Public Storage
Form 10-K
February 29, 2016

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10 K

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

For the fiscal year ended December 31, 2015.

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	95 3551121
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

701 Western Avenue, Glendale, California 91201-2349

(Address of principal executive offices) (Zip Code)

(818) 244 8080

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Depositary Shares Each Representing 1/1,000 of a 5.200% Cumulative Preferred Share, Series W $.01 par value	New York Stock Exchange

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

Depositary Shares Each Representing 1/1,000 of a 6.375% Cumulative Preferred Share, Series Y $.01 par value	New York Stock Exchange
Depositary Shares Each Representing 1/1,000 of a 6.000% Cumulative Preferred Share, Series Z $.01 par value	New York Stock Exchange
Depositary Shares Each Representing 1/1,000 of a 5.875% Cumulative Preferred Share, Series A $.01 par value	New York Stock Exchange
Depositary Shares Each Representing 1/1,000 of a 5.400% Cumulative Preferred Share, Series B $.01 par value	New York Stock Exchange
Common Shares, $.10 par value..	New York Stock Exchange

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

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

Yes [X]No [ ]

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

Yes [ ]No [X]

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

Yes [X]No [ ]

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

Yes [X]No [ ]

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

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 [ ]No [X]

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The aggregate market value of the voting and non-voting common shares held by non-affiliates of the Registrant as of June 30, 2015:

Common Shares, $0.10 Par Value Per Share – $27,061,855,000 (computed on the basis of $184.37 per share, which was the reported closing sale price of the Company's Common Shares on the New York Stock Exchange (the “NYSE”) on June 30, 2015).

As of February 24, 2016, there were 173,269,371 outstanding Common Shares, $.10 par value per share.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive proxy statement to be filed in connection with the Annual Meeting of Shareholders to be held in 2015 are incorporated by reference into Part III of this Annual Report on Form 10-K to the extent described therein.

PART I

ITEM 1.Business

Forward Looking Statements

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

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

· general risks associated with the ownership and operation of real estate, including changes in demand, risks related to development of self-storage facilities, potential liability for environmental contamination, natural disasters and adverse changes in laws and regulations governing property tax, real estate and zoning;
· risks associated with downturns in the national and local economies in the markets in which we operate, including risks related to current economic conditions and the economic health of our customers;
· the impact of competition from new and existing self-storage and commercial facilities and other storage alternatives;
· difficulties in our ability to successfully evaluate, finance, integrate into our existing operations, and manage acquired and developed properties;
· risks associated with international operations including, but not limited to, unfavorable foreign currency rate fluctuations, 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, tenant insurance matters, labor, and real estate investment trusts (“REITs”), and risks related to the impact of new laws and regulations;
· risk of increased tax expense associated either with a possible failure by us to qualify as a REIT, or with challenges to intercompany transactions with our taxable REIT subsidiaries;
· changes in federal or state tax laws related to the taxation of REITs, which could impact our status as a REIT;
· disruptions or shutdowns of our automated processes, systems and the Internet or breaches of our data security;

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

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

General

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

At December 31, 2015, our principal business activities were as follows:

(i) Self-storage Operations: We acquire, develop, own, and operate self-storage facilities which offer storage spaces for lease on a month-to-month basis, for personal and business use. We are the largest owner and operator of self-storage facilities in the United States (the "U.S."). We have direct and indirect equity interests in 2,277 self-storage facilities (an aggregate of 148 million net rentable square feet of space) located in 38 states within the U.S. operating under the "Public Storage" brand name. We also own one self-storage facility in London, England which is managed by Shurgard Europe (defined below).

(ii) Ancillary Operations: We reinsure policies against losses to goods stored by customers in our self-storage facilities, and sell merchandise, primarily locks and cardboard boxes, at our self-storage facilities.

(iii) Investment in PS Business Parks: We have a 42% equity interest in PS Business Parks, Inc. ("PSB"), a publicly held REIT that owns, operates, acquires and develops commercial properties, primarily multi-tenant flex, office, and industrial parks. At December 31, 2015, PSB owns and operates 28.0 million rentable square feet of commercial space.

(iv) Investment in Shurgard Europe: We have a 49% equity interest in Shurgard Self Storage Europe Limited ("Shurgard Europe") which owns 216 self-storage facilities (twelve million net rentable square feet) located in seven countries in Western Europe operated under the "Shurgard" brand name. We believe Shurgard Europe is the largest owner and operator of self-storage facilities in Western Europe.

