



Public Storage

Fourth Quarter 2025 Earnings Call

February 13, 2026

C O R P O R A T E P A R T I C I P A N T S

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Spenser Glimcher, *Green Street Advisors*

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PRESENTATION

Operator

Greetings and welcome to the Public Storage Fourth Quarter 2025 Earnings Call.

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

As a reminder, this conference is being recorded.

I would now like to turn the conference over to your host, Mr. Brandon Reagan, Director of Investor Relations. Thank you. You may begin.

Brandon Reagan

Hello, everyone, and thank you for joining us for our fourth quarter 2025 earnings call.

I'm here with the Public Storage leadership team, Joe Russell, 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, February 13, 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, supplement report, earnings presentation, of which we will refer to during this call, SEC reports, and an audio replay of this conference call at our Investor Relations website, investors.publicstorage.com. We ask that you initially limit yourself to two questions. However, if you have any additional questions, please feel free to jump back into queue.

With that, I'll turn the call over to Joe Russell.

Joseph Russell, Jr.

Thanks, Brandon.

Good morning, and thank you for joining us.

Today is a significant day for Public Storage. We're here to discuss our fourth quarter and full year results, but more importantly, we're unveiling PS4.0, the next era of Public Storage leadership and strategy. Tom, Joe, and I will walk you through the full range of changes we're making to drive accelerated performance and long-term value creation. Then we'll open it up for your questions.

Let me start with the leadership transitions and additions we announced yesterday. Succession planning has always been a top priority for our Board, and the objective has been crystal clear. Place exceptional talent in every single leadership position at Public Storage. I'm pleased to say we've met that objective.

On the Management side, I'm thrilled to announce Tom Boyle's promotion to CEO and Trustee. Tom and I have been partners for nearly a decade since we both joined Public Storage in 2016. As you know, Tom has proven to be an exceptional leader in both his CFO and CIO roles, with outstanding accomplishments

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across capital allocation, operations, and financial strategy. Tom is more than ready to lead Public Storage into PS4.0. Our Board, Management team, and I could not be more confident in his skill, drive, and vision. Congratulations, Tom.

I'm also pleased to welcome Joe Fisher to the executive team as president and CFO. Joe's tenure at UDR as president, CFO, and CIO, along with his stature in the REIT industry, made him an exceptional fit for our senior leadership team. Joe joins Public Storage at a great time and adds outstanding depth to our leadership ranks. Welcome, Joe.

Tom will cover other significant leadership changes in a moment. At the Board level, Ron Havner is stepping down as chairman after 15 years of iconic leadership and will continue as a Trustee. Ron is a legend in our industry and has been a tremendous mentor to me and the Management team at Public Storage. I can't thank him enough for his dedication and insight.

John Reyes, our former CFO and current Trustee, is retiring from the Board. John has guided Public Storage with nearly three decades of financial acumen and discipline. His impact on this Company is immeasurable.

I'm excited to announce that Shankh Mitra, CEO of Welltower and an independent Public Storage Trustee for the last five years, will now take the role of Chairman. Shankh brings a proven track record of value creation, strategic clarity, and leadership. We're excited to have him guide and mentor the Management team in his new role.

As noted in our press release, Shankh Mitra and Ron Havner have purchased \$25 million and \$5 million, respectively, of out-of-the-money, 10-year options with a six-year lockout, demonstrating their commitment and confidence of what PS4.0 will deliver to shareholders.

Now let's go to Page 4 of the earnings presentation and briefly step back to reflect on our financial performance and highlight how we've built the platform to drive value. From 2023 to 2025, Public Storage has led the sector in same-store revenue growth, NOI growth, and NOI margins. Our core FFO per share growth leads the sector. Our total shareholder returns of 18.6% outperformed our peers over that timeframe.

Over the last five years, we've built a platform designed to win. Here are a few significant accomplishments. First, deployment of the most robust omni-channel digital ecosystem in the industry. Where over 85% of our customers engage with us using self-help tools and we're infusing AI to optimize conversion and cost. Second, completion of the Property of Tomorrow program, a \$600 million investment to rebrand and modernize all 3,400-plus properties with solar on nearly half of the portfolio by the end of 2026. Third, executing accretive growth at scale. We've invested over \$12 billion, expanding our portfolio by 763 assets, which are delivering outsized growth with more to come in the future. Fourth, inspiring the team through our winning culture and also being named Best Place to Work for four consecutive years. I'm proud of what we've built, and I'm even more excited about what's next.

On a personal note, as I retire from Public Storage, I want to thank the investor and analyst community for the opportunity to work with you over the last decade. I've enjoyed our relationships and the healthy respect we've developed. I've lived by a philosophy of telling it like it is, and I know Tom and the team will continue to communicate with you under that same doctrine. To my Public Storage colleagues, thank you for the tenacity, fellowship, and commitment to success. Public Storage has a strong and vibrant culture and has always been a team of winners. I've been humbled to lead you over the last 10 years. I could not be more excited to hand the reins over to Tom and the team and cheer them on as they take Public Storage into its next era.

Now I'll pass the call over to Tom.

Thomas Boyle

Thank you, Joe.

I'm incredibly humbled and grateful for this opportunity to lead Public Storage forward. Joe, to you and the entire Board of Trustees, thank you for the trust you've placed in me. I'm energized about the next era. Joe, on behalf of the entire Public Storage team, thank you for a decade of exceptional leadership. Your accomplishments resulted in sector-leading total shareholder returns over the past one, three, and five years. But beyond the numbers, your personal impact on the team, from property managers, corporate teams in Dallas and Glendale, inspired us to be our best through every challenge and opportunity. Thank you for your mentorship. I also want to recognize Ron Havner and John Reyes at the Board level. The three of you have built a tremendous foundation for what's next.

Now on page five, let's talk about where the industry is headed and where we're headed. The pandemic created noise, but the signal is clear. Self-storage adoption has increased over the last decade. Generation Z, millennials, and the 65-plus cohort are all participating. Today, 10% of the U.S. population uses storage, and that trajectory is building. Storage is an affordable space solution in a high-cost-of-living environment. Competitive supply is slowing as new development becomes harder and more expensive. While we haven't yet seen a national inflection point on rents, momentum is building in our strongest markets. The trends are there.

The self-storage industry also remains highly fragmented. Generational transitions and continued institutionalization of ownership will create more trading activity from here on. Industry fundamentals have been some of the best in real estate longer term. While they haven't been exciting for a few years, we're not waiting around. We're building the team and the platform for the future today.

Moving to Page 6, we're unveiling PS4.0, the fourth era of Public Storage leadership, 53 years from our founding by industry visionary Wayne Hughes. This is a generational transition and a strategic vision designed to drive accelerated performance. As Joe said, our objective is simple, build the best team to attack the opportunity ahead. We have.

We have new leaders joining the effort. Joe Fisher, President and CFO, here with us today, most recently with UDR. Ayash Basu, Chief Revenue and Marketing Officer, most recently with Boston Consulting Group. Gwen Montgomery, Chief Human Resources Officer, most recently with Gates Corp. We have leaders stepping up. Natalia Johnson, promoted to President, Chief Digital and Transformation Officer. Chris Sambar, promoted to President and Chief Operating Officer. Paul Spittle, who's stepping up to head our acquisitions efforts.

