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

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Depository Shares Each Representing 1/1,000 of a 5.200% Cumulative Preferred Share, Series W \$.01 par value	New York Stock Exchange
Depository Shares Each Representing 1/1,000 of a 5.200% Cumulative Preferred Share, Series X \$.01 par value	New York Stock Exchange
Depository Shares Each Representing 1/1,000 of a 6.375% Cumulative Preferred Share, Series Y \$.01 par value	New York Stock Exchange
Depository Shares Each Representing 1/1,000 of a 6.000% Cumulative Preferred Share, Series Z \$.01 par value	New York Stock Exchange
Depository Shares Each Representing 1/1,000 of a 5.875% Cumulative Preferred Share, Series A \$.01 par value	New York Stock Exchange
Common Shares, \$.10 par value.....	New York Stock Exchange

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

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

Yes No

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

Yes No

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

Yes No

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

Yes No

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

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

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

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

Yes [] No [X]

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The aggregate market value of the voting and non-voting common shares held by non-affiliates of the Registrant as of June 30, 2014:

Common Shares, \$0.10 Par Value Per Share – \$24,958,344,000 (computed on the basis of \$171.35 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, 2014).

As of February 19, 2015, there were 172,808,464 outstanding Common Shares, \$.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 2015 are incorporated by reference into Part III of this Annual Report on Form 10-K to the extent described therein.

PART I

ITEM 1. Business

Forward Looking Statements

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

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

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

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

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

General

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

At December 31, 2014, our principal business activities were as follows:

- Domestic Self-Storage:** We acquire, develop, own, and operate self-storage facilities which offer storage spaces for lease on a month-to-month basis, for personal and business use. We are the largest owner and operator of self-storage facilities in the United States (the “U.S.”). We have direct and indirect equity interests in 2,250 self-storage facilities (146 million net rentable square feet of space) located in 38 states within the U.S. operating under the “Public Storage” brand name.
- European Self-Storage:** We have a 49% equity interest in Shurgard Self Storage Europe Limited (“Shurgard Europe”) which owns 192 self-storage facilities (ten million net rentable square feet) located in seven countries in Western Europe operated under the “Shurgard” brand name. We believe Shurgard Europe is the largest owner and operator of self-storage facilities in Western Europe. We also wholly own one self-storage facility in the United Kingdom which is managed by Shurgard Europe.
- Commercial:** We have a 42% equity interest in PS Business Parks, Inc. (“PSB”), a publicly held REIT which owns and operates 28.6 million net rentable square feet of commercial space. We also wholly-own 1.3 million net rentable square feet of commercial space, substantially all of which is managed by PSB.

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

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

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

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

Competition

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

While competition is significant, the self-storage industry remains fragmented in the U.S. We believe that we own approximately 6% of the aggregate self-storage square footage in the U.S., and that collectively the five largest self-storage operators in the U.S. own approximately 13%, with all other self-storage space owned by numerous private regional and local operators. We believe this market fragmentation enhances the advantage of our brand name, as well as the economies of scale we enjoy with approximately 71% of our 2014 same-store revenues in the 20 Metropolitan Statistical Areas (each, an "MSA", as defined by the U.S. Census Bureau) with the highest population levels.

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

Business Attributes

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

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

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

- **Our Desktop and Mobile Websites:** The online marketing channel continues to grow in prominence, with approximately 60% of our move-ins in 2014 sourced through our websites, as compared to 36% in 2010. In addition, we believe that many of our customers who directly call our call center, or who move-in to a facility on a walk-in basis, have already reviewed our pricing and space availability through our websites. We invest extensively in advertising on the Internet to attract potential customers, primarily through the use of search engines, and we regularly update and improve our websites to enhance their productivity.
- **Our Call Center:** Our call center is staffed by skilled sales specialists. Customers reach our call center by calling our advertised toll-free telephone referral number, (800) 44-

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

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

Economies of scale: We are the largest provider of self-storage space in the U.S. As of December 31, 2014, we operated 2,250 self-storage facilities with 1.4 million self-storage spaces. These facilities are generally located in major markets within 38 states in the U.S. The size and scope of our operations have enabled us to achieve high operating margins and a low level of administrative costs relative to revenues through the centralization of many functions, such as facility maintenance, employee compensation and benefits programs, revenue management, as well as the development and documentation of standardized operating procedures. We also believe that our major market concentration provides managerial efficiencies stemming from having a large percentage of our facilities in close proximity to each other.

We believe that we have significant market share and concentration in major metropolitan centers, which increase the cost effectiveness of our promotional programs relative to our competitors. Our large market share in major metropolitan markets and well-recognized brand name improves our prominence in unpaid search results for self-storage on major online search engines, and enhances the efficiency of our bidding for paid multiple-keyword advertising. We can use television advertising in many markets, while most of our competitors cannot do so cost-effectively.

Brand name recognition: We believe that the “Public Storage” brand name is the most recognized and established name in the self-storage industry in the U.S, due to our national reach in major markets in 38 states, 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 similarly established and valuable brand in Europe. We believe that the awareness of our brand name results in a high percentage of potential storage customers considering our facilities, relative to other operators.

Growth and Investment Strategies

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

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

Acquire properties owned or operated by others in the U.S.: We seek to capitalize on the fragmentation of the self-storage business through acquiring attractively priced, well-located existing self-storage facilities. We believe our presence in and knowledge of substantially all of the major markets in the U.S. enhances our ability to identify attractive acquisition opportunities. Data on the rental rates and occupancy levels of our existing facilities provides us an advantage in evaluating the potential of acquisition opportunities. Self-storage owners decide whether to market their facilities for sale based upon many factors, including potential reinvestment returns, expectations of future growth, estimated value, the cost of debt financing, as well as personal considerations. Our aggressiveness in competing for particular marketed facilities depends upon many factors including our opinion as to the potential for future growth, the quality of construction and location, the cash flow we expect from the facility when operated on our platform, how well the facility fits into our current geographic footprint, as well as our yield expectations. During 2014, 2013 and 2012, we acquired 44, 121 and 24 facilities, respectively, from third parties for approximately \$431 million, \$1.2 billion and \$226 million, respectively, primarily through large portfolio acquisitions. We will continue to seek to acquire properties in 2015; however, there is significant competition to acquire existing facilities and there can be no assurance as to the level of facilities we may acquire.

Develop new self-storage facilities and expansion of 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 in part to the significant increase in prices being paid for existing facilities, in many cases well above the cost of developing new facilities. At December 31, 2014, we had a development pipeline to develop new self-storage facilities and, to a lesser extent, expand existing self-storage facilities, which will add approximately 3.5 million net rentable square feet of self-storage space. The aggregate cost of these projects is estimated at \$411 million, of which \$105 million had been incurred at December 31, 2014, and the remaining costs will be incurred primarily in 2015. Some of these projects are subject to significant contingencies such as entitlement approval. We expect to continue to seek additional development projects; however, the level of future development may be limited due to various constraints such as difficulty in finding projects that meet our risk-adjusted yield expectations and challenges in obtaining building permits for self-storage activities in certain municipalities.

Participate in the growth of commercial facilities primarily through our ownership in PS Business Parks, Inc.: Our investment in PSB provides diversification into another asset type. PSB is a stand-alone public company traded on the NYSE. During 2013, we increased our investment in PSB by acquiring 1,356,748 shares of PSB common stock in open-market transactions and directly from PSB, for an aggregate cost of \$105.0 million. As of December 31, 2014, we have a 42% equity interest in PSB.

PSB seeks to grow its asset base in favorable markets as well as increase the cash flows from its existing portfolio. From 2010 through 2014, PSB has acquired an aggregate total of 11.3 million rentable square feet in key markets for an aggregate purchase price of approximately \$1.1 billion. In 2014, PSB disposed of certain nonstrategic assets with an aggregate of 1.9 million rentable square feet in Arizona and Oregon, receiving net proceeds aggregating \$212.2 million. As of December 31, 2014, PSB owned and operated approximately 28.6 million net rentable square feet of commercial space, and had an enterprise value of approximately \$4.0 billion (based upon the trading price of PSB's common stock combined with the liquidation value of its debt and preferred stock as of December 31, 2014).

