

News Release

Public Storage
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For Release Immediately
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Public Storage Reports Results for the Three and Nine Months Ended September 30, 2018

GLENDALE, California – Public Storage (NYSE:PSA) announced today operating results for the three and nine months ended September 30, 2018.

Operating Results for the Three Months Ended September 30, 2018

For the three months ended September 30, 2018, net income allocable to our common shareholders was \$322.7 million or \$1.85 per diluted common share, compared to \$279.7 million or \$1.61 per diluted common share in 2017 representing an increase of \$43.0 million or \$0.24 per diluted common share. The increase is due primarily to (i) a \$10.1 million increase in self-storage net operating income (described below), (ii) a \$16.1 million increase due to the impact of foreign currency exchange gains and losses associated with our euro denominated debt, (iii) a \$14.7 million allocation to preferred shareholders associated with preferred share redemptions in the three months ended September 30, 2017, and (iv) a \$7.8 million casualty loss and \$5.2 million in incremental tenant reinsurance losses related to Hurricanes Harvey and Irma in the three months ended September 30, 2017. These impacts were offset partially by a \$7.1 million increase in general and administrative expense due to the acceleration of share-based compensation expense accruals for our CEO and CFO in 2018 as a result of their upcoming retirement.

The \$10.1 million increase in self-storage net operating income is a result of a \$2.5 million increase in our Same Store Facilities (as defined below) and a \$7.6 million increase in our Non Same Store Facilities (as defined below). Revenues for the Same Store Facilities increased 1.2% or \$6.6 million in the three months ended September 30, 2018 as compared to 2017, due primarily to higher realized annual rent per occupied square foot. Cost of operations for the Same Store Facilities increased by 2.8% or \$4.1 million in the three months ended September 30, 2018 as compared to 2017, due primarily to increased property taxes. The increase in net operating income of \$7.6 million for the Non Same Store Facilities is due primarily to the impact of 153 self-storage facilities acquired and developed since January 2016.

Operating Results for the Nine Months Ended September 30, 2018

For the nine months ended September 30, 2018, net income allocable to our common shareholders was \$958.8 million or \$5.50 per diluted common share, compared to \$837.5 million or \$4.81 per diluted common share in 2017 representing an increase of \$121.3 million or \$0.69 per diluted common share. The increase is due primarily to (i) a \$35.9 million increase in self-storage net operating income (described below), (ii) our \$34.9 million equity share of gains recorded by PS Business Parks in the nine months ended September 30, 2018, (iii) a \$57.2 million increase due to the impact of foreign currency exchange gains and losses associated with our euro denominated debt, (iv) a \$29.3 million allocation to preferred shareholders associated with preferred share redemptions in the nine months ended September 30, 2017, and (v) a \$7.8 million casualty loss and \$5.2 million in incremental tenant reinsurance losses related to Hurricanes Harvey and Irma in the nine months ended September 30, 2017. These impacts were offset partially by a \$28.0 million increase in general and administrative expense due to the acceleration of share-based compensation expense accruals for our CEO and CFO in 2018 as a result of their upcoming retirement and the reversal of share-based compensation accruals forfeited by retiring executives in 2017.

The \$35.9 million increase in self-storage net operating income is a result of a \$13.7 million increase in our Same Store Facilities and \$22.2 million increase in our Non Same Store Facilities. Revenues for the Same Store Facilities increased 1.6% or \$26.6 million in the nine months ended September 30, 2018 as compared to 2017, due primarily to higher realized annual rent per occupied square foot. Cost of operations for the Same Store Facilities increased by 2.9% or \$12.9 million in the nine months ended September 30, 2018 as compared to 2017, due primarily to increased property taxes. The increase in net operating income of \$22.2 million for the Non Same Store Facilities is due primarily to the impact of 153 self-storage facilities acquired and developed since January 2016.

Funds from Operations

For the three months ended September 30, 2018, funds from operations (“FFO”) was \$2.66 per diluted common share, as compared to \$2.35 in 2017, representing an increase of 13.2%. FFO is a non-GAAP (generally accepted accounting principles) term defined by the National Association of Real Estate Investment Trusts and generally represents net income before depreciation, gains and losses and impairment charges with respect to real estate assets.

For the nine months ended September 30, 2018, FFO was \$7.68 per diluted common share, as compared to \$7.00 in 2017, representing an increase of 9.7%.

