of capital to fund the development cost, the related construction and development overhead expenses included in general and administrative expense, and the net operating loss from newly developed facilities undergoing fill-up.

We typically underwrite new developments to stabilize at approximately an 8.0% NOI yield on cost. Our developed facilities have thus far leased up as expected and are at various stages of their revenue stabilization periods. The actual annualized yields that we may achieve on these facilities upon stabilization will depend on many factors, including local and current market conditions in the vicinity of each property and the level of new and existing supply.

The facilities under “expansions completed” represent those facilities where the expansions have been completed at December 31, 2023. We incurred a total of \$775.0 million in direct cost to expand these facilities, demolished a total of 1.3 million net rentable square feet of storage space, and built a total of 6.8 million net rentable square feet of new storage space.

At December 31, 2023, we had 23 additional facilities in development, which will have a total of 2.3 million net rentable square feet of storage space and have an aggregate development cost totaling approximately \$461.4 million. We expect these facilities to open over the next 18 to 24 months.

The facilities under “expansion in process” represent those facilities where construction is in process at December 31, 2023, and together with additional future expansion activities primarily related to our Same Store Facilities at December 31, 2023, we expect to add a total of 1.3 million net rentable square feet of storage space by expanding existing self-storage facilities for an aggregate direct development cost of \$304.8 million.

Other Non-Same Store Facilities

The “Other Non-Same Store Facilities” represent facilities which, while not newly acquired, developed, or expanded, are not fully stabilized since January 1, 2021, including facilities undergoing fill-up as well as facilities damaged in casualty events such as hurricanes, floods, and fires.

The Other Non-Same Store Facilities have an aggregate of 7.3 million net rentable square feet, including 1.3 million in Texas, 0.5 million in Pennsylvania, 0.4 million in each of California, Florida, Illinois, Michigan, Minnesota, Ohio, and Washington, 0.3 million in each of Arizona, Georgia, and South Carolina, 0.2 million in each of Alabama, Colorado, Missouri, and Virginia, and 1.0 million in other states.

During 2023, 2022, and 2021, the average occupancy for these facilities totaled 88.1%, 90.2%, and 84.8%, respectively, and the realized rent per occupied square foot totaled \$18.51, \$17.10, and \$13.96, respectively.

Depreciation and amortization expense

Depreciation and amortization expense for Self-Storage Operations increased \$81.9 million in 2023 as compared to 2022 and increased \$174.7 million in 2022 as compared to 2021, due to elevated levels of capital expenditures and new facilities that are recently acquired and developed. We expect continued increases in depreciation expense in 2024 as a result of elevated levels of capital expenditures and new facilities that are acquired, developed or expanded in 2024.

The following discussion and analysis of the components of net income, including Ancillary Operations and certain items not allocated to segments, present a comparison for the year ended December 31, 2023 to the year ended December 31, 2022. The results of these components for the years ended December 31, 2022 compared to December 31, 2021 was included in our Annual Report on Form 10-K for the year ended December 31, 2022 on page 22, under Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," which was filed with the SEC on February 21, 2023.

Ancillary Operations

Ancillary revenues and expenses include amounts associated with the reinsurance of policies against losses to goods stored by tenants in our self-storage facilities, sale of merchandise at our self-storage facilities, and management of property owned by unrelated third parties. The following table sets forth our ancillary operations:

	Year Ended December 31,		
	2023	2022	Change
	(Amounts in thousands)		
Revenues:			
Tenant reinsurance premiums	\$ 203,503	\$ 188,201	\$ 15,302
Merchandise	27,511	28,303	(792)
Third party property management	27,063	19,631	7,432
Total revenues	<u>258,077</u>	<u>236,135</u>	<u>21,942</u>
Cost of operations:			
Tenant reinsurance	42,366	36,830	5,536
Merchandise	17,137	17,113	24
Third party property management	26,493	18,755	7,738
Total cost of operations	<u>85,996</u>	<u>72,698</u>	<u>13,298</u>
Net operating income:			
Tenant reinsurance	161,137	151,371	9,766
Merchandise	10,374	11,190	(816)
Third party property management	570	876	(306)
Total net operating income	<u>\$ 172,081</u>	<u>\$ 163,437</u>	<u>\$ 8,644</u>

Tenant reinsurance operations: Tenant reinsurance premium revenue increased \$15.3 million or 8.1% in 2023 over 2022, as a result of an increase in our tenant base with respect to acquired, newly developed, and expanded facilities and the third party properties we manage, as well as the increase of tenant insurance participation at our same store facilities. Tenant reinsurance premium revenue generated from tenants at our Same-Store Facilities were \$149.8 million and \$144.4 million in 2023 and 2022, respectively, representing a 3.7% year over year increase in 2023.

We expect future growth will come primarily from customers of newly acquired and developed facilities and the increase of tenant insurance participation at our same store facilities.

Cost of operations primarily includes claims paid as well as claims adjustment expenses. Claims expenses vary based upon the number of insured tenants and the volume of events that drive covered customer losses, such as burglary, as well as catastrophic weather events affecting multiple properties such as hurricanes and floods. Tenant reinsurance cost of operations increased \$5.5 million in 2023, as compared to 2022, primarily due to increased claim expenses related to burglary events.

Third-party property management: At December 31, 2023, in our third-party property management program, we managed 210 facilities for unrelated third parties, and were under contract to manage 114 additional facilities including 105 facilities that are currently under construction. During 2023, we added 152 facilities to the program (including 25 third-party facilities from the Simply Acquisition), acquired two facilities from the program, and had 18 properties exit the program. While we expect this business to increase in scope and size, we do not expect any significant changes in overall profitability of this business in the near term as we seek new properties to manage and are in the earlier stages of fill-up for newly managed properties.

Analysis of items not allocated to segments

Equity in earnings of unconsolidated real estate entities

We account for the equity investments in Shurgard and PSB (prior to the sale of our investment in PSB) using the equity method and record our pro-rata share of the net income of these entities. The following table, and the discussion below, sets forth our equity in earnings of unconsolidated real estate entities:

	Year Ended December 31,		
	2023	2022	Change
	(Amounts in thousands)		
Equity in earnings:			
Shurgard	\$ 27,897	\$ 26,385	\$ 1,512
PSB	—	80,596	(80,596)
Total equity in earnings	<u>\$ 27,897</u>	<u>\$ 106,981</u>	<u>\$ (79,084)</u>

Investment in Shurgard: For purposes of recording our equity in earnings from Shurgard, the Euro was translated at exchange rates of approximately 1.104 U.S. Dollars per Euro at December 31, 2023 (1.070 at December 31, 2022), and average exchange rates of 1.081 for 2023 and 1.054 for 2022.

Included in our equity earnings from Shurgard for the year ended December 31, 2022 is our equity share of gains on sale of real estate totaling \$3.5 million (none for 2023). Also included were \$36.8 million and \$33.4 million of our share of depreciation and amortization expense for 2023 and 2022, respectively.

Investment in PSB: On July 20, 2022, in connection with the closing of the merger of PSB with affiliates of Blackstone Real Estate, we completed the sale of our 41% common equity interest in PSB in its entirety. At the close of the merger transaction, we received a total of \$2.7 billion of cash proceeds and recognized a gain of \$2.1 billion during the third quarter of 2022.

Included in our equity earnings from PSB for 2022 is our equity share of gains on sale of real estate totaling \$49.1 million. Our equity share of earnings from PSB contributed \$57.7 million to Core FFO in 2022. Since the sale of PSB in July 2022, we no longer recognize equity in earnings from PSB.

Real estate acquisition and development expense: In 2023, 2022 and 2021, we incurred a total of \$26.5 million, \$28.7 million, and \$12.9 million, respectively, of internal and external expenses related to our acquisition and development of real estate facilities. These amounts are net of \$18.0 million, \$17.4 million and \$14.6 million in 2023, 2022 and 2021, respectively, in development costs that were capitalized to newly developed and redeveloped self-storage facilities. During 2023 and 2022, we wrote off \$11.7 million and \$7.0 million, respectively, of accumulated development costs for cancelled development and redevelopment projects. During 2023, 2022 and 2021, we recognized a total of \$1.2 million, \$11.2 million, and \$4.0 million, respectively, of share-based compensation expense related to real estate management personnel. The year-over-year changes in 2023 and 2022 were due primarily to the absence of comparable accelerated compensation expense recognized for awards granted to real estate management personnel who are eligible for immediate vesting of their outstanding awards upon retirement.

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

	Year Ended December 31,			Year Ended December 31,		
	2023	2022	Change	2022	2021	Change
	(Amounts in thousands)					
Share-based compensation expense	\$ 25,399	\$ 26,661	\$ (1,262)	\$ 26,661	\$ 33,729	\$ (7,068)
Legal costs	3,304	4,014	(710)	4,014	6,194	(2,180)
Corporate management costs	25,708	21,808	3,900	21,808	18,594	3,214
Other costs	26,221	19,189	7,032	19,189	17,449	1,740
Total	<u>\$ 80,632</u>	<u>\$ 71,672</u>	<u>\$ 8,960</u>	<u>\$ 71,672</u>	<u>\$ 75,966</u>	<u>\$ (4,294)</u>

General and administrative expense increased \$9.0 million in 2023, as compared to 2022 due primarily to an increase in other costs driven by higher spending in IT applications and software development and costs incurred for our UPREIT reorganization and an increase in corporate management costs driven by higher payroll costs.

General and administrative expense decreased \$4.3 million in 2022, as compared to 2021 due primarily to a decrease in share-based compensation expense driven by lower accelerated compensation expense recognized for awards granted to corporate management personnel who are eligible for immediate vesting of their outstanding awards upon retirement, partially offset by an increase in corporate management cost driven by higher payroll cost.

Interest and other income: The following table sets forth our interest and other income:

	Year Ended December 31,		
	2023	2022	Change
	(Amounts in thousands)		
Interest earned on cash balances	\$ 64,819	\$ 20,824	\$ 43,995
Commercial operations	9,531	9,846	(315)
Unrealized gain on private equity investments	2,817	4,685	(1,868)
Other	8,423	5,212	3,211
Total	<u>\$ 85,590</u>	<u>\$ 40,567</u>	<u>\$ 45,023</u>

Interest earned on cash balances increased \$44.0 million in 2023 over 2022 due primarily to higher average cash balances resulting from temporary cash held from the issuance of \$2.2 billion unsecured senior notes on July 26, 2023 until the funding of the Simply Acquisition on September 13, 2023 and higher interest rates in the financial markets in 2023 as compared to 2022.

Interest expense: For 2023 and 2022, we incurred \$210.4 million and \$142.4 million, respectively, of interest on our outstanding notes payable. In determining interest expense, these amounts were offset by capitalized interest of \$9.3 million and \$6.0 million during 2023 and 2022, respectively, associated with our development activities. The increase of interest expense in 2023 as compared to 2022 is due to the issuance of \$2.2 billion of notes payable in July 2023 and the increase of Compounded SOFR on our \$700.0 million variable rate unsecured notes issued in April 2021, partially offset by the interest savings on the \$500.0 million unsecured notes redeemed in August 2022. At December 31, 2023, we had \$9.1 billion of notes payable outstanding, with a weighted average interest rate of approximately 3.1%.

Foreign currency exchange (loss) gain: For 2023, we recorded foreign currency losses of \$51.2 million, representing primarily the changes in the U.S. Dollar equivalent of our Euro-denominated unsecured notes due to fluctuations in exchange rates (gains of \$98.3 million for 2022). The Euro was translated at exchange rates of approximately 1.104 U.S. Dollars per Euro at December 31, 2023 and 1.070 at December 31, 2022. Future gains and losses on foreign currency will be dependent upon changes in the relative value of the Euro to the U.S. Dollar and the level of Euro-denominated notes payable outstanding.

Gain on sale of real estate: During 2023, we completed a real estate transaction with a third-party, through which we sold an operating self-storage facility with a net book value of \$7.1 million for gross proceeds of \$40.0 million and acquired a nearby land parcel for \$13.5 million. At the close of the transaction, we entered into a leaseback of the self-storage facility until we complete development of the acquired land into a self-storage facility, no later than December 31, 2026. Of the \$40.0 million in gross proceeds, \$24.3 million was allocated to the sale of the property based on its estimated fair value, resulting a net gain on sale of real estate of \$17.1 million after direct transaction costs, and \$15.7 million was classified as a reduction of costs to develop the acquired land included in construction in process.

During 2023, we also sold a land parcel for \$0.1 million in cash and recorded a related gain on sale of real estate of \$0.1 million. In 2022, we recorded gains totaling \$1.5 million, in connection with the partial sale of real estate facilities pursuant to eminent domain proceedings.

Income tax expense: We operate as a REIT for U.S. federal income tax purposes. As a REIT, we are generally not subject to U.S. federal income taxes on our taxable income distributed to stockholders. In 2023, 2022, and 2021, we recorded income tax expense totaling \$10.8 million, \$14.3 million and \$12.4 million, respectively, related to our taxable REIT subsidiaries and in the state and local jurisdictions in which we operate. The year-over-year changes of income tax expense in 2023 and 2022 were primarily driven by changes in state income tax, due to fluctuations of taxable income in certain states where there are differences between federal and state tax laws.

Liquidity and Capital Resources

Overview and our Sources of Capital

While operating as a REIT allows us to minimize the payment of U.S. federal corporate income tax expense, we are required to distribute at least 90% of our taxable income to our shareholders. Notwithstanding this requirement, our annual operating retained cash flow increased from \$200 million to \$300 million per year in recent years to approximately \$700 million in 2021, \$1 billion in 2022 and \$480 million for 2023 after a 50% increase in annual dividend in 2023. Retained operating cash flow represents our expected cash flow provided by operating activities (including property operating costs and interest payments described below), less shareholder distributions and capital expenditures. We expect retained cash flow of approximately \$450 million for 2024.

Capital needs in excess of retained cash flow are met with: (i) medium and long-term debt, (ii) preferred equity, (iii) limited partnership interests, and (iv) common equity. We select among these sources of capital based upon relative cost, availability, the desire for leverage, and considering potential constraints caused by certain features of capital sources, such as debt covenants. We view our line of credit, as well as any short-term bank loans, as bridge financing.

Because raising capital is important to our growth, we endeavor to maintain a strong financial profile characterized by strong credit metrics, including low leverage relative to our total capitalization and operating cash flows. We are one of the highest rated REITs, as rated by major rating agencies Moody's and Standard & Poor's. Our senior notes payable have an "A" credit rating by Standard & Poor's and "A2" by Moody's. Our credit ratings on each of our series of preferred shares are "A3" by Moody's and "BBB+" by Standard & Poor's. Our credit profile enables us to effectively access both the public and private capital markets to raise capital.

On June 12, 2023, we amended our revolving line of credit, increasing the borrowing limit from \$500 million to \$1.5 billion. We increased the size of the revolving line of credit and its associated lender base given our increased levels of debt maturities in coming years and to serve as temporary "bridge" financing until we are able to raise longer term capital. As of December 31, 2023 and February 20, 2024, there were no borrowings outstanding on the revolving line of credit; however, we do have approximately \$14.6 million of outstanding letters of credit, which limits our borrowing capacity to \$1,485.4 million as of February 20, 2024. Our line of credit matures on June 12, 2027.

We believe that we have significant financial flexibility to adapt to changing conditions and opportunities, and we have significant access to sources of capital including debt and preferred equity. While the costs of financing have increased recently, based on our strong credit profile and our substantial current liquidity relative to our capital requirements noted below, we would not expect any potential capital market dislocations to have a material impact upon our expected capital and growth plans over the next 12 months. However, if capital market conditions deteriorate significantly for a long period of time, our access to or cost of debt and preferred equity capital could be negatively impacted and potentially affect future investment activities.

Our current and expected capital resources include: (i) \$370.0 million of cash as of December 31, 2023 and (ii) approximately \$450 million of expected retained operating cash flow over the next twelve months. Additionally, we have \$1,485.4 million available borrowing capacity on our revolving line of credit, which can be used as temporary "bridge" financing until we are able to raise longer term capital. We believe that our cash provided by our operating activities will continue to be sufficient to enable us to meet our ongoing cash requirements for interest payments on debt, maintenance capital expenditures, and distributions to our shareholders for the foreseeable future.

As described below, our current committed cash requirements consist of (i) \$420.7 million of remaining spending on our current development pipeline, which will be incurred primarily in the next 18 to 24 months and (ii) \$810 million in scheduled principal repayments on our unsecured notes in the next twelve months, which we plan to refinance as they come due in April 2024. Our cash requirements may increase over the next year as we add projects to our development pipeline and acquire additional properties. Additional potential cash requirements could result from various activities including the redemption of outstanding preferred securities, repurchases of common stock, or merger and acquisition activities, as and to the extent we determine to engage in such activities.

Over the long term, to the extent that our cash requirements exceed our capital resources, we believe we have a variety of possibilities to raise additional capital including issuing common or preferred securities, debt, and limited partnership interests, or entering into joint venture arrangements to acquire or develop facilities.

Cash Requirements

The following summarizes our expected material cash requirements, which comprise (i) contractually obligated expenditures, including payments of principal and interest, (ii) other essential expenditures, including property operating expenses, maintenance capital expenditures and dividends paid in accordance with REIT distribution requirements, and (iii) opportunistic expenditures, including acquisitions and developments and repurchases of our securities. We expect to satisfy these cash requirements through operating cash flow and opportunistic debt and equity financings.

Required Debt Repayments: As of December 31, 2023, the principal outstanding on our debt totaled approximately \$9.2 billion, consisting of \$7.5 billion of U.S. Dollar denominated unsecured notes payable, \$1.7 billion of Euro-denominated unsecured notes payable, and \$1.8 billion of mortgage notes payable. Approximate principal maturities and interest payments (including \$62.8 million in estimated interest on our \$1.1 billion variable rate unsecured notes based on rates in effect at December 31, 2023) are as follows (amounts in thousands):

	Principal	Interest	Total
2024	\$ 810,496	\$ 250,656	\$ 1,061,152
2025	667,247	222,674	889,921
2026	1,150,138	196,588	1,346,726
2027	500,146	184,643	684,789
2028	1,200,129	163,152	1,363,281
Thereafter	4,825,634	1,103,883	5,929,517
	<u>\$ 9,153,790</u>	<u>\$ 2,121,596</u>	<u>\$ 11,275,386</u>

We have \$700 million of our U.S. Dollar denominated unsecured notes that mature on April 23, 2024 and €100 million of our Euro denominated unsecured notes that mature on April 12, 2024. We plan to refinance these unsecured notes as they come due in April 2024.

Capital Expenditure Requirements: Capital expenditures include general maintenance, major repairs, or replacements to elements of our facilities to keep our facilities in good operating condition and maintain their visual appeal. Capital expenditures do not include costs relating to the development of new facilities or redevelopment of existing facilities to increase their available rentable square footage.

We spent \$237 million of capital expenditures to maintain real estate facilities in 2023 and expect to spend approximately \$180 million in 2024. In addition to standard capital repairs of building elements reaching the end of their useful lives, our capital expenditures in recent years have included incremental expenditures to enhance the competitive position of certain of our facilities relative to local competitors pursuant to a multi-year program. Such investments include development of more pronounced, attractive, and clearly identifiable color schemes and signage and upgrades to the configuration and layout of the offices and other customer zones to improve the customer experience. We spent approximately \$160 million in 2023 and expect to spend \$150 million in 2024 on this effort. In addition, we have spent \$65 million in LED lighting and the installation of solar panels in 2023 and we expect to spend \$120 million in 2024.

We believe that these incremental investments improve customer satisfaction, the attractiveness and competitiveness of our facilities to new and existing customers and, in the case of LED lighting and solar panels, reduce operating costs.

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. For each taxable year in which we qualify for taxation as a REIT, we will not be subject to U.S. federal corporate income tax on our "REIT taxable income" (generally, taxable income subject to specified adjustments, including a deduction for dividends paid and excluding our net capital gain) that is distributed to our shareholders. We believe we have met these requirements in all periods presented herein, and we expect to continue to qualify as a REIT.

Our consistent, long-term dividend policy has been to distribute 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 flows from operating activities.

The annual distribution requirement with respect to our preferred shares outstanding at December 31, 2023 is approximately \$194.7 million per year.

Real Estate Investment Activities: We continue to seek to acquire additional self-storage facilities from third parties. However, future acquisition volume will depend upon whether additional owners will be motivated to market their facilities, which will in turn depend upon factors such as economic conditions and the level of seller confidence.

As of December 31, 2023, we had development and expansion projects at a total cost of approximately \$766.2 million. Costs incurred through December 31, 2023 were \$345.5 million, with the remaining cost to complete of \$420.7 million expected to be incurred primarily in the next 18 to 24 months. Some of these projects are subject to contingencies such as entitlement approval. We expect to continue to seek to add projects to maintain and increase our robust pipeline. Our ability to do so continues to be challenged by various constraints such as difficulty in finding projects that meet our risk-adjusted yield expectations and challenges in obtaining building permits for self-storage facilities in certain municipalities.

Property Operating Expenses: The direct and indirect cost of our operations impose significant cash requirements. Direct operating costs include property taxes, on-site property manager payroll, repairs and maintenance, utilities, and marketing. Indirect operating costs include supervisory payroll and centralized management costs. The cash requirements from these operating costs will vary year to year based on, among other things, changes in the size of our portfolio and changes in property tax rates and assessed values, wage rates, and marketing costs in our markets.

Redemption of Preferred Securities: Historically, we have taken advantage of refinancing higher coupon preferred securities with lower coupon preferred securities. In the future, we may also elect to finance the redemption of preferred securities with proceeds from the issuance of debt. As of February 20, 2024, we have three series of preferred securities that are eligible for redemption, at our option and with 30 days' notice: our 5.150% Series F Preferred Shares (\$280.0 million), 5.050% Series G Preferred Shares (\$300.0 million), and 5.600% Series H Preferred Shares (\$285.0 million). See Note 10 to our December 31, 2023 consolidated financial statements for the redemption dates of all of our series of preferred shares. Redemption of such preferred shares will depend upon many factors, including the rate at which we could issue replacement preferred securities. None of our preferred securities are redeemable at the option of the holders.

Repurchases of Common Shares: Our Board has authorized management to repurchase up to 35,000,000 of our common shares on the open market or in privately negotiated transactions. During 2023, we did not repurchase any of our common shares. From the inception of the repurchase program through February 20, 2024, 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.

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, which totals approximately \$9.1 billion at December 31, 2023, is the only market-risk sensitive portion of our capital structure.

The fair value of our debt at December 31, 2023 is approximately \$8.6 billion. The table below summarizes the annual maturities of our debt, which had a weighted average effective rate of 3.1% at December 31, 2023. See Note 8 to our December 31, 2023 consolidated financial statements for further information regarding our debt (amounts in thousands).

	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>Thereafter</u>	<u>Total</u>
Debt	\$ 810,496	\$ 667,247	\$ 1,150,138	\$ 500,146	\$ 1,200,129	\$ 4,825,634	\$ 9,153,790

We have foreign currency exposure at December 31, 2023 related to (i) our investment in Shurgard, with a book value of \$390.2 million, and a fair value of \$1.7 billion based upon the closing price of Shurgard's stock on December 31, 2023, and (ii) €1.5 billion (\$1.7 billion) of Euro-denominated unsecured notes payable, providing a natural hedge against the fair value of our investment in Shurgard.

ITEM 8. Financial Statements and Supplementary Data

The financial statements and supplementary data appearing on pages F-3 to F-35 are incorporated herein by reference.

ITEM 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

Not applicable.

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 (the "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, 2023, 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, 2023, 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 (2013 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, 2023.

The effectiveness of internal control over financial reporting as of December 31, 2023, has been audited by Ernst & Young LLP, an 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 2023 to which this report relates that have materially affected, or are reasonable likely to materially affect, our internal control over financial reporting.

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Trustees of Public Storage

Opinion on Internal Control Over Financial Reporting

We have audited Public Storage's internal control over financial reporting as of December 31, 2023, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Public Storage (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2023, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2023 and 2022, the related consolidated statements of income, comprehensive income, equity and redeemable noncontrolling interests and cash flows for each of the three years in the period ended December 31, 2023 and the related notes and financial statement schedule listed in the Index at Item 15(a) and our report dated February 20, 2024 expressed an unqualified opinion thereon.

Basis for Opinion

The Company'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 are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. 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.

Definition and Limitations of Internal Control Over Financial Reporting

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 directors 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.

/s/ Ernst & Young LLP

Los Angeles, California
February 20, 2024

ITEM 9B. Other Information

During the three months ended December 31, 2023, no trustee or officer of the Company, nor the Company itself, adopted or terminated a “Rule 10b5-1 trading arrangement” or “non-Rule 10b5-1 trading arrangement,” as each term is defined in Item 408(a) of Regulation S-K.

ITEM 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable.

PART III

ITEM 10. Trustees, Executive Officers and Corporate Governance

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

Joseph D. Russell, Jr., age 64, has served as Chief Executive Officer since January 1, 2019, and as President since July 2016. Prior to joining Public Storage, Mr. Russell was President and Chief Executive Officer of PS Business Parks, Inc. from August 2002 to July 2016. Mr. Russell has also served as a trustee of Public Storage since January 1, 2019.

H. Thomas Boyle, age 40, has served as Chief Financial Officer since January 1, 2019 and Chief Investment Officer since January 1, 2023. Previously, Mr. Boyle was Vice President and Chief Financial Officer, Operations, from November 2016, when he joined the Company, until January 2019. Prior to joining Public Storage, Mr. Boyle served in roles of increasing responsibilities with Morgan Stanley since 2005, from analyst to his last role as Executive Director, Equity and Debt Capital Markets. Mr. Boyle has served as a director of Shurgard since May 2023.

Natalia N. Johnson, age 46, has served as Chief Administrative Officer since August 4, 2020. Previously, Ms. Johnson was Senior Vice President, Chief Human Resources Officer from April 2018 until August 2020, and prior to that was Senior Vice President of Human Resources, a position she held since joining the Company in July 2016. Prior to joining Public Storage, Ms. Johnson held a variety of senior management positions at Bank of America, including Chief Operating Officer for Mortgage Technology and Human Resources Executive for the Mortgage Business, and worked for Coca-Cola Andina and San Cristóbal Insurance. Ms. Johnson has served as a director of WillScot Mobile Mini Holdings Corp. since August 2023 and is a member of the Audit and Compensation committees.

Nathaniel A. Vitan, age 50, has served as Senior Vice President, Chief Legal Officer and Corporate Secretary since April 20, 2019, and was previously Vice President and Chief Counsel—Litigation and Operations since joining the Company in June 2016 until April 2019. Prior to joining Public Storage, Mr. Vitan was Assistant General Counsel for Altria Client Services LLC from 2008 to 2016, and before then was a Trial and Appellate Practice attorney at Latham & Watkins LLP.

Other information required by this item is hereby incorporated by reference to the material appearing in the Company's Notice and Proxy Statement for its 2024 Annual Meeting of Shareholders, to be filed pursuant to Regulation 14A under the Exchange Act.

ITEM 11. Executive Compensation

The information required by this item is hereby incorporated by reference to the material appearing in the Company's Notice and Proxy Statement for its 2024 Annual Meeting of Shareholders, to be filed pursuant to Regulation 14A under the Exchange Act.

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

The following table sets forth information, as of December 31, 2023 on the Company's equity compensation plans:

Equity Compensation Plan Information

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants, and rights (A)	Weighted-average exercise price of outstanding options, warrants, and rights (B)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (A)) (C)
Equity compensation plans approved by security holders (a)	3,724,762 (b)	\$ 220.18 (c)	1,364,578
Equity compensation plans not approved by security holders (d)	—	—	—
Total	3,724,762 (b)	\$ 220.18 (c)	1,364,578

- a) The Company's equity compensation plans are described more fully in Note 12 to the December 31, 2023 financial statements. All plans have been approved by the Company's shareholders.
- b) Includes (i) stock options to purchase 3,244,606 common shares, including performance-based stock options as to which the performance period had not ended or the Compensation Committee had not certified performance as of December 31, 2023, which stock options are reflected in the table above assuming a maximum payout, (ii) 469,387 restricted share units, including performance-based restricted share units as to which the performance period had not ended as of December 31, 2023, which restricted share units are reflected in the table above assuming a maximum payout, and (iii) 10,769 fully vested deferred share units. All restricted share units, if and when vested, and all deferred share units will be settled in common shares on a one-for-one basis.
- c) Represents the weighted average exercise price of stock options to purchase 2,857,836 common shares, excluding the performance-based stock options described in footnote (b), above. The 469,387 restricted share units would vest for no consideration.
- d) There were no securities outstanding or available for future issuance under equity compensation plans not approved by the Company's shareholders.

Other information required by this item is hereby incorporated by reference to the material appearing in the Company's Notice and Proxy Statement for its 2024 Annual Meeting of Shareholders, to be filed pursuant to Regulation 14A under the Exchange Act.

ITEM 13. Certain Relationships and Related Transactions and Trustee Independence

The information required by this item is hereby incorporated by reference to the material appearing in the Company's Notice and Proxy Statement for its 2024 Annual Meeting of Shareholders, to be filed pursuant to Regulation 14A under the Exchange Act.

ITEM 14. Principal Accountant Fees and Services

The information required by this item is hereby incorporated by reference to the material appearing in the Company's Notice and Proxy Statement for its 2024 Annual Meeting of Shareholders, to be filed pursuant to Regulation 14A under the Exchange Act of 1934.