Participate in the growth of European self-storage through ownership in Shurgard Europe: We believe Shurgard Europe is the largest self-storage company in Western Europe. It owns and operates 192 facilities with approximately ten million net rentable square feet in: France (principally Paris), Sweden (principally Stockholm), the United Kingdom (principally London), the Netherlands, Denmark (principally Copenhagen), Belgium and Germany. We own 49% of Shurgard Europe, with the other 51% owned by a large U.S. institutional investor.

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

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

Financing of the Company's Growth Strategies

Overview of financing strategy: 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 investments. As a result, in order to grow our asset base, access to capital is important. Historically we have primarily financed our investment activities with retained operating cash flow and net proceeds from the issuance of preferred and common securities. Occasionally we use short-term bank debt as bridge financing when capital market conditions are not favorable to issue either preferred or common securities. We are evaluating raising additional capital through the issuance of medium or long-term debt instruments, and may do so over the next twelve months.

Permanent capital: We have generally been able to raise capital through the issuance of preferred securities at an attractive cost of capital relative to the issuance of our common shares and, as a result, issuances of common shares have been minimal over the past several years. However, rates and market conditions for the issuance of preferred securities can be volatile or inefficient from time to time, and the market coupon rate of our preferred securities is influenced by long-term interest rates. During the early part of 2013, we issued preferred securities with coupon rates of 5.2%, but later in 2013, rates increased and market conditions for the issuance of common and preferred capital worsened. As a result, in December 2013 we borrowed \$750.1 million from banks to bridge finance our acquisition activities during that timeframe. Subsequently, preferred share coupon rates and market conditions steadily improved, and by September 2014, we repaid our bridge financing, in part, from the issuance of preferred securities. During 2014, we issued an aggregate of \$762.5 million in preferred securities, with an average coupon rate of 6.11%. Notwithstanding the recent market turbulence, we continue to view preferred capital as an important source of capital over the long-term.

Bridge financing: We have in the past used our \$300 million revolving line of credit as temporary "bridge" financing and repaid such borrowings with permanent capital. At December 31, 2013, we had approximately \$50.1 million outstanding on our line of credit and \$700 million due to Wells Fargo pursuant to a term loan which was used to fund our acquisitions of self-storage facilities in the fourth quarter of 2013. We repaid the \$750.1 million of bridge financing by September 30, 2014, in part, through the issuance of preferred securities. See Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources" for more information.

Borrowing through mortgage loans or senior debt: Even though preferred securities have a higher coupon rate than long-term debt, we have generally not issued conventional debt due to refinancing risk associated with debt and other benefits of preferred securities described in more detail in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources." We have broad powers to borrow in furtherance of our objectives without a vote of our shareholders. These powers are subject to a limitation on unsecured borrowings in our Bylaws described in "Limitations on Debt" below. Our senior debt has an "A" credit rating by Standard and Poor's. We believe this high rating, combined with our low level of debt, could allow us to issue a significant amount of unsecured debt at lower interest rates than the coupon rates on preferred securities if we chose to. Given the current low interest rate environment combined with having minimal debt outstanding at December 31, 2014, we may seek to raise capital through the issuance of a modest amount of medium to long-term debt.

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

Issuance of securities in exchange for property: We have issued both our common and preferred securities in exchange for real estate and other investments in the past. Future issuances will be dependent

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upon our financing needs and capital market conditions at the time, including the market prices of our equity securities.

Joint Venture financing: We have used joint ventures with institutional investors and we may form additional joint ventures in the future, primarily to buy or develop self-storage facilities.

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

Investments in Real Estate and Unconsolidated Real Estate Entities

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

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

Facilities Owned by Subsidiaries

In addition to our direct ownership of 2,223 self-storage facilities in the U.S. and one self-storage facility in London, England at December 31, 2014, we have controlling indirect interests in entities that own 14 self-storage facilities in the U.S. Due to our controlling interest in each of these entities, we consolidate the assets, liabilities, and results of operations of these entities in our financial statements.

Facilities Owned by Unconsolidated Real Estate Entities

At December 31, 2014, we also had ownership interests in entities that we do not control or consolidate. These entities include PSB, Shurgard Europe (each discussed above), and various limited partnerships that own an aggregate of 13 self-storage facilities. These entities are referred to collectively as the “Unconsolidated Real Estate Entities.”

PSB, which files financial statements with the SEC, and Shurgard Europe, have debt and other obligations that we do not consolidate in our financial statements. None of the other Unconsolidated Real Estate Entities have significant amounts of debt or other obligations. See Note 4 to our December 31, 2014 financial statements for further disclosure regarding the assets, liabilities and operating results of the Unconsolidated Real Estate Entities.

Limitations on Debt

Without the consent of holders of the various series of Preferred Shares, we may not take any action that would result in our “Debt Ratio” exceeding 50%. “Debt Ratio”, as defined in the related governing documents, represents generally the ratio of debt to total assets before accumulated depreciation and amortization on our balance sheet, in accordance with U.S. generally accepted accounting principles. As of December 31, 2014, the Debt Ratio was approximately 0.5%.

Our bank and senior unsecured debt agreements contain various customary financial covenants, including limitations on the level of indebtedness and the prohibition of the payment of dividends upon the occurrence of defined events of default. We believe we were in compliance with each of these covenants as of December 31, 2014.

Employees

We had approximately 5,300 employees in the U.S. at December 31, 2014 which are engaged primarily in property operations.

Seasonality

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

Insurance

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

We reinsure a program that provides insurance to our customers from an independent third-party insurer. This program covers tenant claims for losses to goods stored at our facilities as a result of specific named perils (earthquakes are not covered by this program), up to a maximum limit of \$5,000 per storage unit. We reinsure all risks in this program, but purchase insurance from an independent third party insurance company for aggregate claims between \$5.0 million and \$15.0 million per occurrence. We are subject to licensing requirements and regulations in several states. At December 31, 2014, there were approximately 823,000 certificates held by our self-storage customers, representing aggregate coverage of approximately \$2.2 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 considering these statements, you should refer to the qualifications and limitations on our forward-looking statements that are described in Forward Looking Statements at the beginning of Item 1.

We have significant exposure to real estate risk.

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

Natural disasters or terrorist attacks could cause damage to our facilities, resulting in increased costs and reduced revenues. Natural disasters, such as earthquakes, hurricanes and floods, or terrorist attacks could cause significant damage and require significant repair costs, and make facilities temporarily uninhabitable, reducing our revenues. Damage and business interruption losses could exceed the aggregate limits of our insurance coverage. In addition, because we self-insure a portion of our risks, losses below a certain level may not be covered by insurance. See Note 13 to our December 31, 2014 financial statements for a description of the risks of losses that are not covered by third-party insurance contracts. We may not have sufficient insurance coverage for losses caused by a terrorist attack, or such insurance may not be maintained, available or cost-effective. In addition, significant natural disasters, terrorist attacks, threats of future terrorist attacks, or resulting wider armed conflicts could have negative impacts on the U.S. economy, reducing storage demand and impairing our operating results.

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

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

We have acquired self-storage facilities from third parties in the past, and we expect to continue to do so in the future.

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

Development of self-storage facilities can subject us to risks. At December 31, 2014, we have a pipeline of development projects totaling \$411 million (subject to contingencies), and we expect to continue to seek additional development projects. There are significant risks involved in developing self-storage facilities, such as delays or cost increases due to changes in or failure to meet government or regulatory requirements, weather issues, unforeseen site conditions, or personnel problems. Self-storage space is generally not pre-leased, and rent-up of newly developed space can be delayed or ongoing cash flow yields can be reduced due to competition, reductions in storage demand, or other factors.

There is significant competition among self-storage facilities and from other storage alternatives. 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. If development of self-storage facilities by other operators were to increase, due to increases in availability of funds for investment or other reasons, competition with our facilities could intensify.