We also present “Core FFO per share,” a non-GAAP measure that represents FFO per share excluding the impact of (i) foreign currency exchange gains and losses, (ii) EITF D-42 charges related to the redemption of preferred securities, (iii) accelerations of accruals due to the upcoming retirement of our CEO and CFO and reversals of accruals with respect to share-based awards forfeited by retiring senior executive officers and (iv) certain other non-cash and/or nonrecurring income or expense items. We review Core FFO per share to evaluate our ongoing operating performance and we believe it is used by investors and REIT analysts in a similar manner. However, Core FFO per share is not a substitute for net income per share. Because other REITs may not compute Core FFO per share in the same manner as we do, may not use the same terminology or may not present such a measure, Core FFO per share may not be comparable among REITs.

The following table reconciles from FFO per share to Core FFO per share (unaudited):

| | Three Months Ended September 30, | | | Nine Months Ended September 30, | | |
|--|----------------------------------|----------------|-------------------|---------------------------------|----------------|-------------------|
| | 2018 | 2017 | Percentage Change | 2018 | 2017 | Percentage Change |
| FFO per share | \$ 2.66 | \$ 2.35 | 13.2% | \$ 7.68 | \$ 7.00 | 9.7% |
| Eliminate the per share impact of items excluded from Core FFO, including our equity share from investments: | | | | | | |
| Foreign currency exchange (gain) loss | (0.01) | 0.08 | | (0.07) | 0.26 | |
| Application of EITF D-42 | - | 0.10 | | - | 0.18 | |
| Casualty losses and tenant claims due to hurricanes | - | 0.07 | | - | 0.07 | |
| Acceleration (reversal) of share-based compensation expense due to executive officer retirement | 0.04 | - | | 0.13 | (0.03) | |
| Other items | 0.01 | 0.01 | | 0.01 | - | |
| Core FFO per share | <u>\$ 2.70</u> | <u>\$ 2.61</u> | 3.4% | <u>\$ 7.75</u> | <u>\$ 7.48</u> | 3.6% |

Property Operations – Same Store Facilities

The Same Store Facilities represent those facilities that have been owned and operated on a stabilized level of occupancy, revenues and cost of operations since January 1, 2016. We review the operations of our Same Store Facilities, which excludes facilities whose operating trends are significantly affected by factors such as casualty events, as well as recently developed or acquired facilities, to more effectively evaluate the ongoing performance of our self-storage portfolio in 2016, 2017 and 2018. We believe the Same Store information is used by investors and REIT analysts in a similar manner. The Same Store pool decreased from 2,048 facilities at June 30, 2018 to 2,046 facilities at September 30, 2018. The following table summarizes the historical operating results of these 2,046 facilities (131.2 million net rentable square feet) that represent approximately 82% of the aggregate net rentable square feet of our U.S. consolidated self-storage portfolio at September 30, 2018.

Selected Operating Data for the Same Store Facilities (2,046 facilities)

(unaudited):

| | Three Months Ended September 30, | | | Nine Months Ended September 30, | | |
|---|----------------------------------|-------------------|-------------------|---------------------------------|---------------------|-------------------|
| | 2018 | 2017 | Percentage Change | 2018 | 2017 | Percentage Change |
| (Dollar amounts in thousands, except for per square foot amounts) | | | | | | |
| Revenues: | | | | | | |
| Rental income | \$ 549,234 | \$ 542,535 | 1.2% | \$ 1,607,298 | \$ 1,580,888 | 1.7% |
| Late charges and administrative fees | 25,289 | 25,434 | (0.6)% | 73,557 | 73,375 | 0.2% |
| Total revenues (a) | <u>574,523</u> | <u>567,969</u> | 1.2% | <u>1,680,855</u> | <u>1,654,263</u> | 1.6% |
| Cost of operations: | | | | | | |
| Property taxes | 59,004 | 55,822 | 5.7% | 176,501 | 167,685 | 5.3% |
| On-site property manager payroll | 28,608 | 28,530 | 0.3% | 85,066 | 83,541 | 1.8% |
| Supervisory payroll | 8,928 | 9,611 | (7.1)% | 27,802 | 29,628 | (6.2)% |
| Repairs and maintenance | 11,251 | 11,407 | (1.4)% | 31,580 | 32,262 | (2.1)% |
| Snow removal | - | - | 0.0% | 2,787 | 2,216 | 25.8% |
| Utilities | 10,871 | 10,697 | 1.6% | 31,238 | 30,238 | 3.3% |
| Advertising and selling | 7,814 | 6,966 | 12.2% | 22,027 | 21,885 | 0.6% |
| Other direct property costs | 14,814 | 14,169 | 4.6% | 44,350 | 42,670 | 3.9% |
| Allocated overhead | 10,916 | 10,877 | 0.4% | 35,075 | 33,388 | 5.1% |
| Total cost of operations (a) | <u>152,206</u> | <u>148,079</u> | 2.8% | <u>456,426</u> | <u>443,513</u> | 2.9% |
| Net operating income (b) | <u>\$ 422,317</u> | <u>\$ 419,890</u> | 0.6% | <u>\$ 1,224,429</u> | <u>\$ 1,210,750</u> | 1.1% |
| Gross margin | 73.5% | 73.9% | (0.5)% | 72.8% | 73.2% | (0.5)% |
| Weighted average for the period: | | | | | | |
| Square foot occupancy | 94.0% | 94.6% | (0.6)% | 93.4% | 94.1% | (0.7)% |
| Realized annual rental income per (c): | | | | | | |
| Occupied square foot | \$ 17.83 | \$ 17.49 | 1.9% | \$ 17.49 | \$ 17.08 | 2.4% |
| Available square foot (“REVPAF”) | \$ 16.75 | \$ 16.54 | 1.3% | \$ 16.34 | \$ 16.07 | 1.7% |
| At September 30: | | | | | | |
| Square foot occupancy | | | | 92.1% | 93.2% | (1.2)% |
| Annual contract rent per occupied square foot (d) | | | | \$ 18.30 | \$ 18.04 | 1.4% |

