

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

[X] Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the fiscal year ended December 31, 2018.

[] 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: 001-32519

PUBLIC STORAGE
(Exact name of Registrant as specified in its charter)

Market

00-000000

(Name of chief executive officer or registrant)

(SEC's Company Identification Number)

70 Westwood Avenue, Glenview, California, 94020-2000

(Address of principal executive officer (if zip code))

(310) 244-8000

(Registrant's telephone number, including area code)

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

Name of each exchange

NYSE

Depository Shares, Each Representing 1/1000 of a 1.627% Cumulative Preferred Share, Series V
\$10 per share

New York Stock Exchange

Depository Shares, Each Representing 1/1000 of a 1.375% Cumulative Preferred Share, Series W
\$10 per share

New York Stock Exchange

Depository Shares, Each Representing 1/1000 of a 1.200% Cumulative Preferred Share, Series X
\$10 per share

New York Stock Exchange

Depository Shares, Each Representing 1/1000 of a 1.200% Cumulative Preferred Share, Series X
\$10 per share

New York Stock Exchange

Depository Shares, Each Representing 1/1000 of a 1.75 % Cumulative Preferred Share, Series Y
\$10 per share

New York Stock Exchange

Depository Shares, Each Representing 1/1000 of a 6.000% Cumulative Preferred Share, Series Z
\$10 per share

New York Stock Exchange

Depository Shares, Each Representing 1/1000 of a 3.875 % Cumulative Preferred Share, Series A
\$10 per share

New York Stock Exchange

Depository Shares, Each Representing 1/1000 of a 4.400% Cumulative Preferred Share, Series B
\$10 per share

New York Stock Exchange

Depositary Shares, Each Representing 1/100th of a 12% Cumulative Preferred Share, Series C, \$1 per value New York Stock Exchange
 Depositary Shares, Each Representing 1/100th of a 10% Cumulative Preferred Share, Series D, \$1 per value New York Stock Exchange
 Depositary Shares, Each Representing 1/100th of a 9.90% Cumulative Preferred Share, Series E, \$1 per value New York Stock Exchange
 Depositary Shares, Each Representing 1/100th of a 1.15% Cumulative Preferred Share, Series F, \$1 per value New York Stock Exchange
 Depositary Shares, Each Representing 1/100th of a .95% Cumulative Preferred Share, Series G, \$1 per value New York Stock Exchange
 Common Shares, \$ 0.0001 per value New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None (7)(b) (5)(i)

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

Yes No

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

Yes No

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

Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (1732-019) 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (1732-019) is not contained herein, and will not be contained, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendments to this Form 10-K.

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

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.
 Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes
 No

The aggregate market value of the voting and non-voting common shares held by non-affiliates of the Registrant as of June 30, 2018:

Common Shares, \$0.10 Par Value Per Share – \$31,890,475,000 (computed on the basis of \$250.00 per share, which was the reported closing sale price of the Company's Common Shares on the New York Stock Exchange (the "NYSE") on June 30, 2018)

As of February 25, 2019, there were 178,469,758 outstanding Common Shares, \$0.10 par value per share.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive proxy statement to be filed in connection with the Annual Meeting of Shareholders to be held in 2019 are incorporated by reference into Part III of this Annual Report on Form 10-K to the extent described therein.

PART I Business

Forward-Looking Statements

This Annual Report on Form 10-K contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements in this document, other than statements of historical fact, are forward-looking statements which may be identified by the use of the words "expect," "believe," "anticipate," "could," "estimate" 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 described in Part I, Item 1A, "Risk Factors" and in our other filings with the Securities and Exchange Commission (the "SEC") including:

- general risks associated with the recovery and operations of our estate, including changes in demand, risk related to development of self-storage facilities, potential liability for environmental contamination, natural disasters and adverse changes in laws and regulations governing property use, real estate and zoning;
- risks associated with downturns in the national and local economies in the markets in which we operate, including risks related to current economic conditions and the economic health of our customers;
- the impact of competition from new and existing self-storage and commercial facilities and other storage alternatives;
- difficulties in our ability to successfully evaluate, finance, integrate into our existing operations, and manage acquired and developed properties;
- risks associated with international operations including, but not limited to, non-convertible foreign currency rate fluctuations, changes in tax laws, and local and global economic uncertainty that could adversely affect our earnings and cash flows;
- risks related to our participation in joint ventures;
- the impact of the regulatory environment as well as national, state and local laws and regulations including, without limitation, those governing environmental, labor, our tenant insurance business and labor; and risks related to the impact of new laws and regulations;
- risks of increased tax expense associated either with a possible failure by us to qualify as a real estate investment trust ("REIT"), or with challenges to the determination of taxable income for our taxable REIT subsidiaries;
- risks due to a potential November 2020 statewide ballot initiative (or other significant actions) that could remove the protections of Proposition 13 with respect to our real estate and result in substantial increases in our assessed values and property tax bills in California;
- changes in United States ("U.S.") federal or state tax laws related to the taxation of REITs and other corporations;

- security breaches or a failure of our networks, systems or technology could adversely impact our business, customer and employee relationships;
- risks associated with the self-insurance of certain business risks, including property and casualty insurance, employee health insurance and workers compensation liabilities;
- difficulties in raising capital at a reasonable cost;
- delays and cost overruns on our development projects;
- ongoing litigation and other legal and regulatory actions which may divert management's time and attention, require us to pay damages and expenses or restrict the operation of our business; and
- economic uncertainty due to the impact of us on our customers.

These forward-looking statements speak only as of the date of this report or as of the dates indicated in the statements. All of our forward-looking statements, including those in this report, are qualified in their entirety by this statement. We expressly disclaim any obligation to update publicly or otherwise revise any forward-looking statements, whether as a result of new information, new estimates, or other factors, events or circumstances after the date of these forward-looking statements, except when circumstances require by law. Given these risks and uncertainties, you should not rely on any forward-looking statements in this report, or which management may make orally or in writing from time to time, as a prediction of future events or performance of future performance.

Business

Public Storage (referred to herein as "the Company", "we", "us", or "our") is a Maryland REIT, was organized in 1980.

At December 31, 2018, our principal business activities were as follows:

- (1) **Self-storage Operations.** We acquire, develop, own and operate self-storage facilities which offer storage spaces for lease on a month-to-month basis, for personal and business use. We are the largest owner and operator of self-storage facilities in the U.S. We have direct and indirect equity interests in 2,029 self-storage facilities that we collectively own/operate (an aggregate of 142 million net rentable square feet of space located in 38 states within the U.S., operating under the Public Storage brand name.
- (2) **Warehouse Operations.** We maintain policies against losses to goods stored by customers in our self-storage facilities and self-warehouse, primarily bulk and cardboard boxes, at our self-storage facilities.
- (3) **Investment in PS Business Parks.** We have a 27% equity interest in PS Business Parks, Inc. ("PSBI"), a publicly held REIT that owns, operates, acquires and develops commercial properties, primarily multi-tenant flex, office, and industrial parks. At December 31, 2018, PSBI owns and operates 21.2 million rentable square feet of commercial space.
- (4) **Investment in Sheppard Europe.** We have a 15% equity stake in Sheppard Self Storage SA ("Sheppard Europe"), a publicly held company trading under Euronext Brussels under the "SHUR" symbol, which owns 252 self-storage facilities (11 million net rentable square feet) located in seven countries in Western Europe operated under the "Sheppard" brand name. We believe Sheppard Europe is the largest owner and operator of self-storage facilities in Western Europe.

We also manage 33 self-storage facilities for third parties. We are working to expand our third-party management operations to further increase our economies of scale and leverage our brand; however, there is no

insurance that we will be able to do so. We also own 18 million net rentable square feet of commercial space which is managed primarily by FSI.

If all periods presented herein, we have elected to be treated as a REIT, as defined in the Internal Revenue Code of 1986, as amended (the "Code"). As a REIT, we do not incur U.S. federal income tax if we distribute 100% of our REIT taxable income annually, net after and paid from our property operations, the amount due (or the amount, without distribution paid in a subsequent year may be considered), and if we meet certain organizational and operational rules. We believe we meet these requirements in all periods presented herein and we expect to continue to do so and qualify as a REIT.

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

Our most significant www.issuerepository.com we make available, free of charge, our Annual Reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments to those reports as soon as reasonably practicable after the reports and amendments are received, filed with or furnished to the SEC. The information contained on our website is a part of or incorporated by reference into the Annual Report on Form 10-K.

Competition

We believe that our customers generally store their goods within a three to five mile radius of their home or business. Our facilities compete with nearby self-storage facilities owned by other operators using marketing channels similar to ours, including Internet advertising, signage, and business-to-business and office services similar to ours. As a result, competition is significant and affects the occupancy levels, rental rates, rental income and operating expenses of our facilities. In the last three years, there has been a marked increase in development of new self-storage facilities in many of the markets we operate in, due to the favorable economics of development which we have also taken advantage of. These newly developed facilities compete with many of the facilities we own, negatively impacting our occupancies, rental rates, and rental growth. This increase in supply has been most notable in Atlanta, Austin, Charlotte, Chicago, Dallas, Detroit, Houston, New York, and Portland.

Ownership and operation of self-storage facilities is highly fragmented. As the largest owner of self-storage facilities, we believe that we own approximately 7% of the self-storage square footage in the U.S. and that collectively the five largest self-storage owners in the U.S. own approximately 15%, with the remaining 82% owned by numerous regional and local operators.

We primarily own facilities in major markets. We believe that we have significant market share and concentration in major metropolitan centers, with approximately 71% of our 2013 same-store revenues generated in the 20 Metropolitan Statistical Areas (each, a "MSA") as defined by the U.S. Census Bureau with the highest population levels. We believe this is a competitive advantage relative to other self-storage operators, which do not have as geographic concentrations and market share in the major MSA's.

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

Business Attributes

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

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

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

- **Our Website and Mobile Website:** The online marketing channel is a key source of customers. Approximately 75% of our revenues in 2014 were earned through our website and we believe that many of our other customers who viewed directly through our call center or arrived at a facility and viewed it without a reservation. We've reviewed our pricing and availability online through our website. We invest extensively in advertising on the Internet to attract potential customers, primarily through the use of search engines, and to regularly update our website to enhance their productivity.
- **Our Call Center:** Our contact is staffed by skilled sales specialists. Customers primarily reach our call center by calling our advertised toll-free telephone numbers provided on search engines or our website. We believe going customer-to-customer to interact with a call-center agent, enables the highest quality and creates a reservation that, on our website, creates our ability to give them a high quality customer experience.
- **Our Properties:** Customers can also shop at any one of our facilities. Property managers across the same information that is available on our website and to our call-center agents, and can inform the customer of available space at that one of our other storage facilities.

Management's consistent goals: The size and scope of our operations have enabled us to achieve high operating margins and a high level of administrative costs relative to revenues through the centralization of many functions, such as facility maintenance, employee compensation and benefits programs, revenue management, as well as the development and documentation of standardized operating procedures. We also believe that our major market concentration provides managerial efficiencies resulting from sharing a high percentage of our facilities in close proximity to each other.

Marketing emphasis of scale: Our size-market concentration relative to the fragmented ownership and operation of the rest of the industry, combined with our well-managed brand name, improves our performance in regard to the search results for self-storage and reduces our average cost per click for multiple keyword advertising. The large number of facilities we have in major metropolitan areas enables us to effectively use television advertising from time to time. Our competitors generally do not use television advertising because they lack the scale in their metropolitan centers.

Brand name recognition: We believe that the "Public Storage" brand name is the most recognized and established name in the self-storage industry. Due to our national reach in major markets in 16 states, our highly visible facilities, and our facilities' distinct orange-colored doors and signage, we believe the "Public Storage" name is one of the most frequently used search terms used by customers using Internet search engines for self-storage. We believe that the "Shurgard" brand, used by Shurgard Europe, is a well-recognized and established brand in Europe. We believe that the awareness of our brand name results in a high percentage of potential storage customers consulting our facilities before visiting other operators.

Growth and Investment Strategies

Our growth strategies consist of (i) improving the operating performance of our existing self-storage facilities, (ii) acquiring more facilities, (iii) developing new facilities and adding more self-storage space to existing facilities, (iv) participating in the growth of our investment in REITs, and (v) participating in the growth of our

investment in Shergarp Europe. While our long-term strategy includes each of these elements, in the short run the level of growth in our asset base in any period is dependent upon the cost and availability of capital, as well as a relative attractiveness of available investment alternatives.

Improve the operating performance of existing facilities: We seek to maximize the net cash flow of our existing self-storage facilities by (i) regularly analyzing our self-storage, non-storage activity, business activity, revenues less non-rent costs and other market supply and demand factors and expanding by reducing our balance sheet, spending and interest, our personnel and other resources, and the total cost; we charge to rent and existing customers; (ii) strategically to maximize revenues through evaluating the operations factors between occupancy, rental rates, and promotional financing and (iii) controlling operating costs. We believe that our property management personnel, administrative technology, cost-conscious leasing practices for the customer, our customer of care, and our Internet marketing and advertising programs will continue to enhance our ability to meet these goals.

Acquire properties owned by others in the U.S.: We seek to capitalize on the fragmentation of the self-storage business through acquiring undervalued, ground well-located existing self-storage facilities. We believe our presence in and knowledge of substantially all of the major markets in the U.S. enhances our ability to identify attractive acquisition opportunities. Data on the rental rates and occupancy levels of our existing facilities provides us an advantage in evaluating the potential of acquisition opportunities. Our agreements to build and/or purchase facilities through spin-outs include the priority of construction and financing. We will have the ability to acquire these facilities, lease with the ability to have our own operating capabilities, as well as our financial capabilities. From 2011 through 2014, we acquired an aggregate of 11 facilities that total projects at an aggregate cost of \$50 million. We will continue to seek to acquire properties in 2015. However, there are significant challenges to acquire existing facilities, and self-storage owners' desire to sell is based upon many variables, including potential environmental claims, expectations of future growth, estimated value, the cost of debt financing, as well as personal considerations. As a result, there can be no assurance as to the level of facilities we may acquire.

Develop new self-storage facilities and expand existing facilities: The development of new self-storage locations and the expansion of existing facilities has been an important source of growth. Since the beginning of 2013, we have expanded our development efforts due to growth in the significant location in places that are good for existing facilities. We want to see what the cost of developing new facilities. As of December 31, 2014, we had development projects including new self-storage facilities and expand existing self-storage facilities, which will add approximately 7.2 million net rentable square feet of self-storage space, at a total cost of \$ 807.4 million. Some of these projects are subject to significant contingencies such as entitlement approval. The extent to continue to seek additional development projects, however, the level of future development may be limited due to various contingencies such as difficulty in finding projects that meet our risk-adjusted yield expectations, challenges in obtaining building permits for self-storage activities in certain municipalities, as well as challenges in sourcing quality construction materials, labor, and design elements.

Participate in the growth of FSI Business Parks, Inc.: Our investment in FSI provides diversification into another asset type. FSI is a real-estate public company traded on the NYSE. As of December 31, 2014, we have a 42% equity interest in FSI.

FSI seeks to grow its asset base in desirable markets as well as increase the cash flows from its existing portfolio. As of December 31, 2014, FSI owned and operated approximately 20.2 million rentable square feet of commercial space, and had an enterprise value of approximately \$1.5 billion (based upon the trading price of FSI's common stock combined with the liquidation value of its preferred stock as of December 31, 2014).

Participate in the growth of Shergarp Europe: We believe Shergarp Europe is the largest self-storage company in Western Europe. It owns and operates 232 self-storage facilities with approximately 11 million net rentable square feet in France (primarily Paris), includes (primarily) Luxembourg, the United Kingdom (primarily London), the Netherlands, Denmark (primarily Copenhagen), Belgium and Germany. On October 15, 2014, Shergarp Europe completed an annual general meeting (AGM) following a total of 25.0 million of its common shares for €375 million in gross proceeds, and its shares commenced trading on Euronext Brussels under the "SEUR" symbol.

As a result of the Offering you did not acquire any additional common shares or sell any of our existing shares in the Offering), our equity interest in Shearjack Europe decreased from 49% to 35.2%.

Customer retention and availability of self-storage is significantly lower in Europe than in the U.S. However, as both revenues and product supply, we believe there is potential for increased demand for storage space in Europe. We believe Shearjack Europe is well-positioned to benefit from the development of new facilities and acquiring existing facilities. From 2014 through 2017, the capital funds acquired 26 facilities with an aggregate square footage of approximately 1.1 million square feet in Germany, the United Kingdom, Sweden and France for an aggregate purchase price of approximately \$136.7 million. In addition, from 2014 through 2017, Shearjack Europe opened eight development properties in the United Kingdom. Customer and facilities consisting 40,300 square meters for a cost of \$130.7 million.

Distribution of Common Shares to Shareholders

Distribution of financing strategy and sources of capital. As a REIT, we generally distribute 100% of our taxable income to our shareholders which, relative to a taxable C corporation, limits the amount of cash flow from operations that we can retain for investment. In a taxable C corporation, we would have to pay our annual taxes on capital to investors.

Our financial profile is characterized by strong credit metrics, including low leverage relative to our total capitalization and operating cash flow. We are one of the highest rated REITs, as rated by major rating agencies Moody's and Standard & Poor's. Our credit debt has an "A" credit rating by Standard & Poor's and "A2" by Moody's. Our credit ratings on each of our series of preferred shares are "A2" by Moody's and "BBB+" by Standard & Poor's. Our credit profile and ratings enable us to efficiently access both the public and private capital markets to raise capital.

Sources of capital available to us include retained operating cash flow, the issuance of preferred and common securities, the issuance of medium and long-term debt, joint venture financing and the sale of properties. We view our line of credit, as well as short-term debt, as a vital financing source.

Historically, we have financed our cash investment activities primarily with retained operating cash flow and the issuance of preferred securities. While we have issued common shares, such issuances have been minimal, because preferred securities have had a more attractive yield. In 2017 and 2016, we issued non-convertible medium-term debt primarily as a bridge to our re-structured investment in Shearjack Europe. On September 15, 2017, we completed a public offering of 11.2 million in aggregate principal amount of secured notes in two equal tranches (collectively, the "U.S. Dollar Notes"), one maturing in November 2022 bearing interest at 2.75%, and another maturing in September 2027 bearing interest at 3.625%. While we have received a full debt of \$48.6 million in our capital structure, we expect to continue to remain conservatively capitalized and our subject industries to experience continued growth.

We have no current plans to use joint venture financing or the sale of properties as sources of capital.

We value among the sources of capital available to us based upon relative cost, availability, the degree of leverage, and considering potential constraints caused by certain features of capital sources, such as debt covenants.

Retained operating cash flow. Although we are generally required to distribute 100% of our taxable income to our shareholders, we are nevertheless able to retain operating cash flow to the extent that our tax distributions exceed our maintenance capital expenditures. In recent years, we have retained approximately \$200 million to \$300 million per year in cash flow.

Preferred equity: An equity share, it is a non-voting equity in an investment vehicle of capital and the long term. However, cost and market conditions for the issuance of preferred securities can be volatile as evidenced from time to time, particularly in the last few years. In 2017, we have issued preferred securities at fixed rates ranging from 4.90% to 6.175%. Most recently, in August 2017, we issued \$100 million of preferred securities at a fixed rate of 4.75-4.9375%. We believe that the market capital cost of our preferred securities is influenced by long-term interest.

ites, as well as demand specifically from retail investors. Institutional investors are generally not buyers of our preferred securities.

As of December 31, 2018, we have approximately 64.3 billion in preferred securities outstanding. On February 22, 2019, we called for redemption on March 28, 2019 our 6.170% Series V Preferred Shares at par (\$285 million). Our preferred securities outstanding as of December 31, 2018, including the Series V Preferred Shares that were called for redemption and are no longer outstanding, are as follows: Series I Preferred Shares (3,200 million); our 3.200% Series U Preferred Shares (\$415 million); our 3.200% Series V Preferred Shares (\$285 million); and our 3.200% Series W Preferred Shares (\$25 million). Our 6.170% Series of Preferred Shares (\$285 million) became callable on June 1, 2019. Redemption of our preferred series will depend upon many factors, including the rate at which we could raise replacement preferred securities. None of our preferred securities is redeemable at the option of the holder.

Market or liquidity risk: We have bond issuers to issue debt to fund our business. Our corporate credit ratings are "A" by Standard & Poor's and "A2" by Moody's. We believe its one high rating, combined with our current minimal level of debt, could allow us to issue additional unsecured debt at lower interest rates than the coupon rates on preferred securities.

As of December 31, 2018, we have \$1.0 billion of U.S. Dollar Notes and approximately €142 million of Euro-denominated senior unsecured notes (the "Euro Notes") outstanding, which were issued to institutional investors in 2015 and 2016.

Counterparty risk: Except for a contract with a major, non-affiliated manager in 2018 with Shogun Energy Canada, we have not raised capital through the issuance of common equity because lower cost alternatives have been available. However, we believe that the ability for our common equity to liquidate, in a timely, convertible equity is a significant potential source of capital.

Bridge financing: We have a \$100 million revolving line of credit which we occasionally use as temporary "bridge" financing, along with short-term bank loans, until we are able to raise longer-term capital. As of December 31, 2018, there is no borrowing remaining on our revolving line of credit and no short-term bank loans.

Limited capital alternatives: We have issued both our common and preferred securities in exchange for real estate and other investor aims in the past. We do not expect such issuances to be a material source of capital in the future, though there can be an exception.

We have participated in joint ventures with institutional investors in the past to acquire, develop, and operate self-storage facilities, most notably our joint ventures to own Shergard Europe, prior to its offering. We do not presently expect joint ventures financing to be a material source of capital in the future because we have other sources of capital that are currently less expensive and because of potential constraints resulting from joint management and ownership.

Generally, we have deployed self-storage facilities only when considered to do so through condemnation proceedings. Because we believe that we are an optimal operator of self-storage facilities, we have generally found that we cannot obtain sufficient value in selling properties. As a result, we do not presently expect to raise significant capital selling self-storage facilities, however, there can be an instance that we will not.

Investments in Real Estate and Institutional Real Estate Funds

Investment Policies and Practices with respect to our Investments: Following are our investment practices and policies which, though we do not anticipate any significant alterations, can be changed by our board of directors (the "Board") without a shareholder vote:

- Our investments primarily consist of direct ownership of self-storage facilities, as well as partial interests in entities we control that own self-storage facilities that we manage under the "Public Storage" brand name in the U.S. Our investments in self-storage facilities are described in more detail in Item 2, "Properties," below.
- We have an ownership interest in Sheppard Storage, which owns storage facilities located in Europe under the "Sheppard" brand name.
- Additional unvested interests in real estate will generally include the acquisition of properties from third parties, as well as to a lesser extent, partial interests in entities in which we already have an interest.
- To a lesser extent, we have interests in existing commercial properties (described in Item 2, "Properties"), consisting commercial and industrial rental space, primarily through our investment in PSB.

Facilities Owned by The Company and Subsidiary Entities

As December 31, 2014, we had ownership interests in PSB and Sheppard Storage (each discussed above), which we do not control or consolidate.

PSB and Sheppard Storage have debt and other obligations that we do not consolidate in our financial statements. Such debt and other obligations have no relevance to us. See Note 8 to our December 31, 2014 financial statements for further discussion regarding the nature, significance and carrying amounts of PSB and Sheppard Storage's debt. In addition, PSB's public filing page is available at its website, www.photonstorage.com and on the SEC website, and Sheppard Storage's public filing and public filing page is available at its website, www.sheppard.com.

Canadian Self-Storage Facilities owned by Empire Commerce and Member of Board of Trustees

As December 31, 2014, B. Wayne Hughes and Tamara Hughes-Groves together owned and controlled 62 self-storage facilities in Canada. These facilities operate under the "Public Storage" trademarks, 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 choose to acquire or develop any new 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 currently hold certain lines of credit secured by customers at these facilities, and have received approximately \$1.1 million, \$1.1 million and \$600,000 for the years ended December 31, 2013, 2012 and 2011, respectively. Our right to continue receiving these payments may be qualified.

Limitations on Debt

Our revolving credit facility, U.S. Dollar Notes and Euro Notes contain various customary financial covenants, including limitations on our ability to encumber our properties with mortgages and limitations on the level of indebtedness. We believe we complied with each of these covenants as of December 31, 2014.

Employees

We had approximately 5,400 employees in the U.S. as December 31, 2014 who are engaged primarily in property operations.

Seasonality

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

Insurance

We carry property, earthquake, general liability, employee medical insurance and workers compensation coverage through professionally recognized insurance carriers subject to deductibles. Our deductible for general liability is \$2.0 million per occurrence. Our annual deductible for property losses is \$2.0 million per occurrence. This deductible de-cumulates to \$5.0 million once we reach \$3.0 million in aggregate losses for occurrences that exceed however, once we reach \$3.0 million in aggregate losses for occurrences that exceed \$1.0 million, insurance carriers aggregate losses on those policies of \$1.0 million for property losses and \$1.0 million for general liability losses on higher than otherwise of occurrence probably losses that could occur from individual catastrophic events attributable to event originating and financial stability, however, in case of multiple catastrophic events, these limits could be exhausted.

We maintain 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 (earthquake) as not covered by this program, up to a maximum limit of \$5,000 per storage unit. We maintain all risks in this program, but purchase insurance to cover the exposure for a limit of \$2.0 million for losses in excess of \$5.0 million per occurrence. We are subject to financial performance and solvency to several states. Customer participation in the program at that option. As of December 31, 2011, there were approximately 95,000 certificates held by our self-storage customers, representing aggregate coverage of approximately \$1.2 billion.

ITEM 1A. Risk Factors

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

We have significant exposure to real estate risk.

Since our business consists primarily of acquiring and operating self-storage, we are subject to the risks related to the ownership and operation of real estate that could result in reduced revenues, increased expenses, increased capital expenditures, or increased leverage, which could negatively impact our operating results, with the result being fluctuations in our revenues, and our stock price.

Natural disasters or terrorist attacks could cause damage to our facilities, resulting in increased costs and reduced revenues. Natural disasters, such as earthquakes, fires, hurricanes and floods, or terrorist attacks could cause significant damage and require significant repair costs, and could further negatively affect our ability to collect rents. Damages and business interruption losses could exceed the aggregate limits of our insurance coverage. In addition, because we are a direct or indirect owner of real estate, losses related to real estate could be covered by insurance. See Note 17 to our December 31, 2011 Financial Statements for a description of the real estate losses that are not covered by third-party insurance contracts. We may not have sufficient insurance coverage to cover losses caused by a terrorist attack. Our real estate may not be insurable, insurable at reasonable rates, or insurable at all. In addition, significant natural disasters, because of their nature, could result in losses that exceed our insurance coverage and have negative impacts on storage demand and/or our revenues.

Operating risks, including property risks, could decrease. We could be subject to increases in insurance premiums, property or other risks, capital and maintenance costs, general liability costs, workers compensation, and other operating expenses due to various factors such as inflation, labor shortages, commodity and energy price increases, weather, increases in minimum wage rates, changes to governmental safety and real estate use limitations,

as well as other governmental actions. Our property tax expense, which totaled approximately \$27.6 million during the year ended December 31, 2011, generally depends upon the assessed value of our real estate facilities as determined by assessors and government agencies, and accordingly could be subject to substantial increases if such agencies changed their valuation approaches or operators or if new laws are enacted.

The acquisition of existing properties is subject to risks that may materially affect our growth and financial results. We have acquired self-storage facilities from third parties in the past, and we expect to continue to do so in the future. We face significant competition for suitable acquisition properties from other real estate investors. As a result, we may be unable to acquire additional properties we desire on the purchase price for desirable properties may be significantly increased. Failure to acquire environmental in emerging newly acquired properties or our operations or circumstances we did not detect during due diligence, such as environmental matters, undeveloped or delinquent maintenance, or the effects of increased property use following commencement of a newly-acquired property, as well as the general risks of real estate investment, could jeopardize realization of the anticipated savings from an acquisition.

Development of self-storage facilities can subject us to risk. As December 31, 2011, we have a pipeline of development projects totaling \$ 607.4 million (subject to contingencies), and we expect to continue to seek additional development projects. There is a significant risk involved in developing self-storage facilities, such as delays or cost increases due to changes in or failure to meet government or regulatory requirements, failure of revenue to meet our underlying estimates, whether actual, unforeseen site conditions, or prevented parking. Self-storage sites as generally not pre-built, and timing of newly developing sites can be delayed or changing cash flow trends can be reduced due to competition, reduction in storage demand, or other factors.

There is significant competition among self-storage operators and from other storage alternatives. Our self-storage facilities generate most of our revenue and earnings. Competition in the local market areas in which many of our properties are located is significant and has affected our occupancy levels, rental rates and operating expenses. Development of self-storage facilities has increased in recent years, which has intensified competition and will continue to do so as newly developed facilities are opened. Development of self-storage facilities by other operators could continue to increase, due to increases in availability of funds for investment or other reasons, and further intensify competition.

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

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

We are not aware of any environmental contamination or asbestos infiltration related liabilities that could be material to our overall business, financial condition, or results of operation. However, we may not have detected all material liabilities, we could acquire properties with latent undisclosed liabilities, or new conditions could arise or develop at our properties, any of which could result in a cash settlement or adversely affect our ability to sell, lease, operate, or otherwise affect facilities.

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

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

Our ability to raise capital to fund our activities may be adversely affected by challenging market conditions. If we were unable to raise capital at reasonable rates, prospective earnings growth through expanding our asset base could be limited.

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

We own a 12.7% equity interest in Shergard Europe, with our investment being 1,524,491, million book value at December 31, 2013, and 1,141 million in equity in earnings in 2013. As a result, we are exposed to additional risks related to international operations that may adversely impact our business and financial results, including the following:

- **Currency risks:** Currency fluctuations can impact the fair value of our investment in Shergard Europe, as well as future repatriation of cash.
- **Legislative, tax and regulatory risks:** Shergard Europe is subject to a variety of local, national, and pan-European laws and regulations related to permitting and land use, the environment, labor, and other areas, as well as income, property, sales value added and employment tax laws. These laws can be difficult to apply or interpret and can vary in each country or locality, and are subject to unexpected changes in their form and application due to regional, national, or local political movements and other factors. Such changes to Shergard Europe's business or compliance with these laws, could subject it to penalties or other sanctions, adverse changes in business processes, as well as potentially adverse economic, property tax, or other tax burdens.
- **Impediments to capital repatriation could negatively impact the realization of our investment in Shergard Europe:** Laws in Europe and the U.S. may create, impede or increase our cost to repatriate distributions received from Shergard Europe or proceeds from the sale of Shergard Europe's shares.
- **Risks of collective bargaining and industrial property:** Collective bargaining, which is prevalent in certain areas in Europe, could negatively impact Shergard Europe's labor costs or operations. Many of Shergard Europe's employees participate in various national unions.
- **Political operations and individual country risks:** Economic downturns or extraordinary political or social change in the countries in which it operates have posed, and could continue to pose, challenges or result in future reductions of Shergard Europe's operating cash flows.
- **Equality of our ownership stake:** We have no plan to liquidate our interest in Shergard Europe. However, while Shergard Europe is a publicly held entity, our ability to liquidate our shares in Shergard Europe, if we chose to, could be limited by the level of Shergard Europe's public float relative to our ownership stake. We are subject to a contractual "lock up" that prevents us from selling any shares until April 9, 2016, and an existing relationship with our major stock owners further may place further contractual limitations on our ability to sell all of the shares we own if we desired to do so.
- **Impediments of Shergard Europe's public ownership structure:** Shergard Europe is a strategic investment involving activities such as borrowing money, capital contributions, raising capital from third parties, as well as selling or acquiring significant assets, are determined by its board of directors. As a result, Shergard Europe may be precluded from taking advantage of opportunities that we would find attractive, but that we may not be able to pursue economically independently.

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

As December 31, 2018, B. Wayne Hughes, our former Chairman and his family, which includes his daughter, Tamara Hughes Gutierrez and his son, B. Wayne Hughes, II, who are both members of our Board of Trustees (collectively, the "Hughes Family"), owned approximately 37.5% of our outstanding common shares. The declaration of our proxy by the Hughes Family to vote up to 33.3% of our outstanding common shares which is generally restricted to exercising its voting powers and actions to 7% of our outstanding common shares. Consequently, the Hughes Family may significantly influence matters submitted to a vote of our shareholders, including electing trustees, amending our organizational documents, distributing and approving other extraordinary transactions, such as a takeover attempt, resulting in outcomes that may not be favorable to other shareholders.

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

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

- Provisions of Maryland law may impose limitations that may make it more difficult for a third party to negotiate or effect a business combination transaction or control share acquisition with Public Storage. Currently, the Board has opted not to adjust the company to these provisions of Maryland law, but it could choose to do so in the future, without shareholder approval.
- To protect against the loss of REIT status due to concentration of ownership levels, our declaration of trust generally limits the ability of a person, other than the Hughes Family or "Assigned Investment Entities" (such as defined in our declaration of trust), to own, directly or constructively, more than 7% of our outstanding common shares or 9% of the outstanding shares of any class or series of preferred or equity shares. Our Board may grant a specific exemption from these limits could discharge, delay or prevent a transaction resulting in change in control of the Company not approved by our Board.
- Similarly, current provisions of our declaration of trust and powers of our Board could have the same effect, including (1) limitations on removal of trustees, (2) restrictions on the acquisition of our shares of beneficial interest, (3) the power to issue, without common shares, preferred shares or equity shares in some approved by the Board without obtaining shareholder approval, (4) the advance notice provisions of our bylaws and (5) the Board's ability under Maryland law, without obtaining shareholder approval, to implement takeover defenses that we may not yet have and to take, or refrain from taking, other actions that could have the effect of delaying, deterring or preventing a transaction or a change in control.