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

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

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

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

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

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

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

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

We own a 49% equity interest in Shurgard Europe, with our investment having a \$395 million book value at December 31, 2014. 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 equity investment in Shurgard Europe, as well as future repatriation of cash.
- Legislative, tax, and regulatory risks: We are subject to complex foreign laws and regulations related to permitting and land use, the environment, labor, and other areas, as well as income, property, sales, value added and employment tax laws. These laws can be difficult to apply or interpret and can vary in each country or locality, and are subject to unexpected changes in their form and application due to regional, national, or local political uncertainty and other factors. Such changes, or Shurgard’s failure to comply with these laws, could subject it to penalties or other sanctions, adverse changes in business processes, as well as potentially adverse income tax, property tax, or other tax burdens.

- Impediments to capital repatriation could negatively impact the realization of our investment in Shurgard Europe: Laws in Europe and the U.S. may create, impede or increase our cost to repatriate capital or earnings from Shurgard Europe.
- Risks of collective bargaining and intellectual property: Collective bargaining, which is prevalent in certain areas in Europe, could negatively impact Shurgard Europe's labor costs or operations. Many of Shurgard Europe's employees participate in various national unions.
- Potential operating and individual country risks: Economic slowdowns or extraordinary political or social change in the countries in which it operates have posed, and could continue to pose, challenges or result in future reductions of Shurgard Europe's operating cash flows.
- Impediments of Shurgard Europe's joint venture structure: Shurgard Europe's significant decisions, involving activities such as borrowing money, capital contributions, raising capital from third parties, as well as selling or acquiring significant assets, require the consent of our joint venture partner. As a result, Shurgard Europe may be precluded from taking advantage of opportunities that we would find attractive. In addition, we could be unable to separately pursue such opportunities due to certain market exclusivity provisions of the Shurgard Europe joint venture agreement, and our 49% equity investment may not be easily sold or readily accepted as collateral by potential lenders to Public Storage due to the joint venture structure.
- Risks related to Shurgard Europe's Debt: Shurgard Europe has a total of €407.5 million in debt outstanding at December 31, 2014, of which €35.0 million is due annually in each of 2015, 2016 and 2017 and €100.0 million is due annually in each of 2021, 2024 and 2025. If Shurgard Europe is not able to refinance its debt when due or otherwise service its debt obligations due to a constrained credit market, negative operating trends or other reasons, our equity investment in Shurgard Europe could be negatively impacted.

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

At December 31, 2014, B. Wayne Hughes, our former Chairman, and his family (together, the "Hughes Family"), which includes two members of the Board, owned approximately 15.5% of our aggregate outstanding common shares. Our declaration of trust permits the Hughes Family to own up to 35.66% of our outstanding common shares while it generally restricts the ownership by other persons and entities to 3% of our outstanding common shares. Consequently, the Hughes Family may significantly influence matters submitted to a vote of our shareholders, including electing trustees, amending our organizational documents, dissolving and approving other extraordinary transactions, such as a takeover attempt, resulting in an outcome that may not be favorable to other shareholders.

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

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

- Provisions of Maryland law may impose limitations that may make it more difficult for a third party to negotiate or effect a business combination transaction or control share acquisition with Public Storage. Currently, the Board has opted not to subject the Company to these provisions of Maryland law, but it could choose to do so in the future without shareholder approval.
- To protect against the loss of our REIT status due to concentration of ownership levels, our declaration of trust generally limits the ability of a person, other than the Hughes Family or "designated investment entities" (each as defined in our declaration of trust), to own, actually or constructively, more than 3% of our outstanding common shares or 9.9%

of the outstanding shares of any class or series of preferred or equity shares, in either case unless a specific exemption is granted by our Board. These limits could discourage, delay or prevent a transaction involving a change in control of our 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 in our declaration of trust, (2) restrictions on the acquisition of our shares of beneficial interest, (3) the power to issue additional common shares, preferred shares or equity shares on terms approved by the Board without obtaining shareholder approval, (4) the advance notice provisions of our bylaws and (5) the Board's ability under Maryland law, without obtaining shareholder approval, to implement takeover defenses that we may not yet have and to take, or refrain from taking, other actions that could have the effect of delaying, deterring or preventing a transaction or a change in control.

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

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

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

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

Even if we qualify as a REIT for federal income tax purposes, we may be subject to some federal, foreign, state and local taxes on our income and property. Since January 1, 2001, certain corporate subsidiaries of the Company have elected to be treated as "taxable REIT subsidiaries" for federal income tax purposes, and are taxable as regular corporations and subject to certain limitations on intercompany transactions. If tax authorities determine that amounts paid by our taxable REIT subsidiaries to us are not reasonable compared to similar arrangements among unrelated parties, we could be subject to a 100% penalty tax on the excess payments, and ongoing intercompany arrangements could have to change, resulting in higher ongoing tax payments. To the extent the Company is required to pay federal, foreign, state or local taxes or federal penalty taxes due to existing laws or changes thereto, we will have less cash available for distribution to shareholders. In addition, certain local and state governments have imposed a tax on self-storage rent which, while in most cases is paid by our customers, increases the cost of self-storage rental to our customers and can negatively impact our revenues. Other local and state governments may impose a self-storage rent tax in the future.

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 are subject to the risk of legal claims and proceedings 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 could involve payment of damages or expenses by us, all of which may be significant. In addition, any such resolution could involve our agreement to terms that restrict the operation of our business. The results of legal proceedings cannot be predicted with certainty. We cannot guarantee losses incurred in connection with any current or future legal or regulatory proceedings or actions will not exceed any provisions we may have set aside in respect of such proceedings or actions or will not exceed any available insurance coverage. The occurrence of any of these events could have a material adverse effect on us.

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

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

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

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

At December 31, 2014, the Hughes Family had ownership interests in, and operated, 54 self-storage facilities in Canada (the "Canadian Self-Storage Facilities"). These facilities are operated under the "Public Storage" tradename, which we license to the Hughes Family for use in Canada on a royalty-free, non-exclusive basis. We have a right of first refusal, subject to limitations, to acquire the stock or assets of the corporation engaged in the operation of the Canadian Self-Storage Facilities if the Hughes Family or the corporation agrees to sell them. However, we do not benefit from profits or potential appreciation in value of the Canadian Self-Storage Facilities because we have no ownership interest in these facilities. We do not currently operate in the Canadian self-storage market. If we choose to do so without acquiring the Hughes Family interests in the Canadian Self-Storage Facilities, we may have to share the use of the "Public Storage" name in Canada with the Hughes Family, unless we are able to terminate the license agreement.

Through our subsidiaries, we reinsure risks relating to loss of goods stored by customers in the Canadian Self-Storage Facilities. During the years ended December 31, 2014, 2013 and 2012, we received \$0.5 million, \$0.5 million and \$0.6 million, respectively, in reinsurance premiums attributable to the

Canadian Self-Storage Facilities. Because our right to earn these premiums may be qualified, there is no assurance that these premiums will continue.

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

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

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

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

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

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

ITEM 1B.Unresolved Staff Comments

None.

ITEM 2. Properties

At December 31, 2014, we had direct and indirect ownership interests in 2,250 self-storage facilities located in 38 states within the U.S. and 193 storage facilities located in seven Western European nations:

	At December 31, 2014	
	Number of Storage Facilities (a)	Net Rentable Square Feet (in thousand)
U.S.:		
California		
Southern	245	17,348
Northern	174	10,662
Florida	268	17,944
Texas	257	17,004
Illinois	126	7,952
Washington	107	7,049
Georgia	91	6,122
North Carolina	84	5,802
Virginia	90	5,440
New York	65	4,527
Colorado	63	3,954
Maryland	61	3,699
New Jersey	57	3,630
Minnesota	47	3,313
Michigan	53	2,916
Arizona	43	2,755
South Carolina	43	2,737
Missouri	38	2,236
Oregon	39	2,040
Pennsylvania	29	1,993
Indiana	31	1,926
Ohio	31	1,922
Nevada	27	1,818
Tennessee	25	1,691
Kansas	27	1,528
Massachusetts	22	1,310
Wisconsin	15	968
Other states (12 states)	92	5,278
Total - U.S.	2,250	145,564
Europe (b):		
France	55	2,886
Netherlands	40	2,180
Sweden	30	1,623
Belgium	21	1,270
UK	21	1,025

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Germany	16	892
Denmark	10	571
Total - Europe	193	10,447
Grand Total	2,443	156,011

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- (a) See Schedule III: Real Estate and Accumulated Depreciation in the Company's 2014 financials, for a complete list of properties consolidated by the Company.
- (b) The facilities located in Europe include one facility in the United Kingdom that we wholly own, as well as the facilities owned by Shurgard Europe.

