Public Storage
Form 10-Q
August 08, 2011

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 June 30, 2011

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 or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting

company” in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer [X] Accelerated Filer [ ] Non-accelerated Filer [ ]
Smaller Reporting Company [ ]

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

[ ] Yes [X] No

Indicate the number of the registrant’s outstanding common shares of beneficial interest, as of August 3, 2011:

Common Shares of beneficial interest, $.10 par value per share – 170,663,565 shares

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PUBLIC STORAGE

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

ASSETS	June 30, 2011 (Unaudited)	December 31, 2010
Cash and cash equivalents	$144,487	$456,252
Marketable securities	-	102,279
Real estate facilities, at cost:		
Land	2,795,770	2,789,227
Buildings	7,887,522	7,798,120
	10,683,292	10,587,347
Accumulated depreciation	(3,227,804)	(3,061,459)
	7,455,488	7,525,888
Construction in process	8,531	6,928
	7,464,019	7,532,816
Investment in real estate entities	733,054	601,569
Goodwill, net	174,634	174,634
Intangible assets, net	33,958	42,091
Loans receivable from real estate entities	630,606	495,229
Other assets	91,578	90,463
Total assets	$9,272,336	$9,495,333
LIABILITIES AND EQUITY		
Notes payable	$449,519	$568,417
Accrued and other liabilities	227,869	205,769
Total liabilities	677,388	774,186
Redeemable noncontrolling interests in subsidiaries	12,325	12,213
Commitments and contingencies (Note 11)		

Equity:		
Public Storage shareholders' equity:		
Cumulative Preferred Shares of beneficial interest, $0.01 par value, 100,000,000 shares authorized, 480,690 shares issued (in series) and outstanding, (486,390 at December 31, 2010) at liquidation preference	3,253,527	3,396,027
Common Shares of beneficial interest, $0.10 par value, 650,000,000 shares authorized, 169,507,379 shares issued and outstanding (169,252,819 at December 31, 2010)	16,952	16,927
Paid-in capital	5,518,738	5,515,827
Accumulated deficit	(237,689)	(236,410)
Accumulated other comprehensive income (loss)	1,666	(15,773)
Total Public Storage shareholders' equity	8,553,194	8,676,598
Equity of permanent noncontrolling interests in subsidiaries	29,429	32,336
Total equity	8,582,623	8,708,934
Total liabilities and equity	$9,272,336	$9,495,333

See accompanying notes.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Revenues:				
Self-storage facilities	$ 395,378	$ 373,536	$ 780,513	$ 737,609
Ancillary operations	28,891	27,077	55,806	52,235
Interest and other income	10,575	7,032	18,343	15,248
	434,844	407,645	854,662	805,092
Expenses:				
Cost of operations:				
Self-storage facilities	129,790	127,694	265,176	260,034
Ancillary operations	9,597	9,539	18,511	17,969
Depreciation and amortization	89,186	84,879	177,728	169,596
General and administrative	12,593	10,081	26,828	20,158
Interest expense	5,933	7,278	12,917	14,617
	247,099	239,471	501,160	482,374
Income from continuing operations before equity in earnings of real estate entities, foreign currency exchange gain (loss), (loss) gains on disposition of real estate investments, gain on early retirement of debt and asset impairment charges	187,745	168,174	353,502	322,718
Equity in earnings of real estate entities	12,770	8,788	26,486	18,749
Foreign currency exchange gain (loss)	10,496	(49,204)	41,748	(84,047)
(Loss) gains on disposition of real estate investments	(70)	63	128	396
Gain on early retirement of debt	-	283	-	283
Asset impairment charges	-	(1,338)	-	(1,949)
Income from continuing operations	210,941	126,766	421,864	256,150
Discontinued operations	-	4,410	(355)	4,943
Net income	210,941	131,176	421,509	261,093
Net income allocated to noncontrolling interests in subsidiaries	(4,497)	(6,138)	(8,957)	(12,094)
Net income allocable to Public Storage shareholders	$ 206,444	$ 125,038	$ 412,552	$ 248,999
Allocation of net income to Public Storage shareholders:				
Preferred shareholders based on distributions paid	$ 58,639	$ 58,879	$ 116,256	$ 116,987
Preferred shareholders based on redemptions	15,899	5,063	15,899	5,063

Equity Shares, Series A	-	-	-	5,131
Equity Shares, Series A based on redemptions	-	-	-	25,746
Restricted share units	391	259	823	497
Common shareholders	131,515	60,837	279,574	95,575
	$ 206,444	$ 125,038	$ 412,552	$ 248,999
Net income per common share – basic				
Continuing operations	$ 0.78	$ 0.33	$ 1.65	$ 0.54
Discontinued operations	-	0.03	-	0.03
	$ 0.78	$ 0.36	$ 1.65	$ 0.57
Net income per common share – diluted				
Continuing operations	$ 0.77	$ 0.33	$ 1.64	$ 0.53
Discontinued operations	-	0.03	-	0.03
	$ 0.77	$ 0.36	$ 1.64	$ 0.56
Basic weighted average common shares outstanding	169,492	168,804	169,404	168,641
Diluted weighted average common shares outstanding	170,401	169,629	170,392	169,470

See accompanying notes.

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

	Cumulative Preferred Shares	Common Shares	Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive (Loss) Income	Total Public Storage Shareholders' Equity	Equity of Permanent Noncontrolling Interests In Subsidiaries	Total Equity
Balance at December 31, 2010	$ 3,396,027	$ 16,927	$ 5,515,827	$ (236,410)	$ (15,773)	$ 8,676,598	$ 32,336	$ 8,708,934
Issuance of cumulative preferred shares (15,000,000 shares) (Note 7)	375,000	-	(11,336)	-	-	363,664	-	363,664
Redemption of cumulative preferred shares (20,700,000 shares) (Note 7)	(517,500)	-	-	-	-	(517,500)	-	(517,500)
Issuance of common shares in connection with share-based compensation (254,560 shares) (Note 9)	-	25	12,948	-	-	12,973	-	12,973
Share-based compensation expense, net of cash compensation in lieu of common shares (Note 9)	-	-	8,503	-	-	8,503	-	8,503
Adjustments of redeemable noncontrolling interests in subsidiaries to liquidation value (Note 6)	-	-	-	(218)	-	(218)	-	(218)
Acquisition of permanent noncontrolling	-	-	(7,204)	-	-	(7,204)	(4,822)	(12,026)

interests in subsidiaries								
Net income	-	-	-	421,509	-	421,509	-	421,509
Net income allocated to (Note 6):								
Redeemable noncontrolling interests in subsidiaries	-	-	-	(461)	-	(461)	-	(461)
Permanent noncontrolling equity interests	-	-	-	(8,496)	-	(8,496)	8,496	-
Distributions to equity holders:								
Cumulative preferred shares (Note 7)	-	-	-	(116,256)	-	(116,256)	-	(116,256)
Permanent noncontrolling interests in subsidiaries	-	-	-	-	-	-	(6,581)	(6,581)
Holders of unvested restricted share units	-	-	-	(821)	-	(821)	-	(821)
Common shares ($1.75 per share)	-	-	-	(296,536)	-	(296,536)	-	(296,536)
Other comprehensive income (Note 2)	-	-	-	-	17,439	17,439	-	17,439
Balance at June 30, 2011	$ 3,253,527	$ 16,952	$ 5,518,738	$ (237,689)	$ 1,666	$ 8,553,194	$ 29,429	$ 8,582,623

See accompanying notes.

