Public Storage

Third Quarter 2026 Earnings Conference Call

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PRESENTATION

Operator

Greetings and welcome to Public Storage Third Quarter 2026 Earnings Conference Call.

At this time, all participants are in a listen-only mode. A question-and-answer session will follow the formal presentation. To enter the queue, please press star, one on your telephone keypad. If anyone should require operator assistance during the conference, please press star, zero on your telephone keypad. As a reminder, this conference is being recorded.

I would now like to turn the call over to your host, Mr. Jed Reagan, VP of Investor Relations and Strategic Partnership.

Jed Reagan

Thank you, Operator. Hello everyone, and thank you for joining us for our Third Quarter 2026 Earnings Call. I'm here with Tom Boyle and Joe Fisher.

Before we begin, we want to remind you that certain matters discussed during this call may constitute forward-looking statements within the meaning of the federal securities laws. These forward-looking statements are subject to certain economic risks and uncertainties. All forward-looking statements speak only as of today, October 27, 2026, and we assume no obligation to update, revise or supplement statements that become untrue because of subsequent events.

A reconciliation to GAAP of the non-GAAP financial measures we provide on this call is included in our earnings release. You can find our press release, financial supplement, SEC reports and an audio replay of this conference call on our Investor Relations website, investors.publicstorage.com.

We ask that you initially limit yourself to two questions; however, if you have additional questions, please feel free to jump back into the queue.

With that, I'll turn the call over to Tom Boyle.

Tom Boyle

Good morning everyone, and thank you for joining us.

I'll frame my comments today around four points. First, operating fundamentals exceeded our expectations in the quarter, giving us confidence to raise our outlook for the year.

Second, PS Next continues to strengthen customer experience and improve how we run the business, including continued investment in digital and AI capabilities.

Third, the closings of NSA and Public Storage Canada were important milestones for our value creation engine. Our focus has turned to integration, execution and positioning these assets for stronger contribution in 2027 and beyond.

Fourth, in a higher-rate environment, our balance sheet, capital allocation capability and data science tools are strategic advantages that allow us to invest with discipline and speed.

Let me begin with operating fundamentals.

The third quarter results were better than expected, supporting our increased outlook and strengthening our confidence in the trajectory of the business as we move towards 2027. That confidence does not reflect a major change in the macro environment. Demand remains uneven, but we are seeing better customer retention, stronger new customer pricing and a more favorable supply backdrop as new construction slows.

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Our retention progress reflects a stronger culture of customer obsession. During my property visits this quarter, I saw a cultural change moving. It's simple things. At one visit, a property manager ran to a customer to help them download our app so that they could open the gate from their phone. But those simple things are showing up in our improving survey results and operating metrics. The combination of improved retention and moderating supply is creating a better operating setup.

New customer pricing improved year over year for the second consecutive quarter. Occupancy remained ahead of the prior year, and Same Store revenue accelerated sequentially from the second quarter to the third quarter by 110 basis points into positive territory. As we exit 2026, confidence is building that we're moving from stabilization to gradual recovery.

Now let me turn to PS Next.

PS Next remains central to how we intend to win. It brings together customer experience, pricing, operating efficiency and digital capability in one integrated platform. Nearly 90% of customer interactions are digital, and roughly three-quarters of customers complete their lease digitally today. That's an important foundation as AI changes how customers discover businesses, compare options and engage with brands.

Last quarter, I spoke about Ellie, our AI-powered virtual agent. Ellie has now handled more than 300,000 customer interactions and that capability continues to expand. It can improve the customer experience while allowing our teams to focus on the interactions where personal assistance makes the greatest difference.

We also expect customers will increasingly interact with Public Storage, not only directly, but through AI agents as well. Whether that is Meta's Muse, Grok bots, Dots or other emerging interfaces, we are tuning our digital and AI platforms to make sure the experience is seamless either way.

The key point here is that AI does not change the fundamental demand for storage. Storage remains need-based, local and physical. What AI changes is how customers discover, evaluate and interact with operators. In that environment, Public Storage is well positioned because of our scale, our digital foundation, our brand and our customer experience.

Turning to NSA and Public Storage Canada, the closing of NSA was a major milestone in the quarter. We moved the portfolio onto Public Storage systems immediately after closing in July, allowing us to move quickly from transaction execution to integration.

During one visit at a transitioning store in the quarter, I saw the look on both the teammate and the customer's face when the teammate was able to immediately address a rent concern with our WebChamp system in place, a simple and quick resolution of a customer concern. And the resolution was seamlessly real-time supported by our data science engines.

Rebranding is underway, with approximately a third of the portfolio expected to be fully rebranded by year-end. We're encouraged by the early results in the wholly-owned portfolio, including strong move-in volumes and incremental capital opportunities, including potential expansions.

Tenant and property cleanup work is underway at the stores, creating some near-term noise, including elevated bad debt and repair and maintenance activity, but this work is critical to position the portfolio for improved revenue, margins and operating performance over time.

As the assets season on our PS Next platform, we see meaningful opportunities to improve the customer experience, increase utilization, address offline units and deploy high-return capital. Our conviction in the long-term opportunity has increased as we operate the portfolio.

We were also excited to reunite the Public Storage Canada team and portfolio with Public Storage following the September closing of that transaction. This is a high-quality, Public Storage-branded portfolio in an underpenetrated market with meaningful long-term potential. Systems integration is expected next month, ahead of the original schedule. We are setting both portfolios up for 2027 and beyond for revenue upside, expense synergies, margin expansion and a strong long-term value creation.

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My fourth point is capital allocation and external growth. Interest rates have moved higher. Higher rates create challenges, but they also create opportunity. When financing costs remain elevated, asset values and seller expectations adjust over time. Our balance sheet and financial flexibility are meaningful advantages in that environment.

We are also becoming faster and more precise across our capital allocation tools. Our work in sourcing, AI-informed underwriting and approval processes is cutting deal timelines in half and allowing teams to act more effectively at the micro-market level. Capabilities we are building internally, as well as through our partnership with Welltower, are also helping us identify and prioritize attractive markets by harnessing the deep consumer databases that Welltower has built over a decade and combining it with the power of Public Storage's vast operating data.

The largest transaction in the quarter was an off-market $150 million portfolio acquisition in desirable coastal locations from a family exiting the business. The deal has a mid-6 going-in cap rate and illustrates the opportunity created by generational transitions, the value of off-market sourcing and the importance of speed and certainty of execution.