PART IV

ITEM 15. Exhibits and Financial Statement Schedules

a. 1. Financial Statements

The financial statements listed in the accompanying Index to Consolidated 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 Consolidated 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))

- 2.1 [Agreement and Plan of Merger, dated August 2, 2023, by and among Old PSA, New PSA and Merger Sub. Filed as Exhibit 2.1 to the Company's Current Report on Form 8-K dated August 2, 2023 and incorporated herein by reference.](#)
- 3.1 [Amended and Restated Declaration of Trust of Public Storage, a Maryland real estate investment trust, dated August 14, 2023. Filed as Exhibit 3.1 to the Company's Current Report on Form 8-K dated August 14, 2023 and incorporated herein by reference.](#)
- 3.2 [Amended and Restated Bylaws of Public Storage. Filed as Exhibit 3.1 to the Company's Current Report on Form 8-K dated November 13, 2023 and incorporated herein by reference.](#)
- 3.3 [Articles of Merger. Filed as Exhibit 3.3 to the Company's Current Report on Form 8-K dated August 14, 2023 and incorporated herein by reference.](#)
- 3.4 [Articles Supplementary of Public Storage, dated August 2, 2023. Filed as Exhibit 3.1 to the Company's Current Report on Form 8-K dated August 2, 2023 and incorporated herein by reference.](#)
- 4.1 [Description of the Company's Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934. Filed herewith.](#)
- 4.2 [Master Deposit Agreement, dated as of May 31, 2007. Filed as Exhibit 10.1 to the Company's Current Report on Form 8-K dated June 6, 2007 and incorporated herein by reference.](#)
- 4.3 [Amended and Restated Indenture, dated as of August 14, 2023, among Public Storage, Public Storage Operating Company and Computershare Trust Company, N.A. \(as successor to Wells Fargo Bank, National Association\), as trustee. Filed as Exhibit A to Exhibit 4.1 to the Company's Current Report on Form 8-K dated August 14, 2023 and incorporated herein by reference.](#)
- 4.4 [First Supplemental Indenture, dated as of September 18, 2017, between Public Storage and Wells Fargo Bank, National Association, as trustee, including the form of Global Note representing the 2022 Notes and the form of Global Note representing the 2027 Notes. Filed as Exhibit 4.2 to the Company's Current Report on Form 8-K dated September 18, 2017 and incorporated herein by reference.](#)
- 4.5 [Second Supplemental Indenture, dated as of April 12, 2019, between Public Storage and Wells Fargo Bank, National Association, as trustee, including the form of Global Note representing the 2029 Notes. Filed as Exhibit 4.2 to the Company's Current Report on Form 8-K dated April 12, 2019 and incorporated herein by reference.](#)
- 4.6 [Third Supplemental Indenture, dated as of January 24, 2020, between Public Storage and Wells Fargo Bank, National Association, as trustee, including the form of Global Note representing the 2032 Notes. Filed as Exhibit 4.2 to the Company's Current Report on Form 8-K dated January 24, 2020 and incorporated herein by reference.](#)
- 4.7 [Fourth Supplemental Indenture, dated as of January 19, 2021, between Public Storage and Wells Fargo Bank, National Association, as trustee, including the form of Global Note representing the 2026 Notes. Filed as Exhibit 4.2 to the Company's Current Report on Form 8-K dated January 14, 2021 and incorporated herein by reference.](#)
- 4.8 [Fifth Supplemental Indenture, dated as of April 23, 2021, between Public Storage and Wells Fargo Bank, National Association, as trustee, including the form of Global Note representing the Floating Rate Notes. Filed as Exhibit 4.2 to the Company's Current Report on Form 8-K dated April 23, 2021 and incorporated herein by reference.](#)
- 4.9 [Sixth Supplemental Indenture, dated as of April 23, 2021, between Public Storage and Wells Fargo Bank, National Association, as trustee, including the form of Global Note representing the 2028 Notes. Filed as Exhibit 4.3 to the Company's Current Report on Form 8-K dated April 23, 2021 and incorporated herein by reference.](#)

- 4.10 [Seventh Supplemental Indenture, dated as of April 23, 2021, between Public Storage and Wells Fargo Bank, National Association, as trustee, including the form of Global Note representing the 2031 Notes. Filed as Exhibit 4.4 to the Company's Current Report on Form 8-K dated April 23, 2021 and incorporated herein by reference.](#)
- 4.11 [Eighth Supplemental Indenture, dated as of September 9, 2021, between Public Storage and Wells Fargo Bank, National Association, as trustee, including the form of Global Note representing the 2030 Notes. Filed as Exhibit 4.2 to the Company's Current Report on Form 8-K dated September 9, 2021 and incorporated herein by reference.](#)
- 4.12 [Ninth Supplemental Indenture, dated as of November 9, 2021, between Public Storage and Computershare Trust Company, N.A. \(as successor to Wells Fargo Bank, National Association\), as trustee, including the form of Global Note representing the 2026 Notes. Filed as Exhibit 4.2 to the Company's Current Report on Form 8-K dated November 9, 2021 and incorporated herein by reference.](#)
- 4.13 [Tenth Supplemental Indenture, dated as of November 9, 2021, between Public Storage and Computershare Trust Company, N.A. \(as successor to Wells Fargo Bank, National Association\), as trustee, including the form of Global Note representing the 2028 Notes. Filed as Exhibit 4.3 to the Company's Current Report on Form 8-K dated November 9, 2021 and incorporated herein by reference.](#)
- 4.14 [Eleventh Supplemental Indenture, dated as of November 9, 2021, between Public Storage and Computershare Trust Company, N.A. \(as successor to Wells Fargo Bank, National Association\), as trustee, including the form of Global Note representing the 2031 Notes. Filed as Exhibit 4.4 to the Company's Current Report on Form 8-K dated November 9, 2021 and incorporated herein by reference.](#)
- 4.15 [Twelfth Supplemental Indenture, dated as of July 26, 2023, between Public Storage and Computershare Trust Company, N.A. \(as successor to Wells Fargo Bank, National Association\), as trustee, including the form of Global Note representing the 2033 Notes. Filed as Exhibit 4.2 to the Company's Current Report on Form 8-K dated July 26, 2023 and incorporated herein by reference.](#)
- 4.16 [Thirteenth Supplemental Indenture, dated as of July 26, 2023, between Public Storage and Computershare Trust Company, N.A. \(as successor to Wells Fargo Bank, National Association\), as trustee, including the form of Global Note representing the 2029 Notes. Filed as Exhibit 4.3 to the Company's Current Report on Form 8-K dated July 26, 2023 and incorporated herein by reference.](#)
- 4.17 [Fourteenth Supplemental Indenture, dated as of July 26, 2023, between Public Storage and Computershare Trust Company, N.A. \(as successor to Wells Fargo Bank, National Association\), as trustee, including the form of Global Note representing the 2033 Notes. Filed as Exhibit 4.4 to the Company's Current Report on Form 8-K dated July 26, 2023 and incorporated herein by reference.](#)
- 4.18 [Fifteenth Supplemental Indenture, dated as of July 26, 2023, between Public Storage and Computershare Trust Company, N.A. \(as successor to Wells Fargo Bank, National Association\), as trustee, including the form of Global Note representing the 2053 Notes. Filed as Exhibit 4.5 to the Company's Current Report on Form 8-K dated July 26, 2023 and incorporated herein by reference.](#)
- 4.19 [Sixteenth Supplemental Indenture, dated August 14, 2023, by and among Public Storage Operating Company, Public Storage and Computershare Trust Company, N.A. Filed as Exhibit 4.1 to the Company's Current Report on Form 8-K dated August 14, 2023 and incorporated herein by reference.](#)
- 10.1 [Note Purchase Agreement, dated as of November 3, 2015, by and among Public Storage and the signatories thereto. Filed as Exhibit 10.1 to the Company's Current Report on Form 8-K dated November 3, 2015 and incorporated herein by reference.](#)
- 10.2 [Note Purchase Agreement, dated as of April 12, 2016, by and among Public Storage and the signatories thereto. Filed as Exhibit 10.1 to the Company's Current Report on Form 8-K dated April 12, 2016 and incorporated herein by reference.](#)
- 10.3 [Amendment No. 1 to 2015 Note Purchase Agreement, dated as of July 28, 2023, by and among Public Storage and the signatories thereto. Filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2023 and incorporated herein by reference.](#)
- 10.4 [Amendment No. 1 to 2016 Note Purchase Agreement, dated as of July 28, 2023, by and among Public Storage and the signatories thereto. Filed as Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2023 and incorporated herein by reference.](#)

- 10.5 [Third Amended and Restated Credit Agreement, dated as of June 12, 2023, by and among the Company, the financial institutions party thereto, Wells Fargo Securities, LLC, BofA Securities, Inc. and JPMorgan Chase Bank, N.A., as Joint Bookrunners, Wells Fargo Securities, LLC, BofA Securities, Inc., JPMorgan Chase Bank, N.A., The Bank of Nova Scotia, BNP Paribas and Sumitomo Mitsui Banking Corporation, as Joint Lead Arrangers, Wells Fargo Bank, National Association, as Agent, Bank of America, N.A. and JPMorgan Chase Bank, N.A., as Co-Syndication Agents, and PNC Bank, National Association, TD Bank, N.A., The Bank of Nova Scotia, BNP Paribas and Sumitomo Mitsui Banking Corporation, as Documentation Agents. Filed as Exhibit 10.1 to the Company's Current Report on Form 8-K dated June 12, 2023 and incorporated herein by reference.](#)
- 10.6 [Parent Guarantee, dated as of August 14, 2023, by Public Storage. Filed as Exhibit 10.1 to the Company's Current Report on Form 8-K dated August 14, 2023 and incorporated herein by reference.](#)
- 10.7 [Form of Trustee and Officer Indemnification Agreement. Filed as Exhibit 10.19 to the Company's Annual Report on Form 10-K for the year ended December 31, 2016 and incorporated herein by reference.](#)
- 10.8* [Public Storage 2007 Equity and Performance-Based Incentive Compensation Plan, as Amended \(2007 Plan\). Filed as Exhibit 10.1 to the Company's Current Report on Form 8-K dated May 1, 2014 and incorporated herein by reference.](#)
- 10.9* [Public Storage 2016 Equity and Performance-Based Incentive Compensation Plan \(2016 Plan\). Filed as Exhibit 10.6 to the Company's Annual Report on Form 10-K for the year ended December 31, 2022 and incorporated herein by reference.](#)
- 10.10* [Public Storage 2021 Equity and Performance-Based Incentive Compensation Plan \(2021 Plan\). Filed as Exhibit 10.7 to the Company's Annual Report on Form 10-K for the year ended December 31, 2022 and incorporated herein by reference.](#)
- 10.11* [Form of 2007 Plan Restricted Stock Unit Agreement. Filed as Exhibit 10.11 to the Company's Annual Report on Form 10-K for the year ended December 31, 2015 and incorporated herein by reference.](#)
- 10.12* [Form of 2007 Plan Restricted Stock Unit Agreement \(deferral of receipt of shares\). Filed as Exhibit 10.12 to the Company's Annual Report on Form 10-K for the year ended December 31, 2015 and incorporated herein by reference.](#)
- 10.13* [Form of 2007 Plan Stock Option Agreement. Filed as Exhibit 10.13 to the Company's Annual Report on Form 10-K for the year ended December 31, 2015 and incorporated herein by reference.](#)
- 10.14* [Form of 2007 Plan Trustee Stock Option Agreement. Filed as Exhibit 10.14 to the Company's Annual Report on Form 10-K for the year ended December 31, 2015 and incorporated herein by reference.](#)
- 10.15* [Form of 2016 Plan Restricted Stock Unit Agreement \(deferral of receipt of shares\). Filed as Exhibit 10.16 to the Company's Annual Report on Form 10-K for the year ended December 31, 2016 and incorporated herein by reference.](#)
- 10.16* [Form of 2016 Plan Trustee Non-Qualified Stock Option Agreement. Filed as Exhibit 10.18 to the Company's Annual Report on Form 10-K for the year ended December 31, 2016 and incorporated herein by reference.](#)
- 10.17* [Form of 2016 Plan Restricted Stock Unit Agreement \(deferral of receipt of shares\) \(2018\). Filed as Exhibit 10.26 to the Company's Annual Report on Form 10-K for the year ended December 31, 2018 and incorporated herein by reference.](#)
- 10.18* [Form of 2016 Plan Trustee Deferred Stock Unit Agreement \(2018\). Filed as Exhibit 10.29 to the Company's Annual Report on Form 10-K for the year ended December 31, 2018 and incorporated herein by reference.](#)
- 10.19* [Form of 2016 Plan Executive Restricted Stock Unit Agreement \(2018\). Filed as Exhibit 10.30 to the Company's Annual Report on Form 10-K for the year ended December 31, 2018 and incorporated herein by reference.](#)
- 10.20* [Form of 2016 Employee Stock Unit Agreement \(2020\). Filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2020 and incorporated herein by reference.](#)
- 10.21* [Form of 2016 Plan Employee Non-Qualified Stock Option Agreement \(2020\). Filed as Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2020 and incorporated herein by reference.](#)

10.22*	Form of 2016 Plan Performance-Based Non-Qualified Stock Option Agreement (2020). Filed as Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2020 and incorporated herein by reference.
10.23*	Form of 2021 Plan Employee Stock Unit Agreement (2021). Filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2021 and incorporated herein by reference.
10.24*	Form of 2021 Plan Employee Stock Unit Agreement (2022). Filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2022 and incorporated herein by reference.
10.25*	Form of 2021 Plan Trustee Non-Qualified Stock Option Agreement. Filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2022 and incorporated herein by reference.
10.26*	Form of 2021 Plan Performance-Based Non-Qualified Stock Option Agreement (2022). Filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2022 and incorporated herein by reference.
10.27*	Form of 2021 Plan Performance-Based Stock Unit Agreement (2022). Filed as Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2022 and incorporated herein by reference.
21	Listing of Subsidiaries. Filed herewith.
23.1	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.
97.1	Policy Relating to Recovery of Erroneously Awarded Compensation. Filed herewith.
101 .INS	Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document)
101 .SCH	Inline XBRL Taxonomy Extension Schema. Filed herewith.
101 .CAL	Inline XBRL Taxonomy Extension Calculation Linkbase. Filed herewith.
101 .DEF	Inline XBRL Taxonomy Extension Definition Linkbase. Filed herewith.
101 .LAB	Inline XBRL Taxonomy Extension Label Linkbase. Filed herewith.
101 .PRE	Inline XBRL Taxonomy Extension Presentation Link. Filed herewith.
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)
_ (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.

PUBLIC STORAGE

Date: February 20, 2024

By: /s/ Joseph D. Russell, Jr.
Joseph D. Russell, Jr.,
Chief Executive Officer, President and Trustee

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
<u>/s/ Joseph D. Russell, Jr.</u> Joseph D. Russell, Jr.	Chief Executive Officer, President and Trustee (principal executive officer)	February 20, 2024
<u>/s/ H. Thomas Boyle</u> H. Thomas Boyle	Chief Financial and Investment Officer (principal financial officer)	February 20, 2024
<u>/s/ Ronald L. Havner, Jr.</u> Ronald L. Havner, Jr.	Chairman of the Board	February 20, 2024
<u>/s/ Tamara Hughes Gustavson</u> Tamara Hughes Gustavson	Trustee	February 20, 2024
<u>/s/ Leslie Stone Heisz</u> Leslie Stone Heisz	Trustee	February 20, 2024
<u>/s/ Shankh S. Mitra</u> Shankh S. Mitra	Trustee	February 20, 2024
<u>/s/ David J. Neithercut</u> David J. Neithercut	Trustee	February 20, 2024
<u>/s/ Rebecca Owen</u> Rebecca Owen	Trustee	February 20, 2024
<u>/s/ Kristy M. Pipes</u> Kristy M. Pipes	Trustee	February 20, 2024
<u>/s/ Avedick B. Poladian</u> Avedick B. Poladian	Trustee	February 20, 2024
<u>/s/ John Reyes</u> John Reyes	Trustee	February 20, 2024

Signature	Title	Date
<u>/s/ Tariq M. Shaukat</u> Tariq M. Shaukat	Trustee	February 20, 2024
<u>/s/ Ronald P. Spogli</u> Ronald P. Spogli	Trustee	February 20, 2024
<u>/s/ Paul S. Williams</u> Paul S. Williams	Trustee	February 20, 2024

PUBLIC STORAGE
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS
AND SCHEDULES

(Item 15 (a))

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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 consolidated financial statements or notes thereto.

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Trustees of Public Storage

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Public Storage (the Company) as of December 31, 2023 and 2022, the related consolidated statements of income, comprehensive income, equity and redeemable noncontrolling interests and cash flows for each of the three years in the period ended December 31, 2023, and the related notes and financial statement schedule listed in the Index at Item 15(a) (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company at December 31, 2023 and 2022, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2023, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company’s internal control over financial reporting as of December 31, 2023, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated February 20, 2024 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Purchase Price Allocation

Description of the Matter

For the year ended December 31, 2023, the Company completed the acquisition of 164 self-storage facilities for a total purchase price of \$2.7 billion. As further discussed in Notes 2, 3 and 4 of the consolidated financial statements, the transactions were accounted for as asset acquisitions, and the purchase price was allocated based on a relative fair value of assets acquired and liabilities assumed, which consisted principally of land, buildings and acquired customers in place.

Auditing the accounting for the Company's 2023 acquisitions of self-storage facilities was subjective because the Company, with the assistance of its external valuation specialist, must exercise a high level of management judgment in determining the estimated fair value of land, buildings and acquired customers in place. The estimated fair value of land is based upon observable transactions involving comparable land in similar locations, as adjusted for location quality, parcel size and date of sale associated with the acquired facilities. Determining the fair value of acquired land was difficult due to the judgment utilized by management in making adjustments to the observable transaction data used in the estimate, particularly when there is a lack of recent comparable land market data. The estimated fair value of the acquired buildings was based upon (i) the income approach, which included estimating the fair value of hypothetical vacant acquired buildings and adjusting for the estimated fair value of land or (ii) estimated replacement costs, which were calculated by estimating the replacement cost of new facilities in similar geographic regions and adjusting those costs for the age, quality, amenities and configuration associated with the acquired facilities. Determining the fair value of the acquired buildings was challenging due to the judgment utilized by management in determining the assumptions utilized in the income approach and replacement cost approach. The estimated fair value of the acquired customers in place was based upon the income approach, which included estimating the forgone rent over the presumed period of time to absorb the occupied spaces if they were vacant at the time of acquisition. Determining the fair value of acquired customers in place was challenging due to the judgment utilized by management in determining the assumptions used in the income approach.

How We Addressed the Matter in Our Audit

We obtained an understanding, evaluated the design, and tested the operating effectiveness of controls over management's accounting for acquired self-storage facilities, including controls over the review of assumptions underlying the purchase price allocation and accuracy of the underlying data used. For example, we tested controls over the determination of the estimated fair values of the land, buildings and acquired customers in place, including the controls over the review of the valuation models and the underlying assumptions used to develop such estimates.

For the 2023 acquisitions of self-storage facilities described above, our procedures included, but were not limited to, reading the purchase and sale agreements and other closing documents, evaluating whether the Company had appropriately determined the transaction was an asset acquisition or business combination and performing a sensitivity analysis to evaluate the impact on the Company's financial statements resulting from changes in allocated land, building and acquired customers in place values. For certain of these asset acquisitions, we also evaluated the methods and significant assumptions used by the Company and tested the completeness and accuracy of the underlying data supporting the significant assumptions and estimates. Additionally, for certain of these asset acquisitions, we involved our valuation specialists to assist in the assessment of the methodology utilized by the Company and to perform corroborative analyses to assess whether the assumptions used in the valuation and the estimated fair values were supported by observable market data.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 1980.

Los Angeles, California
February 20, 2024

PUBLIC STORAGE
CONSOLIDATED BALANCE SHEETS
(Amounts in thousands, except share data)

	December 31, 2023	December 31, 2022
<u>ASSETS</u>		
Cash and equivalents	\$ 370,002	\$ 775,253
Real estate facilities, at cost:		
Land	5,628,488	5,273,073
Buildings	21,836,750	18,946,053
	27,465,238	24,219,126
Accumulated depreciation	(9,423,974)	(8,554,155)
	18,041,264	15,664,971
Construction in process	345,453	372,992
	18,386,717	16,037,963
Investments in unconsolidated real estate entities	390,180	275,752
Goodwill and other intangible assets, net	387,267	232,517
Other assets	275,050	230,822
Total assets	\$ 19,809,216	\$ 17,552,307
<u>LIABILITIES AND EQUITY</u>		
Notes payable	\$ 9,103,277	\$ 6,870,826
Accrued and other liabilities	598,993	514,680
Total liabilities	9,702,270	7,385,506
Commitments and contingencies (Note 15)		
Equity:		
Public Storage shareholders' equity:		
Preferred Shares, \$0.01 par value, 100,000,000 shares authorized, 174,000 shares issued (in series) and outstanding, (174,000 shares at December 31, 2022) at liquidation preference	4,350,000	4,350,000
Common Shares, \$0.10 par value, 650,000,000 shares authorized, 175,670,727 shares issued and outstanding (175,265,668 shares at December 31, 2022)	17,567	17,527
Paid-in capital	5,980,760	5,896,423
Accumulated deficit	(267,910)	(110,231)
Accumulated other comprehensive loss	(67,239)	(80,317)
Total Public Storage shareholders' equity	10,013,178	10,073,402
Noncontrolling interests	93,768	93,399
Total equity	10,106,946	10,166,801
Total liabilities and equity	\$ 19,809,216	\$ 17,552,307

See accompanying notes.

PUBLIC STORAGE
CONSOLIDATED STATEMENTS OF INCOME
(Amounts in thousands, except per share amounts)

	For the Years Ended December 31,		
	2023	2022	2021
Revenues:			
Self-storage facilities	\$ 4,259,613	\$ 3,946,028	3,203,566
Ancillary operations	258,077	236,135	212,258
	<u>4,517,690</u>	<u>4,182,163</u>	<u>3,415,824</u>
Expenses:			
Self-storage cost of operations	1,061,950	980,209	852,030
Ancillary cost of operations	85,996	72,698	68,568
Depreciation and amortization	970,056	888,146	713,428
Real estate acquisition and development expense	26,451	28,744	12,923
General and administrative	80,632	71,672	75,966
Interest expense	201,132	136,319	90,774
	<u>2,426,217</u>	<u>2,177,788</u>	<u>1,813,689</u>
Other increases (decreases) to net income:			
Interest and other income	85,590	40,567	12,306
Equity in earnings of unconsolidated real estate entities	27,897	106,981	232,093
Foreign currency exchange (loss) gain	(51,197)	98,314	111,787
Gain on sale of real estate	17,178	1,503	13,683
Gain on sale of equity investment in PS Business Parks, Inc.	—	2,128,860	—
Income before income tax expense	<u>2,170,941</u>	<u>4,380,600</u>	<u>1,972,004</u>
Income tax expense	(10,821)	(14,326)	(12,365)
Net income	<u>2,160,120</u>	<u>4,366,274</u>	<u>1,959,639</u>
Allocation to noncontrolling interests	(11,793)	(17,127)	(6,376)
Net income allocable to Public Storage shareholders	<u>2,148,327</u>	<u>4,349,147</u>	<u>1,953,263</u>
Allocation of net income to:			
Preferred shareholders	(194,703)	(194,390)	(186,579)
Preferred shareholders - redemptions (Note 10)	—	—	(28,914)
Restricted share units	(4,883)	(12,469)	(5,326)
Net income allocable to common shareholders	<u>\$ 1,948,741</u>	<u>\$ 4,142,288</u>	<u>\$ 1,732,444</u>
Net income per common share:			
Basic	<u>\$ 11.11</u>	<u>\$ 23.64</u>	<u>\$ 9.91</u>
Diluted	<u>\$ 11.06</u>	<u>\$ 23.50</u>	<u>\$ 9.87</u>
Basic weighted average common shares outstanding	<u>175,472</u>	<u>175,257</u>	<u>174,858</u>
Diluted weighted average common shares outstanding	<u>176,143</u>	<u>176,280</u>	<u>175,568</u>

See accompanying notes.

PUBLIC STORAGE
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in thousands)

	For the Years Ended December 31,		
	2023	2022	2021
Net income	\$ 2,160,120	\$ 4,366,274	\$ 1,959,639
Foreign currency translation gain (loss) on investment in Shurgard	13,078	(26,730)	(10,186)
Total comprehensive income	2,173,198	4,339,544	1,949,453
Allocation to noncontrolling interests	(11,793)	(17,127)	(6,376)
Comprehensive income allocable to Public Storage shareholders	<u>\$ 2,161,405</u>	<u>\$ 4,322,417</u>	<u>\$ 1,943,077</u>

See accompanying notes.
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PUBLIC STORAGE
CONSOLIDATED STATEMENTS OF EQUITY AND REDEEMABLE NONCONTROLLING INTERESTS
(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	Redeemable Noncontrolling Interests
Balances at December 31, 2020	\$ 3,792,500	\$ 17,458	\$ 5,707,101	\$ (914,791)	\$ (43,401)	\$ 8,558,867	\$ 18,032	\$ 8,576,899	\$ —
Issuance of 47,300 preferred shares (Note 10)	1,182,500	—	(35,045)	—	—	1,147,455	—	1,147,455	—
Redemption of 35,000 preferred shares (Note 10)	(875,000)	—	—	—	—	(875,000)	—	(875,000)	—
Issuance of common shares in connection with share-based compensation (552,713 shares) (Note 12)	—	55	95,805	—	—	95,860	—	95,860	—
Share-based compensation expense, net of cash paid in lieu of common shares (Note 12)	—	—	54,492	—	—	54,492	—	54,492	—
Acquisition of noncontrolling interests	—	—	(686)	—	—	(686)	(6)	(692)	—
Contributions by noncontrolling interests	—	—	—	—	—	—	2,451	2,451	68,170
Net income	—	—	—	1,959,639	—	1,959,639	—	1,959,639	—
Net income allocated to noncontrolling interests	—	—	—	(6,376)	—	(6,376)	5,906	(470)	470
Distributions to:									—
Preferred shareholders (Note 10)	—	—	—	(186,579)	—	(186,579)	—	(186,579)	—
Noncontrolling interests	—	—	—	—	—	—	(6,271)	(6,271)	(391)
Common shareholders and restricted share unitholders (\$8.00 per share)	—	—	—	(1,402,309)	—	(1,402,309)	—	(1,402,309)	—
Other comprehensive loss	—	—	—	—	(10,186)	(10,186)	—	(10,186)	—
Balances at December 31, 2021	\$ 4,100,000	\$ 17,513	\$ 5,821,667	\$ (550,416)	\$ (53,587)	\$ 9,335,177	\$ 20,112	\$ 9,355,289	\$ 68,249
Issuance of 10,000 preferred shares (Note 10)	250,000	—	(7,168)	—	—	242,832	—	242,832	—
Issuance of common shares in connection with share-based compensation (283,190 shares) (Note 12)	—	29	35,376	—	—	35,405	—	35,405	—
Retirement of common shares (151,977 shares)	—	(15)	15	—	—	—	—	—	—
Taxes paid upon net share settlement of restricted share units	—	—	(16,827)	—	—	(16,827)	—	(16,827)	—
Share-based compensation expense (Note 12)	—	—	63,360	—	—	63,360	—	63,360	—
Contributions by noncontrolling interests	—	—	—	—	—	—	6,708	6,708	15,426
Reclassification from redeemable noncontrolling interests to noncontrolling interests	—	—	—	—	—	—	83,826	83,826	(83,826)
Net income	—	—	—	4,366,274	—	4,366,274	—	4,366,274	—

See accompanying notes.

	Cumulative Preferred Shares	Common Shares	Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Public Storage Shareholders' Equity	Noncontrolling Interests	Total Equity	Redeemable Noncontrolling Interests
Net income allocated to noncontrolling interests	—	—	—	(17,127)	—	(17,127)	16,467	(660)	660
Distributions to:									
Preferred shareholders (Note 10)	—	—	—	(194,390)	—	(194,390)	—	(194,390)	—
Noncontrolling interests	—	—	—	—	—	—	(33,714)	(33,714)	(509)
Common shareholders and restricted share unitholders (\$21.15 per share)	—	—	—	(3,714,572)	—	(3,714,572)	—	(3,714,572)	—
Other comprehensive loss	—	—	—	—	(26,730)	(26,730)	—	(26,730)	—
Balances at December 31, 2022	\$ 4,350,000	\$ 17,527	\$ 5,896,423	\$ (110,231)	\$ (80,317)	\$ 10,073,402	\$ 93,399	\$ 10,166,801	\$ —
Issuance of common shares in connection with share-based compensation (405,059 shares) (Note 12)	—	40	53,346	—	—	53,386	—	53,386	—
Taxes paid upon net share settlement of restricted share units	—	—	(13,950)	—	—	(13,950)	—	(13,950)	—
Share-based compensation cost (Note 12)	—	—	44,941	—	—	44,941	—	44,941	—
Contributions by noncontrolling interests	—	—	—	—	—	—	3,203	3,203	—
Net income	—	—	—	2,160,120	—	2,160,120	—	2,160,120	—
Net income allocated to noncontrolling interests	—	—	—	(11,793)	—	(11,793)	11,793	—	—
Distributions to:									
Preferred shareholders (Note 10)	—	—	—	(194,703)	—	(194,703)	—	(194,703)	—
Noncontrolling interests	—	—	—	—	—	—	(14,627)	(14,627)	—
Common shareholders and restricted share unitholders (\$12.00 per share)	—	—	—	(2,111,303)	—	(2,111,303)	—	(2,111,303)	—
Other comprehensive income	—	—	—	—	13,078	13,078	—	13,078	—
Balances at December 31, 2023	\$ 4,350,000	\$ 17,567	\$ 5,980,760	\$ (267,910)	\$ (67,239)	\$ 10,013,178	\$ 93,768	\$ 10,106,946	\$ —

See accompanying notes.

PUBLIC STORAGE
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in thousands)

	For the Years Ended December 31,		
	2023	2022	2021
Cash flows from operating activities:			
Net income	\$ 2,160,120	\$ 4,366,274	\$ 1,959,639
Adjustments to reconcile net income to net cash flows from operating activities:			
Gain on sale of equity investment in PS Business Parks, Inc.	—	(2,128,860)	—
Gain on sale of real estate	(17,178)	(1,503)	(13,683)
Depreciation and amortization	970,056	888,146	713,428
Equity in earnings of unconsolidated real estate entities	(27,897)	(106,981)	(232,093)
Distributions from cumulative equity in earnings of unconsolidated real estate entities	29,333	134,769	150,488
Unrealized foreign currency exchange loss (gain)	51,239	(97,563)	(111,787)
Share-based compensation expense	41,566	56,703	59,815
Other non-cash adjustments	20,508	15,207	4,883
Changes in operating assets and liabilities, excluding the impact of acquisitions:			
Other assets	(16,365)	(29,638)	(44,127)
Accrued and other liabilities	35,266	20,587	56,992
Net cash flows from operating activities	<u>3,246,648</u>	<u>3,117,141</u>	<u>2,543,555</u>
Cash flows from investing activities:			
Capital expenditures to maintain real estate facilities	(236,572)	(218,713)	(136,989)
Capital expenditures for property enhancements	(159,939)	(189,699)	(103,730)
Capital expenditures for energy efficiencies (LED lighting, solar)	(64,626)	(51,361)	(29,519)
Development and expansion of real estate facilities	(364,445)	(313,511)	(281,981)
Acquisition of real estate facilities and intangible assets	(473,176)	(757,944)	(5,047,106)
Acquisition of BREIT Simply Storage LLC, net of cash acquired	(2,178,151)	—	—
Distributions in excess of cumulative equity in earnings from unconsolidated real estate entities	10,975	13,670	19,518
Contributions to unconsolidated real estate entities	(112,554)	—	—
Proceeds from sale of real estate investments	39,986	1,543	16,296
Proceeds from sale of equity investment in PS Business Parks, Inc.	—	2,636,011	—
Net cash flows (used in) from investing activities	<u>(3,538,502)</u>	<u>1,119,996</u>	<u>(5,563,511)</u>
Cash flows from financing activities:			
Issuance costs on amendment of credit facility	(8,377)	—	—
Repayments of notes payable	(8,259)	(513,495)	(2,218)
Issuance of notes payable, net of issuance costs	2,181,273	—	5,038,904
Issuance of preferred shares	—	242,832	1,147,455
Issuance of common shares in connection with share-based compensation	53,131	35,271	95,860
Redemption of preferred shares	—	—	(1,175,000)
Taxes paid upon net share settlement of restricted share units	(13,950)	(16,827)	(13,069)
Acquisition of noncontrolling interests	—	—	(692)
Contributions by noncontrolling interests	3,203	1,669	2,451
Distributions paid to preferred shareholders, common shareholders and restricted share unitholders	(2,305,322)	(3,908,497)	(1,588,888)
Distributions paid to noncontrolling interests	(14,627)	(34,223)	(6,662)
Net cash flows (used in) from financing activities	<u>(112,928)</u>	<u>(4,193,270)</u>	<u>3,498,141</u>
Net cash flows (used in) from operating, investing, and financing activities	<u>(404,782)</u>	<u>43,867</u>	<u>478,185</u>
Net effect of foreign exchange impact on cash and equivalents, including restricted cash	—	—	505
Net (decrease) increase in cash and equivalents, including restricted cash	<u>\$ (404,782)</u>	<u>\$ 43,867</u>	<u>\$ 478,690</u>

See accompanying notes.
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PUBLIC STORAGE
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in thousands)

	For the Years Ended December 31,		
	2023	2022	2021
Cash and equivalents, including restricted cash at beginning of the period:			
Cash and equivalents	\$ 775,253	\$ 734,599	\$ 257,560
Restricted cash included in other assets	29,904	26,691	25,040
	\$ 805,157	\$ 761,290	\$ 282,600
Cash and equivalents, including restricted cash at end of the period:			
Cash and equivalents	\$ 370,002	\$ 775,253	\$ 734,599
Restricted cash included in other assets	30,373	29,904	26,691
	\$ 400,375	\$ 805,157	\$ 761,290
Supplemental schedule of non-cash investing and financing activities:			
Costs incurred during the period remaining unpaid at period end for:			
Capital expenditures to maintain real estate facilities	\$ (10,798)	\$ (9,903)	\$ (10,879)
Capital expenditures for property enhancements	(3,046)	(4,502)	(11,726)
Capital expenditures for energy efficiencies (LED lighting, solar)	(386)	(855)	(775)
Construction or expansion of real estate facilities	(68,099)	(65,650)	(50,051)
Real estate acquired in exchange for noncontrolling interests	—	(19,865)	(68,170)
Supplemental cash flow information:			
Cash paid for interest, net of amounts capitalized	\$ 146,213	\$ 127,711	\$ 74,192
Cash paid for income taxes, net of refunds	11,056	11,293	12,696

See accompanying notes.
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PUBLIC STORAGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023

1. Description of the Business

Public Storage (referred to herein as “the Company,” “we,” “us,” or “our”) is a Maryland real estate investment trust (“REIT”) engaged in the ownership and operation of self-storage facilities that offer storage spaces for lease, generally on a month-to-month basis, for personal and business use, ancillary activities such as tenant reinsurance, merchandise sales, and third party management, as well as the acquisition and development of additional self-storage space.