We seek to maximize our facilities' cash flow through the regular review and adjustment of rents charged and promotions granted to our existing and new incoming customers, and controlling expenses. For the year ended December 31, 2014, the weighted average occupancy level and the average realized rent per occupied square foot for our self-storage facilities were approximately 93.0% and \$14.81, respectively, in the U.S. and 85.0% and \$25.92, respectively, in Europe.

At December 31, 2014, 34 of our U.S. facilities with a net book value of \$161 million were encumbered by an aggregate of \$64 million in secured notes payable.

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

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

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

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

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

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

Competition from other self-storage facilities is significant and 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 and low levels of capital expenditures to maintain their condition and appearance. Historically, upon

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

Description of Commercial Properties: We have an interest in PSB, which, as of December 31, 2014, owns and operates approximately 28.6 million net rentable square feet of commercial space in eight states. At December 31, 2014, the \$412.1 million book value and \$1.2 billion market value, respectively, of our investment in PSB represents approximately 4% and 12%, respectively, of our total assets. We also directly own 1.3 million net rentable square feet of commercial space managed primarily by PSB.

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

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

ITEM 3. Legal Proceedings

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

ITEM 4. Mine Safety Disclosures

Not applicable.

PART II

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

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

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

Year	Quarter	Range	
		High	Low
2013	1st	\$ 157.95	\$ 144.35
	2nd	168.66	145.04
	3rd	168.30	149.46
	4th	176.68	147.14
2014	1st	172.11	148.04
	2nd	176.72	167.41
	3rd	178.26	162.34
	4th	190.19	165.05

As of February 20, 2015, there were approximately 15,154 holders of record of our Common Shares. Because many of our shares of common stock are held by brokers and other institutions on behalf of stockholders, we are unable to estimate the total number of stockholders represented by these record holders.

b. Dividends

We have paid quarterly distributions to our shareholders since 1981, our first full year of operations. During 2014 we paid distributions to our common shareholders of \$1.40 per common share for each of the quarters ended March 31, June 30, September 30 and December 31, representing an aggregate of \$964.6 million or \$5.60 per share. During 2013 we paid distributions to our common shareholders of \$1.25 per common share for each of the quarters ended March 31, June 30, September 30 and \$1.40 per common share for the quarter ended December 31, representing an aggregate of \$884.2 million or \$5.15 per share. During 2012 we paid distributions to our common shareholders of \$1.10 per common share for each of the quarters ended March 31, June 30, September 30 and December 31, representing an aggregate of \$751.2 million or \$4.40 per share.

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

For Federal income tax purposes, distributions to shareholders are treated as ordinary income, capital gains, return of capital or a combination thereof. For 2014, the dividends paid on common shares and preferred shares were classified as follows:

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	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Ordinary Income.....	100.0000%	99.7805%	100.0000%	91.2039%
Long-term Capital Gain.....	0.0000%	0.2195%	0.0000%	8.7961%
Total.....	100.0000%	100.0000%	100.0000%	100.0000%

For 2013, the dividends paid on common shares and preferred shares were classified as follows:

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

c. Equity Shares

We are authorized to issue 100,000,000 equity shares from time to time in one or more series and our Board has broad authority to fix the dividend and distribution rights, conversion and voting rights, redemption provisions and liquidation rights of each series of equity shares. We had no equity shares outstanding for any period in the years ended December 31, 2014 and 2013.

d. Common Share Repurchases

Our Board has authorized management to repurchase up to 35,000,000 of our common shares on the open market or in privately negotiated transactions. From the inception of the repurchase program through February 24, 2015, we have repurchased a total of 23,721,916 common shares (all purchased prior to 2010) at an aggregate cost of approximately \$679.1 million. Our common share repurchase program does not have an expiration date and there are 11,278,084 common shares that may yet be repurchased under our repurchase program as of December 31, 2014. We have no current plans to repurchase shares; however, future levels of common share repurchases will be dependent upon our available capital, investment alternatives, and the trading price of our common shares.

e. Preferred Share Redemptions

We had no preferred redemptions during the year ended December 31, 2014.

ITEM 6. Selected Financial Data

	For the year ended December 31,				
	2014	2013	2012	2011	2010
Revenues	\$ 2,195,404	\$ 1,981,746	\$ 1,842,504	\$ 1,735,888	\$ 1,631,294
Expenses:					
Cost of operations	618,720	565,161	555,904	560,509	545,921
Depreciation and amortization	437,114	387,402	357,781	357,969	353,245
General and administrative	71,459	66,679	56,837	52,410	38,487
Asset impairment charges	-	-	-	2,186	994
	1,127,293	1,019,242	970,522	973,074	938,647
Operating income	1,068,111	962,504	871,982	762,814	692,647
Interest and other income	4,926	22,577	22,074	32,333	29,017
Interest expense	(6,781)	(6,444)	(19,813)	(24,222)	(30,225)
Equity in earnings of unconsolidated real estate entities	88,267	57,579	45,586	58,704	38,352
Foreign currency exchange (loss) gain	(7,047)	17,082	8,876	(7,287)	(42,264)
Gain on real estate sales and debt retirement	2,479	4,233	1,456	10,801	827
Income from continuing operations	1,149,955	1,057,531	930,161	833,143	688,354
Discontinued operations	-	-	12,874	3,316	7,760
Net income	1,149,955	1,057,531	943,035	836,459	696,114
Net income allocated to noncontrolling equity interests	(5,751)	(5,078)	(3,777)	(12,617)	(24,076)
Net income allocable to Public Storage shareholders	\$ 1,144,204	\$ 1,052,453	\$ 939,258	\$ 823,842	\$ 672,038
Per Common Share:					
	\$	\$	\$	\$	\$
Distributions	5.60	5.15	4.40	3.65	3.05
	\$	\$	\$	\$	\$
Net income – Basic	5.27	4.92	3.93	3.31	2.36
	\$	\$	\$	\$	\$
Net income – Diluted	5.25	4.89	3.90	3.29	2.35
Weighted average common shares – Basic	172,251	171,640	170,562	169,657	168,877

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Weighted average common shares – Diluted	173,138	172,688	171,664	170,750	169,772
Balance Sheet Data:					
Total assets	\$ 9,818,676	\$ 9,876,266	\$ 8,793,403	\$ 8,932,562	\$ 9,495,333
Total debt	\$ 64,364	\$ 839,053	\$ 468,828	\$ 398,314	\$ 568,417
Total preferred equity	\$ 4,325,000	\$ 3,562,500	\$ 2,837,500	\$ 3,111,271	\$ 3,396,027
Public Storage shareholders' equity	\$ 9,480,796	\$ 8,791,730	\$ 8,093,756	\$ 8,288,209	\$ 8,676,598
Permanent noncontrolling interests' equity	\$ 26,375	\$ 27,125	\$ 29,108	\$ 22,718	\$ 32,336
Net cash flow:					
Provided by operating activities	\$ 1,606,758	\$ 1,430,339	\$ 1,285,659	\$ 1,203,452	\$ 1,093,221
Used in investing activities	\$ (212,996)	\$ (1,412,393)	\$ (290,465)	\$ (81,355)	\$ (266,605)
Used in financing activities	\$ (1,225,415)	\$ (16,160)	\$ (1,117,305)	\$ (1,438,546)	\$ (1,132,709)

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

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

Critical Accounting Policies

Our MD&A discusses our financial statements, which have been prepared in accordance with United States ("U.S.") generally accepted accounting principles ("GAAP"). Our financial statements are affected by our judgments, assumptions and estimates. The notes to our December 31, 2014 financial statements, primarily Note 2, summarize our significant accounting policies.

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

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

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

In addition, our taxable REIT subsidiaries are taxable as regular corporations. To the extent that amounts paid to us by our taxable REIT subsidiaries are determined by the taxing authorities to not be reasonable when compared to similar arrangements among unrelated parties, we could be subject to a 100% penalty tax on the excess payments. Such a penalty tax could have a material adverse impact on our net income.

