SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2008

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)

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 is a shell company (as defined in Rule 12b-2 of the Exchange Act).

[ ] Yes [X] 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 the number of the registrant's outstanding common shares of beneficial

interest, as of May 9, 2008:

Common Shares of beneficial interest, $.10 par value per share - 169,147,565 shares

PUBLIC STORAGE

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

	March 31, 2008
	(Unaudited)
ASSETS	
Cash and cash equivalents	$ 726,932
Real estate facilities, at cost:	
Land	2,702,380
Buildings	7,335,953
	10,038,333
Accumulated depreciation	(2,152,723)
	7,885,610
Construction in process	35,901
	7,921,511
Investment in real estate entities	625,172
Goodwill	174,634
Intangible assets, net	71,728
Restricted cash	18,602
Note receivable from affiliate (Note 3)	618,822
Other assets	90,364
Total assets	$ 10,247,765
LIABILITIES AND SHAREHOLDERS' EQUITY	
Notes payable	$ 644,788
Debt to joint venture partner	38,128
Accrued and other liabilities	206,607
Total liabilities	889,523
Minority interest:	
Preferred partnership interests	325,000
Other partnership interests	37,711
Commitments and contingencies (Note 14)	
Shareholders' equity:	
Cumulative Preferred Shares of beneficial interest, $0.01 par value, 100,000,000 shares authorized, 1,739,500 shares issued (in series) and outstanding, (1,739,500 at December 31, 2007) at liquidation preference.	3,527,500
Common Shares of beneficial interest, $0.10 par value, 650,000,000 shares authorized, 167,993,060 shares issued and outstanding (169,422,475 at December 31, 2007)	16,800
Equity Shares of beneficial interest, Series A, $0.01 par value, 100,000,000 shares authorized, 8,744.193 shares issued and outstanding	-
Paid-in capital	5,545,253
Cumulative net income	4,473,169
Cumulative distributions paid	(4,604,653)
Accumulated other comprehensive income	37,462
Total shareholders' equity	8,995,531

Total liabilities and shareholders' equity	$ 10,247,765

See accompanying notes.

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

(Unaudited)

	Three Months Ended March 31,	
	2008	2007
Revenues:		
Self-storage rental income	$ 424,820	$ 398,608
Ancillary operating revenue	35,100	32,825
Interest and other income	2,844	2,125
	462,764	433,558
Expenses:		
Cost of operations (excluding depreciation and amortization):		
Self-storage facilities	156,915	148,692
Ancillary operations	17,468	19,309
Depreciation and amortization	122,486	176,366
General and administrative	14,916	16,516
Interest expense	16,487	16,808
	328,272	377,691
Income from continuing operations before equity in earnings of real estate entities, gain on disposition of an interest in Shurgard Europe, casualty gain, foreign currency exchange gain, expense from derivatives and minority interest in income	134,492	55,867
Equity in earnings of real estate entities	2,729	3,977
Gain on disposition of an interest in Shurgard Europe (Note 3)	341,865	-
Casualty gain	-	2,665
Foreign currency exchange gain	41,014	5,040
Expense from derivatives, net	(43)	(762)
Minority interest in income	(7,599)	(5,783)
Income from continuing operations	512,458	61,004
Discontinued operations	(116)	(1,226)
Net income	$ 512,342	$ 59,778
Net income (loss) allocation:		
Allocable to preferred shareholders	$ 60,333	$ 58,776

Allocable to Equity Shares, Series A....................	5,356	5,356
Allocable to common shareholders........................	446,653	(4,354)
	$ 512,342	$ 59,778
Net income (loss) per common share - basic		
Continuing operations..................................	$ 2.65	$ (0.02)
Discontinued operations................................	-	(0.01)
	$ 2.65	$ (0.03)
Net income (loss) per common share - diluted		
Continuing operations..................................	$ 2.64	$ (0.02)
Discontinued operations................................	-	(0.01)
	$ 2.64	$ (0.03)
Net income per depositary share of Equity Shares, Series A (basic and diluted)	$ 0.61	$ 0.61
Basic weighted average common shares outstanding...........	168,586	169,229
Diluted weighted average common shares outstanding.........	169,230	169,229
Weighted average shares of Equity Shares, Series A (basic and diluted)...	8,744	8,744

See accompanying notes.

PUBLIC STORAGE
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(Amounts in thousands, except share data)

(Unaudited)

	Cumulative Preferred Shares	Common Shares
Balance at December 31, 2007.............................	$ 3,527,500	$ 16,943
Issuance of common shares in connection with:		
Exercise of employee stock options (46,903 shares).....	-	5
Vesting of restricted shares (43,878 shares)	-	4
Repurchase of common shares (1,520,196 shares) (Note 10) .	-	(152)
Stock-based compensation expense (Note 12)	-	-
Net income...	-	-

Cash distributions:		
Cumulative preferred shares (Note 10)..................	-	-
Equity Shares, Series A ($0.613 per depositary share)..	-	-
Common Shares ($0.55 per share)........................	-	-
Decrease in accumulated other comprehensive income:		
Other comprehensive loss (Note 2)......................	-	-
Balance at March 31, 2008................................	$ 3,527,500	$ 16,800

	Cumulative Distributions	Accumulated Other Comprehensive Income
Balance at December 31, 2007.............................	$ (4,446,181)	$ 50,065
Issuance of common shares in connection with:		
Exercise of employee stock options (46,903 shares).....	-	-
Vesting of restricted shares (43,878 shares)	-	-
Repurchase of common shares (1,520,196 shares) (Note 10) .	-	-
Stock-based compensation expense (Note 12)	-	-
Net income...	-	-
Cash distributions:		
Cumulative preferred shares (Note 10)..................	(60,333)	-
Equity Shares, Series A ($0.613 per depositary share)..	(5,356)	-
Common Shares ($0.55 per share)........................	(92,783)	-
Decrease in accumulated other comprehensive income:		
Other comprehensive loss (Note 2)......................	-	(12,603)
Balance at March 31, 2008................................	$ (4,604,653)	$ 37,462

See accompanying notes.

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

(Unaudited)

	For the Thr Mar
	2008

Cash flows from operating activities:	
Net income	$ 512,342
Adjustments to reconcile net income to net cash provided by operating activities:	
Amortization of note premium, net of increase in debt to joint venture partner (Notes 7 and 8)	(1,215)
Gain on disposition and realized currency translation gain associated with disposition of an interest in Shurgard Europe (Note 3)	(341,865)
Depreciation and amortization	122,486
Write-off of capitalized development project costs	124
Equity in earnings of real estate entities	(2,729)
Foreign currency exchange gain	(41,014)
Expense from derivatives, net	43
Distributions received from the real estate entities	6,493
Distributions paid to other minority interests	(4,521)
Minority interest in income	7,599
Other operating activities	(27,665)
Total adjustments	(282,264)
Net cash provided by operating activities	230,078
Cash flows from investing activities:	
Capital improvements to real estate facilities	(6,874)
Construction in process	(24,111)
Acquisition of real estate facilities	-
Proceeds from the disposition of an interest in Shurgard Europe (Note 3)	601,485
Deconsolidation of Shurgard Europe (Note 3)	(34,588)
Proceeds from sales of real estate	-
Reductions (additions) to restricted cash	370
Investment in Shurgard Europe	(32,911)
Other investing activities	8,426
Proceeds from sales of held-to-maturity debt securities (Note 2)	58
Net cash provided by (used in) investing activities	511,855
Cash flows from financing activities:	
Principal payments on notes payable	(4,368)
Net repayments on bank credit facilities	-
Proceeds from borrowings on European notes payable	14,654
Net proceeds from the issuance of common shares	2,503
Net proceeds from the issuance of cumulative preferred shares	-
Repurchases of common shares	(111,903)
Redemption of cumulative preferred shares	-
Distributions paid to shareholders	(158,472)
Distributions paid to holders of preferred partnership interests	(5,403)
Net cash used in financing activities	(262,989)
Net increase (decrease) in cash and cash equivalents	478,944
Net effect of foreign exchange translation on cash	2,544
Cash and cash equivalents at the beginning of the period	245,444
Cash and cash equivalents at the end of the period	$ 726,932

See accompanying notes.

