

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, 2021.

or

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

For the transition period from _____ to _____.

Commission File Number: 001-33519

PUBLIC STORAGE

(Exact name of Registrant as specified in its charter)

Maryland

95-3551121

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification Number)

701 Western Avenue, Glendale, California 91201-2349

(Address of principal executive offices) (Zip Code)

(818) 244-8080

(Registrant's telephone number, including area code)

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

Title of Class	Trading Symbol	Name of exchange on which registered
Common Shares, \$0.10 par value	PSA	New York Stock Exchange
Depository Shares Each Representing 1/1,000 of a 5.150% Cum Pref Share, Series F, \$0.01 par value	PSAPrF	New York Stock Exchange
Depository Shares Each Representing 1/1,000 of a 5.050% Cum Pref Share, Series G, \$0.01 par value	PSAPrG	New York Stock Exchange
Depository Shares Each Representing 1/1,000 of a 5.600% Cum Pref Share, Series H, \$0.01 par value	PSAPrH	New York Stock Exchange
Depository Shares Each Representing 1/1,000 of a 4.875% Cum Pref Share, Series I, \$0.01 par value	PSAPrI	New York Stock Exchange
Depository Shares Each Representing 1/1,000 of a 4.700% Cum Pref Share, Series J, \$0.01 par value	PSAPrJ	New York Stock Exchange
Depository Shares Each Representing 1/1,000 of a 4.750% Cum Pref Share, Series K, \$0.01 par value	PSAPrK	New York Stock Exchange
Depository Shares Each Representing 1/1,000 of a 4.625% Cum Pref Share, Series L, \$0.01 par value	PSAPrL	New York Stock Exchange
Depository Shares Each Representing 1/1,000 of a 4.125% Cum Pref Share, Series M, \$0.01 par value	PSAPrM	New York Stock Exchange
Depository Shares Each Representing 1/1,000 of a 3.875% Cum Pref Share, Series N, \$0.01 par value	PSAPrN	New York Stock Exchange
Depository Shares Each Representing 1/1,000 of a 3.900% Cum Pref Share, Series O, \$0.01 par value	PSAPrO	New York Stock Exchange
Depository Shares Each Representing 1/1,000 of a 4.000% Cum Pref Share, Series P, \$0.01 par value	PSAPrP	New York Stock Exchange
Depository Shares Each Representing 1/1,000 of a 3.950% Cum Pref Share, Series Q, \$0.01 par value	PSAPrQ	New York Stock Exchange
Depository Shares Each Representing 1/1,000 of a 4.000% Cum Pref Share, Series R, \$0.01 par value	PSAPrR	New York Stock Exchange
Depository Shares Each Representing 1/1,000 of a 4.100% Cum Pref Share, Series S, \$0.01 par value	PSAPrS	New York Stock Exchange
0.875% Senior Notes due 2032	PSA32	New York Stock Exchange
0.500% Senior Notes due 2030	PSA30	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



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. ☒

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, 2021:

Common Shares, \$0.10 par value per share – \$45,156,391,000 (computed on the basis of \$300.69 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, 2021).

As of February 18, 2022, there were 175,462,248 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 2022 are incorporated by reference into Part III of this Annual Report on Form 10-K to the extent described therein.

PART I

ITEM 1. Business

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. All statements in this document, other than statements of historical fact, are forward-looking statements 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 the COVID-19 Pandemic or similar public health events, increases in the costs of our primary customer acquisition channels, unfavorable foreign currency rate fluctuations, 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 (referred to herein as "the Company", "we", "us", or "our"), a Maryland REIT, was organized in 1980. Our principal business activities include the ownership 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 and operator of self-storage properties with a recognizable brand, including the ubiquitous orange color, which is one of the most recognizable within the industry.

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 and operator of self-storage facilities in the United States ("U.S.") with physical presence in most major markets and 39 states. We believe our scale, brand name and technology platform afford us competitive advantages. At December 31, 2021, we held interests in and consolidated 2,787 self-storage facilities (an aggregate of 198 million net rentable square feet of space) operating under the Public Storage® name.

Other Operations:

Our customers have the option of purchasing insurance from a non-affiliated insurance company to cover certain losses to their goods stored at our facilities, as well as those we manage for third parties. A wholly-owned, consolidated subsidiary of Public Storage fully reinsures such policies and thereby assumes all risk of losses under these policies and receives reinsurance premiums substantially equal to the premiums collected from our tenants, from the non-affiliated insurance company. 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, 2021, there were approximately 1.2 million certificates of insurance held by our self-storage customers, representing aggregate coverage of approximately \$4.9 billion.

At December 31, 2021, we managed 93 facilities for third parties, and were under contract to manage 59 additional facilities including 54 facilities that are currently under construction. In addition, we sell merchandise, primarily locks and cardboard boxes at our self-storage facilities.

We hold a 41% equity interest in PS Business Parks, Inc. (“PSB”) and a 35% interest in Shurgard Self Storage SA (“Shurgard”). PSB is a publicly held REIT traded on the NYSE under the “PSB” symbol that owns, operates, acquires and develops commercial properties, primarily multi-tenant flex, office, and industrial parks. At December 31, 2021, PSB owned and operated 28 million rentable square feet of commercial space. Shurgard is a public company traded on Euronext Brussels under the “SHUR” symbol. At December 31, 2021, Shurgard owned and operated 253 self-storage facilities (14 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 report annually to the SEC on Form 10-K, which includes consolidated financial statements certified by our independent registered public accountants. We also report quarterly to the SEC on Form 10-Q, which includes 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 the SEC, as well as all amendments to those reports as soon as reasonably practicable after the reports 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 five largest self-storage owners in the U.S. own approximately 19%, with the remaining 81% owned by regional and local operators. We believe our Public Storage® brand awareness is a competitive advantage in acquiring 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 using marketing channels, including Internet advertising, signage, and banners and offering 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 technologies that we believe have enabled us to operate and compete more effectively by providing customers with a modern 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, as well as pricing, through the following marketing channels:

- **Our Desktop and Mobile Websites:** The online marketing channel is a key source of customers. Approximately 76% of our move-ins in 2021 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, have reviewed our pricing and availability online through our websites. We seek to regularly update the structure, layout, and content of our website in order 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 reach our customer care center 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. In 2021, we added live internet chat capability as another channel for our customers to engage our agents, cost effectively improving customer responsiveness.
- **Our Properties:** Customers can also shop at any one of our facilities. Property managers access the same information that is available on our website and to our 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, in 2020 we initiated 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 half of customers elected this “eRental®” process during 2021.

Public Storage App: During the fourth quarter of 2020, we implemented 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 networks: Our centralized reporting and information network enables us to identify changing market conditions and operating trends as well as analyze customer data and, on an automated basis, quickly change each of our individual property’s pricing and promotions, as well as to 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 run the level of growth in our asset base in any period is dependent upon the cost and availability of capital, as well as the relative attractiveness of 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 inform 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, as well as the development and documentation of standardized operating procedures.

Acquire existing properties: We seek to capitalize on the fragmentation of the self-storage business through acquiring attractively priced, well-located existing self-storage facilities. We believe our presence in and knowledge of substantially all of the major markets in the U.S. enhances our ability to identify attractive acquisition opportunities. Data on the rental rates and occupancy levels of our existing facilities provide us an advantage in evaluating the potential of

acquisition opportunities. 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, as well as 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 has been an important source of our growth. Our operating experience in major markets and experience in stabilizing new properties provides us advantages in developing new facilities. We plan to increase our development activity when attractive risk adjusted return profile 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, as well as 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 storage experience. As we grow our self-storage portfolio we have the opportunity to increase the growth profile of our tenant reinsurance business.

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 properties. These include various laws and government 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 commissioner for each state in accordance with certain federal regulations.

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 the COVID Pandemic or wildfires 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. 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 a 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, which individually or in the aggregate would be material to our overall business, financial condition, or results of operations.

Human Capital Resources

Our employees are the foundation of our business and fundamental to our ability to execute our corporate strategies and build long-term value for our stakeholders. In order to maintain a strong foundation, our key human capital management objectives are to attract, develop, and retain the highest quality talent. We achieve these objectives by committing to our employees to provide a diverse and inclusive workplace, regular and open communication, competitive and supportive compensation and benefits programs, and opportunities for career growth and development. Together with our core values of doing the right thing and integrity in all that we do, which serve as the cornerstone of our corporate culture, we believe that this commitment facilitates employee engagement and their commitment to Public Storage. While most of our employees join without experience in the self-storage industry, many find career success with us given our emphasis on training, development, and promotion from within.

We have approximately 5,800 employees, including 5,060 customer facing roles (such as property level and customer care center personnel), 340 field management employees, and 400 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:

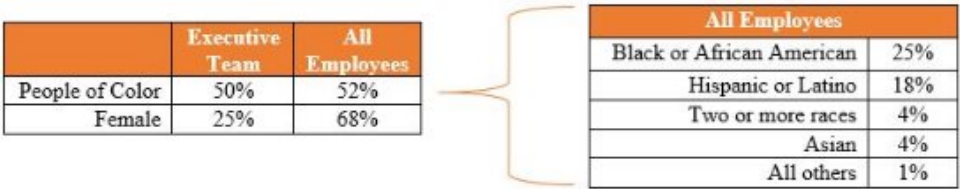
Diversity and Inclusion

We are committed to creating a diverse and inclusive environment where all employees feel valued, included, and excited to be part of a best-in-class team. Our employees come from all different races, backgrounds, and life experiences, and we celebrate inclusion and value the diversity each person brings to Public Storage. Our commitment to diversity and inclusion transcends the organization and drives everything we do, from the people we hire, to the business decisions we make.

In 2021, our Chief Executive Officer signed the CEO Action for Diversity & Inclusion pledge, reflecting our commitment to foster an environment where everyone feels valued, included, engaged, and excited to be part of our best-in-class team. We began implementing the pledge throughout the year, including with unconscious bias training for our leaders and various listening and learning programs for all employees directed at raising diversity awareness and encouraging honest and open discussions.

Public Storage hires based on character, skills, and experience, without regard to age, gender, race, ethnicity, religion, sexual orientation, or other protected characteristic. Adherence to this practice has resulted in a diverse and inclusive employee base that reflects the diversity of customers we serve. We maintain policies regarding diversity, equal opportunity, pay-for-performance, discrimination, harassment, and labor (including opposition to child, forced, and compulsory labor). In 2021, we also formalized into policy our long-standing practice of requiring that diverse candidate slates be considered for all director positions and above.

Our long-held practice of hiring “the best” has fostered a diverse and inclusive workforce that represents the communities in which we operate. Our commitment to diversity is evident at all levels of the organization. Additionally, by having a balanced mix of generations in the organization, we gain from the experiences each age group brings – our employees are 10% Boomer, 37% Gen X, 38% Gen Y and 15% Gen Z.



Communication and Engagement

Given the geographically dispersed nature of our business, regular and clear communication is critical to ensuring that employees feel informed, included, and engaged. We communicate through various channels, such as monthly meetings, frequent email communications and updates from our management team, company intranet postings, engagement surveys, and monthly newsletters. Our monthly newsletter is fundamental to our communication and engagement efforts. It contains a CEO message, recognizes employee achievements and promotions, and provides company strategy and performance updates, health and wellness tips, and other pertinent information.

In order to better understand the effectiveness of our engagement strategies, we conduct various surveys that measure employee commitment, motivation, and engagement, and solicit employee feedback that helps us improve. In the first quarter of 2021, we conducted our first formal full employee engagement survey, which we followed with a “pulse check” update in the fourth quarter. We were pleased to see employee engagement increase 3% over this period, from 76% in the first quarter to 79% in the fourth quarter of 2021. We believe these results were driven by the enhanced commitment to providing career development opportunities that we introduced during the year, which we discuss further below under “Training, Development, Growth and Recognition.” We intend to complete a full engagement survey followed by an interim pulse check update to monitor our performance each year.

We believe that the success of our engagement strategies can also be seen through third party surveys and recognition, such as our placement on the Forbes 2022 list of best employers.

Compensation, Health and Wellness

Public Storage maintains compensation and benefits programs designed to incentivize, reward, and support our employees. We believe in aligning employee compensation with our short- and long-term performance goals and providing the 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 competitiveness in the market and to drive employee engagement.

We are committed to the total well-being of all our employees and provide resources to help support them in times of need along with access to targeted solutions to help them achieve their personal and financial goals. We provide affordable health plans and programs to virtually all our employees (99.5%). Anyone working 20 hours or more is eligible to participate in our health benefit offerings, which include medical, dental, vision, flexible and health savings accounts, discount programs, and income protection plans. We also offer a 401(k) plan with generous matching employer contributions to help our employees prepare for retirement. In addition to these programs, 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 a range of educational tools and resources, including a dedicated health and wellness website, to help empower our employees to maintain a healthy and balanced lifestyle.

Training, Development, Growth, and Recognition

We provide training and development programs across all levels of Public Storage. All new hires in our field and customer care center operations complete robust training programs designed to help them quickly learn and operate in the self-storage business. This includes hands-on training with a key training professional (“KTP”) in coordination with close coaching and development from a district manager, which has our newly onboarded teammates ready to manage a property in their first two weeks. In addition, all new hires in leadership roles complete property-level training that gives them a hands-on view of our day-to-day operations at our properties. This training helps facilitate engagement across all levels of the Company and is designed to provide our leaders with an understanding of the fundamentals of our business and operations, including the challenges our front-line employees face and our customers’ needs and expectations.

Most new hires join us as property managers without any experience in the self-storage industry. In 2021, we enhanced our commitment to providing career development opportunities across Public Storage. We have multiple career path opportunities for our property teams, and many choose to grow their entire career with us while learning new skills and taking on additional responsibility. Some choose to focus on developing people as a KTP, others desire to learn multi-unit property management and local compliance requirements as a delinquent tenant specialist, and many want to build their career around ensuring our customers receive the best possible service as part of our customer care center. For those who enjoy the challenges that come with managing multi-unit portfolios and people, we offer our District Manager in Training program, which prepares some of our best teammates to become successful district managers with Public Storage through a three-month development program that includes online courses and partnership with a peer trainer and mentor. We also maintain a six-month development program to develop senior district managers.

In addition to these structured programs, we also offer ongoing training, development, and leadership programs for our entire workforce designed to facilitate professional growth and career advancement. Many of these programs leverage our online learning platform of training courses and reference materials. Public Storage employees completed 440,000 formal training hours in 2021, up from 367,000 in 2020. Our leadership development programs bring together senior leaders and leaders-in-training to teach management skills and strategies and ensure our new leaders have a clear understanding of their role, a strong bond with their peers, and an expanded professional network. In addition to formal training programs, we also offer a variety of one-on-one coaching, job shadowing, and mentoring programs.

Our online training and development platform also allows us to reinforce our culture of ongoing recognition by providing a means to show appreciation to others across all levels of the business by awarding employee recognition badges such as the team player or appreciation badges. Over 78,000 badges were awarded in 2021, 46% more than in 2020.

Performance Management and Succession Planning

Our performance management processes are designed to be collaborative, where employees and management work together to plan, monitor and review the employee's objectives and career aspirations, and set short- and long-term goals to achieve outcomes. This process is continual, with regular opportunities for management and employees to give and receive feedback. We believe every employee should know where they stand and how they can be successful in their career at Public Storage.

Succession planning is a top priority for management and our Board of Trustees (our "Board") to ensure business continuity. Leaders at all levels review development opportunities, provide feedback, and facilitate career progression conversations on an ongoing basis to ensure that employees can reach their full potential. No less than annually, the executive teams meet to review succession bench strength, calibrate talent, and provide recommendations to prepare succession candidates for future leadership roles within the organization. This broad and collaborative approach to talent management works to ensure opportunities are made available to employees to grow outside of their current function and responsibilities.

Our People Power our Brand

Every day, our teammates deliver the Public Storage brand and experience to our customers through countless personal interactions. While we enthusiastically celebrate our ability to bring self-storage solutions to our customers where and how they are needed, we recognize that our most important asset in doing so is our people behind the orange door.

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 directly to the Nominating, Governance, and Sustainability Committee of our Board, which oversees all of our sustainability initiatives.

We consider potential environmental impacts—both positive and negative—into our decision making across the business. The following features of our properties reflect our commitment to responsible environmental stewardship:

- *Low environmental impact.* Our property portfolio has an inherently light footprint that we further reduce through environmentally friendly capital initiatives.
- *Low obsolescence.* Our properties have retained functional and physical usefulness over many decades. In fact, many customers favor our single-story, drive-up properties built in the 1970s and 1980s due to their central locations and accessibility. This contrasts with other real estate types that require frequent reinvestment (i.e., capital expenditures) to stay current with consumer preference, remain competitive with newer competition, offset heavier wear-and-tear by users, and maintain structural operating efficiency.
- *High structural resilience.* We build and operate our properties to withstand the test of time, including general aging and acute and chronic risks from rising water levels, changing temperatures, and natural disasters.

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.

In regard to 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 natural disasters, pandemics, temperature change, rising water levels, and regulatory compliance. The risks we are more commonly exposed to and seek to mitigate include flooding and storm damage in the southern and eastern United States and wildfires in the western United States. We actively engage in

identifying and acting upon the opportunities associated with these risks including LED lighting, solar power generation, low-water-use landscaping, and enhancing our broader enterprise risk management framework.

We will continue to utilize our unique competitive advantages in furthering our environmental stewardship. Moreover, we are committed to improving our climate initiatives and long-term sustainability strategies, including:

- proactively evaluating our building prototype and design standards for opportunities to further reduce our environmental impact, including an effort underway to refine our green building implementation strategy in conjunction with U.S. Green Building Council through LEED® certification;
- prioritizing our understanding of Paris Climate Agreement and the potential paths towards a carbon neutral future; and
- evaluating the feasibility of instituting medium and/or long-term greenhouse gas emissions reduction targets or other climate-focus targets to encourage or increase adoption of renewable energy or energy efficiency measures.

Our annual Sustainability Report, which details our commitment to environmental stewardship along with our results, performance and progress, is accessible on our website at www.publicstorage.com.

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 Business

We have significant exposure to real estate risk.

Since our business consists primarily of acquiring, developing, and operating real estate, we are subject to risks related to the ownership and operation of real estate that could result in reduced revenues, increased expenses, increased capital expenditures, or increased borrowings, which could negatively impact our operating results, cash flow available for distribution or reinvestment, and our stock price, including:

Natural disasters or terrorist attacks could cause damage to our facilities, resulting in increased costs and reduced revenues. Natural disasters, such as earthquakes, fires, hurricanes and floods, or terrorist attacks could cause significant damage to our facilities and require significant repair costs, and make facilities temporarily uninhabitable, thereby reducing our revenues. Damage and business interruption losses could exceed the aggregate limits of our insurance coverage. In addition, because we self-insure a portion of our risks, losses below a certain level may not be covered by insurance. See Note 14 to our December 31, 2021 consolidated financial statements for a description of the risks of losses that are not covered by third-party insurance contracts. We may not have sufficient insurance coverage for losses caused by a terrorist attack, or such insurance may not be maintained, available or cost-effective. In addition, significant natural disasters, terrorist attacks, threats of future terrorist attacks, or resulting wider armed conflicts could have negative impacts on self-storage demand and/or our revenues.

Consequences of climate change, including severe weather events, and the steps taken to prevent climate change, could result in increased capital expenditures, increased expenses, and reduced revenues: Direct and indirect impacts of climate change, such as increased destructive weather events, floods, fires, and drought could result in significant damage to our self-storage facilities, increase our costs, or reduce demand for our self-storage facilities. Consistent with our commitment to sustainability in our business operations, we have undertaken a number of initiatives to reduce emissions and energy consumption, water usage, and waste, including through our Property of Tomorrow program, pursuant to which we are upgrading all of our older properties by the end of 2025, which has already resulted in investment of approximately

\$230 million in improvements through December 31, 2021. Governmental, political, and societal pressure, 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 pressure 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, collectibles, and other such items requiring storage, resulting in a reduced demand for our self-storage space.

Operating costs, including property taxes, could increase. We could be subject to increases in insurance premiums, property or other taxes, repair and maintenance costs, payroll, utility costs, workers compensation, and other operating expenses due to various factors such as inflation, labor shortages, commodity and energy price increases, weather, increases to minimum wage rates, changes to governmental safety and real estate use limitations, as well as other governmental actions. Our property tax expense, which totaled approximately \$335.1 million during the year ended December 31, 2021, 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 changed 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 from third parties in the past, and we expect to continue to do so in the future. We face significant competition for suitable acquisition properties from other real estate investors. As a result, we may be unable to acquire additional properties we desire or the purchase price for desirable properties may be significantly increased. Failures or unexpected circumstances in integrating facilities that we acquire directly or via the acquisition of operating companies into our operations, 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.