(a) Revenues and cost of operations do not include ancillary revenues and expenses generated at the facilities with respect to tenant reinsurance and retail sales.

(b) See attached reconciliation of self-storage net operating income (“NOI”) to operating income.

- (c) Realized annual rent per occupied square foot is computed by dividing annualized rental income, before late charges and administrative fees, by the weighted average occupied square feet for the period. Realized annual rent per available square foot (“REVPAF”) is computed by dividing annualized rental income, before late charges and administrative fees, by the total available rentable square feet for the period. These measures exclude late charges and administrative fees in order to provide a better measure of our ongoing level of revenue. Late charges are dependent upon the level of delinquency and administrative fees are dependent upon the level of move-ins. In addition, the rates charged for late charges and administrative fees can vary independently from rental rates. These measures take into consideration promotional discounts, which reduce rental income.
- (d) Contract rent represents the applicable contractual monthly rent charged to our tenants, excluding the impact of promotional discounts, late charges and administrative fees.

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

| | For the Quarter Ended | | | | Entire Year |
|---|--|------------|--------------|-------------|--------------|
| | March 31 | June 30 | September 30 | December 31 | |
| | (Amounts in thousands, except for per square foot amounts) | | | | |
| Total revenues: | | | | | |
| 2018 | \$ 548,116 | \$ 558,216 | \$ 574,523 | | |
| 2017 | \$ 536,618 | \$ 549,676 | \$ 567,969 | \$ 555,164 | \$ 2,209,427 |
| Total cost of operations: | | | | | |
| 2018 | \$ 153,532 | \$ 150,688 | \$ 152,206 | | |
| 2017 | \$ 148,577 | \$ 146,857 | \$ 148,079 | \$ 118,261 | \$ 561,774 |
| Property taxes: | | | | | |
| 2018 | \$ 58,359 | \$ 59,138 | \$ 59,004 | | |
| 2017 | \$ 55,831 | \$ 56,032 | \$ 55,822 | \$ 32,320 | \$ 200,005 |
| Repairs and maintenance, including snow removal expenses: | | | | | |
| 2018 | \$ 11,523 | \$ 11,593 | \$ 11,251 | | |
| 2017 | \$ 11,684 | \$ 11,387 | \$ 11,407 | \$ 11,969 | \$ 46,447 |
| Advertising and selling expense: | | | | | |
| 2018 | \$ 6,516 | \$ 7,697 | \$ 7,814 | | |
| 2017 | \$ 6,792 | \$ 8,127 | \$ 6,966 | \$ 6,794 | \$ 28,679 |
| REVPAF: | | | | | |
| 2018 | \$ 15.97 | \$ 16.31 | \$ 16.75 | | |
| 2017 | \$ 15.63 | \$ 16.03 | \$ 16.54 | \$ 16.17 | \$ 16.09 |
| Weighted average realized annual rent per occupied square foot: | | | | | |
| 2018 | \$ 17.30 | \$ 17.35 | \$ 17.83 | | |
| 2017 | \$ 16.79 | \$ 16.95 | \$ 17.49 | \$ 17.37 | \$ 17.15 |
| Weighted average occupancy levels for the period: | | | | | |
| 2018 | 92.3% | 94.0% | 94.0% | | |
| 2017 | 93.1% | 94.6% | 94.6% | 93.1% | 93.8% |

