

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

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

For the quarterly period ended June 30, 2022

or

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

For the transition period from _____ to _____.

Commission File Number: 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)

Registrant's telephone number, including area code: (818) 244-8080.

Former name, former address and former fiscal, if changed since last report: N/A

Securities registered pursuant to Section 12b of the Act:

Title of Class	Trading Symbol	Name of each 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

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 at least 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 is a shell company (as defined in Rule 12b-2 of the Exchange Act).

☐ Yes ☒ No

Indicate the number of the registrant's outstanding common shares of beneficial interest, as of August 1, 2022:

Common Shares of beneficial interest, \$0.10 par value per share – 175,541,870 shares

PUBLIC STORAGE

INDEX

PART I	<u>FINANCIAL INFORMATION</u>	<u>Pages</u>
Item 1.	Consolidated Financial Statements (Unaudited)	
	Consolidated Balance Sheets	1
	Consolidated Statements of Income	2
	Consolidated Statements of Comprehensive Income	3
	Consolidated Statements of Equity and Redeemable Noncontrolling Interests	4-7
	Consolidated Statements of Cash Flows	8-9
	Condensed Notes to Consolidated Financial Statements	10-22
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	23-49
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	50
Item 4.	Controls and Procedures	50
PART II	<u>OTHER INFORMATION</u> (Items 3, 4 and 5 are not applicable)	
Item 1.	Legal Proceedings	51
Item 1A.	Risk Factors	51
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	51
Item 6.	Exhibits	51

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

	June 30, 2022 (Unaudited)	December 31, 2021
<u>ASSETS</u>		
Cash and equivalents	\$ 1,013,886	\$ 734,599
Real estate facilities, at cost:		
Land	5,175,744	5,134,060
Buildings	18,139,804	17,673,773
	23,315,548	22,807,833
Accumulated depreciation	(8,150,113)	(7,773,308)
	15,165,435	15,034,525
Construction in process	380,060	272,471
	15,545,495	15,306,996
Investments in unconsolidated real estate entities	845,894	828,763
Goodwill and other intangible assets, net	249,744	302,894
Other assets	207,832	207,656
Total assets	\$ 17,862,851	\$ 17,380,908
<u>LIABILITIES AND EQUITY</u>		
Notes payable	\$ 7,340,904	\$ 7,475,279
Accrued and other liabilities	473,599	482,091
Total liabilities	7,814,503	7,957,370
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, 174,000 shares issued (in series) and outstanding, (164,000 at December 31, 2021) at liquidation preference	4,350,000	4,100,000
Common Shares, \$0.10 par value, 650,000,000 shares authorized, 175,239,263 shares issued and outstanding (175,134,455 shares at December 31, 2021)	17,524	17,513
Paid-in capital	5,848,632	5,821,667
Accumulated deficit	(182,213)	(550,416)
Accumulated other comprehensive loss	(79,217)	(53,587)
Total Public Storage shareholders' equity	9,954,726	9,335,177
Noncontrolling interests	93,622	20,112
Total equity	10,048,348	9,355,289
Total liabilities, redeemable noncontrolling interests and equity	\$ 17,862,851	\$ 17,380,908

See accompanying notes.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Revenues:				
Self-storage facilities	\$ 973,286	\$ 776,993	\$ 1,890,301	\$ 1,493,340
Ancillary operations	58,759	52,322	115,189	103,237
	<u>1,032,045</u>	<u>829,315</u>	<u>2,005,490</u>	<u>1,596,577</u>
Expenses:				
Self-storage cost of operations	237,989	202,595	483,483	414,700
Ancillary cost of operations	17,210	15,991	32,725	32,309
Depreciation and amortization	218,708	172,728	440,836	319,587
General and administrative	28,831	27,740	51,900	47,314
Interest expense	32,941	21,994	66,065	37,244
	<u>535,679</u>	<u>441,048</u>	<u>1,075,009</u>	<u>851,154</u>
Other increases (decreases) to net income:				
Interest and other income	10,279	3,113	13,658	5,965
Equity in earnings of unconsolidated real estate entities	48,525	29,066	91,949	48,522
Foreign currency exchange gain (loss)	101,723	(12,707)	137,100	32,678
Gain on sale of real estate	—	3,991	—	13,404
Net income	<u>656,893</u>	<u>411,730</u>	<u>1,173,188</u>	<u>845,992</u>
Allocation to noncontrolling interests	<u>(3,043)</u>	<u>(1,304)</u>	<u>(5,395)</u>	<u>(2,530)</u>
Net income allocable to Public Storage shareholders	653,850	410,426	1,167,793	843,462
Allocation of net income to:				
Preferred shareholders	(48,673)	(46,183)	(97,038)	(92,263)
Preferred shareholders - redemptions	—	(16,989)	—	(16,989)
Restricted share units	<u>(1,796)</u>	<u>(1,005)</u>	<u>(3,250)</u>	<u>(2,151)</u>
Net income allocable to common shareholders	<u>\$ 603,381</u>	<u>\$ 346,249</u>	<u>\$ 1,067,505</u>	<u>\$ 732,059</u>
Net income per common share:				
Basic	<u>\$ 3.44</u>	<u>\$ 1.98</u>	<u>\$ 6.09</u>	<u>\$ 4.19</u>
Diluted	<u>\$ 3.42</u>	<u>\$ 1.97</u>	<u>\$ 6.05</u>	<u>\$ 4.18</u>
Basic weighted average common shares outstanding	<u>175,229</u>	<u>174,824</u>	<u>175,200</u>	<u>174,718</u>
Diluted weighted average common shares outstanding	<u>176,312</u>	<u>175,547</u>	<u>176,325</u>	<u>175,194</u>

See accompanying notes.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Net income	\$ 656,893	\$ 411,730	\$ 1,173,188	\$ 845,992
Foreign currency exchange (loss) gain on investment in Shurgard	(18,835)	3,259	(25,630)	(2,681)
Total comprehensive income	638,058	414,989	1,147,558	843,311
Allocation to noncontrolling interests	(3,043)	(1,304)	(5,395)	(2,530)
Comprehensive income allocable to Public Storage shareholders	<u>\$ 635,015</u>	<u>\$ 413,685</u>	<u>\$ 1,142,163</u>	<u>\$ 840,781</u>

See accompanying notes.

PUBLIC STORAGE
CONSOLIDATED STATEMENTS OF EQUITY AND REDEEMABLE NONCONTROLLING INTERESTS
Three Months Ended June 30, 2022
(Amounts in thousands, except share and per share amounts)
(Unaudited)

	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 March 31, 2022	\$ 4,350,000	\$ 17,521	\$ 5,827,674	\$ (436,101)	\$ (60,382)	\$ 9,698,712	\$ 20,549	\$ 9,719,261	\$ 83,826
Issuance of common shares in connection with share-based compensation (26,824 shares)	—	3	3,450	—	—	3,453	—	3,453	—
Taxes withheld upon net share settlement of restricted share units	—	—	(1,636)	—	—	(1,636)	—	(1,636)	—
Share-based compensation expense	—	—	19,144	—	—	19,144	—	19,144	—
Contributions by noncontrolling interests	—	—	—	—	—	—	5,346	5,346	—
Reclassification from redeemable noncontrolling interests to noncontrolling interests	—	—	—	—	—	—	83,826	83,826	(83,826)
Net income	—	—	—	656,893	—	656,893	—	656,893	—
Net income allocated to noncontrolling interests	—	—	—	(3,043)	—	(3,043)	3,043	—	—
Distributions to:									
Preferred shareholders (Note 9)	—	—	—	(48,673)	—	(48,673)	—	(48,673)	—
Noncontrolling interests	—	—	—	—	—	—	(19,142)	(19,142)	—
Common shareholders and restricted share unitholders (\$2.00 per share) (Note 9)	—	—	—	(351,289)	—	(351,289)	—	(351,289)	—
Other comprehensive loss	—	—	—	—	(18,835)	(18,835)	—	(18,835)	—
Balances at June 30, 2022	<u>\$ 4,350,000</u>	<u>\$ 17,524</u>	<u>\$ 5,848,632</u>	<u>\$ (182,213)</u>	<u>\$ (79,217)</u>	<u>\$ 9,954,726</u>	<u>\$ 93,622</u>	<u>\$ 10,048,348</u>	<u>\$ —</u>

See accompanying notes.

PUBLIC STORAGE
CONSOLIDATED STATEMENTS OF EQUITY AND REDEEMABLE NONCONTROLLING INTERESTS
Three Months Ended June 30, 2021
(Amounts in thousands, except share and per share amounts)
(Unaudited)

	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 March 31, 2021	\$ 3,792,500	\$ 17,465	\$ 5,715,254	\$ (877,931)	\$ (49,341)	\$ 8,597,947	\$ 19,368	\$ 8,617,315	\$ —
Issuance of 24,150 preferred shares	603,750	—	(17,412)	—	—	586,338	—	586,338	—
Redemption and shares called for redemption of 21,000 preferred shares	(525,000)	—	—	—	—	(525,000)	—	(525,000)	—
Issuance of common shares in connection with share-based compensation (213,433 shares)	—	21	42,874	—	—	42,895	—	42,895	—
Share-based compensation expense, net of cash paid in lieu of common shares	—	—	23,956	—	—	23,956	—	23,956	—
Contributions by noncontrolling interests	—	—	—	—	—	—	385	385	—
Net income	—	—	—	411,730	—	411,730	—	411,730	—
Net income allocated to noncontrolling interests	—	—	—	(1,304)	—	(1,304)	1,304	—	—
Distributions to:									
Preferred shareholders	—	—	—	(46,183)	—	(46,183)	—	(46,183)	—
Noncontrolling interests	—	—	—	—	—	—	(1,538)	(1,538)	—
Common shareholders and restricted share unitholders (\$2.00 per share)	—	—	—	(350,054)	—	(350,054)	—	(350,054)	—
Other comprehensive income	—	—	—	—	3,259	3,259	—	3,259	—
Balances at June 30, 2021	<u>\$ 3,871,250</u>	<u>\$ 17,486</u>	<u>\$ 5,764,672</u>	<u>\$ (863,742)</u>	<u>\$ (46,082)</u>	<u>\$ 8,743,584</u>	<u>\$ 19,519</u>	<u>\$ 8,763,103</u>	<u>\$ —</u>

See accompanying notes.

PUBLIC STORAGE
CONSOLIDATED STATEMENTS OF EQUITY AND REDEEMABLE NONCONTROLLING INTERESTS
Six Months Ended June 30, 2022
(Amounts in thousands, except share and per share amounts)
(Unaudited)

	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, 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>
Issuance of 10,000 preferred shares (Note 9)	250,000	—	(7,168)	—	—	242,832	—	242,832	—
Issuance of common shares in connection with share-based compensation (104,808 shares) (Note 11)	—	11	11,549	—	—	11,560	—	11,560	—
Taxes withheld upon net share settlement of restricted share units (Note 11)	—	—	(12,210)	—	—	(12,210)	—	(12,210)	—
Share-based compensation expense (Note 11)	—	—	34,794	—	—	34,794	—	34,794	—
Contributions by noncontrolling interests	—	—	—	—	—	—	6,137	6,137	15,426
Reclassification from redeemable noncontrolling interests to noncontrolling interests	—	—	—	—	—	—	83,826	83,826	(83,826)
Net income	—	—	—	1,173,188	—	1,173,188	—	1,173,188	—
Net income allocated to noncontrolling interests	—	—	—	(5,395)	—	(5,395)	4,735	(660)	660
Distributions to:									
Preferred shareholders (Note 9)	—	—	—	(97,038)	—	(97,038)	—	(97,038)	—
Noncontrolling interests	—	—	—	—	—	—	(21,188)	(21,188)	(509)
Common shareholders and restricted share unitholders (\$4.00 per share) (Note 9)	—	—	—	(702,552)	—	(702,552)	—	(702,552)	—
Other comprehensive loss	—	—	—	—	(25,630)	(25,630)	—	(25,630)	—
Balances at June 30, 2022	<u><u>\$ 4,350,000</u></u>	<u><u>\$ 17,524</u></u>	<u><u>\$ 5,848,632</u></u>	<u><u>\$ (182,213)</u></u>	<u><u>\$ (79,217)</u></u>	<u><u>\$ 9,954,726</u></u>	<u><u>\$ 93,622</u></u>	<u><u>\$ 10,048,348</u></u>	<u><u>\$ —</u></u>

See accompanying notes.

PUBLIC STORAGE
CONSOLIDATED STATEMENTS OF EQUITY AND REDEEMABLE NONCONTROLLING INTERESTS
Six Months Ended June 30, 2021
(Amounts in thousands, except share and per share amounts)
(Unaudited)

	Cumulative Preferred Shares	Common Shares	Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Public Storage Shareholders' Equity	Noncontrolling Interests	Total Equity	Redeemable Noncontrolling Interests
Balances at December 31, 2020	\$ 3,792,500	\$ 17,458	\$ 5,707,101	\$ (914,791)	\$ (43,401)	\$ 8,558,867	\$ 18,032	\$ 8,576,899	\$ —
Issuance of 24,150 preferred shares	603,750	—	(17,412)	—	—	586,338	—	586,338	—
Redemption and shares called for redemption of 21,000 preferred shares	(525,000)	—	—	—	—	(525,000)	—	(525,000)	—
Issuance of common shares in connection with share-based compensation (282,695 shares)	—	28	47,570	—	—	47,598	—	47,598	—
Share-based compensation expense, net of cash paid in lieu of common shares	—	—	27,445	—	—	27,445	—	27,445	—
Acquisition of noncontrolling interests	—	—	(32)	—	—	(32)	(1)	(33)	—
Contributions by noncontrolling interests	—	—	—	—	—	—	1,765	1,765	—
Net income	—	—	—	845,992	—	845,992	—	845,992	—
Net income allocated to noncontrolling interests	—	—	—	(2,530)	—	(2,530)	2,530	—	—
Distributions to:									
Preferred shareholders	—	—	—	(92,263)	—	(92,263)	—	(92,263)	—
Noncontrolling interests	—	—	—	—	—	—	(2,807)	(2,807)	—
Common shareholders and restricted share unitholders (\$4.00 per share)	—	—	—	(700,150)	—	(700,150)	—	(700,150)	—
Other comprehensive loss	—	—	—	—	(2,681)	(2,681)	—	(2,681)	—
Balances at June 30, 2021	<u>\$ 3,871,250</u>	<u>\$ 17,486</u>	<u>\$ 5,764,672</u>	<u>\$ (863,742)</u>	<u>\$ (46,082)</u>	<u>\$ 8,743,584</u>	<u>\$ 19,519</u>	<u>\$ 8,763,103</u>	<u>\$ —</u>

See accompanying notes.

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

	For the Six Months Ended June 30,	
	2022	2021
Cash flows from operating activities:		
Net income	\$ 1,173,188	\$ 845,992
Adjustments to reconcile net income to net cash flows from operating activities:		
Gain on sale of real estate	—	(13,404)
Depreciation and amortization	440,836	319,587
Equity in earnings of unconsolidated real estate entities	(91,949)	(48,522)
Distributions from cumulative equity in earnings of unconsolidated real estate entities	46,593	43,747
Unrealized foreign currency exchange gain	(136,818)	(32,678)
Share-based compensation expense	30,856	32,672
Other	(8,933)	(16,939)
Total adjustments	280,585	284,463
Net cash flows from operating activities	1,453,773	1,130,455
Cash flows from investing activities:		
Capital expenditures to maintain real estate facilities	(212,473)	(90,644)
Development and expansion of real estate facilities	(156,463)	(135,180)
Acquisition of real estate facilities and intangible assets	(231,417)	(2,518,358)
Distributions in excess of cumulative equity in earnings from unconsolidated real estate entities	4,537	8,765
Proceeds from sale of real estate investments	—	15,713
Net cash flows used in investing activities	(595,816)	(2,719,704)
Cash flows from financing activities:		
Repayments on notes payable	(472)	(1,053)
Issuance of notes payable, net of issuance costs	—	2,482,529
Issuance of preferred shares	242,832	586,338
Issuance of common shares in connection with share-based compensation	11,492	47,598
Redemption of preferred shares	—	(500,000)
Taxes paid upon net share settlement of restricted share units	(12,210)	(9,013)
Acquisition of noncontrolling interests	—	(33)
Contributions by noncontrolling interests	1,698	1,765
Distributions paid to preferred shareholders, common shareholders and restricted share unitholders	(799,502)	(792,413)
Distributions paid to noncontrolling interests	(21,697)	(2,807)
Net cash flows (used in) from financing activities	(577,859)	1,812,911
Net cash flows from operating, investing, and financing activities	280,098	223,662
Net effect of foreign exchange impact on cash and equivalents, including restricted cash	—	173
Increase in cash and equivalents, including restricted cash	\$ 280,098	\$ 223,835

See accompanying notes.

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

	For the Six Months Ended June 30,	
	2022	2021
Cash and equivalents, including restricted cash at beginning of the period:		
Cash and equivalents	\$ 734,599	\$ 257,560
Restricted cash included in other assets	26,691	25,040
	<u>\$ 761,290</u>	<u>\$ 282,600</u>
Cash and equivalents, including restricted cash at end of the period:		
Cash and equivalents	\$ 1,013,886	\$ 480,810
Restricted cash included in other assets	27,502	25,625
	<u>\$ 1,041,388</u>	<u>\$ 506,435</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	\$ (15,796)	\$ (13,728)
Construction or expansion of real estate facilities	(48,682)	(41,345)
Real estate acquired in exchange for noncontrolling interests	(19,865)	—
Preferred shares called for redemption and reclassified to liabilities	—	325,000

See accompanying notes.

PUBLIC STORAGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2022
(Unaudited)

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 reinsurance, merchandise sales, and third party management, as well as the acquisition and development of additional self-storage space.

At June 30, 2022, we had direct and indirect equity interests in 2,807 self-storage facilities (with approximately 200.1 million net rentable square feet) located in 39 states in the United States (“U.S.”) operating under the Public Storage® name, and 0.9 million net rentable square feet of commercial and retail space.

At June 30, 2022, we owned a 35% common equity interest in Shurgard Self Storage SA (“Shurgard”), a public company traded on Euronext Brussels under the “SHUR” symbol, which owned 256 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 owned a 41% common equity interest in PS Business Parks, Inc. (“PSB”), a REIT traded on the New York Stock Exchange under the “PSB” symbol, which owned 27 million net rentable square feet of commercial properties, primarily multi-tenant industrial, flex, and office space, located in six states.

Refer to Note 15. Subsequent Events for information regarding PSB’s closed merger transaction with affiliates of Blackstone Real Estate (“Blackstone”) on July 20, 2022, which resulted in the sale of our 41% common equity interest in PSB in its entirety.

2. Basis of Presentation and Summary of Significant Accounting Policies

Basis of Presentation

We have prepared the accompanying interim consolidated financial statements in accordance with U.S. generally accepted accounting principles (“GAAP”) as set forth in the Accounting Standards Codification of the Financial Accounting Standards Board (“FASB”), and in conformity with the rules and regulations of the Securities and Exchange Commission (“SEC”). In our opinion, the interim consolidated financial statements presented herein reflect all adjustments, primarily of a normal recurring nature, that are necessary to present fairly the interim consolidated financial statements. Because they do not include all of the disclosures required by GAAP for complete annual financial statements, these interim consolidated financial statements should be read together with the audited Consolidated Financial Statements and related Notes included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2021.

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 review of our financial statements in accordance with the standards of the Public Company Accounting Oversight Board (U.S.).

Operating results for the three and six months ended June 30, 2022 are not necessarily indicative of the results that may be expected for the year ending December 31, 2022.

Summary of Significant Accounting Policies

There have been no significant changes to the Company’s significant accounting policies described in Note 2, *Basis of Presentation and Summary of Significant Accounting Policies*, in Notes to Consolidated Financial Statements included in Item 8 of Part II of the Company’s Annual Report on Form 10-K for the year ended December 31, 2021.

PUBLIC STORAGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2022
(Unaudited)

3. Real Estate Facilities

Activity in real estate facilities during the six months ended June 30, 2022 is as follows:

	<u>Six Months Ended June 30, 2022</u> (Amounts in thousands)
Operating facilities, at cost:	
Beginning balance	\$ 22,807,833
Capital expenditures to maintain real estate facilities	205,558
Acquisitions	246,274
Dispositions	(383)
Developed or expanded facilities opened for operation	56,266
Ending balance	<u>23,315,548</u>
Accumulated depreciation:	
Beginning balance	(7,773,308)
Depreciation expense	(376,986)
Dispositions	181
Ending balance	<u>(8,150,113)</u>
Construction in process:	
Beginning balance	272,471
Costs incurred to develop and expand real estate facilities	163,855
Developed or expanded facilities opened for operation	(56,266)
Ending balance	<u>380,060</u>
Total real estate facilities at June 30, 2022	<u>\$ 15,545,495</u>

During the six months ended June 30, 2022, we acquired 20 self-storage facilities (1.5 million net rentable square feet of storage space), for a total cost of \$251.3 million, consisting \$231.4 million in cash and \$19.9 million in partnership units in our subsidiary. Approximately \$5.0 million of the total cost was allocated to intangible assets. We completed development and redevelopment activities costing \$56.3 million during the six months ended June 30, 2022, adding 0.4 million net rentable square feet of self-storage space. Construction in process at June 30, 2022 consists of projects to develop new self-storage facilities and expand existing self-storage facilities.