We've brought in diverse perspectives from multifamily, consulting, manufacturing, and telecommunications. This complements are multifaceted and experienced leaders in every part of the Company, with proven capabilities that have driven our outperformance over the last several years. We've also shifted our headquarters to Frisco, Texas, where our largest corporate presence is today. With our LA team relocating to a new long-term office space. I'm delighted to lead this premier team into the next era.

On the next slide, our strategic vision rests on three core pillars. PS Next, our value creation engine, and Own It Culture, which will collectively drive performance for our shareholders. First is the launch of the PS Next operating platform to meet the customer where they're going. Today's customer expects a fast, seamless, and quality experience, which will rapidly evolve with AI playing an important part of all customer journeys. PS Next combines the industry's leading owned property portfolio with the only scaled, omni-channel, digital-first platform, advanced data science, and exceptional property managers and care center agents.

Customers demand more from the brands they do business with today. Not only a core, reliable in-store experience, which we enhance with our Property of Tomorrow program, but also the digital and AI-led interactions of the future. We commit to innovate to meet and exceed those expectations across both the customer experience and the operational delivery of that experience. Customer obsession is critical. PS

Next will drive both revenues and expenses, building on our margin leadership. Our third-party management platform benefits, too. The target result is organic growth acceleration.

The second pillar, the value creation engine, captures the external growth opportunity. Building on PS Next operational leadership is a critical component for value creation, capital allocation. With PSA's capital resources and costs, we have a capital opportunity each and every year. I've grown increasingly passionate and energized about this opportunity over my time at Public Storage, leading to my expanded role several years ago as Chief Investment Officer. We will allocate our capital resources to, one, improve our portfolio, two, accelerate our per-share earnings and cash flow, and three, compound our returns.

My vision of our value creation engine is not just about doing more, given our capital resources, but also better across our acquisitions, development, expansions, and lending investments. These four value creators will differentiate our return profile by fueling our non-same-store growth. Assets that are placed into the PS Next operating platform will earn more cash flow than others in the industry. Data science will lead our underwriting and targeting, leveraging the industry's largest data sets to enhance portfolio composition. Scale advantages compound as we reinforce PS Next and drive earnings growth.

Lastly, the industry's best balance sheet is a competitive advantage and prepared to support it all. We have significant capacity paired with a differentiator, \$600 million of retained cash flow that's growing and will help us execute our strategy. We're investing in this value creation engine. We're growing deal teams, streamlining processes, and infusing data science to increase the speed of execution. We've been active over the last several years amidst a slower transaction market industry wide. The transaction market is poised to accelerate from here, driven by those generational sales and institutionalization setting the table for our value creation opportunity. The target result is accretive portfolio growth.

The third pillar is what I call the Own It Culture. As a leadership team, we're enhancing our strong culture that's been built over the past 53 years. With an infusion of new talent and perspectives complementing our strong team, we are raising the bar for performance. We will empower with accountability. I've been working with Shankh on redesigning our incentives, giving their power as we launch our new era at Public Storage. With Shankh and the Board, we have redesigned our NEO incentive program for 2026 with a focus on per share and total return outperformance.

Now with the launch, we have the opportunity to rethink the incentive structures throughout the organization to get the incentives right. Meaningful incentives, not based on marginal improvements or tweaks, but on the same per share earnings growth and total return for alignment across the teams. Our goal is clear. We will win or lose as a team. The target is more energy, urgency, and engagement driving results for our shareholders. We're just getting started. PS4.0 is about customer obsession, strong capital allocation, with a focus on per share earnings and cash flow growth. Over the coming year, you'll see these initiatives come to life as we showcase these pillars.

Now I'd like to turn over the call to Joe Fisher for his first Public Storage earnings call. Joe, welcome to the team.

Joseph Fisher

Thank you, Tom, and good morning, everyone.

I want to start by saying how excited I am to be here. I've known and followed Public Storage for the last 20 years of my career, and I've known many of you and members of this team for much of that time. I want to first thank Joe Russell, Tom Boyle, Shankh Mitra, Ron Havner, and the entire PS team and Board for the opportunity to join this great Company.

It was clear from our initial discussions last September that the vision and strategy we are unveiling here today was something I wanted to be a part of. Over the past several months, I've spent substantial time with the teams in Dallas and Glendale and onsite at properties getting up to speed. What I've witnessed is

a team full of talented, dedicated A players with a will to win. There's a clear excitement for PS4.0 and a shared commitment to drive performance for our stakeholders through our three key pillars.

Now, let's get into the results on Slide 8. First, you'll notice we made several enhancements to our press release and supplemental. As always, we're seeking to be best in class in all areas of our business, and we welcome your feedback.

Core FFO in the quarter was \$4.26 per share, resulting in full year core FFO of \$16.97 per share at the high end of our guidance range. Same store revenue and NOI growth in the quarter were minus 0.2% and minus 1.5%, respectively. Declines in move-in rents were offset by strong existing customer performance, resulting in in-place rents up 20 basis points and occupancy down 20 basis points.

We're confident in our team's ability to continue driving outperformance and revenue growth just as we have in recent years. I've been incredibly impressed by the sophistication of our revenue platform and the intersection of pricing, data analytics, machine learning, AI, marketing, customer experience, and I'm excited to see where Ayash and the team will take it next.

Expense growth was contained for the year with Q4 at 4.2%. Property tax growth was offset by continued benefits from payroll optimization, utilities, and marketing. Outside the same store pool, NOI growth of 20% in our non-same store pool helped drive core FFO per share higher by 1.2% year-over-year. This is a critical area of our value creation engine and our ability to drive core FFO performance well in excess of our stabilized same store growth. It's also worth noting if we utilized a same store definition similar to our peers, 2025 NOI growth would have been positive 0.2% instead of the negative 0.5% reported.

On to transactions. During the quarter, we acquired \$131 million of accretive new acquisitions that will drive growth through our industry-leading PS Next operating platform. This brings our 2025 total to \$953 million with deployment diverse across size, geography, and seller type at stabilized yields in the high sixes.

On the development and expansion front, we had openings of \$409 million during the year. We ended the year with a total development pipeline of \$610 million with stabilized yields targeting 8% and remaining amounts unfunded of \$416 million. Our lending platform continues to grow with \$131 million deployed in 2025 bringing our total outstanding lending business to \$142 million at a current rate of approximately 7.9%.

Lastly, our Fortress balance sheet remains an excellent position from both a metric and liquidity perspective. At quarter end, we had available liquidity of \$1.8 billion between our line of credit and cash on hand plus approximately \$600 million per year of annual free cash flow. Our balance sheet remains one of the strongest in the REIT sector with debt plus preferred equity to EBITDA at 4.2 times and debt plus preferred equity to enterprise value in the low 20% range.

Moving on to guidance on Slide 9. We've established an initial core FFO range of \$16.35 to \$17 resulting in a midpoint of \$16.68 and a year-over-year decline of 1.7%. Negative same-store NOI growth and refinancing activity is being offset by positive contributions from our non-same-store pool and our tenant insurance program. From an economic backdrop perspective, we expect 2026 to look slightly better than 2025 consistent with consensus expectations.

