PUBLIC STORAGE (PSA)

Company Snapshot



Company Overview

Profile

Public Storage (PSA) is by far the largest self-storage operator with a ~\$68 billion portfolio. In '06, PSA acquired its largest competitor, Shurgard, for \$5.5 billion in a "win-win" deal that remains the largest ever in self-storage. PSA owns 35% of Shurgard Europe and 42% of PS Business Parks (PSB), a flex industrial REIT. PSA's predecessor came public in '80 and became a fully integrated REIT in '95.

Current Market Info (11/30/2021)				
Recommendation:	HOLD			
Last Price:	\$327.38			
52-Wk Range:	\$ 213.82 - 337.71			
Market Cap (MM):	\$57,896			
Div Pace/Yield:	\$8.00 / 2.4%			
AFFO Multiple:	23.8x (12 Mo Fwd)			



Ronald L. Havner Jr. Chairman
Joe Russell CEO
Tom Boyle CFO

Executive Team

Key Investment Themes

- + "Bullet-Proof" Balance Sheet: PSA has one of the lowest leverage ratios (12% comprehensive leverage) in Green Street's U.S. coverage universe. The company has diversified away from preferred equity as its sole source of debt financing in the past two years as the company has issued \$2.5 billion (>50% of total liabilities ex-preferred) of unsecured notes at a very attractive price (~2% average rate for 7-10 year average term), lowering the cost of its fortress balance sheet. That said, PSA intends to increase its leverage target from 4.0x net debt and preferred equity/EBITDA to a range of 4-5x, with flexibility to fleetingly surpass 5x for attractive opportunities.
- Platform / Track Record: PSA has the largest platform in the industry and generated attractive total returns throughout most of its history. More recently however, the company has struggled to keep pace with its smaller, and at times more nimble, competition. That said, the company appears to be effectively utilizing its balance sheet and the extensive data provided by operating the largest portfolio in the sector.
- PSB Investment: PSA's 42% equity ownership of PS Business Parks is rooted in the firms' shared history, administrative functions, and an extremely low tax basis for PSA. The stake hampers the liquidity of PSB shares and fails to recognize that PSA shareholders can simply buy PSB to gain exposure. The tax burden makes it very unlikely that PSA will reduce its stake.

Recent Commentary

PSA's second quarter operating results surprised to the upside, with same-store revenue and NOI growth of 14% and ~22%, respectively. NOI growth was aided by a ~6% reduction in expenses YoY, primarily due to decreases in on-site property manager payroll costs and marketing expenses. On the external growth front, PSA acquired 83 facilities during and subsequent to 3Q21, bringing total acquisition volume to ~\$5B (9% expansion of operating real estate) thus far in '21. PSA's revised FY21 guidance featured same-store NOI growth of 13.9% at the midpoint, an increase of 320 bps.

Por				
	Top-10 Markets			
Market	# of Assets \$	% of Total	Prop	
Wal Not	" of Assets (Sq Ft	Occi	
1. Los Angeles	213	15,200	8.2%	Rent
2. San Francisco	130	8,100	4.4%	
3. Chicago	129	8,100	4.4%	
4. Dallas	102	6,600	3.5%	20%
5. Atlanta	98	6,400	3.4%	15%
6. Houston	92	6,400	3.4%	10%
7. New York	90	6,400	3.4%	5%
8. Seattle	87	5,900	3.2%	0%
9. Miami	83	5,800	3.1%	
10. District of Columbia	89	5,500	3.0%	-5%
Top-10 Markets:	1,113	74,400	40%	
PSA Totals:	2,678	186,000	100%	
0	ther Key Metrics			100

Cap-ex Reserve % NOI: 3.7%



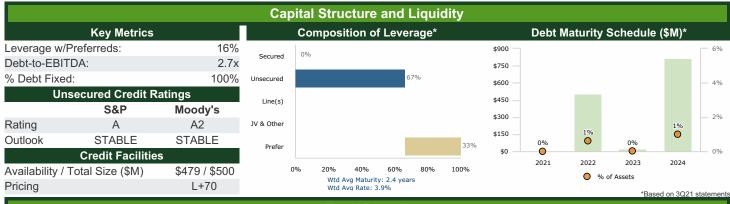
O Self-Storage REIT Avg

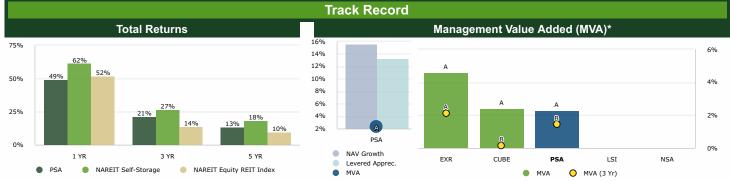
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Valuation Condensed NAV Estimate as of 12/01/2021 Based on financial statements from: 09/30/2021 USD Currency (all prices in thousands except NAV/sh): Pro-rata NOI over the next 12 mo's, by prop. sector: Self-Storage (US) \$2,753,177 Total "nominal" NOI \$2,753,177 Cap-ex reserve (% of NOI) 3.7% Total "economic" NOI \$2,650,902 Economic Cap Rate 3.9% Equivalent Nominal Cap Rate 4.0% \$68,147,951 Value of Operating Real Estate **Current Assets** \$958,247 Construction in Progress (CIP + Value Creation) \$811,079 Other Tangible Assets \$11,793,246 **Total Assets** \$81,710,523 **Current Liabilities** \$474,198 Mark-to-Market Debt Adjustment \$85,946 Preferred Stock \$4,424,747 Other Liabilities \$8,700,432 **Total Liabilities** \$13,793,331 Net Asset Value \$67,917,193 # of Shares (diluted) 176,846 NAV / sh \$384.05

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Earnings						
	2021	2022	2023			
GS FFO /sh	\$13.17	\$14.77	\$15.98			
Consensus FFO/sh*	\$12.38	\$13.32	\$14.16			
GS AFFO/sh	\$12.03	\$14.10	\$15.21			
GS AFFO Yield *Source: Bloomberg	3.7%	4.3%	4.6%			

Key Valuation Metrics						
	Nominal	Implied	AFFO	Dividend	Div. Cov.	
	Cap Rate	Cap Rate	YId '21	Yield	'21 AFFO	
PSA	4.0%	4.6%	3.7%	2.4%	1.5x	
Self-Storage	4.0%	4.4%	3.6%	2.6%	1.4x	

Sell-S	lorage	4.0 /0	4.4 /0	3.0 /0	2.070	1.48
Implied Cap Rate Spread to Sector Average						
30 bp						22 bp
20 bp					. 1. 6.	
10 bp						W
0 bp			A MARIANA	M		
-10 bp	MAL		Madha A	My W.	<u>'</u>	
-20 bp	ii iii i	n de la sertada				
-30 bp		_				
	'10	J	'15		'20	
		PSA	Average Spread	= -6 bp		

			Overhead		
		Leverage		Takeout	
	Franchise				
Sector Avg					
Intrinsic Val					Obs. Prem
					Warr, F

	FJA	Sector-Feers
Comprehensive Leverage Ratio	12%	18%
Overhead (as a % of assets)	0.12%	0.22%

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