4. Investments in Unconsolidated Real Estate Entities

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

	<u>Investments in Unconsolidated Real Estate Entities at</u>	
	<u>June 30, 2022</u>	<u>December 31, 2021</u>
PSB	\$ 563,041	\$ 515,312
Shurgard	282,853	313,451
Total	<u>\$ 845,894</u>	<u>\$ 828,763</u>

PUBLIC STORAGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2022
(Unaudited)

	Equity in Earnings of Unconsolidated Real Estate Entities for the			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
PSB	\$ 40,124	\$ 20,908	\$ 77,010	\$ 35,384
Shurgard	8,401	8,158	14,939	13,138
Total	\$ 48,525	\$ 29,066	\$ 91,949	\$ 48,522

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 a 41% common equity interest as of June 30, 2022 (41% as of December 31, 2021). The limited partnership units were convertible at our option, subject to certain conditions, on a one-for-one basis into PSB common stock.

Based upon the closing price at June 30, 2022 (\$187.15 per share of PSB common stock), the shares and units we owned had a market value of approximately \$2.7 billion. During each of the six months ended June 30, 2022 and 2021, we received cash distributions from PSB totaling \$30.4 million.

As of June 30, 2022, PSB was a publicly held entity traded on the New York Stock Exchange under the symbol "PSB".

Refer to Note 15. Subsequent Events for information regarding PSB's closed merger transaction with Blackstone on July 20, 2022, which resulted in the sale of our 41% common equity interest in PSB in its entirety.

Investment in Shurgard

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

Based upon the closing price at June 30, 2022 (€44.45 per share of Shurgard common stock, at 1.045 exchange rate of US Dollars to the Euro), the shares we owned had a market value of approximately \$1.5 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 \$0.6 million of intra-entity profits and losses for each of the six months ended June 30, 2022 and 2021, 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 the six months ended June 30, 2022 and 2021, we received cash dividends from Shurgard totaling \$20.1 million and \$21.5 million, respectively.

At June 30, 2022, our 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 \$70.6 million (\$74.7 million at December 31, 2021). 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 \$4.1 million and \$4.4 million during the six months ended June 30, 2022 and 2021, respectively.

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

PUBLIC STORAGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2022
(Unaudited)

5. Goodwill and Other Intangible Assets

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

	At June 30, 2022			At December 31, 2021		
	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	195,114	(130,037)	65,077	198,180	(79,953)	118,227
Total goodwill and other intangible assets	<u>\$ 379,781</u>	<u>\$ (130,037)</u>	<u>\$ 249,744</u>	<u>\$ 382,847</u>	<u>\$ (79,953)</u>	<u>\$ 302,894</u>

Finite-lived intangible assets consist primarily of acquired customers in place. Amortization expense related to intangible assets subject to amortization was \$24.3 million and \$58.2 million for the three and six months ended June 30, 2022, respectively, and \$19.6 million and \$25.7 million in the same periods in 2021. During the six months ended June 30, 2022, intangibles increased \$5.0 million, in connection with the acquisition of self-storage facilities (Note 3).

The estimated future amortization expense for our finite-lived intangible assets at June 30, 2022 is as follows (amounts in thousands):

Year	Amount
Remainder of 2022	\$ 31,787
2023	25,857
Thereafter	7,433
Total	<u>\$ 65,077</u>

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 June 30, 2022). 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 June 30, 2022). At June 30, 2022 and August 4, 2022, we had no outstanding borrowings under this Credit Facility. We had undrawn standby letters of credit, which reduce our borrowing capacity, totaling \$18.5 million at June 30, 2022 (\$21.2 million at December 31, 2021). The Credit Facility has various customary restrictive covenants, with which we were in compliance at June 30, 2022.

PUBLIC STORAGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2022
(Unaudited)

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 June 30, 2022 and December 31, 2021 are set forth in the tables below:

			Amounts at June 30, 2022			
	Coupon Rate	Effective Rate	Principal	Unamortized Costs	Book Value	Fair Value

PUBLIC STORAGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2022
(Unaudited)

	Amounts at December 31, 2021	
	Book Value	Fair Value
	(\$ amounts in thousands)	
<i>U.S. Dollar Denominated Unsecured Debt</i>		
Notes due September 15, 2022	\$ 499,637	\$ 506,362
Notes due April 23, 2024	698,372	700,314
Notes due February 15, 2026	496,939	488,141
Notes due November 9, 2026	645,773	649,996
Notes due September 15, 2027	496,980	535,206
Notes due May 1, 2028	645,724	649,221
Notes due November 9, 2028	546,701	548,241
Notes due May 1, 2029	497,743	545,580
Notes due May 1, 2031	643,617	656,546
Notes due November 9, 2031	546,512	551,932
	5,717,998	5,831,539
<i>Euro Denominated Unsecured Debt</i>		
Notes due April 12, 2024	113,431	117,526
Notes due November 3, 2025	274,518	295,256
Notes due September 9, 2030	784,287	769,561
Notes due January 24, 2032	561,761	551,842
	1,733,997	1,734,185
<i>Mortgage Debt</i>	23,284	24,208
	<u>\$ 7,475,279</u>	<u>\$ 7,589,932</u>

U.S. Dollar Denominated Unsecured Notes

The U.S. Dollar Denominated Unsecured Notes have various financial covenants, with which we were in compliance at June 30, 2022. Included in these covenants are (a) a maximum Debt to Total Assets of 65% (approximately 15% at June 30, 2022) and (b) a minimum ratio of Adjusted EBITDA to Interest Expense of 1.5x (approximately 26x for the twelve months ended June 30, 2022) as well as covenants limiting the amount we can encumber our properties with mortgage debt.

Euro Denominated Unsecured Notes

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

We reflect changes in the U.S. Dollar equivalent of the amount payable including the associated interest, as a result of changes in foreign exchange rates as “Foreign currency exchange gain (loss)” on our income statement (gains of \$102.9 million and \$138.2 million for the three and six months ended June 30, 2022, respectively, as compared to losses of \$12.7 million and gains of \$32.7 million for the three and six months ended June 30, 2021, respectively).

PUBLIC STORAGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2022
(Unaudited)

Mortgage Notes

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

At June 30, 2022, the related contractual interest rates of our mortgage notes are fixed, ranging between 3.2% and 7.1%, and mature between November 1, 2022 and July 1, 2030.

At June 30, 2022, approximate principal maturities of our Notes Payable are as follows (amounts in thousands):

	Unsecured Debt	Mortgage Debt	Total
Remainder of 2022	\$ 500,000	\$ 2,011	\$ 502,011
2023	—	19,219	19,219
2024	804,503	124	804,627
2025	252,911	131	253,042
2026	1,150,000	138	1,150,138
Thereafter	4,654,036	1,189	4,655,225
	<u>\$ 7,361,450</u>	<u>\$ 22,812</u>	<u>\$ 7,384,262</u>
Weighted average effective rate	<u>1.8%</u>	<u>3.9%</u>	<u>1.9%</u>

Cash paid for interest totaled \$66.0 million and \$32.3 million for the six months ended June 30, 2022 and 2021, respectively. Interest capitalized as real estate totaled \$2.6 million and \$1.7 million for the six months ended June 30, 2022 and 2021, 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 June 30, 2022, certain of these subsidiaries have issued 498,107 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 a total of 54,137 partnership units of \$19.9 million issued to third-parties in connection with our acquisition of self-storage properties in the six months ended June 30, 2022.

At March 31, 2022, we had 254,833 partnership units of \$83.8 million classified as redeemable noncontrolling interests outside of total equity in our consolidated balance sheets, because the unitholders of these partnership units had the right to require redemption of their partnership units in cash if common shares of the Company were not publicly listed. In the second quarter of 2022, the related partnership agreements were amended with such cash redemption feature removed from these partnership units. We therefore reclassified \$83.8 million from redeemable noncontrolling interests to noncontrolling interests in total equity during the three months ended June 30, 2022.

PUBLIC STORAGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2022
(Unaudited)

9. Shareholders' Equity

Preferred Shares

At June 30, 2022 and December 31, 2021, we had the following series of Cumulative Preferred Shares ("Preferred Shares") outstanding:

Series	Earliest Redemption Date	Dividend Rate	At June 30, 2022		At December 31, 2021	
			Shares Outstanding	Liquidation Preference	Shares Outstanding	Liquidation Preference
(Dollar amounts in thousands)						
Series F	6/2/2022	5.150 %	11,200	\$ 280,000	11,200	\$ 280,000
Series G	8/9/2022	5.050 %	12,000	300,000	12,000	300,000
Series H	3/11/2024	5.600 %	11,400	285,000	11,400	285,000
Series I	9/12/2024	4.875 %	12,650	316,250	12,650	316,250
Series J	11/15/2024	4.700 %	10,350	258,750	10,350	258,750
Series K	12/20/2024	4.750 %	9,200	230,000	9,200	230,000
Series L	6/17/2025	4.625 %	22,600	565,000	22,600	565,000
Series M	8/14/2025	4.125 %	9,200	230,000	9,200	230,000
Series N	10/6/2025	3.875 %	11,300	282,500	11,300	282,500
Series O	11/17/2025	3.900 %	6,800	170,000	6,800	170,000
Series P	6/16/2026	4.000 %	24,150	603,750	24,150	603,750
Series Q	8/17/2026	3.950 %	5,750	143,750	5,750	143,750
Series R	11/19/2026	4.000 %	17,400	435,000	17,400	435,000
Series S	1/13/2027	4.100 %	10,000	250,000	—	—
Total Preferred Shares			174,000	\$ 4,350,000	164,000	\$ 4,100,000

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 June 30, 2022, there were no dividends in arrears. The affirmative vote of at least 66.67% of the outstanding shares of a series of Preferred Shares is required for any material and adverse amendment to the terms of such series. The affirmative vote of at least 66.67% of the outstanding shares of all of our Preferred Shares, voting as a single class, is required to issue shares ranking senior to our Preferred Shares.

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

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

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.

PUBLIC STORAGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2022
(Unaudited)

Dividends

Common share dividends paid, including amounts paid to our restricted share unitholders, totaled \$351.3 million (\$2.00 per share) and \$350.1 million (\$2.00 per share) for the three months ended June 30, 2022 and 2021, respectively, and \$702.5 million (\$4.00 per share) and \$700.2 million (\$4.00 per share) for the six months ended June 30, 2022 and 2021, respectively. Preferred share dividends paid totaled \$48.7 million and \$46.2 million for the three months ended June 30, 2022 and 2021, respectively, and \$97.0 million and \$92.3 million for the six months ended June 30, 2022 and 2021, respectively.

10. Related Party Transactions

At June 30, 2022, Tamara Hughes Gustavson, a current member of our Board, held less than a 0.1% equity interest in, and is a manager of, a limited liability company that owns 65 self-storage facilities in Canada. Two of Ms. Gustavson's adult children owned the remaining equity interest in the limited liability company. These facilities operate under the Public Storage® tradename, which we license to the owners of these facilities for use in Canada on a royalty-free, non-exclusive basis. We have no ownership interest in these facilities and we do not own or operate any facilities in Canada. If we chose to acquire or develop our own facilities in Canada, we would have to share the use of the Public Storage® name in Canada. We have a right of first refusal, subject to limitations, to acquire the stock or assets of the corporation engaged in the operation of these facilities if their owners agree to sell them. Our subsidiaries reinsure risks relating to loss of goods stored by customers in these facilities, and have received premium payments of approximately \$1.1 million and \$1.0 million for the six months ended June 30, 2022 and 2021, 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 equity awards to trustees, officers, and key employees, including non-qualified options to purchase the Company's common shares, restricted stock units ("RSUs"), deferred stock units ("DSUs"), and unrestricted common stock issued in lieu of trustee compensation.

We recorded share-based compensation expense associated with our equity awards in the various expense categories in the Consolidated Statements of Income as set forth in the following table. In addition, \$1.1 million and \$2.1 million share-based compensation cost was capitalized as real estate facilities for the three and six months ended June 30, 2022, respectively, as compared to \$1.1 million and \$2.2 million for the same periods of 2021, respectively.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
	(Amounts in thousands)			
Self-storage cost of operations	\$ 4,673	\$ 5,401	\$ 9,537	\$ 11,766
Ancillary cost of operations	221	393	487	779
General and administrative	12,034	12,864	20,832	20,544
Total	\$ 16,928	\$ 18,658	\$ 30,856	\$ 33,089

Included in share-based compensation is \$5.3 million and \$9.5 million during the three and six months ended June 30, 2022, respectively, as compared to \$7.2 million and \$11.0 million for the same periods in 2021, of retirement acceleration as discussed in Note 2 to our Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2021.

As of June 30, 2022, there was \$111.3 million of total unrecognized compensation cost related to share-based compensation arrangements. This cost is expected to be recognized over a weighted-average period of three years.

PUBLIC STORAGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2022
(Unaudited)

Stock Options

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

During the six months ended June 30, 2022, 142,683 stock options were granted, 54,466 options were exercised, and no options were forfeited. In addition, we expect an incremental 61,250 stock options to be paid out based on the estimated achievement of performance targets on our multi-year performance-based stock options granted during the six months ended June 30, 2021. A total of 3,189,418 stock options were outstanding at June 30, 2022 (3,039,951 at December 31, 2021).

During the six months ended June 30, 2022, we granted 65,000 stock options in connection with non-management trustee compensation. For the remaining 77,683 stock options granted during the six months ended June 30, 2022, vesting is dependent upon meeting certain market conditions over the three-year period from January 1, 2022 through December 31, 2024, with continued service-based vesting through the first quarter of 2027. These stock options require relative achievement of the Company's total shareholder return as compared to the weighted average total shareholder return of specified peer groups and can result in grantees earning up to 200% of the target options originally granted.

For the three and six months ended June 30, 2022, we incurred share-based compensation cost for outstanding stock options of \$7.7 million and \$11.6 million, respectively, as compared to \$10.6 million and \$15.0 million for the same periods in 2021.

Restricted Share Units

We have service-based, performance-based and market-based RSUs outstanding, which generally vest over 5 to 8 years from the grant date. Upon vesting, the grantee receives new common shares equal to the number of vested RSUs, less common shares withheld to satisfy the grantee's statutory tax liabilities arising from the vesting. During the six months ended June 30, 2022, 26,579 RSUs were granted, 13,552 RSUs were forfeited and 69,515 RSUs vested. The vesting resulted in the issuance of 50,147 common shares. A total of 514,334 RSUs were outstanding at June 30, 2022 (570,822 at December 31, 2021).

Included in the RSUs granted during the six months ended June 30, 2022 are 21,985 RSUs where vesting is dependent upon meeting certain market conditions over a three-year period from January 1, 2022 through December 31, 2024, with continued service-based vesting through the first quarter of 2027. These RSUs require relative achievement of the Company's total shareholder return as compared to the weighted average total shareholder return of the specified peer groups and can result in grantees earning up to 200% of the target RSUs originally granted.

Also included in the RSUs granted during the six months ended June 30, 2022 are 4,594 service-based RSUs.

For the three and six months ended June 30, 2022, we incurred share-based compensation cost for RSUs of \$10.1 million and \$20.9 million, respectively, as compared to \$8.8 million and \$19.8 million for the same periods in 2021.

Trustee Deferral Program

Non-management trustees may elect to receive all or a portion of their cash retainers in cash, shares of unrestricted common stock, or fully-vested DSUs to be settled at a specified future date. Shares of unrestricted stock and/or DSUs will be granted to the non-management trustee on the last day of each calendar quarter based on the cash retainer earned for that quarter and converted into a number of shares or units based on the applicable closing price of our common shares on such date. During the six months ended June 30, 2022, we granted 1,095 DSUs and 195 shares of unrestricted common stock.

PUBLIC STORAGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2022
(Unaudited)

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 stock options outstanding for diluted net income per common share. Potentially dilutive stock options representing 142,683 shares of common stock were excluded from the computation of diluted earnings per share for the three and six months ended June 30, 2022, because their effect would have been antidilutive.

The following table reconciles the numerators and denominators of the basic and diluted net income per common shares computation for the three and six months ended June 30, 2022 and 2021, respectively (in thousands, except per share amounts):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Numerator for basic and dilutive net income per common share – net income allocable to common shareholders	\$ 603,381	\$ 346,249	\$ 1,067,505	\$ 732,059
Denominator for basic net income per share - weighted average common shares outstanding	175,229	174,824	175,200	174,718
Net effect of dilutive stock options - based on treasury stock method	1,083	723	1,125	476
Denominator for dilutive net income per share - weighted average common shares outstanding	<u>176,312</u>	<u>175,547</u>	<u>176,325</u>	<u>175,194</u>
Net income per common share:				
Basic	\$ 3.44	\$ 1.98	\$ 6.09	\$ 4.19
Dilutive	\$ 3.42	\$ 1.97	\$ 6.05	\$ 4.18

PUBLIC STORAGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2022
(Unaudited)

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.

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 Net Operating Income ("NOI") of this reportable segment, as well as the related depreciation expense. For all periods presented, substantially all of our real estate facilities, goodwill and other intangible assets, other assets, and accrued and other liabilities are associated with the Self-Storage Operations reportable segment.

Ancillary Operations

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

Presentation of Segment Information

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
	(amounts in thousands)			
<i>Self-Storage Operations Reportable Segment</i>				
Revenue	\$ 973,286	\$ 776,993	\$ 1,890,301	\$ 1,493,340
Cost of operations	(237,989)	(202,595)	(483,483)	(414,700)
Net operating income	735,297	574,398	1,406,818	1,078,640
Depreciation and amortization	(218,708)	(172,728)	(440,836)	(319,587)
Net income	516,589	401,670	965,982	759,053
<i>Ancillary Operations</i>				
Revenue	58,759	52,322	115,189	103,237
Cost of operations	(17,210)	(15,991)	(32,725)	(32,309)
Net operating income	41,549	36,331	82,464	70,928
Total net income allocated to segments	558,138	438,001	1,048,446	829,981
<i>Other items not allocated to segments:</i>				
General and administrative	(28,831)	(27,740)	(51,900)	(47,314)
Interest and other income	10,279	3,113	13,658	5,965
Interest expense	(32,941)	(21,994)	(66,065)	(37,244)
Equity in earnings of unconsolidated real estate entities	48,525	29,066	91,949	48,522
Foreign currency exchange gain (loss)	101,723	(12,707)	137,100	32,678
Gain on sale of real estate	—	3,991	—	13,404
Net income	\$ 656,893	\$ 411,730	\$ 1,173,188	\$ 845,992

PUBLIC STORAGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2022
(Unaudited)

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 June 30, 2022, there were approximately 1.2 million certificates held by our self-storage customers, representing aggregate coverage of approximately \$5.5 billion.

Commitments

We have construction commitments representing future expected payments for construction under contract totaling \$267.5 million at June 30, 2022. We expect to pay approximately \$155.7 million in the remainder of 2022, \$106.1 million in 2023 and \$5.7 million in 2024 for these construction commitments.

We have future contractual payments on land, equipment and office space under various lease commitments totaling \$64.9 million at June 30, 2022. We expect to pay approximately \$1.4 million in the remainder of 2022, \$3.1 million in each of 2023, 2024 and 2025, \$3.0 million in 2026 and \$51.2 million thereafter for these commitments.

15. Subsequent Events

Subsequent to June 30, 2022, we acquired or were under contract to acquire 24 self-storage facilities across ten states with 1.7 million net rentable square feet, for \$257.4 million. Additionally, on July 8, 2022, we acquired the commercial interests of PSB at three sites, totaling five properties, jointly occupied with our self-storage facilities located in Maryland and Virginia, for \$47.0 million.

On April 24, 2022, PSB entered into an Agreement and Plan of Merger whereby affiliates of Blackstone agreed to acquire all outstanding shares of PSB's common stock for \$187.50 per share in cash. On July 20, 2022, PSB announced that it completed the merger transaction with Blackstone. Each share of PSB common stock and each common unit of partnership interest we held in PSB were converted into the right to receive the merger consideration of \$187.50 per share or unit and a \$0.22 prorated quarterly cash dividend per share or unit, for a total of \$187.72 per share or unit. At the close of the merger transaction, we received a total of \$2.7 billion of cash proceeds and recognized a \$2.1 billion gain on the sale of our equity investment in PSB in the Consolidated Statement of Income for the third quarter of 2022.

In connection with the sale of our equity investment in PSB, on July 22, 2022, our Board of Trustees declared a special cash dividend of \$13.15 per common share. The special dividend is payable on August 4, 2022 to shareholders of record as of August 1, 2022.

On July 26, 2022, the Company called for redemption on August 15, 2022 its 2.370% Senior Notes, with an aggregate outstanding principal amount of \$500.0 million, due September 15, 2022.

ITEM 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

Cautionary Statement Regarding Forward Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements include statements relating to our 2022 outlook and all underlying assumptions, our expected acquisition, disposition, development and redevelopment activity, supply and demand for our self-storage facilities, information relating to operating trends in our markets, expectations regarding operating expenses, including property tax changes, our strategic priorities, expectations with respect to financing activities, rental rates, cap rates and yields, leasing expectations, our credit ratings, and all other statements other than statements of historical fact. Such statements are based on management’s beliefs and assumptions made based on information currently available to management. All statements in this document, other than statements of historical fact, are forward-looking statements that may be identified by the use of the words “outlook,” “guidance,” “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. Factors and risks that may impact future results and performance include, but are not limited to those factors and risks described in Part 1, Item 1A, “Risk Factors” in our most recent Annual Report on Form 10-K for the year ended December 31, 2021 filed with the Securities and Exchange Commission (the “SEC”) on February 22, 2022 and in our other filings with the SEC including. 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, international military conflicts, or similar events impacting public health and/or economic activity, increases in the costs of our primary customer acquisition channels, adverse impacts to us and our customers from inflation, unfavorable foreign currency rate fluctuations, changes in federal or state tax laws related to the taxation of REITs, and 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 because 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.