Development of self-storage facilities can subject us to risks. At December 31, 2021, we had a pipeline of development projects totaling \$800.0 million (subject to contingencies), and we expect to continue to seek additional development projects. There are significant risks involved in developing self-storage facilities, such as delays or cost increases due to changes in or failure to meet government or regulatory requirements, 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 has affected 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 has increased in recent years, which has intensified competition and will continue to do so as newly developed facilities are opened. Development of self-storage facilities by other operators could continue to 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 existing 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 in proximity to 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 in proximity to these unstabilized facilities.

Many of our existing self-storage facilities may be at a competitive disadvantage to newly developed facilities. There is a significant level of development of new self-storage facilities, by us and other operators. These newly developed facilities are generally of high quality, with a more fresh and vibrant appearance, more amenities such as climate control, more attractive office configurations, newer elements, and a more attractive retail presence as compared to many of our existing stabilized self-storage facilities, some of which were built as much as 50 years ago. Such qualitative differentials may negatively impact our ability to compete with these facilities for new tenants and our existing tenants may move to newly developed 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.

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

Economic downturns or adverse economic or industry conditions 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 rental space in each of the markets in which we operate.

Our ability to raise capital to fund our activities may be adversely affected by challenging market conditions. 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 \$313.5 million book value and a \$2.0 billion market value (based upon the closing trading price of Shurgard’s common stock) at December 31,

2021. We recognized \$24.4 million in equity in earnings and received \$41.5 million in dividends in 2021 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 Shurgard operates in which may adversely impact our business and financial results, 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, value added and employment tax laws. These laws can be difficult to apply or interpret and can vary in each country or locality, and are subject to unexpected changes in their form and application due to regional, national, or local political uncertainty and other factors. Such changes, or Shurgard's failure to comply with these laws, could subject it to penalties or other sanctions, adverse changes in business processes, as well as potentially adverse income tax, property tax, or other tax burdens.
- *Impediments to capital repatriation could negatively impact the realization of our investment in Shurgard:* 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's shares.
- *Risks of collective bargaining and intellectual property:* 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, as well as 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.

We have exposure to commercial property risk through our ownership in PSB.

We own approximately 41% of the common equity of PSB, and this investment has a \$515.3 million book value and a \$2.7 billion market value (based upon the closing trading price of PSB's common stock) at December 31, 2021. We recognized \$207.7 million in equity in earnings, and received \$127.3 million in dividends in 2021 with respect to PSB.

PSB, as an owner, operator, and developer of real estate, is subject to many of the same risks we are with respect to real estate. However, we may be exposed to other risks as a result of PSB's ownership specifically of commercial facilities. These risks are set forth in PSB's Form 10-K for the year ended December 31, 2021, under "Item 1A. Risk Factors."

We are subject to risks from the COVID Pandemic and we may in the future be subject to risks from other public health crises.

Since being reported in December 2019, the COVID Pandemic has spread globally, including to every state in the United States, adversely affecting public health and economic activity. Our business is subject to risks from the COVID Pandemic, including, among others:

- risk of illness or death of our employees or customers;
- continuing negative impacts on the economic conditions in our markets which may reduce the demand for self-storage;
- risk that there could be an out-migration of population from certain high-cost major markets, if it is determined that the ability to “work from home,” which has become more prominent during the COVID Pandemic, could allow certain workers to live in less expensive localities, which could negatively impact the occupancies and revenues of our properties in such high-cost major markets;
- continuing, new or reinstituted 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 future waves of infection, including those resulting from new variants, such as Delta or Omicron, or from additional pandemics, could result in new or reinstituted government restrictions;
- 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 as a result of the COVID Pandemic, 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 as a result of the COVID Pandemic, which could have a material impact upon our capital and growth plans.

We believe that the degree to which the COVID Pandemic adversely impacts our business, operating results, cash flows and/or financial condition will be driven primarily by the duration, spread and severity of the pandemic itself, the effectiveness of vaccine and treatment developments, including against variants such as the Delta and Omicron variants, public adoption rates of vaccines, including booster shots, as well as the duration of indirect economic impacts such as recession, dislocation in capital markets, and job loss, as well as potential longer term changes in consumer behavior, all of which are uncertain and difficult to predict. As a result, we are not able at this time to estimate the effect of these factors on our business, but the adverse impact on our business, results of operations, financial condition and cash flows could be material. Future pandemics or public health crises could have similar impacts.

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, 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. As noted above, in response to the COVID 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 63% of our new storage customers in 2021 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 5,800 employees, 1.8 million customers, and we conduct business at facilities with 198 million net rentable square feet of storage space. As a result, we are subject to the risk of legal claims and proceedings (including class actions) and regulatory enforcement actions 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 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 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 will not exceed any available insurance coverage. The impact of 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 failure to modernize and adopt advancements in information technology may hinder or prevent us from achieving strategic objectives.

Our inability to adapt and deliver new capabilities in time with strategic requirements may cause the organization to miss market competitive timing, first mover position, or to suffer material loss due to failed technology choices or implementation.

We are heavily dependent on computer systems, telecommunications and the Internet to process transactions, make payments, summarize results and manage our business. The failure or disruption of our computer and communications systems 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, computer and telecommunications failures, hackers, including through a ransomware attack, computer worms, viruses and other destructive or disruptive security breaches 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 breach that resulted in fraudulent payments or other cash transactions. As a result, 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.

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

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 have experienced security breaches due to cyberattacks and additional breaches could occur in the future. 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 breach could result in serious and harmful consequences for us or our tenants.

Our confidential information may also be compromised due to programming or human error or malfeasance. We must continually evaluate and adapt our systems and processes to address the evolving threat landscape, and therefore there is no guarantee that they will be adequate to safeguard against all data security breaches 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 such as not being aware of them.

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 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 and could result in remedial and other costs, fines or lawsuits, which could be in excess of any available insurance that we have procured.

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 adequately protect our trademarks.

Our trademark and trade dress could be deemed generic and indistinct and lose protection. 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 shares of our common stock.

Holders of our preferred shares are entitled to cumulative dividends before any dividends may be declared or set aside on our common stock. 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.

Preferred Shareholders 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.

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 ongoing REIT qualification of PSB as a result of our substantial ownership interest in it. 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 articles of incorporation that do not necessarily 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. 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.

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.

Changes made by the Tax Cuts and Jobs Act, signed into law on December 22, 2017, limit our ability to deduct compensation in excess of \$1 million paid to certain senior executives. This could require us to increase distributions to our shareholders in the future in order to avoid paying tax and to maintain our REIT status.

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. Since January 1, 2001, 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.

We have exposure to increased property tax in California.

Approximately \$649 million of our 2021 net operating income is from our properties in California, and we incurred approximately \$46 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 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 goes 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 considered or are considering 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 or penalized or suffer an adverse judgment, which could reduce our net income.

ITEM 1B. Unresolved Staff Comments

None.

ITEM 2. Properties

At December 31, 2021, we had controlling ownership interests in 2,787 self-storage facilities located in 39 states within the U.S.:

	At December 31, 2021	
	Number of Storage Facilities	Net Rentable Square Feet (in thousands)
California		
Southern	258	19,221
Northern	182	11,581
Texas	406	34,520
Florida	307	21,831
Illinois	132	8,536
Georgia	121	8,194
Virginia	118	7,781
North Carolina	103	7,623
Maryland	102	7,381
Washington	104	7,300
Colorado	85	6,320
Minnesota	64	4,935
New York	69	4,817
South Carolina	69	4,095
New Jersey	58	3,874
Ohio	58	3,833
Arizona	54	3,693
Michigan	51	3,589
Indiana	44	2,864
Missouri	43	2,845
Tennessee	41	2,571
Pennsylvania	34	2,452
Oregon	43	2,451
Oklahoma	26	2,086
Nevada	30	2,064
Massachusetts	28	1,976
Kansas	23	1,383
Other states (13 states)	134	8,503
Total (a)	<u>2,787</u>	<u>198,319</u>

- (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, 2021, 11 of our facilities with a net book value of \$66 million were encumbered by an aggregate of \$23 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 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 14. 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 (the "Common Shares") (NYSE: PSA) have been listed on the NYSE since October 19, 1984. As of February 18, 2022, there were approximately 10,524 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 22, 2022, 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, 2021. 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. Selected Financial Data

Not applicable

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. In addition, we may not have identified all current facts and circumstances that may affect impairment. Any unidentified impairment loss, or change in conclusions, could have a material adverse impact on our net income.

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 and buildings, 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 estimate. Others could come to materially different conclusions as to the estimated fair values of land and buildings, 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 most impacted by the level of organic growth within our Same Store Facilities (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 the year ended December 31, 2021, revenues generated by our Same Store Facilities increased by 10.5%, as compared to the previous year, while Same Store cost of operations decreased by 2%. Demand and operating trends have continued to improve, leading to increases in our self-storage rental rates and reduction in advertising expense in all markets while maintaining high levels of occupancy.

In addition to managing our existing facilities for organic growth, 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. During 2021, we acquired a near-record high of 232 facilities with 21.8 million net rentable square feet for \$5.1 billion. In addition, we developed and expanded self-storage space for a total cost of \$218.0 million, adding 1.6 million net rentable square feet. During the year ended December 31, 2021, revenue generated by our acquired and newly developed and expanded facilities increased by 112.9% as compared to the previous year.

Our strong financial profile continues to enable effective access to capital markets in order to support our growth. During 2021, we raised an aggregate of \$5.1 billion in four public debt offerings, resulting in aggregate notes payable of \$7.5 billion with a weighted average rate of 1.8% at December 31, 2021. Additionally, during 2021, we issued \$1.2 billion in three public offerings of our preferred shares offset by \$1.2 billion in redemptions of our preferred shares, reducing our weighted average dividend rate from 4.8% at December 31, 2020 to 4.5% at December 31, 2021.

In order to enhance the competitive position of certain of our facilities relative to local competitors (including newly developed facilities) and execute on our climate initiatives and long-term sustainability strategies, we have embarked on our multi-year Property of Tomorrow program to (i) rebrand our properties through 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 by the end of 2025. We spent approximately \$130 million on the program in 2021 and expect to spend approximately \$180 million in 2022.

Results of Operations

Operating Results for 2021 and 2020

In 2021, net income allocable to our common shareholders was \$1,732.4 million or \$9.87 per diluted common share, compared to \$1,098.3 million or \$6.29 per diluted common share in 2020 representing an increase of \$634.1 million or \$3.58 per diluted common share. The increase is due primarily to (i) a \$437.4 million increase in self-storage net operating income, (ii) a \$209.7 million increase in foreign currency exchange gains associated with our Euro denominated notes payable, and (iii) our \$149.0 million equity share of gains on sale of real estate recorded by PS Business Parks in 2021, partially offset by (iv) a \$160.2 million increase in depreciation and amortization expense.

The \$437.4 million increase in self-storage net operating income in 2021 as compared to 2020 is a result of a \$276.9 million increase in our Same Store Facilities, and a \$160.5 million increase in our Non-Same Store Facilities (as defined below). Revenues for the Same Store Facilities increased 10.5% or \$262.7 million in 2021 as compared to 2020, due primarily to higher realized annual rent per available square foot and weighted average square foot occupancy. Cost of operations for the Same Store Facilities decreased by 2.0% or \$14.2 million in 2021 as compared to 2020, due primarily to (i) a 36.1% (\$22.4 million) decrease in marketing expenses and (ii) an 11.2% (\$14.4 million) decrease in on-site property manager payroll. The increase in net operating income of \$160.5 million for the Non-Same Store Facilities is due primarily to the impact of facilities acquired in 2021 and 2020 and the fill-up of recently developed and expanded facilities.

Operating Results for 2020 and 2019

In 2020, net income allocable to our common shareholders was \$1,098.3 million or \$6.29 per diluted common share, compared to \$1,272.8 million or \$7.29 per diluted common share in 2019, representing a decrease of \$174.4 million or \$1.00 per diluted common share. The decrease is due primarily to (i) a \$105.8 million increase in foreign currency exchange losses associated with our Euro denominated notes payable, (ii) a \$40.3 million increase in depreciation and amortization expense, (iii) a \$21.1 million increase in general and administrative expense, (iv) a \$15.6 million decrease due to the impact of allocations to preferred shareholders with respect to redemption of preferred shares, and (v) a \$8.0 million decrease in self-storage net operating income.

The \$8.0 million decrease in self-storage net operating income is a result of a \$39.4 million decrease in our Same Store Facilities, offset partially by a \$31.4 million increase in our non-Same Store Facilities. Revenues for the Same Store Facilities decreased 0.8% or \$20.7 million in 2020 as compared to 2019, due primarily to reduced late charges and administrative fees. Cost of operations for the Same Store Facilities increased by 2.7% or \$18.8 million in 2020 as compared to 2019, due primarily to a 22.6% (\$11.4 million) increase in marketing expenses, a 3.0% (\$7.6 million) increase in property tax expense, and a 2.3% (\$2.9 million) increase in on-site property manager payroll expense. The increase in net operating income of \$31.4 million for the non-Same Store Facilities is due primarily to the impact of facilities acquired in 2020 and 2019 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 the National Association of Real Estate Investment Trusts and are considered helpful measures of REIT performance by REITs and many REIT analysts. FFO represents net income before 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, 2021, FFO was \$13.36 per diluted common share, as compared to \$9.75 and \$10.58 per diluted common share for the years ended December 31, 2020 and 2019, respectively, representing an increase in 2021 of 37.0% or \$3.61 per diluted common share, as compared to 2020.

The following tables reconcile diluted earnings per share to FFO per share and set forth the computation of FFO per share:

	Year Ended December 31,		
	2021	2020	2019
	(Amounts in thousands, except per share data)		
<u>Reconciliation of Diluted Earnings per Share to FFO per Share:</u>			
Diluted Earnings per Share	\$ 9.87	\$ 6.29	\$ 7.29
Eliminate amounts per share excluded from FFO:			
Depreciation and amortization	4.44	3.53	3.32
Gains on sale of real estate investments, including our equity share from investments	(0.95)	(0.07)	(0.03)
FFO per share	<u>\$ 13.36</u>	<u>\$ 9.75</u>	<u>\$ 10.58</u>
<u>Computation of FFO per Share:</u>			
Net income allocable to common shareholders	\$ 1,732,444	\$ 1,098,335	\$ 1,272,767
Eliminate items excluded from FFO:			
Depreciation and amortization	709,349	549,975	511,413
Depreciation from unconsolidated real estate investments	73,729	70,681	71,725
Depreciation allocated to noncontrolling interests and restricted share unitholders	(4,415)	(3,850)	(4,208)
Gains on sale of real estate investments, including our equity share from investments	(165,272)	(12,791)	(5,896)
FFO allocable to common shares	<u>\$ 2,345,835</u>	<u>\$ 1,702,350</u>	<u>\$ 1,845,801</u>
Diluted weighted average common shares	<u>175,568</u>	<u>174,642</u>	<u>174,530</u>
FFO per share	<u>\$ 13.36</u>	<u>\$ 9.75</u>	<u>\$ 10.58</u>

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, casualties, transactional due diligence, and advisory costs. 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 FFO per share to Core FFO per share and FFO to Core FFO, respectively:

	Year Ended December 31,			Year Ended December 31,		
	2021	2020	Percentage Change	2020	2019	Percentage Change
(Amounts in thousands, except per share data)						
<u>Reconciliation of FFO per Share to Core FFO per Share:</u>						
FFO per share	\$ 13.36	\$ 9.75	37.0 %	\$ 9.75	\$ 10.58	(7.8) %
Eliminate the per share impact of items excluded from Core FFO, including our equity share from investments:						
Foreign currency exchange (gain) loss	(0.64)	0.56		0.56	(0.04)	
Preferred share redemption charge (a)	0.18	0.28		0.28	0.21	
Property losses and tenant claims due to casualties (b)	0.03	—		—	—	
Other items	—	0.02		0.02	—	
Core FFO per share	<u>\$ 12.93</u>	<u>\$ 10.61</u>	<u>21.9 %</u>	<u>\$ 10.61</u>	<u>\$ 10.75</u>	<u>(1.3) %</u>
<u>Reconciliation of FFO to Core FFO:</u>						
FFO allocable to common shares	\$ 2,345,835	\$ 1,702,350	37.8 %	\$ 1,702,350	\$ 1,845,801	(7.8) %
Eliminate the impact of items excluded from Core FFO, including our equity share from investments:						
Foreign currency exchange (gain) loss	(111,787)	97,953		97,953	(7,829)	
Preferred share redemption charge (a)	31,604	48,265		48,265	37,246	
Property losses and tenant claims due to casualties (b)	4,909	—		—	—	
Other items	(543)	4,412		4,412	255	
Core FFO allocable to common shares	<u>\$ 2,270,018</u>	<u>\$ 1,852,980</u>	<u>22.5 %</u>	<u>\$ 1,852,980</u>	<u>\$ 1,875,473</u>	<u>(1.2) %</u>
Diluted weighted average common shares	<u>175,568</u>	<u>174,642</u>		<u>174,642</u>	<u>174,530</u>	
Core FFO per share	<u>\$ 12.93</u>	<u>\$ 10.61</u>	<u>21.9 %</u>	<u>\$ 10.61</u>	<u>\$ 10.75</u>	<u>(1.3) %</u>

- (a) Preferred share redemption charge was presented in allocation of net income to preferred shareholders - redemption and equity in earnings of unconsolidated real estate entities on the Consolidated Statements of Income for the years ended December 31, 2021, 2020, and 2019.
- (b) Property losses and tenant claims due to casualties was presented in general and administrative expenses and ancillary cost of operations on the Consolidated Statement of Income for the year ended December 31, 2021.

Analysis of Net Income - Self-Storage Operations

Our self-storage operations are analyzed in four groups: (i) the 2,274 facilities that we have owned and operated on a stabilized basis since January 1, 2019 (the “Same Store Facilities”), (ii) 338 facilities we acquired after December 31, 2019 (the “Acquired facilities”), (iii) 142 facilities that have been newly developed or expanded, or that had commenced expansion by December 31, 2021 (the “Newly developed and expanded facilities”), and (iv) 33 other facilities, which are otherwise not stabilized with respect to occupancies or rental rates since January 1, 2019 (the “Other non-same store facilities”). See Note 13 to our December 31, 2021 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,		
	2021	2020	Percentage Change	2020	2019	Percentage Change
(Dollar amounts and square footage in thousands)						
Revenues:						
Same Store facilities	\$ 2,767,577	\$ 2,504,919	10.5 %	\$ 2,504,919	\$ 2,525,572	(0.8) %
Acquired facilities	203,331	42,699	376.2 %	42,699	12,704	236.1 %
Newly developed and expanded facilities	205,068	149,086	37.6 %	149,086	121,378	22.8 %
Other non-same store facilities	27,590	24,926	10.7 %	24,926	24,898	0.1 %
	<u>3,203,566</u>	<u>2,721,630</u>	<u>17.7 %</u>	<u>2,721,630</u>	<u>2,684,552</u>	<u>1.4 %</u>
Cost of operations:						
Same Store facilities	697,244	711,451	(2.0) %	711,451	692,656	2.7 %
Acquired facilities	71,407	20,065	255.9 %	20,065	5,178	287.5 %
Newly developed and expanded facilities	73,617	66,444	10.8 %	66,444	55,049	20.7 %
Other non-same store facilities	9,762	9,583	1.9 %	9,583	9,533	0.5 %
	<u>852,030</u>	<u>807,543</u>	<u>5.5 %</u>	<u>807,543</u>	<u>762,416</u>	<u>5.9 %</u>
Net operating income (a):						
Same Store facilities	2,070,333	1,793,468	15.4 %	1,793,468	1,832,916	(2.2) %
Acquired facilities	131,924	22,634	482.9 %	22,634	7,526	200.7 %
Newly developed and expanded facilities	131,451	82,642	59.1 %	82,642	66,329	24.6 %
Other non-same store facilities	17,828	15,343	16.2 %	15,343	15,365	(0.1) %
Total net operating income	<u>2,351,536</u>	<u>1,914,087</u>	<u>22.9 %</u>	<u>1,914,087</u>	<u>1,922,136</u>	<u>(0.4) %</u>
Depreciation and amortization expense:						
Same Store facilities	(447,599)	(445,756)	0.4 %	(445,756)	(434,150)	2.7 %
Acquired facilities	(183,086)	(32,939)	455.8 %	(32,939)	(12,883)	155.7 %
Newly developed and expanded facilities	(61,645)	(53,621)	15.0 %	(53,621)	(46,340)	15.7 %
Other non-same store facilities	(21,098)	(20,941)	0.7 %	(20,941)	(19,545)	7.1 %
Total depreciation and amortization expense	<u>(713,428)</u>	<u>(553,257)</u>	<u>29.0 %</u>	<u>(553,257)</u>	<u>(512,918)</u>	<u>7.9 %</u>
Net income (loss):						
Same Store facilities	1,622,734	1,347,712	20.4 %	1,347,712	1,398,766	(3.6) %
Acquired facilities	(51,162)	(10,305)	396.5 %	(10,305)	(5,357)	92.4 %
Newly developed and expanded facilities	69,806	29,021	140.5 %	29,021	19,989	45.2 %
Other non-same store facilities	(3,270)	(5,598)	(41.6) %	(5,598)	(4,180)	33.9 %
Total net income	<u>\$ 1,638,108</u>	<u>\$ 1,360,830</u>	<u>20.4 %</u>	<u>\$ 1,360,830</u>	<u>\$ 1,409,218</u>	<u>(3.4) %</u>
Number of facilities at period end:						
Same Store facilities	2,274	2,274	—	2,274	2,274	—
Acquired facilities	338	106	218.9 %	106	44	140.9 %
Newly developed and expanded facilities	142	134	6.0 %	134	131	2.3 %
Other non-same store facilities	33	34	(2.9) %	34	34	—
	<u>2,787</u>	<u>2,548</u>	<u>9.4 %</u>	<u>2,548</u>	<u>2,483</u>	<u>2.6 %</u>
Net rentable square footage at period end:						
Same Store facilities	148,695	148,695	—	148,695	148,695	—
Acquired facilities	30,059	8,229	265.3 %	8,229	3,133	162.7 %
Newly developed and expanded facilities	17,407	15,891	9.5 %	15,891	14,797	7.4 %
Other non-same store facilities	2,158	2,236	(3.5) %	2,236	2,283	(2.1) %
	<u>198,319</u>	<u>175,051</u>	<u>13.3 %</u>	<u>175,051</u>	<u>168,908</u>	<u>3.6 %</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 in 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 13 to our December 31, 2021 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, 2019. The composition of our Same Store Facilities allows us more effectively to evaluate the ongoing performance of our self-storage portfolio in 2019, 2020, and 2021 and exclude the impact of fill-up of unstabilized facilities, which can significantly affect operating trends. We believe investors and analysts use Same Store 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 of these 2,274 facilities (148.7 million net rentable square feet) that represent approximately 75% of the aggregate net rentable square feet of our U.S. consolidated self-storage portfolio at December 31, 2021. 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 (2,274 facilities)