We also manage approximately 29 self-storage facilities for third parties, own 1.0 million net rentable square feet of commercial space which is managed primarily by PSB, and have equity interests in and manage 12 additional self-storage facilities.

For all periods presented herein, we have elected to be treated as a REIT, as defined in the Internal Revenue Code of 1986, as amended (the "Code"). As a REIT, we do not incur federal income tax if we distribute 100% of our REIT taxable income (generally, net rents and gains from real property, dividends, and interest) each year (for this purpose, certain distributions paid in a subsequent year may be considered), and if we meet certain organizational and operational rules. We believe we met these requirements in all periods presented herein, and we expect to continue to elect and qualify as a REIT.

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

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

Competition

We believe that storage customers generally store their goods within a five mile radius of their home or business. Our facilities compete with nearby self-storage facilities owned by other operators using marketing channels similar to ours, including Internet advertising, signage, and banners, and offer services similar to ours. As a result, competition is significant and affects the occupancy levels, rental rates, rental income and operating expenses of our facilities.

Ownership and operation of self-storage facilities is highly fragmented. As the largest owner of self-storage facilities, we believe that we own approximately 6% of the self-storage square footage in the U.S. and that collectively the five largest self-storage owners in the U.S. own approximately 12%, with the remaining 88% owned by numerous regional and local operators.

We generally focus our ownership of facilities in major markets. We believe that we have significant market share and concentration in major metropolitan centers, with approximately 71% of our 2015 same-store revenues generated in the 20 Metropolitan Statistical Areas (each, an “MSA”, as defined by the U.S. Census Bureau) with the highest population levels. We believe this is a competitive advantage relative to other self-storage operators, which do not have our geographic concentration and market share.

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

Business Attributes

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

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

Convenient shopping experience: Customers can conveniently shop for available storage space, reviewing attributes such as facility location, size, amenities such as climate-control, as well as pricing, through the following marketing channels:

· Our Desktop and Mobile Websites: The online marketing channel continues to grow in prominence, with approximately 63% of our move-ins in 2015 sourced through our websites, as compared to 36% in 2010. In addition, we believe that many of our customers who directly call our call center, or who move-in to a facility without making a reservation, have already reviewed our pricing and space availability through our

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websites. We invest extensively in advertising on the Internet to attract potential customers, primarily through the use of search engines, and we regularly update our websites to enhance their productivity.

- Our Call Center: Our call center is staffed by skilled sales specialists. Customers reach our call center by calling our advertised toll-free telephone referral number, (800) 44-STORE, or telephone numbers provided on the Internet. We believe giving customers the option to interact with a call center agent, despite the higher marginal cost relative to an internet reservation, enhances our ability to close sales with potential customers.

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

Economies of scale: The size and scope of our operations have enabled us to achieve high operating margins and a low level of administrative costs relative to revenues through the centralization of many functions, such as facility maintenance, employee compensation and benefits programs, revenue management, as well as the development and documentation of standardized operating procedures. We also believe that our major market concentration provides managerial efficiencies stemming from having a large percentage of our facilities in close proximity to each other.

Brand name recognition: We believe that the "Public Storage" brand name is the most recognized and established name in the self-storage industry in the U.S, due to our national reach in major markets in 38 states, our highly visible facilities, and our facilities' distinct orange colored doors and signage. We believe the "Public Storage" name is one of the most frequently used search terms used by customers using Internet search engines for self-storage. We believe that the "Shurgard" brand, used by Shurgard Europe, is a similarly established and valuable brand in Europe. We believe that the awareness of our brand name results in a high percentage of potential storage customers considering our facilities, relative to other operators.

Marketing and advertising efficiencies: Our major-market concentration relative to the fragmented ownership and operation of the rest of the industry, combined with our well-recognized brand name, improves our prominence in unpaid search results for self-storage on major online search engines, and enhances the efficiency of our bidding for paid multiple-keyword advertising. We use television advertising, because our large number of facilities in major markets makes it cost-efficient on a per facility basis to do so. Most of our competitors cannot do so because they do not have a sufficient number of facilities.

Growth and Investment Strategies

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

Improve the operating performance of existing facilities: We seek to increase the net cash flow of our existing self-storage facilities by (i) regularly analyzing our call volume, reservation activity, Internet activity, move-in/move-out rates and other market supply and demand factors and responding by adjusting our marketing and promotional activities and rental rates charged to new and existing customers, (ii) attempting to maximize revenues through evaluating the appropriate balance between occupancy, rental rates, and promotional discounting and (iii) controlling operating costs. We believe that our property

management personnel, information technology, our convenient shopping options for the customer, our economies of scale, and our Internet marketing and advertising programs will continue to enhance our ability to meet these goals.