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

(Unaudited)

(Continued)

Supplemental schedule of non-cash investing and financing activities:	
Foreign currency translation adjustment:	
Real estate facilities, net of accumulated depreciation	$ (96,534)
Construction in process	(956)
Intangible assets, net	(4,529)
Other assets	(3,742)
Notes payable	28,912
Accrued and other liabilities	5,879
Minority interest - other partnership interests	7,249
Accumulated other comprehensive income	66,265
Deconsolidation of our European operations:	
Real estate facilities, net of accumulated depreciation	1,693,524
Construction in process	10,886
Investment in real estate entities	(594,330)
Note receivable from affiliate	(618,822)
Intangible assets, net	78,135
Other assets	68,486
Notes payable	(424,995)
Accrued and other liabilities	(98,571)
Minority interest - other partnership interests	(148,901)

See accompanying notes.

PUBLIC STORAGE
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2008
(Unaudited)

1. Description of the Business

Public Storage, Inc., formerly a California corporation, was organized in 1980. Effective June 1, 2007, following approval by our shareholders, we reorganized Public Storage, Inc. into Public Storage, a Maryland real estate investment trust (referred to herein as "the Company", "the Trust", "we", "us", or "our"). We are a fully integrated, self-administered and self-managed real estate investment trust ("REIT") whose 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.

In addition to our self-storage facilities, we own (i) interests in commercial properties containing commercial and industrial rental space for rent, (ii) interests in facilities that lease storage containers, and (iii) other ancillary operations conducted at our self-storage locations comprised principally of reinsurance of policies against losses to goods stored by our self-storage tenants, retail sales of storage related products and truck rentals.

At March 31, 2008, we had direct and indirect equity interests in 2,012 self-storage facilities located in 38 states operating under the "Public Storage" name, and 177 self-storage facilities located in Europe which operate under the "Shurgard Storage Centers" name. We also have direct and indirect equity interests in approximately 21 million net rentable square feet of commercial space located in 11 states in the United States (the "U.S.") operated 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 review of our financial statements in accordance with the standards of the Public Company Accounting Oversight Board.

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") for interim financial information and 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 months ended March 31, 2008 are not necessarily indicative of the results that may be expected for the year ended December 31, 2008. 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, 2007.

Certain amounts previously reported have been reclassified to conform to the March 31, 2008 presentation. Certain reclassifications have also been made from previous presentations as a result of discontinued operations.

Consolidation Policy

Entities in which we have an interest are first evaluated to determine whether, in accordance with the provisions of the Financial

PUBLIC STORAGE
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2008
(Unaudited)

Accounting Standards Board's Interpretation No. 46R, "Consolidation of Variable Interest Entities," they represent Variable Interest Entities ("VIE's"). VIE's in which we are the primary beneficiary are consolidated. Entities that are not VIE's that we control are consolidated.

For purposes of determining control, when we are the general partner, we are considered to control the partnership unless the limited partners possess substantial "kick-out" or "participative" rights as defined in Emerging Issues Task Force Statement 04-5 - "Determining whether a general partner or the general partners as a group, controls a limited partnership or similar entity when the limited partners have certain rights" ("EITF 04-5"). All significant intercompany balances and transactions have been eliminated.

The accounts of the entities we control, along with the accounts of the VIE's that we are the primary beneficiary of, are included in our condensed consolidated financial statements along with those of the Company. We account for our investment in entities that we do not control, or entities for which we are not the primary beneficiary and over which we have significant influence, using the equity 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 during the periods, to which the reference applies, are referred to hereinafter as the "Consolidated Entities." The entities that we have an interest in but do not consolidate during the periods, to which the reference applies, are referred to hereinafter as the "Unconsolidated Entities." We account for the Unconsolidated Entities under the equity method of accounting.

On March 31, 2008, we entered into a transaction with an institutional investor (the transaction referred to as the "Europe Transaction") whereby the investor acquired a 51% interest in our European operations ("Shurgard Europe"). Shurgard Europe held substantially all of our operations in Europe. As of March 31, 2008, we own the remaining 49% interest and are the managing member of Shurgard European Holdings LLC, a new joint venture formed to own Shurgard Europe's operations. As a result of the Europe Transaction, our remaining investment in Shurgard Europe will be accounted for using the equity method, and accordingly, Shurgard Europe will no longer be consolidated effective March 31, 2008 (see Note 3).

Collectively, at March 31, 2008, the Company and the Consolidated Entities own a total of 1,993 real estate facilities, consisting of 1,984 self-storage facilities in the U.S., one self-storage facility in the United Kingdom, three industrial facilities used by the containerized storage operations and five commercial properties.

At March 31, 2008, the Unconsolidated Entities are comprised of our interest in Shurgard Europe, PS Business Parks, Inc. ("PSB"), and various limited and joint venture partnerships (the "Other Investments"). At March 31, 2008, PSB owns approximately 19.6 million rentable square feet of commercial space, Shurgard Europe has interests in 176 self-storage facilities in Europe, and the Other Investments own in aggregate 28 self-storage facilities in the U.S.

Use of Estimates

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

Income Taxes

For all taxable years subsequent to 1980, the Company qualified and intends to continue to qualify as a 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 2007 and will meet these tests during 2008 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. Our taxable REIT subsidiaries are subject to regular corporate tax on their income.

Financial Instruments

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.

For purposes of financial statement presentation, we consider all highly liquid financial instruments such as short-term treasury securities or investment grade short-term commercial paper with remaining maturities of three months or less at the date of acquisition to be cash equivalents.

Due to the short period to maturity of our cash and cash equivalents, accounts receivable and other financial instruments included in other assets, and accrued and other liabilities, 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, and notes receivable from affiliates. Cash and cash equivalents, consisting of short-term investments, including commercial paper, are only invested in entities with an investment grade rating. Accounts receivable are not a significant portion of total assets and are comprised of a large number of small individual customer balances. Our note receivable totaling $618,822,000 at March 31, 2008 is owed by Shurgard Europe. Although there can be no assurance, we believe that this note is sufficiently collateralized by the assets of Shurgard Europe, and that we have sufficient creditor rights to maintain our collateral position, such that the credit risk on the note

receivable is minimal.

At March 31, 2008, we have an investment in Shurgard Europe, and one wholly owned real estate facility in the United Kingdom. In addition, the aforementioned note receivable from Shurgard Europe is denominated in Euros. Accordingly, our operations and our financial position are affected by fluctuations in the exchange rates between the Euro, and to a lesser extent, other European currencies, against the U.S. Dollar.

Restricted Cash

Restricted cash at March 31, 2008 and December 31, 2007, consists of cash held by our captive insurance entities which, due to insurance and other regulations with respect to required reserves and minimum capital requirements, can only be utilized to pay captive claims.

Real Estate Facilities

Real estate facilities are recorded at cost. Costs associated with the acquisition, 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. Costs associated with the sale of real estate facilities or interests in real estate investments are expensed as

incurred. The purchase cost of existing self-storage facilities that we acquire are allocated based upon relative fair value of the land, building and tenant intangible components of the real estate facility. 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 are generally between 5 and 25 years.

