

Public Storage  
Form 10-Q  
November 08, 2010

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

FORM 10-Q

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

For the quarterly period ended September 30, 2010

or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_.

Commission File Number: 001-33519

PUBLIC STORAGE

(Exact name of registrant as specified in its charter)

Maryland  
(State or other jurisdiction of  
incorporation or organization)

95-3551121  
(I.R.S. Employer Identification Number)

701 Western Avenue, Glendale, California  
(Address of principal executive offices)

91201-2349  
(Zip Code)

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

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

☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically 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

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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 ☐

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

☐ Yes ☒ No

Indicate the number of the registrant’s outstanding common shares of beneficial interest, as of November 4, 2010:

Common Shares of beneficial interest, \$.10 par value per share – 170,325,428 shares

PUBLIC STORAGE

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

|                                      | September<br>30,<br>2010<br>(Unaudited) | December<br>31,<br>2009 |
|--------------------------------------|-----------------------------------------|-------------------------|
| <b>ASSETS</b>                        |                                         |                         |
| Cash and cash equivalents            | \$513,479                               | \$763,789               |
| Marketable securities                | 102,131                                 | -                       |
| Real estate facilities, at cost:     |                                         |                         |
| Land                                 | 2,785,630                               | 2,717,368               |
| Buildings                            | 7,773,237                               | 7,575,587               |
|                                      | 10,558,867                              | 10,292,955              |
| Accumulated depreciation             | (2,975,105 )                            | (2,734,449 )            |
|                                      | 7,583,762                               | 7,558,506               |
| Construction in process              | 8,298                                   | 3,527                   |
|                                      | 7,592,060                               | 7,562,033               |
| Investment in real estate entities   | 607,057                                 | 612,316                 |
| Goodwill, net                        | 174,634                                 | 174,634                 |
| Intangible assets, net               | 45,804                                  | 38,270                  |
| Loan receivable from Shurgard Europe | 515,379                                 | 561,703                 |
| Other assets                         | 100,866                                 | 92,900                  |
| Total assets                         | \$9,651,410                             | \$9,805,645             |

**LIABILITIES AND EQUITY**

|                                                              |           |           |
|--------------------------------------------------------------|-----------|-----------|
| Notes payable                                                | \$589,518 | \$518,889 |
| Accrued and other liabilities                                | 243,629   | 212,253   |
| Total liabilities                                            | 833,147   | 731,142   |
| Redeemable noncontrolling interests in subsidiaries (Note 6) | 13,127    | 13,122    |
| Commitments and contingencies (Note 11)                      |           |           |

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Equity:

Public Storage shareholders' equity:

|                                                                                                                                                                                                                  |             |             |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|-------------|
| Cumulative Preferred Shares of beneficial interest, \$0.01 par value, 100,000,000 shares authorized, 485,740 shares issued (in series) and outstanding, (886,140 at December 31, 2009) at liquidation preference | 3,379,777   | 3,399,777   |
| Common Shares of beneficial interest, \$0.10 par value, 650,000,000 shares authorized, 169,174,859 shares issued and outstanding (168,405,539 at December 31, 2009)                                              | 16,919      | 16,842      |
| Equity Shares of beneficial interest, Series A, \$0.01 par value, 100,000,000 shares authorized, none outstanding (8,377.193 shares issued and outstanding at December 31, 2009) (Note 7)                        | -           | -           |
| Paid-in capital                                                                                                                                                                                                  | 5,513,603   | 5,680,549   |
| Accumulated deficit                                                                                                                                                                                              | (226,343 )  | (153,759 )  |
| Accumulated other comprehensive loss                                                                                                                                                                             | (11,880 )   | (15,002 )   |
| Total Public Storage shareholders' equity                                                                                                                                                                        | 8,672,076   | 8,928,407   |
| Equity of permanent noncontrolling interests in subsidiaries (Note 6)                                                                                                                                            | 133,060     | 132,974     |
| Total equity                                                                                                                                                                                                     | 8,805,136   | 9,061,381   |
| Total liabilities and equity                                                                                                                                                                                     | \$9,651,410 | \$9,805,645 |

See accompanying notes.

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

|                                                                                                                                                                                                                                            | Three Months Ended<br>September 30, |            | Nine Months Ended<br>September 30, |              |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------|------------|------------------------------------|--------------|
|                                                                                                                                                                                                                                            | 2010                                | 2009       | 2010                               | 2009         |
| Revenues:                                                                                                                                                                                                                                  |                                     |            |                                    |              |
| Self-storage facilities                                                                                                                                                                                                                    | \$ 389,402                          | \$ 377,430 | \$ 1,127,638                       | \$ 1,118,750 |
| Ancillary operations                                                                                                                                                                                                                       | 26,588                              | 27,800     | 78,823                             | 81,741       |
| Interest and other income                                                                                                                                                                                                                  | 6,775                               | 6,857      | 22,023                             | 22,006       |
|                                                                                                                                                                                                                                            | 422,765                             | 412,087    | 1,228,484                          | 1,222,497    |
| Expenses:                                                                                                                                                                                                                                  |                                     |            |                                    |              |
| Cost of operations:                                                                                                                                                                                                                        |                                     |            |                                    |              |
| Self-storage facilities                                                                                                                                                                                                                    | 127,672                             | 120,975    | 388,086                            | 378,259      |
| Ancillary operations                                                                                                                                                                                                                       | 7,091                               | 7,493      | 25,060                             | 27,520       |
| Depreciation and amortization                                                                                                                                                                                                              | 92,648                              | 85,670     | 262,359                            | 253,844      |
| General and administrative                                                                                                                                                                                                                 | 8,910                               | 8,654      | 29,068                             | 26,532       |
| Interest expense                                                                                                                                                                                                                           | 7,838                               | 7,289      | 22,455                             | 22,705       |
|                                                                                                                                                                                                                                            | 244,159                             | 230,081    | 727,028                            | 708,860      |
| Income from continuing operations before equity in earnings of real estate entities, foreign currency exchange gain (loss), gains on disposition of real estate investments, gain on early retirement of debt and asset impairment charges | 178,606                             | 182,006    | 501,456                            | 513,637      |
| Equity in earnings of real estate entities                                                                                                                                                                                                 | 9,043                               | 8,824      | 27,792                             | 39,033       |
| Foreign currency exchange gain (loss)                                                                                                                                                                                                      | 55,455                              | 21,429     | (28,592 )                          | 19,901       |
| Gains on disposition of real estate investments                                                                                                                                                                                            | -                                   | 30,573     | 396                                | 33,295       |
| Gain on early retirement of debt                                                                                                                                                                                                           | -                                   | -          | 283                                | 4,114        |
| Asset impairment charges                                                                                                                                                                                                                   | -                                   | -          | (1,949 )                           | -            |
| Income from continuing operations                                                                                                                                                                                                          | 243,104                             | 242,832    | 499,386                            | 609,980      |
| Discontinued operations                                                                                                                                                                                                                    | 2,707                               | 1,119      | 7,518                              | (7,213 )     |
| Net income                                                                                                                                                                                                                                 | 245,811                             | 243,951    | 506,904                            | 602,767      |
| Net income allocated (to) from noncontrolling interests in subsidiaries:                                                                                                                                                                   |                                     |            |                                    |              |
| Based upon income of the subsidiaries                                                                                                                                                                                                      | (6,457 )                            | (6,642 )   | (18,551 )                          | (21,284 )    |

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|                                                                 |            |            |            |            |
|-----------------------------------------------------------------|------------|------------|------------|------------|
| Based upon repurchases of interests                             | -          | -          | -          | 72,000     |
| Net income allocable to Public Storage shareholders             | \$ 239,354 | \$ 237,309 | \$ 488,353 | \$ 653,483 |
| Allocation of net income to (from) Public Storage shareholders: |            |            |            |            |
| Preferred shareholders based on distributions paid              | \$ 57,522  | \$ 58,108  | \$ 174,509 | \$ 174,324 |
| Preferred shareholders based on repurchases                     | (800 )     | -          | 4,263      | (6,218 )   |
| Equity Shares, Series A                                         | -          | 5,131      | 5,131      | 15,393     |
| Equity Shares, Series A based on redemptions                    | -          | -          | 25,746     | -          |
| Restricted share units                                          | 426        | 577        | 923        | 1,509      |
| Common shareholders                                             | 182,206    | 173,493    | 277,781    | 468,475    |
|                                                                 | \$ 239,354 | \$ 237,309 | \$ 488,353 | \$ 653,483 |
| Net income per common share – basic                             |            |            |            |            |
| Continuing operations                                           | \$ 1.06    | \$ 1.02    | \$ 1.61    | \$ 2.82    |
| Discontinued operations                                         | 0.02       | 0.01       | 0.04       | (0.04 )    |
|                                                                 | \$ 1.08    | \$ 1.03    | \$ 1.65    | \$ 2.78    |
| Net income per common share – diluted                           |            |            |            |            |
| Continuing operations                                           | \$ 1.05    | \$ 1.02    | \$ 1.60    | \$ 2.82    |
| Discontinued operations                                         | 0.02       | 0.01       | 0.04       | (0.04 )    |
|                                                                 | \$ 1.07    | \$ 1.03    | \$ 1.64    | \$ 2.78    |
| Basic weighted average common shares outstanding                | 169,014    | 168,373    | 168,766    | 168,344    |
| Diluted weighted average common shares outstanding              | 169,977    | 169,043    | 169,640    | 168,681    |

See accompanying notes.

PUBLIC STORAGE  
CONDENSED CONSOLIDATED STATEMENT OF EQUITY  
(Amounts in thousands, except share data)  
(Unaudited)

|                                                                                                                      | Cumulative<br>Preferred<br>Shares | Common<br>Shares | Paid-in<br>Capital | Accumulated<br>Deficit | Accumulated<br>Other<br>Comprehensive<br>Loss | Total<br>Public<br>Storage<br>Shareholders'<br>Equity | Equity of<br>Permanent<br>Noncontrolling<br>Interests<br>In<br>Subsidiaries | Total<br>Equity |
|----------------------------------------------------------------------------------------------------------------------|-----------------------------------|------------------|--------------------|------------------------|-----------------------------------------------|-------------------------------------------------------|-----------------------------------------------------------------------------|-----------------|
| Balance at<br>December 31,<br>2009                                                                                   | \$3,399,777                       | \$16,842         | \$5,680,549        | \$(153,759)            | \$(15,002)                                    | \$8,928,407                                           | \$132,974                                                                   | \$9,061,381     |
| Redemption of<br>cumulative<br>preferred shares<br>(6,600 shares)<br>(Note 7)                                        | (165,000 )                        | -                | 800                | -                      | -                                             | (164,200 )                                            | -                                                                           | (164,200 )      |
| Issuance of<br>cumulative<br>preferred shares<br>(5,800 shares)<br>(Note 7)                                          | 145,000                           | -                | (4,784 )           | -                      | -                                             | 140,216                                               | -                                                                           | 140,216         |
| Redemption of<br>Equity Shares,<br>Series A<br>(8,377.193<br>shares) (Note 7)                                        | -                                 | -                | (205,366 )         | -                      | -                                             | (205,366 )                                            | -                                                                           | (205,366 )      |
| Issuance of<br>common shares<br>in connection<br>with<br>share-based<br>compensation<br>(769,320<br>shares) (Note 9) | -                                 | 77               | 36,525             | -                      | -                                             | 36,602                                                | -                                                                           | 36,602          |
| Share-based<br>compensation<br>expense, net of<br>cash<br>compensation in<br>lieu of common<br>shares (Note 9)       | -                                 | -                | 5,879              | -                      | -                                             | 5,879                                                 | -                                                                           | 5,879           |
| Adjustments of<br>redeemable<br>noncontrolling<br>interests in<br>subsidiaries to                                    | -                                 | -                | -                  | (194 )                 | -                                             | (194 )                                                | -                                                                           | (194 )          |

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|                                                         |             |          |             |               |              |             |            |             |
|---------------------------------------------------------|-------------|----------|-------------|---------------|--------------|-------------|------------|-------------|
| liquidation value (Note 6)                              |             |          |             |               |              |             |            |             |
| Net income                                              | -           | -        | -           | 506,904       | -            | 506,904     | -          | 506,904     |
| Net income allocated to (Note 6):                       |             |          |             |               |              |             |            |             |
| Redeemable noncontrolling interests in subsidiaries     | -           | -        | -           | (695 )        | -            | (695 )      | -          | (695 )      |
| Permanent noncontrolling equity interests               | -           | -        | -           | (17,856 )     | -            | (17,856 )   | 17,856     | -           |
| Distributions to equity holders:                        |             |          |             |               |              |             |            |             |
| Cumulative preferred shares (Note 7)                    | -           | -        | -           | (174,509 )    | -            | (174,509 )  | -          | (174,509 )  |
| Permanent noncontrolling interests in subsidiaries      | -           | -        | -           | -             | -            | -           | (17,770 )  | (17,770 )   |
| Equity Shares, Series A (\$0.6125 per depositary share) | -           | -        | -           | (5,131 )      | -            | (5,131 )    | -          | (5,131 )    |
| Holders of unvested restricted share units              | -           | -        | -           | (1,194 )      | -            | (1,194 )    | -          | (1,194 )    |
| Common shares (\$2.25 per share)                        | -           | -        | -           | (379,909 )    | -            | (379,909 )  | -          | (379,909 )  |
| Other comprehensive income (Note 2)                     | -           | -        | -           | -             | 3,122        | 3,122       | -          | 3,122       |
| Balance at September 30, 2010                           | \$3,379,777 | \$16,919 | \$5,513,603 | \$ (226,343 ) | \$ (11,880 ) | \$8,672,076 | \$ 133,060 | \$8,805,136 |

See accompanying notes.

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

|                                                                                                                      | For the Nine Months Ended<br>September 30, |            |
|----------------------------------------------------------------------------------------------------------------------|--------------------------------------------|------------|
|                                                                                                                      | 2010                                       | 2009       |
| Cash flows from operating activities:                                                                                |                                            |            |
| Net income                                                                                                           | \$ 506,904                                 | \$ 602,767 |
| Adjustments to reconcile net income to net cash provided by operating activities:                                    |                                            |            |
| Gain on disposition of real estate investments, including amounts in discontinued operations                         | (8,190 )                                   | (39,313 )  |
| Gain on early retirement of debt                                                                                     | (283 )                                     | (4,114 )   |
| Asset impairment charges, including amounts in discontinued operations                                               | 2,544                                      | 8,205      |
| Depreciation and amortization, including amounts in discontinued operations                                          | 262,739                                    | 256,108    |
| Distributions received from real estate entities in excess of (less than) equity in earnings of real estate entities | 9,585                                      | (2,893 )   |
| Foreign currency exchange loss (gain)                                                                                | 28,592                                     | (19,901 )  |
| Other                                                                                                                | 19,823                                     | 36,670     |
| Total adjustments                                                                                                    | 314,810                                    | 234,762    |
| Net cash provided by operating activities                                                                            | 821,714                                    | 837,529    |
| Cash flows from investing activities:                                                                                |                                            |            |
| Capital improvements to real estate facilities                                                                       | (68,628 )                                  | (52,449 )  |
| Construction in process                                                                                              | (11,859 )                                  | (11,029 )  |
| Acquisition of real estate facilities and tenant intangibles (Note 3)                                                | (93,660 )                                  | -          |
| Proceeds from sales of other real estate investments                                                                 | 15,442                                     | 10,464     |
| Acquisition of common stock of PS Business Parks                                                                     | -                                          | (17,825 )  |
| Proceeds from repayments of loan receivable from Shurgard Europe                                                     | 18,919                                     | -          |
| Net purchases of marketable securities                                                                               | (104,828)                                  | -          |
| Other investing activities                                                                                           | 4,572                                      | (4,321 )   |
| Net cash used in investing activities                                                                                | (240,042)                                  | (75,160 )  |
| Cash flows from financing activities:                                                                                |                                            |            |
| Principal payments on notes payable                                                                                  | (57,575 )                                  | (5,601 )   |
| Repurchases of senior unsecured notes payable                                                                        | -                                          | (109,622)  |
| Net proceeds from the issuance of common shares                                                                      | 36,602                                     | 1,899      |
| Issuance of cumulative preferred shares                                                                              | 140,216                                    | -          |
| Repurchases of cumulative preferred shares                                                                           | (164,200)                                  | (17,535 )  |
| Repurchases of Equity Shares, Series A                                                                               | (205,366)                                  | -          |
| Repurchases of permanent noncontrolling equity interests                                                             | -                                          | (153,000)  |
| Distributions paid to Public Storage shareholders                                                                    | (560,743)                                  | (468,507)  |
| Distributions paid to redeemable noncontrolling interests                                                            | (884 )                                     | (976 )     |
| Distributions paid to permanent noncontrolling equity interests                                                      | (17,770 )                                  | (19,304 )  |

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|                                                          |            |            |
|----------------------------------------------------------|------------|------------|
| Net cash used in financing activities                    | (829,720)  | (772,646)  |
| Net decrease in cash and cash equivalents                | (248,048)  | (10,277 )  |
| Net effect of foreign exchange translation on cash       | (2,262 )   | 504        |
| Cash and cash equivalents at the beginning of the period | 763,789    | 680,701    |
| Cash and cash equivalents at the end of the period       | \$ 513,479 | \$ 670,928 |

See accompanying notes.

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

(Continued)

|                                                                         | For the Nine Months<br>Ended<br>September 30,<br>20102009 |             |
|-------------------------------------------------------------------------|-----------------------------------------------------------|-------------|
| Supplemental schedule of non cash investing and financing activities:   |                                                           |             |
| Foreign currency translation adjustment:                                |                                                           |             |
| Real estate facilities, net of accumulated depreciation                 | \$ 129                                                    | \$ (1,440 ) |
| Investment in real estate entities                                      | (4,326 )                                                  | (18,191 )   |
| Loan receivable from Shurgard Europe                                    | 27,405                                                    | (19,422 )   |
| Accumulated other comprehensive loss                                    | (25,470 )                                                 | 39,557      |
| Adjustments of redeemable noncontrolling interests to fair values:      |                                                           |             |
| Accumulated deficit                                                     | (194 )                                                    | (256 )      |
| R e d e e m a b l e n o n c o n t r o l l i n g interests               | 194                                                       | 256         |
| Real estate acquired in exchange for assumption of notes payable        | (131,698)                                                 | -           |
| Notes payable assumed in connection with the acquisition of real estate | 131,698                                                   | -           |
| Real estate disposed of in exchange for other asset                     | -                                                         | 2,941       |
| Other asset received in exchange for disposal of real estate            | -                                                         | (2,941 )    |

See accompanying notes.

PUBLIC STORAGE  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
September 30, 2010  
(Unaudited)

1. Description of the Business

Public Storage (referred to herein as “the Company”, “the Trust”, “we”, “us”, or “our”), a Maryland real estate investment trust, was organized in 1980. Our principal business activities include the acquisition, development, ownership and operation of self-storage facilities which offer storage spaces for lease, generally on a month-to-month basis, for personal and business use. Our self-storage facilities are located primarily in the United States (“U.S.”). We also have interests in self-storage facilities located in seven Western European countries.

At September 30, 2010, we had direct and indirect equity interests in 2,044 self-storage facilities (with approximately 129.2 million net rentable square feet) located in 38 states operating under the “Public Storage” name and own one facility in London, England. We also have a 49% interest in Shurgard Europe, which has an ownership interest in 188 self-storage facilities (with approximately 10.1 million net rentable square feet) located in Europe (116 facilities with approximately 6.5 million net rentable square feet are owned directly, and the remaining 72 facilities with approximately 3.6 million net rentable square feet are owned by two joint ventures that Shurgard Europe has a 20% equity interest in), and manages our London, England facility, all operating under the “Shurgard Storage Centers” name. We also have direct and indirect equity interests in approximately 23 million net rentable square feet of commercial space located in 11 states in the U.S. primarily operated by PS Business Parks, Inc. (“PSB”) under the “PS Business Parks” name.

Any reference to the number of properties, square footage, number of tenant reinsurance policies outstanding and the aggregate coverage of such reinsurance policies are unaudited and outside the scope of our independent registered public accounting firm’s review and audit of our financial statements in accordance with the standards of the Public Company Accounting Oversight Board.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) as defined in the Financial Accounting Standards Board Accounting Standards Codification (the “Codification”), including the related guidance with respect to interim financial information, and in conformity with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and notes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal and recurring adjustments) considered necessary for a fair presentation have been reflected in these unaudited condensed consolidated financial statements. Operating results for the three and nine months ended September 30, 2010 are not necessarily indicative of the results that may be expected for the year ending December 31, 2010 due to seasonality and other factors. The accompanying unaudited condensed consolidated financial statements should be read together with the consolidated financial statements and related notes included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2009.

Certain amounts previously reported in our December 31, 2009 and September 30, 2009 financial statements have been reclassified to conform to the September 30, 2010 presentation, as a result of discontinued operations.

## Consolidation Policy

Codification Section 810-10-15-14 stipulates that generally any entity with a) insufficient equity to finance its activities without additional subordinated financial support provided by any parties, or b) equity holders that, as a group, lack the characteristics specified in the Codification which evidence a controlling financial interest, is considered a Variable Interest Entity (“VIE”).

PUBLIC STORAGE  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
September 30, 2010  
(Unaudited)

When we are the general partner, we are presumed to control the partnership unless the limited partners possess either a) the substantive ability to dissolve the partnership or otherwise remove us as general partner without cause (commonly referred to as “kick-out rights”), or b) the right to participate in substantive operating and financial decisions of the limited partnership that are expected to be made in the course of the partnership’s business.

The accounts of the entities we control, and VIE’s that we are the primary beneficiary of, are included in our consolidated financial statements, and all intercompany balances and transactions are eliminated. We account for our investment in entities that we do not consolidate using the equity method of accounting or, if we do not have the ability to exercise significant influence over an investee, the cost method of accounting. Changes in consolidation status are reflected effective the date the change of control or determination of primary beneficiary status occurred, and previously reported periods are not restated. The entities that we consolidate, for the periods in which the reference applies, are referred to hereinafter as the “Subsidiaries.” The entities that we have an interest in but do not consolidate, for the periods in which the reference applies, are referred to hereinafter as the “Unconsolidated Entities.”

Collectively, at September 30, 2010, the Company and the Subsidiaries own a total of 2,033 real estate facilities included in continuing operations, consisting of 2,025 self-storage facilities in the U.S., one self-storage facility in London, England and seven commercial facilities in the U.S.

At September 30, 2010, the Unconsolidated Entities are comprised of PSB, Shurgard Europe, and various limited and joint venture partnerships (the partnerships referred to as the “Other Investments”). At September 30, 2010, PSB owns approximately 21.1 million rentable square feet of commercial space, Shurgard Europe has interests in 188 self-storage facilities in Europe with 10.1 million net rentable square feet, and the Other Investments own in aggregate 19 self-storage facilities with 1.1 million net rentable square feet in the U.S.

#### Use of Estimates

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

#### Income Taxes

For all taxable years subsequent to 1980, the Company has qualified and intends to continue to qualify as a real estate investment trust (“REIT”), as defined in Section 856 of the Internal Revenue Code. As a REIT, we do not incur federal or significant state tax on that portion of our taxable income which is distributed to our shareholders, provided that we meet certain tests. We believe we have met these tests during 2009, for the three quarters ended September 30, 2010, and we expect to meet these tests for the rest of 2010 and, accordingly, no provision for federal income taxes has been made in the accompanying condensed consolidated financial statements on income produced and distributed on real estate rental operations. We have business operations in taxable REIT subsidiaries that are subject to regular corporate tax on their taxable income, and such corporate taxes attributable to these operations are presented in ancillary cost of operations in our accompanying condensed consolidated statements of income. We also are subject to certain state taxes, which are presented in general and administrative expense in our accompanying condensed consolidated statements of income. We have concluded that there are no significant uncertain tax positions requiring recognition in our financial statements with respect to all tax periods which remain subject to examination by major

tax jurisdictions as of September 30, 2010.

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#### Real Estate Facilities

Real estate facilities are recorded at cost. Costs associated with the development, construction, renovation and improvement of properties are capitalized. Interest, property taxes and other costs associated with development incurred during the construction period are capitalized as building cost. Costs associated with the sale of real estate facilities or interests in real estate investments are expensed as incurred. Expenditures for repairs and maintenance are expensed when incurred. Depreciation expense is computed using the straight-line method over the estimated useful lives of the buildings and improvements, which generally range from 5 to 25 years.

Acquisitions of operating self-storage facilities are accounted for under the provisions of Codification Section 805, "Business Combinations." The net acquisition cost includes cash paid to the seller as well as the fair value of any mortgage debt assumed. In the case of multiple facility acquisitions, the aggregate acquisition cost is allocated to each facility based upon the relative estimated fair value of each facility. Any difference between the acquisition cost and the fair value of the real estate facilities is recorded as goodwill. The acquisition cost of each facility is allocated to the underlying land, buildings, and self-storage tenants in place ("Tenant Intangibles") of each facility, based upon the relative estimated fair values. Significant judgment is used to estimate fair values in recording our business combinations, and the valuation process utilizes significant unobservable inputs, which are "Level 3" inputs as the term is defined in FASB Codification Section 820-10-35-52. Legal services, due diligence, transfer taxes, and other internal and external transaction costs associated with acquisitions are expensed as incurred.

#### Other Assets

Other assets primarily consist of prepaid expenses, accounts receivable, interest receivable, and restricted cash. During the nine months ended September 30, 2010, we recorded impairment charges with respect to other assets totaling \$611,000. These amounts are included in "asset impairment charges" on our condensed consolidated statement of income for the nine months ended September 30, 2010.

#### Accrued and Other Liabilities

Accrued and other liabilities consist primarily of trade payables, property tax accruals, tenant prepayments of rents, accrued interest payable, accrued payroll, contingent casualty and other losses which are accrued when probable and to the extent they are estimable, and estimated losses we expect to pay related to our tenant insurance activities. When it is at least reasonably possible that a significant unaccrued contingent loss has occurred, we disclose the nature of that potential loss under "Legal Matters" in Note 11 "Commitments and Contingencies".

#### Financial Instruments

We have estimated the fair value of our financial instruments using available market information and generally accepted valuation methodologies. Considerable judgment is required in interpreting market data to develop estimates of market value. Accordingly, estimated fair values are not necessarily indicative of the amounts that could be realized in current market exchanges.

For purposes of financial statement presentation, we consider all highly liquid financial instruments such as short-term treasury securities, money market funds with daily liquidity and a rating of at least AAA by Standard and Poor's, or investment grade (rated A1 by Standard and Poor's) short-term commercial paper with remaining maturities of three

months or less at the date of acquisition to be cash equivalents. Any such cash and cash equivalents which are restricted from general corporate use (restricted cash) due to insurance or other regulations, or based upon contractual requirements, are included in other assets.