Acquire properties owned by others in the U.S.: We seek to capitalize on the fragmentation of the self-storage business through acquiring attractively priced, well-located existing self-storage facilities. We believe our presence in and knowledge of substantially all of the major markets in the U.S. enhances our ability to identify attractive acquisition opportunities. Data on the rental rates and occupancy levels of our existing facilities provides us an advantage in evaluating the potential of acquisition opportunities. Self-storage owners decide whether to market their facilities for sale based upon many factors, including potential reinvestment returns, expectations of future growth, estimated value, the cost of debt financing, as well as personal considerations. Our aggressiveness in competing for particular marketed facilities depends upon many factors including our opinion as to the potential for future growth, the quality of construction and location, the cash flow we expect from the facility when operated on our platform, how well the facility fits into our current geographic footprint, as well as our yield expectations. During 2015, 2014 and 2013, we acquired 17, 44 and 121 facilities, respectively, from third parties for approximately $169 million, $431 million and $1.2 billion, respectively, primarily through large portfolio acquisitions. We will continue to seek to acquire properties in 2016; however, there is significant competition to acquire existing facilities. As a result, there can be no assurance as to the level of facilities we may acquire.

Develop new self-storage facilities and expansion of existing facilities: The development of new self-storage locations and the expansion of existing facilities has been an important source of growth. Since the beginning of 2013, we have expanded our development efforts due in part to the significant increase in prices being paid for existing facilities, in many cases well above the cost of developing new facilities. At December 31, 2015, we had a development pipeline to develop new self-storage facilities and, to a lesser extent, expand existing self-storage facilities, which will add approximately 3.7 million net rentable square feet of self-storage space, at a total cost of $486 million. Some of these projects are subject to significant contingencies such as entitlement approval. We expect to continue to seek additional development projects; however, the level of future development may be limited due to various constraints such as difficulty in finding projects that meet our risk-adjusted yield expectations, challenges in obtaining building permits for self-storage activities in certain municipalities, as well as challenges in sourcing quality construction materials, labor, and design elements.

Participate in the growth of PS Business Parks, Inc.: Our investment in PSB provides diversification into another asset type. PSB is a stand-alone public company traded on the NYSE. As of December 31, 2015, we have a 42% equity interest in PSB.

PSB seeks to grow its asset base in favorable markets as well as increase the cash flows from its existing portfolio. From 2010 through 2015, PSB has acquired an aggregate total of 11.3 million rentable square feet in key markets for an aggregate purchase price of approximately $1.1 billion, and has disposed of an aggregate of 2.7 million rentable square feet in markets deemed non-strategic for an aggregate of $282 million in net proceeds. As of December 31, 2015, PSB owned and operated approximately 28.0 million rentable square feet of commercial space, and had an enterprise value of approximately $4.2 billion (based upon the trading price of PSB's common stock combined with the liquidation value of its debt and preferred stock as of December 31, 2015).

Participate in the growth of Shurgard Europe: We believe Shurgard Europe is the largest self-storage company in Western Europe. It owns and operates 216 self-storage facilities with approximately 12 million net rentable square feet in: France (principally Paris), Sweden (principally Stockholm), the United Kingdom (principally London), the Netherlands, Denmark (principally Copenhagen), Belgium and Germany. We own 49% of Shurgard Europe, with the other 51% owned by a large U.S. institutional investor.

Customer awareness and availability of self-storage is significantly lower in Europe than in the U.S. However, with more awareness and product supply, we believe there is potential for increased demand for storage space in Europe. In the long run, we believe Shurgard Europe could capitalize on potential increased demand through the development of new facilities or, to a lesser extent, acquiring existing facilities. In 2014 and 2015, Shurgard Europe acquired 27 facilities with 1.3 million net rentable square feet in Germany, the Netherlands, and the United Kingdom for an aggregate purchase price of approximately $247 million. In addition, during 2015 Shurgard Europe opened three development properties in the United Kingdom containing 0.2 million net rentable square feet at a cost of $38 million.