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.

During the six months ended June 30, 2022, there were no material changes to our critical accounting estimates as compared to the critical accounting estimates disclosed in Management’s Discussion and Analysis of Financial Condition and Results of Operations contained in Part II, Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2021.

Overview

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

During the three and six months ended June 30, 2022, revenues generated by our Same Store Facilities increased by 15.9% (\$108.4 million) and 15.9% (\$210.5 million), respectively, as compared to the same periods in 2021, while Same Store cost of operations increased by 7.6% (\$12.7 million) and 5.5% (\$19.2 million), respectively. Demand and operating trends remained strong, leading to increases in our self-storage rental rates 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. Since the beginning of 2020, we acquired a total of 314 facilities with 28.4 million net rentable square feet for \$6.2 billion. In our non-same store portfolio, we also have developed and expanded self-storage facilities of 16.9 million net rentable square feet for a total cost of \$1.4 billion. During the three and six months ended June 30, 2022, net operating income generated by our Acquired Facilities and Newly Developed and Expanded Facilities increased 121.5% (\$59.9 million) and 165.1% (\$127.8 million), respectively, as compared to the same periods in 2021.

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

Our strong financial profile continues to enable effective access to capital markets in order to support our growth. During the six months ended June 30, 2022, we raised \$250 million in a public offering of our preferred shares.

In order to enhance the competitive position of certain of our facilities relative to local competitors (including newly developed facilities), we have embarked on our multi-year Property of Tomorrow program to (i) rebrand our properties with more pronounced, attractive, and clearly identifiable color schemes and signage, (ii) enhance the energy efficiency of our properties, and (iii) upgrade the configuration and layout of the offices and other customer zones to improve the customer experience. We expect to complete the program by the end of 2025. We expect to spend approximately \$180 million over 2022 on this effort.

On April 24, 2022, PSB entered into an Agreement and Plan of Merger whereby affiliates of Blackstone agreed to acquire all outstanding shares of PSB's common stock for \$187.50 per share in cash. On July 20, 2022, PSB announced that it completed the merger transaction with Blackstone. Each share of PSB common stock and each common unit of partnership interest we held in PSB were converted into the right to receive the merger consideration of \$187.50 per share or unit and a \$0.22 prorated quarterly cash dividend per share or unit, for a total of \$187.72 per share or unit. At the close of the merger transaction, we received a total of \$2.7 billion of cash proceeds and recognized a \$2.1 billion gain on the sale of our equity investment in PSB in the Consolidated Statement of Income for the third quarter of 2022.

In connection with the sale of our equity investment in PSB, on July 22, 2022, our Board of Trustees declared a special cash dividend of \$13.15 per common share. The special dividend is payable on August 4, 2022 to shareholders of record as of August 1, 2022.

Results of Operations

Operating Results for the Three Months Ended June 30, 2022 and 2021

For the three months ended June 30, 2022, net income allocable to our common shareholders was \$603.4 million or \$3.42 per diluted common share, compared to \$346.2 million or \$1.97 per diluted common share in 2021, representing an increase of \$257.2 million or \$1.45 per diluted common share. The increase is due primarily to (i) a \$160.9 million increase in self-storage net operating income, (ii) a \$114.4 million increase in foreign currency exchange gains primarily associated with our Euro denominated notes payable, (iii) a \$21.1 million increase in our equity share of gains on sale of real estate recorded by our unconsolidated real estate entities, and (iv) a \$17.0 million decrease in allocations to preferred shareholders with respect to redemption of preferred shares, partially offset by (v) a \$46.0 million increase in depreciation and amortization expense and (vi) a \$10.9 million increase in interest expense.

The \$160.9 million increase in self-storage net operating income in the three months ended June 30, 2022 as compared to the same period in 2021 is a result of a \$95.7 million increase attributable to our Same Store Facilities and a \$65.2 million increase attributable to our non-same store facilities. Revenues for the Same Store Facilities increased 15.9% or \$108.4 million in the three months ended June 30, 2022 as compared to 2021, due primarily to higher realized annual rent per available square foot. Cost of operations for the Same Store Facilities increased by 7.6% or \$12.7 million in the three months ended June 30, 2022 as compared to 2021, due primarily to increased property tax expense, on-site property manager payroll expense, marketing expense, other direct property costs, and centralized management costs. The increase in net operating income of \$65.2 million for the non-same store facilities is due primarily to the impact of facilities acquired in 2021 and the fill-up of recently developed and expanded facilities.

Operating Results for the Six Months Ended June 30, 2022 and 2021

For the six months ended June 30, 2022, net income allocable to our common shareholders was \$1,067.5 million or \$6.05 per diluted common share, compared to \$732.1 million or \$4.18 per diluted common share in 2021, representing an increase of \$335.4 million or \$1.87 per diluted common share. The increase is due primarily to (i) a \$328.2 million increase in self-storage net operating income, (ii) a \$104.4 million increase in foreign currency exchange gains primarily associated with our Euro denominated notes payable, (iii) a \$44.7 million increase in our equity share of gains on sale of real estate recorded by our unconsolidated real estate entities, and (iv) a \$17.0 million decrease in allocations to preferred shareholders with respect to redemption of preferred shares, partially offset by (v) a \$121.2 million increase in depreciation and amortization expense and (vi) a \$28.8 million increase in interest expense.

The \$328.2 million increase in self-storage net operating income in the six months ended June 30, 2022 as compared to the same period in 2021 is a result of a \$191.3 million increase attributable to our Same Store Facilities and a \$136.9 million increase attributable to our non-same store facilities. Revenues for the Same Store Facilities increased 15.9% or \$210.5 million in the six months ended June 30, 2022 as compared to 2021, due primarily to higher realized annual rent per available square foot. Cost of operations for the Same Store Facilities increased by 5.5% or \$19.2 million in the six months ended June 30, 2022 as compared to 2021, due primarily to increased property tax expense, on-site property manager payroll expense, other direct property costs, and centralized management costs. The increase in net operating income of \$136.9 million for the non-same store facilities is due primarily to the impact of facilities acquired in 2021 and the fill-up of recently developed and expanded facilities.

Funds from Operations and Core Funds from Operations

Funds from Operations (“FFO”) and FFO per share are non-GAAP measures defined by 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 three months ended June 30, 2022, FFO was \$4.58 per diluted common share as compared to \$2.99 per diluted common share for the same period in 2021, representing an increase of 53.2%, or \$1.59 per diluted common share.

For the six months ended June 30, 2022, FFO was \$8.41 per diluted common share as compared to \$6.07 per diluted common share for the same period in 2021, representing an increase of 38.6%, or \$2.34 per diluted common share.

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, unrealized gain on private equity investments and our equity share of merger transaction costs, severance of a senior executive, and casualties from our equity investees. We review Core FFO and Core FFO per share to evaluate our ongoing operating performance and we believe they are used by investors and REIT analysts in a similar manner. However, Core FFO and Core FFO per share are not substitutes for net income and net income per share. Because other REITs may not compute Core FFO or Core FFO per share in the same manner as we do, may not use the same terminology or may not present such measures, Core FFO and Core FFO per share may not be comparable among REITs.

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

	Three Months Ended June 30,			Six Months Ended June 30,		
	2022	2021	Percentage Change	2022	2021	Percentage Change
(Amounts in thousands, except per share data)						
<u>Reconciliation of Net Income to FFO and Core FFO:</u>						
Net income allocable to common shareholders	\$ 603,381	\$ 346,249	74.3 %	\$ 1,067,505	\$ 732,059	45.8 %
Eliminate items excluded from FFO:						
Depreciation and amortization	217,373	171,738		438,168	317,607	
Depreciation from unconsolidated real estate investments	17,566	17,343		34,386	35,276	
Depreciation allocated to noncontrolling interests and restricted share unitholders	(1,533)	(1,124)		(3,190)	(2,095)	
Gains on sale of real estate investments, including our equity share from investments	(29,306)	(9,197)		(53,184)	(18,584)	
FFO allocable to common shares	\$ 807,481	\$ 525,009	53.8 %	\$ 1,483,685	\$ 1,064,263	39.4 %
Eliminate the impact of items excluded from Core FFO, including our equity share from investments:						
Foreign currency exchange (gain) loss	(101,723)	12,707		(137,100)	(32,678)	
Preferred share redemption charge	—	16,989		—	16,989	
Other items	(1,781)	(2,194)		766	(2,543)	
Core FFO allocable to common shares	\$ 703,977	\$ 552,511	27.4 %	\$ 1,347,351	\$ 1,046,031	28.8 %
<u>Reconciliation of Diluted Earnings per Share to FFO per Share and Core FFO per Share:</u>						
Diluted Earnings per share	\$ 3.42	\$ 1.97	73.6 %	\$ 6.05	\$ 4.18	44.7 %
Eliminate amounts per share excluded from FFO:						
Depreciation and amortization	1.32	1.07		2.66	2.00	
Gains on sale of real estate investments, including our equity share from investments	(0.16)	(0.05)		(0.30)	(0.11)	
FFO per share	\$ 4.58	\$ 2.99	53.2 %	\$ 8.41	\$ 6.07	38.6 %
Eliminate the per share impact of items excluded from Core FFO, including our equity share from investments:						
Foreign currency exchange (gain) loss	(0.58)	0.07		(0.78)	(0.19)	
Preferred share redemption charge	—	0.10		—	0.10	
Other items	(0.01)	(0.01)		0.01	(0.01)	
Core FFO per share	\$ 3.99	\$ 3.15	26.7 %	\$ 7.64	\$ 5.97	28.0 %
Diluted weighted average common shares	176,312	175,547		176,325	175,194	

Analysis of Net Income - Self-Storage Operations

Our self-storage operations are analyzed in four groups: (i) the 2,282 facilities that we have owned and operated on a stabilized basis since January 1, 2020 (the “Same Store Facilities”), (ii) 314 facilities we acquired since January 1, 2020 (the “Acquired Facilities”), (iii) 145 facilities that have been newly developed or expanded, or that will commence expansion by December 31, 2022 (the “Newly Developed and Expanded Facilities”), and (iv) 66 other facilities, which are otherwise not stabilized with respect to occupancies or rental rates since January 1, 2020 (the “Other Non-same Store Facilities”). See Note 13 to our June 30, 2022 consolidated financial statements “Segment Information,” for a reconciliation of the amounts in the tables below to our total net income.

Self-Storage Operations

Summary

	Three Months Ended June 30,			Six Months Ended June 30,		
	2022	2021	Percentage Change	2022	2021	Percentage Change
(Dollar amounts and square footage in thousands)						
Revenues:						
Same Store Facilities	\$ 788,938	\$ 680,542	15.9 %	\$ 1,538,208	\$ 1,327,742	15.9 %
Acquired Facilities	95,498	32,372	195.0 %	181,869	43,495	318.1 %
Newly Developed and Expanded Facilities	65,899	46,214	42.6 %	125,975	87,691	43.7 %
Other Non-Same Store Facilities	22,951	17,865	28.5 %	44,249	34,412	28.6 %
	<u>973,286</u>	<u>776,993</u>	<u>25.3 %</u>	<u>1,890,301</u>	<u>1,493,340</u>	<u>26.6 %</u>
Cost of operations:						
Same Store Facilities	180,331	167,653	7.6 %	368,260	349,072	5.5 %
Acquired Facilities	32,860	11,961	174.7 %	63,891	19,138	233.8 %
Newly Developed and Expanded Facilities	19,304	17,300	11.6 %	38,721	34,635	11.8 %
Other Non-Same Store Facilities	5,494	5,681	(3.3)%	12,611	11,855	6.4 %
	<u>237,989</u>	<u>202,595</u>	<u>17.5 %</u>	<u>483,483</u>	<u>414,700</u>	<u>16.6 %</u>
Net operating income (a):						
Same Store Facilities	608,607	512,889	18.7 %	1,169,948	978,670	19.5 %
Acquired Facilities	62,638	20,411	206.9 %	117,978	24,357	384.4 %
Newly Developed and Expanded Facilities	46,595	28,914	61.2 %	87,254	53,056	64.5 %
Other Non-Same Store Facilities	17,457	12,184	43.3 %	31,638	22,557	40.3 %
Total net operating income	<u>735,297</u>	<u>574,398</u>	<u>28.0 %</u>	<u>1,406,818</u>	<u>1,078,640</u>	<u>30.4 %</u>
Depreciation and amortization expense:						
Same Store Facilities	(116,780)	(111,481)	4.8 %	(230,031)	(222,143)	3.6 %
Acquired Facilities	(76,255)	(38,591)	97.6 %	(160,720)	(50,064)	221.0 %
Newly Developed and Expanded Facilities	(14,781)	(13,243)	11.6 %	(29,409)	(28,512)	3.1 %
Other Non-Same Store Facilities	(10,892)	(9,413)	15.7 %	(20,676)	(18,868)	9.6 %
Total depreciation and amortization expense	<u>(218,708)</u>	<u>(172,728)</u>	<u>26.6 %</u>	<u>(440,836)</u>	<u>(319,587)</u>	<u>37.9 %</u>
Net income (loss):						
Same Store Facilities	491,827	401,408	22.5 %	939,917	756,527	24.2 %
Acquired Facilities	(13,617)	(18,180)	(25.1)%	(42,742)	(25,707)	66.3 %
Newly Developed and Expanded Facilities	31,814	15,671	103.0 %	57,845	24,544	135.7 %
Other Non-Same Store Facilities	6,565	2,771	136.9 %	10,962	3,689	197.2 %
Total net income	<u>\$ 516,589</u>	<u>\$ 401,670</u>	<u>28.6 %</u>	<u>\$ 965,982</u>	<u>\$ 759,053</u>	<u>27.3 %</u>
Number of facilities at period end:						
Same Store Facilities				2,282	2,282	—
Acquired Facilities				314	161	95.0 %
Newly Developed and Expanded Facilities				145	140	3.6 %
Other Non-Same Store Facilities				66	66	—
				<u>2,807</u>	<u>2,649</u>	<u>6.0 %</u>
Net rentable square footage at period end:						
Same Store Facilities				149,476	149,476	—
Acquired Facilities				28,400	13,223	114.8 %
Newly Developed and Expanded Facilities				16,898	15,531	8.8 %
Other Non-Same Store Facilities				5,309	5,280	0.5 %
				<u>200,083</u>	<u>183,510</u>	<u>9.0 %</u>

- (a) Net operating income or “NOI” is a non-GAAP financial measure that excludes the impact of depreciation and amortization expense, which is based upon historical real estate costs and assumes that building values diminish ratably over time, while we believe that real estate values fluctuate due to market conditions. We utilize NOI in determining current property values, evaluating property performance, and 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 June 30, 2022 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, 2020. The composition of our Same Store Facilities allows us more effectively to evaluate the ongoing performance of our self-storage portfolio in 2020, 2021, and 2022 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 2,282 facilities (149.5 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 June 30, 2022. 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 (2,282 facilities)

	Three Months Ended June 30,			Six Months Ended June 30,		
	2022	2021	Percentage Change	2022	2021	Percentage Change
(Dollar amounts in thousands, except for per square foot data)						
Revenues (a):						
Rental income	\$ 765,081	\$ 661,345	15.7%	\$ 1,490,514	\$ 1,288,497	15.7%
Late charges and administrative fees	23,857	19,197	24.3%	47,694	39,245	21.5%
Total revenues	788,938	680,542	15.9%	1,538,208	1,327,742	15.9%
Direct cost of operations (a):						
Property taxes	71,227	67,484	5.5%	141,231	134,266	5.2%
On-site property manager payroll	29,531	25,650	15.1%	60,231	54,394	10.7%
Repairs and maintenance	13,255	13,107	1.1%	28,745	26,128	10.0%
Utilities	10,143	9,379	8.1%	21,589	20,175	7.0%
Marketing	8,648	6,863	26.0%	19,888	21,473	(7.4)%
Other direct property costs	20,253	18,311	10.6%	40,319	36,675	9.9%
Total direct cost of operations	153,057	140,794	8.7%	312,003	293,111	6.4%
Direct net operating income (b)	635,881	539,748	17.8%	1,226,205	1,034,631	18.5%
Indirect cost of operations (a):						
Supervisory payroll	(8,739)	(9,214)	(5.2)%	(18,306)	(19,544)	(6.3)%
Centralized management costs	(14,767)	(13,091)	12.8%	(30,324)	(26,328)	15.2%
Share-based compensation	(3,768)	(4,554)	(17.3)%	(7,627)	(10,089)	(24.4)%
Net operating income	608,607	512,889	18.7%	1,169,948	978,670	19.5%
Depreciation and amortization expense	(116,780)	(111,481)	4.8%	(230,031)	(222,143)	3.6%
Net income	\$ 491,827	\$ 401,408	22.5%	\$ 939,917	\$ 756,527	24.2%
Gross margin (before indirect costs, depreciation and amortization expense)	80.6%	79.3%	1.6%	79.7%	77.9%	2.3%
Gross margin (before depreciation and amortization expense)	77.1%	75.4%	2.3%	76.1%	73.7%	3.3%
Weighted average for the period:						
Square foot occupancy	95.8%	97.0%	(1.2)%	95.7%	96.3%	(0.6)%
Realized annual rental income per (c):						
Occupied square foot	\$ 21.37	\$ 18.23	17.2%	\$ 20.83	\$ 17.89	16.4%
Available square foot	\$ 20.47	\$ 17.69	15.7%	\$ 19.94	\$ 17.23	15.7%
At June 30:						
Square foot occupancy				94.8%	96.5%	(1.8)%
Annual contract rent per occupied square foot (d)				\$ 21.92	\$ 18.67	17.4%

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

Analysis of Same Store Revenue

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

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

Revenues generated by our Same Store Facilities increased 15.9% in each of the three and six months ended June 30, 2022, as compared to the same periods in 2021, due primarily to a 17.2% and 16.4% increase in realized annual rent per occupied square foot for the three and six months ended June 30, 2022, respectively, as compared to the same periods in 2021.

Our growth in revenues, realized annual rent per occupied square foot, and REVPAF for the three and six months ended June 30, 2022 as compared to the same periods in 2021 was evident in each of our markets. Our weighted average square foot occupancy remained strong across our markets for the three and six months ended June 30, 2022.

The increase of realized annual rent per occupied square foot in the three and six months ended June 30, 2022 as compared to the same periods in 2021 was due to rate increases to existing long-term tenants in substantially all of our markets in 2022 as compared to curtailed increases in certain markets in 2021, combined with a 12.3% and 14.0% increase in average rates per square foot charged to new tenants moving in during the three and six months ended June 30, 2022 as compared to the same periods in 2021, as a result of strong customer demand across all markets. At June 30, 2022, annual contract rent per occupied square foot was 17.4% higher as compared to June 30, 2021.

We experienced high occupancy levels throughout the first six months of 2022, although our average square foot occupancy levels decreased 1.2% and 0.6% on a year over year basis during the three and six months ended June 30, 2022, respectively. Year over year move-out volumes increased 9.4% and 7.2% and year over year move-in volumes increased 2.7% and decreased 1.2% in the three and six months ended June 30, 2022, respectively, leading to a lower square foot occupancy at June 30, 2022 of 94.8% as compared to 96.5% at June 30, 2021. In addition, during the quarter ended June 30, 2022, move-out volumes exceeded move-in volumes resulting in lower occupancy at June 30, 2022 compared to March 31, 2022.

Move-out volumes were partially impacted by rental rates increases to our existing tenants in the three and six months ended June 30, 2022 as compared to the same periods in 2021. However, move-out activity from tenants not receiving increases was also higher in 2022 compared to the same periods in 2021 but remains below pre-2020 levels. Average length of stay of our tenants increased in the three and six months ended June 30, 2022 as compared to the same

periods in 2021, which supports our revenue growth by contributing to the number of tenants eligible for rental rate increases.

In order to attract more new tenants to replace those that vacated in the quarter ended June 30, 2022, we took a number of actions including increasing promotional discounting, moderating the year over year growth of rental rates to new customers and increasing marketing expense.

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 for the remainder of 2022 supported by consistently high customer demand and a stable tenant base leading to increasing realized annual rent per occupied square foot while maintaining a high level of occupancy.

Late Charges and Administrative Fees

Late charges and administrative fees increased 24.3% and 21.5% for the three and six months ended June 30, 2022, respectively, as compared to the same periods in 2021, due to (i) higher late charges collected on delinquent accounts driven by more delinquent accounts compared to the same periods in 2021 and to a lesser extent (ii) higher administrative fees charged per move-in.

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 three and six months ended June 30, 2022 and 2021. It also includes promotional discounts, which vary based upon the move-in contractual rates, move-in volume, and percentage of tenants moving in who receive the discount.