Same-store revenue and NOI guidance are minus 1.1% and minus 2.2% at the midpoint respectively. We believe occupancy for the year will remain roughly stable. Move-in rents will remain negative in the mid-single digits for the year but will improve throughout the year and our ECR contribution will continue to help support total revenue.

Specific to Los Angeles, we've guided to the state of emergency staying in place for all of 2026 resulting in a drag on same-store revenue of approximately 80 basis points. With good demand and limited supply, it is a matter of when, not if, LA returns to strong outperformance down the road. To attain the high end of guidance, we would need to see the state of emergency end sooner and for occupancy, new move-in rates, and ECRs all to perform slightly better. The inverse would take us to the low end.

Expense growth is expected to remain constrained again in 2026 with mid-single digit property tax growth being offset by expense constraining initiatives in personnel and R&M. In addition, our non-same-store NOI is once again expected to be a significant contributor with year-over-year growth of 16% before factoring in future transaction activity.

We also continue to drive cash flow growth in areas beyond property operations including our tenant insurance business and third-party property management platform. From a capital perspective, we expect to remain active in driving future FFO accretion through our various capital deployment levers. We have substantial amounts of free cash flow and debt capacity. However, we have not factored in additional acquisitions or lending into our guidance at this time.

With that, I'd like to turn the call back over to Tom for some closing remarks.

Thomas Boyle

Thanks, Joe.

Let me close with this. The opportunity ahead for Public Storage has never been stronger. Our target is clear. Elevated customer experience, strong capital allocation, a winning culture, and compounding shareholder outperformance. I'm energized by the team and the platform we're building. This is PS4.0.

With that, let's open it up for questions.

Operator

Thank you. If you'd like to ask a question, please press star, one on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press star, two if you'd like to remove your question from the queue. For participants using speaker equipment, it may be necessary to pick up your handset before pressing the star keys. To allow for as many questions as possible, we ask that you each keep to one question and one follow-up.

Our first question comes from the line of Eric Wolfe with Citi. Please proceed with your question.

Nicholas Joseph

Thanks. It's Nick Joseph here with Eric. I guess just asking about capturing the external growth opportunity. You talked about allocating capital aggressively and intelligently. What are the greatest near-term opportunities you're seeing? Is it one-off assets, smaller portfolios, I guess larger M&A, international? How is that different based on PS4.0 than what you were seeing previously?

Thomas Boyle

Yeah, sure, Nick. This is Tom. I think there's a couple of components there. One, we were encouraged by what we saw through 2025 in terms of the breadth and variation of seller type as well as size of activity. We had a good number of single and double type opportunities, which are really the bread and butter of the industry. We continue to try to capture as well as small and medium-sized portfolios.

We underwrote a lot. We probably underwrote \$7 billion of real estate last year. I ultimately transacted on about \$1 billion of that. The majority of what we underwrote did not trade. There continues to be active dialogue amongst larger portfolios and a breadth of different seller types as we move into 2026. As we think about, you also highlighted international, that's an area certainly we spent some time on last year and continue to spend a time on going forward as well. A broad set of opportunities and one that we think is building from here into 2026.

In terms of what's different as we head into PS4.0, there's a number of things that I just highlighted that are important to note. It's not just about capturing the opportunity and growing more. As I said, it's about how do we fine-tune and get better. We're investing in the team. Our data science team has done tremendous work with our revenue management and marketing team over the last several years. We're spending more time with them now and going forward on capital allocation as we think about targeting sites and underwriting, streamlining our processes, and looking to take advantage of the industry's largest data set that we have at our disposal. All of those things will set us up to be a better buyer and enhance our reputation in the industry. We look forward to taking advantage of that and deploying capital.

The last piece you didn't ask about, but I'd highlight, is just to reinforce the balance sheet opportunity that we have. The Company has competitive advantages across the balance sheet as well as retained cash flow, which means we have a capital opportunity every year and one that we want to maximize.

Eric Wolfe

Thanks. That's helpful. This is actually Eric. Sorry to keep switching analysts on you, but you mentioned in your prepared remarks that momentum was building in your markets, but it does look like your same-store revenue guidance excluding LA, so putting LA aside, it looks like things are expected to get a little bit worse from current levels. Could you just talk about what you expect from same-store revenue growth, again, putting LA aside just for the other 85%? What do you expect the cadence of that same-store revenue growth to be throughout the year?

Joseph Fisher

Hey, Eric. It's Joe. As you guys all know, year-over-year revenue is a backward-looking indicator. That minus 30 bps or so, when you back into what the rest of the same-store pool would be doing, excluding LA, is really a by-product of what's been taking place more recently, not necessarily the forward indicators that will drive revenue growth into the future. As we start to pull in the fourth quarter results, which did have a little bit more challenged new move-in environment, although I'd point out that occupancy at year-end did pick up, we do still expect new move-ins to be kind of the worst of 2026 here in the first quarter, although we are seeing improvement relative to fourth quarter. We do think we're going to see a little bit of pressure on year-over-year revenue as we move into the middle of the year from a lagged perspective.

The piece that we're excited about is how we think about the exit velocity and what we're seeing kind of underneath the hood as a forward indicator. Occupancy for the year, we expect, will be relatively static. We continue to see really good existing customer activity in terms of pricing power and length of stay and retention. Then new move-ins, we do forecast that while down mid-single digits for the year, we're going to start low and continue to lift throughout the year. That's really driven by our view of a little bit of improvement on the macro environment. What we're seeing with existing customers as well as those coming in the funnel, and then, of course, supply decreasing throughout the year. We do expect that year-over-year revenue starts to improve probably by the fourth quarter of next year, or this year, rather.

Thomas Boyle

Yeah. Eric, maybe just to add to that, my comments earlier around momentum building, we've been highlighting for some time the strength in some of the markets, be it West Coast, Midwest, Northeast, that continue to show good trends there. You can obviously see that evidence in fourth quarter performance as well.

But I think, you know, big picture as we sit here today, we're focused on not knowing exactly which quarter things are going to move around. Obviously, we gave you a range of estimates. The focus is on what is it we can do now with the platform and the team to set us up for success moving forward. Obviously, that's the focus of PS4.0 and where we're headed from here.

Eric Wolfe

Got it. Thank you.

Operator

Thank you. Our next question comes in the line of Spenser Glimcher with Green Street. Please proceed with your question.

Spenser Glimcher

Yeah, thank you. Can you provide an update on move-in rents thus far into 1Q? Then can you just remind us how your pricing strategy has evolved with the growing use of AI?

Thomas Boyle

Yeah, sure, Spenser. Happy to cover that. We did have a January that was a healthy one. Move-in rents for January, which is I know one of the things you're getting to, down 7% in the month of January. Sequential improvement as we moved into the month of January. We did experience interesting weather across the country in the month of January, so we had lower move-ins, but also lower move-outs, occupancy right around where we finished the year on a year-over-year basis, up about 40 basis points over the course of January. A good start to the year and the start of and continuation of the trends that we saw through the fourth quarter and speaks to the trends that Joe just highlighted.