Financing of the Company's Growth Strategies

Overview of financing strategy: As a REIT, we generally distribute 100% of our taxable income to our shareholders, which relative to a taxable C corporation, limits the amount of cash flow from operations that we can retain for investments. As a result, in order to grow our asset base, access to capital is important. Historically we have primarily financed our investment activities with retained operating cash flow combined with proceeds from the issuance of preferred securities. Due to market inefficiency, volatility, and limited capital market breadth for preferred securities, as well as our increased scale and potential capital needs, we are seeking to diversify our capital sources by establishing medium and long-term debt as an alternative; see "Financing with Unsecured Debt" below. Over the long-term, we expect to continue to maintain a conservative, investment grade, financial profile and will fund our capital requirements with retained operating cash flow, the issuance of medium or long term debt, and proceeds from the issuance of common and preferred securities.

Financing with common and preferred equity: Rates and market conditions for the issuance of preferred securities can be volatile or inefficient from time to time, particularly so in the last few years. In 2013 and 2014, we issued preferred securities at fixed rates ranging from 5.200% to 6.375%. We believe that the market coupon rate of our preferred securities is influenced by long-term interest rates, as well as demand specifically from retail investors. Institutional investors are generally not buyers of our preferred securities.

Due to market conditions, we did not issue any preferred securities during 2015. However, we continue to view preferred equity as an important source of capital over the long-term. In early 2016, market conditions improved and on January 20, 2016, we issued $300 million of our 5.40% Series B Preferred Shares.

We have historically been able to raise capital through the issuance of preferred securities at an attractive cost of capital relative to the issuance of our common shares and, as a result, issuances of common shares have been minimal. Future issuances of common shares will depend upon the relative cost of capital for the issuance of our common equity.

Notwithstanding our expectation of increasing debt as a capital source, we expect to remain conservatively capitalized and not subject ourselves to significant refinancing risk from the issuance of debt.

Financing with unsecured debt: We have broad powers to issue debt to fund our business. These powers are subject to a limitation on unsecured borrowings in our Bylaws described in "Limitations on Debt" below. Our corporate credit ratings are "A" by Standard and Poor's and "A2" by Moody's. We believe this high rating, combined with our low level of debt, could allow us to issue a significant amount of unsecured debt at lower interest rates than the coupon rates on preferred securities.

As noted above, we are seeking to position ourselves to issue medium and long-term debt in order to diversify our capital sources and enhance our financial flexibility. On November 3, 2015, through a private placement, we issued €242 million of Euro-denominated senior unsecured notes (the "Senior Notes") to an institutional investor. We may issue additional medium or long-term debt in 2016 in the private placement or public debt markets.

Bridge financing: We have a $500 million revolving line of credit which we use as temporary “bridge” financing and have historically repaid such borrowings with permanent capital. We may also seek

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to obtain short-term loans from banks. In 2013, we borrowed $700 million from a bank through an unsecured term loan, which we repaid in 2014, in part, through the issuance of preferred securities. See Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources” for more information.

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

Issuance of securities in exchange for property: We have issued both our common and preferred securities in exchange for real estate and other investments in the past. Future issuances will be dependent upon our financing needs and capital market conditions at the time, including the market prices of our equity securities.

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

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

Investments in Real Estate and Unconsolidated Real Estate Entities

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

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

Facilities Owned by Unconsolidated Real Estate Entities

At December 31, 2015, we had ownership interests in entities that we do not control or consolidate. These entities include PSB, Shurgard Europe (each discussed above), and various limited partnerships that own an aggregate of 12 self-storage facilities. These entities are referred to collectively as the “Unconsolidated Real Estate Entities.”

PSB, which files financial statements with the SEC, and Shurgard Europe, have debt and other obligations that we do not consolidate in our financial statements. Such debt or other obligations are non-recourse to the Company. None of the other Unconsolidated Real Estate Entities have significant amounts of debt or other obligations. See Note 4 to our December 31, 2015 financial statements for further disclosure regarding the assets, liabilities and operating results of PSB and Shurgard Europe.

Canadian self-storage facilities owned by Former Chairman and Member of Board of Trustees

At December 31, 2015, B. Wayne Hughes, our former Chairman and his daughter, Tamara Hughes Gustavson, a member of our Board of Trustees, owned and controlled 55 self-storage facilities in Canada. These facilities operate under the "Public Storage" tradename, which we license to the owners of these facilities for use in Canada on a royalty-free, non-exclusive basis. Our subsidiaries reinsure risks relating to loss of goods stored by customers in these facilities, and have received approximately $0.5 million per year for each of the three years ended December 31, 2015. Our right to continue receiving these premiums may be qualified.