Evaluation of Asset Impairment

We evaluate impairment of goodwill annually through a two-step process. In the first step, if the fair value of the reporting unit to which the goodwill applies is equal to or greater than the carrying amount of the assets of the reporting unit, including the goodwill, the goodwill is considered unimpaired and the second step is unnecessary. If, however, the fair value of the reporting unit including goodwill is less than the carrying amount, the second step is performed. In this test, we compute the implied fair value of the goodwill based upon the allocations that would be made to the goodwill, other assets and liabilities of the reporting unit if a business combination transaction were consummated at the fair value of the reporting unit. An impairment loss is recorded to the extent that the implied fair value of the goodwill is less than the goodwill's carrying amount. No impairment of our goodwill was identified in our annual evaluation at December 31, 2007.

We evaluate impairment of long-lived assets on a quarterly basis.

We first evaluate these assets for indicators of impairment such as a) a significant decrease in the market price of a long-lived asset, b) a significant adverse change in the extent or manner in which a long-lived asset is being used or in its physical condition, c) a significant adverse change in legal factors or the business climate that could affect the value of the long-lived asset, d) an accumulation of costs significantly in excess of the amount originally projected for the acquisition or construction of the long-lived asset, or e) a current-period operating or cash flow loss combined with a history of operating or cash flow losses or a projection or forecast that demonstrates continuing losses associated with the use of the long-lived asset. When any such indicators of impairment are noted, we compare the carrying value of these assets to the future estimated undiscounted cash flows attributable to these assets. If the asset's recoverable amount is less than the carrying value of the asset, then an impairment charge is booked for the excess of carrying value over the asset's fair value.

Any long-lived assets which we expect to sell or otherwise dispose of prior to their previously estimated useful life are stated at what we estimate to be the lower of their estimated net realizable value (less cost to sell) or their carrying value. No impairment was identified from our evaluations as of March 31, 2008.

Accounting for Stock-Based Compensation

We utilize the Fair Value Method (as defined in Note 12) of accounting for our employee stock options. Restricted share unit expense is recorded over the relevant service period. See Note 12 for additional information on our accounting for employee share options and restricted share units.

Other Assets

Other assets primarily consists of prepaid expenses, investments in held-to-maturity debt securities, accounts receivable, merchandise inventory held for sale as well as trucks and other equipment associated with our ancillary operations. Other assets included a total of $56,714,000 related to Shurgard Europe at December 31, 2007, which we deconsolidated effective March 31, 2008 as described in Note 3.

Accrued and Other Liabilities

Accrued and other liabilities at March 31, 2008 consist primarily of real property tax accruals, tenant prepayments of rents, trade payables, losses and loss adjustment liabilities for our self-insured risks (described below) accrued interest and, at December 31, 2007, value-added tax accruals with respect to Shurgard Europe. Accrued and other liabilities included $100,366,000 related to Shurgard Europe at December 31, 2007, which we deconsolidated effective March 31, 2008 as described in Note 3.

We are self-insured for a portion of the risks associated with our

property and casualty losses, workers compensation and employee health care. We also utilize third-party insurance carriers to limit our self insurance exposure. We accrue liabilities for uninsured losses and loss adjustment expense, which at March 31, 2008 totaled $28,166,000 ($26,643,000 at December 31, 2007). Liabilities for losses and loss adjustment expenses include an amount we determine from loss reports and individual cases and an amount, based on recommendations from an independent actuary that is a member of the American Academy of Actuaries using a frequency and severity method, for losses incurred but not reported. Determining the liability for unpaid losses and loss adjustment expense is based upon estimates.

Through a wholly-owned subsidiary, we reinsure policies against claims for property losses due to specific named perils to goods stored by tenants in our self-storage facilities for individual limits up to a maximum of $5,000. For our U.S. operations, we have third-party insurance coverage for losses from any individual event that exceeds a loss of $1,000,000, to a maximum of $49,000,000. Estimated uninsured losses are accrued and expensed as ancillary costs of operations.

While we believe that the amount of estimated accrued liabilities with respect to tenant claims, property, casualty, workers compensation and employee healthcare are adequate, the ultimate losses that are actually paid will vary from what we have accrued. The methods for making such estimates and for establishing the resulting liabilities are regularly reviewed.

Goodwill

Goodwill represents the excess of acquisition cost over the fair value of net tangible and identifiable intangible assets acquired in business combinations. 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 (principally Domestic Self-Storage) is based directly on such acquisitions. Our goodwill has an indeterminate life in accordance with the provisions of Statement of Financial Accounting Standards No. 142 ("SFAS 142"). Our goodwill balance of $174,634,000 is reported net of accumulated amortization of $85,085,000 as of March 31, 2008 and December 31, 2007 in our accompanying condensed consolidated balance sheets.

Other Intangible Assets

As we acquire real estate facilities, we also acquire the tenants in place at the date of the acquisition of each respective facility. The value of these tenants represent a finite-lived intangible asset (a "Tenant Intangible"), and these assets are amortized relative to the benefit of the tenants in place to each period. At March 31, 2008, our Tenant Intangibles have a book value of $71,728,000 ($173,745,000 at December 31, 2007), net of accumulated amortization of $312,753,000 ($423,788,000 at December 31, 2007). During the three months ended March 31, 2008, intangible assets were increased by approximately $4,529,000 due to the impact of changes in foreign currency exchange rates. On March 31, 2008, tenant intangible assets decreased approximately $78,135,000 due to the deconsolidation of Shurgard Europe, as described more fully in Note 3 below.

Amortization expense of $28,411,000 and $85,784,000 was recorded for our tenant intangible assets for the three months ended March 31, 2008 and 2007, respectively. The estimated annual amortization expense for our finite-lived intangible assets is as follows:

2008 (remainder of)	$ 19,386,000
2009	10,351,000
2010	6,366,000
2011	4,956,000
2012	3,187,000
2013 and beyond	8,658,000

We also have an intangible representing the value of the "Shurgard" trade name, which is used by Shurgard Europe pursuant to a licensing agreement described more fully in Note 3, with a book value of $18,824,000 at March 31, 2008 and December 31, 2007. 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 were noted in the most recent annual analysis at December 31, 2007.

Revenue and Expense Recognition

Rental income, which is generally earned pursuant to month-to-month leases for storage space, is 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. Late charges and administrative fees are recognized as income when collected. Tenant reinsurance premiums are recognized as premium revenue when earned. Revenues from merchandise sales and truck rentals are recognized when earned. Interest income is recognized as earned. Equity in earnings of real estate entities is recognized based on our ownership interest in the earnings of each of the Unconsolidated Entities. Interest and other income is recognized as earned.

We accrue for property tax expense based upon 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 Curreny Exchange Translation

The local currency is the functional currency for the European operations that we have an interest in. Assets and liabilities included on our consolidated balance sheet are translated at end-of-period exchange rates, while revenues, expenses, and equity in earnings of 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 European operations, was translated at an end-of-period exchange rate of approximately 1.579 U.S. Dollars per Euro at March 31, 2008 (1.472 at December 31, 2007) and an average exchange rate of 1.496 and 1.310 for the three months ended March 31, 2008 and 2007, 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

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities, including an amendment of FASB Statement No. 115" ("SFAS No. 159"). SFAS No. 159 provides companies with an option to report selected financial assets and liabilities at fair value. The standard establishes presentation and disclosure requirements designed to facilitate comparisons between companies that choose different measurement attributes for similar types of assets and liabilities. SFAS No. 159 was effective for fiscal years beginning after November 15, 2007. The Company did not elect to report any of its financial assets or liabilities at fair value, and as a result, the adoption of SFAS No. 159 had no material impact on our financial position, operating results or cash flows.