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

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

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

MD&A Overview

Our domestic self-storage facilities generated approximately 93% of our revenues for the year ended December 31, 2014, and also generated most of our net income and cash flow from operations. A significant portion of management's time is devoted to maximizing cash flows from our existing self-storage facilities, as well as seeking additional investments in self-storage facilities.

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

During 2014, 2013 and 2012, we acquired 44, 121 and 24 facilities, respectively, from third parties for approximately \$431 million, \$1.2 billion and \$226 million, respectively, primarily through large portfolio acquisitions. We will continue to seek to acquire properties in 2015; 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, 2014, we had development and expansion projects which will add approximately 3.5 million net rentable square feet of storage space at a total cost of approximately \$411 million. A total of \$105 million in costs were incurred through December 31, 2014 with respect to these projects, with the remaining costs expected to be incurred primarily in 2015. We expect to continue to seek additional development projects; however, the level of future development may be limited due to various constraints such as difficulty in finding available sites that meet our risk-adjusted yield expectations, as well as challenges in obtaining building permits for self-storage activities in certain municipalities.

We believe that our real estate development activities are beneficial to our business operations over the long run. However, in the short run, due to the three to four year period that it takes to fill up newly developed storage space and reach a stabilized level of cash flows, our earnings will be diluted to the extent that earnings from those newly developed facilities are less than the cost of the capital that was required in order to fund the development cost. We believe that this negative impact will grow in 2015 and beyond due to the resulting level of growth of unstabilized facilities in our portfolio.

We also have equity investments in Shurgard Europe and PS Business Parks, Inc. ("PSB"). We may invest further in these entities in the future.

As of December 31, 2014, our capital resources totaled approximately \$774 million, consisting of \$188 million in cash, approximately \$286 million of available borrowing capacity on our line of credit, and \$300 million of expected retained operating cash flow for 2015. Retained operating cash flow represents our expected cash flow provided by operating activities, after deducting estimated distributions to our shareholders and estimated maintenance capital expenditure requirements for 2015.

At December 31, 2014, we had capital commitments totaling approximately \$356 million, consisting of \$306 million of remaining spend on our development pipeline, \$32 million in property

acquisitions, and approximately \$18 million in maturities on notes payable. In addition, we expect that our capital commitments will continue to grow during 2015 as we continue to seek additional development and acquisition opportunities.

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 2014 as compared to 2013

For the year ended December 31, 2014, net income allocable to our common shareholders was \$908.2 million or \$5.25 per diluted common share, compared to \$844.7 million or \$4.89 per diluted common share for the same period in 2013, representing an increase of \$63.5 million or \$0.36 per diluted common share. This increase is due primarily to (i) a \$157.2 million increase in self-storage net operating income and (ii) our \$36.5 million equity share of PSB's gain on sale of real estate included in our equity in earnings of real estate entities, offset partially by (iii) a \$49.7 million increase in depreciation and amortization expense associated with acquired facilities, (iv) a \$24.1 million reduction associated with foreign currency exchange gains and losses, (v) an \$28.3 million increase in earnings allocated to preferred shareholders due to the issuance of additional preferred shares, and (vi) a \$17.7 million decrease in interest and other income due primarily to the disposition of 51% of our loan receivable from Shurgard Europe.

Operating results for 2013 as compared to 2012

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

Funds from Operations and Core Funds from Operations

Funds from Operations ("FFO") and FFO per share are non-GAAP (generally accepted accounting principles) measures defined by the National Association of Real Estate Investment Trusts and are considered helpful measures of REIT performance by REITs and many REIT analysts. FFO represents net income before real estate depreciation, gains and losses, and impairment charges, which are excluded because they are based upon historical real estate costs and assume that building values diminish ratably over time, while we believe that real estate values fluctuate due to market conditions. FFO and FFO per share are not a substitute for 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 activities presented on our statements of cash flows. In addition, other REITs may compute these measures differently, so comparisons among REITs may not be helpful.

For the year ended December 31, 2014, FFO was \$7.98 per diluted common share, as compared to \$7.53 for the same period in 2013, representing an increase of 6.0%, or \$0.45 per diluted common share.

For the year ended December 31, 2013, FFO was \$7.53 per diluted common share, as compared to \$6.31 for the same period in 2012, representing an increase of 19.3%, or \$1.22 per diluted common share.

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

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Year Ended December 31,
2014 2013 2012

Reconciliation of Diluted Earnings per Share to FFO per Share:

Diluted Earnings per Share	\$ 5.25	\$ 4.89	\$ 3.90
Eliminate amounts per share excluded from FFO:			
Depreciation and amortization, including amounts from investments and excluding amounts allocated to noncontrolling interests and restricted share unitholders	2.96	2.66	2.50
Gains on sale of real estate investments, including our equity share from investments, and other	(0.23)	(0.02)	(0.09)
FFO per share	\$ 7.98	\$ 7.53	\$ 6.31

Computation of FFO per Share:

Net income allocable to common shareholders	\$ 908,176	\$ 844,731	\$ 669,694
Eliminate items excluded from FFO:			
Depreciation and amortization	437,114	387,402	358,103
Depreciation from unconsolidated real estate investments	79,413	75,458	75,648
Depreciation allocated to noncontrolling interests and restricted share unitholders	(3,638)	(3,976)	(4,730)
Gains on sale of real estate investments, including our equity share from investments, and other	(39,083)	(4,104)	(14,719)
FFO allocable to common shares	\$ 1,381,982	\$ 1,299,511	\$ 1,083,996
Diluted weighted average common shares	173,138	172,688	171,664
FFO per share	\$ 7.98	\$ 7.53	\$ 6.31

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) certain other items such as legal settlements, recognition of deferred tax assets, costs associated with the acquisition of real estate facilities, and facility closure charges. We believe Core FFO per share is a helpful measure used by investors and REIT analysts to understand our performance. 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, 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,		
	2014	2013	Percentage Change	2013	2012	Percentage Change
FFO per share	\$ 7.98	\$ 7.53	6.0%	\$ 7.53	\$ 6.31	19.3%
Eliminate the per share impact of items excluded from Core FFO:						
Foreign currency exchange loss (gain)	0.04	(0.10)		(0.10)	(0.05)	
Application of EITF D-42	-	-		-	0.40	
Other items	0.07	0.01		0.01	0.02	
Core FFO per share	\$ 8.09	\$ 7.44	8.7%	\$ 7.44	\$ 6.68	11.4%
Real Estate Operations						

Self-Storage Operations: Our self-storage operations are analyzed in two groups: (i) the Same Store Facilities, representing the facilities that we have owned and operated on a stabilized basis since January 1, 2012, and (ii) all other facilities, which are newly acquired, newly developed, or recently expanded facilities (the “Non Same Store Facilities”).

Self-Storage Operations

Summary	Year Ended December 31,			Year Ended December 31,		
	2014	2013	Percentage Change	2013	2012	Percentage Change
(Dollar amounts in thousands)						
Revenues:						
Same Store Facilities	\$ 1,836,676	\$ 1,743,182	5.4%	\$ 1,743,182	\$ 1,653,145	5.4%
Non Same Store Facilities	213,206	106,701	99.8%	106,701	65,720	62.4%
Total rental income	2,049,882	1,849,883	10.8%	1,849,883	1,718,865	7.6%
Cost of operations:						
Same Store Facilities	498,640	489,177	1.9%	489,177	496,217	(1.4)%
Non Same Store Facilities	68,258	34,909	95.5%	34,909	21,424	62.9%
Total cost of operations	566,898	524,086	8.2%	524,086	517,641	1.2%
Net operating income (a):						
Same Store Facilities	1,338,036	1,254,005	6.7%	1,254,005	1,156,928	8.4%
Non Same Store Facilities	144,948	71,792	101.9%	71,792	44,296	62.1%
Total net operating income	1,482,984	1,325,797	11.9%	1,325,797	1,201,224	10.4%
Total depreciation and amortization expense:						
Same Store Facilities	(312,995)	(316,178)	(1.0)%	(316,178)	(326,258)	(3.1)%
Non Same Store Facilities	(121,074)	(68,445)	76.9%	(68,445)	(28,713)	138.4%
Total depreciation and amortization expense	(434,069)	(384,623)	12.9%	(384,623)	(354,971)	8.4%
Total net income	\$ 1,048,915	\$ 941,174	11.4%	\$ 941,174	\$ 846,253	11.2%

Number of facilities at period end:

Same Store Facilities	1,982	1,982	-	1,982	1,982	-
Non Same Store Facilities	256	205	24.9%	205	83	147.0%

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

Same Store Facilities	125,435	125,435	-	125,435	125,435	-
Non Same Store Facilities	19,439	14,852	30.9%	14,852	6,202	139.5%

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

Net income from our Self-Storage operations has increased 11.4% in 2014 as compared to 2013 and 11.2% in 2013 as compared to 2012. These increases are due to improvements in our Same Store Facilities, as well as the acquisitions of new facilities and the fill-up of unstabilized facilities.