	Three Months Ended June 30,			Six Months Ended June 30,		
	2022	2021	Change	2022	2021	Change
(Amounts in thousands, except for per square foot amounts)						
Tenants moving in during the period:						
Average annual contract rent per square foot	\$ 19.56	\$ 17.41	12.3%	\$ 18.37	\$ 16.12	14.0%
Square footage	23,916	23,288	2.7%	47,283	47,850	(1.2)%
Contract rents gained from move-ins	\$ 116,949	\$ 101,361	15.4%	\$ 434,294	\$ 385,671	12.6%
Promotional discounts given	\$ 9,665	\$ 7,735	25.0%	\$ 19,004	\$ 24,312	(21.8)%
Tenants moving out during the period:						
Average annual contract rent per square foot	\$ 20.29	\$ 16.92	19.9%	\$ 19.84	\$ 16.57	19.7%
Square footage	24,324	22,236	9.4%	47,253	44,085	7.2%
Contract rents lost from move-outs	\$ 123,383	\$ 94,058	31.2%	\$ 468,750	\$ 365,244	28.3%

Analysis of Same Store Cost of Operations

Cost of operations (excluding depreciation and amortization) increased 7.6% and 5.5% in the three and six months ended June 30, 2022, respectively, as compared to the same periods in 2021. The increase during the three-month period is due primarily to increased property tax expense, on-site property manager payroll expense, marketing expense, other direct property costs and centralized management costs, while the increase during the six-month period is due primarily to increased property tax expense, on-site property manager payroll expense, other direct property costs and centralized management costs.

Property tax expense increased 5.5% and 5.2% in the three and six months ended June 30, 2022, respectively, as compared to the same periods in 2021, as a result of higher recently assessed values.

On-site property manager payroll expense increased 15.1% and 10.7% in the three and six months ended June 30, 2022, respectively, as compared to the same periods in 2021. The increase is primarily due to wage increases effective in late 2021 in response to competitive labor conditions experienced in most geographical markets, partially offset by a year-over-year decline in hours worked due to staffing reductions from revisions to other operational processes. We expect on-site property manager payroll expense to increase, to a lesser extent, in the remainder of 2022 as compared to 2021 due in part to continued competitive labor conditions.

Marketing expense includes Internet advertising and the operating costs of our telephone reservation center. Internet advertising expense, comprising keyword search fees assessed on a “per click” basis, varies based upon demand for self-storage space, the quantity of people inquiring about self-storage through online search, occupancy levels, the number and aggressiveness of bidding competitors, and other factors. These factors are volatile; accordingly, Internet advertising can increase or decrease significantly in the short-term. We increased marketing expense by 26.0% in the three months ended June 30, 2022 as compared to the same period in 2021 by a utilizing higher volume of online paid search programs to attract new tenants. Combined with the first quarter of 2022, marketing expense decreased by 7.4% on a year over year basis in the six months ended June 30, 2022.

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 10.6% and 9.9% in the three and six months ended June 30, 2022, respectively, as compared to 2021. The increase was due primarily to an increase in credit card fees as result of a long-term trend of more customers paying with credit cards rather than cash, checks, or other methods of payment with lower transaction costs.

Centralized management costs represents administrative and cash compensation expenses for shared general corporate functions to the extent their efforts are devoted to self-storage operations. Such functions include information technology support, hardware, and software, as well as centralized administration of payroll, benefits, training, facilities management, customer service, pricing and marketing, operational accounting and finance, and legal costs. Centralized management costs increased 12.8% and 15.2% in the three and six months ended June 30, 2022, respectively, as compared to the same periods in 2021. The increase was due primarily to an increase in technology and data team costs that support property operations. We expect increases in centralized management costs in the remainder of 2022 due to continued investment in our technology and data platforms that support our property operations.

Analysis of Market Trends

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

Same Store Facilities Operating Trends by Market

	As of June 30, 2022		Three Months Ended June 30,								
	Number of Facilities	Square Feet (millions)	Realized Rent per Occupied Square Foot			Average Occupancy			Realized Rent per Available Square Foot		
			2022	2021	Change	2022	2021	Change	2022	2021	Change
Los Angeles	212	15.3	\$ 31.88	\$ 26.97	18.2 %	97.2 %	98.3 %	(1.1)%	\$ 30.98	\$ 26.52	16.8 %
San Francisco	128	7.8	31.22	27.74	12.5 %	95.8 %	97.7 %	(1.9)%	29.91	27.11	10.3 %
New York	90	6.4	29.99	26.91	11.4 %	95.3 %	96.9 %	(1.7)%	28.59	26.08	9.6 %
Miami	83	5.8	27.54	21.66	27.1 %	96.6 %	97.4 %	(0.8)%	26.60	21.09	26.1 %
Seattle-Tacoma	86	5.7	24.75	21.54	14.9 %	95.3 %	96.3 %	(1.0)%	23.59	20.74	13.7 %
Washington DC	90	5.5	25.09	22.16	13.2 %	94.3 %	96.4 %	(2.2)%	23.67	21.36	10.8 %
Dallas-Ft. Worth	106	7.0	17.02	14.33	18.8 %	95.6 %	96.8 %	(1.2)%	16.26	13.88	17.1 %
Atlanta	101	6.6	17.10	14.02	22.0 %	95.2 %	96.8 %	(1.7)%	16.27	13.57	19.9 %
Chicago	129	8.1	18.88	16.15	16.9 %	95.3 %	96.8 %	(1.5)%	17.98	15.64	15.0 %
Houston	95	6.8	15.58	13.24	17.7 %	94.5 %	95.1 %	(0.6)%	14.72	12.59	16.9 %
Orlando-Daytona	70	4.5	17.47	14.39	21.4 %	96.8 %	97.0 %	(0.2)%	16.91	13.95	21.2 %
Philadelphia	56	3.5	20.60	18.06	14.1 %	95.8 %	97.8 %	(2.0)%	19.72	17.66	11.7 %
West Palm Beach	37	2.6	25.03	20.59	21.6 %	96.6 %	97.2 %	(0.6)%	24.19	20.02	20.8 %
Tampa	51	3.4	18.53	15.02	23.4 %	95.5 %	96.5 %	(1.0)%	17.70	14.50	22.1 %
Charlotte	50	3.8	14.72	12.08	21.9 %	95.8 %	96.3 %	(0.5)%	14.10	11.63	21.2 %
All other markets	898	56.7	17.68	15.13	16.9 %	95.8 %	97.0 %	(1.2)%	16.94	14.67	15.5 %
Totals	2,282	149.5	\$ 21.37	\$ 18.23	17.2 %	95.8 %	97.0 %	(1.2)%	\$ 20.47	\$ 17.69	15.7 %

Same Store Facilities Operating Trends by Market (Continued)

	Three Months Ended June 30,											
	Revenues (\$000's)			Direct Expenses (\$000's)			Indirect Expenses (\$000's)			Net Operating Income (\$000's)		
	2022	2021	Change	2022	2021	Change	2022	2021	Change	2022	2021	Change
Los Angeles	\$ 120,804	\$ 103,244	17.0 %	\$ 15,214	\$ 13,767	10.5 %	\$ 2,733	\$ 2,618	4.4 %	\$ 102,857	\$ 86,859	18.4 %
San Francisco	59,564	53,845	10.6 %	8,364	7,847	6.6 %	1,724	1,604	7.5 %	49,476	44,394	11.4 %
New York	47,217	42,970	9.9 %	11,246	10,089	11.5 %	1,339	1,309	2.3 %	34,632	31,572	9.7 %
Miami	39,968	31,745	25.9 %	6,816	6,392	6.6 %	1,005	1,009	(0.4)%	32,147	24,344	32.1 %
Seattle-Tacoma	34,489	30,235	14.1 %	5,612	5,408	3.8 %	936	986	(5.1)%	27,941	23,841	17.2 %
Washington DC	33,725	30,361	11.1 %	6,744	6,511	3.6 %	1,037	971	6.8 %	25,944	22,879	13.4 %
Dallas-Ft. Worth	29,424	25,063	17.4 %	6,365	5,825	9.3 %	1,131	1,167	(3.1)%	21,928	18,071	21.3 %
Atlanta	28,272	23,539	20.1 %	5,608	4,746	18.2 %	1,171	1,245	(5.9)%	21,493	17,548	22.5 %
Chicago	37,804	32,809	15.2 %	14,004	11,767	19.0 %	1,436	1,432	0.3 %	22,364	19,610	14.0 %
Houston	25,947	22,124	17.3 %	7,262	6,966	4.2 %	1,004	1,100	(8.7)%	17,681	14,058	25.8 %
Orlando-Daytona	19,544	16,141	21.1 %	3,646	3,321	9.8 %	859	832	3.2 %	15,039	11,988	25.5 %
Philadelphia	18,072	16,121	12.1 %	3,836	3,878	(1.1)%	675	657	2.7 %	13,561	11,586	17.0 %
West Palm Beach	16,415	13,557	21.1 %	3,167	2,777	14.0 %	474	498	(4.8)%	12,774	10,282	24.2 %
Tampa	15,527	12,722	22.0 %	3,114	2,788	11.7 %	593	611	(2.9)%	11,820	9,323	26.8 %
Charlotte	13,978	11,506	21.5 %	2,271	2,071	9.7 %	547	544	0.6 %	11,160	8,891	25.5 %
All other markets	248,188	214,560	15.7 %	49,788	46,641	6.7 %	10,610	10,276	3.3 %	187,790	157,643	19.1 %
Totals	\$ 788,938	\$ 680,542	15.9 %	\$ 153,057	\$ 140,794	8.7 %	\$ 27,274	\$ 26,859	1.5 %	\$ 608,607	\$ 512,889	18.7 %

Same Store Facilities Operating Trends by Market (Continued)

	As of June 30, 2022		Six Months Ended June 30,								
	Number of Facilities	Square Feet (millions)	Realized Rent per Occupied Square Foot			Average Occupancy			Realized Rent per Available Square Foot		
			2022	2021	Change	2022	2021	Change	2022	2021	Change
Los Angeles	212	15.3	\$ 30.66	\$ 26.66	15.0 %	97.5 %	98.1 %	(0.6)%	\$ 29.88	\$ 26.15	14.3 %
San Francisco	128	7.8	30.55	27.35	11.7 %	95.9 %	97.6 %	(1.7)%	29.31	26.70	9.8 %
New York	90	6.4	29.47	26.65	10.6 %	95.4 %	96.4 %	(1.0)%	28.13	25.70	9.5 %
Miami	83	5.8	26.68	21.06	26.7 %	96.7 %	96.9 %	(0.2)%	25.81	20.40	26.5 %
Seattle-Tacoma	86	5.7	24.18	21.07	14.8 %	95.1 %	95.6 %	(0.5)%	23.01	20.14	14.3 %
Washington DC	90	5.5	24.61	21.76	13.1 %	94.2 %	95.8 %	(1.7)%	23.18	20.84	11.2 %
Dallas-Ft. Worth	106	7.0	16.60	13.96	18.9 %	95.4 %	95.8 %	(0.4)%	15.84	13.37	18.5 %
Atlanta	101	6.6	16.63	13.68	21.6 %	95.0 %	95.7 %	(0.7)%	15.80	13.09	20.7 %
Chicago	129	8.1	18.44	15.79	16.8 %	94.9 %	95.8 %	(0.9)%	17.50	15.13	15.7 %
Houston	95	6.8	15.23	12.96	17.5 %	94.3 %	94.3 %	— %	14.36	12.22	17.5 %
Orlando-Daytona	70	4.5	16.98	14.06	20.8 %	96.5 %	96.1 %	0.4 %	16.38	13.52	21.2 %
Philadelphia	56	3.5	20.21	17.77	13.7 %	95.9 %	97.3 %	(1.4)%	19.38	17.29	12.1 %
West Palm Beach	37	2.6	24.34	19.93	22.1 %	96.8 %	96.8 %	— %	23.56	19.29	22.1 %
Tampa	51	3.4	18.07	14.57	24.0 %	95.6 %	96.1 %	(0.5)%	17.28	13.99	23.5 %
Charlotte	50	3.8	14.32	11.74	22.0 %	95.7 %	95.6 %	0.1 %	13.70	11.22	22.1 %
All other markets	898	56.7	17.28	14.81	16.7 %	95.6 %	96.2 %	(0.6)%	16.52	14.24	16.0 %
Totals	2,282	149.5	\$ 20.83	\$ 17.89	16.4 %	95.7 %	96.3 %	(0.6)%	\$ 19.94	\$ 17.23	15.7 %

Same Store Facilities Operating Trends by Market (Continued)

	Six Months Ended June 30,											
	Revenues (\$000's)			Direct Expenses (\$000's)			Indirect Expenses (\$000's)			Net Operating Income (\$000's)		
	2022	2021	Change	2022	2021	Change	2022	2021	Change	2022	2021	Change
Los Angeles	\$ 233,150	\$ 203,574	14.5 %	\$ 30,992	\$ 29,087	6.5 %	\$ 5,633	\$ 5,580	0.9 %	\$ 196,525	\$ 168,907	16.4 %
San Francisco	116,722	105,932	10.2 %	17,199	16,400	4.9 %	3,434	3,412	0.6 %	96,089	86,120	11.6 %
New York	92,825	84,788	9.5 %	23,440	21,352	9.8 %	2,707	2,773	(2.4)%	66,678	60,663	9.9 %
Miami	77,559	61,503	26.1 %	13,658	12,863	6.2 %	2,063	2,142	(3.7)%	61,838	46,498	33.0 %
Seattle-Tacoma	67,296	58,784	14.5 %	11,548	11,329	1.9 %	1,946	2,070	(6.0)%	53,802	45,385	18.5 %
Washington DC	66,102	59,300	11.5 %	13,960	13,346	4.6 %	2,077	2,068	0.4 %	50,065	43,886	14.1 %
Dallas-Ft. Worth	57,352	48,408	18.5 %	12,750	12,206	4.5 %	2,288	2,369	(3.4)%	42,314	33,833	25.1 %
Atlanta	55,034	45,531	20.9 %	10,677	9,555	11.7 %	2,430	2,534	(4.1)%	41,927	33,442	25.4 %
Chicago	73,631	63,560	15.8 %	28,904	24,287	19.0 %	3,023	2,934	3.0 %	41,704	36,339	14.8 %
Houston	50,647	43,023	17.7 %	14,050	13,705	2.5 %	2,120	2,257	(6.1)%	34,477	27,061	27.4 %
Orlando-Daytona	37,944	31,360	21.0 %	7,338	6,866	6.9 %	1,775	1,685	5.3 %	28,831	22,809	26.4 %
Philadelphia	35,572	31,642	12.4 %	8,019	7,726	3.8 %	1,365	1,381	(1.2)%	26,188	22,535	16.2 %
West Palm Beach	32,009	26,179	22.3 %	6,306	5,644	11.7 %	963	1,041	(7.5)%	24,740	19,494	26.9 %
Tampa	30,349	24,616	23.3 %	6,246	5,787	7.9 %	1,217	1,245	(2.2)%	22,886	17,584	30.2 %
Charlotte	27,180	22,255	22.1 %	4,649	4,386	6.0 %	1,160	1,116	3.9 %	21,371	16,753	27.6 %
All other markets	484,836	417,287	16.2 %	102,267	98,572	3.7 %	22,056	21,354	3.3 %	360,513	297,361	21.2 %
Totals	\$ 1,538,208	\$ 1,327,742	15.9 %	\$ 312,003	\$ 293,111	6.4 %	\$ 56,257	\$ 55,961	0.5 %	\$ 1,169,948	\$ 978,670	19.5 %

Acquired Facilities

The Acquired Facilities represent 314 facilities that we acquired in 2020, 2021, and 2022. As a result of the stabilization process and timing of when these facilities were acquired, year-over-year changes can be significant. The following table summarizes operating data with respect to the Acquired Facilities:

ACQUIRED FACILITIES

	Three Months Ended June 30,			Six Months Ended June 30,		
	2022	2021	Change (a)	2022	2021	Change (a)
(\$ amounts in thousands, except for per square foot amounts)						
Revenues (b):						
2020 Acquisitions	\$ 18,413	\$ 12,547	\$ 5,866	\$ 35,481	\$ 22,838	\$ 12,643
2021 Acquisitions	75,350	19,825	55,525	144,175	20,657	123,518
2022 Acquisitions	1,735	—	1,735	2,213	—	2,213
Total revenues	95,498	32,372	63,126	181,869	43,495	138,374
Cost of operations (b):						
2020 Acquisitions	6,263	6,251	12	13,077	12,877	200
2021 Acquisitions	25,359	5,710	19,649	49,257	6,261	42,996
2022 Acquisitions	1,238	—	1,238	1,557	—	1,557
Total cost of operations	32,860	11,961	20,899	63,891	19,138	44,753
Net operating income:						
2020 Acquisitions	12,150	6,296	5,854	22,404	9,961	12,443
2021 Acquisitions	49,991	14,115	35,876	94,918	14,396	80,522
2022 Acquisitions	497	—	497	656	—	656
Net operating income	62,638	20,411	42,227	117,978	24,357	93,621
Depreciation and amortization expense	(76,255)	(38,591)	(37,664)	(160,720)	(50,064)	(110,656)
Net loss	\$ (13,617)	\$ (18,180)	\$ 4,563	\$ (42,742)	\$ (25,707)	\$ (17,035)
At June 30:						
Square foot occupancy:						
2020 Acquisitions	91.6%	88.7%	3.3%			
2021 Acquisitions	86.0%	86.2%	(0.2)%			
2022 Acquisitions	68.0%	—	—			
	86.1%	87.1%	(1.1)%			
Annual contract rent per occupied square foot:						
2020 Acquisitions	\$ 16.31	\$ 12.75	27.9%			
2021 Acquisitions	16.67	17.97	(7.2)%			
2022 Acquisitions	11.74	—	—			
	\$ 16.41	\$ 15.94	2.9%			
Number of facilities:						
2020 Acquisitions	62	62	—			
2021 Acquisitions	232	99	133			
2022 Acquisitions	20	—	20			
	314	161	153			
Net rentable square feet (in thousands) (c):						
2020 Acquisitions	5,075	5,075	—			
2021 Acquisitions	21,830	8,148	13,682			
2022 Acquisitions	1,495	—	1,495			
	28,400	13,223	15,177			

ACQUIRED FACILITIES (Continued)

	As of June 30, 2022
Costs to acquire (in thousands):	
2020 Acquisitions	\$ 796,065
2021 Acquisitions	5,115,276
2022 Acquisitions	251,282
	<u>\$ 6,162,623</u>

- (a) Represents the percentage change with respect to square foot occupancy and annual contract rent per occupied square foot, and the absolute nominal change with respect to all other items.
- (b) Revenues and cost of operations do not include tenant reinsurance and merchandise sale revenues and expenses generated at the facilities. See “Ancillary Operations” below for more information.
- (c) The Acquired Facilities have an aggregate of approximately 28.4 million net rentable square feet, including 11.0 million in Texas, 3.8 million in Maryland, 1.1 million in Virginia, 0.9 million in North Carolina, 0.8 million in Colorado, 0.7 million in Arizona, 0.6 million in each of California, Florida, Georgia, Illinois, Minnesota, Ohio and Oklahoma, 0.5 million in each of Idaho, Michigan, Missouri, Nebraska, Oregon and Pennsylvania, 0.4 million in each of Indiana, South Carolina and Tennessee, and 0.3 million in each of Alabama, Nevada and Washington, and 0.8 million in other states.

We have been active in acquiring facilities in recent years. Since the beginning of 2020, we acquired a total of 314 facilities with 28.4 million net rentable square feet for \$6.2 billion. During the three and six months ended June 30, 2022, these facilities contributed net operating income of \$62.6 million and \$118.0 million, respectively.

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 was under construction. Included in the Acquisition results in the table above are ezStorage portfolio revenues of \$48.7 million, NOI of \$38.3 million (including Direct NOI of \$39.7 million), and average square footage occupancy of 89.7% for the six months ended June 30, 2022.

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 closed in February 2022. Included in the Acquisition results in the table above are All Storage portfolio revenues of \$35.2 million, NOI of \$21.4 million (including Direct NOI of \$22.8 million), and average square footage occupancy of 78.4% for the six months ended June 30, 2022.

We remain active in seeking to acquire additional self-storage facilities through 2022. Subsequent to June 30, 2022, we acquired or were under contract to acquire 24 self-storage facilities across ten states with 1.7 million net rentable square feet, for \$257.4 million.