Spenser Glimcher

Okay, great. Then are you able just to comment on the pricing strategy and how often you guys are kind of resetting rents just with the growing use of your AI platform?

Thomas Boyle

Yeah. As I noted earlier, the data science team and revenue management team have been working together for the last several years and we continue to evolve our processes there. I just highlighted we hired a new leader for that effort who is getting up to speed and we're excited about where he and the team are going to take it from here, but continued evolution there as we think about attracting the right customers at the top of funnel, being able to understand what we think their length of stays are going to be and their price elasticities, and then toggling our pricing, promotion, advertising in order to be able to maximize NOI from that customer base as it goes. Continued efforts there and we're excited about where Ayash and the team are going to take it going forward.

Spenser Glimcher

Okay, thank you.

Operator

Thank you. Our next question comes from the line of Juan Sanabria with BMO Capital Markets. Please proceed with your question.

Juan Sanabria

Hi, thanks for your time. Good morning and congrats to all, Tom and Joe. Welcome back, Joe. Just on the '26 same store revenue guide, Joe, you made an allusion to improving at your end. I'm wondering if you could give us a general sense of where you expect to end the year, the fourth quarter run rate as we think about the trend, the improving trend throughout the year that is in the forecast.

Joseph Fisher

Yeah, hey, Juan. We typically don't go into true quarter-by-quarter guidance. What I would say is you've kind of grouped the portfolio into a couple different buckets. If you look at our coastal markets in combination with some of the Midwest markets, so some of the leaders like Chicago and Minneapolis, that portfolio continues to do really well in terms of plus or minus 2% revenue growth through the year. We do think that lifts a little bit going into the fourth quarter of next year.

When you look at the more supply-challenged markets, so primarily the Sunbelt markets, so Dallas, Atlanta, Florida, et cetera, that's probably going to be down a couple percent on same-store revenue throughout the year. But again, we expect that to start to lift as we get into the fourth quarter of this year, just given the fact that we're comping against an easier fourth quarter, as we did have a little bit more challenged new move-ins in the fourth quarter, and then given that supply really starts to dissipate as we continue to move throughout the year.

Juan Sanabria

Good segue to my next question. Supply, I'm not sure if you saw, but you already kind of put out a revised supply stack for this year. For the end of last year and this year, they came to the conclusion that supply actually re-accelerated in the back half of the year. Just curious if that drives what you guys are seeing on the ground, and if you could kind of quantify exposure of assets to supply in '26 versus '25, or any sort of numbers you can put around supply and how you think about it would be helpful. Thanks.

Joseph Russell, Jr.

Yeah, Juan, I think we've been more right than wrong on the trajectory, literally, over the last four or five years, debating some of the external tracking data sets out there. I think more often than not, they seem to overemphasize or overplay potential momentum coming into markets. We don't really see a trend or a change in the trajectory that's been going on now for the last four or five years, which is year-by-year decelerated deliveries. Hard to justify what kind of data they're looking at to say there's a re-acceleration.

By all accounts, the development business continues to be quite complicated, quite commanding, approval levels, costs, underwriting issues. There certainly are a handful of markets that may see supply as they have over the last year or two, but we're not seeing any re-acceleration. As you know, we have a very strong team out in the markets nationally. We're being very judicious and we're putting our own development activity, and we see that as a great tool for us to continue to deploy capital, even under the umbrella of PS4.0 that Tom and Joe are talking about.

Juan Sanabria

Thank you.

Operator

Our next question comes from the line of Samir Khanal with Bank of America. Please proceed with your question.

Samir Khanal

Good afternoon, everybody. I guess with the implementation of 4.0 PS Next, which you all have talked about, what is the long-term profile, so the growth profile of the Company, you think, from a same-store NOI or FFO growth perspective? Thanks.

Thomas Boyle

I think you highlighted a couple of different components there, and we can talk more about PS Next if you're interested in it. As we think about PS4.0 in aggregate, the objective is to build on the outperformance that we've been able to put together over the last several years through organic growth. That is driven by a strong focus on the customer, the customer experience, our leading brand, and then also embracing continued digitalization and now AI interactions that are going to be ever more present going forward between us and our customers and build on that outperformance as we think about how we deliver that customer experience, so both on the revenue side as well as the expense side for organic growth outperformance. That's then paired with the value creation engine that we're speaking to, and that is an opportunity year in and year out across four different levers.

As we think about acquisitions, which Joe just spoke to, development, our expansion efforts, as well as our lending platform, which will all be additive to FFO growth. You've seen that over the last several years with our non-same-store performance, with our operating platform being able to achieve more cash flow than when we purchased the property. I'm very encouraged by that opportunity and where we're going, and that will be additive to FFO growth.

Then our ancillary businesses. Some of the things that I just hit on, like lending, for instance, also support our third-party management business and our tenant insurance business, which are also having a healthy growth year this year. Looking to drive organic growth, performance and outperformance, a stronger value creation engine as we look to plug assets into that operating platform and utilize our capital competitive advantages and drive our ancillary businesses all to a stronger FFO growth profile going forward.

Samir Khanal

Got it. I guess on the move of the headquarters to Frisco, I guess what's the operational or financial benefit from that, and is there any sort of cost associated with sort of the relocation that we need to think about? Thanks.

Thomas Boyle

Yeah, so I think a few things to highlight there. One, we've had a presence in both Glendale as well as in Dallas for a long time, and we've been growing both offices but as we moved through the last five to seven years, we oftentimes would open roles in both places, be in Dallas as well as Glendale. Oftentimes we would fill those roles in Dallas, so we did see the office increase in size there to the point where today our office in Dallas is our largest corporate presence. It makes sense to relocate the corporate headquarters name tag to that Dallas office, and we're moving into new space there. In addition, as I noted earlier, we're going to be moving into new space in the Glendale area as well with a long-term commitment to be in that market.

It's about finding the right talent across the country and building the team going forward, and we look forward to strong leadership in both offices going forward.

Joseph Fisher

Hey, Samir. Just related to cost question, so that is embedded within the corporate transformation costs that the team announced about a year ago. We've incurred roughly \$4 million of that, I believe, of that \$15 to \$20 million, so we will see more costs this year. A lot of that's due to relocation, hiring, severance, the office change, etc. But what the group had talked about in the past was from a return on capital perspective, you have both offices, you have great pools of talent in both locations, but this also allows us to do more with an automation perspective and an offshoring perspective to the tune of about \$4 million in run rate benefit, so it's a good ROI as well.

Operator

Thank you. Our next question comes from the line of Ronald Kamdem with Morgan Stanley. Please proceed with your question.

Ronald Kamdem

Hey, thanks so much for having me on. Congrats to everyone, first of all. But the question is just thinking about re-acceleration of organic growth that you sort of mentioned. Is there any sort of large capital plan or are reinvesting plan that's sort of coming with that, or you think that could be done sort of based on sort of the existing platform, existing system? Thanks.

Thomas Boyle

Sure. Let me talk a little bit about the PS Next platform and what it represents and the investments that we'll be continuing to make within that platform. I think we've continuously gotten the question over the last year or two, what's next and how are you going to take the platform from here? PS Next is really the answer to that. If you step back about 10 years ago, honestly, storage was behind in terms of digital customer experience and interacting with our customers. Ten years ago, our customers would show up at a property and sign a paper lease, for instance.

