

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the period ended June 30, 1997

or

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 1-10709  
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PUBLIC STORAGE PROPERTIES XI, INC.  
-----

(Exact name of registrant as specified in its charter)

California  
-----

95-4300881  
-----

(State or other jurisdiction of  
incorporation or organization)

(I.R.S. Employer  
Identification Number)

701 Western Avenue  
Glendale, California  
-----

91201-2397  
-----

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code: (818) 244-8080  
-----

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

Yes X No  
--- ---

The number of shares outstanding of the Company's classes of common stock as of June 30, 1997:

1,819,937 shares of \$.01 par value Series A shares  
184,453 shares of \$.01 par value Series B shares  
522,618 shares of \$.01 par value Series C shares  
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PUBLIC STORAGE PROPERTIES XI, INC.  
CONDENSED BALANCE SHEETS

<TABLE>  
<CAPTION>

	June 30,	December
31,	1997	1996
ASSETS	(Unaudited)	
-----		
<S>	<C>	<C>
Cash and cash equivalents	\$1,861,000	
\$1,290,000		
Rent and other receivables	43,000	
53,000		
Prepaid expenses	121,000	
142,000		
Real estate facilities at cost:		
Building, land improvements and equipment	26,796,000	
26,526,000		
Land	12,118,000	
12,118,000		
	38,914,000	
38,644,000		
Less accumulated depreciation	(12,569,000)	
(12,000,000)		
	26,345,000	
26,644,000		
Total assets	\$28,370,000	
\$28,129,000		
=====		

LIABILITIES AND SHAREHOLDERS' EQUITY

Accounts payable	\$556,000	
\$633,000		
Dividends payable	681,000	
681,000		
Advance payments from renters	203,000	
198,000		
Shareholders' equity:		
Series A common, \$.01 par value, 2,828,989 shares authorized,		
1,819,937 shares issued and outstanding in 1997 and 1996	18,000	
18,000		
Convertible Series B common, \$.01 par value,		
184,453 shares authorized, issued and outstanding	2,000	
2,000		
Convertible Series C common, \$.01 par value,		
522,618 shares authorized, issued and outstanding	5,000	
5,000		
Paid-in-capital	32,421,000	
32,421,000		
Cumulative net income	27,646,000	
25,971,000		
Cumulative distributions	(33,162,000)	
(31,800,000)		

Total shareholders' equity	26,930,000
26,617,000	
-----	
Total liabilities and shareholders' equity	\$28,370,000
\$28,129,000	
=====	

</TABLE>

See accompanying notes.  
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PUBLIC STORAGE PROPERTIES XI, INC.  
CONDENSED STATEMENTS OF INCOME  
(UNAUDITED)

<TABLE>  
<CAPTION>

	Three Months Ended June 30,		Six Months Ended June 30,	
	1997	1996	1997	
	-----		-----	
1996				
	-----		-----	
REVENUES:				
<S>	<C>	<C>	<C>	<C>
Rental income	\$1,881,000	\$1,816,000	\$3,704,000	
\$3,552,000				
Interest income	19,000	6,000	32,000	
11,000				
	-----		-----	
3,563,000	1,900,000	1,822,000	3,736,000	
	-----		-----	
COSTS AND EXPENSES:				
Cost of operations	554,000	595,000	1,169,000	
1,173,000				
Management fees paid to affiliates	110,000	95,000	216,000	
188,000				
Depreciation	289,000	278,000	569,000	
552,000				
Administrative	55,000	49,000	107,000	
105,000				
Interest expense	-	-	-	
3,000				
	-----		-----	
2,021,000	1,008,000	1,017,000	2,061,000	
	-----		-----	
NET INCOME	\$892,000	\$805,000	\$1,675,000	
\$1,542,000				
	=====		=====	
Earnings per share:				
Primary - Series A	\$0.45	\$0.40	\$0.85	
\$0.77				
	=====		=====	
Fully diluted - Series A	\$0.35	\$0.32	\$0.66	
\$0.61				
	=====		=====	
Dividends declared per share:				
Series A	\$0.34	\$0.34	\$0.68	
\$0.68				
	=====		=====	
Series B	\$0.34	\$0.34	\$0.68	
\$0.68				
	=====		=====	