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

	For the Six Months Ended June 30,	
	2011	2010
Cash flows from operating activities:		
Net income	$ 421,509	$ 261,093
Adjustments to reconcile net income to net cash provided by operating activities:		
Loss (gain) on disposition of real estate investments, including amounts in discontinued operations	125	(5,483)
Gain on early retirement of debt	-	(283)
Asset impairment charges, including amounts in discontinued operations	-	2,544
Depreciation and amortization, including amounts in discontinued operations	177,739	170,091
Distributions received from real estate entities in excess of equity in earnings of real estate entities	2,892	6,272
Foreign currency exchange (gain) loss	(41,748)	84,047
Other	21,947	7,331
Total adjustments	160,955	264,519
Net cash provided by operating activities	582,464	525,612
Cash flows from investing activities:		
Capital improvements to real estate facilities	(44,292)	(37,002)
Construction in process	(10,531)	(8,371)
Acquisition of real estate facilities and property intangibles (Note 3)	(34,361)	(66,378)
Proceeds from sales of other real estate investments	400	10,753
Loans to real estate entities	(358,877)	-
Proceeds from repayments of loans receivable from real estate entities	27,289	1,532
Proceeds from disposition of loan receivable from real estate entities (Note 2)	121,317	-
Acquisition of investments in real estate entities	(1,274)	-
Net sales (purchases) of marketable securities	102,230	(95,248)
Other investing activities	3,841	9,811
Net cash used in investing activities	(194,258)	(184,903)
Cash flows from financing activities:		
Principal payments on notes payable	(126,813)	(55,181)
Net proceeds from the issuance of common shares	12,973	26,215
Issuance of cumulative preferred shares	363,664	140,216
Repurchases of cumulative preferred shares	(517,500)	(155,000)
Repurchases of Equity Shares, Series A	-	(205,366)
Acquisition of permanent noncontrolling equity interests	(12,026)	-
Distributions paid to Public Storage shareholders	(413,613)	(367,565)
Distributions paid to noncontrolling interests	(7,148)	(12,261)

Net cash used in financing activities		(700,463)		(628,942)
Net decrease in cash and cash equivalents		(312,257)		(288,233)
Net effect of foreign exchange translation on cash		492		(1,220)
Cash and cash equivalents at the beginning of the period		456,252		763,789
Cash and cash equivalents at the end of the period	$	144,487	$	474,336

See accompanying notes.

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

(Continued)

	For the Six Months Ended June 30,	
	2011	2010
Supplemental schedule of non cash investing and financing activities:		
Foreign currency translation adjustment:		
Real estate facilities, net of accumulated depreciation	$ (486)	$ 828
Investment in real estate entities	(16,543)	19,108
Loan receivable from real estate entities	(41,666)	83,140
Accumulated other comprehensive loss	59,187	(104,296)
Adjustments of redeemable noncontrolling interests to fair values:		
Accumulated deficit	(218)	(160)
Redeemable noncontrolling interests	218	160
Conversion of note receivable from Shurgard Europe to investment (Note 2)		
Loan receivable from real estate entities	116,560	-
Investment in real estate entities	(116,560)	-
Real estate acquired in connection with elimination of intangible assets	(4,738)	-
Intangible assets eliminated in connection with acquisition of real estate	4,738	-
Real estate acquired in exchange for assumption of note payable	(9,679)	(131,698)
Note payable assumed in connection with acquisition of real estate	9,679	131,698

See accompanying notes.

PUBLIC STORAGE
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2011
(Unaudited)

1. Description of the Business

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

At June 30, 2011, we had direct and indirect equity interests in 2,054 self-storage facilities (with approximately 130.3 million net rentable square feet) located in 38 states operating under the "Public Storage" name. In Europe, we own one facility in London, England and we have a 49% interest in Shurgard Europe, which owns 188 self-storage facilities (with approximately 10.1 million net rentable square feet), all operating under the "Shurgard" name. We also have direct and indirect equity interests in approximately 23.5 million net rentable square feet of commercial space located in 11 states in the U.S. primarily operated by PS Business Parks, Inc. ("PSB") under the "PS Business Parks" name.

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

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") as defined in the Financial Accounting Standards Board Accounting Standards Codification (the "Codification"), including the related guidance with respect to interim financial information, and in conformity with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and notes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal and recurring adjustments) considered necessary for a fair presentation have been reflected in these unaudited condensed consolidated financial statements. Operating results for the three and six months ended June 30, 2011 are not necessarily indicative of the results that may be expected for the year ending December 31, 2011 due to seasonality and other factors. The accompanying unaudited condensed consolidated financial statements should be read together with the consolidated financial statements and related notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2010.

Certain amounts previously reported in our December 31, 2010 and June 30, 2010 financial statements have been reclassified to conform to the June 30, 2011 presentation, as a result of discontinued operations.

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

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PUBLIC STORAGE
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2011
(Unaudited)

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

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

Collectively, at June 30, 2011, the Company and its Subsidiaries own a total of 2,042 real estate facilities included in continuing operations, consisting of 2,035 self-storage facilities in the U.S., one self-storage facility in London, England and six commercial facilities in the U.S.

At June 30, 2011, the Unconsolidated Entities are comprised of PSB, Shurgard Europe, and various limited and joint venture partnerships (the partnerships referred to as the "Other Investments"). At June 30, 2011, the Other Investments own in aggregate 19 self-storage facilities with 1.1 million net rentable square feet in the U.S.

Use of Estimates

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

Income Taxes

For all taxable years subsequent to 1980, the Company has qualified and intends to continue to qualify as a real estate investment trust ("REIT"), as defined in Section 856 of the Internal Revenue Code. As a REIT, we do not incur federal or significant state tax on that portion of our taxable income which is distributed to our shareholders, provided that we meet certain tests. We believe we have met these tests during 2010, for the two quarters ended June 30, 2011, and we expect to meet these tests for the rest of 2011 and, accordingly, no provision for federal income taxes has been made in the accompanying condensed consolidated financial statements on income produced and distributed on real estate rental operations. We have business operations in taxable REIT subsidiaries that are subject to regular corporate tax on their taxable income, and such corporate taxes attributable to these operations are presented in ancillary cost of operations in our accompanying condensed consolidated statements of income. We also are subject to certain state taxes, which are presented in general and administrative expense in our accompanying condensed consolidated statements of income. We have concluded that there are no significant uncertain tax positions requiring recognition in our financial statements with respect to all tax periods which remain subject to examination by major tax jurisdictions

as of June 30, 2011.

PUBLIC STORAGE
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2011
(Unaudited)

Real Estate Facilities

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

Acquisitions of operating self-storage facilities are accounted for under the provisions of Codification Section 805, “Business Combinations.” The net acquisition cost includes cash paid to the seller as well as the fair value of any mortgage debt assumed. In the case of multiple facilities acquired in a single transaction, the aggregate acquisition cost is allocated to each facility based upon the relative estimated fair value of each facility. Any difference between the acquisition cost and the fair value of the real estate facilities is recorded as goodwill. The acquisition cost of each facility is allocated based upon the relative estimated fair values of the underlying land, buildings, and intangibles such as the self-storage tenants in place. Significant judgment is used to estimate fair values in recording our business combinations, and the valuation process utilizes significant unobservable inputs, which are “Level 3” inputs as the term is defined in Codification Section 820-10-35-52.

Other Assets

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

Accrued and Other Liabilities

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

Financial Instruments

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

For purposes of financial statement presentation, we consider all highly liquid financial instruments such as short-term treasury securities, money market funds with daily liquidity and a rating of at least AAA by Standard and Poor's, or investment grade (rated A1 by Standard and Poor's) short-term commercial paper with remaining maturities of three months or less at the date of acquisition to be cash equivalents. Any such cash and cash equivalents which are restricted from general corporate use due to insurance or other regulations, or based upon contractual requirements, are included in other assets.