In 2006, the FASB issued SFAS No. 157, "Fair Value Measurement" (SFAS No. 157). SFAS No. 157 provides guidance for using fair value to measure assets and liabilities. SFAS No. 157 expands required disclosures about the extent to which companies measure assets and liabilities at fair value, the information used to measure fair value, and the effect of fair value measurements on earnings. SFAS No. 157 applies whenever other accounting standards require or permit fair value measurements. SFAS No. 157 does not require any new fair value measurements. SFAS No. 157 clarifies that 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. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. In December 2007, the FASB agreed to a one year deferral of SFAS No. 157's fair value measurement requirements for nonfinancial assets and liabilities that are not required or permitted to be measured at fair value on a recurring basis. The Company adopted SFAS No. 157 on January 1, 2008, which had no effect on our financial position, operating results or cash flows.

SFAS No. 157 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. Liabilities measured at fair value on a recurring basis as of March 31, 2008 include our debt to joint venture partner, which is described in Note 8, and our estimate of the fair value of Other Minority Interests, described in Note 9. Each of these liabilities are valued based upon significant unobservable inputs, which are "Level 3" inputs as the term is utilized in SFAS No. 157.

Note Receivable from Affiliate

As of March 31, 2008, we had a note receivable from Shurgard Europe totaling $618,822,000 ($561,182,000 at December 31, 2007). Effective March 31, 2008, as a result of the Europe Transaction, Shurgard Europe is no longer consolidated, accordingly, the note receivable is no longer eliminated in consolidation and is presented as "Note Receivable from

Affiliate" (see Note 3).

In connection with the Europe Transaction, the terms of the note were modified. The outstanding loan balance was increased by approximately (euro)10,529,000 ($16,626,000) on March 31, 2008 due to the conversion of a portion of our equity investment into intercompany debt. The note bears interest at a fixed rate of 7.5% per annum, and has an initial term of one year expiring March 31, 2009, and an additional one year extension at Shurgard Europe's option. Further, we are committed to provide additional loans to Shurgard Europe, under these same terms, up to (euro)305 million to fund Shurgard Europe's obligations to repay existing third-party indebtedness (a total of (euro)264.2 million at March 31, 2008) owed by First Shurgard and Second Shurgard, joint ventures in which Shurgard Europe has a 20% interest (First Shurgard and Second Shurgard are referred to hereinafter collectively as the "Existing European Joint Ventures"), and the possible acquisition of the remaining interest in the Existing European Joint Ventures. Shurgard Europe intends to repay all of its intercompany debt through the issuance of third-party debt as soon as market conditions permit, but no later than March 31, 2010 when all of the loans mature.

The note receivable is denominated in Euros and is converted to U.S. Dollars for financial reporting purposes. We expect the notes to be repaid in the near term (generally, within one to two years) and we have been recognizing foreign exchange rate gains or losses as a result of changes in exchange rates between the Euro and the U.S. Dollar during each period in 2008 and 2007. During the three months ended March 31, 2008 and 2007, the balances of this loan increased due to foreign currency gains totaling $41,014,000 and $5,040,000, respectively, which are recognized as income on our accompanying condensed consolidated statements of income.

Other Comprehensive Income

We reflect other comprehensive income (loss) for any portion of currency translation adjustments related to our European subsidiaries which are not already reflected in our current net income. Such other comprehensive income (loss) is reflected as a direct adjustment to "Accumulated Other Comprehensive Income" in the equity section of our balance sheet.

Total comprehensive income for each period reflects our net income, plus our other comprehensive income for the period.

The following table reflects the components of our other comprehensive (loss) income, and our total comprehensive income, for each respective period:

	For the Three Months Ended March 31,	
	2008	2007
	(Amounts in thousands)	
Net income..............................	$ 512,342	$ 59,778

Other comprehensive income:		
Aggregate foreign currency translation adjustments for the period..........	66,265	15,451
Less: foreign currency translation adjustments recognized during the period and reflected in "Gain on disposition of an interest in Shurgard Europe" (Note 3)...........	(37,854)	-
Less: foreign currency translation adjustments reflected in net income as "Foreign currency gain"..........	(41,014)	(5,040)
Other comprehensive (loss) income for the period.........................	(12,603)	10,411
Total comprehensive income...............	$ 499,739	$ 70,189

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Accounting for Casualties

Our policy is to record casualty losses or gains in the period the casualty occurs equal to the differential between (a) the book value of assets destroyed and (b) insurance proceeds, if any, that we expect to receive in accordance with our insurance contracts. Potential insurance proceeds that are subject to uncertainties, such as interpretation of deductible provisions of the governing agreements or the estimation of costs of restoration, are treated as contingent proceeds in accordance with Statement of Financial Accounting Standards No. 5 ("SFAS 5"), and not recorded until the uncertainties are satisfied. During the three months ended March 31, 2007, we recorded a casualty gain totaling $2,665,000, representing the realization of such contingent proceeds relating to hurricanes which occurred in 2005.

Derivative Financial Instruments

Shurgard Europe has certain derivative financial instruments in its two joint venture partnerships, including interest rate caps, interest rate swaps, cross-currency swaps and foreign currency forward contracts. These derivatives were entered into by the joint venture partnerships in order to mitigate currency and exchange rate fluctuation risk in connection with borrowings, and are not for speculative or trading purposes. Since we acquired an interest in Shurgard Europe in August 2006, none of the derivatives were considered effective hedges because at the time we acquired an interest in Shurgard Europe in August 2006, we believed it was not highly likely that the debt and the related derivative instruments would remain outstanding for their entire contractual period. Accordingly, all changes in the fair values of the derivatives are reflected in earnings, along with the related cash flows from these instruments, under "Income from derivatives, net" on our condensed consolidated statements of income.

Environmental Costs

Our policy is to accrue environmental assessments and estimated remediation costs when it is probable that such efforts will be required and the related costs can be reasonably estimated. Our current practice is to conduct environmental investigations in connection with property acquisitions. Although there can be no assurance, we are not aware of any environmental contamination of our facilities, which individually or in the aggregate would be material to our overall business, financial condition, or results of operations.

Discontinued Operations

We segregate all of our disposed components that have operations that can be distinguished from the rest of the Company and will be eliminated from the ongoing operations of the Company in a disposal transaction. Discontinued operations principally consists of the historical operations related to facilities that were closed and are no longer in operation and facilities that have been disposed of either through condemnation by a local governmental agency or sale. The following table summarizes the historical operations with respect to these facilities:

	For the Three Months Ended March 31,	
	2008	2007
	(Amounts in thousands)	
Rental income....................	$ 425	$ 809
Cost of operations................	(536)	(1,920)
Depreciation expense..............	(5)	(115)
Total discontinued operations.....	$ (116)	$ (1,226)

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Net Income per Common Share

In computing net income allocated to our common shareholders, we first allocate net income to our preferred shareholders ($60,333,000 and $58,776,000 for the three months ended March 31, 2008 and 2007, respectively) to arrive at net income allocable to our common shareholders.

The remaining net income is allocated among our regular common shares and our Equity Shares, Series A using the two-class method which allocates income based upon the dividends declared (or accumulated) for each security in the period, combined with each security's rights to earnings (or losses) that were not distributed to shareholders. Under this method, the Equity Shares, Series A, were allocated net income of $5,356,000 for each of the three months ended March 31, 2008 and 2007, respectively. Net income of $446,653,000 and a loss of $4,354,000 for the three months ended March 31, 2008 and 2007, respectively, were allocated to the regular common shareholders.

Basic net income per share is computed using the weighted average common shares outstanding (prior to the dilutive impact of stock options and restricted share units outstanding). Diluted net income per common share is computed using the weighted average common shares outstanding (adjusted for the impact, if dilutive, of stock options and restricted share units outstanding). The stock options and restricted share units were anti-dilutive in the three months ended March 31, 2007 and were therefore not reflected in diluted net income per common share for that period.