We have no ownership interest in these facilities and we do not own or operate any facilities in Canada. If we chose to acquire or develop our own facilities in Canada, we would have to share the use of the "Public Storage" name in Canada with the facilities' owners. We have a right of first refusal, subject to limitations, to acquire the stock or assets of the corporation engaged in the operation of these facilities if their owners agree to sell them.

Limitations on Debt

Without the consent of holders of the various series of Preferred Shares, we may not take any action that would result in our "Debt Ratio" exceeding 50%. "Debt Ratio", as defined in the related governing documents, represents generally the ratio of debt to total assets before accumulated depreciation and amortization on our balance sheet, in accordance with U.S. generally accepted accounting principles ("GAAP"). As of December 31, 2015, the Debt Ratio was approximately 2%.

Our revolving credit facility and senior unsecured debt agreements contain various customary financial covenants, including limitations on the level of indebtedness and the prohibition of the payment of dividends upon the occurrence of defined events of default. We believe we were in compliance with each of these covenants as of December 31, 2015.

Employees

We had approximately 5,300 employees in the U.S. at December 31, 2015 who are engaged primarily in property operations.

Seasonality

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

Insurance

We have historically carried customary property, earthquake, general liability, employee medical insurance and workers compensation coverage through internationally recognized insurance carriers, subject to deductibles. Deductibles for property and general liability are $25 million and $2 million, respectively, per occurrence. The aggregate limits on these policies of $75 million for property losses and $102 million for general liability losses are higher than estimates of maximum probable losses that could occur from individual catastrophic events determined in recent engineering and actuarial studies; however, in case of multiple catastrophic events, these limits could be exceeded.

We reinsure a program that provides insurance to our customers from an independent third-party insurer. This program covers tenant claims for losses to goods stored at our facilities as a result of specific named perils (earthquakes are not covered by this program), up to a maximum limit of $5,000 per storage unit. We reinsure all risks in this program. We are subject to licensing requirements and regulations in several states. At December 31, 2015, there were approximately 874,000 certificates held by our self-storage customers, representing aggregate coverage of approximately $2.5 billion.

ITEM 1A. Risk Factors

In addition to the other information in our Annual Report on Form 10-K, you should consider the risks described below that we believe may be material to investors in evaluating the Company. This section contains forward-looking statements, and in considering these statements, you should refer to the qualifications and limitations on our forward-looking statements that are described in Item 1, "Forward Looking Statements."

We have significant exposure to real estate risk.

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

Natural disasters or terrorist attacks could cause damage to our facilities, resulting in increased costs and reduced revenues. Natural disasters, such as earthquakes, hurricanes and floods, or terrorist attacks could cause significant damage and require significant repair costs, and make facilities temporarily uninhabitable, reducing our revenues. Damage and business interruption losses could exceed the aggregate limits of our insurance coverage. In addition, because we self-insure a portion of our risks, losses below a certain level may not be covered by insurance. See Note 13 to our December 31, 2015 financial statements for a description of the risks of losses that are not covered by third-party insurance contracts. We may not have sufficient insurance coverage for losses caused by a terrorist attack, or such insurance may not be maintained, available or cost-effective. In addition, significant natural disasters, terrorist attacks, threats of future terrorist attacks, or resulting wider armed conflicts could have negative impacts on the U.S. economy, reducing storage demand and impairing our operating results.

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

The acquisition of existing properties is subject to risks that may adversely affect our growth and financial results. We have acquired self-storage facilities from third parties in the past, and we expect to continue to do so in the future. We face significant competition for suitable acquisition properties from other real estate investors. As a result, we may be unable to acquire additional properties we desire or the purchase price for desirable properties may be significantly increased. Failures or unexpected circumstances in integrating newly acquired properties into our operations or circumstances we did not detect during due diligence, such as environmental matters, needed repairs or deferred maintenance, or the effects of increased property tax following reassessment of a newly-acquired property, as well as the general risks of real estate investment, could jeopardize realization of the anticipated earnings from an acquisition.

Development of self-storage facilities can subject us to risks. At December 31, 2015, we have a pipeline of development projects totaling $486 million (subject to contingencies), and we expect to continue to seek additional development projects. There are significant risks involved in developing self-storage facilities, such as delays or cost increases due to changes in or failure to meet government or regulatory requirements, weather issues, unforeseen site conditions, or personnel problems. Self-storage space is generally not pre-leased, and rent-up of newly developed space can be delayed or ongoing cash flow yields can be reduced due to competition, reductions in storage demand, or other factors.