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Marketable securities consist of short-term investments in high-grade corporate securities rated A1 by Standard and Poor's. Because we have the positive intent and ability to hold these securities to maturity, the securities are stated at amortized cost and the related unrecognized gains and losses are excluded from earnings and other comprehensive income. The difference between interest income that is imputed using the effective interest method and the actual note interest collected is recorded as an adjustment to the marketable security balance; marketable securities were decreased \$354,000 during the nine months ended September 30, 2010 in applying the effective interest method. The amortized cost, gross unrecognized holding losses, and fair value of our marketable securities were \$102,131,000, (\$16,000) and \$102,115,000, respectively, at September 30, 2010. The characteristics of the marketable securities and comparative metrics utilized in our evaluation represent significant observable inputs, which are "Level 2" inputs as the term is defined in FASB Codification Section 820-10-35-47. All of our marketable securities have a maturity of one year or less as of September 30, 2010. We periodically assess our marketable securities for other-than-temporary impairment. Any such other-than-temporary impairment from credit loss is recognized as a realized loss and measured as the excess of carrying value over fair value at the time the assessment is made. During the nine months ended September 30, 2010, we had no other-than-temporary impairment losses.

Due to the short maturity and the underlying characteristics of our cash and cash equivalents, other assets, and accrued and other liabilities, we believe the carrying values as presented on the condensed consolidated balance sheets are reasonable estimates of fair value.

Financial assets that are exposed to credit risk consist primarily of cash and cash equivalents, marketable securities, accounts receivable, the loan receivable from Shurgard Europe, and restricted cash, which is included in other assets. Cash and cash equivalents and restricted cash, as described above, including commercial paper, are only invested in instruments with an investment grade rating. See "Loan Receivable from Shurgard Europe" below for information regarding our fair value measurement of this instrument.

At September 30, 2010, due primarily to our investment in and loan receivable from Shurgard Europe, our operations and our financial position are affected by fluctuations in currency exchange rates between the Euro, and to a lesser extent, other European currencies, against the U.S. Dollar.

We estimate the fair value of our notes payable to be \$612,297,000 at September 30, 2010, based primarily upon discounting the future cash flows under each respective note at an interest rate that approximates loans with similar credit quality and term to maturity. The characteristics of the notes payable and comparative metrics utilized in our evaluation represent significant observable inputs, which are "Level 2" inputs as the term is utilized in FASB Codification Section 820-10-35-47.

#### Goodwill

Goodwill represents the excess of acquisition cost over the fair value of net tangible and identifiable intangible assets acquired in business combinations, and has an indeterminate life. Each business combination from which our goodwill arose was for the acquisition of single businesses and accordingly, the allocation of our goodwill to our business segments is based directly on such acquisitions. Our goodwill balance of \$174,634,000 is reported net of accumulated amortization of \$85,085,000 as of September 30, 2010 and December 31, 2009.



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### Intangible Assets

Our tenant intangibles are finite-lived intangible assets representing primarily the estimated value of the tenants in place (“Tenant Intangibles”) at the date of the acquisition of each respective facility. Tenant Intangibles are amortized relative to the benefit of the tenants in place to each period. Accumulated amortization reflects those individual real estate facilities where the related Tenant Intangibles had not been fully amortized at each applicable date.

At September 30, 2010, our Tenant Intangibles have a net book value of \$26,980,000 (\$19,446,000 at December 31, 2009). Accumulated amortization totaled \$18,971,000 at September 30, 2010 (\$14,688,000 at December 31, 2009), and amortization expense of \$5,764,000 and \$1,145,000 was recorded for the three months ended September 30, 2010 and 2009, respectively, and \$9,078,000 and \$4,434,000 was recorded for the nine months ended September 30, 2010 and 2009, respectively. During the nine months ended September 30, 2010, our Tenant Intangibles were increased by \$16,810,000 in connection with the acquisition of 38 self-storage facilities (Note 3) and were reduced by \$198,000 in connection with the termination of a ground lease.

We also have an intangible asset representing the value of the “Shurgard” trade name, which is used by Shurgard Europe pursuant to a licensing agreement, with a book value of \$18,824,000 at September 30, 2010 and December 31, 2009. The Shurgard trade name has an indefinite life and, accordingly, we do not amortize this asset but instead analyze it on an annual basis for impairment. No impairments have been noted from any of our annual evaluations, and we did not identify any indicators of impairment at September 30, 2010.

### Evaluation of Asset Impairment

We evaluate our real estate, tenant intangible assets, and other long-lived assets for impairment on a quarterly basis. We first evaluate these assets for indicators of impairment, and if any indicators of impairment are noted, we determine whether the carrying value of such assets is in excess of the future estimated undiscounted cash flows attributable to these assets. If there is excess carrying value over such future undiscounted cash flows, an impairment charge is recorded for the excess of carrying value over the assets’ estimated fair value. Any long-lived assets which we expect to sell or otherwise dispose of prior to their estimated useful life are stated at the lower of their estimated net realizable value (estimated fair value less cost to sell) or their carrying value. During the nine months ended September 30, 2010, we recorded impairment charges totaling \$2,544,000, comprised of \$1,735,000 in real estate facilities (Note 3), of which \$397,000 is reflected under “discontinued operations” on our condensed consolidated statements of income, \$611,000 in other assets, and \$198,000 in intangible assets related to a ground lease and which is reflected under “discontinued operations” on our condensed consolidated statements of income. During the nine months ended September 30, 2009, we recorded an impairment charge of \$8,205,000, reflected under “discontinued operations” on our condensed consolidated statements of income, in connection with an eminent domain proceeding at one of our facilities. No additional impairments were identified from our evaluations in any periods presented in the accompanying condensed consolidated financial statements, except as noted above.

We evaluate impairment of goodwill annually by comparing the aggregate book value (including goodwill) of each reporting unit to their respective estimated fair value. No impairment of our goodwill was identified in our annual evaluation at December 31, 2009, nor were there any indicators of impairment at September 30, 2010.

### Revenue and Expense Recognition

Rental income, which is generally earned pursuant to month-to-month leases for storage space, as well as late charges and administrative fees, are recognized as earned. Promotional discounts are recognized as a reduction to rental income over the promotional period, which is generally during the first month of occupancy. Ancillary revenues and interest and other income are recognized when earned. Equity in earnings of real estate entities is recognized based on our ownership interest in the earnings of each of the Unconsolidated Entities.

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We accrue for property tax expense based upon actual amounts billed for the related time periods and, in some circumstances due to taxing authority assessment and billing timing and disputes of assessed amounts, estimates and historical trends. If these estimates are incorrect, the timing and amount of expense recognition could be affected. Cost of operations, general and administrative expense, interest expense, as well as television, yellow page, and other advertising expenditures are expensed as incurred.

#### Foreign Currency Exchange Translation

The local currency is the functional currency for the foreign operations we have an interest in. Assets and liabilities included on our consolidated balance sheets, including our equity investment in, and our loan receivable from, Shurgard Europe, are translated at end-of-period exchange rates, while revenues, expenses, and equity in earnings in the related real estate entities, are translated at the average exchange rates in effect during the period. The Euro, which represents the functional currency used by a majority of the foreign operations we have an interest in, was translated at an end-of-period exchange rate of approximately 1.361 U.S. Dollars per Euro at September 30, 2010 (1.433 at December 31, 2009), and average exchange rates of 1.289 and 1.428 for the three months ended September 30, 2010 and 2009, respectively, and 1.316 and 1.365 for the nine months ended September 30, 2010 and 2009, respectively. Equity is translated at historical rates and the resulting cumulative translation adjustments, to the extent not included in net income, are included as a component of accumulated other comprehensive income (loss) until the translation adjustments are realized. See “Other Comprehensive Income” below for further information regarding our foreign currency translation gains and losses.

#### Fair Value Accounting

As the term is used in our financial statements, “fair value” is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. We prioritize the inputs used in measuring fair value based upon a three-tier fair value hierarchy described in the FASB Codification Section 820-10-35. See “Loan Receivable from Shurgard Europe” below, and “Financial Instruments” and “Real Estate Facilities” above, as well as “Redeemable Noncontrolling Interests in Subsidiaries” and “Other Permanent Noncontrolling Interests in Subsidiaries” in Note 6 for information regarding our fair value measurements.

#### Loan Receivable from Shurgard Europe

As of September 30, 2010, we had a €378.7 million loan receivable from Shurgard Europe totaling \$515,379,000 (€391.9 million totaling \$561,703,000 at December 31, 2009). The loan, as amended, bears interest at a fixed rate of 9.0% per annum and matures March 31, 2013. Prior to being amended on October 31, 2009, the loan bore interest at a fixed rate of 7.5% per annum and matured on March 31, 2010. All other material terms and conditions remained the same after the amendment.

The loan is denominated in Euros and is translated to U.S. Dollars for financial statement purposes. During each applicable period, because we have expected repayment of the loan within two years of each respective balance sheet date, we have recognized foreign exchange rate gains or losses in income as a result of changes in exchange rates between the Euro and the U.S. Dollar.



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For the three and nine months ended September 30, 2010, we recorded interest income of approximately \$5,946,000 and \$18,209,000, respectively, related to the loan. For the three and nine months ended September 30, 2009, we recorded interest income of approximately \$6,038,000 and \$17,012,000, respectively, related to the loan. These amounts reflect 51% of the aggregate interest on the loans, with the other 49%, reflecting our ownership interest in Shurgard Europe, classified as equity in earnings of real estate entities. Loan fees collected from Shurgard Europe are amortized on a straight-line basis as interest income over the applicable term to which the fee applies. We received \$18,919,000 (€13,200,000) in principal repayments on the loan during the nine months ended September 30, 2010.

Although there can be no assurance, we believe that Shurgard Europe has sufficient liquidity and collateral, and we have sufficient creditor rights, such that credit risk relating to the loan is minimal. In addition, we believe the interest rate on the loan approximates the market rate for loans with similar credit characteristics and tenor, and that the carrying value of the loan approximates fair value. The characteristics of the loan and comparative metrics utilized in our evaluation represent significant unobservable inputs, which are “Level 3” inputs as the term is utilized in FASB Codification Section 820-10-35-52.

#### Other Comprehensive Income

Other comprehensive income consists primarily of foreign currency translation adjustments. Other comprehensive income is reflected as an adjustment to “Accumulated Other Comprehensive Income” in the equity section of our condensed consolidated balance sheet, and is added to our net income in determining total comprehensive income for the period as reflected in the following table:

|                                                                                                              | For the Three Months<br>Ended September 30, |           | For the Nine Months<br>Ended September 30, |           |
|--------------------------------------------------------------------------------------------------------------|---------------------------------------------|-----------|--------------------------------------------|-----------|
|                                                                                                              | 2010                                        | 2009      | 2010                                       | 2009      |
|                                                                                                              | (Amounts in thousands)                      |           | (Amounts in thousands)                     |           |
| Net income                                                                                                   | \$245,811                                   | \$243,951 | \$506,904                                  | \$602,767 |
| Other comprehensive income (loss):                                                                           |                                             |           |                                            |           |
| Aggregate foreign currency translation adjustments for the period                                            | 78,826                                      | 27,244    | (25,470 )                                  | 39,557    |
| Less: foreign currency translation adjustments reflected in net income as “Foreign currency (gain) loss” (a) | (55,455 )                                   | (21,429 ) | 28,592                                     | (19,901 ) |
| Other comprehensive income for the period                                                                    | 23,371                                      | 5,815     | 3,122                                      | 19,656    |
| Total comprehensive income                                                                                   | \$269,182                                   | \$249,766 | \$510,026                                  | \$622,423 |

(a) Included in the foreign currency (gain) loss for the three and nine months ended September 30, 2010 is a realized gain of \$0.5 million in connection with the repayment on September 30, 2010 by Shurgard Europe of EUR12.1 million of the their loan payable to us. This gain represents the difference between the spot rates on the date the amount was initially funded by us (1.32 U.S. Dollars per Euro) and the repayment date (1.36 U.S. Dollars per Euro).

#### Discontinued Operations

The revenues and expenses of operating units (including individual real estate facilities) that can be segregated from the other operations of the Company, and either i) have been eliminated from the ongoing operations of the Company or ii) are expected to be eliminated from the ongoing operations of the Company within the next year pursuant to a committed plan of disposal, are reclassified and presented for all periods as “discontinued operations” on our condensed consolidated statements of income.

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Included in discontinued operations are the historical operations of (i) two facilities we currently own that are subject to eminent domain proceedings, (ii) a land-leased facility that was disposed of in the nine months ended September 30, 2010 when the land lease expired, (iii) our truck rental and containerized storage operations which ceased in 2009, and (iv) certain other self-storage facilities that were disposed of in 2009 in connection with eminent domain proceedings. In addition to revenues and expenses of these operating units prior to disposal, discontinued operations is comprised primarily of \$2,707,000 in gains on disposition of real estate facilities for the three months ended September 30, 2010 and \$7,794,000 and \$6,018,000 in gains on disposition of real estate facilities for the nine months ended September 30, 2010 and 2009, respectively, a \$595,000 impairment charge on real estate and intangible assets incurred in the nine months ended September 30, 2010, a \$8,205,000 impairment charge on intangible assets incurred at a discontinued facility and \$3,500,000 in truck disposal expenses in the nine months ended September 30, 2009.

Net Income per Common Share

We first allocate net income to our noncontrolling interests in subsidiaries (Note 6) and preferred shareholders to arrive at net income allocable to our common shareholders and Equity Shares, Series A. Net income allocated to preferred shareholders or noncontrolling interests in subsidiaries includes any excess of the cash required to redeem any preferred securities in the period over the net proceeds from the original issuance of the securities (or, if securities are redeemed for less than the original issuance proceeds, income allocated to the holders of the redeemed securities is reduced).

The remaining net income is allocated among our regular common shares, restricted share units, and our Equity Shares, Series A based upon the dividends declared (or accumulated) for each security in the period, combined with each security's participation rights in undistributed earnings. Net income allocated to the Equity Shares, Series A for the nine months ended September 30, 2010 also includes \$25.7 million, representing the excess of cash paid to redeem the securities over the original issuance proceeds. We redeemed these securities on April 15, 2010.

Net income allocated to our regular common shares from continuing operations is computed by eliminating the net income or loss from discontinued operations allocable to our regular common shares, from net income allocated to our regular common shares.

Basic net income per share, basic net income (loss) from discontinued operations per share, and basic net income from continuing operations per share are computed using the weighted average common shares outstanding. Diluted net income per share, diluted net income (loss) from discontinued operations per share, and diluted net income from continuing operations per share are computed using the weighted average common shares outstanding, adjusted for the impact, if dilutive, of stock options outstanding (Note 9).

The following table reflects the components of the calculations of our basic and diluted net income per share, basic and diluted net loss from discontinued operations per share, and basic and diluted net income from continuing operations per share which are not already otherwise set forth on the face of our condensed consolidated statements of income:

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|  | For the Three Months<br>Ended<br>September 30,<br>2010 | For the Three Months<br>Ended<br>September 30,<br>2009 | For the Nine Months<br>Ended<br>September 30,<br>2010 | For the Nine Months<br>Ended<br>September 30,<br>2009 |
|--|--------------------------------------------------------|--------------------------------------------------------|-------------------------------------------------------|-------------------------------------------------------|
|  | (Amounts in thousands)                                 |                                                        |                                                       |                                                       |

Net income allocable to common shareholders from continuing operations and discontinued operations:

|                                                                        |            |            |            |            |
|------------------------------------------------------------------------|------------|------------|------------|------------|
| Net income allocable to common shareholders                            | \$ 182,206 | \$ 173,493 | \$ 277,781 | \$ 468,475 |
| Eliminate: Discontinued operations allocable to common shareholders    | (2,707 )   | (1,119 )   | (7,518 )   | 7,213      |
| Net income from continuing operations allocable to common shareholders | \$ 179,499 | \$ 172,374 | \$ 270,263 | \$ 475,688 |

Weighted average common shares and equivalents outstanding:

|                                                                                                  |         |         |         |         |
|--------------------------------------------------------------------------------------------------|---------|---------|---------|---------|
| Basic weighted average common shares outstanding                                                 | 169,014 | 168,373 | 168,766 | 168,344 |
| Net effect of dilutive stock options - based on treasury stock method using average market price | 963     | 670     | 874     | 337     |
| Diluted weighted average common shares outstanding                                               | 169,977 | 169,043 | 169,640 | 168,681 |

#### Recent Accounting Pronouncements and Guidance

In June 2009, the FASB issued accounting pronouncements which became effective January 1, 2010 and require restatement of previously reported financial statements on the new accounting basis. One pronouncement affects accounting for Variable Interest Entities, by (i) eliminating the concept of a qualifying special purpose entity, (ii) replacing the quantitative-based risks and rewards calculation for determining which enterprise has a controlling financial interest in a variable interest entity and the obligation to absorb losses of the entity or the right to receive benefits from the entity, and (iii) providing for additional disclosures about an entity's involvement with a variable interest entity. Another pronouncement affects the accounting for transfers of financial assets, by (i) eliminating the concept of a qualifying special purpose entity, (ii) amending the derecognition criteria for a transfer to be accounted for as a sale, and (iii) requiring additional disclosure over transfers accounted for as a sale. These pronouncements did not have any effect on our financial statements.

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3. Real Estate Facilities

Activity in real estate facilities is as follows:

|                                                  | Nine<br>Months<br>Ended<br>September<br>30, 2010<br>(Amounts in<br>thousands) |
|--------------------------------------------------|-------------------------------------------------------------------------------|
| Operating facilities, at cost:                   |                                                                               |
| Beginning balance                                | \$ 10,292,955                                                                 |
| Capital improvements                             | 68,628                                                                        |
| Acquisition of real estate facilities            | 208,765                                                                       |
| Newly developed facilities opened for operations | 7,088                                                                         |
| Disposition of real estate facilities            | (16,665 )                                                                     |
| Impairment of real estate facilities             | (1,735 )                                                                      |
| Impact of foreign exchange rate changes          | (169 )                                                                        |
| Ending balance                                   | 10,558,867                                                                    |
| Accumulated depreciation:                        |                                                                               |
| Beginning balance                                | (2,734,449 )                                                                  |
| Depreciation expense                             | (250,109 )                                                                    |
| Disposition of real estate facilities            | 9,413                                                                         |
| Impact of foreign exchange rate changes          | 40                                                                            |
| Ending balance                                   | (2,975,105 )                                                                  |
| Construction in process:                         |                                                                               |
| Beginning balance                                | 3,527                                                                         |
| Current development                              | 11,859                                                                        |
| Newly developed facilities opened for operations | (7,088 )                                                                      |

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|                                                    |             |
|----------------------------------------------------|-------------|
| Ending<br>balance                                  | 8,298       |
| Total real estate facilities at September 30, 2010 | \$7,592,060 |

During the nine months ended September 30, 2010, we acquired 38 operating self-storage facilities (2,358,000 net rentable square feet) from third parties for \$225,358,000, consisting of the assumption of mortgage debt with an aggregate fair value of \$131,698,000 and \$93,660,000 of cash. The aggregate cost was allocated \$208,765,000 to real estate facilities, \$16,810,000 to intangibles and \$217,000 to other liabilities. For the three and nine months ended September 30, 2010, we also incurred \$750,000 and \$2,384,000, respectively, in legal, due diligence, transfer taxes, and other transaction costs related to the acquisitions. These amounts were included in general and administrative expense on our accompanying condensed consolidated statements of operations.

During the nine months ended September 30, 2010, we completed two expansion projects to existing facilities at an aggregate cost of \$7,088,000.

During the nine months ended September 30, 2010, we disposed of real estate facilities in connection with condemnation proceedings and the sale of a commercial facility. Net proceeds with respect to dispositions totaled \$15,442,000 and we recorded a gain of \$8,190,000 (\$396,000 included in "gain on disposition of real estate facilities" and \$7,794,000 included in discontinued operations).

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4. Investments in Real Estate Entities

The following table sets forth our investments in the real estate entities at September 30, 2010 and December 31, 2009, and our equity in earnings of real estate entities for the three and nine months ended September 30, 2010 and 2009 (amounts in thousands):

|                   | Investments in Real Estate<br>Entities at |                         |
|-------------------|-------------------------------------------|-------------------------|
|                   | September<br>30,<br>2010                  | December<br>31,<br>2009 |
| PSB               | \$ 325,123                                | \$ 326,145              |
| Shurgard Europe   | 268,637                                   | 272,345                 |
| Other Investments | 13,297                                    | 13,826                  |
| Total             | \$ 607,057                                | \$ 612,316              |

|                   | Equity in Earnings of Real Estate Entities  |          |                                            |           |
|-------------------|---------------------------------------------|----------|--------------------------------------------|-----------|
|                   | For the Three Months Ended<br>September 30, |          | For the Nine Months Ended<br>September 30, |           |
|                   | 2010                                        | 2009     | 2010                                       | 2009      |
| PSB               | \$ 5,091                                    | \$ 4,684 | \$ 16,279                                  | \$ 30,351 |
| Shurgard Europe   | 3,485                                       | 3,631    | 10,254                                     | 7,239     |
| Other Investments | 467                                         | 509      | 1,259                                      | 1,443     |
| Total             | \$ 9,043                                    | \$ 8,824 | \$ 27,792                                  | \$ 39,033 |

Included in equity in earnings of real estate entities for the nine months ended September 30, 2009 is \$16,284,000, representing our share of the earnings allocated from PSB's preferred shareholders as a result of PSB's repurchases of preferred stock and preferred units for amounts that were less than the related book value, during the period.

During the nine months ended September 30, 2010 and 2009, we received cash distributions from our investments in real estate entities totaling \$37,377,000 and \$36,140,000, respectively.

During the nine months ended September 30, 2010 and 2009, our investment in Shurgard Europe increased by approximately \$4,326,000 and \$18,191,000, respectively, due to the impact of changes in foreign currency exchange rates. During the three and nine months ended September 30, 2009, our investments in real estate entities increased by \$48,118,000 due to (i) \$17,825,000 representing our acquisition of an additional 383,333 shares of PSB common stock and (ii) \$30,293,000 presented in "gains on disposition of real estate investments" in connection with PSB's sale of common stock in a public offering described below in "Investment in PSB."

Investment in PSB

PSB is a REIT traded on the New York Stock Exchange, which controls an operating partnership (collectively, the REIT and the operating partnership are referred to as “PSB”). We have a 41% common equity interest in PSB as of September 30, 2010 and December 31, 2009, comprised of our ownership of 5,801,606 shares of PSB’s common stock and 7,305,355 limited partnership units in the operating partnership. The limited partnership units are convertible at our option, subject to certain conditions, on a one-for-one basis into PSB common stock. Based upon the closing price at September 30, 2010 (\$56.57 per share of PSB common stock), the shares and units we owned had a market value of approximately \$741.5 million as compared to our book value of \$325.1 million. We account for our investment in PSB using the equity method.

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The following table sets forth selected financial information of PSB; the amounts represent 100% of PSB's balances and not our pro-rata share.

|                                         | 2010                   | 2009         |
|-----------------------------------------|------------------------|--------------|
|                                         | (Amounts in thousands) |              |
| For the nine months ended September 30, |                        |              |
| Total revenue                           | \$ 207,698             | \$ 203,914   |
| Costs of operations                     | (67,633 )              | (65,007 )    |
| Depreciation and amortization           | (58,056 )              | (64,854 )    |
| General and administrative              | (6,980 )               | (4,927 )     |
| Other items                             | 2,861                  | (177 )       |
| Net income                              | \$ 77,890              | \$ 68,949    |
|                                         | At September           | At December  |
|                                         | 30,                    | 31,          |
|                                         | 2010                   | 2009         |
|                                         | (Amounts in thousands) |              |
| Total assets (primarily real estate)    | \$ 1,505,316           | \$ 1,564,822 |
| Debt                                    | 51,864                 | 52,887       |
| Other liabilities                       | 54,726                 | 46,298       |
| Preferred stock and units               | 625,339                | 699,464      |
| Common equity and units                 | 773,387                | 766,173      |

#### Investment in Shurgard Europe

At September 30, 2010, we had a 49% equity investment in Shurgard Europe, which owns 116 facilities directly and has a 20% interest in 72 self-storage facilities located in Europe which operate under the "Shurgard Storage Centers" name.

Our equity in earnings of Shurgard Europe includes our 49% equity share of Shurgard Europe's operations, as well as 49% of the interest and trademark license fees received from Shurgard Europe. The following table sets forth our equity in earnings Shurgard Europe:

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|                                                                        | For the Three Months<br>Ended September 30, |             | For the Nine Months<br>Ended September 30, |             |
|------------------------------------------------------------------------|---------------------------------------------|-------------|--------------------------------------------|-------------|
|                                                                        | 2010                                        | 2009        | 2010                                       | 2009        |
|                                                                        | (Amounts in thousands)                      |             |                                            |             |
| Our 49% equity share of Shurgard Europe's net loss                     | \$ (2,435 )                                 | \$ (2,377 ) | \$ (7,843 )                                | \$ (9,677 ) |
| Add our 49% equity share of amounts received from Shurgard Europe (a): |                                             |             |                                            |             |
| Interest on note receivable                                            | 5,712                                       | 5,801       | 17,495                                     | 16,344      |
| Trademark license fee                                                  | 208                                         | 207         | 602                                        | 572         |
| Total equity in earnings of Shurgard Europe                            | \$ 3,485                                    | \$ 3,631    | \$ 10,254                                  | \$ 7,239    |

- (a) In addition to recording our 49% equity share of Shurgard Europe's operations as equity in earnings of real estate entities, in consolidation we also reclassify 49% of the interest income on our note receivable from Shurgard Europe, and trademark license fees received from Shurgard Europe, from interest and other income to equity in earnings. The remaining 51% of these amounts, which are attributable to the pro-rata share of Shurgard Europe that we do not own, are included in interest and other income.

The following table sets forth selected financial information of Shurgard Europe. These amounts are based upon 100% of Shurgard Europe's balances (on a consolidated basis, including the operations of the 72 self-storage facilities in which Shurgard Europe has a 20% interest), rather than our pro rata share, and are based upon our historical acquired book basis.

|                                                 | For the Three Months<br>Ended<br>September 30, |           | For the Nine Months<br>Ended<br>September 30, |            |
|-------------------------------------------------|------------------------------------------------|-----------|-----------------------------------------------|------------|
|                                                 | 2010                                           | 2009      | 2010                                          | 2009       |
|                                                 | (Amounts in thousands)                         |           |                                               |            |
| Self-storage and ancillary revenues             | \$ 59,079                                      | \$ 59,457 | \$ 173,146                                    | \$ 164,114 |
| Interest and other income (expense)             | 66                                             | 178       | (145 )                                        | 371        |
| Self-storage and ancillary cost of operations   | (25,020)                                       | (25,546)  | (73,732 )                                     | (74,929 )  |
| Trademark license fee payable to Public Storage | (423 )                                         | (423 )    | (1,228 )                                      | (1,169 )   |
| Depreciation and amortization                   | (17,880)                                       | (18,922)  | (54,019 )                                     | (53,734 )  |
| General and administrative                      | (2,247 )                                       | (1,475 )  | (5,903 )                                      | (6,557 )   |

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|                                                                                       |             |             |              |              |
|---------------------------------------------------------------------------------------|-------------|-------------|--------------|--------------|
| Interest expense on third party debt                                                  | (3,245 )    | (3,905 )    | (8,696 )     | (12,328 )    |
| Interest expense on loan payable to Public Storage                                    | (11,659)    | (11,839)    | (35,704 )    | (33,356 )    |
| Income (expenses) from foreign currency exchange                                      | (415 )      | 466         | (845 )       | 851          |
| Discontinued operations                                                               | -           | -           | -            | 8            |
| Net loss                                                                              | \$ (1,744 ) | \$ (2,009 ) | \$ (7,126 )  | \$ (16,729 ) |
| Net income allocated to permanent noncontrolling equity interests in subsidiaries (a) | 3,225       | 2,841       | 8,880        | 3,019        |
| Net loss allocated to Shurgard Europe                                                 | \$ (4,969 ) | \$ (4,850 ) | \$ (16,006 ) | \$ (19,748 ) |

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|                                                  | At September 30,<br>2010 | At December 31,<br>2009 |
|--------------------------------------------------|--------------------------|-------------------------|
|                                                  | (Amounts in thousands)   |                         |
| Total assets (primarily self-storage facilities) | \$ 1,552,376             | \$ 1,617,579            |
| Total debt to third parties                      | 296,496                  | 328,510                 |
| Total debt to Public Storage                     | 515,379                  | 561,703                 |
| Other liabilities                                | 79,140                   | 75,074                  |
| Equity                                           | \$ 661,361               | \$ 652,292              |

- (a) Includes depreciation expense allocated to the permanent noncontrolling equity interests in subsidiaries totaling \$3,036,000 and \$2,994,000 in the three months ended September 30, 2010 and 2009, respectively, and \$9,033,000 and \$8,591,000 in the nine months ended September 30, 2010 and 2009, respectively.