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

REITs are subject to a variety of complex organizational and operational requirements. A qualifying REIT does not generally have federal income tax on its net income that is distributed to its shareholders. Our REIT status is also dependent upon the required REIT application of 90% of our substantial nonexempt assets to it. We believe we have qualified as a REIT and we intend to continue to maintain our REIT status.

There can be no assurance that we qualify or will continue to qualify as a REIT, because of the highly technical nature of the REIT rules, the ongoing importance of factual determinations, the possibility of unidentified issues in prior periods or changes in our circumstances, as well as our ongoing intent to not necessarily ensure that our shareholders have as effectively diverse the us as qualify as a REIT. For any year we fail to qualify as a REIT, unless certain other determinations apply, the possibility of such event could result in a significant increase in taxable income. We would not be allowed a deduction for dividends paid, we would be subject to corporate tax on our taxable income and generally we would not be allowed to elect REIT status until the IRS has either such a disposition. Any taxes, penalties, and penalties incurred would reduce

our cash available for distribution to shareholders and could negatively affect our stock price. However, for years in which we failed to qualify as a REIT, we would not be subject to REIT rules which require us to distribute substantially all of our taxable income to our shareholders.

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

Holders of our preferred shares are entitled to cumulative dividends before any dividends may be declared or set aside on our common stock. Upon liquidation, holders of our preferred shares will receive a liquidation preference of \$25,000 per share (or \$2.50 per share) plus any accrued and unpaid dividends before any payment is made to the common shareholders. These preferences may limit the amount received by our common shareholders relative to their original distributions or upon liquidation. In addition, our preferred shareholders have the right to elect two additional directors to our Board whenever dividends are in arrears in an aggregate amount equivalent to six or more quarterly dividends, whether or not consecutive.

Preferred Shareholders are subject to certain risks.

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

- The Company has in the past, and could in the future, issue or assume additional debt. Preferred shareholders would be subordinated to the interest and principal payments of such debt, which would increase the risk that there would not be sufficient funds to pay distributions or liquidation amounts to the preferred shareholders.
- The Company has in the past, and could in the future, issue additional preferred shares that, while pari passu to the existing preferred shares, increases the risk that there would not be sufficient funds to pay distributions to the preferred shareholders.
- While the Company has plans to do so, if the Company were to lose its REIT status or no longer elect REIT status, it would no longer be required to distribute its taxable income to maintain REIT status. If, in such a circumstance, the Company ceased paying dividends, regular distributions to the preferred shareholders would continue to accumulate. The preferred shareholders would have the ability to elect two additional directors to serve on our Board of Trustees until the average was laid. The preferred shareholders would not receive any compensation (such as interest) for the delay in the receipt of distributions, and it is possible that the average could accumulate indefinitely.

Change in tax laws could negatively impact us.

The United States Treasury Department and Congress frequently propose federal income tax legislation, regulations and other guidance. We cannot predict whether, when or to what extent new federal tax laws, regulations, interpretations or rulings will be adopted. Any legislative action that prospectively or retroactively modifies our tax treatment and, therefore, may adversely affect taxation of us or our shareholders.

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

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

If we are qualified as REIT for federal income tax purposes, we must be subject to state federal, foreign, state and local taxes on our income and property. Since January 1, 2001, certain consolidated corporate subsidiaries of the Company have elected to be treated as "eligible REIT subsidiaries" for federal income tax purposes, and are treated as regular corporations and subject to certain limitations on non-reciprocity transactions. If tax authorities determine that amounts paid by our eligible REIT subsidiaries to us are not reasonably categorized as routine arrangements among affiliated parties, we could be subject to a 100% penalty tax on the excess payments, and ongoing non-reciprocity arrangements could have to change, resulting in higher ongoing tax payments. To the extent the Company is required to pay federal, foreign, state or local taxes or federal penalty taxes due to existing laws or changes therein, we will have less cash available for distributions to shareholders.

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

We have expenses to increase property tax in California.

Approximately 95% of the value of our 2013 net operating income is from our properties in California, and we incurred approximately \$ 1.4 million in added property tax expense. Due to the impact of Proposition 13, which generally limits increases in assessed value to 2% per year, the assessed value and resulting property tax we pay is less than it would be if the proposition were amended at current values. From time to time, proposals have been made to reduce the beneficial impact of Proposition 13, particularly with respect to commercial properties, which would include self-storage facilities. In the 2013 election, qualified for California's Proposition 2013 initiative that would raise or "roll back" property taxes. Proposition 13's restrictions only apply to residential real estate. We cannot predict whether the initiative will result in the ballot in 2014, or what the proposal for passing might be, or whether other changes to Proposition 13 may be proposed or adopted. If the initiative or a similar proposal were to be adopted, it would nullify the beneficial effect of Proposition 13 for our properties, and our property tax expense could increase substantially, adversely affecting our cash flow from operations and our business.

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

We have over 5, 600 employees, more than 1.4 million customers, and we conduct business at facilities with 62 million net rentable square feet of storage space. As a result, we are subject to the risk of legal claims and proceedings (including class actions) and regulatory enforcement actions in the ordinary course of our business and otherwise, and we could incur significant liabilities and substantial legal fees as a result of these actions. Resolution of these claims and actions may divert time and attention by our management and involve payment of damages or expenses by us, all of which may be significant, and could damage our reputation and our brand. In addition, any such resolution could involve our agreement to terms that restrict the operation of our business. The result of legal proceedings against us could be significant. We cannot guarantee losses incurred in connection with any current or future legal or regulatory proceedings or actions will not exceed any provisions we may have or make to require or limit proceedings or actions. We do not maintain any selective insurance coverage. The impact of any such legal claims, proceedings, and regulatory enforcement actions could negatively impact our operating results, cash flow available for distribution or reinvestment, and/or the price of our common shares.

We are heavily dependent on computer systems, telecommunications and the Internet to process transactions, communicate results and manage our business. The failure or disruption of our computer and communications systems could significantly harm our business.

We are heavily dependent upon automated information technology and Internet connectivity, with more than half of our net revenues coming from the wholesale or retail business. We constantly manage significant components of our operations with our computer system, including our financial information, and we also rely, extensively on third party vendors to receive data, process transactions and provide other customer services. Thus,

systems are subject to damage or interruption from power outages, computer and telecommunications failures, hackers, computer viruses, stress and other destructive or disruptive security breaches and catastrophic events. Such incidents could also result in significant costs to repair or replace such networks or information systems. As a result, our operations could be severely disrupted by a natural disaster, terrorist attack, attack by hackers, acts of vandalism, data theft, misplaced or lost data, programming or human error, or other circumstances that result in a significant outage of our services or those of our third party providers, except on one of both of our shareholders' resources.

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

In the ordinary course of our business, we acquire and store sensitive data, including personally identifiable information of our prospective and current customers and our employees. The secure processing and maintenance of this information is critical to our operations and business strategy. Although we believe we have taken commercially reasonable steps to protect the integrity of our confidential information, information security risks have generally increased in recent years due to the rise in new technologies and the increased sophistication and activities of perpetrators of cyberattacks. Despite our security measures, our information technology and infrastructure could be vulnerable to a cyberattack or other data security breach which could penetrate our network security and our or our customers' or employees' confidential information could be compromised or misappropriated. Our confidential information may also be compromised due to programming or human error or malfeasance. These security threats could result in lost client trust and damage our reputation and ability to attract and process, and store in a database that may not be designed to safeguard against all data security breaches or attacks of data. In addition, as the regulatory environment relating to information security, data privacy and user and privacy, business development agreements, such as new and changing requirements applicable to our business from multiple regulatory agencies at the local, state, federal, or international level, compliance with these requirements could also result in additional costs, or we could fail to comply with these requirements due to varying records and not being aware of them.

Any such access, disclosure or other loss of information could result in legal claims or proceedings, liability under laws that protect the privacy of personal information, regulatory penalties, disruption to our operations and the services we provide to customers or damage our operations, any of which could adversely affect our results of operations, reputation and competitive position. In addition, our customers could lose confidence in our ability to protect their personal information, which could cause them to discontinue using our software-as-a-service facilities. Such events could lead to lost future revenues and adversely affect our results of operations and could result in material and other costs, fines or lawsuits, which could be in excess of any available insurance that we have purchased.

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

Our business is subject to regulations under a wide variety of U.S. federal, state and local laws, regulations and policies including those imposed by the "SOX", the Sarbanes-Oxley Act of 2002, the Dodd-Frank Wall Street Reform and Consumer Protection Act and DFIN, as well as applicable bank, state, and national laws. Although we have policies and procedures designed to comply with applicable laws and regulations, failure to comply with the various laws and regulations may result in civil and criminal liability, fines and penalties, business losses or compliance, reputational or financial damage and could also affect the marketability of our securities.

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

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

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

We hold Limited Line Self-Service Storage licenses issued to a number of individual state agencies and are subject to state governmental regulation and supervision. Our continued ability to maintain these Limited Line Self-Service Storage licenses depends on the procedures in which we are licensed depend on our compliance with related rules and regulations. The regulatory authorities in each jurisdiction generally have broad discretion to grant, renew and revoke licenses and approvals, to promulgate, interpret, and implement regulations, and to evaluate compliance with regulations through periodic examinations, audits and investigations of the affairs of licensees. As a result of regulatory or other action or any prohibition, we may be temporarily or permanently suspended from continuing some or all of our operations activities, our activities may be restricted or subject to adverse judgments, which could reduce our net income.

ITEM 18. Unresolved Staff Comments

None.

ITEM 2. Properties

As December 31, 2014, we had controlling ownership interests in 2,429 self-storage facilities located in 38 states within the U.S., and we have a 15.2% interest in Sherwood Europe which owns 232 storage facilities located in seven Western European nations.

	As December 31, 2014	
	Number of Storage Facilities	Net Bookable Square Feet (in thousands)
U.S.:		
Alabama	209	18,274
Arizona	179	11,249
California	244	22,087
Florida	287	19,117
Illinois	123	7,912
Georgia	110	7,746
Washington	96	6,589
North Carolina	95	6,563
Virginia	92	6,674
Colorado	72	2,951
New York	67	4,872
New Jersey	58	3,831
Maryland	62	3,761
Missouri	54	3,699
South Carolina	46	3,165
Ohio	49	3,199
Arizona	41	2,971
Michigan	44	2,939
Texas	36	2,749
Minnesota	38	2,236
Oregon	39	2,149
Pennsylvania	29	1,995
Tennessee	14	1,955
Nevada	27	1,818
Massachusetts	14	1,491
Manitowish	22	9,113
Oklahoma	21	1,258
Kansas	12	6,612
Other states (12 states)	122	6,612
Total U.S. (61)	2,429	122,882
Sherwood Europe:		
Netherlands	61	3,127
France	56	2,935
Sweden	36	1,987
United Kingdom	31	1,771
Belgium	21	1,240
Germany	17	968
Denmark	10	572
Total - Sherwood Europe	232	19,598
Grand Total	2,661	142,480

60. See Schedule III: Real Estate and Accumulated Depreciation in the Company's 2014 Form 10-K, for a summary of land, building, accumulated depreciation, square footage and number of properties by market for our properties located in the U.S.

We seek to maximize our facilities' cash flow through the receipt of rent and adjustment of rates charged and provisions granted to our existing and new incoming customers, and controlling expenses. For the year ended December 31, 2014, the weighted average occupancy level and the average realized cost per occupied square foot for our self-storage facilities were approximately 91.3% and \$17.01, respectively, in the U.S. and 87.0% and \$12.41, respectively, in Europe.

As of December 31, 2014, 30 of our U.S. facilities with a net book value of \$1.1 billion were encumbered by an aggregate of 2.7 billion in mortgage notes payable.

We have an specific policy as to the maximum size of any one particular self-storage facility. However, most of our facilities are below, or as expected to be below, 75,000 square feet, gross revenues or net income.

Description of Self-Storage Facilities: Self-storage facilities, which comprise the majority of our investments, offer accessible storage space for personal and business use at a relatively low cost. A user rents a fully enclosed space, securing the space with their lock, which is for the user's exclusive use and which only the user has access. Facility managers operate the facility and are responsible for limited insurance. Some self-storage facilities also include optional covered parking areas or vehicle storage. Space is rented on a month-to-month basis and rental rates vary according to the location of the property, the size of the storage space and other characteristics that affect the relative attractiveness of each particular space, such as whether the space has "drive-up" access, an proximity to streets, and if the space is climate controlled. All of our self-storage facilities in the U.S. are opened under the "Public Storage" brand name, while our facilities in Europe are opened under the "Storage" brand name.

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

Our self-storage facilities generally consist of between 250 to 750 storage spaces. Most spaces have between 25 and 400 square feet and an interior height of approximately eight to 12 feet.

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

Our self-storage facilities are geographically diversified and are located primarily in or near major metropolitan markets in 18 states in the U.S. Generally our self-storage facilities are located in heavily populated areas and close to concentrations of apartment complexes, single family residential and commercial developments.

Competition from other self-storage facilities is significant and affects the occupancy levels, rental rates, rental income and operating expenses of our facilities.

We believe that self-storage facilities, upon achieving stabilized occupancy levels of approximately 90%, have attractive characteristics consisting of high profit margins, a broad tenant base, low levels of capital expenditures to maintain their condition and operations and excellent options to invest capital. Historically, non-trading institutions, and U.S. self-storage facilities have generally shown a high degree of capacity to generate cash flow.

Description of Commercial Properties: We have an interest in PSH, which, as of December 31, 2014, owns and operates approximately 28.2 million square feet of commercial space in six states. As of December 31, 2014, the \$1.41 billion net book value and \$1.7 billion market value, respectively, of our investment in PSH represents approximately 4% and 7%, respectively, of our net book value assets. We also directly own 3.5 million net rentable square feet of commercial space managed primarily by PSH.

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

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

ITEM 3. Legal Proceedings

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

ITEM 4. Other Disclosures

Not applicable.

TABLE II

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

Our Common Shares of beneficial interest (the "Common Shares") NYSE: PSLQ have been listed on the NYSE since October 19, 1984. As of February 21, 2019, there were approximately 12,101 holders of record of our Common Shares. Our Board of Directors has authorized management to repurchase up to 10,000,000 of our common shares on the open market or in privately negotiated transactions. From the inception of the repurchase program through February 27, 2019, we have repurchased a total of 2,727,010 common shares at a purchase price of \$20.13 at an aggregate cost of approximately \$54.9 million. Our common share repurchase program does not have an expiration date and there are 1,272,990 common shares that may yet be repurchased under our repurchase program as of December 31, 2019. We have no current plans to repurchase shares, however, if future levels of common share repurchases will be dependent upon our available capital, investment alternatives, and the trading price of our common shares. Refer to Item 12 "Security Ownership of Certain Shareholders and Management and Related Shareholder Matters" for information about our equity compensation plans.

ITEM 6. Selected Financial Data

	For the year ended December 31				
	2013	2012	2011	2010	2009
	(Amounts in thousands, except share and per share data)				
Revenues	\$ 2,784,299	\$ 2,668,128	\$ 2,562,149	\$ 2,381,494	\$ 2,177,294
Expenses					
Cost of operations	780,322	767,879	688,083	631,362	611,324
Depreciation and amortization	460,646	454,426	423,314	426,008	422,144
Contract and administrative	138,729	12,862	57,616	88,177	75,489
Interest expense	23,542	2,086	4,224	465	2,781
	1,374,639	1,258,676	1,186,263	1,158,297	1,128,678
Other activities (attributable to net income)					
Income and other income	26,642	18,771	15,138	16,544	17,628
Gain/Loss on sale of investments and other assets	162,495	75,645	56,756	58,937	88,267
Change in ownership of consolidated and related entities	18,112	(55,605)	17,576	396	(7,872)
Commodity loss	27,967	(7,390)	897	18,501	2,479
Gain/Loss on sale of real estate	181,818	1,482	897		
Gain/Loss to Strategic Energy public offering	9,179,923	1,488,825	1,488,825	1,488,825	1,488,825
Net income	1,107,807	1,000,241	949,832	867,092	815,822
Net income allocated to noncontrolling equity interests	(6,107)	(6,249)	(6,803)	(6,471)	(7,702)
Net income allocable to Public Storage shareholders	\$ 1,113,914	\$ 993,992	\$ 943,029	\$ 860,621	\$ 808,120
Per Common Share:					
Net income - basic	\$8.96	\$8.90	\$7.36	\$6.50	\$5.88
Net income - diluted	\$8.54	\$8.75	\$8.84	\$8.10	\$7.37
Weighted average common shares - basic	124,668	113,613	128,081	132,489	136,251
Weighted average common shares - diluted	129,297	114,151	128,878	135,516	138,138
Balance Sheet Data:					
Total assets	\$ 10,622,270	\$ 10,722,892	\$ 10,283,118	\$ 9,752,212	\$ 9,188,676
Total debt	\$ 1,422,283	\$ 1,411,322	\$ 1,380,789	\$ 1,378,816	\$ 88,364
Total paid-in equity	\$ 4,622,088	\$ 4,622,088	\$ 4,267,788	\$ 4,622,088	\$ 4,222,088
Public Storage shareholders' equity	\$ 9,179,479	\$ 8,949,889	\$ 8,411,819	\$ 9,179,441	\$ 8,486,796
Dividends (excluding special dividend)	\$ 27,239	\$ 24,369	\$ 28,784	\$ 26,997	\$ 26,175
Market Data:					
Market capitalization	\$ 2,861,061	\$ 1,978,679	\$ 1,840,116	\$ 1,748,279	\$ 1,603,542
Cost of operating activities	\$ (51,179)	\$ (78,816)	\$ (88,111)	\$ (84,111)	\$ (86,111)
Cost of financing activities	\$ (1,419,988)	\$ (922,219)	\$ (1,148,826)	\$ (1,391,281)	\$ (1,236,844)

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

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

Critical Accounting Policies

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

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

Revenue Recognition. We have elected to be treated as a REIT as defined in the Internal Revenue Code of 1986, as amended (the "Code"). As a REIT, we do not have federal income tax on our REIT taxable income that is fully distributed each year (the "tax year"). Certain distributions paid in a subsequent year may be considered, and if we meet certain organizational and operational rules. We believe we have met these REIT requirements for all periods presented herein. Accordingly, we have recorded no federal income tax expense related to our REIT taxable income.

Our evaluation that we have met the REIT requirements could be incorrect, because compliance with the tax rules requires factual determinations, and circumstances we have not identified could result in noncompliance with the tax requirements in current or prior years. If an auditor that has no such quality as a REIT and for which applicable statutory rules provisions do not apply, we would be treated as the regular corporate entity or all of our taxable income for at least that year and the ensuing four years, we could be subject to penalties and interest, and our net income would be materially different from the amounts estimated in our financial statements.

In addition, certain of our consolidated corporate subsidiaries have elected to be treated as "taxable REIT subsidiaries" for federal income tax purposes, which are taxable as regular corporations and subject to certain limitations on nonrecourse transactions. If an arbitrator determines that amounts paid by our taxable REIT subsidiaries to us are not nonrecourse compared to certain arrangements among unrelated parties, we could be subject to a 100% penalty on the excess payments. Such a penalty may be reduced to 50% if certain disclosure requirements are met.

Impairment of Long-Term Assets. The analysis of impairment of our long-term assets involves identification of indicators of impairment, projections of future operating cash flows, and estimates of fair value, all of which require significant judgment and uncertainty. Changes could cause us to reach different conclusions. In addition, we may not have identified all correct facts and circumstances that may affect impairment. Any understated impairment loss, or change in conclusion, could have a material adverse impact on our net income.

Income Tax Provisions and Contingent Liabilities. We agree for various contingent and other liabilities that have significant uncertain elements, such as property taxes, workers compensation claims, tenant retention claims, as well as other legal claims and disputes involving contract, regulatory, governmental agencies and other third parties. We estimate such liabilities based upon many factors such as assumptions of past and future results and our evaluation of likely outcomes. However, the estimation of future liabilities could be incorrect or we may not be aware of all such liabilities, in which case our accrued liabilities and net income could be overstated.

Accounting for Acquired Real Estate Acquisitions. We estimate the fair value of the land, buildings and intangible assets acquired for purposes of allocating the purchase price. Such estimates are based upon many assumptions and judgments, including (i) market rates of return and capitalization rates on real estate and intangible assets, (ii) building and material cost levels, (iii) components of the acquired underlying land parcels to vacant land

Investments, and (iv) there cash flows from the real estate and the existing loan loss. Others could come to materially different conclusions as to the estimated fair values, which would result in different depreciation and amortization expense, gains and losses on sale of real estate assets, and real estate and intangible assets.

Overview

Our self-storage operations generate most of our net income, and we believe that our earnings growth is most impacted by the level of organic growth in our existing self-storage portfolio. Accordingly, a significant portion of management's time is devoted to maintaining and growing our existing self-storage facilities.

Like all of our facilities, our existing self-storage facilities are subject to general economic conditions, particularly those that affect the spending habits of consumers and moving trends. We believe that our centralized information network, internal telephone and video surveillance system, the brand name "Public Storage," and our ecosystem of scale assets as to most such challenges effectively.

In the last three years, there has been a marked increase in development of new self-storage facilities in many of the markets we operate in, due to the favorable economics of development which we have also taken advantage of. These newly developed facilities compete with many of the facilities we own, negatively impacting our occupancy, rental rates, and rental growth. The increase in supply has been most notable in Atlanta, Austin, Charlotte, Chicago, Dallas, Denver, Houston, New York, and Portland.

We plan on growing organically as well as through the acquisition and development of new facilities and expanding our existing self-storage facilities. Since the beginning of 2013 through December 31, 2018, we acquired a total of 296 facilities with 26.4 million net rentable square feet from third parties for approximately \$2.7 billion, and we opened newly developed and expanded self-storage space for a total cost of \$1.2 billion, adding approximately 11.3 million net rentable square feet.

Subsequent to December 31, 2018, we acquired or are under contract to acquire (subject to customary closing conditions) 14 self-storage facilities for \$162.4 million. We will continue to seek to acquire properties; however, there is significant competition to acquire existing facilities and there can be no assurance as to the level of facilities we may acquire.

As of December 31, 2018, we had additional development and redevelopment projects to build approximately 3.2 million net rentable square feet at a total cost of approximately \$467.4 million. We expect to continue to seek additional development projects; however, the level of such activity may be limited due to various constraints such as difficulty in finding suitable sites that meet our risk-adjusted yield expectations, as well as challenges in obtaining building permits for self-storage activities in certain jurisdictions.

We believe that our development and redevelopment activities are beneficial to our business over the long run. However, in the short run, such activities dilute our earnings due to the three to four year period that it takes to fill up newly developed and redevelopment storage facilities and reach a sustained level of cash flows offset by the cost of capital to fund the cost, combined with related overhead expenses flowing through general and administrative expense. We believe the level of dilution incurred in 2019 will continue a similar level in 2020 and beyond, assuming maintenance of our current expectations of maintaining our current level of development for the foreseeable future.

On July 13, 2018, we received a cash distribution from Shurgard Self Storage SA ("Shurgard Europe") totaling \$145.4 million.

On September 18, 2017, we completed a public offering of \$1.8 billion in aggregate principal amount of secured notes in two equal tranches (collectively, the "U.S. Dollar Notes"), one maturing in September 2022 bearing interest at 2.375%, and another maturing in September 2027 bearing interest at 3.45%. The use of the public offering of 2018, which should also serve to facilitate future offerings.

On October 15, 2018, Shearad Europe completed an initial public offering (the "Offering") of its common shares, and its shares commenced trading on Euronext Brussels under the "SEUR" symbol. In the Offering, Shearad Europe issued 25.8 million of its common shares to third parties at a price of €22 per share, for €577 million in gross proceeds. The gross proceeds were used to repay short-term borrowings, to invest in real estate assets, and for other corporate purposes. Our equity structure, composed of a fixed and variable income investment portfolio (€1.1 billion) shares, amounted from €95.36 to €2.27 billion as a result of the Offering. While we did not sell any of our shares in the Offering, we did receive a net cash deposit of 2018 of €151.4 million, as a result of our debt repurchases that we announced in August 2018. See "Investments in Shearad Europe" under "Our Business Overview."

As of December 31, 2018, our capital resources over the next year are expected to be approximately \$ 1.1 billion which exceeds our current planned capital needs over the next year of approximately \$ 711.4 million. Our capital resources include (i) \$ 363.3 million of cash as of December 31, 2018; (ii) \$ 449.9 million of available borrowing capacity on our revolving line of credit; and (iii) approximately \$ 286 million of expected interest operating cash flow for the next twelve months. Expected operating cash flow represents our expected cash flow provided by operating activities, less shareholder distributions and capital expenditures to maintain our real estate facilities.

Our planned capital needs for the next year consist of (i) \$ 122.1 million of remaining spend on our central development pipeline; (ii) \$ 192.4 million in property acquisitions currently under contract; (iii) \$ 259.9 million for the redemption of our Series Y preferred shares on March 26, 2019; and (iv) \$ 1.9 million in principal debt maturities expiring during 2019. Our operational needs otherwise over the next year as we expect to add projects to our development pipeline and acquire additional properties. In addition to other financial resources, we may also receive additional proceeds from the sale of our common shares.

See "Liquidity and Capital Resources" for further information regarding our capital requirements and anticipated sources of capital to fund such requirements.

Results of Operations

Operating results for 2018 and 2017

In 2018, our income available to our common shareholders was \$1,409.9 million or 95.34 per diluted common share, compared to \$1,171.6 million or 96.77 per diluted common share in 2017, representing an increase of \$237.3 million or 20.3% per diluted common share. The increase is due primarily to (i) \$121.1 million in operating profit, due to Shearad Europe's initial public offering and the sale of our facility in West London to Shearad Europe; (ii) \$267.1 million increase in other non-recurring operating income, including interest, net of \$7.1 million equity share of joint ventures; (iii) \$1 million gain on the sale of our equity interest in Shearad Europe; (iv) \$29.2 million increase due to the equity of Shearad Europe's real estate debt and loans received from the joint development deal; (v) a \$29.7 million increase in preferred shareholders associated with preferred share redemptions in 2017; and (vi) a \$7.8 million decrease in net and \$5.2 million in non-recurring income measures from related to Harrogate Therapy and loans in 2017. These impacts were offset primarily by a \$26.1 million increase in general and administrative expenses due to the acceleration of debt-based compensation expense accruals for our former CEO and CFO in 2018 as a result of their retirement on December 31, 2018 and the removal of share-based compensation accruals followed by setting various executive options in 2017.

The \$67.1 million increase in other non-recurring operating income is a result of a \$17.4 million increase in our Same Store Facilities and \$51.7 million increase in our Non Same Store Facilities. Revenues for the Same Store Facilities increased 1.0% or \$3.3 million in 2018 as compared to 2017, due primarily to higher realized annual unit per occupied square foot. Cost of operations for the Same Store Facilities increased by 1.2% or \$17.7 million in 2018 as compared to 2017, due primarily to increased property taxes. The increase in our operating income of \$17.1 million for the Non Same Store Facilities is due primarily to the impact of 164 self-storage facilities acquired and developed since January 2016.

Operating results for 2017 and 2016

In 2017, net income allocated to our common shareholders was \$1,177.6 million or \$6.77 per diluted common share, compared to \$1,143.9 million or \$6.41 per share in 2016 representing a decrease of \$33.7 million or \$0.08. The decrease primarily reflects (i) a \$4.6 million reduction due to the impact of foreign exchange translation gain and losses associated with the sale of International AGG, (ii) an \$8.7 million increase in interest expense associated with higher outstanding debt balances and (iii) a \$7.8 million increase in tax and \$2.2 million in environmental remediation losses related to Harco's Harvey and Lake effect partially by (iv) a \$66.9 million increase in self-insurance net operating income (described below) and (v) an \$11.9 million increase in our equity in earnings of unconsolidated real estate entities.

The \$6.9 million increase in self-insurance net operating income is a result of a \$46.2 million increase in our Same Store Facilities (as defined below) and a \$20.7 million increase in our Non Same Store Facilities (as defined below). Revenues for the Same Store Facilities were \$49.4 million in 2017 as compared to 2016, due primarily to higher insured amount and per occupied square foot. Cost of operations for the Same Store Facilities increased by \$1.0 or \$1.1 million in 2017 as compared to 2016, due primarily to increase property tax, advertising and selling expense and repairs and maintenance costs, offset partially by lower snow removal costs. The increase in net operating income for the Non Same Store Facilities is due primarily to the impact of recently acquired, developed or expanded facilities.

Funds from Operations and Cash Flows from Operations

Funds from Operations ("FFO") 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 GAAP net income before depreciation and amortization, which is excluded because it is based upon historical costs and assumes that building values decrease evenly over time, while we believe that real estate values fluctuate due to market conditions. FFO also includes gains or losses on sale of real estate assets and real estate development charges, which do not have cash historical costs and are typically historical adjustments. FFO and FFO per share do not constitute the net income or earnings per share. FFO is not a substitute for GAAP net cash flow in evaluating our liquidity or ability to pay dividends, because it excludes financing and financing activities presented on our statements of cash flows. In addition, other REITs may compute their measures differently, so comparisons among REITs may not be helpful.

For the year ended December 31, 2016, FFO was \$18.46 per diluted common share, as compared to \$9.70 per diluted common share for each of the years ended December 31, 2017 and 2016, representing an increase in 2018 of 77.7%, or \$8.76 per diluted common share.

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

	Year Ended December 31		
	2014	2013	2012
Reconciliation of Diluted Earnings per Share to FFO per Share			
EPS (Basic)			
Diluted Earnings per Share	\$ 8.54	\$ 6.73	\$ 8.81
Eliminate interest per share excluded from FFO			
Depreciation and amortization	3.21	3.00	2.90
Gain on sale of real estate investments and			
Share repurchase (EPS), including net equity share	(1.30)	(0.03)	(0.02)
from investments and other			
FFO per share	\$ 10.45	\$ 9.70	\$ 11.67
Computation of FFO per Share:			
Net income allocable to common shareholders	\$ 1,465,900	\$ 1,171,609	\$ 1,163,879
Eliminate items excluded from FFO			
Depreciation and amortization	483,846	454,526	433,314
Depreciation from unconsolidated			
real estate investments	70,868	71,011	74,407
Depreciation allocated to noncontrolling			
interest and restricted share subsidiaries	(3,646)	(3,547)	(3,548)
Gain on sale of real estate investments and			
Share repurchase (FFO), including net equity share	(277,117)	(44,898)	(780)
from investments and other			
FFO allocable to common shares	\$ 1,639,847	\$ 1,607,701	\$ 1,607,282
Diluted weighted average common shares	153,209	153,315	153,276
FFO per share	\$ 10.45	\$ 9.70	\$ 11.67

We also present "Core FFO per share," a non-GAAP measure that represents FFO per share excluding the impact of (i) foreign currency exchange gains and losses; (ii) EITF D-42 charges related to the redemption of preferred securities; (iii) accretion of charges due to the settlement of net interest (CDO) and CDO and accounts of accounts with respect to structured assets retained by selling asset servicers; and (iv) certain other non-recurring items or expenses. We review Core FFO per share to evaluate our ongoing operating performance and we believe it is used by investors and REIT analysts in a similar manner. However, Core FFO per share is not a substitute for net income per share. Because other REITs may not compute Core FFO per share in the same manner as we do, they may not use the same terminology or may not present such a measure. Core FFO per share may not be comparable among REITs.

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

	Year Ended December 31,			Year Ended December 31,		
	2018	2017	Percentage Change	2017	2016	Percentage Change
FFO per share	\$ 10.42	\$ 9.70	7.3%	\$ 9.70	\$ 9.70	0.0%
Eliminate the per share impact of items excluded from Core FFO, including:						
our equity share from investments	(0.10)	0.29		0.29	(0.11)	
Foreign currency exchange gains/loss	-	0.19		0.19	0.17	
Application of IFFD D-42	-	-		-	-	
Change in non-current claims	-	0.07		0.07	-	
Gain on settlement	-	-		-	-	
Share of Earnings (EPS) gain	0.03	-		-	-	
Accretion (reversal) of share-based compensation expense due to executive officer retirement	0.14	(0.01)		(0.01)	0.05	
Other items	-	0.01		0.01	-	
Core FFO per share	\$ 10.56	\$ 10.21	3.2%	\$ 10.21	\$ 9.70	4.7%

Analysis of Not Income by Reportable Segment

The following discussion and analysis is prepared and organized in accordance with Note 11 to our December 31, 2018 financial statements, "Segment Information." Accordingly, refer to the tables presented in Note 11 in order to reconcile such amounts to our total net income and for further information on our reportable segments.

Real Estate Operations

Our all-usage operations are analyzed in two groups: (i) the 2,000 facilities that we have owned and operated on a stabilized basis since January 1, 2014 (the "Stable Asset Facilities"), and (ii) all other facilities, which are newly acquired, newly developed, recently stabilized, or are otherwise not stabilized with respect to occupancy or rental rates since January 1, 2014 (the "Non-Stable Asset Facilities"). See Note 11 to our December 31, 2018 financial statements, "Segment Information," for a reconciliation of the amounts in the table below to our total net income.