On August 14, 2023, the Company completed a reorganization in which its interest in its facilities is now held through an operating partnership, Public Storage OP, L.P. (“PSA OP”) and its subsidiaries including Public Storage Operating Company (“PSOC”), formerly known as Public Storage. This structure is commonly referred to as an umbrella partnership REIT, or UPREIT. The reorganization was accounted for as a transaction between entities under common control and there was no change in the Company’s total assets, liabilities or results of operations. Subsequent to the reorganization, the primary assets of the parent entity, Public Storage, are general partner and limited partner interests in PSA OP, which holds all of the Company’s assets through its ownership of all of the membership interests in PSOC. As of December 31, 2023, the Company owned all of the limited partnership interests of PSA OP.

At December 31, 2023, we owned equity interests in 3,044 self-storage facilities (with approximately 218.1 million net rentable square feet) located in 40 states in the United States (“U.S.”) operating under the Public Storage® name, and 1.2 million net rentable square feet of commercial and retail space. In addition, we managed 210 facilities for third parties at December 31, 2023.

At December 31, 2023, we owned a 35% common equity interest in Shurgard Self Storage Limited (“Shurgard”), a public company traded on the Euronext Brussels under the “SHUR” symbol, which owned 275 self-storage facilities (with approximately 15 million net rentable square feet) located in seven Western European countries, all operating under the Shurgard® name.

2. Basis of Presentation and Summary of Significant Accounting Policies

Basis of Presentation

We have prepared the accompanying consolidated financial statements in accordance with U.S. generally accepted accounting principles (“GAAP”) as set forth in the Accounting Standards Codification of the Financial Accounting Standards Board, and in conformity with the rules and regulations of the Securities and Exchange Commission (“SEC”).

We revised our prior period financial statements to correct the presentation of income tax expense in the Consolidated Statements of Income. Income tax expense in the amounts of \$14.3 million and \$12.4 million for 2022 and 2021, respectively, previously included in general and administrative expense, has been reclassified and presented separately in the Consolidated Statements of Income to conform to the 2023 presentation. This immaterial correction had no impact on our net income. The correction also had no impact on our balance sheet, statements of comprehensive income, statements of equity, or cash flows as of and for the years ended December 31, 2022 and 2021.

Certain amounts previously reported in our 2022 and 2021 Consolidated Statements of Income have been reclassified to conform to the 2023 presentation, with respect to the separate presentation of real estate acquisition and development expense in the amounts of \$28.7 million and \$12.9 million for 2022 and 2021, respectively, previously included in general and administrative expense. The reclassifications had no impact on our net income.

Certain amounts previously reported in our 2022 and 2021 Statements of Cash Flows have been reclassified to conform to the 2023 presentation, with respect to the separate presentation of changes in operating assets and liabilities in the cash flows from operating activities section and major types of capital expenditures in the cash flows from investing activities section. The reclassifications did not affect the subtotals for cash flows from operating, investing or financing activities.

PUBLIC STORAGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023

Disclosures of the number and square footage of facilities, as well as the number and coverage of tenant reinsurance policies (Note 15) are unaudited and outside the scope of our independent registered public accounting firm's audit of our financial statements in accordance with the standards of the Public Company Accounting Oversight Board (U.S.).

Summary of Significant Accounting Policies

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 the equity holders as a group do not have a controlling financial interest. In addition, we have general partner interests in limited partnerships along with third-party investors to develop, construct or operate self-storage facilities. As the general partner, we consider the limited partnerships to be VIEs if the limited partners lack both substantive participating rights and substantive kick-out rights. We consolidate VIEs when we have (i) the power to direct the activities most significantly impacting economic performance, and (ii) either the obligation to absorb losses or the right to receive benefits from the VIE. PSA OP met the definition of a VIE and is consolidated by the Company as the primary beneficiary of PSA OP. All of the assets and liabilities of the Company are held by PSA OP. The total assets, primarily real estate assets, and the total liabilities of our other consolidated VIEs are not material as of December 31, 2023. We consolidate all other entities when we control them through voting shares or contractual rights. We refer to the entities we consolidate, for the period in which the reference applies, collectively as the "Subsidiaries," and we eliminate intercompany transactions and balances.

We account for our investments in entities that we do not consolidate but over which we have significant influence using the equity method of accounting. We refer to these entities, for the periods in which the reference applies, collectively as the "Unconsolidated Real Estate Entities," and we eliminate intra-entity profits and losses and amortize any differences between the cost of our investment and the underlying equity in net assets against equity in earnings as if the Unconsolidated Real Estate Entity were a consolidated subsidiary.

Equity in earnings of unconsolidated real estate entities presented on our income statements represents our pro-rata share of the earnings of the Unconsolidated Real Estate Entities. The dividends we receive from the Unconsolidated Real Estate Entities are reflected on our consolidated statements of cash flows as "distributions from cumulative equity in earnings of unconsolidated real estate entities" to the extent of our cumulative equity in earnings, with any excess classified as "distributions in excess of cumulative equity in earnings from unconsolidated real estate entities."

Use of Estimates

The preparation of consolidated financial statements and accompanying notes in conformity with GAAP requires us to make estimates and assumptions that affect the amounts reported. Actual results could differ from those estimates and assumptions.

Cash Equivalents and Restricted Cash

Cash equivalents represent highly liquid financial instruments that mature within three months of acquisition such as money market funds with a rating of at least AAA by Standard & Poor's, commercial paper that is rated A1 by Standard & Poor's or deposits with highly rated commercial banks. Restricted cash, which represent amounts used to collateralize our insurance obligations and are restricted from general corporate use, are included in other assets.

Fair Value

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. In the absence of active markets for identical assets or liabilities, such measurements involve developing assumptions based on market observable data and, in the absence of such data, internal information that is consistent with what market participants would use in a hypothetical transaction that occurs at the balance sheet date.

PUBLIC STORAGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023

Assets and liabilities recorded at fair value are measured and classified in accordance with a three-tier fair value hierarchy based on the observability of the inputs available in the market used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2 Significant observable inputs other than Level 1, that are observable for the asset or liability, either directly or indirectly through corroboration with observable market data.

Level 3 Unobservable inputs that are supported by little or no market data for the related assets or liabilities.

The categorization of a financial instrument within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Our financial instruments consist of cash and cash equivalents, restricted cash, other assets, other liabilities, and notes payable. Cash equivalents, restricted cash, other assets and other liabilities are stated at book value, which approximates fair value as of the balance sheet date due to the short time period to maturity.

We estimate and disclose the fair value of our notes payable using Level 2 inputs by discounting the related future cash flows at a rate based upon quoted interest rates for securities that have similar characteristics such as credit quality and time to maturity.

We use significant judgment to estimate fair values of real estate facilities, goodwill, and other intangible assets for the purposes of purchase price allocation or impairment analysis. In estimating their values, we consider Level 3 inputs such as market prices of land, market capitalization rates, expected returns, earnings multiples, projected levels of earnings, costs of construction, and functional depreciation.

Real Estate Facilities

We record real estate facilities at cost. We capitalize all costs incurred to acquire, develop, construct, renovate and improve facilities as part of major repair and maintenance programs, including interest and property taxes incurred during the construction period. We expense the costs of demolition of existing facilities associated with a renovation as incurred. We allocate the net acquisition cost of acquired real estate facilities to the underlying land, buildings, and identified intangible assets based upon their respective individual estimated fair values.

We expense costs associated with dispositions of real estate, as well as routine 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.

When we sell a full or partial interest in a real estate facility without retaining a controlling interest following sale, we recognize a gain or loss on sale as if 100% of the property was sold at fair value. If we retain a controlling interest following the sale, we record a noncontrolling interest for the book value of the partial interest sold, and recognize additional paid-in capital for the difference between the consideration received and the partial interest at book value.

Goodwill and Other Intangible Assets

Intangible assets consist of goodwill, the Shurgard® trade name, which Shurgard uses pursuant to a fee-based licensing agreement, and finite-lived assets. Goodwill and the Shurgard® trade name have indefinite lives and are not amortized. Our finite-lived assets consist primarily of (i) acquired customers in place amortized relative to the benefit of the customers in place, with such amortization reflected as depreciation and amortization expense on our income statement, (ii) property tax abatements acquired and amortized relative to the reduction in property tax paid, with such amortization reflected as self-storage cost of operations on our income statement and (iii) acquired non real estate-related contracts, with such amortization reflected as depreciation and amortization expense on our income statement.

PUBLIC STORAGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023

Evaluation of Asset Impairment

We evaluate our real estate and finite-lived intangible assets for impairment each quarter. If there are indicators of impairment and we determine that the asset is not recoverable from future undiscounted cash flows to be received through the asset's remaining life (or, if earlier, the expected disposal date), we record an impairment charge to the extent the carrying amount exceeds the asset's estimated fair value or net proceeds from expected disposal.

We evaluate our investments in unconsolidated real estate entities for impairment quarterly. We record an impairment charge to the extent the carrying amount exceeds estimated fair value, when we believe any such shortfall is other than temporary.

We evaluate goodwill for impairment annually and whenever relevant events, circumstances, and other related factors indicate that it is more likely than not that the fair value of the related reporting unit is less than the carrying amount. When we conclude that it is not more likely than not that the fair value of the reporting unit is less than the aggregate carrying amount, no impairment charge is recorded and no further analysis is performed. Otherwise, we record an impairment charge to the extent the carrying amount of the goodwill exceeds the amount that would be allocated to goodwill if the reporting unit were acquired for estimated fair value.

We evaluate other indefinite-lived intangible assets, such as the Shurgard® trade name for impairment at least annually and whenever relevant events, circumstances and other related factors indicate that it is more likely than not that the asset is impaired. When we conclude that it is not more likely than not that the asset is impaired, we do not record an impairment charge and no further analysis is performed. Otherwise, we record an impairment charge to the extent the carrying amount exceeds the asset's estimated fair value.

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

Revenue and Expense Recognition

We recognize revenues from self-storage facilities, which primarily comprise rental income earned pursuant to month-to-month leases, as well as associated late charges and administrative fees, as earned. Promotional discounts reduce rental income over the promotional period, which is generally one month. We recognize ancillary revenues when earned.

We accrue for property tax expense based upon actual amounts billed and, in some circumstances, estimates when bills or assessments have not been received from the taxing authorities. If these estimates are incorrect, the timing and amount of expense recognition could be incorrect. We expense cost of operations (including advertising expenditures), general and administrative expense, and interest expense 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 consolidated statements of income are translated at the average exchange rates during the respective period. Cumulative translation adjustments, are included in equity as a component of accumulated other comprehensive income (loss).

When financial instruments denominated in a currency other than the U.S. Dollar are expected to be settled in cash in the foreseeable future, the impact of changes in the U.S. Dollar equivalent are reflected in current earnings.

At December 31, 2023, due primarily to our investment in Shurgard (Note 5) and our notes payable denominated in Euros (Note 8), 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. The Euro was translated at exchange rates of approximately 1.104 U.S. Dollars per Euro at December 31, 2023 (1.070 at December 31, 2022), and average exchange rates of 1.081, 1.054 and 1.183 for the years ended December 31, 2023, 2022, and 2021, respectively.

PUBLIC STORAGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023

Income Taxes

We and a subsidiary of PSOC have elected to be treated as a REIT, as defined in the Internal Revenue Code of 1986, as amended (the “Code”). For each taxable year in which we qualify for taxation as a REIT, we will not be subject to U.S. federal corporate income tax on our “REIT taxable income” (generally, taxable income subject to specified adjustments, including a deduction for dividends paid and excluding our net capital gain) that is distributed to our shareholders. We believe we have met these REIT requirements for all periods presented herein. Accordingly, we have recorded no U.S. federal corporate income tax expense related to our REIT taxable income.

We have elected taxable REIT subsidiary (“TRS”) status for some of our consolidated subsidiaries. Our tenant reinsurance, merchandise, and third party management operations are conducted under these TRSs and are subject to federal corporate income tax. For these entities, deferred tax assets and liabilities for temporary differences are recognized based on the future tax consequences attributable to differences that exist between the financial statement carrying amounts of assets and liabilities and their respective tax bases, as well as tax attributes such as operating loss, capital loss and tax credits carryforwards on a taxing jurisdiction basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Valuation allowances are established when necessary to reduce deferred tax assets to the amounts that are expected more likely than not to be realized in the future.

We recognize tax benefits of uncertain income tax positions only if we believe it is more likely than not that the position would ultimately be sustained assuming the relevant taxing authorities had full knowledge of the relevant facts and circumstances of our positions. As of December 31, 2023, we had no tax benefits that were not recognized.

We also incur income taxes in certain state and local jurisdictions, which are included in income tax expense in the Consolidated Statements of Income.

Share-Based Compensation

We generally estimate the fair value of share-based payment awards on the date of grant. We determine the fair value of restricted share units (“RSUs”) with no market conditions based on the closing market price of the Company’s common shares on the date of grant. We value stock options with no market conditions at the grant date using the Black-Scholes option-pricing model. We value stock options and RSUs with market conditions at the grant date using a Monte-Carlo valuation simulation. Our determination of the fair value of share-based payment awards on the date of grant using an option-pricing model or Monte-Carlo valuation simulation is affected by our stock price as well as assumptions regarding a number of subjective and complex variables. These variables include, but are not limited to, our expected stock price volatility over the expected term of the awards. For stock options, variables also include actual and projected stock option exercise behaviors. For restricted share units and stock options with performance conditions, we adjust compensation cost each quarter as needed for any changes in the assessment of the probability that the specified performance criteria will be achieved.

We amortize the grant-date fair value of awards as compensation expense over the service period, which begins on the grant date and ends on the expected 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 market and/or performance conditions, the individual cost of each vesting is amortized separately over each individual service period (the “accelerated attribution” method). For awards with performance conditions, the estimated number of stock awards that will ultimately vest requires judgment, and to the extent actual results or updated estimates differ from our current estimates, such amounts will be recorded as a cumulative adjustment in the period estimates are revised. In amortizing share-based compensation expense, we do not estimate future forfeitures. Instead, we reverse previously amortized share-based compensation expense with respect to grants that are forfeited in the period the employee terminates employment.

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Our share-based compensation plans allow immediate vesting of outstanding unvested awards upon retirement (“Retirement Acceleration”) for employees who meet certain conditions. We accelerate amortization of compensation expense for each grant by changing the end of the service period from the original vesting date to the date an employee is expected to be eligible for Retirement Acceleration, if earlier.

Recent Accounting Pronouncements Not Yet Adopted

In November 2023, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosure*, to require a public entity to disclose significant segment expenses and other segment items on an annual and interim basis and to provide in interim periods all disclosures about a reportable segment’s profit or loss and assets that are currently required annually. Public entities with a single reportable segment are required to provide the new disclosures and all the disclosures required under ASC 280. The guidance is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024, on a retrospective basis. Early adoption is permitted. We are currently evaluating the impact of this ASU on our Consolidated Financial Statements and related disclosures.

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*, to enhance the transparency and decision-usefulness of income tax disclosures, particularly in the rate reconciliation table and disclosures about income taxes paid. The ASU’s amendments are effective for annual periods beginning after December 15, 2024 on a prospective basis. Early adoption is permitted. We are currently evaluating the impact of this ASU on our Consolidated Financial Statements and related disclosures.

3. Simply Acquisition

On September 13, 2023, we acquired all the membership interests of BREIT Simply Storage LLC, a self-storage company that owns and operates 127 self-storage facilities (9.4 million net rentable square feet) and manages 25 self-storage facilities for third parties, for a purchase price of \$2.2 billion in cash, including cash acquired of \$6.0 million and direct transaction costs of \$9.6 million (the “Simply Acquisition”).

We accounted for the Simply Acquisition as an asset acquisition because substantially all the fair value of the gross assets acquired is concentrated in the real estate assets and intangible assets associated with the self-storage facilities, which are determined to be similar in nature. As a result, the direct transaction costs of \$9.6 million were capitalized to the basis of the acquired properties.

The total purchase price was allocated to the individual assets acquired and liabilities assumed based on their relative fair values. The total purchase price, including direct transaction costs, was allocated as follows (in thousands):

Cash	\$	6,032
Real estate facilities:		
Land		229,396
Buildings		1,762,752
Construction in process		2,922
Intangible assets:		
Acquired customers in place		209,516
Non real estate-related contracts		4,750
Other assets		12,046
Accrued and other liabilities		(43,231)
Total purchase price, including direct transaction costs	<u>\$</u>	<u>2,184,183</u>

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4. Real Estate Facilities

Activity in real estate facilities during 2023, 2022, and 2021 is as follows:

	For the Years Ended December 31,		
	2023	2022	2021
	(Amounts in thousands)		
Operating facilities, at cost:			
Beginning balance	\$ 24,219,126	\$ 22,807,833	\$ 17,372,627
Capital expenditures to maintain real estate facilities	232,048	205,169	137,428
Capital expenditures for property enhancements	163,380	194,931	116,478
Capital expenditures for energy efficiencies (LED lighting, solar)	65,026	52,216	30,294
Acquisitions	2,442,118	733,442	4,940,413
Dispositions and other	(19,322)	(1,704)	(7,408)
Developed or expanded facilities opened for operation	362,862	227,239	218,001
Ending balance	<u>27,465,238</u>	<u>24,219,126</u>	<u>22,807,833</u>
Accumulated depreciation:			
Beginning balance	(8,554,155)	(7,773,308)	(7,152,135)
Depreciation expense	(881,255)	(781,931)	(625,968)
Dispositions and other	11,436	1,084	4,795
Ending balance	<u>(9,423,974)</u>	<u>(8,554,155)</u>	<u>(7,773,308)</u>
Construction in process:			
Beginning balance	372,992	272,471	188,079
Costs incurred to develop and expand real estate facilities	356,788	336,948	302,393
Acquisitions	2,922	—	—
Write-off of cancelled projects and transfer to other assets	(24,387)	(9,188)	—
Developed or expanded facilities opened for operation	(362,862)	(227,239)	(218,001)
Ending balance	<u>345,453</u>	<u>372,992</u>	<u>272,471</u>
Total real estate facilities at December 31,	<u>\$ 18,386,717</u>	<u>\$ 16,037,963</u>	<u>\$ 15,306,996</u>

During 2023, in addition to the Simply Acquisition, we acquired 37 self-storage facilities (2.7 million net rentable square feet of storage space), for a total cost of \$473.2 million in cash. Approximately \$23.2 million of the total cost was allocated to intangible assets. We completed development and redevelopment activities costing \$362.9 million during 2023, adding 1.7 million net rentable square feet of self-storage space. Construction in process at December 31, 2023 consisted of projects to develop new self-storage facilities and expand existing self-storage facilities. During 2023, we wrote off \$11.7 million of accumulated development costs for cancelled development and redevelopment projects in construction in process as real estate acquisition and development expense. We also transferred \$12.7 million of land cost related to cancelled development projects to other assets at December 31, 2023.

During 2023, we completed a real estate transaction with a third-party, through which we sold an operating self-storage facility with a net book value of \$7.1 million for gross proceeds of \$40.0 million and acquired a nearby land parcel for \$13.5 million. At the close of the transaction, we entered into a leaseback of the self-storage facility until we complete development of the acquired land into a self-storage facility, no later than December 31, 2026. Of the \$40.0 million in gross proceeds, \$24.3 million was allocated to the sale of the property based on its estimated fair value, resulting a net gain on sale of real estate of \$17.1 million after direct transaction costs, and \$15.7 million was classified as a reduction of costs to develop the acquired land included in construction in process.

During 2023, we also sold a land parcel for \$0.1 million in cash and recorded a related gain on sale of real estate of \$0.1 million.

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During 2022, we acquired 74 self-storage facilities (4.7 million net rentable square feet of storage space), for a total cost of \$730.5 million, consisting of \$710.6 million in cash and \$19.9 million in partnership units in one of our subsidiaries. Approximately \$24.1 million of the total cost was allocated to intangible assets. We completed development and redevelopment activities costing \$227.2 million during 2022, adding 1.4 million net rentable square feet of self-storage space. Construction in process at December 31, 2022 consisted of projects to develop new self-storage facilities and expand existing self-storage facilities. During 2022, we wrote off \$7.0 million of accumulated development costs for cancelled development and redevelopment projects in construction in process as real estate acquisition and development expense. We also transferred \$2.2 million of land cost related to a cancelled development project to other assets at December 31, 2022.

Additionally, on July 8, 2022, we acquired from PS Business Parks, Inc. (“PSB”) the commercial interests in five properties at three sites jointly occupied with certain of our self-storage facilities located in Maryland and Virginia, for \$47.3 million. We recognized \$27.0 million of real estate assets and \$0.7 million of intangibles for the properties acquired, representing the cost of these commercial properties that we did not have interest in through our equity investment in PSB. We recognized the remaining \$19.6 million as an increase to our basis in our equity investment in PSB, which represents the elimination of our portion of the gain recorded by PSB.

During 2022, we sold portions of real estate facilities in connection with eminent domain proceedings for \$1.5 million in cash proceeds and recorded a related gain on sale of real estate of approximately \$1.5 million.

During 2021, we acquired 232 self-storage facilities (21.8 million net rentable square feet of storage space), for a total cost of \$5.1 billion, consisting of \$5.0 billion in cash and \$68.2 million in partnership units in one of our subsidiaries. Approximately \$174.9 million of the total cost was allocated to intangible assets. We completed development and redevelopment activities costing \$218.0 million during 2021, adding 1.6 million net rentable square feet of self-storage space. During 2021, we sold portions of real estate facilities in connection with eminent domain proceedings for \$16.3 million in cash proceeds and recorded a related gain on sale of real estate of approximately \$13.7 million.

At December 31, 2023, the adjusted basis of real estate facilities for U.S. federal tax purposes was approximately \$18.3 billion (unaudited).

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5. Investments in Unconsolidated Real Estate Entities

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

	Equity in Earnings of Unconsolidated Real Estate Entities for the		
	Year Ended December 31,		
	2023	2022	2021
Shurgard	\$ 27,897	\$ 26,385	\$ 24,371
PSB	—	80,596	207,722
Total	\$ 27,897	\$ 106,981	\$ 232,093

Investment in Shurgard

Our investment in Shurgard was \$390.2 million and \$275.8 million as of December 31, 2023 and December 31, 2022, respectively.

Throughout all periods presented, we had a 35% equity interest in Shurgard. On November 14, 2023, Shurgard issued 8,163,265 new common shares to institutional investors. Public Storage participated on a pro-rata basis in the offering and acquired 2,863,674 common shares for a cost of \$112.6 million, maintaining our 35% equity interest in Shurgard. As a result of the offering, Shurgard common shares that we effectively owned increased from 31,268,459 as of December 31, 2022 to 34,132,133 as of December 31, 2023.

Based upon the closing price at December 31, 2023 (€44.86 per share of Shurgard common stock, at 1.104 exchange rate of U.S. Dollars to the Euro), the shares we owned had a market value of approximately \$1.7 billion.

Our equity in earnings of Shurgard comprised our equity share of Shurgard's net income, less amortization of the Shurgard Basis Differential (defined below). During 2023, 2022, and 2021, we received \$3.8 million, \$3.5 million, and \$3.5 million of trademark license fees that Shurgard pays to us for the use of the Shurgard® trademark, respectively. We eliminated \$1.3 million, \$1.2 million, and \$1.2 million of intra-entity profits and losses for 2023, 2022, and 2021, respectively, representing our equity share of the trademark license fees. We classify the remaining license fees we receive from Shurgard as interest and other income on our income statement.

During 2023, 2022, and 2021, we received cash dividend distributions from Shurgard totaling \$39.0 million, \$37.8 million, and \$41.5 million, respectively. Approximately \$11.0 million, \$13.7 million, and \$19.5 million of total cash distributions from Shurgard during the year ended 2023, 2022, and 2021, respectively, represented distributions in excess of cumulative equity in earnings from Shurgard, which was classified within cash flows from investing activities in the Consolidated Statements of Cash Flows.

At December 31, 2023, our investment in Shurgard's real estate assets exceeded our pro-rata share of the underlying amounts on Shurgard's balance sheet by approximately \$63.7 million (\$67.8 million at December 31, 2022). This differential (the "Shurgard Basis Differential") includes our basis adjustments in Shurgard's real estate assets net of related deferred income taxes. The Shurgard Basis Differential is being amortized as a reduction to equity in earnings of the Unconsolidated Real Estate Entities. Such amortization totaled approximately \$4.1 million, \$6.9 million, and \$8.4 million during 2023, 2022, and 2021, respectively.

As of December 31, 2023, 2022, and 2021, we translated the book value of our investment in Shurgard from Euro to U.S. Dollars and recorded \$13.1 million other comprehensive gain, \$26.7 million other comprehensive loss, and \$10.2 million other comprehensive loss, respectively.

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Investment in PSB

On July 20, 2022, in connection with the closing of the merger of PS Business Parks, Inc. (“PSB”) with affiliates of Blackstone Real Estate (“Blackstone”), we completed the sale of our 41% common equity interest in PSB in its entirety. At the close of the merger transaction, we received a total of \$2.7 billion of cash proceeds and recognized a gain of \$2.1 billion during the third quarter of 2022.

During 2022 and 2021, we received cash distributions from PSB totaling \$109.5 million and \$127.3 million, respectively, which were classified within cash flows from operating activities in the Consolidated Statements of Cash flows. Since the sale of PSB in July 2022, we no longer recognize equity in earnings or receive cash distributions from PSB.

Summarized financial information of PSB

The following table represents summarized financial information for PSB derived from its reported financial statements prepared under US GAAP before our basis difference adjustments for the years ended December 31, 2022 and 2021 (amounts in thousands). Due to the complete sale of our equity investment in PSB in July 2022, the summarized financial information for 2022 includes PSB’s financial activities through June 30, 2022, which represents the most practical date of such reported information prior to the transaction. Summarized financial information for Shurgard is excluded in the table below.

	Year Ended December 31,	
	2022	2021
Revenues	\$ 223,750	\$ 438,703
Costs of operations	66,701	130,896
Operating income	88,702	195,264
Gain on sale of real estate	118,801	359,875
Net Income	208,665	553,029

6. Goodwill and Other Intangible Assets

Goodwill and other intangible assets consisted of the following (amounts in thousands):

	At December 31, 2023			At December 31, 2022		
	Gross Book Value	Accumulated Amortization	Net Book Value	Gross Book Value	Accumulated Amortization	Net Book Value
Goodwill	\$ 165,843	\$ —	\$ 165,843	\$ 165,843	\$ —	\$ 165,843
Shurgard® Trade Name	18,824	—	18,824	18,824	—	18,824
Finite-lived intangible assets, subject to amortization	995,578	(792,978)	202,600	758,106	(710,256)	47,850
Total goodwill and other intangible assets	\$ 1,180,245	\$ (792,978)	\$ 387,267	\$ 942,773	\$ (710,256)	\$ 232,517

Finite-lived intangible assets consist primarily of acquired customers in place. Amortization expense related to intangible assets subject to amortization was \$82.7 million, \$95.2 million and \$76.6 million in 2023, 2022, and 2021, respectively. During 2023, 2022, and 2021, intangibles increased \$237.5 million, \$24.8 million, and \$174.9 million, respectively, in connection with the Simply Acquisition (Note 3) and the acquisition of real estate facilities (Note 4).

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The remaining amortization expense will be recognized over a weighted average life of approximately 1.2 years. The estimated future amortization expense for our finite-lived intangible assets at December 31, 2023 is as follows (amounts in thousands):

Year	Amount
2024	\$ 116,338
2025	60,467
2026	19,129
2027	2,797
2028	377
Thereafter	3,492
Total	\$ 202,600

7. Credit Facility

On June 12, 2023, PSOC entered into an amended revolving credit agreement (the “Credit Facility”), which increased our borrowing limit from \$500 million to \$1.5 billion and extended the maturity date from April 19, 2024 to June 12, 2027. We have the option to further extend the maturity date by up to one additional year with additional extension fees up to 0.125% of the extended commitment amount. Amounts drawn on the Credit Facility bear annual interest at rates ranging from SOFR plus 0.65% to SOFR plus 1.40% depending upon our credit rating (SOFR plus 0.70% at December 31, 2023). We are also required to pay a quarterly facility fee ranging from 0.10% per annum to 0.30% per annum depending upon our credit rating (0.10% per annum at December 31, 2023). At December 31, 2023 and February 20, 2024, we had no outstanding borrowings under this Credit Facility. We had undrawn standby letters of credit, which reduce our borrowing capacity, totaling \$14.6 million at December 31, 2023 (\$18.6 million at December 31, 2022 under the previous credit facility). The Credit Facility has various customary restrictive covenants with which we were in compliance at December 31, 2023. We incurred a total of \$8.4 million of issuance costs associated with the amended Credit Facility, which is classified as Other Assets on the Consolidated Balance Sheets and will be amortized as Interest Expense on the Consolidated Statement of Income through June 12, 2027.

Public Storage has provided a full and unconditional guarantee of PSOC’s obligations under the Credit Facility.

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8. Notes Payable

Our notes payable (all of which were issued by PSOC), are reflected net of issuance costs (including original issue discounts), which are amortized as interest expense on the effective interest method over the term of each respective note. Our notes payable at December 31, 2023 and December 31, 2022 are set forth in the tables below:

Coupon Rate	Effective Rate	Amounts at December 31, 2023				Amounts at December 31, 2022		
		Principal	Unamortized Costs	Book Value	Fair Value	Book Value	Fair Value	
(\$ amounts in thousands)								
<i>U.S. Dollar Denominated Unsecured Debt</i>								
Notes due April 23, 2024	SOFR+0.47%	5.831%	\$ 700,000	\$ (221)	\$ 699,779	\$ 700,031	\$ 699,075	\$ 691,309
Notes due July 25, 2025	SOFR+0.60%	5.961%	400,000	(1,278)	398,722	400,295	—	—
Notes due February 15, 2026	0.875%	1.030%	500,000	(1,581)	498,419	462,362	497,678	441,849
Notes due November 9, 2026	1.500%	1.640%	650,000	(2,487)	647,513	597,131	646,643	578,899
Notes due September 15, 2027	3.094%	3.218%	500,000	(1,964)	498,036	476,394	497,508	466,029
Notes due May 1, 2028	1.850%	1.962%	650,000	(2,922)	647,078	584,520	646,401	558,197
Notes due November 9, 2028	1.950%	2.044%	550,000	(2,337)	547,663	490,758	547,182	468,509
Notes due January 15, 2029	5.125%	5.260%	500,000	(2,947)	497,053	516,899	—	—
Notes due May 1, 2029	3.385%	3.459%	500,000	(1,637)	498,363	477,692	498,053	456,855
Notes due May 1, 2031	2.300%	2.419%	650,000	(5,012)	644,988	562,240	644,303	530,390
Notes due November 9, 2031	2.250%	2.322%	550,000	(2,782)	547,218	469,845	546,866	443,514
Notes due August 1, 2033	5.100%	5.207%	700,000	(5,552)	694,448	725,753	—	—
Notes due August 1, 2053	5.350%	5.442%	600,000	(7,983)	592,017	628,413	—	—
			<u>7,450,000</u>	<u>(38,703)</u>	<u>7,411,297</u>	<u>7,092,333</u>	<u>5,223,709</u>	<u>4,635,551</u>
<i>Euro Denominated Unsecured Debt</i>								
Notes due April 12, 2024	1.540%	1.540%	110,372	—	110,372	109,380	107,035	104,344
Notes due November 3, 2025	2.175%	2.175%	267,116	—	267,116	261,083	259,039	246,119
Notes due September 9, 2030	0.500%	0.640%	772,607	(7,488)	765,119	638,177	740,634	566,204
Notes due January 24, 2032	0.875%	0.978%	551,862	(4,322)	547,540	455,895	530,317	396,297
			<u>1,701,957</u>	<u>(11,810)</u>	<u>1,690,147</u>	<u>1,464,535</u>	<u>1,637,025</u>	<u>1,312,964</u>
<i>Mortgage Debt</i> , secured by 2 real estate facilities with a net book value of \$11.7 million								
	4.398%	4.398%	<u>1,833</u>	<u>—</u>	<u>1,833</u>	<u>1,733</u>	<u>10,092</u>	<u>9,568</u>
			<u>\$ 9,153,790</u>	<u>\$ (50,513)</u>	<u>\$ 9,103,277</u>	<u>\$ 8,558,601</u>	<u>\$ 6,870,826</u>	<u>\$ 5,958,083</u>

Public Storage has provided a full and unconditional guarantee of PSOC's obligations under each series of unsecured notes.