Developed and Expanded Facilities

The developed and expanded facilities include 54 facilities that were developed on new sites since January 1, 2017, and 91 facilities expanded to increase their net rentable square footage. Of these expansions, 51 were completed before 2021, 22 were completed in 2021 or 2022, and 18 are currently in process at June 30, 2022. The following table summarizes operating data with respect to the Developed and Expanded Facilities:

DEVELOPED AND EXPANDED FACILITIES

	Three Months Ended June 30,			Six Months Ended June 30,		
	2022	2021	Change (a)	2022	2021	Change (a)
	(\$ amounts in thousands, except for per square foot amounts)					
Revenues (b):						
Developed in 2017	\$ 8,599	\$ 6,661	\$ 1,938	\$ 16,541	\$ 12,704	\$ 3,837
Developed in 2018	8,990	6,769	2,221	17,283	12,822	4,461
Developed in 2019	3,997	2,819	1,178	7,623	5,157	2,466
Developed in 2020	1,676	662	1,014	3,158	1,031	2,127
Developed in 2021	1,931	144	1,787	3,360	148	3,212
Expansions completed before 2021	23,401	16,424	6,977	44,817	30,695	14,122
Expansions completed in 2021 or 2022	11,055	6,568	4,487	20,856	12,831	8,025
Expansions in process	6,250	6,167	83	12,337	12,303	34
Total revenues	65,899	46,214	19,685	125,975	87,691	38,284
Cost of operations (b):						
Developed in 2017	2,696	2,418	278	5,324	4,921	403
Developed in 2018	2,432	2,543	(111)	4,987	5,105	(118)
Developed in 2019	1,504	1,287	217	2,872	2,695	177
Developed in 2020	427	444	(17)	855	843	12
Developed in 2021	832	407	425	1,687	490	1,197
Expansions completed before 2021	7,442	7,292	150	15,043	14,368	675
Expansions completed in 2021 or 2022	2,747	1,642	1,105	5,444	3,531	1,913
Expansions in process	1,224	1,267	(43)	2,509	2,682	(173)
Total cost of operations	19,304	17,300	2,004	38,721	34,635	4,086
Net operating income (loss):						
Developed in 2017	5,903	4,243	1,660	11,217	7,783	3,434
Developed in 2018	6,558	4,226	2,332	12,296	7,717	4,579
Developed in 2019	2,493	1,532	961	4,751	2,462	2,289
Developed in 2020	1,249	218	1,031	2,303	188	2,115
Developed in 2021	1,099	(263)	1,362	1,673	(342)	2,015
Expansions completed before 2021	15,959	9,132	6,827	29,774	16,327	13,447
Expansions completed in 2021 or 2022	8,308	4,926	3,382	15,412	9,300	6,112
Expansions in process	5,026	4,900	126	9,828	9,621	207
Net operating income	46,595	28,914	17,681	87,254	53,056	34,198
Depreciation and amortization expense	(14,781)	(13,243)	(1,538)	(29,409)	(28,512)	(897)
Net income	\$ 31,814	\$ 15,671	\$ 16,143	\$ 57,845	\$ 24,544	\$ 33,301

DEVELOPED AND EXPANDED FACILITIES
(Continued)

	As of June 30,		
	2022	2021	Change (a)
	(\$ amounts in thousands, except for per square foot amounts)		
Square foot occupancy:			
Developed in 2017	93.2%	94.5%	(1.4)%
Developed in 2018	91.2%	92.2%	(1.1)%
Developed in 2019	88.9%	91.3%	(2.6)%
Developed in 2020	92.6%	84.6%	9.5%
Developed in 2021	80.7%	45.7%	76.6%
Expansions completed before 2021	89.9%	87.5%	2.7%
Expansions completed in 2021 or 2022	83.2%	89.8%	(7.3)%
Expansions in process	85.2%	93.1%	(8.5)%
	87.8%	88.9%	(1.2)%
Annual contract rent per occupied square foot:			
Developed in 2017	\$ 18.27	\$ 14.05	30.0%
Developed in 2018	19.48	14.91	30.7%
Developed in 2019	17.45	12.51	39.5%
Developed in 2020	20.44	13.01	57.1%
Developed in 2021	16.52	11.48	43.9%
Expansions completed before 2021	15.39	11.90	29.3%
Expansions completed in 2021 or 2022	21.24	19.09	11.3%
Expansions in process	24.66	21.62	14.1%
	\$ 18.18	\$ 14.25	27.6%
Number of facilities:			
Developed in 2017	16	16	—
Developed in 2018	18	18	—
Developed in 2019	11	11	—
Developed in 2020	3	3	—
Developed in 2021	6	3	3
Expansions completed before 2021	51	51	—
Expansions completed in 2021 or 2022	22	20	2
Expansions in process	18	18	—
	145	140	5
Net rentable square feet (in thousands) (c):			
Developed in 2017	2,040	2,040	—
Developed in 2018	2,069	2,069	—
Developed in 2019	1,057	1,057	—
Developed in 2020	347	347	—
Developed in 2021	681	359	322
Expansions completed before 2021	6,879	6,879	—
Expansions completed in 2021 or 2022	2,645	1,556	1,089
Expansions in process	1,180	1,224	(44)
	16,898	15,531	1,367

	As of June 30, 2022
Costs to develop (in thousands):	
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 2021 (d)	478,659
Expansions completed in 2021 or 2022 (d)	160,386
	<u>\$ 1,449,185</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 16.9 million net rentable square feet at June 30, 2022, including 5.0 million in Texas, 2.9 million in Florida, 2.2 million in California, 1.5 million in Colorado, 1.4 million in Minnesota, 0.9 million in North Carolina, 0.6 million in Michigan, 0.4 million in each of Missouri, South Carolina and Washington, 0.3 million in each of New Jersey and Virginia and 0.6 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.

The facilities under “expansions completed” represent those facilities where the expansions have been completed at June 30, 2022. We incurred a total of \$639.0 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 6.0 million net rentable square feet of new storage space.

At June 30, 2022, we had 30 additional facilities in development, which will have a total of 2.6 million net rentable square feet of storage space and have an aggregate development cost totaling approximately \$480.3 million. We expect these facilities to open over the next 18 to 24 months.

The facilities under “expansion in process” represent those facilities where construction is in process at June 30, 2022, and together with additional future expansion activities primarily related to our Same Store Facilities at June 30, 2022, 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 \$547.0 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, 2020, including facilities under fill-up as well as facilities damaged in casualty events such as hurricanes, floods, and fires.

The Other Non-Same Store Facilities have an aggregate of 5.3 million net rentable square feet, including 1.1 million in Texas, 0.6 million in each of Florida and Washington, 0.4 million in each of California and Virginia, 0.3 million in each of Indiana and South Carolina, 0.2 million in each of Georgia, Kentucky, Massachusetts and Tennessee and 0.8 million in other states.

During the three and six months ended June 30, 2022 and 2021, the average occupancy for these facilities totaled 93.1% and 92.4%, respectively, as compared to 93.9% and 92.3% for the same periods in 2021, and the realized rent per occupied square foot totaled \$18.02 and \$17.47, respectively, as compared to \$13.86 and \$13.54 for the same periods in 2021.

Depreciation and amortization expense

Depreciation and amortization expense for Self-Storage Operations increased \$46.0 million and \$121.2 million in the three and six months ended June 30, 2022, respectively, as compared to the same periods in 2021, primarily due to newly acquired facilities of \$5.1 billion in 2021. We expect continued increases in depreciation expense in the remainder of 2022 as a result of elevated levels of capital expenditures and new facilities that are acquired, developed or expanded in the remainder of 2022.

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:

	Three Months Ended June 30,			Six Months Ended June 30,		
	2022	2021	Change	2022	2021	Change
	(Amounts in thousands)					
Revenues:						
Tenant reinsurance premiums	\$ 46,687	\$ 40,816	\$ 5,871	\$ 91,882	\$ 80,497	\$ 11,385
Merchandise	7,534	7,512	22	14,405	14,548	(143)
Third party property management	4,538	3,994	544	8,902	8,192	710
Total revenues	<u>58,759</u>	<u>52,322</u>	<u>6,437</u>	<u>115,189</u>	<u>103,237</u>	<u>11,952</u>
Cost of operations:						
Tenant reinsurance	8,198	7,262	936	15,475	15,086	389
Merchandise	4,527	4,706	(179)	8,431	8,672	(241)
Third party property management	4,485	4,023	462	8,819	8,551	268
Total cost of operations	<u>17,210</u>	<u>15,991</u>	<u>1,219</u>	<u>32,725</u>	<u>32,309</u>	<u>416</u>
Net operating income (loss):						
Tenant reinsurance	38,489	33,554	4,935	76,407	65,411	10,996
Merchandise	3,007	2,806	201	5,974	5,876	98
Third party property management	53	(29)	82	83	(359)	442
Total net operating income	<u>\$ 41,549</u>	<u>\$ 36,331</u>	<u>\$ 5,218</u>	<u>\$ 82,464</u>	<u>\$ 70,928</u>	<u>\$ 11,536</u>

Tenant reinsurance operations: Tenant reinsurance premium revenue increased \$5.9 million or 14.4% for the three months ended June 30, 2022, and increased \$11.4 million or 14.1% for the six months ended June 30, 2022, in each case as compared to the same period in 2021, as a result of an increase in our tenant base with respect to acquired, newly developed, and expanded facilities and the third party properties we manage. Tenant reinsurance premium revenue generated from tenants at our Same-Store Facilities were \$34.8 million and \$69.2 million for the three and six months ended June 30, 2022, respectively, as compared to \$33.3 million and \$66.5 million for the same periods in 2021, representing an increase of 4.5% and 4.1%, respectively.

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 the remainder of 2022.

Third-party property management: At June 30, 2022, we managed 103 facilities for unrelated third parties, and were under contract to manage 63 additional facilities including 57 facilities that are currently under construction. During the six months ended June 30, 2022, we added 27 facilities to the program, acquired three facilities from the program, and had ten 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 fill-up for newly managed properties.

Analysis of items not allocated to 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:

	Three Months Ended June 30,			Six Months Ended June 30,		
	2022	2021	Change	2022	2021	Change
	(Amounts in thousands)					
Equity in earnings:						
PSB	\$ 40,124	\$ 20,908	\$ 19,216	\$ 77,010	\$ 35,384	\$ 41,626
Shurgard	8,401	8,158	243	14,939	13,138	1,801
Total equity in earnings	<u>\$ 48,525</u>	<u>\$ 29,066</u>	<u>\$ 19,459</u>	<u>\$ 91,949</u>	<u>\$ 48,522</u>	<u>\$ 43,427</u>

Investment in PSB: Included in our equity earnings from PSB for the three and six months ended June 30, 2022 is our equity share of gains on sale of real estate totaling \$25.5 million and \$49.1 million, respectively, as compared to \$8.0 million for each of the three and six months ended June 30, 2021. For the three and six months ended June 30, 2022, our equity share of earnings from PSB contributed \$26.6 million and \$52.1 million, respectively, to Core FFO, as compared to \$25.4 million and \$49.6 million for the same periods in 2021.

On April 24, 2022, PSB entered into an Agreement and Plan of Merger whereby affiliates of Blackstone agreed to acquire all outstanding shares of PSB's common stock for \$187.50 per share in cash. On July 20, 2022, PSB announced that it completed the merger transaction with Blackstone. Each share of PSB common stock and each common unit of partnership interest we held in PSB were converted into the right to receive the merger consideration of \$187.50 per share or unit and a \$0.22 prorated quarterly cash dividend per share or unit, for a total of \$187.72 per share or unit. At the close of the merger transaction, we received a total of \$2.7 billion of cash proceeds and recognized a \$2.1 billion gain on the sale of our equity investment in PSB in the Consolidated Statement of Income for the third quarter of 2022.

In connection with the sale of our equity investment in PSB, on July 22, 2022, our Board of Trustees declared a special cash dividend of \$13.15 per common share. The special dividend is payable on August 4, 2022 to shareholders of record as of August 1, 2022.

As a result of closing the sale of PSB, we will record significantly lower equity in earnings of unconsolidated subsidiaries in future periods than we have in historical periods.

Investment in Shurgard: Included in our equity earnings from Shurgard for each of the three and six months ended June 30, 2022 is our equity share of gains on sale of real estate totaling \$3.5 million.

For purposes of recording our equity in earnings from Shurgard, the Euro was translated at exchange rates of approximately 1.045 U.S. Dollars per Euro at June 30, 2022 (1.134 at December 31, 2021), and average exchange rates of 1.065 and 1.205 for the three months ended June 30, 2022 and 2021, respectively, and average exchange rates of 1.093 and 1.205 for the six months ended June 30, 2022 and 2021, respectively.

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

	Three Months Ended June 30,			Six Months Ended June 30,		
	2022	2021	Change	2022	2021	Change
(Amounts in thousands)						
Share-based compensation expense	\$ 12,034	\$ 12,864	\$ (830)	\$ 20,832	\$ 20,544	\$ 288
Development and acquisition costs	3,674	2,888	786	6,514	4,695	1,819
Tax compliance costs and taxes paid	3,381	2,346	1,035	6,115	3,955	2,160
Legal costs	980	1,200	(220)	1,220	2,343	(1,123)
Corporate management costs	4,848	4,738	110	10,694	8,914	1,780
Other costs	3,914	3,704	210	6,525	6,863	(338)
Total	\$ 28,831	\$ 27,740	\$ 1,091	\$ 51,900	\$ 47,314	\$ 4,586

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 \$4.1 million and \$8.4 million for the three and six months ended June 30, 2022, respectively, as compared to \$3.3 million and \$6.5 million for the same periods in 2021, in development costs that were capitalized to newly developed and redeveloped self-storage facilities.

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 the three and six months ended June 30, 2022, we recognized \$10.3 million and \$13.7 million interest and other income, respectively, as compared to \$3.1 million and \$6.0 million for the same periods in 2021. Amounts attributable to commercial operations was \$2.2 million in each of the three months ended June 30, 2022 and 2021, and \$4.2 million in each of the six months ended June 30, 2022 and 2021. Excluding the aforementioned amounts attributable to our commercial operations, interest and other income increased \$7.2 million and \$7.7 million from the three and six months ended June 30, 2021 to the same periods in 2022, primarily due to (i) a \$4.3 million unrealized gain on private equity investments recognized during the three and six months ended June 30, 2022 and (ii) \$2.0 million and \$2.1 million increase in interest earned on higher cash balances during the three and six months ended June 30, 2022, respectively, as compared to the same periods in 2021.

Interest expense: For the three and six months ended June 30, 2022, we incurred \$34.3 million and \$68.6 million, respectively, of interest on our outstanding notes payable, as compared to \$22.7 million and \$38.9 million for the same periods in 2021. In determining interest expense, these amounts were offset by capitalized interest of \$1.4 million and \$2.6 million during the three and six months ended June 30, 2022, respectively, associated with our development activities, as compared to \$0.7 million and \$1.7 million for the same periods in 2021. The increase of interest expense in the three and six months ended June 30, 2022 as compared to the same periods in 2021 is due to our issuances of debt to fund our 2021 acquisition activity. At June 30, 2022, we had \$7.3 billion of notes payable outstanding, with a weighted average interest rate of approximately 1.9%.

Foreign Currency Exchange Gain (Loss): For the three and six months ended June 30, 2022, we recorded foreign currency gains of \$101.7 million and \$137.1 million, respectively, representing primarily the changes in the U.S. Dollar equivalent of our Euro-denominated unsecured notes due to fluctuations in exchange rates. For the three and six months ended June 30, 2021, we recorded foreign currency losses of \$12.7 million and gains of \$32.7 million, respectively. The Euro was translated at exchange rates of approximately 1.045 U.S. Dollars per Euro at June 30, 2022, 1.134 at December 31, 2021, 1.188 at June 30, 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 the three and six months ended June 30, 2021, we recorded gains totaling \$4.0 million and \$13.4 million, respectively, in connection with the partial or complete sale of real estate facilities pursuant to eminent domain proceedings (none in the three and six months ended June 30, 2022).

Liquidity and Capital Resources

Overview

As of June 30, 2022, our expected material cash requirements for the next twelve months 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 over the next twelve months will be similar 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 have an "A" credit rating by Standard & Poor's and "A2" by Moody's. Our credit ratings on each of our series of preferred shares are "A3" by Moody's and "BBB+" by Standard & Poor's. Our credit profile enables us to effectively access both the public and private capital markets to raise capital.

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 June 30, 2022 and August 4, 2022, there were no borrowings outstanding on the revolving line of credit; however, we do have approximately \$18.6 million of outstanding letters of credit which limits our borrowing capacity to \$481.4 million as of August 4, 2022. Our line of credit matures on April 19, 2024.

We believe that we have significant financial flexibility to adapt to changing conditions and opportunities and we have significant access to sources of capital including debt and preferred equity. 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) \$1.0 billion of cash as of June 30, 2022, (ii) approximately \$700.0 million of expected retained operating cash flow over the next twelve months and (iii) approximately \$400.0 million of cash proceeds we will retain from the sale of our equity investment in PSB after the payment of a \$2.3 billion special dividend.

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 June 30, 2022, the principal outstanding on our debt totaled approximately \$7.4 billion, consisting of \$22.8 million of secured notes payable, \$1.6 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):

Remainder of 2022	\$	561,767
2023		135,268
2024		917,052
2025		361,149
2026		1,251,200
Thereafter		4,905,242
	\$	<u>8,131,678</u>

On July 26, 2022, the Company called for redemption on August 15, 2022 its 2.370% Senior Notes, with an aggregate outstanding principal amount of \$500.0 million, due September 15, 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 \$205.6 million in the first six months of 2022 and are expected to approximate \$300 million for the year ending December 31, 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 \$105 million in the first six months of 2022 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 \$24 million for the six months ended June 30, 2022 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 July 22, 2022, our Board of Trustees declared a special cash dividend of \$13.15 per common share totaling approximately \$2.3 billion, in connection with the sale of our equity investment in PSB. The special dividend is payable on August 4, 2022 to shareholders of record as of August 1, 2022.

On August 3, 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 September 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 June 30, 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 June 30, 2022, we acquired or were under contract to acquire 24 self-storage facilities for a total purchase price of \$257.4 million. Additionally, on July 8, 2022, we acquired the commercial interests of PSB at three sites, totaling five properties, jointly occupied with our self-storage facilities located in Maryland and Virginia, for \$47.0 million.

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 June 30, 2022, we had development and expansion projects at a total cost of approximately \$1.0 billion. Costs incurred through June 30, 2022 were \$380.1 million, with the remaining cost to complete of \$647.3 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 August 4, 2022, we have two series of preferred securities that are eligible for redemption, at our option and with 30 days' notice; our 5.150% Series F Preferred Shares (\$280.0 million) and our 5.050% Series G Preferred Shares (\$300.0 million). See Note 9 to our June 30, 2022 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 the three and six months ended June 30, 2022, we did not repurchase any of our common shares. From the inception of the repurchase program through August 4, 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 3. 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 \$7.3 billion at June 30, 2022.

The fair value of our debt at June 30, 2022 is approximately \$6.5 billion. The table below summarizes the annual maturities of our debt, which had a weighted average effective rate of 1.9% at June 30, 2022. See Note 7 to our June 30, 2022 consolidated financial statements for further information regarding our debt (amounts in thousands).

	Remainder of 2022	2023	2024	2025	2026	Thereafter	Total
Debt	\$ 502,011	\$ 19,219	\$ 804,627	\$ 253,042	\$ 1,150,138	\$ 4,655,225	\$ 7,384,262

We have foreign currency exposure at June 30, 2022 related to (i) our investment in Shurgard, with a book value of \$282.9 million, and a fair value of \$1.5 billion based upon the closing price of Shurgard's stock on June 30, 2022, and (ii) €1.5 billion (\$1.6 billion) of Euro-denominated unsecured notes payable, providing a natural hedge against the fair value of our investment in Shurgard.

ITEM 4. 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.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we evaluated the effectiveness of our disclosure controls and procedures, as required by Exchange Act Rule 13a-15(b), as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective, at a reasonable assurance level.

Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended June 30, 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Part II. OTHER INFORMATION

ITEM 1. Legal Proceedings

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

ITEM 1A. Risk Factors

In addition to the other information in this Quarterly Report on Form 10-Q, you should carefully consider the risks described in our Annual Report on Form 10-K filed for the year ended December 31, 2021, in Part I, Item 1A, Risk Factors, and in our other filings with the SEC. These factors may materially affect our business, financial condition and operating results. There have been no material changes to the risk factors relating to the Company disclosed in our Annual Report on Form 10-K for the year ended December 31, 2021.

In addition, in considering the forward-looking statements contained in this Quarterly Report on Form 10-Q and elsewhere, you should refer to the qualifications and limitations on our forward-looking statements that are described in Forward Looking Statements at the beginning of Part I, Item 2 of this Quarterly Report on Form 10-Q.

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds

Common Share Repurchases

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 August 4, 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 June 30, 2022. We have no current plans to repurchase shares; however, future levels of common share repurchases will be dependent upon our available capital, investment alternatives, and the trading price of our common shares.

ITEM 6. Exhibits

Exhibits required by Item 601 of Regulation S-K are filed herewith or incorporated herein by reference and are listed in the attached Exhibit Index which is incorporated herein by reference.

PUBLIC STORAGE
INDEX TO EXHIBITS (1)
(Items 15(a)(3) and 15(c))

3.1	<u>Articles of Amendment to Restated Declaration of Trust of Public Storage, filed with the Maryland State Department of Assessments and Taxation on April 28, 2022 (Filed as Exhibit 3.1 to the Company's Current Report on Form 8-K dated April 29, 2022 and incorporated herein by reference).</u>
10.1*	<u>Form of 2021 Plan Trustee Non-Qualified Stock Option Agreement. Filed herewith.</u>
10.2*	<u>Form of 2021 Plan Performance-Based Non-Qualified Stock Option Agreement (2022). Filed herewith.</u>
10.3*	<u>Form of 2021 Plan Performance-Based Stock Unit Agreement (2022). 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 or arrangement.

SIGNATURES

Pursuant to the requirement of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

DATED: August 4, 2022

PUBLIC STORAGE

By: /s/ H. Thomas Boyle

H. Thomas Boyle
Senior Vice President and Chief Financial Officer

PUBLIC STORAGE
2021 EQUITY AND PERFORMANCE-BASED INCENTIVE COMPENSATION PLAN
NON-QUALIFIED STOCK OPTION AGREEMENT

THIS NON-QUALIFIED STOCK OPTION AGREEMENT (the “**Option Agreement**”) is made as of [Grant#Date] (the “**Grant Date**”), by and between Public Storage (the “**Trust**”) and [Participant#Name], a Trustee of the Trust or one of its Affiliates (the “**Optionee**”). Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Trust’s 2021 Equity and Performance-Based Incentive Compensation Plan (as amended and/or restated from time to time, the “**Plan**”).