	Year Ended December 31,			Year Ended December 31,		
	2021	2020	Percentage Change	2020	2019	Percentage Change
	(Dollar amounts in thousands, except for per square foot data)					
Revenues (a):						
Rental income	\$ 2,685,532	\$ 2,421,295	10.9%	\$ 2,421,295	\$ 2,415,746	0.2%
Late charges and administrative fees	82,045	83,624	(1.9)%	83,624	109,826	(23.9)%
Total revenues	2,767,577	2,504,919	10.5%	2,504,919	2,525,572	(0.8)%
Direct cost of operations (a):						
Property taxes	266,996	257,759	3.6%	257,759	250,154	3.0%
On-site property manager payroll	114,437	128,879	(11.2)%	128,879	125,991	2.3%
Repairs and maintenance	52,619	50,763	3.7%	50,763	52,985	(4.2)%
Utilities	40,401	41,201	(1.9)%	41,201	45,225	(8.9)%
Marketing	39,639	62,017	(36.1)%	62,017	50,583	22.6%
Other direct property costs	73,621	68,294	7.8%	68,294	67,083	1.8%
Total direct cost of operations	587,713	608,913	(3.5)%	608,913	592,021	2.9%
Direct net operating income (b)	2,179,864	1,896,006	15.0%	1,896,006	1,933,551	(1.9)%
Indirect cost of operations (a):						
Supervisory payroll	(36,984)	(40,931)	(9.6)%	(40,931)	(39,061)	4.8%
Centralized management costs	(55,316)	(49,054)	12.8%	(49,054)	(50,873)	(3.6)%
Share-based compensation	(17,231)	(12,553)	37.3%	(12,553)	(10,701)	17.3%
Net operating income	2,070,333	1,793,468	15.4%	1,793,468	1,832,916	(2.2)%
Depreciation and amortization expense	(447,599)	(445,756)	0.4%	(445,756)	(434,150)	2.7%
Net income	\$ 1,622,734	\$ 1,347,712	20.4%	\$ 1,347,712	\$ 1,398,766	(3.6)%
Gross margin (before indirect costs, depreciation and amortization expense)	78.8%	75.7%	4.1%	75.7%	76.6%	(1.2)%
Gross margin (before depreciation and amortization expense)	74.8%	71.6%	4.5%	71.6%	72.6%	(1.4)%
Weighted average for the period:						
Square foot occupancy	96.3%	94.5%	1.9%	94.5%	93.3%	1.3%
Realized annual rental income per (c):						
Occupied square foot	\$ 18.75	\$ 17.24	8.8%	\$ 17.24	\$ 17.41	(1.0)%
Available square foot	\$ 18.06	\$ 16.29	10.9%	\$ 16.29	\$ 16.25	0.2%
At December 31:						
Square foot occupancy	94.8%	94.2%	0.6%	94.2%	91.6%	2.8%
Annual contract rent per occupied square foot (d)	\$ 20.02	\$ 17.90	11.8%	\$ 17.90	\$ 17.95	(0.3)%

- (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 the 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 the customer’s in-place rent and prevailing market rents, among other factors.

Revenues generated by our Same Store Facilities increased 10.5% in 2021 and decreased 0.8% in 2020, in each case as compared to the previous year. The increase in 2021 is due primarily to (i) an 8.8% increase in realized annual rent per occupied square foot for 2021 as compared to 2020 and, to a lesser extent, (ii) a 1.9% increase in average occupancy for 2021 as compared to 2020. The decrease in 2020 is due to the negative impact caused by the COVID Pandemic, certain restrictions on rate increases to existing tenants imposed by local governments due to declared state of emergency, reduced late charges and administrative fees, as well as the continued impact of increased new supply from new developments.

Our growth in revenues, weighted average square foot occupancy, realized annual rent per occupied square foot, and REVPAF for 2021 as compared to 2020 was evident in substantially all of our markets including each of our top 15 markets.

Realized annual rent per occupied square foot increased 8.8% in 2021 as compared to 2020. The increase of realized annual rent per occupied square foot in 2021 as compared to 2020 was due to (i) a 25.8% year over year increase in average rates per square foot charged to new tenants moving in as a result of strong customer demand across all markets, combined with (ii) rate increases to existing tenants in 2021 as compared to the curtailed increases in 2020. At December 31, 2021, annual contract rent per occupied square foot was 11.8% higher as compared to December 31, 2020.

We experienced high occupancy levels throughout 2021. Our average square foot occupancy levels increased 1.9% on a year over year basis during 2021 and at December 31, 2021, our square foot occupancy was 94.8%. The improvement in occupancy trends was due primarily to improved trends in move-outs, with year over year move-outs down 7.9% in 2021. This resulted in an increased average length of stay for 2021, which supports revenue growth through rate increases to long-term tenants and a reduced requirement to replace vacating tenants with new tenants, leading to reduced promotional costs and increased pricing leverage. This reduced requirement to replace vacating tenants with new tenants resulted in lower move-in volumes throughout 2021. With higher occupancy and pricing trends, we reduced promotional discounts given to new move-in customers for 2021 by 49.8% as compared to 2020.

Demand historically has been higher in the summer months than in the winter months and, as a result, rental rates charged to new tenants have typically been higher in the summer months than in the winter months. Demand fluctuates due

to various local and regional factors, including the overall economy. Demand into our system is also impacted by new supply of self-storage space as well as alternatives to self-storage.

We expect continued revenue growth in 2022 supported by consistently high customer demand and a stable tenant base that will enable us to continue to raise rates to our existing tenants while maintaining a high level of occupancy.

Late Charges and Administrative Fees

Late charges and administrative fees decreased 1.9% year over year for 2021, due to (i) an acceleration in average collections whereby a greater percentage of tenants paid their monthly rent promptly to avoid the incurrence of such fees and (ii) reduced move-in administrative fees due to lower move-ins.

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, 2021, 2020, and 2019. 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,		
	2021	2020	Change	2020	2019	Change
(Amounts in thousands, except for per square foot amounts)						
Tenants moving in during the period:						
Average annual contract rent per square foot	\$ 17.08	\$ 13.58	25.8%	\$ 13.58	\$ 13.57	0.1%
Square footage	93,684	104,426	(10.3)%	104,426	109,173	(4.3)%
Contract rents gained from move-ins	\$ 1,600,123	\$ 1,418,105	12.8%	\$ 1,418,105	\$ 1,481,478	(4.3)%
Promotional discounts given	\$ 37,950	\$ 75,568	(49.8)%	\$ 75,568	\$ 82,144	(8.0)%
Tenants moving out during the period:						
Average annual contract rent per square foot	\$ 17.56	\$ 15.58	12.7%	\$ 15.58	\$ 16.01	(2.7)%
Square footage	92,585	100,548	(7.9)%	100,548	108,434	(7.3)%
Contract rents lost from move-outs	\$ 1,625,793	\$ 1,566,538	3.8%	\$ 1,566,538	\$ 1,736,028	(9.8)%

Analysis of Same Store Cost of Operations

Cost of operations (excluding depreciation and amortization) decreased 2.0% in 2021 as compared to 2020 due primarily to decreased marketing and on-site property manager payroll expense. Cost of operations (excluding depreciation and amortization) increased 2.7% in 2020 as compared to 2019 due primarily to increased marketing and property tax expense.

Property tax expense increased 3.6% in 2021 as compared to 2020 and increased 3.0% in 2020 as compared to 2019 as a result of higher assessed values. We expect property tax expense growth of approximately 5.0% in 2022 due primarily to higher assessed values and, to a lesser extent, increased tax rates.

On-site property manager payroll expense decreased 11.2% in 2021 as compared to 2020 and increased 2.3% in 2020 as compared to 2019. The decrease in 2021 is primarily due to (i) a year-over-year decline in hours worked due to staffing reductions from reduced move-in and move-out activity and revisions to other operational processes and (ii) a temporary \$3.00 hourly incentive increase and enhancement of paid time off benefits to all of our property managers between April 1, 2020 and June 30, 2020 in response to the COVID Pandemic, partially offset by wage increases in response to competitive labor conditions experienced in most geographical markets since the second quarter of 2021. On October 1, 2021, we increased the wages of all of our property employees by an average of 7.5%, bringing our average pay for non-resident property employees (i.e. those not receiving rent and utility free housing) to \$15 per hour. We expect on-

site property manager payroll expense to increase in 2022 driven by increased wage rates, partially offset by expected reduction in labor hours.

Our utility expenses consist primarily of electricity costs, which are dependent upon energy prices, subject to fluctuations due to market conditions, and usage levels. Changes in usage levels are driven primarily by weather and temperature. Utility expense decreased 1.9% in 2021 as compared to 2020 and 8.9% in 2020 as compared to 2019. The decreases experienced in 2021 and 2020 are due primarily to investments we are making in energy saving technology such as solar power and LED lights, which generate favorable returns on investment in the form of lower utility usage.

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 decreased marketing expense by 36.1% in 2021 as compared to 2020 due primarily to lower volume of paid search programs we utilized in 2021 given strong demand and high occupancies in many of our same store properties. Marketing expense increased 22.6% in 2020 as compared to 2019, due primarily to both higher volume of paid search programs we utilized to attract more customers for our space, and cost per click for keyword search terms increased due to more keyword bidding competition from existing self-storage owners and operators, including owners of newly developed facilities and nontraditional storage providers.

Other direct property costs include administrative expenses specific to each self-storage facility, such as property insurance, 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 7.8% in 2021 as compared to 2020 and 1.8% in 2020 as compared to 2019. We continue to experience increased credit card fees due to a long-term trend of more customers paying with credit cards rather than cash, checks, or other methods of payment with lower transaction costs.

Supervisory payroll expense, which represents cash compensation paid to the management personnel who directly and indirectly supervise the on-site property managers, decreased 9.6% in 2021 as compared to 2020, due primarily to lower headcount in 2021 and incentives related to the COVID Pandemic in 2020. Supervisory payroll increased 4.8% in 2020 as compared to 2019 due to higher headcount.

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, and legal costs. Centralized management costs increased 12.8% in 2021 as compared to 2020 and decreased 3.6% in 2020 as compared to 2019. The increase in 2021 was due primarily to an increase in technology and data team costs that support property operations. We expect increases in centralized management costs in 2022 due to continued investment in our technology and data platforms that support our property operations.

Share-based compensation expense includes the amortization of restricted share units and stock options granted to management personnel who directly and indirectly supervise the on-site property managers, as well as those employees responsible for providing shared general corporate functions to the extent their efforts are devoted to self-storage operations. Such functions are listed above under centralized management costs. Share-based compensation expense varies based upon the level of grants and their related vesting and amortization periods, forfeitures, as well as the Company’s common share price on the date of each grant. Share-based compensation expense increased 37.3% in 2021 as compared to 2020 and 17.3% in 2020 as compared to 2019. The increase in 2021 is due primarily to the absence of comparable performance-based share-based compensation expense in 2020 and the accelerated compensation costs recognized in 2021 associated with modifying our share-based compensation plans in July 2020, to allow immediate vesting upon retirement.

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, 2021		Year Ended December 31,								
	Number of Facilities	Square Feet (millions)	Realized Rent per Occupied Square Foot			Average Occupancy			Realized Rent per Available Square Foot		
			2021	2020	Change	2021	2020	Change	2021	2020	Change
Los Angeles	213	15.2	\$ 27.48	\$ 25.98	5.8 %	98.2 %	96.6 %	1.7 %	\$ 26.99	\$ 25.10	7.5 %
San Francisco	130	8.1	27.96	26.46	5.7 %	97.2 %	96.0 %	1.3 %	27.17	25.40	7.0 %
New York	90	6.4	27.44	25.86	6.1 %	96.3 %	95.1 %	1.3 %	26.43	24.58	7.5 %
Miami	83	5.8	22.41	19.75	13.5 %	97.1 %	94.4 %	2.9 %	21.75	18.64	16.7 %
Seattle-Tacoma	87	5.9	22.02	20.31	8.4 %	95.4 %	94.1 %	1.4 %	21.01	19.12	9.9 %
Washington DC	89	5.5	22.70	21.11	7.5 %	95.3 %	94.4 %	1.0 %	21.62	19.93	8.5 %
Chicago	129	8.1	16.63	14.96	11.2 %	95.7 %	93.8 %	2.0 %	15.92	14.04	13.4 %
Atlanta	98	6.4	14.53	13.18	10.2 %	96.0 %	92.9 %	3.3 %	13.95	12.24	14.0 %
Dallas-Ft. Worth	102	6.6	14.72	13.40	9.9 %	95.9 %	93.0 %	3.1 %	14.12	12.47	13.2 %
Houston	92	6.4	13.69	12.64	8.3 %	94.3 %	92.1 %	2.4 %	12.91	11.64	10.9 %
Orlando-Daytona	70	4.5	14.86	13.55	9.7 %	95.7 %	94.3 %	1.5 %	14.21	12.79	11.1 %
Philadelphia	56	3.5	18.55	16.86	10.0 %	97.1 %	96.1 %	1.0 %	18.02	16.20	11.2 %
West Palm Beach	40	2.9	20.87	18.09	15.4 %	96.8 %	94.7 %	2.2 %	20.21	17.14	17.9 %
Tampa	52	3.5	15.51	13.70	13.2 %	96.2 %	93.4 %	3.0 %	14.92	12.80	16.6 %
Charlotte	50	3.8	12.46	11.10	12.3 %	95.9 %	92.9 %	3.2 %	11.95	10.31	15.9 %
All other markets	893	56.1	15.55	14.14	10.0 %	96.2 %	94.5 %	1.8 %	14.96	13.36	12.0 %
Totals	2,274	148.7	\$ 18.75	\$ 17.24	8.8 %	96.3 %	94.5 %	1.9 %	\$ 18.06	\$ 16.29	10.9 %

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)		
	2021	2020	Change	2021	2020	Change	2021	2020	Change	2021	2020	Change
Los Angeles	\$ 416,955	\$ 388,613	7.3 %	\$ 58,558	\$ 62,562	(6.4)%	\$ 11,022	\$ 10,365	6.3 %	\$ 347,375	\$ 315,686	10.0 %
San Francisco	224,439	209,941	6.9 %	34,926	36,094	(3.2)%	6,847	6,496	5.4 %	182,666	167,351	9.2 %
New York	174,251	162,637	7.1 %	42,982	43,849	(2.0)%	5,450	4,881	11.7 %	125,819	113,907	10.5 %
Miami	130,210	112,128	16.1 %	25,863	26,173	(1.2)%	4,173	4,113	1.5 %	100,174	81,842	22.4 %
Seattle-Tacoma	126,925	116,054	9.4 %	23,138	23,917	(3.3)%	4,160	4,154	0.1 %	99,627	87,983	13.2 %
Washington DC	121,757	112,739	8.0 %	26,287	26,695	(1.5)%	4,033	3,629	11.1 %	91,437	82,415	10.9 %
Chicago	133,771	118,560	12.8 %	51,764	50,338	2.8 %	5,797	5,473	5.9 %	76,210	62,749	21.5 %
Atlanta	94,159	83,120	13.3 %	18,466	19,080	(3.2)%	4,731	4,236	11.7 %	70,962	59,804	18.7 %
Dallas-Ft. Worth	96,392	85,545	12.7 %	22,521	23,884	(5.7)%	4,425	4,146	6.7 %	69,446	57,515	20.7 %
Houston	85,436	77,318	10.5 %	26,034	26,737	(2.6)%	4,238	3,988	6.3 %	55,164	46,593	18.4 %
Orlando-Daytona	65,864	59,573	10.6 %	13,708	14,779	(7.2)%	3,330	2,954	12.7 %	48,826	41,840	16.7 %
Philadelphia	66,000	59,666	10.6 %	15,105	15,461	(2.3)%	2,730	2,633	3.7 %	48,165	41,572	15.9 %
West Palm Beach	59,466	50,623	17.5 %	12,523	12,549	(0.2)%	2,168	2,057	5.4 %	44,775	36,017	24.3 %
Tampa	53,608	46,216	16.0 %	12,070	12,723	(5.1)%	2,454	2,203	11.4 %	39,084	31,290	24.9 %
Charlotte	47,411	41,106	15.3 %	9,113	9,627	(5.3)%	2,208	2,027	8.9 %	36,090	29,452	22.5 %
All other markets	870,933	781,080	11.5 %	194,655	204,445	(4.8)%	41,765	39,183	6.6 %	634,513	537,452	18.1 %
Totals	\$ 2,767,577	\$ 2,504,919	10.5 %	\$ 587,713	\$ 608,913	(3.5)%	\$ 109,531	\$ 102,538	6.8 %	\$ 2,070,333	\$ 1,793,468	15.4 %

Same Store Facilities Operating Trends by Market (Continued)

As of December 31, 2021			Year Ended December 31,								
Number of Facilities	Square Feet (millions)		Realized Rent per Occupied Square Foot			Average Occupancy			Realized Rent per Available Square Foot		
			2020	2019	Change	2020	2019	Change	2020	2019	Change
Los Angeles	213	15.2 \$	25.98 \$	25.95	0.1 %	96.6 %	95.1 %	1.6 %	25.10 \$	24.67	1.7 %
San Francisco	130	8.1	26.46	26.47	— %	96.0 %	94.1 %	2.0 %	25.40	24.92	1.9 %
New York	90	6.4	25.86	26.25	(1.5)%	95.1 %	94.0 %	1.2 %	24.58	24.67	(0.4)%
Miami	83	5.8	19.75	20.33	(2.9)%	94.4 %	93.0 %	1.5 %	18.64	18.90	(1.4)%
Seattle-Tacoma	87	5.9	20.31	20.39	(0.4)%	94.1 %	93.0 %	1.2 %	19.12	18.97	0.8 %
Washington DC	89	5.5	21.11	21.45	(1.6)%	94.4 %	93.4 %	1.1 %	19.93	20.03	(0.5)%
Chicago	129	8.1	14.96	15.15	(1.3)%	93.8 %	92.1 %	1.8 %	14.04	13.95	0.6 %
Atlanta	98	6.4	13.18	13.59	(3.0)%	92.9 %	93.2 %	(0.3)%	12.24	12.66	(3.3)%
Dallas-Ft. Worth	102	6.6	13.40	13.64	(1.8)%	93.0 %	92.1 %	1.0 %	12.47	12.57	(0.8)%
Houston	92	6.4	12.64	13.23	(4.5)%	92.1 %	89.9 %	2.4 %	11.64	11.90	(2.2)%
Orlando-Daytona	70	4.5	13.55	13.91	(2.6)%	94.3 %	94.2 %	0.1 %	12.79	13.10	(2.4)%
Philadelphia	56	3.5	16.86	16.65	1.3 %	96.1 %	95.3 %	0.8 %	16.20	15.86	2.1 %
West Palm Beach	40	2.9	18.09	18.33	(1.3)%	94.7 %	93.3 %	1.5 %	17.14	17.10	0.2 %
Tampa	52	3.5	13.70	14.10	(2.8)%	93.4 %	92.6 %	0.9 %	12.80	13.06	(2.0)%
Charlotte	50	3.8	11.10	11.33	(2.0)%	92.9 %	91.7 %	1.3 %	10.31	10.39	(0.8)%
All other markets	893	56.1	14.14	14.26	(0.8)%	94.5 %	93.4 %	1.2 %	13.36	13.32	0.3 %
Totals	2,274	148.7 \$	17.24 \$	17.41	(1.0)%	94.5 %	93.3 %	1.3 %	16.29 \$	16.25	0.2 %