Same Store Facilities

The Same Store Facilities represent those facilities that have been owned and operated on a stabilized basis since January 1, 2012 and therefore provide meaningful comparisons for 2012, 2013 and 2014. The following table summarizes the historical operating results of these 1,982 facilities (125.4 million net rentable square feet) that

represent approximately 87% of the aggregate net rentable square feet of our U.S. consolidated self-storage portfolio at December 31, 2014.

Selected Operating Data for the Same Store Facilities (1,982 facilities)

	Year Ended December 31,			Year Ended December 31,		
	2014	2013	Percentage Change	2013	2012	Percentage Change
(Dollar amounts in thousands, except weighted average amounts)						
Revenues:						
Rental income	\$ 1,748,211	\$ 1,657,412	5.5%	\$ 1,657,412	\$ 1,571,022	5.5%
Late charges and administrative fees	88,465	85,770	3.1%	85,770	82,123	4.4%
Total revenues (a)	1,836,676	1,743,182	5.4%	1,743,182	1,653,145	5.4%
Cost of operations:						
Property taxes	168,297	162,903	3.3%	162,903	155,403	4.8%
On-site property manager payroll	98,260	99,980	(1.7)%	99,980	100,669	(0.7)%
Supervisory payroll	33,986	34,491	(1.5)%	34,491	33,952	1.6%
Repairs and maintenance	43,398	40,140	8.1%	40,140	40,959	(2.0)%
Utilities	38,927	37,365	4.2%	37,365	37,355	0.0%
Advertising and selling expense	26,684	27,783	(4.0)%	27,783	39,920	(30.4)%
Other direct property costs	51,409	50,386	2.0%	50,386	51,402	(2.0)%
Allocated overhead	37,679	36,129	4.3%	36,129	36,557	(1.2)%
Total cost of operations (a)	498,640	489,177	1.9%	489,177	496,217	(1.4)%
Net operating income (b)	1,338,036	1,254,005	6.7%	1,254,005	1,156,928	8.4%
Depreciation and amortization expense	(312,995)	(316,178)	(1.0)%	(316,178)	(326,258)	(3.1)%
Net income	\$ 1,025,041	\$ 937,827	9.3%	\$ 937,827	\$ 830,670	12.9%
Gross margin (before depreciation and amortization)	72.9%	71.9%	1.4%	71.9%	70.0%	2.7%
Weighted average for the period:						
Square foot occupancy	93.9%	93.3%	0.6%	93.3%	91.9%	1.5%
Realized annual rental income per (c):						
Occupied square foot	\$ 14.84	\$ 14.16	4.8%	\$ 14.16	\$ 13.63	3.9%
Available square foot ("REVPAF")	\$ 13.94	\$ 13.21	5.5%	\$ 13.21	\$ 12.52	5.5%
At December 31:						
Square foot occupancy	92.5%	91.8%	0.8%	91.8%	91.4%	0.4%
Annual contract rent per						

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occupied square foot (d)	\$ 15.79	\$ 15.05	4.9%	\$ 15.05	\$ 14.47	4.0%
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- (a) Revenues and cost of operations do not include ancillary revenues and expenses generated at the facilities with respect to tenant reinsurance and retail sales.
- (b) See “Net Operating Income” below for a reconciliation of this non-GAAP measure to our operating income in our income statements.
- (c) Realized annual rent per occupied square foot is computed by dividing rental income, before late charges and administrative fees, by the weighted average occupied square feet for the period. Realized annual rent per available square foot (“REVPAF”) is computed by dividing rental income, before late charges and administrative

fees, by the total available net rentable square feet for the period. These measures exclude late charges and administrative fees in order to provide a better measure of our ongoing level of revenue. Late charges are dependent upon the level of delinquency, and administrative fees are dependent upon the level of move-ins. In addition, the rates charged for late charges and administrative fees can vary independently from rental rates. These measures take into consideration promotional discounts, which reduce rental income.

(d) Annual contract rent represents the applicable annualized contractual monthly rent charged to our tenants, excluding the impact of promotional discounts, late charges and administrative fees.

Analysis of Same Store Revenue

Revenues generated by our Same Store Facilities increased by 5.4% in 2014 as compared to the 2013 due primarily to a 4.8% increase in realized rent per occupied square foot and a 0.6% increase in average occupancy. Revenues generated by our Same Store Facilities increased by 5.4% in 2013 as compared to 2012 due primarily to a 3.9% increase in realized rent per occupied square foot and a 1.5% increase in average occupancy. The increases in realized rent per occupied square foot was due primarily to annual rent increases given to tenants that have been renting with us longer than one year, and to a lesser extent, increased move-in rates in 2014 as compared to 2013, and reduced promotional discounts given to new tenants in 2013 as compared to 2012.

Same Store average occupancy increased from 93.3% in 2013 to 93.9% in 2014, representing an increase of 0.6%. Same Store average occupancy increased from 91.9% in 2012 to 93.3% in 2013, representing an increase of 1.5%. At December 31, 2014, the year-over-year occupancy gap was 0.8%. Notwithstanding this increase, we expect the year over year occupancy gap to narrow because we believe we are reaching limitations to occupancy levels inherent with approximately 5% to 7% of our tenant base vacating each month without notice.

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

We believe rental growth in 2015 will need to come from a combination of the following; (i) continued annual rent increases to tenants, (ii) higher rental rates charged to new tenants, and (iii) lower promotional discounts. 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 competitor supply of self-storage space, and the average length of stay of our tenants.

Increasing 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-outs. We expect to continue to pass similar rent increases to long-term tenants in 2015, as we did in 2014.

During 2014, 2013 and 2012, the average annualized contractual rates per occupied square foot for tenants that moved in were \$13.63, \$13.02 and \$12.81, respectively, and for tenants that vacated were \$14.34, \$13.81 and \$13.58, respectively. Notwithstanding the negative impact of vacate rates exceeding move in rates in each of the past three years, we have continue to grow realized annual rental income per square foot during each of 2014 and 2013, as noted in the table above. The growth in realized annual rental income per square foot was primarily due to (i) annual rate increases to tenants, (ii) improved length of stay, (iii) for 2014, improved net positive move ins (move in volume less move out volume) versus 2013, and (iv) reduced levels of promotional discounts. Promotional discounts were approximately \$81.4 million in 2014, \$81.2 million in 2013, and \$90.2 million in 2012. Promotional discounts have declined due to higher occupancy.

We believe that the current trends in move-in, move-out, in place contractual rents and occupancy levels are consistent with our expectation of continued revenue growth in 2015. However, such trends, when viewed in the short-run, are volatile and not necessarily predictive of our revenues going forward because they are subject to many short-term factors. Such factors include initial move-in rates, seasonal factors, the unit size and geographical mix of the specific tenants moving in or moving out, the length of stay of the tenants moving in or moving out, changes in our pricing strategies, and the degree and timing of rate increases previously passed to existing tenants.

Analysis of Same Store Cost of Operations

Cost of operations (excluding depreciation and amortization) increased 1.9% in 2014 as compared to 2013 and decreased 1.4% in 2013 as compared to 2012. The increase in 2014 was due primarily to increased repairs and maintenance, primarily snow removal expense, as well as increased property tax expense. The decrease in 2013 was due primarily to reduced advertising and selling expense, offset partially by increased property taxes.