U.S. Dollar Denominated Unsecured Notes

On July 26, 2023, we completed a public offering of \$400 million, \$500 million, \$700 million, and \$600 million aggregate principal amount of unsecured senior notes bearing interest at an annual rate of Compounded SOFR + 0.60% (reset quarterly), 5.125%, 5.100%, and 5.350%, respectively, and maturing on July 25, 2025, January 15, 2029, August 1, 2033, and August 1, 2053, respectively. Interest on the 2025 notes is payable quarterly, commencing on October 25, 2023. Interest on the 2029 notes is payable semi-annually, commencing on January 15, 2024. Interest on the 2033 notes and 2053 notes is payable semi-annually, commencing on February 1, 2024. In connection with the offering, we incurred a total of \$18.7 million in costs.

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On August 15, 2022, the Company redeemed its 2.370% Senior Notes due September 15, 2022, with an aggregate principal amount of \$500.0 million.

On January 19, 2021, we completed a public offering of \$500 million aggregate principal amount of senior notes bearing interest at an annual rate of 0.875% and maturing on February 15, 2026. Interest on the senior notes is payable semi-annually, commencing on August 15, 2021. In connection with the offering, we incurred \$3.8 million in costs.

On April 23, 2021, we completed a public offering of \$700 million, \$650 million, and \$650 million aggregate principal amount of senior notes bearing interest at an annual rate of the Compounded SOFR plus 0.47% (reset quarterly and at 4.36% as of December 31, 2022), 1.850%, and 2.300%, respectively, and maturing on April 23, 2024, May 1, 2028, and May 1, 2031, respectively. Interest on the 2024 notes is payable quarterly, commencing on July 23, 2021. Interest on the 2028 notes and 2031 notes is payable semi-annually, commencing on November 1, 2021. In connection with the offering, we incurred a total of \$13.7 million in costs.

On November 9, 2021, we completed a public offering of \$650 million, \$550 million, and \$550 million aggregate principal amount of senior notes bearing interest at an annual rate of 1.500%, 1.950%, and 2.250%, respectively, and maturing on November 9, 2026, November 9, 2028, and November 9, 2031, respectively. Interest on the senior notes is payable semi-annually, commencing on May 9, 2022. In connection with the offering, we incurred a total of \$11.3 million in costs.

The U.S. Dollar denominated unsecured notes (the “U.S. Dollar Denominated Unsecured Notes”) have various financial covenants with which we were in compliance at December 31, 2023. Included in these covenants are (a) a maximum Debt to Total Assets of 65% (approximately 16% at December 31, 2023) and (b) a minimum ratio of Adjusted EBITDA to Interest Expense of 1.5x (approximately 17x for the twelve months ended December 31, 2023) as well as covenants limiting the amount we can encumber our properties with mortgage debt.

Euro Denominated Unsecured Notes

Our Euro denominated unsecured notes (the “Euro Notes”) consist of four tranches: (i) €242.0 million issued to institutional investors on November 3, 2015, (ii) €100.0 million issued to institutional investors on April 12, 2016, (iii) €500.0 million issued in a public offering on January 24, 2020, and (iv) €700.0 million issued in a public offering on September 9, 2021. Interest is payable semi-annually on the notes issued November 3, 2015 and April 12, 2016, and annually on the notes issued January 24, 2020 and September 9, 2021. The Euro Notes have financial covenants similar to those of the U.S. Dollar Denominated Unsecured Notes.

We reflect changes in the U.S. Dollar equivalent of the amount payable including the associated interest, as a result of changes in foreign exchange rates as “Foreign currency exchange (loss) gain” on our income statement (losses of \$51.6 million for 2023, as compared to gains of \$99.2 million for 2022 and \$111.8 million for 2021).

Mortgage Notes

We assumed our non-recourse mortgage debt in connection with property acquisitions, and we recorded such debt at fair value with any premium or discount to the stated note balance amortized using the effective interest method.

At December 31, 2023, the related contractual interest rates of our mortgage notes are fixed, ranging between 3.9% and 7.1%, and mature between September 1, 2028 and July 1, 2030.

At December 31, 2023, approximate principal maturities of our Notes Payable are as follows (amounts in thousands):

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	Unsecured Debt	Mortgage Debt	Total
2024	\$ 810,372	\$ 124	\$ 810,496
2025	667,116	131	667,247
2026	1,150,000	138	1,150,138
2027	500,000	146	500,146
2028	1,200,000	129	1,200,129
Thereafter	4,824,469	1,165	4,825,634
	<u>\$ 9,151,957</u>	<u>\$ 1,833</u>	<u>\$ 9,153,790</u>
Weighted average effective rate	<u>3.1%</u>	<u>4.4%</u>	<u>3.1%</u>

Cash paid for interest totaled \$155.5 million, \$133.8 million, and \$77.7 million for 2023, 2022, and 2021, respectively. Interest capitalized as real estate totaled \$9.3 million, \$6.0 million, and \$3.5 million for 2023, 2022, and 2021, respectively.

9. Noncontrolling Interests

There are noncontrolling interests related to several subsidiaries we consolidate of which we do not own 100% of the equity. At December 31, 2023, certain of these subsidiaries have issued 499,966 partnership units to third-parties that are convertible on a one-for-one basis (subject to certain limitations) into common shares of the Company at the request of the unitholder.

10. Shareholders' Equity

Preferred Shares

At December 31, 2023 and December 31, 2022, we had the following series of Cumulative Preferred Shares ("Preferred Shares") outstanding:

Series	Earliest Redemption Date	Dividend Rate	At December 31, 2023		At December 31, 2022	
			Shares Outstanding	Liquidation Preference	Shares Outstanding	Liquidation Preference
(Dollar amounts in thousands)						
Series F	6/2/2022	5.150 %	11,200	\$ 280,000	11,200	\$ 280,000
Series G	8/9/2022	5.050 %	12,000	300,000	12,000	300,000
Series H	3/11/2024	5.600 %	11,400	285,000	11,400	285,000
Series I	9/12/2024	4.875 %	12,650	316,250	12,650	316,250
Series J	11/15/2024	4.700 %	10,350	258,750	10,350	258,750
Series K	12/20/2024	4.750 %	9,200	230,000	9,200	230,000
Series L	6/17/2025	4.625 %	22,600	565,000	22,600	565,000
Series M	8/14/2025	4.125 %	9,200	230,000	9,200	230,000
Series N	10/6/2025	3.875 %	11,300	282,500	11,300	282,500
Series O	11/17/2025	3.900 %	6,800	170,000	6,800	170,000
Series P	6/16/2026	4.000 %	24,150	603,750	24,150	603,750
Series Q	8/17/2026	3.950 %	5,750	143,750	5,750	143,750
Series R	11/19/2026	4.000 %	17,400	435,000	17,400	435,000
Series S	1/13/2027	4.100 %	10,000	250,000	10,000	250,000
Total Preferred Shares			<u>174,000</u>	<u>\$ 4,350,000</u>	<u>174,000</u>	<u>\$ 4,350,000</u>

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The holders of our Preferred Shares have general preference rights with respect to liquidation, quarterly distributions, and any accumulated unpaid distributions. Except as noted below, holders of the Preferred Shares do not have voting rights. 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 (our “Board”) until the arrearage has been cured. At December 31, 2023, there were no dividends in arrears. The affirmative vote of at least 66.67% of the outstanding shares of a series of Preferred Shares is required for any material and adverse amendment to the terms of such series. The affirmative vote of at least 66.67% of the outstanding shares of all of our Preferred Shares, voting as a single class, is required to issue shares ranking senior to our Preferred Shares.

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 consolidated balance sheet with any issuance costs recorded as a reduction to Paid-in capital.

During 2022 and 2021, we issued the following series of Preferred Shares at an issuance price of \$25.00 per depositary share with each depositary share representing 0.001 of a share of Preferred Share (none in 2023) (amounts in thousands):

Year	Series	Shares	Gross Proceeds	Issuance Costs
2022	S	10,000	\$ 250,000	\$ 7,168
2021	P, Q and R	47,300	1,182,500	35,045

During 2021, we redeemed the following series of Preferred Shares at par (none in 2023 and 2022) (amounts in thousands):

Year	Series	Aggregate Redemption Amount	Allocation of Income to Preferred Shares Holders in Connection with Redemption
2021	C, D and E	\$ 875,000	\$ 28,914

Common Shares

During 2023, 2022, and 2021, activity with respect to the issuance of our common shares was as follows (dollar amounts in thousands):

	2023		2022		2021	
	Shares	Amount	Shares	Amount	Shares	Amount
Employee stock-based compensation and exercise of stock options (Note 12)	405,059	\$ 53,386	283,190	\$ 35,405	552,713	\$ 95,860

Our Board 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, 2023, we repurchased approximately 23.7 million shares pursuant to this authorization; none of which were repurchased during the three years ended December 31, 2023.

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On February 4, 2023, our Board declared a 50% increase in our regular common quarterly dividend from \$2.00 to \$3.00 per share. The distribution equates to an annualized increase to the Company's regular common dividend from \$8.00 to \$12.00 per share. Common share dividends paid, including amounts paid to our restricted share unitholders and deferred share unitholders, totaled \$2.111 billion (\$12.00 per share), \$3.714 billion (\$21.15 per share), and \$1.402 billion (\$8.00 per share) for the years ended December 31, 2023, 2022, and 2021, respectively. Included in common share dividends paid during 2022 is \$2.3 billion of a special cash dividend ("Special Dividend") of \$13.15 per common share paid on August 4, 2022 in connection with the sale of our equity investment in PSB on July 20, 2022. Preferred share dividends totaled \$194.7 million, \$194.4 million and \$186.6 million for the years ended December 31, 2023, 2022, and 2021, respectively.

The unaudited characterization of dividends for U.S. federal corporate income tax purposes is made based upon earnings and profits of the Company, as defined by the Code. For the tax year ended December 31, 2023, distributions for the common shares and all the various series of preferred shares were classified as follows:

	2023 (unaudited)			
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Ordinary Dividends	100.00 %	100.00 %	100.00 %	100.00 %
Capital Gain Distributions	0.00 %	0.00 %	0.00 %	0.00 %
Total	100.00 %	100.00 %	100.00 %	100.00 %

The ordinary income dividends distributed for the tax year ended December 31, 2023 are not qualified dividends under the Internal Revenue Code; however, they are subject to the 20% deduction under IRS Section 199A.

11. Related Party Transactions

At December 31, 2023, Tamara Hughes Gustavson, a current member of our Board, held less than a 0.1% equity interest in, and is a manager of, a limited liability company that owns 65 self-storage facilities in Canada. Two of Ms. Gustavson's adult children owned the remaining equity interest in the limited liability company. These facilities operate under the Public Storage® tradename, which we license to the owners of these facilities for use in Canada on a royalty-free, non-exclusive basis. We have no ownership interest in these facilities and we do not own or operate any facilities in Canada. If we chose to acquire or develop our own facilities in Canada, we would have to share the use of the Public Storage® name in Canada. We have a right of first refusal, subject to limitations, to acquire the stock or assets of the corporation engaged in the operation of these facilities if their owners agree to sell them. Our subsidiaries reinsure risks relating to loss of goods stored by customers in these facilities, and have received premium payments of approximately \$2.1 million, \$2.2 million and \$2.1 million for 2023, 2022, and 2021, respectively.

12. Share-Based Compensation

Under various share-based compensation plans and under terms established or modified by our Board or a committee thereof, we grant equity awards to trustees, officers, and key employees, including non-qualified options to purchase the Company's common shares, restricted share units ("RSUs"), deferred share units ("DSUs"), and unrestricted common shares issued in lieu of trustee compensation.

On April 26, 2021, the Company's Shareholders approved the 2021 Equity and Performance-Based Incentive Compensation Plan ("2021 Plan"), which authorized an additional three million shares available for future issuance of equity-based awards. As of December 31, 2023, there were a total of 1,364,578 shares reserved for granting of future options and stock awards under the 2021 Plan.

We recorded share-based compensation expense associated with our equity awards in the various expense categories in the Consolidated Statements of Income as set forth in the following table. In addition, \$2.4 million, \$4.1 million, and \$3.9 million share-based compensation cost was capitalized as real estate facilities for the year ended December 31, 2023, 2022, and 2021, respectively.

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	For Years Ended December 31,		
	2023	2022	2021
	(Amounts in thousands)		
Self-storage cost of operations	\$ 13,636	\$ 17,950	\$ 20,544
Ancillary cost of operations	1,289	888	1,561
Real estate acquisition and development expense	1,242	11,204	4,031
General and administrative	25,399	26,661	33,729
Total	\$ 41,566	\$ 56,703	\$ 59,865

Included in share-based compensation is \$3.2 million, \$14.9 million and \$15.9 million for the years ended December 31, 2023, 2022, and 2021, respectively, of Retirement Acceleration as discussed in Note 2.

Stock Options

We have service-based and performance-based stock options outstanding. Performance-based stock options outstanding vest upon meeting certain performance conditions or market conditions. Stock options generally vest over 3 to 5 years, expire 10 years after the grant date, and have an exercise price equal to the closing trading price of our common shares on the grant date. New shares are issued for options exercised. Employees cannot require the Company to settle their awards in cash.

For the years ended December 31, 2023, 2022, and 2021, we incurred share-based compensation cost for outstanding stock options of \$14.9 million, \$19.9 million and \$25.1 million, respectively.

During 2023, we granted 60,000 stock options in connection with non-management trustee compensation. 117,168 stock options were awarded during 2023 where vesting is dependent upon meeting certain market conditions over the three-year period from March 15, 2023 through March 14, 2026, with continued service-based vesting through the first quarter of 2028. These stock options require relative achievement of the Company's total shareholder return as compared to the weighted average total shareholder return of specified peer groups and can result in grantees earning up to 200% of the target options originally granted.

During 2022, 77,683 stock options were awarded where vesting is dependent upon meeting certain market conditions over the three-year period from January 1, 2022 through December 31, 2024, with continued service-based vesting through the first quarter of 2027. These stock options require relative achievement of the Company's total shareholder return as compared to the weighted average total shareholder return of specified peer groups and can result in grantees earning up to 200% of the target options originally granted.

During 2021, 245,000 stock options were awarded where vesting is dependent upon meeting certain performance targets over the three-year period from January 1, 2021 through December 31, 2023, which are considered performance conditions, with continued service-based vesting through the first quarter of 2026. These awards contain a relative Total Shareholder Return modifier that will adjust the payout based on relative performance as compared to the market. These performance targets were met at 125% achievement at December 31, 2023. With the relative Total Shareholder Return modifier measured through December 31, 2023, the total payout was at 150% of the target options originally granted.

The stock options outstanding at December 31, 2023 have an aggregate intrinsic value (the excess, if any, of each option's market value over the exercise price) of approximately \$249.3 million and remaining average contractual lives of approximately five years. Total compensation cost related to nonvested stock options that has not yet been recognized is \$14.7 million and is expected to be recognized as compensation cost over approximately two years on average. Exercisable stock options have an aggregate intrinsic value of approximately \$183.1 million at December 31, 2023 and remaining average contractual lives of approximately four years.

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Additional information with respect to stock options during 2023, 2022, and 2021 is as follows:

	Service-Based		Performance-Based		Total	
	Number of Options	Weighted Average Exercise Price per Share	Number of Options	Weighted Average Exercise Price per Share	Number of Options	Weighted Average Exercise Price per Share
Options outstanding January 1, 2021	2,231,167	\$ 204.60	730,000	\$ 228.94	2,961,167	\$ 210.59
Granted (a)	140,000	248.54	420,000	229.53	560,000	234.29
Exercised	(471,216)	(203.30)	—	—	(471,216)	(203.30)
Cancelled	—	—	(10,000)	(228.94)	(10,000)	(228.94)
Options outstanding December 31, 2021	1,899,951	\$ 208.16	1,140,000	\$ 229.16	3,039,951	\$ 216.04
Granted (b)	65,000	398.97	138,933	299.88	203,933	331.46
Special dividend adjustment (c)	62,512	N/A	41,836	N/A	104,348	N/A
Exercised	(173,422)	(189.95)	(10,327)	(221.68)	(183,749)	(191.74)
Cancelled	—	—	—	—	—	—
Options outstanding December 31, 2022 (d)	1,854,041	\$ 209.53	1,310,442	\$ 229.39	3,164,483	\$ 217.75
Granted (e)	60,000	286.81	180,423	265.46	240,425	270.79
Exercised	(272,250)	(167.15)	(34,401)	(221.68)	(306,651)	(173.26)
Cancelled	(12,049)	(293.81)	(34,987)	(229.34)	(47,036)	(245.86)
Options outstanding December 31, 2023	1,629,742	\$ 218.83	1,421,477	\$ 234.16	3,051,221	\$ 225.97
Options exercisable at December 31, 2023	1,475,764	\$ 210.75	507,766	\$ 221.68	1,983,530	\$ 213.55

	2023	2022	2021
Aggregate exercise date intrinsic value of options exercised during the year (in 000's)	\$ 35,662	\$ 27,210	\$ 44,613

Average assumptions used in valuing options with the Black-Scholes method:

Expected life of options in years	6	6	5
Risk-free interest rate	3.5%	2.9%	0.8%
Expected volatility, based upon historical volatility	24.4%	22.9%	24.1%
Expected dividend yield	4.2%	2.0%	2.9%

Average assumptions used in valuing options with market conditions with the Monte-Carlo simulation method:

Expected life of options in years	7	7	5
Risk-free interest rate	3.5%	1.8%	0.9%
Expected volatility, based upon historical volatility	23.8%	22.6%	26.5%
Expected dividend yield	4.1%	2.3%	2.9%

Average estimated value of options granted during the year	\$ 56.86	\$ 87.57	\$ 62.66
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(a) Amount granted for performance-based stock options includes 180,000 options for performance adjustments above target for options granted in 2020.

(b) Amount granted for performance-based stock options includes 61,250 options for performance adjustments above target for options granted in 2021.

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(c) On August 4, 2022, we paid a Special Dividend of \$13.15 per common share to shareholders of record as of August 1, 2022. Stock options that were outstanding at the time of the Special Dividend were adjusted pursuant to the anti-dilution provisions of the Company's applicable equity and performance-based incentive compensation plans that provide for equitable adjustments in the event of an extraordinary cash dividend. The anti-dilution adjustments proportionately increased the number of outstanding stock options and reduced the exercise prices of outstanding stock options by a conversion rate of 1.03275, resulting in an increase of 104,348 stock options outstanding. The adjustments did not result in incremental share-based compensation expense.

(d) The weighted average exercise price of options outstanding at December 31, 2022 reflect the adjusted exercise price post the anti-dilution adjustment on August 3, 2022.

(e) Amount granted for performance-based stock options includes 63,257 options for payout adjustments based on Total Shareholder Return modifier for options granted in 2021.

Restricted Share Units

We have service-based and performance-based RSUs outstanding, which generally vest over 5 to 8 years from the grant date. Performance-based RSUs outstanding vest upon meeting certain performance conditions or market conditions. 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 new common shares equal to the number of vested RSUs, less common shares withheld 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.

For the years ended December 31, 2023, 2022, and 2021, we incurred share-based compensation cost for RSUs of \$28.2 million, \$39.9 million, and \$37.6 million, respectively.

Among the 115,185 RSUs granted during 2023, 37,211 RSUs were awarded where vesting is dependent upon meeting certain market conditions over a three-year period from March 15, 2023 through March 14, 2026, with continued service-based vesting through the first quarter of 2028. These RSUs require relative achievement of the Company's total shareholder return as compared to the weighted average total shareholder return of specified peer groups and can result in grantees earning up to 200% of the target RSUs originally granted.

During 2022, 21,985 RSUs were awarded where vesting is dependent upon meeting certain market conditions over a three-year period from January 1, 2022 through December 31, 2024, with continued service-based vesting through the first quarter of 2027. The amount of these RSUs that are earned and vested, if any, will be based, in addition to continued employment requirements, on the Company's relative total shareholder return over the three-year period as compared to the weighted average total shareholder return of the specified peer groups and can result in grantees earning up to 200% of the target RSUs originally granted.

During 2021, 37,000 RSUs were awarded where vesting is dependent upon meeting certain performance targets for 2021, which are considered performance conditions, with continued service-based vesting through the first quarter of 2026. As of December 31, 2023, these targets were met at 125% achievement.

Remaining compensation cost related to RSUs outstanding at December 31, 2023 totals approximately \$72.5 million and is expected to be recognized over the next three years on average. The following tables set forth relevant information with respect to restricted shares (dollar amounts in thousands):

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	Service-Based		Performance-Based		Total	
	Number of Restricted Share Units	Weighted-Average Grant-Date Fair Value	Number of Restricted Share Units	Weighted-Average Grant-Date Fair Value	Number of Restricted Share Units	Weighted-Average Grant-Date Fair Value
Restricted share units outstanding January 1, 2021	552,788	\$ 218.11	—	\$ —	552,788	\$ 218.11
Granted (a)	143,068	336.06	46,250	275.12	189,318	321.17
Vested	(138,420)	(216.63)	—	—	(138,420)	(216.63)
Forfeited	(32,864)	(221.32)	—	—	(32,864)	(221.32)
Restricted share units outstanding December 31, 2021	524,572	\$ 249.90	46,250	\$ 275.12	570,822	\$ 251.95
Granted	51,575	293.43	21,985	465.11	73,560	344.74
Vested	(146,138)	(240.71)	—	—	(146,138)	(240.71)
Forfeited	(22,197)	(256.50)	—	—	(22,197)	(256.50)
Restricted share units outstanding December 31, 2022	407,812	\$ 258.34	68,235	\$ 336.33	476,047	\$ 269.52
Granted	77,974	296.19	37,211	295.61	115,185	296.01
Vested	(132,909)	(245.19)	(9,250)	(275.12)	(142,159)	(247.13)
Forfeited	(30,229)	(266.60)	(2,183)	(300.86)	(32,412)	(268.91)
Restricted share units outstanding December 31, 2023	322,648	\$ 272.14	94,013	\$ 327.06	416,661	\$ 284.53

	2023	2022	2021
Amounts for the year (in 000's, except number of shares):			
Fair value of vested shares on vesting date	\$ 41,999	\$ 47,244	\$ 37,430
Cash paid for taxes upon vesting in lieu of issuing common shares	\$ 13,950	\$ 16,827	\$ 13,069
Common shares issued upon vesting	96,657	99,009	81,325

Average assumptions used in valuing restricted share units with market conditions with the Monte-Carlo simulation method:

Time from the valuation date to the end of the performance period	3	3
Risk-free interest rate	3.8%	1.6%
Expected volatility, based upon historical volatility	28.2%	26.5%
Expected dividend yield	4.1%	2.3%

(a) Amount granted for performance-based RSUs includes 9,250 RSUs for performance adjustments above target for RSUs granted in 2021.

Trustee Deferral Program

Non-management trustees may elect to receive all or a portion of their cash retainers in cash, unrestricted common shares, or fully-vested DSUs to be settled at a specified future date. Unrestricted common shares and/or DSUs will be granted to the non-management trustee on the last day of each calendar quarter based on the cash retainer earned for that quarter and converted into a number of shares or units based on the applicable closing price of our common shares on such date. During 2023, we granted 2,085 DSUs and 884 unrestricted common shares. During 2022, 867 previously granted DSUs were settled in common shares. A total of 10,769 DSUs were outstanding at December 31, 2023 (9,551 at December 31, 2022).

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13. Net Income per Common Share

We allocate net income to (i) noncontrolling interests based upon their contractual rights in the respective subsidiaries or for participating noncontrolling interests based upon their participation in both distributed and undistributed earnings of the Company, (ii) preferred shareholders, for distributions paid or payable, (iii) preferred shareholders, to the extent redemption cost exceeds the related original net issuance proceeds (a “preferred share redemption charge”), and (iv) RSUs, for non-forfeitable dividends paid and adjusted for participation rights in undistributed earnings of the Company.

We calculate basic and diluted net income per common share based upon net income allocable to common shareholders, divided by (i) weighted average common shares for basic net income per common share, and (ii) weighted average common shares adjusted for the impact of dilutive stock options outstanding for diluted net income per common share. Stock options representing 375,577 common shares were excluded from the computation of diluted earnings per share for 2023, as compared to 147,344 common shares for 2022, because their effect would have been antidilutive.

The following table reconciles the numerators and denominators of the basic and diluted net income per common shares computation for the year ended December 31, 2023, 2022, and 2021, respectively (in thousands, except per share amounts):

	For the Years Ended December 31,		
	2023	2022	2021
Numerator for basic and dilutive net income per common share – net income allocable to common shareholders	\$ 1,948,741	\$ 4,142,288	\$ 1,732,444
Denominator for basic net income per share - weighted average common shares outstanding	175,472	175,257	174,858
Net effect of dilutive stock options - based on treasury stock method	671	1,023	710
Denominator for dilutive net income per share - weighted average common shares outstanding	<u>176,143</u>	<u>176,280</u>	<u>175,568</u>
Net income per common share:			
Basic	\$ 11.11	\$ 23.64	\$ 9.91
Dilutive	\$ 11.06	\$ 23.50	\$ 9.87

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14. Segment Information

Our operating segments reflect the significant components of our operations where discrete financial information is evaluated separately by our chief operating decision maker.

Self-Storage Operations

The Self-Storage Operations reportable segment reflects the aggregated rental operations from the self-storage facilities we own through the following operating segments: (i) Same Store Facilities, (ii) Acquired Facilities, (iii) Developed and Expanded Facilities, and (iv) Other Non-Same Store Facilities. The presentation in the table below sets forth the Net Operating Income (“NOI”) of this reportable segment, as well as the related depreciation expense. For all periods presented, substantially all of our real estate facilities, goodwill and other intangible assets, other assets, and accrued and other liabilities are associated with the Self-Storage Operations reportable segment.

Ancillary Operations

The Ancillary Operations reflects the combined operations of our tenant reinsurance, merchandise sales, and third party property management operating segments.

Presentation of Segment Information

The following table reconciles NOI and net income attributable to our reportable segment to our consolidated net income:

	For the Years Ended December 31,		
	2023	2022	2021
	(amounts in thousands)		
<i>Self-Storage Operations Reportable Segment</i>			
Revenue	\$ 4,259,613	\$ 3,946,028	\$ 3,203,566
Cost of operations	(1,061,950)	(980,209)	(852,030)
Net operating income	3,197,663	2,965,819	2,351,536
Depreciation and amortization	(970,056)	(888,146)	(713,428)
Net income	2,227,607	2,077,673	1,638,108
<i>Ancillary Operations</i>			
Revenue	258,077	236,135	212,258
Cost of operations	(85,996)	(72,698)	(68,568)
Net operating income	172,081	163,437	143,690
Total net income allocated to segments	2,399,688	2,241,110	1,781,798
<i>Other items not allocated to segments:</i>			
Real estate acquisition and development expense	(26,451)	(28,744)	(12,923)
General and administrative	(80,632)	(71,672)	(75,966)
Interest and other income	85,590	40,567	12,306
Interest expense	(201,132)	(136,319)	(90,774)
Equity in earnings of unconsolidated real estate entities	27,897	106,981	232,093
Foreign currency exchange (loss) gain	(51,197)	98,314	111,787
Gain on sale of real estate	17,178	1,503	13,683
Gain on sale of equity investment in PS Business Parks, Inc.	—	2,128,860	—
Income tax expense	(10,821)	(14,326)	(12,365)
Net income	\$ 2,160,120	\$ 4,366,274	\$ 1,959,639

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15. 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 carry property, earthquake, general liability, employee medical insurance, and workers compensation coverage through internationally recognized insurance carriers, subject to deductibles. Our deductible for general liability is \$2.0 million per occurrence. Our annual deductible for property loss is \$25.0 million per occurrence. This deductible decreases to \$5.0 million once we reach \$35.0 million in aggregate losses for occurrences that exceed \$5.0 million. Insurance carriers' aggregate limits on these policies of \$75.0 million for property losses and \$102.0 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 exceeded.

We reinsure a program that provides insurance to our customers from an independent third-party insurer. This program covers customer 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 to cover this exposure for a limit of \$15.0 million for losses in excess of \$5.0 million per occurrence. We are subject to licensing requirements and regulations in all states. Customers participate in the program at their option. At December 31, 2023, there were approximately 1.3 million certificates held by our self-storage customers, representing aggregate coverage of approximately \$6.2 billion.

Commitments

We have construction commitments representing future expected payments for construction under contract totaling \$164.8 million at December 31, 2023. We expect to pay approximately \$149.3 million in 2024 and \$15.5 million in 2025 for these construction commitments.

We have future contractual payments on land, equipment and office space under various lease commitments totaling \$65.4 million at December 31, 2023. We expect to pay approximately \$4.0 million in each of 2024, 2025, and 2026, \$2.6 million in 2027, \$2.5 million in 2028, and \$48.3 million thereafter for these commitments.