Self-Storage Operations

Summary	Year Ended December 31,			Year Ended December 31,		
	2017	2017	Change	2016	2016	Change
Revenues:						
Same Store Facilities	\$ 2,242,755	\$ 2,268,427	1.2%	\$ 2,288,427	\$ 2,144,972	6.6%
New Same Store Facilities	164,852	162,586	(1.3%)	181,048	200,966	(10.9%)
	<u>2,407,607</u>	<u>2,431,013</u>	<u>1.0%</u>	<u>2,469,475</u>	<u>2,345,938</u>	<u>5.0%</u>
Cost of operations:						
Same Store Facilities	576,220	561,774	2.5%	561,774	541,428	3.6%
New Same Store Facilities	118,511	95,659	22.2%	95,425	74,429	28.2%
	<u>694,731</u>	<u>657,433</u>	<u>5.8%</u>	<u>657,200</u>	<u>615,857</u>	<u>6.6%</u>
Net operating income (a):						
Same Store Facilities	1,666,535	1,667,653	0.0%	1,647,653	1,603,544	2.9%
New Same Store Facilities	286,445	207,147	38.2%	207,147	186,537	11.1%
	<u>1,952,980</u>	<u>1,874,800</u>	<u>4.2%</u>	<u>1,854,800</u>	<u>1,790,081</u>	<u>3.6%</u>
Depreciation and amortization expense:						
Same Store Facilities	(548,241)	(555,700)	1.3%	(555,700)	(541,991)	(2.3%)
New Same Store Facilities	(172,489)	(128,524)	26.4%	(128,524)	(121,312)	5.9%
	<u>(720,730)</u>	<u>(684,224)</u>	<u>5.4%</u>	<u>(684,224)</u>	<u>(663,303)</u>	<u>3.1%</u>
Net income:						
Same Store Facilities	1,118,294	1,111,953	0.6%	1,091,953	1,061,553	2.9%
New Same Store Facilities	113,715	102,311	10.7%	102,311	101,185	1.1%
	<u>\$ 1,232,009</u>	<u>\$ 1,214,264</u>	<u>1.5%</u>	<u>\$ 1,194,264</u>	<u>\$ 1,162,738</u>	<u>2.8%</u>
Number of facilities at period end:						
Same Store Facilities	2,046	2,046	-	2,046	2,046	-
New Same Store Facilities	391	391	-	391	291	33.7%
Not comparable square footage at period end (in thousands):						
Same Store Facilities	151,180	151,180	-	151,180	151,180	-
New Same Store Facilities	30,867	24,962	14.4%	26,962	22,155	21.8%

(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 and current costs and assumes the building value decreases evenly over time, while we believe that our capital assets decrease due to market conditions. We utilize NOI to benchmark general property values, including property performance, and to evaluate property operating results. The historical and current and ending values shown in this table are not a substitute for an analysis of operating cash flow, or other financial or GAAP financial measures, in evaluating our operating results. See Item 19 of our November 17, 2017 financial statements for a reconciliation of NOI to our most recently filed periodic financial statements.

Net operating income from our self-storage operations has increased 2.1% in 2017 as compared to 2016 and 1.7% in 2017 as compared to 2016. These increases are due to higher revenues to our Same Store Facilities, as well as the acquisition and development of new facilities and the fill-up of established facilities.

Some Same Store Facilities
 The Same Store Facilities represent those facilities that have been owned and operated at a stabilized level of occupancy, revenues and cost of operations since January 1, 2016. We review the operations of our Same Store Facilities, which include facilities whose operating results are significantly affected by factors such as casualty events, as well as recently developed or acquired facilities, to more effectively evaluate the ongoing performance of our self-charge portfolio in 2016, 2017, and 2018. We believe the Same Store information is useful to investors and FPIF readers as a useful metric. The following table summarizes the historical operating results of these Same Store facilities (1) on a unit and monthly square foot (or equivalent approximations) (1) for the applicable six-month periods for our U.S. consolidated self-manage portfolio as December 31, 2018.

Summary of Operating Data for the Same Store Facilities (2,004 Facilities)

	Year Ended December 31		Percentage Change	Year Ended December 31		Percentage Change
	2018	2017		2018	2017	
Revenues						
Rental income	\$ 2,144,330	\$ 2,111,164	1.6%	\$ 2,111,164	\$ 2,046,008	3.2%
Lease charges and administrative fees	98,425	98,263	0.2%	98,263	98,296	(0.0%)
Total revenues (a)	2,242,755	2,209,427	1.5%	2,209,427	2,144,304	3.0%
Cost of operations						
Property taxes	216,617	200,065	5.3%	200,065	192,400	4.0%
Property insurance	108,713	108,477	1.3%	108,477	107,461	0.9%
Utilities	152,276	16,174	(7.6%)	16,174	21,123	2.9%
Repairs and maintenance	46,200	46,447	(0.5%)	46,447	44,348	4.7%
Utilities	41,673	28,477	4.5%	28,477	29,769	(0.7%)
Marketing	38,771	28,679	7.3%	28,679	28,027	0.2%
Other direct property costs	19,606	16,071	2.2%	16,071	16,822	1.9%
Allocated overhead	46,761	43,616	7.4%	43,616	43,489	0.3%
Total cost of operations (b)	779,527	510,224	5.2%	510,224	481,446	5.8%
Net operating income	1,463,228	1,699,203	(0.9%)	1,699,203	1,662,858	2.2%
Depreciation and amortization expense	608,150	625,769	1.3%	625,769	631,913	(1.0%)
Net income	1,851,078	1,073,434	71.6%	1,073,434	1,030,945	4.1%
Cost margin (before depreciation and amortization expense)	74.2%	74.6%	(0.5%)	74.6%	74.7%	(0.1%)
Weighted average for the period	93.2%	93.8%	(0.6%)	93.8%	93.4%	0.5%
Weighted average for the period						
Occupied square feet	\$ 17.46	\$ 17.13	2.0%	\$ 17.13	\$ 16.88	1.5%
Available square feet	\$ 18.15	\$ 18.09	1.6%	\$ 18.09	\$ 18.00	5.0%
At December 31						
Square foot occupancy	95.4%	91.2%	0.2%	91.2%	92.5%	(1.4%)
Annual contract rent per occupied square foot (c)	\$ 18.17	\$ 17.84	1.3%	\$ 17.84	\$ 17.40	2.5%

60. Revenues and cost of operations do not include tenant reimbursements and miscellaneous utility revenues and expenses generated at the facilities. See "Auxiliary Operations" below for more information.

61. Realized annual cost per occupied square foot is computed by dividing total income, before tax, charges and administrative fees, by the weighted average occupied square foot for the period. Realized annual cost per available square foot ("RACAF") is computed by dividing total income, before tax, charges and administrative fees by the total available square foot for the period. These measures exclude tax charges and administrative fees in order to provide a better measure of our operating level of income. Last charges are calculated based on the level of administrative and administrative fees are calculated upon the level of revenue. In addition, the rates charged for tax charges and administrative fees are not independently from rent rates. These amounts are the contractual provisions of the lease, which do not include taxes.

62. 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 leases. Contract rent excludes other fees that are charged on a per-tenant basis, such as late charges and administrative fees, does not reflect the impact of promotional discounts, and does not reflect the impact of rates that are written off as uncollectible.

Analysis of Same Store Revenue

Revenues generated by our Same Store Facilities increased by 1.5% in 2018 as compared to 2017 and by 3.6% in 2017 as compared to 2016. This primarily to increases in realized annual rent per occupied square foot of 2.3% and 3.9% in 2018 and 2017, respectively, as compared to the previous year.

Same Store Revenue growth on a year over year basis declined from 3.0% in 2017 to 1.2% in 2018, due to softness in demand in substantially all of our major markets, which has led to a lack of pricing power with respect to new leases. We attribute some of this softness to local economic conditions and, in some markets most notably Atlanta, Austin, Charlotte, Chicago, Dallas, Denver, Houston, New York and Portland, increased supply of newly constructed self-storage facilities.

Same Store weighted average square foot occupancy remained strong at 89.2%, 89.8% and 89.6%, during 2018, 2017 and 2016.

To achieve the high occupancy levels necessary to ensure our overall success, we seek to maintain a weighted average square foot occupancy level of at least 90%, by regularly adjusting the rental rates and promotional efforts to attract new tenants as well as adjusting our marketing efforts on the Internet and other channels in order to generate sufficient move-in volume to replace tenants that vacate.

Declining rental rates to existing tenants, generally on an annual basis, is a key component of our revenue growth. We determine the level of rental increases based upon our expectations regarding the impact of existing tenant rate increases on incremental move-ins. An important determinant of the level of rent increases is the number of long-term tenants that we have (generally, those that have been with us for at least a year).

Annual contract rent per foot for customers moving in was \$14.22, \$14.45, and \$14.64 in 2018, 2017, and 2016, respectively, and the related square footage for the space they moved into was 987 million, 101.1 million, and 107.9 million, respectively. Annual contract rent per foot for customers moving out was \$16.25, \$16.05, and \$16.16 in 2018, 2017, and 2016, respectively, and the related square footage for the space they moved out of was \$14 million, \$14.4 million, and \$14.4 million, respectively.

Annual contract rent per foot for customers moving in was \$13.88 and \$14.17 for the three months ended December 31, 2018 and 2017, respectively, and the related square footage for the space they moved into was 23.3 million and 23.4 million, respectively. Annual contract rent per foot for customers moving out was \$16.22 and \$16.17 for the three months ended December 31, 2018 and 2017, respectively, and the related square footage for the space they moved out of was 24.2 million and 26.0 million, respectively.

We ended 2018 with aggregate annualized contract rates per occupied foot up 4.7% on a year over year basis. Th x year over year increase dropped to 3.3% at the end of 2017 and 1.2% at the end of 2016.

The decrease in year over year growth in annual contract rate from 4.7% at the end of 2016 to 3.1% at the end of 2017 and to 1.1% at the end of 2018 was due to increased cost "roll downs" on leases moving out relative to the rate of renewals, particularly with respect to 2018 with reduced move-in rates. However, in 2018, our customer trends resulted in fewer move-outs and an increased average length of stay, which contributed to an increased beneficial effect of our increases to existing leases in 2018 as compared to 2017. Due to more long-term contracts that were eligible for rate increases, the extent to which these positive trends will continue in 2019 is uncertain at this time.

In order to maintain revenue volume, we offer give promotional discounts, generally in the form of a "51.00 rent for the first month" offer. Promotional discounts, based upon the move-in contracted rate for the related promotional period, totaled \$73 million, \$62 million and \$47 million for 2016, 2017 and 2018, respectively, and are recorded as a reduction to revenue. The discounts in promotional discounts in 2017 and 2018 are due to reductions in the volume of move-ins as well as in the case of 2018, lower average move-in rates. Promotional discounts totaled \$19.9 million and \$13.9 million for the three months ended December 31, 2018 and 2017, respectively.

Demand is higher in the warmer months than in the winter months and, as a result, rental rates charged to new leases are typically higher in the warmer months than in the winter months. Demand fluctuations 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 alterations to self-storage.

We believe rental growth in 2019 will come primarily from continued annual rent increases to existing leases. Our future rental growth will also be dependent upon many factors for each market that we operate in, including demand for self-storage space, the level of new supply of self-storage space and the average length of stay of our leases.

We believe that the current trends in move-in, move-out, in place contractual rates and occupancy levels are consistent with continued moderate revenue growth in 2019. However, there can be no assurance of continued revenue growth, because current trends, which are subject to the discretion, are volatile and not necessarily predictive of our economic going forward because they are subject to many factors which cannot be predicted, such as the level of consumer demand and competition from newly developed and existing facilities.

We are taking a number of actions to improve demand into our system, including (i) increasing marketing spend on the Internet, (ii) offering competitive rental rates and (iii) continuing to offer promotional discounts to new leases. Even if these actions are successful in improving demand into our system, in at least the near term, we believe these actions may have a negative impact on our revenue trends due to less growth in initial rental rates and increased promotional discounts.

Analysis of Same Store Cost of Operations

Cost of operations (including depreciation and amortization) increased 1.2% in 2018 as compared to 2017, and 3.4% in 2017 as compared to 2016, due primarily to increased property tax expense.

Property tax expense increased 5.7% in 2018 as compared to 2017, and 4.0% in 2017 as compared to 2016, due primarily to higher assessed values. We expect property tax expense growth of approximately 5.0% in 2019 due primarily to higher assessed values and, to a lesser extent, increased tax rates.

The on-site property manager payroll expense increased 1.1% in 2018 as compared to 2017 and 0.9% in 2017 as compared to 2016. These increases were due to higher wage rates, offset partially by lower headcount. We expect on-site property manager payroll expense to increase an net inflectionary basis in 2019. We have been impacted by a tight labor market across the country, as well as increases in minimum wages in certain jurisdictions, and expect additional impacts in 2019 as existing minimum wage increases become effective and new minimums are enacted.

Supervisory payroll expense, which represents compensation paid to the management personnel who directly and indirectly supervise the on-site property managers, decreased 7.0% in 2018 as compared to 2017 and increased

2.8% in 2017 as compared to 2016. The decrease in 2018 is due to reductions in bandwidth offset by higher wage rates. The increase in 2017 is due to mainly to higher wage rates. We expect inflationary increases in wage rates and increased bandwidth in 2019.

Repairs and maintenance expense decreased 8.7% in 2018 as compared to 2017 and increased 4.7% in 2017 as compared to 2016. Repair and maintenance costs include costs related to equipment totaling \$3.5 million, \$3.0 million and \$4.2 million in 2018, 2017 and 2016, respectively. Excluding these internet costs, repairs and maintenance decreased 1.7% in 2018 as compared to 2017 and increased 8.3% in 2017 as compared to 2016.

Repair and maintenance expense levels are dependent upon many factors such as weather conditions, which can require repair and maintenance needs including snow removal, inflation in material and labor costs, and random events. We expect inflationary increases in repairs and maintenance expenses in 2019, including snow removal expenses, which is primarily weather dependent and not predictable.

Our utility expenses are comprised primarily of electricity costs, which are dependent upon energy prices and usage levels. Changes in usage levels are directly impacted by weather and temperature. Utility expense increased 4.4% in 2018 as compared to 2017 and decreased 1.7% in 2017 as compared to 2016. It is difficult to estimate future utility costs, because weather, temperature, and energy prices are volatile and not predictable.

Marketing expense is comprised principally of internet advertising, television advertising and the operating costs of our telephone reservation center. Marketing expense varies based upon demand, occupancy levels, and other factors. Television and internet advertising, in particular, are sensitive to their own cyclicalities. Marketing expense increased 7.9% in 2017 as compared to 2016 and 10.2% in 2017 as compared to 2016 due primarily to increased internet marketing expenditures. We expect continued increases to marketing expense in 2019.

Other direct program costs include administrative expenses incurred at the self-storage facilities, such as property insurance, telephone and data communication lines, business license costs, bank charges related to processing the facilities' cash receipts, credit card fees, and the cost of processing each property's single notices. These costs increased 1% in 2018 as compared to 2017 and 3.9% in 2017 as compared to 2016. These increases include higher costs related to higher program volumes and higher program fees. We expect continued increases to other direct program costs in 2019.

Allocated overhead represents administrative expenses for shared general corporate functions, which are allocated to self-storage property operations to the extent their efforts are devoted to self-storage operations. Such functions include information technology, human resources, operational accounting and finance, marketing, and costs of other expenses other than the Chief Executive Officer and Chief Financial Officer, which are included in general and administrative expenses. Allocated overhead increased 7.4% in 2018 as compared to 2017 and 5.0% in 2017 as compared to 2016. The increases in both periods were due to increased bandwidth and information technology expenses. We expect inflationary increases in allocated overhead in 2019.

Analysis of Same Store Depreciation and Amortization

Depreciation and amortization for Same Store Facilities increased 1.7% in 2018 as compared to 2017 and decreased 1.7% in 2017 as compared to 2016. We expect modest increases in depreciation expense in 2019.

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

	For the Quarter Ended					Fiscal Year
	March 31	June 30	September 30	December 31		
	(Amounts in thousands, except for per square foot amounts)					
Total revenues						
2018	\$ 548,116	\$ 518,216	\$ 574,323	\$ 561,000	\$	2,242,755
2017	\$ 528,618	\$ 509,618	\$ 567,598	\$ 551,164	\$	2,207,007
2016	\$ 519,444	\$ 511,654	\$ 554,191	\$ 543,183	\$	2,148,572
Total cost of operations						
2018	\$ 155,832	\$ 159,684	\$ 152,296	\$ 123,994	\$	591,806
2017	\$ 148,277	\$ 146,877	\$ 148,679	\$ 118,261	\$	562,134
2016	\$ 142,951	\$ 139,351	\$ 145,714	\$ 119,406	\$	547,422
Property taxes						
2018	\$ 58,259	\$ 59,118	\$ 59,004	\$ 54,116	\$	230,497
2017	\$ 59,811	\$ 60,052	\$ 59,822	\$ 52,320	\$	231,995
2016	\$ 55,477	\$ 55,674	\$ 55,481	\$ 51,764	\$	218,496
Repairs and maintenance						
2018	\$ 11,223	\$ 11,368	\$ 11,231	\$ 11,853	\$	45,685
2017	\$ 11,684	\$ 11,387	\$ 11,487	\$ 11,969	\$	46,527
2016	\$ 11,446	\$ 10,872	\$ 11,953	\$ 11,173	\$	44,344
Marketing						
2018	\$ 4,516	\$ 3,697	\$ 7,814	\$ 8,744	\$	34,771
2017	\$ 4,792	\$ 4,127	\$ 6,966	\$ 6,794	\$	28,679
2016	\$ 5,286	\$ 5,751	\$ 7,751	\$ 7,111	\$	26,902
DEPR:						
2018	\$ 15,017	\$ 16,311	\$ 16,751	\$ 16,308	\$	64,387
2017	\$ 15,427	\$ 16,051	\$ 16,541	\$ 16,117	\$	64,146
2016	\$ 14,999	\$ 15,449	\$ 16,121	\$ 15,811	\$	62,480
Weighted average netbook annual cost per occupied square foot:						
2018	\$ 17.30	\$ 17.33	\$ 17.83	\$ 17.68	\$	17.54
2017	\$ 16.79	\$ 16.95	\$ 17.40	\$ 17.37	\$	17.15
2016	\$ 15.99	\$ 16.23	\$ 16.91	\$ 16.82	\$	16.30
Weighted average occupancy levels for the period:						
2018	93.2%	94.0%	94.0%	92.6%		93.2%
2017	93.7%	94.6%	94.6%	93.7%		94.1%
2016	93.7%	94.4%	95.4%	93.7%		94.4%

Market by Market Trends

This information only sets forth selected market trends in our Same Store Facilities.
Same Store Facilities Operating Trends by Market

	Year Ended December 31		Change	Year Ended December 31		Change
	2011	2012		2011	2012	
<i>(Amounts in thousands, except for weighted average days)</i>						
Market (number of facilities, square footage in millions)						
Revenue						
Los Angeles (197, 14.4)	\$ 339,037	\$ 327,326	3.6%	\$ 327,326	\$ 310,360	5.1%
San Francisco (124, 7.4)	192,629	188,139	2.4%	188,139	181,241	5.9%
New York (102, 7.7)	149,842	136,655	2.8%	136,654	112,280	2.1%
Seattle-Tacoma (97, 6.4)	104,659	102,810	1.8%	102,810	98,538	4.9%
Washington DC (92, 5.1)	102,559	102,250	0.3%	102,228	101,895	0.3%
Miami (77, 5.0)	96,980	95,726	1.2%	95,726	94,239	1.6%
Chicago (75, 4.9)	117,111	120,210	(2.6)%	120,200	128,144	(6.2)%
Atlanta (74, 4.4)	81,275	82,128	(1.0)%	82,124	80,271	2.0%
Phoenix (70, 4.9)	61,393	65,079	(5.6)%	65,079	64,202	1.4%
Chicago (70, 4.9)	61,115	64,429	(6.6)%	64,429	61,711	(4.3)%
Phoenix (70, 4.9)	57,489	61,709	(6.8)%	61,709	53,518	(11.7)%
Philadelphia (67, 4.8)	54,035	57,780	(6.5)%	57,780	50,874	(8.7)%
Orlando-Daytona (66, 4.8)	48,614	45,650	2.1%	45,650	43,721	4.4%
West Palm Beach (58, 2.6)	44,604	45,480	(1.9)%	45,480	41,990	4.9%
Tampa (47, 3.1)	39,603	39,997	(1.0)%	39,997	38,818	3.0%
Pittsburgh (41, 2.2)	39,603	40,511	(2.5)%	40,511	40,510	0.0%
All other markets (768, 49.3)	698,574	693,211	0.7%	693,211	667,580	2.7%
Total revenue	\$ 2,242,722	\$ 2,209,421	1.5%	\$ 2,209,421	\$ 2,144,812	2.6%
Net operating income						
Los Angeles	\$ 266,997	\$ 271,104	1.5%	\$ 271,104	\$ 246,426	4.0%
San Francisco	158,091	153,787	3.9%	153,787	147,851	4.8%
New York	101,642	91,141	2.7%	91,141	96,415	(5.2)%
Seattle-Tacoma	82,087	81,271	0.9%	81,271	78,465	3.6%
Washington DC	79,789	79,262	0.6%	79,262	79,245	0.0%
Miami	72,881	72,267	0.8%	72,267	71,558	1.0%
Chicago	63,125	70,492	(11.2)%	70,492	71,244	(1.1)%
Atlanta	62,500	61,110	2.3%	61,110	59,713	2.3%
Chicago (70, 4.9)	49,442	49,572	(0.3)%	49,572	45,984	7.8%
Phoenix	43,859	42,246	3.7%	42,246	44,612	(6.2)%
Philadelphia	40,846	39,685	2.8%	39,685	38,877	2.1%
Orlando-Daytona	40,240	38,951	3.3%	38,951	36,217	6.7%
West Palm Beach	31,900	31,868	0.1%	31,868	32,449	(1.7)%
Tampa	31,796	31,591	0.6%	31,591	30,146	4.8%
Pittsburgh	28,767	31,264	(8.8)%	31,264	30,445	2.7%
All other markets	496,906	491,879	1.0%	491,879	482,120	2.0%
Total net operating income	\$ 1,833,121	\$ 1,831,278	0.1%	\$ 1,831,278	\$ 1,807,588	1.3%

Same Store Facilities Operating Trends by Market (Continued)

	Year Ended December 31, 2016		Change	Year Ended December 31, 2017		Change
	2016	2015		2017	2016	
Weighted average square foot occupancy						
Los Angeles	92.2%	91.7%	(0.5)%	91.7%	96.0%	(4.3)%
San Francisco	94.8%	92.2%	(2.6)%	92.2%	93.9%	(1.7)%
New York	94.9%	94.3%	(0.6)%	94.3%	94.6%	(0.3)%
Norfolk-Terrence	93.2%	94.2%	(1.0)%	94.2%	93.8%	(0.4)%
Washington DC	92.7%	91.2%	(1.5)%	91.2%	91.2%	(0.0)%
Miami	92.7%	89.9%	(2.8)%	91.2%	94.9%	(3.7)%
Chicago	91.2%	91.2%	(0.0)%	91.2%	92.7%	(1.5)%
Atlanta	91.2%	91.2%	(0.0)%	91.2%	91.2%	(0.0)%
Atlanta - Worth	91.2%	91.2%	(0.0)%	91.2%	91.2%	(0.0)%
Houston	90.8%	91.8%	(1.0)%	91.8%	92.4%	(0.6)%
Philadelphia	94.8%	94.8%	(0.0)%	94.8%	94.7%	(0.1)%
Orlando-Daytona	94.8%	94.8%	(0.0)%	94.8%	93.1%	(1.7)%
West Palm Beach	94.8%	94.8%	(0.0)%	94.8%	95.2%	(0.4)%
Tampa	93.0%	94.7%	(1.7)%	94.7%	93.0%	(1.7)%
Portland	94.9%	91.2%	(3.7)%	91.2%	96.9%	(5.7)%
All other markets	93.1%	93.6%	(0.5)%	93.6%	94.3%	(0.7)%
Total weighted average square foot occupancy	93.2%	93.8%	(0.6)%	93.8%	94.0%	(0.2)%
Realized annual rate per occupied square foot						
Los Angeles	\$ 20.72	\$ 24.07	4.3%	\$ 24.07	\$ 23.29	3.4%
San Francisco	20.15	21.90	8.7%	21.90	23.10	5.5%
New York	21.17	24.00	12.9%	24.00	23.80	0.8%
Norfolk-Terrence	20.03	19.50	(2.7)%	19.50	18.28	(6.3)%
Washington DC	21.61	21.14	(2.2)%	21.14	20.80	(1.6)%
Miami	19.78	19.20	(3.0)%	19.20	19.12	(0.4)%
Chicago	13.33	12.96	(2.8)%	12.96	13.11	1.2%
Atlanta	13.19	12.99	(1.5)%	12.99	12.17	(6.3)%
Atlanta - Worth	13.14	12.96	(1.3)%	12.96	13.07	0.8%
Houston	14.52	14.00	(3.6)%	14.00	14.15	1.1%
Philadelphia	16.09	16.00	(0.6)%	16.00	15.94	(0.4)%
Orlando-Daytona	13.89	13.11	(5.6)%	13.11	12.81	(2.3)%
West Palm Beach	16.09	16.00	(0.6)%	16.00	15.94	(0.4)%
Tampa	14.25	13.90	(2.5)%	13.90	13.15	(5.4)%
Portland	18.79	18.61	(0.9)%	18.61	17.91	(3.8)%
All other markets	14.27	14.01	(1.9)%	14.01	13.54	(3.4)%
Total realized rate per occupied square foot	\$ 17.64	\$ 17.15	2.9%	\$ 17.15	\$ 16.50	3.8%

New State Facilities Operating Trends by Market (Continued)

	Year Ended December 31,		Year Ended December 31,		Change	
	2014	2015	2014	2015		
REVPAP						
Los Angeles	\$ 24.60	\$ 21.60	3.7%	\$ 23.60	\$ 22.36	5.0%
New England	24.75	24.00	2.0%	24.00	23.19	3.0%
New York	23.74	21.19	2.0%	23.10	22.01	2.0%
North Carolina	16.67	16.31	2.0%	16.31	17.52	4.0%
Washington DC	19.78	19.62	0.8%	19.62	19.28	1.8%
Miami	16.22	16.00	1.2%	16.00	15.77	1.0%
Chicago	13.84	14.19	(2.5)%	14.19	14.16	0.2%
Atlanta	13.26	12.86	2.0%	12.86	13.72	2.0%
Dallas-Ft. Worth	12.23	12.57	(1.7)%	12.57	12.41	1.0%
Phoenix	13.00	12.91	0.7%	12.91	13.00	(0.1)%
Philadelphia	13.26	14.81	1.0%	14.81	14.21	4.2%
Orlando-Orlando	13.10	12.65	1.0%	12.65	13.09	2.7%
West Palm Beach	17.50	17.16	2.0%	17.16	16.30	4.7%
Dallas	13.26	13.11	1.0%	13.11	12.49	5.0%
Portland	17.59	17.74	(0.8)%	17.74	17.19	3.2%
All other markets	13.26	13.16	1.0%	13.11	13.21	(0.8)%
Total REVPAP	\$ 16.37	\$ 16.00	1.8%	\$ 16.00	\$ 15.80	0.1%

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

New State Facilities

The New State Storage Facilities as of December 31, 2015 represent 3 of 3 facilities that were not established with respect to occupancy or rental rates since January 1, 2014, or that we did not own as of January 1, 2014. As a result of the mobilization process and timing of these facilities were acquired, developed, or substantially completed, year-over-year changes can be significant.

The following table summarizes operating data with respect to the New State Storage Facilities:

NON-LEASE STORE FACILITIES	Year Ended December 31,			Year Ended December 31,		
	2019	2017	Change	2019	2017	Change
	(Dollar amounts in thousands, except square feet amounts)					
Revenue (a)						
2019 acquisitions	\$ 4,167	\$ -	\$ 4,167	\$ -	\$ -	\$ -
2017 acquisitions	28,764	5,577	23,187	4,577	-	4,577
2016 acquisitions	39,766	36,336	2,430	38,306	18,174	20,132
2018-2019 new developments	17,991	17,991	20,214	17,391	2,800	14,596
2017-2018 new developments	28,725	24,610	1,611	24,910	20,420	4,490
Other facilities (b)	107,465	118,762	(11,297)	118,702	(10,292)	18,410
Total revenue	192,818	193,686	(868)	193,086	193,686	(600)
Cost of operations (a)						
2019 acquisitions	2,341	-	2,341	-	-	-
2017 acquisitions	9,669	2,066	7,603	2,066	-	2,066
2016 acquisitions	13,223	11,691	1,532	13,691	6,445	7,248
2018-2019 new developments	22,129	11,431	10,697	11,431	5,146	8,287
2017-2018 new developments	16,022	6,091	9,931	6,091	7,700	1,609
Other facilities (b)	108,125	108,125	(1,024)	108,025	108,125	(100)
Total cost of operations	158,319	139,394	18,925	158,319	158,396	(77)
Net operating income:						
2019 acquisitions	1,826	-	1,826	-	-	-
2017 acquisitions	19,095	3,511	15,584	2,511	-	3,511
2016 acquisitions	25,543	22,641	2,902	22,643	11,719	13,924
2018-2019 new developments	15,860	6,968	8,892	6,968	2,811	9,179
2017-2018 new developments	16,694	16,817	(1,123)	16,817	12,714	4,083
Other facilities (b)	138,718	138,268	450	138,138	162,265	(24,127)
Net operating income	208,841	207,197	1,644	207,197	188,937	18,260
Depreciation and amortization expense	(111,491)	(88,431)	(23,060)	(88,431)	(71,171)	(17,260)
Net income	97,350	118,766	(21,416)	118,766	117,766	1,000
As a percentage of:						
2019 acquisitions	79.5%	87.2%	4.7%	87.2%	-	-
2017 acquisitions	89.9%	85.9%	4.0%	85.9%	84.6%	1.3%
2016 acquisitions	87.9%	82.9%	5.0%	82.9%	84.6%	(1.7)%
2018-2019 new developments	89.9%	85.9%	4.0%	85.9%	86.2%	(0.3)%
2017-2018 new developments	88.0%	82.6%	5.4%	82.6%	83.2%	(0.6)%
Other facilities (b)	88.9%	79.9%	9.0%	79.9%	82.9%	(3.0)%
Adjusted contract rent per occupied square foot:						
2019 acquisitions	\$ 11.10	\$ -	\$ 11.10	\$ -	\$ -	\$ -
2017 acquisitions	14.82	16.69	1.87	16.69	1.20	2.4%
2016 acquisitions	18.47	18.21	0.26	18.21	12.80	54.3%
2018-2019 new developments	11.87	12.11	(0.24)%	12.11	13.90	15.3%
2017-2018 new developments	13.43	14.94	1.51%	14.94	13.90	7.5%
Other facilities (b)	16.60	17.21	(0.61)%	17.21	16.20	6.2%
	14.82	15.09	(1.74)%	15.09	13.39	(13.2)%

NON-SAME STORE

Footnote 23(a) (continued)

	Year Ended December 31,			Year Ended December 31,		
	2017	2018	Change	2017	2018	Change
Number of facilities						
2018 acquisitions	24	34	10	14	-	34
2017 acquisitions	14	-	-	14	-	-
2018 acquisitions	55	55	-	55	55	-
2016 - 2018 new developments	50	52	2	52	50	2
2017 - 2018 new developments	20	20	-	20	20	-
Other facilities (b)	199	200	1	200	200	-
	<u>392</u>	<u>415</u>	<u>23</u>	<u>391</u>	<u>405</u>	<u>14</u>
Net assets acquired (in thousands)						
2018 acquisitions	1,629	2,114	1,629	-	-	2,114
2017 acquisitions	2,114	-	-	2,114	-	-
2018 acquisitions	4,247	4,177	70	4,177	4,121	56
2016 - 2018 new developments	6,125	4,381	1,744	4,381	2,461	1,920
2017 - 2018 new developments	1,877	1,877	-	1,877	1,877	-
Other facilities (b)	14,623	14,623	-	14,623	14,623	-
	<u>27,238</u>	<u>30,985</u>	<u>3,747</u>	<u>28,981</u>	<u>27,181</u>	<u>1,800</u>
As of December 31, 2018						
Cash to acquire or develop						
2018 acquisitions	\$ 181,026					
2017 acquisitions (c)	281,329					
2018 acquisitions	420,123					
2016 - 2018 new developments	751,242					
2017 - 2018 new developments	195,899					
Other facilities (b)	<u>\$ 1,842,792</u>					

(b) Revenues and cost of operations do not include tenant reimbursements and merchandise sale revenues and expenses generated at the facilities. See "Ancillary Operations" below for more information.

(c) The "Other Facilities" table shows include other collocated facilities that are not included in 2015, 2017 or 2018 due primarily to other completed or ongoing redevelopment activities, as well as recently opened which significantly impacted the operating results. The "Other Facilities" table shows other collocated facilities that we newly acquired that square footage at a cost of \$2.857 million, as well as facilities in the process of redevelopment where we demolished 291,000 net rentable square foot of storage space. Such expenses costs are not included in costs in respect of closing, and should be recognized in connection with the opening of the centers and newly developed facilities.

(d) Acquisition costs include (i) \$10.9 million paid for 22 facilities acquired from third parties, at \$15.5 million cash paid for the remaining 34.2%, interest we did not own in 12 stabilized properties owned by a legacy institutional partnership and (ii) the \$6.3 million historical book value of our existing investment in the legacy institutional partnership.

The facilities included above under "2017 acquisitions" include 22 facilities acquired from third parties and 12 stabilized facilities previously owned by a legacy institutional partnership that we began consolidating effective December 31, 2017.