#### Other Investments

At September 30, 2010, the “Other Investments” include an aggregate common equity ownership of approximately 24% in entities that collectively own 19 self-storage facilities at September 30, 2010. We account for our investments in these entities using the equity method.

The following table sets forth certain condensed financial information (representing 100% of these entities’ balances and not our pro-rata share) with respect to the Other Investments’ 19 facilities:

|                                                  | 2010                        | 2009                    |
|--------------------------------------------------|-----------------------------|-------------------------|
|                                                  | (Amounts in thousands)      |                         |
| For the nine months ended September 30,          |                             |                         |
| Total revenue                                    | \$ 12,522                   | \$ 12,512               |
| Cost of operations and other expenses            | (4,866 )                    | (4,776 )                |
| Depreciation and amortization                    | (1,856 )                    | (1,515 )                |
| Net income                                       | \$ 5,800                    | \$ 6,221                |
|                                                  | At September<br>30,<br>2010 | At December 31,<br>2009 |
|                                                  | (Amounts in thousands)      |                         |
| Total assets (primarily self-storage facilities) | \$ 36,648                   | \$ 37,386               |
| Total accrued and other liabilities              | 1,614                       | 876                     |
| Total Partners’ equity                           | \$ 35,034                   | \$ 36,510               |

5.

Line of Credit and Notes Payable

At September 30, 2010, we have a revolving credit agreement (the “Credit Agreement”) which expires on March 27, 2012, with an aggregate limit with respect to borrowings and letters of credit of \$300 million. Amounts drawn on the Credit Agreement bear an annual interest rate ranging from the London Interbank Offered Rate (“LIBOR”) plus 0.35% to LIBOR plus 1.00% depending on our credit ratings (LIBOR plus 0.35% at September 30, 2010). In addition, we are required to pay a quarterly facility fee ranging from 0.10% per annum to 0.25% per annum depending on our credit ratings (0.10% per annum at September 30, 2010). We had no outstanding borrowings on our Credit Agreement at September 30, 2010 or at November 5, 2010. At September 30, 2010, we had undrawn standby letters of credit, which reduce our borrowing capacity with respect to our line of credit by the amount of the letters of credit, totaling \$18,127,000 (\$18,270,000 at December 31, 2009).

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The carrying amounts of our notes payable at September 30, 2010 and December 31, 2009 consist of the following (dollar amounts in thousands):

|                                                                                                                                                                                                                                                                                                                                                                                                                   | September<br>30,<br>2010<br>(Amounts in thousands) | December<br>31, 2009 |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------|----------------------|
| Unsecured Notes Payable:                                                                                                                                                                                                                                                                                                                                                                                          |                                                    |                      |
| 5.875% effective and stated note rate, interest only and payable semi-annually, matures in March 2013                                                                                                                                                                                                                                                                                                             | \$ 186,460                                         | \$ 186,460           |
| 5.7% effective rate, 7.75% stated note rate, interest only and payable semi-annually, matures in February 2011 (carrying amount includes \$479 of unamortized premium at September 30, 2010 and \$1,889 at December 31, 2009)                                                                                                                                                                                     | 103,796                                            | 105,206              |
| Secured Notes Payable:                                                                                                                                                                                                                                                                                                                                                                                            |                                                    |                      |
| 4.8% average effective rate fixed rate mortgage notes payable, secured by 100 real estate facilities with a net book value of approximately \$624 million at September 30, 2010 and stated note rates between 4.95% and 8.00%, maturing at varying dates between January 2011 and September 2028 (carrying amount includes \$7,457 of unamortized premium at September 30, 2010 and \$3,983 at December 31, 2009) | 299,262                                            | 227,223              |
| Total notes payable                                                                                                                                                                                                                                                                                                                                                                                               | \$ 589,518                                         | \$ 518,889           |

Substantially all of our debt was acquired in connection with a property or other acquisition, and in such cases an initial premium or discount is established for any difference between the stated note balance and estimated fair value of the note. This initial premium or discount is amortized over the remaining term of the notes using the effective interest method. Estimated fair values are based upon discounting the future cash flows under each respective note at an interest rate that approximates those of loans with similar credit characteristics and term to maturity. These inputs for fair value represent significant unobservable inputs, which are “Level 3” inputs as the term is defined in the Codification.

As described in Note 3, during the nine months ended September 30, 2010, we assumed mortgage debt in connection with the acquisition of real estate facilities. These mortgage notes were recorded at their estimated fair value of approximately \$131,698,000 with an estimated average market rate of approximately 3.4% as compared to the actual assumed note balances totaling \$126,140,000 with an average contractual interest rate of 5.0%. This initial premium of \$5,558,000 is being amortized over the remaining term of the mortgage notes using the effective interest method. Following the acquisition of these properties, we prepaid \$51,497,000 of these mortgage notes, recording a gain on repayment of debt totaling \$283,000, based upon the difference between approximately \$51,214,000 paid and

the related net book value (which included \$283,000 in note premium) of these loans.

On February 12, 2009, we acquired \$110,223,000 face amount of our existing unsecured notes pursuant to a tender offer for an aggregate of \$109,622,000 in cash, and recognized a gain of \$4,114,000 for the three months ended March 31, 2009.

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Our notes payable and our Credit Agreement each have various customary restrictive covenants, all of which have been met at September 30, 2010. At September 30, 2010, approximate principal maturities of our notes payable are as follows (amounts in thousands):

|                                 | Unsecured<br>Notes<br>Payable | Secured<br>Notes<br>Payable | Total     |
|---------------------------------|-------------------------------|-----------------------------|-----------|
| 2010<br>(remainder)             | \$ 263                        | \$4,842                     | \$5,105   |
| 2011                            | 103,533                       | 46,339                      | 149,872   |
| 2012                            | -                             | 70,761                      | 70,761    |
| 2013                            | 186,460                       | 79,126                      | 265,586   |
| 2014                            | -                             | 49,112                      | 49,112    |
| Thereafter                      | -                             | 49,082                      | 49,082    |
|                                 | \$290,256                     | \$299,262                   | \$589,518 |
| Weighted average effective rate | 5.8 %                         | 4.9 %                       | 5.3 %     |

We incurred interest expense (including interest capitalized as real estate totaling \$320,000 and \$547,000, respectively, for the nine months ended September 30, 2010 and 2009) with respect to our notes payable, capital leases and line of credit aggregating \$22,775,000 and \$23,252,000 for the nine months ended September 30, 2010 and 2009, respectively. These amounts were comprised of \$25,986,000 and \$26,065,000 in cash paid during the nine months ended September 30, 2010 and 2009, respectively, less \$3,211,000 and \$2,813,000 in amortization of premium, respectively.

#### 6. Noncontrolling Interests in Subsidiaries

In consolidation, we classify ownership interests in the net assets of each of the Subsidiaries, other than our own, as “noncontrolling interests in subsidiaries.” Interests that have the ability to require us, except in an entity liquidation, to redeem the underlying securities for cash, assets, or other securities that would not also be classified as equity are presented on our balance sheet outside of equity. At the end of each reporting period, if the book value is less than the estimated amount to be paid upon a redemption occurring on the related balance sheet date, these interests are increased to adjust to their estimated liquidation value (which approximates fair value), with the offset against retained earnings. All other noncontrolling interests in subsidiaries are presented as a component of equity, “permanent noncontrolling interests in subsidiaries.”

#### Redeemable Noncontrolling Interests in Subsidiaries

At September 30, 2010, the Redeemable Noncontrolling Interests in Subsidiaries represent equity interests in three entities that own in aggregate 14 self-storage facilities. During the nine months ended September 30, 2010 and 2009, these interests were increased by \$194,000 and \$256,000, respectively, to adjust to their estimated liquidation value (which approximates fair value). We estimate the amount to be paid upon redemption of these interests by applying the related provisions of the governing documents to our estimate of the fair value of the underlying net assets (principally real estate assets).

During the three and nine months ended September 30, 2010, we allocated a total of \$238,000 and \$695,000, respectively, of income to these interests. During the same periods in 2009, we allocated a total of \$247,000 and \$753,000, respectively, of income to these interests. During the nine months ended September 30, 2010 and 2009, we paid distributions to these interests totaling \$884,000 and \$976,000, respectively.

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Permanent Noncontrolling Interests in Subsidiaries

At September 30, 2010, the Permanent Noncontrolling Interests in Subsidiaries represent (i) equity interests in 28 entities that own an aggregate of 93 self-storage facilities (the "Other Permanent Noncontrolling Interests in Subsidiaries") and (ii) preferred partnership units (the "Preferred Partnership Interests"). These interests are presented as equity because the holders of the interests do not have the ability to require us to redeem them for cash, other assets, or other securities that would not also be classified as equity.

Other Permanent Noncontrolling Interests in Subsidiaries

The total carrying amount of the Other Permanent Noncontrolling Interests in Subsidiaries was \$33,060,000 at September 30, 2010 (\$32,974,000 at December 31, 2009). During the three and nine months ended September 30, 2010, we allocated a total of \$4,406,000 and \$12,418,000, respectively, in income to these interests. During the same periods in 2009, we allocated a total of \$4,582,000 and \$12,888,000, respectively, in income to these interests. During the nine months ended September 30, 2010 and 2009, we paid distributions to these interests totaling \$12,332,000 and \$11,661,000, respectively.

Preferred Partnership Interests

At September 30, 2010 and December 31, 2009, our preferred partnership units outstanding were comprised of 4,000,000 units of our 7.250% Series J preferred units (\$100,000,000 carrying amount, redeemable May 9, 2011). Subject to certain conditions, the Series J preferred units are convertible into our 7.25% Series J Cumulative Preferred Shares. On October 25, 2010, we repurchased all the Series J preferred units for \$100.4 million plus accrued distributions of \$492,000.

In the three months ended March 31, 2009, in connection with our acquisition of preferred partnership units from third parties for an aggregate of \$153.0 million, we recorded an allocation of \$72.0 million in income from these interests in determining net income allocable to Public Storage shareholders based upon the excess of the carrying amount over the amount paid.

During the three and nine months ended September 30, 2010, we allocated a total of \$1,813,000 and \$5,438,000, respectively, in income to these interests based upon distributions paid. During the same periods in 2009, we allocated a total of \$1,813,000 and \$7,643,000, respectively, in income to these interests based upon distributions paid.

7. Public Storage Shareholders' Equity

Cumulative Preferred Shares

At September 30, 2010 and December 31, 2009, we had the following series of Cumulative Preferred Shares of beneficial interest outstanding:



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|                                   |                 |               |                    | At September 30, 2010         |                    | At December 31, 2009   |
|-----------------------------------|-----------------|---------------|--------------------|-------------------------------|--------------------|------------------------|
|                                   | Earliest        |               |                    |                               |                    |                        |
| Series                            | Redemption Date | Dividend Rate | Shares Outstanding | Liquidation Preference        | Shares Outstanding | Liquidation Preference |
|                                   |                 |               |                    | (Dollar amounts in thousands) |                    |                        |
| Series V                          | 9/30/07         | 7.500 %       | -                  | \$ -                          | 6,200              | \$ 155,000             |
| Series W                          | 10/6/08         | 6.500 %       | 5,300              | 132,500                       | 5,300              | 132,500                |
| Series X                          | 11/13/08        | 6.450 %       | 4,800              | 120,000                       | 4,800              | 120,000                |
| Series Y                          | 1/2/09          | 6.850 %       | 350,900            | 8,772                         | 750,900            | 18,772                 |
| Series Z                          | 3/5/09          | 6.250 %       | 4,500              | 112,500                       | 4,500              | 112,500                |
| Series A                          | 3/31/09         | 6.125 %       | 4,600              | 115,000                       | 4,600              | 115,000                |
| Series B                          | 6/30/09         | 7.125 %       | 4,350              | 108,750                       | 4,350              | 108,750                |
| Series C                          | 9/13/09         | 6.600 %       | 4,425              | 110,625                       | 4,425              | 110,625                |
| Series D                          | 2/28/10         | 6.180 %       | 5,400              | 135,000                       | 5,400              | 135,000                |
| Series E                          | 4/27/10         | 6.750 %       | 5,650              | 141,250                       | 5,650              | 141,250                |
| Series F                          | 8/23/10         | 6.450 %       | 9,893              | 247,325                       | 9,893              | 247,325                |
| Series G                          | 12/12/10        | 7.000 %       | 4,000              | 100,000                       | 4,000              | 100,000                |
| Series H                          | 1/19/11         | 6.950 %       | 4,200              | 105,000                       | 4,200              | 105,000                |
| Series I                          | 5/3/11          | 7.250 %       | 20,700             | 517,500                       | 20,700             | 517,500                |
| Series K                          | 8/8/11          | 7.250 %       | 16,990             | 424,756                       | 16,990             | 424,756                |
| Series L                          | 10/20/11        | 6.750 %       | 8,267              | 206,665                       | 8,267              | 206,665                |
| Series M                          | 1/9/12          | 6.625 %       | 19,065             | 476,634                       | 19,065             | 476,634                |
| Series N                          | 7/2/12          | 7.000 %       | 6,900              | 172,500                       | 6,900              | 172,500                |
| Series O                          | 4/15/15         | 6.875 %       | 5,800              | 145,000                       | -                  | -                      |
| Total Cumulative Preferred Shares |                 |               | 485,740            | \$ 3,379,777                  | 886,140            | \$ 3,399,777           |

The holders of our Cumulative Preferred Shares have general preference rights with respect to liquidation and quarterly distributions. Holders of the preferred shares, except under certain conditions and as noted below, will not be entitled to vote on most matters. In the event of a cumulative arrearage equal to six quarterly dividends, holders of all outstanding series of preferred shares (voting as a single class without regard to series) will have the right to elect two additional members to serve on our Board of Trustees until events of default have been cured. At September 30, 2010, there were no dividends in arrears.

Except under certain conditions relating to the Company's qualification as a REIT, the Cumulative Preferred Shares are not redeemable prior the dates indicated on the table above. On or after the respective dates, each of the series of Cumulative Preferred Shares will be redeemable, at the option of the Company, in whole or in part, at \$25.00 per share (or depositary share as the case may be), plus accrued and unpaid dividends. Holders of the Cumulative Preferred Shares do not have the right to require the Company to redeem such shares.

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

On April 13, 2010, we issued 5,800,000 depositary shares each representing 1/1,000 of our 6.875% Cumulative Preferred Shares, Series O for gross proceeds of \$145,000,000.

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On May 18, 2010, we redeemed our remaining Series V Cumulative Preferred Shares at par value plus accrued dividends.

On August 3, 2010, we repurchased 400,000 shares of our 6.850% Cumulative Preferred Shares Series Y, at a total cost of \$9,200,000. The carrying value of the shares repurchased totaled \$10 million and exceeded the aggregate repurchase cost of \$9.2 million by \$0.8 million. For purposes of determining net income per share, income allocated to our preferred shareholders was reduced by the \$0.8 million for the three months ended September 30, 2010.

During March 2009, we repurchased certain of our Cumulative Preferred Shares in privately negotiated transactions as follows: Series V – 700,000 depositary shares, each representing 1/1,000 of a share of our Cumulative Preferred Shares at a total cost of \$13,230,000, Series C – 175,000 depositary shares, each representing 1/1,000 of a share of our Cumulative Preferred Shares at a total cost of \$2,695,000 and Series F – 107,000 depositary shares, each representing 1/1,000 of a share of our Cumulative Preferred Shares at a total cost of \$1,610,000. The carrying value of the shares repurchased totaled \$23.8 million (\$24.6 million liquidation preference less \$0.8 million of original issuance costs), and exceeded the aggregate repurchase cost of \$17.5 million by approximately \$6.2 million. For purposes of determining net income per share, income allocated to our preferred shareholders was reduced by the \$6.2 million for the three months ended March 31, 2009.

On October 4, 2010, we called for redemption our Series B Cumulative Preferred Shares, at par. The aggregate redemption amount, before payment of accrued dividends, to be paid on November 5, 2010, is \$108,750,000. In applying EITF D-42 to this redemption, we will allocate \$3,626,000 of income from our common shareholders to the holders of our Preferred Shares, representing the excess of the amount paid over the initial issuance proceeds, in the quarter ending December 31, 2010.

On October 7, 2010, we issued 5,000,000 depositary shares (including the subsequent exercise, in part, of the underwriter's over-allotment option) each representing 1/1,000 of a 6.500% Cumulative Preferred Share of Beneficial Interest, Series P, for gross proceeds of \$125,000,000.

#### Equity Shares, Series A

On March 12, 2010, we called for redemption all of our outstanding shares of Equity Shares, Series A. The redemption occurred on April 15, 2010 at \$24.50 per share for aggregate redemption amount of \$205.4 million.

During each of the three months ended March 31, 2010 and 2009, June 30, 2009 and September 30, 2009, we allocated income and paid quarterly distributions to the holders of the Equity Shares, Series A totaling \$5.1 million (\$0.6125 per share) based on 8,377,193 weighted average depositary shares outstanding. Net income allocated to the Equity Shares, Series A for the nine months ended September 30, 2010 also includes \$25.7 million (\$3.07 per share), representing the excess of cash paid to redeem the securities over the original issuance proceeds. As a result of the redemption on April 15, 2010, no further distributions will be paid for the period subsequent to March 31, 2010.

#### Equity Shares, Series AAA

On August 31, 2010, we retired all outstanding shares of Equity Shares, Series AAA ("Equity Shares AAA") outstanding. At December 31, 2009, we had 4,289,544 Equity Shares AAA outstanding with a carrying value of

\$100,000,000. The Equity Shares AAA ranked on parity with our common shares and junior to our Senior Preferred Shares with respect to general preference rights, and had a liquidation amount equal to 120% of the amount distributed to each common share. Annual distributions per share are equal to the lesser of (i) five times the amount paid per common share or (ii) \$2.1564. We have no obligation to pay distributions if no distributions are paid to common shareholders. During 2010 and 2009, we paid quarterly distributions to the holder of the Equity Shares, Series AAA of \$0.5391 per share for each of the quarters ended March 31 and June 30. We also paid distributions of \$0.5391 per share for the quarter ended September 30, 2009. As a result of the retirement on August 31, 2010, no further distributions will be paid for the period subsequent to June 30, 2010. For all periods presented, the Equity Shares, Series AAA and related dividends are eliminated in consolidation as the shares are held by one of our wholly-owned subsidiaries.

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Dividends

The unaudited characterization of dividends for Federal income tax purposes is made based upon earnings and profits of the Company, as defined by the Internal Revenue Code. Common share dividends including amounts paid to our restricted share unitholders totaled \$135.7 million (\$0.80 per share) and \$93.0 million (\$0.55 per share), for the three months ended September 30, 2010 and 2009, respectively, and \$381.1 million (\$2.25 per share) and \$278.8 million (\$1.65 per share), for the nine months ended September 30, 2010 and 2009, respectively. As noted above, we redeemed all of our outstanding shares of Equity Shares, Series A on April 15, 2010 and no further distributions will be paid subsequent to March 31, 2010. Equity Shares, Series A dividends totaled \$5.1 million (\$0.6125 per share) for the three months ended March 31, 2010, and \$5.1 million (\$0.6125 per share) and \$15.4 million (\$1.838 per share) for the three and nine months ended September 30, 2009, respectively. Preferred share dividends totaled \$57.5 million and \$58.1 million for the three months ended September 30, 2010 and 2009, respectively, and \$174.5 million and \$174.3 million for the nine months ended September 30, 2010 and 2009, respectively.

8. Related Party Transactions

Mr. Hughes, the Company's Chairman of the Board of Trustees, and his family (collectively the "Hughes Family") have ownership interests in, and operate approximately 51 self-storage facilities in Canada using the "Public Storage" brand name ("PS Canada") pursuant to a royalty-free trademark license agreement with the Company. We currently do not own any interests in these facilities nor do we own any facilities in Canada. The Hughes Family owns approximately 16.8% of our common shares outstanding at September 30, 2010. We have a right of first refusal to acquire the stock or assets of the corporation that manages the 51 self-storage facilities in Canada, if the Hughes Family or the corporation agrees to sell them. However, we have no interest in the operations of this corporation, we have no right to acquire this stock or assets unless the Hughes Family decides to sell and we receive no benefit from the profits and increases in value of the Canadian self-storage facilities.

We reinsure risks relating to loss of goods stored by tenants in the self-storage facilities in Canada. During the nine months ended September 30, 2010 and 2009, we received \$460,000 and \$479,000 (based upon historical exchange rates between the U.S. Dollar and Canadian Dollar in effect as the revenues were earned), respectively, in reinsurance premiums attributable to the Canadian facilities. Since our right to provide tenant reinsurance to the Canadian facilities may be qualified, there is no assurance that these premiums will continue.

The Company and Mr. Hughes are co-general partners in certain consolidated partnerships and affiliated partnerships that are not consolidated. The Hughes Family owns 47.9% of the voting stock and the Company holds 46% of the voting and 100% of the nonvoting stock (representing substantially all the economic interest) of a private REIT. The private REIT owns limited partnership interests in five affiliated partnerships. The Hughes Family also owns limited partnership interests in certain of these partnerships and holds securities in PSB. PS Canada holds approximately a 1.2% interest in Stor-RE, a consolidated entity that provides liability and casualty insurance for PS Canada, the Company and certain affiliates of the Company for occurrences prior to April 1, 2004 as described below. The Company and the Hughes Family receive distributions from these entities in accordance with the terms of the partnership agreements or other organizational documents.

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9. Share-Based Compensation

Stock Options

We have various stock option plans (collectively referred to as the “PS Plans”). Under the PS Plans, the Company has granted non-qualified options to certain trustees, officers and key employees to purchase the Company’s common shares at a price equal to the fair market value of the common shares at the date of grant. Options granted after December 31, 2002 vest generally over a five-year period and expire between eight years and ten years after the date they became exercisable. The PS Plans also provide for the grant of restricted shares (see below) to officers, key employees and service providers on terms determined by an authorized committee of our Board.

We recognize compensation expense for stock options based upon their estimated fair value on the date of grant amortized over the applicable vesting period (the “Fair Value Method”), net of estimates for future forfeitures. We estimate the fair value of our stock options based upon the Black-Scholes option valuation model.

For the three and nine months ended September 30, 2010, we recorded \$825,000 and \$2,250,000, respectively, in stock option compensation expense related to options granted after January 1, 2002, as compared to \$900,000 and \$2,400,000 for the same periods in 2009.

A total of 160,000 stock options were granted during the nine months ended September 30, 2010, 706,151 shares were exercised, and 41,625 shares were forfeited. A total of 3,107,892 stock options were outstanding at September 30, 2010 (3,695,668 at December 31, 2009).

Outstanding stock options are included on a one-for-one basis in our diluted weighted average shares, less a reduction for the treasury stock method applied to a) the average cumulative measured but unrecognized compensation expense during the period and b) the strike price proceeds expected from the employee upon exercise.

Restricted Share Units

Outstanding restricted share units vest ratably over either five or eight years (depending upon the terms of each individual grant) from the date of grant. The employee receives additional compensation equal to the per-share dividends received by common shareholders with respect to restricted share units outstanding. Such compensation is accounted for as dividends paid. Any dividends paid on units which are subsequently forfeited are expensed. Upon vesting, the employee receives common shares equal to the number of vested restricted share units in exchange for the units.

The total value of each restricted share unit grant, based upon the market price of our common shares at the date of grant, is amortized over the service period, net of estimates for future forfeitures, as compensation expense. The related employer portion of payroll taxes is expensed as incurred.

During the nine months ended September 30, 2010, 118,864 restricted share units were granted, 60,319 restricted share units were forfeited and 100,940 restricted share units vested. This vesting resulted in the issuance of 63,169 common shares. In addition, cash compensation totaling \$2,660,000 was paid to employees in lieu of 37,771 common shares based upon the market value of the shares at the date of vesting is used to settle the employees’ tax liability generated by the vesting and is charged against paid in capital.



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At September 30, 2010, approximately 505,959 restricted share units were outstanding (548,354 at December 31, 2009). A total of \$2,274,000 and \$6,652,000 in restricted share unit expense was recorded for the three and nine months ended September 30, 2010, respectively, as compared to \$2,460,000 and \$7,053,000 for the same periods in 2009. Restricted share unit expense includes amortization of the grant-date fair value of the units reflected as an increase to paid-in capital, as well as \$24,000 and \$363,000 in related payroll taxes we incurred in the three and nine months ended September 30, 2010, respectively, as compared to \$10,000 and \$253,000 for the same periods in 2009.

See also “net income per common share” in Note 2 for further discussion regarding the impact of restricted share units on our net income per common and income allocated to common shareholders.

#### 10. Segment Information

Our reportable segments reflect significant operating activities that are evaluated separately by management, and are organized based upon their operating characteristics. Each of our segments is evaluated by management based upon net segment income. Net segment income represents net income in conformity with GAAP and our significant accounting policies as denoted in Note 2. We have adjusted the classification of the “Presentation of Segment Information” below with respect to the three and nine months ended September 30, 2009 to be consistent with our current segment definition.

Following is the description of and basis for presentation for each of our segments.