PUBLIC STORAGE
SCHEDULE III - REAL ESTATE
AND ACCUMULATED DEPRECIATION
(Amounts in thousands, except number of properties)

Description	No. of Facilities	Net Rentable Square Feet	2023 Encumbrances	Initial Cost			Gross Carrying Amount At December 31, 2023			Accumulated Depreciation
				Land	Buildings & Improvements	Costs Subsequent to Acquisition	Land	Buildings	Total	
Self-storage facilities by market:										
Los Angeles	230	17,257	\$ 306	\$ 559,185	\$ 1,068,073	\$ 541,531	\$ 565,340	\$ 1,603,449	\$ 2,168,789	\$ 994,124
Dallas/Ft. Worth	211	18,907	—	361,873	2,184,105	256,575	364,101	2,438,452	2,802,553	521,797
Houston	165	13,894	—	272,737	902,137	303,823	272,058	1,206,639	1,478,697	422,909
Chicago	143	9,310	—	156,554	519,539	170,469	159,391	687,171	846,562	449,618
San Francisco	141	9,197	—	245,623	557,398	319,345	258,373	863,993	1,122,366	591,695
Washington DC	119	8,458	—	423,176	1,329,933	213,344	438,682	1,527,771	1,966,453	502,381
Atlanta	115	7,710	1,527	143,692	434,433	120,141	144,055	554,211	698,266	331,367
Orlando/Daytona	109	6,430	—	174,624	573,412	92,255	180,105	660,186	840,291	214,161
New York	106	7,892	—	314,288	736,217	299,222	320,626	1,029,101	1,349,727	584,340
Seattle/Tacoma	102	7,266	—	246,108	634,810	218,764	248,369	851,313	1,099,682	447,887
Miami	100	7,508	—	259,200	563,334	183,251	261,093	744,692	1,005,785	431,641
Denver	70	5,290	—	120,117	323,262	115,449	120,838	437,990	558,828	204,831
Minneapolis/St. Paul	68	5,456	—	128,142	332,631	141,412	131,696	470,489	602,185	186,863
Philadelphia	67	4,484	—	66,271	297,576	95,223	65,292	393,778	459,070	202,399
Tampa	66	4,587	—	103,717	353,560	94,617	107,030	444,864	551,894	172,976
Charlotte	62	4,752	—	89,937	250,135	95,517	97,800	337,789	435,589	173,600
Detroit	54	3,963	—	77,077	289,354	73,053	78,483	361,001	439,484	155,132
Phoenix	53	3,825	—	108,051	367,874	48,863	108,042	416,746	524,788	156,365
Baltimore	50	3,919	—	136,598	775,086	58,286	136,722	833,248	969,970	167,074
Portland	50	2,917	—	65,013	225,043	55,281	65,671	279,666	345,337	138,095
Oklahoma City	48	3,493	—	69,100	310,648	28,922	69,100	339,570	408,670	49,755
West Palm Beach	46	3,833	—	156,788	221,479	119,973	157,496	340,744	498,240	177,442
San Antonio	40	2,827	—	54,753	224,313	40,978	54,711	265,333	320,044	95,103
Austin	39	3,123	—	72,382	212,110	56,840	74,404	266,928	341,332	119,942
Raleigh	39	2,813	—	90,683	224,341	49,943	91,672	273,295	364,967	94,764
Indianapolis	37	2,450	—	46,160	171,251	31,225	47,160	201,476	248,636	65,018
Norfolk	36	2,199	—	47,939	125,410	34,521	47,378	160,492	207,870	89,683
Sacramento	36	2,120	—	32,023	92,323	44,386	32,507	136,225	168,732	96,150
Columbia	35	2,236	—	39,521	165,797	26,242	40,280	191,280	231,560	53,940
Columbus	32	2,443	—	55,843	143,208	33,589	55,950	176,690	232,640	61,850
Kansas City	31	2,121	—	20,212	114,080	54,757	20,412	168,637	189,049	75,990
Boston	29	2,038	—	85,717	223,625	42,014	86,283	265,073	351,356	136,437
St. Louis	27	1,749	—	22,546	85,838	40,671	23,395	125,660	149,055	77,098
Las Vegas	26	1,743	—	32,147	129,839	24,005	31,395	154,596	185,991	64,709
San Diego	24	2,183	—	89,782	162,043	54,101	92,292	213,634	305,926	121,509
Nashville/Bowling Green	22	1,435	—	31,362	100,045	33,215	31,360	133,262	164,622	41,120

PUBLIC STORAGE
SCHEDULE III - REAL ESTATE
AND ACCUMULATED DEPRECIATION
(Amounts in thousands, except number of properties)

Description	No. of Facilities	Net Rentable Square Feet	2023 Encumbrances	Initial Cost			Gross Carrying Amount At December 31, 2023			Accumulated Depreciation
				Land	Buildings & Improvements	Costs Subsequent to Acquisition	Land	Buildings	Total	
Memphis	22	1,418	—	27,627	167,899	15,346	28,980	181,892	210,872	28,898
Cincinnati	21	1,241	—	19,385	67,782	29,599	19,303	97,463	116,766	41,676
Mobile	19	1,097	—	24,147	95,838	9,590	23,974	105,601	129,575	20,429
Colorado Springs	17	1,172	—	13,667	64,569	26,394	13,664	90,966	104,630	38,685
Fort Myers/Naples	16	1,209	—	33,789	113,782	12,180	34,023	125,728	159,751	31,735
Greenville/Spartanburg/Asheville	16	998	—	12,910	68,856	12,940	13,826	80,880	94,706	28,410
Louisville	16	970	—	24,868	50,185	10,346	24,867	60,532	85,399	24,018
Richmond	16	808	—	21,121	56,202	10,092	20,926	66,489	87,415	27,542
Milwaukee	15	964	—	13,189	32,071	11,262	13,158	43,364	56,522	38,449
Jacksonville	15	922	—	14,454	47,415	16,595	14,503	63,961	78,464	40,554
Greensboro	15	911	—	15,590	43,181	16,298	17,679	57,390	75,069	33,648
Birmingham	15	606	—	6,316	25,567	16,677	6,204	42,356	48,560	31,601
Charleston	14	978	—	16,947	56,793	26,117	17,923	81,934	99,857	36,810
Chattanooga	13	846	—	10,030	45,578	9,066	9,832	54,842	64,674	21,705
Salt Lake City	13	802	—	20,454	41,607	6,647	20,103	48,605	68,708	18,945
Honolulu	12	896	—	69,611	127,041	23,033	70,528	149,157	219,685	85,116
New Orleans	12	861	—	14,096	72,425	13,077	14,264	85,334	99,598	34,714
Savannah	12	700	—	33,094	42,465	5,987	31,766	49,780	81,546	25,473
Omaha	11	940	—	17,965	69,085	5,467	17,965	74,552	92,517	13,693
Hartford/New Haven	11	693	—	6,778	19,959	27,641	8,443	45,935	54,378	37,212
Cleveland/Akron	10	631	—	5,916	30,775	9,494	6,309	39,876	46,185	16,296
Augusta	10	586	—	9,833	35,451	5,190	9,833	40,641	50,474	10,833
Buffalo/Rochester	9	462	—	6,785	17,954	7,251	6,783	25,207	31,990	17,283
Boise	7	671	—	16,756	71,912	2,221	16,756	74,133	90,889	6,900
Reno	7	559	—	5,487	18,704	6,980	5,487	25,684	31,171	15,473
Tucson	7	439	—	9,403	25,491	8,990	9,884	34,000	43,884	24,851
Wichita	7	433	—	2,017	6,691	8,834	2,130	15,412	17,542	12,945
Monterey/Salinas	7	329	—	8,465	24,151	7,845	8,455	32,006	40,461	26,472
Evansville	5	326	—	2,340	14,316	1,686	2,312	16,030	18,342	6,174
Huntsville/Decatur	5	298	—	9,161	13,481	3,848	9,108	17,382	26,490	7,747
Dayton	5	284	—	1,074	8,975	5,283	1,073	14,259	15,332	8,624
Fort Wayne	4	271	—	3,487	11,003	3,695	3,487	14,698	18,185	7,042
Providence	4	248	—	2,644	26,118	4,000	2,644	30,118	32,762	8,544
Lansing	4	233	—	2,048	22,897	1,755	2,048	24,652	26,700	3,210
Roanoke	4	223	—	5,093	18,091	1,591	5,093	19,682	24,775	5,425
Palm Springs	3	242	—	8,309	18,065	3,282	8,309	21,347	29,656	14,206
Flint	3	191	—	2,734	19,228	666	2,733	19,895	22,628	2,588

PUBLIC STORAGE
SCHEDULE III - REAL ESTATE
AND ACCUMULATED DEPRECIATION
(Amounts in thousands, except number of properties)

Description	No. of Facilities	Net Rentable Square Feet	2023 Encumbrances	Initial Cost			Gross Carrying Amount At December 31, 2023			Accumulated Depreciation
				Land	Buildings & Improvements	Costs Subsequent to Acquisition	Land	Buildings	Total	
Rochester	3	155	—	2,142	10,787	3,799	2,075	14,653	16,728	4,719
Shreveport	2	150	—	817	3,030	3,476	741	6,582	7,323	5,329
Springfield/Holyoke	2	144	—	1,428	3,380	2,599	1,427	5,980	7,407	5,330
Santa Barbara	2	98	—	5,733	9,106	1,183	5,733	10,289	16,022	7,172
Topeka	2	94	—	225	1,419	2,167	225	3,586	3,811	3,342
Joplin	1	56	—	264	904	1,067	264	1,971	2,235	1,738
Syracuse	1	55	—	545	1,279	1,413	545	2,692	3,237	2,155
Modesto/Fresno/Stockton	1	33	—	44	206	1,399	193	1,456	1,649	1,167
Commercial and non-operating real estate			—	13,194	26,143	136,325	13,348	162,314	175,662	69,331
	3,044	218,071	\$ 1,833	\$ 5,542,781	\$ 17,177,947	\$ 4,744,510	\$ 5,628,488	\$ 21,836,750	\$ 27,465,238	\$ 9,423,974

Note: Buildings and improvements are depreciated on a straight-line basis over estimated useful lives ranging generally between 5 to 25 years. In addition, disclosures of the number and square footage of our facilities are unaudited.

DESCRIPTION OF COMMON SHARES

Unless the context otherwise requires, the terms “we,” “our,” “us,” and the “Company” refer to Public Storage, a Maryland real estate investment trust.

We are authorized to issue up to 650,000,000 common shares of beneficial interest, par value \$0.10 per share.

Common Shares

The following description of our common shares sets forth certain general terms and provisions of our common shares. The statements below describing our common shares are in all respects subject to and qualified in their entirety by reference to the applicable provisions of our declaration of trust and bylaws.

Holders of our common shares will be entitled to receive distributions when, as and if declared by our board of trustees, out of funds legally available for distribution. If we fail to pay distributions on our outstanding preferred shares of beneficial interest, generally we may not pay distributions on or repurchase our common shares. If we were to liquidate, dissolve or wind up our affairs, holders of common shares will be entitled to share equally and ratably in any assets available for distribution to them, after payment or provision for payment of our debts and other liabilities and the preferential amounts owing with respect to any of our outstanding preferred shares. Holders of common shares have no preemptive rights, which means they have no right to acquire any additional common shares that we may issue at a later date. The common shares will be, when issued, fully paid and nonassessable.

The holders of our common shares are entitled to cast one vote for each share on all matters presented to our holders for a vote, including with respect to the election of trustees. No shareholder shall be entitled to cumulate votes (i.e., cast for any one or more nominees a number of votes greater than the number of votes which such shareholder normally is entitled to cast).

The rights, preferences and privileges of holders of our common shares are subject to, and may be adversely affected by, the rights of the holders of shares of any series of our preferred shares or equity shares of beneficial interest which are outstanding or which we may designate and issue in the future. See “Description of Preferred Shares.”

In addition to the ownership limitations in our declaration of trust, described below, the following could prevent, deter, or delay a change of control 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 us. Currently, our 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.
- Similarly, current provisions of our declaration of trust and powers of our board could have the same effect, including (1) limitations on removal of trustees, (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 our board without obtaining shareholder approval, (4) the advance notice provisions of our bylaws and (5) our 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.

Ownership Limitations

To qualify as a REIT under the Internal Revenue Code of 1986, as amended (the “Code”), our shares must be beneficially owned by 100 or more persons during at least 335 days of a taxable year of 12 months or during a proportionate part of a shorter taxable year. Also, not more than 50% of the value of our outstanding shares (after taking into account options to acquire shares) may be owned, directly, indirectly or through attribution, by five or fewer individuals (as defined in the Code to include certain entities) during the last half of a taxable year.

To maintain our qualification as a REIT, our declaration of trust provides that:

- no person, other than an excepted holder or a designated investment entity (each as defined in our declaration of trust and as described below), may own directly or indirectly, or be deemed to own by virtue of the attribution provisions of the Code, more than 3%, in value or number, whichever is more restrictive, of the outstanding shares of any class or series of common shares;
- no person, other than a designated investment entity or an excepted holder (each as defined in our declaration of trust and as described below), may own directly or indirectly, or be deemed to own through attribution, more than 9.9% in value or number, whichever is more restrictive, of the outstanding shares of any class or series of preferred shares, or equity shares;
- no excepted holder, which means certain members of the Hughes family, certain trusts established for the benefit of members of the Hughes family, certain related entities, as well as persons whose ownership of shares would cause members of the Hughes family to be deemed to own shares pursuant to application attribution rules under the Code, may own directly or indirectly common shares if, under the applicable tax attribution rules of the Code, any single excepted holder who is treated as an individual would own more than 35.66%, in value or number, whichever is more restrictive, of any class or series of the outstanding common shares, any two excepted holders treated as individuals would own more than 38.66%, in value or number, whichever is more restrictive, of any class or series of the outstanding common shares, any three excepted holders treated as individuals would own more than 41.66%, in value or number, whichever is more restrictive, of any class or series of the outstanding common shares, any four excepted holders treated as individuals would own more than 44.66%, in value or number, whichever is more restrictive, of any class or series of the outstanding common shares, or any five excepted holders treated as individuals would own more than 47.66%, in value or number, whichever is more restrictive, of any class or series of the outstanding common shares;
- no excepted holder, as described above, may own directly or indirectly, or be deemed to own through attribution, more than 15% in value or number, whichever is more restrictive, of the outstanding shares of any class or series of equity shares; there is no special limit specifically applicable to preferred shares except the general ownership limit;
- no designated investment entity may acquire or hold, directly or indirectly (or through attribution), shares in excess of the designated investment entity limit of 9.9%, in value or number, whichever is more restrictive, of the outstanding shares of any class or series of common shares;
- a designated investment entity may acquire or hold, directly or indirectly (or through attribution), 100% of the outstanding shares of any class or series of preferred shares or equity shares;

- no person shall actually or beneficially own our shares to the extent that such ownership would result in us being “closely held” under Section 856(h) of the Code or otherwise cause us to fail to qualify as a REIT at any time; and
- no person shall transfer our shares if such transfer would result in our shares being owned by fewer than 100 persons at any time.

The excepted holder limit has been established in light of the fact that the Hughes family and certain related trusts and entities own approximately 14.1% of our common shares outstanding at December 31, 2019, and have the right to acquire additional common shares. The excepted holder limit allows excepted holders, defined in our declaration of trust to include certain members of the Hughes family, certain trusts established for the benefit of members of the Hughes family and certain related entities, to own in the aggregate up to 47.66% of the outstanding shares of any class or series of common shares, so long as no one individual excepted holder would own or be treated as owning in excess of 35.66% of the outstanding shares of any such class or series. We believe that the excepted holder limit will not jeopardize our status as a REIT because no five excepted holders can own more than 47.66% of any class or series of our outstanding common shares and, thus, we will be in compliance with the REIT qualification requirement prohibiting five or fewer individuals from owning more than 50% of the value of our outstanding shares.

Our declaration of trust defines a “designated investment entity” as:

1. an entity that is a pension trust that qualifies for look-through treatment under Section 856(h)(3) of the Code;
2. an entity that qualifies as a regulated investment company under Section 851 of the Code; or
3. an entity (referred to in our declaration of trust as a “qualified investment manager”) that (i) for compensation engages in the business of advising others as to the value of securities or as to the advisability of investing in, purchasing or selling securities; (ii) purchases securities in the ordinary course of its business and not with the purpose or effect of changing or influencing control of the Company, nor in connection with or as a participant in any transaction having such purpose or effect, including any transaction subject to Rule 13d-3(b) of the Exchange Act; and (iii) has or shares voting power and investment power under the Exchange Act; so long as each beneficial owner of such entity, or in the case of a qualified investment manager holding shares solely for the benefit of its customer account holders, the individual account holders of the accounts managed by such entity, would satisfy the 3% common share or 9.9% preferred share or equity share ownership limit, as applicable, if such beneficial owner or account holder owned directly its proportionate share of the shares held by the entity.

Under our declaration of trust, the board of trustees may, in its sole and absolute discretion, exempt a shareholder that is not an individual from the 3% ownership limit for common shares, the 9.9% ownership limit for preferred and equity shares, or the ownership limit for common shares applicable to designated investment entities, if such shareholder provides information and makes representations to the board of trustees that are satisfactory to the board of trustees, in its sole and absolute discretion, to establish that such person’s ownership in excess of the applicable ownership limit would not jeopardize our qualification as a REIT. The board of trustees has from time to time granted waivers to such persons.

Any person who acquires or attempts or intends to acquire actual/or beneficial or constructive ownership of our shares that will or may violate any of the foregoing restrictions on transferability and ownership will be required to give notice immediately to us and provide us with such other information as the board of trustees may request in order to determine the effect

of such transfer on our status as a REIT. If any transfer of shares or any other event would otherwise result in any person violating the ownership limits described above, then our declaration of trust provides that (a) the transfer will be void and of no force or effect with respect to the prohibited transferee with respect to that number of shares that exceeds the ownership limits and (b) the prohibited transferee would not acquire any right or interest in the shares. The foregoing restrictions on transferability and ownership will not apply if our board of trustees determines that it is no longer in our best interests to attempt to qualify, or to continue to qualify, as a REIT.

All certificates representing our shares will bear a legend referring to the restrictions described above.

Every owner of more than 5% (or such lower percentage as required by the Code or the regulations promulgated thereunder) of all classes or series of our shares, including common shares, will be required to give written notice to us within 30 days after the end of each taxable year stating the name and address of such owner, the number of shares of each class and series of shares that the owner beneficially owns and a description of the manner in which such shares are held. Each such owner shall provide to us such additional information as the board of trustees may request in order to determine the effect, if any, of such beneficial ownership on our status as a REIT and to ensure compliance with the various ownership limitations. In addition, each shareholder shall upon demand be required to provide to the board of trustees such information as the board of trustees may request, in good faith, in order to determine our status as a REIT and to comply with the requirements of any taxing authority or governmental authority or to determine such compliance.

DESCRIPTION OF PREFERRED SHARES

We are authorized to issue 100,000,000 shares of preferred shares of beneficial interest, par value \$0.01 per share, in one or more series, with such voting powers, full or limited, and with such designations, preferences and relative, participating, optional or other special rights, and qualifications, limitations or restrictions thereof, as shall be set forth in resolutions providing for the issue of preferred shares adopted by our board of trustees.

Description of 5.150% Cumulative Preferred Shares, Series F

General

The following is a brief description of the terms of our 5.15% Cumulative Preferred Shares, Series F (the “Series F Preferred Shares”), which does not purport to be complete and is subject to and qualified in its entirety by reference to the Articles Supplementary classifying the Series F Preferred Shares, which is included as an exhibit to the Annual Report on Form 10-K of which this Exhibit 4.2 is a part.

Ownership Restrictions

For a discussion of ownership limitations that apply to the Series F Preferred Shares, see “Description of Common Shares-Ownership Limitations.”

Ranking

With respect to the payment of distributions and amounts upon liquidation, the Series F Preferred Shares will rank *pari passu* with our existing preferred shares (collectively, the “Existing Senior Preferred Shares”) and any other preferred shares issued by us, whether now or hereafter issued, ranking *pari passu* with the Existing Senior Preferred Shares (collectively, together with the

Existing Senior Preferred Shares and the Series F Preferred Shares, the “Senior Preferred Shares”), and will rank senior to our common shares and any other shares of beneficial interest of the Company ranking junior to the Series F Preferred Shares.

Distributions

Holders of Series F Preferred Shares, in preference to the holders of our common shares, and of any other shares of beneficial interest issued by us ranking junior to the Series F Preferred Shares as to payment of distributions, will be entitled to receive, when and as declared by our board of trustees out of assets of the Company legally available for payment, cash distributions payable quarterly at the rate of 5.15% of the liquidation preference per year (\$1,287.50 per year per share, equivalent to \$1.2875 per year per Series F Depository Share (as defined below)). Distributions on the Series F Preferred Shares will be cumulative from the date of issue and will be payable quarterly on or before March 31, June 30, September 30 and December 31, commencing June 30, 2017, to holders of record as they appear on the shares register of the Company on such record dates, not less than 15 or more than 45 days preceding the payment dates thereof, as shall be fixed by the board of trustees. If the last day of a quarter falls on a non-business day, we may pay distributions for that quarter on the first business day following the end of the quarter. After full distributions on the Series F Preferred Shares have been paid or declared and funds set aside for payment for all past distribution periods and for the then current quarter, the holders of Series F Preferred Shares will not be entitled to any further distributions with respect to that quarter.

When distributions are not paid in full upon the Series F Preferred Shares and any other preferred shares of the Company ranking on a parity as to distributions with the Series F Preferred Shares (including the other series of Senior Preferred Shares), all distributions declared upon the Series F Preferred Shares and any other preferred shares of the Company ranking on a parity as to distributions with the Series F Preferred Shares shall be declared pro rata so that the amount of distributions declared per share on such Series F Preferred Shares and such other shares shall in all cases bear to each other the same ratio that the accrued distributions per share on the Series F Preferred Shares and such other preferred shares bear to each other. Except as set forth in the preceding sentence, unless full distributions on the Series F Preferred Shares have been paid for all past distribution periods, no distributions (other than in common shares or other shares of beneficial interest issued by us ranking junior to the Series F Preferred Shares as to distributions and upon liquidation) shall be declared or paid or set aside for payment, nor shall any other distribution be made on common shares or on any other shares of beneficial interest issued by us ranking junior to or on a parity with the Series F Preferred Shares as to distributions or upon liquidation.

Unless full distributions on the Series F Preferred Shares have been paid for all past distribution periods, we and our subsidiaries may not redeem, repurchase or otherwise acquire for any consideration (nor may we or they pay or make available any moneys for a sinking fund for the redemption of) any common shares or any other shares of beneficial interest issued by us ranking junior to or on a parity with the Series F Preferred Shares as to distributions or upon liquidation except by conversion into or exchange for shares of beneficial interest issued by us ranking junior to the Series F Preferred Shares as to distributions and upon liquidation.

If for any taxable year, we elect to designate as “capital gain dividends” (as defined in the Code) any portion of the distributions paid or made available for the year to the holders of all classes and series of our shares of beneficial interest (to the extent treated as a dividend for U.S. federal income tax purposes), then the portion of such distributions designated as capital gain dividends that will be allocable to the holders of Series F Preferred Shares will be an amount equal to the total capital gain dividends multiplied by a fraction, the numerator of which will be the total dividends paid or made available to the holders of Series F Preferred Shares for the year

(determined for U.S. federal income tax purposes), and the denominator of which will be the total dividends paid or made available to holders of all classes and series of our outstanding shares of beneficial interest for that year (determined for U.S. federal income tax purposes).

Distributions that are treated as dividends for U.S. federal income tax purposes paid by regular C corporations to persons or entities that are taxed as individuals now are generally taxed at the rate applicable to long-term capital gains, which is a maximum of 20%, subject to certain limitations. Because we are a REIT, however, our dividends, including dividends paid on the Series F Preferred Shares, generally will continue to be taxed at regular ordinary income tax rates, except to the extent that the special rules relating to qualified dividend income or capital gains dividends paid by a REIT apply.

Conversion Rights

The Series F Preferred Shares will not be convertible into shares of any other class or series of beneficial interest of the Company.

Liquidation Rights

In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Company, the holders of the Series F Preferred Shares will be entitled to receive out of our assets available for distribution to shareholders, before any distribution of assets is made to holders of common shares or of any other shares of beneficial interest issued by us ranking as to such distribution junior to the Series F Preferred Shares, liquidating distributions in the amount of \$25,000 per share (equivalent to \$25.00 per Series F Depositary Share), plus all accrued and unpaid distributions (whether or not earned or declared) for the then current, and all prior, distribution periods. If upon any voluntary or involuntary liquidation, dissolution or winding up of the Company, the amounts payable with respect to the Series F Preferred Shares and any other shares issued by us ranking as to any such distribution on a parity with the Series F Preferred Shares (including other series of Senior Preferred Shares) are not paid in full, the holders of the Series F Preferred Shares and of such other shares will share ratably in any such distribution of assets of the Company in proportion to the full respective preferential amounts to which they are entitled. After payment of the full amount of the liquidating distribution to which they are entitled, the holders of the Series F Preferred Shares will not be entitled to any further participation in any distribution of assets by us.

For purposes of liquidation rights, a consolidation or merger of the Company with or into any other corporation or corporations or a sale of all or substantially all of the assets of the Company is not a liquidation, dissolution or winding up of the Company.

Redemption

Except in certain circumstances relating to our qualification as a REIT, we may not redeem the Series F Preferred Shares prior to June 2, 2022. On and after June 2, 2022, at any time or from time to time, we may redeem the Series F Preferred Shares in whole or in part at our option at a cash redemption price of \$25,000 per Series F Preferred Share (equivalent to \$25.00 per Series F Depositary Share), plus all accrued and unpaid distributions to the date of redemption.

Notwithstanding the foregoing, if any distributions, including any accumulation, on the Series F Preferred Shares are in arrears, we may not redeem any Series F Preferred Shares unless we redeem simultaneously all outstanding Series F Preferred Shares, and we may not purchase or otherwise acquire, directly or indirectly, any Series F Preferred Shares; provided, however, that this shall not prevent the purchase or acquisition of the Series F Preferred Shares pursuant to a

purchase or exchange offer if such offer is made on the same terms to all holders of the Series F Preferred Shares.

A notice of redemption of the Series F Preferred Shares (which may be contingent on the occurrence of a future event) will be mailed, postage prepaid, not less than 30 nor more than 60 days prior to the redemption date, addressed to the holders of record of Series F Preferred Shares at their addresses as they appear on our stock transfer records. The failure to give such notice or any defect in the notice or in its mailing will not affect the validity of the proceedings for the redemption of any Series F Preferred Shares except as to the holder to whom notice was defective or not given. Each notice will state: (1) the redemption date; (2) the number of Series F Preferred Shares to be redeemed; (3) the redemption price per Series F Preferred Share; (4) the place or places where certificates for the Series F Preferred Shares are to be surrendered for payment of the redemption price; and (5) that distributions on the Series F Preferred Shares to be redeemed will cease to accrue on such redemption date.

If fewer than all the Series F Preferred Shares held by any holder are to be redeemed, the notice mailed to such holder shall also specify the number of Series F Preferred Shares to be redeemed from such holder. If fewer than all of the outstanding Series F Preferred Shares are to be redeemed, the shares to be redeemed shall be selected by lot or pro rata or by any other equitable method we may choose. In order to facilitate the redemption of Series F Preferred Shares, the board of trustees may fix a record date for the determination of Series F Preferred Shares to be redeemed, such record date to be not less than 30 nor more than 60 days prior to the date fixed for such redemption.

Notice having been given as provided above, from and after the date specified therein as the date of redemption, unless we default in providing funds for the payment of the redemption price on such date, all distributions on the Series F Preferred Shares called for redemption will cease. From and after the redemption date, unless we so default, all rights of the holders of the Series F Preferred Shares as shareholders of the Company, except the right to receive the redemption price (but without interest), will cease. Upon surrender in accordance with such notice of the certificates representing any such shares (properly endorsed or assigned for transfer, if the board of trustees of the Company shall so require and the notice shall so state), the redemption price set forth above shall be paid out of the funds provided by the Company. If fewer than all the shares represented by any such certificate are redeemed, a new certificate shall be issued representing the unredeemed shares without cost to the holder thereof.

Subject to applicable law and the limitation on purchases when distributions on the Series F Preferred Shares are in arrears, we may, at any time and from time to time, purchase any Series F Preferred Shares in the open market, by tender or by private agreement.

Voting Rights

Except as indicated below, or except as expressly required by applicable law, holders of the Series F Preferred Shares will not be entitled to vote.

If six quarterly distributions payable on the Series F Preferred Shares or any other series of preferred shares are in default (whether or not declared or consecutive), the holders of the Series F Preferred Shares (voting as a class with all other series of Senior Preferred Shares) will be entitled to elect two additional trustees until all distributions in default have been paid or declared and set apart for payment.

Such right to vote separately to elect trustees shall, when vested, be subject, always, to the same provisions for vesting of such right to elect trustees separately in the case of future distribution defaults. At any time when such right to elect trustees separately shall have so vested, we may,

and upon the written request of the holders of record of not less than 10% of the total number of preferred shares of the Company then outstanding shall, call a special meeting of shareholders for the election of trustees. In the case of such a written request, such special meeting shall be held within 90 days after the delivery of such request and, in either case, at the place and upon the notice provided by law and in our bylaws, provided that we shall not be required to call such a special meeting if such request is received less than 120 days before the date fixed for the next ensuing annual meeting of shareholders, and the holders of all classes of outstanding preferred shares are offered the opportunity to elect such trustees (or fill any vacancy) at such annual meeting of shareholders. Trustees so elected shall serve until the next annual meeting of our shareholders or until their respective successors are elected and qualified. If, prior to the end of the term of any trustee so elected, a vacancy in the office of such trustee shall occur, during the continuance of a default in distributions on preferred shares of the Company, by reason of death, resignation, or disability, such vacancy shall be filled for the unexpired term of such former trustee by the appointment of a new trustee by the remaining trustee or trustees so elected.

The affirmative vote or consent of the holders of at least 66 $\frac{2}{3}$ % of the outstanding Series F Preferred Shares and any other series of preferred shares ranking on a parity with the Series F Preferred Shares as to distributions or upon liquidation (which includes the other series of Senior Preferred Shares), voting as a single class, will be required to authorize another class of shares senior to the Series F Preferred Shares with respect to the payment of distributions or the distribution of assets on liquidation. The affirmative vote or consent of the holders of at least 66 $\frac{2}{3}$ % of the outstanding Series F Preferred Shares will be required to amend or repeal any provision of, or add any provision to, the declaration of trust, including articles supplementary if such action would materially and adversely alter or change the rights, preferences or privileges of the Series F Preferred Shares.

No consent or approval of the holders of the Series F Preferred Shares will be required for the issuance from the Company's authorized but unissued preferred shares or other shares of any series of preferred shares ranking on a parity with or junior to the Series F Preferred Shares as to payment of distributions and distribution of assets, including other Series F Preferred Shares.

Description of 5.05% Cumulative Preferred Shares, Series G

The following is a brief description of the terms of our 5.05% Cumulative Preferred Shares, Series G ("Series G Preferred Shares"), which does not purport to be complete and is subject to and qualified in its entirety by reference to the Articles Supplementary classifying the Series G Preferred Shares, which is included as an exhibit to the Annual Report on Form 10-K of which this Exhibit 4.2 is a part. The terms and provisions of our Series G Preferred Shares are substantially the same as those of our Series F Preferred Shares as described in "-Description of 5.40% Cumulative Preferred Shares, Series F" above, except that cash distributions are payable quarterly at the rate of 5.05% of the liquidation preference per year (\$1,262.50 per year per share, equivalent to \$1.2625 per year per Series G Depositary Share (as defined below)), distributions on the Series G Preferred Shares commenced on September 30, 2017 and, except in certain circumstances, we may not redeem the Series G Preferred Shares prior to August 9, 2022.

Description of 5.60% Cumulative Preferred Shares, Series H

The following is a brief description of the terms of our 5.60% Cumulative Preferred Shares, Series H ("Series H Preferred Shares"), which does not purport to be complete and is subject to and qualified in its entirety by reference to the Articles Supplementary classifying the Series H Preferred Shares, which is included as an exhibit to the Annual Report on Form 10-K of which this Exhibit 4.2 is a part. The terms and provisions of our Series H Preferred Shares are substantially the same as those of our Series F Preferred Shares as described in "-Description of 5.40% Cumulative Preferred Shares, Series F" above, except that cash distributions are payable

quarterly at the rate of 5.60% of the liquidation preference per year (\$1,400.00 per year per share, equivalent to \$1.40 per year per Series H Depositary Share (as defined below)), distributions on the Series H Preferred Shares commenced on March 31, 2019 and, except in certain circumstances, we may not redeem the Series H Preferred Shares prior to March 11, 2024.

Description of 4.875% Cumulative Preferred Shares, Series I

The following is a brief description of the terms of our 4.875% Cumulative Preferred Shares, Series I (“Series I Preferred Shares”), which does not purport to be complete and is subject to and qualified in its entirety by reference to the Articles Supplementary classifying the Series I Preferred Shares, which is included as an exhibit to the Annual Report on Form 10-K of which this Exhibit 4.2 is a part. The terms and provisions of our Series I Preferred Shares are substantially the same as those of our Series F Preferred Shares as described in “-Description of 5.40% Cumulative Preferred Shares, Series F” above, except that cash distributions are payable quarterly at the rate of 4.875% of the liquidation preference per year (\$1,218.75 per year per share, equivalent to \$1.21875 per year per Series I Depositary Share (as defined below)), distributions on the Series I Preferred Shares commenced on December 31, 2019 and, except in certain circumstances, we may not redeem the Series I Preferred Shares prior to September 12, 2024.

Description of 4.70% Cumulative Preferred Shares, Series J

The following is a brief description of the terms of our 4.70% Cumulative Preferred Shares, Series J (“Series J Preferred Shares”), which does not purport to be complete and is subject to and qualified in its entirety by reference to the Articles Supplementary classifying the Series J Preferred Shares, which is included as an exhibit to the Annual Report on Form 10-K of which this Exhibit 4.2 is a part. The terms and provisions of our Series J Preferred Shares are substantially the same as those of our Series F Preferred Shares as described in “-Description of 5.40% Cumulative Preferred Shares, Series F” above, except that cash distributions are payable quarterly at the rate of 4.70% of the liquidation preference per year (\$1,175.00 per year per share, equivalent to \$1.175 per year per Series J Depositary Share (as defined below)), distributions on the Series J Preferred Shares commenced on March 31, 2020 and, except in certain circumstances, we may not redeem the Series J Preferred Shares prior to November 15, 2024.