Weighted average Common shares outstanding:

Primary - Series A 1,839,320	1,819,937	1,836,837	1,819,937
=====	=====	=====	=====
Fully diluted - Series A 2,546,391	2,527,008	2,543,908	2,527,008
=====	=====	=====	=====

</TABLE>

See accompanying notes.

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Public Storage Properties XI, Inc.  
Condensed Statement of Shareholders' Equity  
(Unaudited)

<TABLE>  
<CAPTION>

	Series A		Convertible Series B		Convertible Series C	
	Shares	Amount	Shares	Amount	Shares	Amount
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Balances at December 31, 1996	1,819,937	\$18,000	184,453	\$2,000	522,618	\$5,000
Net income						
Cash distributions declared:						
\$.68 per share - Series A						
\$.68 per share - Series B						
Balances at June 30, 1997	1,819,937	\$18,000	184,453	\$2,000	522,618	\$5,000

</TABLE>

<TABLE>  
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	Paid-in capital	Cumulative net income	Cumulative distributions	Total shareholders' equity
<S>	<C>	<C>	<C>	<C>
Balances at December 31, 1996	\$32,421,000	\$25,971,000	(\$31,800,000)	\$26,617,000
Net income		1,675,000		1,675,000
Cash distributions declared:				
\$.68 per share - Series A			(1,236,000)	(1,236,000)
\$.68 per share - Series B			(126,000)	(126,000)
Balances at June 30, 1997	\$32,421,000	\$27,646,000	(\$33,162,000)	\$26,930,000

</TABLE>

See accompanying notes.

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PUBLIC STORAGE PROPERTIES XI, INC.  
CONDENSED STATEMENTS OF CASH FLOWS  
(UNAUDITED)

<TABLE>  
<CAPTION>

	Six Months Ended June 30,	
	1997	1996
-----	-----	-----
(Restated)		
Cash flows from operating activities:		
<S>	<C>	<C>
Net income	\$1,675,000	
\$1,542,000		

Adjustments to reconcile net income to net cash provided by operating activities:

Depreciation	569,000	
552,000		
Decrease in rent and other receivables	10,000	
55,000		
Decrease (increase) in prepaid expenses	21,000	
(9,000)		
Amortization of prepaid management fees	-	
154,000		
Decrease in accounts payable	(77,000)	
(50,000)		
Increase in advance payments from renters	5,000	
20,000		
-----		
Total adjustments	528,000	
722,000		
-----		
Net cash provided by operating activities	2,203,000	
2,264,000		
-----		
Cash flows from investing activities:		
Additions to real estate facilities	(270,000)	
(117,000)		
-----		
Net cash used in investing activities	(270,000)	
(117,000)		
-----		
Cash flows from financing activities:		
Distributions paid to shareholders	(1,362,000)	
(1,381,000)		
Borrowing on credit facility	-	
250,000		
Repayment of borrowing on credit facility	-	
(250,000)		
Purchase of Company Series A common stock	-	
(350,000)		
-----		
Net cash used in financing activities	(1,362,000)	
(1,731,000)		
-----		
Net increase in cash and cash equivalents	571,000	
416,000		
Cash and cash equivalents at the beginning of the period	1,290,000	
746,000		
-----		
Cash and cash equivalents at the end of the period	\$1,861,000	
\$1,162,000		
=====		

</TABLE>

See accompanying notes.