PUBLIC STORAGE
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2011
(Unaudited)

Marketable securities consist of short-term investments in high-grade corporate securities rated A1 by Standard and Poor's. Because we have the positive intent and ability to hold these securities to maturity, the securities are stated at amortized cost and the related unrecognized gains and losses are excluded from earnings and other comprehensive income. The difference between interest income that is imputed using the effective interest method and the actual note interest collected is recorded as an adjustment to the marketable security balance; our marketable securities were decreased $49,000 and $202,000 during the six months ended June 30, 2011 and 2010, respectively, in applying the effective interest method. The amortized cost, gross unrecognized holding losses, and fair value of our marketable securities were $102,279,000, ($41,000) and $102,238,000, respectively, at December 31, 2010. The characteristics of the marketable securities and comparative metrics utilized in our evaluation represent significant observable inputs, which are "Level 2" inputs as the term is defined in Codification Section 820-10-35-47. We periodically assess our marketable securities for other-than-temporary impairment. Any such other-than-temporary impairment from credit loss is recognized as a realized loss and measured as the excess of carrying value over fair value at the time the assessment is made. During each of the six months ended June 30, 2011 and 2010, we had no other-than-temporary impairment losses. All of our marketable securities held as of December 31, 2010 matured during the three months ended March 31, 2011. As of June 30, 2011, we held no marketable securities.

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

Financial assets that are exposed to credit risk consist primarily of cash and cash equivalents, accounts receivable, the loan receivable from PSB, the loans receivable from Shurgard Europe, and restricted cash. Cash and cash equivalents and restricted cash are only invested in instruments with an investment grade rating. See "Loans Receivable from Shurgard Europe" below for information regarding our fair value measurement of this instrument.

At June 30, 2011, due primarily to our investment in and loans receivable from Shurgard Europe, our operations and our financial position are affected by fluctuations in currency exchange rates between the Euro, and to a lesser extent, other European currencies, against the U.S. Dollar.

We estimate the fair value of our notes payable to be $455,928,000 at June 30, 2011, based primarily upon discounting the future cash flows under each respective note at an interest rate that approximates loans with similar credit quality and term to maturity. The characteristics of the notes payable and comparative metrics utilized in our evaluation represent significant observable inputs, which are "Level 2" inputs as the term is utilized in Codification Section 820-10-35-47.

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

Goodwill

Goodwill represents the excess of acquisition cost over the fair value of net tangible and identifiable intangible assets acquired in business combinations, and has an indeterminate life. Each business combination from which our goodwill arose was for the acquisition of single businesses and accordingly, the allocation of our goodwill to our business segments is based directly on such acquisitions. Our goodwill balance of $174,634,000 is reported net of accumulated amortization of $85,085,000 as of June 30, 2011 and December 31, 2010.

PUBLIC STORAGE
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2011
(Unaudited)

Intangible Assets

Our intangible assets primarily represent the unamortized portion of the estimated acquisition-date fair values of the tenants in place and, to a lesser extent, leasehold interests in land (collectively, the "Property Intangibles"). Property Intangibles are finite-lived and are amortized relative to the benefit of the tenants in place or the land lease expense to each period. Accumulated amortization reflects those individual real estate facilities where the related Property Intangibles had not been fully amortized at each applicable date.

At June 30, 2011, our Property Intangibles have a net book value of $15,134,000 ($23,267,000 at December 31, 2010). Accumulated amortization totaled $25,518,000 at June 30, 2011 ($21,844,000 at December 31, 2010), and amortization expense of $2,636,000 and $2,408,000 was recorded for the three months ended June 30, 2011 and 2010, respectively, and $6,147,000 and $3,314,000 was recorded for the six months ended June 30, 2011 and 2010, respectively. During the six months ended June 30, 2011, our Property Intangibles were increased by $2,752,000 in connection with the acquisition of six self-storage facilities and the leasehold interest in the land of one of our existing self-storage facilities (Note 3). The acquisition of this leasehold interest resulted in the reclassification of Property Intangibles totaling $4,738,000 to real estate facilities, during the six months ended June 30, 2011.

In addition to the Property Intangibles, we also have an intangible asset representing the estimated acquisition-date fair value of the "Shurgard" trade name, which is used by Shurgard Europe pursuant to a licensing agreement, with a book value of $18,824,000 at June 30, 2011 and December 31, 2010. The Shurgard trade name has an indefinite life and, accordingly, we do not amortize this asset but instead analyze it on an annual basis for impairment. No impairments have been noted from any of our annual evaluations.

Evaluation of Asset Impairment

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

We evaluate impairment of goodwill annually by reporting unit. No impairment of our goodwill was identified in our annual evaluation at December 31, 2010, nor were there any indicators of impairment at June 30, 2011.

Revenue and Expense Recognition

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

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

Foreign Currency Exchange Translation

The local currency is the functional currency for the foreign operations we have an interest in. Assets and liabilities included on our consolidated balance sheets, including our equity investment in, and our loan receivable from, Shurgard Europe, are translated at end-of-period exchange rates, while revenues, expenses, and equity in earnings in the related real estate entities, are translated at the average exchange rates in effect during the period. The Euro, which represents the functional currency used by a majority of the foreign operations we have an interest in, was translated at an end-of-period exchange rate of approximately 1.439 U.S. Dollars per Euro at June 30, 2011 (1.325 at December 31, 2010), and average exchange rates of 1.438 and 1.273 for the three months ended June 30, 2011 and 2010, respectively, and 1.402 and 1.329 for the six months ended June 30, 2011 and 2010, respectively. Equity is translated at historical rates and the resulting cumulative translation adjustments, to the extent not included in net income, are included as a component of accumulated other comprehensive income (loss) until the translation adjustments are realized. See “Other Comprehensive Income” below for further information regarding our foreign currency translation gains and losses.

Fair Value Accounting

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

Loans Receivable from Real Estate Entities

On February 9, 2011, we loaned PSB $121.0 million. The loan has a six-month term, no prepayment penalties, and bears interest at a rate of three-month LIBOR plus 0.85% (1.10% per annum at June 30, 2011). For the three and six months ended June 30, 2011, we recorded interest income of approximately $328,000 and $523,000, respectively, related to the loan. We received $5,000,000 in principal repayments on this loan during the three months ended June 30, 2011. As of June 30, 2011, the loan totaled $116.0 million.

As of June 30, 2011, we had a €357.6 million loan receivable from Shurgard Europe totaling $514.6 million (€373.7 million totaling $495.2 million at December 31, 2010), which bears interest at a fixed rate of 9.0% per annum and matures March 31, 2013. This loan is denominated in Euros and is translated to U.S. Dollars for financial statement purposes. During each applicable period, because we expect repayment of this Euro-denominated loan within two years of each respective balance sheet date, we recognize foreign exchange rate gains or losses in income due to

changes in exchange rates between the Euro and the U.S. Dollar. Foreign currency gains totaled $10,565,000 and $41,666,000 in the three and six months ended June 30, 2011, respectively, as compared to losses of $48,680,000 and $83,140,000 for the same periods in 2010. Loan fees collected from Shurgard Europe are amortized on a straight-line basis as interest income over the applicable term to which the fee applies. We received €16.1 million ($22.3 million) in principal repayments on this loan during the six months ended June 30, 2011 and €18.2 million ($24.5 million) in the year ended December 31, 2010.

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On February 28, 2011, we loaned Shurgard Europe an additional $237.9 million. This loan bore interest at a fixed rate of 7.0% per annum and was denominated in U.S. Dollars.