I think what the team has accomplished over the last 10 years has been impressive, and we've obviously been communicating that over the last several years in terms of how we interact with our customers today across both a stronger digital experience on our website, our e-rental platform, our app, but also reinvesting in the brand and the platform there, and then also how we deliver that customer experience. We've spoken about the operating model transformation and getting more efficient and effective throughout how we deliver that customer experience.

That's all shifted us forward into a very omni-channel and digital-first environment, but we're now sitting at an inflection point going forward, and that inflection point does center around AI and a further digital investment. You think about what customers were expecting 10 years ago from an Amazon or a Starbucks. We sought to replicate and deliver a customer experience that was more similar to what consumer businesses were offering at the time. That is moving even further ahead, and customers are expecting more. They're not just expecting options. They're expecting recommendations and fast answers to questions, and we're investing as a team across the platform to deliver AI-infused experiences both across the customer experience, but also to our teams and how we deliver that customer experience.

More to come there as we launch that PS Next platform. In terms of the investments that will go on, they will be throughout that customer delivery, both in terms of team as well as technology platforms, etc., and we'll share those as we go. But we're excited about them because the returns on them will be strong.

Ronald Kamdem

Great. Then my quick follow-up is just on the top-of-the-funnel demand, some of the other indicators that you sort of look at from website visits and so forth. Maybe can you just talk about what you're seeing there and how that sort of correlates to maybe the slow housing activity we've been seeing? Thanks.

Thomas Boyle

Yeah. Top-of-funnel activity has been pretty consistent at the start of the year. The one thing I would note is January and the start of February has been pretty unique given the across the country. We've had weeks where you've seen activity really drop off because of the weather and then pick right back up as things warmed up. The start of the year has been really embodied by that. But if you kind of look through the peaks and the troughs, as I noted earlier, I've seen good trends across move-in customer demand as well as existing customer performance.

Move-in rents, again, trending in a better direction into January. The existing customer continues to perform incredibly well. Move-outs down again in January like they were in the fourth quarter, just demonstrating the strength of the storage consumer.

Ronald Kamdem

Thanks so much.

Operator

Thank you. Our next question comes from the line of Nicholas Yulico with Scotiabank. Please proceed with your question.

Viktor Fediv

Hello. This is Viktor Fediv with Nick Yulico. I have a follow-up on the external growth opportunity set. You mentioned that you executed around \$1 billion of acquisitions in 2025, while roughly around \$7 billion was under consideration. Have you noticed any recent shifts in seller expectations? How is this translating into bid-ask spreads and these one-to-seven conversion ratios, so to speak?

Thomas Boyle

That's been something that's been really evolving over the last several years. I mean, we had a time period where cost of debt was really low, cap rates were lower, and it's been a readjustment for both sellers and buyers over the last several years. As time has gone on, and you've seen a 10-year treasury, for instance, just to pick one metric that's been in a relatively tight band for the last several years, there's been an ability to transact more rationally, I think, for both sellers and buyers, and that led to some of our successes last year. I think momentum is building towards that in 2026, based on our dialogue.

No question, in many instances, there's still a healthy disconnect between buyers and sellers, and that's okay. We're ready to transact when sellers are ready to transact, and continue to monitor the marketplaces they're in. But we are optimistic around 2026 and 2027, as the cap rate ranges start to narrow.

Joseph Russell, Jr.

I'd just add to that, as Tom mentioned in his opening comments, part of the multi-year trend, and this has been going on literally for the last decade plus, is the number of owners coming into the sector with a different set of capital, either constraints or opportunities, that can feed activity, either predictable or unpredictable, based on their need to bring assets to market. We saw a fair amount of that in 2025, where some larger portfolios ended up coming to the market. We curated a number of those larger portfolios into the assets that we thought were best suited for our own investment requirements.

But that activity and that level of ownership structure within the REIT sector continues to grow, and that too is going to create opportunities, some predictable, and in some cases, some unpredictable. The team's ready to embrace those opportunities, and a lot of those conversations take time to cure. That's why some of the volume that we saw from an underwriting standpoint has yet to play through from a transaction, but step-by-step, we're more confident more activity along those lines could come through.

Viktor Fediv

Got it. Then geographically speaking, where do you want to grow the most, and where do you see the most opportunities available for you? Should we expect to see more growth in Texas, even more than recently?

Thomas Boyle

Sure. We have tremendous advantages because of the operating platform we have across the country, in terms of understanding trends, having long-term datasets to understand what's taking place in submarkets. You may see in the supplemental, for instance, we're acquiring in this state or that state, but what we're really focused on is capturing the opportunity at the submarket level and being able to identify those submarkets where there's a real fit for our portfolio and a fit from a customer demand standpoint where there's an opportunity to deploy capital. That goes to the data-driven approach that we use today and one that we continue to infuse energy into moving forward. It's a submarket story in storage, and that's the opportunity we're chasing. Thank you.

Operator

Thank you. Our next question comes from the line of Michael Goldsmith with UBS. Please proceed with your question.

Michael Goldsmith

Good afternoon. Thanks for taking my questions, and congratulations to everyone involved, including Joe, Tom, and Joe. Lots of exciting announcements about the platform and the customer experience today. How much of what you are doing is reliant on an improving demand environment versus what you can control given the existing demand background? Thanks.

Thomas Boyle

Yeah, thanks, Michael. Good question. We sit here today, obviously I highlighted earlier our views around the industry outlook, which we do think is a strong one over time. Storage has been one of the strongest performing subsectors within real estate over time. The last several years have not been particularly exciting, as I noted earlier. Certainly, as we look at 2026, it looks pretty similar to 2025 in terms of many of the trends.

That's not holding us back. In fact, it just energizes us in terms of what it is we can do now with the team and the platform, and to be able to take advantage of this environment, both in terms of capital allocation opportunities, as well as platform investments to set ourselves up for the future. We can't guess exactly when the same store trends are going to be what they've been in the past. But what we can do is invest in the platform and control there. That will benefit us in the interim period and certainly when things improve as well.

Michael Goldsmith

Thanks for that, Tom. My follow-up question is, you've hired some new executives, you're building out the acquisitions team. Is that built into the G&A number you did \$107 million in the last two years, and guidance is calling for roughly the same? Just trying to understand the trajectory of that expense. Thanks.

Joseph Fisher

Hey, Michael, it's Joe. We have factored in a lot of those expectations related to new hires, as well as investments into the platform. Tom talked a lot about technology, data science, AI, we'll be investing in the platform in that respect as well. That is captured in those numbers. What we obviously hope to do is go out there and drive performance for shareholders. As it occurs, performance improves and hopefully compensation improves along with it.

Michael Goldsmith

Congratulations again. Good luck in 2026.

Joseph Fisher

Thank you.

Operator

Thank you. Our next question comes from the line of Todd Thomas with KeyBanc Capital Markets. Please proceed with your question.