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PUBLIC STORAGE PROPERTIES XI, INC.  
NOTES TO CONDENSED FINANCIAL STATEMENTS  
(UNAUDITED)

- The accompanying unaudited condensed financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although management believes that the disclosures contained herein are adequate to make the information presented not misleading. These unaudited condensed financial statements should be

read in conjunction with the financial statements and related notes appearing in the Company's Form 10-K for the year ended December 31, 1996.

2. In the opinion of management, the accompanying unaudited condensed financial statements reflect all adjustments, consisting of only normal accruals, necessary to present fairly the Company's financial position at June 30, 1997 and December 31, 1996, the results of its operations for the three and six months ended June 30, 1997 and 1996 and its cash flows for the six months then ended.
3. The results of operations for the three and six months ended June 30, 1997 are not necessarily indicative of the results expected for the full year.
4. Certain prior year amounts have been reclassified in order to conform with current year presentation.
5. The Company has an unsecured revolving credit facility with a bank for borrowings up to \$3,000,000 for working capital purposes and to repurchase the Company's stock. Outstanding borrowings on the credit facility, at the Company's option, bear interest at either the bank's prime rate plus .25% or the bank's LIBOR rate plus 2.25%. Interest is payable monthly. On December 31, 1999, all unpaid principal and accrued interest is due and payable. At June 30, 1997 and for the six months then ended, there was no outstanding balance on the credit facility.

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PUBLIC STORAGE PROPERTIES XI, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following is management's discussion and analysis of certain significant factors occurring during the periods presented in the accompanying Condensed Financial Statements.

RESULTS OF OPERATIONS.

- - - - -

The Company's net income for the six months ended June 30, 1997 and 1996 was \$1,675,000 and \$1,542,000, respectively, representing an increase of \$133,000 or 9%. Net income for the three months ended June 30, 1997 and 1996 was \$892,000 and \$805,000, respectively, representing an increase of \$87,000 or 11%. These increases are primarily the result of increases in property net operating income (rental income less cost of operations, management fees paid to affiliates and depreciation expense).

Rental income for the six months ended June 30, 1997 and 1996 was \$3,704,000 and \$3,552,000, respectively, representing an increase of \$152,000 or 4%. Rental income for the three months ended June 30, 1997 and 1996 was \$1,881,000 and \$1,816,000, respectively, representing an increase of \$65,000 or 4%. The Company's mini-warehouse operations contributed \$124,000 and \$54,000 to the increase in rental income for the six and three month periods ended June 30, 1997, respectively, compared to the same periods in 1996. Approximately 76% and 63% of the increase in mini-warehouse rental income for the six and three month periods ended June 30, 1997, respectively, was generated by the Company's two California properties primarily due to an increase in rental rates. The Company's business park operations also contributed to the increase in rental income for the six and three month periods ended June 30, 1997 compared to the same periods in 1996 due to increases in rental rates.

The Company's mini-warehouse operations had weighted average occupancy levels of 92% and 91% for the six month periods ended June 30, 1997 and 1996, respectively. The Company's business park operations had weighted average occupancy levels of 97% and 98% for the six month periods ended June 30, 1997 and 1996, respectively.

Cost of operations (including management fees paid to affiliates and depreciation expense) for the six months ended June 30, 1997 and 1996 was \$1,954,000 and \$1,913,000, respectively, representing an increase of \$41,000 or 2%. This increase is primarily due to an increase in management fees and property taxes partially offset by a decrease in snow removal costs. Property taxes increased primarily due to an unfavorable comparison to a one-time tax refund received in early 1996 from appealing prior years tax assessments at the Company's Nesconset, New York property. Snow removal costs were higher in 1996 than amounts typically incurred due to higher than normal snow levels experienced at the Company's mini-warehouse facilities located in the eastern states. Cost of operations for the three months ended June 30, 1997 and 1996 was \$953,000 and \$968,000, respectively, representing a decrease of \$15,000 or 2%. This decrease is mainly the result of a decrease in tenant and legal claims costs and advertising costs partially offset by an increase in management fees.