On June 15, 2011, our joint venture partner in Shurgard Europe effectively purchased 51% of the $237.9 million loan from us for $121.3 million. The loan was effectively exchanged for an equity interest in Shurgard Europe.

For the three and six months ended June 30, 2011 we recorded interest income of approximately $7,824,000 and $14,370,000, respectively, as compared to $5,833,000 and $12,263,000 for the same periods in 2010, related to the loans to Shurgard Europe. These amounts reflect 51% of the aggregate interest on the loans, with the other 49%, reflecting our ownership interest in Shurgard Europe, classified as equity in earnings of real estate entities.

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

Other Comprehensive Income

Other comprehensive income consists primarily of foreign currency translation adjustments to the extent not recognized on our condensed consolidated statements of income. Other comprehensive income is reflected as an adjustment to “Accumulated Other Comprehensive Income” in the equity section of our condensed consolidated balance sheet, and is added to our net income in determining total comprehensive income for the period as reflected in the following table:

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	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2011	2010	2011	2010
	(Amounts in thousands)			
Net income	$ 210,941	$ 131,176	$ 421,509	$ 261,093
Other comprehensive income (loss):				
Aggregate foreign currency translation adjustments for the period (a)	12,840	(59,676)	59,187	(104,296)
Adjust for foreign currency translation adjustments recognized during the period:				
Foreign currency (gain) loss (b)	(10,496)	49,204	(41,748)	84,047
Other comprehensive income (loss) for the period	2,344	(10,472)	17,439	(20,249)
Total comprehensive income	$ 213,285	$ 120,704	$ 438,948	$ 240,844

(a) Included in the foreign currency gain for the three and six months ended June 30, 2011 are realized gains of $0.6 million and $1.0 million, respectively, in connection with €6.2 million and €16.1 million of principal repayments during these respective periods. These gains represent the difference between the spot rates on the date the amounts were initially funded by us (1.32 U.S. Dollars per Euro) and the repayment dates.

(b) The foreign currency exchange gains and losses reflected on our condensed consolidated statements of income are comprised primarily of foreign currency exchange gains and losses on the Euro-denominated loan to Shurgard Europe.

Discontinued Operations

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

Included in discontinued operations are the historical operations of (i) land-leased facilities that were disposed of in 2010 and 2011 when the respective land leases expired, and (ii) two self-storage facilities that were disposed of in 2010. In addition to revenues and expenses of these operating units, discontinued operations is comprised primarily of a $253,000 loss on disposition of a land-leased facility for the six months ended June 30, 2011, $4,650,000 and $5,087,000 in gains on disposition of real estate facilities for the three and six months ended June 30, 2010, respectively, and a $397,000 impairment charge on real estate incurred in the six months ended June 30, 2010.

Net Income per Common Share

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

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

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

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

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2011	2010	2011	2010
	(Amounts in thousands)			
Net income allocable to common shareholders from continuing operations and discontinued operations:				
Net income allocable to common shareholders	$ 131,515	$ 60,837	$ 279,574	$ 95,575
Eliminate: Discontinued operations allocable to common shareholders	-	(4,410)	355	(4,943)
Net income from continuing operations allocable to common shareholders	$ 131,515	$ 56,427	$ 279,929	$ 90,632

Weighted average common shares and equivalents outstanding:				
Basic weighted average common shares outstanding	169,492	168,804	169,404	168,641
Net effect of dilutive stock options - based on treasury stock method using average market price	909	825	988	829
Diluted weighted average common shares outstanding	170,401	169,629	170,392	169,470

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3. Real Estate Facilities

Activity in real estate facilities is as follows:

	Six Months Ended June 30, 2011 (Amounts in thousands)
Operating facilities, at cost:	
Beginning balance	$ 10,587,347
Capital improvements	44,292
Acquisition of real estate facilities	46,026
Newly developed facilities opened for operations	8,928
Disposition of real estate facilities	(4,080)
Impact of foreign exchange rate changes	779
Ending balance	10,683,292
Accumulated depreciation:	
Beginning balance	(3,061,459)
Depreciation expense	(169,607)
Disposition of real estate facilities	3,555
Impact of foreign exchange rate changes	(293)
Ending balance	(3,227,804)
Construction in process:	
Beginning balance	6,928
Current development	10,531
Newly developed facilities opened for operations	(8,928)
Ending balance	8,531
Total real estate facilities at June 30, 2011	$ 7,464,019

During the six months ended June 30, 2011, we acquired five operating self-storage facilities in Nevada and one in New York (524,000 net rentable square feet) and the leasehold interest in the land of one of our existing self-storage facilities from third parties for $44,040,000, consisting of $34,361,000 of cash and the assumption of mortgage debt with a fair value of $9,679,000. The aggregate cost of $44,040,000, combined with the elimination of the $4,738,000 book value of a land lease intangible asset related to the acquired leasehold interest was allocated $46,026,000 to real estate facilities and $2,752,000 to intangible assets.

During the six months ended June 30, 2011, we completed two expansion projects to existing facilities at an aggregate cost of $8,928,000. During the six months ended June 30, 2011, net proceeds with respect to dispositions totaled $400,000 and we recorded a net loss of $125,000 ($128,000 included in "gains on disposition of real estate facilities, net" and a loss of $253,000 included in discontinued operations).

4. Investments in Real Estate Entities

The following table sets forth our investments in the Real Estate Entities at June 30, 2011 and December 31, 2010, and our equity in earnings of real estate entities for the three and six months ended June 30, 2011 and 2010:

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	Investments in Real Estate Entities at	
	June 30, 2011	December 31, 2010
	(Amounts in thousands)	
PSB	$ 327,126	$ 323,795
Shurgard Europe	391,887	264,681
Other Investments	14,041	13,093
Total	$ 733,054	$ 601,569

	Equity in Earnings of Real Estate Entities			
	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2011	2010	2011	2010
	(Amounts in thousands)			
PSB	$ 6,081	$ 4,914	$ 14,865	$ 11,188
Shurgard Europe	6,242	3,459	10,769	6,769
Other Investments	447	415	852	792
Total	$ 12,770	$ 8,788	$ 26,486	$ 18,749

Included in equity in earnings of real estate entities for the six months ended June 30, 2011 is $3,017,000, representing our share of the earnings allocated from PSB's preferred shareholders as a result of PSB's repurchases of preferred units for amounts that were less than the related book value.

During the six months ended June 30, 2011 and 2010, we received cash distributions from our investment in real estate entities totaling $29,378,000 and $25,021,000, respectively.

During the three and six months ended June 30, 2011, our investment in Shurgard Europe increased by approximately $116,560,000 due to the effective exchange of a note receivable from Shurgard Europe for an equity interest in Shurgard Europe (Note 2), and the acquisition of an additional equity interests in the "other investments" for approximately $1,274,000 in cash. During the six months ended June 30, 2011 and 2010, our investment in Shurgard Europe increased by approximately $16,543,000 and decreased by $19,108,000, respectively, due to the impact of changes in foreign currency exchange rates.

Investment in PSB

PSB is a REIT traded on the New York Stock Exchange, which controls an operating partnership (collectively, the REIT and the operating partnership are referred to as "PSB"). We have a 41% common equity interest in PSB as of June 30, 2011 and December 31, 2010, comprised of our ownership of 5,801,606 shares of PSB's common stock and 7,305,355 limited partnership units in the operating partnership. The limited partnership units are convertible at our option, subject to certain conditions, on a one-for-one basis into PSB common stock. Based upon the closing price at

June 30, 2011 ($55.10 per share of PSB common stock), the shares and units we owned had a market value of approximately $722.2 million, as compared to our book value of $327.1 million. We account for our investment in PSB using the equity method.