Our development pipeline has grown year to date to nearly $800 million at quarter-end. Higher construction and also financing costs have made development more difficult across the industry, but we continue to leverage our platform advantages to find attractive micro-markets in a less competitive environment. Really across acquisitions, development, expansions, lending and third-party management, we continue to see opportunity in all elements of our value creation engine.

As we enter the fourth quarter, our focus is increasingly shifting towards 2027. The building blocks for 2027 and beyond are increasingly clear: We are seeing better operating momentum in the core business. We are strengthening customer experience and retention. We are advancing PS Next and building new digital and AI capabilities. We have closed two major transactions and are now focused on integration. We are preparing to deploy capital into 2027 with more precision, faster timelines and better data. And we're doing all of this with a strong balance sheet, an aligned leadership team and an Own-It culture that is gaining momentum across the organization. These blocks are coming together to position Public Storage for stronger per-share earnings growth in future years.

With that, let me turn it over to Joe.

Joe Fisher

Thank you, Tom, and good morning everyone.

As Tom mentioned, we are raising guidance across all key metrics for the second time this year, reflecting continued robust operating momentum. In addition, we completed NSA and Public Storage Canada and continue to find accretive deals across all our value creation avenues, funding over $12 billion year-to-date in activity at attractive locked-in cost.

Now digging into our third quarter results, Core FFO for the quarter was $4.34 per share, up 0.7% year over year. Growth in Same Store NOI and accretive external growth activity more than offset higher financing costs and G&A.

Same Store revenue and NOI each grew 0.5% in the quarter.

More importantly, forward-looking indicators strengthened. Average move-in rents improved a positive 9%, our strongest level since 2Q of '22, and move-in rates are up 28% from the fourth quarter of 2025, well ahead of historical trends and a clear indication that the business is moving beyond the last few years of stabilization.

Existing customers also continue to perform well and respond to our improving customer experience as reflected in lower churn and higher occupancy.

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Market conditions remain mixed by geography, although utilization across the industry remains strong as storage continues to provide an affordable space alternative to housing. New supply continues to pressure certain Sun Belt markets, but that supply is declining and should support a recovery there over time. In many coastal and Midwest markets, where supply levels are lower, we are seeing more normalized revenue growth in the 2% to 4% range with further improvement likely as supply declines.

Los Angeles is improving following the expiration of state-of-emergency pricing restrictions earlier this year, returning to positive revenue growth. Importantly, improvement extended beyond Los Angeles and was broad-based, including across parts of the Sun Belt. Within our top 25 markets, 60% are generating positive year-over-year revenue growth and over 70% are showing sequential improvement. Our focus is on carrying this momentum into 2027, when supply conditions should become more favorable.

Expense growth was roughly flat in the quarter, supported by favorable performance in property taxes, payroll, utilities and indirect costs. Property tax results included better-than-expected assessments in Illinois and successful appeals in Texas.

Outside of the Same Store pool and excluding Strategic Acquisitions, Non-Same Store NOI grew 22%, while ancillary NOI grew 21%. Both were ahead of expectations and remain meaningful contributors to shareholder value.

Turning to 2026 guidance, we are raising full-year guidance for the second time this year, supported by improving leading indicators and stronger-than-expected core operating performance. We are raising Core FFO guidance by $0.10 or 0.6%, to $16.90 to $17.10 per share with a midpoint of $17. This increase reflects improved Same Store performance and continued strong contributions from Non-Same Store and ancillary NOI.

At the midpoint, Same Store revenue and NOI growth are now expected to be positive 0.25% and negative 0.3%, respectively. Those represent improvements of 45 and 85 basis points from our prior outlook.

The revised full-year guidance continues to assume low single-digit move-in rate growth and modestly positive year-over-year occupancy. Continued churn improvement is expected to drive higher ECRI contributions.

Turning to transactions and value creation, year to date we have deployed or committed over $12.5 billion across acquisitions, development and lending, with a weighted average going-in yield in the low 5s and a stabilized yield in the high 6s. PS Next is a key driver of those returns as our best-in-class operating platform helps us generate more NOI and cash flow in a storage property than the competition. Importantly, this activity has been funded on a leverage-neutral basis.

Higher interest rates have increased hurdle rates and moderated transaction activity, however, our strong balance sheet and operating platform position us well to capitalize on a potential reset in asset values.

Lastly, balance sheet and capital markets. Our balance sheet remains exceptionally strong in terms of leverage, liquidity and capacity. Year to date, we have completed over $12 billion of capital markets activity, fully funding our external growth initiatives. In the third quarter, we issued $1.2 billion of unsecured debt at a weighted average rate of 4.85%. That activity included our first Canadian bond issuance and continued use of our hedge program, including a 10-year treasury hedge at 4.32%, of which we still have $500 million remaining for future use. Nine hundred million dollars of this issuance year to date was subsequently swapped to Canadian rates to hedge our PS Canada equity exposure, further reducing those rates by approximately 1%. We've also entered into forward sale agreements under our ATM program year to date that are expected to generate nearly $400 million of future net proceeds at approximately $326 per share.

At quarter end, available liquidity was approximately $4.1 billion between cash and our line of credit, supplemented by approximately $600 million of expected annual free cash flow.

Our balance sheet remains one of the best in the REIT sector, with net debt-to-EBITDA of 3.4 times, debt plus preferred equity-to-EBITDA of 4.7 times, and debt plus preferred equity-to-enterprise value remaining in the low 20% range. While debt metrics were modestly elevated this quarter by 0.4 turns due to the

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transaction timing, we expect the two major transactions to be slightly deleveraging over time.

In summary, operating momentum improved, guidance increased, the value creation engine remained active and the balance sheet was further strengthened. We are executing today with an eye to the future and building multiple drivers of long-term per-share earnings growth.

With that, I'll turn the call back to the operator for Q&A. Thank you.

Operator

Thank you.

At this time, we'll be conducting a question-and-answer session. If you'd like to ask a question, please press star, one on your telephone keypad. A confirmation tone will indicate that your line is in the question queue. You may press star, two if you'd like to remove your question from the queue. As a reminder, we ask that you please limit to two questions and, if necessary, rejoin the queue. For participants using speaker equipment, it may be necessary to pick up your handset before pressing the star keys. One moment, please, while we poll for questions.

Our first question comes from Michael Goldsmith with UBS. Your line is now live.

Michael Goldsmith

Good morning, good afternoon. Thanks a lot for taking my question. Nine percent move-in rate for the third quarter was strong. Can you talk about the cadence of that through the quarter, and then what have you seen so far across the operating metrics in October?