Recent Accounting Pronouncements and Guidance

Business Combinations

In December 2007, the Financial Accounting Standards Board (the "FASB") issued SFAS No. 141(R) and requires the acquiring entity in a business combination to measure the assets acquired, liabilities assumed (including contingencies) and any noncontrolling interests at their fair values on the acquisition date. The statement also requires that acquisition-related transaction costs be expensed as incurred and acquired research and development value be capitalized. In addition, acquisition-related restructuring costs are to be capitalized only if they meet certain criteria. SFAS No. 141(R) is effective for fiscal years beginning December 15, 2008. The application of SFAS No.141(R) may have an impact on our results of operations and financial position beginning January 1, 2009 to the extent that we enter into any business combinations in the future.

Noncontrolling Interests in Consolidated Financial Statements

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 160, "Noncontrolling Interests in Consolidated Financial Statements, an amendment of Accounting Research Bulletin No. 51" (or SFAS No. 160). SFAS No. 160 requires the classification of noncontrolling interests (formerly, minority interests) as a component of the consolidated equity. In addition, net income will include the total income of all consolidated subsidiaries with the attribution of earnings and other comprehensive income between controlling and noncontrolling interests reported as a separate disclosure on the face of the consolidated income statement. The calculation of earnings per share will continue to be based on income amounts attributable to the parent. SFAS No. 160 also addresses accounting and reporting for a change in control of a subsidiary. SFAS No. 160 is effective for fiscal years beginning December 15, 2008, and is required to be adopted prospectively, except for the presentation and disclosure requirements, which are required to be adopted retrospectively. We are currently evaluating the impact of the application of SFAS No. 160 on our results of operations and financial position.

3. Europe Transaction

On March 31, 2008, an institutional investor acquired a 51% interest in Shurgard European Holdings LLC, a newly formed Delaware limited liability company and the holding company for Shurgard Europe ("Shurgard Holdings"). Public Storage owns the remaining 49% interest is the managing member of Shurgard Holdings. In exchange for the 51% interest in Shurgard Holdings, the investor paid Shurgard Holdings approximately (euro)383,200,000 ($605,627,000) on March 31, 2008, with the purchase price to be adjusted for operating results (as defined) generated by Shurgard Europe during the three months ended March 31, 2008. This adjustment is currently estimated to be approximately (euro)4,797,000 ($7,574,000).

In connection with the Europe Transaction, the intercompany notes receivable owed by Shurgard Europe to Public Storage were modified (see Note 2 under "Note Receivable from Affiliate,") and Shurgard Europe obtained an option, which expires on June 30, 2008, to acquire one facility located in the United Kingdom that the Company wholly owns (the "Kensington Facility") for an aggregate of (euro)42 million. We believe that the option price for this facility represents its market value. Shurgard Europe manages this facility for us in exchange for a management fee.

Based upon the provisions of Statement of Financial Accounting Standards No. 66 ("FAS 66"), we have determined that this transaction constitutes the partial disposition of an interest in Shurgard Europe that is eligible for full profit recognition. We have evaluated the limited liability agreement, capitalization, and other risk-sharing and voting characteristics of Shurgard Holdings and determined that it does not represent a variable interest entity in accordance with the provisions of FASB Interpretation No. 46R, "Consolidation of Variable Interest Entities - An Interpretation of ARB No. 51" ("FIN 46R").

The provisions of Emerging Issues Task Force 04-5, "Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights," indicate there is a presumption that the managing member of a limited liability company controls the company, unless the other member has substantive "participating" or "kick-out" rights as those terms are utilized in the accounting standard. Even though we are the managing member, based upon the terms of Shurgard Holdings, the institutional investor shares with us the decision-making authority with respect to a) the significant operating, capital, and investing decisions of Shurgard Europe, including the establishment of annual budgets, and b) the level of compensation of, and replacement and selection of Shurgard Europe's senior operating officers. As a result, we have concluded that the institutional investor has substantive participating rights and, accordingly, we do not control Shurgard Europe. Therefore, we have deconsolidated the operations of Shurgard Europe effective March 31, 2008.

As a result of the deconsolidation of Shurgard Europe, our investment in real estate entities increased by $594,330,000, representing our net investment in Shurgard Europe at March 31, 2008 immediately before the transaction. The following adjustments were made to our condensed consolidated balance sheet to reflect the deconsolidation of our investment in Shurgard Europe as of March 31, 2008 (amounts in thousands):

	Total
Real estate facilities, net............	$(1,693,524)
Construction in progress...............	(10,886)
Intangible assets......................	(78,135)
Cash...................................	(34,588)
Note receivable from affiliate.........	618,822
Other assets...........................	(68,486)

Notes payable..........................	424,995
Accrued and other liabilities...........	98,571
Minority interest - other partnership interests	148,901
	$(594,330)

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Our net proceeds from the transaction aggregated $609,059,000, comprised of i) $605,627,000 paid by the institutional investor on March 31, 2008, ii) a receivable from the investor totaling $7,574,000, iii), less $4,142,000 in legal, accounting, and other expenses incurred in connection with the transaction. As a result of the disposition, we reduced our investment in Shurgard Europe by approximately $305,048,000 for the pro rata portion of our March 31, 2008 investment that was sold, and recognized a gain of $304,011,000 upon disposition, representing the difference between the net proceeds received of $609,059,000 and the pro rata portion of our investment sold of $305,048,000.

In addition, as a result of our disposition of this interest, a portion of the cumulative currency exchange gains we had previously recognized in Other Comprehensive Income with respect to Shurgard Europe was realized. Accordingly, we recognized a cumulative currency exchange gain of $37,854,000, representing 51% (the pro rata portion of Shurgard Europe that was sold) of the cumulative currency exchange gain previously included in Other Comprehensive Income.

The gain upon disposition of $304,011,000 and associated realized currency exchange gain totaling $37,854,000 are both included in the gain on disposition of an interest in Shurgard Europe of $341,865,000 in our condensed consolidated statement of income for the three months ended March 31, 2008.

The results of operations of Shurgard Europe have been included in our condensed consolidated statements of income for each of the three months ended March 31, 2008 and 2007, respectively. Commencing with the quarter beginning April 1, 2008, our pro rata share of operations of Shurgard Europe will be reflected on our income statement under equity in earnings of real estate entities.

4. Real Estate Facilities

Activity in real estate facilities is as follows:

Three Months
Ended

	March 31, 2008
	(Amounts in thousands)
Operating facilities, at cost:	
Beginning balance	$ 11,658,807
Capital improvements	6,874
Newly developed facilities opened for operations	38,480
Deconsolidation of Shurgard Europe (Note 3)	(1,766,122)
Impact of foreign exchange rate changes	100,294
Ending balance	10,038,333
Accumulated depreciation:	
Beginning balance	(2,128,225)
Depreciation expense	(93,336)
Deconsolidation of Shurgard Europe (Note 3)	72,598
Impact of foreign exchange rate changes	(3,760)
Ending balance	(2,152,723)
Construction in process:	
Beginning balance	60,324
Current development	24,111
Newly developed facilities opened for operations	(38,480)
Deconsolidation of Shurgard Europe (Note 3)	(10,886)
Write off of development costs	(124)
Impact of foreign exchange rate changes	956
Ending balance	35,901
Total real estate facilities	$ 7,921,511

During the three months ended March 31, 2008, we completed two expansion projects in the U.S. which in aggregate added approximately 82,000 net rentable square feet of self-storage space at a total cost of $5,017,000. Also in the three months ended March 31, 2008, we completed three development projects in Europe which in aggregate added approximately 166,000 net rentable square feet of self-storage space at a total cost of $33,463,000.