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

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	2011	2010
	(Amounts in thousands)	
For the six months ended June 30,		
Total revenue	$ 146,912	$ 136,416
Costs of operations	(49,921)	(44,217)
Depreciation and amortization	(41,777)	(36,638)
General and administrative	(3,318)	(5,149)
Other items	(1,916)	3,919
Net income	$ 49,980	$ 54,331

	At June 30, 2011	At December 31, 2010
	(Amounts in thousands)	
Total assets (primarily real estate)	$ 1,619,289	$ 1,621,057
Debt (a)	181,684	144,511
Other liabilities	51,553	53,421
Preferred stock and units	604,129	651,964
Common equity and units	781,923	771,161

(a) $116 million of the debt at June 30, 2011 is payable to us.

Investment in Shurgard Europe

At June 30, 2011 and December 31, 2010, we had a 49% equity investment in Shurgard Europe, which we account for using the equity method. At December 31, 2010, Shurgard Europe owned 116 facilities directly and had a 20% interest in 72 self-storage facilities located in Europe which operate under the "Shurgard" name. On March 2, 2011, Shurgard Europe acquired the 80% interests in the joint ventures it did not own for €172.0 million, and as a result, wholly-owns all 188 facilities. We provided the funding for this acquisition through a loan to Shurgard Europe totaling $237.9 million. This loan was extinguished in the three months ended June 30, 2011 (Note 2).

Our equity in earnings of Shurgard Europe includes our 49% equity share of Shurgard Europe's operations. In addition, we received $1,692,000 from our joint venture partner for funding our joint venture partner's 51% pro rata share of the acquisition cost from March 2, 2011 until June 15, 2011, and recorded this amount as interest and other income for the three and six months ended June 30, 2011.

For the three and six months ended June 30, 2011, we also received from Shurgard Europe $15,341,000 and $28,176,000, respectively, of interest on the loans provided to Shurgard Europe and $661,000 and $1,166,000, respectively, of trademark license fees. For the three and six months ended June 30, 2010, we also received from Shurgard Europe $11,436,000 and $24,045,000, respectively, of interest on the loans provided to Shurgard Europe and $390,000 and $805,000, respectively, of trademark license fees. For financial statement purposes, 49% of the interest and license fees have been classified as equity in earnings (see table below), and the remaining 51% as interest and other income.

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	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2011	2010	2011	2010
	(Amounts in thousands)			
Our 49% equity share of Shurgard Europe's net loss	$ (1,599)	$ (2,336)	$ (3,608)	$ (5,408)
Add our 49% equity share of amounts received from Shurgard Europe:				
Interest on Shurgard Loans	7,517	5,603	13,806	11,783
Trademark license fee	324	192	571	394
Total equity in earnings of Shurgard Europe	$ 6,242	$ 3,459	$ 10,769	$ 6,769

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2011	2010	2011	2010
	(Amounts in thousands)			
Self-storage and ancillary revenues	$66,024	$55,659	$128,272	$114,067
Interest and other income (expense)	86	(287)	203	(211)
Self-storage and ancillary cost of operations	(27,687)	(23,253)	(53,962)	(48,712)
Trademark license fee payable to Public Storage	(661)	(390)	(1,166)	(805)
Depreciation and amortization	(18,236)	(17,400)	(36,701)	(36,139)
General and administrative	(2,924)	(1,744)	(5,620)	(3,656)
Interest expense on third party debt	(3,776)	(2,674)	(7,292)	(5,451)
Interest expense on debt due to Public Storage	(15,341)	(11,436)	(28,176)	(24,045)
Expenses from foreign currency exchange	(749)	(237)	(106)	(430)
Net loss	$(3,264)	$(1,762)	$(4,548)	$(5,382)

Net income allocated to permanent noncontrolling equity interests in subsidiaries (a)	-	(3,006)	(2,816)	(5,655)
Net loss allocated to Shurgard Europe	$(3,264)	$(4,768)	$(7,364)	$(11,037)

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	June 30, 2011	December 31, 2010
	(Amounts in thousands)	
Total assets (primarily self-storage facilities)	$ 1,587,122	$ 1,503,961
Total debt to third parties	283,740	279,174
Total debt to Public Storage	514,606	495,229
Other liabilities	88,206	73,027
Equity	700,570	656,531

(a) Includes depreciation expense allocated to the permanent noncontrolling equity interests in subsidiaries totaling nil and $2,851,000 in the three months ended June 30, 2011 and 2010, respectively, and $2,062,000 and $5,997,000 in the six months ended June 30, 2011 and 2010, respectively.

Other Investments

At June 30, 2011, the "Other Investments" include an aggregate common equity ownership of approximately 24% in entities that collectively own 19 self-storage facilities. We account for our investments in these entities using the equity method.

On June 30, 2011, we acquired certain partnership interests owned by Mr. Hughes (the Company's Chairman of the Board of Trustees), and his family and entities that are wholly owned or controlled by them (collectively, the "Hughes Family"), in three limited partnerships. The acquisition cost was approximately $1,274,000 in cash. We continue to account for our investments in these three entities using the equity method.

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

	2011	2010
	(Amounts in thousands)	
For the six months ended June 30,		
Total revenue	$ 8,537	$ 8,250
Cost of operations and other expenses	(3,343)	(3,325)
Depreciation and amortization	(1,249)	(1,233)
Net income	$ 3,945	$ 3,692

	June 30, 2011	December 31, 2010
	(Amounts in thousands)	
Total assets (primarily self-storage facilities)	$ 35,101	$ 35,353

Total accrued and other liabilities	1,334	884
Total Partners’ equity	33,767	34,469

5. Line of Credit and Notes Payable

At June 30, 2011, we have a revolving credit agreement (the “Credit Agreement”) which expires on March 27, 2012, with an aggregate limit with respect to borrowings and letters of credit of $300 million. Amounts drawn on the Credit Agreement bear an annual interest rate ranging from the London Interbank Offered Rate (“LIBOR”) plus 0.35% to LIBOR plus 1.00% depending on our credit ratings (LIBOR plus 0.35% at June 30, 2011). In addition, we are required to pay a quarterly facility fee ranging from 0.10% per annum to 0.25% per annum depending on our credit ratings (0.10% per annum at June 30, 2011). We had no outstanding borrowings on our Credit Agreement at June 30, 2011 or at August 5, 2011. At June 30, 2011, we had undrawn standby letters of credit, which reduce our borrowing capacity with respect to our line of credit by the amount of the letters of credit, totaling $18,477,000 ($17,777,000 at December 31, 2010).

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The carrying amounts of our notes payable at June 30, 2011 and December 31, 2010 consist of the following (dollar amounts in thousands):

	June 30, 2011	December 31, 2010
Unsecured Notes Payable:		
5.875% effective and stated note rate, interest only and payable semi-annually, matures in March 2013	$ 186,460	$ 186,460
5.7% effective rate, 7.75% stated note rate, interest only and payable semi-annually, matured in February 2011 (carrying amount includes $215 of unamortized premium at December 31, 2010)	-	103,532
Secured Notes Payable:		
4.8% average effective rate mortgage notes payable, secured by 93 real estate facilities with a net book value of approximately $570 million at June 30, 2011 and stated fixed rates between 4.95% and 7.80%, maturing at varying dates between January 2012 and September 2028 (carrying amount includes $5,401 of unamortized premium at June 30, 2011 and $6,137 at December 31, 2010)	263,059	278,425
Total notes payable	$ 449,519	$ 568,417

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

During the six months ended June 30, 2011, we assumed mortgage debt in connection with the acquisition of a real estate facility. This debt was recorded at its estimated fair value of approximately $9,679,000 with an estimated market rate of approximately 2.90% as compared to the actual assumed note balance of $8,776,000 with a stated interest rate of 5.54%. This initial premium of $903,000 is being amortized over the remaining term of the mortgage note using the effective interest method.