In 1995, the Company prepaid eight months of 1996 management fees on its mini-warehouse operations discounted at a 14% effective rate to compensate for early payment. As a result, management fee expense for the six months ended June 30, 1996 was \$18,000 lower than it would have been under the customary, undiscounted fee structure.

During the six months ended June 30, 1996, the Company incurred \$3,000 in interest expense on its line of credit facility. No such expense was incurred during the same period in 1997 since the Company did not have any borrowings against its credit facility.

#### LIQUIDITY AND CAPITAL RESOURCES.

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Cash flows from operating activities (\$2,203,000 for the six months ended June 30, 1997) and cash reserves were sufficient to meet all current obligations and distributions of the Company during the six months ended June 30, 1997. Management expects cash flows from operations will be sufficient to fund capital expenditures and quarterly distributions.

The Company has an unsecured revolving credit facility with a bank for borrowings up to \$3,000,000 for working capital purposes and to repurchase the Company's stock. Outstanding borrowings on the credit facility, at the Company's option, bear interest at either the bank's prime rate plus .25% or the bank's LIBOR rate plus 2.25%. Interest is payable monthly. On December 31, 1999, all unpaid principal and accrued interest is due and payable. At June 30, 1997 and for the six months then ended, there was no outstanding balance on the credit facility.

The Company's Board of Directors has authorized the Company to purchase up to 400,000 shares of Series A common stock. As of June 30, 1997, the Company had repurchased 301,275 shares of Series A common stock, none of which were purchased in 1997.

The bylaws of the Company provide that, during 1997, unless shareholders have previously approved such a proposal, the shareholders will be presented with a proposal to approve or disapprove (a) the sale or financing of all or substantially all of the properties and (b) the distribution of the proceeds from such transaction and, in the case of a sale, the liquidation of the Company.

The Company has elected and intends to continue to qualify as a real estate investment trust ("REIT") for Federal income tax purposes. As a REIT, the Company must meet, among other tests, sources of income, share ownership, and certain asset tests. The Company is not taxed on that portion of its taxable income which is distributed to its shareholders provided that at least 95% of its taxable income is so distributed to its shareholders prior to filing of the Company's tax return. The primary difference between book income and taxable income is depreciation expense. In 1996, the Company's Federal tax depreciation was \$1,229,000.

#### SUPPLEMENTAL INFORMATION.

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Funds from operations (FFO) is defined by the Company, consistent with the definition of FFO by the National Association of Real Estate Investment Trusts (NAREIT), as net income (loss) (computed in accordance with generally accepted accounting principles) before depreciation and extraordinary or non-recurring items. FFO for the six months ended June 30, 1997 and 1996 was \$2,244,000 and \$2,094,000. FFO for the three months ended June 30, 1997 and 1996 was \$1,181,000 and \$1,083,000, respectively. FFO is presented because the Company, as well as many industry analysts, consider FFO to be one measure of the performance of the Company, ie, one that generally reflects changes in the Company's net operating income. FFO does not take into consideration scheduled principal payments on debt and capital improvements. Accordingly, FFO is not necessarily a substitute for the Company's cash flow or net income as a measure of the Company's liquidity or operating performance or ability to pay distributions. Furthermore, the NAREIT definition of FFO does not address the treatment of certain items and all REITs do not treat items the same way in computing FFO. Accordingly, comparisons of levels of FFO among REITs may not necessarily be meaningful.

#### PART II. OTHER INFORMATION

ITEMS 1 through 5 are inapplicable.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

(A) EXHIBITS: The following exhibit is included herein:

(27) Financial Data Schedule

(B) REPORTS ON FORM 8-K

None

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

DATED: August 12, 1997

PUBLIC STORAGE PROPERTIES XI, INC.

BY:       /s/ David P. Singelyn  
          -----  
          David P. Singelyn  
          Vice President and  
          Chief Financial Officer



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