Property Operations – Non Same Store Facilities

The Non Same Store Facilities at September 30, 2018 represent 373 facilities that were not stabilized with respect to occupancies or rental rates since January 1, 2016 or that we did not own as of January 1, 2016. The following table summarizes operating data with respect to the Non Same Store Facilities (unaudited). Additional data and metrics with respect to these facilities is included in the MD&A in our September 30, 2018 Form 10-Q.

| NON SAME STORE FACILITIES | Three Months Ended September 30, | | | Nine Months Ended September 30, | | |
|---|----------------------------------|------------------|-----------------|---------------------------------|-------------------|------------------|
| | 2018 | 2017 | Change | 2018 | 2017 | Change |
| (Dollar amounts in thousands, except for per square foot amounts) | | | | | | |
| Revenues: | | | | | | |
| 2018 acquisitions | \$ 1,762 | \$ - | \$ 1,762 | \$ 2,288 | \$ - | \$ 2,288 |
| 2017 acquisitions | 7,409 | 1,735 | 5,674 | 21,385 | 2,873 | 18,512 |
| 2016 acquisitions | 10,031 | 9,297 | 734 | 29,221 | 26,909 | 2,312 |
| 2016 - 2018 new developments | 10,427 | 5,124 | 5,303 | 26,165 | 11,081 | 15,084 |
| 2013 - 2015 new developments | 6,891 | 6,491 | 400 | 19,883 | 18,440 | 1,443 |
| Other facilities | 55,573 | 55,622 | (49) | 163,562 | 164,649 | (1,087) |
| Total revenues | <u>92,093</u> | <u>78,269</u> | <u>13,824</u> | <u>262,504</u> | <u>223,952</u> | <u>38,552</u> |
| Cost of operations before depreciation and amortization expense: | | | | | | |
| 2018 acquisitions | 678 | - | 678 | 865 | - | 865 |
| 2017 acquisitions | 2,478 | 633 | 1,845 | 7,444 | 1,013 | 6,431 |
| 2016 acquisitions | 3,479 | 3,364 | 115 | 10,637 | 10,348 | 289 |
| 2016 - 2018 new developments | 6,391 | 3,191 | 3,200 | 15,383 | 8,405 | 6,978 |
| 2013 - 2015 new developments | 2,120 | 2,275 | (155) | 6,317 | 6,055 | 262 |
| Other facilities | 16,285 | 15,773 | 512 | 48,628 | 47,154 | 1,474 |
| Total cost of operations | <u>31,431</u> | <u>25,236</u> | <u>6,195</u> | <u>89,274</u> | <u>72,975</u> | <u>16,299</u> |
| Net operating income: | | | | | | |
| 2018 acquisitions | 1,084 | - | 1,084 | 1,423 | - | 1,423 |
| 2017 acquisitions | 4,931 | 1,102 | 3,829 | 13,941 | 1,860 | 12,081 |
| 2016 acquisitions | 6,552 | 5,933 | 619 | 18,584 | 16,561 | 2,023 |
| 2016 - 2018 new developments | 4,036 | 1,933 | 2,103 | 10,782 | 2,676 | 8,106 |
| 2013 - 2015 new developments | 4,771 | 4,216 | 555 | 13,566 | 12,385 | 1,181 |
| Other facilities | 39,288 | 39,849 | (561) | 114,934 | 117,495 | (2,561) |
| Net operating income (a) | <u>\$ 60,662</u> | <u>\$ 53,033</u> | <u>\$ 7,629</u> | <u>\$ 173,230</u> | <u>\$ 150,977</u> | <u>\$ 22,253</u> |

(a) See attached reconciliation of self-storage net operating income (“NOI”) to operating income.

Investing and Capital Activities

During the three months ended September 30, 2018, we acquired eleven self-storage facilities (six in Minnesota, two in Texas and one each in Ohio, South Carolina and Tennessee) with 0.7 million net rentable square feet for \$73.8 million. For the nine months ended September 30, 2018, we acquired sixteen self-storage facilities (six in Minnesota, two each in South Carolina, Tennessee and Texas, one each in Indiana, Kentucky, Nebraska and Ohio) with 1.0 million net rentable square feet for \$107.8 million. Subsequent to September 30, 2018, we acquired or were under contract to acquire nine self-storage facilities (three in Georgia, two in Colorado, one each in Florida, Indiana, Oklahoma and Washington) with 0.6 million net rentable square feet for \$79.7 million.