The notes payable and Credit Agreement have various customary restrictive covenants, all of which we were in compliance with at June 30, 2011.

At June 30, 2011, approximate principal maturities of our notes payable are as follows (amounts in thousands):

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	Unsecured Notes Payable	Secured Notes Payable	Total
2011 (remainder)	$ -	$ 5,859	$ 5,859
2012	-	71,244	71,244
2013	186,460	79,582	266,042
2014	-	49,625	49,625
2015	-	37,023	37,023
Thereafter	-	19,726	19,726
	$ 186,460	$ 263,059	$ 449,519
Weighted average effective rate	5.9 %	4.8 %	5.3 %

We incurred interest expense (including interest capitalized as real estate totaling $221,000 and $192,000 for the six months ended June 30, 2011 and 2010, respectively) with respect to our notes payable, capital leases and line of credit aggregating $13,138,000 and $14,809,000 for the six months ended June 30, 2011 and 2010, respectively. These amounts were comprised of $14,992,000 and $16,657,000 in cash paid for the six months ended June 30, 2011 and 2010, respectively, less $1,854,000 and $1,848,000 in amortization of premium, respectively.

6. Noncontrolling Interests in Subsidiaries

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

Redeemable Noncontrolling Interests in Subsidiaries

At June 30, 2011, the Redeemable Noncontrolling Interests in Subsidiaries represent equity interests in three entities that own in aggregate 14 self-storage facilities, and are presented at estimated liquidation value (which approximates fair value). We estimate the liquidation value by applying the related provisions of the governing documents to our estimate of the fair value of the underlying net assets (principally real estate assets). During the six months ended June 30, 2011 and 2010, these interests were increased by $218,000 and $160,000, respectively, to adjust to their estimated liquidation value. During the three and six months ended June 30, 2011, we allocated a total of $241,000 and $461,000, respectively, of income to these interests. During the same periods in 2010, we allocated a total of $234,000 and $457,000, respectively, of income to these interests. During the six months ended June 30, 2011 and 2010, we paid distributions to these interests totaling $567,000 and $588,000, respectively.

Permanent Noncontrolling Interests in Subsidiaries

The Permanent Noncontrolling Interests in Subsidiaries represent equity interests in 16 entities that own an aggregate of 59 self-storage facilities. These interests are presented as equity because the holders of the interests do not have the ability to require us to redeem them for cash or other assets, or other securities that would not also be classified as equity.

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On June 30, 2011, we acquired all the partnership interests held by the Hughes Family in 15 limited partnerships which we consolidate in our accompanying financial statements. The acquisition cost was approximately $12,026,000 in cash. These acquisitions reduced our Permanent Noncontrolling Interests in Subsidiaries by $4,822,000 with the excess of cost over the underlying book value of $7,204,000 recorded as a reduction to paid-in capital.

During the three and six months ended June 30, 2011, we allocated a total of $4,256,000 and $8,496,000, respectively, in income to these interests. During the same periods in 2010, we allocated a total of $4,091,000 and $8,012,000, respectively, in income to these interests. During the six months ended June 30, 2011 and 2010, we paid distributions to these interests totaling $6,581,000 and $8,048,000, respectively.

Preferred Partnership Interests

On October 25, 2010, we repurchased all of our 7.25% Series J Preferred Partnership units, representing all of our preferred partnership interests that were outstanding on that date, for an aggregate of $100,400,000 ($100,000,000 par value) plus accrued and unpaid dividends. During the three and six months ended June 30, 2010, we allocated a total of $1,812,000 and $3,625,000, respectively, in income to these interests based upon distributions paid. At June 30, 2011 and December 31, 2010, we had no preferred partnership interests outstanding.

7. Public Storage Shareholders' Equity

Cumulative Preferred Shares

At June 30, 2011 and December 31, 2010, we had the following series of Cumulative Preferred Shares of beneficial interest outstanding:

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			At June 30, 2011		At December 31, 2010	
Series	Earliest Redemption Date	Dividend Rate	Shares Outstanding	Liquidation Preference	Shares Outstanding	Liquidation Preference
			(Dollar amounts in thousands)			
Series W	10/6/08	6.500 %	5,300	$ 132,500	5,300	$ 132,500
Series X	11/13/08	6.450 %	4,800	120,000	4,800	120,000
Series Y	1/2/09	6.850 %	350,900	8,772	350,900	8,772
Series Z	3/5/09	6.250 %	4,500	112,500	4,500	112,500
Series A	3/31/09	6.125 %	4,600	115,000	4,600	115,000
Series C	9/13/09	6.600 %	4,425	110,625	4,425	110,625
Series D	2/28/10	6.180 %	5,400	135,000	5,400	135,000
Series E	4/27/10	6.750 %	5,650	141,250	5,650	141,250
Series F	8/23/10	6.450 %	9,893	247,325	9,893	247,325
Series G	12/12/10	7.000 %	4,000	100,000	4,000	100,000
Series H	1/19/11	6.950 %	4,200	105,000	4,200	105,000
Series I	5/3/11	7.250 %	-	-	20,700	517,500
Series K	8/8/11	7.250 %	16,990	424,756	16,990	424,756
Series L	10/20/11	6.750 %	8,267	206,665	8,267	206,665
Series M	1/9/12	6.625 %	19,065	476,634	19,065	476,634
Series N	7/2/12	7.000 %	6,900	172,500	6,900	172,500
Series O	4/15/15	6.875 %	5,800	145,000	5,800	145,000
Series P	10/7/15	6.500 %	5,000	125,000	5,000	125,000
Series Q	4/14/16	6.500 %	15,000	375,000	-	-

Total Cumulative Preferred Shares	480,690	$ 3,253,527	486,390	$ 3,396,027

The holders of our Cumulative Preferred Shares have general preference rights with respect to liquidation and quarterly distributions. Holders of the preferred shares, except under certain conditions and as noted below, will not be entitled to vote on most matters. In the event of a cumulative arrearage equal to six quarterly dividends, holders of all outstanding series of preferred shares (voting as a single class without regard to series) will have the right to elect two additional members to serve on our Board of Trustees until the arrearage has been cured. At June 30, 2011, there were no dividends in arrears.

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

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

In April and May 2011, we issued 15,000,000 depositary shares each representing 1/1,000 of our 6.500% Cumulative Preferred Shares, Series Q for gross proceeds of $375,000,000, and we incurred $11,336,000 in issuance costs.

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In May and June 2011, we redeemed our Series I Cumulative Preferred Shares, at par. The aggregate redemption amount, before payment of accrued dividends, was $517,500,000. In applying EITF D-42 to this redemption, we allocated $15,899,000 of income from our common shareholders to the holders of our Preferred Shares, representing the excess of the amount paid over the initial issuance proceeds, in the three and six months ended June 30, 2011.

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

On May 18, 2010, we redeemed our remaining Series V Cumulative Preferred Shares at par value plus accrued dividends. In applying EITF D-42 to this redemption, we allocated $5,063,000 of income from our common shareholders to the holders of our Preferred Shares, representing the excess of the amount paid over the initial issuance proceeds, in the three and six months ended June 30, 2010.

See Note 12 “Subsequent Events” for further discussion regarding our Cumulative Preferred Shares.