##### Domestic Self-Storage Segment

The Domestic Self-Storage Segment comprises our domestic self-storage rental operations, and is our predominant segment. It includes the operations of the 2,026 self storage facilities owned by the Company and the Subsidiaries, as well as our equity share of the 19 self-storage facilities that we account for on the equity method. None of our interest and other income, interest expense or the related debt, general and administrative expense, or gains and losses on the sale of self-storage facilities is allocated to our Domestic Self-Storage segment because management does not consider these items in evaluating the results of operations of the Domestic Self-Storage segment. At September 30, 2010, the assets of the Domestic Self-Storage segment are comprised principally of our self-storage facilities with a book value of \$7.6 billion (\$7.6 billion at December 31, 2009), Tenant Intangibles with a book value of approximately \$27.0 million (\$19.4 million at December 31, 2009), and the Other Investments with a net book value of \$13.3 million (\$13.8 million at December 31, 2009). Substantially all of our other assets totaling \$100.9 million, and our accrued and other liabilities totaling \$243.6 million, (\$92.9 million and \$212.3 million, respectively, at December 31, 2009) are directly associated with the Domestic Self-Storage segment.

##### Europe Self-Storage Segment

The Europe Self-Storage segment comprises our interest in Shurgard Europe, which has a separate management team that, under the direction of Public Storage and the institutional investor which owns a 51% equity interest in Shurgard Europe, makes the financing, capital allocation, and other significant decisions for this operation. The Europe Self-Storage segment presentation includes our equity share of Shurgard Europe’s operations, the interest and other income received from Shurgard Europe, as well as specific general and administrative expense, disposition gains, and foreign currency exchange gains and losses that management considers in evaluating our investment in Shurgard

Europe. At September 30, 2010, our condensed consolidated balance sheet includes an investment in Shurgard Europe with a book value of \$268.6 million (\$272.3 million at December 31, 2009) and a loan receivable from Shurgard Europe totaling \$515.4 million (\$561.7 million at December 31, 2009).

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### Commercial Segment

The Commercial segment comprises our investment in PSB, a self-managed REIT with a separate management team that makes the financing, capital allocation and other significant decisions. The Commercial segment also includes our direct interest in certain commercial facilities, substantially all of which are managed by PSB. The Commercial segment presentation includes our equity income from PSB, as well as the revenues and expenses of our commercial facilities. At September 30, 2010, the assets of the Commercial segment are comprised principally of our investment in PSB which has a book value of \$325.1 million (\$326.1 million at December 31, 2009).

### Presentation of Segment Information

The following tables reconcile the performance of each segment, in terms of segment income, to our consolidated net income (amounts in thousands):

For the three months ended September 30, 2010

|                                                                            | Domestic<br>Self-Storage | Europe<br>Self-Storage | Commercial | Other<br>Items Not<br>Allocated<br>to<br>Segments | Total<br>Consolidated |
|----------------------------------------------------------------------------|--------------------------|------------------------|------------|---------------------------------------------------|-----------------------|
| (Amounts in thousands)                                                     |                          |                        |            |                                                   |                       |
| Revenues:                                                                  |                          |                        |            |                                                   |                       |
| Self-storage facilities                                                    | \$ 389,402               | \$ -                   | \$ -       | \$ -                                              | \$ 389,402            |
| Ancillary operations                                                       | -                        | -                      | 3,496      | 23,092                                            | 26,588                |
| Interest and other income                                                  | -                        | 6,164                  | -          | 611                                               | 6,775                 |
|                                                                            | 389,402                  | 6,164                  | 3,496      | 23,703                                            | 422,765               |
| Expenses:                                                                  |                          |                        |            |                                                   |                       |
| Cost of operations:                                                        |                          |                        |            |                                                   |                       |
| Self-storage facilities                                                    | 127,672                  | -                      | -          | -                                                 | 127,672               |
| Ancillary operations                                                       | -                        | -                      | 1,500      | 5,591                                             | 7,091                 |
| Depreciation and amortization                                              | 91,993                   | -                      | 655        | -                                                 | 92,648                |
| General and administrative                                                 | -                        | -                      | -          | 8,910                                             | 8,910                 |
| Interest expense                                                           | -                        | -                      | -          | 7,838                                             | 7,838                 |
|                                                                            | 219,665                  | -                      | 2,155      | 22,339                                            | 244,159               |
| Income from continuing operations before equity in earnings of real estate | 169,737                  | 6,164                  | 1,341      | 1,364                                             | 178,606               |

entities and foreign  
currency exchange gain

|                                               |            |           |          |          |            |
|-----------------------------------------------|------------|-----------|----------|----------|------------|
| Equity in earnings of<br>real estate entities | 467        | 3,485     | 5,091    | -        | 9,043      |
| Foreign currency<br>exchange gain             | -          | 55,455    | -        | -        | 55,455     |
| Income from<br>continuing operations          | 170,204    | 65,104    | 6,432    | 1,364    | 243,104    |
| Discontinued<br>operations                    | -          | -         | -        | 2,707    | 2,707      |
| Net income                                    | \$ 170,204 | \$ 65,104 | \$ 6,432 | \$ 4,071 | \$ 245,811 |

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For the three months ended September 30, 2009

|                                                                                                                                                                                                       | Domestic<br>Self-Storage | Europe<br>Self-Storage | Commercial | Other<br>Items Not<br>Allocated<br>to<br>Segments | Total<br>Consolidated |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|------------------------|------------|---------------------------------------------------|-----------------------|
| (Amounts in thousands)                                                                                                                                                                                |                          |                        |            |                                                   |                       |
| Revenues:                                                                                                                                                                                             |                          |                        |            |                                                   |                       |
| Self-storage facilities                                                                                                                                                                               | \$ 377,430               | \$ -                   | \$ -       | \$ -                                              | \$ 377,430            |
| Ancillary operations                                                                                                                                                                                  | -                        | -                      | 3,753      | 24,047                                            | 27,800                |
| Interest and other<br>income                                                                                                                                                                          | -                        | 6,254                  | -          | 603                                               | 6,857                 |
|                                                                                                                                                                                                       | 377,430                  | 6,254                  | 3,753      | 24,650                                            | 412,087               |
| Expenses:                                                                                                                                                                                             |                          |                        |            |                                                   |                       |
| Cost of operations:                                                                                                                                                                                   |                          |                        |            |                                                   |                       |
| Self-storage facilities                                                                                                                                                                               | 120,975                  | -                      | -          | -                                                 | 120,975               |
| Ancillary operations                                                                                                                                                                                  | -                        | -                      | 1,440      | 6,053                                             | 7,493                 |
| Depreciation and<br>amortization                                                                                                                                                                      | 85,018                   | -                      | 652        | -                                                 | 85,670                |
| General and<br>administrative                                                                                                                                                                         | -                        | -                      | -          | 8,654                                             | 8,654                 |
| Interest expense                                                                                                                                                                                      | -                        | -                      | -          | 7,289                                             | 7,289                 |
|                                                                                                                                                                                                       | 205,993                  | -                      | 2,092      | 21,996                                            | 230,081               |
| Income from<br>continuing operations<br>before equity in<br>earnings of real estate<br>entities, foreign<br>currency exchange gain<br>and gains on<br>disposition of other real<br>estate investments | 171,437                  | 6,254                  | 1,661      | 2,654                                             | 182,006               |
| Equity in earnings of<br>real estate entities                                                                                                                                                         | 509                      | 3,631                  | 4,684      | -                                                 | 8,824                 |
| Foreign currency<br>exchange gain                                                                                                                                                                     | -                        | 21,429                 | -          | -                                                 | 21,429                |
| Gains on disposition of<br>real estate investments                                                                                                                                                    | -                        | -                      | 30,293     | 280                                               | 30,573                |

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|                                   |            |           |           |          |            |
|-----------------------------------|------------|-----------|-----------|----------|------------|
| Income from continuing operations | 171,946    | 31,314    | 36,638    | 2,934    | 242,832    |
| Discontinued operations           | -          | -         | -         | 1,119    | 1,119      |
| Net income                        | \$ 171,946 | \$ 31,314 | \$ 36,638 | \$ 4,053 | \$ 243,951 |

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For the nine months ended September 30, 2010

|                                                                                                                                                                                                                                                  | Domestic<br>Self-Storage | Europe<br>Self-Storage | Commercial | Other<br>Items Not<br>Allocated<br>to<br>Segments | Total<br>Consolidated |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|------------------------|------------|---------------------------------------------------|-----------------------|
| (Amounts in thousands)                                                                                                                                                                                                                           |                          |                        |            |                                                   |                       |
| Revenues:                                                                                                                                                                                                                                        |                          |                        |            |                                                   |                       |
| Self-storage facilities                                                                                                                                                                                                                          | \$ 1,127,638             | \$ -                   | \$ -       | \$ -                                              | \$ 1,127,638          |
| Ancillary operations                                                                                                                                                                                                                             | -                        | -                      | 10,709     | 68,114                                            | 78,823                |
| Interest and other income                                                                                                                                                                                                                        | -                        | 18,837                 | -          | 3,186                                             | 22,023                |
|                                                                                                                                                                                                                                                  | 1,127,638                | 18,837                 | 10,709     | 71,300                                            | 1,228,484             |
| Expenses:                                                                                                                                                                                                                                        |                          |                        |            |                                                   |                       |
| Cost of operations:                                                                                                                                                                                                                              |                          |                        |            |                                                   |                       |
| Self-storage facilities                                                                                                                                                                                                                          | 388,086                  | -                      | -          | -                                                 | 388,086               |
| Ancillary operations                                                                                                                                                                                                                             | -                        | -                      | 4,349      | 20,711                                            | 25,060                |
| Depreciation and amortization                                                                                                                                                                                                                    | 260,394                  | -                      | 1,965      | -                                                 | 262,359               |
| General and administrative                                                                                                                                                                                                                       | -                        | -                      | -          | 29,068                                            | 29,068                |
| Interest expense                                                                                                                                                                                                                                 | -                        | -                      | -          | 22,455                                            | 22,455                |
|                                                                                                                                                                                                                                                  | 648,480                  | -                      | 6,314      | 72,234                                            | 727,028               |
| Income (loss) from continuing operations before equity in earnings of real estate entities, foreign currency exchange loss, gains on disposition of other real estate investments, gain on early retirement of debt and asset impairment charges | 479,158                  | 18,837                 | 4,395      | (934 )                                            | 501,456               |
| Equity in earnings of real estate entities                                                                                                                                                                                                       | 1,259                    | 10,254                 | 16,279     | -                                                 | 27,792                |
|                                                                                                                                                                                                                                                  | -                        | (28,592 )              | -          | -                                                 | (28,592 )             |

|                                                             |            |        |           |          |            |
|-------------------------------------------------------------|------------|--------|-----------|----------|------------|
| Foreign currency<br>exchange loss                           |            |        |           |          |            |
| Gains on disposition<br>of other real estate<br>investments | -          | -      | -         | 396      | 396        |
| Gain on early<br>retirement of debt                         | -          | -      | -         | 283      | 283        |
| Asset impairment<br>charges                                 | -          | -      | -         | (1,949 ) | (1,949 )   |
| Income (loss) from<br>continuing operations                 | 480,417    | 499    | 20,674    | (2,204 ) | 499,386    |
| Discontinued<br>operations                                  | -          | -      | -         | 7,518    | 7,518      |
| Net income                                                  | \$ 480,417 | \$ 499 | \$ 20,674 | \$ 5,314 | \$ 506,904 |

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For the nine months ended September 30, 2009

|                                                                                                                                                                                                                                               | Domestic<br>Self-Storage | Europe<br>Self-Storage | Commercial | Other<br>Items Not<br>Allocated<br>to<br>Segments | Total<br>Consolidated |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|------------------------|------------|---------------------------------------------------|-----------------------|
|                                                                                                                                                                                                                                               | (Amounts in thousands)   |                        |            |                                                   |                       |
| Revenues:                                                                                                                                                                                                                                     |                          |                        |            |                                                   |                       |
| Self-storage facilities                                                                                                                                                                                                                       | \$ 1,118,750             | \$ -                   | \$ -       | \$ -                                              | \$ 1,118,750          |
| Ancillary operations                                                                                                                                                                                                                          | -                        | -                      | 11,124     | 70,617                                            | 81,741                |
| Interest and other<br>income                                                                                                                                                                                                                  | -                        | 17,608                 | -          | 4,398                                             | 22,006                |
|                                                                                                                                                                                                                                               | 1,118,750                | 17,608                 | 11,124     | 75,015                                            | 1,222,497             |
| Expenses:                                                                                                                                                                                                                                     |                          |                        |            |                                                   |                       |
| Cost of operations:                                                                                                                                                                                                                           |                          |                        |            |                                                   |                       |
| Self-storage facilities                                                                                                                                                                                                                       | 378,259                  | -                      | -          | -                                                 | 378,259               |
| Ancillary operations                                                                                                                                                                                                                          | -                        | -                      | 4,309      | 23,211                                            | 27,520                |
| Depreciation and<br>amortization                                                                                                                                                                                                              | 251,540                  | -                      | 2,304      | -                                                 | 253,844               |
| General and<br>administrative                                                                                                                                                                                                                 | -                        | -                      | -          | 26,532                                            | 26,532                |
| Interest expense                                                                                                                                                                                                                              | -                        | -                      | -          | 22,705                                            | 22,705                |
|                                                                                                                                                                                                                                               | 629,799                  | -                      | 6,613      | 72,448                                            | 708,860               |
| Income from<br>continuing operations<br>before equity in<br>earnings of real estate<br>entities, foreign<br>currency exchange<br>gain, gains on<br>disposition of other<br>real estate investments<br>and gain on early<br>retirement of debt | 488,951                  | 17,608                 | 4,511      | 2,567                                             | 513,637               |
| Equity in earnings of<br>real estate entities                                                                                                                                                                                                 | 1,443                    | 7,239                  | 30,351     | -                                                 | 39,033                |
| Foreign currency<br>exchange gain                                                                                                                                                                                                             | -                        | 19,901                 | -          | -                                                 | 19,901                |
|                                                                                                                                                                                                                                               | -                        | -                      | 30,293     | 3,002                                             | 33,295                |

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|                                                             |            |           |           |          |            |
|-------------------------------------------------------------|------------|-----------|-----------|----------|------------|
| Gains on disposition<br>of other real estate<br>investments |            |           |           |          |            |
| Gain on early<br>retirement of debt                         | -          | -         | -         | 4,114    | 4,114      |
| Income from<br>continuing operations                        | 490,394    | 44,748    | 65,155    | 9,683    | 609,980    |
| Discontinued<br>operations                                  | -          | -         | -         | (7,213 ) | (7,213 )   |
| Net income                                                  | \$ 490,394 | \$ 44,748 | \$ 65,155 | \$ 2,470 | \$ 602,767 |

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11. Commitments and Contingencies

Legal Matters

Brinkley v. Public Storage, Inc. (filed April 2005) (Superior Court of California – Los Angeles County)

The plaintiff sued the Company on behalf of a purported class of California non-exempt employees based on various California wage and hour laws. Plaintiff sought certification for alleged meal period violations, rest period violations, failure to pay for travel time, failure to pay for mileage reimbursement, and for wage statement violations. The Court certified subclasses based only on alleged meal period and wage statement violations. In June 2007, the Court granted the Company's summary judgment motion as to the causes of action relating to the subclasses certified and dismissed those claims. Plaintiff appealed. The Court of Appeals sustained the dismissal. The California Supreme Court granted review but deferred the matter pending disposition of a related issue in another case.

Other Items

We are a party to various claims, complaints, and other legal actions that have arisen in the normal course of business from time to time that are not described above. We believe that it is unlikely that the outcome of these other pending legal proceedings including employment and tenant claims, in the aggregate, will have a material adverse impact upon our operations or financial position.

Insurance and Loss Exposure

We have historically carried customary property, earthquake, general liability and workers compensation coverage through internationally recognized insurance carriers, subject to customary levels of deductibles. The aggregate limits on these policies of \$75 million for property coverage and \$102 million for general liability are higher than estimates of maximum probable loss 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.

Our tenant insurance program reinsures a program that provides insurance to certificate holders against claims for property losses due to specific named perils (earthquakes and floods are not covered by these policies) to goods stored by tenants at our self-storage facilities for individual limits up to a maximum of \$5,000. We have third-party insurance coverage for claims paid exceeding \$1,000,000 resulting from any one individual event, to a limit of \$25,000,000. At September 30, 2010, there were approximately 631,000 certificate holders held by our tenants participating in this program, representing aggregate coverage of approximately \$1.4 billion. Because each certificate represents insurance of goods held by a tenant at our self-storage facilities, the geographic concentration of this \$1.4 billion in coverage is dispersed throughout all of our U.S. facilities. We rely on a third-party insurance company to provide the insurance and are subject to licensing requirements and regulations in several states.

Operating Lease Obligations

We lease land, equipment and office space under various operating leases. At September 30, 2010, the approximate future minimum rental payments required under our operating leases for each calendar year is as follows: \$2 million

for the remainder of 2010, \$5 million per year in 2011 through 2014 and an aggregate of \$65 million in payments thereafter.

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Expenses under operating leases were approximately \$1.4 million and \$4.9 million for the three and nine months ended September 30, 2010, respectively, as compared to \$1.7 million and \$5.4 million for the three and nine months ended September 30, 2009, respectively.

12. Subsequent Events

We are currently under contract to acquire four properties for approximately \$14.4 million. Two of the properties are in Florida, one is in New Jersey and one is in Ohio. We expect the acquisition of these properties will close late in the fourth quarter of 2010 and that we will incur approximately \$0.3 million in transaction costs related to these acquisitions during that period. The acquisition of these facilities is subject to customary closing conditions, and there can be no assurance that we will be able to complete these acquisitions.

On October 7, 2010, we issued 5,000,000 depositary shares (including the subsequent exercise, in part, of the underwriter's over-allotment option) each representing 1/1,000 of a 6.500% Cumulative Preferred Share of Beneficial Interest, Series P, for gross proceeds of \$125,000,000.

On October 4, 2010, we called for redemption our Series B Cumulative Preferred Shares, at par. The aggregate redemption amount, before payment of accrued dividends, to be paid on November 5, 2010, is \$108,750,000. In applying EITF D-42 to this redemption, we will allocate \$3,626,000 of income from our common shareholders to the holders of our Preferred Shares, representing the excess of the amount paid over the initial issuance proceeds, in the quarter ending December 31, 2010.

On October 25, 2010, we repurchased our 7.25% Series J Preferred Partnership units for an aggregate of \$100,400,000 (\$100,000,000 par value) plus accrued and unpaid dividends. In the quarter ending December 31, 2010, we expect to record an allocation of income pursuant to EITF D-42 to the holders of these units of \$400,000, representing the excess paid to redeem these units over the original issuance proceeds. These preferred units were otherwise redeemable at par on May 9, 2011.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read in conjunction with our condensed consolidated financial statements and notes thereto.

**Forward Looking Statements:** This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of the federal securities laws. 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 involve known and unknown risks and uncertainties, which may cause Public Storage's actual results and performance to be materially different from those expressed or implied in the forward-looking statements. As a result, 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. We caution you not to place undue reliance on forward-looking statements, which 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.

Factors and risks that may impact our future results and performance include, but are not limited to, those described in Part II, Item 1A, "Risk Factors" in our Form 10-Q filed with the Securities and Exchange Commission ("SEC") on May 10, 2010, in our other filings with the SEC and the following:

- general risks associated with the ownership and operation of real estate including changes in demand, potential liability for environmental contamination, adverse changes in tax, including property tax, real estate and zoning laws and regulations, and the impact of natural disasters;
  - 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 tenants;
- 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, 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, tax and tenant insurance matters and real estate investment trusts ("REITs"), and risks related to the impact of new laws and regulations;
- risks associated with a possible failure by us to qualify as a REIT under the Internal Revenue Code of 1986, as amended;

- disruptions or shutdowns of our automated processes and systems or breaches of our data security;
  - difficulties in raising capital at a reasonable cost; and
- economic uncertainty due to the impact of war or terrorism.

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 this document, except where expressly required by law. Accordingly, you should use caution in relying on past forward-looking statements to anticipate future results.

### Critical Accounting Policies

Management's Discussion and Analysis of Financial Condition and Results of Operations discusses our consolidated financial statements, which have been prepared in accordance with United States ("U.S.") generally accepted accounting principles ("GAAP"). The preparation of our financial statements and related disclosures in conformity with GAAP and our discussion and analysis of our financial condition and results of operations requires management to make judgments, assumptions and estimates that affect the amounts reported in our consolidated financial statements and accompanying notes. The notes to our September 30, 2010 condensed consolidated financial statements, primarily Note 2, summarize the significant accounting policies and methods used in the preparation of our consolidated financial statements and related disclosures.

Management believes the following are critical accounting policies, the application of which has a material impact on the Company's financial presentation. That is, they are both important to the portrayal of our financial condition and results, and they require management to make judgments and estimates about matters that are inherently uncertain.

**Qualification as a REIT – Income Tax Expense:** We believe that we have been organized and operated, and we intend to continue to operate, as a qualifying REIT under the Internal Revenue Code and applicable state laws. A REIT generally does not pay corporate level federal income taxes on its REIT taxable income that is distributed to its shareholders, and accordingly, we do not pay federal income tax on the share of our REIT taxable income that is distributed to our shareholders.

We therefore do not estimate or accrue any federal income tax expense for income earned and distributed related to REIT operations. This estimate could be incorrect, because due to the complex nature of the REIT qualification requirements, the ongoing importance of factual determinations and the possibility of future changes in our circumstances, we cannot be assured that we actually have satisfied or will satisfy the requirements for taxation as a REIT for any particular taxable year. For any taxable year that we fail or have failed to qualify as a REIT and for which applicable relief provisions did not apply, we would be taxed at the regular corporate rates on all of our taxable income, whether or not we made or make any distributions to our shareholders. Any resulting requirement to pay corporate income tax, including any applicable penalties or interest, could have a material adverse impact on our financial condition or results of operations. Unless entitled to relief under specific statutory provisions, we also would not be eligible to elect REIT status for any taxable year prior to the fifth taxable year which begins after the first taxable year for which REIT status was terminated. There can be no assurance that we would be entitled to any statutory relief.

**Impairment of Long-Lived Assets:** Substantially all of our assets consist of real estate which are long-lived assets. The evaluation of our long-lived assets for impairment includes determining whether indicators of impairment exist, which is a subjective process. When any indicators of impairment are found, the evaluation of such long-lived assets then entails projections of future operating cash flows, which also involves significant judgment. Future events, or facts and circumstances that currently exist, that we have not yet identified, could cause us to conclude in the future that our long-lived assets are impaired. Any resulting impairment loss could have a material adverse impact on our financial condition and results of operations.

**Estimated Useful Lives of Long-Lived Assets:** Substantially all of our assets consist of depreciable or amortizable long-lived assets. We record depreciation and amortization expense with respect to these assets based upon their estimated useful lives. Any change in the estimated useful lives of those assets, caused by functional or economic obsolescence or other factors, could have a material adverse impact on our financial condition or results of operations.

**Accruals for Contingencies:** We are exposed to business and legal liability risks with respect to events that have occurred, but in accordance with GAAP, we have not accrued for certain potential liabilities because the loss is either not probable or not estimable or because we are not aware of the event. Future events and the results of pending litigation could result in such potential losses becoming probable and estimable, which could have a material adverse impact on our financial condition or results of operations. Significant unaccrued losses that we have determined are at least reasonably possible are described in Note 11 to our September 30, 2010 condensed consolidated financial statements.

**Accruals for Operating Expenses:** Certain of our expenses are estimated based upon assumptions regarding past and future trends, such as losses for workers compensation and employee health plans, and estimated claims for our tenant reinsurance program. Our property tax expense, which as a real estate operator, represents one of our largest operating expenses totaling approximately \$41 million and \$124 million in the three and nine months ended September 30, 2010, respectively, has significant estimated components. Most notably, in certain jurisdictions we do not receive tax bills for the current fiscal year until after our earnings are finalized, and as a result, we must estimate tax expense based upon anticipated implementation of regulations and trends. If these estimates and assumptions were incorrect, our expenses could be misstated.

**Valuation of assets and liabilities acquired in business combinations:** We have estimated the fair value of real estate, intangible assets, debt, and the other assets and other liabilities acquired in business combinations. We have acquired these assets, in certain cases, with non-cash assets. These estimates are based upon many assumptions, including interest rates, market values of land and buildings, estimated future cash flows from the tenant base in place at the time of the business combination, and the recoverability of certain assets. We believe that the assumptions used were reasonable, however, these assumptions were subject to a significant degree of judgment, and others could use different assumptions and therefore come to materially different conclusions as to the estimated values. If estimated values had been different, our depreciation and amortization expense, interest expense, investments in real estate entities, real estate, debt, and intangible assets could be materially different.

#### Overview of Management's Discussion and Analysis of Operations

Our principal business activities include the acquisition, development, ownership and operation of self-storage facilities which offer storage spaces for lease, generally on a month-to-month basis, for personal and business use. We are the largest owner of self-storage facilities in the U.S., which represents our Domestic Self-Storage segment. A large portion of management time is focused upon maximizing revenues and effectively managing expenses at our self-storage facilities, as the Domestic Self-Storage segment contributes 92% of our revenues for the nine months ended September 30, 2010, and is the primary driver of growth in our net income and cash flow from operations.

The remainder of our operations are comprised of our Europe Self-Storage segment, our Commercial segment, and the operations not allocated to any segment, each of which is described in Note 10 to our September 30, 2010 condensed consolidated financial statements.

The self-storage industry is subject to general economic conditions, particularly those that affect the disposable income and spending of consumers, as well as those that affect moving trends. Due to the recessionary pressures in the U.S., demand for self-storage space has been negatively impacted since the fourth quarter of 2008. As a result, revenues in our same store self-storage facilities have declined on a year-over-year basis in each quarter of 2009, with a peak decline of 5.1% in the quarter ended September 30, 2009. Revenue trends improved each quarter since the quarter ended September 30, 2009, with reduced levels of year-over-year revenue declines, and in the most recent quarter ended September 30, 2010 revenues increased 1.2%. While trends have been improving, there can be no

assurance that trends will continue to improve, and even with a continuance of the current positive trends it would take several quarters for our revenue levels to equal the amounts achieved prior to the current downturn.

Another important component of our long-term growth is our access to capital and deployment of that capital. Acquisitions of self-storage facilities were minimal during 2008 and 2009. During the nine months ended September 30, 2010, we have acquired 38 self-storage facilities for \$225,358,000 primarily located in the Los Angeles area and the surrounding communities of Southern California. We are currently under contract to acquire four additional facilities; however, these acquisitions are subject to contingencies and there can be no assurance that these acquisitions will be completed. We believe that there may be opportunities to acquire additional facilities in 2010 and 2011, because we have seen more facilities come to market and an increase in transaction volume. However, there can be no assurance that the facilities that come to market will be those that we might be interested in acquiring at the prices asked.

Other investments we have made in the past, but are unlikely to make in the short-term because we believe that the acquisition of existing self-storage facilities from third parties is a more attractive option, include i) the development and redevelopment of self-storage facilities, ii) further investment in Shurgard Europe to allow it to develop or acquire facilities or interests in facilities owned by its joint venture partner, iii) further investment in PS Business Parks, and iv) the early retirement of debt or redemption of preferred securities. There can be no assurance that these other investment alternatives will be attractive in the long-term, or will be even be available as investment alternatives.

At September 30, 2010, we had approximately \$513.5 million of cash and \$102.1 million of short-term investments in high-grade corporate securities. We also have access to our \$300 million line of credit which does not expire until March 27, 2012. On October 7, 2010, we raised net proceeds of \$121.2 million from the issuance of the Series P Cumulative Preferred Shares. Our capital commitments after September 30, 2010, for the next year of approximately \$364.7 million include (i) \$100.4 million paid to redeem our Series J Preferred Partnership Units, (ii) \$108.8 million to redeem our Series B Cumulative Preferred Shares, (iii) \$141.1 million in principal payments on debt and (iv) \$14.4 million for the aforementioned acquisition of four facilities. We have no further significant commitments until 2013, when \$265.6 million of existing debt comes due.

Our ability to raise additional capital by issuing our common or preferred securities is dependent upon capital market conditions. Capital markets have improved from the severe stress incurred in late 2008 and early 2009. In October 2010 we issued in aggregate \$125 million (face amount) of Series P Cumulative Preferred Shares at a rate of 6.500%. Earlier this year (April and May) we issued in aggregate \$145 million (face amount) of Series O Cumulative Preferred Shares at a rate of 6.875%. There can be no assurance that market conditions will continue to permit preferred security issuances at amounts and at rates that we will find reasonable. We do not believe, however, that we are dependent on raising capital to fund our operations or meet our obligations.

## Results of Operations

### Operating Results for the Three Months Ended September 30, 2010 and 2009:

For the three months ended September 30, 2010, net income allocable to our common shareholders was \$182.2 million or \$1.07 per diluted common share, compared to \$173.5 million or \$1.03 per diluted common share, for the same period in 2009, representing an increase of \$8.7 million or \$0.04 per diluted common share. This increase is due to improved operations of our Same Store Facilities, a foreign currency exchange gain of \$55.5 million during the quarter ended September 30, 2010 as compared to \$21.4 million for the same period in 2009, partially offset by a gain on disposition of real estate investments of \$30.3 million related to an equity offering by PS Business Parks, Inc. ("PSB") recorded in the quarter ended September 30, 2009.

### Operating Results for the Nine Months Ended September 30, 2010 and 2009:

For the nine months ended September 30, 2010, net income allocable to our common shareholders was \$277.8 million or \$1.64 per diluted common share, compared to \$468.5 million or \$2.78 per diluted common share, for the same period in 2009, representing a decrease of \$190.7 million or \$1.14 per diluted common share. This decrease is primarily due to (i) a foreign currency exchange loss of \$28.6 million during the nine months ended September 30, 2010 compared to a \$19.9 million gain during the same period in 2009, (ii) an aggregate \$31.1 million reduction in income allocated to our common shareholders, and an increase in income allocated to the shareholders of redeemed securities (including our equity share of PSB's redemptions), in applying EITF D-42 to the redemption of securities in the nine months ended September 30, 2010, as compared to a \$94.5 million increase in income allocated to our common shareholders from the shareholders of redeemed securities (including our equity share of PSB's redemptions), in applying EITF D-42 to the redemption of securities in the same period in 2009 and (iii) a gain on disposition of real

estate investments of \$30.3 million related to an equity offering by PSB recorded in the nine months ended September 30, 2009.

## Real Estate Operations

Self-Storage Operations: Our self-storage operations are by far the largest component of our operating activities, representing more than 91% of our revenues for the nine months ended September 30, 2010 and 2009, respectively.

To enhance year-over-year comparisons, the table that follows summarizes, and the ensuing discussion describes, the operating results of two groups of facilities that management analyzes: (i) the Same Store facilities, representing the facilities in the Domestic Self-Storage Segment that we have owned and have been operating on a stabilized basis since January 1, 2008 and (ii) all other facilities in the Domestic Self-Storage Segment, which are primarily those consolidated facilities that we have not owned and operated at a stabilized basis since January 1, 2008 such as newly acquired, newly developed, or recently expanded facilities.

| Self-Storage Operations<br>Summary                              | Three Months Ended September<br>30, |           |                               |    | Nine Months Ended September 30, |             |            |    |
|-----------------------------------------------------------------|-------------------------------------|-----------|-------------------------------|----|---------------------------------|-------------|------------|----|
|                                                                 | 2010                                | 2009      | Percentage                    |    | 2010                            | 2009        | Percentage |    |
|                                                                 |                                     |           | Change                        |    |                                 |             | Change     |    |
|                                                                 |                                     |           | (Dollar amounts in thousands) |    |                                 |             |            |    |
| Rental income:                                                  |                                     |           |                               |    |                                 |             |            |    |
| Same Store Facilities                                           | \$365,090                           | \$360,747 | 1.2                           | %  | \$1,067,309                     | \$1,071,415 | (0.4       | )% |
| Other Facilities                                                | 24,312                              | 16,683    | 45.7                          | %  | 60,329                          | 47,335      | 27.5       | %  |
|                                                                 | 389,402                             | 377,430   | 3.2                           | %  | 1,127,638                       | 1,118,750   | 0.8        | %  |
| Cost of operations:                                             |                                     |           |                               |    |                                 |             |            |    |
| Same Store Facilities                                           | 119,422                             | 115,678   | 3.2                           | %  | 367,368                         | 361,862     | 1.5        | %  |
| Other Facilities                                                | 8,250                               | 5,297     | 55.7                          | %  | 20,718                          | 16,397      | 26.4       | %  |
|                                                                 | 127,672                             | 120,975   | 5.5                           | %  | 388,086                         | 378,259     | 2.6        | %  |
| Net operating income (a):                                       |                                     |           |                               |    |                                 |             |            |    |
| Same Store Facilities                                           | 245,668                             | 245,069   | 0.2                           | %  | 699,941                         | 709,553     | (1.4       | )% |
| Other Facilities                                                | 16,062                              | 11,386    | 41.1                          | %  | 39,611                          | 30,938      | 28.0       | %  |
|                                                                 | 261,730                             | 256,455   | 2.1                           | %  | 739,552                         | 740,491     | (0.1       | )% |
| Total depreciation and<br>amortization:                         |                                     |           |                               |    |                                 |             |            |    |
| Same Store Facilities                                           | (75,880 )                           | (75,877 ) | 0.0                           | %  | (226,960 )                      | (227,120 )  | (0.1       | )% |
| Other Facilities                                                | (16,113 )                           | (9,141 )  | 76.3                          | %  | (33,434 )                       | (24,420 )   | 36.9       | %  |
|                                                                 | (91,993 )                           | (85,018 ) | 8.2                           | %  | (260,394 )                      | (251,540 )  | 3.5        | %  |
| Total net income                                                | \$169,737                           | \$171,437 | (1.0                          | )% | \$479,158                       | \$488,951   | (2.0       | )% |
| Number of facilities at<br>period end:                          |                                     |           |                               |    |                                 |             |            |    |
| Same Store Facilities                                           |                                     |           |                               |    | 1,925                           | 1,925       | -          |    |
| Other Facilities                                                |                                     |           |                               |    | 101                             | 62          | 62.9       | %  |
|                                                                 |                                     |           |                               |    | 2,026                           | 1,987       | 2.0        | %  |
| Net rentable square<br>footage at period end (in<br>thousands): |                                     |           |                               |    |                                 |             |            |    |
| Same Store Facilities                                           |                                     |           |                               |    | 120,328                         | 120,328     | -          |    |
| Other Facilities                                                |                                     |           |                               |    | 7,858                           | 5,305       | 48.1       | %  |
|                                                                 |                                     |           |                               |    | 128,186                         | 125,633     | 2.0        | %  |

- (a) See “Net Operating Income” or NOI below.

## Net Operating Income

We refer herein to net operating income (“NOI”) of our self-storage facilities, which is a non-GAAP financial measure that excludes the impact of depreciation and amortization expense. Although depreciation and amortization are a component of GAAP net income, we believe that NOI is a meaningful measure of operating performance, because we utilize NOI in making decisions with respect to capital allocations, property performance, and comparing period-to-period and market-to-market property operating results. In addition, we believe the investment community utilizes NOI in determining operating performance and real estate values, and does not consider depreciation expense as it is based upon historical cost. NOI is not a substitute for net operating income after depreciation and amortization or net income in evaluating our operating results. The following reconciles NOI generated by our self-storage segment to our consolidated net income in our September 30, 2010 condensed consolidated financial statements.

|                                                               | Three Months Ended<br>September 30, |           | Nine Months Ended<br>September 30, |            |
|---------------------------------------------------------------|-------------------------------------|-----------|------------------------------------|------------|
|                                                               | 2010                                | 2009      | 2010                               | 2009       |
|                                                               | (Amounts in thousands)              |           |                                    |            |
| Net operating income:                                         |                                     |           |                                    |            |
| Same Store                                                    |                                     |           |                                    |            |
| Facilities                                                    | \$245,668                           | \$245,069 | \$699,941                          | \$709,553  |
| Other Facilities                                              | 16,062                              | 11,386    | 39,611                             | 30,938     |
| Total net operating income from self-storage                  | 261,730                             | 256,455   | 739,552                            | 740,491    |
| Depreciation and amortization expense:                        |                                     |           |                                    |            |
| Same Store                                                    |                                     |           |                                    |            |
| Facilities                                                    | (75,880 )                           | (75,877 ) | (226,960 )                         | (227,120 ) |
| Other Facilities                                              | (16,113 )                           | (9,141 )  | (33,434 )                          | (24,420 )  |
| Total depreciation and amortization expense from self-storage | (91,993 )                           | (85,018 ) | (260,394 )                         | (251,540 ) |
| Net income (loss):                                            |                                     |           |                                    |            |
| Same Store                                                    |                                     |           |                                    |            |
| Facilities                                                    | 169,788                             | 169,192   | 472,981                            | 482,433    |
| Other Facilities                                              | (51 )                               | 2,245     | 6,177                              | 6,518      |
| Total net income from self-storage                            | 169,737                             | 171,437   | 479,158                            | 488,951    |
| Ancillary operating revenue                                   | 26,588                              | 27,800    | 78,823                             | 81,741     |
| Interest and other income                                     | 6,775                               | 6,857     | 22,023                             | 22,006     |
| Ancillary cost of operations                                  | (7,091 )                            | (7,493 )  | (25,060 )                          | (27,520 )  |
| Depreciation and amortization, commercial                     | (655 )                              | (652 )    | (1,965 )                           | (2,304 )   |
| General and administrative expense                            | (8,910 )                            | (8,654 )  | (29,068 )                          | (26,532 )  |
| Interest expense                                              | (7,838 )                            | (7,289 )  | (22,455 )                          | (22,705 )  |
| Equity in earnings of real estate entities                    | 9,043                               | 8,824     | 27,792                             | 39,033     |
| Foreign currency exchange gain (loss)                         | 55,455                              | 21,429    | (28,592 )                          | 19,901     |
| Gains on disposition of real estate investments               | -                                   | 30,573    | 396                                | 33,295     |
| Gain on early debt retirement                                 | -                                   | -         | 283                                | 4,114      |
| Asset impairment charges                                      | -                                   | -         | (1,949 )                           | -          |
| Discontinued operations                                       | 2,707                               | 1,119     | 7,518                              | (7,213 )   |
| Net income of the Company                                     | \$245,811                           | \$243,951 | \$506,904                          | \$602,767  |



## Same Store Facilities

The “Same Store Facilities” represents those 1,925 facilities that are stabilized and owned since January 1, 2008 and therefore provide meaningful comparisons for 2008, 2009, and 2010. The Same Store Facilities increased from 1,899 at December 31, 2009 to 1,925 at September 30, 2010, as facilities were added that are now stabilized and owned since January 1, 2008. The following table summarizes the historical operating results of these 1,925 facilities (120.3 million net rentable square feet) that represent approximately 94% of the aggregate net rentable square feet of our U.S. consolidated self-storage portfolio at September 30, 2010.

| SAME STORE<br>FACILITIES                                                | Three Months Ended September 30,                               |            |                      |    | Nine Months Ended September 30, |              |                      |    |      |   |      |    |
|-------------------------------------------------------------------------|----------------------------------------------------------------|------------|----------------------|----|---------------------------------|--------------|----------------------|----|------|---|------|----|
|                                                                         | 2010                                                           | 2009       | Percentage<br>Change |    | 2010                            | 2009         | Percentage<br>Change |    |      |   |      |    |
| Revenues:                                                               | (Dollar amounts in thousands, except weighted average amounts) |            |                      |    |                                 |              |                      |    |      |   |      |    |
| Rental income                                                           | \$ 346,643                                                     | \$ 343,181 | 1.0                  | %  | \$ 1,015,156                    | \$ 1,021,466 | (0.6                 | )% |      |   |      |    |
| Late charges and<br>administrative fees                                 | 18,447                                                         | 17,566     | 5.0                  | %  | 52,153                          | 49,949       | 4.4                  | %  |      |   |      |    |
| Total revenues (a)                                                      | 365,090                                                        | 360,747    | 1.2                  | %  | 1,067,309                       | 1,071,415    | (0.4                 | )% |      |   |      |    |
| Cost of operations:                                                     |                                                                |            |                      |    |                                 |              |                      |    |      |   |      |    |
| Property taxes                                                          | 38,599                                                         | 38,007     | 1.6                  | %  | 117,302                         | 114,087      | 2.8                  | %  |      |   |      |    |
| Direct property<br>payroll                                              | 25,023                                                         | 23,846     | 4.9                  | %  | 74,090                          | 72,645       | 2.0                  | %  |      |   |      |    |
| Media advertising                                                       | 3,045                                                          | 3,532      | (13.8                | )% | 14,702                          | 19,191       | (23.4                | )% |      |   |      |    |
| Other advertising<br>and promotion                                      | 5,497                                                          | 5,042      | 9.0                  | %  | 17,022                          | 15,815       | 7.6                  | %  |      |   |      |    |
| Utilities                                                               | 10,018                                                         | 9,538      | 5.0                  | %  | 27,263                          | 27,501       | (0.9                 | )% |      |   |      |    |
| Repairs and<br>maintenance                                              | 10,701                                                         | 9,204      | 16.3                 | %  | 34,221                          | 29,492       | 16.0                 | %  |      |   |      |    |
| Telephone<br>reservation center                                         | 2,872                                                          | 2,962      | (3.0                 | )% | 8,486                           | 8,712        | (2.6                 | )% |      |   |      |    |
| Property insurance                                                      | 2,376                                                          | 2,293      | 3.6                  | %  | 7,275                           | 7,677        | (5.2                 | )% |      |   |      |    |
| Other cost of<br>management                                             | 21,291                                                         | 21,254     | 0.2                  | %  | 67,007                          | 66,742       | 0.4                  | %  |      |   |      |    |
| Total cost of<br>operations (a)                                         | 119,422                                                        | 115,678    | 3.2                  | %  | 367,368                         | 361,862      | 1.5                  | %  |      |   |      |    |
| Net operating<br>income (b)                                             | 245,668                                                        | 245,069    | 0.2                  | %  | 699,941                         | 709,553      | (1.4                 | )% |      |   |      |    |
| Depreciation and<br>amortization<br>expense                             | (75,880 )                                                      | (75,877 )  | 0.0                  | %  | (226,960 )                      | (227,120 )   | (0.1                 | )% |      |   |      |    |
| Net income                                                              | \$ 169,788                                                     | \$ 169,192 | 0.4                  | %  | \$ 472,981                      | \$ 482,433   | (2.0                 | )% |      |   |      |    |
| Gross margin<br>(before<br>depreciation and<br>amortization<br>expense) | 67.3                                                           | %          | 67.9                 | %  | (0.9                            | )%           | 65.6                 | %  | 66.2 | % | (0.9 | )% |

Weighted average  
for the period:

|                                                            |          |   |          |   |      |    |          |   |          |   |      |    |
|------------------------------------------------------------|----------|---|----------|---|------|----|----------|---|----------|---|------|----|
| Square foot<br>occupancy (c)                               | 91.0     | % | 89.6     | % | 1.6  | %  | 90.1     | % | 89.2     | % | 1.0  | %  |
| Realized annual<br>rent per occupied<br>square foot (d)(e) | \$ 12.66 |   | \$ 12.73 |   | (0.5 | )% | \$ 12.48 |   | \$ 12.69 |   | (1.7 | )% |
| REVPAF (e)(f)                                              | \$ 11.52 |   | \$ 11.41 |   | 1.0  | %  | \$ 11.25 |   | \$ 11.32 |   | (0.6 | )% |

Weighted average  
at September 30:

|                                                         |  |  |  |  |  |  |          |   |          |   |     |   |
|---------------------------------------------------------|--|--|--|--|--|--|----------|---|----------|---|-----|---|
| Square foot<br>occupancy                                |  |  |  |  |  |  | 90.4     | % | 88.7     | % | 1.9 | % |
| In place annual rent<br>per occupied square<br>foot (g) |  |  |  |  |  |  | \$ 13.76 |   | \$ 13.66 |   | 0.7 | % |
| Total net rentable<br>square feet (in<br>thousands)     |  |  |  |  |  |  | 120,328  |   | 120,328  |   | -   |   |
| Number of facilities                                    |  |  |  |  |  |  | 1,925    |   | 1,925    |   | -   |   |

(a) Revenues and cost of operations do not include ancillary revenues and expenses generated at the facilities with respect to tenant reinsurance, retail sales and truck rentals. "Other costs of management" included in cost of operations principally represents all the indirect costs incurred in the operations of the facilities. Indirect costs principally include supervisory costs and corporate overhead cost incurred to support the operating activities of the facilities.

(b) See "Net Operating Income" above for a reconciliation of this non-GAAP measure to our net income in our condensed consolidated statements of income for the three and nine months ended September 30, 2010 and 2009.

(c) Square foot occupancies represent weighted average occupancy levels over the entire period.

(d) Realized annual rent per occupied square foot is computed by annualizing the result of dividing rental income (which excludes late charges and administrative fees) by the weighted average occupied square feet for the period. Realized annual rent per occupied square foot takes into consideration promotional discounts and other items that reduce rental income from the contractual amounts due.

- (e) Late charges and administrative fees are excluded from the computation of realized annual rent per occupied square foot and REVPAF. Exclusion of these amounts provides a better measure of our ongoing level of revenue, by excluding the volatility of late charges, which are dependent principally upon the level of tenant delinquency, and administrative fees, which are charged upon move-in volumes and are therefore dependent principally upon the absolute level of move-ins for a period.
- (f) Realized annual rent per available foot or “REVPAF” is computed by dividing rental income (which excludes late charges and administrative fees) by the total available net rentable square feet for the period.
- (g) In place annual rent per occupied square foot represents annualized contractual rents per occupied square foot without reductions for promotional discounts and excludes late charges and administrative fees.

Revenues generated by our Same Store facilities increased by 1.2% and decreased by 0.4% for the three and nine months ended September 30, 2010, respectively, as compared to the same periods in 2009. The increase in the three months ended September 30, 2010 as compared to the same period in the 2009 is primarily caused by a 1.6% increase in average occupancy levels offset partially by lower realized annual rental rates per occupied square foot. The decrease in the nine months ended September 30, 2010 as compared to the same period in the 2009 is primarily caused by a 1.7% reduction in average realized annual rental rates per occupied square foot, offset partially by 1.0% higher average occupancy levels.

Our operating strategy is to maintain occupancy levels for our Same Store facilities at approximately 89% to 90% throughout the year. In order to achieve this strategy, we adjust rental rates and promotional discounts offered to new tenants as well as the frequency of television advertising, increasing or decreasing each, depending on traffic patterns of new tenants renting space offset by existing tenants vacating. We experience seasonal fluctuations in the occupancy levels with occupancies generally higher in the summer months than in the winter months. Consequently, rates charged to new tenants are typically higher in the summer months than in the winter months.

We believe overall demand for self-storage space in virtually all of the markets in which we operate has been negatively impacted since late 2008 due to recessionary pressures, including increased unemployment, reduced housing sales, and reduced moving activity, in the major markets in which we operate. Although our occupancy has been higher in 2010 compared to 2009, we had to either reduce rental rates and/or offer more promotional discounts to achieve these occupancy levels. As a result, our revenue has decreased on a year-over-year basis in each quarter in 2009 and in the first two quarters of 2010. These decreases peaked in the quarter ended September 30, 2009 at 5.1%, however the decreases have abated progressively each quarter since then, and revenue increased 1.2% in the quarter ended September 30, 2010.

To varying degrees throughout 2009, we attempted to increase our market share to offset softening demand for storage space through significantly reduced rental rates, increased promotional discounts to new incoming tenants, and increased marketing efforts. We believe that these actions have contributed to our improved revenue trends by improving and stabilizing our occupancies during the three and nine months ended September 30, 2010, which has helped us to regain our ability to raise rents to new and existing tenants during the three and nine months ended September 30, 2010. We believe that more favorable comparisons to prior year results have also contributed to our improved trends.

Despite the improving trends, we have not been able to increase our realized rent per square foot to the levels achieved prior to the downturn. We believe several more quarters of continued improvement would be necessary to allow us to reach historical revenue levels.

The following chart sets forth our revenue, occupancy, and realized rent per square foot trends in our same-store facilities in 2009 and the first three quarters of 2010:

| Three Months Ended:   | Same Store Year-over-Year Change |          |         |           |  |  |
|-----------------------|----------------------------------|----------|---------|-----------|--|--|
|                       | Rental                           | Realized |         | Square    |  |  |
|                       | income                           | rent     |         | foot      |  |  |
|                       |                                  | per      |         | occupancy |  |  |
|                       |                                  | occupied |         |           |  |  |
|                       |                                  | square   |         |           |  |  |
|                       |                                  | foot     |         |           |  |  |
|                       |                                  |          |         |           |  |  |
| March 31, 2009        | (1.0 )%                          | (0.2 )%  | (0.8 )% |           |  |  |
| June 30, 2009         | (3.9 )%                          | (2.9 )%  | (1.0 )% |           |  |  |
| September 30, 2009    | (5.1 )%                          | (4.1 )%  | (1.0 )% |           |  |  |
| December 31, 2009     | (4.1 )%                          | (3.8 )%  | (0.3 )% |           |  |  |
| For entire year: 2009 | (3.6 )%                          | (2.7 )%  | (0.9 )% |           |  |  |
| March 31, 2010        | (2.4 )%                          | (3.0 )%  | 0.6 %   |           |  |  |
| June 30, 2010         | (0.5 )%                          | (1.5 )%  | 1.1 %   |           |  |  |
| September 30, 2010    | 1.0 %                            | (0.5 )%  | 1.6 %   |           |  |  |

We expect the improved operating trends that have been experienced in the last nine months to continue in the quarter ending December 31, 2010; however, it is unclear to us what revenue trends will be following the fourth quarter of 2010. Due to additional promotional discounts, increases in square foot occupancy and in place rents at September 30, 2010 may not result in corresponding increases in rental income during the fourth quarter of 2010.

From a geographic standpoint, we are experiencing the greatest year-over-year revenue declines in our Southeast markets, located in North and South Carolina, Georgia, and Florida, as well as the West Coast, which includes Washington, Oregon and California. See Analysis of Regional Trends table that follows.

Cost of operations (excluding depreciation and amortization) increased by 3.2% and 1.5% in the three and nine months ended September 30, 2010, respectively, as compared to the same periods in 2009. These increases were due primarily to higher property taxes and increases in direct property payroll and repairs and maintenance, offset in part by a reduction in media advertising.

Property tax expense increased 1.6% and 2.8% in the three and nine months ended September 30, 2010, respectively, as compared to the same periods in 2009. This increase is primarily due to increases in tax rates. Included in the amounts for the quarter ended September 30, 2010 are changes to the amounts previously estimated for 2010 tax bills. We expect property tax expense growth in the range of 1-2% in the quarter ending December 31, 2010.

Direct property payroll expense increased by 4.9% and 2.0% in the three and nine months ended September 30, 2010, respectively, as compared to the same periods in 2009. The increases in the three and nine months ended September 30, 2010 reflect higher incentive costs for property personnel due to higher occupancies.

Media advertising for the Same Store Facilities decreased 13.8% and 23.4% in the three and nine months ended September 30, 2010, respectively, as compared to the same periods in 2009. These decreases are due primarily to a reduction in the number of markets in which we advertised during the respective periods. Media advertising primarily includes the cost of advertising on television and varies depending on a number of factors, including our occupancy levels and demand. Other advertising and promotion is comprised principally of yellow page and internet advertising, which increased 9.0% and 7.6% in the three and nine months ended September 30, 2010, respectively, as compared to

the same periods in 2009. These increases are due primarily to higher internet advertising expenditures offset partially by lower yellow page advertising, as the internet channel continues to increase in importance. Revisions in our compensation fee arrangements with yellow page providers resulted in reduced fees. Our future spending on yellow page, media, and internet advertising expenditures will be driven in part by demand for our self-storage spaces, our current occupancy levels, and the relative efficacy of each type of advertising. Media advertising in particular can be volatile and increase or decrease significantly in the short-term.

Utility expenses increased 5.0% in the three months ended September 30, 2010, and decreased 0.9% in the nine months ended September 30, 2010, as compared to the same periods in 2009. The increase in the three month period is due primarily to higher temperatures in certain of our markets resulting in higher electrical usage. The decrease in the nine month period is due primarily to reduced year-over-year energy prices. It is difficult to estimate future utility cost levels because utility costs are primarily dependent upon changes in demand driven by weather and temperature, as well as fuel prices, both of which are volatile and not predictable.

Repairs and maintenance expenditures increased 16.3% and 16.0% in the three and nine months ended September 30, 2010, respectively, as compared to the same periods in 2009. Repairs and maintenance expenditures are dependent upon several factors, such as weather, the timing of periodic needs throughout our portfolio, inflation, and random events and accordingly are difficult to project from year to year. Due to severe weather, snow removal expenses were \$1.0 million higher in the nine months ended September 30, 2010 as compared to the same period in 2009. We expect overall repairs and maintenance expenditures to continue to grow in the quarter ending December 31, 2010 at levels similar to those experienced in the three and nine months ended September 30, 2010.

Telephone reservation center costs decreased 3.0% and 2.6% in the three and nine months ended September 30, 2010, respectively, as compared to the same periods in 2009. The reductions were primarily due to lower call volumes, resulting in less staffing hours, as well as a shift from our California to our Arizona call center, resulting in lower average compensation rates. We expect future increases in our telephone reservation center to be based primarily upon general inflation.

Insurance expense increased 3.6% in the three months ended September 30, 2010, and decreased 5.2% in the nine months ended September 30, 2010, as compared to the same periods in 2009. The decline in the nine month period reflects significant decreases achieved in the policy year ending March 31, 2010 as compared to the policy year ended March 31, 2009, resulting primarily from the softer insurance markets as a lack of hurricane activity and additional competition from insurance providers has benefited us. We expect increases similar to those experienced in the quarter ended September 30, 2010, for the quarter ending December 31, 2010.

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  |
|                                                                 | (Amounts in thousands, except for per square foot amounts) |            |              |             |              |
| Total revenues:                                                 |                                                            |            |              |             |              |
| 2010                                                            | \$ 347,833                                                 | \$ 354,386 | \$ 365,090   |             |              |
| 2009                                                            | \$ 355,489                                                 | \$ 355,179 | \$ 360,747   | \$ 351,923  | \$ 1,423,338 |
| Total cost of operations:                                       |                                                            |            |              |             |              |
| 2010                                                            | \$ 126,537                                                 | \$ 121,409 | \$ 119,422   |             |              |
| 2009                                                            | \$ 127,412                                                 | \$ 118,772 | \$ 115,678   | \$ 102,179  | \$ 464,041   |
| Property tax expense:                                           |                                                            |            |              |             |              |
| 2010                                                            | \$ 39,955                                                  | \$ 38,748  | \$ 38,599    |             |              |
| 2009                                                            | \$ 38,582                                                  | \$ 37,498  | \$ 38,007    | \$ 29,174   | \$ 143,261   |
| Media advertising expense:                                      |                                                            |            |              |             |              |
| 2010                                                            | \$ 5,249                                                   | \$ 6,408   | \$ 3,045     |             |              |
| 2009                                                            | \$ 8,308                                                   | \$ 7,351   | \$ 3,532     | \$ 987      | \$ 20,178    |
| Other advertising and promotion expense:                        |                                                            |            |              |             |              |
| 2010                                                            | \$ 5,004                                                   | \$ 6,521   | \$ 5,497     |             |              |
| 2009                                                            | \$ 4,713                                                   | \$ 6,060   | \$ 5,042     | \$ 4,650    | \$ 20,465    |
| REVPAF:                                                         |                                                            |            |              |             |              |
| 2010                                                            | \$ 11.01                                                   | \$ 11.21   | \$ 11.52     |             |              |
| 2009                                                            | \$ 11.28                                                   | \$ 11.26   | \$ 11.41     | \$ 11.16    | \$ 11.28     |
| Weighted average realized annual rent per occupied square foot: |                                                            |            |              |             |              |
| 2010                                                            | \$ 12.46                                                   | \$ 12.32   | \$ 12.66     |             |              |
| 2009                                                            | \$ 12.84                                                   | \$ 12.51   | \$ 12.73     | \$ 12.75    | \$ 12.71     |
| Weighted average occupancy levels for the period:               |                                                            |            |              |             |              |
| 2010                                                            | 88.4                                                       | % 91.0     | % 91.0       | %           |              |
| 2009                                                            | 87.9                                                       | % 90.0     | % 89.6       | % 87.5      | % 88.7 %     |

## Analysis of Regional Trends

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

|                                                          | Three Months Ended<br>September 30, |          |        | Nine Months Ended September 30, |           |        |
|----------------------------------------------------------|-------------------------------------|----------|--------|---------------------------------|-----------|--------|
|                                                          | 2010                                | 2009     | Change | 2010                            | 2009      | Change |
| (Amounts in thousands, except for weighted average data) |                                     |          |        |                                 |           |        |
| Same Store Facilities Operating                          |                                     |          |        |                                 |           |        |
| Trends by Region                                         |                                     |          |        |                                 |           |        |
| Revenues                                                 |                                     |          |        |                                 |           |        |
| Southern California (184 facilities)                     | \$53,932                            | \$54,208 | (0.5)% | \$159,494                       | \$163,019 | (2.2)% |
| Northern California (167 facilities)                     | 37,809                              | 37,573   | 0.6 %  | 111,072                         | 112,237   | (1.0)% |
| Texas (230 facilities)                                   | 36,583                              | 35,872   | 2.0 %  | 106,390                         | 106,004   | 0.4 %  |
| Florida (185 facilities)                                 | 34,929                              | 34,927   | 0.0 %  | 102,463                         | 104,213   | (1.7)% |
| Illinois (121 facilities)                                | 23,132                              | 23,131   | 0.0 %  | 67,535                          | 68,483    | (1.4)% |
| Washington (90 facilities)                               | 18,937                              | 18,889   | 0.3 %  | 55,570                          | 56,197    | (1.1)% |
| Georgia (87 facilities)                                  | 12,501                              | 12,461   | 0.3 %  | 36,523                          | 37,056    | (1.4)% |
| All other states (861 facilities)                        | 147,267                             | 143,686  | 2.5 %  | 428,262                         | 424,206   | 1.0 %  |
| Total revenues                                           | 365,090                             | 360,747  | 1.2 %  | 1,067,309                       | 1,071,415 | (0.4)% |
| Cost of operations:                                      |                                     |          |        |                                 |           |        |
| Southern California                                      | 12,399                              | 12,332   | 0.5 %  | 37,795                          | 37,527    | 0.7 %  |
| Northern California                                      | 9,733                               | 9,641    | 1.0 %  | 29,988                          | 30,308    | (1.1)% |
| Texas                                                    | 14,313                              | 14,233   | 0.6 %  | 43,047                          | 42,545    | 1.2 %  |
| Florida                                                  | 12,630                              | 12,642   | (0.1)% | 38,351                          | 38,309    | 0.1 %  |
| Illinois                                                 | 9,920                               | 9,304    | 6.6 %  | 31,552                          | 30,702    | 2.8 %  |
| Washington                                               | 4,828                               | 4,593    | 5.1 %  | 14,964                          | 14,233    | 5.1 %  |
| Georgia                                                  | 4,351                               | 4,187    | 3.9 %  | 13,277                          | 12,824    | 3.5 %  |
| All other states                                         | 51,248                              | 48,746   | 5.1 %  | 158,394                         | 155,414   | 1.9 %  |
| Total cost of operations                                 | 119,422                             | 115,678  | 3.2 %  | 367,368                         | 361,862   | 1.5 %  |
| Net operating income (a):                                |                                     |          |        |                                 |           |        |
| Southern California                                      | 41,533                              | 41,876   | (0.8)% | 121,699                         | 125,492   | (3.0)% |
| Northern California                                      | 28,076                              | 27,932   | 0.5 %  | 81,084                          | 81,929    | (1.0)% |
| Texas                                                    | 22,270                              | 21,639   | 2.9 %  | 63,343                          | 63,459    | (0.2)% |

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|                                |           |           |        |           |           |        |
|--------------------------------|-----------|-----------|--------|-----------|-----------|--------|
| Florida                        | 22,299    | 22,285    | 0.1 %  | 64,112    | 65,904    | (2.7)% |
| Illinois                       | 13,212    | 13,827    | (4.4)% | 35,983    | 37,781    | (4.8)% |
| Washington                     | 14,109    | 14,296    | (1.3)% | 40,606    | 41,964    | (3.2)% |
| Georgia                        | 8,150     | 8,274     | (1.5)% | 23,246    | 24,232    | (4.1)% |
| All other states               | 96,019    | 94,940    | 1.1 %  | 269,868   | 268,792   | 0.4 %  |
| Total net operating income (a) | \$245,668 | \$245,069 | 0.2 %  | \$699,941 | \$709,553 | (1.4)% |

Weighted average occupancy:

|                                  |      |   |      |   |       |      |   |      |   |       |  |
|----------------------------------|------|---|------|---|-------|------|---|------|---|-------|--|
| Southern                         |      |   |      |   |       |      |   |      |   |       |  |
| California                       | 91.2 | % | 90.0 | % | 1.3 % | 91.2 | % | 90.2 | % | 1.1 % |  |
| Northern                         |      |   |      |   |       |      |   |      |   |       |  |
| California                       | 91.5 | % | 89.4 | % | 2.3 % | 91.2 | % | 89.0 | % | 2.5 % |  |
| Texas                            | 91.1 | % | 89.6 | % | 1.7 % | 89.9 | % | 89.5 | % | 0.4 % |  |
| Florida                          | 90.3 | % | 89.3 | % | 1.1 % | 89.7 | % | 89.0 | % | 0.8 % |  |
| Illinois                         | 91.1 | % | 89.6 | % | 1.7 % | 89.4 | % | 88.3 | % | 1.2 % |  |
| Washington                       | 90.9 | % | 90.5 | % | 0.4 % | 90.4 | % | 89.3 | % | 1.2 % |  |
| Georgia                          | 90.3 | % | 88.8 | % | 1.7 % | 88.3 | % | 87.6 | % | 0.8 % |  |
| All other states                 | 91.0 | % | 89.7 | % | 1.4 % | 90.1 | % | 89.2 | % | 1.0 % |  |
| Total weighted average occupancy | 91.0 | % | 89.6 | % | 1.6 % | 90.1 | % | 89.2 | % | 1.0 % |  |

| Same Store Facilities Operating<br>Trends by Region (Continued) | Three Months Ended<br>September 30,                      |         |        |    | Nine Months Ended<br>September 30, |         |        |    |
|-----------------------------------------------------------------|----------------------------------------------------------|---------|--------|----|------------------------------------|---------|--------|----|
|                                                                 | 2010                                                     | 2009    | Change |    | 2010                               | 2009    | Change |    |
|                                                                 | (Amounts in thousands, except for weighted average data) |         |        |    |                                    |         |        |    |
| Realized annual rent per occupied<br>square foot:               |                                                          |         |        |    |                                    |         |        |    |
| Southern                                                        |                                                          |         |        |    |                                    |         |        |    |
| California                                                      | \$18.21                                                  | \$18.51 | (1.6   | )% | \$17.94                            | \$18.52 | (3.1   | )% |
| Northern                                                        |                                                          |         |        |    |                                    |         |        |    |
| California                                                      | 16.41                                                    | 16.64   | (1.4   | )% | 16.12                              | 16.65   | (3.2   | )% |
| Texas                                                           | 10.09                                                    | 10.07   | 0.2    | %  | 9.93                               | 9.95    | (0.2   | )% |
| Florida                                                         | 12.04                                                    | 12.20   | (1.3   | )% | 11.86                              | 12.21   | (2.9   | )% |
| Illinois                                                        | 12.62                                                    | 12.84   | (1.7   | )% | 12.54                              | 12.90   | (2.8   | )% |
| Washington                                                      | 13.45                                                    | 13.48   | (0.2   | )% | 13.26                              | 13.57   | (2.3   | )% |
| Georgia                                                         | 9.37                                                     | 9.52    | (1.6   | )% | 9.35                               | 9.61    | (2.7   | )% |
| All other<br>states                                             | 11.83                                                    | 11.72   | 0.9    | %  | 11.60                              | 11.63   | (0.3   | )% |
| Total realized rent per square foot                             | \$12.66                                                  | \$12.73 | (0.5   | )% | \$12.48                            | \$12.69 | (1.7   | )% |
| REVPAF:                                                         |                                                          |         |        |    |                                    |         |        |    |
| Southern                                                        |                                                          |         |        |    |                                    |         |        |    |
| California                                                      | \$16.60                                                  | \$16.66 | (0.4   | )% | \$16.37                            | \$16.71 | (2.0   | )% |
| Northern                                                        |                                                          |         |        |    |                                    |         |        |    |
| California                                                      | 15.02                                                    | 14.87   | 1.0    | %  | 14.69                              | 14.82   | (0.9   | )% |
| Texas                                                           | 9.19                                                     | 9.02    | 1.9    | %  | 8.92                               | 8.91    | 0.1    | %  |
| Florida                                                         | 10.88                                                    | 10.89   | (0.1   | )% | 10.64                              | 10.86   | (2.0   | )% |
| Illinois                                                        | 11.50                                                    | 11.50   | 0.0    | %  | 11.21                              | 11.39   | (1.6   | )% |
| Washington                                                      | 12.24                                                    | 12.20   | 0.3    | %  | 11.99                              | 12.12   | (1.1   | )% |
| Georgia                                                         | 8.46                                                     | 8.46    | 0.0    | %  | 8.25                               | 8.42    | (2.0   | )% |
| All other<br>states                                             | 10.77                                                    | 10.51   | 2.5    | %  | 10.45                              | 10.37   | 0.8    | %  |
| Total<br>REVPAF                                                 | \$11.52                                                  | \$11.41 | 1.0    | %  | \$11.25                            | \$11.32 | (0.6   | )% |

(a) See “Same Store Facilities” table above for further information regarding these measures, which represent or are derived from non-GAAP measures. Also see “Net Operating Income” above for a reconciliation of this non-GAAP measure to our condensed consolidated financial statements.

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. However, we believe that each market has been negatively impacted to some degree by general economic trends and although many markets are experiencing positive operating trends, there is no assurance that these trends will continue.



## Other Facilities

The Other Facilities, see table above under Self-Storage Operations, include 101 facilities that were either recently acquired, recently developed, or were recently expanded by adding additional storage units. In general, these facilities are not stabilized with respect to occupancies or rental rates. As a result of the fill-up process and timing of when the facilities were put into place, year-over-year changes can be significant.

The following table summarizes operating data with respect to these facilities:

| OTHER FACILITIES                                                   | Three Months Ended<br>September 30,                       |         |           | Nine Months Ended September<br>30, |          |         |
|--------------------------------------------------------------------|-----------------------------------------------------------|---------|-----------|------------------------------------|----------|---------|
|                                                                    | 2010                                                      | 2009    | Change    | 2010                               | 2009     | Change  |
|                                                                    | (Dollar amounts in thousands, except square foot amounts) |         |           |                                    |          |         |
| Rental income:                                                     |                                                           |         |           |                                    |          |         |
| Facilities acquired in 2010                                        |                                                           |         |           |                                    |          |         |
| (a)                                                                | \$6,190                                                   | \$-     | \$6,190   | \$8,469                            | \$-      | \$8,469 |
| Expansion facilities...                                            | 18,122                                                    | 16,683  | 1,439     | 51,860                             | 47,335   | 4,525   |
| Total rental income                                                | 24,312                                                    | 16,683  | 7,629     | 60,329                             | 47,335   | 12,994  |
| Cost of operations before depreciation and amortization expense:   |                                                           |         |           |                                    |          |         |
| Facilities acquired in 2010                                        |                                                           |         |           |                                    |          |         |
| (a)                                                                | \$2,486                                                   | \$-     | \$2,486   | \$3,304                            | \$-      | \$3,304 |
| Expansion facilities                                               | 5,764                                                     | 5,297   | 467       | 17,414                             | 16,397   | 1,017   |
| Total cost of operations                                           | 8,250                                                     | 5,297   | 2,953     | 20,718                             | 16,397   | 4,321   |
| Net operating income before depreciation and amortization expense: |                                                           |         |           |                                    |          |         |
| Facilities acquired in 2010                                        |                                                           |         |           |                                    |          |         |
| (a)                                                                | \$3,704                                                   | \$-     | \$3,704   | \$5,165                            | \$-      | \$5,165 |
| Expansion facilities                                               | 12,358                                                    | 11,386  | 972       | 34,446                             | 30,938   | 3,508   |
| Total net operating income                                         |                                                           |         |           |                                    |          |         |
| (b)                                                                | 16,062                                                    | 11,386  | 4,676     | 39,611                             | 30,938   | 8,673   |
| Depreciation and amortization expense                              | (16,113)                                                  | (9,141) | (6,972)   | (33,434)                           | (24,420) | (9,014) |
| Net income (loss)                                                  | \$(51)                                                    | \$2,245 | \$(2,296) | \$6,177                            | \$6,518  | \$(341) |
| At September 30:                                                   |                                                           |         |           |                                    |          |         |
| Square foot occupancy:                                             |                                                           |         |           |                                    |          |         |
| Facilities acquired in 2010                                        |                                                           |         |           | 81.0                               | %        | -       |

|                                          |       |   |       |   |       |   |
|------------------------------------------|-------|---|-------|---|-------|---|
| Expansion facilities                     | 88.8  | % | 84.2  | % | 5.5   | % |
|                                          | 86.6  | % | 84.2  | % | 2.9   | % |
| Number of Facilities:                    |       |   |       |   |       |   |
| Facilities acquired in 2010              | 38    |   | -     |   | 38    |   |
| Expansion facilities                     | 63    |   | 62    |   | 1     |   |
|                                          | 101   |   | 62    |   | 39    |   |
| Net rentable square feet (in thousands): |       |   |       |   |       |   |
| Facilities acquired in 2010              | 2,358 |   | -     |   | 2,358 |   |
| Expansion facilities                     | 5,500 |   | 5,305 |   | 195   |   |
|                                          | 7,858 |   | 5,305 |   | 2,553 |   |

- (a) The properties denoted under “Facilities put in place in 2010” were put into operation within the Public Storage system at various dates in 2010. Accordingly, rental income, cost of operations, depreciation and net operating income, represent the operating results for the partial period that we owned the facilities during the year acquired.
- (b) See “Net Operating Income” above for a reconciliation of this non-GAAP measure to our net income in our condensed consolidated statements of income for the three and nine months ended September 30, 2010 and 2009.

In the nine months ended September 30, 2010, we acquired 38 facilities for an aggregate acquisition cost of \$225,358,000. Thirty-two of the facilities (1,960,000 net rentable square feet) are located in the California area, three facilities (155,000 net rentable square feet) are located in the Chicago area, one facility (75,000 net rentable square feet) is located in Atlanta, one facility (73,000 net rentable square feet) is located in Hawaii and one facility (95,000 net rentable square feet) is located in New Orleans. The acquisitions occurred at various times during the nine months ended September 30, 2010. We expect increases in revenues and expenses for these 38 acquired facilities as their operations are reflected for a full operating period and benefits are realized for these facilities from our management, promotion, and operating infrastructure.

During the nine months ended September 30, 2010, we completed expansions of two of the “Expansion Facilities” for \$7,088,000, adding 55,000 net rentable square feet.

We recorded an impairment charge to a real estate facility totaling \$1.3 million in the nine months ended September 30, 2010, as we do not expect to renew our land lease on this facility, which expires in February 2011. Included for this facility under the “expansion facilities” are revenues and cost of operations totaling \$326,000 and \$175,000, respectively, for the three months ended September 30, 2010 and \$953,000 and \$555,000, respectively, for the nine months ended September 30, 2010. We expect revenues and cost of operations for this facility to cease in February 2011.

The Other Facilities are subject to the same occupancy and rate pressures that our Same Store Facilities are facing, and accordingly the pace at which these facilities reach stabilization, and the ultimate level of cash flows to be reached upon stabilization, may be negatively impacted by the current economic trends. Nonetheless, we expect that the Other Facilities will continue to provide earnings growth during the three months ending December 31, 2010.

#### Equity in earnings of real estate entities

At September 30, 2010, we have equity investments in PSB, Shurgard Europe and five affiliated limited partnerships. Due to our limited ownership interest and lack of control of these entities, we do not consolidate the accounts of these entities for financial reporting purposes, and account for such investments using the equity method.

Equity in earnings of real estate entities for each of the three and nine months ended September 30, 2010 and 2009, consists of our pro-rata share of the net income of these Unconsolidated Entities based upon our ownership interest for the period. The following table sets forth the significant components of equity in earnings of real estate entities. Amounts with respect to PSB, Shurgard Europe, and Other Investments are included in our Commercial segment, Europe Self-Storage segment, and other items not allocated to segments, respectively, as described in Note 10 to our September 30, 2010 condensed consolidated financial statements.

| Historical summary:                               | Three Months Ended<br>September 30, |           |           | Nine Months Ended September<br>30, |           |             |
|---------------------------------------------------|-------------------------------------|-----------|-----------|------------------------------------|-----------|-------------|
|                                                   | 2010                                | 2009      | Change    | 2010                               | 2009      | Change      |
| (Amounts in thousands)                            |                                     |           |           |                                    |           |             |
| Net operating income (1):                         |                                     |           |           |                                    |           |             |
| PSB                                               | \$ 19,318                           | \$ 19,714 | \$ (396 ) | \$ 57,250                          | \$ 62,250 | \$ (5,000 ) |
| Shurgard Europe                                   | 12,139                              | 12,344    | (205 )    | 36,095                             | 32,783    | 3,312       |
| Other Investments                                 | 699                                 | 737       | (38 )     | 1,966                              | 2,069     | (103 )      |
|                                                   | 32,156                              | 32,795    | (639 )    | 95,311                             | 97,102    | (1,791 )    |
| Depreciation:                                     |                                     |           |           |                                    |           |             |
| PSB                                               | (8,643 )                            | (8,448 )  | (195 )    | (23,730)                           | (28,318)  | 4,588       |
| Shurgard                                          |                                     |           |           |                                    |           |             |
| Europe                                            | (7,273 )                            | (7,805 )  | 532       | (22,043)                           | (22,120)  | 77          |
| Other Investments                                 | (226 )                              | (205 )    | (21 )     | (676 )                             | (591 )    | (85 )       |
|                                                   | (16,142)                            | (16,458)  | 316       | (46,449)                           | (51,029)  | 4,580       |
| Other (2):                                        |                                     |           |           |                                    |           |             |
| PSB                                               | (5,584 )                            | (6,582 )  | 998       | (17,241)                           | (3,581 )  | (13,660)    |
| Shurgard                                          |                                     |           |           |                                    |           |             |
| Europe                                            | (1,381 )                            | (908 )    | (473 )    | (3,798 )                           | (3,424 )  | (374 )      |
| Other Investments                                 | (6 )                                | (23 )     | 17        | (31 )                              | (35 )     | 4           |
|                                                   | (6,971 )                            | (7,513 )  | 542       | (21,070)                           | (7,040 )  | (14,030)    |
| Total equity in earnings of real estate entities: |                                     |           |           |                                    |           |             |
| PSB                                               | 5,091                               | 4,684     | 407       | 16,279                             | 30,351    | (14,072)    |
| Shurgard                                          |                                     |           |           |                                    |           |             |
| Europe                                            | 3,485                               | 3,631     | (146 )    | 10,254                             | 7,239     | 3,015       |
| Other Investments                                 | 467                                 | 509       | (42 )     | 1,259                              | 1,443     | (184 )      |
|                                                   | \$ 9,043                            | \$ 8,824  | \$ 219    | \$ 27,792                          | \$ 39,033 | \$ (11,241) |

(1) These amounts represent our pro-rata share of the net operating income of the Unconsolidated Entities. See also “net operating income” above for a discussion of this non-GAAP measure.

(2) “Other” reflects our share of general and administrative expense, interest expense, interest income, gains on sale of real estate assets, and other non-property; non-depreciation related operating results of these entities.

Investment in PSB: At September 30, 2010 and December 31, 2009, we have a 41% common equity interest in PSB, comprised of our ownership of 5,801,606 shares of PSB’s common stock and 7,305,355 limited partnership units in PSB’s underlying operating partnership. The limited partnership units are convertible at our option, subject to certain conditions, on a one-for-one basis into PSB common stock.

At September 30, 2010, PSB owned and operated 21.1 million rentable square feet of commercial space located in eight states. PSB also manages commercial space owned by the Company and affiliated entities pursuant to property management agreements.

Equity in earnings from PSB increased to \$5,091,000 in the three months ended September 30, 2010 as compared to \$4,684,000 in the same period in 2009. Equity in earnings from PSB decreased to \$16,279,000 in the nine months ended September 30, 2010 as compared to \$30,351,000 in the same period in 2009. The decrease for the nine month period was primarily the result of recognizing our pro rata share, \$16.3 million, of the benefit that PSB recognized during the nine months ended September 30, 2009 as a result of PSB's preferred stock and preferred partnership unit repurchases. This decrease was partially offset by our pro rata share, \$2.1 million, of the gain that PSB recognized during the nine months ended September 30, 2010 related to its disposition of a property. Equity in earnings was also negatively impacted during the three and nine months ended September 30, 2010 as compared to the same periods in 2009 by a reduction in property net operating income due primarily to 5.1% and 4.0% declines in the annualized realized rent per square foot for PSB's "Same Park" facilities for the three and nine months ended September 30, 2010, as compared to the same periods in 2009.

We expect that our future equity income from PSB will be dependent entirely upon PSB's operating results. Our investment in PSB provides us with some diversification into another asset type. We have no plans of disposing of our investment in PSB. PSB's filings and selected financial information can be accessed through the Securities and Exchange Commission, and on PSB's website, [www.psbusinessparks.com](http://www.psbusinessparks.com). See Note 4 to our September 30, 2010 condensed consolidated financial statements for additional financial information on PSB.

Investment in Shurgard Europe: At September 30, 2010, and for each of the three and nine months ended September 30, 2010 and 2009, we have a 49% equity interest in Shurgard Europe, and we account for our investment in Shurgard Europe under the equity method. Selected financial data for Shurgard Europe for each of the three and nine months ended September 30, 2010 and 2009 is included in Note 4 to our September 30, 2010 condensed consolidated financial statements.

At September 30, 2010, Shurgard Europe's operations comprise 188 facilities with an aggregate of approximately 10 million net rentable square feet. The portfolio consists of 116 wholly owned facilities and 72 facilities owned by two joint venture partnerships, in which Shurgard Europe has a 20% equity interest.

Our equity in earnings from Shurgard Europe is comprised of our 49% equity share in the net income of Shurgard Europe, as well as 49% of the interest earned with respect to the note receivable from Shurgard Europe and 49% of trademark license fees received from Shurgard Europe, which are reclassified in consolidation from interest and other income to equity in earnings of Shurgard Europe. The amount of interest and other income reclassified was approximately \$5.9 million and \$18.1 million in the three and nine months ended September 30, 2010, respectively, as compared to \$6.0 million and \$16.9 million for the same periods in 2009.

Equity in earnings from our investment in Shurgard Europe for the three months ended September 30, 2010 was \$3,485,000 as compared to \$3,631,000 for the same period in 2009, representing a decrease of \$146,000. This decrease is due to i) the effect of a change in the average exchange rate of the Euro relative to the U.S. Dollar to 1.289 for the three months ended September 30, 2010, as compared to 1.428 for the same period in 2009, ii) our pro-rata share of Shurgard Europe's same-store properties' decrease in net operating income, on a constant exchange rate basis (see table below), and (iii) an increase in general and administrative expense, offset partially by (iv) improvements in operating income from recently developed facilities.

Equity in earnings from our investment in Shurgard Europe for the nine months ended September 30, 2010 was \$10,254,000 as compared to \$7,239,000 for the same period in 2009, representing an increase of \$3,015,000. This increase is due primarily to our pro-rata share of Shurgard Europe's same-store and unstabilized properties' operations on a constant exchange rate basis, offset partially by a decrease in the average exchange rate of the Euro relative to the U.S. Dollar to 1.316 for the nine months ended September 30, 2010, as compared to 1.365 for the same period in 2009.

We evaluate the performance metrics of Shurgard Europe's Same Store Facilities in order to evaluate the performance of our investment in Shurgard Europe, because the Shurgard Europe Same Store Facilities represent the primary driver of our pro-rata share of earnings of Shurgard Europe.

Since January 1, 2008, 91 of Shurgard Europe's wholly owned facilities (the "Europe Same Store Facilities") have been operating on a stabilized basis. During the quarter ended September 30, 2010, we removed two facilities from the Europe Same Store Facilities because they were no longer stabilized, and as a result the number of such facilities declined from 93 to 91. The following table reflects the operating results of these 91 facilities. Comparisons should not be made between this group of 91 facilities and amounts presented for the former group of 93 facilities. We account for our investment in Shurgard Europe on the equity method of accounting; accordingly, our pro-rata share of the operating results for these facilities is included in "equity in earnings of real estate entities" on our condensed consolidated statements of income.



Selected Operating Data for the 91 facilities wholly owned by Shurgard Europe and operated on a stabilized basis since January 1, 2008 (“Europe Same Store Facilities”):

|                                                                       | Three Months Ended<br>September 30,                                                                |          |            | Nine Months Ended<br>September 30, |          |            |
|-----------------------------------------------------------------------|----------------------------------------------------------------------------------------------------|----------|------------|------------------------------------|----------|------------|
|                                                                       |                                                                                                    |          | Percentage |                                    |          | Percentage |
|                                                                       | 2010                                                                                               | 2009     | Change     | 2010                               | 2009     | Change     |
|                                                                       | (Dollar amounts in thousands, except weighted average data, utilizing constant exchange rates) (a) |          |            |                                    |          |            |
| Revenues:                                                             |                                                                                                    |          |            |                                    |          |            |
| Rental income                                                         | \$27,581                                                                                           | \$27,243 | 1.2 %      | \$82,198                           | \$80,926 | 1.6 %      |
| Late charges and administrative fees collected                        | 467                                                                                                | 454      | 2.9 %      | 1,376                              | 1,315    | 4.6 %      |
| Total revenues                                                        | 28,048                                                                                             | 27,697   | 1.3 %      | 83,574                             | 82,241   | 1.6 %      |
| Cost of operations (excluding depreciation and amortization expense): |                                                                                                    |          |            |                                    |          |            |
| Property taxes                                                        | 1,335                                                                                              | 1,421    | (6.1 )%    | 4,097                              | 4,247    | (3.5 )%    |
| Direct property payroll                                               | 3,342                                                                                              | 3,090    | 8.2 %      | 9,784                              | 9,674    | 1.1 %      |
| Advertising and promotion                                             | 1,209                                                                                              | 997      | 21.3 %     | 2,900                              | 3,930    | (26.2)%    |
| Utilities                                                             | 492                                                                                                | 437      | 12.6 %     | 1,765                              | 1,732    | 1.9 %      |
| Repairs and maintenance                                               | 748                                                                                                | 740      | 1.1 %      | 2,139                              | 2,243    | (4.6 )%    |
| Property insurance                                                    | 144                                                                                                | 156      | (7.7 )%    | 454                                | 495      | (8.3 )%    |
| Other costs of management                                             | 4,239                                                                                              | 3,997    | 6.1 %      | 12,702                             | 11,970   | 6.1 %      |
| Total cost of operations                                              | 11,509                                                                                             | 10,838   | 6.2 %      | 33,841                             | 34,291   | (1.3 )%    |
| Net operating income (b)                                              | \$16,539                                                                                           | \$16,859 | (1.9 )%    | \$49,733                           | \$47,950 | 3.7 %      |
| Gross margin                                                          | 59.0 %                                                                                             | 60.9 %   | (3.1 )%    | 59.5 %                             | 58.3 %   | 2.1 %      |
| Weighted average for the period:                                      |                                                                                                    |          |            |                                    |          |            |
| Square foot occupancy (c)                                             | 85.7 %                                                                                             | 87.2 %   | (1.7 )%    | 85.4 %                             | 86.0 %   | (0.7 )%    |
| Realized annual rent per occupied square foot (d)(e)                  | \$25.75                                                                                            | \$25.00  | 3.0 %      | \$25.67                            | \$25.10  | 2.3 %      |
| REVPAF (e)(f)                                                         | \$22.07                                                                                            | \$21.80  | 1.2 %      | \$21.92                            | \$21.58  | 1.6 %      |
| Weighted average at September 30:                                     |                                                                                                    |          |            |                                    |          |            |
| Square foot occupancy                                                 |                                                                                                    |          |            | 85.6 %                             | 87.2 %   | (1.8 )%    |
| In place annual rent per occupied square foot (g)                     |                                                                                                    |          |            | \$27.41                            | \$26.48  | 3.5 %      |
| Total net rentable square feet (in thousands)                         |                                                                                                    |          |            | 4,999                              | 4,999    | -          |
| Average Euro to the U.S. Dollar: (a)                                  |                                                                                                    |          |            |                                    |          |            |

|                                     |       |       |         |       |       |         |
|-------------------------------------|-------|-------|---------|-------|-------|---------|
| Constant exchange rates used herein | 1.289 | 1.289 | -       | 1.316 | 1.316 | -       |
| Actual historical exchange rates    | 1.289 | 1.428 | (9.7 )% | 1.316 | 1.365 | (3.6 )% |

- (a) In order to isolate changes in the underlying operations from the impact of exchange rates, the amounts in this table are presented on a constant exchange rate basis. The amounts for the three and nine months ended September 30, 2009 have been restated using the actual exchange rate for the three and nine months ended September 30, 2010, respectively.
- (b) We present net operating income “NOI” of the Shurgard Europe Same Store Facilities, which is a non-GAAP financial measure that excludes the impact of depreciation and amortization expense. Although depreciation and amortization is a component of GAAP net income, we believe that NOI is a meaningful measure of operating performance, because we utilize NOI in making decisions with respect to capital allocations, segment performance, and comparing period-to-period and market-to-market property operating results. In addition, the investment community utilizes NOI in determining real estate values, and does not consider depreciation expense as it is based upon historical cost. NOI is not a substitute for net operating income after depreciation and amortization in evaluating our operating results.
- (c) Square foot occupancies represent weighted average occupancy levels over the entire period.
- (d) Realized annual rent per occupied square foot is computed by annualizing the result of dividing rental income before late charges and administrative fees by the weighted average occupied square feet for the period. Realized annual rent per occupied square foot takes into consideration promotional discounts and other items that reduce rental income from the contractual amounts due.
- (e) Late charges and administrative fees are excluded from the computation of realized annual rent per occupied square foot and REVPAF. Exclusion of these amounts provides a better measure of our ongoing level of revenue, by excluding the volatility of late charges, which are dependent principally upon the level of tenant delinquency, and administrative fees, which are dependent principally upon the absolute level of move-ins for a period.

- (f) Realized annual rent per available foot or “REVPAF” is computed by dividing rental income before late charges and administrative fees by the total available net rentable square feet for the period.
- (g) In place annual rent per occupied square foot represents annualized contractual rents per occupied square foot without reductions for promotional discounts and excludes late charges and administrative fees.

Shurgard Europe’s operations were impacted in 2009 by the same trends in self-storage demand that our domestic facilities faced. Trends in Europe have improved more quickly than in our U.S. operations, with year-over-year revenue growth improving from a 3.2% reduction in the three months ended September 30, 2009, to a 1.9% reduction in the three months ended December 31, 2009, to a 1.3% increase in the three months ended March 31, 2010, and to a 2.2% increase in the three months ended June 30, 2010. In the most recent quarter ended September 30, 2010, revenue trends changed, with a 1.3% increase. At September 30, 2010, in place rental rates were 3.5% higher and average square foot occupancy was down 1.8%, as compared to September 30, 2009.

Net operating income decreased 1.9% in the three months ended September 30, 2010 and increased 3.7% in the nine months ended September 30, 2010 as compared to the same periods in 2009. The decrease in the three months ended September 30, 2010 as compared to the same period in 2009 is due to increased payroll expenses and advertising and promotion costs, partially offset by a 1.3% increase in revenues. The increase in the nine months ended September 30, 2010 as compared to the same period in the 2009 is due primarily to a 1.6% increase in revenue as well as decreased advertising and promotion costs. The revenue increases in the three and nine months ended September 30, 2010 as compared to the same periods in 2009 were primarily caused by higher rental income as a result of an increase in average realized annual rental rates per occupied square foot partially offset by a decrease in average occupancy levels.

Shurgard Europe, similar to our Domestic Self-Storage segment, has a nominal development pipeline. Accordingly, at least in the short-term, we do not expect any significant impact to our earnings from Shurgard Europe’s development activities, other than the continued fill-up of Shurgard Europe’s existing unstabilized facilities.

In Note 4 to our September 30, 2010 condensed consolidated financial statements, we disclose Shurgard Europe’s condensed consolidated operating results for the three and nine months ended September 30, 2010 and 2009. Shurgard Europe’s condensed consolidated operating results include additional facilities that are not Europe Same Store Facilities, and are based upon historical exchange rates rather than constant exchange rates for each of the respective periods.

Other Investments: The “Other Investments” at September 30, 2010 are comprised primarily of our equity in earnings from various limited partnerships that collectively own 19 self-storage facilities. Our future earnings with respect to the Other Investments will be dependent upon the operating results of the facilities that these entities own. See Note 4 to our September 30, 2010 condensed consolidated financial statements for the operating results of these 19 facilities under the “Other Investments.”

#### Ancillary Operations

Ancillary revenues and expenses include amounts associated with (i) the reinsurance of policies against losses to goods stored by tenants in our self-storage facilities in the U.S., (ii) merchandise sales in the U.S., (iii) commercial property operations, and (iv) management of facilities for third parties and facilities owned by the Unconsolidated Entities.

Commercial property operations are included in our Commercial segment, and all other ancillary revenues and costs of operations are not allocated to any segment. See Note 10 to our September 30, 2010 condensed consolidated financial statements for further information regarding our segments and for a reconciliation of these ancillary revenues and cost of operations to our net income.

The following table sets forth our ancillary operations as presented on our condensed consolidated statements of income.

|                                       | Three Months Ended<br>September 30, |           |           | Nine Months Ended<br>September 30, |           |           |
|---------------------------------------|-------------------------------------|-----------|-----------|------------------------------------|-----------|-----------|
|                                       | 2010                                | 2009      | Change    | 2010                               | 2009      | Change    |
|                                       | (Amounts in thousands)              |           |           |                                    |           |           |
| Ancillary Revenues:                   |                                     |           |           |                                    |           |           |
| Tenant reinsurance premiums           | \$ 16,770                           | \$ 15,971 | \$ 799    | \$ 49,051                          | \$ 47,053 | \$ 1,998  |
| Commercial                            | 3,496                               | 3,753     | (257 )    | 10,709                             | 11,124    | (415 )    |
| Merchandise and other                 | 6,322                               | 8,076     | (1,754 )  | 19,063                             | 23,564    | (4,501 )  |
| Total revenues                        | 26,588                              | 27,800    | (1,212 )  | 78,823                             | 81,741    | (2,918 )  |
| Ancillary Cost of Operations:         |                                     |           |           |                                    |           |           |
| Tenant reinsurance                    | 1,065                               | 700       | 365       | 6,877                              | 7,138     | (261 )    |
| Commercial                            | 1,500                               | 1,440     | 60        | 4,349                              | 4,309     | 40        |
| Merchandise and other                 | 4,526                               | 5,353     | (827 )    | 13,834                             | 16,073    | (2,239 )  |
| Total cost of operations              | 7,091                               | 7,493     | (402 )    | 25,060                             | 27,520    | (2,460 )  |
| Depreciation – commercial operations: | 655                                 | 652       | 3         | 1,965                              | 2,304     | (339 )    |
| Ancillary net income:                 |                                     |           |           |                                    |           |           |
| Tenant reinsurance                    | 15,705                              | 15,271    | 434       | 42,174                             | 39,915    | 2,259     |
| Commercial                            | 1,341                               | 1,661     | (320 )    | 4,395                              | 4,511     | (116 )    |
| Merchandise and other                 | 1,796                               | 2,723     | (927 )    | 5,229                              | 7,491     | (2,262 )  |
| Total ancillary net income            | \$ 18,842                           | \$ 19,655 | \$ (813 ) | \$ 51,798                          | \$ 51,917 | \$ (119 ) |

Tenant reinsurance operations: We reinsure policies offered through a non-affiliated insurance company against losses to goods stored by tenants, primarily in our domestic self-storage facilities. The revenues that we record are based upon premiums that we reinsure. Cost of operations primarily includes claims paid that are not covered by our outside third-party insurers, as well as claims adjustment expenses. Included in cost of operations for the three and nine months ended September 2010 and 2009 were reductions of \$1,650,000 and \$2,031,000, respectively, related to changes in accounting estimates.

The increase in tenant reinsurance revenues over the past year was primarily attributable to an increase in the percentage of our existing tenants retaining such policies. Approximately 59% of our tenants had such policies at September 30, 2010 as compared to 58% at September 30, 2009. We believe that the level of tenant reinsurance revenues in the remainder of 2010 will be consistent with the growth experienced in the third quarter compared to the same period last year.

The future level of tenant reinsurance revenues is largely dependent upon the number of new tenants electing to purchase policies, the level of premiums charged for such insurance, and the number of tenants that continue participating in the insurance program. Future cost of operations will be dependent primarily upon the level of losses

incurred, including the level of catastrophic events, such as hurricanes, that occur and affect our properties thereby increasing tenant insurance claims.

Commercial operations: We also operate commercial facilities, primarily small storefronts and office space located on or near our existing self-storage facilities that are rented to third parties. We do not expect any significant changes in revenues or profitability from our commercial operations.

Merchandise sales and other: We sell locks, boxes, and packing supplies at the self-storage facilities that we operate. The primary factor impacting the level of merchandise sales is the level of customer traffic at our self-storage facilities, including the level of move-ins. In addition, to a much lesser extent, we also manage self-storage facilities within our existing management infrastructure, for third party owners as well as for the Unconsolidated Entities. Merchandise net income for the three and nine months ended September 30, 2010 has been negatively impacted by reduced volume and pricing.

## Other Income and Expense Items

Interest and other income: Interest and other income was \$6,775,000 and \$22,023,000 for the three and nine months ended September 30, 2010, respectively, as compared to \$6,857,000 and \$22,006,000 for the same periods in 2009 and is comprised primarily of interest earned on the loan receivable from Shurgard Europe and, to a lesser extent, interest earned on uninvested cash balances. Interest earned on our uninvested cash balances has been minimal due to historically low interest rates (approximately 0.1% for the three months ended September 30, 2010) which have decreased in the three and nine months ended September 30, 2010 as compared to the same periods in 2009.

We realized a decrease in interest and other income from Shurgard Europe from \$6,254,000 during the three months ended September 30, 2009 to \$6,164,000 for the same period in 2010, due primarily to a reduction in the average exchange rate of the Euro to the U.S. Dollar to 1.289 for the three months ended September 30, 2010 as compared to 1.428 for the same period in 2009, offset partially by an increase in the interest rate from 7.5% to 9.0%, effective November 1, 2009, in connection with an extension of the note receivable from Shurgard Europe. We realized an increase in interest and other income from Shurgard Europe from \$17,608,000 for the nine months ended September 30, 2009 to \$18,837,000 during the same period in 2010, due to the aforementioned increase in interest rate on the note receivable from Shurgard Europe, offset by a decrease in the average exchange rate of the Euro to the U.S. Dollar to 1.365 for the three months ended September 30, 2010 as compared to 1.316 for the same period in 2009. We record 51% of the aggregate interest income and trademark license fees as interest and other income, while 49% is presented as additional equity in earnings on our condensed consolidated statements of income.

The note receivable from Shurgard Europe, denominated in Euros, totaling €378.7 million (\$515.4 million) as of September 30, 2010, matures in March 31, 2013. During the nine months ended September 30, 2010, Shurgard Europe repaid €13.2 million (\$18.9 million) on the note. Future interest income recorded in connection with this loan will be dependent upon the average outstanding balance as well as the exchange rate of the Euro versus the U.S. Dollar. All such interest has been paid currently when due and we expect the interest to continue to be paid when due with Shurgard Europe's operating cash flow.

Depreciation and amortization: Depreciation and amortization expense was \$92,648,000 and \$262,359,000 for the three and nine months ended September 30, 2010, respectively, as compared to \$85,670,000 and \$253,844,000 for the same periods in 2009.

The increase in depreciation and amortization expense for the three and nine months ended September 30, 2010, as compared to the same periods in 2009 is primarily due to amortization of the tenant intangible assets we acquired in connection with the acquisition of 38 self-storage facilities during the three and nine months ended September 30, 2010, respectively. Amortization expense with respect to tenant intangible assets was \$5,764,000 and \$9,078,000 for the three and nine months ended September 30, 2010, respectively, as compared to \$1,145,000 and \$4,434,000 for the same periods in 2009. We expect approximately \$4.0 million in intangible amortization during the three months ending December 31, 2010, with respect to our intangible assets at September 30, 2010, primarily attributable to the 38 self-storage facilities we acquired in the nine months ended September 30, 2010. Future intangible amortization will also depend upon the level of acquisitions of facilities that have tenants in place.

General and administrative expense: General and administrative expense was \$8,910,000 and \$29,068,000 for the three and nine months ended September 30, 2010, respectively, as compared to \$8,654,000 and \$26,532,000 for the same periods in 2009. General and administrative expense principally consists of state income taxes, investor relations expenses, and corporate and executive salaries. In addition, general and administrative expenses includes expenses that vary depending on our activity levels in certain areas, such as overhead associated with the acquisition and development of real estate facilities, certain expenses related to capital raising and merger and acquisition

activities, litigation expenditures, employee severance, share-based compensation, and incentive compensation. During the three and nine months ended September 30, 2010, we incurred \$0.8 million and \$2.4 million, respectively, of expenses related to the acquisitions.

We expect ongoing general and administrative expense to approximate \$8 million to \$10 million per quarter.

Interest expense: Interest expense was \$7,838,000 and \$22,455,000 for the three and nine months ended September 30, 2010, respectively, as compared to \$7,289,000 and \$22,705,000 for the same periods in 2009.

The increase for the three months ended September 30, 2010 as compared to the same period in 2009 is due to \$625,000 in interest expense on debt we assumed in connection with property acquisitions during the quarter ended June 30, 2010. The decline for the nine months ended September 30, 2010 is due primarily to the early retirement in February 2009 of \$110.2 million face amount of senior unsecured debt, offset partially by \$755,000 in interest expense on debt assumed in connection with property acquisitions during the quarter ended June 30, 2010.

See Note 5 to our September 30, 2010 condensed consolidated financial statements for a schedule of our notes payable balances, principal repayment requirements, and average interest rates.

Capitalized interest expense totaled \$128,000 and \$320,000 for the three and nine months ended September 30, 2010, respectively, as compared to \$200,000 and \$547,000 for the same periods in 2009, in connection with our development activities.

Foreign Exchange Gain (Loss): Our loan receivable from Shurgard Europe is denominated in Euros and we have not entered into any agreements to mitigate the impact of currency exchange fluctuations between the U.S. Dollar and the Euro. As a result, the amount of U.S. Dollars we will receive on repayment will depend upon the currency exchange rates at that time. In each period where we expect repatriation of these funds within two years from period end, we record the change in the U.S. Dollar equivalent of the loan balance from the beginning to the end of the period as a foreign currency gain or loss. We recorded foreign currency translation gains of \$55,455,000 and foreign currency translation losses of \$28,592,000 in the three and nine months ended September 30, 2010, respectively, as compared to foreign currency translation gains of \$21,429,000 and \$19,901,000 for the same periods in 2009, representing the change in the U.S. Dollar equivalent of the loan due to changes in exchange rates from the beginning to the end of each respective period. The U.S. Dollar exchange rate relative to the Euro was approximately 1.361, 1.221 and 1.433 at September 30, 2010, June 30, 2010 and December 31, 2009, respectively. The U.S. Dollar exchange rate relative to the Euro was approximately 1.459, 1.405 and 1.409 at September 30, 2009, June 30, 2009 and December 31, 2008, respectively.

Future foreign exchange gains or losses will be dependent primarily upon the movement of the Euro relative to the U.S. Dollar, the amount owed from Shurgard Europe and our continued expectation with respect to repaying the loan.

Discontinued Operations: Discontinued operations includes the historical operations of our containerized storage and truck operations that were discontinued in 2009 and the operations of certain self-storage facilities that were discontinued. In addition to the pre-disposal ongoing revenues and expenses of these operations, discontinued operations includes the following items: (i) gains on disposition of discontinued self-storage facilities totaling approximately \$2,707,000 and \$7,794,000 for the three and nine months ended September 30, 2010, respectively, compared to gains of \$1,837,000 and \$6,018,000 for the three and nine months ended September 30, 2009, respectively, (ii) \$3,500,000 in costs associated with the disposal of trucks recorded in the nine months ended September 30, 2009, and (iii) impairment charges associated with terminated ground leases totaling \$595,000 for the nine months ended September 30, 2010, compared to \$8,205,000 recorded for the nine months ended September 30, 2009.

#### Liquidity and Capital Resources

We have \$513.5 million of cash and \$102.1 million in short-term investments in high-grade corporate securities at September 30, 2010. We believe that our cash, the cash that we expect to receive upon maturity of the marketable

securities, and the internally generated net cash provided by our operating activities will continue to be sufficient to enable us to meet our operating expenses, debt service requirements, capital improvements and distributions requirements to our shareholders for the foreseeable future.

Operating as a REIT, our ability to retain cash flow for reinvestment is restricted. In order for us to maintain our REIT status, a substantial portion of our operating cash flow must be distributed to our shareholders (see “Requirement to Pay Distributions” below). However, despite the significant distribution requirements, we have been able to retain a significant amount of our operating cash flow. The following table summarizes our ability to fund capital improvements to maintain our facilities, distributions to the noncontrolling interests, capital improvements to maintain our facilities, and distributions to our shareholders through the use of cash provided by operating activities. The remaining cash flow generated is available to make both scheduled and optional principal payments on debt and for reinvestment.

|                                                                                    | For the Nine Months Ended<br>September 30, |            |
|------------------------------------------------------------------------------------|--------------------------------------------|------------|
|                                                                                    | 2010                                       | 2009       |
|                                                                                    | (Amount in thousands)                      |            |
| Net cash provided by operating activities (a)                                      | \$ 821,714                                 | \$ 837,529 |
| Capital improvements to maintain our facilities                                    | (68,628 )                                  | (52,449 )  |
| Remaining operating cash flow available for distributions to equity holders        | 753,086                                    | 785,080    |
| Distributions paid to noncontrolling interests:                                    |                                            |            |
| Preferred partnership units                                                        | (5,438 )                                   | (7,643 )   |
| Other noncontrolling interests                                                     | (13,216 )                                  | (12,637 )  |
| Cash from operations allocable to Public Storage shareholders                      | 734,432                                    | 764,800    |
| Distributions paid to Public Storage shareholders:                                 |                                            |            |
| Preferred shareholders                                                             | (174,509)                                  | (174,324 ) |
| Equity Shares, Series A shareholders                                               | (5,131 )                                   | (15,393 )  |
| Holders of restricted share units                                                  | (1,194 )                                   | (1,006 )   |
| Common shareholders (\$2.25 per share for 2010 and \$1.65 per share for 2009)      | (379,909)                                  | (277,784 ) |
| Cash from operations available for principal payments on debt and reinvestment (b) | \$ 173,689                                 | \$ 296,293 |

- (a) Represents net cash provided by operating activities for each respective nine month period as presented in our September 30, 2010 condensed consolidated statements of cash flows.
- (b) We present cash from operations for principal payments on debt and reinvestment because we believe it is an important measure to evaluate our ongoing liquidity. This measure is not a substitute for cash flows from operations or net cash flows in evaluating our liquidity, ability to repay our debt, or to meet our distribution requirements.

Our financial profile is characterized by a low level of debt-to-total-capitalization and a conservative dividend payout ratio with respect to the common shares. We expect to fund our long-term growth strategies and debt obligations with

(i) cash and marketable securities at September 30, 2010, (ii) internally generated retained cash flows, (iii) depending upon current market conditions, proceeds from the issuance of equity securities, and (iv) in the case of acquisitions of facilities, the assumption of existing debt. In general, our strategy is to continue to finance our growth with permanent capital, either retained operating cash flow or capital raised through the issuance of common or preferred equity to the extent that market conditions are favorable.

Historically, we have funded substantially all of our acquisitions with permanent capital (both common and preferred securities). We have elected to use preferred securities as a form of leverage despite the fact that the dividend rates of our preferred securities exceed the prevailing market interest rates on conventional debt. We have chosen this method of financing for the following reasons: (i) under the REIT structure, a significant amount of operating cash flow needs to be distributed to our shareholders, making it difficult to repay debt with operating cash flow alone, (ii) our perpetual preferred shares have no sinking fund requirement or maturity date and do not require redemption, all of which eliminate future refinancing risks, (iii) after the end of a non-call period, we have the option to redeem the preferred shares at any time, which enables us to refinance higher coupon preferred shares with new preferred shares at lower rates if appropriate, (iv) preferred shares do not contain covenants, thus allowing us to maintain significant financial flexibility, and (v) dividends on the preferred shares can be applied to satisfy our REIT distribution requirements.

Our credit ratings on each of our series of preferred shares are “Baa1” by Moody’s, “BBB” by Standard & Poor’s and “A-” by Fitch Ratings.

**Summary of Current Cash Balances and Short-term Capital Commitments:** At September 30, 2010, we had approximately \$513.5 million of cash and \$102.1 million of short-term investments in high-grade corporate securities. We also have access to our \$300 million line of credit which does not expire until March 27, 2012. On October 7, 2010, we raised net proceeds of \$121.2 million from the issuance of the Series P Cumulative Preferred Shares. Our capital commitments after September 30, 2010, for the next year of approximately \$364.7 million include (i) \$100.4 million paid to redeem our Series J Preferred Partnership Units, (ii) \$108.8 million to redeem our Series B Cumulative Preferred Shares, (iii) \$141.1 million in principal payments on debt and (iv) \$14.4 million for the aforementioned acquisition of four facilities. We have no further significant commitments until 2013, when \$265.6 million of existing debt comes due.

**Access to Additional Capital:** We have a revolving line of credit for borrowings up to \$300 million which expires in March 2012. There were no outstanding borrowings on the line of credit at November 5, 2010. We seldom borrow on the line of credit and generally view borrowings on the line as a means to bridge capital needs until we are able to refinance them with permanent capital.

Our ability to raise additional capital by issuing our common or preferred securities is dependent upon capital market conditions. Capital markets have improved from the severe stress experienced in late 2008 and early 2009, and we have recently issued preferred shares at favorable rates (In April and May, 2010, we issued cumulative preferred shares at a rate of 6.875% for gross proceeds of \$145 million, and in October 2010 we issued cumulative preferred shares at a rate of 6.500% for gross proceeds of \$125 million). Despite our recent issuances of preferred equity, there can be no assurance that market conditions will continue to permit preferred security issuances at amounts and at rates that we will find reasonable. We are not dependent, however, on raising capital to fund our operations or meet our obligations.

**Debt Service Requirements:** At September 30, 2010, outstanding debt totaled approximately \$589.5 million. Approximate principal maturities are as follows (amounts in thousands):

|                  | Unsecured<br>debt | Secured<br>debt | Total      |
|------------------|-------------------|-----------------|------------|
| 2010 (remainder) | \$ 263            | \$ 4,842        | \$ 5,105   |
| 2011             | 103,533           | 46,339          | 149,872    |
| 2012             | -                 | 70,761          | 70,761     |
| 2013             | 186,460           | 79,126          | 265,586    |
| 2014             | -                 | 49,112          | 49,112     |
| Thereafter       | -                 | 49,082          | 49,082     |
|                  | \$ 290,256        | \$ 299,262      | \$ 589,518 |

Our current intention is to repay the debt at maturity and not seek to refinance debt maturities with additional debt. Alternatively, we may prepay debt and finance such prepayments with cash on-hand or proceeds from the issuance of preferred or common securities.

Our portfolio of real estate facilities is substantially unencumbered. At September 30, 2010, we have 1,926 self-storage facilities with an aggregate net book value of approximately \$7.0 billion that are unencumbered.



**Capital Improvement Requirements:** During the nine months ended September 30, 2010, we incurred capital improvements of approximately \$68.6 million. During the remainder of 2010, we expect to incur an additional \$13 million for capital improvements with respect to the facilities we own at September 30, 2010. Aggregate expenditures for 2010 include \$7 million in capital expenditures to rebrand and improve the 38 self-storage facilities we acquired in the nine months ended September 30, 2010. Capital improvements include major repairs or replacements to our facilities, which keep the facilities in good operating condition and maintain their visual appeal to the customer. Capital improvements do not include costs relating to the development or expansion of facilities that add additional net rentable square footage to our portfolio.

**Requirement to Pay Distributions:** We have operated, and intend to continue to operate, in such a manner as to qualify as a REIT under the Code, but no assurance can be given that we will at all times so qualify. To the extent that we continue to qualify as a REIT, we will not be taxed, with certain limited exceptions, on the REIT taxable income that is distributed to our shareholders, provided that at least 90% of our taxable income is so distributed. We believe we have satisfied the REIT distribution requirement since 1981.

Aggregate distributions paid during the three and nine months ended September 30, 2010 totaled \$193.1 million and \$560.7 million, respectively. Distributions paid in the nine months ended September 30, 2010 consist of the following (amounts in thousands):

|                                                      |           |
|------------------------------------------------------|-----------|
| Cumulative preferred shareholders                    | \$174,509 |
| Equity Shares, Series A shareholders                 | 5,131     |
| Common shareholders and restricted share unitholders | 381,103   |
| Total REIT qualifying distributions                  | \$560,743 |

We estimate the distribution requirements with respect to our cumulative preferred shares outstanding at September 30, 2010, including the impact of the aforementioned issuance on October 7, 2010 of our Series P Cumulative Preferred Shares and the redemption on November 5, 2010 of our Cumulative Preferred Shares, Series B, to be approximately \$230 million per year. We redeemed the Equity Shares, Series A on April 15, 2010 and no further distributions will be paid after March 31, 2010.

On November 4, 2010, our Board of Trustees declared a regular common dividend of \$0.80 per common share. Our consistent, long-term dividend policy has been to only distribute our taxable income. Future distributions with respect to the common shares will continue to be determined based upon our REIT distribution requirements after taking into consideration distributions to the preferred shareholders and will be funded with operating cash flow.

We are also obligated to pay distributions to non-controlling interests in our consolidated subsidiaries. During the nine months ended September 30, 2010, we paid distributions totaling \$5.4 million with respect to preferred partnership units. On October 25, 2010, we repurchased all of our remaining preferred partnership units which had an annual distribution requirement of \$7.3 million, and no further distributions will be paid past the repurchase date. In addition, we are required to pay distributions to other noncontrolling interests in our consolidated subsidiaries based upon the operating cash flows of the respective subsidiary less any required reserves for capital expenditures or debt repayment. Such non-controlling interests received a total of \$13,216,000 and \$12,637,000 in the nine months ended September 30, 2010 and 2009, respectively, which represents our expectations with respect to future distribution levels.

**Obligations with Respect to Acquisition and Development Activities:** At September 30, 2010, we are under contract to acquire four self-storage facilities for an aggregate of \$14.4 million. These acquisitions are subject to customary

closing conditions and due diligence, and there can be no assurance that these acquisitions will be completed. During the remainder of 2010, we will continue to seek to acquire self-storage facilities from third parties; however, it is difficult to estimate the amount of third party acquisitions we will undertake. We have a minimal development pipeline at September 30, 2010 and have no current plan to expand our development activities. We plan on financing these activities with available cash on-hand, the assumption of existing debt, borrowings on our line of credit, or the net proceeds from the issuance of common or preferred securities.

**European Activities:** We have a 49% interest in Shurgard Europe and our institutional partner owns the remaining 51% interest. As of September 30, 2010, Shurgard Europe owed us €378.7 million (\$515.4 million at September 30, 2010) pursuant to a loan agreement. Effective October 31, 2009, the terms of the loan were modified to increase the interest rate from 7.5% to 9.0% per annum and the maturity date was extended from March 31, 2010 to March 31, 2013. All other material terms and covenants remain the same. The loan is unsecured and can be prepaid in part or in full at anytime without penalty. During the nine months ended September 30, 2010, Shurgard Europe repaid €13.2 million (\$18.9 million) of the loan. Future payments will be dependent upon Shurgard Europe's management's evaluation of uses for its available capital.

Shurgard Europe has a 20% interest in two joint ventures (First Shurgard and Second Shurgard). The two joint ventures collectively had approximately €213 million (\$290 million) of outstanding debt payable to third parties at September 30, 2010, which is non-recourse to Shurgard Europe. One of the joint venture loans, totaling €99 million (\$135 million), is due May 2011 and the other joint venture loan, totaling €114 million (\$155 million), was recently refinanced and is now due in July 2013. Both joint venture loans are secured by the joint ventures' respective facilities, and are not guaranteed by Public Storage, Shurgard Europe or any third party.

Shurgard Europe and its joint venture partner each have the option to initiate a liquidation of First Shurgard or Second Shurgard. Under the terms of the governing agreements, initiating a liquidation would result, if the process is not otherwise halted by the initiating party, in either a sale of interests between the two partners or, in certain circumstances, the sale of assets to a third party. It is Shurgard Europe's desire to acquire its joint venture partner's interests in First Shurgard and Second Shurgard at some point in the future. There is no assurance that such an acquisition would occur (or the timing thereof), and would depend upon Shurgard Europe's available capital, comparison to other investment alternatives, the potential value of the properties to a third party, and the joint venture partner's desire to sell at a price that would be attractive to Shurgard Europe.

**Redemption of Preferred Securities:** As of September 30, 2010, several series of our preferred securities were redeemable at our option upon at least 30 days notice. These series (excluding the Series B Cumulative Preferred Shares that we already called for redemption) have annual dividend rates ranging from 6.125% to 6.750% and have an aggregate redemption value of approximately \$1.1 billion. The timing of redemption of any of these series of preferred securities will depend upon many factors including when, or if, market conditions improve such that we can issue new preferred shares at a lower cost of capital than the shares that would be redeemed.

On August 3, 2010, we repurchased 400,000 shares of our 6.850% Cumulative Preferred Shares Series Y, at a total cost of \$9,200,000. On October 4, 2010, we called for redemption our Series B Cumulative Preferred Shares, at par. The aggregate redemption amount, before payment of accrued dividends, to be paid on November 5, 2010, is \$108,750,000.

On October 25, 2010, we repurchased all our 7.25% Series J Preferred Partnership units for an aggregate of \$100,400,000 (\$100,000,000 par value) plus accrued and unpaid dividends. These preferred units were otherwise redeemable at par on May 9, 2011.

**Repurchases of Company's Common Stock:** Our Board of Trustees has authorized the repurchase from time to time of up to 35,000,000 of our common shares on the open market or in privately negotiated transactions. During the three and nine months ended September 30, 2010, we did not repurchase any of our common shares. From the inception of the repurchase program through November 5, 2010, we have repurchased a total of 23,721,916 common shares at an aggregate cost of approximately \$679.1 million. Future levels of common share repurchases will be dependent upon our available capital, investment alternatives, and the trading price of our common shares.



## Contractual Obligations

Our significant contractual obligations at September 30, 2010 and their impact on our cash flows and liquidity are summarized below for the years ending December 31 (amounts in thousands):

|                                    | Total      | 2010<br>(Remainder) | 2011       | 2012      | 2013       | 2014      | Thereafter |
|------------------------------------|------------|---------------------|------------|-----------|------------|-----------|------------|
| Long-term debt<br>(1)              | \$ 661,707 | \$ 12,795           | \$ 174,927 | \$ 91,697 | \$ 275,539 | \$ 53,035 | \$ 53,714  |
| Operating<br>leases (2)            | 86,409     | 1,608               | 5,301      | 4,967     | 4,750      | 4,698     | 65,085     |
| Construction<br>commitments<br>(3) | 19,490     | 5,970               | 13,520     | -         | -          | -         | -          |
| Total                              | \$ 767,606 | \$ 20,373           | \$ 193,748 | \$ 96,664 | \$ 280,289 | \$ 57,733 | \$ 118,799 |

(1) Amounts include principal and fixed-rate interest payments on our notes payable based on their contractual terms. See Note 5 to our September 30, 2010 condensed consolidated financial statements for additional information on our notes payable.

(2) We lease land, equipment and office space under various operating leases. Certain leases are cancelable, however, significant penalties would be incurred upon cancellation. Amounts reflected above consider continuance of the lease without cancellation.

(3) Includes contractual obligations for development and capital expenditures at September 30, 2010.

Subsequent to September 30, 2010, we called for redemption our 7.125% Series B Cumulative Preferred Shares. These shares will be redeemed on November 5, 2010 for an aggregate of \$109 million, excluding any accrued and unpaid dividends. On October 25, 2010, we repurchased our 7.25% Series J Preferred Partnership units for an aggregate of \$100,400,000 (\$100,000,000 par value) plus accrued and unpaid dividends. These preferred units were otherwise redeemable at par on May 9, 2011. These amounts are not included in the table above as they were not an obligation at September 30, 2010.

Off-Balance Sheet Arrangements: At September 30, 2010 we had no material off-balance sheet arrangements as defined under Regulation S-K 303(a)(4) and the instructions thereto.

## ITEM 3. Quantitative and Qualitative Disclosures about Market Risk

To limit our exposure to market risk, we principally finance our operations and growth with permanent equity capital consisting of retained operating cash flow, capital raised through the issuance of common shares and preferred shares. At September 30, 2010, our debt as a percentage of total equity (based on book values) was 6.7%.

Our preferred shares are not redeemable at the option of the holders. These shares, however, are redeemable, after a set period of time, at our option. At September 30, 2010, our Series W, Series X, Series Y, Series Z, Series A, Series B, Series C, Series D, Series E and Series F preferred shares are currently redeemable by us at our option. Under certain conditions relating to the Company's qualification as a REIT, the preferred shares are not redeemable by the Company pursuant to its redemption option prior to the dates set forth in Note 7 to our September 30, 2010 condensed consolidated financial statements.

Our market risk sensitive instruments include notes payable, which totaled \$589,518,000 at September 30, 2010.

We have foreign currency exposures related to our investment in Shurgard Europe, which has a book value of \$268.6 million at September 30, 2010. We also have a loan receivable from Shurgard Europe, which is denominated in Euros, totaling €378.7 million (\$515.4 million) at September 30, 2010.

The table below summarizes annual debt maturities and weighted-average interest rates on our outstanding debt at the end of each year and fair values required to evaluate our expected cash-flows under debt agreements and our sensitivity to interest rate changes at September 30, 2010 (dollar amounts in thousands).

|                        | Remainder<br>of<br>2010 | 2011       | 2012      | 2013       | 2014      | Thereafter | Total      | Fair<br>Value |
|------------------------|-------------------------|------------|-----------|------------|-----------|------------|------------|---------------|
| Fixed rate debt        | \$ 5,105                | \$ 149,872 | \$ 70,761 | \$ 265,586 | \$ 49,112 | \$ 49,082  | \$ 589,518 | \$ 612,297    |
| Average interest rate  | 5.38 %                  | 5.37 %     | 5.38 %    | 5.18 %     | 4.95 %    | 4.95 %     |            |               |
| Variable rate debt (1) | \$ -                    | \$ -       | \$ -      | \$ -       | \$ -      | \$ -       | \$ -       | \$ -          |
| Average interest rate  |                         |            |           |            |           |            |            |               |

(1) Amounts include borrowings under our line of credit, which expires in March 2012. As of September 30, 2010, we have no borrowings under our line of credit.



Item 4. Controls and Procedures

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in reports we file and submit under the Securities Exchange Act of 1934, as amended, ("Exchange Act") is recorded, processed, summarized and reported within the time periods specified in accordance with SEC guidelines and that such information is communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure based on the definition of "disclosure controls and procedures" in Rules 13a-15(e) and 15d-15(e) of the Exchange Act. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures in reaching that level of reasonable assurance. We also have investments in certain unconsolidated entities and because we do not control these entities, our disclosure controls and procedures with respect to such entities are substantially more limited than those we maintain with respect to our consolidated subsidiaries.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we evaluated the effectiveness of our disclosure controls and procedures, as required by Exchange Act Rule 13a-15(b), as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective, at a reasonable assurance level. There were no changes in our internal control over financial reporting during the quarter ended September 30, 2010 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II.

OTHER INFORMATION

Item 1. Legal Proceedings

The information set forth under the heading “Legal Matters” in Note 11 to the Condensed Consolidated Financial Statements in this Form 10-Q is incorporated by reference in this Item 1.

Item 1A. Risk Factors

In addition to the other information in this Quarterly Report on Form 10-Q, you should carefully consider the risks described in our Quarterly Report on Form 10-Q filed for the quarter ended March 31, 2010, in Part II, Item 1A, Risk Factors. These factors may materially affect our business, financial condition and operating results and could cause our actual results to differ materially from those stated in forward-looking statements in this Form 10-Q and elsewhere. In addition, in considering the forward-looking statements contained in this Form 10-Q and elsewhere, you should refer to the qualifications and limitations on our forward-looking statements that are described in Forward Looking Statements at the beginning of Part I, Item 2.

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

Common Share Repurchases

Our Board of Trustees has authorized the repurchase from time to time of up to 35,000,000 of our common shares on the open market or in privately negotiated transactions. During the nine months ended September 30, 2010, we did not repurchase any of our common shares. From the inception of the repurchase program through November 5, 2010, we have repurchased a total of 23,721,916 common shares 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 September 30, 2010. During the nine months ended September 30, 2010, we did not repurchase any of our common shares outside our publicly announced repurchase program. Future levels of common share repurchases will be dependent upon our available capital, investment alternatives, and the trading price of our common shares.

Preferred Share Repurchases

During August, 2010, we repurchased 400,000 of our 6.850% Cumulative Preferred Shares Series Y with a carrying value of \$10.0 million for an aggregate of \$9.2 million in cash (inclusive of accrued dividends).

The following table presents monthly information related to our repurchases of certain of our outstanding Cumulative Preferred Shares, Series Y during the three months ended September 30, 2010:

| Period Covered                         | Total<br>Number of<br>Shares<br>Redeemed | Average<br>Price<br>Paid per<br>Share |
|----------------------------------------|------------------------------------------|---------------------------------------|
| July 1, 2010 – July 31, 2010           | -                                        | -                                     |
| August 1, 2010 – August 31, 2010       |                                          |                                       |
| Preferred Shares - Series Y            | 400,000                                  | \$ 23.00                              |
| September 1, 2010 – September 30, 2010 | -                                        | -                                     |
| Total                                  | 400,000                                  | \$ 23.00                              |

Item 6. Exhibits

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

SIGNATURES

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

DATED: November 5,  
2010

PUBLIC STORAGE

By: /s/ John Reyes  
John Reyes  
Senior Vice  
President and  
Chief Financial  
Officer  
(Principal  
financial officer  
and duly  
authorized  
officer)

PUBLIC STORAGE

INDEX TO EXHIBITS (1)

(Items 15(a)(3) and 15(c))

- 3.1 Articles of Amendment and Restatement of Declaration of Trust of Public Storage, a Maryland real estate investment trust. Filed with the Registrant's Current Report on Form 8-K dated June 6, 2007 and incorporated by reference herein.
- 3.2 Bylaws of Public Storage, a Maryland real estate investment trust. Filed with the Registrant's Current Report on Form 8-K dated May 11, 2010 and incorporated by reference herein.
- 3.3 Articles Supplementary for Public Storage Equity Shares, Series AAA. Filed with the Registrant's Current Report on Form 8-K dated June 6, 2007 and incorporated by reference herein.
- 3.4 Articles Supplementary for Public Storage 6.500% Cumulative Preferred Shares, Series W. Filed with the Registrant's Current Report on Form 8-K dated June 6, 2007 and incorporated by reference herein.
- 3.5 Articles Supplementary for Public Storage 6.450% Cumulative Preferred Shares, Series X. Filed with the Registrant's Current Report on Form 8-K dated June 6, 2007 and incorporated by reference herein.
- 3.6 Articles Supplementary for Public Storage 6.850% Cumulative Preferred Shares, Series Y. Filed with the Registrant's Current Report on Form 8-K dated June 6, 2007 and incorporated by reference herein.
- 3.7 Articles Supplementary for Public Storage 6.250% Cumulative Preferred Shares, Series Z. Filed with the Registrant's Current Report on Form 8-K dated June 6, 2007 and incorporated by reference herein.
- 3.8 Articles Supplementary for Public Storage 6.125% Cumulative Preferred Shares, Series A. Filed with the Registrant's Current Report on Form 8-K dated June 6, 2007 and incorporated by reference herein.
- 3.9 Articles Supplementary for Public Storage 7.125% Cumulative Preferred Shares, Series B. Filed with the Registrant's Current Report on Form 8-K dated June 6, 2007 and incorporated by reference herein.

- 3.10 Articles Supplementary for Public Storage 6.600% Cumulative Preferred Shares, Series C. Filed with the Registrant's Current Report on Form 8-K dated June 6, 2007 and incorporated by reference herein.
- 3.11 Articles Supplementary for Public Storage 6.180% Cumulative Preferred Shares, Series D. Filed with the Registrant's Current Report on Form 8-K dated June 6, 2007 and incorporated by reference herein.
- 3.12 Articles Supplementary for Public Storage 6.750% Cumulative Preferred Shares, Series E. Filed with the Registrant's Current Report on Form 8-K dated June 6, 2007 and incorporated by reference herein.
- 3.13 Articles Supplementary for Public Storage 6.450% Cumulative Preferred Shares, Series F. Filed with the Registrant's Current Report on Form 8-K dated June 6, 2007 and incorporated by reference herein.
- 3.14 Articles Supplementary for Public Storage 7.000% Cumulative Preferred Shares, Series G. Filed with the Registrant's Current Report on Form 8-K dated June 6, 2007 and incorporated by reference herein.
- 3.15 Articles Supplementary for Public Storage 6.950% Cumulative Preferred Shares, Series H. Filed with the Registrant's Current Report on Form 8-K dated June 6, 2007 and incorporated by reference herein.

- 3.16 Articles Supplementary for Public Storage 7.250% Cumulative Preferred Shares, Series I. Filed with the Registrant's Current Report on Form 8-K dated June 6, 2007 and incorporated by reference herein.
- 3.17 Articles Supplementary for Public Storage 7.250% Cumulative Preferred Shares, Series K. Filed with the Registrant's Current Report on Form 8-K dated June 6, 2007 and incorporated by reference herein.
- 3.18 Articles Supplementary for Public Storage 6.750% Cumulative Preferred Shares, Series L. Filed with the Registrant's Current Report on Form 8-K dated June 6, 2007 and incorporated by reference herein.
- 3.19 Articles Supplementary for Public Storage 6.625% Cumulative Preferred Shares, Series M. Filed with the Registrant's Current Report on Form 8-K dated June 6, 2007 and incorporated by reference herein.
- 3.20 Articles Supplementary for Public Storage 7.000% Cumulative Preferred Shares, Series N. Filed with the Registrant's Current Report on Form 8-K dated June 28, 2007 and incorporated by reference herein.
- 3.21 Articles Supplementary for Public Storage 6.875% Cumulative Preferred Shares, Series O. Filed with the Registrant's Current Report on Form 8-K dated April 8, 2010 and incorporated by reference herein.
- 3.22 Articles Supplementary for Public Storage 6.500% Cumulative Preferred Shares, Series P. Filed with the Registrant's Current Report on Form 8-K dated October 6, 2010 and incorporated by reference herein.
- 4.1 Master Deposit Agreement, dated as of May 31, 2007. Filed with the Registrant's Current Report on Form 8-K dated June 6, 2007 and incorporated by reference herein.
- 10.1 Amended Management Agreement between Registrant and Public Storage Commercial Properties Group, Inc. dated as of February 21, 1995. Filed with Public Storage Inc.'s ("PSI") Annual Report on Form 10-K for the year ended December 31, 1994 (SEC File No. 001-0839) and incorporated herein by reference.
- 10.2 Second Amended and Restated Management Agreement by and among Registrant and the entities listed therein dated as of November 16, 1995. Filed with PS Partners, Ltd.'s Annual Report

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on Form 10-K for the year ended December 31, 1996 (SEC File No. 001-11186) and incorporated herein by reference.

10.3 Limited Partnership Agreement of PSAF Development Partners, L.P. Filed with PSI's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 1997 (SEC File No. 001-0839) and incorporated herein by reference.

10.4 Agreement of Limited Partnership of PS Business Parks, L.P. Filed with PS Business Parks, Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended June 30, 1998 (SEC File No. 001-10709) and incorporated herein by reference.

10.5 Amended and Restated Agreement of Limited Partnership of Storage Trust Properties, L.P. (March 12, 1999). Filed with PSI's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 1999 (SEC File No. 001-0839) and incorporated herein by reference.

10.6 Limited Partnership Agreement of PSAC Development Partners, L.P. Filed with PSI's Current Report on Form 8-K dated November 15, 1999 (SEC File No. 001-0839) and incorporated herein by reference.

10.7 Agreement of Limited Liability Company of PSAC Storage Investors, L.L.C. Filed with PSI's Current Report on Form 8-K dated November 15, 1999 (SEC File No. 001-0839) and incorporated herein by reference.

10.8 Amended and Restated Agreement of Limited Partnership of PSA Institutional Partners, L.P. Filed with PSI's Annual Report on Form 10-K for the year ended December 31, 1999 (SEC File No. 001-0839) and incorporated herein by reference.

- 10.9 Amendment to Amended and Restated Agreement of Limited Partnership of PSA Institutional Partners, L.P. Filed with PSI's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2000 (SEC File No. 001-0839) and incorporated herein by reference.
- 10.10 Second Amendment to Amended and Restated Agreement of Limited Partnership of PSA Institutional Partners, L.P. Filed with PSI's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2004 (SEC File No. 001-0839) and incorporated herein by reference.
- 10.11 Third Amendment to Amended and Restated Agreement of Limited Partnership of PSA Institutional Partners, L.P. Filed with PSI's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2004 (SEC File No. 001-0839) and incorporated herein by reference.
- 10.12 Limited Partnership Agreement of PSAF Acquisition Partners, L.P. Filed with PSI's Annual Report on Form 10-K for the year ended December 31, 2003 (SEC File No. 001-0839) and incorporated herein by reference.
- 10.13 Credit Agreement by and among Registrant, Wells Fargo Bank, National Association and Wachovia Bank, National Association as co-lead arrangers, and the other financial institutions party thereto, dated March 27, 2007. Filed with PSI's Current Report on Form 8-K on April 2, 2007 (SEC File No. 001-0839) and incorporated herein by reference.
- 10.14\*Post-Retirement Agreement between Registrant and B. Wayne Hughes dated as of March 11, 2004. Filed with Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2009 and incorporated herein by reference.
- 10.15\*Shurgard Storage Centers, Inc. 1995 Long Term Incentive Compensation Plan. Incorporated by reference to Appendix B of Definitive Proxy Statement dated June 8, 1995 filed by Shurgard (SEC File No. 001-11455).
- 10.16\*Shurgard Storage Centers, Inc. 2000 Long-Term Incentive Plan. Incorporated by reference to Exhibit 10.27 Annual Report on Form 10-K for the year ended December 31, 2000 filed by Shurgard (SEC File No. 001-11455).
- 10.17\*Shurgard Storage Centers, Inc. 2004 Long Term Incentive Compensation Plan. Incorporated by reference to Appendix A of Definitive Proxy Statement dated June 7, 2004 filed by Shurgard

(SEC File No. 001-11455).

10.18\*Public Storage, Inc. 1996 Stock Option and Incentive Plan. Filed with PSI's Annual Report on Form 10-K for the year ended December 31, 2000 (SEC File No. 001-0839) and incorporated herein by reference.

10.19\*Public Storage, Inc. 2000 Non-Executive/Non-Director Stock Option and Incentive Plan. Filed with PSI's Registration Statement on Form S-8 (SEC File No. 333-52400) and incorporated herein by reference.

10.20\*Public Storage, Inc. 2001 Non-Executive/Non-Director Stock Option and Incentive Plan. Filed with PSI's Registration Statement on Form S-8 (SEC File No. 333-59218) and incorporated herein by reference.

10.21\*Public Storage, Inc. 2001 Stock Option and Incentive Plan ("2001 Plan"). Filed with PSI's Registration Statement on Form S-8 (SEC File No. 333-59218) and incorporated herein by reference.

10.22\*Form of 2001 Plan Non-qualified Stock Option Agreement. Filed with PSI's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2004 (SEC File No. 001-0839) and incorporated herein by reference.

- 10.23\* Form of 2001 Plan Restricted Share Unit Agreement. Filed with PSI's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2004 (SEC File No. 001-0839) and incorporated herein by reference.
- 10.24\* Form of 2001 Plan Non-Qualified Outside Director Stock Option Agreement. Filed with PSI's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2004 (SEC File No. 001-0839) and incorporated herein by reference.
- 10.25\* Public Storage, Inc. Performance-Based Compensation Plan for Covered Employees. Filed with PSI's Current Report on Form 8-K dated May 11, 2005 (SEC File No. 001-0839) and incorporated herein by reference.
- 10.26\* Public Storage 2007 Equity and Performance-Based Incentive Compensation Plan. Filed as Exhibit 4.1 to Registrant's Registration Statement on Form S-8 (SEC File No. 333-144907) and incorporated herein by reference.
- 10.27\* Form of 2007 Plan Restricted Stock Unit Agreement. Filed with Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2007 and incorporated herein by reference.
- 10.28\* Form of 2007 Plan Stock Option Agreement. Filed with Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2007 and incorporated herein by reference.
- 10.29\* Form of Indemnity Agreement. Filed with Registrant's Amendment No. 1 to Registration Statement on Form S-4 (SEC File No. 333-141448) and incorporated herein by reference.
- 10.30\* Employment Agreement and General Release between Registrant and Mark Good. Filed as Exhibit 10.1 to Registrant's Current Report on Form 8-K dated June 28, 2010 and incorporated herein by reference.
- 12 Statement Re: Computation of Ratio of Earnings to Fixed Charges and Preferred Stock Dividends. Filed herewith.
- 31.1. Rule 13a – 14(a) Certification. Filed herewith.
- 31.2 Rule 13a – 14(a) Certification. Filed herewith.
- 32 Section 1350 Certifications. Filed herewith.
- 101 XBRL Instance Document
- .INS\*\*

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101 XBRL Taxonomy Extension Schema  
.SCH\*\*  
101 XBRL Taxonomy Extension Calculation Linkbase  
.CAL\*\*  
101 XBRL Taxonomy Extension Definition Linkbase  
.DEF\*\*  
101 XBRL Taxonomy Extension Label Linkbase  
.LAB\*\*  
1 0 1XBRL Taxonomy Extension Presentation Link  
.PRE\*\*

— (1) SEC File No. 001-33519 unless otherwise indicated.

\* Denotes management compensatory plan agreement or arrangement.

\*\* Furnished herewith.