Description of 4.75% Cumulative Preferred Shares, Series K

The following is a brief description of the terms of our 4.75% Cumulative Preferred Shares, Series K (“Series K Preferred Shares”), which does not purport to be complete and is subject to and qualified in its entirety by reference to the Articles Supplementary classifying the Series K Preferred Shares, which is included as an exhibit to the Annual Report on Form 10-K of which this Exhibit 4.2 is a part. The terms and provisions of our Series K Preferred Shares are substantially the same as those of our Series F Preferred Shares as described in “-Description of 5.40% Cumulative Preferred Shares, Series F” above, except that cash distributions are payable quarterly at the rate of 4.75% of the liquidation preference per year (\$1,187.50 per year per share, equivalent to \$1.1875 per year per Series K Depositary Share (as defined below)), distributions on the Series K Preferred Shares commenced on March 31, 2020 and, except in certain circumstances, we may not redeem the Series K Preferred Shares prior to December 20, 2024.

Description of 4.625% Cumulative Preferred Shares, Series L

The following is a brief description of the terms of our 4.625% Cumulative Preferred Shares, Series L (“Series L Preferred Shares”), which does not purport to be complete and is subject to and qualified in its entirety by reference to the Articles Supplementary classifying the Series L Preferred Shares, which is included as an exhibit to the Annual Report on Form 10-K of which this Exhibit 4.2 is a part. The terms and provisions of our Series L Preferred Shares are substantially the same as those of our Series F Preferred Shares as described in “-Description of 5.40% Cumulative Preferred Shares, Series F” above, except that cash distributions are payable quarterly at the rate of 4.625% of the liquidation preference per year (\$1,156.25 per year per share, equivalent to \$1.15625 per year per Series L Depositary Share (as defined below)), distributions on the Series L Preferred Shares commenced on September 30, 2020 and, except in certain circumstances, we may not redeem the Series L Preferred Shares prior to June 17, 2025.

Description of 4.125% Cumulative Preferred Shares, Series M

The following is a brief description of the terms of our 4.125% Cumulative Preferred Shares, Series M (“Series M Preferred Shares”), which does not purport to be complete and is subject to and qualified in its entirety by reference to the Articles Supplementary classifying the Series M Preferred Shares, which is included as an exhibit to the Annual Report on Form 10-K of which this Exhibit 4.2 is a part. The terms and provisions of our Series M Preferred Shares are substantially the same as those of our Series F Preferred Shares as described in “-Description of 5.40% Cumulative Preferred Shares, Series F” above, except that cash distributions are payable quarterly at the rate of 4.125% of the liquidation preference per year (\$1,031.25 per year per share, equivalent to \$1.03125 per year per Series M Depositary Share (as defined below)), distributions on the Series M Preferred Shares commenced on December 31, 2020 and, except in certain circumstances, we may not redeem the Series M Preferred Shares prior to August 14, 2025.

Description of 3.875% Cumulative Preferred Shares, Series N

The following is a brief description of the terms of our 3.875% Cumulative Preferred Shares, Series N (“Series N Preferred Shares”), which does not purport to be complete and is subject to and qualified in its entirety by reference to the Articles Supplementary classifying the Series N Preferred Shares, which is included as an exhibit to the Annual Report on Form 10-K of which this Exhibit 4.2 is a part. The terms and provisions of our Series N Preferred Shares are substantially the same as those of our Series F Preferred Shares as described in “-Description of 5.40% Cumulative Preferred Shares, Series F” above, except that cash distributions are payable quarterly at the rate of 3.875% of the liquidation preference per year (\$968.75 per year per share, equivalent to \$0.96875 per year per Series N Depositary Share (as defined below)), distributions on the Series N Preferred Shares commenced on December 31, 2020 and, except in certain circumstances, we may not redeem the Series N Preferred Shares prior to October 6, 2025.

Description of 3.900% Cumulative Preferred Shares, Series O

The following is a brief description of the terms of our 3.900% Cumulative Preferred Shares, Series O (“Series O Preferred Shares”), which does not purport to be complete and is subject to and qualified in its entirety by reference to the Articles Supplementary classifying the Series O Preferred Shares, which is included as an exhibit to the Annual Report on Form 10-K of which this Exhibit 4.2 is a part. The terms and provisions of our Series O Preferred Shares are substantially the same as those of our Series F Preferred Shares as described in “-Description of 5.40% Cumulative Preferred Shares, Series F” above, except that cash distributions are payable quarterly at the rate of 3.900% of the liquidation preference per year (\$975.00 per year per share, equivalent to \$0.9750 per year per Series O Depositary Share (as defined below)), distributions

on the Series O Preferred Shares commenced on March 31, 2021 and, except in certain circumstances, we may not redeem the Series O Preferred Shares prior to November 17, 2025.

Description of 4.000% Cumulative Preferred Shares, Series P

The following is a brief description of the terms of our 4.000% Cumulative Preferred Shares, Series P (“Series P Preferred Shares”), which does not purport to be complete and is subject to and qualified in its entirety by reference to the Articles Supplementary classifying the Series P Preferred Shares, which is included as an exhibit to the Annual Report on Form 10-K of which this Exhibit 4.2 is a part. The terms and provisions of our Series P Preferred Shares are substantially the same as those of our Series F Preferred Shares as described in “-Description of 5.40% Cumulative Preferred Shares, Series F” above, except that cash distributions are payable quarterly at the rate of 4.000% of the liquidation preference per year (\$1,000.00 per year per share, equivalent to \$1.00 per year per Series P Depositary Share (as defined below)), distributions on the Series P Preferred Shares commenced on September 30, 2021 and, except in certain circumstances, we may not redeem the Series P Preferred Shares prior to June 16, 2026.

Description of 3.950% Cumulative Preferred Shares, Series Q

The following is a brief description of the terms of our 3.950% Cumulative Preferred Shares, Series Q (“Series Q Preferred Shares”), which does not purport to be complete and is subject to and qualified in its entirety by reference to the Articles Supplementary classifying the Series Q Preferred Shares, which is included as an exhibit to the Annual Report on Form 10-K of which this Exhibit 4.2 is a part. The terms and provisions of our Series Q Preferred Shares are substantially the same as those of our Series F Preferred Shares as described in “-Description of 5.40% Cumulative Preferred Shares, Series F” above, except that cash distributions are payable quarterly at the rate of 3.950% of the liquidation preference per year (\$987.50 per year per share, equivalent to \$0.9875 per year per Series Q Depositary Share (as defined below)), distributions on the Series Q Preferred Shares commenced on December 31, 2021 and, except in certain circumstances, we may not redeem the Series Q Preferred Shares prior to August 17, 2026.

Description of 4.000% Cumulative Preferred Shares, Series R

The following is a brief description of the terms of our 4.000% Cumulative Preferred Shares, Series R (“Series R Preferred Shares”), which does not purport to be complete and is subject to and qualified in its entirety by reference to the Articles Supplementary classifying the Series R Preferred Shares, which is included as an exhibit to the Annual Report on Form 10-K of which this Exhibit 4.2 is a part. The terms and provisions of our Series R Preferred Shares are substantially the same as those of our Series F Preferred Shares as described in “-Description of 5.40% Cumulative Preferred Shares, Series F” above, except that cash distributions are payable quarterly at the rate of 4.000% of the liquidation preference per year (\$1,000.00 per year per share, equivalent to \$1.00 per year per Series R Depositary Share (as defined below)), distributions on the Series R Preferred Shares will commence on March 31, 2022 and, except in certain circumstances, we may not redeem the Series R Preferred Shares prior to November 19, 2026.

Description of 4.100% Cumulative Preferred Shares, Series S

The following is a brief description of the terms of our 4.100% Cumulative Preferred Shares, Series S (“Series S Preferred Shares”), which does not purport to be complete and is subject to and qualified in its entirety by reference to the Articles Supplementary classifying the Series S Preferred Shares, which is included as an exhibit to the Annual Report on Form 10-K of which this Exhibit 4.2 is a part. The terms and provisions of our Series S Preferred Shares are substantially the same as those of our Series F Preferred Shares as described in “-Description of

5.40% Cumulative Preferred Shares, Series F” above, except that cash distributions are payable quarterly at the rate of 4.100% of the liquidation preference per year (\$1,025.00 per year per share, equivalent to \$1.025 per year per Series S Depositary Share (as defined below)), distributions on the Series S Preferred Shares will commence on March 31, 2022 and, except in certain circumstances, we may not redeem the Series S Preferred Shares prior to January 13, 2027.

DESCRIPTION OF DEPOSITARY SHARES

Description of Depositary Shares, each Representing 1/1,000 of a Series F Preferred Share

General

The following is a brief description of the terms of our depositary shares, each representing 1/1,000 of Series F Preferred Share (“Series F Depositary Shares”) which does not purport to be complete and is subject to and qualified in its entirety by reference to the provisions of the Deposit Agreement relating to the Series F Preferred Shares (the “Deposit Agreement”), which is included as an exhibit to the Annual Report on Form 10-K of which this Exhibit 4.2 is a part. Our Series F Depositary Shares are listed on the New York Stock Exchange (“NYSE”) under the symbol “PSAPrF.”

The Series F Preferred Shares are deposited with Computershare Trust Company, N. A., as Depositary (the “Preferred Shares Depositary”), under a Deposit Agreement among the Company, the Preferred Shares Depositary and the holders from time to time of the depositary receipts (the “Depositary Receipts”) issued by the Preferred Shares Depositary under the Deposit Agreement. The Depositary Receipts evidence the Series F Depositary Shares. Each holder of a Depositary Receipt evidencing a Series F Depositary Share is entitled, proportionately, to all the rights and preferences of, and subject to all of the limitations of, the interest in the Series F Preferred Shares represented by the Series F Depositary Share (including dividend, voting, redemption and liquidation rights and preferences).

Ownership Restrictions

For a discussion of ownership limitations that apply to the Series F Depositary Shares, see “Description of Common Shares-Ownership Limitations.”

Distributions

The Preferred Shares Depositary will distribute all cash distributions or other cash distributions received in respect of the Series F Preferred Shares to the record holders of Depositary Receipts in proportion to the number of Depositary Shares owned by such holders on the relevant record date, which will be the same date as the record date fixed by us for the Series F Preferred Shares. In the event that the calculation of such amount to be paid results in an amount which is a fraction of one cent, the amount the Preferred Shares Depositary shall distribute to such record holder shall be rounded to the next highest whole cent.

In the event of a distribution other than in cash, the Preferred Shares Depositary will distribute property received by it to the record holders of Depositary Receipts entitled thereto, in proportion, as nearly as may be practicable, to the number of Series F Depositary Shares owned by such holders on the relevant record date, unless the Preferred Shares Depositary determines (after consultation with us) that it is not feasible to make such distribution, in which case the Preferred Shares Depositary may (with our approval) adopt any other method for such distribution as it deems equitable and appropriate, including the sale of such property (at such

place or places and upon such terms as it may deem equitable and appropriate) and distribution of the net proceeds from such sale to such holders.

Liquidation Preference

In the event of the liquidation, dissolution or winding up of the affairs of the Company, whether voluntary or involuntary, the holders of each Series F Depositary Share will be entitled to 1/1000th of the liquidation preference accorded each Series F Preferred Share.

Redemption

Whenever we redeem any Series F Preferred Shares held by the Preferred Shares Depositary, the Preferred Shares Depositary will redeem as of the same redemption date the number of Series F Depositary Shares representing the Series F Preferred Shares so redeemed. The Preferred Shares Depositary will publish a notice of redemption of the Series F Depositary Shares containing the same type of information and in the same manner as our notice of redemption and will mail the notice of redemption promptly upon receipt of such notice from us and not less than 30 nor more than 60 days prior to the date fixed for redemption of the Series F Preferred Shares and the Series F Depositary Shares to the record holders of the Depositary Receipts. In case less than all the outstanding Series F Depositary Shares are to be redeemed, the Series F Depositary Shares to be so redeemed shall be determined pro rata or by lot in a manner determined by the board of trustees.

Voting

Promptly upon receipt of notice of any meeting at which the holders of the Series F Preferred Shares are entitled to vote, the Preferred Shares Depositary will mail the information contained in such notice of meeting to the record holders of the Depositary Receipts as of the record date for such meeting. Each such record holder of Depositary Receipts will be entitled to instruct the Preferred Shares Depositary as to the exercise of the voting rights pertaining to the number of Series F Preferred Shares represented by such record holder's Series F Depositary Shares. The Preferred Shares Depositary will endeavor, insofar as practicable, to vote such Series F Preferred Shares represented by such Series F Depositary Shares in accordance with such instructions, and we will agree to take all action which may be deemed necessary by the Preferred Shares Depositary in order to enable the Preferred Shares Depositary to do so. The Preferred Shares Depositary will abstain from voting any of the Series F Preferred Shares to the extent that it does not receive specific instructions from the holders of Depositary Receipts.

Withdrawal of Series F Preferred Shares

Upon surrender of Depositary Receipts at the principal office of the Preferred Shares Depositary, upon payment of any unpaid amount due the Preferred Shares Depositary, and subject to the terms of the Deposit Agreement, the owner of the Series F Depositary Shares evidenced thereby is entitled to delivery of the number of whole Series F Preferred Shares and all money and other property, if any, represented by such Series F Depositary Shares. Partial Series F Preferred Shares will not be issued. If the Depositary Receipts delivered by the holder evidence a number of Series F Depositary Shares in excess of the number of Series F Depositary Shares representing the number of whole Series F Preferred Shares to be withdrawn, the Preferred Shares Depositary will deliver to such holder at the same time a new Depositary Receipt evidencing such excess number of Series F Depositary Shares. Holders of Series F Preferred Shares thus withdrawn will not thereafter be entitled to deposit such shares under the Deposit Agreement or to receive Depositary Receipts evidencing Series F Depositary Shares therefor.

Amendment and Termination of Deposit Agreement

The form of Depositary Receipt evidencing the Series F Depositary Shares and any provision of the Deposit Agreement may at any time and from time to time be amended by agreement between us and the Preferred Shares Depositary. However, any amendment which materially and adversely alters the rights of the holders (other than any change in fees) of Series F Depositary Shares will not be effective unless such amendment has been approved by the holders of at least a majority of the Series F Depositary Shares then outstanding. No such amendment may impair the right, subject to the terms of the Deposit Agreement, of any owner of any Series F Depositary Shares to surrender the Depositary Receipt evidencing such Series F Depositary Shares with instructions to the Preferred Shares Depositary to deliver to the holder the Series F Preferred Shares and all money and other property, if any, represented thereby, except in order to comply with mandatory provisions of applicable law. The Deposit Agreement may be terminated by us or the Preferred Shares Depositary only if (i) all outstanding Series F Depositary Shares have been redeemed or (ii) there has been a final distribution in respect of the Series F Preferred Shares in connection with any dissolution of the Company and such distribution has been made to all the holders of Series F Depositary Shares.

Charges of Preferred Shares Depositary

We will pay all transfer and other taxes and governmental charges arising solely from the existence of the depositary arrangements. We will pay charges of the Preferred Shares Depositary in connection with the initial deposit of the Series F Preferred Shares and the initial issuance of the Series F Depositary Shares, and redemption of the Series F Preferred Shares and all withdrawals of Series F Preferred Shares by owners of Series F Depositary Shares. Holders of Depositary Receipts will pay transfer, income and other taxes and governmental charges and certain other charges as are provided in the Deposit Agreement to be for their accounts. In certain circumstances, the Preferred Shares Depositary may refuse to transfer Series F Depositary Shares, may withhold distributions and distributions and sell the Series F Depositary Shares evidenced by such Depositary Receipt if such charges are not paid.

Miscellaneous

The Preferred Shares Depositary will forward to the holders of Depositary Receipts all reports and communications from us which are delivered to the Preferred Shares Depositary and which we are required to furnish to the holders of the Series F Preferred Shares. In addition, the Preferred Shares Depositary will make available for inspection by holders of Depositary Receipts at the principal office of the Preferred Shares Depositary, and at such other places as it may from time to time deem advisable, any reports and communications received from the Company which are received by the Preferred Shares Depositary as the holder of Series F Preferred Shares.

Neither the Preferred Shares Depositary nor any Depositary's Agent (as defined in the Deposit Agreement), nor the Registrar (as defined in the Deposit Agreement) nor the Company assumes any obligation or will be subject to any liability under the Deposit Agreement to holders of Depositary Receipts other than for its gross negligence, willful misconduct or bad faith. Neither the Preferred Shares Depositary, any Depositary's Agent, the Registrar nor the Company will be liable if it is prevented or delayed by law or any circumstance beyond its control in performing its obligations under the Deposit Agreement. The Company and the Preferred Shares Depositary are not obligated to prosecute or defend any legal proceeding in respect of any Series F Depositary Shares, Depositary Receipts or Series F Preferred Shares unless reasonably satisfactory indemnity is furnished. The Company and the Preferred Shares Depositary may rely on written advice of counsel or accountants, on information provided by holders of Depositary Receipts or other persons believed in good faith to be competent to give such information and on

documents believed to be genuine and to have been signed or presented by the proper party or parties.

Resignation and Removal of Preferred Shares Depositary

The Preferred Shares Depositary may resign at any time by delivering to us notice of its election to do so, and we may at any time remove the Preferred Shares Depositary, any such resignation or removal to take effect upon the appointment of a successor Preferred Shares Depositary and its acceptance of such appointment. Such successor Preferred Shares Depositary must be appointed within 60 days after delivery of the notice for resignation or removal and must be a bank or trust company having its principal office in the United States of America and having a combined capital and surplus of at least \$150,000,000.

Description of Depositary Shares, each Representing 1/1,000 of a Series G Preferred Share

The following is a brief description of the terms of our depositary shares, each representing 1/1,000 of a Series G Preferred Share (“Series G Depositary Shares”), which does not purport to be complete and is subject to and qualified in its entirety by reference to the Deposit Agreement relating to the Series G Preferred Shares, which is included as an exhibit to the Annual Report on Form 10-K of which this Exhibit 4.2 is a part. The terms and provisions of our Series G Depositary Shares are substantially the same as those of our Series F Depositary Shares as described in “-Description of Depositary Shares, each Representing 1/1,000 of Series F Preferred Share” above. Our Series G Depositary Shares are listed on the NYSE under the symbol “PSAPrG.”

Description of Depositary Shares, each Representing 1/1,000 of a Series H Preferred Share

The following is a brief description of the terms of our depositary shares, each representing 1/1,000 of a Series H Preferred Share (“Series H Depositary Shares”), which does not purport to be complete and is subject to and qualified in its entirety by reference to the Deposit Agreement relating to the Series H Preferred Shares, which is included as an exhibit to the Annual Report on Form 10-K of which this Exhibit 4.2 is a part. The terms and provisions of our Series H Depositary Shares are substantially the same as those of our Series F Depositary Shares as described in “-Description of Depositary Shares, each Representing 1/1,000 of Series F Preferred Share” above. Our Series H Depositary Shares are listed on the NYSE under the symbol “PSAPrH.”

Description of Depositary Shares, each Representing 1/1,000 of a Series I Preferred Share

The following is a brief description of the terms of our depositary shares, each representing 1/1,000 of a Series I Preferred Share (“Series I Depositary Shares”), which does not purport to be complete and is subject to and qualified in its entirety by reference to the Deposit Agreement relating to the Series I Preferred Shares, which is included as an exhibit to the Annual Report on Form 10-K of which this Exhibit 4.2 is a part. The terms and provisions of our Series I Depositary Shares are substantially the same as those of our Series F Depositary Shares as described in “-Description of Depositary Shares, each Representing 1/1,000 of Series F Preferred Share” above. Our Series I Depositary Shares are listed on the NYSE under the symbol “PSAPrI.”

Description of Depositary Shares, each Representing 1/1,000 of a Series J Preferred Share

The following is a brief description of the terms of our depositary shares, each representing 1/1,000 of a Series J Preferred Share (“Series J Depositary Shares”), which does not purport to be complete and is subject to and qualified in its entirety by reference to the Deposit Agreement

relating to the Series J Preferred Shares, which is included as an exhibit to the Annual Report on Form 10-K of which this Exhibit 4.2 is a part. The terms and provisions of our Series J Depositary Shares are substantially the same as those of our Series F Depositary Shares as described in “-Description of Depositary Shares, each Representing 1/1,000 of Series F Preferred Share” above. Our Series J Depositary Shares are listed on the NYSE under the symbol “PSAPrJ.”

Description of Depositary Shares, each Representing 1/1,000 of a Series K Preferred Share

The following is a brief description of the terms of our depositary shares, each representing 1/1,000 of a Series K Preferred Share (“Series K Depositary Shares”), which does not purport to be complete and is subject to and qualified in its entirety by reference to the Deposit Agreement relating to the Series K Preferred Shares, which is included as an exhibit to the Annual Report on Form 10-K of which this Exhibit 4.2 is a part. The terms and provisions of our Series K Depositary Shares are substantially the same as those of our Series F Depositary Shares as described in “-Description of Depositary Shares, each Representing 1/1,000 of Series F Preferred Share” above. Our Series K Depositary Shares are listed on the NYSE under the symbol “PSAPrK.”

Description of Depositary Shares, each Representing 1/1,000 of a Series L Preferred Share

The following is a brief description of the terms of our depositary shares, each representing 1/1,000 of a Series L Preferred Share (“Series L Depositary Shares”), which does not purport to be complete and is subject to and qualified in its entirety by reference to the Deposit Agreement relating to the Series L Preferred Shares, which is included as an exhibit to the Annual Report on Form 10-K of which this Exhibit 4.2 is a part. The terms and provisions of our Series L Depositary Shares are substantially the same as those of our Series F Depositary Shares as described in “-Description of Depositary Shares, each Representing 1/1,000 of Series F Preferred Share” above. Our Series L Depositary Shares are listed on the NYSE under the symbol “PSAPrL.”

Description of Depositary Shares, each Representing 1/1,000 of a Series M Preferred Share

The following is a brief description of the terms of our depositary shares, each representing 1/1,000 of a Series M Preferred Share (“Series M Depositary Shares”), which does not purport to be complete and is subject to and qualified in its entirety by reference to the Deposit Agreement relating to the Series M Preferred Shares, which is included as an exhibit to the Annual Report on Form 10-K of which this Exhibit 4.2 is a part. The terms and provisions of our Series M Depositary Shares are substantially the same as those of our Series F Depositary Shares as described in “-Description of Depositary Shares, each Representing 1/1,000 of Series F Preferred Share” above. Our Series M Depositary Shares are listed on the NYSE under the symbol “PSAPrM.”

Description of Depositary Shares, each Representing 1/1,000 of a Series N Preferred Share

The following is a brief description of the terms of our depositary shares, each representing 1/1,000 of a Series N Preferred Share (“Series N Depositary Shares”), which does not purport to be complete and is subject to and qualified in its entirety by reference to the Deposit Agreement relating to the Series N Preferred Shares, which is included as an exhibit to the Annual Report on Form 10-K of which this Exhibit 4.2 is a part. The terms and provisions of our Series N Depositary Shares are substantially the same as those of our Series F Depositary Shares as described in “-Description of Depositary Shares, each Representing 1/1,000 of Series F Preferred Share” above. Our Series N Depositary Shares are listed on the NYSE under the symbol “PSAPrN.”

Description of Depositary Shares, each Representing 1/1,000 of a Series O Preferred Share

The following is a brief description of the terms of our depositary shares, each representing 1/1,000 of a Series O Preferred Share (“Series O Depositary Shares”), which does not purport to be complete and is subject to and qualified in its entirety by reference to the Deposit Agreement relating to the Series O Preferred Shares, which is included as an exhibit to the Annual Report on Form 10-K of which this Exhibit 4.2 is a part. The terms and provisions of our Series O Depositary Shares are substantially the same as those of our Series F Depositary Shares as described in “-Description of Depositary Shares, each Representing 1/1,000 of Series F Preferred Share” above. Our Series O Depositary Shares are listed on the NYSE under the symbol “PSAPrO.”

Description of Depositary Shares, each Representing 1/1,000 of a Series P Preferred Share

The following is a brief description of the terms of our depositary shares, each representing 1/1,000 of a Series P Preferred Share (“Series P Depositary Shares”), which does not purport to be complete and is subject to and qualified in its entirety by reference to the Deposit Agreement relating to the Series P Preferred Shares, which is included as an exhibit to the Annual Report on Form 10-K of which this Exhibit 4.2 is a part. The terms and provisions of our Series P Depositary Shares are substantially the same as those of our Series F Depositary Shares as described in “-Description of Depositary Shares, each Representing 1/1,000 of Series F Preferred Share” above. Our Series P Depositary Shares are listed on the NYSE under the symbol “PSAPrP.”

Description of Depositary Shares, each Representing 1/1,000 of a Series Q Preferred Share

The following is a brief description of the terms of our depositary shares, each representing 1/1,000 of a Series Q Preferred Share (“Series Q Depositary Shares”), which does not purport to be complete and is subject to and qualified in its entirety by reference to the Deposit Agreement relating to the Series Q Preferred Shares, which is included as an exhibit to the Annual Report on Form 10-K of which this Exhibit 4.2 is a part. The terms and provisions of our Series Q Depositary Shares are substantially the same as those of our Series F Depositary Shares as described in “-Description of Depositary Shares, each Representing 1/1,000 of Series F Preferred Share” above. Our Series Q Depositary Shares are listed on the NYSE under the symbol “PSAPrQ.”

Description of Depositary Shares, each Representing 1/1,000 of a Series R Preferred Share

The following is a brief description of the terms of our depositary shares, each representing 1/1,000 of a Series R Preferred Share (“Series R Depositary Shares”), which does not purport to be complete and is subject to and qualified in its entirety by reference to the Deposit Agreement relating to the Series R Preferred Shares, which is included as an exhibit to the Annual Report on Form 10-K of which this Exhibit 4.2 is a part. The terms and provisions of our Series R Depositary Shares are substantially the same as those of our Series F Depositary Shares as described in “-Description of Depositary Shares, each Representing 1/1,000 of Series F Preferred Share” above. Our Series R Depositary Shares are listed on the NYSE under the symbol “PSAPrR.”

Description of Depositary Shares, each Representing 1/1,000 of a Series S Preferred Share

The following is a brief description of the terms of our depositary shares, each representing 1/1,000 of a Series S Preferred Share (“Series S Depositary Shares”), which does not purport to be complete and is subject to and qualified in its entirety by reference to the Deposit Agreement relating to the Series S Preferred Shares, which is included as an exhibit to the Annual Report on

Form 10-K of which this Exhibit 4.2 is a part. The terms and provisions of our Series S Depositary Shares are substantially the same as those of our Series F Depositary Shares as described in “-Description of Depositary Shares, each Representing 1/1,000 of Series F Preferred Share” above. Our Series S Depositary Shares are listed on the NYSE under the symbol “PSAPrS.”

DESCRIPTION OF NOTES

Description of 0.875% Senior Notes due 2032

The following is a brief description of the terms of PSOC’s 0.875% Senior Notes due January 24, 2032 (the “notes”). The notes are a series of debt securities issued under the indenture, dated as of September 18, 2017, as supplemented by the Sixteenth Supplemental Indenture, dated as of August 14, 2023, among Public Storage Operating Company (“PSOC”), Public Storage, as guarantor, and Computershare Trust Company, N.A. (as successor to Wells Fargo Bank, National Association), as trustee (the “Trustee”), and the third supplemental indenture, dated as of January 24, 2020 (as supplemented, the “Indenture”), which are included as exhibits to the Annual Report on Form 10-K of which this Exhibit 4.2 is a part. The terms of the notes include those provisions contained in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939, as amended (the “Trust Indenture Act”). We have summarized selected terms and provisions of the Indenture and the Trust Indenture Act below. The following summary of specified provisions of the Indenture and the notes does not purport to be complete and is subject to, and qualified in its entirety by reference to, the actual provisions of the Indenture, including the definitions contained in the Indenture of some of the terms used below, and the notes. If you would like more information on any of these provisions, you should read the relevant sections of the Indenture. Copies of the Indenture are available from us upon request. Capitalized terms used but not otherwise defined herein have the meanings specified in the Indenture.

The notes were initially limited to an aggregate principal amount of €500,000,000. See “-Further Issuances” below.

The notes are PSOC’s direct, unsecured and unsubordinated obligations and will rank equally in right of payment with all of PSOC’s existing and future unsecured and unsubordinated indebtedness. The notes will be effectively subordinated in right of payment to all of PSOC’s existing and future secured indebtedness (to the extent of the value of the collateral securing such indebtedness). The notes will also be structurally subordinated in right of payment to all existing and future liabilities and other indebtedness, whether secured or unsecured, of PSOC’s subsidiaries. As of February 21, 2022, we had outstanding €500,000,000 aggregate principal amount of the notes. The entire principal amount of the notes will mature and become payable, together with accrued and unpaid interest, on January 24, 2032 (the “Maturity Date”), unless, in each case, the notes are redeemed earlier as described below under “-Optional Redemption.” The notes will not be subject to, or entitled to the benefit of, any sinking fund provisions and will not be convertible into or exchangeable for any of PSOC’s equity interests. The notes will be issued in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof. The notes are listed on the NYSE under the symbol “PSA32.” Except as described below under “-Covenants,” the Indenture does not contain any provisions that would limit PSOC’s ability or the ability of its subsidiaries to incur indebtedness or that would give holders of the notes protection in the event of:

- a highly leveraged or similar transaction involving us or any of our affiliates;
- a change of control; or

- a reorganization, restructuring, merger or similar transaction involving us or any of our affiliates that may adversely affect the holders of the notes.

Restrictions on the ownership and transfer of our common shares of beneficial interest designed to preserve Public Storage's qualification as a REIT, however, may prevent or hinder a change of control.

Principal and Interest

The notes will bear interest at 0.875% per year from January 24, 2020 or from the immediately preceding interest payment date to which interest has been paid. Interest is payable annually in arrears on January 24, commencing January 24, 2021 (each, an "Interest Payment Date"). Interest on an Interest Payment Date will be paid to the persons, or "holders", in whose names the notes are registered on the security register at the close of business on the regular record date. The regular record date will be the fifteenth calendar day, whether or not a Business Day, immediately preceding the related Interest Payment Date. Interest on the notes will be computed on the basis of the actual number of days in the period for which interest is being calculated and the actual number of days from and including the last date on which interest was paid on the notes (or January 24, 2020 if no interest has been paid on the notes), to but excluding the next scheduled interest payment date. This payment convention is referred to as ACTUAL/ACTUAL (ICMA) as defined in the rulebook of the International Capital Market Association.

The principal and interest, if any, of each note payable at maturity or the principal, Make Whole Amount (as defined below), if any, and interest, if any, payable upon earlier redemption will be paid against surrender of the note at the corporate trust office of the paying agent, initially Elavon Financial Services DAC, UK Branch (the "Paying Agent"), located initially at Fifth Floor, 125 Old Broad Street, London EC2N 1AR, in euro.

If any Interest Payment Date, the Maturity Date or any earlier date of redemption falls on a day that is not a Business Day, the required payment will be made on the next Business Day as if it were made on the date the payment was due and no interest will accrue on the amount so payable for the period from and after such Interest Payment Date, Maturity Date or date of redemption, as the case may be. For purposes of the notes, "Business Day" means any day, other than a Saturday or Sunday, (1) which is not a day on which banking institutions in The City of New York or London are authorized or obligated by law, regulation or executive order to close and (2) on which the Trans-European Automated Real-Time Gross Settlement Express Transfer System (the Target2 System) or any successor thereto, is open.

Issuance in Euro

Initial holders were required to pay for the notes in euro, and principal and interest payments in respect of the notes, including payments made upon any redemption of the notes, and additional amounts, if any, will be payable in euro.