Equity Shares, Series A

On April 15, 2010, we redeemed all of our outstanding shares of Equity Shares, Series A at $24.50 per share for aggregate redemption amount of $205.4 million.

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

Equity Shares, Series AAA

On August 31, 2010, we retired all 4,289,544 outstanding shares of Equity Shares, Series AAA (“Equity Shares AAA”). During the six months ended June 30, 2010, we paid quarterly distributions to the holder of the Equity Shares, Series AAA of $0.5391 per share. As a result of the retirement on August 31, 2010, no further distributions will be paid for the period subsequent to June 30, 2010. For all periods presented, the Equity Shares, Series AAA and related dividends are eliminated in consolidation as the shares were held by one of our wholly-owned subsidiaries.

Dividends

The unaudited characterization of dividends for Federal income tax purposes is made based upon earnings and profits of the Company, as defined by the Internal Revenue Code. Common share dividends, including amounts paid to our restricted share unitholders, totaled $161.5 million ($0.95 per share) and $135.5 million ($0.80 per share), for the three months ended June 30, 2011 and 2010, respectively, and $297.4 million ($1.75 per share) and $245.4 million ($1.45 per share), for the six months ended June 30, 2011 and 2010, respectively. Equity Shares, Series A dividends totaled $5.1 million ($0.6125 per share) for the three months ended March 31, 2010 (none in 2011). Preferred share

dividends totaled $58.6 million and $58.9 million for the three months ended June 30, 2011 and 2010, respectively, and $116.3 million and $117.0 million for the six months ended June 30, 2011 and 2010, respectively.

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8. Related Party Transactions

The Hughes Family have ownership interests in, and operate approximately 53 self-storage facilities in Canada ("PS Canada") using the "Public Storage" brand name pursuant to a royalty-free trademark license agreement with the Company. We currently do not own any interests in these facilities nor do we own any facilities in Canada. The Hughes Family owns approximately 16.7% of our common shares outstanding at June 30, 2011. We have a right of first refusal to acquire the stock or assets of the corporation that manages the 53 self-storage facilities in Canada, if the Hughes Family or the corporation agrees to sell them. However, we have no interest in the operations of this corporation, we have no right to acquire this stock or assets unless the Hughes Family decides to sell and we receive no benefit from the profits and increases in value of the Canadian self-storage facilities.

We reinsure risks relating to loss of goods stored by tenants in the self-storage facilities in Canada. During the six months ended June 30, 2011 and 2010, we received $292,000 and $315,000 (based upon historical exchange rates between the U.S. Dollar and Canadian Dollar in effect as the revenues were earned), respectively, in reinsurance premiums attributable to the Canadian facilities. Since our right to provide tenant reinsurance to the Canadian facilities may be qualified, there is no assurance that these premiums will continue.

PS Canada holds approximately a 2.2% interest in Stor-RE, a consolidated entity that provides liability and casualty insurance for PS Canada, the Company and certain affiliates of the Company for occurrences prior to April 1, 2004.

The Hughes Family owns 47.9% of the voting stock and the Company holds 46% of the voting and 100% of the nonvoting stock (representing substantially all the economic interest) of a private REIT. The private REIT owns limited partnership interests in five affiliated partnerships. The Hughes Family also owns limited partnership interests in all of these partnerships, and, together with the Company, Mr. Hughes is a co-general partner in three of these partnerships. The Company and the Hughes Family receive distributions from these entities in accordance with the terms of the partnership agreements or other organizational documents.

On June 30, 2011, we entered into merger agreements to acquire all of the units of limited partnership interest and general partnership interests we do not currently own in each of the five affiliated partnerships referenced above in which the private REIT and the Hughes Family own limited partnership interests. For three of these partnerships, Mr. Hughes is a co-general partner along with the Company. These mergers have been approved by Public Storage and the Hughes Family, who together own a majority of the limited partnership units outstanding and therefore can approve the mergers without the vote of the other limited partners. The merger consideration was based upon independent appraisals, dated April 5, 2011 from a nationally recognized appraisal firm, with allocation of the net asset value based upon the liquidation provisions of the relevant partnership documents. Under the merger agreements, the Hughes Family will be selling all of its general and limited partnership interests in these five Partnerships for approximately $54,599,000, reflecting the same pricing and terms as the public limited partners (see "Permanent Noncontrolling Interests in Subsidiaries" in Note 6 "Noncontrolling Interests in Subsidiaries"). In addition, the Hughes Family's interests in the private REIT will be acquired for $238,000, based upon the merger value of the interests in these five partnerships owned by the private REIT. Our board of trustees appointed a special committee of independent trustees to review the terms of these acquisitions. The special committee unanimously determined that the transactions were advisable and fair to and in the respective best interests of Public Storage and its shareholders not affiliated with the Hughes Family. A limited partner in four of the relevant limited partnerships has brought a putative class action lawsuit in California state court alleging, among other things, that the mergers provide for

insufficient consideration for the relevant units of limited partnership interest. The limited partner seeks, among other things, to enjoin the consummation of the mergers. We believe that the lawsuit is without merit, and we intend to defend it vigorously. While there can be no assurance, and the transactions are subject to certain customary closing conditions, as well as the pending litigation, these transactions are currently scheduled to close in late August 2011.

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The Hughes Family also had interests in 18 additional limited partnerships until we acquired these interests from them on June 30, 2011. The acquisition price was based upon independent appraisals of the partnership's facilities, dated April 5, 2011 from a nationally recognized appraisal firm, with allocation of the net asset value based upon the liquidation provisions of the relevant partnership documents. We paid the Hughes Family $13,300,000 for their interests. The special committee of our board of trustees also reviewed the terms of each of these purchases and unanimously determined that the purchases were fair to and in the respective best interests of Public Storage and its shareholders not affiliated with the Hughes Family. As of August 5, 2011, Mr. Hughes has withdrawn as general partner in all but one of these 18 partnerships, where his withdrawal is pending receipt of the required consent of a limited partner.

The Hughes Family also owns shares of common stock in PSB.

9. Share-Based Compensation

Stock Options

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

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

For the three and six months ended June 30, 2011, we recorded $796,000 and $1,499,000, respectively, in compensation expense related to stock options, as compared to $825,000 and $1,425,000 for the same periods in 2010.

During the six months ended June 30, 2011, 35,000 stock options were granted, 207,729 options were exercised, and 29,500 options were forfeited. A total of 2,748,663 stock options were outstanding at June 30, 2011 (2,950,892 at December 31, 2010).

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

Restricted Share Units

Outstanding restricted share units vest ratably over a five or eight-year period from the date of grant. The employee receives additional compensation equal to the per-share dividends received by common shareholders with respect to restricted share units outstanding. Such compensation is accounted for as dividends paid. Any dividends paid on

units which are subsequently forfeited are expensed. Upon vesting, the employee receives common shares equal to the number of vested restricted share units in exchange for the units.

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The total value of each restricted share unit grant is amortized over the service period, net of estimates for future forfeitures, as compensation expense. Restricted share unit grants that are subject to service conditions (other than the passage of time) are amortized using the accelerated attribution method, with each vesting of a share grant amortized separately. We have elected to use the straight-line attribution method with respect to restricted share grants that are not subject to service conditions (other than the passage of time). The related employer portion of payroll taxes is expensed as incurred.

During the six months ended June 30, 2011, 88,725 restricted share units were granted, 37,754 restricted share units were forfeited and 72,844 restricted share units vested. This vesting resulted in the issuance of 46,831 common shares. In addition, cash compensation totaling $2,946,000 was paid to employees in lieu of 26,013 common shares based upon the market value of the shares at the date of vesting is used to settle the employees' tax liability generated by the vesting and is charged against paid in capital.