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)		
	2020	2019	Change	2020	2019	Change	2020	2019	Change	2020	2019	Change
Los Angeles	\$ 388,613	\$ 385,426	0.8 %	\$ 62,562	\$ 59,487	5.2 %	\$ 10,365	\$ 9,969	4.0 %	\$ 315,686	\$ 315,970	(0.1)%
San Francisco	209,941	206,860	1.5 %	36,094	34,881	3.5 %	6,496	6,041	7.5 %	167,351	165,938	0.9 %
New York	162,637	165,230	(1.6)%	43,849	43,341	1.2 %	4,881	5,076	(3.8)%	113,907	116,813	(2.5)%
Miami	112,128	114,980	(2.5)%	26,173	25,755	1.6 %	4,113	3,888	5.8 %	81,842	85,337	(4.1)%
Seattle-Tacoma	116,054	116,133	(0.1)%	23,917	21,723	10.1 %	4,154	3,921	5.9 %	87,983	90,489	(2.8)%
Washington DC	112,739	114,483	(1.5)%	26,695	26,130	2.2 %	3,629	3,649	(0.5)%	82,415	84,704	(2.7)%
Chicago	118,560	119,281	(0.6)%	50,338	50,295	0.1 %	5,473	5,667	(3.4)%	62,749	63,319	(0.9)%
Atlanta	83,120	87,134	(4.6)%	19,080	18,550	2.9 %	4,236	4,327	(2.1)%	59,804	64,257	(6.9)%
Dallas-Ft. Worth	85,545	87,157	(1.8)%	23,884	23,404	2.1 %	4,146	4,177	(0.7)%	57,515	59,576	(3.5)%
Houston	77,318	79,969	(3.3)%	26,737	26,799	(0.2)%	3,988	3,927	1.6 %	46,593	49,243	(5.4)%
Orlando-Daytona	59,573	61,654	(3.4)%	14,779	14,226	3.9 %	2,954	2,927	0.9 %	41,840	44,501	(6.0)%
Philadelphia	59,666	59,120	0.9 %	15,461	14,782	4.6 %	2,633	2,746	(4.1)%	41,572	41,592	— %
West Palm Beach	50,623	51,213	(1.2)%	12,549	11,954	5.0 %	2,057	1,812	13.5 %	36,017	37,447	(3.8)%
Tampa	46,216	47,706	(3.1)%	12,723	12,141	4.8 %	2,203	2,144	2.8 %	31,290	33,421	(6.4)%
Charlotte	41,106	41,880	(1.8)%	9,627	9,740	(1.2)%	2,027	2,098	(3.4)%	29,452	30,042	(2.0)%
All other markets	781,080	787,346	(0.8)%	204,445	198,813	2.8 %	39,183	38,266	2.4 %	537,452	550,267	(2.3)%
Totals	\$ 2,504,919	\$ 2,525,572	(0.8)%	\$ 608,913	\$ 592,021	2.9 %	\$ 102,538	\$ 100,635	1.9 %	\$ 1,793,468	\$ 1,832,916	(2.2)%

Acquired Facilities

The Acquired Facilities represent 338 facilities that we acquired in 2019, 2020, and 2021. As a result of the stabilization process and timing of when these facilities were acquired (and resulting reclassification to Same-Store Facilities), 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,		
	2021	2020	Change (a)	2020	2019	Change (a)
(\$ amounts in thousands, except for per square foot amounts)						
Revenues (b):						
2019 Acquisitions	\$ 41,967	\$ 31,334	\$ 10,633	\$ 31,334	\$ 12,704	\$ 18,630
2020 Acquisitions	54,890	11,365	43,525	11,365	—	11,365
2021 Acquisitions	106,474	—	106,474	—	—	—
Total revenues	203,331	42,699	160,632	42,699	12,704	29,995
Cost of operations (b):						
2019 Acquisitions	13,486	13,323	163	13,323	5,178	8,145
2020 Acquisitions	25,216	6,742	18,474	6,742	—	6,742
2021 Acquisitions	32,705	—	32,705	—	—	—
Total cost of operations	71,407	20,065	51,342	20,065	5,178	14,887
Net operating income:						
2019 Acquisitions	28,481	18,011	10,470	18,011	7,526	10,485
2020 Acquisitions	29,674	4,623	25,051	4,623	—	4,623
2021 Acquisitions	73,769	—	73,769	—	—	—
Net operating income	131,924	22,634	109,290	22,634	7,526	15,108
Depreciation and amortization expense	(183,086)	(32,939)	(150,147)	(32,939)	(12,883)	(20,056)
Net loss	\$ (51,162)	\$ (10,305)	\$ (40,857)	\$ (10,305)	\$ (5,357)	\$ (4,948)
At December 31:						
Square foot occupancy:						
2019 Acquisitions	92.4%	91.7%	0.8%	91.7%	73.6%	24.6%
2020 Acquisitions	88.2%	63.5%	38.9%	63.5%	—	—
2021 Acquisitions	79.9%	—	—	—	—	—
	82.6%	74.4%	11.0%	74.4%	73.6%	1.1%
Annual contract rent per occupied square foot:						
2019 Acquisitions	\$ 15.65	\$ 11.93	31.2%	\$ 11.93	\$ 12.27	(2.8)%
2020 Acquisitions	14.82	12.50	18.6%	12.50	—	—
2021 Acquisitions	15.62	—	—	—	—	—
	\$ 15.48	\$ 12.23	26.6%	\$ 12.23	\$ 12.27	(0.3)%
Number of facilities:						
2019 Acquisitions	44	44	—	44	44	—
2020 Acquisitions	62	62	—	62	—	62
2021 Acquisitions	232	—	232	—	—	—
	338	106	232	106	44	62
Net rentable square feet (in thousands):						
2019 Acquisitions	3,154	3,154	—	3,154	3,133	21
2020 Acquisitions	5,075	5,075	—	5,075	—	5,075
2021 Acquisitions	21,830	—	21,830	—	—	—
	30,059	8,229	21,830	8,229	3,133	5,096

ACQUIRED FACILITIES (Continued)

	As of December 31, 2021
Costs to acquire (in thousands):	
2019 Acquisitions	\$ 429,850
2020 Acquisitions	796,065
2021 Acquisitions	<u>5,115,276</u>
	<u>\$ 6,341,191</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.

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, which includes 47 self-storage facilities and one property that is under construction. Included in the 2021 Acquisition results in the table above are revenues of \$61.7 million, NOI of \$48.5 million (including Direct NOI of \$50.2 million) and square footage occupancy of 92.2% for 2021 since the acquisition on April 28, 2021.

During 2021, we acquired the All Storage portfolio consisting of 56 properties (7.5 million net rentable square feet) for \$1.5 billion, with 55 properties closed in the fourth quarter of 2021 and one property expected to close in early 2022.

Subsequent to December 31, 2021, we are under contract to acquire 15 self-storage facilities across 10 states with 1.2 million net rentable square feet, for \$212.4 million.

Developed and Expanded Facilities

The developed and expanded facilities include 70 facilities that were developed on new sites since January 1, 2016, and 72 facilities subject to expansion of their net rentable square footage. Of these expansions, 43 were completed at January 1, 2020, 23 were completed in the 24 months ended December 31, 2021, and 6 are currently in process at December 31, 2021. 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,		
	2021	2020	Change (a)	2020	2019	Change (a)
(\$ amounts in thousands, except for per square foot amounts)						
Revenues (b):						
Developed in 2016	\$ 35,016	\$ 28,476	\$ 6,540	\$ 28,476	\$ 25,532	\$ 2,944
Developed in 2017	27,593	21,541	6,052	21,541	17,826	3,715
Developed in 2018	28,308	20,163	8,145	20,163	13,510	6,653
Developed in 2019	11,921	6,455	5,466	6,455	1,720	4,735
Developed in 2020	3,405	301	3,104	301	—	301
Developed in 2021	1,602	—	1,602	—	—	—
Expansions completed before 2020	59,465	41,311	18,154	41,311	30,766	10,545
Expansions completed in 2020 or 2021	32,922	23,649	9,273	23,649	24,294	(645)
Expansions in process	4,836	7,190	(2,354)	7,190	7,730	(540)
Total revenues	205,068	149,086	55,982	149,086	121,378	27,708
Cost of operations (b):						
Developed in 2016	9,358	9,739	(381)	9,739	9,163	576
Developed in 2017	9,932	9,625	307	9,625	9,164	461
Developed in 2018	9,983	10,364	(381)	10,364	9,367	997
Developed in 2019	5,240	4,685	555	4,685	1,915	2,770
Developed in 2020	1,679	383	1,296	383	—	383
Developed in 2021	1,546	—	1,546	—	—	—
Expansions completed before 2020	23,277	22,052	1,225	22,052	17,103	4,949
Expansions completed in 2020 or 2021	11,300	7,897	3,403	7,897	6,729	1,168
Expansions in process	1,302	1,699	(397)	1,699	1,608	91
Total cost of operations	73,617	66,444	7,173	66,444	55,049	11,395
Net operating income (loss):						
Developed in 2016	25,658	18,737	6,921	18,737	16,369	2,368
Developed in 2017	17,661	11,916	5,745	11,916	8,662	3,254
Developed in 2018	18,325	9,799	8,526	9,799	4,143	5,656
Developed in 2019	6,681	1,770	4,911	1,770	(195)	1,965
Developed in 2020	1,726	(82)	1,808	(82)	—	(82)
Developed in 2021	56	—	56	—	—	—
Expansions completed before 2020	36,188	19,259	16,929	19,259	13,663	5,596
Expansions completed in 2020 or 2021	21,622	15,752	5,870	15,752	17,565	(1,813)
Expansions in process	3,534	5,491	(1,957)	5,491	6,122	(631)
Net operating income	131,451	82,642	48,809	82,642	66,329	16,313
Depreciation and amortization expense	(61,645)	(53,621)	(8,024)	(53,621)	(46,340)	(7,281)
Net income	\$ 69,806	\$ 29,021	\$ 40,785	\$ 29,021	\$ 19,989	\$ 9,032

DEVELOPED AND EXPANDED FACILITIES
(Continued)

	As of December 31,			As of December 31,		
	2021	2020	Change (a)	2020	2019	Change (a)
	(\$ amounts in thousands, except for per square foot amounts)					
Square foot occupancy:						
Developed in 2016	91.6%	90.4%	1.3%	90.4%	79.6%	13.6%
Developed in 2017	91.4%	88.7%	3.0%	88.7%	77.3%	14.7%
Developed in 2018	88.6%	86.5%	2.4%	86.5%	65.4%	32.3%
Developed in 2019	87.3%	84.6%	3.2%	84.6%	38.1%	122.0%
Developed in 2020	88.9%	34.0%	161.5%	34.0%	—	—
Developed in 2021	48.8%	—	—	—	—	—
Expansions completed before 2020	88.9%	81.8%	8.7%	81.8%	57.8%	41.5%
Expansions completed in 2020 or 2021	78.6%	66.1%	18.9%	66.1%	87.3%	(24.3)%
Expansions in process	59.2%	79.3%	(25.3)%	79.3%	88.6%	(10.5)%
	85.5%	81.4%	5.0%	81.4%	67.2%	21.1%
Annual contract rent per occupied square foot:						
Developed in 2016	19.00	15.22	24.8%	15.22	15.18	0.3%
Developed in 2017	16.03	12.64	26.8%	12.64	12.11	4.4%
Developed in 2018	17.08	12.73	34.2%	12.73	12.54	1.5%
Developed in 2019	14.58	9.69	50.5%	9.69	10.13	(4.3)%
Developed in 2020	17.67	10.08	75.3%	10.08	—	—
Developed in 2021	15.41	—	—	—	—	—
Expansions completed before 2020	13.47	10.05	34.0%	10.05	10.80	(6.9)%
Expansions completed in 2020 or 2021	17.65	16.86	4.7%	16.86	17.70	(4.7)%
Expansions in process	20.33	21.14	(3.8)%	21.14	22.81	(7.3)%
	15.94	12.56	26.9%	12.56	13.29	(5.5)%
Number of facilities:						
Developed in 2016	16	16	—	16	16	—
Developed in 2017	16	16	—	16	16	—
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	—	—	—
Expansions completed before 2020	43	43	—	43	43	—
Expansions completed in 2020 or 2021	23	21	2	21	21	—
Expansions in process	6	6	—	6	6	—
	142	134	8	134	131	3
Net rentable square feet (in thousands) (c):						
Developed in 2016	2,141	2,141	—	2,141	2,141	—
Developed in 2017	2,040	2,040	—	2,040	2,040	—
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	—	—	—
Expansions completed before 2020	5,629	5,629	—	5,629	5,627	2
Expansions completed in 2020 or 2021	3,156	2,232	924	2,232	1,487	745
Expansions in process	287	376	(89)	376	376	—
	17,407	15,891	1,516	15,891	14,797	1,094

	As of December 31, 2021
Costs to develop (in thousands):	
Developed in 2016	\$ 257,585
Developed in 2017	239,871
Developed in 2018	262,187
Developed in 2019	150,387
Developed in 2020	42,063
Developed in 2021	115,632
Expansions completed before 2020 (d)	381,940
Expansions completed in 2020 or 2021 (d)	200,839
	<u>\$ 1,650,504</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) The facilities included above have an aggregate of approximately 17.4 million net rentable square feet at December 31, 2021, including 6.0 million in Texas, 2.6 million in Florida, 2.2 million in California, 1.5 million in Colorado, 1.1 million in Minnesota, 0.9 million in North Carolina, 0.6 million in Washington, 0.4 million in each of Missouri and Virginia, 0.3 million in each of Georgia, Michigan, New Jersey and South Carolina and 0.5 million in other states.
- (d) 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.

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, as well as the related construction and development overhead expenses included in general and administrative expense.

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.

At December 31, 2021, we had 22 additional facilities in development, which will have a total of 1.8 million net rentable square feet of storage space and have an aggregate development cost totaling approximately \$331.0 million. We expect these facilities to open over the next 18 to 24 months.

The facilities under “expansions completed” represent those facilities where the expansions have been completed at December 31, 2021. We incurred a total of \$582.8 million in direct cost to expand these facilities, demolished a total of 1.1 million net rentable square feet of storage space, and built a total of 5.6 million net rentable square feet of new storage space.

The facilities under “expansion in process” represent those facilities where construction is in process at December 31, 2021, and together with additional expansion activities primarily related to our Same Store Facilities at December 31, 2021, we expect to add a total of 2.8 million net rentable square feet of storage space by expanding existing self-storage facilities for an aggregate direct development cost of \$469.0 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, 2019, due primarily to casualty events such as hurricanes, floods, and fires.

The other non-same store facilities have an aggregate of 2.2 million net rentable square feet, including 0.6 million in Texas, 0.3 million in California, 0.2 million in each of Georgia, Ohio and Tennessee, and 0.7 million in other states.

Depreciation and amortization expense

Depreciation and amortization expense for Self-Storage Operations increased \$160.2 million in 2021 as compared to 2020 and increased \$40.3 million in 2020 as compared to 2019, primarily due to acquired, developed and expanded facilities. We expect continued increases in depreciation expense in 2022 as a result of elevated levels of capital expenditures and new facilities that are acquired, developed or expanded in 2022.

The following discussion and analysis of the components of net income present a comparison for the year ended December 31, 2021 to the year ended December 31, 2020. The results of these components for the years ended December 31, 2020 compared to December 31, 2019 was included in our Annual Report on Form 10-K for the year ended December 31, 2020 on page 24, 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 24, 2021.

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,		
	2021	2020	Change
	(Amounts in thousands)		
Revenues:			
Tenant reinsurance premiums	\$ 166,585	\$ 149,286	\$ 17,299
Merchandise	28,466	29,702	(1,236)
Third party property management	17,207	14,450	2,757
Total revenues	212,258	193,438	18,820
Cost of operations:			
Tenant reinsurance	33,932	28,486	5,446
Merchandise	17,274	17,609	(335)
Third party property management	17,362	13,824	3,538
Total cost of operations	68,568	59,919	8,649
Net operating income (loss):			
Tenant reinsurance	132,653	120,800	11,853
Merchandise	11,192	12,093	(901)
Third party property management	(155)	626	(781)
Total net operating income	\$ 143,690	\$ 133,519	\$ 10,171

Tenant reinsurance operations: Tenant reinsurance premium revenue increased \$17.3 million or 11.6% in 2021 over 2020 as a result of higher average premiums and an increase in our tenant base with respect to acquired, newly developed, and expanded facilities and the third party properties we manage. Tenant reinsurance premium revenue generated from tenants at our Same-Store Facilities were \$133.8 million and \$128.0 million in 2021 and 2020, respectively, representing a 4.5% year over year increase in 2021.

We expect future growth will come primarily from customers of newly acquired and developed facilities, as well as additional tenants at our existing unstabilized self-storage 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 which drive covered customer losses, such as burglary, as well as catastrophic weather events affecting multiple properties such as hurricanes and floods.

Merchandise sales: Sales of locks, boxes, and packing supplies at our self-storage facilities are primarily impacted by the level of move-ins and other customer traffic at our self-storage facilities. We do not expect any significant changes in revenues or profitability from our merchandise sales in 2022.

Third-party property management: At December 31, 2021, we managed 93 facilities for unrelated third parties, and were under contract to manage 59 additional facilities including 54 facilities that are currently under construction. During 2021, we added 79 facilities to the program, acquired 25 facilities from the program, and had 19 properties exit the program due to sales to other buyers. 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 lease-up for newly managed properties.

Analysis of items not allocated to our Reportable Segments

Equity in earnings of unconsolidated real estate entities

For all periods presented, we have equity investments in PSB and Shurgard, which we account for 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,		
	2021	2020	Change
	(Amounts in thousands)		
Equity in earnings:			
PSB	\$ 207,722	\$ 64,835	\$ 142,887
Shurgard	24,371	15,662	8,709
Total equity in earnings	<u>\$ 232,093</u>	<u>\$ 80,497</u>	<u>\$ 151,596</u>

Investment in PSB: Throughout all periods presented, we owned 7,158,354 shares of PS Business Parks, Inc. (“PSB”) common stock and 7,305,355 limited partnership units in an operating partnership controlled by PSB, representing an approximate 41% common equity interest as of December 31, 2021 (42% as of December 31, 2020). The limited partnership units are convertible at our option, subject to certain conditions, on a one-for-one basis into PSB common stock.

At December 31, 2021, PSB wholly-owned approximately 28 million rentable square feet of commercial space and had a 95% interest in a 395-unit apartment complex. PSB also manages commercial space that we own pursuant to property management agreements.

Included in our equity earnings from PSB is our equity share of gains on sale of real estate totaling \$149.0 million and \$11.3 million in 2021 and 2020, respectively. PSB’s filings and selected financial information, including discussion of the factors that affect its earnings, can be accessed through the SEC, and on PSB’s website, www.psbusinessparks.com. Information on this website is not incorporated by reference herein and is not a part of this Annual Report on Form 10-K.

Investment in Shurgard: Throughout all periods presented, we effectively owned, directly and indirectly, 31,268,459 Shurgard common shares, representing an approximate 35% equity interest in Shurgard. Shurgard’s common shares trade on Euronext Brussels under the “SHUR” symbol.

At December 31, 2021, Shurgard owned 253 self-storage facilities with approximately 14 million net rentable square feet. Shurgard pays us license fees for use of the Shurgard® trademark, as described in more detail in Note 4 to our December 31, 2021 consolidated financial statements.

Equity in earnings from Shurgard increased \$8.7 million in 2021 as compared to 2020, primarily due to the impact of improved same store operating income. Shurgard’s public filings and publicly reported information, including discussion of the factors that affect its earnings, can be obtained on its website, <https://corporate.shurgard.eu> and on the website of the Luxembourg Stock Exchange, <http://www.bourse.lu>. Information on these websites is not incorporated by reference herein and is not a part of this Annual Report on Form 10-K.