If the euro is unavailable to us due to the imposition of exchange controls or other circumstances beyond our control or if the euro is no longer being used by the then member states of the European Monetary Union that have adopted the euro as their currency or for the settlement of transactions by public institutions of or within the international banking community, then all payments in respect of the notes will be made in U.S. dollars until the euro is again available to us or so used. The amount payable on any date in euro will be converted into U.S. dollars on the basis of the Market Exchange Rate (as defined below). Any payment in respect of the notes so made in U.S. dollars will not constitute an event of default under the Indenture. Neither the Trustee nor the Paying Agent shall be responsible for obtaining exchange rates, effecting conversions or otherwise handling redenominations.

“Market Exchange Rate” means the rate mandated by the U.S. Federal Reserve Board as of the close of business on the second Business Day prior to the relevant payment date or, in the event the U.S. Federal Reserve Board has not mandated a rate of conversion, on the basis of the most recent euro/U.S. dollar exchange rate available on or prior to the second Business Day prior to the relevant payment date, as reported by Bloomberg, or if Bloomberg has not reported such exchange rate, the rate will be determined in PSOC’s sole discretion on the basis of the most recently available market exchange rate for euros.

Investors will be subject to foreign exchange risks as to payments of principal and interest in respect of the notes, including payments made upon any redemption of the notes, and additional amounts, if any, that may have important economic and tax consequences to them.

Paying Agent and Registrar

Elavon Financial Services DAC, UK Branch, will initially act as paying agent for the notes. U.S. Bank National Association will initially act as security registrar for the notes. Upon notice to the trustee, PSOC may change any paying agent or security registrar.

Further Issuances

PSOC may, from time to time, without the consent of or notice to existing note holders, create and issue further notes having the same terms and conditions as the notes in all respects, except for the issue date and, to the extent applicable, the issue price, the payment of interest accruing prior to the issue date and the first payment of interest. Additional notes issued in this manner will be consolidated with, and will form a single series of debt securities with, the previously outstanding notes; provided, however, that the issuance of such additional notes will not be so consolidated for United States federal income tax purposes unless such issuance constitutes a “qualified reopening” within the meaning of the Internal Revenue Code of 1986, as amended, and the Treasury regulations promulgated thereunder.

Optional Redemption

PSOC has the option to redeem the notes at any time in whole, or from time to time in part, at a redemption price (the “Redemption Price”) equal to the greater of:

- 100% of the aggregate principal amount of the notes being redeemed; and
- the Make-Whole Amount (as defined below), if any,

plus, in each case, accrued and unpaid interest on such notes to, but not including, the redemption date.

Notwithstanding the foregoing, if the notes are redeemed on or after October 24, 2031 (three months prior to the Maturity Date) (the “Par Call Date”), the Redemption Price will equal 100% of the aggregate principal amount of the notes being redeemed plus accrued and unpaid interest on such notes to, but not including, the redemption date.

Notice of redemption will be mailed or sent electronically at least 15 but not more than 60 days before the redemption date to each holder of record of notes to be redeemed at its registered address, provided that while the notes are represented by one or more global notes, notice of redemption may, at our option, instead be given to the holders of notes (and beneficial interest therein) in accordance with the applicable rules and regulations of Clearstream Banking, société anonyme (“Clearstream”) and Euroclear Bank S.A./N.V., as operator of the Euroclear System (“Euroclear”), and we will instruct the Trustee and Paying Agent accordingly. The notice of redemption for such notes will state, among other things, the redemption date, the Redemption

Price and the place or places that payment will be made upon surrender of notes to be redeemed. Unless we default in the payment of the Redemption Price, interest will cease to accrue on the notes at the redemption date.

Notwithstanding the foregoing, installments of interest on notes that are due and payable on an Interest Payment Date falling on or prior to a redemption date will be payable on such Interest Payment Date to the holders thereof as of the close of business on the relevant record date.

If PSOC chooses to redeem less than all of the notes, PSOC will notify the Trustee and Paying Agent at least five Business Days prior to giving notice of redemption, or a shorter period as may be satisfactory to the Trustee, of the aggregate principal amount of notes to be redeemed and the redemption date. The Paying Agent will select by lot or such method as the Paying Agent shall deem fair and appropriate and in accordance with the applicable procedures of the depository, the notes to be redeemed in part; provided, however, that no notes of a principal amount of €100,000 or less shall be redeemed in part.

The notes are also subject to redemption prior to maturity if certain changes occur involving U.S. taxation. If such changes occur, the notes may be redeemed, at PSOC's option, at a redemption price of 100% of their principal amount plus accrued and unpaid interest to, but not including, the date of redemption. See “-Redemption for Tax Reasons.”

As used in this “Description of 0.875% Senior Notes due 2032”:

“Comparable Government Bond” means, in relation to any Comparable Government Bond Rate calculation, at the discretion of an independent investment bank selected by us, a German government bond whose maturity is closest to the Par Call Date of the notes, or if such independent investment bank in its discretion determines that such similar bond is not in issue, such other German government bond as such independent investment bank may, with the advice of three brokers of, and/or market makers in, German government bonds selected by us, determine to be appropriate for determining the Comparable Government Bond Rate.

“Comparable Government Bond Rate” means the price, expressed as a percentage (rounded to three decimal places, with 0.0005 being rounded upwards), at which the gross redemption yield on the notes, if they were to be purchased at such price on the third business day prior to the date fixed for redemption, would be equal to the gross redemption yield on such business day of the Comparable Government Bond on the basis of the middle market price of the Comparable Government Bond prevailing at 11:00 a.m. (London time) on such business day as determined by an independent investment bank selected by us.

“Make-Whole Amount” means, in connection with any optional redemption, the sum of the present values of the remaining scheduled payments of principal and interest on the notes being redeemed assuming that the notes being redeemed matured on the Par Call Date (not including any portion of any payments of interest accrued to the redemption date), discounted to the redemption date on an annual basis (ACTUAL/ACTUAL (ICMA)) at the applicable Comparable Government Bond Rate, plus 20 basis points.

Payment of Additional Amounts

All payments, including payments of principal and interest, made in respect of the notes will be made free and clear of, and without withholding or deduction for, or on account of, any present or future tax, duty, assessment or other governmental charge of whatever nature imposed, levied or collected by the United States (or any political subdivision or taxing authority thereof or therein), unless such withholding or deduction is required by law or the official interpretation or administration thereof.

We will, subject to the exceptions and limitations set forth below, pay as additional amounts to a holder of a note that is a United States Alien (as defined below) such amounts as may be necessary so that every net payment made in respect of such note after deduction or withholding for, or on account of, any present or future tax, duty, assessment or other governmental charge of whatever nature imposed, levied or collected as a result of such payment by the United States (or any political subdivision or taxing authority thereof or therein), will not be less than the amount provided for in such note to be then due and payable. However, we will not be required to make any payment of additional amounts for or on account of:

- (a) any tax, assessment or other governmental charge that would not have been imposed but for (i) the existence of any present or former connection (other than a connection arising solely as a result of the ownership of the notes, the receipt of any payment in respect of the notes or the enforcement of any rights hereunder) between such holder (or between a fiduciary, settlor or beneficiary of, or a person holding a power over, such holder, if such holder is an estate or a trust, or a member or shareholder of such holder, if such holder is a partnership or corporation) and the United States, including, without limitation, such holder (or such fiduciary, settlor, beneficiary, person holding a power, member or shareholder) being or having been a citizen or resident or treated as a resident of the United States or being or having been engaged in trade or business in the United States or having or having had a permanent establishment therein, or (ii) the presentation by the holder of the note for payment more than 30 days after the date on which the payment became due and payable or the date on which payment thereof is duly provided for and notice thereof given to holders, whichever occurs later;
- (b) any estate, inheritance, gift, sales, transfer, personal property or any similar tax, assessment or other governmental charge;
- (c) any tax, assessment or other governmental charge that would not have been imposed but for such holder's past or present status as a controlled foreign corporation, passive foreign investment company (including a qualified electing fund) or foreign private foundation or other tax exempt organization with respect to the United States or as a corporation that accumulates earnings to avoid United States Federal income tax;
- (d) any tax, assessment or other governmental charge that is payable otherwise than by deduction or withholding from a payment on a note;
- (e) any tax, assessment or other governmental charge required to be deducted or withheld by any paying agent from any payment on a note, if such payment can be made without such deduction or withholding by any other paying agent;
- (f) any tax, assessment or other governmental charge that would not have been imposed but for the holder's failure to comply with any applicable certification, information, documentation or other reporting requirement concerning the nationality, residence, identity or connection with the United States of the holder or beneficial owner of a note if, without regard to any tax treaty, such compliance is required by statute or regulation of the United States as a precondition to relief or exemption from such tax, assessment or other governmental charge;
- (g) any tax, assessment or other governmental charge imposed by reason of the holder (i) owning or having owned, directly or indirectly, actually or constructively, 10% or more of the total combined voting power of all classes of stock of PSOC entitled to vote, (ii) receiving interest described in Section 881(c)(3)(A) of the United States Internal Revenue Code or (iii) being a controlled foreign corporation with respect to the United States that is related to PSOC by actual or constructive stock ownership;
- (h) any tax, assessment or other governmental charge that is imposed on a payment pursuant to Sections 1471 through 1474 of the United States Internal Revenue Code (FATCA),

any Treasury regulations and official interpretations thereof, and any regulations or official law, agreement or interpretations thereof implementing an intergovernmental approach thereto; or

(i) any combination of items (a), (b), (c), (d), (e), (f), (g) and (h);

nor shall such additional amounts be paid with respect to any payment on a note to a holder that is a fiduciary or partnership or other than the sole beneficial owner of such payment to the extent a beneficiary or settlor with respect to such fiduciary or a member of such partnership or a beneficial owner would not have been entitled to the additional amounts had such beneficiary, settlor, member or beneficial owner been the holder of such note.

For purposes of the foregoing, the holding of or the receipt of any payment with respect to a note shall not constitute a connection between the holder (or between a fiduciary, settlor, beneficiary, member or shareholder of, or a person having power over, such holder if such holder is an estate, a trust, a partnership or a corporation) and the United States.

The term “United States Alien” means any person who, for United States Federal income tax purposes, is a foreign corporation, a non-resident alien individual, a non-resident alien fiduciary of a foreign estate or trust, or a foreign partnership one or more of the members of which is, for United States Federal income tax purposes, a foreign corporation, a nonresident alien individual or a non-resident alien fiduciary of a foreign estate or trust.

References to the principal of and interest, if any, on the notes include additional amounts, if any, payable on the notes in that context.

Redemption for Tax Reasons

If we have or will become obliged to pay additional amounts (as described above under the heading “-Payment of Additional Amounts”) as a result of any change in, or amendment to, the laws or regulations of the United States or any political subdivision or taxing authority thereof or therein, or any change in official position regarding the application or interpretation of such laws, regulations or rulings, which change or amendment becomes effective on or after January 17, 2020, and we determine that such obligation cannot be avoided by the use of reasonable measures then available to us, we may, at PSOC’s option, at any time, having giving not less than 15 nor more than 60 days’ prior written notice to holders, redeem, in whole, but not in part, the notes at a redemption price equal to 100% of their principal amount, together with accrued and unpaid interest, if any, on the notes being redeemed to, but not including, the redemption date, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which we would be obliged to pay such additional amounts if a payment in respect to the notes were due on such date.

Covenants

The following covenants and related definitions will apply to the notes:

Limitation on Debt

PSOC will not, and will not permit any of its Subsidiaries to, incur any Debt if, immediately after giving effect to the incurrence of such Debt and any other Debt incurred or repaid since the end of the most recent Reporting Date prior to the incurrence of such Debt and the application of the proceeds from such Debt and such other Debt on a pro forma basis, the aggregate principal amount of PSOC’s Debt would exceed 65% of the sum of the following (without duplication): (1) PSOC’s Total Assets as of such Reporting Date; (2) the aggregate purchase price of any assets acquired, and the aggregate amount of proceeds received from any incurrence of other

Debt and any securities offering proceeds received (to the extent such proceeds were not used to acquire assets or used to reduce Debt), by PSOC or any of its Subsidiaries since the end of the most recent Reporting Date prior to the incurrence of such Debt; and (3) the proceeds or assets obtained from the incurrence of such Debt and other securities issued as part of the same transaction on a pro forma basis (including assets to be acquired in exchange for debt assumption and security issuance as in the case of a merger).

Limitation on Secured Debt

PSOC will not, and will not permit any of its Subsidiaries to, incur any Secured Debt if, immediately after giving effect to the incurrence of such Secured Debt and any other Secured Debt incurred or repaid since the end of the most recent Reporting Date prior to the incurrence of such Secured Debt and the application of the proceeds from such Secured Debt and such other Secured Debt on a pro forma basis, the aggregate principal amount of PSOC's Secured Debt would exceed 50% of the sum of the following (without duplication): (1) PSOC's Total Assets as of such Reporting Date; (2) the aggregate purchase price of any assets acquired, and the aggregate amount of proceeds received from any incurrence of other Debt and any securities offering proceeds received (to the extent such proceeds were not used to acquire assets or used to reduce Debt), by PSOC or any of its Subsidiaries since the end of the most recent Reporting Date prior to the incurrence of such Debt; and (3) the proceeds or assets obtained from the incurrence of such Secured Debt and other securities issued as part of the same transaction on a pro forma basis (including assets to be acquired in exchange for debt assumption and security issuance as in the case of a merger).

Interest Coverage Ratio

PSOC will not, and will not permit any of its Subsidiaries to, incur any Debt if, immediately after giving effect to the incurrence of such Debt and the application of the proceeds from such Debt on a pro forma basis, the ratio of Adjusted EBITDA to Interest Expense for the four (4) consecutive fiscal quarters ended on the most recent Reporting Date prior to the incurrence of such Debt would be less than 1.50 to 1.00, and calculated on the following assumptions (without duplication): (1) such Debt and any other Debt incurred since such Reporting Date and outstanding on the date of determination had been incurred, and the application of the proceeds from such Debt (including to repay or retire other Debt) had occurred, on the first day of such four-quarter period; (2) the repayment or retirement of any other Debt since such Reporting Date had occurred on the first day of such four-quarter period; and (3) in the case of any acquisition or disposition by PSOC or any of its Subsidiaries of any asset or group of assets since such Reporting Date, whether by merger, stock purchase or sale or asset purchase or sale or otherwise, such acquisition or disposition had occurred as of the first day of such four-quarter period with the appropriate adjustments with respect to such acquisition or disposition being included in such pro forma calculation.

If any Debt incurred during the period from such Reporting Date to the date of determination bears interest at a floating rate, then, for purposes of calculating the Interest Expense, the interest rate on such Debt will be computed on a pro forma basis as if the average daily rate during such interim period had been the applicable rate for entire relevant four-quarter period. For purposes of the foregoing, Debt will be deemed to be incurred by a Person whenever such Person creates, assumes, guarantees or otherwise becomes liable in respect thereof.

Maintenance of Total Unencumbered Assets

As of each Reporting Date, PSOC's Unencumbered Assets will not be less than 125% of its Unsecured Debt.

Provision of Financial Information

For so long as any notes are outstanding, if Public Storage is subject to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or any successor provision, Public Storage will deliver to the Trustee the annual reports, quarterly reports and other documents which Public Storage is required to file with the U.S. Securities and Exchange Commission (the “Commission”) pursuant to Section 13(a) or 15(d) or any successor provision, within 15 days after the date that we file the same with the Commission. If Public Storage is not subject to Section 13(a) or 15(d) of the Exchange Act or any successor provision, and for so long as any notes are outstanding, Public Storage will deliver to the Trustee the quarterly and annual financial statements and accompanying Item 303 of Regulation S-K disclosure (“management’s discussion and analysis of financial condition and results of operations”) that would be required to be contained in annual reports on Form 10-K and quarterly reports on Form 10-Q, respectively, required to be filed with the Commission if Public Storage were subject to Section 13(a) or 15(d) of the Exchange Act or any successor provision, within 15 days of the filing date that would be applicable to a non-accelerated filer at that time pursuant to applicable Commission rules and regulations.

Reports and other documents filed by Public Storage with the Commission and publicly available via the EDGAR system or Public Storage’s website will be deemed to be delivered to the Trustee as of the time such filing is publicly available via EDGAR or Public Storage’s website for purposes of this covenant; provided, however, that the Trustee shall have no obligation whatsoever to determine whether or not such information, documents or reports have been filed or are publicly available via EDGAR or Public Storage’s website. Delivery of such reports, information and documents to the Trustee is for informational purposes only and the Trustee’s receipt of such shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including its compliance with any of its covenants relating to the notes (as to which the Trustee is entitled to rely exclusively on an officer’s certificate).

Definitions

As used in this “Description of 0.875% Senior Notes due 2032,” the following defined terms have the meanings indicated:

“Adjusted EBITDA” means, for any period, the PSOC’s Pro Rata Share of EBITDA for such period; provided, that, so long as Shurgard Europe is not a Subsidiary of PSOC, “Adjusted EBITDA” shall include the amount of dividends, distributions or interest paid in cash by any such entity that is not a Subsidiary to PSOC or any of its Subsidiaries during the applicable period.

“Capitalized Property Value” means, with respect to any Person, (a) Property EBITDA of such Person for the four (4) consecutive fiscal quarters ended on a Reporting Date divided by (b) the Capitalization Rate.

“Capitalization Rate” means 6.75%.

“Debt” means, without duplication, PSOC’s Pro Rata Share of the aggregate principal amount of indebtedness in respect of (i) borrowed money evidenced by bonds, notes, debentures or similar instruments, as determined in accordance with GAAP, (ii) indebtedness secured by any mortgage, pledge, lien, charge, encumbrance or any security interest existing on Property or other assets owned by PSOC or any Subsidiary directly, or indirectly through unconsolidated joint ventures, as determined in accordance with GAAP, (iii) reimbursement obligations in connection with any letters of credit actually issued and called, (iv) any lease of property by

PSOC or any Subsidiary as lessee which is reflected in PSOC's balance sheet as a capitalized lease, in accordance with GAAP; provided, that Debt also includes, to the extent not otherwise included, any obligation by PSOC or any Subsidiary to be liable for, or to pay, as obligor, guarantor or otherwise, items of indebtedness of another Person (other than PSOC or any Subsidiary) described in clauses (i) through (iv) above (or, in the case of any such obligation made jointly with another Person, PSOC's or Subsidiary's allocable portion of such obligation based on its ownership interest in the related real estate assets or such other applicable assets); and provided, further, that Debt excludes Intercompany Debt.

"Development Property" means a Property currently under development on which the improvements have not been completed, or a Property where development has been completed as evidenced by a certificate of occupancy for the entire Property for the 36 month period following the issuance of such certificate of occupancy (provided that PSOC may at its option elect to remove a Property from the category of Development Properties prior to the completion of the 36 month period, but any such Property may not be reclassified as a Development Property). The term "Development Property" shall include real property of the type described in the immediately preceding sentence to be (but not yet) acquired by PSOC, any Subsidiary or any joint venture of PSOC upon completion of construction pursuant to a contract in which the seller of such real property is required to develop or renovate prior to, and as a condition precedent to, such acquisition.

"EBITDA" means, with respect to any Person, for any period and without duplication, net earnings (loss) of such Person for such period excluding the impact of the following amounts with respect to any Person (but only to the extent included in determining net earnings (loss) for such period): (i) depreciation and amortization expense and other non-cash charges of such Person for such period; (ii) interest expense of such Person for such period; (iii) income tax expense of such Person in respect of such period; (iv) extraordinary and nonrecurring gains and losses of such Person for such period, including without limitation, gains and losses from the sale of assets, write-offs and forgiveness of debt, foreign currency translation gains or losses; and (v) non-controlling interests; minus (vi) if during such period Shurgard Europe is not a Subsidiary of PSOC, the impact on EBITDA of each of the foregoing Persons that is not a Subsidiary.

"Encumbered Asset Value" means, with respect to any Person, for any date, the portion of Total Assets serving as collateral for Secured Debt as of such date.

"Equity Interests" means, with respect to any Person, any share of capital stock of (or other ownership or profit interests in) such Person, any warrant, option or other right for the purchase or other acquisition from such Person of any share of capital stock of (or other ownership or profit interests in) such Person, any security convertible into or exchangeable for any share of capital stock of (or other ownership or profit interests in) such Person or warrant, right or option for the purchase or other acquisition from such Person of such shares (or such other interests), and any other ownership or profit interest in such Person (including, without limitation, partnership, member or trust interests therein), whether voting or nonvoting, and whether or not such share, warrant, option, right or other interest is authorized or otherwise existing on any date of determination.

"Fair Market Value" means, (a) with respect to a security listed (or an unlisted convertible security that is convertible into a security listed) on Nasdaq or have trading privileges on the New York Stock Exchange, the NYSE American, or another recognized national United States securities exchange, the London Stock Exchange, Euronext or another recognized European securities exchange, the price of such security as reported on such exchange or market by any widely recognized reporting method customarily relied upon by financial institutions, and (b) with respect to any other asset, book value (determined in accordance with GAAP).

“GAAP” means accounting principles generally accepted in the United States of America, consistently applied, as in effect from time to time; provided that if, as of a particular date as of which compliance with the covenants contained in the Indenture is being determined, there have been changes in accounting principles generally accepted in the United States of America from those that applied to Public Storage’s consolidated financial statements included in the Quarterly Report on Form 10-Q for the quarter ended June 30, 2017, we may, in our sole discretion, determine compliance with the covenants contained in the Indenture using accounting principles generally accepted in the United States of America, consistently applied, as in effect as of the end of any calendar quarter selected by us, in our sole discretion, that is on or after June 30, 2017 and prior to the date as of which compliance with the covenants in the Indenture is being determined (“Fixed GAAP”), and, solely for purposes of calculating the covenants as of such date, “GAAP” shall mean Fixed GAAP.

“Intercompany Debt” means, as of any date, Debt to which the only parties are PSOC, Public Storage and any of their respective Subsidiaries, but only so long as that Debt is held solely by any of PSOC, Public Storage and any of their respective Subsidiaries as of that date and, provided that, in the case of Debt owed of which PSOC is the borrower, the Debt is subordinated in right of payment to the holders of the notes.

“Interest Expense” means, for any period, PSOC’s Pro Rata Share of interest expense for such period, with other adjustments as are necessary to exclude: (i) the effect of items classified as extraordinary items, in accordance with GAAP; (ii) amortization of debt issuance costs; (iii) prepayment penalties and (iv) non-cash swap ineffectiveness charges.

“Marketable Securities” means: (a) common or preferred Equity Interests which are listed on Nasdaq or have trading privileges on the New York Stock Exchange, the NYSE American, or another recognized national United States securities exchange, the London Stock Exchange, Euronext or another recognized European securities exchange; (b) convertible securities which can be converted at any time into common or preferred Equity Interests of the type described in the immediately preceding clause (a); and (c) securities evidencing indebtedness issued by Persons which have an investment grade credit rating by a nationally recognized statistical rating organization; provided that Marketable Securities shall not include any securities that are considered cash equivalents.

“Pro Rata Share” means any applicable figure or measure of PSOC and its Subsidiaries on a consolidated basis, less any portion attributable to noncontrolling interests, plus the PSOC’s or its Subsidiaries’ allocable portion of such figure or measure, based on their ownership interest, of unconsolidated joint ventures. For the avoidance of doubt, and except as otherwise specified in this “Description of Notes,” so long as Shurgard Europe is not a Subsidiary of PSOC, the calculations of such figures or measures shall exclude the impact of any such entity that is not a Subsidiary.

“Property” means a parcel (or group of related parcels) of real property.

“Property EBITDA” means, for any period, PSOC’s Pro Rata Share of EBITDA for such period adjusted to add back the impact of corporate level general and administrative expenses.

“Reporting Date” means the date ending the most recently ended fiscal quarter of Public Storage for which Public Storage’s consolidated financial statements are publicly available, it being understood that at any time when Public Storage is not subject to the informational requirements of the Exchange Act, the term “Reporting Date” shall be deemed to refer to the date ending the fiscal quarter covered by Public Storage’s most recent quarterly financial statements delivered to the Trustee or, in the case of the last fiscal quarter of the year, Public Storage’s annual financial statements delivered to the Trustee.

“Secured Debt” means Debt secured by any mortgage, lien, pledge, encumbrance or security interest of any kind upon any of PSOC’s Property or other assets or the Property or other assets of any Subsidiary.

“Shurgard Europe” means Shurgard Self Storage SA and its Subsidiaries and their respective successors and assigns.

“Subsidiary” means, for any Person, a corporation, partnership, joint venture, limited liability company or other entity, a majority of the outstanding voting stock, partnership interests or membership interests, as the case may be, of which is owned or controlled, directly or indirectly, by such Person or by one or more other Subsidiaries of such Person and, for the purposes of this definition, “voting stock, partnership interests, or membership interests” means interests having control over the selection of directors, managers, or trustees, as the case may be, whether at all times or only so long as no senior interest has such voting power by reason of any contingency. Unless the context otherwise requires, “Subsidiary” refers to a Subsidiary of PSOC. Notwithstanding the foregoing, none of the Persons comprising Shurgard Europe shall at any time constitute or be considered to be a Subsidiary of PSOC for any purpose of the Indenture so long as (a) any class of Equity Interests of the applicable holding company Shurgard Europe, is publicly traded or (b) such holding company is not a wholly-owned subsidiary of PSOC.

“Total Assets” means, as of any date, the sum (without duplication) of: (a) the Capitalized Property Value of PSOC and its Subsidiaries, excluding Capitalized Property Value attributable to Properties acquired or disposed of by PSOC or any Subsidiary during the four consecutive quarters ending on such date and Development Properties; (b) all cash and cash equivalents (excluding tenant deposits and other cash and cash equivalents the disposition of which is restricted) of PSOC and its Subsidiaries at such time; (c) the Pro Rata Share of the current undepreciated book value of Development Properties and all land held for development; (d) the Pro Rata Share of the purchase price paid by PSOC or any Subsidiary (less the Pro Rata Share of any amounts paid to PSOC or such Subsidiary as a purchase price adjustment, held in escrow, retained as a contingency reserve, or in connection with other similar arrangements, and without regard to allocations of property purchase prices pursuant to Statement of Financial Accounting Standards No. 141 or other provisions of GAAP) for any Property or business acquired by PSOC or such Subsidiary during the four consecutive quarters ending on such date; (e) the contractual purchase price of Properties of PSOC and its Subsidiaries subject to purchase obligations, repurchase obligations, forward commitments and unfunded obligations to the extent such obligations and commitments are included in determinations of Debt; and (f) the Fair Market Value of all Marketable Securities owned by PSOC or any of its Subsidiaries, plus all other assets of PSOC and its Subsidiaries (the value of which is determined in accordance with GAAP but excluding assets classified as intangible under GAAP), excluding Equity Interests in Shurgard Europe if such interests are not Marketable Securities. PSOC shall have the option to include Capitalized Property Value under clause (a) above from any such Properties that are otherwise subject to valuation under clause (c) or (d) above; provided, however, that if such election is made, any value attributable to such Properties under clause (c) or (d) above shall be excluded from the determination of the amount under clause (c) or (d).

“Unencumbered Assets” means, as of any date, Total Assets as of such date less Encumbered Asset Value as of such date.

“Unsecured Debt” means Debt that is not secured by any mortgage, lien, pledge, encumbrance or security interest of any kind upon any of PSOC’s Property or other assets or the Property or other assets of any Subsidiary.

Compliance with the covenants described in this “Description of Notes” and with respect to the notes generally may not be waived by us, or by the Trustee, unless the holders of at least a majority in aggregate principal amount of all outstanding notes consent to the waiver.

Merger, Consolidation or Sale

PSOC or Public Storage may consolidate with or into, or sell, assign, convey, transfer or lease all or substantially all of their respective property and assets to, any other entity, provided that:

- PSOC or Public Storage, as the case may be, shall be the continuing entity, or the successor entity (if other than PSOC or Public Storage, as the case may be) formed by or resulting from such consolidation or merger or which shall have received such sale, assignment, conveyance, transfer or lease of property and assets shall be an entity domiciled in the United States of America, any state thereof or the District of Columbia and shall expressly assume by supplemental indenture (a) in the case of PSOC, payment of the principal of and interest on all of the notes, or, in the case of Public Storage, all the obligations of Public Storage under the guarantee, and (b) in each case, and the due and punctual performance and observance of all of the covenants and conditions in the Indenture;
- immediately after giving effect to the transaction and treating the Pro Rata Share of any indebtedness which becomes the obligation of PSOC or Public Storage, as the case may be, or the obligation of a Subsidiary or any of our unconsolidated joint ventures as a result thereof and is not repaid substantially concurrently with the transaction as having been incurred by PSOC or Public Storage, as the case maybe, or that Subsidiary or that unconsolidated joint venture at the time of the transaction, no Event of Default under the Indenture, and no event which, after notice or the lapse of time, or both, would become an Event of Default, shall have occurred and be continuing; and
- an officer’s certificate and legal opinion covering these conditions is delivered to the Trustee.

Events of Default

The term “Event of Default,” when used in this “Description of Notes” with respect to the notes, means any one of the following events:

- (1) default for 30 days in the payment of any installment of interest on the notes or additional amounts payable with respect to such interest;
- (2) default in the payment of the principal of, or Make-Whole Amount, if any, on, or any additional amounts in respect of, the notes when the same becomes due and payable;
- (3) we fail to comply with any of our other agreements contained in the notes or the Indenture (other than an agreement a default in whose performance or whose breach is elsewhere specifically dealt with in the Indenture or which has expressly been included in the Indenture solely for the benefit of a series of debt securities other than the notes) upon receipt by PSOC of notice of such default by the Trustee or receipt by us and the Trustee of written notice of such default by holders of not less than 25% in aggregate principal amount of the notes then outstanding and we fail to cure (or obtain a waiver of) such default within 90 days after we receive such notice;
- (4) failure to pay any recourse indebtedness for monies borrowed by us in an outstanding principal amount in excess of \$100 million when due or upon acceleration after the expiration of any applicable notice and grace period, which recourse indebtedness is not discharged, or such default in payment or acceleration is not cured or rescinded, within 30 days after written notice of such failure to us from the Trustee (or to us and the

- Trustee from holders of at least 25% in aggregate principal amount of the notes then outstanding); or
- (5) specific events of bankruptcy, insolvency or reorganization affecting us, Public Storage as guarantor, or certain Subsidiaries or any of their respective properties.

Modification of the Indenture

The Indenture permits us and the Trustee, with the consent of the holders of a majority in aggregate principal amount of the outstanding debt securities of each series issued under the Indenture and affected by a modification or amendment (voting as separate classes), to modify or amend any of the provisions of the Indenture or of the debt securities of the applicable series or the rights of the holders of the debt securities of the applicable series under the Indenture. However, no modification or amendment shall, without the consent of the holder of each outstanding debt security affected thereby:

- change the stated maturity of the principal of, or premium, if any, or any installment of interest, if any, on, or any Additional Amounts, if any, with respect to, any debt securities, or
- reduce the principal of or any premium on any debt securities or reduce the rate (or modify the calculation of such rate) of interest on or the redemption or repurchase price of any debt securities, or any Additional Amounts payable with respect to any debt securities or related guarantee or change our or any guarantor's obligation to pay Additional Amounts, or
- reduce the amount of principal of any original issue discount securities that would be due and payable upon acceleration of the maturity of any debt security, or
- adversely affect any right of repayment or repurchase at the option of any holder, or
- change any place where, or the currency in which, the principal of, any premium or interest on, or any additional amounts with respect to any debt securities or guarantees are payable (or, in the case of redemption on or after the redemption date, or on or after the date for repayment or repurchase), or
- in the case of any debt security which is convertible into or exchangeable for other securities or property, impair the right to institute suit to enforce the right to convert or exchange such Security in accordance with its terms, or
- impair the holder's right to institute suit to enforce the payment of any debt securities or guarantee on or after their stated maturity, or
- reduce the percentage of the outstanding debt securities of any series whose holders must consent to any modification or amendment or any waiver of compliance with specific provisions of the Indenture or specified defaults under the Indenture and their consequences, or
- reduce the requirements for a quorum or voting at a meeting of holders of the applicable debt securities; or
- modify the sections of the Indenture setting forth the provisions of the Indenture that may not be amended without the consent of holders, or providing for the waiver of past defaults and the waiver of certain covenants, except to increase any such percentage or provide that certain other provisions of the Indenture cannot be modified or waived without the consent of holder of each outstanding debt security of such series; or
- release a guarantor from any of the obligations under a guarantee except as permitted under the Indenture;

- make any change that adversely affects the right, if any, to convert or exchange any debt security for common equity or other securities or property; or
- change the ranking of the debt securities of any series.