At June 30, 2011, approximately 462,522 restricted share units were outstanding (484,395 at December 31, 2010). A total of $5,955,000 and $10,322,000 in restricted share unit expense was recorded for the three and six months ended June 30, 2011, respectively, as compared to $2,346,000 and $4,378,000 in restricted share unit expense was recorded for the same periods in 2010. Restricted share unit expense includes amortization of the grant-date fair value of the units reflected as an increase to paid-in capital, and $50,000 and $372,000 in related payroll taxes we incurred in the three and six months ended June 30, 2011, respectively, as compared to $25,000 and $339,000 for the same periods in 2010.

During the six months ended June 30, 2011, the Company entered into a performance-based restricted share unit program with selected employees. Under the program, the Company established a targeted restricted share unit award for each selected employee, which would be earned only if the Company achieved same-store revenue growth in 2011 of at least 2% over 2010. Depending upon the extent to which same-store revenue met or exceeded the 2% minimum target, restricted share unit awards would range from 50% to 200% of the target restricted share unit award. To achieve 100% of the targeted award level, 2011 same-store growth over 2010 of at least 3% was required, and to achieve 200% of the targeted award level, 2011 same-store growth of at least 4% was required. Up to approximately 267,000 restricted share units would be granted assuming achievement of the 4% same-store revenue growth target. If awarded, 20% of the restricted share units would vest on the date of the award and an additional 20% would vest over each of the next four anniversary dates of the award, assuming continued employment with Public Storage through the vesting dates. Based upon the expected performance of the Company for the year ending December 31, 2011 relative to the performance target, we expect that 267,000 restricted share units will be granted during the three months ending March 31, 2012. Included in restricted share unit expense is $3,397,000 and $5,666,000 related to this performance-based restricted share unit program during the three and six months ended June 30, 2011, respectively.

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

10. Segment Information

Our reportable segments reflect significant operating activities that are evaluated separately by management, and are organized based upon their operating characteristics. Each of our segments is evaluated by management based upon net segment income. Net segment income represents net income in conformity with GAAP and our significant accounting policies as denoted in Note 2. We have adjusted the classification of the "Presentation of Segment Information" below with respect to the three and six months ended June 30, 2010 to be consistent with our current segment definition.

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

Domestic Self-Storage Segment

The Domestic Self-Storage Segment comprises our domestic self-storage rental operations, and is our predominant segment. It includes the operations of the 2,036 self storage facilities owned by the Company and the Subsidiaries, as well as our equity share of the 19 self-storage facilities that we account for on the equity method. None of our interest and other income, interest expense or the related debt, general and administrative expense, or gains and losses on the sale of self-storage facilities is allocated to our Domestic Self-Storage segment because management does not consider these items in evaluating the results of operations of the Domestic Self-Storage segment. At June 30, 2011, the assets of the Domestic Self-Storage segment are comprised principally of our self-storage facilities with a book value of $7.5 billion ($7.5 billion at December 31, 2010), Property Intangibles with a book value of approximately $15.2 million ($23.3 million at December 31, 2010), and the Other Investments with a net book value of $14.0 million ($13.1 million at December 31, 2010). Substantially all of our other assets totaling $91.6 million, and our accrued and other liabilities totaling $227.9 million, ($90.5 million and $205.8 million, respectively, at December 31, 2010) are directly associated with the Domestic Self-Storage segment.

Europe Self-Storage Segment

The Europe Self-Storage segment comprises our interest in Shurgard Europe, which has a separate management team that, under the direction of Public Storage and the institutional investor which owns a 51% equity interest in Shurgard Europe, makes the financing, capital allocation, and other significant decisions for this operation. The Europe Self-Storage segment presentation includes our equity share of Shurgard Europe's operations, the interest and other income received from Shurgard Europe, as well as specific general and administrative expense, disposition gains, and foreign currency exchange gains and losses that management considers in evaluating our investment in Shurgard Europe. At June 30, 2011, our condensed consolidated balance sheet includes an investment in Shurgard Europe with a book value of $391.9 million ($264.7 million at December 31, 2010) and a loan receivable from Shurgard Europe totaling $514.6 million ($495.2 million at December 31, 2010).

Commercial Segment

The Commercial segment comprises our investment in PSB, a publicly-traded REIT with a separate management team that makes its financing, capital allocation and other significant decisions. The Commercial segment also includes our direct interest in certain commercial facilities, substantially all of which are managed by PSB. The Commercial segment presentation includes our equity income from PSB, as well as the revenues and expenses of our commercial facilities. At June 30, 2011, the assets of the Commercial segment are comprised principally of our investment in PSB which has a book value of $327.1 million ($323.8 million at December 31, 2010) and a loan receivable from PSB totaling $116.0 million (nil at December 31, 2010).

Presentation of Segment Information

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

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	Domestic Self-Storage	Europe Self-Storage	Commercial	Other Items Not Allocated to Segments	Total Consolidated
	(Amounts in thousands)				
Revenues:					
Self-storage facilities	$ 395,378	$ -	$ -	$ -	$ 395,378
Ancillary operations	-	-	3,620	25,271	28,891
Interest and other income	-	9,854	328	393	10,575
	395,378	9,854	3,948	25,664	434,844
Expenses:					
Cost of operations:					
Self-storage facilities	129,790	-	-	-	129,790
Ancillary operations	-	-	1,352	8,245	9,597
Depreciation and amortization	88,531	-	655	-	89,186
General and administrative	-	-	-	12,593	12,593
Interest expense	-	-	-	5,933	5,933
	218,321	-	2,007	26,771	247,099
Income (loss) from continuing operations before equity in earnings of real estate entities, foreign currency exchange gain and loss on disposition of other real estate investments	177,057	9,854	1,941	(1,107)	187,745
Equity in earnings of real estate entities	447	6,242	6,081	-	12,770
Foreign currency exchange gain	-	10,496	-	-	10,496
Loss on disposition of other real estate investments	-	-	-	(70)	(70)
	177,504	26,592	8,022	(1,177)	210,941

Income (loss) from continuing operations					
Discontinued operations	-	-	-	-	-
Net income (loss)	$ 177,504	$ 26,592	$ 8,022	$ (1,177)	$ 210,941

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	Domestic Self-Storage	Europe Self-Storage	Commercial	Other Items Not Allocated to Segments	Total Consolidated
			(Amounts in thousands)		
Revenues:					
Self-storage facilities	$ 373,536	$ -	$ -	$ -	$ 373,536
Ancillary operations	-	-	3,516	23,561	27,077
Interest and other income	-	6,031	-	1,001	7,032
	373,536	6,031	3,516	24,562	407,645
Expenses:					
Cost of operations:					
Self-storage facilities	127,694	-	-	-	127,694
Ancillary operations	-	-	1,412	8,127	9,539
Depreciation and amortization	84,224	-	655	-	84,879
General and administrative	-	-	-	10,081	10,081
Interest expense	-	-	-	7,278	7,278
	211,918	-	2,067	25,486	239,471
Income (loss) from continuing operations before equity in earnings of real estate entities, foreign currency exchange loss, gains on disposition of other real estate investments, net, gain on early retirement of debt and asset impairment charges	161,618	6,031	1,449	(924)	168,174
Equity in earnings of real estate entities	415	3,459	4,914	-	8,788
Foreign currency exchange loss	-	(49,204)	-	-	(49,204)

Gains on disposition of other real estate investments, net	-	-	-	63	63
Gain on early retirement of debt	-	-	-	283	283