For purposes of recording our equity in earnings from Shurgard, the Euro was translated at exchange rates of approximately 1.134 U.S. Dollars per Euro at December 31, 2021 (1.226 at December 31, 2020), and average exchange rates of 1.183 for 2021 and 1.141 for 2020.

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

	Year Ended December 31,		
	2021	2020	Change
	(Amounts in thousands)		
Share-based compensation expense	\$ 37,760	\$ 18,586	\$ 19,174
Development and acquisition costs	8,403	10,839	(2,436)
Tax compliance costs and taxes paid	11,530	8,317	3,213
Legal costs	6,194	8,063	(1,869)
Corporate management costs	19,189	18,088	1,101
Other costs	18,178	19,306	(1,128)
Total	<u>\$ 101,254</u>	<u>\$ 83,199</u>	<u>\$ 18,055</u>

Share-based compensation expense includes the amortization of restricted share units and stock options granted to certain corporate employees and trustees.

Share-based compensation expense for management personnel who directly and indirectly supervise the on-site property managers, as well as those employees responsible for providing shared general corporate functions to the extent their efforts are devoted to self-storage operations, are included as self-storage cost of operations. See “Same Store Facilities” for further information. Share-based compensation expense varies based upon the level of grants and their related vesting and amortization periods, forfeitures, as well as the Company’s common share price on the date of each grant.

In July 2020, our share-based compensation plans were modified to allow immediate vesting upon retirement (“Retirement Acceleration”), and to extend the exercisability of outstanding stock options up to a year after retirement, for currently outstanding and future grants. Employees are eligible for Retirement Acceleration if they meet certain conditions including length of service, age, notice of intent to retire, and facilitation of succession for their role.

In 2021, share-based compensation expense increased \$19.2 million as compared to 2020, primarily due to (i) the absence of comparable performance-based share-based compensation expense in 2020 and (ii) the accelerated compensation costs recognized in 2021 associated with modifying our share-based compensation plans in July 2020, to allow immediate vesting upon retirement.

Development and acquisition costs primarily represent internal and external expenses related to our development and acquisition of real estate facilities and varies primarily based upon the level of activities. The amounts in the above table are net of \$14.6 million and \$11.8 million in 2021 and 2020, respectively, in development costs that were capitalized to newly developed and redeveloped self-storage facilities. During 2020, we incurred \$3.2 million in costs associated with the write-off of cancelled development projects.

Tax compliance costs and taxes paid include taxes paid to various state and local authorities, the costs of filing tax returns, and other costs associated with complying with federal and state tax laws. Such costs vary primarily based upon the tax rates and the level of our operations in the various states in which we do business. State income tax increased \$2.9 million from 2020 to 2021, due to rising taxable income in certain states where there are differences between federal and state tax laws.

Interest and other income: Interest and other income is comprised of the revenue and cost associated with our commercial operations, interest earned on cash balances, and trademark license fees received from Shurgard, as well as sundry other income items that are received from time to time in varying amounts. For 2021 and 2020, we recognized \$12.3 million and \$22.3 million interest and other income, respectively. Amounts attributable to commercial operations was \$8.1 million and \$8.6 million in 2021 and 2020, respectively. Excluding the aforementioned amounts attributable to our commercial operations, interest and other income decreased \$9.5 million from 2020 to 2021, primarily due to \$5.5 million other income recognized in 2020 related to litigation settlements and early repayment of notes receivable and \$3.4 million decrease of interest earned on cash balances from 2020 to 2021.

Interest expense: For 2021 and 2020, we incurred \$94.3 million and \$59.7 million, respectively, of interest on our outstanding notes payable. In determining interest expense, these amounts were offset by capitalized interest of \$3.5 million and \$3.4 million during 2021 and 2020, respectively, associated with our development activities. The increase of interest expense in 2021 as compared to 2020 is due to our issuances of debt. At December 31, 2021, we had \$7.5 billion of notes payable outstanding, with a weighted average interest rate of approximately 1.8%, compared to \$2.5 billion of notes payable outstanding at December 31, 2020.

Foreign Currency Exchange Gain (Loss): For 2021, we recorded foreign currency gains of \$111.8 million representing the changes in the U.S. Dollar equivalent of our Euro-denominated unsecured notes due to fluctuations in exchange rates (losses of \$98.0 million for 2020). The Euro was translated at exchange rates of approximately 1.134 U.S. Dollars per Euro at December 31, 2021 and 1.226 at December 31, 2020. 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: In 2021 and 2020, we recorded gains on sale of real estate totaling \$13.7 million, and \$1.5 million, respectively, primarily in connection with the partial or complete sale of real estate facilities pursuant to eminent domain proceedings.

Liquidity and Capital Resources

Overview

Our expected material cash requirements for the twelve months ended December 31, 2022 and thereafter comprised (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 financing.

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, we are nonetheless able to retain operating cash flow to the extent that our tax depreciation exceeds our maintenance capital expenditures. Retained operating cash flow represents our expected cash flow provided by operating activities, less shareholder distributions and capital expenditures. Our annual operating retained cash flow increased from \$200 million to \$300 million per year in recent years to approximately \$700 million in 2021. We anticipate retained operating cash flow will remain similar in 2022 as compared to 2021.

The REIT distribution requirement limits cash flow from operations that can be retained and reinvested in the business, increasing our reliance upon raising capital to fund growth. Capital needs in excess of retained cash flow are met with: (i) medium and long-term debt, (ii) preferred equity, and (iii) 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 has 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 enable us to effectively access both the public and private capital markets to raise capital.

We have a \$500.0 million revolving line of credit which we are able to use as temporary "bridge" financing until we are able to raise longer term capital. As of December 31, 2021 and February 22, 2022, there were no borrowings outstanding on the revolving line of credit; however, we do have approximately \$21.2 million of outstanding letters of credit which limits our borrowing capacity to \$478.8 million. Our line of credit matures on April 19, 2024.

We believe that we have significant financial flexibility to adapt to changing conditions and opportunities. Currently, market rates of interest for our debt, and market coupon rates for our preferred equity, are at historically low levels and we have significant access to these sources of capital. Based upon 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 were to change significantly in the long run, our access to or cost of debt and preferred equity capital could be negatively impacted and potentially affect future investment activities.

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.

Our expected capital resources include: (i) \$734.6 million of cash as of December 31, 2021, (ii) \$242.8 million in net proceeds from the issuance of our Series S Preferred Shares on January 13, 2022 and (iii) approximately \$700.0 million of expected retained operating cash flow over the next twelve months. Over the long term, to the extent that our capital needs exceed our capital resources, we believe we have a variety of possibilities to raise additional capital including issuing common or preferred securities, issuing debt, 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, (ii) other essential expenditures, and (iii) opportunistic expenditures. We expect our capital needs to increase over the next year as we add projects to our development pipeline and acquire additional properties.

Required Debt Repayments: As of December 31, 2021, the principal outstanding on our debt totaled approximately \$7.5 billion, consisting of \$23.3 million of secured notes payable, \$1.7 billion of Euro-denominated unsecured notes payable and \$5.8 billion of U.S. Dollar denominated unsecured notes payable. Approximate principal maturities and interest payments are as follows (amounts in thousands):

2022	\$	628,764
2023		136,588
2024		927,178
2025		383,740
2026		1,251,908
Thereafter		5,015,478
	\$	<u>8,343,656</u>

We plan to refinance our 2022 unsecured notes when they come due in September 2022.

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.

Capital expenditures totaled \$284.2 million in 2021 and are expected to approximate \$300 million in 2022. 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, upgrades to the configuration and layout of the offices and other customer zones to improve the customer experience. We spent approximately \$130 million in 2021 and expect to spend \$180 million in 2022 on this effort. In addition, we have made investments in LED lighting and the installation of solar panels, which approximated \$41 million for the year ended December 31, 2021 and we expect to spend \$30 million in 2022.

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 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.

On February 18, 2022, our Board declared a regular common quarterly dividend of \$2.00 per common share totaling approximately \$350 million, which will be paid at the end of March 2022. 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, 2021 and our Series S Preferred Shares issued on January 13, 2022 is approximately \$194.7 million per year.

Real Estate Investment Activities: We continue to seek to acquire additional self-storage facilities from third parties. Subsequent to December 31, 2021, we acquired or were under contract to acquire 15 self-storage facilities for a total purchase price of \$212.4 million. Seven of these properties are under construction and expected to close as they are completed in 2022.

We are actively seeking to acquire additional facilities. 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, 2021, we had development and expansion projects at a total cost of approximately \$800.0 million. Costs incurred through December 31, 2021 were \$272.5 million, with the remaining cost to complete of \$527.5 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 22, 2022, we have no series of preferred securities that are eligible for redemption, at our option and with 30 days' notice. See Note 9 to our December 31, 2021 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 2021, we did not repurchase any of our common shares. From the inception of the repurchase program through February 22, 2022, we have repurchased a total of 23,721,916 common shares at an aggregate cost of approximately \$679.1 million. 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 is our only market-risk sensitive portion of our capital structure, which totals approximately \$7.5 billion at December 31, 2021.

The fair value of our debt at December 31, 2021 is approximately \$7.6 billion. The table below summarizes the annual maturities of our debt, which had a weighted average effective rate of 1.8% at December 31, 2021. See Note 7 to our December 31, 2021 consolidated financial statements for further information regarding our debt (amounts in thousands).

	2022	2023	2024	2025	2026	Thereafter	Total
Debt	\$ 502,483	\$ 19,219	\$ 813,555	\$ 274,649	\$ 1,150,138	\$ 4,762,361	\$ 7,522,405

We have foreign currency exposure at December 31, 2021 related to (i) our investment in Shurgard, with a book value of \$313.5 million, and a fair value of \$2.0 billion based upon the closing price of Shurgard's stock on December 31, 2021, 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-30 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, 2021, 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, 2021, 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, 2021.

The effectiveness of internal control over financial reporting as of December 31, 2021, 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 2021 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, 2021, 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, 2021, 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, 2021 and 2020, 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, 2021 and the related notes and financial statement schedule listed in the Index at Item 15(a) and our report dated February 22, 2022 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 22, 2022

ITEM 9B. Other Information

None.

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 62, 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, and as a director of PS Business Parks, Inc. since August 2003.

H. Thomas Boyle, age 39, has served as Chief Financial Officer since January 1, 2019, and was previously Vice President and Chief Financial Officer, Operations since joining the Company in November 2016. 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.

Nathaniel A. Vitan, age 48, has served as Senior Vice President, Chief Legal Officer and Corporate Secretary since April 20, 2019, and was Vice President and Chief Counsel—Litigation and Operations since joining the Company in June 2016. Prior to joining Public Storage, Mr. Vitan was Assistant General Counsel for Altria Client Services, Inc. and served as a Trial Practice and Appellate Litigation Attorney at Latham & Watkins LLP.

Natalia Johnson, age 44, has served as the Chief Administrative Officer since August 4, 2020. Previously, Ms. Johnson served as Senior Vice President, Chief Human Resources Officer from April 25, 2018 to August 4, 2020 and Senior Vice President of Human Resources from July 2016 to April 2018. 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.

Other information required by this item is hereby incorporated by reference to the material appearing in the Notice and Proxy Statement for the 2022 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 Notice and Proxy Statement for the 2022 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

Information required by this item is hereby incorporated by reference to the material appearing in the Notice and Proxy Statement for the 2022 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 Notice and Proxy Statement for the 2022 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 Notice and Proxy Statement for the 2022 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))

- 3.1 [Restated Declaration of Trust of Public Storage, a Maryland real estate investment trust. Filed with the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2021 and incorporated by reference herein.](#)
- 3.2 [Amended and Restated Bylaws of Public Storage. Filed with the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2021 and incorporated by reference herein.](#)
- 3.3 [Articles Supplementary for Public Storage 5.150% Cumulative Preferred Shares, Series F. Filed with the Registrant's Current Report on Form 8-K dated May 23, 2017 and incorporated by reference herein.](#)
- 3.4 [Articles Supplementary for Public Storage 5.050% Cumulative Preferred Shares, Series G. Filed with the Registrant's Current Report on Form 8-K dated July 31, 2017 and incorporated by reference herein.](#)
- 3.5 [Articles Supplementary for Public Storage 5.600% Cumulative Preferred Shares, Series H. Filed with the Registrant's Current Report on Form 8-K dated February 28, 2019 and incorporated by reference herein.](#)
- 3.6 [Articles Supplementary for Public Storage 4.875% Cumulative Preferred Shares, Series I. Filed with the Registrant's Current Report on Form 8-K dated September 5, 2019 and incorporated by reference herein.](#)
- 3.7 [Articles Supplementary for Public Storage 4.700% Cumulative Preferred Shares, Series J. Filed with the Registrant's Current Report on Form 8-K dated November 5, 2019 and incorporated by reference herein.](#)
- 3.8 [Articles Supplementary for Public Storage 4.750% Cumulative Preferred Shares, Series K. Filed with the Registrant's Current Report on Form 8-K dated December 11, 2019 and incorporated by reference herein.](#)
- 3.9 [Articles Supplementary for Public Storage 4.625% Cumulative Preferred Shares, Series L. Filed with the Registrant's Current Report on Form 8-K dated June 8, 2020 and incorporated by reference herein.](#)
- 3.10 [Articles Supplementary for Public Storage 4.125 % Cumulative Preferred Shares, Series M. Filed with the Registrant's Current Report on Form 8-K dated August 11, 2020 and incorporated by reference herein.](#)
- 3.11 [Articles Supplementary for Public Storage 3.875% Cumulative Preferred Shares, Series N. Filed with the Registrant's Current Report on Form 8-K dated September 29, 2020 and incorporated by reference herein.](#)
- 3.12 [Articles Supplementary for Public Storage 3.900% Cumulative Preferred Shares, Series O. Filed with the Registrant's Current Report on Form 8-K dated November 9, 2020 and incorporated by reference herein.](#)
- 3.13 [Articles Supplementary for Public Storage 4.000% Cumulative Preferred Shares, Series P. Filed with the Company's Current Report on Form 8-K dated June 7, 2021 and incorporated by reference herein.](#)
- 3.14 [Articles Supplementary for Public Storage 3.950% Cumulative Preferred Shares, Series Q. Filed as Exhibit 3.1 to the Company's Current Report on Form 8-K dated August 10, 2021 and incorporated by reference herein.](#)
- 3.15 [Articles Supplementary for Public Storage 4.000% Cumulative Preferred Shares, Series R. Filed as Exhibit 3.1 to the Company's Current Report on Form 8-K dated November 9, 2021 and incorporated by reference herein.](#)
- 3.16 [Articles Supplementary for Public Storage 4.100% Cumulative Preferred Shares, Series S. Filed as Exhibit 3.1 to the Company's Current Report on Form 8-K dated January 4, 2022 and incorporated by reference herein.](#)
- 4.1 [Master Deposit Agreement, dated as of May 31, 2007. Filed with the Registrant's Current Report on Form 8-K dated June 6, 2007 and incorporated by reference herein.](#)
- 4.2 [Description of Registrant's Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934. Filed herewith.](#)
- 4.3 [Indenture, dated as of September 18, 2017, between Public Storage and Wells Fargo Bank, National Association, as trustee. Filed as Exhibit 4.1 to the Company's Current Report on Form 8-K dated September 18, 2017 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. 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. 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 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.](#)
- 10.1 [Agreement of Limited Partnership of PS Business Parks, L.P. Filed with PS Business Parks, Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended June 30, 1998 \(SEC File No. 001-10709\) and incorporated herein by reference.](#)
- 10.2 [Amended and Restated Agreement of Limited Partnership of Storage Trust Properties, L.P. \(March 12, 1999\). Filed with PSI's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 1999 \(SEC File No. 001-0839\) and incorporated herein by reference.](#)
- 10.3 [Second Amended and Restated Credit Agreement, dated April 19, 2019, by and among Public Storage, the lenders party thereto, Wells Fargo Bank, National Association, as administrative agent, Wells Fargo Securities LLC and Merrill Lynch, Pierce, Fenner & Smith Incorporation, as joint lead arrangers and as joint bookrunners, Bank of America, N.A., as syndication agent, and Citibank, N.A., as documentation agent. Filed as Exhibit 10.1 to the Company's Current Report on Form 8-K dated April 19, 2019 and incorporated herein by reference.](#)

- 10.4* [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.](#)
- 10.5* [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.](#)
- 10.6* [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.](#)
- 10.7* [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.](#)
- 10.8* [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.](#)
- 10.9* [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.](#)
- 10.10 [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.](#)
- 10.11* [Public Storage 2007 Equity and Performance-Based Incentive Compensation Plan, as Amended. Filed with Registrant's Current Report on Form 8-K dated May 1, 2014 and incorporated herein by reference.](#)
- 10.12* [Public Storage 2016 Equity and Performance-Based Incentive Compensation Plan. Filed as Appendix A to the Company's 2016 Proxy Statement dated March 16, 2016 and incorporated herein by reference.](#)
- 10.13* [Public Storage 2021 Equity and Performance-Based Incentive Compensation Plan. Filed as Appendix A to the Company's 2021 Proxy Statement dated March 16, 2021 and incorporated herein by reference.](#)
- 10.14 [Note Purchase Agreement, dated as of November 3, 2015, by and among Public Storage and the signatories thereto. Filed with Registrant's Current Report on Form 8-K dated November 3, 2015 and incorporated herein by reference.](#)
- 10.15 [Note Purchase Agreement, dated as of April 12, 2016, by and among Public Storage and the signatories thereto. Filed with Registrant's Current Report on Form 8-K dated April 12, 2016 and incorporated herein by reference.](#)
- 10.16 [Amendment to Amended Agreement of Limited Partnership of PS Business Parks, L.P. to Authorize Special Allocations, dated as of January 1, 2017. Filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2018 \(SEC File No. 001-33519\) 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*	<u>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.</u>
10.23*	<u>Form of 2021 Plan Employee Stock Unit Agreement. 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.</u>
10.24*	<u>Form of 2021 Plan Employee Non-Qualified Stock Option Agreement. Filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2021 and incorporated herein by reference.</u>
10.25*	<u>Form of 2021 Plan Performance-Based Non-Qualified Stock Option Agreement. Filed as Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2021 and incorporated herein by reference.</u>
21	<u>Listing of Subsidiaries. Filed herewith.</u>
23.1	<u>Consent of Ernst & Young LLP. Filed herewith.</u>
31.1	<u>Rule 13a – 14(a) Certification. Filed herewith.</u>
31.2	<u>Rule 13a – 14(a) Certification. Filed herewith.</u>
32	<u>Section 1350 Certifications. Filed herewith.</u>
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 22, 2022

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.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Joseph D. Russell, Jr.</u> Joseph D. Russell, Jr.	Chief Executive Officer, President and Trustee (principal executive officer)	February 22, 2022
<u>/s/ H. Thomas Boyle</u> H. Thomas Boyle	Chief Financial Officer (principal financial officer)	February 22, 2022
<u>/s/ Ronald L. Havner, Jr.</u> Ronald L. Havner, Jr.	Chairman of the Board	February 22, 2022
<u>/s/ Tamara Hughes Gustavson</u> Tamara Hughes Gustavson	Trustee	February 22, 2022
<u>/s/ Leslie Stone Heisz</u> Leslie Stone Heisz	Trustee	February 22, 2022
<u>/s/ Michelle Millstone-Shroff</u> Michelle Millstone-Shroff	Trustee	February 22, 2022
<u>/s/ Shankh S. Mitra</u> Shankh S. Mitra	Trustee	February 22, 2022
<u>/s/ David J. Neithercut</u> David J. Neithercut	Trustee	February 22, 2022
<u>/s/ Rebecca Owen</u> Rebecca Owen	Trustee	February 22, 2022
<u>/s/ Kristy M. Pipes</u> Kristy M. Pipes	Trustee	February 22, 2022
<u>/s/ Avedick B. Poladian</u> Avedick B. Poladian	Trustee	February 22, 2022

Signature	Title	Date
<u>/s/ John Reyes</u> John Reyes	Trustee	February 22, 2022
<u>/s/ Tariq M. Shaukat</u> Tariq M. Shaukat	Trustee	February 22, 2022
<u>/s/ Ronald P. Spogli</u> Ronald P. Spogli	Trustee	February 22, 2022
<u>/s/ Paul S. Williams</u> Paul S. Williams	Trustee	February 22, 2022

PUBLIC STORAGE
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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, 2021 and 2020, 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, 2021, 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, 2021 and 2020, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2021, 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, 2021, 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 22, 2022 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 include 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, 2021, the Company completed the acquisition of 232 real estate facilities for a total purchase price of \$5.1 billion. As further discussed in Notes 2 and 3 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 and buildings.