Property tax expense increased 3.3% in 2014 as compared to 2013 and 4.8% in 2013 as compared to 2012. The increases in 2014 and 2013 were due primarily to higher assessed values and tax rates. We expect property tax expense growth of approximately 4% to 5% in 2015.

On-site property manager payroll expense decreased 1.7% in 2014 as compared to 2013 and 0.7% in 2013 as compared to 2012. The decrease in 2014 was due primarily to efficiencies which resulted in fewer hours worked, combined with reduced workers' compensation expenses. The decrease in 2013 was due primarily to reductions in incentive compensation, offset partially by higher employee health plan expenses. We expect on-site property manager payroll expense to increase modestly in 2015 due to inflationary wage increases.

Supervisory payroll expense, which represents compensation paid to the management personnel who directly and indirectly supervise the on-site property managers, decreased 1.5% in 2014 as compared to 2013 and increased 1.6% in 2013 as compared to 2012. The decrease in 2014 was due primarily to reduced headcount, while the increase in 2013 was due primarily to increases in compensation rates. We expect inflationary increases in compensation rates and increased headcount in 2015.

Repairs and maintenance expense increased 8.1% in 2014 as compared to 2013, and decreased 2.0% in 2013 as compared to 2012. Repair and maintenance costs include snow removal expense totaling \$7.9 million, \$5.3 million and \$2.8 million in 2014, 2013 and 2012, respectively. Excluding snow removal costs, repairs and maintenance increased 1.9% in 2014 as compared to 2013 and decreased 8.9% in 2013 as compared to 2012.

Repairs and maintenance expense levels are dependent upon many factors such as weather conditions, which can impact repair and maintenance needs including snow removal, inflation in material and labor costs, and random events. We expect inflationary increases in repairs and maintenance expense in 2015, excluding snow removal expense, 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 driven primarily by weather and temperature. Utility expense increased 4.2% in 2014 and was flat in 2013 as compared to 2012. It is difficult to estimate future utility costs, because weather, temperature, and energy prices are volatile and not predictable. However, based upon current trends and expectations regarding commercial electricity rates, we expect inflationary increases in rates.

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

short run in response to these factors. Advertising and selling expenses declined 4.0% in 2014 as compared to 2013, and 30.4% in 2013 as compared to 2012. The

significant decrease in 2013 is due to the phase-out of our yellow page advertising program as of December 31, 2012, as well as reduced television advertising and Internet search costs as a result of high occupancies. Based upon current trends in move-ins, move-outs, and occupancies, we expect advertising and selling expense to be approximately flat in 2015.

Other direct property costs include administrative expenses incurred at the self-storage facilities, such as property insurance, business license costs, bank charges related to processing the properties' cash receipts, credit card fees, and the cost of operating each property's rental office including supplies and telephone data communication lines. These costs increased 2.0% in 2014 as compared to 2013 and decreased 2.0% in 2013 as compared to 2012. The increase in 2014 is due primarily to higher credit card fees, offset partially by lower property insurance costs. The decrease in 2013 is due to lower property insurance costs and certain administrative cost-saving efforts, offset partially by an increase in credit card fees. Credit card fees increased in both periods due to a higher proportion of collections being received from credit cards. We expect moderate increases in other direct property costs in 2015.

Allocated overhead represents administrative expenses for shared general corporate functions, which are allocated to self-storage property operations to the extent their efforts are devoted to self-storage operations. Such functions include data processing, human resources, operational accounting and finance, marketing, and costs of senior executives (other than the Chief Executive Officer and Chief Financial Officer, which are included in general and administrative expense). Allocated overhead increased 4.3% in 2014 as compared to 2013, and decreased 1.2% in 2013 as compared to 2012. We expect inflationary growth in allocated overhead in 2015 as compared to 2014.

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

For the Quarter Ended

	March 31	June 30	September 30	December 31	Entire Year
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(Amounts in thousands, except for per square foot amount)

Total revenues:

2014	\$ 440,404	\$ 452,571	\$ 475,973	\$ 467,728	\$ 1,836,676
2013	\$ 419,094	\$ 429,958	\$ 451,300	\$ 442,830	\$ 1,743,182
2012	\$ 397,132	\$ 408,636	\$ 427,492	\$ 419,885	\$ 1,653,145

Total cost of operations:

2014	\$ 139,460	\$ 126,722	\$ 128,745	\$ 103,713	\$ 498,640
2013	\$ 134,144	\$ 125,279	\$ 127,691	\$ 102,063	\$ 489,177
2012	\$ 137,298	\$ 127,789	\$ 125,742	\$ 105,388	\$ 496,217

Property taxes:

2014	\$ 47,583	\$ 46,967	\$ 46,069	\$ 27,678	\$ 168,297
2013	\$ 45,613	\$ 44,953	\$ 44,572	\$ 27,765	\$ 162,903
2012	\$ 43,956	\$ 42,910	\$ 41,568	\$ 26,969	\$ 155,403

Repairs and maintenance:

2014	\$ 14,734	\$ 9,432	\$ 9,900	\$ 9,332	\$ 43,398
2013	\$ 11,022	\$ 9,278	\$ 9,862	\$ 9,978	\$ 40,140
2012	\$ 12,513	\$ 10,672	\$ 8,656	\$ 9,118	\$ 40,959

Advertising and selling
expense:

2014	\$ 6,481	\$ 6,043	\$ 7,772	\$ 6,388	\$ 26,684
2013	\$ 7,655	\$ 6,577	\$ 8,596	\$ 4,955	\$ 27,783
2012	\$ 10,805	\$ 10,883	\$ 10,499	\$ 7,733	\$ 39,920

REVPAF:

2014	\$ 13.34	\$ 13.75	\$ 14.44	\$ 14.22	\$ 13.94
2013	\$ 12.69	\$ 13.05	\$ 13.67	\$ 13.44	\$ 13.21
2012	\$ 12.02	\$ 12.39	\$ 12.94	\$ 12.75	\$ 12.52

Weighted average realized annual rent per occupied square foot:

2014	\$ 14.40	\$ 14.52	\$ 15.25	\$ 15.20	\$ 14.84
2013	\$ 13.81	\$ 13.88	\$ 14.48	\$ 14.45	\$ 14.16
2012	\$ 13.32	\$ 13.42	\$ 13.93	\$ 13.86	\$ 13.63

Weighted average occupancy levels for
the period:

2014	92.6%	94.7%	94.7%	93.5%	93.9%
2013	91.9%	94.0%	94.4%	93.0%	93.3%
2012	90.2%	92.3%	92.9%	92.0%	91.9%

Analysis of Market Trends

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

Same Store Facilities Operating
Trends by Market

	Year Ended December 31,			Year Ended December 31,		
	2014	2013	Change	2013	2012	Change
(Amounts in thousands, except for weighted average data)						
Revenues:						
Los Angeles (197 facilities)	\$ 270,531	\$ 257,062	5.2%	\$ 257,062	\$ 243,442	5.6%
San Francisco (128 facilities)	155,918	145,995	6.8%	145,995	137,431	6.2%
New York (79 facilities)	117,591	114,024	3.1%	114,024	106,623	6.9%
Chicago (129 facilities)	113,870	108,754	4.7%	108,754	103,578	5.0%
Washington DC (74 facilities)	86,836	85,013	2.1%	85,013	82,349	3.2%
Seattle-Tacoma (85 facilities)	87,607	82,111	6.7%	82,111	77,251	6.3%
Miami (61 facilities)	77,604	72,842	6.5%	72,842	69,088	5.4%
Dallas-Ft. Worth (98 facilities)	72,295	67,920	6.4%	67,920	63,836	6.4%
Houston (80 facilities)	67,259	62,348	7.9%	62,348	57,787	7.9%
Atlanta (89 facilities)	63,173	59,589	6.0%	59,589	57,293	4.0%
Philadelphia (55 facilities)	46,886	44,783	4.7%	44,783	43,532	2.9%
Denver (47 facilities)	43,075	39,808	8.2%	39,808	36,921	7.8%
Minneapolis-St Paul (41 facilities)	35,947	33,863	6.2%	33,863	31,369	8.0%
Portland (43 facilities)	33,594	31,287	7.4%	31,287	29,703	5.3%
Orlando-Daytona (45 facilities)	30,546	29,259	4.4%	29,259	28,083	4.2%
All other markets (731 facilities)	533,944	508,524	5.0%	508,524	484,859	4.9%
Total revenues	\$ 1,836,676	\$ 1,743,182	5.4%	\$ 1,743,182	\$ 1,653,145	5.4%
Net operating income:						
Los Angeles	\$ 218,173	\$ 204,154	6.9%	\$ 204,154	\$ 188,292	8.4%
San Francisco	123,741	114,097	8.5%	114,097	104,466	9.2%
New York	84,092	80,173	4.9%	80,173	71,787	11.7%
Chicago	65,521	63,680	2.9%	63,680	61,001	4.4%
Washington DC	66,368	65,022	2.1%	65,022	62,250	4.5%
Seattle-Tacoma	68,052	62,354	9.1%	62,354	57,092	9.2%
Miami	58,987	54,430	8.4%	54,430	50,124	8.6%
Dallas-Ft. Worth	50,524	46,377	8.9%	46,377	41,765	11.0%
Houston	45,098	40,933	10.2%	40,933	37,481	9.2%
Atlanta	45,279	42,189	7.3%	42,189	38,966	8.3%