Todd Thomas

Yeah, hi, thank you. Yeah, congrats on all the promotions and appointments. Joe Russell, best of luck in your next chapter. I wanted to ask with regard to some of the leadership changes, I'm just curious how the Board sees its oversight role evolving under 4.0 here, particularly with regard to capital deployment and capital allocation and sort of tying into that on the balance sheet. Should we expect any changes to the Company's capital structure or leverage policy, PSA? Used to be unlevered. You mentioned, Tom, it's 4.2 times on a net debt to EBITDA basis and talked about some of the refinancing headwinds this year and perhaps over the next couple of years. Should we expect any evolution or changes around the Company's cap structure moving forward?

Thomas Boyle

Okay. I don't know how many parts are in that question, Todd. We'll do our best to cover them all.

Joseph Russell, Jr.

I'll start off, Todd, and then Tom and Joe can add any additional color. First of all, just as far as the Board's role and where we have gotten too relative to the host of announcements as part of PS4.0, without question, our Board's always had a high degree of commitment on succession planning, ceding the Company with the most robust and talented set of leaders. No change relative to their continued involvement as the team moves forward.

In my experience over the last decade with the Board itself, I would say that's an active and continued discussion that's always quite helpful to the Management team as a whole and with the talent and the range of perspective that we have on our Board. In our case, we feel like we've got a very talented Board with great range of experiences. They're there for counsel, advice, and perspective. We're really excited about Shankh taking his role, knowing his knowledge of the REIT industry as a whole, and his success at Welltower, etc.

All very powerful components of what led to the whole host of decisions that came through the announcements yesterday. To go more specifically into how that translates into some of our more tactical components in the very near term, I'll let Tom talk a little bit more about that and give you more color.

Thomas Boyle

Yeah, thanks, Joe. I think the only other thing that I'd highlight related to the Board and oversight and guidance and perspectives that I look forward to is around the formation of a new investment committee of the Board. Obviously, our Board does have a lot of capital allocation experience and perspectives, and so I look forward to that.

That committee is going to be chaired by Ron Spogli, who's a founder of Freeman Spogli & Co. and him, alongside with Shankh, obviously bring very strong capital allocation perspectives, and I look forward to having lots of good dialogue and perspectives from that group moving forward as we launch our value creation engine.

Joseph Fisher

Hey, Todd. This is Joe, and I'll try to close this question out relatively efficiently, but from a balance sheet perspective, I'm very fortunate as CFO to be able to inherit a fantastic balance sheet. The team has done a phenomenal job, as everybody knows, in terms of setting up the balance sheet for success and having both defensive and offensive capabilities depending on the period of time that we're in. From a metric and policy perspective, the team's talked about in the past wanting to be in that four to five times debt to EBITDA range. Today, we're at 4.2 times, so the expectation is to continue to stay there, continue to manage our liquidity, continue to have phenomenal balance sheet metrics and duration overall.

I do think we're in a position where we can be offensive with this to really support the value creation engine, so we have that \$600 million of free cash flow each and every year. In addition, we have roughly a billion and a half of capacity on debt just to go to the midpoint of that debt to EBITDA range. I do think we're in a position to potentially be offensive with the balance sheet depending on the opportunities and accretion that are out there, as well as with a balance sheet and platform of this size, there's multitude of sources to fund the business, and that goes beyond just the typical debt sources or equity sources we've had discussions on. Do we look at joint venture capital and dispositions in the future, as well, and so there's a lot of different levers to pull here to evaluate value creation for the investor base.

Todd Thomas

All right. Thanks. That's helpful. Then just following up on acquisitions, as you look to accelerate those efforts a little bit, what's been the biggest constraint for acquisitions as you look back over the last several years? Obviously, you've been very active, but I'm just curious. It sounds like the efforts are ramping up a little bit, and I'm just curious if you feel there was a constraint in whether you're looking to maybe increase your risk appetite or change your return hurdles at all as you layer assets onto the platform, see the value there.

Thomas Boyle

Thanks, Todd. I would say I think the question earlier was around buyer and seller expectations and transaction volumes. I'd say that's been probably the biggest impediment to accomplishing more capital allocation over the last several years, but as we look ahead, the value creation engine we're speaking to is not about lowering our return hurdles or getting into assets that we didn't view as attractive in the past. It's around how can we be better in what it is we're doing? How can we build the relationships with a growing team? How can we be faster in terms of how we underwrite and provide feedback to brokers and sellers? How can we get more off-market opportunities and more singles and doubles in those pockets and sub-markets that we're attracted in? If we're successful in doing those things, there'll be more activity and better activity for us to deploy our capital into.

Todd Thomas

All right. Thank you.

Thomas Boyle

Thanks, Todd.

Operator

Thank you. Our next question comes from the line of Brad Heffern with RBC Capital Markets. Please proceed with your question.

Brad Heffern

Yeah. Hey, everybody. Thanks. Big picture question on move-in rates. Why do you think we haven't found the floor yet? You know, COVID was a long time ago. The consumer's been stable. Housing's been stable. Supply's declining. I'm just curious, why are we still seeing these year-on-year declines? Do you think that we get to neutral at some point, maybe late in the year?

Thomas Boyle

Yeah. I guess two components there. One is maybe looking back in time, how have we gotten here from a moving rate standpoint? I think there's a couple of things there. One is new supply in some of the markets that we operate in continues to come in. We spoke about some of the markets in the Sunbelt, for example, Atlanta, Dallas, Charlotte, Orlando, where new supply is weighing on performance. No question that competition of new supply drags down moving rents. I think we're still seeing that and absorbing that. The good thing is occupancies are lifting there and that absorption is taking place, which is encouraging and a forward look as it relates to where moving rents will trend in some of those markets.

The flip side is we are seeing moving rent growth in lots of our markets. We highlighted some of those stronger markets that Joe mentioned earlier, Minneapolis, Chicago, San Francisco, D.C., for instance, we have moving rate growth. That moving rate growth is supported by good demand and more limited supply. It's really not a story of a national phenomenon, but I think really a summation of market dynamics at play.

Brad Heffern

Okay got it. Thank you for that. Then on the new compensation plan, Tom, you mentioned you were working with Shankh. Obviously, Welltower has a new compensation plan as well. Are there any similarities there or are they unrelated?

Thomas Boyle

Sure. I think there's a couple of things to highlight there. The incentive is an important part of what I call the Own it Culture. The program that I've been working with Shankh on for the NEOs is very different than the program that he more recently announced in October. It's more similar to a more traditional plan that you've seen from us, but at the same time, very, very different. The differences relate to the performance period being around a three-year period with delayed vesting. The focus really is around total shareholder return, absolute and relative performance versus storage, as well as the RMZ, as well as stretch goals.

I'd say that's one of the biggest components there is stretching the goals for us as an NEO team, and obviously stretching those goals out to benefit shareholders as well, if we can go out and achieve those stretch goals. Very much aligned with shareholders, 100% performance-based, and the shareholders and the team will win together. That's really the focus around that incentive redesign. It's a big shift. As we think about taking that as part of the Own it Culture and PS4.0, we have an opportunity to rethink incentives across the organization. That is really the goal to infuse energy, urgency, and engagement across the organization to drive results. I'm passionate about how we think about incentives for the organization, and excited about where we're going from here.

Brad Heffern

Okay, thank you.