During the three months ended September 30, 2018, we completed five newly developed facilities and various expansion projects (0.7 million net rentable square feet) costing \$83 million. For the nine months ended September 30, 2018, we completed sixteen newly developed facilities and various expansion projects (2.4 million net rentable square feet) costing an aggregate of \$278 million. At September 30, 2018, we had various facilities in development (1.6 million net rentable square feet) estimated to cost \$251 million and various expansion projects (3.8 million net rentable square feet) estimated to cost \$346 million. The remaining \$343 million of development costs for these projects is expected to be incurred primarily in the next 18 months.

On July 13, 2018, we received a cash distribution from Shurgard Europe of \$145.4 million.

On October 15, 2018, Shurgard Europe completed an initial global offering (the “Offering”), and its shares commenced trading on Euronext Brussels under the “SHUR” symbol. In the Offering, Shurgard Europe issued 21.7 million of its common shares to third parties at a price of €23 per share. There is a potential “green shoe” for an additional €75 million in gross proceeds at a price of €23 per share. Our equity interest, comprised of a direct and indirect pro-rata ownership interest in 31.3 million shares, decreased from 49% to 36.6% as a result of the Offering (35.2% assuming exercise of the “green shoe”). While we did not sell any shares in the Offering, and we have no current plans to do so, we will record a gain on disposition in the three months ending December 31, 2018, as if we had sold a proportionate share of our investment in Shurgard Europe. Shurgard Europe’s publicly reported information can be obtained on its website, <https://corporate.shurgard.eu> and on the website of the Luxembourg Stock Exchange, <http://www.bourse.lu>.

On October 18, 2018, we sold our property in West London to Shurgard Europe for €36.5 million in cash, and will record a gain on disposition in the three months ending December 31, 2018.

Distributions Declared

On October 24, 2018, our Board of Trustees declared a regular common quarterly dividend of \$2.00 per common share. The Board also declared dividends with respect to our various series of preferred shares. All the dividends are payable on December 27, 2018 to shareholders of record as of December 12, 2018.

Third Quarter Conference Call

A conference call is scheduled for October 31, 2018 at 10:00 a.m. (PDT) to discuss the third quarter earnings results. The domestic dial-in number is (866) 406-5408, and the international dial-in number is (973) 582-2770 (conference ID number for either domestic or international is 6166156). A simultaneous audio webcast may be accessed by using the link at www.publicstorage.com under “Company Info, Investor Relations, News and Events, Events Calendar.” A replay of the conference call may be accessed through November 14, 2018 by calling (800) 585-8367 (domestic), (404) 537-3406 (international) or by using the link at www.publicstorage.com under “Company Info, Investor Relations, News and Events, Events Calendar.” All forms of replay utilize conference ID number 6166156.

About Public Storage

Public Storage, a member of the S&P 500 and FT Global 500, is a REIT that primarily acquires, develops, owns and operates self-storage facilities. The Company’s headquarters are located in Glendale, California. At September 30, 2018, we had interests in 2,418 self-storage facilities located in 38 states with approximately 161 million net rentable square feet in the United States and 228 storage facilities located in seven Western European nations with approximately 12 million net rentable square feet operated under the “Shurgard” brand. We also own a 42% common equity interest in PS Business Parks, Inc. (NYSE:PSB) which owned and operated approximately 28 million rentable square feet of commercial space at September 30, 2018.

Additional information about Public Storage is available on our website, www.publicstorage.com.

Forward-Looking Statements

This press release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements in this press release, other than statements of historical fact, are forward-looking statements which may be identified by the use of the words “expects,” “believes,” “anticipates,” “should,” “estimates” and similar expressions. These forward-looking statements involve known and unknown risks and uncertainties, which may cause our actual results and performance to be materially different from those expressed or implied in the forward-looking statements. Factors and risks that may impact future results and performance include, but are not limited to, those described in Part I, Item 1A, “Risk Factors” in our most recent Annual Report on Form 10-K filed with the Securities and Exchange Commission (the “SEC”) on March 1, 2018 and 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, risk related to development of self-storage facilities, potential liability for environmental contamination, natural disasters and adverse changes in laws and regulations governing property tax, real estate and zoning; risks associated with downturns in the national and local economies in the markets in which we operate, including risks related to current economic conditions and the economic health of our customers; the impact of competition from new and existing self-storage and commercial facilities and other storage alternatives; difficulties in our ability to successfully evaluate, finance, integrate into our existing operations and manage acquired and developed properties; risks associated with international operations including, but not limited to, unfavorable foreign currency rate fluctuations, changes in tax laws, and local and global economic uncertainty that could adversely affect our earnings and cash flows; risks related to our participation in joint ventures; the impact of the regulatory environment as well as national, state and local laws and regulations including, without limitation, those governing environmental, taxes, our tenant reinsurance business and labor, and risks related to the impact of new laws and regulations; risks of increased tax expense associated either with a possible failure by us to qualify as a REIT, or with challenges to the determination of taxable income for our taxable REIT subsidiaries; changes in federal or state tax laws related to the taxation of REITs and other corporations; security breaches or a failure of our networks, systems or technology could adversely impact our business, customer and employee relationships; risks