The facilities included above under "2015 acquisitions", "2017 acquisitions" and "2018 acquisitions" have an aggregate of approximately 9.8 million net rentable square feet, including 1.3 million in Ohio, 1.1 million in Michigan, 0.5 million in Texas, 0.7 million in Florida, 0.4 million in each of Minnesota, Tennessee, and Kentucky, and 2.8 million in other states.

The facilities included above under "2015 new developments" and "2017-2018 new developments" have an aggregate of approximately 8.6 million net rentable square feet, including 3.7 million in Texas, 1.2 million in California, 0.7 million each in Colorado and Florida, 0.4 million in Washington, and 1 million in other states.

The facilities included above under "Other facilities" have an aggregate of 14.9 million net rentable square feet, including 4.4 million in Texas, 2.7 million in California, 2.0 million in Florida, 0.9 million in Colorado, 0.6 million in South Carolina, 0.4 million each in New York and Washington, and 2.7 million in other states.

For the year ended December 31, 2018, the weighted average percentage yield on cost, based upon net operating income, for the facilities acquired in 2018 was 4.0%, and for the 22 facilities acquired in 2017 from third parties for \$10.9 million was 3.4%. The yield for the other facilities acquired and not completed due to not limited-recourse period in the case of facilities acquired in 2018 and our governing operating agreement and management of the 22 stabilized facilities owned by a legacy institutional partnership.

We believe that our management and operating infrastructure allows us to generate higher net operating income from newly acquired facilities than was achieved by the previous owners. However, it can take 24 or more months for us to fully achieve the higher net operating income, and the ultimate levels of net operating income to be achieved can be affected by changes in general economic conditions. As a result, there can be no assurance that we will achieve our expectations with respect to these newly acquired facilities.

Net operating income with respect to the "Other facilities" declined \$1.4 million in 2018 as compared to 2017 and \$ 4.1 million in 2017 as compared to 2016. Such decreases are primarily due to the demolition of 314,000 net rentable square feet of storage space due to expansion activities, offset partially by increased net operating income with respect to facilities whose expansion activities are complete and the added space is filling up. Our current pipeline of 3,124.9 million in redevelopment projects will result in the demolition of an additional 6,000 net rentable square feet of space, and the build of an additional 1.3 million net rentable square feet of storage space.

Since the beginning of 2011, we have opened newly developed facilities with a total cost of \$941.1 million and retrofitted existing facilities expanding their square footage for a total cost of \$ 284.4 million. The newly developed facilities are included in "Developed facilities" and the retrofitted facilities are included in "Other facilities" in the table above. We believe that our development and redevelopment activities are beneficial to our business over the long run. However, in the short run, such activities dilute our average due to the three four year

period that it takes to fill up newly developed and redevelopment storage facilities and reach a stabilized level of cash flows offset by the cost of capital to fund the cost, combined with related overhead expenses flowing through general and administrative expense. We believe the level of dilution incurred in 2016 will continue at similar levels in 2017 and beyond, assuming realization of our current expectation of maintaining our current level of development for the foreseeable future.

We expect the New Same Store Facilities to continue to provide increased net operating income in 2017 as these facilities approach stabilized occupancy levels and the savings of the 2013 acquisitions are reflected in our operations for a longer period in 2017 as compared to 2016.

We also expect to increase the number and net rentable square feet of New Same Store Facilities through development of new self-storage facilities, redevelopment of existing facilities and acquisitions of facilities.

As of December 31, 2016, we had development and redevelopment projects which had approximately 1.2 million net rentable square feet of storage space at a total cost of approximately \$ 697.6 million. Some of these projects are subject to significant contingencies such as entitlement approval. We expect to continue to seek additional development projects; however, the level of future development may be limited due to various constraints such as difficulty in finding projects that meet our risk-adjusted profit expectations and challenges in obtaining building permits for self-storage projects in certain municipalities.

Subsequent to December 31, 2016, we acquired or were under contract to acquire (subject to customary closing conditions) 1.4 million self-storage facilities for \$ 102.4 million. We will continue to seek to acquire properties; however, there is significant competition to acquire existing facilities and therefore the dollar value of acquisitions is unpredictable.

Depreciation and amortization with respect to the New Same Store Facilities totaled \$ 22.3 million, \$ 98.8 million and \$ 71.3 million in 2016, 2017 and 2018, respectively. These amounts include (i) depreciation of the buildings acquired or developed, which is recorded generally on a straight line basis, and (ii) amortization of cost allocated to the tenants in place upon commencement of a facility, which is recorded based upon the benefit of such existing tenants to each period and then is higher when the facilities are first occupied and declines as such tenants vacate. With respect to New Same Store Facilities acquired at their cost, 1.1 million, depreciation of buildings and amortization of tenant intangibles is expected to total \$ 10.7 million and \$ 1.7 million in 2017.

The level of future depreciation and amortization will also depend upon the level of acquisitions of facilities and the level of newly developed storage space.

Auxiliary Operations

Auxiliary revenues and expenses include amounts associated with the reimbursement of policies against losses to goods stored by tenants in our self-storage facilities in the U.S. and the sale of merchandise at our self-storage facilities. The following table sets forth our auxiliary operations.

	Year Ended December 31			Year Ended December 31		
	2016	2017	Change	2017	2018	Change
Revenue						
Tenant insurance premiums	\$ 125,575	\$ 123,832	\$ (1,743)	\$ 122,852	\$ 118,911	\$ (3,941)
Mechanicals	18,689	12,343	(6,346)	12,749	16,616	(3,867)
Total revenue	<u>\$ 144,264</u>	<u>\$ 136,175</u>	<u>(\$ 8,089)</u>	<u>\$ 135,601</u>	<u>\$ 135,527</u>	<u>(\$ 74)</u>
Cost of Operations						
Tenant insurance	25,646	36,554	(10,908)	36,554	29,145	7,409
Mechanicals	(15,241)	(16,791)	(1,550)	(16,791)	(22,031)	(5,240)
Total cost of operations	<u>\$ 10,405</u>	<u>\$ 19,763</u>	<u>(\$ 9,358)</u>	<u>\$ 19,763</u>	<u>\$ 7,114</u>	<u>\$ 12,649</u>
Net income	<u>\$ 133,859</u>	<u>\$ 116,412</u>	<u>(\$ 17,447)</u>	<u>\$ 115,837</u>	<u>\$ 128,413</u>	<u>(\$ 12,576)</u>
Tenant insurance	90,521	92,268	(1,747)	92,268	86,766	5,502
Mechanicals	12,723	14,495	(1,772)	14,495	15,277	(782)
Total net income	<u>\$ 120,834</u>	<u>\$ 101,765</u>	<u>\$ 19,069</u>	<u>\$ 101,765</u>	<u>\$ 103,943</u>	<u>(\$ 2,178)</u>

Tenant insurance operations: Our customers have the option of purchasing insurance from a non-affiliated insurance company to cover certain losses at their gross stored at our facilities. A wholly-owned, consolidated subsidiary of Public Storage fully reinsures such policies, and thereby assumes all risk of losses under these policies from the insurance company. The subsidiary receives insurance premiums, substantially equal to the premiums collected from our tenants, from the non-affiliated insurance company. Such insurance premiums are shown as "Tenant insurance premiums" in the above table.

The subsidiary pays a fee to Public Storage to assist with the administration of the program and to allow the insurance to be marketed to our tenants. This fee represents a substantial amount of the insurance premiums received by our subsidiary. This fee is reflected in consolidated and is therefore not shown in the above table.

Tenant insurance revenue increased from \$ 116.9 million in 2015 to \$ 122.9 million in 2017, and to \$122.8 million in 2018, due primarily to an increase in our tenants due to newly acquired and developed facilities.

Tenant insurance revenue includes \$ 165.6 million, \$ 119.9 million, and \$ 112.9 million in 2015, 2017 and 2018, respectively, for the Same Store Facilities.

We expect future growth will come primarily from customers of newly acquired and developed facilities, as well as additional tenants at our existing established self-storage facilities.

Cost of operations primarily includes claims paid that are not covered by our outside third-party insurers, as well as claims adjustment expenses. Claims expenses vary based upon the level of natural losses, and the level of events affecting claims at particular geographic locations (e.g. fire) as well as catastrophic weather related building envelope projects such as hurricanes and floods. Cost of operations were \$29.1 million in 2016, \$36.6 million in 2017, and \$ 32.5 million in 2018. Amounts for 2018 include flooding in Houston and South Carolina, while claims cost for 2017 include the impact of Hurricane Harvey and Irma.

Mechanicals note: We sell back, lease, and packing supplies at our self-storage facilities and the level of sales of these items is primarily impacted by the level of move-in and other customer traffic at our self-storage facilities. We do not expect any significant changes in revenues or profitability from our mechanical sales in 2018.

Equity in earnings of unconsolidated real estate entities

At December 31, 2018, we have equity investments in PSH and Shergard Europe, which we account for on the equity method and record our pro-rata share of the net income of these entities for each period. The following table, and the discussion below, sets forth the significant components of our equity in earnings of unconsolidated real estate entities:

	Year Ended December 31,			Year Ended December 31,		
	2018	2017	Change	2017	2016	Change
Equity in earnings:						
PSH	\$ 89,362	\$ 46,544	\$ 42,818	\$ 46,544	\$ 31,707	\$ 14,837
Shergard Europe	14,133	25,048	(11,915)	25,048	22,324	2,724
Legacy Real Estate		3,161	15,565	3,161	2,722	439
Partnership (a)		79,222	27,262	79,222	67,759	11,463
Total equity in earnings	\$ 103,495	\$ 74,985	\$ 28,510	\$ 74,985	\$ 62,512	\$ 12,473

(a) This represents our equity earnings in a legacy institutional partnership. On December 31, 2017, we acquired the 74.25% interest that we did not own in this partnership for \$157.5 million. As a result, no further equity earnings will be recorded.

Investment in PSH: At December 31, 2018 and 2017, we had approximately a 42% common equity interest in PS Business Parks, Inc. ("PSBI"), comprised of our ownership of 7,138,324 shares of PSBI's common stock and 7,305,335 limited partnership units in an operating partnership controlled by PSBI. The limited partnership units are convertible at our option, subject to certain conditions, on a one-for-one basis into PSBI common stock.

As of October 1, 2018, PSH wholly-owned approximately 24.2 million rentable square feet of commercial space and had a 95% interest in a 397-unit apartment complex. PSH also manages commercial space that we own pursuant to property management agreements.

Equity in earnings from PSH totaled \$89.4 million, \$46.5 million, and \$31.7 million for 2018, 2017, and 2016, respectively, included in these amounts are (i) our equity share of gains on sale of real estate totaling \$37.7 million and \$3.1 million for 2018 and 2017, respectively, and (ii) our equity share of preferred dividend charges totaling \$4.5 million and \$3.1 million for 2017 and 2016, respectively.

Equity in earnings from PSH, including the aforementioned real estate gains and preferred dividend charges, increased \$3.7 million in 2018 as compared to 2017 and \$13.2 million in 2017 as compared to 2016. The increases in both years reflect improved property operations and, in the case of 2017, lower levels of interest expense and preferred distributions. See Note 4 to our December 31, 2018 financial statements for selected financial information on PSH, as well as PSH's filings and selected financial information that can be accessed through the SEC and on PSH's website, www.pshrealestate.com.

Investment in Shergard Europe: At December 31, 2018, we have a 35.2% equity share in Shergard Europe's net income, comprised of a direct and indirect pro-rata ownership interest in 31.3 million shares.

On July 13, 2016, Shergard Europe paid a cash distribution totaling \$296.7 million, of which we received our 49% equity share totaling \$145.4 million. On October 13, 2018, Shergard Europe completed an initial public offering (the "Offering") and its equity ownership listing on Euronext through which the "Offering" opened. In the Offering, Shergard Europe issued 21.5 million of its common shares in three tranches at a price of €23 per share, for an aggregate of €473 million in gross proceeds. Our ownership interest was reduced from 49% to 35.2% as a result of the Offering. While we did not sell any shares in the offering, and have no current plans to do so, we recorded a gain in a disposition in 2018 totaling \$ 151.8 million. As a result we had sold and repurchased shares of our investment in Shergard Europe.

As December 31, 2018, Shergard Europe's operations are comprised of 232 wholly-owned facilities with 1.1 million net rentable square feet. See Note 4 to our December 31, 2018 financial statements for selected financial information on Shergard Europe for the years ended December 31, 2018, 2017 and 2016. As disclosed in more detail in Note 4 we receive trademark license fees from Shergard Europe. Shergard Europe's public filings and publicly reported information can be obtained on its website, www.shergard.com, and on the website of the Luxembourg Stock Exchange, <http://www.bourse.lu>.

Our equity in earnings from Shergard Europe totaled \$ 1.4 million, \$2.9 million, and \$2.2 million for 2018, 2017, and 2016, respectively. An aggregate reduction of \$ 5.2 million is reflected in our equity in earnings in 2018 for a curable loss related to a filing of one of Shergard's facilities and the cost of the offering. Equity in earnings from Shergard Europe, excluding the above environmental cleanup fees and offering costs, decreased \$ 1.8 million from 2017 to 2018, and increased \$ 1.6 million from 2016 to 2017. The decrease in 2018 is due to a \$ 3.0 million increase in our equity share of depreciation expense and a reduced coverage equity ownership interest during the year due to the offering. The increase in 2017 is due primarily to improved property operations, other primarily to increased fee expense.

In 2018, Shergard Europe acquired eight self-storage facilities from third parties (five in Sweden and three in the United Kingdom) for an aggregate of \$ 114.9 million. On October 18, 2018, Shergard acquired our wholly-owned property in West London for \$42.1 million in cash. In 2018, Shergard Europe opened two newly developed facilities, one each in Sweden and Germany, at an aggregate total cost of \$13.6 million. In 2017, Shergard Europe opened two newly developed facilities in the United Kingdom with an aggregate total cost of \$24.9 million and acquired a property in France for \$45.1 million. In 2016, Shergard Europe opened a newly developed facility in the United Kingdom with a total cost of \$12.9 million.

Under our operations in the U.S., Shergard Europe operates through wholly-owned corporations in each of the countries in which it does business and incurs tax expense.

We expect a reduction in ongoing equity earnings from Shergard Europe in 2019 due to the extent to which offering proceeds are not immediately utilized to repay debt or invest in real estate assets. Shergard Europe also expects to begin distributing a substantial portion of its earnings to its shareholders, which will result in reduced cash available to reinvest in real estate. Our future earnings from Shergard Europe will also be affected by (i) the operating results of its existing facilities, (ii) the level of development and acquisition activities, (iii) income tax rates, and (iv) the exchange rate between the U.S. Dollar and currencies in the countries in which Shergard Europe conducts its business (principally the Euro).

For purposes of recording our equity in earnings from Shergard Europe, the Euro was translated at exchange rates of approximately 1:144 U.S. Dollars per Euro at December 31, 2018; 1:138 at December 31, 2017; and average exchange rates of 1:131 for 2018, 1:129 for 2017, and 1:127 for 2016.

Methods of items not allocated to operations

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

	Year Ended December 31,			Year Ended December 31,		
	2018	2017	Change	2017	2016	Change
Share-based compensation expense	\$ 71,881	\$ 37,548	\$ 34,333	\$ 37,548	\$ 37,481	\$ 67
Costs of senior executives	4,422	5,877	(1,455)	5,877	6,822	(945)
Development and acquisition costs	5,481	8,193	(2,712)	8,193	9,721	(1,528)
Tax compliance costs and taxes paid	5,458	4,795	663	4,795	3,859	936
Legal costs	8,224	6,867	1,357	6,961	7,363	(402)
Public company costs	2,775	4,436	(1,661)	4,436	5,768	(1,332)
Other costs	19,342	15,214	4,128	15,214	14,448	766
Total	\$ 118,763	\$ 91,330	\$ 27,433	\$ 91,330	\$ 94,676	\$ (3,346)

Share-based compensation expense includes the amortization of restricted stock units and stock options granted to employees and directors, as well as related employer taxes. Share-based compensation expense varies based upon the level of grant and the share-based compensation plan, most restricted grants will continue to vest over the extended vesting periods during their service as Directors. For financial reporting, the grant of the various periods for previous equity options and RSU grants for those executives have changed costs in the year ending June 30, December 31, 2018. Accordingly, all remaining share-based compensation expense for prior reporting periods are restated through June 30, 2018.

Costs of senior executives represent the cash compensation paid to our CEO and CFO. In February 2018, we announced that Ron Hovav, our CEO and John Ryan, our CFO is the same were retiring from their executive roles at the end of 2017 and would serve only as Trustees of the Company. Pursuant to our share-based compensation plan, their restricted grants will continue to vest over the extended vesting periods during their service as Trustees. For financial reporting, the grant of the various periods for previous equity options and RSU grants for those executives have changed costs in the year ending June 30, December 31, 2018. Accordingly, all remaining share-based compensation expense for prior reporting periods are restated through June 30, 2018. Restricted stock-based compensation expense for 2018 is approximately \$17 million less than the administrative and related amounts. Share-based compensation on cash in 2017 include a \$2.9 million amount of previously unvested costs, due to the forfeiture of share-based compensation resulting from the retirement of certain senior executives in 2017. See Note 19 to our December 31, 2018 financial statements for further information on our share-based compensation. We expect a reduction in share-based compensation expense in 2019 as compared to 2018.

Development and acquisition costs primarily represent interest and amortized expenses related to our development and acquisition of real estate facilities and various primarily based upon the level of activities. The amounts in the above table are net of \$12.3 million, \$8.4 million and \$8.3 million for 2018, 2017 and 2016, respectively, in development costs that were capitalized to newly developed and redeveloped self-storage facilities. Development and acquisition costs are expected to remain stable in 2019.

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

Legal costs include interest personnel as well as fees paid to legal firms and other third parties with respect to general corporate legal matters and risk management, and various based upon the level of legal activity. The future level of legal costs is not determinable.

Public company costs represent the incremental costs of operating as a publicly-traded company, such as internal and external investor relations expenses, stock listing and transfer agent fees, board of trustees' (now "Board")

2017 and 2016, respectively. In 2018 in connection with the redemption of our 2nd series of shares. Based upon our preferred share outstanding at December 31, 2017, our quarterly distribution to our preferred shareholders is expected to be approximately \$14.7 million (\$47.2 million per quarter excluding distributions on our Series Y Convertible Preferred Shares, which will be redempted on March 29, 2019).

Liquidity and Capital Resources

Financing Strategy. As a REIT, we generally distribute 100% of our taxable income to our shareholders, which relative to taxable C corporations, limits the amount of cash flow accretions that we can retain for investments. As a result, in order to grow our asset base, access to capital is important. Historically, we have primarily financed our cash investment activities with retained operating cash flow combined with the proceeds from the issuance of preferred securities. Over the past five years, we have diversified our capital sources by issuing medium term debt.

Our financial profile is 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 measured debt has an "A" credit rating by Standard & Poor's and "A2" by Moody's, our credit ratings on each of our series of preferred shares are "A2" by Moody's and "BBB+" by Standard & Poor's. Our credit profile and strong position to effectively access both the public and private capital markets to raise capital.

We have a \$200 million revolving line of credit which we occasionally use to supplement "bridge" financing until we are able to raise longer term capital. As of December 31, 2018 and February 27, 2019, there were no borrowings outstanding on the revolving line of credit, however we do have approximately \$19.2 million of outstanding letters of credit which limits our borrowing capacity to \$40.8 million.

Over the long term, we expect to fund our capital requirements with retained operating cash flow, the issuance of additional medium or long term debt, and proceeds from the issuance of common and preferred securities. We will select among these sources of capital based upon availability, relative cost, the desire for leverage, off-balance risk, and considering potential concerns caused by certain features of capital sources, such as debt covenants.

Liquidity and Capital Resource Analysis: We believe that our net cash provided by our operating activities will continue to be sufficient to enable us to meet our ongoing requirements for principal payments on debt, maintenance capital expenditures and distributions to our shareholders for the foreseeable future.

As of December 31, 2018, we carried reserves over the next year are expected to be approximately \$1.1 billion which exceeds our current planned capital needs over the next year of approximately \$714.4 million. Our capital resources include \$1,556.7 million of cash as of December 31, 2018, \$1,948.8 million of available borrowing capacity on our revolving line of credit, and \$161 million of optional unsecured operating cash flow for the next twelve months. Tailored operating cash flow represents our expected cash flow provided by operating activities, less shareholder distributions and capital expenditures to maintain our real estate facilities.

Our planned capital needs over the next year consist of: (i) \$122.1 million of operating needs on our current development pipeline, (ii) \$152.6 million in property acquisitions currently under contract, (iii) \$183.1 million for the redemptions of our Series Y Preferred Shares on March 29, 2019 and (iv) \$1.9 million in principal requirements on existing debt. Our capital needs are limited over the next year as we expect to add projects to our development pipeline and acquire additional properties. In addition to other investment activities, we may also finance unsecured preferred securities or repurchase shares of our common stock in the future.

To the extent our retained operating cash flow, cash on hand, and line of credit are insufficient to fund our activities, 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.

Capital Debt Requirements: As of December 31, 2018, our outstanding debt totaled approximately \$1.4 billion, consisting of \$274 million of secured debt, \$391 million of Euro-denominated unsecured debt and \$729 million of U.S. Dollar denominated unsecured debt. Approximate principal maturities are as follows (amounts in thousands):

2019	\$	1,047
2020		1,908
2021		1,836
2022		502,522
2023		70,161
Thereafter		859,489
		<u>2,418,153</u>

The remaining maturities on our debt over at least the next three years are normal compared to our expected annual retained operating cash flow.

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 \$139.6 million in 2018, and are expected to approximate \$208 million in 2019. Our capital expenditures for 2019 include certain projects that are upgrade and not traditional like-for-like replacements of existing components, and a certain concentration of major existing components before the end of their functional lives. Such projects include installation of LED lighting, upgrading existing planting configurations with more drought tolerant and low maintenance configurations, installation of solar panels, improvements to floor configurations to provide a more customer-friendly experience, and improvements to outdoor facilities and other amenities. Such incremental investments improve customer satisfaction, the attractiveness and competitiveness of our facilities to new and existing customers, or reduce operating costs. The amount and extent to which these expenditures will continue after 2019 is uncertain at this time.

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

On February 19, 2019, our Board declared a regular common quarterly dividend of \$2.00 per common share totaling approximately \$148 million, which will be paid at the end of March 2019. Our consistent long-term dividend policy has been to distribute only our taxable income. Future quarterly distributions with respect to the common shares will continue to be determined based upon our REIT distribution requirements after taking into consideration distributions to the preferred shareholders and will be funded with cash flows from operating activities.

We estimate the annual distributions requirements with respect to our Preferred Shares outstanding on December 31, 2018, to be approximately \$216.3 million per year (\$79.1 million per year excluding distributions on our Series Y Convertible Preferred Shares, which will be redeemed on March 29, 2019).

We estimate we will pay approximately \$7.0 million per year in distributions to noncontrolling interests outstanding at December 31, 2018.

Real Estate Investment Activities: Subsequent to December 31, 2018, we acquired or were under contract to acquire (subject to customary closing conditions) 14 well-staging facilities for \$102.4 million. We will continue to

with to acquire properties; however, there is significant competition to acquire existing facilities and there can be no assurance as to the level of facilities we may acquire.

As of December 31, 2018 we had development and redevelopment projects at a total cost of approximately \$ 667.4 million. Costs incurred through December 31, 2018 were \$ 283.1 million, with the remaining cost to complete of \$ 322.1 million expected to be incurred primarily by the next 18 months. Some of these projects are subject to significant contingencies such as obtaining approval. We expect to continue to seek additional projects; however, the level of future development and redevelopment may be limited due to various constraints such as difficulty in finding projects that meet our risk adjusted expectations and challenges in obtaining building permits for self-storage activities in certain municipalities.

Redemption of Preferred Securities: Historically, we have taken advantage of refinancing higher coupon preferred securities with lower coupon preferred securities. On February 22, 2018, we called for redemption, and on March 28, 2018 we will redeem our 12.75% Senior Y Preferred Shares of our REIT of \$25 million. In the future, we may also look to finance the redemption of preferred securities with proceeds from the issuance of debt. On February 22, 2018, we have the following additional amount of preferred securities that are eligible for redemption: (1) our \$100 million 8.0% Senior A-1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 76, 77, 78, 79, 80, 81, 82, 83, 84, 85, 86, 87, 88, 89, 90, 91, 92, 93, 94, 95, 96, 97, 98, 99, 100, 101, 102, 103, 104, 105, 106, 107, 108, 109, 110, 111, 112, 113, 114, 115, 116, 117, 118, 119, 120, 121, 122, 123, 124, 125, 126, 127, 128, 129, 130, 131, 132, 133, 134, 135, 136, 137, 138, 139, 140, 141, 142, 143, 144, 145, 146, 147, 148, 149, 150, 151, 152, 153, 154, 155, 156, 157, 158, 159, 160, 161, 162, 163, 164, 165, 166, 167, 168, 169, 170, 171, 172, 173, 174, 175, 176, 177, 178, 179, 180, 181, 182, 183, 184, 185, 186, 187, 188, 189, 190, 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991, 992, 993, 994, 995, 996, 997, 998, 999, 1000.

Redemption of Common Shares: Our Board has authorized management to repurchase up to 15,000,000 of our common shares on the open market or in privately negotiated transactions. During 2018, we did not repurchase any of our common shares. From the inception of the repurchase program through February 27, 2019, we have repurchased a total of 2,721,916 common shares at an aggregate cost of approximately \$678.1 million. Future levels of common share repurchases will be dependent upon our available capital, investment alternatives and the trading price of our common shares.

Contractual Obligations

The significant contractual obligations as of December 31, 2018 and their impact on our cash flows and liquidity are summarized below for the years ending December 31 (amounts in thousands):

	Total	2019	2020	2021	2022	Thereafter
Interest and principal payments on debt(1)	\$ 1,438,985	\$ 28,196	\$ 36,191	\$ 17,973	\$ 111,388	\$ 42,418
Operating leases(2)	76,519	4,011	4,240	4,356	3,755	3,628
Construction commitments(3)	138,880	126,247	12,312	—	—	—
Total	\$ 1,654,394	\$ 138,454	\$ 52,743	\$ 22,329	\$ 115,143	\$ 46,046

(1) Represents contractual principal and interest payments. Amounts with respect to interest Euro-denominated debt are based upon exchange rates at December 31, 2018. See Note 4 to our December 31, 2018 financial statements for further information.

(2) Represents future contractual payments on lease, equipment and office space under various operating leases.

(3) Represents future expected payments for construction under contract as of December 31, 2018.

We estimate the annual distribution requirements with respect to our Preferred Shares outstanding at December 31, 2018 to be approximately \$216.3 million *per year* (\$191.1 million *per year* excluding distributions on our Series Y Convertible Preferred Shares, which will be redeemed on March 28, 2019). Dividends are paid when and if declared by our Board and are subject to our past.

ITEM 7A. Quantitative and Qualitative Disclosures about Market Risk

To limit our exposure to market risk, we are capitalized primarily with preferred and common equity. Our preferred shares are redeemable at our option generally five years after issuance, but the holder has no redemption option. Our debt is not only market risk sensitive portion of our capital structure, which made up approximately 34.4 billion and represents 15.7% of the book value of our equity at December 31, 2018.

We have foreign currency exposure at December 31, 2018 related to (i) our investment in Shanghai Europe, with a book value of \$ 346.5 million and (ii) € 142.6 million (€ 391.4 million) of Euro-denominated associated notes payable.

The fair value of our fixed rate debt at December 31, 2018 is approximately \$1.4 billion. The table below summarizes the annual maturities of our fixed rate debt, which had a weighted average effective rate of 4.8% at December 31, 2018. See Note 6 in our December 31, 2018 financial statements for further information regarding our fixed rate debt (amounts in thousands).

	2019		2020		Thereafter		Total							
Fixed rate debt	\$	1,367	\$	1,978	\$	1,876	\$	532,222	\$	19,161	\$	891,499	\$	1,418,834

ITEM 9A. Controls and Procedures

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

We evaluate 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 comprehensively communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosures based on the definition of "disclosure controls and procedures" in Rules 13a-15(c) and 15d-15(c) of the Exchange Act. In designing and evaluating our disclosure controls and procedures, management recognized that any disclosure controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives and management necessarily has to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures in making that level of reasonable assurance. We also have arrangements in certain non-controlled real estate entities and because we do not control those entities, our disclosure controls and procedures with respect to such entities are substantially more limited than those we maintain with respect to our consolidated subsidiaries.

As of December 31, 2019, we carried out an evaluation, under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures for each year defined in Rules 13a-15(c) and 15d-15(c) of the Exchange Act. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of December 31, 2019, in a reasonable assurance level.

Management's Report on Internal Control Over Financial Reporting

In management's continuing effort to establish and maintain adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control Integrated Framework issued by the Committee on Sponsoring Organizations of the Treadway Commission (2013 Framework). Based on our evaluation under the framework in Internal Control Integrated Framework, our management concluded that our internal control over financial reporting was effective as of December 31, 2019.

The effectiveness of internal control over financial reporting as of December 31, 2019, has been audited by Ernst & Young LLP, an independent registered public accounting firm. Ernst & Young LLP's report on our internal control over financial reporting appears below.

Changes in Internal Control Over Financial Reporting

There have not been any changes to our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fourth quarter of 2019 in which this report relates that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

To the Shareholders and Board of Trustees of Public Storage

Opinion on Internal Control over Financial Reporting

We have audited Public Storage (the Company) internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadwell Commission (2013 Framework) (the COSO criteria). In our opinion, the Company maintained, in all material aspects, effective internal control over its financial reporting as of December 31, 2018, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheet of the Company as of December 31, 2018 and 2017, and the related consolidated statements of income, comprehensive income, equity and cash flows, for each of the three years in the period ended December 31, 2018 and the related notes and financial statement schedule listed on the Index at Item 15(a) of the Company and our report dated February 27, 2019, expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to examine an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable state and regulatory provisions of the Securities and Exchange Commission and the PCAOB.

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

Definition and Limitations of Internal Control Over Financial Reporting

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

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

iv EY & Young LLP
Los Angeles, California
February 27, 2019

TABLE III

ITEM 10. Executive Officers and Corporate Governance.

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

Joseph B. Russell, Jr., age 79, has served as Chief Executive Officer since January 1, 2019, and as President since July 2016. Prior to joining Public Storage, Mr. Russell was President and Chief Executive Officer of PS Business Parks, Inc. from August 2012 to July 2016. Mr. Russell has also served as a trustee of Public Storage since January 1, 2019, and as a director of PS Business Parks, Inc. since August 2013.

Dr. Thomas Wolfe, age 58, has served as Chief Financial Officer since January 1, 2019, and as Vice President and Chief Financial Officer, Operational Management since joining the Company in November 2016. Prior to joining the company, Mr. Wolfe served as chief of operating responsibilities with Village West since 2005, then analyst with First Mile as Executive Director, Equity and Debt Capital Markets.

Elyse Hughes, age 59, has served as Senior Vice President, Chief Legal Officer and Corporate Secretary since joining the Company in January 2015. Prior to joining Public Storage, she was Vice President and Associate General Counsel-Corporate, M&A and Finance at Sprint Nextel Inc. from March 1997 to January 2015.

Natalie Johnson, age 41, has served as Senior Vice President, Chief Human Resources Officer since April 23, 2018 and was previously Senior Vice President of Human Resources since joining the Company in July 2015. Prior to joining Public Storage, Ms. Johnson held a variety of senior management positions at Bank of America, including Chief Operating Officer for Mortgage Technology and Finance Services Executive for the Mortgage Business and worked for Citicorp, Citicorp and Sun Country Insurance.

Other information required by this item is hereby incorporated by reference to the material appearing in the Notice and Proxy Statement for the 2019 Annual Meeting of Shareholders, to be filed pursuant to Regulation 14A under the Exchange Act.

ITEM 11. Executive Compensation

The information required by this item is hereby incorporated by reference to the material appearing in the Notice and Proxy Statement for the 2019 Annual Meeting of Shareholders, to be filed pursuant to Regulation 14A under the Exchange Act.

ITEM 12 Specific Description of Certain Restricted Orders and Measurement and Relief of Shareholder Metrics

The following table sets forth information as of December 31, 2018 on the Company's equity compensation plans:

	Number of shares to be issued	Weighted average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity incentive plans
Equity compensation plans approved by security holders (a)	1,138,619 (b)	\$20.31 (d)	1,282,158
Equity compensation plans not approved by security holders (c)	-	-	-

(a) The Company's stock options and stock incentive plans are described more fully in Note 10 to the December 31, 2018 Financial statements. All plans were approved by the Company's shareholders.

(b) Includes 77,096 restricted share units that, if and when earned, will be settled in common shares of the Company on a one-for-one basis.

(c) There are no securities available for future issuance or currently outstanding under plans not approved by the Company's shareholders as of December 31, 2018.

(d) Represents the average exercise price of 2,520,022 stock options outstanding as of December 31, 2018. We also have 77,096 restricted share units outstanding as of December 31, 2018 that vest for no consideration.

Other information required by this item is hereby incorporated by reference to the material appearing in the Notice and Proxy Statement for the 2019 Annual Meeting of Shareholders, to be filed pursuant to Regulation 14A under the Exchange Act.

ITEM 13 Certain Relationships and Related Transactions and Director Independence

The information required by this item is hereby incorporated by reference to the material appearing in the Notice and Proxy Statement for the 2019 Annual Meeting of Shareholders, to be filed pursuant to Regulation 14A under the Exchange Act.