Auditing the accounting for the Company's 2021 acquisitions of real estate 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 acquired land and buildings. Determining the fair value of acquired land was difficult due to the lack of available directly comparable land market information. 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 cost of building similar facilities in comparable markets and adjusting those costs for the age, quality, 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, or the adjustments applied to, the valuation of each building.

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 real estate 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 fair value of the land and building assets, including the controls over the review of the valuation models and the underlying assumptions used to develop such estimates.

For the 2021 acquisitions of real estate facilities described above, our procedures included, but were not limited to, evaluating the sensitivity of changes in significant assumptions on the purchase price allocation. We performed a sensitivity analysis to evaluate the impact on the Company's financial statements resulting from changes in allocated land and building values. For certain of these asset acquisitions, we also read the purchase agreements, evaluated whether the Company had appropriately determined whether the transaction was a business combination or asset acquisition, 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, in addition to performing corroborative analyses to assess whether the conclusions in the valuation were supported by observable market data. For example, our valuation specialists used independently identified data sources to evaluate management's selected comparable land sales, income approach assumptions, and replacement cost assumptions.

/s/ Ernst & Young LLP

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

Los Angeles, California
February 22, 2022

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

	December 31, 2021	December 31, 2020
<u>ASSETS</u>		
Cash and equivalents	\$ 734,599	\$ 257,560
Real estate facilities, at cost:		
Land	5,134,060	4,375,588
Buildings	17,673,773	12,997,039
	<u>22,807,833</u>	<u>17,372,627</u>
Accumulated depreciation	(7,773,308)	(7,152,135)
	<u>15,034,525</u>	<u>10,220,492</u>
Construction in process	272,471	188,079
	<u>15,306,996</u>	<u>10,408,571</u>
Investments in unconsolidated real estate entities	828,763	773,046
Goodwill and other intangible assets, net	302,894	204,654
Other assets	207,656	172,715
Total assets	<u>\$ 17,380,908</u>	<u>\$ 11,816,546</u>
<u>LIABILITIES AND EQUITY</u>		
Notes payable	\$ 7,475,279	\$ 2,544,992
Preferred shares called for redemption (Note 9)	—	300,000
Accrued and other liabilities	482,091	394,655
Total liabilities	<u>7,957,370</u>	<u>3,239,647</u>
Commitments and contingencies (Note 14)		
Redeemable noncontrolling interests	68,249	—
Equity:		
Public Storage shareholders' equity:		
Preferred Shares, \$0.01 par value, 100,000,000 shares authorized, 164,000 shares issued (in series) and outstanding, (151,700 at December 31, 2020) at liquidation preference	4,100,000	3,792,500
Common Shares, \$0.10 par value, 650,000,000 shares authorized, 175,134,455 shares issued and outstanding (174,581,742 shares at December 31, 2020)	17,513	17,458
Paid-in capital	5,821,667	5,707,101
Accumulated deficit	(550,416)	(914,791)
Accumulated other comprehensive loss	(53,587)	(43,401)
Total Public Storage shareholders' equity	<u>9,335,177</u>	<u>8,558,867</u>
Noncontrolling interests	20,112	18,032
Total equity	<u>9,355,289</u>	<u>8,576,899</u>
Total liabilities, redeemable noncontrolling interests and equity	<u>\$ 17,380,908</u>	<u>\$ 11,816,546</u>

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

	For the Years Ended December 31,		
	2021	2020	2019
Revenues:			
Self-storage facilities	\$ 3,203,566	\$ 2,721,630	2,684,552
Ancillary operations	212,258	193,438	170,556
	<u>3,415,824</u>	<u>2,915,068</u>	<u>2,855,108</u>
Expenses:			
Self-storage cost of operations	852,030	807,543	762,416
Ancillary cost of operations	68,568	59,919	50,736
Depreciation and amortization	713,428	553,257	512,918
General and administrative	101,254	83,199	62,146
Interest expense	90,774	56,283	45,641
	<u>1,826,054</u>	<u>1,560,201</u>	<u>1,433,857</u>
Other increases (decreases) to net income:			
Interest and other income	12,306	22,323	26,683
Equity in earnings of unconsolidated real estate entities	232,093	80,497	69,547
Foreign currency exchange gain (loss)	111,787	(97,953)	7,829
Gain on sale of real estate	13,683	1,493	341
Net income	<u>1,959,639</u>	<u>1,361,227</u>	<u>1,525,651</u>
Allocation to noncontrolling interests	<u>(6,376)</u>	<u>(4,014)</u>	<u>(5,117)</u>
Net income allocable to Public Storage shareholders	1,953,263	1,357,213	1,520,534
Allocation of net income to:			
Preferred shareholders	(186,579)	(207,068)	(210,179)
Preferred shareholders - redemptions (Note 9)	(28,914)	(48,265)	(32,693)
Restricted share units	(5,326)	(3,545)	(4,895)
Net income allocable to common shareholders	<u>\$ 1,732,444</u>	<u>\$ 1,098,335</u>	<u>\$ 1,272,767</u>
Net income per common share:			
Basic	<u>\$ 9.91</u>	<u>\$ 6.29</u>	<u>\$ 7.30</u>
Diluted	<u>\$ 9.87</u>	<u>\$ 6.29</u>	<u>\$ 7.29</u>
Basic weighted average common shares outstanding	<u>174,858</u>	<u>174,494</u>	<u>174,287</u>
Diluted weighted average common shares outstanding	<u>175,568</u>	<u>174,642</u>	<u>174,530</u>

See accompanying notes.
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PUBLIC STORAGE
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in thousands)

	For the Years Ended December 31,		
	2021	2020	2019
Net income	\$ 1,959,639	\$ 1,361,227	\$ 1,525,651
Foreign currency exchange (loss) gain on investment in Shurgard	(10,186)	21,489	(830)
Total comprehensive income	1,949,453	1,382,716	1,524,821
Allocation to noncontrolling interests	(6,376)	(4,014)	(5,117)
Comprehensive income allocable to Public Storage shareholders	<u>\$ 1,943,077</u>	<u>\$ 1,378,702</u>	<u>\$ 1,519,704</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, 2018	\$ 4,025,000	\$ 17,413	\$ 5,718,485	\$ (577,360)	\$ (64,060)	\$ 9,119,478	\$ 25,250	\$ 9,144,728	\$ —
Issuance of 43,600 preferred shares (Note 9)	1,090,000	—	(30,844)	—	—	1,059,156	—	1,059,156	—
Redemption of 42,000 preferred shares (Note 9)	(1,050,000)	—	—	—	—	(1,050,000)	—	(1,050,000)	—
Issuance of common shares in connection with share-based compensation (287,734 shares) (Note 11)	—	29	33,535	—	—	33,564	—	33,564	—
Share-based compensation expense, net of cash paid in lieu of common shares (Note 11)	—	—	13,671	—	—	13,671	—	13,671	—
Acquisition of noncontrolling interests	—	—	(23,913)	—	—	(23,913)	(11,087)	(35,000)	—
Contributions by noncontrolling interests	—	—	—	—	—	—	4,148	4,148	—
Net income	—	—	—	1,525,651	—	1,525,651	—	1,525,651	—
Net income allocated to noncontrolling interests	—	—	—	(5,117)	—	(5,117)	5,117	—	—
Distributions to:									
Preferred shareholders (Note 9)	—	—	—	(210,179)	—	(210,179)	—	(210,179)	—
Noncontrolling interests	—	—	—	—	—	—	(6,672)	(6,672)	—
Common shareholders and restricted share unitholders (\$8.00 per share)	—	—	—	(1,398,570)	—	(1,398,570)	—	(1,398,570)	—
Other comprehensive loss	—	—	—	—	(830)	(830)	—	(830)	—
Balances at December 31, 2019	\$ 4,065,000	\$ 17,442	\$ 5,710,934	\$ (665,575)	\$ (64,890)	\$ 9,062,911	\$ 16,756	\$ 9,079,667	\$ —
Issuance of 49,900 preferred shares (Note 9)	1,247,500	—	(39,294)	—	—	1,208,206	—	1,208,206	—
Redemption and shares called for redemption of 60,800 preferred shares (Note 9)	(1,520,000)	—	—	—	—	(1,520,000)	—	(1,520,000)	—
Issuance of common shares in connection with share-based compensation (163,127 shares) (Note 11)	—	16	12,648	—	—	12,664	—	12,664	—
Share-based compensation expense, net of cash paid in lieu of common shares (Note 11)	—	—	22,845	—	—	22,845	—	22,845	—
Acquisition of noncontrolling interests	—	—	(32)	—	—	(32)	(1)	(33)	—
Contributions by noncontrolling interests	—	—	—	—	—	—	2,629	2,629	—
Net income	—	—	—	1,361,227	—	1,361,227	—	1,361,227	—

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
Net income allocated to noncontrolling interests	—	—	—	(4,014)	—	(4,014)	4,014	—	—
Distributions to:									—
Preferred shareholders (Note 9)	—	—	—	(207,068)	—	(207,068)	—	(207,068)	—
Noncontrolling interests	—	—	—	—	—	—	(5,366)	(5,366)	—
Common shareholders and restricted share unitholders (\$8.00 per share)	—	—	—	(1,399,361)	—	(1,399,361)	—	(1,399,361)	—
Other comprehensive income	—	—	—	—	21,489	21,489	—	21,489	—
Balances at December 31, 2020	<u>\$ 3,792,500</u>	<u>\$ 17,458</u>	<u>\$ 5,707,101</u>	<u>\$ (914,791)</u>	<u>\$ (43,401)</u>	<u>\$ 8,558,867</u>	<u>\$ 18,032</u>	<u>\$ 8,576,899</u>	<u>\$ —</u>
Issuance of 47,300 preferred shares (Note 9)	1,182,500	—	(35,045)	—	—	1,147,455	—	1,147,455	—
Redemption of 35,000 preferred shares (Note 9)	(875,000)	—	—	—	—	(875,000)	—	(875,000)	—
Issuance of common shares in connection with share-based compensation (552,713 shares) (Note 11)	—	55	95,805	—	—	95,860	—	95,860	—
Share-based compensation expense, net of cash paid in lieu of common shares (Note 11)	—	—	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 9)	—	—	—	(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	<u>\$ 4,100,000</u>	<u>\$ 17,513</u>	<u>\$ 5,821,667</u>	<u>\$ (550,416)</u>	<u>\$ (53,587)</u>	<u>\$ 9,335,177</u>	<u>\$ 20,112</u>	<u>\$ 9,355,289</u>	<u>\$ 68,249</u>

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

	For the Years Ended December 31,		
	2021	2020	2019
Cash flows from operating activities:			
Net income	\$ 1,959,639	\$ 1,361,227	\$ 1,525,651
Adjustments to reconcile net income to net cash flows from operating activities:			
Gain on sale of real estate	(13,683)	(1,493)	(341)
Depreciation and amortization	713,428	553,257	512,918
Equity in earnings of unconsolidated real estate entities	(232,093)	(80,497)	(69,547)
Distributions from cumulative equity in earnings of unconsolidated real estate entities	150,488	72,098	73,259
Foreign currency exchange (gain) loss	(111,787)	97,953	(7,829)
Share-based compensation expense	59,815	33,363	25,833
Other	17,748	6,994	7,690
Total adjustments	583,916	681,675	541,983
Net cash flows from operating activities	2,543,555	2,042,902	2,067,634
Cash flows from investing activities:			
Capital expenditures to maintain real estate facilities	(270,238)	(169,998)	(187,303)
Development and expansion of real estate facilities	(281,981)	(189,413)	(284,682)
Acquisition of real estate facilities and intangible assets	(5,047,106)	(792,266)	(437,758)
Distributions in excess of cumulative equity in earnings from unconsolidated real estate entities	19,518	24,658	11,630
Repayment of note receivable	—	7,509	—
Proceeds from sale of real estate investments	16,296	1,796	762
Net cash flows used in investing activities	(5,563,511)	(1,117,714)	(897,351)
Cash flows from financing activities:			
Repayments on notes payable	(2,218)	(2,020)	(1,920)
Issuance of notes payable, net of issuance costs	5,038,904	545,151	496,900
Issuance of preferred shares	1,147,455	1,208,206	1,059,156
Issuance of common shares in connection with share-based compensation	95,860	12,664	33,564
Redemption of preferred shares	(1,175,000)	(1,220,000)	(1,050,000)
Cash paid upon vesting of restricted share units	(13,069)	(10,518)	(12,162)
Acquisition of noncontrolling interests	(692)	(33)	(35,000)
Contributions by noncontrolling interests	2,451	2,629	4,148
Distributions paid to preferred shareholders, common shareholders and restricted share unitholders	(1,588,888)	(1,606,429)	(1,608,749)
Distributions paid to noncontrolling interests	(6,662)	(5,366)	(6,672)
Net cash flows provided by (used in) financing activities	3,498,141	(1,075,716)	(1,120,735)
Net cash flows from (used in) operating, investing, and financing activities	478,185	(150,528)	49,548
Net effect of foreign exchange impact on cash and equivalents, including restricted cash	505	(426)	(13)
Increase (decrease) in cash and equivalents, including restricted cash	\$ 478,690	\$ (150,954)	\$ 49,535

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

	For the Years Ended December 31,		
	2021	2020	2019
Cash and equivalents, including restricted cash at beginning of the period:			
Cash and equivalents	\$ 257,560	\$ 409,743	\$ 361,218
Restricted cash included in other assets	25,040	23,811	22,801
	<u>\$ 282,600</u>	<u>\$ 433,554</u>	<u>\$ 384,019</u>
Cash and equivalents, including restricted cash at end of the period:			
Cash and equivalents	\$ 734,599	\$ 257,560	\$ 409,743
Restricted cash included in other assets	26,691	25,040	23,811
	<u>\$ 761,290</u>	<u>\$ 282,600</u>	<u>\$ 433,554</u>
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	\$ (23,398)	\$ (10,359)	\$ (16,558)
Construction or expansion of real estate facilities	(50,051)	(32,349)	(32,356)
Real estate acquired in exchange for noncontrolling interests	(68,170)	—	—
Real estate acquired in exchange for consideration payable	—	(3,799)	(1,817)
Preferred shares called for redemption and reclassified to liabilities	—	300,000	—

See accompanying notes.
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PUBLIC STORAGE
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

1. Description of the Business

Public Storage (referred to herein as “the Company,” “we,” “us,” or “our”), a Maryland real estate investment trust (“REIT”), was organized in 1980. Our principal business activities include 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 loss reinsurance, merchandise sales, and third party management, as well as the acquisition and development of additional self-storage space.

At December 31, 2021, we have direct and indirect equity interests in 2,787 self-storage facilities (with approximately 198.3 million net rentable square feet) located in 39 states in the United States (“U.S.”) operating under the Public Storage® name, and 0.8 million net rentable square feet of commercial and retail space.

We own an approximate 35% common equity interest in Shurgard Self Storage SA (“Shurgard”), a public company traded on Euronext Brussels under the “SHUR” symbol, which owns 253 self-storage facilities (with approximately 14 million net rentable square feet) located in seven Western European countries, all operating under the Shurgard® name. We also own an approximate 41% common equity interest in PS Business Parks, Inc. (“PSB”), a REIT traded on the New York Stock Exchange under the “PSB” symbol, which owns 28 million net rentable square feet of commercial properties, primarily multi-tenant industrial, flex, and office space, located in six states.

Disclosures of the number and square footage of facilities, as well as the number and coverage of tenant reinsurance policies (Note 14) 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.).

2. Basis of Presentation and Summary of Significant Accounting Policies

Basis of Presentation

The consolidated financial statements are presented on an accrual basis in accordance with U.S. generally accepted accounting principles (“GAAP”) as set forth in the Accounting Standards Codification of the Financial Accounting Standards Board (“FASB”), and in conformity with the rules and regulations of the Securities and Exchange Commission (“SEC”).

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. The total assets, primarily real estate assets, and the total liabilities of our consolidated VIEs are not material as of December 31, 2021. 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.

PUBLIC STORAGE
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

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.

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.

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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 and (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.

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 fair value of the related reporting unit may be less than the carrying amount. If we determine that the fair value of the reporting unit exceeds the aggregate carrying amount, no impairment charge is recorded. 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 the fair value is less than the carrying amount. When we conclude that it is likely that the asset is not 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

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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, to the extent not included in cumulative net income, 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, 2021, due primarily to our investment in Shurgard (Note 4) and our notes payable denominated in Euros (Note 7), 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 1.134 U.S. Dollars per Euro at December 31, 2021 (1.226 at December 31, 2020), and average exchange rates of 1.183, 1.141 and 1.120 for the years ended December 31, 2021, 2020, and 2019, respectively.

Income Taxes

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 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.

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

We recognize tax benefits of uncertain income tax positions that are subject to audit only if we believe it is more likely than not that the position would ultimately be sustained assuming the relevant taxing authorities had full knowledge of the relevant facts and circumstances of our positions. As of December 31, 2021, we had no tax benefits that were not recognized.

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") based on the closing market price of the Company's common stock 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 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 and actual and projected stock option exercise behaviors. For performance-based restricted share units and stock options, 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.

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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). 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.

In July 2020, we modified our share-based compensation plans to allow immediate vesting upon retirement (“Retirement Acceleration”), and to extend the exercisability of outstanding stock options up to a year after retirement, for currently outstanding and future grants. Prior to the modification, unvested awards were forfeited, and outstanding vested stock options were cancelled, upon retirement. Employees are eligible for Retirement Acceleration if they meet certain conditions including length of service, age, notice of intent to retire, and facilitation of succession for their role. This modification results in accelerating 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.

3. Real Estate Facilities

Activity in real estate facilities during 2021, 2020, and 2019 is as follows:

	For the Years Ended December 31,		
	2021	2020	2019
	(Amounts in thousands)		
Operating facilities, at cost:			
Beginning balance	\$ 17,372,627	\$ 16,289,146	\$ 15,296,844
Capital expenditures to maintain real estate facilities	284,200	163,834	192,539
Acquisitions	4,940,413	781,219	421,097
Dispositions	(7,408)	(303)	(426)
Developed or expanded facilities opened for operation	218,001	138,731	379,092
Ending balance	22,807,833	17,372,627	16,289,146
Accumulated depreciation:			
Beginning balance	(7,152,135)	(6,623,475)	(6,140,072)
Depreciation expense	(625,968)	(528,660)	(483,408)
Dispositions	4,795	—	5
Ending balance	(7,773,308)	(7,152,135)	(6,623,475)
Construction in process:			
Beginning balance	188,079	141,934	285,339
Costs incurred to develop and expand real estate facilities	302,393	188,102	235,687
Write-off of cancelled projects	—	(3,226)	—
Developed or expanded facilities opened for operation	(218,001)	(138,731)	(379,092)
Ending balance	272,471	188,079	141,934
Total real estate facilities at December 31,	\$ 15,306,996	\$ 10,408,571	\$ 9,807,605

During 2021, we acquired 232 self-storage facilities (21,830,000 net rentable square feet of storage space), for a total cost of \$5.1 billion, consisting \$5.0 billion in cash and \$68.2 million in partnership units in our subsidiary. 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

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space. Construction in process at December 31, 2021 consists of projects to develop new self-storage facilities and expand existing self-storage facilities.

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.

During 2020, we acquired 62 self-storage facilities (5.1 million net rentable square feet of storage space), for a total cost of \$792.3 million which includes the assumption of a \$3.8 million liability. Approximately \$14.9 million of the total cost was allocated to intangible assets. We completed development and redevelopment activities costing \$138.7 million during 2020, adding 1.1 million net rentable square feet of self-storage space. Included in general and administrative expense in 2020 is \$3.2 million in development projects which were cancelled.

During 2019, we acquired 44 self-storage facilities and one commercial facility (3.1 million net rentable square feet of storage space and 46,000 net rentable square feet of commercial space), for a total cost of \$439.6 million, consisting of \$437.8 million in cash and the assumption of \$1.8 million in mortgage notes. Approximately \$18.5 million of the total cost was allocated to intangible assets. We completed development and redevelopment activities costing \$379.1 million during 2019, adding 3.7 million net rentable square feet of self-storage space.

At December 31, 2021, the adjusted basis of real estate facilities for U.S. federal tax purposes was approximately \$15.8 billion (unaudited).