associated with the self-insurance of certain business risks, including property and casualty insurance, employee health insurance and workers compensation liabilities; difficulties in raising capital at a reasonable cost; delays in the development process; ongoing litigation and other legal and regulatory actions which may divert management's time and attention, require us to pay damages and expenses or restrict the operation of our business; and economic uncertainty due to the impact of war or terrorism. These forward-looking statements speak only as of the date of this press release. All of our forward-looking statements, including those in this press release, are qualified in their entirety by this statement. We expressly disclaim any obligation to update publicly or otherwise revise any forward-looking statements, whether as a result of new information, new estimates, or other factors, events or circumstances after the date of this press release, except where expressly required by law. Given these risks and uncertainties, you should not rely on any forward-looking statements in this press release, or which management may make orally or in writing from time to time, as predictions of future events nor guarantees of future performance.

PUBLIC STORAGE
SELECTED INCOME STATEMENT DATA
(Amounts in thousands, except per share data)
(Unaudited)

| | Three Months Ended | | Nine Months Ended | |
|---|--------------------|-------------------|-------------------|-------------------|
| | September 30, | | September 30, | |
| | 2018 | 2017 | 2018 | 2017 |
| Revenues: | | | | |
| Self-storage facilities | \$ 666,616 | \$ 646,238 | \$ 1,943,359 | \$ 1,878,215 |
| Ancillary operations | 39,752 | 40,123 | 118,461 | 118,005 |
| | <u>706,368</u> | <u>686,361</u> | <u>2,061,820</u> | <u>1,996,220</u> |
| Expenses: | | | | |
| Self-storage cost of operations | 183,637 | 173,315 | 545,700 | 516,488 |
| Ancillary cost of operations | 11,907 | 17,304 | 33,648 | 39,611 |
| Depreciation and amortization | 124,516 | 113,320 | 362,272 | 334,426 |
| General and administrative | 27,429 | 22,311 | 90,278 | 62,331 |
| | <u>347,489</u> | <u>326,250</u> | <u>1,031,898</u> | <u>952,856</u> |
| Operating income | 358,879 | 360,111 | 1,029,922 | 1,043,364 |
| Other income (expense): | | | | |
| Interest and other income | 7,020 | 4,569 | 18,892 | 12,722 |
| Interest expense | (8,094) | (2,389) | (24,589) | (4,553) |
| Equity in earnings of unconsolidated real estate entities | 17,771 | 17,218 | 90,529 | 57,235 |
| Gain on real estate investment sales | 1,401 | - | 1,825 | 975 |
| Foreign currency exchange gain (loss) | 2,612 | (13,446) | 12,738 | (44,452) |
| Casualty loss | - | (7,789) | - | (7,789) |
| Net income | <u>379,589</u> | <u>358,274</u> | <u>1,129,317</u> | <u>1,057,502</u> |
| Allocation to noncontrolling interests | (1,562) | (1,600) | (4,491) | (4,684) |
| Net income allocable to Public Storage shareholders | <u>378,027</u> | <u>356,674</u> | <u>1,124,826</u> | <u>1,052,818</u> |
| Allocation of net income to: | | | | |
| Preferred shareholders – distributions | (54,080) | (61,055) | (162,238) | (182,457) |
| Preferred shareholders – redemptions | - | (14,692) | - | (29,330) |
| Restricted share units | (1,268) | (1,210) | (3,790) | (3,502) |
| Net income allocable to common shareholders | <u>\$ 322,679</u> | <u>\$ 279,717</u> | <u>\$ 958,798</u> | <u>\$ 837,529</u> |
| Per common share: | | | | |
| Net income per common share – Basic | <u>\$ 1.85</u> | <u>\$ 1.61</u> | <u>\$ 5.51</u> | <u>\$ 4.83</u> |
| Net income per common share – Diluted | <u>\$ 1.85</u> | <u>\$ 1.61</u> | <u>\$ 5.50</u> | <u>\$ 4.81</u> |
| Weighted average common shares – Basic | <u>173,975</u> | <u>173,715</u> | <u>173,933</u> | <u>173,560</u> |
| Weighted average common shares – Diluted | <u>174,348</u> | <u>174,240</u> | <u>174,240</u> | <u>174,128</u> |