ITEM 14 Principal Accounting Fees and Services

The information required by this item is hereby incorporated by reference to the material appearing in the Notice and Proxy Statement for the 2019 Annual Meeting of Shareholders, to be filed pursuant to Regulation 14A under the Exchange Act of 2014.

ITEM 15. Exhibits and Financial Statement Schedules

- a. **1. Financial Statements**
The financial statements listed in the accompanying Index to Financial Statements and Schedules herof are filed as part of this report.
- 2. **Financial Statement Schedules**
The financial statements schedules listed in the accompanying Index to Financial Statements and Schedules are filed as part of this report.
- 3. **Exhibits**
See Index to Exhibits contained herein.
- b. **Exhibits**
See Index to Exhibits contained herein.
- c. **Financial Statement Schedules**
Not applicable.

PUBLIC STORAGE
INDEX TO EXHIBITS (I)
(Items 15A(1) and 15(1))

- 3.1 [Articles of Incorporation and Statement of Purposes of Public Storage, a Maryland not-for-profit corporation, filed with the Maryland State Department of Assessments and Taxation on May 4, 2010. Filed with the Securities and Exchange Commission on May 10, 2010 and incorporated by reference herein.](#)
- 3.2 [Amended and Restated Charter of Public Storage, a Maryland not-for-profit corporation, dated May 4, 2010. Filed with the Registrar's Current Report on Form 8-K dated May 4, 2010 and incorporated by reference herein.](#)
- 3.3 [Articles Supplementary to Public Storage's 2009 Certificate of Incorporation, Series "U", filed with the Registrar's Current Report on Form 8-K dated June 4, 2010 and incorporated by reference herein.](#)
- 3.4 [Articles Supplementary to Public Storage's 2009 Certificate of Incorporation, Series "V", filed with the Registrar's Current Report on Form 8-K dated September 11, 2010 and incorporated by reference herein.](#)
- 3.5 [Articles Supplementary to Public Storage's 2009 Certificate of Incorporation, Series "W", filed with the Registrar's Current Report on Form 8-K dated January 7, 2011 and incorporated by reference herein.](#)
- 3.6 [Articles Supplementary to Public Storage's 2009 Certificate of Incorporation, Series "X", filed with the Registrar's Current Report on Form 8-K dated March 1, 2011 and incorporated by reference herein.](#)
- 3.7 [Articles Supplementary to Public Storage's 2009 Certificate of Incorporation, Series "Y", filed with the Registrar's Current Report on Form 8-K dated March 1, 2011 and incorporated by reference herein.](#)
- 3.8 [Articles Supplementary to Public Storage's 2009 Certificate of Incorporation, Series "Z", filed with the Registrar's Current Report on Form 8-K dated April 1, 2011 and incorporated by reference herein.](#)
- 3.9 [Articles Supplementary to Public Storage's 2009 Certificate of Incorporation, Series "A", filed with the Registrar's Current Report on Form 8-K dated May 23, 2011 and incorporated by reference herein.](#)
- 3.10 [Articles Supplementary to Public Storage's 2009 Certificate of Incorporation, Series "B", filed with the Registrar's Current Report on Form 8-K, dated November 26, 2011 and incorporated by reference herein.](#)
- 3.11 [Articles Supplementary to Public Storage's 2009 Certificate of Incorporation, Series "C", filed with the Registrar's Current Report on Form 8-K, dated January 17, 2012 and incorporated by reference herein.](#)
- 3.12 [Articles Supplementary to Public Storage's 2009 Certificate of Incorporation, Series "D", filed with the Registrar's Current Report on Form 8-K, dated May 10, 2012 and incorporated by reference herein.](#)
- 3.13 [Articles Supplementary to Public Storage's 2009 Certificate of Incorporation, Series "E", filed with the Registrar's Current Report on Form 8-K, dated July 11, 2012 and incorporated by reference herein.](#)

- 314 [Amicus Supplementary to Public Notice 15075 Candidates Political Shows, Series F. Filed with the Registrar's Current Report on Form 10-K dated October 6, 2015 and incorporated by reference herein.](#)
- 315 [Amicus Supplementary to Public Notice 15075 Candidates Political Shows, Series F. Filed with the Registrar's Current Report on Form 10-K dated May 2, 2017 and incorporated by reference herein.](#)
- 316 [Amicus Supplementary to Public Notice 15075 Candidates Political Shows, Series G. Filed with the Registrar's Current Report on Form 10-K dated May 11, 2017 and incorporated by reference herein.](#)
- 41 [Market Deposit Agreement, dated as of May 11, 2007. Filed with the Registrar's Current Report on Form 10-K dated May 6, 2007 and incorporated by reference herein.](#)
- 801 [Amended Measurement Agreement between Registrar and Public Storage Commercial Properties Group, Inc. dated as of February 21, 2015. Filed with Public Storage Inc.'s 2015 Annual Report on Form 10-K for the year ended December 31, 2015 \(SEC File No. 001-35070\) and incorporated herein by reference.](#)
- 802 [Second Amended and Restated Measurement Agreement, by and among Registrar and the parties listed therein dated as of November 26, 2009. Filed with PG Partners, Ltd.'s Annual Report on Form 10-K for the year ended December 31, 2009 \(SEC File No. 00131110\) and incorporated herein by reference.](#)
- 803 [Agreement of Limited Partnership of PG Business Parks, L.P. Filed with PG Business Parks, Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2009 \(SEC File No. 001-10720\) and incorporated herein by reference.](#)
- 804 [Amended and Restated Agreement of Limited Partnership of Storage Trust Properties, L.P. \(March 11, 2009\). Filed with PG's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2009 \(SEC File No. 001-10820\) and incorporated herein by reference.](#)
- 805 [Amended and Restated Credit Agreement by and among Registrar, Wells Fargo Securities, LLC and Merrill Lynch, Pierce, Fenner & Smith Incorporated as joint book runners, Wells Fargo Bank, National Association as administrative agent, and the other financial institutions named herein, dated as of March 29, 2012. Filed with PG's Annual Report on Form 10-K for the year ended December 31, 2012 and incorporated herein by reference.](#)
- 805.1 [Special Agreement to Amend and Restate Credit Agreement, dated as of July 17, 2013, by and among Public Storage, the Lenders party thereto and Wells Fargo Bank, National Association. Filed with the Registrar's Current Report on Form 10-K for the year ended December 31, 2013.](#)
- 805.2 [Third Amendment to the Amended and Restated Credit Agreement, dated as of March 11, 2014, among Public Storage, the lenders party thereto and Wells Fargo Bank, National Association, as agent. Filed as Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the quarter ended April 30, 2014 and incorporated herein by reference.](#)
- 805.3 [Consent of the Amended and Restated Credit Agreement, dated as of March 11, 2014, constituting all amendments made to the Credit Agreement, dated as of April 11, 2013. The Second Amendment to Amended and Restated Credit Agreement, dated as of July 17, 2013, and the Third Amendment to Amended and Restated Credit Agreement, dated as of March 11, 2014. This consolidated consent was filed on October 10, 2014 in the April 2014 10-K. It was not incorporated by reference in the current Annual Report and incorporated herein by reference.](#)
- 805.4 [Fourth Amendment to the Amended and Restated Credit Agreement, dated as of December 22, 2014, among Public Storage, the lenders party thereto and Wells Fargo Bank, National Association, as agent. Filed as Exhibit 10.4 to the Company's Annual Report on Form 10-K for the year ended December 31, 2014 and incorporated herein by reference.](#)

- 10.6* [Shogren Storage Centers, Inc. 2009 Long Term Debt Issuance Compensation Plan](#) - Filed as Appendix A of Definitive Proxy Statement dated Jan. 7, 2009 filed by Shogren (SEC File No. 001-14342) and incorporated herein by reference.
- 10.7* [Public Storage, Inc. 2011 Stock Option and Incentive Plan \(the "2011 Plan"\)](#) - Filed with SEC's Registration Statement on Form S-4 (SEC File No. 333-174719) and incorporated herein by reference.
- 10.8* [Form of 2007 Plan Restricted Stock Unit Agreement](#) - Filed as Exhibit 10.11 to the Company's Annual Report on Form 10-K for the year ended December 31, 2014 and incorporated herein by reference.
- 10.9* [Form of 2007 Plan Restricted Stock Unit Agreement - Revised of award of shares](#) - Filed as Exhibit 10.12 to the Company's Annual Report on Form 10-K for the year ended December 31, 2015 and incorporated herein by reference.
- 10.10* [Form of 2007 Plan Stock Option Agreement](#) - Filed as Exhibit 10.13 to the Company's Annual Report on Form 10-K for the year ended December 31, 2015 and incorporated herein by reference.
- 10.11* [Form of 2007 Plan Treasury Stock Option Agreement](#) - Filed as Exhibit 10.14 to the Company's Annual Report on Form 10-K for the year ended December 31, 2014 and incorporated herein by reference.
- 10.12* [Form of 2014 Plan Restricted Stock Unit Agreement](#) - Filed as Exhibit 10.15 to the Company's Annual Report on Form 10-K for the year ended December 31, 2014 and incorporated herein by reference.
- 10.13* [Form of 2014 Plan Restricted Stock Unit Agreement - Revised of awards of shares](#) - Filed as Exhibit 10.16 to the Company's Annual Report on Form 10-K for the year ended December 31, 2015 and incorporated herein by reference.
- 10.14* [Form of 2014 Plan Non-Qualified Stock Option Agreement](#) - Filed as Exhibit 10.17 to the Company's Annual Report on Form 10-K for the year ended December 31, 2014 and incorporated herein by reference.
- 10.15* [Form of 2014 Plan Treasury Non-Qualified Stock Option Agreement](#) - Filed as Exhibit 10.18 to the Company's Annual Report on Form 10-K for the year ended December 31, 2014 and incorporated herein by reference.
- 10.16 [Form of Transition and Office Identification Agreement](#) - Filed as Exhibit 10.19 to the Company's Annual Report on Form 10-K for the year ended December 31, 2014 and incorporated herein by reference.

00.17	Trust Loan Agreement by and among Public Storage, Wells Fargo Securities, LLC as Lead Arranger and Wells Fargo National Bank N.A. as Administrative Agent, dated as of December 2, 2013. Filed with Registrant's Current Report on Form 10-K dated November 20, 2013 and incorporated herein by reference.
00.18 *	Public Storage 2013 Equity and Performance-Based Incentive Compensation Plan, as Amended. Filed with Registrant's Current Report on Form 10-K dated May 1, 2014 and incorporated herein by reference.
00.19 *	Public Storage 2013 Equity and Performance-Based Incentive Compensation Plan. Filed as Appendix A to the Company's 2013 Proxy Statement dated March 20, 2013 and incorporated herein by reference.
00.20	Trust Purchase Agreement, dated as of November 4, 2013, by and among Public Storage and the applicable Trusts. Filed with Registrant's Current Report on Form 10-K dated November 3, 2013 and incorporated herein by reference.
00.21	Trust Purchase Agreement, dated as of April 12, 2010, by and among Public Storage and the applicable Trusts. Filed with Registrant's Current Report on Form 10-K dated April 17, 2010 and incorporated herein by reference.
00.22	Indenture, dated as of September 18, 2013, between Public Storage and Wells Fargo Bank, National Association, as trustee. Filed as Exhibit 4.1 to the Company's Current Report on Form 10-K dated September 18, 2013 and incorporated herein by reference.
00.23	Trust Supplemental Indenture, dated as of September 18, 2013, between Public Storage and Wells Fargo Bank, National Association, as trustee, including the form of Global Note representing the 2012 Notes and the form of Global Note representing the 2013 Notes. Filed as Exhibit 4.2 to the Company's Current Report on Form 10-K dated September 18, 2013 and incorporated herein by reference.
00.24	Amendment to Amended Agreement of Limited Partnership of P2 Properties, L.P., as Amended Special Agreement, dated as of January 1, 2017. Filed as Exhibit 9.1 to the Company's Current Report on Form 10-K for the quarter ended March 31, 2017 dated May 10, 2017 and incorporated herein by reference.
00.25*	Trust of 2014 PRA Preferred Stock Unit Agreement (2014). Filed herewith.
00.26*	Trust of 2014 PRA Preferred Stock Unit Agreement. Revised version of 2014. Filed herewith.
00.27*	Trust of 2014 PRA Non-Chartered Stock Option Agreement (2014). Filed herewith.
00.28*	Trust of 2014 PRA Trustee Non-Chartered Stock Option Agreement (2014). Filed herewith.
00.29*	Trust of 2014 PRA Trustee Preferred Stock Unit Agreement (2014). Filed herewith.
00.30*	Trust of 2014 PRA Trustee Preferred Stock Unit Agreement (2014). Filed herewith.
01	Letter of Understanding. Filed herewith.
01.1	Certificate of Trust & Trust 11.F. Filed herewith.
01.1	Rule 13c-10a Certification. Filed herewith.

312 [Fid 133 - 1001 Certification](#) Filed herewith
32 [Supers 1331 Certification](#) Filed herewith
331 PNA XRII Instance Document Filed herewith
331 NCB XRII Taxonomy Extension Schema Filed herewith
331 CAS XRII Taxonomy Extension Calculation Linkbase Filed herewith
331 DEP XRII Taxonomy Extension Definition Linkbase Filed herewith
331 LAB XRII Taxonomy Extension Label Linkbase Filed herewith
331 PBE XRII Taxonomy Extension Presentation Link Filed herewith
- (1) SEC File No. 000-31519 unless otherwise indicated.
* Denotes management compensatory plan agreement or arrangement.

SIGNATURES

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

FILE NO. 3338462

Date: February 27, 2019 By: Joseph D. Randall, Jr.
Joseph D. Randall, Jr.
Chief Executive Officer, President and
Director

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

Signature	Title	Date
<u>Joseph D. Randall, Jr.</u>	Chief Executive Officer, President and Director (Principal Executive Officer)	February 27, 2019
<u>Joseph D. Randall, Jr.</u>		
<u>H. Thomas Boyle</u>	Chief Financial Officer (principal financial officer)	February 27, 2019
<u>H. Thomas Boyle</u>		
<u>Ronald L. Harner, Jr.</u>	Chairman of the Board	February 27, 2019
<u>Ronald L. Harner, Jr.</u>		
<u>Tamara Hughes-Gusterson</u>	Trustee	February 27, 2019
<u>Tamara Hughes-Gusterson</u>		
<u>Vin P. Harkham</u>	Trustee	February 27, 2019
<u>Vin P. Harkham</u>		
<u>Lubin Stone Hunter</u>	Trustee	February 27, 2019
<u>Lubin Stone Hunter</u>		
<u>W. Warren Hughes, Jr.</u>	Trustee	February 27, 2019
<u>W. Warren Hughes, Jr.</u>		
<u>Arnold B. Pribluda</u>	Trustee	February 27, 2019
<u>Arnold B. Pribluda</u>		
<u>Gary E. Pratt</u>	Trustee	February 27, 2019
<u>Gary E. Pratt</u>		

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ John Kavan</u>	Trustee	February 27, 2019
<u>John Kavan</u>		
<u>/s/ Ronald P. Speck</u>	Trustee	February 27, 2019
<u>Ronald P. Speck</u>		
<u>/s/ Daniel C. Ryan</u>	Trustee	February 27, 2019
<u>Daniel C. Ryan</u>		

FINANCIAL STATEMENTS
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AND SCHEDULES
(Class 15.04)

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

To the Shareholders and Board of Trustees of Public Storage

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Public Storage (the Company) as of December 31, 2018 and 2017, and the related consolidated statements of income, comprehensive income, equity and cash flows for each of the three years in the period ended December 31, 2018, and the related notes and financial statement schedules based on the basis of accounting (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company at December 31, 2018 and 2017, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2018, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control over Financial Reporting issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework), and our report dated February 27, 2019 is expressed as unqualified opinion thereon.

Basis for Opinion

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

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

/s/ Ernst & Young LLP

We have served as the Company's auditor since 1989.
Los Angeles, California
February 27, 2019

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

	December 31, 2016	December 31, 2017
ASSETS		
Cash and equivalents	\$ 361,219	\$ 411,376
Real estate facilities, at cost	11,284,462	10,713,866
Land	4,867,847	5,947,123
Buildings	33,296,247	33,646,089
Accumulated depreciation	(6,076,222)	(6,784,222)
Construction in process	139,717	568,444
	9,442,111	9,236,099
Investment in unaffiliated real estate entities	782,468	724,173
Goodwill and other intangible assets, net	289,836	214,957
Other assets	151,462	149,262
Total assets	\$ 19,529,232	\$ 19,712,392
LIABILITIES AND EQUITY		
Notes payable	\$ 1,412,263	\$ 1,431,122
Accrued and other liabilities	171,836	187,466
Total liabilities	1,584,099	1,618,588
Commitments and contingencies (Note 13)		
Equity:		
Public Storage shareholders' equity:		
Preferred Shares, \$0.01 par value, 100,000,000 shares authorized, 60,000 shares issued in respect and outstanding, 100,000 shares	6,007,000	6,022,000
Common Shares, \$0.10 par value, 650,000,000 shares authorized, 771,019,000 shares issued and outstanding (771,019,000 shares as of December 31, 2017)	17,415	17,285
Paid-in capital	5,734,465	5,648,393
Accumulated deficit	(1,777,569)	(675,711)
Accumulated other comprehensive loss	(664,969)	(721,866)
Total Public Storage shareholders' equity	9,119,432	9,940,099
Noncontrolling interests	21,260	24,364
Total equity	9,140,692	9,964,463
Total liabilities and equity	\$ 19,529,232	\$ 19,712,392

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

	For the Years Ended December 31		
	2019	2018	2017
Revenues			
Real-estate services	\$ 2,097,607	\$ 2,151,451	\$ 2,089,028
Real-estate operations	126,473	136,054	128,701
	<u>2,224,080</u>	<u>2,287,505</u>	<u>2,217,729</u>
Expenses			
Self-storage cost of operations	485,731	457,671	417,985
Real-estate cost of operations	42,091	50,541	21,178
Depreciation and amortization	483,546	445,525	425,214
General and administrative	133,720	127,481	83,646
Interest expense	51,740	53,899	53,859
	<u>1,197,828</u>	<u>1,135,117</u>	<u>1,002,881</u>
Other income (decreases) to net income:			
Interest and other income	24,442	18,771	11,138
Equity in earnings of unconsolidated real estate entities	188,495	73,651	56,756
Change currency exchange gain/loss	18,117	10,849	17,176
Commodity loss	37,963	(7,789)	489
Gain on sale of real estate	121,636	1,421	—
Gain due to Shared Europe public offering	7,793,097	1,331,027	1,000,997
Net income	<u>1,155,529</u>	<u>1,186,206</u>	<u>1,162,802</u>
Adjustment to noncontrolling interests	(8,382)	(8,382)	(8,382)
Net income attributable to Public Storage shareholders	<u>1,147,147</u>	<u>1,177,824</u>	<u>1,154,420</u>
Allocation of net income to:			
Preferred shareholders - distributions	(216,216)	(216,151)	(216,216)
Preferred shareholders - redemptions (See 5)	—	—	(26,974)
Adjusted share units	(8,382)	(8,382)	(8,382)
Net income attributable to common shareholders	<u>822,549</u>	<u>953,291</u>	<u>904,848</u>
Net income per common share			
Basic	<u>\$ 4.36</u>	<u>\$ 4.72</u>	<u>\$ 4.88</u>
Diluted	<u>\$ 4.34</u>	<u>\$ 4.71</u>	<u>\$ 4.81</u>
Basic, weighted average common shares outstanding	<u>188,650</u>	<u>201,950</u>	<u>185,350</u>
Diluted, weighted average common shares outstanding	<u>190,200</u>	<u>204,711</u>	<u>187,876</u>

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

	For the Years Ended December 31		
	2017	2016	2015
Net income	\$ 1,717,223	\$ 1,441,465	\$ 1,408,439
Other comprehensive income (loss)			
Aggregate foreign currency exchange gain (loss)	1,914	(30,000)	(8,387)
Adjust for aggregate foreign currency exchange gain to equity in earnings of unconsolidated real estate entities	-	-	(942)
Adjust for foreign currency exchange loss reflected in gain to the full extent and gain to Strategic Energy public offering	27,267	-	-
Adjust for aggregate foreign currency exchange (gain) loss included in net income	(15,112)	20,842	(17,726)
Other comprehensive income (loss)	11,069	(9,158)	(26,855)
Total comprehensive income	1,728,292	1,432,307	1,381,584
Adjustment to noncontrolling interests	(1,742)	(1,742)	(1,742)
Comprehensive income attributable to Public Storage shareholders	\$ 1,726,550	\$ 1,430,565	\$ 1,379,842

See accompanying notes.

PUBLIC STORAGE
STATEMENTS OF EQUITY
(Amounts in thousands, except share and per share amounts)

	Convertible Preferred Shares	Common Shares	Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Public Storage Shareholders' Equity	Noncontrolling Interests	Total Equity
Balance at December 31, 2015	\$ 4,925,000	\$ 17,225	\$ 1,691,506	\$ (143,410)	\$ (88,124)	\$ 5,779,611	\$ 26,997	\$ 5,806,608
Change in fair value of convertible preferred shares	4,925,000	-	-	-	-	4,925,000	-	4,925,000
Issuance of 47,000 preferred shares (Note 6)	1,175,000	-	(64,797)	-	-	1,110,203	-	1,110,203
Redemption of 34,500 preferred shares (Note 6)	(642,500)	-	-	-	-	(642,500)	-	(642,500)
Share-based compensation expense, net of cash paid in lieu of common shares (Note 10)	-	36	25,067	-	-	25,103	-	25,103
Share-based compensation expense, net of cash paid in lieu of common shares (Note 10)	-	-	20,767	-	-	20,767	-	20,767
Contributions by noncontrolling interests	-	-	-	-	-	-	3,470	3,470
Net income allocated to noncontrolling interests	-	-	-	1,661,617	-	1,661,617	(1,661,617)	1,661,617
Dividends to equity holders	-	-	-	(6,862)	-	(6,862)	6,862	-
Preferred shares (Note 6)	-	-	-	(238,214)	-	(238,214)	-	(238,214)
Noncontrolling interests	-	-	-	-	-	-	(7,188)	(7,188)
Common shares and restricted share units (13.19 per share)	-	-	-	(1,267,546)	-	(1,267,546)	-	(1,267,546)
Other comprehensive loss (Note 2)	-	-	-	-	(28,130)	(28,130)	-	(28,130)
Balance at December 31, 2016	\$ 4,302,500	\$ 17,225	\$ 1,697,762	\$ (1,057,092)	\$ (98,194)	\$ 4,711,771	\$ 26,742	\$ 4,738,513
Issuance of 27,200 preferred shares (Note 6)	588,000	-	(18,823)	-	-	569,177	-	569,177
Redemption of 16,000 preferred shares (Note 6)	(622,500)	-	-	-	-	(622,500)	-	(622,500)
Issuance of common shares in connection with share-based compensation expense, net of cash paid in lieu of common shares (Note 10)	-	56	42,444	-	-	42,500	-	42,500
Share-based compensation expense, net of cash paid in lieu of common shares (Note 10)	-	-	22,711	-	-	22,711	-	22,711
Acquisition of noncontrolling interests	-	-	(7,761)	-	-	(7,761)	(6,726)	(14,487)
Contributions by noncontrolling interests	-	-	-	-	-	-	2,464	2,464
Net income allocated to noncontrolling interests	-	-	-	1,468,465	-	1,468,465	(1,468,465)	1,468,465
Net income allocated to noncontrolling interests	-	-	-	(6,240)	-	(6,240)	6,240	-

See accompanying notes
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**PUBLIC STORAGE
STATEMENTS OF EQUITY**
(Amounts in thousands, except share and per share amounts)

	Cumulative Preferred		Common	Paid-in Capital	Accumulated Other Adjustments	Total Public Storage Shareholders' Equity	Noncontrolling Interest	Total
	Shares	Amount						
Distributions to equity holders:	-	-	-	-	-	(\$16,551)	-	(\$16,551)
Preferred shares (Note 5)	-	-	-	(\$16,551)	-	-	-	(\$16,551)
Noncontrolling interest	-	-	-	-	-	-	(3,342)	(\$3,342)
Common shares and restricted share units (\$10.00 per share)	-	-	-	(\$1,369,632)	-	(\$1,369,632)	-	(\$1,369,632)
Other comprehensive income (Note 7)	-	-	-	-	20,000	20,000	-	20,000
Balance at December 31, 2017	\$	4,025,000	\$	\$ 17,365	\$ 5,648,399	\$ (675,711)	\$ (75,804)	\$ 8,944,549
Issuance of common shares in connection with share-based compensation (277,111 shares) (Note 10)	-	-	-	28	12,827	-	-	12,855
Share-based compensation expense, net of cash paid in lieu of common shares (Note 10)	-	-	-	27,589	-	-	-	27,589
Contribution by noncontrolling interest	-	-	-	-	-	-	1,729	1,729
Net income	-	-	-	1,717,223	-	1,717,223	-	1,717,223
Net income allocated to noncontrolling interest	-	-	-	6,192	-	6,192	-	6,192
Distributions to equity holders:	-	-	-	-	-	(\$16,316)	-	(\$16,316)
Preferred shares (Note 5)	-	-	-	-	-	-	(\$423)	(\$423)
Noncontrolling interest	-	-	-	-	-	-	(\$1,623)	(\$1,623)
Common shares and restricted share units (\$10.00 per share)	-	-	-	-	-	(\$1,796,346)	-	(\$1,796,346)
Other comprehensive income (Note 7)	-	-	-	-	11,004	11,004	-	11,004
Balance at December 31, 2018	\$	4,025,000	\$	\$ 17,421	\$ 5,113,449	\$ (684,707)	\$ (1,199,074)	\$ 8,482,120

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

	For the Year Ended December 31		
	2017	2016	2015
Cash flows from operating activities:			
Net income	\$ 1,557,223	\$ 1,446,847	\$ 1,468,829
Adjustments to reconcile net income to net cash flows from operating activities:			
Gain on the sale of Empire public offering	(575,616)	(1,471)	895
Gain on real estate investment sales	(27,963)	(1,471)	895
Asset impairment loss in business	-	2,280	-
Depreciation and amortization	483,446	454,526	433,314
Equity in earnings of unconsolidated real estate entities	(185,495)	(75,655)	(76,796)
Depreciation from estimated earnings of unconsolidated real estate entities	188,754	51,749	84,387
Foreign currency exchange (gain) loss	(18,175)	20,045	(17,776)
Share-based compensation expense	68,306	57,140	57,881
Other	(80,252)	(82,218)	(80,187)
Total adjustments	2,081,312	1,757,278	1,939,592
Net cash flows from operating activities	3,638,535	3,204,125	3,408,421
Cash flows from investing activities:			
Capital expenditures to maintain real estate facilities	(140,067)	(122,399)	(91,455)
Contributions in process	(158,802)	(158,476)	(208,916)
Acquisition of real estate facilities and mortgage assets	(181,026)	(285,279)	(454,176)
Distributions in excess of invested savings from unconsolidated real estate entities	61,427	-	67,428
Proceeds from sale of real estate investments	18,166	1,615	885
Net cash flows from investing activities	(399,302)	(564,549)	(656,134)
Cash flows from financing activities:			
Payments on debt payable	(1,794)	(1,761)	(16,476)
Issuance of debt payable	-	952,977	112,625
Issuance of preferred shares	-	541,117	1,126,263
Issuance of common shares	(2,252)	(2,306)	(2,541)
Redemption of preferred shares	-	(822,386)	(822,386)
Cash paid upon ending contractual lease term	(12,147)	(15,602)	(15,173)
Acquisition of noncontrolling interests	1,720	2,484	1,470
Contributions paid to Public Storage shareholders	(1,274,889)	(1,620,347)	(1,566,789)
Distributions paid to noncontrolling interests	(2,252)	(2,252)	(2,286)
Net cash flows from financing activities	(1,885,248)	(860,228)	(1,138,826)
Net cash flows from operating, investing, and financing activities	(176,915)	(219,152)	(376,539)
Net effect of foreign exchange translation	(1,072)	22,428	(1,072)
Change in cash, equivalents, and restricted cash	\$ (177,987)	\$ (196,724)	\$ (377,617)

See accompanying notes.

PUBLIC STORAGE
STATEMENTS OF CASH FLOWS
(Amounts in thousands)

	For the Year Ended December 31,				
	2011		2010		
	2011	2011	2010	2010	
Cash, equivalents, and restricted cash at beginning of the period					
Cash and equivalents	\$	432,376	\$	382,086	
Restricted cash included in other assets		(2,827)		(2,827)	
		<u>\$</u>	429,549	<u>\$</u>	379,259
Cash, equivalents, and restricted cash at end of the period					
Cash and equivalents	\$	362,218	\$	431,376	
Restricted cash included in other assets		(2,863)		(2,827)	
		<u>\$</u>	359,355	<u>\$</u>	428,549
Supplemental schedule of non-cash financing and investing activities:					
Foreign currency translation adjustment	\$	263	\$	(679)	
Real estate facilities net of accumulated depreciation		(1,987)		(19,378)	
Investments in nonconsolidated real estate entities		(13,265)		(6,966)	
Notes payable		1,814		(30,063)	
Accumulated other comprehensive gain (loss)		-		(8,887)	
Reclassification of existing investments to real estate in connection with merger acquisition (Note 1)		-		(6,310)	
Real estate facilities		-		(3,181)	
Investments in nonconsolidated real estate entities		-		-	
Real estate acquired in exchange for assumption of notes payable		-		(12,845)	
Notes payable assumed in connection with acquisition of real estate		-		12,845	
Acquired development costs and capital expenditures		676		(2,561)	
Capital expenditures to maintain real estate facilities		(21,495)		(11,215)	
Contributions in kind		22,827		13,414	
Acquired and other liabilities		-		(8,246)	

See accompanying notes
F-4

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 1989. Our principal business activities include the ownership and operation of self-storage facilities which include storage units for home, generally on a month-to-month basis, for personal and business use, ancillary activities such as construction sites and storage containers to the owners of our self-storage facilities, as well as the acquisition and development of additional self-storage units.

As December 31, 2011, we have direct and indirect equity interests in 2,429 self-storage facilities (with approximately 1.42 million net rentable square feet) located in 38 states in the United States ("U.S.") operating under the "Public Storage" name. We also have a 1.2% interest in StorageX Real Estate Fund ("StorageX"), which owns 2.5 self-storage facilities with approximately 17 million net rentable square feet located in seven Western European countries, of operating under the "StorageX" name. We also have direct and indirect equity interests in approximately 29 million net rentable square feet of commercial space located in seven states in the U.S. primarily owned and operated by Business Parks, Inc. ("BPI") under the "BPI Business Park Center." At December 31, 2011, we do not own any other significant equity interests in REITs.

Disclosures of the number and square footage of facilities, as well as the number and coverage of tenant insurance policies (Note 17) are consolidated and outside the scope of our independent registered public accounting firm's review of our financial statements in accordance with the standards of the Public Company Accounting Oversight Board (U.S.).

2. Summary of Significant Accounting Policies

Basis of Presentation

The financial statements are presented on an accrual basis in accordance with U.S. generally accepted accounting principles ("GAAP") as defined in the Financial Accounting Standards Board Accounting Standards Codification (the "Codification").

Consolidation and Equity Method of Accounting

We consider entities to be Variable Interest Entities ("VIEs") when they have insufficient equity to finance their activities without additional substantial financial support provided by other parties, or the equity holders as a group do not have a controlling financial interest. We consider VIEs when we have (i) the power to direct the activities that significantly impacting economic performance, and (ii) either the obligation to absorb losses or the right to receive benefits from the VIE. We have no involvement with any material VIEs. We consolidate all other entities which we control them through voting shares or contractual rights. The entities we consolidate, for the period in which the reference applies, are referred to collectively as the "Subsidiaries," and we eliminate intercompany transactions and balances.

We account for our investments in entities that we do not consolidate but have significant influence over using the equity method of accounting. These entities, for the periods in which the reference applies, are referred to collectively as the "Unconsolidated Real Estate Entities." Operating into equity profits and losses and allocating any differences between the cost of our investment and the underlying equity in net assets against equity in earnings as of the Unconsolidated Real Estate Entity was a consolidated subsidiary. Equity in earnings of unconsolidated real estate entities represents our pro-rata share of the earnings of the Unconsolidated Real Estate Entities.

PUBLIC STORAGE
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

When we begin consolidating an entity, we reflect our pro-rata equity interest at book value. All changes in consolidation status are reflected prospectively.

Collectively, at December 31, 2018, the Company and the Subsidiaries own 2,429 self-storage facilities and three commercial facilities in the U.S. At December 31, 2018, the Unconsolidated Real Estate Entities are comprised of PDSB and Shearid Energy.

Use of Estimates

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

Income Taxes

We have elected to be treated as a REIT, as defined in the Internal Revenue Code of 1986, as amended (the "Code"). As a REIT, we do not incur federal income tax if we distribute 100% of our REIT taxable income each year, and if we meet certain organizational and operational rules. We believe we have met these REIT requirements for all periods presented herein. Accordingly, we have recorded no federal income tax expense related to our REIT taxable income.

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

We recognize tax benefits of uncertain income tax positions that are subject to audit only if we believe it is more likely than not that the position would ultimately be sustained assuming the relevant taxing authorities had full knowledge of the relevant facts and circumstances of our position. As of December 31, 2018, we had no tax benefits that were not recognized.