Tom Boyle

Thanks, Michael.

We did see a strong move-in rate activity throughout the quarter. Maybe taking a step back, I'd say fundamentals overall, as I just mentioned, were better than expected.

I would actually start with the improving churn, which is something that we've spoken about now for several quarters, that we attribute both to customer mix but also the customer focus of the teammates at the properties and around the Company, paired with lower move-in volumes really leading to that strength in the summer months at the peak leasing season.

In terms of sequentially through the quarter, I think we had reasonably good strength throughout as it relates to move-in rates, such that the combination of move-in rate and move-in volume—move-in revenue, if you will—was in positive territory year over year, while move-out revenue was in negative territory, certainly helping the acceleration of the business through the quarter.

In terms of October, relatively consistent trends there, so nothing that has meaningfully shifted. Not quite the 9% year-over-year growth as we move from the summer into the fall part of the seasonal period, but trends are consistent in terms of both churn benefits as well as move-in volumes being modestly lower. Occupancy is roughly flat as we sit here through October.

Michael Goldsmith

Got it. Thanks for that, Tom.

Then just to follow up, the implied fourth quarter Same Store revenue growth is 1%, so showing continued sequential improvement. Does that require anything to materially change there for the backdrop in order to hit that? Can you talk about what your expectations are for move-in rate, occupancy and ECRIs through the fourth quarter to hit that number?

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Tom Boyle

Obviously, we had the benefit of seeing October performance as we put together that outlook, so I'd say certainly October is very consistent with that. Joe just walked through some of the trends expected in the full-year numbers, including low single-digits move-in rent growth which we expect to be in place, as well as the year-over-year growth. So nothing more I'd add to that.

Michael Goldsmith

Thank you very much.

Operator

Our next question comes from Nicholas Yulico with Scotiabank. Your line is now live.

Nicholas Yulico

Thanks. I just wanted to stick with the move-in rate growth, which was very strong this quarter. I was hoping you could quantify if there was any year-over-year comp benefit plus any impact in L.A. that really drove that number unusually high this quarter.

Tom Boyle

There's nothing unusual that I would point to that drove that. I think it's a combination of the factors I just highlighted. I would note clearly that that is managed not at the national level, but it's managed very much so at the local property and unit level, and we certainly see a wide variety of outcomes there where certainly some markets and submarkets that we operate in saw a different mix of rate and volume and those sorts of things. But overall, certainly on the aggregate, encouraged by that pricing strength.

As I said, that was really peak leasing season, which is our strongest pricing power, highest occupancy through the year. We are anticipating and have seen in October that that same level of year-over-year growth doesn't persist into October, and we're not anticipating into the fourth quarter.

But as you think about L.A., for instance, L.A. actually not a meaningful contributor to that. Actually, L.A. move-in rent growth is just a touch under the national average, so nothing unique there either.

Nicholas Yulico

Okay. Thanks, Tom. I guess as you think about the trade-off between pushing rate and preserving occupancy as you head into next year, what does the competitive landscape look like? Do you feel good still about the ability to push rate versus what competitors in the market are doing right now?

Tom Boyle

Again, it's a dynamic marketplace. So we're going to see across the different markets—as Joe highlighted, we have markets, maybe characterize them as coastal markets, where we've got 2% to 4% Same Store revenue growth, pretty good and healthy move-in rate growth supplemented there, and then you're going to have a combination of the Sun Belt markets which continue to absorb—really, tremendously absorb—new supply over the last several years that will continue into '27, and some of those markets are certainly going to have move-in rates that are lower in a more competitive new supply dynamic.

Sequentially, we've seen encouraging trends there, as Joe highlighted. I would expect that that continues into '27 with less new supply deliveries in '27 compared to '26.

Nicholas Yulico

All right. Thank you.

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Operator

Our next question comes from Samir Khanal with Bank of America. Your line is now live.

Samir Khanal

Hey, good afternoon everybody.

I guess, Tom, you talked about improving customer retention here in the portfolio, and broadly, with customer churn improving and occupancy stabilizing here, how are you thinking about the opportunity to push ECRIs into 2027?

Tom Boyle

We continue to have a really stable and attractive existing customer base. If you look at that vis-à-vis existing customers and their price sensitivity, or you look at their payment patterns or delinquency patterns, it continues to be strong performance, and that's really been the case over the last several years.

With more pricing strength for new customers, that actually gives you a little bit more ability to think about ECRIs, given the fact that the replacement cost, if a tenant vacates, is actually lower. We saw some of that benefit in the third quarter with a little bit stronger ECRI contribution in the quarter, which was healthy. And to the extent that new customer strength continues, we'd anticipate that that positive contribution does as well.

Samir Khanal

Got it. Then I guess my question, the second one is on the NSA acquisition, which you've closed. Is there any early reads into the portfolio, maybe metrics coming in better than you expected? Maybe any color on that? Then, where is the greatest opportunity to outperform your original underwriting for that portfolio? Is it from revenue management? Is it from operating efficiencies, or potentially better market fundamentals in NSA's portfolio? Thanks.

Joe Fisher

Hey, Samir. It's Joe. Maybe a couple things on that.

Starting off with just in terms of what we guided to for the year, we did guide to a neutral impact from both NSA and PS Canada with no change in those expectations. So, overall revenue and NOI coming in in line with our original expectations here in the back half of the year. As you move forward into '27 and '28, I would say that our conviction levels have only increased in terms of the go-forward NOI contribution from those respective portfolios.

With NSA specifically, we've talked about a couple different opportunities. One is on the customer experience front. Definitely an opportunity there to continue to lean into that effort as we are across the entire portfolio. Two would be vacant units or unrentable units that we are bringing back online. We had about 14,000 units there that we inherited that we are getting cleaned up and back into the rental pool, and so more revenue upside than we expected coming off of the total unit base. Three is the $100-plus million of ROI opportunities that we see in this portfolio. That could be additional developments and redevelopments, expansions, remixes, conversions, etc. That will take time to play out, but we do think there's more NOI upside coming off of that.

As it relates to near-term trends, what we're seeing in the portfolio is some puts and takes there to get to that in-line expectation here in the back half. But we've been really pleasantly surprised by the move-in volume that we've seen coming into that portfolio. If you look at August and September, we were up well over 30% on move-in volumes across the portfolio. That's really a benefit to getting the portfolio onto our digital ecosystem, getting it onto our temporary branding Day 1. As Tom said, by year end, we'll have over 30% of that portfolio already permanently rebranded. So, that's part of the thesis that we hoped and expected would play out, and we've been very pleased by that.

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The offset is that we have dropped move-in rates a little bit, which is consistent with what our initial plan was. Then, as we mentioned, we're cleaning up some of the customer base in terms of delinquent tenants that need to be moved out of that portfolio.

So overall, in line with expectations, but more upside in the future.

Samir Khanal

Thank you.

Operator

Our next question comes from Todd Thomas with KeyBanc Capital Markets. Your line is now live.

Todd Thomas

Hi. Thanks.

Joe, you touched on L.A., which returned to positive Same Store revenue growth after the roll-off of the state of emergencies earlier in the year. How should we think about the runway from here? Can you comment on the catch-up opportunity there on ECRIs and maybe move-in rents?

Then can you also comment on what looks like new state-of-emergency measures that were just recently implemented in California from a recent tropical storm here? It looks like the last several days or so. Any thoughts or expectations on the impact that that might have in terms of late-in-the-year performance or anything that we should consider for 2027?

Joe Fisher

Hey, Todd. I'll just take those in order.

From an L.A. perspective, we've been really pleasantly surprised with the performance post the state-of-emergency expiration. When you look at our revenue increase guidance of roughly 50 basis points here, about half of that is coming from L.A., an additional lift there. So a very nice relative and absolute positive for revenue growth for us this year. I think in terms of the continued momentum that you referenced, we still have a lot of recapture to go out there and get.

As we talked about before, we have an exceptionally well-positioned portfolio there in L.A. of high-quality assets in a market that does not have a lot of supply. If you look at the trends for the rest of L.A. outside of the state-of-emergency assets, we've continued to see good revenue growth performance throughout 2025 and 2026. Just to recapture the trend line, we've still got almost 100 basis points of incremental revenue growth to go get on that portfolio, which equates to around $35 to $40 million of upside here in 2027 and 2028. We'd expect that over time we'll be able to put up those results and that will be additive to the growth profile here for the Company.

As it relates to the most recent state of emergency that was put in place through mid-November at this point in time, we did factor that into our updated expectations. We think it's a relatively de minimis impact on this year's numbers, and we hope that it rolls off in short order and we can get back to operating a normal course business.

Todd Thomas

Okay. That's helpful.

Then, Tom, you mentioned in your prepared remarks you brought up the Welltower data science partnership that was announced earlier this year, and I was just wondering if you can update us on the implementation. Have you begun deploying Welltower's capital allocation models for PSA, and are they

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influencing your acquisition underwriting or your investment decisions today? Then can you also provide any color on the economics of that arrangement, maybe some of the licensing costs or other payments between the companies at this point?

Tom Boyle

Sure. We'll take those sequentially. I'll take the beginning piece, and Joe can speak to the financial components.

Maybe take a step back, because as we started this year, there were a couple components that we viewed as a real opportunity to utilize data science in our capital allocation decision-making paired with some team investments, so just an update on some of that activity.

The first, the focus has been around how do we get to faster speed and accuracy of that initial underwriting? So, that's a combination of tools that we're using internally as well as with some of the Welltower tools that you're speaking to and the pairing, as I highlighted earlier, of their significant data sets paired with our vast operating data that we have in storage. Yes, we're using that information in our investment committee decision-making today and continue to evolve and improve that data science work.

The second component is around what's the opportunity to continue to use data science and our PS Next platform to drive operating efficiencies, and that's another component of the value creation engine that I highlighted earlier.

Then the third piece, which is also really important, is the team investment, so we have grown the size of the team, and as you think about the micro-market targeting, the speed that we're talking about, the certainty of execution, all coming together to drive more off-market activity. But you need the teammates that go sit in the living rooms and get those deals done, and so that combination of multiple factors leading to some of our transaction volume success this year and over half of our activity being in off-market transactions.

So some good early returns on that activity, but we're certainly laying the groundwork for '27 and beyond.

Joe Fisher

Hey, Todd.

Related to the second part of your question in terms of the arrangement, similar to any vendor that we do business with, we're not going to be able to publicly disclose what the economics are of those. However, I'd just say it's a multiyear agreement with them. The economics are factored into our guidance, and from an ROI perspective, we feel very convicted that we're going to see returns on that agreement that we have to the benefits that Tom talked about.

Todd Thomas

Okay. Do these costs flow through G&A expense? I don't know if we'll ever see a breakout, I suppose, but where would these costs ultimately fall on the financial statements?

Joe Fisher

They'll roll through G&A, Todd.

Todd Thomas

Okay. All right. Thank you.

Operator

Our next question comes from Juan Sanabria with BMO Capital Markets. Your line is now live.

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Juan Sanabria

Hi. Good morning. Just hoping you could talk a little bit more about Los Angeles and how much of the portfolio has been touched from an ECRI perspective in terms of being brought up to market, and with the new, hopefully temporary emergency restrictions, how much of your NOI is affected by that? It seems like it's beyond L.A., maybe San Diego and Orange County, so just hoping for a quantification of what that encompasses at this point.

Tom Boyle

Sure, Juan.

In terms of the approach that we've taken in Los Angeles when the pricing restrictions came off, we did have the ability to start to move to market-based pricing. We've taken advantage of that, and that's what you see in the performance in the third quarter, the acceleration in financial performance from the portfolio in L.A.

As we've noted on prior conversations, we were not seeking to recapture the difference between market and where tenants were overnight, and we view there as an advantage to spread that out over time, both from a brand and franchise standpoint given the strength of our portfolio in Los Angeles. We're in that process, but that likely takes 12 to 18 months to get there, which goes to Joe's comments earlier around future upside as we get into '27 on Los Angeles.

In terms of the most recent state of emergency, as Joe highlighted earlier, we're certainly in compliance with the pricing restrictions there. It is broader than L.A. County, but we'd anticipate that the storm emergency would move on after a shorter period of time compared to the state of emergency that was put in place given the fire impact and the relative impact of those different events.

Juan Sanabria

Thanks. Maybe just going back to the top of the call where you were talking about move-in rates in the 9.3%, which was clearly an acceleration from what you guys discussed in the September conference, but just hoping you could maybe fold into that discussion the use of discounts or incentives and how that on a net basis is trending to kind of just round out that conversation.

Tom Boyle

Yes, sure. Happy to.

The other components that you just highlighted, we're constantly testing and evaluating the mix of rate, volume, promos, marketing, all those different levers that we have, and again, really at the property and unit size level. But specifically to get to your question around promotions, promotions were up in the quarter, but as you think about rates being up 9.3% in the quarter, the promotional discounts given or the percentage of the tenant base that received promotions was actually lower year over year. The increase there is driven by the higher contract rent that was achieved during the quarter. So actually, modestly lower promotional activity per tenant this year compared to last year and that's continuing into the fourth quarter.

The flip side is we did use a little bit more marketing and saw a very good return associated with that marketing spend in the quarter.

Juan Sanabria

Thanks, Tom.

Tom Boyle

Sure. Thanks, Juan.

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Operator

Our next question comes from Steve Sakwa with Evercore. Your line is now live.

Steve Sakwa

Thanks. I just wanted to see if you could provide a little bit more color just around the broad transaction market. What are you seeing on the pricing front and maybe changes in unlevered IRR expectations, and maybe how are you adjusting to those maybe higher return hurdles, but possibly also better NOI growth as you look out, what is that doing ultimately to cap rates in your view?

Tom Boyle

Sure, Steve.

We have been active this year really across the spectrum of capital allocation. We're live in dialogue with sellers as we move through the fourth quarter. We were frankly anticipating that we could have had a pretty active fourth quarter, which is more typical in this sector coming out of conferences and closing out the year following a stronger leasing season this year.

With higher rates, we're certainly seeing a little bit more of a disconnect between the higher cost of capital associated with buyers and seller expectations that have not necessarily adjusted yet. But those higher costs, higher financing costs are going to put more pressure on certain owner groups and would anticipate that if rates stay where they are and stabilize here. That's from a combination of factors, certainly those that are refi-ing, those that have lease-up activity embedded in their underwriting, and then also certainly as we think about new supply and higher cost of capital for new development that comes in, all likely to have an impact from those higher rates.

As you noted, from our standpoint, we have a combination of a strong balance sheet with an attractive cost of capital on a relative basis, paired with our PS Next operating platform that can earn more cash flow from those individual assets. So, on a relative basis, while the activity is slowing a little bit here with higher hurdles that we're using, as Joe mentioned earlier, the opportunity set is attractive. We feel like if rates stabilize here there could be an opportunity for higher-yielding returns, lower basis, even below replacement costs in many of the markets that we're evaluating today. And that's an attractive place for us to deploy capital into.

I think it's a dynamic environment—we want to see how rates evolve through the fourth quarter—but one that we're optimistic around as we head into 2027.

Steve Sakwa

Great. Then maybe just as a follow-up, Joe, I might have missed some of your comments around occupancy, maybe into the fourth quarter. Could you just maybe re-clarify your comments around occupancy? I didn't know if you were talking spot occupancy, average occupancy, but just maybe any clarification around fourth quarter trends would be helpful. Thanks.

Joe Fisher

For occupancy, what we talked about was full year being slightly positive for the year, and we've been up kind of 20 or 30 bps on a year-to-date basis. So it'll probably come down and be more in parity on a year-over-year basis for occupancy in the fourth quarter. At the same time, we'll continue to see churn hopefully stay lower on a year-over-year basis, continue to see a good ECRI contribution. Then we got move-in rates, which we expect to remain in the positive territory, although just not at the same magnitude as that 9% that we saw in third quarter.

Steve Sakwa

Great. Thank you.

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Operator

Our next question comes from Brad Heffern with RBC Capital Markets. Your line is now live.

Brad Heffern

Hey everybody, thanks. Appreciate the prepared comments on AI and the deck you put out a few weeks back, but there's still a lot of concern around Muse and other AI agents.

I think most people would agree that making it easier to cancel isn't necessarily helpful because the tenant still has to move out and nobody wants to do that. But I'm curious how you think about the risk that it allows tenants to push back on ECRIs more easily.

Tom Boyle

Sure. Directly to that point, no question that the pace of AI innovation continues to be quick, and that's encouraging across a number of fronts for us. We view it as an opportunity for us across certainly the customer interaction that I highlighted with Ellie, our virtual agent; the digital platform that we have, it continues to be tuned to those AI agents. And to your point, our customer experience is one that does not make it difficult to move out or to cancel. We have month-to-month leases, and those month-to-month leases enable customers to move out when they elect to. That's always been the case, so no change there.

I think as it relates to the impact associated with rent concessions or otherwise, that's something that I actually gave an example earlier in my prepared remarks around a customer coming and requesting a look at rent concessions, something that we tune with data science engines in order to be able to optimize based on expected customer behavior and sensitivity. With AI agents likely to participate in that today and going forward, we would continue that tuning.

We haven't seen an increase in the level of requests for rent reviews or other things year to date, but to the extent that we do, we'll navigate that with the same sort of predictive analytics around customer behavior and vacate patterns that we'd anticipate ultimately seeing from the end user that's utilizing those agents.

Big picture, the AI landscape overall—and I highlighted this earlier—is one that's set to benefit larger, more sophisticated operators, and we certainly count ourselves amongst that group. We feel like a combination of our customer experience, digital platform, brand and data science capabilities position us well in that landscape to interact with agents and, frankly, make it even more seamless for customers to rent and interact with us across the board.

Brad Heffern

Okay. Got it. Thank you for that.

Then on mortgage rates, obviously they've moved higher. Do you think that that has any impact at all on demand at this point? Housing's been unaffordable for a while. Transaction volumes have been down for a long time. Does it do anything, or do you think that business has rebased to this new environment of much less housing activity and it doesn't have an impact?

Joe Fisher

Maybe a couple things there, Brad, but I'd say overall we don't expect a meaningful impact from higher mortgage rates or less affordability or less transactional activity in the housing market. When you look at our overall demand or move-in activity, we have about 45% of our move-in activity coming from moves overall, but only about a third of that is coming from moves from single-family ownership to single-family ownership. So a lot of our move-in activity, the shorter duration stays in the SFR and multifamily world. We think, generally speaking, it's less demand overall, and it's come out of the backward-looking number and don't think it'll be a big impact on a go-forward basis.

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The other thing to think about, too, is just overall utilization in the space, which continues to increase. We've seen utilization, even over the last three or so years, continue to increase at 3 to plus or minus increase relative to population growth or job growth, so going up at 2x to 3x, that type of number, in terms of number of customers utilizing storage. I think that probably continues into the future, given the value proposition there.

Brad Heffern

Okay. Thank you.

Operator

Our next question comes from Ravi Vaidya with Mizuho. Your line is now live.

Ravi Vaidya

Hi there. Thank you for taking my question. With move-in rates up 9% and while move-in volumes down some 7%, is this a strategy shift that we should expect to continue? With move-in rates likely normalizing in 4Q, given your comments about a low single-digit for the full year, how should we think about the impacts on ECRI activity and promotions?

Tom Boyle

As I noted earlier, this isn't a strategy shift necessarily, but what our models and team are reacting to on the ground from a revenue management standpoint is a combination of elements that are really helpful. You see the impact of less churn from the existing customer base really being one of the most important components leading to that pricing strength. So, yes, with less move-out and vacate activity, we have less move-in volume but stronger move-in rate. The trade-off between those is optimized at the local size code and property level. And on a year-over-year basis, that trade-off was a positive year-over-year move-in revenue impact.

As the operating environment continues to evolve, those tools will be toggled at the local level. I'm not going to sit here and say that there's a strategy shift underway, but we'll continue to react to it. In the third quarter, we saw a good combination of dynamics supported by the customer experience benefit and churn that was favorable, and we're seeing that continue into October.

Ravi Vaidya

Thank you. Very helpful there.

I wanted to follow up on a question on the guide. The guide reflects an acceleration at the Same Store revenue level, sequential decrease in FFO. Maybe there's some items outside of the core that we should be considering, maybe acquisitions or refinancing headwinds as we think about the fourth quarter.

Joe Fisher

Hey, Ravi.

If you think about 3Q going to 4Q, we're going from $4.34 in the third quarter down to $4.26 implied in the fourth quarter. That $0.08 deceleration is really driven by a couple things. One is that in the third quarter, as mentioned up front, we had a really good quarter from a property tax perspective. The assessments for Illinois came in materially lower than we expected and lower than what we had accrued to throughout the first part of the year. At the same time, we had good appeals wins down here in Texas. So while those will create a run-rate benefit, the one time in 3Q creates a tough comp going into 4Q, even though those run-rate P-taxes will be lower on a go-forward basis given two of those wins.

The other thing is that we have a refi in November, so you'll have a little bit of an interest rate reset. That'll cost us about a penny. Then you have Shurgard that comes off a little bit from 3Q to 4Q as well, so that's

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coming down by about a penny. That kind of rounds to roughly that number in terms of the deceleration there.

The flip side is that we continue to see momentum, obviously, from a core perspective, so expect revenue to accelerate in the Same Store pool. Non-Same Store should continue to be positive and contribute in year over year. The ancillary business continues to be really strong for us.

Ravi Vaidya

I appreciate that. Congrats on the good quarter.

Operator

Our next question comes from Spenser Glimcher with Green Street Advisors. Your line is now live.

Tom Boyle

Hey, Spenser, you might be on mute.

Spenser Glimcher

Can you not hear me?

Tom Boyle

We can hear you.

Spenser Glimcher

Oh, okay. Sorry.

I know the PS Canada acquisition only closed at the end of the quarter, but is there any color you can share in terms of move-in rent trends or leasing volume from the last month? Just curious your updated thoughts on the Canadian operating landscape.

Tom Boyle

We didn't disclose anything related to operating metrics in Canada. I think, as Joe's highlighted before, we'll provide more color around the strategic acquisitions as we have a full quarter here. This is really a stub quarter for PS Canada. We're looking forward to the systems integration and team integrations here that we're planning for next month, where we'll be putting our digital ecosystem in place, our operating systems. That integration planning is working really well.

In terms of market performance, I'm not going to get into specific markets associated with that, but we'll provide some more color as we have a full quarter next quarter.

Spenser Glimcher

Okay, fair enough. Then just thinking maybe about acquisitions moving forward, the Canadian market's obviously highly fragmented, not too dissimilar from the U.S., but there's arguably a lot less competition up north. How should we think about near-term acquisitions being split across the U.S. and Canada, maybe over the next 12 to 24 months?

Tom Boyle

Again, I think you characterized it well. We think that there's a market opportunity for us to deploy capital there, and it's one of the reasons why we were so interested in this portfolio is it gives us an ability to grow and expands the capital allocation pie in underpenetrated markets. So I think you captured that well.

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The flip side is the U.S. continues to be by far the deepest and most active market, not only for self-storage as an industry, but also from a transaction volume standpoint. We'd continue to expect that our activity is weighted towards strong U.S. markets while supplementing that with attractive new Canadian markets that we'll be deploying capital into for the first time. So a combination there, but still certainly weighted towards U.S. activity.

Spenser Glimcher

Okay, thank you so much.

Tom Boyle

Thank you.

Operator

Our next question comes from Mike Mueller with JPMorgan Chase. Your line is now live.

Mike Mueller

Hi. I'm just curious. What's behind the faster onboarding of the Canada portfolio? What's driving that?

Tom Boyle

The only driver there is obviously we want to get that integration moving as quickly as possible, and the team rose to the occasion and was able to get some of that work done earlier as well as all of the integration and training work with the teams in those markets. So all an encouraging acceleration from a timeline standpoint and it allows us to work together with those teammates with new systems in place earlier than we anticipated.

Mike Mueller

Okay. Thank you.

Operator

Our next question comes from Jeremy Coey with Goldman Sachs. Your line is now live.

Jeremy Coey

Hi there. As you mentioned, new supply is coming down. Have you started to see any impact on development lease-up, improving for volume or rate, especially in the Sun Belt? Thanks.

Tom Boyle

We continue to see really healthy activity in our new developments that are in the process of leasing up, and that's been the case really for the last several years. Obviously, some of that relates to the fact that we're targeting micro-markets that we think there's a supply and demand opportunity in, and that the demand profile supports new supply within that micro-market, and then we go about leasing it with our PS Next operating platform. So we continue to see pretty healthy lease-ups really across the board, and that includes some of the activity that we have in the Sun Belt.

Your question specifically, do we anticipate it to improve? I think it would be logical to think with less new supply in some of those marketplaces that there could be some improvement in the next year and the following year, but I'd say maybe level setting, we continue to see pretty healthy lease-ups in the development activity we've delivered recently.

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Joe Fisher

I think maybe just to add on to that too, as you think about our conviction level and putting our money where our mouth is on that front and the belief in the lease-up potential, of that $700 million that we've acquired this year, about half of that is lease-up activity. So our average in-place occupancy for the acquisitions that we've done is in the mid-50s. While that is dilutive to this year, we're able to buy at discounts to replacement costs and get better total returns on a go-forward basis, and so we're already seeing good lease-up volume within those acquisitions as well in addition to that development portfolio that we have.

Jeremy Coey

Got it. Thanks. That acquisition commentary is very helpful.

I know strategy at PSA has been focusing on reducing labor costs. I wanted to know how much more runway is there for that strategy.

Tom Boyle

I would maybe characterize it a little bit differently than you did. Focus has been around how do we utilize a combination of a digital ecosystem to create a bit of a different operating model that really touches many aspects of the team around the country and centrally, and that relates to those tools being deployed but also specialization and centralization and automation of some of the tasks that are required to interact with our customers and provide a good customer experience. We've been able to achieve that really over the last five or six years with an investment not only in the digital components but also in our teammates on the ground in terms of new roles and opportunity and career pathing. This led to higher engagement from our teammates paired with, as I noted earlier, better customer sentiment, and then I think directly to your point, lower staffing levels and a positive financial impact as well. So it's really been a win-win-win across a few of those fronts.

We've reduced labor hours across the platform over the last six or seven years by about 30%, and with the advent of some of the AI tools that we speak to and I've spoken to already on the call, we're encouraged that there's likely to be even more opportunity as we head into '27 and '28 to capitalize on that opportunity to provide a more consistent, always-available customer experience paired with great teammates at the properties that are providing a great customer service and property experience, all within an evolving operating model.

Jeremy Coey

Great. Thanks for that color.

Operator

Our next question comes from Eric Wolfe with Citi. Your line is now live.

Eric Wolfe

Hey, thanks. I know we talked about this in prior calls, but I was hoping you could talk about your initiative to give more customers fixed annual pricing and how you're evaluating whether it's additive in markets beyond New York and California, and if you have any sense for what percentage of your portfolio could be using this new structure by next year.

Tom Boyle

Thanks, Eric.

One of the things you're highlighting there is some significant price testing that we've been undertaking for about a year, which results in a little bit of a different marketing package on the website or in person or over the phone that communicates a little bit more clarity around what pricing and rents will be for a customer in

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the first 12 months of their tenancy. That's something we continue to test in a robust way. As you noted, we've been testing it in four or five different states more recently and are planning on expanding that as we move through the back part of the year. But I'd say more to come there, but encouraging trajectory at this point.

Eric Wolfe

Does that make move-in rates any less of a meaningful indicator of your future revenue performance? I only ask because so many people pay attention to the move-in rates as an indicator for your revenue growth is going, but I didn't know that as you change the structure of the lease and how it's presented online, if that changes the comparability of move-in rates on a year-over-year basis, it makes it a little bit harder to compare.

Tom Boyle

Eric, I'd say it may, but I'd say we'll communicate that over time. I'd say at this point we continue to be very deep in testing there with more to come in the future, but I wouldn't preset any expectations there at this point.

Eric Wolfe

Okay. Thank you.

Tom Boyle

Thank you.

Operator

Our next question comes from Linda Tsai with Truist Securities. Your line is now live.

Linda Tsai

Good afternoon. I know there's been a lot of discussion around AI in terms of customer funnel and pricing and process improvement, but does that also translate into more visibility into predicting demand or understanding customer demographics better, which I understand has been opaque historically?

Tom Boyle

Yes, absolutely. We spent a good bit of time talking about customer interaction and also capital allocation, but where our data science team has really been focused over the last eight or nine years has been around how do we tune and optimize our operating platform? And that goes with, yes, demand, that goes with pricing, that goes to some of the staffing components that we're speaking to. So, it's really broad-based there, but that's really where our team has been spending more time historically.

We did recently have a new leader join that team and leading our data science efforts, a new member of the team who came from a consumer products company that's bringing perspectives around, yes, customer behavior and demand profiles that we're excited to see where he can take it.

Linda Tsai

Then you mentioned more bad debt temporarily. Are there other NSA occupancy or rent milestones we should track through 2027?

Joe Fisher

Yes, Linda. I think when we get into the fourth quarter, we'll start to disclose where the NOI and Same Store growth, if you will, is for that portfolio and some of the operating metrics.

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I guess I would say our initial focus is going to be more on occupancy as opposed to rate and driving revenue through that mechanism. Thus far, we've been pleased to see that despite some of those headwinds, occupancy continues to increase on a year-over-year basis, so looking forward to hopefully seeing that trend continue throughout the fourth quarter.

Linda Tsai

Thank you.

Operator

Our next question comes from Tayo Okusanya with Deutsche Bank. Your line is now live.

Omotayo Okusanya

Good afternoon everyone. At the self-storage conference a few months back, there just seemed to be a lot of focus around growing regulatory risk, whether it's potential price caps, whether it is improved disclosure around pricing practices to customers, whether it's some municipalities trying to tax self-storage in creative ways. Just kind of curious, again, from your perspective, what you're seeing on the ground, just as you're going into the midterms, and if there really is real risk that maybe there's some new regulation somewhere that could potentially impact the bottom line or the top line.

Tom Boyle

Sure. We certainly monitor all local activity, which is, I think, where you're headed, across the country. We have seen a number of bills and actually some pass in different jurisdictions around the country, none of which I'd highlight that are having a financial impact on the Company, but it does require monitoring those local legislations.

I think also, at the same time, working in partnership with the industry, the Self Storage Association and the local state self-storage associations, which are doing a great job in both communicating to customers as well as regulators and legislators around the benefits of the industry, the affordability of storage as a product, and we're certainly participating in that and supporting those efforts. The comments that I made earlier around our focus around customer experience is important, paired with that affordability, and we feel like in partnership with some of the industry groups, educating folks around the benefits of the sector, improving our customer experience on the ground and then certainly complying with any local legislation that comes into effect are all important components of where we go from here. But there's nothing on the docket in the near term that we anticipate having a material impact to the financial profile of the Company, but would certainly update you if that were to change.

Omotayo Okusanya

That's great. If I may ask one more, if you don't mind.

Clearly, you're seeing inflection in fundamentals at this point. You guys have raised guidance twice in a row now, which is great. But at the end of the year, for '26, it's a relatively flattish earnings growth year over year. As we start to think beyond '26, if you continue to see this kind of earnings momentum, Tom or Joe, could you just help us think through, from an earnings perspective, what kind of earnings growth that could translate to?

Tom Boyle

I would maybe characterize it as a combination of things. One, we're characterizing the operating fundamentals as certainly better than we anticipated in the third quarter in an environment where we're moving from the stabilization of the last several years to a more gradual recovery in those fundamentals. That's maybe a component of it.

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But as you think about the building blocks that I highlighted earlier, they're important as you think about the earnings profile of the Company in the coming years. We spent some time on this call talking about Los Angeles. We've spoken about NSA and PS Canada, which are additive to the growth profile in '27 and '28, the ancillary businesses, which had a good quarter and continue to grow.

Then as we think about future capital allocation into a medium and longer-term fundamental outlook that we continue to gain confidence around, all additive to the earnings growth potential over the next several years. The focus of mine and the team around Public Storage is putting more and more of those building blocks in place as we think about the industry opportunity moving from here.

Omotayo Okusanya

Thank you.

Tom Boyle

Thanks.

Operator

Our next question comes from Ronald Kamdem with Morgan Stanley. Your line is now live.

Ronald Kamdem

Hey, great. I appreciate all the commentary on the regional differences, but I was hoping we could double-click on the Sun Belt. Obviously, Houston, Tampa and Charlotte stood out on the Same Store revenue. Just can you give us a sense? I know it's supply, but what's happening on the ground? Any commentary on demand in those markets and what strategy you guys are pursuing and so forth? Thanks.

Tom Boyle

Sure. I would characterize the Sun Belt overall—and Joe highlighted it earlier—as one that's sequentially improving in aggregate. You highlighted a couple markets which maybe are headed the other direction, which we can speak to. But I think the absorption that we've seen in those markets has been really tremendous over the last several years, given the amount of supply that was really intended to meet some of the '21 and '22 demand at the time.

As we look about the markets that you highlighted, they're maybe zagging when the rest of the Sun Belt is going a different direction, and that's okay, right? I think as we think about a geographically diversified portfolio around the country, seeing that occur is a healthy thing.

In Tampa specifically, we continue to see tremendous demand. There hasn't been a demand concern. The amount of homebuilding and in-migration continues in some of those markets, and it made sense as an industry, frankly, to put new storage facilities in some of those new marketplaces around the west coast of Florida. We certainly took advantage of that ourselves, and we found some really interesting micro-markets there that will be long-term winners. Over the short term, likely to see more pressure, and that's okay. We're long-term believers in some of those markets that we're highlighting, and I think the absorption, because of the strong demand, will occur over the next several years, even in the west coast of Florida, which is maybe weakest today, more along the lines of what we're seeing in the rest of the Sun Belt with sequential improvement.

Ronald Kamdem

Helpful. Thanks. Then just wanted to round out the conversation on expenses. I think we've talked about property taxes, maybe hit insurance and some of the other factors, the labor savings. Just when you blend it all together, how should we think about that run-rate expense growth? Is the updated guidance a good signpost? Thanks.

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Joe Fisher

Hey, Ron.

I guess, just stepping back, first of all, the team has had phenomenal success over the last couple of years from an expense growth perspective. We were guiding to 2% here this year. We were around that threshold last year, so even in an inflationary environment where you're seeing some of the outsized pressure on cost, we're able to maintain levels well below inflation. I would hope and expect that, given the initiative basket that we have, we'll be able to continue to control those numbers.

From a P-tax perspective, we've been running kind of in the 3% to 4% range the last several years. Don't see a lot of reason that that should change going into next year.

When you go into payroll, Tom already talked about some of the benefits that we have from our customer-driven demand model, as well as things like Ellie, and implications to not just direct personnel, but some of the indirect cost that we may see benefits to going forward.

As you go into R&M, we actually have some new tests and initiatives taking place that we continue to roll out market by market to insource some of that management of those efforts and try to get better outcomes in a quicker fashion at a lower cost, all benefiting both expense and revenue for the customer.

Then utilities, we still continue to roll out additional solar installs. I think we've got a couple more years of constrained growth on that front.

Marketing should be closer to inflationary. Within other indirect costs, you do have a softer insurance market, so hopefully we can continue to push down on insurance premiums at the same time that we roll out AI-based physical security through our camera system and Orange Shield Network to constrain some of the claims activity there within insurance.

So overall, I think we've got a pretty good stable of initiatives teed up to continue to battle expenses at the same time that we're seeing revenue start to accelerate and recover.

Ronald Kamdem

Helpful. Thanks so much.

Operator

Our next question comes from Brendan Lynch with Barclays Bank. Your line is now live.

Annabelle Ayer

Hi. This is Annabelle on for Brendan. Thank you for taking the question. Can you please elaborate on what's driving the momentum in your ancillary businesses? Specifically, what's behind the strong growth in your tenant insurance business?

Joe Fisher

Hey, Annabelle, maybe two things.

One, I would just highlight, when you look at the numbers on the page there, on Page 24 within our supplemental, we have rolled in the incremental benefits coming from NSA and PS Canada. When you look at total net operating income growth of 40% there in the quarter, about half of that is coming from the addition of those two portfolios, including substantial growth, obviously, in the management fee line item, given that we have property management fees now on five total joint ventures coming over from NSA between their four legacy plus the newly formed OP joint venture. We also have asset management fees coming in there on the OP joint venture, so a lot of fee business coming in.

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Aside from that, though, that number of 20% for the residual business is still pretty fantastic. Tenant insurance, we continue to drive premiums higher at the same time that we continue to push additional options, such as tenant insurance within parking for vehicles. We've got a number of initiatives in that space to continue to drive outsized revenue growth.

Then when you look in the management fee business, just for our standalone third-party prop management, you're seeing really strong growth there as we're seeing a number of properties added, somewhere in the 75 to 100 properties incremental on a year-over-year basis. So seeing enhanced revenue and profitability coming from that and good momentum to help drive profitability into the future.

Annabelle Ayer

Great. Thank you.

Operator

We have reached the end of the question-and-answer session. I'd now like to turn the call back over to Tom Boyle for closing comments.

Tom Boyle

Thanks, Rob, and appreciate everyone joining today.

Just to summarize some of our commentary here today, operating fundamentals are moving from stabilization to gradual recovery. Our strong L.A. portfolio is improving. We're deploying capital into a more attractive medium to longer-term industry opportunity. We have two strategic acquisitions, which we're onboarding to the PS Next platform to drive incremental cash flow in future years. We're building out our ancillary businesses, as Joe just spoke to. We're maintaining and utilizing our balance sheet advantages, and our Own-It culture continues to take root.

The near-term environment remains dynamic, but the direction of travel from here is clearing. The building blocks for sustained per-share earnings growth are coming together.

Thanks for your interest in Public Storage.

Operator

This concludes today's conference. You may disconnect your lines at this time, and we thank you for your participation.

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