PUBLIC STORAGE
SELECTED BALANCE SHEET DATA
(Amounts in thousands, except share and per share data)

| | September 30, 2018 (Unaudited) | December 31, 2017 |
|---|-----------------------------------|-------------------|
| ASSETS | | |
| Cash and equivalents | \$ 432,525 | \$ 433,376 |
| Operating real estate facilities: | | |
| Land and buildings, at cost | 15,135,893 | 14,665,989 |
| Accumulated depreciation | (6,041,262) | (5,700,331) |
| | 9,094,631 | 8,965,658 |
| Construction in process | 253,719 | 264,441 |
| Investments in unconsolidated real estate entities | 619,405 | 724,173 |
| Goodwill and other intangible assets, net | 209,317 | 214,957 |
| Other assets | 138,343 | 130,287 |
| Total assets | \$ 10,747,940 | \$ 10,732,892 |
| LIABILITIES AND EQUITY | | |
| Senior unsecured notes | \$ 1,390,080 | \$ 1,402,109 |
| Mortgage notes | 27,865 | 29,213 |
| Accrued and other liabilities | 409,973 | 337,201 |
| Total liabilities | 1,827,918 | 1,768,523 |
| Equity: | | |
| Public Storage shareholders' equity: | | |
| Cumulative 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, 174,059,645 shares issued and outstanding, (173,853,370 shares at December 31, 2017) | 17,406 | 17,385 |
| Paid-in capital | 5,697,308 | 5,648,399 |
| Accumulated deficit | (760,284) | (675,711) |
| Accumulated other comprehensive loss | (84,339) | (75,064) |
| Total Public Storage shareholders' equity | 8,895,091 | 8,940,009 |
| Noncontrolling interests | 24,931 | 24,360 |
| Total equity | 8,920,022 | 8,964,369 |
| Total liabilities and equity | \$ 10,747,940 | \$ 10,732,892 |

PUBLIC STORAGE
SELECTED FINANCIAL DATA

Computation of Funds from Operations and Funds Available for Distribution
(Unaudited – amounts in thousands)

| | Three Months Ended | | Nine Months Ended | |
|---|--------------------|-------------------|---------------------|---------------------|
| | September 30, | | September 30, | |
| | 2018 | 2017 | 2018 | 2017 |
| <u>Computation of FFO per Share:</u> | | | | |
| Net income allocable to common shareholders | \$ 322,679 | \$ 279,717 | \$ 958,798 | \$ 837,529 |
| Eliminate items excluded from FFO: | | | | |
| Depreciation and amortization | 124,516 | 113,320 | 362,272 | 334,426 |
| Depreciation from unconsolidated real estate investments | 19,615 | 18,054 | 58,238 | 52,635 |
| Depreciation allocated to noncontrolling interests and restricted share unitholders | (892) | (858) | (2,824) | (2,657) |
| Gains on sale of real estate investments, including our equity share from investments | (1,766) | - | (37,530) | (3,077) |
| FFO allocable to common shares (a) | <u>\$ 464,152</u> | <u>\$ 410,233</u> | <u>\$ 1,338,954</u> | <u>\$ 1,218,856</u> |
| Diluted weighted average common shares | <u>174,348</u> | <u>174,240</u> | <u>174,240</u> | <u>174,128</u> |
| FFO per share (a) | <u>\$ 2.66</u> | <u>\$ 2.35</u> | <u>\$ 7.68</u> | <u>\$ 7.00</u> |
| <u>Reconciliation of Earnings per Share to FFO per Share:</u> | | | | |
| Earnings per share—Diluted | \$ 1.85 | \$ 1.61 | \$ 5.50 | \$ 4.81 |
| Eliminate per share amounts excluded from FFO: | | | | |
| Depreciation and amortization allocable to common shareholders | 0.82 | 0.75 | 2.40 | 2.21 |
| Gains on sale of real estate investments, including our equity share from investments and other | (0.01) | (0.01) | (0.22) | (0.02) |
| FFO per share (a) | <u>\$ 2.66</u> | <u>\$ 2.35</u> | <u>\$ 7.68</u> | <u>\$ 7.00</u> |
| <u>Computation of Funds Available for Distribution ("FAD"):</u> | | | | |
| FFO allocable to common shares | \$ 464,152 | \$ 410,233 | \$ 1,338,954 | \$ 1,218,856 |
| Eliminate effect of items included in FFO but not FAD: | | | | |
| Share-based compensation expense in excess of cash paid | 17,998 | 12,297 | 40,987 | 13,096 |
| Foreign currency exchange (gain) loss | (2,612) | 13,446 | (12,738) | 44,452 |
| Application of EITF D-42, including our equity share from investments | - | 17,552 | - | 32,190 |
| Less: Capital expenditures to maintain real estate facilities | <u>(40,180)</u> | <u>(28,985)</u> | <u>(93,407)</u> | <u>(82,525)</u> |
| FAD (a) | <u>\$ 439,358</u> | <u>\$ 424,543</u> | <u>\$ 1,273,796</u> | <u>\$ 1,226,069</u> |
| Distributions paid to common shareholders and restricted share units | <u>\$ 349,166</u> | <u>\$ 348,555</u> | <u>\$ 1,047,161</u> | <u>\$ 1,045,140</u> |
| Distribution payout ratio | <u>79.5%</u> | <u>82.1%</u> | <u>82.2%</u> | <u>85.2%</u> |
| Distributions per common share | <u>\$ 2.00</u> | <u>\$ 2.00</u> | <u>\$ 6.00</u> | <u>\$ 6.00</u> |