Construction in process at March 31, 2008 includes the development costs relating to 29 projects (1,231,000 net rentable square feet), consisting of newly developed self-storage facilities, conversion of space at facilities that was previously used for containerized storage and expansions to existing self-storage facilities, with costs incurred of $35,901,000 at March 31, 2008 and total estimated costs to complete of $89,345,000.

From time to time, our facilities are subject to condemnation proceedings, resulting in disposal of a portion or, in some cases, the entire facility. In addition, we dispose of unused parcels of land in certain cases. When an entire real estate facility is disposed of, the operating results of these disposed facilities, including the gain on sale are classified in discontinued operations on our consolidated statements of income for all periods presented. During the three months ended March 31, 2007, we disposed of a portion of a self-storage facility for an aggregate of $322,000. There was no gain or loss on this transaction.

As described more fully in Note 3, we deconsolidated our investment in Shurgard Europe as of March 31, 2008. This deconsolidation

resulted in the reduction of Operating Facilities, Accumulated Depreciation, and Construction in Process.

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We capitalize interest incurred on debt during the course of construction of our self-storage facilities. Interest capitalized for the three months ended March 31, 2008 and 2007 was $748,000 and $741,000, respectively.

5. Investment in Real Estate Entities

Interests in entities for periods that they are either VIE's that we are not the primary beneficiary of, or other non-VIE entities that we do not have a controlling financial interest in, are accounted for using the equity method of accounting.

For the three months ended March 31, 2008 and 2007, we recognized earnings from our investments in real estate entities of $2,729,000 and $3,977,000, respectively, and received cash distributions totaling $6,493,000 and $4,171,000, respectively. We invested $32,911,000 in the Real Estate Entities during the three months ended March 31, 2008.

Our investments in real estate entities increased by $594,330,000 due to the deconsolidation of Shurgard Europe, and decreased by $305,048,000 representing the pro rata portion of our investment in Shurgard Europe that was disposed of, as described more fully in Note 3.

The following table sets forth our investments in the real estate entities at March 31, 2008 and December 31, 2007, and our equity in earnings of real estate entities for the three months ended March 31, 2008 and 2007 (amounts in thousands):

	Investments in Real Estate Entities at		Equity in Earnings of Real Estate Entities for the Three Months Ended March 31,	
	March 31, 2008	December 31, 2007	2008	2007
PSB..........................	$ 270,464	$ 273,717	$ 2,345	$ 3,490
Shurgard Europe..............	322,193	-	-	-
Other Investments............	32,515	33,026	384	487
Total......................	$ 625,172	$ 306,743	$ 2,729	$ 3,977

Investment in PSB

PS Business Parks, Inc. is a REIT traded on the American Stock

Exchange, which controls an operating partnership (collectively, the REIT and the operating partnership are referred to as "PSB"). We have a 46% common equity interest in PSB as of March 31, 2008. This common equity interest is comprised of our ownership of 5,418,273 shares of PSB's common stock and 7,305,355 limited partnership units in the operating partnership at both March 31, 2008 and December 31, 2007. 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 March 31, 2008 ($51.90 per share of PSB common stock), the shares and units had a market value of approximately $660.4 million as compared to a book value of $270.5 million.

At March 31, 2008, PSB owned approximately 19.6 million rentable square feet of commercial space. In addition, PSB manages commercial space owned by the Company and the Consolidated Entities pursuant to property management agreements.

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

	2008	2007
	(Amounts in thousands)	
For the three months ended March 31,		
Total operating revenue	$ 70,306	$ 65,307
Costs of operations and other operating expenses	(24,536)	(22,141)
Other income and expense, net	(665)	694
Depreciation and amortization	(25,447)	(21,640)
Minority interest	(3,100)	(3,629)
Net income	$ 16,558	$ 18,591

	At March 31, 2008	At December 31, 2007
	(Amounts in thousands)	
Total assets (primarily real estate)	$ 1,489,690	$ 1,516,583
Total debt	60,381	60,725
Other liabilities	49,209	51,058
Preferred equity and preferred minority interests	811,000	811,000
Common equity and common minority interests	569,100	593,800

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Investment in Shurgard Europe

As described more fully in Note 3, on March 31, 2008 we had an investment in Shurgard Europe, representing approximately 49% of the interest of Shurgard Europe. The remaining interest in this entity is owned by an institutional investor, which owns 51%.

The following table sets forth selected financial information of Shurgard Europe. The amounts presented herein are consistent with the foreign currency translation policy described more fully in Note 2, "Foreign Currency Exchange Translation." These amounts are based upon 100% of Shurgard Europe's balances, rather than our pro rata share of the operations of Shurgard Europe, and are based upon Public Storage's historical acquired book basis.

Amounts for all periods are presented, notwithstanding that Shurgard Europe was deconsolidated effective March 31, 2008. Accordingly, except for the March 31, 2008 condensed consolidated balance sheet, all amounts (net of intercompany eliminations) are included in our condensed consolidated financial statements and are not reflected as a component of equity in earnings, in the case of our condensed consolidated income statement, or investment in real estate entities, in the case of our condensed consolidated balance sheet.

For the three months ended March 31,	2008	2007
	(Amounts in thousands)	
Self-storage revenues	$ 54,722	$ 43,160
Ancillary revenues	4,913	3,760
Self-storage cost of operations	(24,654)	(22,652)
Ancillary cost of operations	(1,409)	(1,337)
Royalty payable to Public Storage	(640)	-
Depreciation and amortization	(21,871)	(38,217)
General and administrative	(4,644)	(2,702)
Interest expense on third party debt	(7,308)	(5,089)
Interest expense on debt to Public Storage	(9,644)	(9,650)
Expense from derivatives, net	(43)	(762)
Discontinued operations	(12)	(89)
Minority interest	2,142	3,754
Net loss	$ (8,448)	$ (29,824)

	At March 31,	At December 31,

	2008	2007
	(Amounts in thousands)	
Total assets (primarily real estate)................	$ 1,885,619	$ 1,774,037
Total debt to third parties.........................	424,995	384,045
Total debt to Public Storage........................	618,822	561,182
Other liabilities...................................	101,980	95,444
Minority interest...................................	145,492	140,385
Equity..	594,330	592,981

Other Investments

At March 31, 2008, other investments include an aggregate common equity ownership of approximately 28% in a) five entities that own an aggregate of 22 self-storage facilities that we held on a consistent basis since January 1, 2006 and b) entities owning six self-storage facilities, which we deconsolidated effective May 24, 2007.

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The following table sets forth certain condensed financial information (representing 100% of these entities' balances and not our pro rata share) with respect to these other investments:

	2008	2007
	(Amounts in thousands)	
For the three months ended March 31,		
Total revenue.......................	$ 5,407	$ 5,199
Cost of operations and other expenses	(2,460)	(2,234)
Depreciation and amortization........	(1,114)	(1,128)
Net income......................	$ 1,833	$ 1,837

	At March 31, 2008	At December 31, 2007
	(Amounts in thousands)	
Total assets (primarily storage facilities)....................	$ 75,722	$ 75,903
Total debt..........................	12,326	12,409
Total accrued and other liabilities..	1,516	774
Total Partners' equity..............	61,880	62,720

6. Revolving Line of Credit

On March 27, 2007, we entered into a five-year revolving credit

agreement (the "Credit Agreement") 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 March 31, 2008). 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 March 31, 2008). We had no outstanding borrowings on our Credit Agreement at March 31, 2008 or at May 8, 2008.