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4. Investments in Unconsolidated Real Estate Entities

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

	Investments in Unconsolidated Real Estate Entities at December 31,		Equity in Earnings of Unconsolidated Real Estate for the Year Ended December 31,		
	2021	2020	2021	2020	2019
PSB	\$ 515,312	\$ 431,963	\$ 207,722	\$ 64,835	\$ 54,090
Shurgard	313,451	341,083	24,371	15,662	15,457
Total	<u>\$ 828,763</u>	<u>\$ 773,046</u>	<u>\$ 232,093</u>	<u>\$ 80,497</u>	<u>\$ 69,547</u>

The following tables represent summarized financial information for PSB and Shurgard in aggregate derived from their respective reported financial statements prepared under US GAAP before our basis difference adjustments for the years ended December 31, 2021, 2020, and 2019 (amounts in thousands):

	Year Ended December 31,		
	2021	2020	2019
Revenues	\$ 790,461	\$ 721,393	\$ 713,867
Costs of operations	263,398	242,992	237,586
Operating income	333,624	290,901	288,179
Gain on sale of real estate	359,904	27,234	16,641
Net Income	639,062	275,680	268,054

	At December 31,	
	2021	2020
Real estate assets	\$ 3,437,115	\$ 3,353,862
Other assets	481,403	374,615
Total assets	<u>\$ 3,918,518</u>	<u>\$ 3,728,477</u>
Debt	\$ 943,276	\$ 742,390
Other liabilities	298,787	274,950
Noncontrolling interests	262,243	221,630
Shareholders' equity	2,414,212	2,489,507
Total liabilities and equity	<u>\$ 3,918,518</u>	<u>\$ 3,728,477</u>

Investment in PSB

Throughout all periods presented, we owned 7,158,354 shares of PSB's common stock and 7,305,355 limited partnership units in an operating partnership controlled by PSB, representing an approximate 41% common equity interest as of December 31, 2021 (42% as of December 31, 2020). The limited partnership units are convertible at our option, subject to certain conditions, on a one-for-one basis into PSB common stock.

Based upon the closing price at December 31, 2021 (\$184.17 per share of PSB common stock), the shares and units we owned had a market value of approximately \$2.7 billion. During each of 2021, 2020, and 2019, we received cash distributions from PSB totaling \$127.3 million, \$60.7 million and \$60.7 million, respectively.

PSB is a publicly held entity traded on the New York Stock Exchange under the symbol "PSB".

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Investment in Shurgard

Throughout all periods presented, we effectively owned, directly and indirectly 31,268,459 Shurgard common shares, representing an approximate 35% equity interest in Shurgard.

Based upon the closing price at December 31, 2021 (€57.50 per share of Shurgard common stock, at 1.134 exchange rate of US Dollars to the Euro), the shares we owned had a market value of approximately \$2.0 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). We eliminated \$1.2 million, \$1.1 million and \$1.0 million intra-entity profits and losses for 2021, 2020, and 2019, respectively, representing our equity share of the trademark license fees that Shurgard pays to us for the use of the Shurgard® trademark. We classify the remaining license fees we receive from Shurgard as interest and other income on our income statement. During 2021, 2020, and 2019, we received cash dividend distribution from Shurgard totaling \$41.5 million, \$34.9 million and \$23.1 million, respectively.

At December 31, 2021, our pro-rata investment in Shurgard's real estate assets included in investment in unconsolidated real estate entities exceeds our pro-rata share of the underlying amounts on Shurgard's balance sheet by approximately \$74.7 million (\$83.1 million at December 31, 2020). This differential (the "Shurgard Basis Differential") includes our cost basis adjustment in Shurgard's real estate assets net of related deferred income taxes. The real estate assets basis differential is being amortized as a reduction to equity in earnings of the Unconsolidated Real Estate Entities. Such amortization totaled approximately \$8.4 million, \$5.8 million and \$5.5 million during 2021, 2020, and 2019, respectively.

Shurgard is a publicly held entity trading on Euronext Brussels under the symbol "SHUR".

5. Goodwill and Other Intangible Assets

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

	At December 31, 2021			At December 31, 2020		
	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	198,180	(79,953)	118,227	47,321	(27,334)	19,987
Total goodwill and other intangible assets	<u>\$ 382,847</u>	<u>\$ (79,953)</u>	<u>\$ 302,894</u>	<u>\$ 231,988</u>	<u>\$ (27,334)</u>	<u>\$ 204,654</u>

Amortization expense related to intangible assets subject to amortization was \$76.6 million, \$16.1 million and \$16.8 million in 2021, 2020, and 2019, respectively. During 2021, 2020, and 2019, intangibles increased \$174.9 million, \$14.9 million and \$18.5 million, respectively, in connection with the acquisition of self-storage facilities (Note 3).

The remaining amortization expense will be recognized over a weighted average life of approximately 1.1 years. The estimated future amortization expense for our finite-lived intangible assets at December 31, 2021 is as follows (amounts in thousands):

Year	Amount
2022	\$ 86,759
2023	24,417
Thereafter	7,051
Total	<u>\$ 118,227</u>

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6. Credit Facility

We have a revolving credit agreement (the “Credit Facility”) with a \$500 million borrowing limit that matures on April 19, 2024. Amounts drawn on the Credit Facility bear annual interest at rates ranging from LIBOR plus 0.7% to LIBOR plus 1.350% depending upon the ratio of our Total Indebtedness to Gross Asset Value (as defined in the Credit Facility) (LIBOR plus 0.75% at December 31, 2021). We are also required to pay a quarterly facility fee ranging from 0.07% per annum to 0.25% per annum depending upon the ratio of our Total Indebtedness to our Gross Asset Value (0.10% per annum at December 31, 2021). At December 31, 2021 and February 22, 2022, we had no outstanding borrowings under this Credit Facility. We had undrawn standby letters of credit, which reduces our borrowing capacity, totaling \$21.2 million at December 31, 2021 (\$24.3 million at December 31, 2020). The Credit Facility has various customary restrictive covenants, with which we were in compliance at December 31, 2021.

7. Notes Payable

Our notes payable 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, 2021 and 2020 are set forth in the tables below:

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		Amounts at December 31, 2021				
	Coupon Rate	Effective Rate	Principal	Unamortized Costs	Book Value	Fair Value
(\$ amounts in thousands)						
U.S. Dollar Denominated Unsecured Debt						
Notes due September 15, 2022	2.370%	2.483%	\$ 500,000	\$ (363)	\$ 499,637	\$ 506,362
Notes due April 23, 2024	SOFR+0.47%	0.617%	700,000	(1,628)	698,372	700,314
Notes due February 15, 2026	0.875%	1.030%	500,000	(3,061)	496,939	488,141
Notes due November 9, 2026	1.500%	1.640%	650,000	(4,227)	645,773	649,996
Notes due September 15, 2027	3.094%	3.218%	500,000	(3,020)	496,980	535,206
Notes due May 1, 2028	1.850%	1.962%	650,000	(4,276)	645,724	649,221
Notes due November 9, 2028	1.950%	2.044%	550,000	(3,299)	546,701	548,241
Notes due May 1, 2029	3.385%	3.459%	500,000	(2,257)	497,743	545,580
Notes due May 1, 2031	2.300%	2.419%	650,000	(6,383)	643,617	656,546
Notes due November 9, 2031	2.250%	2.322%	550,000	(3,488)	546,512	551,932
			5,750,000	(32,002)	5,717,998	5,831,539
Euro Denominated Unsecured Debt						
Notes due April 12, 2024	1.540%	1.540%	113,431	—	113,431	117,526
Notes due November 3, 2025	2.175%	2.175%	274,518	—	274,518	295,256
Notes due September 9, 2030	0.500%	0.640%	794,017	(9,730)	784,287	769,561
Notes due January 24, 2032	0.875%	0.978%	567,155	(5,394)	561,761	551,842
			1,749,121	(15,124)	1,733,997	1,734,185
Mortgage Debt , secured by 11 real estate facilities with a net book value of \$66.1 million						
	3.878%	3.897%	23,284	—	23,284	24,208
			\$ 7,522,405	\$ (47,126)	\$ 7,475,279	\$ 7,589,932
		Amounts at December 31, 2020				
				Book Value	Fair Value	
(\$ amounts in thousands)						
U.S. Dollar Denominated Unsecured Debt						
Notes due September 15, 2022				\$ 499,109	\$ 517,419	
Notes due September 15, 2027				496,452	560,833	
Notes due May 1, 2029				497,433	574,833	
				1,492,994	1,653,085	
Euro Denominated Unsecured Debt						
Notes due April 12, 2024				122,646	129,192	
Notes due November 3, 2025				296,821	323,552	
Notes due January 24, 2032				607,301	634,389	
				1,026,768	1,087,133	
Mortgage Debt						
				25,230	26,958	
				\$ 2,544,992	\$ 2,767,176	

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U.S. Dollar Denominated Unsecured Notes

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 Secured Overnight Financing Rate (“SOFR”) plus 0.47% (reset quarterly and at 0.52% as of December 31, 2021), 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.

On April 12, 2019, we completed a public offering of \$500 million in aggregate principal amount of senior notes bearing interest at an annual rate of 3.385% maturing on May 1, 2029. In connection with the offering, we incurred a total of \$3.1 million in costs.

The U.S. Dollar Denominated Unsecured Notes have various financial covenants, with which we were in compliance at December 31, 2021. Included in these covenants are (a) a maximum Debt to Total Assets of 65% (approximately 16% at December 31, 2021) and (b) a minimum ratio of Adjusted EBITDA to Interest Expense of 1.5x (approximately 30x for the twelve months ended December 31, 2021) 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 for \$264.3 million in net proceeds upon converting the Euros to U.S. Dollars, (ii) €100.0 million issued to institutional investors on April 12, 2016 for \$113.6 million in net proceeds upon converting the Euros to U.S. Dollars, (iii) €500.0 million issued in a public offering on January 24, 2020 for \$545.2 million in net proceeds upon converting the Euros to U.S. Dollars, and (iv) €700.0 million issued in a public offering on September 9, 2021 for \$817.6 million in net proceeds upon converting the Euros to U.S. Dollars. 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, as a result of changes in foreign exchange rates as “Foreign currency exchange gain (loss)” on our income statement (gains of \$111.8 million for 2021, as compared to losses of \$98.0 million for 2020 and gains of \$7.8 million for 2019).

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.

During 2019, we assumed a mortgage note with a contractual value of \$1.8 million and an interest rate of 3.9%, which approximated market rate, in connection with the acquisition of a real estate facility.

At December 31, 2021, the related contractual interest rates are fixed, ranging between 3.2% and 7.1%, and mature between November 1, 2022 and July 1, 2030.

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At December 31, 2021, approximate principal maturities of our Notes Payable are as follows (amounts in thousands):

	Unsecured Debt	Mortgage Debt	Total
2022	\$ 500,000	\$ 2,483	\$ 502,483
2023	—	19,219	19,219
2024	813,431	124	813,555
2025	274,518	131	274,649
2026	1,150,000	138	1,150,138
Thereafter	4,761,172	1,189	4,762,361
	<u>\$ 7,499,121</u>	<u>\$ 23,284</u>	<u>\$ 7,522,405</u>
Weighted average effective rate	<u>1.8%</u>	<u>3.9%</u>	<u>1.8%</u>

Cash paid for interest totaled \$77.7 million, \$52.7 million and \$48.3 million for 2021, 2020, and 2019, respectively. Interest capitalized as real estate totaled \$3.5 million, \$3.4 million and \$3.9 million for 2021, 2020, and 2019, respectively.

8. Noncontrolling Interests

We have noncontrolling interests related to several subsidiaries we consolidate of which we do not own 100% of the equity. At December 31, 2021, certain of these subsidiaries issued 443,970 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 option of the unitholder. These include 211,992 partnership units of \$68.2 million issued to third-parties in connection with our acquisition of a portfolio of self-storage facilities in the fourth quarter of 2021. The unitholders of these 211,992 partnership units have the right to require us to redeem their partnership units in cash if common shares of the Company are not publicly listed. We classify these noncontrolling interests as redeemable noncontrolling interest outside of total equity in our consolidated balance sheets. At December 31, 2021, these noncontrolling interests are not currently redeemable or probable of becoming redeemable.

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9. Shareholders' Equity

Preferred Shares

At December 31, 2021 and 2020, we had the following series of Cumulative Preferred Shares ("Preferred Shares") outstanding:

Series	Earliest Redemption Date	Dividend Rate	At December 31, 2021		At December 31, 2020	
			Shares Outstanding	Liquidation Preference	Shares Outstanding	Liquidation Preference
(Dollar amounts in thousands)						
Series C	5/17/2021	5.125 %	—	\$ —	8,000	\$ 200,000
Series D	7/20/2021	4.950 %	—	—	13,000	325,000
Series E	10/14/2021	4.900 %	—	—	14,000	350,000
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	—	—
Series Q	8/17/2026	3.950 %	5,750	143,750	—	—
Series R	11/19/2026	4.000 %	17,400	435,000	—	—
Total Preferred Shares			164,000	\$ 4,100,000	151,700	\$ 3,792,500

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, 2021, 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 depository 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.

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During 2021, 2020, and 2019, we issued the following series of Preferred Shares at an issuance price of \$25.00 per depository share with each depository share representing 0.001 of a share of Preferred Share (amounts in thousands):

Year	Series	Shares	Gross Proceeds	Issuance Costs
2021	P, Q and R	47,300	\$ 1,182,500	\$ 35,045
2020	L, M, N and O	49,900	1,247,500	39,294
2019	H, I, J and K	43,600	1,090,000	30,844

During 2021, 2020, and 2019, we redeemed the following series of Preferred Shares at par (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
2020 (a)	V, W, X and B	1,520,000	48,265
2019	Y, Z, U and A	1,050,000	32,693

- (a) On December 14, 2020, we called for redemption of, and on January 20, 2021, we redeemed Series B Preferred Shares. The liquidation value (at par) was reclassified as a liability as of December 31, 2020 and we recorded allocation of income to the holders of our Preferred Shares in 2020 in connection with this redemption.

Common Shares

During 2021, 2020, and 2019, activity with respect to the issuance of our common shares was as follows (dollar amounts in thousands):

	2021		2020		2019	
	Shares	Amount	Shares	Amount	Shares	Amount
Employee stock-based compensation and exercise of stock options (Note 11)	552,713	\$ 95,860	163,127	\$ 12,664	287,734	\$ 33,564

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, 2021, we repurchased approximately 23.7 million shares pursuant to this authorization; none of which were repurchased during the three years ended December 31, 2021.

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. Common share dividends, including amounts paid to our restricted share unitholders, totaled \$1.402 billion (\$8.00 per share), \$1.399 billion (\$8.00 per share) and \$1.399 billion (\$8.00 per share) for the years ended December 31, 2021, 2020, and 2019, respectively. Preferred share dividends totaled \$186.6 million, \$207.1 million and \$210.2 million for the years ended December 31, 2021, 2020, and 2019, respectively.

For the tax year ended December 31, 2021, distributions for the common shares and all the various series of preferred shares were classified as follows:

	2021 (unaudited)			
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Ordinary Dividends	94.55 %	94.54 %	94.55 %	94.57 %
Capital Gain Distributions	5.45 %	5.46 %	5.45 %	5.43 %
Total	100.00 %	100.00 %	100.00 %	100.00 %

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The ordinary income dividends distributed for the tax year ended December 31, 2021 are not qualified dividends under the Internal Revenue Code; however, they are subject to the 20% deduction under IRS Section 199A.

10. Related Party Transactions

At December 31, 2021, Tamara Hughes Gustavson, a current member of our Board and her adult children owned and controlled 65 self-storage facilities in Canada. 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, \$1.6 million and \$1.5 million for the years ended December 31, 2021, 2020, and 2019, respectively.

11. Share-Based Compensation

Under various share-based compensation plans and under terms established or modified by our Board or a committee thereof, we grant non-qualified options to purchase the Company's common shares, as well as RSUs, to trustees, officers, and key employees.

On April 26, 2021, the Company's Shareholders approved the 2021 Equity and Performance-Based Incentive Compensation Plan ("2021 Plan"), which authorizes an additional three million shares available for future issuance of equity-based awards. As of December 31, 2021, there were a total of 2,252,321 shares reserved for granting of future options and stock awards under the 2021 plan.

We recorded share-based compensation expense associated with stock options and RSUs in the various expense categories in the Consolidated Statements of Income as set forth in the following table. In addition, \$3.9 million share-based compensation cost was capitalized as real estate facilities for the year ended December 31, 2021.

	For Years Ended December 31,		
	2021	2020	2019
	(Amounts in thousands)		
Self-storage cost of operations	\$ 20,544	\$ 14,904	\$ 12,090
Ancillary cost of operations	1,561	—	—
General and administrative	37,760	18,586	13,871
Total	<u>\$ 59,865</u>	<u>\$ 33,490</u>	<u>\$ 25,961</u>

Stock Options

Stock options 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 award in cash.

For the years ended December 31, 2021, 2020, and 2019, we incurred share-based compensation cost for outstanding stock options of \$25.1 million, \$7.6 million and \$5.0 million, respectively. The amounts for the years ended December 31, 2021 and 2020 include \$4.5 million and \$0.3 million, respectively, in connection with the Retirement Acceleration as discussed in Note 2 (none for 2019).

During 2021, we incurred share-based compensation cost of \$1.5 million in connection with the initial 15,000 stock option awards issued to each of the five trustees who joined our Board in January 2021.

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During 2021, 245,000 stock options were awarded where vesting is dependent upon meeting certain performance targets with respect to 2021, 2022, and 2023 and continued service through 2025. These awards contain a relative Total Shareholder Return modifier that will adjust the payout based on relative performance as compared to the market. As of December 31, 2021, these targets are expected to be met at 100% achievement. These options resulted in \$8.1 million in related compensation cost during 2021.

During 2020, 770,000 stock options were awarded where vesting is dependent upon meeting certain performance targets with respect to 2020, 2021, and 2022 and continued service through 2024. As of December 31, 2021, these targets are expected to be met at 125% achievement, an increase from 100% as of December 31, 2020. \$10.9 million and \$3.0 million in related compensation cost was recorded during 2021 and 2020, respectively.

The stock options outstanding at December 31, 2021 have an aggregate intrinsic value (the excess, if any, of each option's market value over the exercise price) of approximately \$481.9 million and remaining average contractual lives of approximately six years. Total compensation cost related to nonvested stock options that has not yet been recognized is \$23.3 million and is expected to be recognized as compensation cost over approximately three years on average. Exercisable stock options have an aggregate intrinsic value of approximately \$251.3 million at December 31, 2021 and remaining average contractual lives of approximately four years.

Additional information with respect to stock options during 2021, 2020, and 2019 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, 2019	2,420,922	\$ 201.31	—	\$ —	2,420,922	\$ 201.31
Granted	120,000		—		120,000	
Exercised	(191,255)		—		(191,255)	
Cancelled	(10,000)		—		(10,000)	
Options outstanding December 31, 2019	2,339,667	\$ 204.53	—	\$ —	2,339,667	\$ 204.53
Granted	70,000		770,000		840,000	
Exercised	(71,500)		—		(71,500)	
Cancelled	(107,000)		(40,000)		(147,000)	
Options outstanding December 31, 2020	2,231,167	\$ 204.60	730,000	\$ 228.94	2,961,167	\$ 210.59
Granted (a)	140,000		420,000		560,000	
Exercised	(471,216)		—		(471,216)	
Cancelled	—		(10,000)		(10,000)	
Options outstanding December 31, 2021	1,899,951	\$ 208.16	1,140,000	\$ 229.16	3,039,951	\$ 216.04
Options exercisable at December 31, 2021	1,464,411	\$ 202.97	—	\$ —	1,464,411	\$ 202.97

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	2021	2020	2019
Aggregate exercise date intrinsic value of options exercised during the year (in 000's)	\$ 44,613	\$ 3,433	\$ 11,848
Average assumptions used in valuing options with the Black-Scholes method:			
Expected life of options in years, based upon historical experience	5	5	5
Risk-free interest rate	0.8%	0.4%	2.3%
Expected volatility, based upon historical volatility	24.1%	21.6%	8.9%
Expected dividend yield	2.9%	3.8%	3.6%
Average assumptions used in valuing options with market conditions with the Monte-Carlo simulation method:			
Expected life of options in years, based upon historical experience	5		
Risk-free interest rate	0.9%		
Expected volatility, based upon historical volatility	26.5%		
Expected dividend yield	2.9%		
Average estimated value of options granted during the year	\$ 62.66	\$ 17.79	\$ 9.61

(a) Amount granted for performance-based stock options includes performance adjustments above target for options granted in 2020.

Restricted Share Units

RSUs generally vest over 5 to 8 years from the grant date. The grantee receives dividends for each outstanding RSU equal to the per-share dividends received by our common shareholders. We expense any dividends previously paid upon forfeiture of the related RSU. Upon vesting, the grantee receives new common shares equal to the number of vested RSUs, less common shares withheld in exchange for tax deposits made by the Company to satisfy the grantee's statutory tax liabilities arising from the vesting.

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

For the years ended December 31, 2021, 2020, and 2019, we incurred share-based compensation cost for RSUs of \$38.7 million, \$25.9 million and \$21.0 million, respectively. The amounts for the years ended December 31, 2021 and 2020 include \$11.4 million and \$5.4 million, respectively, in connection with the Retirement Acceleration as discussed in Note 2 (none for 2019).