WHEREAS, the Board has duly adopted, and the shareholders of the Trust have duly approved, the Plan, which provides for the grant to Service Providers of options for the purchase of shares of the Trust’s common shares of beneficial interest, par value \$0.10 per share (the “**Stock**”), which may be granted from time to time as the Committee so determines.

WHEREAS, the Trust has determined that it is desirable and in its best interests to grant to the Optionee, pursuant to the Plan, options to purchase a certain number of shares of Stock in order to provide the Optionee with further incentive to advance the interests of the Trust, all according to the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the mutual promises and covenants contained herein, the parties hereto do hereby agree as follows:

1. GRANT OF OPTION.

Subject and pursuant to the terms of the Plan (which are incorporated by reference herein), the Trust hereby grants to the Optionee an option (the “**Option**”) to purchase from the Trust, on the terms and subject to the conditions hereinafter set forth, [No#of#Options#Granted] shares of Stock. This Option shall not constitute an incentive stock option within the meaning of Section 422 of the Code.

2. OPTION PRICE.

The per share purchase price (the “**Option Price**”) of the shares of Stock subject to the Option evidenced by this Option Agreement shall be [Option#Price] (which is equal to the Fair Market Value on the Grant Date).

3. VESTING AND EXERCISE OF OPTION.

Except as otherwise provided herein, the Option granted pursuant to this Option Agreement shall be subject to vesting and exercise conditions, as follows:

3.1 Vesting and Time of Exercise of Option.

The Option is exercisable only before it expires and then only with respect to the vested portion of the Option. Subject to the Optionee’s continued Service from the Grant Date through each applicable Vesting Date, rights to purchase [one-third (1/3)] of the number of shares of Stock covered by the Option shall vest on each of the first [three] anniversaries of the Grant Date (each, a “**Vesting Date**”). Any resulting fractional shares shall be rounded to the nearest whole share and shall be rounded up or down as necessary as of the last applicable Vesting Date; provided, in all cases, the Optionee cannot vest in more than the number of shares of Stock covered by the Option subject to this Option Agreement. To the extent not exercised, the vested

portions of the Option shall accumulate and be exercisable, in whole or in part, at any time and from time to time, after becoming vested and exercisable and prior to the termination of the Option; provided, that no single exercise of the Option shall be for less than 100 shares, unless the number of shares purchased is the total number at the time available for purchase under the Option.

3.2 Exercise by Optionee and Compliance with Trading Blackout Periods and Company Securities Trading Policy.

During the lifetime of the Optionee, only the Optionee (or, in the event of the Optionee's legal incapacity or incompetency, the Optionee's guardian or legal representative) or a person or entity to whom the Optionee has transferred the Option in accordance with Section 5 hereof may exercise the Option. The Optionee agrees to comply with any trading blackout periods and securities trading policies implemented by the Trust.

3.3 Term of Option.

Notwithstanding anything to the contrary, the Option will expire in any event at the close of business at Trust headquarters on the day before the 10th anniversary of the Grant Date, subject to earlier termination in accordance with this Option Agreement or the terms of the Plan as determined by the Committee.

3.4 Limitations on Exercise of Option.

In no event may the Option be exercised, in whole or in part, after expiration of the term of the Option, or after the occurrence of an event that results in termination of the Option. In no event may the Option be exercised for a fractional share of Stock.

3.5 Termination of Service.

Subject to Sections 3.6, 3.7, and 3.8 hereof, upon the termination of the Optionee's Service other than on account of death, Disability, or Retirement (as defined below), the Optionee shall have the right at any time within 30 days after such termination (but before the Option terminates pursuant to Sections 3.3 and 3.4 above), to exercise, in whole or in part, any portion of the Option held by the Optionee at the date of such termination, to the extent such portion of the Option was exercisable immediately prior to such termination. Any unvested portion of the Option on the date of such termination of Service shall immediately terminate as of such termination, and any vested portion of the Option not exercised during such post-termination exercise window shall immediately terminate as of the end of such post-termination exercise window.

3.6 Rights in the Event of Death.

If the Optionee dies while in Service, then (a) all Options granted to the Optionee pursuant to this Option Agreement that have not previously vested shall immediately become vested as of the Optionee's death, and (b) the executors or administrators or legatees or distributees of the Optionee's estate shall have the right, at any time within one year after the date of the Optionee's death (but before the Option terminates pursuant to Sections 3.3 and 3.4 above), to exercise the vested portion of the Option (after taking into account the vesting acceleration pursuant to this Option Agreement). Any vested portion of the Option not exercised during such post-termination exercise window shall immediately terminate as of the end of such post-termination exercise window.

3.7 Rights in the Event of Disability.

If the Optionee's Service terminates by reason of the Optionee's Disability, then (a) all Options granted to the Optionee pursuant to this Option Agreement that have not previously vested shall immediately become vested as of the Optionee's termination, and (b) the Optionee shall have the right, at any time within one year after the date of such termination (but before the Option terminates pursuant to Sections 3.3 and 3.4 above), to exercise the vested portion of the Option (after taking into account the vesting acceleration pursuant to this Option Agreement). Any vested portion of the Option not exercised during such post-termination exercise window shall immediately terminate as of the end of such post-termination exercise window.

3.8 Rights in the Event of Retirement.

If the Optionee's Service terminates by reason of the Optionee's retirement from the Board pursuant to any mandatory retirement policy or at a time when the Optionee (a) is at least age 55, (b) has provided Services (as defined under the Plan) for a minimum of 10 years to the Trust, PS Business Parks, Inc., or their respective subsidiaries or affiliates, and (c) the sum of the Optionee's age and years of Service is at least 80 ("Retirement"), then the Option will become 100% vested upon such Retirement and the Optionee shall have the right, at any time within one year after the date of the Optionee's Retirement (but before the Option terminates pursuant to Sections 3.3 and 3.4 above), to exercise the vested portion of the Option (after taking into account the vesting acceleration pursuant to this Option Agreement). Any vested portion of the Option not exercised during such post-termination exercise window shall immediately terminate as of the end of such post-termination exercise window.

3.9 Reduction in Number of Shares Subject to Option.

The number of shares of Stock that may be purchased upon exercise of the Option pursuant to this Section 3 shall be reduced by the number of shares previously purchased upon exercise of the Option pursuant to this Section 3.

4. METHOD OF EXERCISE OF OPTION.

The Option may be exercised to the extent that it has become vested and exercisable hereunder by delivery to the Trust on any business day, at its principal office addressed to the attention of the Committee, of written notice of exercise, which notice shall specify the number of shares for which the Option is being exercised and shall be accompanied by payment in full of the Option Price of the shares for which the Option is being exercised. Payment of the Option Price for the shares of Stock purchased pursuant to the exercise of the Option shall be made (a) in cash or by check payable to the order of the Trust; (b) through the tender to the Trust of shares of Stock, which shares shall be valued, for purposes of determining the extent to which the Option Price has been paid thereby, at their Fair Market Value on the date of exercise; (c) by a combination of the methods described in (a) and (b); or (d) with the consent of the Trust, by withholding the number of shares of Stock that would otherwise vest or be issuable in an amount equal in value to the Option Price. Payment in full of the Option Price need not accompany the written notice of exercise provided the notice directs that the shares of Stock for which the Option is exercised be delivered to a specified licensed broker applicable to the Trust as the agent for the Optionee and, at the time such shares of Stock are delivered, the broker tenders to the Trust cash (or cash equivalents acceptable to the Trust) equal to the Option Price plus the amount, if any, of federal and/or other taxes that the Trust may, in its judgment, be required to withhold with respect to the exercise of the Option. An attempt to exercise the Option granted other than as set forth above shall be invalid and of no force or effect. Promptly after the exercise of the Option and the payment in full of the Option Price of the shares of Stock covered

thereby, the Optionee shall be entitled to the issuance of a Stock certificate or certificates evidencing the Optionee's ownership of such shares.

5. LIMITATIONS ON TRANSFER.

The Option is not transferable by the Optionee, other than by will or the laws of descent and distribution in the event of death of the Optionee, and except that the Optionee may transfer, not for value, the Option in whole or in part to Family Members of the Optionee, provided that the transferee, in connection with the transfer, agrees in writing to be bound by all of the terms of this Option Agreement and the Plan and further agrees not to transfer the Option other than by will or the laws of descent and distribution in the event of the death of the transferee. Following any transfer permitted by this Section 5, the transferee shall have all of the rights of the Optionee hereunder, and the Option shall be exercisable by the transferee only to the extent that the Option would have been exercisable by the Optionee had the Option not been transferred. The Option shall not be pledged or hypothecated (by operation of law or otherwise) or subject to execution, attachment or similar processes.

6. RIGHTS AS SHAREHOLDER.

Neither the Optionee, nor any executor, administrator, distribute, or legatee of the Optionee's estate, nor any transferee hereof shall be, or have any of the rights or privileges of, a shareholder of the Trust in respect of any shares of Stock issuable hereunder unless and until such shares have been fully paid and certificates representing such shares have been endorsed, transferred and delivered, and the name of the Optionee (or of such personal representative, administrator, distribute, or legatee of the Optionee's estate, or of such transferee) has been entered as the shareholder of record on the books of the Trust.

7. DISCLAIMER OF RIGHTS.

No provision in this Option Agreement shall be construed to confer upon the Optionee the right to continue in Service, or to interfere in any way with the right and authority of the Trust or any Affiliate either to increase or decrease the compensation of the Optionee at any time, or to terminate the Optionee's Service.

8. DATA PRIVACY.

To administer the Plan, the Trust and its Affiliates may process personal data about the Optionee. Such data includes, but is not limited to, the information provided in this Option Agreement and any changes thereto, other appropriate personal and financial data about the Optionee, such as home address and business addresses and other contact information, and any other information that might be deemed appropriate by the Trust to facilitate the administration of the Plan. By accepting this grant, the Optionee hereby gives express consent to the Trust and its Affiliates to process any such personal data. Optionee also gives express consent to the Trust to transfer any such personal data outside the country in which Optionee works, including, with respect to non-U.S. resident Optionees, to the United States, to transferees who will include the Trust and other persons who are designated by the Trust to administer the Plan.

9. CONSENT TO ELECTRONIC DELIVERY OF MATERIALS.

The Trust may choose to deliver certain statutory materials relating to the Plan in electronic form. By accepting this grant, the Optionee agrees that the Trust may deliver the Plan prospectus and any annual reports to the Optionee in an electronic format. If at any time the Optionee would prefer to receive paper copies of these documents, as the Optionee is entitled to,

the Trust would be pleased to provide copies. The Optionee may contact the Trust's Legal Department to request paper copies of these documents.

10. WITHHOLDING TAXES.

Upon the request of the Trust, the Optionee shall promptly pay to the Trust, or make arrangements satisfactory to the Trust regarding payment of, any federal, state, or local taxes of any kind required by law to be withheld as a result of the Optionee's exercise of the Option. The Trust and its Affiliates shall have the right to deduct from payments of any kind otherwise due to the Optionee any such taxes. The Optionee shall make any such payments in cash or cash equivalents or, subject to the prior approval of the Committee, which may be withheld in the Committee's sole discretion, the Optionee may elect to satisfy the withholding obligation, in whole or in part, (a) by causing the Trust to withhold shares of Stock otherwise issuable to the Optionee pursuant to the Option, or (b) by delivering to the Trust shares of Stock already owned by the Optionee. The shares of Stock so delivered or withheld shall have an aggregate Fair Market Value not exceeding the minimum amount of tax required to be withheld by applicable law; provided, however, that as long as Accounting Standards Update 2016-09 or a similar rule is otherwise in effect, the Committee has full discretion to choose, or to allow the Optionee to elect, to withhold a number of shares of Stock having a Fair Market Value that is greater than the applicable minimum statutory amount (but such withholding may in no event be in excess of the maximum statutory withholding amount(s) in the Optionee's relevant tax jurisdictions). The Optionee may deliver or have withheld only shares of Stock that are not subject to any repurchase, forfeiture, unfulfilled vesting, or other similar requirements.

11. INTERPRETATION OF THIS OPTION AGREEMENT.

All decisions and interpretations made by the Committee with regard to any question arising under the Plan or this Option Agreement shall be binding and conclusive on the Trust and the Optionee and any other person entitled to exercise the Option as provided for herein. In the event that there is any inconsistency between the provisions of this Option Agreement and of the Plan, the provisions of the Plan shall govern.

12. GOVERNING LAW.

This Option Agreement is executed pursuant to and shall be governed by the laws of the State of Maryland (but not including the choice of law rules thereof).

13. BINDING EFFECT.

Subject to all restrictions provided for in this Option Agreement and by applicable law relating to assignment and transfer of this Option Agreement and the Option provided for herein, this Option Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, executors, administrators, successors, transferees, and assigns.

14. NOTICE.

Any notice hereunder by the Optionee to the Trust shall be in writing and shall be deemed duly given if mailed or delivered to the Trust at its principal office, addressed to the attention of the Corporate Secretary, or if so mailed or delivered to such other address as the Trust may hereafter designate by notice to the Optionee. Any notice hereunder by the Trust to the Optionee shall be in writing and shall be deemed duly given if mailed or delivered to the Optionee at the address specified below by the Optionee for such purpose, or if so mailed or delivered to such other address as the Optionee may hereafter designate by written notice given to the Trust.

15. CLAWBACK.

The Option shall be subject to mandatory repayment by the Optionee to the Trust to the extent the Optionee is, or in the future becomes, subject to (a) the Trust's Incentive Compensation Recoupment Policy or similar successor policy, or (b) any applicable laws that impose mandatory recoupment, under circumstances set forth in such applicable laws.

16. ENTIRE AGREEMENT.

This Option Agreement and the Plan constitute the entire agreement regarding this grant and supersede all prior understandings and agreements, written or oral, of the parties hereto with respect to the subject matter hereof. Neither this Option Agreement nor any term hereof may be amended, waived, discharged, or terminated, except by a written instrument signed by the Trust and the Optionee; provided, however, that the Trust unilaterally may amend, waive, discharge, or terminate any provision hereof to the extent that such amendment, waiver, discharge, or termination does not adversely affect the interests of the Optionee hereunder, but no such waiver shall operate as or be construed to be a subsequent waiver of the same provision or a waiver of any other provision hereof.

* * *

IN WITNESS WHEREOF, the parties hereto have duly executed this Option Agreement, or caused this Option Agreement to be duly executed on their behalf, as of the Grant Date.

OPTIONEE

PUBLIC STORAGE

Name: [Participant#Name]

By: _____

Name: [Officer#Name]

Title: [Officer#Title]

Address and Notice to Optionee:

Number Street

City State Zip Code

Signature Page to the Non-qualified Stock Option Agreement

*[Participant#Name]/[Participant#ID#No]
[Grant#Date]/[Grant#Code]
[3 year] vesting
[Award#ID#No]*

PUBLIC STORAGE
2021 EQUITY AND PERFORMANCE-BASED INCENTIVE COMPENSATION PLAN
NON-QUALIFIED PERFORMANCE STOCK OPTION AGREEMENT

THIS NON-QUALIFIED PERFORMANCE STOCK OPTION AGREEMENT (the “**Agreement**”) is made as of [Grant#Date] (the “**Grant Date**”), by and between Public Storage (the “**Company**”) and [Participant#Name] (the “**Participant**”). Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Company’s 2021 Equity and Performance-Based Incentive Compensation Plan (as amended and/or restated from time to time, the “**Plan**”).

WHEREAS, the Board of Trustees of the Company has duly adopted, and the shareholders of the Company have duly approved, the Plan, which provides for the grant to Service Providers of options for the purchase of shares of the Company’s common shares of beneficial interest, par value \$0.10 per share (the “**Stock**”), which may be granted from time to time as the Committee so determines.

WHEREAS, the Company has determined that it is desirable and in its best interests to grant to the Participant, pursuant to the Plan, options to purchase a certain number of shares of Stock as compensation for services rendered to the Company, and/or in order to provide the Participant with an incentive to advance the interests of the Company, all according to the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the mutual promises and covenants contained herein, and each intending to be legally bound, the Company and the Participant hereby agree as follows:

1. GRANT OF OPTION.

Subject and pursuant to the terms of the Plan (which are incorporated by reference herein), the Company hereby grants to the Participant an Option to purchase from the Company, on the terms and subject to the conditions set forth in this Agreement, [No#of#Options#Granted] shares of Stock (the “**Target Award**”). The number of shares of Stock covered by this Option that the Participant may earn hereunder ranges from [zero] to [200%] of the Target Award, and shall be determined based on the level of achievement of the performance metrics set forth on Exhibit A attached hereto (the “**Performance Metrics**”) over the period commencing on [January 1, 2022] and ending on [December 31, 2024] (the “**Performance Period**”), as determined by the Committee in its sole discretion. This Option shall not constitute an incentive stock option within the meaning of Section 422 of the Code.

2. OPTION PRICE.

The per share purchase price (the “**Option Price**”) of the shares of Stock subject to the Option evidenced by this Agreement shall be [Option#Price] (which is equal to the Fair Market Value per share on the Grant Date).

3. VESTING AND EXERCISE OF OPTION.

Except as otherwise provided herein, the Option granted pursuant to this Agreement shall be subject to vesting and exercise as follows:

3.1. Vesting and Time of Exercise of Option.

The Option is exercisable only before it expires and then only with respect to the vested portion of the Option. As promptly as practicable (and in no event more than two and one-half (2-1/2) months) following the last day of the Performance Period, the Committee shall determine (i) whether and to what extent the Performance Metrics have been achieved (the date of such determination, the “**Determination Date**”) and (ii) the number of shares of Stock for which the Option may be exercised, if any, based on the achievement of the Performance Metrics (the “**Earned Amount**”). Any portion of the Option that does not become earned, as determined by the Committee in its sole discretion, shall be automatically forfeited by the Participant on the Determination Date. Subject to the Participant’s continued Service from the Grant Date through each applicable Vesting Date (as defined below), rights to purchase [60% of the Earned Amount covered by the Option shall vest on the Determination Date, with a further 20% of the Earned Amount covered by the Option vesting on each of the first and second anniversaries of the Determination Date (each of the three dates, a “**Vesting Date**”). Any resulting fractional shares shall be rounded to the nearest whole share and shall be rounded up or down as necessary as of the last applicable Vesting Date; provided, in all cases, the Participant cannot vest in more than the number of shares of Stock covered by the Option subject to this Agreement. To the extent not exercised, the vested portions of the Option shall accumulate and be exercisable, in whole or in part, at any time and from time to time, after becoming vested and exercisable and prior to the termination of the Option; provided, that no single exercise of the Option shall be for less than 100 shares of Stock, unless the number of shares of Stock purchased is the total number at the time available for purchase under the Option.

3.2. Exercise by Participant and Compliance with Trading Blackout Periods and Company Securities Trading Policy.

During the lifetime of the Participant, only the Participant (or, in the event of the Participant’s legal incapacity or incompetency, the Participant’s guardian or legal representative) or a person or entity to whom the Participant has transferred the Option in accordance with Section 5 hereof may exercise the Option. The Participant agrees to comply with any trading blackout periods and securities trading policies implemented by the Company.

3.3. Term of Option.

Notwithstanding anything to the contrary, the Option will expire in any event at 5:00 p.m. Pacific time on the day before the 10th anniversary of the Grant Date, subject to earlier termination in accordance with this Agreement or the terms of the Plan as determined by the Committee.

3.4. Limitations on Exercise of Option.

In no event may the Option be exercised, in whole or in part, after expiration of the term of the Option, or after the occurrence of an event which results in termination of the Option. In no event may the Option be exercised for a fractional share of Stock.

3.5. Termination of Service.

Subject to Sections 3.6, 3.7, and 3.8 hereof, upon the termination of the Participant’s Service other than by reason of death, Disability, or Retirement (as defined below), the Participant shall have the right at any time within 30 days after such termination (but before the Option terminates pursuant to Sections 3.3 and 3.4 above), to exercise, in whole or in part, any vested Option held by such Participant at the date of such termination, to the extent such Option was exercisable as of such termination. Any unvested portion of the Option on the date of such

termination of Service shall immediately terminate as of such termination, and any vested portion of the Option not exercised during such post-termination exercise window shall immediately terminate as of the end of such post-termination exercise window.

3.6. Rights in the Event of Death.

If the Participant dies while in Service, then (a) all Options granted to the Participant pursuant to this Agreement that have not previously vested shall immediately become vested as of such Participant's death either (i) at the Target Award level in the event of the Participant's death during the Performance Period or (ii) at the level actually achieved in the event of Participant's death following the end of the Performance Period, and (b) the executors or administrators or legatees or distributees of the Participant's estate shall have the right, at any time within one year after the date of the Participant's death (but before the Option terminates pursuant to Sections 3.3 and 3.4 above), to exercise the vested portion of the Option (after taking into account the vesting acceleration pursuant to this Agreement). Any vested portion of the Option not exercised during such post-termination exercise window shall immediately terminate as of the end of such post-termination exercise window.

3.7. Rights in the Event of Disability.

If the Participant's Service terminates by reason of the Participant's Disability, then (a) all Options granted to the Participant pursuant to this Agreement that have not previously vested shall immediately become vested as of such Participant's termination either (i) at the Target Award level in the event of the Participant's Disability during the Performance Period or (ii) at the level actually achieved in the event of Participant's Disability following the end of the Performance Period, and (b) the Participant shall have the right, at any time within one year after the date of such termination (but before the Option terminates pursuant to Sections 3.3 and 3.4 above), to exercise the vested portion of the Option (after taking into account the vesting acceleration pursuant to this Agreement). Any vested portion of the Option not exercised during such post-termination exercise window shall immediately terminate as of the end of such post-termination exercise window. For purposes of this Agreement, the Committee, in its sole discretion, may require that determination of the existence of a Disability be made by the Company's insurance carrier or by an independent physician retained by the Company.