The Credit Agreement includes various covenants, the more significant of which require us to (i) maintain a leverage ratio (as defined therein) of less than 0.55 to 1.00, (ii) maintain certain fixed charge and interest coverage ratios (as defined therein) of not less than 1.5 to 1.0 and 1.75 to 1.0, respectively, and (iii) maintain a minimum total shareholders' equity (as defined therein). We were in compliance with all covenants of the Credit Agreement at March 31, 2008.

At March 31, 2008, we had undrawn standby letters of credit, which reduce our borrowing capability with respect to our line of credit by the amount of the letters of credit, totaling $19,699,000 ($20,408,000 at December 31, 2007). The beneficiaries of these standby letters of credit were primarily certain insurance companies associated with our captive insurance and tenant re-insurance activities.

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7. Notes Payable

The carrying amounts of our notes payable at March 31, 2008 and December 31, 2007 consist of the following (dollar amounts in thousands):

	March 31, 2008
DOMESTIC UNSECURED NOTES PAYABLE:	
5.875% effective and stated note rate, interest only and payable semi-annually, matures in March 2013...............................	$ 200,000
5.73% effective rate, 7.75% stated note rate, interest only and payable semi-annually, matures in February 2011 (carrying amount includes $10,136 of unamortized premium at March 31, 2008)	210,136
DOMESTIC MORTGAGE NOTES:	
5.59% average effective rate fixed rate mortgage notes payable, secured by 57 real estate facilities with a net book value of $419,543 at March 31, 2008 and stated note rates between 4.95% and 7.76%, due between April 2008 and August 2015 (carrying amount includes $3,063 of unamortized premium at March 31, 2008)	149,311
5.29% average effective rate fixed rate mortgage notes payable, secured by 31 real estate facilities with a net book value of $174,727 at March 31,	

2008, stated note rates between 5.40% and 8.75%, principal and interest payable monthly, due at varying dates between October 2009 and September 2028 (carrying amount includes $3,309 of unamortized premium at March 31, 2008)	85,341
EUROPEAN SECURED NOTES PAYABLE:	
First Shurgard credit agreement, due originally in 2008 but extended to May 2009	-
Second Shurgard credit agreement, due in July 2009	-
Liability under Capital Leases	-
Total notes payable	$ 644,788

All of our notes payable represent preexisting debt that we have assumed in connection with the acquisition of real estate facilities or business combinations. The Domestic Unsecured Notes Payable and the Domestic Mortgage Notes were recorded at their estimated fair values upon acquisition based upon estimated market rates for debt instruments with similar terms and ratings. Any initial premium or discount, representing the difference between the stated note rate and fair value on the respective date of assumption, is being amortized over the remaining term of the notes using the effective interest method.

The Domestic Unsecured Notes Payable have various restrictive covenants, the more significant of which require us to (i) maintain a ratio of debt to total assets (as defined therein) of less than 0.60 to 1.00, (ii) maintain a ratio of secured debt to total assets (as defined therein) of less than 0.40 to 1.00, (iii) maintain a debt service coverage ratio (as defined therein) of greater than 1.50 to 1.00, and (iv) maintain a ratio of unencumbered assets to unsecured debt (as defined therein) of greater than 150%, all of which have been met at March 31, 2008.

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The Domestic Mortgage Notes require interest and principal payments to be paid monthly and have various restrictive covenants, all of which we believe have been met at March 31, 2008.

First Shurgard and Second Shurgard, in which Shurgard Europe has a 20% interest, have senior credit agreements that were put into place, prior to the Shurgard Merger, to fund development costs of various self-storage projects. On March 31, 2008, we deconsolidated Shurgard Europe and, as a result, the related notes payable owed by the Existing European Joint Ventures are no longer included in our consolidated balance sheet.

At March 31, 2008, approximate principal maturities of our notes payable are as follows (amounts in thousands):

	Domestic Unsecured Notes Payable	Domestic Mortgage Notes Payable	Total
2008 (remainder of)	$ 1,802	$ 21,271	$ 23,073

2009........................	3,764	8,788	12,552
2010........................	3,985	10,669	14,654
2011........................	200,585	27,445	228,030
2012........................	-	55,195	55,195
Thereafter..................	200,000	111,284	311,284
	$ 410,136	$ 234,652	$ 644,788
Weighted average effective rate	5.8%	5.5%	5.7%

We incurred interest expense with respect to our notes payable, capital leases, debt to joint venture partner and line of credit aggregating $17,235,000 and $17,549,000 for the three months ended March 31, 2008 and 2007, respectively. These amounts were comprised of $18,450,000 and $18,633,000 in cash for the three months ended March 31, 2008 and 2007, respectively, less $1,215,000 and $1,084,000 in amortization of premium net of increase in Debt to Joint Venture Partner described in Note 8, respectively.

8. Debt to Joint Venture Partner

Due to our continuing interest in ten facilities that we sold to an unconsolidated affiliated joint venture, and the likelihood that we will exercise our option to acquire our partner's interest, we have accounted for our partner's investment in these facilities as, in substance, debt financing. Accordingly, our partner's investment with respect to these facilities is accounted for as a liability on our accompanying condensed consolidated balance sheets. Our partner's share of operations with respect to these facilities has been accounted for as interest expense on our accompanying condensed consolidated statements of income.

The outstanding balances of $38,128,000 and $38,081,000 due the joint venture partner as of March 31, 2008 and December 31, 2007, respectively, are estimated at fair value. On a quarterly basis, we review the fair value of this liability, and to the extent fair value exceeds the carrying value of the liability we will record adjustments to increase the liability to fair value, and to increase other assets, with the other assets amortized over the remaining period term of the joint venture. We determine the fair value of this liability based upon our estimate of the fair value of the underlying net assets (principally real estate assets), applying the related liquidation provisions of the partnership agreement. We determine the fair value of the underlying real estate by reference to the historical operating results, and apply an estimate of the effective earnings multiple based upon our review of market transactions and other market data. The increase in fair value from $38,081,000 at December 31, 2007 to $38,128,000 at March 31, 2008 is due principally to the excess of interest expense (as described below) over interest paid.

A total of $808,000 and $788,000 was recorded as interest expense on our condensed consolidated statements of income with respect to our Debt to Joint Venture Partner during the three months ended March 31, 2008 and 2007, respectively, representing our partner's pro rata share of net

earnings with respect to the properties we sold to the Acquisition Joint Venture (an 8.5% return on their investment). This interest expense was comprised of a total of $761,000 and $745,000 paid to our joint venture partner (an 8.0% return payable currently in accordance with the partnership agreement) during the three months ended March 31, 2008 and 2007, respectively, and increases in the Debt to Joint Venture Partner of $47,000 and $43,000 for the three months ended March 31, 2008 and 2007, respectively.

We expect that this debt will be repaid during 2008, assuming that we exercise our option to acquire our partner's interest in the Acquisition Joint Venture.

9. Minority Interest

In consolidation, we classify ownership interests in the net assets of each of the Consolidated Entities, other than our own, as minority interest on the condensed consolidated financial statements. Minority interest in income consists of the minority interests' share of the operating results of the applicable entity.

Preferred Partnership Interests

The following table summarizes the preferred partnership units outstanding at March 31, 2008 and December 31, 2007:

Series	Earliest Redemption Date	Distribution Rate	March 31, 2008 Units Outstanding	March 31, 2008 Carrying Amount	December 3 Units Outstanding
				(Amounts in thousands)	
Series NN........	March 17, 2010	6.400%	8,000	$ 200,000	8,000
Series Z.........	October 12, 2009	6.250%	1,000	25,000	1,000
Series J.........	May 9, 2011	7.250%	4,000	100,000	4,000
Total...........			13,000	$ 325,000	13,000

Income allocated to the preferred minority interests totaled $5,403,000 for each of the three months ended March 31, 2008 and 2007, comprised of distributions paid.