Real Estate Facilities

Real estate facilities are recorded at cost. We capitalize all costs incurred to acquire, develop, construct, renovate and improve facilities, including intangible and property taxes incurred during the construction period and, effective October 1, 2016, the straight-line depreciation costs associated with acquisitions of real estate. Prior to October 1, 2016, intangible costs for acquisitions were included in general and administrative expense in our income statements. The change was made due to a change in GAAP, which results in real estate facility acquisitions generally being considered acquisitions of assets rather than business combinations. We allocate the net acquisition cost of acquired real estate facilities to the underlying land, buildings, and identified intangible assets based upon their respective individual estimated fair values.

Costs associated with dispositions of real estate, as well as repairs and maintenance costs, are expensed as incurred. We depreciate buildings and improvements on a straight-line basis over estimated useful lives ranging generally between 5 to 25 years.

When we sell a full or partial interest in a real estate facility without retaining a controlling interest following sale, we recognize a gain or loss on sale as if 100% of the property was sold at fair value. If we retain a controlling interest following the sale, we record a gain or loss as if a pro-rata basis based upon the interest sold.

Other Assets

Other assets primarily consist of sums receivable from our tenants, prepaid expenses and unexpired cash.

Accrued and Other Liabilities

Accrued and other liabilities consist primarily of sums payable by our tenants, trade payables, property tax accruals, accrued payroll, accrued tenant reimbursements, and contingent loss accruals when probable and estimable. We believe the fair value of our accrued and other liabilities approximates book value, due to the short period and repayment. We discuss the nature of significant unexpired leases that are reasonably probable of renewing and, conversely, a range of expense.

Cash Equivalents, Restricted Cash, Marketable Securities and Other Financial Instruments

Cash equivalents represent highly liquid financial instruments such as money market funds with daily liquidity or short-term commercial paper or treasury securities maturing within three months of acquisition. Cash and equivalents which are restricted from general corporate use are included in other assets. We believe that the book value of all such financial instruments is a good proxy for fair value, due to the short period to maturity.

Fair Value

An asset having the same "fair value" is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Our estimates of fair value involve considerable judgment and are not necessarily indicative of the amounts that could be realized in current market exchanges.

We estimate the fair value of our cash and equivalents, marketable securities, other assets, debt, and other liabilities by discounting the related future cash flows at a rate based upon quoted interest rates for securities that have similar characteristics such as credit quality and time to maturity. Such quoted interest rates are referred to generally as "Level 2" rates.

We use significant judgment to estimate fair values of investments in real estate, goods, and other intangible assets. In estimating their values, we consider significant unobservable inputs such as market prices of land, market capitalization rates, regional income, earnings multiples, projected levels of earnings, costs of construction, and functional depreciation. These inputs are referred to generally as "Level 3" inputs.

Currency and Credit Risk

Financial instruments that are exposed to credit risk consist primarily of cash and equivalents, certain portions of other assets including sums receivable from our tenants and unexpired cash. Cash equivalents are invested in one or more money market funds with a rating of at least A-1 by Standard & Poor's, commercial paper that is rated A-1 by Standard & Poor's or deposits with highly rated commercial banks.

At December 31, 2011, the majority of our investments in Singapore, China, and a small value payable denominated in Euros (EUR), our operating results and financial position are affected by fluctuations in currency exchange rates between the Euro, and to a lesser extent, other European currencies, against the U.S. Dollar.

Goodwill and Other Intangible Assets

Intangible assets are comprised of goodwill, the "Shurgard" trade name, acquired customer in place, and leasehold interests in land. Goodwill totaled \$174.6 million at December 31, 2016 and 2015. The "Shurgard" trade name, which is used by Shurgard Europe pursuant to a fee-based licensing agreement, has a book value of \$18.8 million at December 31, 2016 and 2015. Goodwill and the "Shurgard" trade name have indefinite lives and are not amortized.

Acquired customer in place and leasehold interests in land are finite-lived assets and an amortized expense to the benefit of the customer in place of the benefits to land lease expense to each period. At December 31, 2016, these intangibles had net book value of 0.8 million, \$2.7 million at December 31, 2015. Amortization expenditures totaled 2.9 million at December 31, 2016, \$2.1 million at December 31, 2015, and amortization expense of \$0.8 million, \$1.9 million and \$2.7 million for 2016, 2015 and 2014, respectively. The following table summarizes expense for our finite-lived intangible assets at December 31, 2016 in approximately \$0.2 million in 2015, \$2 million in 2014 and \$4.8 million thereafter. During 2015, 2017 and 2016, intangibles increased 1.1 million, \$17.2 million and \$2.9 million, respectively, in connection with the acquisition of self-storage facilities (PSPs).

Evaluation of Asset Impairment

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

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

We evaluate goodwill for impairment annually and whenever relevant events, circumstances and other related factors indicate that fair value of the related reporting unit may be less than the carrying amount. If we determine that the fair value of the reporting unit exceeds the aggregate carrying amount, no impairment charge is recorded. Otherwise, we record an impairment charge to the extent the carrying amount of the goodwill exceeds the amount that would be allocated to goodwill if the reporting unit were required for estimated fair value.

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

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

Goodwill Loss

We record casualty losses for a) the book value of assets destroyed and b) incremental repair, clean-up, and other costs associated with the casualty. Insurance proceeds are recorded as a reduction in casualty loss when

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All accounting of collections are satisfied. During 2017, we incurred casualty losses totaling \$7.8 million, comprised of \$3.7 million in book value of assets damaged and \$4.1 million in repairs and maintenance incurred in connection with Hurricane Harvey and Irma.

Revenue and Expense Recognition

Revenues from self-storage facilities, which are primarily composed of rental income earned pursuant to month-to-month leases, as well as associated late charges and administrative fees, are recognized as earned. Promotional discounts reduce rental income over the promotional period, which is generally one month. Ancillary revenues and expenses and other receipts are recognized when earned.

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

Foreign Currency Exchange Translation

The local currency (generally the Euro) is the functional currency for our interests in foreign operations. The related balance sheet amounts are translated into U.S. Dollars at the exchange rates at the respective financial statement date, while amounts in our statements of income are translated at the average exchange rate during the respective period. When financial statements denominated in a currency other than the U.S. Dollar are converted to be stated in each of the financial statements, the impact of changes in the U.S. Dollar equivalent are reflected in current earnings. The Euro was translated at exchange rates of approximately 1.144 U.S. Dollars per Euro at December 31, 2018 (1.136 at December 31, 2017), and average exchange rates of 1.131 (1.129 and 1.127 for the years ended December 31, 2018, 2017 and 2016, respectively). Cumulative translation adjustments for the current year included in cumulative net income are included in equity as a component of accumulated other comprehensive income (loss).

Comprehensive Income

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

Net Income per Common Share

Net income is allocated to (i) noncontrolling interests based upon their share of the net income of the Subsidiaries, (ii) preferred shareholders, to the extent redemption cost exceeds the related original net income proceeds (an "EITF D-42 allocation"), and (iii) the remaining net income is allocated to each of our equity investors based upon the dilutable dividend or accumulated during the period, combined with participation rights as established in our charters. Basic and diluted net income per common share are each calculated based upon net income allocable to common shareholders presented on the face of our income statement, divided by (i) in the case of basic net income per common share, weighted average common shares, and (ii) in the case of diluted net income per share, weighted average common shares adjusted for the impact, of dilutive, of stock options outstanding (Note 10). The following table reconciles from basic to diluted common shares outstanding (amounts in thousands).

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	For the Year Ended December 31		
	2018	2017	2016
Weighted average common shares and equivalents outstanding:			
Basic weighted average common shares outstanding	175,969	175,613	175,081
Diluted weighted average common shares outstanding	176,207	176,511	175,876

3 **Real Estate Facilities**
Activity in real estate facilities during 2018, 2017 and 2016 is as follows:

	For the Year Ended December 31		
	2018	2017	2016
Operating facilities, at cost			
Beginning balance	\$ 14,685,989	\$ 15,363,229	\$ 15,200,261
Capital expenditures to maintain real estate facilities	139,397	224,769	86,667
Acquisitions	188,436	274,111	406,134
Dispositions	(57,631)	(1,992)	-
Assets damaged due to hurricanes	348,276	(5,231)	268,907
Developed or redeveloped facilities opened for operation	488,114	31,108	(43,182)
Impact of foreign exchange rate changes	15,206,824	14,600,909	13,260,222
Ending balance	\$ 30,704,313	\$ 30,111,801	\$ 29,158,012
Accumulated depreciation			
Beginning balance	(5,300,311)	(5,270,963)	(4,866,730)
Depreciation expense	(487,825)	(433,666)	(490,040)
Dispositions	18,876	123	-
Assets damaged due to hurricanes	617	(4,961)	1,872
Impact of foreign exchange rate changes	10,180,022	(5,760,311)	(5,270,963)
Ending balance	(4,578,612)	(5,578,612)	(5,270,963)
Construction in process			
Beginning balance	264,661	260,338	270,166
Construction in process	362,297	349,712	208,154
Construction development	(148,270)	(311,039)	(268,965)
Developed or redeveloped facilities opened for operation	(2,091)	(4,622)	-
Dispositions	8,869	-	-
Transfer from (to) other assets	(203,270)	351,457	(370,120)
Ending balance	\$ 461,127	\$ 625,446	\$ 839,245

Total real estate facilities at December 31, 2018, 2017 and 2016 are \$35,282,700, \$35,737,247 and \$34,997,257, respectively. During 2018, we acquired 20 self-storage facilities (1.6 million net rentable square feet), for a total cost of \$1,111.0 million in cash, of which \$116.6 million was allocated to intangible assets. We completed development and redevelopment activities totaling \$146.3 million during 2018, adding 3.0 million net rentable square feet of self-storage space. Construction in process at December 31, 2018, consists of projects to develop new self-storage.

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facilities and including paying self-storage facilities. On October 18, 2011, we sold our property in West London to Storage Europe for \$42.1 million and recorded a related gain on sale of real estate of approximately \$11.5 million. This gain was net of the repayment of a convertible debt arrangement with a carrying amount of \$30.6 million with respect to foreign currency translation. On October 25, 2011, we sold a former commercial facility for \$9.7 million and recorded a related gain on sale of real estate of approximately \$4.6 million. During 2011, we also sold portions of real estate facilities in connection with various distress proceedings for \$1.4 million in cash proceeds and recorded a related gain on sale of real estate of approximately \$1.1 million. During 2011, we also transferred 207,000 shares of unsecured convertible debt from the assets to convertible debt receivables.

During 2011, we acquired 22 self-storage facilities from third parties (1,565,000 net rentable square feet) for a total cost of \$149.8 million, in cash. Approximately \$12.2 million of the total cost was allocated to intangible assets. On December 11, 2011, we acquired the remaining 96.23% of the interests which we did not own in one of the unconsolidated entities that owned 12 self-storage facilities, 148,000 net rentable square feet for a total cost of \$135.7 million in cash. Approximately \$10.9 million of the total cost (which includes the \$6.3 million book value of our existing investment) was allocated to intangible assets and \$24.8 million was allocated to other assets.

We completed development and redevelopment activities during 2011, adding 2.7 million net rentable square feet of self-storage space, at an aggregate cost of \$111.6 million. During 2011, we sold real estate for a total of approximately \$6.4 million in cash proceeds, of which \$6.3 million was collected in 2010, and recorded a related gain on real estate investment sales of approximately \$1.4 million in 2011.

During 2010, we acquired 70 self-storage facilities (4,121,000 net rentable square feet) for a total cost of \$429.1 million, consisting of \$416.2 million in cash and the assumption of \$12.9 million in mortgage notes. Approximately \$21.6 million of the total cost was allocated to intangible assets. We completed development and redevelopment activities during 2010, adding 2,750,000 net rentable square feet of self-storage space, at an aggregate cost of \$268.9 million. During 2010, we also transferred 207,000 shares of unsecured convertible debt to other assets, with respect to a development project that was completed.

At December 31, 2011, the adjusted basis of real estate facilities for U.S. federal tax purposes was approximately \$19.0 billion (unaudited).

4 Investments in Unconsolidated Real Estate Entities

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

	Investments in Unconsolidated Real Estate Entities for the Year Ended December 31,		Equity in Earnings of Unconsolidated Real Estate Entities for the Year Ended December 31,	
	2011	2010	2011	2010
PEB	\$ 474,815	\$ 480,117	\$ 93,362	\$ 48,944
Storage Europe	\$ 149,415	\$ 14,113	\$ 21,948	\$ 22,124
Other Investments			1,161	2,120
Total	\$ 624,230	\$ 494,230	\$ 116,471	\$ 73,188

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Investment in PSH

PSH is a REIT traded on the New York Stock Exchange. We have an approximate 42% common equity interest in PSH as of December 31, 2018 and 2017, comprised of our ownership of 7,158,154 shares of PSH's common stock and a 2.0% limited partnership interest ("LP") in an operating partnership controlled by PSH. The LP is not convertible in our opinion, subject to certain limitations, into a non-voting class of PSH common stock. Based upon the closing price at December 31, 2018 (\$131.09 per share of PSH common stock), the shares and units we owned had a market value of approximately \$1.9 billion. At December 31, 2018, the adjusted tax basis of our investment in PSH approximate book value (unaudited).

During 2018, 2017, and 2016, we received cash distributions from PSH totaling \$57.0 million, \$49.2 million, and \$41.4 million, respectively.

As December 31, 2018, our pro-rata investment in PSH's net assets (net of our pro-rata share of the underlying amounts on PSH's balance sheet presented below) by approximately \$ 7.4 million (\$10 million as of December 31, 2017). The differential (or "PSH Basis Differential") is being reported as a reduction to equity in carrying of the Non-convertible Real Estate Securities. Such amortization totaled approximately \$1.0 million, \$1.1 million, and \$1.8 million during 2018, 2017, and 2016, respectively.

Our equity in earnings of PSH is comprised of net equity interest in PSH's earnings as reflected in the table below, less amortization of the PSH Basis Differential.

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

	2018	2017	2016
	(Amounts in thousands)		
For the year ended December 31,			
Revenues	\$ 417,454	\$ 402,179	\$ 398,873
Costs of operations	(226,547)	(225,340)	(223,199)
Depreciation and amortization	(98,262)	(98,278)	(99,664)
General and administrative	(19,151)	(19,479)	(14,862)
Other items	1,475	(1,144)	(4,411)
Gain on sale of real estate	65,481	7,574	-
Net income before allocation to preferred shareholders and non-voting share unitholders	272,931	179,316	144,944
Allocation to preferred shareholders and non-voting share unitholders	(19,000)	(24,412)	(24,177)
Net income allocated to common shareholders and LP Unitholders	\$ 253,931	\$ 154,904	\$ 120,767
Real assets (operating real estate)	\$ 2,086,994	\$ 2,102,109	\$ 2,119,171
Preferred stock called for redemption	-	130,000	230,000
Other liabilities	95,541	10,222	78,457
Equity	999,759	936,750	876,750
Preferred stock	-	-	-
Common equity and LP units	1,021,763	936,186	876,750

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Investment in Storage Europe

On October 15, 2018, Storage Europe completed an initial public offering (the "Offering") of its common shares, and its shares commenced trading on Euronext Brussels under the "SEUR" symbol. In the Offering, Storage Europe issued 21,000,000 of its shares to third parties at a price of €12.75 per share. The offering, however, constituted a deemed paid-up initial private placement amount of \$1,200,000,000, as a result of the Offering. While we did not and are not seeking to file the Offering, we received a gain of \$11.7 million (related to cash paid to Storage Europe back following our net decrease in shares) as a result of the Offering. The gain resulted in a \$174.6 million increase in our investment in Storage Europe and a \$25.4 million reduction in other comprehensive loss with respect to consolidated foreign currency translation losses for Storage Europe.

Based upon the closing price at December 31, 2018, (24.25 per share of SEUR common stock, at 1:44 exchange rate of US Dollars to the Euro), the shares we owned had a mark or value of approximately \$907.4 million.

The gain on storage of Storage Europe is comprised of our equity share of Storage Europe's net income included in the table below and our equity share of the trademark license fees that Storage Europe pays to us for the use of the "Storage" trademark. The trademark license fees we receive from Storage Europe are classified as interest and other income on our income statement.

We received cash distributions from Storage Europe totaling \$146.7 million, \$1.3 million, and \$137.8 million in 2018, 2017, and 2016, respectively. Included in these amounts is our share of a distribution paid to Storage Europe's equity shareholders of \$150.4 million in 2017 and \$136.6 million in 2016. The remaining amounts represent equity share of trademark license fees we received, which are presented as distributions from Storage Europe, for 2018 and 2016. We received cash distributions of \$1.3 million in 2017 and \$1.2 million in 2016.

Changes in foreign currency exchange rates decreased our investment in Storage Europe by approximately \$16.0 million in 2018, increased it by \$19.4 million in 2017 and decreased it by \$24.1 million in 2016. Included in our equity in Storage Europe for 2018 is a \$401,000 increase for the recognition of accumulated comprehensive income, representing a decrease to equity rather than an increase to investments in Unconsolidated Real Estate Entities.

The following table sets forth selected consolidated financial information of Storage Europe based upon all of Storage Europe's balances for all periods, rather than our pro-rata share. Such amounts are based upon our historical acquired book basis.

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	2018	2017	2016
	(Amounts in thousands)		
Self-storage and auxiliary facilities			
Self-storage and auxiliary revenues	\$ 284,992	\$ 265,888	\$ 252,521
Self-storage and auxiliary cost of operations	(184,776)	(196,310)	(177,099)
Depreciation and amortization	(82,675)	(83,242)	(82,829)
General and administrative	(11,791)	(12,862)	(13,199)
Goodwill and intangibles	(25,799)	(26,799)	(26,617)
Restructuring costs	(2,842)	(2,842)	(2,513)
Trademark license fee payable to Public Storage	(12,779)	(17,601)	(16,649)
Insurance expense	7,509	—	—
Real estate investment sale	(14,726)	484	(2,248)
Other net	\$ 24,671	\$ 30,388	\$ 43,520
Net income	\$ 1,181	\$ 1,126	\$ 1,107

(a) Amounts for the year ended December 31, 2018 include \$5.5 million in costs incurred with respect to Shurgard Europe's total global offering and \$7.7 million in costs with respect to a fire at one of Shurgard Europe's facilities.

	2018	2017	2016
	(Amounts in thousands)		
As of December 31			
Total assets primarily self-storage facilities and cash	\$ 1,776,654	\$ 1,416,477	\$ 1,261,912
Total debt to third parties	695,704	726,617	696,426
Other liabilities	142,863	141,638	166,916
Equity	899,987	546,222	498,670
Exchange rate of Euro to U.S. Dollar	1.144	1.198	1.052

On December 31, 2017, we acquired the remaining 74.25% equity interest we did not own in the Other Investments for \$135.5 million, in cash, and began to consolidate the 17 self-storage facilities owned by the Other Investments.

5. Credit Facilities
 We have a revolving credit agreement (the "Credit Facility") with a \$700 million borrowing limit, which expires on March 31, 2020. Amounts drawn on the Credit Facility bear annual interest at rates ranging from LIBOR plus 0.850% to LIBOR plus 1.650% depending upon the rate of the Total Indebtedness to Current Asset Value (as defined in the Credit Facility) LIBOR plus 0.850% as of December 31, 2018. We are also supported by two seasonal facilities for working capital purposes per annum at 5.250% per annum depending upon the ratio of our Total Indebtedness to our Current Asset Value (as defined in the Credit Facility) 1.250% as of December 31, 2018. All December 31, 2018 and February 22, 2019, we had no outstanding borrowings under the Credit Facility. We had undrawn seasonal borrowings capacity, totaling \$1.2 million as of December 31, 2018 (1.6 million as of December 31, 2017). The Credit Facility has certain covenants, restrictive covenants, all of which we were in compliance with as of December 31, 2018.

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9. Debt Payable

Our notes payable at December 31, 2018 and 2017 are set forth in the table below:

	Coupon Rate	Effective Rate	Amount at December 31, 2018				Book Value at December 31, 2017
			Principal	Unamortized Cost	Book Value	Fair Value	
U.S. Dollar Denominated Fixed-Rate Debt							
Notes due September 2022	2.375%	2.467%	\$ 500,000	\$(347)	\$ 499,653	\$ 497,522	
Notes due September 2027	3.000%	3.123%	500,000	(4,066)	495,934	493,588	
			1,000,000	(4,413)	995,587	991,110	
Euro Denominated Fixed-Rate Debt							
Notes due April 2024	1.540%	1.540%	114,440	-	114,440	115,790	
Notes due November 2025	2.175%	2.175%	226,462	-	226,462	226,621	
			340,902	-	340,902	342,411	
Mortgage debt, recorded to 100% net assets, facilities with a net book value of \$113.0 million	4.000%	4.007%	27,463	-	27,463	26,213	
			\$ 1,418,814	\$ (4,413)	\$ 1,414,401	\$ 1,366,332	

U.S. Dollar Denominated Fixed-Rate Debt

On September 15, 2017, we issued, in a public offering, two tranches each totaling \$500.0 million of U.S. Dollar denominated secured notes (the "U.S. Dollar Notes"). In connection with the offering, we received a total of \$7.9 million in costs, which is reflected as a reduction to the principal amount and amortized, using the effective interest method, over the term of each respective note. Interest on the U.S. Dollar Notes is payable semi-annually on March 15 and September 15 of each year, commencing March 15, 2018.

The U.S. Dollar Notes have various financial covenants, all of which we were in compliance with at December 31, 2018. Included in these covenants are a maximum Debt to Total Assets of 65% (4.2% at December 31, 2018) and by a maximum ratio of Adjusted EBITDA to Interest Expense of 1.5x (1.7x for the year ended December 31, 2018) as well as covenants limiting the amount we can encumber our properties with mortgage debt.

Euro Denominated Fixed-Rate Debt

Our Euro-denominated net asset assets (the "Euro Notes") are payable to institutional investors. The Euro Notes consist of two tranches: (i) €247.9 million was issued on November 5, 2015 for \$264.2 million in net proceeds upon converting the Euro to U.S. Dollars and (ii) €100.0 million was issued on April 22, 2016 for \$113.0 million in net proceeds upon converting the Euro to U.S. Dollars. Interest is payable semi-annually. The Euro Notes have various customary financial covenants, all of which we were in compliance with at December 31, 2018.

We reflect changes in the U.S. Dollar equivalent of the amount payable, as a result of changes in foreign exchange rates as "foreign currency exchange (loss) gain" on our income statement (gain of \$1.1 million for 2018, loss of \$58.0 million for 2017 and gain of \$17.6 million for 2016).

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Mortgage Debt

Our non-recourse mortgage debt was assumed in connection with property acquisitions and recorded at fair value with any premium or discount to the stated face balance amortized using the effective interest method. During 2016, we assumed mortgage notes with an average contractual value of \$12.9 million and interest rates of 4.2%, which approximated market rates, in connection with the acquisition of real estate facilities.

At December 31, 2018, the average contractual interest rates on fixed-coupon loans are 3.7% and 3.7%, and interest between November 2012 and September 2020.

At December 31, 2018, approximate principal maturities of our Notes Payable are as follows (amounts in thousands):

	Unsecured Debt	Mortgage Debt	Total
2019	\$ -	\$ 1,867	\$ 1,867
2020	-	1,836	1,836
2021	580,000	2,821	582,821
2022	91,421	19,141	110,562
Thereafter	1,201,471	27,407	1,228,878
	<u>\$ 1,872,892</u>	<u>\$ 41,072</u>	<u>\$ 1,913,964</u>

Weighted average effective rate 2.8%

7. Cash paid for interest totaled \$16.3 million, \$ 16.8 million and \$ 8.4 million for 2018, 2017 and 2016, respectively. Interest capitalized on real estate totaled \$1.8 million, \$ 4.4 million and \$ 1.1 million for 2018, 2017 and 2016, respectively.

8. **Noncontrolling Interests**
 At December 31, 2018, the noncontrolling interests represent (i) third-party equity interests in subsidiaries owning 17 operating self-storage facilities and five self-storage facilities that are under construction and (ii) 211,978 partnership units held by third parties in subsidiaries that are convertible on one-for-one basis (subject to certain limitations) into common shares of the company or the affiliate (collectively, the "Noncontrolling Interests"). At December 31, 2018, the Noncontrolling Interests consist of interests in subsidiaries that are convertible into common shares of the company or the affiliate. During 2018, 2017 and 2016, we allocated a total of \$6.2 million, \$6.2 million and \$ 9.9 million, respectively, of income to these interests, and we paid \$7.6 million, \$ 7.4 million and \$ 7.6 million, respectively, in distributions to these interests.

During 2017, we acquired Noncontrolling Interests for \$ 1.4 million (none for 2018 or 2016) in each of which \$7.7 million was allocated to Paid-in Capital and \$6.7 million as a reduction to Noncontrolling Interests. During 2018, 2017 and 2016, Noncontrolling Interests contributed \$7.7 million, \$2.9 million and \$ 3.3 million, respectively.

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In 2016, we redeemed our Series Q and Series R Preferred Shares at par, for a total of \$862.3 million in cash, before payment of accrued dividends.

In 2014, we issued an aggregate 47.9 million depository shares, each representing 1/1,000 of a share of our Series R, Series C, Series D and Series F Preferred Shares, at an issuance price of \$25.00 per depository share, for a total of \$1,177.9 million in gross proceeds, and we received \$ 3.6 million in issuance costs.

In 2017 and 2016, we recorded \$25.3 million and \$26.9 million, respectively, in EITF D-42 allocations of income from our common shareholders to the holders of our Preferred Shares in connection with redemptions of Preferred Shares.

Common Shares

During 2018, 2017 and 2016, activity with respect to the issuance of our common shares was as follows (dollar amounts in thousands):

	2018		2017		2016	
	Shares	Amount	Shares	Amount	Shares	Amount
Employee stock-based compensation and exercise of stock options (Note 10)	277,811	\$ 12,155	156,883	\$ 42,500	147,536	\$ 21,541

Our Board previously authorized the repurchase from time to time of up to 37.5 million of our common shares on the open market or in privately negotiated transactions. Through December 31, 2018, we repurchased approximately 23.7 million shares pursuant to this authorization, none of which were repurchased during the three years ended December 31, 2018.

At December 31, 2018 and 2017, we had 3,338,418 and 3,208,046, respectively, of common shares reserved in connection with our share-based incentive plans (see Note 10), and 233,978 shares reserved for the conversion of partnership units owned by noncontrolling interests.

The unamortized characteristics of dividends for U.S. federal income tax purposes is made based upon earnings and profits of the Company, as defined by the Code. Common share dividends including amounts paid to our common shareholders and our nonvoting share contributions totaled \$1.915 billion, \$1.80 billion, \$1.789 billion, \$1.80 billion, and \$ 1.265 billion (\$ 7.30 per share) for the years ended December 31, 2018, 2017 and 2016, respectively. Preferred share dividends totaled \$216.3 million, \$236.5 million and \$238.2 million for the years ended December 31, 2018, 2017 and 2016, respectively.

For the tax year ended December 31, 2018, distributions for the common shares and all the various series of preferred shares were classified as follows:

	2018 (amounts)			
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Ordinary Income	100.00 %	100.00 %	100.00 %	83.17 %
Large-Term Capital Gain	0.00 %	0.00 %	0.00 %	16.83 %
Total	100.00 %	100.00 %	100.00 %	100.00 %

The ordinary income dividends distributed for the tax year ended December 31, 2018 do not constitute qualified dividend income.

9 Related Party Transactions

Dr. Wayne Hughes, our former Chairman and his family, including his daughter Tamara Hughes Gusterson and his son Dr. Wayne Hughes, Jr., who are both members of our Board, collectively own approximately 14.7% of our common shares outstanding as of December 31, 2018.

As of December 31, 2018, Dr. Wayne Hughes and Tamara Hughes Gusterson together owned and controlled 52 self-storage facilities in Canada. These facilities operate under the "Public Storage" trademark, which we license to the owners of these facilities for use in the "Public Storage" name in Canada. We have no ownership interest in these facilities and we do not receive operating any facilities in Canada. If we chose to acquire or develop any such 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 any facilities of their owners to sell them. Our subsidiaries covering these countries may be qualified.

10 Share-Based Compensation

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

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

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

In amortizing share-based compensation expense, we do not estimate future forfeitures in advance. Instead, we reverse previously amortized share-based compensation expense with respect to grants that are forfeited in the period that employee termination occurs. We recorded a cumulative effect adjustment of \$70,000 to increase accumulated deficit and increase paid-up capital as of January 1, 2016, representing the impact of estimated forfeitures as of December 31, 2015.

In February 2018, we announced that Ron Hester and John Ryan, our Chief Executive Officer and Chief Financial Officer, respectively, at the time, were retiring from their executive roles at the end of 2018 and would then serve only as Trustees of the Company. Pursuant to our share-based compensation plan, their annual grants of common shares will continue to vest over the original vesting periods during their service as Trustees. For financial reporting, the end of the service periods for previous stock options and RSU grants for these executives changed from (i) the service vesting date to (ii) December 31, 2018 when they retired. Accordingly, all remaining share-based compensation expense for these two executives was amortized at the year ended December 31, 2018.

See also "net income per common share" in Note 2 for further discussion regarding the impact of RSUs and stock options on our net income per common share and income allocated to common shareholders.

Stock Options

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

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

The stock options outstanding at December 31, 2018 have an aggregate intrinsic value (the excess, if any, of each option's market value over the exercise price) of approximately \$ 3.5 million and remaining average contractual lives of approximately six years. The aggregate intrinsic value of exercisable stock options at December 31, 2018 amounted to approximately 321,700 shares. Approximately 1,210,000 of the stock options outstanding at December 31, 2018, have an exercise price of more than \$200. We have 49,775 stock options exercisable at December 31, 2018, which expire through June 10, 2020, with an average exercise price per share of \$ 77.55.

Additional information with respect to stock options during 2016, 2017 and 2018 is as follows:

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NOTES TO FINANCIAL STATEMENTS
December 31, 2018

	2018		2017		2016	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Options outstanding January 1,						
Granted	2,080,915	\$ 76.22	1,974,448	\$ 78.81	1,962,292	\$ 81.08
Exercised	(200,000)		(1,096,000)		(222,118)	
Cancelled	(170,999)		(802,225)		(81,037)	
Classified	(8,024)		(222,536)		(202,444)	
Options outstanding December 31,	<u>2,674,892</u>	<u>\$ 76.31</u>	<u>2,688,857</u>	<u>\$ 78.22</u>	<u>1,938,883</u>	<u>\$ 81.02</u>
Options exercisable at December 31,	<u>1,147,222</u>	<u>\$ 75.31</u>	<u>1,829,292</u>	<u>\$ 78.22</u>	<u>1,100,652</u>	<u>\$ 80.84</u>
Stock options expiring for the year (in \$MM) are:						
			\$ 17,162	\$ 8,767	\$ 5,180	
Aggregate exercise date intrinsic value of options exercised during the year (in \$MM):			\$ 25,117	\$ 43,214	\$ 13,228	
Average assumptions used in valuing options using the Black-Scholes method:						
Expected life of options in years, based upon historical experience			4	5	5	
Risk free interest rate			2.7%	1.9%	1.2%	
Expected volatility, based upon historical volatility			13.7%	17.6%	17.7%	
Expected dividend yield			4.1%	3.6%	2.9%	
Average estimated value of options granted during the year			\$ 13.89	\$ 23.49	\$ 26.18	

(a) Amounts for 2018 include \$6.1 million, in connection with the acceleration of amortization on grants discussed above. Amounts for 2017 reflect a reduction in compensation expense of \$0.8 million related to stock options forfeited during the period.

Restricted Stock Units

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

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

The fair value of our RSUs outstanding at December 31, 2018 was approximately \$145.2 million. Remaining compensation expense related to RSUs outstanding at December 31, 2018 totals approximately \$ 9.1 million and is expected to be recognized as compensation expense over the next 1-3 years on average. The following table sets forth our RSU information with respect to restricted shares (in the amounts in thousands):

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NOTES TO FINANCIAL STATEMENTS
December 31, 2018

	2018		2017		2016	
	Number of Retail Open Units	Grant Date Aggregate Fair Value	Number of Retail Open Units	Grant Date Aggregate Fair Value	Number of Retail Open Units	Grant Date Aggregate Fair Value
Reward share units outstanding January 1,						
Granted	194,120	\$ 166,144	196,641	\$ 156,807	217,488	\$ 128,284
Expired	(18,567)	27,711	(16,057)	75,953	(17,144)	46,263
Netted	(164,660)	(169,771)	(184,475)	(225,395)	(198,050)	(204,689)
Forfeited	(25,292)	(11,948)	(25,292)	(19,400)	(11,841)	(5,672)
Reward share units outstanding December 31,	77,599	\$ 152,212	76,917	\$ 96,164	89,643	\$ 138,985

	2018		2017		2016	
	Number of Retail Open Units	Grant Date Aggregate Fair Value	Number of Retail Open Units	Grant Date Aggregate Fair Value	Number of Retail Open Units	Grant Date Aggregate Fair Value
Reward share units outstanding January 1,						
Granted	194,120	\$ 166,144	196,641	\$ 156,807	217,488	\$ 128,284
Expired	(18,567)	27,711	(16,057)	75,953	(17,144)	46,263
Netted	(164,660)	(169,771)	(184,475)	(225,395)	(198,050)	(204,689)
Forfeited	(25,292)	(11,948)	(25,292)	(19,400)	(11,841)	(5,672)
Reward share units outstanding December 31,	77,599	\$ 152,212	76,917	\$ 96,164	89,643	\$ 138,985

Amounts for the year 2016, except number of shares) Fair value of reward share units vesting date \$ 32,517 \$ 31,942 \$ 41,488 Cash paid for share option vesting in form of issuing common shares \$ 12,547 \$ 14,882 \$ 12,157 Common shares issued upon vesting 97,014 82,693 112,787 Reward share unit expense in 2018 5,969 4 26,814 \$ 22,267

For amounts for 2016, 2017 and 2018 include approximately \$ 1.1 million, \$0.7 million and \$3.4 million, respectively, in employee share incentive option vesting. Amounts for 2018 include \$22.6 million, in connection with the acceleration of share incentives on grants to our CEO and CFO as discussed above. Amounts for 2017 reflect a reduction in compensation expense of \$1.6 million related to CEO's forfeiture during the period.