- (a) FFO and FFO per share are non-GAAP measures defined by the National Association of Real Estate Investment Trusts and, along with the non-GAAP measure FAD, are considered helpful measures of REIT performance by REITs and many REIT analysts. FFO represents net income before real estate depreciation, gains or losses and impairment charges, which are excluded because they are based upon historical real estate costs and assume that building values diminish ratably over time, while we believe that real estate values fluctuate due to market conditions. FAD represents FFO adjusted to exclude certain non-cash charges and to deduct capital expenditures. We utilize FAD in evaluating our ongoing cash flow available for investment, debt repayment and common distributions. We believe investors and analysts utilize FAD in a similar manner. FFO and FFO per share are not a substitute for net income or earnings per share. FFO and FAD are not substitutes for GAAP net cash flow in evaluating our liquidity or ability to pay dividends, because they exclude investing and financing activities presented on our statements of cash flows. In addition, other REITs may compute these measures differently, so comparisons among REITs may not be helpful.

**PUBLIC STORAGE
SELECTED FINANCIAL DATA**

**Reconciliation of Self-Storage Net Operating Income to
Operating Income**

(Unaudited – amounts in thousands)

| | Three Months Ended | | Nine Months Ended | |
|--|--------------------|-------------------|---------------------|---------------------|
| | September 30, | | September 30, | |
| | 2018 | 2017 | 2018 | 2017 |
| Self-storage revenues for: | | | | |
| Same Store Facilities | \$ 574,523 | \$ 567,969 | \$ 1,680,855 | \$ 1,654,263 |
| Non Same Store Facilities | 92,093 | 78,269 | 262,504 | 223,952 |
| Self-storage revenues | <u>666,616</u> | <u>646,238</u> | <u>1,943,359</u> | <u>1,878,215</u> |
| Self-storage cost of operations for: | | | | |
| Same Store Facilities | 152,206 | 148,079 | 456,426 | 443,513 |
| Non Same Store Facilities | 31,431 | 25,236 | 89,274 | 72,975 |
| Self-storage cost of operations | <u>183,637</u> | <u>173,315</u> | <u>545,700</u> | <u>516,488</u> |
| Self-storage net operating income for: | | | | |
| Same Store Facilities | 422,317 | 419,890 | 1,224,429 | 1,210,750 |
| Non Same Store Facilities | 60,662 | 53,033 | 173,230 | 150,977 |
| Self-storage net operating income (a) | <u>482,979</u> | <u>472,923</u> | <u>1,397,659</u> | <u>1,361,727</u> |
| Ancillary revenues | 39,752 | 40,123 | 118,461 | 118,005 |
| Ancillary cost of operations | (11,907) | (17,304) | (33,648) | (39,611) |
| Depreciation and amortization | (124,516) | (113,320) | (362,272) | (334,426) |
| General and administrative expense | (27,429) | (22,311) | (90,278) | (62,331) |
| Operating income on our income statement | <u>\$ 358,879</u> | <u>\$ 360,111</u> | <u>\$ 1,029,922</u> | <u>\$ 1,043,364</u> |

- (a) Net operating income or “NOI” is a non-GAAP financial measure that excludes the impact of depreciation and amortization expense, which is based upon historical real estate costs and assumes that building values diminish ratably over time, while we believe that real estate values fluctuate due to market conditions. We utilize NOI in determining current property values, evaluating property performance, and in evaluating operating trends. We believe that investors and analysts utilize NOI in a similar manner. NOI is not a substitute for net income, net operating cash flow, or other related GAAP financial measures, in evaluating our operating results. This table reconciles from NOI for our self-storage facilities to the operating income presented on our income statement.