Subject to certain conditions, the Series NN preferred units are convertible into our 6.40% Series NN Cumulative Preferred Shares of beneficial interest, the Series Z preferred units are convertible into our 6.25% Series Z Cumulative Preferred Shares of beneficial interest and the Series J preferred units are convertible into our 7.25% Series J Cumulative Preferred Shares of beneficial interest. The holders of the Series Z preferred partnership units have a one-time option exercisable on October 12, 2009 to require us to redeem their units for $25,000,000 in cash, plus any unpaid distribution.

Other Partnership Interests

Income is allocated to the minority interests based upon their pro

rata interest in the operating results of the Consolidated Entities. The following tables set forth the minority interests at March 31, 2008 and December 31, 2007 as well as the income allocated to minority interests for the three months ended March 31, 2008 and 2007 with respect to the other partnership interests:

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Description of Minority Interest	Minority interest at March 31, 2008	Minority interest at December 31, 2007	Minority interest in in... for the three month... March 31, 2008	M...
	(Amounts in thousands)			
Existing European Joint Ventures.	$ -	$ 140,385	$ (2,142)	$
PS Officers' Europe Investment...	-	3,520	(111)	
Convertible Partnership Units....	5,448	5,516	612	
Other consolidated partnerships..	32,263	32,267	3,837	
Total other partnership interests	$ 37,711	$ 181,688	$ 2,196	$

Distributions paid to minority interests for the three months ended March 31, 2008 and 2007 were $4,521,000 and $5,501,000, respectively. Minority interests increased $7,249,000 and $1,200,000 as a result of the impact of foreign currency translation in the three months ended March 31, 2008 and 2007, respectively.

The Existing European Joint Ventures

Through the Shurgard Merger, we acquired an interest in two joint venture entities: First Shurgard SPRL ("First Shurgard") formed in January 2003 and Second Shurgard SPRL ("Second Shurgard") formed in May 2004. Those joint ventures (referred to collectively hereinafter as the "Existing European Joint Ventures") were expected to develop or acquire up to approximately 75 storage facilities in Europe. Shurgard Europe has a 20% interest in each of these ventures. We have determined that the Existing European Joint Ventures are each VIEs, and that Shurgard Europe is the primary beneficiary. Accordingly, the accounts of the Existing European Joint Ventures have been included in our consolidated financial statements until March 31, 2008, when Shurgard Europe was deconsolidated (see also Note 3), reducing minority interests by $145,492,000 at March 31, 2008. See Note 5 under "Investment in Shurgard Europe" for further historical information regarding Shurgard Europe, including the Existing European Joint Ventures.

PS Officers' Europe Investment

In the second quarter of 2007, we sold an approximately 0.6% common equity interest in Shurgard Europe to various officers of the Company (the "PS Officers"), other than our chief executive officer. The aggregate proceeds of the sale were $4,909,000. The sale price for the interests was based upon the pro rata net asset value computed using, among other sources, information provided by an independent third party appraisal firm of the net asset value of Shurgard Europe as of March 31, 2007. In connection with the sale of these LLP Interests, we recorded a gain of $1,193,000 during the second quarter of 2007, representing the excess of the sales proceeds over the book value of the LLP Interests sold. For periods commencing from the sale of the interest through March 31, 2008, the PS Officers' pro rata share of the earnings of Shurgard Europe are reflected in minority interest in income - other partnership interests on our accompanying condensed consolidated statement of income for the three months ended March 31, 2008.

The investment of the PS Officers is included in minority interest - other partnership interests on our accompanying condensed consolidated balance sheet at December 31, 2007. As described in Note 3, on March 31, 2008, we deconsolidated Shurgard Europe and, as a result, minority interest was reduced $3,409,000. See Note 5 under "Investment in Shurgard Europe" for further historical information regarding Shurgard Europe, including the PS Officers' Europe Investment.

Convertible Partnership Units

At March 31, 2008 and December 31, 2007, one of the Consolidated Entities had approximately 231,978 convertible partnership units ("Convertible Units") outstanding representing a limited partnership interest in the entity. The Convertible Units are convertible on a one-for-one basis (subject to certain limitations) into common shares of the Company at the option of the unit-holder. Minority interest in income with respect to Convertible Units reflects the Convertible Units' share of our net income, with net income allocated to minority interests with respect to weighted average outstanding Convertible Units on a per unit basis equal to diluted earnings per common share.

Other Consolidated Partnerships

At March 31, 2008 and December 31, 2007, the other consolidated partnerships reflect common equity interests that we do not own in 33 entities (generally partnerships) that own in aggregate 177 self-storage facilities. The related partnership agreements have termination dates that cannot be unilaterally extended by the Company and, upon termination of each partnership, the net assets of these entities would be liquidated and paid to the minority interests and the Company based upon their relative ownership interests.

Impact of SFAS No. 150

In May 2003, the FASB issued Statement of Financial Accounting Standards No. 150 - "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity" ("SFAS No. 150"). This statement prescribes reporting standards for financial instruments that have characteristics of both liabilities and equity. This standard generally indicates that certain financial instruments that give the issuer a choice of settling an obligation with a variable number of securities or settling an obligation with a transfer of assets, any mandatorily redeemable security, and certain put options and forward purchase contracts, should be classified as a liability on the balance sheet. With the exception of minority interests, described below, we implemented SFAS No. 150 on July 1, 2003, and the adoption had no impact on our financial statements.

The provisions of SFAS No. 150 indicate that the Other Minority Interests would have to be treated as a liability, because these partnerships have termination dates that cannot be unilaterally extended by us and, upon termination, the net assets of these entities would be liquidated and paid to the minority interest and us based upon relative ownership interests. However, on October 29, 2003, the FASB decided to defer indefinitely a portion of the implementation of SFAS No. 150, which thereby deferred our requirement to recognize these minority interest liabilities. We estimate that the fair values of the Other Partnership Interests are approximately $306 million and $532 million at March 31, 2008 and December 31, 2007, respectively. The decrease between December 31, 2007 and March 31, 2008 is due to the deconsolidation of Shurgard Europe, accordingly, the fair value of the Existing European Joint Ventures and the PS Officers' Europe Investment is not included in the March 31, 2008 estimated fair value. We determine the fair value of the Other Partnership Interests based upon our estimate of the fair value of the underlying net assets (principally real estate assets), applying the related liquidation provisions of the related partnership agreement. We determine the fair value of the underlying real estate by reference to the historical operating results, and apply an estimate of the effective earnings multiple based upon our review of market transactions and other market data.

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10. Shareholders' Equity

Cumulative Preferred Shares

At March 31, 2008 and December 31, 2007, we had the following series of Cumulative Preferred Shares of beneficial interest outstanding:

Series	Earliest Redemption Date	Dividend Rate	At March 31, 2008 Shares Outstanding	At March 31, 2008 Carrying Amount	At Dece Shares Outstandin
				(Dollar amounts in thousand	

Series V	9/30/07	7.500%	6,900	$ 172,500	6,9
Series W	10/6/08	6.500%	5,300	132,500	5,3
Series X	11/13/08	6.450%	4,800	120,000	4,8
Series Y	1/2/09	6.850%	1,600,000	40,000	1,600,0
Series Z	3/5/09	6.250%	4,500	112,500	4,5
Series A	3/31/09	6.125%	4,600	115,000	4,6
Series B	6/30/09	7.125%	4,350	108,750	4,3
Series C	9/13/09	6.600%	4,600	115,000	4,6
Series D	2/28/10	6.180%	5,400	135,000	5,4
Series E	4/27/10	6.750%	5,650	141,250	5,6
Series F	8/23/10	6.450%	10,000	250,000	10,0
Series G	12/12/10				