3.8. Rights in the Event of Retirement.

If, prior to the completion of the first year of the Performance Period, the Participant's Service terminates by reason of the Participant's Retirement, the Option shall immediately terminate as of the termination of service. If, on or following the completion of the first year of the Performance Period, the Participant's Service terminates during the Performance Period by reason of the Participant's Retirement, then the Participant shall remain eligible to vest in the Earned Amount, if any, as determined by the Committee following the end of the Performance Period. The Earned Amount, if any, shall become vested on the Determination Date, on a *pro rata* basis determined by multiplying the Earned Amount by a fraction, the numerator of which is the number of days of Service performed by the Participant during the Performance Period and the denominator of which is the number of days in the Performance Period. Any resulting fractional shares shall be rounded to the nearest whole share. With respect to any portion of the Option that becomes vested pursuant to this paragraph, the Participant shall have the right, at any time within one year after the Determination Date (but before the Option terminates pursuant to Sections 3.3 and 3.4 above), to exercise the vested portion of the Option. Any vested portion of the Option not exercised during such post-termination exercise window shall immediately terminate as of the end of such post-termination exercise window.

If, following the end of the Performance Period, the Participant's Service terminates by reason of the Participant's Retirement, then the Earned Amount, if any, covered by the Option that has not previously vested shall immediately become vested as of such Participant's Retirement Date (or upon the Revocation Expiration Time, if applicable); provided, however, that if any such termination occurs on or following the last day of the Performance Period but prior to the Determination Date, the Option shall remain outstanding until the Determination Date, and the Earned Amount, if any, shall become fully vested as of the Determination Date (or upon the Revocation Expiration Time, if applicable and later). The Participant shall have the right, at any time within one year after the later of the date of such termination or the Determination Date (but before the Option terminates pursuant to Sections 3.3 and 3.4 above), to exercise the vested portion of the Option (after taking into account the vesting acceleration pursuant to this Agreement). Any vested portion of the Option not exercised during such post-termination exercise window shall immediately terminate as of the end of such post-termination exercise window. For purposes of this Agreement, "**Retirement**" means the Participant's termination of Service other than due to death, Disability, or Cause if:

- (a) by the Retirement Date the Participant is at least 55 years old and has provided at least 10 years of Service as defined in the Plan and applied by the Company's HR department (generally including service with the Company, PS Business Parks, Inc., and their Affiliates);
- (b) by the Retirement Date the sum of the Participant's age and total years of Service equals at least 80;
- (c) the Participant provided the Company written notice of the Participant's intention to retire at least 12 months prior to the Retirement Date;
- (d) on or within 45 days following the Retirement Date (or within such shorter period following the Retirement Date as set forth in the separation agreement) the Participant has entered into a separation agreement, in a form acceptable to the Company, which includes a full release of claims and certain restrictive covenants as of the date of Retirement, and if the execution of such separation agreement is subject to a revocation period by applicable law, the separation agreement has not been revoked and the applicable revocation period, which may not exceed 10 days, has expired (the "**Revocation Expiration Time**"); and
- (e) subject to the Participant's continued Service through both the Certification Date and the Retirement Date, the Equity Awards Committee has taken separate action to establish a date of termination of Service for the Participant (the "**Retirement Date**") and to approve such accelerated or continued vesting for such Participant (the date of such action by that committee, the "**Certification Date**"); provided, however, that (i) the Participant shall have no right to such accelerated or continued vesting if that committee does not take action to approve such accelerated or continued vesting for such Participant or revokes its approval before the Retirement Date; and (ii) if the Participant's Service is terminated for any reason other than death or Disability prior to such Retirement Date, any unvested portion of the Option on the date of such termination of Service shall immediately terminate as of such termination, and any vested portion of the Option shall be subject to Section 3.5.

3.9. Leave of Absence

In the event the Participant takes one or more leaves of absence (or similar suspension of service while remaining an employee) during the Performance Period for an aggregate period of [275] or more days of the Performance Period, then no portion of the Option shall vest and the

Option shall terminate. In the event the Participant takes one or more leaves of absence (or similar suspension of service while remaining an employee) during the Performance Period for an aggregate period of less than [275] days of the Performance Period, then the Committee, in its sole discretion, may reduce on a *pro rata* basis the Earned Amount computed in accordance with Section 3.1 based on its assessment of the Participant's contributions during the Performance Period. For the avoidance of doubt, ordinary vacation and sick leave permitted under the Company's policies are not considered suspensions of service. This paragraph shall not apply in the case of Death, Disability, or Retirement.

3.10. Reduction in Number of Shares Subject to Option.

The number of shares of Stock which may be purchased upon exercise of the Option pursuant to this Section 3 shall be reduced by the number of shares previously purchased upon exercise of the Option pursuant to this Section 3.

4. METHOD OF EXERCISE OF OPTION.

The Option may be exercised to the extent that it has become vested and exercisable hereunder by delivery to the Company on any business day, at its principal office addressed to the attention of the Committee, of written notice of exercise, which notice shall specify the number of shares for which the Option is being exercised and shall be accompanied by payment in full of the Option Price of the shares of Stock for which the Option is being exercised. Payment of the Option Price for the shares of Stock purchased pursuant to the exercise of the Option shall be made (a) in cash or by check payable to the order of the Company; (b) through the tender to the Company of shares of Stock, which shares shall be valued, for purposes of determining the extent to which the Option Price has been paid thereby, at their Fair Market Value on the date of exercise; (c) by a combination of the methods described in (a) and (b); or (d) with the consent of the Company, by withholding the number of shares of Stock that would otherwise vest or be issuable in an amount equal in value to the Option Price. Payment in full of the Option Price need not accompany the written notice of exercise provided the notice directs that the Stock certificate or certificates for the shares for which the Option is exercised be delivered to a specified licensed broker applicable to the Company as the agent for the Participant and, at the time such shares of Stock certificate or certificates are delivered, the broker tenders to the Company cash (or cash equivalents acceptable to the Company) equal to the Option Price plus the amount, if any, of federal and/or other taxes which the Company may, in its judgment, be required to withhold with respect to the exercise of the Option. An attempt to exercise the Option granted other than as set forth above shall be invalid and of no force or effect. Promptly after the exercise of the Option and the payment in full of the Option Price of the shares of Stock covered thereby, the Company shall make an appropriate book entry evidencing the Participant's ownership of such shares or shall issue a Stock certificate or certificates.

5. LIMITATIONS ON TRANSFER.

The Option is not transferable by the Participant, other than by will or the laws of descent and distribution in the event of death of the Participant, and except that the Participant may transfer, not for value, the Option in whole or in part to Family Members of the Participant (or trusts for their or the Participant's benefit), provided that the transferee, in connection with the transfer, agrees in writing to be bound by all of the terms of this Agreement and the Plan and further agrees not to transfer the Option other than by will or the laws of descent and distribution in the event of the death of the transferee. Following any transfer permitted by this Section 5, the transferee shall have all of the rights of the Participant hereunder, and the Option shall be exercisable by the transferee only to the extent that the Option would have been exercisable by the Participant had the Option not been transferred. The Option shall not be pledged or

hypothecated (by operation of law or otherwise) or subject to execution, attachment, or similar processes.

6. RIGHTS AS SHAREHOLDER.

Neither the Participant, nor any executor, administrator, distributee, or legatee of the Participant's estate, nor any transferee hereof shall be, or have any of the rights or privileges of, a shareholder of the Company in respect of any shares of Stock issuable hereunder unless and until such shares have been fully paid and certificates representing such shares have been endorsed, transferred, and delivered, and the name of the Participant (or of such personal representative, administrator, distributee, or legatee of the Participant's estate, or of such transferee) has been entered as the shareholder of record on the books of the Company.

7. WITHHOLDING TAXES.

If any event related to the Option (e.g., a vesting event) results in a Company or Affiliate having an obligation to pay withholding taxes of any kind, including federal, state, or local taxes, then unless the Participant has paid to the Company or its Affiliates the requisite amount necessary to satisfy such withholding obligation, as reasonably determined by the Company, including through the delivery of shares of Stock already owned by the Participant, or has made arrangements acceptable to the Company or its Affiliates for the payment of such amount (e.g., through a sell to cover arrangement with a broker) within two business days of the event, the Company shall satisfy such obligations by withholding shares of Stock otherwise issuable to the Participant pursuant to the Option. To the extent the obligation is not or cannot be fully satisfied in this manner, the Company and any Affiliates shall have the right to deduct the requisite amount from payments of any kind otherwise due to the Participant. The shares of Stock so delivered or withheld shall have a Fair Market Value not exceeding the minimum amount of tax required to be withheld by applicable law; provided, however, that as long as Accounting Standards Update 2016-09 or a similar rule is otherwise in effect, the Committee has full discretion to choose, or to allow the Participant to elect, to withhold a number of shares of Stock having a Fair Market Value that is greater than the applicable minimum statutory amount (but such withholding may in no event be in excess of the maximum statutory withholding amount(s) in the Participant's relevant tax jurisdictions). The Fair Market Value of the shares of Stock used to satisfy such withholding obligation shall be determined by the Company as of the date that the amount of tax to be withheld is to be determined. A Participant who has made an election to deliver Stock to satisfy his or her withholding obligation may only do so with shares of Stock that are not subject to any repurchase, forfeiture, unfulfilled vesting, or other similar requirements.

8. DISCLAIMER OF RIGHTS.

No provision in this Agreement shall be construed to confer upon the Participant the right to continue in Service, or to interfere in any way with the right and authority of the Company or any Affiliate either to increase or decrease the compensation of the Participant at any time or to terminate the Participant's Service.

9. DATA PRIVACY.

To administer the Plan, the Company and its Affiliates may process personal data about the Participant. Such data includes, but is not limited to, the information provided in this Agreement and any changes thereto, other appropriate personal and financial data about the Participant such as home address and business addresses and other contact information, and any other information that might be deemed appropriate by the Company to facilitate the administration of the Plan. By accepting this grant, the Participant hereby gives express consent

to the Company and its Affiliates to process any such personal data. Participant also gives express consent to the Company to transfer any such personal data outside the country in which Participant works, including, with respect to non-U.S. resident Participants, to the United States, to transferees who will include the Company and other persons who are designated by the Company to administer the Plan.

10. CONSENT TO ELECTRONIC DELIVERY OF MATERIALS.

The Company may choose to deliver certain statutory materials relating to the Plan in electronic form. By accepting this grant, the Participant agrees that the Company may deliver the Plan prospectus and any annual reports to the Participant in an electronic format. If at any time the Participant would prefer to receive paper copies of these documents, as Participant is entitled to, the Company would be pleased to provide copies. The Participant may contact the Company's Legal Department to request paper copies of these documents.

11. INTERPRETATION OF THIS AGREEMENT.

All decisions and interpretations made by the Committee with regard to any question arising under the Plan or this Agreement shall be binding and conclusive on the Company and the Participant and any other person entitled to exercise the Option as provided for herein. In the event that there is any inconsistency between the provisions of this Agreement and of the Plan, the provisions of the Plan shall govern.

12. GOVERNING LAW.

This Agreement shall be governed by the laws of the State of Maryland, except that if Participant's principal place of employment is in California, then this Agreement will be governed by the laws of the State of California, in either case without giving effect to any choice or conflict of law provision or rule.

13. BINDING EFFECT.

Subject to all restrictions provided for in this Agreement and by applicable law relating to assignment and transfer of this Agreement and the Option provided for herein, this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, executors, administrators, successors, transferees, and assigns.

14. NOTICE.

Any notice hereunder by the Participant to the Company shall be in writing and shall be deemed duly given if mailed or delivered to the Company at its principal office, addressed to the attention of the Corporate Secretary, or if so mailed or delivered to such other address as the Company may hereafter designate by written notice to the Participant. Any notice hereunder by the Company to the Participant shall be in writing and shall be deemed duly given if mailed or delivered to the Participant at the address specified in the Company's records, or if so mailed or delivered to such other address as the Participant may hereafter designate by written notice given to the Company.

15. CLAWBACK.

The Option shall be subject to mandatory repayment by the Participant to the Company to the extent the Participant is, or in the future becomes, subject to (a) the Company's Incentive Compensation Recoupment Policy or similar successor policy, or (b) any applicable laws which impose mandatory recoupment, under circumstances set forth in such applicable laws.

16. ENTIRE AGREEMENT.

This Agreement and the Plan constitute the entire agreement regarding this grant and supersede all prior understandings and agreements, written or oral, of the parties hereto with respect to the subject matter hereof. Neither this Agreement nor any term hereof may be amended, waived, discharged, or terminated except by a written instrument signed by the Company and the Participant; provided, however, that the Company unilaterally may amend, waive, discharge, or terminate any provision hereof to the extent that such amendment, waiver, discharge, or termination does not adversely affect the interests of the Participant hereunder, but no such waiver shall operate as or be construed to be a subsequent waiver of the same provision or a waiver of any other provision hereof.

* * * * *

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement, or caused this Agreement to be duly executed on their behalf, as of the Grant Date.

PARTICIPANT:

[Participant#Name]

PUBLIC STORAGE

By: _____

Name: [Officer#Name]

Title: [Officer#Title]

ADDRESS FOR NOTICE TO PARTICIPANT:

[No#Street#Participant#Address]

[City#State#Zip#Participant#Address]

Signature Page to the Non-Qualified Performance Stock Option Agreement

[Participant#Name]/[Employee#ID#No]
[Grant#Date]/[Grant#Code]
Performance Vesting

EXHIBIT A

Performance Metrics

Performance Metrics. The Earned Amount, if any, shall be determined based on the Company's achievement of the following performance metrics: (i) [60%] of the award may be earned based on the Company's relative TSR (as defined below) as compared against the weighted average TSR of the [Self-Storage Peer Group] (as defined below) over the Performance Period (the ["**Self-Storage Peer TSR Component**"]); and (ii) [40%] of the award may be earned based on the Company's relative TSR as compared against the weighted average TSR of the [S&P 500 Peer Group] (as defined below) over the Performance Period (the ["**S&P 500 Peer TSR Component**"]).

1. **[Self-Storage Peer TSR Component].** The [Self-Storage Peer TSR Component], weighted at [60%], may be earned as set forth in the table below:

[3 Year Performance Period]	
[60% TSR vs. Self-Storage (EXR, CUBE, LIFE, NSA) Weighted Average]	Percentage of Target Award
[<80%]	[0%]
[80% to <90%]	[25%]
[90% to <100%]	[75%]
[100% to <106%]	[100%]
[106% to <116%]	[125%]
[116% to 125%]	[150%]
[>125%]	[200%]

2. **[S&P 500 Peer TSR Component].** The [S&P 500 Peer TSR Component], weighted at [40%], may be earned as set forth in the table below:

[3 Year Performance Period]	
[40% TSR vs. S&P 500 REITs Weighted Average]	Percentage of Target Award
[<80%]	[0%]
[80% to <90%]	[25%]
[90% to <100%]	[75%]
[100% to <106%]	[100%]
[106% to <116%]	[125%]
[116% to 125%]	[150%]
[>125%]	[200%]

The total Earned Amount, if any, shall be equal to the sum of (i) the Earned Amount determined pursuant to the [Self-Storage Peer TSR Component], if any, and (ii) the Earned Amount determined pursuant to the [S&P 500 Peer TSR Component], if any, rounded down to the nearest whole share of Stock. All determinations with respect to the calculation of the Earned Amount, if any, shall be made by the Committee in its sole discretion.

The Committee may adjust the TSR computations as it deems equitable and necessary, including to account for (i) significant acquisitions, dispositions, or other extraordinary or one-time events that impact the applicable TSRs, and (ii) as necessary to ensure that TSRs are computed on a consistent and equitable basis. The Committee does not expect to exercise this discretion except in unusual circumstances.

Definitions. For purposes of this Agreement, the following terms shall have the meanings set forth below.

- “**TSR**” means the cumulative total growth rate, expressed as a percentage and rounded to the nearest one decimal point, in the value of a share of the applicable company’s common stock from the closing price on the business day immediately preceding the first day of the Performance Period to the closing price on the last day of the Performance Period due to stock appreciation and dividends, assuming dividends are reinvested in common stock over the Performance Period. The weighted average TSR of a group of companies shall be based on their respective market capitalizations as of the business day immediately preceding the first day of the Performance Period.
- [“**Self-Storage Peer Group**” means Extra Space Storage Inc., Cubesmart, Life Storage, Inc. and National Storage Affiliates Trust. In the event one or more of these companies ceases to be traded on a national securities exchange or undergoes an extraordinary change in its operations, the Committee may adjust the composition of the Self-Storage Peer Group to the extent it determines it is equitable to do so.]
- [“**S&P 500 Peer Group**” means any REIT that is included in the S&P 500 for the entirety of the Performance Period.]

PUBLIC STORAGE
2021 EQUITY AND PERFORMANCE-BASED INCENTIVE COMPENSATION PLAN
PERFORMANCE-BASED STOCK UNIT AGREEMENT

THIS PERFORMANCE-BASED STOCK UNIT AGREEMENT (the “**Agreement**”) is made as of [Grant#Date] (the “**Grant Date**”), by and between Public Storage (the “**Company**”) and [Participant#Name] (the “**Participant**”). Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Company’s 2021 Equity and Performance-Based Incentive Compensation Plan (as amended and/or restated from time to time, the “**Plan**”).

WHEREAS, the Board of Trustees of the Company has duly adopted, and the shareholders of the Company have duly approved, the Plan, which provides for the grant to Service Providers of Stock Units relating to the Company’s common shares of beneficial interest, par value \$0.10 per share (the “**Stock**”), which may be granted from time to time as the Committee so determines.

WHEREAS, the Company has determined that it is desirable and in its best interests to grant to the Participant, pursuant to the Plan, performance-based Stock Units (“**PSUs**”) relating to a certain number of shares of Stock as compensation for services rendered to the Company, and/or in order to provide the Participant with an incentive to advance the interests of the Company, all according to the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the mutual benefits hereinafter provided, and each intending to be legally bound, the Company and the Participant hereby agree as follows:

1. GRANT OF STOCK UNITS.

1.1. Units Granted.

Subject and pursuant to the terms of the Plan (which are incorporated by reference herein), the Company hereby grants to the Participant [No#of#PSUs#Granted] PSUs (the “**Target Award**”), on the terms and subject to the conditions set forth in this Agreement. The number of PSUs that the Participant may earn hereunder ranges from [zero] to [200%] of the Target Award, and shall be determined based on the level of achievement of the performance metrics set forth on Exhibit A attached hereto (the “**Performance Metrics**”) over the period commencing on [January 1, 2022] and ending on [December 31, 2024] (the “**Performance Period**”), as determined by the Committee in its sole discretion.

1.2. Separate Grants.

For purposes of vesting and the right to defer provided for in this Agreement, the portion of the Earned PSUs (as defined below), if any, that vest on each separate Vesting Date (as defined below) pursuant to Section 2 shall be treated as a separate grant (a “**Separate Grant**”), and the Participant may make a separate deferral election with respect to each Separate Grant.

2. VESTING OF STOCK UNITS.

2.1. Generally.

As promptly as practicable (and in no event more than two and one-half (2-1/2) months) following the last day of the Performance Period, the Committee shall determine (i) whether and to what extent the Performance Metrics have been achieved (the date of such determination, the

“**Determination Date**”) and (ii) the number of PSUs that shall be deemed earned, if any, based on the achievement of the Performance Metrics (the “**Earned PSUs**”). Any PSUs that do not become Earned PSUs, as determined by the Committee in its sole discretion, shall be automatically forfeited by the Participant on the Determination Date. Subject to the Participant’s continued Service from the Grant Date through each applicable vesting date (each, a “**Vesting Date**”), the Earned PSUs, if any, shall vest as follows: [(x) sixty percent (60%) of the Earned PSUs shall vest on the Determination Date; (y) twenty percent (20%) of the Earned PSUs shall vest on the first anniversary of the Determination Date; and (z) twenty percent (20%) of the Earned PSUs shall vest on the second anniversary of the Determination Date]. Any resulting fractional PSUs shall be rounded to the nearest whole unit and shall be rounded up or down as necessary as of the last Vesting Date; provided, in all cases, the Participant cannot vest in more than the number of Earned PSUs. Except as provided in Section 2.2, no PSUs shall vest after the Participant’s Service has terminated for any reason.

2.2. Special Vesting Provisions.

Notwithstanding anything to the contrary in Section 2.1:

2.2.1. Death, Disability or Leave of Absence. If, prior to the last day of the Performance Period, the Participant’s Service terminates due to death or Disability, then 100% of the Target Award shall be deemed to be Earned PSUs and shall vest on the date that the Participant’s Service terminates. If, on or following the last day of the Performance Period, the Participant’s Service terminates due to death or Disability, then all Earned PSUs, if any, that have not previously vested shall immediately become vested as of the date of the Participant’s termination of Service; provided, however, that if any such termination occurs on or following the last day of the Performance Period but prior to the Determination Date, then the PSUs shall remain outstanding until the Determination Date and any PSUs that become Earned PSUs on the Determination Date shall become fully vested as of the Determination Date. For the avoidance of doubt, any PSUs that do not become Earned PSUs based on the achievement of the Performance Metrics shall be automatically forfeited by the Participant on the Determination Date. For purposes of this Agreement, the Committee, in its sole discretion, may require that determination of the existence of a Disability be made by the Company’s insurance carrier or by an independent physician retained by the Company.