The Indenture also contains provisions permitting us and any guarantor, as applicable, and the Trustee, without the consent of the holders of any debt securities, to modify or amend the Indenture, among other things:

- to evidence a successor to us or any guarantor, if applicable, as under the Indenture, or successive successions, and the assumption by any such successor of the covenants of us or any guarantor;
- to add to our covenants or the covenants of any guarantor for the benefit of the holders of all or any series of debt securities or to surrender any right or power conferred upon us or any guarantor in the Indenture;
- to change or eliminate any restrictions on the payment of principal of or any premium or interest on or any additional amounts with respect to any debt securities or any guarantee, provided any such action does not adversely affect the interest of the holders of debt securities of any series;
- to add to the Events of Default in a manner that benefits the holders of all or any series of debt securities issued under the Indenture;
- to establish the form or terms of debt securities of any series, and the form of the guarantee of debt securities of any series (provided that any such deletions, additions and changes shall not be applicable to any other series of debt securities then outstanding);
- to make any change necessary to comply with any requirement of the Commission in connection with the Indenture under the Trust Indenture Act;
- to provide for any guarantee of the holders of debt securities of a series, to secure the debt securities or to confirm and evidence the release, termination or discharge of any guarantee of or lien securing the debt securities which such release, termination or discharge is permitted by the Indenture;
- to provide for the acceptance of appointment by a successor trustee or facilitate the administration of the trusts under the Indenture by more than one trustee;
- to cure any ambiguity, defect or inconsistency in the Indenture;
- to make any change that would provide any additional rights or benefits to the holders of debt securities or that does not adversely affect the legal rights under the Indenture of any holder in any material respect;
- to supplement any of the provisions of the Indenture to the extent necessary to permit or facilitate defeasance and discharge of any series of debt securities; provided, that the action shall not adversely affect the interests of the holders of debt securities in any material respect;
- to provide for the issuance of additional debt securities, subject to the limitations established in the Indenture;
- to comply with the rules of any applicable depository or the rules or regulations of any securities exchange or automated quotation system on which any of the debt securities may be listed or traded;
- to add to or change any provisions of the Indenture to such extent as is necessary to permit or facilitate the issuance of debt securities in uncertificated form;

- to amend or supplement any provision contained in the Indenture, in any supplemental indenture or in any debt securities, provided that the amendment or supplement (i) does not (a) apply to any outstanding debt securities issued before the date of the amendment or supplement and entitled to the benefits of that provision, or (b) modify the rights of holders of any such debt securities with respect to such provision, or (ii) becomes effective only when no security described in clause (i)(a) is outstanding; or
- to conform the terms of the Indenture or the debt securities of a series, as applicable, to the description thereof contained in any prospectus, prospectus supplement or other offering document relating to the offer and sale of such debt securities. The holders of a majority in aggregate principal amount of the outstanding debt securities of any series may waive our compliance with some of the restrictive provisions of the Indenture, which may include covenants, if any, which are specified in the applicable prospectus supplement. The holders of a majority in aggregate principal amount of the outstanding debt securities of any series may, on behalf of all holders of debt securities of that series, waive any past default under the Indenture with respect to the debt securities of that series and its consequences, except a default which is continuing (i) in the payment of the principal of, or premium, if any, or interest, if any, on, and any Additional Amounts with respect to, the debt securities of that series, (ii) with respect to the conversion or exchange of a series of debt securities convertible or exchangeable into our common equity, or (iii) in respect of a covenant or provision which cannot be modified or amended without the consent of the holder of each outstanding debt security of the affected series.

The Indenture contains provisions for convening meetings of the holders of a series of debt securities. A meeting may be called at any time by the Trustee, and also, upon our or any guarantor's request, or the request of holders of at least 10% in aggregate principal amount of the outstanding debt securities of any series. Notice of a meeting must be given in accordance with the provisions of the Indenture. Except for any consent which must be given by the holder of each outstanding debt security affected in the manner described above, any resolution presented at a meeting or adjourned meeting duly reconvened at which a quorum, as described below, is present may be adopted by the affirmative vote of the holders of a majority in aggregate principal amount of the outstanding debt securities of the applicable series. However, any resolution with respect to any request, demand, authorization, direction, notice, consent, waiver, or other action which may be made, given or taken by the holders of a specified percentage, other than a majority, in aggregate principal amount of the outstanding debt securities of a series may be adopted at a meeting or adjourned meeting duly reconvened at which a quorum is present by the affirmative vote of the holders of that specified percentage in aggregate principal amount of the outstanding debt securities of that series. Any resolution passed or decision taken at any meeting of holders of debt securities of any series duly held in accordance with the Indenture will be binding on all holders of debt securities of that series. The quorum at any meeting called to adopt a resolution, and at any reconvened meeting, will be persons holding or representing a majority in aggregate principal amount of the outstanding debt securities of the applicable series, subject to exceptions; provided, however, that if any action is to be taken at that meeting with respect to a consent or waiver which may be given by the holders of a supermajority in aggregate principal amount of the outstanding debt securities of a series, the persons holding or representing that specified supermajority percentage in aggregate principal amount of the outstanding debt securities of that series will constitute a quorum.

Guarantee

Public Storage will guarantee PSOC's obligations under the notes on a full and unconditional basis, including the due and punctual payment of principal of, and premium, if any, and interest, if any, on, the notes, whether at stated maturity, upon acceleration, upon redemption or otherwise. Under the terms of Public Storage's guarantee, holders of the notes will not be required to exercise their remedies against PSOC before they proceed directly against Public

Storage. Public Storage's obligations under the guarantee of the notes will be limited to the maximum amount that will not, after giving effect to all other contingent and fixed liabilities of Public Storage, result in the guarantee constituting a fraudulent transfer or conveyance.

The guarantee of the notes will be a senior unsecured obligation of Public Storage and will rank equally in right of payment with all senior unsecured indebtedness and senior unsecured guarantees of Public Storage from time to time outstanding. In addition, Public Storage's guarantee of the notes will be effectively subordinated in right of payment to Public Storage's secured indebtedness and secured guarantees (to the extent of the value of the collateral securing such indebtedness) from time to time outstanding. Public Storage's guarantee of the notes will be structurally subordinated in right of payment to all existing and future indebtedness and other liabilities of Public Storage's subsidiaries (other than PSOC) and of its joint ventures to the extent of the assets of those subsidiaries or of those joint ventures, which means that creditors of Public Storage's subsidiaries (other than PSOC) or of its joint ventures will be paid from their assets before Public Storage, and therefore holders of the notes by virtue of the guarantee, would not have any claims to those assets. In the event of a bankruptcy, liquidation or dissolution of a subsidiary or joint venture of Public Storage (other than PSOC), that subsidiary or joint venture may not have sufficient assets remaining to make payments to Public Storage as a stockholder or other equity holder or otherwise after payment of its liabilities.

Public Storage will not be subject to any covenants under the guarantee or the Indenture prohibiting or otherwise limiting the incurrence of indebtedness.

Public Storage does not have any significant operations or material assets other than its ownership of the equity interests in PSOC through its ownership of the limited partnership interest of Public Storage OP, L.P. and the common membership interest of PSOP GP, LLC.

Accordingly, if PSOC fails to make a payment on the notes when due, there can be no assurance that Public Storage would have funds to pay that amount pursuant to its guarantee.

Discharge, Defeasance and Covenant Defeasance

Subject to the requirements of the Indenture, PSOC may, at its option and at any time, elect to have its obligations (and, if applicable, the obligations of Public Storage as guarantor) released with respect to certain covenants under the Indenture, including the covenants listed under "-Certain Covenants" above, and thereafter any omission to comply with such obligations shall not constitute a default or an Event of Default.

Governing Law

The Indenture, the notes and the guarantee are governed by, and construed in accordance with, the laws of the State of New York.

Delivery and Form

The notes are represented initially by one or more permanent notes in registered, global form without interest coupons (the "global notes"). These global notes have been deposited with, or on behalf of, a common depository for and in respect of interests held through, Clearstream and Euroclear, or the common depository's nominee, in each case for credit to an account of a direct or indirect participant as described below. Except as set forth below, the global notes may be transferred, in whole and not in part, only to Clearstream and Euroclear or their respective nominees. Beneficial interests in the global notes may not be exchanged for notes in certificated form except in the limited circumstances described below. U.S. Bank National Association will initially act as registrar.

Book-Entry Procedures

Global Clearance and Settlement

Beneficial interests in the global notes are represented, and transfers of such beneficial interests will be effected, through accounts of financial institutions acting on behalf of beneficial owners as direct or indirect participants in Clearstream or Euroclear. Those beneficial interests will be in denominations of €100,000 and integral multiples of €1,000 in excess thereof. Investors may hold notes directly through Clearstream or Euroclear, if they are participants in such systems, or indirectly through organizations that are participants in such systems.

Owners of beneficial interests in the global notes are not entitled to have notes registered in their names, and, except as described herein, will not receive or be entitled to receive physical delivery of notes in certificated form. So long as the common depository for Clearstream and Euroclear or their nominee is the registered owner of the global notes, the common depository for all purposes will be considered the sole holder of the notes represented by the global notes under the Indenture and the global notes. Except as provided below, beneficial owners will not be considered the owners or holders of the notes under the Indenture, including for purposes of receiving any reports delivered by us or the Trustee pursuant to the Indenture. Accordingly, each beneficial owner must rely on the procedures of the clearing systems and, if such person is not a participant of the clearing systems, on the procedures of the participant through which such person owns its interest, to exercise any rights of a holder under the Indenture.

Under existing industry practices, if we request any action of holders or a beneficial owner desires to give or take any action which a holder is entitled to give or take under the Indenture, the clearing systems would authorize their participants holding the relevant beneficial interests to give or take action and the participants would authorize beneficial owners owning through the participants to give or take such action or would otherwise act upon the instructions of beneficial owners. Conveyance of notices and other communications by the clearing systems to their participants, by the participants to indirect participants and by the participants and indirect participants to beneficial owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. The laws of some jurisdictions may require that certain purchasers of securities take physical delivery of such securities in certificated form. These limits and laws may impair the ability to transfer beneficial interests in global notes.

Clearstream

Distributions with respect to notes held beneficially through Clearstream will be credited to cash accounts of Clearstream Participants in accordance with its rules and procedures to the extent received by the depository for Clearstream.

Euroclear

Distributions with respect to the notes held beneficially through Euroclear will be credited to the cash accounts of Euroclear Participants in accordance with the Terms and Conditions.

Clearstream and Euroclear Arrangements

So long as Clearstream or Euroclear or their nominee or their common depository is the registered holder of the global notes, Clearstream, Euroclear or such nominee, as the case may be, will be considered the sole owner or holder of the notes represented by such global notes for all purposes under the Indenture and the notes. Payments of principal, interest and additional amounts, if any, in respect of the global notes will be made to Clearstream, Euroclear, such

nominee or such common depository, as the case may be, as registered holder thereof. None of us, the Trustee, any agent and any affiliate of any of the above or any person by whom any of the above is controlled (as such term is defined in the Securities Act) will have any responsibility or liability for any records relating to or payments made on account of beneficial ownership interests in the global notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Distributions of principal and interest with respect to the global notes will be credited in euro to the extent received by Clearstream or Euroclear from the paying agent to the cash accounts of Clearstream or Euroclear customers in accordance with the relevant system's rules and procedures.

Because Clearstream or Euroclear can only act on behalf of participants, who in turn act on behalf of indirect participants, the ability of a person having an interest in the global notes to pledge such interest to persons or entities which do not participate in the relevant clearing system, or otherwise take actions in respect of such interest, may be affected by the lack of a physical certificate in respect of such interest.

Secondary Market Trading

We understand that secondary market trading between Clearstream and/or Euroclear participants will occur in the ordinary way following the applicable rules and operating procedures of Clearstream and Euroclear. Secondary market trading will be settled using procedures applicable to conventional eurobonds in registered form.

You should be aware that you will only be able to make and receive deliveries, payments and other communications involving the notes through Clearstream and Euroclear on the days when those clearing systems are open for business. Those systems may not be open for business on days when banks, brokers and other institutions are open for business in the United States.

In addition, because of time zone differences, there may be problems with completing transactions involving Clearstream and Euroclear on the same business day as in the United States. U.S. investors who wish to transfer their interests in the notes, or to make or receive a payment or delivery of the notes, on a particular day, may find that the transactions will not be performed until the next business day in Luxembourg or Brussels, depending on whether Clearstream or Euroclear is used.

Clearstream or Euroclear will credit payments to the cash accounts of Clearstream or Euroclear participants, as applicable, in accordance with the relevant system's rules and procedures, to the extent received by its depository. Clearstream or the Euroclear Operator, as the case may be, will take any other action permitted to be taken by a holder under the Indenture on behalf of a Clearstream customer or Euroclear participant only in accordance with its relevant rules and procedures.

Clearstream and Euroclear have agreed to the foregoing procedures in order to facilitate transfers of the notes among participants of Clearstream and Euroclear. However, they are under no obligation to perform or continue to perform those procedures, and they may discontinue those procedures at any time.

The information in this "-Book-Entry Procedures" section concerning the depository, Clearstream and Euroclear and their book-entry systems has been obtained from sources that we believe to be reliable, but neither we nor any underwriter takes any responsibility for the accuracy or completeness thereof. In addition, the description of the clearing systems in this section reflects our understanding of the rules and procedures of Clearstream or Euroclear as

they are currently in effect. Those systems could change their rules and procedures at any time. None of us, the underwriters, the Trustee or the Paying Agent will have any responsibility for the performance by the depository, Clearstream and Euroclear or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Exchange of Global Notes for Certificated Notes

Subject to certain conditions, the notes represented by the global notes are exchangeable for certificated notes in definitive form of like tenor in minimum denominations of €100,000 principal amount and integral multiples of €1,000 in excess thereof if:

- (1) the depository notifies PSOC that it is unwilling or unable or no longer qualified to continue as depository for the global notes and PSOC fails to appoint a successor depository within 90 days after this notice;
- (2) PSOC, at its option, notifies the Trustee in writing that PSOC elects to cause the issuance of certificated notes in definitive form; or
- (3) there has occurred and is continuing an Event of Default with respect to the notes.

In all cases, certificated notes delivered in exchange for any global note or beneficial interest therein will be registered in names, and issued in any approved denominations, requested by or on behalf of the depository (in accordance with its customary procedures).

Payments (including principal and interest) and transfers with respect to notes in certificated form may be executed at the office or agency maintained for such purpose in London (initially the corporate trust office of the Paying Agent) or, at PSOC's option, by check mailed to the holders thereof at the respective addresses set forth in the register of holders of the notes, provided that all payments (including principal and interest) on notes in certificated form, for which the holders thereof have given wire transfer instructions at least ten calendar days prior to the applicable payment date, will be required to be made by wire transfer of immediately available funds to the accounts specified by the holders thereof. No service charge will be made for any registration of transfer, but payment of a sum sufficient to cover any tax or governmental charge payable in connection with that registration may be required.

Description of 0.500% Senior Notes due 2030

The following is a brief description of the terms of PSOC's 0.500% Senior Notes due 2030 the ("2030 Notes"), which does not purport to be complete and is subject to and qualified in its entirety by reference to the Indenture and the eighth supplemental indenture dated September 9, 2021, which is included as an exhibit to the Annual Report on Form 10-K of which this Exhibit 4.2 is a part. The terms and provisions of PSOC's 2030 Notes are substantially the same as those of our 0.875% Senior Notes due 2032 as described in "- Description of 0.875% Senior Notes due 2032" above, except that (i) the 2030 Notes bear interest at 0.500% per year, payable annually in arrears on September 9 of each year beginning on September 9, 2022, (ii) the 2030 Notes will mature on September 9, 2030, (iii) the 2030 Notes were issued under the Indenture and the eighth supplemental indenture, dated September 9, 2021, (iv) the Par Call Date is June 9, 2030, (v) the 2030 Notes are listed on the NYSE under the symbol "PSA30," and (vi) the 2030 Notes initially will be limited to an aggregate principal amount of €700,000,000. In addition, the following definitions apply with respect to the 2030 Notes:

"Comparable Government Bond" means, in relation to any Comparable Government Bond Rate calculation, at the discretion of an independent investment bank selected by PSOC, a German government bond whose maturity is closest to the Par Call Date of the notes, or if such

independent investment bank in its discretion determines that such similar bond is not in issue, such other German government bond as such independent investment bank may, with the advice of three brokers of, and/or market makers in, German government bonds selected by us, determine to be appropriate for determining the Comparable Government Bond Rate.

“Make-Whole Amount” means, in connection with any optional redemption, the sum of the present values of the remaining scheduled payments of principal and interest on the notes being redeemed assuming that the notes being redeemed matured on the Par Call Date (not including any portion of any payments of interest accrued to the redemption date), discounted to the redemption date on an annual basis (ACTUAL/ACTUAL (ICMA)) at the applicable Comparable Government Bond Rate (as defined above and as determined on the third business day preceding the date of the notice of redemption), plus 20 basis points.

“Debt” means, without duplication, PSOC’s Pro Rata Share of the aggregate principal amount of indebtedness in respect of (i) borrowed money evidenced by bonds, notes, debentures or similar instruments, as determined in accordance with GAAP, (ii) indebtedness secured by any mortgage, pledge, lien, charge, encumbrance or any security interest existing on Property or other assets owned by PSOC or any Subsidiary directly, or indirectly through unconsolidated joint ventures, as determined in accordance with GAAP, (iii) reimbursement obligations in connection with any letters of credit actually issued and called, (iv) any lease of property by PSOC or any Subsidiary as lessee which is reflected in PSOC’s balance sheet as a finance lease, in accordance with GAAP; *provided, that* Debt also includes, to the extent not otherwise included, any obligation by PSOC or any Subsidiary to be liable for, or to pay, as obligor, guarantor or otherwise, items of indebtedness of another Person (other than PSOC or any Subsidiary) described in clauses (i) through (iv) above (or, in the case of any such obligation made jointly with another Person, PSOC’s or Subsidiary’s allocable portion of such obligation based on its ownership interest in the related real estate assets or such other applicable assets); and *provided, further,* that Debt excludes Intercompany Debt.

SUBSIDIARIES OF THE REGISTRANT

The Registrant's principal subsidiaries are listed below. In addition, the Registrant has approximately 493 subsidiaries that are not required to be listed pursuant to SEC rules.

Name	Location of Formation
Public Storage OP, LP	Delaware
Public Storage Operating Company	Maryland
PS LPT Properties Investors	Maryland
PS California Holdings, Inc	Delaware
PS Simply Storage, LLC	Delaware

The Registrant directly or indirectly owns 100% of the subsidiaries listed above.

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

- (1) Registration Statement on Form S-3ASR (No. 333-273970) and related prospectus,
- (2) Registration Statement on Form S-8 (No.333-255733) and related prospectus of Public Storage for the registration of common shares of beneficial interest pertaining to the Public Storage 2021 Equity and Performance-Based Incentive Compensation Plan,
- (3) Registration Statement on Form S-8 (No. 333-210937) and related prospectus of Public Storage for the registration of common shares of beneficial interest pertaining to the Public Storage 2016 Equity and Performance-Based Incentive Compensation Plan,
- (4) Registration Statement on Form S-8 (No. 333-195646) and related prospectus of Public Storage for the registration of common shares of beneficial interest pertaining to the Public Storage 2007 Equity and Performance-Based Incentive Compensation Plan, as amended, and
- (5) Registration Statement on Form S-8 (No.333-144907) and related prospectus of Public Storage for the registration of common shares of beneficial interest pertaining to the Public Storage 2007 Equity and Performance-Based Incentive Compensation Plan;

of our reports dated February 20, 2024, with respect to the consolidated financial statements of Public Storage and the effectiveness of internal control over financial reporting of Public Storage included in this Annual Report (Form 10-K) of Public Storage for the year ended December 31, 2023.

/s/ ERNST & YOUNG LLP

February 20, 2024
Los Angeles, California

RULE 13A – 14(a) CERTIFICATION

I, Joseph D. Russell, Jr., certify that:

1. I have reviewed this Annual Report on Form 10-K of Public Storage;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Joseph D. Russell, Jr.

Name: Joseph D. Russell, Jr.

Title: President and Chief Executive Officer

Date: February 20, 2024

RULE 13A – 14(a) CERTIFICATION

I, H. Thomas Boyle, certify that:

1. I have reviewed this Annual Report on Form 10-K of Public Storage;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ H. Thomas Boyle

Name: H. Thomas Boyle
Title: Senior Vice President, Chief Financial and Investment Officer
Date: February 20, 2024

SECTION 1350 CERTIFICATION

In connection with the Annual Report on Form 10-K of Public Storage (the “Company”) for the year ended December 31, 2023, as filed with the Securities and Exchange Commission (the “SEC”) on the date hereof (the “Report”), Joseph D. Russell, Jr., as Chief Executive Officer and President of the Company and H. Thomas Boyle, as Chief Financial Officer of the Company, each hereby certifies, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002 (“Sarbanes-Oxley”), that:

- (1) The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”); and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Joseph D. Russell, Jr.

Name: Joseph D. Russell, Jr.
Title: President and Chief Executive Officer
Date: February 20, 2024

/s/ H. Thomas Boyle

Name: H. Thomas Boyle
Title: Senior Vice President, Chief Financial and Investment Officer
Date: February 20, 2024

This certification accompanies the Report pursuant to §906 of Sarbanes-Oxley and shall not, except to the extent required by Sarbanes-Oxley, be deemed filed by the Company for purposes of §18 of the Exchange Act.

A signed original of this written statement required by §906 of Sarbanes-Oxley has been provided to the Company, and will be retained and furnished to the SEC or its staff upon request.



INCENTIVE COMPENSATION RECOUPMENT POLICY

Effective September 13, 2023

Effective Date and Scope

This Policy shall apply to any Incentive Compensation received on or after October 2, 2023. Incentive Compensation received prior to that date shall remain subject to the Incentive Compensation Recoupment Policy approved by the Board of Trustees (the "Board") of Public Storage (the "Company") on October 23, 2019.

This Policy, as may be amended from time to time by the Board, will apply to all Incentive Compensation received during the Recoupment Period by a person (a) after beginning service as a Covered Executive, (b) who served as a Covered Executive at any time during the performance period for that Incentive Compensation, and (c) while the Company has a class of securities listed on the New York Stock Exchange ("NYSE") or another national securities exchange or a national securities association. Accordingly, this Policy can apply to a person that is no longer a Company employee or a Covered Executive at the time of recovery.

Mandatory Recoupment

Subject to the exceptions set forth below, following an Accounting Restatement, the Company shall recover reasonably promptly the amount of Incentive Compensation received during the Recoupment Period by any Covered Executive that exceeds the Incentive Compensation that would have been received by such Covered Executive taking into account the Accounting Restatement (calculated on a pre-tax basis).

For purposes of this Policy, Incentive Compensation is deemed "received" in the fiscal period during which the measure specified in the Incentive Compensation award is attained, even if the payment, issuance, or vesting of all or any portion of such Incentive Compensation occurs after the end of that period. For example, if the performance target for an award is based on total shareholder return for the year ended December 31, 2023, the award will be deemed to have been received in 2023 even if the Compensation and Human Capital Committee makes the determination it was earned in 2024 or if the award is paid or vests in 2024 or thereafter.

Exceptions

The Company shall not be required to recover Incentive Compensation pursuant to this section of the Policy if the Compensation and Human Capital Committee has made a determination that recovery would be impracticable and one of the following conditions are met:

- (a) after making a reasonable and documented attempt to recover erroneously awarded Incentive Compensation, the Compensation and Human Capital Committee determines that the direct expenses that would be paid to a third party to assist in enforcing the Policy would exceed the amount to be recovered; or
-

- (b) based on a legal opinion of counsel acceptable to the NYSE, the Compensation and Human Capital Committee determines that recovery would violate a home country law adopted prior to November 28, 2022; or
- (c) the Compensation and Human Capital Committee determines that recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the Company, to fail to meet the requirements of 26 U.S.C. 401(a)(13) or 26 U.S.C. 411(a) and regulations thereunder.

Discretionary Recoupment

In the event the Company restates or revises a non-GAAP financial measure, other than in connection with an Accounting Restatement, due to material non-compliance with any financial reporting requirement under the federal securities laws or if such measure has been determined in the reasonable judgment of the Board or an independent committee thereof to have been materially misstated, the Compensation and Human Capital Committee shall have the authority, in its sole discretion, upon evaluating the associated costs and benefits, applicable law, and other appropriate considerations, to recover pursuant to the terms of this Policy any Incentive Compensation directly tied to such non-GAAP measure that was received during the Recoupment Period by any Covered Executive that exceeds the Incentive Compensation that would have been received by such Covered Executive during the Recoupment Period taking into account the changes to the applicable non-GAAP measure amount as a result of such restatement or revision, calculated on a pre-tax basis.

Definitions

- “Accounting Restatement” means the Company is required to prepare an accounting restatement due to the material noncompliance of the Company with any financial reporting requirement under the securities laws, including any required accounting restatement to correct an error in previously issued financial statements that is material to the previously issued financial statements, or that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period. For the avoidance of doubt, a restatement resulting solely from the retrospective application of a change in generally accepted accounting principles is not an Accounting Restatement.
- “Covered Executive” means the Company’s Chief Executive Officer, President, Chief Financial Officer, Chief Accounting Officer (or if there is no such accounting officer, the controller), any vice-president of the Company in charge of a principal business unit, division, or function, any other officer who performs a policy-making function for the Company, any other person who performs similar policy-making functions for the Company, the Company’s Executive Vice President, Finance and Accounting, the Company’s Controller, and any other employee who may from time to time be deemed subject to this Policy by the Compensation and Human Capital Committee.
- “Incentive Compensation” means any compensation that is granted, earned, or vested based wholly or in part upon the attainment of a financial reporting measure. For purposes of this definition, a “financial reporting measure” is (i) a measure that is determined and presented in accordance with the accounting principles used in preparing the Company’s financial statements or derived

wholly or in part from such measures, or (ii) the Company's stock price or total shareholder return.

- "Recoupment Period" means the three completed fiscal years preceding the Trigger Date.
- "Trigger Date" means the earlier to occur of: (i) the date the Board, the Audit Committee, or the officer or officers of the Company authorized to take such action concludes, or reasonably should have concluded, that the Company is required to prepare an Accounting Restatement or restate or revise a non-GAAP measure, and (ii) the date a court, regulator, or other legally authorized body directs the Company to prepare an Accounting Restatement or restate or revise a non-GAAP measure.

Administration

This Policy is intended to comply with the listing requirements of the NYSE and related SEC rules and shall be interpreted in a manner consistent with those requirements. The Compensation and Human Capital Committee has full authority to interpret and administer this Policy. The Compensation and Human Capital Committee's determinations under the Policy shall be final and binding on all persons and shall be given the maximum deference permitted by law. If the Compensation and Human Capital Committee cannot determine the amount of excess Incentive Compensation received by a Covered Executive directly from the information in the Accounting Restatement, such as in the case of Incentive Compensation tied to stock price or total shareholder return, then it shall make its determination based on a reasonable estimate of the effect of the Accounting Restatement and shall maintain documentation of such determination.

The Compensation and Human Capital Committee has the authority to determine the appropriate means of recovering excess Incentive Compensation based on the particular facts and circumstances, which could include, but is not limited to, seeking direct reimbursement, forfeiture of awards, offsets against other payments, and forfeiture of deferred compensation (subject to compliance with Section 409A of the Internal Revenue Code).

Recoupment of Incentive Compensation pursuant to this Policy shall not in any way limit or affect the rights of the Company to pursue disciplinary, legal, or other action or pursue any other remedies available to it. This Policy shall be in addition to, any rights of the Company to recoup Incentive Compensation from Covered Executives under applicable laws and regulations, including but not limited to the Sarbanes-Oxley Act of 2002, as amended, or the Dodd-Frank Wall Street Reform and Consumer Protection Act, as amended. The Company shall not indemnify any Covered Executives against, or pay the premiums for any insurance policy to cover, any amounts recovered under this Policy or any expenses that a Covered Executive incurs in opposing Company efforts to recoup amounts pursuant to the Policy.

Beginning on the effective date of this Policy, as a condition to be eligible to receive future Incentive Compensation, the Company shall have each Covered Executive sign the Acknowledgement and Agreement attached hereto as **Exhibit A** concerning compliance with this Policy.

* * * * *

Exhibit A

Form of Incentive Compensation Recoupment Policy Acknowledgement

[See attached].

**PUBLIC STORAGE
INCENTIVE COMPENSATION RECOUPMENT POLICY
ACKNOWLEDGMENT AND AGREEMENT**

This Acknowledgment and Agreement (this "Agreement") is entered into as of the ____ day of _____, 20[___], between Public Storage, a Maryland real estate investment trust (the "Company"), and _____ (the "Executive"), under the following circumstances:

WHEREAS, the Board of Trustees of the Company has adopted the Public Storage Incentive Compensation Recoupment Policy (the "Policy");

WHEREAS, the Executive has been designated as a "Covered Executive" of the Company as defined in the Policy;

WHEREAS, in consideration of, and as a condition to the receipt of, future cash and equity-based awards, performance-based compensation, and other forms of cash or equity compensation made under the Company's 2021 Equity and Performance-Based Incentive Compensation Plan (or a successor equity incentive plan), or any other incentive compensation plan or program of the Company, the Executive and the Company are entering into this Agreement; and

WHEREAS, defined terms used but not defined in this Agreement shall have the meanings set forth in the Policy.

NOW, THEREFORE, the Company and the Executive hereby agree as follows:

1. The Executive acknowledges receipt of the Policy, to which this Agreement is attached, and the terms of which are hereby incorporated into this Agreement by reference. The Executive has read and understands the Policy and has had the opportunity to ask questions to the Company regarding the Policy.

2. The Executive hereby acknowledges and agrees that the Policy shall apply to any Incentive Compensation as set forth in the Policy and that all such Incentive Compensation shall be subject to recoupment under the Policy.

3. Any applicable award agreement or other document setting forth the terms and conditions of any Incentive Compensation granted to the Executive by the Company's Board of Trustees or the Compensation and Human Capital Committee shall be deemed to incorporate the restrictions imposed by the Policy. In the event of any inconsistency between the provisions of the Policy and the applicable award agreement or other document setting forth the terms and conditions of any Incentive Compensation award granted to the Executive, the terms of the Policy shall govern.

4. For good and valuable consideration, the Executive hereby acknowledges that, notwithstanding any rights to indemnification under the Company's charter, by-laws, board resolution, indemnification agreement or other arrangement between the Company and the Executive, the Company shall not indemnify the Executive against, or advance expenses with respect to, or pay the premiums for any insurance policy to cover, losses incurred under the Policy or any claim or action by the Executive in opposing Company efforts to recover amounts pursuant to the Policy, and the Executive hereby waives any indemnification, reimbursement, or advancement right with respect thereto.

5. In the event it is determined in accordance with the Policy that any amounts granted, awarded, earned or paid to the Executive must be recouped by the Company, the Executive will promptly take any action necessary to effectuate such recoupment.

6. This Agreement and the Policy shall survive and continue in full force in accordance with their terms notwithstanding any termination of the Executive's employment with the Company and its affiliates.

7. This Agreement may be executed in two or more counterparts, and by facsimile or electronic transmission, each of which will be deemed to be an original but all of which, taken together, shall constitute one and the same Agreement.

8. This Agreement shall be governed by the laws of the State of Maryland, without reference to principles of conflict of laws.

9. No modifications or amendments of the terms of this Agreement shall be effective unless in writing and signed by the parties or their respective duly authorized agents. The provisions of this Agreement shall inure to the benefit of, and be binding upon, the successors, administrators, heirs, legal representatives and assigns of the Executive, and the successors and assigns of the Company.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

PUBLIC STORAGE

By: _____

Name:

Title:

EXECUTIVE

Name:

Title: