Public Storage
Form 10-Q
May 03, 2018
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2018

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.

[X] 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).

[X] Yes [ ] No

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

Large accelerated filer	Accelerated filer	Non-accelerated filer	Smaller reporting company	Emerging growth company
[X]	[ ]	[ ]	[ ]	[ ]

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. [ ]

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

[ ] Yes [X] No

Indicate the number of the registrant's outstanding common shares of beneficial interest, as of May 1, 2018:

Common Shares of beneficial interest, $.10 par value per share – 174,229,383 shares

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BALANCE SHEETS

(Amounts in thousands, except share data)

ASSETS	March 31, 2018 (Unaudited)	December 31, 2017
Cash and equivalents	$ 363,030	$ 433,376
Real estate facilities, at cost:		
Land	3,959,870	3,947,123
Buildings	10,806,814	10,718,866
	14,766,684	14,665,989
Accumulated depreciation	(5,811,286)	(5,700,331)
	8,955,398	8,965,658
Construction in process	279,624	264,441
	9,235,022	9,230,099
Investments in unconsolidated real estate entities	746,254	724,173
Goodwill and other intangible assets, net	210,733	214,957
Other assets	130,481	130,287
Total assets	$ 10,685,520	$ 10,732,892
LIABILITIES AND EQUITY		
Notes payable	$ 1,442,911	$ 1,431,322
Accrued and other liabilities	326,819	337,201
Total liabilities	1,769,730	1,768,523
Commitments and contingencies (Note 12)		
Equity:		
Public Storage shareholders' equity:		
Preferred Shares, $0.01 par value, 100,000,000 shares authorized, 161,000 shares issued (in series) and outstanding, (161,000 at December 31, 2017), at liquidation preference	4,025,000	4,025,000
Common Shares, $0.10 par value, 650,000,000 shares authorized, 173,927,759 shares issued and outstanding (173,853,370 shares at December 31, 2017)	17,393	17,385
Paid-in capital	5,655,267	5,648,399
Accumulated deficit	(735,806)	(675,711)
Accumulated other comprehensive loss	(70,851)	(75,064)
Total Public Storage shareholders' equity	8,891,003	8,940,009

Noncontrolling interests	24,787	24,360
Total equity	8,915,790	8,964,369
Total liabilities and equity	$ 10,685,520	$ 10,732,892

See accompanying notes.

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PUBLIC STORAGE

STATEMENTS OF INCOME

(Amounts in thousands, except per share amounts)

(Unaudited)

	For the Three Months Ended March 31,	
	2018	2017
Revenues:		
Self-storage facilities	$ 631,537	$ 607,778
Ancillary operations	38,387	37,769
	669,924	645,547
Expenses:		
Self-storage cost of operations	182,187	171,978
Ancillary cost of operations	10,640	10,924
Depreciation and amortization	117,979	110,929
General and administrative	31,520	25,028
	342,326	318,859
Operating income	327,598	326,688
Interest and other income	5,544	3,998
Interest expense	(8,107)	(1,048)
Equity in earnings of unconsolidated real estate entities	30,795	19,949
Foreign currency exchange loss	(11,818)	(5,566)
Gain on sale of real estate	424	-
Net income	344,436	344,021
Allocation to noncontrolling interests	(1,439)	(1,579)
Net income allocable to Public Storage shareholders	342,997	342,442
Allocation of net income to:		
Preferred shareholders - distributions	(54,081)	(60,121)
Restricted share units	(1,097)	(1,190)
Net income allocable to common shareholders	$ 287,819	$ 281,131
Net income per common share:		
Basic	$ 1.66	$ 1.62
Diluted	$ 1.65	$ 1.62
Basic weighted average common shares outstanding	173,892	173,364
Diluted weighted average common shares outstanding	174,148	174,069

See accompanying notes.

PUBLIC STORAGE

STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in thousands)

(Unaudited)

	For the Three Months Ended March 31,	
	2018	2017
Net income	$ 344,436	$ 344,021
Other comprehensive income (loss):		
Aggregate foreign currency exchange loss	(7,605)	(2,685)
Adjust for aggregate foreign currency exchange loss included in net income	11,818	5,566
Other comprehensive income	4,213	2,881
Total comprehensive income	348,649	346,902
Allocation to noncontrolling interests	(1,439)	(1,579)
Comprehensive income allocable to Public Storage shareholders	$ 347,210	$ 345,323

See accompanying notes.

PUBLIC STORAGE

STATEMENT OF EQUITY

(Amounts in thousands, except share and per share amounts)

(Unaudited)

	Cumulative Preferred Shares	Common Shares	Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Public Storage Shareholders' Equity	Noncontrolling Interests	Total Equity
Balances at December 31, 2017	$ 4,025,000	$ 17,385	$ 5,648,399	$ (675,711)	$ (75,064)	$ 8,940,009	$ 24,360	$ 8,964,369
Issuance of common shares in connection with share-based compensation (74,389 shares) (Note 10)	-	8	959	-	-	967	-	967
Share-based compensation expense, net of cash paid in lieu of common shares (Note 10)	-	-	5,909	-	-	5,909	-	5,909
Contributions by noncontrolling interests	-	-	-	-	-	-	703	703
Net income	-	-	-	344,436	-	344,436	-	344,436
Net income allocated to noncontrolling interests	-	-	-	(1,439)	-	(1,439)	1,439	-
Distributions to equity holders:								
Preferred shares (Note 8)	-	-	-	(54,081)	-	(54,081)	-	(54,081)
	-	-	-	-	-	-	(1,715)	(1,715)

Noncontrolling interests Common shares and restricted share units ($2.00 per share)	-	-	-	(349,011)	-	(349,011)	-	(349,011)
Other comprehensive income (Note 2)	-	-	-	-	4,213	4,213	-	4,213
Balances at March 31, 2018	$ 4,025,000	$ 17,393	$ 5,655,267	$ (735,806)	$ (70,851)	$ 8,891,003	$ 24,787	$ 8,915,790

See accompanying notes.

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STATEMENTS OF CASH FLOWS

(Amounts in thousands)

(Unaudited)

	For the Three Months Ended March 31,	
	2018	2017
Cash flows from operating activities:		
Net income	$ 344,436	$ 344,021
Adjustments to reconcile net income to net cash flows from operating activities:		
Gain on real estate investment sales	(424)	-
Depreciation and amortization	117,979	110,929
Equity in earnings of unconsolidated real estate entities	(30,795)	(19,949)
Distributions from retained earnings of unconsolidated real estate entities	12,649	13,252
Foreign currency exchange loss	11,818	5,566
Share-based compensation expense	16,910	8,897
Other	(14,054)	(3,633)
Total adjustments	114,083	115,062
Net cash flows from operating activities	458,519	459,083
Cash flows from investing activities:		
Capital expenditures to maintain real estate facilities	(23,608)	(24,373)
Construction in process	(75,215)	(70,964)
Acquisition of real estate facilities and intangible assets	(18,024)	(22,784)
Proceeds from sale of real estate investments	1,947	-
Net cash flows from investing activities	(114,900)	(118,121)
Cash flows from financing activities:		
Repayments on notes payable	(440)	(420)
Issuance of common shares	967	18,034
Cash paid upon vesting of restricted share units	(10,069)	(11,605)
Acquisition of noncontrolling interests	-	(134)
Contributions by noncontrolling interests	703	692
Distributions paid to Public Storage shareholders	(403,092)	(408,334)
Distributions paid to noncontrolling interests	(1,715)	(2,021)
Net cash flows from financing activities	(413,646)	(403,788)
Net cash flows from operating, investing, and financing activities	(70,027)	(62,826)
Net effect of foreign exchange translation	(25)	17
Decrease in cash, equivalents, and restricted cash	$ (70,052)	$ (62,809)
Cash, equivalents, and restricted cash at beginning of the period:		
Cash and equivalents	$ 433,376	$ 183,688

Restricted cash included in other assets	22,677	28,885
	$ 456,053	$ 212,573
Cash, equivalents, and restricted cash at end of the period:		
Cash and equivalents	$ 363,030	$ 120,859
Restricted cash included in other assets	22,971	28,905
	$ 386,001	$ 149,764

See accompanying notes.

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STATEMENTS OF CASH FLOWS

(Amounts in thousands)

(Unaudited)

	For the Three Months Ended March 31, 2018	2017
Supplemental schedule of non-cash investing and financing activities:		
Foreign currency translation adjustment:		
Real estate facilities, net of accumulated depreciation	$ (256)	$ (45)
Investments in unconsolidated real estate entities	(3,935)	(2,792)
Notes payable	11,771	5,539
Accumulated other comprehensive loss	(7,605)	(2,685)
Accrued development costs and capital expenditures:		
Capital expenditures to maintain real estate facilities	(736)	(2,677)
Construction in process	35	7,137
Accrued and other liabilities	701	(4,460)

See accompanying notes.

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NOTES TO FINANCIAL STATEMENTS

March 31, 2018

(Unaudited)

1.Description of the Business

Public Storage (referred to herein as "the Company," "we," "us," or "our"), a Maryland real estate investment trust ("REIT"), was organized in 1980. Our principal business activities include the ownership and operation of self-storage facilities which offer storage spaces for lease, generally on a month-to-month basis, for personal and business use, ancillary activities such as merchandise sales and tenant reinsurance to the tenants at our self-storage facilities, as well as the acquisition and development of additional self-storage space.

At March 31, 2018, we have direct and indirect equity interests in 2,392 self-storage facilities (with approximately 159 million net rentable square feet) located in 38 states in the United States ("U.S.") operating under the "Public Storage" name. We also own one self-storage facility in London, England and we have a 49% interest in Shurgard Europe, which owns 222 self-storage facilities (with approximately 12 million net rentable square feet) located in seven Western European countries, all operating under the "Shurgard" name. We also have direct and indirect equity interests in approximately 29 million net rentable square feet of commercial space located in seven states in the U.S. primarily owned and operated by PS Business Parks, Inc. ("PSB") under the "PS Business Parks" name. At March 31, 2018, we have an approximate 42% common equity interest in PSB.

Disclosures of the number and square footage of facilities, as well as the number and coverage of tenant reinsurance policies (Note 12) are unaudited and outside the scope of our independent registered public accounting firm's review of our financial statements in accordance with the standards of the Public Company Accounting Oversight Board (U.S.).

2.Summary of Significant Accounting Policies

Basis of Presentation

We have prepared the accompanying interim financial statements in accordance with U.S. generally accepted accounting principles ("GAAP") as set forth in the Accounting Standards Codification of the Financial Accounting Standards Board ("FASB"), and in conformity with the rules and regulations of the Securities and Exchange Commission ("SEC"). In our opinion, the interim financial statements presented herein reflect all adjustments, of a normal recurring nature, that are necessary to fairly present the interim financial statements. Because they do not include all of the disclosures required by GAAP for complete annual financial statements, these interim financial statements should be read together with the audited financial statements and related notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2017.

Consolidation and Equity Method of Accounting

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

We account for our investments in entities that we do not consolidate but have significant influence over using the equity method of accounting. These entities, for the periods in which the reference applies, are referred to collectively as the “Unconsolidated Real Estate Entities”, eliminating intra-entity profits and losses and amortizing any differences between the cost of our investment and the underlying equity in net assets against

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March 31, 2018

(Unaudited)

equity in earnings as if the Unconsolidated Real Estate Entity were a consolidated subsidiary. Equity in earnings of unconsolidated real estate entities represents our pro-rata share of the earnings of the Unconsolidated Real Estate Entities.

When we begin consolidating an entity owning primarily self-storage facilities, we reflect our preexisting equity interest at book value. All changes in consolidation status are reflected prospectively.

Collectively, at March 31, 2018, the Company and the Subsidiaries own 2,392 self-storage facilities in the U.S., one self-storage facility in London, England and three commercial facilities in the U.S. At March 31, 2018, the Unconsolidated Real Estate Entities are comprised of PSB and Shurgard Europe.

Use of Estimates

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

Income Taxes

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

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

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

Real Estate Facilities

Real estate facilities are recorded at cost. We capitalize all costs incurred to acquire, develop, construct, renovate and improve facilities, including interest and property taxes incurred during the construction period. We allocate the net acquisition cost of acquired real estate facilities to the underlying land, buildings, and identified intangible assets based upon their respective individual estimated fair values.

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

Other Assets

Other assets primarily consist of rents receivable from our tenants, prepaid expenses and restricted cash.

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March 31, 2018

(Unaudited)

Accrued and Other Liabilities

Accrued and other liabilities consist primarily of rents prepaid by our tenants, trade payables, property tax accruals, accrued payroll, accrued tenant reinsurance losses, and contingent loss accruals when probable and estimable. We believe the fair value of our accrued and other liabilities approximates book value, due to the short period until repayment. We disclose the nature of significant unaccrued losses that are reasonably possible of occurring and, if estimable, a range of exposure.

Cash Equivalents, Marketable Securities and Other Financial Instruments

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

Fair Value

As used herein, the term “fair value” is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Our estimates of fair value involve considerable judgment and are not necessarily indicative of the amounts that could be realized in current market exchanges.

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

Currency and Credit Risk

Financial instruments that are exposed to credit risk consist primarily of cash and equivalents, certain portions of other assets including rents receivable from our tenants and restricted cash. Cash equivalents we invest in are either money market funds with a rating of at least AAA by Standard & Poor’s, commercial paper that is rated A1 by Standard & Poor’s or deposits with highly rated commercial banks.

At March 31, 2018, due primarily to our investment in Shurgard Europe (Note 4) and our notes payable denominated in Euros (Note 6), our operating results and financial position are affected by fluctuations in currency exchange rates between the Euro, and to a lesser extent, other European currencies, against the U.S. Dollar.

Goodwill and Other Intangible Assets

Intangible assets are comprised of goodwill, the “Shurgard” trade name, acquired customers in place, and leasehold interests in land.

Goodwill totaled $174.6 million at March 31, 2018 and December 31, 2017. The "Shurgard" trade name, which is used by Shurgard Europe pursuant to a fee-based licensing agreement, has a book value of $18.8 million at March 31, 2018 and December 31, 2017. Goodwill and the "Shurgard" trade name have indefinite lives and are not amortized.

Acquired customers in place and leasehold interests in land are finite-lived assets and are amortized relative to the benefit of the customers in place or the benefit to land lease expense to each period. At March 31,

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(Unaudited)

2018, these intangibles had a net book value of $17.3 million ($21.5 million at December 31, 2017). Accumulated amortization totaled $32.3 million at March 31, 2018 ($31.0 million at December 31, 2017), and amortization expense of $5.0 million and $4.6 million was recorded in the three months ended March 31, 2018 and 2017, respectively. The estimated future amortization expense for our finite-lived intangible assets at March 31, 2018 is approximately $8.2 million in the remainder of 2018, $3.6 million in 2019 and $5.5 million thereafter. During the three months ended March 31, 2018, intangibles increased $0.8 million in connection with the acquisition of self-storage facilities (Note 3).

Evaluation of Asset Impairment

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

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

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

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

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

Casualty Loss

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

Revenue and Expense Recognition

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

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

Foreign Currency Exchange Translation

The local currency (primarily the Euro) is the functional currency for our interests in foreign operations. The related balance sheet amounts are translated into U.S. Dollars at the exchange rates at the respective financial statement date, while amounts on our statements of income are translated at the average exchange rates during the respective period. When financial instruments denominated in a currency other than the U.S. Dollar are expected to be settled in cash in the foreseeable future, the impact of changes in the U.S. Dollar equivalent are reflected in current earnings. The Euro was translated at exchange rates of approximately 1.232 U.S. Dollars per Euro at March 31, 2018 (1.198 at December 31, 2017), and average exchange rates of 1.229 and 1.065 for the three months ended March 31, 2018 and 2017, respectively. Cumulative translation adjustments, to the extent not included in cumulative net income, are included in equity as a component of accumulated other comprehensive income (loss).

Comprehensive Income

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

Recent Accounting Pronouncements and Guidance

In May 2014, the FASB issued Accounting Standards Update (“ASU”) 2014-09, Revenue from Contracts with Customers (Topic 606), which requires revenue to be based upon the consideration expected from customers for promised goods or services. In February 2017, the FASB issued ASU 2017-05, Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets, which provides guidance with respect to the sale of real estate facilities. The new standards permit either the retrospective or cumulative effects transition method. We adopted the new standards effective January 1, 2018 utilizing the modified retrospective transition method applied to open contracts. The new standards did not have a material impact on our results of operations or financial condition, primarily because most of our revenue is from rental revenue from self-storage facilities, and included in self-storage facilities revenue on our statements of income, which the new standards do not address, and because we do not provide any material products and services to our customers or sell material amounts of our real estate facilities. The remainder of our revenues are composed of elements that are either covered by the new standards but not impacted, or are not covered by the new standards.

In February 2016, the FASB issued ASU 2016-02, Leases, which amends the existing accounting standards for lease accounting, including requiring lessees to recognize most leases on their balance sheets and making targeted changes to lessor accounting. The new standard, effective on January 1, 2019, requires a modified retrospective transition approach for all leases existing at, or entered into after, the date of initial application, with an option to use certain transition relief and allows for early adoption on January 1, 2016. The Company is currently assessing the impact of the guidance on our financial statements. However, we do not believe this standard will have a material impact on our results of operations or financial condition, because substantially all of our lease revenues are derived from month-to-month self-storage leases, and we do not have material amounts of lease expense.

In May 2017, the FASB issued ASU 2017-09, Stock Compensation: Scope of Modification Accounting, to increase clarity and consistency of practice and reduce cost and complexity when modifying the terms of share-

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(Unaudited)

based awards. We prospectively adopted this guidance effective January 1, 2018, with no material impact on our financial statements.

In November 2016, the FASB issued ASU 2016-18, Statement of Cash Flows (Topic 230) - Restricted Cash, which primarily requires the statement of cash flows to explain not only the change in cash and equivalents, but also the change in restricted cash. The standard is effective on January 1, 2018, with early adoption permitted and requires the use of the retrospective transition method. The Company early adopted the new guidance during the fourth quarter of 2017 and, accordingly, net cash flows from investing activities increased by $20,000 for the three months ended March 31, 2017 as compared to the current presentation on the statement of cash flows.

Net Income per Common Share

Net income is allocated to (i) noncontrolling interests based upon their share of the net income of the Subsidiaries, (ii) preferred shareholders, to the extent redemption cost exceeds the related original net issuance proceeds (an “EITF D-42 allocation”), and (iii) the remaining net income is allocated to each of our equity securities based upon the dividends declared or accumulated during the period, combined with participation rights in undistributed earnings.

Basic and diluted net income per common share are each calculated based upon net income allocable to common shareholders presented on the face of our income statement, divided by (i) in the case of basic net income per common share, weighted average common shares, and (ii) in the case of diluted income per share, weighted average common shares adjusted for the impact, if dilutive, of stock options outstanding (Note 10). The following table reconciles from basic to diluted common shares outstanding (amounts in thousands):

	For the three Months Ended March 31,	
	2018	2017
Weighted average common shares and equivalents outstanding:		
Basic weighted average common shares outstanding	173,892	173,364
Net effect of dilutive stock options - based on treasury stock method	256	705
Diluted weighted average common shares outstanding	174,148	174,069

3.Real Estate Facilities

Activity in real estate facilities during the three months ended March 31, 2018 is as follows:

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March 31, 2018

(Unaudited)

	Three Months Ended March 31, 2018 (Amounts in thousands)
Operating facilities, at cost:	
Beginning balance	$ 14,665,989
Capital expenditures to maintain real estate facilities	24,344
Acquisitions	17,238
Dispositions	(1,603)
Developed or redeveloped facilities opened for operation	59,997
Impact of foreign exchange rate changes	719
Ending balance	14,766,684
Accumulated depreciation:	
Beginning balance	(5,700,331)
Depreciation expense	(110,572)
Dispositions	80
Impact of foreign exchange rate changes	(463)
Ending balance	(5,811,286)
Construction in process:	
Beginning balance	264,441
Current development	75,180
Developed or redeveloped facilities opened for operation	(59,997)
Ending balance	279,624
Total real estate facilities at March 31, 2018	$ 9,235,022

During the three months ended March 31, 2018, we acquired two self-storage facilities (181,000 net rentable square feet), for a total cost of $18.0 million in cash, of which $0.8 million was allocated to intangible assets. We completed development and redevelopment activities costing $60.0 million during the three months ended March 31, 2018, adding 0.5 million net rentable square feet of self-storage space. Construction in process at March 31, 2018 consists of projects to develop new self-storage facilities and redevelop existing self-storage facilities, which will add a total of 5.0 million net rentable square feet of storage space at an aggregate estimated cost of approximately $661.9

million. During the three months ended March 31, 2018, we sold portions of real estate facilities in connection with eminent domain proceedings for $2.0 million in cash proceeds and recorded a related gain on sale of real estate of approximately $0.4 million.

4.Investments in Unconsolidated Real Estate Entities

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

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NOTES TO FINANCIAL STATEMENTS

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	Investments in Unconsolidated Real Estate Entities at	
	March 31, 2018	December 31, 2017
PSB	$ 411,670	$ 400,133
Shurgard Europe	334,584	324,040
Total	$ 746,254	$ 724,173

	Equity in Earnings of Unconsolidated Real Estate Entities for the Three Months Ended March 31,	
	2018	2017
PSB	$ 23,831	$ 13,700
Shurgard Europe	6,964	5,591
Other Investments	-	658
Total	$ 30,795	$ 19,949

During the three months ended March 31, 2018 and 2017, we received cash distributions from our investments in the Unconsolidated Real Estate Entities totaling $12.6 million and $13.3 million, respectively. At March 31, 2018 and December 31, 2017, the cost of our investment in the Unconsolidated Real Estate Entities exceeds our pro rata share of the underlying equity by approximately $67.3 million. This differential is being amortized as a reduction in equity in earnings of the Unconsolidated Real Estate Entities based upon allocations to the underlying net assets. Such amortization was approximately $0.4 million and $0.3 million during the three months ended March 31, 2018 and 2017, respectively.

Investment in PSB

PSB is a REIT traded on the New York Stock Exchange. We have an approximate 42% common equity interest in PSB as of March 31, 2018 and December 31, 2017, comprised of our ownership of 7,158,354 shares of PSB's common stock and 7,305,355 limited partnership units ("LP Units") in an operating partnership controlled by PSB. The LP 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 March 31, 2018 ($113.04 per share of PSB common stock), the shares and units we owned had a market value of approximately $1.6 billion. At March 31, 2018, the adjusted tax basis of our investment in PSB approximates book value.

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

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	2018	2017
	(Amounts in thousands)	
For the three months ended March 31,		
Revenues	$ 103,759	$ 100,061
Costs of operations	(33,000)	(31,033)
Depreciation and amortization	(23,882)	(23,078)
General and administrative	(2,306)	(2,831)
Other items	119	49
Loss allocated to joint venture partner	436	-
Gains on sale of real estate	26,835	3,865
Net income before allocation to preferred shareholders and restricted share unitholders	71,961	47,033
Allocations to preferred shareholders and restricted share unitholders	(13,577)	(13,539)
Net income allocated to common shareholders and LP Unitholders	$ 58,384	$ 33,494

	March 31, 2018	December 31, 2017
	(Amounts in thousands)	
Total assets (primarily real estate)	$ 2,000,960	$ 2,100,159
Debt	2,500	-
Preferred stock called for redemption	-	130,000
Other liabilities	78,813	80,223

Equity:		
Preferred stock	959,750	959,750
Common equity and LP units	959,897	930,186

Investment in Shurgard Europe

For all periods presented, we had a 49% equity investment in Shurgard Europe and our joint venture partner owns the remaining 51% interest. Our equity in earnings of Shurgard Europe is comprised of our 49% share of Shurgard Europe's net income and 49% of the trademark license fees that Shurgard Europe pays to us for the use of the "Shurgard" trademark. The remaining 51% of the license fees are classified as interest and other income on our income statement.

Changes in foreign currency exchange rates increased our investment in Shurgard Europe by approximately $3.9 million and $2.8 million in the three months ended March 31, 2018 and 2017, respectively.

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

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	2018	2017
	(Amounts in thousands)	
For the three months ended March 31,		
Self-storage and ancillary revenues	$ 72,309	$ 60,866
Self-storage and ancillary cost of operations	(26,750)	(23,224)
Depreciation and amortization	(18,780)	(14,702)
General and administrative	(2,600)	(3,467)
Interest expense on third party debt	(5,701)	(5,008)
Trademark license fee payable to Public Storage	(724)	(610)
Income tax expense	(5,647)	(2,939)
Gain on real estate investment sale	1,187	-
Foreign exchange gain (loss)	194	(116)
Net income	$ 13,488	$ 10,800
Average exchange rates of Euro to the U.S. Dollar	1.229	1.065

	March 31, 2018	December 31, 2017
	(Amounts in thousands)	
Total assets (primarily self-storage facilities)	$ 1,475,202	$ 1,416,477
Total debt to third parties	747,341	726,617
Other liabilities	160,555	143,638
Equity	567,306	546,222
Exchange rate of Euro to U.S. Dollar	1.232	1.198

5.Credit Facility

We have a revolving credit agreement (the "Credit Facility") with a $500 million borrowing limit, which expires on March 31, 2020. Amounts drawn on the Credit Facility bear annual interest at rates ranging from LIBOR plus 0.850% to LIBOR plus 1.450% depending upon the ratio of our Total Indebtedness to Gross Asset Value (as defined in the Credit Facility) (LIBOR plus 0.850% at March 31, 2018). We are also required to pay a quarterly facility fee ranging from 0.080% per annum to 0.250% per annum depending upon the ratio of our Total Indebtedness to our Gross Asset Value (0.080% per annum at March 31, 2018). At March 31, 2018 and May 2, 2018, we had no outstanding borrowings under this Credit Facility. We had undrawn standby letters of credit, which reduce our borrowing capacity, totaling $16.1 million at March 31, 2018 and December 31, 2017. The Credit Facility has various customary restrictive covenants, all of which we were in compliance with at March 31, 2018.

6.Notes Payable

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

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	Coupon Rate	Effective Rate	Amounts at March 31, 2018 Principal	Unamortized Costs	Book Value	Fair Value	Book Value at December 31, 2017
			($ amounts in thousands)				
U.S. Dollar Denominated Unsecured Debt							
Notes due September 2022	2.370%	2.483%	$ 500,000	$ (2,343)	$ 497,657	$ 482,477	$ 497,525
Notes due September 2027	3.094%	3.218%	500,000	(5,000)	495,000	477,541	494,868
			1,000,000	(7,343)	992,657	960,018	992,393
Euro Denominated Unsecured Debt							
Notes due April 2024	1.540%	1.540%	123,237	-	123,237	127,564	119,795
Notes due November 2025	2.175%	2.175%	298,250	-	298,250	315,947	289,921
			421,487	-	421,487	443,511	409,716
Mortgage Debt, secured by 30 real estate facilities with a net book value of $116.5 million	4.043%	3.989%	28,767	-	28,767	29,800	29,213
			$ 1,450,254	$ (7,343)	$ 1,442,911	$ 1,433,329	$ 1,431,322

U.S. Dollar Denominated Unsecured Debt

On September 18, 2017, we issued, in a public offering, two tranches each totaling $500.0 million of U.S. Dollar denominated unsecured notes (the "U.S. Dollar Notes"). In connection with the offering, we incurred a total of $7.9 million in costs, which is reflected as a reduction in the principal amount and amortized, using the effective interest method, over the term of each respective note. Interest on the U.S. Dollar Notes is payable semi-annually on March 15 and September 15 of each year, commencing March 15, 2018.

The U.S. Dollar Notes have various financial covenants, all of which we were in compliance with at March 31, 2018. Included in these covenants are a) a maximum Debt to Total Assets of 65% (4.5% at March 31, 2018) and b) a minimum ratio of Adjusted EBITDA to Interest Expense of 1.5x (103.5x for the twelve months ended March 31, 2018) as well as covenants limiting the amount we can encumber our properties with mortgage debt.

Euro Denominated Unsecured Debt

Our euro denominated unsecured notes (the "Euro Notes") are payable to institutional investors. The Euro Notes consist of two tranches, (i) €242.0 million were issued on November 3, 2015 for $264.3 million in net proceeds upon converting the Euros to U.S. Dollars and (ii) €100.0 million were issued on April 12, 2016 for $113.6 million in net proceeds upon converting the Euros to U.S. Dollars. Interest is payable semi-annually. The Euro Notes have various customary financial covenants, all of which we were in compliance with at March 31, 2018.

We reflect changes in the U.S. Dollar equivalent of the amount payable, as a result of changes in foreign exchange rates as "foreign currency exchange loss" on our income statement (losses of $11.8 million and $5.6 million for the three months ended March 31, 2018 and 2017, respectively).

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Mortgage Debt

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

At March 31, 2018, the related contractual interest rates are fixed, ranging between 2.9% and 7.1%, and mature between November 2018 and September 2028.

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

	Unsecured Debt	Mortgage Debt	Total
Remainder of 2018	$ -	$ 10,802	$ 10,802
2019	-	1,505	1,505
2020	-	1,585	1,585
2021	-	1,503	1,503
2022	500,000	2,071	502,071
Thereafter	921,487	11,301	932,788
	$ 1,421,487	$ 28,767	$ 1,450,254
Weighted average effective rate	2.6%	4.0%	2.6%

Cash paid for interest totaled $9.2 million and $2.1 million for the three months ended March 31, 2018 and 2017, respectively. Interest capitalized as real estate totaled $1.4 million and $1.1 million for the three months ended March 31, 2018 and 2017, respectively.

7.Noncontrolling Interests

At March 31, 2018, the noncontrolling interests represent (i) third-party equity interests in subsidiaries owning 13 operating self-storage facilities and eight self-storage facilities that are under construction and (ii) 231,978 partnership units held by third-parties in a subsidiary that are convertible on a one-for-one basis (subject to certain limitations) into common shares of the Company at the option of the unitholder (collectively, the "Noncontrolling Interests"). At March 31, 2018, the Noncontrolling Interests cannot require us to redeem their interests, other than pursuant to a liquidation of the subsidiary. During the three months ended March 31, 2018 and 2017, we allocated a total of $1.4 million and $1.6 million, respectively, of income to these interests; and we paid $1.7 million and $2.0 million, respectively, in distributions to these interests.

During the three months ended March 31, 2017, we acquired Noncontrolling Interests for $0.1 million (none for the three months ended March 31, 2018), in cash, substantially all of which was allocated to Paid-in capital. During each of the three month periods ended March 31, 2018 and 2017, Noncontrolling Interests contributed $0.7 million to our subsidiaries.

8.Shareholders’ Equity

Preferred Shares

At March 31, 2018 and December 31, 2017, we had the following series of Cumulative Preferred Shares (“Preferred Shares”) outstanding:

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			At March 31, 2018		At December 31, 2017	
Series	Earliest Redemption Date	Dividend Rate	Shares Outstanding	Liquidation Preference	Shares Outstanding	Liquidation Preference
			(Dollar amounts in thousands)			
Series U	6/15/2017	5.625%	11,500	$ 287,500	11,500	$ 287,500
Series V	9/20/2017	5.375%	19,800	495,000	19,800	495,000
Series W	1/16/2018	5.200%	20,000	500,000	20,000	500,000
Series X	3/13/2018	5.200%	9,000	225,000	9,000	225,000
Series Y	3/17/2019	6.375%	11,400	285,000	11,400	285,000
Series Z	6/4/2019	6.000%	11,500	287,500	11,500	287,500
Series A	12/2/2019	5.875%	7,600	190,000	7,600	190,000
Series B	1/20/2021	5.400%	12,000	300,000	12,000	300,000
Series C	5/17/2021	5.125%	8,000	200,000	8,000	200,000
Series D	7/20/2021	4.950%	13,000	325,000	13,000	325,000
Series E	10/14/2021	4.900%	14,000	350,000	14,000	350,000
Series F	6/2/2022	5.150%	11,200	280,000	11,200	280,000
Series G	8/9/2022	5.050%	12,000	300,000	12,000	300,000
Total Preferred Shares			161,000	$ 4,025,000	161,000	$ 4,025,000

The holders of our Preferred Shares have general preference rights with respect to liquidation, quarterly distributions and any accumulated unpaid distributions. Except under certain conditions and as noted below, holders of the Preferred Shares 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 (our "Board") until the arrearage has been cured. At March 31, 2018, there were no dividends in arrears.

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

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

Dividends

Common share dividends, including amounts paid to our restricted share unitholders, totaled $349.0 million ($2.00 per share) and $348.2 million ($2.00 per share) for the three months ended March 31, 2018 and 2017, respectively. Preferred share dividends totaled $54.1 million and $60.1 million for the three months ended March 31, 2018 and 2017, respectively.

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9.Related Party Transactions

B. Wayne Hughes, our former Chairman and his family, including his daughter Tamara Hughes Gustavson and his son B. Wayne Hughes, Jr., who are both members of our Board, collectively own approximately 14.3% of our common shares outstanding at March 31, 2018.

At March 31, 2018, B. Wayne Hughes and Tamara Hughes Gustavson together owned and controlled 57 self-storage facilities in Canada. These facilities operate under the "Public Storage" tradename, which we license to the owners of these facilities for use in Canada on a royalty-free, non-exclusive basis. We have no ownership interest in these facilities and we do not own or operate any facilities in Canada. If we chose to acquire or develop our own facilities in Canada, we would have to share the use of the "Public Storage" name in Canada with the facilities' owners. We have a right of first refusal, subject to limitations, to acquire the stock or assets of the corporation engaged in the operation of these facilities if their owners agree to sell them. Our subsidiaries reinsure risks relating to loss of goods stored by customers in these facilities, and have received approximately $307,000 and $233,000 for the three months ended March 31, 2018 and 2017, respectively. Our right to continue receiving these premiums may be qualified.

10.Share-Based Compensation

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

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

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

In amortizing share-based compensation expense, we do not estimate future forfeitures in advance. Instead, we reverse previously amortized share-based compensation expense with respect to grants that are forfeited in the period the employee terminates employment.

In February 2018, we announced that our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") are retiring from their executive roles at the end of 2018 and will then serve only as Trustees of the Company. Pursuant to our share-based compensation plans, their unvested grants will continue to vest over the original vesting periods as long as they remain Trustees. For financial reporting, the service periods for previous stock option and RSU grants for these executives have changed from (i) the grants' vesting periods to (ii) the end of 2018 when they will retire. Accordingly, all remaining share-based compensation expense for these two executives will now be amortized by the end of 2018.

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

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Stock Options

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

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

For the three months ended March 31, 2018, we recorded $3.5 million in compensation expense related to stock options, as compared to $1.8 million, for the same period in 2017. Amounts for the three months ended March 31, 2018 include $1.8 million in connection with the acceleration of amortization of grants to our CEO and CFO noted above.

During the three months ended March 31, 2018, 160,000 stock options were granted, 11,103 options were exercised and no options were forfeited. A total of 2,557,814 stock options were outstanding at March 31, 2018 (2,408,917 at December 31, 2017) and have an average exercise price of $192.72.

Restricted Share Units

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

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

During the three months ended March 31, 2018, 67,735 RSUs were granted, 12,752 RSUs were forfeited and 111,463 RSUs vested. This vesting resulted in the issuance of 63,286 common shares. In addition, tax deposits totaling $10.1 million ($11.6 million for the same period in 2017) were made on behalf of employees in exchange for 48,177 common shares withheld upon vesting. A total of 742,649 RSUs were outstanding at March 31, 2018 (799,129 at December 31, 2017).

A total of $13.4 million in RSU expense was recorded for the three months ended March 31, 2018, which includes approximately $0.9 million in employer taxes incurred upon vesting, as compared to $7.1 million for the same period in 2017, which includes approximately $0.6 million in employer taxes incurred upon vesting. Amounts for the three months ended March 31, 2018 include $6.0 million in connection with the acceleration of amortization on grants to our CEO and CFO as discussed above.

11.Segment Information

Our reportable segments reflect the significant components of our operations where discrete financial information is evaluated separately by our chief operating decision maker ("CODM"). We organize our segments based primarily upon the nature of the underlying products and services, as well as the drivers of profitability growth. The net income for each reportable segment included in the tables below are in conformity with GAAP and our significant accounting policies as denoted in Note 2. The amounts not attributable to reportable segments are aggregated under "other items not allocated to segments."

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

Self-Storage Operations

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

Ancillary Operations

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

Investment in PSB

This segment represents our 42% equity interest in PSB, a publicly-traded REIT that owns, operates, acquires and develops commercial properties, primarily multi-tenant flex, office, and industrial space. PSB has a separate management team that makes its financing, capital allocation, and other significant decisions. In making resource allocation decisions with respect to our investment in PSB, the CODM reviews PSB's net income, which is detailed in PSB's periodic filings with the SEC, and is included in Note 4. The segment presentation in the tables below includes our equity earnings from PSB.

Investment in Shurgard Europe

This segment represents our 49% equity interest in Shurgard Europe, which owns and operates self-storage facilities located in seven countries in Western Europe. Shurgard Europe has a separate management team reporting to our CODM and our joint venture partner. In making resource allocation decisions with respect to our investment in Shurgard Europe, the CODM reviews Shurgard Europe's net income, which is detailed in Note 4. The segment presentation below includes our equity earnings from Shurgard Europe.

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Presentation of Segment Information

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

Three months ended March 31, 2018

	Self-Storage Operations	Ancillary Operations	Investment in PSB	Investment in Shurgard Europe	Other Items Not Allocated to Segments	Total
	(Amounts in thousands)					
Revenues:						
Self-storage operations	$ 631,537	$ -	$ -	$ -	$ -	$ 631,537
Ancillary operations	-	38,387	-	-	-	38,387
	631,537	38,387	-	-	-	669,924
Cost of operations:						
Self-storage operations	182,187	-	-	-	-	182,187
Ancillary operations	-	10,640	-	-	-	10,640
	182,187	10,640	-	-	-	192,827
Net operating income:						
Self-storage operations	449,350	-	-	-	-	449,350
Ancillary operations	-	27,747	-	-	-	27,747
	449,350	27,747	-	-	-	477,097
Other components of net income (loss):						
Depreciation and amortization	(117,979)	-	-	-	-	(117,979)
General and administrative	-	-	-	-	(31,520)	(31,520)
Interest and other income	-	-	-	-	5,544	5,544
Interest expense	-	-	-	-	(8,107)	(8,107)
Equity in earnings of unconsolidated real estate entities	-	-	23,831	6,964	-	30,795
Foreign currency exchange loss	-	-	-	-	(11,818)	(11,818)
Gain on sale of real estate	-	-	-	-	424	424
Net income (loss)	$ 331,371	$ 27,747	$ 23,831	$ 6,964	$ (45,477)	$ 344,436

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	Self-Storage Operations	Ancillary Operations	Investment in PSB	Investment in Shurgard Europe	Other Items Not Allocated to Segments	Total
	(Amounts in thousands)					
Revenues:						
Self-storage operations	$ 607,778	$ -	$ -	$ -	$ -	$ 607,778
Ancillary operations	-	37,769	-	-	-	37,769
	607,778	37,769	-	-	-	645,547