13. Replicable Segments
Our reportable segments reflect the significant components of our operations whose discrete financial information is evaluated separately by our chief operating decision maker ("CODM"). We segment our segments based primarily upon the nature of the underlying products and services, as well as the drivers of profitability growth. The net income for each reportable segment included in the tables below are in conformity with GAAP and not significant accounting policies as detailed in Note 2. The amount are attributable to reportable segments or segmental costs (their costs are allocated to segments).
Following is a description of and basis for presentation for each of our reportable segments.

Self-Storage Operations
The Self-Storage Operations segment reflects the stand operations from all self-storage facilities we own. The CODM reviews the net operating income ("NOI") of this segment, which represents the total revenue less cost of operations (prior to depreciation expense) in assessing performance and making resource allocation decisions. The presentation in the tables below are from the NOI of this segment, as well as the depreciation expense for this segment which while not included by our CODM and included in net income, is considered by the CODM in assessing performance and decision-making. For all periods presented, substantially all of our real estate facilities, product and other tangible assets, other assets, and intangible and other liabilities are associated with the Self-Storage Operations segment.

Auxiliary Operations

The Auxiliary Operations segment reflects the sale of merchandise and maintenance of policies against losses to goods stored by our self-storage tenants, activities which are incidental to our primary self-storage rental activities. Our CCOIM reviews the NOI of these operations to assess performance and making resource allocation decisions.

Investment in PSB

This segment represents our 47% equity interest in PSB, a publicly-traded REIT that owns, operates, acquires and develops commercial properties, primarily multi-tenant flex, office, and industrial space. PSB has a separate management team that makes its financing, capital allocation, and other significant decisions. In making resource allocation decisions with respect to our investment in PSB, the CCOIM reviews PSB's net income, which is detailed in PSB's periodic filings with the SEC, and is included in Note 4. The segment presentation in the tables below includes our equity earnings from PSB.

Investment in Shurgard Europe

This segment represents our equity interest in Shurgard Europe, a publicly held company which owns and operates self-storage facilities located in seven countries in Western Europe. On October 15, 2010, Shurgard Europe completed an offering of its common shares and its future performance is being monitored under the "50% OF" system. Shurgard Europe has a separate management team and board of directors that makes its financing, capital allocation, and other significant decisions. In making resource allocation decisions with respect to our investment in Shurgard Europe, the CCOIM reviews Shurgard Europe's net income, which is detailed in Note 4. The segment presentation below includes our equity earnings from Shurgard Europe.

Presentation of Segment Information

The following tables reconcile NOI (as applicable) and net income of each segment to our consolidated net income (amounts in thousands):

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NOTES TO FINANCIAL STATEMENTS
December 31, 2018

For the year ended December 31, 2018

	Self-storage Operations	Auxiliary Operations	Investment in PSH (Amounts in thousands)	Securities in Managed Funds	Other Items Not Allocated to Segments	Total
Revenues:						
Self-storage operations	\$ 2,997,687	\$ -	\$ -	\$ -	\$ -	\$ 2,997,687
Auxiliary operations	188,273	188,273	-	-	-	376,546
	<u>2,997,687</u>	<u>188,273</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,185,960</u>
Cost of operations:						
Self-storage operations	695,731	-	-	-	-	695,731
Auxiliary operations	-	43,961	-	-	-	43,961
	<u>695,731</u>	<u>43,961</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>739,692</u>
Net operating income:						
Self-storage operations	1,968,876	-	-	-	-	1,968,876
Auxiliary operations	-	144,312	-	-	-	144,312
	<u>1,968,876</u>	<u>144,312</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,113,188</u>
Other components of net income (loss)						
Depreciation and amortization	(683,646)	-	-	-	-	(683,646)
General and administrative	-	-	-	-	(118,726)	(118,726)
Interest and other income	-	-	-	-	26,462	26,462
Income expense	-	-	-	-	(52,242)	(52,242)
Equity in earnings of invested funds and other entities	-	-	89,362	14,113	-	103,475
Foreign currency exchange gain	-	-	-	-	18,117	18,117
Gain on sale of real estate	-	-	-	-	37,963	37,963
Gain (loss) - Managed Funds public offering	-	-	-	152,636	-	152,636
	<u>1,485,230</u>	<u>144,312</u>	<u>89,362</u>	<u>166,749</u>	<u>103,966</u>	<u>1,790,220</u>

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NOTES TO FINANCIAL STATEMENTS
December 31, 2011

For the year ended December 31, 2011

	Self-Storage Operations	Auxiliary Operations	Investment in P&B (Amounts in thousands)	Investment in Shared Storage	Other Items Not Allocated to Segments	Total
Revenues:						
Self-storage operations	\$ 2,512,403	\$ -	\$ -	\$ -	\$ -	\$ 2,512,403
Auxiliary operations	100,000	100,000	-	-	-	200,000
	<u>2,612,403</u>	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,712,403</u>
Cost of operations:						
Self-storage operations	657,033	-	-	-	-	657,033
Auxiliary operations	-	50,345	-	-	-	50,345
	<u>657,033</u>	<u>50,345</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>707,378</u>
Net operating income:						
Self-storage operations	1,855,370	-	-	-	-	1,855,370
Auxiliary operations	-	49,655	-	-	-	49,655
	<u>1,855,370</u>	<u>49,655</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,905,025</u>
Other components of net income (loss):						
Depreciation and amortization	(454,236)	-	-	-	-	(454,236)
Goodwill impairment	-	-	-	-	(52,802)	(52,802)
Interest and other income	-	-	-	-	18,771	18,771
Income expense	-	-	-	-	(12,400)	(12,400)
Equity in earnings of nonconsolidated and other entities	-	-	86,544	20,088	3,161	109,793
Foreign currency exchange loss	-	-	-	-	(50,645)	(50,645)
Casualty loss	-	-	-	-	(7,786)	(7,786)
Gain on sale of real estate	-	-	-	-	1,421	1,421
Net income (loss)	<u>\$ 1,401,134</u>	<u>\$ 100,705</u>	<u>\$ 86,544</u>	<u>\$ 20,088</u>	<u>\$ (110,051)</u>	<u>\$ 1,498,421</u>

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NOTES TO FINANCIAL STATEMENTS
December 31, 2018

For the year ended December 31, 2018

	Self-Storage Operations	Auxiliary Operations	Investment in PEB	Development in Ongoing Phase	Other Items Not Allocated to Segments	Total
(Amounts in thousands)						
Revenues:						
Self-storage operations	\$ 2,405,828	\$ -	\$ -	\$ -	\$ -	\$ 2,405,828
Auxiliary operations	155,351	155,351	-	-	-	310,702
	<u>2,405,828</u>	<u>155,351</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,561,531</u>
Cost of operations:						
Self-storage operations	617,965	-	-	-	-	617,965
Auxiliary operations	-	51,178	-	-	-	51,178
	<u>617,965</u>	<u>51,178</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>669,143</u>
Net operating income:						
Self-storage operations	1,787,863	-	-	-	-	1,787,863
Auxiliary operations	-	104,173	-	-	-	104,173
	<u>1,787,863</u>	<u>104,173</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,892,036</u>
Other components of net income (loss):						
Depreciation and amortization	(653,316)	-	-	-	-	(653,316)
General and administrative	-	-	-	-	61,006	61,006
Interest and other income	-	-	-	-	15,139	15,139
Interest expense	-	-	-	-	(6,216)	(6,216)
Equity in earnings of unconsolidated real estate entities	-	-	31,767	22,124	3,725	57,616
Foreign currency exchange gain	-	-	-	-	17,258	17,258
Gain on sale of real estate	-	-	-	-	689	689
Net income (loss)	<u>1,134,547</u>	<u>104,173</u>	<u>31,767</u>	<u>22,124</u>	<u>75,728</u>	<u>1,368,339</u>

12. Real Estate Investment, Development and Construction

In May 2014, the FASB issued Accounting Standards Update ("ASU") 2014-09, Revenue from Contracts with Customers ("Topic 606"), which requires income to be based upon the consideration expected from customers for promised goods or services. In February 2018, the FASB issued ASU 2017-04, Clarifying the Scope of Certain Revenue Recognition Guidelines, which provides guidance with respect to the sale of real estate facilities. The new standards will have a material impact on our results of operations or financial condition, primarily because most of our revenue is from rental income from self-storage facilities, and included in self-storage facilities revenue in our statements of income.

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NOTES TO FINANCIAL STATEMENTS
December 31, 2014

which the new standards do not address, and because we do not provide any material products and services to our customers or self material amounts of our real estate facilities. The remainder of our revenues are composed of elements that are either covered by the new standards or are reported or are not covered by the new standards.

In February 2015, the FASB issued ASU 2014-02, *Leases*, which amends the existing accounting standards for lease accounting, including requiring lessees to recognize most leases on their balance sheets and making targeted changes to lease accounting. The new standard, effective on January 1, 2019, requires a modified retrospective transition approach for all lease contracts, to be applied to all other, the class of initial applications, with the option to use certain transition relief options. January 1, 2017 with a cumulative effect through December 31, 2015 recorded through retained earnings. The primary practical implications we need included (i) using hindsight in determining the lease term and in assessing impairment of right-of-use assets, (ii) not using the shorter ending or end measurement that may not contain a lease under the new standard, and (iii) not reporting lease and associated non-lease components for all existing leases when we are covered by January 1, 2019 in accordance with the requirements of the practical expedient. We do not believe this standard will have a material impact on our results of operations or financial condition, because substantially all of our lease revenues are derived from leases covered by self-storage leases, and we do not have other material amounts of lease revenue.

In May 2017, the FASB issued ASU 2017-09, *Staff Compensation - Scope of Modification Accounting*, to increase clarity and consistency of practice and reduce cost and complexity when modifying the terms of share-based awards. We prospectively adopted the guidance effective January 1, 2018, with no material impact on our financial statements.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230) - Restricted Cash*, which primarily requires the statement of cash flows to explain not only the change in cash and equivalents, but also the change in restricted cash. The standard is effective on January 1, 2018, with early adoption permitted and requires the use of the retrospective transition method. The Company early adopted the new guidance during the fourth quarter of 2017.

13 **Commitments and Contingencies**

Contingent Liabilities

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 Lease Expenses

We carry property, earthquake, general liability, employee medical insurance and workers compensation coverage through externally recognized insurance carriers, subject to deductibles. Our deductibles for general liability is \$2.0 million per occurrence. We are not deductible for property loss is \$2.0 million per occurrence. The deductibles do cover to \$1.0 million cover to each \$1.0 million in aggregate losses for occurrences that exceed \$1.0 million. Insurance carriers' aggregate losses are the number of \$1.0 million for property losses and \$1.0 million for general liability losses are higher than estimate 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, the losses could be significant.

We maintain 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.

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Investor shares are not covered by this program, up to a maximum limit of \$5,000 per storage unit. We require all risks in this program, but practice autonomy to cover the expense for a limit of \$15.0 million for losses in excess of \$5.0 million per occurrence. We are subject to financial requirements and capexes in several states. Customers participate in the program at their option. At December 31, 2018, there were approximately 94,000 certificates held by our self-storage customers, representing aggregate coverage of approximately \$2.9 billion.

Construction Commitments

We have construction commitments representing expected payments for construction under contract totaling \$136.4 million at December 31, 2018. We expect to pay approximately \$26.3 million in 2019 and \$12.2 million in 2020 for these construction commitments.

14 • Supplemental Quarterly Financial Data (continued)

	Three Months Ended			
	March 31, 2018	June 30, 2018	September 30, 2018	December 31, 2018
		(Amounts in thousands, except per share data)		
Self-storage and ancillary revenues	\$ 649,924	\$ 685,528	\$ 706,368	\$ 692,480
Self-storage and ancillary cost of operations	\$ 32,827	\$ 39,877	\$ 39,564	\$ 38,274
Depreciation and amortization	\$ 117,876	\$ 119,777	\$ 120,516	\$ 121,374
Net Income	\$ 384,444	\$ 405,269	\$ 475,989	\$ 482,906
Per Common Share	\$ 1.62	\$ 1.69	\$ 1.87	\$ 1.86
Net income - Diluted	\$ 384,444	\$ 405,269	\$ 475,989	\$ 482,906

	Three Months Ended			
	March 31, 2017	June 30, 2017	September 30, 2017	December 31, 2017
		(Amounts in thousands, except per share data)		
Self-storage and ancillary revenues	\$ 645,547	\$ 684,312	\$ 696,361	\$ 675,398
Self-storage and ancillary cost of operations	\$ 32,362	\$ 32,378	\$ 38,619	\$ 37,879
Depreciation and amortization	\$ 116,925	\$ 116,177	\$ 113,329	\$ 120,080
Net Income	\$ 384,461	\$ 405,269	\$ 475,989	\$ 482,906
Per Common Share	\$ 1.62	\$ 1.69	\$ 1.87	\$ 1.86
Net income - Diluted	\$ 384,461	\$ 405,269	\$ 475,989	\$ 482,906

15 Subsequent Events

In connection with December 31, 2019, we acquired or were under contract to acquire 14 self-storage facilities (nine in Virginia and one each in Colorado, Florida, Georgia, Kentucky, a nd Michigan with 935,000 net rentable square feet, for \$102.6 million).

On February 22, 2019, we called for redemption, and on March 29, 2019, we will redeem our 6.375% Series Y Preferred Shares, at par (\$25.0 million). We will record a 6.58.5 million allocation of income from our common shareholders to the holders of our Preferred Shares in the three months ending March 31, 2019 in connection with this redemption.

PUBLIC STORAGE
 SCHEDULE OF REAL ESTATE
 AND ACCUMULATED DEPRECIATION

Description	No. of Buildings	No. Rents	2018 Excess Interest	Initial Cost		Cost Subsequent to Acquisition	Gross Carrying Amount as of December 31, 2018		Accumulated Depreciation	
				Land	Building & Improvements		Land	Building		
Self-storage facilities by market:										
Los Angeles	224	16,886	538	538,249	624,346	286,997	587,862	1,221,728	1,711,912	686,384
Denver	122	8,953	-	377,651	493,268	162,868	177,622	267,721	761,224	261,088
San Francisco	138	8,972	-	241,793	527,127	188,079	234,561	326,455	659,986	426,189
Chicago's West	122	8,768	-	371,223	614,923	138,823	174,823	235,252	796,716	272,283
Chicago	126	8,712	-	375,167	511,295	124,098	168,868	215,287	612,691	266,767
New York	84	4,540	-	238,888	548,541	166,599	227,227	304,388	662,741	386,244
Atlanta	160	6,768	-	329,677	241,127	97,697	129,668	209,288	539,771	242,122
Seattle/Tacoma	93	4,424	-	185,212	466,898	95,479	182,225	261,447	745,679	389,028
Miami	96	4,424	-	225,278	466,898	95,479	217,178	298,477	752,847	288,294
Washington DC	93	5,648	-	232,465	466,599	123,877	239,888	311,491	722,691	269,888
Chicago's East	72	4,424	-	186,411	222,275	157,711	145,852	269,488	498,651	141,198
Denver	61	4,295	9,841	95,489	222,499	62,226	95,726	201,626	386,744	133,392
Charlotte	34	4,626	-	774,818	104,866	164,261	84,879	261,411	226,488	107,107
Minneapolis/St. Paul	54	3,889	3,901	107,073	211,289	25,229	107,226	226,286	343,738	106,171
Chicago	31	3,623	-	87,165	145,865	66,222	89,527	168,138	368,138	111,117
Philadelphia	37	3,262	-	16,661	121,486	18,687	36,761	206,422	218,121	152,474
St. Louis	45	3,266	-	151,414	214,813	48,466	154,222	264,471	418,719	189,277
New York's South	41	2,765	-	142,999	124,843	29,272	43,888	157,589	215,222	103,467
Phoenix	38	2,526	-	66,974	169,642	23,717	68,965	184,888	215,713	94,513
Atlanta	31	2,343	-	91,181	114,643	39,466	51,713	151,168	206,272	76,266
Portland	43	2,226	-	91,182	126,444	24,762	31,888	112,488	204,418	91,215
San Diego	34	1,919	-	28,141	69,869	27,711	29,466	106,411	122,811	52,363
Raleigh	26	1,882	-	98,148	99,383	28,318	31,479	126,779	178,149	54,523
San Diego	26	1,812	-	47,884	108,911	39,421	39,264	145,542	195,817	69,981
San Antonio	26	1,791	-	27,666	76,625	24,691	27,524	102,761	138,245	62,682
Chicago	20	1,227	-	51,668	104,865	32,622	33,664	144,884	167,487	71,947
St. Louis	25	1,474	-	68,333	139,878	21,252	42,268	139,677	248,896	81,199
Atlanta	22	1,429	-	25,341	64,766	24,791	25,468	81,439	114,878	43,711
Washington DC	22	1,257	-	25,764	64,766	24,868	25,766	81,268	114,864	43,941
Washington DC	23	1,472	-	25,176	79,714	18,139	25,568	87,789	123,649	66,363
Washington DC	23	1,472	-	21,945	68,513	12,874	22,965	72,227	95,172	42,326

PUBLIC STORAGE
SCHEDULE OF REAL ESTATE
AND ACCUMULATED DEPRECIATION

Description	No. of Buildings	No. of Units	2018 Fiscal Year	Initial Cost		Cost Subsequent to Acquisition	Gross Carrying Amount as of December 31, 2018		Accumulated Depreciation	
				Land	Building & Improvements		Land	Building		
St. Louis	26	1,464	-	20,837	16,237	21,493	20,480	16,957	67,675	48,681
St. Louis City	24	1,461	-	18,233	48,712	27,986	14,423	18,178	65,691	57,742
St. Louis County	23	1,211	-	26,169	37,317	19,962	28,928	15,414	96,342	51,687
East Village	26	1,229	-	23,168	23,723	30,024	22,457	15,486	65,614	46,650
Midland	15	964	1,099	13,189	32,271	9,958	13,018	42,269	52,218	31,462
Chittenden	17	967	-	12,823	23,513	22,998	14,961	14,931	49,732	27,878
Leominster	14	875	-	22,813	43,229	4,399	22,812	49,641	72,433	13,335
Manchester	14	863	-	11,222	27,716	11,977	11,260	18,862	36,443	26,555
Nashville-Banking Center	16	835	-	12,744	29,420	18,339	12,762	38,752	52,494	26,235
Nashville	13	807	-	24,344	106,209	112,776	112,360	116,706	171,841	148,488
Grandview	17	767	-	12,717	29,813	13,812	14,426	16,756	55,388	24,285
Grandview City	12	736	-	8,229	19,695	12,877	8,225	12,549	46,746	26,212
Clarksburg Springs	10	706	-	8,569	18,665	8,862	8,217	12,425	38,296	15,493
Clarksburg	10	693	-	8,778	19,899	21,397	8,443	19,661	48,844	26,275
Norfolk-New Market	12	689	-	13,094	44,842	2,267	32,766	49,669	77,259	12,774
Charlottesville	9	683	-	12,415	14,114	14,528	13,393	49,669	43,657	23,688
Charlottesville	9	679	-	15,173	23,513	4,961	15,688	49,669	54,571	13,934
New Orleans	9	627	-	9,206	28,832	3,871	9,373	16,513	45,988	23,489
Chattanooga/Springdale/Anderson	11	623	-	9,816	28,767	8,866	8,963	19,187	39,112	19,918
Roanoke	7	559	-	5,607	14,304	3,987	5,607	22,491	28,178	13,189
Springfield	14	531	-	5,239	13,226	3,117	5,117	11,155	36,182	16,422
New Lake City	8	517	-	7,046	11,047	4,425	7,891	10,353	28,418	11,744
New Lake City	8	510	-	7,862	11,981	6,794	6,315	24,412	34,717	19,019
Richfield	9	482	-	8,769	17,944	1,817	8,769	11,272	28,756	12,618
Richfield	10	460	-	13,348	21,233	4,248	13,013	27,896	46,749	16,488
Lawrence	7	439	-	8,463	23,843	5,473	9,864	18,485	46,348	17,943
Cleveland-Akron	7	437	-	4,679	14,139	3,144	4,643	21,090	31,513	16,952
Wichita	7	433	-	2,817	4,893	7,871	2,139	11,616	12,784	11,654
Minneapolis	9	394	-	4,237	17,441	4,532	4,984	22,146	26,239	13,864
Omaha	4	271	-	7,491	20,939	3,899	7,491	22,729	36,221	2,185
Minneapolis	7	259	-	8,865	24,151	4,045	8,835	28,206	36,641	19,811
Missouri Springs	3	242	-	8,209	13,065	1,249	8,209	14,565	27,614	4,571

**PUBLIC STORAGE
2014 EQUITY AND PERFORMANCE-BASED INCENTIVE COMPENSATION PLAN
STOCK UNIT AGREEMENT**

THIS STOCK UNIT AGREEMENT (the "Agreement") is made as of _____ (the "Grant Date"), by and between Public Storage (the "Trust") and _____ (the "Grantee"). Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Trust's 2014 Equity and Performance-Based Incentive Compensation Plan (as amended from time to time, the "Plan").

WHEREAS, the Board of Trustees of the Trust has duly adopted, and the shareholders of the Trust have duly approved, the Plan, which provides for the grant to Service Providers of Stock Units relating to common shares of beneficial ownership of the Trust, par value \$10 per share (the "Stock"), which may be granted from time to time as the Committee so determines; and

WHEREAS, the Trust has determined that it is desirable and in its best interests to grant to the Grantee, pursuant to the Plan, Stock Units relating to a certain number of shares of Stock as compensation for services rendered to the Trust, and/or in order to provide the Grantee with an 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 benefits hereinafter provided, and each intending to be legally bound, the Trust and the Grantee hereby agree as follows:

1. GRANT OF STOCK UNITS.

Subject to the terms of the Plan (the terms of which are incorporated by reference herein), the Trust hereby grants to the Grantee _____ Stock Units, on the terms and subject to the conditions hereinafter set forth.

2. VESTING OF STOCK UNITS.

2.1. Service Requirement.
Rights in respect of [] % of the number of Stock Units specified in Section 1 above shall vest on each of the first [] anniversary (sic) of the Grant Date (or most vesting schedule), provided that the Grantee is in Service on the applicable vesting date. The period during which the Stock Units have not vested and therefore are subject to a substantial risk of forfeiture is referred to below as the "Restricted Period."

2.2. Restrictions on Transfer.

The Grantee may not sell, transfer, assign, pledge or otherwise encumber or dispose of the Stock Units.

2.3. Delivery of Shares.

When a portion of the Stock Units shall vest pursuant to Section 2.1 or 3, the Trust shall deliver to the Grantee a certificate or electronic confirmation of ownership, as applicable, for the number of shares of Stock represented by the Stock Units which have vested, which delivery shall occur no later than March 15th of the calendar year following the calendar year in which such Stock Units vested. Upon the issuance of the shares, Grantee's payment of the aggregate per value of the shares delivered to Grantee will be deemed paid by Grantee's past services to the Trust or its Affiliates.

3. TERMINATION OF SERVICE.

Upon the termination of the Grantee's Service other than by reason of death or Disability, any Stock Units held by the Grantee that have not vested shall terminate immediately, and the Grantee shall forfeit any rights with respect to such Stock Units. If the Grantee's Service is terminated because of his or her death or Disability, all Stock

Units granted to the Grantee pursuant to this Agreement that have not previously vested shall immediately become vested.

4. DIVIDENDS AND VOTING RIGHTS.
The Grantee shall have none of the rights of a shareholder with respect to the Stock Units. Notwithstanding the foregoing, the Grantee shall be entitled to receive, upon the Trust's payment of a cash dividend on its outstanding shares of Stock, a cash payment for each Stock Unit held as of the record date for such dividend equal to the per-share dividend paid on the shares of Stock, which cash payment shall be made at the same time as the Trust's payment of a cash dividend on its outstanding shares of Stock.

5. WITHHOLDING OF TAXES.
The Trust and any Affiliate shall have the right to deduct from payments of any kind otherwise due to the Grantee any federal, state, or local taxes of any kind required by law to be withheld with respect to the termination of the Restricted Period with respect to the Stock Units. At the termination of the Restricted Period, the Grantee shall pay to the Trust any amount that the Trust may reasonably determine to be necessary to satisfy such withholding obligations. Subject to the prior approval of the Trust, which may be withheld by the Trust in its sole discretion, the Grantee may elect to satisfy such obligation, in whole or in part, (i) by causing the Trust to withhold shares of Stock otherwise deliverable to (ii) by delivering to the Trust shares of Stock already owned by the Grantee. The shares of Stock so delivered or withheld shall have a Fair Market Value equal to such withholding obligation. The Fair Market Value of the shares of Stock used to satisfy such withholding obligation shall be determined by the Trust as of the date that the amount of tax to be withheld is to be determined. A Grantee who has made an election pursuant to this Section 5 may satisfy his or her withholding obligation only with shares of Stock that are not subject to any repurchase, forfeiture, unfulfilled vesting, or other similar requirements.

6. DISCLAIMER OF RIGHTS.
No provision of this Agreement shall be construed to confer upon the Grantee 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 Grantee at any time, or to terminate the Grantee's Service.

7. DATA PRIVACY.
In administering the Plan, the Trust may receive personal data about the Grantee. Such data includes, but is not limited to, the information provided in this Agreement and any change forms, other appropriate personal and financial data about the Grantee such as home address and business address 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 Grantee hereby gives express consent to the Trust to process any such personal data. Grantee also gives express consent to the Trust to transfer any such personal data outside the country in which Grantee works, including, with respect to non-U.S. resident Grantees, to the United States, to transferees who will include the Trust and other persons who are designated by the Trust to administer the Plan.

8. 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, Grantee agrees that the Trust may deliver the Plan prospectus and any annual reports to Grantee in an electronic format. If at any time Grantee would prefer to receive paper copies of these documents, or Grantee is entitled to, the Trust would be pleased to provide copies. Grantee will contact the Trust's Legal Department to request paper copies of these documents.

9. 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 Trust and the Grantee 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.

The grant of Stock Units under this Agreement is intended to comply with Section 409A of the Code 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 of the Code. The Trust, however, will have no liability to the Grantee if Section 409A is determined to apply and adversely affects Grantee.

10. GOVERNING LAW.

This Agreement shall be governed by the laws of the State of Maryland that are not including the choice of law rules thereof.

11. BINDING EFFECT.

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

12. CLAWBACK.

The Grantee shall be subject to mandatory repayment by the Grantee to the Trust to the extent the Grantee is, or in the future becomes, subject to (i) any Trust "clawback" or management policy that is adopted to comply with the requirements of any applicable laws, or (ii) any applicable laws which impose mandatory repayment, under circumstances set forth in such applicable laws.

13. ENTIRE AGREEMENT.

This Agreement and the Plan constitute the entire agreement 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 Trust and the Grantee, provided, however, that the Trust unilaterally may waive any provision hereof in writing to the extent that such waiver does not adversely affect the interests of the Grantee hereunder, but no such waiver shall operate as or be construed to be a subsequent waiver of the same provisions or a waiver of any other provisions hereof.

GRANTOR:

PUBLIC STORAGE

Name

Name
Title

Signature Page to the Stock Unit Agreement

**PUBLIC STORAGE
2014 EQUITY AND PERFORMANCE-BASED INCENTIVE COMPENSATION PLAN
STOCK UNIT AGREEMENT**

THIS STOCK UNIT AGREEMENT (the "Agreement") is made as of _____ (the "Grant Date"), by and between Public Storage (the "Trust") and _____ (the "Grantee"). Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Trust's 2014 Equity and Performance-Based Incentive Compensation Plan (as amended from time to time, the "Plan").

WHEREAS, the Board of Trustees of the Trust has duly adopted, and the shareholders of the Trust have duly approved, the Plan, which provides for the grant to Service Providers of Stock Units relating to common shares of beneficial ownership of the Trust, par value \$10 per share (the "Stock"), which may be granted from time to time as the Committee so determines; and

WHEREAS, the Trust has determined that it is desirable and in its best interests to grant to the Grantee, pursuant to the Plan, Stock Units relating to a certain number of shares of Stock as compensation for services rendered to the Trust, and/or in order to provide the Grantee with an 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 benefits hereinafter provided, and each intending to be legally bound, the Trust and the Grantee hereby agree as follows:

**1. GRANT OF STOCK UNITS.
1.1 Units Granted.**

Subject to the terms of the Plan (the terms of which are incorporated by reference herein), the Trust hereby grants to the Grantee _____ Stock Units, on the terms and subject to the conditions hereinafter set forth.

1.2 Separate Grants.

If the purposes set forth and the rights to defer provided for in this Agreement, the portion of the Stock Units that vest on each separate vesting date pursuant to Section 2 shall be treated as a separate grant to "Separate Grant", and the Grantee may make a separate deferral election with respect to each Separate Grant.

**2. VESTING OF STOCK UNITS.
2.1. Service Requirement.**

Rights to respect of []% of the number of Stock Units specified in Section 1 above shall vest on each of the first [] anniversary[ies] of the Grant Date (or most vesting schedule) provided that the Grantee is in Service on the applicable vesting date. The period during which the Stock Units have not vested and therefore are subject to a substantial risk of forfeiture is referred to below as the "Restricted Period."

2.2. Restrictions on Transfer.

The Grantee may not sell, transfer, assign, pledge or otherwise encumber or dispose of the Stock Units.

2.3. Delivery of Shares.

When any shares are paid to the Grantee (either upon vesting pursuant to Section 2.1 or 4 or later delivery of Grantee deferral payment pursuant to Section 3), the Trust shall deliver to the Grantee a certificate or electronic confirmation of ownership, as applicable, for the number of shares of Stock represented by the Stock Units which have been delivered to Grantee. If the Grantee does not defer payment of a Separate Grant pursuant to Section 3, such

delivery shall occur no later than March 15th of the calendar year following the calendar year in which such Separate Grant vested. Upon the issuance of the shares, Grantee's payment of the aggregate per value of the shares delivered to Grantee will be deemed paid to Grantee's past services to the Trust or its Affiliates.

3. RIGHT TO DEFER PAYMENT.

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

3.1 Election Form.

An election to defer shall be made on a form provided to the Grantee by the Trust.

3.2 Election Requirements.

The Grantee may elect initially to defer the payment of the shares of Stock with respect to each Separate Grant of Stock Units either in advance of the Grant Date or within 90 days of the Grant Date, in each case in accordance with Section 409A of the Code and the related Treasury Regulations ("Section 409A"). The Grantee may elect subsequently to defer the payment of the shares of Stock with respect to each Separate Grant of Stock Units that has not vested 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 each Separate Grant; and
- (c) Such election does not go into effect for at least 12 months from the date of the election.

To the extent the foregoing conditions are satisfied, the issuance of the shares of Stock relating to vested Stock Units for a Separate Grant shall be made in accordance with Section 2.7 at the time and in accordance with the Grantee's deferral election.

3.3 Specified Employee and Separation from Service.

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

3.4 Acceleration.

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

4. TERMINATION OF SERVICE.

Upon the attainment of the Grantee's Service other than by reason of death or Disability, any Stock Units held by the Grantee that have not vested shall terminate immediately, and the Grantee shall forfeit any rights with respect to such Stock Units. Stock Units that have vested and for which a deferral election has been made with respect to the corresponding Grant in accordance with the terms of this Agreement 3. If the Grantee's Service is terminated because of his or her Death or Disability, all Stock Units granted to Grantee pursuant to this Agreement that have not previously vested shall immediately become vested.

5. DIVIDEND AND VOTING RIGHTS.
The Grantee shall have vote of the rights of a shareholder with respect to the Stock Units. Notwithstanding the foregoing, the Grantee shall be entitled to receive, upon the Trust's payment of a cash dividend on its outstanding shares of Stock, a cash payment for each Stock Unit held as of the record date for such dividend equal to the per-share dividend paid on the shares of Stock, which cash payment shall be made at the same time as the Trust's payment of a cash dividend on its outstanding shares of Stock.

6. WITHHOLDING OF TAXES.
The Trust and any Affiliate shall have the right to deduct from payments of any kind otherwise due to the Grantee any federal, state, or local taxes of any kind required by law to be withheld with respect to the termination of the Restricted Period or the issuance of shares with respect to the Stock Units. At the termination of the Restricted Period and/or the issuance of shares, the Grantee shall pay to the Trust any amount that the Trust may reasonably determine to be necessary to satisfy such withholding obligations. The Grantee acknowledges that at the termination of the Restricted Period with respect to Stock Units for which a dividend election has been made pursuant to Section 3, the Grantee will be obligated to pay or fund taxes applicable to the Stock Units. Such obligations may, even though federal and state income taxes may be pre-paid until the delivery period ends. Subject to the prior approval of the Trust, which may be withheld by the Trust at its sole discretion, the Grantee may elect to satisfy such obligations, in whole or in part, (i) by causing the Trust to withhold shares of Stock (whenever deliverable or to) by delivering to the Trust shares of Stock already owned by the Grantee. The shares of Stock so delivered or withheld shall have a Fair Market Value equal to such withholding obligations. The Fair Market Value of the shares of Stock used to satisfy such withholding obligations shall be determined by the Trust or, if the date that the amount of tax to be withheld is to be determined, a Grantee who has made an election pursuant to this Section 4 may satisfy his or her withholding obligation only with shares of Stock that are not subject to any repurchase, forfeiture, unaffiliated voting, or other similar requirements.