During 2021, 37,000 RSUs were awarded where vesting is dependent upon meeting certain performance targets for 2021. As of December 31, 2021, these targets were met at 125% achievement. These RSUs resulted in \$6.4 million in related compensation cost during 2021.

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December 31, 2021

Remaining compensation cost related to RSUs outstanding at December 31, 2021 totals approximately \$94.1 million and is expected to be recognized over the next 3 years on average. The following tables set forth relevant information with respect to restricted shares (dollar amounts in thousands):

	2021		2020		2019	
	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,	552,788	\$ 218.11	619,150	\$ 213.29	717,696	\$ 210.69
Granted (a)	189,318	\$ 321.17	110,755	\$ 222.27	97,140	\$ 217.35
Vested	(138,420)	\$ (216.63)	(140,089)	\$ (200.88)	(160,329)	\$ (204.04)
Forfeited	(32,864)	\$ (221.32)	(37,028)	\$ (215.08)	(35,357)	\$ (213.62)
Restricted share units outstanding December 31,	<u>570,822</u>	<u>\$ 251.95</u>	<u>552,788</u>	<u>\$ 218.11</u>	<u>619,150</u>	<u>\$ 213.29</u>

	2021	2020	2019
Amounts for the year (in 000's, except number of shares):			
Fair value of vested shares on vesting date	\$ 37,430	\$ 31,076	\$ 33,769
Cash paid for taxes upon vesting in lieu of issuing common shares	\$ 13,069	\$ 10,518	\$ 12,162
Common shares issued upon vesting	81,325	91,627	96,479

(a) Amount includes adjustments above target for performance-based RSUs granted in fiscal year 2021 based on achievement of performance criteria.

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December 31, 2021

12. 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 (an “preferred share redemption charge”) and (iv) restricted share units, 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, of stock options outstanding for diluted net income per common share.

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, 2021, 2020, and 2019 (in thousands, except per share amounts):

	For the Years Ended December 31,		
	2021	2020	2019
Numerator for basic and dilutive net income per common share – net income allocable to common shareholders	\$ 1,732,444	\$ 1,098,335	\$ 1,272,767
Denominator for basic net income per share - weighted average common shares outstanding	174,858	174,494	174,287
Net effect of dilutive stock options - based on treasury stock method	710	148	247
Denominator for dilutive net income per share - weighted average common shares outstanding	<u>175,568</u>	<u>174,642</u>	<u>174,534</u>
Net income per common share:			
Basic	\$ 9.91	\$ 6.29	\$ 7.30
Dilutive	\$ 9.87	\$ 6.29	\$ 7.29

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NOTES TO FINANCIAL STATEMENTS
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13. 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 (“CODM”).

Self-Storage Operations

The Self-Storage Operations reportable segment reflects the aggregated rental operations from the self-storage facilities we own from (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 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 loss 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,		
	2021	2020	2019
	(amounts in thousands)		
<i>Self-Storage Operations Reportable Segment</i>			
Revenue	\$ 3,203,566	\$ 2,721,630	\$ 2,684,552
Cost of operations	(852,030)	(807,543)	(762,416)
Net operating income	2,351,536	1,914,087	1,922,136
Depreciation and amortization	(713,428)	(553,257)	(512,918)
Net income	1,638,108	1,360,830	1,409,218
<i>Ancillary Operations</i>			
Revenue	212,258	193,438	170,556
Cost of operations	(68,568)	(59,919)	(50,736)
Net operating income	143,690	133,519	119,820
Total net income allocated to segments	1,781,798	1,494,349	1,529,038
<i>Other items not allocated to segments:</i>			
General and administrative	(101,254)	(83,199)	(62,146)
Interest and other income	12,306	22,323	26,683
Interest expense	(90,774)	(56,283)	(45,641)
Equity in earnings of unconsolidated real estate entities	232,093	80,497	69,547
Foreign currency exchange gain (loss)	111,787	(97,953)	7,829
Gain on sale of real estate	13,683	1,493	341
Net income	<u>\$ 1,959,639</u>	<u>\$ 1,361,227</u>	<u>\$ 1,525,651</u>

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December 31, 2021

14. 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 several states. Customers participate in the program at their option. At December 31, 2021, there were approximately 1.2 million certificates held by our self-storage customers, representing aggregate coverage of approximately \$4.9 billion.

Commitments

We have construction commitments representing future expected payments for construction under contract totaling \$166.8 million at December 31, 2021. We expect to pay approximately \$142.7 million in 2022, \$22.8 million in 2023 and \$1.3 million in 2024 for these construction commitments.

We have future contractual payments on land, equipment and office space under various lease commitments totaling \$66.1 million at December 31, 2021. We expect to pay approximately \$3.1 million in 2022, \$3.0 million in each of 2023 and 2024, \$2.9 million in 2025, \$3.0 million in 2026 and \$51.1 million thereafter for these commitments.

15. Subsequent Events

Subsequent to December 31, 2021, we acquired or were under contract to acquire 15 self-storage facilities across 10 states with 1.2 million net rentable square feet, for \$212.4 million.

On January 13, 2022, we issued 10.0 million depositary shares, each representing 0.001 of a share of our 4.100% Series S Preferred Shares, at an issuance price of \$25.00 per depositary share, for a total of \$250.0 million in gross proceeds, and we incurred \$7.2 million in issuance costs.

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

Description	No. of Facilities	Net Rentable Square Feet	2021 Encum- brances	Initial Cost		Costs Subsequent to Acquisition	Gross Carrying Amount At December 31, 2021			Accumulated Depreciation
				Land	Buildings & Improvements		Land	Buildings	Total	
Self-storage facilities by market:										
Los Angeles	228	16,710	409	543,650	981,256	448,343	542,073	1,431,176	1,973,249	859,874
Dallas/Ft. Worth	189	17,017	—	322,316	1,852,445	143,451	323,778	1,994,434	2,318,212	335,716
Houston	142	11,953	—	220,019	620,942	246,434	219,340	868,055	1,087,395	345,675
San Francisco	140	9,196	—	245,623	557,398	266,677	258,373	811,325	1,069,698	521,635
Chicago	136	8,756	—	146,095	428,446	138,390	148,932	563,999	712,931	405,079
Washington DC	117	8,272	—	418,460	1,308,988	143,417	423,614	1,447,251	1,870,865	373,168
Atlanta	111	7,476	1,653	142,553	407,272	95,145	142,915	502,055	644,970	298,833
Seattle/Tacoma	100	6,986	—	211,959	584,089	123,883	212,607	707,324	919,931	379,516
Miami	97	7,223	—	247,807	536,321	145,494	249,700	679,922	929,622	365,471
New York	96	7,053	—	277,121	586,592	223,807	283,458	804,062	1,087,520	494,284
Orlando/Daytona	72	4,628	11,274	140,411	253,375	68,265	145,892	316,159	462,051	179,459
Denver	69	5,197	8,318	117,109	308,922	102,116	117,830	410,317	528,147	171,779
Minneapolis/St. Paul	64	4,937	1,630	118,333	292,465	97,660	118,498	389,960	508,458	148,047
Philadelphia	62	4,041	—	58,824	226,733	62,263	57,845	289,975	347,820	176,981
Charlotte	59	4,604	—	87,349	231,449	84,331	95,212	307,917	403,129	144,670
Tampa	57	3,969	—	93,109	213,546	61,429	96,422	271,662	368,084	142,716
Detroit	48	3,443	—	67,465	225,061	41,894	68,315	266,105	334,420	130,902
Portland	48	2,750	—	60,108	203,107	31,513	60,766	233,962	294,728	114,418
Baltimore	48	3,624	—	134,774	749,058	28,468	134,898	777,402	912,300	97,642
Phoenix	47	3,253	—	92,139	265,783	38,278	92,130	304,070	396,200	124,204
West Palm Beach	46	3,784	—	156,788	221,479	92,351	157,496	313,122	470,618	146,989
San Antonio	39	2,746	—	53,847	215,507	29,301	53,805	244,850	298,655	74,698
Austin	36	2,875	—	67,832	179,672	46,412	69,854	224,062	293,916	99,914
Raleigh	36	2,592	—	82,919	188,198	40,568	83,908	227,777	311,685	73,417
Norfolk	36	2,215	—	47,728	128,986	26,380	46,843	156,251	203,094	77,313
Sacramento	35	2,054	—	26,429	80,391	40,500	26,913	120,407	147,320	84,912
Indianapolis	29	1,889	—	34,678	94,858	18,348	35,678	112,206	147,884	52,872
Kansas City	29	1,893	—	18,965	92,793	36,452	19,165	129,045	148,210	65,887
Boston	28	1,964	—	80,843	209,495	37,378	81,409	246,307	327,716	112,364
St. Louis	28	1,749	—	23,539	89,341	33,541	23,395	123,026	146,421	67,368
Columbus	27	2,015	—	44,983	92,001	28,923	45,090	120,817	165,907	53,150
Columbia	27	1,620	—	27,177	83,532	23,010	27,936	105,783	133,719	43,214
Oklahoma City	26	2,089	—	49,060	130,815	14,475	49,060	145,290	194,350	31,501
San Diego	24	2,183	—	89,782	162,043	50,358	92,292	209,891	302,183	102,116
Las Vegas	23	1,503	—	26,242	90,624	13,313	25,491	104,688	130,179	53,896
Cincinnati	20	1,155	—	19,035	57,775	23,981	18,953	81,838	100,791	34,959

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

Description	No. of Facilities	Net Rentable Square Feet	2021 Encumbrances	Initial Cost		Costs Subsequent to Acquisition	Gross Carrying Amount At December 31, 2021			Accumulated Depreciation
				Land	Buildings & Improvements		Land	Buildings	Total	
Nashville/Bowling Green	18	1,168	—	23,487	45,145	31,187	23,485	76,334	99,819	33,956
Colorado Springs	16	1,115	—	12,320	60,393	22,949	12,317	83,345	95,662	32,637
Milwaukee	15	964	—	13,189	32,071	10,534	13,158	42,636	55,794	35,990
Louisville	15	912	—	23,563	46,108	8,315	23,562	54,424	77,986	18,843
Jacksonville	15	922	—	14,454	47,415	12,466	14,503	59,832	74,335	35,892
Birmingham	15	606	—	6,316	25,567	14,343	6,204	40,022	46,226	29,192
Richmond	15	749	—	20,979	52,239	6,343	20,784	58,777	79,561	22,365
Greensboro	14	845	—	13,413	35,326	14,407	15,502	47,644	63,146	29,562
Charleston	14	943	—	16,947	56,793	18,448	17,923	74,265	92,188	30,179
Fort Myers/Naples	14	1,070	—	29,944	84,343	6,276	30,179	90,384	120,563	23,207
Chattanooga	13	846	—	10,030	45,578	7,832	9,832	53,608	63,440	17,516
Savannah	12	700	—	33,094	42,465	5,271	31,766	49,064	80,830	20,497
Greenville/Spartanburg/Asheville	12	697	—	9,835	30,482	10,542	10,764	40,095	50,859	23,304
Honolulu	11	807	—	54,184	106,299	16,942	55,101	122,324	177,425	73,250
Hartford/New Haven	11	693	—	6,778	19,959	22,722	8,443	41,016	49,459	34,787
New Orleans	11	772	—	13,372	59,382	7,783	13,540	66,997	80,537	28,812
Salt Lake City	11	672	—	15,912	28,117	5,603	15,561	34,071	49,632	16,134
Memphis	11	645	—	19,581	29,852	9,956	20,934	38,455	59,389	23,494
Mobile	11	529	—	8,915	25,223	5,814	8,742	31,210	39,952	15,416
Omaha	10	881	—	17,266	64,969	4,245	17,266	69,214	86,480	7,034
Buffalo/Rochester	9	462	—	6,785	17,954	4,159	6,783	22,115	28,898	15,388
Cleveland/Akron	8	478	—	4,235	18,411	5,730	4,628	23,748	28,376	13,911
Augusta	8	466	—	8,900	20,906	4,497	8,900	25,403	34,303	7,844
Reno	7	559	—	5,487	18,704	4,277	5,487	22,981	28,468	13,707
Tucson	7	439	—	9,403	25,491	6,959	9,884	31,969	41,853	21,627
Wichita	7	433	—	2,017	6,691	7,411	2,130	13,989	16,119	12,367
Monterey/Salinas	7	329	—	8,465	24,151	6,750	8,455	30,911	39,366	23,392
Boise	6	530	—	13,412	55,496	545	13,412	56,041	69,453	1,443
Evansville	5	326	—	2,340	14,316	1,513	2,312	15,857	18,169	4,950
Dayton	5	284	—	1,074	8,975	4,868	1,073	13,844	14,917	7,937
Huntsville/Decatur	5	298	—	9,161	13,481	3,421	9,108	16,955	26,063	6,611
Fort Wayne	4	271	—	3,487	11,003	3,507	3,487	14,510	17,997	6,181
Roanoke	4	224	—	5,093	18,091	973	5,093	19,064	24,157	3,902
Palm Springs	3	242	—	8,309	18,065	2,249	8,309	20,314	28,623	12,060
Providence	3	155	—	995	11,206	3,143	995	14,349	15,344	7,414
Shreveport	2	150	—	817	3,030	2,377	741	5,483	6,224	4,997
Springfield/Holyoke	2	144	—	1,428	3,380	1,952	1,427	5,333	6,760	5,114

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

Description	No. of Facilities	Net Rentable Square Feet	2021 Encum- brances	Initial Cost			Gross Carrying Amount At December 31, 2021				Accumulated Depreciation
				Land	Buildings & Improvements	Costs Subsequent to Acquisition	Land	Buildings	Total		
Rochester	2	99	—	1,047	2,246	2,134	980	4,447	5,427	4,233	
Santa Barbara	2	98	—	5,733	9,106	858	5,733	9,964	15,697	6,186	
Topeka	2	94	—	225	1,419	2,108	225	3,527	3,752	3,190	
Lansing	2	88	—	556	2,882	986	556	3,868	4,424	2,619	
Flint	1	56	—	543	3,068	273	542	3,342	3,884	2,110	
Joplin	1	56	—	264	904	1,021	264	1,925	2,189	1,672	
Syracuse	1	55	—	545	1,279	862	545	2,141	2,686	2,066	
Modesto/Fresno/Stockton	1	33	—	44	206	1,324	193	1,381	1,574	942	
Commercial and non-operating real estate			—	13,194	26,143	48,112	13,346	74,103	87,449	44,739	
	2,787	198,319	\$ 23,284	\$ 5,072,209	\$ 14,225,088	\$ 3,510,536	\$ 5,134,060	\$ 17,673,773	\$ 22,807,833	\$ 7,773,308	

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 Depositary 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 our 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, between us 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 our direct, unsecured and unsubordinated obligations and will rank equally in right of payment with all of our existing and future unsecured and unsubordinated indebtedness. The notes will be effectively subordinated in right of payment to all of our 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 our 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 our 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 our ability or the ability of our 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 our 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 our 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, we may change any paying agent or security registrar.

Further Issuances

We 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

We have 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 we choose to redeem less than all of the notes, we 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 depositary, 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 our 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;
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- (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 the Company 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 the Company 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 our 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

We will not, and will not permit any of our 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 our Debt would exceed 65% of the sum of the following (without duplication): (1) our 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 us or any of our 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

We will not, and will not permit any of our 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 our Secured Debt would exceed 50% of the sum of the following (without duplication): (1) our 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 us or any of our 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

We will not, and will not permit any of our 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 us or any of our 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, our Unencumbered Assets will not be less than 125% of our Unsecured Debt.

Provision of Financial Information

For so long as any notes are outstanding, if we are subject to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or any successor provision, we will deliver to the Trustee the annual reports, quarterly reports and other documents which we are 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 we are 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, we 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 we 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 the Company with the Commission and publicly available via the EDGAR system or our website will be deemed to be delivered to the Trustee as of the time such filing is publicly available via EDGAR or our 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 our 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 Company's Pro Rata Share of EBITDA for such period; provided, that, so long as any of PS Business Parks and Shurgard Europe is not a Subsidiary of the Company, "Adjusted EBITDA" shall include the amount of dividends, distributions or interest paid in cash by any such entity that is not a Subsidiary to the Company 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, the Company'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 the Company 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 the Company or any Subsidiary as lessee which is reflected in the Company'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 the Company or any Subsidiary to be liable for, or to pay, as obligor, guarantor or otherwise, items of indebtedness of another Person (other than the Company or any Subsidiary) described in clauses (i) through (iv) above (or, in the case of any such obligation made jointly with another Person, the Company'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 the Company 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 the Company, any Subsidiary or any joint venture of the Company 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 any of PS Business Parks or Shurgard Europe is not a Subsidiary of the Company, 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 our 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 the Company and any of its Subsidiaries, but only so long as that Debt is held solely by any of the Company and any of its Subsidiaries as of that date and, provided that, in the case of Debt owed by the Company to any Subsidiary, the Debt is subordinated in right of payment to the holders of the notes.

“Interest Expense” means, for any period, the Company’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 the Company and its Subsidiaries on a consolidated basis, less any portion attributable to noncontrolling interests, plus the Company’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 any of PS Business Parks and Shurgard Europe is not a Subsidiary of the Company, 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, the Company’s Pro Rata Share of EBITDA for such period adjusted to add back the impact of corporate level general and administrative expenses.

“PS Business Parks” means PS Business Parks, Inc., PS Business Parks, L.P. and any of their Subsidiaries and their respective successors and assigns.

“Reporting Date” means the date ending the most recently ended fiscal quarter of the Company for which the Company’s consolidated financial statements are publicly available, it being understood that at any time when the Company 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 the Company’s most recent quarterly financial statements delivered to the Trustee or, in the case of the last fiscal quarter of the year, the Company’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 the Company’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 the Company. Notwithstanding the foregoing, none of the Persons comprising PS Business Parks or Shurgard Europe shall at any time constitute or be considered to be a Subsidiary of the Company for any purpose of the Indenture so long as (a) any class of Equity Interests of the applicable holding company of PS Business Parks or Shurgard Europe, as applicable, is publicly traded or (b) such holding company is not a wholly-owned subsidiary of the Company.

“Total Assets” means, as of any date, the sum (without duplication) of: (a) the Capitalized Property Value of the Company and its Subsidiaries, excluding Capitalized Property Value attributable to Properties acquired or disposed of by the Company 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 the Company 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 the Company or any Subsidiary (less the Pro Rata Share of any amounts paid to the Company 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 the Company or such Subsidiary during the four consecutive quarters ending on such date; (e) the contractual purchase price of Properties of the Company 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 the Company or any of its Subsidiaries, plus all other assets of the Company 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 or PS Business Parks if such interests are not Marketable Securities. The Company 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 the Company’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

We may consolidate with or into, or sell, assign, convey, transfer or lease all or substantially all of our property and assets to, any other entity, provided that:

- we shall be the continuing entity, or the successor entity (if other than us) 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 payment of the principal of and interest on all of the notes, 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 our obligation 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 us, 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 us 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;
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- (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 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;
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- 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 or of 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.

Discharge, Defeasance and Covenant Defeasance

Subject to the requirements of the Indenture, we may, at our option and at any time, elect to have our obligations 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 and the notes 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 depositary for and in respect of interests held through, Clearstream and Euroclear, or the common depositary’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 depositary for Clearstream and Euroclear or their nominee is the registered owner of the global notes, the common depositary 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 depositary 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 depositary 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 depositary, 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 depositary. 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 depositary, 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 depositary, 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 depositary notifies us that it is unwilling or unable or no longer qualified to continue as depositary for the global notes and we fail to appoint a successor depositary within 90 days after this notice;
- (2) we, at our option, notify the Trustee in writing that we elect 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 depositary (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 our 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 our 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 our 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 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.

“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, the Company’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 the Company 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 the Company or any Subsidiary as lessee which is reflected in the Company’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 the Company or any Subsidiary to be liable for, or to pay, as obligor, guarantor or otherwise, items of indebtedness of another Person (other than the Company or any Subsidiary) described in clauses (i) through (iv) above (or, in the case of any such obligation made jointly with another Person, the Company’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 227 subsidiaries that are not required to be listed pursuant to SEC rules.

Name	Location of Formation
PS LPT Properties Investors	Maryland
PS California Holdings, Inc	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. 333-231510) 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 22, 2022, 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, 2021.

/s/ ERNST & YOUNG LLP

February 22, 2022
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: Chief Executive Officer and President
Date: February 22, 2022

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: Chief Financial Officer
Date: February 22, 2022

Exhibit 31.2
SECTION 1350 CERTIFICATION

In connection with the Annual Report on Form 10-K of Public Storage (the “Company”) for the year ended December 31, 2021, 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: Chief Executive Officer and President
Date: February 22, 2022

/s/ H. Thomas Boyle

Name: H. Thomas Boyle
Title: Chief Financial Officer
Date: February 22, 2022

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.