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Philadelphia	31,930	30,154	5.9%	30,154	28,775	4.8%
Denver	31,679	28,707	10.4%	28,707	25,769	11.4%
Minneapolis-St. Paul	23,933	21,979	8.9%	21,979	19,920	10.3%
Portland	25,129	23,311	7.8%	23,311	21,451	8.7%
Orlando-Daytona	21,522	20,155	6.8%	20,155	18,980	6.2%
All other markets	378,008	356,290	6.1%	356,290	328,809	8.4%
Total net operating income	\$ 1,338,036	\$ 1,254,005	6.7%	\$ 1,254,005	\$ 1,156,928	8.4%

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Same Store Facilities Operating Trends by Market (Continued)

	Year Ended December 31,			Year Ended December 31,		
	2014	2013	Change	2013	2012	Change
Weighted average square foot occupancy:						
Los Angeles	94.3%	93.5%	0.9%	93.5%	92.2%	1.4%
San Francisco	95.2%	94.6%	0.6%	94.6%	93.1%	1.6%
New York	94.0%	94.6%	(0.6)%	94.6%	92.9%	1.8%
Chicago	93.4%	93.5%	(0.1)%	93.5%	92.2%	1.4%
Washington DC	92.5%	93.0%	(0.5)%	93.0%	91.9%	1.2%
Seattle-Tacoma	94.0%	93.0%	1.1%	93.0%	91.1%	2.1%
Miami	94.6%	93.9%	0.7%	93.9%	92.4%	1.6%
Dallas-Ft. Worth	94.2%	93.5%	0.7%	93.5%	91.7%	2.0%
Houston	94.2%	93.8%	0.4%	93.8%	91.8%	2.2%
Atlanta	93.6%	92.0%	1.7%	92.0%	90.6%	1.5%
Philadelphia	93.7%	93.1%	0.6%	93.1%	91.6%	1.6%
Denver	95.0%	94.8%	0.2%	94.8%	94.1%	0.7%
Minneapolis-St. Paul	93.2%	93.2%	0.0%	93.2%	91.8%	1.5%
Portland	95.0%	94.1%	1.0%	94.1%	92.8%	1.4%
Orlando-Daytona	93.8%	93.1%	0.8%	93.1%	91.8%	1.4%
All other markets	93.6%	92.9%	0.8%	92.9%	91.4%	1.6%
Total weighted average occupancy	93.9%	93.3%	0.6%	93.3%	91.9%	1.5%
Realized annual rent per occupied square foot:						
Los Angeles	\$ 20.39	\$ 19.51	4.5%	\$ 19.51	\$ 18.76	4.0%
San Francisco	21.41	20.14	6.3%	20.14	19.26	4.6%
New York	22.65	21.75	4.1%	21.75	20.73	4.9%
Chicago	14.34	13.68	4.8%	13.68	13.17	3.9%
Washington DC	20.75	20.31	2.2%	20.31	19.88	2.2%
Seattle-Tacoma	15.98	15.12	5.7%	15.12	14.52	4.1%
Miami	17.99	17.01	5.8%	17.01	16.35	4.0%
Dallas-Ft. Worth	11.66	11.01	5.9%	11.01	10.56	4.3%
Houston	12.22	11.37	7.5%	11.37	10.79	5.4%
Atlanta	10.81	10.35	4.4%	10.35	10.06	2.9%
Philadelphia	13.94	13.38	4.2%	13.38	13.20	1.4%
Denver	14.35	13.22	8.5%	13.22	12.35	7.0%
Minneapolis-St. Paul	13.05	12.26	6.4%	12.26	11.50	6.6%
Portland	15.08	14.19	6.3%	14.19	13.66	3.9%
Orlando-Daytona	11.39	10.96	3.9%	10.96	10.65	2.9%
All other markets	11.93	11.44	4.3%	11.44	11.07	3.3%
Total realized rent per square						

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foot	\$ 14.84	\$ 14.16	4.8%	\$ 14.16	\$ 13.63	3.9%
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Same Store Facilities
Operating Trends by
Market (Continued)

	Year Ended December 31,			Year Ended December 31,		
	2014	2013	Change	2013	2012	Change
REVPAF:						
Los Angeles	\$ 19.23	\$ 18.24	5.4%	\$ 18.24	\$ 17.30	5.4%
San Francisco	20.39	19.04	7.1%	19.04	17.93	6.2%
New York	21.28	20.57	3.5%	20.57	19.26	6.8%
Chicago	13.40	12.78	4.9%	12.78	12.14	5.3%
Washington DC	19.20	18.88	1.7%	18.88	18.27	3.3%
Seattle-Tacoma	15.03	14.06	6.9%	14.06	13.23	6.3%
Miami	17.03	15.97	6.6%	15.97	15.10	5.8%
Dallas-Ft. Worth	11.00	10.30	6.8%	10.30	9.68	6.4%
Houston	11.52	10.66	8.1%	10.66	9.90	7.7%
Atlanta	10.15	9.52	6.6%	9.52	9.12	4.4%
Philadelphia	13.07	12.45	5.0%	12.45	12.09	3.0%
Denver	13.67	12.54	9.0%	12.54	11.61	8.0%
Minneapolis-St. Paul	12.16	11.43	6.4%	11.43	10.56	8.2%
Portland	14.32	13.36	7.2%	13.36	12.67	5.4%
Orlando-Daytona	10.70	10.21	4.8%	10.21	9.78	4.4%
All other markets	11.16	10.62	5.1%	10.62	10.12	4.9%
Total REVPAF	\$ 13.94	\$ 13.21	5.5%	\$ 13.21	\$ 12.52	5.5%

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

Non Same Store Facilities

The Non Same Store Facilities at December 31, 2014 represent 256 facilities that were not stabilized with respect to occupancies or rental rates since January 1, 2012, or that we did not own as of January 1, 2012. As a result of the stabilization process and timing of when the facilities were acquired, year-over-year changes can be significant.

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

NON SAME STORE FACILITIES	Year Ended December 31,			Year Ended December 31,		
	2014	2013	Change	2013	2012	Change

(Dollar amounts in thousands, except square foot amounts)

Rental income:

2014 third party acquisitions	\$ 15,347	\$ -	\$ 15,347	\$ -	\$ -	\$ -
2013 third party acquisitions	96,947	19,309	77,638	19,309	-	19,309
2012 third party acquisitions	28,275	22,452	5,823	22,452	7,791	14,661
Other facilities	72,637	64,940	7,697	64,940	57,929	7,011
Total rental income	213,206	106,701	106,505	106,701	65,720	40,981

Cost of operations before depreciation
and amortization expense:

2014 third party acquisitions	4,566	-	4,566	-	-	-
2013 third party acquisitions	32,917	7,574	25,343	7,574	-	7,574
2012 third party acquisitions	9,591	8,562	1,029	8,562	3,206	5,356
Other facilities	21,184	18,773	2,411	18,773	18,218	555
Total cost of operations	68,258	34,909	33,349	34,909		