Operator

Thank you. Our next question comes from the line of Ravi Vaidya with Mizuho Securities. Please proceed with your question.

Ravi Vaidya

Hi there. Thank you for taking my question. I wanted to ask about expenses. The expense forecast came in relatively low, about 100 bps below last year's inaugural forecast. Can you comment on some of the line items that are driving this? Maybe if there are any areas where there could be some levels of conservatism built in? Thanks.

Joseph Fisher

Hey, Ravi. It's Joe. It's really just a continuation of what you've seen from this team for a number of years now. They continue to attack with a whole series of initiatives all the various line items, while also being cognizant of the delivery of the value to the customer. When you look at what took place in 2025, obviously you saw from a personnel perspective, we kept that constrained, utilities was constrained, R&M constrained. I think you're seeing a continuation of that within our guidance of that 2.2% midpoint.

You have property tax leading the way. But if you jump into things like payroll, there's continued initiatives on that from an hour's perspective, as we continue to use machine learning to really understand when are the customers there, what do the customers need, and how can we better serve them. More hours reductions, but a critical offset within that is increasing pay for those property managers on site at the same time, so trying to get a win-win there. Like on the R&M side, you're seeing continued initiatives around how can we reduce costs there. There's a number of pilots in terms of insourcing various aspects of R&M.

When you go on to the utility side, we've had a pretty consistent solar effort over the last number of years to the tune of \$50 million to \$70 million a year. You continue to see constraint from a utility perspective. Then you get into some of the centralization efforts that are taking place. Trying to find a more specialized approach to certain things. Thinking about sales functions, customer relations, bad debt, issue resolution, moving some of those efforts off of the field and into the centralized team to try to get better outcomes. It's a whole slew of initiatives. There's a whole stack of them that we'd be happy to take you through offline at some point. But a continuation of what the team's done here for a number of years.

Ravi Vaidya

Thank you. Thanks for the color. Just one more here. Can you offer some more color on your current ECRI policy? If you're expecting any other regulatory or legislative restrictions that are outside of California that may weigh on same-store revenue growth, do you have a buffer or something like that built into the guide? Because it seems that this has become a category that more municipalities are likely to include in moratoriums. Thanks.

Thomas Boyle

Great. I guess two parts to that question. One is in terms of how we think about the existing customer rate increase program. We've communicated in the past; we think about that in terms of a number of components. One is what's the health of the customer base? What do we think the price sensitivity is in their behavior? We continue to be encouraged by that. As I noted earlier, vacancies are down. Customer price sensitivity is consistent. A very healthy storage consumer.

The other side is the replacement cost and what our occupancies are, what demand is for that unit, what marketing costs are. All those sorts of things play into the replacement cost side. That's something we navigate on unit by unit and property by property basis. Those two combine to really drive that program and it's a very data driven approach to meet the customer and move rents as appropriate based on the dynamics at play at the local market.

In terms of the regulatory environment, certainly we've spoken over the last year around some of the California activities and SB 709 specifically. We're certainly compliant with that and communicating with our customers around the disclosure requirements for customers in California. We're certainly aware of some of the recent pronouncements out of New York, for instance, and other states around pricing transparency, storage specific or not. Certainly, monitoring those around the country and making sure we're in compliance

with all of those laws and being transparent with our customers around our pricing approach and what they can expect.

Ravi Vaidya

Thank you.

Operator

Thank you. Our next question comes in line of Michael Griffin with Evercore ISI. Please proceed with your question.

Michael Griffin

Great, thanks. First off, congrats to the team all around. Joe Russell, best of luck in retirement, and Joe Fisher, welcome to the team. Maybe just stepping back to get some perspective on the PS4.0 initiative. Can you give us some context? What was the genesis behind this? Joe, maybe you went to the Board, maybe it came down from the Board. It seems like it's been in the hopper for some time. Just ultimately, what was the catalyst that brought this about, given that despite the headwinds the industry has faced, Public has been a leader throughout it?

Joseph Russell, Jr.

Yeah, Griff, I wouldn't say there was a trigger or a catalyst. This is, I would say, an outgrowth of what the Board and the Management team constantly do, which is look at strategic initiatives, look at generational opportunities in terms of, again, our own skills, investments, the deployment, particularly in our case, of a very robust environment where we've continued to optimize and drive the level of success through the portfolio operationally, our tools tied to capital allocation, our balance sheet, et cetera. Then putting that entire set of opportunities into the hands of very skilled and talented leaders in every part of the Company. This is the outgrowth of a very intentional and ongoing strategic process.

When Tom and I and some other significant leaders of the Company, Natalia Johnson, et cetera, all came into the Company about a decade ago, we went through, frankly, a pretty similar process as well, and that internally was called 3.0. We've learned and optimized many things through the last decade, and step by step, we felt, and everything percolated to the point it was time for 4.0. Very excited about what it entails. I think the team's going to be transparent around the more direct things that will come from 4.0 based on all the things that Tom and Joe are already speaking to, and we're excited about what's ahead.

Time and again through our history, 53 years now plus, we've led the industry on a whole host of initiatives. We've been very proud of the fact that over the last decade, we've continued to lead the industry in many areas. Yet again, we're going to challenge ourselves to take the next opportunity to drive forward. It's a really great time. Super excited about Joe Fisher coming into the Company as well as some other key hires too. It's a great time for us to launch, and with this launch, we don't stop either. We keep challenging ourselves to reinvent, to optimize, and that's the DNA of Public Storage.

Michael Griffin

Great. I certainly appreciate the context there, Joe. I know a question was just asked on the regulatory front, but maybe if I could spin it a different way. Obviously, there was one of your peers named in a lawsuit with New York earlier this week. Is stuff like this, maybe the canary in the coal mine as it relates to the pricing practices in the industry? I know there have been pushes, whether it's at SSA or the trade level around greater disclosures, but is there a worry that greater regulatory oversight from these municipalities could preclude what has been this ECRI pricing strategy regime we've been in, call it, over the past couple of years?

Thomas Boyle

Sure, Griff. I think there's a couple components to that. One, obviously, we saw some of the New York activity, and we continue to work with the National Self-Storage Association and the state self-storage associations around working with regulators and legislators. Frankly, ensuring that they understand the benefits of our business, how affordable our business is, how affordable some of our new customer promotional rates are, some of those things.

Earlier in the conversation, we spoke about how affordable it is versus other space alternatives, so being able to communicate that and educate folks. Then, obviously, part of PS4.0 is a customer focus and improving the customer experience, and that goes everything from pricing all the way through to the day-to-day experience at the property. As a team, we're very focused on that customer experience and will be moving forward.

Michael Griffin

Great. That's it for me. Thanks for the time.

Thomas Boyle

Thanks, Griff.

Operator

Thank you. Our next question comes from the line of Hong Zhang with J.P. Morgan. Please proceed with your question.

Hongliang Zhang

Yeah. Hey, I guess, should we expect any changes with the third-party management platform as it relates to PS4.0, especially revolving around, I guess, income since you've traditionally ran the platform with less of an immediate profit motive in mind?

Thomas Boyle

Sure. In terms of the third-party management platform, we're excited, obviously, to launch the PS Next next-generation operating platform. As part of that, our third-party management clients will benefit from those advances that we make in the customer experience and our operational delivery of that experience. We're excited to share more with them as well as we move forward.

In addition to that, as part of the leadership appointments, Chris Sambar, our Chief Operating Officer, is going to be working very closely with Pete Panos, who runs that business day-to-day, and seeking to grow it and to grow our third-party platform from here.

In terms of profitability, profitability of that program has increased modestly over time. As that portfolio stabilizes and grows from here, the profitability will grow as well, in addition to the lending components and the tenant insurance components, which are synergistic with that platform.

Hongliang Zhang

Got it. That leads to my follow-up. I guess, is there any color you could provide about how we should expect growth in the lending program over the near term?

Thomas Boyle

Yeah, we think that's an opportunity for us. Joe Fisher walked earlier through the book as it stands. Certainly, an opportunity to grow that going forward in support of our third-party management customers and the synergistic benefits, again, around the third-party platform, tenant insurance, as well as the capital component of the investment. Something we look forward to growing from here.

Hongliang Zhang

Yeah. Thank you.

Operator

Thank you. Our next question comes from the line of Brendan Lynch with Barclays. Please proceed with your question.

Brendan Lynch

Great. Thanks for taking my question, and Joe, congrats on a terrific career, and Tom and Joe, congrats on your new positions. Maybe a question on what the primary KPIs you are measuring when you think about the customer experience component of the platform enhancements and how we can measure the progress that you're making?

Thomas Boyle

Sure. I think there's a couple there. I think stepping back, obviously, PS Next overall is about customer experience. It's about brand, but it's also about our financial and organic growth performance as well. Across that metric, some customer metrics you can look at are certainly some of them operationally that you see move ins, move outs, tenant retention that you'll see from a financial standpoint. As we think about the platform overall, the focus is clearly around where we're headed with organic growth and organic growth performance and outperformance over time.

Brendan Lynch

Great. Thank you. That's helpful. Then maybe just quickly on international growth, just give us an update on what your appetite is to maybe test the waters in some of these international markets that you've looked at in the recent past.

Thomas Boyle

Yeah, we continue to have appetite to explore international opportunity. Obviously, you've heard from us around Australia. In the past, we have a strong presence in Western Europe with our Shurgard platform there. There are markets around the world where the storage is growing as an industry, and customer demographics are supportive of a growing storage industry. We evaluate those over time and are looking for the right entry points in order to purchase a platform that will give us access to an expanded pie of both operational as well as capital allocation opportunities into growing storage markets.

I will say, and we always caveat that with, the U.S. continues to be by far the deepest and most vibrant storage market in the world. We're not taking our eye off that ball. But we do think there's an expanded pie opportunity internationally, but we have to find the right fit and the right platform.

Brendan Lynch

Maybe just a quick follow-up on that. When you look at the international portfolios that might be available, how do they compare to U.S. platforms that might have more advanced data analytics and things of that nature? What is the gap that the PSA platform has relative to the two different buckets of potential acquisitions?

Thomas Boyle

Yeah, I'd say for the most part, the platforms internationally are of a smaller scale. Because of that, don't have some of the scale platform and data advantages that we and others here in the U.S. have. I think that's probably a pretty clear opportunity. We see that in the U.S. as well as we think about smaller operating platforms and what we can do when we acquire or manage for companies that have a smaller platform to go.

There are real advantages of scale in this business. We've continuously seen that across our portfolio acquisitions over the last four or five years. I would say international is right in that same wheelhouse.

Brendan Lynch

Great. Thank you.

Operator

Thank you. Our next question comes from the line of Eric Luebchow with Wells Fargo. Please proceed with your question.

Eric Luebchow

Great. Thanks for squeezing me in. Maybe you could talk about the development business a little bit. Your development deliveries have slowed down a bit the past couple of years, down to \$300 million this year. I guess maybe you could talk about kind of whether that's due to the tougher lease-up environment, the higher cost to develop, anything else you could call out there?

Thomas Boyle

Yeah, sure. The development business is one that we're passionate about internally because of the ability for us to pick that sub-market, pick the land site, design the building, create the unit mix, and then ultimately place it into our operating platform where we can earn more cash flow. It's one that we have a national team out looking for sites. It's also one that's been navigating through a challenging development environment. One with rising costs and obviously rents coming down in some of the markets with strong population growth.

As we look at this year, we're anticipating a little less deliveries this year than last year, but we're focused on growing that business over time to take advantage of a growing storage demand environment in many of the sub-markets around the country. We view it as a very strong risk-adjusted capital return. As we think about the value creation engine, no question, there's a strong focus on what it is we can do there to grow that business over time.

Eric Luebchow

Great. Then just one follow-up. I know you touched a little bit on how you're using AI internally. As we think about the evolution of some of the large language models, potentially including ads over time and customer acquisition and the evolution from traditional paid search, how are you thinking about that, how that may evolve over the next couple of years as a lot of these models become more and more ubiquitous?

Thomas Boyle

Yeah, no, I think they are. I think consumers, myself included, probably lots of us on this phone call are using the large language models more and more in our daily lives. That speaks to the PS Next platform and not only interacting with them through the LLMs, but also as customers land on our website, for instance,

or otherwise, they can interact with agents or on our app, et cetera. We're excited about some of the initiatives we have going internally to take advantage of those LLMs. Frankly, the customer expectations that continue to move towards that direction. We think we have exciting things to share there. We'll do that over the next six to 12 months.

Eric Luebchow

Thank you.

Operator

Thank you. Our next question comes from Samuel Ohiomah with Deutsche Bank. Please proceed with your question.

Samuel Ohiomah

Yeah. Hey, guys. Thanks for taking my question. I wanted to focus on Shankh as the new Chairman of the Board and his commentary around execution, even in an environment of unremarkable growth. I was wondering if you guys could just talk a bit about what opportunities exist in such an environment and the idea of buying assets with low occupancy at an attractive basis ahead of an eventual turnaround of fundamentals. I guess if you guys could talk a bit about that, I'd really appreciate it.

Thomas Boyle

Sure. Obviously, Shankh's quote speaks for itself. I think as we think about the opportunity ahead here, we do think that there's an opportunity to deploy capital in an environment where industry fundamentals haven't been particularly exciting over the last couple of years, but we have confidence in where they're going. We're investing in the people and the platform to be able to do that from here. I think if you look at just, for instance, the basis on the assets that we purchased last year are an attractive basis. We think overall, valuations are attractive today.

Obviously, it depends on the sub-market, but we'll continue to deploy capital for the right opportunities. We think that will benefit the platform over time from here. We have a lot of confidence in the long-term fundamentals of storage. As those return, that's great, but we're not waiting around for that. We have the opportunity to invest today to benefit the platform over time.

Samuel Ohiomah

All right. I appreciate the time. That's all I have.

Operator

Thank you. Ladies and gentlemen, that concludes our question-and-answer session. I'll turn the floor back to Mr. Boyle for any final comments.

Thomas Boyle

Great. Thanks very much for everyone joining today. We're energized by the opportunity ahead and look forward to share more about PS4.0 down the road. Thanks very much.

Operator

Thank you. This concludes today's conference. You may disconnect your lines at this time. Thank you for your participation.