7. DISCLAIMER OF RIGHTS.
No provision of this Agreement shall be construed to confer upon the Grantee 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 Grantee at any time, or to terminate the Grantee's Service.

8. DATA PRIVACY.
In connection with this Plan, the Trust may process personal data about the Grantee. 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 Grantee 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 Grantee hereby gives explicit consent to the Trust to process any such personal data. Grantee also gives explicit consent to the Trust to transfer any such personal data outside the country in which Grantee works, including, with respect to non-U.S. resident Grantees, to the United States, to individuals who will receive the Trust and other persons who are engaged 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, Grantee agrees that the Trust may deliver the Plan prospectus and any annual reports to Grantee in an electronic format. If at any time Grantee would prefer to receive paper copies of these documents, or Grantee is entitled to, the Trust would be pleased to provide copies. Grantee will contact the Trust's Legal Department to request paper copies of these documents.

10. INTERPRETATION OF THE AGREEMENT.
All documents 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 Trust and the Grantee 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.

The grant of Stock Units 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 Trust, however, will have no liability to the Grantee if Section 409A is determined to apply and adversely affects Grantee.

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), payment shall be made on the next payment date permitted by Section 409A.

11. GOVERNING LAW.

Except to the extent governed by provisions of the Code, this Agreement shall be governed by the laws of the State of Maryland (but not including the choice of law rules thereof).

12. BINDING EFFECT.

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

13. CLAWBACK.

The Stock Units shall be subject to mandatory repayment by the Grantee to the Trust to the extent the Grantee is, or in the future becomes, subject to (i) any Trust "clawback" or recoupment policy that is adopted to comply with the requirements of any applicable laws, or (ii) any applicable laws which impose mandatory repayment, under circumstances set forth in such applicable laws.

14. ENTIRE AGREEMENT.

This Agreement, the related election made under Section 7 (if any), and the Plan constitute the entire agreement and supersede all prior understandings and agreements, written or oral, of the parties herein 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 Trust and the Grantee; provided, however, that the Trust unilaterally may waive any provision hereof in writing to the extent that such waiver does not adversely affect the interests of the Grantee hereunder, but no such waiver shall operate as to 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 caused this Agreement to be duly executed as of the date first above written.

GRANTEE:

Name

PUBLIC STORAGE

Name
Title

Signature Page to the Stock Unit Agreement

**PUBLIC STORAGE
2014 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 _____ (the "Grant Date"), by and between Public Storage (the "Trust") and _____ (the "Optionee"). Certain terms are otherwise defined herein and have the meanings ascribed to them in the Trust's 2014 Equity and Performance-Based Incentive Compensation Plan as amended from time to time, the "Plan".

WHEREAS, the Board of Trustees of the Trust 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 (the value \$10 per share (the "Stock"), which may be granted from time to time in the discretion of the Committee; and

WHEREAS, the Trust has determined that it is desirable and in the best interests to grant to the Optionee, pursuant to the Plan, options to purchase a certain number of shares of Stock as compensation for services rendered to the Trust, and in order to provide the Optionee with an 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.**
Pursuant to the terms of the Plan (the terms of which are incorporated by reference herein), the Trust hereby grants to the Optionee the right and option (the "Option") to purchase from the Trust, on the terms and subject to the conditions hereafter set forth, _____ shares of Stock. This Option shall not constitute an incentive stock option within the meaning of Section 422 of the Code.
- 2. PRICE.**
The purchase price (the "Option Price") of the shares of Stock subject to the Option evidenced by this Option Agreement is \$ _____ per share (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 exercise as follows:

3.1 Vesting and Time of Exercise of Option.

Except as otherwise provided in this Option Agreement, the Option vests and becomes exercisable only during the Optionee's period of Service. Subject to the foregoing Service requirement, the Option vests and the Optionee may exercise the Option subject to the limitations on exercise set forth in the Plan or in this Option Agreement, as modifications as determined by the Committee as follows: [] The foregoing conditions, to the extent not excluded, shall nevertheless not be applicable, in whole or in part, at any time and from time to time, after becoming 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 or the time available for purchase under this Option.

2.2 Exercise by Options and Compliance with Trading Blackout Periods and Company Securities Trading Policy

During the lifetime of the Option, 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 7 hereof may exercise the Option. The Optionee agrees to comply with any trading blackout periods and securities trading policies implemented by the Trust.

2.3 Term of Option.

The Option shall have a term of ten years, subject to earlier termination in accordance with this Option Agreement or the terms of the Plan as determined by the Committee.

2.4 Limitation on Exercise of Option.

In no event may the Option be exercised, in whole or in part, after ten years following the Grant Date, 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.

2.5 Termination of Service.

Subject to Sections 2.6 and 2.7 hereof, upon the termination of the Optionee's Service other than an account of death or Disability, the Optionee shall have the right at any time within 90 days after such termination (but before the Option terminates pursuant to Sections 2.2 and 2.4 above), to exercise, in whole or in part, any vested Option held by such Optionee at the date of such termination, in the event such Option was exercisable immediately prior to such termination. Any Option not vested at the date of such termination of Service shall automatically terminate.

2.6 Rights in the Event of Death.

If the Optionee dies while in Service, then the executor 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 2.2 and 2.4 above), to exercise the Option in full, regardless of whether the Option was exercisable immediately prior to the Optionee's death.

2.7 Rights in the Event of Disability.

If the Optionee terminates his or her Service by reason of the Optionee's Disability (as defined under the Plan), then the Optionee shall have the right, at any time within one year after the date of the Optionee's Disability (but before the Option terminates pursuant to Sections 2.2 and 2.4 above), to exercise the Option in full, regardless of whether the Option was exercisable immediately prior to the Optionee's Disability.

2.8 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 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 banks to the Trust of shares of Stock, which shares shall be valued, for

payment of determining the extent to which the Option Price has been paid directly or that Top Market Value on the date of exercise. (d) In a combination of the methods described in (c) and (b), or left 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 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 Trust in the agent for the Option and, at the time such shares of Stock certificate or certificates are delivered, the broker notifies the Trust each for each acquisition acceptable to the Trust equal to the Option Price plus the amount, if any, of interest and/or other fees which the Trust may, in its judgment, be required to withhold with respect to the exercise of the Option. An attempt to exercise the Option greater than that in and such shares shall be treated 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 assignable 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 compliance with the material, agrees 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 to hypothecated (by operation of law or otherwise) or subject to execution, attachment or similar processes.

6. RIGHTS AS A SHAREHOLDER.
Neither the Optionee, nor any executor, administrator, distributee 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 until and until such shares have been fully paid and certificates representing such shares have been certified, transmitted and delivered, and the name of the Optionee (or of each general representative, administrator, distributee or legatee of the Optionee's estate, or of such transferee) has been entered in the shareholder record on the books of the Trust.

7. DISCLAIMER OF RIGHTS.
The provisions 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, or any time or to terminate the Optionee's Service.

8. DATA PRIVACY.
To administer the Plan, the Trust may process personal data about the Optionee. 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 Optionee such as home address and business address and other contact information, and any other information that might be deemed appropriate by the Trust to facilitate the administration of the Plan. In accepting the grant, the Optionee hereby gives express consent to the Trust 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, in instances which 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, Options agree that the Trust may deliver the Plan prospectus and any annual reports to Options in an electronic format. If at any time Options would prefer to receive paper copies of these documents, an Options is entitled to, the Trust would be pleased to provide copies. Options will contact the Trust's Legal Department to request paper copies of these documents.

10. WITHHOLDING TAXES.

Upon the request of the Trust, the Options 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 Options'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 Options any such taxes. The Options 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 Options may elect to satisfy the withholding obligation, in whole or in part, (i) by causing the Trust to withhold shares of Stock otherwise issuable to the Options pursuant to the Option or (ii) by delivering to the Trust shares of Stock already owned by the Options. The share of Stock so delivered or withheld shall have an aggregate Fair Market Value equal to the applicable withholding obligation. The Options may deliver or have withheld only shares of Stock that are not subject to any restriction, forfeiture, unfulfilled vesting, or other similar requirements.

11. INTERPRETATION OF THIS OPTION AGREEMENT.

All questions 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 Options and any other persons 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 conditions 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 issue to the benefit of the parties herein and their respective heirs, executors, administrators, successors, transferees and assigns.

14. NOTICE.

Any notice hereunder by the Options 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 Options. Any notice hereunder by the Trust to the Options shall be in writing and shall be deemed duly given if mailed or delivered to the Options at the address specified below by the Options for such purpose, or if so mailed or delivered to such other address as the Options may hereafter designate by written notice given to the Trust.

15. CLAIMBACK.

The Option shall be subject to mandatory repayment by the Options to the Trust to the extent the Option is, or is in the future becomes, subject to (i) any Trust "clawback" or recoupment policy that is adopted to comply with the requirements of any applicable law, or (ii) any applicable laws which impose mandatory recoupment, under circumstances set forth in such applicable laws.

14. ENTIRE AGREEMENT

Exhibit 10.27

This Option Agreement and the Plan constitute the entire agreement and supersede all prior understandings and agreements, written or oral, of the parties hereto with respect to the subject matter hereof. Notwithstanding 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 Options; provided, however, that the Trust unilaterally may waive any provision hereof in writing to the extent that such waiver does not adversely affect the interests of the Options hereunder, but no such waiver shall operate as to be construed to be a subsequent waiver of the entire provisions or a waiver of any other provision hereof.

OPTIONEE:

Name _____

ADDRESS FOR NOTICE TO OPTIONEE:
Number Street _____

City State Zip Code _____

PURCHASER:

Name _____

Title _____

**PUBLIC STORAGE
2014 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 _____ (the "Grant Date"), by and between Public Storage (the "Trust") and _____ 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 2014 Equity and Performance-Based Incentive Compensation Plan (as amended from time to time, the "Plan").

WHEREAS, the Board of Trustees of the Trust has duly adopted and the shareholders of the Trust have duly approved, the Plan, which provides for the grant to Trustees of options for the purchase of shares of the Trust's common shares of beneficial interest, par value \$ 10 per share (the "Stock"), which may be granted from time to time as the Committee so determines; and

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 to the terms of the Plan (the terms of which are incorporated by reference herein), the Trust hereby grants to the Optionee the right and option (the "Option") to purchase from the Trust, on the terms and subject to the conditions hereinafter set forth, _____ shares of Stock. This Option shall not constitute an incentive stock option within the meaning of Section 422 of the Code.

2. PRICE.
The purchase price (the "Option Price") of the shares of Stock subject to the Option evidenced by this Option Agreement is \$ _____ per share (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 exercise as follows:

3.1 Vesting and Term of Exercise of Option.
Except as otherwise provided in the Option Agreement, the Option vests and becomes exercisable only during the Optionee's period of Service. Subject to the foregoing Service requirement, the Option vests and Optionee may exercise the Option (subject to the limitations on exercise set forth in the Plan or in this Option Agreement, as modifications as determined by the Committee as follows []). The foregoing limitations, to the extent not exercised, shall nevertheless and be exercisable, in whole or in part, at any time and from time to time, after becoming 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 of the then available for purchase under this Option.

2.2 Exercise by Options and Compliance with Trading Blackout Periods and Company Securities Trading Policy

During the lifetime of the Options, 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 7 hereof may exercise the Option. The Optionee agrees to comply with any trading blackout periods and securities trading policies implemented by the Trust.

2.3 Term of Option.

The Option shall have a term of ten years, subject to earlier termination in accordance with this Option Agreement or the terms of the Plan as determined by the Committee.

2.4 Limitation on Exercise of Option.

In no event may the Option be exercised, in whole or in part, after ten years following the Grant Date, 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.

2.5 Termination of Service.

Subject to Sections 2.6, 2.7 and 2.8 hereof, upon the termination of the Optionee's Service other than on account of death, Disability or Retirement, the Optionee shall have the right at any time within 90 days after such termination (but before the Option termination payment to Sections 2.2 and 2.4 above) to exercise, in whole or in part, any Option held by such Optionee at the date of such termination, to the extent such Option was exercisable immediately prior to such termination. Any Option not so exercised at the date of such termination of Service shall immediately terminate.

2.6 Rights in the Event of Death.

If the Optionee dies while in Service, then the executor 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 termination payment to Sections 2.2 and 2.4 above), to exercise the Option in full, regardless of whether the Option was exercisable immediately prior to the Optionee's death.

2.7 Rights in the Event of Disability.

If the Optionee terminates his or her Service by reason of the Optionee's Disability (as defined under the Plan), then the Optionee shall have the right, at any time within one year after the date of the Optionee's Disability (but before the Option termination payment to Sections 2.2 and 2.4 above) to exercise the Option in full, regardless of whether the Option was exercisable immediately prior to the Optionee's Disability.

2.8 Rights in the Event of Retirement.

Upon the termination of the Optionee's Service for any reason at a time when the Optionee is "retirement eligible" as determined by the Board of Trustees ("Retirement"), the Optionee shall have the right at any time within one year after such termination (but before the Option termination payment to Sections 2.2 and 2.4 above), to exercise the Option in full, regardless of whether the Option was exercisable prior to such termination.

2.9 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 2 shall be reduced by the number of shares previously purchased upon exercise of the Option pursuant to this Section 2.

4. METHOD OF EXERCISE OF OPTION.

The Option may be exercised by the holder (or its duly appointed transferee) 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 check payable to the order of the Trust; (b) through the holder 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 in cash, 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. In withholding the number of shares of Stock the transferee must be made 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 tendered to the Trust cash (or such equivalent) acceptable to the Trust equal to the Option Price plus the amount, if any, of unpaid and/or other taxes which the Trust may, in its judgment, be required to withhold with respect to the exercise of the Option. An attempt to exercise the Option against other than as set forth above shall be void 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 number of Stock certificates or certificates evidencing the Optionee's ownership of such shares.

5. LIMITATIONS ON TRANSFER.

The Option is non-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.

Notwithstanding any exercise, advancement, distribution or liquidation 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, distributee or liquidator 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 may process personal data about the Optionee. 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 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 the grant, the Options holder gives express consent to the Trust to process any such personal data. Options also gives express consent to the Trust to transfer any such personal data outside the country in which Options works, including, with respect to non-U.S. resident Options, 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 material, materials relating to the Plan in electronic form. By accepting this grant, Options agrees that the Trust may deliver the Plan prospectus and any annual reports to Options in an electronic format. If at any time Options would prefer to receive paper copies of these documents, an Options is entitled to, the Trust would be pleased to provide copies. Options will contact the Trust's Legal Department to request paper copies of these documents.

10. WITHHOLDING TAXES.

Upon the request of the Trust, the Options 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 Options's exercise of the Option. The Trust and its affiliates shall have the right to reduce their payments of any kind otherwise due to the Options on any such taxes. The Options shall make any such payments in cash or such operation or, subject to the prior approval of the Committee, which may be withheld in the Committee's sole discretion, the Options may elect to satisfy the withholding obligation, in whole or in part, (i) by causing the Trust to withhold shares of Stock otherwise issuable to the Options pursuant to the Option or (ii) by delivering to the Trust shares of Stock already owned by the Options. The share of Stock so delivered or withheld shall have an aggregate Fair Market Value equal to the applicable withholding obligation. The Options may deliver or have withheld only shares of Stock that are not subject to any repurchase, forfeiture, unaffiliated vesting, or other similar requirements.

11. INTERPRETATION OF THIS OPTION AGREEMENT.

All documents and communications made to 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 Options 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 Options 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 Options. Any notice hereunder by the Trust to the Options shall be in writing and shall be deemed duly given if mailed or delivered to the Options at the address specified below by the Options for such purpose, or if so mailed or delivered to such other address as the Options may hereafter designate by written notice given to the Trust.

13. CLAIMS:
The Option shall be subject to mandatory arbitration by the Optionee in the Trust to the extent the Optionee is, or in the future becomes, subject to (i) any Trust "lookback" or assignment policy that is adopted to comply with the requirements of any applicable laws, or (ii) any applicable laws which impose mandatory assignment, under circumstances set forth in such applicable laws.

14. ENTIRE AGREEMENT:
This Option Agreement and the Plan constitute the entire agreement 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 waive any provision hereof in writing to the extent that such waiver 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.

OPTIONEE:

Name _____

ADDRESS FOR NOTICE TO OPTIONEE:
Number Street _____

City State Zip Code _____

PURCHASER:

Name _____

Title _____

DEFERRED STOCK UNIT AGREEMENT
UNDER THE
NON-MANAGEMENT TRUSTEE COMPENSATION AND DEFERRAL PROGRAM
UNDER THE
PUBLIC STORAGE
2014 EQUITY AND PERFORMANCE-BASED INCENTIVE COMPENSATION PLAN

THIS DEFERRED STOCK UNIT AGREEMENT (the "Agreement") is made as of _____, (the "Grant Date"), by and between Public Storage (the "Company"), and _____ (the "Grantee"). Capitalized terms not otherwise defined herein shall have the meanings given to them in the Non-Management Trustee Compensation and Deferral Program (the "Program") under the Public Storage 2014 Equity and Performance-Based Incentive Compensation Plan (as amended from time to time, the "Plan") or 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 shares of Stock, which may be granted from time to time as the Committee so determines; and

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

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

1. DEFERRED STOCK UNITS.

1.1 Grant. Subject to the terms of the Plan and the Program (the terms of which will be treated as incorporated by this reference), the Company grants to the Grantee _____ Deferred Stock Units, on the terms and subject to the conditions set forth below.

1.2 Vesting. The Deferred Stock Units shall be 100% vested as of the Grant Date.

1.3 Restrictions on Transfer. The Grantee may not sell, transfer, assign, pledge or otherwise encumber or dispose of the Deferred Stock Units.

2. DELIVERY DATE.

2.1 Time and Form.

Settlement of the Deferred Stock Units shall be made at the time (or times) and in the form specified by the Grantee in his/her applicable DSU Election(s) (the "Delivery Date(s)"). No settlement of the Deferred Stock Units shall be later than the date of: (a) the last day of the calendar year in which the Delivery Date occurs or (b) the 15th day of the third calendar month following the Delivery Date. Notwithstanding the foregoing or any DSU Election, in all events, settlement of the Deferred Stock Units shall be made in a lump sum in such administratively feasible form following: (i) the Grantee's death, (ii) the Grantee's disability (as such term is defined for purposes of Code Section 409A), or (iii) a Change of Control of the Company (as defined for purposes of the Program), but in no case later than the later of

(1) the last day of the calendar year in which such event occurs or (2) the 15th day of the third calendar month following such event. In those cases, the date of the relevant event shall constitute the Delivery Date for purposes of the Program.

2.2 Delivery of Shares.

Settlement of the Deferred Stock Units shall be made solely in the form of shares of Stock. When any shares are paid to Grantee, the Company shall deliver to the Grantee a certificate or electronic confirmation of ownership, as applicable, for the number of shares of Stock represented by the Deferred Stock Units which have been delivered to Grantee. Upon the issuance of the shares, Grantee's payment of the aggregate par value of the shares delivered to Grantee will be deemed paid by Grantee's past services to the Company or its Affiliates.

3. NO SHAREHOLDER RIGHTS; DIVIDEND EQUIVALENT RIGHTS.

The Grantee shall have none of the rights of a shareholder with respect to the Deferred Stock Units. Notwithstanding the foregoing, the Grantee shall be entitled to receive, upon the Company's payment of a cash dividend on its outstanding shares of Stock, a cash payment for each Deferred Stock Unit held as of the record date for such dividend equal to the per-share dividend paid on the shares of Stock, which cash payment shall be made at the same time as the Company's payment of a cash dividend on its outstanding shares of Stock.

4. WITHHOLDING OF TAXES.

The Grantee agrees as a condition of this Agreement that the Grantee will make acceptable arrangements to pay any withholding or other taxes that may be due relating to the Deferred Stock Units or the issuance of shares of Stock with respect to the Deferred Stock Units.

5. DISCLAIMER OF RIGHTS.

No provision of this Agreement shall be construed to confer upon the Grantee 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 Grantee at any time, or to terminate the Grantee's Service.

6. INTERPRETATION OF THE AGREEMENT.

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

The grant of Deferred Stock Units under this Agreement is intended to comply with Code 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 Code Section 409A.

7. GOVERNING LAW.

Except to the extent governed by provisions of the Code, the validity and construction of this Agreement shall be governed by the laws of the State of Maryland, other than any conflicts or choice of

law rule or principle that might otherwise refer construction or interpretation of this Agreement to the substantive laws of any other jurisdiction.

8. 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.

9. DATA PRIVACY.
To administer the Plan, the Company may process personal data about the Grantee. Such data includes, but is not limited to, the information provided in this Agreement, Grantee's DSI Election, and any changes to these documents, other appropriate personal and financial data about the Grantee 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 and the Program. By accepting this grant, the Grantee hereby gives express consent to the Company to process any such personal data. The Grantee also gives express consent to the Company to transfer any such personal data outside the country in which the Grantee works, including, with respect to non-U.S. resident Grantees, to the United States, to transferees who will include the Company and other persons who are designated by the Company to administer the Plan and/or the Program.

10. CONSENT TO ELECTRONIC DELIVERY OF MATERIALS.
The Company may choose to deliver certain financial materials relating to the Plan and/or the Program in electronic form. By accepting this grant, the Grantee agrees that the Company may deliver the Plan prospectus and any annual reports to the Grantee in an electronic format. If at any time the Grantee would prefer to receive paper copies of these documents, as the Grantee is entitled to, the Company would be pleased to provide copies. The Grantee should contact the Company's Legal Department to request paper copies of these documents.

11. ENTIRE AGREEMENT.
This agreement, the DSI Election made with respect to the Deferred Stock Units under and pursuant to the Program, the Program, and the Plan constitute the entire agreement, and supersede all prior understandings and agreements, written or oral, of the parties, with respect to the subject matter hereof. Neither this Agreement nor any of its terms may be amended, waived, discharged or terminated except by a written instrument signed by the Company and the Grantee provided, however, that the Company unilaterally may waive any provision in writing to the extent that such waiver does not adversely affect the interests of the Grantee, 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 of this Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date first above written.

GRANTOR:

PUBLIC STORAGE

Name

Name
Title

Signature Page to the Deferred Stock Unit Agreement

PUBLIC STORAGE
2014 EQUITY AND PERFORMANCE-BASED INCENTIVE COMPENSATION PLAN
STOCK UNIT AGREEMENT

THIS STOCK UNIT AGREEMENT (the "Agreement") is made as of _____ (the "Grant Date"), by and between Public Storage (the "Trust") and _____ (the "Grantee"). Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Trust's 2014 Equity and Performance-Based Incentive Compensation Plan (as amended from time to time, the "Plan").

WHEREAS, the Board of Trustees of the Trust has duly adopted, and the shareholders of the Trust have duly approved, the Plan, which provides for the grant to Service Providers of Stock Units relating to common shares of beneficial ownership of the Trust, par value \$10 per share (the "Stock"), which may be granted from time to time as the Committee so determines; and

WHEREAS, the Trust has determined that it is desirable and in its best interests to grant to the Grantee, pursuant to the Plan, Stock Units relating to a certain number of shares of Stock as compensation for services rendered to the Trust, and/or in order to provide the Grantee with an 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 benefits hereinafter provided, and each intending to be legally bound, the Trust and the Grantee hereby agree as follows:

- 1. **GRANT OF STOCK UNITS.**
Subject to the terms of the Plan (the terms of which are incorporated by reference herein), the Trust hereby grants to the Grantee _____ Stock Units, on the terms and subject to the conditions hereinafter set forth.
- 2. **VESTING OF STOCK UNITS.**
 - 2.1. **Service Requirement.**
Rights in respect of [] % of the number of Stock Units specified in Section 1 above shall vest on each of the first [] anniversary (or) of the Grant Date (or nearest vesting schedule), provided that the Grantee is in Service on the applicable vesting date. The period during which the Stock Units have not vested and therefore are subject to a substantial risk of forfeiture is referred to below as the "Restricted Period."
 - 2.2. **Restrictions on Transfer.**
The Grantee may not sell, transfer, assign, pledge or otherwise encumber or dispose of the Stock Units.
 - 2.3. **Delivery of Shares.**
When a portion of the Stock Units shall vest pursuant to Section 2.1 or 3, the Trust shall deliver to the Grantee a certificate or electronic confirmation of ownership, as applicable, for the number of shares of Stock represented by the Stock Units which have vested, which delivery shall occur within 60 days following the earlier of each vesting event. Upon the issuance of the shares, Grantee's payment of the aggregate par value of the shares delivered to Grantee will be deemed paid by Grantee's past services to the Trust or its Affiliates.
- 3. **TERMINATION OF SERVICE.**
Upon the termination of the Grantee's Service other than by reason of death, Disability, or Retirement (as defined below), any Stock Units held by the Grantee that have not vested shall terminate immediately, and the Grantee shall forfeit any rights with respect to such Stock Units. If the Grantee's Service is terminated because of his or her death or Disability, all Stock Units granted to the Grantee pursuant to this Agreement that have not previously vested shall immediately become vested. If the Grantee's Service is terminated for any reason other than for Cause (as

defined in the Plan) at a time when the Grantee is "retirement eligible" (as determined by the Board of Trustees, "Retirement"), all Stock Units granted to the Grantee pursuant to this Agreement that have not previously vested shall immediately become vested.

4. DIVIDEND AND VOTING RIGHTS.

The Grantee shall have none of the rights of a shareholder with respect to the Stock Units. Notwithstanding the foregoing, the Grantee shall be entitled to receive, upon the Trust's payment of a cash dividend on its outstanding shares of Stock, a cash payment for each Stock Unit held as of the record date for such dividend equal to the per-share dividend paid on the shares of Stock, which cash payment shall be made at the same time as the Trust's payment of a cash dividend on its outstanding shares of Stock.

5. WITHHOLDING OF TAXES.

The Trust and any Affiliate shall have the right to deduct from payments of any kind (dividend due to the Grantee, any interest, fees, or cost of issue of any kind (regardless of tax)) to be withheld with respect to the termination of the Restricted Period of the issuance of shares with respect to the Stock Units. At the termination of the Restricted Period and/or the issuance of shares, the Grantee shall pay to the Trust any amount that the Trust may reasonably determine to be necessary to satisfy such withholding obligations. Subject to the prior approval of the Trust, which may be withheld by the Trust in its sole discretion, the Grantee may elect to satisfy such obligations, in whole or in part, (1) by causing the Trust to withhold shares of Stock (whether via dividend or by delivery to the Trust shares of Stock already owned by the Grantee). The shares of Stock so withheld or delivered shall have a Fair Market Value equal to such withholding obligations. The Fair Market Value of the shares of Stock used to satisfy such withholding obligations shall be determined by the Trust as of the date that the amount of tax to be withheld is to be determined. A Grantee who has made an election pursuant to this Section 7 may satisfy his or her withholding obligation only with shares of Stock that are not subject to any repurchase, forfeiture, unaffiliated voting, or other similar requirements.

6. DISCLAIMER OF RIGHTS.

The provisions of this Agreement shall be construed to confer upon the Grantee the right to continue in Service, or to interfere in any way with the right and authority of the Trust or any Affiliate (other to increase or decrease the compensation of the Grantee at any time, or to terminate the Grantee's Service).

7. DATA PRIVACY.

To administer the Plan, the Trust may process personal data about the Grantee. 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 Grantee 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 Grantee hereby gives express consent to the Trust to process any such personal data. Grantee also gives express consent to the Trust to transfer any such personal data outside the country in which Grantee works, including, with respect to non-U.S. resident Grantees, to the United States, to individuals who will include the Trust and other persons who are designated by the Trust to administer the Plan.

8. 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, Grantee agrees that the Trust may deliver the Plan prospectus and any annual reports to Grantee in an electronic format. If at any time Grantee would prefer to receive paper copies of these documents, or Grantee is unable to, the Trust (and by proxy its records officer) Grantee will contact the Trust's Legal Department to request paper copies of these documents.

9. INTERPRETATION OF THE AGREEMENT.

All questions 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 Trust and the Grantee and any other person. In the event

that there is no inconsistency between the provisions of this Agreement and of the Plan, the provisions of the Plan shall govern.

The grant of Stock Units under this Agreement is mandated to comply with Section 409A of the Code and the related Treasury Regulations ("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 Trust, however, will have no liability to the Grantee if Section 409A is determined to apply and adversely affect Grantee.

The purpose of this Agreement, as termination of Service only occurs upon an event that would be a "separation from service" (as defined in Section 409A). If at the time of the Grantee's separation from service, (i) the Grantee is a "specified employee" (as defined in Section 409A) and uses the identification methodology outlined by the Company from time to time, and (ii) the Trust makes a good faith determination that an amount payable on account of such separation from service to the Grantee 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 Grantee's separation from service from the Trust or its Affiliates (or, if earlier, the date of the Grantee's death).

With respect to any amount payable under this Agreement to the Grantee 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.

10. GOVERNING LAW.
This Agreement shall be governed by the laws of the State of Maryland that not excluding the choice of law rules thereof.

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

12. CLAWBACK.
The Stock Units shall be subject to mandatory repayment by the Grantee to the Trust to the extent the Grantee is, or in the future becomes, subject to (i) any Trust "clawback" or recoupment policy that is adopted to comply with the requirements of any applicable laws, or (ii) any applicable laws which impose mandatory recoupment, under circumstances set forth in such applicable laws.

13. ENTIRE AGREEMENT.
This Agreement and the Plan constitute the entire agreement and supersede all prior understandings and agreements, written or oral, of the parties herein with respect to the subject matter hereof. Neither this Agreement nor any terms hereof may be amended, waived, discharged or terminated except by a written instrument signed by the Trust and the Grantee, provided, however, that the Trust unilaterally may waive any provision hereof in writing to the extent that such waiver does not adversely affect the interests of the Grantee hereunder, but no such waiver shall operate as or be construed to be a subsequent waiver of the same provisions or a source of any other provisions hereof.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date first above written.

GRANTEE:

PUBLIC STORAGE

Name

Name
Title

Signature Page to the Stock Unit Agreement

SUBSIDIARIES OF THE REGISTRANT

The Registrant's principal subsidiaries are listed below. In addition, the Registrant has approximately 273 subsidiaries that are not required to be listed pursuant to SEC rules.

<u>Name</u>	<u>Location of Incorporation</u>
PHLP Finance Services	Malawi
PHLP Finance Limited	Malawi

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

Consent of Independent Registered Public Accounting Firm

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

- (1) Registration Statement on Form S-1AMR, as amended, (No. 333-211738) and related prospectus.
- (2) Registration Statement on Form S-8 (No. 333-219977) and related prospectus of Public Storage for the registration of common shares of beneficial interest pertaining to the Public Storage 2016 Equity and Performance-Based Incentive Compensation Plan.
- (3) Registration Statement on a Form S-8 (No. 333-195446) and related prospectus of Public Storage for the registration of common shares of beneficial interest pertaining to the Public Storage 2007 Equity and Performance-Based Incentive Compensation Plan as amended, and
- (4) Registration Statement on Form S-8 (No.333-149877) and related prospectus of Public Storage for the registration of common shares of beneficial interest pertaining to the Public Storage 2007 Equity and Performance-Based Incentive Compensation Plan.

of our reports dated February 27, 2019, with respect to the consolidated financial statements and schedule of Public Storage and the effectiveness of internal control over financial reporting of Public Storage included in this Annual Report (Form 10-K) of Public Storage for the year ended December 31, 2018.

WERNST & YOUNG LLP

February 27, 2019
Los Angeles, California

RULE 13a-16(a) CERTIFICATION

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

1. I have reviewed this Annual Report on Form 10-K of Public Storage;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(a) and 15d-15(a)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(b) and 15d-15(b)) 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.

Signature of Registrant
Joseph D. Blumel, Jr.
Title: Chief Executive Officer and President
Date: February 27, 2019

RULE 13a-16(a) CERTIFICATION

I, **Timothy W. Beck**, certify that:

1. I have reviewed this Annual Report on Form 10-K of Public Storage;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(a) and 15d-15(a)) 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.

Timothy W. Beck
Title: Chief Financial Officer
Date: February 27, 2019

SECTION 1303 CERTIFICATION

In connection with the Annual Report on Form 10-K of Public Storage (the "Company"), for the year ended there (other than 2018), 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 Bruck, as Chief Financial Officer of the Company, each hereby certifies, pursuant to 18 U.S.C. §1370, as adopted pursuant to 1996 of the Sarbanes-Oxley Act of 2002 ("Sarbanes-Oxley"), that:

- (1) The Report fully complies with the requirements of Section 1303 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.

Joseph D. Russell, Jr.
Name: Joseph D. Russell, Jr.
Title: Chief Executive Officer and President
Date: February 27, 2019

H. Thomas Bruck
Name: H. Thomas Bruck
Title: Chief Financial Officer
Date: February 27, 2019

This certification accompanies the Report pursuant to 1996 of Sarbanes-Oxley and shall not, except to the extent required by Sarbanes-Oxley, be deemed filed by the Company for purposes of §19 of the Exchange Act. A signed original of this written statement required by 1996 of Sarbanes-Oxley has been provided to the Company, and will be retained and furnished to the SEC or its staff upon request.