In the event the Participant takes one or more leaves of absence (or similar suspension of service while remaining an employee) during the Performance Period for an aggregate period of [275] or more days of the Performance Period, then the Participant shall not be eligible to earn PSUs pursuant to this Agreement on the Determination Date. In the event the Participant takes one or more leaves of absence (or similar suspension of service while remaining an employee) during the Performance Period for an aggregate period of less than [275] days of the Performance Period, then the Committee, in its sole discretion, may reduce on a *pro rata* basis the amount of Earned PSUs that would otherwise be earned pursuant to the Award based on its assessment of the Participant’s contributions during the Performance Period. For the avoidance of doubt, ordinary vacation and sick leave permitted under the Company’s policies are not considered suspensions of service. This paragraph shall not apply in the case of Death, Disability, or Retirement.

2.2.2. Retirement. If, prior to the completion of the first year of the Performance Period, the Participant’s Service terminates by reason of the Participant’s Retirement, the PSUs shall be forfeited. If, on or following the completion of the first year of the Performance Period, the Participant’s Service terminates during the Performance Period by reason of the Participant’s Retirement, then the Participant shall remain eligible to vest in the PSUs based on the actual achievement of the Performance Metrics, as determined by the Committee in its sole discretion following the end of the Performance Period. Any PSUs that become Earned PSUs based on the

actual achievement of the Performance Metrics shall become vested as of the Determination Date on a *pro rata* basis determined by multiplying the number of Earned PSUs by a fraction, the numerator of which is the number of days of Service performed by the Participant during the Performance Period and the denominator of which is the number of days in the Performance Period. Any resulting fractional PSUs shall be rounded to the nearest whole unit. If the Participant's Service terminates on or following the last day of the Performance Period by reason of the Participant's Retirement, all Earned PSUs, if any, that have not previously vested shall immediately become vested as of the Participant's Retirement Date (or upon the Revocation Expiration Time, if applicable); provided, however, that if any such termination occurs on or following the last day of the Performance Period but prior to the Determination Date, the PSUs shall remain outstanding until the Determination Date and any PSUs that become Earned PSUs on the Determination Date shall become fully vested as of the Determination Date (or upon the Revocation Expiration Time, if applicable and later). For the avoidance of doubt, any PSUs that do not become Earned PSUs based on the achievement of the Performance Metrics shall be automatically forfeited by the Participant on the Determination Date. For purposes of this Agreement, "**Retirement**" means the Participant's termination of Service other than due to death, Disability, or Cause if:

- (a) by the Retirement Date the Participant is at least 55 years old and has provided at least 10 years of Service as defined in the Plan and applied by the Company's HR department (generally including service with the Company, PS Business Parks, Inc., and their Affiliates);
- (b) by the Retirement Date the sum of the Participant's age and total years of Service equals at least 80;
- (c) the Participant provided the Company written notice of the Participant's intention to retire at least 12 months prior to the Retirement Date;
- (d) on or within 45 days following the Retirement Date (or within such shorter period following the Retirement Date as set forth in the separation agreement), the Participant has entered into a separation agreement, in a form acceptable to the Company, which includes a full release of claims and certain restrictive covenants as of the date of Retirement, and if the execution of such separation agreement is subject to a revocation period by applicable law, the separation agreement has not been revoked and the applicable revocation period, which may not exceed 10 days, has expired (the "**Revocation Expiration Time**"); and
- (e) subject to the Participant's continued Service through both the Certification Date and the Retirement Date, the Equity Awards Committee has taken separate action to establish a date of termination of Service for the Participant (the "**Retirement Date**") and to approve such accelerated vesting for the Participant (the date of such action by that committee, the "**Certification Date**"); provided, however, that (i) the Participant shall have no right to such accelerated vesting if that committee does not take action to approve such accelerated vesting for such Participant or revokes its approval before the Retirement Date; and (ii) if the Participant's Service is terminated for any reason other than death or Disability prior to such Retirement Date, any PSUs held by the Participant that have not vested shall terminate immediately, and the Participant shall forfeit any rights with respect to such unvested PSUs as of such termination of Service.

2.1. Restrictions on Transfer.

The Participant may not sell, transfer, assign, pledge, or otherwise encumber or dispose of the PSUs.

3. TERMINATION OF SERVICE.

Upon the termination of the Participant's Service for any reason, other than by reason of death, Disability, or Retirement (pursuant to Section 2.2.2), any PSUs held by the Participant that have not vested shall terminate immediately, and the Participant shall forfeit any rights with respect to such unvested PSUs as of such termination of Service. Any Earned PSUs that have vested and for which a deferral election has been made will continue to be outstanding in accordance with the terms of this Agreement.

4. DELIVERY OF SHARES.

4.1. Delivery Dates.

If a Participant does not defer payment of a Separate Grant pursuant to Section 5, delivery of the shares of Stock represented by the Participant's vested Separate Grant shall be made as soon as administratively practicable following the date on which such Separate Grant vests; provided, however, that such delivery shall occur no later than March 15th of the calendar year following the calendar year in which such Separate Grant vested.

4.2. Issuance.

On or as promptly as is practicable after the respective delivery date(s), the Company will issue the shares of Stock registered in the name of the Participant, the Participant's authorized assignee, or the Participant's legal representative, as applicable. The Company may reasonably postpone the issuance of the shares of Stock until it receives satisfactory proof that the issuance of such shares of Stock will not violate any of the provisions of the Securities Act or the Exchange Act, any rules or regulations of the Securities and Exchange Commission promulgated thereunder, or the requirements of applicable state or foreign law relating to authorization, issuance, or sale of securities, or until there has been compliance with the provisions of such acts or rules; provided that the delivery shall be made at the earliest date at which the Company reasonably anticipates that it will not cause such violation. The Company may also reasonably postpone the issuance of the shares of Stock in the event of the Participant's death until it receives such evidence as the Committee deems necessary to establish the validity of the issuance to the Participant's estate. Notwithstanding the provisions of this Section 4.2, the Company will not act in a manner as to cause the delivery of the shares of Stock to fail to be exempt from Section 409A of the Code and the related Treasury Regulations ("Section 409A") or to comply with the requirements of Section 409A, as applicable. Upon the issuance of the shares, Participant's payment of the aggregate par value of the shares delivered to Participant will be deemed paid by Participant's past Services to the Company or its Affiliates.

5. Right to Defer Payment.

The Participant may elect to defer the payment of the shares of Stock that would otherwise be paid upon the vesting of PSUs granted hereunder on the following terms and conditions:

5.1. Election Form.

An election to defer shall be made on a form provided to the Participant by the Company.

5.2. Election Requirements.

5.2.1. If (x) there is less than six months remaining in the Performance Period or (y) the Performance Metrics are substantially certain to be achieved as of the date of the Participant's

deferral election, as determined by the Company in its sole discretion, then the Participant may elect to defer the payment of the shares of Stock with respect to each Separate Grant of PSUs on the following conditions:

- (a) The election to defer is made not less than 12 months prior to the vesting date of the Separate Grant to which it relates;
- (b) The deferral is for a period of not less than five (5) years from the original vesting date of such Separate Grant; and
- (c) Such election does not go into effect for at least 12 months from the date of the election.

5.2.2. If (x) there is at least six months remaining in the Performance Period and (y) the Performance Metrics are not substantially certain to be achieved as of the date of the Participant's deferral election, as determined by the Company in its sole discretion, then the Participant may elect to defer the payment of the shares of Stock with respect to each Separate Grant of PSUs that has not vested.

To the extent the conditions set forth in Section 5.2.1 or Section 5.2.2, as applicable, are satisfied, the issuance of the shares of Stock relating to vested Earned PSUs for a Separate Grant shall be made at the time and in accordance with the Participant's deferral election.

5.3. Specified Employee and Separation from Service.

If the Participant is a "specified employee" (as defined in Section 409A and using the identification methodology selected by the Company from time to time) and the Participant's deferral election calls for the payment to be made on a "separation from service" (as defined in Section 409A), payment to the Participant may not be made before the date that is six months after the date of the Participant's separation from service from the Company or its Affiliates (or, if earlier, the date of the Participant's death).

5.4. Acceleration.

The issuance of the shares of Stock for deferred Separate Grants shall be accelerated upon the Participant's death and upon the Participant's "disability" or a "change in control" of the Company (as such terms are defined in Section 409A) and may be accelerated by the Participant in the event of an "unforeseeable emergency" (as defined in Section 409A) experienced by the Participant to the extent payment of the shares of Stock is needed to satisfy the emergency.

6. DIVIDEND AND VOTING RIGHTS; DIVIDEND EQUIVALENTS.

The Participant shall have none of the rights of a shareholder (including, without limitation, the right to vote or receive dividends declared or paid on the Stock) with respect to the PSUs unless and until the PSUs vest and a certificate for the shares of Stock relating to such vested PSUs has been issued or an appropriate book entry has been made. Notwithstanding the foregoing, within 60 days following the Determination Date, the Company shall pay to the Participant an amount in cash equal to the number of Earned PSUs, if any, multiplied by the aggregate amount of the cash dividends per share of Stock declared during the period commencing on the first day of the Performance Period and ending on the Determination Date (such period, the "**Dividend Equivalents Period**"), as if the Participant had held a number of shares of Stock equal to the number of Earned PSUs as of each dividend record date during the Dividend Equivalents Period; provided, however, that if the Participant's Service terminates during the Performance Period due to death or Disability, then the references to the

Determination Date in this sentence shall mean the date of the Participant's termination of Service. In addition, following the Determination Date, the Company shall pay to the Participant, in respect of each Earned PSU held by the Participant, if any, whether or not vested (including deferred Earned PSUs, if any), an amount in cash equal to the per share amount of any cash dividends declared on the shares of Stock. The Company shall pay any such amount(s) to the Participant at the same time that the dividend is paid to holders of shares of Stock. The Participant shall be entitled to receive such dividend equivalent payments for so long as his or her Earned PSUs remain outstanding.

7. WITHHOLDING OF TAXES.

If any event related to the PSUs (e.g., a vesting event) results in a Company or Affiliate having an obligation to pay withholding taxes of any kind, including federal, state, or local taxes, then unless the Participant has paid to the Company or its Affiliates the requisite amount necessary to satisfy such withholding obligation, as reasonably determined by the Company, including through the delivery of shares of Stock already owned by the Participant, or has made arrangements acceptable to the Company or its Affiliates for the payment of such amount (e.g., through a sell to cover arrangement with a broker) within two business days of the event, the Company shall satisfy such obligations by withholding shares of Stock otherwise deliverable. To the extent the obligation is not or cannot be fully satisfied in this manner, the Company and any Affiliates shall have the right to deduct the requisite amount from payments of any kind otherwise due to the Participant. The Participant acknowledges that upon the vesting of any Earned PSUs for which a deferral election has been made pursuant to Section 5, the Participant will be obligated to pay at that time applicable FICA and Medicare taxes in respect of the vested Earned PSUs, even though federal, state and local income taxes may be postponed until the deferral period ends, and that this Section 7 shall apply in such case. The shares of Stock so delivered or withheld shall have a Fair Market Value not exceeding the minimum amount of tax required to be withheld by applicable law; provided, however, that as long as Accounting Standards Update 2016-09 or a similar rule is otherwise in effect, the Committee has full discretion to choose, or to allow the Participant to elect, to withhold a number of shares of Stock having a Fair Market Value that is greater than the applicable minimum statutory amount (but such withholding may in no event be in excess of the maximum statutory withholding amount(s) in the Participant's relevant tax jurisdictions). The Fair Market Value of the shares of Stock used to satisfy such withholding obligation shall be determined by the Company as of the date that the amount of tax to be withheld is to be determined. A Participant who has made an election to deliver Stock to satisfy his or her withholding obligation may only do so with shares of Stock that are not subject to any repurchase, forfeiture, unfulfilled vesting, or other similar requirements.

8. DISCLAIMER OF RIGHTS.

No provision of this Agreement shall be construed to confer upon the Participant the right to continue in Service, or to interfere in any way with the right and authority of the Company or any Affiliate either to increase or decrease the compensation of the Participant at any time, or to terminate the Participant's Service.

9. DATA PRIVACY.

To administer the Plan, the Company and its Affiliates may process personal data about the Participant. Such data includes, but is not limited to, the information provided in this Agreement and any changes thereto, other appropriate personal and financial data about the Participant such as home address and business addresses and other contact information, and any other information that might be deemed appropriate by the Company to facilitate the administration of the Plan. By accepting this grant, the Participant hereby gives express consent

to the Company and its Affiliates to process any such personal data. The Participant also gives express consent to the Company to transfer any such personal data outside the country in which Participant works, including, with respect to non-U.S. resident participants, to the United States, to transferees who will include the Company and other persons who are designated by the Company to administer the Plan.

10. CONSENT TO ELECTRONIC DELIVERY OF MATERIALS.

The Company may choose to deliver certain statutory materials relating to the Plan in electronic form. By accepting this grant, the Participant agrees that the Company may deliver the Plan's prospectus and any annual reports to the Participant in an electronic format. If at any time the Participant would prefer to receive paper copies of these documents, as the Participant is entitled to, the Company would be pleased to provide copies. The Participant may contact the Company's Legal Department to request paper copies of these documents.

11. INTERPRETATION OF THE AGREEMENT.

All decisions and interpretations made by the Committee with regard to any question arising under the Plan or this Agreement shall be binding and conclusive on the Company and the Participant and any other person. In the event that there is any inconsistency between the provisions of this Agreement and of the Plan, the provisions of the Plan shall govern.

12. SECTION 409A.

The grant of PSUs under this Agreement is intended to comply with Section 409A to the extent subject thereto, and, accordingly, to the maximum extent permitted, this Agreement will be interpreted and administered to be in compliance with Section 409A. The Company, however, will have no liability to the Participant if Section 409A is determined to apply and adversely affects the Participant. With respect to payments under this Agreement, for purposes of Section 409A, each payment (if there is more than one payment) will be considered one of a series of separate payments. If at the time of the Participant's separation from service, (a) the Participant is a "specified employee" (as defined in Section 409A and using the identification methodology selected by the Company from time to time), and (b) the Company makes a good faith determination that an amount payable on account of such separation from service to the Participant constitutes "deferred compensation" (within the meaning of Section 409A), payment to the specified employee may not be made before the date that is six months after the date of the Participant's separation from service from the Company or its Affiliates (or, if earlier, the date of the Participant's death).

With respect to any amount payable under this Agreement to the Participant that constitutes "deferred compensation" (within the meaning of Section 409A), payment under this Agreement may not be accelerated upon a Change in Control under the Plan, unless such Change in Control is also a "change in control" (as defined in Section 409A) or unless otherwise permitted by Section 409A. Upon a Change in Control under the Plan that is not a "change in control" (as defined in Section 409A), such payment shall be made on the next payment date permitted by Section 409A.

13. GOVERNING LAW.

This Agreement shall be governed by the laws of the State of Maryland, except that if Participant's principal place of employment is in California, then this Agreement will be governed by the laws of the State of California, in either case without giving effect to any choice or conflict of law provision or rule.

14. BINDING EFFECT.

Subject to all restrictions provided for in this Agreement and by applicable law, this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, executors, administrators, successors, transferees, and assigns.

15. CLAWBACK.

The PSUs shall be subject to mandatory repayment by the Participant to the Company to the extent the Participant is, or in the future becomes, subject to (a) the Company's Incentive Compensation Recoupment Policy or similar successor policy, or (b) any applicable laws which impose mandatory recoupment, under circumstances set forth in such applicable laws.

16. ENTIRE AGREEMENT.

This Agreement, the deferral elections made under Section 5 (if any), and the Plan constitute the entire agreement regarding this grant and supersede all prior understandings and agreements, written or oral, of the parties hereto with respect to the subject matter hereof. Neither this Agreement nor any term hereof may be amended, waived, discharged, or terminated except by a written instrument signed by the Company and the Participant; provided, however, that the Company unilaterally may amend, waive, discharge, or terminate any provision hereof to the extent that such amendment, waiver, discharge, or termination does not adversely affect the interests of the Participant hereunder, but no such waiver shall operate as or be construed to be a subsequent waiver of the same provision or a waiver of any other provision hereof.

* * * * *

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement, or caused this Agreement to be duly executed on their behalf, as of the Grant Date.

PARTICIPANT:

[Participant#Name]

PUBLIC STORAGE

By: _____

Name: [Officer#Name]

Title: [Officer#Title]

ADDRESS FOR NOTICE TO PARTICIPANT:

[No#Street#Participant#Address]

[City#State#Zip#Participant#Address]

Signature Page to Performance-Based Stock Unit Agreement

[Participant#Name]/[Employee#ID#No]
[Grant#Date]/[Grant#Code]
Performance Vesting

EXHIBIT A

Performance Metrics

Performance Metrics. The PSUs that may be earned under this Agreement shall be based on the Company's achievement of the following performance metrics: (i) [60%] of the award may be earned based on the Company's relative TSR (as defined below) as compared against the weighted average TSR of the [Self-Storage Peer Group] (as defined below) over the Performance Period (the ["**Self-Storage Peer TSR Component**"]); and (ii) [40%] of the award may be earned based on the Company's relative TSR as compared against the weighted average TSR of the [S&P 500 Peer Group] (as defined below) over the Performance Period (the ["**S&P 500 Peer TSR Component**"]).

1. **[Self-Storage Peer TSR Component].** The [Self-Storage Peer TSR Component], weighted at [60%], may be earned as set forth in the table below:

[3 Year Performance Period]	
[60% TSR vs. Self-Storage (EXR, CUBE, LIFE, NSA) Weighted Average]	Percentage of Target Award
[<80%]	[0%]
[80% to <90%]	[25%]
[90% to <100%]	[75%]
[100% to <106%]	[100%]
[106% to <116%]	[125%]
[116% to 125%]	[150%]
[>125%]	[200%]

2. **[S&P 500 Peer TSR Component].** The [S&P 500 Peer TSR Component], weighted at [40%], may be earned as set forth in the table below:

[3 Year Performance Period]	
[40% TSR vs. S&P 500 REITs Weighted Average]	Percentage of Target Award
[<80%]	[0%]
[80% to <90%]	[25%]
[90% to <100%]	[75%]
[100% to <106%]	[100%]
[106% to <116%]	[125%]
[116% to 125%]	[150%]
[>125%]	[200%]

The number of PSUs that become earned hereunder, if any, shall be equal to the sum of (i) the number of PSUs that become earned pursuant to the [Self-Storage Peer TSR Component], if any, and (ii) the number of PSUs that become earned pursuant to the [S&P 500 Peer TSR Component], if any, rounded down to the nearest whole PSU. All determinations with respect to

the number of PSUs that become earned hereunder, if any, shall be made by the Committee in its sole discretion.

The Committee may adjust the TSR computations as it deems equitable and necessary, including (i) to account for significant acquisitions, dispositions, or other extraordinary or one-time events that impact the applicable TSRs, and (ii) as necessary to ensure that TSRs are computed on a consistent and equitable basis. The Committee does not expect to exercise this discretion except in unusual circumstances.

Definitions. For purposes of this Agreement, the following terms shall have the meanings set forth below.

- “**TSR**” means the cumulative total growth rate, expressed as a percentage and rounded to the nearest one decimal point, in the value of a share of the applicable company’s common stock from the closing price on the business day immediately preceding the first day of the Performance Period to the closing price on the last day of the Performance Period due to stock appreciation and dividends, assuming dividends are reinvested in common stock over the Performance Period. The weighted average TSR of a group of companies shall be based on their respective market capitalizations as of the business day immediately preceding the first day of the Performance Period.
- [“**Self-Storage Peer Group**” means Extra Space Storage Inc., Cubesmart, Life Storage, Inc. and National Storage Affiliates Trust. In the event one or more of these companies ceases to be traded on a national securities exchange or undergoes an extraordinary change in its operations, the Committee may adjust the composition of the Self-Storage Peer Group to the extent it determines it is equitable to do so.]
- [“**S&P 500 Peer Group**” means any REIT that is included in the S&P 500 for the entirety of the Performance Period.]

RULE 13A – 14(a) CERTIFICATION

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

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

/s/ Joseph D. Russell, Jr.

Name: Joseph D. Russell, Jr.
 Title: President and Chief Executive Officer
 Date: August 4, 2022

RULE 13A – 14(a) CERTIFICATION

I, H. Thomas Boyle, certify that:

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

/s/ H. Thomas Boyle

Name: H. Thomas Boyle
 Title: Senior Vice President and Chief Financial Officer
 Date: August 4, 2022

SECTION 1350 CERTIFICATION

In connection with the Quarterly Report on Form 10-Q of Public Storage (the “Company”) for the quarter ended June 30, 2022, as filed with the Securities and Exchange Commission (the “SEC”) on the date hereof (the “Report”), Joseph D. Russell, Jr., as Chief Executive Officer and President of the Company and H. Thomas Boyle, as Chief Financial Officer of the Company, each hereby certifies, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002 (“Sarbanes-Oxley”), that:

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

/s/ Joseph D. Russell, Jr.

Name: Joseph D. Russell, Jr.
Title: President and Chief Executive Officer
Date: August 4, 2022

/s/ H. Thomas Boyle

Name: H. Thomas Boyle
Title: Senior Vice President and Chief Financial Officer
Date: August 4, 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.